



Reinsurance Company „Dunav Re“
Kralja Aleksandra Boulevard 18, 1st floor,
Belgrade, Serbia
www.dunavre.rs; office@dunavre.rs

**ANNUAL REPORT FOR THE
PERIOD
01.01.2022 – 31.12.2022**

Contents:

1.	OPENING STATEMENT BY THE PRESIDENT OF THE EXECUTIVE BOARD	3
2.	GENERAL INFORMATION	4
3.	BUSINESS ENVIRONMENT IN THE YEAR 2022	6
4.	BUSINESS RESULTS	13
5.	BUSINESS POLICY OF THE COMPANY IN THE YEAR 2022	14
6.	TERRITORIAL DISTRIBUTION	15
7.	PORTFOLIO STRUCTURE	16
8.	MARKET POSITION OF THE COMPANY	17
9.	REINSURANCE PREMIUM	18
10.	CLAIMS	19
11.	CLAIMS RATIO	20
12.	RETRO PROTECTION OF THE PORTFOLIO	21
13.	CONCLUSION	22
14.	INVESTING OF REINSURANCE ASSETS	23
15.	OPERATING COSTS	25
16.	BALANCE SHEET	26
17.	PARTICIPATION OF DUNAV INSURANCE COMPANY AND DUNAV INSURANCE COMPANY BANJA LUKA	34
18.	OPERATIONAL RISKS	35
19.	IMPACT OF CLIMATE CHANGE ON BUSINESS	38
20.	SIGNIFICANT EVENTS OCCURRED UPON EXPIRY OF 2022 BUSINESS YEAR	41
21.	INVESTMENT IN ENVIRONMENTAL PROTECTION	41
22.	EXPECTED DEVELOPMENT, PLAN, AND BUSINESS POLICY IN THE FOLLOWING PERIOD	41
23.	CODE OF CORPORATE GOVERNANCE	47
24.	BOARD MEMBERS DIVERSITY POLICY	48

1. ADDRESS OF THE CEO

It is a great pleasure to talk about the results of Dunav Re in 2022. Our Company once again confirmed that with its service and results it makes the financial sector better to the satisfaction of clients, employees, shareholders but also the entire social community.

Despite all the difficulties brought by the post-pandemic era, including the unstable political and financial situation worldwide, our Company achieved responsible growth this year. Responsible growth implied a leadership position on the local market, a focus on client needs, movements within acceptable risk and a sustainable way of doing business.

During 2022, we accommodated clients by listening to their needs and developing new reinsurance programs together with them. On the other hand, we were endeavouring to make our Company an attractive workplace by promoting a healthy lifestyle.

The achievement of this result was possible owing to the full dedication of our Management Board members and employees.

By all standards, 2022 was exceptionally successful. We achieved a significant premium increase and brought it to the level of over 10 billion dinars. Total assets increased by 12.26%, the investment portfolio increased by 10.03%, while the combined ratio was below 85% for the eighth year in a row. The level of capital and liquidity is still at a remarkable level. Planned activities in terms of strengthening the Company's capital base were fully accomplished. The credit rating has slightly improved and is at BBB - /B + level with a positive outlook.

The results achieved during 2022 represent a good basis for further responsible growth and development of a sustainable way of doing business.

We are sure that we are welcoming the upcoming period ready to respond to all challenges that the future holds for us.



2. GENERAL INFORMATION

Shareholding Reinsurance Company "Dunav Re" (hereinafter: Company) was registered in the Serbian Business Registers Agency under decision number 43206 of July 22, 2005 as a shareholding company for reinsurance.

Registered seat of the Company is Kralja Aleksandra Boulevard 18, 1st Floor, Belgrade.

The Company was originally established on July 1, 1977 under the name Reinsurance Community "Dunav Re".

The Company's business activity code is 6520.

Registration number is 07046901.

Tax identification number is 100001327.

Authorized representative is the President of Executive Board, Ms Zorana Pejčić.

Management bodies of the Company are::

- ✓ Assembly,
- ✓ Supervisory Board and
- ✓ Executive Board.

Members of the Supervisory Board:

- ✓ Ms Nataša Bašić (Dunav Insurance Company), President;
- ✓ Ms. Gordana Milićević (Sava Insurance Company), member and
- ✓ Ms. Milica Milićević (Dunav Insurance Company), member.

Members of the Executive Board:

- ✓ Ms. Zorana Pejčić
- ✓ Ms Tatjana Komnenić
- ✓ Mr Bojan Maričić..

Based on the Article 44 of the Company's Articles of Association, the Supervisory Board has formed an Audit Commission.

Members of the Audit Commission:

- ✓ Ms Ivana Soković (Dunav Insurance Company), President;
- ✓ Ms Simonida Nisić (Dunav Insurance Company), member, and
- ✓ Ms. Jelena Runić (Sava Insurance Company), member.

Internal organization and management are regulated by the Company's Articles of Association and other general acts.

Audit of the financial reports is performed by the Audit Company KPMG LLC from Belgrade.

Shareholders

The company's majority shareholder is Insurance Company Dunav Osiguranje a.d.o., Beograd (the "Parent Company") holding a 87.12% interest in the share capital and total issued capital of the Company.

The Company did not buy back its own shares.

Market capitalization

Based on the Decision of the Ministry of Economy No. 023-02-00037/2022-05348/21-1404 of April 14, 2022, and in accordance with the provisions of Article 280a to 280k of the Law on Insurance ("Official Gazette RS No. 139/14 and 44/21) and the Decision of the Government of the Republic of Serbia on the issuance of shares without compensation for transfer to employees, the procedure for registering shares without compensation under the Public Invitation for the subscription of shares. The social capital that is transferred to employees amounts to 30,154,600 dinars and is expressed in 16,660 shares.

Citizens of the RS who are employed or were employed in the Company or in controlled companies of the subject of transfer up to a maximum of 35 years spent in the labour relationship had the right to subscribe for shares, provided that they did not exercise the right to subscribe in whole or in part in accordance with the Act on Ownership Transformation ("Official Gazette" RS 32/97 and 10/01) and the Law on Privatisation ("Official Gazette" RS no. 38/01; 18/03; 45/05; 123/07; 30/10; 93/12; 119 /12; 51/14 and 52/14). The registration of employees and former employees was carried out in the Central Securities Depository and Clearing House and Business Registers Agency.

Though this registration, Dunav Insurance Company became the owner of 853,905 shares of the Company, which represents 87.12% of the total stock capital and 87.12% of the total share capital. Based on the public call for shares, 16,660 shares were issued. Employees and former employees who have acquired the conditions for subscription of shares subscribed a total of 7,761 shares or 46.58%, while the rest of 8,899 shares went to the Share Fund or 53.42%. Based on the above, employees and former employees became owners of 0.79% of the total issued shares.

Stock Market Indicators	
Market Capitalization	1.960.234.000 RSD
EPS	504,48
R/E	3,96
P/B	1,10

Share price on the stock exchange on 12/31/2022 amounts 2,000.00 dinars, and the nominal value is 1,810.00 dinars. In relation to 31.12.2020, the market price per share increased by RSD 100.00, i.e. by 5.26%

AM BEST	Financial	Credit
Rating	B+/good	BBB-/ stable outlook
Date	05.08.2022	05.08.2022

Employees

Breakdown of qualification level of employees as at December 31, 2021 and December 31, 2022:

Qualification	Headcount	
	31.12.2021.	31.12.2022.
University graduates	24	26
College graduates	7	6
Secondary school graduates	9	11
Total	40	43
Average number of employees	40	43

3. BUSINESS ENVIRONMENT IN THE YEAR 2022

According to the last communication of the Republic Bureau of Statistics from December 30, 2022, it was estimated that:

- Despite all the problems faced by the Serbian economy, a cumulative growth of 6.6% in the gross domestic product was achieved in the past two years. Economic activity recorded solid dynamics at the beginning of 2022, but under the influence of events in the international environment, it began to slow down significantly during the third quarter. Slowed investment dynamics and rising inflation, along with increased uncertainty and reduced external demand are the main factors influencing the slowdown of domestic economic dynamics. Accordingly, GDP growth in 2022 has been revised downwards compared to previous expectations, to 2.5% in 2022 and 2023.
- According to the estimate of the Republic Institute of Statistics, the real growth of the gross domestic product in the third quarter of 2022, compared to the same period of the previous year, was 1.0%.
- Looked at by activities, in the third quarter of 2022 compared to the same period of the previous year, a significant real growth of gross added value was recorded in the sector of wholesale and retail trade and repair of motor vehicles, transport and storage and accommodation and catering services, 5.1%, sector of the professional, scientific, innovative and technical activities and administrative and auxiliary service activities, 8.5% and the information and communication sector, 8.1%.
- Industrial production in the Republic of Serbia in November 2022 is higher by 0.4% compared to November 2021, and compared to the average of 2021 it is higher by 6.3%. Industrial production in the period January-November 2022 compared to the same period in 2021 is higher by 1.7%
- Looked at by sector, in November 2022, compared to November 2021, the Mining sector saw a growth of 3.4%, the Manufacturing Industry sector saw a 1.4% decrease, while the Utilities sector - supply with electricity, gas, steam and air conditioning recorded a growth of 8.0%
- Consumer prices in November 2022, compared to the same month of the previous year, increased by 15.1%, while compared to December 2021, they increased by 14.6% on average.
- The prices of products and services for personal use increased by 1.0% on average in November 2022, compared to October 2022.
- According to the November central projection of the National Bank of Serbia, year-on-year inflation is expected to remain elevated until the end of this year and the beginning of next year, and then decline strongly in the second half of 2023 and return to the target range at the end of the projection period. The reduction of inflation will primarily be contributed by the effects of the previous tightening of monetary conditions, the slowdown of import inflation, the weakening of global cost pressures and the conclusion of their passing on to the consumer prices, as well as the disinflationary effect of aggregate demand, primarily due to significantly lower external demand.
- Uncertainty regarding the achievement of inflation and gross domestic product projections is still mostly related to factors from the international environment, and before all to the impact of the conflict in Ukraine, the availability of energy resources and their prices on the world market, as well as to the prospects of global economic growth, which will largely determine the world prices of primary products.

- When it comes to factors from the domestic environment, the risks of the projection mostly relate to the outcome of the next agricultural season, the inflow of foreign direct investments, the recovery of the energy sector, as well as possible additional measures that the Government could take in order to ensure growth of domestic demand in the coming period.

The Executive Board of the National Bank of Serbia increased the reference interest rate on several occasions during 2022, so that it was increased from 1.0% to 5.0% from April to December 2022. Continued cost pressures and rising inflation, primarily due to rising import prices, influenced the decision of the Executive Board of the NBS to increase the reference interest rate and thereby tighten domestic monetary conditions. Global inflationary pressures are stronger and more persistent than previously expected.

Inflation in the euro zone, our most important trading partner, is at the highest level since its establishment and its return to the target limits is not expected before the end of 2024. High inflation is largely the result of significantly higher prices of energy and food, but in some countries domestic demand and factors from the labour market also have an inflationary effect. In such conditions, many central banks tightened their monetary policies in recent months more dynamically than previously expected.

The continuation of the tightening of the monetary policy of the leading central banks is expected in the coming period as well, which, with less favourable prospects for global economic growth, could affect the growth of volatility on the international financial market and the continuation of the already present direction of global capital flows from developing countries to more developed countries. Nevertheless, there are prevailing expectations that global inflationary pressures will gradually decrease, which, besides effects of the tightening of monetary policies by central banks, should be contributed to by further reduction in world prices of primary products and energy, primarily oil, as well as the already present relaxation of the stagnation in global supply chains.

Credit Rating of Serbia

On August 19, 2022, the rating agency Fitch Ratings maintained Serbia's rating at the BB+ level, which is one level up to the investment rating.

At the same time, the agency maintained stable outlook for increasing Serbia's credit rating in the coming period.

On December 9, 2022, the rating agency Standard and Poor's maintained Serbia's credit rating at the level of BB+, one step closer to investment grade, despite the conditions of the intensified global crisis. The agency also maintained stable outlook for increasing Serbia's rating in the coming period, which is a confirmation of the built resilience of the domestic economy to numerous global challenges.

