



## Sava Re, d.d.

*(incorporated as a stock corporation (delniška družba) in the Republic of Slovenia)*

### € 75,000,000 Subordinated Fixed to Floating Rate Bonds with scheduled maturity in 2039

ISIN XS2063427574, Common Code 206342757

Issue price: 99.998 per cent.

Sava Re, d.d. ("**Sava Re**" or the "**Issuer**") will issue on or about 28 October 2019 (the "**Issue Date**") € 75,000,000 subordinated fixed to floating rate bonds with a scheduled maturity in 2039 in the denomination of € 100,000 each (the "**Bonds**").

The Bonds will be governed by the laws of the Federal Republic of Germany ("**Germany**"), except for the status provisions which will be governed by the laws of the Republic of Slovenia ("**Slovenia**").

The Bonds will bear interest from and including 28 October 2019 (the "**Interest Commencement Date**") to but excluding 7 November 2029 (the "**First Call Date**") at a rate of 3.750 per cent. *per annum*, scheduled to be paid annually in arrear on 7 November in each year, commencing on 7 November 2020 (long first coupon). Thereafter, unless previously redeemed, the Bonds will bear interest at a rate of 4.683 per cent. *per annum* above the 3-months EURIBOR, being the Euro-zone inter-bank offered rate for three-month Euro deposits, scheduled to be paid quarterly in arrear on means 7 February, 7 May, 7 August and 7 November in each year (each a "**Floating Interest Payment Date**"), commencing on 7 February 2030.

Under certain circumstances described in § 4 of the Terms and Conditions of the Bonds (the "**Terms and Conditions**"), interest payments on the Bonds may be deferred at the option of the Issuer or will be required to be deferred. Interest accrued for any interest period which is not due and payable due to a deferral of interest payment will constitute arrears of interest ("**Arrears of Interest**").

The Bonds are scheduled to be redeemed at an amount per Bond equal to the principal amount plus any interest accrued on such Bond to but excluding the date of redemption but unpaid and, for the avoidance of doubt, any Arrears of Interest due on such Bond (the "**Redemption Amount**") on 7 November 2039 (the "**Scheduled Maturity Date**"), provided that on the Scheduled Maturity Date the Conditions to Redemption and Repurchase (as defined in the Terms and Conditions) are fulfilled. If this is not the case, the Bonds will only be redeemed on the first Floating Interest Payment Date following the Scheduled Maturity Date on which the Conditions to Redemption and Repurchase are fulfilled. Under certain circumstances described in § 5 of the Terms and Conditions, the Bonds may be subject to early redemption, always subject to the Conditions to Redemption and Repurchase being fulfilled.

The Bonds will initially be represented by a temporary global bond in bearer form (the "**Temporary Global Bond**"). Interests in a Temporary Global Bond will be exchangeable, in whole or in part, for interest in a permanent global bond (the "**Permanent Global Bond**" and together with the Temporary Global Bond, the "**Global Bonds**") on or after the date 40 days after the later of the commencement of the offering and the Issue Date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. The Global Bonds have been deposited with a common depository for Clearstream Banking S.A., Luxembourg and Euroclear Bank SA/NV (each a "**Clearing System**" and together, the "**Clearing Systems**").

This prospectus in respect of the Bonds (the "**Prospectus**") constitutes a prospectus within the meaning of Article 6 (3) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended or superseded) (the "**Prospectus Regulation**"). This Prospectus will be published in electronic form together with all documents incorporated by reference on the website of the

Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and on the website of Sava Re at <https://www.sava-re.si/en/investors/bonds>.

This Prospectus has been approved by the *Commission de Surveillance du Secteur Financier, in Luxembourg* ("CSSF") as competent authority under the Prospectus Regulation. The CSSF only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should neither be considered as an endorsement of the Issuer that is subject of this Prospectus nor of the quality of the securities that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Bonds. By approving the Prospectus, in accordance with Article 20 of the Prospectus Regulation, the CSSF does not engage in respect of the economic or financial opportunity of the operation or the quality and solvency of the Issuer.

This Prospectus will be valid until 28 October 2020 and may in this period be used for admission of the Bonds to trading on a regulated market. In case of a significant new factor, material mistake or material inaccuracy relating to the information included in this Prospectus which may affect the assessment of the Bonds, the Issuer will prepare and publish a supplement to the Prospectus without undue delay in accordance with Article 23 of the Prospectus Regulation. The obligation of the Issuer to supplement this Prospectus will cease to apply once the Bonds have been admitted to trading on the regulated market of the Luxembourg Stock Exchange and at the latest upon expiry of the validity period of this Prospectus.

Application has been made to the Luxembourg Stock Exchange for the Bonds to be listed on the official list of the Luxembourg Stock Exchange (the "**Official List**") and to be admitted to trading on the Luxembourg Stock Exchange's regulated market "Bourse de Luxembourg", appearing on the list of regulated markets issued by the European Commission. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "**MiFID II**").

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, the Bonds in any jurisdiction where such offer or solicitation is unlawful.

**The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and subject to certain exceptions, the Bonds may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.**

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Following the First Call Date, amounts payable under the Bonds are calculated by reference to the 3-months EURIBOR ("**EURIBOR**"), which is provided by the European Money Market Institute ("**EMMI**"). As at the date of this Prospectus, EMMI appears on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**Benchmark Regulation**").

Prospective purchasers of the Bonds should ensure that they understand the nature of the Bonds and the extent of their exposure to risks and that they consider the suitability of the Bonds as an investment in light of their own circumstances and financial condition. Investing in the Bonds involves certain risks. Please review the section entitled "*Risk Factors*" beginning on page 8 of this Prospectus.

*Structuring Advisor*

**Erste Group Bank AG**

*Sole Lead Manager and Sole Bookrunner*

**Erste Group Bank AG**

## RESPONSIBILITY STATEMENT

The Issuer with its registered seat in Ljubljana and business address at Dunajska cesta 56, 1000 Ljubljana, Republic of Slovenia, accepts responsibility for the information contained in this Prospectus and hereby declares that the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and makes no omission likely to affect its import.

The Issuer further confirms that (i) this Prospectus contains all relevant information with respect to the Issuer and its consolidated subsidiaries taken as a whole (the "**Sava Insurance Group**") and to the Bonds which is material in the context of the issue and the offering of the Bonds, including all relevant information which, according to the particular nature of the Issuer and of the Bonds is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, Sava Insurance Group and of the rights attached to the Bonds; (ii) the statements contained in this Prospectus relating to the Issuer, Sava Insurance Group and the Bonds are in every material respect true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, Sava Insurance Group or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

## NOTICE

No person is authorized to give any information or to make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by or on behalf of the Issuer or Erste Group Bank AG (the "**Sole Lead Manager**").

This Prospectus should be read and understood in conjunction with any supplement hereto and with all documents incorporated herein or therein by reference.

The legally binding language of this Prospectus is English.

Each investor contemplating purchasing any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Prospectus does not constitute an offer of Bonds or an invitation by or on behalf of the Issuer or the Sole Lead Manager to purchase any Bonds. Neither this Prospectus nor any other information supplied in connection with the Bonds should be considered as a recommendation by the Issuer or the Sole Lead Manager to a recipient hereof and thereof that such recipient should purchase any Bonds.

This Prospectus reflects the status as at its date. The offering, sale and delivery of the Bonds and the distribution of the Prospectus may not be taken as an implication that the information contained herein is accurate and complete subsequent to the date hereof or that there has been no adverse change in the financial condition of the Issuer since the date hereof.

To the extent permitted by the laws of any relevant jurisdiction, neither the Sole Lead Manager nor any of its respective affiliates nor any other person mentioned in the Prospectus, except for the Issuer, accepts responsibility for the accuracy and completeness of the information contained in this Prospectus or any other documents incorporated by reference and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accept any responsibility for the accuracy and completeness of the information contained in any of these documents. The Sole Lead Manager has not independently verified any such information and accept no responsibility for the accuracy thereof.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. For a description of the restrictions see the section "*Subscription and Sale of the Bonds – Selling*

*Restrictions*" below. In particular, the Bonds have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States of America or to U.S. persons as defined in Regulation S under the Securities Act ("**Regulation S**").

The Bonds issued pursuant to this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Bonds to retail investors.

For the avoidance of doubt the content of any website referred to in this Prospectus does not form part of this Prospectus and the information on such websites has not been scrutinised or approved by the CSSF as competent authority under the Prospectus Regulation.

#### **MIFID II PRODUCT GOVERNANCE / TARGET MARKET: PROFESSIONAL INVESTORS AND ECPS ONLY**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

#### **PRIIPS REGULATION / PROSPECTUS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by the PRIIPs Regulation for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Bonds (or any beneficial interests therein) from the Issuer and/or the Sole Lead Manager the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

#### **BENCHMARK REGULATION: STATEMENT ON REGISTRATION OF BENCHMARK ADMINISTRATOR**

Following the First Call Date, amounts payable under the Bonds are calculated by reference to the EURIBOR, which is provided by the European Money Market Institute ("**EMMI**"). As at the date of this Prospectus, the EMMI appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation.

#### **FORWARD-LOOKING STATEMENTS**

This Prospectus contains certain forward-looking statements, including statements using the words "believes", "anticipates", "intends", "expects" or other similar terms. This applies in particular to statements under the caption "*General Information on the Issuer and the Sava Insurance Group*" and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Sava Insurance Group. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the

Sava Insurance Group, to be materially different from or worse than those expressed or implied by these forward-looking statements. Neither the Issuer nor the Sole Lead Manager does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

### **PRESENTATION OF FINANCIAL INFORMATION**

In this Prospectus, all references to "€", "EUR" or "Euro" are to the currency introduced at the start of the third stage of the European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the Euro, as amended. References to "US\$", "USD" and "U.S. dollars" are to the currency of the United States of America. References to "billions" are to thousands of millions.

All of the financial information presented in the text and tables below is shown in millions of euro (in EUR million), except as otherwise stated. Certain financial information, including percentages, has been rounded according to established commercial standards. Changes and percentage changes as well as ratios and aggregate amounts (sum totals or sub totals or differences or if numbers are put in relation) presented in this Prospectus are calculated based on the unrounded figures and commercially rounded to one digit after the decimal point. As a result of rounding, rounded figures may not in all cases add up.

### **ALTERNATIVE PERFORMANCE MEASURES**

Sava Insurance Group uses, throughout its financial publications, alternative performance measures ("APMs") in addition to the figures which are prepared in accordance with the International Financial Reporting Standards ("IFRS").

The Issuer presents non-IFRS measures because it believes that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity.

The APMs may not be comparable to similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for an analysis of Sava Insurance Group's operating results as reported under IFRS. These alternative performance measures and ratios are not measurements of the Issuer's performance or liquidity under IFRS or any other generally accepted accounting principles. Other companies in the Issuer's industry may calculate these measures differently and, consequently, the Issuer's presentations in this Prospectus may not be readily comparable to other companies' figures. In particular, Investors should not consider these APMs as an alternative to operating income or premium income for the period (as determined in accordance with IFRS) as a measure of Sava Insurance Group's operating performance, or as an alternative to cash flows from operating, investing and financing activities, as a measure of our ability to meet the Issuer's cash needs or as an alternative to any other measures of performance under generally accepted accounting principles.

For further information, please refer to the section "*Description of the Issuer and the Sava Insurance Group - Selected Consolidated Financial Information and Key Performance Indicators – Description of Key Performance Indicators*".

## TABLE OF CONTENTS

RISK FACTORS.....	8
TERMS AND CONDITIONS OF THE BONDS .....	23
USE OF PROCEEDS .....	44
DESCRIPTION OF THE ISSUER AND THE SAVA INSURANCE GROUP .....	45
TAXATION .....	71
SUBSCRIPTION AND SALE OF THE BONDS .....	73
GENERAL INFORMATION .....	75
DOCUMENTS INCORPORATED BY REFERENCE .....	77

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Factors which the Issuer believes may be material and specific for the purpose of assessing the market risks associated with the Bonds are also described below. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood or the extent of any such contingency occurring. Additional risks not currently known to the Issuer or the Sava Insurance Group that are now immaterial or unspecific may result in material and specific risks in the future. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

*Words and expressions defined in the Terms and Conditions shall have the same meanings in this section.*

### **Risks relating to the Issuer and the Sava Insurance Group**

Set out below are material risks that are specific to the Issuer and Sava Insurance Group and that have a material impact on their business operations, assets and liabilities, financial strength and liquidity position and/or the level and volatility of their profitability and therefore they may affect the Issuer's and Sava Insurance Group's ability to fulfil its obligations under the Bonds.

#### **I. Macroeconomic Risks**

*Sava Insurance Group's business is largely dependent on global economic conditions.*

Sava Insurance Group's business depends in many ways on global economic conditions, which have shown significant volatility in recent years. Global recessions affecting significant parts of the global economy could reduce both demand for Sava Insurance Group's products (e.g. due to delay of purchase of new insurance or termination of existing coverage) and the value of the investments it holds. In addition, as Sava Insurance Group purchases its insurance products through banks or similar institutions, consumer mistrust of the financial sector could result in weaker sales in Sava Insurance Group's distribution channel. Weaker demand for primary insurance coverage also tends to increase pressure on pricing and competition, adversely affecting Sava Insurance Group's profitability.

Demand for Sava Insurance Group's corporate and industrial insurance products is also dependent on general economic conditions, as demand for corporate and industrial insurance products is generally higher when businesses are growing and more likely to make investments and take risks.

Because primary insurance markets and reinsurance markets are closely linked, macroeconomic factors similarly affect demand for reinsurance and retrocession coverage. Geographically, Sava Insurance Group's business has a strong focus on Slovenia and the Adria region, which creates a substantial exposure to the economy in these markets.

Global economic conditions also affect the value of the investment portfolio managed by Sava Insurance Group.

Since Sava Insurance Group has invested a substantial portion of its investment portfolio in fixed income securities, the global downturn would cause a decrease in equity prices of equity instruments in which Sava Insurance Group has invested, a decrease in financial results from Sava Insurance Group's strategic participation and a decrease in the valuation of fixed income securities in which Sava Insurance Group has invested, due to increase in credit spreads from government and corporate bonds.

*The continuing sovereign debt crisis in Europe, the high national debt of the United States and some countries in Europe and the macroeconomic conditions in certain emerging markets could result in economic instability and possible defaults on government debt, with significant adverse effects for Sava Insurance Group's business and financial position.*

The continuing sovereign debt crisis has created various risks for Sava Insurance Group. In particular, there could be a default or forced write-down in the value of government bonds which Sava Insurance Group holds. Sava Insurance

Group's investment portfolio is exposed to risks from these issuers as a result of its holdings of local government, corporate, covered and financial bonds.

As Sava Insurance Group is operating in the Adria region, a portion of its portfolio is invested in local corporate and government bonds. Debt crisis could affect the Adria region portfolio valuation to a greater extent than certain other regions, since most of the region's exposure is rated as non-investment grade.

As Sava Re operates in a number of emerging markets and needs to hold corresponding assets in order to cover liabilities in local currencies, it is therefore exposed to both general business risk, as well as risks stemming from investing assets in the respective markets.

The Eurozone sovereign debt crisis could also undermine the capitalization of banks and other financial services providers, including European banks in whose securities Sava Insurance Group has significant investments. Regulatory measures designed to avoid the undercapitalization of banks (such as mandatory swaps of bank debt into bank common equity) could exacerbate these risks for Sava Insurance Group, for example by converting relatively liquid bonds into relatively illiquid common equity of a troubled bank. In addition to writing down the value of such investments, Sava Insurance Group could lose its claims on ongoing interest and participations in profits.

## **II. Market and Financial Risks**

*Members of Sava Insurance Group are subject to substantial general market risks that could have a material adverse effect on the value of its investment portfolio and financial position and could, in an extreme case, leave members of Sava Insurance Group with insufficient funds to pay its insurance liabilities.*

Sava Insurance Group's investment portfolio could be subject to substantial general market risks. Credit-spread risks are an important factor for Sava Insurance Group's fixed income securities holdings since an important portion of its assets are invested in corporate bonds.

Market changes in these risk premiums lead to changes in the market value of the corresponding securities in which Sava Insurance Group has invested in a manner analogous to changes in prevailing interest rates. An increase in credit spreads beyond the figures expected by Sava Insurance Group could give rise to higher default probabilities for bonds, causing Sava Insurance Group's basic own funds to decline. If the future realized spreads - and, therefore, the probability of defaults - differ from a long-term target figure, this would have a negative impact on Sava Insurance Group's net investment income. Due to the typically asymmetric distribution of gains and losses on policyholders and shareholders in life insurance, high credit losses in particular years can lead to a disproportionate reduction in Sava Insurance Group's basic own funds.

Sava Insurance Group's equity and alternative investments holdings are subject to the risk of negative changes in the value of properties held directly or in investment funds. Impairments can be triggered by deteriorations in the underlying assets, for example long-term vacancies or deteriorations in a business environment, or through a general market decline. Losses in the value of Sava Insurance Group's investments can necessitate write-downs or lead to losses on the sale of its investments, either of which would adversely affect its investment income.

Deteriorating asset prices could affect ability of the Sava Insurance Group to cover its technical provisions and in an extreme case, such losses could affect the capability of Sava Insurance Group to settle its general insurance liabilities or other liabilities. *A deterioration in market conditions for primary insurance and reinsurance could reduce Sava Insurance Group's revenues and limit its growth.*

The markets in which Sava Insurance Group operates are characterized by intense domestic and foreign competition by insurance and reinsurance companies, banks, brokers, asset management and financial services companies, including some of the world's largest insurance groups and other financial services providers. Sava Insurance Group's ability to compete in these markets depends on several factors, including its financial strength, credit rating, local presence and reputation, the quality of its customer service, the type, scope and the conditions of its products and services, the efficiency of its claims management and its ability to adapt to changing customer needs.

Some of these competitors hold far-reaching financial, technical and operational resources and offer alternative products to those of Sava Insurance Group or do so at more competitive prices. Furthermore, in the industrial insurance market Sava Insurance Group competes with risk transfer solutions other than traditional insurance, including risk assignment solutions and self-insurance. Additionally, competition could be intensified with the development of alternative distribution channels for providers of certain types of insurance products. If Sava Insurance Group's product range is not competitive with the variety and prices offered by its competitors, its business, revenues, operating results and financial position, as well as its reputation, could be negatively affected.

In certain reinsurance markets or market segments, the pressure on prices has made it difficult for Sava Re to underwrite policies on a profitable basis. In those market segments where Sava Insurance Group can write business profitably, it faces competition from competitors attracted by the higher margins. Sava Insurance Group's credit protection insurance business is also subject to the risk that banks might reduce lending, reducing the potential volume of new credit protection insurance policies.

If increased competition causes Sava Insurance Group to lose market share, Sava Insurance Group could face disadvantages in terms of cost, especially fixed costs. Since a substantial portion of Sava Insurance Group's total costs constitute fixed costs (including general administrative costs), such losses would also adversely affect margins in the remaining business.

*Sava Insurance Group's investment activities expose it to significant credit and default risks.*

As part of its investment activities, Sava Insurance Group regularly acquires large volumes of securities and financial instruments, including participations, and it is involved in letting of few real estate properties. These activities expose Sava Insurance Group to the risk that its counterparties might become unable to make payments when due. Sava Insurance Group's investment guidelines and limit system are designed to limit undue concentrations of risk, but Sava Insurance Group could become significantly exposed to a particular counterparty if its investment managers fail to comply with the Sava Insurance Group's investment guidelines or if those guidelines prove to be inadequate. In addition, a feared or actual deterioration in the credit of one or more counterparties, such as a major bank, major client or a major reinsurance partner could lead to write downs for Sava Insurance Group.

*Sava Insurance Group is subject to the risk of changes in interest rates and may also negatively impacted by the currently extremely low interest rates.*

The fact that interest rates have been low for several years and are currently extremely low increases the interest guarantee risk for Sava Insurance Group significantly. If interest rates remain low or fall even further, this will increase even more the already considerable reinvestment risk for Sava Insurance Group offering traditional guarantee products. It will then become increasingly difficult to generate the guaranteed return for Sava Insurance Group upon which it relies to pay amounts owed under insurance policies. A sustained continuation of the current extremely low or negative interest rate environment could necessitate an increase in Sava Insurance Group's technical insurance reserves. In particular, Sava Insurance Group would need to increase additional interest rate reserve in line with regulatory requirements. This could have a negative impact not only on the statutory accounts of the Sava Insurance Group's life insurance subsidiaries, but also on its consolidated IFRS financial statements.

Significant interest rate fluctuations or increases pose a risk for Sava Insurance Group. Increases in interest rates can reduce the market value of fixed-income investments. Furthermore, if interest rates increase, rapidly rise or remain high for a significant period, it could make long-term insurance policies less attractive compared to other forms of investment, reducing demand for Sava Insurance Group's long-term life insurance policies. If a significant proportion of policyholders prematurely terminate their life insurance policies, Sava Insurance Group's life insurance companies could be forced to sell investments in order to be able to pay the required cash surrender values to withdrawing policyholders. The market value of Sava Insurance Group's investments is not guaranteed to be sufficient to cover cash surrender values.

The continuation of low or negative interest rates over the longer term would significantly impact Sava Insurance Group's investment income as the duration of its fixed income investments is relatively low.

*Certain investment assets held by Sava Insurance Group could prove to be illiquid.*

Sava Insurance Group is subject to the risk that investments or other assets cannot be converted to liquid funds in a timely manner or at reasonable prices in order to service liabilities as they become due, especially general insurance liabilities. These developments have led to a general reassessment of Sava Insurance Group's risks of loss for certain asset classes previously considered to be secure and have reduced liquidity in markets for certain investments such as strategic participations, investments in alternative funds and real estate investments. Sava Insurance Group could experience difficulties in trying to liquidate assets or to do so on reasonable terms.

*Sava Insurance Group is exposed to material currency exchange and translation risks.*

The Issuer reports the financial results of Sava Insurance Group in euros. However, Sava Insurance Group's subsidiaries enter into insurance transactions in different currencies in particular in the Adria region. As a result, the Sava Insurance Group is subject to certain currency exchange risks.

Sava Insurance Group is also subject to currency translation risks due to the fact that the financial statements of some of its foreign subsidiaries, associated companies, special purpose entities and special funds, are prepared in non-euro currencies. Furthermore, Sava Insurance Group receives dividends, profit transfers and interest payments from its foreign subsidiaries, associated companies, special purpose entities and special funds, partly in currencies other than euro. Adverse changes in the exchange rate between the euro and these currencies can cause adverse changes in the value (in euro) of corresponding positions on Sava Insurance Group's financial statements, even where results as measured in the local currency have remained unchanged or have improved.

### **III. Business Risks**

*Credit rating agencies could downgrade Sava Insurance Group's credit rating, which could materially increase Sava Insurance Group's financing costs and detrimentally affect customer relationships.*

Financial strength ratings are crucial for the Sava Insurance Group's competitive position. The international credit rating agencies AM Best Europe-Rating Services Ltd ("**AM Best**") and Standard & Poor's Global Ratings Europe Limited ("**Standard & Poor's**") awarded Sava Insurance Group financial strength ratings. Credit rating agencies review their ratings and assessment methods continuously and could downgrade Sava Re's ratings, whether on the basis of changes in Sava Insurance Group's performance, its regulatory capital position, as a result of changes in the assessment of the insurance industry change, changes in the rating agencies' industry views or ratings methodologies, or a combination of these and other factors.

A downgrade in one or more of Sava Re's ratings could negatively affect its business volumes and its competitive position. Additionally, Sava Insurance Group might find it more difficult to access the capital markets and could incur higher borrowing costs. Furthermore, a rating downgrade could lead to new liabilities or increase existing liabilities, to the extent that they depend on Sava Insurance Group maintaining a certain rating.

*Sava Insurance Group is subject to risks in connection with acquisitions, joint ventures and minority investments. In particular, the integration of acquired companies can completely or partially fail or the assessment of the value or the potential for synergies can turn out to be wrong for Sava Insurance Group.*

Over the last few years, Sava Insurance Group has acquired minority or controlling stakes in various companies. New acquisitions or strategic agreements may also be executed by Sava Insurance Group in the future. An unsuccessful or incomplete integration of the acquired businesses or any current/future alliances, or under-performance in such ventures or alliances, could have a material adverse effect on Sava Insurance Group's business, revenues, operating results and financial position, as well as its reputation. For investments in foreign countries, important factors to take into account by Sava Insurance Group additionally include market conditions and the legal, political and cultural circumstances. The process of integrating an acquired company or business can be complex and costly and can create unforeseen operating difficulties and expenditures for Sava Insurance Group. Furthermore, there is a risk in all of Sava Insurance Group's investment decisions that its financial assumptions upon which an investment decision was based turn out to be incorrect. In case synergies are not realized, there is a risk for Sava Insurance Group that the goodwill resulting from these

acquisitions has to be written down. If goodwill has to be substantially written down, it could adversely affect Sava Insurance Group's financial condition and reduce its own capital.

*Losses triggered by natural catastrophes, pandemics or man-made disasters may significantly affect Sava Insurance Group's financial results and underwriting performance.*

The reinsurance business represents a significant part of Sava Insurance Group's business. In this regard, Sava Insurance Group may be exposed to major losses caused by natural catastrophes, pandemics and man-made disasters. As Slovenia lies in an earthquake active region and Sava Insurance Group has a significant exposure to Slovenia, any increase in the frequency and severity of these events as established in the recent past may significantly affect Sava Insurance Group's financial results and underwriting performance (e.g. reduction of underwriting capacities in the reinsurance market). This tightening of supply could lead to higher premiums in Sava Insurance Group's reinsurance business and in turn to higher retention or lower revenues for Sava Insurance Group.

*Reinsurance for Sava Insurance Group's primary insurance business and the retrocession of risks from Sava Re's reinsurance business might prove insufficient, or might not be available in the required scope or only on less favorable terms in the future.*

The risks insured by Sava Insurance Group are partly transferred to other insurance and reinsurance companies by means of reinsurance or retrocession. Decisions about which insured risks are transferred and which risks are retained by Sava Insurance Group are made by Sava Re on the basis of a various number of criteria. These include the group risk strategy set by the Issuer's management board, the type and level of the underwritten risks, the individual business segment's ability to bear risks, the availability and the terms of reinsurance and retrocessions as well as the reputation and financial strength of the relevant reinsurers and retrocessionaires. If the risk assessment, assumptions and forecasts used as a basis for this decision differ from the actual circumstances and developments, there is a risk of an inadequate protection through reinsurance, retrocession or financial instruments for Sava Insurance Group.

In addition, disruptions in the reinsurance and retrocession markets could prevent Sava Insurance Group from being able to transfer risks to the extent desired or on acceptable terms. Sava Insurance Group could have increased difficulty obtaining these coverages on acceptable terms if increases in the frequency of natural disasters cause demand for reinsurance and retrocession coverage to increase at a time when underwriting capacity in the reinsurance and retrocession market is decreasing. An increase in the frequency or the volume of other major events causing damage could also worsen Sava Insurance Group's risk position. In the future, only a few reinsurers with strong capital bases might be able to write capital-intensive reinsurance, which could, together with limited access to capital, make it more difficult for Sava Insurance Group to obtain reinsurance coverage on acceptable terms.

For its reinsurance business, Sava Re also uses systematic retrocessions on acquired reinsurance in order to reduce potential fluctuations in revenues and to optimize and/or to balance its net income. The business, results of operations and financial condition of Sava Re could be adversely affected if the availability of certain retrocession coverage is substantially reduced or if individual reinsurers and/or retrocessionaires become unable or unwilling to pay or may be legally or otherwise restricted to fulfil its obligation.

