

**TO THE GENERAL MEETING OF SHAREHOLDERS OF POZAVAROVALNICA SAVA,  
d. d. ("SAVA REINSURANCE COMPANY")**

**Explanation of the Proposed Resolutions for the 31st General Meeting of Shareholders of Sava Reinsurance Company**

**Ad agenda item 1 (explanation of the management board):**

**OPENING OF THE MEETING, ESTABLISHMENT OF QUORUM AND APPOINTMENT OF MEETING BODIES**

Pursuant to the Slovenian Companies Act (ZGD-1) and the articles of association of Sava Reinsurance Company, the management board has the power to call, and is responsible for calling, the general meeting of shareholders.

In its capacity of convenor, the management board proposes the meeting bodies for election as follows:

- for chairman of the general meeting: Bojan Pečenko;
- for members of the verification committee: two representatives of Ixtlan Forum d.o.o. and one representative of Sava Reinsurance Company.

The general meeting will also be attended by invited notary Bojan Podgoršek.

THE MANAGEMENT BOARD  
of Sava Reinsurance Company

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**Ad agenda item 2 (explanation of the management and supervisory boards):**

**PRESENTATION OF THE 2015 ANNUAL REPORT, INCLUDING THE AUDITOR'S OPINION; PRESENTATION OF THE WRITTEN REPORT OF THE SUPERVISORY BOARD ON ITS ACTIVITIES, INCLUDING ITS OPINION ON THE AUDITED ANNUAL REPORT; INFORMATION ON THE REMUNERATION OF THE MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES; PRESENTATION OF THE 2015 ANNUAL REPORT ON INTERNAL AUDITING, INCLUDING THE OPINION OF THE SUPERVISORY BOARD THEREON; AND THE MANAGEMENT BOARD'S REPORT ON OWN SHARES**

Pursuant to Article 293 of the Slovenian Companies Act (ZGD-1), the general meeting is to decide on the approval of the annual report, if the supervisory board has not approved it. Thus, the general meeting only decides on the approval of the annual report in specific cases, but it is not the case here.

The supervisory board oversaw the activities of the Company in the 2015 financial year pursuant to its powers and terms of reference. In its session on 6 April 2016, the supervisory board approved the annual report of the Company as proposed by the management board. Pursuant to the ZGD-1, the supervisory board prepared a report on its activities in 2015, including an opinion on the audited annual report, which forms an integral part of the annual report.

Article 294 of the ZGD-1 states that the management board must present information to the general meeting, when deciding on the appropriation of distributable profit, on the remuneration of the members of the management and supervisory bodies for performing their function within the Company in the previous financial year. This information is disclosed in the annual report.

Pursuant to the Slovenian Insurance Act, the management board is required to present to the general meeting the annual report on internal auditing, including an opinion of the supervisory board thereto.

Under this agenda item, the general meeting is presented the 2015 annual report, including the auditor's opinion and the written report of the supervisory board for the annual report, and the 2015 annual report on internal auditing with the opinion of the supervisory board thereto.

Under this agenda item, the general meeting is also presented with the management board's report on own shares. This is pursuant to Article 247(3) of the ZGD-1, which requires that the management should report to the general meeting on own shares regarding: the grounds for and purpose of acquisition, the total number, the minimum issue price and the proportion and value of own shares acquired.

The MANAGEMENT BOARD and the SUPERVISORY BOARD  
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**TO THE GENERAL MEETING OF SHAREHOLDERS OF POZAVAROVALNICA SAVA, d. d. ("SAVA REINSURANCE COMPANY")****Explanation of the Proposed Resolutions for the 31st General Meeting of Shareholders of Sava Reinsurance Company****Ad agenda item 3 (explanation of the management and supervisory boards):****APPROPRIATION OF DISTRIBUTABLE PROFIT AND GRANTING OF DISCHARGE TO THE MANAGEMENT AND THE SUPERVISORY BOARDS FOR 2015**

In accordance with Article 294 of the Companies Act (ZGD-1), the general meeting must decide on the appropriation of distributable profit at the same time as deciding on the discharge of the members of the management and supervisory boards. The ZGD-1 states that the deliberation on the discharge is linked with the deliberation on the appropriation of distributable profit, while the management board must submit to the general meeting the annual report and the report of the supervisory board on the verification results relating to the annual report in order to facilitate decision making.

