

BUSINESS REPORT

Reinsurance Company Dunav Re a.d.o. Belgrade

2021

TABLE OF CONTENTS:

1.	INTRODUCTORY STATEMENT BY THE PRESIDENT OF THE EXECUTIVE BOARD	3
2.	GENERAL INFORMATION	4
3.	BUSINESS ENVIRONMENT IN 2021	6
4.	BUSINESS RESULTS	12
5.	RESULTS FROM THE REINSURANCE ACTIVITIES.....	14
6.	INVESTING OF REINSURANCE ASSETS	25
7.	OPERATING COSTS	27
8.	BALANCE SHEET	28
9.	PARTICIPATION OF DUNAV INSURANCE COMPANY AND DUNAV INSURANCE COMPANY BANJA LUKA	36
10.	OPERATIONAL RISKS	37
11.	IMPACTS OF CLIMATE CHANGE FACTORS ON BUSINESS.....	40
12.	SIGNIFICANT EVENTS OCCURRED UPON EXPIRY OF 2021 BUSINESS YEAR	42
13.	INVESTMENTS IN ENVIRONMENTAL PROTECTION.....	42
14.	EXPECTED DEVELOPMENT, PLAN AND BUSINESS POLICY OF THE COMPANY IN THE FOLLOWING PERIOD ..	42
15.	CODE OF CORPORATE GOVERNANCE.....	43

1. INTRODUCTORY STATEMENT BY THE PRESIDENT OF THE EXECUTIVE BOARD



The past year -2021, like the previous one, was marked by a pandemic of the coronavirus. By the end of the year 2020, there was a growing optimism about the accelerated recovery of the global economy, driven mostly by the positive news regarding development and approval of coronavirus vaccines, positive reactions to fiscal and economic policies and relaxation of the strict health and sanitary measures in many countries. However, although the world economy has come out of the recession zone and achieved significant growth in 2021, the effects of the pandemic have certainly affected economic trends and created new challenges, out of which, for sure, the following stand out: inflation, disruption or slowdown of the supply chains, rising of global

unemployment rate and further decimation of certain industries, such as tourism and transport.

According to the expectations, the global re/insurance industry has recovered in 2021 with an expected growth rate of around 3.4%. The insurance industry has focused on strengthening confidence in insurance products, development of personalized insurance services, further development of the process of digitalization of its services with special emphasis on the automatic process of reporting and settlement of claims and active involvement of estimation of the ESG (environmental, social, governance) factors during acceptance of all business risks.

Dunav Re have met all business goals set for the year 2021. Exceptional business performance was continued in terms of a reinsurance premiums, so that gross insurance premiums grew at a rate of 19.26% and reached a record amount of RSD 7.06 billion. All business indicators were significantly above the relevant benchmarks for our industry. Although our business results and indicators of profitability, productivity, liquidity are very important in assessing the success of our business, we emphasize the segment of the Company's activities towards nature and the environment, the attitude towards employees and idea of social responsibility. A number of projects was implemented in this segment in the course of 2021, of which we proudly set apart the project of planting trees in order to protect the environment and to improve air quality.

Ambitiously announced activities in terms of strengthening the capital base of the Company, maintaining the credit rating, portfolio development and market position with a special focus on staff development, have been fully implemented in 2021. Such results, along with the expressed team spirit, selfless and unconditional engagement of employees, provide us with additional security and faith that in the coming period we can expect the achievement of goals regardless of their complexity and difficulty.

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 Knez Mihailova 6, 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;

- ✓ Mr Goran Govedarica (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
- ✓ Mr. Damjan Šagovnović (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 88.63% interest in the share capital and an 87.12% interest in the total issued capital of the Company.

The Company did not buy back its own shares.

Market capitalization

The Company's basic and other capital amounts to RSD 1.777.458 thousand. Of this, 98.11% refers to equity capital, 1.70% to social capital, and 0.19% to other equity.

Based on the Decision of Assembly of the Company dated 13.05.2021, the Agency for Business Registers recorded an increase in the share capital of the company by increasing the nominal value of ordinary and accrual shares from 9,000 dinars per share to 18,100 dinars per share. The share capital was increased from the reserves and non-allocated profit of the Company from the previous years.

On August 24, 2021, the Assembly of the Company passed the Decision on the replacing of shares in order to change their nominal value, while the share capital of the Company remained unchanged after the implementation of the said Decision. The decision to replace shares in order to change their nominal value was made in order to implement the project of transfer of the so-called social capital on basis of the amendments to the Law on Insurance.

Also, in order to realize the project of transfer of social capital, the Assembly of the Company on November 15, 2021 made decisions on issuing shares for the transfer of social capital onto the Republic of Serbia, the Shareholder Fund and employees.

Finally, on November 23, 2021, a decision was made by the Assembly of the Company, to issue ordinary shares of VIII issue to

increase the share capital in order to maintain the existing credit rating of the Company as a basic prerequisite for, before all, continued growth and development, generating significant amount of net profit. and achieving high rates of return on equity to its shareholders. By this decision, 102,645 ordinary shares were issued with a total nominal value of 185,787,450.00 dinars. The shares were subscribed and paid in full by a qualified investor, Dunav osiguranje a.d.o.

Share price on the stock exchange on 31.12.2021 is 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 100.00 dinars, or 5.26%.

Stock Indicators

Market capitalization		1.960.234.000 RSD
EPS		358,82
R/E		5,57
P/B		1,10
AM BEST	Financial	Credit
Rating	B+/good	BBB-/ stable outlook
Date	31.7.2021	31.07.2021

Employees

Breakdown of qualification level of employees as at December 31, 20190 and December 31, 2020 and 31.12.2021:

Qualification	Headcount	
	31.12.2020	31.12.2021
University graduates	22	24
College graduates	7	7
Secondary school graduates	10	9
Total	39	40
Average number of employees	39	40

3. BUSINESS ENVIRONMENT IN 2021

According to the communication of the Republic Bureau of Statistics from December 30, 2021. years, it was estimated that:

- total economic activity in 2021, measured by the real movement of Gross Domestic Product, recorded a growth of 7.5% compared to the previous year, and
- gross investment into the capital assets in 2021, compared to the previous year, achieved a real growth of 14.1%.

Also, it was determined that:

- retail trade turnover in 2021 had a real growth of 9.8% compared to the previous year, while wholesale trade turnover had a nominal growth of 25.5%, and
- that industrial production in this year, compared to the previous year, achieved a growth of 6.3% while at the same time agricultural production achieved a decline in physical volume of 5%.

The annual inflation rate measured by the growth of consumer prices is 7.9% and is mostly conditioned by factors from the international environment such as stagnation in global supply chains, world energy and primary agricultural prices, monetary policies of leading central banks. Also, the higher inflation rate is the result of an unusual rise in food prices, due to high temperatures and drought in the Republic of Serbia.

The Republic of Serbia responded in a timely manner to the challenges posed to economic, before all fiscal policy by the health

crisis caused by the coronavirus pandemic. Thanks to macroeconomic and fiscal stability (reduction of public debt, increase in foreign exchange reserves, stable exchange rate, low and predictable inflation, sustainable economic growth, etc.) achieved in the previous period, the Republic of Serbia had enough space to help the economy with monetary and fiscal measures in mitigating of negative effects of the coronavirus pandemic. A comprehensive package of measures was envisaged by the fiscal policy by which the assistance was provided to the economy and whose positive effects were reflected onto the macroeconomic indicators (unemployment, smaller decline in economic activity, etc.). The total value of the package of measures to help the economy and the population in 2020 was approximately 12.8% of GDP, while the prolonged duration of the unfavorable epidemic situation in 2021 led to another package of measures estimated at 4.2% of GDP.

Credit Rating of Serbia:

	Standard and Poor's	Fitch Ratings	Moody's Investors Service
Rating	BB+ / Positive outlook	BB+ / Stable outlook	Ba2 / stable outlook
Date	10.12.2021.	03.09.2021.	12.03.2021.
Activity	Rating confirmed	Rating confirmed	Rating increased

The confirmation of rating comes as a result of the Serbian economy's resilience to pandemic challenges, limited public debt increase, strengthening of the foreign exchange reserves, GDP growth per capita, which, according to credit agencies, will contribute to high and balanced GDP growth rates in the medium

term whilst at the same time it is projected that the inflow of foreign direct investments will enable the financing of the current deficit.

3.1 Economic aspect

According to estimates of the Republic Bureau of Statistics (RBS), Serbia's GDP grew by 7.5% in 2021, which, with a marginal decline in 2020, will give one of the best two-year results in conditions of a pandemic in Europe, owing to responsible economic policy and achieved and preserved macroeconomic, financial and fiscal stability in the previous years, and due to a comprehensive and timely package of measures.

The public debt of the Republic of Serbia at the end of 2021 amounts 30.13 billion euros which is 56.9% of the Gross Domestic Product, while at the end of 2020 it amounted 57% of the GDP.

According to estimates, the growth came from the industry, construction, processing and even from the services sector (tourism, hospitality industry and transport).

Inflow of the foreign direct investments remained strong despite continuation of the coronavirus pandemic, with a gross inflow of 3.6 billion euros which is very close to the record 2019 year.

The republic budget deficit amounts to 286.1 billion dinars or 4.6% of gross domestic product.

Insurance Market

International market

Global insurance premiums for 2020 fell by 1.3% (adjusted for inflation) and reached \$ 6.3 trillion, of which global non-life insurance premiums grew at a rate of 1.5% and reached \$ 3,500 billion while life insurance premiums were \$ 2.8 trillion (4.4% decline). Marginal growth in nominal premiums was achieved in the regions of North America, Asia and Pacific, the Middle East, while the regions of Africa and Latin America suffered the largest decline. The projected growth of world insurance premium is 3.4% in 2021. In terms of life insurance premium, growth of 3.5% is expected, while the projected growth of non-life insurance is 3.3%.