*Poor performance of Sava Insurance Group's asset liability or investment management could lead to a mismatch in value between its investment portfolio and the liabilities under its insurance business and to a loss of current or potential customers, including customers of its asset management and fund provider business.*

Fluctuations in financial markets affect consumer behavior, thereby negatively impacting the insurance and asset management business of Sava Insurance Group. Sava Insurance Group invests the premiums it collects in various asset classes. However, Sava Insurance Group's investments might perform poorly, also in respect of matching of assets and liabilities, or Sava Insurance Group's investment professionals could make poor investment decisions or other mistakes (including intentional violations of statutory provisions, standards of care or Sava Insurance Group's investment guidelines).

Such occurrences could cause the value of Sava Insurance Group's investment portfolio to decline and could lead to a mismatch between assets and liabilities in Sava Insurance Group's insurance business. Currency and duration mismatch can have negative effect on Sava Insurance Group's performance and capital adequacy.

Furthermore, Sava Insurance Group could lose current or potential customers and its reputation could be damaged as a result of poor investment performance. This reputational risk applies especially to Sava Re's asset management and fund provider business, which competes with other financial services providers for customers in part on the basis of investment performance. If Sava Insurance Group's investments perform worse than those of competitors, customers may withdraw their assets under management with Sava Insurance Group.

Such risks are further increased due to diversified nature of Sava Insurance Group's business.

*Sava Insurance Group depends on the reliable functioning of its own and third-party IT systems, and a major failure in these systems could disrupt its business.*

Sava Insurance Group depends on the reliable and efficient functioning of computer and data processing systems and telecommunication systems to conduct its operations. Since these systems are susceptible to failures and problems, failures or problems cannot necessarily be prevented by Sava Insurance Group. If regular maintenance or a mayor change of the IT systems is done incorrectly, such actions can lead to failures, problems and delays for Sava Insurance Group.

A major failure or disruption in one or more computer or data processing systems operated by Sava Insurance Group or third-party IT providers could disrupt Sava Insurance Group's operations. In Sava Insurance Group's asset management business, there could also be an interruption of trading activity, which would make it difficult for its asset management business to react in timely manner to current market developments.

*Actuarial appraisals of insured risks, which are used to estimate the amount of potential claims under insurance policies, could prove to be incorrect for Sava Insurance Group.*

The revenues of Sava Insurance Group depend to a substantial degree on the extent to which the performance actually to be rendered in an insured event is consistent with the underwriting assumptions used to determine the price of such coverage. When entering into a new insurance policy, Sava Insurance Group must estimate the amount of potential claims on the policy in order to determine the appropriate amount of premiums to be paid on that policy. These actuarial calculations are based on past experience with similar policies, forecasts regarding the future, and actuarial models (for example, mortality, longevity and morbidity models used to calculate premiums and reserves in respect of life insurance coverage). Over time, these assumptions of Sava Insurance Group could prove to be inaccurate and might therefore necessitate additional expenditures. Deviations can occur if data is interpreted incorrectly by Sava Insurance Group or external factors outside the influence of Sava Insurance Group change.

Such risks are further increased due to diversified nature of Sava Insurance Group's business.

*Sava Insurance Group's reserves set aside to pay insurance claims could prove insufficient, which could necessitate additional reserves.*

Sava Insurance Group determines the amount of the technical insurance reserves using actuarial methods and statistical models. Adjustments are continuously made to take into account the most current market information available to Sava Insurance Group. Nonetheless, the reserves established by Sava Insurance Group in this manner can turn out to be inadequate if the calculations of future insured events differ from actual claims experience, especially when entering new markets and introducing new insurance products. The business, results of operations and financial condition of Sava Re and Sava Insurance Group could be material adversely impacted as a result of inadequate technical insurance reserves and the resulting need for additional reserves.

*Sava Insurance Group relies strongly on its network of intermediaries in some countries to sell and distribute its products and may not be able to maintain a competitive distribution network.*

Sava Insurance Group crucially relies on a number of distribution channels for the marketing and offering of its products and services. One of the distribution channels used by Sava Insurance Group is distribution through intermediaries (for

example banks). The intermediaries through whom Sava Insurance Group sells and distributes its products and services are independent of Sava Insurance Group. Sava Insurance Group does not have in all cases exclusivity agreements in place with its intermediaries, so they are free to offer products from other insurance companies and there is no obligation on them to favor the products of Sava Insurance Group.

The successful distribution of the Sava Insurance Group's products and services through such distribution channel therefore depends on the choices an intermediary may make as regards its preferred insurance company or companies, and as regards its preferred products and services. An intermediary may determine its preference as to Sava Insurance Group on the basis of suitability of it for its customers and for itself by considering a number of factors. An unfavorable assessment by an intermediary of Sava Insurance Group and its products could result in Sava Insurance Group not being actively marketed by intermediaries to their customers.

Such risks are further increased due to diversified nature of Sava Insurance Group's business.

*Sava Insurance Group bears significant credit risks as a result of its business activities.*

As part of its business, Sava Insurance Group acquires a large number of receivables against counterparties, especially policyholders, reinsurers, retrocessionaires, cedants, insurance brokers (especially to the extent commissions are paid upfront for the distribution of long-term insurance policies) and financial institutions. If obligors of Sava Insurance Group experience financial difficulty and cannot or do not pay the full amounts owed to companies of Sava Insurance Group, Sava Insurance Group would be exposed to risks of financial losses and a possible downgrading of its credit rating, and might be required to write down or write off certain assets. If Sava Insurance Group's internal guidelines on concentration of credit and counterparty risks (especially in relation to reinsurers and retrocessionaires) are not followed or turn out to be inadequate, this could result in significant losses. In addition, Sava Insurance Group is exposed to systemic risk, which means that as a result of an extraordinary strain on one or more market participants (for example, if a large reinsurer incurs high losses as a result of a major insured event), the solvency of other companies that have contracted with such market participants and acquired receivables against them could also be detrimentally affected.

*The cyclical nature of the reinsurance market and certain segments of the primary insurance market can lead to major fluctuations in Sava Insurance Group's premiums generated.*

In Sava Insurance Group's non-life reinsurance business, uncertain and unforeseeable events have in the past caused Sava Re to experience substantial fluctuations in operating income. The cycles in the reinsurance business are periods characterized by intense price competition and less restrictive underwriting standards followed by periods of higher premium rates and more selective underwriting standards. As a result, Sava Re's business volume can fluctuate. The cyclical nature, the concentration of its business on a selected region (Adria region) of the property/casualty insurance businesses as well as the reinsurance business could lead to fluctuations in premiums and revenues in the future, which in turn could lead to an increase in Sava Re's costs of capital.

*Sava Re's reinsurance business relies on receiving accurate and sufficient risk information from the primary insurers and reinsurers which are ceding risks to Sava Re; incorrect risk information could lead to the writing of unprofitable or loss-making reinsurance business and potentially to material losses for Sava Re.*

In the reinsurance business, Sava Re assumes risks that have been underwritten by other primary insurance and reinsurance companies. To determine whether to write such reinsurance or retrocession contracts, and to establish the corresponding technical insurance reserves, Sava Re must receive accurate and sufficient risk information from the respective cedant or retrocedant. If Sava Re incorrectly assesses the scope of the risks covered by reinsurance and retrocession contracts as a result of incorrect or inadequate risk information, Sava Re might fail to establish adequate reserves. Even if Sava Re has a claim for recourse against a cedant or retrocedant as a result of incorrect or inadequate risk information, Sava Re might not necessarily be able to recover the full amount of such claim. Inaccurate or inadequate information could result in the underwriting of unprofitable or loss-making reinsurance or retrocession contracts for Sava Re.

*Sava Insurance Group is subject to operational risks.*

Sava Insurance Group is subject to a large number of operational risks, including risks from internal operational failings (human or systems error), risks from third parties and risks from external events.

Internal operational risks can include the risk of employee misconduct, including violations of Sava Insurance Group's own guidelines, applicable laws or regulations as well as risks relating to on-the-job safety and security (including fraudulent behavior and embezzlement). Furthermore, operational risks resulting from a failure of Sava Insurance Group's internal processes or systems include the incorrect or incomplete storage of files, data and important information; inadequate documentation of contracts; incorrect structure of products (especially insurance contracts); mistakes in the settlement of claims; errors in monitoring the credit status of debtors; mistakes in planning resulting from false information or false accounts; and failures of risk management processes. These risks could result in financial losses (including lost sales, lost receivables or fines) or reputational damage for Sava Insurance Group.

Third parties can create operational risks for Sava Insurance Group through poor performance of contracted services or criminal or other intentional misconduct, including theft, misappropriation, fraud, money laundering, sabotage, corporate espionage, arson or similar crimes.

Operational risks resulting from external events include, for example, the risk that Sava Insurance Group's operations are interrupted due to infrastructure failures, or as a result of natural disasters, fires or epidemics. Changes in the legal environment can also lead to operational risks and are of specific importance for Sava Insurance Group.

*Sava Insurance Group's operations expose it to political, economic and other risks in the countries where it operates.*

Sava Insurance Group operates in many countries in the Adria region, and its foreign operations have become increasingly important in recent years as a result of a number of acquisitions. Sava Insurance Group is subject to the economic, legal and political environments in these countries and partly has to rely on the cooperation and reliability of government agencies (for example insurance regulatory authorities) and local business partners (for example distribution partners). Furthermore, in some of these countries, there is significant political or economic instability, as well as an unpredictable or unfavorable regulatory or legal climate. Embargoes and international sanctions against certain countries also pose risks for Sava Insurance Group's international activities. In the event of violations of embargoes or international sanctions, Sava Insurance Group could face legal consequences or reputational damage.

*The United Kingdom's withdrawal from the European Union could harm Sava Insurance Group's business and financial results.*

Sava Insurance Group has material exposure to the United Kingdom's market on its reinsurance and insurance (freedom of service) business. If the British government fails to obtain the parliamentary approval of the negotiated withdrawal agreement between the European Union and the British government, the United Kingdom would leave the European Union with no agreement (a so-called "hard Brexit"). In such case, the consequences for the economies of the European Union member states and of the United Kingdom exiting the European Union as well as for companies doing business in the United Kingdom (such as Sava Insurance Group) are unknown and unpredictable. Depending on the final terms of the (hard) Brexit, Sava Insurance Group could face new regulatory costs and challenges and greater volatility in the Pound Sterling. In addition, any adjustments that Sava Insurance Group makes to its business and operations due to the (hard) Brexit could result in significant time and expense to complete for Sava Insurance Group.

#### **IV. Legal and Regulatory Risks**

*Sava Insurance Group's business depends on a large number of approvals, licenses and permits which could be cancelled, refused to be granted or failed to be obtained.*

The insurance and reinsurance businesses in most jurisdictions in which Sava Insurance Group operates require approvals, licenses and permits granted by courts, governmental authorities or other agencies. For example, primary insurance companies and reinsurance companies in Slovenia (such as Sava Re) require a license from the Slovenian Insurance Supervision Agency (*Agencija za zavarovalni nadzor*) ("**IS Agency**") if they do not already have a corresponding license from a member state of the EU or another country of the EEA. If approvals, licenses or permits are cancelled or declined

or if Sava Insurance Group fails to obtain or maintain these approvals, licenses or permits, Sava Insurance Group could be forced to discontinue its business operations in the relevant jurisdiction.

*Sava Insurance Group is required by law to comply with capital requirements and a large number of other regulatory requirements.*

As reinsurance company, Sava Re is subject to extensive regulation and supervision. Regulatory authorities in the countries in which Sava Insurance Group operates have wide-ranging authority and the ability to enforce such authority. National and international efforts to prevent another financial crisis have led to extensive regulatory changes, which affect Sava Insurance Group's business.

The current regulatory framework applicable to insurance and re-insurance companies (commonly referred to as "**Solvency II**"; based on Directive 2009/138/EC (as amended)) includes regulatory requirements as to own funds, the calculation of technical provisions, valuation of assets and liabilities, governance structure, regulatory reporting and disclosure as well as governance of insurance companies. The Solvency II regime led to higher volatility in solvency ratios compared to Solvency I due to the market value balance sheet approach. In particular, Sava Re's and Sava Insurance Group's solvency ratios may be negatively impacted by adverse capital market conditions. Moreover, the complexity of the calculations required to determine Sava Re's and Sava Insurance Group's solvency ratios implies that, for any given period in time, their solvency ratios can only be determined with some delay and that it is not possible for Sava Re and Sava Insurance Group to predict future development of their solvency ratios with certainty.

There is a risk that Solvency II instruments issued by Sava Re will not or will cease to be (fully or partly) eligible as own funds and that Sava Re's total own funds will not be sufficient to comply with the increased capital requirements under Solvency II. In such cases, Sava Re might have to replace existing instruments and/or issue additional instruments or otherwise raise capital eligible as own funds. There is a risk that refinancing its existing debt or raising additional capital would be expensive, difficult or impossible to obtain on adequate terms, which could have a material adverse effect on Sava Re and/or Sava Insurance Group.

In the event of a failure by the Sava Re or Sava Insurance Group to meet regulatory capital requirements, regulators have broad authority to take various regulatory actions on Sava Re and/or Sava Insurance Group including limiting or prohibiting the writing of new business, prohibiting payment of dividends or interest payments, and/or putting a company into insolvency proceedings or administration. A breach of regulatory capital requirements or a reduction of its solvency ratios may result in Sava Re injecting new capital into its subsidiaries which could in turn adversely affect Sava Re's liquidity and financial position. Regulatory restrictions can reduce Sava Re's ability to move capital within the Sava Insurance Group which in turn can adversely affect the liquidity and financial position of the Sava Re and the Sava Insurance Group. Under the Solvency II regime the powers of intervention of the supervisory authority with respect to reinsurance companies like Sava Re are extended and, in particular, allow for a restriction on all payments (in particular, payments under the Bonds) at an earlier stage of a potential crisis.

As a result of the implementation of the Solvency II directive in the revised Slovenian Insurance Act (*Zakon o zavarovalništvu (ZZavar-1)*; Official Gazette of the Republic of Slovenia No. 93/15, as amended from time to time; the "**Insurance Act**") in Slovenia, a three-pillar approach is now in use. The (quantitative) Pillar I contains detailed regulations about the necessary capital resources of insurance companies such as Sava Re. In order to calculate their specific capital requirement, Sava Re can either use a statutory standard model or else their own internal model. For the Sava Insurance Group and for key insurance companies of the Sava Insurance Group, Sava Re uses a standard formula prescribed by the Solvency II directive. Pillar II deals with the qualitative risk management system and primarily contains requirements for the business organization of the insurance company such as Sava Re. Pillar III regulates the reporting obligations of insurance companies such as Sava Re, and in particular reporting obligations to the supervisory authorities and the general public. In addition, the implementation of Solvency II has introduced changes in the area of the supervision of insurance groups, which will also impact Sava Insurance Group.

*Sava Re and Sava Insurance Group are subject to stress tests and similar regulatory analyses which could negatively impact Sava Re's reputation and financing costs or trigger enforcement actions by relevant regulatory authorities.*

In order to assess the level of capital in the insurance sector, the national and supra-national regulatory authorities (such as the European Insurance and Occupational Pensions Authority (EIOPA)) periodically require solvency calculations and conduct stress tests where they examine the effects of various adverse scenarios on insurers such as Sava Re (for example a strong downturn in the interest rates). Announcements by regulatory authorities about carrying out such tests can destabilize the insurance sector and could lead to a loss of trust with regard to Sava Insurance Group. In the event that Sava Insurance Group results in such a calculation or test are worse than those of its competitors and these results become known, this could also have adverse effects on Sava Re's financing costs, customer demand for Sava Insurance Group's insurance and reinsurance products and reputation. Furthermore, regulatory authorities could use a poor result by Sava Insurance Group in such calculations or tests as a basis on which to take regulatory measures, which could have adverse effects for Sava Insurance Group.

*Members of Sava Insurance Group are parties to legal, regulatory and other proceedings.*

Members of Sava Insurance Group are involved in legal disputes and arbitration and administrative proceedings in a number of foreign jurisdictions. These proceedings involve claims by and against them in connection with their activities as providers of insurance and financial services, employers, investors and taxpayers.

In addition, members of Sava Insurance Group are involved in numerous disputes and proceedings which arise in the ordinary course of the Sava Insurance Group's insurance business.

It is impossible to predict the outcome of these and other pending or threatened disputes or proceedings. Sava Insurance Group's business, financial condition and results of operations may be materially adversely effected as a result of outcomes less favorable for Sava Insurance Group than expected, significant new disputes or proceedings, or substantial delays in existing disputes or proceedings.

*Members of Sava Insurance Group could be subject to claims by customers for allegedly incorrect advice or other irregularities in the distribution of insurance contracts and financial investment products.*

Insurance agents, brokers and financial advisers at banks sell a substantial volume of Sava Insurance Group's insurance and other financial products as intermediaries for members of Sava Insurance Group. Under certain circumstances, members of Sava Insurance Group may be liable for misconduct on the part of intermediaries in connection with the signing of an insurance contract or the customer service and advice prior to and after signing a contract. Such misconduct, or alleged misconduct, could damage Sava Insurance Group's reputation and lead to adverse legal or regulatory consequences such as contract termination claims or damages or fines.

Subsidiaries of Sava Re were occasionally confronted with the issue that with regard to certain products insufficient information had been given to policyholders at the inception of the contract regarding certain cost positions that were set out in the business plan and charged to the policyholder. Following the discovery of such issues, the charging of unjustified cost positions has been reversed in all affected policies in force. Customers may assert further claims against Sava Re on account of such mistakes or similar issues.

*The business and reputation of Sava Insurance Group could be adversely affected by actual or alleged violations of laws, standards of conduct or accounting rules or by other irregularities at members of Sava Insurance Group.*

In light of the large number of regulations, provisions and standards of conduct with which Sava Insurance Group must comply in various countries, there is an inherent risk of liability due to actual or alleged violations of such norms, which may also lead to regulatory bodies investigating Sava Insurance Group's business with potential financial and/or reputational risks being associated therewith. Sava Insurance Group's current compliance programmes may fail to prevent such violations.

Sava Insurance Group may also suffer reputational risks from actual or alleged violations of its various legal duties. As provider of retail insurance Sava Insurance Group could be subject to increased public attention and thus, subject of media reporting. If such reports present Sava Insurance Group in a negative light, this could lead to losses of customers and market share. There is a risk that Sava Insurance Group could suffer by being associated with a generally negative image of the insurance industry.

## Risks relating to the Bonds

### V. Risks associated with the characteristics of the Bonds

#### *Risk related to subordination*

The obligations under the Bonds constitute unsecured obligations of the Issuer ranking *pari passu* among themselves and *pari passu* with any present or future security, registered security or other instrument, which is (i) issued or assumed by the Issuer where the Issuer's obligations under which, pursuant to its terms or mandatory provisions of law, rank, or are expressed to rank, *pari passu* with the Issuer's obligations under the Bonds or (ii) guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under the relevant guarantee or other assumption of liability, pursuant to its terms or mandatory provisions of law, rank or are expressed to rank *pari passu* with the Issuer's obligations under the Bonds.

The terms of the Bonds provide that the obligations of the Issuer under the Bonds rank subordinated to all of the Issuer's (i) unsubordinated obligations of the Issuer (including any obligations of the Issuer to policy holders and beneficiaries under any insurance contract), (ii) subordinated obligations of the Issuer pursuant to Art. 21(3) of the Insolvency Act (for the avoidance of doubt, excluding those qualifying as Parity Obligations or Junior Obligations and the Issuer's obligations under the Bonds), (iii) subordinated obligations of the Issuer pursuant to Art. 227(4) in connection with Art. 498 (equity replacing shareholder loans (*posojila družbi namesto lastnega kapitala*)) of the Slovenian Companies Act (*Zakon o gospodarskih družbah (ZGD-1)*; Official Gazette of the Republic of Slovenia No. 65/09, as amended from time to time), (iv) subordinated obligations ranking at least *pari passu* with any of the Issuer's subordinated obligations described under (ii) and (iii) above and (v) subordinated obligations of the Issuer required to rank senior to the Issuer's obligations under the Bonds by mandatory provisions of law. In the event of liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of the Issuer, holders of the Bonds (the "**Bondholders**" and each a "**Bondholder**") will not receive any amounts payable in respect of the Bonds until the above described senior ranking obligations of the Issuer have first been satisfied in full.

The Bondholders must accept that, in the circumstances described above, (i) the Issuer will make payments in respect of the Bonds only in accordance with the subordination described above, and (ii) the rights of the Bondholders under the Bonds will be subject to the provisions of the insolvency laws applicable to the Issuer from time to time. In a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against, the Issuer, it is very likely that the Bondholders may recover proportionately less than the holders of unsubordinated obligations of the Issuer or may recover nothing at all.

#### *Risk related to the nature of the Bonds as long-term securities*

The Bonds are scheduled to be redeemed at par on 7 November 2039 (the "**Scheduled Maturity Date**"), provided that on such date the Conditions to Redemption and Repurchase are fulfilled. Before that date, the Issuer has, under certain conditions, the right to redeem or repurchase the Bonds, but is under no obligation to do so. If on the Scheduled Maturity Date the Conditions to Redemption and Repurchase are not met, redemption may be delayed beyond the Scheduled Maturity Date for an indefinite period of time. Therefore, Bondholders may receive the amounts due upon redemption at a much later point in time than initially expected.

The Issuer may redeem the Bonds at its option, subject to the Conditions to Redemption and Repurchase being fulfilled, at par plus accrued interest with effect as of the First Call Date and as of any Floating Interest Payment Date thereafter. The redemption at the option of the Issuer may affect the market price of the affected Bonds. During any period when the Issuer may, or may be perceived to be able to, elect to call and redeem the Bonds, the market price of the Bonds generally will not rise substantially above the price at which they can be redeemed. Certain market expectations may exist among investors in the Bonds with regard to the Issuer making use of its option to call the Bonds for redemption prior to their scheduled maturity. Should the Issuer's actions diverge from such expectations, the market price of the Bonds may be adversely affected.

In addition, the Issuer may prior to the First Call Date also redeem the Bonds at its option, subject to the Conditions to Redemption and Repurchase being fulfilled, at any time at par plus accrued interest (i) if, as a result of any future change in, or amendment or clarification to, the laws, regulations or other rules of the Issuer's country of domicile for tax purposes, (x) the Issuer will be obliged to pay Additional Amounts, or (y) interest payable by the Issuer in respect of the Bonds is no longer, or will no longer be, fully deductible by the Issuer for income tax purposes in the Issuer's country of domicile for tax purposes, and in each case this cannot be avoided by the Issuer by taking reasonable and appropriate measures, (ii) if the Issuer must not or must no longer record the obligations under the Bonds as liabilities on the balance sheet in the Issuer's annual consolidated financial statements (prepared in accordance with IFRS) and this cannot be avoided by the Issuer by taking reasonable and appropriate measures, (iii) if the Competent Supervisory Authority states in writing to the Issuer that under the Applicable Supervisory Regulations the Bonds would not be eligible (in whole or in part) to qualify for the inclusion of the Bonds in the calculation of the own funds as Tier 2 Capital for purposes of the determination of the solvency of the Issuer and/or the group solvency of the Sava Insurance Group, and/or that the Bonds no longer fulfil such requirements (in whole or in part), except where this is merely the result of exceeding any applicable limits on the inclusion of the Bonds in the determination of the own funds as Tier 2 Capital of the Issuer and/or of the Sava Insurance Group pursuant to the Applicable Supervisory Regulations, or (iv) if as a consequence of a change in, or clarification to, the rating methodology (or the interpretation thereof) of Standard & Poor's Global Ratings Europe Limited, AM Best Europe-Rating Services Ltd. or any respective successor, which change or clarification becomes effective on or after the date of issue of the Bonds, which change in, or clarification to, the rating methodology (or the interpretation thereof) results in a lower equity credit being assigned to the Bonds as of the date of such changes than the equity credit that was or would have been assigned to the Bonds prior to such changes by such rating agency.

If the Bonds are redeemed prior to the First Call Date, a Bondholder is exposed to the risk that due to the early redemption his investment will have a lower than expected yield and to the risks connected with any reinvestment of the cash proceeds received as a result of the early redemption. Such cash proceeds may be lower than the then prevailing market price of the Bonds.

Under the Terms and Conditions, the Bondholders have no right to require the redemption of the Bonds prior to the Scheduled Maturity Date, and on or following the Scheduled Maturity Date only if the Conditions to Redemption and Repurchase are fulfilled.

There is also no guarantee that an active public market in the Bonds will develop.

The Bondholders should be aware that the Terms and Conditions do not contain any events of default provision that would allow Bondholders to accelerate the Bonds in case of the occurrence of an event of default.

## **VI. Risks resulting from the Bonds being regulatory capital of the Issuer**

*Risks resulting from the Bonds being structured to meet the criteria to qualify as regulatory capital (basic own funds) and as capital for rating agency purposes*

The Bonds will be issued to increase the Issuer's and Sava Insurance Group's regulatory capital under Solvency II and are intended to receive a certain capital treatment for rating agency purposes. The Terms and Conditions are structured accordingly, implying various risks for investors. In particular, there is the risk that the Issuer may be obliged to defer redemption of the Bonds beyond the Scheduled Maturity Date, or to defer payment of interest beyond any Interest Payment Date, whenever the Issuer or Sava Insurance Group does not meet certain regulatory capital requirements. Moreover, due to the deep subordination of the Bonds there is a higher risk for investors to lose all or part of their investments. Should the Bonds fail to or cease to qualify as regulatory capital, there is a risk that the Bonds may be redeemed prior to the First Call Date.

*Risk related to deferral of interest payments and restrictions on payment of Arrears of Interest*

In case a Compulsory Deferral Event has occurred and is continuing on the relevant Interest Payment Date, interest which accrued during the period ending on but excluding such Interest Payment Date will not be due and payable (*fällig*) on that Interest Payment Date. Any such failure to pay will not constitute a default of the Issuer or any other breach of its

obligations under the Bonds or for any other purpose. Interest deferred will constitute Arrears of Interest, with no certainty for Bondholders as to when these Arrears of Interest will be paid. The Issuer will only be entitled to pay Arrears of Interest at any time if the Conditions to Settlement, as further described in the Terms and Conditions, are fulfilled with respect to such payment. These restrictions also apply in the case of a mandatory settlement of Arrears of Interest, as further described in the Terms and Conditions. In particular, the resulting Arrears of Interest will not bear interest. The same applies in case no Compulsory Deferral Event has occurred, and the Issuer elects in its discretion to defer the payment of accrued interest by giving not less than 10 and not more than 15 Business Days' prior notice to the Bondholders provided that, during the six months before the relevant Interest Payment Date, no Compulsory Interest Payment Event has occurred. Bondholders will not receive any additional interest or compensation for the deferral of interest payments.

*Risk that Bondholders may have to return amounts received otherwise than pursuant to the Terms and Conditions*

If the Bonds are redeemed or repurchased otherwise than pursuant to § 5 and in accordance with § 3 of the Terms and Conditions, Bondholders may have to return any amounts so received.

## **VII. Risks resulting from the Bonds being fixed to floating rate Bonds**

*Risk related to fixed interest rate Bonds*

The Bonds bear interest at a fixed rate from and including the Issue Date to but excluding the First Call Date.

During that time, Bondholders are exposed to the risk that the market price of such Bonds may fall because of changes in the market yield. While the nominal interest rate (i.e. the coupon) of the Bonds is fixed until, but excluding, the First Call Date, the market yield typically changes on a daily basis. As the market yield changes, the market price of the Bonds changes in the opposite direction. If the market yield increases, the market price of the Bonds typically falls. If the market yield falls, the market price of the Bonds typically increases. Bondholders should be aware that movements of the market yield can adversely affect the market price of the Bonds and can lead to losses for the Bondholders.