The growth prospects of our general economy remain good, supported by the growth model of the domestic economy, which is based on export-oriented branches. The agency points out that the gas reserves in the storages are sufficient for the whole winter, as well as that oil imports are diversified, i.e. that Serbia has opportunities to import this energy source from several countries. The agency points out the new standby arrangement with the International Monetary Fund as an important factor in the commitment to continue structural reforms.

Moody's rating agency did not advertise during 2022. In the latest announcement dated March 12, 2021, it increased the credit rating of Serbia from Ba3 to Ba2, despite the global conditions marked by the corona virus pandemic.

Credit rating of the Republic of Serbia

Rating Agency	Moody's Investor Service	Fitch Rating	Standard and Poor's
Date	12.03.2021.	19.08.2022.	09.12.2022.
Activity	INCREASED RATING	CONFIRMED RATING	CONFIRMED RATING
Rating	Ba2/stable outlook	BB+/stable outlook	BB+/stable outlook

Economic aspect

The public debt of the central government level as of October 31, 2022 increased by 258.76 billion dinars, or 2.27 billion euros, compared to the end of the previous year.

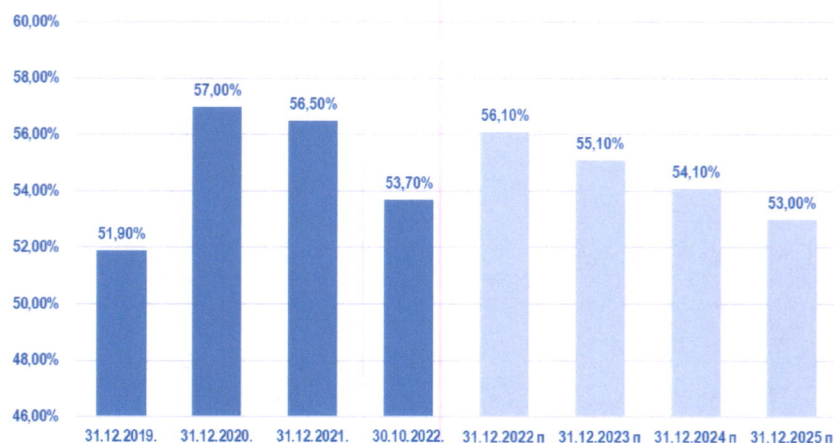
State and structure of public debt as of October 30, 2022

Category	31.12.2021.	31.10.2022.	31.10.2022.- 31.12.2021.
Public debt of the central government level in RSD	3.543.240.507	3.802.006.021	258.765.514
Public debt of the central government level in EUR	30.134.183	32.410.237	2.276.054
Public debt of the general government level in RSD	3.581.765.469	3.837.642.888	255.877.419
Public debt of the general government level in EUR	30.461.826	32.714.024	2.252.198

The share of central government public debt in GDP at the end of October 2022 is 53.7%. The share of public debt at the general government level of the state in GDP at the end of October 2022 is 54.2%. The fiscal deficit of the general state at the end of 2022 will amount to 3.8% of GDP, which is 0.8% more than originally planned, while the share of public debt at the general government level will amount to 56.9% of GDP.

In 2023, the planned deficit is 3% of GDP. The fiscal framework for 2023 foresees a reduction in the tax burden on wages, a moderate increase in wages in the public sector and an increase in pensions.

Share of public debt in the GDP of the Republic of Serbia, central government level - realization and projection until 2025



In the period January - October 2022, there was a surplus of the republic's budget in the amount of 25.4 billion dinars. Realized revenues were 1,381.6 billion dinars, and expenditures were 1,356.2 billion dinars.

At the level of the general government, in the period January - October 2022, a fiscal surplus in the amount of 65.4 billion dinars and a primary fiscal surplus in the amount of 165.5 billion dinars were realized.

Insurance Market

International Market

The global insurance premium for 2021 increased by 5.1% and reached the amount of 7,300 billion dollars, of which the global non-life insurance premium grew at a rate of 2.6% while the life insurance premium reached a growth of 4.5%. As in the previous period, marginal growth in the nominal premium was achieved in the regions of North America, Asia and the Pacific, and the Middle East, while the regions of Africa and Latin America experienced the greatest decline.

According to the latest projections, the following is expected for the insurance industry in 2023:

- premium growth at the global level, which is lower than the trend in previous years of 2.1%. The continuation of the growth trend of life insurance premiums is expected due to the demand for this type of insurance protection (in the conditions of the pandemic, consumers have become aware of the risk that a similar event could cause in the future). The highest growth is expected in Europe, the Middle East and Africa with moderate growth in other markets;
- rising inflation is a hot topic for all market participants, both in terms of impact on balance sheet items and costs related to claims liquidations
- increase in reinsurance and insurance rates on the global market, primarily property insurance but also vehicle insurance
- inclusion of climate risks both in risk-taking processes and in investment processes;
- it is expected that the number and amount of damages due to extreme natural disasters will continue to grow in 2023 and in the following years;
- increase in damages caused by secondary hazards
- the digitization process increases the exposure to cyber risks on a global level;
- reduction of reinsurance and retrocession capacity, bearing in mind the guidelines of reinsurers in limiting the takeover of both catastrophic risks and portfolios related to wider territorial coverage
- issues related to supply chains affect the development of the entire market
- the energy crisis in Europe, which affects the level of inflation, with the additional influence of the geopolitical situation related to the conflicts in Ukraine, as well as the sanctions that are a consequence of these conflicts
- the trend of including ESG factors in business as an important factor in the process of long-term business sustainability continues.

Catastrophic losses

According to published data, the year 2022 was marked by 422 catastrophic events. Total economic damage is estimated at 312.5 billion dollars, of which almost 75% refers to the territory of North America.

The total insured losses amount to 135 billion dollars, that is, 43% of the total catastrophic losses and are higher by 3.85% compared to 2021.

The largest single insured loss relates to Hurricane Ian in the US, where the estimated amount of damage is 55 billion dollars. This is the second largest loss in history, right behind Hurricane Katrina in 2005, with \$100 billion in insured losses.

In the second place are droughts in the USA, Europe, China and other parts of the world, which caused total insured losses of 12.6 billion dollars and are the second largest in the history of this risk.

In the third place are storms in Europe with a total of 10.4 billion euros in insured damages, of which 3.4 billion refer to Storm Eunice and 7 billion to storms with hail in France.

Domestic market

The following most important indicators of the operation of the insurance sector in the Republic of Serbia emerge from the report of the National Bank of Serbia for the third quarter of 2022:

There are 20 insurance companies operating on the market of the Republic of Serbia, with 16 companies exclusively engaged in insurance business, and 4 companies in reinsurance business. Of the companies engaged in insurance business, only 6 companies deal with non-life insurance, 4 companies deal with life insurance, whilst 6 companies deal with both non-life and life insurance.

The total insurance premium in the period from I - IX 2022 was 99.4 billion dinars (846 million euros or 897 million dollars), which represents a growth of 12.2% compared to the same period of the previous year. In the premium structure, the share of life insurance premiums decreased from 21.8% in the third quarter of 2021 to 20.3% in the same quarter of 2022, due to the higher nominal growth of non-life insurance premiums than the growth of life insurance premiums.

Observed according to the types of insurance, the structure of the premium in the period I-IX of 2022 does not deviate significantly, compared to the same period of the previous year.

Observed according to types of insurance, the largest share in the total premium is recorded by motor liability insurance, of 29.36%, followed by life insurance with 20.34% and property insurance with 20.10%.

The balance sheet of (re)insurance companies increased at the end of the third quarter of 2022 to 343.2 billion dinars (2.93 billion euros or 2.87 billion dollars), by 2.7% compared to the end of Q3 of the previous year.

The total capital amounts to 68.5 billion dinars and has slightly increased, by 0.1%, compared to the same period of the previous year.

Technical reserves increased by 5.7% and amount to 234.3 billion dinars, with the investment of the full amount of technical reserves into the prescribed forms of property.

The available solvency margin of the (re)insurance company in the Republic of Serbia, as of September 30, 2022 was 50.5 billion dinars, and the required solvency margin was 23.2 billion dinars. For companies that mainly deal with non-life insurance, the basic indicator of capital adequacy (the ratio between available and required solvency margin) was 205.8%, while for companies that mainly deal with life insurance, it was 236.9%.

Financial market

The Executive Board of the National Bank of Serbia increased the benchmark interest rate on several occasions during 2022, so that it was increased from 1.0% to 5.0% from April to December 2022.

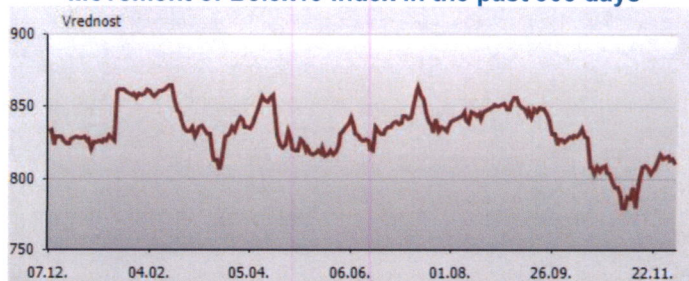
Continued cost pressures and rising inflation, primarily due to rising import prices, influenced the decision of the Executive Board of the NBS to increase the benchmark interest rate and thereby tighten domestic monetary conditions.

Global inflationary pressures are stronger and more persistent than previously expected.

The total turnover on the Belgrade Stock Exchange in the period from January 1 to November 30, 2022 was 35.38 billion dinars (301 million EUR), while the participation of foreign investors in the total turnover for the entire period was 23.07%.

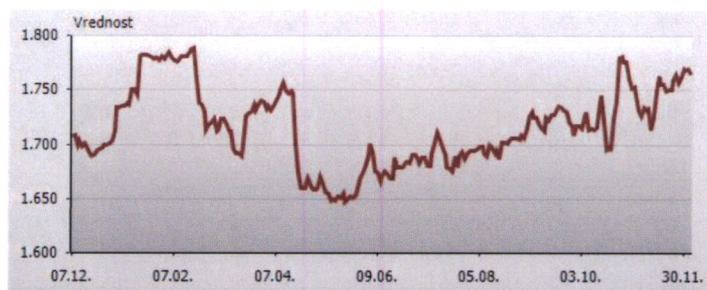
The index of the most liquid shares BELEX15 on November 30, 2022 was 815.83 index points and is 0.6% lower than at the end of the previous year.

Movement of Belex15 index in the past 365 days



The general index of BELEXLine shares recorded a growth of 3.35% and, it amounted to 1,768.97 index points on November 30, 2022.

Movement of BELEXline index in the past 365 days



The structure of turnover on the stock market was dominated by the trading of bonds of the Republic of Serbia. When it comes to shares, the most traded shares were issued by issuers Dunav osiguranje a.d., Belgrade, NIS a.d., Novi Sad, Alfa plam a.d., Vranje, Jedinstvo a.d. Sevojno and Messer Tehnogas a.d., Belgrade

Exchange Rate

The exchange rate of the Dinar against the Euro has remained stable since the beginning of 2022, despite the turbulent events in the world economy.

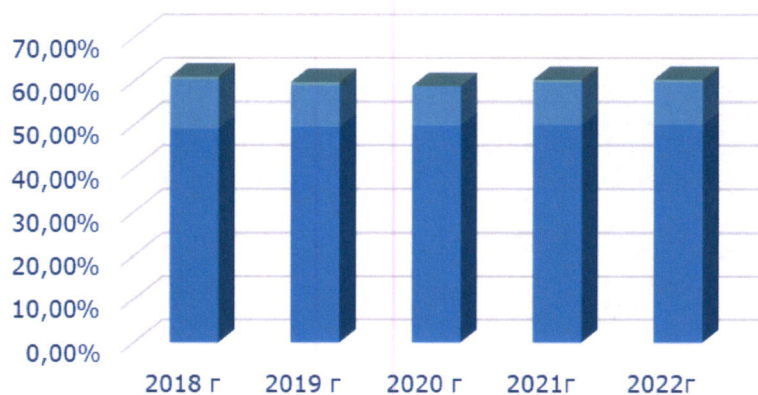
During the year, the value of the domestic currency was the strongest on December 12, when one euro equalled 117.2751 dinars, while the weakest value of the dinar was on April 13, when one euro equalled 117.7627 dinars.

