Translation of the

Solvency and Financial Condition Report of Sava Re d.d. 2016

Ljubljana, May 2017

CONTENTS

Summary

Introduction

The Solvency II regime came into force on 1 January 2016, introducing major changes to the management of (re)insurance companies and insurance groups. The regulations comprise three pillars: quantitative requirements; the governance system, including the own risk and solvency assessment; and prudential reporting and public disclosure. Over the recent two years, Sava Re (hereinafter "the Company") has made thorough and systematic preparations for the new regime, entering the new system well-prepared.

The first Solvency II pillar introduced a new method of calculating capital adequacy. Under the new system, the amount of the solvency capital requirement that the Company must meet on an ongoing basis is based on the risks it is exposed to. Regulations allow for the use of two methods for calculating the solvency capital requirement, by use of the standard formula or an internal model. Sava Re calculates the solvency capital requirement using the standard formula.

The second pillar of the Solvency II regime emphasises the importance of an adequate system of governance, including the proper functioning of management bodies, the introduction of new key functions, systematic risk management and an internal control system. In addition, the Company must annually conduct an own risk and solvency assessment. It requires that the Company, in addition to the statutory capital adequacy calculation, makes an own calculation and projection of its capital requirements and eligible own funds over a (at a minimum) three-year strategic horizon.

The third pillar comprises mostly reporting requirements, both public and prudential. The Company's Solvency and Financial Condition Report 2016 is its first public report on its system of governance, risk profile, Solvency II valuation, eligible own funds, and its solvency capital requirement.

Company profile

Sava Re is the largest reinsurance company domiciled in Central and Eastern Europe. We are a public limited company 25-percent owned by Slovenian Sovereign Holding.

We are a medium-sized company but with a global reach. With a team of over 80 staff, Sava Re is headquartered in Ljubljana. We aim to lead and support all lines of treaty reinsurance business, both proportional and non-proportional reinsurance contracts with good capacity in order to provide to our clients:

- capacity,
- capital substitute,
- catastrophe support,
- creativity.

Sava Re is rated A- by both rating agencies Standard & Poor's and A.M. Best. Our core strengths lie in our regional knowledge, reliability, responsiveness, flexibility and our financial strength.

With 40 years' experience in international reinsurance, Sava Re provides a full range of reinsurance coverages. Our guiding principle is to build long-term relationships with our partners that will allow us to achieve common goals throughout all economic cycles.

Assumed risks are diversified globally as we underwrite business on all continents. We currently have over 300 clients in more than 100 countries and we look to focus on regions and insurers who share our vision of a long-term partnership in order to achieve growth. Our preferred classes of business are: property, engineering, marine hull & cargo, energy.

The Company is also the controlling company of an insurance group. In 2016, four group companies (Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje and Velebit životno osiguranje) merged to form the insurance company Zavarovalnica Sava, which operates both in Slovenia and Croatia and is the Group's largest insurer. Apart from Zavarovalnica Sava, the Group comprises four non-life insurers and two life insurers, all operating in the territory of the former Yugoslavia.

In 2016, there were changes in the composition of the supervisory board and management board. Details are described in the B.1.1.

System of governance

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

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

The Company has four key functions: the actuarial function, compliance function, risk management function and internal audit function. Also, the Company has a risk committee and actuarial committee.

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

- The first line of defence constitutes all organisational units with operational responsibilities (e.g. reinsurance underwriting, claims management, asset management, accounting, controlling).
- The second line of defence consists of the risk management function, actuarial function, compliance function and the risk management committee.
- The third line of defence is the internal audit function.

Risk profile

The Company's risk profile is dominated by non-life underwriting risks and market risks. The Company is also–to a lesser extent–exposed to other types risk: health underwriting risk, counterparty default risk and operational risk. Apart from the above risks, which are captured by the standard formula, the Company is also exposed to liquidity risk, managed primarily by following a strategy for ensuring sufficient liquidity. Because of the complex internal and external environment it operates in, the Company is exposed to various strategic risks.

The table below presents the Solvency Capital Requirement (SCR) in accordance with the Solvency II standard formula by risk module as at 31 December 2016.

Solvency capital requirement by module

(€ thousand)	31 December 2016
SCR	**147,655**
Adjustments for TP and DT	0
Operational risk	4,519
Basic solvency capital requirement	143,136

Sum of risk components	186,271
Diversification effect	-43,135
Market risk	85,337
Counterparty default risk	6,714
Life underwriting risk	0
Health underwriting risk	3,554
Non-life underwriting risk	90,666
Eligible own funds	**389,728**
Solvency ratio	**264 %**

Solvency II valuation

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 an arm's length transaction. Accordingly, the Company values liabilities at amounts by which they could be transferred or settled, between knowledgeable and willing parties in an arm's length transaction.

The following table shows adjustments to the balance sheet items valued in accordance with International Financial Reporting Standards (IFRS) that the Company has made for Solvency II purposes. The table below shows the equity item in accordance with IFRSs and eligible own funds under Solvency II.

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

(€ thousand)	31 December 2016
IFRS equity	**270,356**
Difference in the valuation of participations	102,799
Difference in the valuation of other assets	-71,184
Difference in the valuation of the technical provisions	90,861
Difference in the valuation of other liabilities, not elsewhere shown	9,295
Foreseeable dividends, distributions and charges	-12,398
Non-controlling interest	0
Solvency II eligible own funds	**389,728**

Capital management

The Company manages its capital to ensure that it has available, on an ongoing basis, sufficient funds to meet its obligations and regulatory capital requirements. The composition of eligible own funds held to ensure capital adequacy must comply with regulatory requirements and ensure an optimal balance between debt and equity capital. The level of own funds must also be sufficient for achieving other goals of the Company.

When allocating own funds to business segments, the Company needs to ensure that an adequate return on equity is achieved.

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

The Company's capital adequacy

(€ thousand)	31 December 2016
Solvency capital requirement (SCR)	147,655
Eligible own funds	389,728
Solvency ratio	**264 %**

As at 31 December 2016, all eligible own funds are tier one funds.

As can be seen from the table above, eligible own funds significantly exceed the SCR as reflected in the high level of its solvency ratio of 264 % as at 31 December 2016. According to the risk strategy, a solvency ratio of 180 % is still considered adequate (albeit suboptimal), while the optimal level of capitalisation starts at 220 %. This demonstrates that the Company is well capitalised, also in terms of its own criteria.

Solvency and Financial Condition Report of the Company

In accordance with Solvency II reporting requirements, the Company issues its solvency and financial condition report as at 31 December 2016 as its first report of this kind. The structure of the report is set out in Annex XX of the Delegated Regulation (EU) 2015/35. All figures included in this report are consistent with those reported as part of quantitative reporting for the Slovenian Insurance Supervision Agency. Figures in this report are stated in thousands of euros. Since the Solvency II regime came into force only on 1 January 2016, no comparative figures as at 31 December 2015 are provided.

Solvency and financial condition report has been reviewed by the auditing company ERNST & YOUNG, which prepared the report (opinion) which has been sent to AZN according to the regulation.

A. Business and performance

A.1 Business

Name and legal form of the Company

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

Sava Re transacts reinsurance business. In addition, Sava Re is the controlling company of the Sava Re Group, consisting of composite insurer Zavarovalnica Sava, non-life insurers Sava neživotno osiguranje (SRB), Sava osiguruvanje (MKD), Illyria and Sava osiguranje (MNE), and life insurers Sava životno osiguranje (SRB) and Illyria Life.

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

Insurance Supervision Agency
Trg republike 3
1000 Ljubljana
E-mail address: agencija@a-zn.si

Name and contact details of the Company's external auditor

ERNST & YOUNG Revizija,
poslovno svetovanje, d. o. o.
Dunajska cesta 111
1000 Ljubljana
Slovenia

The financial statements of Sava Re have been audited by Ernst & Young d.o.o., who have been tasked with the auditing of the financial statements of the Sava Re Group and Sava Re in 2016 for the fourth year in a row. In 2016 the Group's subsidiary companies were audited by the local auditing staff of the same auditing firm. A new contract for the auditing of the financial statements was signed with Ernst & Young in 2016, applying to the period from 2016 to 2018.

Holders of qualifying shares in the Company as at 31 December 2016

Shareholder	No. of shares	Holding	Share in voting rights (%)
SDH, d. d.	4,304,917	25.0 %	27.78 %
Zagrebačka banka d. d. - fiduciary account	2,469,432	14.3 %	15.93 %

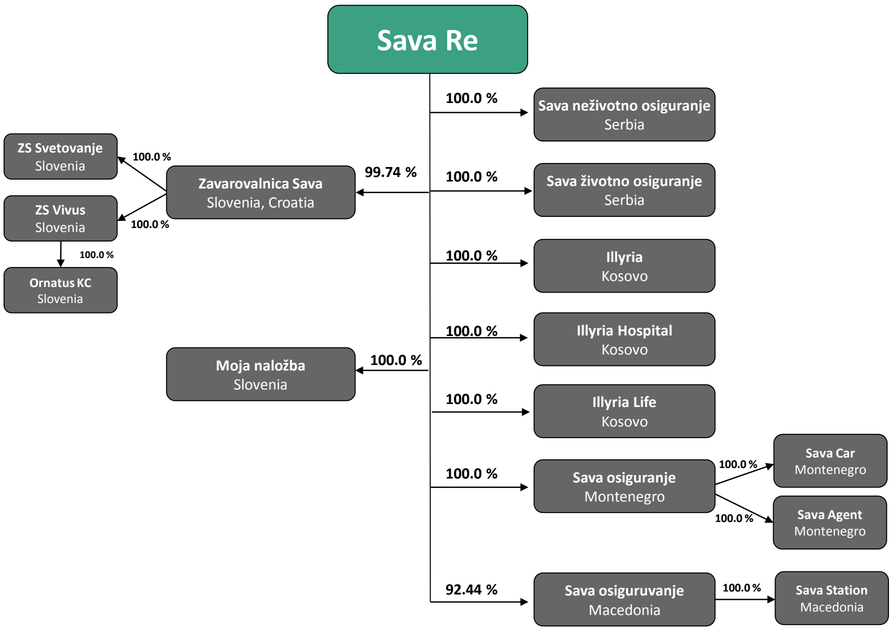
Source: Central securities register KDD d.d. and own sources.
Note:

- Sava Re holds 1,721,966 treasury shares with no voting rights attached.
- On 2 June 2016, Sava Re received a notice from Adris groupa, d.d., Vladimira Nazora 1, 52210 Rovinj, Croatia via its legal representative Rojs, Peljhan, Prelesnik & partnerji, o.p., d.o.o., advising the Company of a change in major holding in Sava Re. Adris grupa, including its subsidiaries with fiduciary accounts, held 3,278,049 POSR shares, representing 19.04 % of issued shares and 21.15 % of outstanding shares.

Position of the Company within the legal structure of the Group

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

Position of Sava Re as at 31 December 2016



The new company names of the companies ZS Svetovanje and ZS Vivus were entered in the register of companies in January 2017.

Major classes of business transacted by the Company and its main markets

The Company operates in the market of the Republic of Slovenia and globally. The two tables below list the markets where Sava Re wrote premiums exceeding € 500,000 and its major classes business. As can be seen in the first table, Sava Re (apart from intra-Group business) writes the largest amount of premiums in Asia.

Major markets

(€ thousand)	Premiums in 2016
Slovenia	52,111
South Korea	17,159
China	9,696
European Union	7,491
Russian Federation	4,778
Sweden	3,805
Austria	3,403
Japan	2,958
Turkey	2,573
India	2,468
Israel	2,271
Czech Republic	2,214
Bangladesh	2,200
Croatia	2,154
Vietnam	1,737
Germany	1,617

Singapore	1,396
Serbia	1,392
France	1,375
Poland	1,209
Great Britain	1,152
Philippines	1,095
Montenegro	1,037
Macedonia	944
Greece	935
Papua New Guinea	920
Belgium	910
Bulgaria	876
Nigeria	778
Lebanon	733
Kosovo	681
Algeria	661
Cyprus	647
Indonesia	635
Bosnia and Herzegovina	598
Mongolia	534
Nepal	529
Denmark	505
Other countries	9,252
Total	**147,427**

In terms of lines of business, proportional and non-proportional property reinsurance was the dominant line, accounting for 56 % of total gross premiums written in 2016. The second largest line of business was proportional other motor reinsurance, representing 17 % of total gross premiums written.

Premiums by lines of business

(€ thousand)	Movements in gross premiums written in 2016
Proportional fire and other damage to property insurance	64,088
Non-proportional property reinsurance	31,711
Proportional other motor reinsurance	13,778
Proportional motor vehicle liability reinsurance	10,684
Proportional marine, aviation and transport reinsurance	5,561
Proportional income protection reinsurance	5,090
Proportional general liability reinsurance	4,778
Non-proportional marine, aviation and transport reinsurance	4,476
Non-proportional casualty reinsurance	3,301
Proportional miscellaneous financial loss reinsurance	1,742
Proportional credit and suretyship reinsurance	997
Proportional medical expense reinsurance	418
Life reinsurance	404

Non-proportional health reinsurance	390
Proportional medical expense reinsurance	9

Significant events in 2016

EVENTS RELATED TO THE MERGER OF SAVA RE GROUP SUBSIDIARIES

- On 6 May 2016 the management boards of the EU-based Sava Re Group insurers (Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje, Velebit životno osiguranje) involved in the merger process signed a Cross-border Merger Plan and Merger Contract. On 13 May 2016 the supervisory boards of all four companies approved the contract, including a joint report of the management boards on the merger and cross-border merger and an auditor's opinion on the exchange ratio issued by the audit firm BDO revizija d.o.o. In June 2016 the companies Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje and Velebit životno osiguranje held their general meetings of shareholders, granting their consent to Zavarovalnica Maribor's merger by acquisition of Zavarovalnica Tilia and the cross-border merger of the two Croatian companies into Zavarovalnica Maribor.
- On 23 September 2016 the Insurance Supervision Agency granted authorisation for the merger of insurance companies, including the merger of Zavarovalnica Tilia and the cross-border merger of the companies Velebit osiguranje and Velebit životno osiguranje with Zavarovalnica Maribor.
- On 2 November the process of merging the four insurance companies Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje and Velebit životno osiguranje, all members of the Sava Re Group, was officially completed. As of that day, the above merger was entered into the register of companies, including the change in the company name from "Zavarovalnica Maribor, d.d." to "Zavarovalnica Sava, d.d." The merger process run both according to plan and successfully, as seen by the owner.

GOVERNANCE-RELATED EVENTS

- In its session of 23 February 2016, the workers' council of Sava Re was presented with and accepted the notice of resignation of Helen Dretnik as member of the supervisory board representing employee interests. Helena Dretnik had handed in her notice of resignation on 19 February 2016 with effect from the same date. Until the appointment of a new member of the supervisory board representing employee interests, the supervisory board of Sava Re operated as a five-member body. In accordance with the Workers' Participation in Management Act, the workers' council, in its session of 29 March 2016, appointed Mateja Živec as its new representative in the supervisory board. The member so appointed entered her term of office on 1 April 2016.
- In August 2016 Sava Re received a letter from the Insurance Supervision Agency notifying the Company of its intention to order supervisory measures and noting that Branko Tomažič, chairman of the Company's supervisory board, failed to meet all of the conditions for appointment as member of the Company's supervisory board.
- In its extraordinary session on 22 August 2016, the supervisory board of Sava Re recalled Zvonko Ivanušič from the position of both chairman and member of the Company's management board as of 23 August 2016. The supervisory board appointed management board member Jošt Dolničar as temporary chairman of the management board as of 23 August 2016, and adopted a decision by which the management board be composed of three members effective 23 August 2016. The supervisory board immediately began the process of selecting a new chairman of the management board. On 14 October 2016 the Company received a claim filed by Zvonko Ivanušič with the Ljubljana District Court for annulment of supervisory board resolution on his recall from the position of chairman and member of the management board, annulment of entry of the change of representatives into the court register, reinstatement as

chairman of the management board and payment of non-pecuniary damages. Prior to that, the Company had already received a claim filed by Zvonko Ivanušič with the Labour and Social Court in Ljubljana for wrongful termination (termination of both employment contract and employment relationship), requesting also full reinstatement.
- On 11 October 2016, the Company received a notice of resignation from Branko Tomažič as president and member of the supervisory board, effective as of that day. His functions in other supervisory board committees ceased as of the same day. On 12 October 2016 the members of the supervisory board of Sava Re elected from among themselves Mateja Lovšin Herič as chair of the supervisory board and Slaven Mićković as deputy chair. As of 12 October 2016, Keith Morris was appointed new member of the supervisory board nominations committee. As of 28 October 2016, Slaven Mićković was appointed chairman of the audit committee of the supervisory board (previously audit committee member), and Mateja Lovšin Herič was appointed member of the audit committee (previously chair of the audit committee). As of 28 October 2016, Mateja Živec was appointed new member and chair of the supervisory board's fit and proper committee.
- In its regular session of 16 December 2016, the Sava Re supervisory board completed the process of selecting a new chairman of the management board of Sava Re, selecting Marko Jazbec as the most suitable candidate. On 16 December 2016, Marko Jazbec was appointed as chair of the management board of Sava Re, d.d. with a five-year term of office starting on the day after the licence to perform the function of management board member is issued by the Insurance Supervision Agency.

OTHER EVENTS

- In their session of 6 April 2016, the supervisory and management boards of Sava Re drew up a proposal for the general meeting providing for a dividend – relating to the profit of 2015 – of € 0.80 gross per share, of which € 0.65 gross per share would comprise the regular dividend (representing an 18-percent increase over the 2014 dividend) and € 0.15 gross per share would comprise an extraordinary dividend. The management board of Sava Re cancelled the 31st general meeting scheduled for 24 May 2016 and in July 2016 reconvened it for 30 August 2016.
- In April 2016, Sava Re carried out a share repurchase procedure on the OTC market. After the process of sending offers was closed, the Company set the price (€ 15) and purchase volume of POSR shares (845,599) to be repurchased. From 1 April to 22 April 2016, Sava Re purchased altogether 895,796 own shares for a total amount of € 13.4 million in both the regulated and the OTC markets. The total number of own shares after the purchases was 1,721,966, representing 10.0 % less one share of the Company's issued share capital. There were no more share buy-back after 22 April 2016, as the general meeting authorisation was limited to 10 % less one share of the share capital.
- In early May 2016 after obtaining the required approvals from the National Bank of Serbia, the Serbian insurer Sava neživotno osiguranje (SRB) assumed the entire portfolio of the insurer AS osiguranje Beograd.
- In July after its regular annual rating review, rating agency Standard & Poor's reaffirmed Sava Re's existing "A-" ratings with a stable outlook. The ratings reflect the Company's strengthened risk management, its long-term stability and financial soundness.
- On 30/08/2016 the 31st general meeting of shareholders was held, at which no challenging actions were announced.
- In August, the north-eastern and central parts of Slovenia were hit by a storm. The associated net loss for the Sava Re Group was about € 5 million.
- On 19 October 2016 the Slovenian Constitutional Court – with respect to the cancellation of subordinated financial instruments – held that while the disputed Banking Act formally allowed the holders of cancelled shares and subordinated bonds of banks to bring claims against the Bank of Slovenia, this form of judicial protection was ineffective because claimants had no

access to information for the assessment of the value of bank assets and other relevant data based on which the Bank of Slovenia imposed emergency measures relating to qualified liabilities of banks resulting in the cancellation of banking shares and subordinated bonds. Furthermore, the law provided no procedural rules nor procedures of collective judicial protection for making fair decisions in disputes between expropriated share or bond holders and the Bank of Slovenia. Therefore, the Constitutional Court ordered the Slovenian National Assembly to – within six months of the publication of the decision – pass legislation that would allow the constitutionally consistent and effective enforcement of the right to justice for all claims already filed and future claims for damages relating to the cancellation of shares and bonds, while extending the limitation period for such claims. The total absolute value of cancelled subordinated instruments is € 10,038,000 for Sava Re, € 22,957,200 for Zavarovalnica Sava, and € 4.965.000 for Moja naložba. All these Sava Re Group companies will continue activities to protect their interests. In order to protect their rights with regard to limitation provisions, in December 2016, the Sava Re Group members brought actions against the issuing banks of the subordinated financial instruments that they held and were subsequently cancelled.
- On 4 November 2015, rating agency A.M. Best affirmed the financial strength rating and issuer credit rating of Sava Re of A– (Excellent) with a stable outlook.

Significant events after the reporting date

- On 7 March 2017, the 32nd general meeting of Sava Re took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. The general meeting elected the new supervisory board members for the next four-year term of office: Ivan Davor Gjivoje (term of office to start on 7 March 2017) and Mateja Lovšin Herič, Keith William Morris and Andrej Kren (term of office to start on 16/07/2017). As of 7 March 2017, the supervisory board of Sava Re operates with all of its six members.
- In 2006 and 2007, Sava Re raised a subordinated debt in the nominal amount of € 32 million maturing in 2027. Sava Re raised the subordinated debt to expand the Sava Re Group to the markets of the former Yugoslavia and to improve its capital adequacy position in accordance with the then applicable insurance laws and the Standard & Poor's model. In January 2014, Sava Re redeemed € 8 million of the nominal amount of its subordinated debt. Under the contractual provisions, the remaining nominal amount of € 24 million can be early repaid as of 2017. After receiving the approval of the Slovenian Insurance Supervision Agency, Sava Re repaid the first tranche of the subordinated debt in the nominal amount of € 12 million on 15 March 2017. The remaining part of the subordinated debt in a nominal amount of € 12 million is scheduled to be repaid in June 2017. After the repayment of the subordinated debt, Sava Re will maintain a high solvency ratio under the applicable law. Furthermore, the simulations of models of the rating agencies Standard & Poor's and A.M. Best have shown that the early repayment of the subordinated debt would not affect the capital position so that Sava Re will maintain a solid target level of capitalisation.

List of subsidiaries

The tables below give details of all the subsidiaries of Sava Re.

