Solvency
and financial condition report
of Sava Re d.d.
for 2022

Ljubljana, April 2023

Management Board of Sava Re d.d.

Marko Jazbec, Chairman of the Management Board

Polona Pirš Zupančič, Member of the Management Board

Peter Skvarča, Member of the Management Board

David Benedek

CONTENTS

General information

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 Deloitte revizija d.o.o., who have issued an independent auditor's assurance report.

Summary

The year 2022 was marked by a tense geopolitical situation. In February 2022, Russia launched a war of aggression against Ukraine, which has now lasted a year. Sava Re's direct exposure to Russian and Ukrainian entities under reinsurance contracts is small. The contracts contain sanctions clauses that limit Sava Re's obligations under such contracts if such obligations violate applicable sanctions. In addition, the reinsurance contracts underwritten exclude coverage related to war. The credit and currency exposure to Russia, Ukraine and Belarus arising from financial investments was negligible as at 31 December 2022.

Russia's military aggression against Ukraine impacted capital markets and caused energy prices and inflation to rise. The increase in risk-free interest rates led to a significant decline in the value of the Company's investment portfolio. In addition, the risk of a decline in reinsurance profitability due to claims inflation increased significantly in 2022. As a result, technical provisions were strengthened, and reinsurance renewals focused on appropriate pricing.

The Covid-19 situation gradually eased in 2022. In the first half of 2022, the measures taken to contain the Covid-19 pandemic had some impact on the Company's operations, but the situation returned to normal in the second half of the year. Covid-19 did not have a material adverse impact on the 2022 business results.

Despite the challenging environment, the Company ended the year in a strong financial and solvency position. The Company will continue to monitor risks closely, especially in relation to the macroeconomic and geopolitical situation.

Company profile

Sava Re, the parent company of the Sava Insurance Group (hereinafter the Group or the Sava Insurance Group), conducts reinsurance business. The insurance part of the Group consists 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 that manages investment funds;
- TBS Team 24 (SVN): a company providing assistance services for motor, health and homeowners insurance;
- DCB (SVN)[1]: an associate company engaged in hospital activities;
- G2I (GBR): an associate company marketing online motor insurance policies.

With over 40 years of experience in international reinsurance, Sava Re provides a full range of reinsurance coverage. Building a globally diversified portfolio, it now writes business with more than 350 clients in over 100 reinsurance markets worldwide. The Company's guiding principle is to build

[1] Formerly ZTSR.

long-term relationships with clients and partners, providing stability through 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. It is a medium-sized company with a global reach. As at 31 December 2022, the Company employed approximately 140 people at its headquarters in Ljubljana. We aim to lead and support all lines of treaty reinsurance business, both proportional and non-proportional reinsurance contracts with good capacity, in order to provide our clients with:

- capacity,
- capital substitution, and
- catastrophe cover.

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 2022, Sava Re wrote EUR 199.4 million in gross premiums (2021: EUR 190.1 million), an increase of 4.9% compared to 2021. Gross premiums written outside the Group increased by EUR 8.8 million, driven by positive price developments in global reinsurance markets and the capture of new business opportunities. The Group's gross premiums written remained broadly in line with the previous year.

In 2022, exchange differences had a downward effect on net claims incurred in the amount of EUR 0.1 million; in 2021, the effect was upward in the amount of EUR 4.4 million. Net claims incurred, excluding the effect of exchange differences, decreased by 0.8% to EUR 106.3 million in 2022 compared to 2021. The increase in gross claims paid is due to payment of claims from previous underwriting years for non-Group business. As these were paid out of established claims provisions, they had no significant impact on the final result. The development of net claims incurred reflects both the favourable development of business written and an effective reinsurance programme to protect against large claims, which therefore did not have a material impact on profits.

Excluding exchange differences (2022: EUR 1.6 million), net investment income relating to the investment portfolio totalled EUR 52.6 million, EUR 1.4 million lower than in 2021. The largest contribution to total 2022 income came from income from subsidiaries and associates totalling EUR 51.9 million, up EUR 1.5 million on the previous year. Income from the investment portfolio was also higher due to an increase in interest income. Expenses related to the investment portfolio rose by EUR 2.8 million compared to 2021 due to the change in the fair value of FVTPL assets and expenses related to the financial investments in subsidiaries and associates. As a result, net investment income from the portfolio decreased by EUR 1.4 million.

The net result for 2022 was EUR 56.0 million (2021: EUR 52.8 million). The net result improved due to the effects described above.

System of governance

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

- an appropriate organisation, including governing 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 effective 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 consists of 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, the actuarial function, the compliance function and the risk management committee.
- The third line of defence is the internal audit function.

In 2022, 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. The Company calculates its capital requirement for these risks in accordance with the Solvency II standard formula (hereinafter the Standard Formula) as required by Delegated Regulation (EU) 2015/35 (the Delegated Regulation).

Apart from the above risks, which are captured by the Standard Formula, the Company is also exposed to liquidity risk and various strategic risks arising from its complex internal and external environment.

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

Solvency capital requirement by risk module

(EUR thousand)	31 December 2022	31 December 2021
SCR	**213,829**	**218,039**
Adjustments for TP and DT	0	-346
Operational risk	6,638	6,405
Basic solvency capital requirement (BSCR)	207,191	211,980
Sum of risk components	267,947	272,780
Diversification effect	-60,757	-60,799
Market risk	135,717	148,038
Counterparty default risk	9,519	8,900
Life underwriting risk	346	501
Health underwriting risk	2,851	2,723
Non-life underwriting risk	119,515	112,618

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 following table shows the adjustments to the balance sheet items measured in accordance with International Financial Reporting Standards (IFRS) that the Company has made for Solvency II purposes. IFRS equity and Solvency II eligible own funds are presented.

The table shows that the Solvency II eligible own funds are significantly higher than the IFRS equity, but lower than the eligible own funds as at 31 December 2021, mainly due to the adverse financial market conditions, which had a significant impact on the value of investments.

Adjustments to IFRS equity for the Solvency II valuation of the balance sheet

(EUR thousand)	31 December 2022	31 December 2021
IFRS equity	**381,861**	**371,166**
Difference in the valuation of participations	120,124	172,276
Difference in the valuation of other assets	-21,033	-12,899
Difference in the valuation of technical provisions	47,016	36,420
Difference in the valuation of other liabilities	9,785	-9,847
Foreseeable dividends, distributions and charges	-24,796	-19,527
Subordinated liabilities in basic own funds	56,290	78,065
Solvency II eligible own funds	**569,247**	**615,653**

Capital management

The Company manages its capital to ensure that it has, at all times, 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 in line with the risk strategy, which determines the Company's risk appetite, including the lower end of the target solvency ratio range. When preparing the business and strategic plans, the Company ensures that the plans are in line with the risk appetite, making adjustments if necessary. At the same time, the Company aims to achieve an efficient allocation of capital.

The following table sets out the Company's capital adequacy. In addition to the SCR, the minimum capital requirement (MCR) is also shown.

The Company's capital adequacy

(EUR thousand)	31 December 2022	31 December 2021
Solvency capital requirement (SCR)	213,829	218,039
Eligible own funds to meet the SCR	569,247	615,653
Of which tier 1	*509,137*	*537,588*
Of which tier 2	*56,290*	*78,065*
Of which tier 3	*3,820*	*0*
Solvency ratio	**266%**	**282%**
Minimum capital requirement (MCR)	53,457	54,510
Eligible own funds to meet the MCR	519,828	548,490
Of which tier 1	*509,137*	*537,588*
Of which tier 2	*10,691*	*10,902*
Of which tier 3	*0*	*0*
MCR ratio	**972%**	**1,006%**

As at 31 December 2022, the majority 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 and net deferred tax assets classified as tier 3 eligible own funds.

As at 31 December 2022, the Company complied with the regulatory requirements on the level and quality of capital to cover the SCR and MCR, as its solvency ratio significantly exceeded the regulatory requirement of 100% and stood at 266%, whereas the MCR ratio was 972%. The risk strategy for 2020–2022 set the Company's lower end of the target solvency ratio at 200%. This demonstrates that the Company is well capitalised, also according to 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. It is also the parent company of the Sava Insurance Group. In addition to Sava Re, the Group includes 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 based outside Slovenia (Sava Neživotno Osiguranje (SRB), Sava Osiguruvanje (MKD), Illyria (RKS) and Sava Osiguranje (MNE)).

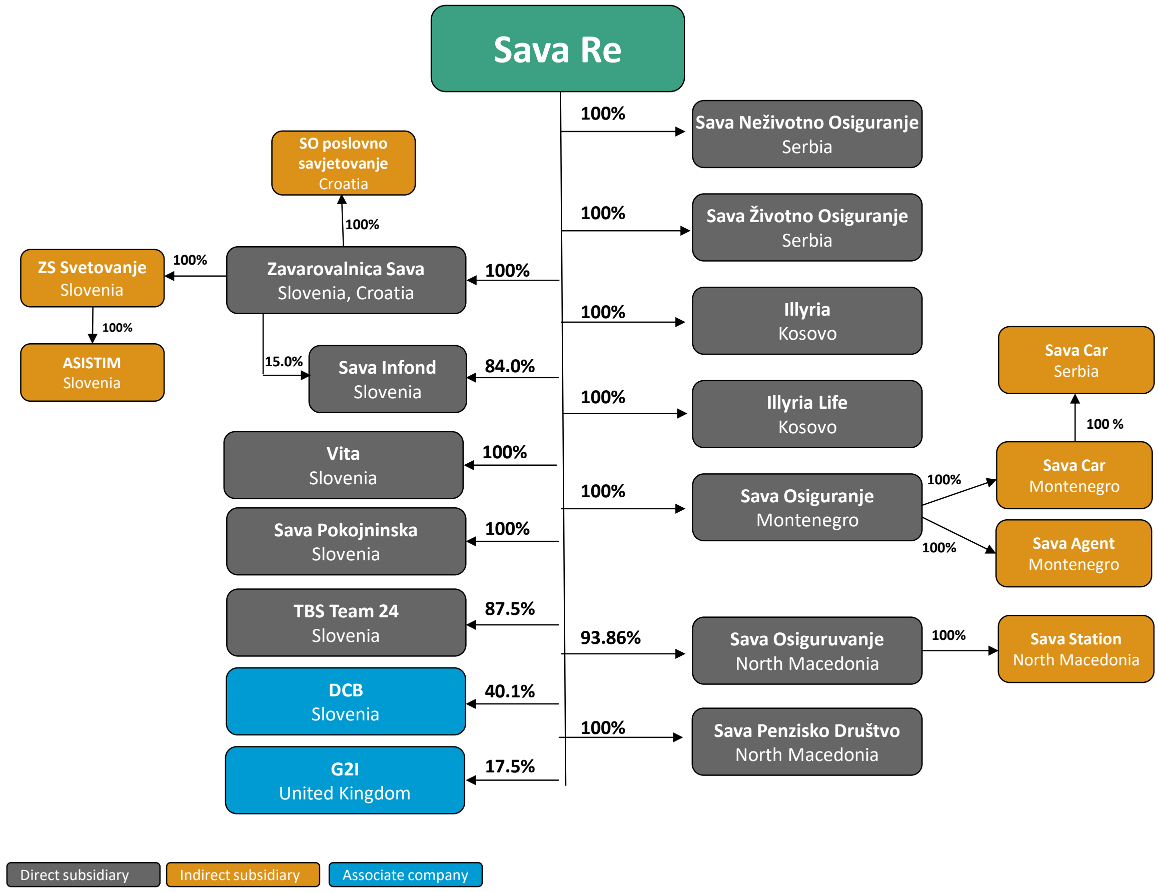
In addition to the above (re)insurers, the Sava Insurance Group consists of:

- 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 that manages investment funds;
- TBS Team 24 (SVN): a company providing assistance services for motor, health and homeowners insurance;
- DCB (SVN)[2]: an associate company engaged in hospital activities;
- G2I (GBR): an associate company marketing online motor insurance policies.

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

[2] Formerly ZTSR.

Position of Sava Re as at 31 December 2022[3]



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

Subsidiaries and associates of Sava Re as at 31 December 2022

	Zavarovalnica Sava (SVN)	Sava Neživotno Osiguranje (SRB)	Illyria (RKS)	Sava Osiguruvanje (MKD)	Sava Osiguranje (MNE)
Registered office	Ulica Eve Lovše 7, 2000 Maribor, Slovenia	Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia	Sheshi Nëna Terezë 33, 10000 Pristina, Kosovo	Zagrebska br. 28 A, 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
Nominal value of combined shareholdings of all Group companies (EUR)	68,417,377	6,314,464	7,228,040	3,585,524	4,033,303
% 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 2022 (EUR)	46,525,330	1,216,985	1,054,391	1,636,953	2,100,234
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)**	**Sava Pokojninska (SVN)**	**TBS Team 24 (SVN)**	**Sava Penzisko Društvo (MKD)**

[3] The percentages shown in the chart refer to shareholdings. The shareholdings provided for G2I, Sava Infond and DCB differ from the voting rights held by the Group companies. The annual report includes disclosures for all companies, including shareholdings and voting rights.

Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia	Ulica Eve Lovše 7, 2000 Maribor, Slovenia	Ljubljanska ulica 42, 2000 Maribor, Slovenia	Majka Tereza 1, 1000 Skopje, North Macedonia
Main activity	life insurance	life insurance	pension fund	provision of assistance services	fund management activities
Share capital (EUR)	3,285,893	4,326,664	6,301,109	8,902	2,110,791
Nominal value of combined shareholdings of all Group companies (EUR)	3,285,893	4,326,664	6,301,109	7,789	2,110,791
% equity interest / voting rights held by Group members	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 87.5%	Sava Re: 100.0%
Profit or loss for 2022 (EUR)	610,116	31,262	-538,699	960,992	1,962,201
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary pension company	subsidiary	subsidiary pension company

	DCB (SVN)	G2I (GBR)	Sava Infond (SVN)	Vita (SVN)
Registered office	Pod Skalo 4, 4260 Bled, Slovenia	First Floor Ridgeland House 15 Carfax, Horsham, West Sussex, RH12 1DY, United Kingdom	Ulica Eve Lovše 7, 2000 Maribor, Slovenia	Trg republike 3, 1000 Ljubljana, Slovenia
Main activity	hospital activities	insurance agency	investment fund asset management	life insurance
Share capital (EUR)	379,123	152,958	1,460,524	7,043,900
Nominal value of combined shareholdings of all Group companies (EUR)	189,562	26,768	1,460,524	7,043,900
% equity interest / voting rights held by Group members	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 2022 (EUR)	2,752,760	-517,993	3,290,258	9,260,677
Position in the Group	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
SI-1000 Ljubljana
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

Deloitte Revizija d.o.o.
Dunajska cesta 165
1000 Ljubljana
Slovenia
Telephone: +386 1 307 28 00
Telefax: +386 1 307 29 00

The financial statements of the parent company are audited by Deloitte Revizija d.o.o., which also audited the 2022 financial statements of Sava Re and the Sava Insurance Group. In 2022, the Group's subsidiaries were audited by the local audit staff of the Deloitte organisation. In 2022, a contract was signed with Deloitte Revizija d.o.o. for the audit of the financial statements for the period 2022–2024. Sava Re complies with the provisions on auditor rotation in accordance with the Slovenian Auditing Act (Article 47, paragraph 5) and the Slovenian Insurance Act (Article 258, paragraph 4).

Holders of qualifying shares in the company as at 31 December 2022

Shareholder	No. of shares	Holding	% voting rights
SSH d.d.	3,043,883	17.7%	19.6%
Intercapital Securities Ltd. – fiduciary account	2,538,773	14.7%	16.4%
Republic of Slovenia	2,392,436	13.9%	15.4%
European Bank for Reconstruction and Development (EBRD)	1,071,429	6.2%	6.9%
Raiffeisen Bank Austria d.d. – fiduciary account	795,206	4.6%	5.1%

Source: Central securities register KDD d.d.
Note:
Pursuant to Article 235a of the Slovenian Companies Act (ZGD-1), in April 2022 Sava Re started the process of identifying shareholders who are registered with intermediaries as holders of shares and are not themselves intermediaries (ultimate shareholders). According to the information received, Adris Grupa d.d. held 3,278,049 POSR shares on 26 April 2022.

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 show Sava Re's main markets in 2022 (with premiums written in excess of EUR 7.0 million[4]) and the Company's material lines of business. As can be seen from the table below, Asian markets are the biggest in terms of written premium (apart from its Group business).

Countries where the Company wrote the most premiums

EUR thousand	Premiums in 2022	Premiums in 2021	Index
Slovenia	76,227	73,380	103.9
South Korea	12,324	14,034	87.8
China	11,909	8,750	136.1
Other countries	98,945	93,888	105.4
Total	**199,405**	**190,052**	**104.9**

By line of business, proportional and non-proportional property reinsurance was the dominant line of business, accounting for 66.2% of total gross premiums written in 2022 (2021: 64.7%). The second-largest line of business was proportional other motor reinsurance, representing 18.3% of total gross premiums written (2021: 19.2%).

[4] The Company's materiality threshold based on the capital adequacy calculation as at 31 December 2022.