In the period from January to November 2022, the National Bank of Serbia net purchased 450 million euros on the Interbank foreign exchange market in order to maintain the relative stability of the exchange rate of the dinar against the euro.

The official middle exchange rate on December 31, 2022 was 117.3224 dinars.

Sociological aspect

According to the data of the Republic Bureau of Statistics, the average gross salary in November 2022 amounted to 108,001 dinars and is nominally higher by 13.3% compared to November 2021. In the same period, the average net salary nominally increased by 3.8% (real growth is 2.8%).



According to the data of the Republic Bureau of Statistics, in the third quarter of 2022, the unemployment rate was 8.9%. In the same period, the number of employees increased by 17,600 new employees.

4. BUSINESS RESULTS

Profit and Loss Statement

In 2022 the profit before tax was 594.547 thousand dinars which represents growth of 43,59% compared to the previous year.

The dominant source of profit increase in 2022 is the growth of the net premium.

Item	*IN RSD 000		
	Realization 31.12.2021.	Realization 31.12.2022.	Index 2022 / 2021
Operating income	2.325.061	3.384.515	145,57
Operating expenses	1.393.021	1.837.218	131,89
Gross operating result	932.040	1.547.297	166,01
Income from investment	64.395	162.122	251,76
Expenses from investment	3.375	9.668	286,46
Result from investment activities	61.020	152.454	249,84
Acquisition, management, administration and other expenses	1.138.184	2.299.260	202,01
Income from commission	589.328	1.382.555	234,60
Reinsurance administration expenses	548.856	916.705	167,02
NET OPERATING INCOME	444.204	783.046	176,28
Financial result	15.467	-17.601	-113,80
Depreciation result	-31.297	-155.948	498,28
Other results	-14.082	-14.917	105,93
Profit from business operations	414.292	594.580	143,52
Impairment from the previous years	-219	-33	15,07
PROFIT BEFORE TAX	414.073	594.547	143,59
Income tax	62.390	100.100	160,44
NET PROFIT	351.683	494.447	140,59

Business Indicators

In the observed period, the Company's business performance indicators were maintained at a level that is significantly better than the reference values for the reinsurance industry. Although the loss ratio in the Company's net retention increased by 23,93 percentage points, and the cost ratio increased by 3,51 percentage points, the combined ratio is still below 85%, which classifies the Company in the best category measured by this profitability indicator.

CAPITAL ADEQUACY - C	31.12.2021	31.12.2022
C1: "Premium for the net account /Total Capital"	93,07	121,01
C2: "Total Capital / Total Assets"	25,08	24,75
C3: "total Capital/ Technical Reserves"	53,13	60,92
QUALITY OF ASSETS - A		
A1: "Non-liquid Assets / Total Assets"	25,09	31,13

REINSURANCE AND ACTUARIAL POSITIONS - R		
R1: "Net premium earned/ Total premium earned"	32,62	33,85
PRODUCTIVITY - MANAGEMENT - M		
M1: "Gross premium / number of employees"	176.484,00	236.677,42
M2: "Total assets / Number of employees"	251.331,00	262.464,07
PRODUCTIVITY - MANAGEMENT - M		
E1: Loss ratio	31,26	55,11
E2: Expense ratio	23,61	27,09
E3: Investment return ratio	2,62	4,50
E4: Combined ratio 1	84,86	82,20
E5: Combined ratio 2	82,24	77,69
ROE 1: Net result / Basic capital*	19,79	27,82
ROE 2: Net result / Average total capital*	13,95	17,70
ROA: Net result / Assets*	4,81	6,18
LIQUIDITY – L		
L1- 1st Degree Liquidity Ratio	0,37	0,29
L2: 2nd Degree Liquidity Ratio	3,78	3,10
L2(A): 1st Degree Liquidity Ratio	0,24	0,14
L4: Liquidity ratio	1,45	1,21

* recalculated annual rate

5. BUSINESS POLICY OF THE COMPANY IN THE YEAR 2022

The Company's business policy during 2022 was aimed at achieving the organic growth foreseen in the Business Plan for 2022. In all lines of business, the Company deepened relations with existing clients and managed to gain the trust of a whole range of new clients. The professional and social skills of the employees as well as the reputation of the Company have helped our clients to achieve their goals. By focusing on the needs of each individual client, the Company achieved results at a record level.

The basic guidelines of the Company during 2022 were principles of responsible organic growth. The Company focused on the client in each segment of growth, but such growth was within the scope of the risks it could take. The growth was recorded within the framework of sustainability, which means that by encouraging operational efficiency, it made its environment an attractive place to work and shared its successes with the social community.

The test of the Company's success is the growth of its market share, which was achieved by including new clients, by doing more and by territorial diversification. Preservation and improvement of the credit rating was also an important test of success for the Company, which during 2022 managed to maintain its credit rating within the group of financially stable reinsurers.

The consistent application of ESG criteria helped the Company to become a member of the international organization UNEP.

6. TERRITORIAL DISTRIBUTION

The reinsurance policy is based on the territorial diversification of risk with the aim of reducing risk concentration on the one hand, as well as with the aim of reducing the risk of influence of the status of the other contracting party on the Company's operations.

The number of countries in which the Company operates has been stable in the last 3 years and will see a change of about 2% in 2022.

NUMBER OF COUNTRIES IN WHICH THE COMPANY ASSUMES RISKS

	2019	2020	2021	2022
NUMBER OF COUNTRIES	50	90	115	117



7. PORTFOLIO STRUCTURE

The structure of the Company's portfolio is traditionally dominated by types of insurance 08 (Property insurance) and 09 (Other property insurance) with over 50% participation. There is a significant decrease in the share of property insurance compared to the previous year, bearing in mind that other types of insurance developed rapidly during 2022.

Structure and development of the gross portfolio per line of business

Class	2020	2021	2022
Property (08 and 09)	64,97%	67,67%	54,91%
Liability (13)	9,76%	8,42%	5,57%
MTPL (10)	5,10%	4,70%	16,43%
Motor own damage	5,71%	5,30%	5,54%
Other non- life insurances	11,98%	11,66%	16,03%
Life insurances	2,48%	2,25%	1,52%
Total	100,00%	100,00%	100,00%

Structure and development of the net portfolio per line of business

	2020	2021	2022
Property (08 and 09)	70,26%	76,52%	61,58%
Liability (13)	2,36%	1,82%	1,38%
MTPL (10)	4,58%	3,46%	15,73%
Motor own damage (03)	18,00%	14,18%	13,05%
Other non- life insurances	3,77%	3,22%	7,67%
Life insurances	1,03%	0,80%	0,59%
Total	100,00%	100,00%	100,00%

8. MARKET POSITION OF THE COMPANY

The Company measures its market position in relation to the other six companies operating in the territory of the former Yugoslavia. Measured by the amount of gross premium, the Company records a high third position in the region ex YU.

On the territory of the Republic of Serbia, the Company is the absolute leader both in terms of the amount of gross premium and the amount of net retained premium in its net retention.

According to the assessment of the international credit agency AM Best, the Company is in the group of financially secure partners and has a rating of B+ / BBB - with stable outlook.

FSR ratings by rating agency AM Best

Sava Re / FSR A / Country category
CRT 2

Triglav Re / FSR A / Country category
CRT 2

**Dunav Re / FSR B+ / Country category
CRT 4**

Bosna Re / FSR B+ / Country category
CRT 5

iener Re / no rating

Generali Re / no rating

DDOR Re / no rating



9. REINSURANCE PREMIUM

During 2022, a significant increase in the reinsurance premium was recorded and thus the basic goal foreseen in the business plan was fulfilled. The company decided to focus its sales activities onto property insurance and motor liability insurance, bearing in mind that these types of insurance record good technical results in longer time series.

GROSS PREMIUM IN 2021 - 2022 in RSD 000

Class of Insurance	2021	2022	index
Class 03	374.525	565.063	150,87
Classes 08 and 09	4.777.051	5.588.194	116,98
Class 10	331.569	1.671.740	504,19
Class 13	594.303	566.534	95,33
Other classes	822.896	1.631.242	198,23
Life insurances	159.008	154.356	97,07
Total:	7.059.352	10.177.129	144,17

Territory	2021	2022
Serbia	73,44%	77,48%
EX YU	6,00%	4,63%
Europe	8,31%	6,00%
Asia	11,46%	11,08%
Other territories	0,78%	0,82%

NET PREMIUM IN 2021 - 2022 in 000 RSD

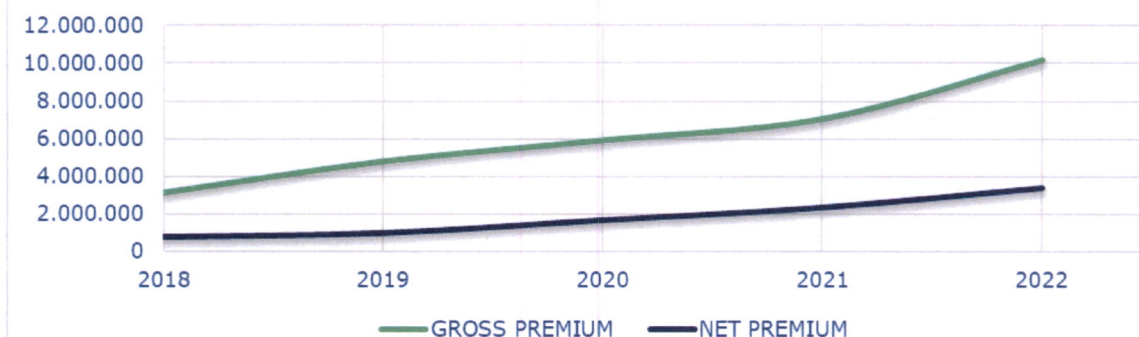
Class of Insurance	2021	2022	index
Class 03	332.686	441.123	132,59
Classes 08 and 09	1.795.364	2.081.064	115,91
Class 10	81.095	531.573	655,49
Class 13	42.613	46.491	109,10
Other classes	75.446	259.045	343,35
Life insurances	19.109	20.281	106,13
Total:	2.346.313	3.379.577	144,04

Territory	2021	2022
Serbia	25,53%	36,25%
EX YU	12,61%	9,90%
Europe	25,01%	18,01%
Asia	34,49%	33,37%
Other territories	2,35%	2,47%

GROSS AND NET PREMIUM DEVELOPMENT IN THE PERIOD 2018 - 2022 in 000 RSD

	2018	2019	2020	2021	2022
Gross premium (1)	3.122.259	4.785.880	5.919.145	7.059.352	10.177.129
Net premium (2)	796.026	1.002.572	1.677.100	2.346.313	3.379.577
Share (2/1)	25,50%	20,95%	28,33%	33,24%	33,21%

GROSS AND NET PREMIUM DEVELOPMENT IN THE PERIOD 2018 - 2022



10. CLAIMS

Settlement of claims was carried out in accordance with the Company's acts and conditions of reinsurance. The total settled claims recorded a growth of 41.65%, which is a consequence of the increased volume of work and the settlement of claims reserved in the previous period.