Subsidiaries as at 31 December 2016

Company name	Zavarovalnica Sava	Moja naložba	Sava neživotno osiguranje (SRB)	Sava životno osiguranje (SRB)
Registered office	Cankarjeva 3, 2507 Maribor, Slovenia	Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia	Bulevar vojvode Mišića 51, 11000 Beograd, Serbia	Bulevar vojvode Mišića 51, 11000 Beograd, Serbia
Company ID number	5063400	1550411	17407813	20482443
Business activity	composite insurer	pension company	non-life insurer	life insurer

Share capital	€ 68,417,377	€ 6,301,109	€ 6,665,393	€ 4,838,286
Book value of equity interest	€ 68,239,492	€ 6,301,109	€ 6,665,393	€ 4,838,286
Equity interests (voting rights) held by Group members	Sava Re: 99.74 %	Sava Re: 100.0 %	Sava Re: 100.0 %	Sava Re: 100.0 %
Bodies of the Company	**management board**	**management board**	**managing director:** Edita Rituper	**board of directors:** Gorica Drobnjak (chair), Zdravko Jojić
	David Kastelic (chair), Primož Močivnik, Rok Moljk, Boris Medica, Robert Ciglarič	Lojze Grobelnik (chair), Igor Pšunder	**executive director:** Milorad Bosnić	
	supervisory board	**supervisory board**	**board of directors**	**board of directors**
	Jošt Dolničar (chair), Mateja Treven, Polona Pirš Zupančič, Pavel Gojkovič, Aleš Perko, Branko Beranič	Mateja Treven (chair), Katrca Rangus, Rok Moljk, Jure Korent, Andrej Rihter, Irena Šela, Robert Senica	Jošt Dolničar (chair), Jure Korent, Marija Popović	Polona Pirš Zupančič (chair), Pavel Gojkovič, Milan Jelićić
Position in the Group	*subsidiary insurance company*	*subsidiary pension company*	*subsidiary insurance company*	*subsidiary insurance company*
Supervisory body	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Narodna banka Srbije, Nemanjina 17, 11000 Beograd, Serbia	Narodna banka Srbije, Nemanjina 17, 11000 Beograd, Serbia

Company name	Illyria	Illyria Life	Sava osiguruvanje (MKD)	Sava osiguranje (MNE)
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Zagrebska br. 28 A, 1000 Skopje, Macedonia	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Company ID number	70152892	70520893	4778529	02303388
Business activity	non-life insurer	life insurer	non-life insurer	non-life insurer
Share capital	€ 5,428,040	€ 3,285,893	€ 3,820,077	€ 4,033,303
Book value of equity interest	€ 5,428,040	€ 3,285,893	€ 3,531,279	€ 4,033,303
Equity interests (voting rights) held by Group members	Sava Re: 100.0 %	Sava Re: 100.0 %	Sava Re: 92.44 %	Sava Re: 100.0 %
Bodies of the Company	**managing director:** Gianni Sokolič	**managing director:** Ramis Ahmetaj	**executive director:** Peter Skvarča	**executive director:** Nebojša Šćekić
			chief operating directors: Ruse Drakulovski, Ilo Ristovski	
	board of directors	**board of directors**	**board of directors**	**board of directors**
	Primož Močivnik (chair), Rok Moljk, Robert Sraka, Ramis Ahmetaj, Milan Viršek	Primož Močivnik (chair), Robert Sraka, Gianni Sokolič, Rok Moljk, Milan Viršek	Rok Moljk (chair), Peter Skvarča (executive member), Polona Pirš Zupančič, Milan Viršek, Janez Jelnikar	Milan Viršek (chair), Jošt Dolničar, Edita Rituper
Position in the Group	*subsidiary insurance company*	*subsidiary insurance company*	*subsidiary insurance company*	*subsidiary insurance company*
Supervisory body	Centralna Banka Kosova, Garibaldi str. no.33, Priština, Kosovo	Centralna Banka Kosova, Garibaldi str. no.33, Priština, Kosovo	Insurance Supervision Agency, Ulica Vasil Glavinov br. 2, TCC Plaza kat 2, 1000 Skopje, Macedonia	Insurance Supervision Agency, Ul. Moskovska bb, 81000 Podgorica, Montenegro

Company name	Illyria Hospital	Sava Car	Sava Agent	Sava Station
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro	Zagrebska br. 28 A, 1000 Skopje, Macedonia
Company ID number	70587513	02806380	02699893	7005350
Business activity	currently it does not perform any activities	technical testing and analysis	insurance agent & broker services	technical testing and analysis
Share capital	€ 1,800,000	€ 320,000	€ 10,000	€ 199,821

Book value of equity interest	€ 1,800,000	€ 320,000	€ 10,000	€ 199,821
Equity interests (voting rights) held by Group members	Sava Re: 100.0 %	Sava osiguranje (MNE): 100.0 %	Sava osiguranje (MNE): 100.0 %	Sava osiguruvanje (MKD): 100.0 %
Bodies of the Company	**director:**	**executive director:**	**executive director:**	**director:**
	Ilirijana Dželadini	Radenko Damjanović	Snežana Milović	Melita Gugulovska
Position in the Group	*subsidiary*	*indirect subsidiary*	*indirect subsidiary*	*indirect subsidiary*
Supervisory body	/	Insurance Supervision Agency, Ul. Moskovska bb, 81000 Podgorica, Montenegro	Insurance Supervision Agency, Ul. Moskovska bb, 81000 Podgorica, Montenegro	Ministry of Internal Affairs of the Republic of Macedonia

Company name	ZS Vivus	ZM Svetovanje	Ornatus KC
Registered office	Karantanska ulica 35, 2000 Maribor	Betnavska cesta 2, 2000 Maribor	Karantanska ulica 35, 2000 Maribor
Company ID number	2154170000	2238799000	6149065000
Business activity	insurance agency	insurance agency	call centre
Share capital	€ 188,763	€ 83,363	€ 11,000
Book value of equity interest	€ 188,763	€ 83,363	€ 11,000
Equity interests (voting rights) held by Group members	Zavarovalnica Sava: 100.0 %	Zavarovalnica Sava: 100.0 %	ZS Vivus: 100.0 %
Bodies of the Company	**managing director:**	**managing director:**	**managing director:**
	Horvatić Kristijan	Kislinger Jurij	Štangelj Gregor
Position in the Group	*indirect subsidiary*	*indirect subsidiary*	*indirect subsidiary*
Supervisory body	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana

A.2 Underwriting Performance

Gross premiums, claims and expenses

(€ thousand)	2016	2015	Index
Gross premiums	147.427	151.982	97,0
Gross claims	85.165	89.690	95,0
Gross operating expenses	44.475	37.623	118,2

Gross earned premiums by major lines of business

(€ thousand)	2016	2015	Index
Proportional fire and other damage to property insurance	64.088	60.786	105,4
Non-proportional property reinsurance	31.711	29.805	106,4
Proportional other motor reinsurance	13.778	15.038	91,6
Proportional motor vehicle liability reinsurance	10.684	10.721	99,7
Other lines of business	27.166	35.635	76,2
Total	**147.427**	**151.982**	**97,0**

Gross premiums written by geographical area

(€ thousand)	2016	2015	Index
Slovenia	52,111	51,033	102.1
International	95,316	100,949	94.4
Gross premiums written	**147,427**	**151,982**	**97.0**

As can be seen in the above table, gross premiums written in Slovenia rose by 2.1 %, or € 1.1 million (increase in premiums written by Zavarovalnica Sava), while gross premiums written abroad decreased by 5.6 % or € 5.6 million. The drop in premiums from abroad is chiefly owing to the decline in premiums written in South Korea and in the USA, which is partly due to the soft market prevailing in international reinsurance markets and the resulting more selective underwriting. Nevertheless, South Korea remains an important market and our cooperation with our partners in this region is stable and long-term. Sava Re generated solid growth in international markets: in Asian markets (excluding South Korea) 12 per cent growth; in African markets 29 per cent growth and in Latin American markets on average 13 per cent growth.

In the structure of gross premium written in 2016, the fire reinsurance still dominated. The share of proportional fire reinsurance increased by 3 percentage points compared with 2015, the share of non-proportional by 2 percentage points.

Gross claims incurred by major lines of business

(€ thousand)	2016	2015	Index
Proportional fire and other damage to property insurance	34.268	36.527	93,8
Non-proportional property reinsurance	16.265	19.438	83,7
Proportional other motor reinsurance	9.769	11.682	83,6
Proportional motor vehicle liability reinsurance	7.673	7.230	106,1
Other lines of business	17.191	14.814	116,0
Total	**85.166**	**89.690**	**95,0**

Gross claims paid by geographical area

(€ thousand)	2016	2015	Index
Slovenia	26,870	33,204	80.9
International	58,295	56,486	103.2
Total	**85,165**	**89,690**	**95.0**

Gross claims paid of Sava Re decreased by 5.0 % in 2016. Gross claims paid relating to domestic business decreased by 19.1 % compared to 2015. In 2015 there were many claim payments for the ice damage loss relating to 2014 (settled from provisions). Gross reinsurance claims from abroad increased by 3.2 % compared to 2015 as a result of claim payments for past underwriting years. In terms of classes of business, 2016 claims were still dominated by fire claims.

Operating expenses

(€ thousand)	2016	2015	Indexx
Acquisition costs	33.061	32.445	101,9
Change in deferred acquisition costs (+/-)	3.598	-1.492	441,2
Other operating expenses	10.629	9.276	114,6
Income from reinsurance commission	-2.814	-2.606	92,0
Net operating expenses	**44.475**	**37.623**	**118,2**

Net operating expenses by major lines of business

(€ thousand)	2016	2015	Index
Proportional fire and other damage to property insurance	21,800	17,471	124.8
Non-proportional property reinsurance	5,209	4,236	123.0
Proportional other motor reinsurance	4,793	4,096	117.0
Proportional motor vehicle liability reinsurance	4,201	3,541	118.6
Other lines of business	8,470	8,280	102.3
Total	**44,473**	**37,624**	**118.2**

Despite the drop in gross premiums written in 2016, acquisition costs increased by 1.9 %. The ratio of acquisition costs to premiums increased by 1.1 p.p. year on year to 22.4 %. In 2016, the change in deferred acquisition costs was smaller than the year-on-year figure, mainly due to the reduction relating to the estimated future sliding scale commission for Group cedants, but also reflecting weaker premium growth resulting in a smaller increase in acquisition costs in 2016 compared to the increase in 2015 over 2014. The mechanisms are much the same as the effect of the movement in gross premiums written on the movement of unearned premiums.

Other operating expenses increased by 14.6 % compared to 2015, due to increased personnel costs (recruitment) and consulting services (relating to the merger of the Slovenian and Croatian insurers).

The larger reinsurance commission income is primarily the result of increased commission income generated by Sava Re on retrocessions relating to reinsurance programmes of Slovenian cedants based on the favourable technical performance of retroceded business over the past years.

A.3 Investment Performance

The Company monitors the performance of its portfolio investment activities and investment property by investment register as well as for the Company as a whole. The net investment return and the return on investments is monitored by class of investment as well as by type of income and expense. The following tables shows income, expenses and the net investment income by class of investment and type of income and expense. The income and expenses relating to strategic investments in subsidiaries are monitored separately.

Investment income and expenses by type

Type of income (€ thousands)	1.1.-31.12	
	2016	2015
Interest income	21,234	22,637
Change in fair value and gains on disposal of FVPL assets	738	1,359
Gains on disposal of other IFRS asset categories	2,315	1,664
Income from dividends and shares in group companies and associates	0	0
Income from dividends and shares – other investments	1,284	1,228
Exchange gains	7,325	12,513
Diverse other income	622	791
Total	**33,518**	**40,193**
Type of expense (€ thousands)	**1.1.-31.12**	
	2016	**2015**
Interest expenses	842	1,161
Change in fair value and losses on disposal of FVPL assets	632	1,504
Losses on disposal of other IFRS asset categories	499	350
Impairment losses on subsidiaries and associates	0	0
Impairment losses on other investments	595	726
Exchange losses	5,835	9,234
Diverse other expenses	504	231
Total	**8,905**	**13,207**

In 2016, investment income totalled € 33.5 million, down € 6.7 million year on year; excluding exchange differences, investment income declined by € 1.5 million. The largest part of income is interest income, which amounted to € 21.2 million in the period 1–12/2016, equivalent to 63.4 % of total financial income and down € 1.4 million year on year.

In 2016, expenses relating to the investment portfolio increased by € 4.3 million year on year, but decreased by € 0.9 million on elimination of exchange differences. In addition to exchange losses, the largest contributors to expenses are interest on loans granted and expenses arising from changes in market prices.

Net investment income relating to financial investments

(€ thousand)	Interest income/expenses	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Diverse other income/expenses	Total
Held to maturity	**6,029**	**0**	**0**	**0**	**0**	**1**	**-3**	**6,027**
Debt instruments	6,029	0	0	0	0	1	-3	6,027
At fair value through P/L	**141**	**84**	**0**	**26**	**0**	**46**	**-34**	**263**
Debt instruments	141	190	0	0	0	43	48	422
Equity instruments	0	-105	0	26	0	4	28	-47
Other investments	0	0	0	0	0	0	-111	-111
Available-for-sale	**14,208**	**0**	**1,816**	**1,258**	**-398**	**1,223**	**75**	**18,182**
Debt instruments	14,208	0	1,704	0	-331	1,223	1	16,806
Equity instruments	0	0	112	1,258	-67	0	0	1,302
Other investments	0	0	0	0	0	0	74	74
Loans and receivables	**818**	**0**	**0**	**0**	**-196**	**220**	**70**	**913**
Debt instruments	808	0	0	0	-196	220	70	903
Other investments	10	0	0	0	0	0	0	10
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	35	0	0	0	0	0	0	35
Subordinated liabilities	-840	0	0	0	0	0	0	-840
Total	**20,392**	**84**	**1,816**	**1,284**	**-594**	**1,491**	**107**	**24,580**

The bulk of net investment income (83.0 %) was comprised of interest income in 2016. The large share of interest income is consistent with the Company's investment portfolio composition, which is dominated by debt instruments.

In terms of valuation type, the net investment income of available-for-sale assets represents a share of 74.0 %.

Unrealised gains and losses on investments designated as available for sale are disclosed in the fair value reserve on the face of the balance sheet. The following table shows the movement in the fair value reserve in 2016.

Fair value reserve – movement

(€ thousand)	2016	2015
As at 1.1.	**12,722**	**18,449**
Change in fair value	5,246	-9,406
Transfer of the negative fair value reserve to the IS due to impairment	-594	-726
Transfer from fair value reserve to the IS due to disposal	1,564	3,124
Net gains/losses attributable to the Group recognised in fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	0	-33
Other net profits/losses	0	143
Deferred tax	-1,479	1,171
Total fair value reserve	**17,459**	**12,722**

As of 1 January 2017, actuarial gains or losses arising out of changes in the present value of the provision for severance pay upon retirement as a result of changes in actuarial assumptions (other net gains/losses) are no longer disclosed in the fair value reserve but in a separate statement of financial position item "Reserve due to fair value revaluation".

The Company has no securitised assets.

A.4 Performance of other activities

In 2016 the Company realised income of € 131 thousand from investment properties leased out, of which € 11 thousand was paid by subsidiaries and associates and € 120 thousand by third parties. In 2015, the income from associated companies totalled € 14 thousand. Maintenance costs associated with investment property are either included in rent or charged to the lessees in a proportionate amount. These recovered costs amounted to € 25 thousand in 2016 (2015: € 4 thousand).

A.5 Any other information

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

B. System of Governance

B.1 General information on the system of governance

B.1.1 Bodies of the Company

General

The Company's bodies carry out their duties in accordance with statutory regulations, internal rules and in accordance with the general guidelines established by the Company's corporate governance policy, other policies of the Company and other internal acts.

The Company is run by the management board, whose work is supervised by the supervisory board. Both the management board and the supervisory board work for the benefit of the Company. The Company's articles of association, the Companies Act (Zakon o gospodarskih družbah), Insurance Act, the rules of procedure of the management board and those of the supervisory board establish the segregation of duties and responsibilities between the management board and the supervisory board, and the mode of their co-operation.

The management board is autonomous in running the Company's affairs and making decisions. Prior to making major decisions that could significantly affect the operating, financial or legal position of the Company, the management board notifies thereof the supervisory board in order to reach consensus regarding such issues. The management board consults the supervisory board on business operations, strategy, risk management and on 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 that are essential to assessing the Company's position and to taking further steps. When only the chairman of the supervisory board is informed, the chairman must communicate the information to other members of the supervisory board and, if necessary, call a supervisory board meeting. The management board and the supervisory board collaborate closely in accordance with law and good practice for the benefit of the Company.

General meeting of shareholders

The general meeting of shareholders is the supreme body of the Company through which shareholders exercise their rights in company matters.

The general meeting decides on the following:

- adoption of the annual report, unless approved by the supervisory board, or if the management board and supervisory board have left the decision about its adoption to the general meeting of shareholders;
- the appropriation of distributable profit, at the proposal of and based on a report by the management board;
- appointment and removal of supervisory board members;
- granting of discharge to the management and supervisory board members;
- adoption of amendments to the articles of association;
- measures for the increase and reduction of capital;
- dissolution of the Company and its transformation in terms of status;
- appointment of the auditor, at the proposal of the supervisory board;
- other matters in compliance with the law and articles of association.

Supervisory board

Terms of reference

The supervisory board oversees the management of the Company during the financial year, in line with the Company's business strategy and financial plan. In this regard, it acts in accordance with applicable regulations, particularly the Slovenian Companies Act and the Insurance Act, as well as with the Company's articles of association and the supervisory board's rules of procedure.

Major responsibilities of the supervisory board:

- to consent the business policy and financial plan of the Sava Re Group and Sava Re as prepared by the management board;
- to consent the development strategy of the Sava Re Group and Sava Re as prepared by the management board;
- to consent the written rules of the system of governance, risk management, compliance, internal audit, the actuarial function, internal controls and outsourced business;
- to consent the appointment of key function holders;
- to consent the report on the solvency and financial condition of the Company;
- to consent the framework annual internal audit plan as prepared by the management board;
- to oversee the appropriateness of the procedures and efficiency of internal audit activities,
- to draft an opinion for the general meeting on the internal audit annual report;
- to consider the findings of the Insurance Supervision Agency and other supervisory bodies made when exercising their supervisory competence over the Company;
- to review annual and interim financial reports of the Sava Re Group and Sava Re;
- to review the annual report submitted by the management board, adopt an opinion on the auditor's report, and issue a qualified or approving report for the general meeting;
- to review the proposed appropriation of the distributable profit submitted by the management board, and prepare a written report for the general meeting.

The supervisory board shall prepare, annually, a meeting schedule for own use and for its committees including especially those meetings that are obligatory due to the required publication of business results or are normal with regard to past practices.

Size and composition

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

On 12 July 2013, the Sava Re general meeting of shareholders elected four members of the supervisory board to represent the interests of the shareholders with a four-year term of office, beginning on 15 July 2013. These were Branko Tomažič, Mateja Lovšin Herič, Keith W. Morris and Slaven Mićković.

Pursuant to the Workers' Participation in Management Act, the workers' council of Sava Re elected Andrej Gorazd Kunstek and Helena Dretnik as their representatives to the supervisory board of Sava Re for a term of four years. Andrej Gorazd Kunstek and Helena Dretnik began their term of office on 11 June 2015.

In 2016, there were changes in the composition of the supervisory board.

On 19 February 2016 Helena Dretnik tendered her resignation as member of the supervisory board with effect from the same date. In place of Helena Dretnik, the workers' council appointed Mateja Živec as new member of the supervisory board to represent employee interests for a term of office from 1 April 2016 to 11 June 2019.

On 11 October 2016, the Company received a notice of resignation from Branko Tomažič as chair and member of the supervisory board, effective as of that day. Until further steps are taken, the supervisory board is operating with five members. On 12 October 2016 the members of the supervisory board of Sava Re elected from among themselves Mateja Lovšin Herič (previously deputy chair) as chair of the supervisory board and Slaven Mićković (previously supervisory board member) as deputy chair.

On 7 March 2017, the general meeting elected the new supervisory board members for the next four-year term of office: Ivan Davor Gjivoje (term of office to start on 7 March 2017) and Mateja Lovšin Herič, Keith William Morris and Andrej Kren (term of office to start on 16 July 2017). As of 7 March 2017, the supervisory board of Sava Re operates with all of its six members.

The following table shows the composition of the supervisory board in 2016.

Composition of the supervisory board in 2016

<table>
<tr><th>Member</th><th>Title</th><th>Beginning of term of office</th><th>Duration of term of office</th></tr>
<tr><td>Branko Tomažič</td><td>chair (until 11/10/2016)</td><td>15/07/2013</td><td>up until 11/10/2016</td></tr>
<tr><td>Mateja Lovšin Herič</td><td>chair (since 12/10/2016)</td><td rowspan="2">15/07/2013</td><td rowspan="2">15/07/2017</td></tr>
<tr><td>Mateja Lovšin Herič</td><td>deputy chairman (until 11/10/2016)</td></tr>
<tr><td>Slaven Mićković</td><td>deputy chair (since 12/10/2016)</td><td rowspan="2">15/07/2013</td><td rowspan="2">15/07/2017</td></tr>
<tr><td>Slaven Mićković</td><td>member (until 11/10/2016)</td></tr>
<tr><td>Keith Morris</td><td>Member</td><td>15/07/2013</td><td>15/07/2017</td></tr>
<tr><td>Andrej Gorazd Kunstek</td><td>member (employee representative)</td><td>11/06/2015</td><td>11/06/2019</td></tr>
<tr><td>Mateja Živec</td><td>member, employee representative (since 01/04/2016)</td><td>01/04/2016</td><td>11/06/2019</td></tr>
<tr><td>Helena Dretnik</td><td>member, employee representative (until 19/02/2016)</td><td>11/06/2015</td><td>up until 19/02/2016</td></tr>
</table>

Supervisory board committees

In accordance with law, the supervisory board may appoint one or more committees or commissions, and task them with specific areas, the analysis of specific questions, with the preparation of draft resolutions of the supervisory board, implementation of resolutions of the supervisory board, whereby such committees provide professional support. Notwithstanding the appointment of any committee, decision-making remains the joint responsibility of the supervisory board.

The Company has set up two permanent committees, the audit committee and the fit and proper committee, and has established the nominations committee as a temporary committee.

The areas of responsibility and the composition of the supervisory board committees shall be determined by a special resolution in compliance with applicable regulations, the recommendations of the Corporate Governance Code for Public Joint-Stock Companies and the Company's internal acts.

Management Board

Terms of reference

The management board represents the Company in its legal transactions. Through its efforts and using its knowledge and experience, the management board pursues the long-term success of the Company, ensuring optimal guidance and risk management. The management board determines the Company's goals, values, mission, vision and business strategy. Business operations are optimised through an adequate structure of human resources and prudent use of financial resources. In this respect, it acts in accordance with the applicable legislation, particularly the Slovenian Companies Act and the Insurance Act, as well as with its articles of association and the management board's charter and rules of procedure. The management board is committed to high ethical standards and considers the interests of all stakeholder groups.

The main duties of the management board include:

- to provide leadership and organise the operations of the Company;
- to represent the Company;
- to be responsible for the legality of the Company's operations;
- to adopt the development strategy of the Company and the Group, which is to be presented to the supervisory board for consent;
- to adopt the business policy and financial plan of the Company and the Group, which is presented to the supervisory board for consent;
- to adopt internal acts of the Company;
- to approve and periodically review strategies and written rules on risk management, the internal control system, internal audit, the actuarial function and regarding outsourcing, and to ensure their implementation;
- to adopt the report on the solvency and financial condition and submit it to the supervisory board for consent;
- to grant authorisation to key function holders of the Company subject to the consent of the supervisory board;
- to report to the supervisory board on operations of the Company and the Group;
- to prepare a draft annual report, including a business report, and to submit it to the supervisory board together with the auditor’s report and a proposal regarding appropriation of distributable profit for approval;
- to convene the general meeting of shareholders;
- to implement the resolutions adopted by the supervisory board.

Size and composition

The management board runs the Company and represents it in public and legal matters. It is composed of at least two but no more than five members, of whom one is the chair and the others are members of the management board. The chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. The chairperson and all members of the management board are full-time permanent employees of the Company.

In its meeting of 20 May 2013, the supervisory board of Sava Re reappointed the four-member management board consisting of Zvonko Ivanušič (chairman), Srečko Čebron, Jošt Dolničar and Mateja Treven. The new term of office of the Chairman and all three other Board members began on 1 June 2013 and will run for five years.

In 2016 there was a change in the composition of the Company's management board.

On 22 August 2016, the supervisory board passed a resolution to recall Zvonko Ivanušič from the position of chairman and member of the management board. The recall was effective as of 23 August 2016. The supervisory board appointed management board member Jošt Dolničar as chairman of the management board as of 23 August 2016, and passed a resolution whereby the management board would be temporarily composed of three members.

On 16 December 2016, the supervisory board of Sava Re completed the selection process with the **appointment** of Marko Jazbec as new chairman of the Sava Re management board for a term of five years, commencing on the day following the receipt of the decision on the issuance of the licence for performing the function of a member of the management board by the Insurance Supervision Agency.

The following table shows the composition of the management board in 2016.

