SAVA Re

BEING THERE FOR EACH OTHER. WITH A HEART FOR THE WORLD.

Solvency and Financial Condition Report

of Sava Re d.d. for 2023

Ljubljana, April 2024

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, Member of the Management Board

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General information

The figures in this report are stated in thousands of euros. The report has been reviewed and approved by the management and supervisory boards of Sava Re d.d. (hereinafter Sava Re or the Company).

Due to the transition to the new accounting standards IFRS 17 and IFRS 9, the accounting information in sections A.2 and A.3 differs from that reported in the Solvency and Financial Condition Report for 2022.

Gross premiums written are defined in IFRS 17 as gross premiums written, excluding reinsurance reinstatement premiums, because reinstatement premiums represent claims cash flows rather than premium cash flows. For 2022, gross premiums written are reported in the same way and are therefore not identical to those reported under IFRS 4. As a result, the premium figure for 2022 differs from the figure reported in the Solvency and Financial Position Report of Sava Re d.d. for 2022.

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

Introduction

Geopolitical tensions remained high throughout 2023. Russia's military aggression against Ukraine continued. The year also saw the start of the military conflict between Israel and Hamas. The Company reviewed its exposures at the outbreak of the military conflict and found that there were no material exposures in this region. Tensions between China and Taiwan intensified in 2023. Increasing cooperation between Russia, Iran and North Korea also poses a threat to global stability. Next year, elections will be held in as many as 40 countries around the world, and the outcome of the elections and changes in the ruling political parties could have a significant impact on the geopolitical environment.

The year 2023 was also marked by natural catastrophes affecting Slovenia and some other countries where the Company is present. During the summer months, a wave of storms and floods caused extensive damage to property in the region. The Group's gross claims resulting from these events amounted to EUR 88.3 million. Taking into account reinsurance protection, the net impact of these loss events on the Group's result was EUR 27.4 million. The impact of the claims on Sava Re's result for the year was small and was largely mitigated by the reinsurance protection that the Company had in place. Increased loss frequency, unpredictable macroeconomic conditions and geopolitical conflicts also affected reinsurance rates at renewal, as well as the structure of individual reinsurance programmes and reinsurers' willingness to renew certain types of reinsurance protection. All this resulted in an increased risk of obtaining adequate reinsurance protection, to which Sava Re responded by securing adequate reinsurance protection for the next financial year. On the other hand, the higher rates and tighter conditions in reinsurance markets had a positive impact on accepted reinsurance business. There was also a favourable impact on the value of the investment portfolio.

In September 2023, the rating agencies S&P Global Ratings and AM Best reaffirmed the "A" ratings of Sava Re. The outlook was stable.

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 the listed (re)insurance companies, the Group also includes:

- 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 roadside, medical and homeowners emergency assistance insurance;
- DCB (SVN): an associate company that carries out hospital activities;
- Vita S Holding (MKD): a subsidiary engaged in healthcare activities;
- ASP (SRB): a subsidiary providing development and maintenance services for core IT systems;

- G2I (GBR)[1]: 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 coverages. 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 long-term relationships with its clients and partners that allow creating stability throughout all economic cycles. The Company's preferred classes of business are property, engineering, marine hull and cargo, and energy.

Sava Re is a public limited company. It is a medium-sized company with a global reach. As at 31 December 2023, the Company employed approximately 160 people at its headquarters in Ljubljana. The Company aims to lead and support all lines of treaty reinsurance business, both proportional and non-proportional reinsurance contracts with good capacity, in order to provide its clients with:

- capacity,
- capital substitution,
- catastrophe cover.

Sava Re is rated "A" by S&P Global Ratings and AM Best. Its core strengths are regional knowledge, reliability, responsiveness, flexibility and financial strength.

Business and performance

In 2023, Sava Re wrote EUR 215.9 million in gross premiums (2022: EUR 199.4 million), an increase of 8.3% compared to 2022. Non-Group gross written premiums grew by EUR 2.1 million, the most important being the positive shift in premium composition towards more profitable non-proportional contracts. The premiums for these contracts increased by 19.4% compared to 2022. This growth in gross written premiums was achieved through both price increases in line with global reinsurance market developments and organic volume growth. Group gross written premiums increased by EUR 14.4 million (18.4%) as a result of premium growth in the Slovenian market.

The insurance service result was up EUR 8.9 million, mainly due to the improved performance of the Group business (an increase of EUR 8.1 million). The insurance service result for the non-Group business was higher by EUR 0.8 million as a result of a more favourable performance of inward and outward business. The combined ratio improved due to a more favourable loss ratio. The improved loss ratio was a reflection of the stronger ratio for the Group business. The movement in the expense ratio was mainly driven by higher acquisition and other operating expenses.

The finance result improved on the back of a stronger net investment result. The net investment result increased by EUR 6.0 million compared to 2022 due to higher interest income (reinvestment at higher interest rates) and positive revaluation of equity investments at fair value through profit or loss. The return on the investment portfolio was 5.6%.

Profit before tax decreased by EUR 10.3 million compared to 2022. Excluding dividends received from subsidiaries, the result would have been EUR 10.9 million higher. In line with the decline in profit before tax, the net profit for the period also decreased by EUR 11.9 million. As a result, the return on equity was lower, at 11.6%.

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;

[1] The company was sold in 2023.

- 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.

In order to manage risks effectively, the Company has adopted a three-lines-of-defence model with clear lines of responsibility and accountability:

- 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, actuarial function, compliance function and risk management committee.
- The third line of defence consists of the internal audit function.

In 2023, the management board consisted of the following members: Marko Jazbec (chairman of the management board), Polona Pirš Zupančič, Peter Skvarča and David Benedek, the latter appointed to the Sava Re management board on 5 December 2022 for a five-year term starting on 22 March 2023.

Risk profile

The risk profile is dominated by market and non-life underwriting risk. The Company's exposure to other types of risk is lower: health underwriting risk, counterparty default risk and operational risk. The Company calculates its capital requirement in accordance with the Solvency II standard formula (the Standard Formula) as required by Delegated Regulation (EU) 2015/35 (hereinafter the Delegated Regulation).

In addition to the above-mentioned risks covered by the Standard Formula, the Company is also exposed to liquidity risk and, due to the challenging internal and external environment, strategic risk.

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 2023	31 December 2022
SCR	**225,927**	**213,829**
Adjustments for TP and DT	0	0
Operational risk	6,899	6,638
Basic solvency capital requirement (BSCR)	**219,029**	**207,191**
Diversification effect	-63,091	-60,757
Sum of risk components	282,119	267,947
Market risk	150,941	135,717
Counterparty default risk	9,893	9,519
Life underwriting risk	360	346
Health underwriting risk	2,605	2,851
Non-life underwriting risk	118,320	119,515

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.

As can be seen from the table, Solvency II eligible own funds are significantly larger than IFRS equity.

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

(EUR thousand)	31 December 2023
IFRS equity	**430,897**
Difference in the valuation of participations	166,254
Difference in the valuation of other assets	-8,092
Difference in the valuation of technical provisions	19,838
Difference in the valuation of other liabilities	11,134
Foreseeable dividends, distributions and charges	-25,571
Subordinated liabilities in basic own funds	58,703
Solvency II eligible own funds	**653,163**

Capital management

The Company manages its capital to ensure that it always has sufficient own funds to meet its obligations and regulatory capital requirement. 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 that the Company achieves an adequate 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 bound of the target solvency ratio range. In preparing its business and strategic plans, the Company ensures that they are consistent with its risk appetite and makes adjustments where necessary. At the same time, the Company aims to use its capital as efficiently as possible.

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 2023	31 December 2022
Solvency capital requirement (SCR)	225,927	213,829
Eligible own funds to meet the SCR	653,163	569,247
Of which tier 1	*591,233*	*509,137*
Of which tier 2	*58,703*	*56,290*
Of which tier 3	*3,227*	*3,820*
Solvency ratio	**289%**	**266%**
Minimum capital requirement (MCR)	56,482	53,457
Eligible own funds to meet the MCR	602,530	519,828
Of which tier 1	*591,233*	*509,137*
Of which tier 2	*11,296*	*10,691*
Of which tier 3	*0*	*0*
MCR ratio	**1,067%**	**972%**

As at 31 December 2023, most of the Company's eligible own funds were classified as tier 1. In addition, eligible own funds include subordinated liabilities classified as tier 2 eligible own funds and net deferred tax assets classified as tier 3 eligible own funds.

As at 31 December 2023, 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 289%, whereas the MCR ratio was 1,067%. The risk strategy for 2023–2027 set the Company's lower bound 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)).

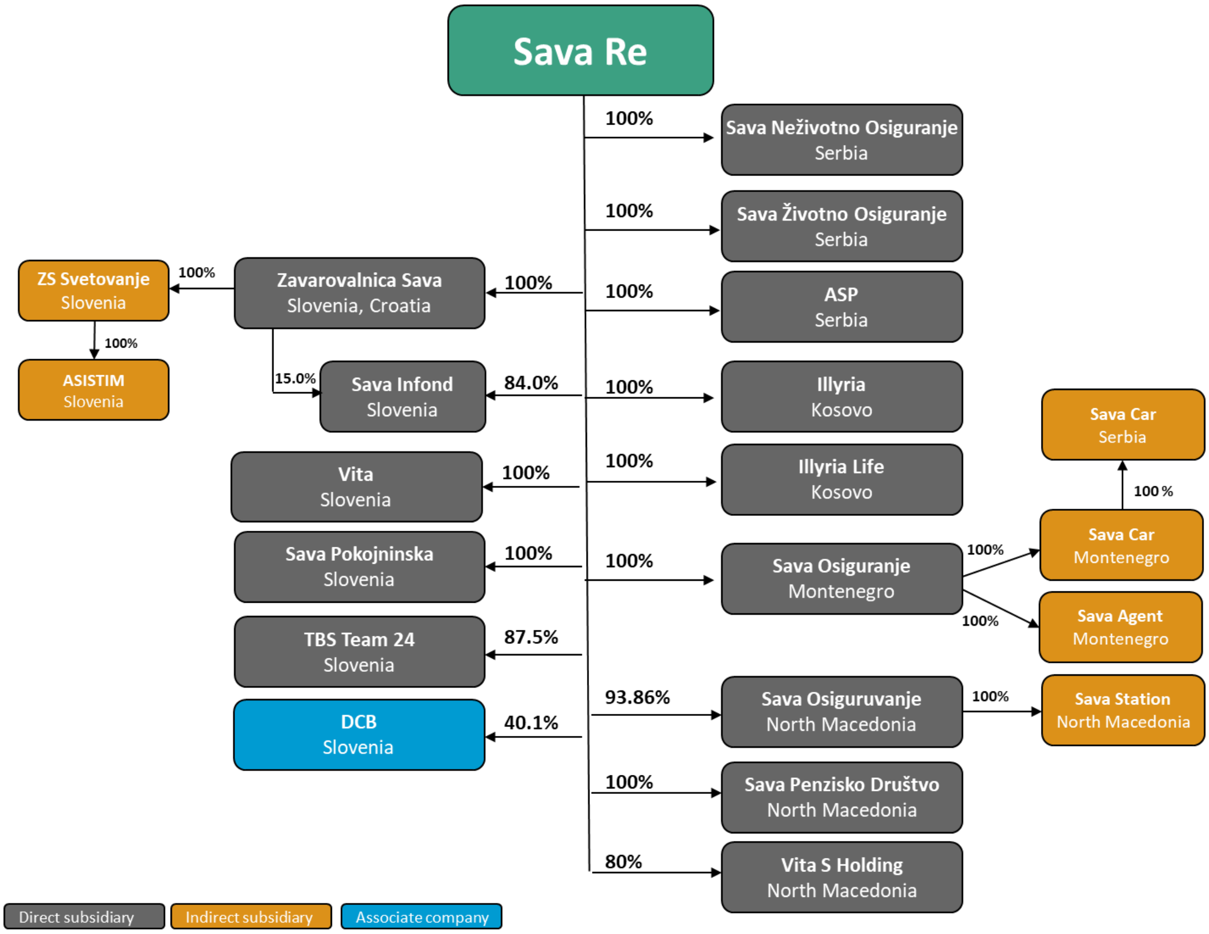
In addition to the above (re)insurers, the Sava Insurance Group consists of:

- 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 roadside, medical and homeowners emergency assistance insurance;
- DCB (SVN): an associate company that carries out hospital activities;
- Vita S Holding (MKD): a subsidiary engaged in healthcare activities;
- ASP (SRB): a subsidiary providing development and maintenance services for core IT systems;
- G2I (GBR)[2]: 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] The company was sold in 2023.

Position of Sava Re as at 31 December 2023[3]



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

Sava Re subsidiaries and associates as at 31 December 2023

	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	Železnička 41, Opština Centar, PF 133, 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 2023 (EUR)	26,313,921	1,177,260	1,025,462	-40,791	3,585,668
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company

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

	Illyria Life (RKS)	Sava Življenjsko Osiguranje (SRB)	Sava Pokojninska (SVN)	TBS Team 24 (SVN)	Sava Penzisko Društvo (MKD)
Registered office	Sheshi Nëna Terezë 33, 10000 Pristina, Kosovo	Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia	Ulica Eve Lovše 7, 2000 Maribor, Slovenia	Ulica Eve Lovše 7, 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 2023 (EUR)	1,074,443	640,302	506,936	1,516,776	2,247,309
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary pension company	subsidiary	subsidiary pension company
	DCB (SVN)	**Sava Infond (SVN)**	**Vita (SVN)**	**Vita S Holding (MKD)**	**ASP (SRB)**
Registered office	Pod Skalo 4, 4260 Bled, Slovenia	Ulica Eve Lovše 7, 2000 Maribor, Slovenia	Trg republike 3, 1000 Ljubljana, Slovenia	Ul. Dimche Mirchev 20, Opština Centar, 1000 Skopje, North Macedonia	Bulevar Kralja Aleksandra 17, 11000 Belgrade, Serbia
Main activity	hospital activities	investment fund asset management	life insurance	non-specialised wholesale trade	computer programming
Share capital (EUR)	379,123	1,460,524	7,043,900	1,320,026	1,129
Nominal value of combined shareholdings of all Group companies (EUR)	189,562	1,460,524	7,043,900	1,056,021	1,129
% equity interest / voting rights held by Group members	Sava Re: 40.1%/50.0%	Sava Re: 84.00%/84.85% Zavarovalnica Sava: 15.00%/15.15%	Sava Re: 100.0%	Sava Re: 80.0%	Sava Re: 100.0%
Profit or loss for 2023 (EUR)	3,957,023	4,144,562	8,980,780	-10,941	86,564
Position in the Group	associate company	subsidiary	subsidiary insurance company	subsidiary	subsidiary

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

Insurance Supervision Agency
Trg republike 3
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

In 2022, a contract was signed with Deloitte Revizija d.o.o., Dunajska 165, 1000 Ljubljana, for the audit of the financial statements for the period 2022–2024.

Deloitte has also audited the financial statements of Sava Re and the Sava Insurance Group for 2022 and 2023. In 2022 and 2023, the Group's subsidiary companies were audited by the local audit staff of the same auditing firm.

Holders of qualifying holdings in the Company as at 31 December 2023

Shareholder	No. of shares	Holding	% voting rights
InterCapital Securities Ltd. – fiduciary account	3,295,534	19.1%	21.3%
SDH d.d. (Slovenian Sovereign Holding)	3,043,883	17.7%	19.6%
Republic of Slovenia	2,392,436	13.9%	15.4%
European Bank for Reconstruction and Development (EBRD)	1,071,429	6.2%	6.9%
Modra Zavarovalnica d.d.	714,285	4.1%	4.6%

Source: Central securities register KDD d.d.
Note:
In accordance with Article 235a of the Slovenian Companies Act (ZGD-1), Sava Re has started the regular process of identifying shareholders who are registered with intermediaries as holders of shares and who are not themselves intermediaries (ultimate shareholders). The process was last carried out on 2 October 2023. According to the information received, Croatia Osiguranje d.d. held 2,439,852 POSR shares and Adris Grupa d.d. held 838,197 POSR shares on that date.

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 2023 (with premiums written in excess of EUR 8.5 million[4]) and the Company's material lines of business. As shown in the following table, Asian countries are the Company's largest markets in terms of premiums (apart from the premiums of its subsidiaries).

