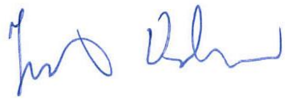
Solvency and financial condition report of Sava Re d.d. for 2021

Ljubljana, April 2022

Management Board of Sava Re d.d.

Marko Jazbec, Chairman of the Management Board



Jošt Dolničar, Member of the Management Board

Polona Pirš Zupančič, Member of the Management Board

Peter Skvarča, Member of the Management Board

CONTENTS

Summary 7
A. Business and performance 12
A.1 Business 12
A.2 Reinsurance underwriting performance 19
A.3 Investment performance 22
A.4 Performance of other activities 26
A.5 Any other information 27
B. System of governance 28
B.1 General information on the system of governance 28
B.1.1 Governing bodies 28
B.1.2 Risk management 33
B.1.3 Key functions of the risk management system 33
B.1.4 Committees of the governance system 35
B.1.5 Information about the remuneration policy 36
B.1.6 Material related-party transactions 38
B.2 Fit and proper requirements 38
B.2.1 General 38
B.2.2 Fitness requirements for relevant personnel 39
B.2.3 Suitability requirements for relevant personnel 40
B.2.4 Assessment procedure 41
B.3 Risk management system including the own risk and solvency assessment 42
B.3.1 Risk management organisation 42
B.3.2 Components of the risk management system 43
B.4 Internal control system 48
B.4.1 Internal control system 48
B.4.2 Compliance function 48
B.5 Internal audit function 50
B.6 Actuarial function 52
B.7 Outsourcing 53
B.8 Any other information 54
C. Risk profile 55
C.1 Underwriting risk 57
C.1.1 Risk exposure 58
C.1.2 Risk measurement 60
C.1.3 Risk concentration 61
C.1.4 Risk management 61
C.2 Market risk 66
C.2.1 Risk exposure 66
C.2.2 Risk measurement 67
C.2.3 Risk concentration 70
C.2.4 Risk management 70
C.3 Credit risk 74
C.3.1 Risk exposure 74
C.3.2 Risk measurement 74
C.3.3 Risk management 76
C.4 Liquidity risk 77
C.4.1 Risk exposure 77
C.4.2 Risk measurement 77
C.4.3 Risk concentration 77
C.4.4 Risk management 77

C.5 Operational risk ... 79
C.5.1 Risk exposure ... 79
C.5.2 Risk measurement ... 79
C.5.3 Risk concentration ... 79
C.5.4 Risk management ... 80
C.6 Other material risks ... 81
C.6.1 Risk exposure ... 81
C.6.2 Risk measurement ... 81
C.6.3 Risk concentration ... 81
C.6.4 Risk management ... 81
C.7 Any other information ... 84
D. Valuation for solvency purposes ... 85
D.1 Assets ... 88
D.1.1 Deferred acquisition costs ... 88
D.1.2 Intangible assets ... 88
D.1.3 Deferred tax assets and liabilities ... 88
D.1.4 Property, plant and equipment held for own use ... 89
D.1.5 Investments ... 90
D.1.6 Loans and mortgages ... 91
D.1.7 Reinsurers' share of technical provisions ... 91
D.1.8 Deposits to cedants ... 92
D.1.9 Insurance and intermediaries receivables ... 92
D.1.10 Reinsurance and co-insurance receivables ... 92
D.1.11 Other receivables ... 92
D.1.12 Own shares ... 93
D.1.13 Cash and cash equivalents ... 93
D.1.14 Any other assets, not elsewhere shown ... 93
D.2 Technical provisions ... 94
D.2.1 Values of SII technical provisions ... 95
D.2.2 Description of the level of uncertainty associated with the value of SII technical provisions ... 97
D.3 Other liabilities ... 98
D.3.1 Provisions other than technical provisions ... 98
D.3.2 Insurance and intermediaries payables ... 98
D.3.3 Reinsurance and co-insurance payables ... 98
D.3.4 Other payables ... 98
D.3.5 Subordinated liabilities ... 98
D.3.6 Any other liabilities, not elsewhere shown ... 99
D.4 Alternative methods for valuation ... 100
D.5 Any other information ... 101
E. Capital management ... 102
E.1 Own funds ... 103
E.2 Solvency capital requirement and minimum capital requirement ... 107
E.2.1 Solvency capital requirement (SCR) ... 107
E.2.2 Minimum capital requirement ... 109
E.3 Use of the duration-based equity risk sub-module in the calculation of the solvency capital requirement ... 111
E.4 Difference between the Standard Formula and internal model used ... 112
E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement ... 113
E.6 Any other information ... 114

Appendix – Glossary of selected terms ... 115
Quantitative Reporting Templates ... 118
S.02.01.02 Balance sheet ... 118
S.05.01.02 Premiums, claims and expenses by line of business ... 120
S.05.02.01 Premiums, claims and expenses by country ... 123
S.12.01.02 Life and Health SLT Technical Provisions ... 124
S.17.01.02 Non-life Technical Provisions ... 126
S.19.01.21 Non-life Insurance Claims Information ... 129
S.23.01.01 Own funds ... 131
S.25.01.21 Solvency Capital Requirement – for undertakings on Standard Formula ... 133
S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity ... 135

General information

All figures included in this report are consistent with those reported as part of the quantitative reporting procedure for the Slovenian Insurance Supervision Agency. The figures in this report are stated in thousands of euros. The report has been reviewed and approved by the Company's management and supervisory boards.

The Company's solvency and financial condition report has been reviewed by the auditing firm KPMG, who have issued an independent auditor's assurance report.

Summary

In 2021, Covid-19 and the associated pandemic continued to cause increased uncertainty in terms of business continuity, and achieving the planned business results and strategic objectives of Sava Re. The Company financially weathered 2021 well, with no major negative effects on the results of its operations due to Covid-19. The Company has also demonstrated the resilience of its solvency position to market conditions throughout the period since the onset of the pandemic.

The monitoring of Covid-19-related risks has been integrated into periodic risk monitoring and reporting in risk reports. The monitoring extended to capital adequacy as well as the impact on individual risks, current operating results and liquidity. Analyses conducted and reports were taken into consideration by the management when making decisions.

In view of the war situation that has developed in Ukraine, the Company has examined any impacts on its operations and estimates that, due to its small volume of business with and low investment exposure to Russia and Ukraine, the changed circumstances will not have a material impact on its business results.

Company profile

Sava Re, the parent of the Sava Insurance Group (hereinafter: the Group or the Sava Insurance Group), transacts reinsurance business. The insurance part of the Group is composed of eight insurers based in Slovenia and in the countries of the Adriatic region: the composite insurer Zavarovalnica Sava (SVN); the non-life insurers Sava Neživotno Osiguranje (SRB), Sava Osiguruvanje (MKD), Illyria (RKS) and Sava Osiguranje (MNE), and the life insurers Vita (SVN), Sava Životno Osiguranje (SRB) and Illyria Life (RKS). In addition to these (re)insurers, the Group consists of:

- Sava Pokojninska (SVN): a Slovenian pension company;
- Sava Penzisko Društvo (MKD): a pension fund manager based in North Macedonia managing second- and third-pillar pension funds;
- Sava Infond (SVN): a subsidiary managing investment funds;
- TBS Team 24 (SVN): a company providing assistance services relating to motor, health and homeowners insurance;
- DCB (SVN):[1] a Sava Re associate company, a holding company and owner of the Bled Diagnostic Centre;
- G2I (GBR): an associate company marketing on-line motor polices;
- S Estate (RKS): a company based in Kosovo that owns some real property but is currently dormant.

With over 40 years of experience in international reinsurance, Sava Re provides a full range of reinsurance coverages. Building a globally diversified portfolio, it now conducts business with more than 350 clients in over 100 reinsurance markets worldwide. The Company's guiding principle is to build long-term relationships with clients and partners that make it possible to create stability throughout all economic cycles. The Company's preferred classes of business are property, engineering, marine hull and cargo, and energy.

Sava Re is a public limited company. We are a medium-sized company but have a global reach. With a team of about 140 people, Sava Re is headquartered in Ljubljana. We aim to lead and support all lines

[1] Formerly ZTSR.

of treaty reinsurance business, both proportional and non-proportional reinsurance contracts with good capacity in order to provide our clients with:

- capacity,
- capital substitute, and
- catastrophe covers.

We are rated “A” by S&P Global Ratings and AM Best. Our core strengths lie in our regional knowledge, reliability, responsiveness, flexibility and financial strength.

Business and performance

In 2021, Sava Re wrote EUR 190.1 million in gross premiums (2020: EUR 191.7 million), a 0.9% decline compared to 2020. Gross premiums written outside the Group grew by EUR 5.3 million. Premiums for past underwriting years were EUR 7.3 million higher in 2021, mainly for proportional reinsurance, whereas premiums for the current underwriting year were slightly lower (by 2.1% and EUR 2.0 million, respectively). After the outbreak of the Covid-19 pandemic in 2020, we estimated that, due to the expected decline in the gross domestic products (hereinafter: GDP) of the countries where we have clients, the premium volume for the financial year would be 10% below the target figure set when underwriting the business based on cedant figures. In 2021, we abandoned this assumption in view of the economic situation and treated premiums for the 2020 underwriting year the same as the premiums of other underwriting years. We have seen similar responses from other reinsurers in international markets. Group gross premiums written decreased by EUR 6.9 million in 2021 as a result of the cancellation of FoS business[2] due to deteriorating market conditions and stricter Company criteria.

In 2021, exchange differences had an upward effect on claims incurred in the amount of EUR 4.4 million; in 2020, the effect was downward in the amount of EUR 6.9 million. Net claims incurred, excluding the effect of exchange differences, fell by 12.7% to EUR 107.1 million in 2021 compared to 2020. Gross claims paid increased in 2021 because of storm and flood events in western Europe (mainly Germany, Belgium and Austria) and China as well as a fire loss in Suriname. Despite the high gross claims paid related to the floods in western Europe, their impact on net claims incurred was relatively low owing to reinsurance protection. Developments of past underwriting years also had a positive effect on the movement of claims incurred in 2021. The decrease compared with 2020 was also the result of the detrimental effects of Covid-19 and FoS business in 2020.

Upon exclusion of exchange differences (2021: EUR 3.7 million), the net investment income relating to the investment portfolio totalled EUR 54 million, EUR 51.5 million above the 2020 figure. The largest contribution to total 2021 income came from income from subsidiary and associate companies totalling EUR 50.4 million, up EUR 47.8 million year on year. The large difference in income from subsidiary and associate companies compared to 2020 was due to regulators’ recommendations to insurers, reinsurers and pension companies to postpone dividend payouts due to Covid-19’s impact on business. Interest income amounted to EUR 2.9 million, a decline of EUR 0.5 million compared to the previous year. Gains on the disposal of investments rose by EUR 0.9 million compared to 2020.

Compared to 2020, investment portfolio expenses decreased by EUR 8.1 million. Interest expenses relating to the subordinated bond of Sava Re amounted to EUR 2.9 million in 2021 (2020: EUR 2.9 million). Expenses relating to the change in fair value through profit or loss were EUR 0.5 million lower than in the previous year and totalled EUR 0.3 million. Compared to 2020, the Company did not realise

[2] Primary business written abroad based on the freedom of services right to provide services on a cross-border basis.

any expenses of subsidiary and associate companies (2020: EUR 2.6 million) or impairments of financial investments (2020: EUR 0.4 million).

The net profit for 2021 was EUR 52.8 million (2020: EUR -11.0 million). The net profit improved due to the effects described above.

System of governance

The Company has in place a well-defined system of governance that includes:

- an adequate organisation, including management bodies, key functions and committees;
- an integrated risk management system;
- an internal control system.

The Company has four key functions as part of its risk management system: the actuarial function, the compliance function, the risk management function and the internal audit function. Furthermore, the Company has a risk management committee and an actuarial committee.

To ensure efficient risk management, the Company has in place a three-lines-of-defence model with clearly defined division of responsibilities and tasks:

- The first line of defence constitutes all organisational units with operational responsibilities (development, sales and reinsurance management, provision of reinsurance services, financial operations, accounting, controlling, human resources and others).
- The second line of defence consists of the risk management function, actuarial function, compliance function and risk management committee.
- The third line of defence consists of the internal audit function.

In 2021, the composition of the Company's management board changed. Details are provided in section B.1.1 "Governing bodies".

Risk profile

The risk profile is dominated by market and non-life underwriting risk. To a lesser extent, the Company is also exposed to other types of risk: health underwriting risk, counterparty default risk and operational risk. To calculate its capital requirement for these risks, the Company uses the Solvency II standard formula (hereinafter: the Standard Formula) as prescribed by the Commission Delegated Regulation (EU) 2015/35 (hereafter: the Delegated Regulation).

Apart from the above risks, which are captured by the Standard Formula, the Company is also exposed to liquidity risk, and additionally to various strategic risks as a result of the complex internal and external environment.

The table below shows the Company's solvency capital requirement in accordance with the Standard Formula (hereinafter: SCR) by risk module.

Solvency capital requirement by risk module

(EUR thousand)	31 December 2021	31 December 2020
SCR	**218,039**	**219,399**
Adjustments for TP and DT	-346	-1,555
Operational risk	6,405	5,671
Basic solvency capital requirement (BSCR)	211,980	215,283
Sum of risk components	272,780	276,379
Diversification effect	-60,799	-61,096
Market risk	148,038	157,492
Counterparty default risk	8,900	11,655
Life underwriting risk	501	558
Health underwriting risk	2,723	2,722
Non-life underwriting risk	112,618	103,953

Valuation for solvency purposes

In accordance with Article 174 of the Slovenian Insurance Act, assets are valued at amounts for which they could be exchanged between knowledgeable and willing parties in arm's length transactions. Similarly, the Company values liabilities at amounts for which they could be transferred or settled between knowledgeable and willing parties in arm's length transactions.

The table below shows the adjustments made to the balance sheet items in accordance with International Financial Reporting Standards (hereinafter: IFRS) that the Company has made in its valuation for solvency purposes. Shown are IFRS equity and Solvency II eligible own funds.

The table shows that Solvency II eligible own funds are significantly higher than IFRS equity and eligible own funds as at 31 December 2021.

Adjustments to equity (IFRS) for the SII valuation of the balance sheet

(EUR thousand)	31 December 2021	31 December 2020
IFRS equity	**371,166**	**333,869**
Difference in the valuation of participations	172,276	182,490
Difference in the valuation of other assets	-78,082	-75,796
Difference in the valuation of technical provisions	83,537	86,815
Difference in the valuation of other liabilities	8,219	9,278
Foreseeable dividends, distributions and charges	-19,527	-16,300
Subordinated liabilities in basic own funds	78,065	75,681
Solvency II eligible own funds	**615,653**	**596,036**

Capital management

The Company manages its capital to ensure that it has available, on an ongoing basis, sufficient own funds to meet its obligations and regulatory capital requirements. The composition of eligible own funds held to ensure capital adequacy must comply with regulatory requirements and ensure the achievement of the Company's strategic and operational goals.

The allocation of own funds to business activities must ensure the achievement of the Company's target return on equity.

The Company prepares its business and strategic plans based on the risk strategy, which determines the Company's risk appetite, which also defines the target solvency level. When drafting the business and strategic plans, the Company makes sure that the plans are in line with the risk appetite, making adjustments if necessary. On the whole, the Company seeks to achieve an efficient allocation of capital.

The following table sets out the Company's capital adequacy.

The Company's capital adequacy

(EUR thousand)	31 December 2021	31 December 2020
Solvency capital requirement (SCR)	218,039	219,399
Eligible own funds to meet the SCR	615,653	596,036
Of which tier 1	*537,588*	*520,356*
Of which tier 2	*78,065*	*75,681*
Of which tier 3	*0*	*0*
Solvency ratio	**282%**	**272%**
Minimum capital requirement (MCR)	54,510	54,850
Eligible own funds to meet the MCR	548,490	531,326
Of which tier 1	*537,588*	*520,356*
Of which tier 2	*10,902*	*10,970*
Of which tier 3	*0*	*0*
MCR ratio	**1,006%**	**969%**

As at 31 December 2021, most of the Company's eligible own funds were classified as tier 1. In addition, eligible own funds include subordinated liabilities classified as tier 2 eligible own funds. As at 31 December 2021, the Company complied with the regulatory requirements on the level and quality of capital to cover the SCR and MSR as its solvency ratio substantially exceeded the regulatory requirement of 100% and stood at 282%, whereas the MCR ratio was 1,006%.

The Company also tested the adequacy of eligible own funds to cover the SCR and MCR several times during the year, and it found that it complied with the regulatory requirements throughout the year.

The risk strategy for 2020–2022 set the Company's target solvency ratio at 200%. This demonstrates that the Company is well capitalised, also by its own criteria.

A. Business and performance

A.1 Business

Name and legal form of the Company

Sava Re d.d.
Dunajska cesta 56
1000 Ljubljana
Slovenia

Sava Re transacts reinsurance business. In addition, it is the parent company of the Sava Insurance Group. In addition to Sava Re, the Group comprises one composite insurance company in Slovenia (Zavarovalnica Sava), one life insurance company in Slovenia (Vita), two life insurers based outside Slovenia (Sava Životno Osiguranje (SRB) and Illyria Life (RKS)), and four non-life insurers outside Slovenia (Sava Neživotno Osiguranje (SRB), Sava Osiguruvanje (MKD), Illyria (RKS) and Sava Osiguranje (MNE)).

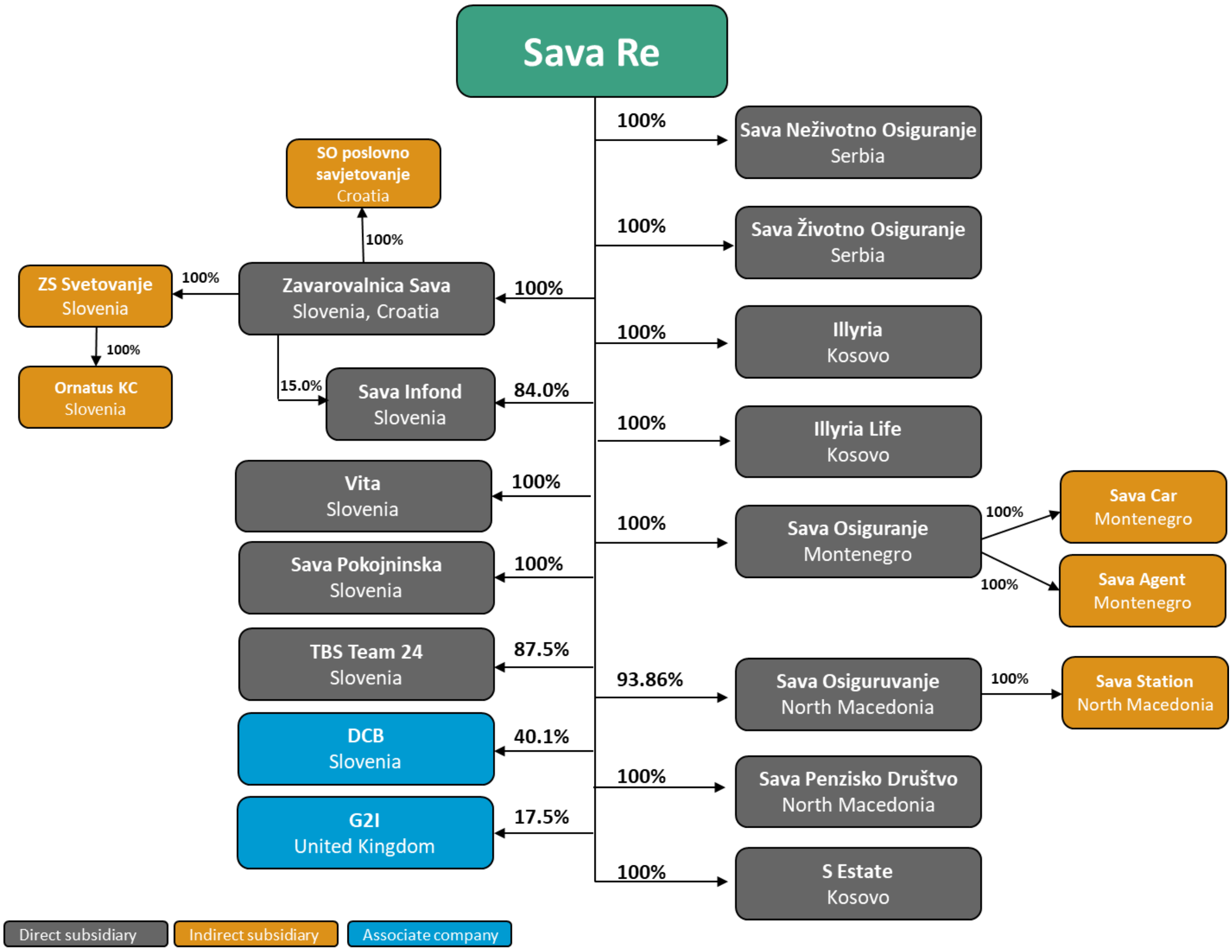
In addition to the above (re)insurers, the Sava Insurance Group consists of:

- Sava Pokojninska (SVN): a Slovenian pension company;
- Sava Penzisko Društvo (MKD): a pension fund manager based in North Macedonia managing second- and third-pillar pension funds;
- Sava Infond (SVN): a subsidiary managing investment funds;
- TBS Team 24 (SVN): a company providing assistance services relating to motor, health and homeowners insurance;
- DCB (SVN):[3] a Sava Re associate company, a holding company and owner of the Bled Diagnostic Centre;
- G2I (GBR): an associate company marketing on-line motor polices;
- S Estate (RKS): a company based in Kosovo that owns some real property but is currently dormant.

The following chart shows the position of Sava Re within the legal structure of the Group.

[3] Formerly ZTSR.

Position of Sava Re as at 31 December 2021[4]



The following table provides details on all the subsidiaries and associates of Sava Re.

Sava Re subsidiaries and associates as at 31 December 2021

	Zavarovalnica Sava (SVN)	Sava Neživotno Osiguranje (SRB)	Illyria (RKS)	Sava Osiguruvanje (MKD)	Sava Osiguranje (MNE)
Registered office	Cankarjeva ulica 3, 2000 Maribor, Slovenia	Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Zagrebska br. 28A, 1000 Skopje, North Macedonia	Ulica Svetlane Kane Radević br. 1, 81000 Podgorica, Montenegro
Main activity	insurance	non-life insurance	non-life insurance	non-life insurance	non-life insurance
Share capital (EUR)	68,417,377	6,314,464	7,228,040	3,820,077	4,033,303
Book value of equity interest (EUR)	68,417,377	6,314,464	7,228,040	3,585,524	4,033,303

[4] The percentages in the figure relate to equity stakes. The equity stakes provided for G2i, Sava Infond and DCB differ from the voting rights held by these companies. The annual report includes disclosures for all companies, including equity stakes and voting rights.

	Zavarovalnica Sava (SVN)	Sava Neživotno Osiguranje (SRB)	Illyria (RKS)	Sava Osiguruvanje (MKD)	Sava Osiguranje (MNE)
% equity interest / voting rights held by Group members	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 93.86%	Sava Re: 100.0%
Profit or loss for 2021 (EUR)	58,087,630	558,440	815,729	-266,161	1,741,085
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company
	Illyria Life (RKS)	**Sava Životno Osiguranje (SRB)**	**S Estate (RKS)**	**Sava Pokojninska (SVN)**	**TBS Team 24 (SVN)**
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia	Ljubljanska ulica 42, 2000 Maribor, Slovenia
Main activity	life insurance	life insurance	currently none	pension fund	provision of assistance services
Share capital (EUR)	3,285,893	4,326,664	1,800,000	6,301,109	8,902
Book value of equity interest (EUR)	3,285,893	4,326,664	1,800,000	6,301,109	7,789
% equity interest / voting rights held by Group members	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 87.5%
Profit or loss for 2021 (EUR)	354,074	27,312	-68	616,287	883,684
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary	subsidiary pension company	subsidiary
	Sava Penzisko Društvo (MKD)	**DCB (SVN)**	**G2I (GBR)**	**Sava Infond (SVN)**	**Vita (SVN)**
Registered office	Majka Tereza 1, 1000 Skopje, North Macedonia	Pod Skalo 4, 4260 Bled, Slovenia	Bailey House, 4–10 Barttelot Road, Horsham, West Sussex, RH12 1DQ, UK	Ulica Vita Kraigherja 5, 2000 Maribor, Slovenia	Trg republike 3, 1000 Ljubljana, Slovenia
Main activity	fund management activities	hospital activities	insurance agency	investment fund asset management	life insurance
Share capital (EUR)	2,110,791	379,123	152,958	1,460,524	7,043,900
Book value of equity interest (EUR)	2,110,791	189,562	26,768	1,460,524	7,043,900
% equity interest / voting rights held by Group members	Sava Re: 100.0%	Sava Re: 40.1%/50.0%	Sava Re: 17.5%/25.0%	Sava Re: 84.00%/84.85% Zavarovalnica Sava: 15.00%/15.15%	Sava Re: 100.0%
Profit or loss for 2021 (EUR)	1,776,572	1,675,127	-369,588	2,957,166	7,728,173
Position in the Group	subsidiary pension company	associate company	associate company	subsidiary	subsidiary insurance company

Name and contact details of the supervisory authority responsible for the prudential control of the company

Insurance Supervision Agency
Trg republike 3
1000 Ljubljana
Slovenia
Tel.: + 386 (1) 2528 600
Telefax: + 386 (1) 2528 630
Email: agencija@a-zn.si

Name and contact details of the Company's external auditor

KPMG SLOVENIJA, Podjetje za Revidiranje, d.o.o.
Železna cesta 8A
1000 Ljubljana
Slovenia
Telephone: +386 1 420 11 70
Telefax: +386 1 420 11 58
Email: kpmg.lj@kpmg.si

The financial statements of the parent company are audited by KPMG Slovenia, Podjetje za Revidiranje, who have audited the 2021 financial statements of Sava Re and the Sava Insurance Group. In 2021, most of the Group's subsidiary companies were audited by the local auditing staff of the same auditing firm. The 2020 and 2021 financial statements of three Group members were audited by another audit firm. A contract for the auditing of the financial statements was signed with KPMG in 2019, covering the period 2019–2021. Sava Re complies with the provision on auditor rotation under the Insurance Act.

Holders of qualifying shares in the company as at 31 December 2021

Shareholder	No. of shares	Holding	% voting rights
SDH d.d.	3,043,883	17.7%	19.6%
Intercapital Securities Ltd., fiduciary account	2,565,981	14.9%	16.6%

Source: Central securities register KDD d.d.
Notes:
Sava Re holds 1,721,966 own shares with no voting rights attached.
On 2 June 2016, Sava Re received a notice from Adris Grupa d.d., Vladimira Nazora 1, 52210 Rovinj, Croatia (hereinafter: Adris Grupa), advising Sava Re of a change in major holdings in Sava Re. On 2 June 2016, Adris Grupa, including its subsidiaries with fiduciary accounts, held 3,278,049 POSR shares, representing 19.04% and 21.15% of issued and outstanding shares, respectively. The Company has received no subsequent notice of any change in holding from Adris Grupa d.d.

Material lines of business transacted by the Company and its main markets

The Company writes reinsurance contracts in the Slovenian market and globally. The following two tables list Sava Re's most important markets in 2021 (with premiums written exceeding EUR 8.0 million[5]) and the Company's material lines of business. As evident from the first table, Sava Re (apart from its intra-Group business) sources most of its premiums from Asian markets.

[5] The Company's materiality threshold based on the capital adequacy calculation as at 31 December 2021.

Countries where the Company wrote most of its premiums

EUR thousand	Premiums in 2021	Premiums in 2020	Index
Slovenia	73,380	79,642	92.1
South Korea	14,034	13,967	100.5
China	8,750	10,599	82.6
Other countries	93,888	87,476	107.3
Total	**190,052**	**191,683**	**99.1**

In terms of lines of business, proportional and non-proportional property reinsurance was the dominant line, accounting for 64.7% of total gross premiums written in 2021 (2020: 60.7%). The second-largest line of business was proportional other motor reinsurance, representing 19.2% of total gross premiums written (2020: 17.4%).

Premiums by line of business

EUR thousand	Premiums in 2021	Premiums in 2020	Index
Proportional fire and other damage to property reinsurance	75,935	70,120	108.3
Non-proportional property reinsurance	47,046	46,272	101.7
Proportional other motor reinsurance	21,525	18,522	116.2
Proportional motor vehicle liability reinsurance	14,944	14,810	100.9
Proportional marine, aviation and transport reinsurance	8,124	13,465	60.3
Proportional general liability reinsurance	5,812	10,400	55.9
Proportional income protection reinsurance	5,727	5,544	103.3
Non-proportional casualty reinsurance	5,042	4,664	108.1
Non-proportional marine, aviation and transport reinsurance	3,286	4,077	80.6
Proportional credit and suretyship reinsurance	751	633	118.6
Non-proportional health reinsurance	551	544	101.1
Proportional miscellaneous financial loss reinsurance	525	1,741	30.1
Proportional assistance reinsurance	26	0	-
Proportional legal expenses reinsurance	9	9	100.0
Proportional medical expense reinsurance	0	296	0.0
Life reinsurance	749	585	128.0
Total	**190,052**	**191,683**	**99.1**

Significant events in 2021

- On 5 March 2021, Sava Re received a letter from the Insurance Supervision Agency (the Agency) stating that, due to the uncertain situation regarding the spread of the Covid-19 pandemic and the associated uncertain consequences for the economy and the insurance sector, the Agency expected insurance undertakings, reinsurance undertakings and pension companies to suspend dividend payments until 30 September 2021. Furthermore, the recommendation of the Agency set certain criteria for companies where, contrary to the recommendation, the management and supervisory boards were to propose the appropriation of the distributable profit prior to the above date, and required such companies to demonstrate compliance with the principle of prudence in their decisions. On 2 April 2021, Sava Re received another letter from the Agency amending the recommendation of 5 March 2021 regarding the payment of dividends and detailing the criteria. To prove its ability to pay dividends in 2021, Sava Re compiled documents for the Agency to demonstrate its financial stability, solvency, liquidity and resilience to stress scenarios (including Covid-19 impacts). Based on the Agency’s strictest criterion, the dividend was not to exceed the average dividend paid in 2017–2019, which was EUR 0.85 per share. On 9 September 2021, Sava Re received a letter from the Agency announcing that, based on half-

yearly data on the performance of (re)insurance companies and pension companies and in view of the economic upturn in Slovenia and the euro area in the first half of 2021, it had decided not to extend the recommendation to suspend dividend payments (which was valid until 30 September 2021). Notwithstanding the above, in this letter the Agency stated that it would continue to monitor the capital and dividend plans of its controlled entities closely and that it expected companies to continue to pursue the principles of prudence when declaring dividends.
- In May 2021, the 37th general meeting of shareholders was held.
- In July 2021, the terms of office of three members of the Sava Re supervisory board, Mateja Lovšin Herič, Keith William Morris and Andrej Kren, expired. Details on changes in the composition of the supervisory board and its committees are set out in section B.1.1.
- In September 2021, the rating agency S&P Global Ratings affirmed the "A" ratings (excellent) of Sava Re and Zavarovalnica Sava. The outlook was stable.
- In September 2021, Mateja Živec tendered her resignation as a member of the Sava Re supervisory board. The resignation is effective as from 1 January 2022. In November 2021, following an internal selection procedure, the Sava Re workers' council appointed Edita Rituper as a new employee representative on the supervisory board. Her term of office runs from 1 January 2022 to 12 June 2023.
- In October 2021, the Sava Re supervisory board reappointed Marko Jazbec, whose five-year term of office is due to expire on 12 May 2022, as the chairman of the management board for a further term. The new five-year term starts on 13 May 2022.
- In October 2021, the rating agency AM Best affirmed Save Re's "A" ratings (excellent), with a stable outlook.
- In December 2021, the supervisory board of Zavarovalnica Sava appointed Jošt Dolničar, currently a member of the Sava Re management board, as the new chairman of the management board of Zavarovalnica Sava. Jošt Dolničar will take office on the next business day after obtaining the Insurance Supervision Agency licence to act as a management board member, but not earlier than 5 May 2022. The resolution on the appointment of Jošt Dolničar is subject to a suspensive condition. The suspensive condition is to obtain a licence for performing the function of a board member to be issued by the Insurance Supervision Agency. Due to his appointment to the management board of Zavarovalnica Sava, Jošt Dolničar tendered his resignation as a member of the management board of Sava Re, effective as of the date of obtaining the Insurance Supervision Agency's licence to act as a member of the management board of Zavarovalnica Sava, but not earlier than 5 May 2022.