The proposed resolution on the appropriation of distributable profit and dividend payout is based on the achieved results and the dividend policy as well as on the opinion of both the supervisory and management boards on the appropriateness of such appropriation.

In early 2015, the management board adopted, and the supervisory board approved, the basis for the dividend policy of Sava Reinsurance Company. The management board laid down the dividend policy as follows: The Company will pay out dividends in the amount of approximately 30 percent of the net profit of the Sava Re Group (consolidated profit), with the management board making adjustments to their proposal for dividend payout, taking into account the Company's capitalisation, new development projects to engage additional capital, capital requirements for the support of organic growth and other major factors that affect the financial position of the Company.

The management and supervisory boards jointly propose that the general meeting of shareholders adopt the following resolution on the appropriation of distributable profit (of € 20,763,434.71):

- € 12.398.156,80 shall be appropriated for dividends; and
- the remaining distributable profit of € 8.365.277,91 shall remain unallocated.

The company proposes an ordinary dividend of € 0.65 per share, being an increase of 18.2 percent from the dividend of 2014, and representing 30.2 percent of earnings for year 2015, which amounted of € 33.365.451. Beside the set dividend policy, the company proposes to increase the dividend for € 0.15 per share. The proposal for an extraordinary dividend is based on the fact that there are no major new projects planned for 2016 as the primary focus is to successfully complete the merger of the EU entities in the Group. The total proposed dividend therefore amounts to € 0.80 per share.

The Company has prepared the proposal of the level based on:

1. the surplus amount of available solvency margin over the required solvency margin under Solvency I at 31 December 2015;
2. the estimated surplus of available solvency margin over the required solvency margin under Solvency II at 31 December 2015;
3. the capital models of the rating agencies Standard & Poor's and A.M. Best; and
4. the adopted 2016 financial plan of the Sava Re Group.

The proposal for the appropriation of distributable profit is based on the number of own shares at 29 July 2016. On the date of the general meeting, the number of shares entitled to dividends may change as a result of additional purchases or disposals of own shares. Should the number of own shares change, the general meeting of shareholders will be proposed adjusted figures for appropriation of the distributable profit, while the amount of the dividend per share of € 0.80 shall remain unchanged.

Pursuant to Article 294 of the ZGD-1, the general meeting must decide on the discharge to be granted to the management and the supervisory boards for the financial year 2015.

Pursuant to recommendation 5.8 of the Corporate Governance Code for Public Joint-Stock Companies stating that general meeting resolutions on management and supervisory body discharges are to be decided separately for each body, the general meeting is given separate proposed resolutions for each body.

The MANAGEMENT BOARD and the SUPERVISORY BOARD  
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**Ad agenda item 4 (explanation of the management and supervisory boards):  
BRIEFING OF THE GENERAL MEETING ON THE CHANGE IN SUPERVISORY BOARD  
MEMBERS REPRESENTING EMPLOYEE INTERESTS**

Pursuant to the Company's applicable articles of association, the supervisory board is composed of six members, of which two (employee representatives) are elected by the workers' council, which subsequently informs the general meeting of its decision.

The general meeting takes note of the fact that the term of office of Andrej Gorazd Kunstek and Martin Albreht, members of the supervisory board representing employee interests, expired on 10 June 2015.

The supervisory board takes note of the workers' council appointment of Andrej Gorazd Kunstek and Helena Dretnik as new members of the supervisory board (employee representatives) for a term of four years. The newly elected members began their term of office on 11 June 2015.

The general meeting takes note of the resignation tendered by Helena Dretnik, resigning as a member of the supervisory board (employee representative), as of 19 February 2016.

The supervisory board takes note of the workers' council appointment of Mateja Živec as a new member of the supervisory board employee representative in place of Helena Dretnik for a term of office running from 1 April 2016 to 11 June 2019.

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**Ad agenda item 5 (explanation of the management and supervisory boards):  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Reasons for of the proposed amendments to the articles of association:

Ad 1: Article 4. a has become redundant because the Company's share capital has already been increased and currently amounts to € 71,856,376.23.