Bondholders should also be aware that the market yield has two components, namely the risk-free rate and the credit spread. The credit spread is reflective of the yield that investors require in addition to the yield on a risk-free investment of equal tenor as a compensation for the risks inherent in the Bonds. The credit spread changes over time and can decrease as well as increase for a large number of different reasons. The market yield of the Bonds can change due to changes of the credit spread, the risk-free rate, or both.

*Risk related to floating interest rate Bonds*

If the Bonds are not called on the First Call Date, the Bonds will bear interest at a floating rate from the First Call Date (including) until the Final Maturity Date (excluding).

The floating rate applicable to the Bonds from (and including) the First Call Date is based on two components, namely the EURIBOR and the Margin. The floating rate interest is payable quarterly and will be adapted immediately prior to any Floating Interest Period to the then prevailing 3-months EURIBOR rate plus the Margin. The Margin is fixed at issuance of the transaction.

Bondholders should be aware that the floating rate interest income is subject to changes to the 3-months EURIBOR and therefore cannot be anticipated. Hence, Bondholders are not able to determine a definite yield of the Bonds at the time they purchase them, so that their return on investment cannot be compared with that of investments in fixed rate instruments (i.e. instruments with a coupon that is fixed until maturity).

Since the Margin is fixed at issuance of the transaction, Bondholders are subject to the risk that the Margin does not reflect the market spread that investors require in addition to the 3-month EURIBOR as a compensation for the risks inherent in the Bonds. The market spread typically changes continuously. As the market spread changes, the market price of the Bonds changes in the opposite direction. A decrease of the market spread has a positive impact on the market price of the Bonds, an increase of the market spread has a negative impact on the market price of the Bonds. However, after the First Call Date the market price of the Bonds is subject to changes in the market spread, changes in the 3-months EURIBOR

or both. Bondholders should be aware that movements of the market spread can adversely affect the price of the Bonds and can lead to losses for the Bondholders.

#### *Interest rate benchmark risks*

Reference rates and indices, including interest rate benchmarks, such as the EURIBOR, which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. International proposals for reform of Benchmarks include in particular the Benchmark Regulation which is fully applicable since 1 January 2018.

These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on financial instruments referencing or linked to such Benchmark such as the Bonds following the First Call Date.

Following the First Call Date, amounts payable under the Bonds are calculated by reference to the EURIBOR, which is provided by the EMMI. The rate of interest for each Floating Interest Period will be determined on the corresponding Interest Determination Date by reference to Reuters Page EURIBOR01 (or such other screen page of Reuters or such other information service, which is the successor to Reuters Page EURIBOR01 for purposes of displaying such rates) (the "**Screen Page**"). In circumstances where EURIBOR is discontinued, neither the Screen Page, nor any successor or replacement may be available.

Under the Terms and Conditions, certain benchmark replacement provisions will apply in case a Benchmark used as a reference for the calculation of interest amounts payable under the Bonds were to be discontinued or otherwise unavailable:

If a Benchmark used to calculate interest amounts payable under the Bonds for any interest period has ceased to be calculated or administered, the Issuer shall endeavour to appoint an independent adviser, which must be an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets. Such independent adviser will be tasked with determining whether an officially recognised successor rate to the discontinued Benchmark exists. If that is not the case, the independent adviser will attempt to find an alternative rate which, possibly after application of adjustments or spreads, can replace the discontinued Benchmark. If the independent adviser determines a successor rate or alternative rate (the "**New Benchmark Rate**"), such rate will replace the previous Benchmark for purposes of determining the relevant rate of interest. Such determination will be binding for the Issuer, the Calculation Agent, the Paying Agents and the Bondholders. Any amendments pursuant to these fall-back provisions will apply with effect from the respective effective date specified in the Terms and Conditions.

If the Issuer fails to appoint an independent adviser or if the adviser fails to determine a New Benchmark Rate following a discontinuation of a relevant Benchmark, the reference rate applicable to the immediately following reset period shall be the original benchmark rate determined on the last preceding interest determination date, provided, however, that, in case of the first reset period, the reference rate shall be the original benchmark rate on the screen page on the last day preceding the interest determination date on which such original benchmark rate was displayed.

The replacement of a Benchmark could have adverse effects on the economic return of the Bondholder compared to the applicable original benchmark rate.

### **VIII. Risks associated with the solvency of the Issuer**

*Risk that an investor in the Bonds will lose all or some of its investment should the Issuer become insolvent.*

Investors are subject to the risk of the Issuer's partial or total failure to make interest and/or redemption payments that the Issuer is obliged to make under the Bonds. This may lead to the partial or total loss of the investor's investment in the Bonds. This risk is aggravated by the fact that the Bonds are unsecured and subordinated (see above, "*I. Risks associated with the characteristics of the Bonds - Risk related to subordination*").

*Risk that the market price of the Bonds could decrease if the creditworthiness of Sava Insurance Group worsens*

If the likelihood decreases that the Issuer will be in a position to fully perform all obligations under the Bonds when they fall due, for example, because of the materialization of any of the risks regarding the Sava Insurance Group or the Issuer, the market price of the Bonds will fall. In addition, even if the likelihood that the Issuer will be in position to fully perform all obligations under the Bonds when they fall due actually has not decreased, market participants could nevertheless have a different perception. Furthermore, the market participants' assessment of the creditworthiness of corporate debtors in general or debtors operating in the same business as the Sava Insurance Group could adversely change. If any of these risks materializes, third parties would only be willing to purchase Bonds for a lower price than before the materialization of mentioned risk. Under these circumstances, the market price of the Bonds will decrease.

## **IX. Other risks related to the Bonds**

### *Risks in connection with the application of the German Act on Issues of Debt Securities*

The Terms and Conditions may be amended by the Issuer with consent of the Bondholders by way of a majority resolution in a Bondholders Meeting or by a vote not requiring a physical meeting (*Abstimmung ohne Versammlung*) as described in Sections 5 et seq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen, "SchVG"*), whereby the Issuer may subsequently amend the Terms and Conditions with the consent of the majority of Bondholders as described in § 12 of the Terms and Conditions, which amendment will be binding on all Bondholders of the relevant series of Bonds, even on those who voted against the change.

Therefore, a Bondholder is subject to the risk of being outvoted by a majority resolution of the Bondholders. As such majority resolution is binding on all Bondholders, certain rights of such Bondholder against the Issuer under the Terms and Conditions may be amended or reduced or even cancelled, which may have significant negative effects on the market price of the Bonds and the return from the Bonds.

The Bondholders may by majority resolution provide for the appointment or dismissal of a joint representative. If a joint representative is appointed a Bondholder may be deprived of its individual right to pursue and enforce a part or all of its rights under the Terms and Conditions against the Issuer, such right passing to the Bondholders' joint representative who is then exclusively responsible to claim and enforce the rights of all the Bondholders.

## TERMS AND CONDITIONS OF THE BONDS

*These Terms and Conditions are written in the English language which will be the only legally binding version.*

### § 1

#### Definitions

An "**Accounting Event**" will occur if a confirmation of a recognised auditing firm has been delivered to the Issuer (and the Issuer has provided the Principal Paying Agent with a copy thereof) stating that, as a result of any change in or amendment to any of the Applicable Accounting Standards, which change or amendment becomes effective on or after the date of issue of the Bonds, the Issuer must not or must no longer (including in case any such change or amendment to the Applicable Accounting Standards or their interpretation has retroactive effect) record the obligations under the Bonds as liabilities on the balance sheet in the Issuer's annual consolidated financial statements prepared in accordance with the Applicable Accounting Standards and this cannot be avoided by the Issuer taking such measures it (acting in good faith) deems appropriate.

"**Additional Amounts**" has the meaning set out in § 7(1).

"**Adjustment Spread**" has the meaning set out in § 4(2)(e) (vii).

"**Alternative Benchmark Rate**" has the meaning set out in § 4(2)(e) (vii).

"**Applicable Accounting Standards**" means the International Financial Reporting Standards (IFRS) as adopted by the European Union or any other accounting principles generally accepted which subsequently supersede them as applied by the Issuer at the relevant dates and for the relevant periods for purposes of drawing up its consolidated financial statements.

"**Applicable Insolvency Regulations**" means the provisions of the relevant insolvency laws, including, but not limited to, the Insurance Act (as defined below) and the Insolvency Act (as defined below), and any rules and regulations thereunder (including court case law and any applicable court decisions) applicable to the Issuer from time to time.

"**Applicable Supervisory Regulations**" means the provisions of insurance supervisory laws (including the Insurance Act (as defined below), as amended from time to time), Solvency II or any other future directive(s), as well as any directly applicable provisions of European Union law) and any regulations and rules thereunder (including the guidelines and recommendations of the European Insurance and Occupational Pensions Authority, the administrative practice of the Competent Supervisory Authority and any applicable decision of a court including any future grandfathering provisions) for solvency purposes of the Issuer and for group solvency of the Group as applicable from time to time.

"**Arrears of Interest**" has the meaning set out in § 4(4)(d).

"**Benchmark Event**" has the meaning set out in § 4(2)(e).

"**Bondholder**" has the meaning set out in § 2(3).

"**Bonds**" has the meaning set out in § 2(1).

"**Business Day**" means each day other than a Saturday or a Sunday (i) on which the Clearing System and commercial banks and foreign exchange markets in Frankfurt am Main are open to settle payments in euro and (ii) which is a TARGET Business Day.

"**Calculation Agent**" has the meaning set out in § 9(1).

"**Clearing System**" means together Clearstream Banking, S.A., Luxembourg, 42 Avenue JF Kennedy, L-1855 Luxembourg, and Euroclear Bank SA/NV, 1, Boulevard du Roi Albert II, B-1210 Brussels.

"**Competent Supervisory Authority**" means the Insurance Supervision Agency (*Agencija za zavarovalni nadzor*) or any authority which becomes its successor in such capacity as insurance regulator competent for the Issuer or the Group.

A "**Compulsory Deferral Event**" will have occurred with respect to the date on which any payment of interest and/or Arrears of Interest on the Bonds is scheduled to be paid under these Terms and Conditions if

- (i) either an Insolvency Event has occurred on or prior to such date and is continuing on such date or such payment would result in, or accelerate, the occurrence of an Insolvency Event; or
- (ii) there is in effect on such date an order of the Competent Supervisory Authority prohibiting the Issuer from making payments under the Bonds, or there is in effect on such date any other payment prohibition, whether by statute or by order of any authority; or
- (iii) either a Solvency Capital Event has occurred on or prior to such date and is continuing on such date or such payment would result in the occurrence of a Solvency Capital Event, unless
  - (A) on or prior to such date the Competent Supervisory Authority has exceptionally given, and not withdrawn by such date, its prior consent to the payment of the relevant interest and/or Arrears of Interest despite the Solvency Capital Event; and
  - (B) the payment of such interest and/or Arrears of Interest on the Bonds does not lead to a further weakening of the solvency position of the Issuer or the Group; and
  - (C) the applicable minimum capital requirement (MCR) of the Issuer and the minimum consolidated solvency capital requirement for the Group pursuant to the Applicable Supervisory Regulations are fulfilled also after the payment of such interest and/or Arrears of Interest on the Bonds.

"**Compulsory Interest Payment Date**" means any Interest Payment Date in respect of which a Compulsory Interest Payment Event occurred during the six months before the relevant Interest Payment Date, and in respect of which no Compulsory Deferral Event has occurred and is continuing.

"**Compulsory Interest Payment Event**" means any of the following events:

- (i) the Issuer or any of its subsidiaries pays a dividend, makes any other distribution or makes any other payment in respect of any Junior Obligation or any Parity Obligation; or
- (ii) the Issuer or any of its subsidiaries has redeemed, repurchased or otherwise acquired any Junior Obligation or Parity Obligation prior to the respective maturity date as stipulated under the terms and conditions of such Junior Obligation or Parity Obligation at the time of its respective issuance or assumption (as applicable), in each case, however, other than (x) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers or directors, (y) as a result of the exchange or conversion of one class of Junior Obligations for another class of Junior Obligations or the exchange or conversion of one class of Parity Obligations for another class of Parity Obligations or Junior Obligations, or (z) in the case the Issuer or the relevant subsidiary receives any Junior Obligation or Parity Obligation as consideration for a sale of assets to third parties; or
- (iii) the next Interest Payment Date in relation to which the Issuer elects to pay interest on the Bonds scheduled to be paid on such Interest Payment Date;

provided that

- (x) in the cases (i) and (ii) above, no Compulsory Interest Payment Event will occur if the Issuer or the relevant subsidiary is obliged under the terms and conditions of such Junior Obligation or Parity Obligation or by mandatory operation of law to make such payment, such redemption, such repurchase or such other acquisition or if the relevant payment, redemption, repurchase or other acquisition constitutes an intra-group payment (i.e. a payment by a subsidiary of the Issuer made exclusively to the Issuer and/or one or more of its other subsidiaries); and
- (y) in the case (ii) above, no Compulsory Interest Payment Event will occur if the Issuer or the relevant subsidiary repurchases or otherwise acquires any Parity Obligations in whole or in part in a public tender offer or public exchange offer at a consideration per Parity Obligation (as applicable) below its par value.

"**Conditions to Redemption and Repurchase**" has the meaning set out in § 5(6).

The "**Conditions to Settlement**" are fulfilled on a day with respect to any payment of Arrears of Interest if on such day no Compulsory Deferral Event has occurred and is continuing.

"**Custodian**" means any bank or other financial institution with which the Bondholder maintains a securities account in respect of any Bonds and having an account maintained with the Clearing System, including the Clearing System.

"**Effective Date**" has the meaning set out in § 4(2)(e).

"**Euro-Zone**" has the meaning set out in § 4(2)(c).

"**Final Maturity Date**" has the meaning set out in § 5(1).

"**First Call Date**" means 7 November 2029.

"**Fixed Interest Payment Date**" means 7 November of each year commencing on 7 November 2020 (long first coupon).

"**Fixed Interest Period**" has the meaning set out in § 4(1)(b).

"**Floating Interest Amount**" has the meaning set out in § 4(2)(d).

"**Floating Interest Payment Date**" means 7 February, 7 May, 7 August and 7 November in each year, commencing on 7 February 2030. If any Floating Interest Payment Date would otherwise fall on a day which is not a Business Day, it will be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event the Floating Interest Payment Date will be the immediately preceding Business Day.

"**Floating Interest Period**" means each period from and including the First Call Date to but excluding the first Floating Interest Payment Date and thereafter from and including each Floating Interest Payment Date to but excluding the next following Floating Interest Payment Date.

"**Floating Interest Rate**" has the meaning set out in § 4(2)(b).

"**Global Bond**" has the meaning set out in § 2(2).

A "**Gross-Up Event**" will occur if an opinion of a recognised law firm has been delivered to the Issuer (and the Issuer has provided the Principal Paying Agent with a copy thereof) stating that, as a result of any change in, or amendment or clarification to, the laws, regulations or other rules of the Issuer's country of domicile for tax purposes, any of its political subdivisions or any authority or any other agency of or in such country having power to tax (including in case any such change, amendment or clarification has retroactive effect), or as a result of any change in, or amendment or clarification to, the interpretation or application, or as a result of any interpretation or application made for the first time, of any such laws, regulations or other rules by any legislative body, court or authority (including the enactment of any legislation and the publication of any decision of any court or authority), which change or amendment becomes effective on or after the date of issue of the Bonds, the Issuer has or will become obliged to pay Additional Amounts pursuant to § 7(1) on the Bonds, and that obligation cannot be avoided by the Issuer taking such measures it (acting in good faith) deems reasonable and appropriate.

"**Group**" or "**Sava Insurance Group**" means the Issuer and its subsidiaries pursuant to the Applicable Supervisory Regulations regarding the supervision of the group solvency.

"**Independent Adviser**" has the meaning set out in § 4(2)(e).

"**Insolvency Act**" means the Slovenian Financial Operations, Insolvency Proceedings and Compulsory Winding-up Act (*Zakon o finančnem poslovanju, postopkih zaradi insolventnosti in prisilnem prenehanju (ZFPPIPP)*, Official Gazette of the Republic of Slovenia No. 13/14, as amended from time to time).

An "**Insolvency Event**" will have occurred if a reason for the opening of insolvency proceedings in respect of the Issuer pursuant to any Applicable Insolvency Regulations exists.

"**Insurance Act**" means the Slovenian Insurance Act (*Zakon o zavarovalništvu (ZZavar-1)*); Official Gazette of the Republic of Slovenia No. 93/15, as amended from time to time).

"**Interest Commencement Date**" means 28 October 2019.

"**Interest Determination Date**" has the meaning set out in § 4(2)(c).

"**Interest Payment Date**" means each Fixed Interest Payment Date and each Floating Interest Payment Date.

"**Interest Period**" means each Fixed Interest Period and each Floating Interest Period.

"**Issuer**" or "**Sava Re**" means Sava Re, d.d., a joint stock corporation (*delniška družba*) incorporated and existing under the laws of Slovenia, with its registered seat in Ljubljana, business address at Dunajska cesta 56, 1000 Ljubljana, Slovenia, and registered with the Slovenian Court and Commercial Register under No. 5063825000.

"**Junior Obligation**" means

- (i) any present or future ordinary share or share of any other class of shares of the Issuer;
- (ii) any other present or future security, registered security or other instrument of the Issuer where the Issuer's obligations under such other security, registered security or instrument, pursuant to its terms or mandatory provisions of law, rank or are expressed to rank junior to the Issuer's obligations under the Bonds; and
- (iii) any present or future security, registered security or other instrument which is issued by a subsidiary of the Issuer and guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under such guarantee or other assumptions of liability, pursuant to its terms or mandatory provisions of law, rank or are expressed to rank junior to the Issuer's obligations under the Bonds.

"**Mandatory Settlement Date**" means the earlier of:

- (i) in respect of any Arrears of Interest that existed prior to the occurrence of a Compulsory Interest Payment Event, the next Interest Payment Date following the date on which a Compulsory Interest Payment Event occurred and in respect of which the Conditions to Settlement are fulfilled;
- (ii) the date on which the Bonds fall due for redemption in accordance with § 5; and
- (iii) the date on which an order is made for the winding up, liquidation or dissolution of the Issuer (other than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer).

"**Margin**" means 4.683 per cent.

"**New Benchmark Rate**" has the meaning set out in § 4(2)(e).

"**New Issuer**" has the meaning set out in § 13(1).

"**Optional Interest Payment Date**" means each Interest Payment Date in respect of which no Compulsory Interest Payment Event occurred during the six months before the relevant Interest Payment Date, and in respect of which no Compulsory Deferral Event has occurred and is continuing.

"**Optional Settlement Date**" has the meaning set out in § 4(5)(a).

"**Original Benchmark Rate**" has the meaning set out in § 4(2)(b).

"**Parity Obligation**" means any other present or future security, registered security and other instrument

- (i) which is issued or assumed by the Issuer where the Issuer's obligations under such other security, registered security and instrument, pursuant to its terms or mandatory provisions of law, rank, or are expressed to rank, *pari passu* with the Issuer's obligations under the Bonds; or

- (ii) which is guaranteed by the Issuer or for which the Issuer has otherwise assumed liability where the Issuer's obligations under the relevant guarantee or other assumption of liability, pursuant to its terms or mandatory provisions of law, rank or are expressed to rank *pari passu* with the Issuer's obligations under the Bonds.

"**Paying Agents**" has the meaning set out in § 9(1).

"**Permanent Global Bond**" has the meaning set out in § 2(2).

"**Presentation Period**" has the meaning set out in § 8.

"**Principal Amount**" has the meaning set out in § 2(1).

"**Principal Paying Agent**" has the meaning set out in § 9(1).

"**Qualified Majority**" has the meaning set out in § 12(2).

A "**Rating Event**" will occur if, as a consequence of a change in, or clarification to, the rating methodology (or the interpretation thereof) of Standard & Poor's Global Ratings Europe Limited, AM Best Europe-Rating Services Ltd. or any respective successor, which change or clarification becomes effective on or after the date of issue of the Bonds, which change in, or clarification to, the rating methodology (or the interpretation thereof) results in a lower equity credit being assigned to the Bonds as of the date of such changes than the equity credit that was or would have been assigned to the Bonds prior to such changes by such rating agency pursuant to the rating methodology.

"**Redemption Amount**" means an amount per Bond equal to the Principal Amount plus any interest accrued on such Bond to but excluding the date of redemption but unpaid and, for the avoidance of doubt, any Arrears of Interest due on such Bond.

"**Reference Bank Rate**" has the meaning set out in § 4(2)(b).

"**Reference Banks**" has the meaning set out in § 4(2)(c).

"**Reference Rate**" has the meaning set out in § 4(2)(b).

A "**Regulatory Event**" will occur if the Competent Supervisory Authority states in writing to the Issuer that under the Applicable Supervisory Regulations the Bonds would not be eligible (in whole or in part) to qualify for the inclusion of the Bonds in the calculation of the own funds as Tier 2 Capital for purposes of the determination of the solvency of the Issuer and/or the group solvency of the Group, and/or that the Bonds no longer fulfil such requirements (in whole or in part), except where this is merely the result of exceeding any applicable limits on the inclusion of the Bonds in the determination of the own funds as Tier 2 Capital of the Issuer and/or of the Group pursuant to the Applicable Supervisory Regulations.

"**Relevant Nominating Body**" has the meaning set out in § 4(2)(e).

"**Scheduled Maturity Date**" has the meaning set out in § 5(1).

"**Screen Page**" has the meaning set out in § 4(2)(c).

"**Senior Ranking Obligations**" means all

- (a) unsubordinated obligations of the Issuer (including any obligations of the Issuer to policy holders and beneficiaries under any insurance contract);
- (b) subordinated obligations of the Issuer pursuant to Art. 21(3) of the Insolvency Act (for the avoidance of doubt, excluding those qualifying as Parity Obligations or Junior Obligations and the Issuer's obligations under the Bonds);
- (c) subordinated obligations of the Issuer pursuant to Art. 227(4) in connection with Art. 498 (equity replacing shareholder loans (*posojila družbi namesto lastnega kapitala*)) of the Slovenian Companies Act (*Zakon o gospodarskih družbah (ZGD-1)*); Official Gazette of the Republic of Slovenia No. 65/09, as amended from time to time);
- (d) subordinated obligations ranking at least *pari passu* with any of the Issuer's subordinated obligations under preceding clauses (b) and (c); and

- (e) subordinated obligations of the Issuer required to rank senior to the Issuer's obligations under the Bonds by mandatory provisions of law

"**Solvency II**" means Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 as amended from time to time, the further legislative acts of the European Union enacted in relation thereto including Commission Delegated Regulation (EU) 2015/35 of 10 October 2014, and the applicable legislation and measures implementing the same in Slovenia, in each case as amended from time to time.

A "**Solvency Capital Event**" will have occurred if any of the following events has occurred:

- (i) on an unconsolidated basis of the Issuer the own funds are not sufficient to cover the solvency capital requirement (SCR) or the minimum capital requirement (MCR) of the Issuer in accordance with the Applicable Supervisory Regulations;
- (ii) on a consolidated basis of the Group the own funds are not sufficient to cover the applicable solvency capital requirement (SCR) of, or the minimum consolidated solvency capital requirement for, the Group in accordance with the Applicable Supervisory Regulations.

"**Successor Benchmark Rate**" means a successor to or replacement of the Original Benchmark Rate which is formally recommended by any Relevant Nominating Body.

"**TARGET Business Day**" means a day on which all relevant parts of the Trans-European Automated Real-time Gross settlement Express Transfer Systems 2 (TARGET) are open to effect payments in euro.

A "**Tax Event**" will occur if an opinion of a recognised law firm has been delivered to the Issuer (and the Issuer has provided the Principal Paying Agent with a copy thereof) stating that, as a result of any change in, or amendment or clarification to, the laws, regulations or other rules of the Issuer's country of domicile for tax purposes, any of its political subdivisions or any authority or any other agency of or in such country having power to tax (including in case any such change, amendment or clarification has retroactive effect), or as a result of any change in, or amendment or clarification to, the interpretation or application, or as a result of any interpretation or application made for the first time, of any such laws, regulations or other rules by any legislative body, court or authority (including the enactment of any legislation and the publication of any decision of any court or authority), which change, amendment or clarification becomes effective on or after the date of issue of the Bonds, interest payable by the Issuer in respect of the Bonds is no longer, or will no longer be, fully deductible by the Issuer for income tax purposes in the Issuer's country of domicile for tax purposes, and that risk cannot be avoided by the Issuer taking such measures it (acting in good faith) deems reasonable and appropriate.

"**Taxes**" has the meaning set out in § 7(1).

"**Temporary Global Bond**" has the meaning set out in § 2(2).

"**Tier 2 Capital**" for purposes of these Terms and Conditions means the Tier 2 basic own funds of the Issuer (as stipulated in the Applicable Supervisory Regulations).

## § 2

### Form and Denomination

- (1) Currency, Denomination and Form.

The Issuer issues subordinated fixed to floating rate bearer bonds (the "**Bonds**") in a denomination of € 100,000 each (the "**Principal Amount**") in the aggregate principal amount of € 75,000,000.

- (2) Global Bonds and Exchange.

The Bonds will initially be represented by a temporary global bearer bond (the "**Temporary Global Bond**") without coupons which will be deposited with a common depository for the Clearing System on or around the date of issue of the Bonds. The Temporary Global Bond will be exchangeable, in whole or in part and free of charge, for a permanent global bearer Bond (the "**Permanent Global Bond**" and, together with the Temporary Global Bond, each a "**Global Bond**") without coupons not earlier than 40 days after the date of issue of the Bonds upon certification as to non-U.S. beneficial ownership as required by U.S. tax

law and in accordance with the rules and operating procedures of the Clearing System. Payments on a Temporary Global Bond will only be made after presentation of such certification. No definitive Bonds or interest coupons will be issued.

Each of the Temporary Global Bond and the Permanent Global Bond will be held in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Bonds have been satisfied.

- (3) The holders of Bonds ("**Bondholders**") are entitled to co-ownership interests or other comparable rights in the Global Bond which are transferable in accordance with applicable law and the rules and regulations of the Clearing System.

### § 3

#### Status

- (1) Status of the Bonds.

The Bonds constitute unsecured subordinated obligations of the Issuer. In the event of the dissolution, liquidation, insolvency or any proceeding to avoid insolvency of the Issuer,

- (a) the obligations under the Bonds rank *pari passu* among themselves and *pari passu* with all Parity Obligations of the Issuer; and
- (b) the obligations of the Issuer under the Bonds will be subordinated to all the Senior Ranking Obligations, so that in any such event no amounts will be payable in respect of the Bonds until the Senior Ranking Obligations have been satisfied in full.

- (2) No security.

No security of whatever kind is, or will at any time be, provided by the Issuer or any other person securing rights of the Bondholders under the Bonds.

- (3) No right to set-off.

The Bondholders may not set off any claims arising under the Bonds against any claims that the Issuer may have against each of them. The Issuer may not set off any claims it may have against any Bondholder against any of its obligations under the Bonds.

- (4) Payment Conditions, Payment Prohibition.

Prior to the commencement of any insolvency or liquidation proceedings

- (i) any payment of interest and Arrears of Interest on the Bonds will be subject to the conditions set forth in § 4(4) and § 4(5) being fulfilled; and
- (ii) any redemption and any repurchase of the Bonds will be subject to the Conditions to Redemption and Repurchase set forth in § 5(6) being fulfilled.