Impact of Covid-19 pandemic

Covid-19 has been present for a year and a half now, and remains a source of direct and indirect uncertainties related to the attainment of the Company's financial targets and strategic goals. Macroeconomic conditions and the situation on the financial markets resulted in a significant improvement in 2021, and the Company financially weathered this period very well, without any major adverse effects of Covid-19 on business results.

In 2021, we integrated the monitoring of Covid-19-related risks into the regular risk monitoring scheme and reported on them in risk reports. The monitoring was carried out in terms of impact of individual risks, current business performance, liquidity and capital adequacy. Analyses conducted and reports were taken into consideration by the management when making decisions.

We do not expect Covid-19 to have a significant negative impact on key risks in the future, as the Company took an active approach to managing these risks. The legal regulatory risk that the interpretation of insurance conditions related to covering business interruption would be unfavourable in some markets and that additional claims related to Covid-19 would have to be paid remains open.

In the own risk and solvency assessment for 2022, we also focused on the implementation of stress scenarios and the analysis of their impacts. We implemented two scenarios with a higher impact, i.e. the inflation scenario and the EIOPA scenario, in which the EIOPA stress test shocks conducted in 2021 were applied. In both scenarios we also considered the potential impact on the insurance portfolio. The scenarios were implemented as at 31 December 2022 (with consideration of financial projections), and they both confirmed the robustness of the Company’s capital adequacy, which significantly exceeds the required regulatory level, even if such scenarios realise.

Details are set out in the annual report of the Sava Insurance Group and Sava Re d.d. for 2021 (hereinafter: the Company’s annual report), section 17.6.1 “Impact of Covid-19 pandemic”, posted on the Company’s website.

Significant events after the reporting date

- The Company has examined the impact of the war in Ukraine on its operations and estimates that, due to the small volume of business with and low investment exposure to Russia and Ukraine, the changed circumstances will not have a material impact on its business results. The Company has written reinsurance contracts with Russian and Ukrainian partners the annual premium volume of which accounts for only 1.6% of Sava Re’s total planned operating revenue for 2022. All contracts contain so-called sanctions clauses. In the event of sanctions imposed by the European Union or the United Nations, such clauses limit the obligations of Sava Re under relevant contracts if such obligations are contrary to the applicable sanctions. In addition, the reinsurance contracts written exclude coverage related to war. The Company has some exposure arising from its asset-liability matching of its rouble-denominated investments, and cash and cash equivalents (0.9% of the Company’s investment portfolio). The Company is aware of the potentially adverse indirect effects on the macroeconomic environment and, consequently, on the Company’s operations, which cannot yet be properly assessed at this stage. Some possible financial effects are presented through sensitivity analyses in the Company’s annual report in the notes to the financial statements in sections 17.6.4.1.1 “Interest rate risk” and 17.6.4.1.3 “Equity risk”.

A.2 Reinsurance underwriting performance

In 2021, the Company achieved a better net profit than in 2020. The impacts on the result are set out below. The operations of Sava Re are described in detail in the Company's annual report.

Premiums, claims, expenses, and profit or loss

EUR thousand	2021	2020	Index
Gross premiums written	190,052	191,683	99.1
Gross claims paid	99,243	90,303	109.9
Net operating expenses[6]	27,432	24,472	112.1
Net profit or loss[7]	52,840	-10,991	480.8

Gross premiums written by material line of business

EUR thousand	2021	2020	Index
Proportional fire and other damage to property reinsurance	75,935	70,120	108.3
Non-proportional property reinsurance	47,046	46,272	101.7
Proportional other motor reinsurance	21,525	18,522	116.2
Proportional motor vehicle liability reinsurance	14,944	14,810	100.9
Other lines of business	30,603	41,958	72.9
Total	**190,052**	**191,683**	**99.1**

Gross premiums written by geographical area

EUR thousand	2021	2020	Index
Slovenia	73,380	79,642	92.1
International	116,672	112,041	104.1
Total	**190,052**	**191,683**	**99.1**

Slovenia-sourced gross premiums written decreased by 7.9%, or EUR 6.3 million, in 2021 (cancellation of FoS business due to deteriorating market conditions and the Company's greater selectivity). Gross premiums written abroad increased by 4.1%, or EUR 4.6 million – premiums for past underwriting years were EUR 7.3 million higher in 2021, mainly for proportional reinsurance, whereas premiums for the current underwriting year were slightly lower (by 2.1% and EUR 2.0 million, respectively). After the outbreak of the Covid-19 pandemic in 2020, we estimated that, due to the expected decline in the GDPs of the countries where we have clients, the premium volume for the financial year would be 10% below the target figure set when underwriting the business based on cedant figures. In 2021, we abandoned this assumption in view of the economic situation and treated premiums for the 2020 underwriting year the same as the premiums of other underwriting years. We have seen similar responses from other reinsurers in international markets.

In 2021, property reinsurance continued to dominated in terms of gross premiums written (fire and other damage to property, including associated business interruption insurance; hereinafter: property business).

[6] Excluded are expenses relating to the management of subsidiary companies.

[7] Shown is the net profit or loss of Sava Re, including the net profit or loss of the Company's holding activities.

Gross claims paid by material line of business

EUR thousand	2021	2020	Index
Proportional fire and other damage to property reinsurance	38,238	33,692	113.5
Non-proportional property reinsurance	20,596	15,462	133.2
Proportional other motor reinsurance	10,803	10,960	98.6
Proportional motor vehicle liability reinsurance	8,717	9,337	93.4
Other lines of business	20,890	20,853	100.2
Total	**99,243**	**90,303**	**109.9**

Gross claims paid by geographical area

EUR thousand	2021	2020	Index
Slovenia	37,768	31,331	120.5
International	61,475	58,972	104.2
Total	**99,243**	**90,303**	**109.9**

In 2021, gross claims paid increased by 9.9%, against a 0.9% decline in gross premiums written.

Net claims incurred decreased by 12.7% compared to 2020. Gross claims paid increased in 2021 because of storm and flood events in western Europe (mainly Germany, Belgium and Austria) and China as well as a fire loss in Suriname. Despite the high gross claims paid related to the floods in western Europe, their impact on net claims incurred was relatively low owing to reinsurance protection. Developments of past underwriting years also had a positive effect on the movement of claims incurred in 2021. The decrease compared with 2020 was also the result of the detrimental effects of Covid-19 and FoS business in 2020.

As a result, the 2021 net incurred loss ratio of Sava Re, excluding the effect of exchange rates, was a 12.7 p.p. improvement from 2020 and stood at 65.3%.

Net operating expenses

EUR thousand	2021	2020	Index
Acquisition costs, including change in deferred acquisition costs	45,244	40,498	111.7
Change in deferred acquisition costs (+/-)	968	717	135.0
Other operating expenses	15,055	13,423	112.2
Reinsurance commission income	-4,871	-4,140	117.6
Total	**56,397**	**50,496**	**111.7**

Net operating expenses by material line of business

EUR thousand	2021	2020	Index
Proportional fire and other damage to property reinsurance	13,976	12,683	110.2
Non-proportional property reinsurance	6,388	5,610	113.9
Proportional marine, aviation and transport reinsurance	1,948	1,308	148.9
Proportional other motor reinsurance	1,361	816	166.8
Other lines of business	3,759	4,054	92.7
Total	**27,432**	**24,472**	**112.1**
Expenses associated with subsidiary governance	28,965	26,025	111.3
Total	**56,397**	**50,496**	**111.7**

In 2021, policy acquisition expenses (commissions) rose by 11.7%, reflecting higher commissions for the Slovenian part of the portfolio, which are higher when business performs better. We see favourable developments in old underwriting years and have high expectations for the results of more recent years. Consequently, the share of acquisition costs as a percentage of gross premiums written increased by 2.7 p.p. year on year to 23.8%.

Other operating expenses of Sava Re comprise expenses relating to reinsurance business (51%) and expenses associated with the administration of the Group (49%). Only the former expenses are included in the calculations of the combined ratios of reinsurance business. Compared to 2020, total other operating expenses rose by 12.2% due to higher costs of labour and services related to the Group's administration, the introduction of international financial reporting standards IFRS 17 and IFRS 9, the upgrade and introduction of new IT solutions and services linked to the Sustainable Finance Disclosure Regulation (SFDR[8]), which aims to increase transparency related to sustainability features and investments for end consumers. Expenses by nature are shown in note 36 of the notes to the financial statements.

Reinsurance commission income grew primarily because of higher commission income that Sava Re received from its retrocessionaires participating in the reinsurance programmes of the Slovenian cedants.

Other technical income and other technical expenses

In 2021, the Company realised EUR 4.9 million (2020: EUR 4.1 million) in reinsurance commission income. The net effect of exchange rate differences associated with other technical income was EUR 0.4 million (2020: EUR 2.8 million effect associated with other technical expenses).

[8] Sustainable Finance Disclosure Regulation (Delegated Regulation 2019/2088).

A.3 Investment performance

The Company monitors the performance of its portfolio investment activities and investment property by investment register and for the Company as a whole. Net investment income and return on investments are monitored by class of investment as well as by type of income and expense. The following tables show income, expenses and net investment income by class of investment and type of income and expense.

Investment income and expenses by type

Type of income (EUR thousands)	1 January – 31 December	
	2021	2020
Interest income at effective interest rate	2,570	3,047
Gains on change in fair value of FVTPL assets	481	1,029
Gains on disposal of FVTPL assets	2	0
Gains on disposal of other IFRS asset categories	1,928	1,054
Income of subsidiary and associate companies	50,418	2,590
Income from dividends and shares – other investments	519	234
Exchange gains	3,706	0
Other income	874	1,173
Other income from alternative funds	607	311
Total income from the investment portfolio	**61,104**	**9,437**
Income relating to the investment portfolio, excluding exchange differences	57,398	9,437
Type of expense (EUR thousands)	**1 January – 31 December**	
	2021	**2020**
Interest expenses	2,899	2,896
Losses on change in fair value of FVTPL assets	308	773
Losses on disposals of FVTPL assets	3	0
Losses on disposal of other IFRS asset categories	29	7
Expenses of subsidiary and associate companies	0	2,570
Impairment losses on investments	0	429
Exchange losses	0	4,632
Other	206	284
Other expenses for alternative funds	0	0
Total expenses for the investment portfolio	**3,444**	**11,591**
Expenses relating to the investment portfolio, excluding exchange differences	3,444	6,959
Net investment income from the investment portfolio	**57,660**	**-2,154**
Net investment income of the investment portfolio, excluding the effect of exchange differences	**53,954**	**2,478**

Income/expenses include income/expenses relating to investment property.

In 2021, investment portfolio income totalled EUR 61.1 million, up EUR 51.7 million year on year; excluding exchange differences, investment income increased by EUR 48.0 million. The largest contribution to total 2021 income was income received from subsidiaries and associates, totalling EUR 50.4 million, up EUR 47.8 million year on year. The large difference in income from subsidiary and associate companies compared to 2020 was due to regulators' recommendations to insurers, reinsurers and pension companies to postpone dividend payouts due to the impact of Covid-19 on business. Interest income amounted to EUR 2.9 million, a decline of EUR 0.5 million compared to the previous year. Gains on the disposal of investments rose by EUR 0.9 million compared to 2020. In 2021, net exchange gains totalled EUR 3.7 million (2020: net exchange losses were EUR 4.6 million).

Compared to 2020, investment portfolio expenses decreased by EUR 8.1 million. Interest expenses relating to the subordinated bond of Sava Re amounted to EUR 2.9 million in 2021 (2020: EUR 2.9 million). Expenses relating to the change in fair value through profit or loss were EUR 0.5 million lower than in the previous year and totalled EUR 0.3 million. Compared to 2020, the Company did not realise any expenses of subsidiary and associate companies (2020: EUR 2.6 million) or impairments of financial investments (2020: EUR 0.4 million).

Net investment income by class of asset

EUR thousand	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/ expenses	Total	Income/expenses of associates
Held to maturity	**145**	**0**	**0**	**0**	**0**	**0**	**0**	**145**	**0**
Debt instruments	145	0	0	0	0	0	0	145	0
Other investments	0	0	0	0	0	0	0	0	0
At fair value through P/L	**300**	**172**	**0**	**36**	**0**	**0**	**-1**	**506**	**0**
Held for trading	0	0	0	0	0	0	0	0	0
Debt instruments	0	0	0	0	0	0	0	0	0
Equity instruments	0	0	0	0	0	0	0	0	0
Other investments	0	0	0	0	0	0	0	0	0
Designated to this category	300	172	0	36	0	0	-1	506	0
Debt instruments	300	22	0	0	0	0	0	322	0
Equity instruments	0	150	0	36	0	0	-1	184	0
Other investments	0	0	0	0	0	0	0	0	0
Investments in infrastructure funds	0	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	0	0	0	0	0
Available for sale	**1,994**	**0**	**1,899**	**483**	**0**	**3,449**	**697**	**8,522**	**50,418**
Debt instruments	1,994	0	334	0	0	3,449	90	5,867	0
Equity instruments	0	0	1,566	483	0	0	0	2,049	50,418
Other investments	0	0	0	0	0	0	0	0	0
Investments in infrastructure funds	0	0	0	0	0	0	507	507	0
Investments in property funds	0	0	0	0	0	0	101	101	0
Loans and receivables	**79**	**0**	**0**	**0**	**0**	**257**	**0**	**336**	
Debt instruments	79	0	0	0	0	0	0	79	0
Other investments	0	0	0	0	0	257	0	257	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**24**	**0**	**0**	**0**	**0**	**0**	**0**	**24**	**0**
Subordinated liabilities	**-2,871**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,871**	**0**
Total	**-329**	**172**	**1,899**	**519**	**0**	**3,706**	**696**	**6,662**	**50,418**

Movement in fair value reserve

EUR thousand	2021	2020
As at 1 January 2021	**6,040**	**5,218**
Change in fair value	-2,988	1,015
Transfer of the negative fair value reserve to the IS due to impairment	0	0
Transfer from fair value reserve to the IS due to disposal	0	0
Deferred tax	568	-193
Balance as at 31 December 2021	**3,620**	**6,040**

The Company holds no securitised assets.

A.4 Performance of other activities

Other income and expenses

In 2021, the Company realised other income of EUR 834 thousand (2020: EUR 861 thousand) and EUR 269 thousand of other expenses (2020: EUR 242 thousand).

Other income mainly includes rental income and other finance income from investment property, collected bad debt relating to other receivables that had been written-off, and income from the use of holiday facilities. The other expenses item mainly comprises expenses relating to amortisation/depreciation of non-operating assets, expenses from investment property, penalties and damages, and tax non-deductible expenses.

A.5 Any other information

The Company has no other material information relating to its business.

B. System of governance

B.1 General information on the system of governance

B.1.1 Governing bodies

General

Sava Re has a two-tier management system with a management board that conducts the business and a supervisory board in charge of oversight. The governing bodies – the general meeting, and the supervisory and management boards – are governed by laws, regulations, the Company's articles of association and internal rules. The Company's articles of association and the rules of procedure of both the general meeting and the supervisory board are posted on the Company's website, at www.sava-re.si.

The management board is autonomous in conducting the Company's business and decision-making. Before making major decisions that could significantly affect the operations, financial position or legal position of the Company, the management board notifies the supervisory board thereof in order to reach a consensus regarding such issues. The management board consults the supervisory board on business operations, strategy, risk management and matters concerning public relations.

The chairman of the management board informs the chairman of the supervisory board or the entire supervisory board about major events essential to assessing the Company's position and to conducting the business. When only the chair of the supervisory board is informed, the chair must communicate the information to other members of the supervisory board and, if necessary, call a supervisory board meeting. The management and supervisory boards collaborate closely for the benefit of the Company, in accordance with the law and good practice.

General meeting of shareholders

The general meeting of shareholders is the supreme body of the Company through which shareholders exercise their rights in company matters. The terms of reference of the general meeting are governed by its rules of procedure, which are posted on the Company's website.

Supervisory board

The supervisory board oversees the Company's conduct of business and appoints the members of the management board.

The supervisory board must comply with applicable regulations, particularly with the laws on companies, insurance business, the Company's articles of association and the rules of procedure of the supervisory board. In accordance with the law, the supervisory board must be convened at least on a quarterly basis, generally after the end of each quarter. If necessary, it may meet more frequently. The terms of reference of the supervisory board are governed by its rules of procedure, which are posted on the Company's website.

Pursuant to the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which informs the general meeting of its decisions. Supervisory board members are appointed for a term of up to four years and may be re-elected. The supervisory board members elect a chair and deputy chair from among its members.

The supervisory board is composed so as to ensure responsible oversight and decision-making in the best interest of the Company. Its composition takes account of diversity in terms of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure a sound and prudent overseeing of the Company's affairs. In 2021, the Company sought to align the composition of the supervisory board with the Company's policy on the diversity of the management and supervisory boards. It is posted on the Company's website.

The supervisory board in 2021

All changes in the composition of the supervisory board in 2021 are disclosed in detail in the Company's annual report, section 4 "Report of the supervisory board".

Composition of the supervisory board in 2021 (until 16 July 2021)

Member	Title	Beginning of term of office	Duration/expiry of term
Mateja Lovšin Herič	chair	16 July 2017	16 July 2021
Keith William Morris	deputy chair	16 July 2017	16 July 2021
Davor Ivan Gjivoje Jr	member	8 March 2021	8 March 2025
Andrej Kren	member	16 July 2017	16 July 2021
Andrej Gorazd Kunstek	member, employee representative	12 June 2019	12 June 2023
Mateja Živec	member, employee representative	12 June 2019	31 December 2021

Composition of the supervisory board in 2021 (from 17 July 2021)

Member	Title	Beginning of term of office	Duration/expiry of term
Davor Ivan Gjivoje Jr	chairman	8 March 2021	8 March 2025
Keith William Morris	deputy chair	17 July 2021	17 July 2025
Klemen Babnik	member	17 July 2021	17 July 2025
Matej Gomboši	member	17 July 2021	17 July 2025
Andrej Gorazd Kunstek	member, employee representative	12 June 2019	12 June 2023
Mateja Živec	member, employee representative	12 June 2019	31 December 2021

Events after the reporting date

Mateja Živec concluded her term of office on 31 December 2021 after resigning as a supervisory board member. In her place, the Sava Re workers' council appointed Edita Rituper for a term of office spanning from 1 January 2022 to 12 June 2023.

Supervisory board committees

Pursuant to legislation, the Code and best practice, the supervisory board appoints one or more committees, tasking them with specific areas, the preparation of draft resolutions of the supervisory board, the implementation of resolutions of the supervisory board, thereby offering it professional support.

The Company has established the following supervisory board committees:

- the audit committee,
- the risk committee,
- the nominations and remuneration committee, and
- the fit and proper committee.

Audit committee

The chief tasks of the audit committee are to:
- oversee the integrity of financial information;
- monitor the efficiency and effectiveness of internal controls, the operation of the internal audit department and risk management system;
- monitor the statutory audit of independent and consolidated financial statements; and
- perform other tasks assigned by a valid resolution of the supervisory board, in line with statutory requirements and best practices of peer companies or insurance groups.

The audit committee in 2021

In 2021, the audit committee comprised the following members:
- until 16 July 2021: Andrej Kren (chair), Mateja Lovšin Herič and Ignac Dolenšek (external member);
- from 17 July 2021: Dr Matej Gomboši (chair), Andrej Gorazd Kunstek, Katarina Sitar Šuštar (external member) and Dragan Martinović (external member).

All changes in the composition of the audit committee in 2021 are disclosed in detail in the Company's annual report, section 4 "Report of the supervisory board".

Risk committee

The chief tasks of the risk committee are to:
- assess the impact of various types of risk on economic and statutory capital;
- assess the Group's overall risk governance framework, including the risk management policy, the risk strategy, and monitor risk;
- assess the appropriateness and adequacy of risk management documents to be approved by the supervisory board;
- perform other tasks assigned by a resolution of the supervisory board, in line with statutory requirements and best practices of peer companies or insurance groups.

The risk committee in 2021

In 2021, the risk committee comprised the following members:
- until 16 July 2021: Keith William Morris (chair), Davor Ivan Gjivoje Jr and Dr Slaven Mićković (external member);
- from 17 July 2021: Keith William Morris (chair), Davor Ivan Gjivoje Jr., Dr Slaven Mićković (external member) and Dr Janez Komelj (external member).

All changes in the composition of the risk committee in 2021 are disclosed in detail in the Company's annual report, section 4 "Report of the supervisory board".

Nominations and remuneration committee

The chief tasks of the nominations and remuneration committee of the supervisory board include:
- drafting proposals for the supervisory board regarding the criteria for membership of the management board, and considering and drafting proposals concerning nominations to be decided by the supervisory board;
- preliminarily consider the proposal of the chair of the management board regarding the composition of the management board and the Company's governance, and draw up proposals for the supervisory board;
- carrying out the nomination procedure for a candidate for membership of the supervisory board who is a shareholder representative; and

- providing support in drawing up and implementing a system for remuneration, reimbursements and other benefits for management board members.

The nominations and remuneration committee in 2021

In 2021, the nominations and remuneration committee comprised the following members:
- until 16 July 2021: Mateja Lovšin Herič (chair), Keith William Morris, Davor Ivan Gjivoje Jr and Andrej Kren;
- from 17 July 2021: Klemen Babnik (chair), Davor Ivan Gjivoje Jr, Keith William Morris, Dr Matej Gomboši and Andrej Gorazd Kunstek (the latter from 9 September 2021).

All changes in the composition of the risk committee in 2021 are disclosed in detail in the Company's annual report, section 4 "Report of the supervisory board".

Fit and proper committee

The chief tasks of the fit & proper committee include:
- to carry out procedures for assessing the competence of the supervisory board, supervisory board committees and the management board as collective bodies, and to conduct fit and proper assessments of individual members of these bodies; and
- at the request of the Company's workers' council, to carry out a fit and proper assessment of any member of the supervisory board (employee representative) elected by the workers' council.

Fit & Proper Committee in 2021

In 2021, the fit and proper committee comprised the following members:
- until 16 July 2021: Mateja Živec (chair), Keith William Morris, Rok Saje (external member) and Andrej Kren (alternate member);
- from 17 July 2021: Keith William Morris (chair), Klemen Babnik, Rok Saje (external member) and Klara Hauko (external member).

All changes in the composition of the fit and proper committee in 2021 are disclosed in detail in the Company's annual report, section 4 "Report of the supervisory board".

Management board

The management board runs the Company and represents it in public and legal matters. It is composed of at least two but no more than five members, of whom one is the chair. The chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. The chairperson and all members of the management board are employed on a full-time basis. The exact number of management board members and the areas for which they are responsible is laid down by the supervisory board in the "Act on the management board of Sava Re d.d."

The management board is composed in a manner to ensure responsible oversight and decision-making in the best interest of the Company. The management board's composition takes account of diversity of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure sound and prudent conduct of the Company's business. In 2021, the Company sought to align the composition of the management board with the Company's policy on diversity of the management board.

The Company's policy on diversity of the management and supervisory boards is posted on the Company's website.

Terms of reference and operation of the management board

The management board operates in accordance with the applicable legislation, particularly the Slovenian Companies Act and the Insurance Act, as well as with the articles of association and the act on the management board and its rules of procedure. The terms of reference and operation of the management board are defined in more detail in the management board's rules of procedure.

Delimitation of competencies between the management and supervisory bodies is described in greater detail in the "Corporate governance policy of Sava Re d.d.", which is posted on the Company's website.

The management board in 2021

In 2021, the management board comprised the following members: Marko Jazbec (chair), Jošt Dolničar, Polona Pirš Zupančič and Peter Skvarča.

The average age of the members of the management board is 48. All management board members are citizens of the Republic of Slovenia.

Composition of the management board in 2021

Full name	Marko Jazbec	Jošt Dolničar	Polona Pirš Zupančič	Peter Skvarča
Function	chairman	member	member	member
Area of responsibility at management board level	• coordination of work of the management board • finance • general, HR, organisational and legal affairs • Public relations • compliance • internal audit • management of mutual funds • health business • projects • modelling	• management of strategic investments in direct insurance subsidiaries carrying on non-life, life and pension business • information technology • innovation	• corporate finance • controlling • accounting • investor relations • risk management • actuarial affairs	• development of reinsurance and reinsurance underwriting, Group & non-Group • reinsurance protection • retrocession, Group & non-Group • development of reinsurance processes and technology • reinsurance technical accounting
First appointed	12 May 2017, new term 13 May 2022	31 December 2008	14 January 2018	19 June 2020
End of term of office	13 May 2027	5 May 2022	14 January 2023	19 June 2025

At the session of 7 October 2021, the Sava Re supervisory board reappointed Marko Jazbec as the chairman of the management board for a further term. The new five-year term starts on 13 May 2022.

Due to his appointment to the management board of the subsidiary Zavarovalnica Sava on 30 December 2021, Jošt Dolničar has tendered his resignation as a member of the management board of Sava Re, effective as of the date of obtaining the licence to act as a member of the management board of Zavarovalnica Sava, but not earlier than 5 May 2022.

Reporting

The management board reports, at least quarterly, to the supervisory board in a comprehensive and accurate manner on:

- the implementation of business policies and other principles relating to business,

- the profitability of the Company, particularly return on equity,
- business performance, especially on business volumes, the financial situation and solvency,
- transactions that may have a significant impact on the profitability and solvency of the Company, and
- all material risks that have, or could have, a significant impact on the Company's capital adequacy.

B.1.2 Risk management

The risk management system is one of the key building blocks of the system of governance. The management board ensures that it has in place an effective risk management system based on an appropriate organisational structure. For more details on risk management, see section B.3 "Risk management system including the own risk and solvency assessment".

B.1.3 Key functions of the risk management system

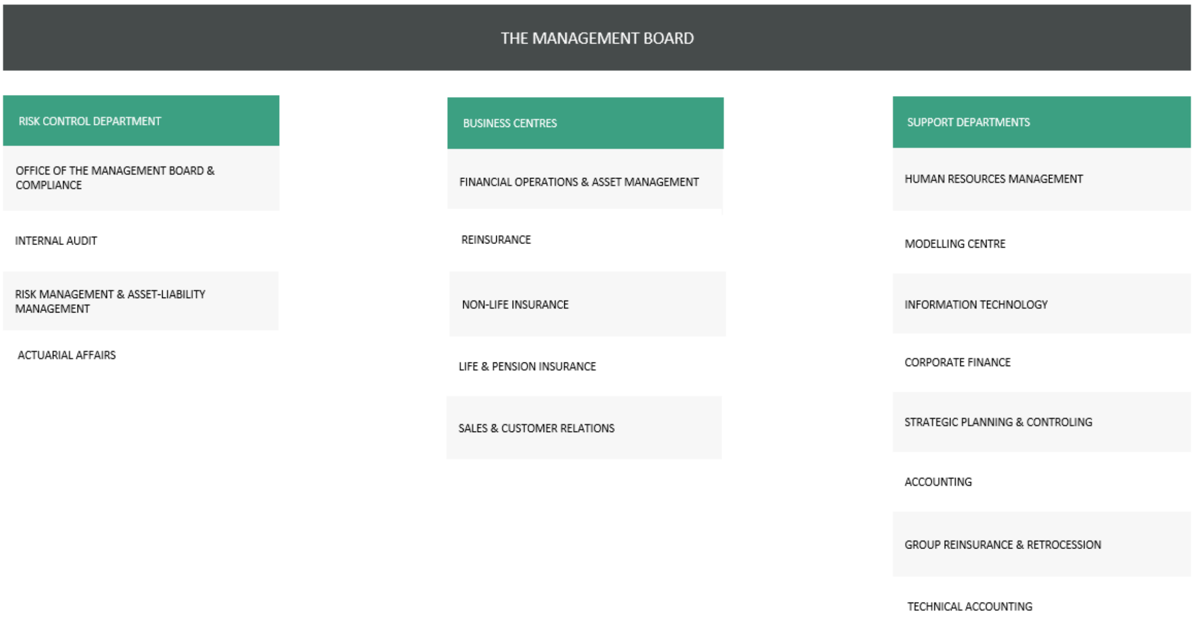
General

The Company has certain functions integrated into its organisational structure and decision-making processes. These are the risk management function, internal audit function, actuarial function and compliance function, defined by applicable law as the key functions of the governance system (hereinafter: key functions).

The key functions are integrated into the organisational structure and decision-making processes to strengthen the three-lines-of-defence framework in the Company's risk management system. All four key functions cooperate closely with each other, regularly exchanging information they need for their functioning.

The key functions perform their duties independently from each other and from other organisational units of the Company. The Company's key functions are organised as services of the risk management system and are directly subordinated to the Company's management board, as illustrated in the chart below.

Internal organisation chart of the Company as at 31 December 2021



Generally, the parent company's key function holders also act as key function holders at the Group level. They have access to all information, data and reports required for their smooth operation.

The main activities of the individual key function holders at the level of the Company are set out in the following section.

Role of individual key functions

The key functions perform duties as stipulated by insurance law, including regulations based thereon. The operation of the risk management function is discussed in detail in section B.3.1, the operation of the actuarial function in section B.6, the operation of the compliance monitoring function in section B.4.2, and the operation of the internal audit function in section B.5.

Reporting by key function holders

Individual key function holders report to the management and supervisory boards or individual supervisory board committees, if so stipulated by the Company's rules and regulations.

Detailed provisions on the scope, manner and frequency of reporting of any key function are set out in internal regulations governing each key function.

Cooperation among key function holders

The key function holders meet regularly, as a general rule once a month, to exchange opinions and discuss topical issues and specifics of the business in the current period. They also harmonise the various annual work plans of the key function holders they are required to draw up under the applicable legislation or internal acts. In addition, they exchange findings from individual audit reviews, findings and recommendations from the areas of work covered by each key function holder, and discuss the annual or other reports on the work of each key function holder. In accordance with the applicable legislation and internal acts, they report on findings and follow up on recommendations to management and supervisory bodies.

Annually, the Group level key function holders issue a joint statement that they have undertaken, with due care and in accordance with the rules of the profession, activities to ensure that all key risks that the Company is or could be exposed to in the course of its business operations, are monitored and that the risk management system established at the Company level is effective.

B.1.4 Committees of the governance system

The Company’s management board sets up committees tasked with advisory roles based on resolutions. Such committees consider issues from specific areas, draft management board resolutions and oversee their implementation, and perform other tasks requiring specific expertise, thus providing professional support to the management board.

Committees are an integral part of the Company’s system of governance, dealing with issues from various areas, such as risk management, asset and liability management, actuarial affairs, data quality management and information security.