LOSSES 2021 – 2022 IN RSD 000

	2021	2022	Index
Settled claims	3.053.624	4.325.350	141,65
Outstanding claims	2.367.867	2.103.864	88,85

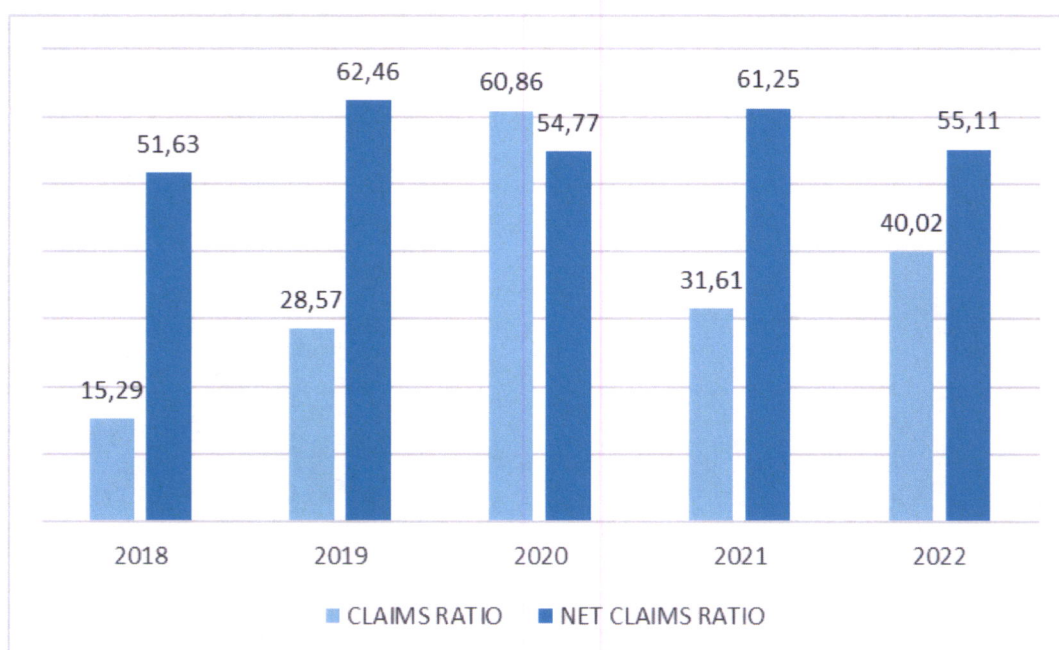
CLAIMS FOR THE NET ACCOUNT OF THE COMPANY 2021 – 2022 IN RSD 000

	2021	2022	Index
Settled claims	1.457.527	1.805.634	123,88
Outstanding claims	815.165	852.391	104,57

11. CLAIMS RATIO

The claims ratio represents a kind of a test for the Company in the sense that it provides insight into the quality of the underwriting process in a certain way. For many years now, the Company has recorded an extremely low claims ratio. The average claims ratio in the period 2018 - 2022 was 35.27%, while the average claims ratio in net retention for the same period is 57.04%.

	2018	2019	2020	2021	2022
Claims Ratio	15,29	28,57	60,86	31,61	40,02
Claims ratio in the net retention	51,63	62,46	54,77	61,25	55,11



12. RETRO PROTECTION OF THE PORTFOLIO

During 2022, the company did not change the amount of the maximum net retention per risk and it amounted to EUR 2.5 million. In accordance with defined procedures, conducted analyses and adequate stress tests, the company defined the necessary levels of portfolio protection.

The Company was protected by reinsurers with a minimum rating of A assigned by international rating agencies, thereby providing additional security.



13. CONCLUSION

Despite the still difficult market conditions caused by the financial and geopolitical situation, the company achieved a positive business result. In the period 01.01.2022 – 31.12.2022, the Company recorded a premium growth of 44.17% compared to the premium from the same period of the previous year.

As in previous years, reinsured risks from the territory of the Republic of Serbia have the most significant participation in the premium, that is, 77.48%.

The company achieved a significant growth of the reinsurance premium in the net retention, 44.04%, compared to the same period of the previous year.

Amount of losses settled in the period 01.01.2022 - 31.12.2022. is 4,325,350 thousand dinars, while losses in the net retention of the Company amount to 1,805,634 thousand dinars. The total of settled losses is higher by 41.65% than the total settled losses of the previous year, while settled losses in net retention of the Company are higher by 23.88% than losses for the net retention, settled in the previous year.

Outstanding losses are 11.15% lower compared to the same period of the previous year, while outstanding losses in the net retention of the Company are by 4.57% higher, when compared to the same period of the previous year.

The total loss ratio is 40.02%, while loss ratio in the net retention is 55.11%.

The Company's protection is contracted with reinsurers who have minimum A rating, assigned by the international rating agencies.

The company operates in over 100 countries around the world.

14. INVESTING OF REINSURANCE ASSETS

Investment portfolio

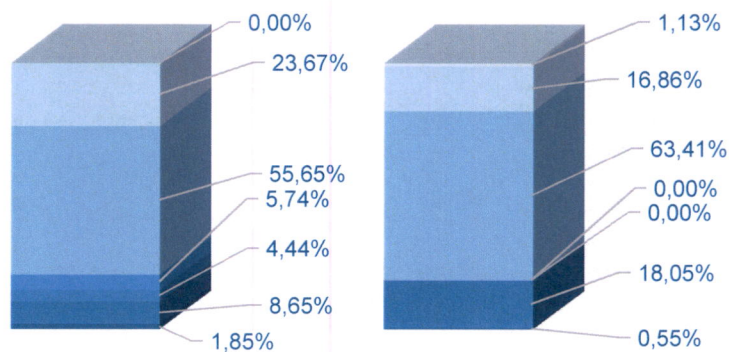
*IN RSD 000

ITEM	Balance as at 31.12.2021.	Balance as at 31.12.2022.	Index
Securities held to maturity	74,125	23,989	32.36
Securities available for sale	345,568	794,011	229.77
Long-term deposits held with banks	177,365	0	0.00
Securities available for trading	229,472	0	0.00
Short-term deposits held with banks	2,224,284	2,788,579	125.37
Cash and cash equivalents	945,964	741,429	78.38
Other short term financial placements	0	49,772	100
TOTAL	3,996,778	4,397,780	110.03

In 2022, the investment portfolio rose by 401 million dinars. The largest part of the growth of the investment portfolio arose from the internal potential of the Company to generate free assets from its business activities. The overall generated growth of the investment portfolio is directed toward increasing of liquid investment assets.

In the structure of the investment portfolio, the share of securities increased from 8,65% to 18,05% and the share of deposits with banks was increased from 55,65% to 63,41%.

Investment portfolio structure



31.12.2021.

31.12.2022.

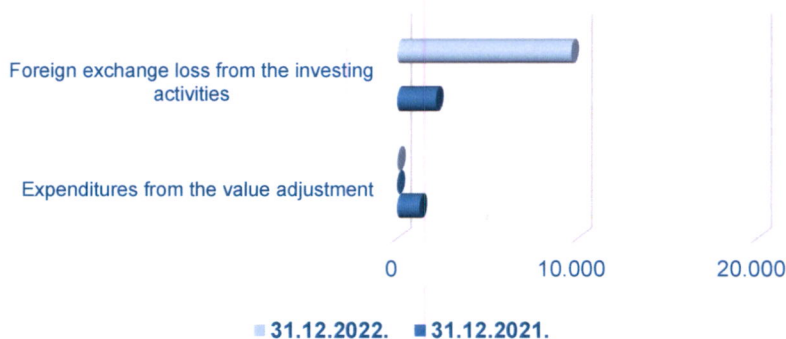
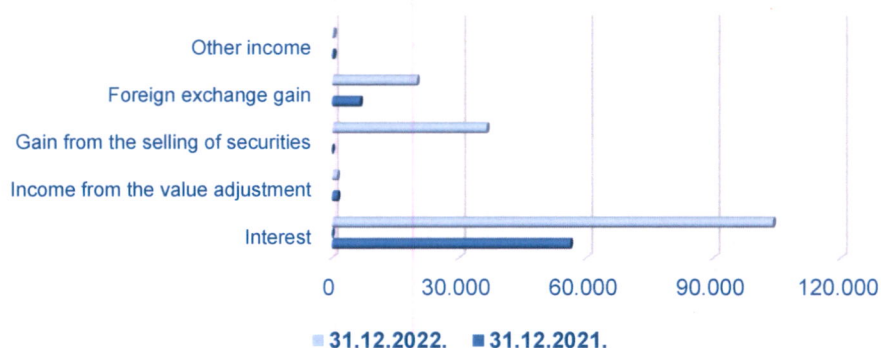
- Securities held to maturity
- Long-term deposits held with banks
- Short-term deposits held with banks
- Other short-term financial placements

- Securities available for sale
- Securities available for trading
- Cash and cash equivalents

6.2 Results of investing of reinsurance assets

*IN RSD 000

ITEM	31.12.2021	31.12.2022.	Index 2022/ 2021
INCOME FROM INVESTING OF INSURANCE ASSETS			
Interest	56.187	104.019	185,13
Income from the value adjustment	1.284	1.219	94,94
Gain from the selling of securities	0	36.471	100,00
Foreign exchange gain	6.600	20.025	303,41
Other income from the investing activities	324	388	119,75
TOTAL	64.395	162.122	251,76
EXPENDITURES FROM THE INVESTING OF INSURANCE ASSETS			
Expenditures from the value adjustments	1.239	38	3,07
Foreign exchange loss from the investing activities	2.136	9.630	450,84
TOTAL	3.375	9.668	286,46
GAIN FROM INVESTING ACTIVITIES	61.020	152.454	249,84



Income from the investment activities is higher by 151,76% compared to the previous year.

Interest income increased by 85,13%, due to the growth of the Company's investment activity.

15. OPERATING COSTS

Operating costs

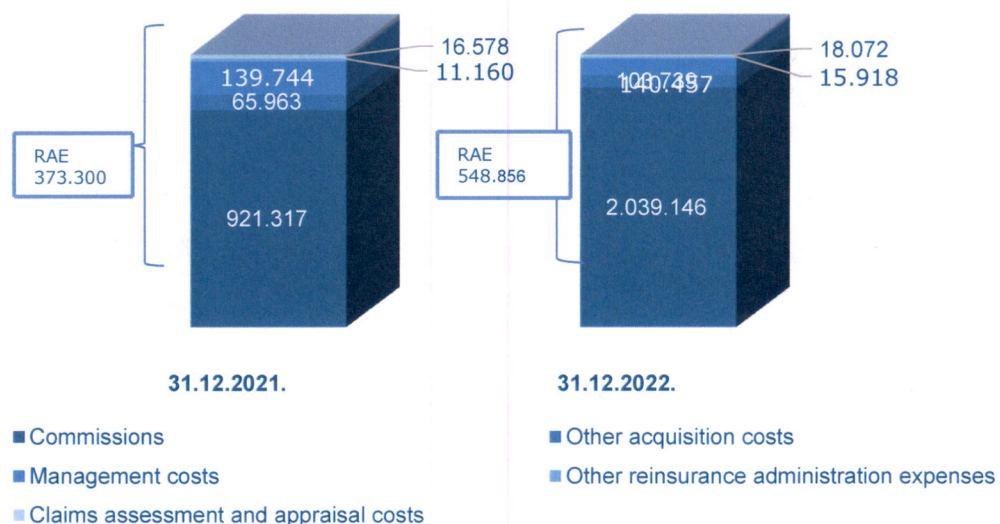
Total operating costs in 2022 are higher than realized in the previous year by 369,343 thousand dinars.

The biggest impact on growth of expenses had the growth of the reinsurance commission of 121.33% which is in line with the growth of the reinsurance premium.