Gross premiums written by material line of business

EUR thousand	2022	2021	Index
Proportional fire and other damage to property reinsurance	78,458	75,935	103.3
Non-proportional property reinsurance	53,460	47,046	113.6
Proportional other motor reinsurance	22,724	21,525	105.6
Proportional motor vehicle liability reinsurance	13,792	14,944	92.3
Other lines of business	30,972	30,603	101.2
Total	**199,405**	**190,052**	**104.9**

Significant events in 2022

- The year 2022 was marked by a tense geopolitical situation. In February 2022, Russia launched a war of aggression against Ukraine, which has now lasted a year. Sava Re had written reinsurance contracts with Russian and Ukrainian partners, the annual premium volume of which represented only 0.1% of the Group's total operating revenue in 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 the relevant contracts if such obligations are contrary to the applicable sanctions. In addition, the reinsurance contracts underwritten exclude coverage related to war. The credit and currency exposure to Russia, Ukraine and Belarus arising from financial investments was negligible as at 31 December 2022. Russia's military aggression against Ukraine impacted capital markets and caused energy prices and inflation to rise. In response to inflation, central banks promptly adjusted monetary policy by raising key interest rates to levels last seen 15 years ago. Increased risk-free interest rates led to a decline in the value of the Company's investment portfolio. In addition, the risk of a decline in reinsurance profitability due to claims inflation increased significantly in 2022. As a result, technical provisions were strengthened, and reinsurance renewals focused on appropriate pricing.
  Further uncertainty was added by increased tensions over Taiwan and the challenges faced by the economy in China, where it seems increasingly likely that the property bubble is about to burst, while the economy is also impacted by the country's zero-tolerance approach to Covid-19. In the "Risk profile" section C and in the Annual Report of the Sava Insurance Group and Sava Re d.d. for 2022 (the Company's annual report), section 17.7 "Risk Management", we discuss in more detail the risks arising from adverse macroeconomic and geopolitical conditions.
- In the first half of 2022, the measures to mitigate the pandemic had some impact on the Group companies' operations, but the situation returned to more or less normal in the second half of the year. Hybrid working is already well established. In line with the new working model, we also made certain technical adjustments to ensure better protection of the operation of information systems, which have become more vulnerable with the new work regime. Covid-19 did not have a material adverse impact on the 2022 business results. In the future, we do not expect major Covid-19-related effects on Group companies' business and operations. Risks are monitored as part of regular risk monitoring and reporting. We now understand the risks much better than we did at the beginning of the pandemic, and we believe that the Company's risks are well managed.
- Jošt Dolničar, who was appointed chairman of the management board of Zavarovalnica Sava on 30 December 2021, was granted a licence to perform this function by the Insurance Supervision Agency on 3 May 2022. His term as a member of the management board of Sava Re ended on 4 May 2022, and he assumed the chairmanship of the management board of Zavarovalnica Sava on 5 May 2022 for a five-year term of office.
- In May 2022, the 38th general meeting of shareholders was held.
- In May 2022, the High Court in Dublin ruled in favour of Zavarovalnica Sava, confirming that the wording of its business interruption and loss of licence policy did not provide cover for losses arising from the Covid-19 pandemic.

- In September 2022, the rating agencies S&P Global Ratings and AM Best affirmed the "A" ratings of Sava Re and Zavarovalnica Sava. The outlook was stable.
- In December 2022, the Sava Insurance Group's new strategy for the period 2023–2027 and the business plan for the financial year 2023 were released.

Significant events after the reporting date

- On 15 January 2023, a new five-year term of office for Polona Pirš Zupančič, a member of the management board of Sava Re, was entered in the register of companies.
- In March 2023, an agreement was signed for the sale of G2I (GBR). Sava Re's ownership of the company will cease after the transfer of the shareholding becomes effective in the English register of companies.
- In December 2022, the supervisory board of Sava Re appointed David Benedek as an additional member of the management board. Upon receipt of the relevant decision on 22 March 2023, David Benedek took up his duties as a member of the management board.
- At the beginning of 2023, Zavarovalnica Sava and Sava Infond sold two properties in Maribor, which were classified as available for sale at the reporting date. The total sale value of the properties was EUR 4.2 million. This sale will have no impact on the consolidated income statement of the Sava Insurance Group for 2023.

A.2 Reinsurance underwriting performance

In 2022, the Company achieved a better net profit than in 2021. 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	2022	2021	Index
Gross premiums written	199,405	190,052	104.9
Gross claims paid	129,236	99,243	130.2
Net operating expenses[5]	27,931	27,432	101.8
Net profit or loss[6]	55,967	52,840	105.9

Gross premiums written by material line of business

EUR thousand	2022	2021	Index
Proportional fire and other damage to property reinsurance	78,458	75,935	103.3
Non-proportional property reinsurance	53,460	47,046	113.6
Proportional other motor reinsurance	22,724	21,525	105.6
Proportional motor vehicle liability reinsurance	13,792	14,944	92.3
Other lines of business	30,972	30,603	101.2
Total	**199,405**	**190,052**	**104.9**

Gross premiums written by geographical area

EUR thousand	2022	2021	Index
Slovenia	76,227	73,380	103.9
International	123,178	116,672	105.6
Gross premiums written	**199,405**	**190,052**	**104.9**

Gross premiums written in Slovenia increased by 3.9%, or EUR 2.8 million, in 2022 (premiums from Zavarovalnica Sava increased due to an increase in the average premium and more policies sold), whereas premiums from abroad increased by 5.6%, or EUR 6.5 million (positive price developments in the global reinsurance markets and new business opportunities).

In 2022, property reinsurance continued to dominate in terms of gross premiums written (fire and other damage to property, including related business interruption insurance; hereinafter: property business).

Gross claims paid by material line of business

EUR thousand	2022	2021	Index
Proportional fire and other damage to property reinsurance	55,642	38,238	145.5
Non-proportional property reinsurance	32,862	20,596	159.6
Proportional other motor reinsurance	13,483	10,803	124.8
Proportional motor vehicle liability reinsurance	11,569	8,717	132.7
Other lines of business	15,680	20,890	75.1
Total	**129,236**	**99,243**	**130.2**

[5] Expenses related to the management of subsidiary companies are excluded.
[6] 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 geographical area

EUR thousand	2022	2021	Index
Slovenia	56,617	37,768	149.9
International	72,619	61,475	118.1
Total	**129,236**	**99,243**	**130.2**

In 2022, gross claims paid increased by 30.2%, against a 4.9% growth in gross premiums written.

Net claims incurred, excluding the effect of exchange differences, dropped by 0.8% compared to 2021. The increase in gross claims paid is due to payment of claims from previous underwriting years for non-Group business. As these were paid out of established claims provisions, they had no significant impact on the final result. The development of net claims incurred reflects both the favourable development of business written and an effective reinsurance programme to protect against large claims, which therefore did not have a material impact on profits.

As a result, Sava Re's net incurred loss ratio, excluding the impact of exchange rates, improved by 0.8 p.p. to 64.5% in 2022 compared to 2021.

Net operating expenses

EUR thousand	2022	2021	Index
Acquisition costs, including change in deferred acquisition costs	44,150	46,213	95.5
Other operating expenses	16,015	15,055	106.4
Reinsurance commission income	-5,231	-4,871	107.4
Net operating expenses	**54,933**	**56,397**	**97.4**

Net operating expenses by material line of business

EUR thousand	2022	2021	Index
Proportional fire and other damage to property reinsurance	14,480	13,976	103.6
Non-proportional property reinsurance	6,198	6,388	97.0
Proportional marine, aviation and transport reinsurance	2,242	1,948	115.1
Proportional other motor reinsurance	1,236	1,361	90.8
Other lines of business	3,776	3,759	100.4
Total	**27,931**	**27,432**	**101.8**
Expenses associated with subsidiary governance	27,003	28,965	93.2
Total	**54,933**	**56,397**	**97.4**

Acquisition costs decreased in 2022 owing to the smaller business volume of the Group portfolio and an increase in the structural share of non-proportional reinsurance in the non-Group portfolio, which is subject to lower acquisition costs. As a result, acquisition costs increased by only 2.1%, in line with the 8.6% increase in gross premiums earned. Acquisition costs thus account for 22.2% of gross premiums earned, down by 1.6 p.p.

Other operating expenses of Sava Re comprise expenses related to reinsurance business (50%) and expenses associated with the administration of the Group (50%). Only the former expenses are included in the calculations of the combined ratios of reinsurance business. Total other operating expenses increased by 6.4% compared to 2021 due to the cost of services related to the implementation of new IT solutions. A breakdown of expenses by nature is set out in section 17.8.35 of the Company's annual report, in the notes to the financial statements.

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

Other technical income and other technical expenses

Other technical income and expenses consist mainly of reinsurance commission income and the net effect of exchange differences on these items. In 2022, the Company realised EUR 5.2 million (2021: EUR 4.9 million) of reinsurance commission income. The net effect of exchange rate differences on other technical expenses was EUR 1.0 million (2021: EUR 0.4 million effect on other technical expenses).

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 by type of income and expense.

Investment income and expenses by type

Type of income (EUR thousands)	1 January – 31 December	
	2022	2021
Interest income at effective interest rate	3,005	2,570
Gains on change in fair value of FVTPL assets	254	481
Gains on disposal of FVTPL assets	55	2
Gains on disposal of other IFRS asset categories	1,582	1,928
Income of subsidiary and associate companies	51,923	50,418
Income from dividends and shares – other investments	458	519
Exchange gains	1,574	3,706
Other income	832	874
Other income from alternative funds	654	607
Total income from the investment portfolio	**60,337**	**61,104**
Income relating to the investment portfolio, excluding exchange differences	58,763	57,398
Type of expense (EUR thousands)	**1 January – 31 December**	
	2022	**2021**
Interest expenses	2,905	2,899
Losses on change in fair value of FVTPL assets	1,679	308
Losses on disposals of FVTPL assets	15	3
Losses on disposal of other IFRS asset categories	205	29
Expenses of subsidiary and associate companies	1,188	0
Impairment losses on investments	0	0
Exchange losses	0	0
Other	215	206
Other expenses for alternative funds	0	0
Total expenses for the investment portfolio	**6,207**	**3,444**
Expenses relating to the investment portfolio, excluding exchange differences	6,207	3,444
Net investment income from the investment portfolio	**54,130**	**57,660**
Net investment income from the investment portfolio, excluding the effect of exchange differences	**52,556**	**53,954**

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

In 2022, net investment income from the investment portfolio amounted to EUR 54.1 million, or EUR 52.6 million excluding the effect of exchange differences.

In 2022, income from the investment portfolio totalled EUR 60.3 million, down EUR 0.8 million on the previous year; excluding exchange differences, investment income increased by EUR 1.4 million. The largest contribution to total income in 2022 came from income received from subsidiaries and associates, which totalled EUR 51.9 million, up EUR 1.5 million on the previous year. Interest income amounted to EUR 3.0 million, an increase of EUR 0.4 million compared to the previous year. Gains on the disposal of investments decreased by EUR 0.3 million compared to 2021. In 2022, net exchange gains totalled EUR 1.6 million (2021: net exchange losses were EUR 3.7 million).

Compared to 2021, expenses for the investment portfolio increased by EUR 2.8 million. Interest expenses for the subordinated bond of Sava Re amounted to EUR 2.9 million in 2022 (2021: EUR 2.9 million). Fair value losses on FVTPL assets were EUR 1.5 million higher than in the previous year, totalling EUR 1.7 million. The Company realised expenses related to subsidiaries and associates of EUR 1.2 million (2021: no expenses related to subsidiaries and associates). No impairment losses were recognised in 2022 and none in 2021.

Net investment income by asset class

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	**134**	**0**	**0**	**0**	**0**	**0**	**0**	**134**	**0**
Debt instruments	134	0	0	0	0	0	0	134	0
Other investments	0	0	0	0	0	0	0	0	0
At fair value through P/L	**291**	**-1,385**	**0**	**6**	**0**	**0**	**0**	**-1,088**	**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	291	-1,385	0	6	0	0	0	-1,088	0
Debt instruments	291	-1,357	0	0	0	0	0	-1,066	0
Equity instruments	0	-28	0	6	0	0	0	-22	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	**2,436**	**0**	**1,378**	**452**	**0**	**1,984**	**655**	**6,905**	**51,923**
Debt instruments	2,436	0	-189	0	0	1,982	1	4,230	0
Equity instruments	0	0	1,566	452	0	2	0	2,021	51,923
Other investments	0	0	0	0	0	0	0	0	0
Investments in infrastructure funds	0	0	0	0	0	0	602	602	0
Investments in property funds	0	0	0	0	0	0	51	51	0
Loans and receivables	**84**	**0**	**0**	**0**	**0**	**-411**	**0**	**-327**	**0**
Debt instruments	86	0	0	0	0	0	0	86	0
Other investments	-2	0	0	0	0	-411	0	-413	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**26**	**0**	**0**	**0**	**0**	**0**	**0**	**26**	**0**
Subordinated liabilities	**-2,873**	**0**	**0**	**0**	**0**	**0**	**0**	**-2,873**	**0**
Total	**98**	**-1,385**	**1,378**	**458**	**0**	**1,574**	**655**	**2,777**	**51,923**

Movement in fair value reserve

EUR thousand	2022	2021
Balance as at 1 January 2022	**3,620**	**6,040**
Change in fair value	-27,261	-2,988
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	5,179	0
Deferred tax	0	568
Balance as at 31 December 2022	**-18,461**	**3,620**

The Company holds no securitised assets.

A.4 Performance of other activities

Other income and expenses

In 2022, the Company realised other income of EUR 995 thousand (2021: EUR 834 thousand) and EUR 319 thousand of other expenses (2021: EUR 269 thousand).

Other income mainly includes rental income and other finance income from investment property, collected bad debt relating to other receivables previously written-off and income from the use of holiday facilities. Other expenses mainly include expenses related to the depreciation of non-operating assets, expenses related to investment property, fines 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, which conducts the business, and a supervisory board, which is responsible for 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 for 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 any 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 on these matters. 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 important events essential for 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 the 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 relation to the affairs of the Company. 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, in particular 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, four of whom (shareholder representatives) are elected by the Company's general meeting, and two of whom (employee representatives) are elected by the works council, which informs the general meeting of its decisions. Supervisory board members are appointed for a term of up to four years and are eligible for re-election. The supervisory board members elect a chair and deputy chair from among its members.

The supervisory board is constituted to ensure responsible oversight and decision-making in the best interests of the Company. Its composition takes into account diversity in terms of technical knowledge, experience and skills, and the way in which candidates complement each other to form a homogeneous team and ensure a sound and prudent oversight 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. This is posted on the Company's website.

The supervisory board in 2022

The composition of the supervisory board changed in 2022. Mateja Živec completed her term of office on 31 December 2021, having resigned from the supervisory board. In her place, the Sava Re works council appointed Edita Rituper for a term of office spanning from 1 January 2022 to 12 June 2023.

Composition of the supervisory board in 2022

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
Edita Rituper	member, employee representative	1 January 2022	12 June 2023

Supervisory board committees

In accordance with the law, the Code and best practice, the supervisory board appoints one or more committees and entrusts them with specific areas, the preparation of draft resolutions of the supervisory board, the implementation of resolutions of the supervisory board and thereby provides it with professional support.

The Company has established the following Supervisory Board committees:

- the audit committee,
- the risk committee,
- the nominations and remuneration committee,
- 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 functioning of the internal audit department and the risk management system;
- monitor the statutory audit of separate and consolidated financial statements;
- perform such other tasks as may be assigned by valid resolution of the supervisory board and in accordance with statutory requirements and best practice of peer companies or insurance groups.

The audit committee in 2022

In 2022, the audit committee consisted of the following members: Matej Gomboši (chair), Andrej Gorazd Kunstek, Katarina Sitar Šuštar (external member) and Dragan Martinović (external member).

Risk committee

The chief tasks of the risk committee are to:

- assess the impact of various types of risk on economic and regulatory capital;
- assess the Group's overall risk governance framework, including the risk management policy and the risk strategy, and risk monitoring;
- assess the appropriateness and adequacy of the risk management documents to be approved by the supervisory board;
- perform such other tasks as may be assigned by resolution of the supervisory board, in accordance with statutory requirements and best practice of peer companies or insurance groups.

The risk committee in 2022

In 2022, the risk committee consisted of the following members: Keith William Morris (chair), and the members Davor Ivan Gjivoje Jr, Slaven Mićković (external member) and Janez Komelj (external member). The membership of Slaven Mićković in the risk committee was suspended during 2022, due to entering into short-term contract with the company to work on specific project.

Nominations and remuneration committee

The chief tasks of the nominations and remuneration committee of the supervisory board include:

- preparing proposals for the supervisory board regarding the criteria for membership of the management board, and reviewing and preparing proposals regarding nominations to be decided by the supervisory board;
- pre-examining the proposal of the chair of the management board regarding the composition of the management board and the Company's governance, and preparing 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
- assisting in the development and implementation of a system of remuneration, reimbursement and other benefits for the management board members.

The nominations and remuneration committee in 2022

In 2022, the composition of the nominations and remuneration committee was as follows: Klemen Babnik (chair), Davor Ivan Gjivoje Jr, Keith William Morris, Matej Gomboši and Andrej Gorazd Kunstek.

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 works council, to carry out a fit and proper assessment of each member of the supervisory board (employee representative) elected by the works council.

The fit and proper committee in 2022

The composition of the fit and proper committee in 2022 was as follows: Keith William Morris (chair), Klemen Babnik, Rok Saje (compliance officer), and Klara Hauko (director of human resources management).

Management board

The management board conducts the business and represents the Company in public and legal matters. It is composed of at least two and no more than five members, one of whom is the chair. The chair and members of the management board are appointed by the supervisory board for a period of five years. These appointments may be renewed indefinitely. 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 are determined by the supervisory board in the Act on the Management Board of Sava Re d.d.