Composition of the management board in 2016

<table>
<tr><th>Member</th><th>Title</th><th>Beginning of term of office</th><th>Duration of term of office</th></tr>
<tr><td>Zvonko Ivanušič</td><td>chair (until 23/08/2016)</td><td>01/06/2013</td><td>up until 23/08/2016</td></tr>
<tr><td>Jošt Dolničar</td><td>chair (since 23/08/2016)</td><td rowspan="2">01/06/2013</td><td rowspan="2">5 years</td></tr>
<tr><td>Jošt Dolničar</td><td>member (until 23/08/2016)</td></tr>
<tr><td>Srečko Čebron</td><td>member</td><td>01/06/2013</td><td>5 years</td></tr>
<tr><td>Mateja Treven</td><td>member</td><td>01/06/2013</td><td>5 years</td></tr>
</table>

In accordance with the act on the management board, the individual members of the management board are responsible for:

- Jošt Dolničar is responsible for the following areas: providing leadership, coordinating the activities of the management board, controlling, general affairs, human resource and organisation, legal affairs, public relations, compliance, integration processes, managing strategic investments in primary insurance subsidiaries, and information technology.
- Srečko Čebron is responsible for the following areas: reinsurance operations and actuarial affairs.
- Mateja Treven is responsible for the following areas: finance, accounting, internal audit, investor relations (IR), risk management and pension insurance.

Reporting

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

- the implementation of business policies and other principles relating to business,
- the profitability of the Company, particularly return on equity,
- business performance, especially on the business volume, the financial situation and solvency,
- transactions that may have a significant impact on the profitability and solvency of the Company, and
- all material risks that are, 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.

B.1.3 Key functions of the risk management system

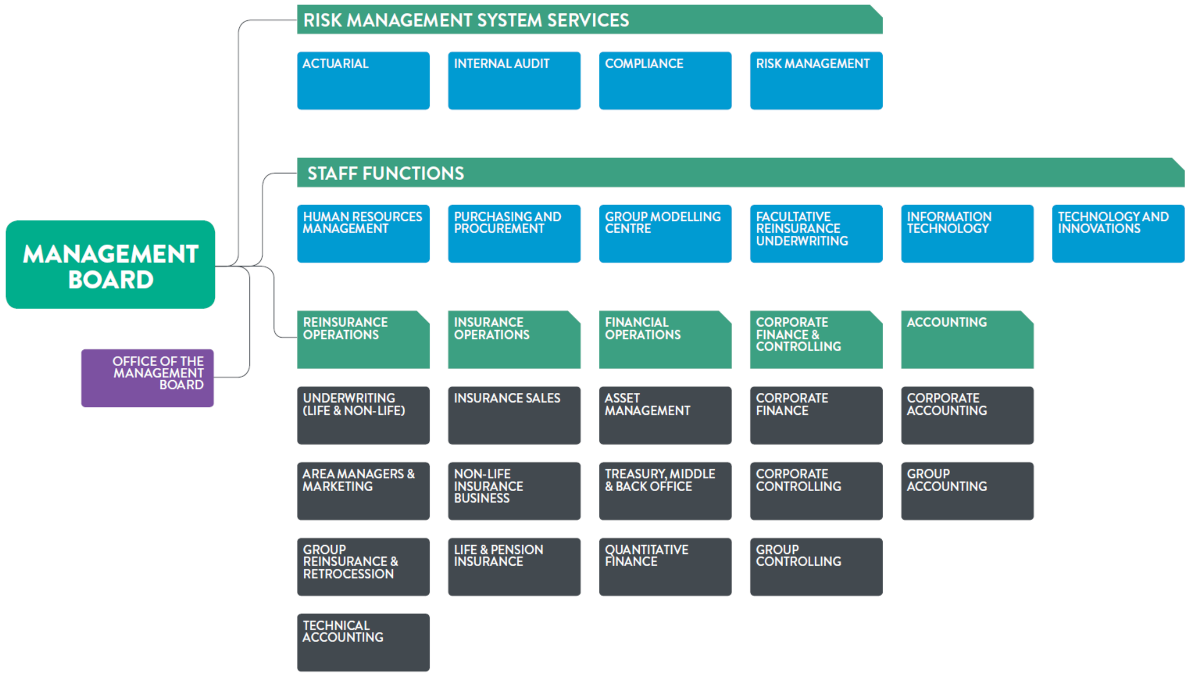
General

The Company has certain functions integrated into the 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 subordinate to the Company's management board, as illustrated in the figure below.

Organisational structure of the Company



Generally, the controlling company's key functions also act as key functions at the Group level. Key functions 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. The main activities of any key function holder at the Group level are:

- coordinating the development of a uniform methodology for all key functions in the Sava Re Group,
- seeking to develop (i) appropriate framework policies for the key function and (ii) professional guidelines for the adoption of area-specific operational rules for the controlling company and subsidiary companies,
- striving for strict application of uniform standards by all key functions in the Sava Re Group,
- co-ordinating and implementing joint activities in the Sava Re Group,
- providing guidance and overseeing the operations of key functions in all Sava Re Group companies (coordinating planning activities and reviewing reports of Group companies),
- professional development and exchange of good practices relating to the key functions of the Sava Re Group.

Role of individual key functions

Risk management function

The risk management function performs the duties stipulated by the insurance law, including regulations based thereon. The risk management function is responsible especially for:

- operating the risk management system,
- identifying and assessing assumed risks,
- organising risks in a joint risk profile, indicating interdependencies,
- periodic monitoring of the risk profile,
- 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 Company's risk management policy.

Actuarial function

The actuarial function performs the duties stipulated by the insurance law, including regulations based thereon. The actuarial function, in particular:

- coordinates and oversees the establishment of technical provisions, ensuring the appropriateness and quality of methodologies, assumptions and underlying data,
- expresses an opinion on the underwriting risk policy,
- expresses an opinion on the adequacy of reinsurance arrangements,
- contributes to an effective risk management system and participates in risk modelling.

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

Internal audit function

The internal audit function performs the duties stipulated by the insurance law, including regulations based thereon. The internal audit function, in particular:

- provides objective and relevant assurance and advice to the management board in order to add value and improve the efficiency and effectiveness of operations,
- assists the Company in achieving its goals based on systematic, methodical assessment and improvement of the effectiveness and efficiency of governance, risk management and control procedures,

- reports to the management and the supervisory bodies on the purpose, terms of reference and duties of internal audit and the implementation of its plan, the findings of the audit reviews carried out, and proposes recommendations for improvements.

Details on duties, terms of reference, responsibilities and powers of the internal audit function holder, procedures, obligations, time limits and reporting distribution lists are set out in the Company's internal audit policy.

Compliance function

The compliance function performs the duties stipulated by the insurance law, including regulations based thereon. The duties of the compliance function include, in particular:

- seeking to ensure the compliance of the Company's operations with regulations and other commitments,
- advising the management board on compliance with the laws, implementing regulations and internal regulations,
- assessing the impact of potential changes in the legal environment on the Company's operations,
- identifying and assessing compliance risks, providing assistance with their management.

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

Reporting by key function holders

Key function holders report to the management and the supervisory boards or the audit committee and other relevant committees, if so stipulated by the internal regulations.

Detailed provisions on the scope, manner, and time framework for reporting of any key function are set out in internal regulations, governing a relevant key function.

B.1.4 Committees of the governance system

The Company's management board may, based on its resolution, set up committees in an advisory role or confer on them specific decision-making powers. Such committees consider issues from specific areas, draft management board resolutions and oversee their implementation, and perform other tasks requiring specific expertise, 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-liability management, actuarial affairs. Committees set up on the controlling company level perform both the role of the committee of the controlling company as well as the committee at the Group level.

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 and an actuarial committee, as detailed in Section B.6.

Risk management committee

The risk management committee is primarily responsible for drafting recommendations and proposals for the management board and monitoring of the Company's risk profile. It also plays a crucial role in the communication process as it acts as a discussion forum on elements of 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 risk management 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 the effective operation of Sava Re.

The main duties 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 risk strategy,
- prepare recommendations for the management board relating to risk management,
- monitor quantitative risk assessment calculations and respond adequately,
- issue opinions relating to major business decisions with a significant impact on the risk profile;
- identify and monitor any emerging new risks.

The risk management committee includes a sub-committee for asset-liability management.

B.1.5 Information about the remuneration policy

The Company's remuneration policy lays down the framework for the planning, implementation and monitoring of remuneration systems and schemes that support with 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 remuneration policy are formulated on the basis of the 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 of and adapting to market trends and practices,
- sustainable pay for sustainable performance,
- employee motivation and retention.

Remuneration structure

The Company's remuneration structure includes:

- a basic salary,
- a variable part of the salary,
- other benefits and incentives,
- remuneration upon termination of the employment contract.

The **basic 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. The basic salary system (range) for individual positions is laid down in the Company’s internal regulations.

The **variable part of the salary** 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 are heading. The aim of the variable part of the salary is to motivate and reward the most successful employees who significantly contribute to the achievement of sustainable performance, meet or exceed the agreed objectives, strengthen long-term relationships with clients and generate income. The variable part of the salary relating to an employee's individual performance depends on the attainment of predefined individual goals and other duties, in a manner consistent with expected behaviours and competencies. The variable part of the salary relating to business performance depends on a performance indicator, or a combination of performance indicators of the Company and/or the Group. The total variable part of the salary generally ranges from 0 to 30 % of the total annual remuneration.

The system and scheme for the variable part of the remuneration for the management board is considered and approved by the supervisory board. The variable part of the salary of the management board depends on the attainment of goals and the performance of the Company or the Group as a whole.

The system and scheme of variable remuneration for the risk management system's key function holders is considered, determined and approved by the management board. If necessary, it is consented by the supervisory board. In addition to the Company's performance, the variable part of the salaries of key function holders depend 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 system and scheme of variable remuneration for senior and junior management is considered, determined and approved by the management board. Variable remuneration 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 Company or 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. The variable part of the salary of other employees depends on a combination of the employee's assessed individual performance and overall performance of the Company. The structure and level of the variable part of the salary is laid down in the Company’s internal rules.

The Company runs no shares option schemes.

Other benefits and incentives: The Company pays voluntary supplementary pension contributions on behalf of its employees. The Company pays monthly pension plan contributions in favour of employees with at least one year of service with the Company. The contributions paid for voluntary supplementary pension insurance constitute tax relief. Additionally, employees can make own voluntary contributions to the pension plan. If voluntary pension contributions are made by both the Company and the employee and the total amount of contributions exceeds the statutory amount eligible for tax relief, the employer has precedence in claiming tax relief.

Remuneration upon termination of the employment contract: Upon termination of a contract of employment, an employees is eligible to a severance pay in accordance with the law and the employment contract. Severance payments not laid down by law are capped to six 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.

The Company issued no loans neither to its employees nor members of the management or supervisory boards, so there were no such transactions in 2016.

B.2 Fit and proper requirements

B.2.1 General

In accordance with law, the Company ensures that persons who effectively run and oversee the Company are properly qualified (fit) and suitable (proper) for managing and overseeing it in a professional manner.

To this end, the Company conducts fit and proper assessments of its relevant personnel: management board members, supervisory board members, members of the supervisory board committees, key managers, key function holders of the risk management system and personnel overseeing outsourced activities prior to their appointment and after their appointment 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 (fit) they must have, relevant personnel needs to demonstrate they have good repute and high standards of integrity (proper) as exemplified by their actions.

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

The human resources function, in cooperation with the compliance function, carried out the following activities in 2016:

- prepared the necessary bases for the implementation of the Fit & Proper Policy for Relevant Personnel of Sava Re,
- conducted fit & proper assessments of the entire relevant personnel of Sava Re with respect to the positions then occupied.

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. The body responsible for fit and proper assessment (fit and proper committee of relevant composition) 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.

B.2.2 Fitness requirements for relevant personnel

The supervisory board and its committees

The knowledge acquired through education and experience is to be considered in assessing the fitness of members of the Company's supervisory body and its committees. The following requirements are to be considered in the fitness assessment:

- qualifications,
- sufficient professional experience,

- 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 management board, viewed as a whole, must have sufficient expertise. Individual members of the supervisory 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 of the supervisory body in those areas.

The management board

The knowledge acquired through education and work experience is to be considered in assessing the fitness of the members of the Company's management body. Based on this, the fitness assessment is made considering the member's assigned responsibilities, taking into account the following requirements:

- qualifications,
- sufficient professional experience,
- expertise and experience in the following areas: market knowledge, knowledge of the business strategy and business model, knowledge of the governance system for insurance companies, understanding financial and actuarial analysis, understanding regulatory frameworks and requirements.

The management board, viewed as a whole, must have sufficient expertise. The members of the management board must have relevant experience and knowledge of the above-mentioned areas, depending on their specific areas 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 of the management board in those areas.

Key function holders of the risk management system

The knowledge acquired through education and work experience is to be considered in assessing the fitness of the key function holders of the risk management system. Based on this, the fitness assessment is made considering assigned responsibilities for a key function. The following requirements are considered in the fitness assessment:

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

Other relevant personnel

The knowledge acquired through education and work experience is to be considered in assessing the fitness of the members of the Company's other relevant personnel. Based on this, the fitness assessment is made considering assigned responsibilities for certain areas. The following requirements are considered in the fitness assessment:

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

B.2.3 Suitability requirements for relevant personnel

Personal reliability and reputation

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

Personal reliability and good repute is assessed based on information compiled in the process of collecting documents for the purposes of carrying out the fit and proper assessment procedure.

Independence of relevant personnel

Relevant persons may experience conflicts of interests due to the nature of the business relations. If during their work a relevant person experiences a conflict of interests, such person is obliged to disclose such conflict of interests and to act in the interests of the Company. If this is not possible, such person is obliged to inform the Company's management or the supervisory board, in the case of a conflict of interests experienced by a member of either the management or supervisory board.

Time input

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

B.2.4 Assessment procedure

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

Based on compiled documents and statements, the committees conduct a fit & proper assessment, and issue relevant results. Based on the assessment so obtained, it may also take the necessary steps to ensure adequate qualifications of relevant personnel. The committee also conducts overall fit & proper assessments of the management and supervisory bodies as collective bodies.

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

It is of vital important for the entire economy that insurance companies operate in a prudent manner. It is for this reason that in 2016, the European Union launched the Solvency II Directive, introducing the determination of the level of required capital based on the level of actual risks assumed by an insurance company. Additionally, the Solvency II regime introduces a comprehensive system of corporate governance, in which risk management has a key position. The Company's management is aware of the long-term importance of having in place a comprehensive and effective risk management system. For this purpose, one of its main goals–aligned with the goals of the Group–is to ensure the long-term successful and secure operation of the Company.

The Company's strong risk culture is essential to its security and financial stability. 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.

In order to systematise risk management, the Sava Re Group adopted a risk strategy defining the Group's risk appetite and policies that cover the entire framework of risk management, own risk and solvency assessments, and risk management for each risk category. Based on the Group's risk strategy and policies, the Company set up its own risk strategy and policies, taking into account its specificities.

B.3.1 Risk management organisation

An appropriate organisational structure and a clear segregation of responsibilities are key to systematic risk management in the Company.

The efficient functioning of the Company's 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 lines:

- The first line of defence constitutes all organisational units with operational responsibilities (e.g. underwriting, claims management, asset management, accounting, controlling and human resources).
- The second line of defence consists of 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, the management board has chiefly the following responsibilities:

- setting the risk strategy and approval of risk tolerance limits and operational limits,
- adoption of policies relating to the risk management system,
- overseeing risk management process and risk-based decisions,
- monitoring of operations in terms of risk and ensuring that risks are considered when taking business decisions.

The supervisory board approves the risk strategy, risk management policies and the appointment of key function holders. In addition, the supervisory board considers periodic reports relating to risks.

The **first line of defence** involves all the Company's employees responsible for operational performance of tasks working in a manner that reduces or eliminates risks. Additionally, risk owners are responsible for individual risks listed in the risk register. Departmental executive directors, line and service directors ensure that the operational performance of the processes for which they are responsible is conducted in a manner that reduces or eliminates risks while taking into account the frameworks laid down in the risk strategy. The first line of defence is also responsible for monitoring and measuring risks, preparation of risk reports for individual areas of risk and the identification of 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 risk management committee and key function holders are appointed by the management board; key function holders also require the consent of the supervisory board. The Company's key functions 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 or in the risk management policy that defines the risk management function.

The **risk management function** is mainly responsible for setting up effective risk management processes and for the coordination of risk management processes already in place. It is involved in all the stages of the process of identifying risks, assessing, monitoring, managing them and reporting on risks. It is also involved in the preparation of an appropriate risk strategy and the setting of risk tolerance limits. The risk management function regularly reports to the risk management committee, the management and the supervisory boards. Furthermore, it offers support to the management board in the decision-making process (including in relation to the strategic decisions such as corporate strategy, mergers and acquisitions and major projects and investments);

The main tasks of **the actuarial function** in the risk management system are expressing an opinion on the underwriting policy, expressing an opinion on the adequacy of reinsurance arrangements, and independent verification and challenge of technical provision calculations including assumptions, methods and expert judgment areas.

Apart from the key functions, the second line of defence includes the Company's **risk management committee**. The committee includes the key representatives of the first line of defence with regard to the Company's risk profile. The committee has primarily responsibility for monitoring the Company's and the Group's risk profile, analysing risk reports and issuing recommendations to the management board. The risk management committee includes a sub-committee for asset-liability management.

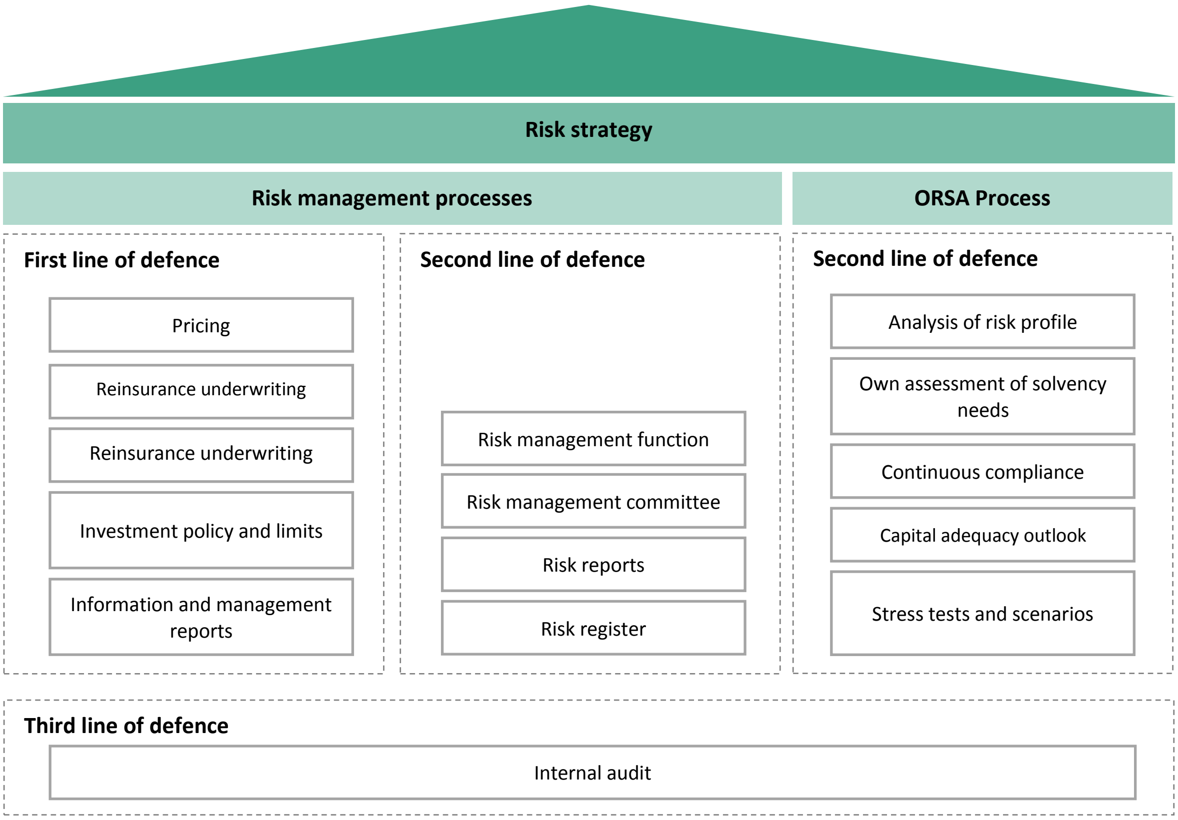
The **third line of defence** consists of the internal audit function. This function is completely independent of the business areas and other functions. In the context of the risk management system, the internal audit function is responsible for independent analysis and verification of the effectiveness of risk management processes in place, in particular the bottom-up risk identification process performed by employees.

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 line of defence, and
- Own Risk and Solvency Assessment (ORSA).

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



Risk strategy

In order to establish a solid risk management framework, the management board–with the consent of the supervisory board–approved the risk strategy of Sava Re, which defines the Company's risk strategy based on its risk bearing capacity. When drafting its risk strategy, the Company takes into account the framework of the Group's risk strategy. Sava Re's risk strategy sets:

- the risk appetite,
- permissible levels of certain performance indicators, and
- risk tolerance limits.

The basic principle of the Company is to pursue its business strategy and meet the key strategic objectives while maintaining an adequate capital level.

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

- capital,
- liquidity,
- product profitability, and
- the Company's reputation.

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

Based on the risk appetite and risk tolerance limits, the Company sets operational limits, such as reinsurance underwriting limits and investment limits in order to ensure that the activities of the first line of defence are conducted taking into account risk management. In addition, the Company ensures that in case of a breach of operational limits, it has in place well defined and established escalation paths and management actions.

With the purpose of periodic monitoring of the compliance with the risk strategy, the Company defined risk measure that allow a simplified monitoring of the Company's overall current capital position, without having to carry out a complete calculation of the solvency capital requirement. The Company defined a minimum set of risk measures for each risk category to be regularly monitored.

Risk management processes

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

The Company carries out the following **risk management processes**:

- 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 roles of individual lines of defence are defined in the risk management policy. Risk management processes are also integrated in the decision-making system; all important and strategic business decisions are also evaluated in terms of risk.

In the process of **risk identification,** the Company identifies the risks it is exposed to. The key risks are compiled in the Company's risk register, constituting the Company's risk profile, and quarterly reviewed and amended as required.

Risk identification is both a top-down and a bottom-up process. The top-down risk identification process is conducted by the risk management function, the risk management committee and the management board. It is a high-level identification of new and potential risks based on monitoring of the legal and business environment, market developments and trends and expert knowledge; this process is mainly used with strategic risks, such as reputational risk and legal risk.

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

Risk identification is performed on an ongoing basis, especially as part of the business planning process and any major projects and business initiatives such as launching of a new product, investment in a new class of assets, acquisitions and other.

The Company has established a periodic **assessment** of the risks to which the Company is exposed. Both qualitative and quantitative methods are used for risk evaluation. Also, in order to develop models for quantitative risk assessment, the Company is cooperating in the development of support models for Group-wide risk assessment.

Risks are measured in the following ways:

- using the Solvency II standard formula,
- by calculating the overall solvency needs within the Own Risk and Solvency Assessment (ORSA),
- by conducting stress tests and scenarios,
- on the basis of qualitative risk assessment in the risk register,
- using various risk measures allowing simplified measurement and monitoring of the Company's indicative current risk profile.

The management board is responsible for **risk management** and the use of various risk management techniques and actions. In its decisions, the management board takes into account the cost benefit aspect of actions and recommendations 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 individual 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 all of its implications.

In practice, it is in the business planning process that the Company reviews what impact the business strategy has on the capital position, both with regard to the regulator as well as with regard to the own risk and solvency assessment. If during the financial year, decisions are taken that have a significant impact on the risk profile but have not been assessed in terms of risk during business planning, the Company assesses the impact of the decision on the risk profile and capital adequacy and verifies compliance with the risk appetite.

If any business decision does not comply with the risk appetite or any risk tolerance limit is exceeded, the Company needs to document such deviation and take relevant action to resolve the situation.

Risk **monitoring** is conducted on several levels: at the level of individual organisational units and risk owners, at the risk management service level, at the level of the risk management committee, at the management board level. 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.