These payment conditions constitute a prohibition to pay in that any payments on the Bonds may only be made by the Issuer if it is made in accordance with the aforementioned conditions. Any payment made in breach of this prohibition must be returned to the Issuer irrespective of any agreement to the contrary.

### § 4

#### Interest

- (1) Fixed Interest Period.

- (a) In the period from and including the Interest Commencement Date to but excluding the First Call Date the Bonds bear interest on their Principal Amount at the rate of 3.750 per cent. per annum. The first payment of interest will amount to EUR 3852.74 per Principal Amount. During such period, interest is scheduled to be paid in arrear on each Fixed Interest Payment Date and will be due and payable (*fällig*) in accordance with the conditions set out in § 4(4) and § 4(5).

- (b) If interest is required to be calculated for any Fixed Interest Period or part thereof, such interest shall be calculated on the basis of the Fixed Rate Day Count Fraction (other than the period of time in relation to the first payment of interest for which a fixed interest amount has been set).

**"Fixed Interest Period"** means each period from and including the Interest Commencement Date to but excluding the first Fixed Interest Payment Date and thereafter from and including each Fixed Interest Payment Date to but excluding the next following Fixed Interest Payment Date.

**"Fixed Rate Day Count Fraction"** means, in respect of the calculation of an amount of interest on the Bonds for any period of time (from and including the first day of such period to but excluding the last day of such period) (the **"Calculation Period"**):

- (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the number of days in such Determination Period; and
- (ii) if the Calculation Period is longer than one Determination Period, the sum of:
  - (A) the number of days in such Calculation Period falling in the Determination Period in which the Calculation Period begins divided by the number of days in such Determination Period; and
  - (B) the number of days in such Calculation Period falling in the next Determination Period divided by the number of days in such Determination Period.

**"Determination Period"** means the period from and including 7 November in any year to but excluding the next 7 November.

(2) Floating Rate Interest Period.

- (a) Floating Rate Interest.

In the period from and including the First Call Date to but excluding the first Floating Interest Payment Date and thereafter from and including each Floating Interest Payment Date to but excluding the next Floating Interest Payment Date the Bonds bear interest on their Principal Amount at the Floating Interest Rate for the relevant Floating Interest Period. During such period, interest is scheduled to be paid quarterly in arrear on each Floating Interest Payment Date and will be due and payable (*fällig*) in accordance with the conditions set out in § 4(4) and § 4(5).

- (b) Floating Interest Rate.

The rate of interest for the relevant Floating Interest Period (the **"Floating Interest Rate"**) will be the relevant Reference Rate plus the Margin.

The **"Reference Rate"** for each Floating Interest Period will be determined as follows:

- (i) Initially the "Reference Rate" for each Floating Interest Period will be the Original Benchmark Rate on the relevant Interest Determination Date.
- (ii) If the Original Benchmark Rate does not appear on the Screen Page as at such time on the relevant Interest Determination Date, but no Benchmark Event has occurred, the "Reference Rate" on the relevant Interest Determination Date will be the Reference Bank Rate.

If the Reference Bank Rate cannot be determined in accordance with the definition of such term, but no Benchmark Event has occurred, the "Reference Rate" shall be the Original Benchmark Rate on the Screen Page on the last day preceding the Interest Determination Date on which such Original Benchmark Rate was displayed.

- (iii) If a Benchmark Event occurs, the "Reference Rate" for each Floating Interest Period commencing on or after the Effective Date (as defined in § 4(2)(e)(viii)) will be determined in accordance with § 4(2)(e).

**"Original Benchmark Rate"** means, subject to § 4(2)(e), the 3-month Euro Interbank Offered Rate (expressed as a percentage rate per annum) which appears on the Screen Page (as defined below) as of 11:00 a. m. (Brussels time) on the Interest Determination Date (as defined below).

**"Reference Bank Rate"** means the offered quotation (expressed as a percentage rate *per annum*) for deposits in Euro for the relevant Floating Interest Period and in a Representative Amount (on an Actual/360 day count basis) to prime banks in the Euro-Zone interbank market at approximately 11:00 a.m. (Brussels time) on the relevant Interest Determination Date provided by the Reference Banks to the Calculation Agent at the request of the Issuer. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Reference Rate for such Floating Interest Period shall be the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of such offered quotations, all as determined by the Calculation Agent.

If on the relevant Interest Determination Date only one or none of the selected Reference Banks provides the Calculation Agent with such offered quotations as provided in the preceding paragraph, the Reference Rate for the relevant Floating Interest Period shall be the rate *per annum* which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the nearest one thousandth of a percentage point, with 0.0005 being rounded upwards) of the rates, as communicated at approximately 11:00 a.m. (Brussels time) to (and at the request of) the Calculation Agent by major banks in the Euro-Zone interbank market, selected by the Calculation Agent acting in good faith, at which such banks offer, on the relevant Interest Determination Date, loans in Euro for the relevant Floating Interest Period and in a Representative Amount to leading European banks.

If the Reference Rate cannot be determined in accordance with the foregoing provisions, the Reference Rate for the relevant Floating Interest Period shall be, subject to § 4(2)(e), the 3-month Euro Interbank Offered Rate as displayed on the Screen Page on the last day preceding the Interest Determination Date on which such 3-month Euro Interbank Offered Rate was displayed on the Screen Page.

(c) In these Terms and Conditions:

**"Euro-Zone"** means the region comprised of those member states of the European Union that have adopted, or will have adopted from time to time, the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and the Amsterdam Treaty of 2 October 1997, as further amended from time to time.

**"Floating Day Count Fraction"** means, in respect of the calculation of the Floating Interest Amount for any Calculation Period, the actual number of days in the Calculation Period divided by 360.

**"Interest Determination Date"** means the second TARGET Business Day prior to the commencement of the relevant Floating Interest Period; and

**"Reference Banks"** means the principal Euro-Zone offices of four major banks in the Euro-Zone inter-bank market, in each case selected by the Issuer;

**"Representative Amount"** means an amount that is representative for a single transaction in the relevant market at the relevant time;

**"Screen Page"** means Reuters Page EURIBOR01 (or such other screen page of Reuters or such other information service, which is the successor to Reuters Page EURIBOR01 for purposes of displaying such rates).

(d) Duties of the Calculation Agent.

The Calculation Agent will, on or as soon as practicable after each Interest Determination Date, determine the Floating Interest Rate and calculate the amount of interest (the **"Floating Interest Amount"**) scheduled to be paid on the Bonds for the relevant Floating Interest Period. The Calculation Agent will calculate the Floating Interest Amount by applying the Floating Interest Rate (including the Margin) and the Floating Day Count Fraction to the Principal Amount of the Bonds and rounding the resultant figure to the nearest eurocent, with 0.5 or more of a eurocent being rounded upwards.

The Calculation Agent will cause the Floating Interest Rate, each Floating Interest Amount for each Floating Interest Period, each Floating Interest Period and the relevant Floating Interest Payment Date to be notified to the Issuer, to the Bondholders and, if required by the rules of any stock exchange on which the Bonds are from time to time listed at the initiative of the Issuer, to such stock exchange by notice in accordance with § 11 as soon as possible after their determination, but in no event later than on the first day of the relevant Floating Interest Period. Each Floating Interest Amount and Floating Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements may be made by way of adjustment) without notice in the event of an extension or shortening of the Floating Interest Period. Any such amendment will be promptly notified to any stock exchange on which the Bonds are then listed at the initiative of the Issuer and to the Bondholders in accordance with § 11.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this § 4(2) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Bondholders.

(e) Benchmark Event

If a Benchmark Event has occurred in relation to the Original Benchmark Rate, the relevant Reference Rate will be determined as follows:

(i) The Issuer shall endeavour to appoint an Independent Adviser as soon as practicable following the occurrence of the Benchmark Event and prior to the next Interest Determination Date, who will determine in its reasonable discretion a New Benchmark Rate, the Adjustment Spread (in accordance with § 4(2)(e)(iv)) and any Benchmark Amendments (in accordance with § 4(2)(e)(v)).

(ii) If prior to the relevant Interest Determination Date,

(A) the Issuer fails to appoint an Independent Adviser; or

(B) the Independent Adviser appointed by it fails to determine a New Benchmark Rate in accordance with § 4(2)(e)(i),

then the Reference Rate applicable to the immediately following Floating Interest Period shall be the Original Benchmark Rate determined on the last preceding Interest Determination Date.

If this § 4(2)(e)(ii) is to be applied on the first Interest Determination Date prior to the commencement of the first Floating Interest Period, the Reference Rate applicable to the first Floating Interest Period shall be the Original Benchmark Rate on the Screen Page on the last day preceding the Interest Determination Date on which such Original Benchmark Rate was displayed.

If the fallback rate determined in accordance with this § 4(2)(e)(ii) is to be applied, § 4(2)(e) will be operated again to determine the Reference Rate applicable to the next subsequent Floating Interest Period.

(iii) If the Independent Adviser determines in its reasonable discretion that:

(A) there is a Successor Benchmark Rate, then such Successor Benchmark Rate shall subsequently be the New Benchmark Rate; or

(B) there is no Successor Benchmark Rate but that there is an Alternative Benchmark Rate, then such Alternative Benchmark Rate shall subsequently be the New Benchmark Rate,

and then the "Reference Rate" for the immediately following Floating Interest Period and all following Floating Interest Periods, subject to § 4(2)(e)(ix), will be (x) the relevant New Benchmark Rate on the relevant Interest Determination Date plus (y) the Adjustment Spread as provided in § 4(2)(e)(iv).

- (iv) The Adjustment Spread (as defined in § 4(2)(e)(vii)) shall be applied to the New Benchmark Rate in order to determine the relevant Reference Rate.
- (v) If any New Benchmark Rate and the applicable Adjustment Spread is determined in accordance with this § 4(2)(e), and if the Independent Adviser determines in its reasonable discretion that amendments to these Terms and Conditions are necessary to ensure the proper operation of such New Benchmark Rate and the applicable Adjustment Spread (such amendments, the "Benchmark Amendments"), then the Independent Adviser will determine the Benchmark Amendments and the Issuer will give notice thereof in accordance with § 4(2)(e)(vi).

The Benchmark Amendments may comprise in particular the following conditions of these Terms and Conditions:

- (A) the Reference Rate including the "Screen Page" and/or (in replacement of § 4(2)(b)) the method for determining the fallback rate in relation to the Reference Rate, including the Reference Bank Rate; and/or
  - (B) the definitions of the terms "Business Day", "Floating Interest Payment Date", "Floating Interest Period", "Floating Day Count Fraction" and/or "Interest Determination Date" (including the determination whether the Reference Rate will be determined on a forward looking or a backward looking basis); and/or
  - (C) the payment business day condition in § 6(2).
- (vi) The Issuer will notify any New Benchmark Rate, the Adjustment Spread and the Benchmark Amendments (if any) determined under this § 4(2)(e) to Calculation Agent, the Principal Paying Agent, the Paying Agents and, in accordance with § 11, the Bondholders as soon as such notification is (in the Issuer's view) practicable following the determination thereof. Such notice shall be irrevocable and shall specify the Effective Date.

The New Benchmark Rate, the Adjustment Spread and the Benchmark Amendments (if any), each as specified in such notice, will be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the Paying Agents and the Bondholders (for the avoidance of doubt: no consent of the Noteholders shall be required). The Terms and Conditions shall be deemed to have been amended by the New Benchmark Rate, the Adjustment Spread and the Benchmark Amendments with effect from the Effective Date.

On or prior to the date of such notice, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two authorized signatories of the Issuer:

- (A)
    - (I) confirming that a Benchmark Event has occurred;
    - (II) specifying the relevant New Benchmark Rate;
    - (III) specifying the applicable Adjustment Spread and the Benchmark Amendments (if any); andspecifying the Effective Date; and
  - (B) confirming that the Benchmark Amendments, if any, are necessary to ensure the proper operation of such New Benchmark Rate and the applicable Adjustment Spread.
- (vii) As used in this § 4(2)(e):

The "**Adjustment Spread**", which may be positive, negative or zero, will be expressed in basis points and means either (a) the spread or (b) the result of the operation of the formula or methodology for calculating the spread,

- (A) which in the case of a Successor Benchmark Rate, is formally recommended in relation to the replacement of the Original Benchmark Rate with the Successor Benchmark Rate by any Relevant Nominating Body; or
- (B) which (if no such recommendation has been made, or in the case of an Alternative Benchmark Rate) is applied to the New Benchmark Rate in the international debt capital markets to produce an industry-accepted replacement benchmark rate for the Original Benchmark Rate, provided that all determinations will be made by the Independent Adviser in its reasonable discretion.

**"Alternative Benchmark Rate"** means an alternative benchmark or an alternative screen rate which is customarily applied in the international debt capital markets for the purpose of determining floating rates of interest in EUR, provided that all determinations will be made by the Independent Adviser in its reasonable discretion.

A **"Benchmark Event"** occurs if:

- (A) the Original Benchmark Rate ceases to be published on a regular basis or ceases to exist; or
- (B) a public statement by the administrator of the Original Benchmark Rate is made that it has ceased or that it will cease publishing the Original Benchmark Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue the publication of the Original Benchmark Rate); or
- (C) a public statement by the supervisor of the administrator of the Original Benchmark Rate is made, that the Original Benchmark Rate has been or will permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the Original Benchmark Rate is made as a consequence of which the Original Benchmark Rate has been or will be prohibited from being used either generally, or in respect of the Bonds, or pursuant to which the Original Benchmark Rate has ceased or will cease to be representative as an industry accepted benchmark rate; or
- (E) it has become unlawful for any Paying Agent, the Principal Paying Agent, the Calculation Agent, the Issuer or any other party to calculate or determine the Reference Rate using the Original Benchmark Rate; or
- (F) the methodology for the determination of the Original Benchmark Rate is materially altered compared to the methodology as used by the administrator of the Original Benchmark Rate at the Interest Commencement Date.

**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer.

**"New Benchmark Rate"** means the Successor Benchmark Rate or, as the case may be, the Alternative Benchmark Rate determined in accordance with this § 4(2)(e).

**"Relevant Nominating Body"** means, in respect of the replacement of the Original Benchmark Rate:

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the

administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

**"Successor Benchmark Rate"** means a successor to or replacement of the Original Benchmark Rate which is formally recommended by any Relevant Nominating Body.

- (viii) The effective date for the application of the New Benchmark Rate, the Adjustment Spread and the Benchmark Amendments (if any) determined under this § 4(2)(e) (the **"Effective Date"**) will be the Interest Determination Date falling on or after the earliest of the following dates:
- (A) if the Benchmark Event has occurred as a result of clause (A) of the definition of the term "Benchmark Event", the date of the occurrence of the Benchmark Event; or
  - (B) if the Benchmark Event has occurred as a result of clause (B), (C) or (D) of the definition of the term "Benchmark Event", the date from which the Original Benchmark Rate ceases to be published, is discontinued or ceases to be representative, as the case may be; or
  - (C) if the Benchmark Event has occurred as a result of clause (E) of the definition of the term "Benchmark Event", the date from which the prohibition applies; or
  - (D) if the Benchmark Event has occurred as a result of clause (F) of the definition of the term "Benchmark Event", the date on which the material alteration of the methodology has taken effect.
- (ix) If a Benchmark Event occurs in relation to any New Benchmark Rate, § 4(2)(e) shall apply mutatis mutandis to the replacement of such New Benchmark Rate by any new Successor Benchmark Rate or Alternative Benchmark Rate, as the case may be.
- (x) Any adjustment to the Original Benchmark Rate in case of a Benchmark Event will be made only to the extent that no Regulatory Event would occur as a result of such adjustment.

(3) End of interest accrual and default interest.

The Bonds will cease to bear interest from the end of the day immediately preceding the day on which they are due for redemption. If the Issuer fails to make any payment of principal under the Bonds when due, interest shall continue to accrue until the end of the day immediately preceding the day on which such redemption is made. In such case the applicable rate of interest will be determined pursuant to this § 4.

(4) Due date for interest payments; optional and mandatory suspension of interest payments.

- (a) Interest which accrues during an Interest Period ending on but excluding a Compulsory Interest Payment Date will be due and payable (*fällig*) on such Compulsory Interest Payment Date, subject to § 4(4)(c).
- (b) Interest which accrues during an Interest Period ending on but excluding an Optional Interest Payment Date will be due and payable (*fällig*) on that Optional Interest Payment Date, subject to § 4(4)(c), unless the Issuer elects, by giving not less than 10 and not more than 15 Business Days' notice to the Bondholders prior to the relevant Interest Payment Date in accordance with § 11, to defer the relevant payment of interest in whole or in part.

If the Issuer elects to defer, or to only partially pay, accrued interest on an Optional Interest Payment Date, then it will not have any obligation to pay accrued interest on such Optional Interest Payment Date or will only be obliged to pay such part of the accrued interest it elects to pay, respectively. Any such non-payment of accrued interest will not constitute a default of the Issuer or any other breach of its obligations under the Bonds or for any other purpose.

- (c) If a Compulsory Deferral Event has occurred in respect of any Interest Payment Date, interest which accrued during the period ending on but excluding such Interest Payment Date will not be due and payable (*fällig*) on that Interest Payment Date. The Issuer will give notice to the Bondholders of the occurrence of the Compulsory Deferral Event in accordance with § 11 as soon as possible after its determination but in no event later than on the fourth Business Day

following the relevant Interest Payment Date. Any such failure to pay interest will not constitute a default of the Issuer or any other breach of its obligations under the Bonds or for any other purpose.

- (d) Interest accrued for any Interest Period which is not due and payable in accordance with this § 4(4) will constitute arrears of interest ("**Arrears of Interest**").

Arrears of Interest will not bear interest.

- (5) Payment of Arrears of Interest.

- (a) Optional payment of Arrears of Interest.

The Issuer will be entitled to pay outstanding Arrears of Interest (in whole or in part) at any time if the Conditions to Settlement are fulfilled with respect to such payment.

If the Issuer elects to pay outstanding Arrears of Interest (in whole or in part), it will give not less than 10 and not more than 15 Business Days' notice to the Bondholders in accordance with § 11 which notice will specify (i) the amount of Arrears of Interest to be paid and (ii) the date fixed for such payment (the "**Optional Settlement Date**").

Upon such notice being given, the amount of Arrears of Interest specified therein will become due and payable (*fällig*), and the Issuer will be obliged to pay such amount of Arrears of Interest on the specified Optional Settlement Date. However, this obligation will cease to exist if on such date the Conditions to Settlement are not fulfilled with respect to the relevant payment.

- (b) Mandatory payment of Arrears of Interest.

The Issuer must pay outstanding Arrears of Interest (in whole but not in part) on the next Mandatory Settlement Date.

- (c) No Default.

If on an Optional Settlement Date or a Mandatory Settlement Date the Conditions to Settlement are not fulfilled, Arrears of Interest scheduled to be paid on such date will not become due and payable (*fällig*) on the relevant Optional Settlement Date or Mandatory Settlement Date, as the case may be, but will remain outstanding and will continue to be treated as Arrears of Interest. Any such failure to pay will not constitute a default of the Issuer or any other breach of its obligations under the Bonds or for any other purpose. The Issuer will give notice to the Bondholders regarding the non-fulfilment of the Conditions to Settlement in accordance with § 11 as soon as possible after its determination but in no event later than on the fourth Business Day following the relevant Optional Settlement Date or Mandatory Settlement Date.

## § 5

### Redemption and Repurchase

- (1) Redemption at Maturity.

To the extent not previously redeemed or repurchased, the Bonds will be redeemed at their Redemption Amount on the Final Maturity Date.

"**Final Maturity Date**" means,

- (i) if on the Scheduled Maturity Date the Conditions to Redemption and Repurchase pursuant to § 5(6) are fulfilled, the Scheduled Maturity Date;
- (ii) otherwise the first Floating Interest Payment Date following the Scheduled Maturity Date on which the Conditions to Redemption and Repurchase are fulfilled.

"**Scheduled Maturity Date**" means 7 November 2039.

(2) Repurchase.

- (a) Subject to the Conditions to Redemption and Repurchase being fulfilled and applicable laws, the Issuer or any of its subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price. Such acquired Bonds may be cancelled, held or resold.
- (b) The Conditions to Redemption and Repurchase do not have to be fulfilled for purchases made by the Issuer or any of its subsidiaries for the account of a third party or Undertakings for Collective Investment in Transferable Securities (UCITS), unless the Issuer or one of its subsidiaries exercises over the relevant UCITS control or joint control within the meaning of the International Accounting Standard 27 as provided for in the Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.
- (c) § 5(2)(a) and (b) shall apply *mutatis mutandis* to an acquisition of the Bonds by way of exchange for other securities.

(3) Redemption at the Option of the Issuer.

The Issuer may, subject to the Conditions to Redemption and Repurchase pursuant to § 5(6) being fulfilled, upon giving notice of redemption in accordance with § 5(5), call the Bonds for early redemption (in whole but not in part) with effect as of the First Call Date and as of any Floating Interest Payment Date thereafter. If the Issuer exercises its call right in accordance with sentence 1 and the Conditions to Redemption and Repurchase are fulfilled on the redemption date, the Issuer shall redeem the Bonds at the Redemption Amount on the redemption date.

(4) Redemption following a Gross-Up Event, a Tax Event, a Regulatory Event, an Accounting Event or a Rating Event.

If prior to the First Call Date a Gross-Up Event, a Tax Event, a Regulatory Event, an Accounting Event or a Rating Event occurs, the Issuer may, subject to the Conditions to Redemption and Repurchase pursuant to § 5(6) being fulfilled, upon giving notice of redemption in accordance with § 5(5), call the Bonds for early redemption (in whole but not in part) at any time with effect as of the redemption date specified in the notice of redemption. If the Issuer exercises its call right in accordance with sentence 1 and the Conditions to Redemption and Repurchase are fulfilled on the specified redemption date, the Issuer shall redeem the Bonds at the Redemption Amount on the redemption date specified in the notice of redemption.

In the case of a Gross-Up Event, no such notice of redemption may be given earlier than 90 days prior to the earliest date on which the Issuer would be for the first time obliged to pay the Additional Amounts pursuant to § 7(1) if a payment in respect of the Bonds were then due.

In the case of a Tax Event, no such notice of redemption may be given earlier than 90 days prior to the date, on which the deductibility of interest would fall away.

(5) Notice of redemption.

The Issuer will give not less than 30 nor more than 60 days' notice to the Bondholders in accordance with § 11 of any redemption pursuant to § 5(3) and § 5(4). In the case of a redemption in accordance with § 5(4) such notice of redemption will set forth the underlying facts of the Issuer's right to redemption and specify the date fixed for redemption.

Even if such notice of redemption pursuant to this § 5(5) is given, the redemption pursuant to § 5(3) and § 5(4) is subject to the Conditions to Redemption and Repurchase being fulfilled on the date fixed for redemption in the notice of redemption.

(6) Conditions to Redemption and Repurchase.

- (a) The "**Conditions to Redemption and Repurchase**" are fulfilled on any date with respect to a scheduled redemption or a planned repurchase of the Bonds, if
  - (i) no Insolvency Event has occurred and is continuing on such date and the payment of the Redemption Amount or the purchase would not result in, or accelerate, the occurrence of an Insolvency Event; and
  - (ii) no Solvency Capital Event has occurred and is continuing or would be caused by the redemption by the Issuer or the repurchase of the Bonds, unless

- (A) the Competent Supervisory Authority has exceptionally given, and not withdrawn by such date, its prior consent to the redemption of the Bonds and the payment of the Redemption Amount or to the repurchase of the Bonds despite the Solvency Capital Event; and
  - (B) the capital has been replaced by other at least equivalent own funds; and
  - (C) the applicable minimum capital requirement (MCR) of the Issuer and the minimum consolidated solvency capital requirement for the Group in accordance with Solvency II are fulfilled also after payment of the Redemption Amount or the repurchase amount; and
- (iii) the Competent Supervisory Authority has given, and not withdrawn by such day, its prior consent to the redemption of the Bonds or to the repurchase of the Bonds.
- (b) Pursuant to the Applicable Supervisory Regulations in effect on the date of issue of the Bonds, the permission pursuant to § 5(6)(a)(iii) requires in the case of a redemption of the Bonds pursuant to § 5(3) or § 5(4), any repurchase of the Bonds pursuant to § 5(2) and any substitution of the Issuer pursuant to § 13 prior to 7 November 2024:
- (i) that either of the following conditions (A) or (B) is met:
    - (A) the capital has been replaced by other at least equivalent own funds; or
    - (B) the Issuer has demonstrated to the satisfaction of the Competent Supervisory Authority that,
      - (I) the solvency capital requirement (SCR) and the minimum capital requirement (MCR) of the Issuer on an unconsolidated basis in accordance with the Applicable Supervisory Regulations; and
      - (II) the applicable solvency capital requirement (SCR) of, and the minimum consolidated solvency capital requirement for, the Group (if and to the extent it is subject to supervision for group solvency purposes) on a consolidated basis of the Group in accordance with the Applicable Supervisory Regulations,

after the redemption, repurchase or substitution, will be exceeded by an appropriate margin taking into account the solvency position of the Issuer and the Group (if and to the extent it is subject to supervision for group solvency purposes), including the Issuer's and the Group's medium-term capital management plan; and,
  - (ii) in the case of redemption of the Bonds pursuant to § 5(4)
    - (A) following the occurrence of a Regulatory Event, that (i) the Competent Supervisory Authority considers the change in the regulatory classification to be sufficiently certain and (ii) the Issuer demonstrated to the satisfaction of the Competent Supervisory Authority that the regulatory reclassification of the Bonds was not reasonably foreseeable at the issue date of the Bonds; or
    - (B) following the occurrence of a Tax Event or Gross-Up Event, that there is a change in the applicable tax treatment of the Bonds which the Issuer demonstrated to the satisfaction of the Competent Supervisory Authority is material and was not reasonably foreseeable at the issue date of the Bonds.

If, at the time of a scheduled redemption or a planned repurchase of the Bonds, the Applicable Supervisory Regulations permit the repayment or repurchase only after compliance with one or more alternative or additional pre-conditions, then such other and/or additional pre-conditions shall be deemed to constitute "Conditions to Redemption and Repurchase" instead of, or in addition to, the conditions set forth in this § 5(6) above.

- (7) The Bondholders have no right to put the Bonds for redemption.

**§ 6**  
**Payments**

- (1) (a) The Issuer undertakes to pay, as and when due, principal and interest on the Bonds in euro. Payment of principal and interest on the Bonds will be made through the Principal Paying Agent for delivery to the Clearing System or to its order for credit to the respective account holders.
- Payment of interest on Bonds represented by a Temporary Global Bond shall be made, upon due certification as provided in § 2(2).
- (b) All payments will be subject in all cases to any applicable fiscal and other laws, directives, regulations or agreements to which the Issuer, the Principal Paying Agent or any Paying Agent, as the case may be, agree to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of § 7. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) The Issuer shall be discharged by payment to, or to the order of, the Clearing System.
- (2) If the due date for any payment of principal and/or interest and/or Arrears of Interest is not a Business Day, payment will be effected only on the next Business Day (except as provided in relation to a Floating Interest Payment Date). The Bondholders will have no right to claim payment of any interest or other indemnity in respect of such delay in payment.
- (3) References in these Terms and Conditions to principal and interest on the Bonds include, to the extent applicable, all Additional Amounts payable pursuant to § 7 (as therein defined).

