ANNUAL REPORT

of the Sava Re Group
and Sava Re, d.d.
2017

REFLECTING A SUCCESSFUL YEAR

Each of us plays a part
in shaping our progress and
securing a stable future.

SAVA Re
GROUP

DECLARATION OF THE MANAGEMENT BOARD

To the best of our knowledge and in accordance with the International Financial Reporting Standards, the consolidated and separate financial statements give a true and fair view of the financial position and profit or loss of the Sava Re Group and Sava Re. The business report gives a fair view of the development and performance of the Group and the Company, and their financial position, including a description of the principal risks that the consolidated companies are exposed to.

Ljubljana, 28 March 2018

Srečko Čebron
Member of the Management Board

Marko Jazbec
Chairman of the Management Board

Polona Pirš Zupančič
Member of the Management Board

Jošt Dolničar
Member of the Management Board

KEY FINANCIALS

(€)	Sava Re Group		Sava Re	
	2017	2016	2017	2016
Gross premiums written	**517,233,431**	**490,205,154**	**153,219,752**	**147,426,893**
Year-on-year change	5.5%	0.8%	3.9%	-3.0%
Net premiums earned	**470,865,993**	**458,101,526**	**130,864,620**	**133,428,875**
Year-on-year change	2.8%	2.4%	-1.9%	6.3%
Gross claims paid	**309,727,160**	**269,445,796**	**83,525,449**	**85,165,592**
Year-on-year change	14.9%	-0.8%	-1.9%	-5.0%
Net claims incurred	**296,103,320**	**268,393,776**	**78,583,967**	**81,781,565**
Year-on-year change	10.3%	-1.7%	-3.9%	-5.7%
Net incurred loss ratio	**58.9%**	**58.6%**	**60.2%**	**61.3%**
Net incurred loss ratio, excluding exchange differences	**60.5%**	**58.2%**	**65.0%**	**60.2%**
Operating expenses, including reinsurance commission income	154,091,460	155,830,879	41,178,447	44,475,032
Year-on-year change	-1.1%	7.3%	-7.4%	18.2%
Net expense ratio	**32.7%**	**34.0%**	**31.5%**	**33.3%**
Net combined ratio	**94.3%**	**95.0%**	**93.1%**	**94.9%**
Net combined ratio, excluding exchange differences	**95.5%**	**94.6%**	**96.5%**	**93.6%**
Net inv. income of the investment portfolio	15,731,567	24,612,812	25,332,985	27,684,549
Return on the investment portfolio	1.5%	2.4%	5.6%	6.0%
Net inv. income of the investment portfolio, excluding exchange differences	21,662,931	23,122,262	30,816,526	26,323,674
Return on the investment portfolio, excluding exchange differences	2.0%	2.2%	6.8%	5.8%

(€)	Sava Re Group		Sava Re	
	2017	2016	2017	2016
Profit or loss before tax	**39,880,983**	**40,669,987**	**34,763,864**	**34,977,140**
Year-on-year change	-1.9%	1.4%	-0.6%	109.0%
Profit or loss, net of tax	**31,094,908**	**32,918,213**	**32,974,192**	**32,873,817**
Year-on-year change	-5.5%	-1.3%	0.3%	103.0%
Comprehensive income	**32,790,903**	**37,660,245**	**33,008,694**	**33,693,737**
Year-on-year change	-12.9%	36.4%	-2.0%	127.4%
Return on equity	**10.1%**	**11.3%**	**11.7%**	**12.3%**

	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Total assets	**1,708,348,067**	**1,671,189,179**	**580,886,180**	**568,147,764**
Change on 31 Dec of prior year	2.2%	4.0%	2.2%	-0.5%
Shareholders' equity	**316,116,895**	**297,038,327**	**290,966,155**	**270,355,622**
Change on 31 Dec of prior year	6.4%	3.7%	7.6%	2.5%
Net technical provisions	**1,127,139,014**	**1,109,770,895**	**212,565,592**	**208,003,567**
Change on 31 Dec of prior year	1.6%	3.6%	2.2%	1.5%
Book value per share	20.40	18.81	18.77	17.12
Net earnings/loss per share	2.00	2.08	2.13	2.08
No. of employees (full-time equivalent basis)	2,388.77	2,487.94	96.50	94.58
Solvency ratio under Solvency II rules	-	204%	-	264%

Notes:
For details on the calculation of ratios and the net investment income, see the glossary in Appendix C.
The net investment income of the investment portfolio does not include the net investment income relating to assets of policyholders who bear the investment risk since such assets do not affect the income statement. The mathematical provision of policyholders who bear the investment risk moves in line with this line item.

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Miha N. and Tjaša V.

SAVA RE GROUP BUSINESS REPORT

REFLECTING RESPONSIBILITY TO EMPLOYEES

Shared values are reflected in the positive atmosphere we create, in our day-to-day operations, in the way we conduct ourselves, communicate, and in the relationships we develop and the decisions we make.

The Sava Re Group again achieved growth in gross premiums written in 2017 – and across all of our operating segments. Compared to the previous year, we generated 5.5% more premium income, exceeding our target growth rate.

2017 was marked by premium growth across all markets.

1 LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD[1]

Year of premium growth in all markets

The Sava Re Group has again achieved growth in gross premiums written in 2017 – and across all of our operating segments. Compared to the previous year, we generated 5.5% more premium income, exceeding our target growth rate.

For Zavarovalnica Sava, this was the first year following the successful merger of the Group's EU-based insurance companies from which it emerged with a new name and visual identity. We believe that it performed well, exceeding its planned synergy gains related to the merger as reflected in the favourable ratio of expenses to gross premiums written. In Slovenia, non-life insurance premiums grew by 5.7%, while life insurance premiums rose by 3.7%.

We are also satisfied with the almost 10% growth posted by our insurance companies abroad, and this in both key segments of our insurance operations.

And, of course, we are satisfied with the return figure achieved in the face of the number of large weather-related events that occurred in 2017. While the profit of Zavarovalnica Sava was impacted by storm losses, the performance of the reinsurance portfolio (excluding exchange differences) fell short of the 2016 result owing to a number of large loss events in the international market (such as the storms in the USA and the flooding of a mine in Russia). The Group generated a net profit of €31.1 million, corresponding to a 10.1% return on equity. With a 19.5% increase in the share price over the year and a 5.1% dividend yield, we feel the Sava Re POSR share is becoming an attractive investment opportunity for both institutional and retail investors.

Year of growth and expansion into complementary areas

In line with its adopted strategy, the Sava Re Group entered the assistance services market in 2017, which will give the Group members further room to unlock synergy benefits related to motor, health and homeowners insurance. By acquiring the company TBS Team 24, the Group gained an efficient and high-quality call centre of international repute, with many years of experience providing assistance services. I believe that this will provide our products with an additional competitive advantage and our policyholders with better service in case of loss events.

To expand our pension insurance activities, Sava Re signed a deal to acquire 100% of the Macedonia-based NLB Nov penziski fond from Skopje, thus gaining a foothold in the Macedonian pension insurance market. Increasing pension business remains a strategic focus of Sava Re, and we will, therefore, remain open to growth opportunities in this segment in the region. After all, this expansion takes advantage of the marketing and sales synergies in the Group, while our goal is to acquire more companies and become the number two pension player in the region.

Adoption of new strategy until 2019

We know that the insurance market is changing fast. For this reason, we have made ambitious plans for the medium term. As we are placing the client at the centre of our services and ways of working, we want to strengthen activities for developing products that cater to client needs. It is important to us that our services are widely accessible, which is why we are seeking out new distribution channels and investing great efforts in digitising all areas of the Group's operations. A satisfied client is key to our success; therefore, it is vital for us to use an advanced approach and transparent business processes.

Another step towards digitising was our decision to join the B3i (Blockchain Insurance Industry Initiative) initiative launched by major insurance and reinsurance players in order to test the blockchain platform. It is an initiative that has been joined by all key global insurance and reinsurance groups.

Furthermore, we are focused on growing and developing health services through acquisitions or direct investments in medical centres, health insurance companies and health service providers.

The most important ingredient in reinsurance operations is trust, which is why we continue to nurture long-term partnerships. We will be entering new markets gradually, guided by long-term profitability, all the while keeping an eye on geographic diversification.

Another strategic focus of the Group is sustainable development. We are integrating a culture of sustainability in our business processes. Under the slogan "Never alone", the Sava Re Group is promoting its role as a force for social responsibility and community cohesion. We are working systematically to develop a comprehensive sustainable development strategy in line with principles and policies of recognised international organisations. In the year, sustainability development has been set up as a business area with an appointed administrator, and I myself am directly responsible for it. Hence, I am personally committed to upholding our sustainability principles and meeting the targets we have set ourselves.

Enhancing financial strength and long-term financial stability

2017 did not bring about the desired upturn in financial markets in terms of return on investment. Interest rates have remained low, but there are early indications of a turn in the trend. In our asset management activities, we give priority to security and liquidity to ensure that we will be able to meet our obligations arising out of insurance contracts.

In order to ensure a high level of security while maintaining appropriate profitability, in 2017 we repaid a major part of the subordinate loan taken out in 2006 and 2007 to finance the Group's expansion abroad. The Group managed to maintain a high solvency ratio despite the repayment of €24 million.

Also last year, our financial strength and capital adequacy was affirmed by rating agencies. In July 2017, after its regular annual rating review, the rating agency Standard & Poor's affirmed Sava Re's existing "A–" (excellent) issuer credit and financial strength ratings but upgraded the outlook from "stable" to "positive".

We have ambitious goals

We have delivered on our plans for 2017. But we are looking at new opportunities ahead. We will continue to draw inspiration from our vision and value system, to seek motivation in our environment and earn the respect of our customers.

I thank everybody who has contributed to the Group's development in the 40 years of its operation, and all who trust and believe in our future. I also thank our shareholders, business partners and other stakeholders who have continued to place their trust in our Group over the course of many years.

Marko Jazbec
Chairman of the Management Board
of Sava Re, d.d.

[1] GRI 102-14

2 PROFILE OF SAVA RE AND THE SAVA RE GROUP

2.1 Sava Re company profile[2]

Company name	Sava Re, d.d.
Business address	Dunajska 56, 1000 Ljubljana, Slovenija
Telephone (switchboard)	(01) 47 50 200
Fax	(01) 47 50 264
E-mail	info@sava-re.si
Website	www.sava-re.si
Company ID number	5063825
Tax number	17986141
LEI code	549300P6F1BDSFSW5T72
Share capital	€71,856,376
Shares	17,219,662 no-par-value shares
Management and supervisory bodies	MANAGEMENT BOARD Marko Jazbec (chairman) Jošt Dolničar Srečko Čebron Polona Pirš Zupančič
	SUPERVISORY BOARD Mateja Lovšin Herič (chair) Keith William Morris (deputy chair) Andrej Kren Davor Ivan Gjivoje Mateja Živec (employee representative) Andrej Gorazd Kunstek (employee representative)
Date of entry into court register	10 December 1990, Ljubljana District Court
Certified auditor	Ernst & Young d.o.o., Dunajska 111, 1000 Ljubljana, Slovenija
Largest shareholder and holding	Slovenski državni holding, d.d. (Slovenian Sovereign Holding) 17.7% (no-par-value shares: 3,043,883)
Credit ratings: AM Best Standard & Poor's	 A– /stable/; October 2017 A– /positive/; July 2017
Contact details for annual and sustainability reports	ir@sava-re.si
The Company has no branches.	

[2] GRI 102-1, 102-3, 102-5, 102-53

2.2 Significant events in 2017

- On 7 March 2017 the 32nd general meeting of shareholders took place. The general meeting elected new supervisory board members for the next four-year term of office: Ivan Davor Gjivoje (beginning on 7 March 2017) and Mateja Lovšin Herič, Keith William Morris and Andrej Kren (beginning on 16 July 2017). Since 7 March 2017, the supervisory board of Sava Re has operated with all of its six members.

- In 2006 and 2007, Sava Re raised a subordinated debt in the nominal amount of €32 million maturing in 2027. These funds were raised to expand the Sava Re Group to the markets of the former Yugoslavia and to improve its capital adequacy position in accordance with the then applicable insurance law and the Standard & Poor's model. In January 2014, Sava Re repaid €8 million of the nominal amount of its subordinated debt. After receiving the approval of the Slovenian Insurance Supervision Agency, Sava Re repaid the first tranche of the subordinated debt in the nominal amount of €12 million on 15 March 2017. The remaining part of the subordinated debt in the nominal amount of €12 million was repaid in June 2017. Following the repayment of the subordinated debt, Sava Re and the Sava Re Group continue to maintain a high solvency ratio under the applicable law.

- On 19 April 2017, Sava Re jointly with other expropriated shareholders presented its comments and proposals relating to the draft Law on Judicial Protection of Holders of Qualifying Liabilities of Banks in connection with the cancellation of subordinated financial instruments. They emphasised that the draft law did not eliminate the unconstitutionality of such, nor did it fully comply with the requirements of the Constitutional Court. It was reiterated that the cancellation of subordinated bonds was unjustified, wrong, and the most draconian of measures taken in Europe, as demonstrated by new facts and figures. At the time this report was finalised, the law had not been passed.

- On 12 May 2017, Marko Jazbec took up the position of chairman of the management board of Sava Re, after obtaining the ISA licence for performing this function.

- On 19 May 2017 the 33rd general meeting was held to consider regular topics. The general meeting approved the proposed dividend of €0.80 gross per share, totalling €12,398,156.80 (taking into account the number of own shares), or 37.7% of the net profit of the Sava Re Group. The ordinary dividend increased by 23% and was on the same level as the sum of last year's ordinary and special dividends.

- In June, a court settlement was concluded in the labour dispute between Sava Re and Zvonko Ivanušič, finally resolving all disputed relations between the parties concerning the termination of the plaintiff's employment contract with the defendant. Following this, a court settlement was concluded in the commercial dispute between the Company and Zvonko Ivanušič, finally resolving all disputed relations between the parties relating to the recall of the plaintiff from the position of chairman of the management board of Sava Re.

- In the first half of 2017, the document Solvency and financial condition report of Sava Re, d.d. 2016 was published followed by the release of the Sava Re Group solvency and financial condition report 2016 in July 2017. The documents demonstrated the solvency ratio of the Group and Sava Re to be 204% and 264%, respectively.

- On 16 July 2017, the following members of the supervisory board began their four-year term of office based on a general meeting resolution: Andrej Kren, Keith William Morris and Mateja Lovšin Herič. The members of the supervisory board serving new terms of office are Andrej Kren, Davor Ivan Gjivoje, Keith William Morris, Mateja Lovšin Herič, Mateja Živec and Gorazd Kunstek. In its constitutive meeting on 16 August 2017, the supervisory board members elected from among the members Mateja Lovšin Herič as chair of the supervisory board and Keith William Morris as deputy chair.

- On 26 July 2017, after its regular annual rating review, the rating agency Standard & Poor's affirmed Sava Re's existing "A–" (excellent) issuer credit and financial strength ratings and upgraded the outlook from "stable" to "positive".

- On 8 September 2017, the general meeting of shareholders of Zavarovalnica Sava, d.d. was held, at which the shareholders adopted the resolution to transfer all of the shares of minority shareholders to the majority shareholder Sava Re (main shareholder). On the publication day of the Zavarovalnica Sava general meeting notice, Sava Re held 15,332,411 ordinary, registered no-par-value shares of Zavarovalnica Sava, accounting for 99.74% of the Company's share capital. After the resolution on the share transfer was entered into the register of companies on 10 October 2017, Sava Re became the sole owner of Zavarovalnica Sava.

- On 10 October 2017, Sava Re published the launch of a B3i (Blockchain Insurance Industry Initiative) initiative by major insurance and reinsurance players in order to test the blockchain platform. Sava Re joined the B3i initiative in its testing phase.

- In October 2017 following its regular annual rating review, the rating agency A.M. Best affirmed the financial strength rating of Sava Re, the operating holding company of the Sava Re Group, at "A–" with a stable outlook.

- On 2 November 2017, Sava Re signed a contract for the acquisition of 75% of the company TBS TEAM 24. TBS TEAM 24 provides assistance services relating to motor, health and homeowners insurance.

- At its meeting of 9 November 2017, the supervisory board voted unanimously in support of the proposal of Marko Jazbec, chairman of the management board, and appointed a new Sava Re management board team. Srečko Čebron and Jošt Dolničar were re-elected to serve on the management board for a third consecutive term of office. Polona Pirš Zupančič was appointed as the fourth member of the management board. The two board members who were re-elected are to start their new terms of office on 1 June 2018; the new management board member was to take up her office on the day after the licence to perform the function of management board member was to be issued by the Insurance Supervision Agency.

- On 8 November 2017, Standard & Poor's assigned Zavarovalnica Sava, d.d. "A–" issuer credit and financial strength ratings with a positive outlook.

- In December 2017, NLB d.d. Ljubljana and NLB banka AD Skopje, as the seller, and Sava Re, as the purchaser, signed a purchase contract for all the shares of NLB Nov penziski fond AD Skopje.

- In December Zavarovalnica Sava started marketing health insurance products, and in so doing entered the health insurance market. This is a significant step towards broadening its product range and is consistent with its strategy of placing the client at the centre of its services and working procedures.

- The reduction in the stake of Slovenian Sovereign Holding from 25.0% (+1 share) to 17.7% was the result of a government decision to transfer, for no consideration, part of its holding to the Republic of Slovenia. Following the transaction, SSH held 3,043,883 shares, representing 17.7% of Sava Re issued shares, or 19.6% of outstanding shares. Following the transaction, the Republic of Slovenia held 1,737,436 shares, representing 10.1% of Sava Re issued shares, or 11.2% of outstanding shares.

- In 2017 the subsidiary Zavarovalnica Sava suffered a number of weather-related loss events (larger frequency of on average small losses). At the time this report was written, the aggregate loss figure of these events amounted to some €12 million. One catastrophic event of €5 million had been included in the 2017 Group plan.[3]

2.3 Significant events after the reporting date

- In January 2018, Polona Pirš Zupančič began her five-year term of office as a member of the management board. After this change, the Sava Re management board continued to operate as a four-member body, as at its meeting of 20 December 2017 the supervisory board of Sava Re took note of the notice of Mateja Treven on her early termination of her term as Sava Re management board member, and accepted Mateja Treven's proposal for a consensual termination of her employment contract as management board member. Mateja Treven concluded her role as management board member on 13 January 2018 and will continue her career as part of the Sava Re Group. **Marko Jazbec** as chairman of the management board is, following the aforementioned changes, responsible for the coordination of the work of the management board, finance, general affairs, human resources, organisation and legal affairs, public relations, compliance and internal audit. **Srečko Čebron** is – also in the new term of office – responsible for reinsurance operations, facultative reinsurance underwriting and actuarial affairs. **Jošt Dolničar** is – in the new term of office – responsible for the management of strategic investments in primary insurance subsidiaries, modelling, IT, technologies and innovation, and pension insurance. **Polona Pirš Zupančič** is responsible for corporate finance and controlling, accounting, shareholder relations and risk management.

- Sava Re met all suspensive conditions on 31 January 2018 and thus became the owner of a 75% stake in TBS Team 24.

- In accordance with article 171(7) of the Insurance Act (ZZavar-1; Official Gazette of the Republic of Slovenia, no. 93/15), Zavarovalnica Sava and Sava pokojninska družba signed an outsourcing contract for internal audit with Sava Re, transferring this key function to Sava Re as of 1 February 2018 for an indefinite period.

- Sava Re met all suspensive conditions on 13 March 2018 and thus became the owner of a 100% stake in NLB Nov penziski fond AD Skopje.

- In March 2018, Sava Re obtained approval from Serbia's central bank, as well as from other regulators to purchase a 92.94% stake in Energoprojekt Garant, a Serbian insurance undertaking. After the acquisition of this majority stake and subsequent steps towards attaining sole ownership, Sava Re intends to merge the target with its existing subsidiary, the Serbian non-life insurer Sava neživotno osiguranje (SRB), and then optimise the subsidiary's capital structure.

[3] GRI 201-2

2.4 Sava Re rating profile

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

Financial strength rating of Sava Re

Agency	Rating[4]	Outlook	Latest review
Standard & Poor's	A–	positive	July 2017: improved outlook
A.M. Best	A–	stable	October 2017: affirmed existing rating

2.5 Profile of the Sava Re Group[5]

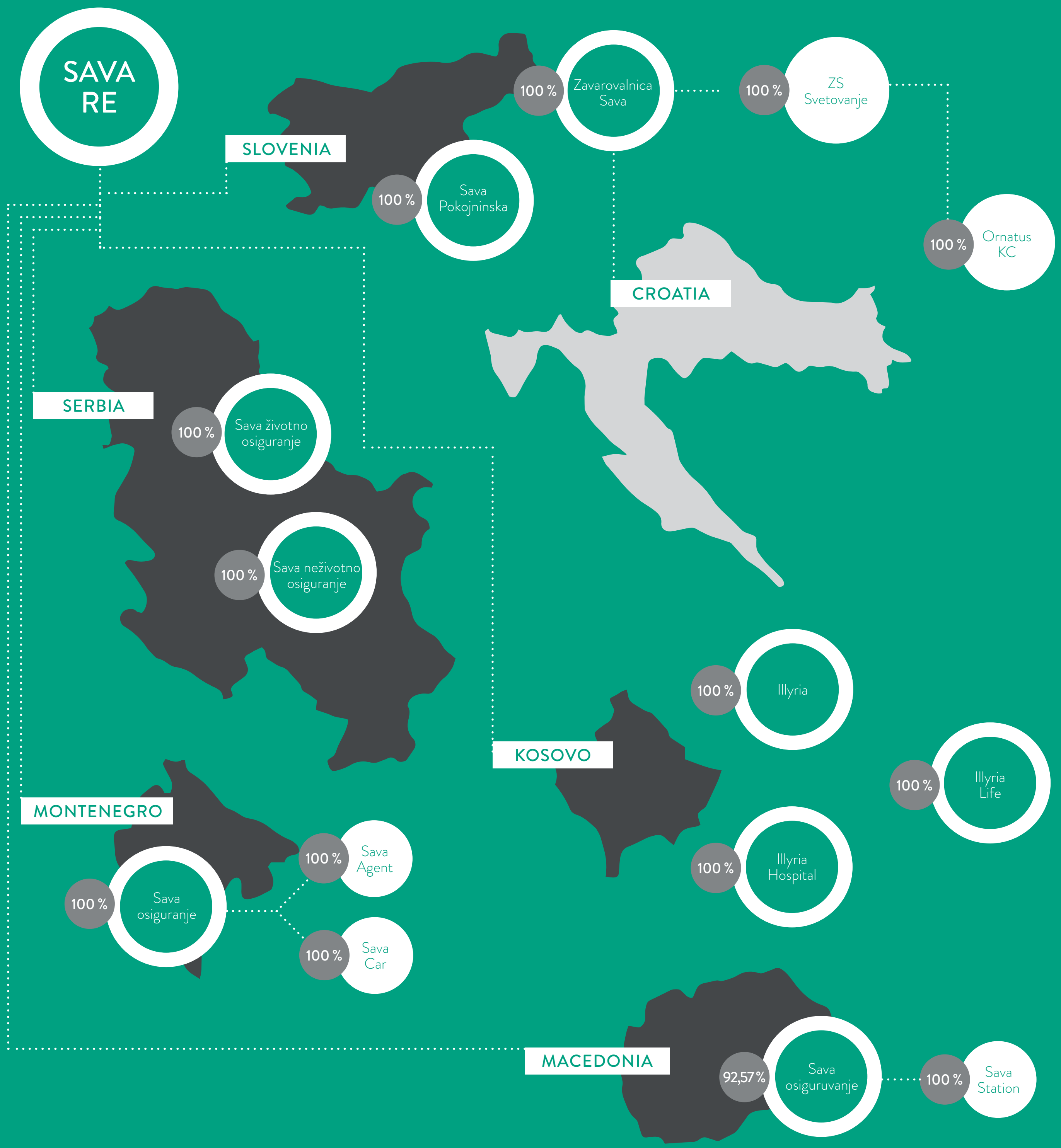
As at 31 December 2017, the insurance part of the Sava Re Group comprised – in addition to the controlling company Sava Re – seven insurers based in Slovenia and other countries of the Adria region, and one pension company based in Slovenia.

[4] Credit rating agency Standard & Poor's uses the following scale for assessing financial strength: AAA (extremely strong), AA (very strong), A (strong), BBB (adequate), BB (less vulnerable), B (more vulnerable), CCC (currently vulnerable), CC (highly vulnerable), R (under regulatory supervision), SD (selectively defaulted), D (defaulted), NR (not rated). Plus (+) or minus (–) following the credit rating from AA to CCC indicates the relative ranking within the major credit categories. A.M. Best uses the following categories to assess financial strength: A++, A+ (superior), A, A– (excellent), B++, B+ (Good), B, B– (fair), C++, C+ (marginal), C, C– (weak), D (poor), E (under regulatory supervision), F (in liquidation), S (suspended).

[5] GRI 102-45

2.6 Composition of the Sava Re Group[6]

Composition of the Sava Re Group as at 31 December 2017



[6] GRI 102-4

Company names of Sava Re Group members

	Official long name	Short name in this document
	Sava Re Group	Sava Re Group
1	Pozavarovalnica Sava, d.d. / Sava Reinsurance Company, d.d.	Sava Re
2	ZAVAROVALNICA SAVA, zavarovalna družba, d.d.	Zavarovalnica Sava
		Zavarovalnica Sava, Slovenian part (in tables)
	SAVA OSIGURANJE d.d. – Croatian branch office	Zavarovalnica Sava, Croatian part (in tables)
3	Sava pokojninska družba, d.d.	Sava pokojninska
4	SAVA NEŽIVOTNO OSIGURANJE AKCIONARSKO DRUŠTVO ZA OSIGURANJE BEOGRAD	Sava neživotno osiguranje (SRB)
5	“SAVA ŽIVOTNO OSIGURANJE” akcionarsko društvo za osiguranje, Beograd	Sava životno osiguranje (SRB)
6	KOMPANIA E SIGURIMEVE “ ILLYRIA ” SH.A.	Illyria
7	Kompania për Sigurimin e Jetës “ Illyria – Life ” SH.A.	Illyria Life
8	AKCIONARSKO DRUŠTVO SAVA OSIGURANJE PODGORICA	Sava osiguranje (MNE)
9	SAVA osiguruvanje a.d. Skopje	Sava osiguruvanje (MKD)
10	“Illyria Hospital” SH.P.K.	Illyria Hospital
11	Društvo sa ograničenom odgovornošću – SAVA CAR – Podgorica	Sava Car
12	ZS Svetovanje, storitve zavarovalnega zastopanja, d.o.o.	ZS Svetovanje
13	ORNATUS KLICNI CENTER, podjetje za posredovanje telefonskih klicov, d.o.o.	Ornatus KC
14	DRUŠTVO ZA ZASTUPANJE U OSIGURANJU “SAVA AGENT” D.O.O. – Podgorica	Sava Agent
15	Društvo za tehničko ispituvanje i analiza na motorni vozila SAVA STEJŠN DOOEL Skopje	Sava Station

2.7 Activities transacted by the Sava Re Group[7]

Sava Re, the controlling company of the Group, transacts reinsurance business. Slovenia-based Zavarovalnica Sava is the Group’s only composite insurer. Sava neživotno osiguranje (SRB), Sava osiguruvanje (MKD), Illyria and Sava osiguranje (MNE) are non-life insurers. Sava životno osiguranje (SRB) and Illyria Life are life insurance companies. In addition to the above (re)insurers, the Group consists of:

- Illyria Hospital: wholly-owned subsidiary based in Kosovo, which owns some property, but currently does not transact any business,
- Sava Car: vehicle inspection company wholly-owned by the insurer Sava osiguranje (MNE),
- Sava Agent: insurance agency wholly-owned by the insurer Sava osiguranje (MNE),
- Sava Station: vehicle inspection company wholly-owned by the insurer Sava osiguruvanje (MKD),
- ZS Svetovanje: wholly-owned subsidiary of Zavarovalnica Sava specialised in marketing life products of its parent,
- Sava pokojninska: pension company wholly-owned by Sava Re.

[7] GRI 102-2

2.8 Data on Group companies as at 31 December 2017[8]

As at 31 December 2017, the Sava Re Group had the following members:

Name	Sava Re	Zavarovalnica Sava	Sava pokojninska
Registered office	Dunajska cesta 56, 1001 Ljubljana, Slovenia	Cankarjeva 3, 2507 Maribor, Slovenia	Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia
Company ID number	5063825	5063400	1550411
Business activity	reinsurer	composite insurer	pension company
Share capital	€71,856,376	€68,417,377	€6,301,109
Book value of equity interest		€68,417,377	€6,301,109
Equity interests (voting rights) held by Group members		Sava Re: 100.0%	Sava Re: 100.0%
Governing bodies	**management board**	**management board**	**management board**
	Marko Jazbec (chair), Jošt Dolničar, Srečko Čebron, Mateja Treven	David Kastelic (chair), Primož Močivnik, Rok Moljk, Boris Medica, Robert Ciglarič	Lojze Grobelnik (chair), Igor Pšunder
	supervisory board	**supervisory board**	**supervisory board**
	Mateja Lovšin Herič (chair), Keith William Morris, Andrej Kren, Davor Ivan Gjivoje, Mateja Živec, Andrej Gorazd Kunstek	Jošt Dolničar (chair), Janez Komelj, Polona Pirš Zupančič, Pavel Gojkovič, Aleš Perko, Branko Beranič	Jošt Dolničar, Katrca Rangus, Rok Moljk, Jure Korent, Andrej Rihter, Irena Šela, Robert Senica
Position in the Group	parent/reinsurer	subsidiary insurance company	subsidiary pension company
Supervisory body	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana

Name	Sava neživotno osiguranje (SRB)	Sava životno osiguranje (SRB)	Illyria
Registered office	Bulevar vojvode Mišića 51, 11040 Beograd, Serbia	Bulevar vojvode Mišića 51, 11040 Beograd, Serbia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo
Company ID number	17407813	20482443	70152892
Business activity	non-life insurer	life insurer	non-life insurer
Share capital	€6,665,393	€5,336,373	€5,428,040
Book value of equity interest	€6,665,393	€5,336,373	€5,428,040
Equity interests (voting rights) held by Group members	Sava Re: 100.0%	Sava Re: 100.0%	Sava Re: 100.0%
Governing bodies	**management board**	**management board**	**managing director**
	Milorad Bosnić (chair), Aleksandar Ašanin	Bojan Mijailović (chair), Zdravko Jojić	Gianni Sokolič
	supervisory board	**supervisory board**	**board of directors**
	Jošt Dolničar (chair), Nebojša Šćekić, Marija Popović	Polona Pirš Zupančič (chair), Pavel Gojkovič, Milan Jelićić	Primož Močivnik (chair), Rok Moljk, Robert Sraka, Ramis Ahmetaj, Milan Viršek
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company
Supervisory body	Narodna banka Srbije, Nemanjina 17, 11000 Beograd, Serbia	Narodna banka Srbije, Nemanjina 17, 11000 Beograd, Serbia	Centralna Banka Kosova, Garibaldi str. no.33, Priština, Kosovo

[8] GRI 102-2, 102-6, 102-7, 102-18

As at 31 December 2017, the Sava Re Group had the following members:

Name	Illyria Life	Sava osiguruvanje (MKD)	Sava osiguranje (MNE)
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Zagrebska br. 28 A, 1000 Skopje, Macedonia	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Company ID number	70520893	4778529	02303388
Business activity	life insurer	non-life insurer	non-life insurer
Share capital	€3,285,893	€3,820,077	€4,033,303
Book value of equity interest	€3,285,893	€3,536,245	€4,033,303
Equity interests (voting rights) held by Group members	Sava Re: 100.0%	Sava Re: 92.57%	Sava Re: 100.0%
Governing bodies	**managing director:**	**board of directors**	**board of directors**
	Albin Podvorica	**executive directors:** Peter Skvarča (managing director), Ilo Ristovski, Melita Gugelovska	**executive director:** Nebojša Šćekić
	board of directors	**non-executive directors**	**non-executive directors**
	Primož Močivnik (chair), Robert Sraka, Gianni Sokolič, Rok Moljk, Milan Viršek	Rok Moljk (chair), Polona Pirš Zupančič, Milan Viršek, Janez Jelnikar	Milan Viršek (chair), Jošt Dolničar, Edita Rituper
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company
Supervisory body	Centralna Banka Kosova, Garibaldi str. no.33, Priština, Kosovo	Agencija za supervizija na osiguruvanje na Republika Makedonija, Ulica Vasil Glavinov br. 2, TCC Plaza kat 2, 1000 Skopje, Macedonia	Agencija za nadzor osiguranja Crna Gora, Ul. Moskovska bb, 81000 Podgorica, Montenegro

Name	Illyria Hospital	Sava Car	Sava Agent
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Dr Vukašina Markovića 184, 81000 Podgorica, Montenegro	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Company ID number	70587513	02806380	02699893
Business activity	does not currently perform any activities	technical testing and analysis	insurance agent & broker services
Share capital	€1,800,000	€485,000	€10,000
Book value of equity interest	€1,800,000	€485,000	€10,000
Equity interests (voting rights) held by Group members	Sava Re: 100.0%	Sava osiguranje (MNE): 100.0%	Sava osiguranje (MNE): 100.0%
Governing bodies	**director**	**executive director**	**executive director**
	Ilirijana Dželadini	Radenko Damjanović	Snežana Milović
Position in the Group	subsidiary	indirect subsidiary	indirect subsidiary
Supervisory body	/	Ministry of Internal Affairs, Bulevar Svetog Petra Cetinjskog 22, 81000 Podgorica, Montenegro	Agencija za nadzor osiguranja Crna Gora, Ul. Moskovska bb, 81000 Podgorica, Montenegro

As at 31 December 2017, the Sava Re Group had the following members:

Name	Sava Station	ZS Svetovanje
Registered office	Zagrebska br. 28 A, 1000 Skopje, Macedonia	Karantanska ulica 35, 2000 Maribor
Company ID number	7005350	2154170000
Business activity	technical testing and analysis	insurance agency
Share capital	€199,821	€188,763
Book value of equity interest	€199,821	€188,763
Equity interests (voting rights) held by Group members	Sava osiguruvanje (MKD): 100.0%	Zavarovalnica Sava: 100.0%
Governing bodies	**managing director**	**managing director**
	Ilija Nikolovski	Kos Aljaž
Position in the Group	indirect subsidiary	indirect subsidiary
Supervisory body	Ministry of Internal Affairs of the Republic of Macedonia	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana

The top executive management of all Sava Re Group members is local, except for Sava osiguranje (MKD) and Illyria.[9]

2.9 Changes to the organisation[10]

At year-end 2017 Sava Re signed a contract for the acquisition of a 75% stake in TBS Team 24 and a 100% stake in NLB Nov penziski fond AD Skopje (NLB NPF Macedonia). The two companies were not included in consolidation in 2017. TBS TEAM 24 provides assistance services relating to motor, health and homeowners insurance, while NLB NPF manages second and third pillar pension funds in the Republic of Macedonia. The acquisition of TBS Team 24 provides the Group with important knowledge on organising assistance services and with access to an extensive network of assistance service providers; NLB NPF will strengthen the Group's market position with regard to pension insurance in the region.

In 2017 Sava Re increased its stake in Zavarovalnica Sava from 99.74% to 100%.

Sava Re recapitalised its Serbian subsidiary Sava životno osiguranje (SRB) in 2017.

[9] GRI 202-2
[10] GRI 102-10

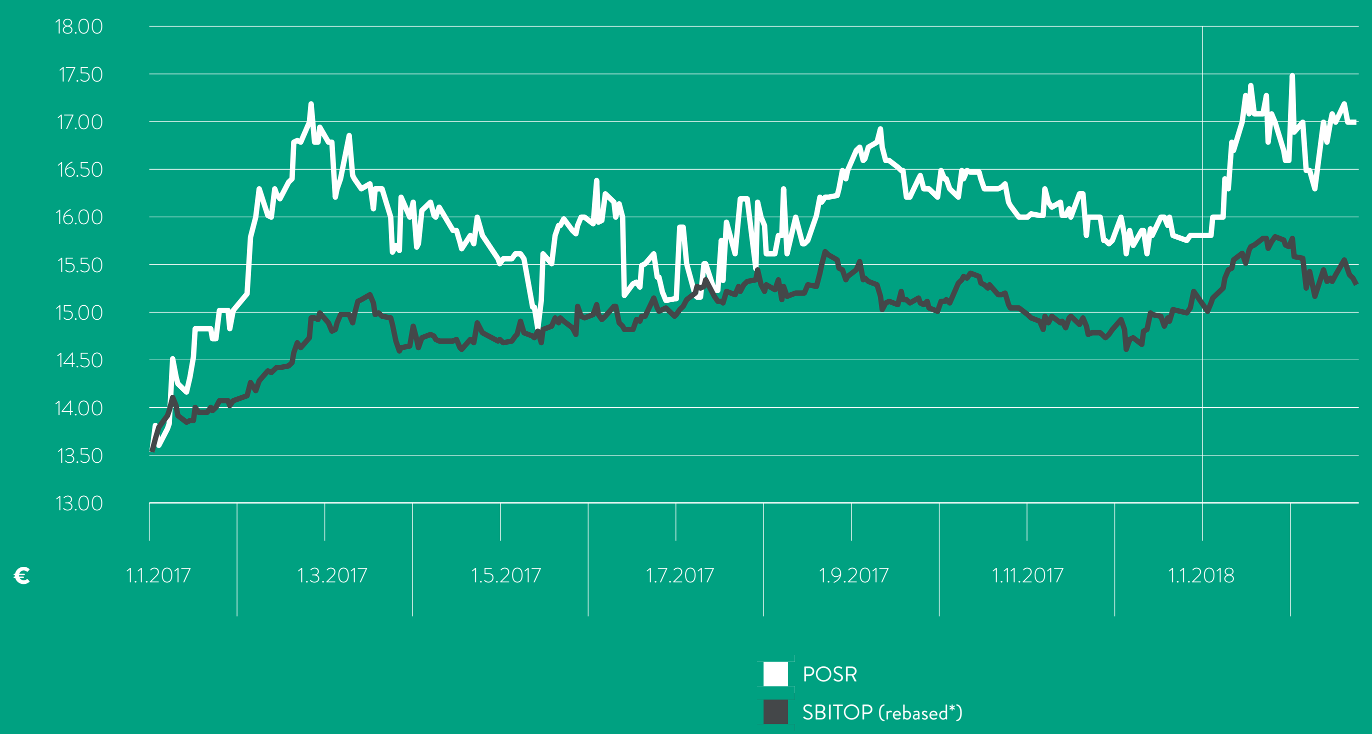
3 SHAREHOLDERS AND SHARE TRADING

3.1 Capital market developments and impacts on the POSR share price

The Slovenian capital market (SBITOP) ended the year with a gain similar to other global capital markets. In 2017 the SBITOP index gained 12.4% and 18.0% if dividends are excluded or included in the calculation, respectively. This gain was driven by the good financial performance of companies and above-average dividend yields.

The Sava Re POSR share gained 19.5% in 2017, representing a yield of 25.6% when including dividend payments. The share's annual turnover on the Ljubljana Stock Exchange was €14.4 million (2016: €19.1 million).

Movement in the POSR share price in 2017 compared to the SBITOP stock index



* The SBITOP index has been rebased to the same level as the POSR share price (4 January 2017: €13.50), while below is a presentation of the stock index growth rate in real terms.

The share price was €13.22 and €15.80 as at 31 December 2016 and 31 December 2017, respectively, representing a 19.5% increase in the period.

3.2 General information on the share

Basic details about the POSR share

	31/12/2017	31/12/2016
Share capital (€)	71,856,376	71,856,376
No. of shares	17,219,662	17,219,662
Ticker symbol	POSR	POSR
No. of shareholders	4,061	4,308
Type of share	Ordinary	
Listing	Ljubljana Stock Exchange, prime market	
Number of own shares	1,721,966	1,721,966
Consolidated net earnings per share (€)	2.00	2.08
Consolidated book value per share (€)	20.40	18.81
Share price at end of period (€)	15.80	13.22
	1–12/2017	**1–12/2016**
Average share price in reporting period (€)	15.86	13.74
Minimum share price in reporting period (€)	13.35	11.80
Maximum share price in reporting period (€)	17.20	15.00
Trade volume in reporting period (€)	14,384,835	19,072,516

Shareholder structure of Sava Re as at 31 December 2017

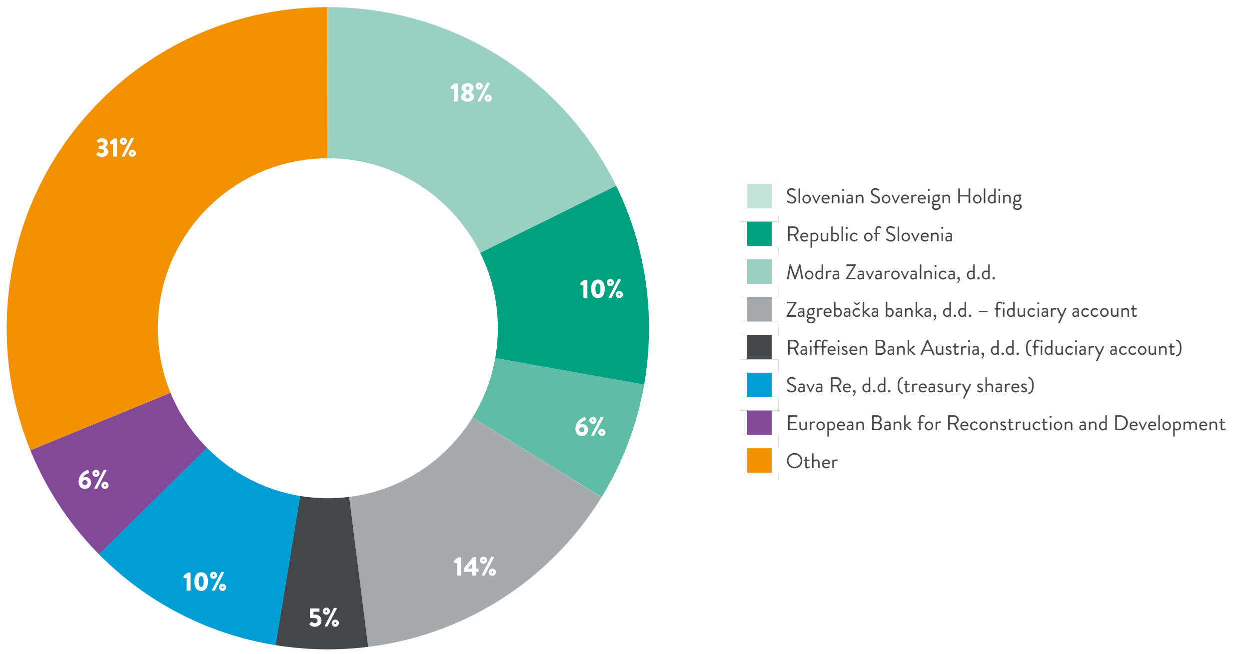
Type of investor	Domestic investor	International investor
Other financial institutions	17.9%	0.2%
Insurers and pension companies	19.2%	0.0%
Natural persons	9.0%	0.1%
Banks	4.0%	28.8%
Investment funds and mutual funds	3.1%	4.4%
Other commercial companies	2.1%	1.2%
Government	10.1%	0.0%
Total	**65.3%**	**34.7%**

The other financial institutions item includes Slovenian Sovereign Holding with a stake of 17.7%.
Source: Central securities register KDD d.d. and own calculations.
On 2 June 2016 Sava Re received a notice from Adris grupa, d. d., Vladimira Nazora 1, 52210 Rovinj, Croatia, of a change in a major holding of Sava Re. On 2 June 2016 Adris grupa, together with its subsidiaries, held 3,278,049 shares in custodial accounts, representing 19.04% of Sava Re issued shares, or 21.15% of outstanding shares.

As at 31 December 2017, 65.3% of shareholders were Slovenian and 34.7% foreign.

The largest shareholder of POSR shares is Slovenian Sovereign Holding (Slovenski državni holding d.d.) with a 17.7% stake. Sava Re received a notice from Slovenian Sovereign Holding stating that based on a resolution of the government of the Republic of Slovenia, it had transferred 1,261,034 of POSR shares to the Republic of Slovenia for no consideration. Before the transaction, Slovenian Sovereign Holding held 4,304,917 shares, representing 25.0% (plus one share) of Sava Re issued shares, or 27.8% of outstanding shares. Following the transaction, SSH held 3,043,883 shares, representing 17.7% of Sava Re issued shares, or 19.6% of outstanding shares. Before the transaction, the Republic of Slovenia held 476,402 shares, representing 2.8% of Sava Re issued shares, or 3.1% of outstanding shares. Following the transaction, the Republic of Slovenia held 1,737,436 shares, representing 10.1% of Sava Re issued shares, or 11.2% of outstanding shares.

Top ten shareholders of Sava Re as at 31 December 2017[11]



A list of the ten largest shareholders is given in section 5.6 “Details in accordance with Article 70(6) of the Companies Act”.

Own shares

In the period 1 January to 31 December 2017, Sava Re did not repurchase any own shares. As at 31 December 2017, it held 1,721,966 own shares, representing 10% (less one share) of all issued shares.

Dividends

In June 2017, the Company paid dividends as per resolutions adopted by the 33rd annual general meeting.

The Company had no conditional equity

[11] GRI 201-4

Details on dividends

(€)	For 2013	For 2014	For 2015	For 2016
Dividend payouts	4,386,985	9,065,978	12,398,157	12,398,157
Dividend/share	0.26	0.55	ordinary: 0.65 special: 0.15	0.80
Dividend yield	2.0%	3.8%	5.8%	5.0%

3.3 Investor relations[12]

Our investors, i.e. our shareholders, are important stakeholders, as they have already demonstrated their trust in the Company by buying its shares. The Company strictly adheres to recommendations for ensuring equal treatment of shareholders, issuing public announcements (via the SEOnet system of the Ljubljana Stock Exchange) in a simultaneous and transparent manner with all essential content in line with the financial calendar and additional requirements. In addition, Sava Re communicates in compliance with the Slovenian Financial Instruments Market Act (ZTFI), the Company's Act (ZGD-1), the aforementioned recommendations of the Ljubljana Stock Exchange to public companies, the Corporate Governance Code for Listed Companies, the rules of procedure of the supervisory board and the Company's internal rules for investor relations. The annual report provides all disclosures required by law and additional financial and non-financial disclosures that the Company considers valuable to its stakeholders.

Following the release of its audited consolidated results, the Company's management visits its largest shareholders at least once annually, informing them, among other things, of major impacts on the Company and the Group, its short-term plans and strategy. The Company devotes particular attention to small investors (retail investors), who are addressed through direct mail at least once a year and invited to the annual general meeting. The Company encourages all its shareholders to attend general meetings, which are convened annually. The Company strengthens its brand among international institutional investors through presentations at investment conferences and similar events, maintaining a focus on long-term investors. There have been over 30 individual and group meetings carried out in Slovenia and abroad in 2017.

Financial analysts have a significant impact on the opinion of the financial and other interested communities regarding the value of the Company's shares. The Company strives to ensure long-term coverage by at least two relevant domestic or foreign analysts. In 2017 the Company was covered by three analysts. Analyst coverage is posted on the Company's website, at http://www.sava-re.si/en/investors/financial-information/analysis/.

The Company's website, at www.sava-re.si, provides all information relevant for investors under the Investors tab, including stock charts, key performance indicators with dividend information, financial reports, analyses, the financial calendar and upcoming events.

Current and potential investors are invited to send any questions relating to the Company to ir@sava-re.si.

[12] GRI 102-42, 102-43

4 REPORT OF THE SUPERVISORY BOARD

The supervisory board of Sava Re, d.d. (hereinafter: the "Company") has prepared the following report in accordance with article 282 of the Slovenian Companies Act.

In 2017 the supervisory board periodically monitored the Company's operations and oversaw its management in a responsible manner. It periodically examined reports on various aspects of the business, passed appropriate resolutions and monitored their implementation. Individual issues were addressed in detail by the relevant supervisory board committees before deliberation in supervisory board meetings, and on the basis of their findings, the supervisory board adopted appropriate resolutions and recommendations.

The supervisory board operated within the scope of its powers and responsibilities under the law, the Company's articles of association and its rules of procedure.

COMPOSITION OF THE SUPERVISORY BOARD

The supervisory board operated as a six-member body during the major part of 2017. From 11 October 2016 to 6 March 2017, it operated with only five members.

On 7 March 2017 the general meeting of shareholders took note of the notice of resignation of Branko Tomažič as chairman and member of the supervisory board, dated 11 October 2016, and was informed that the four-year term of office of three supervisory board members was to expire on 15 July 2017.

The general meeting elected Davor Ivan Gjivoje as a new member of the supervisory board to represent the shareholders. His four-year term of office is scheduled to run from 7 March 2017 to 7 March 2021. The general meeting of shareholders also elected Mateja Lovšin Herič, Keith William Morris and Andrej Kren as new members of the supervisory board to represent shareholder interests, starting their terms of office on 16 July 2017 for a four-year period scheduled to expire on 16 July 2021. The employee representatives on the supervisory board are Gorazd Andrej Kunstek and Mateja Živec.

The present size and composition of the supervisory board allow for effective discussion and the adoption of sound resolutions based on the members' broad range of expertise and experience.

OPERATION OF THE SUPERVISORY BOARD

In its operation and decision-making, the supervisory board is guided by the goals of both the Company and the Sava Re Group as a whole. During meetings, members express their opinions and positions, seeking to reconcile any differences in order to adopt resolutions unanimously.

The supervisory board notes that all reports prepared by the management board for its own use and that of its committees were sufficient and appropriate for a thorough review of issues, and for its compliance with law and the articles of association. Meeting materials were provided in a timely manner, allowing members sufficient time to prepare themselves for the consideration of agenda items. The Company's professional staff assisted in carrying out meetings and organised other supporting activities.

The supervisory board held 12 meetings in 2017, of which two were correspondence meetings. Members attended meetings regularly. Discussions were also joined by the management board members and the supervisory board secretary, while other professional staff also assisted in certain agenda items.

In the course of the year, the supervisory board discussed all relevant aspects of the operations and activities of the Company and the Sava Re Group within its powers under law and the articles of association.

Below we outline the major issues to which the supervisory board members dedicated special attention in 2017:

Short- and long-term plans of the Company and the Sava Re Group

In early 2017, the supervisory board reviewed and gave its consent to the document Business policy and financial plan of the Sava Re Group and Sava Re, d.d. for 2017, and mid-year to the Sava Re Group strategic plan for the period 2017–2019. At the end of the year, it also took note of and gave its consent to the Business policy and financial plan of the Sava Re Group and Sava Re, d.d. for 2018.

Financial reports – annual report

The supervisory board reviewed the unaudited financial statements of the Sava Re Group and Sava Re, d.d. 2016. In 2017 it adopted the Audited annual report of the Sava Re Group and Sava Re, d.d. 2016, including the auditor's report and opinion to the 2016 annual report, and the supervisory board's own report on its activities in 2016. The annual report, including the auditor's opinion, was also presented to the general meeting.

Financial reports – interim reporting

The supervisory board also periodically reviewed further financial reports in 2017, i.e. unaudited financial reports of the Sava Re Group with the financial statements of Sava Re, d.d. for the periods January–March 2017, January–June 2017 and January–September 2017.

Asset management

The supervisory board monitored asset management periodically and as part of reviewing the annual report and interim financial reports of the Company and the Group.

Reinsurance operations and claims development

The supervisory board was briefed on the Company's reinsurance programme for the current period. Throughout 2017, the board was regularly updated by the management board on major loss events in the domestic as well as global markets, and on potential claims that could impact the Company.

Supervision of subsidiaries

In addition to overseeing the operations of Sava Re as the parent company, the supervisory board, to the extent permitted by law, actively monitored the performance of the Sava Re Group subsidiaries.

It was briefed on the valuation of Zavarovalnica Sava for the purpose of the squeezing-out of minority shareholders.

And the supervisory board received periodic updates on the progress towards the long-term objectives of the merger of the Group's EU-based insurance companies.

Mergers and acquisitions

The supervisory board received regular updates from the management board on opportunities and potential merger and acquisition targets in the region, as well as of intended submissions of offers.

Risk management system

Risk management

The supervisory board periodically monitored risk management as part of reviewing the annual report and interim financial reports of the Company and the Group.

It took note of the risk report for the third and last quarters of 2016 and of the first, second and third quarter risk reports for 2017. Furthermore, it considered the own risk and solvency assessment (ORSA) reports of the Company and that of the Sava Re Group for 2017, and gave its consent thereto.

It was informed of the Solvency II capital adequacy calculation as at 31 December 2016 and the solvency and financial condition report for the Company and the Group.

The supervisory board further took note of and gave its consent to the Sava Re Group risk strategy. As the supervisory board believes that identifying and managing risk is an essential part of good governance, it set up a risk committee to closely monitor risk developments and offer advice to the supervisory board on risk-related issues.

Actuarial affairs

The supervisory board considered the actuarial function report of Sava Re, d.d. for 2016 and took note of the Sava Re Group non-life actuarial function report for 2016 and the Sava Re Group life actuarial function report for 2016.

Compliance monitoring

The supervisory board of Sava Re, d.d. took note of the compliance function report for 2016 and the annual work plan of the compliance department for 2017.

Furthermore, it took note of the change in the compliance function holder, giving its consent to the authorisation of the new compliance function holder.

Internal audit

In 2017, the supervisory board oversaw the activities of the Company's internal audit department in accordance with its statutory powers. It gave its consent to the 2017 work plan of the internal audit department and the department's medium-term work plan for the period 2017–2019. In addition, it considered the internal audit report for the period 31 October – 31 December 2016 and the annual report on internal auditing for 2016 and drew up an opinion on the annual report on internal auditing for 2016, which was presented to the general meeting of shareholders. It also considered quarterly internal audit reports for the first, second and third quarters of 2017. All internal audit reports were presented by the director of internal audit.

Furthermore, the supervisory board took note of the change in the internal audit function holder, giving its consent to the authorisation of the new internal audit function holder.

The supervisory board considers all reports prepared by internal audit to have been independent and objective, and their recommendations and conclusions taken into account by the management board. It notes that internal audit reviews revealed no material irregularities in the Company's operations. The supervisory board also notes that the internal audit department monitors the development of the internal audit departments of Group subsidiaries on an ongoing basis, providing them all required professional assistance. In addition, it also monitors the operations of these companies but found no major irregularities.

Calling and holding of general meeting of shareholders

The supervisory board, together with the management board, called the Company's general meeting of shareholders twice in 2017.

Among other things, the general meeting appointed new supervisory board members to represent the shareholders for a new term of office.

Solvency II

At the end of 2017, the supervisory board reviewed selected Solvency II policies and gave its consent to the proposed amendments.

Proposal of candidates for the supervisory board and appointment of management board members for new term

In autumn 2016, the supervisory board of Sava Re, d.d. was informed that the term of office of its members who are shareholder representatives was due to expire on 15 July 2017. The supervisory board proposed that its nominations and remuneration committee immediately start preparations for the selection of candidates for new supervisory board members and, with the assistance of the Company's professional staff, select an external expert to support the candidate selection process.

Based on the committee's proposal prepared after the completion of the candidate selection process and assisted by an external expert, the supervisory board proposed to the general meeting of shareholders a set of candidates for new supervisory board members to represent shareholder interests in the new term.

The 32nd general meeting of shareholders of Sava Re, d.d further noted that the terms of office of three supervisory board members representing shareholder interests were due to expire on 15 July 2017. The general meeting took note of the notice of resignation of Branko Tomažič as chairman and member of the supervisory board, dated 11 October 2016.

The general meeting elected Davor Ivan Gjivoje for the term 7 March 2017 – 7 March 2021 and Mateja Lovšin Herič, Keith William Morris and Andrej Kren for the term 16 July 2017 – 16 July 2021.

At its 2nd meeting of 24 August 2017, the supervisory board of Sava Re, d.d. was informed of the expiry of the terms of office of the Sava Re management board members; specifically, that the terms of office of management board members Srečko Čebron, Jošt Dolničar and Mateja Treven were due to expire on 1 June 2018. Therefore, at the meeting, it authorised Marko Jazbec, chairman of the management board, to prepare a proposal for the appointment of new management board members and submit it to the nominations and remuneration committee of the supervisory board. In addition, the supervisory board tasked the committee with thoroughly examining the proposal of the chairman and submitting a report on the candidate selection procedure to the supervisory board.

The supervisory board examined the proposal of Marko Jazbec for the appointment of new management board members, the report of the nominations and remuneration committee on the procedure for selecting candidates for new members of the Sava Re management board, the minutes of the fit and proper committee on the assessment of candidates, and of the competence of the management board as a collective body in the planned future composition.

The supervisory board of Sava Re, d.d. appointed as new management board members Srečko Čebron and Jošt Dolničar, both starting their new terms of office on 1 June 2018, and Polona Pirš Zupančič, who was to take up her office on the day after the licence to perform the function of management board member was to be issued by the Insurance Supervision Agency, i.e. on 14 January 2018.

Constitutive meeting of the supervisory board for the 2017–2021 term

At its constitutive meeting, the supervisory board elected Mateja Lovšin Herič as chair of the supervisory board of Sava Re, d.d. and Keith W. Morris as deputy chair.

Strengthening supervisory board best practices

In accordance with best practices, supervisors, upon taking office and then annually, complete questionnaires, including a statement on the (non-)existence of conflicts of interest. These statements are posted on the Company's website.

OPERATION OF SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

In accordance with statutory regulations, the supervisory board of the Company set up an audit committee for the in-depth examination of accounting, financial and audit issues.

Composition of the audit committee

Up until 15 July 2017, the audit committee was composed of Slaven Mićković (chair), Mateja Lovšin Herič (member) and Ignac Dolenšek (external member).

On 16 August 2017, the supervisory board appointed a three-member audit committee composed of Andrej Kren (chair), Mateja Lovšin Herič (deputy chair), Ignac Dolenšek (independent external member). Their terms of office are limited by the term of office of the supervisory board.

Operation of the audit committee in 2017

The audit committee of the supervisory board met ten times in 2017.

The committee was largely focused on overseeing financial reporting processes. In this respect, it gave recommendations and suggestions regarding materials for supervisory board meetings to ensure compliance with relevant professional standards and observing appropriate reporting principles, such as completeness, transparency and consistency.

In 2017 the audit committee met with the selected external auditor several times, monitored the auditing of the annual and consolidated financial statements and, among other things, participated in determining audit focus areas.

Furthermore, it regularly oversaw the work of the internal audit department and, pursuant to a supervisory board resolution, regularly considered the quarterly investment reports of the Company and the Sava Re Group.

The chair of the audit committee regularly reported on the committee's activities and positions at supervisory board meetings. In addition, the audit committee prepared a written report on its activities in 2017.

The supervisory board is of the opinion that the audit committee considered all relevant issues within its terms of reference and offered the supervisory board professional assistance by giving opinions and preparing proposals.

The supervisory board further believes that the composition of the audit committee is appropriate and that the members have such professional and personal qualities that ensure quality and independence of operation.

Furthermore, the supervisory board is of the opinion that the audit committee was provided all necessary support to carry out its work.

RISK COMMITTEE

In August 2017, the supervisory board of Sava Re, d.d. appointed a three-member risk committee as a permanent committee of the supervisory board to monitor risks composed of: Keith William Morris (chair), Davor Ivan Gjivoje (member), Slaven Mićković (independent external member of the risk committee and deputy chair). The term of office of individual committee members is limited by the term of office of the supervisory board.

The risk committee performs tasks in accordance with the resolutions of the supervisory board, the Solvency II Directive, its rules of procedure, the rules of procedure of the supervisory board, the Insurance Act, the Corporate Governance Code for Public Joint-Stock Companies and other applicable regulations relating to risk management.

The supervisory board also adopted the risk committee's rules of procedure and resolved to reconsider the committee's size after one year and to enlarge it, should this become necessary.

Operation of the risk committee in 2017

The risk committee met twice in 2017.

It took note of the rules of procedure of the risk committee as adopted by the supervisory board at its 2nd meeting of 24 August 2017. It appointed Slaven Mićković as deputy chair of the risk committee.

The risk committee took note of the investment report for the 3rd quarter of 2017, and of two risk reports, as at 30 June 2017 and as at 30 September 2017. It considered the proposed amendments to the Risk management policy of the Sava Re Group and Sava Re, d.d. and the Own risk and solvency assessment policy of the Sava Re Group and Sava Re, d.d.

It took note of the risk register of Sava Re, d.d. and of the committee's work plan for 2018, which is tied to the work plan of the supervisory board for 2018.

The chair of the risk committee reported regularly to the supervisory board on its work and positions.

NOMINATIONS AND REMUNERATION COMMITTEE

In accordance with the recommendations of the Corporate Governance Code for Listed Companies, the supervisory board appointed a nominations and remuneration committee. In August 2017, it was appointed as a permanent special committee of the supervisory board to draft proposals of selection criteria and candidates to serve on the management and supervisory boards and provide support to the supervisory board in other areas where conflicts of interest may arise for the members of the supervisory board.

The term of office of individual committee members is limited by the term of office of the supervisory board.

Composition of the nominations and remuneration committee

Until 15 July 2017, the nominations and remuneration committee was composed of three members: Mateja Lovšin Herič (chair), Slaven Mićković and Keith Morris.

For the new supervisory board term, the nominations and remuneration committee was set up as a four-member committee in August 2017, consisting of Mateja Lovšin Herič (chair), Keith Morris, Davor Gjivoje and Andrej Kren.

Operation of the nominations and remuneration committee in 2017

The nominations and remuneration committee of the supervisory board met four times in 2017.

In January it reviewed and analysed the candidacies received for serving on the supervisory board as shareholder representative. The candidate selection procedure was assisted by an outside human resources expert.

In cooperation with the external expert, the nominations and remuneration committee interviewed each candidate for membership on the supervisory board of Sava Re, d.d. After reviewing the applications received and holding interviews and in-depth discussions with candidates, the committee formed a proposal for the selection of a set of candidates for membership of the supervisory board, which the supervisory board subsequently proposed to the general meeting of Sava Re, d.d. for election.

In November 2017 the nominations and remuneration committee considered the proposal prepared by the chairman of the management board, by authorisation of the supervisory board, for the appointment of new management board members. The committee interviewed the proposed candidates for management board members and after careful consideration, formed a position and drafted a report for the supervisory board.

The chair of the nominations and remuneration committee reported regularly on its work and positions in meetings of the supervisory board, which also reviewed the meeting minutes of the nominations and remuneration committee.

FIT & PROPER COMMITTEE

In line with the law and the Company's fit and proper policy, the management and supervisory boards appointed a special three-member fit and proper committee for the fit and proper assessment of the management and supervisory boards, including all its committees and the members of these bodies.

Composition of the fit & proper committee

Until 15 July 2017, the fit and proper committee was composed as follows: Mateja Živec (chair), Mateja Lovšin Herič (member), Nika Matjan (external member), and Keith Morris (alternate member).

Starting with the new term of the supervisory board in August 2017, the fit and proper committee was set up as follows: Mateja Živec (chair), Keith Morris (member), Nika Matjan (external member). Andrej Kren was appointed as additional alternate member in case the other committee members who are also supervisory board members are to undergo fit and proper assessments and in case of the absence of any member.

The term of office of individual committee members is limited by the term of office of the supervisory board.

Operation of the fit & proper committee in 2017

The fit and proper committee carried out its responsibilities in accordance with the resolutions of the supervisory board, the fit and proper policy of relevant personnel of Sava Re, d.d., and the supervisory board's rules of procedure. It met three times in 2017.

In 2017 the fit and proper committee assessed the candidates for membership of the supervisory board before they were proposed to the general meeting for election. Furthermore, it assessed the competence of the supervisory board as a collective body. It also assessed the candidates for the management board members proposed to the supervisory board for appointment and assessed the competence of the supervisory board as a collective body. In addition, the committee carried out the fit and proper assessment of both external members of supervisory board committees – the risk and the audit committees.

The chair of the fit and proper committee reported regularly on its work and findings in meetings of the supervisory board, which also reviewed the meeting minutes of the fit and proper committee.

CONCLUDING FINDINGS

The supervisory board assesses that Sava Re, d.d. performed well in 2017. This assessment of the supervisory board is also based on the report of the independent auditor on the financial statements of Sava Re, d.d and the Sava Re Group for 2017, and those of key function holders of the Company's risk management system.

In 2018 the supervisory board will give special attention to overseeing the operations of the Sava Re Group, in particular the integration of the merged insurer Zavarovalnica Sava and the achievement of synergistic benefits resulting from the merger. Furthermore, the supervisory board will be particularly attentive to monitoring the progress towards achieving strategic objectives, providing the management board, within its means and powers, with its full support.

The supervisory board will regularly oversee risk management reports of the Company and the Sava Re Group.

ANNUAL REPORT 2017

The Company's management board submitted the Audited annual report of the Sava Re Group and Sava Re, d.d. 2017 for approval to the supervisory board. The audit committee of the supervisory board discussed the unaudited and the audited annual reports of the Sava Re Group and Sava Re, d.d. 2017, including the auditor's letter to the management, the additional auditor's report on the pre-audit addressed to the management and supervisory boards and the audit committee, the auditor's letter addressed to the management, and the auditor's report addressed to the management and supervisory boards and audit committee after completion of the audit, prepared in accordance with Article 11 of the Regulation (EU) No 537/2014, issuing its opinion and position thereon. In line with its statutory mandate, the supervisory board examined the audited annual report 2017 at its meeting of 4 April 2018.

The supervisory board noted that the annual report for 2017 was clear and transparent, as well as fully compliant with content and disclosure requirements under the Companies Act, International Accounting Standards and specific regulations (Insurance Act) and implementing regulations adopted on the basis of such regulations.

The supervisory board was also presented with the opinion of the auditor Ernst & Young Slovenija, Revizija, poslovno svetovanje, d.o.o., who audited the 2017 annual report of the Sava Re Group and Sava Re, d.d. and carried out audit reviews in most of the Sava Re Group subsidiary companies. The supervisory board had no comments to the unqualified opinion of Ernst & Young Revizija, poslovno svetovanje, d.o.o., Ljubljana, establishing that the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Sava Re Group and of Sava Re, d.d. as at 31 December 2017 and their financial performance, comprehensive income and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Based on its review of the 2017 annual report, as well as on the opinion of the external auditor and that of the audit committee, the supervisory board considers that the 2017 annual report gives a true and fair view of the assets and liabilities, financial position, profit and loss, and cash flows of the Sava Re Group and Sava Re, d.d.

The supervisory board hereby approves the audited annual report of the Sava Re Group and Sava Re, d.d. 2017 as submitted by the management board.

DETERMINATION AND PROPOSAL FOR APPROPRIATION OF THE DISTRIBUTABLE PROFIT OF SAVA RE

The supervisory board reviewed the management board's proposal on the appropriation of distributable profit as at 31 December 2017, subject to final approval by the general meeting of shareholders of Sava Re, d.d., and agrees with the management board's proposal that the following resolution on the appropriation of distributable profit be submitted for adoption to the general meeting of shareholders of Sava Re, d.d.:

"The distributable profit of €22,499,329.94 as at 31 December 2017 is to be appropriated as follows:

€12,398,156.80 is to be appropriated for dividends. The dividend is €0.80 gross per share and is to be paid, on 14 June 2018, to the shareholders entered in the shareholders' register as at 13 June 2018. The remaining distributable profit of €10,101,173.14 remains unappropriated.

The proposal for the appropriation of distributable profit is based on the number of own shares as at 31 December 2017. On the date of the general meeting, the number of shares entitled to dividends may change as a result of disposals of own shares. Should the number of own shares change, the general meeting of shareholders will be proposed adjusted figures for appropriation of the distributable profit, while the dividend per share of €0.80 remains unchanged."

The supervisory board proposes that the general meeting grant discharge to the management board for the financial year 2017.

Mateja Lovšin Herič
Chair of the Supervisory Board of Sava Re, d.d.

Ljubljana, 4 April 2018

5 CORPORATE GOVERNANCE STATEMENT PURSUANT TO ARTICLE 70 OF THE COMPANIES ACT (ZGD-1)[13]

5.1 Corporate Governance Policy

At its 66th meeting on 11 December 2017, the Sava Re management board, with the consent of the Company's supervisory board granted at its 5th meeting on 20 December 2017, adopted the Sava Re Group governance policy and the Corporate governance policy of Sava Re, d.d. The documents set out the main subsidiary governance principles for the Sava Re Group, governance rules for Sava Re, taking into account the goals, mission, vision and values of the Sava Re Group. The policies represent a commitment for future action.

The corporate governance policy of Sava Re is available through the Ljubljana Stock Exchange Seonet information system and from the Company's website, at www.sava-re.si.

5.2 Statement of compliance with the Corporate Governance Code for Listed Companies

The management and– supervisory boards of Sava Re hereby state that Sava Re operates in compliance with the Corporate Governance Code for Listed Companies as adopted on 27 October 2016 by the Ljubljana Stock Exchange and the Slovenian Directors' Association (link:http://www.ljse.si) in Slovenian and English, with individual deviations that are disclosed and explained below.

5.2.1 Supervisory board

Recommendation 9.2: The Company's supervisory board includes two employee representatives, who are employed with the Company and are hence financially connected with it.

5.2.2 Transparency of operations

Recommendation 27.2: The Company does not have in place a single document, including a communication strategy, designed to prevent situations that might lead to insider trading. Recommendation 27.2 is either included in internal acts or implemented based on day-to-day management board decisions.

This statement relates to the period from the adoption of the previous such statement, i.e., from 31 March 2017 to 28 March 2018.

[13] GRI 102-16

5.3 Bodies of Sava Re[14]

Management system

Sava Re has a two-tier management system with a management board that conducts the business and a supervisory board that oversees operations. Governance bodies, the general meeting, the supervisory board and the management board act in compliance with laws, regulations, the articles of association and internal rules. The Company's articles of association, the rules of procedure of both the general meeting and the supervisory board are posted on the Company's website, at www.sava-re.si.

The risk management system is a key building block of the governance system. The management board ensures the effectiveness of this system. Rules of the risk management systems and own risk and solvency assessment rules are set out in detail in the Company's internal regulations.

The Company has certain functions integrated into the organisational structure and decision-making processes. These are the risk management function, internal audit function, actuarial function and compliance function, defined by applicable law as the key functions of the governance system (hereinafter: key functions). They are integrated in order to strengthen the three-lines-of-defence framework in the Company's control system. Rules governing individual key functions are set out in detail in the Company's internal regulations.

5.3.1 General meeting of shareholders

Operation of the general meeting

The general meeting of shareholders is the supreme body of the Company through which shareholders exercise their rights in company matters. The terms of reference of the general meeting are governed by its rules of procedure, which are posted on the Company's website, at www.sava-re.si, under the About Us tab.

Terms of reference of the general meeting

The general meeting decides on the following:

- approval of the annual report, unless approved by the supervisory board, or if the management board and supervisory board have left the decision on its approval to the general meeting of shareholders;
- the appropriation of distributable profit, at the proposal of and based on a report by the management board;
- appointment and removal of supervisory board members;
- granting of discharges to management and supervisory board members;
- adoption of amendments to the articles of association;
- measures to increase and reduce the capital;
- dissolution of the Company and transformation in of its status;
- appointment of the auditor, at the proposal of the supervisory board;
- other matters in accordance with the law and articles of association.

[14] GRI 102-18

Convening the general meeting

The general meeting of shareholders, through which the shareholders of Sava Re exercise their rights in the affairs of the Company, is convened at least once a year, and no later than in August. The general meeting may be convened in other cases as provided by law, the Company's articles of association, and whenever this is in the interest of the Company. As a rule, the general meeting is convened by the management board. In the cases stipulated by law, it may be convened by the supervisory board or shareholders.

The Company publishes general meeting notices through the SEOnet system provided by the Ljubljana Stock Exchange and through its website (www.ljse.si), on the AJPES website (www.ajpes.si) and on the Company's official website www.sava-re.si; in printed form in one daily newspaper as provided for in the articles of association: in Delo or Dnevnik or in the Official Gazette of the Republic of Slovenia.

Participation in the general meeting

To attend the general meeting and exercise voting rights, shareholders must send the Company a registration form no later than by the end of the fourth day prior to the session of the general meeting, and must be registered holders of shares listed in the central register of book-entry securities.

The conditions of participation or exercise of voting rights at the general meeting must be set out in detail in the notice of the general meeting.

Adoption of resolutions

General meeting resolutions are adopted by a majority of votes cast (simple majority), unless a larger majority or other requirements are stipulated by law or the articles of association.

Exercise of voting rights

Shareholders may exercise their voting rights in the general meeting based on their share of the Company's share capital. Each no-par-value share with voting rights carries one vote. Voting rights can be exercised by proxy based on a written proxy form, or through financial organisations or shareholder associations.

The general meeting in 2017

The general meeting of shareholders was convened twice in 2017.

On 7 March 2017 the 32nd general meeting of shareholders took place. The general meeting elected new supervisory board members for the next four-year term of office: Ivan Davor Gjivoje (beginning on 7 March 2017) and Mateja Lovšin Herič, Keith William Morris and Andrej Kren (beginning on 16 July 2017).

On 19 May 2017 the 33rd general meeting of shareholders took place. The general meeting was presented the 2016 annual report, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2016 with the opinion of the supervisory board thereto. Furthermore, the general meeting was informed of the remuneration of the members of management and supervisory bodies and of the management report on own shares. The general meeting resolved that part of the distributable profit in the amount of €12,398,156.80 be appropriated for dividends, while the remaining part of the distributable profit of €6,012,234.14 be left unappropriated. Then the general meeting discharged the supervisory board for the financial year 2016 and resolved to take separate votes on the granting of discharge for the financial year 2016 to each member of the management board. It granted the discharge to the members of the management board: Jošt Dolničar (chairman of the management board from 23 August 2016), Srečko Čebron and Mateja Treven.

The general meeting in 2018

According to the Company's 2018 financial calendar, the 34th general meeting of shareholders is scheduled to be held on 29 May 2018.

5.3.2 Supervisory board

Operation of the supervisory board

The supervisory board oversees the conduct of the Company's business. In so doing, it must comply with applicable regulations, particularly the Slovenian Companies Act (ZGD), the Insurance Act (ZZavar), the Company's articles of association and the rules of procedure of the supervisory board. In accordance with the law, the supervisory board must be convened at least on a quarterly basis, generally after the end of each quarter. If necessary, the supervisory board may meet on a more frequent basis. The rules of procedure of the supervisory board are posted on the Company's website, at www.sava-re.si, under the About Us tab.

Terms of reference of the supervisory board

The chief tasks of the supervisory board include:

- to monitor and oversee the business conduct and operations of the Company and, in the case of shortcomings or irregularities, propose to the management board measures for their remedial;
- to approve the business policy and financial plan of the Sava Re Group and Sava Re as prepared by the management board;
- to approve the development strategy of the Sava Re Group and Sava Re as prepared by the management board;
- to approve the written rules of the system of governance, risk management, compliance, internal audit, actuarial function, internal controls and outsourced business;
- to approve the granting and withdrawal of authority relating to key function holders;
- to approve the solvency and financial condition report of the Company and the Group;
- to approve the risk strategy of the Company and the Group as prepared by the management board;
- to consider the own risk and solvency report and quarterly risk reports of the Company and the Group;
- to consider compliance function reports;
- to consider actuarial function reports;
- to approve the framework annual and long-term work plan of the internal audit plan as prepared by the management board;
- to oversee the adequacy of the procedures used by and the effectiveness of the internal audit function and to consider internal audit function reports;
- to issue an opinion for the general meeting to be attached to the annual report on internal auditing;
- to approve the appointment, removal and rewarding of the head of internal audit;
- to review the annual and interim financial reports of the Sava Re Group and Sava Re;
- to review the annual report submitted by the management board, adopt an opinion on the auditor's report, and prepare a qualified or approving report for the general meeting;
- to review the proposal regarding appropriation of the distributable profit submitted by the management board, and prepare a written report for the general meeting;
- to appoint and remove the chair and the members of the management board,
- to decide on the criteria for determining the remuneration and reward system of the chair and the members of the management board;
- to adopt the rules of procedure of its operation;
- to draft general meeting resolutions within the supervisory board's terms of reference, and to perform tasks directed by the general meeting;
- to consider the findings of the Insurance Supervision Agency and other supervisory bodies made when exercising their supervisory function over the Company.

The supervisory board in 2017

In accordance with the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which informs the general meeting of its decisions. Supervisory board members are appointed for a term of up to four years and may be re-elected. The supervisory board elects a chair and a deputy chair from among its members.

The supervisory board is composed so as to ensure responsible oversight and decision-making in the best interest of the Company. Its composition takes account of diversity in terms of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure a sound and prudent overseeing of the Company's affairs. In 2017 the Company sought to align the composition of the supervisory board with the Company's policy on the diversity of the management and supervisory boards.[15]

[15] GRI 405-1

Aspects considered by the diversity policy relating to the composition of the supervisory board are:

- professional diversity to ensure the complementarity of knowledge and skills,
- gender balance and appropriate representation of the under-represented gender in the selection of candidates,
- efforts to avoid the simultaneous replacement of all of the members of the supervisory board in order to ensure the working continuity,
- an adequate proportion of members on the management and supervisory boards with international experience, and
- an appropriate balance between members of different age groups.

The Company's policy on the diversity of the management and supervisory boards is posted on the Company's website, at www.sava-re.si, under the About Us tab.

Implementation of the policy on the diversity of the management and supervisory boards in 2017 is detailed below.

Since 11 October 2016, the supervisory board operated with five members. At its session of 7 March 2017, the general meeting elected Davor Ivan Gjivoje as a new supervisory board member for the next four-year term of office, starting on 7 March 2017. Since 7 March 2017, the supervisory board of Sava Re has again operated with all of its six members. In addition, the general meeting elected, for a four-year term of office, the following persons as new members of the supervisory board: Mateja Lovšin Herič, Keith William Morris and Andrej Kren, whose term of office started on 16 July 2017.

The members of the supervisory board serving new terms of office are Andrej Kren, Davor Ivan Gjivoje, Keith William Morris, Mateja Lovšin Herič, Mateja Živec and Andrej Gorazd Kunstek. The supervisory board members elected, at their constitutive meeting of 16 August 2017, Mateja Lovšin Herič as chair of the supervisory board and Keith William Morris as deputy chair.

Composition of the supervisory board in 2017 (until 15 July 2017)[16]

Member	Title	Beginning of term of office	Duration of term of office
Mateja Lovšin Herič	chair	15/07/2013	15/07/2017
Slaven Mićković	deputy chair	15/07/2013	15/07/2017
Keith William Morris	member	15/07/2013	15/07/2017
Davor Ivan Gjivoje	member	07/03/2017	07/03/2021
Andrej Gorazd Kunstek	member (employee representative)	11/06/2015	11/06/2019
Mateja Živec	member (employee representative)	01/04/2016	11/06/2019

Composition of the supervisory board in 2017 (since 16 July 2017)

Member	Title	Beginning of term of office	Duration of term of office
Mateja Lovšin Herič	chair	16/07/2017	16/07/2021
Keith William Morris	deputy chair	16/07/2017	16/07/2021
Davor Ivan Gjivoje	member	07/03/2017	07/03/2021
Andrej Kren	member	16/07/2017	16/07/2021
Andrej Gorazd Kunstek	member (employee representative)	11/06/2015	11/06/2019
Mateja Živec	member (employee representative)	01/04/2016	11/06/2019

[16] GRI 102-8

Employment, educational background, professional profile, gender, year of birth, beginning of term of office and memberships of third party management or supervisory bodies

Supervisory board members representing the shareholders

Mateja Lovšin Herič,
chair of the supervisory board

Employment: Slovenski državni holding, d.d. (Slovenian Sovereign Holding)
Educational background: University graduated economist
Professional profile: Mateja Lovšin Herič (1969) has been with Slovenian Sovereign Holding, d.d. (previously: Slovenian Restitution Company) since 1995, and is currently director of the capital asset disposal and acquisition department. She has extensive experience in managing equity investments, as well as in steering and participating in large and complex projects led by Slovenian Sovereign Holding, d.d. In the past, she served as a member of the supervisory board of four joint-stock companies. This is her third consecutive term of office as member of the supervisory board of Sava Re (since 2009). Currently, she is the chair of Sava Re supervisory board, a member of its audit committee and the chair of its nominations and remuneration committee. She holds a certificate issued by the Slovenian Directors' Association certifying that she is a qualified member of supervisory and management bodies.
Beginning of term of office: 16/07/2017
Duration of term of office: 16/07/2021
Notes on memberships of management or supervisory bodies of third parties: /

Keith William Morris,
deputy chair of the supervisory board

Employment: retiree
Educational background: Bachelor's degree in management sciences; specialising in finance and marketing
Professional profile: Keith William Morris (1948) is a British citizen. For most of his career, Keith Morris worked in finance. From 1989 and until his retirement he worked in top management roles, mostly in insurance and within large groups, such as Eagle Star Group, American International Group (AIG), Allianz Group and RBS Insurance (Direct Line Group). From 2003 to 2008 he served as non-executive director of Standard Life Bank and Standard Life Insurance Company and also in non-executive roles with six other small organisations. This is his second term of office as member of the supervisory board of Sava Re (since 2013). Currently, he is the deputy chair of the Sava Re supervisory board, the chair of its risk committee, a member of its nominations and remuneration committee, and a member of its fit and proper committee.
Beginning of term of office: 16/07/2017
Duration of term of office: 16/07/2021
Notes on memberships of management or supervisory bodies of third parties:

- European Reliance S.A., Kifisias Aven. 274, 152 32, Chalandri, Greece – non-executive member of the board of directors

Davor Ivan Gjivoje, Jr.,
member of the supervisory board

Employment: Networld, Inc. / DGG Holdings, Ltd.
Educational background: Master in Business Administration
Professional profile: Davor Ivan Gjivoje (1968) is an American citizen. He is the chief executive of an international holding company, the main activities of which are hotel development, airline marketing and strategic investments. Over the past 20 years, he has held various top executive positions at Networld, Inc./DGG Holdings, Ltd. He has experience in banking (Citibank NA) and as a consultant (The Boston Consulting Group). Davor Gjivoje is also active in philanthropy, as a member of the philanthropic board of the Gagnon Cardiovascular Institute, located in the greater New York Area, and in education as President of the Board of Education of the Harding Township School, Harding, New Jersey. He has served on the Sava Re supervisory board since 2017 (first term of office). He also serves on its risk committee and its nominations and remuneration committee.
Beginning of term of office: 07/03/2017
Duration of term of office: 07/03/2021
Notes on memberships of management or supervisory bodies of third parties:

- Networld, Inc./DGG Holdings, Ltd., 89 Headquarters Plaza, North Tower, (Suite 1420) Morristown, NJ 07960, USA – managing director;
- Adria Lines Dover, Delaware, USA – managing director;
- Networld Inc., 89 Headquarters Plaza, North Tower, Suite 1420 Morristown, NJ 07960, USA – managing director.

Andrej Kren,
member of the supervisory board

Employment: Delo, d.o.o.
Educational background: University graduated lawyer
Professional profile: Andrej Kren (1960) started his professional career in the industry in 1988 in the business strategy department of ETA Cerkno, and from 1992 to 1995 served as the managing director of Avtocenter Idrija d.o.o. Since 1995, he has been steering and coordinating the operations of various activities of the company FMR d.d., including the establishment, control and financing of subsidiaries and various forms of long- and short-term financial investments. He has been the chair of the management board of FMR d.d. since 2008. Since 2017 he has been the chief executive of the news publisher Delo, d.o.o. He has served on the Sava Re supervisory board since 2017 (first term of office). Currently, he is also the chair of its audit committee, a member of its nominations and remuneration committee and an alternate member of its fit and proper committee.
Beginning of term of office: 16/07/2017
Duration of term of office: 16/07/2021
Notes on memberships of management or supervisory bodies of third parties:

- Delo, d.o.o., Dunajska 5, 1000 Ljubljana, Slovenia – chief executive
- RSG Kapital, d.o.o., Breg 14, 1000 Ljubljana, Slovenia – member of the supervisory board

Supervisory board members representing employees

Andrej Gorazd Kunstek,
member of the supervisory board

Employment: Sava Re, d.d.
Educational background: University graduated economist, Master of Science in economics
Professional profile: After completing his studies at the Faculty of Economics, Andrej Gorazd Kunstek (1974) joined Sava Re and now has over 18 years of experience in reinsurance underwriting and technical accounting of reinsurance business. Since 2007 he has been director of technical accounting in the reinsurance operations department. This is his second term of office as a member of the supervisory board of Sava Re (since 2013).
Beginning of term of office: 11/06/2015
Duration of term of office: 11/06/2019
Notes on memberships of management or supervisory bodies of third parties: /

Mateja Živec,
member of the supervisory board

Employment: Sava Re, d.d.
Educational background: University graduated economist, Master of Science in economics
Professional profile: Mateja Živec (1975) has many years of experience in banking and insurance (over 16 years in insurance). Prior to joining Sava Re in 2014, she headed the asset management department of Zavarovalnica Triglav for 12 years. This is her first term of office as member of the supervisory board of Sava Re (since April 2016). She is also the chair of its fit and proper committee.
Beginning of term of office: 01/04/2016
Duration of term of office: 11/06/2019
Notes on memberships of management or supervisory bodies of third parties: /

Management of conflicts of interest

When taking office in 2017 (employee representatives in 2015 and 2016), the supervisory board members committed to meeting the recommendations on conflicts of interest as set out in Appendix B to the Slovenian Corporate Governance Code for Listed Companies. Each signed a statement of independence of supervisory board members of Sava Re. The statements, as signed each year, are posted on the Company's website, at www.sava-re.si, under the About Us/Supervisory Board tab.

The rules on procedures for managing conflicts of interest are set out in the Rules on the management of conflicts of interest of Sava Re, d.d.

In 2017 all supervisory board members declared themselves independent.

The supervisory board members experienced no circumstances that would give rise to any conflicts of interest in 2017.

Remunerations, compensations and other benefits

Remuneration of supervisory board members is discussed in detail in section 23.10 "Related party disclosures" in the notes to the financial statements.

POSR holdings of supervisory board member

POSR shares held by supervisory board members as at 31 December 2017

	No. of shares	Holding (%)
Andrej Gorazd Kunstek	2,500	0.0145%
Total	**2,500**	**0.0145%**

Source: Central securities register KDD d.d.

More information on the activities of the supervisory board in 2017 is provided in section 4 "Report of the supervisory board".

5.3.3 Supervisory board committees

In accordance with legislation, the Slovenian Corporate Governance Code for Listed Companies and best practices, the supervisory board may appoint one or more committees and task them with specific areas, with the preparation of proposed resolutions of the supervisory board, and with the implementation of resolutions of the supervisory board in order for the committee to provide professional support to the supervisory board.

The Company has established the following supervisory board committees:

- the audit committee,
- the risk committee,
- the nominations and remuneration committee,
- the fit and proper committee.

Each committee may adopt its own rules of procedure. If it does not, the rules of procedure of the supervisory board apply by analogy for any questions regarding the quorum, decision-making and other points of procedure.

Audit committee

Activities of the audit committee

The tasks and terms of reference of the audit committee of the supervisory board are set out in the Companies Act, its own and the supervisory board's rules of procedure, and other autonomous legal acts (e.g. recommendations for audit committees).

Terms of reference of the audit committee

The chief tasks of the audit committee include:
- to oversee the integrity of financial information;
- to monitor the efficiency and effectiveness of internal controls, the operation of the internal audit department and risk management systems;
- to monitor the statutory audit of independent and consolidated financial statements;
- to perform other tasks assigned by a valid resolution of the supervisory board, in line with statutory requirements and best practices of comparable companies or insurance groups.

The audit committee in 2017

Composition of the audit committee in 2017 (until 15/07/2017)

Member	Title	Beginning of term of office	Duration of term of office
Slaven Mićković	chair	22/07/2013	15/07/2017
Mateja Lovšin Herič	member	22/07/2013	15/07/2017
Ignac Dolenšek	external member	22/07/2013	15/07/2017

Composition of the audit committee in 2017 (since 16/08/2017)

Member	Title	Beginning of term of office	Duration of term of office
Andrej Kren	chair	16/08/2017	16/07/2021
Mateja Lovšin Herič	member and deputy chair	16/08/2017	16/07/2021
Ignac Dolenšek	external member	16/08/2017	16/07/2021

Risk committee

Operation of the risk committee

The supervisory board set up a new risk committee on 24 August 2017. In its operation, the risk committee is bound by the provisions of resolutions of the supervisory board, the Solvency II Directive, its own and the supervisory board's rules of procedure, the Slovenian Insurance Act and other applicable risk management regulations.

Terms of reference of the risk committee

The chief tasks of the risk committee include:

- to assess the impact of various types of risk on economic and regulatory capital;
- to assess the Group's overall risk governance framework, including the risk management policy, the risk strategy, and monitoring of operational risk;
- to assess the appropriateness and adequacy of risk management documents to be approved by the supervisory board;
- to perform other tasks assigned by a resolution of the supervisory board, in line with statutory requirements and best practices of comparable companies or insurance groups.

The risk committee in 2017

Composition of the risk committee in 2017 (since 24/08/2017)

Member	Title	Beginning of term of office	Duration of term of office
Keith William Morris	predsednik	24. 8. 2017	16. 7. 2021
Davor Ivan Gjivoje	član	24. 8. 2017	16. 7. 2021
Slaven Mićković	zunanji član in namestnik predsednika	24. 8. 2017	16. 7. 2021

Nominations and remuneration committee

Operation of the nominations and remuneration committee

The supervisory board of Sava Re, in line with the recommendations of the Slovenian Corporate Governance Code for Listed Companies, appointed a four-member nominations and remuneration committee as its special committee to carry out objective and transparent selection procedures of candidates for members of the management board and the shareholder representatives of supervisory board, which the supervisory board then proposes to the general meeting for election.