The terms of reference, powers and composition of committees are set out in internal regulations adopted by the Company's management board. The Company has set up a risk management committee, a data quality management committee and a information security committee. A risk management committee and an actuarial committee are set up at the Group level; the latter is discussed in detail in section B.6 “Actuarial function”. The committees are described below.

The risk management committee

The risk management committee is primarily responsible for drafting risk management recommendations and proposals for the management board and for monitoring the Company’s risk profile. It also plays a crucial role in the communication process because it acts as a discussion forum on elements of the risk management system. In addition, it is responsible for reviewing the effectiveness of the risk management processes in place. The main objectives of the committee are to unify risk management practices throughout the Company and provide professional risk management advice to the Company’s management board in order to ensure effective operation.

The chief responsibilities of the risk management committee are to:

- set up and review the functioning of the risk management system,
- regularly monitor key risks and the risk profile against the Company’s risk appetite and review the compliance with the risk strategy,
- prepare recommendations for the management board relating to risk management,
- monitor quantitative risk assessment calculations and respond adequately,
- propose actions and measures to reduce risk,
- issue opinions relating to major business decisions with a significant impact on the risk profile, and
- identify and monitor any emerging new risks.

The data quality management committee

The data quality management committee is primarily responsible for data quality reports. The chief responsibilities of the data quality management committee are to:

- harmonise and amend the Company’s data quality management policy with the Sava Insurance Group’s framework policy,
- participate in the drafting of the data quality management annual report and approve it before submitting it to the management board,

- participate in redesigning the data quality management system, and
- foster awareness about the role of the data quality management system among employees.

The information security committee

The information security committee has been established to ensure effective protection of information at Sava Re. Information is a major business asset with direct effect on the Company's performance, its value and public image. The committee is composed of an interdisciplinary group of experts and is occasionally joined by specialists. It meets at least twice a year when security policies and other information security documents are adopted and in case of extraordinary events.

The chief responsibilities of the information security committee are to:

- share and exchange experience, information and sources related to information security and implementation among organisational units,
- assist in developing and maintaining policies and other internal IT system-related acts adopted by the Company,
- foster the development and maintenance of a high level of awareness about information security in the Company,
- confirm and adopt security policies,
- detect and assess any breaches of information security policies,
- in the event an identified breach of information security policies, alert the management and compliance function,
- cooperate in risk analysis and the selection of appropriate security controls, and
- monitor the information system risk management.

The committee may set up separate committees to carry out specific tasks.

B.1.5 Information about the remuneration policy

The Company's remuneration policy establishes the framework for the planning, implementing and monitoring remuneration systems and schemes that support the Company's long-term strategy and risk management policy.

The remuneration policy applies to all organisational levels of the Company and to all employees: the management board, senior and lower management, key function holders and other employees.

Principles of the remuneration policy

The Company's remuneration policy aims to build a remuneration system that is competitive and efficient as well as transparent and internally fair. The key principles of the policy incorporate the main principles of ethical and sustainable practices and operations.

The chief principles of the remuneration policy are:

- clear and transparent management,
- reliable and efficient risk management,
- compliance with regulatory requirements and principles of sound management,
- monitoring and adapting to market trends and practices,
- sustainable pay for sustainable performance, and
- employee motivation and retention.

Remuneration structure

The Company's remuneration structure includes:

- a base salary,
- performance-based pay,
- other benefits and incentives,
- remuneration upon termination of the employment contract.

The **base salary** is set based on the employee's role and position, taking into account knowledge acquired, professional experience, responsibilities, complexity of the job and the situation on the local labour market.

Performance-based pay depends on the Company's business performance and the employee's individual performance or, in the case of managers, also the performance of the unit they head. The aim of performance-based pay is to motivate and reward the most successful employees who significantly contribute to the achievement of sustainable performance, meet or exceed the agreed-upon objectives, strengthen long-term relationships with clients and generate income. Performance-based pay relating to an employee's individual performance depends on the attainment of predefined individual goals and other duties consistent with expected behaviours and competencies. Performance-based pay relating to business performance depends on a performance indicator, or a combination of several performance indicators, of the Group. Total performance-based pay generally ranges from 0% to 30% of the total annual remuneration.

The performance-based pay system and scheme for the management board are considered and approved by the supervisory board. Performance-based pay of the management board is based on the achievement of the board's goals and performance of the Company or the Group as a whole.

The performance-based pay system and scheme for the risk management system's key function holders are considered, determined and approved by the management board. If necessary, the supervisory board gives its consent to it. In addition to the Group's performance, performance-based pay of key function holders depends primarily on the attainment of the goals of each key function, which are strictly separate from the goals of the business functions they oversee.

The performance-based pay system and scheme for senior and junior management is considered, determined and approved by the management board. Performance-based pay of senior and lower management is based on a combination of performance assessment of the individual, the team they head, and the performance of the Group.

The system and scheme of remuneration for other employees is considered and approved by the management board. This is done with due regard to the statutory provisions relating to cooperation with social partners. Performance-based pay of other employees depends on a combination of the employee's assessed individual performance and overall performance of the Group.

The Company runs no share-option schemes.

Other benefits and incentives: The Company is running a collective voluntary supplementary pension insurance scheme funded by the employer. It has a contract in place on joining the pension company's pension scheme, entered into the pension scheme register with the Financial Administration of the Republic of Slovenia (second pension pillar). Employees had the option to join a third pillar pension scheme at the end of 2019, for which the maximum level of contributions paid by the Company depended on the type of employment contract (management board, employees with special powers, and other employees), level of gross salary, and seniority. Contributions to pension insurance schemes are accounted for as employee benefits.

Remuneration upon termination of the employment contract: Upon termination of a contract of employment, employees are eligible for severance pay in accordance with the law and their employment contract. Severance pay not prescribed by law is capped at six times the average monthly salary in the last year of employment in employment contracts. Exceptionally, where an employment contract is terminated on a consensual basis, additional severance pay may be paid; however, total severance payments must not exceed twelve times the average monthly salary in the last year of employment. Upon the termination of a contract of employment, any additional remuneration cannot include payments in the event of failure.

As a rule, the Company grants loans to neither its employees nor the members of the management or supervisory boards; accordingly, there were no such transactions in 2021.

The Company has no additional pension schemes.

B.1.6 Material related-party transactions

Below are set out material transactions with related-parties, consisting of:

- owners and related enterprises,
- the members of the management board and supervisory boards, including the members of its committees, and employees not subject to the tariff section of the collective agreement,
- subsidiary companies, and
- associates.

In 2021, significant transactions included:

- total remuneration of the members of the management board and the supervisory board, including its committees, and employees not subject to the tariff part of the collective agreement of EUR 4.4 million (2020: EUR 3.2 million) in
- loans granted to subsidiaries of EUR 1.4 million as at 31 December 2021 (2020: EUR 3.4 million).

In 2021, the Company paid out EUR 13.2 million in dividends (in 2020, the Company did not pay any dividends in line with the recommendation of the Slovenian Insurance Supervision Agency due to potential negative impacts of the Covid-19 pandemic on operations). All related-party transactions are set out in detail in the Company’s annual report, in section 17.10 “Related party disclosures”.

B.2 Fit and proper requirements

B.2.1 General

In accordance with the law, the Company ensures that persons who effectively run and oversee the Company are properly qualified (fit) and suitable (proper) for doing so in a professional manner. To this end, the Company conducts fit and proper assessments of its employees: management and supervisory board members, members of the supervisory board’s committees, key managers, key function holders of the risk management system and personnel overseeing outsourced activities. The assessment is carried out before the appointment to the role and periodically thereafter whenever circumstances arise that require a reassessment of whether such persons are still fit and proper.

In addition to the appropriate qualifications, experience and expertise (fitness) they must have, relevant personnel is required to demonstrate they have good repute and demonstrate high standards of integrity (propriety) as exemplified by their actions.

The assessment of a person's suitability (propriety) comprises an assessment of their integrity and financial soundness on the basis of relevant evidence about character, personal behaviour and business conduct, including any criminal, financial and supervision aspects, irrespective of the jurisdiction.

All relevant personnel are subject to the reporting duty regarding any new facts or circumstances, or changes to information submitted in the initial suitability assessment. An appropriately composed fit and proper committee assesses whether the new facts and changed circumstances or information are of such a nature as to require a fit and proper reassessment.

The HR function requires relevant personnel to sign personal statements at least once a year. Statements submitted by relevant persons confirm compliance with current fit and proper standards and their commitment to notify the human resources function immediately of any circumstances that may affect their fit and proper assessment.

In 2021, full fit and proper assessment procedures were conducted for new relevant personnel as well as an annual review based on annual statements for persons already assessed.

B.2.2 Fitness requirements for relevant personnel

Supervisory board and its committees

In assessing the fitness of members of the Company's supervisory board, including its committees, it is necessary to consider knowledge acquired through education and work experience. Requirements considered in the fitness assessment are:

- qualifications,
- sufficient professional experience, and
- general knowledge and experience.

The supervisory board is composed so as to ensure responsible oversight and decision-making in the best interest of the Company. Members are selected so that their professional expertise, experience and skills are complementary. The supervisory board, viewed as a whole, must have sufficient expertise. Individual members of the supervisory body with distinct special expertise may, in particular based on the assignment of responsibilities for a certain area, compensate for any less profound expertise of other members of the supervisory body in those areas.

Management board

In assessing the fitness of the members of the Company's management board, it is necessary to consider knowledge acquired through education and work experience. Based on this, the fitness assessment is made with consideration of the members' assigned responsibilities, taking into account the following requirements:

- qualifications,
- sufficient professional experience, and
- expertise and experience in the following areas: knowledge of the market, knowledge of the business strategy and business model, knowledge of the governance system for insurance

companies, understanding financial and actuarial analysis, and understanding regulatory frameworks and requirements.

The management board, viewed as a whole, must have sufficient expertise. Its members must have relevant experience and knowledge of the areas mentioned above, depending on their specific area of responsibility. Individual members of the management board with distinct special expertise may, in particular based on the assignment of responsibilities for a certain area, compensate for any less profound expertise of other members in those areas.

Key function holders of the risk management system

In assessing the fitness of the key function holders of the risk management system, it is necessary to consider knowledge acquired through education and work experience. Based on this, the assessment is made considering assigned responsibilities for each key function. Requirements considered in the fitness assessment are:

- qualifications, including additional training, required licenses obtained or specialist examinations;
- sufficient professional experience relevant to a particular key function;
- general knowledge and experience.

Other relevant personnel

In assessing the fitness of other relevant personnel, it is necessary to consider knowledge acquired through education and work experience. Based on this, the assessment is made considering assigned responsibilities for individual areas. Requirements considered in the fitness assessment are:

- qualifications,
- sufficient professional experience relevant to a particular area of responsibility, and
- general knowledge and experience.

B.2.3 Suitability requirements for relevant personnel

Personal reliability and reputation

To ensure the sound and prudent management of the Company, relevant personnel must have the appropriate qualifications (fitness), be of good repute and demonstrate high standards of integrity (properness) through their actions. A relevant person is deemed to be proper, as long as there are no reasons to think otherwise. Circumstances that give rise to reasonable doubt regarding suitability are harmful to the reputation of both the relevant person and consequently the Company.

Personal reliability and good repute are assessed based on information compiled by collecting documents for carrying out the fit and proper assessment procedure.

Independence of relevant personnel

Relevant persons may experience conflicts of interest due to the nature of business relations. Any relevant person that experiences a conflict of interest in their work must disclose such conflict of interest and act in the interests of the Company. If this is not possible, such person must inform the Company’s management or supervisory board, if a conflict of interest is perceived with any member of either the management or supervisory boards.

Time input

The members of the supervisory board and its committees must – in addition to business knowledge, relevant personal integrity, business ethics and independence – demonstrate that they have available time resources in the period when performing the function.

B.2.4 Assessment procedure

The fit and proper assessment procedure is conducted by a special committee set up according to an internal framework document (policy). During the assessment of relevant personnel, the Company's human resources function assists with the implementation of operational tasks, such as the acquisition, submission, processing and storage of documents and issuance of the assessment results.

The committees conduct fit and proper assessments and issue relevant results based on documents and statements compiled. Based on assessments thus obtained, they may take the necessary actions to ensure adequate qualifications of relevant personnel. The committees also conduct overall fit and proper assessments of the management and supervisory bodies as collective bodies.

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

The Company's management is aware that risk management is key to achieving operational and strategic objectives and to ensuring its long-term solvency. Therefore, the Company is continuously improving its risk management system.

The Company's strong risk culture is essential to its security and financial stability, and to achieving its goals. In order to establish good risk management practices, the Company promotes a risk management culture with appropriately defined remuneration for employees, employee training and relevant internal information flow.

The Company has in place a risk strategy that defines risk appetite and policies covering the entire framework of risk management, own risk and solvency assessments (hereinafter: "ORSA") and risk management for each individual risk category.

B.3.1 Risk management organisation

Systematic risk management includes an appropriate organisational structure and a clear delineation of responsibilities.

The efficient functioning of the risk management system is primarily the responsibility of the Company's management board. To ensure efficient risk management, the Company uses a three-lines-of-defence model, which clearly segregates responsibilities and tasks among the following lines:

- The first line of defence constitutes all organisational units with operational responsibilities (development, sales and reinsurance management, provision of reinsurance services, financial operations, accounting, controlling, human resources and others).
- The second line of defence consists of three key functions (the risk management function, actuarial function, compliance function) and the risk management committee.
- The third line of defence consists of the internal audit function.

The **management board** plays a key role and bears ultimate responsibility for the effectiveness of established risk management processes and their alignment with the Group's standards and the applicable legislation. In this regard, it has the following chief responsibilities:

- establishment of the risk strategy and approval of risk tolerance limits and operational limits,
- adoption of policies relating to the risk management system,
- implementing effective risk management processes, and
- monitoring operations in terms of risk and providing input for risk-based decision making.

The **supervisory board** approves the risk strategy, the risk management policy and the appointment of key function holders of the risk management system. In addition, the supervisory board reviews periodic risk management reports. A risk committee has been set up as part of the supervisory board to provide expertise in particular with regard to the Company's risk management.

The **first line of defence** involves all the Company's employees who are responsible for ensuring that operational tasks are performed in such a way as to reduce or eliminate risk. Additionally, risk owners are responsible for monitoring and assessing individual risks listed in the risk register. Line managers are responsible for ensuring that the operational performance of the processes for which they are responsible are conducted in a manner that reduces or eliminates risks, and that the frameworks laid down in the risk strategy are observed. The first line of defence is also responsible for monitoring and measuring risks, preparing data for periodic risk reports for individual areas of risk and identifying new risks.

The Company's **second line of defence** comprises the Company's risk management committee and three key functions: the actuarial function, risk management function and compliance function. The members of the committee and key function holders are appointed by the management board; key function holder appointments also require the consent of the supervisory board. The Company's key functions are independent, they are organised as management support services and report directly to the Company's management board. Their roles and responsibilities are defined in the policy of each key function and/or in the risk management policy that defines the risk management function.

The risk management function is primarily responsible for:

- setting up effective risk management processes and coordinating risk management processes already in place,
- identifying, assessing, monitoring, managing and reporting on risks,
- organising risks in a joint risk profile, indicating interdependencies,
- periodically monitoring the risk profile,
- designing the risk strategy and setting risk tolerance limits,
- regularly reporting to the risk management committee, the management board, the supervisory board's risk committee, and the supervisory board,
- offering support to the management board in decision-making (including in relation to strategic decisions, such as corporate strategy, mergers and acquisitions, and major projects and investments), and
- reporting on potential hazards.

Details on duties, terms of reference, responsibilities and powers of the risk management function holder, procedures, obligations, time limits and reporting distribution lists are set out in the risk management policy.

In addition to the key functions, the second line of defence also includes the Company's **risk management committee** (for more information, see section B.1.4 "Committees of the governance system". The committee includes the key representatives of the first line of defence and the management board with regard to the company's risk profile. The holders of other key functions of the risk management system are also invited to attend meetings of the committee. The committee is primarily responsible for monitoring the Company's risk profile, analysing risk reports and issuing recommendations to the management board.

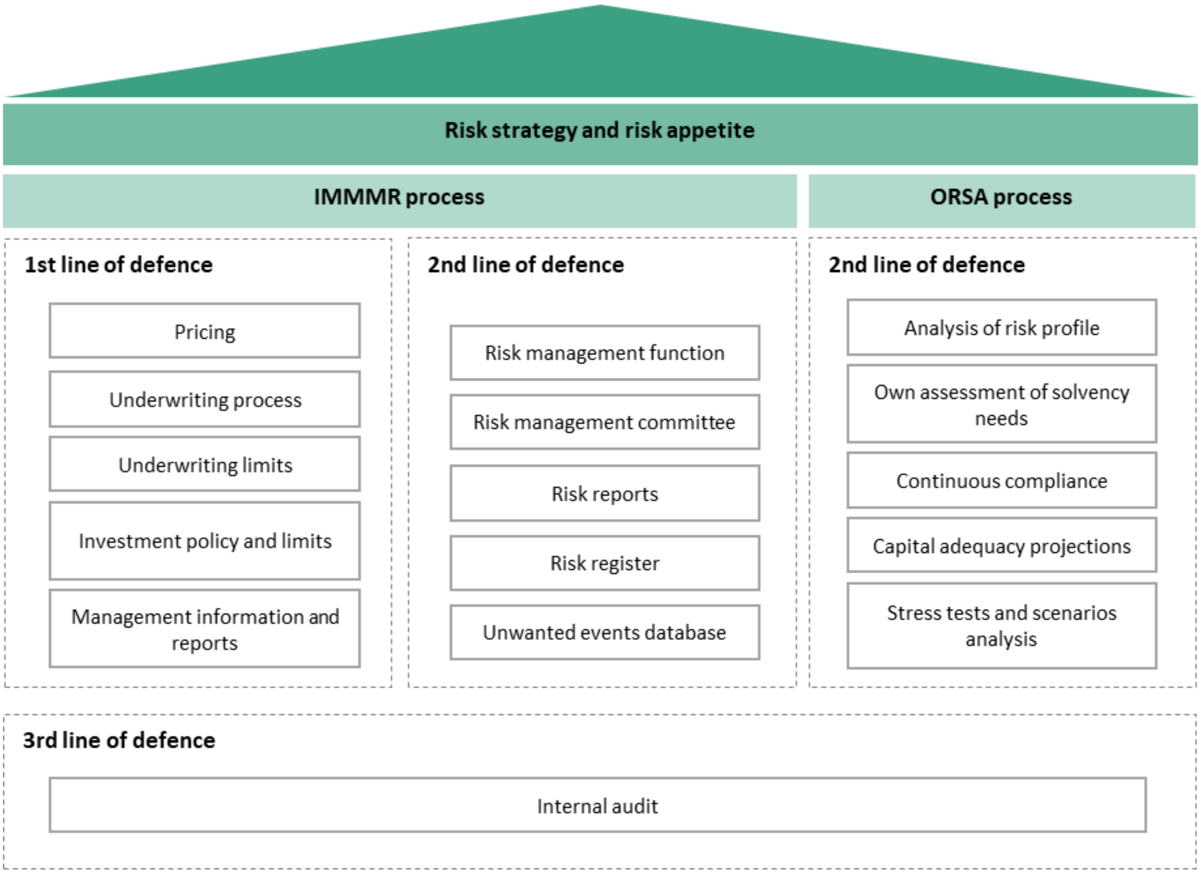
The **third line of defence** consists of the internal audit function. It is completely independent of the business areas and other functions. In the context of the risk management system, the internal audit function is responsible for the independent analysis, verification, and assessment of the performance and effectiveness of internal control and risk management systems.

B.3.2 Components of the risk management system

Risk management is integrated into all stages of business management and is composed of the following key elements:

- risk strategy,
- risk management processes within the first and second lines of defence, and
- the ORSA process.

The components of the risk management system are shown in the figure below.



Risk strategy

The Company seeks to operate in compliance with its business strategy and to meet its key strategic objectives while maintaining an adequate capital level. With this in mind the management board, with the consent of the Company's supervisory board, approved the Sava Insurance Group risk strategy for 2020–2022 in 2020, taking into account its risk-bearing capacity. The risk strategy defines:

- the risk appetite,
- key risk indicators, and
- risk tolerance limits.

The Company's risk appetite is based on four major areas:

- the solvency ratio,
- the profitability of operating segments,
- the volatility of operating results by operating segment, and
- liquidity indicators.

Based on its risk appetite, the Company sets its risk strategy, risk tolerance limits and operational limits. Risk tolerance limits are limits set for individual risk categories included in the Company's risk profile, determining approved deviations from planned values. These limits are set based on the results of sensitivity analyses, stress tests and scenarios, and professional judgment.

The Company sets operational limits, such as underwriting and investment limits, in order to ensure that the activities of the first line of defence are carried out in accordance with the set risk appetite.

In addition, the Company ensures that it has in place well-defined and established escalation paths and management actions for breaches of operational limits.

For periodic monitoring of compliance with the risk strategy, the Company has defined a minimum set of risk measures for each risk category to allow for monitoring of the Company's current risk profile and capital position. The Company periodically reviews these risk measures.

Risk management processes

Risk management processes are inseparable from and fully integrated into business processes carried out in the Company. All organisational units are involved in the Company's risk management processes.

The main risk management processes are:

- risk identification,
- risk assessment (measuring),
- risk monitoring,
- determining appropriate risk control measures (risk management), and
- risk reporting.

Risk management processes are incorporated into all three lines of defence. The role of each line of defence is defined in the risk management policy. Risk management processes are also integrated into the decision-making system; all important and strategic business decisions are also evaluated in terms of risk.

Risk identification

In the process of risk identification, the Company identifies the risks it is exposed to. The key risks are listed in the risk register and make up its risk profile. The set of key risks is regularly reviewed and new risks are added if necessary.

Risk identification is both a top-down and a bottom-up process. Using a top-down approach, risk identification is conducted by the risk management function, the risk management committee and the management board. Such identification of new and emerging risks is based on monitoring the legal and business environment, market developments and trends, and expert knowledge. This process is mainly used by the Company with strategic risks, such as reputational risk and legal risk.

Bottom-up risk identification takes place in individual organisational units and with risk owners (the first line of defence). Risks thus identified are categorised and incorporated into the relevant processes of monitoring, measuring, managing and reporting.

Risk identification is performed on an ongoing basis, especially for major projects and business initiatives, such as the launch of a new product, investment in a new asset class or an acquisition. In addition, once a year the Company conducts a regular review of its entire risk register.

Risk assessment

The Company has established a periodic assessment of the risks it is exposed to. Both qualitative and quantitative methods are used to measure risk. In addition, the Company has set up a modelling department for the development of own quantitative models for Group-wide risk assessment.

The Company thus measures risks by:

- using the Standard Formula,
- calculating the assessment of the overall solvency needs as part of its own risk and solvency assessment (ORSA),
- analysing sensitivity analyses and scenarios,
- conducting qualitative risk assessment in the risk register, and
- using various risk measures that allow simplified measuring and monitoring of the current risk profile.

Risk monitoring

Risk monitoring is conducted at several levels: at the level of individual organisational units and risk owners: the risk management department, the risk management committee, the management board, the supervisory board's risk committee, and the supervisory board. A standard set of risk measures is defined and monitored on a regular basis. Both risks and risk management measures are subject to monitoring and control. Adverse events and the implementation of relevant corrective measures to prevent the recurrence of an individual event are also monitored.

Risk management

The Company's management board is responsible for risk management and the use of various risk management techniques and measures. In its decisions, the management board takes into account the cost benefit aspect of actions as well as recommendations, if any, issued by the risk management committee or key functions.

Whenever the need arises to adopt a new risk control measure, the Company conducts an analysis of the measure in terms of its economic and financial viability. Elimination or mitigation of risks must be more cost effective than mitigation of the potential impact should the risk materialise, taking into full account the probability of such an event and its financial implications.

The Company regularly monitors and upgrades its internal control environment. In 2021, we continued to review improvements in key processes and internal controls in place, and identified further upgrades to internal controls in these processes.

Based on its capital adequacy the Company – already in the business planning process – examines the impact of the business strategy on its capital position with regard to both the regulatory aspect and the ORSA. If decisions are made during the financial year that have a significant impact on the risk profile but have not been assessed in terms of risk during the business planning process, the Company assesses the impact of these decisions on its risk profile and capital adequacy, and verifies compliance with the risk appetite. If a business decision could have a significant impact also on the Group's risk profile, such impact on the Group's risk profile and capital adequacy is also assessed. If any business decision fails to comply with the risk appetite or any risk tolerance limit is exceeded, the Company is required to document such deviation and take relevant action to resolve the situation.

Risk reporting

The Company also has in place periodic risk reporting. Risk owners report on each category of risk to the risk management function, including a predetermined set of significant risk measures and qualitative information. Based on this, the risk management function in cooperation with risk managers prepares a risk report covering the Company's entire risk profile. The report is first discussed by the risk management committee, followed by the management board, risk committee and supervisory board.

Own risk and solvency assessment (ORSA)

In addition to the mentioned risk management processes, the Company also conducts ORSA as defined in its own risk and solvency assessment policy. ORSA is a process that includes identification of the differences between the risk profile and the assumptions of the standard formula, the own assessment of solvency needs, capital adequacy projections, sensitivity analyses and scenarios, and the establishment of the link between the risk profile and capital management. In ORSA, all material risks are assessed, whether quantifiable or not, that may have an impact on the operations of the Company from either an economic or a regulatory perspective.

A comprehensive ORSA process is conducted at the Group level, including reporting in a joint report of the Sava Insurance Group.

The ORSA report has been prepared based on the Company's business and strategic plans, taking into account the current risk profile as well as any changes planned therein. The ORSA is primarily conducted to understand the own risk profile and the Standard Formula, and to analyse the impact of the changes in the risk profile on capital adequacy over the next three years. Throughout the ORSA, the Company's management board is actively involved in the process: it confirms the technical bases for the ORSA, reviews the ORSA, and challenges it before giving its formal approval.

The ORSA results are taken into account by other processes, especially capital management and risk management processes. ORSA is an integral part of the decision-making process conducted to ensure that the key decisions and the business strategy are adopted with consideration of risks and associated capital requirements. Based on ORSE results, we also check the compliance of the business strategy with the risk strategy. This establishes links between the business strategy, the risks taken in the short, medium and longer term, the capital requirements arising from those risks, and capital management.

The ORSA process is extensive and spans a large part of the year. Based on input from the business and strategic plans and the risk strategy, the SCR is calculated and Solvency II valuations are made for items of the balance sheet and Solvency II eligible own funds for the entire term of the strategic plan. Based on projections, continuous compliance with the regulatory requirements regarding capital and technical provisions is reviewed. In addition, compliance with the risk strategy is reviewed.

Based on the results of the suitability analysis of the Standard Formula for the Company's risk profile, the own solvency model is then used to conduct an own risk and solvency assessment for a three-year period. In addition, we perform sensitivity analyses and an analysis of selected scenarios relevant to the (planned) risk profile of the Company.

The Company conducts the ORSA process at least once a year. The ORSA report is considered by the risk management committee and confirmed by the management board; it is also considered by the supervisory board's risk committee whereas the supervisory board takes note of it. However, in case of a major change in the risk profile or eligible own funds that has not been anticipated in the business or strategic plans, the Company conducts an ad hoc ORSA. The Company reports (at least) annually to the regulator on the ORSA. After the results are approved, they are also circulated to all the heads of business units.

The ORSA is subject to continuous improvement, both with regard to risk assessment as well as in terms of its integration into the Company's ongoing processes and business decision-making.

B.4 Internal control system

B.4.1 Internal control system

The purpose of the Company's internal control system is to identify, measure, monitor, and manage risks at all levels of operations, including reporting on risks that the Company is or may be exposed to in its operations. In addition, the system ensures compliance with the Company's internal rules and meets the requirements of other risk management laws and regulations.

The Company seeks to make employees aware of the importance of internal controls and involves employees in the implementation of internal control procedures. Procedures for reporting to the appropriate level of management with regard to potential problems, deviations, non-compliance with the code of conduct or other policy violations or illegal actions must therefore be presented to all employees in plain language and are clearly stated in documents available to all employees.

The Company has in place a policy of internal controls aimed at setting up an effective and reliable system of internal controls. The policy sets out the basic principles, framework of and roles for the system of internal controls as part of the Company's system of governance.

B.4.2 Compliance function

The compliance function is organised as one of the four key functions constituting the risk management system. Being an internal control function, it is part of the second line of defence in the internal risk management system, consisting of three lines of defence. Its main duty is to manage the risks arising from non-compliance with the law.

The compliance function is organised within the department "Office of the management board and compliance". Although the compliance function is not organised as an independent organisational unit, it is ensured that the compliance function holder has direct access to the management board at all times. The compliance function holder also has other responsibilities; therefore, relevant measures have been taken by the Company to avoid potential conflicts of interest for the function holder when in the compliance function holder's role.

The compliance function holder is authorised by the management board subject to the consent of the supervisory board.

The chief responsibilities of the compliance function are to:

- monitor and periodically assess the adequacy and effectiveness of regular procedures and measures to address any deficiencies in compliance with regulations and other commitments;
- advise and assist in the coordination of the Company's operations with the obligations imposed by regulations and other commitments;
- assess potential impacts of changes in the legal environment on the operations of the Company in terms of compliance with its regulations and other commitments, and report on them to the Company's management board, individual organisational units, and business and key functions;
- identify and assesses risks to the Company's compliance with regulations and other commitments, and, if necessary, propose recommendations and guidelines for the management of compliance risk;
- inform the management and supervisory boards of the Company's compliance with regulations and other commitments and the risk assessment regarding compliance with regulations and other commitments;

- coordinate with top management regarding compliance matters and offer consulting services to them;
- cooperate in exchanging compliance-related questions, best practices and experiences at the controlling company level with other control and supervision functions;
- coordinate the preparation and adoption of policies and rules between the parent company and Group subsidiaries;
- coordinate the preparation of comments on draft insurance-related legislation;
- participate in setting up and updating compliance programmes in certain separate areas, including internal controls for compliance of operations, taking into account the requirements and capacities of processes and resources available, according to the requirements of specific legislation or regulations, and factors of the broader business and professional environment (e.g. commitments assumed through contracts, declarations and other collective activities aimed at raising the standards of fair business in the broader environment);
- prepare a draft annual compliance monitoring plan covering the identification and assessment of the main compliance risks that the Company faces for submission to the management and supervisory boards;
- compile period reports, submitting them to the management and supervisory boards; and
- draw up reports on the findings related to individual compliance audits, submitting them to the Company’s management board.

B.5 Internal audit function

Internal auditing in the Company is carried out by an independent organisational unit, the internal audit department, which reports to the management board and is functionally and organisationally separate from other organisational units. Its organisational position ensures autonomy and independence of operation. The internal audit is part of the internal control system of the Company that ensures independent, regular and comprehensive review and assessment of the adequacy of the Company's governance, risk management and control procedures. Internal audit reports directly (orally and in writing) to the management board, the audit committee and the supervisory board.

The internal audit function, being an internal control function, is part of the third line of defence of the Company's risk management system.

The chief responsibilities of the internal audit are to:

- set up a risk-based, permanent and comprehensive supervision of the Company's operations aimed at verifying and assessing whether the processes of risk management, control procedures and corporate governance are appropriate and function in a manner that ensures the achievement of the following major goals of the Company:
    - effective and efficient operation of the Company;
    - business and financial efficiency, including safeguarding assets against loss;
    - reliable, timely and transparent internal and external accounting and non-financial reporting;
    - compliance with laws, other regulations and internal rules;
- assess whether the Company's information technology supports and furthers the Company's strategies and goals;
- assess fraud risk and the procedures for its management in the Company (although the expertise of a person whose primary task is to identify and investigate cases of fraud is neither expected nor required);
- offer advice, and
- carry out other tasks subject to the law.