**§ 7**  
**Taxation**

- (1) All payments of principal and interest in respect of the Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by the Issuer's country of domicile for tax purposes or any political subdivision or any authority or any agency of or in the Issuer's country of domicile for tax purposes that has power to tax, unless the Issuer is compelled by law to make such withholding or deduction. If the Issuer is required to make such withholding or deduction, the Issuer will pay such additional amounts (the "**Additional Amounts**") to the Bondholders as the Bondholders would have received if no such withholding or deduction had been required, except that no such Additional Amounts will be payable for any such Taxes in respect of any Bond:
- (a) which are payable by any person acting as custodian bank or collecting agent on behalf of a Bondholder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it; or
- (b) which are payable by reason of the Bondholder having, or having had, some personal or business connection with the Issuer's country of domicile for tax purposes and not merely by reason of the fact that payments in respect of the Bonds are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Issuer's country of domicile for tax purposes; or
- (c) which are deducted or withheld pursuant to (i) any European Union directive or regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Issuer's country of domicile for tax purposes or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such directive, regulation, treaty or understanding; or
- (d) which are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due or is duly provided for and notice thereof is published in accordance with § 11, whichever occurs later.
- (2) In any event, the Issuer will have no obligation to pay additional amounts deducted or withheld by the Issuer, the relevant Paying Agent or any other party ("**FATCA Withholding**") in relation to any withholding or deduction of any amounts required

by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any intergovernmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service or indemnify any investor in relation to any FATCA Withholding.

## § 8

### **Presentation Period, Prescription**

The period for presentation of the Bonds will be reduced to 10 years ("**Presentation Period**"). The period of limitation for claims under the Bonds presented during the period for presentation will be two years calculated from the expiration of the relevant Presentation Period.

## § 9

### **Paying and Calculation Agents**

(1) Appointment.

The Issuer has appointed Erste Group Bank AG, Vienna, as principal paying agent (the "**Principal Paying Agent**" and, together with any additional paying agent appointed by the Issuer in accordance with § 9(2), the "**Paying Agents**", and each a "**Paying Agent**") and as Calculation Agent (the "**Calculation Agent**") with respect to the Bonds.

(2) Variation or Termination of Appointment.

The Issuer will procure that there will at all times be a principal paying agent and a calculation agent. The Issuer is entitled to appoint other banks of international standing as paying agents, or another bank of international standing or a financial adviser with relevant expertise as calculation agent. Furthermore, the Issuer is entitled to terminate the appointment of any Paying Agent or Calculation Agent. In the event of such termination or such Paying Agent or Calculation Agent being unable or unwilling to continue to act as paying agent or calculation agent in the relevant capacity, the Issuer will appoint another bank of international standing as paying agent or a bank of international standing or a financial adviser with relevant expertise as calculation agent. Such appointment or termination will be published without undue delay in accordance with § 11, or, should this not be possible, be published in another appropriate manner.

(3) Status of the Agents.

The Paying Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligations towards or relationship of contract, agency or trust for or with any of the Bondholders. The Paying Agents and the Calculation Agent are exempt from the restrictions of § 181 of the German Civil Code (*Bürgerliches Gesetzbuch*).

## § 10

### **Further Issues**

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the interest commencement date and/or the issue price) so as to form a single series with the Bonds. The term "Bonds" shall, in the event of such further issue, also comprise such further bonds.

No increase of these Bonds will be made in accordance with this § 10 if such increase would result in a Regulatory Event entitling the Issuer to redeem the Bonds in accordance with § 5(4).

## § 11

### **Notices**

- (1) All notices regarding the Bonds will be published so long as the Bonds are listed on the regulated market of the Luxembourg Stock Exchange on the website of the Luxembourg Stock Exchange on [www.bourse.lu](http://www.bourse.lu). Any notice will become effective for all purposes on the date of the such publication.

- (2) In addition, the Issuer will be entitled to deliver all notices concerning the Bonds to the Clearing System for communication by the Clearing System to the Bondholders. Any such notice shall be deemed to have been given to the Bondholders on the fifth day after the date on which the said notice was given to the Clearing System.

## § 12

### **Amendments to the Terms and Conditions by resolution of the Bondholders; Joint Representative**

- (1) The Issuer may agree with the Bondholders on amendments to the Terms and Conditions or on other matters by virtue of a majority resolution of the Bondholders pursuant to § 5 et seqq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – "SchVG"*), as amended from time to time.

The Issuer's right under this § 12(1) is subject to the following restrictions:

- (i) the regulatory restrictions set out in § 3(2), § 3(3), § 3(4) and § 5(6);
- (ii) the compliance with the Applicable Supervisory Regulations at the time of an amendment of the Terms and Conditions for the Bonds to qualify for the inclusion in the determination of the own funds for solvency purposes of the Issuer and/or for group solvency purposes of the Group as Tier 2 Capital (or a better category of own funds); and
- (iii) the prior consent of the Competent Supervisory Authority (if under the Applicable Supervisory Regulations such prior consent is required at the time).

There will be no amendment of the Terms and Conditions without the Issuer's consent. In particular, the Bondholders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under § 5 paragraph 3 SchVG by resolutions passed by such majority of the votes of the Bondholders as stated under § 12(2) below. A duly passed majority resolution shall be binding equally upon all Bondholders.

- (2) Except as provided by the following sentence and provided that the quorum requirements are being met, the Bondholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of § 5 paragraph 3 numbers 1 through 9 SchVG, or which relate to material other matters may only be passed by a majority of at least 75 per cent. of the voting rights participating in the vote (a "**Qualified Majority**").
- (3) The Bondholders can pass resolutions in a meeting (*Gläubigerversammlung*) in accordance with § 5 et seqq. SchVG or by means of a vote without a meeting (*Abstimmung ohne Versammlung*) in accordance with § 18 and § 5 et seqq. SchVG.
- (a) Attendance at the meeting and exercise of voting rights is subject to the Bondholders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the meeting. As part of the registration, Bondholders must provide evidence of their eligibility to participate in the vote by means of a special confirmation of the Custodian in text form and by submission of a blocking instruction by the Custodian stating that the relevant Bonds are not transferable from and including the day such registration has been sent until and including the stated end of the meeting.
  - (b) Together with casting their vote, Bondholders must provide evidence of their eligibility to participate in the vote without a meeting by means of a special confirmation of the Custodian in text form and by submission of a blocking instruction by the Custodian stating that the relevant Bonds are not transferable from and including the day such vote has been cast until and including the day the voting period ends.
- (4) If it is ascertained that no quorum exists for the meeting pursuant to § 12(3)(a) or the vote without a meeting pursuant to § 12(3)(b), in case of a meeting the chairman (*Vorsitzender*) may convene a second meeting in accordance with § 15 paragraph 3 sentence 2 SchVG or in case of a vote without a meeting the scrutineer (*Abstimmungsleiter*) may convene a second meeting within the meaning of § 18 paragraph 4 sentence 2 and § 15 paragraph 3 sentence 3 SchVG. Attendance at the second meeting and exercise of voting rights is subject to the Bondholders' registration. The provisions set out in § 12(3)(a) shall apply *mutatis mutandis* to Bondholders' registration for a second meeting.

- (5) The Bondholders may by majority resolution provide for the appointment or dismissal of a holders' representative (the "**Bondholders' Representative**"), the duties and responsibilities and the powers of such Bondholders' Representative, the transfer of the rights of the Bondholders to the Bondholders' Representative and a limitation of liability of the Bondholders' Representative. Appointment of a Bondholders' Representative may only be passed by a Qualified Majority if such Bondholders' Representative is to be authorised to consent, in accordance with § 12(2) hereof, to a material change in the substance of the Terms and Conditions or other material matters.
- (6) Any notices concerning this § 12 shall be made exclusively pursuant to the provisions of the SchVG.
- (7) In the event of a substitution pursuant to § 13(1), § 12 shall apply *mutatis mutandis* for an amendment of the guarantee pursuant to § 13(1)(d), and the Terms and Conditions and such guarantee may only be amended with the consent of the New Issuer and Sava Re as guarantor.

### § 13 Substitution

- (1) Substitution.

The Issuer may at any time, without the consent of the Bondholders, substitute for itself as Issuer of the Bonds any other company (other than an insurance undertaking) which is directly or indirectly controlled by the Issuer, as new issuer (the "**New Issuer**") in respect of all obligations arising under or in connection with the Bonds with the effect of releasing the Issuer of all such obligations, if:

- (a) the New Issuer assumes any and all obligations of the Issuer arising under or in connection with the Bonds and, if service of process vis-à-vis the New Issuer would have to be effected outside the Federal Republic of Germany, appoints a process agent within the Federal Republic of Germany; and
- (b) the Issuer and the New Issuer have obtained all authorisations and approvals necessary for the substitution and the fulfilment of the obligations arising under or in connection with the Bonds, in particular the Competent Supervisory Authority having given its prior consent to the substitution; and
- (c) the New Issuer is in the position to pay to the Clearing System in euro and without deducting or withholding any taxes or other duties of whatever nature imposed, levied or deducted by the country (or countries) in which the New Issuer has its domicile or tax residence all amounts required for the performance of the payment obligations arising from or in connection with the Bonds; and
- (d) the Issuer irrevocably guarantees such obligations of the New Issuer under the Bonds on terms which ensure that each Bondholder will be put in an economic position that is at least as favourable as that which would have existed if the substitution had not taken place; and
- (e) the Conditions to Redemption and Repurchase are fulfilled at the time of the substitution; these shall apply *mutatis mutandis* to the substitution.

- (2) References.

In the event of a substitution pursuant to § 13(1), any reference in these Terms and Conditions to the Issuer shall be a reference to the New Issuer.

For the avoidance of doubt this shall apply only to the extent that the meaning and purpose of the relevant condition requires that the relevant reference shall continue to be a reference only to Sava Re (i.e. in particular in relation to the solvency applicable to Sava Re and the group solvency of the Group, the Insolvency Event, the Compulsory Interest Payment Event, the Accounting Event, the Rating Event and § 5(2)), or that the reference shall be to the New Issuer and Sava Re, in relation to its obligations under the guarantee pursuant to § 13(1)(d), at the same time (Gross-Up Event, Tax Event, Regulatory Event, Accounting Event, Rating Event and Taxation).

In the event of a substitution any reference to the Federal Republic of Germany (except in § 13(1)(a) and § 14) shall be a reference to the New Issuer's country of domicile for tax purposes, unless sentence 2 provides otherwise.

(3) Notice and Effectiveness of Substitution.

Notice of any substitution of the Issuer shall be given by notice in accordance with § 11. Upon such publication, the substitution shall become effective, and the Issuer and in the event of a repeated application of this § 13, any previous New Issuer shall be discharged from any and all obligations under the Bonds. In the case of such substitution, the stock exchange(s), if any, on which the Bonds are then listed at the initiative of the Issuer will be notified.

**§ 14**  
**Final Provisions**

(1) Applicable Law.

The form and the content of the Bonds as well as all the rights and duties arising therefrom are governed by, and construed in accordance with, the laws of the Federal Republic of Germany. The status provisions in § 3(1) shall be governed by, and shall be construed exclusively in accordance with, Slovenian law.

(2) Place of Jurisdiction.

Subject to any exclusive court of venue for specific legal proceedings in connection with the SchVG, non-exclusive place of jurisdiction for all proceedings arising from matters provided for in these Terms and Conditions will be Frankfurt am Main, Federal Republic of Germany. The Issuer irrevocably waives any objection which they might now or hereafter have to the courts of Frankfurt am Main being nominated as the forum to hear and determine any proceedings and to settle any disputes and agrees not to claim that any of those courts is not a convenient or appropriate forum.

(3) Place of Performance.

Place of performance will be Frankfurt am Main, Federal Republic of Germany.

(4) Enforcement of Rights.

Any Bondholder may in any proceedings against the Issuer or to which the Bondholder and the Issuer are parties protect and enforce in his own name his rights arising under his Bonds based on:

- (i) a certificate issued by his Custodian (A) stating the full name and address of the Bondholder, (B) specifying an aggregate principal amount of Bonds credited on the date of such statement to such Bondholder's securities account(s) maintained with his Custodian and (C) confirming that his Custodian has given a written notice to the Clearing System and the Principal Paying Agent containing the information specified in (A) and (B) and bearing acknowledgements of the Clearing System and the relevant account holder in the Clearing System and
- (ii) a copy of the Global Bond relating to the Bonds, certified as being a true copy by a duly authorised officer of the Clearing System or the Principal Paying Agent; or
- (iii) any other means of evidence permitted in legal proceedings in the country of enforcement.

(5) Agent for Service of Process.

The Issuer irrevocably appoints Erste Group Bank AG, Stuttgart Branch, Friedrichstr. 10, 70174 Stuttgart, Germany its agent in the Federal Republic of Germany to receive service of process in any proceedings in the Federal Republic of Germany based on any of the Bonds. If for any reason the Issuer does not have such an agent in the Federal Republic of Germany, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## **USE OF PROCEEDS**

In connection with the offering of the Bonds, the Issuer will receive net proceeds of approximately EUR 74,650,500. The Issuer intends to use the net proceeds for general corporate purposes of Sava Insurance Group and optimization of its capital structure.

## DESCRIPTION OF THE ISSUER AND THE SAVA INSURANCE GROUP

### Information about the Issuer

Pozavarovalnica Sava, d.d. is a joint stock company, with its registered seat in Ljubljana, and business address at Dunajska cesta 56, 1000 Ljubljana, Slovenia and is the ultimate parent company of Sava Insurance Group. The Issuer's legal name is Pozavarovalnica Sava, d.d., its abbreviated legal name is Sava Re d.d. and its commercial name is Sava Re. Sava Re transacts reinsurance business.

Sava Insurance Group is a Slovenian insurance group present in over one hundred insurance and reinsurance markets worldwide. The Issuer provides reinsurance services to more than 200 clients worldwide. Together with its insurance and non-insurance subsidiaries, it constitutes one of the major insurance groups based in Adria region.

The Issuer was incorporated as a stock corporation on 10 December 1990 in Slovenia under the laws of Slovenia for an indefinite period of time and operates under Slovenian law. The Issuer is registered with the District Court in Ljubljana, entry no. 1/01413/00. Its telephone number is +386 1 47 50 200 and its website is [www.sava-re.si](http://www.sava-re.si). The information on the Issuer's website does not form part of this Prospectus unless that information is incorporated by reference into this Prospectus (see "*Documents incorporated by reference*" below).

The regulator responsible for prudential regulation of the Issuer is the IS Agency, Trg republike 3, 1000 Ljubljana, Slovenia.

### History and Development

<b>1973–1977</b>	Reinsurance department of Insurance Company Sava
<b>1977–1990</b>	Reinsurance Community Sava
<b>1990</b>	Reinsurance Company Sava
<b>1998–2009</b>	Sava Insurance Group entry into Slovenian, North Macedonian, Montenegrin, Kosovan, Serbian and Croatian insurance markets
<b>2008</b>	Initial Public Offering and listing on Ljubljana Stock Exchange
<b>2013</b>	Sava Insurance Group becomes the second-largest insurance group in the region by acquiring 100 per cent. of Zavarovalnica Maribor (€ 55m capital increase)
<b>2015</b>	Sava Re acquires 100 per cent. of the pension insurer subsequently renamed Sava Pokojninska Družba
<b>2016</b>	Four of Sava Insurance Group's EU-based insurers merge to form Zavarovalnica Sava
<b>2018</b>	Entry into Macedonian pension and Slovenian assistance markets. Acquisition of Serbian insurance company (merged into existing Serbian insurer at the end of 2018).
<b>2019</b>	Sava Insurance Group expands its presence in the Croatian market by acquiring two ERGO insurers (life and non-life).  Slovenia-based Sava Infond is acquired to strengthen asset management operations.  Sava Re has signed an agreement to acquire the health service provider Diagnostični Center Bled d.o.o. (Bled Diagnostic Centre)

Source: Internal information of Sava Insurance Group

## Business Overview

The corporate object of the Issuer, as laid out in its articles of association, is the independent performance of gainful activities on the market as its exclusive activity. Accordingly, the Issuer performs the following activities in compliance with and under the conditions as stipulated by the law:

- Reinsurance operations
- Risk and claims assessment
- Other ancillary activities for insurance and pension funds

The Issuer may, in addition to business transactions which fall within its activities referred to in the previous paragraph, also perform business transactions which are directly connected to insurance business transactions and other business transactions for other companies within Sava Insurance Group, however, only if they do not increase risk for Sava Insurance Group, and only those types of business transactions which are a part of the business operations of the Issuer in the context of its primary activity. The Issuer may also perform other business transactions not mentioned above, but which are necessary for its existence and do not constitute regular performance of business transactions.

Sava Insurance Group's business is presented by the operating segments: reinsurance, non-life business, life business, pensions and the "other" segment. The non-life and life segments are further broken down by geography (Slovenia and international, which consists of Croatia, Serbia, North Macedonia, Montenegro and Kosovo).

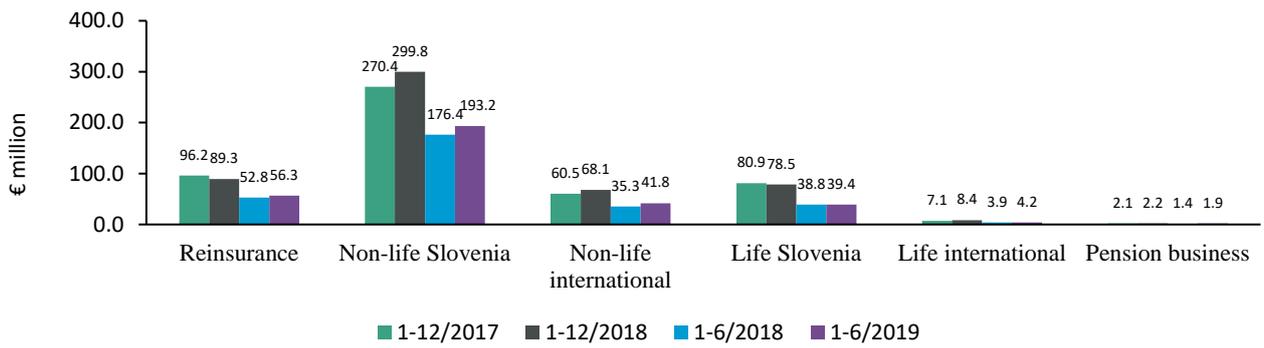
The following 24 companies are included in the operating segments:

- reinsurance business: Sava Re (business outside Slovenia with non-group companies), 30 per cent. of Sava Terra;
- non-life business, Slovenia: Zavarovalnica Sava (Slovenian part), 70 per cent. of Sava Terra;
- non-life business, international: Zavarovalnica Sava (Croatian part), Sava Neživotno Osiguranje (Serbia), Illyria (Kosovo), Sava Osiguranje (Montenegro), Sava Osiguruvanje (North Macedonia), ERGO Osiguranje (Croatia), Illyria Hospital, Sava Car, Sava Agent, Sava Station;
- life business, Slovenia: Zavarovalnica Sava (Slovenian part), ZS Svetovanje, Ornatus KC;
- life business, international: Zavarovalnica Sava (Croatian part), Sava Životno Osiguranje (Serbia), Illyria Life (Kosovo), ERGO Životno Osiguranje (Croatia)
- pensions: Sava Pokojninska, Sava Penzisko Društvo;
- other: TBS Team 24, Sava Infond, ZTSR d.o.o. (equity method), Got2Insure Ltd (equity method).

As at 30 June 2019, the Sava Insurance Group employed 2,658 staff (full-time equivalent basis).

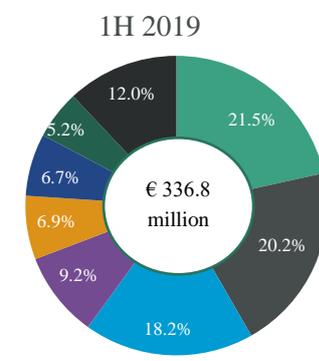
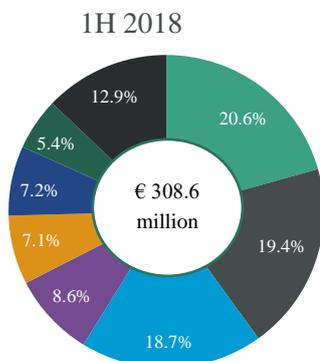
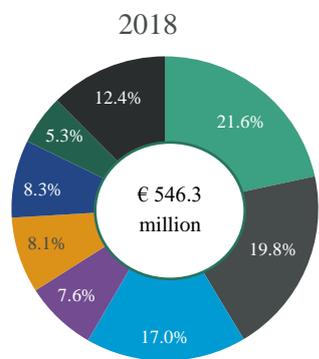
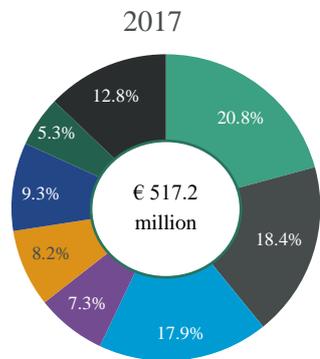
In 2018, Sava Insurance Group recorded gross written premiums of EUR 546.3 million (compared with EUR 517.2 million in 2017) and generated net profits of EUR 43.0 million (compared with EUR 31.1 million in 2017). Sava Insurance Group's net income attributable to the controlling company was EUR 42.8 million in 2018 (compared with EUR 31.1 million in 2017). Total consolidated assets stood at EUR 1,705.9 million as of 31 December 2018, up from EUR 1,708.3 million as of 31 December 2017.

Split of consolidated gross premiums written by operating segments

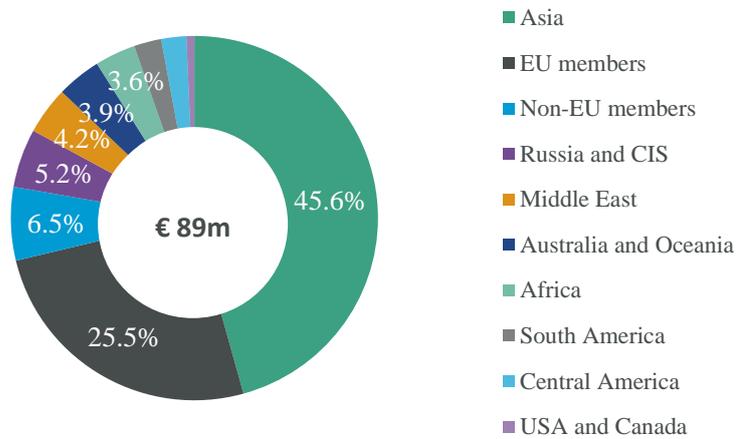


Split of consolidated gross premiums written by class of insurance

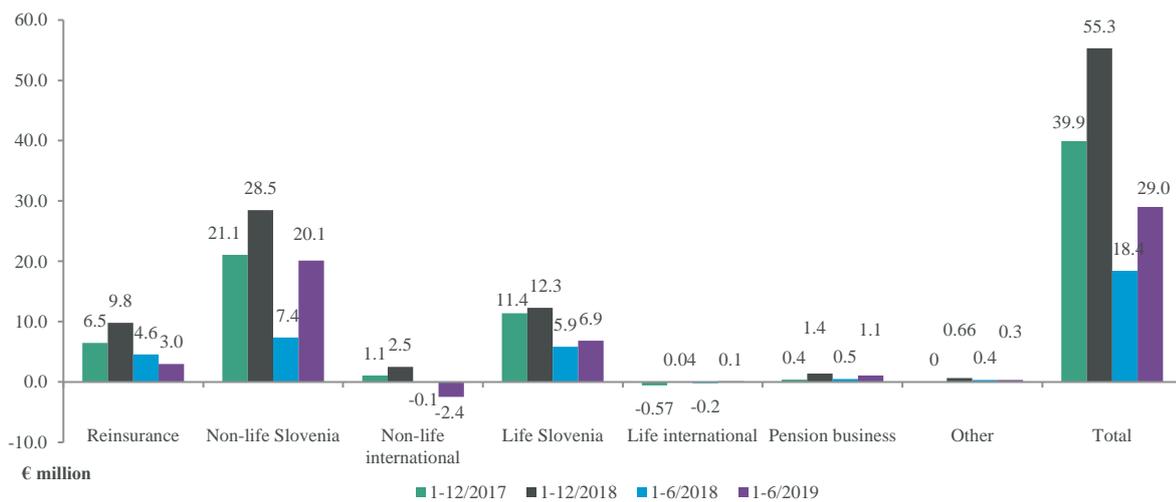
- Motor liability
- Land vehicles casco
- Fire and natural forces
- Other damage to property
- Traditional life
- Unit-linked life
- Personal accident
- Other



Sava Re operates in more than 100 countries over the world. Split of consolidated reinsurance gross premiums written 2018 by regions is as follows:



### Consolidated profit before tax by segments



## Competitive Position

In 2018, Sava Insurance Group had a market share of 16.0 per cent. (2017: 16.1 per cent.) in the Slovenian insurance market: 18.2 per cent. (2017: 17.6 per cent.) for non-life insurance products and 11.1 per cent. (2017: 12.5 per cent.) in life insurance products (Source: Slovenian Insurance Association). Market position of other insurance companies of the Sava Insurance Group are presented below.

SAVA INSURANCE GROUP	REINSURANCE OPERATIONS	NON-LIFE OPERATIONS (as per 30 June 2019)	LIFE OPERATIONS (as per 30 June 2019)	PENSION OPERATIONS (as per 30 June 2019)	GPW 2018 (€ billion)	CHANGE 2018/ 2017	MARKET SHARE 2018**
SLOVENIA	Sava Re	Zavarovalnica Sava Sava Re share: 100%	Zavarovalnica Sava Sava Re share: 100%	Sava pokojninska Sava Re share: 100.0%	R: 151.6 NL: 299.9 L: 78.5 L+NL: 378.4	-1.0% +10.9% -2.9% +7.7%	NL: 18.2% L: 11.1% T: 16.0%
CROATIA		Branch office of Slovenian insurer ERGO osiguranje* ZS share: 100%	Branch office of Slovenian insurer ERGO životno osiguranje* ZS share: 100%		NL: 12.6 L: 4.1 T: 16.7	+18.7% +9.7% +16.4%	NL: 1.4% L: 1.0% T: 1.2%
SERBIA		Sava neživotno osig. (SRB) Sava Re share: 100.0%	Sava životno osiguranje (SRB) Sava Re share: 100.0%		NL: 20.3 L: 2.2 T: 22.5	+22.6% +30.8% +23.4%	NL: 3.0% L: 1.1% T: 2.6%
KOSOVO		Illyria Sava Re share: 100.0%	Illyria Life Sava Re share: 100.0%		NL: 9.4 L: 2.1 T: 11.5	+13.0% +22.7% +14.7%	NL: 10.3% L: 71.0% T: 12.2%
MONTENEGRO		Sava osiguranje (MNE) Sava Re share: 100.0%			NL: 12.8 T: 12.8	+3.6%	NL: 17.9% T: 14.7%
NORTH MACEDONIA		Sava osiguruvanje (MKD) Sava Re share: 92.57%		Sava penzisko društvo (MKD) Sava Re share: 100.0%	NL: 13.0 T: 13.0	+2.3%	NL: 9.7% T: 8.1%

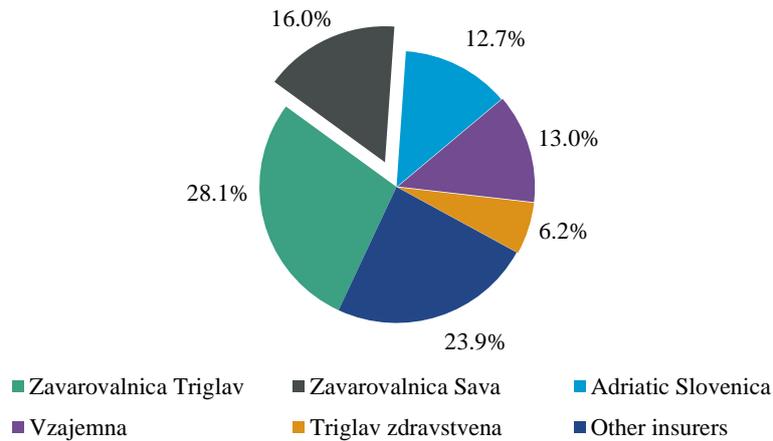
R – reinsurance; NL – non-life; L – life; T – total

\*The companies were acquired in 2019, therefore is not included in the violet part (GPW and market share).