*IN RSD 000

	31.12.2021.	31.12.2022.
1, Acquisition costs	987,280	2,142,885
Commissions	921,317	2,039,146
Other acquisition costs	65,963	103,739
2, Management costs	139,744	140,457
3, Other reinsurance administration expenses (RAE)	11,160	15,918
4, Reinsurance commissions	589,328	1,382,555
Total RAE	548,856	916,705
5, Claims assessment and appraisal costs	16,578	18,072
Total expenses	565,434	934,777

Structure of costs per origin



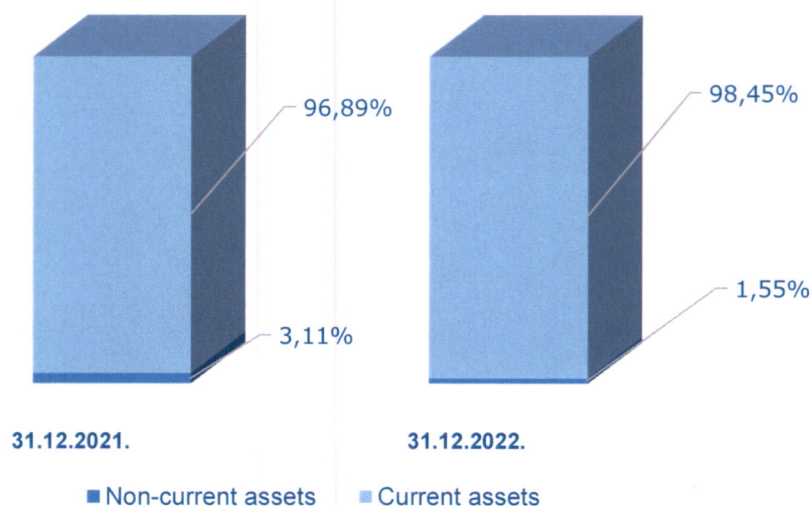
16. BALANCE SHEET

Assets

*IN RSD 000

CATEGORY	31.12.2021	31.12.2022	Index 2022 / 2021
Intangible investments	464	309	66,59
Software and other rights	831	665	80,02
Property, plant and equipment	59,087	148,631	251,55
Long-term financial investments	252,306	25,127	9,96
Fixed Assets	312,688	174,732	55,88
Stocks	2,883	1,904	66,04
Receivables	2,459,543	3,362,920	136,73
Receivables for the overpaid income tax	0	0	0,00
Financial placements	2,799,324	3,632,362	129,76
Cash and cash equivalents	945,964	741,429	78,38
Accrued revenue and deferred liabilities	52,710	89,650	170,08
Receivables for unearned premiums	1,156,625	1,340,925	115,93
Receivables for outstanding claims in retrocession	2,304,159	1,921,067	83,37
Deferred tax liabilities	19,345	20,966	108,38
Current assets	9,740,553	11,111,223	114,07
TOTAL ASSETS (ASSETS)	10,053,241	11,285,955	112,26

Assets

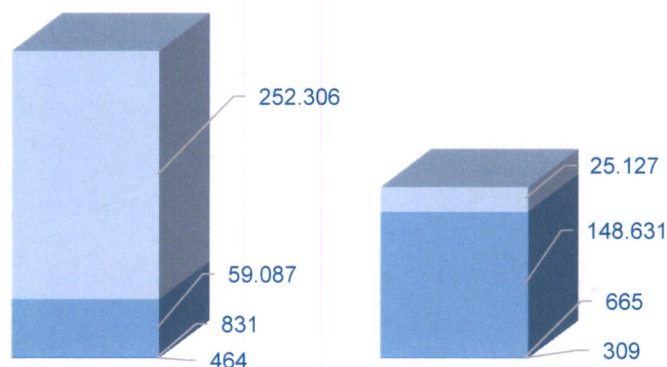


Besides above, the structure of assets is dominated by current assets with 98.45%.

Non- current assets

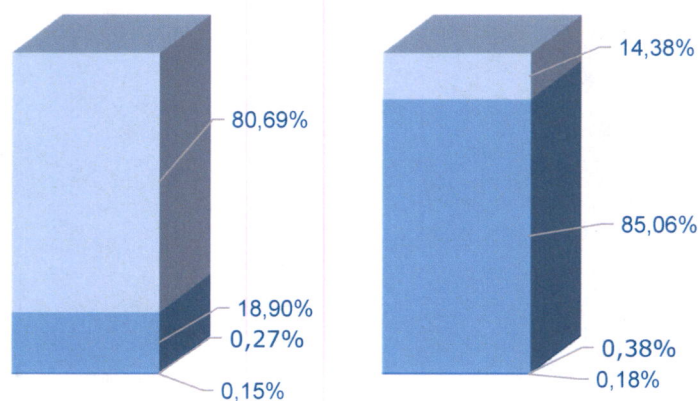
Non –current assets are lower by 44.12% compared to last year, which comes as a consequence of the reclassification of the long-term deposits into short-term deposits. The mentioned standard refers to the obligation to show leased property in the balance sheet of the Company.

Property, plant and equipment increased by 151.55%, also as a result of the application of IFRS 16.



31.12.2021. 31.12.2022.

- Intangible investments
- Software and other rights
- Property, plant and equipment
- Long-term financial investments

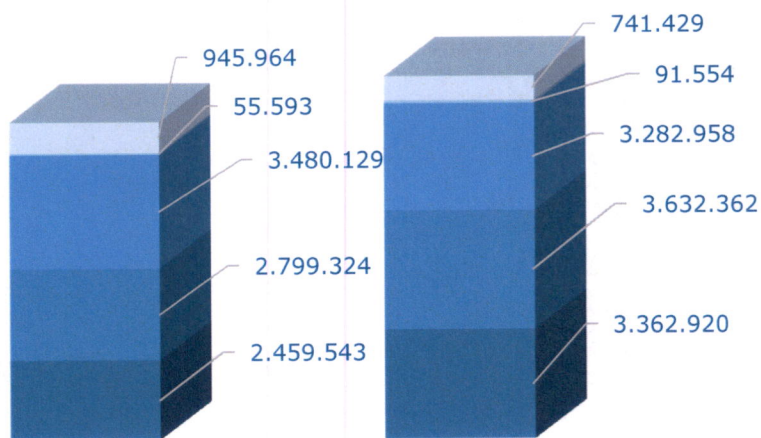


31.12.2021. 31.12.2022.

- Intangible investments
- Software and other rights
- Property, plant and equipment
- Long-term financial investments

Current Assets

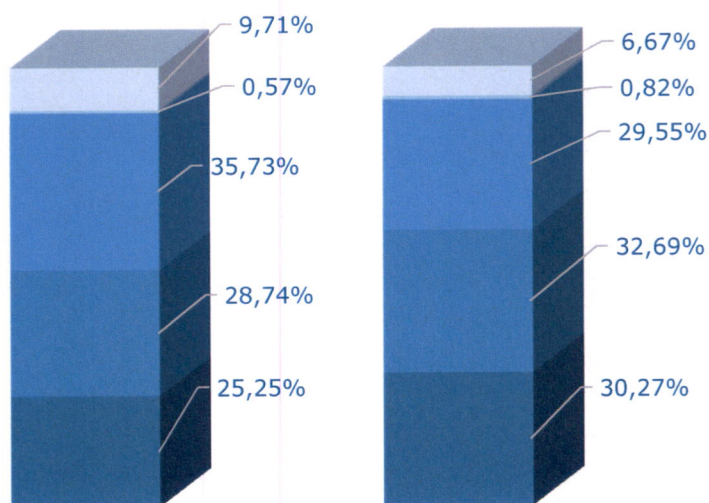
Current assets increased by 14.07% compared to the previous year. Total receivables increased by 36.73% compared to the previous year. The increase in receivables is a consequence of the increase in premiums and the change in the maturity structure in favour of receivables which are not due.



31.12.2021.

31.12.2022.

- Cash and cash equivalents
- Stocks, receivables for the overpaid tax and accrued revenue and deferred liabilities
- Technical provisions in reinsurance
- Financial placements
- Receivables



31.12.2021.

31.12.2022.

- Cash and cash equivalents
- Stocks, receivables for the overpaid tax, accrued revenue and deferred liabilities
- Technical provisions in reinsurance
- Financial placements
- Receivables

Financial placements recorded a growth of 29.76%. In the structure of financial placements, short-term deposits with banks have the largest share of 76.77%

Structure of receivables

A growth of the premium-based receivables of 38,00% was recorded in 2022, whilst the provision for premium-based receivables was 126,64% higher in the same year.

Claims-based receivables are 47,95% higher, whilst provisions for claims-based receivables is higher by 28,74%. Total provisions for receivables is by 83,29% higher compared to 31.12.2021, whilst total receivables are by 36,73% higher than in the previous year.

*IN RSD 000

Structure of receivables as at 31.12.2021

	Gross	Impairment	Net
Premium	2,115,897	108,618	2,007,279
Losses	500,361	86,302	414,059
Recourse receivables	10,120	0	10,120
Other	28,085	0	28,085
TOTAL	2,654,463	194,920	2,459,543

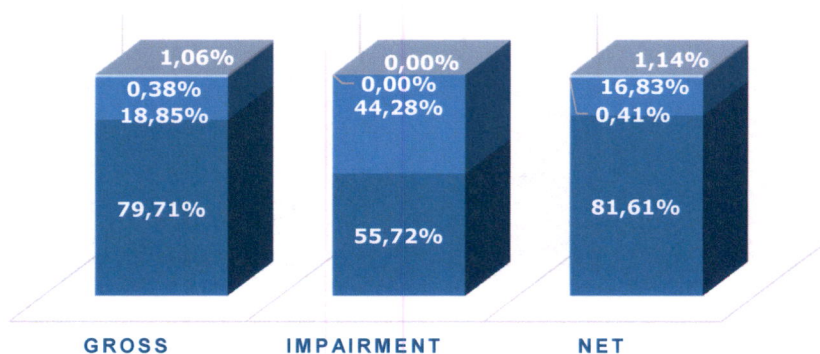
*IN RSD 000

Structure of receivables as at 31.12.2022

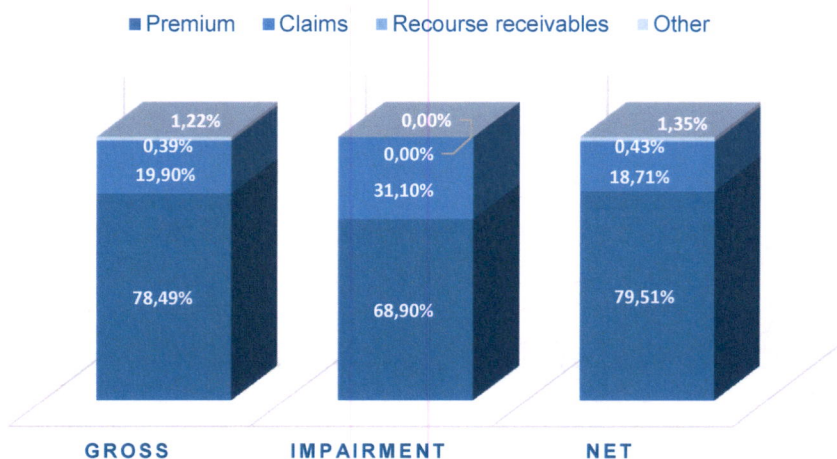
	Gross	Impairment	Net
Premium	2,920,024	246,177	2,673,847
Losses	740,270	111,103	629,167
Recourse receivables	14,559	0	14,559
Other	45,347	0	45,347
TOTAL	3,720,200	357,280	3,362,920

Structure of receivables as at 31.12.2021

■ Premium ■ Claims ■ Recourse receivables ■ Other



Structure of receivables as at 31.12.2022



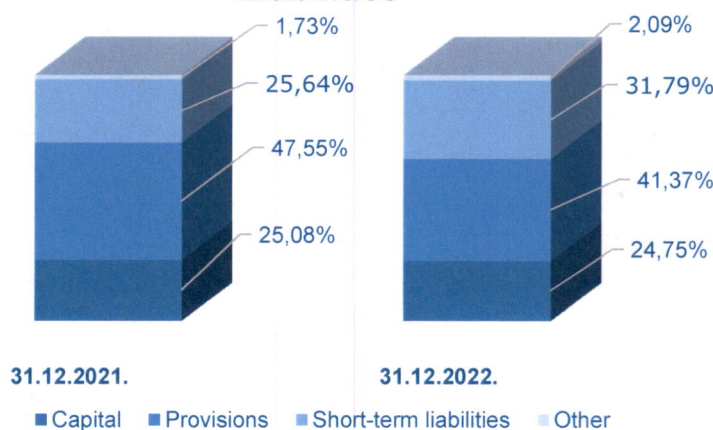
LIABILITIES

*IN RSD 000

CATEGORY	31.12.2021	31.12.2022.	Index 2022/2021
Capital and reserves	2,520,907	2,792,879	110,79
Long term provisions	59,463	62,509	105,12
Long term liabilities	36,072	84,370	233,89
Deferred tax liabilities	5,447	3,191	58,58
Short-term financial liabilities	2,577,497	3,587,981	139,20
Premium reserve	1,250,095	1,429,457	114,35
Other accruals and deferred income	134,081	197,475	147,28
Outstanding losses	3,469,679	3,128,093	90,16
TOTAL LIABILITIES	10,053,241	11,285,955	112,26

Liabilities are by 12,26% higher compared to the previous year. The largest share in liabilities belongs to technical reserves of 41,37%, followed by capital and reserves and short-term liabilities.