The Company has also set up **risk reporting,** which runs as follows: risk owners report on each category of risk to the risk management function, including a predetermined set of significant risk measures and qualitative information. Based on this, the risk management function in cooperation with risk managers prepares a risk report, covering the Company's entire risk profile. The report is first considered by the risk management committee and then discussed by the management and the supervisory boards.

Own Risk and Solvency Assessment (ORSA)

ORSA is a process that includes the establishment of the differences between the Company's risk profile and the assumptions of the standard formula, the own assessment of the overall solvency needs, capital adequacy projections and the establishment of the link between the risk profile and capital management. As a result, the ORSA process allows the alignment of the business strategy with risk appetite and capital requirements in the context of the overall risk management framework. It establishes a link between the business strategy, the risks taken in the short term as well as the medium to long-term and the capital requirements arising from those risks.

A significant result of a company's ORSA process is more thorough understanding of the Company's risk profile from the perspective of the Company's on-going viability. In the ORSA process, the Company assesses all material risks that may have an impact on its viability, from either an economic or a regulatory perspective, taking into consideration both quantifiable risks and those not so readily quantifiable. As a result the risk profile reflects the contribution of each material risk to the Company's overall risk exposure and solvency.

The ORSA process includes the following three key elements:

- the Company's assessment of own solvency needs,
- the assessment of compliance, on a continuous basis, with the capital requirements and with the requirements regarding technical provisions, and
- the assessment of the significance with which the Company's risk profile deviates from the assumptions underlying the solvency capital requirement in accordance with the standard formula.

The ORSA process is generally conducted annually, and ad hoc in the event of a significant change in the Company's risk profile. The ORSA process uses the results of the risk management processes, supplemented by further analysis. The ORSA process is linked to other processes in the Company: business and strategic planning, calculation of the solvency capital requirement and the Solvency II valuation of the balance sheet and eligible own funds. The management uses the information collected during the ORSA process for the purpose of capital management, business planning, development and designing of products, as well as for ongoing decision-making.

In the ORSA process, the Company defines, analyses and explains the main differences between its own risk profile and assumptions underlying the solvency capital requirement according to the standard formula, indicating whether the deviations are significant. This may be done by using qualitative criteria in the first step. If the deviation is significant, the Company carries out a quantitative evaluation depending on the available risk measurement options. Additionally, the own risk and solvency assessment takes into account all the risks included in the Company's risk profile that are not covered by the standard formula. These are evaluated depending on the nature of the risk and the possibility for quantification, either qualitatively or quantitatively.

Based on input from the business and strategic plans and the risk strategy, the Company calculates the solvency capital requirement and makes Solvency II valuations for items of the balance sheet and eligible own funds for the entire term of the business and strategic plans. In this way, the Company verifies if the business and strategic plans are aligned with the risk strategy.

To calculate its own assessment of the overall solvency needs, the Company basically uses the methodology of the standard formula including correlation matrices. Thus the own risk assessment is the revalued standard formula in risk segments that the Company assesses are inadequately captured by the parameters of the standard formula.

In the ORSA process, the Company also carries out (reverse) stress tests and scenario analyses as relevant with regard to its risk profile. The Company's experts define a sufficiently wide range of stress tests and scenarios for material risks. Where appropriate, the Company develops stress tests and scenarios over multi-annual horizons.

The risk management committee reviews and approves the assumptions, stress tests and scenarios, and methods to be used in the ORSA calculations. In addition, the committee proposes improvements and challenges the assumptions used. Once coordinated, the stress tests and scenarios are approved by the management board.

As part of ORSA, the Company ensures continuous compliance with the regulatory requirements regarding capital and technical provisions. Ongoing compliance must be ensured, over both the business and strategic plan horizons as well as in each financial year. Over the business and strategic plan horizon, ongoing compliance is ensured by aligning the business and strategic plans with the risk strategy and the risk bearing capacity. In any financial year, the Company ensures ongoing compliance by regular monitoring of the risk profile and predetermined risk measure and by monitoring internal and external factors that could have a material impact on the Company's risk profile.

Based on the conducted ORSA, the Company prepare a report that is first considered by the risk management committee. In accordance with the own risk and solvency assessment policy of Sava Re, the management board challenges and formally approves the ORSA report. The ORSA results are also presented to the supervisory board. Once the management board formally approves the ORSA results, they are distributed to all heads of organisational units. The ORSA report is also submitted to the Insurance Supervision Agency. The ORSA results are used as input for the Sava Re Group ORSA.

The ORSA process is embedded in the decision-making process, which allows for key decisions of the Company to be adopted with consideration of the risks involved and for the business strategy to be determined with awareness of the risks and associated capital requirements. The ORSA results are taken into account in decisions-making, capital management and product development.

B.4 Internal control system

B.4.1 Internal control system

The purpose of the Company's internal control system is identifying, measuring, monitoring and managing 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 internal control system ensures compliance with the Company's internal rules and meets the requirements of other risk management laws and regulations.

It is vital that employees understand the importance of internal controls and are actively involved 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 Company's code of conduct or other policy violations or illegal actions are presented to all employees in plain language and are clearly stated in documents available to all employees.

The Company has 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 in the Company as a management support service, one of the four key functions constituting the risk management system. It is an independent organisational unit, functionally and organisationally separate from other business functions of the Company and reports directly to the management board. The compliance officer is authorised by the management board subject to consent of the supervisory board.

The compliance function, being an internal control function, is part of the second line of defence in the 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 has primarily the following duties:

- to monitor and periodically assess the adequacy and effectiveness of regular procedures and measures to address any deficiencies in the compliance with regulations and other commitments;
- to advise and assist in the coordination of the Company's operations with the obligations imposed by regulations and other commitments;
- to 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;
- to identify risks to the Company's compliance with regulations and other commitments;
- to inform the management and supervisory boards of the Company's compliance status regarding regulations and other commitments and risk assessment related to compliance with regulations and other commitments.
- to co-ordinate with top management regarding compliance matters and offer consulting services to them;
- to prepare an annual compliance plan to identify and assess the main compliance risks that the Company faces;
- to co-operate in exchanging compliance-related questions, best practices and experiences with other control functions;

- to co-ordinate the preparation and adoption of policies and rules on the controlling company level and between the controlling company and Group subsidiaries;
- to co-ordinate the preparation of comments on draft insurance-related legislation;
- to 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 to raise the standards of fair business in the broader environment).

B.5 Internal audit function

Internal auditing in the Company is carried out by an independent organisational unit, the internal audit service, which reports to the management board and is functionally and organisationally separate from other organisational units. Its position in the Company 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 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 the internal audit with regard to the supervisory body, authorises access to records, personnel, premises and equipment relevant to the performance of engagements, and defines the scope and activities of the internal audit.

The internal audit function annually submits–to the management and supervisory boards, including its audit committee–the annual work plan and the annual report of the internal audit service. In the annual report, the director of internal audit issues an opinion on compliance with the code of ethics, including a declaration on disclosure and avoidance of conflicts of interest for the reporting year.

The internal audit performs control activities, which, however, does not relieve supervisory and management bodies of their responsibility for establishing and observing effective and efficient governance of the Company, risk management and control procedures (optimum management of business risk and compliance of business operations with laws, regulatory provisions and internal rules).

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

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 service.

The internal audit function reports to a level of management that allows the internal audit to fulfil its responsibilities. The director is in charge of the internal audit and internal audit procedures, and reports to the management board member responsible for internal auditing. The director functionally reports to the management board, supervisory board and audit committee, where functional reporting includes all matters related to the substance of internal auditing. In addition, the internal audit function cooperates directly with the supervisory body.

The internal audit must be independent, and internal auditors must have an impartial, unbiased attitude 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.

If internal auditors experience potential impairments to their independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

The director of internal audit must manage any hazards to their independence and impartiality at the level of any individual auditor, audit engagement and functional and organisational accountability. In the case of a conflict of interest risk related to internal audit employees, the director of the internal audit must act in accordance with the internal rules for the management of conflict of interest risks in the Company. The director of the internal audit service holds the title of Certified Internal Auditor. More detailed conditions and criteria defining the performance of the function of internal audit director are set out in the fit and proper policy of Sava Re. It is desirable that other internal auditors also hold the title of Certified Internal Auditor.

The tasks of the internal audit consist, in particular, of the following:

- to set up a risk-based, permanent and comprehensive supervision of the Company's operations aimed at verifying and assessing of 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 the safeguarding of assets against loss,
    - reliable, timely and transparent internal and external accounting and non-financial reporting,
    - compliance with laws, other regulations and internal rules.
- evaluation or management of information technology in the Company in order to support and contribute to and further its strategies and goals;
- to assess fraud risk and the procedures for their management in the Company (however, the expertise of a person whose primary task is to identify and investigate cases of fraud is not expected nor required);
- to offer advice,
- to carry out other tasks subject to law.

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. As the actuarial function acts as the second line of defence, it is organised so as to prevent that one person both implements (first line) and controls (second line) the same tasks.

The Company's actuarial function holder is responsible for carrying out the actuarial function.

The Company's actuarial function has primarily the following duties:

- to coordinate the calculation of technical provisions and ensure that technical provisions are consistent with applicable regulations;
- to ensure the appropriateness of the methodologies, underlying models and assumptions made in the calculation of technical provisions so that they reflect key risks and are sufficiently stable;
- to assess the sufficiency and quality of the data used in the calculation of technical provisions and to provide recommendations on how to adapt processes in order to improve data quality;
- to compare best estimates of SII provisions against experience and in the event of any deviation, suggest changes to the assumptions and valuation models used;
- to oversee the use of approximations in the calculation of best estimates of SII provisions;
- to 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;
- to verify the adequacy of reinsurance arrangements;
- to participate in the introduction and implementation of 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 and the performance of own risk and solvency assessment;
- to prepare, at least annually, a written report to be submitted to the management board, the supervisory body and the local supervisory authority; the report documents the implementation of the above tasks and their results, clearly identifying any weaknesses and providing recommendations as to how to eliminate those weaknesses.

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 Company's actuarial committee is made up of the staff employed in the areas of the actuarial function and key representatives of the first line of defence.

The actuarial function holders of Sava Re Group companies serve on the Group's actuarial committee. 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 appended to the actuarial function policy of Sava Re. The Company's members of the Group's actuarial committee are responsible for communicating information about relevant arrangements to relevant parts of the Company.

B.7 Outsourcing

In accordance with the provisions of the applicable Insurance Act, the Company adopted a policy that governs the outsourcing of critical or important operational functions or activities.

The policy defines the framework for the outsourcing of 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 of functions or activities, and defines the standards of management and control of such a process.

The policy further defines the register of outsourced operations, which comprises all contracts considered as contracts on outsourcing, and defines how to document the whole decision-making process, collect the necessary documents and enter into such contracts.

The policy states that each outsourced operation must have an administrator, whose main task is to control 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 supervisor of its intention to outsource an operation before entering into the relevant contract.

In 2016, the Company did not have outsourced operations.

B.8 Any other information

The rules of the Company's governance system are subject to regular annual reviews. These are the responsibility of the compliance function, which – in cooperation with the internal audit function – verifies the consistency of the governance policy with other policies within the governance system and with other internal acts, legislation and regulations. When verifying and assessing the effectiveness of the corporate governance framework, the reviewer focuses on the changes in internal and external factors affecting the Company.

The compliance function did not carry out the regular annual review of the rules of the Company's governance system in 2016, as the Company, in accordance with the 2016 Internal Audit plan, engaged an external provider, namely KPMG, to carry out an internal review of corporate governance. The external provider established that within the scope reviewed, the corporate governance system was **largely compliant** with the Companies Act (ZGD-1) and its subordinate acts, as well as with other Solvency II requirements. The focus of this review was on subsidiary governance, which is the most complex in Sava Re, particularly on the largest subsidiary, Zavarovalnica Sava – in this part, the provider also made recommendations for improvement.

C. Risk profile

C.1 Underwriting risk

The underwriting risk of the Company arises from the accepted reinsurance contracts. It is related both to the perils covered by such reinsurance contracts and to the relevant processes, and arises from the uncertainty about the occurrence, amount and time of liabilities.

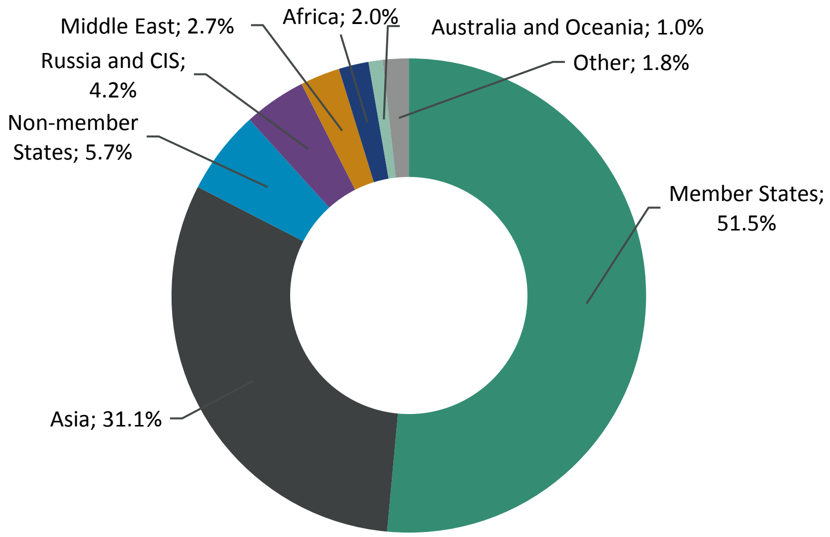
Underwriting risks are generally divided into:

- non-life underwriting risks,
- life underwriting risks,
- health underwriting risk (including accident reinsurance).

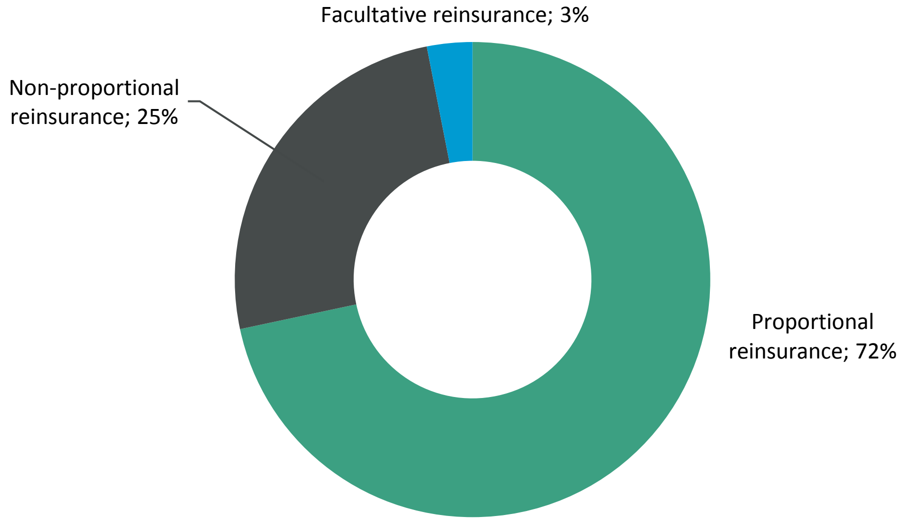
The Company sells all three types of reinsurance. Within life insurance, it does not reinsure the savings component, and reinsures the risk component on an annual basis, which makes these contracts comparable to accident reinsurance. This explains why life reinsurance risks of the Company are dealt together with accident reinsurance risks.

The table below shows the structure of gross premium by 3 different criteria – geographical area, reinsurance form and insurance group.

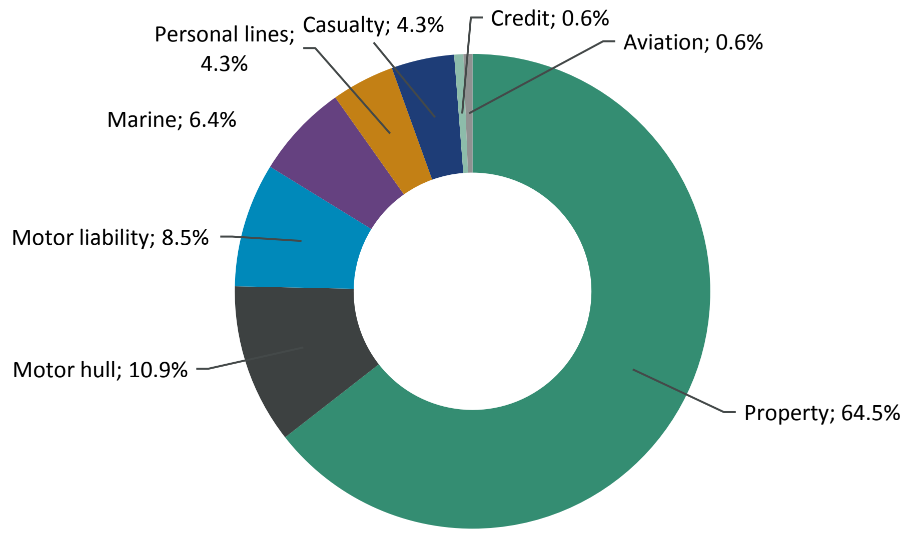
Gross premiums written by geographic area



Gross premiums written by reinsurance type



Gross premiums written by insurance group



C.1.1 Risk exposure

The Company is mainly exposed to the following risks associated with non-life insurance and health insurance pursued on a similar basis (hereinafter: NSLT health insurance):

- premium risk is the risk that the premiums written is insufficient to cover liabilities under the reinsurance contract. This risk depends on many factors, such as: inadequate assessment of market developments, poor assessment of claims frequency, use of inadequate statistics, intentionally too low premiums for certain insurance classes as compensatory effects are expected from other classes or due to inadequate assessment of the effect of macroeconomic factors that might change significantly during the term of the contract. This includes the following risks:
    - underwriting process risk,

  - product design risk,
  - claims risk.

  Given the portfolio structure, property reinsurance contributes the most to premium risk, both proportional reinsurance, because it is the largest, and non-proportional reinsurance, because it is relatively riskier because of claims volatility;
- reserve risk is the risk that either technical provisions are insufficient to cover all liabilities under the insurance contracts due to inadequate methods, inadequate, incomplete and inaccurate data, inefficient procedures and controls or inadequate professional judgement, or that an error occurs in reporting, resulting in unreliable information about the Company's financial position. This includes the following risks:
  - the risk of data availability and accuracy,
  - the risk of inadequacy of methods and assumptions used,
  - the risk of a calculation error,
  - the risk of too complex tools, resulting in misleading results.

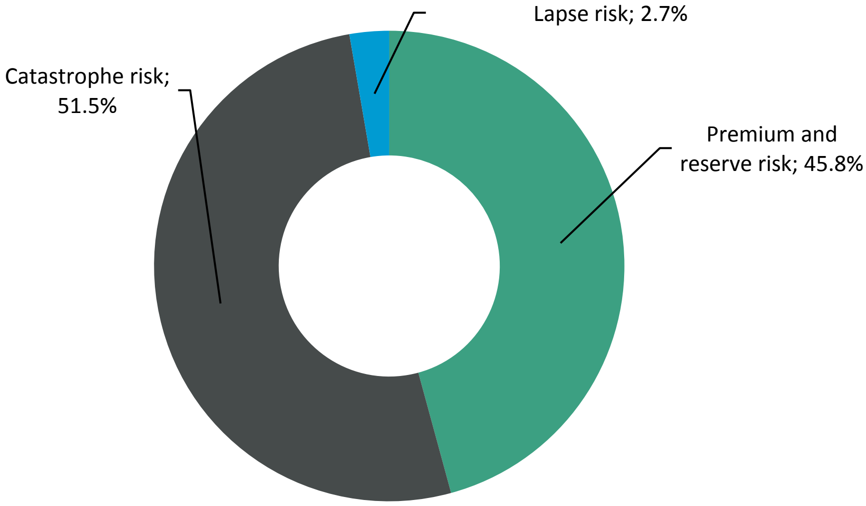
  Similar as with premium risk, property insurance contributes the most to the reserve risk, but due to the Company's long experience with this business, the amount of best estimate of technical provisions is also the largest;
- catastrophe risk is the risk of occurrence of a catastrophic event; such events occur rarely but their financial effect is too high to be covered by an otherwise appropriate premium and provisions. Catastrophe risk may materialise in the case of extreme events or in the case of a large number of catastrophic losses in a short period of time. The risk includes also the risk of an excessive geographical concentration of risks. The Company's portfolio is geographically well diversified and also further balanced through the retrocession programme, so the relatively high capital requirement results from the aggregation of a large number of such requirements for various smaller natural perils and regions and various man-made catastrophic events, and is due to the fact that coverage against catastrophic events is the Company's primary and most important activity;
- lapse risk is the risk of loss, or of adverse change in the value of insurance liabilities, resulting from changes in the level or volatility of the rates of policy lapses. The Company is not significantly exposed to this type of risk.

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

C.1.2 Risk measurement

For the quantitative assessment of non-life and health NSLT underwriting risks, the Company uses the Solvency II standard formula. Accordingly, as at year-end 2016, the Company was exposed to non-life and health NSLT underwriting risks in the amount of € 90.7 million and € 3.6 million respectively. Capital requirements for non-life and health NSLT underwriting risks represented 48.7 % and 1.9 % respectively of the non-diversified basic solvency capital requirement. Catastrophe risk, followed by premium and reserve risks, represents the largest portion of non-diversified non-life underwriting risks.

Non-diversified non-life underwriting risks by risk sub-module (without health NSLT underwriting risk)



The Company quantitatively measures underwriting risks also in the context of ORSA: premium and reserve risks are currently estimated using undertaking-specific parameters (hereinafter: USP). Also in the context of ORSA, we calculated capital requirements for storm and hail risks in Slovenia, which are not included in the standard formula, and adjusted the assessment for man-made fire catastrophe risk by using probable maximum loss within a 200-meter radius instead of the sum insured. All effects together resulted in slightly lower capital requirements for non-life underwriting risks compared to the standard formula.

In addition to said quantitative risk measurement in accordance with the standard formula, the Company monitors its exposure to non-life underwriting risks also quarterly, by analysing the combined ratios of individual contracts and homogeneous risk groups, by checking the adequacy of technical provisions, by monitoring aggregate exposures to natural perils by geographic location, and by monitoring major new contracts. Based on all this information, the Company monitors its risk profile throughout the year to detect any changes.

C.1.3 Risk concentration

The Company considers the risk related to natural perils as the largest risk among non-life underwriting risks. Its largest exposure to natural perils is in Slovenia, while other exposures are relatively well dispersed across the globe.

The table below shows ten largest gross exposures to natural perils by country as at year-end 2016.

Ten largest gross exposures to natural perils

(€ thousand)	31 December 2016
Slovenia	498,355
Croatia	60,832
China	40,941
India	33,568
Republic of Macedonia	33,406
Republic of Korea	32,786

Serbia	31,859
Vietnam	26,846
Japan	25,590
Turkey	24,993
Total	**809,177**

C.1.4 Risk management

The Company manages its underwriting risks mainly through an established underwriting process, as set out in internal reinsurance underwriting guidelines. Said guidelines define the requirements for partners, the minimum required level of information about the transaction, and the framework for the expected profitability of the transaction. In addition, they also define the underwriting process and levels of authority, so that appropriate controls are included in the process. The Company manages underwriting risk also by means of geographic dispersion and aggregate exposure limits, as well as by means of an appropriate reinsurance (retrocession) programme.

The Company reviews and defines the underwriting limits each year. Said limits relate to the sum insured or to the probable maximum loss of individual contracts and to reinsurance premiums, all within the assumed and retained business, as well as to the expected aggregate exposure to catastrophic risk by geographic location. Underwriting limits must be confirmed also by the holder of the actuarial function, which ensures their consistency with the Company's risk appetite. Underwriting limits are an integral part of the reinsurance underwriting guidelines. For more complex transactions, said guidelines also define the process of approval of risk assumption, including authorities and responsibilities, as well as the pathway of such process.