Terms of reference of the nominations and remuneration committee

The chief tasks of the nominations and remuneration committee include:

- to draft proposals for the supervisory board regarding the criteria for membership of the management board, and to consider and draft proposals concerning nominations to be decided by the supervisory board;
- to consider preliminarily the proposal of the chair of the management board regarding the composition of the management board and the Company's governance before submitting a proposal to the supervisory board;
- to carry out the nomination procedure for the nomination of any candidate for membership of the supervisory board – shareholder representative;
- to provide support in drawing up and implementing a system for remuneration, reimbursements and other benefits for management board members.

The nominations and remuneration committee in 2017

Composition of the nominations and remuneration committee in 2017 (until 15/07/2017)

Member	Title	Beginning of term of office	Duration of term of office
Mateja Lovšin Herič	chair	12/09/2016	15/07/2017
Keith William Morris	member	12/10/2016	15/07/2017
Slaven Mićković	member	12/09/2016	15/07/2017

Operation of the nominations and remuneration committee in 2017 (since 24/08/2017)

Member	Title	Beginning of term of office	Duration of term of office
Mateja Lovšin Herič	chair	24/08/2017	15/07/2021
Keith William Morris	member	24/08/2017	15/07/2021
Davor Ivan Gjivoje	member	24/08/2017	07/03/2021
Andrej Kren	member	24/08/2017	15/07/2021

Fit & proper committee

Operation of the fit & proper committee

Sava Re must ensure that persons who effectively run and oversee the Company are properly qualified (fit) and suitable (proper) for managing and overseeing the Company in a professional manner, not only upon appointment but throughout the performance of their function. In addition to the appropriate qualifications, experience and expertise (fit) that members of the management and the supervisory boards as collective bodies need to demonstrate, they must be of good repute and demonstrate high standards of integrity through their actions (proper).

The fit & proper committee shall perform its tasks in accordance with the Company's internal fit and proper policy.

Terms of reference of the fit & proper committee

The chief tasks of the fit & proper committee include:

- to carry out procedures for assessing the competence of the supervisory board, supervisory board committees and the management board as collective bodies as well as for assessing compliance with the fit and proper requirements related to individual members of these bodies;
- upon request from the Company's workers' council, to carry out a fit and proper assessment of any member of the supervisory board elected by the workers' council.

The fit & proper committee in 2017

Composition of the fit & proper committee in 2017 (until 15/07/2017)

Member	Title	Beginning of term of office	Duration of term of office
Mateja Živec	chair	28/10/2016	15/07/2017
Mateja Lovšin Herič	member	10/02/2016	15/07/2017
Nika Matjan	external member	10/02/2016	15/07/2017
Keith William Morris	alternate member	10/02/2016	15/07/2017

Composition of the fit & proper committee in 2017 (since 24/08/2017)

Member	Title	Beginning of term of office	Duration of term of office
Mateja Živec	chair	24/08/2017	11/06/2019
Keith William Morris	member	24/08/2017	16/08/2021
Nika Matjan	external member	24/08/2017	16/08/2021
Andrej Kren	alternate member	24/08/2017	16/08/2021

5.3.4 Management board

Operation of the management board

The management board represents the Company in its legal transactions. In this, it acts in accordance with the applicable legislation, particularly the Slovenian Companies Act and the Insurance Act, as well as with the articles of association and the act on the management board and its rules of procedure.

Terms of reference of the management board

The chief tasks of the management board include:

- to provide leadership and organise the operations of the Company;
- to represent the Company;
- to be responsible for the legality of the Company's operations;
- to adopt the development strategy of the Company and the Group, which is to be presented to the supervisory board for consent;
- to adopt the business policy and financial plan of the Company and the Group, which is presented to the supervisory board for consent;
- to adopt internal acts of the Company;
- to approve and periodically review strategies and written rules on risk management, the internal control system, internal audit, the actuarial function and regarding outsourcing, and to ensure their implementation;
- to adopt the report on the solvency and financial condition and submit it to the supervisory board for consent;
- to grant authorisation to key function holders of the Company subject to the consent of the supervisory board;
- to report to the supervisory board on operations of the Company and the Group;
- to prepare a draft annual report, including a business report, and to submit it to the supervisory board together with the auditor's report and a proposal regarding appropriation of distributable profit for approval;
- to convene the general meeting of shareholders;
- to implement the resolutions adopted by the supervisory board.

Powers of the management board (increase in share capital, acquisition of own shares)

The management board has no authorisation to increase the share capital.

The management board had authorisation to purchase own shares of up to 10% of the share capital over a period of three years from the adoption of the general meeting resolution (i.e. until 23 April 2017). In April 2016, Sava Re carried out a share repurchase procedure on the OTC market. The total number of own shares after the purchases amounted to 1,721,966, which represents 10.0% less one share of the Company's issued share capital. Thereby the management board fully exhausted the general meeting authorisation to purchase own shares up to 10% minus one share of the share capital.

The management board in 2017

The management board conducts the business of the Company and represents it in public and legal matters. It is composed of at least two but no more than five members, of whom one is the chair and the others are members of the management board. The chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. The chairperson and all members of the management board are in regular employment on a full-time basis. The exact number of management board members and the areas for which each individual member is responsible is laid down in the act on the management board to be adopted by the supervisory board at the proposal of the chair of the management board.

The management board is composed so as to ensure responsible and effective decision-making in the best interest of the Company. Its composition takes account of diversity in terms of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure a sound and prudent conduct of the Company's affairs. In 2017 the Company sought to implement the Company's policy on the diversity of the management and supervisory boards.

Aspects considered by the diversity policy relating to the composition of the management board are:

- professional diversity to ensure the complementarity of knowledge and skills,
- gender balance and appropriate representation of the under-represented gender in the selection of candidates,
- efforts to avoid the simultaneous replacement of all of the members of the management board in order to ensure the working continuity,
- an adequate proportion of members on the management board with international experience,
- an appropriate balance between members of different age groups.

The Company's policy on the diversity of the management and supervisory boards is posted on the Company's website, at www.sava-re.si, under the About Us tab.

The implementation of the policy on the diversity of the management board in 2017 is detailed below.

From 23 August 2016 to 11 May 2017, the management board operated with only three members. In order to fill the vacancy in the management board, the Sava Re supervisory board, on 16 December 2016, completed the process of selecting a new chair of the management board of Sava Re, selecting Marko Jazbec as the most suitable candidate. Having received the decision granting him the licence for performing the function, Marko Jazbec started his five-year term of office as chairman of the management board of Sava Re on 12 May 2017.

Composition of the management board in 2017

Member	Title	Beginning of term of office	Duration of term of office
Marko Jazbec	predsednik (od 12. 5. 2017)	12. 5. 2017	12. 5. 2022
Jošt Dolničar	član (od 12.5.2017)	1. 6. 2013	1. 6. 2018
	predsednik (do 11.5.2017)		
Srečko Čebron	član	1. 6. 2013	1. 6. 2018
Mateja Treven	članica	1. 6. 2013	13. 1. 2018

The average age of the members of the management board is 50. All management board members are citizens of the Republic of Slovenia.[17]

[17] GRI 202-2

Educational background, professional profile, year of birth, beginning of term of office, area of responsibility and memberships of other management or supervisory bodies

Marko Jazbec,
chairman of the management board

Educational background: University graduated economist
Professional profile: Marko Jazbec (1970) held top management positions in the Bank of Slovenia, SKB banka, d.d., and Droga Kolinska, d.d., served on the boards of Droga, d.d., Intereuropa, d.d., and NLB, d.d., and was chair of the management board of Hoteli Bernardin, d.d. Until mid-July 2016, he headed Slovenian Sovereign Holding. During his career, he has gained extensive experience in asset management, risk management, treasury, corporate finance and corporate banking, and particularly valuable experience in the corporate governance of banks and other companies. In addition, he has operational management experience in mergers and acquisitions, divestitures of assets, businesses and stock, in the preparation and implementation of investment projects, as well as extensive practical experience in the financial and operational restructuring of companies.
Beginning of term of office: 12/05/2017
Duration of term of office: five years
Areas of responsibility within the management board in much of 2017: coordinating the activities of the management board, controlling, general affairs, human resource and organisation, legal affairs, public relations, compliance and integration processes
Memberships of other supervisory bodies of Group companies: /
Memberships of management or supervisory bodies of third parties: /

Jošt Dolničar,
member of the management board

Educational background: University graduated lawyer
Professional profile: Jošt Dolničar (1972) started his career in Zavarovalnica Triglav, where he worked for nine years, most recently as executive director of the non-life business. Through much of his life, he has been actively involved in sports, and is still a licensed rowing trainer, and a member of the legal committee and an arbitrator with the arbitration court of the Slovenian Olympic Committee. He joined Sava Re in 2006 as senior executive responsible for the management of Group subsidiaries. This is his second term of office as member of the management board of Sava Re (since 2008). He served in the role of chairman of the Sava Re management board from 23 August 2016 to 11 May 2017.
Beginning of term of office: 01/06/2013
Duration of term of office: five years
New term of office: 01/06/2018 (5 years)
Areas of responsibility within the management board in much of 2017: management of strategic investments in direct insurance subsidiaries, modelling, IT, technology and innovation
Memberships of other supervisory bodies of Group companies:

- Sava neživotno osiguranje, a.d., Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – member of the board of directors
- Sava osiguranje, a.d., P.C Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro – member of the board of directors
- Zavarovalnica Sava , Cankarjeva 3, 2000 Maribor, Slovenia – chairman of the supervisory board
- Sava pokoninska družba, d.d., Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia – supervisory board member (since 4 December 2017)

Memberships of management or supervisory bodies of third parties:

- Slovenian Rowing Federation, Župančičeva cesta 9, 4260 Bled, Slovenia – president

Srečko Čebron,
member of the management board

Educational background: University graduated mining engineer
Professional profile: Srečko Čebron (1954) started his career with Generali in Trieste. He gained most of his predominantly international experience in insurance at Zavarovalnica Tilia (Slovenia), Unipol (Milano, Bologna and Moscow), ICMIF (Manchester) and Euresap (Lisbon). In his extended stays abroad, Srečko acquired considerable foreign language skills. From 2001 to 2008, he was a member of the management board of the insurer Zavarovalnica Maribor. This is his second term of office as member of the management board of Sava Re (since 2009).
Beginning of term of office: 01/06/2013
Duration of term of office: five years
New term of office: 01/06/2018 (5 years)
Areas of responsibility (management board): reinsurance operations and actuarial affairs
Memberships of other supervisory bodies of Group companies: /
Memberships of management or supervisory bodies of third parties: /

Mateja Treven,
member of the management board

Educational background: University graduated economist, Master of Investment Management from City University Business School, London
Professional profile: Mateja Treven (1972) started her carrier at Ljubljanska banka. In 2000, she headed the securities department of Zavarovalnica Triglav and between 2004 and 2006 she was a consultant to the chairman of the management board responsible for finance and accounting. In 2006, Mateja Treven accepted the position of member of the management board at the brokerage firm Publikum, investicijske storitve d.d. and from March 2010, she was a consultant to its management board, responsible for finance and accounting. In 2005, she obtained her CFA charter[18]. Prior to her appointment as a management board member, she served on the supervisory board of Sava Re, chairing its audit committee. This was her second term of office as member of the management board of Sava Re (since 2011).
Beginning of term of office: 01/06/2013
Duration of term of office: 13/01/2018
Areas of responsibility within the management board in much of 2017: finance, corporate finance, investor relations, accounting, internal audit, risk management and pension insurance
Memberships of other supervisory bodies of Group companies:

- Moja naložba, Pokoninska družba, d.d., Ulica Vita Kraigherja 5, 2103 Maribor – chair of the supervisory board (until 9 November 2017)
- Zavarovalnica Sava , Cankarjeva 3, 2000 Maribor – chairman of the supervisory board (up until 9 November 2017)

Memberships of management or supervisory bodies of third parties: /

Remunerations, compensations and other benefits

Remuneration of management board members is discussed in detail in section 23.10 "Related party disclosures" in the notes to the financial statements.

Shareholdings

POSR shares held by management board members as at 31 December 2017

	No. of shares	Holding (%)
Srečko Čebron	2,700	0.0157%
Jošt Dolničar	4,363	0.0253%
Mateja Treven	8,722	0.0507%
Total	**15,785**	**0.0917%**

Source: Central securities register KDD d.d.

[18] CFA: Chartered Financial Analyst.

5.4 Financial reporting: internal controls and risk management[19]

Internal controls comprise a system of guidelines and processes designed and implemented by Sava Re at all levels to manage risks associated, among other things, with financial reporting. These internal controls work to guarantee the efficiency and effectiveness of operations, the reliability of financial reporting and compliance with applicable regulations and internal acts.

Apart from the Companies Act (ZGD), Sava Re is governed by the Insurance Act (ZZavar), which provides that insurance companies must put in place and maintain an appropriate internal control and risk management system. Relevant implementing regulations based on the Insurance Act, which the Company strictly follows, are issued by the Insurance Supervision Agency.

Financial controls are tightly connected to controls related to information technology, which are aimed among other things at restricting and controlling access to the network, information and applications, and at controlling the completeness and accuracy of data entry and processing.

Internal controls applying to financial reporting on the consolidated basis are set out in the internal accounting rules and in the Sava Re Group financial control rules. Members of the Sava Re Group submit the financial information required for the preparation of the consolidated financial statements in the form of reporting packages, prepared in accordance with International Financial Reporting Standards (IFRS) and the controlling company's guidelines, within the time limits set out in the Company's financial calendar. Reporting packages have inbuilt cross controls that ensure the consistency of information and are also reviewed by external auditors. In addition, Group members submit their separate financial statements, which constitutes an additional control measure. By unifying information systems and applications that support consolidation, planning and reporting, the exchange of financial data among Group companies is becoming ever more efficient. Whether necessary information system controls have been put in place and function adequately is verified, on an annual basis, by relevant experts as part of the regular annual auditing of financial statements.

In addition to the above mentioned control systems, Sava Re has put in place internal control systems for other vital work processes. Internal controls include procedures and acts ensuring compliance with the law and internal rules. All major business processes in Sava Re have been specified, including details on control points together with persons responsible for individual controls. Basic controls are carried out by reviewing documents received or by an automatic or manual control of processed data.

Sava Re complies with all rules and regulations on handling confidential data and inside information, on allocation of investments and prohibition of trading based on inside information. In addition, it regularly controls employee dealings in financial instruments for own account.

Other entities authorised by Sava Re for the provision of individual services must do so in compliance with the law, implementing acts, contracts for service, internal rules and job instructions that are applicable at Sava Re.

The Company has designated an internal control system administrator responsible for maintaining a record of identified internal control weaknesses, including recommended measures for improving the internal control system. In accordance with the Insurance Act, Sava Re set up an internal audit service that is responsible for assessing the adequacy and effectiveness of internal controls employed and their reliability in the Company's pursuit of objectives and management of risks. The internal audit service reports on its findings to the management board, the audit committee and the Company's supervisory board.

5.5 External audit

The financial statements of the controlling company have been audited by Ernst & Young d.o.o., Dunajska 111, Ljubljana, who were tasked with the auditing of the financial statements of the Sava Re Group and Sava Re in 2017 for the fifth year in a row. In 2017 most of the Group's subsidiary companies were audited by the local auditing staff of the same auditing firm. Due to local auditor rotation regulations, the 2017 financial statements for one Group member were audited by another audit firm.

A new contract for the auditing of the financial statements was signed with Ernst & Young in 2016, applying to the period from 2016 to 2018.

The Company complies with the Companies Act provision on the rotation of auditors.

[19] GRI 103-1, 103-2

5.6 Details in accordance with Article 70(6) of the Companies Act (ZGD-1)[20]

Sava Re Group share capital structure

Ten largest shareholders as at 31 December 2017[21]

	Shareholder	No. of shares	Holding (%)
1	Slovenian Sovereign Holding	3,043,883	17.7%
2	Zagrebačka banka, d.d. – fiduciary account	2,439,852	14.2%
3	Republic of Slovenia	1,737,436	10.1%
4	Sava Re, d.d. (treasury shares)*	1,721,966	10.0%
5	European Bank for Reconstruction and Development (EBRD)	1,071,429	6.2%
6	Raiffeisen Bank Austria, d.d. (fiduciary account)	784,710	4.6%
7	Modra Zavarovalnica d.d.	714,285	4.1%
8	Abanka, d.d.	655,000	3.8%
9	East Capital – East Capital Balkans	359,147	2.1%
10	Modra Zavarovalnica, d.d. – ZVPS	320,346	1.9%
	Total	12,848,054	74.6%

Source: Central securities register KDD d.d.
* Treasury shares carry no voting rights.

All shares of Sava Re are ordinary registered shares with no par value; all were issued in a dematerialised form and pertain to the same class.

The shares give their holders the following rights:

- the right to participate in the Company's management, with one share carrying one vote in the general meeting;
- the right to a proportionate part of the Company's profit (dividend);
- the right to a corresponding part of the remaining assets upon the liquidation or bankruptcy of the Company.

In accordance with the Sava Re articles of association and the applicable legislation, current Sava Re shareholders also hold pre-emptive rights entitling them to take up shares in proportion to their existing shareholding in any future stock offering; their pre-emptive rights can only be excluded under a resolution to increase share capital adopted by the general meeting by a majority of at least three-quarters of the share capital represented.

Share transfer restrictions

All Sava Re shares are freely transferable.

Qualifying shareholders under the Slovenian Takeover Act (ZPre-1)

As at 31 December 2017 the following shareholders of Sava Re[22] exceeded the five-percent share threshold (qualifying holding in accordance with Article 77 of the Slovenian Takeover Act, ZPre-1):

Shareholder	No. of shares	Holding (%)
Slovenski državni holding, d.d. (Slovenian Sovereign Holding)	3,043,883	17.7%
Zagrebačka banka, d.d. – fiduciary account	2,439,852	14.2%
Republic of Slovenia	1,737,436	10.1%
Sava Re, d.d. (treasury shares)*	1,721,966	10.0%
European Bank for Reconstruction and Development (EBRD)	1,071,429	6.2%
Total	10,014,566	58.2%

On 2 June 2016 Sava Re received a notice from Adris grupa, d.d., Vladimira Nazora 1, 52210 Rovinj, Croatia, of a change in a major holding in Sava Re. Adris grupa, together with its subsidiaries, holds 3,278,049 shares in custodial accounts, representing 19.04% of Sava Re issued shares, or 21.15% of outstanding shares.
* Treasury shares carry no voting rights.

Below the table "Ten largest shareholders as at 31 December 2017" is a note regarding the share of voting rights.

Holders of securities carrying special control rights

Sava Re issued no securities carrying special control rights.

Employee share schemes

Sava Re has no employee share scheme.

Restrictions of voting rights

Sava Re adopted no restrictions on voting rights.

[20] GRI 201-4
[21] GRI 102-5

[22] Vir: Centralni register vrednostnih papirjev KDD d.d.

Shareholder agreements restricting transferability of shares and voting rights

Sava Re is not aware of any such agreements between shareholders.

Rules on appointment/removal of members of management/supervisory bodies and on amendments to the articles of association

Company rules on appointment/removal of management board members

In accordance with Sava Re articles of association, the chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. Natural persons with full legal capacity that meet the requirements set down by law and internal rules may be appointed members of the management board. The process and criteria for the selection of candidates for members of the management board as well as the process of periodic fit and proper assessments of individual members is clearly set out in the Company's fit and proper policy.

The management board, as a whole or its individual members, may be recalled by the supervisory board for reasons prescribed by law.

Sava Re rules on appointment/removal of supervisory board members

In accordance with Sava Re articles of association, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which informs the general meeting of its decisions. Shareholder representatives of the supervisory board are elected by the general meeting, by a majority of votes present. The term of office of supervisory board members is four years, and is renewable. Natural persons with full legal capacity that meet the requirements set down by law and internal rules may be appointed members of the supervisory board. The process and criteria for the selection of candidates for membership of the supervisory board and for drafting proposals for general meeting resolutions on the appointment of supervisory board members, including the process of periodic fit and proper assessments of individual members, is clearly set out in the Company's fit and proper policy.

Supervisory board members who are shareholder representatives may be recalled by the general meeting for reasons as prescribed by law based on a general meeting resolution adopted by a majority of at least three-quarters of the share capital represented.

Rules of Sava Re on amending its articles of association

Sava Re articles of association do not contain special provisions governing their amendment. Pursuant to applicable legislation, they may be amended by resolution of the general meeting by a majority of at least three-quarters of the share capital represented.

Powers of the management board, especially relating to treasury shares

At the 28th general meeting held on 23 April 2014, the management board was given authorisation to acquire and sell own shares limited to a three-year period. The authorisation also set out purposes for which these own shares may be disposed of, or withdrawn subject to consent of the supervisory board. The authorisation enabled the Company to acquire up to a total of 1,721,966 own shares, representing 10% of its share capital and including own shares that the Company already owned as of the date of the general meeting authorisation. In accordance with the general meeting authorisation, the Company may acquire its own shares, either by transactions in or outside the regulated financial instruments market.

With the additional own share repurchases in April 2016, the management board fully exhausted the general meeting authorisation to purchase own shares up to 10% minus one share of the share capital.

Important agreements that apply, change or terminate after a public takeover bid results in a control change

Sava Re protects itself against the risk of losses by reinsuring its own account (retrocession). Retrocession contracts usually contain provisions governing contract termination in cases involving significant changes in ownership or control of the counterparty. It follows that in the case of a successful takeover bid, retrocessionaires could terminate their relevant contracts.

Agreements between an entity and members of its management or supervisory bodies on compensation in case of (i) resignation, (ii) dismissal without cause or (iii) employment relationship termination due to any bid specified in the law governing takeovers

Sava Re management board members are not entitled to a severance benefit in case of resignation.

A management board member is entitled to termination benefits if they are recalled for other economic or business reasons (major change in shareholder structure, reorganisation, launch of new product, major change in Company objects and such like) in conjunction with termination of their employment relationship with the Company.

A management board member is entitled to termination benefits also if their function is terminated by mutual consent in conjunction with termination of their employment relationship with the Company.

Ljubljana, 28 March 2018
Save Re Management Board

Marko Jazbec, Chairman

Srečko Čebron, Member

Jošt Dolničar, Member

Polona Pirš Zupančič, Member

Ljubljana, 4 April 2018
Save Re Supervisory Board

Mateja Lovšin Herič, Chair

REFLECTING OPPORTUNITIES

The customer is at the centre of all our activities. We are constantly on the lookout for new development opportunities that will improve quality of life.

Ilirijana D.

6 MISSION, VISION, STRATEGIC FOCUS AND GOALS

6.1 Mission and vision[23]

We are working to become a recognised provider of comprehensive insurance and reinsurance services in our target markets, to establish a climate of trust and loyalty among stakeholders, become recognised as a company that communicates transparently and fairly, to meet the expectations of our shareholders and achieve an adequate return on equity, to raise awareness about the organization's values and to integrate them into fundamental business policies and people's behaviour.

Through a positive climate, good business culture, continuous training and investments in employees, we contribute to a continuous development of insurance and ancillary products and to more optimal business processes. We are developing a Group-specific corporate culture that will be reflected in the quality of services and in the loyalty of the employees to their company and the Group.

By definition, insurance is the provision of economic security through the spreading of economic risks, which is why the industry is tightly intertwined with the economy at large. Within this system, Sava Re has a responsibility to support activities that contribute to improving the social environment. Sustainable development is an area to which the Company is increasingly committed. Special attention is given to the exchange of knowledge, ongoing training of employees and external stakeholders and the utilization of synergies among Sava Re Group companies. The social responsibility demonstrated by the Company reflects the values on which we intend to focus more in the future.

Our mission

Through commitment and constant progress, we ensure security and quality of life.

Our vision

We are creating a modern, digital, socially-oriented and sustainable insurance Group.

What we are like

We grow relationships with our colleagues in a responsible, frank and respectful manner.

We exceed client expectations with our ongoing efforts to make improvements and strengthen relationships.

We are active in relation to the environment (owners, social environment).

[23] GRI 102-16

6.2 Goals achieved in 2017[24]

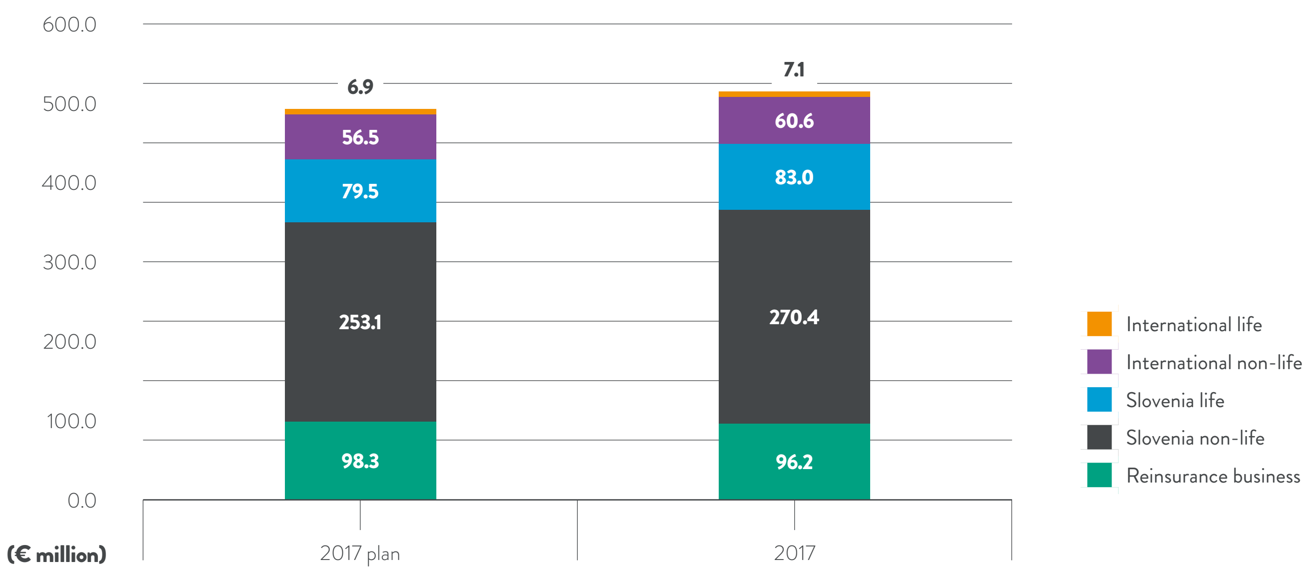
The Sava Re Group achieved the following targets in 2017:

(€ million)	2017 plan	Actual 2017	Index / deviation in p.p.
Gross written premiums	494.3	517.2	104.6
Growth/decline in premiums	0.8%	5.5%	4.7 p.p.
Net expense ratio	32.6%	32.7%	0.1 p.p.
Net incurred loss ratio, excluding exchange differences	59.4%	60.5%	1.1 p.p.
Net combined ratio, excluding exchange differences	94.6%	95.5%	0.9 p.p.
Profit/loss, net of tax	32.6	31.1	95.4
Investment return, excluding exchange differences	1.8%	2.0%	0.2 p.p.
Return on equity	10.3%	10.1%	-0.2 p.p.

* The net combined ratio is given for the reinsurance and non-life insurance operating segments.

In 2017 the Sava Re Group exceeded its target gross premiums written, primarily as a result of the high premium growth achieved by the Slovenian Zavarovalnica Sava. While the expense ratio was only slightly higher than planned, the net incurred loss ratio (excluding exchange differences) and the combined ratio (excluding exchange differences) were both higher than planned. The higher net incurred loss ratio (excluding exchange differences) and expense ratio deteriorated primarily because of large losses in the reinsurance segment. The investment return was better than planned. In 2017, the return on equity was 10.1% and thus only slightly below target. However, the combined ratio and the return on equity remained within the range of the Group's strategic guidelines.

Realisation of planned consolidated gross premiums written

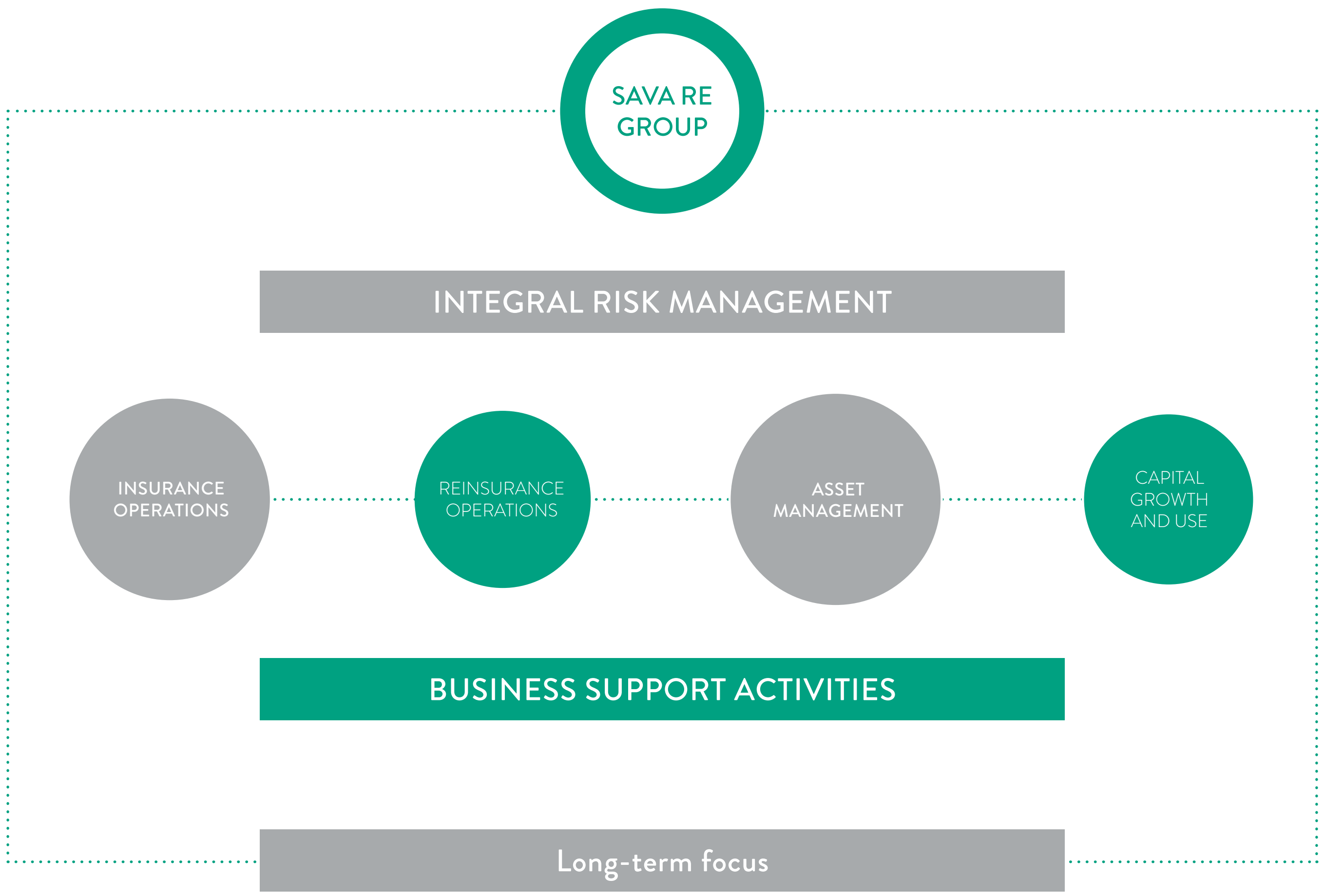


The consolidated gross premiums written exceeded the plan by 4.6%, with growth driven primarily by the non-life insurance segment in Slovenia.

[24] GRI 103-1, 103-2, 103-3

6.3 Sava Re Group strategy highlights

The Sava Re Group defines its strategy in terms of four pillars:



Key guidelines set out in the strategy:

- digitalisation and technological modernisation of operations to place the client at the centre;
- growth through acquisitions;
- seeking opportunities in environmentally/sustainability-oriented investment projects;
- closing the gap between intrinsic value and market price of shares.

Long-term strategic targets:

- The long-term objective is to achieve, at the Group level and in terms of a 3-year average, a return on equity (ROE) that is at least equal to the cost of capital. The internally-calculated cost of equity of the Sava Re Group with regard to its composition is 10.4% (+/− 0.5 p.p.).
- In the period 2017–2019, the solvency ratio at the Group level will be in the range of 170% and 230% (between the bottom of the optimum/target range and the top of the suboptimal capital range).
- Non-life business of the Group will achieve a three-year average combined ratio of not more than 95%, while reinsurance[25] will achieve a combined ratio of not more than 93%.
- As regards life insurance business, the profitability of new policies written by Zavarovalnica Sava and insurers outside Slovenia will be at least 5% and 2.5%, respectively (ratio of the value of new policies to the present value of expected premiums of such new policies).

Strategic directions by operating segment

Non-life insurance business in Slovenia:

- strengthening the position of the new combined insurer in the market;
- improving the results of the non-life insurance segment other than motor insurance;
- taking advantage of segment cost synergies.

Life insurance in Slovenia:

- strengthening the position of the new combined insurer in the market;
- maintaining premium volumes and particularly profitability of life business;
- taking advantage of segment cost synergies.

Health insurance in Slovenia:

- launch of health insurance products in Zavarovalnica Sava; gradual roll-out in companies outside Slovenia.

Pension business in Slovenia:

- growth above market growth rates;
- utilisation of synergies in the Group;
- promoting private sector sales (for maximum utilisation of tax relief).

Reinsurance operations:

- growth in international reinsurance markets;
- maintaining a high-quality reinsurance portfolio;
- good geographic diversification.

Bancassurance:

- streamlining processes in existing banking partners, developing new products and forming new partnerships.

Assistance services:

- providing own assistance services.

Non-Slovenian operations:

- making use of established platforms (in terms of processes and products) to increase growth in gross premiums written;
- decrease in expense ratios;
- seeking opportunities through investments in vehicle inspection;
- strengthening companies' brand recognition;
- increasing the productivity of the sales network and focus on premium and recourse collection;
- utilisation of synergies among Group subsidiaries in individual markets;
- development and focus both on selling products with a higher risk component and on more affordable products (life policies);
- integration of the Macedonian pension company into the Sava Re Group.

[25] When calculating the combined ratio based on the planning financial statements for Sava Re, it is necessary to exclude part of the expenses relating to the administration of the Group that are not related to reinsurance business.

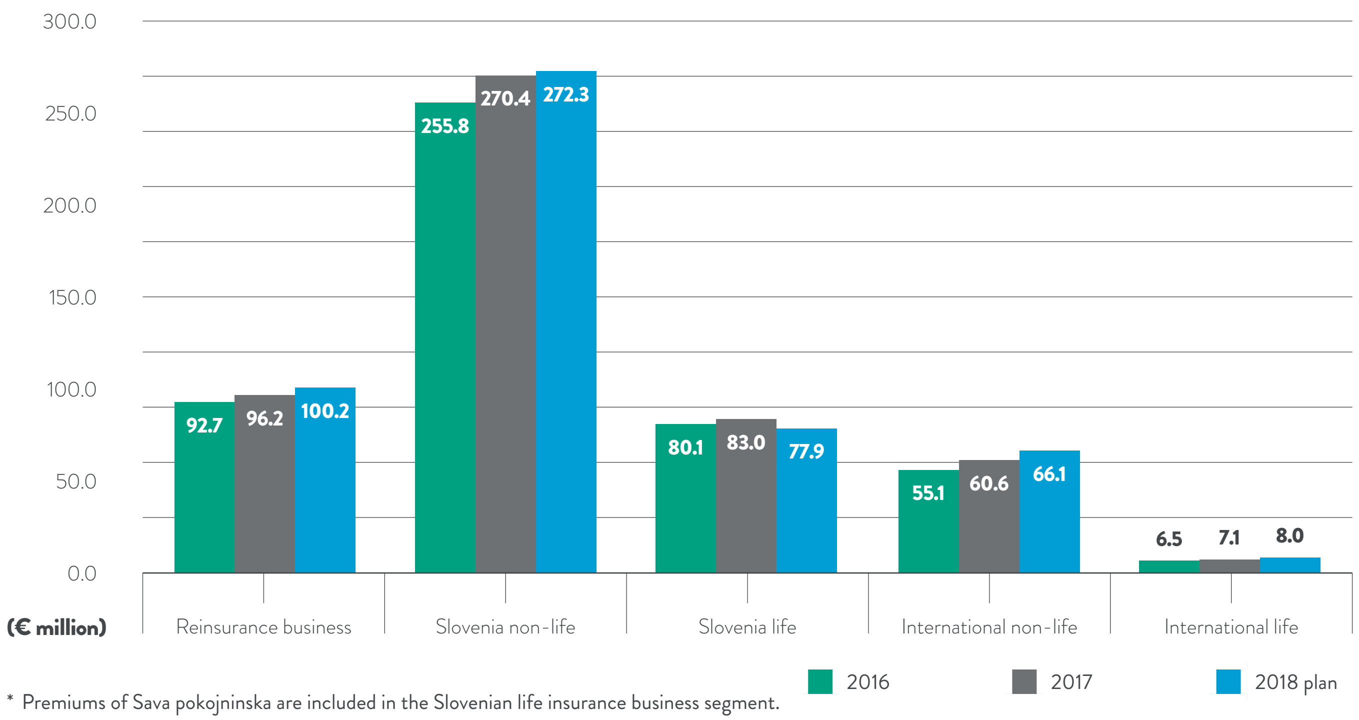
6.4 Plans of the Sava Re Group for 2018

Key targets for 2018

(€ million)	2016	2017	2018 plan	Index/difference in p.p. 2018 plan/2017
Gross written premiums	490.2	517.2	> 520.0	100.5
Growth/decline in premiums	0.8%	5.5%	2.8%	-
Net expense ratio	34.0%	32.7%	31.4-31.7%	-1.0 p.p.
Net incurred loss ratio, excluding exchange differences	58.2%	60.5%	59.4-59.9%	-0.6 p.p.
Net combined ratio, excluding exchange differences	94.6%	95.5%	94.0-94.5%	-1.0 p.p.
Profit/loss, net of tax	32.9	31.1	37.0-39.0	119.0
Investment return, excluding exchange differences	2.2%	2.0%	1.7%	-0.3 p.p.
Return on equity	11.3%	10.1%	> 11.0%	0.9 p.p.

* The net incurred loss ratio and the net combined ratio are given for the reinsurance and non-life insurance operating segments.

Target consolidated gross premium income by operating segment (Sava Re Group)



* Premiums of Sava pokojninska are included in the Slovenian life insurance business segment.

Reinsurance operations

Reinsurance premiums will rise by 7.2% in 2018, which marginally exceeds past growth and will primarily be the result of growth in new markets.

Insurance business in Slovenia

The key objectives in Slovenia for 2018 are associated with digitisation and technological modernisation projects in order to place the client at the centre. Another important goal is to further streamline operations, achieving synergistic benefits from the merger of insurance companies at the end of 2016. In addition, we expect to see the first results of our entry into the health insurance market and development of assistance insurance or services.

Insurance business abroad

We are planning for our non-life insurance companies abroad to grow at a rate of over 10%; life business will grow at a rate of over 13%. The former will roll out assistance products, while the latter will reach the break-even point, and both will seek opportunities to further develop cooperation with banks.

Pension business

We are planning for Slovenian pension business to grow by 8.3% in terms of contributions paid in life-cycle funds. Another objective is to enlarge the share of individual policies. A pension company based in Macedonia will join the Group and will contribute to the increase in the share of pension business in the Group's premium income.

7 BUSINESS ENVIRONMENT

Slovenia[26]

Major economic indicators for Slovenia

	2013	2014	2015	2016	2017
Real change in GDP (%)	-1.1	3.0	2.3	3.1	4.4
GDP (€ million)	36,239	37,615	38,837	40,418	42,761
Registered unemployment rate (%)	13.1	13.1	12.3	11.2	9.5
Average inflation (%)	1.8	0.2	-0.5	-0.1	1.5
Population (million)	2.1	2.1	2.1	2.1	2.1
GDP per capita (€)	17,592	17,912	18,494	19,247	20,362
Insurance premiums (€ million)	**1,979.5**	**1,937.6**	**1,975.4**	**2,020.4**	**2,176.8**
- growth/decline in insurance premiums (%)	-2.8	-2.1	2.0	2.3	7.7
Insurance premiums – non-life (€ million)	1,426.9	1,402.2	1,409.4	1,449.7	1,529.3
- growth/decline in non-life insurance premiums (%)	-2.1	-1.7	0.5	2.9	5.5
Insurance premiums – life (€ million)	552.6	535.4	565.9	570.7	647.5
- growth/decline in life insurance premiums (%)	-4.6	-3.1	5.7	0.8	13.5
Insurance premiums per capita (€)	**960.9**	**922.6**	**940.6**	**962.1**	**1,036.6**
Non-life insurance premiums per capita (€)	692.7	667.7	671.2	690.3	728.2
Life insurance premiums per capita (€)	268.3	254.9	269.5	271.8	308.3
Premiums/GDP (%)	**5.5**	**5.2**	**5.1**	**5.0**	**5.1**
Non-life premiums/GDP (%)	3.9	3.7	3.6	3.6	3.6
Life premiums/GDP (%)	1.5	1.4	1.5	1.4	1.5
Average monthly net salary (€)	997	1,009	1,011	1,030	1,056

Premiums for 2016 and 2017 are shown without the premiums of the branches of Adriatic Slovenica and Zavarovalnica Sava in Croatia.

- In Slovenia, economic activity in most sectors picked up further towards the end of 2017.

- The general improvement in domestic economic conditions, alongside favourable labour market developments, contributed to further recovery in the residential property market. All of this, including increased government investment, boosted construction activity. Rising domestic and foreign demand, coupled with high consumer confidence, led to further growth in turnover in market services. Business confidence continues to improve and is now approaching ten-year high.

- Towards the end of 2017, the number of employed persons rose further, most notably in manufacturing, commerce and transportation. Meanwhile, more and more companies, particularly in manufacturing, are facing a shortage of properly skilled and qualified workers, which is reflected in a further increase in the employment of foreign workers in some sectors. Corporate short-term expectations for future employment remain high. Year-on-year growth in the number of persons employed in the public sector is mainly the result of higher employment in the education (particularly primary education) and health sectors.

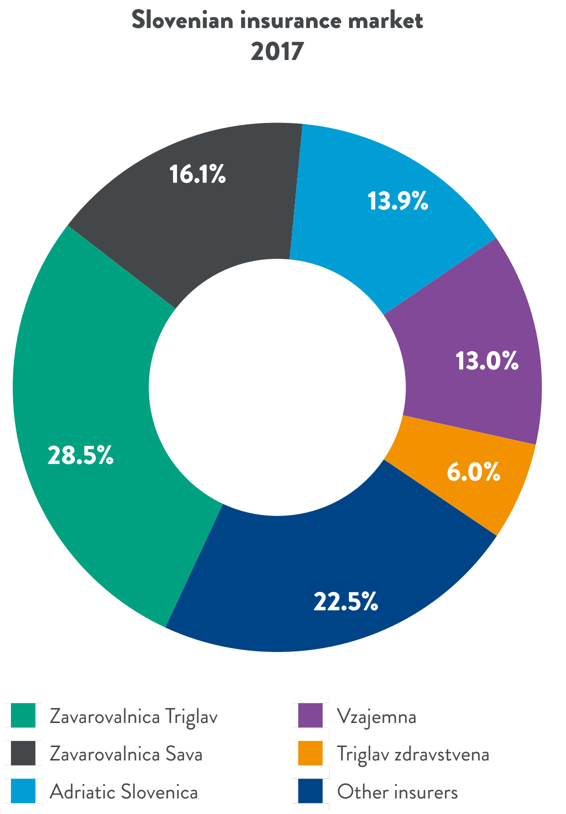
- The number of registered unemployed persons declined in 2017 for the third consecutive year, and even more markedly than before. The inflow into unemployment dropped again, largely owing to fewer people registering as unemployed as a result of the expiration of their temporary employment contracts. There were also fewer first-time jobseekers, which is related to the improvement in economic conditions and smaller generations of young people finishing school. As a result of fewer unemployed, the outflow into employment was also somewhat more modest than in the previous year. The probability[27] of transition from unemployment to employment remains relatively high. At the end of 2017, a total of 85,060 persons were registered as unemployed, 14.6% fewer than in December 2016.

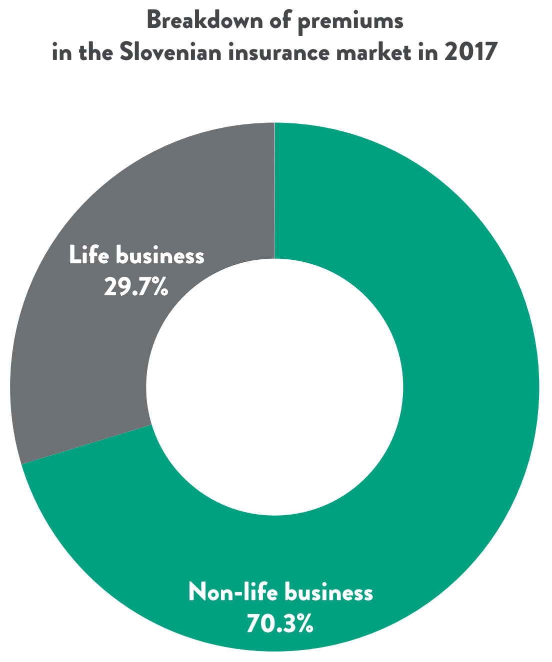
- Year-on-year growth in consumer prices increased somewhat in December. Inflation was mainly driven by higher prices for commodities, particularly energy and food (especially unprocessed). The contribution of prices of semi-durable goods (particularly clothing and footwear) rose further at the end of the year, while prices of durable goods were down year on year. The growth in the prices of services, which was below the monthly 2017 average, contributed 0.4 p.p to inflation. The absence of inflationary pressures is also reflected in core inflation, which remains low.

[26] Source: UMAR, Economic Mirror, no. 1/2018, Statistical Office of the Republic of Slovenia, Slovenian Insurance Association.

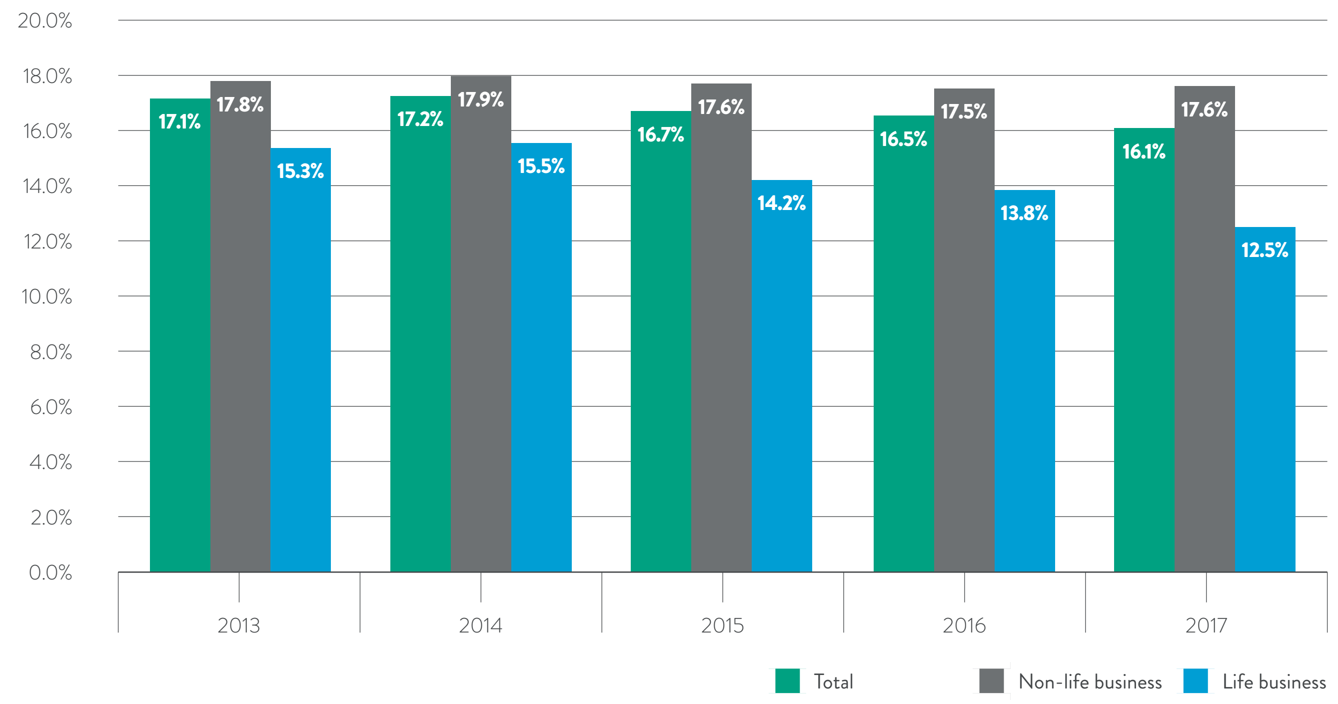
[27] The probability of transition from unemployment to employment is expressed as the percentage of unemployed who find work in a given month. In recent months the probability of finding a job has been higher on average than in the period before the crisis.

The Slovenian insurance market[28]





Market shares of Zavarovalnica Sava in the Slovenian insurance market[29]



Premiums and market shares in the Slovenian reinsurance market[30]

(v EUR)	2017		2016	
	Gross premiums written	Market share	Gross premiums written	Market share
Sava Re	153,219,752	55.3%	147,426,893	55.7%
Triglav Re	123,713,912	44.7%	117,417,689	44.3%
Total	276,933,664	100.0%	264,844,582	100.0%

[28] Source: Slovenian Insurance Association. Market shares are calculated excluding the premiums of the branches of Adriatic Slovenica and Zavarovalnica Sava in Croatia.

[29] Source: Slovenian Insurance Association.

[30] Source: internal data of Sava Re and Triglav Re.

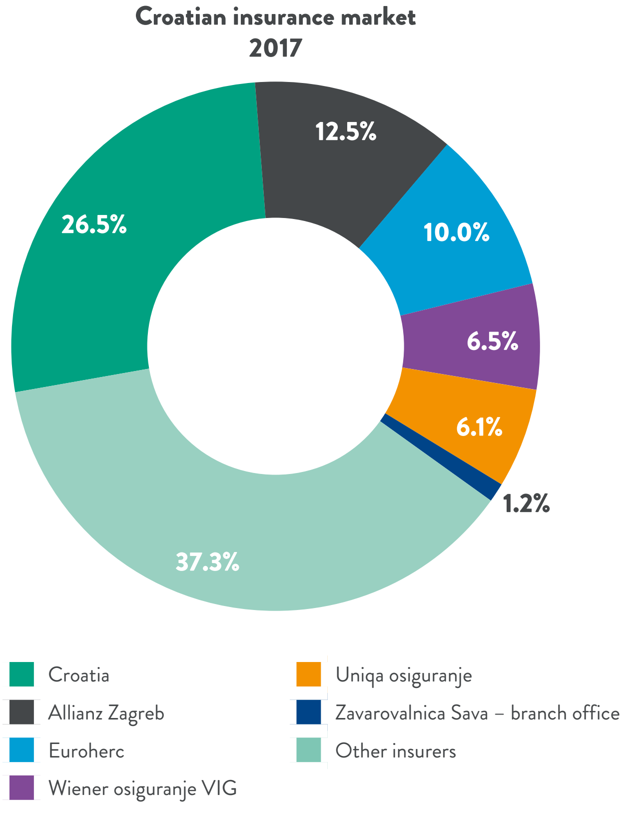
Croatia[31]

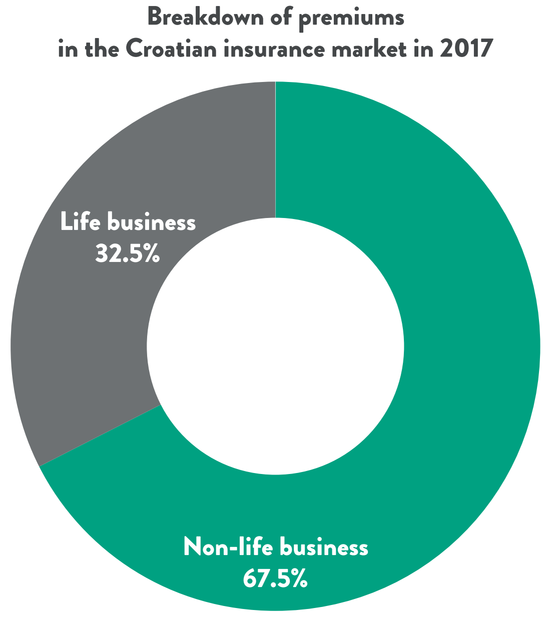
Major economic indicators for Croatia

	2013	2014	2015	2016	2017
Real change in GDP (%)	-1.1	-0.5	2.2	3.0	2.5
GDP (€ million)	43,487	42,978	44,068	45,819	47,193
Registered unemployment rate (%)	17.3	17.3	16.3	13.1	12.6
Average inflation (%)	2.2	-0.2	-0.5	-1.1	0.7
Population (million)	4.3	4.2	4.2	4.2	4.2
GDP per capita (€)	10,218	10,141	10,482	10,985	11,236
Insurance premiums (€ million)	**1,197.7**	**1,121.4**	**1,146.0**	**1,167.6**	**1,231.0**
- growth/decline in insurance premiums (%)	-0.3	-6.4	2.2	1.9	5.4
Insurance premiums – non-life (€ million)	862.7	775.9	760.5	777.1	831.1
- growth/decline in non-life insurance premiums (%)	-1.3	-10.1	-2.0	2.2	6.9
Insurance premiums – life (€ million)	334.9	345.5	385.5	390.5	400.0
- growth/decline in life insurance premiums (%)	2.4	3.2	11.6	1.3	2.4
Insurance premiums per capita (€)	**281.4**	**264.6**	**272.6**	**279.9**	**293.1**
Non-life insurance premiums per capita (€)	202.7	183.1	180.9	186.3	197.9
Life insurance premiums per capita (€)	78.7	81.5	91.7	93.6	95.2
Premiums/GDP (%)	**2.8**	**2.6**	**2.6**	**2.5**	**2.6**
Non-life premiums/GDP (%)	2.0	1.8	1.7	1.7	1.8
Life premiums/GDP (%)	0.8	0.8	0.9	0.9	0.8
Average monthly net salary (€)	728	725	750	755	790
Exchange rate (HRK/€)	7.579	7.634	7.614	7.533	7.464

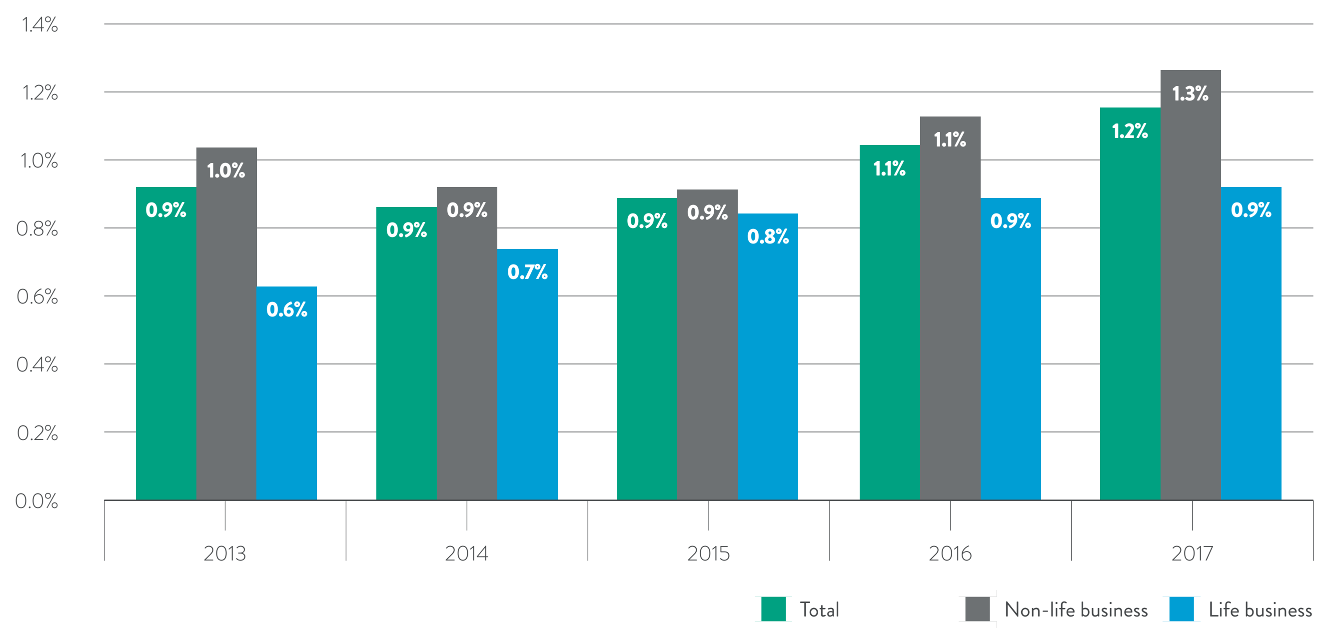
[31] Source: Croatian Chamber of Commerce and Industry, EMIS database, Croatian Insurance Supervision Agency.

Croatian insurance market[32]





Market shares of Zavarovalnica Sava in the Croatian insurance market[33]



[32] Source: Croatian Insurance Bureau.
[33] Source: Croatian Insurance Bureau.

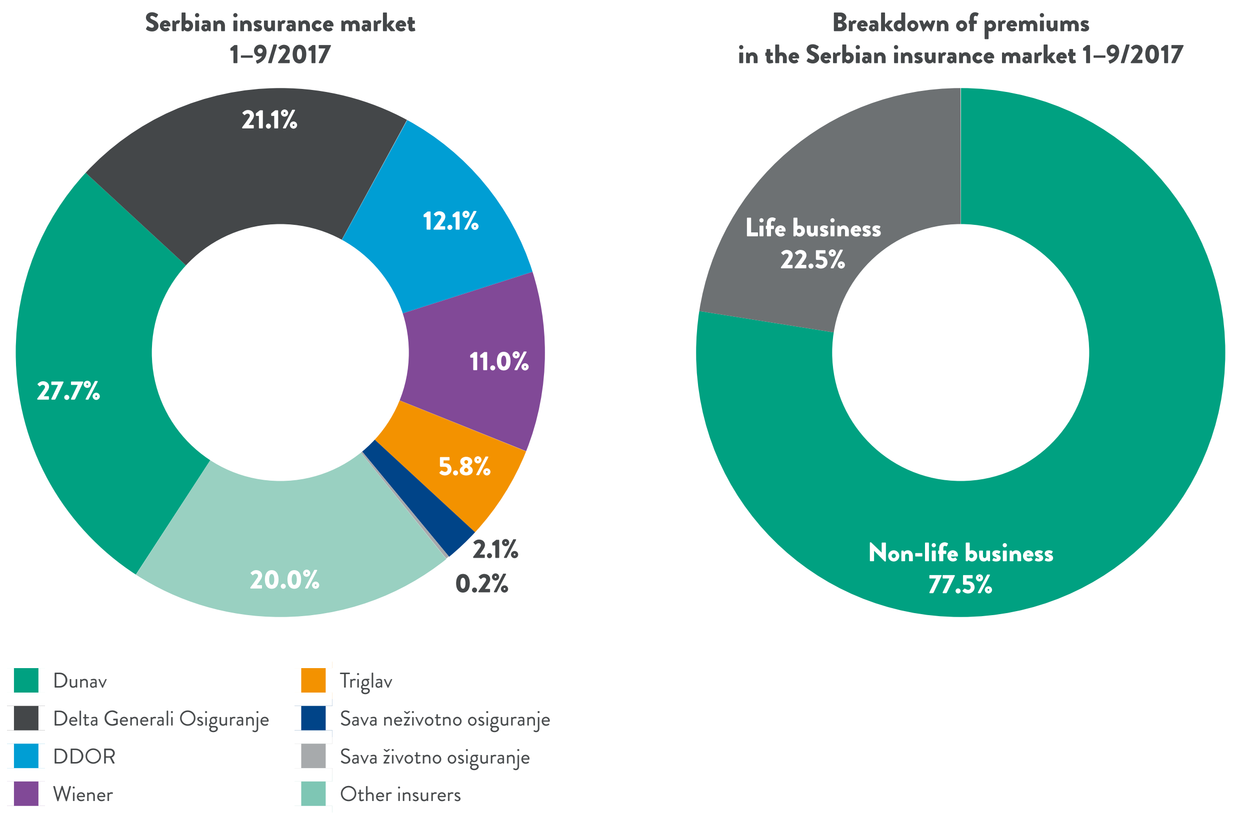
Serbia[34]

Major economic indicators for Serbia

	2013	2014	2015	2016	2017
Real change in GDP (%)	2.6	-1.8	0.8	2.8	1.8
GDP (RSD million)	3,618,167	3,685,457	3,954,368	4,117,150	4,321,128
GDP (€ million)	32,036	31,535	32,800	33,500	35,600
Registered unemployment rate (%)	22.1	20.1	18.2	15.9	13.5
Average inflation (%)	7.8	2.1	1.4	1.1	3.1
Population (million)	7.2	7.2	7.1	7.1	7.0
GDP per capita (€)	4,449	4,380	4,620	4,718	5,086
Insurance premiums (€ million)	**567.0**	**593.9**	**671.2**	**725.3**	**810.0**
- growth/decline in insurance premiums (%)	4.2	4.7	13.0	8.1	11.7
Insurance premiums – non-life (€ million)	442.5	456.9	510.6	537.1	628.0
- growth/decline in non-life insurance premiums (%)	0.8	3.3	11.8	5.2	16.9
Insurance premiums – life (€ million)	124.5	136.9	160.6	188.2	182.0
- growth/decline in life insurance premiums (%)	18.7	10.0	17.3	17.2	-3.3
Insurance premiums per capita (€)	**78.8**	**82.5**	**94.5**	**102.2**	**115.7**
Non-life insurance premiums per capita (€)	61.5	63.5	71.9	75.6	89.7
Life insurance premiums per capita (€)	17.3	19.0	22.6	26.5	26.0
Premiums/GDP (%)	**1.8**	**1.9**	**2.0**	**2.2**	**2.3**
Non-life premiums/GDP (%)	1.4	1.4	1.6	1.6	1.8
Life premiums/GDP (%)	0.4	0.4	0.5	0.6	0.5
Average monthly net salary (RSD)	43,932	44,530	44,437	45,862	47,888
Average monthly net salary (€)	389	381	369	373	395
Exchange rate (RSD/€)	112.9	116.9	120.6	122.9	121.4

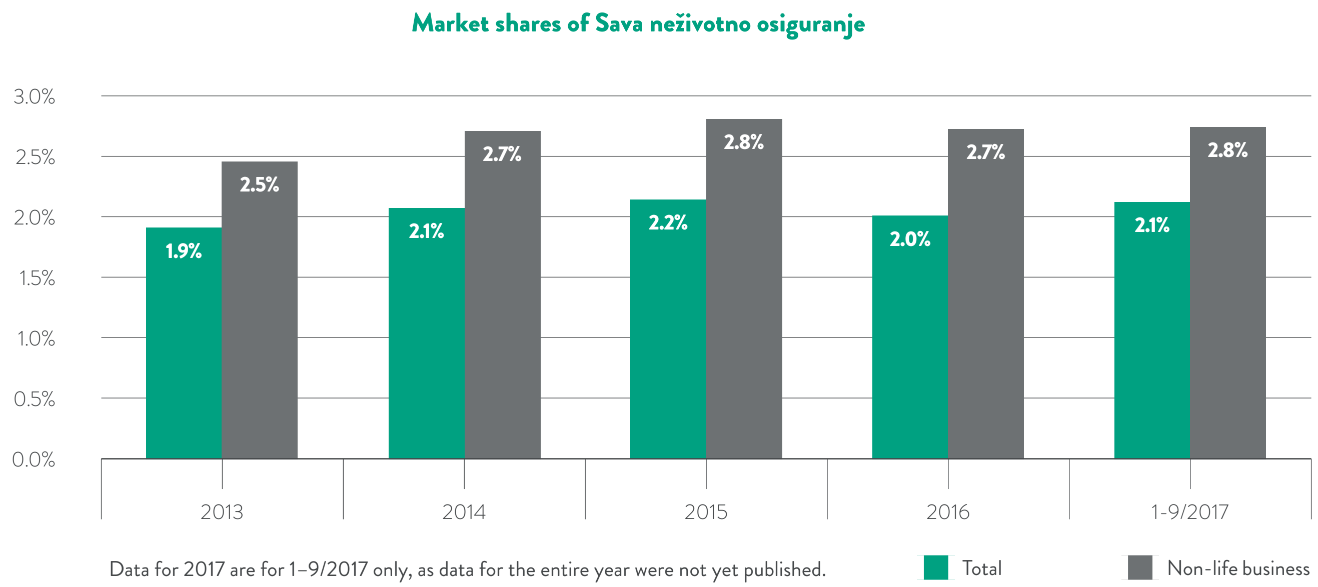
* Insurance premiums for 2017 are estimates, as data for the entire year were not yet published.

The Serbian insurance market[35]

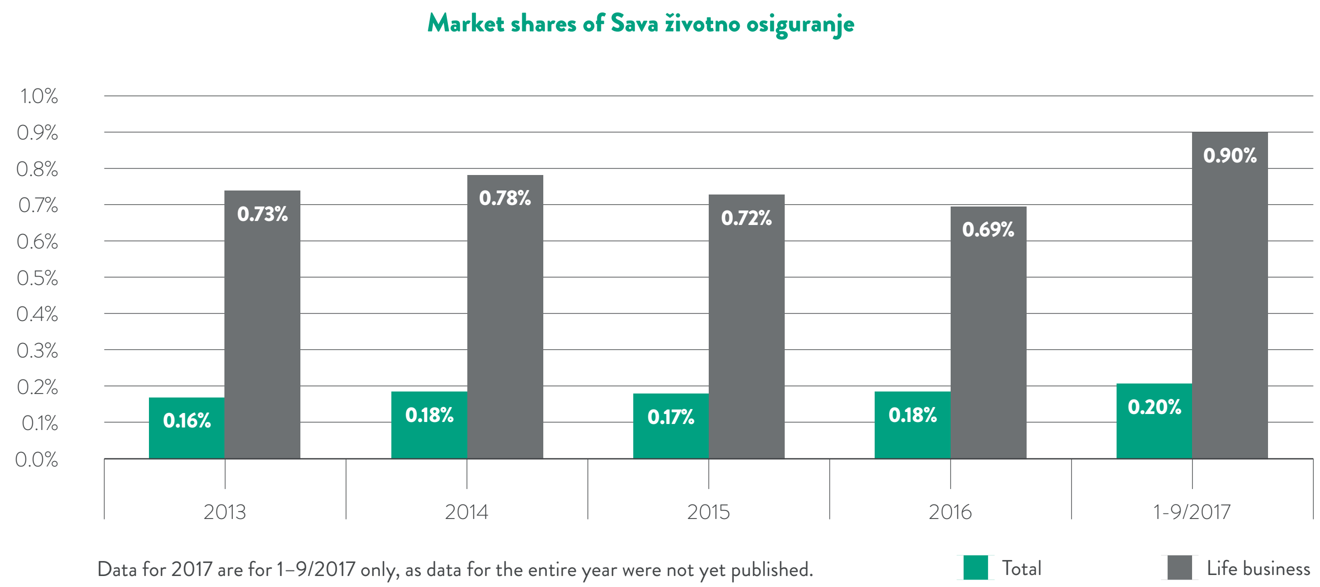


Data for 2017 are for 1–9/2017 only, as data for the entire year were not yet published.

Market shares of Sava neživotno osiguranje (SRB) and Sava životno osiguranje (SRB) in the Serbian insurance market[36]



Data for 2017 are for 1–9/2017 only, as data for the entire year were not yet published.



Data for 2017 are for 1–9/2017 only, as data for the entire year were not yet published.

[34] Source: Unicredit: CEE Quarterly 1Q 2018, National Bank of Serbia.

[35] Source: National Bank of Serbia.

[36] Source: National Bank of Serbia.

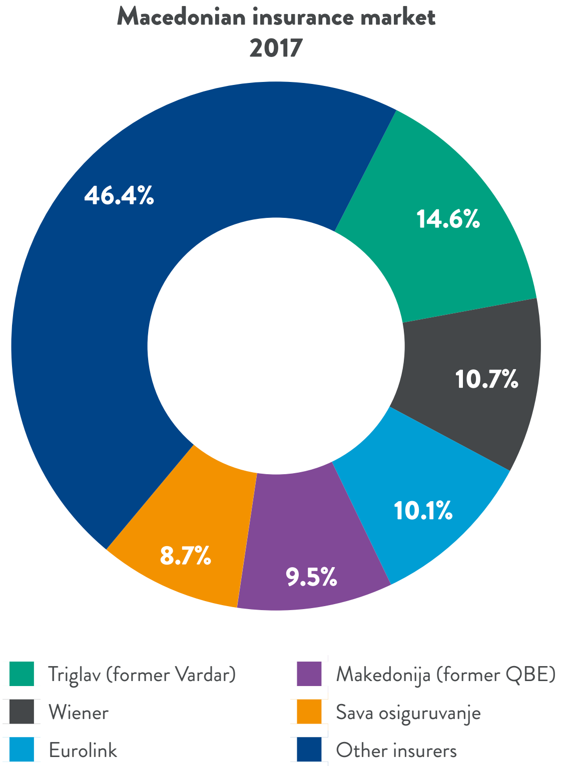
Macedonia[37]

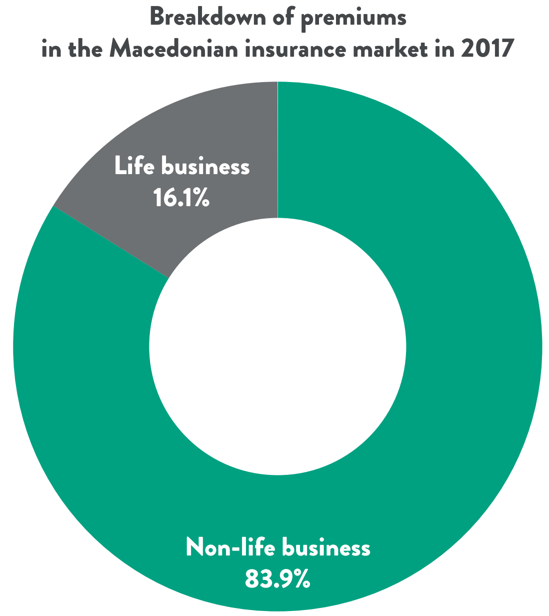
Major economic indicators for Macedonia

	2013	2014	2015	2016	2017
Real change in GDP (%)	2.9	3.6	3.9	2.9	1.6
GDP (MKD million)	501,891	527,631	558,954	598,881	630,859
GDP (€ million)	8,104	8,571	9,087	9,720	10,265
Registered unemployment rate (%)	29.0	28.0	26.1	23.7	22.4
Average inflation (%)	2.8	-0.3	-0.3	-0.2	1.4
Population (million)	2.1	2.1	2.1	2.1	2.1
GDP per capita (€)	3,859	4,081	4,327	4,628	4,888
Insurance premiums (€ million)	**116.2**	**123.9**	**134.5**	**141.5**	**146.3**
- growth/decline in insurance premiums (%)	2.1	6.7	8.5	5.3	3.4
Insurance premiums – non-life (€ million)	104.4	109.5	116.7	120.6	122.8
- growth/decline in non-life insurance premiums (%)	0.3	4.9	6.6	3.3	1.8
Insurance premiums – life (€ million)	11.8	14.4	17.8	21.0	23.5
- growth/decline in life insurance premiums (%)	21.4	22.6	23.2	17.9	12.2
Insurance premiums per capita (€)	**55.3**	**59.0**	**64.0**	**67.4**	**69.7**
Non-life insurance premiums per capita (€)	49.7	52.1	55.6	57.4	58.5
Life insurance premiums per capita (€)	5.6	6.9	8.5	10.0	11.2
Premiums/GDP (%)	**1.4**	**1.4**	**1.5**	**1.5**	**1.4**
Non-life premiums/GDP (%)	1.3	1.3	1.3	1.2	1.2
Life premiums/GDP (%)	0.1	0.2	0.2	0.2	0.2
Average monthly net salary (€)	331	336	345	353	357
Exchange rate (MKD/€)	61.932	61.561	61.510	61.616	61.458

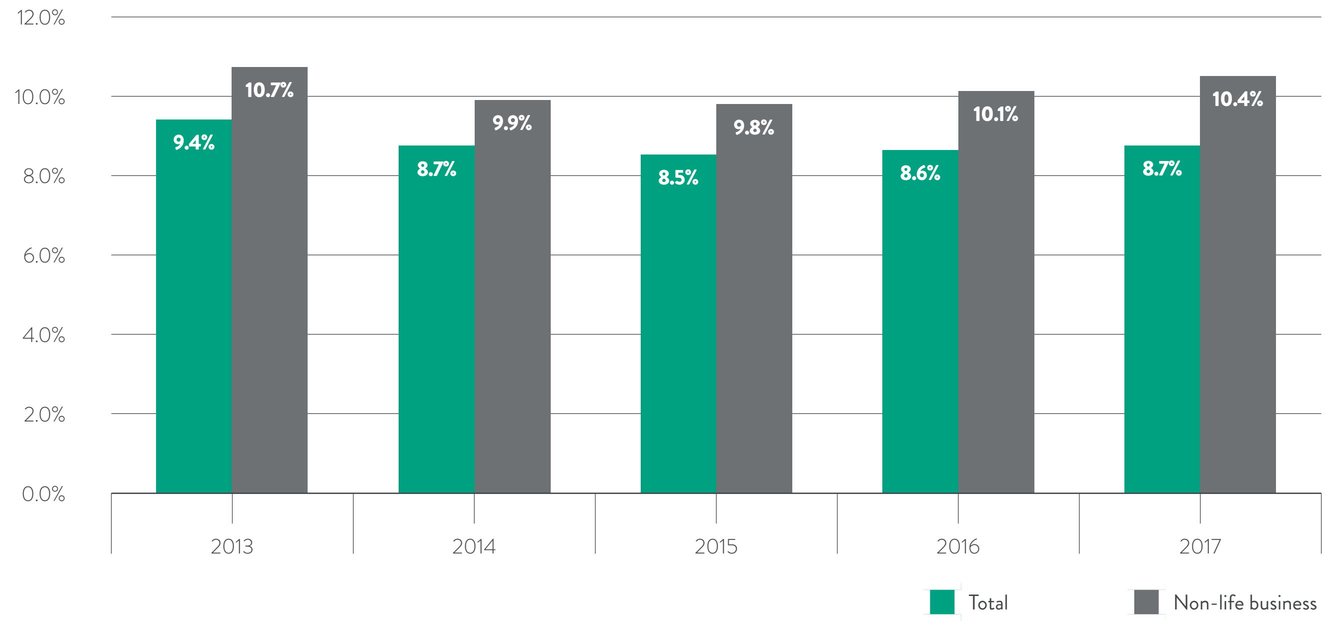
[37] Source: Republic of Macedonia, Ministry of Finance: Macroeconomic indicators January 2018, National Insurance Bureau of the Republic of Macedonia.

Macedonian insurance market[38]





Market shares of Sava osiguranje (MNE) on the Macedonian insurance market[39]



[38] Source: National Insurance Bureau of the Republic of Macedonia.
[39] Source: National Insurance Bureau of the Republic of Macedonia.

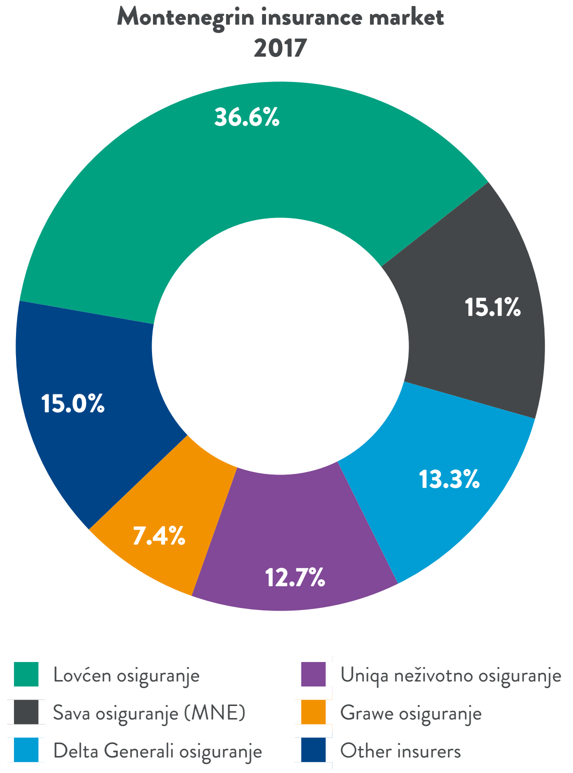
Montenegro[40]

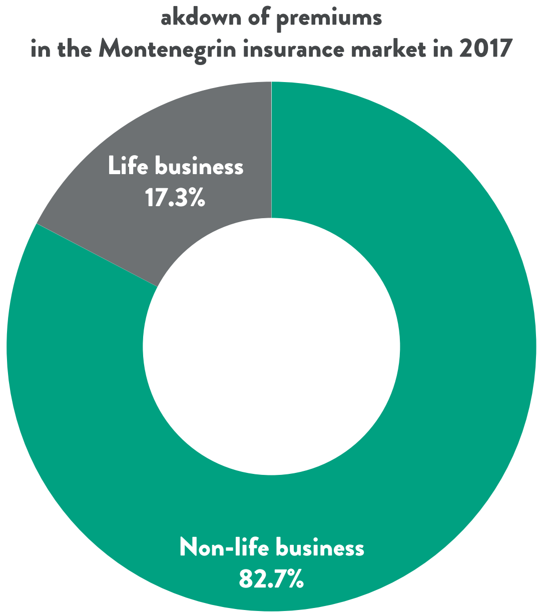
Major economic indicators for Montenegro

	2013	2014	2015	2016	2017
Real change in GDP (%)	3.5	1.8	3.4	2.9	4.0
GDP (€ million)	3,362	3,458	3,625	3,954	3,957
Registered unemployment rate (%)	19.5	18.0	17.2	17.1	17.8
Average inflation (%)	2.2	-0.7	1.6	0.4	2.5
Population (million)	0.6	0.6	0.6	0.6	0.6
GDP per capita (€)	5,603	5,763	6,042	6,590	6,595
Insurance premiums (€ million)	72.8	72.4	81.8	80.1	81.8
- growth/decline in insurance premiums (%)	8.7	-0.5	12.9	-2.0	2.0
Insurance premiums – non-life (€ million)	61.9	59.9	67.6	66.5	67.6
- growth/decline in non-life insurance premiums (%)	7.7	-3.3	13.0	-1.7	1.7
Insurance premiums – life (€ million)	10.9	12.6	14.2	13.7	14.2
- growth/decline in life insurance premiums (%)	14.8	15.5	12.8	-3.4	3.5
Insurance premiums per capita (€)	121.3	120.7	136.3	133.6	136.3
Non-life insurance premiums per capita (€)	103.2	99.8	112.7	110.8	112.7
Life insurance premiums per capita (€)	18.1	20.9	23.6	22.8	23.6
Premiums/GDP (%)	2.2	2.1	2.3	2.0	2.1
Non-life premiums/GDP (%)	1.8	1.7	1.9	1.7	1.7
Life premiums/GDP (%)	0.3	0.4	0.4	0.3	0.4
Average monthly net salary (€)	479	477	480	497	508

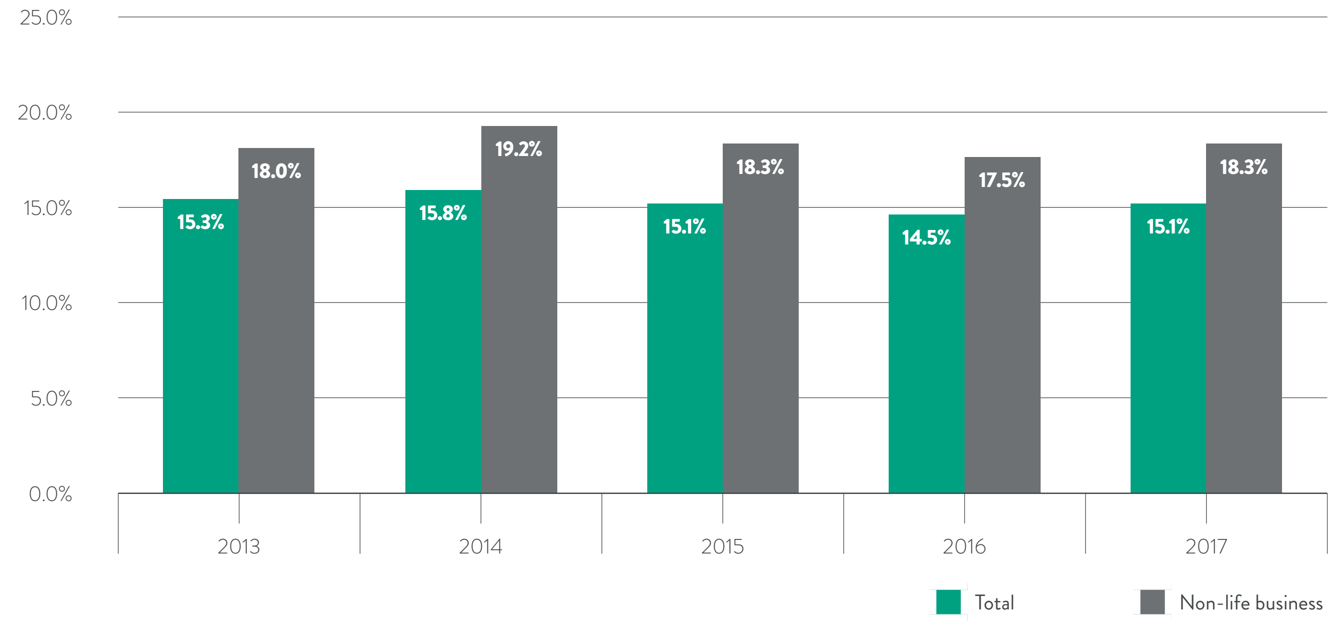
[40] Source: Ministry of Finance of Montenegro: Macroeconomic trends for 2017–2020, Institute of statistics of Montenegro, insurance supervision agency.

Montenegrin insurance market[41]





Market shares of Sava osiguranje (MNE) on the Montenegrin insurance market[42]



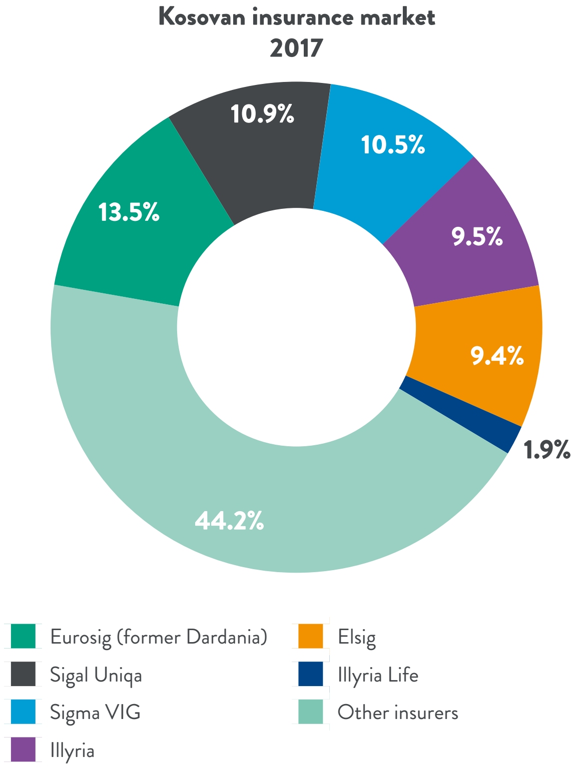
[41] Source: Insurance Supervisor of Montenegro.
[42] Source: Insurance Supervisor of Montenegro.

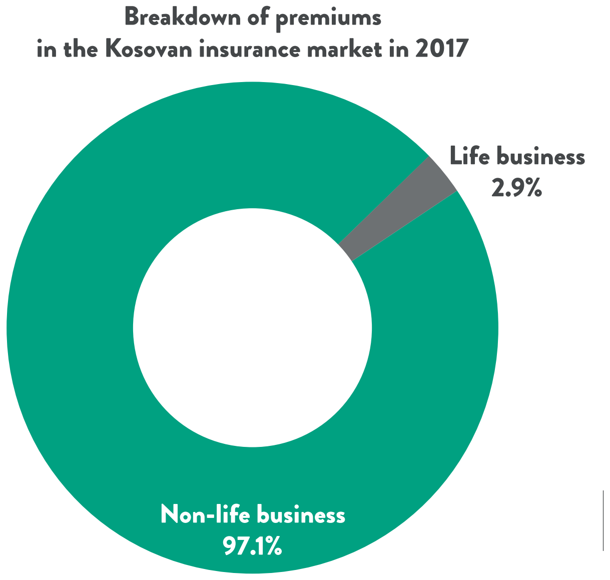
Kosovo[43]

Major economic indicators for Kosovo

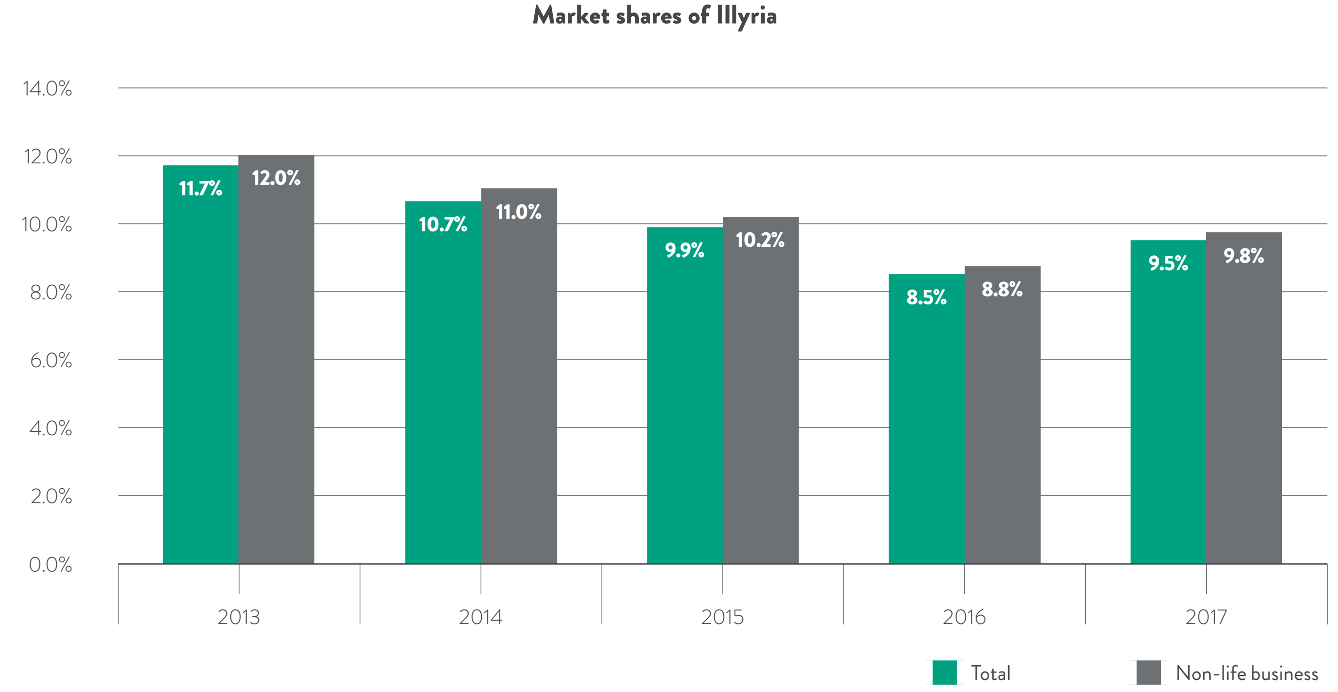
	2013	2014	2015	2016	2017
Real change in GDP (%)	3.4	1.2	4.1	3.4	3.5
GDP (€ million)	5,327	5,567	5,807	5,985	6,291
Registered unemployment rate (%)	30.0	35.3	32.9	32.3	26.4
Average inflation (%)	1.8	0.4	-0.5	0.3	1.4
Population (million)	1.8	1.8	1.8	1.8	1.9
GDP per capita (€)	2,935	3,022	3,159	3,254	3,370
Insurance premiums (€ million)	79.4	82.5	81.4	83.8	87.4
- growth/decline in insurance premiums (%)	11.5	3.8	-1.3	2.9	4.4
Insurance premiums – non-life (€ million)	77.4	80.1	78.7	81.2	84.9
- growth/decline in non-life insurance premiums (%)	10.9	3.5	-1.7	3.2	4.6
Insurance premiums – life (€ million)	2.1	2.4	2.7	2.6	2.5
- growth/decline in life insurance premiums (%)	38.9	16.5	12.5	-4.3	-2.2
Insurance premiums per capita (€)	43.8	44.8	44.3	45.6	46.8
Premiums/GDP (%)	1.5	1.5	1.4	1.4	1.4
Average monthly net salary (€)	364	429	446	463	452

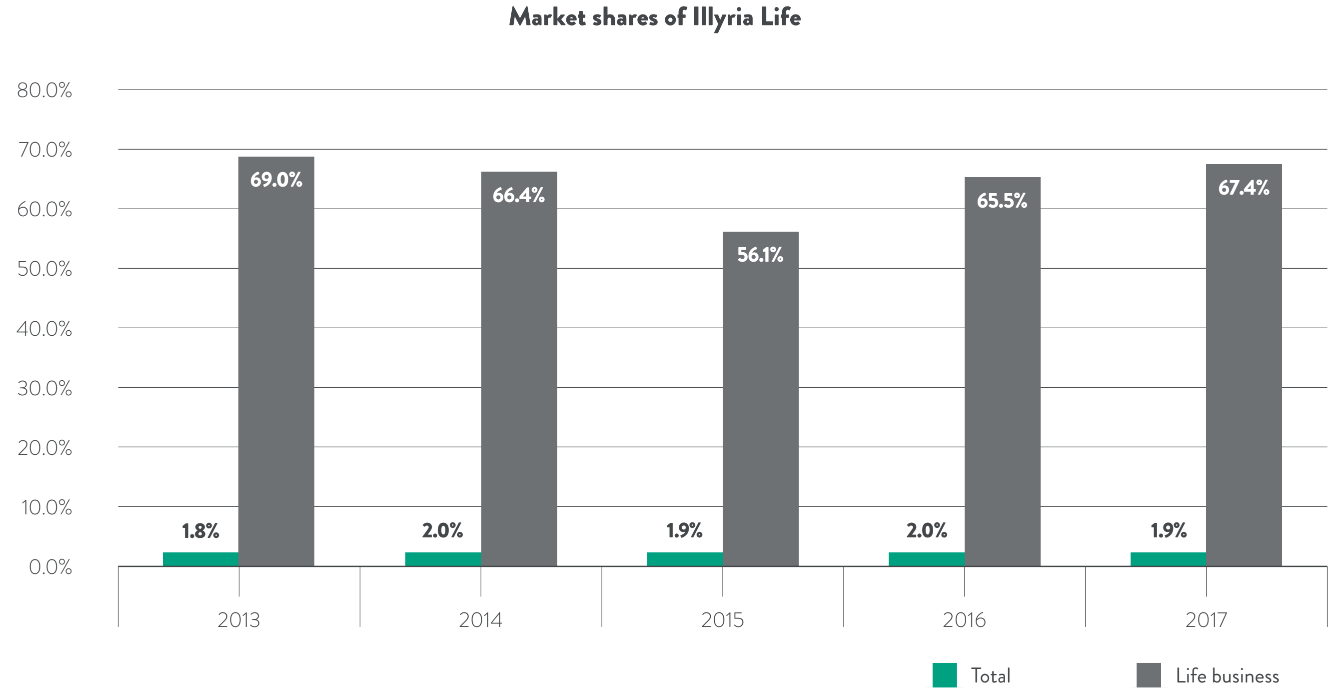
Kosovan insurance market[44]





Market shares of Illyria and Illyria Life in the Kosovan insurance market[45]





43 Source: Central bank of the Republic of Kosovo, www.imf.org.
44 Source: Central Bank of the Republic of Kosovo.
45 Source: Central Bank of the Republic of Kosovo.