According to the latest projections in 2022, the following is expected for the insurance industry:

- accelerated growth of global premiums of 3.9% with growth of life insurance premiums of 4.0% and growth of non-life insurance premiums of 3.7%. The increase in life insurance premiums is the result of increased demand for this type of insurance protection (in the conditions of a pandemic, consumers became aware of the risks that a similar event could cause in the future). The highest growth is expected in China and emerging markets while moderate growth is expected in developed markets;
- Rising inflation and relatively stable rates of return in financial markets are the main limiting factors that can affect the business performance of the industry. In addition, the costs of implementing IFRS 17, the implementation of which is expected from January 1, 2023, will reach \$ 15-20 billion;

Business Report for the period 01 January – 31 December, 2021

- Consumers and companies will expect insurers to have a much better understanding of their individual needs in line with changing behavior;
- Insurers will endeavour to include and quantify climate risks, both in risk-taking and investment processes;
- It is expected that the number and amount of losses due to extreme natural disasters will continue to rise not only in 2022 but also in the coming years;
- Efforts in the process of digitalization of industry will be accelerated;
- The industrial imperative becomes the management and involvement of ESG factors in business as an important factor in the process of long-term business sustainability.

Catastrophic losses

According to published estimates, the total economic losses caused by natural disasters in 2021 amounts 343 billion dollars.

The total insured losses for the year 2021 are estimated at 38% of the total catastrophic losses, i.e. at 130 billion dollars, and are lower than the recorded 157 billion dollars in 2017, that is, greater than in the period 2018 - 2020.

Out of the total estimated amount of economic losses in 2021, the largest part refers to the United States market.

The largest single loss is related to Hurricane Ida in the USA, where the estimated amount of damage is between 31 and 44 billion dollars. The winter storm Uri is the second largest single loss in the amount of 15 billion dollars, while the largest

loss of this type in Europe is related to the floods in Western Europe with an estimated amount of loss of 13 billion dollars.

Domestic market

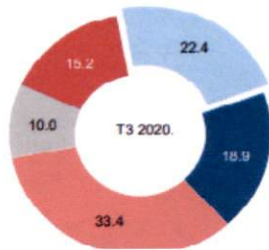
The report of the National Bank of Serbia for the third quarter of 2021 highlights the following most important indicators of the Insurance Sector in the Republic of Serbia:

- An unchanged number of insurance companies operate on the market of the Republic of Serbia (20). Only 16 companies are engaged in insurance business and 4 companies in reinsurance business.
- The total premium amounts 88,6 billion dinars (753 million Euros) which is an increase of 9,7% compared to the same period last year.
- The structure of insurance premium by types of insurance has marginally changed when compared to the previous year, so that the share of non-life insurance in the structure of premiums is 78.2% (in 2020 it was 77.6%), and the share of life insurance 21.8% (in 2020 year it was 22.45%). The total growth of non-life insurance premiums is 10.6%, of which property insurance premiums increased by 16.4%, motor vehicle insurance premiums - comprehensive insurance by 10.3%, and voluntary health insurance premiums by 21.8%.

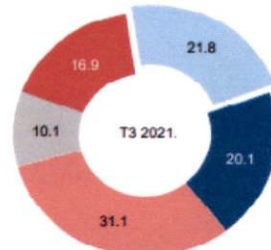
Overview of insurance premiums by types of insurance

- The balance sheet total of all companies amounts 334.1 billion dinars, which is an increase of 6.7%, compared to the same period last year;
- Total capital amounts to 68.4 billion dinars, which is an increase of 4.9%, compared to the same period last year;
-

Insurance premium structure



Property insurance 18.9
Motor liability 33.4
Motor Hull 10
Life 22.4
Other 15.2



Property insurance 20.1
Motor liability 31.1
Motor Hull 10.1
Life 21.8
Other 16.9

- Technical reserves show a growth of 6.3% and amount 221.6 billion dinars;
- At the level of all insurance companies dealing with non-life insurances, the basic indicator of capital adequacy (ratio of available and required solvency margin) was 210.4%, while for companies dealing mainly with life insurances this indicator is 244.6%;

- For non-life insurance companies, the value of the combined ratio increased to 86.6% from 79.4% being the value from the same period of last year.

Financial market

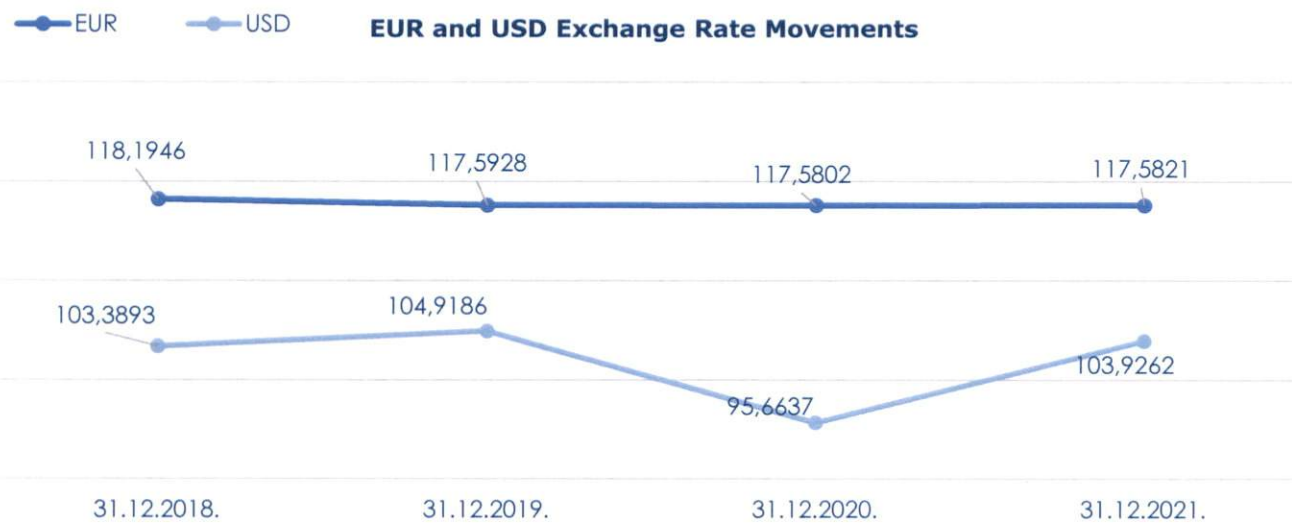
During 2021, the National Bank of Serbia did not change the reference rate, so it remained 1.00%.

The NBS has taken the first steps towards reducing monetary expansiveness by increasing the average executive repo rate on repurchase auctions sales (repo sales) on the one hand and by suspending the securities repo purchase auction on the other. These decisions were brought due to stronger cost pressures, caused primarily by the movements in oil and other energy generating products' prices and supply disruptions on a global scale.

The index of the most liquid stocks, Belex15, rose by 9.6 percent and ended the year at 820.8 points. At the same time, the turnover on the stock market amounted to 55.1 million euros, largely thanks to one-off transactions.

The dinar has depreciated slightly since the beginning of 2021, so that its value was reduced from 117.5802 dinars for one euro, as it was on December 31, 2020. year, to 117.58421 dinars for one euro, as at 31.12.2021. It is expected that 2022 year will be marked by the relatively stable exchange rate.

Business Report for the period 01 January – 31 December, 2021

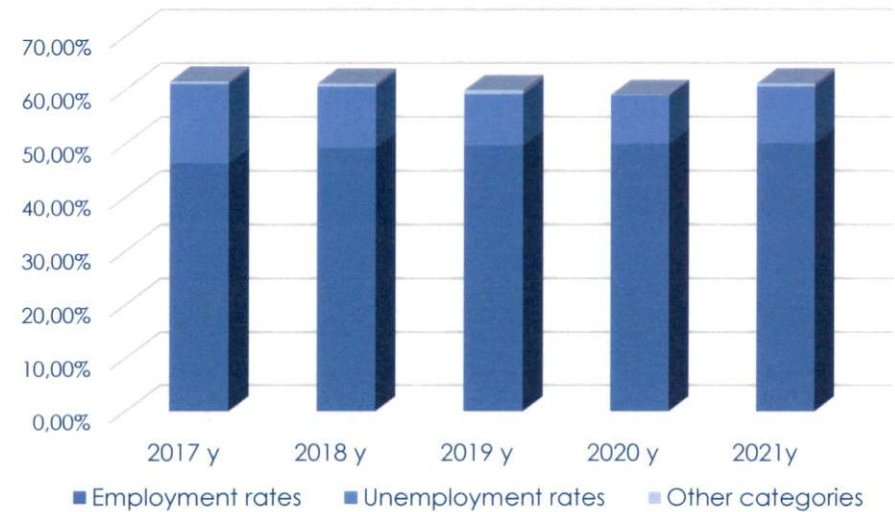
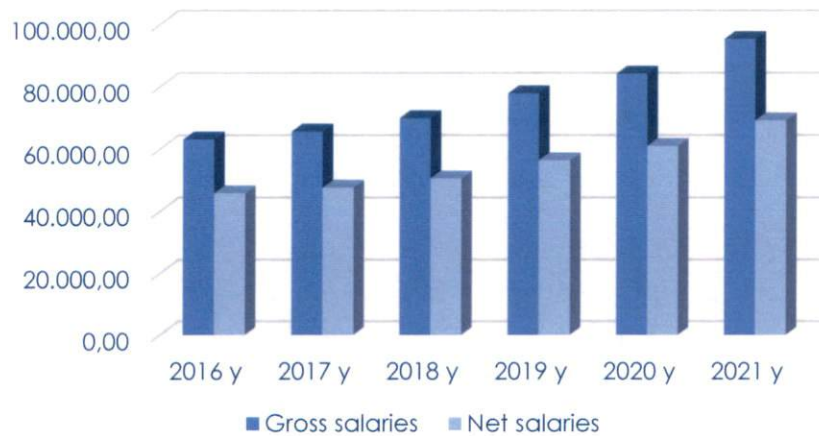


3.2 Sociological aspect

According to the data of the Republic Bureau of Statistics, the average gross salary in November 2021 amounted to 95,312 dinars and is higher in nominal terms by 9.1% or 5.2% in real terms, compared to December 2020. In the same period, the average net salary increased by 9.3% in nominal terms and amounted to 69,136 dinars (real growth amounts 5.4%).