Countries where the Company wrote the most premiums

EUR thousand	2023	2022	Index
Slovenia	87,818	76,227	115.2
China	10,765	10,882	98.9
South Korea	10,361	11,182	92.7
Other countries	100,800	97,285	103.6
Total	**209,744**	**195,577**	**107.2**

The share of non-proportional reinsurance increased slightly, and the share of proportional reinsurance decreased slightly. By line of business, proportional and non-proportional property reinsurance was the dominant line of business, accounting for 63.4% of total gross premiums written in 2023 (2022: 65.8%). The second-largest line of business was proportional other motor reinsurance, representing 21.5% of total gross premiums written (2022: 18.7%).

[4] The Company's materiality threshold based on the capital adequacy calculation as at 31 December 2023.

Gross premiums written by material line of business

EUR thousand	2023	2022	Index
Proportional fire and other damage to property reinsurance	69,324	78,458	88.4
Non-proportional property reinsurance	63,752	50,239	126.9
Proportional other motor reinsurance	27,852	22,724	122.6
Proportional motor vehicle liability reinsurance	17,177	13,792	124.5
Other lines of business	31,638	30,363	104.2
Total	**209,744**	**195,577**	**107.2**

Significant events in 2023

Major loss events

In the summer of 2023, Slovenia and certain other countries in which the Group is present were hit by a wave of storms and floods that caused significant property damage. The Group's gross claims resulting from these events amounted to EUR 88.3 million. Taking into account reinsurance protection, the net impact of these loss events on the Group's result was EUR 27.4 million. The impact of the claims on Sava Re's result for the year was small and was largely mitigated by the reinsurance protection that the Company had in place.

Changes to the management and supervisory boards

Changes in the composition of the management and supervisory boards are described in section B.1.1 "Governing bodies".

Other significant events

- In June 2023, the 39th general meeting of shareholders was held.
- In September 2023, the rating agencies S&P Global Ratings and AM Best reaffirmed the "A" ratings of Sava Re and Zavarovalnica Sava. The outlook was stable.

Significant events after the reporting date

- On 22 February 2024, Sava Re signed a contract to acquire a 2.5% stake in TBS Team 24. Upon completion of the transaction on 27 February 2024, Sava Re held a 90% stake in the company.

A.2 Reinsurance underwriting performance

The key figures for 2023 with comparative data for 2022 have been prepared in accordance with IFRS 17 and IFRS 9, which entered into force on 1 January 2023.

Profit before tax decreased by EUR 10.3 million compared to 2022. Excluding dividends received from subsidiaries, the result would have been EUR 10.9 million higher. In line with the decline in profit before tax, the net profit for the period also decreased by EUR 11.9 million.

The impacts on the result are set out below. The operations of Sava Re are described in detail in the Company's annual report.

Summary income statement

EUR thousand	2023	2022	Index
Insurance revenue	167,804	150,761	111.3
Insurance service expenses	-174,491	-132,523	131.7
Claims incurred	*-162,708*	*-122,850*	*132.4*
Operating expenses	*-12,028*	*-9,992*	*120.4*
Onerous contracts	*245*	*318*	*77.1*
Reinsurance service result	43,669	9,868	442.6
Insurance service result	**36,982**	**28,105**	**131.6**
Net investment result	7,828	1,813	431.7
Finance result from insurance contracts	-6,816	-4,877	139.8
Net exchange gains	1,294	1,820	71.1
Finance result	**2,306**	**-1,243**	**-185.5**
Other expenses	-13,806	-11,804	117
Income from investments in subsidiaries and associates	30,755	51,729	59.5
Net other operating expenses	-2,649	-2,855	92.8
Profit or loss before tax	**53,589**	**63,932**	**83.8**
Income tax expense	-4,114	-2,581	159.4
Net profit or loss for the period	**49,475**	**61,351**	**80.6**

The insurance service result was up EUR 8.9 million, mainly due to the improved performance of the Group business (an increase of EUR 8.1 million). The insurance service result for the non-Group business was higher by EUR 0.8 million as a result of a more favourable performance of inward and outward business.

Insurance revenue increased by EUR 17.0 million (11.3%) due to growth in both the non-Group and Group business.

In 2023, property and motor own damage business still dominated insurance revenue grouped by material line of business.

Insurance revenue by material line of business

EUR thousand	2023	2022	Index
Property insurance	109,293	94,438	115.7
Motor own damage insurance	41,006	38,842	105.6
Marine insurance	7,664	6,861	111.7
Liability insurance	4,080	5,690	71.7
Other lines of business	5,761	4,929	116.9
Total	**167,804**	**150,761**	**111.3**

Insurance revenue by geographical area

EUR thousand	2023	2022	Index
Slovenia	61,537	55,336	111.2
International	106,267	95,425	111.4
Total	**167,804**	**150,761**	**111.3**

Insurance service expenses rose by EUR 42.0 million, mainly as a result of an increase in claims incurred. Claims incurred rose by EUR 39.9 million. The higher level of claims incurred for the non-Group business were mainly the result of a major loss event at the beginning of the year, whereas for the Group business they were the result of summer storms in Slovenia and other countries in which the Group operates. Operating expenses increased by EUR 2.0 million in 2023, primarily due to higher acquisition costs for the non-Group business.

Insurance service expenses by material line of business

EUR thousand	2023	2022	Index
Property insurance	-128,215	-88,809	144.4
Motor own damage insurance	-39,184	-34,748	112.8
Marine insurance	-4,653	-2,782	167.3
Liability insurance	-2,428	-3,293	73.7
Other lines of business	-11	-2,891	0.4
Total	**-174,491**	**-132,523**	**131.7**

Insurance service expenses by geographical area

EUR thousand	2023	2022	Index
Slovenia	-93,295	-60,152	155.1
International	-81,195	-72,372	112.2
Total	**-174,491**	**-132,523**	**131.7**

The reinsurance service result was stronger compared to 2022 for both the non-Group and Group business. This was the result of a different mix of claims that triggered the reinsurance protection to a greater extent and were ceded to reinsurers.

The finance result improved on the back of a stronger net investment result. The net investment result increased by EUR 6.0 million compared to 2022 due to higher interest income (reinvestment at higher interest rates) and positive revaluation of equity investments at fair value through profit or loss. The return on the investment portfolio was 5.6%.

A.3 Investment performance

Investment income and expenses by type in EUR	2023	2022	Absolute change
Interest income at effective interest rate	4,735,050	2,688,043	2,047,007
Gains on change in fair value of FVTPL assets	3,903,887	4,129,770	-225,883
Gains on disposal of FVTPL assets	9,388	77,683	-68,295
Gains on disposal of other IFRS asset categories	12,456	1,163,032	-1,150,577
Income from dividends and shares – other investments	217,967	458,074	-240,108
Movement in expected credit losses (ECL)	89,921	153,926	-64,006
Other income	1,097,797	1,120,444	-22,648
Other income from alternative funds	1,008,011	653,583	354,428
Total income from the investment portfolio	**11,074,475**	**10,444,556**	**629,919**
Losses on change in fair value of FVTPL assets	2,692,105	7,232,854	-4,540,749
Losses on disposals of FVTPL assets	158,893	69,230	89,663
Losses on disposal of other IFRS asset categories	132,904	965,345	-832,441
Movement in expected credit losses (ECL)	35,495	132,103	-96,608
Other	227,101	231,814	-4,713
Total expenses for the investment portfolio	**3,246,498**	**8,631,346**	**-5,384,848**
Net investment result	**7,827,977**	**1,813,210**	**6,014,767**
Net investment income of financial investments in subsidiaries and associates	**30,755,010**	**51,728,827**	**-20,973,817**
Net investment income from the investment portfolio	**38,582,988**	**53,542,037**	**-14,959,049**

Net investment income on the investment portfolio totalled EUR 38.6 million in 2023. The figures in the table "Investment income and expenses by type in EUR" differ from those in the table "Net investment income by asset class" due to net exchange differences, which have not been taken into account in the above table.

In 2023, income on the investment portfolio totalled EUR 11.1 million, up EUR 0.6 million year on year. Interest income amounted to EUR 4.7 million, an increase of EUR 2.0 million over the previous year due to investment at higher interest rates. The Company realised EUR 0.1 million in income on disposal of an associated company (2022: EUR 1.0 million on the sale of a subsidiary). In 2023, income from subsidiaries and associates totalled EUR 30.8 million, down EUR 21.0 million year on year.

Compared to 2022, investment portfolio expenses decreased by EUR 5.4 million. Losses on the change in the fair value of FVTPL assets were EUR 4.5 million lower than in the previous year and totalled EUR 2.7 million (2022: EUR 7.2 million). In 2023, the Company realised no impairment losses on its subsidiaries (2022: impairment losses of EUR 1.2 million).

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 of other investments	Impairment losses on investments	Foreign exchange gains/losses	Movement in expected credit losses (ECL)	Other income/expenses	Total	Income/expenses of associates
Investments measured at amortised cost	**279,456**	**0**	**0**	**0**	**0**	**-1,711,246**	**-5,824**	**0**	**-1,437,613**	
Debt instruments	102,760	0	0	0	0	0	-8	0	102,753	
Cash and cash equivalents	12,488	0	0	0	0	-1,711,246	0	0	-1,698,758	
Deposits and CDs	**41,806**	**0**	**0**	**0**	**0**	**0**	**-20,458**	**0**	**21,347**	
Loans	122,402	0	0	0	0	0	14,642	0	137,044	
Investments measured at fair value through profit or loss	**230,222**	**1,062,277**	**0**	**217,967**	**0**	**-246,451**	**0**	**1,008,011**	**2,272,026**	
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	230,222	1,062,277	0	217,967	0	-246,451	0	1,008,011	2,272,026	
Debt instruments	230,222	339,669	0	0	0	0	0	0	569,891	
Equity instruments	0	722,608	0	217,967	0	-246,451	0	1,008,011	1,702,135	
Other investments	0	0	0	0	0	0	0	0	0	
Investments in infrastructure funds	0	0	0	0	0	0	0	0	0	
Investments in property funds	0	0	0	0	0	0	0	0	0	
Derivatives	0	0	0	0	0	0	0	0	0	
Investments measured at fair value through other comprehensive income	**4,455,595**	**0**	**-120,448**	**0**	**0**	**-3,525,896**	**60,250**	**-6,905**	**862,595**	**30,755,010**
Debt instruments	4,455,595	0	-120,448	0	0	-3,525,896	60,250	-6,905	862,595	
Equity instruments	0	0	0	0	0	0	0	0	0	30,755,010
Other investments	0	0	0	0	0	0	0	0	0	
Receivables	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	
Debt instruments									0	
Investment property	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**647,377**	**647,377**	
Investment property	0	0	0	0	0	0	0	647,377	647,377	
Total	**4,965,273**	**1,062,277**	**-120,448**	**217,967**	**0**	**-5,483,593**	**54,426**	**1,648,483**	**2,344,384**	**30,755,010**

Movement in accumulated other comprehensive income from financial investments

EUR thousand	2023	2022
Balance as at 1 January	**-20,111**	**349**
Change in fair value	8,388	-20,460
Transfer of negative accumulated other comprehensive income from financial investments to profit or loss due to impairment	0	0
Transfer from accumulated other comprehensive income from financial investments to profit or loss due to sale	120	0
Deferred tax	0	0
Balance as at 31 December	**-11,603**	**-20,111**

The Company holds no securitised assets.

A.4 Performance of other activities

Other income and expenses

In 2023, the Company had other income of EUR 508 thousand and other expenses of EUR 273 thousand.

Other income mainly includes gains on the disposal of fixed assets, extraordinary interest income and income from holiday facilities. Other expenses include allowances for and impairment losses on trade and other receivables, direct operating expenses for investment property, impairment losses on property, plant and equipment assets for own use and other extraordinary 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 supervising the management board. 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 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 with the laws on companies, insurance business, the Company's articles of association and the rules of procedure of the supervisory board. In accordance with the law, the supervisory board must be convened at least on a quarterly basis, generally after the end of each quarter. If necessary, it may meet more frequently. The terms of reference of the supervisory board are governed by its rules of procedure, which are posted on the Company's website.

Pursuant to the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of whom four (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 composed so as to ensure responsible oversight and decision-making in the best interest of the Company. Its composition takes into account the diversity of expertise, 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 2023, 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 2023

The composition of the supervisory board changed in 2023. The term of office of Andrej Gorazd Kunstek and Edita Rituper, members of the supervisory board, employee representatives, expired on 12 June 2023. The works council reappointed Edita Rituper for a four-year term of office, and Blaž Garbajs was appointed as the second employee representative, his first term of office on the supervisory board. Both the appointed members began their new terms of office on 13 June 2023.

With the expiry of his term of office on the supervisory board, Andrej Gorazd Kunstek also concluded his term of office on two supervisory board committees. In place of Andrej Gorazd Kunstek, the supervisory board appointed Edita Rituper as a new member of the nominations and remuneration committee and Blaž Garbajs as a new member of the audit committee. At the end of December, the supervisory board also appointed Blaž Garbajs as an additional member of the nominations and remuneration committee.

In 2023, the supervisory board was composed of the following members: Davor Ivan Gjivoje Jr (Chairman), Keith William Morris (Deputy Chairman), Klemen Babnik, Matej Gomboši, Andrej Gorazd Kunstek (until 12 June 2023), Edita Rituper and Blaž Garbajs (from 13 June 2023).

Composition of the supervisory board in 2023

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	13 June 2023	13 June 2027
Blaž Garbajs	member, employee representative	13 June 2023	13 June 2027

Supervisory board committees

In accordance with the law, the Code and best practice, the supervisory board may appoint one or more committees and entrust them with specific areas, the preparation of draft resolutions of the supervisory board, the implementation of resolutions of the supervisory board, thereby providing 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 main tasks of the audit committee are to:

- oversee the integrity of financial information;

- monitor the efficiency and effectiveness of internal controls, the work of the internal audit and the functioning of the risk management system;
- monitor the statutory audit of the 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 2023

In 2023, the audit committee comprised the following members: Matej Gomboši (chairman), Andrej Gorazd Kunstek (until 12 June 2023), Blaž Garbajs (from 13 June 2023), Katarina Sitar Šuštar (external member) and Dragan Martinović (external member).

Risk committee

The main 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 2023

In 2023, the risk committee comprised the following members: Keith William Morris (chairman), Davor Ivan Gjivoje Jr, Slaven Mićković (external member) and Janez Komelj (external member).

Nominations and remuneration committee

The main 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 considering and making proposals regarding nominations to be decided by the supervisory board;
- reviewing in advance 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 2023

In 2023, the nominations and remuneration committee comprised the following members: Klemen Babnik (chairman), Davor Ivan Gjivoje Jr, Keith William Morris, Matej Gomboši, Andrej Gorazd Kunstek (until 12 June 2023), Edita Rituper (from 13 June 2023) and Blaž Garbajs (from 14 December 2023).

Fit and proper committee

The main 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.

Fit & Proper Committee in 2023

In 2023, the fit and proper committee comprised the following members: 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 is laid down by the supervisory board in the Act on the Management Board of Sava Re d.d.

The composition of the management board is such 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 expertise, experience and skills, and the way in which the candidates complement each other to form a homogeneous team and ensure the sound and prudent conduct of the Company's business. In 2023, the Company sought to align the composition of the management board with the Company's policy on diversity of the management and supervisory boards. The implementation of the policy on the diversity of the management board in 2023 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, especially 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 2023

In 2023, the management board consisted of the following members: Marko Jazbec (chairman), Polona Pirš Zupančič, Peter Skvarča and David Benedek (the latter from 22 March 2023).

The average age of the management board members is 50.4 years. All management board members are citizens of the Republic of Slovenia.

Composition of the management board in 2023

Full name	Marko Jazbec	Polona Pirš Zupančič	Peter Skvarča	David Benedek
Function	chairman	member	member	member (from 22 March 2023)
Area of responsibility at management board level	▪ coordination of the work of the management board ▪ general, HR, organisational and legal affairs ▪ public relations ▪ compliance ▪ internal audit ▪ management of strategic investments in Slovenia-based insurance companies (from 22 March 2023) ▪ information technology ▪ sustainable development	▪ corporate finance ▪ strategic planning and controlling ▪ accounting ▪ investor relations ▪ capital and risk management ▪ actuarial affairs	▪ development of reinsurance and reinsurance underwriting, Group & non-Group ▪ reinsurance protection (retrocession), Group & non-Group ▪ development of reinsurance processes and technology ▪ reinsurance technical accounting ▪ management of strategic investments in non-Slovenian subsidiaries	▪ financial operations and asset management ▪ management of strategic investments in pension companies and asset management companies (AMCs) ▪ management of strategic investments in healthcare companies ▪ managing overarching cooperation with commercial banks or banking groups at Group level
First appointed	12 May 2017	14 January 2018	19 June 2020	22 March 2023
End of term of office	13 May 2027	15 January 2028	19 June 2025	22 March 2028

At its session on 25 April 2022, the supervisory board of Sava Re 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.