\*\*Source: Slovenia: Slovensko zavarovalno združenje; Croatia: Hrvatski ured za osiguranje; Serbia: Narodna Banka Srbije; Kosovo: Ministry of finance of Kosovo; Montenegro: Agencija za nadzor osiguranja; N Macedonia: The insurance supervision agency.

The following chart depicts the gross written premium market share of Sava insurance Group and other competitors in Slovenia in 2018:

### Slovenian insurance market 2018



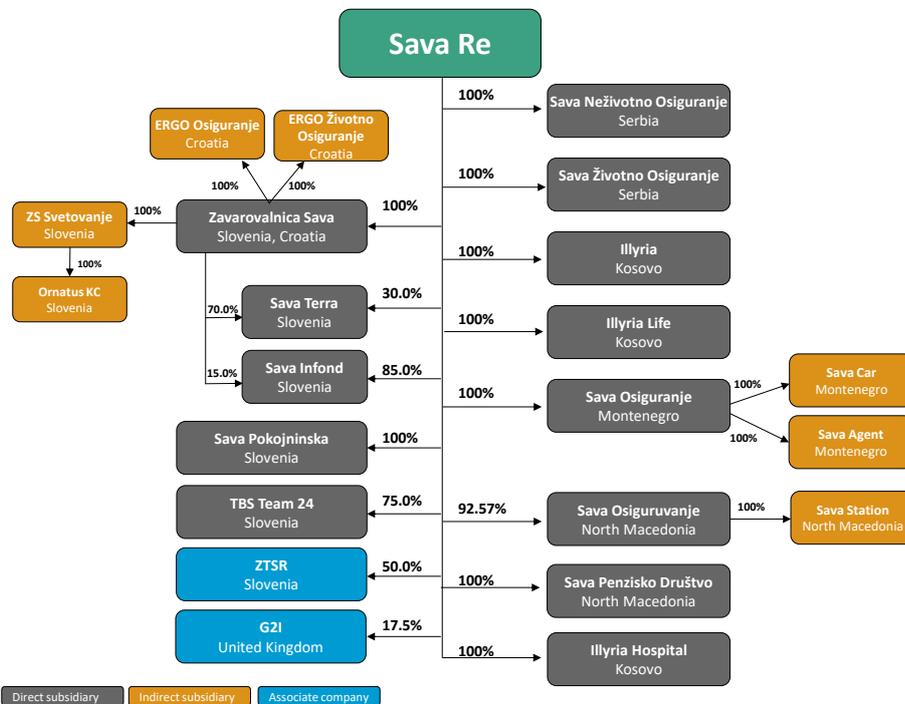
In 2019, Generali acquired Adriatic Slovenica (Market share in 2018 in Slovenia: Generali 4.4 per cent., Adriatic Slovenica 12.7 per cent.) (Source: Slovenian Insurance Association).

According to pension business, market shares<sup>1</sup> of Sava Insurance Group's members are as follows:

- Slovenia: 10 per cent.
- North Macedonia: 48 per cent.

### Organisational Structure

The Issuer is the ultimate parent company of Sava Insurance Group which as of the date of this Prospectus is as follows:



Source: Internal information of Sava Insurance Group

<sup>1</sup> Measured by the number of insured persons.

The Issuer is independent upon other entities within Sava Insurance Group.

## Share capital

The issued share capital of the Issuer as of 31 December 2018 amounts to EUR 71,856,376 (30 June 2019: EUR 71,856,376) consisting of 17,219,662 ordinary registered no-par value shares. Each share holds an equal part and corresponding amount in the share capital. The proportion of each no-par value share in the share capital shall be set out with regard to the number of issued no-par value shares. The shares are fully paid up. The shares of the Issuer are listed on the Ljubljana Stock Exchange (the "LJSE") and are traded in the Prime market of the LJSE (ticker symbol: POSR). As at 30 June 2019 market capitalisation amounted to EUR 287.6 million.

## Major Shareholders

As of 30 June 2019, Sava Re had 4,151 shareholders. The following shareholders own in Sava Re a qualifying holding as defined in the Slovenian Financial Instruments Market Act (*Zakon o trgu vrednostnih papirjev* (ZTFI-1); Official Gazette of the Republic of Slovenia No. 77/18, as amended):

- Slovenski državni holding d.d. (Slovenian Sovereign Holding) was the direct holder of 3,043,883 shares or 17.7 per cent. of the share capital of Sava Re;
- Zagrebačka Banka, d.d., Zagreb (fiduciary account) held 2,439,852 shares or 14.2 per cent. of the share capital of Sava Re;
- Republic of Slovenia was the direct holder of 2,392,436 shares or 13.9 per cent. of the share capital of Sava Re;
- Sava Re (own shares) held 1,721,966 shares or 10.0 per cent. of the share capital of Sava Re. In April 2016, the management board fully exhausted the general meeting authorisation granted in 2014 to purchase own shares up to 10% less one share of the share capital; and
- European Bank for Reconstruction and Development (EBRD) was the direct holder of 1,071,429 shares or 6.2 per cent. of the share capital of Sava Re.

As of 30 June 2019, Sava Re had no other shareholders whose holdings exceeded 5.0 per cent. of its share capital, nor any issued securities that would grant their holders special control rights.

Shareholder structure as at 30 June 2019

Investor type	Domestic investor	International investor
Insurance undertakings and pension companies	19.2%	0.0%
Other financial institutions	17.9%	0.4%
Government	13.9%	0.0%
Natural persons	9.5%	0.1%
Banks	0.1%	29.5%
Investment funds and mutual funds	2.9%	3.1%
Other commercial companies	2.2%	1.2%
<b>Total</b>	<b>65.7%</b>	<b>34.3%</b>

To the best of the knowledge of the Issuer, there are measures (by monitoring the ownership structure on a daily basis) to ensure that such control over the Issuer is not abused.

The Issuer is not aware of any arrangements the operation of which may at a subsequent date result in a change in control of the Issuer.

## Description of the Governing Bodies of the Issuer

### Management Board

The management board of the Issuer (the "**Management Board**") currently consists of 4 members. As of the date of this Prospectus the members of the Management Board are:

<b>Name</b>	<b>Function</b>	<b>Functions in other companies</b>
Marko Jazbec	Chair	<u>Memberships of other supervisory bodies of Sava Insurance Group's companies:</u> <ul style="list-style-type: none"><li>• Kompania e sigurimeve Illyria sh.a., Sheshi Nëna Terezë 33, 10000 Priština, Kosovo – chair of the board of directors</li><li>• Kompania për Sigurimin e Jetës Illyria Life sh.a., Sheshi Nëna Terezë 33, 10000 Priština, Kosovo – chair of the board of directors</li><li>• Sava Osiguranje a.d., P.C Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro – chair of the board of directors</li><li>• Sava Infond, družba za upravljanje, d.o.o., Ulica Vita Kraigherja 5, 2000 Maribor, Slovenia – chair of the supervisory board</li></ul>
Srečko Čebren	Member	-
Jošt Dolničar	Member	<u>Memberships of other supervisory bodies of Sava Insurance Group's companies:</u> <ul style="list-style-type: none"><li>• Sava Neživotno Osiguranje a.d., Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – chair of the board of directors</li><li>• Zavarovalnica Sava d.d., Cankarjeva 3, 2000 Maribor, Slovenia – chair of the supervisory board</li><li>• Sava Pokojninska Družba d.d., Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia – chair of the supervisory board</li><li>• Got2Insure, Ltd., Bailey House, 4-10 Barttelot Road, Horsham, West Sussex, RH12 1DQ, UK – non-executive director</li><li>• ZTSR, raziskovanje trga d.o.o., Dunajska cesta 22, 1000 Ljubljana, Slovenia – chair of the supervisory board</li></ul> <u>Memberships of management or supervisory bodies of third parties:</u> <ul style="list-style-type: none"><li>• Slovenian Rowing Federation, Župančičeva cesta 9, 4260 Bled, Slovenia – president</li></ul>

Name	Function	Functions in other companies
		<ul style="list-style-type: none"> <li>Olympic Committee of Slovenia – member of the executive board</li> </ul>
Polona Pirš Zupančič	Member	<u>Memberships of other supervisory bodies of Sava Insurance Group's companies:</u> <ul style="list-style-type: none"> <li>Sava Životno Osiguranje a.d.o., Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – chair of the board of directors</li> <li>Zavarovalnica Sava d.d., Cankarjeva 3, 2000 Maribor, Slovenia – member of the supervisory board</li> <li>Sava Infond, družba za upravljanje, d.o.o., Ulica Vita Kraigherja 5, 2000 Maribor, Slovenia – member of the supervisory board</li> </ul>

The Management Board represents the Issuer in its legal transactions. In this, it acts in accordance with the applicable legislation, particularly the Slovenian Companies Act (*Zakon o gospodarskih družbah (ZGD-1)*); Official Gazette of the Republic of Slovenia No. 65/09, as amended from time to time) and the Insurance Act, as well as with the articles of association and the act on the management board and its rules of procedure. The Management Board is appointed by the supervisory board of the Issuer (the "**Supervisory Board**"). The term of office of an individual Management Board member is up to five years, with the possibility of reappointment.

The Issuer has not been notified and has otherwise not been informed by any of the members of the Management Board named above about any potential conflicts of interest between the obligations of the persons towards the Issuer and their own interests or other obligations. The business address of the members of the Management Board is Dunajska cesta 56, 1000 Ljubljana, Slovenia.

### Supervisory Board

The Supervisory Board is composed of 4 shareholder representatives and 2 employee representatives. As of the date of this Prospectus, it is composed as follows:

Name	Function	Membership in der supervisory or management bodies of other companies
Mateja Lovšin Herič	Chair	-
Keith William Morris	Deputy Chair	<u>Memberships of management or supervisory bodies of third parties:</u> <ul style="list-style-type: none"> <li>European Reliance S.A., Kifisias Aven. 274, 152 32, Chalandri, Greece – non-executive member of the board of directors</li> <li>HMS Victory Preservation Endowment Fund Ltd, HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH, United Kingdom – chairman of the board of directors</li> </ul>
Davor Ivan Gjivoje	Member	<u>Memberships of management or supervisory bodies of third parties:</u>

Name	Function	Membership in der supervisory or mangement bodies of other companies
		<ul style="list-style-type: none"> <li>• Network, Inc./DGG Holdings, Ltd., 89 Headquarters Plaza, North Tower, (Suite 1420) Morristown, NJ 07960, USA – managing director</li> <li>• Adria Lines Dover, Delaware, USA – managing director</li> <li>• Network Inc., 89 Headquarters Plaza, North Tower, Suite 1420 Morristown, NJ 07960, USA – managing director</li> </ul>
Andrej Kren	Member	<u>Memberships of management or supervisory bodies of third parties:</u> <ul style="list-style-type: none"> <li>• Delo d.o.o., Dunajska 5, 1000 Ljubljana, Slovenia – chief executive</li> <li>• RSG Kapital d.o.o., Breg 14, 1000 Ljubljana, Slovenia – member of the supervisory board</li> </ul>
Andrej Gorazd Kunstek	Member, employee representative	-
Mateja Živec	Member, employee representative	<ul style="list-style-type: none"> <li>• PINIJA d.o.o. Portorož, Portorož, Sončna pot 41, 6320 Portorož – Portorose managing director</li> </ul>

The Supervisory Board oversees the conduct of the Issuer's business. In so doing, it must comply with applicable regulations, particularly the laws on companies, insurance business, the Issuer's articles of association and the rules of procedure of the Supervisory Board. In accordance with the law, the Supervisory Board must be convened at least on a quarterly basis, generally after the end of each quarter. If necessary, the Supervisory Board may meet on a more frequent basis.

The Issuer has not been notified and has otherwise not been informed by any of the members of the Supervisory Board named above about any potential conflicts of interest between the obligations of the persons towards the Issuer and their own interests or other obligations. The business address of the members of the Supervisory Board is Dunajska cesta 56, 1000 Ljubljana, Slovenia.

### Material Contracts

On 8 August 2019, Sava Re as buyer and Cinxro Holdings Ltd. as seller signed a contract under which Sava Re will buy 80% of share capital of the company Diagnostični center Bled d.o.o. ("**Diagnostic Centre Bled**") representing 100% of voting rights. At the same time, Sava Re signed an agreement with Zavarovalnica Triglav d.d. on the manner of cooperation in their acquisition of interests in the company Diagnostic Centre Bled. With this agreement, the parties agreed the key steps, the ultimate objective of which is to acquire joint control over the company Diagnostic Centre Bled through their jointly-owned company ZTSR d.o.o. The completion of the transaction is subject to the fulfilment of certain suspensive conditions.

## **Governmental, Legal and Arbitration Proceedings**

The companies of Sava Insurance Group participate in judicial and extra-judicial proceedings in Slovenia and abroad both as plaintiffs or petitioners and as defendants or respondents. The outcome of these proceedings is more or less uncertain.

The proceedings described below do not include disputes related to insurance contracts written by the companies of Sava Insurance Group in the ordinary course of business and only those proceedings deemed to be of material interest in the context of the issue of the Bonds are explicitly mentioned herein.

With the exception of the cases described below, the Issuer is not currently involved, and has not been involved in the last 12 months, in any court or arbitration proceedings or proceedings before any administrative authorities which, in the Issuer's opinion, are reasonably likely to substantially affect the financial position or profitability of the Issuer or Sava Insurance Group. To the best knowledge of the Issuer, no further material proceedings are threatened.

### **Major legal and arbitration disputes**

#### ***Legal proceedings regarding the termination of banks' qualified liabilities***

Along with numerous other bank investors, Sava Re and certain companies of Sava Insurance Group suffered a significant loss because of the extraordinary measures on the termination of banks' qualified liabilities issued by the Bank of Slovenia at the end of 2013 to six Slovenian banks. The proceedings listed below relate to the termination of banks' qualified liabilities on the basis of decisions of the Bank of Slovenia on the extraordinary measures issued to six Slovenian banks, i.e.:

- Nova ljubljanska banka d.d., Ljubljana, Trg republike 2, 1000 Ljubljana ("**NLB**"), with the Bank of Slovenia decision, ref. no. PBH 24.20-021/13-010 of 17/12/2013;
- Nova kreditna banka Maribor d.d., Ulica Vita Kraigherja 4, 2000 Maribor ("**NKBM**"), with the Bank of Slovenia decision, ref. no. PBH 24.20-022/13-009 of 17/12/2013;
- Abanka Vipava d.d., Slovenska cesta 58, 1000 Ljubljana ("**Abanka**"), with the Bank of Slovenia decision, ref. no. PBH 24.20-023/13-009 of 17/12/2013;
- Factor banka d.d., Tivolska cesta 48, 1000 Ljubljana ("**Factor banka**"), with the Bank of Slovenia decision, ref. no. PBH 24.20-030/13-009 of 17/12/2013;
- Probanka d.d., Trg Leona Štuklja 12, 2000 Maribor ("**Probanka**"), with the Bank of Slovenia decision, ref. no. PBH 24.20-029/13-009 of 17/12/2013; and
- Banka Celje d.d., Bančna skupina banke Celje, Vodnikova ulica 2, 3000 Celje ("**Banka Celje**"), with the Bank of Slovenia decision, ref. no. PBH 24.20-024/13-023 of 16/12/2014.

In 2016, the consortium members (including Sava Re and companies of Sava Insurance Group, Zavarovalnica Sava, d.d., Sava pokojninska družba, d.d. and Sava Infond, d.o.o.) filed four claims for damages against commercial banks that were subject to the Bank of Slovenia extraordinary measures of 17 December 2013 concerning the termination of qualified bank credit, i.e. in connection with the extraordinary measures issued to NLB, NKBM, Abanka, Factor banka and Probanka ("**Decision(s) on Extraordinary Measures**"). In 2017, due to the same reason (i.e. as the Bank of Slovenia also issued a Decision on Extraordinary Measures to Banka Celje) consortium members also filed an action against Abanka as the legal successor of Banka Celje.

Under the Decisions on Extraordinary Measures, all qualified liabilities of the above-listed banks were terminated, including the subordinated financial instruments held by the consortium members. In each of the proceedings, the consortium members claimed that the defendant (as the issuer of the subordinated financial instruments terminated under the Decisions on Extraordinary Measures) should compensate the loss incurred due to the termination of qualified bank liabilities, i.e. on the basis of defendant's non-commercial liability for damages.

Sava Insurance Group has contingent receivables from claims against issuing banks for subordinated financial instruments of EUR 38.0 million. In case of successful legal proceedings, part of these receivables would be assigned to life

policyholders through profit sharing schemes. As at 31 December 2018 no receivables are recognised in the financial statements.

## Historical Financial Information

The audited consolidated annual financial statements of the Issuer as of 31 December 2017 and 31 December 2018 as well as the unaudited financial report for the six months to 30 June 2019 are incorporated by reference into this Prospectus.

## Selected Consolidated Financial Information and Key Performance Indicators

(EUR million, except percentages)	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)	31 December 2018 (Audited)	31 December 2017 (Audited)
<b>Total segments</b>				
Operating revenues	274.0	254.5	540.5	492.3
Year-on-year change	7.6%	6.4%	9.8%	2.0%
Gross premiums written	336.8	308.6	546.3	517.2
Year-on-year change	9.1%	3.7%	5.6%	5.5%
Net return on revenue (net result / all income other than investment and commission income), excluding the effect of exchange differences	8.3%	5.6%	8.0%	6.5%
Net expense ratio, including all income other than from investing and excluding effects of exchange differences	30.7%	32.7%	32.5%	31.4%
Net investment income of the investment portfolio	12.9	10.1	17.8	15.7
Return on the investment portfolio	2.4%	1.9%*	1.6%	1.5%
Net investment income of the investment portfolio, excluding exchange differences	12.2	10.3	17.9	21.7
Return on the investment portfolio, excluding exchange differences	2.3%	1.9%	1.7%	2.0%
Profit or loss before tax	29.0	18.4	55.3	39.9
Year-on-year change	57.4%	-17.7%	38.6%	-1.9%
Profit/loss, net of tax	22.6	14.2	43.0	31.1
Year-on-year change	59.3%	-17.2%	38.3%	-5.5%
Comprehensive income	35.4	11.5	36.4	32.8
Year-on-year change	207.0%	-25.1%	11.2%	12.9%
Annualised return on equity	12.5%	9.9%	13.1%	10.1%
<b>Reinsurance + non-life</b>				
Gross premiums written	291.3	264.6	457.2	427.1
Year-on-year change	10.1%	5.1%	7.0%	5.8%
Net incurred loss ratio	61.2%	61.0%	57.0%	58.9%
Net incurred loss ratio, excluding the effect of exchange differences	60.8%	61.1%	57.0%	60.5%
Operating expenses, including reinsurance commission income	68.9	67.5	142.4	129.8
Net expense ratio	32.3%	34.4%	34.2%	34.1%
Gross expense ratio	26.2%	27.2%	32.2%	31.5%

Net combined ratio	95.0%	97.2%	92.9%	94.4%
Net combined ratio, excluding the effect of exchange differences	94.6%	97.3%	92.9%	95.6%
<b>Reinsurance + non-life + life</b>				
Gross premiums written	334.9	307.2	544.1	515.1
Year-on-year change	9.0%	3.6%	5.6%	5.3%
Operating expenses, including reinsurance commission income	80.8	79.2	166.5	152.7
Net expense ratio	31.4%	33.2%	33.1%	32.6%
Gross expense ratio	26.3%	27.3%	31.6%	30.7%
<b>Total operating segments</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Total assets	1,832.7	1,755.8	1,705.9	1,708.3
Change on 31 Dec of prior year	7.4%	2.8%	-0.1%	2.2%
Shareholders' equity	360.7	315.2	340.2	316.1
Change on 31 Dec of prior year	6.0%	-0.3%	7.6%	6.4%
Net technical provisions	1,163.1	1,168.3	1,103.2	1,127.1
Change on 31 Dec of prior year	5.4%	3.6%	-2.1%	1.6%
Total assets of the investment portfolio	1,097.7	1,089.7	1,082.8	1,084.2
Change on 31 Dec of prior year	1.4%	0.5%	-0.1%	
Funds for the benefit of policyholders who bear the inv. risk	222.9	217.9	215.9	234.4
Change on 31 Dec of prior year	3.2%	-7.0%	-7.9%	
Assets in pension company savings funds	691.2	610.8	638.2	129.6
Change on 31 Dec of prior year	8.3%	371.3%	392.4%	
Assets under management Sava Infond	347.3	-	-	-
Change on 31 Dec of prior year	-	-	-	-
Book value per share	23.27	20.34	21.95	20.40
Net earnings/loss per share	1.45	0.91	2.76	2.00
Dividend payout	34.2%	39.9%	39.9%	37.7%
Dividend yield	5.7%	4.6%	4.8%	5.0%
No. of employees (full-time equivalent basis)	2,657.8	2,431.6	2,416.7	2,388.8
Solvency ratio under Solvency II rules	-	-	218%	220%

The net investment income of the investment portfolio does not include the net investment income relating to assets of policyholders who bear the investment risk since such assets do not affect the income statement. The mathematical provision of policyholders who bear the investment risk moves in line with this line item.

\*Concept of calculation of return on investments as at 30 June 2018 differs in comparison to semi annual report 2019 calculation, because at 30 June 2018 it was calculated in a way that included an adjustment for dividend income (proportional-monthly split of dividend income instead of one time event recognition).

## Description of Key Performance Indicators

Sava Re uses, throughout its financial publications, APMs in addition to the figures which are prepared in accordance with IFRS. From the Issuer's point of view, these measures provide useful information to investors and enhance the understanding of the results of Sava Insurance Group. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to IFRS.

**Net combined ratio.** Ratio of total expenses (other than investment) to total income (other than investment). The Group's ratio is calculated for the reinsurance and non-life insurance operating segments.

**Net combined ratio, excluding the effect of exchange differences.** Ratio of total expenses (other than investment) to total income (other than investment). The Group's ratio is calculated for the reinsurance and non-life insurance operating segments, excluding the effect of exchange differences.

**Net incurred loss ratio.** Net claims incurred gross of the change in other technical provisions as a percentage of net premiums earned. The Group's ratio is calculated for the reinsurance and non-life insurance operating segments.

**Net expense ratio.** The ratio of operating expenses, net of commission income, as a percentage of net earned premiums. The Group's ratio is calculated for the reinsurance, non-life insurance and life insurance operating segments.

**Net expense ratio for total segments.** The ratio of operating expenses, net of commission income, as a percentage of net earned premiums, other technical income and other income, excluding effects of exchange differences.

**Net investment income from the investment portfolio.** Calculated from income statements items: income from investments in subsidiaries and associates + investment income + income from investment property – expenses for investments in subsidiaries and associates – expenses for financial assets and liabilities – expenses for investment property. Income from and expenses for investment property are included in the other income / other expenses item. Net investment income of the investment portfolio does not include net unrealised gains or losses on investments of life insurance policyholders who bear the investment risk as these do not affect the income statement. These items move in line with the mathematical provision of policyholders who bear the investment risk.

**Return on equity.** The ratio of net profit for the period as a percentage of average equity in the period.

**Return on the investment portfolio.** The ratio of net investment income relating to the investment portfolio to average invested assets. It includes the following statement of financial position items: investment property, financial investments in subsidiaries and associates, financial investments and cash and cash equivalents. The average amount is calculated based on figures as at the reporting date and as at the end of the prior year.

**Consolidated book value per share.** Ratio of consolidated total equity to weighted average number of shares outstanding.

**Consolidated earnings or loss per share.** Ratio of net profit/loss attributable to equity holders of the controlling company as a percentage of the weighted average number of shares outstanding.

**Gross expense ratio.** The ratio of operating expenses as a percentage of gross premiums written. The Group's ratio is calculated for the reinsurance, non-life insurance and life insurance operating segments.

**Operating revenues.** Total income less investment income.

**Net return on revenue for total segments.** Ratio of net result to all income (other than investment and commission income), excluding the effect of exchange differences.

**Solvency ratio.** The ratio of eligible own funds as a percentage of the SCR. A solvency ratio in excess of 100% indicates that the firm has sufficient resources to meet the SCR.