According to the data of the Republic Bureau of Statistics, the unemployment rate was 10.5 in the third quarter of 2021. In the same period, the number of employees increased by 2.6%.

Average salaries in dinars and rates in the Republic of Serbia



4. BUSINESS RESULTS

4.1 Profit and Loss Statement

In 2021 the profit before tax was 414.073 thousand dinars which represents growth of 0,25% compared to the previous year.

The dominant source of profit increase in 2021 is the growth of the reinsurance premium for net account.

*In RSD 000

Item	Realization 31.12.2020	Realization 31.12.2021	Index 2021 /2020
Operating Income	1.701.922	2.325.061	136,61
Operating expenses	924.862	1.393.021	150,62
Gross operating result	777.060	932.040	119,94
Income from investment	73.281	64.395	87,87
Expenses from investment	12.874	3.375	26,22
Result from investment activities	60.407	61.020	101,01
Acquisition, management, administration and other expenses	900.874	1.138.184	126,34
Income from commission	527.574	589.328	111,71
Reinsurance administration expenses	373.300	548.856	147,03
NET OPERATING INCOME	464.167	444.204	95,70
Financial result	-16.587	15.467	- 93,25
Depreciation result	-40.378	-31.297	77,51
Other results	6.637	-14.082	- 212,17
Profit from business operations	413.839	414.292	100,11
Correction from the previous years	-807	-219	27,14
PROFIT BEFORE TAX	413.032	414.073	100,25
Income tax	25.962	62.390	240,31
PROFIT AFTER TAX (NET PROFIT)	387.070	351.683	90,86

4.2 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 6.48 percentage points, and the cost ratio increased by 1.67 percentage points, the combined ratio is still below 85%, which classifies the Company in the best category measured by this profitability indicator.

	31.12.2020.	31.12.2021.
CAPITAL ADEQUACY - C		
C1: "Premium for the net account /Total Capital"	83,66	93,07
C2: "Total Capital / Total Assets"	21,22	25,08
C3: "total Capital/ Technical Reserves"	35,61	53,13
QUALITY OF ASSETS - A		
A1: "Non-liquid Assets / Total Assets"	18,20	25,09
REINSURANCE AND ACTUARIAL POSITIONS - R		
R1: "Net premium earned/ Total premium earned"	29,88	32,62
PRODUCTIVITY - MANAGEMENT - M		
M1: "Gross premium / number of employees"	151.773	176.484
M2: "Total assets / Number of employees"	242.254	251.331
PROFITABILITY - E		
E1: Loss ratio	54,77	61,26
E2: Expense ratio	21,93	23,61
E3: Investment return ratio	3,55	2,62
E4: Combined ratio 1	76,71	84,86
E5: Combined ratio 2	73,16	82,24
ROE 1: Net result / Basic capital*	50,38	19,79
ROE 2: Net result / Average total capital*	19,31	13,95
ROA: Net result / Assets*	4,10	4,81
LIQUIDITY - L		
L1- 1st Degree Liquidity Ratio	0,48	0,37
L2: 2nd Degree Liquidity Ratio	5,79	3,78
L2(A): 1st Degree Liquidity Ratio	0,25	0,24
L4: Liquidity ratio	2,01	1,45

* Recomputed annual rate

5. RESULTS FROM THE REINSURANCE ACTIVITIES

5.1. Business policy of the company in the year 2021

During the business year 2021, the Company strived to realize the business plan for 2020 through its activities, as well as to get closer to the realization of its strategic goals set for the period 2020-2024.

The aim of the activities taken was territorial diversification of the portfolio with the maximum use of the acquired status in the international reinsurance market, which includes a financial rating of B + and the characteristics of a financially stable reinsurer with a positive outlook.

Also in 2021, the Company continued to consistently apply the ESG criteria, since environmental factors, factors of social policy and management factors may have a negative impact on business results if they are not integrated into core business activities, and may also pose a reputational risk to the Company. Environmental, social and governance aspects are an initiative which, due to increasingly larger global pollution, also has a significant impact on the reinsurance.

The implementation of environmental factors into the process of taking over of the risks in reinsurance reduces the consequences of climate uncertainty, that is, risks related to weather conditions and the impact of changeable climate trends that can be a cause of the catastrophic losses. Also, exposure towards certain branches of industry such as toxic industries, tobacco production, coal exploitation and the like is controlled through negative screening.

In addition to the above, the Company has a high degree of responsibility towards employees in the form of professional

training in reinsurance, occupational safety, health and employee satisfaction.

In the segment of social policy, during 2021 the Company carried out several actions in terms of respecting the S ("social") factor as an important segment of business policy. The implementation of these factors allows the Company to focus on the needs of cedants in order to maintain existing and secure new businesses as well as market position.

During the business year 2021, the Company continued to apply the criteria related to the environment through energy savings and reduction of paper consumption in business.

Implementation of management factors ensures the functioning of an efficient system supported by appropriate strategies, policies and reporting.

5.2. Portfolio structure

Despite the situation conditioned by the pandemic caused by the COVID 19 virus, the company pursued its strategic goal and during 2021 achieved the desired portfolio structure dominated by property insurance (insurance types 08 and 09).

5.2.1. Structure and development of reinsurance portfolio by types of insurance

TYPE OF INSURANCE	2019	2020	2021
PROPERTY (08 AND 09)	63,94%	64,97%	67,67%
LIABILITY (13)	11,35%	9,76%	8,42%
MOTOR LIABILITY (10)	5,58%	5,10%	4,70%
MOTOR CASCO (03)	5,11%	5,71%	5,30%
OTHER NON LIFE CLASSES	11,23%	11,98%	11,66%
LIFE	2,79%	2,48%	2,25%
TOTAL:	100,00%	100,00%	100,00%

5.2.2. Structure and development of reinsurance portfolio in the net account by types of insurance

TYPE OF INSURANCE	2019	2020	2021
PROPERTY (08 AND 09)	58,10%	70,26%	76,52%
LIABILITY (13)	4,46%	2,36%	1,82%
MOTOR LIABILITY (10)	7,37%	4,58%	3,46%
MOTOR CASCO (03)	21,27%	18,00%	14,18%
OTHER NON-LIFE CLASSES	7,23%	3,77%	3,22%
LIFE	1,58%	1,03%	0,80%
TOTAL:	100,00%	100,00%	100,00%

5.3. The position of the Company in relation to the competition in the region

A.M.BEST FSR	Country category
SAVA RE	A CRT-2
TRIGLAV RE	A CRT-2
DUNAV RE	B+ CRT-4
BOSNA RE	B+ CRT-5
Wiener Re	/
Generali Re	/ CRT-4
DDOR RE	/ CRT-4

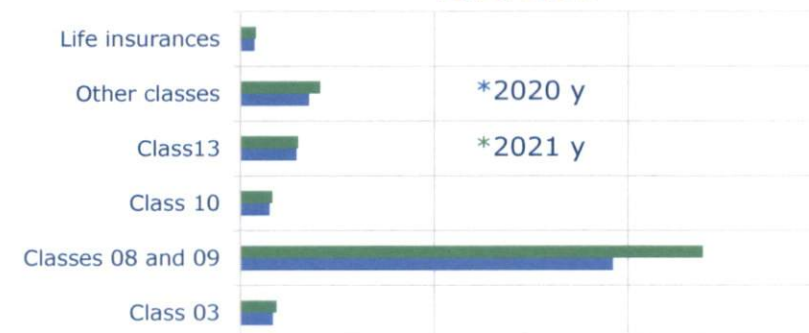
5.4. Reinsurance Premium

REINSURANCE PREMIUM - REALIZATION 2020 – 2021

IN РСД 000

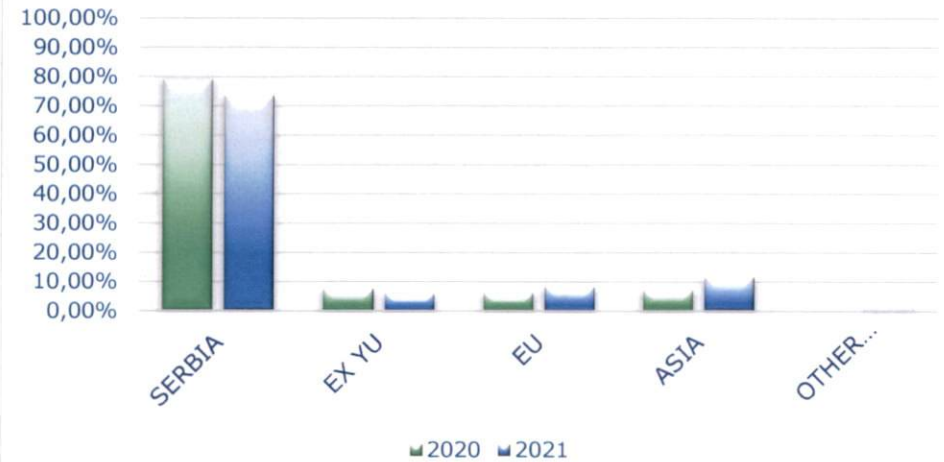
CLASS OF INSURANCE	2020	2021	INDEX
Class 03	338.261	374.525	110,72
Classes 08 and 09	3.845.555	4.777.051	124,22
Class 10	302.156	331.569	109,73
Class 13	577.742	594.303	102,87
Other classes	708.898	822.896	116,08
Life Insurances	146.533	159.008	108,51
Total:	5.919.145	7.059.352	119,26

REINSURANCE PREMIUM REALIZATION
2020-2021



5.4.1.1. Reinsurance premium for net accountREINSURANCE PREMIUM BY TERRITORY
REALIZATION 2020 – 2021

TERRITORY	2020	2021
SERBIA	78,96%	73,44%
EX YU	7,48%	6,01%
EUROPE	6,27%	8,31%
ASIA	7,15%	11,46%
Other Territories	0,14%	0,78%