David Benedek was appointed as a member of Sava Re's management board on 5 December 2022; he began his five-year term of office on 22 March 2023. With the assumption of office by David Benedek, the management board of Sava Re returned to four members.

Reporting

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

- the implementation of business policies and other principles relating to business;
- the profitability of the Company, especially 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

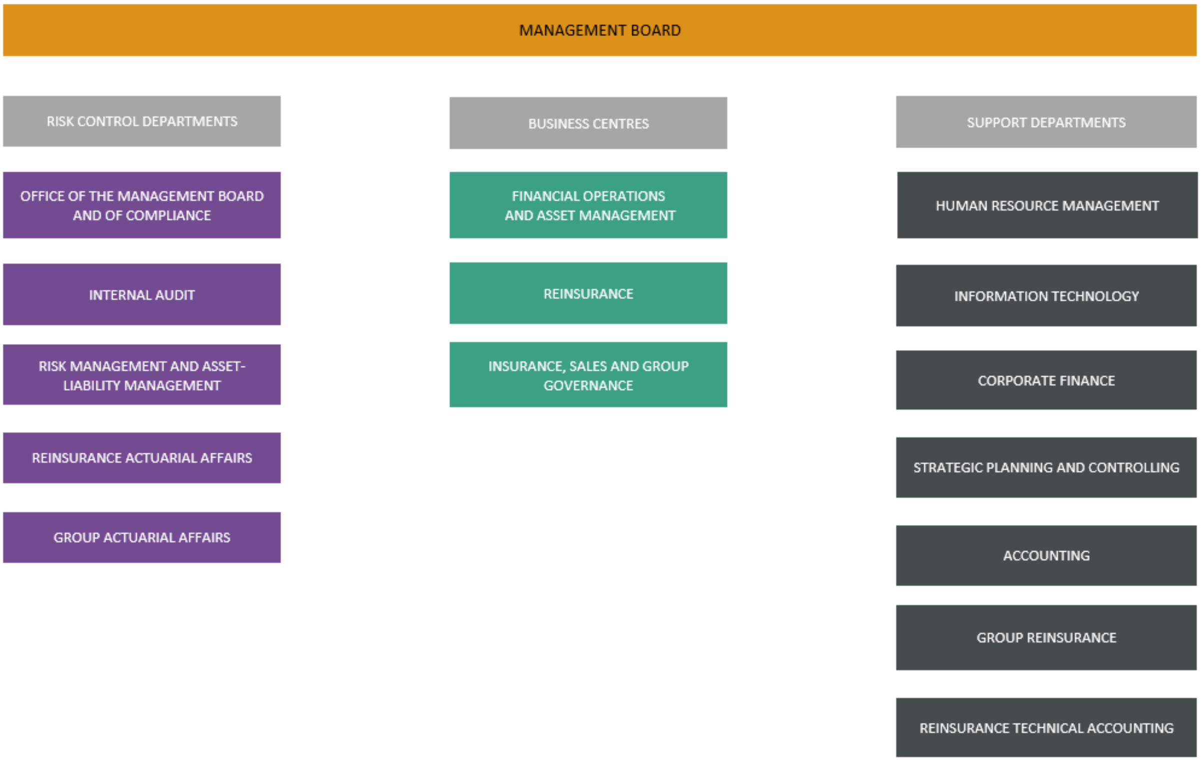
General

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 2023



On 1 June 2023, Sava Re adopted a change in the organisation of the Company, splitting the actuarial department into two separate independent units, the reinsurance actuarial affairs and the Group actuarial affairs, and appointing three separate actuarial function holders: the reinsurance actuarial function, the actuarial function for Group non-life business and the actuarial function for Group life business.

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

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

Role of individual key functions

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

Reporting by key function holders

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

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

Cooperation among key function holders

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

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

B.1.4 Committees of the governance system

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

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

The terms of reference, powers and composition of committees are set out in internal regulations adopted by the Company's management board. The Company has set up a risk management committee, a data quality management committee, an information security committee and an IT steering committee. The following Group level committees have been established: a risk management committee, an actuarial committee, a solutions and projects committee, an IT steering committee, an innovation management committee, an information systems architecture committee and a reserving committee.

The individual committees are described below, with the actuarial committee and the reserving committee 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, the committee is responsible for the verification of the effectiveness of 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 main tasks 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 main tasks 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 main tasks 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.

Process solutions and projects committee of the Sava Insurance Group

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. In 2023, the committee changed its name to the process solutions and projects committee of the Sava Insurance Group.

The main objectives and tasks of the process solutions segment are:

- mitigating business risk;
- improving business performance;

- reducing operating costs;
- increasing the speed and efficiency of business operations;
- advising on initiatives and proposals for new projects and other tasks in the area of process development and informatics;
- overseeing complex development tasks in the area of process development and IT.

The main objectives and tasks of the segment of maintaining common records of Group projects are:

- taking responsibility for maintaining project records;
- monitoring the project portfolio;
- taking responsibility for monitoring and overseeing the use of project funds at Group level;
- providing administrative support and guidance to project managers;
- collecting information on the status of projects, costs and project funds;
- preparing reports for management.

The main objectives and tasks of the segment of setting up and managing strategic projects are:

- developing a project plan covering the business benefits of the project and setting up the project organisation;
- analysing risks;
- implementing the project plan;
- communicating with stakeholders;
- providing advice, coordinating and monitoring project work;
- closing the project and delivering the results.

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 individual 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 main 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 2023.

The Company has no additional pension schemes.

Material related-party transactions

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 2023, significant transactions included:

- total remuneration of the members of the management board and the supervisory board, including the members of its committees, and employees not subject to the tariff part of the collective agreement of EUR 4.9 million (2022: EUR 3.7 million)[1], and
- loans granted to subsidiaries of EUR 2.8 million as at 31 December 2023 (2022: EUR 1.5 million).

In 2023, the parent company paid out EUR 24.8 million in dividends (2022: EUR 23.2 million). All related-party transactions are set out in detail in the Group's annual report for 2023, in section 16.10 "Related-party disclosures".

B.2 Fit and proper requirements

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 2023, 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.

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,

[1] This note relates to the parent company Sava Re.

- 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 of financial and actuarial analysis, and understanding of the regulatory frameworks and requirements of the regulator.

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.

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.

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.

Awareness of the risks to which the Company is exposed is essential for its safety, financial stability and the achievement of its objectives. In order to establish good risk management practices, the Company promotes a risk management culture with appropriately defined remuneration for employees, employee training and relevant internal information flow.

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

B.3.1 Risk management organisation

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

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

- The first line of defence 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 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 main 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.

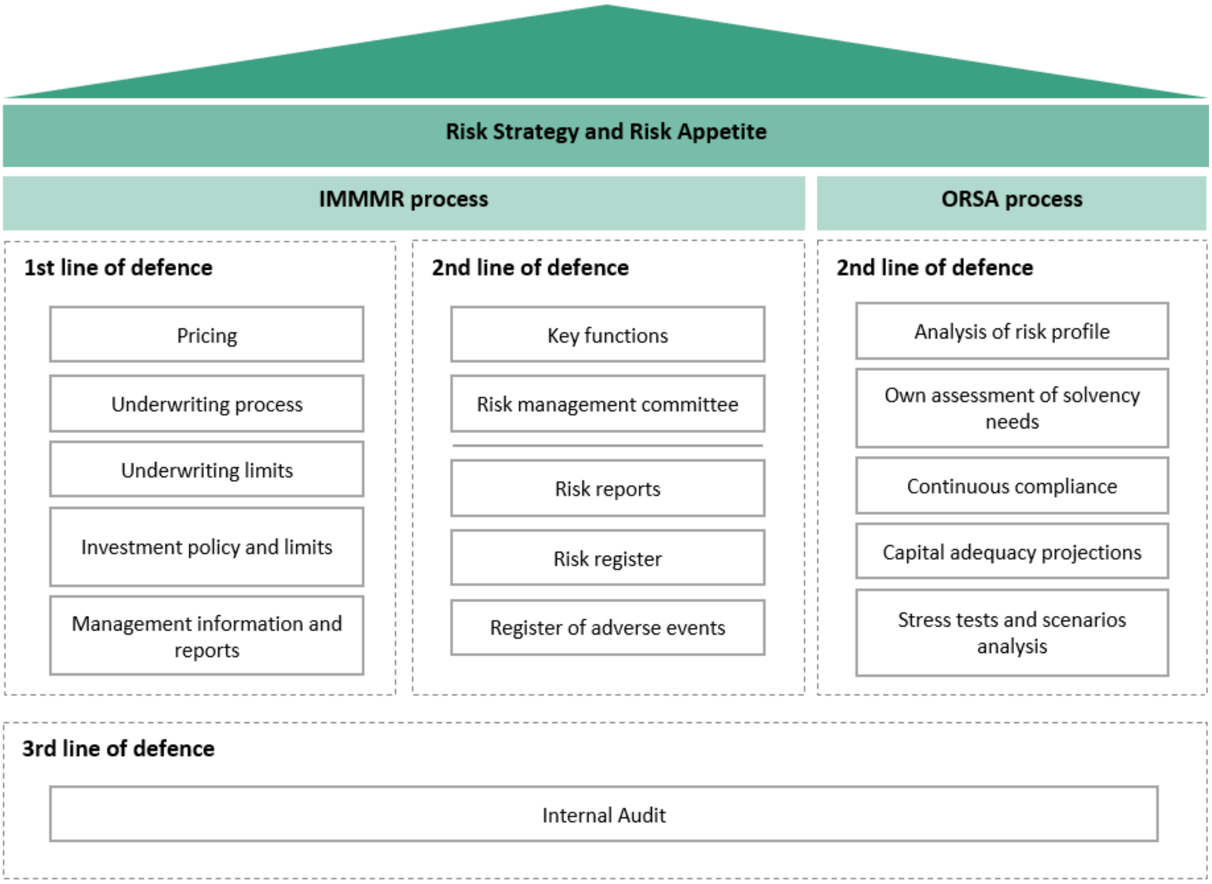
The **third line of defence** consists of the internal audit function. It is completely independent of the business areas and other functions. In the context of the risk management system, the internal audit function is responsible for the independent analysis, verification, and assessment of the performance 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 Group's risk management system is presented in the following diagram.



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. To this end, a risk strategy of the Sava Insurance Group for 2023–2027 was adopted at Group level. 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 four 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. The Company uses both qualitative and quantitative methods to measure risk. The Company develops its own quantitative models to assess risks throughout the Sava Insurance Group.

The Company 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.

With regard to capital adequacy, the Company already considers in its business planning how its business strategy will affect its solvency position from both a regulatory and an ORSA perspective. 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 to the risk management function on each risk category, 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 prepares its ORSA report 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 ORSA 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 also indirectly monitors the adequacy of the internal control system through the reporting of adverse events. Adverse events are regularly reported by employees and recorded in the adverse events register and the risk management function monitors their resolution and the implementation of new internal controls to reduce their occurrence.

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 main tasks of the compliance function are to:

- monitor and periodically assess the adequacy and effectiveness of regular procedures and measures taken to address any deficiencies in the compliance with regulations and other commitments;
- advise and assist in the coordination of the Company's operations with the obligations imposed by regulations and other commitments;
- assess potential impacts of changes in the legal environment on the operations of the Company in terms of compliance with its regulations and other commitments, and thus 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 of the risk assessment regarding the Company's compliance with regulations and other commitments;
- liaise with and advise senior management on compliance issues;
- cooperate with other control and supervision functions to exchange compliance-related issues, good practices and experiences at the parent company level;
- coordinate the preparation and adoption of compliance-related policies and rules within the parent company and between the parent company and Group subsidiaries;
- coordinate the preparation of comments on draft insurance-related legislation;
- participate in setting up and updating compliance programmes in certain separate areas, including internal controls for compliance of operations, taking into account the requirements and capacities of processes and resources available, according to the requirements of specific legislation or regulations, and factors of the broader business and professional environment (e.g. commitments assumed through contracts, declarations and other collective activities aimed at raising the standards of fair business in the broader environment);
- draft an annual compliance monitoring plan that identifies and assesses the main compliance risks faced by the Company, coordinating it with the compliance function holder at the Group level, and submitting it to the management and supervisory bodies;
- prepare periodic reports and submit them to the Company's management and supervisory bodies, the function holders in the Group companies and to the compliance function holder at the Group level;
- draw up reports on findings related to individual compliance reviews, submitting them to the Company's management body;
- monitors the implementation of the recommendations made in compliance reports.

B.5 Internal audit function

The Company's internal audit function is conducted by an independent organisational unit, the internal audit department, which reports directly 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 main tasks 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 outsourcing agreements, the Company performs the internal audit key function for Zavarovalnica Sava, Vita, Sava Pokojninska and Sava Infond for an indefinite period.

While strengthening the internal audit department in 2023, the implementation of software was further intensified 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 individual 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 main tasks 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;
- for each recommendation given in the written report referred to in the previous indent, the function proposes a person responsible for and a time limit for the elimination of any weakness or implementation of any recommendation, such time limit having been agreed with the relevant responsible person;
- 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.

The reserving committee was formally established at the beginning of 2024, but it has already met informally in 2023 to define the process for the formal establishment of the committee as one of its first tasks.

The committee has been established to ensure a systematic review of the process of formulation and development of the assumptions used in the calculation of a company’s technical provisions considering all applicable standards, i.e. Solvency II and IFRS, and to provide the management of individual companies with expert opinions and proposals regarding the formulation of the assumptions used in the calculation of the technical provisions, to ensure effective management of the company.

The role of the reserving committee is to assist management in understanding the appropriateness of the assumptions used in the calculations of provisions and to understand the impact of movements in provisions and the assumptions used on a company’s financial statements.

The duties, powers and responsibilities of the reserving committee are defined in more detail in the Rules of Procedure of the Reserving Committee of Save Re d.d.

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, the Company 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, the Company 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 November 2023.

In its 2023 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

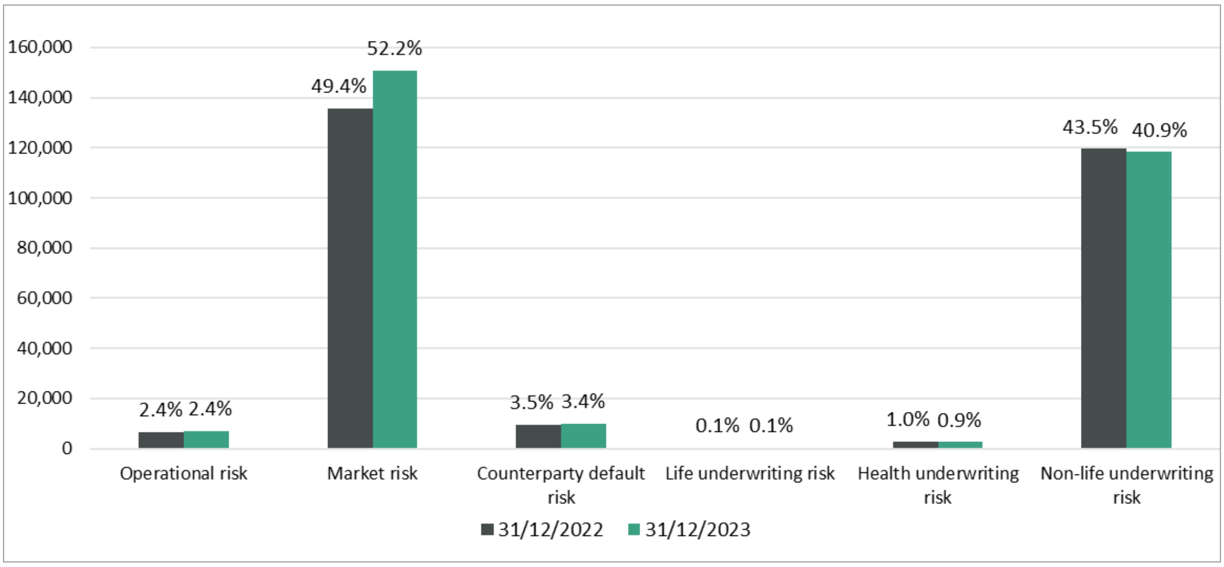
The Company's operations are exposed to various types of risk. This document does not purport to provide an exhaustive list of all possible risks, but rather discusses risks that were reasonably foreseeable at the time of writing. These are identified, measured, managed, monitored and reported on in 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 for each type of risk. The following chart shows the Company's risk profile in accordance with the Standard Formula.