**Dividend payout.** Dividend paid as a percentage of consolidated profit/loss.

**Dividend yield.** Ratio of dividend per share to the average price per share.

## Reconciliation of Key Performance Indicators

(in EUR unless otherwise specified)	30 June 2019	30 June 2018	31 December 2018	31 December 2017
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
<b>Total segments</b>				
Net premiums earned	259,159,700	240,094,363	504,669,701	470,865,994
Other technical income	8,959,596	8,371,622	21,238,357	15,429,720
Other income	5,860,442	6,055,344	14,549,676	6,058,000
<b>Operating revenues</b>	<b>273,979,738</b>	<b>254,521,329</b>	<b>540,457,734</b>	<b>492,353,714</b>
Net result, excluding the effect of exchange differences	22,637,232	14,202,794	42,826,535	31,841,011
/Net premiums earned, excluding the effect of exchange differences	259,109,766	240,242,627	504,743,319	470,618,690
Other technical income, excluding the effect of exchange differences	6,403,965	6,525,209	17,561,789	14,248,704
Other income, excluding the effect of exchange differences	5,860,442	6,055,344	14,549,676	6,058,000
<b>Net return on revenue (net result / all income other than investment and commission income), excluding the effect of exchange differences</b>	<b>8.3%</b>	<b>5.6%</b>	<b>8.0%</b>	<b>6.5%</b>
Operating expenses, excluding the effect of exchange differences	85,844,632	84,389,251	178,146,435	156,933,126
Commission income, excluding the effect of exchange differences	-2,443,823	-1,830,775	-3,634,682	-2,870,868
/Net premiums earned, excluding the effect of exchange differences	259,109,766	240,242,627	504,743,319	470,618,690
Other technical income, excluding the effect of exchange differences	6,403,965	6,525,209	17,561,789	14,248,704
Other income, excluding the effect of exchange differences	5,860,442	6,055,344	14,549,676	6,058,000
<b>Net expense ratio, including all income other than from investing and excluding effects of exchange differences</b>	<b>30.7%</b>	<b>32.7%</b>	<b>32.5%</b>	<b>31.4%</b>

Investment income	15,512,445	14,803,013	28,035,775	27,961,030
-Investment expenses	2,628,600	4,732,746	10,267,352	12,231,584
<b>Net investment income</b>	<b>12,883,845</b>	<b>10,070,267</b>	<b>17,768,423</b>	<b>15,729,446</b>
/average invested assets	1,090,221,561	1,086,975,445	1,083,511,551	1,071,942,971
<b>Return on the investment portfolio</b>	<b>2.4%</b>	<b>1.9%*</b>	<b>1.6%</b>	<b>1.5%</b>
Investment income, excluding the effect of exchange differences	13,032,826	11,059,740	21,619,231	23,758,316
-Investment expenses, excluding the effect of exchange differences	791,448	734,608	3,696,584	2,097,506
<b>Net investment income, excluding the effect of exchange differences</b>	<b>12,241,378</b>	<b>10,325,132</b>	<b>17,922,647</b>	<b>21,660,810</b>
/average invested assets	<b>1,090,221,561</b>	<b>1,086,975,445</b>	<b>1,083,511,551</b>	<b>1,071,942,971</b>
<b>Return on the investment portfolio, excluding the effect of exchange differences</b>	<b>2.3%</b>	<b>1.9%</b>	<b>1.7%</b>	<b>2.0%</b>
Net profit or loss for the period	45,140,518	32,384,454	43,011,849	31,094,908
/Average equity in the period	361,517,212	326,323,415	328,146,175	306,577,611
<b>Annualised return on equity</b>	<b>12.5%</b>	<b>9.9%</b>	<b>13.1%</b>	<b>10.1%</b>
<b>Reinsurance + non-life</b>				
Net claims incurred	130,422,178	119,418,290	234,321,998	223,907,921
Change in other technical provisions	466,948	364,988	2,616,287	350,646
/Net premiums earned	213,757,336	196,215,712	415,970,758	381,055,820
<b>Net incurred loss ratio</b>	<b>61.2%</b>	<b>61.0%</b>	<b>57.0%</b>	<b>58.9%</b>
Net claims incurred, excluding the effect of exchange differences	129,485,599	119,617,071	234,620,567	230,117,109
Change in other technical provisions, excluding the effect of exchange differences	466,948	364,988	2,616,287	350,646
/Net premiums earned, excluding the effect of exchange differences	213,707,402	196,363,976	416,044,377	380,808,516
<b>Net incurred loss ratio, excluding the effect of exchange differences</b>	<b>60.8%</b>	<b>61.1%</b>	<b>57.0%</b>	<b>60.5%</b>
Operating expenses	71,383,666	69,316,145	146,014,251	132,641,804
Commission income	-2,437,589	-1,830,775	-3,577,064	-2,824,370
/Net premiums earned	213,757,336	196,215,712	415,970,758	381,055,820
<b>Net expense ratio</b>	<b>32.3%</b>	<b>34.4%</b>	<b>34.2%</b>	<b>34.1%</b>
Acquisition costs	30,927,637	26,059,390	51,470,140	45,660,604
Other operating expenses	45,409,562	45,997,105	95,662,415	88,862,556
/Gross premiums written	291,328,681	264,579,573	457,228,348	427,151,909
<b>Gross expense ratio</b>	<b>26.2%</b>	<b>27.2%</b>	<b>32.2%</b>	<b>31.5%</b>
Net claims incurred	130,422,178	119,418,290	234,321,998	223,907,921
Change in other technical provisions	466,948	364,988	2,616,287	350,646
Expenses for bonuses and rebates	190,827	-253,379	-288,628	-5,848
Operating expenses	71,383,666	69,316,145	146,014,251	132,641,804
Other technical expenses	8,874,387	9,501,124	22,590,780	16,778,320
Other expenses	1,222,456	1,467,664	2,850,610	2,647,971
/Net premiums earned	213,757,336	196,215,712	415,970,758	381,055,820
Other technical income	7,485,418	6,913,484	18,230,174	12,329,420
Other income	2,602,859	2,386,182	5,195,459	5,141,833
<b>Net combined ratio</b>	<b>95.0%</b>	<b>97.2%</b>	<b>92.9%</b>	<b>94.4%</b>
Net claims incurred, excluding the effect of exchange differences	129,485,599	119,617,071	234,620,567	230,117,109
Change in other technical provisions, excluding the effect of exchange differences	466,948	364,988	2,616,287	350,646
Expenses for bonuses and rebates, excluding the effect of exchange differences	190,827	-253,379	-288,628	-5,848
Operating expenses, excluding the effect of exchange differences	71,369,222	69,339,756	146,029,249	132,612,602
Other technical expenses, excluding the effect of exchange differences	8,986,195	9,516,762	22,632,666	15,088,468

Other expenses, excluding the effect of exchange differences	1,222,456	1,467,664	2,850,610	2,647,971
/Net premiums earned, excluding the effect of exchange differences	213,707,402	196,363,976	416,044,377	380,808,516
Other technical income, excluding the effect of exchange differences	7,485,418	6,913,484	18,230,174	12,329,420
Other income, excluding the effect of exchange differences	2,602,859	2,386,182	5,195,459	5,141,833
<b>Net combined ratio, excluding the effect of exchange differences</b>	<b>94.6%</b>	<b>97.3%</b>	<b>92.9%</b>	<b>95.6%</b>
<b>Reinsurance + non-life + life</b>				
Operating expenses	83,257,394	81,004,110	170,162,809	155,578,867
Commission income	-2,443,823	-1,830,775	-3,634,682	-2,870,868
/Net premiums earned	257,246,194	238,694,704	502,450,658	468,747,263
<b>Net expense ratio</b>	<b>31.4%</b>	<b>33.2%</b>	<b>33.1%</b>	<b>32.6%</b>
Acquisition costs	34,022,782	29,192,959	58,353,106	51,917,957
Other operating expenses	54,162,089	54,788,819	113,408,239	106,049,912
/Gross premiums written	334,911,448	307,245,267	544,080,496	515,114,700
<b>Gross expense ratio</b>	<b>26.3%</b>	<b>27.3%</b>	<b>31.6%</b>	<b>30.7%</b>
Shareholders' equity	360,675,041	315,178,680	340,175,455	316,116,895
/Weighted average number of shares outstanding	15,497,696	15,497,696	15,497,696	15,497,696
<b>Book value per share</b>	<b>23.27</b>	<b>20.34</b>	<b>21.95</b>	<b>20.40</b>
Net profit/loss attributable to equity holders of the controlling company	22,533,500	14,097,616	42,790,617	31,065,329
/Weighted average number of shares outstanding	15,497,696	15,497,696	15,497,696	15,497,696
<b>Net earnings/loss per share</b>	<b>1.45</b>	<b>0.91</b>	<b>2.76</b>	<b>2.00</b>
Dividend paid	14,722,811	12,398,157	12,398,157	12,398,157
/Net profit or loss for the previous year	43,011,849	31,094,908	31,094,908	32,918,213
<b>Dividend payout</b>	<b>34.2%</b>	<b>39.9%</b>	<b>39.9%</b>	<b>37.7%</b>
Dividend per share	0.95	0.80	0.80	0.80
/Average price per share in the period	16.62	17.47	16.77	15.86
<b>Dividend yield</b>	<b>5.7%</b>	<b>4.6%</b>	<b>4.8%</b>	<b>5.0%</b>
Eligible own funds	-	-	471,947,628	451,398,018
/SCR	-	-	216,734,647	205,015,362
<b>Solvency ratio under Solvency II rules</b>	<b>-</b>	<b>-</b>	<b>218%</b>	<b>220%</b>

\*Concept of calculation of return on investments as at 30 June 2018 differs in comparison to semi annual report 2019 calculation, because at 30 June 2018 it was calculated in a way that included an adjustment for dividend income (proportional-monthly split of dividend income instead of one time event recognition).

## Dividend

For 2018, the gross dividend per share amounted to EUR 0.95 (for 2017: EUR 0.80) and the Dividend Payout Ratio amounted to 34.2 per cent (for 2017: 39.9 per cent). Dividend yield for 2018 and 2017 amounted 5.7 and 4.8 per cent, respectively. The dividend yield for 2017 was calculated using the average market share price in the reporting period 1 January 2018 – 31 December 2018 and for 2018 in the reporting period 1 January 2019 – 30 June 2019.

## Investment Portfolio

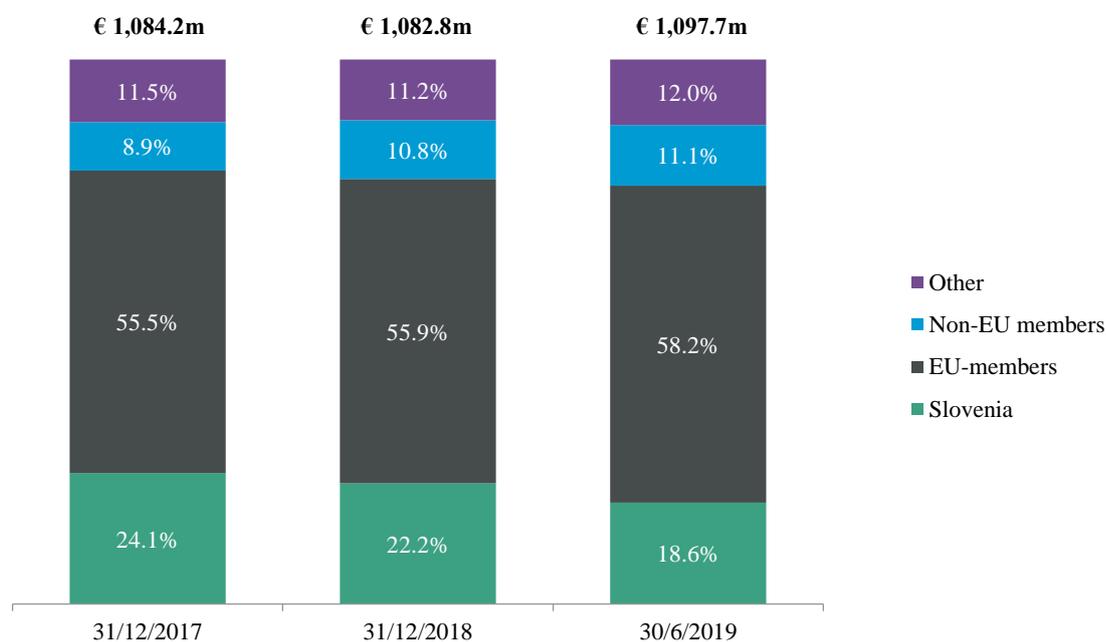
Sava Insurance Group's investment portfolio consists of the following statement of financial position items: financial investments, investment property, financial investments in associated companies, and cash and cash equivalents.

	31 December 2017 (Audited)		31 December 2018 (Audited)		30 June 2019 (Unaudited)	
	(EUR million)	(%)	(EUR million)	(%)	(EUR million)	(%)
Government bonds	566.5	52.3	550.7	50.9	519.8	47.4
Corporate bonds	394.2	36.4	369.0	34.1	384.6	35.0
Deposits	21.6	2.0	27.7	2.6	38.2	3.5
Mutual funds	31.9	2.9	32.3	3.0	31.4	2.9
Shares	17.5	1.6	15.7	1.4	16.4	1.5
Infrastructure funds	0	0.0	5.3	0.5	8.6	0.8
Deposits by cedants&given loans	6.4	0.6	7.4	0.7	7.5	0.7
<b>Total financial investments</b>	<b>1,038.1</b>		<b>1,008.1</b>		<b>1,006.5</b>	
Cash and cash equivalents*	30.7	2.8	53.6	4.9	69.6	6.3
Investment property	15.4	1.4	20.6	1.9	20.9	1.9
Financial investments in associates	0	0.0	0.5	0.0	0.6	0.1
<b>Total investment portfolio</b>	<b>1,084.2</b>	<b>100</b>	<b>1,082.8</b>	<b>100</b>	<b>1,097.7</b>	<b>100</b>
Funds for the benefit of policyholders who bear the investment risk	234.4	-	215.9	-	222.9	-
<i>Financial investments</i>	227.2	-	204.8	-	214.1	-
<i>Cash and cash equivalents</i>	7.2	-	11.1	-	8.8	-
Investment contract assets	129.6	-	135.6	-	142.5	-

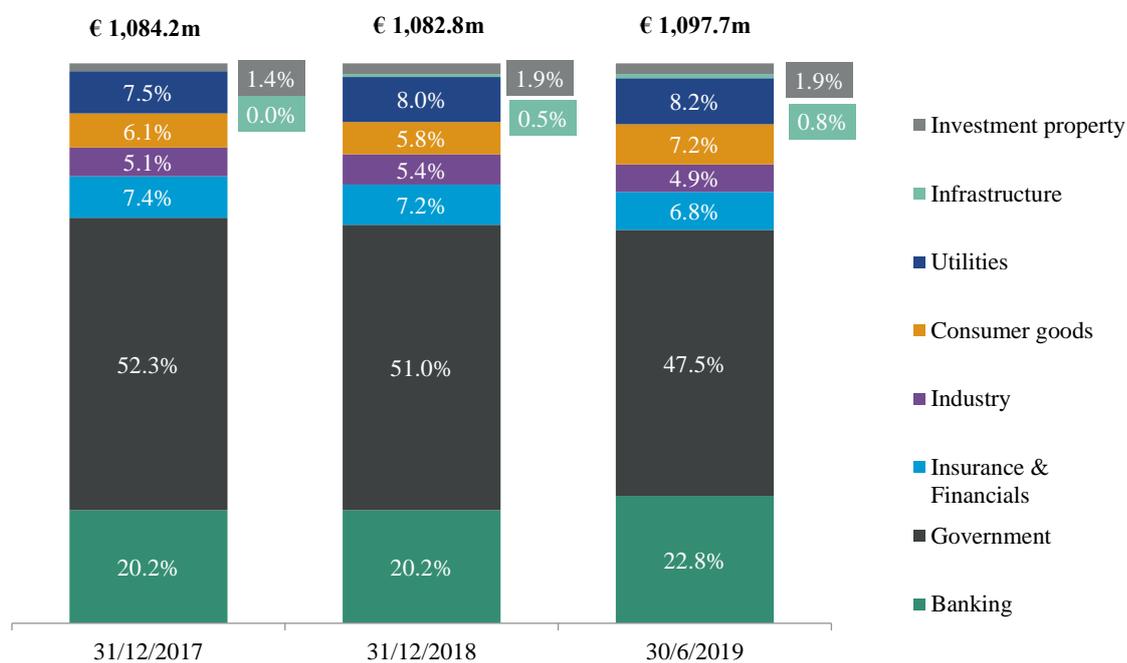
\*Cash and cash equivalents of policyholders who bear the investment risk (2018: EUR 11.1 million); 2017: EUR 7.2 million) are excluded from the investment portfolio.

As at 30 June 2019, the investment portfolio of Sava Insurance Group totalled EUR 1,097.7 million, an increase of EUR 14.9 million from year-end 2018. Positive effects on the balance of the investment portfolio stem from the change in accrued interest, fair value gains, realised gains on the disposal of financial investments and dividend income. Net cash flow from core (re)insurance business was negative in the reporting period.

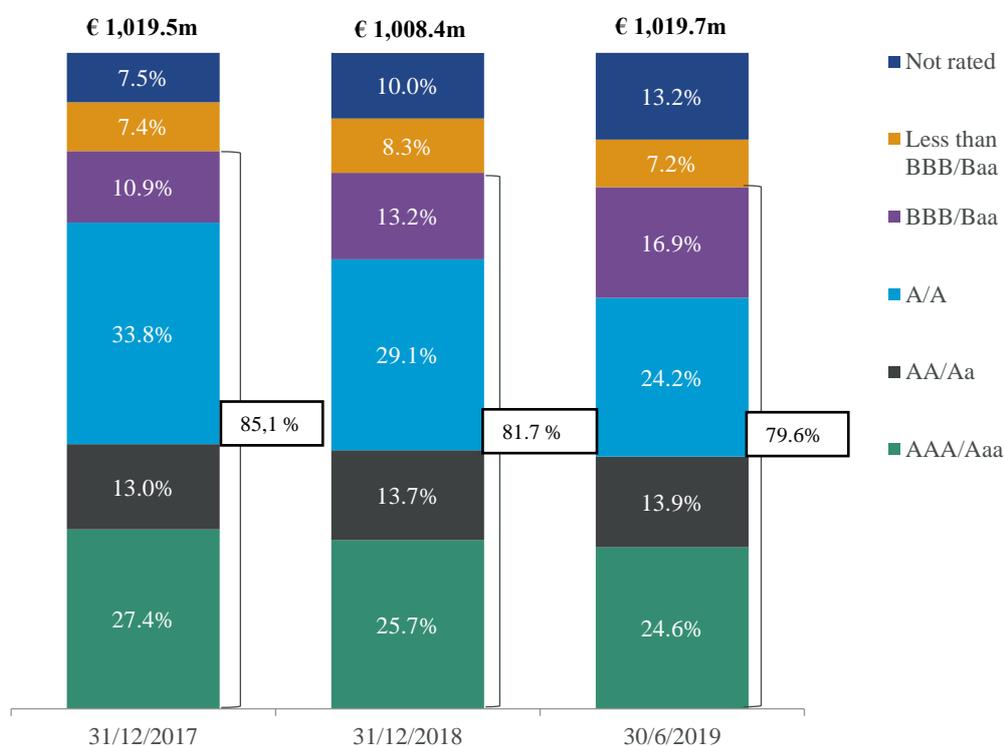
### Composition of the investment portfolio by region



### Composition of the investment portfolio by industry



## Composition of fixed-income investments by rating



Due to rounding of the percentages included in the table regarding the Issuer's investment portfolio above the numbers shown on the top of this graph may deviate from the numbers calculated on the basis of the numbers provided in the table regarding the Issuer's investment portfolio.

As at 30 June 2019, fixed-income investments accounted for 92.9 per cent. of the portfolio, roughly the same as at 31 December 2018. The following movements in the structure of fixed-income investments have been seen:

- lower exposure to government bonds and government-guaranteed corporate bonds of EUR 30.9 million (a 3.5-percentage-point decline in the proportion of fixed-income investments), largely due to investments reaching maturity;
- increased risk exposure to conventional corporate, subordinated and covered bonds in the amount of EUR 15.6 million. The value of investments in regular corporate bonds rose by EUR 10.1 million (larger proportion of fixed-income investments by 0.6 percentage points); the value of subordinated corporate bonds grew by EUR 5.2 million (higher proportion of fixed-income investments by 0.5 percentage points); the value of investments in covered bond remained on the year-end (31 December 2018) level.
- increase in cash and cash equivalents of EUR 16.0 million (1.4 percentage point rise in the proportion of fixed-income investments).

### Independent Auditors and Financial Year

The consolidated annual financial statements of the Issuer as of 31 December 2018 and 31 December 2017 were audited by ERNST & YOUNG Revizija, poslovno svetovanje, d.o.o. ("EY") and EY has issued in each case an unqualified auditor's opinion. EY is a registered audit company at the Slovenian Agency for Public Oversight of Auditing (*Agencija za javni nadzor nad revidiranjem*).

From the financial year 2019 the auditor of the Issuer is KPMG SLOVENIJA, podjetje za revidiranje, d.o.o..

The financial year of the Issuer is the calendar year.

## No Material Adverse and Significant Changes

Other than set out below in sections "*Trend Information*" and "*Recent Events*", there has been no significant change in the financial position or in the financial performance of Sava Insurance Group since 30 June 2019 and no material adverse change in the Issuer's prospects since 31 December 2018.

### Trend Information

In 2018, Sava Re acquired a 75 per cent. stake in TBS TEAM 24, which is a provider of assistance services relating to motor, health and homeowners insurance. The first consolidated accounts of the Sava Insurance Group after TBS Team 24 joined were prepared as at 31 January 2018.

In 2018, Sava Re became the sole owner of Sava Penzisko Društvo which manages mandatory and voluntary pension insurance funds in North Macedonia. The first consolidated accounts of the Sava Insurance Group after Sava Penzisko Društvo joined were prepared as at 31 March 2018.

In 2018, Sava Re acquired the Serbian-based insurer Energoprojekt Garant, which mostly writes liability business. It was first included in the consolidated accounts as at 31 March 2018. At the end of the year, Energoprojekt Garant was merged with Sava Neživotno Osiguranje (Serbia).

In 2018, Zavarovalnica Sava and Sava Re jointly acquired Sava Terra to serve as a platform for investing in Sava Insurance Group investment property, primarily in the Slovenian market.

At year-end 2018, Sava Re acquired a 50 per cent. stake in ZTSR d.o.o., a company providing market research services.

In 2018, Sava Re acquired a 17.5 per cent. stake in the UK-based start-up company Got2Insure Ltd which markets niche motor liability insurance through an online platform. The ownership stake entitles Sava Re to two seats on the board of directors (25 per cent. of voting rights) and some other corporate rights that exceed the rights Sava Re would be entitled to based on the ownership, which is why in the consolidated accounts Got2Insure Ltd has been treated as an associate company.

On 27 February 2019, upon the satisfaction of all suspensive conditions, Zavarovalnica Sava d.d. acquired 100 per cent. of the companies Ergo osiguranje d.d. and Ergo životno osiguranje d.d., in accordance with the purchase and sale contract dated 13 April 2018.

On 7 June 2019, having met all the suspensive conditions under the sales agreement of 24 December 2018, Sava Re acquired a 77 per cent. stake in the share capital of Infond d.o.o. and an additional 7 per cent. stake under the sales agreement of 15 January 2019, totalling an 84 per cent. stake in the share capital, and, taking into account own shares, 85 per cent. of the voting rights. With the subsidiary Zavarovalnica Sava d.d. already holding a 15 per cent. stake in the company, the members of Sava Insurance Group now hold 100 per cent. of the voting rights in Infond d.o.o.

### Recent Events

On 24 May 2019, the Republic of Slovenia received 655,000 Sava Re shares (a 3.8 per cent. stake) from the Abanka bank as a non-monetary dividend payment. Slovenian Sovereign Holding and the Republic of Slovenia jointly hold 5,436,319 shares accounting for a 31.6 per cent. stake.

In August 2019, Sava Re as buyer and Cinxro Holdings Ltd. as seller signed a contract under which Sava Re will buy 80 per cent. of share capital of the company Diagnostični center Bled d.o.o. ("**Diagnostic Centre Bled**") representing 100 per cent. of the voting rights. At the same time, Sava Re signed an agreement with Zavarovalnica Triglav d.d. on the manner of cooperation in their acquisition of interests in the company Diagnostic Centre Bled. With this agreement, the parties agreed the key steps, the ultimate objective of which is to acquire joint control over the company Diagnostic Centre Bled through their jointly-owned company ZTSR d.o.o. The completion of the transaction is subject to the fulfilment of certain suspensive conditions.

## Issuer Credit Ratings

Sava Re is rated by two rating agencies, Standard & Poor's and AM Best.

Agency	Rating	Outlook
Standard & Poor's	A	stable
AM Best	A	stable

Both credit rating agencies that regularly issue ratings on Sava Re have improved their financial strength ratings on Sava Re in 2018. The improved rating reflected a strong capital position over a longer period both under the rating agency's model and Solvency II, which was further supported by a stable dividend policy. The ratings also reflect Sava Insurance Group's solid market position and operating profitability. Furthermore, both agencies assessed the completed acquisitions (as set out above) as positive.

## Regulatory Capital

### *Solvency II*

The capital requirements, as well as the definition and calculation of eligible capital, are governed by the Solvency II rules that came into force on 1 January 2016. The directive was implemented in Slovenia through the Insurance Act.

Solvency II is divided into three pillars

- "Pillar 1" sets out quantitative requirements, including the rules to value assets and liabilities (in particular, technical provisions), to calculate capital requirements and to identify eligible own fund to cover those requirements.
- "Pillar 2" sets out requirements for risk management, governance, as well as the details of the supervisory process with competent authorities; this is intended to ensure that the regulatory framework is combined with each undertaking's own risk-management system and informs business decisions.
- "Pillar 3" addresses transparency, reporting to supervisory authorities and disclosure to the public, thereby enhancing market discipline and increasing comparability, intending to lead to more competition.

### *Capital Requirements*

Capital requirements under Solvency II are forward-looking and economic (i.e., they are tailored to the specific risks borne by each issuer), and are defined along a two-step ladder:

The solvency capital requirement ("**SCR**"), which corresponds to the value-at-risk of the eligible basic own funds of an insurance or reinsurance undertaking subject to a confidence level of 99.5 per cent. over a one-year period. The SCR is a level of financial resources that enables insurance and reinsurance undertakings to absorb significant losses, it can be considered as the prudent amount of assets to be held in excess of liabilities and it is an early warning mechanism if breached.

The SCR is to be calculated at least once a year, monitored on a continuous basis, and recalculated as soon as the risk profile of the undertaking deviates significantly, and is calculated using either a standard formula or, with regulatory approval, an internal model. If the level of eligible own funds is not sufficient to cover the SCR, the supervisory authority may require the insurance or reinsurance undertaking to take appropriate measures to restore the level of capital (e.g. raising own funds through capital increase or reduction of risk profile through sale of riskier assets).

The minimum capital requirement ("**MCR**"), which corresponds to an amount of eligible basic own funds below which policy holders and beneficiaries would be exposed to an unacceptable level of risk if the insurance and reinsurance undertakings were allowed to continue their operations. The MCR is a lower, minimum level of eligible basic own funds below which the amount of insurance and reinsurance undertakings' financial resources should not fall, otherwise supervisory authorities may withdraw authorisation (if those undertakings are unable to re-establish the amount of eligible basic own funds at the level of the MCR within a short period of time).

The MCR is calculated as a linear function of specified variables (calibrated to the value-at-risk of the basic own funds of an insurance or reinsurance undertaking subject to a confidence level of 85 per cent. over a one-year period), it cannot fall below 25 per cent., or exceed 45 per cent., of an insurance and reinsurance undertaking's SCR and it is subject to an absolute floor (as provided for in Article 233 of the Insurance Act).

For the purposes of Solvency II, own funds of insurance and reinsurance undertakings are divided into three Tiers (1-3), reflecting permanence and the ability to absorb losses. The list of own funds and the features determining their classification are contained in the Commission Delegated Regulation (EU) No. 2015/35 ("**Delegated Regulation**") supplementing Solvency II.

Slovenian insurance and reinsurance undertakings shall immediately inform the IS Agency as soon as they observe that the SCR is no longer complied with, or where there is a risk of non-compliance in the following three months.

Within two months from the observation of non-compliance with the SCR (or the risk of non-compliance in the following three months), the relevant insurance or reinsurance undertaking shall submit a recovery plan for approval by the IS Agency. The IS Agency shall require the relevant insurance or reinsurance undertaking to take the necessary measures to achieve, within six months from the observation of non-compliance with the SCR (or the risk of non-compliance), the re-establishment of the level of eligible own funds covering the SCR or the reduction of its risk profile to ensure compliance with the SCR. The IS Agency may, if appropriate, extend that period by three months.

Within one month from the observation of non-compliance with the MCR (or the risk of non-compliance in the following three months), the relevant insurance or reinsurance undertaking shall submit, for approval by the IS Agency, a short-term realistic finance scheme to restore, within three months of that observation, the eligible basic own funds, at least to the level of the MCR or to reduce its risk profile to ensure compliance with the MCR.

In addition to the above, the IS Agency has the power to take special control measures over the insurance or reinsurance undertaking.

#### ***Own Risk and Solvency Assessment***

Insurance and reinsurance undertakings are required to regularly conduct an Own Risk and Solvency Assessment ("**ORSA**") through which they review their overall solvency needs, risk tolerance limits, business strategy, compliance with capital requirements and the significance with which the risk profile of the undertaking concerned deviates from the assumptions underlying the SCR. The ORSA is also a supervisory tool for the supervisory authorities, which must be informed about its results. The ORSA does not require an undertaking to develop or apply a full or partial internal model. However, if the undertaking already uses an approved full or partial internal model for the calculation of the SCR, the output of the model should be used in the ORSA.

#### ***Sava Insurance Group's Solvency Position***

Sava Insurance Group calculates its solvency capital requirement using the Solvency II standard formula. In the bellow table solvency position of Sava Insurance Group is presented.