Management of certain non-life and health NSLT underwriting risks is described in greater detail in the segments below.

Premium risk

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

As regards **underwriting process risk**, the Company seeks to reduce it by means of additional training of the underwriters, by producing understandable, clear and detailed instructions, and by defining appropriate underwriting limits that are consistent with its risk appetite as defined in the risk strategy, business strategies and retrocession programme. In addition, contracts must be entered into with checked and trusted cedants, there are appropriate limits on exposure concentration by geographic location and homogeneous risk groups, which ensures the necessary risk dispersion. A large risk within the underwriting process is that the probable maximum loss (hereinafter: PML) is wrongly estimated, mainly by cedants within the Sava Re Group. To reduce this risk, the Company provides guidance on PML estimation, cooperates with cedants' underwriters in the assumption of largest individual risks, organises training in this area and makes sure that the retrocession programme covers for any such errors.

As regards **product design risk**, the Company can mainly manage it indirectly, as it has to follow the fortunes of its cedants in proportional reinsurance business. This explains why the checking of cedants is an integral part or risk assumption. The Company can manage the product design risk directly only as regards the contractual terms and conditions, which, if inappropriate, may include accompanying risks that the Company, unaware of them when entering into the contract, fails to take account of when setting the premium. This can happen due 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 analyses in detail both the partner and the market, collects any information available (from the media, competitors, clients), monitors the applicable regulations and the related requirements, observes historical claim trends (for the entire market) and forecasts. In addition, the Company may use special clauses in reinsurance contracts to limit performance volatility, e.g. a sliding scale commission and profit commission, and loss ratio limitations determined on a sliding scale and profit and loss ratio ceiling.

As regards **claims risk**, this can be related to a wrong 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, and inappropriate retrocession programme. The Company controls this risk by conducting an in-depth assessment of underwriting risks, careful allocation of authorities in the underwriting process, and development of an IT support that makes possible an accurate overview of claims accumulation. The same as with product design risk, the Company can manage this risk by means of special clauses in proportional reinsurance contracts, which limit the reinsurer's share of unexpected claims, and by not accepting unlimited layers under non-proportional contracts. Very important for reducing this risk is also the annual testing of appropriateness of retrocession protection using a variety of stress tests and scenarios, and appropriately defined retentions.

Reserve risk

The Company manages reserve risk by means of robust processes and effective controls as regards the calculation of technical provisions both in accordance with IFRS and Solvency II regulations, as well as by means of an annual back-testing of appropriateness of technical provisions, analysing all main reasons for their inappropriate levels, if any. All experience so gained is then used in the calculation of future technical provisions. An effective process of calculation of technical provisions comprises several key steps. By documenting and understanding such a process, the Company can identify and describe the potential risks, e.g.:

- the risk of data availability and accuracy,
- the risk of inadequacy of methods and assumptions used,
- the risk of a calculation error,
- the risk related to the support IT system and tools.

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

Examples of such controls include:

- reconciliation of technical provision items with the financial records of the Company,
- peer review of actuarial methods and assumptions,
- controls for change management related to the tools used in the process,
- actuarial review and confirmation of the recorded amounts of technical provisions.

The process of calculation of technical provisions is regularly approved. If there are substantial changes in the process, methodology or models used, validation is carried out in accordance with the reporting calendar.

Lapse risk

It is estimated that lapse risk, which relates to early termination of reinsurance contracts, is less important for the Company, as the vast majority of reinsurance contracts is entered into for one year, and the risk is also managed by nurturing good business relations with old and new cedants and by closely monitoring the market situation.

Catastrophe risk

The Company manages catastrophe risk by means of a well-designed underwriting process, geographic dispersion and an adequate retrocession protection against natural and man-made catastrophes.

When buying retrocession protection, the Company retains € 5 million both for intra- and for extra-Group contracts. This means that if a catastrophic event occurs, the Company will suffer a loss of € 5 million, but will also have to pay the reinstatement premium (€ 2 million at maximum) in order to protect itself against further catastrophic events. Such new coverage for the remaining duration is a common instrument available in the international reinsurance market at a price usually lower than the original coverage due to the shorter exposure period. This would ensure that the Company remains solvent even if several catastrophic events occur in one year.

C.2 Market risk

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

- **Interest rate risk** is the risk of a change in market interest rates adversely affecting the value of interest rate-sensitive assets and liabilities, which include bonds, deposits and loans. When calculating capital requirements for interest rate risk, the amount of interest rate-sensitive assets is included on the assets side and the best estimate of technical provisions, subordinated debt and employee provisions are included 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 equity investments. This risk is related to equity investments, as well as to investments in equity and mixed mutual funds.
- **Property risk** is the risk of volatility of property prices resulting in a fall in the value of property. Within the investment portfolio, the percentage represented by property is limited and thus relatively small. Consequently, property risk to which the Company is exposed is low.
- **Currency risk** is the risk that volatility of currency exchange rates reducing the value of assets or increasing the value of liabilities denominated in foreign currencies.
- **Spread risk** is risk of the value of assets and financial instruments changing due to changes in the level or volatility of credit spreads over the risk-free interest rate.
- **Market risk concentration** is the risk of a less diversified asset portfolio or a large single counterparty/multiple counterparties that belong to the same group defaulting.

C.2.1 Risk exposure

On the date of this report, the Company had the following structure of assets that affect its exposure to market risks.

Investments included in the calculation of market risks (valued in accordance with Solvency II)

(€ thousand)	31 December 2016	Percentage
Asset class		
Bonds	**225,453**	**41,0%**
Government bonds	123,681	22,5%
Corporate bonds	101,772	18,5%
Investment funds	**2,388**	**0,4%**
Deposits	**3,017**	**0,5%**
Equity investments	**304,238**	**55,3%**
Participations	294,439	53,6%
Listed equities	5,899	1,1%
Non-listed equities	3,899	0,7%
Property	**11,875**	**2,2%**
Own-use property	8,594	1,6%
Other property	3,281	0,6%
Loans and mortgages	**2,835**	**0,5%**

The value of assets included in the calculation of market and credit risks was € 549.8 million as at year-end 2016. Their structure shows that the majority of financial investments consist of strategic participations and fixed-income financial instruments.

Predominance of fixed-income financial instruments reflects the Company's policy which defines asset/liability matching as one of the main objectives of investment management.

The percentage of portfolio investments[1] represented by variable-income financial instruments is relatively low, as the majority of equity investments consist of participations. Portfolio investments of the Company show a relatively high exposure to interest rate and credit risk.

C.2.2 Risk measurement and risk concentration

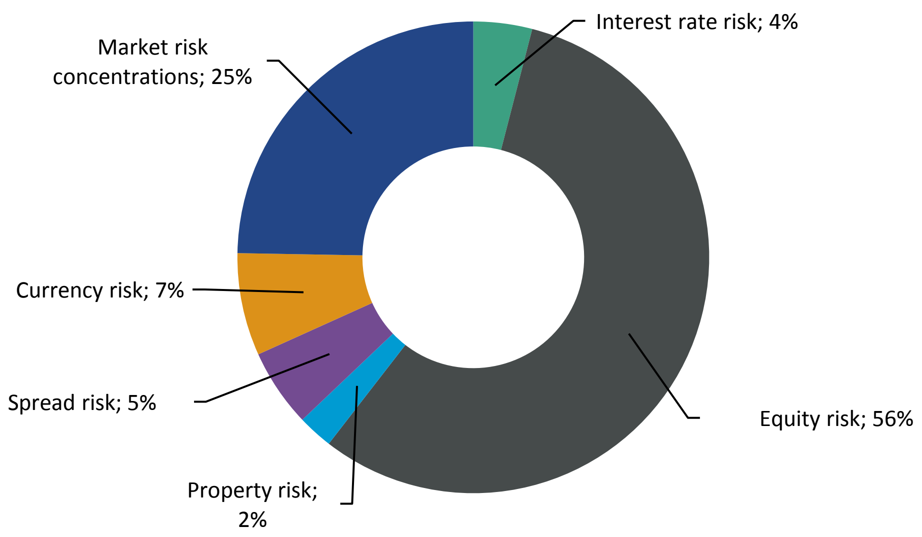
For the quantitative assessment of market risks, the Company uses the Solvency II standard formula, but also its own risk assessment, which also serves for risk monitoring purposes.

Solvency capital requirements for market risks, which the Company calculated using the standard formula, amounted to € 85.3 million as at year-end 2016 or 45.8 % of the total non-diversified basic solvency capital requirement.

The Company has investments in participations within and outside the European Union in the amount of € 259.4 million and € 35.1 million respectively. Its exposure due to participations in subsidiaries therefore accounts for a significant proportion of capital requirements for equity and concentration risks.

Of all market risks, equity risk is the largest, which is mainly explained with capital requirements for participations in subsidiaries. Said investments explain also the high level of concentration risk, as all participations outside the European Union are considered as a single exposure under the standard formula. Capital requirements for interest rate risk, currency risk, property risk and spread risk are smaller and are still being diversified within the market risks module.

Non-diversified market risks by risk sub-module



- **Interest rate risk** accounts for a relatively small proportion of market risks-related capital requirements. Interest rate-sensitive investments include bonds, deposits and loans. Interest rate-sensitive liabilities mainly include technical provisions. The Company regularly monitors,

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

analyses and addresses the scope of the assumed interest rate risk. We believe that with its specific activities and internal controls, the Company manages the interest rate risk well.

- **Equity risk** is the largest individual market risk, as it represents 56 % of total market risks. Equity risk related to portfolio investments is relatively low due to the smaller exposure. Quite significant is equity risk related to participations, which contribute the most to the capital requirement.
- **Property risk:** the proportion of property within the investment portfolio is limited and therefore relatively small. Consequently, property risk is relatively low.
- **Currency risk** represents 7 % of market risks. Both assets and liabilities are exposed to the currency risk. The monitoring and management of currency risk is presented in greater detail in the Company's annual report, in the *Currency risk* section (25.5.3.1.3). As at year-end 2016, the Company had a high level of asset/liability currency matching in accordance with IFRS. Nevertheless, the Company still had some currency mismatch due to the smaller best estimate of technical provisions.
- **Spread risk** represents a relatively small proportion of market risks and contributed 5 % to the capital requirement. The Company has an internal limits system in place to manage **credit risk**. The system defines maximum exposures to a single issuer, region, sector and rating, and thus prevents the assumption of risks inconsistent with the Company's risk appetite.
- **Market concentration risk** is the second largest individual market risk, as it represents 25 % of total market risks. This is due to the Company's equity investments in subsidiaries established outside the European Union, which are considered as a single exposure under the standard formula.

The Company monitors and adjusts the exposures or concentrations by region, sector and investment type, thus preventing any large concentrations in the investment portfolio and limiting the risk. The Company's portfolio broken down by said parameters and by rating is shown in its annual report, in the *Credit risk* section (24.5.3.3).

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

- return volatility,
- investment income and return, and
- risk to return ratio (Sharpe ratio).

In its asset/liability matching, the Company, on a quarterly basis, calculates for each asset/liability portfolio the following:

- risk measures: modified duration, convexity and key rate duration,
- cash flow forecast,
- currency structure of assets and liabilities.

In addition to the standard formula, the Company uses also its own risk assessment model (within ORSA) to monitor and assess market risks, specifically equity risk. The Company uses the capital asset pricing model (CAPM) for valuation purposes, where a stock index as a measure of market return is assigned to each equity security (with economic scenario generators used as the basis). In its own model, the Company includes all marketable equity securities that are sufficiently liquid to allow it to estimate with sufficient accuracy the parameters of the model using historic data. For other investments, the Company uses shocks prescribed by the standard formula. In addition to equity risk, the Company uses ORSA to assess the interest rate risk for investments and liabilities in the following currencies: EUR, USD, DKK and BGN[2]. For other currencies, it only uses the standard shock of an increase in interest rates. The Company also uses ORSA to assess credit risk, which also captures market concentration and spread risks. More about these risks is contained in section C.3.2 of this document.

C.2.3 Risk management

The framework for the investment risk management is set out in the Company's asset and liability management policy and investment risk management policy. Specifically, the two policies define the following:

- the basic investment guidelines,
- the measures to use in the monitoring of investment performance,
- the measures to use in the monitoring of investment risks,
- persons responsible in the investment process.

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

- its risk appetite as set out in the risk strategy,
- operational limits for financial investments,
- measures of investment performance and risks.

The Company addresses any asset/liability mismatch by means of adjustments and hedging, and – if possible and cost effective – by adjusting assets to liability cash flows. The Company does not use derivative financial instruments in the process of asset/liability matching.

The Company manages the risks arising from the portfolio of its financial investments by regularly monitoring and analysing issuers' financial data, by monitoring the market prices of financial instruments and by regularly analysing the asset/liability management, submitting relevant reports to the risk management committee.

Prudent person principle

The Company only invests in financial instruments and other assets the risks of which it can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs.

All assets are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In addition, the localisation of those assets is such as to ensure their availability.

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

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

[2] Euro, US Dollar, Danish Krone, Bulgarian Lev.

C.3 Credit risk

Credit risk means the risk of loss or of adverse change in the financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Company is exposed, in the form of counterparty default risk.

C.3.1 Risk exposure

The Company is exposed to the following risks:

- **counterparty default risk**: this reflects possible losses due to unexpected default, or deterioration in the credit standing, of the counterparties and debtors of insurance undertakings over the following 12 months. The counterparty default risk covers risk-mitigating contracts, such as reinsurance arrangements, and receivables from intermediaries, as well as any other credit exposures which are not covered in the spread risk sub-module under the standard formula (cash and cash equivalents and deposits of up to 3 months). Receivables-related credit risk arises from delays in the payment of liabilities in the area of outwards reinsurance and recovery arrangements under subrogation rights. To avoid such delays, the Company closely monitors cedants and actively collects overdue but unpaid receivables. This explains its low exposure to counterparty default risk;
- **spread risk;**
- **market concentration risk.**

Spread and market concentration risks are discussed and presented within market risks, in accordance with the risk classification and measurement under the standard formula.

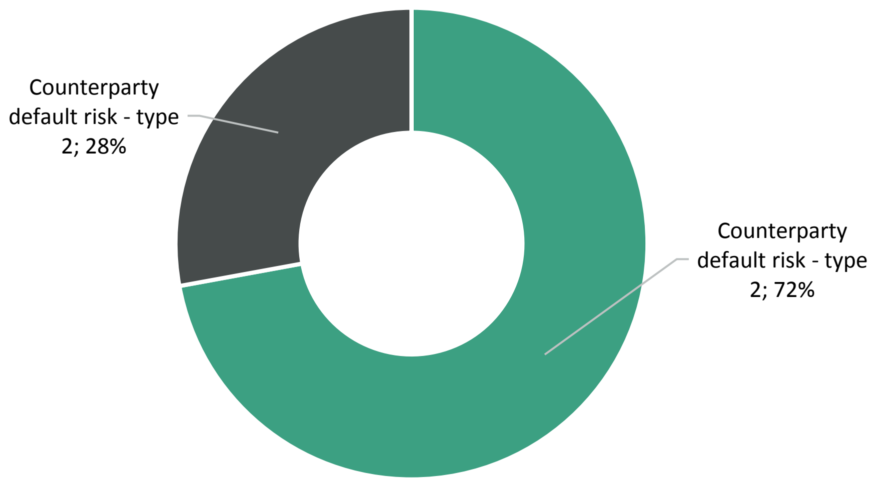
C.3.2 Risk measurement

For the quantitative assessment of credit risks, the Company uses the Solvency II standard formula: spread and market concentration risks are assessed within the market risk module, while counterparty default risk is assessed in a separate module.

Solvency capital requirements for counterparty default risk, which the Company calculated using the standard formula, amounted to € 6.7 million as at year-end 2016 or 3.6 % of the total non-diversified basic solvency capital requirement.

The chart below shows the structure of the counterparty default risk module in accordance with the standard formula.

Non-diversified counterparty default risk by risk sub-module



In addition to the calculation of solvency capital requirement in accordance with the standard formula, the Company also develops its own model (within ORSA) for the assessment of financial investments-related credit risk. Said credit risk model takes account of spread, migration and default risks for all investments in debt instruments. Being closely interconnected, these risks are addressed within one model also within ORSA. The model only includes financial investments without financial investments in subsidiaries. As regards counterparty default risk related to reinsurers and coinsurers, the Company believes that the standard formula is appropriate and has not adjusted the calculation in this part. The calculation also takes account of the diversification effect.

C.3.3 Risk management

To avoid concentration of investments within the same investment type, partner, sector, etc., the Company makes sure that its investment portfolio is well-diversified, in accordance with the Slovenian Insurance Act and its own internal rules.

The credit risk of assets under re(co)insurance contracts means the risk of the re(co)insurer being unable to pay its liabilities. The Company manages this risk by limiting the exposure to a single re(co)insurer and by entering into contracts with highly-rated partners.

C.4 Liquidity risk

Liquidity risk means the risk that the Company is unable to settle its financial obligations or is forced to sell its less liquid assets at a discount or raise new loans due to lack of liquid assets. Liquidity risk arises from short-term cash flows and not from long-term asset/liability mismatch.

C.4.1 Risk exposure

The Company has substantial monetary liabilities (mainly to policyholders), and must therefore adequately manage its cash flows, ensuring an appropriate level of liquidity. The Company carefully plans and monitors cash flows (cash inflows and outflows). It also regularly monitors the maturity structure of receivables, and takes account of the effect each settlement of obligations has on its current liquidity.

C.4.2 Risk measurement

Liquidity risk is not covered within the Solvency II standard formula. Although difficult to measure, the Company nevertheless regularly monitors and manages this risk.

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

- balances in bank accounts,
- the percentage of the L1A liquidity category and the haircut category in view of the total amount of financial investments, in accordance with the ECB methodology,
- liquidity buffer,
- the difference between the projected cash outflows and inflows for the next quarter, and the percentage of the liquidity buffer represented by this difference,
- all other prescribed measures.

C.4.3 Risk concentration

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

C.4.4 Risk management

The Company adopted a liquidity risk management policy, which sets out the risk management processes and risk measures, as well as the processes in the case of emergency liquidity needs. Within the context of risk strategy, the Company has defined liquidity risk as one of the key risks to which it is exposed. Due to its nature, the Company does not manage the liquidity risk by means of additional capital, but by means of an appropriate strategy to ensure 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 liquidity buffer (estimated based on stress scenarios).

The Company estimates the normal current liquidity requirement within 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 data from previous monthly and weekly liquidity plans and expectations regarding future performance.

Liquidity requirements are met by allocating assets to money market instruments in a percentage corresponding to the estimated normal current liquidity requirement. The Company maintains the estimated liquidity buffer of highly-liquid assets that accounts for at least 15 % of its investment portfolio. At year-end 2016, this percentage amounted to 30.3 %, which is well above the level defined in the risk strategy.

Two credit lines with commercial banks represent an additional liquidity buffer for the case of emergency liquidity needs.

Due to the high proportion of L1A assets and an additional credit line, the Company believes that its liquidity risk is well-managed.

The amount of expected profits included in future premiums as at 31. 12. 2016 id mounted to € 5,559 thousand.

C.5 Operational risk

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

C.5.1 Risk exposure

Operational risks are not among the most important risks of the Company. Nevertheless, they include some important risks as follows:

- risk of inside information leakage,
- risk of external theft or fraud,
- risk of key, expert and high-potential employees leaving,
- risk of damage to assets due to natural disasters or fire,
- risk of failure or interruption of service in computer or communication systems,
- risks associated with transactions, execution and maintenance,
- risk of incorrect data input and inadequate documentation,
- risks associated with outsourcing.

C.5.2 Risk measurement

At least annually, the Company calculates its capital requirements for operational risks using the Solvency II standard formula. This calculation, however, has a limited practical value, as the formula is not based on the actual exposure of the Company to operational risks, but on an approximation calculated mainly based on premiums, reserves and expenses.

The exposure to operational risks, which the Company calculated using the standard formula, amounted to € 4.5 million as at year-end 2016.

Due to the above-mentioned reasons, the Company assesses operational risks mainly by qualitatively assessing the related probability and impact within the risk register, and by analysing various scenarios (also within ORSA). With such regular assessments, the Company obtains an insight into the level of its exposure to operational risks.

C.5.3 Risk concentration

The Company is not exposed to a significant concentration of operational risks.

C.5.4 Risk management

The Company has in place various processes that ensure that it can properly identify, measure, monitor, manage, control and report operational risks, thus ensuring their effective management.

The main measures taken by the Company to manage operational risks are the following:

- maintaining an effective business processes management system and internal control system;
- awareness-raising and training of all employees as regards their role in the implementation of the internal control system and operational risks management;
- implementing appropriate policies as regards information security;

- having in place a business continuity plan for all critical processes (in order to minimise the risk of unpreparedness for incidents and external events and any resulting business interruptions);
- having in place appropriate and IT-supported processes and controls for the most important areas of its operations,
- awareness-raising and training of all employees.

In addition, the Company also manages operational risks through the audits carried out by the Internal Audit.

All important operational risks-related internal controls are included in the risk register.

C.6 Other material risks

Other material risks primarily include strategic risks. Strategic risk is the risk of an unexpected decrease in the Company's value due to the adverse effects of management decisions, changes in the business and legal environment, and market developments. The negative impact of such events could affect the Company's income or capital adequacy.

C.6.1 Risk exposure

The Company is exposed to a variety of internal and external strategic risks. The key strategic risks for 2016 include primarily the following:

- regulatory risk,
- reputation risk,
- project risks,
- impact of market and economic conditions,
- competitor risk.

C.6.2 Risk measurement

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

The Company therefore assesses strategic risks qualitatively in the risk register, assessing the frequency and the potential financial impact of each event. In addition, the Company strives to evaluate key strategic risks using a qualitative analysis of various scenarios (including in the ORSA). Based on both analyses combined, an overview is obtained of the extent and changes in exposure to this type of risk.

C.6.3 Risk concentration

The Company manages strategic risks and is not exposed to a major concentration of risk.

C.6.4 Risk management

The Company mitigates individual strategic risks mainly with preventive activities.

In addition to the Company's individual organisational units, it is also the management board, the risk management committee and the risk management function that are actively involved in the identification and management of strategic risks.

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

The Company is aware of the importance of reputation for meeting business goals and realising strategic plans in the long term. The risk strategy therefore defines **reputation risk** as one of the key risks, providing that the Company must continually strive to minimize the likelihood of actions that could have a major impact on the reputation of an individual Group company or the Group. In addition, the Company has been implementing activities mitigating reputation risk, such as: setting up fit & proper procedures for key personnel, a systematic operation of the compliance function, business continuity plans, stress tests and scenarios, and planning activities and responses to risk events. Reputation risk is also managed by continually seeking to improve services, by means of timely and accurate reporting to supervisory institutions, and by means of well-planned publicity. A crucial factor in ensuring the Company's good reputation and successful performance is an adequate quality of services; each and every employee therefore has the permanent high-priority task of striving to improve the quality of services and customer satisfaction.

The Company manages and mitigates **regulatory risk** by continually monitoring anticipated legislative changes and by assessing their potential impact on operations in the short and long term. In accordance with the legislation, the Company has established a compliance function to monitor and assesses the adequacy and effectiveness of regular procedures and measures taken to remedy any deficiencies in the Company's compliance with regulations and regarding other commitments.

C.7 Any other information

The Company has reviewed sensitivity tests, stress tests and scenarios and their impact on its operations and solvency. Sensitivity, stress tests and scenarios were selected based on Sava Re's own risk profile; the Company strove to identify events with a potentially maximum impact on its operations and capital adequacy, taking into account the probability of them materialising. In a stress test or sensitivity test, a single parameter changes with the other parameters remaining unchanged; in a scenario, several interrelated parameters may change simultaneously. The selected scenarios, stress tests and sensitivity tests are described below.