8 SAVA RE GROUP REVIEW OF OPERATIONS[46]

Business is presented by operating segment (non-life insurance, life insurance, reinsurance business and the "other" segment) and by geography (Slovenia and international). The "Slovenia" segment includes figures for the Slovenian part of Zavarovalnica Sava and Sava pokojninska (life segment), while the "international" segment covers the operations of the other subsidiaries, including the Croatian part of Zavarovalnica Sava. The reinsurance segment was not broken down geographically, as after the elimination of transactions with subsidiaries, the majority of the remaining transactions relate to Sava Re's business in global reinsurance markets.

In addition to this segment breakdown, the segment reporting information also reflects the effects of consolidation elimination and reallocation of certain income statement items:

- In the consolidation process, reinsurance effects were reallocated from the reinsurance segment to the non-life and life segments (Sava Re as the controlling company handles the reinsurance of most of the risks of the subsidiaries within the Sava Re Group): in the segment reporting information, reinsurance premiums received by the reinsurer from the subsidiaries were reallocated to the segment from where they arose (the same applies by analogy to reinsurance-related claims, commission income, change in unearned premiums, claims provisions and deferred acquisition costs arising out of reinsurance business). In the elimination process, the portion of business retroceded by Sava Re to foreign reinsurers was not allocated to the non-life and life segments. Retrocession-related expenses usually exceed income (except in the case of catastrophe claims). To provide a more adequate presentation of segment profitability, the result of the retroceded business was also allocated to the segment to which it related (non-life or life). All these items were adjusted only in the part relating to the risks of subsidiaries retroceded by Sava Re to foreign reinsurers.
- Other operating expenses of the reinsurance segment were reduced by the portion of expenses attributable to the administration of the Sava Re Group. Since Sava Re is the controlling company of the Group and manages its subsidiaries, a part of its expenses relates also to the administration of the Group. These expenses were reallocated from the reinsurance segment to other segments based on gross premiums written. Such reallocation has also been made for other operating expenses relating to intra-Group reinsurance transactions. In the period 1–12/2017, Sava Re allocated 61.7% of other operating expenses to segments as monitored (non-life and life insurance business) by premium structure (1–12/2016: 64.0%).
- Investment income and expenses are reallocated from the reinsurance segment to the non-life insurance and life insurance segments, using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).

In the statement of financial position, the following adjustments were made in addition to the eliminations made in the consolidation process:

- Intangible assets – goodwill was allocated to the segment from which it arose (reallocated from the reinsurance segment to the non-life or life segments, depending on which subsidiary it related to).
- The balance of financial investments was reallocated from the reinsurance segment to the non-life insurance and life insurance segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).
- The reinsurers' share of technical provisions (reinsurers' share of unearned premiums, claims provisions and other provisions) and deferred acquisition costs – in the same way as described in indent one of the description of adjustments to income statement items.
- Equity was reallocated from the reinsurance segment to the non-life and life segments based on the carrying amount of investments in subsidiaries (the sum total of carrying amounts of non-life insurers was reallocated to the non-life segment, and that of life insurers was reallocated to the life segment).

The following is a brief commentary on the results of each operating segment.

Summary consolidated income statement

(€)	2017	2016	Index
Net earned premiums	470,865,993	458,101,526	102.8
Investment income	27,446,915	33,136,242	82.8
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	16,849,384	17,958,678	93.8
Other technical income	15,429,720	18,237,409	84.6
Other income	6,058,000	6,489,633	93.3
Net claims incurred	-296,103,320	-268,393,776	110.3
Change in other technical provisions	-2,179,849	-5,254,856	41.5
Change in technical provisions for policyholders who bear the investment risk	-1,121,327	-17,442,161	6.4
Expenses for bonuses and rebates	5,848	-1,263,545	-0.5
Operating expenses	-156,962,328	-159,563,486	98.4
Expenses for investments in associates and impairment losses on goodwill	0	-1,693,699	-
Expenses for financial assets and liabilities	-11,891,544	-8,556,415	139.0
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-8,256,416	-11,256,348	73.3
Other technical expenses	-17,486,080	-17,310,937	101.0
Other expenses	-2,774,013	-2,518,278	110.2
Profit or loss before tax	**39,880,983**	**40,669,987**	**98.1**
Income tax expense	-8,786,075	-7,751,774	113.3
Net profit or loss for the period	**31,094,908**	**32,918,213**	**94.5**

[46] A glossary of selected insurance terms and calculation methods for ratios is appended to this annual report.

Consolidated net premiums earned

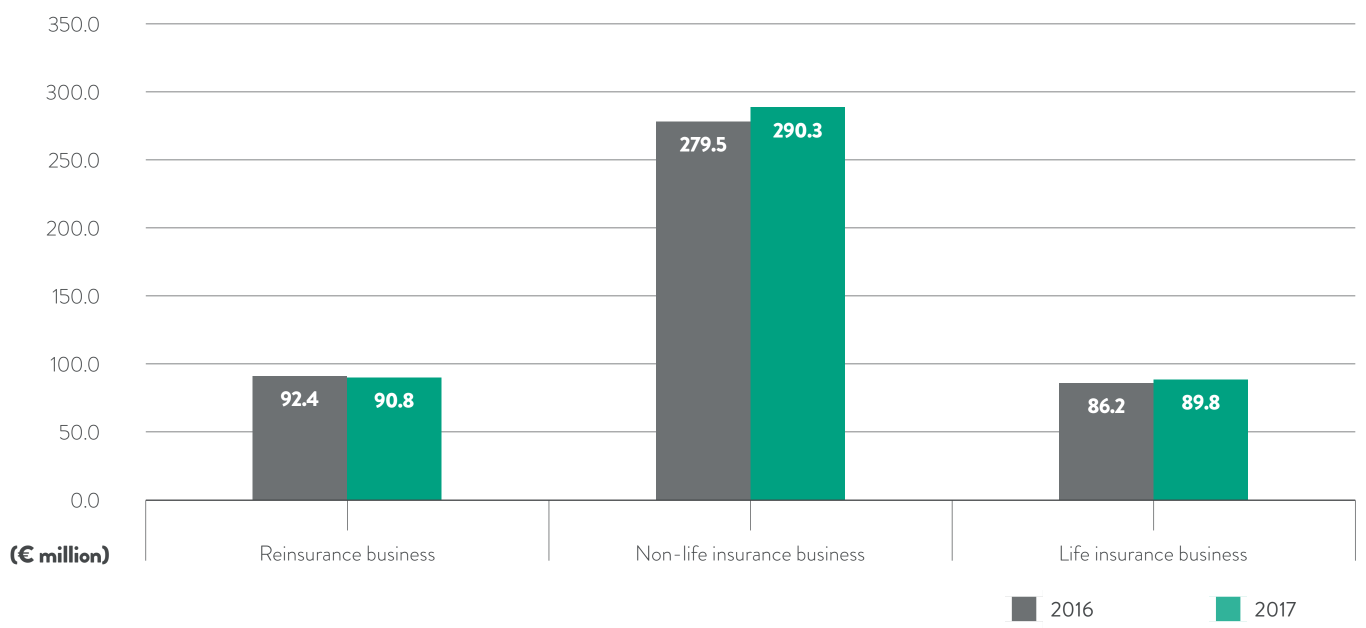
Consolidated net premiums earned

(€)	2017	2016	Index
Gross premiums written	517,233,431	490,205,154	105.5
Net premiums written	482,990,135	458,962,640	105.2
Change in net unearned premiums	-12,124,142	-861,114	1408.0
Net premiums earned	**470,865,993**	**458,101,526**	**102.8**

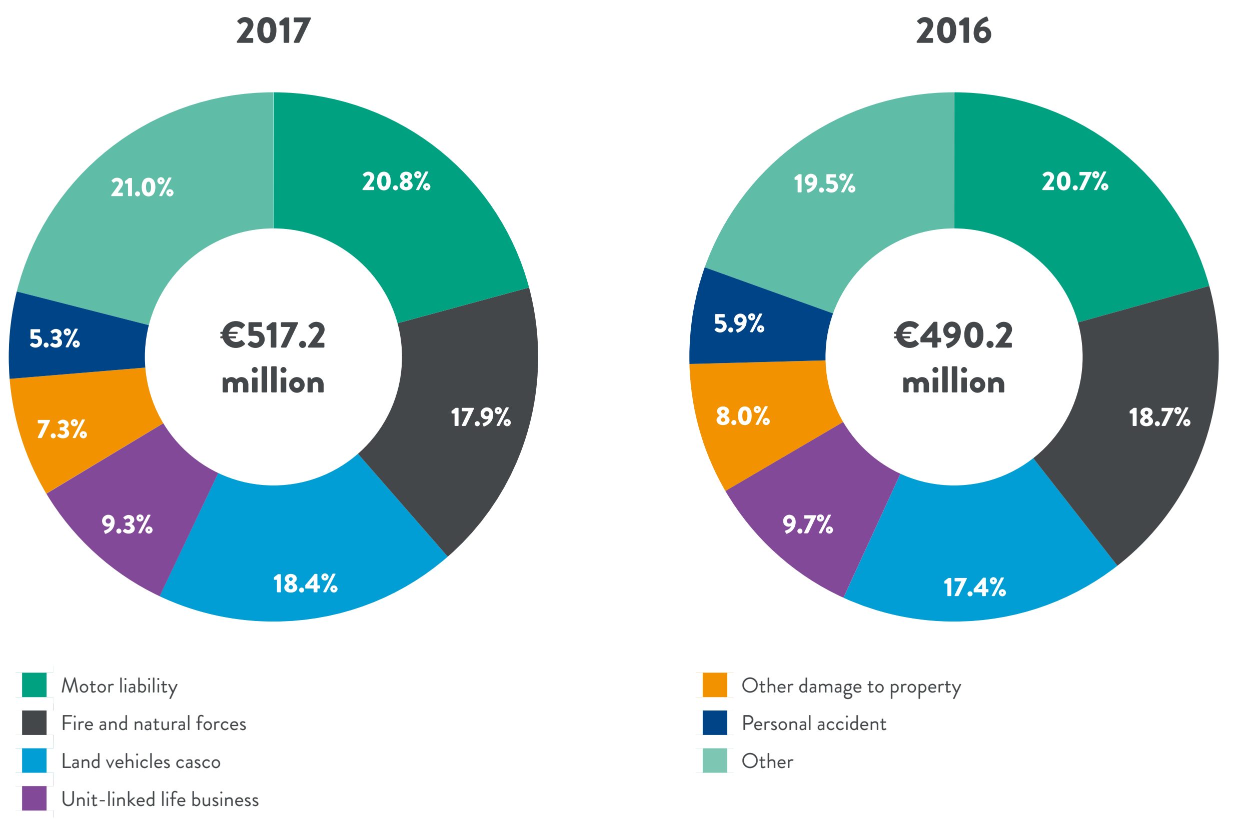
Consolidated net premiums earned by class of business

(€)	2017	2016	Index
Personal accident	27,697,840	30,432,580	91.0
Health	6,885,267	2,928,204	235.1
Land vehicles casco	87,691,767	81,980,726	107.0
Railway rolling stock	191,782	91,376	209.9
Aircraft hull	167,714	876,454	19.1
Ships hull	4,992,710	3,690,491	135.3
Goods in transit	6,342,375	6,580,317	96.4
Fire and natural forces	78,750,066	79,164,292	99.5
Other damage to property	32,698,422	36,019,044	90.8
Motor liability	102,487,948	98,741,014	103.8
Aircraft liability	253,849	167,549	151.5
Liability for ships	944,269	756,694	124.8
General liability	18,653,533	17,144,546	108.8
Credit	4,325,848	3,455,990	125.2
Suretyship	400,850	294,814	136.0
Miscellaneous financial loss	2,290,214	4,313,773	53.1
Legal expenses	224,098	451,362	49.6
Assistance	5,827,553	5,184,295	112.4
Life	42,083,797	38,440,437	109.5
Unit-linked life	47,956,091	47,370,770	101.2
Capital redemption	0	16,798	-
Total	**470,865,993**	**458,101,526**	**102.8**

Consolidated net premiums earned by operating segment



Consolidated gross premiums written by class of business



Consolidated net claims incurred

Net claims incurred, including the change in the mathematical and UL provisions

(€)	2017	2016	Index
Gross claims paid	309,727,160	269,445,796	114.9
Net claims paid	293,880,632	254,626,142	115.4
Change in the net provision for outstanding claims	2,222,688	13,767,634	16.1
Net claims incurred	296,103,320	268,393,776	110.3
Change in other technical provisions*	2,179,849	5,254,856	41.5
Change in technical provisions for policyholders who bear the investment risk	1,121,327	17,442,161	6.4
Net claims incurred, including the change in the mathematical and UL provisions	**299,404,496**	**291,090,793**	**102.9**

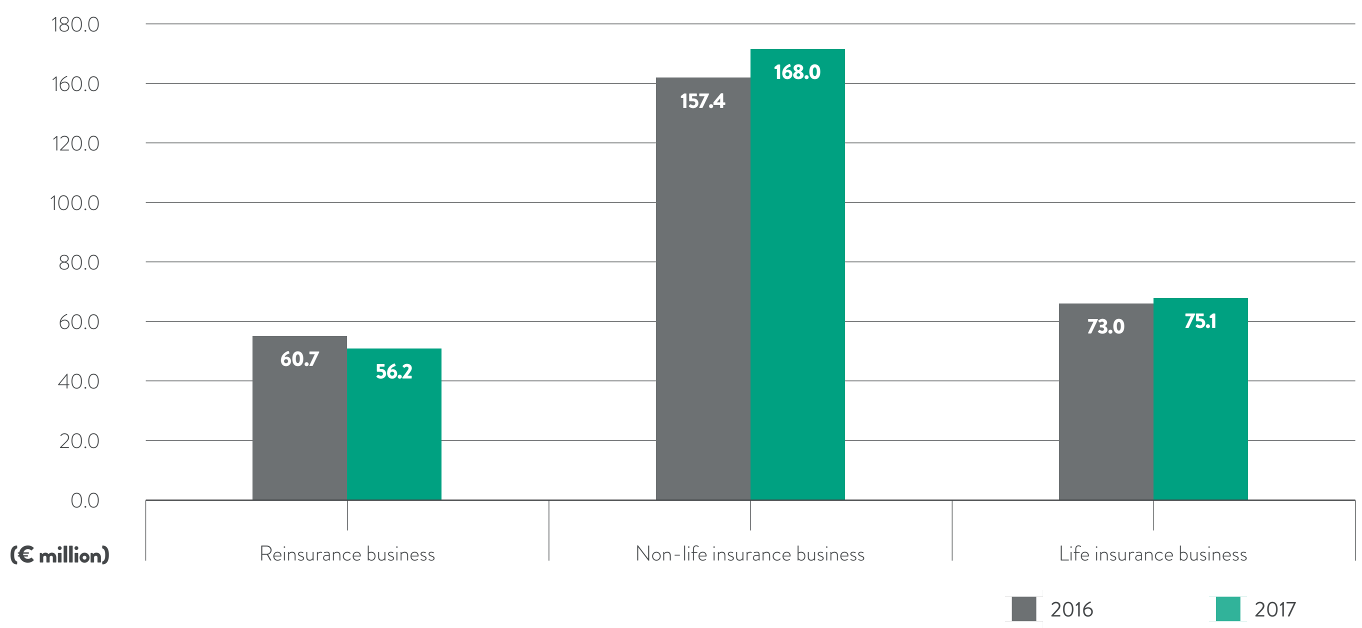
* These are mainly mathematical provisions.

Consolidated net claims incurred by class of business[47]

(€)	2017	2016	Index
Personal accident	11,382,301	16,196,842	70.3
Health	4,806,901	2,184,413	220.1
Land vehicles casco	65,305,930	61,106,817	106.9
Railway rolling stock	102,640	14,576	704.2
Aircraft hull	356,350	793,646	44.9
Ships hull	5,751,369	5,500,755	104.6
Goods in transit	3,411,666	2,598,656	131.3
Fire and natural forces	57,351,813	49,790,750	115.2
Other damage to property	16,041,598	13,050,200	122.9
Motor liability	51,177,373	56,696,628	90.3
Aircraft liability	-22,014	-71,952	169.4
Liability for ships	299,096	359,070	83.3
General liability	5,817,769	9,741,114	59.7
Credit	-785,810	168,472	-466.4
Suretyship	322,983	-29,873	1,281.2
Miscellaneous financial loss	1,324,879	2,259,362	58.6
Legal expenses	10,748	3,087	348.2
Assistance	1,342,338	721,467	186.1
Life	33,292,805	29,847,715	111.5
Unit-linked life	38,812,586	17,459,593	222.3
Capital redemption	0	2,438	-
Total	**296,103,320**	**268,393,776**	**110.3**

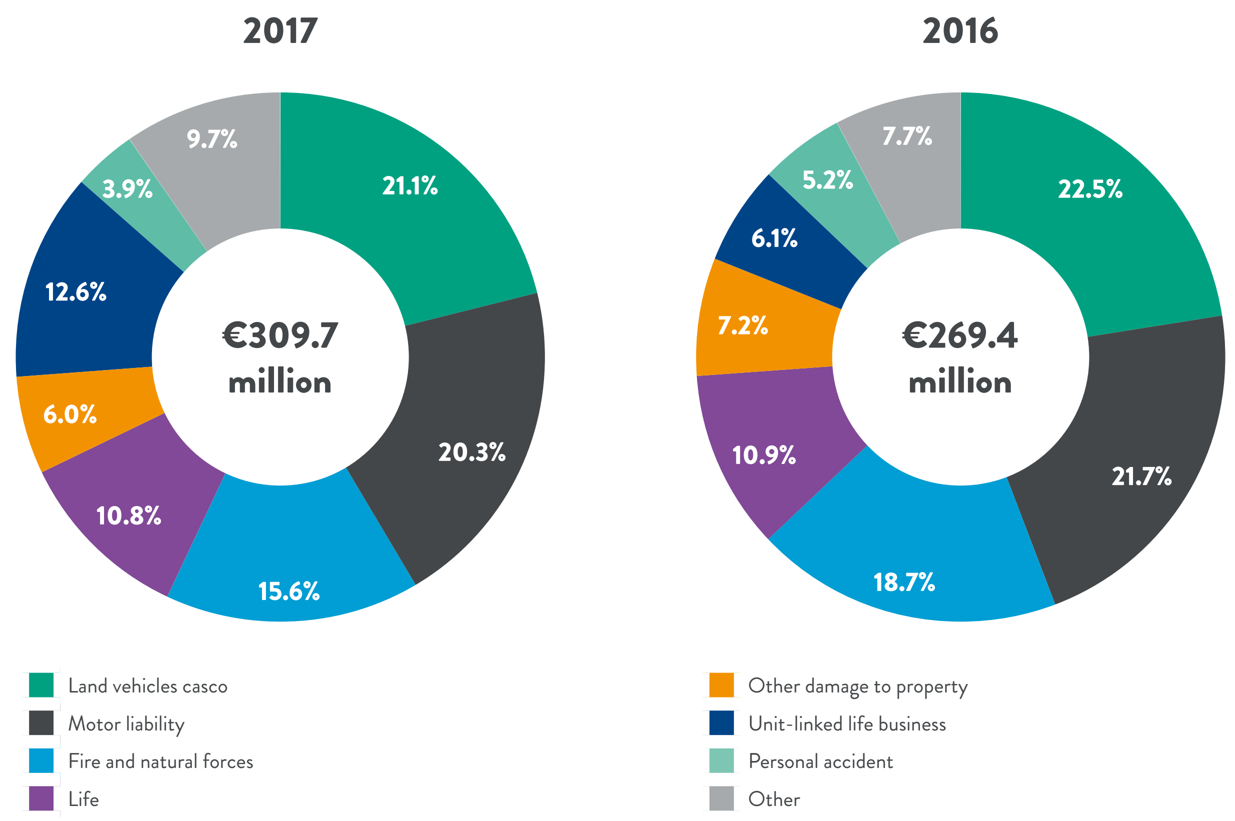
[47] These do not include the change in other technical provisions nor the change in the technical provision for policyholders who bear the investment risk.

Consolidated net claims incurred by operating segment, including the change in the mathematical and UL provisions



The net claims incurred by operating segment include the change in other technical provisions and the change in technical provisions for policyholders who bear the investment risk.

Consolidated gross claims paid by class of business

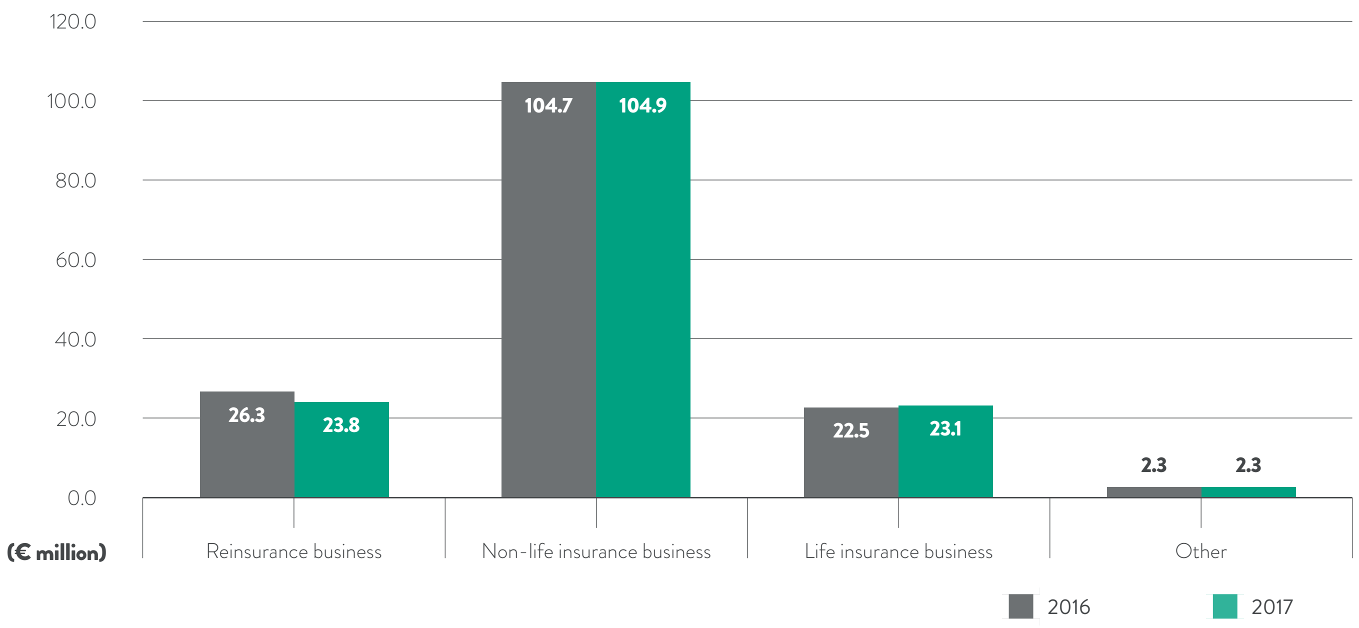


Consolidated operating expenses

Consolidated operating expenses

(€)	2017	2016	Index
Acquisition costs	51,949,127	51,882,550	100.1
Change in deferred acquisition costs (+/-)	-2,389,002	1,474,454	-162.0
Other operating expenses	107,402,203	106,206,482	101.1
Operating expenses	156,962,328	159,563,486	98.4
Income from reinsurance commission	-2,870,868	-3,732,607	76.9
Net operating expenses	**154,091,460**	**155,830,879**	**98.9**
Gross expense ratio	30.8%	32.2%	
Net expense ratio	32.7%	34.0%	

Consolidated net operating expenses by operating segment



* The "other" item represents expenses of the "other" segment (non-insurance companies).

Consolidated net investment income

Consolidated net inv. income of the investment portfolio

(€)	2017	2016	Absolute change
Net inv. income of the investment portfolio	15,731,567	24,612,812	-8,881,245
Net inv. income of the investment portfolio, excluding exchange differences	21,662,931	23,122,262	-1,459,331

The net investment income of the investment portfolio includes the income and expenses relating to investment property. These are shown in the income statement under other income/expenses.

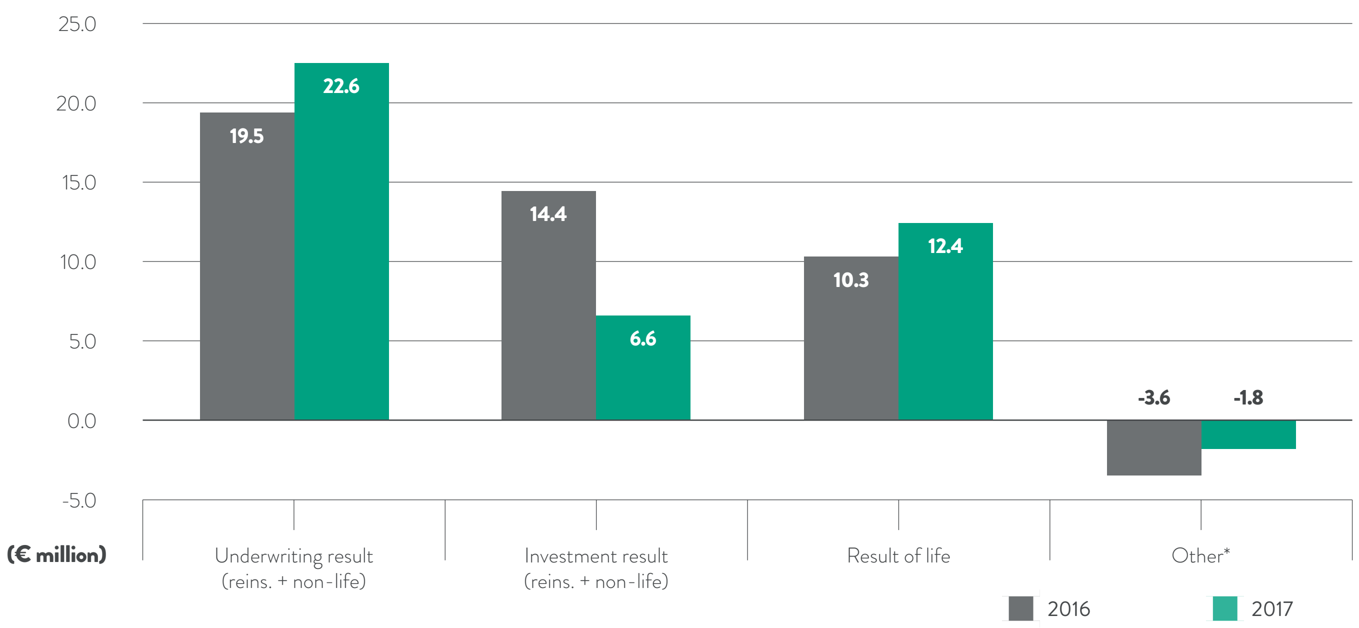
Consolidated income and expenses relating to the investment portfolio

(€)	2017	2016	Absolute change
INCOME			
Interest income	18,607,327	21,233,656	-2,626,329
Change in fair value and gains on disposal of FVPL assets	229,386	737,997	-508,611
Gains on disposal of other IFRS asset categories	3,122,333	2,314,834	807,499
Income from dividends and shares – other investments	1,141,433	1,284,400	-142,967
Exchange gains	4,202,714	7,325,123	-3,122,409
Diverse other income	657,837	622,207	35,630
Income relating to the investment portfolio	**27,961,030**	**33,518,217**	**-5,557,187**
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	16,849,384	17,958,678	-1,109,294
EXPENSES			
Interest expenses	718,860	842,126	-123,266
Change in fair value and losses on disposal of FVPL assets	79,645	631,525	-551,880
Losses on disposal of other IFRS asset categories	584,859	498,683	86,176
Impairment losses on investments	320,000	594,683	-274,683
Exchange losses	10,134,078	5,834,573	4,299,505
Other	392,021	503,815	-111,794
Expenses relating to the investment portfolio	**12,229,463**	**8,905,405**	**3,324,058**
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	8,256,416	11,256,348	-2,999,932

Income/expenses include income/expenses relating to investment property. These are shown in the income statement under other income/expenses.

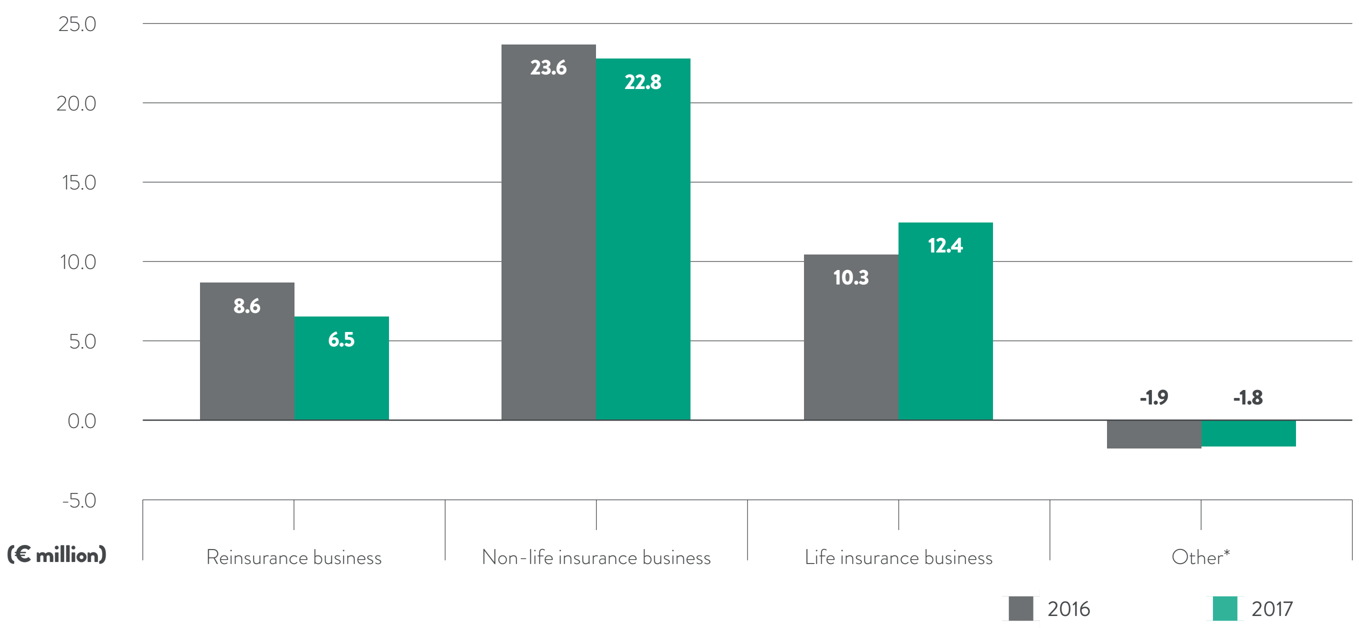
Consolidated gross profit or loss

Composition of the consolidated gross income statement



* The "other" item includes the gross profit/loss of the "other" segment (non-insurance companies) and impairment losses on goodwill, which were not reported in 2017 (2016: €1.7 million).

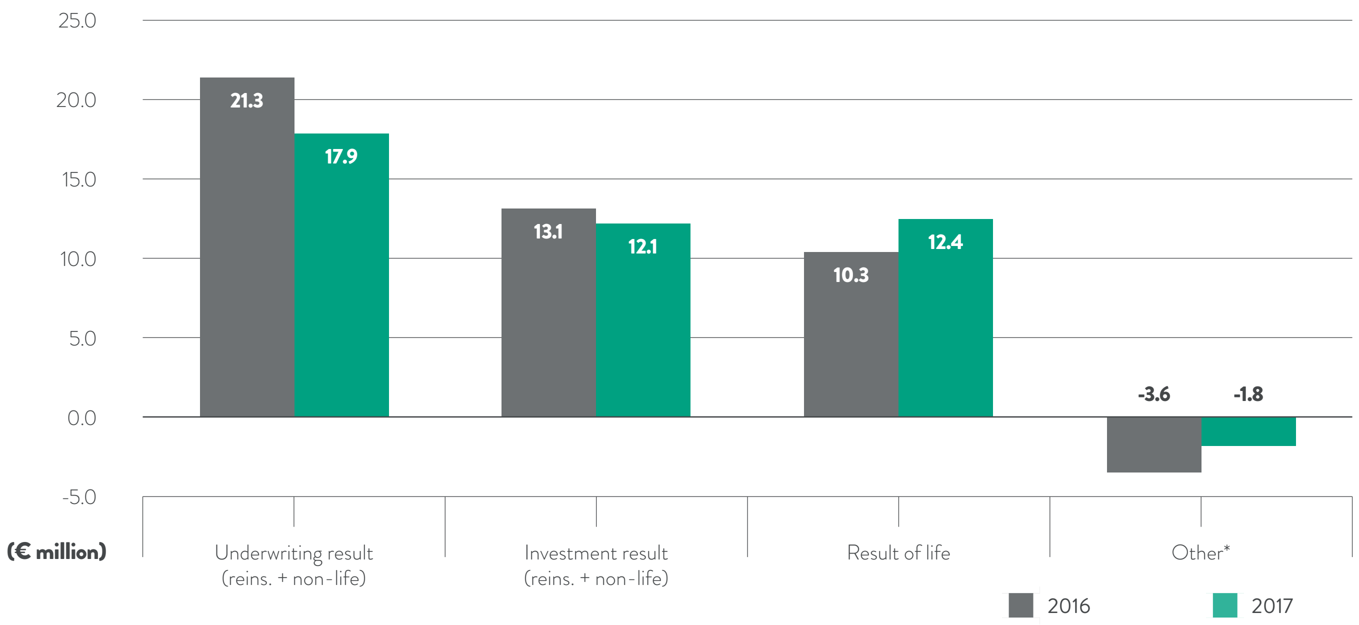
Composition of the consolidated gross income statement by operating segment



* Other includes gross profit/loss of the "other" segment (non-insurance companies).

Ker na posamezne elemente izida vplivajo tečajne razlike, smo jih za njegov vsebinski prikaz v spodnjem grafu izločili.

Composition of the consolidated gross result, excluding exchange differences

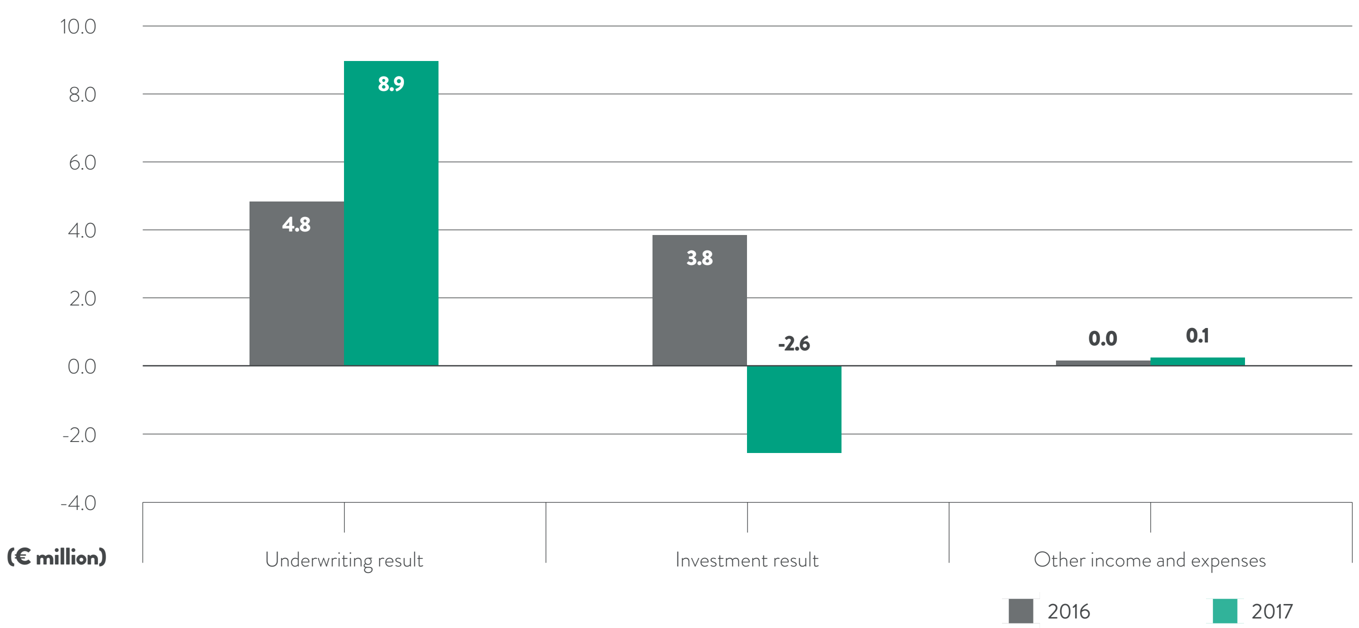


* The "other" item includes the gross profit/loss of the "other" segment (non-insurance companies) and impairment losses on goodwill, which were not reported in 2017 (2016: €1.7 million).

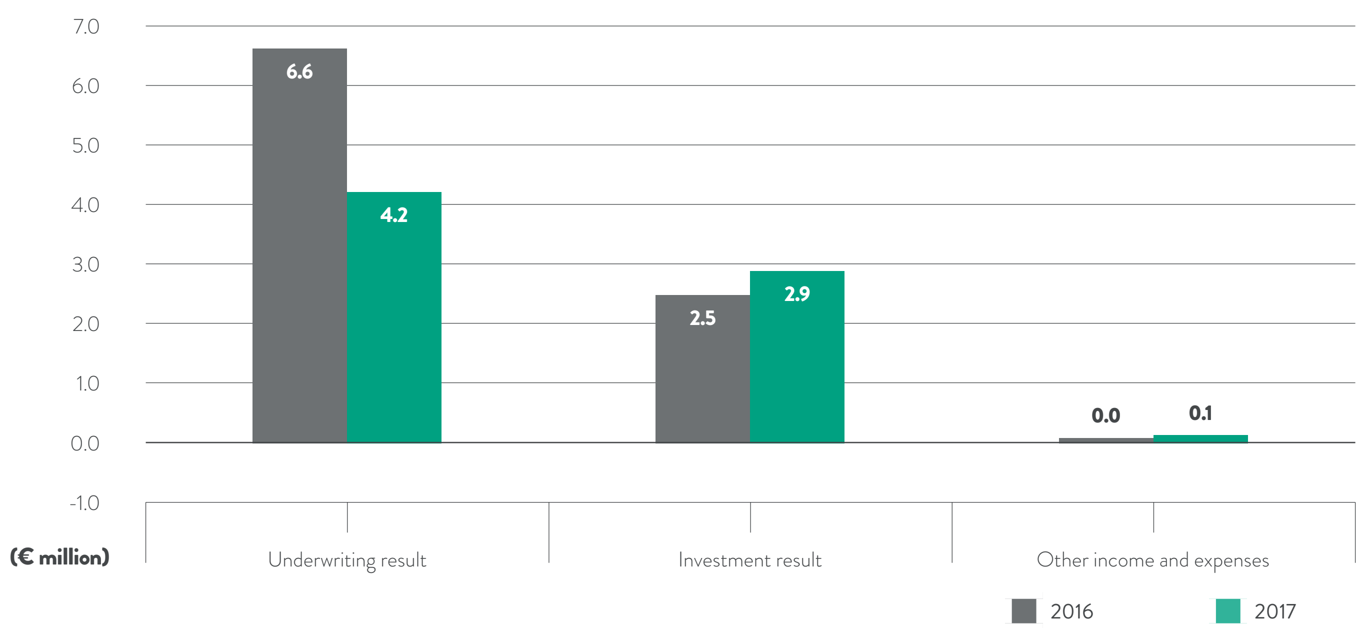
8.1 Reinsurance

This segment reflects the developments in the portfolio that Sava Re writes outside Slovenia, and represents exclusively the business operations of companies outside the Sava Re Group.

Composition of the consolidated gross income statement; reinsurance business



Composition of the consolidated gross income statement, excluding exchange differences; reinsurance business



The net effect of exchange differences on profit or loss is immaterial, as the Company follows a strict asset-liability currency management policy. The impact of exchange differences on the result by operating segment was as follows: underwriting categories were impacted by exchange gains of €4.7 million (2016: €1.8 million losses) and investment activities by losses of €5.5 million (2016: €1.4 million gains).

The table below shows the composition of the gross income statement in the reinsurance segment, excluding exchange differences. With this exclusion, net claims incurred increased by 5.1%, as the reinsurance portfolio suffered several losses abroad. The most notable claims related to the storm in the Caribbean and a flooded mine in Russia. At 69.0%, the net incurred loss ratio was thus 4.5 p.p. lower than in 2016. The investment result was more favourable, mainly on account of capital gains.

Net premiums earned

Net premiums earned; reinsurance business

(€)	2017	2016	Index
Gross premiums written	96,220,818	92,683,719	103.8
Net premiums written	92,506,611	88,620,585	104.4
Change in net unearned premiums	-1,753,176	3,786,781	-46.3
Net premiums earned	**90,753,434**	**92,407,367**	**98.2**

Gross premiums written in the reinsurance segment in 2017 were up 3.8%. Premium growth is driven by the growth in XL business with the highest absolute growth achieved in marine reinsurance business. The change in net unearned premiums had a negative impact on net earned premiums in 2017 (higher balance of net unearned premiums), while in 2016 the impact was positive. In 2016, unearned premiums declined owing to the drop in gross premiums written and a larger share of the non-proportional portfolio with relatively lower unearned premiums.

More details on the movement in unconsolidated data are provided in section 20.1 “Sava Re review of operations”.

Net claims incurred[48]

Net claims incurred; reinsurance business

(€)	2017	2016	Index
Gross claims paid	54,159,750	58,010,218	93.4
Net claims paid	53,508,162	53,730,691	99.6
Change in the net provision for outstanding claims	2,554,245	6,882,231	37.1
Net claims incurred	**56,062,407**	**60,612,921**	**92.5**

Net claims incurred, excluding exchange differences; reinsurance business

(€)	2017	2016	Index
Gross claims paid	54,159,750	58,010,218	93.4
Net claims paid	53,508,162	53,730,691	99.6
Change in the net provision for outstanding claims	8,763,433	5,522,126	158.7
Net claims incurred	**62,271,594**	**59,252,816**	**105.1**

Gross claims decreased by 6.6% compared to 2016, because large claims were paid in 2016 for previous underwriting years.

Net claims incurred fell by 7.5% year on year. The change in the net provision for outstanding claims (increase) was lower than in 2016 mainly due to the effect of exchange differences that drove claims provisions down by €6.2 million in 2017 and up by €1.4 million in 2016. By excluding exchange differences, the change (increase) in 2017 was higher than in 2016 on account of additional provisions set aside for newly reported claims (the mine loss in Russia, collision of two ships near Shanghai, fire loss in Russia and similar).

More details on the movement in unconsolidated data are provided in section 20.1 "Sava Re review of operations".

[48] GRI 201-2

Operating expenses

Consolidated operating expenses; reinsurance business

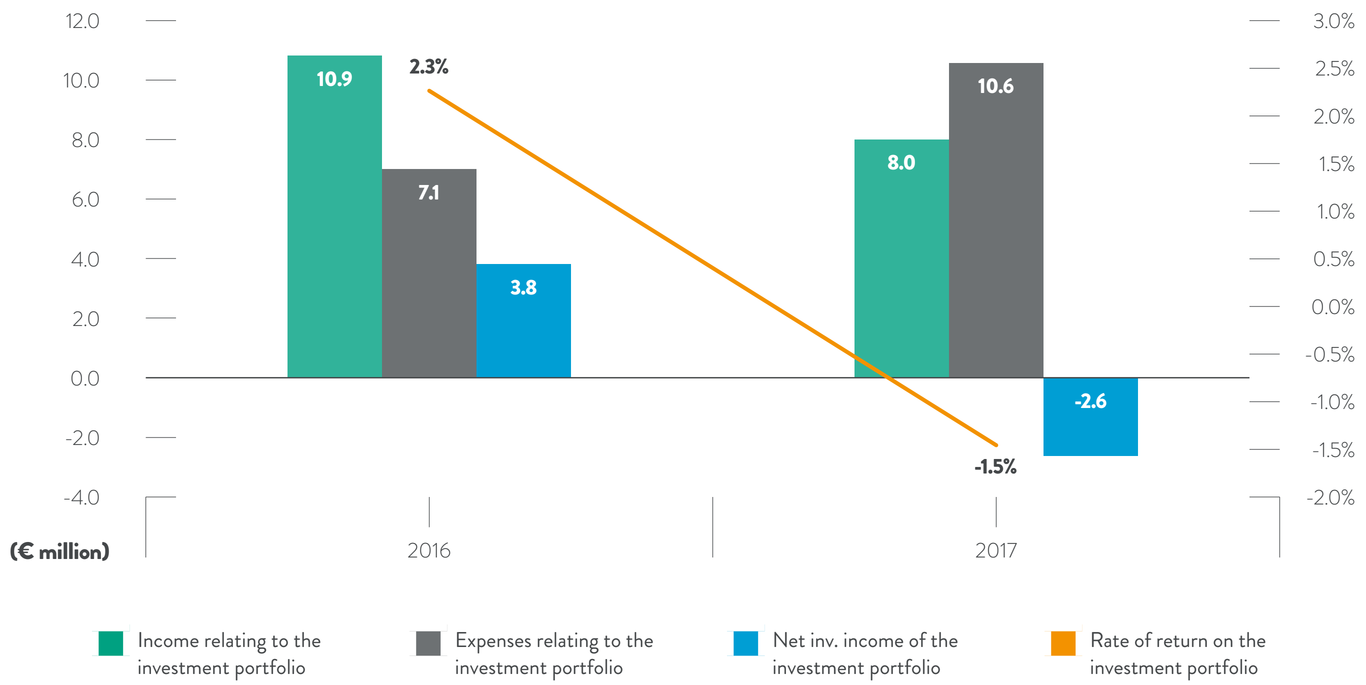
(€)	2017	2016	Index
Acquisition costs	21,175,815	21,919,227	96.6
Change in deferred acquisition costs (+/-)	-1,203,450	937,593	-128.4
Other operating expenses			
Operating expenses	**24,072,970**	**26,641,702**	**90.4**
Income from reinsurance commission	-300,852	-350,140	85.9
Net operating expenses	**23,772,118**	**26,291,562**	**90.4**

Acquisition costs were down despite higher premiums written. Acquisition costs accounted for 22.0% of gross premiums written in 2017, an improvement of 1.6 p.p. compared to 2016. Deferred acquisition costs increased in 2017 in line with the growth in gross premiums and unearned premiums, which is why their change results in lower operating expenses. In 2016, deferred acquisition costs declined in line with the decline in premiums and unearned premiums. The growth in other operating expenses was driven by higher personnel costs and by amortisation due to higher software costs.

More details on the movement in unconsolidated data are provided in section 20.1 "Sava Re review of operations".

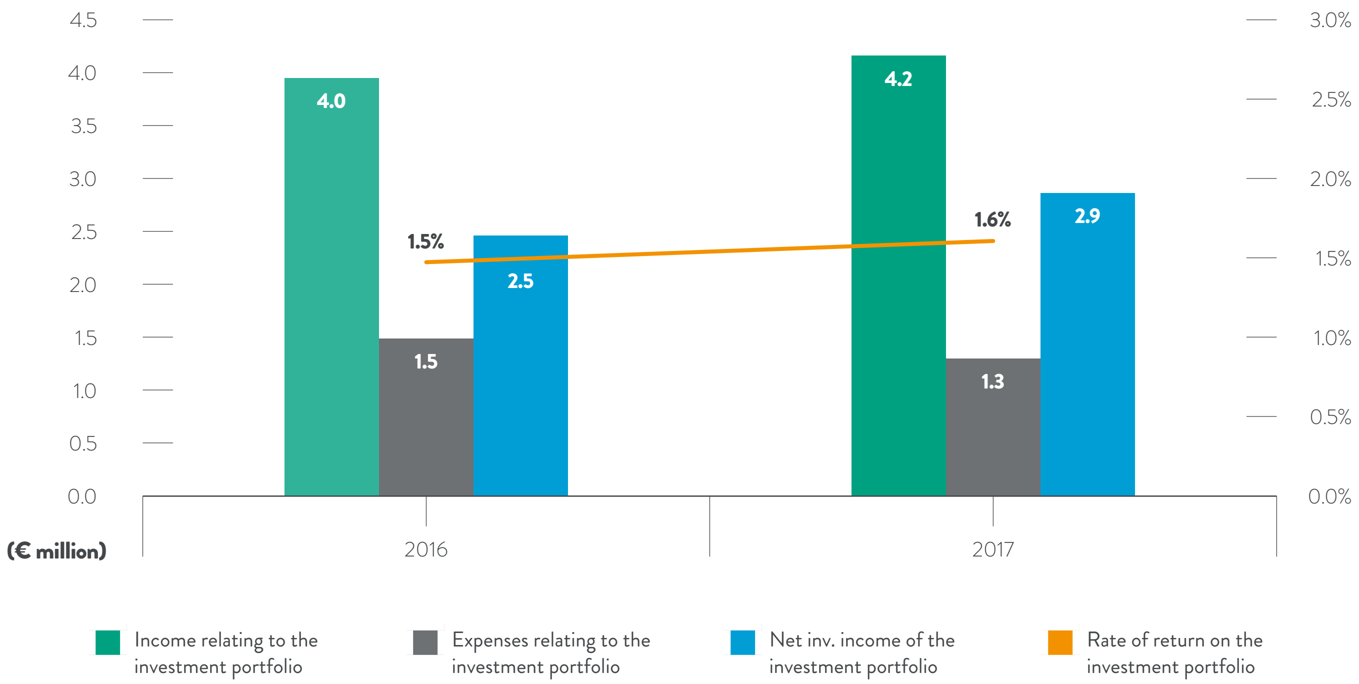
Net investment income

Income, expenses and the net inv. income relating to the investment portfolio; reinsurance business



Income/expenses include income/expenses relating to investment property. These are shown in the income statement under other income/expenses.

Income, expenses and net inv. income of the investment portfolio, excluding exchange differences; reinsurance business



The figures for 2016 differ from those published in the 2016 annual report, as the latter included exchange differences for non-life and life segments.

Given that the exchange differences mainly relate to Sava Re and their impact does not fully affect profit or loss, the graph above shows the net investment income of the investment portfolio, excluding exchange differences relating to reinsurance operations.

Compared to 2016, the Group realised €0.6 million higher net investment income in the reinsurance operating segment. This was mainly the result of realised capital gains.

8.2 Non-life insurance business

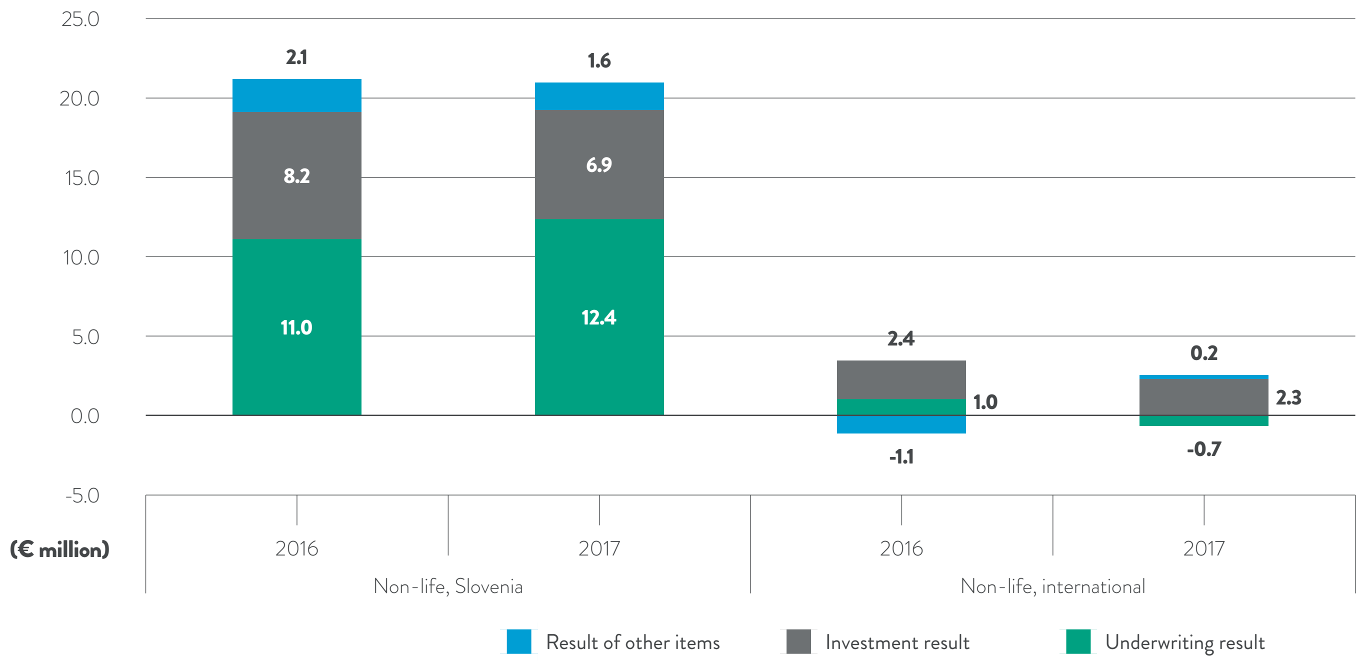
The non-life insurance segment comprises the operations of the following companies:

- Zavarovalnica Sava, non-life,
- Sava osiguranje (MNE),
- Sava neživotno osiguranje (SRB),
- Sava osiguruvanje (MKD),
- Illyria.

The Slovenian part of Zavarovalnica Sava is discussed under Slovenian non-life insurance, while the Croatian part of the company is discussed under international non-life insurance.

Income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.36 "Segment reporting".

Composition of the consolidated gross income statement; non-life insurance business



In 2017, the consolidated income statement for the non-life operating segment was down €0.8 million compared to 2016, namely by €0.3 million in the Slovenian insurance company and by €0.5 million in non-Slovenian insurers.

The consolidated underwriting result of the Slovenian non-life insurer improved by €1.4 million. This improvement was mainly the result of higher net premiums earned and lower operating expenses, but the company suffered more losses from summer storms and several large non-life claims. Reserve releases for prior years' claims had a positive effect as well.

The investment result of Slovenian non-life insurers deteriorated by €1.2 million as a result of lower interest income (low interest rates in capital markets) and other investment income (lower gains on the disposal of investments).

The result of other items posted by the Slovenian non-life insurer deteriorated mainly on account of a decrease in other income.

The consolidated underwriting result of non-domestic non-life insurers deteriorated by €1.7 million. This was mainly the result of major losses incurred by Kosovan and Macedonian non-life insurers.

The improved result of other items of non-Slovenian non-life insurers is due to lower impairment losses on goodwill in 2016, which were not incurred in 2017. The goodwill of the Kosovan insurer was impaired in 2016 owing to a deviation from the planned results, which had an impact of €1.7 million on consolidation; no goodwill impairments were made in 2017.

Net premiums earned

Net premiums earned; non-life insurance business

(€)	2017	2016	Index
Gross premiums written	330,931,091	310,937,672	106.4
Net premiums written	300,773,781	284,155,677	105.8
Change in net unearned premiums	-10,471,397	-4,613,274	-27.0
Net premiums earned	**290,302,385**	**279,542,403**	**103.8**

Net premiums earned; non-life insurance business

(€)	Slovenia			International		
	2017	2016	Index	2017	2016	Index
Gross premiums written	270,369,068	255,823,534	105.7	60,562,023	55,114,138	109.9
Net premiums written	244,442,228	233,021,200	104.9	56,331,553	51,134,477	110.2
Change in net unearned premiums	-8,441,411	-2,993,035	-82.0	-2,029,986	-1,620,239	74.7
Net premiums earned	**236,000,817**	**230,028,165**	**102.6**	**54,301,567**	**49,514,238**	**109.7**

Unconsolidated gross non-life premiums of Sava Re Group companies

(€)	2017	2016	Index
Zavarovalnica Sava, Slovenian part (non-life)	270,515,513	255,985,530	105.7
Zavarovalnica Sava, Croatian part (non-life)	10,632,760	8,801,827	120.8
Sava neživotno osiguranje (SRB)	16,554,669	14,745,052	112.3
Illyria	8,298,477	7,120,933	116.5
Sava osiguruvanje (MKD)	12,740,051	12,197,976	104.4
Sava osiguranje (MNE)	12,354,736	11,656,792	106.0
Total	**331,096,207**	**310,508,111**	**106.6**

Gross non-life insurance premiums grew by 6.4% in 2017 as a result of the growth in gross non-life premiums of all insurance companies in the Group. In Slovenia they rose by 5.7%, mainly due to higher premium volumes in the motor, assistance and property business. Motor premium growth achieved with private individuals was driven both by a higher number of policies written and the growth in average premiums, as well as by a larger number of policies sold with broader coverages. Motor premium growth in the business sector, on the other hand, was the result of higher premiums for certain policyholders and higher volumes in business with leasing providers. Growth in property insurance was the result of the acquisition of certain new policyholders and higher premiums for existing policyholders on account of a larger number of insured items.

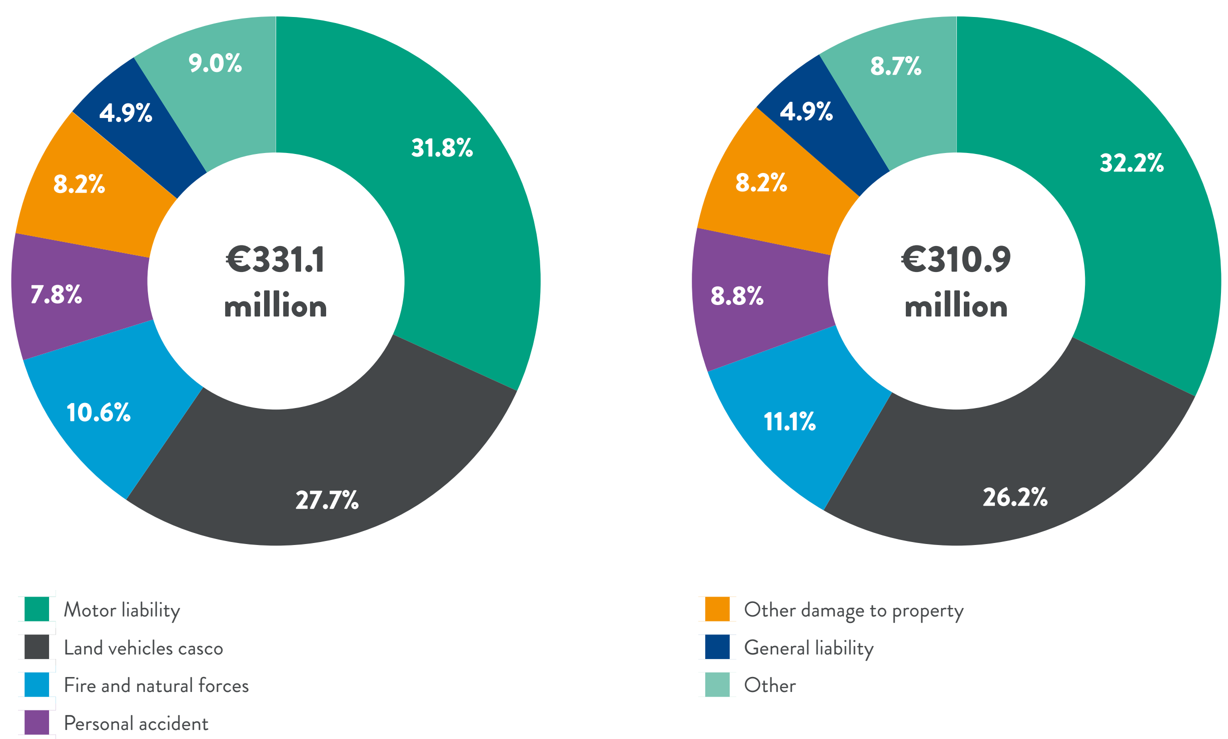
Gross non-life premiums written outside Slovenia increased by 9.9% in all non-Slovenian non-life insurance companies, with the Croatian branch of Zavarovalnica Sava recording the highest growth. This branch exceeded gross premiums from 2016 in most classes of business, which was due to good positioning in Internet sales and resulting increased visibility, improved premium collection, increased efficiency of own sales network and growth in external sales channels. The highest increase was recorded in motor liability insurance. The branch saw total non-life premium growth of 20.8%, whereas the Croatian non-life insurance market grew by 6.0%. In terms of gross non-life premium growth, the Croatian non-life insurer is followed by the Kosovan and Serbian non-life insurers. The Kosovan non-life insurer achieved the highest absolute growth in gross premiums in health insurance owing to increased sales activity, and in assistance business due to price increases and the launch of a new product. The Serbian non-life insurer achieved the highest absolute premium growth in motor liability insurance and medical assistance abroad owing to intensified sales of these products, a loyal and stable sales network and increased demand among policyholders. The Montenegrin non-life insurer achieved the highest premium growth in other damage to property business through a major new client. Premiums at the Macedonian insurer increased through the acquisition of large new clients in motor vehicle liability insurance, higher production in individual and commercial motor casco business, and the acquisition of major new clients in accident insurance business with natural persons.

Net non-life insurance premiums grew by 5.8% in 2017. The reinsurers' shares of premiums and unearned premiums increased in line with the growth in gross premiums written.

Overall, this led to a 3.8% increase in net premiums earned.

Consolidated gross non-life insurance premiums by class of business

2017 | 2016



Net claims incurred

Net claims incurred; non-life insurance business

(€)	2017	2016	Index
Gross claims paid	183,008,928	166,151,248	110.1
Net claims paid	167,923,780	155,738,877	107.8
Change in the net provision for outstanding claims	-78,266	4,479,457	-1.7
Net claims incurred	**167,845,514**	**160,218,334**	**104.8**

Net claims incurred; non-life insurance business

(€)	Slovenia			International		
	2017	2016	Index	2017	2016	Index
Gross claims paid	154,626,111	143,614,923	107.7	28,382,817	22,536,325	125.9
Net claims paid	143,274,196	134,776,285	106.3	24,649,585	20,962,591	117.6
Change in the net provision for outstanding claims	-526,011	3,691,798	-14.2	447,745	787,659	56.8
Net claims incurred	**142,748,185**	**138,468,083**	**103.1**	**25,097,330**	**21,750,251**	**115.4**

Unconsolidated gross non-life claims paid of Sava Re Group companies

(€)	2017	2016	Index
Zavarovalnica Sava, Slovenian part (non-life)	155,408,220	144,268,145	107.7
Zavarovalnica Sava, Croatian part (non-life)	4,504,967	3,757,231	119.9
Sava neživotno osiguranje (SRB)	6,300,523	6,156,554	102.3
Illyria	4,512,001	3,497,451	129.0
Sava osiguruvanje (MKD)	8,899,999	4,875,105	182.6
Sava osiguranje (MNE)	4,314,186	4,166,875	103.5
Total	**183,939,896**	**166,721,361**	**110.3**

Gross claims paid for Slovenian business in 2017 were higher due to a larger volume of gross claims paid for private motor business and partly for assistance business. The main reason for the excess in claims relative to the previous year was the settlement of claims in 2017 relating to hail events in 2016 (three large loss events). Large claims in 2017 were the result of several weather-related loss events (June, July, August and December) and an increase in the number of motor and assistance insurance policies sold to individuals. In terms of commercial sector motor insurance the excess of losses from 2016 related mainly to one major and several minor claims in motor vehicle liability insurance and a higher number of insurance policies sold, which means that at the same loss frequency more claims are reported. Higher payments in the property segment were also the result of weather-related loss events in 2016 and 2017. Provisions for a part of these claims were made in 2016 and their settlement therefore did not have a significant impact on the profits.

Gross claims paid for non-Slovenian business rose by 25.9%. Growth was primarily driven by the settlement of large liability claims of the Macedonian non-life insurer, which did not affect profits as provisions for these claims had been made in previous years. Furthermore, the Macedonian insurer incurred some large motor casco and other damage to property claims as a result of a storm event in the Skopje region in June 2017. A large claim relating to other damage to property was settled in the last quarter of 2017. An increase in gross claims of the Kosovan non-life insurer was the result of a large claim in fire and natural forces insurance and an increased volume of health insurance written compared to 2016. An increase in gross claims paid by Zavarovalnica Sava in Croatia was due to the increased frequency of small claims and one large motor liability claim from 2013. The Montenegrin insurer recorded a slight growth in claims due to several large losses in fire and other property insurance, motor liability and accident insurance.

The decline in net claims provisions is mainly due to the payment of claims (from provisions) by Slovenian insurers relating to hailstorm losses from 2016.

Operating expenses

Consolidated operating expenses; non-life insurance business

(€)	2017	2016	Index
Acquisition costs	24,484,789	24,091,300	101.6
Change in deferred acquisition costs (+/-)	-677,906	343,311	-197.5
Other operating expenses	83,642,953	83,583,937	100.1
Operating expenses	**107,449,836**	**108,018,548**	**99.5**
Income from reinsurance commission	-2,523,519	-3,313,876	76.2
Net operating expenses	**104,926,317**	**104,704,672**	**100.2**

Unconsolidated gross non-life operating expenses of Sava Re Group companies

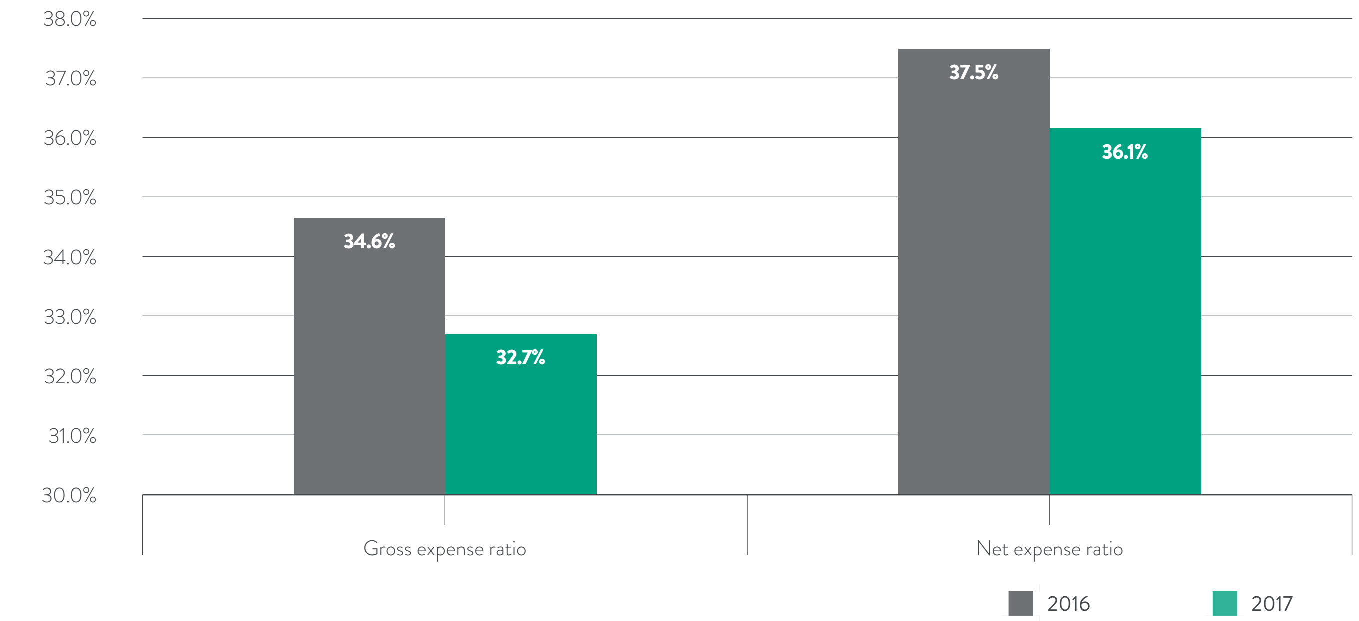
(€)	2017	2016	Index
Zavarovalnica Sava, Slovenian part (non-life)	73,184,792	74,700,751	98.0
Zavarovalnica Sava, Croatian part (non-life)	4,967,296	4,567,819	108.7
Sava neživotno osiguranje (SRB)	9,169,939	7,778,202	117.9
Illyria	2,697,296	2,666,892	101.1
Sava osiguruvanje (MKD)	5,190,358	5,024,561	103.3
Sava osiguranje (MNE)	5,608,720	5,613,168	99.9
Total	**100,818,400**	**100,351,393**	**100.5**

Consolidated acquisition costs rose by 1.6% due to the growth in consolidated non-life premiums and the related increase in commissions for agents and agencies. The overall growth in these costs would be even higher given the growth in these costs in Slovenia, but the costs of the Zavarovalnica Sava branch were reallocated to adjust to the Slovenian part. Prior to the merger, the branch reported agents' salaries as a whole under acquisition costs, whereas after the merger they are disclosed under other operating expenses (personnel costs). This is also the reason for the negative change in deferred acquisition costs in 2017.

Consolidated other operating expenses remained at last year's level due to rationalisation. These costs were down by 4.7% in the Slovenian part of non-life insurers as a result of the merger and its synergistic effects, and up by 13.7% in non-Slovenian insurers. The rise in other operating expenses in non-Slovenian insurers was driven mainly by the increase in the level of expenses of the Serbian non-life insurer, namely personnel costs and one-off costs incurred as the result of the change of its corporate identity. Expenses in the Croatian branch increased mainly on account of higher personnel costs in the above-mentioned adjustment and reallocation of costs for agents' salaries. Increased expenses of the Macedonian insurer are associated with the renovation of business premises and costs incurred in the change of its corporate identity.

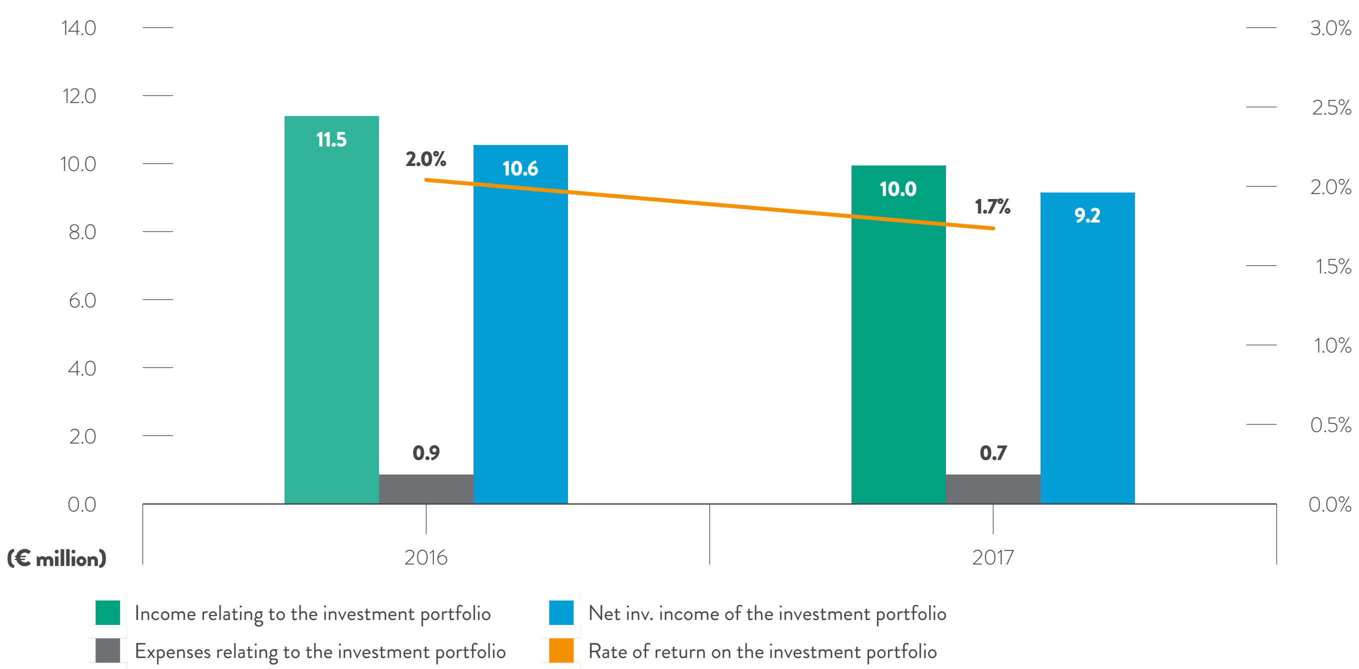
The consolidated gross operating expenses (net of changes in deferred acquisition costs) of non-life business increased by 0.4% and gross consolidated premiums written by 6.4%, as a result of which the gross expense ratio decreased by 2 p.p.

Gross expense ratio; non-life insurance business



Net investment income

Income, expenses and the net inv. income relating to the investment portfolio; non-life insurance business



The net investment income of the investment portfolio of non-life insurance business totalled €9.2 million in 2017, down by €1.4 million from 2016. The net investment income was lower largely owing to lower interest income (€1.1 million). The investment return for the period was 1.7%.

8.3 Life insurance business

The life insurance segment comprises the operations of the following companies:

- Zavarovalnica Sava, life business,
- Sava životno osiguranje (SRB),
- Illyria Life,
- Sava pokojninska.

The Slovenian part of Zavarovalnica Sava is discussed as Slovenian life insurance, while the Croatian part of the company is discussed as international life insurance.

The income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.36 "Segment reporting".

Net premiums earned

Net premiums earned; life insurance business

(€)	2017	2016	Index
Gross premiums written	90,081,522	86,583,763	104.0
Net premiums written	89,709,743	86,186,378	104.1
Change in net unearned premiums	100,431	-34,622	490.1
Net premiums earned	89,810,174	86,151,756	104.2

Net premiums earned; life insurance business

(€)	Slovenia			International		
	2017	2016	Index	2017	2016	Index
Gross premiums written	82,999,362	80,073,263	103.7	7,082,160	6,510,500	108.8
Net premiums written	82,646,012	79,697,487	103.7	7,063,731	6,488,891	108.9
Change in net unearned premiums	108,607	-8,761	1439.7	-8,176	-25,861	168.4
Čisti prihodki od premij	82.754.619	79.688.726	103,8	7.055.555	6.463.030	109,2

Unconsolidated gross life premiums written by Sava Re Group companies

(€)	2017	2016	Index
Zavarovalnica Sava, Slovenian part (life)	80,880,631	78,962,673	102.4
Zavarovalnica Sava, Croatian part (life)	3,721,715	3,505,085	106.2
Sava životno osiguranje (SRB)	1,654,286	1,312,639	126.0
Illyria Life	1,708,366	1,692,776	100.9
Sava pokojninska	2,118,731	1,110,590	190.8
Total	90,083,729	86,583,762	104.0

Gross premiums written by the Group's life insurers grew both in Slovenia and abroad year on year. Following the liquidation of its DWS FlexPension funds by the DWS fund administrator, Zavarovalnica Sava made a special offer to policyholders who held savings relating to these funds to take out similar policies, for which a new internal fund was established. This pushed gross premiums up by €2.2 million.

A large number of unit-linked insurance policies that matured in January 2017, on the other hand, had a negative effect on the growth in gross premiums in Slovenia, but were largely replaced as many policyholders decided to take out a new policy.

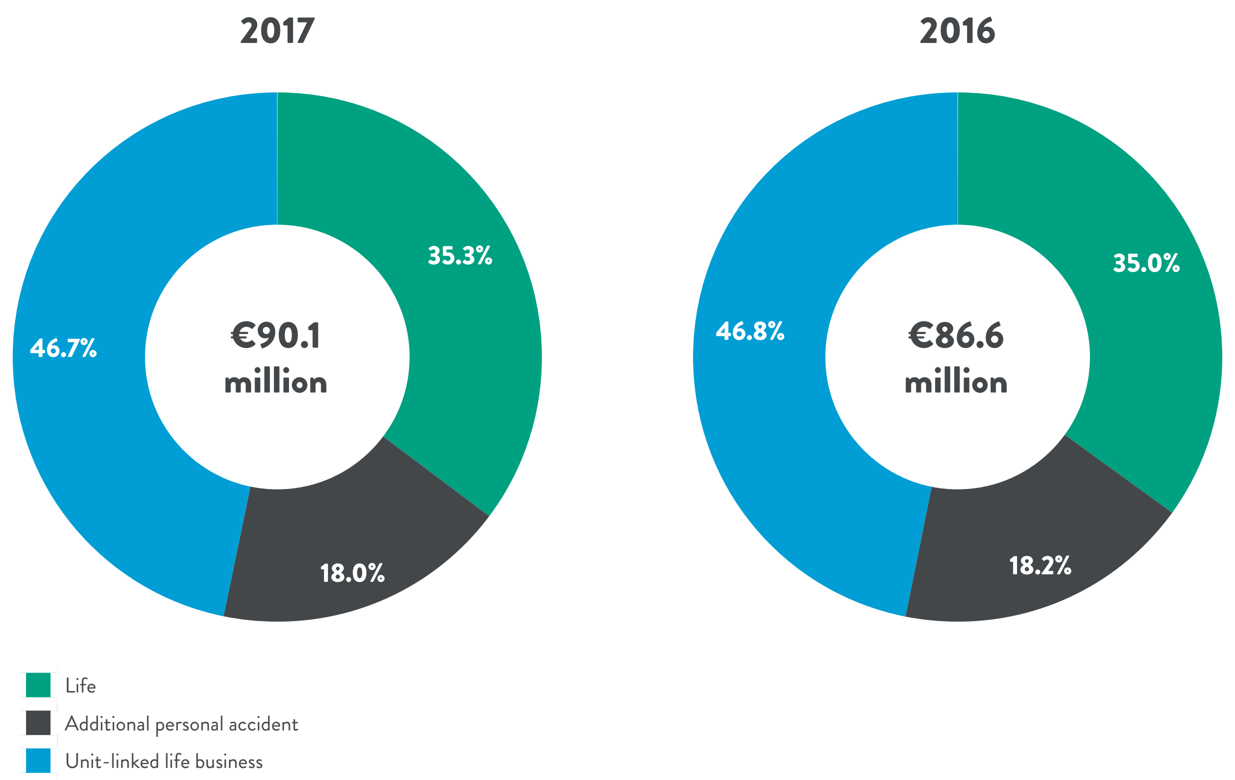
The growth in life insurance premiums in Slovenia was additionally spurred by Sava pokojninska pension company with higher single premiums for annuities. This business is expected to continue to grow as policyholders reach retirement age, when funds from savings accounts are transferred to annuity contracts.

Gross premiums written increased in other countries as well, especially in Serbia, where Sava životno osiguranje (SRB) secured a 26% increase in premiums through its efforts to expand the sales network and boost productivity.

High growth was generated also by the Croatian part of Zavarovalnica Sava, which grew premiums by 6.2% in 2017, while the Croatian life insurance market recorded growth of 1.5%. This was largely due to more term life insurance policies sold.

All Sava Re Group companies have been implementing measures to improve their own sales network through regular education and training events for sales personnel, while also seeking growth opportunities through other sales channels.

Consolidated gross life insurance premiums by class of business



Net claims incurred

Net claims incurred; life insurance business

(€)	2017	2016	Index
Gross claims paid	72,558,482	45,284,330	160.2
Net claims paid	72,448,690	45,156,575	160.4
Change in the net provision for outstanding claims	-253,291	2,405,946	-10.5
Net claims incurred	**72,195,399**	**47,562,521**	**151.8**
Change in other technical provisions*	1,829,203	7,967,906	23.0
Change in technical provisions for policyholders who bear the investment risk	1,121,327	17,442,161	6.4
Net claims incurred, including the change in the mathematical and UL provisions	**75,145,929**	**72,972,588**	**103.0**

* These are mainly mathematical provisions.

Net claims incurred; life insurance business

(€)	Slovenia			International		
	2017	2016	Index	2017	2016	Index
Gross claims paid	70,779,111	43,515,230	162.7	1,779,371	1,769,100	100.6
Net claims paid	70,671,036	43,389,751	162.9	1,777,654	1,766,823	100.6
Change in the net provision for outstanding claims	-212,945	2,414,190	-8.8	-40,346	-8,244	-289.4
Net claims incurred	**70,458,091**	**45,803,941**	**153.8**	**1,737,308**	**1,758,579**	**98.8**
Change in other technical provisions*	-894,199	5,821,095	-15.4	2,723,402	2,146,811	126.9
Change in technical provisions for policyholders who bear the investment risk	1,108,638	17,435,867	6.4	12,689	6,294	201.6
Net claims incurred, including the change in the mathematical and UL provisions	**70,672,530**	**69,060,903**	**102.3**	**4,473,399**	**3,911,684**	**114.4**

* These are mainly mathematical provisions.

Nekonsolidirane kosmate škode življenjskih zavarovanj članic skupine Sava Re

(€)	2017	2016	Index
Zavarovalnica Sava, Slovenian part (life)	70,327,201	43,231,245	162.7
Zavarovalnica Sava, Croatian part (life)	875,387	1,102,122	79.4
Sava životno osiguranje (SRB)	361,844	370,532	97.7
Illyria Life	542,541	296,446	183.0
Sava pokojninska	451,910	283,985	159.1
Total	72,558,883	45,284,330	160.2

Gross claims paid in Slovenia grew by 62.7% as a result of a large number of unit-linked policies that matured in January 2017. The movement in claims needs to be looked at in conjunction with the change in technical provisions.

Gross claims also increased in international business as a result of the increase in claims at Illyria Life, with more claims recorded due to maturities and accidental deaths, coupled with a significant number of surrenders, as a large number of policies became eligible for this option.

The increase in claims paid by Sava pokojninska is the result of more policyholders receiving monthly annuities. Payments will continue to increase on account of more policyholders reaching retirement age.

The movement in other technical provisions is generally the result of higher or lower mathematical provisions that increase over the term of policies and as portfolios mature, but decrease when claims are paid out. In 2017, Zavarovalnica Sava paid out substantially more maturity claims, which pushed mathematical provisions down, whereas mathematical provisions for the Croatian part of Zavarovalnica Sava and Sava životno osiguranje (SRB) increased in line with the ageing and growth of the portfolio.

The year-on-year change in technical provisions for policyholders who bear the investment risk of the Slovenian insurers is affected by claims settlements as well as movements in mutual fund unit prices.

Operating expenses

Consolidated operating expenses; life insurance business

(€)	2017	2016	Index
Acquisition costs	6,288,523	5,872,023	107.1
Change in deferred acquisition costs (+/-)	-507,646	193,550	-262.3
Other operating expenses	17,319,566	16,494,852	105.0
Operating expenses	23,100,443	22,560,425	102.4
Income from reinsurance commission	-46,498	-68,591	67.8
Net operating expenses	23,053,945	22,491,834	102.5

The increase in acquisition costs is primarily due to increased acquisition costs of the Slovenian part of Zavarovalnica Sava due to its expanded operations and altered dynamics of expenses included in products. This is also the reason for the negative change in deferred acquisition costs in 2017.

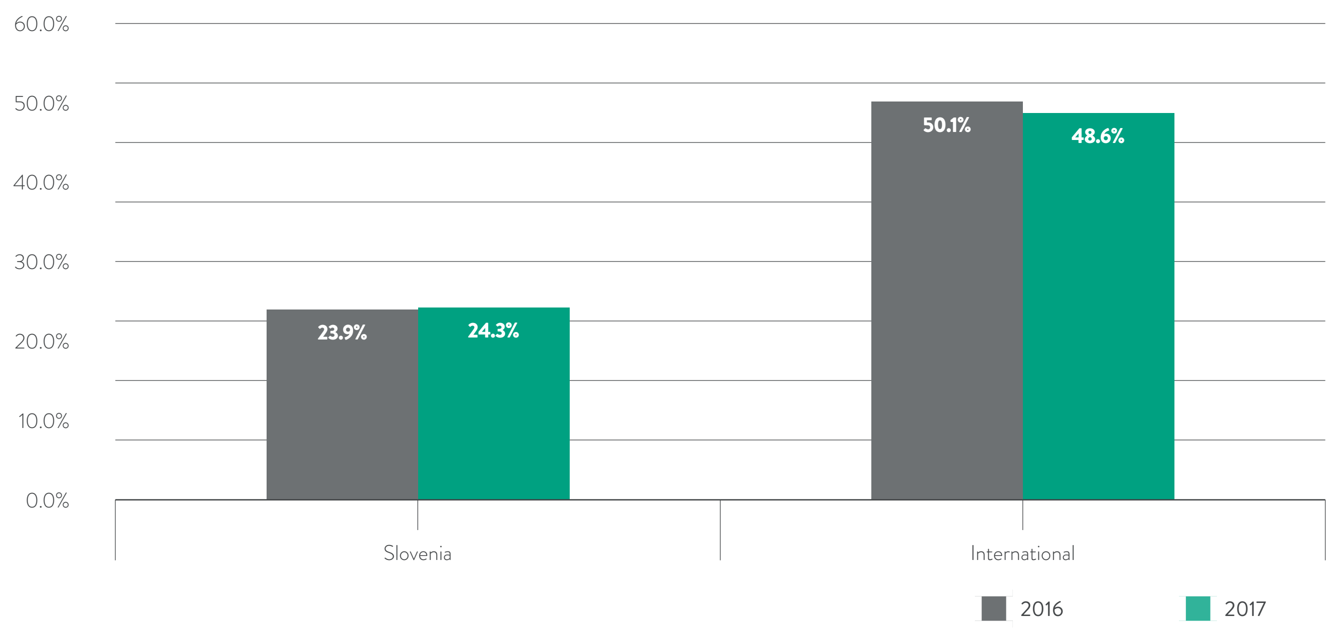
Higher other operating expenses were driven by higher costs in all companies, especially the Croatian part of Zavarovalnica Sava and Sava životno osiguranje (SRB). In the former, this increase is due to reclassification of costs of adjusting to the Slovenian part – prior to the merger, the branch reported agents' salaries under acquisition costs, whereas after the merger on 2 November 2016 they are disclosed under other operating expenses. In total, these costs remained at the same level as in the previous year. In 2017, Sava životno osiguranje (SRB) saw higher personnel costs related to sales, which was driven by intensified sales efforts resulting in greater sales of new insurance policies; at the same time, the costs of services incurred due to investments in IT support upgrades and costs associated with the corporate identity redesign increased as well.