Internal audit conducts internal audit reviews in accordance with the hierarchy of rules of internal auditing adopted by the Slovenian Institute of Auditors on the basis of the law governing auditing, and written rules of the internal audit function. The internal audit function operates in accordance with the adopted internal audit policy, which defines the purpose, powers, responsibilities, and tasks of the internal audit function. Furthermore, it establishes the position of the internal audit within the organisation, including the nature of the functional responsibilities of the head of internal audit with regard to the supervisory body, authorises access to records, personnel, premises and equipment relevant to the performance of engagements, and defines the scope and activities of the internal audit.

The internal audit function annually submits the annual work plan and the annual report of the internal audit service to the management and supervisory boards, including its audit committee.

The internal audit function holder has been appointed by the management board with the consent of the supervisory board upon the prior opinion of the audit committee and also serves as the director of the internal audit department.

The internal audit must be independent, and internal auditors must be impartial and unbiased, and avoid any conflicts of interest. The director of the internal audit must confirm to the supervisory body, at least annually, the organisational independence of the internal audit as part of the annual reporting on the activities of the internal audit service.

In accordance with the Slovenian Insurance Act and under an outsourcing contract, Sava Re d.d. conducts the key function of internal auditing for the companies Zavarovalnica Sava d.d., Sava Pokojninska Družba d.d. and Sava Infond, Družba za Upravljanje, d.o.o. for an indefinite period. In January 2021, in compliance with the Slovenian Insurance Act, Sava Re concluded an outsourcing agreement with Vita, Življenjska Zavarovalnica, d.d., under which the latter transferred the performance of the key function of internal auditing to Sava Re as from 22 January 2021 for an indefinite period.

While strengthening the internal audit department in 2021, we further intensified the implementation of the new software to support the comprehensive internal auditing process, also at the Sava Insurance Group internal audit level. In 2021, Group Internal Auditing was introduced in the entire Sava Insurance Group, including in non-EU based Group companies. The internal audit department regularly monitors the development and quality of the internal audit departments in subsidiaries, providing them the necessary professional assistance, and in 2022 this will be further refined through the development of the Group Internal Audit.

B.6 Actuarial function

The actuarial function is an administrative concept comprising all the persons performing actuarial tasks of the second line of defence as detailed below. Actuarial function performers are employed in the areas of the actuarial function. They also perform first-line-of-defence actuarial tasks. Although the actuarial function is part of the second line of defence, it is organised in a way that prevents any one person from both implementing (first line) and controlling (second line) the same tasks.

The Company's actuarial function holder is responsible for carrying out the actuarial function. The appointment was made by the management board with the consent of the supervisory board.

The chief responsibilities of the Company's actuarial function are to:

- coordinate the calculation of technical provisions and ensure their consistency with applicable regulations;
- ensure the appropriateness of the methodologies, underlying models and assumptions made in calculating technical provisions so that they reflect key risks and are sufficiently stable;
- assess the sufficiency and quality of the data used in calculating technical provisions and to provide recommendations on how to adapt processes in order to improve data quality;
- compare best estimate provisions established in accordance with Solvency II principles (hereinafter SII provisions) against experience and, in the event of any deviation, suggest changes to the assumptions and valuation models used;
- oversee the use of approximations in calculating SII provisions;
- examine the appropriateness of the underwriting policy and express an opinion on the adequacy of insurance premiums, taking into account all underlying risks and effects of changes in the portfolio, options and guarantees, anti-selection, inflation and legal risks;
- verify the adequacy of reinsurance arrangements;
- participate in introducing and implementing the risk management system, in particular with respect to the development, use and monitoring of adequacy of the models underlying the calculation of capital requirements for underwriting risk and the conduct of own risk and solvency assessment;
- prepare, at least annually, a written report to be submitted to the management and supervisory bodies, and the local supervisory authority; reports on the implementation of the above tasks and their results, clearly identifying any weaknesses by issuing recommendations on how to eliminate them; and
- serve on the risk management committee.

In accordance with the risk management policy, the actuarial function actively cooperates in setting up and implementing the Company's risk management system as part of the second line of defence.

The key function holders of the Sava Insurance Group companies serve on the Group's actuarial committee, the membership of which is regulated in the its rules of procedure. Within its powers and in line with the rules of procedure appended to this policy, the Group's actuarial committee adopts decisions in the form of proposals and recommendations for the management board of Sava Re, other key functions of the Group and the Group's risk management committee, which are implemented in line with the rules of procedures of the Group's actuarial committee. The members of the actuarial committee have a responsibility toward the Company to communicate information about relevant arrangements to relevant parts of the Company.

B.7 Outsourcing

In accordance with the provisions of the applicable Insurance Act, the Company has adopted a policy and rules that govern the outsourcing of critical or important operational functions or activities. The policy defines the framework for outsourcing critical or important operational functions: contracts on outsourcing in general, when they might be entered into, how they should be maintained and documented, and how to ensure compliance with the applicable outsourcing guidelines. The policy outlines the steps and responsibilities in the process of outsourcing functions or activities, defining the standards of management and control of such a process. The policy further defines the registering of outsourced operations comprising all contracts considered as outsourced and defines how to document the whole decision-making process, collect the necessary documents and the signing of such contracts. The policy states that each outsourced operation must have an administrator, whose main responsibility is to oversee the outsourced function or activity. By signing the contract, all providers of outsourced services undertake to act in accordance with the applicable law and cooperate with the local supervisor. The Company must notify the local regulator of its intention to outsource an operation before entering into the relevant contract.

In 2021, the Company had no outsourced operations. On 31 December 2021, the Company entered an asset management agreement with Sava Infond d.o.o. (outsourcing agreement), which entered into force on 1 January 2022.

B.8 Any other information

The Company has in place a transparent and appropriate risk-based governance system.

The Sava Re corporate governance policy sets out the main governance principles, taking into account the Company's goals, mission, vision and values. The purpose of the policy is to define the foundation of the Company's system of governance, the basic management rules, rules of corporate governance and a transparent organisational structure with clear and transparent allocation and segregation of roles and responsibilities. Corporate governance is a combination of processes and frameworks used by the management and supervisory boards, and supervisory board committees for communicating, directing, controlling and monitoring a company's operations in order to achieve the company's goals. The policy was last amended in August 2021.

In its 2021 annual report on internal auditing, the internal audit, based on all the tests carried out and methods employed in individual audit areas, issued an opinion that the internal controls at Sava Re are adequate and that their reliability is good. Moreover, it believes that the governance of Sava Re has proved appropriate and is being improved on an ongoing basis to achieve major business goals, and that risks are well managed with the efficiency and economy of operations in mind. However, there remains room for improving the operation of the system. The audit engagements revealed individual irregularities and weaknesses, to which the IAD drew attention, recommending these be remedied to improve control procedures, corporate governance and risk management. This is to increase the efficiency of internal controls and regularity of operations.

C. Risk profile

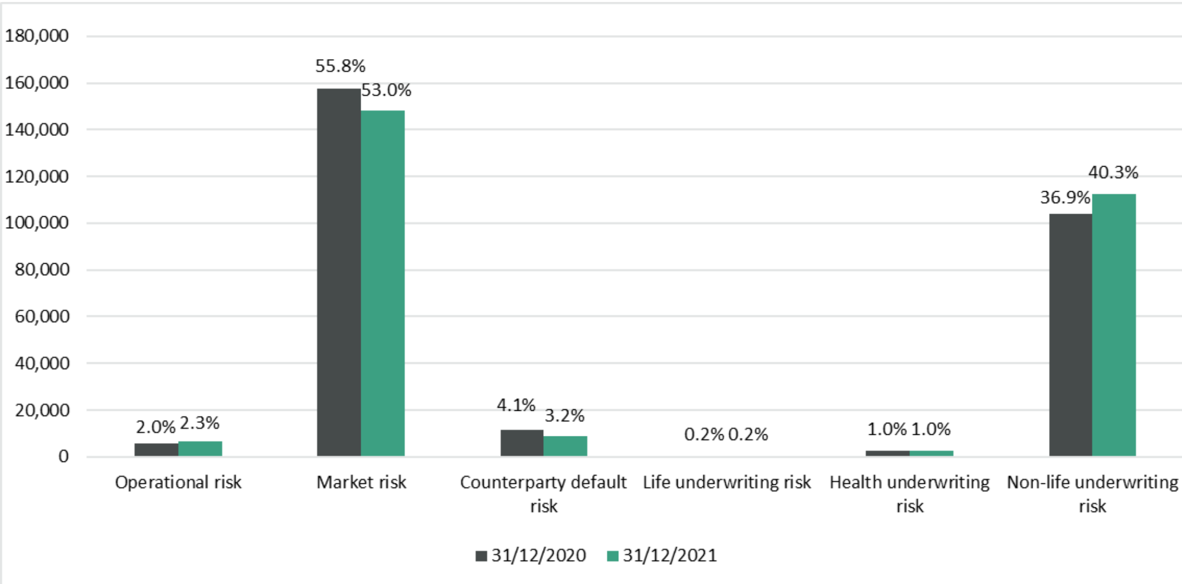
The Company's operations are exposed to various types of risk. These are identified, measured, managed, monitored, and reported on in accordance with the processes described in section **B.3** "Risk management system including the own risk and solvency assessment". The main risk categories that the Company is exposed to are:

- underwriting risk,
- market risk,
- credit risk,
- liquidity risk,
- operational risk, and
- strategic risk.

The following subsections discuss individual risk categories, except strategic risk, which is discussed in subsection C.6 "Other material risks".

The Company regularly measures some of the above risk categories using the Standard Formula, whereas other risks (in particular those not readily quantifiable) are measured using the methods described in section **B.3** "Risk management system including the own risk and solvency assessment". The chart below shows the Company's risk profile in accordance with the Standard Formula.

Undiversified SCR by risk module (EUR thousand)[9]



At year-end 2021, the risk profile continues to be dominated by non-life underwriting and market risks; other risk categories are smaller. In 2021, there was a decline in market risk, mostly as the result of a decrease in the value of participations in subsidiaries and associates due to a change in the methodology of valuing non-insurance companies (see D.1 "Assets – Investments" for more details). By contrast, non-life underwriting risk increased marginally in 2021, chiefly on account of increased best estimate claims provisions, which increased premium risk and reserve risk. As a consequence, the proportion of market risk dropped slightly, and the proportion of non-life underwriting insurance rose.

[9] The proportion of an individual module is calculated as the proportion out of the sum of all modules.

Covid-19-related impact on the Company's risk profile

Covid-19 and the related pandemic has been present for a year and a half now, and remains a source of direct and indirect uncertainties related to the attainment of the Company's financial targets and strategic goals. In 2021, we integrated the monitoring of Covid-19-related risks into the regular risk monitoring scheme and reported on them in risk reports. The monitoring extended to capital adequacy as well as the impact on individual risks, current operating results and liquidity. Analyses conducted and reports were taken into consideration by the management when making decisions. We now understand the risks much better than at the beginning of the pandemic, and we estimate that the risks faced by the Company are well managed. We do not expect Covid-19 to have a significant negative impact on key risks in the future, as the Company took an active approach to managing these risks. The legal regulatory risk that the interpretation of policy wordings related to covering business interruption would be unfavourable in some markets and that additional claims related to Covid-19 would have to be paid remains open. The Company continuously identifies, monitors, analyses, and manages risks associated with Covid-19.

C.1 Underwriting risk

The Company's exposure to underwriting risk arises out of its accepted reinsurance contracts. This risk is related to the risks underwritten and associated processes, and it arises from the uncertainty related to the occurrence, scope and timing of obligations.

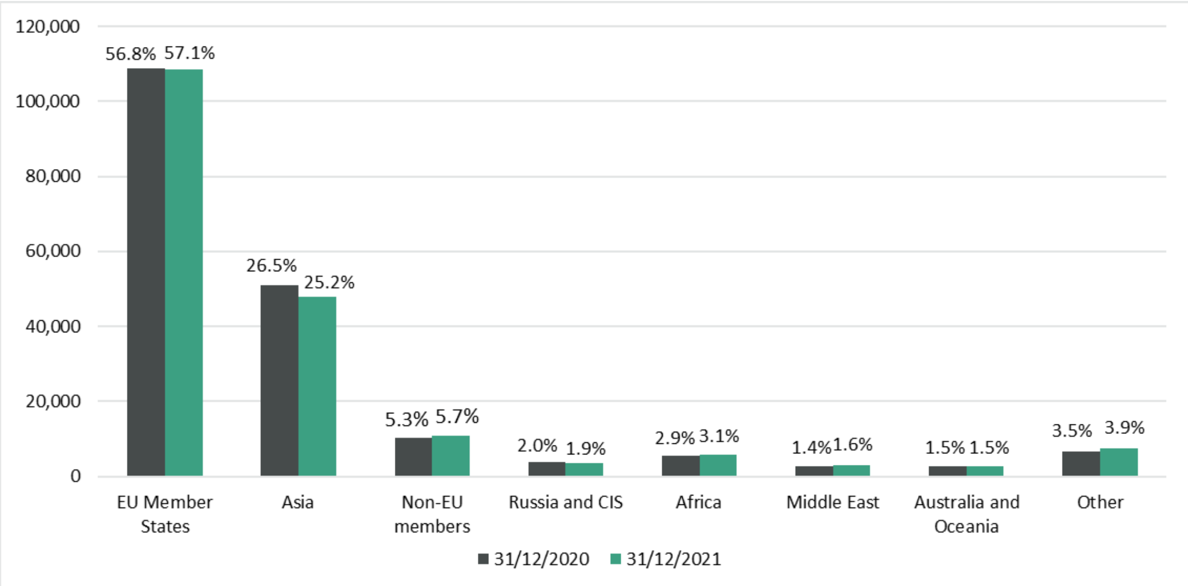
Underwriting risk is generally divided into:

- non-life underwriting risk,
- life underwriting risk (including annuities stemming from non-life reinsurance business),
- health underwriting risk (including accident reinsurance).

The Company is exposed to all three types of underwriting risk. Life underwriting risk includes the majority of risk relating to accepted life reinsurance business ceded from within the Sava Insurance Group, whereas accepted life reinsurance business from non-Group cedants along with accident reinsurance business is discussed under health underwriting risk. This is because, due to its annual coverage period and technical basis, such life reinsurance business is similar to accepted accident reinsurance business.

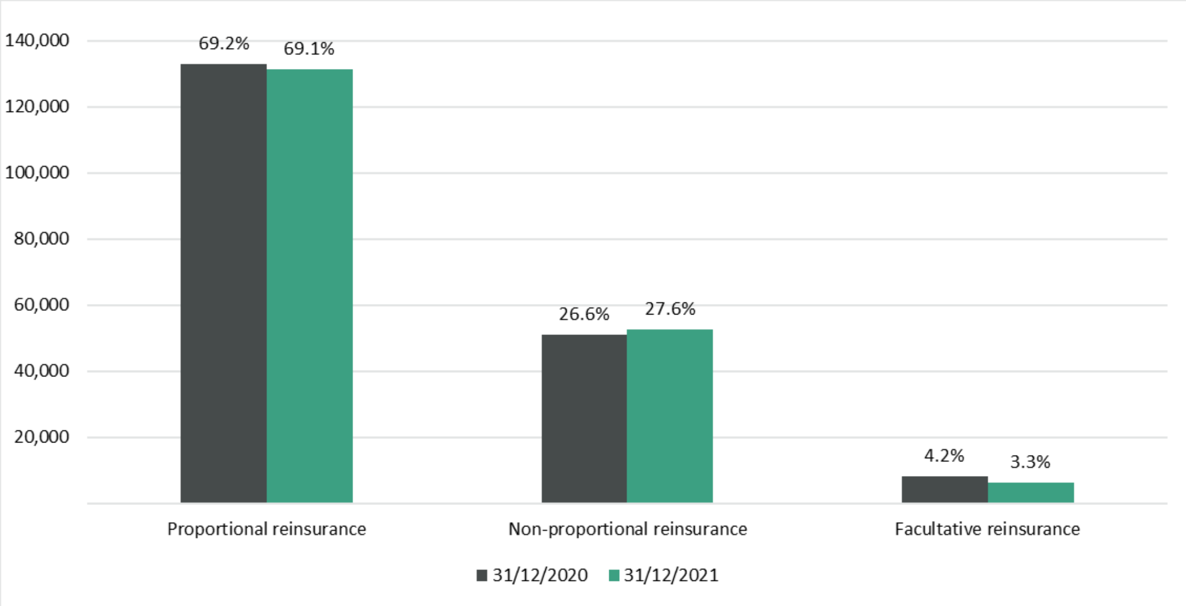
The chart below shows gross premiums written by three different criteria: geographical area, form of reinsurance and insurance group.

Gross premiums written by geographical area (EUR thousand)

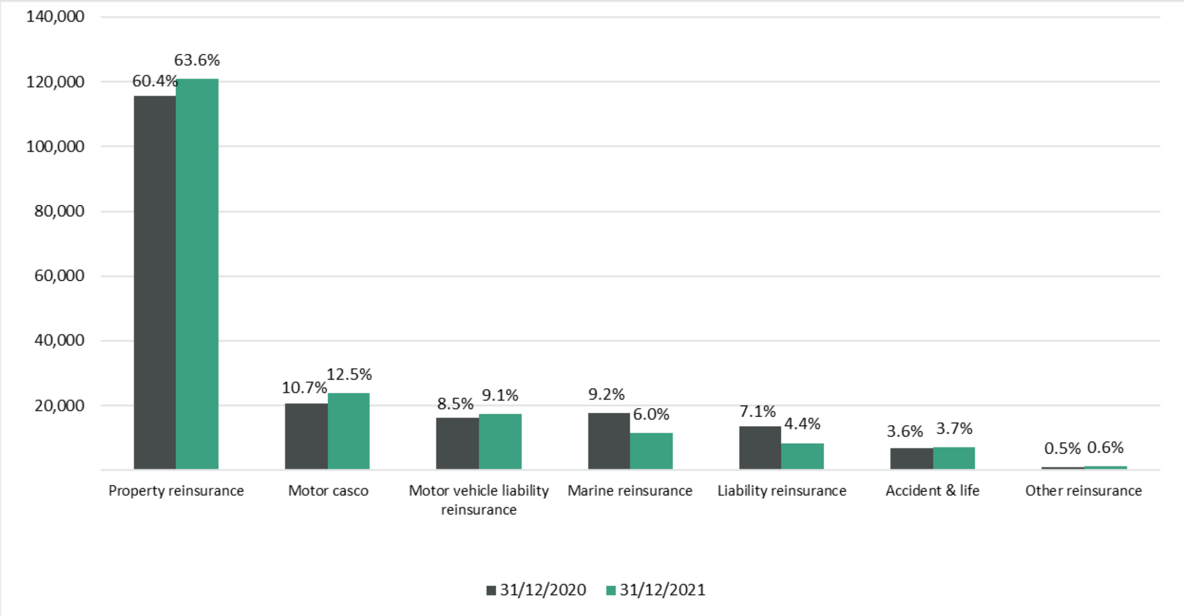


As can be seen, the Company's largest exposure is to EU markets (especially in Slovenia) and Asia, while diversification is sought through exposure to other markets.

Gross premiums written by form of reinsurance (EUR thousand)



Gross premiums written by insurance group (EUR thousand)



In terms of premiums, the reinsurance portfolio is dominated by proportional and property reinsurance business. Other major insurance groups are fairly evenly represented.

C.1.1 Risk exposure

The Company is mainly exposed to the following non-life underwriting risks and risks associated with not-similar-to-life-technique health insurance business (hereinafter: NSLT health business):

- **Premium risk** is the risk that premiums written are insufficient to meet the obligations arising from reinsurance contracts. This risk depends on many factors, such as inadequate assessment of market developments, poor assessment of claims development, use of inadequate statistics, intentionally inadequate pricing in certain lines of business expected to be offset by other lines

of business, or inadequate assessment of external macroeconomic factors that may change significantly during the term of a contract. These include:
  - underwriting process risk,
  - pricing risk and
  - risk of unexpected increase in claims.

  In line with the portfolio composition, premium risk predominantly arises from property reinsurance business, both proportional, the predominant form of reinsurance in terms of premium income, and non-proportional reinsurance business, which is relatively riskier due to claims volatility.
- **Reserve risk** is the risk that technical provisions are insufficient to meet the obligations arising from (re)insurance contracts due to inadequate methods, inappropriate, incomplete and inaccurate data, inefficient procedures and controls or inadequate expert judgement, or misreporting, resulting in unreliable information about the Company’s financial position. These include the following risks:
  - risk related to data availability and accuracy,
  - risk related to adequacy of methods and assumptions used,
  - risk of calculation error,
  - risk stemming from complex tools used in processes yielding misleading results.

  Similar to premium risk, property reinsurance is the largest contributor to reserve risk, but since the Company has been focusing on this business for many years, the proportion of associated best estimate technical provisions is also the largest.
- **Catastrophe risk** includes the risk of occurrence of a catastrophic event. Such events are rare but their financial impact is too high to simply be covered by otherwise appropriate premiums and provisions. Catastrophe risk may materialise as an extreme event or as a large number of catastrophic events in a short period. The risk also includes an excessive geographical accumulation of risks. The Company’s portfolio is geographically well diversified and also further balanced through the retrocession programme, and so the relatively high capital requirement results from the aggregation of a large number of such requirements for various smaller natural perils and regions and various man-made catastrophic events, and is due to the fact that coverage against catastrophic events is the Company’s primary and most important role.
- **Lapse risk** is the risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level or volatility of lapse rates. The Company is not significantly exposed to this type of risk.

The Company has a minor exposure to the following **life underwriting risks**:

- biometric risks, which are divided into:
  - mortality risk,
  - longevity risk
  - disability and morbidity risk,
- life-expense risk,
- revision risk,
- lapse risk, being the risk of early termination of life insurance contracts, includes terminations due to surrenders, conversion to paid-up status, and premium default,
- life catastrophe risk.

Other underwriting risks, such as economic environment risk and policyholder behaviour risk, may be material, but their effect is already indirectly accounted for in the above non-life and life underwriting risk.

C.1.2 Risk measurement

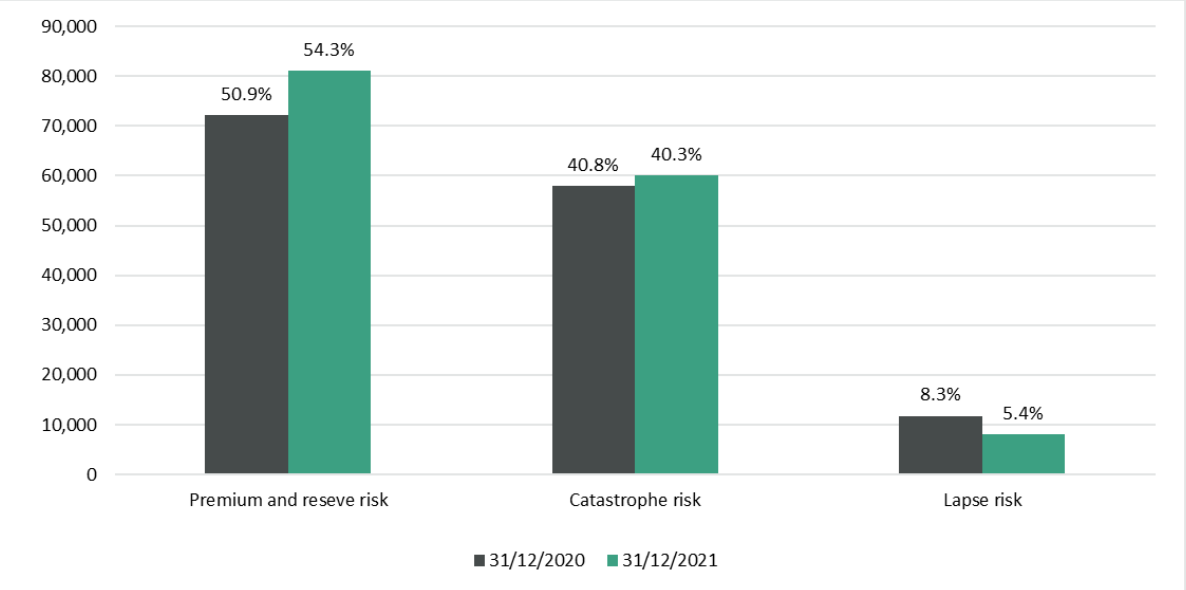
The Company uses the Standard Formula for quantitative assessment of underwriting risk. To this end, it does not apply undertaking-specific parameters for individual companies, in accordance with Article 104(7) of Directive 2009/138/EC. The Company also uses its own assessment (as part of ORSA) for the quantitative assessment of underwriting risk.

As at 31 December 2021, the Company was exposed to non-life underwriting risk in the amount of EUR 112.6 million (31 December 2020: EUR 104.0 million), health NSLT underwriting risk in the amount of EUR 2.7 million (31 December 2020: EUR 2.7 million) and life underwriting risk in the amount of EUR 0.5 million (31 December 2020: EUR 0.6 million). The capital requirement for non-life underwriting risk, health NSLT underwriting risk and life underwriting risk accounted for 40.3%, 1.0% and 0.2%, respectively, of the sum of the SCR of all risk modules[10]. Premium and reserve risks, followed by catastrophe risk, represented the largest proportion of the undiversified non-life underwriting risk.

The non-life underwriting risk module increased as at 31 December 2021, as the result of the increase in best estimate claims provisions, especially because of claims relating to catastrophic events in 2021. The catastrophe risk sub-module also increased slightly, mainly due to a change in the reinsurance cover for non-Group cedants where we replaced a reinsurance cover protecting against high loss frequency with a lower priority for catastrophe claims in this portfolio. There was also a marginal decline in the lapse risk sub-module, which is relatively small.

The chart below shows the composition of non-life underwriting risk, the largest category of underwriting risk.

Undiversified non-life underwriting risk by risk sub-module (EUR thousand)[11]



Non-life underwriting risk is measured quantitatively, also as part of the ORSA. Premium and reserve risks are estimated using undertaking-specific parameters (hereinafter: USP). The own assessment of

[10] The sum of all SCRs of all risk modules, including operational risk, is taken into account.

[11] The proportion of an individual submodule is calculated as the proportion out of the sum of all risk submodules.

premium and reserve risk is significantly lower than the calculation under the Standard Formula. Consequently, the own assessment of the capital requirement for non-life underwriting risk is lower compared to the Standard Formula.

In addition to this quantitative risk measurement, the Company also monitors its exposure to non-life underwriting risk quarterly, analysing the combined ratios of individual contracts and homogeneous risk groups, verifying the adequacy of technical provisions, monitoring aggregate exposures to natural catastrophes by geographical location and monitoring major new contracts. Based on all interim information, the Company monitors the underwriting risk profile to detect any changes, which enables the management to respond in a timely manner.

C.1.3 Risk concentration

The Company considers the risk related to natural catastrophes to be the largest non-life underwriting risk. The Company's largest exposure to natural catastrophes is in Slovenia; other exposures are relatively well diversified globally.

The table below shows the Company's gross natural catastrophe exposures for 10 countries with the highest exposures as at 31 December 2021.

Gross exposure to natural catastrophes by country[12]

EUR thousand	31 December 2021	31 December 2020
Slovenia	465,535	276,415
Croatia	45,868	49,999
China	45,109	38,233
India	35,302	29,616
Germany	33,133	32,353
North Macedonia	32,192	28,184
Serbia	32,126	33,469
Turkey	30,725	31,046
Great Britain	30,219	31,142
Taiwan	29,771	25,867
Total	**779,980**	**576,324**

Exposure to Slovenia is higher compared to the previous year due to higher exposure under quota share reinsurance business written with Zavarovalnica Sava.

The Company has in place a reinsurance programme to cover catastrophe risks. It covers a maximum of EUR 5 million per event; the rest is ceded to reinsurers.

C.1.4 Risk management

The Company manages underwriting risk mainly through an established underwriting process, as set out in internal reinsurance underwriting guidelines. These define the requirements for partners, the minimum required level of information about the business and the expected profitability range. In

[12] The balances as at 31 December 2020 are presented for comparison; they are not necessarily the highest exposures in the year.

addition, they also define the underwriting process and levels of authority so that appropriate controls are included in the process. The Company also manages underwriting risk by means of geographical diversification, aggregate exposure limits and an appropriate reinsurance (retrocession) programme.

The Company annually reviews and sets underwriting limits. These limits relate to the sums insured or probable maximum loss (hereafter: PML) figures of individual contracts and to reinsurance premiums, all for assumed shares in the Company's retention, as well as to the expected aggregate exposure to catastrophic risk by geographical area. Underwriting limits must also be confirmed by the holder of the actuarial function to ensure their consistency with the Company's risk appetite. Underwriting limits are an integral part of the reinsurance underwriting guidelines. For more complex transactions, these guidelines also define the process of approving risk acceptance, including roles and responsibilities, and escalation procedures.

In addition to the above, the Company analyses the impact of selected sensitivity analyses on risk levels. In the calculation as at 31 December 2021, we tested the impact of a **10% increase in the volume measure for the premium risk of non-life and NSLT health insurance** on the level of premium and reserve risk and the overall SCR. A 10% increase in the premium volume measure would result in a 4.5% increase in the premium and reserve risk of non-life insurance (31 December 2020: 4.9%) and a 6.5% increase in the premium and reserve risk of NSLT health insurance (31 December 2020: 6.5%). The increase does not materially affect the Company's solvency. The impact of the sensitivity analysis is comparable to the impact as at 31 December 2020.

We also analysed the impact of a **10% increase in the volume measure for the reserve risk of non-life and NSLT health insurance** on the level of premium and reserve risk and the overall SCR. A 10% increase in the provision volume measure would result in a 5.5% increase in the premium and reserve risk of non-life insurance (31 December 2020: 5.1%) and a 3.5% increase in the premium and reserve risk of NSLT health insurance (31 December 2020: 3.5%). The increase does not materially affect the Company's solvency. The impact of the sensitivity analysis is comparable to the impact as at 31 December 2020.

Impact of sensitivity analysis on eligible own funds, SCR and Company's solvency ratio (for non-life and NSLT health business)

EUR thousand	Eligible own funds	Difference from base value	SCR	Difference from base value	Solvency ratio	Difference from base value
Base values as at 31 December 2021	**615,653**		**218,039**		**282%**	
Increase in volume measure for premium risk	615,653	0	220,329	2,290	279%	-3 p.p.
Increase in volume measure for reserve risk	615,653	0	220,853	2,814	279%	-3 p.p.
Base values as at 31 December 2020	**596,036**		**219,399**		**272%**	
Increase in volume measure for premium risk	596,036	0	221,476	2,076	269%	-3 p.p.
Increase in volume measure for reserve risk	596,036	0	221,574	2,174	269%	-3 p.p.

Below we provide a detailed presentation of how individual non-life and health NSLT underwriting risks are managed, along with an overview of life underwriting risk management.

Premium risk

Premium risk is mainly managed through proper reinsurance underwriting and quarterly performance monitoring by class of insurance, if necessary also by contract or partner, and through measures taken on this basis.