The composition of the management board is such as to ensure responsible oversight and decision-making in the best interests of the Company. The management board's composition takes into account the diversity of professional knowledge, experience and skills, and the way in which candidates complement each other to form a homogeneous team and ensure the sound and prudent conduct of the Company's business. In 2022, the Company sought to align the composition of the management board with the Company's policy on diversity of the management board. The implementation of the policy on the diversity of the management board in 2022 is described in more detail in the Company's annual report, section 5 "Corporate governance statement".

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, in particular 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.

The division of powers between the management and supervisory bodies is described in more detail in the Corporate Governance Policy of Sava Re d.d., which is posted on the Company's website.

The management board in 2022

In 2022, the management board consisted of the following members: Marko Jazbec (chairman), Polona Pirš Zupančič, Peter Skvarča and Jošt Dolničar (the latter until 4 May 2022).

The average age of the members of the management board is 49 years. All management board members are citizens of the Republic of Slovenia.

Composition of the management board in 2022

Full name	Marko Jazbec	Polona Pirš Zupančič	Peter Skvarča	Jošt Dolničar
Function	chairman	member	member	member (until 4 May 2022)
Area of responsibility at management board level	• coordination of the work of the management board • finance • general, HR, organisational and legal affairs • public relations • compliance • internal audit • management of strategic investments in Slovenia-based subsidiaries (from 5 May 2022) • information technology (from 5 May 2022) • sustainable development (from 2 August 2022)	• corporate finance • controlling • accounting • investor relations • risk management • actuarial affairs • modelling (from 5 May 2022)	• development of reinsurance and reinsurance underwriting, Group & non-Group • reinsurance protection (retrocession), Group & non-Group • development of reinsurance processes and technology • reinsurance technical accounting • management of strategic investments in the non-Slovenia-based subsidiaries (from 5 May 2022)	• management of strategic investments in direct insurance subsidiaries carrying on non-life, life and pension business • information technology • innovation
First appointed	12 May 2017	14 January 2018	19 June 2020	31 December 2008
End of term of office	13 May 2027	15 January 2028	19 June 2025	4 May 2022

At its session on 25 April 2022, the Sava Re supervisory board reappointed Polona Pirš Zupančič, whose five-year term of office expired on 14 January 2023, as a member of the management board of Sava Re. The new five-year term started on 15 January 2023.

On 4 May 2022, Jošt Dolničar ceased to be a member of the management board of Sava Re because he assumed the position of chairman of the management board of the subsidiary Zavarovalnica Sava.

On 15 December 2022, the supervisory board of Sava Re d.d. unanimously approved the proposal of the nominations and remuneration committee and appointed David Benedek as the fourth member of the management board. David Benedek was appointed for a term of five years, commencing on the next business day following receipt of the Insurance Supervision Agency's decision to grant David Benedek a licence to act as a member of the management board.

Reporting

The management board reports fully and accurately to the supervisory board at least quarterly on:

- the implementation of business policy and other matters of principle;
- the profitability of the company, in particular the return on equity;
- business performance, especially on business volume, the financial situation and solvency;
- transactions that may have a significant impact on the profitability and solvency of the company;
- any 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

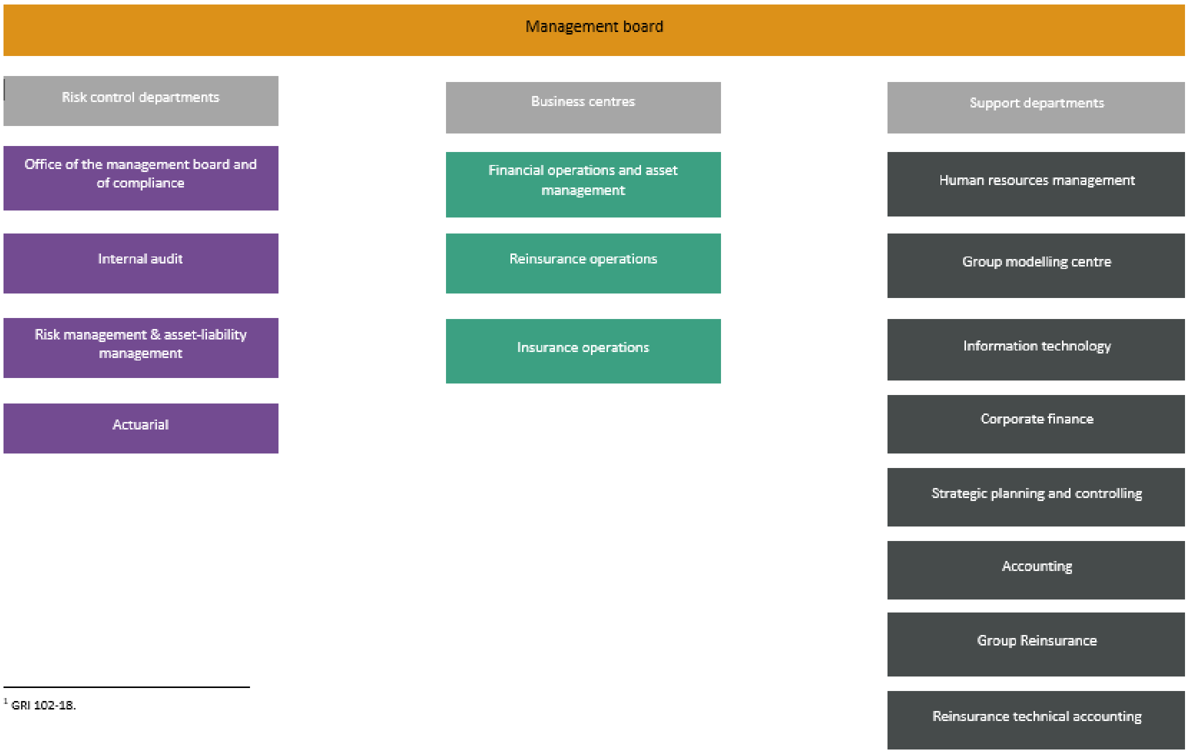
General

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 2022



[1] GRI 102-18.

In most cases, the controlling 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, an information security committee and an IT steering committee. At Group level, there is a risk management committee, an actuarial committee, an insurance business process development committee, an innovation management committee and an information systems architecture committee.

The individual committees are described below, and the actuarial committee is discussed in more detail in section B.6 *"Actuarial function"*.

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 important business decisions with a material impact on the risk profile;
- identifying and monitoring emerging risks.

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;
- foster awareness about the role of the data quality management system among employees.

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 made up of a permanent interdisciplinary team of experts, with additional specialists called in from time to time. It meets at least twice a year, when adopting security policies and other information security documents, and in other emergencies.

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;
- monitor the information system risk management.

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

Insurance business process development committee

The insurance business process development committee has been established to monitor insurance business processes at the Group level, optimise insurance business processes in each Group company, coordinate the development of processes and their software support that affect the operations of several Group companies, communicate with stakeholders in the process of developing, redesigning or modifying insurance business processes, and review the adequacy of software support for insurance business processes.

The main tasks of the insurance process development committee are to:

- mitigate business risk,
- improve business performance,
- reduce operating costs,
- increase the speed and efficiency of business operations,

- advise on initiatives and proposals for new projects and other assignments in insurance and IT process development,
- oversee complex development tasks in the field of insurance and IT process development.

Innovation management committee

The innovation management committee has been set up to ensure the implementation of the innovation management policy.

The main tasks of the innovation management committee are:

- preparing and coordinating the innovation strategy at Group level,
- coordinating innovation processes between the companies,
- overseeing the strategic and operational innovation objectives of the companies,
- monitoring the local and global innovation environment,
- steering the Group's innovation initiatives,
- monitoring key innovation initiatives at company level.

Information systems architecture committee

The information systems architecture committee has been set up to establish a common information systems architecture across the companies to manage the risks associated with the purchase, development and use of information systems.

The main tasks of the information systems architecture committee are:

- developing and maintaining a model of the target architecture of the enterprise information systems;
- establishing and maintaining an inventory of the current state of the companies' information systems;
- establishing standards for the selection, development and use of information systems to achieve the target architecture and manage information risk;
- decide on major IT system interventions, such as the selection of technologies and new systems, and the installation of individual systems.

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 Total variable pay of the management board generally ranges from 0% to 50% of the total annual remuneration. If the amount of variable pay exceeds 30% of the management board member's annual salary, the payment of the variable pay above the 30% of the management board member's annual salary in the financial year to which the variable pay refers is postponed for a period of three years.

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 2022.

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 undertakings,
- 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.

The following list of material related-party transactions concerns related parties, which comprise:

- owners and related undertakings,
- key management personnel: 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,
- subsidiaries and associates.

In 2022, 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 3.7 million (2021: EUR 4.4 million) and
- loans granted to subsidiaries of EUR 1.5 million as at 31 December 2022 (2021: EUR 1.4 million).

In 2022, the parent company paid out EUR 23.2 in dividends (2021: EUR 13.2 million). All related-party transactions are set out in detail in the Group's annual report for 2022, 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 2022, 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 implemented a risk strategy that defines the risk appetite and policies that cover the entire framework of risk management, own risk and solvency assessments (ORSA), and risk management for each 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 responsibilities of the risk management function are summarised later in this section; those of the other key functions constituting the risk management system are set out in sections B.4.2 *"Compliance function"*, B.5 *"Internal audit function"* and B.6 *"Actuarial function"* of this report.

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 with regard to the company's risk profile and the management board. 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.

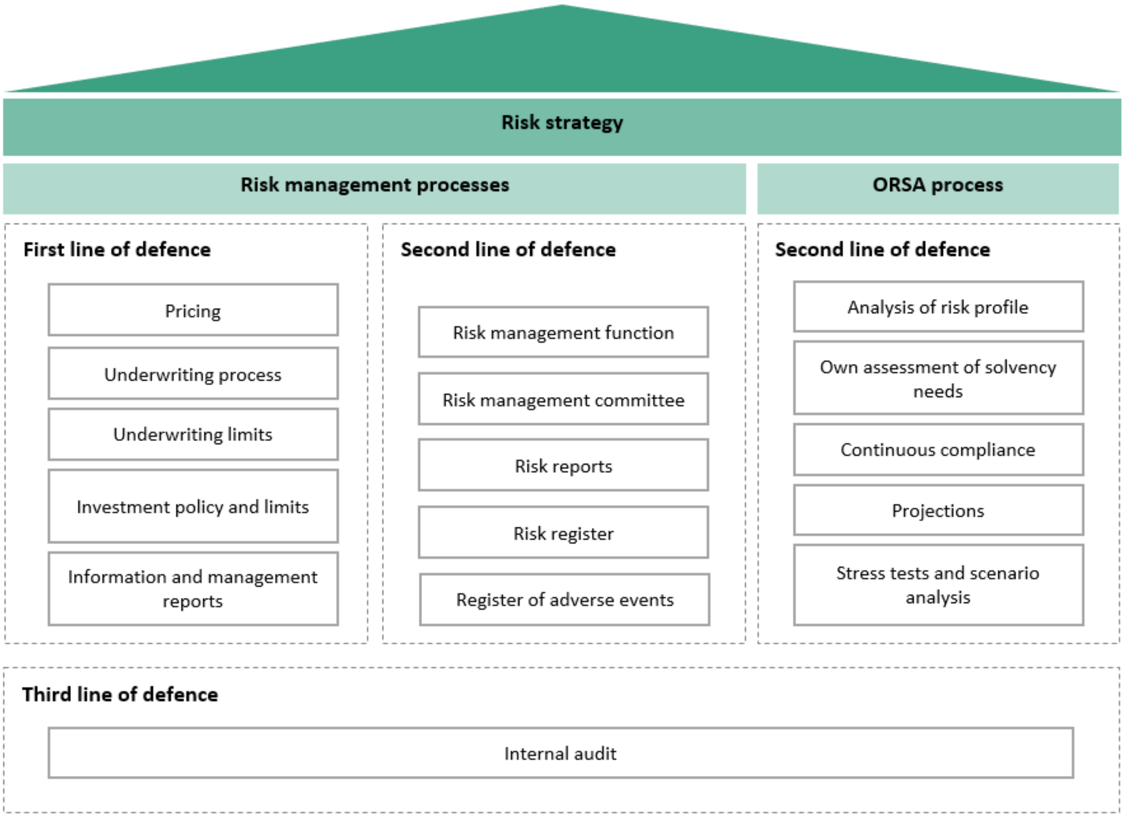
B.3.2 Components of the risk management system

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. In 2022, the new risk strategy of the Sava Insurance Group for the strategy period 2023–2027 was approved. The risk strategy defines:

- risk appetite by operating segment,
- a set of key indicators along with their limits and tolerances, and
- a set of operational indicators used for operating segments to monitor risks on an ongoing basis.

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

- the solvency ratio,
- the profitability of the operating segments with acceptable tolerance,
- 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. The Company also maintains an adverse events register to identify emerging risks, especially operational.

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 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. Adverse event monitoring helps detect internal control weaknesses and identify the need for new internal controls to prevent risks from materialising in the future.

Based on its capital adequacy the Company – already in the business planning process – examines the impact of the business strategy on its solvency 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 considered by the risk management committee, followed by the management board, the risk committee and the 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 carried out at the Group level, together with uniform reporting to the Insurance Supervision Agency as part of the joint report of Zavarovalnica Sava, Sava Re and the Sava Insurance Group. Vita reports its ORSA separately.

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 balance sheet items and eligible own funds for the next three-year period. 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 part of the ORSA report relating to Sava Re and the Sava Insurance Group is considered by the risk management committee and confirmed by the management board; the supervisory board's risk committee and the supervisory board of Sava Re also takes note of it. The joint ORSA report is submitted to the Insurance Supervision Authority after approval by the management board.

However, in the event of a significant change in the risk profile or eligible own funds that was not been anticipated in the business or strategic plans, the Company conducts an ad hoc ORSA according to defined criteria.

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 of 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 of 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:

- to monitor and periodically assess the adequacy and effectiveness of regular procedures and measures to address any deficiencies in the compliance with regulations and other commitments;
- to 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 on the parent 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 the design and updating of compliance programmes in specific separate areas, including internal controls for compliance. In doing so, consideration must be given to the requirements and capacities of the processes and resources available, the requirements of specific laws or regulations, as well as factors in the broader business and professional environment (e.g. commitments made through contracts, statements 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;
- 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 the audit committee 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 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 agreement, Sava Re d.d. performs the key function of internal audit for the companies Zavarovalnica Sava, Vita, Sava Pokojninska and Sava Infond for an indefinite period.

While strengthening the internal audit department in 2022, we further intensified the implementation of software to support the comprehensive internal auditing process and the issuance of an overall opinion at the level of the entire Sava Insurance Group. The Group Internal Audit has been introduced at the level of the entire Group since 2021. This represents a high level of periodic monitoring of the development and quality of internal audit functions at subsidiaries, providing also the basis for issuing overall opinions of the effectiveness and efficiency of internal controls and risk management at the company and Group levels.

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.

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.

Under outsourcing agreements, Sava Re d.d. performs the key function of internal audit for its subsidiaries Zavarovalnica Sava, Vita, Sava Pokojninska and Sava Infond for an indefinite period of time.

Under an outsourcing agreement, Sava Re d.d. performs the key function of compliance for its subsidiary Sava Pokojninska for an indefinite period of time.

B.8 Any other information

Assessing the adequacy of the Company's governance system in relation to the nature, scale and complexity of the risks

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 2022 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. It is also of the opinion that Sava Re's governance has proven to be adequate and is being continuously improved to achieve key business goals, and that risks are well managed in terms of efficiency and economy of operations, although there remains some room for further improvement in the functioning of the system. The audit reviews revealed individual irregularities and weaknesses, to which the IAD drew attention, recommending these be remedied to improve control procedures, corporate governance and risk management. The Company's management board is aware of the potential impacts that the identified irregularities and weaknesses may have on the achievement of its key goals and is therefore taking remedial action. This is to increase the efficiency of internal controls and regularity of operations.

The adequacy of the Company's corporate governance system was also confirmed by an internal corporate governance audit carried out in 2022. The internal audit department assessed the adequacy, effectiveness and efficiency of the risk management, and internal control systems in the corporate governance area as good.

C. Risk profile

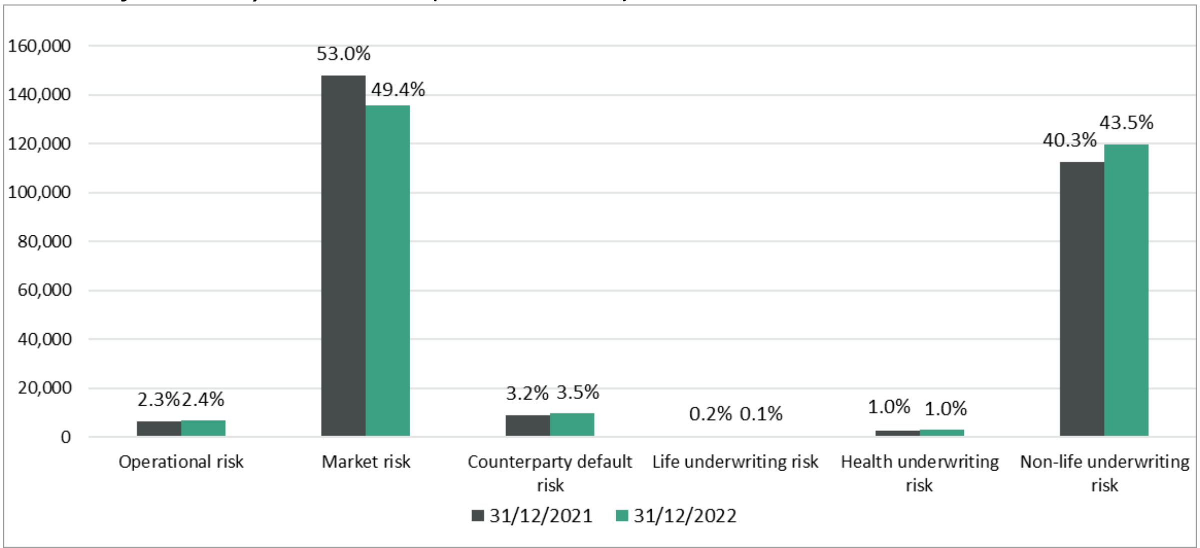
The Company's operations are exposed to various types of risk. These are identified, measured, managed, monitored and reported on in accordance with the processes described in section **B.3** "Risk management system including the own risk and solvency assessment". The main risk categories that the Company 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)[7]



At the end of 2022, the risk profile continued to be dominated by market and non-life underwriting risks; other risk categories are smaller. Capital requirement for market risks decreased in 2022, mainly due to the decline in the value of participations in subsidiaries and investments as a result of adverse developments in the financial markets. Non-life underwriting risk, on the other hand, increased slightly in 2022, mainly due to portfolio growth, which resulted in both higher premium and reserve risk and higher catastrophe risk. As a consequence, the proportion of market risk dropped slightly, and the proportion of non-life underwriting insurance rose.