Liabilities



8.2.1 Capital, long-term provisions, short-term provisions and deferred tax liabilities

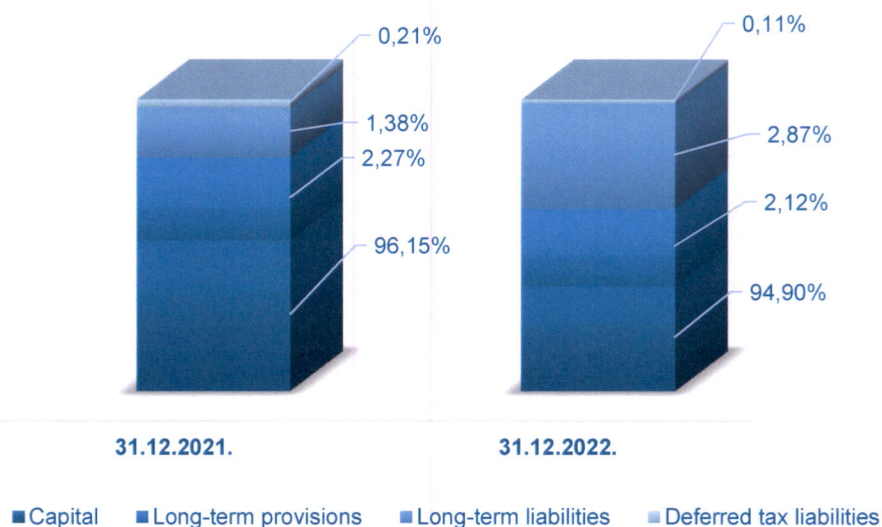
Amount of the total capital, reserves, long-term provisions and long term liabilities of the Company as at 31.12.2022 is 2,942,949 thousand RSD, which is an increase of 12,25% compared to the previous year.

Art. 27 of the Law on Insurance prescribes a limit for performing reinsurance business of 3.2 million Euros.

*IN RSD 000

	31,12,2021,	31,12,2022,	Index
Capital	2,520,907	2,792,879	110,79
Long-term provisions	59,463	62,509	105,12
Long-term liabilities	36,072	84,370	233,89
Deferred tax liabilities	5,447	3,191	58,58
TOTAL:	2,621,889	2,942,949	112,25

At the end of June, the Company paid dividends to its shareholders in the gross amount of 179,41 dinars per share.



Short-term liabilities

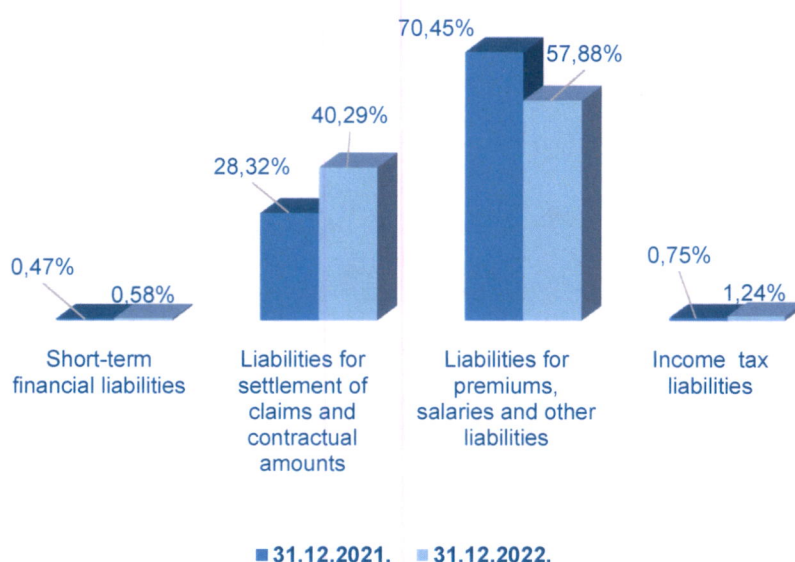
Short-term liabilities increased by 39,20% compared to the previous year.

The structure of the short-term liabilities is dominated by the reinsurance premium (57,88%) and liabilities for settlement of claims (40,29%).

Business Report for the period 01 January – 31 December, 2022

*IN RSD 000

ITEM	31.12.2021.	31.12.2022.	Index
Short term financial liabilities	12,177	20,901	171,64
Liabilities for settlement of claims and contractual amounts	729,940	1,445,719	198,06
Liabilities for premiums, salaries and other liabilities	1,815,944	2,076,870	114,37
Income tax liabilities	19,436	44,491	228,91
TOTAL	2,577,497	3,587,981	139,20

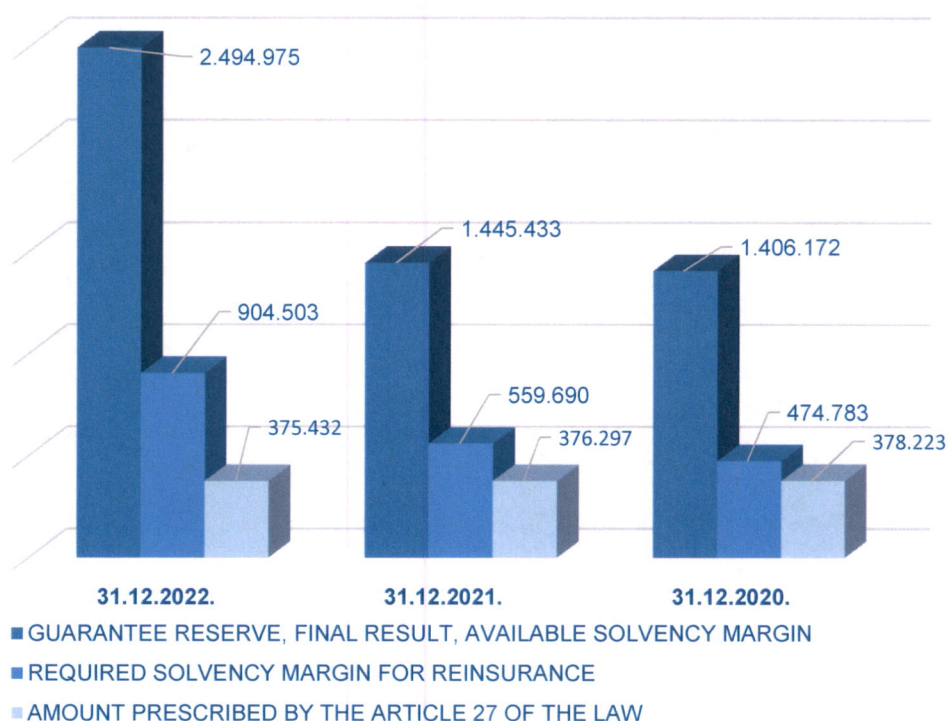


Guarantee reserve and capital adequacy

As in previous years, the Company satisfies all requirements in terms of the capital adequacy. Guarantee reserve is 2.81 times higher than solvency margin.

	OPIS	31.12.2022	31.12.2021	31.12.2020
I	PAID UP CAPITAL	2,542,210	1,807,683	1,631,352
III	DEDUCTIONS, PART ONE (9+10+11+12)	309	627	2,049
9	Non-material property (Investments0)	309	627	2,049
IV	GUARANTEE CAPITAL (I+II-III)	2,541,901	1,807,056	1,629,303
V	DEDUCTIONS, PART TWO	0	0	0
VI	GUARANTEE RESERVE, PRELIMINARY RESULT (I+II-III-V)	2,541,901	1,807,056	1,629,303

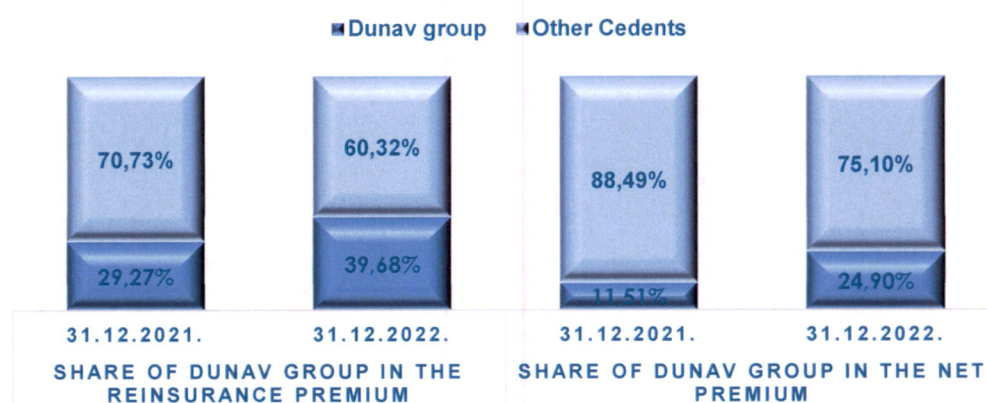
VII	GUARANTEE RESERVE, FINAL RESULT, AVAILABLE SOLVENCY MARGIN	2,494,976	1,445,433	1,406,172
VIII	REQUIRED SOLVENCY MARGIN FOR REINSURANCE	904,503	559,690	474,783
IX	DIFFERENCE IN AVAILABLE AND REQUIRED SOLVENCY MARGIN FOR REINSURANCE VII-VIII ≥ 0	1,590,473	885,743	931,389
X	RATIO OF REQUIRED SOLVENCY MARGIN FOR REINSURANCE AND GUARANTEE CAPITAL (ARTICLE 128 PARAGRAPH 1 OF THE LAW)	0.36	0.31	0.29
XI	AMOUNT PRESCRIBED BY THE ARTICLE 27 OF THE LAW (in line with the valid license)	375,432	376,297	378,223
XII	DIFFERENCE BETWEEN GUARANTEE CAPITAL AND THE AMOUNT PRESCRIBED BY THE ARTICLE 27 OF THE LAW (Article 128, Paragraph 2 of the law) IV-XI ≥ 0	2,166,469	1,430,759	1,251,080



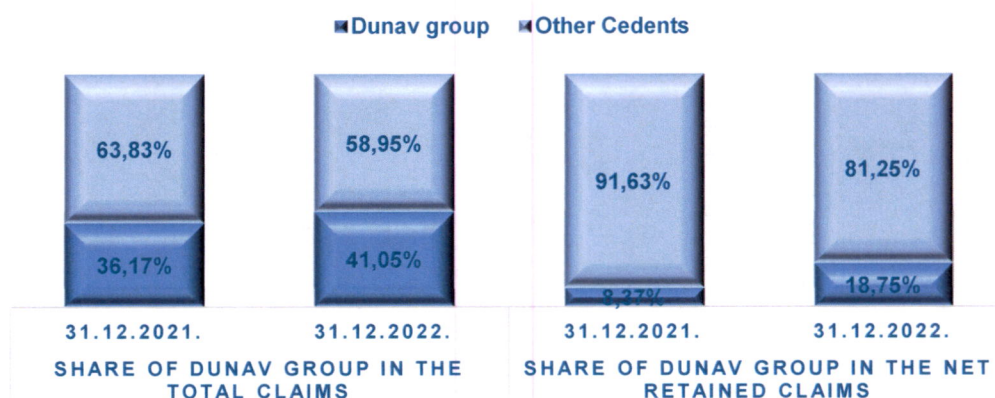
17. PARTICIPATION OF DUNAV INSURANCE COMPANY AND DUNAV INSURANCE COMPANY BANJA LUKA

The following graphs show participation of Dunav Insurance Company, who is also the majority owner of the Company with share of 87,12% % in the total share capital and Dunav Insurance Banja Luka, in the reinsurance premium and total reinsurance claims.

- Participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the reinsurance premium is increased in the year 2022 by 10.41 percentage points, compared to the same period of the year 2021.
- Participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the premium for the net account is increased by 13.39 percentage points in the year 2022, compared to the same period of the previous year.



- Participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the total reinsurance claims recorded a decrease of 4.87 percentage points in the year 2022, compared to the same period of the previous year.
- At the same time, participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the total reinsurance claims for the net account recorded a decrease of 10.39 percentage points.



18. OPERATIONAL RISKS

The Company organizes, implements and develops a system of internal controls and risk management in accordance with Article 147 of the Insurance Law, Decision on the Management System in the Company for Insurance / Reinsurance of Risks (Official Gazette of RS no. 51/2015, 29/2018, 84/2020, and 94/2022) and the Company's Risk Management Strategy dated March 25, 2022.