Undiversified SCR by risk module (EUR thousand)[5]



At the end of 2023, the risk profile continued to be dominated by market and non-life underwriting risks; other risk categories are smaller. The increase in the capital requirement for market risk in 2023 is mainly due to the higher value of participations in subsidiaries and associates, mainly as a result of the companies' strong financial results and more favourable valuations of the investments. However, non-life underwriting risk decreased slightly in 2023, largely due to lower capital requirements for catastrophe risk and lapse risk. As a consequence, the proportion of market risk rose slightly, and the proportion of non-life underwriting risk dropped.

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

Key findings of ORSA for 2024

The Company carries out an ORSA every year and submits a 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 and 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 2024 (submitted to the regulator in March 2024) was based on Save Re's business plan approved in December 2023. The results of the ORSA for 2024 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 2024, several relevant scenarios were also implemented for Sava Re. The Company analysed the impact of increased macroeconomic risk on its business and solvency position through a financial scenario and the impact of catastrophic events through a short-term CAT scenario. These scenarios have a substantial impact on the business and solvency position of the Company, 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 the financial scenario are described in more detail in section C.2.4 and of the short-term CAT scenario 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, which are described in more detail in section C.6.6. 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 Company's risk profile

The geopolitical situation remained uncertain in 2023. The war between Russia and Ukraine continued, and a military conflict began between Israel and Hamas. The Company and the Group have no material exposures in this region. Tensions between China and Taiwan continued and worsened, and closer co-operation between Russia, Iran and North Korea also posed a threat to global stability. No fewer than 40 countries around the world will hold elections next year, and the results and changes in ruling political parties could have a significant impact on the geopolitical environment.

The macroeconomic environment was more favourable in 2023. Equity and bond returns exceeded expectations. The US economy proved resilient, avoiding a recession despite high interest rate hikes and even achieving better-than-expected economic growth of 2.9% in the third quarter[6]. In Europe, there was no GDP growth[7], while Slovenia achieved 1.6% GDP growth in 2023, and the other countries where the Group is present had slightly higher growth[8].

At the same time, strong deflation was observed in 2023. Inflation is on the decline as a result of the restrictive monetary policies of central banks in the euro area, the US and other developed countries. As a result, interest rate rises are expected to come to an end.

Reinsurance markets were affected by claims inflation, with increases in sums insured and retentions in 2023. In both the domestic and international reinsurance markets, other factors (including increased

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[6] https://tradingeconomics.com/united-states/gdp-growth-annual
[7] https://tradingeconomics.com/euro-area/gdp-growth-annual
[8]Source: UMAR, Economic Mirror, No. 1/2024, IMF, World Economic Outlook, October 2023, www.statista.com.

loss frequency in some markets, macroeconomic conditions, geopolitical conflicts and the prevailing hard market) influenced the renewal of reinsurance treaties in 2023, further tightening conditions and thus making the renewal of reinsurance protection more challenging. Despite the difficult environment, the Company obtained adequate reinsurance protection in 2023. On the other hand, rate increases and tighter conditions in the reinsurance markets had a positive impact on accepted reinsurance business.

Potential systemic risks are kept under constant review in order to take timely action. They reduce their exposure to such risks by, among other things, ensuring adequate diversification of the investment portfolio and a sufficient percentage of highly liquid assets to meet extraordinary liquidity needs. The ORSA also examines the impacts of different scenarios.

Climate change and associated risks

Climate change is a serious risk for society, the economy and 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 losses, investing in financial investments) inevitably exposes it to these risks.

As the number and severity of catastrophic events have increased in recent years, climate change risks continue to be monitored at Company and Group level. The risks are discussed in more detail in section C.6.6 “Sustainability and climate change risks”.

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.

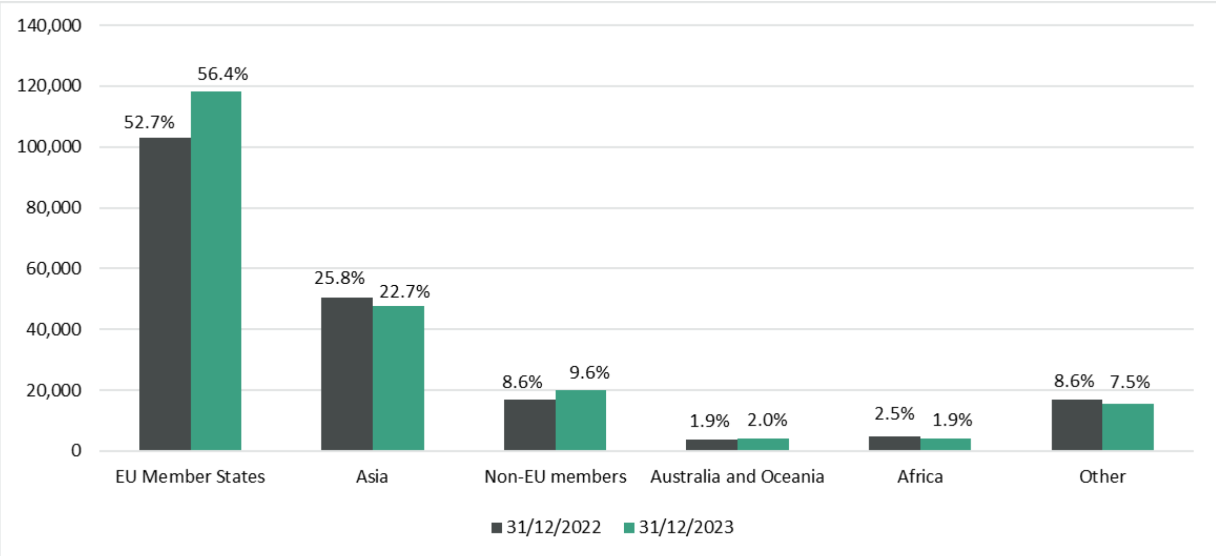
Underwriting risk is generally divided into:

- 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.

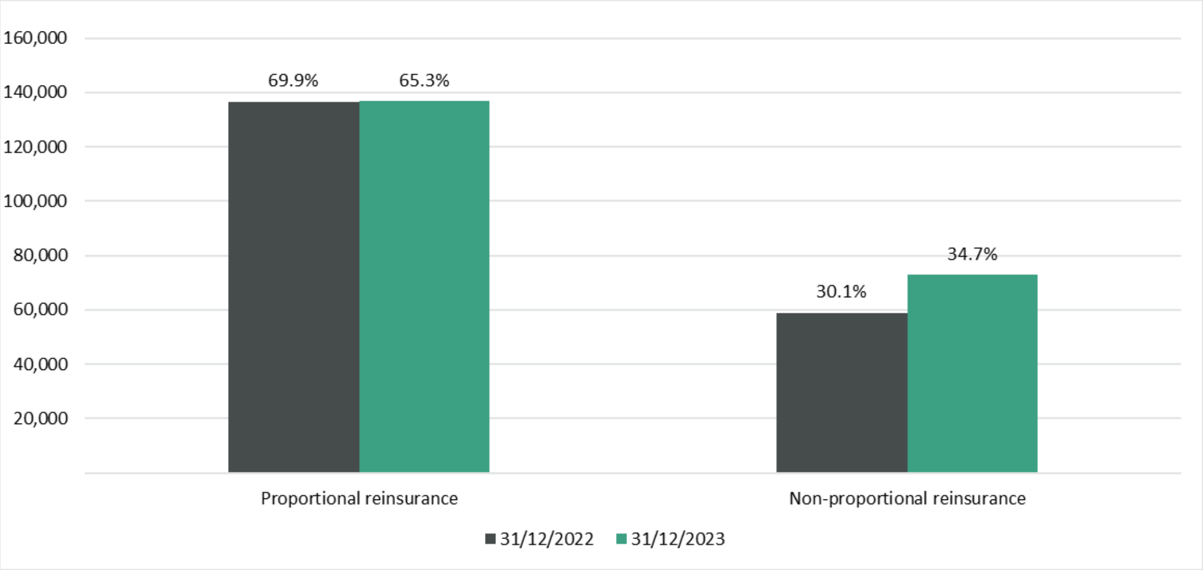
The following charts show gross premiums written by three criteria: geographical area, form of reinsurance and insurance group.

Gross premiums written by geographical area (EUR thousand)

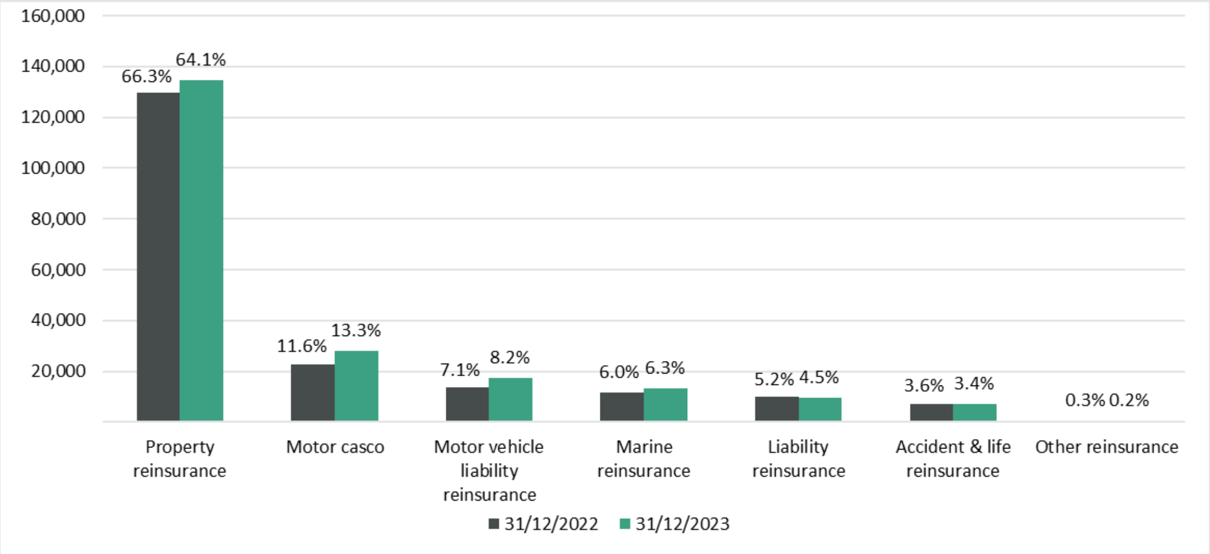


As can be seen, the Company is most exposed to the EU markets (especially to Slovenia) and Asia, and it is seeking to diversify through its presence in other markets.

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. The retrocession programme is described in more detail in section C.1.4.

- **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.

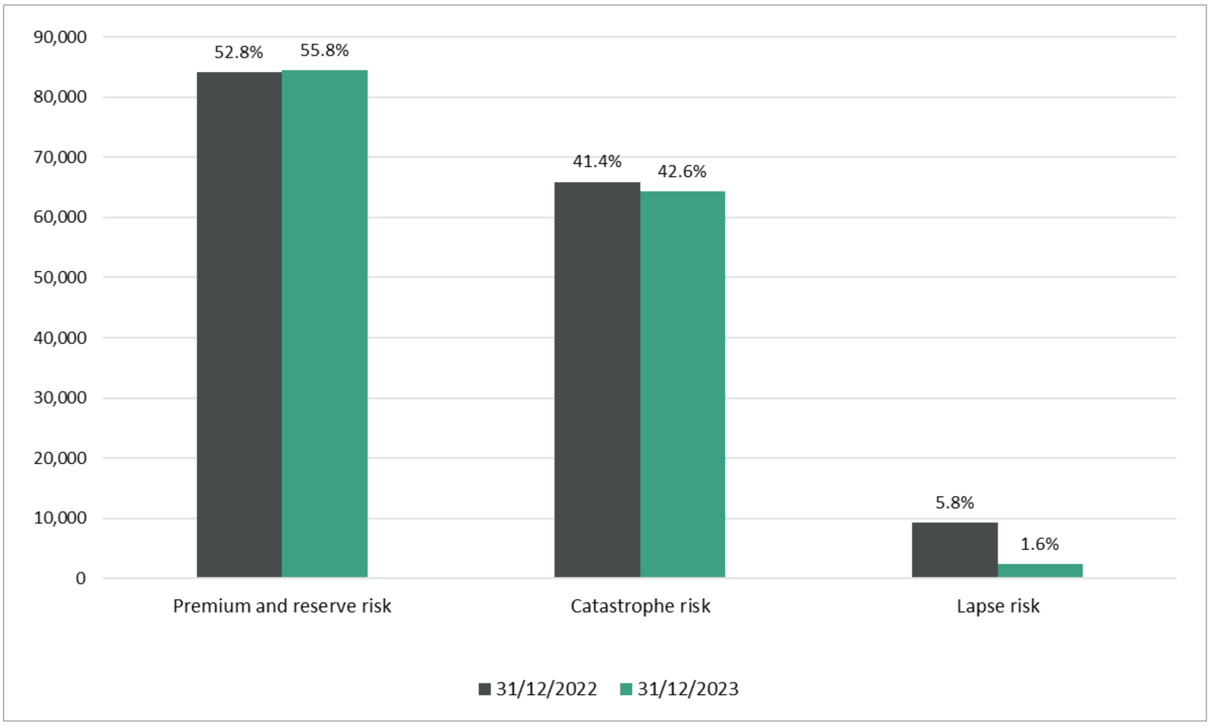
As at 31 December 2023, the Company was exposed to non-life underwriting risk in the amount of EUR 118.3 million (31 December 2022: EUR 119.5 million), health underwriting risk in the amount of EUR 2.6 million (31 December 2022: EUR 2.9 million) and life underwriting risk in the amount of EUR 0.4 million (31 December 2022: EUR 0.3 million). The capital requirement for non-life underwriting risk, health underwriting risk and life underwriting risk accounted for 40.9%, 0.9% and 0.1%, respectively, of the sum of the SCR of all risk modules[9]. Premium and reserve risk, followed by catastrophe risk, represented the largest proportion of the undiversified non-life underwriting risk.

As at 31 December 2023, the capital requirement for non-life underwriting risk was slightly lower than at the end of the previous year, partly due to the lower capital requirement for catastrophe risk, mainly as a result of the additional treaty renewals, and partly due to a lower lapse risk as a result of a change in methodology. Premium and reserve risk increased slightly as a result of premium volume growth driven by rate increases in reinsurance markets and increased business volumes. On the other hand, the volume of provisions decreased as a result of claims payments, so the increase in the capital requirement is not so large.

The capital requirements for health underwriting risk and life underwriting risk, both relatively small, remained at a similar level in 2023 as in 2022.

The following chart 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)[10]



[9] The sum of all SCRs of all risk modules, including operational risk, was taken into account.
[10] The share of an individual risk submodule is calculated as a percentage of the sum of all risk submodules.

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 (as reflected in the 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 2023.

The largest gross exposure of Sava Re to natural catastrophes by country (EUR thousand)[11]

Country	31 December 2023	Country	31 December 2022
Slovenia	472,942,000	Slovenia	492,219,081
China	48,183,550	China	52,183,589
Greece	36,075,000	Croatia	38,643,718
Taiwan	32,530,091	India	34,664,109
Vietnam	30,842,603	Greece	32,579,445
Germany	30,300,050	Philippines	32,408,102
India	30,298,091	Taiwan	31,840,502
Austria	29,726,240	Romania	31,686,845
Serbia	29,543,248	Vietnam	30,226,968
Romania	28,616,100	Turkey	29,791,873
Total	**769,056,973**	**Total**	**806,244,233**

Exposure to Slovenia decreased by EUR 19.3 million compared to the previous year, with no other major changes compared to the previous year. Countries with the highest gross exposure in 2023 also include Germany, Austria and Serbia.

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.

[11] For exposure, in countries where modelled exposure data is available, PML assumptions (250-year events) are used, but where this data is not available, the sum insured is used as the maximum exposure.

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 2023, 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 4.7% increase in the premium and reserving risk of non-life insurance and a 6.8% increase in the premium and reserving risk of NSLT health insurance. The increase does not have a material impact on the Company's solvency.

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 5.3% increase in the premium and reserving risk of non-life insurance and a 3.2% increase in the premium and reserving risk of NSLT health insurance. The increase does not have a material impact on the Company's solvency.