[7] The share of an individual module is calculated as the share of the sum of all modules.

Key findings of ORSA for 2023

The Company carries out an ORSA every year and submits the report to the Insurance Supervision Agency in the first quarter. The Company's ORSA includes an analysis of the impact of the business plan and projections on the risk profile, a review of the adequacy of the Standard Formula risk measurement, a preparation of Standard Formula capital adequacy projections and of own assessment of solvency needs projections, an impact analysis for various scenarios, and it identifies potential management actions. Risks that are difficult to quantify are assessed qualitatively in the ORSA.

The ORSA for 2023 (which was reported to the regulator in March 2023) was based on Save Re's business and strategic plans approved in December 2022. The results of the ORSA for 2023 showed a robust solvency position and strong capital adequacy of the Company. Based on the financial plan and business projections, the Company's solvency ratio will be above the lower limit set in the risk strategy (above 200%), according to both the Standard Formula and the own assessment of solvency needs. The methodology used for the own assessment of solvency needs is described below for each individual risk.

As part of the ORSA for 2023, several relevant scenarios were also implemented for Sava Re. The Company analysed the impact of increased macroeconomic and geopolitical risks on its business and solvency with an inflation scenario and an Asian military conflict scenario. These two scenarios have the largest impact on the business and solvency position of the Company among the scenarios selected, but the Company's solvency position is sufficiently robust, and its solvency remains well above the regulatory requirements if the scenarios materialise. The results of these scenarios are described in more detail in section C.2.4 of this report. The ORSA for 2023 also included a CAT event scenario, the results of which are described in section C.1.4. In addition to the above scenarios, we also included two scenarios for transition and physical risks arising from climate change. Individual scenarios can have a significant impact on the Company's solvency position, but none of the scenarios implemented were found to be severe enough to cause the solvency ratio to drop below 200%.

Impact of changing macroeconomic and geopolitical conditions on the Group's risk profile

The year 2022 was marked by unpredictable macroeconomic and geopolitical conditions. The war in Ukraine, which started at the beginning of the year, had a significant impact on the relations between countries and, in particular, increased the uncertainty in the euro area and Europe as a whole. In early 2022, the Company considered the direct impact of the war situation in Ukraine on its business and concluded that the changed circumstances would not have a material impact on its performance due to the very low investment exposure to war-affected countries and the limited exposure from the reinsurance business written. However, the indirect impact on the war was more significant, with rising commodity prices (particularly energy), high inflation and rising interest rates having a significant impact on the Company's business operations in 2022. Uncertainty was further increased by rising tensions over Taiwan and the challenges facing the economy in China, where it appears increasingly likely that the property bubble is about to burst, while the economy is also affected by the country's zero tolerance of Covid-19. These factors substantially increased the likelihood of an economic slowdown or even recession. Taken together, they were reflected in the upshift of the risk-free interest rate curve, the widening of credit spreads and negative stock market trends.

The situation had a negative impact on the value of the Company's investments. The main impact was due to higher risk-free interest rates, which led to a decline in the values of debt investments.

Movements in capital markets will continue to be strongly influenced by central bank actions to control inflation and the increasing likelihood of an economic downturn. In 2022, the Company adopted measures to reduce the investment portfolio risk and will continue to closely monitor the macroeconomic and geopolitical situation and developments in the capital markets and take appropriate action to adapt to new circumstances.

With regard to inflation, inflationary pressures were also detected in the reinsurance segment in 2022, so this will be one of the main challenges in the future. The reinsurance markets reacted by raising rates, which had a positive impact on Sava Re's inwards reinsurance business. However, this makes it more difficult to obtain adequate reinsurance cover for the transfer of risks or results in substantially higher prices for such cover.

Despite the adverse macroeconomic and geopolitical situation, the Company had no liquidity problems and had a healthy liquidity position. Despite the changed circumstances, the Company's solvency ratio remained high and in line with the regulatory and internal criteria throughout 2022, and the Company also recorded an adequate solvency ratio as at 31 December 2022 (a more detailed description of capital adequacy is given in section E *"Capital management"*).

Climate change and associated risks

Climate change is a serious risk for society and the economy, as well as for the business of insurance and reinsurance companies. Monitoring of climate change risks is essential for the Company, especially in the long term, as the specific nature of its business (coverage of natural catastrophe claims, investing in financial investments) inevitably exposes it to these risks.

The Company monitors climate risk, including physical and transition risks. Physical risks are risks resulting from the physical effects of climate change. Transition risks are risks arising from the transition to a low-carbon and climate change resilient economy. The risks are discussed in more detail in section C.6.6 "Sustainability risk and climate change risk".

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

In the first half of 2022, the pandemic had some impact on the Company's operations due to the related measures, but the situation largely returned to normal in the second half of the year. Hybrid working is already well established. In line with the new work model, we also made certain technical adjustments to ensure enhanced protection of the operation of information systems, which have become more vulnerable with the new work regime.

Covid-19 did not have a significant adverse impact on business results in 2022. In the future, we do not expect major Covid-19-related effects on Group companies' business and operations. Risks are monitored as part of regular risk monitoring and reporting. We now understand the risks much better than at the onset of the pandemic, and we estimate that the risks faced by the Group are well managed.

With respect to the business interruption claims in connection with Covid-19 in Ireland, the high court confirmed Zavarovalnica Sava's position that its business interruption and/or loss of licence insurance policy did not cover Covid-19 related claims. This conclusion has significant implications for further Covid-19-related business interruption claims against Zavarovalnica Sava and on Sava Re as a reinsurer.

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.

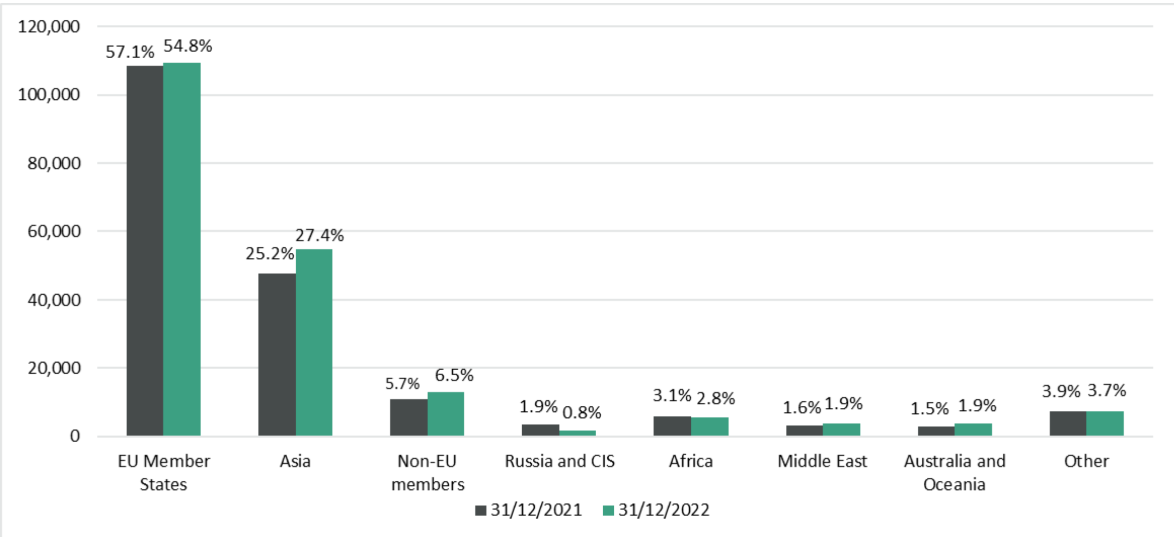
Underwriting risk is generally divided into:

- 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 most of the risks associated with the accepted life reinsurance business ceded from within the Sava Insurance Group, whereas accepted life reinsurance business from non-Group cedants and 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.

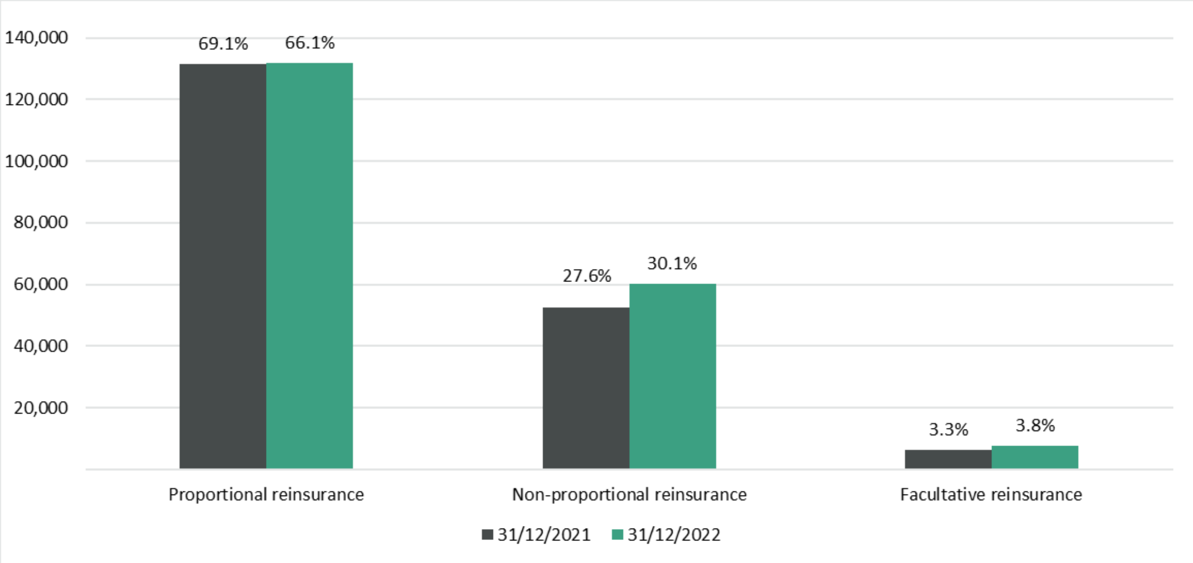
The charts below show gross premiums written by three criteria: geographical area, form of reinsurance and insurance group.

Gross premiums written by geographical area (EUR thousand)

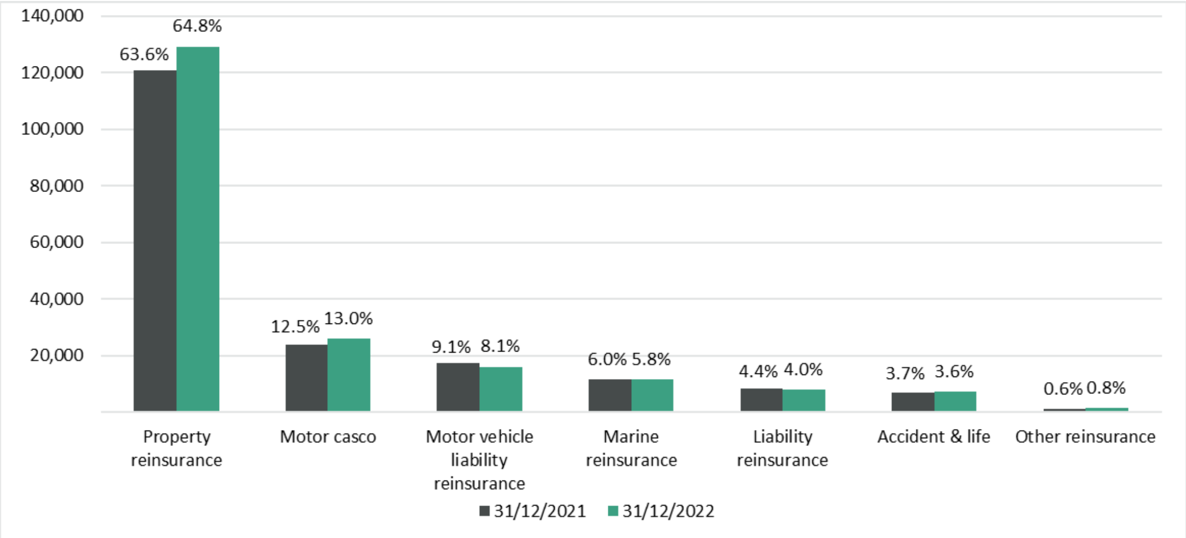


As can be seen, the Company is most exposed to the EU markets (especially the Slovenian market) and Asia, and is seeking to diversify through its presence in other markets.

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 (NSLT health insurance).

- **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 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 the 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. This risk also includes an excessive geographical accumulation of risks. The Company's portfolio is geographically well diversified and also further balanced through its retrocession programme; therefore, the relatively high capital requirement stems from the aggregation of a large number of such requirements for various smaller natural perils and regions and various man-made catastrophic events, and it 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.

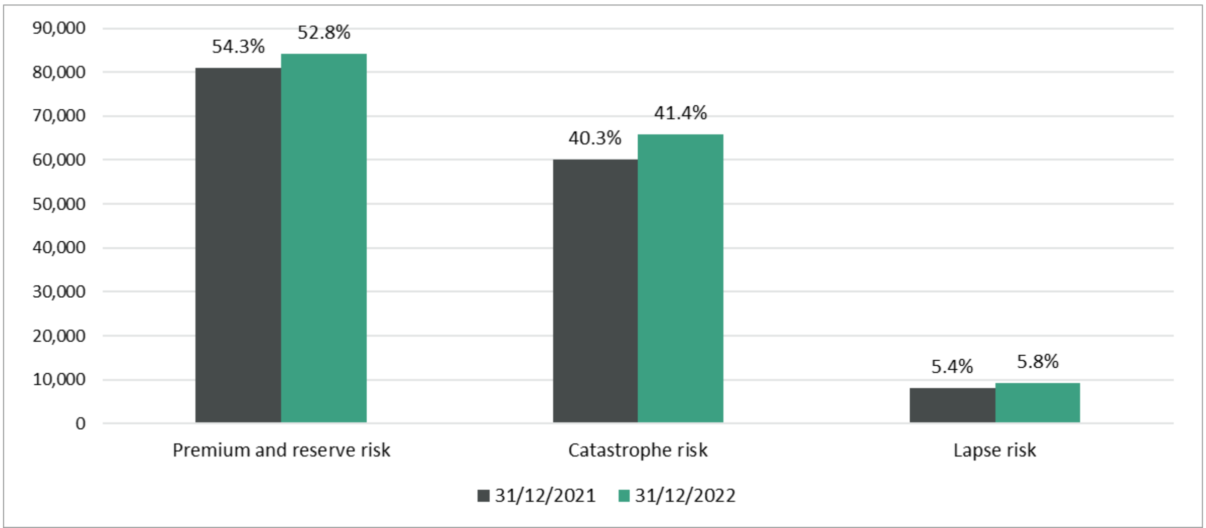
As at 31 December 2022, the Company was exposed to non-life underwriting risk in the amount of EUR 119.5 million (31 December 2021: EUR 112.6 million), health NSLT underwriting risk in the amount of EUR 2.9 million (31 December 2021: EUR 2.7 million) and life underwriting risk in the amount of EUR 0.3 million (31 December 2021: EUR 0.5 million). The capital requirement for non-life underwriting risk, health NSLT underwriting risk and life underwriting risk accounted for 43.5%, 1.0% and 0.1%, respectively, of the sum of the SCR of all risk modules[8]. Premium and reserve risks, followed by catastrophe risk, represented the largest proportion of the undiversified non-life underwriting risk.

As at 31 December 2022, the non-life underwriting risk module increased partly due to higher premium and reserve risk and partly due to higher catastrophe risk. The increase in the premium and reserve risk sub-module mainly reflects the growth in the best estimate claims provisions, which increased due to portfolio growth, some major claims in 2022 and inflation. The catastrophe risk sub-module also increased, mainly as a result of portfolio growth. The increase in catastrophe risk was partially offset by the stronger reinsurance programme (reduced retention on the catastrophe programme for the non-Group portfolio). The lapse risk sub-module remained relatively small and increased slightly due to portfolio growth.

The NSLT health and the life underwriting risk modules, both relatively small, remained at a similar level in 2022 as in 2021.

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)[9]



[8] The sum of all SCRs of all risk modules, including operational risk, was taken into account.
[9] The proportion of each risk sub-module is calculated as a percentage of the total of all risk sub-modules.

