**To the General Meeting of Shareholders of Sava Re d.d.**

**Explanation of the proposed resolutions for the 37th general meeting of shareholders of Sava Re d.d.**

AD AGENDA ITEM 1 (management board's explanation):

**Opening the meeting, establishing a quorum and appointing meeting bodies**

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

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

- for chair of the general meeting: Nina Šelih, attorney-at-law;
- for members of the verification committee: two representatives of Ixtlan Forum d.o.o. and one representative of Sava Re d.d.

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

Management Board
of Sava Re d.d.

***

**To the General Meeting of Shareholders of Sava Re d.d.**

**Explanation of the proposed resolutions for the 37th general meeting of shareholders of Sava Re d.d.**

AD AGENDA ITEM 2 (explanation of the management and supervisory boards):

**Appropriation of distributable profit for 2019**

The shareholders of Sava Re took note of the 2019 audited annual report, including the auditors' opinion, at the 36th general meeting of shareholders held on 16 June 2020. The general meeting also decided on the discharge to be granted to the management and supervisory boards for the financial year 2019. In view of the recommendation of the Insurance Supervision Agency (Agency) dated 31 March 2020 and its call to suspend dividend payments dated 20 May 2020 in connection with the Covid-19 epidemic, the Company's management and supervisory boards jointly proposed that the 36th general meeting of shareholders adopt a resolution not to distribute the distributable profit for 2019 of EUR 34,705,806.06 and fully allocate it to retained earnings.

On 20 August 2020, the Agency addressed a letter to all (re)insurance companies, recommending that dividend payouts be suspended even after 1 October 2020 due to the consequences of Covid-19. However, given the variety of business models in operation, the Agency permitted individual (re)insurance companies to propose to their shareholders that dividends be paid out, even before the financial statements for 2020 are audited. In line with the Agency's guidance, the Company reviewed its technical bases for paying out dividends for the financial year 2019 and the resilience of the Group's solvency position to major stress scenarios. These technical bases have also been submitted to the Agency.

Because of the Covid-19 epidemic and its impact on the economy, the Group revised its annual plan for 2020 and its strategic plan for 2020–2022. In addition to the impacts of Covid-19 on operations, the revised plans also include the effects of the integration of the life insurance company Vita into the Group. The planned income of the Group in the revised 2020 plan excluding Vita is slightly lower than originally planned; however, together with the effects of the Vita acquisition, the Group is planning growth in income. Similarly, the estimated profit excluding the acquisition is slightly below the level originally planned, but the inclusion of Vita offsets any shortfall expected as a result of the epidemic. The epidemic definitely resulted in increased uncertainty about economic activity until the end of 2020 and in 2021, which is also related to financial market volatility. Nevertheless, the stress scenario prepared by the Group to underpin its proposal to pay out dividends for 2019 shows that, assuming impacts approximately at the level of the financial crisis of 2008–2009, the Group's solvency would be significantly reduced (which could restrict the Company's ability to deliver on its dividend policy in the future) but would not compromise the Group's solvency position.

In addition to the results of stress tests, the Company's dividend policy and the following factors were considered in preparing the proposal:

- the estimated surplus of eligible own funds over the solvency capital requirement under Solvency II,
- the Group's own risk and solvency assessment,

- the capital models of the rating agencies S&P and AM Best,
- the approved annual and strategic plans of the Group and the Company,
- new development projects requiring additional capital,
- other relevant circumstances affecting the financial situation of the Company.

At the end of 2019, the Group's solvency ratio stood at 220%. Taking into consideration the effects of the acquisition of Vita and Covid-19 on business results, as well as the dividend payout at the level proposed in the general meeting resolution, the solvency ratio of the Group is planned to be within the optimal range between 180% and 220%.

Related to the Group's solvency at the end of 2020, the following risks have been identified:

- risk of a fall in the value of financial investments,
- risk of a greater incidence of catastrophic events (natural disasters),
- risk associated with the volatility of the risk-free interest rate curve and the resulting impact on the level of market value of assets less liabilities,
- legal risk: in 2020, a change in EIOPA's interpretation regarding the solvency capital requirement calculation for catastrophe risk could result in a material deterioration in the solvency position.

Thus, the management and supervisory boards propose that the general meeting of shareholders adopt the following resolution on the appropriation of distributable profit (of EUR 34,705,806.06):

- An amount of EUR 16,272,580.80 is to be appropriated for dividends.
- The remaining distributable profit of EUR 18,433,225.26 is to remain unappropriated.

The management and supervisory boards propose a dividend of EUR 1.05 per share, a 10.5% increase over the dividend paid out in 2019.

The proposal for the appropriation of distributable profit is based on the number of own shares as at 31 December 2019. On the date of the general meeting, the number of shares entitled to dividends may change as a result of disposals of own shares. Should the number of own shares change, adjusted figures for appropriation of the distributable profit will be proposed to the general meeting of shareholders, while the dividend per share of EUR 1.05 remains unchanged.

Due to the inclusion of Slovenia's Central Securities Clearing Corporation (KDD) into the TARGET2-Securities system, Sava Re d.d. applies the KDD rules for setting the record and dividend payment dates for 2019. Accordingly, the proposed record date is 1 December 2020 and the proposed dividend payment date is 2 December 2020.

Management Board and Supervisory Board
of Sava Re d.d.