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 2023	653,163		225,927		289%	
Increase in volume measure for premium risk	653,163	0	228,480	2,553	286%	-3 p.p.
Increase in volume measure for reserve risk	653,163	0	228,749	2,822	286%	-4 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 major underwriting process risk is the 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 or 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 there is a significant change in the process, methods or 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. If the Company continues to make use of the cover, reinstatement provisions start operating, i.e. the Company protects 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. This ensures that the Company remains solvent even if several catastrophe 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. As part of the ORSA for 2024, the Company addressed catastrophe risk in two climate scenarios, which are described in sub-section C.6.6 “Sustainability and climate change risks”.

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.

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 debt alternative 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. The level of risk in the calculation of capital requirements is also affected by the level of the symmetric adjustment, which is determined on the basis of the historical performance of the equity index.
- **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 2023	Structure as at 31 December 2023	31 December 2022	Structure as at 31 December 2022
Asset class				
Bonds	**317,774**	**37.0%**	**288,333**	**37.0%**
Government bonds	229,684	26.7%	214,340	27.5%
Corporate bonds	88,090	10.2%	73,993	9.5%
Investment funds	**29,427**	**3.4%**	**27,362**	**3.5%**
Deposits	**1,042**	**0.1%**	**0**	**0.0%**
Equity investments	**495,035**	**57.6%**	**448,660**	**57.5%**
Participations	491,496	57.2%	443,060	56.8%
Listed shares	813	0.1%	4,285	0.5%
Unlisted shares	2,726	0.3%	1,314	0.2%
Property	**13,967**	**1.6%**	**13,854**	**1.8%**
Own-use property	3,691	0.4%	3,570	0.5%
Other property	10,276	1.2%	10,284	1.3%
Loans and mortgages	**2,744**	**0.3%**	**1,840**	**0.2%**
Total	**859,989**	**100%**	**780,049**	**100%**

The value of assets included in the calculation of market risk was EUR 860.0 million as at 31 December 2023 (31 December 2022: EUR 780.0 million). The growth in investments in 2023 is due to the increase in the value of participations in subsidiaries and associates and the increase in the value of bond investments. Investments in government and corporate bonds increased compared to the previous period, driven by the investment of free cash flow and the appreciation of these investments. The growth in investment fund assets was largely driven by favourable value movements in 2023. The value of participations in subsidiaries increased compared to the previous year, reflecting the strong operating performance 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.

The proportion of portfolio investments[12] in variable-rate financial instruments is relatively small, with the majority of the Company's equity investments being participations. Portfolio investments show a relatively high exposure to interest rate and credit risk.

C.2.2 Risk measurement

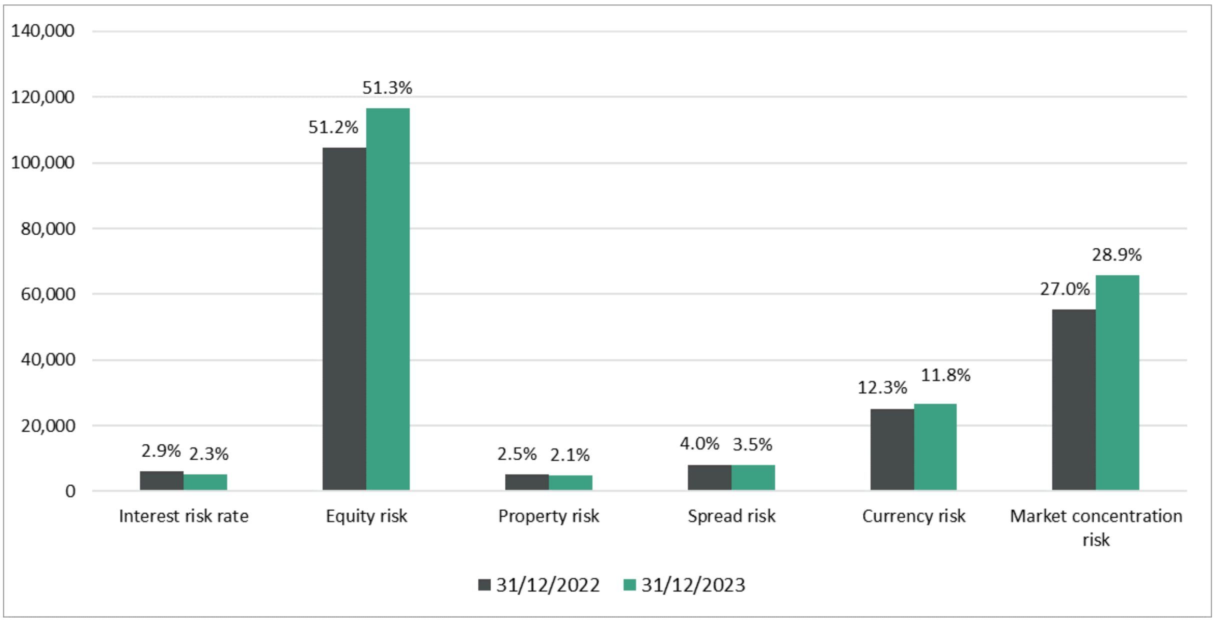
The Company uses the Standard Formula in addition to its own risk assessment for the quantitative assessment of market risk.

The solvency capital requirement in accordance with the Solvency II Standard Formula for market risk stood at EUR 150.9 million as at 31 December 2023 (31 December 2022: EUR 135.7 million, representing 52.2% of the sum of the SCR of all risk modules[13]. The capital requirement is higher largely due to the higher value of participations in subsidiaries and associates, which increases equity risk and concentration risk. The Company has participations in insurance companies, both EU- and non-EU-

[12] Assets included in the calculation of market risks less participations in subsidiaries.
[13] The sum of all SCRs of all risk modules, including operational risk, was taken into account.

based, in the amount of EUR 379.2 million (31 December 2022: EUR 346.0 million), in non-EU based insurance companies in the amount of EUR 63.5 million (31 December 2022: EUR 54.2 million), in the other subsidiaries and associates of EUR 48.7 million (31 December 2022: EUR 42.9 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 EU-based and non-EU-based insurance companies increased significantly compared to last year, mainly as a result of the companies' strong operating results and more favourable valuation of the investments. The value of participations in the other subsidiaries and associates also increased compared to last year due to the inclusion of two new subsidiaries (ASP and Vita S Holding).

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 decreased slightly in 2023, due to the lower 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 majority 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 increased in 2023, mainly due to the higher value of participations in subsidiaries and associates.

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 is low. In 2023, the risk decreased slightly due to the slightly lower value of real-estate funds.

Spread risk is a relatively small part of market risk, contributing 3.5% to the capital requirement. In 2023, the risk slightly decreased, mainly due to an increase in the share of better-rated investments. 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 2023, the Company reported highly matched assets and liabilities in accordance with IFRSs. Nevertheless, the Company still had some currency mismatches under the Solvency II

[14] The share of an individual risk submodule is calculated as a percentage of the sum of all risk submodules.

methodology as the result of lower SII provisions compared to IFRS provisions. This risk increased slightly in 2023.

Market risk concentration is the second-largest market risk, accounting for 29%. 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 level of risk is also affected by participations in associates, which are treated as a separate exposure and therefore exceed the exposure threshold in concentration risk. This risk increased compared to 31 December 2022, 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 spending,
- 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 related to these investments.

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

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 56.3% of the entire value of financial investments in subsidiaries and associates (31 December 2022: 56.9%). As at 31 December 2023, Sava Re's total exposure to the risk of financial investments in subsidiaries and associates was EUR 491.5 million (31 December 2021: EUR 443.1 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 maximum 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.

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 five 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 2023	**653,163**		**225,927**		**289%**	
Increase in interest rates of 100 basis points	650,466	-2,697	224,931	-996	289%	0 p.p.
Decrease in interest rates of 100 basis points	655,914	2,751	227,077	1,150	289%	0 p.p.
Fall in value of equity securities of 20%	650,334	-2,829	224,881	-1,046	289%	0 p.p.
Decrease in value of property of 15%	650,700	-2,463	225,513	-414	289%	0 p.p.
Decrease in value of participation in Zavarovalnica Sava of 20%	597,862	-55,302	217,130	-8,797	275%	-14 p.p.
Decrease in value of participation in insurer Vita of 20%	632,619	-20,544	222,617	-3,311	284%	-5 p.p.
Widening of credit spreads by 100 basis points	646,228	-6,935	225,474	-453	287%	-2 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. Consequently, the impact of the sensitivity analysis on the solvency ratio is very small. 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 very small.

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.

The third sensitivity analysis assumed a **fall in property prices** of 15%. 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.

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

[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 2023, the Company's materiality threshold was EUR 8.5 million.

EUR 276.5 million in the Solvency II balance sheet as at 31 December 2023 (31 December 2022: EUR 252.1 million), accounting for 56.3% (31 December 2022: 56.9%) 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 value of the participation in the insurer Vita was EUR 102.7 million in the Solvency II balance sheet as at 31 December 2023 (31 December 2022: EUR 93.8 million), accounting for 20.9% (31 December 2022: 21.2%) 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 fifth is a sensitivity analysis to **increases in credit spreads**. The analysis was carried out by increasing the credit spreads by 100 basis points and then recalculating the eligible own funds and the solvency capital requirement. An increase in the credit spread reduces the Company's eligible own funds slightly below the Company's materiality threshold, but also reduces the Company's SCR, so the impact of the sensitivity analysis on the solvency ratio is relatively small.

Scenario analysis in ORSA

The Company's ORSA analysed the impact of increased macroeconomic risks on the Company's business and solvency through a financial scenario.

The financial scenario assumed a banking crisis. The scenario assumed an increase in interest rates at the longer end of the risk-free interest rate curve, a widening of credit spreads on debt securities and a decline in the value of other investment classes. Based on this scenario, the impact on the projected investment portfolio and projected insurance liabilities at 31 December 2024 was recalculated. 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 Company's solvency ratio would remain above the lower end of the optimal capitalisation range as defined in the Company's risk strategy and well above the regulatory level of 100%.

The Company also included a climate scenario in the ORSA in relation to the impact of transition risks on the investment portfolio, which is described in subsection C.6.6 "Sustainability and climate change risks".

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

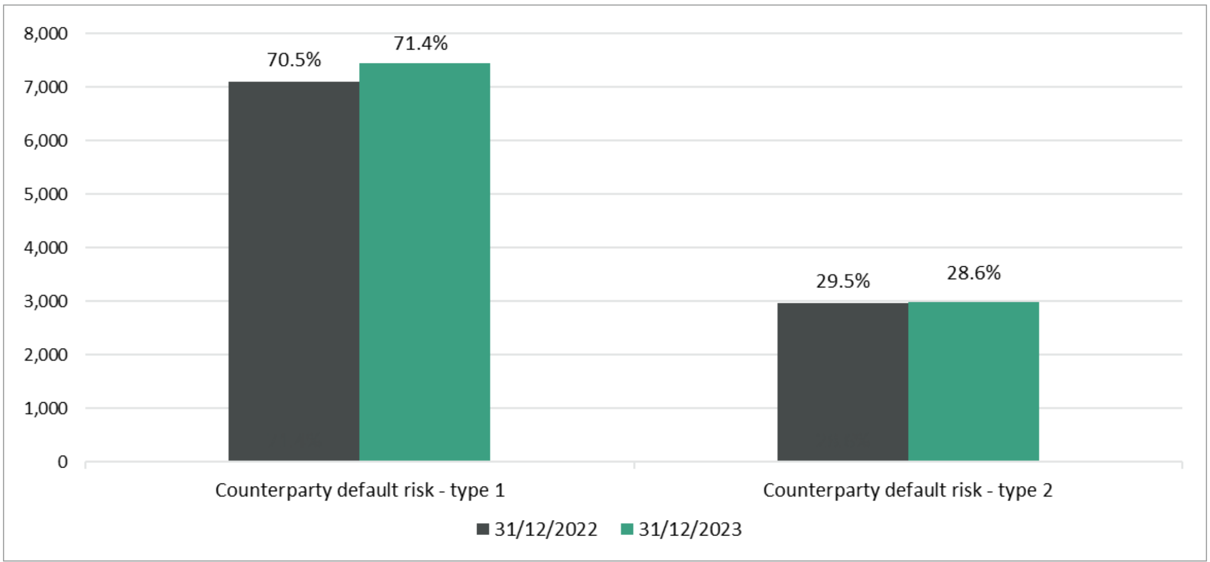
The Company makes quantitative assessments of credit risk using the Standard Formula. As mentioned, spread and market concentration risks are assessed within the market risk module, whereas counterparty default risk is assessed in a separate counterparty default risk module. This section shows the results 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 9.9 million as at 31 December 2023 (31 December 2022: EUR 9.5 million, representing 3.4% of the sum of the SCR of all risk modules[17].

The following chart 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, is 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 2023, the risk was at roughly the same level as at 31 December 2022. Exposures to banks on cash equivalents decreased slightly on the previous year, whereas exposures to deposits with cedants and exposures to retrocessionaires increased slightly.

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. As at 31 December 2023, the risk was at roughly the same level as at 31 December 2022.

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.

The Company has no significant concentration with counterparty default risk.

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/co-insurer and by entering into contracts with highly rated partners.

[18] The share of an individual risk submodule is calculated as a percentage of the sum of all risk submodules.

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 on the Company's solvency is small.

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 2023	**653,163**		**225,927**		**289%**	
Downgrade in reinsurers' credit ratings	652,984	-179	227,213	1,286	287%	-2 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 2023, 52% of the Company's investment portfolio qualified as highly liquid (31 December 2022: 52%), 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 2023, the Company's EPIFP totalled EUR 7.7 million (31 December 2022: EUR 7.2 million).

[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 2023 are listed below, ranked by their rating in the risk register (from highest to lowest). Risks that increased in 2023 are marked as such:

- the risk of personal data breaches (increased due to the implementation of the new Data Protection Act (ZVOP-2)),
- the risk of intentional or unintentional leakage of confidential information,
- the risk of a cyber-attack,
- the risk of inadequate IT support for reinsurance,
- the risk of inadequate provision of external IT services (in-house or commercial cloud services),
- the risk of data loss due to a compromised or non-functioning IT system (slightly increased),
- the risk related to the sanctions clause,
- the risk of incorrect calculation input data, miscalculations or errors in Sava Re's internal or external reports (related to Solvency II) (increased due to the transition to the new accounting standard IFRS 17),
- risk of misstatements in reports to the management or supervisory boards (increased due to the implementation of the new accounting standard IFRS 17).

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 6.9 million as at 31 December 2023 (31 December 2022: EUR 6.6 million, representing 2.4% of the total SCR of all risk modules[20] (31 December 2022: 2.4%).

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

C.5.3 Risk concentration

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

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

C.5.4 Risk management

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

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

- maintaining an effective business processes management system and 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,
- monitoring of operational risk indicators (indicators are defined in the risk strategy and are also used to indirectly measure reputational risk),
- 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.

Cyber risks were among the key operational risks in 2023. Monitoring and managing these risks is of key importance to the Company, which is why it regularly improves its activities to prevent and manage them. In addition to the preventive measures already in place, the Company is planning and implementing additional measures, such as the integration of a multi-level user authentication system and the development of a cyber incident response plan. Security threats and incidents are regularly monitored through the security operations centre (SOC). In 2023, a project team was established at Group level to plan activities to align to the new DORA regulation, which Sava Re will also have to comply with. The new legislation, which comes into force on 17 January 2025, sets new network and information security requirements for financial institutions.

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. Therefore, the following is a discussion of strategic risks 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 the Company in 2023, ranked according to their rating in the risk register (from highest to lowest), are set out below. Risks that increased in 2023 are marked as such:

- the risk of deteriorating macroeconomic and geopolitical conditions, which may make it more difficult to underwrite reinsurance or to achieve the projected returns on the investment portfolio,
- Risk of negative changes of legislation related to the underwriting of reinsurance business
- the risk related to changes in legal and regulatory practices and the resulting impact on the Company's operations or insurance underwriting,
- the risk of making the wrong decision on new strategic investments (increased by uncertain macroeconomic conditions).

In 2023, the risks associated with a deterioration in macroeconomic conditions remain high, despite a slight moderation in inflation. The high risk ratings have been maintained due to the uncertain geopolitical situation, notably the war in Ukraine, tensions between Russia and the West, and the outbreak of the military conflict between Israel and Hamas. The significant natural catastrophes that occurred during the summer months (such as storms, floods and wildfires), combined with other loss events, also had an impact on reinsurance rates, putting pressure on retention levels and making it more difficult to obtain adequate reinsurance protection. The Company expects these risks to remain high in the coming year.