REINSURANCE PREMIUM BY TERRITORY
REALIZATION 2021REINSURANCE PREMIUM BY TERRITORY -
REALIZATION 2020 - 2021

Business Report for the period 01 January – 31 December, 2021

REINSURANCE PREMIUM FOR NET ACCOUNT
REALIZATION 2020 – 2021. ГОДИНА

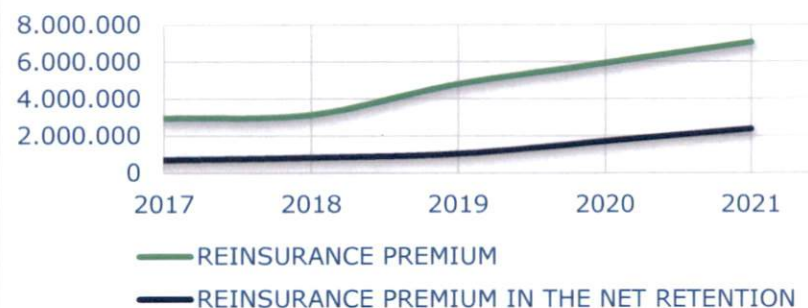
IN RSD 000

CLASS OF INSURANCE	2020	2021	Index
Class 03	301.854	332.686	110,21
Classes 08 and 09	1.178.311	1.795.364	152,37
Class 10	76.744	81.095	105,67
Class 13	39.649	42.613	107,48
Other classes	63.232	75.446	119,32
Life insurances	17.310	19.109	110,39
Total:	1.677.100	2.346.313	139,90

OVERVIEW OF REINSURANCE PREMIUM AND REINSURANCE
PREMIUM FOR NET ACCOUNT FOR THE PERIOD 2017 – 2021.

IN RSD 000

	2017	2018	2019	2020	2021
REINSURANCE PREMIUM	2.928.217	3.122.259	4.785.880	5.919.145	7.059.352
REINSURANCE PREMIUM FOR NET ACCOUNT	669.334	796.026	1.002.572	1.677.100	2.346.313

OVERVIEW OF THE REINSURANCE
PREMIUM AND REINSURANCE PREMIUM
IN THE NET RETENTION IN THE PERIOD
2017 - 2021REINSURANCE PREMIUM FOR NET ACCOUNT BY TERRITORY
REALIZATION 2020 – 2021

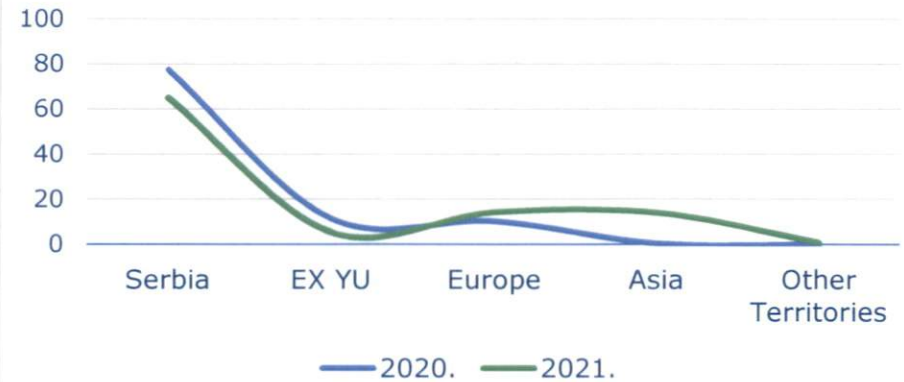
TERRITORY	2020	2021
SERBIA	31,45%	25,53%
EX YU	20,69%	12,61%
EUROPE	22,14%	25,01%
ASIA	25,22%	34,49%
OTHER TERRITORIES	0,50%	2,36%

Business Report for the period 01 January – 31 December, 2021

SOURCES OF THE PREMIUM FOR THE NET ACCOUNT BY TERRITORY



SETTLED LOSSES BY TERRITORY REALIZATION 2020 - 2021



5.5. Claims

5.5.1. Settled Claims

SETTLED CLAIMS – REALIZATION 2020 – 2021

IN RSD 000

Class of Insurance	2020	2021	INDEX
Class 03	200.553	235.883	117,62
Classes 08 and 09	633.953	2.174.302	342,98
Class 10	97.938	55.374	56,54
Class 13	7.864	17.663	224,60
Other classes	166.397	518.685	311,71
Life insurances	40.129	51.717	128,88
Total:	1.146.834	3.053.624	266,27

SETTLED CLAIMS BY TERRITORY

REALIZATION 2020 – 2021

TERRITORY	2020	2021
SERBIA	77,57%	65,07%
EX YU	11,56%	5,45%
EUROPE	10,28%	14,35%
ASIA	0,56%	14,13%
OTHER TERRITORIES	0,03%	1,00%

Business Report for the period 01 January – 31 December, 2021

SETTLED CLAIMS FOR THE NET ACCOUNT OF THE COMPANY
REALIZATION 2020 – 2021
IN RSD 000

CLASS OF INSURANCE	2020	2021	INDEX
Class 03	199.023	235.691	118,42
Classes 08 and 09	274.463	1.176.817	428,77
Class 10	18.191	12.468	68,54
Class 13	698	1.008	144,29
Other classes	6.657	24.436	367,06
Life insurances	5.293	7.107	134,27
Total:	504.326	1.457.527	289,01

5.5.2. Reported outstanding claims**5.5.3.**REPORTED OUTSTANDING CLAIMS - REALIZATION 2020 – 2021
IN RSD 000

CLASS OF INSURANCE	2020	2021	INDEX
Class 03	27.554	35.700	129,57
Classes 08 and 09	2.405.476	1.579.228	65,65
Class 10	274.000	274.416	100,15
Class 13	182.434	15.272	8,37
Other classes	470.810	447.348	95,02
Life insurances	16.995	15.904	93,58
Total:	3.377.269	2.367.867	70,11

OUTSTANDING CLAIMS FOR THE NET ACCOUNT
REALIZATION 2020 – 2021
IN RSD 000

CLASS OF INSURANCE	2020	2021	INDEX
Class 03	27.328	35.698	130,63
Classes 08 and 09	636.467	558.761	87,79
Class 10	113.445	104.124	91,78
Class 13	26.954	796	2,95
Other classes	113.759	114.230	100,41
Life insurances	1.713	1.557	90,87
Total:	919.667	815.165	88,64

OUTSTANDING CLAIMS FOR THE NET
ACCOUNT OF THE COMPANY
REALIZATION 2020 – 2021

2021

2020

Business Report for the period 01 January – 31 December, 2021

5.6. TECHNICAL RESERVES

INCURRED BUT NOT REPORTED CLAIMS

REALIZATION 2020 -2021

IN RSD 000

	2020	2021	INDEX
IBNR	848.343	1.083.120	127,67

INCURRED BUT NOT REPORTED CLAIMS FOR THE NET ACCOUNT OF THE COMPANY

REALIZATION 2020 -2021

IN RSD 000

	2020	2021	INDEX
IBNR - RETENTION	234.503	331.663	141,43

MATHEMATICAL RESERVE, RISK EQUALIZATION RESERVES, RESERVES FOR UNEXPIRED RISKS, RESERVES FOR THE COSTS OF CLAIMS SETTLEMENTS - REALIZATION 2020 -2021

Y 000 РСД

	2020	2021	INDEX
MATHEMATICAL RESERVE	21.414	23.441	109,47
RISK EQUALIZATION RESERVES	903	1.247	138,04
RESERVES FOR UNEXPIRED RISKS	2.755	/	/
RESERVES FOR THE COSTS OF CLAIMS SETTLEMENTS	61.177	18.692	30,55
TOTAL:	86.249	43.380	50,30

MATHEMATICAL RESERVE, RISK EQUALIZATION RESERVES, RESERVES FOR UNEXPIRED RISKS, RESERVES FOR THE COSTS OF CLAIMS SETTLEMENTS - REALIZATION 2020 -2021

IN RSD 000

	2020	2021	INDEX
MATHEMATICAL RESERVE	3.782	4.096	108,30
RISK EQUALIZATION RESERVES	903	1.247	138,04
RESERVES FOR UNEXPIRED RISKS	2.755	/	/
RESERVES FOR THE COSTS OF CLAIMS SETTLEMENTS	61.177	18.692	30,55
TOTAL:	68.618	24.035	35,03

SUM OF TECHNICAL RESERVES REALIZATION 2020 -2021.
IN RSD 000

	2020	2021	INDEX
RESERVES	4.311.862	3.494.367	81,04
UNEARNED PREMIUM	1.317.551	1.250.095	94,88
TOTAL	5.629.413	4.744.462	84,28

TECHNICAL RESERVES FOR THE NET ACCOUNT -
REALIZATION 2020 -2021
IN 000 РСД

	2020	2021	INDEX
RESERVES	1.222.788	1.170.864	95,75
UNEARNED PREMIUM	72.217	93.470	129,43
TOTAL	1.295.005	1.264.334	97,63

5.7. LOSS RATIO

LOSS RATIO - REALIZATION 2020 -2021

	2020	2021	INDEX
LOSS RATIO	60,86	31,61	51,94

LOSS RATIO FOR THE NET ACCOUNT IN THE PERIOD 2020 -2021

	2020	2021	INDEX
LOSS RATIO	54,77	61,25	111,83

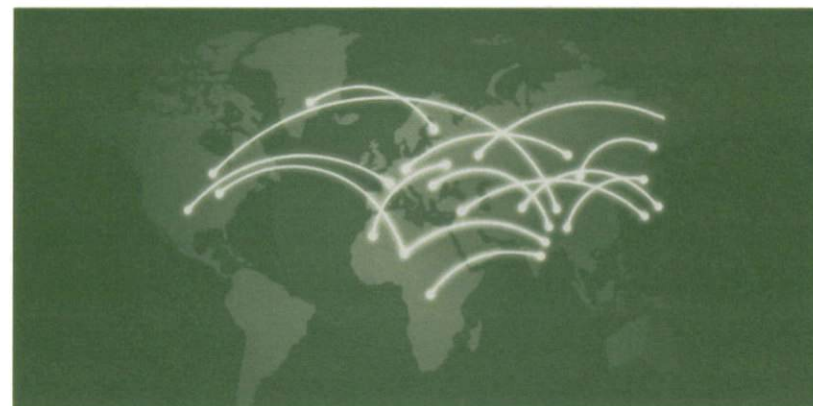
LOSS RATIO IN THE PERIOD 2017 – 2021

	2017	2018	2019	2020	2021
LOSS RATIO	31,22	15,29	28,57	60,86	31,61
LOSS RATIO FOR THE NET ACCOUNT	49,68	51,63	62,46	54,77	61,25