The Company also uses its own assessment (within ORSA) to quantify underwriting risks, where it assesses the premium and reserve risk using undertaking-specific parameters (USP). The own assessment of the premium and reserve risk is significantly lower than the result calculated using the Standard Formula; consequently, the own assessment of the capital requirements for non-life underwriting risk is lower than the requirements calculated using 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 highest exposure to natural catastrophes is in Slovenia (and is therefore protected by significantly higher reinsurance capacity), whereas exposures elsewhere 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 2022.

Gross exposure to natural catastrophes by country[10]

EUR thousand	**31 December 2022**	**31 December 2021**
Slovenia	672,500	627,500
Croatia	36,157	45,868
Greece	27,100	29,477
Turkey	27,036	30,725
Cyprus	26,811	26,645
Serbia	26,095	32,126
Germany	26,063	33,133
Hungary	23,966	27,938
Vietnam	22,498	22,129
China	21,378	45,109
Total	**909,604**	**920,649**

Exposure to Slovenia was higher than the previous year. A significant decrease was recorded for the exposure to Croatia and China.

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.

[10] The balances as at 31 December 2021 are presented for comparison; they are not necessarily the highest exposures in the year.

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 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 (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 2022, 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 4.4% increase in the premium and reserve risk of non-life insurance (31 December 2021: 4.5%) and a 6.3% increase in the premium and reserve risk of NSLT health insurance (31 December 2021: 6.5%). The increase does not have a material impact on the Company's solvency. The impact of the sensitivity analysis is comparable to the impact as at 31 December 2021.

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 5.6% increase in the premium and reserve risk of non-life insurance (31 December 2021: 5.5%) and a 3.7% increase in the premium and reserve risk of NSLT health insurance (31 December 2021: 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 2021.

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 2022	**569,247**		**213,829**		**266%**	
Increase in volume measure for premium risk	569,247	0	216,272	2,443	263%	-3 p.p.
Increase in volume measure for reserve risk	569,247	0	216,895	3,066	262%	-4 p.p.
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.

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 underwriting process risk 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, compiles 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 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 inadequate 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 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 2022, at EUR 5 million, while the priority of the CAT programme for non-Group accepted reinsurance was reduced to EUR 3 million in 2022. 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. We also included a CAT scenario in the 2023 ORSA, assuming a major earthquake in Indonesia, followed by tsunamis in Thailand and Sri Lanka. The estimated impact of the scenario was the sum of the claims from the two events (net of reinsurance recoverables), which we deducted from own funds. In the scenario, Sava Re would maintain a high excess of eligible own funds over the SCR. The solvency ratio would drop by a few percentage points but would remain high and in line with the requirement set in the risk strategy[11].

The Company also included a climate scenario in the ORSA in relation to physical risks, which is described in subsection C.6.6 “Sustainability risk and climate change risk”.

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, 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 the consistent application of underwriting protocols, which specify in detail the deviation from normal mortality risk, the use of appropriate mortality tables and adequate 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.

[11] The lower end of the solvency ratio range 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 alternative 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. The following are exposed to this risk: participations in subsidiaries and associates, investments in equity alternative funds, 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, bond and mixed mutual funds, and debt alternative 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 that affect its exposure to market risk.

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

(EUR thousand)	31 December 2022	Structure as at 31 December 2022	31 December 2021	Structure as at 31 December 2021
Asset class				
Bonds	**288,333**	**37.0%**	**284,229**	**34.3%**
Government bonds	214,340	27.5%	180,187	21.8%
Corporate bonds	73,993	9.5%	104,042	12.6%
Investment funds	**27,362**	**3.5%**	**24,990**	**3.0%**
Deposits	**0**	**0.0%**	**0**	**0.0%**
Equity investments	**448,660**	**57.5%**	**503,257**	**60.8%**
Participations	443,060	56.8%	496,406	60.0%
Listed shares	4,285	0.5%	5,536	0.7%
Unlisted shares	1,314	0.2%	1,314	0.2%
Property	**13,854**	**1.8%**	**12,501**	**1.5%**
Own-use property	3,570	0.5%	3,181	0.4%
Other property	10,284	1.3%	9,320	1.1%
Loans and mortgages	**1,840**	**0.2%**	**2,573**	**0.3%**
Total	**780,049**	**100%**	**827,550**	**100%**

The value of assets included in the calculation of market risk was EUR 780.0 million as at 31 December 2022 (31 December 2021: EUR 827.6 million). The decrease in investments in 2022 is largely due to the adverse conditions in the financial markets, which affected both the decline in the value of participations in subsidiaries and associates and the decline in the value of other investments. Compared to the previous period, the increase was mainly due to an increase in investments in government securities at the expense of a decrease in investments in corporate bonds. The increase in investment fund assets was mainly driven by capital called up from commitments made for alternative funds (infrastructure, real-estate funds). The value of participations in subsidiaries decreased compared to the previous year, due to the deterioration in financial market conditions and the resulting reduction in eligible own funds of the subsidiaries.

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 [12] because the majority of equity investments consists of participations. Portfolio investments show a relatively high exposure to interest rate and credit risk.

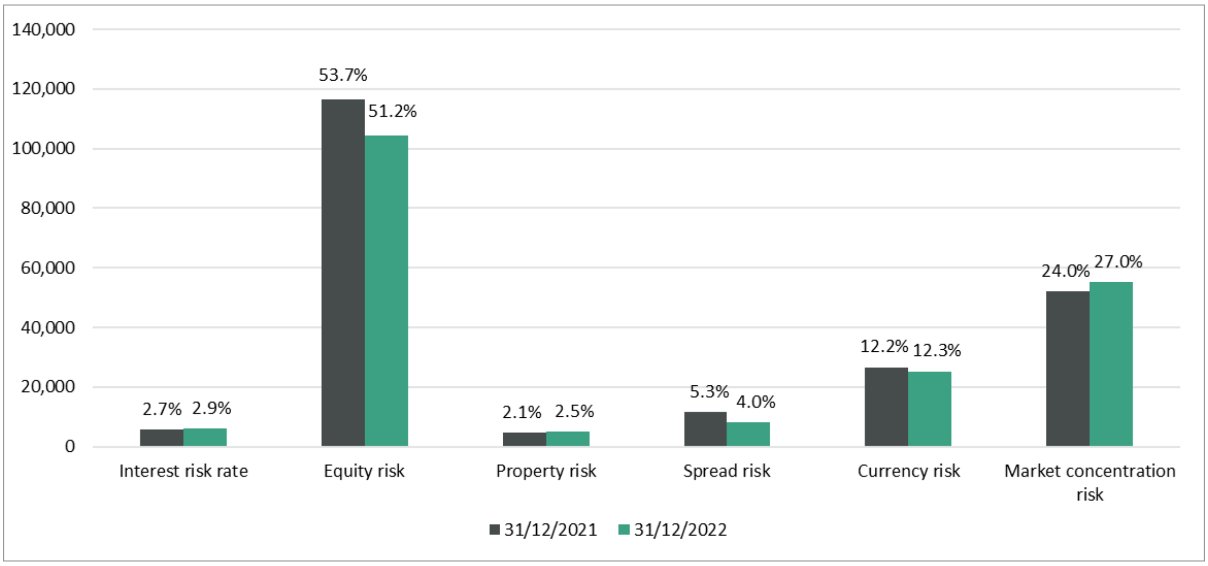
C.2.2 Risk measurement

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

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

The solvency capital requirement in accordance with the Solvency II Standard Formula for market risk stood at EUR 135.7 million as at 31 December 2022 (31 December 2021: EUR 148.0 million, representing 49.4% of the sum of the SCR of all risk modules[13]. The capital requirement is lower largely due to the lower value of participations in subsidiaries and associates, which decreases equity risk. The Company has participations in insurance companies, both EU- and non-EU-based, in the amount of EUR 346.0 million (31 December 2021: EUR 405.3 million), in non-EU based insurance companies in the amount of EUR 54.2 million (31 December 2021: EUR 48.4 million), in the other subsidiaries and associates of EUR 42.9 million (31 December 2021: EUR 42.7 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 the EU-based insurance companies decreased significantly compared to last year due to the adverse financial market conditions, which resulted in a significant reduction in the eligible own funds of Zavarovalnica Sava and Vita. However, the value of participations in the non-EU-based insurance companies and the value of participations in the remaining subsidiaries and associates increased compared to last year, reflecting the strong performance of the subsidiaries.

Undiversified market risk by risk sub-module (EUR thousand)[14]



Interest rate risk accounts for a relatively small proportion of the capital requirement for market risk. The risk increased slightly in 2022, due to the higher risk-free interest rate term structure. 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 51% 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. The risk slightly decreased in 2022, mainly due to the decrease in the value of the participations in the EU-based insurance companies.

Property risk. The proportion of property in the investment portfolio is capped by the Company's limit system and is therefore relatively small. Consequently, the Company's exposure to property risk

[13] The sum of all SCRs of all risk modules, including operational risk, was taken into account.
[14] The proportion of each risk sub-module is calculated as a percentage of the total of all risk sub-modules.

is low. This risk increased slightly in 2022, due to the property valuations and the increased value of real-estate funds.

Spread risk is a relatively small part of market risk, contributing 4% to the capital requirement. In 2022, this risk decreased slightly due to the fall in the value of bonds (mainly corporate bonds) as a result of the adverse financial market conditions. The Company has a limit 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. As at 31 December 2022, 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. This risk decreased slightly in 2022.

Market risk concentration is the second-largest market risk, accounting for 27%. 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 increased slightly compared to 31 December 2021, mainly due to the higher value of the non-EU-based insurers. 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.

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,
- capital consumption calculated using the Standard Formula,
- 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:

- 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 (as part of the ORSA) 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 historical data. For other investments, the Company uses stresses prescribed by the Standard Formula. In the own assessment, interest rate risk is assessed for all interest-sensitive 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[15]. Furthermore, in its own model, the Company assesses the credit risk of financial investments, which also captures market risk concentration 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. The own assessment of the capital requirement for market risks is lower than the assessment using the Standard Formula, mainly due to the lower capital requirement for participations in the own model, whereas the own assessment for portfolio investments is slightly higher than in the Standard Formula, mainly because EU government bonds are treated as risk-free in the Standard Formula, while in the own model we also assess the risk for these investments.

C.2.3 Risk concentration

The largest exposure of the financial investments in subsidiaries and associates represents the investment in Zavarovalnica Sava, the value of which accounted for 56.9% of the entire value of financial investments in subsidiaries and associates (31 December 2021: 60.7%). As at 31 December 2022, Sava Re's total exposure to the risk of financial investments in subsidiaries and associates was EUR 443.1 million (31 December 2021: EUR 496.4 million).

The exposure to Germany represents the largest concentration to any single issuer. The Company's largest regional concentration is to the European Union.

The Company is aware of the risks associated with these concentrations and is actively managing them by setting appropriate exposure limits in its limit 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,
- the monitoring of the compliance of the portfolio with the limit 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 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 conducting sensitivity analyses for material parameters of market risk.

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

The Company mostly manages the risk arising from its participations in subsidiaries through clearly defined business and risk management strategies, which the Group companies must follow, 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 2022	**569,247**		**213,829**		**266%**	
Increase in interest rates of 100 basis points	567,001	-2,246	212,876	-953	266%	0 p.p.
Decrease in interest rates of 100 basis points	571,148	1,901	214,869	1,040	266%	0 p.p.
Fall in value of equity securities of 20%	566,514	-2,733	212,948	-881	266%	0 p.p.
Decrease in value of property of 25%	564,849	-4,398	213,124	-705	265%	-1 p.p.
Decrease in value of participation in Zavarovalnica Sava of 20%	518,818	-50,429	205,952	-7,877	252%	-14 p.p.
Decrease in value of participation in insurer Vita of 20%	550,478	-18,770	210,858	-2,971	261%	-5 p.p.
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.

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[16] 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

[16] The materiality threshold is a measure of the Company linked to the level of eligible own funds and the solvency capital requirement. As at 31 December 2022, the Company's materiality threshold was EUR 7 million.

impact as at 31 December 2021. 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 on the solvency ratio is relatively small and comparable with the calculation of the sensitivity analysis impact as at 31 December 2021.

The second sensitivity analysis assumed a **fall in the prices of the Company's equities** of 20% as at the reporting date. The value of participations in subsidiaries and associates was not decreased. 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 2021.

The third sensitivity analysis assumed a **fall in property prices** of 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. Consequently, the impact of the sensitivity analysis on the solvency ratio was small. The impact is comparable to the impact calculation as at 31 December 2021.

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 252.1 million in the Solvency II balance sheet as at 31 December 2022 (31 December 2021: EUR 301.2 million), accounting for 56.9% (31 December 2021: 60.7%) 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 remains at a high level 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 2021. The value of the participation in the insurer Vita was EUR 93.8 million in the Solvency II balance sheet as at 31 December 2022 (31 December 2021: EUR 104.1 million), accounting for 21.2% (31 December 2021: 21.0%) 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 remains at a high level 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 2021.

Scenario analysis in ORSA

In the ORSA, the Company analysed the impact of increased macroeconomic and geopolitical risks on its business and solvency position with an inflation scenario and an Asian military conflict scenario.

The **inflation scenario** assumes an inflation shock and elevated inflation rates for a prolonged period. The scenario assumes a widening of credit spreads on debt securities and a decline in the value of other asset classes. Based on the scenario, we calculated impacts on the investment portfolio as well as on insurance obligations, both as at 31 December 2023. Such a scenario would have a 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 the inflation scenario would significantly reduce solvency, the solvency ratio would remain above the lower end of the target capitalisation range as defined in the Company's risk strategy and well above the regulatory level of 100%. The impact of this scenario on the solvency ratio is lower than in the extreme scenario of a military conflict in Asia.

The **Asian military conflict scenario** envisages both Chinese aggression against Taiwan and North Korean aggression against South Korea. The scenario assumes a significant increase in the risk-free interest rate, an increase in risk premia and a decline in the value of other asset classes. Based on the scenario, we calculated impacts on the investment portfolio as well as on insurance obligations, both as at 31 December 2023. Such a scenario would have an extremely large negative 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. According to the assumptions used, the solvency ratio would remain above the lower end of the target capitalisation range as defined in the Company's risk strategy and significantly above the regulatory level of 100%. It should be stressed that this is a very extreme scenario designed to test the robustness of the Company's capital adequacy.

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 arrangements 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 and deposits to cedants). 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.

C.3.2 Risk measurement

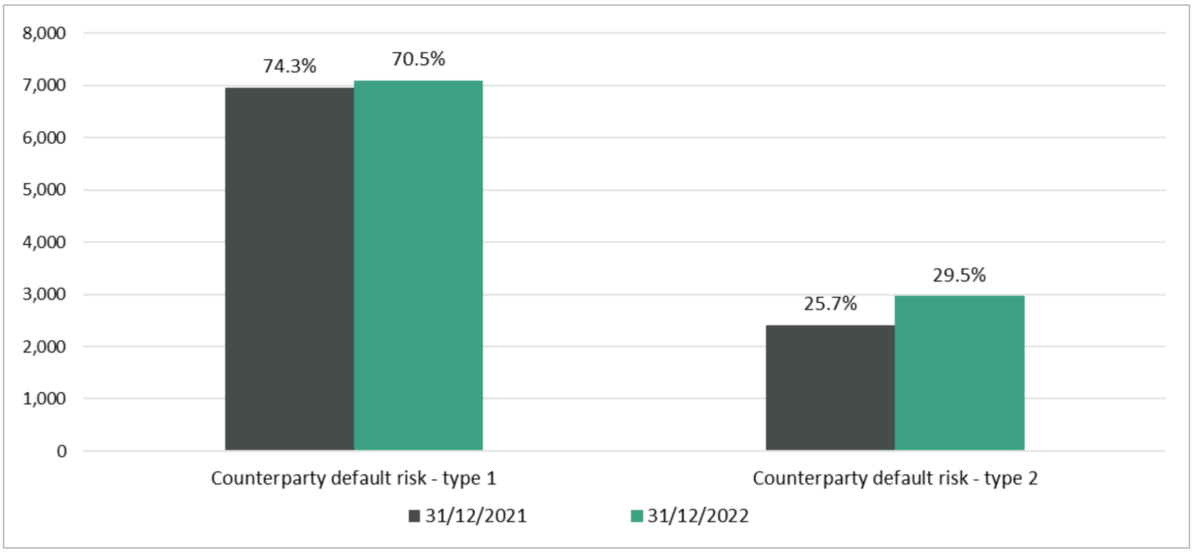
The Company makes quantitative assessments of credit risk using the Standard Formula. As mentioned, spread and market concentration risks are assessed within the market risk module, whereas counterparty default risk is assessed in a separate counterparty default risk module. This section shows the results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

The Company's solvency capital requirement in accordance with the Standard Formula for counterparty default risk amounted to EUR 9.5 million as at 31 December 2022 (31 December 2021: EUR 8.9 million, representing 3.5% of the sum of the SCR of all risk modules[17].

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

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

Undiversified counterparty default risk by risk sub-module (EUR thousand)[18]



Type 1 risk includes exposures related to reinsurance and co-insurance contracts, cash and cash equivalents, and deposits to cedants. As at 31 December 2022, the risk was at roughly the same level as at 31 December 2021. Exposures to banks on cash equivalents are slightly down on the previous year, whereas exposures to deposits with cedants and exposures to retrocessionaires are slightly higher.

Type 2 risk includes all receivables of the Solvency II balance sheet not included under type 1 risk other than tax assets and deferred tax assets. There is a minor increased in risk in 2022 due to a moderate increase in Solvency II balance sheet receivables.