Underwriting process risk is managed by means of additional training of underwriters; by producing understandable, clear and detailed instructions; and by defining appropriate underwriting limits that are consistent with the Company's risk appetite as defined in its risk strategy, business strategies and retrocession programme. In addition, we pay special attention that contracts are entered into with verified and trusted cedants, and that there are appropriate limits on exposure concentration by geographical area and homogeneous risk groups in order to meet the required risk diversification. A large risk within the underwriting process is incorrect assessment of the PML, mainly due to cedants of the Sava Insurance Group. To reduce this risk, the Company provides guidance on PML assessment, cooperates with its cedants' underwriters when underwriting large risks, offers relevant training and ensures that the retrocession programme covers PML error.

As regards **price risk**, the Company is only able to manage such risk indirectly, because it must follow the fortunes of its cedants in proportional reinsurance treaties. This is why the verification of cedants constitutes the main part of the underwriting process. The Company can manage product design risk directly only as regards the contractual terms and conditions, which, if inappropriate, may include associated risks that the Company, unaware of such when entering into the contract, fails to take account of when setting the premium. This can arise owing to poor and inadequate information provided by the cedant, or due to inadequate interpretation of the terms and conditions. To properly assess all risks, the Company must fully understand all positive and negative aspects of the contract and the associated risks. Before entering into a contract, the Company therefore closely examines both the partner and the market, collects the information available (from the media, competitors, clients), monitors the applicable regulations and the related requirements, and observes trends in historical claims data (for the entire market) and forecasts. In addition, the Company may use special clauses in reinsurance contracts to limit performance volatility; for example, sliding scale or profit commissions, or loss ratio ceilings.

The risk of an unexpected increase in claims may arise as the result of an incorrect risk assessment in the underwriting process, new types of claims, changes in case law, increased awareness of policyholders of their rights, changes in macroeconomic circumstances, activities adversely affecting the environment or an inappropriate retrocession programme. This risk is mitigated through in-depth assessments of risks during reinsurance underwriting and prudent granting of underwriting authority. As with product design risk, the Company can manage this risk through the use of special clauses in proportional reinsurance contracts that limit the reinsurer's share of unexpected claims and by not accepting unlimited layers under non-proportional contracts. Also central to reducing this risk is the annual testing of the appropriateness of retrocession protection using a variety of stress tests and scenarios, and setting appropriate retention limits.

Reserve risk

The Company manages reserve risk by means of robust processes and effective controls as regards the calculation of IFRS and Solvency II technical provisions. In addition, it conducts annual backtesting of the appropriateness of technical provisions, analysing the major reasons for their insufficiency. All experience so gained is then used in calculating future technical provisions. An effective calculation process for technical provisions comprises several key steps. By documenting and understanding such a process, the Group can identify and describe potential risks, such as:

- the risk related to data availability and accuracy,

- the risk related to the adequacy of methods and assumptions used,
- the risk of calculation error,
- the risk associated with supporting IT systems and tools.

Controls are put in place for the mitigation of each identified risk. These controls ensure data quality and mitigate the risks associated with calculating technical provisions. The design and operational effectiveness of controls are reviewed at least annually or whenever a significant change occurs in the process or methods and models used to calculate the technical provisions.

Examples of controls include:

- reconciliation of technical provision items with accounting records,
- peer review of actuarial methods and assumptions,
- defined change management controls for the IT tools used in the process,
- actuarial review and approval of the level of technical provisions.

The process by which technical provisions are calculated is subject to periodic approval. Where substantial changes have been made to the process, the methodology or models used in the calculation of technical provisions, a validation is carried out in accordance with the reporting schedule.

Lapse risk

It is estimated that lapse risk, being the risk of early termination of reinsurance contracts, is less important for the Company, because the vast majority of reinsurance contracts are entered into for one year, and the risk is also managed by developing and maintaining good business relations with cedants and closely monitoring the market situation.

Catastrophe risk

The Company manages catastrophe risk through prudent reinsurance underwriting, geographical diversification and relevant retrocession protection against natural and man-made catastrophes.

To protect against potential natural disasters, the Company has in place catastrophe covers (CAT XL) to protect its retention, for both Group and non-Group business. However, before the operation of the non-proportional cover, the Slovenian portfolio is protected by a surplus retrocession cover providing protection at the individual risk level (including PML error), and an earthquake quota share cover. Thus, in case of a major event, the Company would suffer a loss in the amount of the priority of the CAT XL cover plus a reinstatement premium. The priority of the CAT programme for Group business remained unchanged in 2021, at EUR 5 million, while the priority of the CAT programme for non-Group accepted reinsurance was reduced to EUR 4 million in 2021. If the Company continued to make use of the cover, reinstatement provisions would start operating, i.e. the Company would protect itself by a new cover for the remaining period of cover, which is an ordinary instrument available in international reinsurance markets, the price of which is lower than the initial cover because of the shorter period of exposure. To protect against a larger frequency of natural disasters, the Slovenian portfolio is additionally protected by an aggregate cover, thanks to which, in case of a number of events in excess of the priority, the Company would suffer a loss below the sum of the priorities. This ensures that the Company remains solvent even if several catastrophic events occur in any one year.

The Company also considered various scenarios and their impact on business operations and the solvency position. We selected scenarios based on the own risk profile, striving to identify events with a potentially material impact on the operations and capital adequacy, and taking into account their probability of occurrence.

Catastrophe risk is a major risk for the Company. Therefore, as part of the annual ORSA process, the Company tests catastrophe scenarios in terms of their impact on solvency. To date, the following has been tested: an earthquake in Ljubljana with a return period of 1000 years (including default of lead retrocessionaire), a Kyrill-type hurricane (2007), an Andrew-type hurricane (1990), an earthquake in China, an earthquake in Turkey, the scenario of three catastrophic events in Slovenia in one year (two hail storms and one flood), the impact of two hurricane events in the Caribbean as in 2017, a scenario of two major Japanese typhoons occurring in one year, a scenario of a large-scale terrorist attack on France that triggers major riots resulting into further medium-sized claims, and a scenario of two consecutive hurricanes resulting in flooding similar to the worst event in western Europe (Bernd) in 2021. In each of these scenarios, eligible own funds would be impacted by the amount of the claim payment, less reinsurance recoverables, which would also have a significant effect on the profit or loss for the year in which the event happened; nevertheless, Sava Re would maintain a large surplus of eligible own funds over the SCR. The solvency ratio would drop by a few percentage points but remain within the Company's target capitalisation range[13].

Life underwriting risk

We estimate that life underwriting risk is less significant for the Company. The risk is mitigated through a unified underwriting process in the Sava Insurance Group, nurturing good business relations with non-Group cedants of long standing and closely analysing the market situation. Procedures put in place to mitigate lapse risk include monitoring lapses in absolute and relative terms and overseeing cedant measures taken to minimise policy lapses. Procedures put in place to manage mortality risk include consistent application of underwriting protocols, which specify in detail the deviation from normal mortality risk, use of appropriate mortality tables and appropriate retrocession protection. Procedures put in place to manage life expense risk include monitoring the macroeconomic situation (e.g. inflation) and planning service expenses for the coming years.

[13] The target solvency ratio for 2020–2022 is above 200%.

C.2 Market risk

Market risk is the risk of loss or adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and volatility of market prices of assets, liabilities and financial instruments. Market risks include the following types of risk:

- **Interest rate risk** is the risk of a change in market interest rates adversely affecting the value of interest-rate-sensitive assets and liabilities. Interest-rate-sensitive investments include bonds, deposits, loans, bond and mixed mutual funds, and private and infrastructure debt funds. Interest-rate-sensitive liabilities mainly include technical provisions. When calculating capital requirements for interest rate risk, the amount of interest-rate-sensitive assets is considered on the assets side, whereas the best estimate technical provisions and provisions for employees are considered on the liabilities side.
- **Equity risk** is the risk of a fall in the level of equity prices resulting in a fall in the value of equities. Participations in subsidiaries and associates are exposed to this risk, as well as investments in equities, and equity and mixed mutual funds.
- **Property risk** is the risk of a fall in the value of property due to changes in the level and volatility of property prices. This risk affects own-use property, investment property, real-estate funds and right-of-use assets.
- **Currency risk** is the risk of a drop in the value of assets or increase in the level of liabilities due to changes in the level of currency exchange rates.
- **Spread risk** is the risk of the sensitivity of the values of assets to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. This risk affects bonds, deposits, loans, and bond and mixed mutual funds, and private and infrastructure debt funds.
- **Market concentration risk** is the risk of a suboptimal diversification of the asset portfolio or an increased exposure to the default of a single counterparty or group of counterparties.

C.2.1 Risk exposure

As at the date of this report, the Company had the following composition of assets, which affects its exposure to market risk.

Composition of investments included in the calculation of market risk (Solvency II valuation)

(EUR thousand)	31 December 2021	Structure as at 31 December 2021	31 December 2020	Structure as at 31 December 2020
Asset class				
Bonds	**284,229**	**34.3%**	**232,260**	**29.9%**
Government bonds	180,187	21.8%	133,452	17.2%
Corporate bonds	104,042	12.6%	98,807	12.7%
Investment funds	**24,990**	**3.0%**	**16,387**	**2.1%**
Deposits	**0**	**0.0%**	**0**	**0.0%**
Equity investments	**503,257**	**60.8%**	**510,844**	**65.8%**
Participations in subsidiaries	496,406	60.0%	501,587	64.6%
Listed shares	5,536	0.7%	7,942	1.0%
Unlisted shares	1,314	0.2%	1,314	0.2%
Property	**12,501**	**1.5%**	**12,236**	**1.6%**
Own-use property	3,181	0.4%	3,155	0.4%
Other property	9,320	1.1%	9,080	1.2%
Loans and mortgages	**2,573**	**0.3%**	**4,968**	**0.6%**
Total	**827,550**	**100%**	**776,694**	**100%**

The value of investments that the Company includes in the calculation of market risk was EUR 827.6 million as at 31 December 2021 (31 December 2020: EUR 776.7 million). The increase in investments in 2021 is mainly due to the appreciation of investments in government bonds. The increase in investment funds was mainly driven by capital called up from commitments made for alternative funds (infrastructure, real-estate). The value of participations in subsidiaries decreased compared to the previous year, due to a change in the methodology for valuing participations valued using the equity method (see section D.1 "Assets – Investments" for details).

Their composition shows that the majority of the Company's financial investments consists of strategic participations and fixed-rate financial instruments. The predominance of fixed-rate financial instruments in portfolio investments reflects the Company's policy to manage financial investments so that assets and liabilities are matched.

Variable-rate investments account for a relatively small proportion of portfolio investments [14] because the majority of equity investments consists of participations. Portfolio investments show a relatively high exposure to interest rate and credit risk.

C.2.2 Risk measurement

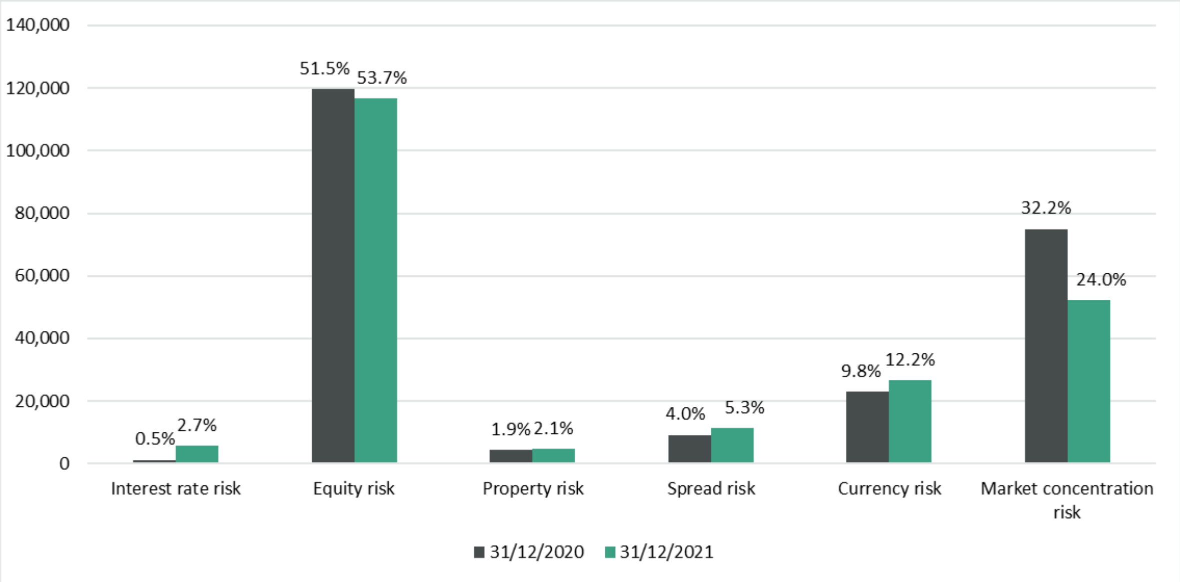
For the quantitative assessment of market risk, the Company uses the Standard Formula in addition to its own risk assessment.

The solvency capital requirement in accordance with the Solvency II Standard Formula for market risk stood at EUR 148.0 million as at 31 December 2021 (31 December 2020: EUR 157.5 million,

[14] Assets included in the calculation of market risks less participations in subsidiaries.

representing 53.0% of the sum of the SCR of all risk modules[15]. The lower capital requirement is largely due to the lower exposure to subsidiaries and associates, which decreases equity risk and market risk concentration. The Company holds participations in EU-based insurers of EUR 405.3 million (31 December 2020: EUR 381.1 million), participations in non-EU-based insurers of EUR 48.4 million (31 December 2020: EUR 45.3 million) and participations in other companies of EUR 42.7 million (31 December 2020: EUR 75.2 million). The Company's exposure to participations in subsidiaries and associates thus represents a material proportion of the capital requirement for equity risk and market risk concentration. The value of participations in insurance companies increased compared to last year due to the strong performance of the subsidiaries, whereas the value of the participations in the remaining subsidiaries and associates decreased due to a change in the methodology for valuing participations under the equity method (see section D.1 "Assets – Investments" for details). This resulted in a decrease of EUR 36.2 million in the value of participations in the remaining subsidiaries and associates.

Undiversified market risk by risk sub-module (EUR thousand)[16]



Interest rate risk accounts for a relatively small proportion of the capital requirement for market risk. The risk rose marginally in 2021 due to a change in the methodology for accounting for subordinated debt (see section E.2 "Solvency capital requirement" for details). The Company regularly monitors, analyses and addresses the scope of the assumed interest rate risk. In view of the activities conducted and internal controls in place, we consider that this risk is well managed.

Equity risk is the largest type of market risk, accounting for 54% of total market risk. The major part of the capital requirement stems from participations in subsidiaries and associates. Equity risk arising from portfolio investments is relatively low due to the smaller exposure.

Property risk. The proportion of property within the investment portfolio is capped through the Company's limits system and therefore relatively small. Consequently, the property risk that the Company is exposed to is low.

[15] The sum of all SCRs of all risk modules, including operational risk, is taken into account.

[16] The proportion of an individual submodule is calculated as the proportion out of the sum of all risk submodules.

Spread risk represents a relatively small proportion of market risk and contributed 5% to the capital requirement. In 2021, this risk increased modestly due to higher exposure to bonds, and private and infrastructure debt funds. The Company has a limits system in place to manage credit risk, which defines maximum exposures to a single issuer, region, sector and credit rating, and thus prevents the assumption of risks inconsistent with the Company's risk appetite.

Currency risk represents 12% of market risk. Both assets and liabilities are exposed to this risk. The monitoring and management of currency risk is presented in greater detail in the Company's annual report, section 17.6.4.2.1.3 "Currency risk". As at 31 December 2021, the Company reported highly matched assets and liabilities in accordance with IFRSs. Nevertheless, the Company still had some currency mismatches under the Solvency II methodology as the result of lower SII provisions compared to IFRS provisions.

Market risk concentration is the second-largest market risk, accounting for 24%. The level of this risk is due to the Company's participations in subsidiaries that are not EU-based insurance companies, which are considered a single exposure under the Standard Formula. The risk level is also affected by participations in associates that are treated as a separate exposure and exceed the exposure threshold in concentration risk. This risk decreased compared to 31 December 2020 due to a change in the valuation methodology for participations in non-insurance companies. Portfolio investments are exposed to only minor market concentration risk because the Company monitors and regulates its exposure, i.e. concentration, of portfolio investments by region, sector and asset class. It thus prevents any large concentrations in the investment portfolio and limits the risk. The Company's portfolio broken down by these parameters and by rating is shown in the Company's annual report, section 17.6.4.2.3 "Credit risk".

When assessing the risks associated with the investment portfolio, the Company also regularly monitors other risk measures, i.e. performance of the investment portfolio:

- duration,
- market and book return, and net investment income, and
- income volatility.

As part of its asset and liability matching procedures, the Company calculates and monitors the following for each asset and liability portfolio on a quarterly basis:

- risk measures: modified duration, convexity and key rate duration,
- estimated future cash flows,
- the change in fair value, and
- the currency structure of assets and liabilities.

In addition to the Standard Formula, the Company uses its own solvency model to monitor and assess market risk. In our own calculation of risk, we assess the following financial risks: equity risk, interest rate risk and credit risk of financial investments. The valuation of equities is conducted using the capital asset pricing model (CAPM), where, for each equity instrument, a stock index is determined representing market return in the model (relevant economic scenario generators are used as a basis). In its own model, the Company includes all marketable equity securities sufficiently liquid to allow it to estimate, with sufficient accuracy, the parameters of the model using historic data. For other investments, the Company uses stresses prescribed by the Standard Formula. In the own assessment, interest rate risk is assessed for all assets and liabilities. To this end, each currency representing a relatively small proportion of the portfolio is translated into a modelled currency with which it had the most stable exchange rate over the past five-year period[17]. In its own model, the Company also assesses the credit risk of financial investments, which also captures market concentration risk and spread risk. The own model only considers financial investments without participations in subsidiaries and associates. These are taken into account in the calculation of equity risk in the same way as in the Standard Formula, whereas in the calculation of market risk concentration, exposures relating to participations in subsidiaries and associates that are not EU-based insurers are considered as individual exposures.

C.2.3 Risk concentration

The largest exposure of the financial investments in subsidiaries and associates represented the investment in Zavarovalnica Sava, the value of which accounted for 60.7% of the entire value of financial investments in subsidiaries and associates (31 December 2020: 58.1%). As at 31 December 2021, Sava Re's total exposure to the risk of financial investments in subsidiaries and associates was EUR 496.4 million (31 December 2020: EUR 501.6 million). The Federal Republic of Germany represents the largest concentration to a single issuer. The Company's largest regional concentration is to the European Union. The Company is aware of the risks related to these concentrations and is actively managing them by setting adequate maximum exposure limits in its limits system.

C.2.4 Risk management

The framework for market risk management is set out in the Company's asset and liability management policy and investment risk management policy. These define:

- basic investment guidelines,
- measures to be used in monitoring investment performance,
- measures to be used in monitoring investment risks,
- monitoring the compliance of the portfolio with the limits system,
- persons responsible in the investment process.

In the management and monitoring of market risk, the Company takes account of the following:

- its risk appetite as set out in the risk strategy,
- operational limits for financial investments,
- performance and risk measures relating to investments and liabilities.

The Company's main method of managing asset-liability mismatches is through matching and hedging. If possible and cost effective, the Company does so by matching assets to liability cash flows. The Company does not use derivatives to manage market risks arising from the allocation and other features of assets and liabilities.

The Company manages the risks arising from the financial investments portfolio by regularly monitoring and analysing issuers' financial data, monitoring the market prices of financial instruments, regularly analysing asset and liability management figures submitted to the risk management committee and analysing sensitivity tests for material parameters of market risk.

[17] The currencies modelled are the euro, US dollar, Chinese yuan, Indian rupee, Korean won and Russian ruble.

The Company mostly manages the risk arising from its participations in subsidiaries through clearly set business and risk management strategies, which the Group companies must consider, and through active Group governance.

Regarding market risk, we carried out four sensitivity analyses, applying various parameters that affect the level of the solvency capital requirement for market risk and the level of the Company's eligible own funds, and consequently the solvency position. The table below shows the results of selected sensitivity analyses.

Impact of sensitivity analyses on eligible own funds, the SCR and the Company's solvency ratio

EUR thousand	Eligible own funds	Difference from base value	SCR	Difference from base value	Solvency ratio	Difference from base value
Base values as at 31 December 2021	**615,653**		**218,039**		**282%**	
Increase in interest rates of 100 basis points	612,123	-3,531	217,037	-1,003	282%	0 p.p.
Decrease in interest rates of 100 basis points	618,578	2,924	218,938	898	283%	1 p.p.
Fall in value of equity securities of 20%	612,530	-3,123	217,056	-984	282%	0 p.p.
Decrease in value of property of 25%	611,647	-4,007	217,702	-337	281%	-1 p.p.
Decrease in value of participation in Zavarovalnica Sava of 20%	555,423	-60,231	207,994	-10,046	267%	-15 p.p.
Decrease in value of participation in insurer Vita of 20%	594,828	-20,826	214,522	-3,518	277%	-5 p.p.
Base values as at 31 December 2020	**596,036**		**219,399**		**272%**	
Increase in interest rates of 100 basis points	594,305	-1,731	218,888	-511	272%	0 p.p.
Decrease in interest rates of 100 basis points	597,136	1,099	220,097	698	271%	-1 p.p.
Fall in value of equity securities of 20%	593,636	-2,400	219,137	-262	271%	-1 p.p.
Decrease in value of property of 25%	592,434	-3,602	219,610	211	270%	-2 p.p.
Decrease in value of participation in Zavarovalnica Sava of 20%	537,714	-58,322	209,935	-9,465	256%	-16 p.p.
Decrease in value of participation in insurer Vita of 20%	578,143	-17,893	216,454	-2,946	267%	-5 p.p.

The first sensitivity analysis was an **increase and decrease in interest rates**. We conducted the analysis by raising or lowering the base curve of the risk-free interest rate for all maturities by 100 basis points. Then, a new calculation was made of eligible own funds and the solvency capital requirement for all interest-rate-sensitive assets and liabilities. An increase in interest rates of 100 basis points resulted in a decrease in the Company's eligible own funds slightly below the Company's materiality threshold[18] as well as a decline in its SCR. Thus the impact of the sensitivity analysis on the solvency ratio is relatively small and comparable with the calculation of the sensitivity analysis impact as at 31 December 2020. The sensitivity analysis of a 100 basis point reduction in interest rates revealed an opposite effect on eligible own funds and SCR. The impact of the sensitivity analysis

[18] The materiality threshold is a measure of the Company tied to the level of eligible own funds and the solvency capital requirement. As at 31 December 2021, the Company's materiality threshold was EUR 8 million.

on the solvency ratio is relatively small and comparable with the calculation of the sensitivity analysis impact as at 31 December 2020.

The second was a sensitivity analysis of a **fall in the prices of the Company's equities**, which was carried out by decreasing equity prices by 20% as at the reporting date. We did not decrease the value of participations in subsidiaries and associates. The impact on equities was proportionate to the change in the sensitivity analysis. The sensitivity analysis chiefly resulted in a decrease in eligible own funds, as well as in a decline in the capital requirement for market risk. The decline in eligible own funds and the SCR is below the Company's materiality threshold, and the impact on the solvency ratio is very small and comparable to the calculation of the sensitivity analysis impact as at 31 December 2020.

The third was a sensitivity analysis of a **fall in property prices**, which was carried out by reducing property prices by 25%. The calculation was made using the amount of property as at the reporting date. The sensitivity analysis chiefly resulted in a decline in eligible own funds, but the capital requirement for the property risk sub-module also decreased. The impact of a fall in property prices on eligible own funds and the SCR is below the materiality threshold. The impact of the sensitivity analysis on the solvency ratio was thus small. The impact is comparable to the impact calculation as at 31 December 2020.

As mentioned, the value of participations in subsidiaries has a material effect on the balance sheet and the level of the Company's market risk; therefore, in our fourth sensitivity analysis, we tested the impact on the solvency position of a **20% fall in the value of the two largest participations in subsidiaries**, Zavarovalnica Sava and Vita. Investments in the Company's insurance subsidiaries are valued in the Solvency II balance sheet using the adjusted capital method as the excess of the companies' Solvency II assets over liabilities. The value of the participation in Zavarovalnica Sava was EUR 301.2 million in the Solvency II balance sheet as at 31 December 2021 (31 December 2020: EUR 291.6 million), accounting for 60.7% (31 December 2020: 58.1%) of the total value of its financial investments in subsidiaries and associates. The sensitivity analysis assuming a 20% fall in the value of the participation in Zavarovalnica Sava materially reduces the eligible own funds and the Sava Re SCR. Because eligible own funds suffer a greater loss than the SCR, there is also a significant fall in the Company's solvency ratio; however, the Company's solvency is not compromised thanks to a still high solvency ratio. The impact on the Company's solvency position is similar to the impact of the sensitivity analysis as at 31 December 2020. The value of the participation in the insurer Vita was EUR 104.1 million in the Solvency II balance sheet as at 31 December 2021 (31 December 2020: EUR 89.5 million), accounting for 21.0% (31 December 2020: 17.8%) of the total value of its financial investments in subsidiaries and associates. The sensitivity analysis assuming a 20% fall in the value of the participation in the insurer Vita materially reduces the eligible own funds of Sava Re as well as its SCR. Because eligible own funds suffer a greater loss than the SCR, there is also a drop in the solvency ratio; however, the solvency of Sava Re is not compromised thanks to a high solvency ratio. The impact on the Company's solvency position is similar to the impact of the sensitivity analysis as at 31 December 2020.

In addition to the sensitivity analysis, the Company considered a number of scenarios and their impact on its operations and solvency position in the ORSA. We selected scenarios based on the own risk profile, striving to identify events with a potentially material impact on the operations and capital adequacy, and taking into account their probability of occurrence. As part of market risks, we tested an inflation scenario assuming an inflation shock and an increase in credit spreads for debt securities. Based on the scenario, we calculated impacts on the investment portfolio as at 31 December 2022. Such a scenario would have a very large impact on the Company's eligible own funds (the impact considerably exceeding the Company's materiality threshold). Such a decline in the value of investments would also result in a lower capital requirement for market risk and, consequently, a lower SCR for the Company. While such a scenario would reduce solvency, the solvency ratio would remain within the target capitalisation range as defined under the risk strategy for 2020–2022.

We also tested a scenario prescribed by EIOPA in the 2021 insurance stress test, which we recalculated to 31 December 2022. The scenario assumes a fall in the risk-free interest rate, an increase in risk premia, a fall in share prices, a fall in the value of real estate investments and a fall in the value of alternative investments. Such a scenario would also have a very large impact on the Company's eligible own funds (the impact considerably exceeding the Company's materiality threshold). Such a decline in the value of investments would also result in a lower capital requirement for market risk and, consequently, a lower SCR for the Company. While such a scenario would reduce solvency, the solvency ratio would remain within the target capitalisation range**Napaka! Zaznamek ni definiran.** as defined in the risk strategy for 2020–2022. The impact of this scenario on the solvency ratio is slightly weaker than in the inflation scenario.

Prudent person principle

The Company makes investment decisions that take into account all investment-related risks, not only risks considered in the calculation of its capital requirement. The strategic asset allocation is determined through an optimisation process based on historical data for each asset class and taking into account the Company's market risk appetite.

The persons responsible for undertaking investment decisions assume and manage investment risk in line with the guidelines set out in the investment risk management policy, which is designed in accordance with the prudent person principle.

The Company invests all assets in such a way as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition, these assets are localised to ensure their availability.

Assets held to cover technical provisions are invested in a manner appropriate to the nature and duration of the reinsurance liabilities. These assets are invested in the best interest of all policyholders and beneficiaries.

The Company has in place a limit system, which considers maximum losses expected on individual issuers, limits for market risk concentration prescribed under the Standard Formula, limits based on risk appetite and acceptable volatility of return on financial investments. In addition to the limits set for individual asset classes, industries, regions and issuers, the Company has set limits regarding credit ratings of investments to further mitigate credit risk.

In the case of a conflict of interest, the Company ensures that the investment is made in the best interest of policyholders and beneficiaries.

C.3 Credit risk

Credit risk is the risk of loss or adverse change in the Company's financial position, resulting from fluctuations in the credit standing of issuers, counterparties and any debtors that the Company is exposed to.

C.3.1 Risk exposure

As part of credit risk, the Company is exposed to:

- counterparty default risk,
- spread risk,
- market risk concentration.

Spread risk and market risk concentration are discussed and presented in section C.2 "Market risk", in accordance with the risk classification and measurement in the Standard Formula. Later in this section, we provide details regarding counterparty default risk.

Counterparty default risk includes losses due to unexpected default or deterioration in the credit standing of counterparties and debtors over the coming 12 months. Counterparty default risk covers risk-mitigating contracts, such as reinsurance contracts and receivables from intermediaries, as well as any other credit exposures not covered in the spread risk sub-module of the Standard Formula (cash and cash equivalents). Credit risk relating to trade receivables arises out of delays in the payment of liabilities under inwards reinsurance business and recovery arrangements under subrogation rights. In order to avoid such delays, the Company closely monitors the payment behaviour of cedants, running procedures to collect overdue receivables. This explains the Company's low exposure to counterparty default risk.

Exposure to this risk is discussed in greater depth in the Company's annual report, section 17.6.4.3 "Credit risk".

C.3.2 Risk measurement

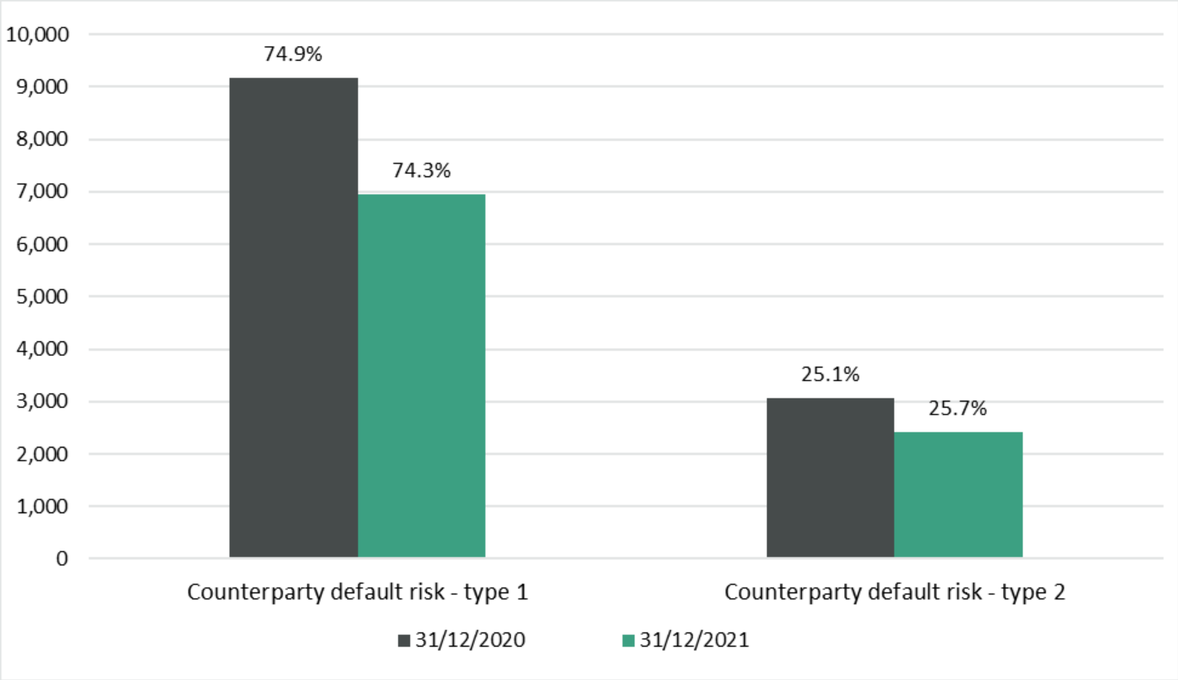
The Company makes quantitative assessments of credit risk using the Standard Formula. As mentioned, spread and market concentration risks are assessed within the market risk module, whereas counterparty default risk is assessed in a separate counterparty default risk module. This section shows the results for counterparty default risk, and market risk is discussed in section C.2 "Market risk".