C.6.2 Risk measurement

Strategic risks are by their nature very diverse and highly dependent on various (including external) factors, making them difficult to quantify. 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 using qualitative analysis of various scenarios. Based on both analyses combined, the Company obtains an overview of the extent and change in the exposure to this type of risk.

C.6.3 Risk concentration

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

C.6.4 Risk management

The Company mitigates individual strategic risks mainly through preventive measures.

In addition to individual organisational units, the management board, the risk management committee and risk management functions are actively involved in identifying and managing strategic risks. Strategic risks are also managed through on-going monitoring of the realisation of the Company's short- and long-term goals, and by monitoring regulatory changes in the pipeline and market developments.

In 2023, the Company took steps to adapt its business to the changed macroeconomic and geopolitical environment. These risks are expected 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. The Company will also carefully consider the impact of the situation on the investment portfolio and adjust its investment policy accordingly.

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 recognises that reputation is important to the achievement of its business goals and long-term strategic plans. The risk strategy therefore identifies **reputation risk** as a key risk. The Company seeks to minimise the likelihood of actions that could have a material impact on its reputation. 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. 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. In addition, in 2023, the Company started monitoring operational indicators, which also indirectly measure reputational risk.

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.

The Company also considers **project risks** to be part of strategic 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 to predict and identify new risks. The Company attempts to follow trends, technological developments and events that may shape future risk development. It is a challenge to accurately predict such risks, so the Company obtains information externally and seeks to define what could significantly affect its business operations in the future.

In 2023, Sava Re conducted a survey to obtain assessments of which emerging risks would have the greatest impact on the Company's business. On the basis of the ratings and the number of raters, an average rating was calculated for each of the risks. The highest assessed risks up to 2027 are the macroeconomic risk, the physical climate risk (extreme weather conditions) and the financial stability risk. The same risks were considered to be the key risks beyond 2027.

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 and climate change risks

In the strategy period 2023–2027, the Company attaches great importance to sustainable development and a sustainable development strategy has been prepared and adopted in cooperation with all the Group's subsidiaries. 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[21], the Company integrates sustainability risks into its risk management system. In 2022, 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 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, the Company 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 13 "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 2023, Sava Re recorded five 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 increased 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,

[21] Insurance Distribution Directive.

- the risk of an increased capital cost due to the increased frequency and severity of extreme weather events.

These risks were assessed qualitatively and quantitatively in this year's ORSA. The qualitative assessment covers the likelihood and severity of these risks over the long term. The materiality of physical and transition risk exposures was analysed in the investment and non-life insurance portfolios, where qualitative analysis indicated that the Group and the Company could experience the greatest impact from climate change. Three climate change scenarios were also included to quantify the impact of transition risks on the Company's investment portfolio and the impact of physical risks on the Company's insurance portfolio in selected representative concentration pathways (RCP) scenarios and time horizons.

In its ORSA, the Company analysed the impact of physical risks on the insurance portfolio using two climate CAT scenarios, a short-term CAT scenario and a long-term RCP 8.5 climate scenario[22]. In the short-term CAT scenario, the Company analysed the impact of an increase in the frequency of natural catastrophes and assumed that Slovenia would suffer three catastrophe events during the year and that some western and northern European countries would be hit by a storm in the same year. In the long-term RCP 8.5 climate scenario, the Company analysed the impact of a long-term increase in the frequency and severity of natural catastrophes and assumed that Slovenia would experience five catastrophic events of increased severity within one year. The Company simulated both scenarios using planning data for 2024 and calculated the impact on its eligible own funds and the SCR as at 31 December 2024. Both scenarios would have a very large impact on the Company's eligible own funds (the impact considerably exceeding the Company's materiality threshold). If any of these scenarios were to occur, the value of eligible own funds would decrease due to the payment of claims or the creation of SII provisions for non-life insurance. The Company's SCR would also decrease slightly. In both scenarios, the Company's solvency ratio would decline but would remain above the lower capitalisation level. 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.

The Company analysed the impact of transition risks on the investment portfolio over the medium term using the RCP 4.5[23] climate scenario, which assumes that the increase in coupon prices would lead to a decrease in the value of investments (increase in the required yield on government bonds, widening of credit spreads on bonds issued by companies operating in sensitive sectors, change in the value of equity investments and investment property). The Company simulated the scenario using planning data for 2024 and calculated the impact on its eligible own funds and the SCR as at 31 December 2024. If this scenario were to occur, the decrease in eligible own funds would be mainly driven by a decrease in the value of participations in subsidiaries. The value of the Company's investment portfolio would be further reduced. Solvency in this scenario would remain well above the lower capitalisation level. In the future, the Company plans to implement various measures to mitigate the impact of such a scenario (compliance with sustainability policies, scenario analysis in the ORSA, monitoring of risk indicators, analysis of external partners, etc.).

[22] RCP 8.5 is a high emissions scenario, which corresponds to a future with no policy changes to reduce emissions and is characterised by increasing greenhouse gas emissions, leading to high concentrations of greenhouse gases in the atmosphere. It is broadly in line with the current policy scenario or the business-as-usual scenario.

[23] RCP 4.5 is an intermediate emissions scenario consistent with a future of relatively ambitious emissions reductions and a slight increase in greenhouse gas emissions before they start to decline around 2040. In spite of these relatively ambitious measures to reduce emissions, RCP 4.5 still falls short of the 2°C / 1.5°C target agreed in the Paris Agreement. It is broadly consistent with the greenhouse gas emissions profile that would result from implementing the 2015 Nationally Determined Contributions (by 2030), followed by a rapid peak in emissions and then a 50% reduction in global emissions by 2080.

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 2023, 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 associated with reputation risk (including the risk of non-compliance with the sustainable investment policy),
- the risk of higher costs due to adapting policies or operations to be environmentally friendly,
- the risk of inadequate or untimely implementation on and reporting in line with sustainability-related legislation.

At the Company level, some of the above risks are expected to increase over the strategy period, mainly due to the increased scope and complexity of the new sustainability legislation.

As part of sustainability risks, the Company also periodically monitors 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, the risk of changes in sustainability-related legislation affecting the business operations of the Company and reinsurance underwriting, and the risk of opportunistic losses of Group companies due to compliance with the constraints imposed by sustainability-related policies and other legislation. In 2023, the Company added to the regular assessment the risk of not achieving strategic goals, the risk of not identifying new sustainability opportunities and the risk of not identifying environmental changes (with stakeholders) in time to adapt to new sustainability legislation and policies.

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 EU, 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 statement of financial position drawn up by the Company for reporting purposes in accordance with IFRSs, referred to in this document as the IFRS balance sheet. In 2023, new accounting standards for the valuation of financial investments and (re)insurance contracts (IFRS 9 and IFRS 17) came into force. The Company has therefore used the new IFRS valuation as the starting point for preparing the 2023 SII balance sheet. In this document, we use the term gross IFRS provisions for the IFRS 17 term insurance contract assets and liabilities and the term reinsurers' share of IFRS provisions for reinsurance contract assets and liabilities, respectively.

The IFRS balance sheet is the basis for reclassifications and revaluations for the purpose of 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 following table shows the balance sheet as at 31 December 2023 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, taking into account the revaluations and reclassifications of asset and liability items (SII balance sheet).

IFRS and SII balance sheets as at 31 December 2023

EUR thousand		IFRS	Revaluation	Reclassification	Solvency II
Assets					
1	Deferred acquisition costs (D.1.1)	0	0	0	0
2	Intangible assets (D.1.2)	4,675	-4,675	0	0
3	Deferred tax assets (D.1.3)	5,087	3,290	0	8,378
4	Property and equipment held for own use (D.1.4)	2,731	960	0	3,691
5	Property and equipment other than for own use (D.1.5)	7,803	2,473	0	10,276
6	Investments in subsidiaries and associates (D.1.5)	325,242	166,254	0	491,496
7	Shares (D.1.5)	3,539	0	0	3,539
8	Bonds (D.1.5)	317,682	92	0	317,774
9	Investment funds (D.1.5)	29,427	0	0	29,427
10	Deposits other than cash equivalents (D.1.5)	1,021	20	0	1,042
11	Loans and mortgages (D.1.6)	2,715	29	0	2,744
12	Reinsurers' share of technical provisions (D.1.7)	95,316	-9,567	-27,014	58,735
13	Deposits to cedants (D.1.8)	0	0	13,212	13,212
14	Insurance and intermediaries receivables (D.1.9)	0	0	19,743	19,743
15	Reinsurance and co-insurance receivables (D.1.10)	0	0	30,148	30,148
16	Other receivables (D.1.11)	198	0	0	198
17	Own shares (D.1.12)	24,939	23,276	0	48,215
18	Cash and cash equivalents (D.1.13)	12,260	0	0	12,260
19	Other assets (D.1.14)	715	-715	0	0
Total assets		**833,351**	**181,439**	**36,089**	**1,050,879**
Liabilities					
20	Gross technical provisions – non-life and NSLT health (D.2)	290,568	-28,111	-12,008	250,449
21	Gross technical provisions – life (excl. health, index-linked and unit-linked business) (D.2)	89	8,273	0	8,362
22	Provisions other than technical provisions (D.3.1)	420	0	0	420
23	Deferred tax liabilities (D.1.3)	0	5,151	0	5,151
24	Financial liabilities other than financial liabilities owed to financial institutions	280	0	0	280
25	Insurance and intermediaries payables (D.3.2)	0	0	44,963	44,963
26	Liabilities from reinsurance and co-insurance business (D.3.3)	0	0	3,133	3,133
27	Other trade payables (D.3.4)	9,218	0	0	9,218
28	Subordinated liabilities (D.3.5)	74,988	-16,285	0	58,703
29	Other liabilities (D.3.6)	1,952	0	0	1,952
Total liabilities		**377,515**	**-30,972**	**36,089**	**382,632**
Excess of assets over liabilities		**455,836**	**212,411**	**0**	**668,247**

As at 31 December 2023, the Company had off-balance sheet items amounting to EUR 10.0 million (31 December 2022: 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 at 31 December 2023 include contingent liabilities relating to commitments to make payments to alternative funds in the amount of EUR 3.1 million (31 December 2022: EUR 4.4 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

The deferral of policy acquisition costs is included in the measurement of insurance contract liabilities in accordance with IFRS 17; therefore, the Company does not recognise deferred policy acquisition costs separately in the IFRS balance sheet.

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

D.1.2 Intangible assets

Intangible assets are valued at nil under Solvency II rules but may be recognised to the extent and at a value greater than nil, if they can be sold separately and if a quoted market price exists in an active market for the same or a similar intangible asset item.

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 2023, deferred tax assets and liabilities were accounted for using a tax rate of 22% (2022: 19%). In accordance with Solvency II principles, the Company set additional net tax assets resulting from revaluations in the amount of EUR 3.2 million (2022: EUR 3.8 million). The table below shows a detailed overview by individual item.

Deferred tax assets and liabilities

EUR thousand	31 December 2023		
	IFRS value	Revaluation	SII value
Deferred tax assets	**5,087**	**3,290**	**8,378**
Financial investments	4,835	0	4,835
Gross TPs	-589	0	-589
Reinsurers' share of technical provisions	122	2,105	2,226
Other items of deferred tax assets	720	1,186	1,906
Deferred tax liabilities	**0**	**5,151**	**5,151**
Financial investments	0	575	575
Gross TPs	0	4,364	4,364
Other items of deferred tax liabilities	0	211	211

The largest impact of deferred tax assets is on financial investments, which is already reflected in the IFRS balance sheet and is the result of the revaluation of investments. 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 intangible assets.

The largest impact on deferred tax liabilities arose from the revaluation of gross technical provisions (gross TPs).

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. The appraisal was carried out in 2022. 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, which would be valued at nil under the asset valuation methodology, is deducted by the Company from the resulting value of the company.

Shares

Shares – listed

Listed shares are valued at market value in both the IFRS balance sheet and the SII balance sheet based on the last published market price.

Shares – unlisted

Unlisted shares are valued at market value in both the IFRS and SII balance sheets based. The market price is calculated using a model. Where investments are not valued using a model because they are not material, it is assumed that cost is a reasonable approximation of market value.

Bonds

All bonds are valued at fair value in the SII balance sheet. Bonds valued at amortised cost in the IFRS balance sheet are revalued to fair value in the SII balance sheet, taking into account their fair value as at the reporting date.

Investment funds

The Company values investments in mutual funds and ETFs at the last published price in both the IFRS and SII balance sheets.

The Company also values investments in alternative funds (real estate and infrastructure funds, private debt funds, private equity funds, etc.) at market value, in both the IFRS and SII balance sheets, based on values received from the fund managers.

Deposits other than cash equivalents

The Company classifies deposits other than cash equivalents as at amortised cost. For the purpose of the SII balance sheet, amortised cost is considered to be a reasonable approximation of market value.

In contrast to the IFRS balance sheet, the value of deposits in the SII balance sheet is reported net of the impact of expected credit losses (ECL), which is reported as a revaluation.

Deposits with an original maturity of up to three months are reclassified from cash and cash equivalents to deposits other than cash equivalents in the SII balance sheet.

D.1.6 Loans and mortgages

The Company classifies loans as valued at amortised cost. For the purpose of the SII balance sheet, amortised cost is considered to be a reasonable approximation of market value.

In contrast to the IFRS balance sheet, the value of loans in the SII balance sheet is reported net of the impact of expected credit losses (ECL), which is reported as a revaluation.

D.1.7 Reinsurers' share of technical provisions

In the IFRS balance sheet, the Company recognises the net amount of reinsurance contract assets (the carrying amount of portfolios of reinsurance contracts that are assets) and of reinsurance contract liabilities (the carrying amount of portfolios of reinsurance contracts that are liabilities) in the item reinsurers' share of technical provisions. The Company accounts for reinsurance contract liabilities in accordance with IFRS 17.

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

No items are reclassified to reinsurers' share of technical provisions in the SII balance sheet.

In the SII balance sheet, the Company reclassifies from the item reinsurers' share of technical provisions the past-due retroceded premium payable, which is classified in the SII balance sheet under liabilities from reinsurance and co-insurance business, and the past-due commission receivable related to retrocession business, which is classified in the SII balance sheet as reinsurance and co-insurance receivables.

The revaluation arises from differences in the methods used to measure the IFRS and SII provisions.

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 expected counterparty defaults are made based on the division of the amount of reinsurers' share of technical provisions for claims reported and unearned premiums less deferred commission by counterparty (retrocessionaires) credit ratings and the likelihood of non-payment related to these credit ratings.

D.1.8 Deposits to cedants

Under some reinsurance contracts, part of the reinsurance premium is retained by cedants as guarantee for payment of future claims, and generally released after one year. The cash flows associated with these deposits are included in the valuation of insurance contract liabilities in accordance with IFRS 17, and therefore the Company does not separately recognise deposits with cedants in the IFRS balance sheet.

In the SII balance sheet, the Company transfers the deposits with cedants item from gross IFRS provisions to this item.

D.1.9 Insurance and intermediaries receivables

The cash flows associated with receivables from accepted reinsurance are included in the valuation of IFRS 17 insurance contract liabilities, and therefore the Company does not present reinsurance receivables separately in the IFRS balance sheet.

In the SII balance sheet, the Company reclassifies past-due receivables for premiums arising out of accepted co-insurance and reinsurance from IFRS gross technical provisions to insurance and intermediaries receivables.

D.1.10 Reinsurance and co-insurance receivables

The cash flows associated with receivables arising out of ceded reinsurance are included in the valuation of reinsurance contract liabilities in accordance with IFRS 17, and therefore the Company does not separately present receivables arising out of reinsurance business.

In the SII balance sheet, the Company reclassifies from the IFRS reinsurers' share of technical provisions to the reinsurance and co-insurance receivables item the past-due receivables for commissions on ceded reinsurance and the total receivables for reinsurers' shares of claims.

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 IFRS balance sheet, the Company recognises the net amount of insurance contract assets (the carrying amount of portfolios of insurance contracts that are assets) and of insurance contract liabilities (the carrying amount of portfolios of insurance contracts that are liabilities) in the item technical provisions. The Company accounts for insurance contract assets and liabilities in accordance with IFRS 17.

No items are reclassified to technical provisions in the SII balance sheet.