5.8. TYPES OF REINSURANCE COVERAGE IN 2021.

PARTICIPATION OF PROPORTIONAL AND NON-PROPORTIONAL TREATIES IN THE REINSURANCE PREMIUM AND REINSURANCE PREMIUM FOR THE NET ACCOUNT OF THE COMPANY

	PROPORTIONAL TREATIES	NON-PROPORTIONAL TREATIES
PARTICIPATION IN THE PREMIUM FOR THE NET ACCOUNT	10,56%	89,44%

5.9. RETRO PROGRAMS OF THE COMPANY – PROTECTION OF THE NET ACCOUNT**5.10. TERRITORIES IN WHICH THE COMPANY OPERATES**

NUMBER OF COUNTRIES IN WHICH THE COMPANY APPEARS AS A REINSURER

	2018	2019	2020	2021
NUMBER OF COUNTRIES	50	90	115	115

5.11. Conclusion

Despite the still difficult market conditions caused by the COVID-19 virus, the Company achieved a positive business result in 2021. In the period 01.01.2021- 31.12.2021 the Company recorded a premium growth of 19.26% compared to the premium from the same period last year.

As in previous years, reinsured risks from the territory of the Republic of Serbia have the most significant share in the premium, 73,44%.

The company achieved a significant increase of 39.90% in the reinsurance premium for the net account, compared to the same period last year.

Amount of the claims settled in the period 01.01.2021 - 31.12.2021 is 3.053.624 thousand dinars, while amount of the claims for the net account of the Company is 1.457.527 thousand dinars. The total settled claims are higher by 166.27% than the total claims settled in the previous year, while the claims paid for the net account of the Company are higher by 189.01% than the claims for the net account paid in the previous year.

Outstanding claims showed a decline of 29,89% compared to the same period of the previous year, while outstanding claims for the net account are by 11.36% lesser than in the same period of the previous year.

Incurred but not reported losses recorded the increase, compared to the same period of the previous year. Incurred but not reported losses are higher by 27.67%, while the incurred but not reported

losses for the net account are higher by 41.43% compared to the same period of the previous year.

Technical reserves amount to 4.744.462 thousand dinars and are lesser by 15,72% when compared to the same period of the previous year.

Technical reserves for the net account amount to RSD 1.264.334 thousand which is by 2,37% higher than in the previous year.

The total loss ratio is 31,61% while loss ratio for the net account is 61,25%.

In order to protect its own capacities, the Company concluded risk excess of loss reinsurance contract with a limit of EUR 2,5 million, as well as the contract of reinsurance against catastrophic events with a limit of EUR 16.5 million.

The company operates in over 100 countries around the world.

6. INVESTING OF REINSURANCE ASSETS

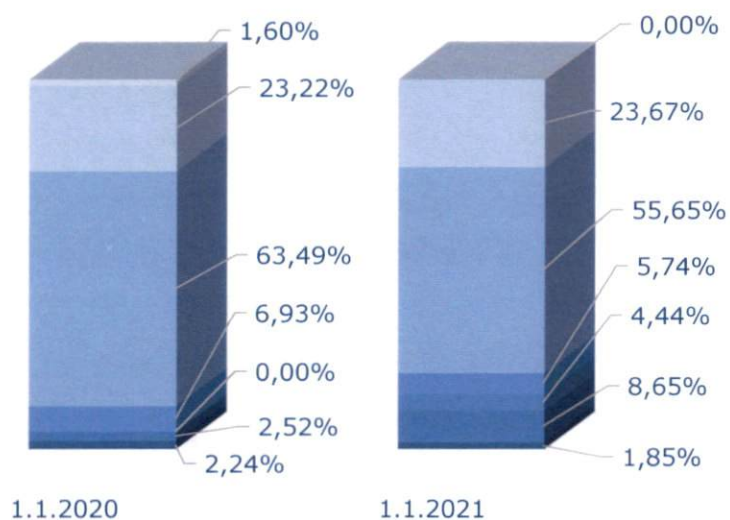
6.1. Investment portfolio

Item	* y 000 РСД		
	Balance as at 31.12.2020	Balance as at 31.12.2021.	Индекс
Securities held to maturity	74.435	74.125	99,58
Securities available for sale	87.778	345.568	412,48
Long-term deposits held with banks	0	177.365	-
Securities available for trading	230.254	229.472	99,66
Short-term deposits held with banks	2.109.432	2.224.284	105,44
Cash and cash equivalents	771.517	945.964	122,61
Other securities and financial assets	53.057	0	-
Total:	3.322.473	3.996.778	120,30

In 2021, the investment portfolio rose by 674 million dinars. The largest part of the growth of the investment portfolio arose from the internal potential of the Company to generate free cash from its business activities. The overall generated growth of the investment portfolio is aimed at increasing liquid investment assets.

In the structure of the investment portfolio, the share of securities increased from 2,52% to 8,65%, and the share of deposits with banks decreased from 63,49% to 55,65%.

Investment Portfolio Structure

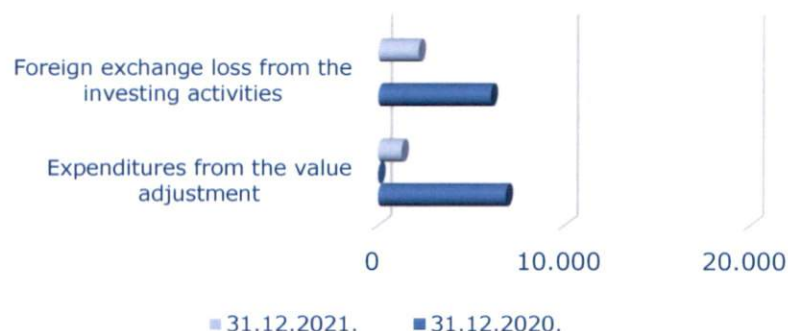


- Other Securities
- Short-term deposits held with banks
- Long-Term deposits held with banks
- Securities held to maturity
- Cash and Cash Equivalents
- Securities available for trading
- Securities available for sale

6.2 Results of investing of reinsurance assets

*In RSD 000

Item	31.12.2020.	31.12.2021.	Index 2021/ 2020
INCOME FROM INVESTING OF INSURANCE ASSETS			
Interest	50.858	56.187	110,48
Income from the value adjustment	1.768	1.284	72,62
Gain from the selling of securities	6.038	0	0,00
Foreign exchange gain	1.875	6.600	352,00
Other income from the investing activities	12.742	324	2,54
Total:	73.281	64.395	87,87
EXPENDITURES FROM THE INVESTING OF INSURANCE ASSETS			
Expenditures from the value adjustments	6.847	1.239	18,10
Foreign exchange loss from the investing activities	6.027	2.136	35,44
Total:	12.874	3.375	26,22
GAIN FROM INVESTING ACTIVITIES	60.407	61.020	101,01



Income from the investment activities is higher by 1,01% compared to the previous year, despite the fact that in 2020 the accumulated dividends were collected from Komercijalna Banka AD, Belgrade.

Interest income increased by 10.48%, due to the growth of the Company's investment activity.

7. OPERATING COSTS

7.1 Operating costs

PCD

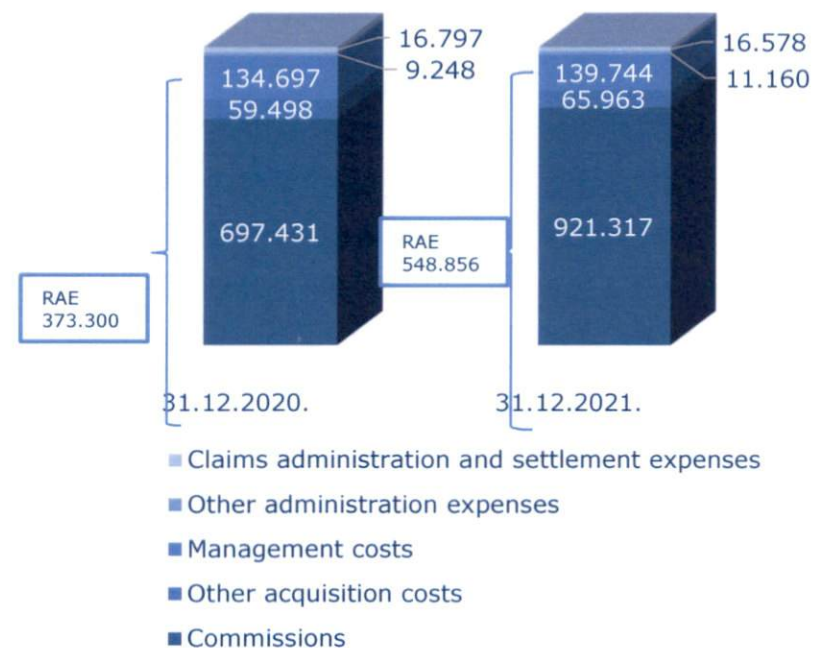
* In RSD 000

	31.12.2020	31.12.2021
1. Acquisition costs	756.929	987.280
- Commissions	697.431	921.317
- Other acquisition costs	59.498	65.963
2. Management costs	134.697	139.744
3. Reinsurance administration expenses (RAE)	9.248	11.160
4. Reinsurance commissions	527.574	589.328
TOTAL RAE	373.300	548.856
5. Claims appraisal and settlement expenses	16.797	16.578
Total Expenses	390.097	565.434

Total operating costs in 2021. are higher than realized in the previous year by 175.337 thousand dinars.