In addition to the calculation of the solvency capital requirement in accordance with the Standard Formula, the Company uses its own model (in ORSA) to assess credit risk relating to financial investments. This model takes account of spread, migration and default risks for all investments in debt instruments. Thus, the credit risk associated with financial investments is considered as a whole, taking into account the change in the value of the investments due to changes in the level of the spreads on the risk-free interest rate curve (spread risk), changes in credit ratings (migration risk) and changes due to the default of the issuer (counterparty default risk). 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.

[18] The proportion of each risk sub-module is calculated as a percentage of the total of all risk sub-modules.

C.3.3 Risk management

The Company's investment portfolio is reasonably diversified in accordance with the Company's limit 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 reinsurance and coinsurance contracts by limiting the exposure to a single reinsurer/coinsurer 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 indications of any 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 2021.

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 2022	**569,247**		**213,829**		**266%**	
Downgrade in reinsurers' credit ratings	569,121	-126	214,999	1,170	265%	-1 p.p.
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.

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 cedants and therefore needs to manage its cash flows appropriately to ensure an adequate 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 in 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 historical 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[19] money market funds). As at 31 December 2022, 51% of the Company's investment portfolio qualified as highly liquid (31 December 2021: 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 (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 2022, EPIFP totalled EUR 7,242 thousand (31 December 2021: EUR 9,613 thousand).

[19] 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 for the Company. The key operational risks of Save Re in 2022, ranked according to their rating in the risk register (from highest to lowest) are:

- the risk of personal data protection breaches,
- the risk of a cyber-attack,
- the risk of inappropriate IT support for reinsurance,
- the risk of inadequate outsourcing of IT services (in-house or commercial cloud services),
- the risk related to the sanctions clause,
- the risk that the Sava Re ORSA does not take account of an important risk,
- the risk of incomplete data for actuarial calculations.

Some types of operational risk increased slightly compared to the previous year.

The risk of personal data breaches increased compared to the previous year due to fines imposed by the regulator. The risk of a cyber-attack increased due to the war in Ukraine and the related increase in cyber threats. Cyber risk is a significant risk, and it is important for the Company to mitigate it, as its realisation could lead to a complete interruption of business and extensive financial loss, as well as damage to the Company's reputation. This is why the Company regularly upgrades the management of and limits its exposure to cyber risks. The risk of inadequate outsourcing of IT services (internal or commercial services) increased moderately because of the introduction of cloud services in the Save Re core system (the project implementation phase is ongoing), and also due to the increased likelihood of a cyber-attack and stricter regulatory requirements. However, the risk of incomplete data for actuarial calculations increased compared to the previous year due to the transition to a new IT system.

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 calculation 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.

The capital requirement for the operational risk calculated using the Standard Formula was EUR 6.6 million as at 31 December 2022 (31 December 2021: EUR 6.4 million, representing 2.4% of the total SCR of all risk modules[20] (31 December 2021: 2.3%).

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

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

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).

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 an adequate and effective internal control system,
- awareness-raising and training of all employees on their role in implementing the internal control system and managing operational risks,
- recording and monitoring adverse events and taking appropriate action,
- implementing information security policies,
- developing IT to mitigate cyber risk,
- having in place business continuity procedures for all critical processes (in order to minimise the risk of unpreparedness for incidents and external events and any resulting business interruption),
- having in place IT-supported processes and controls in the key business areas,
- maintaining a good corporate culture and continuous training of employees,
- awareness-raising of all employees involved in processing of personal data for efficient risk management of personal data protection,
- continuous training and awareness-raising for employees.

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.

Due to the increasing threat of cyber risks, the management of these risks is of key importance to the Company, which is why Sava Re regularly refines its activities to prevent and manage these risks, such as the integration of a multi-level user authentication system and the definition of a cyber incident response plan. Security threats and incidents are regularly monitored through the security operations centre (SOC). Social engineering is also a key cyber risk, and employee training was offered in 2022 to raise employee awareness. The Company also plans to implement some additional systems with more control mechanisms for data protection, integrity and availability, to develop more anomaly detection methods and to conduct independent security testing on an ongoing basis.

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 unfavourable effects of management decisions, change in the business and legal environments, or market developments. Such adverse events could affect the Company's operating revenue and capital adequacy. We therefore discuss strategic risks in the following and, as part of this, emerging and sustainability risks.

C.6.1 Risk exposure

The Company is exposed to a variety of internal and external strategic risks. The key strategic risks of Save Re in 2022, ranked according to their rating in the risk register (from highest to lowest) are:

- the risk of deteriorated terms of reinsurance coverage and the inability to obtain adequate reinsurance,
- the risk of a deterioration in macroeconomic and geopolitical conditions and the resulting more difficult reinsurance underwriting,
- the risk of change in or changed interpretation of legislation in connection with the required SCR and own funds,
- the risk of macroeconomic and capital market developments that would prevent the achievement of target investment income,
- the risk related to changes in legal and regulatory practices and the resulting impact on the Company's operations or insurance underwriting,
- the risk that reinsurance prices do not keep pace with claims due to excess capital in the market (soft market),
- the risk of an inadequate development strategy,
- the risk of making a wrong decision on new strategic investments,
- the risk of deteriorated relationships with Sava Re's key reinsurance business partners,
- the risk of choosing the wrong IT solution.

The assessment of certain strategic risks increased compared to last year. The change in the level of risk was mainly driven by the uncertain situation in macroeconomic markets and geopolitical tensions, in particular the war in Ukraine and high price rises, especially in energy prices. This was above all reflected in the increased assessment of the risk of macroeconomic and capital market developments, which would prevent the achievement of target investment returns. The impact of Covid-19 on risk is greatly reduced in 2022.

Among other things, the price increases led to claims inflation, which was reflected in reinsurance contracts, as their structure does not follow the inflationary increase in sums insured in original policies, which in turn increased the likelihood of claims in non-proportional business (CAT XL). This led to an increase in the assessment of the risk that reinsurance prices in the market do not keep pace with claims compared to the previous year. There was also an increase in the assessment of the risk of deterioration in reinsurance terms and conditions or the inability to obtain adequate reinsurance. In the coming year, the reinsurance market is likely to experience price increases and upward pressures on retentions in the reinsurance market as the result of claims inflation and claims experience. The Company will seek to ensure that the limits and premiums in reinsurance contracts adequately reflect the effects of claims inflation and loss experience, and to obtain the best possible retrocession cover in the circumstances.

We expect these risks to remain high in the coming year.

C.6.2 Risk measurement

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

Therefore, strategic risks are assessed qualitatively in the risk register by assessing the likelihood and potential financial impact of each event. In addition, key strategic risks are evaluated by using a 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.

In 2022, the Company took measures to adapt its business to the changed macroeconomic and geopolitical environment. We expect these risks to remain elevated next year as well. The Company will therefore continue to seek to ensure that the limits of cover and premiums in reinsurance contracts adequately reflect the impact of claims inflation and loss experience, and that it obtains the best possible retrocession cover in the circumstances.

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 and the Group. 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 procedures, 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.

C.6.5 Emerging risks

To ensure successful long-term business operations, it is extremely important for Sava Re to predict and identify new risks. We attempt to follow trends, technological developments and events that may shape future risk development. It is a challenge to accurately predict such risks, so we source information externally and seek to define what could significantly affect our business operations in the future.

In 2022, Sava Re conducted a survey to obtain assessments of which emerging risks would have the greatest impact on the Company's business. Based on the ratings and the number of raters, we calculated the average rating for each risk. The highest-rated risks up until 2027 are the geopolitical risk and its consequences, economic risk[21] and the risk related to new regulatory requirements. Beyond 2027, however, the risks of climate change, digitalisation (notably the risk of a major cyber-attack), and demographic and social change were identified as key risks.

The Company will continue to analyse such risks, take them into account in business planning and take the necessary measures to ensure stable operations in the long term.

C.6.6 Sustainability risk and climate change risk

Sustainable development is among our top priorities in the 2023–2027 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 addition, the Company is paying increasing attention to the risks associated with sustainable development.

Like other companies, Sava Re is exposed to transition risk as it works to become more sustainable. Based on the requirements of the Solvency II Delegated Regulation and the IDD[22], the Company integrates sustainability risks into its risk management system. The guidelines for responsible underwriting of environmental, social and governance risks in non-life insurance were approved, which guide Sava Re's reinsurance underwriting of facultative risks. The Group-level Sustainability Investment Policy of the Sava Insurance Group defines, among other things, the activities in which

[21] Financial instability risk, macroeconomic risks, risk of over-indebtedness, risk of bursting the asset bubble.
[22] Insurance Distribution Directive.

the Sava Insurance Company will no longer invest (industries identified as non-sustainable). In addition, the Company has established a system for keeping abreast of new legislation.

In the coming years, we will continue to strive to contribute to sustainable development and to monitor and manage the risks associated with the transition to sustainable business.

For more information on sustainable development and on activities in this area, see the Company's annual report, section 14 "Sustainability report".

Climate change risks

The Company recognises the importance of climate change risk to its long-term operations and monitors both physical and transition risks. Sava Re actively manages transition risks by adopting relevant internal acts and complying with legal requirements in the area of climate risks. The impact of physical risks on operations is indirectly monitored by monitoring loss events, profit and business performance. During 2022, Sava Re recorded four loss events for which the Company's share of the claims exceeded EUR 1 million.

Climate change risks are also included in the risk register and are assessed periodically. Key climate change risks for the Company, ranked based on their rating in the risk register (from highest to lowest), are:

- the risk of increased claims because of the greater frequency and concentration of extreme weather events and natural catastrophes (heat waves, landslides, floods, wildfires, storms, hailstorms),
- the risk of reduced availability and less affordable retrocession due to the increased frequency, causation and severity of natural catastrophes,
- the risk of an increased capital cost due to the increased frequency and severity of extreme weather events,
- the risk of a negative impact on investments in companies with adverse climate change impacts.

These risks were assessed qualitatively and quantitatively in this year's ORSA. During compiling the ORSA, material transition risks and physical risks of climate change were first identified in the strategic period. In addition to the qualitative risk assessments from the risk register, we also included a materiality assessment for the investment portfolio to evaluate the exposure of the Company's investments to physical and transition risks at the cut-off date (30 June 2022). The Company's investment portfolio is not materially exposed to physical risks, taking into account the chosen methodology and the resulting exposure assessment. The Company's investment portfolio is moderately exposed to transition risks, as a shock would cause the majority of the portfolio (90%) to lose up to 15% of its value according to the methodology.

Two quantitative climate scenarios were also included in the 2023 ORSA.

In the first scenario, we assumed a greenhouse gas emissions scenario of RCP 4.5 and a rapid transition with risk assessment in the medium term (2050). The scenario, which we use to analyse transition risk, is based on the EIOPA climate stress test for pension companies[23] (which uses identical shocks) and assumes that a rise in the price of emission allowances will reduce the value of

[23] https://www.eiopa.europa.eu/browse/financial-stability/occupational-pensions-stress-test/climate-stress-test-occupational-pensions-sector-2022_en

investments. The scenario was run using data as at 30 June 2022 to calculate the impact on eligible own funds and the SCR. If the scenario were to materialise, the value of the investment portfolio would decrease significantly, resulting in a reduction in the value of eligible own funds. Nevertheless, the Company's solvency ratio would remain above the lower end of the solvency ratio range set in the risk strategy. In the future, the Company plans to implement various measures to mitigate the impact (compliance with sustainability policies, scenario analysis in the ORSA, monitoring of risk indicators, analysis of external partners, etc.).

The second scenario analyses the impact of physical risks on the Company's business and is based on the RCP 8.5 greenhouse gas emissions scenario (no-transition scenario), with an assessment of risks in the long term (up to 2100). The scenario focuses on flood risk, which is projected to increase significantly in the climate projections for Slovenia, and hail risk, taking into account the impact of strong convective storms. The scenario was run on exposures in Slovenia, where we have the highest concentration of risk, and we calculated the impact on eligible own funds. If the scenario were to materialise (taking into account both increased flood and hail risks), it would not result in a significant change in the value of eligible own funds, and the solvency ratio would remain in line with the risk strategy. Going forward, the Company will seek to diversify its portfolio, limit its geographical exposure, promote preventive measures (especially in the domestic portfolio) and ensure adequate retrocession protection.

Other sustainability risks

In addition to climate change, Sava Re monitors other sustainability risks. These are included in the risk register and periodically assessed. The Company's key sustainability risks in 2022, ranked according to their rating in the risk register (from highest to lowest), are:

- the risk of changes in legislation related to sustainability and their impact on business operations,
- the risk of increased costs as a result of adapting policies or operations to become greener (in line with SFDR, CSRD and other regulations),
- the risk of inadequate or untimely implementation of sustainability regulations, and
- the risk of inadequate or untimely reporting under sustainability regulations.

At the Company level, we expect some of the above risks to increase over the strategy period, chiefly due to the increased volume and complexity of new legislation in this area.

As part of sustainability risks, we also periodically monitor the risk of social and/or financial inequality between sexes within the Company, the risk of non-compliant or inadequate internal rules and policies relating to the principles for responsible investment (PRI), the risk of non-existent or inadequate whistleblowing protocols and the risk of changes in sustainability-related legislation affecting the business operations of the Company and reinsurance underwriting.

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.

Assets are valued in accordance with IFRSs as adopted by the European Union, except where the Delegated Regulation and implementing regulation provide for more than one valuation method to be used, provided that this complies with Solvency II. 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 only for those items for which the value under Solvency II (SII value) differs from the value under IFRSs (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 2022 and 31 December 2021 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 2022

EUR thousand		IFRS	Revaluation	Reclassification	Solvency II
Assets					
1	Deferred acquisition costs (D.1.1)	12,185	-12,185	0	0
2	Intangible assets (D.1.2)	4,068	-4,068	0	0
3	Deferred tax assets (D.1.3)	8,610	5,731	0	14,341
4.	Property, plant and equipment held for own use (D.1.4)	2,643	927	0	3,570
5.	Property, plant and equipment other than for own use (D.1.5)	7,953	2,331	0	10,284
6.	Investments in subsidiaries and associates (D.1.5)	322,936	120,124	0	443,060
7.	Shares (D.1.5)	5,600	0	0	5,600
8.	Bonds (D.1.5)	288,192	141	0	288,333
9.	Investment funds (D.1.5)	27,362	0	0	27,362
10.	Deposits other than cash equivalents (D.1.5)	0	0	0	0
11	Loans and mortgages (D.1.6)	1,840	0	0	1,840
12.	Reinsurers' share of technical provisions (D.1.7)	55,484	-13,211	-5,905	36,369
13	Deposits to cedants (D.1.8)	10,335	0	0	10,335
14.	Insurance and intermediaries receivables (D.1.9)	82,026	0	-62,496	19,530
15	Reinsurance and co-insurance receivables (D.1.10)	8,976	0	-483	8,494
16	Other receivables (D.1.11)	269	0	0	269
17.	Own shares (D.1.12)	24,939	13,633	0	38,572
18.	Cash and cash equivalents (D.1.13)	23,926	0	0	23,926
19.	Other assets (D.1.14)	700	-700	0	0
Total assets		**888,044**	**112,725**	**-68,884**	**931,886**
Liabilities					
20	Gross technical provisions – non-life and NSLT health (D.2)	332,448	-41,279	-49,795	241,374
21	Gross technical provisions – life (excl. health business, and index-linked and unit-linked business) (D.2)	14,552	-5,737	-161	8,655
22	Provisions other than technical provisions (D.3.1)	393	0	0	393
23.	Deferred tax liabilities (D.1.3)	772	9,750	0	10,522
24.	Financial liabilities other than financial liabilities owed to financial institutions	320	0	0	320
25.	Insurance and intermediaries payables (D.3.2)	41,726	0	-12,540	29,186
26	Liabilities from reinsurance and co-insurance business (D.3.3)	7,878	0	-6,387	1,491
27	Other trade payables (D.3.4)	2,015	0	0	2,015
28.	Subordinated liabilities (D.3.5)	74,924	-18,634	0	56,290
29.	Other liabilities (D.3.6)	6,217	-901	0	5,316
Total liabilities		**481,244**	**-56,800**	**-68,884**	**355,560**
Excess of assets over liabilities		**406,800**	**169,525**	**0**	**576,325**

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 business) (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**

As at 31 December 2022, the Company had off-balance sheet items amounting to EUR 10.0 million (31 December 2021: EUR 10.0 million), which are contingent assets equal to the amount of its cancelled subordinated instruments, in respect of which the Company continues to take action to protect its interests. In addition, off-balance sheet items as at 31 December 2022 include contingent liabilities associated with commitments to make payments into alternative funds in the amount of EUR 4.4 million (31 December 2021: EUR 8.5 million).

D.1 Assets

The following is a presentation of individual categories of assets, together with the valuation methods used for material categories, where these differ from IFRS valuation.

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 carrying amount 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.

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 2022, deferred tax assets and liabilities were accounted for using a tax rate of 19%. In accordance with Solvency II principles, the Company recognised additional net deferred tax liabilities resulting from revaluations of EUR 3.8 million (2021: additional net deferred tax liabilities: EUR 346 thousand). The table below shows a detailed overview by individual item.