In the SII balance sheet, the Company reclassifies from the technical provisions line item:

- past-due receivables for premiums arising out of accepted reinsurance business into the item insurance and intermediaries receivables,
- not-past-due commission payables relating to accepted reinsurance business into the item insurance and intermediaries payables,
- deposits with cedants into the item deposits to cedants,
- total payables relating to claims arising from accepted reinsurance and other past-due other payables from primary insurance business into item insurance and intermediaries payables,
- total receivables from accepted reinsurance subrogation recoveries into item insurance and intermediaries receivables.

The revaluation arises from differences in the methods used to measure the IFRS and SII provisions.

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 of the non-Group portfolio 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 determined by expert judgement, multi-year averages, information from the reinsurance underwriting department. 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 currency breakdown of the resulting cash flows is the currency structure of the sum of the claims provisions for reported claims and unearned premiums, less deferred commission. 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 best estimate provisions for the Group portfolio are established taking into account the reinsurers' share of the best estimate provisions recognised by the Group companies.

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 77 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 2023

EUR thousand	Gross amount	Reinsurers' share	Risk margin
Proportional medical expense reinsurance	20	0	1
Proportional income protection reinsurance	2,397	48	273
Proportional workers' compensation reinsurance	0	0	0
Proportional motor vehicle liability reinsurance	15,837	3	987
Other proportional motor reinsurance	9,721	4,244	1,010
Proportional marine, aviation and transport reinsurance	8,700	875	817
Proportional fire and other damage to property reinsurance	67,855	14,953	4,991
Proportional general liability reinsurance	16,043	1,362	1,240
Proportional credit and suretyship reinsurance	570	0	198
Proportional legal expenses reinsurance	-2	0	1
Proportional assistance reinsurance	0	0	0
Miscellaneous financial loss	3,867	2,065	187
Non-proportional health reinsurance	398	1	60
Non-proportional casualty reinsurance	13,549	5,925	792
Non-proportional marine, aviation and transport reinsurance	9,278	-645	1,372
Non-proportional property reinsurance	80,475	24,663	9,812
Accepted life reinsurance	8,287	5,241	75
Total portfolio	**236,997**	**58,735**	**21,815**

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**

Gross best estimate provisions increased by EUR 8.4 million in 2023. Of this amount, gross best estimate provisions for Group business increased by EUR 12.7 million, whereas best estimate provisions for non-Group business decreased by EUR 4.3 million. Net provisions for Group business and non-Group business decreased by EUR 5.5 million and EUR 8.4 million, respectively. A large part of the increase in gross claims provisions for Group business relates to natural catastrophes in 2023. Claims provisions for non-Group business remained at a similar level to the previous year. On the other hand, premium provisions for both non-Group and Group business decreased due to portfolio growth and higher not-past-due premium receivables. The increase in the value of the provisions was also affected by the downward shift of the discount curve.

Gross IFRS provisions are 8% higher than SII provisions. Net IFRS provisions are 5% higher.[24]

The risk margin increased slightly in 2023.

The main differences in the valuation of net SII and IFRS provisions are:

- A different interest rate curve is used for discounting, as the risk-free interest rate curve published by EIOPA is used for SII provisions, and a liquidity premium is added to this curve for IFRS provisions (100% for annuity claims and 50% for other claims). The difference due to discounting is EUR 3.6 million.
- SII provisions are established taking into account only the not-past-due portion of reinsurance receivables and liabilities. In addition, receivables and liabilities related to claims are also not taken into account. The resulting difference was EUR 15 million.
- An amount of EUR 1.9 million relates to the difference in the methodology of calculating the risk margin.
- The deferred profits on in-force business recognised immediately under SII but amortised over the period of coverage in the contractual service margin (CSM) under IFRS 17, resulted in a difference of EUR 5.1 million.
- Different segmentation and reserving processes account for the remaining difference. IFRS provisions are valued at the contract level, taking into account the expected loss ratio of the contract, while SII provisions are valued at the level of the SII lines of business using triangular methods.

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 10% 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 2023 by 11.3% (2022: 4.7%, a 5% shock). The Company has also carried out a sensitivity analysis to a 10% reduction in written premiums and commissions that are not past due (only the estimated portion of premiums and commissions is shocked); gross best estimate provisions would increase by 2.1% (2022: 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 0.8% (2022: 0.3%).

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 2023 increased by 5.3% (2022: 4.5%), and by 4.2% in the annuity revision shock (2022: 3.9%).

In addition, we provide the effect of changes in interest rates for discounting. A downward shock in the Standard Formula would result in a 4.8% rise in gross best estimate provisions (2022: 5.2%); an upward

[24] The relative change was calculated excluding reclassification effects.

shock in the Standard Formula would lead to a 4.8% decrease in gross best estimate provisions (2022: 5.3%).

The Company identified no other areas of uncertainty. The sensitivity calculations presented show that SII 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 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

The cash flows associated with payables from accepted reinsurance are included in the valuation of IFRS 17 insurance contract liabilities, and therefore the Company does not present reinsurance payables separately in the IFRS balance sheet.

In the SII balance sheet, the Company reclassifies from gross IFRS provisions to insurance and intermediaries payables the past-due commissions on accepted reinsurance, the total payables related to claims arising from accepted reinsurance and the other past-due payables on direct insurance business.

D.3.3 Reinsurance and co-insurance payables

The cash flows associated with payables arising out of ceded reinsurance are included in the valuation of reinsurance contract liabilities in accordance with IFRS 17, and therefore the Company does not separately present payables arising out of reinsurance business.

In the SII balance sheet, the Company reclassifies past-due commissions payable on ceded reinsurance and co-insurance business from the reinsurers' share of IFRS technical provisions to reinsurance and co-insurance payables.

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.

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

D.3.7 Any other liabilities, not elsewhere shown

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

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

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. A valuation was obtained in 2022 from a certified real estate appraiser to update the estimated fair values of the properties held for own-use and investment properties.

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 2023, the Company reported an excess of assets over liabilities of EUR 668.2 million (31 December 2022: EUR 576.3 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 48.2 million (31 December 2022: EUR 38.6 million),
- foreseeable dividends in the amount of EUR 25.6 million (31 December 2022: EUR 24.8 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 58.7 million (31 December 2022: EUR 56.3 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 2023, the Company is not reporting such exclusions from own funds.

As at 31 December 2023, 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 2023, 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 2023
Ordinary share capital (gross of own shares)	71,856
Share premium account related to ordinary share capital	54,240
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0
Subordinated mutual member accounts	0
Surplus funds	0
Preference shares	0
Share premium account related to preference shares	0
Reconciliation reserve (= (1) - (2) - (3) - (4) - (5))	465,137
(1) Excess of assets over liabilities	*668,247*
(2) Own shares (held directly and indirectly)	*48,215*
(3) Adjustment for own-fund restricted items with respect to matching adjustment portfolios and ring-fenced funds	*0*
(4) Foreseeable dividends, distributions and charges	*25,571*
(5) Other basic own fund items	*129,323*
Subordinated liabilities	58,703
Amount equal to the value of net deferred tax assets	3,227
Total basic own funds after deductions	**653,163**

Total basic own funds, after deductions, increased by EUR 83.9 million compared to 31 December 2022. The main contributor to the growth in own funds is the higher value of participations in subsidiaries and associates, mainly as a result of the companies' strong financial results and more favourable valuations of the investments. In addition, the growth in own funds was driven by the Company's strong profit for the year.

The Company also recognises net deferred tax assets within own funds as at 31 December 2023, which are described in more detail in section 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 2023
IFRS equity	**430,897**
Difference in the valuation of participations	166,254
Difference in the valuation of other assets	-8,092
Difference in the valuation of technical provisions	19,838
Difference in the valuation of other liabilities	11,134
Foreseeable dividends, distributions and charges	-25,571
Subordinated liabilities in basic own funds	58,703
Solvency II eligible own funds	**653,163**
Of which tier 1	*591,233*
Of which tier 2	*58,703*
Of which tier 3	*3,227*

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[25]	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.

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

Own funds eligible to meet the SCR

(EUR thousand)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2023	653,163	591,233	58,703	3,227
As at 31 December 2022	569,247	509,137	56,290	3,820

Own funds eligible to meet the MCR

(EUR thousand)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2023	602,530	591,233	11,296	0
As at 31 December 2022	519,828	509,137	10,691	0

As at 31 December 2023, the majority of the Company's eligible own funds was classified as tier 1 funds and 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.

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 2023	31 December 2022
SCR	**225,927**	**213,829**
Adjustments for TP and DT	0	0
Operational risk	6,899	6,638
Basic solvency capital requirement (BSCR)	**219,029**	**207,191**
Sum of risk components	282,119	267,947
Diversification effect	-63,091	-60,757
Market risk	150,941	135,717
Counterparty default risk	9,893	9,519
Life underwriting risk	360	346
Health underwriting risk	2,605	2,851
Non-life underwriting risk	118,320	119,515
Eligible own funds	**653,163**	**569,247**
Solvency ratio	**289%**	**266%**

The majority of the SCR as at 31 December 2023 relates to market risk, which increased compared to 31 December 2022, mainly due to the rise in the value of participations in subsidiaries, mainly as a result of the strong performance of the subsidiaries and the more favourable valuation of the investments. Non-life underwriting risk decreased slightly compared to 31 December 2022, mainly due to lower catastrophe and lapse risks. 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.

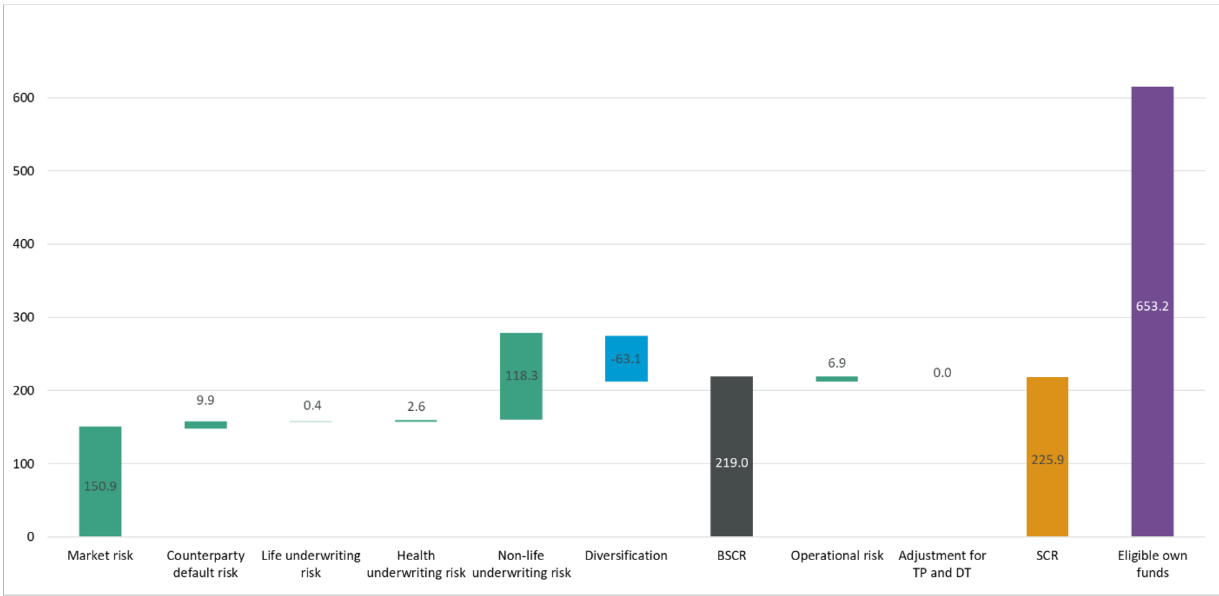
The Company calculates its SCR without using the simplifications referred to in Articles 88–112 of the Delegated Regulation. Nor does it use undertaking-specific parameters in calculating the SCR for non-life and NSLT health business.

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 2023 is EUR 0.

The following chart shows the individual risk modules of the Standard Formula, the Company's SCR and its eligible own funds as at 31 December 2023.

Solvency capital requirement by risk module as at 31 December 2023 (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 289% as at 31 December 2023 (31 December 2022: 266%).

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 2023, even by internal criteria.

In December 2023, the financial projections and the calculation of eligible own funds, the SCR and the solvency ratio for the next three years were also confirmed. The Company's solvency ratio is planned at a level in line with the risk strategy for the next three years.

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 2023	Net best estimate technical provisions	Net premiums written
Medical expense insurance and proportional reinsurance	20	17
Income protection insurance and proportional reinsurance	2,349	5,154
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	15,834	17,177
Other motor insurance and proportional reinsurance	5,478	25,817
Marine, aviation and transport insurance and proportional reinsurance	7,825	9,242
Fire and other damage to property insurance and proportional reinsurance	52,902	55,162
General liability insurance and proportional reinsurance	14,681	4,209
Credit and suretyship insurance and proportional reinsurance	570	447
Legal expenses insurance and proportional reinsurance	0	9
Assistance insurance and proportional reinsurance	0	1
Miscellaneous financial loss insurance and proportional reinsurance	1,802	582
Non-proportional health reinsurance	398	712
Non-proportional casualty reinsurance	7,624	2,678
Non-proportional marine, aviation and transport reinsurance	9,923	1,669
Non-proportional property reinsurance	55,812	47,350

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

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 2023	31 December 2022
Other life and health reinsurance obligations	3,046	3,846
Capital at risk for all life reinsurance obligations	456,864	339,261

The following table shows the Company's MCR.

Minimum capital requirement

EUR thousand	31 December 2023	31 December 2022
Linear required MCR	42,322	42,707
Absolute MCR floor	3,900	3,600
Combined MCR	56,482	53,457
MCR	**56,482**	**53,457**
Own funds eligible to meet the MCR	602,530	519,828
MCR ratio	**1,067%**	**972%**

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 2023, the Company was compliant with legislation, its high solvency ratio being substantially higher than the statutory 100%. Moreover, as at 31 December 2023, the Company had a major surplus of eligible own funds above the minimum capital requirement.

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

E.6 Any other information

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

Appendix – Glossary of selected terms

English term	Slovenian term	Meaning
Adjustment for TP and DT	**Prilagoditve za TP in DT**	Adjustment for the loss-absorbing capacity of technical provisions and deferred taxes. Adjustment because of the capacity to absorb losses by reducing technical provisions and through deferred taxes.
Basic solvency capital requirement – BSCR	**Osnovni zahtevani solventnostni kapital – BSCR**	The basic solvency capital requirement within the framework of the standard formula is an amount based on the statutory calculation of the following risks: non-life underwriting risk, life underwriting risk, health underwriting risk, market risk and counterparty default risk.
Business continuity procedures	**Načrt neprekinjenega poslovanja**	Document that includes procedures for ensuring the continuous operation of key business processes and systems. The contingency plan is an integral part of 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.
IFRS provisions	**MSRP rezervacije**	Insurance and reinsurance contract assets and liabilities calculated in accordance with IFRS.
Tehnical provisions – TP	**Zavarovalno-tehnične rezervacije – ZTR**	Provisions calculated in accordance with Solvency II (best estimate provisions).
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.

English term	Slovenian term	Meaning
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).
RCP (Representative Concentration Pathways) scenario[26]	**RCP-scenarij**	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.