Ad 2: Deleting paragraph 1 of Article 10 eliminates the quorum threshold.

Ad 3: In order to ensure the smooth operation of the supervisory board, Article 17 has been amended to provide for a three-month period of notice applicable to every resigning member. The notice period requirement does not apply only in the event that a supervisory board member withdraws due to extraordinary circumstances that cannot be foreseen.

Ad 4: The amended Article 26 requires that, due to the complexity of their responsibilities, every management board member must, at a minimum, have a university degree, relevant work experience and proficiency in at least one global language.

Ad 5: Article 27 of the articles of association regulates the way in which the Company is represented. The amendment is an alignment with current practice, as the Company's management board has had no deputy chair since 2008.

Ad 6: The proposed amended Article 31 is an alignment to statutory regulations relating to the Company's publication of data and communications (Article 11 and paragraph 4 of Article 296 of the Slovenian Companies Act (ZGD-1)).

Ad 7: The amended version of Article 35 provides a general rule for the enforcement of all future amendments of the articles of association.

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**Ad agenda item 6 (explanation of the supervisory board):**

**REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD AND ITS  
COMMITTEES**

We have benchmarked the remuneration paid to members of the Supervisory Board and its committees and believe we should move to the figures proposed. These are similar to the Corporate Governance Code for Companies with State Capital Investments.

The SUPERVISORY BOARD  
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**Ad agenda item 7 (explanation of the supervisory board):**  
**APPOINTMENT OF AUDITOR FOR THE FINANCIAL YEARS 2016–2018**

The supervisory board's proposal is based on the proposal (dated 18 April 2016) of the supervisory board's audit committee, which takes part in the selection process of the independent external auditor in accordance with Article 280 of the Slovenian Companies Act (ZGD-1). The supervisory board adopted their proposal.

The supervisory board proposes that the general meeting appoint the audit firm **Ernst & Young d.o.o., Dunajska 111, Ljubljana** as auditor of the financial statements of Sava Reinsurance Company and Sava Re Group companies for the financial years 2016–2018.

Ernst & Young is one of the four leading global audit networks present in 140 countries worldwide, including Slovenia, and in all countries where Sava Re Group companies are based.

The firm has relevant experience in the auditing of financial statements of commercial companies, and has both domestic and international clients. Their major auditing clients in Slovenia in the past five years have included large commercial companies and groups from the insurance and banking sectors, as well as other industries.

In accordance with the Insurance Act (ZZavar-1, Official Gazette of the Republic of Slovenia, no. 93/2015), Sava Reinsurance Company is obliged to appoint an auditor for a period of not less than three financial years. An audit firm is permitted to audit the annual report of an insurance company for no more than ten consecutive financial years.

The proposed audit firm, Ernst & Young, would undertake the auditing of the financial statements of Sava Reinsurance Company and other Sava Re Group companies for the financial year 2016 for the fourth year in a row.

In the past year, the proposed audit firm Ernst & Young performed for the Company and its related companies non-auditing services in the form of consulting services for the implementation of requirements of the Solvency II Directive (also through its international partners). Ernst & Young declared that there were no potential conflicts of interests between Sava Re Group companies and Ernst & Young network companies and that none of the performed services gave rise to doubt as to their independence for the auditing of financial statements of the Sava Re Group and Sava Reinsurance Company.

It is proposed that the general meeting appoint the audit firm for three consecutive financial years 2016–2018.

The SUPERVISORY BOARD  
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**Ad agenda item 8 (explanation of the supervisory board):**

**BRIEFING OF THE GENERAL MEETING ON THE PROCEDURE OF THE REVIEW  
CARRIED OUT ON THE TRANSACTION TO PURCHASE THE PROPERTY LOCATED IN  
BARAGOVA ULICA 5 IN LJUBLJANA ("ACH PROPERTY")**

In response to requests by shareholders and in view of the information published in the media regarding the review of the management board transactions regarding the purchase of the ACH Property, the supervisory board decided to inform the shareholders with the procedure of the review of the transaction to purchase the ACH Property.

The SUPERVISORY BOARD  
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