The Company's capital requirement in accordance with the Standard Formula for counterparty default risk amounted to EUR 8.9 million as at 31 December 2021 (31 December 2020: EUR 11.7 million, representing 3.3% of the sum of the SCR of all risk modules[19].

The chart below shows the composition of the counterparty default risk module in accordance with the Standard Formula.

[19] The sum of all SCRs of all risk modules, including operational risk, is taken into account.

Undiversified counterparty default risk by risk sub-module (EUR thousand)[20]



Type 1 risk includes exposures related to reinsurance and co-insurance contracts, cash and cash equivalents, and deposits to cedants. Although the exposure to retrocessionaires and banks with regard to cash equivalents increased compared to the previous year, type 1 risk declined in 2021, mainly due to the improved credit ratings of NLB d.d. and Nova KBM d.d.

Type 2 risk includes all receivables in the SII balance sheet, not included under type 1 risk other than: current tax assets and deferred tax assets. The risk decreased moderately in 2021 due to a moderately lower level of receivables in the SII balance sheet.

In addition to the calculation of the solvency capital requirement in accordance with the Standard Formula, the Company develops its own model (in ORSA) to assess credit risk relating to financial investments. In the model, we consider spread, migration and default risk for all investments in debt instruments. Closely interrelated, these risks are addressed within a single model in the ORSA. For more information on the own model for assessing market and credit risk, see section C.2.2 "Risk measurement".

As regards counterparty default risk related to reinsurers and co-insurers, and deposits to cedants, we believe that the Standard Formula appropriately evaluates the risk and, therefore, made no own calculations for this part, whereas cash and cash equivalents are treated as risk-free investments. In our own credit risk calculation, we also consider the diversification effect.

The Company has no significant concentration with counterparty default risk.

[20] The proportion of an individual submodule is calculated as the proportion out of the sum of all risk submodules.

C.3.3 Risk management

The Company's investment portfolio is reasonably diversified in accordance with the Company's limits system in order to avoid large concentration of a certain type of investment, large concentration with any counterparty or economic sector, or other potential forms of concentration.

The Company manages its credit risk associated with assets under re(co)insurance contracts by limiting the exposure to a single re(co)insurer and by entering into contracts with highly rated partners.

In order to avoid such delays, the Company closely monitors the payment behaviour of cedants, running procedures to collect overdue receivables.

The Company monitors and reports on credit risk exposure on a quarterly basis and is thus able to take timely action if necessary. Partners' credit ratings are also monitored, with a focus on any indications of their possible downgrading. To this end, a process has been put in place for reviewing external credit ratings by the credit rating committee, which is part of the risk management committee.

As part of its review of reinsurer credit ratings in the capital adequacy calculation, the Company tested the impact of a deterioration in the credit standing of retrocessionaires and cedants, where there are exposures in the form of deposits with cedants. We assumed a rating downgrade for all partners by one notch, based on which we calculated the impact on the SCR and the solvency ratio. The impact is small and unchanged from 31 December 2020.

Impact of sensitivity analysis on eligible own funds, SCR and solvency ratio

EUR thousand	Eligible own funds	Difference from base value	SCR	Difference from base value	Solvency ratio	Difference from base value
Base values as at 31 December 2021	**615,653**		**218,039**		**282%**	
Downgrade in reinsurers' credit ratings	615,535	-118	219,018	978	281%	-1 p.p.
Base values as at 31 December 2020	**596,036**		**219,399**		**272%**	
Downgrade in reinsurers' credit ratings	595,936	-100	219,985	586	271%	-1 p.p.

C.4 Liquidity risk

Liquidity risk is the risk that an entity will not have sufficient liquid assets to meet its obligations as they fall due, and it will have to sell its less liquid assets at a discount or raise new loans. Liquidity risk should be understood as risk arising from short-term cash flows rather than risk arising from a long-term mismatch of assets and liabilities.

C.4.1 Risk exposure

The Company has substantial monetary obligations (mainly to policyholders), and it must therefore adequately manage its cash flows, ensuring an appropriate level of liquidity. The Company carefully plans and monitors cash flows (both inflows and outflows). Furthermore, it regularly monitors the receivables aging analysis, considering the impact of the settlement of receivables on its current liquidity.

C.4.2 Risk measurement

Liquidity risk is a risk difficult to quantify and hence is not covered within the Standard Formula. It is regularly monitored and managed by the Company.

To determine its exposure to liquidity risk, the Company monitors and analyses the following risk measures:

- cash in bank accounts,
- highly liquid assets as a percentage of total financial investments,
- the value of illiquid investments, and
- all other legally required measures.

C.4.3 Risk concentration

The Company is not exposed to a concentration of liquidity risks, but it may in certain cases still face certain emergency liquidity needs.

C.4.4 Risk management

The Company defined liquidity risk as one of its key risk exposures in its risk strategy. In order to effectively manage liquidity risk, the Company has adopted a liquidity risk management policy, which sets out the risk management processes and risk measures, as well as procedures in case of emergency liquidity needs. Due to the nature of liquidity risk, the Company does not manage such risk by holding additional capital, but through an appropriate strategy for ensuring sufficient liquidity.

The estimated liquidity requirement of the Company is composed of the estimated normal current liquidity requirement (arising from operations and investment maturities) and a liquidity buffer (estimated based on historic data on maximum weekly outflows).

The Company conducts an assessment of the normal current liquidity requirement within a period of up to one year based on projected three-month and weekly cash flows, which take account of the planned investment maturity dynamics and of other inflows and outflows from operations by using historical financial data from previous monthly and weekly liquidity plans and expectations regarding future performance.

Liquidity requirements are met by allocating funds to money market instruments in a percentage consistent with the estimated normal current liquidity requirement. In this regard, the Company maintains a liquidity buffer of highly liquid assets accounting for at least 20% of its investment portfolio (category L1A under the ECB methodology, investments in US government bonds, government and supranational issuers rated AAA and AA+, cash and cash equivalents, and UCITS[21] money market funds). As at 31 December 2021, 46% of the Company's investment portfolio qualified as highly liquid (31 December 2020: 45%), which demonstrates that the investment portfolio is very liquid.

In view of the above, we believe that the Company's liquidity risk is low and well managed.

Expected profits included in future premiums

Expected profits included in future premiums (hereinafter: EPIFP) that the Company, in accordance with Article 260(2) of the Delegated Regulation, calculated as the difference between technical provisions without a risk margin calculated in accordance with Solvency II and a calculation of the technical provisions without a risk margin under the assumption that the premiums relating to in-force insurance and reinsurance contracts that are expected to be received in the future are not received for any reason other than the insured event having occurred, regardless of the legal or contractual rights of the policyholder to discontinue the policy. In the latter calculation, a 100% policy lapse rate is assumed, whereas for life, all policies are treated as paid-up.

EPIFP is calculated separately for each homogeneous risk group of non-life and NSLT health insurance business and for each underwriting year, in the amount of expected future premiums less the related expected claims, commissions and other expenses, as used for calculating best estimate provisions. EPIFP for life insurance is also calculated separately.

As at 31 December 2021, EPIFP totalled EUR 9,613 thousand (31 December 2020: EUR 8,161 thousand).

[21] Undertaking for collective investment in transferable securities.

C.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or external events.

C.5.1 Risk exposure

Operational risks are not among the Company's major risks. Nevertheless, some are relatively important, in particular:

- the risk associated with the computer and communication system,
- the risk of evaluation and reporting errors,
- the risk of personal data protection breaches,
- the risk of the IT system being hacked,
- the risk of loss of key, expert and high-potential employees,
- the risk of incorrect data input and inadequate documentation,
- compliance risk (laws and regulations).

The Company's major risks also include cyber risks. It is important for the Company to lower this risk, as its realisation can lead to a complete interruption of business and extensive financial damage. This is why the Company regularly upgrades the management of and limits its exposure to cyber risks.

C.5.2 Risk measurement

At least annually, the Company calculates its capital requirement for operational risk using the Standard Formula. Such a calculation, however, is only of limited practical value because the formula is not based on the Company's actual exposure to operational risk, but on an approximation calculated mainly based on the Company's premiums, provisions and expenses.

As at 31 December 2021, operational risk calculated using the Standard Formula amounted to EUR 6.4 million (31 December 2020: EUR 5.7 million, representing 2.3% of the total SCR of all risk modules[22] (31 December 2020: 2.0%).

Due to the above-mentioned reason, the Company assesses operational risks mainly by qualitatively assessing the related probability and financial severity within the risk register, and by analysing various scenarios. The Company makes quarterly risk assessments to obtain insight into the level of its current exposure to such risks.

C.5.3 Risk concentration

The Company is not exposed to significant concentrations of operational risk; there is, however, an increase in risks related to ongoing development projects (e.g. IT risk).

[22] The sum of all SCRs of all risk modules, including operational risk, is taken into account.

C.5.4 Risk management

The Company has in place various processes that ensure it can properly identify, measure, monitor, manage, control and report on operational risk, thus ensuring its effective management. Accountability and operational risk management processes are set out in greater detail in the operational risk policy and the risk management rules.

The chief operational risk management measures that the Company implements are:

- maintaining an effective business processes management system and internal control system;
- awareness-raising and training of all employees on their role in implementing the internal control system and managing operational risks;
- assessing the adequacy and effectiveness of internal controls;
- maintaining a register of incidents to identify deficiencies in processes;
- maintaining a positive organisation climate, good business culture and continuous employee training;
- implementing appropriate policies as regards information security and developing IT to reduce cyber risk;
- designing a business continuity plan for all critical processes (in order to minimise the risk of unpreparedness for incidents and external events and any resulting business interruption);
- setting up IT-supported processes and controls in key business areas.

All major internal controls related to operational risk are included in the risk register. The Company monitors weaknesses and newly introduced improvements in internal controls.

The Company regularly reports on assessed operational risks in the risk report, which is submitted to the risk management committee, the management board, the supervisory board's risk committee and the supervisory board. If necessary, the risk management function and the risk management committee issue recommendations to the management board for further steps and improvements to operational risk management processes.

C.6 Other material risks

Other material risks faced by the Company primarily consist of strategic risks. These include the risk of an unexpected decrease in the Company's value due to adverse effects of management decisions, change in the business and legal environments, or market developments. Such adverse events could impact the Company's income and capital adequacy.

C.6.1 Risk exposure

The Company is exposed to a variety of internal and external strategic risks. The main strategic risks include:

- risks associated with strategic investments,
- the risk of the Company's inappropriate strategic orientation,
- the risk of market and economic conditions and competition risk,
- the risk of regulatory changes affecting business,
- the risk of an inadequate development strategy,
- political risk,
- reputation risk,
- project risks.

C.6.2 Risk measurement

Strategic risks are by nature very diverse, difficult to quantify and heavily dependent on various (including external) factors. They are also not included in the calculation of capital requirement in accordance with the Standard Formula.

Therefore, strategic risks relating to the risk register are assessed qualitatively by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated by using qualitative analysis of various scenarios. Based on both analyses combined, the Company obtains an overview of the extent and change in the exposure to this type of risk.

C.6.3 Risk concentration

The Company manages strategic risks well and has no material exposure to concentration risk.

C.6.4 Risk management

The Company mitigates individual strategic risks mainly through preventive measures.

In addition to individual organisational units, the management board, the risk management committee and risk management functions are actively involved in identifying and managing strategic risks.

Strategic risks are also managed through on-going monitoring of the realisation of the Company's short- and long-term goals, and by monitoring regulatory changes in the pipeline and market developments.

Strategic risks arising from participations in subsidiaries and associates are among the largest risks of this type. The Company actively manages risks through:

- a governance system and clear segregation of responsibilities at all levels;
- risk management policies;
- systematic risk management as part of a three-lines-of-defence framework (discussed in detail in section **B.3** “Risk management system, including the own risk and solvency assessment”);
- top-down setting of business and risk management strategies, taking into account both the Group as a whole as well as its individual members; and
- a comprehensive system of monitoring operations, reporting on business results and risks at all levels.

The Company is aware that its reputation is important for realising its business goals and achieving strategic plans in the long term. The risk strategy therefore identifies **reputation risk** as a key risk. The Company seeks to minimise the likelihood of acts that could have a material impact on the reputation of any Group company or the Group as a whole. In addition, the Company has taken steps aimed at mitigating reputation risk, such as setting up fit and proper procedures applicable to key employees, ensuring systematic operations of their respective compliance functions, having in place business continuity plans, developing stress tests and scenarios, and planning actions and responses in case risks materialise. Risks related to reputation are also managed through seeking to improve services, timely and accurate reporting to supervisory bodies, and well-planned public communication. A crucial factor in ensuring the Company’s good reputation and successful performance is the quality of services; therefore, each and every employee is responsible for improving the quality of services and customer satisfaction.

The Company manages and mitigates **regulatory risk** through ongoing monitoring of legal changes and assessing such potential effects on operations in the short and longer term. In accordance with statutory regulations, the Company has established a compliance function to monitor and assess the adequacy and effectiveness of regular procedures and measures taken to remedy any deficiencies in the Company’s compliance with regulations and other commitments.

Strategic risks also include **project risks**. The Company systematically monitors the risks for each key project, analysing and managing them to ensure the timely adoption of necessary measures. Key project risks are monitored and assessed by project team members as well as other stakeholders, also in the risk register.

The Company is paying increasing attention to **risks associated with sustainable development**. Sustainable development is among our top priorities in the 2020–2022 strategy period. Therefore, we have prepared and adopted a sustainable development strategy in cooperation with all Group subsidiaries. It provides for the disclosure of non-financial information relating to the environment, social issues, human resources, protection of human rights and anti-corruption policies. In connection with sustainable development, monitoring of sustainability risks and new legislation in the field of sustainability, a sustainability risk working group was set up at the Sava Insurance Group level to monitor legislation relating to sustainability risk and developments in this field on an ongoing basis. The forthcoming amendments to the Solvency II delegated regulation and IDD[23] already foresee the integration of sustainability risk into the risk management system. The Company has established a system for keeping abreast of legislative developments in sustainability through quarterly executive meetings with representatives of organisational units. In the coming years, we will continue our efforts to contribute to sustainable development; however, it will be a challenge to

[23] Insurance Distribution Directive.

monitor risks associated with sustainable development and social responsibility. In addition, we will focus on the effective implementation of SFDR[24] regulations. For more information on sustainable development and on activities in this area, see the Company's annual report, section 14 "Sustainability report of the Sava Insurance Group".

The Company recognises the importance of **climate change risks** to its long-term operations; therefore, these have been qualitatively addressed and assessed in the 2022 ORSA. During compiling the ORSA, material transition risks and physical risks of climate change were first identified in the strategic period. The risks were then qualitatively assessed in the same way as the other risks in the risk register. Based on assessments, the Company is most exposed to market risks as part of transition risks, while its exposure to non-life underwriting risk is also high. In terms of physical risks, the Company is most exposed to non-life underwriting risks, while strategic risks are also assessed as high.

Two climate scenarios were also included in the 2022 ORSA: a moderately optimistic scenario of rapid transition and fewer physical risks, and a pessimistic scenario assuming little action to prevent climate change and many physical risks. In the pessimistic scenario, the Company is most exposed to the effects of an increase in non-life (re)insurance claims, the uninsurability of certain regions in terms of non-life (re)insurance, stricter conditions for obtaining reinsurance cover, indirect effects on financial markets and asset prices, and a fall in GDP. The risks are assessed to be lower in the rapid transition scenario.

In the next ORSA, we will also quantify the effects of each scenario as far as practicable.

[24] Sustainable Finance Disclosure Regulation (SFDR).

C.7 Any other information

The Company has no other material information relating to its risk profile.

D. Valuation for solvency purposes

In accordance with Article 174 of the Slovenian Insurance Act ("ZZavar-1"), assets are valued at amounts for which they could be exchanged between knowledgeable and willing parties in an arm's length transaction. Liabilities are valued at amounts for which they could be transferred or settled between knowledgeable and willing parties in an arm's length transaction. The value of liabilities is not adjusted to reflect the Company's creditworthiness.

The valuation of assets is conducted in accordance with IFRSs as adopted by the European Commission. If the IFRSs allow for several valuation methods, a method has to be chosen that is consistent with Solvency II principles as set out in the Delegated Regulation and other Solvency II implementing regulations. For most other cases of assets and liabilities (apart from technical provisions; "TP") the IFRSs provide for valuation consistent with Solvency II principles.

The basis for the balance sheet in accordance with Solvency II ("SII balance sheet"), with assets and liabilities valued in accordance with the valuation principles set out in Articles 174–190 of ZZavar-1, is the balance sheet drawn up by the Company for reporting purposes in accordance with IFRSs, referred to in this document as the IFRS balance sheet.

the IFRS balance sheet is the basis for reclassifications and revaluations to arrive at the SII balance sheet. This section describes the implementation of such reclassifications and revaluations for only those items where the value in accordance with Solvency II (hereinafter: ("SII value") differs from the IFRS value. For all other items, IFRSs are deemed to ensure a valuation consistent with Solvency II principles.

The tables below show the balance sheet as at 31 December 2021 and 31 December 2020 with IFRS values of assets and liabilities ("IFRS balance sheet") along with assets and liabilities in accordance with the valuation principles set out in Articles 174–190 of ZZavar-1 ("SII balance sheet"), taking into account the revaluations and reclassifications of asset and liability items.

IFRS and SII balance sheets as at 31 December 2021

EUR thousand		IFRS	Revaluation	Reclassification	Solvency II
Assets					
1	Deferred acquisition costs (D.1.1)	4,869	-4,869	0	0
2	Intangible assets (D.1.2)	3,194	-3,194	0	0
3	Deferred tax assets (D.1.3)	3,689	3,589	0	7,278
4	Property, plant and equipment held for own use (D.1.4)	2,403	777	0	3,181
5	Property, plant and equipment other than for own use (D.1.5)	8,166	1155	0	9,320
6	Investments in subsidiaries and associates (D.1.5)	324,130	172,276	0	496,406
7	Shares (D.1.5)	6,851	0	0	6,851
8	Bonds (D.1.5)	283,761	469	0	284,229
9	Investment funds (D.1.5)	24,990	0	0	24,990
10	Deposits other than cash equivalents (D.1.5)	0	0	0	0
11	Loans and mortgages (D.1.6)	2,573	0	0	2,573
12	Reinsurers' share of technical provisions (D.1.7)	48,486	-10,079	-6,020	32,388
13	Deposits to cedants (D.1.8)	9,610	0	0	9,610
14	Insurance and intermediaries receivables (D.1.9)	74,410	0	-58,619	15,791
15	Reinsurance and co-insurance receivables (D.1.10)	5,126	0	-544	4,582
16	Other receivables (D.1.11)	267	0	0	267
17	Own shares (D.1.12)	24,939	23,104	0	48,043
18	Cash and cash equivalents (D.1.13)	28,807	0	0	28,807
19	Other assets (D.1.14)	747	-747	0	0
Total assets		**857,017**	**182,481**	**-65,183**	**974,316**
Liabilities					
20	Gross technical provisions – non-life and NSLT health (D.2)	314,973	-32,118	-46,935	235,920
21	Gross technical provisions – life (excl. health business, and index-linked and unit-linked busienss) (D.2)	16,840	-4,302	-182	12,356
22	Provisions other than technical provisions (D.3.1)	422	0	0	422
23	Deferred tax liabilities (D.1.3)	76	7,547	0	7,624
24	Financial liabilities other than financial liabilities owed to financial institutions	0	0	0	0
25	Insurance and intermediaries payables (D.3.2)	39,556	0	-11,503	28,054
26	Liabilities from reinsurance and co-insurance business (D.3.3)	6,593	0	-6,563	30
27	Other trade payables (D.3.4)	4,105	0	0	4,105
28	Subordinated liabilities (D.3.5)	74,864	3202	0	78,065
29	Other liabilities (D.3.6)	3,485	-902	0	2,583
Total liabilities		**460,913**	**-26,573**	**-65,183**	**369,158**
Excess of assets over liabilities		**396,105**	**209,054**	**0**	**605,158**

IFRS and SII balance sheets as at 31 December 2020

EUR thousand		IFRS	Revaluation	Reclassification	Solvency II
Assets					
1	Deferred acquisition costs (D.1.1)	5,837	-5,837	0	0
2	Intangible assets (D.1.2)	1,947	-1,947	0	0
3	Deferred tax assets (D.1.3)	3,487	2,944	0	6,431
4	Property, plant and equipment held for own use (D.1.4)	2,411	745	0	3,155
5	Property, plant and equipment other than for own use (D.1.5)	8,067	1,013	0	9,080
6	Investments in subsidiaries and associates (D.1.5)	319,097	182,490	0	501,587
7	Shares (D.1.5)	9,257	0	0	9,257
8	Bonds (D.1.5)	231,665	594	0	232,260
9	Investment funds (D.1.5)	16,387	0	0	16,387
10	Deposits other than cash equivalents (D.1.5)	0	0	0	0
11	Loans and mortgages (D.1.6)	4,968	0	0	4,968
12	Reinsurers' share of technical provisions (D.1.7)	31,935	-7,220	-3,495	21,219
13	Deposits to cedants (D.1.8)	7,261	0	0	7,261
14	Insurance and intermediaries receivables (D.1.9)	79,663	0	-61,518	18,144
15	Reinsurance and co-insurance receivables (D.1.10)	4,461	0	-585	3,876
16	Other receivables (D.1.11)	2,629	0	0	2,629
17	Own shares (D.1.12)	24,939	6,918	0	31,856
18	Cash and cash equivalents (D.1.13)	27,080	0	0	27,080
19	Other assets (D.1.14)	487	-487	0	0
Total assets		**781,579**	**179,211**	**-65,599**	**895,191**
Liabilities					
20	Gross technical provisions – non-life and NSLT health (D.2)	282,627	-34,727	-48,471	199,429
21	Gross technical provisions – life (excl. health business, and index-linked and unit-linked business) (D.2)	15,256	-3,555	-62	11,639
22	Provisions other than technical provisions (D.3.1)	424	0	0	424
23	Deferred tax liabilities (D.1.3)	76	7,910	0	7,986
24	Financial liabilities other than financial liabilities owed to financial institutions	0	0	0	0
25	Insurance and intermediaries payables (D.3.2)	40,566	0	-12,986	27,580
26	Liabilities from reinsurance and co-insurance business (D.3.3)	4,824	0	-4,081	743
27	Other trade payables (D.3.4)	1,509	0	0	1,509
28	Subordinated liabilities (D.3.5)	74,805	876	0	75,681
29	Other liabilities (D.3.6)	2,685	-997	0	1,688
Total liabilities		**422,772**	**-30,493**	**-65,599**	**326,679**
Excess of assets over liabilities		**358,808**	**209,704**	**0**	**568,512**

The Company's off-balance sheet items as at 31 December 2021 include contingent assets of EUR 10.0 million in the amount of the cancelled subordinated instruments, regarding which the Company continues with measures designed to protect its interests. In addition, off-balance sheet items as at 31 December 2021 include contingent liabilities associated with commitments to make payments into alternative funds, in the amount of EUR 8.5 million (31 December 2020: EUR 13.2 million).

D.1 Assets

Following are individual categories of assets, along with the valuation methods for material categories.

D.1.1 Deferred acquisition costs

Deferred acquisition costs are stated at nil in the Company's SII balance sheet.

D.1.2 Intangible assets

The Company holds no intangible assets that may be sold separately and for which it cannot demonstrate market values for identical or similar assets. The SII value of intangible assets is stated at nil.

D.1.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are defined based on identified temporary differences. These are differences between the tax value and the book value of assets or liabilities. Temporary differences may be taxable temporary differences, either amounts to be added to the taxable profit in future periods, or amounts to be deducted from the taxable profit in future periods. Deferred taxes are thus recognised as either deferred tax assets or liabilities as a result of accounting for current and future tax implications.

Deferred tax liabilities are income taxes payable in future periods depending on taxable temporary differences. In periods of recognition, they increase income tax expenses and decrease net profit.

Deferred tax assets are the amounts of income taxes recoverable in future periods depending on:

- deductible temporary differences,
- the carryforward of unused tax losses to future periods, and
- the transfer of credits utilised to future periods.

If a company has a loss in its income statement for tax purposes, until the covering of such a loss (there is no time limit under the Slovenian Corporate Income Tax Act ZDDPO-2), the company is not subject to payment of corporate income tax except up to the minimum base, but it can recognise deferred tax assets, thus reducing its deferred tax expenses.

As a general rule, the recognition of deferred tax liabilities is mandatory, while deferred tax assets only need to be recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

In the SII balance sheet, deferred tax assets and liabilities are recognised based on the IFRS value of deferred tax assets and liabilities plus additional deferred tax assets and liabilities relating to revaluations in the SII balance sheet and is presented separately (gross principle).

In the SII balance sheet, deferred tax assets and liabilities are accounted for on all revaluations apart from:

- the revaluation of the participations in subsidiaries and associates item if such participations are considered strategic investments; in such cases, revaluation differences are treated as

permanent differences and do not meet the requirements of temporary differences and, therefore, there is no basis for accounting for deferred taxes with regard to this item;
- the revaluation of the "own shares listed on a stock exchange" item because it does not constitute a taxable temporary difference;
- the revaluation of the subordinated liabilities item as it does not represent a taxable temporary difference.

In 2021, deferred tax assets and liabilities were accounted for using a tax rate of 19%. In accordance with Solvency II principles, the Company is reporting a net deferred tax liability resulting from revaluations in the amount of EUR 346 thousand (2020: EUR 1.6 million). The table below shows a detailed overview by individual item.

Deferred tax assets and liabilities

EUR thousand	31 December 2021			31 December 2020		
	IFRS value	Revaluation	SII value	IFRS value	Revaluation	SII value
Deferred tax assets	**3,689**	**3,589**	**7,278**	**3,487**	**2,944**	**6,431**
Deferred acquisition costs	0	925	925	0	1,109	1,109
Intangible assets	0	607	607	0	370	370
Financial investments	677	0	677	677	0	677
Reinsurers' share of technical provisions	0	1,915	1,915	0	1,372	1,372
Other items of deferred tax assets	3,012	142	3,154	2,810	93	2,903
Deferred tax liabilities	**76**	**7,547**	**7,624**	**76**	**7,910**	**7,986**
Property, plant and equipment held for own use	0	148	148	0	141	141
Property, plant and equipment other than for own use	0	219	219	0	192	192
Financial investments	0	89	89	0	113	113
Gross technical provisions (TP)	0	6,920	6,920	0	7,274	7,274
Other items of deferred tax liabilities	76	171	248	76	189	266

The largest impact at the level of deferred tax assets arises from the revaluation of the reinsurers' share of technical provisions. Based thereon, a total of EUR 1.9 million of deferred tax assets was recognised as at 31 December 2021 (31 December 2020: EUR 1.4 million).

The largest impact at the level of deferred tax liabilities arises from the revaluation of gross technical provisions. Based thereon, a total of EUR 6.9 million of deferred tax liabilities was recognised as at 31 December 2021 (31 December 2020: EUR 7.3 million).

D.1.4 Property, plant and equipment held for own use

Every three years, the Company has the fair values of its properties held for own use appraised by independent external property appraisers. Equipment for own use represents an immaterial amount and is stated at the same amounts in both the SII and IFRS balance sheets. The presentation of SII right-of-use assets is the same as in the IFRS balance sheet.

D.1.5 Investments

Property, plant and equipment other than for own use

The methodology is consistent with the methodology used for property, plant and equipment held for own use, which is described in detail in section D.1.4 “Property, plant and equipment held for own use”.

Participations

Two methodologies are applied, one for the revaluation of participations in insurance companies and one for participations in non-insurance companies.

Participations in insurance companies

In the SII balance sheet, participations in insurance companies are valued on a market-consistent basis. These can be obtained through:

- market prices that are directly observable, or
- valuation using an adjusted equity method (the net asset value of the participations with assets and liabilities adjustment to SII values).

For equity investments in the insurance subsidiaries of Sava Re not listed in a regulated market, market value for the purpose of capital requirement calculation is calculated in accordance with the Standard Formula, on the basis of an adjusted equity method of valuation – the excess of an insurer’s SII assets over liabilities – because none of the Company’s subsidiaries is a member of any stock exchange.

Where Sava Re holds less than a 100% interest in a subsidiary, proportionate adjustments are made.

Participations in non-insurance companies

In the SII balance sheet, the Company measures participations in non-insurance companies using the IFRS equity method in accordance with Article 13(5) of the Delegated Regulation. As at 31 December 2021, we adjusted the methodology by subtracting from cost, which is the basis for calculations under the equity method, the goodwill that was part of the cost. The value of goodwill and other intangible assets that would be valued at nil under the asset valuation methodology is deducted from the obtained value of the company.

Shares

The Solvency II revaluation methodology for listed shares is consistent with the methodology used for the IFRS balance sheet.

Because unlisted equities represent an immaterial proportion of the Sava Re investment portfolio, they are not stated at fair value in the SII balance sheet but rather at IFRS balance sheet amounts.

Bonds

All bonds, other than bonds classified as held to maturity, are valued in the SII balance sheet in accordance with IAS 39. Bonds classified as held to maturity are revalued to fair value in the SII balance sheet based on their market value as at the reporting date.

Investment funds

Since investment funds are valued at market value in the IFRS balance sheet, no revaluation is necessary for the SII balance sheet.

Alternative funds

The value of alternative funds (real-estate and infrastructure funds, private debt funds, private equity funds) for the purpose of IFRS reporting is shown on the basis of the unit value (net asset value per unit) provided by the fund manager or as the value of assets invested. Fund managers generally make valuations by using methods that comply with the IPEV[25] standards, such as cash flow discounting and the multiples method.

We assume that both approaches used in the IFRS balance sheet are the best approximation for market valuation; therefore, the value of these investments in the SII balance sheet are consistent with the IFRS balance sheet presentation.

Deposits other than cash equivalents

Deposits other than cash equivalents are not revalued as it is assumed that the IFRS value is a sufficiently good approximation of the SII value.

In the SII balance sheet, the deposits other than cash equivalents item takes into account the reclassification of deposits with an original maturity of up to three months from the cash and cash equivalents item to the deposits other than cash equivalents item.

D.1.6 Loans and mortgages

The Company's assets do not include loans and mortgages to individuals, but only other loans, which are loans granted to subsidiaries. The SII balance sheet and the IFRS balance sheet valuations are the same.

D.1.7 Reinsurers' share of technical provisions

The amount of the reinsurers' share of technical provisions is measured by the Company's actuarial function. This document only summarises the methodology set out in detail in the Company's rules on making best estimate provisions. These rules take into account the guidelines set out in the Company's underwriting and reserving risk policy.

The Company's core business is accepted reinsurance, which is why, for the sake of clarity, we use the term *retrocession* for the insurance of such business with subsequent reinsurers: reinsurance ceded.

In the calculation of the retroceded premium provision, the Company takes into account reclassifications of items for accrued not-past-due commission receivables relating to retrocession business and for accrued not-past-due liabilities relating to retrocession premiums.

[25] Engl. International Private Equity and Venture Capital Valuation.