The biggest impact on growth of expenses had the growth of the reinsurance commission of 32,10% which is in line with the growth of the reinsurance premium.

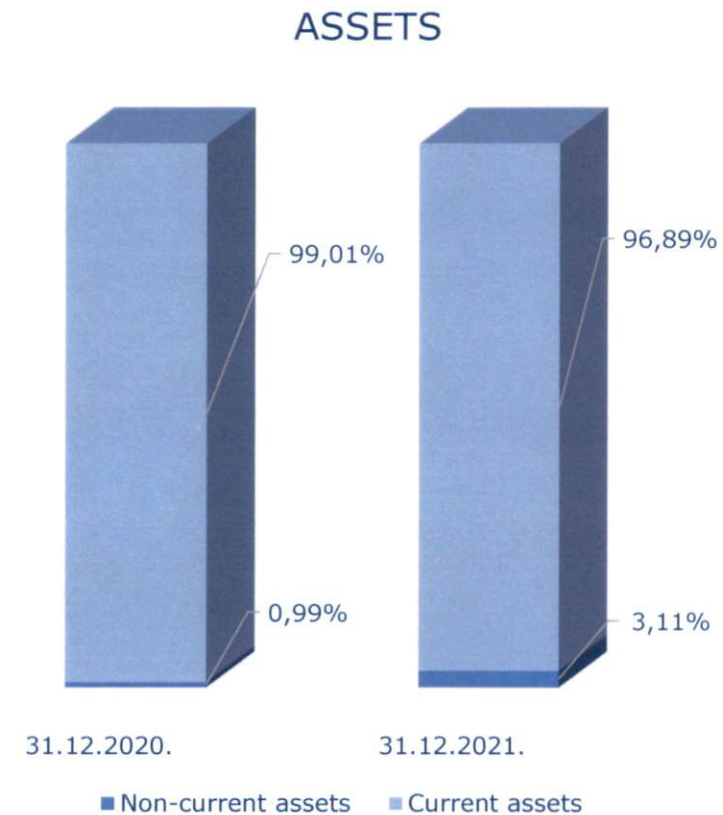
STRUCTURE OF COSTS PER ORIGIN



8. BALANCE SHEET

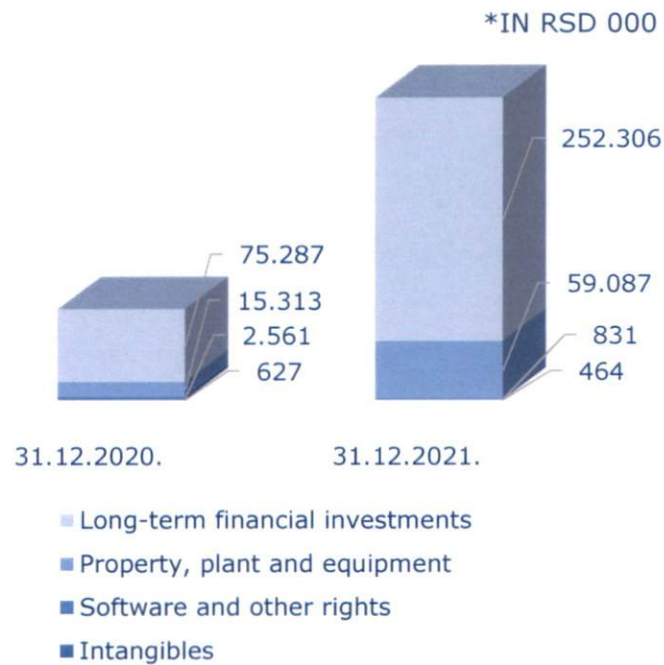
8.1 Assets

CATEGORY	31.12.2020.	31.12.2021.	*IN RSD 000
			INDEX 2021. / 2020.
Intangible investments	627	464	74,00
Software and other rights	2.561	831	32,45
Property, plant and equipment	15.313	59.087	385,86
Long-term financial investments	75.287	252.306	335,13
FIXED ASSETS	93.788	312.688	333,40
Stocks	1.072	2.883	268,94
Receivables	1.702.286	2.459.543	144,48
Receivables for the overpaid income tax	12.859	0	0
Financial placements	2.476.521	2.799.324	113,03
Cash and cash equivalents	771.517	945.964	122,61
Accrued revenue and deferred liabilities	55.470	52.710	95,02
Receivables for unearned premiums	1.245.334	1.156.625	92,88
Receivables for outstanding claims in retrocession	3.071.442	2.304.159	75,02
Other technical reserves in retrocession	17.631	19.345	109,72
Current assets	9.354.132	9.740.553	104,13
TOTAL ASSETS (ASSETS)	9.447.920	10.053.241	106,41



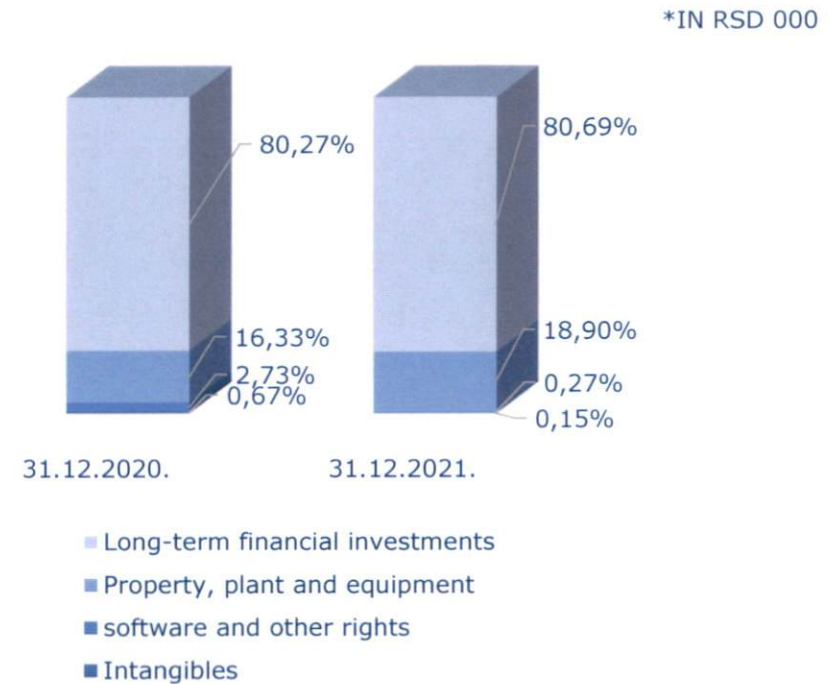
The structure of assets is dominated by liquid assets with 96,89%.

8.1.1 Non-current assets



Non-current assets are by 233,40% higher when compared to previous year, which is a consequence of implementation of the International Financial Reporting Standard 16 (IFRS 16). This standard refers to the obligation to present the leased property in the balance sheet of the Company.

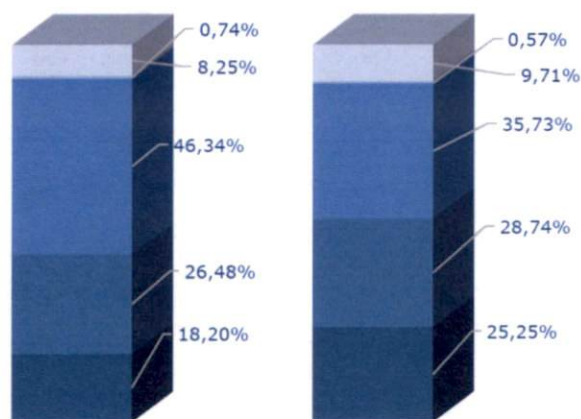
Increase of the non current assets, compared to the previous year, was also the consequence of the long-term deposit, fixed to the term of 25 months. Property, plant and equipment are higher by 226,37%



when compared to the previous year, which is also a consequence of application of the IFRS 16.

Working capital is increased by 4.13% when compared to previous year. Total receivables are by 44,48% higher than in the previous year. Growth of receivables is a consequence of the increase in premium and change of the maturity structure in favour of the receivables which are not due.

Business Report for the period 01 January – 31 December, 2021



31.12.2020.

31.12.2021.

- Cash and cash equivalents
- Stocks, receivables for the income tax and accrued revenue and deferred liabilities
- Receivables for outstanding claims in retrocession
- Financial placements
- Receivables

Financial placement increased by 13,03%.

Short-term deposits with banks have the largest share in the structure of financial placements with 79,46%.

8.1.2 Structure of receivables

*IN RSD 000

Structure of receivables as at 31.12.2020

	Gross	Correction	Net
Premium	1.644.860	82.412	1.562.447
Claims	181.326	77.716	103.610
Recourse receivables	524	0	524
Other	35.705	0	35.705
TOTAL	1.862.415	160.129	1.702.286

*IN RSD 000

Structure of receivables as at 31.12.2021

	Gross	Correction	Net
Premium	2.115.896	108.618	2.007.279
Claims	500.361	86.302	414.059
Recourse receivables	10.120	0	10.120
Other	28.085	0	28.085
TOTAL	2.654.462	194.919	2.459.543

STRUCTURE OF RECEIVABLES AS AT 31.12.2020

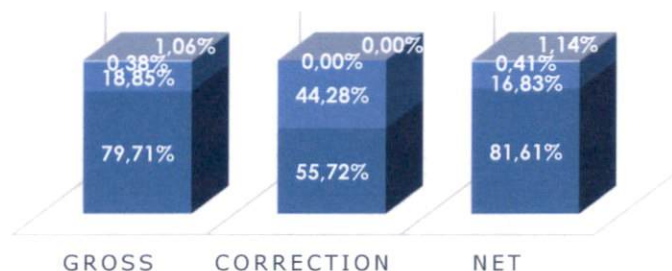
■ Premium ■ Claims ■ Recourse receivables ■ Other



A growth of the premium-based receivables of 28.64% was recorded in 2021, whilst the provision for premium-based receivables was 31.78% higher in the same year.