Identification, assessment, measurement and control of the risks the Company is exposed to are developed on an ongoing basis and adapted to changing conditions of the reinsurance business across all the Company's organizational units in accordance with its internal organization and job classification, adopted internal bylaws, rules of the insurance/reinsurance profession, good business practices, business ethics and effective legislation. Management of individual risks is the responsibility of those competent Company's organizational units, where risks have been identified. Executive Officers/Department Heads are responsible for consistent implementation of the Company's adopted risk management policies at all levels within the Company and for thorough understanding of the responsibilities entailed by the risk management processes on the part of all employees participating in such processes, observing the ethical and professional standards in place.

In accordance with the Decision on the management system in the insurance/reinsurance company, the Company identified and monitors a total of 36 risks divided in accordance with the decision of the National Bank of Serbia into 7 groups, and 2 risks according to the Law on Accounting, as follows:

Group of risks	Description	Assessment	Response
Pricing risk	Setting of reinsurance premium by the Company is, before all, established based on the movement of the premium on the foreign reinsurance market, that is, according to the criteria of the external reinsurers who are leaders in the businesses retroceded and who, as leaders, determine conditions and prices of the cover in line with general trends on the international markets, based on the policy premium of the cedant (according to the tariffs of the NBS) and then based on the statistical and other relevant data.	insignificant	The Company continuously monitors and analyses subject matter of the reinsurance treaty, risks covered, sums reinsured, cover limits, amount of average losses, probability of occurrence of large losses, declining of the real from expected losses as well as the degree of risk equalization inside of the portfolio.

Group of risks	Description	Assessment	Response
Credit risk	Credit risk relates to the possible negative effects on the financial result and capital due to default in obligations of the Company's debtor. The Company is exposed to the credit risk through premium receivables, claims, commission and recourses, as well as in the respect of depositing and investing its funds with the banks.	insignificant	The Company monitors and analyses credit risk exposure on a regular basis, whilst prevention and protection are effected through implementation of the Rules on the Manner of Assessment of Balance Sheet and Off-Balance Sheet Items and through depositing and investing funds in accordance with NBS Decision on Restrictions of Specific Forms of Depositing and Investing Technical Reserve Assets and Maximum Amounts of Specific Forms of Depositing and Investing Guarantee Reserve Assets of the Insurance Companies and the Company's internal Rules.
Cash flow risk	This risk includes the flow of cash from operational, financial and investment activities of the Company.	significant	The Company continuously monitors the movement of net inflows and net outflows.
Concentration risk	The risk of non-life reinsurance concentration is the risk arising from the lack of diversification of the non-life reinsurance portfolio, that is, which is a consequence of the same or similar harmful event. The cause is the Company's exposure to categories that have significant potential for the occurrence of a claim or loss.	insignificant	The Company primarily considers a set of exposures that are linked by common risk factors (the same economic sector, that is, the geographical area, identical operations / assumed risks / financial instruments).
Market risk	Market risk arises from the unfavourable changes in the market, primarily insurance and financial markets. It may be manifested through possible losses and gains. These are risks that depend on the fluctuations and/or volatility of market prices of assets, liabilities and financial instruments.	insignificant	The Company regularly monitors and analyses the movement of market performances related to each market risk individually, and specifically considers the causal links between risk categories and the overall impact of this risk on other risks to which the Company is exposed.

Group of risks	Description	Assessment	Response
Operational risk	Operational risk arises from omissions occurred in the work of the Company's employees and bodies, inappropriate internal procedures and processes, inadequate management of the information and other systems as well as due to unpredictable external events.	insignificant	In order to protect itself against operational risks recognized and quantified by the management, the Company is actively approaching the upgrade and improvement of the internal control system that corresponds to nature, complexity and risk inherent in the reinsurance business as well as the application of IIS.
Liquidity risk	liquidity risk generally arises from the financing of the Company's business activities and the management of risky positions. They include both the risk of inability to disburse funds at maturity and with appropriate interest, and the risk of inability to divest assets at an acceptable price and within an acceptable time frame.	insignificant	The Company establishes an appropriate management system for the needs of short-term, medium-term and long-term financing as well as liquidity management. The Company manages the liquidity risk by maintaining adequate cash reserves through continuous monitoring of the planned and actual cash flow, as well as by maintaining an adequate ratio of maturity of financial assets and liabilities.
Legal and Reputational risk	Legal risk arises from the non-compliance of the operations and enactments of the Company with the prevailing regulations, from contracts that cannot be performed in entirety or in part (e.g. void and null contracts) and potential litigation losses. Reputational risk arises from the reduced trust of the public in the Company's business operations.	insignificant	The Company monitors all legislative regulations and enactments governing the business and harmonizes all its acts with amendments and supplements to those regulations. The Company has developed reputation of a reliable partner in the territory of Balkans, which is ready at all times to respond to its client's requests with its expertise and efficacy.
Reinsurance risk	Reinsurance risk stems from the Company's inability to absorb assumed risks, inherent in reinsurance business. The Company concludes reinsurance contracts whereby insured risk is transferred from the insurer to the Company as well as retrocession contracts of reinsurance whereby reinsurance risk is further transferred from the Company to retrocedants.	insignificant	Within the reinsurance risk the Company monitors and analyses all subgroups on a regular basis in order to maintain permanent degree of the risk exposure at the level where assets and operations of the Company will not be compromised and which will ensure protection of the interests of the Company's cedants and other creditors.

The report on the results of own risk and solvency assessment is an integral part of this Annual Business Report (attached to the report) and is not published in accordance with the Decision of the National Bank of Serbia on the Management System in Insurance / Reinsurance Companies („Official Gazette RS“, No. 51/2015, 29/2018, 84/2020, 94/2022).

19. IMPACT OF CLIMATE CHANGE ON BUSINESS

Climate changes represent long-term changes in temperatures and weather patterns caused both by natural variations in the solar cycle and by conscious human activities, primarily by the burning of fossil fuels. The burning of fossil fuels generates greenhouse gas emissions, which are deemed to be the main drivers of climate change.

The risk of climate change belongs to the category of emerging risks, whose identification, assessment, measurement and control is continuously developed and adapted to the specifics thereof. The Company continuously monitors the global effects of climate change from several relevant sources, trends and best practices on the international reinsurance market. The Company considers the risk of climate change within the environmental, social policy and management (ESG) risk, which is categorized in group 7 - Other significant risks, in accordance with the Decision of the NBS on the management system in the Insurance / Reinsurance Company („Official Gazette RS“ No. 51/2015, 29/2018, 84/2020, 94/2022).

Environmental risks are considered a serious threat due to the potentially rapid, unexpected and significant impact of damages caused by natural disasters. Environmental factors refer to the natural environment and include climate risk, resource use, energy use, pollution and waste management.

Society classifies natural disasters as extreme weather events that are a consequence of climate change: floods, storms, forest fires, hurricanes, cyclones, droughts, etc.

Considering the increasing frequency of extreme weather events, their regularity and the growing trend of economic losses, the Company treats the risk of climate change as a systemic risk.

Systemic risks have the potential to produce serious negative consequences and destabilize capital markets, other financial institutions and the wider economy. Given that physical losses caused by global warming / temperature rise due to the negative effects of greenhouse gas emissions continue to grow, the Company has integrated the risk of climate change into the basic business policy and is capable of absorbing negative effects in the event of its materialization.

In the process of underwriting, climate change risk management aims to reduce the negative effects of climate uncertainty and the impact of changing climate trends on the risks in the Company's portfolio, which may be the cause of catastrophic losses.

Mitigating climate change risk factors are annual renewals of the reinsurance contract, which are preceded by an analysis of results, premium rate movements and monitoring of all essential elements of the contract, an adequate reinsurance protection program for the Company's portfolio and modelling of the portfolio's exposure to natural disasters using appropriate analytical tools.

In the decision-making process for investments, climate risk analysis aims at the reduction of the reputational risk, achieving higher and stable returns, preserving the real value of reinsurance assets and it contains an assessment of environmental factors, with special attention to potential issuers who generate income from activities in respect of the production and processing of fossil fuels.

Monitoring and assessment of the risk of climate changes is carried out within the framework of the established risk management system, on a quarterly and annual level. The Company uses an internal risk assessment tool within the framework of the established risk management system, in accordance with the NBS Decision on the Management System in Insurance/Reinsurance Companies. The assessment of the risk of climate change within the scope of the risk of the environment, social policy and management, as of December 31, 2022, has the final description insignificant", the description of the impact of this risk on the Company's operations is "limited".

The Commission for Sustainable Business, among other things, supervises the process of identification, assessment and response to the risk of climate changes. The Executive Board of the Company monitors and assesses the risk of climate changes within the framework of the established risk management system and regularly reports the findings to the Supervisory Board.

The Company's business strategy in terms of climate change is aligned with legal and other regulations in the area of limiting the emission of harmful gases, the National Plan for the reduction of emissions of the main pollutants from large combustion plants, and in the long term will be aligned with the transition of the economy towards reduction, until the complete cessation of use of all types of fossil fuels.

The Company strives to maintain its leadership position in the segment of reducing the impact on climate change, by providing innovative reinsurance coverage for renewable energy production projects from sustainable sources, as well as developing expertise in sectors with low emission of harmful gases. The Company continuously reinsures renewable energy projects in the Republic of Serbia, such as solar power plants, wind power plants and plants for desulphurization of flue gases and removal of nitrogen oxides from thermal power plants. The Company is involved in subsidized projects that provide support to farmers by developing new insurance products against the risk of drought, with the use of applications that use satellite data, collected about parameters of cultivated areas.

Decarbonisation implies that the Company's business strategy is aligned with legal and other regulations in the field of climate changes that are binding for the Republic of Serbia and will successively adapt to the dynamics of the transition to a low-carbon economy. The Company is permanently committed to increasing the efficiency and effectiveness of operations through the digitization of business processes and the introduction of new technologies, in the first place of commitment to mitigating climate change and striving for zero gas emissions by 2050. The Company's goals are aligned with a set of political initiatives of the European Commission, which is reduction of the greenhouse gas emissions by a minimum of 50%-55% by 2030. In order to make Europe climate neutral by 2050. The Company is an advocate of green technologies in order to establish a sustainable industry and expects, within its competences, that the deadlines in the mentioned documents will be met.

SUSTAINABLE BUSINESS

The Company views sustainable business as a key factor for achieving its mission, which is to provide security to Cedants, create sustainable value for shareholders and build quality and long-term relationships with interested parties. Also, the Company is committed to reducing uncertainty in the living environment in a way that in the process of creation of reinsurance products and services, as well as the management of its portfolio, is guided by the principles of sustainable business in 4 main areas:

1. Reinsurance and asset management
2. Business processes
3. Responsibility towards key interested parties
4. Corporate governance

Reinsurance and asset management are strategic activities in which environmental, social policy and management (ESG) factors are integrated, with the aim of transitioning to a climate-neutral and resilient circular economy. In the process of taking risks in reinsurance, ESG factors are considered primarily to determine future costs of climatic uncertainties and reservations. Given that the Company is predominantly a property and liability reinsurer, risks related to weather conditions and the impact of changing climate trends (environmental factors) represent a serious threat due to a potentially significant impact on the occurrence of losses due to natural disasters.

The Company promotes reinsurance products for renewable energy projects, including but not limited to wind farms and solar farms, as well as pollutant emission reduction projects such as desulfurization for coal plants and suspended particles emission reduction technologies.

The reinsurance policy takes into account national strategies for the phase-out of fossil fuels and the transition to a climate-neutral economy. Until then, we will continue to actively support all projects as a transitional solution.

The Company's investment policy includes the assessment of ESG factors in the process of making investment decisions, in order to achieve higher and stable returns and preserve the real value of insurance assets.

Business processes include, among other things, the assessment of business partners according to ESG criteria, as well as the measurement of the carbon footprint within its own business activities. The Company has no direct influence on the increase in the share of electricity obtained from renewable sources, but it has control and the ability to effectively influence the reduction of consumption of energy from existing sources, consumption of office supplies and waste management.

Responsibility towards key interested parties implies that the Company is particularly responsible to the business partners, employees and the community. The main goal is to preserve the Company's reputation as a reliable business partner and employer, providing financial security, transfer of technology and transfer of knowledge to business partners and employees. Concerning the community, the Company will continue to participate in programs that promote social and environmental responsibility and will continue to support socially vulnerable categories, especially the treatment of children and assistance to people with special needs.