Unconsolidated gross life operating expenses of Sava Re Group companies

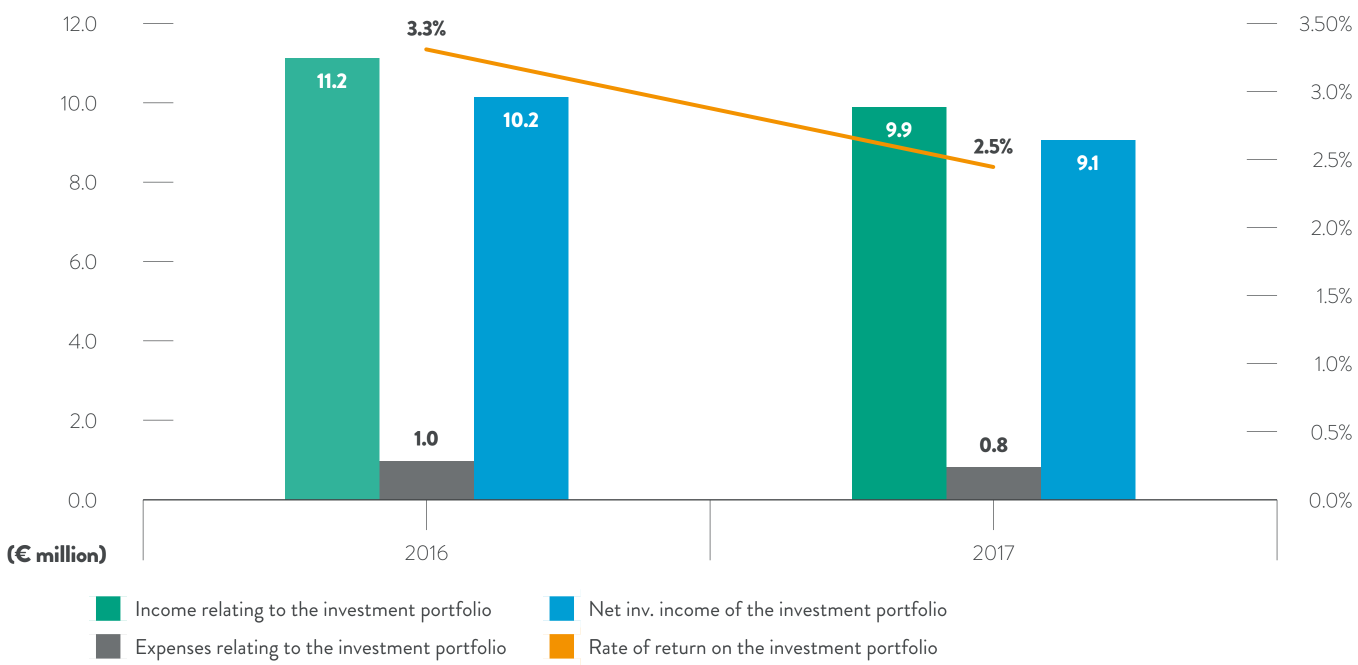
(€)	2017	2016	Index
Zavarovalnica Sava, Slovenian part (life)	18,268,052	17,096,681	106.9
Zavarovalnica Sava, Croatian part (life)	1,703,900	1,796,973	94.8
Sava životno osiguranje (SRB)	1,179,043	919,592	128.2
Illyria Life	503,510	487,408	103.3
Sava pokojninska	1,393,969	1,335,107	104.4
Total	23,048,475	21,635,760	106.5

Net investment income

Gross expense ratio; life insurance business



Income, expenses and the net inv. income relating to the investment portfolio; life insurance business



The consolidated gross expense ratio of the Slovenian companies increased by 0.4 percentage points year on year, which is a result of increased expenses in both the Slovenian part of Zavarovalnica Sava and in Sava pokojninska.

The consolidated gross expense ratio of non-Slovenian life insurers dropped by 1.5 p.p. due to the increase in gross premiums written. The consolidated gross expenses of the non-Slovenian companies, by contrast, increased by €0.2 million due to the above reasons.

The net investment income of the investment portfolio of life insurance business declined by €1.1 million year on year. The decline was mainly the result of lower interest income (€1.2 million). Expenses relating to the investment portfolio in the observed period totalled €0.8 million or €0.2 million less than in 2016. The Group recorded no losses in life business in 2017 (2016: €0.2 million). The investment return in 2017 was 2.5%.

9 FINANCIAL POSITION OF THE SAVA RE GROUP

As at 31 December 2017, total assets of the Sava Re Group stood at €1,708.3 million, an increase of 2.2% over year-end 2016. Below we set out items of assets and liabilities in excess of 5% of total assets or liabilities as at 31 December 2017, or items that changed by more than 2% of equity.

9.1 Assets

Consolidated total assets by type

(€)	31/12/2017	As % of total as at 31/12/2017	31/12/2016	As % of total as at 31/12/2016
ASSETS	**1,708,348,067**	**100.0%**	**1,671,189,179**	**100.0%**
Intangible assets	22,712,944	1.3%	25,508,583	1.5%
Property and equipment	45,438,014	2.7%	51,887,127	3.1%
Deferred tax assets	2,107,564	0.1%	2,326,063	0.1%
Investment property	15,364,184	0.9%	7,933,786	0.5%
Financial investments	1,038,125,019	60.8%	1,030,235,239	61.6%
Funds for the benefit of policyholders who bear the investment risk	227,228,053	13.3%	224,175,076	13.4%
Reinsurers' share of TP*	30,787,241	1.8%	28,444,628	1.7%
Investment contract assets	129,622,131	7.6%	121,366,122	7.3%
Receivables	138,455,525	8.1%	127,408,527	7.6%
Deferred acquisition costs	18,507,194	1.1%	16,510,536	1.0%
Other assets	2,043,395	0.1%	1,366,844	0.1%
Cash and cash equivalents	37,956,119	2.2%	33,939,160	2.0%
Non-current assets held for sale	684	0.0%	87,488	0.0%

* TP = technical provisions

9.1.1 Property and equipment

Property and equipment assets decreased by 12.4% or €6.4 million compared to 2016.

This decrease is attributable mainly to the reclassification of the €5.2 million property on Baragova 5 in Ljubljana as investment property, because the property came into use after the lease contract was signed with the lessees. Prior to the reclassification, the property was classified as owner-occupied property under construction.

9.1.2 Investment portfolio

The investment portfolio consists of the following statement of financial position items: financial investments, investment property and cash.

The Sava Re Group investment portfolio

(€)	2017	2016	Absolute change	Index
Deposits	21,605,211	24,737,308	-3,132,097	87.3
Government bonds	566,515,923	595,132,601	-28,616,678	95.2
Corporate bonds	394,196,963	368,357,333	25,839,630	107.0
Shares	17,524,834	16,980,847	543,987	103.2
Mutual funds	31,857,756	16,531,807	15,325,949	192.7
Loans granted and other investments	591,985	659,484	-67,499	89.8
Deposits with cedants	5,832,347	7,835,859	-2,003,512	74.4
Total financial investments	**1,038,125,019**	**1,030,235,239**	**7,889,780**	**100.8**
Investment property	15,364,184	7,933,786	7,430,398	193.7
Cash and cash equivalents	30,746,332	21,481,381	9,264,951	143.1
Total investment portfolio	**1,084,235,535**	**1,059,650,406**	**24,585,129**	**102.3**
Funds for the benefit of policyholders who bear the investment risk	234,437,840	236,632,855	-2,195,015	99.1
- financial investments	227,228,053	224,175,075	3,052,977	101.4
- cash and cash equivalents of policyholders who bear the investment risk	7,209,787	12,457,779	-5,247,992	57.9
Investment contract assets	129,622,131	121,366,122	8,256,009	106.8

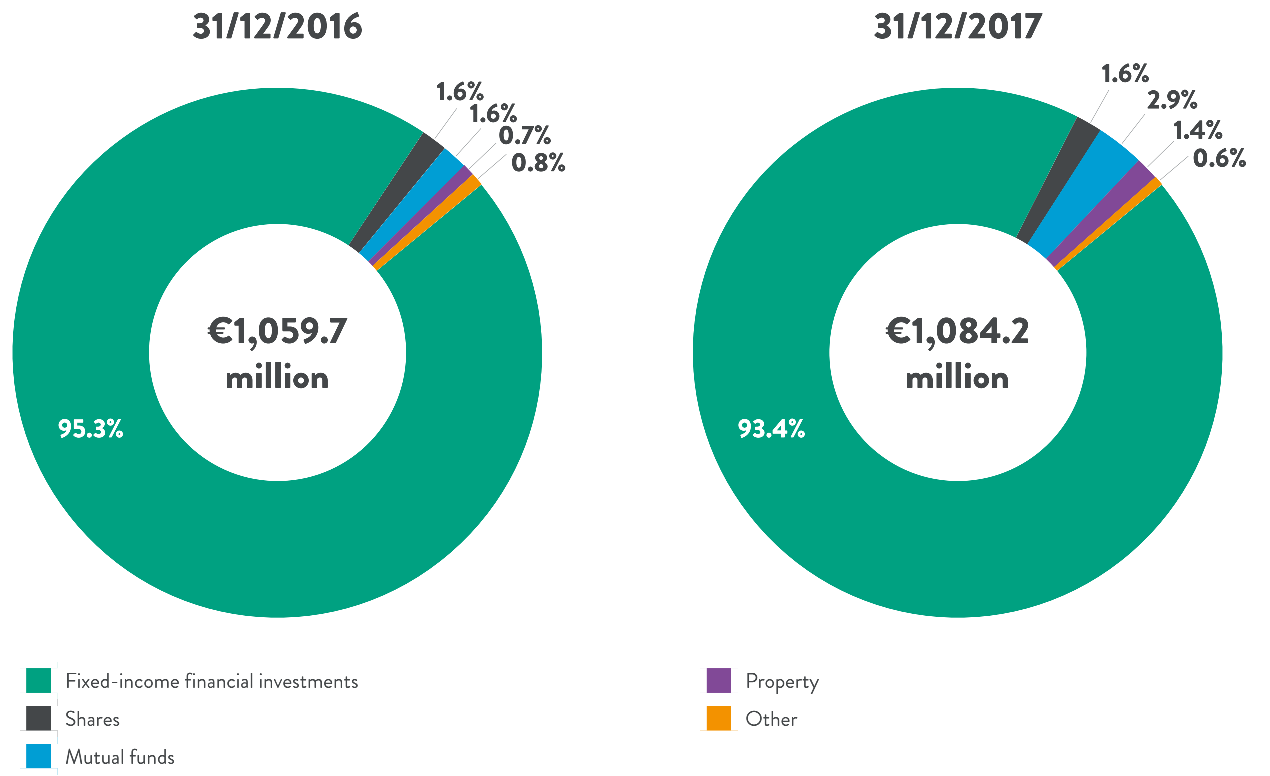
* Cash and cash equivalents of policyholders who bear the investment risk (2017: €7.2 million; 2016: €12.5 million) were excluded from the investment portfolio.

As at 31 December 2017 the Sava Re Group investment portfolio totalled €1,084.2 million and was up €24.6 million compared to 31 December 2016, mainly due to the positive cash flow from the core insurance business.

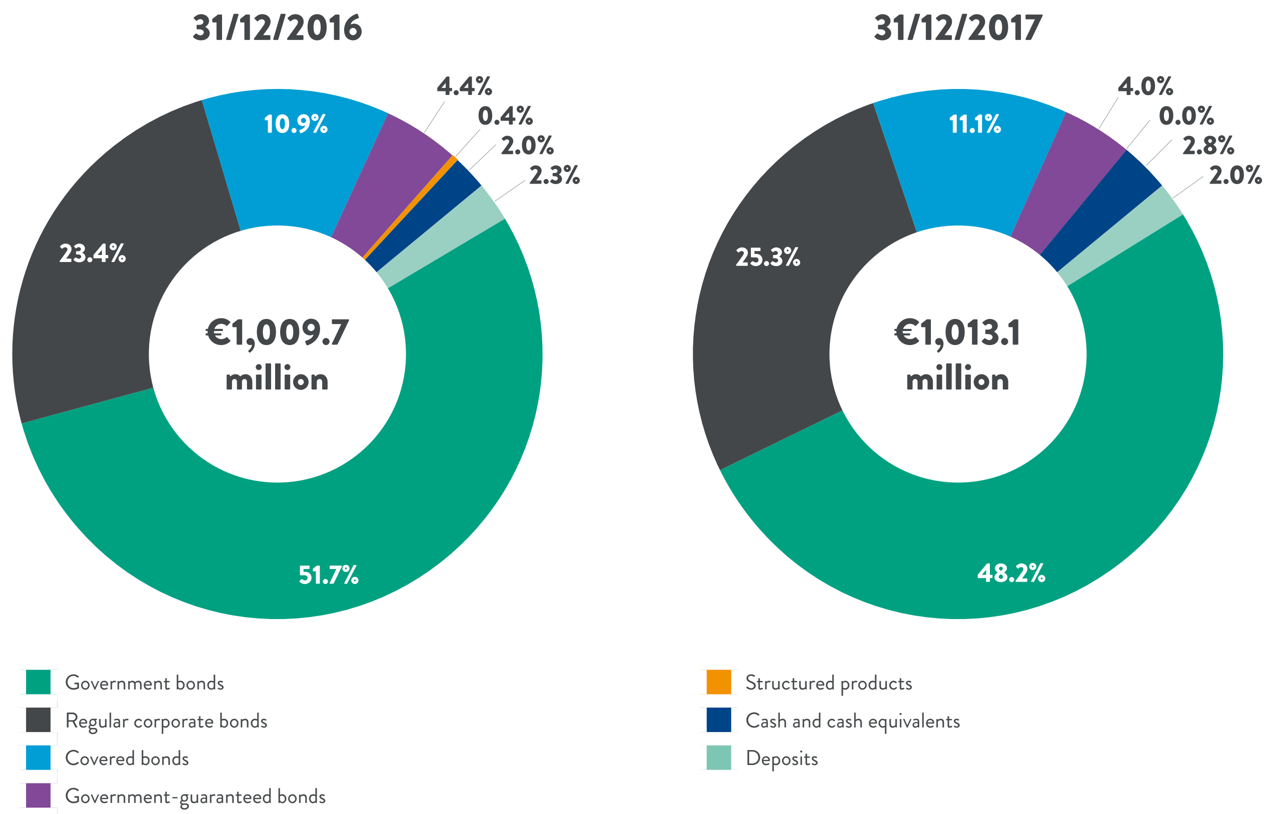
As at 31 December 2017 investment property totalled €15.4 million or €7.4 million more than at year-end 2016. The increase was the result of fixed assets under construction being included in investment property (Sava Re €5.2 million and Zavarovalnica Sava €2.2 million).

Compared to 31 December 2016, the composition of the investment portfolio changed in line with the Group's investment policy. The proportion of investments in government bonds under fixed-income investments, which accounted for 93.4% of the investment portfolio as at 31 December 2017 (31 December 2016: 95.5%), was down compared to 31 December 2016 due to maturities and disposals, whereas the proportion of corporate bonds and mutual funds increased. The increase in investments in mutual funds is largely the result of increased investments in money market funds.

Composition of the investment portfolio



Composition of fixed-income investments



9.1.3 Funds for the benefit of policyholders who bear the investment risk

Zavarovalnica Sava is the only Group company to market life products where the investment risk is borne by policyholders. The funds of these policyholders are recorded as financial investments (mainly in mutual funds selected by policyholders) and cash. As at 31 December 2017, financial investments totalled €227.2 million, while cash and cash equivalents stood at €7.2 million. Compared to 31 December 2016, the funds therefore decreased by €2.2 million. Funds for the benefit of policyholders who bear the investment risk decreased on account of the negative cash flow in the amount of €11.0 million that was generated through maturities and surrenders and the positive change in the fair value reserve totalling €8.2 million.

9.1.4 Investment contract assets

The investment contract assets item includes liability fund assets relating to the life cycle funds MOJI skladi življenjskega cikla managed by the Sava pokojninska pension company for the benefit of policyholders since 1 January 2016. This group consists of three long-term business funds: MOJ dinamični sklad (MY Dynamic Fund, MDF) and MOJ uravnoteženi sklad (MY Balanced Fund, MBF) (where policyholders bear the full investment risk) and MOJ zajamčeni sklad (MY Guaranteed Fund, MGF) (where policyholders bear the investment risk in excess of the guaranteed funds). As at 31 December 2017, investment contract assets totalled €129.6 million, up 6.8% compared to 31 December 2016. The increase in investment contract assets was mainly due to a positive change in the fair value reserve (€3.3 million) and net payments (€5.6 million; there were €12.6 million of inflows and €7.0 million of outflows in 2017).

As at 31 December 2017, financial investments accounted for 88.4% of all assets, the rest consisted of receivables and cash and cash equivalents.

Like the previous category, the movement in investment contract assets depends on new premium contributions, outflows and changes in the unit prices of funds.

9.1.5 Receivables

Receivables increased by 8.7% or €11.0 million compared to 2016.

The increase was partly due to the increase in receivables arising out of primary insurance business, which rose by €73.0 million compared to 31 December 2016. The increase reflected a change in the disclosure of items of receivables and liabilities relating to operating activities. We disclose the items relating to accepted reinsurance and co-insurance business (also known as inwards re/co-insurance) under receivables and liabilities from primary insurance business. Receivables and liabilities from reinsurance and co-insurance business will continue to include items relating to ceded business (reinsurance and ceded co-insurance written by primary insurance companies and outward retrocession business of the reinsurance company).

Had this change been applied to receivables already on 31 December 2016, the receivables from primary insurance business would be €9.8 million higher than on 31 December 2016. Most of the increase in the reinsurance segment was generated through the growth in gross premiums written in international markets, which was reflected in the total growth in this item. The age structure shows an increase in not-past-due receivables arising out of primary insurance operations. Receivables arising out of reinsurance and co-insurance business increased by €1.4 million, which was the result of an increase in receivables from the reinsurance business of Sava osiguruvanje (MKD) related to one major claim. Current tax assets were down by €0.1 million, whereas other receivables remained at the same level as in 2016.

9.2 Liabilities

Consolidated total liabilities by type

(€)	31/12/2017	As % of total as at 31/12/2017	31/12/2016	As % of total as at 31/12/2016
LIABILITIES	**1,708,348,067**	**100.0%**	**1,671,189,179**	**100.0%**
Equity	316,116,895	18.5%	297,038,327	17.8%
Share capital	71,856,376	4.2%	71,856,376	4.3%
Capital reserves	43,035,948	2.5%	43,681,441	2.6%
Profit reserves	162,548,076	9.5%	145,893,612	8.7%
Treasury shares	-24,938,709	-1.5%	-24,938,709	-1.5%
Fair value reserve	18,331,697	1.1%	17,458,948	1.0%
Reserve due to fair value revaluation	667,518	0.0%	351,655	0.0%
Retained earnings	33,093,591	1.9%	36,778,941	2.2%
Net profit or loss for the period	14,557,220	0.9%	9,049,238	0.5%
Translation reserve	-3,353,304	-0.2%	-3,854,182	-0.2%
Equity attributable to owners of the controlling company	315,798,413	18.5%	296,277,319	17.7%
Non-controlling interests in equity	318,482	0.0%	761,008	0.0%
Subordinated liabilities	0	0.0%	23,570,771	1.4%
Technical provisions	931,398,362	54.5%	911,221,323	54.5%
Technical provisions for the benefit of life insurance policyholders who bear the investment risk	226,527,893	13.3%	226,994,200	13.6%
Other provisions	7,600,613	0.4%	8,080,877	0.5%
Deferred tax liabilities	5,781,494	0.3%	6,038,631	0.4%
Investment contract liabilities	129,483,034	7.6%	121,229,675	7.3%
Other financial liabilities	245,205	0.0%	393,996	0.0%
Liabilities from operating activities	60,598,188	3.5%	48,790,646	2.9%
Other liabilities	30,596,383	1.8%	27,830,733	1.7%

9.2.1 Equity

Compared to 31 December 2016 equity increased by 6.4% or €19.1 million. The change reflects the following factors:

- net profit amounted to €31.1 million (increase in equity);
- positive change in the fair value reserve of €1.7 million (increase in equity);
- acquisition of non-controlling interests in the amount of €1.1 million (decrease in equity);
- dividend payout of €12.5 million (decrease in equity).

9.2.2 Subordinated liabilities

In 2006 and 2007, the controlling company raised a subordinated loan in the nominal amount of €32 million scheduled to mature in 2027. Under the contractual provisions, the Company had the option of early repayment of the remaining nominal amount of €24 million as of 2017. Having received the approval of the Slovenian Insurance Supervision Agency, the controlling company repaid the subordinated debt in the nominal amount of €24 million on 15 March 2017 and 14 June 2017.

9.2.3 Technical provisions

Gross technical provisions are the largest item of liabilities. As at 31 December 2017 they were 2.2% or €20.2 million higher than at year-end 2016.

Gibanje konsolidiranih kosmatih zavarovalno-tehničnih rezervacij

(v EUR)	31.12.2017	31.12.2016	Indeks
Kosmate prenosne premije	171.857.259	157.678.496	109,0
Kosmate matematične rezervacije	271.409.915	269.762.815	100,6
Kosmate škodne rezervacije	479.072.582	475.157.985	100,8
Kosmate rezervacije za bonuse, popuste in storno	1.780.231	1.831.420	97,2
Druge kosmate zavarovalno-tehnične rezervacije	7.278.375	6.790.607	107,2
Kosmate zavarovalno-tehnične rezervacije	**931.398.362**	**911.221.323**	**102,2**

The gross provisions for the reinsurance segment rose by 2.6% or €3.9 million. Unearned premiums increased by €1.9 million or 7.5%, mainly owing to higher premiums in proportional reinsurance with mid-year renewal, and provisions for outstanding claims increased by €1.8 million or 1.4%, mainly as the result of reserves made for large claims in underwriting year 2017.

Gross provisions in the non-life segment at year-end 2017 were 3.1% or €14.6 million higher as the result of a €12.4 million increase in unearned premiums, whereas gross provisions for outstanding claims increased by €2.1 million. Driven by business growth, gross provisions increased in all non-life insurers in the Group except the Macedonian company, which in 2017 paid several large claims from previous years and thus reported a decrease in gross provision for outstanding claims. Prior year reserve releases had a positive effect on movement in provisions.

The gross provision for traditional life policies at year-end 2017 was 0.6% or €1.7 million larger than at the previous year-end, mainly as a result of the increase in the mathematical provision.

Other technical provisions (bonuses and discounts, unexpired risks) accounted for a smaller share and grew in total by €0.4 million.

9.2.4 Technical provisions for the benefit of life insurance policyholders who bear the investment risk

As at 31 December 2017 technical provisions for the benefit of policyholders who bear the investment risk declined by 0.2% or €0.5 million compared to year-end 2016. These provisions move in line with funds of policyholders who bear the investment risk (depending on contributions, outflows and movement in fund unit prices).

9.2.5 Investment contract liabilities

The investment contract liabilities of the Sava pokojninska pension company totalled €129.5 million as at 31 December 2017, up 6.8% or €8.3 million on year-end 2016. They move in line with investment contract assets.

9.2.6 Liabilities from operating activities

As at 31 December 2017, liabilities from operating activities totalled €60.6 million, up €11.8 million or 24.2% compared to year-end 2016.

Due to a change in the disclosure of liabilities described in section 9.1.5 “Receivables”, the liabilities from primary insurance business increased by €42.8 million. Had this change been applied already on 31 December 2016, the liabilities arising out of primary insurance business would have been €12.5 million higher at year-end 2017 compared to year-end 2016. This is largely due to the increase in liabilities arising out of primary reinsurance business due to increased liabilities for claims that are subject to the usual interim dynamics; these include not-past-due liabilities and liabilities with corresponding receivables for premiums. The increase in other segments is largely the result of one large claim of the Macedonian insurer that had been processed, but not yet paid. Liabilities from reinsurance and co-insurance business were down €0.8 million compared to year-end 2016.

9.3 Capital structure

As at 31 December 2017, the Sava Re Group held €316.1 million of equity and no subordinated liabilities, and was thus financed exclusively through equity.

9.4 Cash flow

In 2017, the Sava Re Group had a positive operating cash flow of €31.4 million (2016: €42.2 million) that was driven by the cash flow from its core activity (insurance and reinsurance business), which is the best indicator of the difference between premium inflows and claims and costs paid. Sava Re had €15.6 million of net cash and Zavarovalnica Sava €18.1 million. Strong net cash flow from operating activities provides sufficient funds for the development of key Group areas.

In 2017, the Sava Re Group recorded a negative financing cash flow of €38.2 million (2016: negative €27.8 million), which was the result of the repayment of subordinated debt and dividend payments.

The movement in the net disbursement in financing activities is due to investing activities, but its amount was affected also by the above factors.

Net cash flow in 2017 was €25.2 million below the year-on-year figure.

10 HUMAN RESOURCES MANAGEMENT[49]

10.1 Strategic guidelines for human resources management[50]

The Sava Re Group follows the strategic guidelines for human resources management as set out below:

- attracting and retaining the best talent,
- developing future leaders, functional expertise, and competent and responsible employees,
- providing effective leadership and employee motivation,
- organising work in a secure, diverse, and sustainable-oriented work environment, and
- promoting a modern corporate culture.

10.2 Key activities in human resources management in 2017[51]

In 2017, human resources activities centred on the following activities:

- setting up a competency model, taking account of the characteristics of a modern organisational culture,
- gradual planning, analysis and development of leadership competencies,
- establishment of a management by objectives concept, and
- reorganisation and optimisation of business processes in view of the needs of each Group company.

10.3 Recruitment and staffing levels

Recruitment has been carefully planned and implemented in accordance with the objectives and requirements of each company. In line with the Group's strategic focus and goals, we encourage Group internal recruitment.

[49] GRI 102-8
[50] GRI 103-1, 103-2, 103-3
[51] GRI 103-1, 103-2, 103-3

Full-time equivalent as at year-end

	31/12/2017	31/12/2016	Change
Zavarovalnica Sava	1,231.0	1,322.9	-91.8
Sava neživotno osiguranje (SRB)	339.3	325.6	13.6
Sava osiguruvanje (MKD)	193.8	199.0	-5.3
Illyria	178.5	175.0	3.5
Sava osiguranje (MNE)	132.5	137.0	-4.5
Sava Re	96.5	94.6	1.9
Sava životno osiguranje (SRB)	71.5	72.1	-0.6
Sava Car	39.5	38.0	1.5
Illyria Life	29.9	35.0	-5.1
ZS Svetovanje	28.0	15.5	-12.5
Sava Agent	20.0	18.0	2.0
Sava pokojninska	14.4	14.3	0.1
Ornatus KC	9.0	10.0	-1.0
Sava Station	5.0	6.0	-1.0
ZS Vivus	0.0	25.0	-25.0
Total	**2,388.8**	**2,488.0**	**-99.2**

ZS Svetovanje and ZS Vivus merged in October 2017 into ZS Svetovanje.

The tables below give details on employees (under employment contracts) by various criteria.

10.3.1 Number of employees as at year-end[52]

	31/12/2017	31/12/2016
Zavarovalnica Sava	1,310	1,404
Sava neživotno osiguranje (SRB)	364	352
Sava osiguruvanje (MKD)	203	212
Illyria	181	181
Sava osiguranje (MNE)	144	147
Sava Re	103	102
Illyria Life	67	94
Sava životno osiguranje (SRB)	90	77
Sava pokojninska	15	15
Sava Car	50	50
Sava Agent	50	48
Sava Station	8	9
ZS Svetovanje	28	16
ZS Vivus	0	25
Ornatus KC	9	10
Total	**2,622**	**2,742**

ZS Svetovanje and ZS Vivus merged in October 2017 into ZS Svetovanje.

[52] GRI 102-7

Major changes in the number of employees in individual Group companies primarily reflect agent fluctuations and recruitment in sales.

The lower number of employees in Zavarovalnica Sava was achieved through optimisation after the merger, primarily owing to the expiry of fixed-term employment contracts, consensual termination of employment as well as to regular and early retirement.

Number of employees by type of employment (part-time, full-time) as at year-end[53]

	2017		2016	
	Number	As % of total	Number	As % of total
Part-time	252	9.6	311	11.3
Full-time	2,370	90.4	2,431	88.7
Total	2,622	100.0	2,742	100.0

As at year-end 2017 the Group had 2,370 full-time employees (90.4%) and 252 part-time employees (9.6%). Most employees work on the basis of a full-time employment contract. Part-time employment is common amongst sales personnel.

Number of employees by type of contract as at year-end[54]

	2017		2016	
	Number	As % of total	Number	As % of total
Fixed-term contract	756	28.8	666	24.3
Unlimited contract	1,866	71.2	2,076	75.7
Total	2,622	100.0	2,742	100.0

As at year-end 2017 the Group had 1,866 employees under unlimited contracts (71.2%) and 756 employees under fixed-term contracts (28.8%). Most employees are employed based on unlimited employment contracts, while fixed-term contracts prevail among sales personnel.

Employees covered by the collective bargaining agreement as at year-end[55]

	2017		2016	
	Number	As % of total	Number	As % of total
Employees covered by the collective bargaining agreement	2,489	94.9	2,611	95.2
Employees not covered by the collective bargaining agreement	133	5.1	131	4.8
Total	2,622	100.0	2,742	100.0

As at year-end 2017 the Group had 2,489 employees covered by the collective bargaining agreement (94.9%) and 133 not covered by the collective agreement (5.1%)[56].

[53] GRI 102-8
[54] GRI 102-8
[55] GRI 102-41
[56] GRI 102-41

Employees by level of education as at year-end[57]

	2017		2016	
	Number	As % of total	Number	As % of total
Primary and lower secondary education	84	3.2	76	2.8
Secondary education	1,163	44.4	1,287	46.9
Higher education	307	11.7	285	10.4
University education	965	36.8	988	36.0
Master's degree and doctorate	103	3.9	106	3.9
Total	2,622	100.0	2,742	100.0

The figures for 2016 differ from those published in the 2016 annual report.

The educational structure has not changed significantly over the year. The largest group is staff with secondary school education. Group companies encourage employees to join formal education programmes.

Employees by age group as at year-end[58]

	2017		2016	
	Number	As % of total	Number	As % of total
20–25	84	3.2	109	4.0
26–30	251	9.6	280	10.2
31–35	343	13.1	387	14.1
36–40	483	18.4	499	18.2
41–45	474	18.1	499	18.2
46–50	421	16.1	431	15.7
51–55	300	11.4	284	10.4
56 and over	266	10.1	253	9.2
Total	2,622	100.0	2,742	100.0

The age structure indicates that most of the employees are 36 to 50 years old. The average age of employees is increasing annually.

Employees by gender as at year-end[59]

	2017		2016	
	Number	As % of total	Number	As % of total
Women	1,446	55.1	1,528	55.7
Men	1,176	44.9	1,214	44.3
Total	2,622	100.0	2,742	100.0

The Group's employee structure by gender is balanced. Both men and women are represented at all levels of management and in all professional areas.

[57] GRI 102-8
[58] GRI 102-8
[59] GRI 102-8, 405-1

Employees by years of service as at year-end

	2017		2016	
	Number	As % of total	Number	As % of total
0–5 years	693	26.4	908	33.1
5–10 years	435	16.6	581	21.2
10–15 years	394	15.0	326	11.9
15–20 years	282	10.8	203	7.4
20–30 years	498	19.0	472	17.2
Over 30 years	320	12.2	252	9.2
Total	**2,622**	**100.0**	**2,742**	**100.0**

The figures for 2016 differ from those published in the 2016 annual report.

The largest employee groups in terms of years of service are the first two groups, reflecting recent recruitment and low staff turnover among these employees.

Absenteeism rate[60]

Absenteeism is calculated as the number of lost workdays due to absences divided by the product of the average number of employees multiplied by the average number of workdays during the period multiplied by 100. The table below shows absenteeism rate by company.

	2017	2016
	Rate	Rate
Zavarovalnica Sava	5.02%	n/a
Sava neživotno osiguranje (SRB)	n/a	n/a
Sava osiguruvanje (MKD)	0.34%	0.25%
Illyria	0.33%	0.34%
Sava osiguranje (MNE)	3.25%	4.77%
Sava Re	2.72%	2.70%
Illyria Life	0.24%	0.10%
Sava životno osiguranje (SRB)	3.99%	5.24%
Sava pokojninska	1.70%	0.64%
Sava Car	2.13%	0.13%
Sava Agent	0.84%	0.88%
Sava Station	0.00%	0.00%
ZS Svetovanje	6.83%	4.71%
ZS Vivus	n/a	n/a
Ornatus KC	6.34%	2.70%

ZS Svetovanje and ZS Vivus merged in October 2017 into ZS Svetovanje.

[60] GRI 403-2

10.3.2 Employee turnover rate[61]

Employee turnover rate is measured using the number of employees who left relative to the total number of employees remaining as at the last day of the year. In 2017 the turnover rate increased by 0.947 p.p. year on year to 17.5%.

	2017	2016	
	Number	Number	Difference
Departures	458	453	5.0
Number of employees as at year-end	2,622	2,742	-120.0
Employee turnover rate (%)	**17.5%**	**16.6%**	**0.9 p.p.**

Overview of employee arrivals and departures by gender in current year

2017	Arrivals		Departures	
Gender	Number	As % of total	Number	As % of total
Women	204	60.4	265	57.9
Men	134	39.6	193	42.1
Total	**338**	**100.0**	**458**	**100.0**

In 2017, the Group recruited 338 employees, of which 204 women and 134 men. On the other hand, 458 employees left in 2017, of which 265 women and 193 men.

10.4 Employee training and development[62]

Employee training and development is vital for the implementation of strategic directions and the achievement of the goals of the Group and its individual companies. We strive to provide all employees with training opportunities in either internal or external professional sessions and events to develop their business, leadership and other skills. In some companies, we also facilitate additional formal education.

Companies enable and encourage employees to obtain and retain licenses required for sales personnel and other professional staff. We also continued with the training of internal sales coaches in individual companies.

We strongly foster intra-Group transfer of knowledge and therefore maintain the good practice of joint Group training events. To this end, Sava Re organised the following events in 2017: internal audit workshop, IT workshop, seminar in finance, accounting, controlling, actuarial function, seminar in HR management and risk management, and a marketing and public relations conference.

Traditionally, the Group organises two strategic conferences to encourage the Group-wide transfer of best practices in corporate governance and management.

[61] GRI 401-1
[62] GRI 103-1, 103-2, 103-3

Key data on employee training [63]

Year	2017	2016	2015	Index 2017/2016	Index 2016/2015
Number of education/training hours	49,738	66,066	24,650	75.3	268.0
Number of education/training attendees	1,425	1,382	1,174	103.1	117.7

The Group pays increasing attention to the training and education of its employees. In 2017, 1,425 employees attended 49,738 hours of training and education. The number of education/training attendees increased compared to the previous year.

Number of training hours by type of training[64]

	2017	2016	2015	Index 2017/2016	Index 2016/2015
Number of internal education/training hours	25,741	12,637	14,181	203.7	89.1
Number of external education/training hours	23,997	53,429	10,469	44.9	510.4
Total education/training hours	49,738	66,066	24,650	75.3	268.0

The Group promotes the transfer of knowledge within the companies through internal training programmes. The number of hours dedicated to internal training is increasing annually. In 2017, we organised 49,738 hours of training, of which 25,741 hours were dedicated to internal training.

Average hours of training per employee[65]

	2017		
Gender	Number	Number of training hours	Average
Women	770	24,829	32.2
Men	655	24,909	38.0
Total	1,425	49,738	34.9

The number of training hours is gender-balanced.

[63] GRI 404-1
[64] GRI 404-1
[65] GRI 404-1

10.5 Management and motivation[66]

The Group pays increasing attention to the analysis and development of managerial expertise, as it recognises the key role of managers in a modern corporate culture and a positive work environment.

10.5.1 Annual performance appraisal interviews[67]

All companies conduct annual performance and career development interviews with the management, and most of the companies have also started conducting them with all other employees. Slovenian Sava Re Group companies are also introducing management by objectives and are streamlining and optimising the performance appraisal interview process.

10.5.2 Health and safety at work[68]

All companies take measures to ensure safety and health at work, in compliance with the local legislation, namely:

- preventive medical examinations and check-ups for managers,
- employee training in safety and health at work, fire safety and first aid,
- promotion of recreation and healthy diet among employees,
- use of own holiday facilities.

10.5.3 Other[69]

Individual companies offer employees additional financial benefits (e.g. supplementary pension or other insurance) and non-financial benefits (e.g. flexible working hours, recreation, use of leisure facilities).

They also organise social events for employees during the year. In addition, Group employees are involved in corporate charity activities that traditionally take place within the framework of the Sava Re Day.

The companies work in close cooperation with employee representatives where and when employees are organised in any form.

Employees are regularly informed of developments in Group companies through the Sava Re portal.

[66] GRI 103-1, 103-2, 103-3
[67] GRI 404-3
[68] GRI 103-1, 103-2, 103-3
[69] GRI 103-1, 103-2, 103-3

11 RISK MANAGEMENT[70]

Below we describe the risk and capital management system and the significant risks to which the Sava Re Group is exposed. These areas will be presented in more detail also in the Solvency and financial condition report of Sava Re as at 31 December 2017 that will be published on the Company's website not later than on 7 May 2018, and in the Solvency and financial condition report of the Group as at 31 December 2017 that will be published on the website not later than on 18 June 2018.

11.1 Risk management system

strategic objectives and to ensuring the long-term solvency of the Group. Therefore, the Sava Re Group is continuously upgrading the risk management system both in all Group companies and at the Group level.

The Group companies' strong risk culture and awareness of the risks to which they are exposed is essential to the security and financial soundness of the companies and the Group as a whole. In order to establish good risk management practices, the Group promotes a risk management culture with appropriately defined remuneration for employees, employee training, and relevant internal information flow, both at the individual company and Group level.

The Sava Re Group has implemented a risk strategy that defines the Group's risk appetite and policies that cover the entire framework of risk management, own risk and solvency assessments, and risk management for each risk category. Based on the Group's risk strategy and policies, individual Group companies set up their own risk strategies and policies, taking into account their specificities.

The risk management system both in individual Group companies and at the Group level is subject to continuous improvements. Particular attention is paid to:

- clearly-expressed risk appetite in the framework of the risk strategy and on this basis also operational limits,
- development of own risk assessment models and upgrading of the own risk and solvency assessment (hereinafter: ORSA),
- integration of the ORSA and risk strategy in the framework of business planning and shaping of the business strategy,
- integration of risk management processes into business processes,
- establishment of high risk management standards in large Group companies and at least minimal standards in small Group companies.

In compliance with the requirements of the Solvency II regime a number of activities were conducted in 2017, both in all EU companies and at the Group level, namely:

- calculation of eligible own funds, the solvency capital requirement and the solvency ratio in line with the standard Solvency II formula as at 31 December 2016;
- the first official reporting on solvency and financial condition in line with Solvency II as at 31 December 2016. The calculations revealed a high level of capitalisation of the Group. The Company's Solvency and financial condition report was reviewed also by external auditors;
- the first regular supervisory report prepared in 2017;
- we conducted and reported the ORSA, which is conducted at least on an annual basis, as required by legislation. ORSA includes the development of own models for quantifying risks with an emphasis on measuring underwriting and market risks, which are the key risks to which the Group is exposed.

[70] GRI 102-11

11.1.1 Risk management policies

In order to systematise risk management, the Sava Re Group shaped and adopted in 2015, at Group level, policies that cover the entire framework of risk management, own risk and solvency assessments, and risk management for each risk category. The policies provide guidance for all Group companies and serve as the basis on which they shape, with consideration of local specificities, their own policies for individual risk management areas. The policies are examined on a regular basis (at least once annually).

11.1.2 Risk management organisation

An appropriate organisational structure and a clear segregation of responsibilities are key to systematic risk management.

The efficient functioning of the risk management system is primarily the responsibility of the Sava Re management board and the management board of the individual subsidiary. To ensure efficient risk management, the Group uses a three-lines-of-defence model, which clearly segregates responsibilities and tasks among the lines:

- the first line of defence constitutes all organisational units with operational responsibilities (e.g. (re)insurance underwriting, sales, claims management, asset management, accounting, controlling and human resources and others);
- the second line of defence consists of three key functions (the risk management function, actuarial function, compliance function) and the risk management committee, if set up in the company; and
- the third line of defence, which consists of the internal audit function.

The Group's risk management system has been set up based on the top down principle, taking into account the specificities of each individual company.

The management board of each company plays a key role and bears ultimate responsibility for the effectiveness of established risk management processes and their alignment with the Group's standards and the applicable legislation. In this regard, the management board is primarily responsible for:

- the establishment of the risk strategy and approval of risk tolerance limits and operational limits,
- the adoption of policies relating to the risk management system,
- the overseeing of the risk management process and risk-based decisions,
- the monitoring of operations in terms of risk and ensuring that risks are considered when taking business decisions.

The supervisory board of each individual company approves the risk strategy, risk management policies and the appointment of key function holders. In addition, the supervisory board analyses periodic reports relating to risks. A risk committee has been set up within the supervisory board to provide expertise in decision-making, in particular with regard to risk management in the Company and in the Sava Re Group.

The first line of defence of each individual Group company involves all company employees responsible for ensuring that operational tasks are performed in a manner that reduces or eliminates risks. Additionally, risk owners are responsible for individual risks listed in the risk register. Departmental executive directors, line and service directors are tasked with ensuring that the operational performance of the processes for which they are responsible is conducted in a manner that reduces or eliminates risks, while taking into account the frameworks laid down in the risk strategy. The first line of defence is also responsible for monitoring and measuring risks, preparing risk reports for individual areas of risk and identifying new risks.

The Group's and each individual company's second line of defence comprises three key functions (risk-management function, actuarial function and compliance function). In addition, the Group's large members also have in place a risk management committee. The members of the risk management committee and key function holders are appointed by the management board; key function holder appointments also require the consent of the supervisory board. Each individual company ensures the independence of the key functions, which are organised as management support services and report directly to the management board. Their roles and responsibilities are defined in the policy of each key function or in the risk management policy that defines the risk management function.
The risk management function of each individual company is mainly responsible for setting up effective risk management processes and for the coordination of risk management processes already in place. It is involved in all stages of identification, assessment, monitoring, management and reporting of risks. It is also involved in the preparation of the risk strategy and the setting of risk tolerance limits. The risk management function holder regularly reports on the risks to the risk management committee, the management and the supervisory boards and the Group's risk management function holder, and works in cooperation with the risk management function on an ongoing basis. Furthermore, it offers support to the management board in decision-making (including in relation to the strategic decisions such as corporate strategy, mergers and acquisitions, and major projects and investments).

The main tasks of the actuarial function in the risk management system comprise expressing an opinion on the underwriting policy, expressing an opinion on the adequacy of reinsurance arrangements, and independent verification and challenging of technical provision calculations, including assumptions, methods and expert judgment areas. The actuarial function of each individual company works in cooperation with the Group's actuarial function.

The main duties of the compliance function relating to the risk management system are: identification, management and reporting of any instances of non-compliance with regulations, including monitoring of the legal environment, analysis of existing processes regarding their compliance with internal and external rules, and any changes in regulations.

Apart from the key functions, the second line of defence at Sava Re and Zavarovalnica Sava also consists of a risk management committee. The Sava Re risk management committee is also responsible for the Group level. Both committees include the representatives of key areas of the first line of defence, depending on the company's risk profile. The committee is primarily responsible for monitoring the risk profiles of the Group and individual companies, analysing risk reports and issuing recommendations to the management board. The risk management committee comprises an asset and liability management sub-committee.

The third line of defence consists of the internal audit function. The function operates at the individual company and Group levels and is completely independent from the business operations and other functions. In the context of the risk management system, the internal audit function holders are responsible for independent analysis and verification of the effectiveness of risk management processes in place, in particular for risk identification in line with the adopted Group-level strategy.

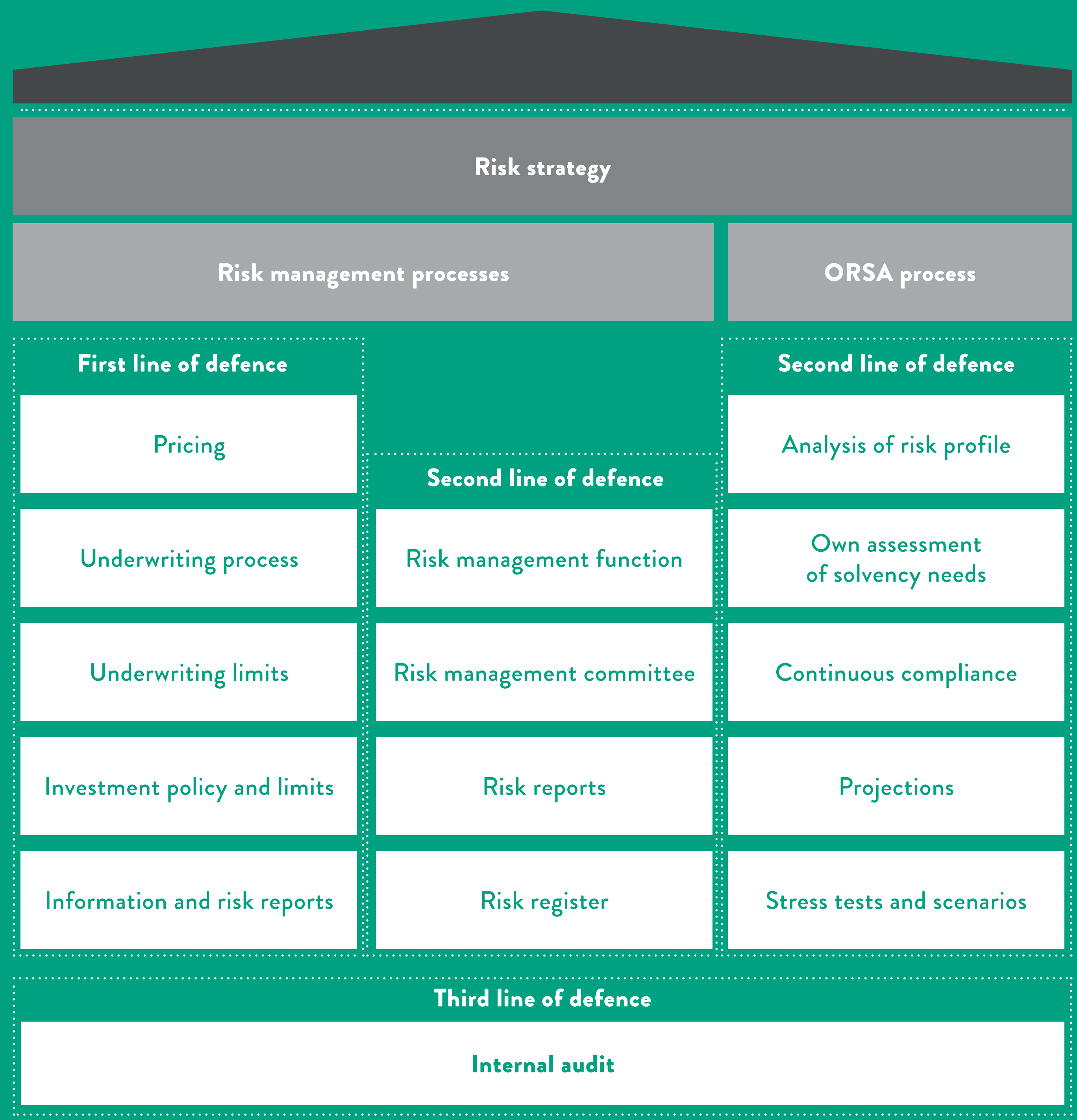
Good practices from Sava Re's risk management model and the organisation of risk management are also transferred to other Group companies.

11.1.3 Components of the risk management system

Risk management is integrated into all stages of business management and is composed of the following three key elements:

- risk strategy,
- risk management processes within the first and second line of defence, and
- Own Risk and Solvency Assessment (hereinafter: ORSA).

The components of the Sava Re Group risk management system are shown in the figure below.



11.1.3.1 Risk strategy

In order to establish a solid risk management framework, the management board, with the consent of the Sava Re supervisory board, approves the Sava Re Group risk strategy, which defines the Group's risk strategy based on its risk bearing capacity. The applicable strategy was adopted in 2016 for the period 2017–2019 (the most important goals are noted in section 6.3 "Sava Re Group strategy highlights"). The individual Group companies draft their own risk strategy by taking into account the framework of the Group's risk strategy. The Group document sets:

- the risk appetite,
- permissible levels of individual performance indicators, and
- risk tolerance limits.

The basic principle of the Group is to pursue its business strategy and meet the key strategic objectives while maintaining an adequate capital level.

The Sava Re Group's risk appetite is based on four key areas:

- capital,
- liquidity,
- product profitability, and
- reputation.

Each individual Group company sets its risk strategy, risk tolerance limits and operational limits based on the Group's risk appetite. Risk tolerance limits are limits set for individual risk categories included in individual Group companies' risk profiles, and determine all approved deviations from planned values. These limits are set based on the results of the sensitivity analysis, stress tests and scenarios, and professional judgement.

Individual Group companies also set operational limits, such as (re)insurance underwriting limits and investment limits, in order to ensure that the activities of the first line of defence are conducted with regard to the risk appetite. In addition, each Group company ensures that it has in place well-defined and established escalation paths and management actions in the case of any breach of operational limits.

For the purpose of periodic monitoring of compliance with the risk strategy, risk measures have been defined that facilitate simplified monitoring of the current capital position of each individual company and the Group, without having to carry out a complete calculation of the solvency capital requirement. A minimum set of risk measures for each risk category has been defined for regular monitoring by individual Group companies.

11.1.3.2 Risk management processes

Risk management processes are inherently connected with and incorporated into the basic processes conducted at the individual company and Group level. All organisational units are involved in risk management processes.

Risk management processes include:
- risk identification,
- risk assessment (measuring),
- risk monitoring,
- determining appropriate risk control measures (risk management), and
- risk reporting.

Risk management processes are incorporated into all three lines of defence. The roles of individual lines of defence are defined in the risk management policy. Risk management processes are integrated also in the decision-making system; all important business and strategic decisions are additionally evaluated in terms of risk.

Risk identification is a process through which an individual Group company identifies the risks to which it is exposed. The key risks compiled in each company's risk register, constituting the company's risk profile, are reviewed on a quarterly basis and amended with consideration for new risks as required. Risk identification at the Group level is conducted in the same way.

Risk identification in individual Group companies and at the Group level is both a top-down and a bottom-up process. The top-down risk identification process is conducted by the risk management function, the risk management committee and the management board of an individual Group company. Such identification of new and potential risks is based on monitoring of the legal and business environment, market developments and trends, and expert knowledge; this process is mainly used with strategic risks, such as reputational risk and legal risk. Bottom-up risk identification is conducted by individual organisational units and risk owners (first line of defence). A Group company's risk thus identified is categorised and incorporated into the relevant monitoring, measuring and reporting processes. Risk identification is an ongoing concern, especially as part of the business planning process and all major projects and business initiatives, such as launching of a new product, investment in a new class of assets, acquisitions and other.

The Group has in place regular assessment schemes for all risks to which individual companies or the Group are exposed. Both qualitative and quantitative methods are used to measure risk. In order to quantify risks, the Group is developing support models for the assessment of risks in individual Group companies and within the Group.

The Group therefore measures risks:

- by using the Solvency II standard formula,
- by calculating the overall solvency needs within the Own Risk and Solvency Assessment (ORSA),
- by conducting stress tests and scenario analysis,
- by performing qualitative risk assessment in the risk register,
- by using various risk measures that enable simplified measuring and monitoring of the indicative current risk profile.

The management board of each Group company is responsible for risk management and the use of various risk management techniques and actions. In its decisions, the management board takes into account the cost benefit aspect of actions as well as recommendations, if any, issued by the risk management committee or key functions.

Whenever the need arises to adopt a new risk control measure, the relevant company conducts an analysis of the measure in terms of economic and financial viability. Elimination or mitigation of individual risks must be more cost effective than mitigation of the potential impact should the risk materialise, taking into full account the probability of such an event and its financial implications.

In practice, it is already in the business planning process that a Group company examines the impact of the business strategy on its capital position, both with regard to the regulator as well as with regard to the own risk and solvency assessment. If during the financial year, decisions are taken that have a significant impact on the risk profile but have not been assessed in terms of risk during the business planning process, the relevant company assesses the impact of such decisions on its risk profile and capital adequacy, and verifies compliance with the risk appetite. If a business decision could have a significant impact also on the Group's risk profile, such impact on the Group's risk profile and capital adequacy is also assessed. Based on the results of the impact analysis, the company takes the necessary actions. Where a business decision is inconsistent with the risk appetite or if a risk tolerance limit is exceeded, the company is required to document such deviation and take relevant actions to resolve the situation.

Risk monitoring is conducted on several levels: at the level of individual organisational units and risk owners, at the risk management department, the risk management committee, the management board, the supervisory board's risk committee and at the supervisory board level of each Group company. In addition, each Group company's risk profile is monitored at the Group level in terms of impact on the Group's risk profile. A standard set of risk measures is defined for risk monitoring, and Group companies follow it on a regular basis. Alongside risks, risk management measures are also subject to monitoring and control.

Large Group companies have already introduced regular risk reporting, which is conducted in the following manner: risk owners report on individual risk categories to the risk management function holders by including a predetermined set of significant risk measures and qualitative information in the report. This serves as the basis on which the risk management function, in cooperation with risk managers, prepares a risk report covering each relevant company's entire risk profile. The report is first discussed by the company's risk management committee, followed by the management and supervisory boards. Finally, it is sent to the Group risk management function holder.

11.1.3.3 Own risk and solvency assessment

In addition to these risk management processes, each EU-based Group company and the Group also conducts own risk and solvency assessment (hereinafter: ORSA) as defined in the own risk and solvency assessment policy. ORSA is a process which includes the identification of the differences between the company's risk profile and the assumptions of the standard formula, the own assessment of solvency needs, capital adequacy projections, stress tests and scenarios, and the link between the risk profile and capital management. In the process, all material risks, whether quantifiable or not, are assessed that may have an impact on the operations of the Group or a Group company from either an economic or a regulatory perspective.

As a rule, the ORSA process is conducted annually; an ad hoc ORSA is performed in the event of a significant change in the risk profile. EU-based Group companies report to the regulator on the ORSA (at least) on an annual basis. Every year, ORSA is increasingly integrated with other processes, in particular with the risk and capital management and business planning. The Group's risk management committee and company management boards are actively involved in the ORSA throughout the process. A number of other employees from different departments also take part in the process, as we wish to obtain as complete and topical a picture of a company's risk profile as possible.

The Sava Re Group carries out the ORSA process primarily to understand the own risk profile, the standard formula and to analyse the impact of the changes in the risk profile in the business planning period on capital adequacy. ORSA is an integral part of the decision-making process and contributes to the key decisions and business strategy of a Group company and the Group being adopted with consideration of risks and associated capital requirements. Based on ORSA results we also check the compliance of the business strategy with the risk strategy. This establishes the link between the business strategy, the risks taken in the short, medium and longer term, and the capital requirements arising from those risks and with capital management.

11.2 Capital management

The Group's capital management policy lays down the Group's capital management objectives and related key activities, the classification of eligible own funds, a description of the procedures to ensure an adequate capital structure, the process of preparing a medium-term plan and other important capital management responsibilities.

In this regard, the Group's fundamental pursuit is optimal capital allocation and avoidance of over- and undercapitalisation of individual Group companies and the Group. We want to ensure that each Group company has a sufficient level of surplus over the solvency capital requirement to be able to absorb minor unexpected deviations and deviations related to the structure of the standard formula. We plan to regulate any major unexpected deviations using the surplus of eligible own funds of the controlling company.

The composition of own funds held to ensure capital adequacy must comply with the regulatory requirements and the capital management policy of the Sava Re Group and Sava Re. In addition to the regulatory solvency capital requirement, there are other criteria that impact the capital requirements of the Sava Re Group, the most important in the Group being the following three criteria:

- credit rating,
- properties of the standard formula (primarily structure and dependence on current market conditions), and
- resilience of capital adequacy to stress tests and scenarios.

With a view to establishing a framework for capital management, the Sava Re Group, as part of its risk strategy, set down the criteria for the required level of the solvency ratio. Thus, the required solvency ratios are calculated in accordance with the standard formula for each Group company and the Group.

11.3 Material risks of the Sava Re Group

The Sava Re Group and Group members are exposed to the following risks:

- Underwriting risks arising from (re)insurance contracts; these are associated with the risks covered under (re)insurance contracts and with directly related activities.
- Market risk related to volatile prices of financial instruments and market prices of other assets.
- Credit risk arising from non-performance and changes in the credit rating of securities issuers related to the investment portfolio of (re)insurers, and of reinsurers, intermediaries and other business partners who have outstanding liabilities to the (re)insurers.
- Operational risk associated with inadequate or inefficient internal processes, people and computer systems, or from external events.
- Liquidity risks related to loss resulting from insufficient liquid assets when liabilities become due or from increased costs of realisation of less liquid assets.
- Strategic risk associated with achieving the company's strategic plans, and reputational risk, including any implications.

Individual risks are described in detail in the notes to the financial statements of the Sava Re Group (section 18.7) and the notes to the financial statements of Sava Re (section 24.5).

12 OPERATION OF THE INTERNAL AUDIT

The aim of the internal audit is to provide assurance and advice to the management board in order to add value as well as improve the effectiveness and efficiency of operations. The internal audit assists the Company in achieving its goals based on a systematic and methodical assessment of the effectiveness and efficiency of governance, risk management and the internal control system, and by providing recommendations for their improvement.

Internal auditing in the Company is carried out by an independent organisational unit, namely the Internal Audit Service (hereinafter: IAS), which reports to the management board and is functionally and organisationally separate from other organisational units of the Company. This ensures the autonomy and independence of its operation.

In 2017, the IAS conducted audits and other tasks in accordance with its annual work plan, which was fully executed. They conducted 17 audit engagements.

On the basis of all the examinations carried out and methods applied in individual audited areas, the IAD considers that the internal controls of Sava Re are adequate and sufficiently reliable, which is an improvement on the previous period. The IAS is also of the opinion that the governance of Sava Re was appropriate and being improved on an ongoing basis in order to achieve major business goals, and that risks are effectively managed with efficiency and economy of operations in mind. According to the IAS, there is still room for improvement regarding the operation of the system. The audit engagements revealed individual irregularities and weaknesses, which the IAS pointed out, recommending the remedy of such aimed at improving control procedures, corporate governance and risk management. This will improve the efficiency of internal controls and regularity of operations.

Regular IAS reviews were focused on establishing the probability of fraud, and exposure and vulnerability to IT risks. In areas subject to internal audit engagements, control systems have been set up and are operating so as to prevent fraud.

The IAS reports – on a quarterly basis – to the management board, the audit committee and the supervisory board on completed auditing engagements, the effectiveness and efficiency of control systems, corporate governance, risk management, identified breaches and irregularities, and on the monitoring of the implementation of recommendations. In addition, the IAS prepared an annual report on its activities in 2017, which is part of the materials for the general meeting of shareholders.

The IAS conducted a self-assessment of its operation also in 2017. The results showed that the operations of the IAS complied with the definition of internal auditing, the Standards and the IAS's code of ethics.

Through the development of the IAS, the process of monitoring recommendations was improved, and the activities for the selection of a software provider for internal auditing at the Sava Re Group level were completed.

A considerable amount of time was devoted to outsourced internal audit engagements at the Sava Re Group level. In accordance with article 171(7) of the Insurance Act (ZZavar-1; Official Gazette of the Republic of Slovenia, no. 93/15), Zavarovalnica Sava and Sava pokojninska družba signed an outsourcing contract for internal audit with Sava Re, transferring this key function to Sava Re as of 1 February 2018 for an indefinite period.

REFLECTING CHARITY

The Sava Re Group supports corporate charity. Employees of all group members have been taking part in the *Sava Re Day* charity project for seven years in a row.

Mateja Ž.

13 SUSTAINABLE DEVELOPMENT AT THE SAVA RE GROUP

The following is the first comprehensive Sava Re sustainability report prepared in accordance with the international sustainability reporting standards Global Reporting Initiative (GRI) (Core option); it provides a straightforward and honest overview of the character, values and strategic pursuits of the Company and the Group as a whole.[71]

In addition to general disclosures it provides, in accordance with prescribed principles, disclosures on the economic, environmental and social aspects that are of vital importance for Sava Re and that relate directly to the Group strategy.

Sustainability as part of the strategy[72]

In its strategic plan for the period 2017–2019, Sava Re incorporated sustainable development as one of its key pursuits and made a commitment to make it an integral part of all business processes in this period:

One of its strategic commitments is customer focus. Access to services is simple and adapts to the customer.

New development opportunities are being explored in an effort to offer assistance and improve the quality of life.

Business is becoming paperless and processes are being optimized.

Responsible investment is incorporated into the investment strategy.

The market communications strategy follows the motto #Never alone, and promotes activation among stakeholders.

Principles of sustainable development are being introduced to all Group subsidiaries.

As Sava Re only adopted the strategy for the period 2017–2019 in the middle of the year, the guidelines are either being implemented or are still being developed. Business models for sustainable development and criteria for monitoring sustainable development indicators have not yet been developed. Non-financial reporting for 2017 therefore does not provide for a proper comparative analysis, but rather presents the data and facts in accordance with the reporting principles. Based on these principles objectives are set for the next reporting period that will also serve to fill any gaps that may exist.

Reporting method[73]

The consolidated annual report refers to a single financial year and is prepared in accordance with the International Accounting Standards, The Companies Act, the Solvency II Directive and international sustainability reporting standards Global Reporting Initiative (GRI). The annual report is prepared in cooperation with Sava Re specialist services. The consolidated annual report incorporates all legal entities constituting the Sava Re Group.

Sustainability reporting is integrated in individual sections of the annual report. Disclosures are specially indicated with interactive references. The section "Sustainable Development in the Sava Re Group" provides disclosures and other specific business impacts not covered by other sections of the annual report.

The report recognises the key stakeholders believed to have a significant impact on each individual legal entity in the Group and vice versa; what is more, these stakeholders also actively contribute in adding value to our business operations. While we were unable to directly include our key stakeholders in the preparation of the sustainability report in the reporting period 2017, we recognised, through their previous involvement and cooperation, those areas of particular interest to them and highlighted these areas in the report. Although some of the content discussed is neither extensive nor measurable in this period, we find it important both for the Group and our strategic stakeholders, so we want to pay more attention to such in the future and establish a system to monitor and improve it.

The GRI content index[74] at the end of the annual report offers a comprehensive overview of the type and scope of disclosures. The data on sustainable operation of the Group was prepared by a mixed working group brought together explicitly for this purpose, with the assistance of specialist services of each subsidiary. Data is collected and the report drafted by specialist services of the controlling company, which is also responsible for reporting. Disclosures in accordance with the GRI standard mainly refer to the controlling company and EU-based subsidiaries and will be gradually introduced to other subsidiaries as well.

For the time being, Sava Re has not decided to seek external assurance for the report.[75]

Non-financial statement

With the non-financial information reported in accordance with the GRI standards the Sava Re Group and Sava Re, d.d. annual report for 2017 complies with the Directive 2014/95/EU of the European Parliament and of the Council on disclosure of non-financial and diversity information by certain large undertakings and groups and with the Companies Act.

Material topics[76]

The Sava Re Group sustainability report covers three specific areas where the Company and the Group's impacts on sustainability are particularly relevant.

Economic topics – GRI 200	Environmental topics – GRI 300	Social topics – GRI 400
Economic performance Market presence Indirect economic impacts Purchasing practices Anti-corruption	Waste disposal policy Energy Investments	Recruitment and staffing levels Employee training and development Management and motivation Health and safety at work Relations with policyholders and cedants Relations with suppliers Local community Marketing and labelling

[71] GRI 102-54
[72] GRI 102-48, 102-49
[73] GRI 102-43, 102-45, 102-46, 102-47, 102-50, 102-52
[74] GRI 102-55
[75] GRI 102-56
[76] GRI 102-47

Direct economic value generated and distributed of the Sava Re Group[77]

(€)	2017	2016	Index
Other economic impacts			
Economic value generated*	**519.8**	**516.0**	**100.7**
Economic value distributed	**508.8**	**475.0**	**107.1**
Net claims incurred and other technical expenses	313.6	285.7	109.8
Expenses for financial assets	11.9	8.6	139.0
Other expenses	2.8	2.5	110.2
Operating expenses**	87.7	90.7	96.7
Dividend payouts	12.5	12.4	100.5
Income tax expense	8.8	7.8	113.3
Investments in the social community (prevention, donations, sponsorships)	3.2	3.0	107.1
Employee payments, allowances and benefits	68.4	64.4	106.3
Economic value retained	**11.0**	**41.0**	**26.8**

* Economic value generated = net premium earned + other technical income + investment income + other income
**Operating expenses include commissions and other operating costs excluding personnel costs, sponsorships, prevention and donations

Stakeholder engagement[78]

We cultivate responsible and sincere relations with all our stakeholders. In doing so we follow the recommendations and rules of public reporting, the code of ethics and internal rules. Additionally, we seek out opportunities to simplify access to information and opinion sharing, making use of information technology, which is unconstrained by time and space.

In the Sava Re Group, employees, policyholders, cedants, shareholders, prospective investors, regulators, the trade union, media, suppliers and the community are recognised as the stakeholders that play the key role in its existence and successful operations.

[77] GRI 201-1
[78] GRI 102-40, 102-42, 102-43, 102-44

	Type of engagement	Content and objective
Employees	intranet, idea box, email, personal contact, opinion polls/questionnaires, colleges, internal training/consultations, strategic conferences, informal meetings, team building events, management by objectives (annual appraisal interviews)	information, awareness, opinion sharing, stimulating ideas for improvements to the work environment and the business process, two-way communication, feedback loop, culture building, improving relations
Policyholders/cedants	one-on-one counselling, meetings, website, contact centre, market communication through different channels, expert meetings/conferences	quality service, customer focus, information, quick problem solving, customer-friendly attitude, identifying actual market needs, modern sales channels
Shareholders and prospective investors	supervisory board meetings, general meeting, public notifications (SEOnet and www.sava-re.si), financial reports, letter to shareholders, email, meetings, investor conferences and webcast	equal access to information, clear dividend policy, in-depth information on business operations, sustainable operations, strategic policy, credit rating
Regulators	regular and extraordinary reporting to the Insurance Supervision Agency (ISA) and Securities Market Agency (SMA), regular and extraordinary reporting to the Competition Protection Agency (CPA)	compliance with legislation, transparency of operations, security of policyholders, compliance of business operations
Trade union	regular quarterly meetings, cooperation (coordination) in preparation of internal acts, negotiations, donations	employee engagement in governance, collaboration, employee benefits, employee remuneration, ensuring a friendly working environment
Media	press releases, press conferences, interviews, answers to journalists' questions	providing information to the general public, strengthening the positive realistic image of the Company/Group
Suppliers	calls for tenders invitations to participation meetings presentations	environmentally friendly materials, paperless operation, digitisation of operations, payment reliability, honouring agreements supporting local economy and craftsmanship
Community	collaboration in joint activities/projects, financial support (donations, sponsorship), material support (supply of devices required for their work), meetings with decision-makers	assistance in providing for basic needs, co-financing of projects important for the local community, awareness raising among the population, concern for improving the safety of the population

Responsibility to employees

environment and sound business culture. We pursue them through adopted strategic policies, in our daily work, behaviour, communication, relationships and decisions.

Our responsibility to employees is also reflected in our efforts to build a work environment that respects the dignity and integrity of each employee. One of the Sava Re Group's strategic guidelines in the field of human resources management is to ensure a safe, diverse and sustainable work environment. Our leaders are expected to lead by their example and encourage the creation of the right conditions. Furthermore, our HRM policy dictates that HRM objectives be aligned with sustainable development policies of the Company and the Group, promoting equal opportunities and diversity of our workforce.[79]

For this reason, a leadership model was set up for the Sava Re Group, defining the key competencies expected of leaders in a modern organisational culture that promotes constructive collaboration, open communication, openness to change and continuous development. The leadership model serves as the basis for steering the development activities of leaders, who are key to creating and maintaining a secure, diverse and sustainable work environment.

At the end of 2017 we launched a management by objectives project, where objectives were defined for individual areas and for individual employees. The objectives will be monitored on a quarterly basis upon annual interviews with employees.

In accordance with the GRI standards, sustainable development with a view to human resources is monitored using several indicators as presented below.

For more information on HRM see section 10 "Human Resources Management" and section 20.3 "Human Resources Management".[80]

Employee benefits[81]

Sava Re companies in Slovenia pay a voluntary supplementary pension insurance premium for their employees – the second-pillar pension scheme.

The Macedonian subsidiary Sava osiguruvanje also pays the voluntary supplementary pension insurance premium for its employees.

Sava Re pays the voluntary pension insurance premium – the third pillar – and the collective accident insurance premium for its employees.

Sava Re and Zavarovalnica Sava employees and their family members can take out health insurance on particularly favourable terms.

Sava Re employees are also protected through an additional business travel accident insurance scheme.

Zavarovalnica Sava employees can enjoy the benefits of sponsorship agreements (Maribor Football Club, Tennis Slovenia, Koper Handball Club, Festival Ljubljana, Festival Lent and similar).

Zavarovalnica Sava also offers paid absence from work for employees introducing their children into kindergarten or accompanying their child on the first day of school (from the 1st to the 3rd year of elementary school). Sava Re also offers paid absence from work for parents accompanying their first-graders on the first day of school.

Zavarovalnica Sava, which holds the full Family-Friendly Company certificate, carries out a number of other selected measures that help employees improve their work-life balance. Employees returning to work after a prolonged absence are offered assistance through interviews and a work reintegration plan.

Sava Re and Zavarovalnica Sava offer company-owned holiday facilities on favourable terms.

Sava osiguruvanje, Macedonia, set up an open-type sports club that promotes employee membership.

Financial assistance received from government[82]

The Group companies received no financial assistance from the government in 2017.

Definition of other government incentives

Zavarovalnica Sava receives a monthly bonus for employing more employees with disabilities than prescribed by the quota and also claims exemption from paying the contribution for pension and disability insurance for these employees. The total amount from these incentives in Zavarovalnica Sava was €112,058.

In 2017, Sava Re claimed reduction in the payment of employer's contributions for pension and disability insurance for employing persons younger than 26 years of age for indefinite time (first employment), namely for the first two years of employment. The Company was entitled to a 50% refund on employer's contributions for pension and disability insurance for the first year of employment and up to 30% on the contributions for pension and disability insurance for the second year. The total value of these refunds was €8,369.

Sava Re also set up a collective voluntary supplementary old-age pension insurance scheme funded by the employer and has a contract in place on the accession to the pension company's pension scheme, registered in the pension scheme register at the Financial Administration of the Republic of Slovenia. Based on said contracts the Company pays, for the employees who joined the pension scheme, a voluntary supplementary pension insurance premium. Thus, it is entitled to a reduced income tax base, namely for the amount of the voluntary supplementary pension insurance premium paid in the tax year for its employees to the pension scheme provider. The total value of this tax relief is €84,077.

[79] GRI 405-1
[80] GRI 102-41, 401-1, 403-2, 404-1, 404-3, 405-1
[81] GRI 201-3
[82] GRI 201-4

Responsibility to policyholders and cedants[83]

Trust is the foundation of any quality long-term relationship. The Group takes its commitments very seriously. In 2017 we devoted increased attention to communication with policyholders across the region. Upon the merger of the Slovenian and Croatian insurance companies and simultaneous revamp of the corporate identity we informed the customers and the general public of the change through contemporary media channels and in person, through our agents. The message "Never alone" conveyed the Group's strategic policy – people focus. It is a promise to all our stakeholders that we will always be there for them – with socially responsible products, with products tailored to our clients' actual needs, with friendly gestures, with concern for our employees, humanitarian actions, with support for social activities, with an environmental-friendly policy – in short, a commitment to providing comprehensive care for each individual.

Just before the end of the year Zavarovalnica Sava entered the supplementary health insurance market with a supplementary health insurance plan. With Zdravje and Zdravje Plus products it promises faster access to specialist examinations and simple procedures, thus offering better options to utilise the Best Doctors insurance scheme that provides for a second opinion and health treatment abroad.

Access to services is essential for users, so most of our insurance companies offer also online user support. With its revamped website Zavarovalnica Sava offers policyholders the option to report their claims online, to take out insurance and to chat with an online consultant. The website also provides the opportunity for users to share their opinions, proposals, commendations and complaints. The assistance centre provides assistance to policyholders who are travelling. Detailed information is always available online, at info@zav-sava.si, and from our toll-free phone helpline, at 080 19 20.[84]

Client communication and information[85]

As regards their relationships with the insured, Group members follow the rules and procedures on complaints, which are compliant with the directives issued by the European Insurance and Occupational Pensions Authority (EIOPA).

As the largest insurer in the Sava Re Group, Zavarovalnica Sava complies with all provisions of the Consumer Protection Act and other acts governing communication of information to clients entering into contracts for financial services, including insurance contracts. Applicable legal provisions and regulatory frameworks are observed also when pursuing development activities.

The Insurance Act (ZZavar-1) prescribes disclosure of information on policy conditions and the obligation of notification of policyholders. A policyholder must be aware of the content of the insurance contract and general policy conditions upon entering into the contract and subsequently throughout the duration of the contract.

We also fully comply with the Personal Data Protection Act (ZVOP) and the regulations that require responsible handling of personal data of customers. Already in 2017, the insurance company started to actively prepare for the new legal bases that are to come into force in 2018.

It therefore makes every effort to ensure transparency, clarity and access to information both in developing new products and in client notification. Communication takes place via various channels adapted to different target groups. Customers are placed at the centre in order to build partnerships with them that will permeate all aspects of their lives. This can only be ensured through a wide range of insurance products and with services that are readily available at any time. In 2017 the Group entered the health insurance market and began to intensely develop assistance products.

Insurance companies avoid the fine print in advertising, offering their clients adequate information on the advertised product. Product information is always available on official websites together with statutory notifications and related news. In the event of mass losses we publish a notice and instructions explaining to the policyholders the right course of action in such cases.

In reinsurance client relationships, we pay due regard to internal underwriting regulations and internal rules for account managers. We maintain relationships with our existing business partners. Meetings are arranged during international conferences and individual meetings. Every year we organise the Sava Summer Seminar, a training programme in reinsurance-related areas, in an effort to provide our business partners with an insight into our activities and the characteristics of our business. In 2017, the Company organised the eighth consecutive seminar for reinsurers. The seminar was attended by 20 participants from existing and prospective cedants from across the world, including Asia, Africa and a number of European countries. At the seminar, the participants look into reinsurance, actuarial science, modelling and solvency-related issues, with practical examples.

Responsibility to investors

As a public limited company, Sava Re is responsible for ensuring that its shareholders have equal access to information and that communication is conducted in accordance with recommendations and legislation. With regard to the financial community, we pay special attention to our shareholders and other potential investors. We communicate with this group of stakeholders by organising regular meetings with analysts and investors, directly or through events organised by the Ljubljana Stock Exchange and other organisers, and by participating in local and international roadshows. We ensure prompt disclosure of information to all investors also via our official website at www.sava-re.si, the SEOnet portal of the Ljubljana Stock exchange, via the media, press conferences and the letter to shareholders, in which we keep them up to date with recent developments, invite them to the general meeting and similar. In all our announcements we comply with the standards applicable to the prime market of the Ljubljana Stock Exchange. More information about investor relations is provided in section 3.3 "Investor relations".

In 2017, Sava Re conducted over 30 one-on-one and group meetings with investors in Slovenia and abroad.

[83] GRI 103-1, 103-2, 103-3
[84] GRI 417-1
[85] GRI 103-1, 103-2, 417-1

Relations with suppliers and the purchasing policy[86]

Group companies prioritise cooperation with local suppliers. The local market of an individual Group member represents the total geographical area of the country in which it is registered. Group companies' suppliers are mainly providers of consulting services, office supplies, small tools, computer hardware, software and similar, and company cars.

The adopted Group-level purchasing policy entails strategic guidelines and principles governing a transparent procurement process, including the anti-corruption clause.

In 2017, Sava Re also adopted the rules on procurement, which are to be revised and supplemented in 2018 with the sustainability criterion (concern for the environment and society) for a supplier in the selection procedure.[87] This criterion was not integrated in the selection criteria in 2017. In terms of procurement the Company takes into account also a number of other internal acts defining procedures and other instructions: fleet management policy in the Sava Re Group, rules on procurement, use and maintenance of company vehicles, systemic procurement procedure in the Sava Re Group, rules on company mobile phones and devices, and similar.

Sava Re ensures transparency of the selection procedure, and fair cooperation and relationships with its suppliers. Its liabilities are fully settled within agreed deadlines.

Present in all major towns across the Republic of Slovenia, Zavarovalnica Sava is by nature – its business being life and non-life insurance – obliged to work in cooperation with local suppliers; as a result it maintains good business relationships, something that is reflected also in terms of transaction costs, which are lower than they would be if the company worked with suppliers outside Slovenia.

Although some of the purchases are made outside Slovenia, they are limited (mainly to the goods and services that cannot be sourced in Slovenia or are offered here at non-competitive prices).

A similar trend or local market specifics are observed in Croatia, where our branch also works with local suppliers (if such cooperation is based on competitive prices or justified in view of the company's business).

Environmental responsibility is taken into account in the selection process, but the criteria for such have not yet been set.

In its General Purchasing Conditions Zavarovalnica Sava requires suppliers to deliver goods with prescribed safety mechanisms and in compliance with applicable safety, environmental and other regulations (such as restrictions on the use of certain hazardous substances in electrical and electronic equipment and similar) as well as technical rules. The goods must bear the CE marking.

Based on said procurement conditions suppliers are also obliged to alert the company of the possibility or occurrence of hazardous waste in the goods delivered, and indicate the manner and potential options of its removal. At the request of Zavarovalnica Sava, the supplier is obliged to accept, free of charge, any waste created in the proper use of the goods supplied.

The company also uses environmentally-friendly electric vehicles, although not on a regular basis. To this end the company engaged a provider of such vehicles.

[86] GRI 102-9, 103-1, 103-2, 103-3, 204-1, 308-1
[87] GRI 414-1

Fair business practices[88]

All insurers in the Sava Re Group operate in compliance with the insurance act, the companies acts and the rules prescribed by the local regulator.

All companies have adopted a code of ethics that applies to all employees. Companies have also appointed a complaints resolution officer.

In accordance with the procurement policy all purchase agreements include an anti-corruption clause as a means of insurance against this risk.

Sava Re has also signed the Slovenian Corporate Integrity Guidelines, committing the Group to creating a work environment grounded in a culture of corporate integrity, zero tolerance for the illegal and unethical conduct of its employees, compliance with legislation, rules and values as well as in the highest ethical standards. The general principles of the code of ethics represent the basic values of the Sava Re Group, which are binding on all our employees and include: fairness and compliance of business operations, transparency, managing conflicts of interests, prevention of money-laundering and financing of terrorism, and prevention of restriction of competition. Employees who are aware of violations of the code or other binding rules are obliged to report said violations to the compliance function holders. Sava Re subsidiaries have also adopted the code of ethics of the Sava Re Group.

At the end of 2017 the Company also adopted the policy on the diversity of the management and supervisory boards of Sava Re, d.d. that governs, inter alia, gender and age balance of board members. Sava Re has integrated respect for human rights in its operations in accordance with the applicable legislation and follows the proposal for the national action plan on business and human rights of the Republic of Slovenia. The Company has adopted the rules on prevention and elimination of violence, bullying, harassment and other forms of psychosocial risks in the workplace, including a protocol for recognising and resolving such risks. In 2017, the Company recorded no such cases. For the time being, the Company does notconduct due diligence investigations, but will include them among its objectives.[89]

In 2017, the Company adopted new rules on the management of conflicts of interest. The management of conflicts of interest is a cornerstone of effective corporate culture, in particular of financial institutions such as Sava Re. The importance of managing conflicts of interest was further advanced by the Solvency II Directive. Previously, the Company had set out principles and guidelines on the avoidance and management of conflicts of interest in various documents, such as the code of ethics, governance policy and other specific acts. Adopting the rules on managing conflicts of interest will facilitate the implementation of the commitments the Company made in its code of ethics and of the requirements to which it is subject under the Solvency II regime. In accordance with the provisions of the Slovenian Corporate Integrity Guidelines the anti-corruption clause is incorporated in all legal relations with our contractual partners. Through restructuring that was conducted at the end of 2017 we extended the scope of work of the management board to corporate security and prevention and detection of fraud. Pursuant to Sava Re compliance policy, prevention of fraud is also one of the main responsibilities of the compliance function holder.

[88] GRI 102-16, 103-1, 103-2, 103-3, 205-1, 205-3
[89] GRI 405-1

As a public limited company, Sava Re, d.d. regularly and upon request reports to the Insurance Supervision Agency, in accordance with the Slovenian Insurance Act (ZZavar) and implementing regulations. We also report to the Securities Market Agency in accordance with the Financial Instruments Market Act (ZTFI) and the internal rules on trading with POSR shares.

Sava Re's reference code is the Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia on 27 October 2016.

The code of ethics of Zavarovalnica Sava, d.d. is based on trust and governs ethical and fair business conduct of the company. The code reflects and implements the principles that govern the decisions and behaviour of employees and other stakeholders. Its content and fundamental ethical principles are consistently promoted among employees and serve as a source of clear guidance in relation to legal and ethical requirements that are binding on all employees. With this code, Zavarovalnica Sava commits itself to the general principles that protect the interests of the company, respecting the dignity and integrity of each individual, protecting trade secrets, respecting clients, market rules, professionalism, avoiding conflicts of interests and concern for the environment and the wider social community.

In pursuing its business operations the company complies with the provisions of the adopted Insurance Code to ensure business development, a professional underwriting process and business conduct. The company's operations are grounded in compliance with market principles, market competition based on loyalty and integrity, and insurance economics and business ethics, with the aim of providing customers high-quality insurance protection.

In 2017, Zavarovalnica Sava received 44 reports that were processed by the complaints resolution officer. Most of them referred to violations of the insurance code and good business practices. Only minor irregularities were identified.

In the past year they also introduced a system for recording and monitoring all significant events in the online application "Register of Continuous Improvements". The register enables all employees to submit, by completing an online form, a report of an incident, inconsistency, deficiency or error that might refer to compliance of business operations, business processes, insurance products, risks and internal controls as well as employees and internal relationships. Employees can also submit commendations, which promotes a positive attitude across the company. In 2017, the register of continuous improvements received 25 requests. The online form does not allow for anonymous reports, because the whistle-blower protection system was not yet established in 2017.

Zavarovalnica Sava also has a system in place to manage conflicts of interest. With a written statement on disclosure of a conflict of interest (if any) employees report the conflict to their manager who examines the relevant situation, assesses the threat and reports to the compliance function holder on the proposed measures. The compliance function holder analyses all received disclosures of the conflict of interests and issues a decision imposing measures relating to the disclosure of the conflict of interests. Last year they processed 56 disclosures of conflicts of interests. Most of those disclosures referred to possible conflicts of interests in claims settlements, with regard to which only insignificant risk of conflict of interests was estimated, implying that the conflict of interest would be extremely rare. There were only a few cases where a low likelihood of occurrence of a conflict of interest was detected. Relevant measures were imposed in all discussed cases, ensuring consistent management of conflicts of interests.

In 2017 they also set up compliance standards that serve as a basis for further development of the compliance function. A regular quarterly reporting system was established for the compliance function holders to report on significant compliance activities and identified inconsistencies. No major inconsistencies were detected in 2017.[90]

[90] GRI 419-1

Anti-corruption activity and protection of personal data[91]

policy, the anti-corruption clause is incorporated as a mandatory contractual provision in legal relations with contractual partners, along with the general purchasing conditions of Zavarovalnica Sava, protection of confidential information and provisions governing the protection of personal data.

Data protection training courses were organised for all Zavarovalnica Sava employees. Throughout the year, employees were offered guidance related to the manner and importance of proper personal data protection. In 2017, a working group was set up to oversee the implementation of the new General Data Protection Regulation (Regulation (EU) 2016/679) that will take effect on 25 May 2018.

Last year they dealt with one client request for information on own personal data in accordance with the Personal Data Protection Act (ZVOP-1). They also received two complaints about alleged violations of the provisions of the act, and three requests from the Information Commissioner for submission of clarifications. Two of these procedures were concluded last year, with the reported violations recognised as unfounded.

Cases of corruption and measures taken[92]

In Zavarovalnica Sava, insurance fraud is investigated by the investigations segment unit that is organised within the claims department. In 2017 they processed 1,161 suspected cases of insurance fraud. No payments were made in 448 of these cases. The most common instances of insurance fraud are identified in connection with civil liability and non-life insurance products OPA. In 2017, 14 criminal charges were filed for suspected fraud.

Contributions to political parties

In line with the adopted code of ethics and the rules on sponsorship and donations Sava Re and Zavarovalnica Sava do not finance political parties.

Social responsibility

Certain members of our Group are among the co-founders of the Network for Social Responsibility of Slovenia, and members of the Institute for the Development of Social Responsibility and of the Partnership for National Strategy and Social Responsibility.[93] Having already developed an extensive business network, Group companies can more easily recognise the needs and potentials of local communities in their respective countries. We firmly believe in co-operation, and therefore support team sports, team efforts and projects that connect organisations with their communities and that allow us to become part of social developments..

[91] GRI 103-1, 103-2, 103-3, 205-1
[92] GRI 103-1, 103-2, 103-3, 205-3
[93] GRI 102-13

Sponsorships and donations[94]

True to its sponsorship and donations policy Sava Re supports efforts in education and development, humanitarian, healthcare and social security initiatives, ecology, and projects that promote economic development and growth.

The value of Sava Re sponsorships and donations

(€)	2017	2016
Sponsorships	500	900
Donations	21,110	19,100

At the end of the year, Sava Re donates a part of funds allocated for business gifts to different charities. In 2017, these payments totalled €6,500.

As the largest member of the Group, present in direct business and active in two EU markets, Zavarovalnica Sava has a long-standing reputation and tradition as a socially responsible activist – also through its predecessors Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje and Velebit životno osiguranje.

The merged entity is committed to its major promise, "#Never alone". By placing people at the centre of its operations the company promises different audiences to always be there for them – by providing for their security, through socially responsible products, friendly gestures, humanitarian campaigns, support to social efforts, an environmentally-friendly attitude and similar. Friendly communication and responsible conduct are certainly the factors that have defined the image and reputation of the new insurer.

Zavarovalnica Sava's decisions on sponsorships and donations are dictated by the adopted rules. Donations form an integral part of its commitment to the wider community in which it operates. Through transparent donations awarded based on uniform principles and in compliance with the adopted and published Code of Ethics it demonstrates and strengthens its role of a socially responsible company.

As such it supports sports, cultural and other organisations also through its sponsorship programmes, which enable different organisations and clubs to carry out both their annual programmes and specific events. The goals and criteria measuring sponsorship performance are clearly defined. Sponsorship is viewed as a partnership that benefits both sides. Sponsorship activities constitute one of the pillars of the company's activity and are also integral to its traditional market presence. They are therefore closely connected to the company's operations and market presence, enhancing the brand in the environment in which it operates.

The value of Zavarovalnica Sava sponsorships and donations

(€)	2017	2016*
Sponsorships	2,141,435	2,002,612
Donations	739,594	673,786

* The information refers to Zavarovalnica Maribor, Zavarovalnica Tilia and two months of the Croatian branch taken together.

In 2017, €2.1 million was allocated for sponsorships, of which 82.9% was dedicated to sports and 17.1% to other areas.

[94] GRI 103-1, 203-1

The structure of Zavarovalnica Sava donations in 2017 by purpose

	%
Humanitarian	1.58
Cultural	11.31
Educational	3.04
Sports	70.44
Social security	0.30
Disability	0.34
Healthcare	3.14
Disaster protection	1.60
Other	8.26

Significant sponsorships and donations

Aware of the importance of a healthy lifestyle Zavarovalnica Sava dedicates most of its sponsorship funding and donations to support sports. This way it promotes sports activity at all levels, from recreation to professional sports.

- For more than a decade it has been the main sponsor of Football Club Maribor, which made it into the Champions League for the third time in 2017.
- The same year, Zavarovalnica Sava became the main sponsor of yet another football club, the Croatian football club Rijeka, which played in the Champions League at the same time as Maribor.
- It has been the general sponsor and partner of Tennis Slovenia for five years,
- and continues to sponsor Handball Club Koper and Handball Club Maribor.
- As the diamond sponsor of Timing Ljubljana it takes part, for seven years running, in Slovenia's premiere running event – the Ljubljana Marathon,
- and was also, again in 2017, the main sponsor of Slovenia's foremost skiing event under Pohorje – Zlata lisica (the Golden Fox).
- By sponsoring the Nova KBM Branik Volleyball Club it contributes to the development of volleyball.
- With its project Committed to Steps (Predani korakom) it provided for yet another unforgettable experience for children at the University Rehabilitation Institute, who took part in acting workshops and performed on stage at the Križanke venue in Ljubljana.
- Culture lovers have benefited from its contribution as a general sponsor of the foremost Slovenian summer festival, Festival Ljubljana,
- as well as from its sponsorship of Festival Lent, which the company has supported for years.

Other Group companies also actively cooperate with local communities and support them through sponsorships and donations. However, as none of them has a sponsorship and donations policy in place and since their contributions are minimal, they were not included in this report.

Preventive measures[95]

Zavarovalnica Sava is paying increasing attention to preventive action. Through timely action and adequate financial assistance the company supports organisations and associations in eliminating the causes of loss, preventing hazards that might lead to new losses for policyholders, and in eliminating or mitigating the adverse effects of losses already incurred on insured property and people. This way, the insurance company also shows concern for the natural environment (fire prevention, prevention of pollution, traffic accidents and similar) and as a result contributes to lower expenses.

(€)	2017	2016**	2015*
Prevention	257,335	255,266	239,496

* The information refers to Zavarovalnica Maribor.
**The information refers to Zavarovalnica Maribor, Zavarovalnica Tilia and two months of the Croatian branch taken together.

Preventive action projects[96]

Most of the assets go to fire prevention, and Zavarovalnica Sava thus supports a number of fire brigades both at the local and the national level. In 2017 the company helped firefighters to buy fire blankets.

Through prevention projects in cooperation with the national automobile association (AMZS) it also contributes to better road safety.

Corporate charity[97]

The Sava Re Group supports corporate charity. Its major project is Sava Re Day, which has been bringing together employees from all Group members for seven years running. In collaboration with local organisations and associations we invest our efforts in helping less privileged groups and individuals in our society through intergenerational programmes and by assisting in renovations or minor repair and maintenance jobs.

In the spirit of intergenerational cooperation, Sava Re employees in 2017 went to nursing homes, occupational activity centres and similar institutions across Slovenia, where we lent a hand with landscaping efforts and renovated several children's playgrounds, thus bringing some joy and variety to the residents' daily routine. As many as 83% of Sava Re employees participated in the programme.