Increase and decrease in interest rates

We tested for interest rate sensitivity by increasing and decreasing the baseline risk-free interest rate curve for all maturities by 100 basis points. We then recalculated eligible own funds and the SCR for all interest sensitive assets and liabilities.

In the event of interest rates increasing by 100 basis points, the Company's eligible own funds drop just below the Company's materiality threshold[3]; however, the SCR also decreases and the stress test thus has a relatively small impact on the solvency ratio. When interest rates are reduced by 100 basis points, the impact on eligible own funds and the SCR is just the opposite, with the impact on the solvency ratio remaining relatively small.

Decrease in the value of equities

We stress tested for a negative equity shock by decreasing the value of the Company's equities by 20 % as at the reporting date. The values of participations in subsidiaries were not factored in. The impact of lower equity values is proportionate to the amount of the stress test.

The stress test primarily drives down eligible own funds, and the capital requirement in the equity risk sub-module also changes.

The negative equity shock stress test drives down the Company's eligible own funds; however, the reduction is less than the Company's materiality threshold. This stress test also drives down the SCR, rendering the impact on the solvency ratio very small.

Decrease in property values

The impact of changes in property prices is analysed by applying a stress test including 25 % price drops. The calculation is based on the balance of investment property as at the reporting date.

The stress test mainly drives down eligible own funds, and the capital requirement of the property risk sub-module also decreases.

The impact of lower property values on eligible own funds and the SCR is below the materiality threshold and so is the decrease in the Company's SCR (reduction in the capital requirement for property risk). The stress test therefore has a very small impact on the solvency ratio.

Decrease in the value of participation in Zavarovalnica Sava

[3] The materiality threshold is an internal measure linked to the amount of the Company's eligible own funds and the SCR. As at 31 December 2016 the Company's materiality threshold totalled € 4 million.

In accordance with Solvency II, investments in subsidiaries are valued at market value in the balance sheet. The market value of participations in subsidiaries is calculated based on a valuation using the adjusted equity method – consistent with Solvency II, it equals the amount of the subsidiary's eligible own funds.

Zavarovalnica Sava is the largest insurance company in the Sava Re Group. Should the value of the participation in Zavarovalnica Sava decrease, this would consequently affect the solvency position of Sava Re. We tested for the shock of 20 %. In accordance with Solvency II, the participation of Sava Re in Zavarovalnica Sava totalled € 250.6 million in the balance sheet as at 31 December 2016.

A reduction in the value of the participation of Sava Re in Zavarovalnica Sava impacts both the amount of eligible own funds of Sava Re and the capital requirement for market risk.

The stress test significantly reduces the Company's eligible own funds and the SCR. As eligible own funds decrease more than the SCR, this pushes the Company's solvency ratio down substantially; however, the solvency ratio remains high enough for the Company's solvency not to be compromised.

The impact of natural catastrophes

Owing to its reinsurance business, the Company has global exposure, and we therefore tested the impact of three different catastrophic events on the Company's solvency position.

The first stress test involved the impact of a hurricane similar to Hurricane Andrew from 1992, which passes over the Bahamas and Florida and turns north towards New Orleans. The storm is category 5 just before the Bahamas and category 4 before New Orleans. The return period for such an event was estimated at 50 years. In case of such a catastrophic event, eligible own funds would change in respect of the resulting net loss.

Such an event would have a significant impact on the operating result in the year of the event; however, Sava Re would still have a large surplus of eligible own funds over the SCR, with the solvency ratio being pushed down by only a few percentage points and remaining at a high level.

The second stress test involved testing the impact of an earthquake in China with a return period of 250 years. The assumed earthquake would bring eligible own funds down by only a few percent. This would consequently also reduce the solvency ratio; however, the Company would have no problems meeting solvency requirements, its eligible own funds still substantially exceeding the SCR.

The third stress test analysed the impact of a violent earthquake in Turkey with a return period of 250 years. Shortly after the catastrophic event, two aftershocks shake the ground, whereby the second and third quakes are taken to have a return period of 50 years.

Compared to the baseline scenario, the earthquake in Turkey would indeed bring eligible own funds down, but the Company would still have a large surplus of eligible own funds over the SCR and its solvency would not be compromised.

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.

The valuation of assets is consistent with the provisions of the IFRS issued by the International Accounting Standards Board (IASB) and with the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union. If the IFRS allow for several valuation methods, a method has to be chosen that is consistent with the principles of Solvency II and Article 174 of the ZZavar-1. For most other assets and liabilities, not elsewhere shown (apart from TP) the International Accounting Standards (IAS) provide for a valuation consistent with the principles of Solvency II.

Apart from deposits, shares not listed on a regulated market, loans and subordinated debt (the book value of which is assumed to be a reasonable approximation of their fair value), the Company measures all financial instruments at fair value. The fair value of investment property and of land and buildings used as business premises is stated based on appraisals by independent external property appraisers (the market approach and the income approach (weighted 50 %: 50 %)), while new purchases of property in the reported year are recognised at the sales value.

The Company determines the fair value of a financial asset on the valuation date by determining the price on the principal market based on:

- for stock exchanges: the quoted closing price on the stock exchange as at the valuation date or as at the last day of operation of the exchange on which the investment is quoted;
- for OTC markets: the quoted closing bid CBBT price or, if unavailable, the Bloomberg bid BVAL as at the valuation date or as at the last day of operation of the OTC market;
- the price is calculated on the basis of an internal valuation model.

Financial investments measured at fair value are stated in accordance with fair value levels under the IFRS 13, which categorises inputs for fair value measurement into the following three levels of the fair value hierarchy:

- Level 1 financial investments are those for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical financial investments, which the Company can access as at the measurement date.
- Level 2 financial investments are those whose fair value is determined using data that are directly or indirectly observable, other than the prices quoted within level 1.
- Level 3 comprises financial investments for which observable market data are unavailable. Fair value is thus determined based on valuation methods using inputs that are not directly or indirectly observable in the market.

Methodology for the measurement of financial investments

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on the CBBT price in an active market.	Debt securities measured based on the CBBT price in an inactive market. Debt securities measured at the BVAL price if the CBBT price is unavailable.	Debt securities measured using an internal model that does not factor in level 2 inputs.

		Debt securities measured using an internal model based on level 2 inputs.	
Stock exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market. Debt securities measured at the BVAL price when the stock exchange price is unavailable. Debt securities measured using an internal model based on level 2 inputs.	Debt securities measured using an internal model that does not factor in level 2 inputs.
Shares			
Stock exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market. Shares for which there is no stock exchange price and that are measured using an internal model based on level 2 inputs.	Shares measured using an internal model that does not factor in level 2 inputs.
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures, calculated based on an internal model used for impairment testing, mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted net asset value per share (NAVPS) as at the measurement date.		
Deposits and loans			
With maturity		Measured at amortised cost; fair value for the purposes of disclosures calculated based on an internal model using level 2 inputs.	Measured at amortised cost; fair value for the purposes of disclosures calculated using an internal model not factoring in level 2 inputs.
Demand deposits (Contractually agreed daily recall option)	Demand deposits measured at the contract value which represents fair value.		

The baseline for the balance sheet under Solvency II (SII balance sheet), where assets and liabilities are valued in accordance with the valuation principles set out in Articles 174–190 of the ZZavar-1, is the balance sheet as prepared for the purposes of IFRS reporting; in this document it is referred to as the IFRS balance sheet.

Reclassifications and revaluations of IFRS balance sheet items were carried out as required in accordance with Solvency II (SII balance sheet). This section describes the implementation of such reclassifications and revaluations only for items where the SII value differs from the IFRS value. For all other items it is considered that the IFRS ensure a valuation consistent with Solvency II principles.

The table below shows the balance sheet as at 31 December 2016 with both assets and liabilities in accordance with the IFRS (IFRS balance sheet) and assets and liabilities in accordance with the valuation principles set out in Articles 174–190 of the ZZavar-1, with revaluations and reclassifications of items of assets and liabilities taken into account.

Balance sheet in accordance with the IFRS and in accordance with SII as at 31 December 2016

(€ thousand)		IFRS	Revaluation	Reclassification	Solvency II
Assets					
1.	Deferred acquisition costs	6,898	-6,898	0	0
2.	Intangible assets	833	-833	0	0
3.	Deferred tax assets	1,373	1,924	0	3,297
4.	Property, plant and equipment held for own use	7,708	886	0	8,594
5.	Property, plant and equipment (other than for own use)	3,167	114	0	3,281
6.	Participations	191,640	102,799	0	294,439
7.	Shares	9,479	0	0	9,478
8.	Bonds	224,693	760	0	225,453
9.	Investment funds	2,388	0	0	2,388
10.	Deposits other than cash equivalents	2,399	619	0	3,017
11.	Loans & mortgages	2,835	0	0	2,835
12.	Reinsurance recoverables	18,204	-1,845	-2,158	14,200
13.	Deposits with cedants	7,836	0	0	7,836
14.	Receivables arising out of co-insurance and reinsurance business	79,604	0	-63,204	16,399
15.	Other receivables	233	0	0	233
16.	Treasury shares	24,939	-2,174	0	22,764
17.	Cash and cash equivalents	7,990	0	0	7,990
18.	Any other assets, not elsewhere shown	549	-549	0	0
TOTAL ASSETS		**593,086**	**94,803**	**-65,362**	**622,526**
Liabilities					
19.	Gross technical provisions – non-life	226,207	-43,100	-47,761	135,347
20.	Provisions other than technical provisions	332	0	0	332
21.	Deferred tax liabilities		8,719	0	8,719
22.	Financial liabilities other than debts owed to credit institutions	104	0	0	104
23.	Liabilities from reinsurance and co-insurance business	43,724	0	-17,602	26,122
24.	Payables (trade, not insurance)	2,586	0	0	2,586
25.	Subordinated liabilities	23,571	0	0	23,571
26.	Any other liabilities, not elsewhere shown	1,268	-413	0	855
TOTAL LIABILITIES		**297,792**	**-34,793**	**-65,362**	**197,637**
Excess of assets over liabilities		**295,294**	**129.596**	**0**	**424,890**

D.1 Assets

Below we are presenting individual categories of assets together with a description of the method of valuation for the most important categories.

D.1.1 Deferred acquisition costs

Deferred acquisition costs have a zero value in the SII balance sheet.

D.1.2 Intangible assets

The Company has not identified any intangible assets that may be sold separately and it cannot prove that there is a market value for identical or similar assets. The SII value of intangible assets is zero.

D.1.3 Deferred tax assets and liabilities

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

Deferred tax liabilities are the amounts of income tax recoverable in future periods in respect of:

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

Should the Company's taxable income statement show a tax loss, the Company does not have to pay income tax until the tax loss is covered (in accordance with the Corporate Income Tax Act ZDDPO-2, there is no time limit in Slovenia for covering loss), but it may form deferred tax assets and reduce expenses from deferred taxes.

As a general rule, the recognition of deferred tax liabilities is mandatory, while deferred tax assets only need to be recognised if the Company reasonably expects it will generate sufficient profits in the future to reconcile deferred tax assets. In the SII balance sheet, deferred tax assets and liabilities are accounted for on all revaluations apart from:

- the revaluation of the item "Participations", because they are considered strategic investments – revaluation differences in such cases are treated as permanent differences and do not meet the criteria for temporary differences, and therefore there is no basis for accounting for deferred taxes under this item;
- the revaluation of the item "Treasury shares quoted on a stock exchange", because it does not constitute a taxable temporary difference;
- the reclassification among balance sheet items.

The tax rate at which deferred tax assets and liabilities were accounted for in 2016 is 19 %. In accordance with the principles of Solvency II, the Company is reporting a net deferred tax liability resulting from revaluations, in the amount of € 8.3 million.

The biggest effect of deferred tax assets is associated with the revaluation of deferred acquisition costs to zero; € 1.3 million of deferred tax assets were established in this respect.

The biggest effect of deferred tax liabilities is associated with the revaluation of gross technical provisions; € 9.6 million of deferred tax assets were established in this respect.

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

Every three years, the Company obtains fair value valuations of its properties for own use from independent external property appraisers. Equipment for the direct transacting of the reinsurance business represents an immaterial amount and is disclosed in the same amount in both the SII and IFRS balance sheets.

In assessing fair value and fair value less costs of selling, the certified property appraiser takes into account International Valuation Standards (IVS) and International Accounting Standards (IAS). The valuation includes verifying the adequacy of all the used methods of appraising property rights. Depending on the purpose of the valuation and the quantity of available data, a market value appraisal will use the market approach and the income approach.

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 subsection D.1.4 *(Property, plant and equipment held for own use).*

Participations

Investments in insurance companies and pension companies

The revaluation methodology differs for participations in insurance companies and for participations in Slovenian pension companies.

Participations in insurance companies

Shares of participations in insurance companies are valued at the market-consistent value in the balance sheet. The market-consistent value can be obtained on the basis of:

- the market price, which is directly observable, or
- a valuation using the adjusted equity method (net asset value of the share of participation, where assets and liabilities are adjusted to the SII value).

For equity investments in insurance subsidiaries of Sava Re the market value needed for the calculation of capital requirements under the standard formula is calculated based on a valuation using the adjusted equity method – of the amount of eligible own funds of each insurance company, as none of the Group subsidiaries is listed on an exchange.

Proportionate adjustments are made in cases where the share of Sava Re in a subsidiary is less than 100 %.

Participations in Slovenian pension companies

In the SII balance sheet, the Company values its share in a pension company using the IFRS equity method in accordance with Article 13(5) of Commission Delegated Regulation (EU) 2015/35. The value of goodwill and other intangible assets, which would be valued at nil under the assets valuation methodology, is subtracted from the obtained value of the pension company.

Investments in companies other than insurers

For the purposes of the SII balance sheet valuation, subsidiaries that are not insurance companies are measured at the values from the IFRS balance sheet.

Shares

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

Equity securities not listed on a stock exchange are initially recognised at cost. As at the balance sheet date, the value of equity securities not listed on a stock exchange is measured with the model to determine if their cost still represents their fair value. If the model shows the cost to be too high, the equity security is impaired for the difference between the value from the model and the cost of the equity.

Given that equity securities not listed on a stock exchange represent an immaterial part of the investment portfolio of Sava Re, they are not measured at fair value in the SII balance sheet; rather, they are recognised in the same amounts as in the IFRS balance sheet.

Bonds

For the purposes of the IFRS balance sheet, bonds are measured according to the International Accounting Standards – IAS 39. Bonds are measured based on the IAS category and fair value hierarchy level that they are classified into.

Market value is also calculated for bonds classified as held to maturity.

The Company obtains market prices from Bloomberg, the local stock exchange or any other market on which the bond is listed.

Investment funds

The value for IFRS reporting is calculated based on the most recent published net asset value per share (NAVPS). The value in IFRS reporting is the fair value (market value) of investment funds. Notwithstanding their classification, the book value of investment funds equals the market value and is calculated using the following formula: NAVPS as at the valuation day * number of lots. NAVPS amounts are obtained from asset managers.

Deposits other than cash equivalents

These deposits are measured at amortised cost or acquisition cost plus accrued interest. In accordance with the IAS 39, they are classified as *Loans and receivables.*

For the purposes of the SII balance sheet valuation, the Company has developed a model for the valuation of deposits. The model determines the market value of deposits with a contractual maturity. The market value of deposits is calculated on a quarterly basis.

Deposits are valued using the following inputs:

- date of valuation,
- date of interest payment,
- nominal value,
- interest rate,
- the currency of the deposit,
- frequency of interest payments,
- maturity date,
- discount factor and the corresponding interest rate for discounting.

The market value of deposits as at the valuation date is calculated as the net present value of all future cash flows (interest plus principal), discounted at the most recent publicly available interest rates. For euro deposits, the interest rate for deposits published by the Bank of Slovenia is approximated. For deposits in other currencies, the used interest rates are those published on the websites of the central banks of the countries in the currency of which the deposit is concluded.

D.1.6 Loans & mortgages

Loans and mortgages are initially valued at their contract value.

As at the reporting date, they are valued at their residual value according to the repayment plan, taking into account the actual payments of interest and principal. If payments are not made according to the repayment plan, amounts have to be impaired.

The Company's assets do not include loans and mortgages to individuals, but only other loans, which are loans granted to subsidiaries.

D.1.7 Reinsurers' share of technical provisions

The Company reclassifies written undue receivables for commission from retroceded business and written undue liabilities for retroceded premium to reinsurance share in premium provisions.

The reinsurers' share of technical provisions is valued in the actuarial department of Sava Re. This document provides only a summary of the methodology, which is defined in detail in Sava Re's rules on making best estimates of provisions; they take into account the guidelines specified in the Sava Re underwriting and reserving risk policy.

The Company's core business is assumed reinsurance, therefore, for clarity's sake, we refer to the insurance of such business with subsequent reinsurers, i.e. reinsurance ceded, as retrocession.

As the retrocession business generates relatively small premium volumes, retroceded provisions cannot be calculated using the same actuarial methods as for the calculation of gross provisions. A simplification is applied, whereby we calculate the share of the retrocession business using retrocession data for each homogeneous group and each underwriting year, taking into account the type of retrocession. A retroceded technical best estimate of premium and claims provisions is calculated using the share of retrocession obtained from the gross technical best estimate of premium and claims provisions (before taking into account the costs, future cash flows from premiums and provisions, and without taking into account the time value of money). The retrocessionaires' share in provisions for costs is not accounted for. The currency structure and the time value of money are taken into account in the same way as for gross best estimates of provisions. In designing cash flows, historical data on paid claims are used to check for a possible time delay in retrocession payments as opposed to gross disbursements. Adjustments for a counterparty's anticipated default are made on the basis of the amount of the reinsurers' share of technical provisions (for IFRS balance sheet valuation) being divided according to the credit ratings of counterparties (retrocessionaires) and the probabilities of default associated with these ratings.

D.1.8 Deposits with cedants

Under certain reinsurance contracts, part of the reinsurance premium is retained by cedants as guarantee for the payment of future claims and generally released after one year. These deposits bear contractually agreed interest. Retained deposits are stated at cost less any adjustments.

As deposits with cedants constitute short-term investments, their IFRS balance sheet value is considered a sufficiently good approximation of their market value. The market value of such deposits is therefore not calculated in the model, and in the calculation of the SCR the market value is taken to be the value from financial statements.

D.1.9 Receivables arising out of co-insurance and reinsurance business

The fair value valuation of receivables does not deviate from the IFRS balance sheet valuation.

Receivables undue as at the SII balance sheet reporting date are excluded from the item "receivables arising out of co-insurance and reinsurance business" as follows:

- undue receivables for premiums arising out of reinsurance assumed, and
- other undue receivables arising out of co-insurance and reinsurance business (receivables for commission from retroceded business).

Said items are considered as future cash flows when calculating the best estimate of premium provisions (indent one) and the reinsurers' share in the best estimate of premium provisions (indent two).

Changes in receivables and premium provisions are recognised as reclassifications.

D.1.10 Other receivables

The "other receivables" item includes short-term receivables from state and other institutions, short-term receivables from leasing out premises and equipment, and similar.

Measurement is the same as for the purposes of the IFRS balance sheet, as the book value constitutes a sufficient approximation of fair value.

D.1.11 Treasury shares

Treasury shares are listed on a regulated market, therefore they are restated at their stock exchange price for the purposes of the SII balance sheet as at the SII balance sheet date.

D.1.12 Cash and cash equivalents

Measurement is the same as for the purposes of the IFRS balance sheet.

D.1.13 Any other assets, not elsewhere shown

"Any other assets, not elsewhere shown" 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, "any other assets, not elsewhere shown" are recognised in the same amount as for the purposes of the IFRS balance sheet, with the exception of prepaid costs, which are stated at nil.

D.2 Technical provisions

The Company reclassifies written undue receivables for premium from inward reinsurance and written undue liabilities for commissions from inward reinsurance to gross premium provisions.

Gross technical provision valuation is made by the Company's actuarial function. This document only contains a summary of the computation methodology for the best estimates of provisions in the valuation of balance sheet items for the purpose of capital requirement calculation under Solvency II, as detailed in the Company's rules on the calculation of the best estimates of provisions. The rules take into account the guidelines set in the Company's underwriting and reserving risk policy. The valuation of the reinsurance part of technical provisions is described under the valuation of assets, in section **Napaka! Vira sklicevanja ni bilo mogoče najti.**herein.

The calculations are made based on the lines of business specified in Annex I to Commission Delegated Regulation (EU) 2015/35, with a distinction between intra-group and extra-group transactions. Due to the nature of the underwritten life reinsurance obligations, the valuation methodology for these obligations is the same as for property and health insurance not similar to life insurance (hereinafter: NSLT health underwriting).

The technical provisions consist of a best estimate liability and a risk margin. The best estimate of provisions consists of the best estimate of premium provisions and of claims provisions. The calculation is based on the distribution of business by underwriting year.

The best estimate of provisions is computed as follows:

- the calculation of gross technical provisions, including the best estimate of claims provisions related to written business (incurred or future) prior taking into account the time value of money;
- the division of gross technical provisions to premium technical provisions (for future claims) and claims technical provisions (incurred, but not yet settled claims);
- taking into account future costs related to valid contracts;
- taking into account future cash flows from premiums and commissions, including written but undue and unpaid premiums and commission;
- the preparation of cash flows, taking into account the currency structure of cash flows and discounting.

Gross technical provisions are computed using the chain-ladder method applying the triangle of cumulative losses based on the Bornhuetter–Ferguson method (hereinafter BF). In the chain-ladder method, the development factors are selected based on the data from the years reflecting the nature of the portfolio for which the provision is calculated. If, due to extraordinary events, the deviation of specific factors from the average is excessive, they are excluded from the calculation of development factors. The completion or tail factors are calculated using approximation with one of distributions: exponential, Weibull, potential, Sherman; the R^2 criterion is applied to the selection of the distribution function. A priori BF loss ratio is selected on the basis of the assessment by the actuary and the reinsurance underwriting department. If loss triangles are too dispersed, ultimate losses are assessed based on loss ratios. The expected incurred loss ratio for a underwriting year is set as the selected average of pre-assessed paid loss ratio determined on expert judgment, multi-year average and the information of the reinsurance underwriting department, and of the IFRS incurred loss ratio (excluding provisions at portfolio level). In older years for which the development is known, greater weight is assigned to the incurred ratio, while in more recent years, the paid loss ratio is assigned greater weight. The payment or cash flow development is subject to the sample acquired from triangle development. The combined view summarises the results of all methods and the selection of the best estimate of ultimate losses used to compute gross technical provisions.

Future claims handling costs and administrative costs related to concluded contracts are taken into account in cost shares.

The basis for distribution of cash flows received by currency is the currency structure for the legally prescribed valuation of the balance sheet, namely the structure of the sum of claims provisions and unearned premiums reduced by deferred provisions. Future cash flows distributed using this key are discounted using the appropriate risk-free interest rate curves, in which case the Company applies no matching adjustment, volatility adjustment, transitional measure and transitional deduction.

The Company calculates the risk margin according to Articles 37–39 of Commission Delegated Regulation (EU) 2015/35. In accordance with Article 58 of Commission Delegated Regulation (EU) 2015/35, the simplified calculation method is used for projection of the solvency capital requirement, namely level (2) hierarchy referred to in Article 61 of the Decision on detailed instructions for the evaluation of technical provisions is taken into account: 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 of technical provisions at the valuation date. Pursuant to Article 37(3) of Commission Delegated Regulation (EU) 2015/35, the computed risk margin is allocated to the lines of business in the ratio of calculated capital requirements.

D.2.1 The values of the SII technical provisions

The tables below present the values of gross best estimates of provisions, the reinsurers' share of the best estimates of provisions and the risk margin as at 31 December 2016 by line of business.