Deferred tax assets and liabilities

EUR thousand	31 December 2022			31 December 2021		
	IFRS value	Revaluation	SII value	IFRS value	Revaluation	SII value
Deferred tax assets	**8,610**	**5,731**	**14,341**	**3,689**	**3,589**	**7,278**
Deferred acquisition costs	0	2,315	2,315	0	925	925
Intangible assets	0	773	773	0	607	607
Financial investments	6,634	0	6,634	677	0	677
Reinsurers' share of technical provisions	0	2,510	2,510	0	1,915	1,915
Other items of deferred tax assets	1,977	133	2,110	3,012	142	3,154
Deferred tax liabilities	**772**	**9,750**	**10,522**	**76**	**7,547**	**7,624**
Property, plant and equipment held for own use	0	176	176	0	148	148
Property, plant and equipment other than for own use	0	443	443	0	219	219
Financial investments	0	27	27	0	89	89
Gross TPs	0	8,933	8,933	0	6,920	6,920
Other items of deferred tax liabilities	772	171	943	76	171	248

The largest impact of deferred tax assets was on financial investments, which originated in the IFRS balance sheet and was due to the revaluation of investments to fair value. In the SII balance sheet, an additional impact of deferred tax assets arose from the revaluation of the reinsurers' share of technical provisions and from the revaluation of deferred acquisition costs.

The largest impact at the level of deferred tax liabilities arises from the revaluation of gross technical provisions. Based thereon, a total of EUR 8.9 million of deferred tax liabilities was recognised as at 31 December 2022 (31 December 2021: EUR 6.9 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 valuation methodologies are applied, one for the valuation of participations in insurance companies and one for the valuation of participations in non-insurance companies.

Participations in insurance companies

In the SII balance sheet, participations in insurance companies are valued at fair value. These can be obtained through:

- market prices that are directly observable, or
- valuation using an adjusted equity method (the net asset value of participations with assets and liabilities adjusted to the 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 the fair value of participations in non-insurance companies using the IFRS equity method in accordance with Article 13(5) of the Delegated Regulation, whereby goodwill that was part of the cost is deducted from cost, which is the basis for calculations under the equity method. 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 valuation 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 are valued at fair value in the SII balance sheet. Bonds classified as held to maturity are revalued to fair value in the SII balance sheet taking into account their market value as at the reporting date.

Investment funds

Since investment funds are valued at fair 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.

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 IFRS amortised cost 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. As at 31 December 2022, the Company held no deposits other than cash equivalents.

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 valuation in the SII balance sheet and in the IFRS balance sheet is the same – at amortised cost.

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. The methodology is further specified in the Rules on Determining Best Estimate Provisions of Sava Re d.d. 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: ceded reinsurance.

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.

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 form 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. Inflation, the currency structure and the time value of money are taken into account in the same way as for gross best estimate provisions. 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 their market value. Therefore, we do not calculate the market value of such deposits in the model, whereas the market value in the SII balance sheet is taken to be the IFRS balance sheet value.

D.1.9 Insurance and intermediaries receivables

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

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 insurance.

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;
- preparing cash flows, taking into account future excess claims inflation cash flows, 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 (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). For less recent years for which the development is known, greater weight is assigned to the realised ratio, 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. We increase the cash flows of future claims payments (both incurred and not yet incurred) by the expected future excess rate of inflation based on the expected maturity. 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 broken down on this basis are discounted using the appropriate risk-free interest rate curves, whereby the Company does not apply the matching adjustment, the volatility adjustment, the 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 2022

EUR thousand	Gross amount	Reinsurers' share	Risk margin
Proportional medical expense reinsurance	8	0	8
Proportional income protection reinsurance	3,358	48	293
Proportional workers' compensation reinsurance	0	0	0
Proportional motor vehicle liability reinsurance	13,803	2	785
Other proportional motor reinsurance	10,323	1,198	796
Proportional marine, aviation and transport reinsurance	12,431	1,726	876
Proportional fire and other damage to property reinsurance	73,994	11,180	5,066
Proportional general liability reinsurance	10,087	714	1,011
Proportional credit and suretyship reinsurance	553	0	208
Proportional legal expenses reinsurance	-2	0	0
Proportional assistance reinsurance	0	0	2
Miscellaneous financial loss	1,926	472	124
Non-proportional health reinsurance	499	1	68
Non-proportional casualty reinsurance	15,747	5,969	933
Non-proportional marine, aviation and transport reinsurance	10,697	-395	1,611
Non-proportional property reinsurance	66,561	10,716	9,607
Accepted life reinsurance	8,584	4,739	70
Total portfolio	**228,570**	**36,369**	**21,459**

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**

Gross best estimate provisions increased by EUR 4.7 million in 2022, of which EUR 1.1 million relates to Group business and EUR 3.6 million to non-Group business. In the Group business, the increase is due to the reserving for major claims (including reinsured claims) and the increase in expected future inflation, partially offset by a decrease due to the discontinuation and settlement of FoS business and the cessation of some of the Group's quota share business. In the non-Group business, the increase in the gross best estimate provision stems from portfolio growth, with the increase on account of major claims being offset by the release of established provisions. The same applies to the reinsurance of this portfolio.

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 2022, a proportion of 57.3% (2021: 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 2022, 13.2% (2021: 17.3%) of the difference between the gross IFRS and SII provisions is attributable to the different level of prudence in setting the assumptions before explicit consideration of future inflation, which reduces the difference between the IFRS and SII provisions by 7.8%.
- Assumptions for the share of claims and commissions in premiums (ultimate items) used in the valuation of the IFRS and SII provisions in the two main lines of business for the most recent underwriting year, which is the one with greatest uncertainty due to unexpired risks (before taking account of future inflation and discounting): for proportional reinsurance of fire and other damage to property, these shares total 120.4% in IFRS calculations and 108.0% in SII calculations (2021: IFRS 104.2%; SII 88.5%; the high ratio for 2022 is due to a large, almost fully reinsured single loss); for non-proportional non-life reinsurance, the IFRS share is 95.0%, and the SII share is 77.7% (2021: IFRS 137.6%; SII 108.6%).
- 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 12.5% of the difference between the gross IFRS and SII provisions as at 31 December 2022 (2021: 14.9%) (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 2022, 24.8% of the difference between gross IFRS and SII provisions arose from discounting non-life lines of business (2021: 7.9%; this is because discount rates increased significantly.

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 2022 by 4.4% (2021: 4.4%). 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% (2021: 2.2%), which, however, does not affect 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 0.3% (2021: 0.4%).

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 2022 increased by 4.5% (2021: 4.6%), and by 3.9% in the annuity revision shock (2021: 3.4%).

In addition, we provide the effect of changes in interest rates for discounting. A downward shock in the Standard Formula would result in a 5.2% rise in gross best estimate provisions (2021: 1.6%); an upward shock in the Standard Formula would lead to a 5.3% decrease in gross best estimate provisions (2021: 3.5%).

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 valuation in the SII balance sheet 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 valuation of reinsurance and co-insurance payables in the Solvency II balance sheet 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 valuation in the SII balance sheet 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.

The subordinated bond is measured at amortised cost under IFRS and is therefore revalued to fair value for the SII balance sheet based on the published Bloomberg closing price at the SII balance sheet valuation date.

D.3.6 Other financial liabilities other than debts owed to credit institutions

Other financial liabilities include long-term lease liabilities that qualify for valuation under IFRS 16. Up to and including 31 December 2021, we reported long-term lease liabilities as part of other liabilities, not elsewhere shown.

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

D.3.7 Any other liabilities, not elsewhere shown

Any other liabilities, not elsewhere shown, primarily include accrued expenses.

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 valuation of other liabilities in the SII balance sheet 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.

In 2022, valuations were obtained from an external certified real estate appraiser to update the estimated fair value of the own-use and investment properties. The estimated fair value of the properties is not materially different from previously estimated fair value.

For 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 an 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. In this regard, we subtracted 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:

- long-term solvency within the target capitalisation range defined in the risk strategy;
- an appropriate level of financing flexibility;
- an acceptable level of volatility in the available capital and the solvency ratio;
- steering operating segments that tie up capital towards achieving an adequate profitability;
- managing the business to achieve an adequate return on equity or an adequate dividend yield 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 lower bound of the target capitalisation range for 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 financial projections. 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 planned capital consumption items, such as ordinary 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 2022, the Company reported an excess of assets over liabilities of EUR 576.3 million (31 December 2021: EUR 605.2 million).

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

- own shares in the amount of EUR 38.6 million (31 December 2021: EUR 48.0 million),
- foreseeable dividends in the amount of EUR 24.8 million (31 December 2021: EUR 19.5 million), the amount of which had been approved in the business plan,
- other items in accordance with the provisions of ZZavar-1.

The excess of the Company's assets over its liabilities is increased by subordinated liabilities of EUR 56.3 million (31 December 2021: EUR 78.1 million), 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 2022, the Company is not reporting such exclusions from own funds.

As at 31 December 2022, 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 2022, 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 2022	31 December 2021
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))	383,041	411,492
(1) Excess of assets over liabilities	576,325	605,158
(2) Own shares (held directly and indirectly)	38,572	48,043
(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	24,796	19,527
(5) Other basic own fund items	129,916	126,096
Subordinated liabilities	56,290	78,065
Amount equal to the value of net deferred tax assets	3,820	0
Total basic own funds after deductions	**569,247**	**615,653**

Total basic own funds, after deductions, decreased by EUR 46.4 million compared to 31 December 2021. The main reason for the decline in own funds is the lower value of investments and participations in subsidiaries and associates due to the adverse financial market conditions.

The Company also recognises net deferred tax assets within own funds as at 31 December 2022, which are described in more detail in D *Valuation for solvency purposes*.

The following table shows the 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 2022	31 December 2021
IFRS equity	**381,861**	**371,166**
Difference in the valuation of participations	120,124	172,276
Difference in the valuation of other assets	-21,033	-12,899
Difference in the valuation of technical provisions	47,016	36,420
Difference in the valuation of other liabilities	9,785	-9,847
Foreseeable dividends, distributions and charges	-24,796	-19,527
Subordinated liabilities in basic own funds	56,290	78,065
Solvency II eligible own funds	**569,247**	**615,653**
Of which tier 1	*509,137*	*537,588*
Of which tier 2	*56,290*	*78,065*
Of which tier 3	*3,820*	*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. 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 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. Own funds from net deferred tax assets are also classified as tier 3.

The Company’s net deferred tax assets are classified as tier 3 and are described in more detail in section D “Valuation for solvency purposes”.

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[24]	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.

Own funds eligible to meet the SCR

(EUR thousand)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2022	569,247	509,137	56,290	3,820
As at 31 December 2021	615,653	537,588	78,065	0

Own funds eligible to meet the MCR

(EUR thousand)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2022	519,828	509,137	10,691	0
As at 31 December 2021	548,490	537,588	10,902	0

As at 31 December 2022, the Company's eligible own funds mainly included tier 1 funds and were free of any ancillary own funds. The Company's tier 2 funds include subordinated liabilities, i.e. the subordinated debt issued in 2019, and its tier 3 funds comprise net deferred tax assets. Due to regulatory restrictions, the eligible amounts of its subordinated liabilities cannot exceed 20% of the MCR, whereas tier 3 own funds are not eligible to cover the MCR. There were no items subject to regulatory transitional arrangements among the disclosed eligible own funds.

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

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.

The following table 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 2022	31 December 2021
SCR	**213,829**	**218,039**
Adjustments for TP and DT	0	-346
Operational risk	6,638	6,405
Basic solvency capital requirement (BSCR)	207,191	211,980
Sum of risk components	267,947	272,780
Diversification effect	-60,757	-60,799
Market risk	135,717	148,038
Counterparty default risk	9,519	8,900
Life underwriting risk	346	501
Health underwriting risk	2,851	2,723
Non-life underwriting risk	119,515	112,618
Eligible own funds	**569,247**	**615,653**
Solvency ratio	**266%**	**282%**

The majority of the SCR as at 31 December 2022 relates to market risk, which decreased compared to 31 December 2021, mainly due to the decrease in the value of participations in subsidiaries and of investments as a result of adverse developments in the financial markets. Non-life underwriting risk increased slightly compared to 31 December 2021, mainly reflecting portfolio growth, which resulted in both higher premium and reserve risk and higher catastrophe risk. 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.

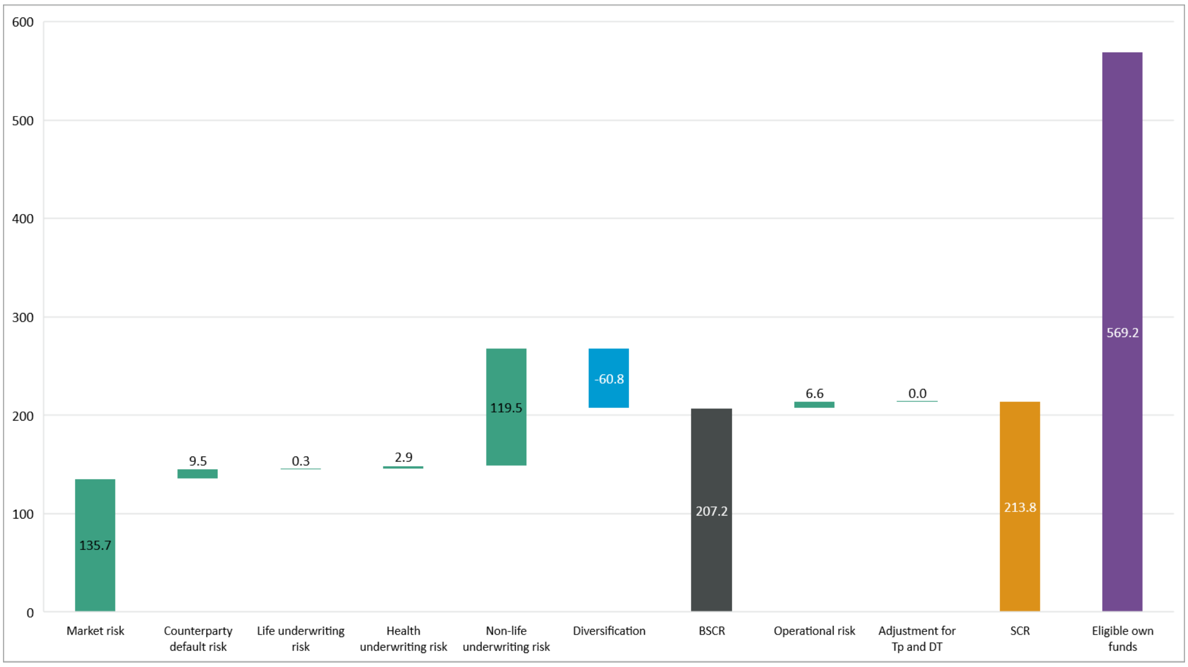
The Company also has a relatively small portfolio of accepted life reinsurance business (from annuities related to non-life insurance and term life insurance). The Company makes separate calculations for accepted life reinsurance business for most cedants in the Group. For this reinsurance business, 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.

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. Thus, adjustments were made up to the maximum adjustment for the loss absorbency of deferred taxes that can be taken into account without providing evidence, i.e. up to the amount of net deferred tax liabilities in the SII balance sheet. As the deferred tax assets are higher than the deferred tax liabilities in the SII balance sheet, the SCR adjustment for deferred taxes taken into account at 31 December 2022 is EUR 0.

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 2022.

Solvency capital requirement by risk module as at 31 December 2022 (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 266% as at 31 December 2022 (31 December 2021: 282%).

A major criterion for determining the risk appetite in the Sava Insurance Group's risk strategy is the solvency ratio. 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 2022, even by internal criteria.

In December 2022, the financial projections and the calculation of eligible own funds, the SCR and the solvency ratio for the strategy period were also confirmed. The Company's solvency ratio is planned at a level in line with the risk strategy over the strategy period.

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 2022	Net best estimate technical provisions	Net premiums written
Medical expense insurance and proportional reinsurance	8	21
Income protection insurance and proportional reinsurance	3,310	5,319
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	13,801	13,792
Other motor insurance and proportional reinsurance	9,125	21,483
Marine, aviation and transport insurance and proportional reinsurance	10,706	7,612
Fire and other damage to property insurance and proportional reinsurance	62,815	62,466
General liability insurance and proportional reinsurance	9,373	5,117
Credit and suretyship insurance and proportional reinsurance	553	562
Legal expenses insurance and proportional reinsurance	0	10
Assistance insurance and proportional reinsurance	0	0
Miscellaneous financial loss insurance and proportional reinsurance	1,454	475
Non-proportional health reinsurance	498	736
Non-proportional casualty reinsurance	9,778	2,648
Non-proportional marine, aviation and transport reinsurance	11,092	2,779
Non-proportional property reinsurance	55,845	40,951

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	3,492	48
Non-proportional health reinsurance	667	551
Non-proportional casualty reinsurance	13,830	2,631
Non-proportional marine, aviation and transport reinsurance	9,441	2,637
Non-proportional property reinsurance	51,988	38,213

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 MCR

EUR thousand	31 December 2022	31 December 2021
Other life and health reinsurance obligations	3,846	5,924
Capital at risk for all life reinsurance obligations	339,261	269,050

The following table shows the Company's MCR.

Minimum capital requirement

EUR thousand	31 December 2022	31 December 2021
Linear required MCR	42,707	42,064
Absolute MCR floor	3,600	3,600
Combined MCR	53,457	54,510
MCR	**53,457**	**54,510**
Own funds eligible to meet the MCR	519,828	548,490
MCR ratio	**972%**	**1,006%**

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 any 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 2022, the Company was compliant with legislation, its high solvency ratio being substantially higher than the statutory 100%. Moreover, as at 31 December 2022, 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
Adjustments for TP and DT	**Prilagoditve za TP in DT**	Adjustment for the loss-absorbing capacity of technical provisions and deferred taxes. Adjustments 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 business continuity procedures 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.
Expected profits included in future premiums	**EPIFP**	Expected profits included in future premiums.
Freedom of services	**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 a company within its set risk appetite range.
Own risk and solvency assessment – ORSA	**Lastna ocena tveganj in solventnosti – ORSA**	Own assessment of the risks associated with a company's business and strategic plans and assessment of the adequacy of own funds to cover risks.
Physical risks of climate change	**Fizična tveganja podnebnih 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 a 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).