STRUCTURE OF RECEIVABLES AS AT 31.12.2021

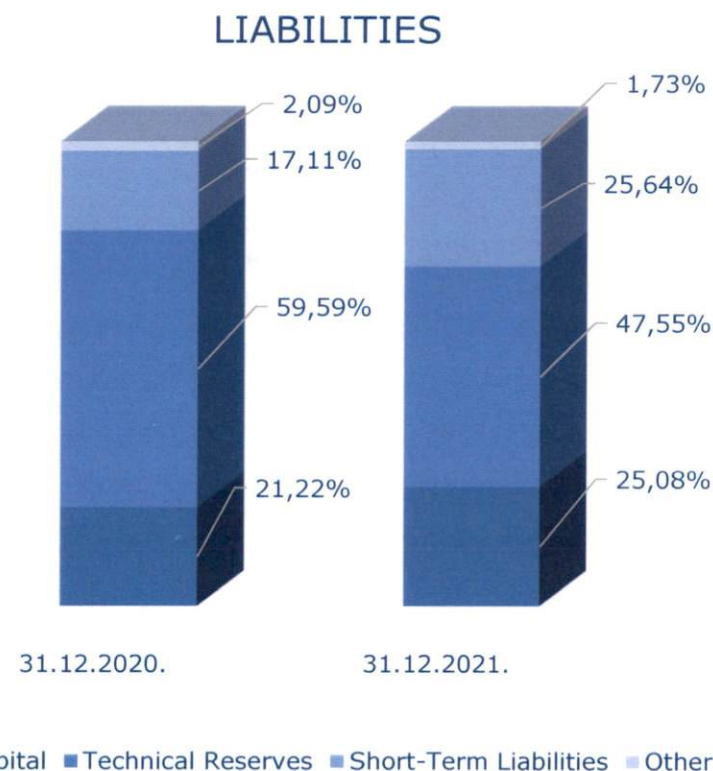
■ Premium ■ Claims ■ Recourse receivables ■ Other



Claims-based receivables are 75,95% higher, whilst provisions for claims-based receivables is higher by 11,05%. Total provisions for receivables is by 21,73% higher than in the year 2020, whilst total receivables are by 44.48% higher that in the previous year.

8.2 Liabilities

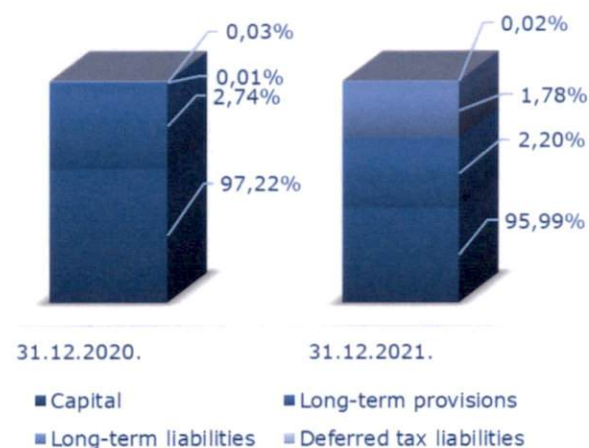
CATEGORY	31.12.2020.	31.12.2021.	IN RSD 000 INDEX 2021/ 2020
Capital and reserves	2.004.661	2.520.907	125,75
Long term provisions	56.481	59.463	105,28
Long term liabilities	200	36.072	18036
Deferred tax liabilities	561	5.447	970,94
Short-term financial liabilities	1.616.518	2.577.497	159,45
Accrued liabilities	1.317.551	1.250.095	94,88
Capital and reserves	4.286.789	3.469.679	80,94
Other accruals and deferred income (ADI)	165.159	134.081	81,18
TOTAL LIABILITIES	9.447.920	10.053.241	106,41



Liabilities are higher by 6,41% compared to the previous year. The largest share in liabilities belongs to technical reserves of 47,55%, followed by capital and reserves and short-term liabilities.

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

	31.12.2020.	31.12.2021.	*IN RSD 000 INDEX
Capital	2.004.661	2.520.907	125,75
Long-term provisions	56.481	59.463	105,28
Long-term liabilities	200	36.072	0,00
Deferred tax liabilities	561	5.447	970,94
TOTAL:	2.061.903	2.621.889	127,16



Amount of the total capital, reserves, long-term provisions and long term liabilities of the Company as at 31.12.2021 is 2,621,889 thousand RSD, which is an increase of 27,16% compared to the previous year.

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

During 2021, the Company did not repurchase its shares.
Earnings per share amount to 358.82 dinars

In June 2021, the Company paid dividends to its shareholders in the total amount of 113,048 thousand dinars, ie in the amount of 1,330.32 dinars per share.

8.2.2 Short-term liabilities

*IN RSD 000

ITEM	31.12.2020.	31.12.2021.
Short term financial liabilities	133	12.177
Liabilities for settlement of claims and contractual amounts	269.260	729.940
Liabilities for premiums, salaries and other liabilities	1.347.125	1.815.944
Income tax liabilities	0	19.436
TOTAL	1.616.518	2.577.497

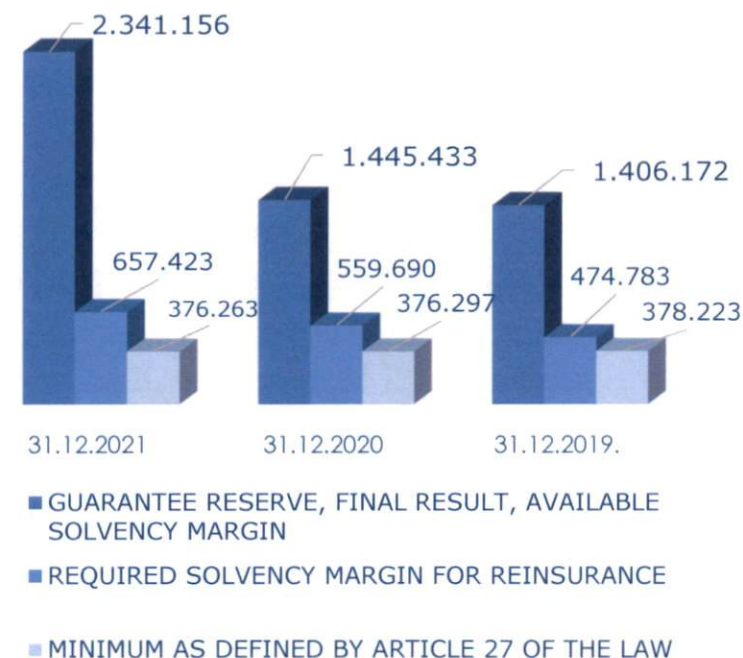


Short-term liabilities increased by 59,45%. compared to the previous year.

The structure of the short-term liabilities is dominated by the reinsurance premium (70,45%) and liabilities for settlement of claims (28,32%).

8.3 Guarantee reserve and capital adequacy

		*IN RSD 000		
	ОПИС	31.12.2021	31.12.2020	31.12.2019.
	PAID UP CAPITAL	2.341.620	1.807.683	1.631.352
	DEDUCTIONS, PART ONE (9+10+11+12)	464	627	2.049
	Non-material property (Investments ⁰)	464	627	2.049
IV	GUARANTEE CAPITAL (I+II-III)	2.341.156	1.807.056	1.629.303
V	DEDUCTIONS, PART TWO	0	0	0
VI	GUARANTEE RESERVE, PRELIMINARY RESULT (I+II-III-V)	2.341.156	1.807.056	1.629.303
VII	GUARANTEE RESERVE, FINAL RESULT, AVAILABLE SOLVENCY MARGIN	2.341.156	1.445.433	1.406.172
VIII	REQUIRED SOLVENCY MARGIN FOR REINSURANCE	657.423	559.690	474.783
IX	DIFFERENCE IN AVAILABLE AND REQUIRED SOLVENCY MARGIN FOR REINSURANCE VII-VIII ≥ 0	1.683.733	885.743	931.389
	RATIO OF REQUIRED SOLVENCY MARGIN FOR REINSURANCE AND GUARANTEE CAPITAL (ARTICLE 128 PARAGRAPH 1 OF THE LAW)	0,28	0,31	0,29
XI	AMOUNT PRESCRIBED BY THE ARTICLE 27 OF THE LAW (in line with the valid license)	376.263	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	1.964.893	1.430.759	1.251.080



The same as in previous years, the Company satisfies all requirements in terms of the capital adequacy. Guarantee reserve is 3.56 times higher than solvency margin.

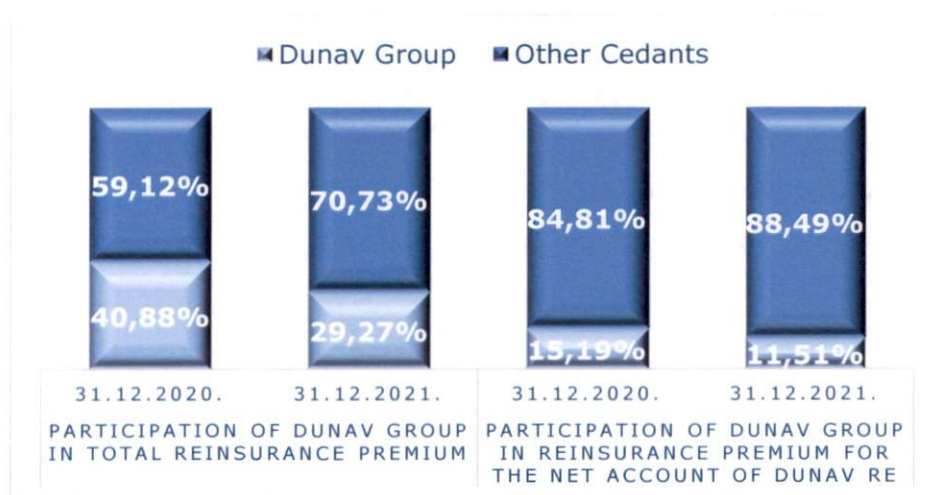
9. PARTICIPATION OF DUNAV INSURANCE COMPANY AND DUNAV INSURANCE COMPANY BANJA LUKA

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 fixed capital and Dunav Insurance Banja Luka, in the reinsurance premium and total reinsurance claims.