In the framework of Sava Re Day 2017 Sava Re employees participated in the following charity work:

Organisation	Activities
Slovenian Philanthropy	Providing assistance in landscaping, maintaining and decorating the organisation's new premises (terrace, help in making indoor furniture and preparing a hangar for the exhibition of old furniture, setting up a garden for and with the residents of the asylum centre Viè and participation at the workshop for the children of asylum seekers).
Nursing home Ljubljana Vič-Rudnik	Socialising with residents and organising bingo events.
Nursing home Logatec	Socialising with residents and walking with less mobile residents.
Nursing home Center, Tabor-Poljane	Wheelchair clean-up day.
Nursing home Fužine	Socialising with residents, making a giant Easter palm out of wood shavings and colouring Easter eggs for an exhibition.
Mothers' shelter Ljubljana	Window painting and garden hoeing. Preparing a joint meal.
Slovenian Hospice Association	Cleaning up the premises.
Red Cross Ljubljana	Sorting out clothes to be donated to the Humanitarian Centre and preparing for the distribution of aid packages.

In addition to Sava Re Day charity activities Zavarovalnica Sava carried out two additional humanitarian projects with the participation of its employees:

- The extremely well received "Sharing Christmas" event, an intergenerational social even, organised for the second time last year. The employees, children and residents baked gingerbread together and thus conjured up a true Christmas atmosphere at the Viè-Rudnik nursing home.
- The second project, which takes place in December, is the "Christmas Dinner for All". The aim of the project is to invite employees to donate food for the less privileged in the local communities of the insurance company's business units. The project's mission goes beyond the donation of food; it aims to raise awareness about poverty in our communities and the importance of caring for each other, while building relations among socially sensitive staff members.

[95] GRI 103-1, 103-2, 103-3
[96] GRI 203-1, 413-1
[97] GRI 103-1, 413-1

Responsibility to the natural environment[98]

Our fundamental mission is to ensure security of life and property in order to improve the quality of life and management of risks so as to avoid uncertain outcomes. We create conditions that ensure a secure and carefree lifestyle as well as favourable business results, which is an investment in the future.

Losses are a natural phenomenon in our business. Reinsurance and insurance play a critical role in creating security through additional risk equalization, as they help protect against random, unpredictable losses. Climate change has a significant impact not only on the quality of life in general, but also on the insurance industry. Managing this risk has been and will continue to be a particular challenge for the insurance industry. 2017 in particular suffered numerous catastrophes, which significantly also affected the results of major international (re)insurers.

Owing to carefully planned provisions and a diversified portfolio the Sava Re Group did not suffer such significant losses, but Group members nevertheless felt the consequences of climate change. Zavarovalnica Sava suffered the biggest loss impact. Catastrophes (storm, hail) accounted for more than 14,000 claims totalling more than €11 million (payments and provisions). This resulted not only in financial losses, but also in an extremely increased workload, which in turn leads to less responsive customer services and to the potential risk of diminished accuracy of claims processing. Excessive workloads also meant that certain development activities had to be suspended. Zavarovalnica Sava already conducts regular and development project activities with which it works to optimise claims processing and introduce new approaches (to claim reporting, on-site examination, guidance for clients, organisation of comprehensive loss remediation, induction of contractors). These novelties and developments are also expected to have a favourable impact on work organisation in mass loss events.

Losses arising from climate change had an impact of €9.0 million on reinsurance results in 2017 (mostly from storms in Central and South America and a flooded mine in Russia).

Sava Re views the environmental policy as a set of principles and practices aimed at protecting the environment and the landscape as well as natural and cultural heritage. Even though it does not have its own environmental policy in place, Sava Re motivates employees to reduce waste and improve their environmental impact. The guidelines that have already been implemented in the work process:

- Electronic pay slips
- Documents for the management board, supervisory board and committees in electronic form
- Office supplies that are recycled or manufactured using certified environmentally-friendly materials
- Each employee receives a water bottle
- Employees use city passenger transport services for business travel in the city, and the Urbana public transport card is available
- The company leases two central printers
- Waste separation

[98] GRI 103-1, 103-2, 103-3, 201-2

Waste disposal policy[99]

At Sava Re we separate waste, but as we are not the only owner in the commercial building, we do not have information on the volume of each type of waste. We are currently negotiating with the building manager on a system that will allow waste to be recorded separately, so that in the next reporting period, we will be able to report in accordance with the standards.

Old electronic devices (computers, batteries, printers, monitors, telephones and similar) are collected by an authorised contractor that ensures e-waste is recycled and non-ferrous scrap metal is properly collected.

Zavarovalnica Sava records waste collection by type and volume (information for 2017)

MIXED MUNICIPAL WASTE
69,915 kg

BIODEGRADABLE WASTE
4,669 kg

GLASS PACKAGING
1,441 kg

MIXED PACKAGING
5,321 kg

PAPER AND CARDBOARD
99,645 kg

PLASTICS
520 kg

METALS
50 kg

WASTE PRINTING TONERS
827 kg

All of the above waste was collected by authorised or registered waste collectors or processors at Zavarovalnica Sava's locations. Obsolete electronic devices are removed by contractors who also provide for their replacement, or by outsourced repairers who service them. The amount of waste batteries is negligible (this waste is therefore collected for several years before it is handed over to the municipal waste service / waste separation).

[99] GRI 306-2

Average daily paper consumption (sheets of A4 paper) per employee in 2017 (data refers to the company headquarters):

Sava Re, Slovenia	8.54
Zavarovalnica Sava, Slovenia*	29.6
Sava pokojninska, Slovenia	not available
Sava neživotno osiguranje (SRB)	12.7
Sava životno osiguranje (SRB)	11
Sava osiguruvanje (MKD)	41
Illyria	15
Illyria Life	not available
Sava osiguranje (MNE)	24

* The information refers to the company's headquarters and all its business units in Slovenia.

Energy consumption[100]

Group companies do not use renewable energy sources. The main energy source is electricity (lighting, heating, air-conditioning). Another major energy user is the companies' car fleet (fossil fuels).

The Group has not yet implemented a separate system for efficient capture and breakdown of such data, nor has it measured its carbon footprint.

In 2018, EU-based Group companies will introduce a system for the collection and classification of data on energy consumption and for the calculation of the carbon footprint.

Environmental, social, governance investing

On a daily basis, the financial department of Sava Re adheres to the environmental and social policy prescribed by the EBRD, and follows the ESG ("environmental, social, governance") principles through negative screening. In building our investment portfolio we avoid investing in securities that might have harmful effects of any kind either on people or the environment, or that in any way deviate from the ESG principles. Part of our funds are invested in debt securities issued by international organisations such as the EBRD, the World Bank and the European Investment Bank, as we believe that these organisations invest in environment-friendly projects and in accordance with their environmental and social policies. We also invest in securities issued to fund green, environmental projects (so-called green bonds). In the future we would like to further develop our investment management policy and define it in more detail and in accordance with the ESG principles.

[100] GRI 302-1

Commitments to external initiatives[101]

In the Sava Re Group we participate in initiatives promoting ethical conduct and environmentally, socially and economically sustainable business practice. We comply with the fundamental standard of professional business conduct as laid down by the Insurance Code of the Slovenian Insurance Association. We follow the recommendations of the Ljubljana Stock Exchange for listed companies on disclosure of information and have signed the Slovenian Corporate Integrity Guidelines.

Sava Re's reference code is the Slovenian Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia on 27 October 2016.

Membership in associations[102]

Sava Re is active in several professional associations: Slovenian Insurance Association, Slovenian Directors' Association, Chamber of Commerce and Industry of Slovenia, Sors – meeting of insurance and reinsurance companies, Maritime Law Association of Slovenia, The Slovenian Institute of Auditors, CFA Institute, Business Angels of Slovenia.

Key sustainable development guidelines and objectives for 2018

This is the Group's first sustainability report. It was not possible to evaluate or report all the key aspects of sustainable business for this reporting period. Special limitations are recorded in the GRI content index. In order to be able to provide for an adequate comparative analysis in the next reporting period, and in particular to monitor progress in the integration of sustainability values in our business, we have set out several concrete objectives for 2018:

- to develop a strategy for the sustainable development of the Group;
- to establish a selection system for suppliers based on sustainability criteria;
- to participate in at least five investment conferences
- to establish a system for monitoring energy consumption and environmental impacts (carbon footprint);
- to integrate sustainability principles in at least two business processes;
- to integrate environmental, social and governance criteria into the investment management policy;
- to increase the company value for shareholders;
- to improve and establish a corporate security system;
- to identify psychosocial risks among employees and implement preventive actions;
- to strengthen employees' digital literacy;
- to digitise insurance services;
- to develop or revamp at least one insurance product that promotes sustainable development;
- to raise energy awareness among employees;
- to promote healthier lifestyles among employees;
- Human rights due diligence;
- to purchase company vehicles with low CO_2 emissions;
- to renovate the business premises at Sava Re headquarters in line with sustainability guidelines

[101] GRI 102-12
[102] GRI 102-13

14 BUSINESS PROCESSES AND IT SUPPORT

Key information technology activities in 2017 consisted in:

- continuous, uninterrupted provision of the services provided by the Group's data centre from two locations to all Group companies;
- ensuring the operation of all IT systems upon the merger of Slovenian and Croatian insurance companies into Zavarovalnica Sava;
- development of programmes to support operations.

Most of the IT services for the Group companies are provided by the Group's virtual data centre, which operates in Maribor and Novo Mesto. Due to the merger of companies into the new Zavarovalnica Sava in 2016 we did not conduct planned consolidations of the IT infrastructure. Several major changes were expected in the consolidation of data centres in Maribor and Novo mesto (purchase of new blade servers, additional virtual tape library for the Maribor data centre, extension of storage capacities). These activities will be continued in 2018.

We continued and completed the transfer of shared services such as email from individual companies to the joint data centre. Sava pokojninska was included in the Group data centre.

A new online platform for websites and online insurance sales was set up for all of the companies in 2016 and in 2017, and all of the companies transitioned to the unified platform. We continued with the introduction of other shared services, such as the single SharePoint portals and project management from a single tool. We introduced mDocs, a solution for the settling of invoices, which is integrated with the Navision software.

Furthermore, we continued the development of applications supporting insurance and reinsurance operations. Most of our efforts were invested in continuing the unification of business operations within Zavarovalnica Sava. In terms of applications supporting insurance operations in companies outside Slovenia, the emphasis was on the introduction of paperless administration in claims management and on the introduction of unified support for multicurrency transactions and a module for the management of various payment instruments and receivables management.

At the strategic level we started introducing new information system architecture based on a platform that separates portals and user programmes from back office systems. More loosely coupled systems will enable faster development of applications and customer solutions.

Tadej M. and Daša J.

SAVA RE GROUP FINANCIAL STATEMENTS WITH NOTES

REFLECTING KNOWLEDGE

Knowledge drives progress, so training is central to achieving strategic goals.

49,738 hours of training and 1,425 participants in 2017.

15 AUDITOR'S REPORT

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pozavarovalnica Sava d.d.

Opinion

We have audited the consolidated financial statements of the Sava Re Group ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Sava Re Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Estimations concerning premium recognition, technical provisions, reinsurance assets and liabilities – reinsurance

Technical provisions of the Group include also provisions related to reinsurance business. Part of those provisions are related to estimates based on input data received from cedants, underwriters' assumptions and internal historical data developed internally by the Group. The Group estimates claims provision for business outside the Sava Re Group, taking into account expected premiums and expected combined ratios.

Those estimates also influence other significant areas within the consolidated financial statements, such as gross premium income, commission and premium receivables. Premium estimates are made based on expected premiums from reinsurance contracts which, according to due dates, are already in force, although the Group has yet to receive reinsurance accounts.

The Group prepares back testing analyses to assess correctness of previous period assumptions and builds projections on experience.

Additionally, incurred but not reported ("IBNR") provisions are calculated independently by the Group to confirm reasonability of ceded amounts, using development triangles of cumulative claim payments by underwriting year.

There is a risk that the estimates and judgements made by the underwriters and the actuary may result in a material misstatement in the consolidated financial statements. We determined this to be a significant item for our audit and a key audit matter.

We involved actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material or complex and/or requiring significant judgement in setting of assumptions.

We assessed the design and verified the operating effectiveness of internal controls over the estimation process including the initial input of the data in the model based on reinsurance contracts as well as the later update of assumptions based on current information from cedants.

We reviewed the methodology and assumptions used by the Group to establish its IBNR provision and performed recalculation of Group IBNR provisions. We reviewed the methodology used by the Group to calculate claim provisions established by estimation using actuarial methods.

We performed detailed analytical procedures on estimates relating to premiums, commissions and technical provisions and assessed the experience (back testing) analyses performed by the Group in their assumption setting processes.

We tested, on a sample basis, whether the input data in the model for recalculation of estimates is accurate and complete. We assessed the adequacy of the disclosures included in notes 17.4.24 and 17.8.22 of the consolidated financial statements.

Estimates used in calculation of insurance liabilities, DAC and Liability Adequacy Test (LAT) – insurance

The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities,

We involved actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material and more complex and/or requiring significant judgement in setting of assumptions, particularly long-tail business in non-life operations and Liability Adequacy Test ("LAT") cash flows in life

both in the insurance contract liabilities as reported in the statement of financial position and in the provisions adequacy test. We determined this to be a significant item for our audit and a key audit matter.	products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim provisions calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the Group's approach and methodology for the actuarial analyses including estimated versus actual results and experience studies. Our assessments included evaluation, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied, along with comparison to applicable industry experiences considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with International Financial Reporting Standards as adopted by the European Union. We also performed audit procedures to determine the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's liability adequacy testing, which is a test performed to evaluate whether the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessment of the projected cash flows and assessment of the assumptions adopted in the context of both the Group and industry experience and specific product features. We assessed the adequacy of the disclosures included in notes 17.4.24 and 17.8.22 of the consolidated financial statements.

Other information

Other information comprises the information included in the consolidated annual report other than the consolidated financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, supervisory board and audit committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee and supervisory board are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

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• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

• obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Group on 28 October 2016 based on our approval by the General Meeting of Shareholders of the Group on 30 August 2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 5 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 27 March 2018.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Group in conducting the audit.

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In addition to statutory audit services and services disclosed in the consolidated annual report and in the consolidated financial statements, no other services were provided by us to the Company and its controlled undertakings.

Ljubljana, 28 March 2018

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Nena Cvetkovska
Certified auditor

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

16 CONSOLIDATED FINANCIAL STATEMENTS

16.1 Consolidated statement of financial position

(€)	Notes	31/12/2017	31/12/2016
ASSETS		**1,708,348,067**	**1,671,189,179**
Intangible assets	1	**22,712,944**	**25,508,583**
Property and equipment	2	**45,438,014**	**51,887,127**
Deferred tax assets	3	**2,107,564**	**2,326,063**
Investment property	4	**15,364,184**	**7,933,786**
Financial investments:	5	**1,038,125,019**	**1,030,235,239**
- loans and deposits		28,029,543	31,605,347
- held to maturity		106,232,327	130,812,195
- available for sale		897,645,279	858,641,003
- at fair value through profit or loss		6,217,870	9,176,694
Funds for the benefit of policyholders who bear the investment risk	6	**227,228,053**	**224,175,076**
Reinsurers' share of technical provisions	7	**30,787,241**	**28,444,628**
Investment contract assets	8	**129,622,131**	**121,366,122**
Receivables	9	**138,455,525**	**127,408,527**
Receivables arising out of primary insurance business		124,324,547	51,340,821
Receivables arising out of co-insurance and reinsurance business		6,197,717	68,005,582
Current tax assets		17,822	124,720
Other receivables		7,915,439	7,937,404
Deferred acquisition costs	10	**18,507,194**	**16,510,536**
Other assets	11	**2,043,395**	**1,366,844**
Cash and cash equivalents	12	**37,956,119**	**33,939,160**
Non-current assets held for sale	13	**684**	**87,488**

(€)	Notes	31/12/2017	31/12/2016
EQUITY AND LIABILITIES		**1,708,348,067**	**1,671,189,179**
Equity		**316,116,895**	**297,038,327**
Share capital	14	71,856,376	71,856,376
Capital reserves	15	43,035,948	43,681,441
Profit reserves	16	162,548,076	145,893,612
Treasury shares	17	-24,938,709	-24,938,709
Fair value reserve	18	18,331,697	17,458,948
Reserve due to fair value revaluation		667,518	351,655
Retained earnings		33,093,591	36,778,941
Net profit or loss for the period	19	14,557,220	9,049,238
Translation reserve		-3,353,304	-3,854,182
Equity attributable to owners of the controlling company		**315,798,413**	**296,277,319**
Non-controlling interests in equity	20	**318,482**	**761,008**
Subordinated liabilities	21	**0**	**23,570,771**
Technical provisions	22	**931,398,362**	**911,221,323**
Unearned premiums		171,857,259	157,678,496
Technical provisions for life insurance business		271,409,915	269,762,815
Provision for outstanding claims		479,072,582	475,157,985
Other technical provisions		9,058,606	8,622,027
Technical provision for the benefit of life insurance policyholders who bear the investment risk	22	**226,527,893**	**226,994,200**
Other provisions	23	**7,600,613**	**8,080,877**
Deferred tax liabilities	3	**5,781,494**	**6,038,631**
Investment contract liabilities	8	**129,483,034**	**121,229,675**
Other financial liabilities	24	**245,205**	**393,996**
Liabilities from operating activities	25	**60,598,188**	**48,790,646**
Liabilities from primary insurance business		54,711,289	11,910,253
Liabilities from reinsurance and co-insurance business		5,160,183	36,292,698
Current income tax liabilities		726,716	587,695
Other liabilities	26	**30,596,383**	**27,830,733**

The notes to the financial statements in sections 17.4–17.12 form an integral part of these financial statements.

16.2 Consolidated income statement[103]

(€)	Notes	2017	2016
Net earned premiums	28	**470,865,993**	**458,101,526**
Gross premiums written		517,233,431	490,205,154
Written premiums ceded to reinsurers and co-insurers		-34,243,296	-31,242,514
Change in gross unearned premiums		-13,765,765	-1,829,377
Change in unearned premiums, reinsurers' and co-insurers' shares		1,641,623	968,263
Investment income	29	**27,446,915**	**33,136,242**
Interest income		18,607,327	21,233,656
Other investment income		8,839,588	11,902,586
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	29	**16,849,384**	**17,958,678**
Other technical income	30	**15,429,720**	**18,237,409**
Commission income		2,870,868	3,732,607
Other technical income		12,558,852	14,504,802
Other income	30	**6,058,000**	**6,489,633**
Net claims incurred	31	**-296,103,320**	**-268,393,776**
Gross claims payments, net of income from recourse receivables		-309,727,160	-269,445,796
Reinsurers' and co-insurers' shares		15,846,528	14,819,654
Change in the gross claims provision		-2,931,960	-15,832,894
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares		709,272	2,065,260
Change in other technical provisions	32	**-2,179,849**	**-5,254,856**
Change in technical provisions for policyholders who bear the investment risk	32	**-1,121,327**	**-17,442,161**
Expenses for bonuses and rebates		**5,848**	**-1,263,545**
Operating expenses	33	**-156,962,328**	**-159,563,486**
Acquisition costs		-51,949,127	-51,882,550
Change in deferred acquisition costs		2,389,002	-1,474,454
Other operating expenses		-107,402,203	-106,206,482
Expenses for investments in associates and impairment losses on goodwill	29	**0**	**-1,693,699**
Impairment loss on goodwill		0	-1,693,699
Expenses for financial assets and liabilities	29	**-11,891,544**	**-8,556,415**
Impairment losses on financial assets not at fair value through profit or loss		-320,000	-594,025
Interest expense		-718,860	-842,126
Other investment expenses		-10,852,684	-7,120,264
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	29	**-8,256,416**	**-11,256,348**
Other technical expenses	34	**-17,486,080**	**-17,310,937**
Other expenses	34	**-2,774,013**	**-2,518,278**
Profit or loss before tax		**39,880,983**	**40,669,987**
Income tax expense	35	**-8,786,075**	**-7,751,774**
Net profit or loss for the period		**31,094,908**	**32,918,213**
Net profit or loss attributable to owners of the controlling company		**31,065,329**	**32,824,911**
Net profit or loss attributable to non-controlling interests		**29,579**	**93,302**
Earnings per share (basic and diluted)	19	**2.00**	**2.08**

The notes to the financial statements in sections 17.4–17.12 form an integral part of these financial statements.

[103] GRI 102-7

16.3 Consolidated statement of comprehensive income

(€)	2017			2016		
	Attributable to owners of the controlling company	Attributable to non-controlling interests	Total	Attributable to owners of the controlling company	Attributable to non-controlling interests	Total
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	**31,065,329**	**29,579**	**31,094,908**	**32,824,911**	**93,302**	**32,918,213**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**1,689,492**	**6,503**	**1,695,995**	**4,739,343**	**2,689**	**4,742,032**
a) Items that will not be reclassified subsequently to profit or loss	**315,865**	**0**	**315,865**	**389,127**	**726**	**389,853**
Other items that will not be reclassified subsequently to profit or loss	386,089	0	386,089	392,921	726	393,647
Tax on items that will not be reclassified subsequently to profit or loss	-70,224	0	-70,224	-3,794	0	-3,794
b) Items that may be reclassified subsequently to profit or loss	**1,373,627**	**6,503**	**1,380,130**	**4,350,216**	**1,963**	**4,352,179**
Net gains/losses on remeasuring available-for-sale financial assets	**851,240**	**4,184**	**855,424**	**6,216,376**	**3,994**	**6,220,370**
Net change recognised in the fair value reserve	2,804,458	4,184	2,808,642	5,245,968	1,017	5,246,985
Net change transferred from fair value reserve to profit or loss	-1,953,218	0	-1,953,218	970,408	2,977	973,385
Tax on items that may be reclassified subsequently to profit or loss	**21,508**	**0**	**21,508**	**-1,479,133**	**0**	**-1,479,133**
Net gains/losses from translation of financial statements of non-domestic companies	**500,879**	**2,319**	**503,198**	**-387,027**	**-2,031**	**-389,058**
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**32,754,821**	**36,082**	**32,790,903**	**37,564,254**	**95,991**	**37,660,245**
Attributable to owners of the controlling company	**32,754,821**	**0**	**32,754,821**	**37,564,254**	**0**	**37,564,254**
Attributable to non-controlling interests	**0**	**36,082**	**36,082**	**0**	**95,991**	**95,991**

The notes to the financial statements in sections 17.4–17.12 form an integral part of these financial statements.

16.4 Consolidated statement of cash flows

(€)	Notes	1–12/2017	1–12/2016
A. Cash flows from operating activities			
a) Items of the income statement	**36**	**29,652,140**	**49,825,078**
1. Net premiums written in the period	28	482,990,135	458,962,640
2. Investment income (other than financial income)	29	143,722	210,989
3. Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables		21,487,720	24,727,042
4. Net claims payments in the period	31	-293,880,632	-254,626,142
5. Expenses for bonuses and rebates		5,848	-1,263,545
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	33	-151,825,973	-150,471,848
7. Investment expenses (excluding amortisation and financial expenses)		-54,102	-133,069
8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	34	-20,428,503	-19,829,215
9. Tax on profit and other taxes not included in operating expenses	35	-8,786,075	-7,751,774
b) Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the income statement		**1,698,017**	**-7,642,805**
1. Change in receivables from primary insurance	9	-72,983,726	169,946
2. Change in receivables from reinsurance	9	61,807,865	752,004
3. Change in other receivables from (re)insurance business	9	365,290	669,194
4. Change in other receivables and other assets	9	-2,880,757	-4,301,734
5. Change in deferred tax assets	3	218,499	45,794
6. Change in inventories		-28,879	4,428
7. Change in liabilities arising out of primary insurance	25	42,801,036	941,388
8. Change in liabilities arising out of reinsurance business	25	-31,132,515	-3,446,714
9. Change in other operating liabilities	26	-2,442,917	-4,410,572
10. Change in other liabilities (except unearned premiums)	26	6,231,258	493,561
11. Change in deferred tax liabilities	3	-257,137	1,439,900
c) Net cash from/used in operating activities (a + b)		**31,350,157**	**42,182,273**

(€)	Notes	1–12/2017	1–12/2016
B. Cash flows from investing activities			
a) Cash receipts from investing activities		**1,416,437,638**	**1,577,964,374**
1. Interest received from investing activities		18,607,327	21,233,656
2. Cash receipts from dividends and participation in the profit of others		1,141,433	1,284,400
3. Proceeds from sale of intangible assets		0	5,664
4. Proceeds from sale of property and equipment		2,707,118	4,162,273
5. Proceeds from sale of financial investments		1,393,981,760	1,551,278,381
b) Cash disbursements in investing activities		**-1,405,529,717**	**-1,563,064,826**
1. Purchase of intangible assets		-1,177,107	-1,022,400
2. Purchase of property and equipment		-4,833,554	-6,895,120
3. Purchase of long-term financial investments		-1,399,519,056	-1,555,147,306
c) Net cash from/used in investing activities (a + b)		**10,907,921**	**14,899,548**
C. Cash flows from financing activities			
b) Cash disbursements in financing activities		**-38,241,119**	**-27,853,565**
1. Interest paid		-718,860	-842,126
3. Repayment of long-term financial liabilities		-24,000,000	0
4. Repayment of short-term financial liabilities		-1,058,233	6,080
5. Dividends and other profit participations paid		-12,464,026	-12,398,157
6. Own share repurchases		0	-14,619,362
c) Net cash from/used in financing activities (a + b)		**-38,241,119**	**-27,853,565**
C2. Closing balance of cash and cash equivalents		**37,956,119**	**33,939,160**
x) Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)		**4,016,959**	**29,228,256**
y) Opening balance of cash and cash equivalents		**33,939,160**	**4,710,904**

The notes to the financial statements in sections 17.4–17.12 form an integral part of these financial statements.

16.5 Consolidated statement of changes in equity for 2017

(€)	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/ loss for the period	VII. Treasury shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (15 + 16)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Catastrophe equalisation reserve	Other									
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	**71,856,376**	**43,681,441**	**11,411,550**	**24,938,709**	**11,225,068**	**98,318,285**	**17,458,948**	**351,655**	**36,778,941**	**9,049,238**	**-24,938,709**	**-3,854,182**	**296,277,319**	**761,008**	**297,038,327**
Prior-period restatements	0	0	0	0	0	0	0		-190,075	0	0	0	-190,075	0	-190,075
Opening balance in the financial period	**71,856,376**	**43,681,441**	**11,411,550**	**24,938,709**	**11,225,068**	**98,318,285**	**17,458,948**	**351,655**	**36,588,866**	**9,049,238**	**-24,938,709**	**-3,854,182**	**296,087,244**	**761,008**	**296,848,252**
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**872,748**	**315,865**	**0**	**31,065,329**	**0**	**500,879**	**32,754,821**	**36,082**	**32,790,903**
a) Net profit/loss for the period	0	0	0	0	0	0	0		0	31,065,329	0	0	31,065,329	29,579	31,094,908
b) Other comprehensive income	0	0	0	0	0	0	872,748	315,865	0	0	0	500,879	1,689,492	6,503	1,695,995
Dividend payouts	0	0	0	0	0	0	0	0	-12,398,157	0	0	0	-12,398,157	-65,869	-12,464,026
Allocation of net profit to profit reserve	0	0	167,369	0	0	16,487,095	0	0	-146,356	-16,508,109	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	9,049,238	-9,049,238	0	0	0	0	0
Acquisition of non-controlling interests	0	-645,493	0	0	0	0	0	0	0	0	0	0	-645,493	-412,740	-1,058,233
Closing balance in the financial period	**71,856,376**	**43,035,948**	**11,578,920**	**24,938,709**	**11,225,068**	**114,805,380**	**18,331,697**	**667,518**	**33,093,591**	**14,557,220**	**-24,938,709**	**-3,353,304**	**315,798,413**	**318,482**	**316,116,895**

16.6 Consolidated statement of changes in equity for 2016

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (15 + 16)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risk	Catastrophe equalisation reserve	Other									
	1.	2.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	43,388,724	11,242,766	10,319,347	976,191	11,225,068	89,191,057	12,721,705	-37,472	23,490,926	24,849,678	-10,319,347	-3,467,155	285,437,863	963,815	286,401,678
Opening balance in the financial period	71,856,376	43,388,724	11,242,766	10,319,347	976,191	11,225,068	89,191,057	12,721,705	-37,472	23,490,926	24,849,678	-10,319,347	-3,467,155	285,437,863	963,815	286,401,678
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4,737,243**	**389,127**	**0**	**32,824,911**	**0**	**-387,027**	**37,564,254**	**95,991**	**37,660,245**
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	32,824,911	0	0	32,824,911	93,302	32,918,213
b) Other comprehensive income	0	0	0	0	0	0	0	4,737,243	389,127	0	0	0	-387,027	4,739,343	2,689	4,742,032
Net purchase/sale of treasury shares	0	0	0	14,619,362	0	0	0	0	0	0	-14,619,362	-14,619,362	0	-14,619,362	0	-14,619,362
Dividend payouts	0	0	0	0	0	0	0	0	0	-12,398,157	0	0	0	-12,398,157	0	-12,398,157
Allocation of net profit to profit reserve	0	0	168,784	0	0	0	9,127,228	0	0	-139,699	-9,156,313	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-976,191	0	0	0	0	976,191	0	0	0	0	0	0
Acquisition of non-controlling interests	0	292,717	0	0	0	0	0	0	0	0	0	0	0	292,717	-298,797	-6,080
Transfer of profit	0	0	0	0	0	0	0	0	0	24,849,678	-24,849,678	0	0	0	0	0
Closing balance in the financial period	**71,856,376**	**43,681,441**	**11,411,550**	**24,938,709**	**0**	**11,225,068**	**98,318,285**	**17,458,948**	**351,655**	**36,778,941**	**9,049,238**	**-24,938,709**	**-3,854,182**	**296,277,319**	**761,008**	**297,038,327**

The notes to the financial statements in sections 17.4–17.12 form an integral part of these financial statements.

Jožica P.

REFLECTING ENVIRONMENTAL CONCERN

One of our values is concern for the environment. At the Sava Re Group we encourage employees to be more protective of and responsible toward the environment, and to safeguard our natural and cultural heritage.

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17.1 Basic details

Reporting company

Sava, d.d. (hereinafter also "Sava Re" or the "Company") is the controlling company of the Sava Re Group (hereinafter also the "Group"). It was established under the Foundations of the Life and Non-Life Insurance System Act, and was entered in the company register kept by the Ljubljana Basic Court, Ljubljana Unit (now Ljubljana District Court), on 10 December 1990. Its legal predecessor, Pozavarovalna skupnost Sava, was established in 1977.

The controlling company, Sava Re, d.d., has its registered office at Dunajska cesta 56, Ljubljana, Slovenia.

The Group transacts reinsurance business (19% of gross premiums written), non-life insurance business (64% of gross premiums written) and life insurance business (17% of gross premiums written).

In 2017 the Group employed on average 2,438 people (2016: 2,465 employees) on a full-time equivalent basis. As at 31 December 2017, the total number of employees was 2,389 (31/12/2016: 2,488 employees) on a full-time equivalent basis. Statistics on employees in regular employment by various criteria are given in section 10 "Human resources management".

Employees by level of education on a full-time equivalent basis as at-year-end

	2017	2016
Primary and lower secondary education	78	72
Secondary education	1,031	1,138
Higher education	294	272
University education	892	912
Master's degree and doctorate	94	93
Total	**2,389**	**2,488**

The figures for 2016 differ from those published in the 2016 annual report.

The controlling company has the following bodies: the general meeting of shareholders, the supervisory board and the management board.

The largest shareholder of the controlling company is Slovenian Sovereign Holding with a 17.7% stake. The second largest shareholder is Zagrebačka banka (custodial account) with a 14.2% stake, and the third largest the Republic of Slovenia with a 10.1% stake. The table "Ten largest shareholders as at 31 December 2017" (section 5.6) is followed by a note on the share of voting rights (section 5.6).

It is the responsibility of the controlling company's management board to prepare the consolidated annual report and authorise it for issue. The audited consolidated annual report is approved by the supervisory board of the controlling company. If the annual report is not approved by the supervisory board, or if the management and supervisory boards leave the decision about its approval to the general meeting of shareholders, the general meeting decides on the approval of the annual report.

The owners have the right to amend the financial statements after they have been authorised for issue to the supervisory board by the Company's management board.

17.2 Business combinations and overview of Group companies[104]

In September 2017, the general meeting of shareholders of Zavarovalnica Sava adopted a resolution to transfer all of its shares of minority shareholders to the majority shareholder Sava Re. After the resolution on the share transfer was entered into the register of companies on 10 October 2017, the controlling company became the sole owner of Zavarovalnica Sava.

In 2017 the controlling company injected €0.7 million of capital in its life insurance company Sava životno osiguranje (SRB) and acquired a minority shareholding in the insurer Sava osiguruvanje (MKD) for €5,721.

Below are presented individual items of the statement of financial position and the income statement based on the separate financial statements of subsidiaries and associates, as prepared in line with IFRSs, together with the controlling company's share of voting rights.

[104] GRI 102-7, 102-45

Subsidiaries as at 31 December 2017

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31/12/2017	Profit/loss for 2017	Total income	Share of voting rights
Zavarovalnica Sava	insurance	Slovenia	1,151,811,161	993,756,083	158,055,078	25,080,999	344,712,649	100.00%
Sava neživotno osiguranje (SRB)	insurance	Serbia	28,216,687	22,507,562	5,709,125	435,559	16,463,580	100.00%
Illyria	insurance	Kosovo	15,577,678	11,538,509	4,039,169	223,576	7,689,674	100.00%
Sava osiguruvanje (MKD)	insurance	Macedonia	22,867,851	17,374,464	5,493,387	358,257	12,277,755	92.57%
Sava osiguranje (MNE)	insurance	Montenegro	23,036,708	17,241,924	5,794,784	1,232,772	12,124,229	100.00%
Illyria Life	insurance	Kosovo	12,699,600	8,502,872	4,196,728	230,850	2,038,449	100.00%
Sava životno osiguranje (SRB)	insurance	Serbia	6,645,739	3,162,191	3,483,548	-818,333	2,058,571	100.00%
Illyria Hospital	does not currently perform any activities	Kosovo	1,800,742	4,579	1,796,163	-114	0	100.00%
Sava Car	research and analysis	Montenegro	634,723	42,188	592,535	-3,991	724,473	100.00%
ZS Svetovanje	consulting and marketing of insurances of the person	Slovenia	126,917	203,900	-76,983	-194,224	737,056	100.00%
Ornatus KC	ZS call centre	Slovenia	48,314	21,461	26,853	15,853	216,000	100.00%
Sava Agent	insurance agent	Montenegro	2,100,120	1,798,730	301,390	112,971	651,469	100.00%
Sava Station	motor research and analysis	Macedonia	316,750	25,614	291,136	39,731	175,454	92.57%
Sava pokojninska	pension fund	Slovenia	144,935,935	136,508,976	8,426,959	420,256	4,269,651	100.00%

Subsidiaries as at 31 December 2016

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31/12/2016	Profit/loss for 2016	Total income	Share of voting rights
Zavarovalnica Sava	insurance	Slovenia	1,138,039,266	980,210,101	157,829,165	23,430,774	326,410,351	99.74%
Sava neživotno osiguranje (SRB)	insurance	Serbia	25,387,084	20,316,459	5,070,625	116,929	15,379,795	100.00%
Illyria	insurance	Kosovo	14,538,265	10,841,158	3,697,107	-171,970	7,300,855	100.00%
Sava osiguruvanje (MKD)	insurance	Macedonia	21,377,413	16,348,215	5,029,198	465,490	11,850,287	92.44%
Sava osiguranje (MNE)	insurance	Montenegro	22,112,854	16,725,274	5,387,580	1,204,218	11,889,234	100.00%
Illyria Life	insurance	Kosovo	7,866,533	4,213,820	3,652,713	128,266	1,813,319	100.00%
Sava životno osiguranje (SRB)	insurance	Serbia	5,834,828	2,389,128	3,445,700	-206,975	1,612,217	100.00%
Illyria Hospital	does not currently perform any activities	Kosovo	1,800,772	4,495	1,796,277	-84	0	100.00%
Sava Car	research and analysis	Montenegro	481,718	36,624	445,094	39,883	708,948	100.00%
ZS Vivus	consulting and marketing of insurances of the person	Slovenia	267,008	54,548	212,460	-103,271	598,713	99.74%
ZS Svetovanje	insurance agent	Slovenia	33,767	128,609	-94,842	-122,823	162,848	99.74%
Ornatus KC	ZS call centre	Slovenia	46,896	25,166	21,730	7,494	216,000	99.74%
Sava Agent	insurance agent	Montenegro	2,322,627	2,129,557	193,070	72,788	641,735	100.00%
Sava Station	motor research and analysis	Macedonia	281,143	32,291	248,852	38,537	171,424	92.44%
Sava pokojninska	pension fund	Slovenia	134,444,848	126,401,679	8,043,169	581,695	3,210,125	100.00%

The data for Zavarovalnica Sava differ from those in the 2016 annual report, which were consolidated, while this year we present data from the separate financial statements.

17.3 Consolidation principles

The controlling company prepared both separate and consolidated financial statements for the year ended 31 December 2017. The consolidated financial statements include Sava Re as the controlling company and all its subsidiaries, i.e. companies in which Sava Re holds, directly or indirectly, more than half of the voting rights and has the power to control the financial and operating policies so as to obtain benefits from its activities. It is also of key importance for the satisfaction of the conditions mentioned above that, in the event of a takeover of the insurance company, the controlling company obtains all required approvals and consents (from the Insurance Supervision Agency and other supervisory institutions).

All subsidiaries were fully consolidated in the Sava Re Group.

The financial year of the Group is the same as the calendar year.

Business acquisitions are accounted for by applying the purchase method. Subsidiaries are fully consolidated as of the date of obtaining control and they are deconsolidated as of the date that such control is lost. At the time of an entity's first consolidation, its assets and liabilities are measured at fair value. Any excess of the market value over the share of the fair value of the acquired identifiable assets, liabilities and contingent liabilities is capitalised as goodwill.

When acquiring a non-controlling interest in a subsidiary (when the Group already holds a controlling interest), the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid, and attributes it to the owners of the controlling company. The difference between cost and the carrying amount of the non-controlling interest is accounted for in equity under capital reserves.

Profits earned and losses made by subsidiaries are included in the Group's income statement. Intragroup transactions (receivables and liabilities, expenses and income between the consolidated companies) have been eliminated.

17.4 Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the consolidated financial statements. The Group applied the same accounting policies in 2017 as in 2016, except for minor changes as described in section 17.5 "Changes in accounting policies and presentation".

17.4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board (IASB), and interpretations of the International Financial Reporting Interpretations Committee's (IFRIC), as adopted by the European Union. They were also prepared in accordance with applicable Slovenian legislation (the Companies Act, ZGD-1).

Interested parties can obtain information on the results of operations of the Sava Re Group by consulting the annual report. Annual reports are available on Sava Re's website and at its registered office.

In selecting and applying accounting policies, as well as in preparing the financial statements, the management board of the controlling company aims at providing understandable, relevant, reliable and comparable accounting information.

The financial statements have been prepared based on the going-concern assumption.

The management board of the controlling company approved the audited financial statements on 28 March 2018.

17.4.2 Measurement bases

The financial statements have been prepared on the historic cost basis, except for financial assets at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value. Assets of policyholders who bear the investment risk are also measured at fair value.

17.4.3 Presentation currency, translation of events and items

The financial statements are presented in euros (€), rounded to the nearest euro. The euro is the functional and presentation currency of the Group. Due to rounding, figures in tables may not add up to the totals.

Assets and liabilities as at 31 December 2017 denominated in foreign currencies were translated into euros using the mid-rates of the European Central Bank (ECB) as at 31 December 2017. Amounts in the income statements were translated using the average exchange rate. As at 31 December 2016 and 31 December 2017, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-monetary items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve. Since equity items in the statement of financial position as at 31 December 2017 are translated using the exchange rates of the ECB on that day and since interim movements are translated using the average exchange rates of the ECB, any differences arising therefrom are disclosed in the equity item translation reserve.

17.4.4 Use of major accounting estimates and sources of uncertainty

Assumptions and other sources of uncertainty relate to estimates that require management to make difficult, subjective and complex judgements. Areas that involve major management judgement are presented below.

- Calculation of goodwill, its measurement and impairment is determined using the accounting policy under 17.4.9 and note 1.
- Deferred tax assets are recognised if Group entities plan to realise a profit in the medium-term projections.
- Receivables are impaired based on the accounting policy set out in section 17.4.17. Any recognised impairment loss is shown in note 9.
- Financial investments: Classification, recognition, measurement and derecognition, as well as investment impairment and fair value measurement, are made based on the accounting policy set out in section 17.4.14. Movements in investments and their classification are shown in note 5, while the associated income and expenses, and impairment, are shown in note 30.
- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in sections 17.4.24–27. Movements in these provisions are shown in note 22.

17.4.5 Materiality

To serve as a starting point in determining a materiality threshold for the consolidated financial statements, the management used the equity of the Sava Re Group, specifically 2% thereof as at 31 December 2017, which is €6.3 million. The disclosures and notes required to meet regulatory or statutory requirements are presented, despite their being below the materiality threshold.

17.4.6 Cash flow statement

The cash flow statement has been prepared using the indirect method. The Group cash flow statement was prepared as the sum of all cash flows of all Group companies less any inter-Group cash flows. Cash flows from operating activities have been prepared based on data from the 2017 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

17.4.7 Statement of changes in equity

The statement of changes in equity shows movements in individual components of equity in the period. Profit reserves also include the treasury share reserve and the catastrophe equalisation reserve.

17.4.8 Intangible assets

Intangible assets, except goodwill, are stated at cost, including any expenses directly attributable to preparing them for their intended use, less accumulated amortisation and any impairment losses. Amortisation is calculated for each item other than goodwill separately, on a straight-line basis. Intangible assets are first amortised upon their availability for use.

Intangible assets in the Group include computer software, licences pertaining to computer software (their useful life is assumed to be five years). This item also includes the value of assumed liabilities upon the integration of Zavarovalnica Maribor (now Zavarovalnica Sava) into the Sava Re Group, being the equivalent of the difference between the fair value of acquired contractual insurance rights and assumed insurance liabilities. The useful life of intangible assets mentioned above is also five years.

17.4.9 Goodwill

Goodwill arises on the acquisition of subsidiaries. In acquisitions, goodwill relates to the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the excess is negative (badwill), it is recognised directly in the income statement. The recoverable amount of the cash-generating unit so calculated is compared against its carrying amount, including goodwill belonging to such unit. The recoverable amount is value in use.

For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. Movement in goodwill is discussed in detail in note 1 of section 17.8.

Goodwill of associate companies is included in their carrying amount. Any impairment losses on goodwill of associate companies are treated as impairment losses on investments in associate companies.

Section 17.8, note 1, sets out the main assumptions for cash flow projections used in the calculation of the value in use.

17.4.10 Property and equipment

Property and equipment assets are initially recognised at cost, including cost directly attributable to acquisition of the asset. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses. For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made.

Property and equipment assets are first depreciated upon their availability for use. Depreciation is calculated for each item separately, on a straight-line basis. Depreciation rates are determined so as to allow the cost of property and equipment assets to be allocated to expenses over their estimated useful lives.

Depreciation rates of property and equipment assets

Depreciation group	Rate
Land	0%
Buildings	1.3%–2%
Transportation	15.5%–20%
Computer equipment	33.0%
Office and other furniture	10%–12.5%
Other equipment	6.7%–20%

The Group assesses annually whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

Gains and losses on the disposal of items of property and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property and equipment assets that increase future economic benefits are recognised in their carrying amount.

17.4.11 Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, its sale must be highly probable and it must be available for immediate sale in its present condition. The Group must be committed to the sale and must realise it within one year. Such assets are measured at the lower of the assets' carrying amount or fair value less costs to sell, and are not depreciated.

17.4.12 Deferred tax assets and liabilities

Deferred tax assets and liabilities are amounts of income taxes expected to be recoverable or payable, respectively, in future periods depending on taxable temporary differences. Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

The Group establishes deferred tax assets for temporary tax non-deductible impairments of portfolio investments. Deferred tax assets are additionally established for impairment losses on receivables, unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for the credit risk and catastrophe equalisation reserves transferred (as at 1 January 2007) from technical provisions to profit reserves, which used to be tax-deductible when set aside (prior to 1 January 2007).

In addition, the Group establishes deferred tax assets and liabilities for that part of value adjustments recorded under negative fair value reserve. Deferred tax assets and liabilities are also accounted for actuarial gains/losses when calculating provisions for severance pay upon retirement. This is because actuarial gains/losses affect comprehensive income as well as the related deferred tax assets/liabilities.

Upon acquiring Zavarovalnica Maribor (now Zavarovalnica Sava), the Group recognised deferred tax liabilities relating to property, equipment and intangible assets, representing the value of the assumed liabilities when Zavarovalnica Maribor joined the Group, being the difference between the fair value of the contractual insurance rights acquired and assumed insurance liabilities and the value of assets acquired.

The Group does not set off deferred tax assets and liabilities.

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In 2017, no deferred tax assets of this kind were recognised by the Group.

In 2017, deferred tax assets and liabilities were accounted for using tax rates that in the management's opinion will actually be used to tax the differences; these range from 9% to 19% (2016: from 9% to 20%).

17.4.13 Investment property

Investment property relates to assets that the Group does not use directly for carrying out its activities, but holds to earn rent or to realise capital gains at disposal. The Group uses the cost model and the straight-line depreciation method to account for investment property. Investment property is depreciated at the rate of 1.3%–2%. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Group acts as lessor are cancellable operating leases. Payments and/or rentals received are recognised as income on a straight-line basis over the term of the lease. For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. The Group assesses annually whether there is an indication of impairment of investment property. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the net selling price less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Group measures the fair value of investment property using fair value models. The fair values of investment property in Slovenia were verified based on appraisals made by certified property appraisers in 2016, while the values of investment property in Serbia were verified in 2017.

17.4.14 Financial investments and funds for the benefit of policyholders who bear the investment risk

17.4.14.1 Classification

The Group classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

This category consists of the following two sub-categories:

- financial assets held for trading, and
- financial assets designated as at fair value through profit or loss.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realising gains in the short term. Financial assets at fair value through profit or loss also comprise funds for the benefit of policyholders who bear the investment risk.

Held-to-maturity financial assets

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturity that the Group can, and intends to, hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets are assets that the Group intends to hold for an indefinite period and are not classified as financial assets at fair value through profit or loss or held to maturity financial assets.

Loans and receivables (deposits)

This category includes loans and bank deposits with fixed or determinable payments that are not traded in any active market, and deposits with cedants. Under some reinsurance contracts, part of the reinsurance premium is retained by cedants as guarantee for payment of future claims, and generally released after one year. These deposits bear contractually agreed interest.

17.4.14.2 Recognition, measurement and derecognition

Available-for-sale financial assets and held-to-maturity financial assets are initially measured at fair value plus any transaction costs. Financial assets at fair value through profit or loss are initially measured at fair value, with any transaction costs recognised as investment expenses.

Acquisitions and disposals of financial assets, loans and deposits are recognised on the trade date.

Gains and losses arising from fair value revaluation of financial assets available for sale are recognised in the statement of comprehensive income, and transferred to the income statement upon disposal or impairment. Gains and losses arising from fair value revaluation of financial assets at fair value through profit or loss are recognised directly in the income statement. Held-to-maturity financial assets are measured at amortised cost less any impairment losses.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the assets are transferred and the transfer qualifies for derecognition in accordance with IAS 39.

Loans and receivables (deposits), and held-to-maturity financial assets are measured at amortised cost.

17.4.14.3 Determination of fair values

The Group measures all financial instruments at fair value, except for deposits, shares not quoted in any regulated market, loans and subordinated debt (assumed that the carrying amount is a reasonable approximation of fair value) and financial instruments held to maturity, which are measured at amortized cost. The fair value of investment property and land and buildings used in business operations and the fair value of financial instruments measured at amortized cost are set out in note 27. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group determines the fair value of a financial asset on the valuation date by determining the price on the principal market based on:

- for stock exchanges: the quoted closing price on the stock exchange on the measurement date or on the last day of operation of the exchange on which the investment is quoted;
- for the OTC market: quoted closing bid CBBT price or, if unavailable, the Bloomberg bid BVAL on the valuation date or on the last day of operation of the OTC market;
- the price is calculated on the basis of an internal valuation model.

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and presented in accordance with the IFRS 13 fair-value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.

Assets and liabilities are classified in accordance with IFRS 13 especially based on the availability of market information, which is determined by the relative levels of trading identical or similar instruments in the market, with a focus on information that represents actual market activity or binding quotations of brokers or dealers.

Investments measured or disclosed at fair value, are presented in accordance with the levels of fair value under IFRS 13, which categorizes the inputs to measure fair value into the following three levels of the fair value hierarchy:

- Level 1 financial investments are those for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical financial assets that the Company can access at the measurement date.
- Level 2 financial investments are those whose fair value is determined using data that are directly or indirectly observable other than the prices quoted within level 1.
- Level 3 comprise financial investments for which observed market data are unavailable. Thus the fair value is determined based on valuation techniques using inputs that are not directly or indirectly observable in the market.

The Group discloses and fully complies with its policy of determining when transfers between levels of the fair value hierarchy are deemed to have occurred. Policies for the timing of recognising transfers are the same for transfers into as for transfers out of any level. Examples of policies include: (a) the date of the event or change in circumstances that caused the transfer (b) the beginning of the reporting period (c) at the end of the reporting period.

17.4.14.4 Impairment of investments

A financial asset other than at fair value through profit or loss is impaired and an impairment loss incurred provided there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and that such events have an impact on future cash flows that can be reliably estimated. The Group assesses whether there is any objective evidence that individual financial assets are impaired on a three-month basis (when preparing interim and annual reports).

17.4.14.4.1 Debt securities

Investments in debt securities are impaired if one of the following conditions is met:

- the issuer fails to make a coupon or principal payment, and it is likely that such liabilities will not be settled in the short term;
- the issuer is subject to a bankruptcy, liquidation or compulsory settlement procedure.

If the first condition above is met, an impairment loss is recognised in the income statement in the amount of the difference between the fair value and carrying amount of the debt security (if the carrying amount exceeds the fair value).

If the second condition above is met, an impairment loss is recognised in profit or loss, being the difference between the potential payment out of the bankruptcy or liquidation estate and the cost of the investment. The potential payment out of the bankruptcy or liquidation estate is estimated based on information concerning the bankruptcy, liquidation or compulsory settlement proceedings, or, if such information is not available, based on experience or estimates made by credit rating or other financial institutions.

In respect of debt securities, only impairment losses recognised pursuant to indent one above (first condition) may be reversed. An impairment loss is reversed when the issuer's liability is settled. Impairment losses are reversed through profit or loss.

17.4.14.4.2 Equity securities

Investments in equity securities are impaired if on the statement of financial position date:

- their market price is more than 40% below cost;
- their market price has remained below cost for more than one year;
- the model based on which the Group assesses the need for impairment of unquoted securities indicates that the asset needs to be impaired.

An impairment loss is recognised in the amount of the difference between market price and carrying amount of the financial instruments.

17.4.15 Reinsurers' share of technical provisions

The amount of reinsurers' share of technical provisions represents the proportion of gross technical provisions and unearned premiums for transactions that the Group ceded to reinsurers outside the Sava Re Group. The amount is determined in accordance with reinsurance (retrocession) contracts and in line with movements in the portfolio based on gross technical provisions for the business that is the object of these reinsurance (retrocession) contracts at the close of each accounting period.

The Group tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For an estimation of retrocession risks, see section 17.7.3.6 "Risk management: Retrocession programme – non-life business".

17.4.16 Investment contract assets and liabilities

Investment contract assets and liabilities only include the assets and liabilities from investment contracts of the company Sava pokojninska. Investment contracts assets comprise the assets supporting the liability funds "Moji skladi življenjsega cikla" for the transaction of voluntary supplementary pension business. Investment contract liabilities comprise liabilities arising out of pension insurance business under group and individual plans for voluntary supplementary pension insurance, for which the administrator maintains personal accounts for pension plan members.

The Company initially recognises investment property assets under investment contract assets at cost plus any transaction costs. Subsequently, investment property assets are measured using the fair value model. Sava pokojninska monitors the value of its investment property assets in local markets using indexes (change in value) calculated in-house or in-Group. The data used in such calculations are taken from the latest available report on the Slovenian real property market issued by the Surveying and Mapping Authority of the Republic of Slovenia. If the property price index changes by more than 10% compared to the index of the most recent valuation or that upon initial recognition, the property assets must be reappraised. The appraisal must be carried out by a certified real estate appraiser licensed by the Slovenian Institute of Auditors. Notwithstanding the above sentence, property assets are appraised at least once every three years.

17.4.17 Receivables

Receivables mainly include premium receivables due from policyholders or insurers as well as receivables for claims and commissions due from reinsurers.

17.4.17.1 Recognition of receivables

Receivables are initially recognised based on issued policies, invoices or other authentic documents (e.g. confirmed reinsurance or co-insurance accounts). In financial statements, receivables are reported in net amounts, i.e. net of any allowances made.

Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections 17.4.30 "Net premiums earned" and 17.4.31 "Net claims incurred".

Recourse receivables are recognised as assets only if, on the basis of a recourse claim, an appropriate legal basis exists (a final order of attachment, a written agreement with or payments by the policyholder or debtor, or subrogation for credit risk insurance). Even if subrogation is applicable, recourse receivables are recognised only after the debtor's existence and contactability have been verified. Recognition of principal amounts to which recourse receivables relate decreases claims paid. Group companies recognise impairment losses on recourse receivables based on past experience.

No receivables have been pledged as security.

17.4.17.2 Impairment of receivables

The Group classifies receivables into groups with similar credit risk. It assesses receivables in terms of recoverability or impairment, making allowances based on payment history. Individual assessments are carried for all material items of receivables.

In addition to age, the method for accounting for allowances takes into account the phase of the collection procedure, historical data on the percentage of write-offs made and the ratio of recoverability. Assumptions are reviewed annually.

17.4.18 Deferred acquisition costs

Acquisition costs that are deferred include the part of operating expenses associated with policy underwriting.

The Group discloses under deferred acquisition costs, mostly deferred commissions. These are booked commissions relating to the next financial year and are recognised based on (re)insurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation.

17.4.19 Other assets

Other assets include capitalised short-term deferred costs and short-term accrued income. Short-term deferred costs comprise short-term deferred costs for prepayments of unearned commissions to counterparties.

17.4.20 Cash and cash equivalents

Thus, the statement of financial position and cash flow item "cash and cash equivalents" comprises:

- cash, including cash in hand, cash in bank accounts of commercial banks or other financial institutions and overnight deposits, and
- cash equivalents, including demand deposits and deposits with an original maturity of up to three months.

17.4.21 Equity

Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euro;
- capital reserves comprise amounts in excess of the par value of shares;
- profit reserves comprise reserves provided for by the articles of association, legal reserves, treasury share reserves, catastrophe equalisation reserves and other profit reserves;
- treasury shares;
- fair value reserve;
- retained earnings;
- net profit or loss for the year;
- translation reserve;
- non-controlling interests.

Reserves provided for by the articles of association are used:

- to cover the net loss that cannot be covered (in full) out of retained earnings and other profit reserves, or if these two sources of funds are insufficient to cover the net loss in full (an instrument of additional protection of tied-up capital);
- to increase share capital;
- to regulate the dividend policy.

Profit reserves also include catastrophe (earthquake) equalisation reserves set aside pursuant to the rules on technical provisions and reserves as approved by appointed actuaries. These are tied-up reserves.

Pursuant to the Companies Act, the management board has the power to allocate up to half of the net profit to other reserves.

17.4.22 Subordinated liabilities

Subordinated liabilities represented a long-term liability of the Group in the form of a subordinated loan to be used by the Group for its expansion from 2006 onwards. In the first half of 2017, the controlling company fully repaid its subordinated loan after obtaining approval from the Insurance Supervision Agency.

17.4.23 Classification of insurance contracts

The Group transacts traditional and unit-linked life business, non-life business and reinsurance business, the basic purpose of which is the transfer of underwriting risk. Underwriting risk is considered significant, if the occurence of an insured event would result in significant additional payments. Accordingly, the Group classified all such contracts concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Since non-proportional reinsurance contracts provide for the payment of significant additional payouts in case of loss events, they also qualify as insurance contracts.

At the end of 2015, the controlling company acquired the Moja naložba pension company (now Sava pokojninska). As a result, the Group has assets and liabilities from investment contracts relating to this company.

17.4.24 Technical provisions

Technical provisions are shown gross in the statement of financial position among liabilities. The share of technical provisions for the business ceded by the Group to non-Group reinsurers is shown in the statement of financial position under the asset item reinsurers' share of technical provisions. Technical provisions must be set at an amount that provides reasonable assurance that liabilities from assumed (re)insurance contracts can be met. The main principles used in calculations are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. Unearned premiums are calculated on a pro rata temporis basis at insurance policy level, except for decreasing term contracts (credit life). Since there is generally insufficient data available for inwards reinsurance business on the individual policy level, the fractional value method is used for calculating unearned premiums at the level of individual reinsurance accounts for periods for which premiums are written.

Mathematical provisions for life insurance contracts represent the actuarial value of obligations arising from policyholders' guaranteed entitlements. In most cases, they are calculated using the net Zillmer method with the same parameters as those used for premium calculation, except for the discount rate applied, which was a technical interest rate not exceeding 1.5%. Other parameters are the same as those used in the premium calculation. Calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortising acquisition costs. The calculation of mathematical provisions is based on the assumption that the full agent commission was paid at conclusion of the contract, while agents actually receive the commission within two to five years depending on the policy term. The mathematical provision includes all deferred commission. The insurance company set aside deferred acquisition costs, showing them under assets in the event of commission prepayments, or shows the difference between the positive Zillmerised mathematical provision and the Zillmerised mathematical provision.

Provisions for outstanding claims (claims provision) are established in the amount of expected liabilities for incurred but not settled claims, including loss adjustment expenses. These comprise provisions for both reported claims calculated based on case estimates and claims incurred by not reported (IBNR) calculated using actuarial methods. Future liabilities are generally not discounted, with the exception of a part relating to annuities under certain liability insurance contracts. In such cases, the related provisions are established based on the expected net present value of future liabilities.

Provisions for incurred but not reported claims are calculated for the major part of the portfolios of primary insurers using methods based on paid claims triangles; the result is the total claims provision, and IBNR provision is calculated as the difference between the result of the triangle method and the provision based on case reserves. In classes where the volume of business is not large enough for reliable results from the triangle methods, the calculation is made based on either (i) the product of the expected number of subsequently reported claims and the average amount of subsequently reported claims or (ii) methods based on expected loss ratios. The consolidated IBNR provision also includes the IBNR provision for the part of business written outside the Sava Re Group. For this part of the portfolio, technical categories based on reinsurance accounts are not readily available; therefore, it is necessary to estimate items that are received untimely, including claims provisions, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance as well as development triangles for underwriting years succeeding accounted quarters; the IBNR provision is then established at the amount of the claims provision thus estimated.

The provision for outstanding claims is thus established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums.

Other technical provisions solely include the provision for unexpired risks derived from a liability adequacy test of unearned premiums, as described below.

Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation, the premium is deemed to be inadequate, the unearned premium is also inadequate. Group companies carry out liability adequacy tests for unearned premiums at the level of homogeneous groups appropriate to portfolios. The calculation of the expected combined ratio in any homogeneous group was based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100%, thus revealing a deficiency in unearned premiums, a corresponding provision for unexpired risks is set aside within other technical provisions.

17.4.25 Technical provision for the benefit of life insurance policyholders who bear the investment risk

These are provisions for unit-linked life business. They comprise mathematical provisions, unearned premiums and provisions for outstanding claims. The bulk comprises mathematical provisions. Their value is the aggregate value of all units of funds under all policies, including all premiums not yet converted into units, plus the discretionary bonuses of guaranteed funds managed by us. The value of funds is based on market value as at the statement of financial position date.

17.4.26 Liability adequacy test (LAT)

The Group carries out adequacy testing of provisions set aside based on insurance contracts as at the financial statement date separately for non-life and life business. The liability adequacy test for non-life business is described in section 17.4.24 "Technical provisions".

Liability adequacy testing for life business

The liability adequacy test for life policies is carried out at a minimum at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses and expenses. For this purpose, the present value of future cash flows is used.

Discounting is based on the yield curve for euro area sovereign bonds at the statement of financial position date, but for EU Member States the risk-free yield curve of government bonds at the statement of financial position date, including a loading for the investment mix. Where reliable market data is available, assumptions (such as discount rate and investment return) are derived from observable market prices. Assumptions that cannot be reliably derived from market values are based on current estimates calculated by reference to the Group's own internal models (lapse rates, actual mortality and morbidity) and publicly available resources (demographic information published by the local statistical bureau). For mortality, higher rates are anticipated than realised due to uncertainty.

Input assumptions are updated annually based on recent experience. Correlations between risk factors are not taken into account. The principal assumptions used are described below.

The liability adequacy test is performed on the policy or product level. If the test is performed on the policy level, the results are shown on the product-level, with products grouped by class of business. Results of the test are then evaluated for each of the three groups separately. Each group is tested separately for liability adequacy. Liability inadequacies of individual groups are not offset against surpluses arising on other groups in determining any additional liabilities to be established. The net present value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities, for each group separately. If this comparison shows that the carrying amount of the insurance liabilities is inadequate in the light of the estimated cash flows, the entire deficiency is recognised in profit or loss by establishing an additional provision.

Mortality and morbidity are usually based on data supplied by the local statistical bureau and amended by the Group based on a statistical investigation of its mortality experience. Assumptions for mortality and morbidity are adjusted by a margin for risk and uncertainty and are higher than actual.

Future contractual premiums are included and for most business also premium indexation is taken into consideration. Estimates for lapses and surrenders are made based on experience. Actual persistency rates by product type and duration are regularly investigated, and assumptions updated accordingly. The actual persistency rates are adjusted by a margin for risk and uncertainty.

Estimates for future maintenance expenses included in the liability adequacy test are derived from current experience. For future periods, cash flows for expenses have been increased by a factor equal to the estimated annual inflation or have remained on the present level, taking into account the portfolio development.

Yield and the discount rate are based on the same yield curve; a loading for market development is added when discounting.

The liability adequacy test partly takes into account future discretionary bonuses due to the method of determining bonuses. The share of discretionary bonuses complies with internal rules and is treated as a discounted liability.

The Group estimated, for most of the life policies, the impact of changes in key variables that may have a material effect on the results of liability adequacy tests at the end of the year. Sensitivity analyses are prepared separately for traditional life business and investment-linked life business.

(€)	31/12/2017		31/12/2016	
	LAT test for traditional life policies	LAT test for unit-linked life policies	LAT test for traditional life policies	LAT test for unit-linked life policies
Base run	250,957,433	175,425,847	256,939,710	178,717,678
Investment return + 100 bp	240,471,344	173,613,304	245,369,854	175,187,656
Investment return – 100 bp	264,443,797	178,836,827	271,679,805	182,905,734
Mortality + 10%	253,487,108	177,445,629	259,464,566	180,554,154
Policy maintenance expenses + 10%	254,384,583	179,078,866	260,327,207	183,218,403

The base run is calculated using the same assumptions as for liability adequacy testing. Changes in variables represent reasonable possible changes which, had they occurred, would have led to significant changes in insurance liabilities at the statement of financial position date. The reasonable possible changes represent neither expected changes in variables nor worst case scenarios. A change in key variables would affect the corresponding component of the result in the same proportion.

The analysis has been prepared for a change in variable with all other assumptions remaining unchanged and ignores changes in values of the related assets. Sensitivity was calculated for an unfavourable direction of movement. The income statement and insurance liabilities (as show in the LAT test) are mostly impacted by changes in the investment return, while unit-linked business is also impacted by changes in operating expenses.

17.4.27 Other provisions

Employee benefits include severance pay upon retirement and jubilee benefits. Provisions for employee benefits are the net present value of the Group's future liabilities proportionate to the years of service in the Group (the projected unit credit method). Pursuant to IAS 19 "Employee benefits", actuarial gains and losses arising on re-measurement of net liabilities are recognised in other comprehensive income.

These provisions are calculated based on personal data of employees: date of birth, date of commencement of employment in the Group, anticipated retirement, and salary. For each Group company, the amounts of severance pay upon retirement and jubilee benefit are in accordance with local legislations, employment contracts and other applicable regulations. Expected pay-outs also include tax liabilities where payments exceed statutory non-taxable amounts.

The probability of an employee staying with the Group includes both the probability of death and the probability of employment relationship termination. Assumptions relating to future increases in salaries, severance pay upon retirement and jubilee benefits, as well as those relating to employee turnover depend on developments in individual markets and individual Group companies. The same term structure of risk-free interest rates is used for discounting as in the capital adequacy calculation under the Solvency II regime.

17.4.28 Other financial liabilities

Other financial liabilities mainly include liabilities to banks regarding borrowings.

17.4.29 Liabilities from operating activities and other liabilities

Liabilities are initially recognised at amounts recorded in the relevant documents. Subsequently, they are increased or decreased in line with documents or decreased through payments. Other liabilities comprise: liabilities for claims and outwards retrocession premiums, liabilities for claims arising out of inwards reinsurance contracts, liabilities for retained deposits, current income tax liabilities, amounts due to employees, amounts due to clients and other short-term liabilities.

17.4.30 Net premiums earned

Premiums earned are accounted for on an accrual basis, taking into account any increase in economic benefits in the form of cash inflows or increases in assets. The following are disclosed separately: gross (re)insurance premiums, co-insurance and retrocession premiums, and unearned premiums. These items are used to calculate net premiums written in the income statement. Revenues are recognised based on confirmed (re)insurance accounts or (re)insurance contracts.

Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Group has yet to receive reinsurance accounts. Net premiums earned are calculated based on invoiced gross reinsurance premiums less invoiced premiums retroceded, both adjusted for the movement in gross unearned premiums and the change in reinsurers' share of unearned premiums. Premiums earned are estimated based on individual reinsurance contracts.

17.4.31 Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, taking into account any decrease in economic benefits in the form of cash outflows or decreases in assets. Net claims incurred comprise gross claims paid net of recourse receivables and reinsured claims, i.e. amounts invoiced to retrocessionaires. The amount of gross claims paid includes the change in the claims provision, taking into account estimated claims and provisions for outstanding claims. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Group has yet to receive reinsurance accounts. Claims incurred are estimated based on estimated premiums and combined ratios for individual reinsurance contracts. These items are used to calculate net claims incurred in the income statement.

17.4.32 Investment income and expenses

The Group records investment income and expenses separately by source of funds, maintaining three separate registers: the non-life insurance investment register, the life insurance investment register and own funds investment register. Own fund investments support the Group's shareholders' funds; non-life insurance investments support technical provisions, and life insurance investments support mathematical provisions.

Investment income includes:

- dividend income (income from shares);
- interest income;
- exchange gains;
- income from changes in fair value and gains on disposal of investments designated at fair value through profit or loss;
- gains on the disposal of investments of other investment categories and
- other income.

Investment expenses include:

- interest expense;
- exchange losses;
- expenses due to changes in fair value and losses on disposal of investments designated at fair value through profit or loss;
- losses on disposal of investments of other investment categories; and
- other expenses.

The mentioned income and expenses are disclosed depending on how the underlying investments are classified, i.e. investments held to maturity, at fair value through profit or loss, available for sale, loans and receivables, or deposits.

Interest income and expenses for investments classified as held to maturity or available for sale are recognised in the income statement using the effective interest rate method. Interest income and expenses for investments at fair value through profit or loss are recognised in the income statement using the coupon interest rate. Dividend income is recognised in the income statement when payout is authorised. Gains and losses on the disposal of investments represent the difference between the carrying amount of a financial asset and its sale price, or between its cost less impairment, if any, and sale price in the case of investments available for sale.

17.4.33 Operating expenses

Operating expenses comprise:

- acquisition costs;
- change in deferred acquisition costs;
- other operating expenses classified by nature, as follows:

a. depreciation/amortisation of operating assets,
b. personnel costs including employee salaries, social and pension insurance costs and other personnel costs,
c. remuneration of the supervisory board and audit committee; and payments under contracts for services,
d. other operating expenses relating to services and materials.

17.4.34 Other technical income

Other technical income comprises income from reinsurance commission less the change in deferred acquisition costs relating to reinsurers, and is recognised based on confirmed reinsurance accounts and estimated commission income taking into account straight-line amortisation.

17.4.35 Income tax expense

Income tax expense for the year comprises current and deferred tax. Current income tax is presented in the income statement, except for the portion relating to the items presented in equity. The same applies to deferred tax. Current tax is payable on the taxable profit for the year using the tax rates enacted by the date of the statement of financial position, as well as on any adjustments to tax liabilities of prior periods. Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax amount is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates that have been enacted by the date of the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group income tax expense has been determined in accordance with the requirements of each member's local legislation. Statutory tax rates in various countries are between 9% and 19%.

17.4.36 Information on operating segments

Operating segments as disclosed and monitored were determined based on the different activities carried out in the Group. Segments have been formed based on similar services provided by companies (features of insurance products, market networks and the environment in which companies operate).

Subject to the nature, scope and organisation of work, CODM (Chief Operating Decision Maker) is a group composed of management board members, executive director of finance, executive director of accounting, executive director of corporate finance and controlling. CODM can monitor quarterly the results of operations by segments. These results include technical results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions. All figures reviewed by CODM are part of quarterly financial reports submitted to the management board.

Operating segments include reinsurance business, non-life insurance business, life insurance business, and the “other” segment. Performance of these segments is monitored based on different indicators, a common performance indicator for all segments being net profit calculated in accordance with IFRSs.

Asset items by operating segment as at 31 December 2017

31/12/2017 (€)	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	**276,777,816**	**562,908,852**	**116,258,983**	**679,167,835**	**718,242,683**	**29,257,618**	**747,500,301**	**4,902,115**	**1,708,348,067**
Intangible assets	**807,011**	**5,930,640**	**8,664,733**	**14,595,373**	**7,255,178**	**38,444**	**7,293,622**	**16,938**	**22,712,944**
Property and equipment	**2,485,645**	**25,240,112**	**11,247,477**	**36,487,589**	**2,174,948**	**2,197,557**	**4,372,505**	**2,092,275**	**45,438,014**
Deferred tax assets	**1,238,826**	**534,480**	**95,467**	**629,947**	**238,446**	**345**	**238,791**	**0**	**2,107,564**
Investment property	**8,230,878**	**3,066,546**	**4,025,810**	**7,092,356**	**40,950**	**0**	**40,950**	**0**	**15,364,184**
Financial investments:	**165,705,134**	**440,654,143**	**71,007,767**	**511,661,910**	**336,499,602**	**24,247,593**	**360,747,194**	**10,781**	**1,038,125,019**
- loans and deposits	5,540,491	3,026,235	15,193,903	18,220,138	16,927	4,242,206	4,259,132	9,781	28,029,543
- held to maturity	1,396,816	40,299,903	3,651,181	43,951,084	58,002,493	2,881,934	60,884,427	0	106,232,327
- available for sale	158,492,132	397,200,750	52,153,364	449,354,114	272,987,549	16,810,484	289,798,033	1,000	897,645,279
- at fair value through profit or loss	275,695	127,256	9,318	136,574	5,492,633	312,968	5,805,601	0	6,217,870
Funds for the benefit of policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**227,172,652**	**55,401**	**227,228,053**	**0**	**227,228,053**
Reinsurers' share of technical provisions	**9,744,947**	**16,212,812**	**4,626,944**	**20,839,757**	**198,672**	**3,866**	**202,538**	**0**	**30,787,241**
- from unearned premiums	1,556,970	5,657,509	1,578,175	7,235,684	31,617	2,503	34,120	0	8,826,773
- from provisions for claims outstanding	8,187,977	10,555,303	3,047,522	13,602,825	167,055	1,363	168,418	0	21,959,220
Investment contract assets	0	0	0	0	129,622,131	0	129,622,131	0	129,622,131
Receivables	**74,851,935**	**47,924,024**	**10,775,776**	**58,699,800**	**857,814**	**1,867,321**	**2,725,135**	**2,178,655**	**138,455,525**
Receivables arising out of primary insurance business	71,773,739	45,187,064	6,451,723	51,638,787	741,601	170,420	912,021	0	124,324,547
Receivables arising out of co-insurance and reinsurance business	2,906,051	567,453	2,721,346	3,288,799	0	2,867	2,867	0	6,197,717
Current tax assets	0	0	17,822	17,822	0	0	0	0	17,822
Other receivables	172,145	2,169,507	1,584,885	3,754,392	116,213	1,694,034	1,810,247	2,178,655	7,915,439
Deferred acquisition costs	**6,235,349**	**8,743,590**	**3,214,513**	**11,958,103**	**311,809**	**1,933**	**313,742**	**0**	**18,507,194**
Other assets	**799,634**	**880,008**	**295,432**	**1,175,440**	**7,259**	**30,286**	**37,545**	**30,776**	**2,043,395**
Cash and cash equivalents	**6,678,458**	**13,721,812**	**2,305,064**	**16,026,876**	**13,863,223**	**814,872**	**14,678,095**	**572,690**	**37,956,119**
Non-current assets held for sale	**0**	**684**	**0**	**684**	**0**	**0**	**0**	**0**	**684**

Equity and liabilities items by operating segment as at 31 December 2017

31/12/2017 (€)	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	**347,465,526**	**515,078,617**	**120,483,412**	**635,562,029**	**693,283,920**	**27,311,028**	**720,594,948**	**4,725,561**	**1,708,348,067**
Equity	**145,495,325**	**67,041,741**	**38,103,173**	**105,144,914**	**49,925,921**	**10,999,493**	**60,925,414**	**4,551,239**	**316,116,895**
Equity attributable to owners of the controlling company	**145,495,325**	**67,041,741**	**37,791,395**	**104,833,136**	**49,925,921**	**10,999,493**	**60,925,414**	**4,544,535**	**315,798,413**
Non-controlling interests in equity	**0**	**0**	**311,778**	**311,778**	**0**	**0**	**0**	**6,704**	**318,482**
Technical provisions	**155,981,500**	**413,731,878**	**73,020,045**	**486,751,923**	**272,935,086**	**15,729,853**	**288,664,939**	**0**	**931,398,362**
Unearned premiums	27,784,980	115,284,582	27,763,773	143,048,355	794,499	229,425	1,023,924	0	171,857,259
Mathematical provisions	0	0	0	0	256,160,676	15,249,239	271,409,915	0	271,409,915
Provision for outstanding claims	127,827,170	290,994,868	44,020,475	335,015,343	15,979,911	250,158	16,230,069	0	479,072,582
Other technical provisions	369,350	7,452,428	1,235,797	8,688,225	0	1,031	1,031	0	9,058,606
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**226,472,492**	**55,401**	**226,527,893**	**0**	**226,527,893**
Other provisions	**351,250**	**5,356,300**	**664,195**	**6,020,495**	**1,196,929**	**31,137**	**1,228,066**	**802**	**7,600,613**
Deferred tax liabilities	**0**	**2,674,519**	**253,835**	**2,928,354**	**2,799,681**	**49,496**	**2,849,177**	**3,963**	**5,781,494**
Investment contract liabilities	**0**	**0**	**0**	**0**	**129,483,034**	**0**	**129,483,034**	**0**	**129,483,034**
Other financial liabilities	**91,181**	**0**	**154,023**	**154,023**	**0**	**0**	**0**	**1**	**245,205**
Liabilities from operating activities	**43,115,652**	**5,423,252**	**4,089,229**	**9,512,481**	**7,683,212**	**274,965**	**7,958,177**	**11,878**	**60,598,188**
Liabilities from primary insurance business	39,870,845	4,204,601	2,988,994	7,193,595	7,464,498	181,597	7,646,095	754	54,711,289
Liabilities from reinsurance and co-insurance business	3,090,008	1,218,651	845,443	2,064,094	1,308	4,773	6,081	0	5,160,183
Current income tax liabilities	154,799	0	254,792	254,792	217,406	88,595	306,001	11,124	726,716
Other liabilities	**2,430,618**	**20,850,927**	**4,198,912**	**25,049,839**	**2,787,565**	**170,683**	**2,958,248**	**157,678**	**30,596,383**

Asset items by operating segment as at 31 December 2016

31/12/2016 (€)	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	**267,386,560**	**558,344,159**	**108,616,807**	**666,960,966**	**708,777,140**	**22,980,335**	**731,757,476**	**5,084,177**	**1,671,189,179**
Intangible assets	**832,567**	**9,183,818**	**8,648,422**	**17,832,240**	**6,797,493**	**28,318**	**6,825,811**	**17,965**	**25,508,583**
Property and equipment	**7,753,202**	**26,624,935**	**10,572,398**	**37,197,333**	**2,253,664**	**2,501,372**	**4,755,036**	**2,181,556**	**51,887,127**
Deferred tax assets	**1,373,436**	**535,913**	**12,115**	**548,028**	**404,313**	**286**	**404,599**	**0**	**2,326,063**
Investment property	**3,122,076**	**262,150**	**4,507,268**	**4,769,418**	**42,292**	**0**	**42,292**	**0**	**7,933,786**
Financial investments	**163,850,914**	**445,217,876**	**66,510,447**	**511,728,322**	**335,671,470**	**18,958,899**	**354,630,369**	**25,634**	**1,030,235,239**
Funds for the benefit of policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**224,175,076**	**0**	**224,175,076**	**0**	**224,175,076**
Reinsurers' share of technical provisions	**10,295,442**	**13,017,657**	**4,916,098**	**17,933,756**	**212,623**	**2,808**	**215,431**	**0**	**28,444,628**
- from unearned premiums	1,366,908	4,761,288	1,046,476	5,807,764	27,343	1,561	28,904	0	7,203,576
- from provisions for claims outstanding	8,928,534	8,256,369	3,869,622	12,125,991	185,280	1,247	186,527	0	21,241,052
Investment contract assets	**0**	**0**	**0**	**0**	**121,366,122**	**0**	**121,366,122**	**0**	**121,366,122**
Receivables	**66,558,578**	**48,584,561**	**8,404,380**	**56,988,941**	**1,245,694**	**218,518**	**1,464,212**	**2,396,796**	**127,408,527**
Receivables arising out of primary insurance business	0	44,969,594	5,451,876	50,421,470	789,421	129,930	919,351	0	51,340,821
Receivables arising out of co-insurance and reinsurance business	66,410,191	753,335	840,606	1,593,941	7	1,443	1,450	0	68,005,582
Current tax assets	0	0	31,505	31,505	93,215	0	93,215	0	124,720
Other receivables	148,387	2,861,632	2,080,393	4,942,025	363,051	87,145	450,196	2,396,796	7,937,404
Deferred acquisition costs	**5,061,269**	**8,844,174**	**2,339,855**	**11,184,028**	**263,283**	**1,956**	**265,239**	**0**	**16,510,536**
Other assets	**549,258**	**446,398**	**253,288**	**699,686**	**27,238**	**57,475**	**84,713**	**33,187**	**1,366,844**
Cash and cash equivalents	**7,989,819**	**5,542,937**	**2,452,537**	**7,995,474**	**16,317,873**	**1,206,955**	**17,524,828**	**429,039**	**33,939,160**
Non-current assets held for sale	**0**	**83,740**	**0**	**83,740**	**0**	**3,748**	**3,748**	**0**	**87,488**

Equity and liabilities items by operating segment as at 31 December 2016

31/12/2016 (€)	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	**337,751,922**	**507,092,478**	**113,868,354**	**620,960,833**	**683,829,982**	**23,878,746**	**707,708,728**	**4,767,694**	**1,671,189,179**
Equity	**124,184,574**	**72,461,354**	**38,107,048**	**110,568,403**	**46,629,669**	**11,101,256**	**57,730,925**	**4,554,423**	**297,038,327**
Equity attributable to owners of the controlling company	**124,184,574**	**72,176,574**	**37,821,766**	**109,998,341**	**46,442,467**	**11,101,256**	**57,543,723**	**4,550,679**	**296,277,319**
Non-controlling interests in equity	**0**	**284,780**	**285,282**	**570,062**	**187,202**	**0**	**187,202**	**3,744**	**761,008**
Subordinated liabilities	**23,570,771**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**23,570,771**
Technical provisions	**152,065,973**	**403,102,517**	**69,062,456**	**472,164,973**	**274,584,318**	**12,406,059**	**286,990,377**	**0**	**911,221,323**
Unearned premiums	25,841,746	105,946,948	24,860,726	130,807,674	885,914	143,162	1,029,076	0	157,678,496
Mathematical provisions	0	0	0	0	257,767,552	11,995,263	269,762,815	0	269,762,815
Provision for outstanding claims	126,013,482	289,221,942	43,724,075	332,946,017	15,930,852	267,634	16,198,486	0	475,157,985
Other technical provisions	210,745	7,933,627	477,655	8,411,282	0	0	0	0	8,622,027
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**226,952,211**	**41,989**	**226,994,200**	**0**	**226,994,200**
Other provisions	**331,802**	**5,666,532**	**708,474**	**6,375,006**	**1,358,699**	**14,829**	**1,373,528**	**541**	**8,080,877**
Deferred tax liabilities	**0**	**2,917,207**	**135,462**	**3,052,669**	**2,957,570**	**21,709**	**2,979,279**	**6,683**	**6,038,631**
Investment contract liabilities	**0**	**0**	**0**	**0**	**121,229,675**	**0**	**121,229,675**	**0**	**121,229,675**
Other financial liabilities	**104,279**	**0**	**289,356**	**289,356**	**0**	**170**	**170**	**191**	**393,996**
Liabilities from operating activities	**33,715,381**	**6,740,767**	**1,618,373**	**8,359,140**	**6,540,362**	**156,598**	**6,696,960**	**19,165**	**48,790,646**
Liabilities from primary insurance business	0	4,677,316	601,390	5,278,706	6,516,433	115,114	6,631,547	0	11,910,253
Liabilities from reinsurance and co-insurance business	33,641,254	1,838,071	784,281	2,622,352	23,929	5,163	29,092	0	36,292,698
Current income tax liabilities	74,127	225,380	232,702	458,082	0	36,321	36,321	19,165	587,695
Other liabilities	**3,779,142**	**16,204,101**	**3,947,185**	**20,151,286**	**3,577,478**	**136,136**	**3,713,614**	**186,691**	**27,830,733**

Income statement items by operating segment 2017

(€) 2017	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	
Net earned premiums	**90,753,434**	**236,000,817**	**54,301,567**	**290,302,385**	**82,754,619**	**7,055,555**	**89,810,174**	**0**	**470,865,993**
Gross premiums written	96,220,818	270,369,068	60,562,023	330,931,091	82,999,362	7,082,160	90,081,522	0	517,233,431
Written premiums ceded to reinsurers and co-insurers	-3,714,207	-25,926,840	-4,230,470	-30,157,310	-353,350	-18,429	-371,779	0	-34,243,296
Change in gross unearned premiums	-1,943,238	-9,392,092	-2,528,441	-11,920,533	104,333	-6,327	98,006	0	-13,765,765
Change in unearned premiums, reinsurers' and co-insurers' shares	190,062	950,681	498,455	1,449,136	4,274	-1,849	2,425	0	1,641,623
Investment income	**7,695,545**	**7,370,825**	**2,480,304**	**9,851,129**	**8,994,848**	**905,393**	**9,900,241**	**0**	**27,446,915**
Interest income	2,571,015	5,542,395	2,231,802	7,774,197	7,625,003	637,112	8,262,115	0	18,607,327
Other investment income	5,124,530	1,828,431	248,502	2,076,932	1,369,845	268,281	1,638,126	0	8,839,588
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**16,847,828**	**1,556**	**16,849,384**	**0**	**16,849,384**
Other technical income	**4,453,087**	**5,720,526**	**1,934,192**	**7,654,718**	**2,935,073**	**162,540**	**3,097,613**	**224,303**	**15,429,720**
Commission income	300,852	2,011,692	511,827	2,523,519	43,297	3,201	46,498	0	2,870,868
Other technical income	4,152,235	3,708,834	1,422,365	5,131,199	2,891,776	159,339	3,051,115	224,303	12,558,852
Other income	**432,595**	**2,876,338**	**1,444,452**	**4,320,790**	**711,355**	**199,517**	**910,872**	**393,743**	**6,058,000**
Net claims incurred	**-56,062,407**	**-142,748,185**	**-25,097,330**	**-167,845,515**	**-70,458,090**	**-1,737,308**	**-72,195,398**	**0**	**-296,103,320**
Gross claims payments less income from recourse receivables	-54,159,750	-154,626,111	-28,382,817	-183,008,928	-70,779,111	-1,779,371	-72,558,482	0	-309,727,160
Reinsurers' and co-insurers' shares	651,588	11,351,915	3,733,232	15,085,147	108,075	1,717	109,792	0	15,846,528
Change in the gross claims provision	-1,813,688	-1,833,872	443,993	-1,389,879	231,170	40,437	271,607	0	-2,931,960
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-740,557	2,359,883	-891,738	1,468,144	-18,225	-91	-18,316	0	709,272
Change in other technical provisions	**-158,608**	**424,865**	**-616,903**	**-192,038**	**894,199**	**-2,723,402**	**-1,829,203**	**0**	**-2,179,849**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-1,108,638**	**-12,689**	**-1,121,327**	**0**	**-1,121,327**
Expenses for bonuses and rebates	**0**	**56,333**	**-50,485**	**5,848**	**0**	**0**	**0**	**0**	**5,848**
Operating expenses	**-24,072,970**	**-80,465,097**	**-26,984,738**	**-107,449,836**	**-19,657,338**	**-3,443,104**	**-23,100,443**	**-2,339,080**	**-156,962,328**
Acquisition costs	-21,175,815	-21,105,811	-3,378,978	-24,484,789	-5,772,891	-515,632	-6,288,523	0	-51,949,127
Change in deferred acquisition costs	1,203,450	-149,891	827,797	677,906	507,669	-23	507,646	0	2,389,002
Other operating expenses	-4,100,605	-59,209,395	-24,433,557	-83,642,953	-14,392,116	-2,927,449	-17,319,566	-2,339,080	-107,402,203
Expenses for financial assets and liabilities	**-10,379,159**	**-431,696**	**-278,973**	**-710,670**	**-296,613**	**-505,102**	**-801,716**	**0**	**-11,891,544**
Impairment losses on financial assets not at fair value through profit or loss	-215,401	-99,425	-4,883	-104,308	-269	-21	-291	0	-320,000
Interest expense	-718,338	0	-522	-522	0	0	0	0	-718,860
Other investment expenses	-9,445,420	-332,271	-273,568	-605,839	-296,344	-505,081	-801,425	0	-10,852,684
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-8,255,710**	**-706**	**-8,256,416**	**0**	**-8,256,416**
Other technical expenses	**-5,974,862**	**-6,606,152**	**-4,197,306**	**-10,803,458**	**-266,246**	**-441,445**	**-707,691**	**-69**	**-17,486,080**
Other expenses	**-234,824**	**-1,238,960**	**-1,121,583**	**-2,360,543**	**-101,276**	**-22,495**	**-123,771**	**-54,875**	**-2,774,013**
Profit or loss before tax	**6,451,832**	**20,959,614**	**1,813,196**	**22,772,810**	**12,994,009**	**-561,690**	**12,432,319**	**-1,775,978**	**39,880,983**
Income tax expense									-8,786,075
Net profit or loss for the period									**31,094,908**
Net profit or loss attributable to owners of the controlling company									**31,065,329**
Net profit or loss attributable to non-controlling interests									**29,579**

Income statement items by operating segment 2016

(€) 2016	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	
Net earned premiums	**92,407,367**	**230,028,165**	**49,514,238**	**279,542,403**	**79,688,726**	**6,463,030**	**86,151,756**	**0**	**458,101,526**
Gross premiums written	92,683,719	255,823,534	55,114,138	310,937,672	80,073,263	6,510,500	86,583,763	0	490,205,154
Written premiums ceded to reinsurers and co-insurers	-4,063,134	-22,802,334	-3,979,661	-26,781,995	-375,776	-21,609	-397,385	0	-31,242,514
Change in gross unearned premiums	3,575,023	-3,826,722	-1,551,542	-5,378,264	-572	-25,564	-26,136	0	-1,829,377
Change in unearned premiums, reinsurers' and co-insurers' shares	211,758	833,687	-68,697	764,990	-8,189	-297	-8,486	0	968,263
Investment income	**10,770,164**	**8,653,388**	**2,544,594**	**11,197,982**	**10,340,841**	**827,256**	**11,168,096**	**0**	**33,136,242**
Interest income	2,832,268	6,644,398	2,289,392	8,933,790	8,862,935	604,663	9,467,598	0	21,233,656
Other investment income	7,937,895	2,008,989	255,202	2,264,192	1,477,906	222,593	1,700,499	0	11,902,586
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**17,958,458**	**220**	**17,958,678**	**0**	**17,958,678**
Other technical income	**5,876,767**	**6,408,183**	**3,334,000**	**9,742,184**	**2,363,657**	**63,588**	**2,427,245**	**191,213**	**18,237,409**
Commission income	350,140	2,714,525	599,350	3,313,876	64,131	4,460	68,591	0	3,732,607
Other technical income	5,526,627	3,693,658	2,734,650	6,428,308	2,299,526	59,128	2,358,654	191,213	14,504,802
Other income	**30,249**	**3,493,200**	**1,565,425**	**5,058,625**	**998,517**	**28,851**	**1,027,368**	**373,391**	**6,489,633**
Net claims incurred	**-60,612,921**	**-138,468,083**	**-21,750,251**	**-160,218,335**	**-45,803,940**	**-1,758,579**	**-47,562,520**	**0**	**-268,393,776**
Gross claims payments less income from recourse receivables	-58,010,218	-143,614,923	-22,536,325	-166,151,248	-43,515,230	-1,769,100	-45,284,330	0	-269,445,796
Reinsurers' and co-insurers' shares	4,279,527	8,838,638	1,573,734	10,412,371	125,479	2,277	127,755	0	14,819,654
Change in the gross claims provision	-6,250,745	-6,642,428	-572,203	-7,214,631	-2,375,108	7,590	-2,367,518	0	-15,832,894
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-631,486	2,950,630	-215,456	2,735,173	-39,081	654	-38,427	0	2,065,260
Change in other technical provisions	**-88,760**	**2,444,546**	**357,264**	**2,801,810**	**-5,821,095**	**-2,146,811**	**-7,967,906**	**0**	**-5,254,856**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-17,435,867**	**-6,294**	**-17,442,161**	**0**	**-17,442,161**
Expenses for bonuses and rebates	**0**	**-1,226,639**	**-36,906**	**-1,263,545**	**0**	**0**	**0**	**0**	**-1,263,545**
Operating expenses	**-26,641,702**	**-82,202,884**	**-25,815,663**	**-108,018,548**	**-19,296,654**	**-3,263,771**	**-22,560,425**	**-2,342,811**	**-159,563,486**
Acquisition costs	-21,919,227	-19,640,452	-4,450,848	-24,091,300	-4,918,605	-953,418	-5,872,023	0	-51,882,550
Change in deferred acquisition costs	-937,593	-460,361	117,050	-343,311	-193,658	108	-193,550	0	-1,474,454
Other operating expenses	-3,784,882	-62,102,071	-21,481,865	-83,583,937	-14,184,391	-2,310,461	-16,494,852	-2,342,811	-106,206,482
Expenses for investments in associate companies	**0**	**0**	**-1,693,699**	**-1,693,699**	**0**	**0**	**0**	**0**	**-1,693,699**
Impairment losses on goodwill	0	0	-1,693,699	-1,693,699	0	0	0	0	-1,693,699
Expenses for financial assets and liabilities	**-6,888,294**	**-568,251**	**-143,553**	**-711,804**	**-582,311**	**-374,006**	**-956,317**	**0**	**-8,556,415**
Impairment losses on financial assets not at fair value through profit or loss	-219,300	-168,831	-3,338	-172,169	-232	-202,324	-202,556	0	-594,025
Interest expense	-841,834	0	-292	-292	0	0	0	0	-842,126
Other investment expenses	-5,827,161	-399,420	-139,923	-539,343	-582,079	-171,682	-753,761	0	-7,120,264
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-11,255,208**	**-1,140**	**-11,256,348**	**0**	**-11,256,348**
Other technical expenses	**-6,132,612**	**-5,966,147**	**-4,600,550**	**-10,566,697**	**-495,023**	**-116,508**	**-611,531**	**-97**	**-17,310,937**
Other expenses	**-118,286**	**-1,328,997**	**-933,443**	**-2,262,440**	**-4,535**	**-42,652**	**-47,187**	**-90,365**	**-2,518,278**
Profit or loss before tax	**8,601,970**	**21,266,481**	**2,341,457**	**23,607,937**	**10,655,565**	**-326,816**	**10,328,748**	**-1,868,669**	**40,669,987**
Income tax expense									-7,751,774
Net profit or loss for the period									**32,918,213**
Net profit or loss attributable to owners of the controlling company									**32,824,911**
Net profit or loss attributable to non-controlling interests									**93,302**

Inter-segment business – inter-segment consolidation eliminations

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other	
	2017	2016	2017	2016	2017	2016	2017	2016
Net earned premiums	56,998,934	54,743,174	155,695	-429,653	0	0	0	0
Net claims incurred	-29,365,699	-27,155,374	-63,437	327,231	0	0	0	0
Operating expenses	-12,428,627	-13,906,899	-988,469	-1,059,346	-790,224	-650,470	-138,825	-145,742
Investment income	76,441	156,454	4,456	1,494	0	0	0	0
Other income	23,017	26,349	118,402	69,382	3	76	1,875,677	1,935,064

Cost of intangible and property and equipment assets by operating segment

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Investments in intangible assets	196,213	287,714	806,960	1,006,107	74,849	32,941	672	1,916	1,078,694	1,328,678
Investments in property and equipment	289,914	5,656,548	4,620,411	4,368,242	170,803	651,604	23,512	63,841	5,104,640	10,740,234

The Group's insurance operations are focused on Slovenia and the Adria region (Serbia, Croatia, Montenegro, Macedonia and Kosovo), while its reinsurance operations take place in global reinsurance markets.