In view of the relatively small volume of retrocession, we cannot use the same actuarial methods for calculating retroceded provisions as we do for gross provisions. Instead, based on retrocession data, a simplification is used to calculate the share of retrocession for each homogeneous group and every underwriting year by taking into account the type of retrocession. The calculated share of retrocession is used in non-life business lines to calculate the technical gross best estimate premium and claims provisions from the gross technical best estimate premium and claims provisions (before including expenses, future premium and commission cash flows, and without taking into account the time value of money). In life business, the share of retrocession is used to calculate the retroceded undiscounted best estimate provisions. Retrocessionaires' shares of provisions for expenses are not accounted for. The currency structure and the time value of money are taken into account in the same way as for gross best estimate provisions. In terms of cash flows, a potential expected time lag in payments from retrocessionaires is checked against gross payments, based on historical data on claims paid. Adjustments for a counterparty's anticipated default are made on the basis of the amount of the reinsurers' share of technical provisions (for IFRS balance sheet valuation) being apportioned according to the credit ratings of counterparties (retrocessionaires) and the probability of default associated with these ratings.

D.1.8 Deposits to cedants

Because deposits to cedants constitute short-term investments, their IFRS balance sheet value is considered a sufficiently good approximation of the market value. The market value of such deposits is therefore not calculated in the model, whereas the IFRS value is used as the market value in the SII balance sheet.

D.1.9 Insurance and intermediaries receivables

The SII valuation of receivables does not differ from the IFRS balance sheet valuation.

In the SII balance sheet, the Company eliminates from the insurance and intermediaries receivables item not-past-due receivables as at the balance sheet date, specifically not-past-due receivables for premiums arising out of accepted reinsurance. The Company takes the item into account as future cash flows when calculating gross best estimate premium provisions, where they are also reported as a reclassification.

D.1.10 Reinsurance and co-insurance receivables

The SII value of receivables does not differ from the valuation in the IFRS balance sheet.

In the SII balance sheet, the Company eliminates not-past-due receivables from the reinsurance and co-insurance receivables item as at the balance sheet date, specifically not-past-due commission receivables arising from retroceded business. The Company takes the item into account as future cash flows when calculating the reinsurers' share of best estimate premium provisions, where it is also disclosed as a reclassification.

D.1.11 Other receivables

Other receivables include short-term receivables from government and other institutions, short-term receivables from leasing out premises and equipment, and similar.

The valuations for the SII balance sheet and the IFRS balance sheet are the same.

D.1.12 Own shares

Own shares are listed on a regulated market; therefore, they are restated at the closing stock market price for the purposes of the SII balance sheet as at the SII balance sheet valuation date.

D.1.13 Cash and cash equivalents

The SII balance sheet and the IFRS balance sheet valuations are the same. Deposits with an original maturity of up to three months are treated in the SII balance sheet in the same way as deposits with longer maturities, and they are therefore reclassified to deposits other than cash equivalents.

D.1.14 Any other assets, not elsewhere shown

Other assets include short-term deferred costs and short-term accrued income. Short-term deferred costs comprise prepaid costs of insurance, licenses, rent and similar. In the SII balance sheet, other assets are recognised at the same amounts as in the IFRS balance sheet, except for prepaid costs, which are stated at nil.

D.2 Technical provisions

In the calculation of the gross premium provision, the Company uses reclassified items for accrued not-past-due receivables for premiums relating to accepted reinsurance and for accrued not-past-due commission payables relating to accepted reinsurance.

The valuation of gross technical provisions is carried out by the Company’s actuarial function. This document only summarises the calculation methodology for best estimate provisions in the valuation of SII balance sheet items, which is described in greater detail in the Company’s rules on setting best estimate provisions. These rules take into account the guidelines set out in the Company’s underwriting and reserving risk policy. The valuation of the reinsurers’ share of the SII technical provisions is discussed under valuation of assets, in section D.1.7 “Reinsurers’ share of technical provisions”.

The calculations are made at the line-of-business level, with a distinction made between Group and non-Group business. The accepted life insurance business of the Group (which accounts for the bulk of liabilities associated with the Company’s accepted life business) is generally valued using life techniques based on expected cash flows. In accordance with the nature of liabilities, data availability and the proportionality principle, the Company’s non-Group life business is valued using non-life and not-similar-to-life techniques (NSLT); therefore, the Company classifies these liabilities as NSLT health.

Technical provisions are made up of a best estimate and a risk margin.

The Company sets separate best estimate provisions for life business (including best estimate claims provisions) and best estimate provisions for reported annuities stemming from non-life business, based on expected cash flows from reinsurance business accepted from cedants.

Best estimate provisions for non-life lines of business (including NSLT health) consist of best estimate premium provisions and best estimate claims provisions. The calculation is based on the classification of business by underwriting year.

The calculation of best estimate provisions for non-life business includes the following steps:

- calculation of the “technical” gross provision, which includes the best estimate provision for loss events related to business written (both incurred and future) and any related payments (commissions to cedants dependent on contract performance, contractually agreed premiums for reinstatement of cover after the event), before taking into account the time value of money (discounting),
- the breakdown of the “technical” gross provision into the “technical” premium provision (for claims not yet incurred of the inwards portfolio and unexpired covers) and the “technical” claims provision (for incurred, but not yet settled claims, and expired covers);
- taking into account future internal expenses relating to in-force contracts;
- taking into account future cash flows from premiums and commissions (not dependent on contract performance), including booked, but not past due, premiums and commissions;
- the preparation of cash flows, taking into account the currency structure of cash flows and discounting.

Gross technical provisions are calculated using the chain-ladder method applied to cumulative paid claims triangles, using the Bornhuetter–Ferguson (hereinafter: BF) modification. If claims triangles are too dispersed, ultimate losses are assessed based on loss ratios. The expected incurred loss ratio for an underwriting year is set as the selected average of a pre-assessed naive loss ratio set by expert judgment, multi-year averages, information from the reinsurance underwriting department, and the IFRS incurred loss ratio (excluding provisions at the portfolio level). Greater weight is assigned to the realised ratio for less recent years for which the development is known, whereas for more recent years the naive loss ratio is assigned greater weight. For payment development or cash flow, the pattern obtained from the triangle development is applied. The results of all methods are then summarised in a joint overview, based on which the best estimate ultimate losses are selected, which is used to calculate gross technical provisions. The expense portions take account of future loss adjustment and administrative expenses relating to contracts written. The basis for the split of cash inflows by currency is the currency structure for the IFRS valuation of the balance sheet, specifically the structure of the sum of the claims provision and unearned premiums, net of deferred commissions. Future cash flows split on this basis are discounted using the appropriate risk-free interest rate curves, in which case the Company does not apply the matching adjustment, volatility adjustment, transitional adjustment of the risk-free interest rate term structure or the transitional deduction referred to in Directive 2009/138/EC.

The Company calculates the risk margin in line with the Delegated Regulation. A simplified calculation method is used for projecting the solvency capital requirement, taking into account the level 2 hierarchy referred to in Article 61 of the "Decision on detailed instructions for the valuation of technical provisions". The total solvency capital requirement for each future year is calculated based on the ratio of the best estimate in that future year to the best estimate technical provisions as at the valuation date. The risk margin so obtained is allocated to individual lines of insurance, using the ratio of calculated capital requirements.

D.2.1 Values of SII technical provisions

The following tables set out the values of gross best estimate provisions, the reinsurers' share of best estimate provisions and the risk margin by line of business.

Best estimate provisions by line of business as at 31 December 2021

(EUR thousand)	Gross amount	Reinsurers' share	Risk margin
Proportional medical expense reinsurance	1	0	0
Proportional income protection reinsurance	2,555	40	323
Proportional workers' compensation reinsurance	0	0	0
Proportional motor vehicle liability reinsurance	11,564	3	877
Other proportional motor reinsurance	9,800	72	924
Proportional marine, aviation and transport reinsurance	13,274	2,254	1,113
Proportional fire and other damage to property reinsurance	66,965	8,061	5,811
Proportional general liability reinsurance	12,190	631	1,389
Proportional credit and suretyship reinsurance	884	0	282
Proportional legal expenses reinsurance	-2	0	0
Proportional assistance reinsurance	-11	-5	1
Miscellaneous financial loss	4,068	576	320
Non-proportional health reinsurance	668	1	84
Non-proportional casualty reinsurance	16,709	2,879	1,484
Non-proportional marine, aviation and transport reinsurance	9,224	-217	1,400
Non-proportional property reinsurance	63,761	11,773	10,260
Accepted life reinsurance	12,243	6,319	114
Total portfolio	**223,893**	**32,388**	**24,383**

Best estimate provisions by line of business as at 31 December 2020

EUR thousand	Gross amount	Reinsurers' share	Risk margin
Proportional medical expense reinsurance	38	0	9
Proportional income protection reinsurance	2,815	28	354
Proportional workers' compensation reinsurance	0	0	0
Proportional motor vehicle liability reinsurance	12,118	3	986
Other proportional motor reinsurance	7,298	36	928
Proportional marine, aviation and transport reinsurance	11,095	1,472	1,238
Proportional fire and other damage to property reinsurance	62,368	4,927	6,729
Proportional general liability reinsurance	8,328	385	1,544
Proportional credit and suretyship reinsurance	1,007	0	310
Proportional legal expenses reinsurance	-3	0	1
Proportional assistance reinsurance	0	0	0
Miscellaneous financial loss	3,520	173	414
Non-proportional health reinsurance	679	1	92
Non-proportional casualty reinsurance	17,571	7,487	1,236
Non-proportional marine, aviation and transport reinsurance	5,755	-91	1,370
Non-proportional property reinsurance	41,888	933	9,741
Accepted life reinsurance	11,505	5,864	134
Total portfolio	**185,982**	**21,219**	**25,087**

Gross best estimate provisions increased by EUR 37.9 million in 2021, of which EUR 5.7 million relates to Group business and EUR 32.2 million to non-Group business. The increase in the Group business is mainly driven by portfolio growth and the deterioration in the expected claims experience (receding favourable effects of Covid-19, claims inflation). The increase in gross best estimate provisions for non-Group business is chiefly due to the strengthening of natural catastrophe provisions in 2021 (as part of non-proportional non-life reinsurance business), which are also largely reinsured, as reflected in the higher reinsurance portion of the best estimate provision.

The main differences in the valuation of (gross) SII and IFRS technical provisions are (in the calculations of differences for IFRS provisions, gross provisions less deferred commissions are considered):

- SII provisions are based on the cash flow principle, whereas IFRS provisions are based on the principle of earned income less expenses. Thus, the SII provisions are reduced by not-past-due premium receivable (and increased by the associated not-past-due commission payables), which are recorded in the IFRS balance sheet under insurance receivables (or payables). As at 31 December 2021, a proportion of 59.9% (2020: 59.9%) of the difference between the gross SII and IFRS provisions related to the reclassification of not-past-due receivables and payables (without an effect on the amount of eligible own funds).
- SII provisions are expected to suffice for the repayment of obligations merely in the case of the weighted average of all potential scenarios (random fluctuations should be partly covered by the risk margin), whereas the IFRS provisions should suffice in almost all cases. As at 31 December 2021, a proportion of 17.3% (2020: 25.5%) of the difference between gross IFRS and SII provisions related to the different levels of prudence used in making assumptions and to more detailed segmentation of the IFRS provision calculations.

- Assumptions for shares of claims considered in exposure, measured as premiums less commission, in the IFRS and the SII valuation of technical provisions, in the two most important lines of business, for the most recent underwriting year, which is subject to the greatest uncertainty due to unexpired coverage: for proportional reinsurance of fire and other damage to property, these shares total 105.8% in IFRS calculations and 84.3% in SII calculations (2020: IFRS 105.6%; SII 89.4%). For non-proportional non-life reinsurance, the IFRS share is 141.3%, and the SII share is 109.5% (2020: IFRS 87.6%; SII 64.8%).
- SII provisions also include all future expected profits (EPIFP) arising from the inward reinsurance portfolio. Future profits from the inward reinsurance portfolio, which are already recognised in accordance with SII principles and reduce SII provisions, account for 14.9% of the difference between the gross IFRS and SII provisions as at 31 December 2021 (2020: 10.7%) (referring to gross future profits before retrocession and before income tax).
- SII provisions take into account the time value of money in non-life business, whereas IFRS provisions are generally not discounted. As at 31 December 2021, 7.9% of the difference between gross IFRS and SII provisions arose from discounted non-life lines of business (2020: 3.9%).

D.2.2 Description of the level of uncertainty associated with the value of SII technical provisions

Regarding the impacts on best estimate premium and claims provisions, the Company chose sensitivity to assumptions about the loss ratio for the sensitivity analysis. A 5% increase in BF ratios and naive loss ratios in all homogeneous groups and underwriting years in which the methods use these ratios, would raise gross best estimate provisions for 2021 by 4.4% (2020: 6.0%). The Company also carried out a sensitivity test assuming a 10% reduction in written but not-past-due premiums and commissions as part of premiums and commissions; gross best estimate provisions would increase by 2.2% (2020: 2.7%), which, however, does not affect the change in eligible own funds (reclassification). In addition, the Company also tested sensitivity to a 50% increase in other expenses considered (excluding commissions, which are included directly); gross best estimate provisions would increase by 0.4% (2020: 0.5%).

To test the sensitivity of best estimate provisions for the life business, the Company chose the two most material shocks for the portfolio of these liabilities in accordance with the Standard Formula. In the longevity shock, best estimate provisions for 2021 increased by 4.6% (2020: 4.7%), and by 3.4% in the annuity revision shock (2020: 3.9%).

In addition, we provide the effect of changes in interest rates for discounting. A downward shock in the Standard Formula would result in a 1.6% rise in gross best estimate provisions (2020: 1.1%); an upward shock in the Standard Formula would lead to a 3.5% decrease in gross best estimate provisions (2020: 3.7%).

The Company identified no other areas of uncertainty. The sensitivity calculations presented show that SII technical provisions are moderately sensitive to insensitive to changes in the above assumptions. The sensitivity analysis thus revealed no area or assumptions that would cause a major uncertainty of established SII technical provisions.

D.3 Other liabilities

D.3.1 Provisions other than technical provisions

Other provisions comprise the net present value of employee benefits, including severance pay upon retirement and jubilee benefits.

The value of other provisions under the SII methodology is the same as in the IFRS balance sheet.

D.3.2 Insurance and intermediaries payables

Insurance and intermediaries payables comprise payables for claims and commission relating to inward reinsurance contracts.

The Solvency II valuation of insurance and intermediaries payables does not differ from the IFRS valuation.

From this item of liabilities, the Company eliminates not-past-due commission payables relating to accepted reinsurance business as at the balance sheet date, reporting them as a reclassification. The Company takes the item into account as future cash flows when calculating gross best estimate premium provisions, where they are also reported as a reclassification.

D.3.3 Reinsurance and co-insurance payables

Reinsurance and co-insurance payables comprise premium payables for outward retrocession business.

The Solvency II valuation of reinsurance and co-insurance payables does not differ from the IFRS valuation.

The Company eliminates non-past-due retrocession premium payables from reinsurance and co-insurance payables as at the IFRS balance sheet date, which is reported as a reclassification. The Company takes the item into account as future cash flows when calculating the reinsurers’ share of best estimate premium provisions where it is also disclosed as a reclassification.

D.3.4 Other payables

Other payables of the Company comprise short-term payables to employees for accrued salaries and reimbursement of expenses, tax liabilities, trade payables for operating expenses, and other payables.

The SII valuation does not differ from the IFRS balance sheet valuation.

D.3.5 Subordinated liabilities

The Company’s subordinated bond was admitted to trading on the regulated market of the Luxembourg Stock Exchange. In the SII balance sheet, liabilities arising from the subordinated bond issue are valued at fair value based on prices quoted by Bloomberg.

D.3.6 Any other liabilities, not elsewhere shown

Under other liabilities the Company chiefly recognises accrued costs (expenses) and long-term liabilities from leases that qualify for valuation under IFRS 16.

Within the any other liabilities item, we value at nil any deferred commissions relating to accepted co-insurance and reinsurance, and other deferred income. The Solvency II valuation of other liabilities does not differ from the IFRS valuation.

D.4 Alternative methods for valuation

Periodically (every three years) the Company obtains market value appraisals of its property for own use and investment property assets from an independent external appraiser. We estimate that these appraisals are most representative of the amount for which the appraised properties could be exchanged between knowledgeable parties in arm’s-length transactions.

For equity investments in Sava Re insurance subsidiaries not listed in a regulated market, the SII value of the capital requirement is calculated using the Standard Formula, applying an adjusted equity method of valuation as the excess of the insurance company’s assets over its liabilities in the SII balance sheet (in accordance with Article 13(4) of the Delegated Regulation). Where Sava Re holds less than a 100% interest in a subsidiary, proportionate adjustments are made.

In the SII balance sheet, the Company measures its equity investments in non-insurance companies using the IFRS equity method in accordance with Article 13(5) of the Delegated Regulation. As at 31 December 2021, we adjusted the methodology by subtracting from cost, which is the basis for calculations under the equity method, the goodwill that was part of the cost. The value of goodwill and other intangible assets that would be valued at nil under the asset valuation methodology is deducted from the obtained value of the company.

Unlisted shares are measured at cost. The market value calculated using the internal model, which largely takes into account unobserved input, is only used for impairment testing.

D.5 Any other information

The Company has no other material information relating to valuations.

E. Capital management

The Company's capital management is defined in the capital management policy of the Sava Insurance Group and Sava Re d.d., laying down the goals and key activities related to capital management. Capital management is inextricable linked to the risk strategy, which determines the risk appetite.

The Company's capital management objectives are:

- optimal capitalisation in the long term as defined under the risk strategy,
- an adequate degree of financing flexibility,
- the ability to achieve adequate profitability for operating segments that tie up capital, and
- the ability to achieve an adequate return on equity and adequate dividend yields for shareholders.

The Company manages its capital to ensure that it has at least enough capital to meet its obligations and regulatory requirements at all times. The composition of own funds held to ensure capital adequacy must comply with regulatory requirements and ensure an optimal balance between debt and equity. The amount of own funds must, at all times, at least meet the statutory solvency capital requirement, as well as relevant rating agency requirements and other objectives of the Company.

An important input element of capital management and business planning is the risk strategy, including the risk appetite set out therein. The risk strategy sets the target level of the solvency ratio in relation to capital and capital adequacy. The Company's risk appetite in connection with capital adequacy is set at a level in line with statutory and rating agencies' requirements.

Every year the Company prepares a financial plan for the next three-year period. The first phase of the annual verification of the potential for capital optimisation and additional allocation of capital includes a review of the results of the last calculation of the amount and structure of eligible own funds and the SCR. The baselines are then used to prepare a business plan for the next three-year period and a capital management plan, including the activities needed to achieve the objectives of the capital allocation.

Eligible own funds, the SCR and consequently the Company's solvency ratio are calculated based on three-year projections of financial parameters. Calculations verify the alignment with the risk appetite, whereupon adjustments to the business plan are made, if necessary. The planned use of capital duly includes capital consumption items, such as regular dividends, own shares and projects that require additional capital.

In allocating capital to business segments, adequate return on equity is a prerequisite. Taking into account the business aspect, we strive to maximise the ratio of return generated by a particular operating segment tying up capital to allocated capital in terms of the capital allocated to cover risks (the optimum ratio of return to risk).

E.1 Own funds

As at 31 December 2021, the Company reported an excess of assets over liabilities of EUR 605.2 million (31 December 2020: EUR 568.5 million).

The following is then deducted from basic own funds, i.e. the excess of the Company's assets over its liabilities:

- own shares of EUR 48.0 million,
- foreseeable dividends of EUR 19.5 million, the level of which was approved as part of the annual business plan,
- other items in accordance with the provisions of ZZavar-1.

Added to the excess of the Company's assets over its liabilities are subordinated liabilities, as these are part of the Company's basic own funds.

Basic own funds are additionally reduced by the total value of participations in other financial and credit institutions (excluding insurers) exceeding 10% of the Company's own-fund items (paid-up share capital plus capital reserves). In addition, they are reduced by part of the value of all participations in financial and credit institutions that exceeds 10% of the Company's own-fund items (other than those alone exceeding 10% and thus being excluded). As at 31 December 2021, the Company is not reporting such exclusions from own funds.

As at 31 December 2021, the Company did not report adjustments for other items in accordance with ZZavar-1.

Ancillary own funds are items that do not constitute basic own funds and that the Company may call up to absorb its losses. They include unpaid share capital or uncalled initial funds, letters of credit and guarantees, and other legal commitments received by the Company. As at 31 December 2021, the Company reported no ancillary own funds.

The table below shows the structure of the Company's own funds.

Structure of own funds

(EUR thousand)	31 December 2021	31 December 2020
Ordinary share capital (gross of own shares)	71,856	71,856
Share premium account related to ordinary share capital	54,240	54,240
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0
Subordinated mutual member accounts	0	0
Surplus funds	0	0
Preference shares	0	0
Share premium account related to preference shares	0	0
Reconciliation reserve (= (1) - (2) - (3) - (4) - (5))	411,492	394,259
(1) Excess of assets over liabilities	605,158	568,512
(2) Own shares (held directly and indirectly)	48,043	31,856
(3) Adjustment for own-fund restricted items with respect to matching adjustment portfolios and ring-fenced funds	0	0
(4) Foreseeable dividends, distributions and charges	19,527	16,300
(5) Other basic own fund items	126,096	126,096
Subordinated liabilities	78,065	75,681
Amount equal to the value of net deferred tax assets	0	0
Total basic own funds after deductions	**615,653**	**596,036**

Total post-deduction basic own funds increased by EUR 19.6 million compared to 31 December 2020. The main contributor to the growth in own funds is the profit for the year, which is dominated by dividend income from subsidiaries.

The table below shows adjustments to IFRS equity in the valuation of the Solvency II balance sheet.

Adjustments to IFRS equity for the SII valuation of the balance sheet

(EUR thousand)	31 December 2021	31 December 2020
IFRS equity	**371,166**	**333,869**
Difference in the valuation of participations	172,276	182,490
Difference in the valuation of other assets	-78,082	-75,796
Difference in the valuation of technical provisions	83,537	86,815
Difference in the valuation of other liabilities	8,219	9,278
Foreseeable dividends, distributions and charges	-19,527	-16,300
Subordinated liabilities in basic own funds	78,065	75,681
Solvency II eligible own funds	**615,653**	**596,036**
Of which tier 1	*537,588*	*520,356*
Of which tier 2	*78,065*	*75,681*
Of which tier 3	*0*	*0*

As can be seen from the table, the majority of the difference in assets stems from the revaluation of participations in subsidiaries and associates, with the difference predominantly relating to the revaluation of insurance companies. The lower difference in the valuation of participations compared to 2020 is also due to a methodological change in the valuation of equity-accounted participations. With liabilities, the largest difference is in the revaluation of technical provisions in line with Solvency II requirements. A detailed description of the valuation methodology used is provided in section D "Valuation for solvency purposes".

The Company covers the minimum capital requirement ("MCR") and SCR with eligible own funds. In accordance with the law, the Company is not permitted to use just any kind of own funds to meet its capital requirement. For this purpose, the Solvency II legislation classifies own funds into three tiers. These differ in terms of permanence and loss absorbency. Thus, tier 1 funds include own funds that mostly meet the conditions laid down in items one and two of Article 196(1) of ZZavar-1; such items are available to absorb losses at all times (permanent availability) and, in the event of the Company's winding-up, they become available to the holder only after all of the Company's other obligations are met. It is important whether an item of own funds has a maturity, whether the absence of incentives to repay has been confirmed and whether the item is free of encumbrances.

The Company's tier 1 own funds include:

- paid-up ordinary shares;
- paid-up capital reserves; and
- reconciliation reserves set as the excess of assets over liabilities, less paid-up ordinary shares and capital reserves, and less the value of own shares and foreseeable dividends.

The Company's tier 1 eligible own funds do not include eligible own fund items that are dated or with the subordination feature or subject to early redemption.

Tier 2 funds include own fund items that mostly exhibit the features from item two of Article 196(1) of ZZavar-1; in the event of the Company's winding-up, such items become available to the holder only after all of the Company's other obligations are met and paid. It is important whether an item of own funds has a maturity, whether the absence of incentives to repay has been confirmed and whether the item is free of encumbrances.

The Company classifies its subordinated liabilities, subordinated debt with a duration of 20 years and a contractual opportunity to redeem after 10 years, as tier 2 eligible own funds. Subordinated liabilities have the feature of subordination.

Tier 3 is for own fund items classified as neither tier 1 nor tier 2. They include letters of credit and guarantees that are held in trust for the benefit of insurance creditors by an independent trustee and are provided by credit institutions. Classified as tier 3 are also own funds from net deferred tax assets.

The Company holds no tier 3 own funds.

The following table includes statutory restrictions as to how the SCR and MCR are to be met.

Restrictions for own funds designated to meet the SCR and MCR

	Tier 1	Tier 2	Tier 3
SCR coverage	minimum 50% of SCR	no additional restrictions[26]	maximum 15% of SCR
MCR coverage	minimum 80% of MCR	maximum 20% of MCR	not eligible

The two tables below show the amounts of own funds eligible to meet the SCR and MCR. They are classified into the statutory tiers described above.

[26] The total of tier 2 and tier 3 assets must not exceed 50% of the SCR.

Own funds eligible to meet the SCR

(EUR thousand)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2021	615,653	537,588	78,065	0
As at 31 December 2020	596,036	520,356	75,681	0

Own funds eligible to meet the MCR

(EUR thousand)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2021	548,490	537,588	10,902	-
As at 31 December 2020	531,326	520,356	10,970	-

As at 31 December 2021, the Company's eligible own funds mainly included tier 1 funds and were free of any ancillary own funds. The Company classifies its subordinated liabilities – i.e. its subordinated debt issued in 2019 – as tier 2 own funds. Due to regulatory restrictions, the eligible amounts of its subordinated liabilities cannot exceed 20% of the MCR. There were no items subject to regulatory transitional arrangements among the disclosed eligible own funds.

E.2 Solvency capital requirement and minimum capital requirement

E.2.1 Solvency capital requirement (SCR)

The Company calculates its SCR and MCR in accordance with the Standard Formula.

Compared to the calculation as at 31 December 2020, the calculation as at 31 December 2021 has been aligned with the Delegated Regulation with regard to the methodology for calculating interest rate risk; accordingly, we now do not take subordinated debt into account in the calculation of interest rate risk as the change in the amount of subordinated debt does affect the level of eligible own funds. The participation in DCB qualifies for treatment as a strategic investment under Solvency II and is therefore treated as a strategic investment (it was previously treated as a non-strategic investment).

The table below shows the total amount of SCR, SCR by risk module, the amount of eligible own funds and the Company's solvency ratio.

Solvency capital requirement by risk module

(EUR thousand)	31 December 2021	31 December 2020
SCR	**218,039**	**219,399**
Adjustments for TP and DT	-346	-1,555
Operational risk	6,405	5,671
Basic solvency capital requirement (BSCR)	211,980	215,283
Sum of risk components	272,780	276,379
Diversification effect	-60,799	-61,096
Market risk	148,038	157,492
Counterparty default risk	8,900	11,655
Life underwriting risk	501	558
Health underwriting risk	2,723	2,722
Non-life underwriting risk	112,618	103,953
Eligible own funds	**615,653**	**596,036**
Solvency ratio	**282%**	**272%**

As at 31 December 2021, the largest part of the SCR arose from market risk, which has decreased compared to 31 December 2020, mainly due to a methodological change in the valuation of participations in non-insurance companies, as the lower value reduces both equity and concentration risk. Non-life underwriting risk rose compared to 31 December 2020, largely due to increased best estimate provisions as the result of an adverse claims experience. For details regarding changes in individual modules, see section C "Risk profile".

Due to the nature of the reinsurance business, the Company is mainly limited with regards to input data for certain calculations and therefore has to make certain simplifications. Thus, the Company does not have available data on each individual insurance contract required to calculate the prescribed shock for lapse risk. Therefore, it used a simplification where the shock is delivered at the level of lines of business and underwriting years, separately for Group and non-Group portfolios.

The catastrophe risk module calculation requires assumptions about the scenarios on the basis of which calculations are made of the impact of the reinsurance programme.

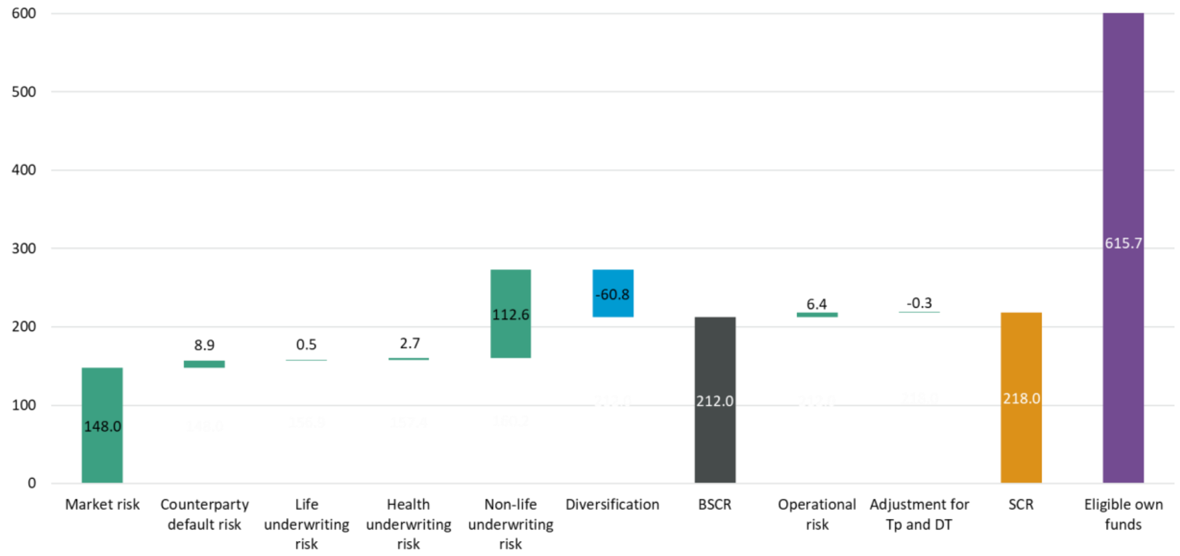
The Company also has a relatively small portfolio of accepted life reinsurance business (from annuities related to non-life insurance and term life insurance). The Company makes separate calculations for accepted life reinsurance business for most cedants in the Group. For this reinsurance business, it calculates the SCR in the life underwriting risk module based on the calculations of Group companies. The capital requirement for accepted non-Group life reinsurance is calculated in line with the nature of the business in the NSLT health insurance module.

The Company calculates its SCR without using the simplifications referred to in Articles 88–112 of the Delegated Regulation. Nor does it use undertaking-specific parameters in calculating the SCR for non-life and NSLT health business.

As at 31 December 2021, the Company adjusted the SCR for deferred taxes in the amount of EUR 0.3 million. The adjustment for the loss-absorbing capacity of deferred taxes is calculated in accordance with the Delegated Regulation and Article 23 of the "Decision on the terms and method of covering losses by reducing technical provisions and deferred taxes". Adjustments have been made in the amount of the maximum adjustment for loss absorbency of deferred taxes that may be taken into account without providing evidence, i.e. up to the amount of net liabilities for deferred taxes in the SII balance sheet.

The chart below shows the individual risk modules of the Standard Formula, the Company's SCR and its eligible own funds as at 31 December 2021.

Solvency capital requirement by risk module as at 31 December 2021 (EUR million)



As evident from the figure above, eligible own funds significantly exceed the SCR, as reflected in the Company's high solvency ratio of 282% as at 31 December 2021 (31 December 2020: 272%).