Best estimate of provisions by line of business as at 31 December 2016

(€ thousand)	Gross amount	Reinsurers' share	Risk margin
Proportional medical expense reinsurance	591	0	39
Proportional income protection reinsurance	4,924	361	615
Proportional workers' compensation reinsurance	0	0	0
Proportional motor vehicle liability reinsurance	16,473	255	1,323
Other proportional motor reinsurance	5,977	80	952
Proportional marine, aviation and transport reinsurance	3,133	21	873
Proportional fire and other damage to property reinsurance	30,038	3,949	3,628
Proportional general liability reinsurance	5,820	259	606
Proportional credit and suretyship reinsurance	815	0	398
Proportional medical expense reinsurance	2	0	1
Proportional assistance reinsurance	0	0	0
Miscellaneous financial loss	542	219	290
Non-proportional health reinsurance	1,095	0	205
Non-proportional casualty reinsurance	15,942	7,698	1,428
Non-proportional marine, aviation and transport reinsurance	2,881	-34	1,008
Non-proportional property reinsurance	28,549	1,393	7,196
Total portfolio	**116,783**	**14,200**	**18,564**

The main differences in the valuation of SII and IFRS technical provisions are as follows (in the calculations of differences in IFRS provisions we consider the sum of the provision for outstanding claims and unearned premiums, minus deferred commissions):

- The SII provisions are based on the cash flow principle, while the IFRS provisions are based on the principle of earned income minus expenses. Thus, the SII provisions are reduced by outstanding premiums receivable (and increased by the relevant outstanding liabilities for commission), which are in the IFRS balance sheet recorded under receivables from insurance business (or, in the case of outstanding commission, under outstanding liabilities from reinsurance business). As at 31 December 2016, 56.9 % of the difference between the gross SII and IFRS provisions arose from the reclassification of outstanding receivables and liabilities (without an effect on the amount of eligible own funds).
- Best estimates of the SII provisions are expected to suffice for the repayment of obligations merely in the case of the weighted average of all potential scenarios (accidental fluctuations should be partly covered by the risk margin), while the IFRS provisions should suffice in practically all cases. As at 31 December 2016, 29.1 % of the difference between gross IFRS and SII provisions arose from a different degree of prudence in making assumptions and from more detailed segmentation of the IFRS provision calculations.
- The assumptions for shares of loss considered in exposure, measured in premiums less commissions, in the IFRS and the SII valuation of technical provisions, in two most important lines of business, for the underwriting year 2016, which is due to unexpired coverage subject to the greatest uncertainty: in proportional fire insurance and proportional reinsurance of other property damage, the abovementioned share is 96.7 % according to IFRS and 86.2 % according to SII. In non-proportional property reinsurance, the abovementioned share is 85.8 % according to IFRS and 75.1 % according to SII.
- The SII provisions also include all future expected profits arising from the inward reinsurance portfolio. Future expected profits from the inward reinsurance portfolio, which are already recognised according to SII principles and reduce SII provisions account for 9.4 % of the difference between the gross IFRS and SII provisions as at 31 December 2016.
- The SII provisions take into account the time value of money, while the IFRS provisions are normally not discounted. As at 31 December 2016, 4.6 % of the difference between the gross IFRS and SII provisions is due to discounting.

D.2.2 The description of the level of uncertainty connected with the value of the SII technical provisions

In sensitivity testing as at 31 December 2016, the Company selected from the impacts on the technical best estimate of provisions the sensitivity to assumptions on loss ratio, expanded from BF ratio to a change in the paid loss ratio (both increased by 5 %); the gross best estimates of provisions would increase by 3.9 %.

The Company also carried out a sensitivity test for a 10 % reduction in charged, but not yet due premiums and provisions; the gross best estimates of provisions would increase by 9.1%, which, however, has no influence on the change in eligible own funds (reclassification).

Additional test of sensitivity was made to a 50 % increase in other costs considered (apart from commissions, which were directly taken into account); the gross best estimates of provisions would increase by 0.5 %.

Notably, there is an impact of changed interest rates for discounting, namely by a downward shock in standard formula (increase in the gross best estimates of provisions by 1.6 %) and upward (decrease in the gross best estimates of provisions by 3.2 %), which is also used in the calculation of the capital requirement for interest rate risk.

The Company identified no other uncertain areas.

On the basis of the sensitivity calculations presented above, it is evident that the best estimates of provisions are moderately sensitive to the change in the assumptions on expected loss ratios and the change in outstanding items taken into account. Both changes result in approximately the same relative change in computed provisions. Since costs net of provisions represent a relatively small portion of total costs, the provisions are almost insensitive to a change in assumptions on these costs. Provisions are moderately sensitive also to the applied risk-free interest used for discounting. In the current period of low interest rates, the prescribed standard shock is asymmetric (negative interest rates are not decreasing), which is why a decrease in provisions in case of an upward shock in interest rates outweighs the increase in provisions in case of a downward shock in interest rates.

The sensitivity analysis thus revealed no area or assumptions that would cause greater uncertainty of established best estimates of provisions.

The Company does not apply the matching adjustment to the relevant risk-free interest rate term structure from the article 77 b of the Directive 2009/138/ES.

The Company does not apply the volatility adjustment to the relevant risk-free interest rate term structure from the article 77 d of the Directive 2009/138/ES.

The Company is not using the transitional measure on the risk-free interest rates from the article 308 c of the Directive 2009/138/ES.

The Company is not using transitional measure on technical provisions from the article 308 d of the Directive 2009/138/ES.

D.3 Other liabilities

D.3.1 Other provisions except technical provisions

Other provisions comprise the net present value of employee benefits including severance pay upon retirement and jubilee benefits. They are calculated according to IAS 19 based on the period of service at the Company. The Company does not defer the recognition of actuarial gains and losses (i.e. the corridor approach) for defined benefit plans.

The value of other provisions under the SII methodology is the same as in the statutory balance sheet. The Company makes no reclassifications in the scope of these liabilities.

D.3.2 Liabilities from reinsurance and coinsurance business

Liabilities from reinsurance business comprise liabilities for claims and commission relating to inward reinsurance contracts and liabilities for outward retrocession premiums. In the statutory balance sheet, they are recognised in the accounted amounts based on reinsurance accounts. In the statutory balance sheet, liabilities denominated in foreign currencies are revalued at the ECB exchange rate applicable on the day the statutory balance sheet is prepared. As at 31 December 2016, the Company had no liabilities from coinsurance.

Fair value valuation of liabilities from reinsurance and coinsurance business does not deviate from the valuation in the statutory balance sheet.

The Company excludes liabilities outstanding on the day the statutory balance sheet is prepared from the liabilities, namely:

- outstanding liabilities for claims relating to retrocession contracts; and
- other outstanding liabilities relating to reinsurance and coinsurance business (liabilities for commission from inward reinsurance contracts).

The Company considers these items as future cash flows when computing the best estimate of premium provisions or the reinsurer’s share in the best estimate of premium provisions. Since the change in premium provisions in this part is disclosed as reclassification, the exclusion of liabilities outstanding is disclosed in the same manner in the SII balance sheet.

D.3.3 Payables (trade, not insurance)

Payables (other liabilities) comprise short-term liabilities to employees for accrued salaries and reimbursement of expenses, tax liabilities, trade payables for operating expenses and other liabilities. In the balance sheet, these are recognised on the accrual basis and using authentic documents.

These items are not revalued in the SII balance sheet, nor are these items subject to reclassification based on the SII requirements.

D.3.4 Subordinated liabilities

In the autumn of 2016, the Company applied with the Insurance Supervision Agency for an authorisation for early repayment of subordinated debt, issued in 2006 and 2007.

The Company has already received approval of the Insurance Supervision Agency, as a result of which it no longer discloses the subordinated debt as an item of basic own funds in the calculation of the amount of eligible own funds. The subordinated debt will be repaid in 2017.

The subordinated debt is carried at amortised cost.

Subordinated debt valuation for the purpose of the SII balance sheet is the same as for the statutory balance sheet.

D.3.5 Other liabilities (not elsewhere disclosed)

Other liabilities that are part of this item are treated as follows: in the SII balance sheet deferred commission relating to accepted coinsurance and reinsurance, and other deferred income are valued at nil; with other liabilities, fair value valuation does not deviate from the valuation in accordance with the statutory balance sheet.

D.4 Alternative methods for valuation

The Company periodically (every three years) obtains from an independent external valuer fair value appraisals for real estate for own use and investment property. In the Company's estimate, these fair value appraisals are most representative of the amount for which the appraised real estate could be exchanged between knowledgeable parties in arm's length transactions.

In equity investments in associated and subsidiary companies of Sava Re that are insurance undertakings, the market value is computed for the purpose of capital requirement calculation on the basis of an adjusted equity method of valuation – the amount of own funds of the respective undertaking. Where Sava Re holds less than a 100 % interest in a subsidiary, proportionate adjustments are made.

Slovenian pension companies calculate capital adequacy according to ZZavar-1 (Insurance Act), but so far the calculation of solvency capital requirement under SII is not mandatory. In the SII balance sheet, the interest is stated using the IFRS equity method according to Article 13(5) of Commission Delegated Regulation (EU) 2015/35. The value of goodwill and other intangible assets that would be valued at zero in accordance with the asset valuation methodology is deducted from the value of the interest in the related undertaking.

D.5 Any other information

The Company has no other material information relating to valuation.

E. Capital management

The Company's capital management is defined in the capital management policy of the Sava Re Group and Save Re, defining the goals and key activities related to capital management.

The goals of capital management at the Company are as follows:

- solvency in the optimal capitalisation range in the long term, according to the risk strategy;
- adequate rate of flexible financing;
- the ability of operating segments where capital is tied up to achieve profitability;
- the ability to achieve and adequate ROE or dividend yield for shareholders.

By adequate capital management, the Company aims to ensure sufficient funds, at all times, to cover its liabilities and meet statutory capital requirements. The structure of own funds providing for capital adequacy must be consistent with the legislation and has to ensure an optimal debt to equity ratio. The amount of own funds must be sufficient to achieve other targets of the Company, such as target credit rating.

Own funds should be allocated to business activities so as to secure an adequate rate of return on equity. Thus, ways to maximise the ratio between the allocated capital and the return of the segment where capital is tied up are investigated (optimum yield to risk ratio).

Every year, the Company prepares a financial plan for the following three years. A significant input element in business planning and capital management is the risk strategy and the risk appetite defined therein. The first phase of the annual review of capital optimisation potential or additional capital allocation potential (dividends, own shares, acquisitions and similar) comprises an examination of the results of the most recently calculated amount and structure of eligible own funds and the solvency capital requirement. This is used as the basis for formulating the business plan for the next three years and a capital management plan, including the activities necessary to achieve capital allocation objectives. Three-year financial parameter projections are the basis for computing eligible own funds, the solvency capital requirement and consequently the solvency ratio. In this way, the Company verifies the consistency with the risk appetite and adjusts the business plan, if necessary. Capital consumption items, such as regular dividends, own shares and projects requiring additional capital, are also factored into the planned capital use.

E.1 Own funds

As at 31 December 2016 the Company is reporting an excess of assets over liabilities of € 424.9 million.

As mentioned in section D, the Insurance Supervision Agency approved the repayment of subordinated liabilities to the Company, which totalled € 23.6 million as at 31 December 2016. In accordance with the transitional arrangements of the new legislation (Article 625 of the ZZavar-1), this item was included in basic own funds in 2016 interim reports. Even though subordinated liabilities will only be repaid in 2017, the Company had disregarded them as an item of basic own funds from the calculation as at 31 December 2016.

For the purposes of determining basic own funds, basic own funds are reduced by the total value of participations in other credit and financial institutions (excluding insurers) which exceed 10 % of the Company's own-fund items (paid-up share capital together with capital reserves). As at 31 December 2016 the Company has no such participations in other credit and financial institutions.

Basic own funds and the surplus of assets over liabilities are thereafter reduced by:

- € 22.7 million worth of treasury shares;
- € 12.4 million worth of foreseeable dividends, an amount stated in the management and supervisory boards' proposal to the general meeting;
- other items in accordance with the provisions of the ZZavar-1.

As at 31 December 2016, the Company reported no adjustments for other items in accordance with the ZZavar-1.

Ancillary own funds

Ancillary own funds are items that do not constitute basic own funds and that Sava Re may call up to absorb its losses. They include unpaid share capital or initial capital that has not been called up, letters of credit and guarantees, and any other legal commitments received by the Company.

As at 31 December 2016, the Company reported no ancillary own funds.

The table below shows the structure of the Company's own funds as at 31 December 2016.

Structure of own funds

(€ thousand)	31 December 2016
Ordinary shares (including treasury shares)	71,856
Paid-in share premium account associated with ordinary shares	54,240
Initial capital, 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
Paid-in share premium account associated with preference shares	0
Reconciliation reserve (= (1)-(2)-(3)-(4)-(5))	263,632
(1) Excess of assets over liabilities	*424,890*
(2) Treasury shares (held directly and indirectly)	*22,764*

(3) Adjustment for own-fund restricted items in respect of matching adjustment portfolios and ring-fenced funds	*0*
(4) Foreseeable dividends, distributions and charges	*12,398*
(5) Other items of basic own funds	*126,096*
Subordinated liabilities	0
Amount of net deferred tax assets	0
Total basic own funds after deductions	**389,728**

The table below shows adjustments of IFRS equity for the SII valuation of the balance sheet.

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

(€ thousand)	31 December 2016
IFRS equity	**270,356**
Difference in the valuation of participations	102,799
Difference in the valuation of other assets, not elsewhere shown	-71,184
Difference in the valuation of technical provisions	90,861
Difference in the valuation of other liabilities, not elsewhere shown	9,295
Foreseeable dividends, distributions and charges	-12,398
Non-controlling interest	0
Solvency II eligible own funds	**389,728**
Of which tier 1	*389,728*
Of which tier 2	*0*
Of which tier 3	*0*

As evident from the table above, the majority of differences on the assets side originates from the revaluation of participations in insurance companies inside and outside the European Union. On the liabilities side, differences are related to the revaluation of technical provisions in accordance with the requirements of the Solvency II legislation. A detailed description of the used methodology is provided in section D.2 of this document.

The Company covers the minimum capital requirement (MCR) and the solvency capital requirement (SCR) with eligible own funds. The Solvency II legislation classifies the available solvency margin (ASM) into three capital tiers; they differ with respect to duration and ability to absorb risk.

Not all own funds are eligible for capital requirements; the table below illustrates the legal restrictions regarding how the SCR and the MCR are to be covered.

Restrictions regarding own funds designated to cover the SCR and the MCR

	Tier 1	Tier 2	Tier 3
SCR	min. 50 %	no restrictions	max. 15 %
MCR	min. 80 %	max. 20 %	not eligible

The two tables below show the amounts of eligible own funds designated to cover the Company's SCR and MCR as at 31 December 2016. They are classified into the statutory tiers described above.

Eligible own funds to cover the SCR

(€ thousand)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2016	389,728	389,728	0	0

Eligible own funds to cover the MCR

(€ thousand)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2016	389,728	389,728	0	-

As at 31 December 2016, all the Company's eligible own funds are tier one funds. There are no ancillary own funds in the Company's eligible own-fund items. Among the disclosed eligible own funds, there are no items subject to transitional arrangements of the new legislation.

The Company has no eligible own-fund items of a limited duration. Items do not have subordinated status and they cannot be subject to advance repayment.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency capital requirement (SCR)

The Company calculates the solvency capital requirement (SCR) and the minimum capital requirement (MCR) in accordance with the Solvency II standard formula.

The figure below shows the modular structure of the calculation of the SCR. The calculation is divided into modules and sub-modules. Using the prescribed method, the Company calculates the capital requirement for each (sub-)module. The calculation of each module generally involves the calculation of the reduction in net own funds arising from a particular shock. Taking into account the defined correlations between (sub-)modules, the Company calculates the basic solvency capital requirement (BSCR). The SCR is calculated by adding to the BSCR adjustments (Adj) and the solvency capital requirement for operational risk (SCR_{Op}).

$$SCR = BSCR + Adj + SCR_{Op}$$

The ratio of eligible own funds to the SCR is the Company's solvency ratio.

Structure of the SCR calculation

The table below shows the total amount of the SCR at the level of the Company, the amount of the SCR by individual risk modules, the MCR amount and the solvency ratio of the Company as at 31 December 2016.

Solvency capital requirement by risk module

(€ thousand)	31 December 2016
SCR	**147,655**
Adjustments for TP and DT	0
Operational risk	4,519
Basic solvency capital requirement (BSCR)	143,136
Sum of risk components	186,271
Diversification effect	-43,135
Market risk	85,337
Counterparty default risk	6,714
Life underwriting risk	0
Health underwriting risk	3,554
Non-life underwriting risk	90,666
Eligible own funds	**389,728**
Solvency ratio	**264 %**

The largest share of the SCR arises out of risks associated with non-life underwriting, and the Company's market risks are also substantial. The bulk of capital requirements for market risk are associated with participations in subsidiaries (in connection with concentration risk and equity risk).

Due to the nature of the reinsurance business, the Company is limited mainly as regards input data for certain calculations and therefore has to make certain simplifications. As information is not available on all individual insurance contracts required to calculate the defined shock of the risk of insurance contract cancellations, a simplification has been used in the calculation.

In the catastrophe risk module calculation, the Company is using assumptions and approximations for lack of information from cedants. Assumptions are also needed about the scenarios on the basis of which calculations are made of the impact of the reinsurance programme.

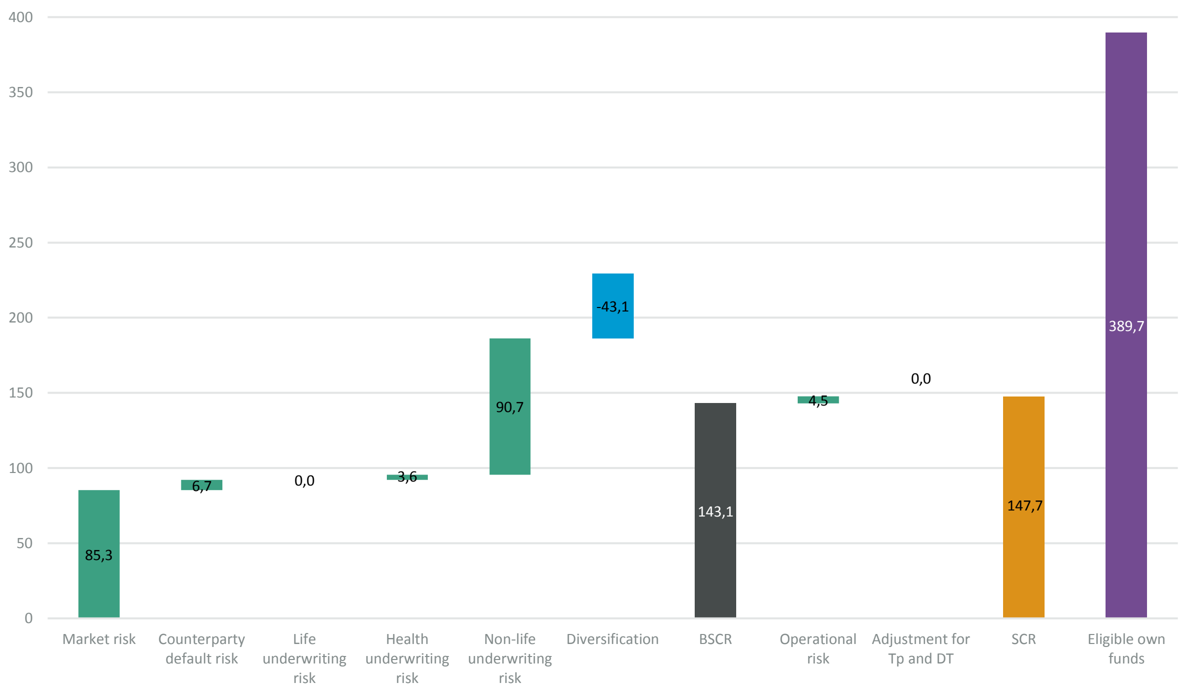
The Company recognises assumed reinsurance from life policies among assumed reinsurance from health policies, and calculates the SCR consistent with the rules for health policies, which is performed on a similar basis as non-life business. This method of calculation is consistent with the nature of life reinsurance.

The Company does not apply simplifications from Articles 88–112 of Commission Delegated Regulation (EU) 2015/35 nor does it apply undertaking-specific parameters in the calculation of the SCR.

The Company has no SCR adjustments (item "Adj" in the figure above) for deferred taxes.

The figure below shows the individual risk modules of the standard formula, the SCR and eligible own funds of the Company as at 31 December 2016.

Solvency capital requirement by module as at 31 December 2016



As evident from the figure above, eligible own funds significantly exceed the SCR, which is further reflected in the Company's high solvency ratio of 264 % as at 31 December 2016.

The Sava Re management board and supervisory board have confirmed the Sava Re Group risk strategy. One of the main risk appetite criteria is the level of the solvency ratio.

In this respect, the Company has a strategy embedded in its capital management policy, of pursuing solvency, in the long term, within the range of optimal capitalisation. In order to make the desired credit rating in accordance with its risk strategy, the Company is maintaining a level of capital not lower from the capital required for an A credit rating. It is also the Company's strategy to have at its disposal sufficient excess capital in order to be able cover potential capital requirements of subsidiaries in the event of a major stress scenario materialising in any of them. To this end, the Company keeps a certain amount of excess eligible own funds over the statutory minimum. In line with the risk strategy the acceptable solvency ratio limit is therefore 180 %, and the lower limit for the Company's optimum capitalization 220 %. The Company's capitalisation is therefore good also by internal criteria.

E.2.2 Minimum capital requirement (MCR)

Sava Re calculates the MCR in accordance with Articles 248–251 of Commission Delegated Regulation (EU) 2015/35. Non-life MRC is calculated as the linear combination of written premiums after deduction of premiums for reinsurance contracts and technical provisions, without the risk margin after deduction of amounts recoverable under reinsurance contracts. The linear combination captures all segments of non-life activity. Calculation parameters are shown in the table below.

Input data that the Company uses to calculate the MCR

31 December 2016 (€ thousand)	Net best estimate of	Net written premiums

	technical provisions	
Medical expense insurance and proportional reinsurance	591	418
Income protection insurance and proportional reinsurance	4,564	4,673
Workers' compensation insurance and proportional reinsurance	0	0
Motor vehicle liability insurance and proportional reinsurance	16,218	10,684
Other motor insurance and proportional reinsurance	5,897	13,778
Marine, aviation and transport insurance and proportional reinsurance	3,112	5,459
Fire and other damage to property insurance and proportional reinsurance	26,090	55,065
General liability insurance and proportional reinsurance	5,561	4,660
Credit and suretyship insurance and proportional reinsurance	815	997
Legal expenses insurance and proportional reinsurance	2	9
Assistance and its proportional reinsurance	0	0
Miscellaneous financial loss insurance and proportional reinsurance	323	1,441
Non-proportional health reinsurance	1,095	390
Non-proportional casualty reinsurance	8,244	2,416
Non-proportional marine, aviation and transport reinsurance	2,915	4,084
Non-proportional property reinsurance	27,156	25,805

The table below shows the amount of the Company’s MCR as at 31 December 2016.

Minimum capital requirement (MCR)

(€ thousand)	31 December 2016
Combined MCR	26,774
Absolute MCR floor	3,600
MCR	**36,914**

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement (SCR)

In calculating the SCR, the Company does not use the duration-based equity risk sub-module.

E.4 Differences between the standard formula and any internal model used

There are no differences between the standard formula and any 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 (MCR) and non-compliance with the Solvency Capital Requirement (SCR)

As at 31 December 2016 the Company is compliant with the legislation, its solvency ratio being higher than the statutory 100 %. As at the same date the Company also has a major surplus of eligible own funds above the MCR.

Based on the projections of the SCR and eligible own funds, the Company has estimated that the Sava Re solvency ratio will remain above the statutory 100 % during the entire strategic plan period. The Company does therefore not expect any further actions or measures in terms of ensuring compliance with capital requirements.