17.5 Changes in accounting policies and presentation

In 2017, the Group changed the presentation of the sub-items of receivables and liabilities from operating activities.

To better reflect the nature of the Group's operations, we now disclose the items relating to accepted reinsurance and co-insurance business, also known as inwards re/co-insurance, under receivables and liabilities from primary insurance business. The effect of the change is shown in disclosure 9 "Receivables", in section 17.8 "Notes to the consolidated financial statements – statement of financial position".

Receivables and liabilities from co-insurance and reinsurance business, however, will continue to include items relating to ceded business (reinsurance and ceded co-insurance written by primary insurance companies and outward retrocession business of reinsurance companies). The effect of the change is shown in disclosure 25 "Liabilities from operating activities", in section 17.8 "Notes to the consolidated financial statements – statement of financial position".

This change in presentation only relates to re-classification from one item to another within asset or liability items, and does not affect the balance sheet total. Accounting policies have been adjusted with regard to the allocation of policy acquisition costs and the related establishment of provisions for unexpired risks in the Serbian non-life insurance company. The effect of the adjustment totals €0.2 million and impacts retained earnings.

17.6 Standards and interpretations issued but not yet effective and new standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRSs adopted by the Group as of 1 January 2017:

Amended standards that are already effective

IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The objective of the amendments is to clarify the requirements of deferred tax assets for unrealised losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The amendments have no effect on the consolidated financial statements.

IAS 7: Disclosure Initiative (Amendments)

The amendments to IAS 7 require that undertakings provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The amendments have no effect on the consolidated financial statements.

Issued Annual Improvements

The IASB has issued the Annual Improvements to IFRSs 2014–2016 Cycle, which is a collection of amendments to IFRSs.

The following annual improvement has not yet been endorsed by the EU. This improvement did not have an effect on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities:

The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

Standards issued but not yet effective and not early adopted by the Group

IFRS 9 Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Regarding the implementation of IFRS 9, the Group will opt to apply the temporary exemption from this standard until the coming into force of IFRS 17 Insurance contracts. The management assesses that the enforcement of the standard will have a significant effect on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The management has assessed the effect of the standard on the consolidated financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Group.

IFRS 15: Revenue from Contracts with Customers (Clarifications)

The clarifications apply for annual periods beginning on or after 1 January 2018. Early application is permitted. The objective of the clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the 'separately identifiable' principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The management has assessed the effect of the standard on the consolidated financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Group.

IFRS 16: Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognise most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The management has assessed the effect of the standard on the consolidated financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Group.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. The management is assessing the impact of the standard on the consolidated financial statements. The coming into force of the standard will have an important impact on the consolidated financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendment on the consolidated financial statements and believes that the enforcement of the amendments will have no significant effect on the Group's financial statements.

IFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. Early application is permitted. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendment on the consolidated financial statements and believes that the enforcement of the amendments will have no significant effect on the Group's financial statements.

IFRS 4: Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. Regarding the implementation of IFRS 9, the management has opted to apply the temporary exemption from this standard until the coming into force of IFRS 17 Insurance Contracts.

IAS 40: Transfers to Investment Property (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. Early application is permitted. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments to the standard on the consolidated financial statements and believes that the amendments will not have a significant effect on the consolidated financial statements.

IFRS 9 Amendment: Prepayment features with negative compensation

The amendments are effective for periods beginning on or after 1 January 2019. Early application is permitted. The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments to the standard on the consolidated financial statements and believes that the amendments will not have a significant effect on the consolidated financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments are effective for periods beginning on or after 1 January 2019. Early application is permitted. The amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments to the standard on the consolidated financial statements and believes that the amendments will not have a significant effect on the consolidated financial statements.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The interpretation is effective for periods beginning on or after 1 January 2018. Early application is permitted. The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation has not yet been endorsed by the EU. The management has assessed the effect of the amendments to the standard on the consolidated financial statements and believes that the amendments will not have a significant effect on the consolidated financial statements.

The IASB has issued the Annual Improvements to IFRSs 2014–2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The management has assessed the effect of the improvements on the consolidated financial statements and believes that the improvements will have no significant effect on the consolidated financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28: Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation is effective for periods beginning on or after 1 January 2019. Early application is permitted. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. This interpretation has not yet been endorsed by the EU. The interpretation provides guidance on: considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This interpretation has not yet been endorsed by the EU. The management has assessed the effect of the interpretation on the consolidated financial statements and believes that the interpretation will have no significant effect on the Group's financial statements.

17.7 Risk management[105]

The most important risks that the Group members are exposed to are underwriting risks (underwriting process risk, pricing risk, claims risk, net retention risk, reserving risk and risks associated with the retrocession programme and life insurance business), market risks (interest rate risk, equity risk, currency risk, concentration risk and asset-liability mismatch risk), insolvency risk, credit risk and operational risk. To illustrate concentration risk for insurance contracts, a table showing a breakdown of insurance premiums by region is provided in section 17.4.36 "Information on operating segments".

The following table shows the changes in the Group's risk profile in 2017 compared to 2016. The risks have been assessed with regard to the potential volatility of business results and the resulting impact on the Group's financial statements. The potential impact in case an extreme internal or external risk realises and the impact on the Group's solvency position is set out in the "Sava Re Group Solvency and financial condition report".

Change in the Group's risk profile compared to the previous year

	Risk rating	Chang in risk in 2017 compared to 2016	Risk described in section
Operational risks	**medium**	↓	**17.7.6**
Strategic risks	**medium**	↓	**17.7.7**
Insolvency risk	**low**	→	**17.7.1**
Financial risks			**17.7.5**
Interest rate risk	low	↓	17.7.5.1.1
Equity risk	medium	→	17.7.5.1.2
Property risk	medium	↑	17.7.5.1.3
Currency risk	low	→	17.7.5.1.4
Liquidity risk	low	→	17.7.5.2
Credit risk	medium	↓	17.7.5.3
Life underwriting risks	**low**	→	**17.7.3.8**
Investment contract risks	**low**	→	**17.7.2**
Non-life underwriting risk			**17.7.3**
Underwriting process risk	medium	→	17.7.3.1
Pricing risk	medium	→	17.7.3.2
Claims risk	medium	→	17.7.3.3
Net retention risk	medium	→	17.7.3.4
Reserve risk	low	→	17.7.3.5
Retrocession programme	low	→	17.7.3.6

[105] GRI 102-11

17.7.1 Capital adequacy and capital management in the Sava Re Group

The Group uses the standard formula for calculating its capital requirements under the Solvency II regime. The solvency capital requirement is calculated annually, while eligible own funds supporting the Group's solvency requirements are valued on a quarterly basis. The following table shows the Group's capital adequacy calculation as at 31 December 2016[106].

Capital adequacy of the Sava Re Group

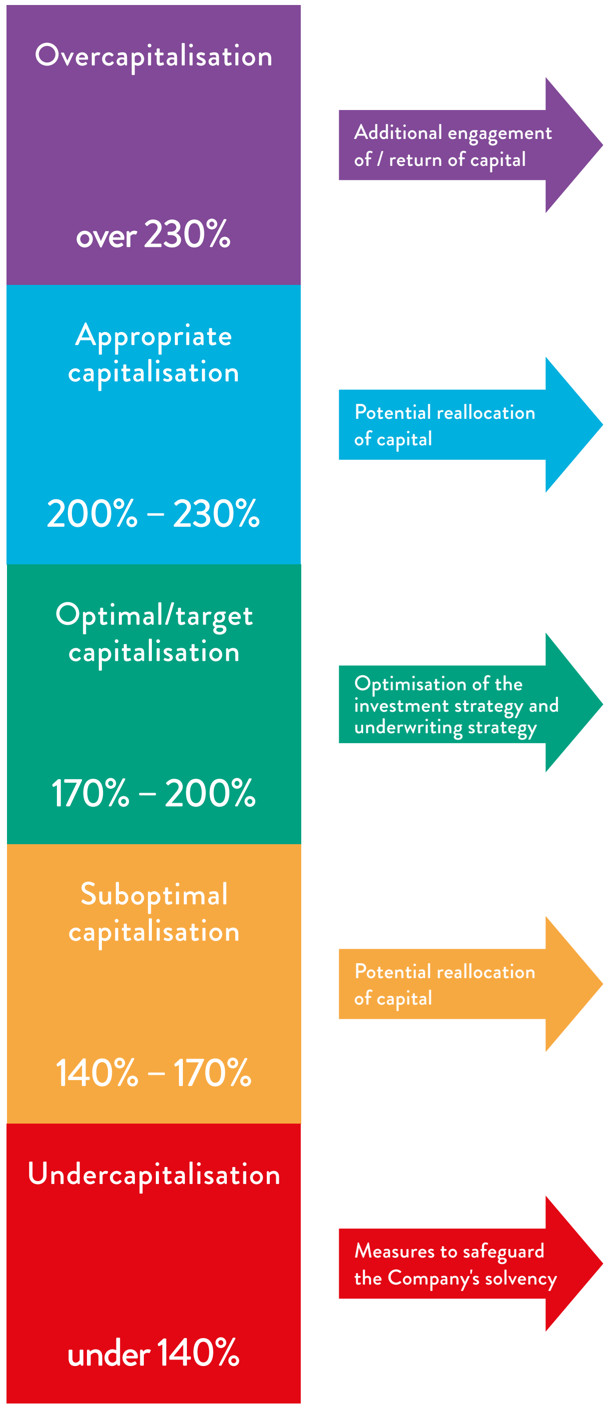
(€)	31/12/2016
Eligible own funds of the Group	423,393,781
Minimum capital requirement (MCR)	103,336,896
Solvency capital requirement (SCR)	207,112,504
Solvency ratio	**204%**

The Group's unaudited eligible own funds as at 30 September 2017 totalled €465.2 million and were slightly higher than as at 31 December 2016. It needs to be noted that foreseeable dividends for 2017 are not considered in the calculation of eligible own funds in the first three quarters, while eligible own funds as at 31 December 2017 will be reduced by the foreseeable dividends. Nevertheless, we assess that the level of eligible own funds at the end of the year is slightly above the level as at 31 December 2016.

We also expect that the solvency ratio as at 31 December 2017 is broadly on the same level as at 31 December 2016.

As part of its risk strategy, the Sava Re Group has defined capitalisation ranges in terms of the solvency ratio:

We assess that, as at 31 December 2017, the Sava Re Group's solvency ratio was at the upper limit of the optimal capitalisation range. And the Sava Re Group will be striving to maintain such a capital position in the coming years.



[106] During the preparation of the audited annual report, the Sava Re Group is yet to obtain audited capital adequacy data for 2017. The capital adequacy calculation will be published in the "Sava Re Group solvency and financial condition report for 2017" to be released no later than 17 June 2018.

17.7.2 Investment contract risks

The Group's investment contracts include a group of life cycle funds called MOJI skladi življenjskega cikla (MY life-cycle funds), relating to supplementary pension business of the company Sava pokojninska in the accumulation phase. The company started managing the group of long-term business funds MOJI skladi življenjskega cikla on 1 January 2016. They comprise three funds: MOJ dinamični sklad (MY Dynamic Fund, MDF), and MOJ uravnoteženi sklad (MY Balanced Fund, MBF), and MOJ zajamčeni sklad (MY Guaranteed Fund, MGF). Investment contract liabilities are not included in the consolidated technical provisions item, and are, therefore, not included in the presentation of underwriting risk. Investment contract assets are not included in the consolidated financial investments item, and are, therefore, not included in the presentation of financial risks. Relating to investment contract assets and liabilities, the Sava Re Group is exposed to the risk of failing to achieve the guaranteed return for the long-term business fund with a guaranteed return – MGF.

The members of the supplementary pension insurance scheme thus bear the entirely investment risk arising out of the two funds MDF and MBF, while with the MGF they bear the investment risk above the guaranteed return. The guaranteed return of MGF is 60% of the average annual interest rate on government securities with a maturity of over one year. Investment contract liabilities of MGF include liabilities for guaranteed funds (net contributions plus guaranteed return) and additional liabilities to cover any deficit resulting from the difference between the actual and the required rate of return (liability to exceed the return). For each member, the fund administrator keeps a personal account with accumulating net contributions and assets to exceed the guaranteed return (provisions); for MGF, additionally the guaranteed return is maintained. Liabilities to the members of the MDF and MBF move in line with the value of investments; members fully bear the investment risk. In years when the return in excess of guaranteed return is realised, liabilities to the members of the MGF for assets in excess of guaranteed levels of assets are increased; if, however, realised return is below the guaranteed level, this part of liabilities decreases until the provision is fully exhausted. The described control of guaranteed return is carried out at the level of individual members' accounts. In the event that individual provisions of any account are not sufficient to cover the guaranteed assets, the company is required to make provisions for the difference, which may exceed 20% of the capital. Any excess must be covered by the company's own funds (no such payments were required in 2017).

The risk of failing to realise guaranteed returns is managed primarily through appropriate management of policyholder assets and liabilities, an appropriate investment strategy, an adequate level of the company's capital and provisioning. The Group tests its risk exposure arising out of guaranteed return through stress tests and scenarios as part of the own risk and solvency assessment.

17.7.3 Underwriting risk

Underwriting risks are risks related to the main activity pursued by the Group members, i.e. the assumption of risk from policyholders. As part of this risk category, the Group is exposed to underwriting process risk (insurance and reinsurance), pricing risk, claims risk, retention risk and reserving risk. The Group is indirectly exposed to some other underwriting risks, such as product design risk, economic environment risk and policyholder behaviour risk. While these risks may be significant, we believe their impact is indirectly reflected in the main underwriting risks, which is why we do not consider them in detail.

The basic purpose of both non-life and life insurance is the assumption of risk from policyholders. In addition to the risks assumed directly by Group primary insurance companies, the controlling company also indirectly assumes reinsurance risks from cedants outside the Group. The Group retains a portion of the assumed risks and retrocedes the portion that exceeds its capacity. The Group classifies its insurance and reinsurance contracts as insurance and investment contracts within the meaning of IFRS 4. Below is a detailed outline of the risks arising out of insurance contracts, as required under IFRS 4.

First, we present underwriting risks arising out of non-life business. This is followed by risks arising out of life insurance business. The Group has a minor exposure relating to health insurance business considered under non-life insurance business. The technique underlying these policies is similar to non-life insurance so that their risks are by their nature very similar to non-life underwriting risks.

17.7.3.1 Underwriting process risk – non-life business

The underwriting process risk is the risk of incurring financial losses caused by the Group's incorrect selection and approval of risks to be (re)insured. The Group mitigates this risk mainly by complying with established and prescribed underwriting procedures (especially with large risks); correctly determining the probable maximum loss (PML) for each risk; complying with internal underwriting guidelines and instructions; complying with the authorisation system; and having in place an appropriate pricing and reinsurance policy.

Most non-life insurance contracts are renewed annually. This allows insurers to amend the conditions and rates to take into account any deterioration in the underwriting results of entire classes of business, and for major policyholders in a timely manner.

Where significant risks are involved, underwriting experts of the controlling company collaborate with the underwriters of subsidiaries (and risks are mainly reinsured with the controlling company). Additionally in respect of risks exceeding the limits set out in the reinsurance treaties, it is vital that adequate facultative reinsurance cover is obtained to upgrade the basic reinsurance programme.

Underwriting risks in excess of the Group's capacity are reduced through retrocession contracts.

We estimate that underwriting process risk relating to (re)insurance business is well managed, although it moderately increased in 2017 compared to 2016 due to an increase in premium volume. This is because net non-life premiums written by the Group grew by 2.5% or €9.1 million compared to 2016.

17.7.3.2 Pricing risk – non-life business

Pricing risk is the risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts. Principally, the Group monitors pricing risk by conducting actuarial analyses of loss ratios and identifying their trends and by making relevant corrections. When premium rates are determined for new products, the pricing risk can be monitored by prudently modelling loss experience, by comparing against market practice, and by comparing the actual loss experience against estimates.

In proportional reinsurance contracts, reinsurance premiums depend on insurance premiums, mostly set by ceding companies, while the risk premium also depends on the commission recognised by the reinsurer. Therefore, the Group manages this risk by having an appropriate underwriting process in place and by adjusting applicable commission rates. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Expected results of reinsurance contracts entered into on the basis of available information and set prices must be in line with target combined ratios; the adequacy of prices is verified based on the results by form and class of reinsurance.

Based on reasonable actuarial expectations of claims movements or loss ratios and expenses or expense ratios and assuming rational behaviour of all market participants, the premium rates on the Group level allow the achievement of a combined ratio below 100%. The Group considers the aggregate pricing risk to have been moderate in 2017 and similar to that in 2016.

17.7.3.3 Claims risk – non-life business

Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. This risk may materialise due to incorrect assessments in the underwriting process, changes in court practice, new types of losses, increased claims awareness, changes in macroeconomic conditions and such like.

The claims risk is managed through designing appropriate policy conditions and tariffs, appropriate underwriting, monitoring risk concentration by site or geographical area and especially through adequate reinsurance and retrocession programmes.

Based on the realised loss events and their small impact on the Group's profit, we believe that the risk management measures set out are adequate and we estimate that the claims risk remained on a similar level as in the previous period.

17.7.3.4 Net retention risk – non-life business

Net retention risk is the risk that higher retention of insurance loss exposures will result in large aggregate losses due to catastrophic or concentrated claims experience. This risk may also materialise in the event of "shock losses", where a large number of insured properties are impacted. This may occur especially through losses caused by natural peril events, which are generally covered by a basic or an additional fire policy or by a policy attached to an underlying fire policy (e.g. business interruption policy or earthquake policy).

The Group manages this risk by way of adequate professional underwriting of the risks to be insured, partly by measuring the exposure to natural peril events by geographical area and designing appropriate reinsurance programmes. In managing these risks, due consideration is given to the fact that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event as well as by the frequency of such events.

The Group considers the net retention risk to have remained essentially the same in both 2017 and 2016.

17.7.3.5 Reserve risk – non-life business

Reserve risk is the risk that technical provisions are not sufficient to cover the commitments of the (re)insurance business assumed. When establishing technical provisions, the Group takes into account any underreserved technical provisions identified on the subsidiary company level, recognising any identified deficiencies at the Group level.

Unearned premiums are established by Group members on a pro rata basis at the insurance policy level. In addition to unearned premiums, the Group establishes provisions for unexpired risks for those homogeneous risk groups where the combined ratio (loss ratio plus expense ratio) is expected to exceed 100%.

Due to the difference in reserving (set out later in the report) methodologies used in accepted reinsurance and primary insurance business, the run-off analysis was made separately for primary insurance and reinsurance business.

Subsidiaries analyse claims provision data by accident year, unlike reinsurers, who analyse data by underwriting year. The table below shows an adequacy test/analysis of gross claims provisions established by the Group for liabilities under non-life primary insurance contracts. Amounts were translated from local currencies into euros using the exchange rate prevailing at the end of the year (provisions) or in the middle of the year (claims paid).

Adequacy analysis of gross claims provisions for past years – non-life insurance business

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
As originally estimated	290,374	292,403	311,449	302,508	312,626	313,058
Reestimated as of 1 year later	247,059	248,748	251,958	254,822	256,099	
Reestimated as of 2 years later	230,462	218,062	231,885	218,171		
Reestimated as of 3 years later	207,127	207,571	205,037			
Reestimated as of 4 years later	200,338	186,200				
Reestimated as of 5 years later	183,234					
Cumulative gross redundancy (latest estimate – original estimate)	**107,140**	**106,204**	**106,412**	**84,337**	**56,527**	
Cumulative gross redundancy as % of original estimate	36.9%	36.3%	34.2%	27.9%	18.1%	

The cumulative gross redundancies for underwriting years 2012–2015 increased if compared to amounts at the end of the preceding year, which were 31.0%, 29.0%, 25.5% and 15.8% of original estimates.

Unlike for primary insurance business, the Group cannot use triangles based on accident year data for actuarial estimations of loss reserves in respect of accepted reinsurance business. This is because ceding companies report claims under quota share contracts by underwriting years. As claims under one-year policies written during any one year may occur either in the year the policy is written or in the year after, aggregated data for proportional reinsurance contracts are not broken down by accident year. Furthermore, some markets renew treaty business during the year, resulting in additional discrepancies between the underwriting year and the accident year. Due to these specifics, the Group provides data on reinsurance claims paid by underwriting year. The estimated liabilities relate to claims that have already been incurred the settlement of which is provided for within the claims provision, and to claims of the existing portfolio that have not yet been incurred the settlement of which is covered by unearned premiums, net of deferred commission.

The table below therefore shows originally estimated gross or net liabilities with claims provisions included at any year-end plus unearned premiums less deferred commission, which is compared to subsequent estimates of these liabilities.

Adequacy analysis of gross technical provisions for past years – reinsurance business

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
As originally estimated	206,099	199,339	207,416	209,963	218,615	224,093
Reestimated as of 1 year later	179,499	170,890	183,590	191,260	191,207	
Reestimated as of 2 years later	169,304	160,099	174,579	175,447		
Reestimated as of 3 years later	158,181	156,865	164,654			
Reestimated as of 4 years later	155,634	147,772				
Reestimated as of 5 years later	149,283					
Cumulative gross redundancy (latest estimate – original estimate)	**56,816**	**51,566**	**42,763**	**34,516**	**27,409**	
Cumulative gross redundancy as % of original estimate	27.6%	25.9%	20.6%	16.4%	12.5%	

The cumulative gross redundancies for underwriting years 2012–2015 increased if compared to amounts at the end of the preceding year, which were 24.5%, 21.3%, 15.8% and 8.9% of original estimates.

Due to the high cumulative redundancies of both the gross claims provision for non-life business and the gross technical provision for reinsurance business, we estimate that reserving risk at the end of 2017 is relatively small and similar to that at year-end 2017.

17.7.3.6 Retrocession programme – non-life business

To reduce the underwriting risks to which it is exposed, the Group must have in place an appropriate reinsurance programme (in particular a retrocession programme). These are designed so as to reduce exposure to possible single large losses or the effect of a large number of single losses arising from the same loss event. In 2017 the Group purchased an additional layer for the excess of loss cover of the retention (after operation of the proportional cover) as protection against earthquake risks in Slovenia. The Group considers its reinsurance programme (including proportional and non-proportional reinsurance) to be appropriate in view of the risks it is exposed to.

Net retention limits as determined by the Group are only rarely used. The Group also concludes co-insurance and reciprocal contracts with other reinsurers to further disperse risks. The Group's net retained portfolio, relating to both domestic and foreign cedants, is further covered for potentially large losses through prudently selected non-proportional reinsurance programmes.

We believe that the reinsurance programme (and in particular the retrocession programme) is appropriate and similar in 2017 and 2016.

17.7.3.7 Estimated exposure to underwriting risks – non-life business

An increase in realised underwriting risk would essentially result in an increase in net claims. As the Group has in place an adequate retrocession programme, it is not exposed to the risk of a sharp increase in net claims, not even in case of catastrophic losses. A more likely scenario to which the Group is exposed to is the deterioration of the net combined ratio as a result of an increase in claims or expenses along with a decrease in premiums. If the Group's net combined ratio increased/decreased by one percentage point, its profit before tax would decrease/increase by €3.8 million (2016: €3.7 million).

The net retention limit per risk is set at €4 million for the majority of non-life classes of insurance and a combined limit of €4 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of €2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at €300,000. In principle, this caps any net claim arising out of any single loss event at a maximum of €4 million. In case of any catastrophe event, e.g. flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is €5 million for Group business as well as non-Group business. These amounts represent the maximum net claim on the Group level for a single catastrophe event based on reasonable actuarial expectations. In case of multiple catastrophic events in any single year, the non-proportional treaties include reinstatement provisions. Hence, the probability that a large number of catastrophe events would compromise the solvency position of the Group is negligible. As the number of catastrophic events randomly fluctuates, an increase in net claims must always be expected. This may have an adverse effect on profit or loss, but will not compromise the Group's solvency position, which has been tested using scenarios as part of the own risk and solvency assessment.

The risk that the underwriting risk may seriously compromise the Group's financial stability is deemed, according to our assessment, low and there are no significant differences between 2017 and 2016.

17.7.3.8 Underwriting risks in life insurance

The main risks that the Group is exposed to due to life insurance operations are lapse risk, mortality risk and life expense risk. The exposure to other risks, such as longevity, disability and morbidity risk, is smaller.

Underwriting risks relating to additional accident business are similar to those described under non-life insurance and are managed in a similar way.

In order to manage the underwriting risk of life insurance business, the Group regularly monitors mortality and morbidity rates, termination of life policies, looking for specific trends. In addition, it regularly conducts adequacy testing of provisions. The Group also manages underwriting risk by strictly complying with underwriting procedures. These specify the criteria and terms of risk acceptance. At given premium rates, risk assumption depends on the age at entry and the requested sum insured. The Group accepts risks if the insured's health, as a measure of risk quality, is in line with table data listing criteria for medical examinations. An additional factor in the assumption of risks is lifestyle, including leisure activities and occupation. The Group has in place an appropriate reinsurance programme in order to limit the impact of underwriting risk; covers are generally on a proportional basis. The retention of insurers generally does not exceed €50,000. Critical illness is reinsured with a foreign partner (Partner Re).

At the Group level, there is no significant concentration of life underwriting risk, as the portfolio is well-diversified in terms of the age of insured persons, the unexpired policy term, exposures (of sums insured and sums at risk), and annual and single premium payment. The portfolio is also diversified in terms of the percentage of policies lapsed in a period, expenses and mortality and morbidity rates by product.

We estimate that the exposure to underwriting risk relating to life insurance business remained at the same level as in 2016.

17.7.4 Risks associated with policies where policyholders bear the investment risk

With policies where policyholders bear the investment risk, market risk is transferred to policyholders, as mathematical provisions move in line with assets, except for products with a guaranteed return feature.

Table of risk registers for unit-linked life insurance business where the risk of achieving the guaranteed return and market risks are born by the insurer.

Financial investments supporting life insurance liabilities with guaranteed NAV

	31/12/2017	31/12/2016
Zavarovalnica Sava d.d. – ZS Zajamčeni	24,414,858	21,579,034
Zavarovalnica Sava d.d. – ZS Garant	1,313,503	1,714,951
Zavarovalnica Sava d.d. ZS Varnost and ZS Zajamčeni	45,805,687	59,654,615
Total financial investments	**71,534,048**	**82,948,600**

The ZS Zajamčeni investment register has a guaranteed return of 2.75%. Mathematical provisions comprise liabilities for guaranteed funds (net contributions plus guaranteed return) and additional liabilities for profit attribution based on the difference between the actual and the required rate of return (liabilities for exceeding the return). Fund managers maintain data for each policyholder on the individual policy level, comprising net premiums paid, guaranteed return and amounts for exceeding the guaranteed return (provisions for profit attribution). In years when the guaranteed return is exceeded, liabilities for exceeding the guaranteed return are increased; if, however, the realised return is below the guaranteed level, these liabilities are decreased. If these liabilities are negative, they need to be covered by the insurer from own funds (the balance of additional liabilities is set to zero in the accounting books), but in years when the guaranteed return is again reached, the insurer first has to cover the negative balance through profit attribution. The described control of guaranteed return is carried out at the level of individual policies.

The assets underlying the policies of the ZS Hibrid product are managed in a separate KSNT 2a investment register, which combines two investment funds: the DWS Garant 80 Dynamic fund managed by DWS Investments and the ZS Garant investment portfolio managed by the insurance company. Each month on the cut-off date, the proportion of each policy's assets in any fund is recalculated using a specific algorithm to ensures the achievement of the investment objective (selected by the policyholder) at the policy expiry. Fund managers maintain data for each policyholder on the individual policy level, comprising net premiums paid, current level of selected investment objective and balance of liabilities in both investment funds. For the DWS Garant 80 investment fund, the guarantee that the unit value does not fall by more than 20% per month is provided by DWS Investment GmbH. The ZS Garant portfolio offers a guaranteed return of 2.25%. Mathematical provisions comprise liabilities for guaranteed funds (net premiums paid and guaranteed return). There are no additional liabilities for profit attribution for this fund. Fund managers maintain data for each policyholder on the individual policy level, comprising net premiums paid and guaranteed return. If the guaranteed return is not achieved, the insurer is to cover the loss from own funds.

Relating to the KSNT-3 investment register, the insurance company manages the Zavarovalnica Sava Varnost and Zavarovalnica Sava Zajamčeni funds. The 100% guarantee of the Zavarovalnica Sava Varnost fund is for maintaining the net asset value, i.e. the return is 0.00% per year for inflows. The guaranteed return of the Zavarovalnica Sava Zajamčeni fund is 1.5% per year for inflows. There is a real risk of failure to achieve the guaranteed return since interest rates on bonds rated A or better are already negative for shorter-term bonds.

The following table shows assets underlying unit-linked life insurance business with guaranteed return. As at 31 December 2017, these totalled €71.5 million (31/12/2016: €82.9 million).

(€) Type of investment	31/12/2017	31/12/2016	Absolute difference 31/12/2017 / 31/12/2016
Deposits and CDs	15,349,258	35,018,570	-19,669,312
Government bonds	20,578,867	15,488,749	5,090,118
Corporate bonds	32,128,654	30,978,474	1,150,180
Mutual funds	3,047,086	534,050	2,513,036
Financial investments	**71,103,864**	**82,019,843**	**-10,915,979**
Cash and cash equivalents	430,184	928,757	-498,573
Investment portfolio	**71,534,048**	**82,948,600**	**-11,414,552**

17.7.5 Financial risks

In the course of their financial operations, individual Group companies are exposed to financial risks, such as market, liquidity and credit risk.

Insurers are not exposed to the investment risk relating to life insurance business funds for which policyholders define the investment policy and also fully assume any financial risks, except for products for which the insurance company provides a guaranteed return. The risks arising out of life insurance contracts where the investment risk is born by the policyholders are shown in section 17.7.4 “Risks associated with policies where policyholders bear the investment risk”.

The investment contract assets and liabilities are linked with liability fund assets relating to SVPI managed by the Company for the benefit of policyholders. Risks arising out of investment contracts are described in section 17.7.2 “Risks relating to investment contracts”.

17.7.5.1 Market risk

Financial investments exposed to market risk

(€) Type of investment	31/12/2017	As % of total 31/12/2017	31/12/2016	As % of total 31/12/2016	Absolute difference 31/12/2017 / 31/12/2016	Change in structure (p.p.) 31/01/2017/ 31/12/2016
Deposits	21,605,211	2.0%	24,737,308	2.3%	-3,132,097	-0.3
Government bonds	566,515,923	52.3%	595,132,601	56.2%	-28,616,678	-3.9
Corporate bonds	394,196,963	36.4%	368,357,333	34.8%	25,839,630	1.6
Shares (excluding strategic shares)	17,524,834	1.6%	16,980,847	1.6%	543,987	0.0
Mutual funds	31,857,756	2.9%	16,531,807	1.6%	15,325,949	1.4
bond and money market	29,456,220	2.7%	9,565,440	0.9%	19,890,780	1.8
mixed	167,621	0.0%	1,703,918	0.2%	-1,536,297	-0.1
equity	2,233,915	0.2%	5,262,449	0.5%	-3,028,534	-0.3
Loans granted and other investments	591,985	0.1%	659,484	0.1%	-67,499	0.0
Deposits with cedants	5,832,347	0.5%	7,835,859	0.7%	-2,003,512	-0.2
Financial investments	**1,038,125,019**	**95.7%**	**1,030,235,239**	**97.2%**	**7,889,780**	**-1.5**
Investment property	15,364,184	1.4%	7,933,786	0.7%	7,430,398	0.7
Cash and cash equivalents	30,746,332	2.8%	21,481,381	2.0%	9,264,951	0.8
Investment portfolio	**1,084,235,535**	**100.0%**	**1,059,650,406**	**100.0%**	**24,585,129**	**0.0**

* Fixed-income investments do not include cash and cash equivalents of policyholders who bear the investment risk (2017: €7.2 million; 2016: €12.5 million).

17.7.5.1.1 Interest rate risk

Interest rate risk is the risk of exposure to losses resulting from fluctuations in interest rates. These can cause a decrease in investments or an increase in liabilities.

The major part of interest rate risk on the liabilities side only affects the life insurance segment (mathematical provisions). Based on the prescribed methodology for the calculation of technical provisions for the purposes of preparing financial statements, on the non-life business side only temporary and life annuities arising out of liability policies are interest-rate sensitive; however, any change in liabilities due to changes in the capitalised value of annuities as a result of a decline in interest rates is negligible and has therefore not been considered in those calculations.

Interest rate risk is measured through a sensitivity analysis, by observing the change in the value of investments in bonds or the value of mathematical provisions in case of a change in interest rates by one percentage point. The interest-rate sensitive bond portfolio includes government and corporate bonds, bond mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5. The analysed investments do not include held-to-maturity bonds, deposits or loans granted as these are measured at amortised cost and are, therefore, not sensitive to changes in market interest rates.

The total value of investments included in the calculation as at 31 December 2017 was €882.8 million (31/12/2016: €841.7 million). Of this, €593.9 million (31/12/2016: €582.7 million) relates to assets of non-life insurers (including Sava Re) and €288.9 million (31/12/2016: €259.0 million) to assets of life insurers.

The sensitivity analysis of the non-life segment as at 31 December 2017 showed that in the event of an interest rate increase by one percentage point, the value of the interest rate sensitive investments would drop €18.8 million (31/12/2016: €22.0 million) or 3.2% (31/12/2016: 3.8%). Although the amount of interest-rate sensitive investments rose by €11.2 million in 2017 year on year, interest rate sensitivity declined as a result a reduced weighted average maturity of the investment portfolio (2017: 3.15; 2016: 3.74). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale investments and the impact on profit or loss a result of investments classified as at fair value through profit or loss.

Results of the sensitivity analysis on interest-rate sensitive non-life investments

(€)	31/12/2017					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	310,599,940	300,233,681	-10,366,259	310,599,940	321,759,952	11,160,012
Corporate bonds	267,662,140	259,699,784	-7,962,356	267,662,140	276,223,084	8,560,944
Bond and mixed mutual funds	15,615,819	15,120,860	-494,960	15,615,819	16,148,378	532,559
Total	**593,877,899**	**575,054,324**	**-18,823,575**	**593,877,899**	**614,131,414**	**20,253,515**
Effect on equity		-18,823,575			20,253,515	
Effect on the income statement		0			0	

(€)	31/12/2016					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	318,233,611	305,537,548	-12,696,063	318,233,611	332,153,233	13,919,622
Corporate bonds	257,788,563	248,745,357	-9,043,206	257,788,563	267,563,232	9,774,669
Bond mutual funds	6,641,937	6,391,268	-250,669	6,641,937	6,915,149	273,212
Total	**582,664,111**	**560,674,173**	**-21,989,938**	**582,664,111**	**606,631,614**	**23,967,503**
Effect on equity		-21,988,831			23,966,383	
Effect on the income statement		-1,107			1,120	

The sensitivity analysis of interest rate sensitive life insurance investments showed that in case of an increase in interest rates by one percentage point, the value would decrease by €10.8 million or 3.8% (31/12/2016: €11.8 million; 4.6%). Although the amount of interest rate sensitive investments rose by €29.9 million in 2017 year on year, interest rate sensitivity declined as a result a reduced weighted average maturity of the investment portfolio (2017: 3.46; 2016: 4.03). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale investments and the impact on profit or loss a result of investments classified as at fair value through profit or loss.

Results of the sensitivity analysis on interest-rate sensitive life investments

(€)	31/12/2017					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	149,786,960	144,015,994	-5,770,965	149,786,960	156,040,677	6,253,717
Corporate bonds	126,373,189	121,787,702	-4,585,488	126,373,189	131,289,468	4,916,279
Bond and mixed mutual funds	12,743,652	12,265,745	-477,908	12,743,652	13,259,101	515,449
Total	**288,903,801**	**278,069,443**	**-10,834,361**	**288,903,801**	**300,589,245**	**11,685,445**
Effect on equity	-10,663,287			11,503,648		
Effect on the income statement	-171,074			181,797		

(€)	31/12/2016					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	144,665,631	137,373,425	-7,292,206	144,665,631	152,771,794	8,106,163
Corporate bonds	111,894,083	107,514,441	-4,379,642	111,894,083	116,583,394	4,689,311
Bond mutual funds	2,449,680	2,338,235	-111,445	2,449,680	2,571,854	122,174
Total	**259,009,394**	**247,226,101**	**-11,783,293**	**259,009,394**	**271,927,041**	**12,917,647**
Effect on equity	-11,643,534			12,763,133		
Effect on the income statement	-139,759			154,514		

The value of the mathematical provision included in the sensitivity analysis on the liabilities side amounted to €263.8 million at 31 December2017 (31/12/2016: €262.7 million) and did not include the part of mathematical provision that is not interest-sensitive (31/12/2017: €7.6 million, 31/12/2016: €7.0 million). A sensitivity analysis for liabilities (mathematical provisions) showed that if the present value of mathematical provisions is calculated using an interest rate that is one percentage point higher, the mathematical provisions would decrease by €10.5 million, or 4.0% (31/12/2016: €17.3 million; 6.6%). By contrast, if the provision is calculated using a one percentage point lower interest rate, mathematical provisions would increase by €13.5 million or 5.1% (31/12/2016: €9.0 million; 3.4%). The sensitivity analysis includes the results of the LAT test set out in section 17.4.26.

Results of the sensitivity analysis on life insurance liabilities

31/12/2017 (€)					
+100 bp			-100 bp		
Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
263,841,809	253,355,720	-10,486,089	263,841,809	277,328,172	13,486,363

31/12/2016 (€)					
+100 bp			-100 bp		
Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
262,716,953	245,369,854	-17,347,099	262,716,953	271,679,805	8,962,853

The results of the sensitivity analysis on the assets and liabilities sides show that assets and mathematical provisions are less sensitive to change in interest rates compared to 2016. In 2017, the Company continued matching the maturity of assets and liabilities to minimise the net impact of changes in interest rates on the Group's financial statements. The difference between the average maturity of assets and liabilities separately for life and non-life business is presented below.

The average maturity of bonds and deposits of non-life business was 3.15 years at year-end 2017 (31/12/2016: 3.74 years), while the expected maturity of non-life liabilities was 3.18 years (31/12/2016: 3.27 years).

The average maturity of bonds and deposits of life business was 3.46 years at year-end 2017 (31/12/2016: 3.74 years), while the expected maturity of life liabilities was 4.68 years (31/12/2016: 6.45 years).

Based on the above, we estimate that the interest rate risk at the Group and individual company level is well managed. Although the amount of interest rate sensitive investments and mathematical provision increased compared to 2016, the interest rate risk relating to financial investments and mathematical provisions decreased because of maturity of the investment portfolio and mathematical provisions decreased. It is important to note that due to the low interest rate environment, the companies are primarily exposed to reinvestment risk, and this is particularly important for the life insurance segment, which must meet its commitments regarding guaranteed returns.

17.7.5.1.2 Equity risk

Equity risk is the risk that the value of investments will decrease due to fluctuations in equity markets.

Equity risk affects shares, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

To assess the Group's sensitivity of investments to equity risk, we can assume a 10% drop in the value of all equity securities, which would result in a decrease in the value of investments by €2.0 million (31/12/2016: €2.3 million).

Sensitivity assessment of investments to change in equity prices

(€)	31/12/2017			31/12/2016		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
-10%	19,842,559	17,858,303	-1,984,256	23,095,255	20,785,730	-2,309,526

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. Thus, a 20% fall in equity prices would reduce the value of investments by €4.0 million (31/12/2016: €4.6 million).

The Sava Re Group's exposure to equity risk slightly declined in 2017 compared to 2016.

17.7.5.1.3 Property risk

Exposure to property risk is monitored through a stress test assuming a 25% drop in prices. The basis for the calculation is the balance of investment property.

Sensitivity assessment of investments to changes in real estate prices

(€)	31/12/2017			31/12/2016		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
-25%	15,364,184	11,523,138	-3,841,046	7,933,786	5,950,340	-1,983,447

Property risk rose compared to year-end 2016 because of the higher amount of property investments.

17.7.5.1.4 Currency risk

Currency risk is the risk that changes in exchange rates will decrease foreign-denominated assets or increase liabilities denominated in foreign currencies.

The Sava Re Group manages currency risk through the efforts of each Group member to optimise asset-liability currency matching.

Sava Re is the Sava Re Group member with the largest exposure to currency risk. Currency risk levels for Sava Re are explained in more detail in the notes to the financial statements of Sava Re in section 23.5.3.2.4 "Currency risk".

Group companies whose local currency is the euro (companies based in Slovenia, Montenegro and Kosovo) have all liabilities and investments denominated in euro, meaning that these companies are not affected by currency risk. Other Group companies whose local currency is not the euro (companies based in Croatia, Serbia and Macedonia), transact most business in their respective local currencies, while due to Group relations, they are to a minor extent subject to euro-related currency risk.

We estimate that currency risk at the Group level remained the same in 2017 compared to 2016 since Sava Re is taking measures to reduce exposure to currency risk.

17.7.5.2 Liquidity risk

Liquidity risk is the risk that because of unexpected or unexpectedly high obligations, the Company will suffer a loss when ensuring liquid assets.

Individual Group members manage liquidity risk in line with the guidelines laid down in the liquidity risk management policy of the Sava Re Group. Each Group member carefully plans and monitors the realisation of cash flows (cash inflows and outflows), and in the case of liquidity problems, informs the parent company, which assesses the situation and provides the necessary funds to ensure liquidity.

Liquidity risk assumed by individual Group members is also reduced by regular measurement and monitoring based on selected indicators. An indicator of liquidity risk is the level of maturity matching of financial assets and liabilities.

The table below shows the value of financial investments and technical provisions covering life policies by year based on undiscounted cash flows, while the value of technical provisions covering non-life business is shown by year and expected maturity based on triangular development.

Maturity profile of financial assets and liabilities

(€)	Carrying amount as at 31/12/2017	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2017
Financial investments	**1,038,125,019**	**0**	**175,502,951**	**608,973,459**	**229,873,163**	**49,382,591**	**1,063,732,164**
- at fair value through profit or loss	6,217,870	0	1,225,784	2,467,681	1,528,861	1,219,659	6,441,985
- held to maturity	106,232,327	0	35,093,621	70,469,179	9,535,251	0	115,098,051
- loans and deposits	28,029,543	0	22,849,390	5,305,157	1,726,295	0	29,880,843
- available-for-sale	897,645,279	0	116,334,156	530,731,442	217,082,756	48,162,932	912,311,286
Reinsurers' share of technical provisions	30,787,241	0	12,380,814	9,121,982	9,284,445	0	30,787,241
Cash and cash equivalents	30,746,332	19,570,040	11,176,292			0	30,746,331
TOTAL ASSETS	**1,099,658,591**	**19,570,040**	**199,060,056**	**618,095,441**	**239,157,608**	**49,382,591**	**1,125,265,737**
Technical provisions	931,398,362	0	378,731,057	344,027,587	204,267,658	4,372,060	931,398,362
TOTAL LIABILITIES	**931,398,362**	**0**	**378,731,057**	**344,027,587**	**204,267,658**	**4,372,060**	**931,398,362**
Difference	**168,260,229**	**19,570,040**	**-179,671,001**	**274,067,854**	**34,889,950**	**45,010,531**	**193,867,375**

(€)	Carrying amount as at 31/12/2016	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total as at 31/12/2016
Financial investments	**1,030,235,239**	**0**	**177,341,485**	**577,592,915**	**287,214,735**	**35,801,964**	**1,077,951,099**
- at fair value through profit or loss	9,176,694	0	3,330,220	2,794,152	1,607,755	1,737,641	9,469,768
- held to maturity	130,812,195	0	29,964,659	102,833,329	11,917,206	0	144,715,195
- loans and deposits	31,605,347	0	24,027,212	7,968,379	979,770	0	32,975,361
- available-for-sale	858,641,003	0	120,019,394	463,997,055	272,710,003	34,064,323	890,790,775
Reinsurers' share of technical provisions	28,444,628	0	10,377,430	9,752,870	8,314,328	0	28,444,628
Cash and cash equivalents	21,481,381	15,765,619	5,715,762	0	0	0	21,481,381
TOTAL ASSETS	**1,080,161,248**	**15,765,619**	**193,434,677**	**587,345,785**	**295,529,063**	**35,801,964**	**1,127,877,108**
Subordinated liabilities	23,570,771	0	23,570,771	0	0	0	23,570,771
Technical provisions	911,221,323	0	343,478,085	358,860,297	208,882,941	0	911,221,323
TOTAL LIABILITIES	**934,792,094**	**0**	**367,048,856**	**358,860,297**	**208,882,941**	**0**	**934,792,094**
Difference	**145,369,154**	**15,765,619**	**-173,614,179**	**228,485,488**	**86,646,122**	**35,801,964**	**193,085,014**

Liquidity requirements are met by allocating funds to money market instruments in the percentage consistent with the estimated normal current liquidity requirement. In this regard, each EU-based Group company maintains a liquidity buffer of highly liquid assets accounting for at least 15% of its investment portfolio. Highly liquid assets are intended to provide liquidity to meet any extraordinary liquidity requirements and are available on an ongoing basis. The other Group members manage their short-term liquidity requirements through cash in bank accounts and short-term deposits.

An additional liquidity cushion is provided by a credit line of €10 million arranged by Sava Re with a commercial bank for the purpose of covering the liquidity needs of its Group members.

Based on the above, we estimate that liquidity risk is well managed both at the Group and individual company level and did not change significantly compared to year-end 2016.

17.7.5.3 Credit risk

Credit risk is the risk of default on the obligations of a securities issuer or other counterparty towards the Company.

Assets exposed to credit risk include financial investments (deposit investments, bonds, deposits with cedants, cash and cash equivalents, and loans granted), receivables due from reinsurers and other receivables.

Exposure to credit risk

(€)	31/12/2017	31/12/2016
Type of asset	**Amount**	**Amount**
Fixed-income investments	**1,019,488,761**	**1,018,157,489**
Debt instruments*	982,910,082	988,840,249
Deposits with cedants	5,832,347	7,835,859
Cash and cash equivalents	30,746,332	21,481,381
Receivables due from reinsurers	**36,624,163**	**32,775,804**
Reinsurers' share of technical provisions	30,787,241	28,444,628
Receivables for shares in claims payments	5,836,922	4,331,176
Other receivables	**132,618,603**	**123,077,351**
Receivables arising out of primary insurance business	124,324,547	51,340,821
Receivables arising out of co-insurance and reinsurance business (excluding receivables for shares in claims)	360,795	63,674,406
Current tax assets	17,822	124,720
Other receivables	7,915,439	7,937,404
Total exposure	**1,188,731,527**	**1,174,010,644**

* Debt instruments include loans granted; the figure for 2016 differs from that published in the 2016 annual report (€988.2 million).
**Cash and cash equivalents investments do not include cash and cash equivalents of policyholders who bear the investment risk (2017: €7.2 million; 2016: €12.5 million).

Credit risk due to issuer default

Credit risk for investments is estimated based on two factors:

- credit ratings used in determining credit risk for fixed-income investments[107] and cash assets[108];
- performance indicators for other investments.

Below we set out an assessment of credit risk for fixed-income investments (including debt securities, bank deposits, deposits with cedants, cash and cash equivalents, and loans granted).

[107] Included are bonds, corporate bonds, deposits, deposits with cedants and loans granted.
[108] Included are cash and demand deposits (cash and cash equivalents of policyholders who bear the investment risk are excluded).

Fixed-income investments by issuer credit rating

(€)	31/12/2017		31/12/2016		Change in structure (p.p.)
Rated by S&P/Moody's	**Amount**	**As % of total**	**Amount**	**As % of total**	
AAA/Aaa	279,019,700	27.4%	236,493,008	23.2%	4.1
AA/Aa	132,428,575	13.0%	119,352,552	11.7%	1.3
A/A	344,177,775	33.8%	393,031,864	38.6%	-4.8
BBB/Baa	111,424,864	10.9%	110,749,691	10.9%	0.1
Less than BBB/Baa	75,648,660	7.4%	91,343,721	9.0%	-1.6
Not rated	76,789,187	7.5%	67,186,654	6.6%	0.9
Total	**1,019,488,761**	**100.0%**	**1,018,157,489**	**100.0%**	

* Fixed-income investments also include investments in loans granted; the figure for 2016 differs from that published in the 2016 annual report (€1,017.5 million).

As at 31 December 2017, fixed-income investments rated "A" or better accounted for 74.2% of the total fixed-income portfolio (31/12/2016: 73.6%). In 2017 the share of the best rated investments remained unchanged from the previous year.

The credit risk due to issuer default also includes concentration risk representing the risk of excessive concentration in a geographic area, economic sector or issuer.

The investment portfolio of the Sava Re Group is reasonably diversified in accordance with local law and Group internal rules in order to avoid large concentration in a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

Diversification of financial investments by industry

(€)	31/12/2017		31/12/2016		Change in structure (p.p.)
Industry	**Amount**	**As % of total**	**Amount**	**As % of total**	
Banking	218,982,228	20.2%	210,315,960	19.8%	0.3
Government	566,514,207	52.3%	595,184,920	56.2%	-3.9
Finance & insurance	95,170,912	8.8%	65,503,264	6.2%	2.6
Industry	55,661,651	5.1%	62,439,993	5.9%	-0.8
Consumables	66,132,793	6.1%	48,636,399	4.6%	1.5
Utilities	81,773,744	7.5%	77,569,871	7.3%	0.2
Total	**1,084,235,535**	**100.0%**	**1,059,650,406**	**100.0%**	

The Sava Re Group's largest exposure by industry was to the government (31/12/2017: 52.3%; 31/12/2016: 56.2%), with a notable high diversification by issuer. As at 31 December 2017, the exposure to the banking sector was €219.0 million, representing 20.2% of financial investments (31/12/2016: €210,3 million; 19.8%).

Diversification of financial investments by region

(€) Region	31/12/2017 Amount	31/12/2017 As % of total	31/12/2016 Amount	31/12/2016 As % of total	Change in structure (p.p.)
Slovenia	261,117,159	24.1%	329,122,108	31.1%	-7.0
EU Member States	602,072,673	55.5%	548,247,185	51.7%	3.8
Non-EU members	96,356,039	8.9%	94,328,566	8.9%	0.0
Russia and Asia	20,446,256	1.9%	18,915,979	1.8%	0.1
Africa and the Middle East	2,134,198	0.2%	2,619,478	0.2%	-0.1
America and Australia	102,109,209	9.4%	66,417,090	6.3%	3.1
Total	**1,084,235,535**	**100.0%**	**1,059,650,406**	**100.0%**	

In terms of geography, the Sava Re Group is mostly exposed to EU Member States (2017: 55.5%; 2016: 51.7%). Compared to the previous year, this proportion increased marginally as a result of the investment policy of reducing exposure to Slovenia. Exposure to Slovenia-based issuers decreased by 7.0 percentage points. The exposure is lower due to maturing securities and the adopted limit system (lowering of exposure to individual issuers). Exposure to other regions remained broadly unchanged year on year.

Exposure to Slovenia

(€) Type of investment	31/12/2017 Amount	31/12/2017 As % of total	31/12/2016 Amount	31/12/2016 As % of total	Change in structure (p.p.)
Deposits and CDs	858,059	0.1%	3,102,766	0.3%	-0.2
Government bonds	188,505,257	17.4%	256,793,600	24.2%	-6.8
Corporate bonds	23,758,217	2.2%	34,225,105	3.2%	-1.0
Shares	16,992,679	1.6%	16,269,334	1.5%	0.0
Mutual funds	1,286,438	0.1%	3,483,276	0.3%	-0.2
Cash and cash equivalents	18,015,252	1.7%	11,378,637	1.1%	0.6
Other	11,701,257	1.1%	3,869,391	0.4%	0.7
Sum total	**261,117,159**	**24.1%**	**329,122,108**	**31.1%**	**-7.0**

As at 31 December 2017, exposure to the ten largest issuers was €396.7 million, representing 36.6% of financial investments (31/12/2016: €416.8 million; 39.3%). The largest single issuer of securities that the Group is exposed to is the Republic of Slovenia. As at 31 December 2017, the exposure to the ten largest issuers totalled €170.0 million, representing 15.7% of financial investments (31/12/2016: €235.2 million; 22.2%). No other corporate issuer exceeded the 1.4% of financial assets threshold.

Based on the above, we estimate that particularly through reducing their exposure to Slovenia and increased diversification by issuer, region and industry, the Sava Re Group companies managed their exposure to credit risk well in 2017 and reduced it compared to 2016.

Counterparty default risk

The Group is also exposed to credit risk in relation to its retrocession programme. As a rule, subsidiaries conclude reinsurance contracts directly with the controlling company. If so required by local regulations, they would also buy reinsurance from the providers of assistance services and from local reinsurers. In such cases, local reinsurers transfer the risks to Sava Re, thus reducing the effective credit risk exposure relating to reinsurers below the one correctly shown according to accounting rules.

As at 31 December 2017 the total exposure of the Group to credit risk relating to reinsurers was €36.6 million (31/12/2016: €32.8 million), of which €30.8 million (31/12/2016: €28.4 million) relate to reinsurers' share of technical provisions and €5.8 million (31/12/2016: €4.3 million) to receivables for reinsurers' and co-insurers' shares in claims. At 31 December 2017, the Group's total credit risk exposure relating to retrocessionaires represented 2.1% of total assets (31/12/2016: 1.9%).

Retrocession programmes are mostly placed with first-class reinsurers which have an appropriate rating (at least A- according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). Thus, at the end of 2017 and 2016, reinsurers rated BBB or better accounted for at least 60% of the credit risk exposure relating to reinsurers. When classifying reinsurers by credit rating group, we considered the credit rating of each individual reinsurer, also where the reinsurer is part of a group. Often such reinsurers are unrated subsidiaries, while the parent company has a credit rating. We consider such a treatment conservative, as ordinarily a controlling company takes action if a subsidiary gets into trouble.

The tables below show the receivables ageing analysis, including the above-mentioned receivables for reinsurers' shares in claims.

Receivables ageing analysis

(€) 31/12/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	37,365,349	9,999,372	2,588,030	49,952,751
Receivables due from insurance intermediaries	910,753	1,269,562	39,911	2,220,226
Other receivables arising out of primary insurance business	106,151	66,590	5,989	178,730
Receivables for premiums arising out of assumed reinsurance and co-insurance	57,750,077	9,206,356	5,016,407	71,972,840
Receivables for reinsurers' shares in claims	2,734,526	2,580,876	521,520	5,836,922
Other receivables from co-insurance and reinsurance	343,008	17,787	0	360,795
Other short-term receivables arising out of insurance business	1,832,858	404,434	48,324	2,285,616
Short-term receivables arising out of financing	777,596	15,578	42,468	835,642
Current tax assets	17,822	0	0	17,822
Other short-term receivables	4,369,177	341,327	83,677	4,794,181
Total	**106,207,317**	**23,901,882**	**8,346,326**	**138,455,525**

(€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	36,688,644	9,345,376	3,085,627	49,119,647
Receivables due from insurance intermediaries	1,146,175	939,073	37,458	2,122,706
Other receivables arising out of primary insurance business	86,029	6,013	6,426	98,468
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,162,568	9,624,769	2,450,504	63,237,841
Receivables for reinsurers' shares in claims	3,158,284	606,406	566,486	4,331,176
Other receivables from co-insurance and reinsurance	429,134	7,431	0	436,565
Other short-term receivables arising out of insurance business	1,810,502	823,955	16,449	2,650,906
Short-term receivables arising out of financing	777,099	68,724	71,995	917,818
Current tax assets	124,720	0	0	124,720
Other short-term receivables	3,830,310	439,853	98,517	4,368,680
Total	**99,213,465**	**21,861,600**	**6,333,462**	**127,408,527**

Receivables are discussed in greater detail in note 9.

17.7.6 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

Operational risks are not among the Group's most significant risks. Nevertheless, some of them are quite important, especially:

- risk associated with supervision and reporting,
- risk of external theft or fraud,
- risk of loss of key, professional and high-potential employees,
- risk of loss or failure of computer or telecommunication systems,
- risk of incorrect data input and inadequate documentation,
- risk of damage to physical assets due to natural disaster or fire.

We estimate that in 2017, the Group's exposure to operational risk slightly decreased compared to 2016, primarily because the project of merging four of its EU-based insurers and the setting up of business processes at Zavarovalnica Sava had been finalised.

The Group calculates its capital requirements for operational risks using the Solvency II standard formula at least once annually. This calculation of operational risk, however, has only limited practical value as the formula is not based on the actual exposure of the Group to operational risk, but on an approximation calculated mainly based on consolidated premiums, provisions and expenses of the Group.

For this reason, the Group assesses operational risks qualitatively in the risk register, assessing their frequency and potential financial impact, while the EU-based (re)insurance companies additionally use scenario analysis. Through regular risk assessments, the Group companies obtain insight into the actual level of their exposure to such risks.

The Group is not exposed to any significant concentrations of operational risk.

Group companies have established processes for identifying, measuring, monitoring, managing and reporting on such risks for the effective management of operational risk. Operational risk management processes have been set up also at the Group level and are defined in the operational risk management policy.

The main measures of operational risk management on the individual company and the Group level include:

- maintaining an effective business processes management system and system of internal controls;
- awareness-raising and training of all employees on their role in the implementation of the internal control system and management of operational risks;
- implementing security policies regarding information security;
- having in place a business continuity plan for all critical processes (in order to minimise the risk of unpreparedness for incidents and external events and any resulting business interruption);
- having in place IT-supported processes and controls in the key areas of business of every Group company;
- awareness-raising and training of all employees.

In addition, the Group also manages operational risks through independent oversight implemented by internal audit.

17.7.7 Strategic risk

Strategic risk is the risk of an unexpected decrease in the Group's value due to the adverse effects of management decisions, changes in the business and legal environment, and market developments. Such adverse events could impact the Group's income and capital adequacy.

The Group is exposed to a variety of internal and external strategic risks. The key strategic risks of the Group in 2017 primarily include:

- strategic investment risk,
- political risk,
- risk of strategic direction regarding the Company's business,
- reputation risk and
- regulatory risk.

The Group's exposure to strategic risk decreased in 2017 due to the successful merger of four EU-based insurers into Zavarovalnica Sava in 2016.

Strategic risks are by nature very diverse, difficult to quantify and heavily dependent on various (including external) factors. They are also not included in the calculation of capital requirement in accordance with the Solvency II standard formula.

Therefore, the Group assesses strategic risks qualitatively in the risk register, assessing their frequency and potential financial severity. In addition, the Group tries to evaluate key strategic risks through the use of a qualitative analysis of various scenarios (also as part of ORSA). Based on both analyses combined, an overview is obtained of the extent and changes in the exposure to this type of risk.

We perceived no concentration of strategic risk in 2017.

Group companies mitigate individual strategic risks mainly through preventive measures.

In addition to the competent organisational units in Group companies, it is also the executive management bodies, the risk management committees and the risk management functions that are actively involved in the identification and management of strategic risks. Strategic risks are additionally identified by the Group's risk management committee.

Strategic risks are also managed by continually monitoring the realisation of short- and long-term goals of Group companies, and by monitoring regulatory changes in the pipeline and market developments.

The Group is aware that reputation is important for realising its business goals and achieving strategic plans in the long term. The risk strategy therefore identifies reputation risk as a key risk, providing that each Group company must continually strive to minimise the likelihood of actions that could have a major impact on the their reputation or on the reputation of the Group as a whole. In addition, Group companies have taken steps aimed at mitigating the reputation risk, such as setting up fit and proper procedures applicable to key employees, ensuring systematic operations of their respective compliance functions, having in place business continuity plans, developing stress tests and scenarios, and planning actions and response in case risks materialise. Risks related to reputation are also managed through seeking to improve services, timely and accurate reporting to supervisory bodies, and well-planned public communication. A crucial factor in ensuring good reputation and successful performance is the quality of services; therefore, each and every employee is responsible for improving the quality of services and customer satisfaction.

The Group manages and mitigates regulatory risk by continually monitoring the anticipated legislative changes in all countries where Group companies are established, and by assessing their potential impact on the operations of the Group in the short and long term. All Group companies have established compliance functions to monitor and assess the adequacy and effectiveness of regular procedures and measures taken to remedy any deficiencies in the Group's compliance with the law and regarding other commitments.

17.8 Notes to the consolidated financial statements – statement of financial position

1) Intangible assets

Movement in cost and accumulated amortisation/impairment losses of intangible assets

(€)	Software	Goodwill	Deferred acquisition costs	Other intangible assets	Total
Cost					
01/01/2017	10,482,029	14,548,585	3,424,663	15,340,708	43,795,984
Additions	1,078,694	0	0	0	1,078,694
Disposals	-543,742	0	459,143	-48,639	-133,238
Exchange differences	45,996	0	0	125	46,121
31/12/2017	11,062,977	14,548,585	3,883,806	15,292,194	44,787,562
Accumulated amortisation and impairment losses					
01/01/2017	7,287,402	0	0	11,000,000	18,287,402
Additions	1,141,649	0	0	3,000,000	4,141,649
Disposals	-396,038	0	0	0	-396,038
Exchange differences	41,605	0	0	0	41,605
31/12/2017	8,074,618	0	0	14,000,000	22,074,618
Carrying amount as at 01/01/2017	**3,194,627**	**14,548,585**	**3,424,663**	**4,340,708**	**25,508,583**
Carrying amount as at 31/12/2017	**2,988,359**	**14,548,585**	**3,883,806**	**1,292,194**	**22,712,944**

(€)	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
01/01/2016	9,774,061	16,242,284	1,523,339	3,509,404	15,128,179	46,177,266
Additions	1,100,681	0	0	0	227,997	1,328,678
Disposals	-374,356	0	-1,523,339	-84,741	0	-1,982,436
Impairment losses	0	-1,693,699	0	0	-15,232	-1,708,931
Exchange differences	-18,356	0	0	0	-236	-18,592
31/12/2016	10,482,029	14,548,585	0	3,424,663	15,340,708	43,795,985
Accumulated amortisation and impairment losses						
01/01/2016	6,727,975	0	983,975	0	8,000,000	15,711,950
Additions	940,998	0	0	0	3,000,000	3,940,998
Disposals	-365,582	0	-983,975	0	0	-1,349,557
Exchange differences	-15,990	0	0	0	0	-15,990
31/12/2016	7,287,402	0	0	0	11,000,000	18,287,402
Carrying amount as at 01/01/2016	**3,046,084**	**16,242,284**	**539,364**	**3,509,404**	**7,128,179**	**30,465,315**
Carrying amount as at 31/12/2016	**3,194,627**	**14,548,585**	**0**	**3,424,663**	**4,340,708**	**25,508,583**

In 2017 goodwill remained at the same level as in the previous year. In the year, the Group acquired no companies, and impairment testing of goodwill revealed no need for impairment of goodwill.

Movement in goodwill

Goodwill relates to the acquisition of the following companies: Sava neživotno osiguranje (SRB), Illyria, Sava osiguruvanje (MKD), Sava osiguranje (MNE), Zavarovalnica Sava, Sava Agent, and Sava pokojninska. As at year-end 2017, goodwill totalled €14.5 million (31/12/2016: €14.5 million). Each of the listed companies is treated as a cash-generating unit. The table below shows the value of goodwill for each cash-generating unit.

Movement in goodwill in 2017

(€)	
Total amount carried over at 31/12/2016	**14,548,585**
Balance at 31/12/2017	**14,548,585**
Sava neživotno osiguranje (SRB)	4,510,873
Sava osiguruvanje (MKD)	94,907
Sava osiguranje (MNE)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Sava pokojninska (former Moja naložba)	1,529,820

Movement in goodwill in 2016

(€)	
Total amount carried over at 31/12/2015	**16,242,284**
Disposals in current year	**-1,693,699**
Illyria	-1,693,699
Balance at 31/12/2016	**14,548,585**
Sava neživotno osiguranje (SRB)	4,510,873
Sava osiguruvanje (MKD)	94,907
Sava osiguranje (MNE)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Moja naložba	1,529,820

Method of calculating value in use

Value in use for each cash-generating unit is calculated using the discounted cash flow method (DCF method). The budget projections of the CGUs and their estimate of the long-term results achievable are used as a starting point. Value in use is determined by reference to free cash flows discounted at an appropriate discount rate.

The discount rate is determined as cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the risk free interest rate, equity risk premium and insurance business prospects. Added is a country risk premium and, for some companies, a smallness factor.

The discount rate is made up of the following:

- the risk-free rate of return is calculated in accordance with Duff & Phelps, International Valuation Handbook 2017, by taking the German risk-free rate of return and adjusting it to account for the difference in the long-term inflation rate between Germany and the country in question;
- the equity risk premium is calculated according to Duff & Phelps, International Valuation Handbook 2017;
- tax rates included in the discount rate are the applicable tax rates in individual countries where companies operate;
- the beta factor for industry according to Damodaran;
- national risk premium according to Damodaran.

Discount rates used in goodwill impairment testing in 2017

	Discount factor
Serbia	12.0%
Montenegro	12.6%
Macedonia	11.4%

The discount rates used in 2017 are lower than those of 2016, primarily due to a lower beta factor (systematic risk measure) and a lower country risk.

The bases for the testing of value in use are prepared in several phases. In phase one, the Company prepares three- or five-year projections of performance results for each company as part of the regular planning process unified Group-wide. These strategic plans are approved by the controlling company and relevant governance body. Based on such medium-term plans, the controlling company then makes extrapolations for those companies for which it is reasonable to assume that a normal volume of business has not yet been achieved (one where the capital required for an insurance company to operate under local regulations would be fully engaged and the minimum capital calculation using premium or loss ratios larger or equal to the lower limit of prescribed capital). In all their markets, insurance penetration (gross premiums written to gross domestic product) is relatively low. However, insurance penetration is expected to increase significantly due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Western Balkan markets, which have a relatively low penetration level, are expected to see a faster growth of gross premiums compared to the expected growth in GDP.

To estimate the residual value used in the calculation of the estimated value of equity, the calculation considers normalised cash flow in the last year of the forecast made using the Gordon growth model, where the expected long-term growth rate of net cash flow (g) does not exceed the long-term inflation rate expected for a market.

Goodwill impairment testing

In the impairment testing of goodwill arising out of the acquired companies listed at the beginning of this section, the recoverable amount of each cash-generating unit exceeded its carrying amount including goodwill belonging to the unit. The impairment testing indicated that no impairment of goodwill was necessary.

2) Property and equipment

Movement in cost and accumulated depreciation/impairment losses of property and equipment assets

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
01/01/2017	8,030,475	54,625,070	24,272,128	218,004	87,145,677
Additions	90,522	3,048,978	1,937,007	28,133	5,104,640
Reclassification	-280,665	-7,393,827	0	0	-7,674,492
Disposals	-5,490	-205,855	-2,299,881	-7,733	-2,518,959
Impairment	0	-617,045	0	0	-617,045
Exchange differences	0	171,796	67,678	4,003	243,477
31/12/2017	7,834,841	49,629,117	23,976,932	242,407	81,683,298
Accumulated depreciation and impairment losses					
01/01/2017	0	17,107,342	18,072,626	78,583	35,258,551
Additions	0	1,229,690	2,078,597	4,357	3,312,644
Reclassifciation	0	-246,361	0	0	-246,361
Disposals	0	-212,715	-1,953,210	-5,737	-2,171,662
Exchange differences	0	46,051	45,981	80	92,112
31/12/2017	0	17,924,007	18,243,994	77,283	36,245,284
Carrying amount as at 01/01/2017	**8,030,475**	**37,517,728**	**6,199,502**	**139,421**	**51,887,127**
Carrying amount as at 31/12/2017	**7,834,841**	**31,705,110**	**5,732,938**	**165,124**	**45,438,014**

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
01/01/2016	8,019,657	48,886,307	23,962,466	462,257	81,330,687
Additions	10,817	6,450,192	4,279,225	0	10,740,234
Disposals	0	-635,118	-3,941,727	-239,705	-4,816,550
Exchange differences	0	-76,311	-27,836	-4,548	-108,695
31/12/2016	8,030,475	54,625,070	24,272,128	218,004	87,145,677
Accumulated depreciation and impairment losses					
01/01/2016	0	16,060,017	17,799,123	254,237	34,113,377
Additions	0	1,243,869	3,873,342	8,074	5,125,285
Disposals	0	-175,993	-3,580,289	-181,393	-3,937,675
Exchange differences	0	-20,551	-19,550	-2,335	-42,436
31/12/2016	0	17,107,342	18,072,626	78,583	35,258,551
Carrying amount as at 01/01/2016	**8,019,657**	**32,826,290**	**6,163,343**	**208,020**	**47,217,311**
Carrying amount as at 31/12/2016	**8,030,475**	**37,517,728**	**6,199,502**	**139,421**	**51,887,127**

In its books of account, the Group recorded property for own use being acquired at the total value invested (land, buildings and equipment). Individual parts of property assets have been recorded separately when put into use (in investment property).

As regards land and buildings assets for own use, the Group made an investment in a sales and claims centre in Maribor, which had already partly functioned as a property for own use in progress in 2016. The investment worth €7.3 million was completed in September 2017. The property is partly (€5.2 million) used for own insurance operations, while the other part (€2.1 million) is classified as investment property. Furthermore, the Baraga 5 property in Ljubljana (€5.2 million), formerly recorded as property for own use in progress, was reclassified, through the reclassifications item, as investment property in September 2017. Impairment losses on property in the amount of €0.6 million relate to impairment losses recognised after a valuation by an independent appraiser, specifically, business premises for own use in Serbia (€0.3 million) and property owned by the non-life insurer in Slovenia (€0.3 million). The latter was carried out before its reclassification to investment property.

Property and equipment assets have not been acquired under financial lease arrangements and are unencumbered by any third-party rights.

The fair values of land and buildings are disclosed in note 27 “Fair values of assets and liabilities”.

3) Deferred tax assets and liabilities

(€)	31/12/2017	31/12/2016
Deferred tax assets	2,107,564	2,326,063
Deferred tax liabilities	-5,781,494	-6,038,631
Total net deferred tax assets/liabilities	**-3,673,930**	**-3,712,568**

Movement in deferred tax assets

(€)	01/01/2017	Recognised in the IS	Recognised in the SCI	31/12/2017
Long-term financial investments	1,386,480	-330,922	-5,105	1,050,453
Short-term operating receivables	239,298	117,378	0	356,676
Provisions for jubilee benefits and severance pay (retirement)	700,285	70,374	-70,224	700,435
Total	**2,326,063**	**-143,170**	**-75,329**	**2,107,564**

(€)	01/01/2016	Recognised in the IS	Recognised in the SCI	31/12/2016
Long-term financial investments	2,127,811	-560,603	-180,728	1,386,480
Short-term operating receivables	204,044	35,254	0	239,298
Provisions for jubilee benefits and severance pay (retirement)	40,002	664,077	-3,794	700,285
Total	**2,371,857**	**138,728**	**-184,522**	**2,326,063**

Movement in deferred tax liabilities

(€)	01/01/2017	Recognised in the IS	Recognised in the SCI	31/12/2017
Long-term financial investments	-6,038,631	230,524	26,613	-5,781,494

(€)	01/01/2016	Recognised in the IS	Recognised in the SCI	31/12/2016
Long-term financial investments	-4,597,921	-141,495	-1,299,215	-6,038,631
Provisions for jubilee benefits and severance pay (retirement)	-810	0	810	0
Total	**-4,598,731**	**-141,495**	**-1,298,405**	**-6,038,631**

4) Investment property

Movement in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
Cost			
01/01/2017	775,979	7,848,997	8,624,976
Additions	8,467	664,945	673,412
Reclassification	1,772,412	5,829,584	7,601,996
Impairment	0	-546,740	-546,740
Exchange differences	273	125,859	126,132
31/12/2017	2,557,131	13,922,645	16,479,776
Accumulated depreciation and impairment losses			
01/01/2017	28,517	662,673	691,190
Additions	0	168,444	168,444
Reclassification	0	246,361	246,361
Exchange differences	273	9,324	9,597
31/12/2017	28,790	1,086,802	1,115,592
Carrying amount as at 01/01/2017	**747,462**	**7,186,324**	**7,933,786**
Carrying amount as at 31/12/2017	**2,528,341**	**12,835,844**	**15,364,184**

(€)	Land	Buildings	Total
Cost			
01/01/2016	702,158	8,019,892	8,722,050
Additions	282,258	156,952	439,210
Disposals	-208,324	-262,498	-470,822
Exchange differences	-113	-65,349	-65,462
31/12/2016	775,979	7,848,997	8,624,976
Accumulated depreciation and impairment losses			
01/01/2016	28,631	653,175	681,806
Additions	0	120,928	120,928
Disposals	0	-108,023	-108,023
Exchange differences	-114	-3,407	-3,521
31/12/2016	28,517	662,673	691,190
Carrying amount as at 01/01/2016	**673,527**	**7,366,717**	**8,040,244**
Carrying amount as at 31/12/2016	**747,462**	**7,186,325**	**7,933,786**

The increase in investment property is primarily the result of the above reclassification of property for own use in progress as investment property and a result of new recognised acquisitions of €0.7 million.

Impairment losses on buildings of €0.5 million recognised relate to recognised impairment after an independent valuation in Serbia.

In 2017 the Group generated income of €514,115 by leasing out its investment property (2016: €315,320). Maintenance costs associated with investment property are either included in the rent or charged to the lessee, in 2017 a total of €166,161 (2016: €145,877).

The Group's investment properties are unencumbered by any third-party rights.

The fair values of investment property are disclosed in note 27 "Fair values of assets and liabilities".

5) Financial investments

(€) 31/12/2017	Held-to-maturity	At fair value through P/L: Non-derivative: Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**106,232,327**	**4,998,211**	**849,482,348**	**22,197,196**	**982,910,082**
Deposits and CDs	0	0	0	21,605,211	21,605,211
Government bonds	106,033,885	1,479,811	459,002,227	0	566,515,923
Corporate bonds	198,442	3,518,400	390,480,121	0	394,196,963
Loans granted	0	0	0	591,985	591,985
Equity instruments	**0**	**1,219,659**	**48,162,931**	**0**	**49,382,590**
Shares	0	561,191	16,963,643	0	17,524,834
Mutual funds	0	658,468	31,199,288	0	31,857,756
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**5,832,347**	**5,832,347**
Total	**106,232,327**	**6,217,870**	**897,645,279**	**28,029,543**	**1,038,125,019**

(€) 31/12/2016	Held-to-maturity	At fair value through P/L: Non-derivative: Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**130,812,195**	**7,439,052**	**826,819,512**	**23,769,488**	**988,840,247**
Deposits and CDs	1,580,825	0	0	23,156,483	24,737,308
Government bonds	129,016,305	1,644,648	417,668,768	0	548,329,721
Corporate bonds	215,065	5,794,404	409,150,744	0	415,160,213
Loans granted	0	0	0	613,005	613,005
Equity instruments	**0**	**1,737,642**	**31,775,012**	**0**	**33,512,654**
Shares	0	524,744	16,456,103	0	16,980,847
Mutual funds	0	1,212,898	15,318,909	0	16,531,807
Other investments	**0**	**0**	**46,479**		**46,479**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants				**7,835,859**	**7,835,859**
Total	**130,812,195**	**9,176,694**	**858,641,003**	**31,605,347**	**1,030,235,239**

The Sava Re Group held 0.2% of financial investments constituting subordinated instruments for the issuer (31/12/2016: 0.3%).

No securities have been pledged as security by the Group.

Fair values of financial investments are shown in note 27.

6) Funds for the benefit of policyholders who bear the investment risk

(€) 31/12/2017	Held-to-maturity	At fair value through P/L Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Total
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,903,616	145,131,820	58,665,766	13,526,851	227,228,053

(€) 31/12/2016	Held-to-maturity	At fair value through P/L Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Total
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,935,635	136,616,498	53,580,945	24,041,998	224,175,076

Investments for the benefit of life-insurance policyholders who bear the investment risk are investments placed by the Group insurer in line with requests of life insurance policyholders.

7) Reinsurers' share of technical provisions

(€)	31/12/2017	31/12/2016
From unearned premiums	8,826,773	7,203,576
From provisions for claims outstanding	21,960,468	21,241,052
Total	**30,787,241**	**28,444,628**

The reinsurers' and co-insurers' share of technical provisions increased by 8.2% or €2.3 million, with the largest absolute increase in unearned premiums.

The reinsurers' share of unearned premiums mostly moved in line with retroceded premiums. An increase of 22.5% in 2017 is primarily the result of the growth in facultative and assistance business with a higher reinsured share; due to the restructuring of non-proportional covers, some of these renew in mid-year, resulting in a higher level of unearned premiums at the year-end. The reinsurers' share of claims provisions moves in line with the movement of large incurred claims and the schedule of their related claim payments. In 2017 retroceded claims provisions strengthened following large property claims on surplus reinsurance contracts for covering facultative property risks in the Group, while uses related to payments for Slovenian hail storm losses of 2016 and a large claim in Macedonia.

8) Investment contract assets and liabilities

At the end of 2015, the controlling company acquired the Sava pokojninska pension company, previously accounted for as an associate. The Group had €129.6 million (2016: €121.4 million) of investment contract assets and €129.5 million (2016: €121.2 million) of investment contract liabilities. The Group's investment contracts include a group of life cycle funds called MOJI skladi življenjskega cikla (MY life-cycle funds), relating to supplementary pension business of the company Sava pokojninska in the accumulation phase. Sava pokojninska started managing the group of long-term business funds MOJI skladi življenjskega cikla on 1 January 2016. They comprise three funds: MOJ dinamični sklad (MY Dynamic Fund), and MOJ uravnoteženi sklad (MY Balanced Fund), and MOJ zajamčeni sklad (MY Guaranteed Fund). Further details on the risks associated with investment contracts are provided in section 17.7.2. "Investment contract risks".

Investment contract assets

(€)	31/12/2017	31/12/2016
Financial investments	114,570,149	115,156,806
Investment property	490,000	490,000
Receivables	9,525	8,041
Cash and cash equivalents	14,552,458	5,711,275
TOTAL	**129,622,131**	**121,366,122**

(€) 31/12/2017	Held-to-maturity	At fair value through P/L Non-derivative Designated to this category	Loans and receivables	Investment property	Total
Debt instruments	**46,485,779**	**50,692,041**	**0**	**0**	**97,177,820**
Bonds	46,485,779	50,692,041	0	0	97,177,820
Equity instruments	**0**	**17,392,329**	**0**	**0**	**17,392,329**
Total financial investments	**46,485,779**	**68,084,370**	**0**	**0**	**114,570,149**
Cash and receivables	**0**	**0**	**14,561,982**	**0**	**14,561,982**
Investment property	**0**	**0**	**0**	**490,000**	**490,000**
Total investment contract assets	**46,485,779**	**68,084,370**	**14,561,982**	**490,000**	**129,622,131**

(€) 31/12/2016	Held-to-maturity	At fair value through P/L Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Investment property	Total
Debt instruments	**50,513,403**	**49,544,769**	**0**	**6,638,298**	**0**	**106,696,470**
Deposits and CDs	0	0	0	6,638,298	0	6,638,298
Bonds	50,513,403	49,544,769	0	0	0	100,058,172
Equity instruments	**0**	**8,460,336**	**0**	**0**	**0**	**8,460,336**
Total financial investments	**50,513,403**	**58,005,105**	**0**	**6,638,298**	**0**	**115,156,806**
Cash and receivables	**0**	**0**	**0**	**5,719,316**	**0**	**5,719,316**
Investment property	**0**	**0**	**0**	**0**	**490,000**	**490,000**
Total investment contract assets	**50,513,403**	**58,005,105**	**0**	**12,357,614**	**490,000**	**121,366,122**

Investment contract assets by level of the fair value hierarchy

(€) 31/12/2017	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investment contract assets measured at fair value	**68,084,370**	**60,081,352**	**6,639,354**	**1,363,664**	**68,084,370**	**0**
At fair value through P/L	**68,084,370**	**60,081,352**	**6,639,354**	**1,363,664**	**68,084,370**	**0**
Designated to this category	**68,084,370**	**60,081,352**	**6,639,354**	**1,363,664**	**68,084,370**	**0**
Deposits and CDs	50,692,041	42,901,893	6,426,484	1,363,664	50,692,041	0
Bonds	17,392,329	17,179,459	212,870	0	17,392,329	0
Investment contract assets not measured at fair value	**61,047,762**	**47,017,167**	**21,720,548**	**0**	**68,737,715**	**7,689,954**
Held-to-maturity assets	**46,485,779**	**32,455,184**	**21,720,548**	**0**	**54,175,733**	**7,689,954**
Debt instruments	46,485,779	32,455,184	21,720,548	0	54,175,733	7,689,954
Cash and receivables	**14,561,982**	**14,561,982**	**0**	**0**	**14,561,982**	**0**
Investment property	**490,000**	**0**	**0**	**490,000**	**490,000**	**0**
Total investment contract assets	**129,622,132**	**107,098,519**	**28,359,902**	**1,853,664**	**137,312,085**	**7,689,954**

(€) 31/12/2016	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investment contract assets measured at fair value	**58,005,105**	**47,817,121**	**8,756,352**	**1,431,632**	**58,005,105**	**0**
At fair value through P/L	**58,005,105**	**47,817,121**	**8,756,352**	**1,431,632**	**58,005,105**	**0**
Designated to this category	**58,005,105**	**47,817,121**	**8,756,352**	**1,431,632**	**58,005,105**	**0**
Debt instruments	49,544,769	39,545,699	8,567,438	1,431,632	49,544,769	0
Equity instruments	8,460,336	8,271,422	188,914		8,460,336	0
Investment contract assets not measured at fair value	**62,871,017**	**50,193,496**	**21,377,240**	**0**	**71,570,735**	**8,699,718**
Held-to-maturity assets	**55,776,719**	**44,474,180**	**20,002,258**	**0**	**64,476,437**	**8,699,718**
Debt instruments	55,776,719	44,474,180	20,002,258	0	64,476,437	8,699,718
Loans and deposits	**1,374,982**	**0**	**1,374,982**	**0**	**1,374,982**	**0**
Deposits	1,374,982		1,374,982		1,374,982	0
Cash and receivables	**5,719,316**	**5,719,316**	**0**	**0**	**5,719,316**	**0**
Investment property	**490,000**	**0**	**0**	**490,000**	**490,000**	**0**
Total investment contract assets	**121,366,122**	**98,010,617**	**30,133,591**	**1,921,632**	**130,065,840**	**8,699,718**

Investment contract liabilities

(€)	31/12/2017	31/12/2016
Net liabilities to pension policyholders	128,862,922	119,926,669
Other liabilities	759,210	1,439,561
TOTAL IN LIABILITY FUND OF VSPI BALANCE SHEET	**129,622,132**	**121,366,230**
Internal relations between the company and life ins. liability fund	-139,098	-136,556
TOTAL IN BALANCE SHEET	**129,483,034**	**121,229,675**

Movement in investments, and income and expenses relating to investment contract assets measured at fair value – Level 3

(€)	Debt instruments	
	31/12/2017	31/12/2016
Opening balance	**1,431,632**	**8,155,551**
Additions	1,363,664	1,431,632
Disposal	-316,429	-229,723
Maturity	-1,115,203	-1,993,919
Reclassification into other levels	0	-5,931,910
Closing balance	**1,363,664**	**1,431,632**
Income	17,410	390,761
Expenses	-163	-109,439

The pension company eliminates internal relations of the joint balance sheet, thus liabilities to pension policyholders exceed liabilities from investment contracts. Internal transaction between the VSPI liability fund and the pension company were eliminated in the balance sheet. These include entry charges and management fees for the current month, which may be recognised upon conversion or when credited to personal accounts.

In 2017, liabilities to the pension company relating to entry charges were €27,237 (2016: €29,347), exit charges €2,141 (2016: €1,757) and management fees €106,595 (2016: €99,612), while liabilities for obligations paid for the company and subsequently charged to funds were €3,125 (2016: €5,840), in total €139,098 (2016: €136,556).

Liabilities in the balance sheet of the long-term liability fund of the voluntary supplementary pension insurance are mostly long-term. These are liabilities relating to the voluntary supplementary pension life liability fund for premiums paid, guaranteed return and the return in excess of guaranteed return (provisions).

9) Receivables

Receivables increased by €11 million compared to year-end 2016.

Due to the change in the presentation of receivables from operating activities described in section 17.5 “Changes in accounting policies and presentation”, receivables arising out of primary insurance business increased by €73.0 million. Had the change in the presentation of receivables for premiums arising out of reinsurance and co-insurance been made as at 31 December 2016, the balance of receivables arising out of primary insurance business would have been higher by €63.2 million and would have totalled €114.6 million. While the presented increase in these receivables in 2017 compared to the previous year would have amounted €9.8 million. This increase mostly related to the reinsurance segment because of growth in foreign-sourced gross premiums written, which had an effect on the total increase of this item. The age structure shows an increase in not-past-due receivables arising out of primary insurance operations.

By contrast, receivables arising out of reinsurance and co-insurance business declined by €61.8 million. Had the change in the presentation of receivables for premiums arising out of reinsurance and co-insurance been made as at 31 December 2016, the balance of receivables arising out of reinsurance and co-insurance business would have been lower by €63.2 million and would have totalled €4.8 million. And the disclosed increase in these receivables in 2017 would have totalled €1.4 million as a result of the increase in receivables arising out of reinsurance business of Sava osiguruvanje (MKD) relating to one large claim. Current tax assets decreased by €0.1 million, while other receivables remained at the 2016 level.