English term	Slovenian term	Meaning
RCP (Representative Concentration Pathways) scenarios	**RCP-scenarij**[25]	Various pathways of greenhouse gas concentrations and emissions.
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 a 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 a company.
Risk tolerance limits	**Meje dovoljenega tveganja**	Limits for risk categories included in a 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 a 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, a single parameter is changed due to a potential future financial event to observe the effect on the value of a company's assets, liabilities and/or own funds as well as any effects on the value of the parameter itself.
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).
Transition risk of climate change	**Tveganja prehoda podnebnih sprememb**	Transition risk arises in the transition to a low-carbon and climate-resilient economy. Such risks include risks of new rules, requirements and policies, legal risks, technology risks, market risks and reputation risks.

[25] RCP scenarios are defined by the Intergovernmental Panel on Climate Change (IPCC). A definition of the scenarios is available at https://ar5-syr.ipcc.ch/topic_futurechanges.php.

English term	Slovenian term	Meaning
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**	14,341
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	3,570
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	774,639
Property (other than for own use)	**R0080**	10,284
Holdings in related undertakings, including participations	**R0090**	443,060
Equities	**R0100**	5,600
Equities – listed	**R0110**	4,285
Equities – unlisted	**R0120**	1,314
Bonds	**R0130**	288,333
Government bonds	**R0140**	214,340
Corporate bonds	**R0150**	73,993
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	27,362
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**	1,840
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	1,840
Reinsurance recoverables from:	**R0270**	36,369
Non-life and health similar to non-life	**R0280**	31,630
Non-life excluding health	**R0290**	31,581
Health similar to non-life	**R0300**	49
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	4,739
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	4,739
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	10,335
Insurance and intermediaries receivables	**R0360**	19,530
Reinsurance receivables	**R0370**	8,494
Receivables (trade, not insurance)	**R0380**	269
Own shares (held directly)	**R0390**	38,572
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**	23,926
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	931,886

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	**R0510**	241,374
Technical provisions – non-life (excluding health)	**R0520**	237,140
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	216,120
Risk margin	**R0550**	21,020
Technical provisions – health (similar to non-life)	**R0560**	4,234
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	3,865
Risk margin	**R0590**	369
Technical provisions – life (excluding index-linked and unit-linked)	**R0600**	8,655
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**	8,655
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	8,584
Risk margin	**R0680**	70
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**	0
Contingent liabilities	**R0740**	0
Provisions other than technical provisions	**R0750**	393
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	10,522
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	320
Insurance & intermediaries payables	**R0820**	29,186
Reinsurance payables	**R0830**	1,491
Payables (trade, not insurance)	**R0840**	2,015
Subordinated liabilities	**R0850**	56,290
Subordinated liabilities not in Basic Own Funds	**R0860**	0
Subordinated liabilities in Basic Own Funds	**R0870**	56,290
Any other liabilities, not elsewhere shown	**R0880**	5,316
Total liabilities	**R0900**	355,560
Excess of assets over liabilities	**R1000**	576,325

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**									
Gross – Proportional reinsurance accepted	**R0120**	21	5,424	0	13,792	22,724	8,156	78,458	5,655	562
Gross – Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	0	105	0	0	1,240	543	15,992	538	0
Net	**R0200**	21	5,319	0	13,792	21,483	7,612	62,466	5,117	562
Premiums earned										
Gross – Direct Business	**R0210**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0220**	18	5,437	0	14,061	21,785	8,034	78,903	5,759	657
Gross – Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	107	0	0	661	360	16,518	510	0
Net	**R0300**	18	5,331	0	14,061	21,124	7,673	62,385	5,249	657
Claims incurred										
Gross – Direct Business	**R0310**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0320**	27	1,095	0	10,010	14,257	1,858	65,973	2,242	-2
Gross – Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	5	0	-4	424	-68	22,560	-97	0
Net	**R0400**	27	1,090	0	10,014	13,833	1,926	43,413	2,339	-2
Changes in other technical provisions										
Gross – Direct Business	**R0410**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0420**	0	0	0	2	3	-1	267	7	0
Gross – Non-proportional reinsurance accepted	**R0430**									
Reinsurers' share	**R0440**	0	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	0	2	3	-1	267	7	0
Expenses incurred	**R0550**	6	678	0	496	1,236	2,242	14,480	1,224	195
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
Gross – Proportional reinsurance accepted	**R0120**	10	-25	1,027					135,803
Gross – Non-proportional reinsurance accepted	**R0130**				736	4,560	3,926	53,460	62,681
Reinsurers' share	**R0140**	0	-10	552	0	1,912	1,147	12,509	34,528
Net	**R0200**	10	-15	475	736	2,648	2,779	40,951	163,956
Premiums earned									
Gross – Direct Business	**R0210**	0	0	0					0
Gross – Proportional reinsurance accepted	**R0220**	10	-25	1,062					135,702
Gross – Non-proportional reinsurance accepted	**R0230**				642	4,765	3,956	53,216	62,579
Reinsurers' share	**R0240**	0	0	559	0	2,062	927	11,627	33,332
Net	**R0300**	10	-24	503	642	2,703	3,028	41,589	164,949
Claims incurred									
Gross – Direct Business	**R0310**	0	0	0					0
Gross – Proportional reinsurance accepted	**R0320**	2	0	511					95,973
Gross – Non-proportional reinsurance accepted	**R0330**				396	3,386	3,996	39,559	47,336
Reinsurers' share	**R0340**	0	0	1,882	0	1,903	-6	10,850	37,449
Net	**R0400**	2	0	-1,371	396	1,482	4,002	28,708	105,860
Changes in other technical provisions									
Gross – Direct Business	**R0410**	0	0	0					0
Gross – Proportional reinsurance accepted	**R0420**	0	0	0					279
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	0	0	0	0	0	279
Expenses incurred	**R0550**	4	0	-95	105	569	552	6,198	27,890
Other expenses	**R1200**								0
Total expenses	**R1300**								27,890

		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**								921	921
Reinsurers’ share	**R1420**								421	421
Net	**R1500**	0	0	0	0	0	0	0	500	500
Premiums earned										
Gross	**R1510**								907	907
Reinsurers’ share	**R1520**								376	376
Net	**R1600**	0	0	0	0	0	0	0	532	532
Claims incurred										
Gross	**R1610**								619	619
Reinsurers’ share	**R1620**								261	261
Net	**R1700**	0	0	0	0	0	0	0	357	357
Changes in other technical provisions										
Gross	**R1710**								0	0
Reinsurers’ share	**R1720**								0	0
Net	**R1800**	0	0	0	0	0	0	0	0	0
Expenses incurred	**R1900**								41	41
Other expenses	**R2500**									0
Total expenses	**R2600**									41

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**	67,871	5,950	46	2,850	9,275	3,133	89,125
Gross – Non-proportional reinsurance accepted	**R0130**	8,356	5,959	4,069	2,643	3,048	1,642	25,717
Reinsurers' share	**R0140**	24,255	-55	0	0	0	8,434	32,634
Net	**R0200**	51,973	11,964	4,115	5,492	12,324	-3,659	82,208
Premiums earned								
Gross – Direct Business	**R0210**							
Gross – Proportional reinsurance accepted	**R0220**	65,509	5,341	46	2,812	9,908	3,178	86,794
Gross – Non-proportional reinsurance accepted	**R0230**	8,545	5,822	4,405	2,582	2,963	1,701	26,016
Reinsurers' share	**R0240**	24,149	-55	0	0	0	7,583	31,677
Net	**R0300**	49,904	11,218	4,451	5,394	12,871	-2,704	81,133
Claims incurred								
Gross – Direct Business	**R0310**							
Gross – Proportional reinsurance accepted	**R0320**	51,801	3,305	-14	823	7,865	1,351	65,132
Gross – Non-proportional reinsurance accepted	**R0330**	5,647	2,146	-404	56	4,222	23	11,691
Reinsurers' share	**R0340**	32,135	0	0	0	0	5,265	37,400
Net	**R0400**	25,314	5,451	-418	879	12,087	-3,891	39,423
Changes in other technical provisions								
Gross – Direct Business	**R0410**							
Gross – Proportional reinsurance accepted	**R0420**	93	12	0	6	19	6	135
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**	93	12	0	6	19	6	135
Expenses incurred	**R0550**	17,106	2,799	586	1,294	3,604	745	26,135
Other expenses	**R1200**							0
Total expenses	**R1300**							26,135

S.12.01.02 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance	Index-linked and unit-linked insurance: Contracts without options and guarantees	Index-linked and unit-linked insurance: Contracts with options or guarantees	Other life insurance	Other life insurance: Contracts without options and guarantees	Other life insurance: Contracts with options or guarantees	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance
		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**									8,584
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									4,739
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	**R0090**									3,846
Risk margin	**R0100**									70
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**									8,655

		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	8,584						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	4,739						
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	3,846						
Risk margin	R0100	70						
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	8,655						

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**	4	18	0	1,774	3,231	322
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	-14	0	0	243	86
Net Best Estimate of Premium Provisions	**R0150**	4	32	0	1,774	2,988	236
Claims provisions							
Gross	**R0160**	4	3,340	0	12,029	7,092	12,110
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	62	0	2	955	1,640
Net Best Estimate of Claims Provisions	**R0250**	4	3,278	0	12,027	6,137	10,470
Total Best estimate – gross	**R0260**	8	3,358	0	13,803	10,323	12,431
Total Best estimate – net	**R0270**	8	3,310	0	13,801	9,125	10,706
Risk margin	**R0280**	8	293	0	785	796	876
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**	16	3,650	0	14,588	11,119	13,308
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	0	48	0	2	1,198	1,726
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	16	3,603	0	14,586	9,921	11,582

		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**	-3,849	-375	-352	-3	0	-112
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	922	175	0	0	0	40
Net Best Estimate of Premium Provisions	**R0150**	-4,771	-549	-352	-3	0	-152
Claims provisions							
Gross	**R0160**	77,843	10,461	905	1	0	2,038
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	10,257	539	0	0	0	433
Net Best Estimate of Claims Provisions	**R0250**	67,586	9,922	905	1	0	1,606
Total Best estimate – gross	**R0260**	73,994	10,087	553	-2	0	1,926
Total Best estimate – net	**R0270**	62,815	9,373	553	-2	0	1,454
Risk margin	**R0280**	5,066	1,011	208	0	2	124
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**	79,061	11,098	761	-2	2	2,050
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	11,180	714	0	0	0	472
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	67,881	10,384	761	-2	2	1,578

		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**	-59	-823	-315	-18,225	-18,763
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	-78	-421	-2,855	-1,903
Net Best Estimate of Premium Provisions	**R0150**	-59	-744	105	-15,370	-16,861
Claims provisions						
Gross	**R0160**	558	16,570	11,012	84,786	238,749
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	1	6,047	25	13,571	33,533
Net Best Estimate of Claims Provisions	**R0250**	557	10,523	10,986	71,215	205,216
Total Best estimate – gross	**R0260**	499	15,747	10,697	66,561	219,985
Total Best estimate – net	**R0270**	498	9,778	11,092	55,845	188,355
Risk margin	**R0280**	68	933	1,611	9,607	21,388
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**	567	16,680	12,308	76,168	241,374
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	1	5,969	-395	10,716	31,630
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	566	10,711	12,703	65,452	209,744

S.19.01.21 Non-life Insurance Claims Information

Accident year / underwriting year	Z0020	2

		Development year										
	Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 & +**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0060**	**C0070**	**C0080**	**C0090**	**C0100**	**C0110**
Prior	**R0100**											3,021
N-9	**R0160**	14,830	29,319	13,345	6,486	2,325	1,280	2,018	1,121	968	725	
N-8	**R0170**	19,140	46,004	10,458	4,638	2,335	1,010	454	359	589		
N-7	**R0180**	20,423	42,986	12,717	5,221	2,618	2,691	1,090	703			
N-6	**R0190**	17,600	40,036	13,651	6,093	3,068	2,677	2,381				
N-5	**R0200**	18,641	42,340	10,682	7,377	3,126	2,612					
N-4	**R0210**	15,563	45,027	13,481	6,731	2,878						
N-3	**R0220**	17,262	45,911	16,505	12,072							
N-2	**R0230**	14,294	43,138	21,403								
N-1	**R0240**	22,159	52,787									
N	**R0250**	29,780										

		In Current year	**Sum of years (cumulative)**
		C0170	**C0180**
	R0100	3,021	3,021
	R0160	725	72,417
	R0170	589	84,986
	R0180	703	88,449
	R0190	2,381	85,507
	R0200	2,612	84,778
	R0210	2,878	83,680
	R0220	12,072	91,749
	R0230	21,403	78,835
	R0240	52,787	74,946
	R0250	29,780	29,780
Total	**R0260**	128,952	778,149

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		Development year										
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	**R0100**											12,972
N-9	**R0160**	0	0	14,093	8,040	5,378	5,247	4,371	2,980	3,028	2,947	
N-8	**R0170**	0	21,694	10,912	6,595	5,586	3,975	3,418	2,819	2,223		
N-7	**R0180**	60,808	28,857	14,399	9,219	6,507	4,511	3,967	3,852			
N-6	**R0190**	60,818	29,078	16,829	10,551	7,298	6,475	5,546				
N-5	**R0200**	66,657	33,019	20,905	17,066	9,774	7,175					
N-4	**R0210**	50,227	41,985	23,285	17,217	10,830						
N-3	**R0220**	58,280	52,006	41,329	28,145							
N-2	**R0230**	64,775	62,593	39,532								
N-1	**R0240**	73,622	71,988									
N	**R0250**	74,482										

		Year end (discounted data)
		C0360
	R0100	11,689
	R0160	2,663
	R0170	1,990
	R0180	3,478
	R0190	5,030
	R0200	6,428
	R0210	9,808
	R0220	25,554
	R0230	36,117
	R0240	66,342
	R0250	69,651
Total	**R0260**	238,749

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				
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**	383,041	383,041			
Subordinated liabilities	**R0140**	56,290		0	56,290	0
Amount equal to the value of net deferred tax assets	**R0160**	3,820				3,820
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**	569,247	509,137	0	56,290	3,820
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	**R0310**	0			0	
Unpaid and uncalled preference shares callable on demand	**R0320**	0			0	
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**	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	
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

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
Other ancillary own funds	R0390	0			0	0
		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	569,247	509,137	0	56,290	3,820
Total available own funds to meet the MCR	R0510	565,427	509,137	0	56,290	
Total eligible own funds to meet the SCR	R0540	569,247	509,137	0	56,290	3,820
Total eligible own funds to meet the MCR	R0550	519,828	509,137	0	10,691	
SCR	R0580	213,829				
MCR	R0600	53,457				
Ratio of Eligible own funds to SCR	R0620	266%				
Ratio of Eligible own funds to MCR	R0640	972%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	576,325	
Own shares (held directly and indirectly)	R0710	38,572	
Foreseeable dividends, distributions and charges	R0720	24,796	
Other basic own fund items	R0730	129,916	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	R0740	0	
Reconciliation reserve	R0760	383,041	
Expected profits			
Expected profits included in future premiums (EPIFP) – Life business	R0770	854	
Expected profits included in future premiums (EPIFP) – Non- life business	R0780	6,388	
Total Expected profits included in future premiums (EPIFP)	R0790	7,242	

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

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0100**
Market risk	**R0010**	135,717		
Counterparty default risk	**R0020**	9,519		
Life underwriting risk	**R0030**	346	None	0
Health underwriting risk	**R0040**	2,851	None	0
Non-life underwriting risk	**R0050**	119,515	None	0
Diversification	**R0060**	-60,757		
Intangible asset risk	**R0070**	0		
Basic Solvency Capital Requirement	**R0100**	207,191		

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	6,638
Loss-absorbing capacity of technical provisions	**R0140**	0
Loss-absorbing capacity of deferred taxes	**R0150**	0
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**	213,829
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	213,829
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	0
LAC DT justified by reversion of deferred tax liabilities	R0650	0
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	-23,865

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	42,389

		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	8	21
Income protection insurance and proportional reinsurance	R0030	3,310	5,319
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	13,801	13,792
Other motor insurance and proportional reinsurance	R0060	9,125	21,483
Marine, aviation and transport insurance and proportional reinsurance	R0070	10,706	7,612
Fire and other damage to property insurance and proportional reinsurance	R0080	62,815	62,466
General liability insurance and proportional reinsurance	R0090	9,373	5,117
Credit and suretyship insurance and proportional reinsurance	R0100	553	562
Legal expenses insurance and proportional reinsurance	R0110	0	10
Assistance insurance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	1,454	475
Non-proportional health reinsurance	R0140	498	736
Non-proportional casualty reinsurance	R0150	9,778	2,648
Non-proportional marine, aviation and transport reinsurance	R0160	11,092	2,779
Non-proportional property reinsurance	R0170	55,845	40,951

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL result	R0200	318

		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	3,846	
Total capital at risk for all life (re)insurance obligations	R0250		339,261

Overall MCR calculation

		C0070
Linear MCR	R0300	42,707
SCR	R0310	213,829
MCR cap	R0320	96,223
MCR floor	R0330	53,457
Combined MCR	R0340	53,457
Absolute floor of the MCR	R0350	3,600
		C0070
Minimum Capital Requirement	R0400	53,457