(EUR million)	31/12/2018	31/12/2017
Sava Insurance Group SCR	216.7	205.0
Eligible own funds to meet the Sava Insurance Group SCR	471.9	451.4
<b>Sava Insurance Group solvency ratio</b>	<b>218%</b>	<b>220%</b>
Minimum capital requirement (MCR) of Sava Insurance Group	102.7	106.0
Eligible own funds to meet the Sava Insurance Group MCR	465.0	443.0
<b>Sava Insurance Group MCR ratio</b>	<b>453%</b>	<b>418%</b>

It can be seen from the above table that eligible own funds designated to meet SCR substantially exceed the required SCR of Sava Insurance Group which leads to a high solvency ratio of 218 per cent. as at 31 December 2018. Eligible own

funds designated to meet the MCR substantially exceed the required MCR, Sava Insurance Group MCR ratio is 453 per cent. as at 31 December 2018.

### ***Own Funds valuation***

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

Sava Insurance Group uses the full consolidation method in accordance with IFRS for all its companies in its preparation of the IFRS consolidated financial statements, except for the associates ZTSR d.o.o. and Got2Insure Ltd, which have been consolidated using the equity method. For the purposes of valuation of the Solvency II balance sheet, all Sava Insurance Group's (re)insurance undertakings and all ancillary services undertakings are consolidated in accordance with Article 335 (1)(a) of the Delegated Regulation, the Sava Pokojninska pension company is included in the consolidation in accordance with Article 335 (1)(e) of the Delegated Regulation, and Sava Penzisko Društvo and the associates ZTSR d.o.o. and Got2Insure Ltd are included in accordance with Article 335 (1)(f) of the Delegated Regulation.

The table below shows adjustments to the IFRS balance sheet items that have been made in order to evaluate own funds for solvency purposes. It explains the changes between IFRS equity and Solvency II own funds.

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

<b>(EUR million)</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>IFRS equity</b>	<b>339.7</b>	<b>315.0</b>
Difference in the valuation of assets	-135.2	-133.9
Difference in the valuation of technical provisions	301.8	299.7
Difference in the valuation of other liabilities	-19.4	-16.8
Foreseeable dividends, distributions and charges	-14.7	-12.4
Adjustment for minority interests	-0.2	-0.2
Deduction for participations in other financial undertakings	-6.9	-8.4
<b>Basic own funds after deductions</b>	<b>465.0</b>	<b>443.0</b>
Basic own funds in other financial sectors	6.9	8.4
<b>Sava Insurance Group's available own funds</b>	<b>471.9</b>	<b>451.4</b>

### ***Quality of Eligible Own Funds to meet Solvency Capital Requirement***

Eligible own funds designated to meet the Sava Insurance Group SCR are obtained from available own funds by additionally factoring in statutory restrictions. Eligible own funds to meet the Sava Insurance Group MCR are obtained from basic own funds after making deductions subject to statutory restrictions.

The two tables below show the amounts of Sava Insurance Group's eligible own funds designated to meet the Sava Insurance Group SCR and the Sava Insurance Group MCR as at 31 December 2018 and compared to figures as at 31 December 2017. They are classified into the statutory tiers.

#### *Eligible own funds to meet the Sava Insurance Group SCR*

<b>(EUR million)</b>	<b>Total</b>	<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>
As at 31 December 2018	471.9	471.9	0	0
As at 31 December 2017	451.4	451.4	0	0

*Eligible own funds to meet the Sava Insurance Group MCR*

(EUR million)	Total	Tier 1	Tier 2	Tier 3
As at 31 December 2018	465.0	465.0	0	0
As at 31 December 2017	443.0	443.0	0	0

As at 31 December 2018, all Sava Insurance Group's eligible own funds designated to meet the Sava Insurance Group SCR and MCR are tier 1 funds. Sava Insurance Group held no tier 2 or tier 3 eligible own fund items as at the reporting date.

As provided for by Article 330(1) of the Delegated Regulation, the Sava Re has assessed the availability of eligible own funds of associated undertakings at Sava Insurance Group level. No legal or regulatory requirements were found to apply to own fund items such as would restrict the ability of those items to absorb all types of losses group-wide or restrict the transferability of assets to other Sava Insurance Group companies, nor has a time limit been established for the availability of own funds to meet the Sava Insurance Group SCR. Sava Insurance Group's subsidiaries and associates held no own fund items referred to in Article 330(3) of the Delegated Regulation.

The only item of non-available own funds is thus minority interests in subsidiaries (insurance undertakings) exceeding the subsidiary's contribution to the SCR calculated based on consolidated data of insurance undertakings in Sava Insurance Group.

***Composition of Solvency Capital Requirement***

Sava Insurance Group's risk profile is dominated by non-life underwriting risk, additionally Sava Insurance Group is exposed to a significant level of market risk. Sava Insurance Group is less exposed to other categories of risk: life underwriting risk, health underwriting risk, counterparty default risk and operational risk. Apart from the above risks, which are captured by the standard formula, Sava Insurance Group is also exposed to liquidity risk, managed primarily by following a strategy for ensuring sufficient liquidity.

The table below shows Sava Insurance Group's solvency capital requirement in accordance with the Solvency II standard formula by risk module.

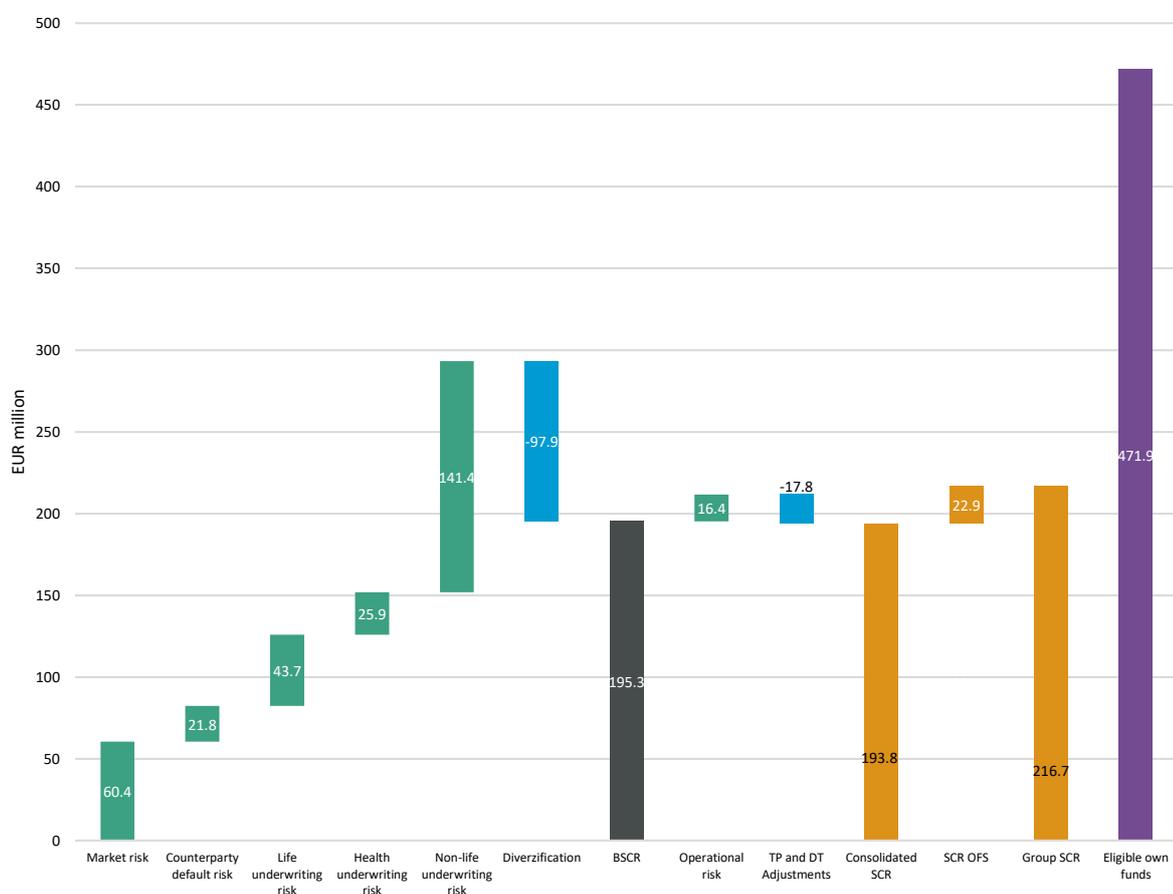
*Solvency capital requirement by risk module*

(EUR million)	31/12/2018	31/12/2017
<b>Sava Insurance Group SCR</b>	<b>216.7</b>	<b>205.0</b>
Capital requirements for other financial sectors	5.5	5.3
Capital requirements for other undertakings	17.4	0.0
<b>Consolidated SCR at Sava Insurance Group level</b>	<b>193.8</b>	<b>199.7</b>
Adjustments for technical provisions and deferred tax	-17.8	-0.2
<b>Sum of risk components (incl. operational risk, excl. diversification)</b>	<b>309.6</b>	<b>288.0</b>
Operational risk	16.4	15.4
Basic solvency capital requirement (BSCR)	195.3	184.5
Sum of risk components	293.2	272.6
Diversification effect	-97.9	-88.1
Market risk	60.4	51.7
Counterparty default risk	21.8	14.4
Life underwriting risk	43.7	40.2
Health underwriting risk	25.9	23.9
Non-life underwriting risk	141.4	142.4

### Market risk by sub-modules

(EUR million)	31/12/2018	31/12/2017
Market risk	60.4	51.7
<i>Diversification</i>	-20.6	-18.3
<b>Sum of risk components (excluding diversification)</b>	<b>81.0</b>	<b>70.0</b>
<b>Interest rate risk</b>	<b>5.7</b>	<b>1.8</b>
Equity risk	12.6	11.1
Property risk	16.2	14.5
Spread risk	33.1	26.4
Currency risk	13.4	13.8
Market concentration risk	0.0	2.3

### Graphical presentation of the SCR by modules and eligible own funds



### Capital management

Sava Insurance Group 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 to achieve other goals of Sava Insurance Group.

When allocating own funds to business segments, Sava Insurance Group needs to ensure that an adequate return on equity is achieved.

Sava Insurance Group prepares its business and strategic plans based on its risk strategy, which determines its risk appetite. During its drafting, it makes sure that the plans are in line with the risk appetite, making adjustments if necessary. On the whole, it seeks to achieve an optimal allocation of capital.

According to Sava Insurance Group's risk strategy, a solvency ratio of 140 per cent. is still considered adequate, albeit suboptimal, while the optimal level of capitalisation is between 170 per cent. and 200 per cent. This demonstrates that Sava Insurance Group is well capitalised, also by its own criteria.

### ***Sensitivity of Solvency Ratio***

Sava Insurance Group reviewed sensitivity tests, stress tests and scenarios, and their impact on its operations and solvency position. The sensitivity, stress tests and scenarios were designed based on Sava Insurance Group's own risk profile and scenarios that were recognised as potentially having an impact on its operations and solvency position.

The table below shows the results of the sensitivity tests and stress tests.

#### *Impact of the analysis on Sava Insurance Group's solvency ratio*

<b>(EUR million)</b>	<b>Solvency ratio</b>	<b>Difference in value</b>
<b>Baseline calculation 31 December 2018</b>	<b>217.8 per cent.</b>	
Increase in interest rates of 100 basis points	216.4 per cent.	-1.3 p.p.
Decrease in interest rates of 100 basis points	216.8 per cent.	-1.0 p.p.
Fall in stock prices of 20 per cent.	215.5 per cent.	-2.3 p.p.
Fall in property prices of 25 per cent.	213.6 per cent.	-4.2 p.p.
10% increase of premium volume measure in the calculation of premium and reserve risk	212.0 per cent.	-5.8 p.p.
10% increase of technical provision volume measure in the calculation of premium and reserve risk	214.6 per cent.	-3.2 p.p.

The table above shows that in none of the stress or sensitivity tests had any significant impact on the solvency ratio. In addition to the above tests, Sava Insurance Group used ORSA to analyse the impact of various adverse scenarios. The results showed that none of the scenarios could compromise Sava Insurance Group's solvency.

## TAXATION

*The following is a general overview of certain tax considerations relating to the purchasing, holding and disposing of Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular Bondholder. The discussions that follow for each jurisdiction are based upon the applicable laws in force and their interpretation on the date of this Prospectus. These tax laws and interpretations are subject to change that may occur after such date, even with retroactive effect.*

The information contained in this section is limited to taxation issues and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Bonds.

Prospective Bondholders should consult their own tax advisers as to the particular tax consequences of subscribing, purchasing, holding and disposing the Bonds, including the application and effect of any federal, state or local taxes, under the tax laws of Slovenia and each country of which they are residents or citizens.

### Republic of Slovenia

#### Taxation of interest

##### *Corporate Investors*

Interest on the Bonds received by a legal person resident for taxation purposes in the Republic of Slovenia or a permanent establishment (*poslovna enota*) in the Republic of Slovenia of a legal person not resident for taxation purposes in the Republic of Slovenia will be subject to Slovenian Corporate Income Tax (*davek od dohodkov pravnih oseb*) as a part of its overall income tax (currently levied at the rate of 19 per cent.).

If, and for as long as the Bonds qualify as Listed Securities, meaning that the Bonds will be admitted to trading on a regulated market or a multilateral trading facility ("MTF") within an EU member state or OECD (hereinafter referred as "**Listed Securities**") and do not encompass the option for equity swap, no Slovenian tax (including no Slovenian withholding tax) will be levied on payments under the Bonds to legal persons not resident for taxation purposes in the Republic of Slovenia and having no permanent establishment (*poslovna enota*) in the Republic of Slovenia.

##### *Individuals*

The amounts of interest on the Bonds received by an individual resident for tax purposes in the Republic of Slovenia will be subject to Slovenian Personal Income Tax (*dohodnina*) assessed on the income so derived at the rate of 25 per cent, which tax is the final tax imposed by the Republic of Slovenia on interest on the Bonds, except where such income qualifies as business income (*dohodek iz dejavnosti*) of such individual, in which case such income will be subject to Slovenian Personal Income Tax as a part of overall annual business income at the rate applicable in accordance with the progressive tax scale which may reach up to 50 per cent. In the event of capital gains earned as business income, where the tax base is determined considering flat rate expenses (*normirani odhodki*), the personal income tax is levied under a 20 per cent tax rate and it is also the final tax.

If, and for as long as the Bonds qualify as Listed Securities and do not encompass the option for equity swap, the amounts of interest on the Bonds received by an individual who is not resident for taxation purposes in the Republic of Slovenia will be fully exempt from Slovenian tax (including from Slovenian withholding tax).

Any individual who is liable for Slovenian Personal Income Tax on interest income under the Bonds as non-business income and receives an amount of interest under the Bonds free of any deduction for account of this tax shall (i) declare each amount so received in a tax return filed by the 15th day of a calendar month for the period of the previous three calendar months; and (ii) pay the amount of tax in accordance with the relevant decision of the tax authorities. The tax is levied at the rate of 25 per cent.

The tax authority shall establish personal income tax on interest on the basis of the taxable person's tax information return if, at the time when the Issuer makes a payment of interest under the Bonds, the Bonds will qualify as Listed Securities and they do not encompass the option for equity swap.

## **Taxation of Capital Gains**

### *Corporate Investors*

Capital gains earned on the sale or disposition of the Bonds by a legal person resident or not resident for taxation purposes in the Republic of Slovenia or a permanent establishment (*poslovna enota*) in the Republic of Slovenia of a legal person not resident for taxation purposes in the Republic of Slovenia will be subject to Slovenian Corporate Income Tax (*davek od dohodkov pravnih oseb*) as a part of its overall income tax (currently levied at the rate of 19 per cent.).

### *Individuals*

Under the Slovenian Personal Income Tax Act (*Zakon o dohodnini (ZDoh-2)*, Official Gazette of the Republic of Slovenia No. 117/06, as amended from time to time; "**Slovenian Personal Income Tax**"), capital gains from the sale or other disposition of debt securities held as non-business assets are in general exempt from taxation, while capital gains earned as business income (*dohodek iz dejavnosti*) of an individual resident for taxation purposes in the Republic of Slovenia are subject to Slovenian Personal Income Tax as a part of such individual's overall annual business income at the rate applicable in accordance with the progressive tax scale which may reach up to 50 per cent. In the event of capital gains earned as business income, where the tax base is determined considering flat rate expenses (*normirani odhodki*), the personal income tax is levied under a 20 per cent tax rate and it is also the final tax.

Capital gains earned on the sale or disposition of the Bonds by an individual resident for taxation purposes in the Republic of Slovenia may, in circumstances described in the Act on the Taxation of Profits from the Disposal of Derivatives (*Zakon o davku od dobička od odsvojitve izvedenih finančnih instrumentov (ZDDOIFI)*, Official Gazette of the Republic of Slovenia No. 65/08, as amended from time to time), be subject to tax levied at the rate of up to 40 per cent.

### *Tax relief under the Personal Income Tax*

Purchase of the Bonds under the Slovenian Personal Income Tax does not represent a tax relief for the purchaser – individual. The same applies for interest from traded debt instruments, which are not subject to exemption, as prescribed for interest on individuals' cash deposits, achieved at banks, savings bank in the Republic of Slovenia or within the EU area.

## **Value Added Tax**

Pursuant to the provisions of the Slovenian Value Added Tax Act (*Zakon o davku na dodano vrednost (ZDDV-1)*; Official Gazette of the Republic of Slovenia No. 117/06, as amended from time to time), transactions with securities are VAT-exempt in the Republic of Slovenia. According to the law, interest on debt securities is not subject to VAT, thus VAT is neither charged nor payable.

## SUBSCRIPTION AND SALE OF THE BONDS

### General

Pursuant to a subscription agreement dated 22 October 2019 (the "**Subscription Agreement**") among the Issuer and the Sole Lead Manager, the Issuer has agreed to sell to the Sole Lead Manager, and the Sole Lead Manager has agreed, subject to certain customary closing conditions, to purchase, the Bonds on 28 October 2019. The Issuer has furthermore agreed to pay certain fees to the Sole Lead Manager and to reimburse the Sole Lead Manager for certain expenses incurred in connection with the issue of the Bonds.

The Subscription Agreement provides that the Sole Lead Manager under certain circumstances will be entitled to terminate the Subscription Agreement. In such event, no Bonds will be delivered to investors. Furthermore, the Issuer has agreed to indemnify the Sole Lead Manager against certain liabilities in connection with the offer and sale of the Bonds.

The Sole Lead Manager and its affiliates may be customers of, borrowers from or creditors of Sava Insurance Group and its affiliates. In addition, the Sole Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for Sava Insurance Group and its affiliates in the ordinary course of business. In particular, in the ordinary course of their business activities, the Sole Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Sava Insurance Group or its affiliates. The Sole Lead Manager or its affiliates that have a lending relationship with Sava Insurance Group routinely hedge their credit exposure to Sava Insurance Group consistent with their customary risk management policies. Typically, the Sole Lead Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Bonds issued. Any such positions could adversely affect future trading prices of the Bonds. The Sole Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

There are no interests of natural and legal persons involved in the issue, including conflicting ones, that are material to the issue.

### Selling Restrictions

#### General

The Sole Lead Manager has acknowledged that other than explicitly mentioned in this Prospectus no action is taken or will be taken by the Issuer in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of any offering material relating to them, in any jurisdiction where action for that purpose is required.

The Sole Lead Manager has represented and agreed that it will comply with all applicable laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Bonds or has in its possession or distributes any offering material relating to them.

#### European Economic Area

The Sole Lead Manager has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the EEA. For the purposes of this provision the expression retail investor means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

- (iii) not a qualified investor as defined in the Prospectus Regulation.

### **United States of America and its territories**

The Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold into or within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Sole Lead Manager has agreed that it will not offer, sell or deliver the Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Bonds from them during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition:

- (i) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "D Rules"), the Sole Lead Manager (i) has represented that it has not offered or sold, and agrees that during a 40 day restricted period it will not offer or sell, Bonds to a person who is within the United States or its possessions or to a United States person, and (ii) represented that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Bonds that are sold during the restricted period;
- (ii) the Sole Lead Manager has represented that it has and agreed that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bonds are aware that such Bonds may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (iii) if it is a United States person, the Sole Lead Manager represented that it is acquiring the Bonds for purposes of resale in connection with their original issue and if it retains Bonds for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) and;
- (iv) with respect to each affiliate that acquires from it Bonds for the purpose of offering or selling such Bonds during the restricted period, the Sole Lead Manager either (a) repeated and confirmed the representations and agreements contained in paragraphs (i), (ii) and (iii) on its behalf or (b) agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (i), (ii) and (iii).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

### **United Kingdom**

The Sole Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## GENERAL INFORMATION

1. **Interest of Natural and Legal Persons involved in the Issue/Offer:** Certain of the Sole Lead Manager and its affiliates may be customers of, borrowers from or creditors of the Issuer and/or its affiliates. In addition, the Sole Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer and/or its affiliates in the ordinary course of business.
2. **Authorizations:** The creation and issue of the Bonds has been authorized by resolution of the Issuer's managing board on 21 October 2019.
3. **Expenses of the Issue:** The total expenses related to the admission to trading of the Bonds are expected to amount to € 10,000.
4. **Clearing Systems:** The Bonds have been accepted for clearance through Clearstream Banking, S.A., Luxembourg, 42 Avenue JF Kennedy, L-1855 Luxembourg, and Euroclear Bank SA/NV, 1, Boulevard du Roi Albert II, 1210 Brussels, Belgium.

The Bonds have the following securities codes:

ISIN: XS2063427574

Common Code: 206342757

5. **Listing and Admission to Trading:** Application has been made to the Luxembourg Stock Exchange for the Bonds to be admitted to the Official List and to be admitted to trading on the Luxembourg Stock Exchange's regulated market on or around the Issue Date.
6. **Notices to Bondholders:** For so long as the Bonds are listed on the Luxembourg Stock Exchange, all notices to the Bondholders regarding the Bonds shall be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)). The Issuer will be entitled to deliver all notices concerning the Bonds to the Clearing System for communication by the Clearing System to the Bondholders.
7. **Documents on Display:** For the term of this Prospectus, electronic versions of the following documents are available on the Issuer's website at <https://www.sava-re.si/en>:
  - (a) the articles of association of the Issuer; and
  - (b) the documents specified in the section "*Documents incorporated by Reference*" below.

This Prospectus and any supplement to this Prospectus will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

8. **Yield:** For the investors, the yield of the Bonds is 3.750% per cent. per annum, calculated on the basis of (i) the issue price and (ii) the assumption that the Bonds will be called on the First Call Date. Such yield is calculated in accordance with the ICMA (International Capital Markets Association) Method. The ICMA method determines the effective interest rate on Bonds by taking into account accrued interest on a daily basis.
9. **Rating:** The Bonds are expected to be rated "BBB+" by Standard & Poor's Global Ratings Europe Limited ("**Standard & Poor's**") upon issuance.

Standard & Poor's defines BBB+ as follows:

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation. Standard & Poor's rating scale for issue credit rating consists of the following categories: "AAA", "AA", "A", "BBB", "BB", "B", "CCC", "CC", "C", "D" (in descending order). The ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Standard & Poor's is established in the European Community and are registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**")<sup>2</sup>.

Investors in the Bonds should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

10. **Legal Entity Identifier:** The LEI of Sava Re is 549300P6F1BDSFSW5T72.

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<sup>2</sup> The European Securities and Markets Authority publishes on its website (<https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) a list of credit rating agencies registered in accordance with the CRA Regulation. That list is updated within five working days following the adoption of a decision under Article 16, 17 or 20 CRA Regulation. The European Commission shall publish that updated list in the Official Journal of the European Union within 30 days following such update.

## DOCUMENTS INCORPORATED BY REFERENCE

The pages specified below of the following documents which have previously been published or are published simultaneously with this Prospectus and which have been filed with the CSSF are incorporated by reference into this Prospectus: (i) the audited Annual Report of Sava Insurance Group for the fiscal year ended 31 December 2017 (Audited Annual Report 2017) and (ii) the audited Annual Report of Sava Insurance Group for the fiscal year ended 31 December 2018 (Audited Annual Report 2018), each containing the English language translation of the respective Slovene language consolidated financial statements of the Issuer and of the Slovene language auditor's report in respect thereof and (iii) the unaudited financial report of the Sava Insurance Group for the six months to 30 June 2019 containing the English language translation of the respective Slovene language consolidated financial statements of the Issuer.

- (1) Extracted from: Sava Insurance Group – Audited Annual Report 2017 (page references refer to the pdf version)
  - Auditor's report.....pages 84-86
  - Consolidated statement of financial position.....page 87
  - Consolidated income statement.....page 88
  - Consolidated statement of comprehensive income.....page 89
  - Consolidated statements of cash flows.....page 90
  - Consolidated statement of changes in equity for 2017.....page 91
  - Consolidated statement of changes in equity for 2016.....page 92
  - Notes to the consolidated financial statements.....pages 94-157
  
- (2) Extracted from: Sava Insurance Group – Audited Annual Report 2018 (page references refer to the pdf version)
  - Auditor's report.....pages 112-114
  - Consolidated statement of financial position.....page 115
  - Consolidated income statement.....page 116
  - Consolidated statement of other comprehensive income.....page 117
  - Consolidated statement of cash flows.....page 118
  - Consolidated statement of changes in equity for 2018.....page 119
  - Consolidated statement of changes in equity for 2017.....page 120
  - Notes to the consolidated financial statement.....pages 121-206

- (3) Extracted from: Sava Insurance Group – Unaudited financial report for the six months to 30 June 2019
- Unaudited consolidated statement of financial position .....page 61
  - Unaudited consolidated income statement .....page 62
  - Unaudited consolidated statement of other comprehensive income .....page 63
  - Unaudited consolidated statement of cash flows .....page 64
  - Unaudited consolidated statement of changes in equity .....pages 65-66
  - Notes to the consolidated financial statements .....pages 67-86

All of these pages shall be deemed to be incorporated in by reference, and to form part of, this Prospectus.

The non-incorporated parts of such documents, i.e. the pages not listed in the table above, are either not relevant for the investor or covered elsewhere in this Prospectus pursuant to Article 19 (1) of the Prospectus Regulation.

Electronic versions of the documents incorporated by reference are available on the website of the Issuer (<https://www.sava-re.si/en/investors/financial-information/financial-reports/>) and can be accessed by using the following hyperlinks:

- (1) Sava Insurance Group – Unaudited financial report for the six months to 30 June 2019  
[https://www.sava-re.si/media/objave/dokumenti/2019/Semi\\_annual\\_report\\_2019.pdf](https://www.sava-re.si/media/objave/dokumenti/2019/Semi_annual_report_2019.pdf)
- (2) Sava Insurance Group – Audited Annual Report 2018  
[https://www.sava-re.si/media/objave/dokumenti/2019/SavaRe\\_Annual\\_Report\\_2018.pdf](https://www.sava-re.si/media/objave/dokumenti/2019/SavaRe_Annual_Report_2018.pdf)
- (3) Sava Insurance Group – Audited Annual Report 2017  
[https://www.sava-re.si/media/objave/dokumenti/2018/Audited\\_annual\\_report\\_of\\_the\\_Sava\\_Re\\_Group\\_and\\_Sava\\_Re\\_\\_d\\_d\\_.pdf](https://www.sava-re.si/media/objave/dokumenti/2018/Audited_annual_report_of_the_Sava_Re_Group_and_Sava_Re__d_d_.pdf)

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Republic of Slovenia

***Principal Paying Agent***

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Vienna 1100  
Republic of Austria

***Structuring Advisor***

**Erste Group Bank AG**  
Am Belvedere 1  
Vienna 1100  
Republic of Austria

***Sole Lead Manager and Sole Bookrunner***

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Vienna 1100  
Republic of Austria

***Independent Auditors of the Issuer***

**KPMG SLOVENIJA, podjetje za revidiranje, d.o.o.**

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*To the Issuer*

**WOLF THEISS Attorneys-at-law**

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*To the Sole Lead Manager*

**Linklaters LLP**

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