Change in presentation of receivables for 2016

(€)	Gross amount	Allowance	Net amount
Receivables arising out of primary insurance business			
31/12/2016	80,407,179	-29,066,358	51,340,821
Reclassification	63,665,635	-427,794	63,237,841
31/12/2016 after reclassification	144,072,814	-29,494,152	114,578,662
Receivables arising out of co-insurance and reinsurance business			
31/12/2016	68,510,272	-504,690	68,005,582
Reclassification	-63,665,635	427,794	-63,237,841
31/12/2016 after reclassification	4,844,637	-76,896	4,767,741

Receivables of the controlling company arising out of reinsurance contracts are not specially secured. Receivables have been tested for impairment.

Receivables by type

(€)	31/12/2017			31/12/2016		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	148,688,925	-26,763,334	121,925,591	77,414,889	-28,295,242	49,119,647
Receivables due from insurance intermediaries	3,117,305	-897,079	2,220,226	2,759,399	-636,693	2,122,706
Other receivables arising out of primary insurance business	311,426	-132,696	178,730	232,891	-134,423	98,468
Receivables arising out of primary insurance business	**152,117,656**	**-27,793,109**	**124,324,547**	**80,407,179**	**-29,066,358**	**51,340,821**
Receivables for premiums arising out of reinsurance and co-insurance	0	0	0	63,665,635	-427,794	63,237,841
Receivables for reinsurers' shares in claims	6,013,897	-176,975	5,836,922	4,408,072	-76,896	4,331,176
Other receivables from co-insurance and reinsurance	360,795	0	360,795	436,565	0	436,565
Receivables arising out of co-insurance and reinsurance business	**6,374,692**	**-176,975**	**6,197,717**	**68,510,272**	**-504,690**	**68,005,582**
Current tax assets	**17,822**	**0**	**17,822**	**124,720**	**0**	**124,720**
Other short-term receivables arising out of insurance business	22,890,785	-20,605,169	2,285,616	24,635,936	-21,985,030	2,650,906
Receivables arising out of financing	2,047,648	-1,212,006	835,642	2,054,426	-1,136,608	917,818
Other receivables	6,231,887	-1,437,706	4,794,181	5,618,546	-1,249,866	4,368,680
Other receivables	**31,170,320**	**-23,254,881**	**7,915,439**	**32,308,908**	**-24,371,504**	**7,937,404**
Total	**189,680,490**	**-51,224,965**	**138,455,525**	**181,351,079**	**-53,942,552**	**127,408,527**

Net receivables ageing analysis

(€) 31/12/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	95,115,426	19,205,728	7,604,437	121,925,591
Receivables due from insurance intermediaries	910,753	1,269,562	39,911	2,220,226
Other receivables arising out of primary insurance business	106,151	66,590	5,989	178,730
Receivables arising out of primary insurance business	**96,132,330**	**20,541,880**	**7,650,337**	**124,324,547**
Receivables for reinsurers' shares in claims	2,734,526	2,580,876	521,520	5,836,922
Other receivables from co-insurance and reinsurance	343,008	17,787	0	360,795
Receivables arising out of co-insurance and reinsurance business	**3,077,534**	**2,598,663**	**521,520**	**6,197,717**
Current tax assets	**17,822**	**0**	**0**	**17,822**
Other short-term receivables arising out of insurance business	1,832,858	404,434	48,324	2,285,616
Short-term receivables arising out of financing	777,596	15,578	42,468	835,642
Other short-term receivables	4,369,177	341,327	83,677	4,794,181
Other receivables	**6,979,631**	**761,339**	**174,469**	**7,915,439**
Total	**106,207,317**	**23,901,882**	**8,346,326**	**138,455,525**

(€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	36,688,644	9,345,376	3,085,627	49,119,647
Receivables due from insurance intermediaries	1,146,175	939,073	37,458	2,122,706
Other receivables arising out of primary insurance business	86,029	6,013	6,426	98,468
Receivables arising out of primary insurance business	**37,920,848**	**10,290,462**	**3,129,511**	**51,340,821**
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,162,568	9,624,769	2,450,504	63,237,841
Receivables for reinsurers' shares in claims	3,158,284	606,406	566,486	4,331,176
Other receivables from co-insurance and reinsurance	429,134	7,431	0	436,565
Receivables arising out of co-insurance and reinsurance business	**54,749,986**	**10,238,606**	**3,016,990**	**68,005,582**
Current tax assets	**124,720**	**0**	**0**	**124,720**
Other short-term receivables arising out of insurance business	1,810,502	823,955	16,449	2,650,906
Short-term receivables arising out of financing	777,099	68,724	71,995	917,818
Other short-term receivables	3,830,310	439,853	98,517	4,368,680
Other receivables	**6,417,911**	**1,332,532**	**186,961**	**7,937,404**
Total	**99,213,465**	**21,861,600**	**6,333,462**	**127,408,527**

All receivables are current. For all receivables that have already fallen due, allowances have been recognised relating to individual classes of similar risks into which receivables are classified. Major items of receivables have been tested individually and since only minor indications of impairment have been found, these are included in collective impairment.

The Group's other short-term receivables arising out of insurance business comprise recourse receivables.

Movement in allowance for receivables

(€) 31/12/2017	01/01/2017	Transfer	Additions	Reversal	Write-offs	Exchange differences	31/12/2017
Receivables due from policyholders	-28,295,242	-427,794	-315,812	425,101	1,915,394	-64,981	-26,763,334
Receivables due from insurance intermediaries	-636,693	0	-271,945	17,670	7,897	-14,008	-897,079
Other receivables arising out of primary insurance business	-134,423	0	-3,343	6,341	0	-1,271	-132,696
Receivables arising out of primary insurance business	**-29,066,358**	**-427,794**	**-591,100**	**449,112**	**1,923,291**	**-80,260**	**-27,793,109**
Receivables for premiums arising out of reinsurance and co-insurance	-427,794	427,794	0	0	0	0	0
Receivables for reinsurers' shares in claims	-76,896	0	-100,000	0	0	-79	-176,975
Receivables arising out of co-insurance and reinsurance business	**-504,690**	**427,794**	**-100,000**	**0**	**0**	**-79**	**-176,975**
Other short-term receivables arising out of insurance business	-21,985,030	0	5,090	29	1,427,064	-52,322	-20,605,169
Receivables arising out of financing	-1,136,608	0	-36,212	0	0	-39,186	-1,212,006
Other short-term receivables	-1,249,866	0	-296,471	123,118	0	-14,487	-1,437,706
Other receivables	**-24,371,504**	**0**	**-327,593**	**123,147**	**1,427,064**	**-105,995**	**-23,254,881**
Total	**-53,942,552**	**0**	**-1,018,693**	**572,259**	**3,350,355**	**-186,334**	**-51,224,965**

(€) 31/12/2016	01/01/2016	Additions	Reversal	Write-offs	Exchange differences	31/12/2016
Receivables due from policyholders	-28,975,503	-1,480,382	235,150	1,885,662	39,831	-28,295,242
Receivables due from insurance intermediaries	-466,986	-188,539	15,212	70	3,550	-636,693
Other receivables arising out of primary insurance business	-140,676	-5,817	11,531	0	539	-134,423
Receivables arising out of primary insurance business	**-29,583,165**	**-1,674,738**	**261,893**	**1,885,732**	**43,920**	**-29,066,358**
Receivables for premiums arising out of reinsurance and co-insurance	-370,139	-155,959	100,720	0	-2,416	-427,794
Receivables for reinsurers' shares in claims	-75,004	-1,905	0	0	13	-76,896
Receivables arising out of co-insurance and reinsurance business	**-445,143**	**-157,864**	**100,720**	**0**	**-2,403**	**-504,690**
Other short-term receivables arising out of insurance business	-23,407,774	-685,658	827,388	1,258,776	22,238	-21,985,030
Receivables arising out of investments	-1,203,491	-5,567	54,150	0	18,300	-1,136,608
Other short-term receivables	-1,487,597	-40,293	271,322	910	5,792	-1,249,866
Other receivables	**-26,098,862**	**-731,518**	**1,152,860**	**1,259,686**	**46,330**	**-24,371,504**
Total	**-56,127,170**	**-2,564,120**	**1,515,473**	**3,145,418**	**87,847**	**-53,942,552**

10) Deferred acquisition costs

Deferred acquisition costs

(€)	31/12/2017	31/12/2016
Short-term deferred acquisition costs	11,896,165	11,118,421
Short-term deferred reinsurance acquisition costs	6,611,029	5,392,115
Total	**18,507,194**	**16,510,536**

Deferred acquisition costs comprise short-term deferred policy acquisition costs that are gradually taken to acquisition costs in 2018.

11) Other assets

Other assets

(€)	31/12/2017	31/12/2016
Inventories	77,765	48,886
Accrued interest and rent	0	41,555
Other short-term accrued income and deferred expenses	1,965,630	1,276,403
Total	**2,043,395**	**1,366,844**

The other short-term accrued income and deferred expenses item mainly includes prepaid costs of insurance licences, and other costs paid in advance.

12) Cash and cash equivalents

(€)	31/12/2017	31/12/2016
Cash in hand	25,546	55,067
Cash in bank accounts	10,759,226	6,967,730
Framework or overnight deposits	27,171,347	26,916,363
Total	**37,956,119**	**33,939,160**

Cash equivalents comprises demand deposits and deposits placed with an original maturity of up to three months.

13) Non-current assets held for sale

The amount of non-current assets held for sale declined compared to the previous year to a very small amount.

14) Share capital

As at 31 December 2017, the controlling company's share capital was divided into 17,219,662 shares (the same as at 31/12/2016). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company's control and profits (dividends). Each share carries one vote in general meeting and entitles the bearer to a proportionate share of the dividend payout.

Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol.

As at year-end 2017, the Company's shareholders' register listed 4,061 shareholders (31/12/2016: 4,308 shareholders). The Company's shares are listed in the prime market of the Ljubljana Stock Exchange.

15) Capital reserves

A contra account of capital reserves includes the difference between market and book value of acquired non-controlling interests. As can be seen in the table below, in 2017 the Group acquired non-controlling interests mainly in Zavarovalnica Sava.

Movement in capital reserves

(€)	31/12/2017	31/12/2016
As at 01/01	**43,681,441**	**43,388,724**
Acquisition of non-controlling interests by the Company	-645,493	-6,080
Velebit osiguranje	0	-2,500
Velebit životno osiguranje	0	-3,580
Sava osiguruvanje (MKD)	930	0
Zavarovalnica Sava	-646,423	0
Merger of insurance companies (effect of exchange ratio)	0	298,797
As at 31/12	**43,035,948**	**43,681,441**

16) Profit reserves

(€)	31/12/2017	31/12/2016	Distributable/
Legal reserves and reserves provided for by the articles of association	11,578,920	11,411,550	non-distributable
Reserve for treasury shares	24,938,709	24,938,709	non-distributable
Catastrophe equalisation reserve	11,225,068	11,225,068	non-distributable
Other profit reserves	114,805,380	98,318,285	distributable
Total	**162,548,076**	**145,893,612**	

Under the law of certain markets where the Group is present, equalisation provisions and catastrophe equalisation provisions are treated as technical provisions. As this is not IFRS-compliant, the Group carries these provisions within profit reserves, which is in line with IFRSs. Additions are made to these provisions by establishing other reserves from net profit for the year (subject to resolution of the management and the supervisory boards), while a dismantling or release of the provision is taken to retained earnings.

The credit risk equalisation reserve (part of equalisation provisions) was dismantled as of 1 January 2016 due to a change in the Slovenian Insurance Act, resulting in increased retained earnings in 2016.

In line with regulations, the management board or the supervisory board may, when adopting the annual report, allocate a part of net profit to other profit reserves, but not more than half of the net profit for the period. In 2017 other profit reserves increased on this basis. Other reserves are distributable. The management board has the power to propose the appropriation of reserves as part of distribution of distributable profit, which is subject to approval of the general meeting.

17) Treasury shares

At 31 December 2017, the Group held a total of 1,721,966 treasury shares (2016: 1,721,966) with ticker POSR (accounting for 10% less one share of the issued shares) for a value of €24,938,709 (2016: €24,938,709).
Treasury shares represent a deduction item in equity.

18) Fair value reserve

The fair value reserve comprises the change in fair value of available-for-sale financial assets.

(€)	2017	2016
As at 1 January	**17,458,948**	**12,721,705**
Change in fair value	2,804,458	5,245,968
Transfer of the negative fair value reserve to the IS due to impairment	-320,000	-594,025
Transfer from fair value reserve to the IS due to disposal	-1,633,218	1,564,433
Deferred tax	21,508	-1,479,133
Total fair value reserve	**18,331,697**	**17,458,948**

The table shows the net change in the fair value reserve, which is an equity component.

19) Net profit or loss and retained earnings

The net profit for 2017 attributable to owners of the controlling company totalled €31.1 million (2016: €32.8 million). The management and supervisory boards already allocated part of the net profit of €16.5 million to other profit reserves. The remaining amount of €14.6 million is recognised as net profit for the financial year in the statement of financial position.

Net earnings or loss per share

(€)	31/12/2017	31/12/2016
Net profit/loss for the period	31,094,908	32,918,213
Net profit/loss attributable to owners of the controlling company	31,065,329	32,824,911
Weighted average number of shares outstanding	15,791,457	15,791,457
Net earnings/loss per share	**1.97**	**2.08**

Comprehensive income per share

(€)	31/12/2017	31/12/2016
Comprehensive income for the period	32,790,903	37,660,245
Comprehensive income for the owners of the controlling company	32,754,821	37,564,254
Weighted average number of shares outstanding	15,791,457	15,791,457
Comprehensive income per share	**2.07**	**2.38**

The weighted number of shares takes into account the annual average calculated on the basis of monthly averages of ordinary shares less the number of treasury shares. The weighted average number of shares outstanding in the financial period was 15,791,457 and the same as in 2016. The controlling company does not have potentially dilutive capital instruments, which is why basic earnings per share equal diluted earnings per share.

Retained earnings as at 31 December 2017 decreased by €3.7 million from 31 December 2016.

Retained earnings were strengthened by the transferred net profit for the previous year of €9.0 million, but reduced by €12.4 million for dividend payments, €0.2 million due to a previous recalculation and €0.1 million allocated to legal reserves.

20) Non-controlling interests in equity

Non-controlling interests in equity

(€)	31/12/2017	31/12/2016
Sava osiguruvanje (MKD)	311,778	285,282
Sava Station	6,704	3,768
Zavarovalnica Sava	0	471,982
Vivus	0	358
ZS Svetovanje	0	-445
Ornatus KC	0	63
Total	**318,482**	**761,008**

21) Subordinated liabilities

In 2006 and 2007, the controlling company raised a subordinated loan in the nominal amount of €32 million scheduled to mature in 2027. Under the contractual provisions, the remaining nominal amount of €24 million could be early repaid as of 2017. After receiving the approval of the Slovenian Insurance Supervision Agency, the controlling company repaid the subordinated debt in the nominal amount of €24 million on 15 March 2017 and 14 June 2017.

In 2017, the controlling company paid €0.7 million in interest on subordinated debt (2016: €0.8 million) and €14,455 in withholding tax on interest paid (2016: €40,160).

22) Technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

Movement in gross technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

(€)	01/01/2017	Additions	Uses and releases	Exchange differences	31/12/2017
Gross unearned premiums	157,678,496	141,550,030	-127,482,731	111,464	171,857,259
Technical provisions for life insurance business	269,762,815	27,224,792	-25,683,754	106,062	271,409,915
Gross provision for outstanding claims	475,157,985	222,075,488	-212,492,995	-5,667,896	479,072,582
Gross provision for bonuses, rebates and cancellations	1,831,422	1,190,679	-1,242,492	622	1,780,231
Other gross technical provisions	6,790,605	6,485,437	-6,013,852	16,185	7,278,375
Total	**911,221,323**	**398,526,426**	**-372,915,824**	**-5,433,563**	**931,398,362**
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	226,994,200	40,415,998	-40,882,305	0	226,527,893

(€)	01/01/2016	Additions	Uses and releases	Exchange differences	31/12/2016
Gross unearned premiums	156,039,680	127,232,565	-125,696,415	102,666	157,678,496
Technical provisions for life insurance business	262,052,426	32,458,752	-24,710,899	-37,464	269,762,815
Gross provision for outstanding claims	459,012,655	195,762,019	-180,753,729	1,137,040	475,157,985
Gross provision for bonuses, rebates and cancellations	1,132,456	1,787,642	-1,088,372	-304	1,831,422
Other gross technical provisions	8,831,283	6,515,647	-8,547,501	-8,824	6,790,605
Total	**887,068,500**	**363,756,625**	**-340,796,916**	**1,193,114**	**911,221,323**
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	207,590,086	41,259,406	-21,855,292	0	226,994,200

Movement in technical provisions

Consolidated gross technical provisions increased by 2.2% in 2017, with the largest rise relating to unearned premiums (€14.2 million of a total of €20.2 million).

- Unearned premiums grew by 9.0%, which is related to the growth in gross premiums written across the Group.
- Mathematical provisions increased by 0.6%, in line with the movement of the traditional life insurance portfolio: Zavarovalnica Sava, the subsidiary with the bulk of the Group's mathematical provisions, has a mature portfolio. Provisions are made based on the expired policy terms and the payment dynamics relating to maturities and surrenders. Many policies matured in 2017 (as reflected in the amount of survival payments made on policies),

which led to a decline in the level of Zavarovalnica Sava's mathematical provisions. Consolidated mathematical provisions, by contrast, increased due to the growth and maturing of life portfolios abroad as well as owing to the growing volume of pension business of Sava pokojninska družba.

- The provision for outstanding claims increased by 0.8% with the increase in the parent and Zavarovalnica Sava (particularly following some large loss events) being offset by payments made for settling prior-year claims from claims provisions, through the release of IBNR provisions for prior years and because of the favourable impact of exchange differences on the parent's claims provision.
- The provision for bonuses, rebates and cancellations is a small part of technical provisions; the provision decreased in Zavarovalnica Sava.
- The provision for unexpired risks (shown under the other gross technical provisions item) decreased by 7.0%, primarily because of higher unearned premiums, constituting the basis for calculating these provisions.
- The provision for the benefit of life insurance policyholders who bear the investment risk decreased by 0.2% as Zavarovalnica Sava compensated for the loss of business following the winding up of the DWS funds already during the year.

Calculation of the gross provision for unexpired risks by class of insurance

(€) 31/12/2017	Primary insurance	Reinsurance business	
	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	383,534	91.6%	0
Health	160,216	128.3%	1,099
Land vehicles casco	1,629,518	98.6%	0
Railway rolling stock	0	41.8%	0
Aircraft hull	0	121.9%	9,168
Ships hull	55,003	127.3%	320,611
Goods in transit	23,616	78.5%	0
Fire and natural forces	3,887,561	90.8%	0
Other damage to property	309,943	60.1%	0
Motor liability	135,924	91.8%	0
Aircraft liability	0	59.5%	0
Liability for ships	5,823	73.1%	0
General liability	175,729	52.8%	0
Credit	1,187	-2.0%	0
Suretyship	0	180.3%	38,475
Miscellaneous financial loss	65,790	73.9%	0
Legal expenses	9,040	43.1%	0
Assistance	56,422	38.1%	0
Life insurance	0	58.1%	0
Unit-linked life	0	55.4%	0
Total	**6,899,308**	**86.7%**	**369,353**

(€) 31/12/2016	Primary insurance	Reinsurance business	
	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	434,716	91.7%	0
Health	483,497	134.0%	6,454
Land vehicles casco	1,784,779	94.3%	0
Railway rolling stock	0	20.9%	0
Aircraft hull	0	89.2%	0
Ships hull	58,470	121.1%	187,688
Goods in transit	28,574	79.6%	0
Fire and natural forces	2,395,612	92.8%	0
Other damage to property	427,054	67.9%	0
Motor liability	372,169	93.4%	0
Aircraft liability	0	77.0%	0
Liability for ships	2,336	67.3%	0
General liability	213,069	61.4%	0
Credit	0	5.8%	0
Suretyship	106,543	126.1%	16,602
Miscellaneous financial loss	138,922	68.9%	0
Legal expenses	0	62.3%	0
Assistance	134,119	62.7%	0
Life insurance	0	66.4%	0
Unit-linked life	0	61.7%	0
Total	**6,579,861**	**87.0%**	**210,745**

Combined ratios for primary insurance are not given as amounts relate to several Group members.

23) Other provisions

Other provisions mainly comprise provisions for long-term employee benefits of €6.9 million (2016: €7.3 million), as set out in section 17.4.27 "Other provisions". The provisions increased mainly because of additions for current service costs in line with the method prescribed by IAS 19. Following is a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions that are recognised in equity.

Movement in the provision for severance pay upon retirement and jubilee benefits

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 01/01/2017	**4,331,830**	**2,988,983**	**7,320,813**
Interest expense (IS)	709	1,281	1,990
Current service cost (IS)	324,231	224,070	548,301
Past service cost (IS)	-1,025	12,730	11,705
Payout of benefits (-)	-102,925	-211,067	-313,992
Actuarial losses (IS)	0	-232,707	-232,707
Actuarial losses (SFP)	-389,847	-1,975	-391,822
Exchange differences	1,975	1,168	3,143
Balance as at 31/12/2017	**4,164,948**	**2,782,483**	**6,947,431**

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 01/01/2016	**4,184,108**	**2,323,358**	**6,507,466**
Interest expense (IS)	-15,846	-11,138	-26,984
Current service cost (IS)	358,023	304,515	662,538
Past service cost (IS)	254,479	277,408	531,887
Payout of benefits (-)	-58,439	-156,424	-214,863
Actuarial gains/losses (IS)	0	251,591	251,591
Actuarial gains/losses (SFP)	-389,548	0	-389,548
Exchange differences	-947	-327	-1,274
Balance as at 31/12/2016	**4,331,830**	**2,988,983**	**7,320,813**

In accordance with the standard, we present a sensitivity analysis for severance pay upon retirement.

Impact on the amount of provision for severance pay upon retirement (€)	31/12/2017	31/12/2016
Decrease in discount rate of 1%	589,909	647,528
Increase in discount rate of 1%	-490,130	-533,981
Increase in real income growth of 0.5%	-262,778	-286,399
Increase in real income growth of 0.5%	284,848	311,428
Decrease in staff turnover of 10%	132,770	144,432
Increase in staff turnover of 10%	-126,293	-137,242
Decrease in mortality rate of 10%	29,844	31,362
Increase in mortality rate of 10%	-29,391	-31,053

In addition to provisions for employees, other provisions include remaining provisions of €0.7 million (2016; €0.8 million) relating to provisions for litigation and the amounts recognised in accordance with the Vocational Rehabilitation and Employment of Persons with Disabilities Act from bonuses for exceeding the quota and amounts exempt from pension and disability insurance contributions. These may be used exclusively for disabled employees of the insurance company for the purpose set down by law.

(€)	01/01/2017	Additions	Uses and releases	Exchange differences	31/12/2017
Other provisions	760,064	63,497	-170,598	219	653,182

(€)	01/01/2016	Additions	Uses and releases	Exchange differences	31/12/2016
Other provisions	882,229	375,103	-497,133	-135	760,064

24) Other financial liabilities

Other financial liabilities comprise minor liabilities for unpaid dividends of the controlling company for the years 2014, 2015 and 2016.

25) Liabilities from operating activities

Liabilities from operating activities

(€) 2017	Maturity		
	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	25,853,797	25,853,797
Liabilities to insurance intermediaries	301	2,697,612	2,697,913
Other liabilities from primary insurance business	0	26,159,579	26,159,579
Liabilities from primary insurance business	**301**	**54,710,988**	**54,711,289**
Liabilities for reinsurance and co-insurance premiums	1,756	5,110,717	5,112,473
Liabilities for shares in reinsurance claims	0	42,392	42,392
Other liabilities from co-insurance and reinsurance business	0	5,318	5,318
Liabilities from reinsurance and co-insurance business	**1,756**	**5,158,427**	**5,160,183**
Current tax liabilities	**0**	**726,716**	**726,716**
Total	**2,057**	**60,596,131**	**60,598,188**

(€) 2016	Maturity		
	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	2,198,192	2,198,192
Liabilities to insurance intermediaries	6,127	2,678,322	2,684,449
Other liabilities from primary insurance business	0	7,027,612	7,027,612
Liabilities from primary insurance business	**6,127**	**11,904,126**	**11,910,253**
Liabilities for reinsurance and co-insurance premiums	19,681	5,935,857	5,955,538
Liabilities for shares in reinsurance claims	0	14,629,538	14,629,538
Other liabilities from co-insurance and reinsurance business	105,320	15,602,302	15,707,622
Liabilities from reinsurance and co-insurance business	**125,001**	**36,167,697**	**36,292,698**
Current tax liabilities	**0**	**587,695**	**587,695**
Total	**131,128**	**48,659,518**	**48,790,646**

Liabilities increased by €11.8 million compared to year-end 2016.

Due to a change in the presentation of liabilities arising out of accepted business, liabilities from primary insurance business increased by €42.8 million. If the change in the presentation of liabilities had been made already on 31 December 2016, liabilities from primary insurance business would have been €30.3 million higher and would have amounted to €42.2 million. The increase in these liabilities would thus amount to €12.5 million. The major part relates to the increase in liabilities arising out of primary insurance business of Sava Re due to the increased liabilities for claim payments, while another reason is a large claim incurred by the Macedonian insurance company, the settlement of which has been approved but which has not yet been paid. Liabilities from reinsurance and co-insurance business declined by €0.9 million compared to year-end 2016.

Change in presentation of liabilities for 2016

(€)	
Liabilities from primary insurance business	
31/12/2016	11,910,253
Reclassification	30,337,160
31/12/2016 after reclassification	42,247,413
Liabilities from reinsurance and co-insurance business	
31/12/2016	36,292,698
Reclassification	-30,337,160
31/12/2016 after reclassification	5,955,538

Current tax liabilities are similar to the prior-year figure and their level is relatively low because during 2017, Group companies made advance payments of tax of almost the amount actually assessed for the year 2017.

In 2017, most liabilities were current.

26) Other liabilities

Other liabilities by maturity

(€) 2017	Maturity		
	Over 1 year	Up to 1 year	Total
Other liabilities	0	13,450,252	13,450,252
Deferred income and accrued expenses	0	17,146,131	17,146,131
Total	**0**	**30,596,383**	**30,596,383**

(€) 2016	Maturity		
	Over 1 year	Up to 1 year	Total
Other liabilities	0	15,883,399	15,883,399
Deferred income and accrued expenses	0	11,947,334	11,947,334
Total	**0**	**27,830,733**	**27,830,733**

Other liabilities and deferred income and accrued expenses are unsecured.

Other liabilities

(€)	31/12/2017	31/12/2016
Short-term liabilities due to employees	2,724,187	2,828,676
Diverse other short-term liabilities for insurance business	3,622,424	3,925,059
Short-term trade liabilities	3,690,369	5,654,075
Diverse other short-term liabilities	3,400,486	3,411,659
Other long-term liabilities	12,786	63,930
Total	**13,450,252**	**15,883,399**

Change in short-term provisions

(€)	01/01/2017	Additions	Uses	Releases	Exchange differences	31/12/2017
Short-term accrued expenses	3,163,857	4,335,018	-4,076,880	-79,320	-2	3,342,673
Other accrued expenses and deferred income	8,783,477	14,895,274	-9,900,423	-16,362	41,492	13,803,458
Total	**11,947,334**	**19,230,293**	**-13,977,303**	**-95,682**	**41,490**	**17,146,131**

(€)	01/01/2016	Additions	Uses	Releases	Exchange differences	31/12/2016
Short-term accrued expenses	3,570,704	3,304,624	-3,699,710	-16,756	4,995	3,163,857
Other accrued expenses and deferred income	7,883,069	31,364,962	-30,387,941	-59,815	-16,798	8,783,477
Total	**11,453,773**	**34,669,586**	**-34,087,651**	**-76,571**	**-11,803**	**11,947,334**

27) Fair values of assets and liabilities

Determination of fair values

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on CBBT prices in an active market.	Debt securities measured based on CBBT prices in an inactive market.	Debt securities measured using an internal model that does not consider level 2 inputs.
		Debt securities measured at the BVAL price if the CBBT price is unavailable.	
		Debt securities are measured using an internal model based on level 2 inputs.	
Stock exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market.	Debt securities measured using an internal model that does not consider level 2 inputs.
		Debt securities measured at the BVAL price when the stock exchange price is unavailable.	
		Debt securities are measured using an internal model based on level 2 inputs.	
Shares			
Stock exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market.	Shares are measured using an internal model that does not consider level 2 inputs.
		Shares without available stock exchange prices and that are measured using an internal model based on level 2 inputs.	
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
Depoziti in posojila			
- with maturity		Measured at amortized cost; for the purposes of disclosure fair value calculated using an internal model using level 2 inputs.	Measured at amortized cost; for the purposes of disclosure fair value calculated using an internal model not using level 2 inputs.

The Group measures the fair value of each financial instrument based on the methods shown above in line with its accounting policies.

Financial assets by level of the fair value hierarchy

(€) 31/12/2017	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	**903,863,149**	**693,779,164**	**195,278,191**	**14,805,794**	**903,863,149**	**0**
At fair value through P/L	**6,217,870**	**3,522,808**	**2,384,776**	**310,286**	**6,217,870**	**0**
Designated to this category	6,217,870	3,522,808	2,384,776	310,286	6,217,870	0
Debt instruments	4,998,211	2,821,388	1,866,537	310,286	4,998,211	0
Equity instruments	1,219,659	701,420	518,239	0	1,219,659	0
Available-for-sale	**897,645,279**	**690,256,356**	**192,893,415**	**14,495,508**	**897,645,279**	**0**
Debt instruments	849,482,348	658,821,312	180,410,633	10,250,403	849,482,348	0
Equity instruments	48,162,931	31,435,044	12,482,782	4,245,105	48,162,931	0
Investments for the benefit of policyholders who bear the investment risk	**203,797,586**	**192,098,788**	**11,698,798**	**0**	**203,797,586**	**0**
Investments not measured at fair value	**134,261,870**	**85,121,533**	**51,603,990**	**6,424,332**	**143,149,855**	**8,887,985**
Held-to-maturity assets	**106,232,327**	**85,121,533**	**29,118,080**	**0**	**114,239,613**	**8,007,286**
Debt instruments	106,232,327	85,121,533	29,118,080	0	114,239,613	8,007,286
Loans and deposits	**28,029,543**	**0**	**22,485,910**	**6,424,332**	**28,910,242**	**880,699**
Deposits	21,605,211	0	22,485,910	0	22,485,910	880,699
Loans granted	591,985	0	0	591,985	591,985	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	5,832,347	0	0	5,832,347	5,832,347	0
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	**23,430,467**	**10,650,182**	**13,729,849**	**0**	**24,380,031**	**949,564**

(€) 31/12/2016	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	**867,817,697**	**679,892,840**	**176,194,863**	**11,750,388**	**867,838,091**	**20,394**
At fair value through P/L	**9,176,694**	**2,841,687**	**6,133,045**	**207,834**	**9,182,566**	**5,872**
Designated to this category	9,176,694	2,841,687	6,133,045	207,834	9,182,566	5,872
Debt instruments	7,439,052	1,590,145	5,646,945	207,834	7,444,924	5,872
Equity instruments	1,737,642	1,251,542	486,100	0	1,737,642	0
Other investments	**0**	**0**	**0**	**0**	**0**	**0**
Available-for-sale	858,641,003	677,051,153	170,061,818	11,542,554	858,655,525	14,522
Debt instruments	826,819,512	661,731,495	158,157,047	6,930,970	826,819,512	0
Equity instruments	31,775,012	15,319,658	11,904,771	4,565,105	31,789,534	14,522
Other investments	**46,479**	**0**	**0**	**46,479**	**46,479**	**0**
Investments for the benefit of policyholders who bear the investment risk	**190,197,443**	**172,358,357**	**17,839,086**	**0**	**190,197,443**	**0**
Investments not measured at fair value	**162,417,542**	**135,383,592**	**32,156,239**	**8,539,017**	**176,078,848**	**13,661,306**
Held-to-maturity assets	130,812,195	135,383,592	8,004,082	0	143,387,674	12,575,479
Debt instruments	**130,812,195**	**135,383,592**	**8,004,082**	**0**	**143,387,674**	**12,575,479**
Loans and deposits	31,605,347	0	24,152,157	8,539,017	32,691,174	1,085,827
Deposits	23,156,483	0	24,152,157	0	24,152,157	995,674
Loans granted	613,005	0	0	703,158	703,158	90,153
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**7,835,859**	**0**	**0**	**7,835,859**	**7,835,859**	**0**
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	**33,977,633**	**11,208,926**	**24,058,706**	**0**	**35,267,632**	**1,289,999**

Movements in investments, income and expenses measured at fair value – Level 3

(€)	Debt instruments		Equity instruments		Other investments	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Opening balance	**7,138,804**	**7,892,260**	**4,565,105**	**4,565,104**	**46,479**	**46,479**
Exchange differences	0	0	0	1	0	0
Additions	3,344,783	0	0	0	0	0
Impairment losses	0	0	-320,000	0	0	0
Maturity	-354,754	-753,456	0	0	-46,479	0
Revaluation to fair value	431,856	0	0	0	0	0
Closing balance	**10,560,689**	**7,138,804**	**4,245,105**	**4,565,105**	**0**	**46,479**
Income	87,103	95,535	190,180	276,106	0	0
Expenses	-40	0	0	0	0	0

Reclassification of assets and financial liabilities between levels

(€) 31/12/2017	Level 1	Level 2
At fair value through P/L	**-170,282**	**170,282**
Designated to this category	-170,282	170,282
Debt instruments	-170,282	170,282
Available-for-sale	**-30,739,013**	**30,739,013**
Debt instruments	-30,739,013	30,739,013
Total financial investments	**-30,909,295**	**30,909,295**

(€) 31/12/2016	Level 1	Level 2	Level 3
At fair value through P/L	**-490,713**	**490,713**	**0**
Designated to this category	-490,713	490,713	0
Debt instruments	-490,713	490,713	0
Available-for-sale	**-22,905,624**	**20,034,205**	**2,871,419**
Debt instruments	-22,662,867	19,791,448	2,871,419
Equity instruments	-242,757	242,757	
Total financial investments	**-23,396,337**	**20,524,918**	**2,871,419**

The Group primarily measures its OTC assets based on BID CBBT prices representing unadjusted quoted prices, thus meeting the criteria for classification into level 1. Level 1 also includes mutual fund assets and listed securities that satisfy the active market requirement.

As at 31 December 2017, level 1 investments represented 76.8% (31/12/2016: 78.3%) of financial investments measured at fair value.

The valuation model applied used directly and indirectly observable market inputs, such as the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

Disclosure of the fair value of non-financial assets measured in the statement of financial position at amortised cost or at cost

31/12/2017	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2017	39,539,952	37,093,592	market approach and income approach (weighted 50 : 50), new purchases by sales price
Investment property	31/12/2017	15,364,184	15,831,277	
Total		**54,904,136**	**52,924,869**	

31/12/2016	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2016	45,548,204	43,047,424	market approach and income approach (weighted 50 : 50), new purchases by sales price
Investment property	31/12/2016	7,933,786	8,100,146	
Total		**53,481,990**	**51,147,570**	

Movements in fair values of owner-occupied and investment property

2017 (€)	Opening balance	Acquisitions	Disposals	Reallocations	Change in fair value	Exchange differences	Closing balance
Owner-occupied property	43,047,424	3,139,500	-199,752	-7,429,088	-1,498,253	33,761	37,093,592
Investment property	8,100,146	673,412	0	7,355,635	-352,882	54,966	15,831,277
Skupaj	**51.147.570**	**3.812.912**	**-199.752**	**-73.453**	**-1.851.135**	**88.727**	**52.924.869**

2016 (€)	Opening balance	Acquisitions	Disposals	Change in fair value	Exchange differences	Closing balance
Owner-occupied property	37,048,744	8,406,073	195,942	-2,597,972	-5,363	43,047,424
Investment property	8,443,933	505,209	77,035	-873,306	-52,725	8,100,146
Total	**45,492,677**	**8,911,282**	**272,977**	**-3,471,278**	**-58,088**	**51,147,570**

Valuation techniques for all items described above are defined in accounting policies. For investment property, the method is described in section 17.4.13 "Investment property" and for financial investments in section 17.4.14 "Financial investments and funds for the benefit of policyholders who bear the investment risk".

17.9 Notes to the consolidated financial statements – income statement

28) Net earned premiums

Net earned premiums

(€) 2017	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	27,485,491	4,040	-99,026	311,195	-3,860	27,697,840
Health	7,480,495	143	-594,628	26,129	-26,873	6,885,266
Land vehicles casco	95,190,755	0	-1,516,747	-6,012,754	30,511	87,691,765
Railway rolling stock	212,491	0	-4,248	-16,800	339	191,782
Aircraft hull	60,812	932	-13,976	120,028	-82	167,714
Ships hull	5,769,241	0	-347,656	-493,637	64,762	4,992,710
Goods in transit	6,352,928	687,892	-300,766	-401,104	3,425	6,342,375
Fire and natural forces	91,656,789	745,730	-12,835,690	-1,106,006	289,243	78,750,066
Other damage to property	37,679,775	319,208	-5,328,345	-371,347	399,130	32,698,421
Motor liability	107,378,633	0	-1,604,081	-3,377,452	90,852	102,487,952
Aircraft liability	391,893	1,014	-122,173	-7,559	-9,326	253,849
Liability for ships	988,883	0	-9,964	-36,221	1,571	944,269
General liability	20,414,990	263,553	-1,984,008	-355,283	314,282	18,653,534
Credit	5,588,902	0	-121,318	-1,141,736	0	4,325,848
Suretyship	394,971	0	-42,602	48,481	0	400,850
Miscellaneous financial loss	2,977,741	61,365	-649,591	-141,523	42,222	2,290,214
Legal expenses	746,920	8,701	-526,729	-3,668	-1,127	224,097
Assistance	13,984,936	0	-7,683,809	-919,774	446,200	5,827,553
Life insurance	42,244,687	0	-261,733	100,348	495	42,083,797
Unit-linked life	48,139,398	122	-196,206	12,918	-141	47,956,091
Total non-life	**424,756,646**	**2,092,578**	**-33,785,357**	**-13,879,031**	**1,641,269**	**380,826,105**
Total life insurance	**90,384,085**	**122**	**-457,939**	**113,266**	**354**	**90,039,888**
Total	**515,140,731**	**2,092,700**	**-34,243,296**	**-13,765,765**	**1,641,623**	**470,865,993**

(€) 2016	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	29,046,669	37,875	-103,545	1,458,544	-6,963	30,432,580
Health	3,127,778	0	-661,878	217,927	244,377	2,928,204
Land vehicles casco	85,355,420	64,623	-1,601,849	-1,839,199	1,733	81,980,728
Railway rolling stock	112,622	0	0	-21,246	0	91,376
Aircraft hull	908,061	0	-7,676	-24,447	516	876,454
Ships hull	3,596,779	0	-160,245	211,827	42,130	3,690,491
Goods in transit	6,202,420	659,647	-276,336	-52,958	47,543	6,580,316
Fire and natural forces	90,883,620	964,879	-12,450,624	-473,076	239,493	79,164,292
Other damage to property	38,557,359	653,151	-4,319,756	990,703	137,588	36,019,045
Motor liability	101,405,826	26,188	-1,935,982	-598,121	-156,900	98,741,011
Aircraft liability	150,429	0	-135,798	151,286	1,632	167,549
Liability for ships	739,328	0	-6,183	23,475	74	756,694
General liability	18,423,116	384,692	-1,407,828	-178,540	-76,894	17,144,546
Credit	6,410,497	0	-53,320	-2,887,159	-14,028	3,455,990
Suretyship	317,394	0	-9,755	-3,241	-9,584	294,814
Miscellaneous financial loss	3,319,316	34,274	-535,850	1,467,560	28,472	4,313,772
Legal expenses	755,735	9,013	-527,175	-1,945	215,735	451,363
Assistance	11,654,186	0	-6,156,383	-599,945	286,437	5,184,295
Life insurance	38,799,112	0	-640,273	311,445	-13,049	38,457,235
Unit-linked life	47,605,072	73	-252,058	17,733	-49	47,370,771
Total non-life	**400,966,555**	**2,834,342**	**-30,350,183**	**-2,158,555**	**981,361**	**372,273,520**
Total life insurance	**86,404,184**	**73**	**-892,331**	**329,178**	**-13,098**	**85,828,006**
Total	**487,370,739**	**2,834,415**	**-31,242,514**	**-1,829,377**	**968,263**	**458,101,526**

29) Investment income and expenses

Investment income by IFRS categories

2017 (€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised gains on investments of life insurance policyholders who bear the investment risk
Held to maturity	**5,146,343**	**0**	**0**	**0**	**51,099**	**0**	**5,197,442**	**348,079**
Debt instruments	5,146,343	0	0	0	51,099	0	5,197,442	348,079
At fair value through P/L	**119,782**	**229,386**	**0**	**26,450**	**4,890**	**103,915**	**484,423**	**16,006,180**
Designated to this category	119,782	229,386	0	26,450	4,890	103,915	484,423	16,006,180
Debt instruments	119,782	116,337	0	0	4,890	1,835	242,844	1,145,080
Equity instruments	0	113,049	0	26,450	0	26,811	166,310	14,861,100
Other investments	0	0	0	0	0	75,269	75,269	0
Available-for-sale	**12,673,321**	**0**	**3,121,822**	**1,114,983**	**3,981,586**	**14,170**	**20,905,882**	**468,816**
Debt instruments	12,673,321	0	2,581,179	0	3,981,586	10,591	19,246,677	452,339
Equity instruments	0	0	493,505	1,114,983	0	3,579	1,612,067	16,477
Other investments	0	0	47,138	0	0	0	47,138	0
Loans and receivables	**623,466**	**0**	**511**	**0**	**165,139**	**25,637**	**814,753**	**26,309**
Debt instruments	593,129	0	511	0	109,733	25,637	729,010	26,309
Other investments	30,337	0	0	0	55,406	0	85,743	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**44,415**	**0**	**0**	**0**	**0**	**0**	**44,415**	**0**
Total	**18,607,327**	**229,386**	**3,122,333**	**1,141,433**	**4,202,714**	**143,722**	**27,446,915**	**16,849,384**

Investment expenses by IFRS categories

2017 (€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised losses on investments of life insurance policyholders who bear the investment risk
Held to maturity	**0**	**0**	**0**	**0**	**110,620**	**0**	**110,620**	**0**
Debt instruments	0	0	0	0	110,620	0	110,620	0
At fair value through P/L	**0**	**79,645**	**0**	**0**	**107,922**	**35,748**	**223,315**	**8,237,919**
Designated to this category	0	79,645	0	0	107,922	35,748	223,315	8,237,919
Debt instruments	0	3,322	0	0	104,380	8,554	116,256	556,481
Equity instruments	0	76,323	0	0	3,542	27,194	107,059	7,681,438
Available-for-sale	**0**	**0**	**584,859**	**320,000**	**9,616,244**	**2,440**	**10,523,543**	**18,497**
Debt instruments	0	0	515,698	0	9,616,244	2,018	10,133,960	18,397
Equity instruments	0	0	69,161	320,000	0	422	389,583	100
Loans and receivables	**522**	**0**	**0**	**0**	**299,292**	**15,914**	**315,728**	**0**
Debt instruments	0	0	0	0	72,849	15,914	88,763	0
Other investments	522	0	0	0	226,443	0	226,965	0
Subordinated liabilities	**718,338**	**0**	**0**	**0**	**0**	**0**	**718,338**	**0**
Total	**718,860**	**79,645**	**584,859**	**320,000**	**10,134,078**	**54,102**	**11,891,544**	**8,256,416**

Net investment income

2017 (€)	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Exchange gains/ losses	Other income/ expenses	Total	Net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk
Held to maturity	**5,146,343**	**0**	**0**	**0**	**0**	**-59,521**	**0**	**5,086,822**	**348,079**
Debt instruments	5,146,343	0	0	0	0	-59,521	0	5,086,822	348,079
At fair value through P/L	**119,782**	**149,741**	**0**	**26,450**	**0**	**-103,032**	**68,167**	**261,108**	**7,768,261**
Designated to this category	119,782	149,741	0	26,450	0	-103,032	68,167	261,108	7,768,261
Debt instruments	119,782	113,015	0	0	0	-99,490	-6,719	126,588	588,599
Equity instruments	0	36,726	0	26,450	0	-3,542	-383	59,251	7,179,662
Other investments	0	0	0	0	0	0	75,269	75,269	0
Available-for-sale	**12,673,321**	**0**	**2,536,963**	**1,114,983**	**-320,000**	**-5,634,658**	**11,730**	**10,382,339**	**450,319**
Debt instruments	12,673,321	0	2,065,481	0	0	-5,634,658	8,573	9,112,717	433,942
Equity instruments	0	0	424,344	1,114,983	-320,000	0	3,157	1,222,484	16,377
Other investments	0	0	47,138	0	0	0	0	47,138	0
Loans and receivables	**622,944**	**0**	**511**	**0**	**0**	**-134,153**	**9,723**	**499,025**	**26,309**
Debt instruments	593,129	0	511	0	0	36,884	9,723	640,247	26,309
Other investments	29,815	0	0	0	0	-171,037	0	-141,222	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**44,415**	**0**	**0**	**0**	**0**	**0**	**0**	**44,415**	**0**
Subordinated liabilities	**-718,338**	**0**	**0**	**0**	**0**	**0**	**0**	**-718,338**	**0**
Total	**17,888,467**	**149,741**	**2,537,474**	**1,141,433**	**-320,000**	**-5,931,364**	**89,620**	**15,555,371**	**8,592,968**

Investment income by IFRS categories

2016 (€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised gains on investments of life insurance policyholders who bear the investment risk
Held to maturity	**6,029,247**	**0**	**0**	**0**	**38,524**	**0**	**6,067,771**	**350,743**
Debt instruments	6,029,247	0	0	0	38,524	0	6,067,771	350,743
At fair value through P/L	**140,964**	**737,997**	**0**	**26,174**	**51,692**	**77,305**	**1,034,132**	**17,360,541**
Designated to this category	140,964	737,997	0	26,174	51,692	77,305	1,034,132	17,360,541
Debt instruments	140,964	639,692	0	0	48,161	48,507	877,324	762,925
Equity instruments	0	98,305	0	26,174	3,531	28,798	156,808	16,597,616
Available-for-sale	**14,208,416**	**0**	**2,314,629**	**1,258,226**	**6,671,747**	**81,031**	**24,534,049**	**241,284**
Debt instruments	14,208,416	0	1,851,981	0	6,671,747	3,631	22,735,775	241,284
Equity instruments	0	0	462,648	1,258,226	0	3,589	1,724,463	0
Other investments	0	0	0	0	0	73,811	73,811	0
Loans and receivables	**820,212**	**0**	**205**	**0**	**563,160**	**81,896**	**1,465,473**	**6,110**
Debt instruments	807,669	0	205	0	563,160	81,896	1,452,930	6,110
Other investments	12,543	0	0	0	0	0	12,543	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**34,817**	**0**	**0**	**0**	**0**	**0**	**34,817**	**0**
Total	**21,233,656**	**737,997**	**2,314,834**	**1,284,400**	**7,325,123**	**240,232**	**33,136,242**	**17,958,678**

Investment expenses by IFRS categories

2016 (€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised losses on investments of life insurance policyholders who bear the investment risk
Held to maturity	**0**	**0**	**0**	**0**	**37,784**	**3,331**	**41,115**	**0**
Debt instruments	0	0	0	0	37,784	3,331	41,115	0
At fair value through P/L	**0**	**653,939**	**0**	**0**	**5,417**	**111,716**	**771,072**	**11,256,348**
Designated to this category	0	653,939	0	0	5,417	111,716	771,072	11,256,348
Debt instruments	0	450,150	0	0	5,417	102	455,669	334,253
Equity instruments	0	203,789	0	0	0	508	204,297	10,922,095
Other investments	0	0	0	0	0	111,106	111,106	0
Available-for-sale	**0**	**0**	**498,683**	**398,186**	**5,448,690**	**6,246**	**6,351,805**	**0**
Debt instruments	0	0	147,661	330,740	5,448,690	2,217	5,929,308	0
Equity instruments	0	0	351,022	67,446	0	4,029	422,497	0
Loans and receivables	**2,292**	**0**	**0**	**195,839**	**342,682**	**11,776**	**552,589**	**0**
Debt instruments	0	0	0	195,839	342,682	11,776	550,297	0
Other investments	2,292	0	0	0	0	0	2,292	0
Subordinated liabilities	**839,834**	**0**	**0**	**0**	**0**	**0**	**839,834**	**0**
Total	**842,126**	**653,939**	**498,683**	**594,025**	**5,834,573**	**133,069**	**8,556,415**	**11,256,348**

Net investment income

2016 (v EUR)	Income/ expense for interest	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Exchange gains/ exchange losses	Other income/ expenses	Total	Net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk
Held to maturity	**6,029,247**	**0**	**0**	**0**	**0**	**740**	**-3,331**	**6,026,656**	**350,743**
Debt instruments	6,029,247	0	0	0	0	740	-3,331	6,026,656	350,743
Other investments	0	0	0	0	0	0	0	0	0
At fair value through P/L	**140,964**	**84,058**	**0**	**26,174**	**0**	**46,275**	**-34,411**	**263,060**	**6,104,193**
Designated to this category	140,964	84,058	0	26,174	0	46,275	-34,411	263,060	6,104,193
Debt instruments	140,964	189,542	0	0	0	42,744	48,405	421,655	428,672
Equity instruments	0	-105,484	0	26,174	0	3,531	28,290	-47,489	5,675,521
Other investments	0	0	0	0	0	0	-111,106	-111,106	0
Derivatives	0	0	0	0	0	0	0	0	0
Available-for-sale	**14,208,416**	**0**	**1,815,946**	**1,258,226**	**-398,186**	**1,223,057**	**74,785**	**18,182,244**	**241,284**
Debt instruments	14,208,416	0	1,704,320	0	-330,740	1,223,057	1,414	16,806,467	241,284
Equity instruments	0	0	111,626	1,258,226	-67,446	0	-440	1,301,966	0
Other investments	0	0	0	0	0	0	73,811	73,811	0
Loans and receivables	**817,920**	**0**	**205**	**0**	**-195,839**	**220,478**	**70,120**	**912,884**	**6,110**
Debt instruments	807,669	0	205	0	-195,839	220,478	70,120	902,633	6,110
Other investments	10,251	0	0	0	0	0	0	10,251	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**34,817**	**0**	**0**	**0**	**0**	**0**	**0**	**34,817**	**0**
Subordinated liabilities	**-839,834**	**0**	**0**	**0**	**0**	**0**	**0**	**-839,834**	**0**
Total	**20,391,530**	**84,058**	**1,816,151**	**1,284,400**	**-594,025**	**1,490,550**	**107,163**	**24,579,827**	**6,702,330**

In 2017, interest income from impaired investments totalled €1,002 (2016: €1,429).

Investment income and expenses by source of funds

The Group records investment income and expenses separately by source of funds, i.e. separately for own fund assets, non-life insurance register assets and life insurance register assets. Own fund investments support the Group's shareholder funds; non-life insurance register assets support technical provisions relating to non-life business, while life insurance register assets support technical provisions relating to life insurance business.

Investment income – non-life insurance business

(€)	Non-life insurance register of assets	Non-life insurance register of assets
	2017	2016
Interest income	9,911,757	11,120,399
Change in fair value and gains on disposal of FVPL assets	81,976	113,132
Gains on disposal of other IFRS asset categories	1,799,602	1,626,842
Income from dividends and shares – other investments	580,806	691,688
Exchange gains	3,954,061	7,059,425
Other income	31,342	11,254
Total investment income – non-life insurance registers	**16,359,544**	**20,622,740**
	Capital fund	**Capital fund**
	2017	**2016**
Interest income	436,925	648,900
Change in fair value and gains on disposal of FVPL assets	0	51,326
Gains on disposal of other IFRS asset categories	450,329	279,431
Income from dividends and shares – other investments	286,723	311,347
Exchange gains	18,264	914
Other income	116	57,886
Total investment income - capital fund	**1,192,357**	**1,349,804**
Total investment income – non-life business	**17,551,901**	**21,972,544**

Investment income – life business

(€)	Life insurance register of assets	Life insurance register of assets
	2017	2016
Interest income	7,218,224	8,305,150
Change in fair value and gains on disposal of FVPL assets	19,297	46,976
Gains on disposal of other IFRS asset categories	686,270	191,551
Income from dividends and shares – other investments	270,970	277,855
Exchange gains	215,078	139,764
Other income	30,941	38,599
Total investment income – life insurance registers	**8,440,780**	**8,999,895**
	Capital fund	**Capital fund**
	2017	**2016**
Interest income	1,040,421	1,159,207
Change in fair value and gains on disposal of FVPL assets	128,113	526,563
Gains on disposal of other IFRS asset categories	186,132	217,010
Income from dividends and shares – other investments	2,934	3,510
Exchange gains	15,311	125,020
Other income	81,323	132,492
Total investment income - capital fund	**1,454,234**	**2,163,802**
Total investment income – life business	**9,895,014**	**11,163,697**

Total investment income	**27,446,915**	**33,136,241**

Expenses for financial assets and liabilities – non-life business

(€)	Non-life insurance register of assets	Non-life insurance register of assets
	2017	2016
Interest expenses	522	47
Change in fair value and losses on disposal of FVPL assets	76,271	222,740
Losses on disposal of other IFRS asset categories	383,567	367,698
Impairment losses on investments	0	381,041
Exchange losses	9,561,654	5,668,406
Other	9,030	8,162
Total investment expenses – non-life insurance registers	**10,031,044**	**6,648,094**
	Capital fund	**Capital fund**
	2017	**2016**
Interest expenses	718,338	842,079
Change in fair value and losses on disposal of FVPL assets	0	87,525
Losses on disposal of other IFRS asset categories	14,504	0
Impairment losses on investments	320,000	10,679
Exchange losses	5,933	7,972
Other	488	4,300
Total investment expenses – capital fund	**1,059,263**	**952,555**
Total investment expenses – non-life business	**11,090,307**	**7,600,649**

Expenses for financial assets and liabilities – life business

(€)	Life insurance register of assets	Life insurance register of assets
	2017	2016
Change in fair value and losses on disposal of FVPL assets	0	20,671
Losses on disposal of other IFRS asset categories	158,909	108,851
Impairment losses on investments	0	202,305
Exchange losses	356,046	157,507
Other	44,303	8,713
Total investment expenses – life insurance registers	**559,258**	**498,047**
	Capital fund	**Capital fund**
	2017	**2016**
Change in fair value and losses on disposal of FVPL assets	3,374	323,003
Losses on disposal of other IFRS asset categories	27,879	22,134
Exchange losses	210,445	688
Other	281	111,894
Total investment expenses – capital fund	**241,979**	**457,719**
Total investment expenses – life business	**801,237**	**955,766**
Total investment expenses	**11,891,544**	**8,556,415**
Net investment income	**15,555,371**	**24,579,827**

(€)	Life insurance register of assets	Life insurance register of assets
	2017	2016
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	16,849,384	17,958,678
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	8,256,416	11,256,348
Net investment income	**8,592,968**	**6,702,330**

Impairment losses on investments

(€)	2017	2016
Bonds and loans	0	533,045
Shares	320,000	60,980
Total	**320,000**	**594,025**

Net investment income from non-life and life business

(€)	2017	2016
Non-life insurance business	6,461,594	14,371,895
Life insurance business	9,093,777	10,207,932
Total	**15,555,371**	**24,579,827**

The 2017 net investment income totalled €15.6 million, a €9.0 million fall from the 2016 figure of €24.6 million. This is mainly due to higher negative exchange differences and lower interest income.

30) Other technical income

(€)	2017	2016
Income from reinsurance commission	2,870,868	3,732,607
Income on the realisation impaired receivables	2,326,977	2,375,769
Income from other insurance business	2,218,763	2,233,027
Exchange gains	4,043,120	5,483,403
Income from exit charges and management fees	2,700,784	2,249,629
Income from other services	1,269,208	1,872,734
Income from investment property	0	290,240
Total	**15,429,720**	**18,237,409**

The Group has presented income from investment property among other technical income starting in 2017.

In 2017 the Group continued to experience strong increases in both exchange gains and losses, primarily arising from reinsurance business.

Reinsurance commission income are a major part of other technical income. The following tables show reinsurance commission income by class of business.

Income from reinsurance commission

(€)	2017	2016
Personal accident	23,434	26,951
Health	618	33,119
Land vehicles casco	65,593	26,999
Railway rolling stock	190	0
Aircraft hull	767	163
Ships hull	2,390	1,128
Goods in transit	11,511	31,219
Fire and natural forces	1,632,544	2,113,786
Other damage to property	606,065	757,723
Motor liability	199,540	245,462
Aircraft liability	11,346	13,289
Liability for ships	279	7
General liability	161,206	145,337
Suretyship	0	546
Miscellaneous financial loss	74,254	108,087
Legal expenses	0	16,300
Assistance	19,652	24,234
Life insurance	33,795	166,421
Unit-linked life	27,684	21,836
Total non-life	**2,809,389**	**3,544,350**
Total life insurance	**61,479**	**188,257**
Total	**2,870,868**	**3,732,607**

31) Net claims incurred

Net claims incurred

(€) 2017	Gross amounts		Reinsurers' share of claims (–)	Co-insurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables					
Personal accident	11,980,148	-1,132	-16,116	15,343	-587,439	-8,504	11,382,301
Health	4,934,881	-233	-1304	0	62,108	-188,551	4,806,901
Land vehicles casco	66,611,262	-1,194,184	-965,206	0	224,020	630,039	65,305,930
Railway rolling stock	91,017	0	-4	0	11,627	0	102,640
Aircraft hull	68,330	0	-11,911	31,517	273,438	-5,025	356,350
Ships hull	5,002,554	-6	-3,682	0	898,054	-145,551	5,751,369
Goods in transit	3,541,459	-6,225	-20,569	298,971	-415,075	13,105	3,411,666
Fire and natural forces	48,403,126	-31,178	-3,758,659	282,643	12,298,953	156,928	57,351,813
Other damage to property	18,500,727	-47,393	-3,507,086	196,233	2,007,004	-1,107,887	16,041,598
Motor liability	66,049,470	-3,144,820	-909,180	0	-9,282,149	-1,535,948	51,177,373
Aircraft liability	42,562	0	-40,395	0	5,413	-29,594	-22,014
Liability for ships	314,312	-360	-11	0	-14,837	-8	299,096
General liability	6,148,642	-32,066	-679,049	39,549	-897,593	1,238,286	5,817,769
Credit	2,443,175	-2,505,461	-269	0	-723,255	0	-785,810
Suretyship	191,318	-18	0	0	131,683	0	322,983
Miscellaneous financial loss	2,186,678	-35	-405,303	0	-556,391	99,930	1,324,879
Legal expenses	1,165	0	0	1,099	8,484	0	10,748
Assistance	7,574,113	-3,637	-6,266,352	0	-152,052	190,266	1,342,338
Life insurance	33,490,258	0	-61,794	0	-79,804	-55,855	33,292,805
Unit-linked life	39,118,711	0	-64,993	0	-280,229	39,097	38,812,586
Total non-life	**244,084,939**	**-6,966,748**	**-16,585,096**	**865,355**	**3,291,993**	**-692,514**	**223,997,929**
Total life insurance	**72,608,969**	**0**	**-126,787**	**0**	**-360,033**	**-16,758**	**72,105,391**
Total	**316,693,908**	**-6,966,748**	**-16,711,883**	**865,355**	**2,931,960**	**-709,272**	**296,103,320**

Net claims incurred

(€) 2016	Gross amounts		Reinsurers' share of claims (–)	Co-insurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables					
Personal accident	13,895,309	-1,334	-28,332	54,469	2,275,405	1,325	16,196,842
Health	1,979,157	-44,469	-170,121	0	672,326	-252,477	2,184,416
Land vehicles casco	61,364,262	-738,216	-160,430	17,343	1,275,958	-652,099	61,106,818
Railway rolling stock	13,970	0	0	0	606	0	14,576
Aircraft hull	310,494	0	-234,314	230,987	380,259	106,223	793,649
Ships hull	2,394,843	0	-3,408	0	3,108,513	807	5,500,755
Goods in transit	3,348,391	-931	-2,574	244,973	-981,446	-9,758	2,598,655
Fire and natural forces	50,615,273	-99,149	-6,868,415	58,341	7,326,287	-1,241,588	49,790,749
Other damage to property	19,465,751	-66,137	-1,084,029	219,516	-5,504,435	19,531	13,050,197
Motor liability	62,301,023	-3,872,467	-2,973,598	26,459	953,269	261,939	56,696,625
Aircraft liability	55,584	0	-1,136	0	-111,621	-14,779	-71,952
Liability for ships	105,846	0	-22	0	253,212	34	359,070
General liability	5,029,193	-40,784	-250,377	20,313	4,718,408	264,360	9,741,113
Credit	1,445,183	-1,231,640	0	0	-45,071	0	168,472
Suretyship	201,573	-245,500	-727	0	14,357	424	-29,873
Miscellaneous financial loss	3,463,399	0	-315,362	12,696	-747,375	-153,996	2,259,362
Legal expenses	648	0	0	872	1,567	0	3,087
Assistance	4,057,224	-974	-3,288,707	0	387,559	-433,634	721,468
Life insurance	29,420,166	0	-244,672	0	643,467	31,193	29,850,154
Unit-linked life	16,320,108	0	-79,399	0	1,211,649	7,235	17,459,593
Total non-life	**230,047,123**	**-6,341,601**	**-15,381,552**	**885,969**	**13,977,778**	**-2,103,688**	**221,084,029**
Total life insurance	**45,740,274**	**0**	**-324,071**	**0**	**1,855,116**	**38,428**	**47,309,747**
Total	**275,787,397**	**-6,341,601**	**-15,705,623**	**885,969**	**15,832,894**	**-2,065,260**	**268,393,776**

The above tables show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). Net claims incurred additionally include movements in the net claims provision; it increased net claims incurred by €2.2 million (2016: increase of €13.7 million).

32) Change in other technical provisions and change in the technical provision for policyholders who bear the investment risk

The change in other technical provisions relates to changes in the net provision for unexpired risks. The change in gross technical provisions is described in note 22.

33) Operating expenses

The Group classifies operating expenses by nature. Compared to 2016, operating expenses decreased by 1.6%.

Operating expenses by nature

(€)	2017	2016
Acquisition costs (commissions)	51,949,127	51,882,550
Change in deferred acquisition costs	-2,389,002	1,474,454
Depreciation of operating assets	7,525,357	7,617,184
Personnel costs	68,429,957	64,387,463
Salaries	49,999,192	48,231,175
Social and pension insurance contributions	8,204,067	8,009,800
Other personnel costs	10,226,698	8,146,488
Costs of services by natural persons not performing business, incl. of contributions	457,816	491,431
Other operating expenses	30,989,073	33,710,404
Total	**156,962,328**	**159,563,486**

Audit fees

(€)	2017	2016
Audit of annual report	264,905	254,790
Other assurance services	14,640	16,592
Other audit services	12,200	29,880
Total	**291,745**	**301,262**

34) Other technical expenses and other expenses

(€)	2017	2016
Expenses for loss prevention activities and fire brigade charge	3,365,303	3,077,583
Contribution for covering claims of uninsured and unidentified vehicles and vessels	1,402,836	1,697,697
Exchange losses	7,491,929	7,870,882
Operating expenses from revaluation	2,026,597	1,611,096
Other expenses	3,199,415	3,053,679
Total	**17,486,080**	**17,310,937**

Other expenses of €2.8 million (2016: €2.5 million) include contributions relating to the costs of the supervisory authority, allowance for other receivables, health protection contributions and fees for access to electronic police records.

35) Income tax expense

Tax rate reconciliation

(€)	2017	2016
Profit/loss before tax	39,880,983	40,669,987
Income tax expenses at statutory tax rate (19%)	7,577,387	6,913,898
Adjustment to the actual rates	6,014,182	4,081,310
Tax effect of income that is deducted for tax purposes	-4,948,544	-4,462,457
Tax effect of expenses not deducted for tax purposes	1,011,587	1,799,048
Tax effect of income that is added for tax purposes	-88,891	148,968
Income or expenses relating to tax relief	-430,352	-377,991
Balance of expense for (income from) deferred tax due to change in tax rate	0	-215,559
Changes in temporary differences	-349,294	-135,443
Total income tax expense in the income statement	**8,786,075**	**7,751,774**
Effective tax rate	22.03%	19.06%

17.10 Notes to the consolidated financial statements – cash flow statement

36) Notes to the cash flow statement, which has been prepared using the indirect method

The cash flow statement shown in section 16.4 "Consolidated statement of cash flows" has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

The table below presents income statement items not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

(€)	2017	2016
Net profit/loss for the period	**31,094,908**	**32,918,213**
Non-monetary income statement items not included in cash flow:	**17,923,953**	**38,582,796**
- change in unearned premiums	12,124,142	861,114
- change in the provision for outstanding claims	-2,222,688	13,767,634
- change in other technical provisions	2,179,849	5,254,856
- change in technical provisions for policyholders who bear the investment risk	1,121,327	17,442,161
- operating expenses – amortisation/depreciation and change in deferred acquisition cost	5,136,355	9,091,638
- impairment losses on financial assets	-415,032	-7,834,607
Eliminated investment income items	**-19,748,760**	**-22,518,056**
- interest received disclosed under B. a) 1.	-18,607,327	-21,233,656
- receipts from dividends and shares in profit of others disclosed under B. a) 2.	-1,141,433	-1,284,400
Eliminated investment expense items	**718,860**	**842,126**
- interest paid disclosed under C. b) 1.	718,860	842,126
Cash flows from operating activities – income statement items	**29,988,960**	**49,825,078**

17.11 Contingent receivables and liabilities

The Group has contingent liabilities arising out of guarantees given. The estimated contingent liabilities in this regard total €3.0 million.

The Group has contingent liabilities from unrealised recourse receivables of €30.0 million and claims against issuing banks for subordinated financial instruments of €38.0 million.

Off-balance sheet items are shown in the appendix hereto.

17.12 Related party disclosures

The Group makes separate disclosures for the following groups of related parties:

- owners and related enterprises;
- management board, supervisory boards including its committees and employees not subject to the tariff section of the collective agreement;
- subsidiary companies.

Owners and related enterprises

The Group's largest shareholder is the Slovenian Sovereign Holding (formerly the Slovenian Restitution Fund) with a 17.7% share.

The members of the management and supervisory boards, the audit committee and employees not subject to the tariff section of the collective agreement

Remuneration of members of management and supervisory boards and of the audit committee, and of employees not subject to the tariff section of the collective agreement

(€)	2017	2016
Management board	620,246	655,175
Payments to employees not subject to the tariff section of the collective agreement	4,506,668	5,123,400
Supervisory board	111,606	128,283
Supervisory board committees	32,021	28,246
Total	**5,270,541**	**5,935,104**

Remuneration of management board members in 2017

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Marko Jazbec	101,831	0	134	4,281	106,246
Jošt Dolničar	150,440	14,912	5,582	8,664	179,599
Srečko Čebron	152,697	7,170	5,205	7,116	172,188
Mateja Treven	141,667	7,170	5,193	8,184	162,214
Total	**546,635**	**29,253**	**16,114**	**28,245**	**620,246**

Remuneration of management board members in 2016

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič (up until 23/8/2016)	109,304	15,936	4,170	5,775	135,185
Srečko Čebron	152,592	14,340	5,338	3,620	175,890
Jošt Dolničar	146,866	14,340	5,554	3,874	170,635
Mateja Treven	144,600	14,340	5,186	9,339	173,465
Total	**553,362**	**58,956**	**20,248**	**22,608**	**655,175**

Liabilities to members of the management board based on gross remuneration

(€)	31/12/2017	31/12/2016
Marko Jazbec	13,280	0
Srečko Čebron	11,950	12,616
Jošt Dolničar	12,616	13,280
Mateja Treven	11,950	11,950
Total	**49,796**	**37,846**

As at 31 December 2017, the Group had no receivables due from the management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration of the supervisory board and its committees in 2017

(€)		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Fringe benefits	Total
Supervisory board members						
Mateja Lovšin Herič	chair of the SB	2,970	18,958	183	0	22,111
Slaven Mićković	deputy chair (until 15/07/2017)	1,595	7,727	0	0	9,322
Keith William Morris	deputy chair (since 16/08/2017)	2,970	13,489	10,013	1,069	27,541
Andrej Gorazd Kunstek	member of the SB	2,970	13,000	0	0	15,970
Mateja Živec	member of the SB	2,970	13,000	0	0	15,970
Davor Ivan Gjivoje	SB member (since 07/03/2017)	2,640	10,624	0	0	13,264
Andrej Kren	SB member (since 16/07/2017)	1,375	5,976	77	0	7,428
Total supervisory board members		**17,490**	**82,773**	**10,273**	**1,069**	**111,606**
Audit committee members						
Andrej Kren	chair (since 16/08/2017)	880	1,835	97	0	2,812
Slaven Mićković	chair (until 15/07/2017)	1,320	2,634	0	0	3,954
Mateja Lovšin Herič	member	2,200	2,979	0	0	5,179
Ignac Dolenšek	external member		10,125	467	0	10,592
Total audit committee members		**4,400**	**17,573**	**564**	**0**	**22,537**
Members of the nominations and remuneration committee						
Mateja Lovšin Herič	Chair	880	0	0	0	880
Slaven Mićković	member (until 15/07/2017)	660	0	0	0	660
Keith William Morris	member (since 24/08/2017)	880	0	0	0	880
Davor Ivan Gjivoje	member (since 24/08/2017)	176	0	0	0	176
Andrej Kren	member (since 24/08/2017)	220	0	0	0	220
Total nominations committee members		**2,816**	**0**	**0**	**0**	**2,816**
Fit & proper committee members						
Mateja Živec	chair (since 24/08/2017)	616	0	0	0	616
Mateja Lovšin Herič	member (until 15/07/2017)	220	0	0	0	220
Keith William Morris	member (since 24/08/2017)	220	0	0	0	220
Nika Matjan	external member	0	0	0	0	0
Andrej Kren	alternate member (since 24/08/2017)	176	0	0	0	176
Total fit & proper committee members		**1,232**	**0**	**0**	**0**	**1,232**
Members of the risk committee						
Keith William Morris	committee chair (since 24/08/2017)	440	1,730	0	0	2,170
Davor Ivan Gjivoje	member (since 24/08/2017)	396	882	0	0	1,278
Slaven Mićković	external member (since 24/08/2017)	0	1,988	0	0	1,988
Total risk committee members		**836**	**4,600**	**0**	**0**	**5,436**

Remuneration of the supervisory board and its committees in 2016

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Fringe benefits	Total
Supervisory board members						
Branko Tomažič	SB chair (until 11/10/2016)	3,410	15,202	5,230	119	23,960
Mateja Lovšin Herič	SB chair (since 12/10/2016) / SB deputy chair (until 11/10/2016)	5,005	15,446	0	185	20,637
Slaven Mićković	deputy chairman (since 12/10/2016) / member (until 11/10/2016)	5,005	13,287	317	39	18,648
Andrej Gorazd Kunstek	member of the SB	5,005	13,000		175	18,180
Keith William Morris	member of the SB	4,235	13,000	13,254	200	30,690
Helena Dretnik	SB member (until 19/02/2016)	550	1,793	0	170	2,513
Mateja Živec	SB member (since 01/04/2016)	3,905	9,750	0	0	13,655
Total supervisory board members		**27,115**	**81,477**	**18,802**	**0**	**128,283**
Audit committee members						
Mateja Lovšin Herič	AC member (since 28/10/2016) / chair (until 27/10/2016)	2,376	4,591	0	0	6,967
Slaven Mićković	chair (since 28/10/2016) / member (until 27/10/2016)	2,376	3,534	7	0	5,917
Ignac Dolenšek	member of the AC		10,950	232	0	11,182
Total audit committee members		**4,752**	**19,075**	**239**	**0**	**24,066**
Nominations committee members						
Mateja Lovšin Herič	Chair of the committee	1,100	0	0	0	1,100
Branko Tomažič (until 11/10/2016)	member	660	0	0	0	660
Slaven Mićković	member	880	0	0	0	880
Keith William Morris	member	220	0	0	0	220
Total nominations committee members		**2,860**	**0**	**0**	**0**	**2,860**
Fit & proper committee members						
Mateja Lovšin Herič	Chair of the committee	660	0	0	0	660
Branko Tomažič	member (until 11/10/2016)	220	0	0	0	220
Nika Matjan	member	0	0	0	0	0
Mateja Živec	member	440	0	0	0	440
Total fit & proper committee members		**1,320**	**0**	**0**	**0**	**1,320**

Liabilities to members of the supervisory board and audit committee of the supervisory board based on gross remuneration

(€)	31/12/2017	31/12/2016
Mateja Lovšin Herič	2,391	3,381
Slaven Mićković	788	2,971
Andrej Gorazd Kunstek	1,358	1,908
Keith William Morris	3,714	7,145
Mateja Živec	1,358	2,128
Davor Ivan Gjivoje	1,534	0
Andrej Kren	2,023	0
Ignac Dolenšek	844	544
Total	**14,011**	**18,078**

Employee remuneration not subject to the tariff section of the collective agreement for 2017

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	4,189,932	173,658	143,078	4,506,668

Employee remuneration not subject to the tariff section of the collective agreement for 2016

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	4,687,613	298,061	137,726	5,123,400

Receivables due from the state and majority state-owned companies

(€)	31/12/2017	31/12/2016
Interests in companies	9,645,208	9,406,870
Debt securities and loans	203,987,529	281,292,477
Receivables due from policyholders	126,693	141,554
Total	**213,759,429**	**290,840,901**

Liabilities to the state and majority state-owned companies

(€)	31/12/2017	31/12/2016
Liabilities for shares in claims	19,478	4,263

Income and expenses relating to majority state-owned companies

(€)	2017	2016
Dividend income	565,389	459,282
Interest income	7,992,652	9,758,691
Gross premiums written	12,986,211	13,317,626
Gross claims payments	-3,529,952	-2,946,450
Total	**18,014,300**	**20,589,149**

Characteristics of loans granted to subsidiaries

(€) Borrower	Principal	Type of loan	Maturity	Interest rate
Sava neživotno osiguranje (SRB)	500,000	ordinary	30/06/2019	3.50%
Sava neživotno osiguranje (SRB)	800,000	ordinary	30/06/2018	2.90%
Sava osiguruvanje (MKD)	300,000	ordinary	11/07/2018	0.90%
Illyria Life	1,000,000	ordinary	11/07/2018	0.90%
Illyria Life	350,000	ordinary	31/05/2018	1.50%
Illyria Life	1,650,000	ordinary	30/06/2018	1.50%
Total	**4,600,000**			

18 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- In January 2018, Polona Pirš Zupančič began her five-year term of office as a member of the management board. After this change, the Sava Re management board continued to operate as a four-member body, as at its meeting of 20 December 2017 the supervisory board of Sava Re took note of the notice of Mateja Treven on her early termination of her term as Sava Re management board member, and accepted Mateja Treven's proposal for a consensual termination of her employment contract as management board member. Mateja Treven concluded her role as management board member on 13 January 2018 and will continue her career as part of the Sava Re Group. **Marko Jazbec** as chairman of the management board is, following the aforementioned changes, responsible for the coordination of the work of the management board, finance, general affairs, human resources, organisation and legal affairs, public relations, compliance and internal audit. **Srečko Čebron** is – also in the new term of office – responsible for reinsurance operations, facultative reinsurance underwriting and actuarial affairs. **Jošt Dolničar** is – in the new term of office – responsible for the management of strategic investments in primary insurance subsidiaries, modelling, IT, technologies and innovation, and pension insurance. **Polona Pirš Zupančič** is responsible for corporate finance and controlling, accounting, shareholder relations and risk management.

- On 2 November 2017, Sava Re signed a contract for the acquisition of a 75% stake in TBS TEAM 24. TBS TEAM 24 provides assistance services relating to motor, health and homeowners insurance. Sava Re met all suspensive conditions on 31 January 2018.

- In December 2017, NLB d.d. Ljubljana and NLB banka AD Skopje, as the seller, and Sava Re, as the purchaser, signed a purchase contract for all the shares of NLB Nov penziski fond AD Skopje. Sava Re met all suspensive conditions on 13 March 2018.

- In accordance with article 171(7) of the Insurance Act (ZZavar-1; Official Gazette of the Republic of Slovenia, no. 93/15), Zavarovalnica Sava and Sava pokojninska družba signed an outsourcing contract for internal audit with Sava Re, transferring this key function to Sava Re as of 1 February 2018 for an indefinite period.

- In March 2018, Sava Re obtained approval from Serbia's central bank, as well as from other regulators to purchase a 92.94% stake in Energoprojekt Garant, a Serbian insurance undertaking. After the acquisition of this majority stake and subsequent steps towards attaining sole ownership, Sava Re intends to merge the target with its existing subsidiary, the Serbian non-life insurer Sava neživotno osiguranje (SRB), and then optimise the subsidiary's capital structure.

SAVA RE BUSINESS REPORT

REFLECTING PREVENTION

It is important to recognise threats early and to act in time. Robust preventative measures are designed to aid our clients and protect the environment.

We support numerous fire brigades, such as helping them to buy fireproof blankets.

Edward O.

Sava Re, the controlling company of the Sava Re Group, transacts reinsurance business in over 100 countries worldwide[109]. The opening sections of the Sava Re Group annual report cover the presentation of the Group, the POSR share and share trading, the report of the supervisory board, the corporate governance statement pursuant to Article 70 of the Slovenian Companies Act, a description of the internal control systems, external audit, mission, vision, policies of the Company and the Group, and the business environment. All the above sections relate both to Sava Re and the Sava Re Group. The following business report of Sava Re discusses the Company in terms of its core business with a focus on the notes to its separate financial statements..

19 GLOBAL NON-LIFE REINSURANCE MARKETS[110]

Non-life reinsurance business: Natural catastrophe losses to trigger a turnaround in underwriting conditions

After five quiet years of low natural catastrophe losses, the global non-life reinsurance industry was facing heavy losses from the hurricane season in the Caribbean and the US in 2017. The 2017 season's three major storms – Harvey, Irma and Maria – alone are estimated to have caused significant insured losses.

The combined ratio of the global reinsurance market for 2017 is estimated to be around 115%; with most of the increase due to the hurricane losses, and also a number of other natural catastrophe events including cyclone Debbie in Australia, earthquakes in Mexico, and wild fires in California and Southern Europe. Accordingly, overall global industry profitability (ROE) for the full-year is forecast to come in at around –4% for the full year 2017.

Apart from the unusually high burden from natural catastrophes, the reinsurance industry has also continued to suffer from headwinds arising from the ongoing low interest rate environment and the recent overall softening of underwriting conditions. As a consequence, the industry ROE declined from around 15% between 2012 and 2014 to 11% in 2016. In the first six months of 2017, ROE declined to 9% at a combined ratio of 93% and a 2.5% return on investment.

Capital development: The excess capacity that has fuelled the soft market during recent years has largely evaporated

The soft underwriting conditions of recent years partly reflected benign claims developments, but were mostly a direct consequence of excess capital in the market. Reinsurance capacity was abundant due to the considerable influx of alternative capacity (AC). Since 2010, the size of AC more than tripled and was estimated to be at around USD 79 billion in the first half of 2017. A significant amount of AC has been absorbed by the third-quarter hurricane losses, especially collateralised capacity in the retrocession market, and therefore will not be available as active capacity in the upcoming renewals season. Some of this capacity, however, will be re-loaded through the injection of new capital from investors.

[109] GRI 102-6

[110] Summarised based on Swiss Re: Global Insurance Review 2017 and Outlook 2018/19, November 2017.

The capital position of global reinsurers, the traditional source of capital, grew by 3% in the first half of 2017, after a 1% increase in 2016. The increase was almost entirely due to unrealised gains on investments, mainly associated with declines in interest rates. Over recent years, capital growth has been managed increasingly via dividend payments and share buy-back programmes, hence returning almost all of the industry's net income to the shareholders. Nevertheless, there was still some excess capital in traditional reinsurance in the first half of 2017, and this has been significantly reduced by hurricanes Harvey, Irma and Maria.

Impact on the (re)insurance industry: an earnings and capital event

The impact of the 2017 hurricanes on the (re)insurance industry will be considerable, but not unprecedented. In 2005, the Caribbean and the US were also hit by a series of powerful hurricanes, each causing insured losses in double-digit billions. Katrina, Rita and Wilma combined caused insured losses of USD 90 billion (or USD 113 billion at current prices). The hurricane seasons of 1992, 2004, 2008, and 2012 also caused major insured and economic damages.

Company disclosures and assessments by financial analysts suggest there was about an equal split between primary insurance and reinsurance of the loss burden from the 2017 hurricanes. Based on this, the US primary insurance industry is expected to be liable for around USD 45 billion (i.e., adding around 9 p.p. to its combined ratio), or 8% of the US industry capital of around USD 580 billion[111].

The 2017 hurricane season has also had major impact on the balance sheets of the global reinsurers. According to company disclosures, the hurricanes caused losses of between 7% and 14% of global reinsurers' capital, and are expected to absorb the industry's net income for the year. Unlike previous larger catastrophe loss events, alternative capital (AC) vehicles have also been substantially affected by the 2017 hurricanes, given their high exposure to Florida-related risks and the retrocession market. Significant amounts of collateral in affected contracts are either paid out or "trapped" after putting up loss reserves. These amounts will therefore not be available for in upcoming renewals season.

Improved underwriting conditions will support growth and profitability in reinsurance

The capital position of global reinsurers, grew by 7% in the first half of 2016. The three major hurricane events of 2017 are expected to lead to rate hardening for loss-affected accounts. Capital abundance in traditional reinsurance has been massively reduced, and AC will require additional funds from investors to operate at the same level as before the hurricane season. Given the amount of traditional and alternative capital losses, property reinsurance prices could rise significantly.

Global premiums in non-life reinsurance are estimated to have grown by 3% in 2017 in real terms, based on rapidly increasing cessions from emerging markets. Advanced market cessions are forecast to moderate this year. This is due to a base effect from several large transactions in the US that drove approximately 10% market growth in 2016 and are not likely to be renewed at the same volumes. In 2018, advanced markets non-life reinsurance premium growth will reflect a hardening of rates and slightly stronger nominal growth in the primary market. Demand will also be supported by new solvency regulations: non-life reinsurance has become more attractive for European insurers under Solvency II, since it better reflects the risk mitigating effect of reinsurance.

In the emerging markets, reinsurance premium growth improved in 2017 after contracting in 2016, on the back of macroeconomic recovery (particularly in Latin America) and rising cessions in China. Several Latin American and Asian countries are strengthening their solvency regulations. The addition of risk-based charges is likely to lead to higher capital requirements overall. The growth trend in emerging market reinsurance premiums is expected to stabilise in 2018 and 2019, driven by stronger sales of primary insurance in all regions.

[111] Statutory capital by end of 2016, excluding reinsurers, source: A.M. Best.

20 SAVA RE REVIEW OF OPERATIONS

20.1 Sava Re review of operations

Net premiums earned

Gross premiums written by geographical area

(€)	2017	2016	Index
Slovenia	52,943,926	52,111,263	101.6
International	100,275,826	95,315,630	105.2
Total	**153,219,752**	**147,426,893**	**103.9**

Net premiums earned

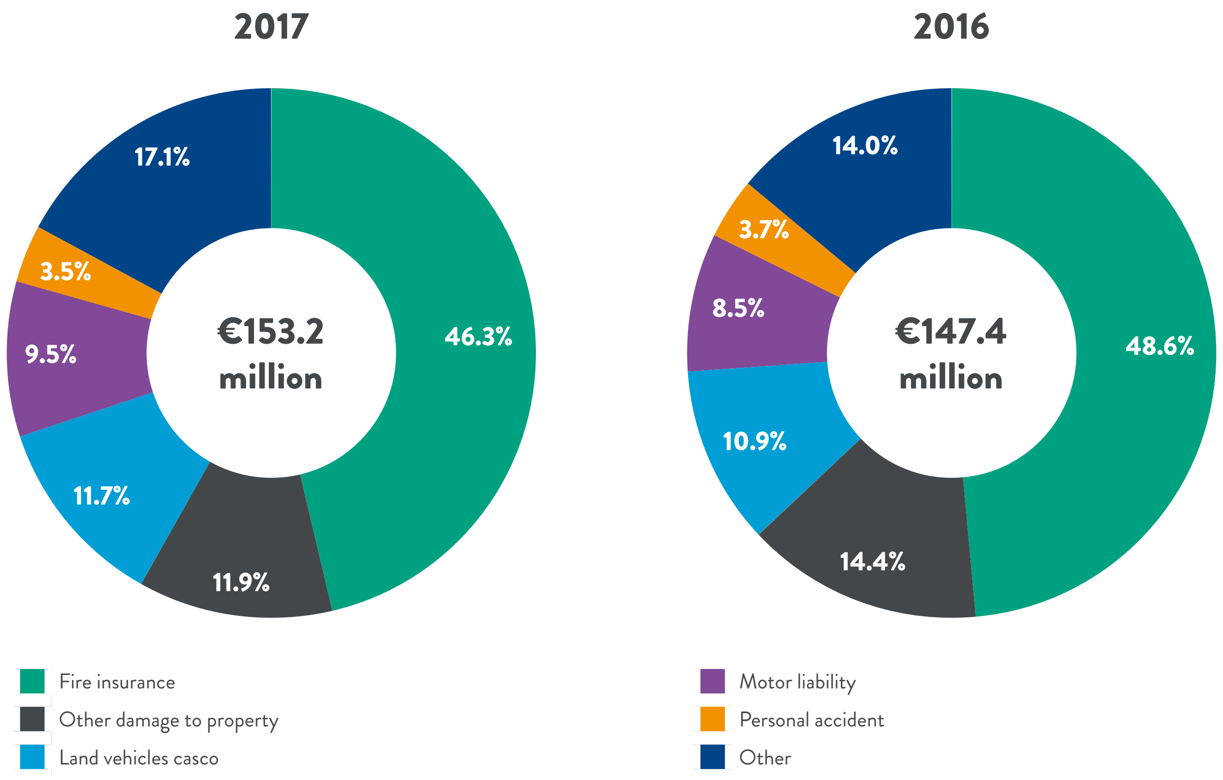
(€)	2017	2016	Index
Gross premiums written	153,219,752	147,426,893	103.9
Net premiums written	134,312,438	129,878,160	103.4
Change in net unearned premiums	-3,447,819	3,550,715	-97.1
Net premiums earned	**130,864,620**	**133,428,875**	**98.1**

In 2017 gross premiums written in Slovenia rose by 1.6%, or €0.8 million (increase in premiums written by Zavarovalnica Sava), while gross premiums written abroad decreased by 5.2% or €5.0 million. This favourable premium growth is driven by the boost in proportional business with the highest absolute growth achieved in marine, motor liability and general liability reinsurance business.

Despite the rise in gross premiums written, net premiums earned for the period were lower than in 2016. Net unearned premiums were higher than as at year-end 2016, when they were lower than at year-end 2015. This movement is the result of growth in gross premiums written abroad in 2017 and their decline in 2016.

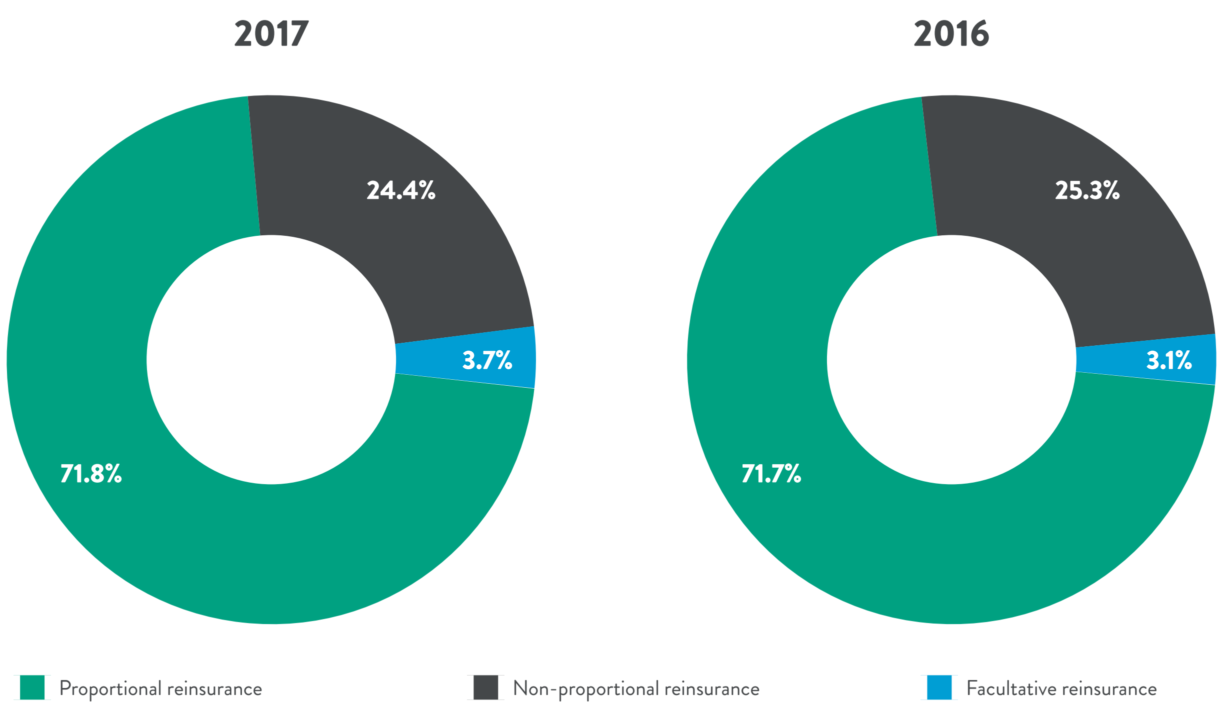
Fire insurance still accounted for the largest proportion of premiums in 2017, although its share shrank by 2.3 p.p. compared to 2016. Motor reinsurance business gained 1.8 p.p. in terms of gross premiums written.