A major criterion for determining the risk appetite in the Sava Insurance Group's risk strategy is the solvency ratio. In accordance with its capital management policy, the Company is striving – in the long term – to achieve capital adequacy as defined in its risk strategy. In line with the applicable risk strategy, the solvency ratio must be above 200%, based on which the Company is well capitalised as at 31 December 2021, even by internal criteria.

In December 2021, the financial projections and the calculation of eligible own funds, the SCR and the solvency ratio for 2021–2024 were also confirmed. For the period 2021–2024, the Company's solvency ratio is planned at a level in line with the risk strategy.

E.2.2 Minimum capital requirement

Sava Re calculates the MCR in accordance with Articles 248–251 of the Delegated Regulation. Non-life MRC is calculated as the linear combination of written premiums after deduction of premiums for reinsurance contracts and technical provisions, net of the risk margin after deduction of amounts recoverable under reinsurance contracts. The linear combination captures all segments of non-life insurance. Input data are shown in the table below.

Input data for the Company's MCR calculation

EUR thousand 31 December 2021	Net best estimate technical provisions	Net premiums written
Medical expense insurance and proportional reinsurance	1	0
Income protection insurance and proportional reinsurance	2,515	5,610
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	11,561	14,944
Other motor insurance and proportional reinsurance	9,729	21,525
Marine, aviation and transport insurance and proportional reinsurance	11,019	7,703
Fire and other damage to property insurance and proportional reinsurance	58,904	60,607
General liability insurance and proportional reinsurance	11,560	5,380
Credit and suretyship insurance and proportional reinsurance	884	751
Legal expenses insurance and proportional reinsurance	0	9
Assistance insurance and proportional reinsurance	0	16
Miscellaneous financial loss insurance and proportional reinsurance	3492	48
Non-proportional health reinsurance	667	551
Non-proportional casualty reinsurance	13,830	2,631
Non-proportional marine, aviation and transport reinsurance	9,441	2637
Non-proportional property reinsurance	51,988	38,213

Input data for the Company's MCR calculation

EUR thousand 31 December 2020	Net best estimate technical provisions	Net premiums written
Medical expense insurance and proportional reinsurance	38	296
Income protection insurance and proportional reinsurance	2,787	5,425
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	12,115	14,810
Other motor insurance and proportional reinsurance	7,262	18,522
Marine, aviation and transport insurance and proportional reinsurance	9,623	8,331
Fire and other damage to property insurance and proportional reinsurance	57,441	57,326
General liability insurance and proportional reinsurance	7,942	10,058
Credit and suretyship insurance and proportional reinsurance	1,007	633
Legal expenses insurance and proportional reinsurance	0	9
Assistance insurance and proportional reinsurance	0	0
Miscellaneous financial loss insurance and proportional reinsurance	3,347	1,265
Non-proportional health reinsurance	678	544
Non-proportional casualty reinsurance	10,084	2,593

EUR thousand 31 December 2020	Net best estimate technical provisions	Net premiums written
Non-proportional marine, aviation and transport reinsurance	5,846	3,428
Non-proportional property reinsurance	40,955	38,308

Life MCR is calculated as a linear combination of technical provisions, net of the risk margin and capital at risk.

Inputs for calculating the Company's life reinsurance MCR

EUR thousand	31 December 2021	31 December 2020
Other life and health reinsurance obligations	5,924	5,642
Capital at risk for all life reinsurance obligations	269,050	172,011

The table below shows the amount of the Company's minimum capital requirement.

Minimum capital requirement

(EUR thousand)	31 December 2021	31 December 2020
Linear required MCR	42,064	38,297
Absolute MCR floor	3,600	3,600
Combined MCR	54,510	54,850
MCR	**54,510**	**54,850**
Own funds eligible to meet the MCR	548,490	531,326
MCR ratio	**1,006%**	**969%**

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

The Company does not use the duration-based equity risk sub-module to calculate the SCR.

E.4 Difference between the Standard Formula and internal model used

There are no differences between the Standard Formula and internal model because the Company does not use an internal model for the calculation of the SCR.

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

As at 31 December 2021, the Company was compliant with legislation, its high solvency ratio being substantially higher than the statutory 100%. Moreover, as at 31 December 2021, the Company had a major surplus of eligible own funds above the minimum capital requirement.

Based on the projections of the solvency capital requirement and eligible own funds, we estimate that the Sava Re solvency ratio will remain above the statutory 100% during the entire three-year projection period, as required by law. Therefore, the Company does not expect any further steps or measures in terms of ensuring compliance with its capital requirement.

E.6 Any other information

The Company has no other material information relating to capital management.

Appendix – Glossary of selected terms

English term	Slovenian term	Meaning
Adjustment for the loss-absorbing capacity of technical provisions and deferred taxes	**Prilagoditve za TP in DT**	Adjustment because of the capacity to absorb losses by reducing technical provisions and through deferred taxes.
Basic solvency capital requirement – BSCR	**Osnovni zahtevani solventnostni kapital – BSCR**	The basic solvency capital requirement within the framework of the standard formula is an amount based on the statutory calculation of the following risks: non-life underwriting risk, life underwriting risk, health underwriting risk, market risk and counterparty default risk.
Business continuity procedures	**Načrt neprekinjenega poslovanja**	Document that includes procedures for ensuring the continuous operation of key business processes and systems. The contingency plan is an integral part of the business continuity plan and sets out technical and organisational measures to restore operations and mitigate the consequences of severe business disruptions.
Capital asset pricing model	**CAPM**	Model describing the relationship between risk and expected return on assets.
Eligible own funds	**Primerni lastni viri sredstev**	Own funds eligible to cover the solvency capital requirement.
Freedom of service	**FOS**	Business written under the freedom of services principle.
IFRS	**MSRP**	International Financial Reporting Standards. EU-wide uniform set of rules governing the accounting of business transactions.
Market value	**Tržna vrednost**	The amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The amounts are based on prices in active and liquid markets that a company has access to and are commonly used.
Minimum capital requirement – MCR	**Zahtevani minimalni kapital – MCR**	The minimum capital requirement is equal to the amount of own funds below which policyholders, insured persons and other beneficiaries of insurance contracts would be exposed to an unacceptable level of risk if the insurer were allowed to continue operating.
Modified duration	**Modificirano trajanje**	Modified duration measures the portfolio's sensitivity to parallel shifts in the interest rate curve. A change in interest rates of +/-1% has an impact of approximately -/+MD% on the portfolio.
Operational limits	**Operativni limiti**	Operational limits for particular areas are determined on the basis of expressed risk tolerance limits. Underwriting limits or investment limits used by first-line-of-defence staff in the day-to-day risk management process to keep the Company within its set risk appetite range.
Over the counter market	**Trg OTC**	A transaction in the OTC market is one between two parties in securities or other financial instruments outside a regulated market.
Own risk and solvency assessment – ORSA	**Lastna ocena tveganj in solventnosti – ORSA**	Own assessment of the risks associated with the Company's business and strategic plans and assessment of the adequacy of own funds to cover risks.

English term	Slovenian term	Meaning
Physical risks of climate change	**Fizična tveganja klimatskih sprememb**	Risks arising from the physical effects of climate change. They include acute physical risks arising from weather events that adversely affect the business and chronic physical risks arising from long-term climate change that adversely affects the Company's business.
Probable maximum loss – PML	**Največja verjetna škoda – PML**	This is the maximum loss for a risk an insurer assesses could occur in one loss event. Normally, it is expressed as a percentage of the sum insured; in extreme cases, it equals the sum insured (PML is 100% of the sum insured).
Risk appetite	**Pripravljenost za prevzem tveganj**	Risk level that a company is willing to take in order to meet its strategic goals. At Sava Re defined based on the acceptable solvency ratio, the liquidity ratio of the assets, profitability of insurance products and reputation risk.
Risk management system	**Sistem upravljanja tveganj**	The risk management system is a set of measures taken by an insurer to manage (i.e. to identify, monitor, measure, manage, report) material risks arising from both the operations of a company and the external environment in order to enhance the implementation of strategic objectives and minimise any loss of own funds.
Risk profile	**Profil tveganj**	All of the risks that the Company is exposed to and the quantification of these exposures for all risk categories.
Risk Register	**Register tveganj**	List of all identified risks maintained and periodically updated by the Company.
Risk tolerance limits	**Meje dovoljenega tveganja**	Limits for risk categories included in the Company's risk profile and for risk measures monitored as part of day-to-day risk management. Set annually and aligned with the risk appetite as stated in the Company's risk strategy and based on sensitivity analyses, stress tests and scenarios, or professional judgment.
Scenario	**Scenarij**	Scenarios seek to determine the impact of multiple changes in parameters, such as concurrent changes in different risks types affecting the insurance business, the value of financial assets and a change in interest rates.
Sensitivity analysis	**Analiza občutljivosti**	In a sensitivity analysis, a single parameter is changed to observe the effect on the value of assets, liabilities and/or own funds as well as any effects of such changes on these values.
Solvency and financial condition report – SFCR	**Poročilo o solventnosti in finančnem položaju – PSFP**	Insurance and reinsurance companies publish solvency and financial condition reports at least annually. The report includes a description of its business and operations, its governance system, risk profile, valuation for Solvency II purposes, structure and quality of own funds, and the level of the minimum and solvency capital requirement.
Solvency capital requirement – SCR	**Zahtevani solventnostni kapital – SCR**	The SCR is an amount based on the regulatory calculation of all quantifiable risk, including non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk and operational risk.
Solvency ratio	**Solventnostni količnik**	Ratio of eligible own funds to the solvency capital requirement. It represents a company's capital adequacy in accordance with the Solvency II principles. A solvency ratio in excess of 100% indicates that the company has more than sufficient resources to meet the solvency capital requirement.
Standard formula	**Standardna formula**	Set of calculations prescribed by Solvency II regulations used for generating the solvency capital requirement.
Stress test	**Stresni test**	In a stress test, one or more parameters are changed due to a possible future financial event to observe the effects on the value of the Company's assets, liabilities and/or own funds as well as any effects on the value of the parameter(s) itself/themselves.
Tier of capital	**Kakovostni razred kapitala**	Items of own funds are classified into three tiers based on certain criteria (such as duration and whether basic or ancillary).

English term	Slovenian term	Meaning
Transition risks of climate change	**Tveganja prehoda podnebnih sprememb**	Transition risks of climate change are risks that arise during the transition to a low-carbon and climate-resistant economy. These risks include risks arising out of new rules, requirements and guidelines, legal risks, technology risks, market risks and reputational risks.
Undertaking-specific parameters – USP	**Parametri, specifični za posamezno podjetje – USP**	Insurance and reinsurance undertakings may, within the design of the standard formula, replace standard deviations for premium and reserve risk of NSLT health underwriting for business for which a system for equalising health risk is used by parameters specific to the undertaking concerned, in accordance with Article 104(7) of Directive 2009/138/EC.
Unit value	**Vrednost enote premoženja – VEP**	The value of a unit or share is the worth of individual units of a sub-fund and is regularly published.

Quantitative Reporting Templates

All amounts in the quantitative reporting templates are in thousands of euros.

S.02.01.02 Balance sheet

		Solvency II value
Assets		**C0010**
Goodwill	**R0010**	
Deferred acquisition costs	**R0020**	
Intangible assets	**R0030**	0
Deferred tax assets	**R0040**	7,278
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	3,181
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	821,797
Property (other than for own use)	**R0080**	9,320
Holdings in related undertakings, including participations	**R0090**	496,406
Equities	**R0100**	6,851
Equities – listed	**R0110**	5,536
Equities – unlisted	**R0120**	1,314
Bonds	**R0130**	284,229
Government Bonds	**R0140**	180,187
Corporate Bonds	**R0150**	104,042
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	24,990
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	0
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	2,573
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	2,573
Reinsurance recoverables from:	**R0270**	32,388
Non-life and health similar to non-life	**R0280**	26,069
Non-life excluding health	**R0290**	26,028
Health similar to non-life	**R0300**	41
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	6,319
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	6,319
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	9,610
Insurance and intermediaries receivables	**R0360**	15,791
Reinsurance receivables	**R0370**	4,582
Receivables (trade, not insurance)	**R0380**	267
Own shares (held directly)	**R0390**	48,043
Amounts due in respect of own fund items or initial fund called up but not yet paid in	**R0400**	0
Cash and cash equivalents	**R0410**	28,807
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	974,316

Liabilities		Solvency II value C0010
Technical provisions – non-life	**R0510**	235,920
Technical provisions – non-life (excluding health)	**R0520**	232,289
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	208,427
Risk margin	**R0550**	23,863
Technical provisions – health (similar to non-life)	**R0560**	3,631
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	3,224
Risk margin	**R0590**	407
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	12,356
Technical provisions – health (similar to life)	**R0610**	0
Technical provisions calculated as a whole	**R0620**	0
Best Estimate	**R0630**	0
Risk margin	**R0640**	0
Technical provisions – life (excluding health and index-linked and unit-linked)	**R0650**	12,356
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	12,243
Risk margin	**R0680**	114
Technical provisions – index-linked and unit-linked	**R0690**	0
Technical provisions calculated as a whole	**R0700**	0
Best Estimate	**R0710**	0
Risk margin	**R0720**	0
Other technical provisions	**R0730**	
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	422
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	7,624
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	0
Insurance & intermediaries payables	**R0820**	28,054
Reinsurance payables	**R0830**	30
Payables (trade, not insurance)	**R0840**	4,105
Subordinated liabilities	**R0850**	78,065
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	78,065
Any other liabilities, not elsewhere shown	**R0880**	2,583
Total liabilities	**R0900**	369,158
Excess of assets over liabilities	**R1000**	605,158

S.05.01.02 Premiums, claims and expenses by line of business

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**								
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**
Premiums written										
Gross – Direct Business	**R0110**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0120**	0	5,727	0	14,944	21,525	8,124	75,935	5,812	751
Gross – Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	0	118	0	0	0	422	15,328	432	0
Net	**R0200**	0	5,610	0	14,944	21,525	7,703	60,607	5,380	751
Premiums earned										
Gross – Direct Business	**R0210**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0220**	0	5,705	0	15,072	20,599	10,395	75,677	8,071	1,073
Gross – Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	108	0	0	0	1,880	14,558	406	0
Net	**R0300**	0	5,596	0	15,072	20,599	8,515	61,119	7,665	1,073
Claims incurred										
Gross – Direct Business	**R0310**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0320**	266	1,638	0	6,861	12,390	11,008	44,622	6,848	10
Gross – Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	5	0	2	2	3,086	7,719	7	0
Net	**R0400**	266	1,634	0	6,859	12,392	7,922	36,903	6,856	10
Changes in other technical provisions										
Gross – Direct Business	**R0410**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0420**	0	1	0	1	9	765	34	2	0
Gross – Non-proportional reinsurance accepted	**R0430**									
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	1	0	1	9	765	34	2	0
Expenses incurred	**R0550**	66	640	0	634	1,361	1,948	13,976	1,226	353
Other expenses	**R1200**									

Total expenses	**R1300**									

Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**					Line of Business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross – Direct Business	**R0110**	0	0	0					0
Gross – Proportional reinsurance accepted	**R0120**	9	26	525					133,378
Gross – Non-proportional reinsurance accepted	**R0130**				551	5,042	3,286	47,046	55,924
Reinsurers' share	**R0140**	0	11	477	0	2,411	649	11,302	31,149
Net	**R0200**	9	16	48	551	2,631	2,637	35,744	158,154
Premiums earned									
Gross – Direct Business	**R0210**	0	0	0					0
Gross – Proportional reinsurance accepted	**R0220**	9	26	717					137,344
Gross – Non-proportional reinsurance accepted	**R0230**				556	5,587	3,307	47,196	56,646
Reinsurers' share	**R0240**	0	4	469	0	2,577	645	11,014	31,660
Net	**R0300**	9	22	249	556	3,010	2,663	36,181	162,330
Claims incurred									
Gross – Direct Business	**R0310**	0	0	0					0
Gross – Proportional reinsurance accepted	**R0320**	3	0	2,266					85,360
Gross – Non-proportional reinsurance accepted	**R0330**				244	1,477	4,623	45,161	51,505
Reinsurers' share	**R0340**	0	0	244	0	815	172	16,047	26,106
Net	**R0400**	3	0	2,022	244	2,292	4,795	29,114	110,759
Changes in other technical provisions									
Gross – Direct Business	**R0410**	0	0	0					0
Gross – Proportional reinsurance accepted	**R0420**	0	0	3					-725
Gross – Non-proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	3	0	0	0	0	-725
Expenses incurred	**R0550**	6	1	171	94	564	472	6,388	27,424
Other expenses	**R1200**								0
Total expenses	**R1300**								27,424

		Line of Business for: **life insurance obligations**						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Insurance with profit participation	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	**C0220**	**C0230**	**C0240**	**C0250**	**C0260**	**C0270**	**C0280**	**C0300**
Premiums written										
Gross	**R1410**	0	0	0	0	0	0	0	749	749
Reinsurers' share	**R1420**	0	0	0	0	0	0	0	340	340
Net	**R1500**	0	0	0	0	0	0	0	410	410
Premiums earned										
Gross	**R1510**	0	0	0	0	0	0	0	698	698
Reinsurers' share	**R1520**	0	0	0	0	0	0	0	291	291
Net	**R1600**	0	0	0	0	0	0	0	407	407
Claims incurred										
Gross	**R1610**	0	0	0	0	0	0	0	1,669	1,669
Reinsurers' share	**R1620**	0	0	0	0	0	0	0	835	835
Net	**R1700**	0	0	0	0	0	0	0	834	834
Changes in other technical provisions										
Gross	**R1710**	0	0	0	0	0	0	0	0	0
Reinsurers' share	**R1720**	0	0	0	0	0	0	0	0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**	0	0	0	0	0	0	0	8	8
Other expenses	**R2500**									0
Total expenses	**R2600**									8

S.05.02.01 Premiums, claims and expenses by country

		Home Country	Top 5 countries (by amount of gross premiums written) – non-life obligations					Total Top 5 and home country
		C0010						C0070
	R0010		CN	CZ	JP	KR	GB	
		C0080	China	Czech Republic	Japan	Korea (Republic of)	Great Britain	C0140
Premiums written								
Gross – Direct Business	**R0110**							
Gross – Proportional reinsurance accepted	**R0120**	64,966	4,082	3,748	2,676	11,010	3,316	89,799
Gross – Non-proportional reinsurance accepted	**R0130**	8,414	4,668	306	2,495	3,024	1,645	20,552
Reinsurers' share	**R0140**	21,728	91	0	0	22	6,505	28,346
Net	**R0200**	51,652	8,659	4,055	5,171	14,012	-1,544	82,005
Premiums earned								
Gross – Direct Business	**R0210**							
Gross – Proportional reinsurance accepted	**R0220**	68,712	5,152	3,731	2,615	10,759	3,241	94,209
Gross – Non-proportional reinsurance accepted	**R0230**	8,903	4,583	303	2,449	3,106	1,593	20,938
Reinsurers' share	**R0240**	22,401	91	0	0	22	6,316	28,831
Net	**R0300**	55,214	9,644	4,034	5,065	13,843	-1,483	86,316
Claims incurred								
Gross – Direct Business	**R0310**							
Gross – Proportional reinsurance accepted	**R0320**	39,875	3,231	3,466	1,328	3,742	-886	50,757
Gross – Non-proportional reinsurance accepted	**R0330**	853	3,454	771	285	4,342	3,898	13,603
Reinsurers' share	**R0340**	9,058	0	0	0	0	17,419	26,478
Net	**R0400**	31,670	6,685	4,237	1,613	8,084	-14,407	37,882
Changes in other technical provisions								
Gross – Direct Business	**R0410**							
Gross – Proportional reinsurance accepted	**R0420**	-1	-23	-21	-15	-60	-18	-137
Gross – Non-proportional reinsurance accepted	**R0430**	0	0	0	0	0	0	0
Reinsurers' share	**R0440**	0	0	0	0	0	0	0
Net	**R0500**	-1	-23	-21	-15	-60	-18	-137
Expenses incurred	**R0550**	19,567	2,444	1,502	1,238	4,104	640	29,495
Other expenses	**R1200**							0
Total expenses	**R1300**							29,495

S.12.01.02 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees		
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	**R0010**									0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**									0
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	**R0030**									12,243
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									6,319
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	**R0090**									5,924
Risk margin	**R0100**									114
Amount of the transitional on Technical Provisions										
Technical provisions calculated as a whole	**R0110**									0
Best Estimate	**R0120**									0
Risk margin	**R0130**									0
Technical provisions – total	**R0200**									12,356

		Total (Life other than health insurance, incl. Unit-Linked)	Health insurance (direct business)			Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Health reinsurance (reinsurance accepted)	Total (Health similar to life insurance)
				Contracts without options and guarantees	Contracts with options or guarantees			
		C0150	C0160	C0170	C0180	C0190	C0200	C0210
Technical provisions calculated as a whole	**R0010**	0						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**	0						
Technical provisions calculated as a sum of BE and RM								
Best Estimate								
Gross Best Estimate	**R0030**	12,243						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**	6,319						
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	**R0090**	5,924						
Risk margin	**R0100**	114						
Amount of the transitional on Technical Provisions								
Technical provisions calculated as a whole	**R0110**	0						
Best Estimate	**R0120**	0						
Risk margin	**R0130**	0						
Technical provisions – total	**R0200**	12,356						

S.17.01.02 Non-life Technical Provisions

		Direct business and accepted proportional reinsurance					
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance
		C0020	C0030	C0040	C0050	C0060	C0070
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Premium provisions							
Gross	**R0060**	0	-77	0	1,366	2,784	342
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	-17	0	0	22	-6
Net Best Estimate of Premium Provisions	**R0150**	0	-59	0	1,366	2,762	349
Claims provisions							
Gross	**R0160**	1	2,632	0	10,199	7,016	12,932
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	57	0	3	50	2,261
Net Best Estimate of Claims Provisions	**R0250**	1	2,575	0	10,195	6,966	10,671
Total Best estimate – gross	**R0260**	1	2,555	0	11,564	9,800	13,274
Total Best estimate – net	**R0270**	1	2,515	0	11,561	9,729	11,019
Risk margin	**R0280**	0	323	0	877	924	1,113
Amount of the transitional on Technical Provisions							
Technical provisions calculated as a whole	**R0290**	0	0	0	0	0	0
Best Estimate	**R0300**	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0
Technical provisions – total							
Technical provisions – total	**R0320**	1	2,878	0	12,441	10,724	14,387
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	0	40	0	3	72	2,254
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	1	2,838	0	12,438	10,653	12,133

		Direct business and accepted proportional reinsurance					
		Fire and other damage to property insurance	**General liability insurance**	**Credit and suretyship insurance**	**Legal expenses insurance**	**Assistance**	**Miscellaneous financial loss**
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0130**
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM							
Best Estimate							
Premium provisions							
Gross	**R0060**	-1,982	102	-121	-3	-11	-166
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	162	144	0	0	-5	13
Net Best Estimate of Premium Provisions	**R0150**	-2,144	-43	-121	-3	-7	-179
Claims provisions							
Gross	**R0160**	68,947	12,089	1,005	1	0	4,234
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	7,899	486	0	0	0	563
Net Best Estimate of Claims Provisions	**R0250**	61,048	11,602	1,005	1	0	3,671
Total Best estimate – gross	**R0260**	66,965	12,190	884	-2	-11	4,068
Total Best estimate – net	**R0270**	58,904	11,560	884	-2	-7	3,492
Risk margin	**R0280**	5,811	1,389	282	0	1	320
Amount of the transitional on Technical Provisions							
Technical provisions calculated as a whole	**R0290**	0	0	0	0	0	0
Best Estimate	**R0300**	0	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0	0
Technical provisions – total							
Technical provisions – total	**R0320**	72,776	13,580	1,166	-2	-10	4,388
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	8,061	631	0	0	-5	576
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	64,715	12,949	1,166	-2	-6	3,812

		Accepted non-proportional reinsurance				Total Non-Life obligation
		Non-proportional health reinsurance	Non-proportional casualty reinsurance	Non-proportional marine, aviation and transport reinsurance	Non-proportional property reinsurance	
		C0140	C0150	C0160	C0170	C0180
Technical provisions calculated as a whole	**R0010**	0	0	0	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0050**	0	0	0	0	0
Technical provisions calculated as a sum of BE and RM						
Best Estimate						
Premium provisions						
Gross	**R0060**	-36	-944	-124	-17,434	-16,304
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	-12	-261	-3,240	-3,200
Net Best Estimate of Premium Provisions	**R0150**	-36	-932	137	-14,195	-13,105
Claims provisions						
Gross	**R0160**	704	17,654	9,348	81,195	227,955
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	1	2,891	44	15,013	29,268
Net Best Estimate of Claims Provisions	**R0250**	703	14,762	9,304	66,182	198,686
Total Best estimate – gross	**R0260**	668	16,709	9,224	63,761	211,650
Total Best estimate – net	**R0270**	667	13,830	9,441	51,988	185,582
Risk margin	**R0280**	84	1,484	1,400	10,260	24,270
Amount of the transitional on Technical Provisions						
Technical provisions calculated as a whole	**R0290**	0	0	0	0	0
Best Estimate	**R0300**	0	0	0	0	0
Risk margin	**R0310**	0	0	0	0	0
Technical provisions – total						
Technical provisions – total	**R0320**	752	18,194	10,624	74,021	235,920
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	1	2,879	-217	11,773	26,069
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	751	15,315	10,841	62,248	209,851

S.19.01.21 Non-life Insurance Claims Information

Accident year / underwriting year	Z0020	2

		Development year													In Current year	Sum of years (cumulative)
	Year	0	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											1,406		R0100	1,406	1,406
N-9	R0160	17,908	39,032	11,512	5,835	2,460	1,420	1,826	700	835	933			R0160	933	82,461
N-8	R0170	14,830	29,319	13,345	6,486	2,325	1,280	2,018	1,121	968				R0170	968	71,692
N-7	R0180	19,140	46,004	10,458	4,638	2,335	1,010	454	359					R0180	359	84,397
N-6	R0190	20,423	42,986	12,717	5,221	2,618	2,691	1,090						R0190	1,090	87,746
N-5	R0200	17,600	40,036	13,651	6,093	3,068	2,677							R0200	2,677	83,126
N-4	R0210	18,641	42,340	10,682	7,377	3,126								R0210	3,126	82,166
N-3	R0220	15,563	45,027	13,481	6,731									R0220	6,731	80,802
N-2	R0230	17,262	45,911	16,505										R0230	16,505	79,677
N-1	R0240	14,294	43,138											R0240	43,138	57,432
N	R0250	22,159												R0250	22,159	22,159
													Total	R0260	99,091	733,065

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	**R0100**											11,184
N-9	**R0160**	0	0	0	6,023	4,948	5,121	3,047	2,879	2,318	1,952	
N-8	**R0170**	0	0	14,093	8,040	5,378	5,247	4,371	2,980	3,028		
N-7	**R0180**	0	21,694	10,912	6,595	5,586	3,975	3,418	2,819			
N-6	**R0190**	60,808	28,857	14,399	9,219	6,507	4,511	3,967				
N-5	**R0200**	60,818	29,078	16,829	10,551	7,298	6,475					
N-4	**R0210**	66,657	33,019	20,905	17,066	9,774						
N-3	**R0220**	50,227	41,985	23,285	17,217							
N-2	**R0230**	58,280	52,006	41,329								
N-1	**R0240**	64,775	62,593									
N	**R0250**	73,622										

Development year

		Year end (discounted data)
		C0360
	R0100	10,774
	R0160	1,880
	R0170	2,906
	R0180	2,687
	R0190	3,821
	R0200	6,257
	R0210	9,441
	R0220	16,655
	R0230	40,206
	R0240	61,285
	R0250	72,043
Total	**R0260**	227,955

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**	71,856	71,856		0	
Share premium account related to ordinary share capital	**R0030**	54,240	54,240		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	411,492	411,492			
Subordinated liabilities	**R0140**	78,065		0	78,065	0
An amount equal to the value of net deferred tax assets	**R0160**	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**	0	0	0	0	0
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**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	615,653	537,588	0	78,065	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	**R0400**	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	615,653	537,588	0	78,065	0
Total available own funds to meet the MCR	**R0510**	615,653	537,588	0	78,065	
Total eligible own funds to meet the SCR	**R0540**	615,653	537,588	0	78,065	0
Total eligible own funds to meet the MCR	**R0550**	548,490	537,588	0	10,902	
SCR	**R0580**	218,039				
MCR	**R0600**	54,510				
Ratio of Eligible own funds to SCR	**R0620**	282.3588%				
Ratio of Eligible own funds to MCR	**R0640**	1,006.2222 %				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	605,158	
Own shares (held directly and indirectly)	**R0710**	48,043	
Foreseeable dividends, distributions and charges	**R0720**	19,527	
Other basic own fund items	**R0730**	126,096	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	**R0740**	0	
Reconciliation reserve	**R0760**	411,492	
Expected profits			
Expected profits included in future premiums (EPIFP) – Life business	**R0770**	1,223	
Expected profits included in future premiums (EPIFP) – Non- life business	**R0780**	8,391	
Total Expected profits included in future premiums (EPIFP)	**R0790**	9,613	

S.25.01.21 Solvency Capital Requirement – for undertakings on Standard Formula

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	148,038		
Counterparty default risk	**R0020**	8,900		
Life underwriting risk	**R0030**	501	None	
Health underwriting risk	**R0040**	2,723	None	
Non-life underwriting risk	**R0050**	112,618	None	
Diversification	**R0060**	-60,799		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	211,980		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	6,405
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	-346
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	**R0160**	0
Solvency capital requirement excluding capital add-on	**R0200**	218,039
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	218,039
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirements for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring-fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for Article 304	**R0440**	0

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	1

Calculation of adjustments due to loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	346
LAC DT justified by reversion of deferred tax liabilities	R0650	346
LAC DT justified by reference to probable future taxable economic profit	R0660	0
LAC DT justified by carry back, current year	R0670	0
LAC DT justified by carry back, future years	R0680	0
Maximum LAC DT	R0690	22,400

S.28.01.01 Minimum Capital Requirement – Only life or only non-life insurance or reinsurance activity

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL result	R0010	41,751

		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	1	0
Income protection insurance and proportional reinsurance	R0030	2,515	5,610
Workers’ compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	11,561	14,944
Other motor insurance and proportional reinsurance	R0060	9,729	21,525
Marine, aviation and transport insurance and proportional reinsurance	R0070	11,019	7,703
Fire and other damage to property insurance and proportional reinsurance	R0080	58,904	60,607
General liability insurance and proportional reinsurance	R0090	11,560	5,380
Credit and suretyship insurance and proportional reinsurance	R0100	884	751
Legal expenses insurance and proportional reinsurance	R0110	0	9
Assistance and proportional reinsurance	R0120	0	16
Miscellaneous financial loss insurance and proportional reinsurance	R0130	3,492	48
Non-proportional health reinsurance	R0140	667	551
Non-proportional casualty reinsurance	R0150	13,830	2,631
Non-proportional marine, aviation and transport reinsurance	R0160	9,441	2,637
Non-proportional property reinsurance	R0170	51,988	38,213

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL result	R0200	313

		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	0	
Obligations with profit participation – future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	5,924	
Total capital at risk for all life (re)insurance obligations	R0250		269,050

Overall MCR calculation

		C0070
Linear MCR	R0300	42,064
SCR	R0310	218,039
MCR cap	R0320	98,118
MCR floor	R0330	54,510
Combined MCR	R0340	54,510
Absolute floor of the MCR	R0350	3,600
		C0070
Minimum Capital Requirement	R0400	54,510