E.6 Any other information

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

Annex – Glossary of selected terms

Term	Meaning
BVAL price (Bloomberg valuation).	Price obtained from the Bloomberg information system.
CAPM (Capital Asset Pricing Model).	Model that describes the relationship between risk and expected return on assets.
CBBT price (Composite Bloomberg Bond Trader).	Closing price published by the Bloomberg system based on binding bids.
EIOPA (European Insurance and Occupational Pensions Authority).	European Insurance and Occupational Pensions Authority
Capital tiers.	Items of own funds are classified into three classes based on certain criteria (such as duration and whether basic or ancillary own funds).
Key rate duration.	Key rate duration is an extension of modified duration, but measures the sensitivity of the shifts along the interest rate curve at specific (key) maturity points. The sum of all KRDs along all key maturity points approximates modified duration.
Own Risk and Solvency Assessment (ORSA).	Own assessment of the risks associated with the Company's business and strategic plan and assessment of the adequacy of own funds to cover them.
Risk tolerance limits.	Limits for risk categories included in the Company’s risk profile and for risk measures monitored as part of the daily risk management process. Set annually and aligned with the risk appetite as stated in the Company's risks strategy and based on sensitivity analyses, stress tests and scenarios, or professional judgment.
Modified duration.	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.
IFRS.	International Financial Reporting Standards. EU-wide uniform set of rules governing the accounting of business transactions.
Business continuity plan.	Document that includes procedures for ensuring the continuous operation of key business processes and systems. The contingency plan is an integral part of the business continuity plan and sets out technical and organisational measures to restore operations and mitigate the consequences of severe business disruptions.
Probable maximum loss (PML).	It represents the maximum loss that an insurer assesses that it will occur on a risk in one loss event. Normally, it is expressed as a percentage of the sum insured; in rare cases, it equals the sum insured (PML is 100 per cent of the sum insured).
Operational limits.	Operational limits for particular areas are determined on the basis of expressed risk tolerance limits. Underwriting limits or investment limits used by first line of defence staff in the day-to-day risk management process to keep the Company within its risk appetite.
Basic Solvency Capital Requirement (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.
OTC market (Over The Counter).	A transaction in the OTC market is one between two parties in securities or other financial instruments outside a regulated market.
Undertaking-Specific Parameters (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.
Eligible own funds.	Own funds eligible to cover the solvency capital requirement.
Risk appetite.	Risk level that the Company is willing to take in order to meet its strategic objectives. At Sava Re defined based on the acceptable solvency ratio, the liquidity ratio of the assets, profitability of insurance products and reputation risk.
Risk profile.	All of the risks that the Company is exposed to and the quantification of these exposures for all risk categories.
Risk register.	List of all identified risks maintained and periodically updated by the Company.
Scenario-based test.	Scenario-based tests seek to determine the impact of multiple changes in parameters, such as concurrent changes in different risk types affecting insurance business, the value of financial assets and changes in interest rates
Present value.	The value of future cash flows recalculated back to the present. This is done by discounting.

Risk management system.	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 the Company and the external environment in order to enhance the implementation of strategic objectives and minimise any loss of own funds.
Solvency ratio.	Ratio of eligible own funds to the solvency capital requirement. It represents the 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.	Set of calculations prescribed by Solvency II regulations, used for generating the solvency capital requirement.
Stress test.	A stress test relates to the change in a single parameter which has an effect on the value of assets, liabilities and/or own funds of the Company, and to determining the effect of changes in the parameters on the value thereof.
Market value.	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 the Company has access to and are commonly used.
Net Asset Value Per Share (NAVPS).	The value of a unit or share is the worth of individual units of a sub-fund and is regularly published.
Minimum Capital Requirement (MCR).	The minimum capital requirement is equal to the amount of eligible basic 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 was allowed to continue operating.
Solvency Capital Requirement (SCR).	The SCR is an amount based on the regulatory calculation of all quantifiable risks, including non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk and operational risk.

Reviewed and approved by the management board

Management Board of Sava Re, d.d.

Marko Jazbec, Chairman of the Management Board

Jošt Dolničar, Member of the Management Board

Srečko Čebron, Member of the Management Board

Mateja Treven, Member of the Management Board

Quantitative templates

All amounts in quantitative templates are in thousands 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**	3.297
Pension benefit surplus	**R0050**	0
Property, plant & equipment held for own use	**R0060**	8.594
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	538.378
Property (other than for own use)	**R0080**	3.281
Holdings in related undertakings, including participations	**R0090**	294.439
Equities	**R0100**	9.478
Equities - listed	**R0110**	5.899
Equities - unlisted	**R0120**	3.579
Bonds	**R0130**	225.453
Government Bonds	**R0140**	125.168
Corporate Bonds	**R0150**	100.285
Structured notes	**R0160**	0
Collateralised securities	**R0170**	0
Collective Investments Undertakings	**R0180**	2.708
Derivatives	**R0190**	0
Deposits other than cash equivalents	**R0200**	3.017
Other investments	**R0210**	0
Assets held for index-linked and unit-linked contracts	**R0220**	0
Loans and mortgages	**R0230**	2.835
Loans on policies	**R0240**	
Loans and mortgages to individuals	**R0250**	
Other loans and mortgages	**R0260**	2.835
Reinsurance recoverables from:	**R0270**	14.200
Non-life and health similar to non-life	**R0280**	14.200
Non-life excluding health	**R0290**	13.840
Health similar to non-life	**R0300**	361
Life and health similar to life, excluding health and index-linked and unit-linked	**R0310**	0
Health similar to life	**R0320**	0
Life excluding health and index-linked and unit-linked	**R0330**	0
Life index-linked and unit-linked	**R0340**	0
Deposits to cedants	**R0350**	7.836
Insurance and intermediaries receivables	**R0360**	0
Reinsurance receivables	**R0370**	16.399
Receivables (trade, not insurance)	**R0380**	233
Own shares (held directly)	**R0390**	22.764
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**	7.990
Any other assets, not elsewhere shown	**R0420**	0
Total assets	**R0500**	622.527

Liabilities		Solvency II value C0010
Technical provisions – non-life	**R0510**	135.347
Technical provisions – non-life (excluding health)	**R0520**	127.877
Technical provisions calculated as a whole	**R0530**	0
Best Estimate	**R0540**	110.172
Risk margin	**R0550**	17.705
Technical provisions - health (similar to non-life)	**R0560**	7.470
Technical provisions calculated as a whole	**R0570**	0
Best Estimate	**R0580**	6.611
Risk margin	**R0590**	860
Technical provisions - life (excluding index-linked and unit-linked)	**R0600**	0
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**	0
Technical provisions calculated as a whole	**R0660**	0
Best Estimate	**R0670**	0
Risk margin	**R0680**	0
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**	332
Pension benefit obligations	**R0760**	0
Deposits from reinsurers	**R0770**	0
Deferred tax liabilities	**R0780**	8.719
Derivatives	**R0790**	0
Debts owed to credit institutions	**R0800**	0
Financial liabilities other than debts owed to credit institutions	**R0810**	104
Insurance & intermediaries payables	**R0820**	0
Reinsurance payables	**R0830**	26.122
Payables (trade, not insurance)	**R0840**	2.586
Subordinated liabilities	**R0850**	23.571
Subordinated liabilities not in Basic Own Funds	**R0860**	23.571
Subordinated liabilities in Basic Own Funds	**R0870**	0
Any other liabilities, not elsewhere shown	**R0880**	855
Total liabilities	**R0900**	197.637
Excess of assets over liabilities	**R1000**	424.890

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**	418	5.494		10.684	13.778	5.561	64.088	4.778	997
Gross - Non-proportional reinsurance accepted	**R0130**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R0140**	0	822		0	0	102	9.023	119	0
Net	**R0200**	418	4.673		10.684	13.778	5.459	55.065	4.660	997
Premiums earned										
Gross - Direct Business	**R0210**									
Gross - Proportional reinsurance accepted	**R0220**	696	6.744		10.742	13.349	5.726	65.070	4.512	672
Gross - Non-proportional reinsurance accepted	**R0230**									
Reinsurers' share	**R0240**	0	847		0	0	76	8.603	119	0
Net	**R0300**	696	5.898		10.742	13.349	5.650	56.467	4.393	672
Claims incurred										
Gross - Direct Business	**R0310**									
Gross - Proportional reinsurance accepted	**R0320**	618	3.689		6.959	10.641	3.579	34.994	2.097	-86
Gross - Non-proportional reinsurance accepted	**R0330**	-	-	-	-	-	-	-	-	-
Reinsurers' share	**R0340**	0	256		-8	-4	4	6.483	4	0
Net	**R0400**	618	3.433		6.966	10.645	3.575	28.511	2.093	-86
Changes in other technical provisions										
Gross - Direct Business	**R0410**									
Gross - Proportional reinsurance accepted	**R0420**	-116	-4		-9	-5	188	112	9	79
Gross - Non- proportional reinsurance accepted	**R0430**									
Reinsurers'share	**R0440**	0	0		0	0	0	0	0	0
Net	**R0500**	-116	-4		-9	-5	188	112	9	79
Expenses incurred	**R0550**	193	2.247		4.201	4.793	2.026	21.800	1.665	267
Other expenses	**R1200**									
Total expenses	**R1300**									

		Line of Business for: **non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)**			Line of Business for: **accepted non-proportional reinsurance**				Total
		Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0100	**C0110**	**C0120**	**C0130**	**C0140**	**C0150**	**C0160**	**C0200**
Premiums written									
Gross - Direct Business	**R0110**				-	-	-	-	
Gross - Proportional reinsurance accepted	**R0120**	9	0	1.742	-	-	-	-	107.549
Gross - Non-proportional reinsurance accepted	**R0130**	-	-	-	390	3.301	4.476	31.711	39.878
Reinsurers' share	**R0140**	0	0	301	0	885	391	5.906	17.549
Net	**R0200**	9	0	1.441	390	2.416	4.084	25.805	129.879
Premiums earned									
Gross - Direct Business	**R0210**								
Gross - Proportional reinsurance accepted	**R0220**	8	-1	3.348					110.865
Gross - Non-proportional reinsurance accepted	**R0230**				380	3.395	4.753	31.234	39.763
Reinsurers' share	**R0240**	0	0	300	0	920	321	6.014	17.199
Net	**R0300**	8	-1	3.048	380	2.474	4.433	25.220	133.429
Claims incurred									
Gross - Direct Business	**R0310**								
Gross - Proportional reinsurance accepted	**R0320**	2	-2	2.001					64.491
Gross - Non-proportional reinsurance accepted	**R0330**	-	-	-	331	3.510	5.333	19.755	28.929
Reinsurers' share	**R0340**	0	0	360	0	1.958	0	2.586	11.639
Net	**R0400**	2	-2	1.641	331	1.552	5.333	17.169	81.781
Changes in other technical provisions									-
Gross - Direct Business	**R0410**								
Gross - Proportional reinsurance accepted	**R0420**	0	0	-3					251
Gross - Non- proportional reinsurance accepted	**R0430**				0	0	0	0	0
Reinsurers'share	**R0440**	0	0	0	0	0	0	0	0
Net	**R0500**	0	0	-3	0	0	0	0	251
Expenses incurred	**R0550**	5	0	459	85	491	1.033	5.209	44.475
Other expenses	**R1200**								0
Total expenses	**R1300**								44.475

		Line of Business for: **life insurance obligations**						**Life reinsurance obligations**		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	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**									
Reinsurers' share	**R1420**									
Net	**R1500**									
Premiums earned										
Gross	**R1510**									
Reinsurers' share	**R1520**									
Net	**R1600**									
Claims incurred										
Gross	**R1610**									
Reinsurers' share	**R1620**									
Net	**R1700**									
Changes in other technical provisions										
Gross	**R1710**									
Reinsurers' share	**R1720**									
Net	**R1800**									
Expenses incurred	**R1900**									
Other expenses	**R2500**									
Total expenses	**R2600**									0

S.05.02.01 Premiums, claims and expenses by country

		Home Country						Total Top 5 and home country
		C0010						C0070
	R0010		AT	CN	KR	RU	SE	
		C0080						C0140
Premiums written								
Gross - Direct Business	**R0110**							0
Gross - Proportional reinsurance accepted	**R0120**	45.191	3.185	7.915	15.365	1.189	3.100	75.944
Gross - Non-proportional reinsurance accepted	**R0130**	6.920	550	2.620	3.402	3.758	1.034	18.285
Reinsurers' share	**R0140**	12.646	267	762	1.348	855	299	16.177
Net	**R0200**	39.466	3.467	9.773	17.419	4.092	3.835	78.051
Premiums earned								
Gross - Direct Business	**R0210**							0
Gross - Proportional reinsurance accepted	**R0220**	44.790	3.249	7.973	18.443	1.215	3.186	78.856
Gross - Non-proportional reinsurance accepted	**R0230**	6.991	553	2.566	3.318	3.633	1.220	18.281
Reinsurers' share	**R0240**	12.538	257	733	1.296	840	287	15.952
Net	**R0300**	39.243	3.545	9.806	20.465	4.008	4.119	81.185
Claims incurred								
Gross - Direct Business	**R0310**							0
Gross - Proportional reinsurance accepted	**R0320**	25.272	2.077	5.521	12.202	253	1.584	46.909
Gross - Non-proportional reinsurance accepted	**R0330**	1.598	61	3.315	2.374	2.258	238	9.844
Reinsurers' share	**R0340**	9.739	174	500	884	442	196	11.936
Net	**R0400**	17.131	1.963	8.337	13.692	2.069	1.626	44.817
Changes in other technical provisions								
Gross - Direct Business	**R0410**							0
Gross - Proportional reinsurance accepted	**R0420**	163	7	17	32	2	7	227
Gross - Non- proportional reinsurance accepted	**R0430**							0
Reinsurers' share	**R0440**							0
Net	**R0500**	163	7	17	32	2	7	227
Expenses incurred	**R0550**	13.100	1.198	3.603	6.623	720	946	26.191
Other expenses	**R1200**							
Total expenses	**R1300**							

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**						
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**						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	**R0060**	0	-28		1.360	1.681	-710
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**		71		0	-1	-15
Net Best Estimate of Premium Provisions	**R0150**	0	-99	0	1.360	1.682	-695
Claims provisions							
Gross	**R0160**	591	4.953		15.113	4.296	3.844
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**		290		255	81	37
Net Best Estimate of Claims Provisions	**R0250**	591	4.663	0	14.858	4.215	3.807
Total Best estimate - gross	**R0260**	591	4.925	0	16.473	5.977	3.134
Total Best estimate - net	**R0270**	591	4.564	0	16.218	5.897	3.112
Risk margin	**R0280**	39	615		1.323	952	873
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0290**						
Best estimate	**R0300**						
Risk margin	**R0310**						
Technical provisions - total							
Technical provisions - total	**R0320**	630	5.540	0	17.796	6.929	4.007
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	361	0	255	80	22
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	630	5.179	0	17.541	6.849	3.985

		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**						
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**						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross	**R0060**	-7.585	-462	463	-2	0	-202
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**	557	-2	0		0	-10
Net Best Estimate of Premium Provisions	**R0150**	-8.142	-460	463	-2	0	-192
Claims provisions							
Gross	**R0160**	37.623	6.282	352	3	0	745
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**	3.391	261	0		0	229
Net Best Estimate of Claims Provisions	**R0250**	34.232	6.021	352	3	0	516
Total Best estimate - gross	**R0260**	30.038	5.820	815	1	0	543
Total Best estimate - net	**R0270**	26.090	5.561	815	1	0	324
Risk margin	**R0280**	3.628	606	398	1	0	290
Amount of the transitional on Technical Provisions							
Technical Provisions calculated as a whole	**R0290**						
Best estimate	**R0300**						
Risk margin	**R0310**						
Technical provisions - total							
Technical provisions - total	**R0320**	33.666	6.426	1.213	2	0	833

Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	3.948	259	0	0	0	219
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	29.718	6.167	1.213	2	0	614

		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**					
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**					
Technical provisions calculated as a sum of BE and RM						
Best estimate						
Premium provisions						
Gross	**R0060**	-250	-898	-2.014	-12.355	-21.002
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0140**		-130	-34	-481	-46
Net Best Estimate of Premium Provisions	**R0150**	-250	-768	-1.980	-11.874	-20.957
Claims provisions						
Gross	**R0160**	1.345	16.840	4.894	40.904	137.784
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	**R0240**		7.828	0	1.874	14.246
Net Best Estimate of Claims Provisions	**R0250**	1.345	9.012	4.894	39.030	123.539
Total Best estimate - gross	**R0260**	1.095	15.942	2.880	28.549	116.782
Total Best estimate - net	**R0270**	1.095	8.244	2.914	27.156	102.582
Risk margin	**R0280**	205	1.428	1.008	7.196	18.564
Amount of the transitional on Technical Provisions						
Technical Provisions calculated as a whole	**R0290**					
Best estimate	**R0300**					
Risk margin	**R0310**					
Technical provisions - total						

Technical provisions - total	**R0320**	1.300	17.370	3.888	35.745	135.346
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	0	7.698	-34	1.393	14.200
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	**R0340**	1.300	9.672	3.922	34.352	121.146

S.19.01.21 Non-life Insurance Claims Information

Total Non-Life Business

Accident year / Underwriting year	Z0010	2

Gross Claims Paid (non-cumulative) (absolute amount)

		Development year										
	Year	0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											1.230
N-9	R0160	34.293	38.629	9.295	4.407	2.271	675	679	288	92	541	
N-8	R0170	60.419	53.407	9.494	4.145	1.925	850	763	489	163		
N-7	R0180	31.063	39.510	9.146	4.097	1.951	1.465	842	373			
N-6	R0190	19.217	37.076	14.202	5.757	2.609	-25	1.274				
N-5	R0200	16.672	36.952	15.465	5.416	2.160	1.594					
N-4	R0210	17.908	39.032	11.512	5.835	2.460						
N-3	R0220	14.830	29.319	13.345	6.486							
N-2	R0230	19.140	46.004	10.458								
N-1	R0240	20.423	42.986									
N	R0250	17.600										

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	1.230	1.230
	R0160	541	91.170
	R0170	163	131.654
	R0180	373	88.449
	R0190	1.274	80.110
	R0200	1.594	78.258
	R0210	2.460	76.747
	R0220	6.486	63.980
	R0230	10.458	75.602
	R0240	42.986	63.409
	R0250	17.600	17.600
Total	R0260	85.166	768.211

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**											14.328
N-9	**R0160**	0	0	0	0	0	0	0	0	2.768	1.661	
N-8	**R0170**	0	0	0	0	0	0	0	2.785	1.854		
N-7	**R0180**	0	0	0	0	0	0	3.409	2.604			
N-6	**R0190**	0	0	0	0	0	5.017	3.771				
N-5	**R0200**	0	0	0	0	5.111	3.844					
N-4	**R0210**	0	0	0	7.047	4.948						
N-3	**R0220**	0	0	17.363	8.040							
N-2	**R0230**	0	28.087	10.912								
N-1	**R0240**	46.577	28.857									
N	**R0250**	60.818										

		Year end (discounted data)
		C0360
	R0100	14.203
	R0160	1.601
	R0170	1.786
	R0180	2.504
	R0190	3.643
	R0200	3.700
	R0210	4.794
	R0220	7.768
	R0230	10.554
	R0240	27.928
	R0250	59.304
Total	**R0260**	137.784

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 2015/35						
Ordinary share capital (gross of own shares)	**R0010**	71.856	71.856			
Share premium account related to ordinary share capital	**R0030**	54.240	54.240			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	**R0040**					
Subordinated mutual member accounts	**R0050**					
Surplus funds	**R0070**					
Preference shares	**R0090**					
Share premium account related to preference shares	**R0110**					
Reconciliation reserve	**R0130**	263.632	263.632			
Subordinated liabilities	**R0140**					
An amount equal to the value of net deferred tax assets	**R0160**					
Other own fund items approved by the supervisory authority as basic own funds not specified above	**R0180**					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	**R0220**					
Deductions						
Deductions for participations in financial and credit institutions	**R0230**					
Total basic own funds after deductions	**R0290**	389.728	389.728			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	**R0300**					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	**R0310**					
Unpaid and uncalled preference shares callable on demand	**R0320**					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	**R0330**					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	**R0340**					

Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	**R0350**					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0360**					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	**R0370**					
Other ancillary own funds	**R0390**					

		Total	**Tier 1 - unrestricted**	**Tier 1 - restricted**	**Tier 2**	**Tier 3**
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Total ancillary own funds	**R0400**				0	0
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	389.728	389.728			
Total available own funds to meet the MCR	**R0510**	389.728	389.728			
Total eligible own funds to meet the SCR	**R0540**	389.728	389.728			
Total eligible own funds to meet the MCR	**R0550**	389.728	389.728			
SCR	**R0580**	147.655				
MCR	**R0600**	36.914				
Ratio of Eligible own funds to SCR	**R0620**	3				
Ratio of Eligible own funds to MCR	**R0640**	11				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	**R0700**	424.890	-
Own shares (held directly and indirectly)	**R0710**	22.764	-
Foreseeable dividends, distributions and charges	**R0720**	12.398	-
Other basic own fund items	**R0730**	126.096	-
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	**R0740**		-
Reconciliation reserve	**R0760**	263.632	-
Expected profits			-
Expected profits included in future premiums (EPIFP) - Life business	**R0770**	0	-
Expected profits included in future premiums (EPIFP) - Non- life business	**R0780**	5.559	-
Total Expected profits included in future premiums (EPIFP)	**R0790**	5.559	-

S.28.01.01 Solvency Capital Requirement - for undertakings on Standard Formula

-		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0100
Market risk	**R0010**	85.337	-	-
Counterparty default risk	**R0020**	6.714	-	-
Life underwriting risk	**R0030**	0	None	
Health underwriting risk	**R0040**	3.554	None	-
Non-life underwriting risk	**R0050**	90.666	None	-
Diversification	**R0060**	-43.135	-	-
Intangible asset risk	**R0070**	0	-	-
Basic Solvency Capital Requirement	**R0100**	143.136	-	-

Calculation of Solvency Capital Requirement		C0100
Operational risk	**R0130**	4.519
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**	147.655
Capital add-on already set	**R0210**	0
Solvency capital requirement	**R0220**	147.655
Other information on SCR		-
Capital requirement for duration-based equity risk sub-module	**R0400**	0
Total amount of Notional Solvency Capital Requirement for remaining part	**R0410**	0
Total amount of Notional Solvency Capital Requirements for ring fenced funds	**R0420**	0
Total amount of Notional Solvency Capital Requirement for matching adjustment portfolios	**R0430**	0
Diversification effects due to RFF nSCR aggregation for article 304	**R0440**	0

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	26.774

		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	591	418
Income protection insurance and proportional reinsurance	R0030	4.564	4.673
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	16.218	10.684
Other motor insurance and proportional reinsurance	R0060	5.897	13.778
Marine, aviation and transport insurance and proportional reinsurance	R0070	3.112	5.459
Fire and other damage to property insurance and proportional reinsurance	R0080	26.090	55.065
General liability insurance and proportional reinsurance	R0090	5.561	4.660
Credit and suretyship insurance and proportional reinsurance	R0100	815	997
Legal expenses insurance and proportional reinsurance	R0110	2	9
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	323	1.441
Non-proportional health reinsurance	R0140	1.095	390
Non-proportional casualty reinsurance	R0150	8.244	2.416
Non-proportional marine, aviation and transport reinsurance	R0160	2.915	4.084
Non-proportional property reinsurance	R0170	27.156	25.805

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0

		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	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

Overall MCR calculation

		C0070
Linear MCR	R0300	26.774
SCR	R0310	147.655
MCR cap	R0320	66.445
MCR floor	R0330	36.914
Combined MCR	R0340	36.914
Absolute floor of the MCR	R0350	3.600
		C0070
Minimum Capital Requirement	R0400	36.914