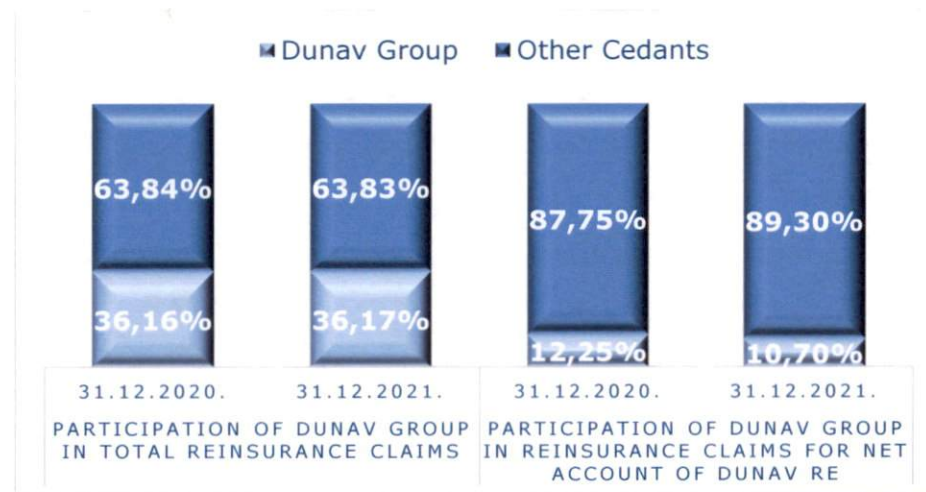
- Participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the reinsurance premium is increased in the year 2021 by 11.61 percentage points, compared to the same period of the year 2020.
- Participation of Dunav Insurance Company and Dunav Insurance Banja Luka in the premium for the net account is increased by 3,68 percentage points in the year 2021, 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 0,01 percentage points in the year 2021, 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 1,55 percentage points.

PARTICIPATION OF RELATED PARTIES IN THE PREMIUM



PARTICIPATION OF RELATED PARTIES IN THE CLAIMS



10. 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) and the Company's Risk Management Strategy dated March 4, 2016

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 certain 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 35 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
Price 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.a.

Business Report for the period 01 January – 31 December, 2021

Credit risk	<p>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.</p>	Insignificant	<p>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.</p>
Cash flow risk	<p>This risk includes the flow of cash from operational, financial and investment activities of the Company.</p>	significant	<p>The Company continuously monitors the movement of net inflows and net outflows.</p>
Concentration risk	<p>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.</p>	insignificant	<p>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).</p>
Market risk	<p>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.</p>	Insignificant	<p>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.</p>

Business Report for the period 01 January – 31 December, 2021

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 retrocedents.	➔	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 of RS", no. 51/2015, 29/2018 and 84/2020).

11. IMPACTS OF CLIMATE CHANGE FACTORS ON BUSINESS

Climate changes are causing an increasing frequency of extreme weather events and are constantly increasing the extent of catastrophic damages. From 2020 on, the Company monitors the risk of climate change within the Risk of Environment, Social Policy and Management, which is in Group 7 - Other significant risks, in accordance with the NBS Decision on the management system in the Insurance / Reinsurance company.

Identification, price, measurement and control of climate change risks are continuously developed and adjusted to its specifics, while monitoring the effects and trends in the domestic and international (re)insurance market.

The risk of climate change is observed within the context of environmental risks, which are considered to be a serious threat due to the potentially significant, rapid and unexpected impact of damage due to natural disasters.

The Company classifies natural disasters generally as events which are the consequence of the climate changes (floods, storms, forest fires, hurricanes, cyclones and droughts).

The Executive Board of the Company monitors and assesses the risk of climate changes within the established risk management system, and regularly reports its findings to the Supervisory Board.

The company has fully integrated the risk of climate changes into the basic business policies and is able to absorb the negative effects in the event of its materialization.

In the process of underwriting, climate change risk management reduces the negative effects of climate uncertainty and the impact of changing climate trends that can be a cause of the catastrophic damages. The mitigating factor is the annual renewal of the policy, the reinsurance protection program of the portfolio, the application of exclusion clauses in reinsurance coverage and the annual modelling of exposure of its portfolio to natural disasters, using the latest 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, tobacco production and processing, arms trade, entertainment industry and the like.

The Company uses an internal risk assessment tool within the established risk management system.

Climate change risk assessment within the framework of Environmental, Social policy and Management Risks as of 31.12.2021 year, has a final description "insignificant". The impact of this risk on the Company's operations can be described as limited.

The Company's business strategy with regard to climate changes is to maintain its leading position in the provision of reinsurance services, by providing innovative reinsurance coverage for energy production projects from sustainable sources, as well as developing expertise in low-emission sectors.

The Company reinsures renewable energy projects in the Republic of Serbia, such as solar and wind power plants, as well as plants for desulphurization of flue gases and removal of nitrogen oxides from thermal power plants.

Supporting cedants and policyholders who are investing in new technologies for the transition from fossil fuels to renewable energy sources will be a key challenge for the reinsurance company in the future.

The business strategy is in line with legal and other regulations in the areas of limiting emissions, as well as the National Plan for Reducing Emissions of Major Pollutants from Large Combustion Plants.

In the long run, the Company's business policy will be in line with the transition of the economy in the direction of reduction, until the complete cessation of the use of all types of fossil fuels.

12. SIGNIFICANT EVENTS OCCURRED UPON EXPIRY OF 2021 BUSINESS YEAR

There were no major business events that occurred after the expiry of the business year 2021.

13. INVESTMENTS IN ENVIRONMENTAL PROTECTION

During 2021, an amount of dinars 1,201,502 was invested in the realization of the project of planting trees with the aim of protecting the environment and improving air quality.

14. EXPECTED DEVELOPMENT, PLAN AND BUSINESS POLICY OF THE COMPANY 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 Из основне делатности:
- 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 to undertake all necessary activities to minimize the 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.

15 CODE OF CORPORATE GOVERNANCE

15.1 Code of Corporate governance

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.

15.2 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.

15.3 COMPOSITION AND WORK OF MANAGING BODIES AND THEIR BOARDS

15.3.1. Assembly

The Assembly of the Company consists of all shareholders of the Company, who exercise the right to vote directly or through their representatives – authorized persons.

The General Assembly of Shareholders is scheduled, convened and held in the manner and under the conditions determined by the Law, the Act on the Establishment of the Company, the Statute of the Company and the Rules of Procedure.

15.3.2. Supervisory Board

The Supervisory Board has 3 (three) 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.

15.3.3. 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.

15.3.4. 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.

15.4. DIVERSITY POLICY OF MEMBERS OF THE MANAGEMENT BOARD

15.4.1. 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 and Executive Boards of the Company with 67%, and there is diversity in terms of their education and age.

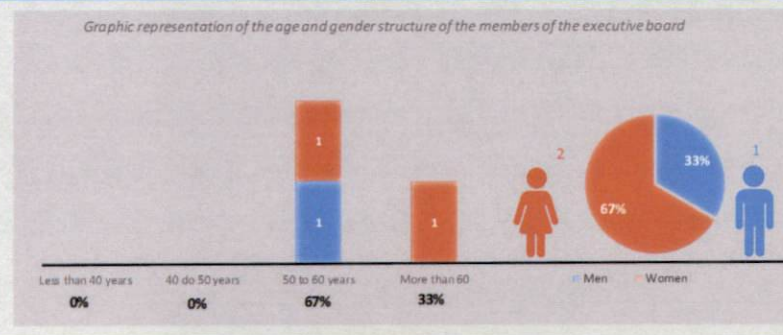
5.4.2. Diversity policy objectives

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.

GENDER, AGE AND QUALIFICATION STRUCTURE OF THE SUPERVISORY BOARD

Age \ Gender	Less than 40 years	40 do 50 years	50 to 60 years	More than 60	Total
Men			1		1
Women			1	1	2
Total			2	1	3
	0,00%	0,00%	66,67%	33,33%	

Graphic representation of the age and gender structure of the members of the executive board

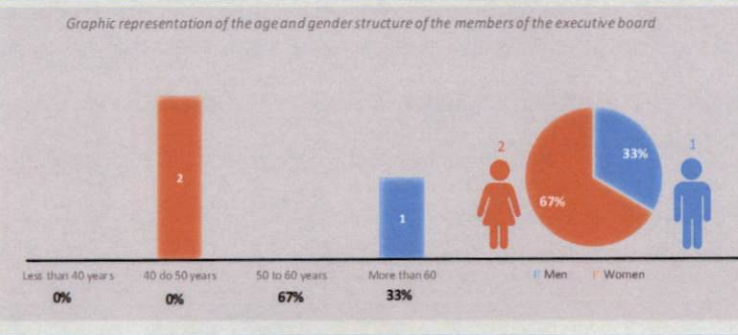


Profession	Men	Women	Total
Bachelor of Economics		1	1
Bachelor of Traffic Engineering	1		1
Bachelor of Law		1	1
Total	1	2	3

GENDER, AGE AND QUALIFICATION STRUCTURE OF THE EXECUTIVE BOARD

AGE \ GENDER	Less than 40 years	40 do 50 years	50 to 60 years	More than 60	Total
Men				1	1
Women		2			2
Total					3
	0,00%	66,67%	0,00%	33,33%	

Graphic representation of the age and gender structure of the members of the executive board



Qualification structure	Men	Women	Total
Bachelor of Economics		2	2
Graduate Engineer			
Bachelor of Law (Hons)	1		1
Total	1	2	3

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. The Company applies the Corporate Governance Code NO 5/12, which was adopted by the Company's Supervisory Board at its 12th meeting held on June 18, 2013, and which was published on the Company's website www.dunavre.rs and is publicly available to shareholders and other interested parties.

Chairperson of the Executive Board

Pejčić Zorana



Member of the Executive Board

Komnenić Tatjana