Corporate governance implies the application of the highest standards (of management) and strict adherence to ethical and professional principles in the implementation of business processes. The Company expects that the same values are shared by business partners and employees. Corporate governance also implies continuous work on improving efficiency and effectiveness at all levels. When selecting employees, the company is guided by criteria such as competence, reputation, work experience, education, possession of special knowledge and skills, as well as the gender structure of employees.

Commitment to sustainability includes the disclosure of achieved results through Sustainable Business Reports at least once a year, which are publicly available on the Company's web portal.

The Committee for Sustainable Business at the strategic level coordinates activities on implementation of the Company's mission related to the achievement of sustainable goals, thus creating a long-term stable basis for profitable and safe business, promoting the transition to a sustainable society and reducing the impact on climate change. It also considers trends and modalities of sustainable business based on environmental, social and governance (ESG) factors,

The Reinsurance Company Dunav Re a.d.o. became a signatory of the **Principles for Sustainable Insurance (PSI)** on May 13, 2022, and a member of the global community of insurers, banks and investors who join the Financial Initiative of the United Nations Environment Program (UNEP FI). Acceptance of the principles is a concrete example of commitment to sustainable business and the contribution of insurance and reinsurance to economic, social and environmental sustainability.

20. SIGNIFICANT EVENTS OCCURRED UPON EXPIRY OF 2022 BUSINESS YEAR

There were no major business events that occurred after the expiry of the business year 2022.

21. INVESTMENT IN ENVIRONMENTAL PROTECTION

During 2022, an amount of dinars 2,000,000 was invested in the realization of the project of planting trees with the aim of protecting the environment and improving air quality.

22. EXPECTED DEVELOPMENT, PLAN, AND BUSINESS POLICY IN THE FOLLOWING PERIOD

The following activities are planned in the coming period:

1. From the main activity:
 - Moderate increase in the level of premiums for the net account while maintaining the achieved level of quality of the reinsurance portfolio,
 - Support to the ceding companies for the development of new products,
 - Concluding reinsurance contracts with new cedning companies,
 - Improving the implementation of existing reinsurance contracts,
 - Further territorial expansion and diversification of the reinsurance portfolio.

2. From the financial and economic affairs:
 - Renewal of credit and financial rating with the agency authorized to determine the credit rating, AM Best,
 - In the coming period, the Company will continue undertaking all necessary activities for minimizing any potential negative effects of the COVID-19 virus pandemic on the smooth operation of the Company, in order to maintain current liquidity in the short term, that is, to maintain the Company's solvency in the long run,
 - Strengthening the capital base of the Company by increasing the share capital from non – allocated profit and reserves of the Company.

23. CORPORATE GOVERNANCE CODE

Corporate governance code

In accordance with Art. 368 of the Law on Companies, the Reinsurance Company "Dunav Re" a.d.o. declares that it applies the Code of Corporate Governance, adopted by the Supervisory Board of the Company and published on the Company's website www.dunavre.rs.

In the practice of corporate governance, there were no deviations from the rules set out in the Corporate Governance Code.

Internal control system

The system of internal controls includes appropriate procedures, procedures and actions, organized in a way that suits the nature, complexity and riskiness of the business, in order to prevent excessive exposure to risks, prevent illegalities and irregularities in business, and protect the rights and interests of reinsurance contractors and third parties.

The primary goal of the internal control system is to prevent excessive exposure to risks, illegalities and irregularities in the Company's operations, as well as timely and reliable reporting.

The Supervisory Board of the Company establishes a system of internal controls in the Company, and the Executive Board of the Company implements the established system of internal controls.

Internal audit assesses the adequacy and reliability of the established system of internal controls in the Company, i.e. examines and evaluates the adequacy and application of prescribed procedures in the Company.

The Executive Board reports to the Supervisory Board the functioning of internal controls system at least once a year and, if needed, proposes changes of the same.

The Company's financial statements are prepared, reviewed, adopted and published in accordance with applicable laws, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

Every year, before the adoption of the Financial Statements and the Annual Business Report, the General Meeting of the Company considers and adopts the Opinion of the Certified Actuary on the Financial Statements and the Independent Auditor's Report on the Audit of the Financial Statements, thus reducing the risks related to financial reporting procedure to a minimum.

COMPOSITION AND WORK OF THE MANAGEMENT BODIES AND THEIR BOARDS

Assembly

Assembly of the board is composed of all shareholders who accomplish their voting rights directly or through their representatives – proxies.

Shareholders' meeting is scheduled and held in a way and under conditions stipulated by the Law, Memorandum of Association, Articles of Association and Rules of Procedure.

Supervisory Board

Supervisory Board has three (3) members including the President.

The Supervisory Board consists of two representatives of shareholders with controlling participation and one independent member of the Supervisory Board.

Meetings of the Supervisory Board are held at least once every three months.

The convening of the sessions of the Supervisory Board, the manner of work and decision-making of the Supervisory Board are regulated in more detail by the Rules of Procedure of the Supervisory Board.

Audit Committee

The Supervisory Board forms the Audit Committee.

The Audit Committee has 3 (three) members, including the President of the Commission.

At least one member of the Commission must be a person who is a certified auditor in accordance with the law governing accounting and auditing or who has appropriate knowledge and work experience in the field of finance, and who is independent of the Company in terms of law.

The Rules of Procedure regulate the manner of work of the Audit Committee, the procedure of preparation, convening and holding sessions, the decision-making procedure and the manner of adopting acts and reporting of the Supervisory Board, as well as other issues related to the work of the Audit Committee.

Executive Board

The Executive Board of the Company has 3 (three) members, including the President.

The President and members of the Executive Board are appointed and dismissed by the Supervisory Board of the Company.

The rights, obligations and responsibilities of the President and members of the Executive Board are determined by the Employment Contract concluded with the Supervisory Board of the Company.

The Rules of Procedure regulate the organization and manner of work, the procedure for preparing, convening and holding sessions, the decision-making procedure and the manner of making and implementing decisions and reporting to the Executive Board of the Company

24. BOARD MEMBERS DIVERSITY POLICY

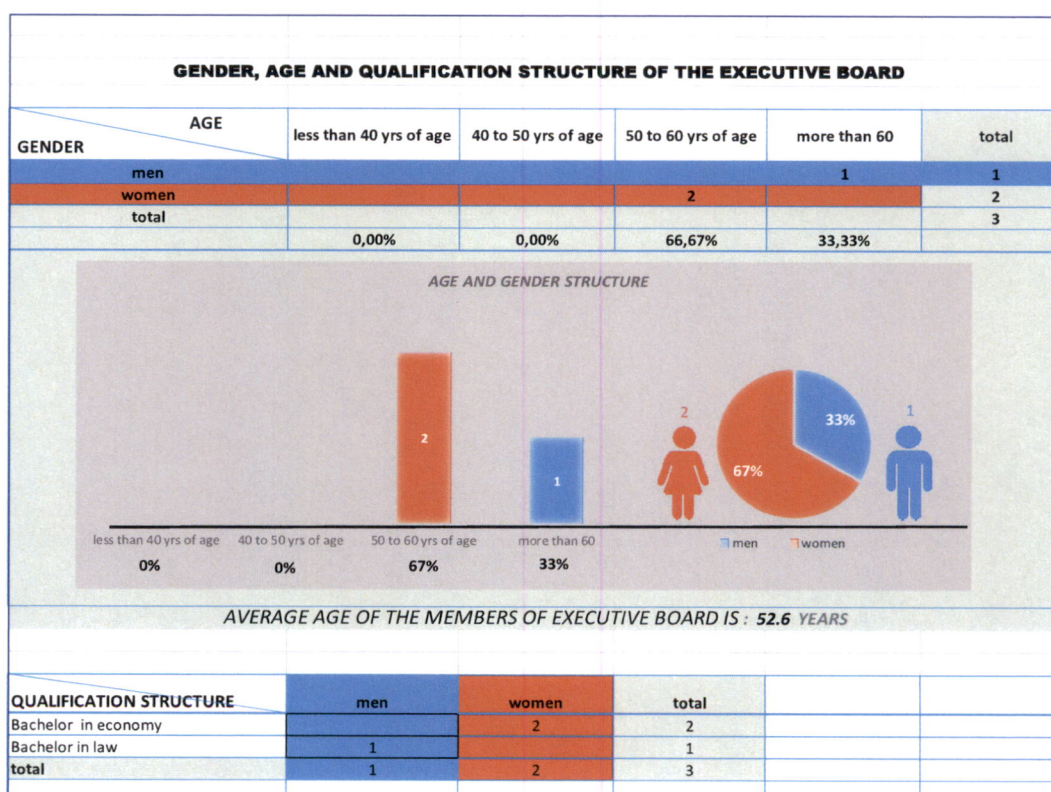
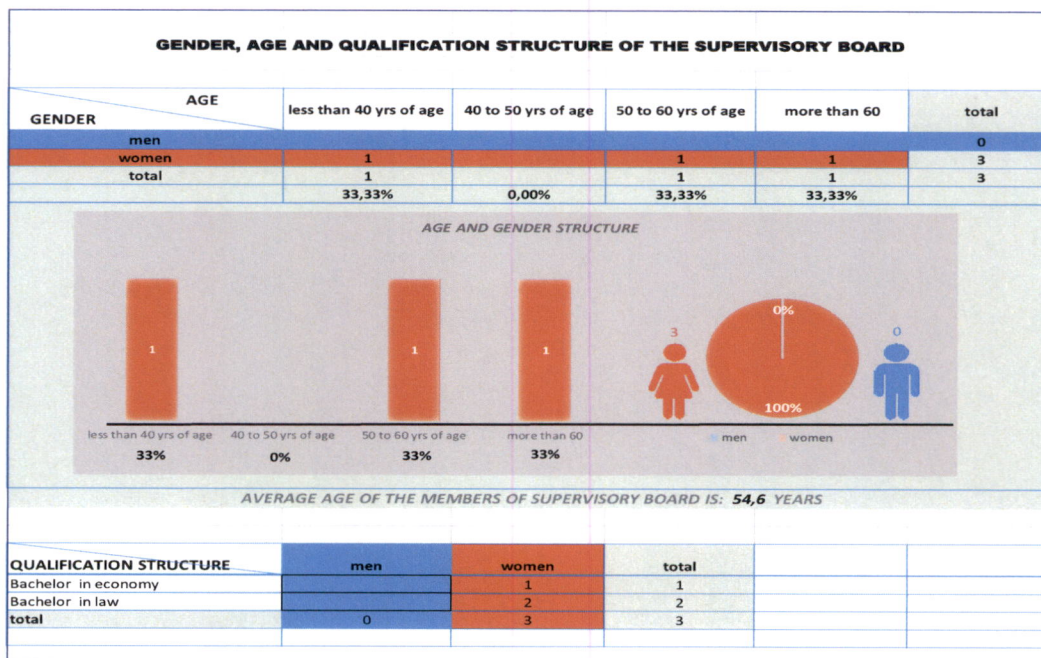
Description of diversity policy

Board members are appointed based on their competencies, knowledge and skills, and taking into account diversity criteria such as gender, age, length of service, and individual differences in professional and personal experience.

Women are represented in the Supervisory board with 100% and Executive Board of the Company with 67%, and there is diversity in terms of their education and age

Diversity policy objectives

The goals of the diversity policy are mutual respect and appreciation of the individual differences of the members of the Management Board, which encourages the development and use of the full potential of each of them, and thus a positive impact on the end result of the business conduct of the Company.

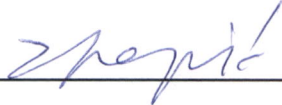


Business Report for the period 01 January – 31 December, 2022

Pursuant to Art. 368 of the Law on Companies ("Official Gazette of RS", No. 36/11, 99/11, 83/14 - other law, 5/15, 44/18, 95/18, 91/19) and Article 42 of the Company's Articles of Association (consolidated text of March 23, 2016), the Company's Supervisory Board issues a Statement on the application of the Corporate Governance Code, which is an integral part of the business report.

Chairperson of the Executive Board

Pejčić Zorana



Member of the Executive Board

Komnenić Tatjana