[26] 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
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.
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

S.02.01.02 Balance sheet

S.04.05.21 Premiums, claims and expenses by country

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

S.12.01.02 Life and Health SLT Technical Provisions

S.17.01.02 Non-life Technical Provisions

S.19.01.21 Non-life Insurance Claims Information

S.23.01.01 Own funds

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

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

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**	8,378
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	3,691
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	853,554
Property (other than for own use)	**R0080**	10,276
Holdings in related undertakings, including participations	**R0090**	491,496
Equities	**R0100**	3,539
Equities – listed	**R0110**	813
Equities – unlisted	**R0120**	2,726
Bonds	**R0130**	317,774
Government bonds	**R0140**	229,684
Corporate bonds	**R0150**	88,090
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	29,427
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	1,042
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	2,744
Loans on policies	**R0240**	0
Loans and mortgages to individuals	**R0250**	0
Other loans and mortgages	**R0260**	2,744
Reinsurance recoverables from:	**R0270**	58,735
Non-life and health similar to non-life	**R0280**	53,494
Non-life excluding health	**R0290**	53,445
Health similar to non-life	**R0300**	49
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	5,241
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	5,241
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	13,212
Insurance and intermediaries receivables	**R0360**	19,743
Reinsurance receivables	**R0370**	30,148
Receivables (trade, not insurance)	**R0380**	198
Own shares (held directly)	**R0390**	48,215
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**	12,260
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	**1,050,879**

		Solvency II value
Liabilities		C0010
Technical provisions – non-life	R0510	250,449
Technical provisions – non-life (excluding health)	R0520	247,301
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	225,894
Risk margin	R0550	21,407
Technical provisions – health (similar to non-life)	R0560	3,148
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	2,816
Risk margin	R0590	333
Technical provisions – life (excluding index-linked and unit-linked)	R0600	8,362
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	8,362
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	8,287
Risk margin	R0680	75
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	420
Pension benefit obligations	R0760	0
Deposits from reinsurers	R0770	0
Deferred tax liabilities	R0780	5,151
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	280
Insurance & intermediaries payables	R0820	44,963
Reinsurance payables	R0830	3,133
Payables (trade, not insurance)	R0840	9,218
Subordinated liabilities	R0850	58,703
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	58,703
Any other liabilities, not elsewhere shown	R0880	1,952
Total liabilities	**R0900**	**382,632**
Excess of assets over liabilities	**R1000**	**668,247**

S.04.05.21 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						C0020
	R0010		CN	KR	IN	GB	JP	
			China	Korea (Republic of)	India	Great Britain	Japan	
Premiums written								
Gross – Direct Business	R0020							
Gross – proportional reinsurance	R0021	74,618	4,896	6,575	1,169	3,590	2,255	18,486
Gross – non-proportional reinsurance	R0022	12,160	5,866	3,751	3,897	1,414	2,643	17,571
Premiums earned								
Gross – Direct Business	R0030							
Gross – Proportional reinsurance accepted	R0031	69,631	4,244	7,250	1,312	3,980	2,526	19,311
Gross – Non-proportional reinsurance accepted	R0032	12,111	5,253	3,449	3,582	1,280	2,431	15,995
Claims incurred								
Gross – Direct Business	R0040							
Gross – proportional reinsurance	R0041	47,864	4,245	3,008	929	1,396	6	9,583
Gross – non-proportional reinsurance	R0042	48,596	2,939	2,082	643	1,106	4	6,775
Expenses incurred								
Gross – Direct Business	R0050							
Gross – proportional reinsurance	R0051	17,856	1,296	1,163	109	1,307	735	4,610
Gross – non-proportional reinsurance	R0052	383	745	416	282	228	276	1,947

		Home Country	Top 5 countries (by amount of gross premiums written) – life obligations					Total Top 5 and home country
			CN	KR	IN	GB	JP	
	R1010		China	Korea (Republic of)	India	Great Britain	Japan	
		C0030	C0040	C0040	C0040	C0040	C0040	C0040
Premiums written – gross	**R1020**	1,039	2	35	0	0	0	37
Premiums earned – gross	**R1030**	916	0	7	0	0	0	8
Claims incurred – gross	**R1040**	128	14	10	3	4	0	31
Expenses – gross	**R1050**	238	7	6	0	7	4	24

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**	17	5,172	0	17,177	27,852	9,745	69,324	4,474	447
Gross – Non-proportional reinsurance accepted	**R0130**									
Reinsurers' share	**R0140**	0	18	0	0	2,035	503	14,162	266	0
Net	**R0200**	17	5,154	0	17,177	25,817	9,242	55,162	4,209	447
Premiums earned										
Gross – Direct Business	**R0210**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0220**	7	4,563	0	15,429	25,724	6,791	74,285	3,383	400
Gross – Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	23	0	0	126	0	16,927	629	0
Net	**R0300**	7	4,539	0	15,429	25,599	6,791	57,358	2,754	400
Claims incurred										
Gross – Direct Business	**R0310**	0	0	0	0	0	0	0	0	0
Gross – Proportional reinsurance accepted	**R0320**	33	1,869	0	9,591	17,531	5,345	52,326	2,401	101
Gross – Non-proportional reinsurance accepted	**R0330**									
Reinsurers' share	**R0340**	0	0	0	1	666	422	7,080	0	0
Net	**R0400**	33	1,869	0	9,590	16,865	4,922	45,246	2,401	101
Expenses incurred	**R0550**	4	1,071	0	3,547	6,104	2,100	16,773	970	92
Balance – other technical expenses/income	**R1210**									
Total technical 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**	9	1	1,440					135,660
Gross – Non-proportional reinsurance accepted	**R0130**				712	4,984	3,395	63,752	72,843
Reinsurers' share	**R0140**	0	0	859	0	2,306	1,726	16,402	38,278
Net	**R0200**	9	1	582	712	2,678	1,669	47,350	170,224
Premiums earned									
Gross – Direct Business	**R0210**								0
Gross – Proportional reinsurance accepted	**R0220**	29	1	1,347					131,959
Gross – Non-proportional reinsurance accepted	**R0230**				397	4,729	3,138	54,969	63,234
Reinsurers' share	**R0240**	0	0	224	0	1,704	616	13502	33,752
Net	**R0300**	29	1	1,123	397	3,025	2,522	41467	161,442
Claims incurred									
Gross – Direct Business	**R0310**								0
Gross – Proportional reinsurance accepted	**R0320**	2	0	4,282					93,482
Gross – Non-proportional reinsurance accepted	**R0330**				0	379	1,864	78,378	80,621
Reinsurers' share	**R0340**	0	0	2,498	0	5,895	209	61,562	78,334
Net	**R0400**	2	0	1,783	0	-5,516	1,655	16,816	95,769
Expenses incurred	**R0550**	2	0	447	0	417	432	7,006	38,964
Other expenses	**R1200**								13,806
Total technical expenses	**R1300**								52,770

		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								1,241	1,241
Reinsurers' share	R1420								254	254
Net	R1500	0	0	0	0	0	0	0	987	987
Premiums earned										
Gross	R1510								1,040	1,040
Reinsurers' share	R1520								407	407
Net	R1600	0	0	0	0	0	0	0	633	633
Claims incurred										
Gross	R1610								276	276
Reinsurers' share	R1620								47	47
Net	R1700	0	0	0	0	0	0	0	229	229
Expenses incurred	R1900								300	300
Balance – other technical expenses/income	R2510									0
Total technical expenses	R2600									300
Total amount of surrenders	R2700									0

S.12.01.02 Life and Health SLT Technical Provisions

		Insurance with profit participation	Index-linked and unit-linked insurance			Other life insurance			Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Accepted reinsurance
				Contracts without options and guarantees	Contracts with options or guarantees		Contracts without options and guarantees	Contracts with options or guarantees		
		C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100
Technical provisions calculated as a whole	**R0010**									0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	**R0020**									0
Technical provisions calculated as a sum of BE and RM										
Best Estimate										
Gross Best Estimate	**R0030**									8,287
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0080**									5,241
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	**R0090**									3,046
Risk margin	**R0100**									75
Technical provisions – total	**R0200**									8,362

		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	8,287						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0080	5,241						
Best estimate minus recoverables from reinsurance/SPV and Finite Re – total	R0090	3,046						
Risk margin	R0100	75						
Technical provisions – total	R0200	8,362						

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**	5	15	0	2,142	4,045	-807
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	0	5	0	0	619	14
Net Best Estimate of Premium Provisions	**R0150**	5	10	0	2,142	3,426	-821
Claims provisions							
Gross	**R0160**	15	2,382	0	13,695	5,676	9,507
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	0	43	0	3	3,624	862
Net Best Estimate of Claims Provisions	**R0250**	15	2,339	0	13,692	2,052	8,646
Total Best estimate – gross	**R0260**	20	2,397	0	15,837	9,721	8,700
Total Best estimate – net	**R0270**	20	2,349	0	15,834	5,478	7,825
Risk margin	**R0280**	1	273	0	987	1,010	817
Technical provisions – total							
Technical provisions – total	**R0320**	21	2,670	0	16,824	10,732	9,517
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	**R0330**	0	48	0	3	4,244	875
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	**R0340**	21	2,622	0	16,821	6,488	8,642

		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	-4,992	-83	-290	-4	0	-55
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	643	49	0	0	0	74
Net Best Estimate of Premium Provisions	R0150	-5,634	-132	-290	-4	0	-129
Claims provisions							
Gross	R0160	72,847	16,126	861	2	0	3,922
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	14,310	1,313	0	0	0	1,991
Net Best Estimate of Claims Provisions	R0250	58,536	14,813	861	2	0	1,930
Total Best estimate – gross	R0260	67,855	16,043	570	-2	0	3,867
Total Best estimate – net	R0270	52,902	14,681	570	-2	0	1,802
Risk margin	R0280	4,991	1,240	198	1	0	187
Technical provisions – total							
Technical provisions – total	R0320	72,846	17,283	768	-1	0	4,054
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	14,953	1,362	0	0	0	2,065
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	R0340	57,894	15,921	768	-1	0	1,989

		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	-172	-640	-185	-23,811	-24,834
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	0	-146	-669	-6,384	-5,795
Net Best Estimate of Premium Provisions	R0150	-172	-494	484	-17,427	-19,038
Claims provisions						
Gross	R0160	571	14,190	9,463	104,287	253,543
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	1	6,071	24	31,047	59,289
Net Best Estimate of Claims Provisions	R0250	570	8,119	9,439	73,239	194,254
Total Best estimate – gross	R0260	398	13,549	9,278	80,475	228,709
Total Best estimate – net	R0270	398	7,624	9,923	55,812	175,216
Risk margin	R0280	60	792	1,372	9,812	21,740
Technical provisions – total						
Technical provisions – total	R0320	458	14,341	10,649	90,287	250,449
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default – total	R0330	1	5,925	-645	24,663	53,494
Technical provisions minus recoverables from reinsurance/SPV and Finite Re – total	R0340	457	8,416	11,295	65,624	196,956

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 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											1,340	R0100	1,340	1,340
N-9	R0160	19,140	46,004	10,458	4,638	2,335	1,010	454	359	589	205		R0160	205	85,192
N-8	R0170	20,423	42,986	12,717	5,221	2,618	2,691	1,090	703	483			R0170	483	88,932
N-7	R0180	17,600	40,036	13,651	6,093	3,068	2,677	2,381	971				R0180	971	86,478
N-6	R0190	18,641	42,340	10,682	7,377	3,126	2,612	1,102					R0190	1,102	85,880
N-5	R0200	15,563	45,027	13,481	6,731	2,878	1,800						R0200	1,800	85,480
N-4	R0210	17,262	45,911	16,505	12,072	6,506							R0210	6,506	98,255
N-3	R0220	14,294	43,138	21,403	8,808								R0220	8,808	87,643
N-2	R0230	22,159	52,787	25,022									R0230	25,022	99,969
N-1	R0240	29,780	58,061										R0240	58,061	87,842
N	R0250	56,191											R0250	56,191	56,191
												Total	R0260	160,490	863,202

Gross undiscounted Best Estimate Claims Provisions
(absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											20,453
N-9	R0160	0	21,694	10,912	6,595	5,586	3,975	3,418	2,819	2,223	2,054	
N-8	R0170	60,808	28,857	14,399	9,219	6,507	4,511	3,967	3,852	3,428		
N-7	R0180	60,818	29,078	16,829	10,551	7,298	6,475	5,546	4,704			
N-6	R0190	66,657	33,019	20,905	17,066	9,774	7,175	8,624				
N-5	R0200	50,227	41,985	23,285	17,217	10,830	7,165					
N-4	R0210	58,280	52,006	41,329	28,145	15,465						
N-3	R0220	64,775	62,593	39,532	25,533							
N-2	R0230	73,622	71,988	37,859								
N-1	R0240	74,482	45,082									
N	R0250	102,258										

		Year end (discounted data)
		C0360
	R0100	19,005
	R0160	1,914
	R0170	3,185
	R0180	4,298
	R0190	7,944
	R0200	6,501
	R0210	14,272
	R0220	23,289
	R0230	34,860
	R0240	41,656
	R0250	96,618
Total	R0260	253,543

S.23.01.01 Own funds

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	71,856	71,856		0	
Share premium account related to ordinary share capital	**R0030**	54,240	54,240		0	
Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	**R0040**	0	0		0	
Subordinated mutual member accounts	**R0050**	0		0	0	0
Surplus funds	**R0070**	0	0			
Preference shares	**R0090**	0		0	0	0
Share premium account related to preference shares	**R0110**	0		0	0	0
Reconciliation reserve	**R0130**	465,137	465,137			
Subordinated liabilities	**R0140**	58,703		0	58,703	0
Amount equal to the value of net deferred tax assets	**R0160**	3,227				3,227
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**	0				
Deductions						
Deductions for participations in financial and credit institutions	**R0230**	0	0	0	0	0
Total basic own funds after deductions	**R0290**	653,163	591,233	0	58,703	3,227
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual-type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**	0			0	
Supplementary members calls – other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**	0			0	0
Other ancillary own funds	**R0390**	0			0	0

		Total	Tier 1 – unrestricted	Tier 1 – restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	**R0400**	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	653,163	591,233	0	58,703	3,227
Total available own funds to meet the MCR	**R0510**	649,936	591,233	0	58,703	
Total eligible own funds to meet the SCR	**R0540**	653,163	591,233	0	58,703	3,227
Total eligible own funds to meet the MCR	**R0550**	602,530	591,233	0	11,296	
SCR	**R0580**	225,927				
MCR	**R0600**	56,482				
Ratio of Eligible own funds to SCR	**R0620**	289%				
Ratio of Eligible own funds to MCR	**R0640**	1,067%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	668,247	
Own shares (held directly and indirectly)	**R0710**	48,215	
Foreseeable dividends, distributions and charges	**R0720**	25,571	
Other basic own fund items	**R0730**	129,323	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring-fenced funds	**R0740**		
Reconciliation reserve	**R0760**	465,137	
Expected profits			
Expected profits included in future premiums (EPIFP) – Life business	**R0770**	1,114	
Expected profits included in future premiums (EPIFP) – Non- life business	**R0780**	6,629	
Total Expected profits included in future premiums (EPIFP)	**R0790**	7,742	

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

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	150,941	
Counterparty default risk	R0020	9,893	
Life underwriting risk	R0030	360	0
Health underwriting risk	R0040	2,605	0
Non-life underwriting risk	R0050	118,320	0
Diversification	R0060	-63,091	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	219,029	

		USP
		C0090
Life underwriting risk	R0030	none
Health underwriting risk	R0040	none
Non-life underwriting risk	R0050	none

Calculation of Solvency Capital Requirement		**C0100**
Operational risk	**R0130**	6,899
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**	225,927
Capital add-on already set	**R0210**	0
of which, capital add-ons already set – Article 37 (1) Type a	**R0211**	
of which, capital add-ons already set - Article 37 (1) Type b	**R0212**	
of which, capital add-ons already set – Article 37 (1) Type c	**R0213**	
of which, capital add-ons already set - Article 37 (1) Type d	**R0214**	
Solvency capital requirement	**R0220**	225,927
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 – yes

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	-26,781

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

Linear formula component for non-life insurance and reinsurance obligations

		C0010
MCRNL result	**R0010**	41,938

		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**	20	17
Income protection insurance and proportional reinsurance	**R0030**	2,349	5,154
Workers' compensation insurance and proportional reinsurance	**R0040**	0	0
Motor vehicle liability insurance and proportional reinsurance	**R0050**	15,834	17,177
Other motor insurance and proportional reinsurance	**R0060**	5,478	25,817
Marine, aviation and transport insurance and proportional reinsurance	**R0070**	7,825	9,242
Fire and other damage to property insurance and proportional reinsurance	**R0080**	52,902	55,162
General liability insurance and proportional reinsurance	**R0090**	14,681	4,209
Credit and suretyship insurance and proportional reinsurance	**R0100**	570	447
Legal expenses insurance and proportional reinsurance	**R0110**	0	9
Assistance insurance and proportional reinsurance	**R0120**	0	1
Miscellaneous financial loss insurance and proportional reinsurance	**R0130**	1,802	582
Non-proportional health reinsurance	**R0140**	398	712
Non-proportional casualty reinsurance	**R0150**	7,624	2,678
Non-proportional marine, aviation and transport reinsurance	**R0160**	9,923	1,669
Non-proportional property reinsurance	**R0170**	55,812	47,350

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL result	**R0200**	384

		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	3,046	
Total capital at risk for all life (re)insurance obligations	R0250		456,864

Overall MCR calculation

		C0070
Linear MCR	R0300	42,322
SCR	R0310	225,927
MCR cap	R0320	101,667
MCR floor	R0330	56,482
Combined MCR	R0340	56,482
Absolute floor of the MCR	R0350	3,900
		C0070
Minimum Capital Requirement	R0400	56,482

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