Gross premiums written by class of business



The proportion of classes of reinsurance business remained largely unchanged in 2017 compared to 2016.

Gross premiums written by form of reinsurance



Net earned premiums by class of business

(€)	2017	2016	Index
Personal accident	5,564,197	6,304,954	88.3
Health	3,262,263	712,445	457.9
Land vehicles casco	15,130,829	14,474,119	104.5
Railway rolling stock	191,209	90,732	210.7
Aircraft hull	120,235	830,025	14.5
Ships hull	4,772,144	3,492,377	136.6
Goods in transit	4,645,256	5,084,727	91.4
Fire and natural forces	59,298,562	60,878,857	97.4
Other damage to property	14,956,358	19,273,255	77.6
Motor liability	13,156,142	11,991,387	109.7
Aircraft liability	72,682	145,914	49.8
Liability for ships	694,773	529,871	131.1
General liability	6,574,571	5,618,316	117.0
Credit	793,486	584,669	135.7
Suretyship	262,793	179,896	146.1
Miscellaneous financial loss	925,433	3,257,056	28.4
Legal expenses	10,488	9,985	105.0
Assistance	19,339	14,097	137.2
Life	321,182	-152,757	410.3
Unit-linked life	92,677	108,950	85.1
Total	130,864,620	133,428,875	98.1

Net claims incurred[112]

Gross claims paid by geographical area

(€)	2017	2016	Index
Slovenia	28,634,946	26,870,199	106.6
International	54,890,503	58,295,393	94.2
Total	83,525,449	85,165,592	98.1

Net claims incurred

(€)	2017	2016	Index
Gross claims paid	83,525,449	85,165,592	98.1
Net claims paid	77,542,688	75,354,184	102.9
Change in the net provision for outstanding claims	1,041,278	6,427,381	16.2
Net claims incurred	78,583,967	81,781,565	96.1

Net claims incurred, excluding exchange differences

(€)	2017	2016	Index
Gross claims paid	83,525,449	85,165,592	98.1
Net claims paid	77,542,688	75,354,184	102.9
Change in the net provision for outstanding claims	7,250,466	5,067,276	143.1
Net claims incurred	84,793,155	80,421,460	105.4

Sava Re gross claims paid decreased by 1.9% in 2017. Gross claims paid relating to domestic business rose by 6.6% in 2017 compared to 2016 (slightly above premium growth at a still favourable loss ratio), while gross claims paid relating to international business fell by 5.8% (in 2016 they increased owing to payments for previous underwriting years).

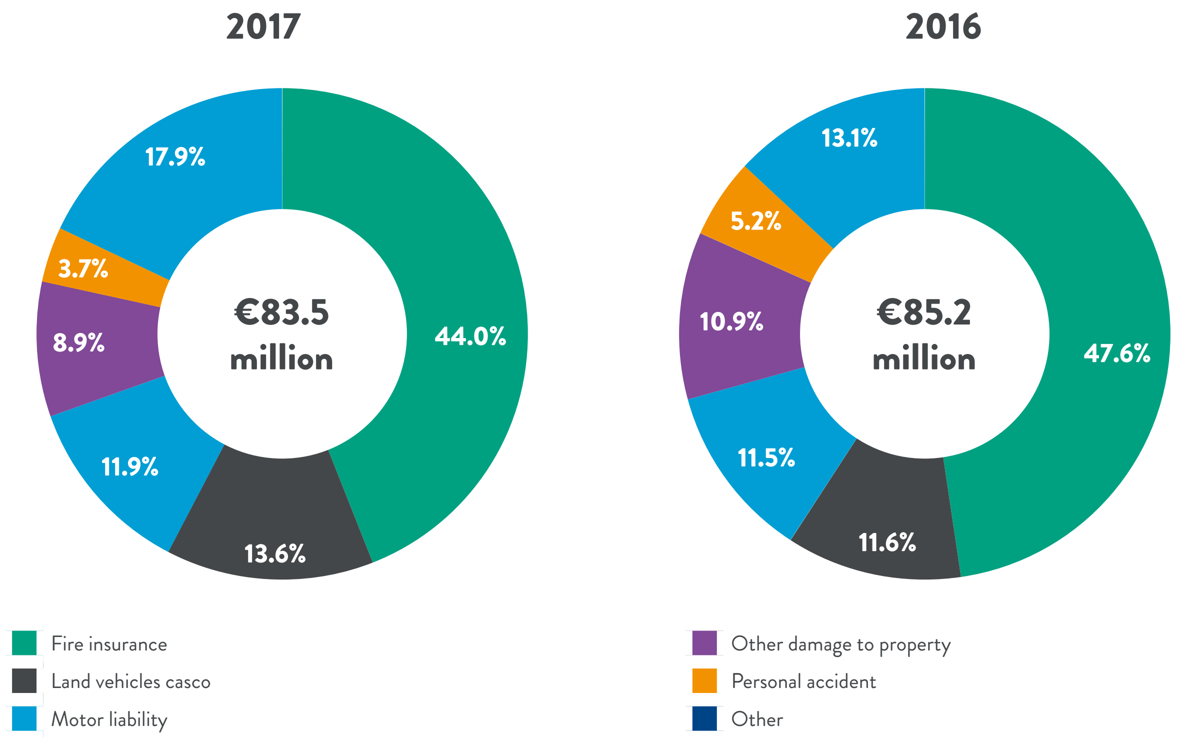
The change in the net claims provision was affected by exchange differences: these decreased the net claims provision by €6.4 million in 2017 (2016: increased by €1.4 million). Following is a note on the trend in provisions excluding exchange differences: the change in the net claims provision was larger in 2017 than in 2016. This increase in the amount of provisions is the result of a strengthening of provisions following new claims reported in 2017 (mining loss, collision of two ships near Shanghai, fire in Russia and others).

The 2017 net incurred loss ratio of Sava Re stood at 60.2%, an improvement by 1.2 p.p. over 2016. On excluding exchange differences, the ratio deteriorated by 4.8 p.p. as in 2017 the portfolio was subject to a challenging loss experience.

Fire claims remained the largest class of claims in 2017, albeit decreasing by 6.2 p.p. compared to 2016. Motor reinsurance business gained 3.0 p.p.

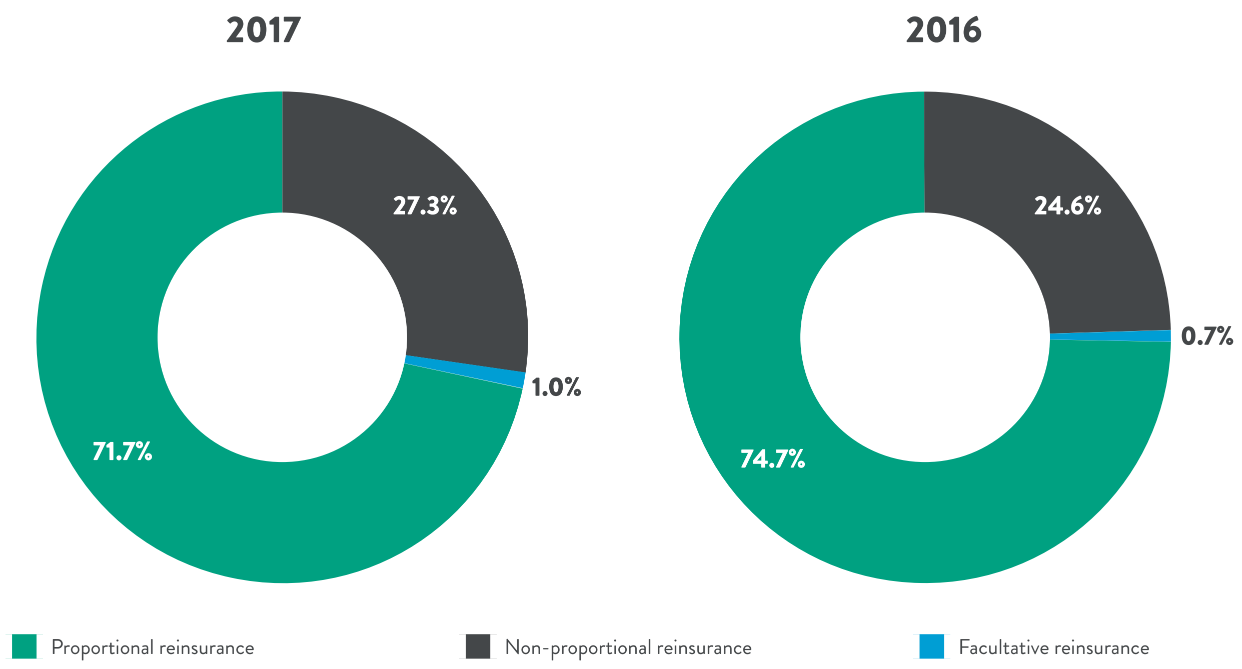
[112] GRI 201-2

Gross claims paid by class of business



The proportion of gross claims paid by form of reinsurance changed marginally: gross claims relating to proportional reinsurance business shrank by €3.7 million, while those relating to non-proportional reinsurance business rose by €1.8 million, largely due to claim payments for hurricane Irma, which hit the Caribbean in September 2017.

Gross claims paid by form of reinsurance



Net claims incurred by class of business

(€)	2017	2016	Index
Personal accident	2,394,364	3,952,571	60.6
Health	2,520,748	618,423	407.6
Land vehicles casco	10,624,022	10,566,432	100.5
Railway rolling stock	102,640	14,576	704.2
Aircraft hull	275,013	879,959	31.3
Ships hull	5,538,232	5,379,887	102.9
Goods in transit	2,846,093	2,315,388	122.9
Fire and natural forces	40,264,092	40,374,237	99.7
Other damage to property	5,698,517	5,283,733	107.9
Motor liability	5,343,270	7,713,839	69.3
Aircraft liability	-18,992	-68,685	172.3
Liability for ships	298,152	401,927	74.2
General liability	1,725,368	2,897,308	59.6
Credit	-201,658	-237,131	115.0
Suretyship	276,275	205,910	134.2
Miscellaneous financial loss	872,131	1,671,024	52.2
Legal expenses	874	2,379	36.7
Assistance	9,225	-1,714	738.2
Life	-21,342	-232,309	190.8
Unit-linked life	36,942	43,811	84.3
Total	**78,583,967**	**81,781,565**	**96.1**

Operating expenses

Operating expenses

(€)	2017	2016	Index
Acquisition costs	33,185,632	33,061,396	100.4
Change in deferred acquisition costs (+/-)	-880,778	3,598,331	224.5
Other operating expenses	10,808,271	10,629,248	101.7
Operating expenses	**43,113,125**	**47,288,975**	**91.2**
Income from reinsurance commission	-1,934,678	-2,813,943	131.2
Net operating expenses	**41,178,447**	**44,475,032**	**92.6**

In 2017 acquisition costs increased by 0.4% against a 3.9% growth in gross premiums written. The ratio of acquisition costs to gross premiums written increased by 0.7 p.p. year on year to 21.7%. In 2017 deferred acquisition costs increased compared to 2016 as a result of growth in proportional business from abroad. In 2016, deferred acquisition costs were €3.6 million lower due to the reduction for the amount of the estimated future sliding scale commission for Group cedants, but also reflecting weaker premium growth resulting in a smaller increase in acquisition costs in 2016 over 2015 compared to the increase in 2015 over 2014.

Compared to 2016, other operating expenses increased by 1.7% mainly due to growth in personnel costs, service costs relating to advertising to strengthen brand awareness, and amortisation costs for the higher software expenses. Expenses by nature are shown in note 31 to the financial statements.

The lower reinsurance commission income is primarily the result of reduced commission income generated by Sava Re on retrocessions relating to reinsurance programmes of Slovenian cedants. This effect relates to lower commissions from excess of loss reinsurance treaties: because of a benign claims development in 2016, Sava Re paid more commissions to its retrocessionaires.

Net investment income

The net investment income of the investment portfolio of Sava Re totalled €25.3 million in 2017 (2016: €27.7 million), of which €0.1 million related to financial investments, including investment property, and €26.1 million to investments in subsidiaries.

The realised net investment income also includes exchange gains relating to investments used by the Company for currency matching of its liabilities. However, the effect of exchange differences does not fully impact profit or loss since liabilities denominated in a foreign currency move in line with investments in that currency. For this reason, the net investment income and the investment return are also shown excluding foreign exchange differences. The total impact of exchange differences on the result is set out in the notes to the financial statements of the annual report, section 23.5.3.2.4 “Currency risk”.

Net investment income of the Sava Re investment portfolio

(€)	2017	2016	Absolute change	Index
Income relating to financial investments, including investment property	9,978,778	13,011,311	-3,032,533	76.7
Expenses relating to financial investments, including investment property	10,064,286	6,462,662	3,601,623	155.7
Net investment income relating to financial investments, including investment property	**-85,507**	**6,548,649**	**-6,634,156**	**-1.3**
Net investment income of financial investments in subsidiaries and associates	26,136,830	21,977,734	4,159,096	118.9
Net investment income of the investment portfolio	**26,051,323**	**28,526,382**	**-2,475,060**	**91.3**
Expenses relating to financial liabilities	718,338	841,834	-123,496	85.3
Net investment income relating to the investment portfolio, including finance expenses	**25,332,985**	**27,684,549**	**-2,351,564**	**91.5**
Net investment income of the investment portfolio, excluding exchange differences	**30,816,526**	**26,323,673**	**4,492,853**	**117.1**

After eliminating exchange differences, which do not fully affect profits, the net investment income of the investment portfolio totalled €30.8 million, an increase of €4.5 million over 2016. The net investment income deteriorated largely due to higher expenses relating to the investment portfolio. Detailed data are shown in the following table. In 2017 the Company recognised no impairment losses on its subsidiaries.

Income, expenses and the net inv. income relating to the Sava Re investment portfolio

(€)	2017	2016	Absolute change
INCOME			
Interest income	3,895,944	4,427,975	-532,031
Change in fair value and gains on disposal of FVPL assets	77,774	100,222	-22,448
Gains on disposal of other IFRS asset categories	1,227,175	676,088	551,087
Income of subsidiary and associate companies	26,136,830	26,308,516	-171,686
Income from dividends and shares – other investments	618,835	742,973	-124,138
Exchange gains	3,822,729	6,926,024	-3,103,295
Other income	336,322	138,030	198,291
Total income from the investment portfolio	**36,115,608**	**39,319,829**	**-3,204,220**
EXPENSES			
Interest expenses	718,338	841,834	-123,496
Change in fair value and losses on disposal of FVPL assets	76,271	205,693	-129,421
Losses on disposal of other IFRS asset categories	130,028	185,008	-54,980
Expenses of subsidiary and associate companies	0	4,330,782	-4,330,782
Impairment losses on investments	320,000	330,740	-10,740
Exchange losses	9,306,270	5,565,149	3,741,121
Other	231,716	176,072	55,644
Total expenses for the investment portfolio	**10,782,623**	**11,635,278**	**-852,655**
Net investment income of the investment portfolio	**25,332,985**	**27,684,551**	**-2,351,566**
Net investment income of the investment portfolio, excluding exchange differences	**30,816,526**	**26,323,673**	**4,492,853**
Return on the investment portfolio	**5.6%**	**6.0%**	**-0.4%**
Return on the investment portfolio, excluding exchange differences	**6.8%**	**5.8%**	**1.0%**

Income/expenses include income/expenses relating to investment property. These are shown in the income statement under other income/expenses.

The largest contribution to total 2017 income related to dividends received from the subsidiaries, totalling €26.1 million, slightly below the year-on-year figure. Compared to 2016, there was a minor rise in realised gains on the disposal of investments. Interest income and dividends from other investments were somewhat lower. In 2017 exchange gains of €3.8 million were realised (2016: €6.9 million).

Compared to 2016, investment portfolio expenses decreased by €0.9 million. In 2017 investment expenses were mainly comprised of exchange losses of €9.3 million (2016: €5.6 million) and interest expense of €0.7 million (31/12/2016: €0.8 million).

20.2 Financial position of Save Re

As at 31 December 2017, total assets of Sava Re stood at €580.9 million, an increase of 2.2% over year-end 2016. Below we set out items of assets and liabilities in excess of 5% of total assets as at 31 December 2017, or items that changed by more than 2% of equity.

20.2.1 Assets

Total assets by type

(€)	31/12/2017	As % of total 31/12/2017	31/12/2016	As % of total 31/12/2016
ASSETS	**580,886,180**	**100.0%**	**568,147,764**	**100.0%**
Intangible assets	807,011	0.1%	832,567	0.1%
Property and equipment	2,485,645	0.4%	7,753,202	1.4%
Deferred tax assets	1,238,826	0.2%	1,373,436	0.2%
Investment property	8,230,878	1.4%	3,122,076	0.5%
Financial investments in Group companies and associates	193,409,578	33.3%	191,640,382	33.7%
Financial investments	250,781,685	43.2%	249,948,775	44.0%
Reinsurers' share of technical provisions	20,073,571	3.5%	18,203,912	3.2%
Receivables	88,602,395	15.3%	79,836,627	14.1%
Deferred acquisition costs	7,778,499	1.3%	6,897,710	1.2%
Other assets	799,634	0.1%	549,258	0.1%
Cash and cash equivalents	6,678,458	1.1%	7,989,819	1.4%

20.2.1.1 Financial investments in subsidiaries and associates and other financial investments

The investment portfolio consists of the following statement of financial position items: financial investments, financial investments in subsidiaries, investment property and cash.

The investment portfolio of Sava Re totalled €459.1 million as at 31 December 2017 (31/12/2016: €452.7 million).

Sava Re investment portfolio by asset class

(€)	31/12/2017	31/12/2016	Absolute change	Index
Deposits	2,398,614	2,398,602	11	100.0
Government bonds	116,313,865	122,970,380	-6,656,515	94.6
Corporate bonds	108,365,328	101,722,168	6,643,160	106.5
Shares	10,399,227	9,798,315	600,912	106.1
Mutual funds	2,862,382	2,388,497	473,884	119.8
Loans granted and other investments	4,609,924	2,834,953	1,774,972	162.6
Deposits with cedants	5,832,346	7,835,859	-2,003,513	74.4
Total financial investments	**250,781,685**	**249,948,774**	**832,911**	**100.3**
Financial investments in subsidiaries	193,409,578	191,640,382	1,769,196	100.9
Investment property	8,230,878	3,122,076	5,108,801	263.6
Cash and cash equivalents	6,678,458	7,989,819	-1,311,360	83.6
Total investment portfolio	**459,100,599**	**452,701,051**	**6,399,548**	**101.4**

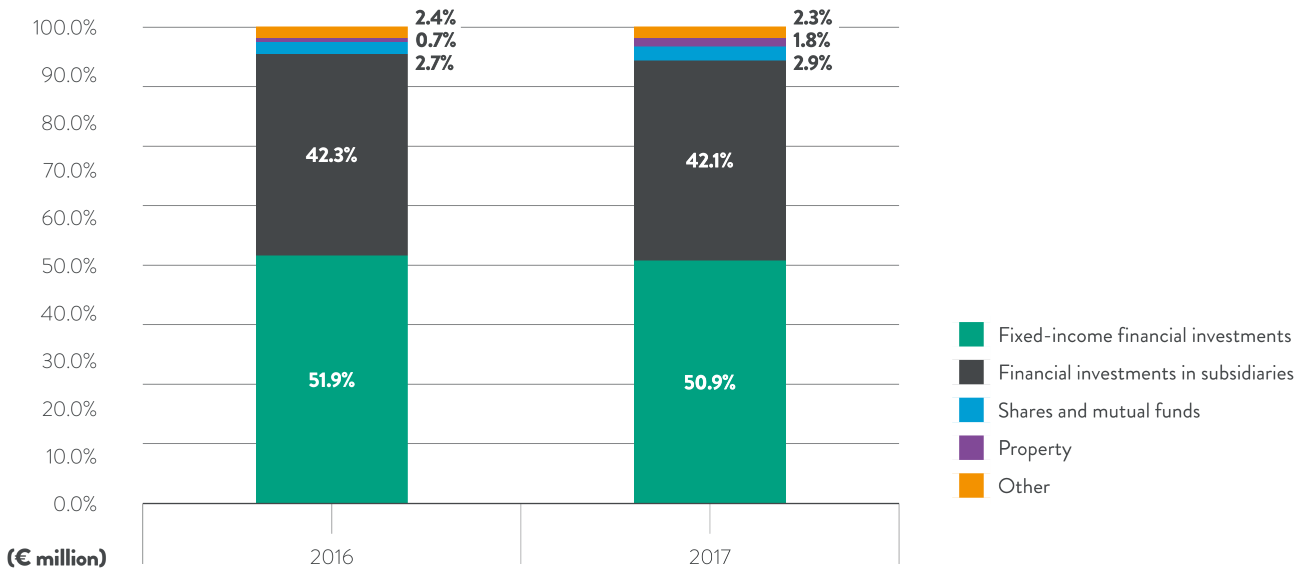
The investment portfolio grew by €6.4 million compared to 2016. The trend of the investment portfolio was mainly a result of the following factors:

- + dividends received from subsidiaries (€26.1 million),
- + positive cash flow from core business (€15.9 million),
- + change in accrued interest (€3.9 million),
- + reclassification of assets as investment property (€3.7 million),
- + gains on disposal of investments (€1.1 million),
- + dividend income from other investments (€0.6 million),
- + change in the fair value reserve (€0.02 million),
- + change in exchange differences (€5.5 million),
- – dividend payouts to shareholders (€12.4 million),
- – repayment of subordinated debt (€24.7 million),
- – impairment losses on investments (€0.3 million),
- – decline in deposits with cedants (€2.1 million).

The major part of the investment portfolio as at 31 December 2017 consisted of fixed-income financial investments, i.e. 50.9% (31/12/2016: 51.9%). The proportion of these in the structure of the investment portfolio dropped by 1.0 p.p. Following the reclassification of assets under management as investment property, their share of the investment portfolio increased by 1.1 p.p. Financial investments in subsidiaries, which accounted for 42.1% of the portfolio, remained on the same level as in 2016. The proportion of other asset classes remained broadly the same as at year-end 2016.

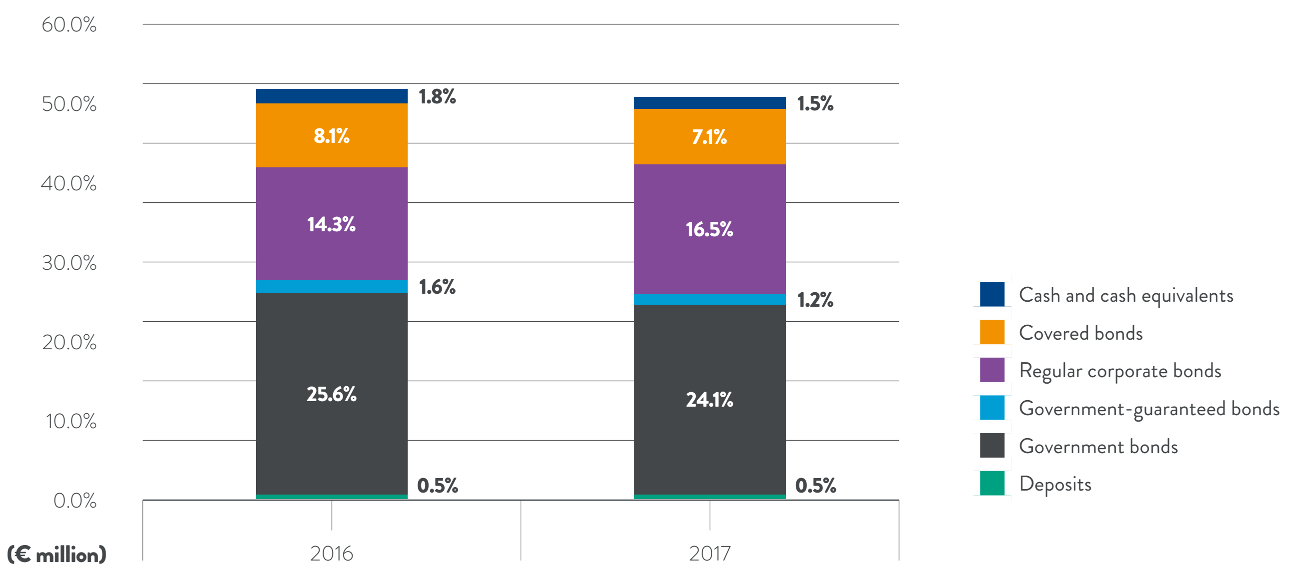
Following is an overview of the structure of the investment portfolio.

Composition of the investment portfolio



Following is a graph showing the structure of fixed-income investments.

Structure of fixed-income investments as part of the investment portfolio



In terms of the structure of fixed-income investments in 2017 relative to 2016, there was a decline in the proportions of government bonds, government guaranteed corporate bonds and covered bonds. This decline was due to the Company's reinvesting of maturing funds mainly in corporate bonds, the proportion of which rose by 2.2 p.p. The proportion of cash and cash equivalents was slightly lower than in 2016.

20.2.1.2 Receivables

Receivables recorded an increase of 11.0% or €8.8 million as at the end of 2017. Due to a change in the presentation of receivables from operating activities, receivables arising out of primary insurance business increased by €85.2 million. Had the change in the presentation of receivables for premiums arising out of reinsurance and co-insurance been made as at 31 December 2016, receivables arising out of primary insurance business would have totalled €75.7 million.

The disclosed increase in these receivables in 2017 compared to the previous year would have amounted to €9.5 million, primarily as the result of the growth in gross premiums written in international markets, which affected the total increase in this item. In the receivables ageing analysis, the largest increase was in not-past-due receivables arising out of primary insurance business, while there was a decline in past-due receivables up to 180 days.

20.2.2 Liabilities

Equity and liabilities by type

(€)	31/12/2017	As % of total 31/12/2017	31/12/2016	As % of total 31/12/2016
EQUITY AND LIABILITIES	**580,886,180**	**100.0%**	**568,147,764**	**100.0%**
Equity	**290,966,155**	**50.1%**	**270,355,622**	**47.6%**
Share capital	71,856,376	12.4%	71,856,376	12.6%
Capital reserves	54,239,757	9.3%	54,239,757	9.5%
Profit reserves	163,491,114	28.1%	147,004,019	25.9%
Treasury shares	-24,938,709	-4.3%	-24,938,709	-4.4%
Fair value reserve	3,804,764	0.7%	3,785,553	0.7%
Reserve due to fair value revaluation	13,524	0.0%	-1,765	0.0%
Retained earnings	6,012,233	1.0%	9,283,163	1.6%
Net profit/loss for the period	16,487,096	2.8%	9,127,228	1.6%
Subordinated liabilities	**0**	**0.0%**	**23,570,771**	**4.1%**
Technical provisions	**232,639,163**	**40.0%**	**226,207,479**	**39.8%**
Other provisions	**351,250**	**0.1%**	**331,802**	**0.1%**
Other financial liabilities	**91,182**	**0.0%**	**104,280**	**0.0%**
Liabilities from operating activities	**54,404,921**	**9.4%**	**43,797,970**	**7.7%**
Other liabilities	**2,433,509**	**0.4%**	**3,779,840**	**0.7%**

20.2.2.1 Equity

Equity is the largest item on the liabilities side, representing 50.1% of total equity and liabilities. Compared to 31 December 2016, equity increased by 7.6% or €20.6 million due to the following movements:

- the net profit for 2017 was €33.0 million (increase in equity);
- Sava Re paid out dividends in the amount of €12.4 million (decrease in equity).

20.2.2.2 Subordinated liabilities

Sava Re repaid its subordinated debt in 2017, which is why it had no subordinated liabilities as at the year end.

20.2.2.3 Technical provisions

Technical provisions, the second largest item on the liabilities side, increased by 2.8% or €6.4 million compared to 31 December 2016. The increase is a result of the 9.8% or €4.3 million growth in gross unearned premiums relating to international business owing to the growth in gross premiums written. The gross provision for unearned premiums increased by 1.2% or €2.1 million owing to larger international claims. The movement in technical provisions is discussed in detail in note 19 of the notes to the financial statements.

20.2.2.4 Liabilities from operating activities

Due to a change in the presentation of liabilities arising out of accepted business, liabilities from primary insurance business increased by €30.4 million. If the change in the presentation of liabilities had already been made on 31 December 2016, liabilities from primary insurance business would have totalled €40.3 million. The increase in these liabilities would thus amount to €10.8 million due to increased liabilities for payment of claims because of normal interim movements. These liabilities are not past due and are related to premium receivables on the assets side.

20.2.3 Other investments of Sava Re in the insurance industry

In addition to its investments in subsidiaries as at 31 December 2017, Sava Re held investments in other companies in the insurance industry.

Other investments of Sava Re in the insurance industry

	Holding (%) 31/12/2017
Slovenia	
Skupina prva, zavarovalniški holding, d.d.	4.04%
Zavarovalnica Triglav d.d.	0.73%
EU and other international	
Bosna reosiguranje, d.d., Sarajevo, Bosnia and Herzegovina	0.51%
Dunav Re, a.d.o., Belgrade, Serbia	1.12%

20.2.4 Capital structure

As at 31 December 2017, the Sava Re Group held €291.0 million of equity. The Company had no subordinated liabilities as it repaid its subordinated debt in 2017. Thus the Company was solely financed through equity as at the balance sheet date.

20.2.5 Cash flow

Net cash from operating activities of the Company in 2017 was €15.6 million (2016: €11.4 million), reflecting positive cash flow from core reinsurance business.

Net disbursements used in financing activities in 2017 totalled €38.9 million (2016: €28.1 million). In 2016, the level of net disbursements used in financing activities was mainly affected by the repayment of subordinated debt (€24.0 million) and dividend payouts (€12.4 million).

The movement in the net disbursement in financing activities is due to investing activities, however, the amount was also affected by the above factors.

20.3 Human resources management

20.3.1 Strategic guidelines for human resources management[113]

Sava Re follows the below strategic guidelines in human resources management:

- attracting and retaining the best talent;
- developing future leaders, functional expertise, and competent and responsible employees;
- providing effective leadership and employee motivation;
- organising work in a secure, diverse, and sustainable-oriented work environment; and
- promoting a modern corporate culture.

20.3.2 Key activities in human resources management[114]

In 2017 human resources management focused on the following activities:

- setting up a competence model, taking into account the features of a modern organisational culture for all levels of employees, and gradual integration of competences into human resources processes,
- analysing competencies of key personnel and
- setting up a system of management by objectives.

20.3.3 Recruitment and staffing levels

Recruitment is conducted in line with the adopted recruitment plan.

The Company builds its human resources on the following principles:

- attracting and retaining the best talent,
- proper induction of new employees and integration, and
- employee development in line with the needs of the Company and the Group.

[113] GRI 103-1, 103-2, 103-3
[114] GRI 103-1, 103-2, 103-3

Number of employees as at year-end[115]

Nine people joined the Company and eight left in 2017.

The new recruitments were made for financial operations, the office of the management board, technology and innovation, and corporate finance. We also employed one of our scholarship holders and one person in the modelling centre to substitute for an employee on maternity leave. In May, the supervisory board appointed a new chairman of the management board.

Eight persons left because of retirement, consensual termination of employment or intra-Group transfers.

Number of employees	31/12/2017	31/12/2016	Change 2017/2016
Total	103	102	1

Number of employees by type of employment (part-time, full-time) as at the year-end[116]

	2017		2016	
	Number	As % of total	Number	As % of total
Part-time	14	13.6	12	11.8
Full-time	89	86.4	90	88.2
Total	103	100.0	102	100.0

As at year-end 2017 the Company had 89 full-time employees (86.4%) and 14 part-time employees (13.6%). Most employees work on a full-time employment contract. Part-time employments comprise employees who are employed by two or more Sava Re Group companies. Additionally, part-time employment is offered to employees with statutory childcare rights.

Number of employees by type of contract as at year-end[117]

	2017		2016	
	Number	As % of total	Number	As % of total
Fixed-term contract	3	2.9	4	3.9
Unlimited contract	100	97.1	98	96.1
Total	103	100.0	102	100.0

As at year-end 2017 the Company had 100 employees under unlimited contracts (97.1%) and 3 employees under fixed-term contracts (2.9%). The proportion of persons employed under fixed-term contracts declined year on year.

[115] GRI 102-7
[116] GRI 102-8
[117] GRI 102-8

Employees covered by the collective bargaining agreement as at year-end[118]

	2017		2016	
	Number	As % of total	Number	As % of total
Employees covered by the collective bargaining agreement	67	65.0	66	64.7
Employees not covered by the collective bargaining agreement	36	35.0	36	35.3
Total	103	100.0	102	100.0

As at year-end 2017 the Company had 67 employees covered by the collective bargaining agreement (65.0%) and 36 not covered by the collective agreement (35.0%).

Employees by level of education as at year-end[119]

	2017		2016	
	Number	As % of total	Number	As % of total
Primary and lower secondary education	0	0.0	0	0.0
Secondary education	13	12.6	12	11.8
Higher education	4	3.9	5	4.9
University education	65	63.1	62	60.8
Master's degree and doctorate	21	20.4	23	22.5
Total	103	100.0	102	100

The largest group is staff with university education. The Company encourages employees to join formal education programmes.

Employees by age group as at year-end[120]

	2017		2016	
	Number	As % of total	Number	As % of total
20–25	1	1.0	2	2.0
26–30	12	11.7	10	9.8
31–35	10	9.7	16	15.7
36–40	21	20.4	22	21.6
41–45	25	24.3	23	22.5
46–50	17	16.5	16	15.7
51–55	10	9.7	5	4.9
56 and over	7	6.8	8	7.8
Total	103	100.0	102	100.0

The Company's average employee age increased slightly compared to the previous year and was 42.1 years (2016: 41.76 years).

The average age of members of the management board is 50.5.

[118] GRI 102-41
[119] GRI 102-8
[120] GRI 102-8

Employees by gender as at year-end[121]

	2017		2016	
	Number	As % of total	Number	As % of total
Women	59	57.3	62	60.8
Men	44	42.7	40	39.2
Total	103	100.0	102	100.0

The number of women is considerably larger than the number of men. They are represented at all levels of management and in all professional areas. The share of men marginally increased in 2017 following the latest recruitments. The four-member management board is composed of one woman and three men.

The basic salaries of women are the same as the basic salaries of men in all employee categories[122].

Employees by years of service as at year-end

	2017		2016	
	Number	As % of total	Number	As % of total
0–5 years	41	39.8	41	40.2
5–10 years	32	31.1	32	31.4
10–15 years	14	13.6	11	10.8
15–20 years	8	7.8	9	8.8
20–30 years	6	5.8	6	5.9
Over 30 years	2	1.9	3	2.9
Total	103	100.0	102	100.0

The high proportion of employees in the first two categories, based on seniority in the Company, is attributed to recruitment from 2009 onwards. The number of employees with over 20 years seniority declined as a result of recent retirements, which reduced the number of employees with long seniority.

Absenteeism rate[123]

	2017	2016	
	Number	Number	Difference
Number of working days lost	679	739	-60.0
Average number of employees	100	99	1.4
Number of working days per year	249	252	-3.0
Absenteeism rate (%)	2.7%	3.0%	-0.3 p.p

Absenteeism is calculated as the number of lost workdays due to absences divided by the product of the average number of employees multiplied by the average number of workdays during the period multiplied by 100. The 2017 rate of absenteeism declined by 0.247 p.p. compared to the previous year, to 2.7%. We believe that the decline in the rate of absenteeism in 2017 may reflect the good working conditions and health promotion activities offered by the Company.

[121] GRI 102-8, 405-1
[122] GRI 405-2
[123] GRI 403-2

Number of work-related injuries and working days so lost[124]

	2017	2016	2015	Index 2017/2016	Index 2016/2015
Number of injuries	0	1	1	0.0	100.0
Number of working days lost	0	14	1	0.0	1,400.0
Number of working hours lost	0	70	8	0.0	875.0

There were no work-related injuries reported in 2017.

Employee turnover rate[125]

Employee turnover rate

	2017	2016	
	Number	Number	Difference
Number of employees who left	8	9	-1.0
Number of employees as at year-end	103	102	1.0
Employee turnover rate (%)	7.8%	8.8%	-1.0 p.p.

Employee turnover rate is measured using the number of employees who left relative to the total number of employees remaining as at the last day of the year. In 2017 the turnover rate decreased by 1.0 p.p. year on year to 8.8%.

Overview of employee arrivals and departures by gender in current year

Year 2017	Arrivals		Departures	
Gender	Number	As % of total	Number	As % of total
Women	1	11.1	4	50.0
Men	8	88.9	4	50.0
Total	9	100.0	8	100.0

In 2017, the Company recruited 9 employees, of which eight men and one woman. On the other hand, eight employees left in 2017, of which four women and four men.

[124] GRI 403-2
[125] GRI 401-1

Overview of employee arrivals and departures by age in current year

Year 2017	Arrivals		Departures	
Age group	Number	As % of total	Number	As % of total
20–25	2	22.2	0	0.0
26–30	1	11.1	1	12.5
31–35	0	0.0	1	12.5
36–40	2	22.2	1	12.5
41–45	1	11.1	2	25.0
46–50	2	22.2	0	0.0
51–55	1	11.1	1	12.5
56 and over	0	0.0	2	25.0
Total	9	100.0	8	100.0

In 2017 both arrivals and departures were from nearly all age groups.

20.3.4 Employee training and development[126]

The Company encourages the development of competence and responsibility in its employees. Employees are encouraged to join education and training programmes in accordance with the needs of the workplace as well as their personal and career development.

In 2017 we placed great emphasis on analysing and developing key personnel in leadership competencies.

We encourage the recruitment of young high-potential people. In order to prepare new employees for their new role quickly and efficiently, the Company prepares programmes for internships and probationary periods. During these periods, new employees are placed in the care of a mentor and a leader.

We also encourage knowledge transfer among employees in the Sava Re Group. To this end, Sava Re organised the following events in 2017: internal audit workshop, IT workshop, seminar in finance, accounting, controlling, actuarial function, seminar in HR management and risk management, and a marketing and public relations conference.

Traditionally, the Group organises two strategic conferences to encourage the Group-wide transfer of best practices in governance and management. This year's topics centred on inter-personal communication, key development focus areas, new technologies, the digital revolution in the insurance industry, brand strength, internal culture, and team leadership.

Key data on employee training[127]

Year	2017	2016	2015	Index 2017/2016	Index 2016/2015
Number of education/training hours	1,948	1,653	2,390	117.8	69.2
Number of education/training attendees	77	66	97	116.7	68.0

[126] GRI 103-1, 103-2, 103-3
[127] GRI 404-1

Employees participate in domestic and foreign business and professional conferences and training events. In 2017, we carried out a considerable number of group training in foreign languages, the use of computer applications and personal growth. A total of 77 employees took part in training events. In total this amounts to 1,948 training hours.

Average hours of training per employee[128]

	2017		
Gender	Number	Number of training hours	Average
Women	43	1,253	29.1
Men	34	695	20.4
Total	77	1,948	25.3

Training events were attended by some more women than men. Women attended significantly more training hours than men.

20.3.5 Management and motivation[129]

We encourage a positive working climate by effective leadership and motivation of employees, effective organisation of work and the involvement of employees in a number of projects.

20.3.5.1 Annual performance appraisal interviews[130]

The Company has in place a system of annual performance appraisal interviews. The annual performance assessment interview process covers all employees. These regular annual interviews are opportunities for leaders and employees to discuss achieved and planned objectives; realised and planned activities; realised and required education and training; and other plans.

We started setting up a system of management by objectives and revised the annual interview process in 2017.

20.3.5.2 Health and safety at work[131]

Activities of health and safety at work involve all employees, management, human resources, an approved medical examiner and another external authorised service provider.

Employees are regularly referred to periodic health checks and undergo regular training in health and safety at work in accordance with applicable laws and internal acts.

In 2017 we organised weekly fruit deliveries for employees.

The Company's holiday facilities in Bohinj and Cres are available for employees to use.

20.3.5.3 Other[132]

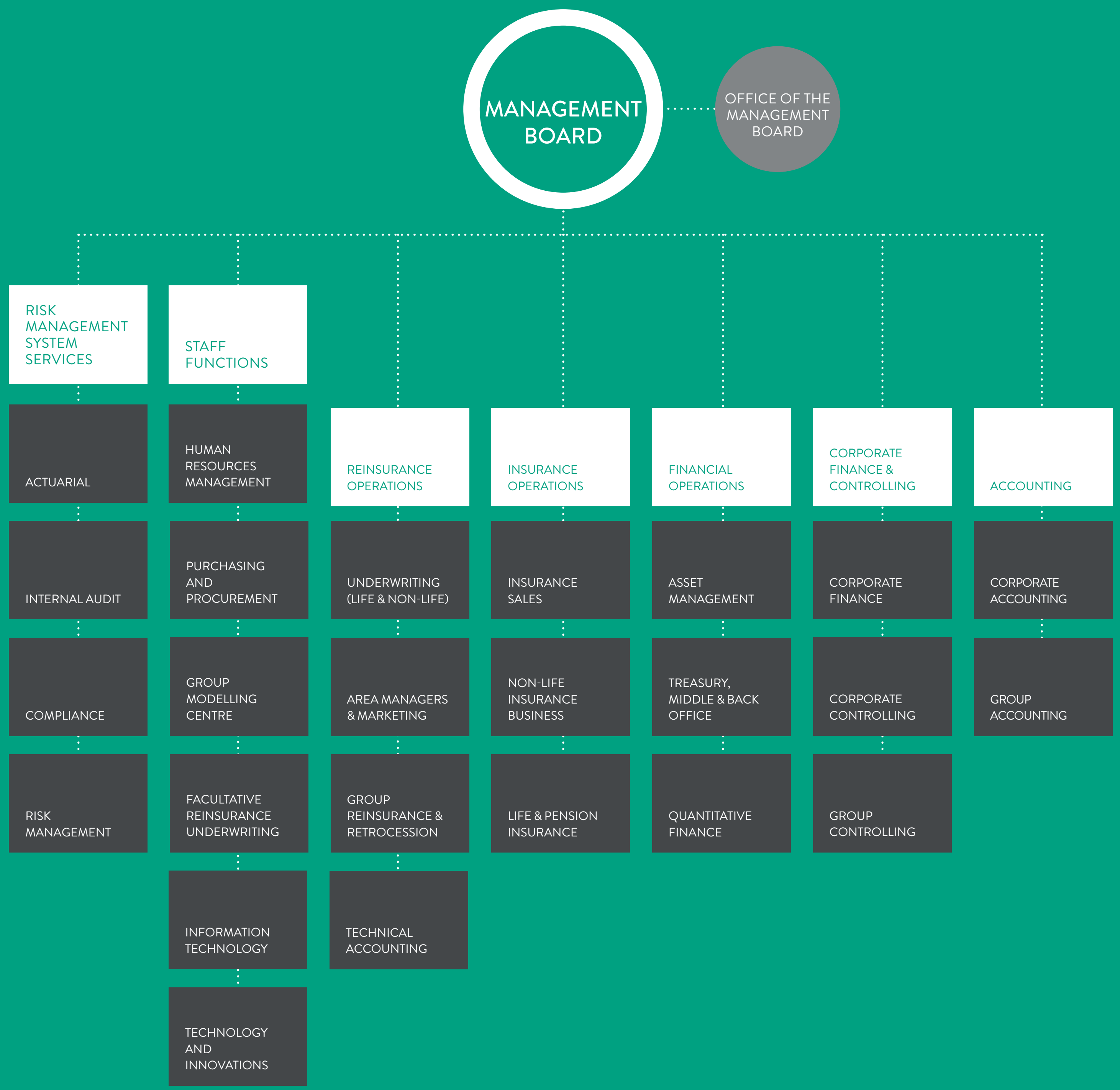
Sava Re closely cooperated with two workers' organisations in the Company, the workers' council and the union. In 2017, the cooperation was regarding the amendments to the Company's internal acts.

All-staff meetings are an important source of information for employees, where the management board presents results of operations, plans for the current period and the development strategy of the Company and the Group.

The culture of cooperation and integration is strengthened in corporate events, training and various social events. This year again, employees participated in voluntary activities as part of Sava Re Day.

[128] GRI 404-1
[129] GRI 103-1, 103-2, 103-3
[130] GRI 404-3
[131] GRI 103-1, 103-2, 103-3
[132] GRI 103-1, 103-2, 103-3

Organisational chart of Sava Re as at 31 December 2017[133]



[133] GRI 102-18

20.4 Sava Re risk management[134]

The organisation, process of risk management as well as the risk management policy of Sava Re is described in the business report of the Sava Re Group, section 11 "Risk management".

20.5 Internal audit

The organisation of internal auditing in 2017 is described in the business report of the Sava Re Group, section 12 "Operation of the internal audit".

20.6 Business processes and IT support

In 2017, Sava Re continued with the development of the REvolve application for the support of reinsurance operations. Development mainly related to supporting payment transactions and expanding and optimising the reinsurance contract module. We will continue upgrading and developing REvolve with modules that have already been planned in line with the needs of the business process. In connection with REvolve, we prepared a new data warehouse for reinsurance accounts to replace the current technologically outdated solution once it has been tested in 2018.

Furthermore, we implemented the PACE tool in 2016 intended for catastrophe modelling used in reinsurance underwriting and pricing. PACE was in test use in the second quarter of 2017, but was prepared for production use at the end of 2017 so it could be used in the reinsurance treaty renewals for 2018.

Among other things, some smaller applications were further developed, especially the risk register.

[134] GRI 102-11

20.7 Sava Re performance indicators[135]

Development of gross premiums written

(€)	2017	2016	Index
	1	2	1/2
Personal accident	5,391,534	5,459,215	98.8
Health	3,244,210	439,435	738.3
Land vehicles casco	17,966,660	16,046,517	112.0
Railway rolling stock	211,981	111,896	189.4
Aircraft hull	12,326	847,304	1.5
Ships hull	5,542,664	3,400,041	163.0
Goods in transit	5,234,561	5,217,065	100.3
Fire insurance	70,920,629	71,576,193	99.1
Other damage to property	18,222,571	21,299,464	85.6
Motor liability	14,484,378	12,460,725	116.2
Aircraft liability	139,060	56,730	245.1
Liability for ships	723,250	515,436	140.3
General liability	7,554,812	6,302,548	119.9
Credit	980,196	918,053	106.8
Suretyship	242,199	209,725	115.5
Miscellaneous financial loss	1,509,279	2,135,991	70.7
Legal expenses	10,118	10,532	96.1
Assistance	19,355	15,573	124.3
Life	489,010	145,900	335.2
Unit-linked life	320,960	258,549	124.1
Total non-life	**152,409,782**	**147,022,444**	**103.7**
Total life	**809,970**	**404,449**	**200.3**
Total	**153,219,752**	**147,426,893**	**103.9**

Net premiums written as percentage of gross premiums written

(€, except percentages)	Gross written premiums	Net premiums written	2017	2016
	1	2	2/1	
Personal accident	5,391,534	5,354,717	99.3%	99.2%
Health	3,244,210	3,244,210	100.0%	100.0%
Land vehicles casco	17,966,660	16,768,862	93.3%	93.0%
Railway rolling stock	211,981	207,733	98.0%	100.0%
Aircraft hull	12,326	4,431	36.0%	100.0%
Ships hull	5,542,664	5,195,179	93.7%	95.3%
Goods in transit	5,234,561	4,975,020	95.0%	94.8%
Fire insurance	70,920,629	59,869,842	84.4%	85.5%
Other damage to property	18,222,571	14,559,708	79.9%	84.7%
Motor liability	14,484,378	13,952,624	96.3%	95.8%
Aircraft liability	139,060	89,890	64.6%	0.7%
Liability for ships	723,250	713,318	98.6%	98.8%
General liability	7,554,812	6,690,295	88.6%	92.4%
Credit	980,196	980,196	100.0%	100.0%
Suretyship	242,199	242,199	100.0%	100.0%
Miscellaneous financial loss	1,509,279	985,451	65.3%	78.2%
Legal expenses	10,118	10,118	100.0%	100.0%
Assistance	19,355	19,355	100.0%	100.0%
Life	489,010	245,043	50.1%	-331.5%
Unit-linked life	320,960	204,250	63.6%	42.1%
Total non-life	**152,409,782**	**133,863,145**	**87.8%**	**88.6%**
Total life	**809,970**	**449,293**	**55.5%**	**-92.7%**
Total	**153,219,752**	**134,312,438**	**87.7%**	**88.1%**

[135] Performance indicators are given pursuant to the Decision on the annual report and quarterly financial statements of insurance companies (Official Gazette of the Republic of Slovenia, nos. 1/2016, 85/2016).

Development of gross claims paid

(€)	2017	2016	Index
	1	2	1/2
Personal accident	3,061,325	4,442,592	68.9
Health	2,763,819	310,753	889.4
Land vehicles casco	11,373,214	9,866,898	115.3
Railway rolling stock	91,017	13,970	651.5
Aircraft hull	36,632	251,644	14.6
Ships hull	4,884,260	2,183,806	223.7
Goods in transit	3,327,197	3,299,750	100.8
Fire insurance	36,760,277	40,569,708	90.6
Other damage to property	7,433,803	9,805,823	75.8
Motor liability	9,948,883	9,323,574	106.7
Aircraft liability	35,450	43,436	81.6
Liability for ships	374,664	112,462	333.1
General liability	1,873,500	1,521,495	123.1
Credit	-184,069	-259,264	71.0
Suretyship	175,757	90,499	194.2
Miscellaneous financial loss	1,297,317	2,910,701	44.6
Legal expenses	1,165	649	179.5
Assistance	9,258	70	13,225.7
Life	129,004	550,715	23.4
Unit-linked life	132,977	126,311	105.3
Total non-life	**83,263,468**	**84,488,566**	**98.5**
Total life	**261,981**	**677,026**	**38.7**
Total	**83,525,449**	**85,165,592**	**98.1**

Loss ratios

(€, except percentages)	Gross written premiums	Gross claims paid	2017	2016
	1	2	2/1	
Personal accident	5,391,534	3,061,325	56.8%	81.4%
Health	3,244,210	2,763,819	85.2%	70.7%
Land vehicles casco	17,966,660	11,373,214	63.3%	61.5%
Railway rolling stock	211,981	91,017	42.9%	12.5%
Aircraft hull	12,326	36,632	297.2%	29.7%
Ships hull	5,542,664	4,884,260	88.1%	64.2%
Goods in transit	5,234,561	3,327,197	63.6%	63.2%
Fire insurance	70,920,629	36,760,277	51.8%	56.7%
Other damage to property	18,222,571	7,433,803	40.8%	46.0%
Motor liability	14,484,378	9,948,883	68.7%	74.8%
Aircraft liability	139,060	35,450	25.5%	76.6%
Liability for ships	723,250	374,664	51.8%	21.8%
General liability	7,554,812	1,873,500	24.8%	24.1%
Credit	980,196	-184,069	-18.8%	-28.2%
Suretyship	242,199	175,757	72.6%	43.2%
Miscellaneous financial loss	1,509,279	1,297,317	86.0%	136.3%
Legal expenses	10,118	1,165	11.5%	6.2%
Assistance	19,355	9,258	47.8%	0.5%
Life	489,010	129,004	26.4%	377.5%
Unit-linked life	320,960	132,977	41.4%	48.9%
Total non-life	**152,409,782**	**83,263,468**	**54.6%**	**57.5%**
Total life	**809,970**	**261,981**	**32.3%**	**167.4%**
Total	**153,219,752**	**83,525,449**	**54.5%**	**57.8%**

Administrative expenses as percentage of gross premiums written (€)

(€, except percentages)	Gross written premiums	Operating expenses*	2017	2016
	1	2	2/1	
Personal accident	5,391,534	1,597,207	29.6%	39.2%
Health	3,244,210	1,125,522	34.7%	41.6%
Land vehicles casco	17,966,660	4,003,683	22.3%	27.9%
Railway rolling stock	211,981	30,354	14.3%	17.7%
Aircraft hull	12,326	62,611	508.0%	20.6%
Ships hull	5,542,664	1,280,343	23.1%	30.9%
Goods in transit	5,234,561	1,238,349	23.7%	26.6%
Fire insurance	70,920,629	17,725,823	25.0%	27.7%
Other damage to property	18,222,571	4,561,611	25.0%	29.7%
Motor liability	14,484,378	3,665,317	25.3%	32.5%
Aircraft liability	139,060	23,468	16.9%	-8.4%
Liability for ships	723,250	164,980	22.8%	32.7%
General liability	7,554,812	1,959,849	25.9%	27.5%
Credit	980,196	255,951	26.1%	21.5%
Suretyship	242,199	76,766	31.7%	29.2%
Miscellaneous financial loss	1,509,279	404,588	26.8%	26.8%
Legal expenses	10,118	4,092	40.4%	52.5%
Assistance	19,355	3,556	18.4%	18.8%
Life	489,010	114,268	23.4%	109.8%
Unit-linked life	320,960	69,975	21.8%	18.0%
Total non-life	**152,409,782**	**38,184,071**	**25.1%**	**28.8%**
Total life	**809,970**	**184,243**	**22.7%**	**51.2%**
Total	**153,219,752**	**38,368,315**	**25.0%**	**28.9%**

* Included are only the operating expenses relating to reinsurance operations (excluding administrative expenses relating to the Group).

Acquisition costs (commission) as percentage of gross premiums written (€)

(€, except percentages)	Gross written premiums	Acquisition costs	2017	2016
	1	2	2/1	
Personal accident	5,391,534	1,268,720	23.5%	23.1%
Health	3,244,210	1,067,545	32.9%	28.3%
Land vehicles casco	17,966,660	3,733,175	20.8%	20.8%
Railway rolling stock	211,981	28,389	13.4%	10.1%
Aircraft hull	12,326	1,064	8.6%	16.0%
Ships hull	5,542,664	1,299,980	23.5%	23.1%
Goods in transit	5,234,561	1,060,298	20.3%	19.6%
Fire insurance	70,920,629	15,324,674	21.6%	23.5%
Other damage to property	18,222,571	3,602,661	19.8%	22.2%
Motor liability	14,484,378	3,171,810	21.9%	22.0%
Aircraft liability	139,060	18,491	13.3%	-39.6%
Liability for ships	723,250	156,368	21.6%	23.0%
General liability	7,554,812	1,672,985	22.1%	20.3%
Credit	980,196	238,109	24.3%	25.1%
Suretyship	242,199	64,591	26.7%	23.2%
Miscellaneous financial loss	1,509,279	314,208	20.8%	14.6%
Legal expenses	10,118	3,698	36.6%	46.8%
Assistance	19,355	1,779	9.2%	9.8%
Life	489,010	94,737	19.4%	34.8%
Unit-linked life	320,960	62,350	19.4%	14.1%
Total non-life	**152,409,782**	**33,028,545**	**21.7%**	**22.4%**
Total life	**809,970**	**157,087**	**19.4%**	**21.6%**
Total	**153,219,752**	**33,185,632**	**21.7%**	**22.4%**

Net paid loss ratio

(€, except percentages)	Net premiums earned	Net claims incurred	2017	2016
	1	2	2/1	
Personal accident	5,564,197	2,394,364	43.0%	62.7%
Health	3,262,263	2,520,748	77.3%	86.8%
Land vehicles casco	15,130,829	10,624,022	70.2%	73.0%
Railway rolling stock	191,209	102,640	53.7%	16.1%
Aircraft hull	120,235	275,013	228.7%	106.0%
Ships hull	4,772,144	5,538,232	116.1%	154.0%
Goods in transit	4,645,256	2,846,093	61.3%	45.5%
Fire insurance	59,298,561	40,264,092	67.9%	66.3%
Other damage to property	14,956,358	5,698,517	38.1%	27.4%
Motor liability	13,156,142	5,343,270	40.6%	64.3%
Aircraft liability	72,682	-18,992	-26.1%	-47.1%
Liability for ships	694,773	298,152	42.9%	75.9%
General liability	6,574,571	1,725,368	26.2%	51.6%
Credit	793,486	-201,658	-25.4%	-40.6%
Suretyship	262,793	276,275	105.1%	114.5%
Miscellaneous financial loss	925,433	872,131	94.2%	51.3%
Legal expenses	10,488	874	8.3%	23.8%
Assistance	19,339	9,225	47.7%	-12.2%
Life	321,182	-21,342	-6.6%	152.1%
Unit-linked life	92,677	36,942	39.9%	40.2%
Total non-life	130,450,761	78,568,367	60.2%	61.4%
Total life	413,858	15,600	3.8%	430.3%
Total	130,864,620	78,583,967	60.0%	61.3%

Combined loss ratio for non-life insurance business (€)

Net claims incurred	Administrative expenses	Net premiums earned	2017	2016
1	2	3	(1+2)/3	
78,568,367	10,808,271	130,450,762	68.5%	69.4%

Net investment income as percentage of average investments

(v EUR)	Average investments	Investment income	Investment expenses	Investment return 1-12/2017	Net investment income 1-12 2016
Non-life insurance register	224,661,874	9,035,191	9,722,233	-0.3%	2.5%
Capital fund	223,904,813	27,080,419	1,060,390	11.6%	9.5%
Total	448,566,687	36,115,610	10,782,623	5.6%	6.2%

Net provisions for outstanding claims as percentage of net earned premiums

(€, except percentages)	Net provision for outstanding claims	Net premiums earned	2017	2016
	1	2	1/2	
Personal accident	7,813,550	5,564,197	140.4%	134.4%
Health	344,597	3,262,263	10.6%	82.5%
Land vehicles casco	6,172,643	15,130,829	40.8%	42.9%
Railway rolling stock	12,233	191,209	6.4%	0.7%
Aircraft hull	1,375,774	120,235	1144.2%	137.0%
Ships hull	8,742,755	4,772,144	183.2%	231.5%
Goods in transit	5,552,157	4,645,256	119.5%	118.6%
Fire insurance	75,268,357	59,298,561	126.9%	112.2%
Other damage to property	15,527,330	14,956,358	103.8%	85.4%
Motor liability	30,909,760	13,156,142	234.9%	292.3%
Aircraft liability	57,209	72,682	78.7%	48.8%
Liability for ships	528,985	694,773	76.1%	114.3%
General liability	13,964,846	6,574,571	212.4%	251.1%
Credit	376,244	793,486	47.4%	67.4%
Suretyship	497,824	262,793	189.4%	220.9%
Miscellaneous financial loss	313,679	925,433	33.9%	10.8%
Legal expenses	2,229	10,488	21.3%	25.2%
Assistance	542	19,339	2.8%	4.1%
Life	213,386	321,182	66.4%	-198.8%
Unit-linked life	35,506	92,677	38.3%	61.1%
Total non-life	167,460,715	130,450,761	128.4%	124.6%
Total life	248,892	413,858	60.1%	-845.1%
Total	167,709,608	130,864,620	128.2%	124.9%

Gross profit/loss for the period as percentage of net premiums written (€)

Gross profit/loss	Net premiums written	2017	2016
1	2	1/2	
34,763,864	134,312,438	25.9%	26.9%

Gross profit/loss for the period as percentage of average equity (€)

Gross profit/loss	Average equity	2017	2016
1	2	1/2	
34,763,864	280,660,889	12.4%	13.1%

Gross profit/loss for the period as percentage of average assets (€)

Gross profit/loss	Average assets	2017	2016
1	2	1/2	
34,763,864	574,516,972	6.1%	6.1%

Gross profit/loss for the period per share (€)

Gross profit/loss	No. of shares	2017	2016
1	2	1/2	
34,763,864	17,219,662	2.02	2.03

Receivables arising out of reinsurance business and reinsurers' share of technical provisions as percentage of equity (€)

Receivables arising out of reinsurance business	Reinsurers' share of technical provisions	Equity	2017	2016
1	2	3	(1+2)/3	
3,202,926	20,073,571	290,966,155	8.0%	36.2%

* In 2017 a change was made in the presentation of receivables. If the change had already been made in 2016, the ratio for 2016 would have stood at 8.2%.

Net premiums written as percentage of average equity and average technical provisions (€)

Net premiums written	Average equity	Average technical provisions	2017	2016
1	2	3	1/(2+3)	
134,312,438	280,660,889	229,423,321	26.3%	26.5%

Average technical provisions as percentage of net earned premiums (€)

Average net technical provisions	Net premiums earned	2017	2016
1	2	1/2	
210,284,580	130,864,621	160.7%	154.7%

Equity as percentage of liabilities and equity (€)

Equity	Liabilities and equity	2017	2016
1	2	1/2	
290,966,155	580,886,180	50.1%	47.6%

Net technical provisions as percentage of liabilities and equity (€)

Net technical provisions	Liabilities and equity	2017	2016
1	2	1/2	
212,565,592	580,886,180	36.6%	36.6%

Gross premiums written per employee (€)

Gross written premiums	Number of employees in regular employment	2017	2016
1	2	1/2	
153,219,752	96.50	1,587,769	1,558,836

SAVA RE FINANCIAL STATEMENTS WITH NOTES

Jernej R. and Tanja G.

REFLECTING SPORTING SPIRIT

We firmly believe in establishing ties at all levels – from the recreational to the professional. That is why we passionately support team sports, team endeavours and healthy lifestyles.

€2.1 million in sponsorships in 2017:

82.9% for sponsorships in sports;
17.1% in other areas.

21 AUDITOR'S REPORT

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pozavarovalnica Sava, d.d.

Opinion

We have audited the financial statements of Pozavarovalnica Sava, d.d. ("the Company"), which comprise the statement of financial position as at 31 December 2017, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pozavarovalnica Sava, d.d. as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Estimations concerning premium recognition, technical provisions, reinsurance assets and liabilities

Technical provisions of the Company consist solely of provisions related to reinsurance business. Part of those provisions are related to estimates based on input data received from cedants, underwriters' assumptions and historical data developed internally by the Company. The Company estimates claims provision for business outside the Sava Re Group, taking into account expected premiums and expected combined ratios.

Those estimates also influence other significant areas within the financial statements, such as gross premium income, commission and premium receivables. Premium estimates are made based on expected premiums from reinsurance contracts which, according to due dates, are already in force, although the Company has yet to receive reinsurance accounts.

The Company prepares back testing analyses to assess correctness of previous period assumption and builds projections on experience.

Additionally, incurred but not reported ("IBNR") provisions are calculated independently by the Company to confirm reasonability of ceded amounts, using development triangles of cumulative claim payments by underwriting year.

There is a risk that the estimates and judgements made by the underwriters and the actuary may result in a material misstatement in the financial statements. We determined this to be a significant item for our audit and a key audit matter.

We involved actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material and more complex and/or requiring significant judgement in setting of assumptions.

We assessed the design and verified the operating effectiveness of internal controls over the estimation process including the initial input of the data in the model based on reinsurance contracts as well as the later update of assumptions based on current information from cedants.

We reviewed the methodology and assumptions used by the Company to establish its IBNR provisions and performed recalculation of Company IBNR provisions. We reviewed the methodology used by the Company to calculate claim provisions established by estimation using actuarial methods.

We performed detailed analytical procedures on estimates relating to premiums, commissions and technical provisions and assessed the experience (back testing) analyses performed by the Company in their assumption setting processes. We tested on a sample basis whether the input data in the model for recalculation of estimates is accurate and complete. We assessed the adequacy of the disclosures included in notes 23.2.19 and 23.6.19 of the financial statements.

Other information

Other information comprises the information included in the annual report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in

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accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, supervisory board and audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee and supervisory board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

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• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the audit committee and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Company on 28 October 2016 based on our approval by the General Meeting of Shareholders of the Company on 30 August 2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 5 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 27 March 2018.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services were provided by us to the Company and its controlled undertakings.

Ljubljana, 28 March 2018

Jnez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Nena Cvetkovska
Certified auditor

22 FINANCIAL STATEMENTS

22.1 Statement of financial position

(€)	Notes	31/12/2017	31/12/2016
ASSETS		**580,886,180**	**568,147,764**
Intangible assets	1	**807,011**	**832,567**
Property and equipment	2	**2,485,645**	**7,753,202**
Deferred tax assets	3	**1,238,826**	**1,373,436**
Investment property	4	**8,230,878**	**3,122,076**
Financial investments in subsidiaries and associates	5	**193,409,578**	**191,640,382**
Financial investments:	6	**250,781,685**	**249,948,775**
- loans and deposits		12,840,885	13,069,414
- held to maturity		2,075,111	2,074,813
- available for sale		235,456,116	233,517,137
- at fair value through profit or loss		409,573	1,287,411
Reinsurers' share of technical provisions	7	**20,073,571**	**18,203,912**
Receivables	8	**88,602,395**	**79,836,627**
Receivables arising out of primary insurance business		85,167,822	0
Receivables arising out of co-insurance and reinsurance business		3,202,926	79,603,551
Other receivables		231,647	233,076
Deferred acquisition costs	9	**7,778,499**	**6,897,710**
Other assets	10	**799,634**	**549,258**
Cash and cash equivalents	11	**6,678,458**	**7,989,819**

(€)	Notes	31/12/2017	31/12/2016
EQUITY AND LIABILITIES		**580,886,180**	**568,147,764**
Equity		**290,966,155**	**270,355,622**
Share capital	12	71,856,376	71,856,376
Capital reserves	13	54,239,757	54,239,757
Profit reserves	14	163,491,114	147,004,019
Treasury shares	15	-24,938,709	-24,938,709
Fair value reserve	16	3,804,764	3,785,553
Reserve due to fair value revaluation		13,524	-1,765
Retained earnings	17	6,012,233	9,283,163
Net profit or loss for the period	17	16,487,096	9,127,228
Subordinated liabilities	18	**0**	**23,570,771**
Technical provisions	19	**232,639,163**	**226,207,479**
Unearned premiums		47,602,457	43,345,415
Provision for outstanding claims		184,269,492	182,167,780
Other technical provisions		767,214	694,284
Other provisions	20	**351,250**	**331,802**
Other financial liabilities	10	**91,182**	**104,280**
Liabilities from operating activities	21	**54,404,921**	**43,797,970**
Liabilities from primary insurance business		51,160,114	0
Liabilities from reinsurance and co-insurance business		3,090,008	43,723,843
Current income tax liabilities		154,799	74,127
Other liabilities	22	**2,433,509**	**3,779,840**

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

22.2 Income statement

(€)	Notes	2017	2016
Net earned premiums	**24**	**130,864,620**	**133,428,875**
Gross premiums written		153,219,752	147,426,893
Written premiums ceded to reinsurers and co-insurers		-18,907,314	-17,548,733
Change in gross unearned premiums		-4,257,043	3,200,650
Change in unearned premiums, reinsurers' and co-insurers' shares		809,225	350,065
Income from investments in subsidiaries and associates	**25**	**26,136,830**	**26,308,516**
Investment income	**26**	**9,652,630**	**12,880,066**
Interest income		3,895,944	4,427,975
Other investment income		5,756,686	8,452,091
Other technical income	**27**	**6,098,385**	**9,263,194**
Commission income		1,934,678	2,813,943
Other income		4,163,707	6,449,251
Other income	**28**	**444,136**	**33,974**
Net claims incurred	**29**	**-78,583,967**	**-81,781,565**
Gross claims payments less income from recourse receivables		-83,525,449	-85,165,592
Reinsurers' and co-insurers' shares		5,982,760	9,811,408
Change in the gross claims provision		-2,101,712	-8,254,869
Change in the reinsurers' and co-insurers' share of the claims provision		1,060,434	1,827,488
Change in other technical provisions	**30**	**-158,608**	**-88,760**
Expenses for bonuses and rebates	**30**	**85,678**	**-162,545**
Operating expenses	**31**	**-43,113,125**	**-47,288,975**
Acquisition costs		-33,185,632	-33,061,396
Change in deferred acquisition costs		880,778	-3,598,331
Other operating expenses		-10,808,271	-10,629,248
Expenses for investments in subsidiaries and associates		**0**	**-4,330,782**
Expenses for financial assets and liabilities	**26**	**-10,551,329**	**-7,132,879**
Impairment loss on financial assets not measured at fair value through profit or loss		-320,000	-330,740
Interest expenses		-718,338	-841,834
Other expenses		-9,512,991	-5,960,305
Other technical expenses	**32**	**-5,876,562**	**-6,033,695**
Other expenses	**28**	**-234,824**	**-118,284**
Profit or loss before tax		**34,763,864**	**34,977,140**
Income tax expense	**33**	**-1,789,672**	**-2,103,323**
Net profit or loss for the period		**32,974,192**	**32,873,817**
Earnings or loss per share (basic and diluted)	**17**	**2.13**	**2.08**

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

22.3 Statement of comprehensive income

(€)	Notes	2017	2016
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	17	32,974,192	32,873,817
OTHER COMPREHENSIVE INCOME, NET OF TAX	16	**34,502**	**819,920**
a) Items that will not be reclassified subsequently to profit or loss		**15,289**	**41,070**
Other items that will not be reclassified subsequently to profit or loss		16,894	44,864
Tax on items that will not be reclassified subsequently to profit or loss		-1,605	-3,794
b) Items that may be reclassified subsequently to profit or loss		**19,213**	**778,850**
Net gains/losses on remeasuring available-for-sale financial assets		**23,719**	**1,050,990**
Net change recognised in the fair value reserve		692,156	1,209,941
Net change transferred from fair value reserve to profit or loss		-668,437	-158,952
Tax on items that may be reclassified subsequently to profit or loss		-4,506	-272,140
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		**33,008,694**	**33,693,737**

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

22.4 Cash flow statement

(€)	Notes	2017	2016
A. Cash flows from operating activities			
a.) Items of the income statement	**34**	**12,020,532**	**12,055,355**
1. Net premiums written in the period	24	134,312,438	129,878,160
2. Investment income (other than financial income)	26	10,175	6,785
3. Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	27, 28	6,542,519	9,297,168
4. Net claims payments in the period	29	-77,542,688	-75,354,184
5. Expenses for bonuses and rebates		85,678	-162,545
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	31	-43,573,077	-43,350,273
7. Investment expenses (excluding amortisation and financial expenses)	26	-422	-4,454
8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	32	-6,024,419	-6,151,979
9. Tax on profit and other taxes not included in operating expenses	33	-1,789,671	-2,103,323
b.) Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position		**3,625,406**	**-643,807**
1. Change in receivables from primary insurance		-85,167,822	0
2. Change in receivables from reinsurance	8	76,400,625	2,849,455
4. Change in other receivables and other assets	8	-248,958	-9,830,595
5. Change in deferred tax assets	3	134,610	912,012
7. Change in liabilities arising out of primary insurance		51,160,115	0
6. Change in liabilities arising out of reinsurance business	21	-40,633,836	-4,148,067
7. Change in other operating liabilities	22	2,168,441	9,571,237
8. Change in other liabilities (except unearned premiums)	22	-187,768	2,151
c.) Net cash from/used in operating activities (a + b)		**15,645,938**	**11,411,548**

(€)	Notes	2017	2016
B. Cash flows from investing activities			
a.) Cash receipts from investing activities		**762,460,219**	**807,729,186**
1. Interest received from investing activities		3,895,945	4,427,975
2. Cash receipts from dividends and participation in the profit of others		26,755,664	27,051,488
4. Proceeds from sale of property and equipment		9,879	25,240
5. Proceeds from sale of financial investments		731,798,731	776,224,483
b.) Cash disbursements in investing activities		**-740,531,828**	**-783,321,091**
1. Purchase of intangible assets		-269,153	-260,516
2. Purchase of property and equipment		-208,526	-4,152,156
3. Purchase of financial investments		-740,054,149	-778,908,419
c.) Net cash from/used in investing activities (a + b)		**21,928,391**	**24,408,094**
C. Cash flows from financing activities			
b.) Cash disbursements in financing activities		**-38,885,691**	**-28,115,774**
1. Interest paid		-718,338	-841,834
3. Repayment of long-term financial liabilities		-24,000,000	0
4. Repayment of short-term financial liabilities		-1,769,196	-256,421
5. Dividends and other profit participations paid		-12,398,157	-12,398,157
6. Treasury share repurchases		0	-14,619,362
c.) Net cash from/used in financing activities (a + b)		**-38,885,691**	**-28,115,774**
C2. Closing balance of cash and cash equivalents		**6,678,458**	**7,989,819**
x) Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)		**-1,311,361**	**7,703,869**
y) Opening balance of cash and cash equivalents		**7,989,819**	**285,950**

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

22.5 Statement of changes in equity for the year ended 31 December 2017

(€)	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (as deduction item)	Total (1–13)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Catastrophe equalisation reserve	Other						
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	97,078,786	3,785,553	-1,765	9,283,163	9,127,228	-24,938,709	270,355,622
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	97,078,786	3,785,553	-1,765	9,283,163	9,127,228	-24,938,709	270,355,622
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**19,213**	**15,289**	**0**	**32,974,192**	**0**	**33,008,693**
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	32,974,192	0	32,974,192
b) Other comprehensive income	0	0	0	0	0	0	19,213	15,289	0	0	0	34,502
Dividend payouts	0	0	0	0	0	0	0	0	-12,398,157	0	0	-12,398,157
Allocation of net profit to profit reserve	0	0	0	0	0	16,487,096	0	0	0	-16,487,096	0	0
Transfer of profit	0	0	0	0	0	0	0	0	9,127,228	-9,127,228	0	0
Closing balance in the financial period	**71,856,376**	**54,239,757**	**14,986,525**	**24,938,709**	**10,000,000**	**113,565,880**	**3,804,764**	**13,524**	**6,012,233**	**16,487,096**	**-24,938,709**	**290,966,155**

22.6 Statement of changes in equity for the year ended 31 December 2016

(v EUR)	I. Share capital	II. Capital reserves	III. Profit reserves						IV. Fair value reserve	V. Reserve due to fair value revaluation	VI. Retained earnings	VII. Net profit/loss for the period	VIII. Treasury shares (as deduction item)	Total (1–13)
			Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risk	Catastrophe equalisation reserve	Other						
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	0	14,986,525	10,319,347	917,885	10,000,000	87,951,558	3,006,703	-42,835	12,769,646	7,993,789	-10,319,347	263,679,403
Opening balance in the financial period	71,856,376	54,239,757	0	14,986,525	10,319,347	917,885	10,000,000	87,951,558	3,006,703	-42,835	12,769,646	7,993,789	-10,319,347	263,679,403
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**778,850**	**41,070**	**0**	**32,873,817**	**0**	**33,693,737**
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	32,873,817	0	32,873,817
b) Other comprehensive income	0	0	0	0	0	0	0	0	778,850	41,070	0	0	0	819,920
Net purchase/sale of treasury shares	0	0	0	0	14,619,362	0	0	0	0	0	0	-14,619,362	-14,619,362	-14,619,362
Dividend payouts	0	0	0	0	0	0	0	0	0	0	-12,398,157	0	0	-12,398,157
Allocation of net profit to profit reserve	0	0	0	0	0	0	0	9,127,227	0	0	0	-9,127,227	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	0	-917,885	0	0	0	0	917,885	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	0	0	7,993,789	-7,993,789	0	0
Closing balance in the financial period	**71,856,376**	**54,239,757**	**0**	**14,986,525**	**24,938,709**	**0**	**10,000,000**	**97,078,786**	**3,785,553**	**-1,765**	**9,283,163**	**9,127,228**	**-24,938,709**	**270,355,622**

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

REFLECTING COMMITTMENTS

People are at the core of our business, so we remain committed to the firm promise of #NIKOLI SAMI (NEVER ALONE). Our reputation is further strengthened through friendly communication and by acting responsibly.

Jane K.

23 NOTES TO THE FINANCIAL STATEMENTS

23.1 Basic details

Pozavarovalnica Sava, d.d. / Sava Reinsurance Company, d.d. (hereinafter: "Sava Re" or the "Company") was established under the Foundations of the Life and Non-Life Insurance System Act, and was entered in the company register kept by Ljubljana Basic Court, Ljubljana Unit (now Ljubljana District Court), on 10 December 1990. Its legal predecessor, Pozavarovalna skupnost Sava, was established in 1977.

Sava Re transacts reinsurance business both in the domestic and in the international market. Under the Standard Classification of Activities, its subclass code is 65.200. In accordance with the Slovenian Companies Act (hereinafter: "ZGD"), the Company is classified as a large company.

The Company has its registered office at Dunajska cesta 56, Ljubljana, Slovenia.

In the 2017 financial year, the Company employed on average 95.5 people (2016: 88.8), employed on a full-time equivalent basis. As at 31 December 2017, the total number of employees was 97 (31/12/2016: 95), employed on a full-time equivalent basis. Data on employees in regular employment by various criteria are given in section 20.3 "Human resources management".

Qualification profile of employees (full-time equivalent basis)

	2017	2016
Secondary education	13	12
Higher education	4	5
University education	61	58
Master's degree and doctorate	19	20
Total	**97**	**95**

The bodies of the Company are the general meeting, the supervisory board and the management board.

As at 31 December 2017, the largest shareholder of the Company was Slovenian Sovereign Holding (former Slovenian Restitution Fund) with a 17.7% stake. The second largest shareholder is Zagrebačka banka (custodial account) with a 14.2% stake, and the third largest the Republic of Slovenia with a 10.1% stake. Below the table "Ten largest shareholders as at 31 December 2017" is a note regarding the share of voting rights.

It is the responsibility of the Company's management board to prepare the annual report and authorise it for issue to the supervisory board. The audited annual report is then approved by the Company's supervisory board. If the annual report is not approved by the supervisory board, or if the management and the supervisory boards leave the decision about its approval to the general meeting of shareholders, the general meeting decides on the approval of the annual report.

The owners have the right to amend the financial statements after they have been authorised for issue to the supervisory board by the Company's management board.

The Company is the controlling company of the Sava Re Group, which, apart from the controlling company, comprises the following companies:

Subsidiaries as at 31 December 2017

(€)	Activity	Registered office	Assets	Liabilities	Equity as at 31/12/2017	Profit/loss for 2017	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,151,811,161	993,756,083	158,055,078	25,080,999	344,712,649	100.00%
Sava neživotno osiguranje (SRB)	insurance	Serbia	28,216,687	22,507,562	5,709,125	435,559	16,463,580	100.00%
Illyria	insurance	Kosovo	15,577,678	11,538,509	4,039,169	223,576	7,689,674	100.00%
Sava osiguruvanje (MKD)	insurance	Macedonia	22,867,851	17,374,464	5,493,387	358,257	12,277,755	92.57%
Sava osiguranje (MNE)	insurance	Montenegro	23,036,708	17,241,924	5,794,784	1,232,772	12,124,229	100.00%
Illyria Life	insurance	Kosovo	12,699,600	8,502,872	4,196,728	230,850	2,038,449	100.00%
Sava životno osiguranje (SRB)	insurance	Serbia	6,645,739	3,162,191	3,483,548	-818,333	2,058,571	100.00%
Illyria Hospital	does not currently perform any activities	Kosovo	1,800,742	4,579	1,796,163	-114	0	100.00%
Sava Car	research and analysis	Montenegro	634,723	42,188	592,535	-3,991	724,473	100.00%
ZM Svetovanje	consulting and marketing of insurances of the person	Slovenia	126,917	203,900	-76,983	-194,224	737,056	100.00%
Ornatus KC	ZS call centre	Slovenia	48,314	21,461	26,853	15,853	216,000	100.00%
Sava Agent	insurance agent	Montenegro	2,100,120	1,798,730	301,390	112,971	651,469	100.00%
Sava Station	motor research and analysis	Macedonia	316,750	25,614	291,136	39,731	175,454	92.57%
Sava pokojninska	pension fund	Slovenia	144,935,935	136,508,976	8,426,959	420,256	4,269,651	100.00%

Subsidiaries as at 31 December 2016

(€)	Activity	Registered office	Assets	Liabilities	Equity as at 31/12/2016	Profit/loss for 2016	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,138,039,266	980,210,101	157,829,165	23,430,774	326,410,351	99.74%
Sava neživotno osiguranje (SRB)	insurance	Serbia	25,387,084	20,316,459	5,070,625	116,929	15,379,795	100.00%
Illyria	insurance	Kosovo	14,538,265	10,841,158	3,697,107	-171,970	7,300,855	100.00%
Sava osiguruvanje (MKD)	insurance	Macedonia	21,377,413	16,348,215	5,029,198	465,490	11,850,287	92.44%
Sava osiguranje (MNE)	insurance	Montenegro	22,112,854	16,725,274	5,387,580	1,204,218	11,889,234	100.00%
Illyria Life	insurance	Kosovo	7,866,533	4,213,820	3,652,713	128,266	1,813,319	100.00%
Sava životno osiguranje (SRB)	insurance	Serbia	5,834,828	2,389,128	3,445,700	-206,975	1,613,094	100.00%
Illyria Hospital	does not currently perform any activities	Kosovo	1,800,772	4,495	1,796,277	-84	0	100.00%
Sava Car	research and analysis	Montenegro	481,718	36,624	445,094	39,883	708,948	100.00%
ZS Vivus	consulting and marketing of insurances of the person	Slovenia	267,008	54,548	212,460	-103,271	598,713	99.74%
ZM Svetovanje	insurance agent	Slovenia	33,767	128,609	-94,842	-122,823	162,848	99.74%
Ornatus KC	ZS call centre	Slovenia	46,896	25,166	21,730	7,494	216,000	99.74%
Sava Agent	insurance agent	Montenegro	2,322,627	2,129,557	193,070	72,788	641,735	100.00%
Sava Station	motor research and analysis	Macedonia	281,143	32,291	248,852	38,537	171,424	92.44%
Sava pokojninska	pension fund	Slovenia	134,444,848	126,401,679	8,043,169	581,695	3,210,125	100.00%

The data for Zavarovalnica Sava differ from those in the 2016 annual report, which were consolidated, while this year we present data from the separate financial statements.

After the acquisition of Sava pokojninska in 2015, the Company has no associate companies.

23.2 Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the financial statements. In 2017, the Company applied the same accounting principles as in 2016.

23.2.1 Statement of compliance

Sava Re prepared both separate and consolidated financial statements for the year ended 31 December 2017. The consolidated financial statements are part of this annual report. Annual reports are available on Sava Re's website and at its registered office.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB), and interpretations of the International Financial Reporting Interpretations Committee's ("IFRIC"), as adopted by the European Union. They have also been prepared in accordance with applicable Slovenian legislation (the Companies Act, "ZGD-1"), the Insurance Act and implementing regulations).

In selecting and applying accounting policies, as well as in preparing the financial statements, the management board aims to provide understandable, relevant, reliable and comparable accounting information.

The financial statements have been prepared based on the going-concern assumption.

The Company's management board approved the audited financial statements on 28 March 2018.

23.2.2 Measurement bases

The financial statements have been prepared on the historic cost basis, except for financial assets at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value.

23.2.3 Functional and presentation currency

The financial statements are presented in euros (€), rounded to the nearest euro. Due to rounding, figures in tables may not add up to the totals.

Assets and liabilities as at 31 December 2017 denominated in foreign currencies were translated into euros using the mid-rates of the European Central Bank (ECB) as at 31 December 2017. Amounts in the income statement have been translated using the exchange rate on the day of the transaction. As at 31 December 2017 and 31 December 2016, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-monetary items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve.

23.2.4 Use of major accounting estimates and sources of uncertainty

Assumptions and other sources of uncertainty relate to estimates that require management to make difficult, subjective and complex judgements. Areas that involve major management judgement are presented below.

- Criteria for impairment of investments in subsidiaries and associates are determined using the accounting policy under section 23.2.12 as discussed under note 5.
- Deferred tax assets are recognised if the Company plans to realise a profit in the medium-term.
- Receivables are impaired item-by-item based on the accounting policy set out in section 23.2.15. Any recognised impairment loss is shown in note 8.
- Financial investments.

Classification, recognition, measurement and derecognition, as well as investment impairment and fair value measurement, are made based on the accounting policy set out in section 23.2.13. Movements in investments and their classification are shown in note 6, while the associated income and expenses, and impairment, are shown in note 26.

- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in section 23.2.19. Movements in these provisions are shown in note 19.

The Company recognises estimates of technical items because it does not receive reinsurance accounts in time. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. These items include: premiums, claims, commission, unearned premiums, claim provisions and accruals and prepayments relating to deferred acquisition costs.

23.2.5 Materiality

To serve as a starting point in determining a materiality threshold for the financial statements, the Company's management used the equity of the Company, specifically 2% thereof as at 31 December 2017, which is €5.8 million. The disclosures and notes required under regulatory or statutory requirements are presented, even if below the materiality threshold.

23.2.6 Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows from operating activities have been prepared based on data from the 2017 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

23.2.7 Statement of changes in equity

The statement of changes in equity shows movements in individual components of equity in the period. Profit reserves are shown to include certain technical provisions that are inherently provisions for future risks and not liabilities according to IFRSs, i.e. the catastrophe equalisation reserve.

23.2.8 Intangible assets

Intangible assets are stated at cost, plus any expenses directly attributable to preparing them for their intended use, less accumulated amortisation and any impairment losses. Depreciation is calculated for each item separately, on a straight-line basis. Intangible assets are first amortised upon their availability for use.

Intangible assets include computer software, and licences pertaining to computer software. Their useful life is 5 years.

23.2.9 Property and equipment

Property and equipment assets are initially recognised at cost plus directly attributable costs. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses. The Company assesses whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

Property and equipment assets are first depreciated upon their availability for use. Depreciation is calculated for each item separately, on a straight-line basis. Depreciation rates are determined so as to allow the cost of property and equipment assets to be allocated to expenses over their estimated useful lives.

Depreciation rates of property and equipment assets

Depreciation group	Rate
Land	0%
Buildings	1.3%-2%
Transportation	15.5%-20%
Computer equipment	33.0%
Office and other furniture	10%-12.5%
Other equipment	6.7%-20%

Gains and losses on the disposal of items of property and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property and equipment assets that increase future economic benefits are recognised in their carrying amount.

23.2.10 Deferred tax assets and liabilities

Based on medium-term business projections, the Company expects to make a profit and therefore meets the requirement for recognising deferred tax assets.

The Company recognises deferred tax assets for temporary non-deductible impairments of portfolio securities and allowances for receivables, any unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for the credit risk and catastrophe equalisation reserves transferred (as at 1 January 2007) from technical provisions to profit reserves, which used to be tax-deductible when set aside (prior to 1 January 2007). The Company does not have deferred tax assets associated with impairment losses on investments in subsidiaries.

In addition, the Company establishes deferred tax assets/liabilities for the part of value adjustments that is recorded under the negative/positive fair value reserve. Deferred tax assets and liabilities are also accounted for actuarial gains/losses when calculating provisions for severance pay upon retirement. This is because actuarial gains/losses affect comprehensive income as well as the related deferred tax assets/liabilities.

The rate of corporate income tax is 19% (2016: 17 %).

23.2.11 Investment property

Investment property is property that the Company does not use directly in carrying out its activities, but holds to earn rentals. Investment property is accounted for using the cost model and straight-line depreciation. Investment property is depreciated at the rate of 1.3%–2%. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Company acts as lessor are operating leases. Payments received, i.e. rental income, are recognised as income on a straight-line basis over the term of the lease. The Company assesses annually whether there is any indication of impairment of investment property. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the net selling price. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Company has investment property leased out under cancellable operating lease contracts.

23.2.12 Financial investments in subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at fair value. Subsequently, the Company measures them using the cost model less any impairment losses.

Subsidiaries are entities in which the Company holds more than 50% of the voting rights, entities the Company controls and over which the Company thus has the power to control the financial and operating policies so as to obtain benefits from its activities. Associates are entities in which the Company holds between 20% and 50% of voting rights or over which the Company has significant influence.

Impairment testing in Group companies and associates is carried out at least on an annual basis. Pursuant to IAS 36, the controlling company when reviewing whether there are indications that an asset may be impaired, considers external (changes in market or legal environment; interest rates; elements of the discount rate, market capitalisation) as well as internal sources of information (business volume; manner of use of asset; actual versus budgeted performance results.

For the purpose of impairment testing of the cost of subsidiaries, pursuant to IAS 36, the controlling company reviews on an annual basis whether there are indications that assets are impaired. If impairment is necessary, an impairment test is carried out so that the recoverable amount of the cash-generating unit is calculated for each individual investment based on the value in use. Cash flow projections used in these calculations were based on the business plans approved by the management for the period until and including 2021, as well as on extrapolations of growth rates for an additional 5-year period. Projections are for more than five years because we consider that the markets where Group insurers operate are still underdeveloped and operations of subsidiaries have not normalised yet. The discount rate used is based on market rates adjusted to reflect each insurance company-specific risk. The recoverable amount of each cash-generating unit so calculated was compared against its carrying amount.

Key assumptions used in cash flow projections with calculations of the value in use

Discounted cash flow projections were based on the Group's business plans covering a 10-year period (strategic business plans for individual companies for the period 2018–2022 with a further 5-year extrapolation of results). Only 10-year normalised cash flows are appropriate for extrapolation into perpetuity.

The growth in premiums earned in the companies set out in the previous table reflects the growth expected in their insurance markets, as well as the characteristics of their portfolios (low share of non-motor business). In all their markets, insurance penetration is relatively low. However, insurance penetration is expected to increase due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Social inflation is also expected to increase, i.e. claims made against insurance companies are expected to become more frequent and higher. Costs are expected to lag slightly behind premiums owing to business process optimisation in subsidiaries. Business process optimisation will thus contribute to the growth in net profits.

The discount rate is determined as cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the interest rate applying to risk-free securities and equity premium as well as insurance business prospects. Added is a country risk premium and, for some companies, a smallness factor.

Discount rates used in 2017 ranged from 11.4% to 13.2% and are lower than those in 2016, primarily due to a lower beta factor (systematic risk measure) and a lower country risk.

Subsidiaries have been valued using internal models with a long-term growth rate ranging from 2.2% to 3.0%. This rate is based on long-term inflation expected for the market in which a subsidiary operates.

In assessing whether there is any indication of impairment of its investments in subsidiaries, the Company uses the same model as with goodwill. For more information on the assumptions, see section 17.4.9 of the consolidated financial statements with notes.

23.2.13 Financial investments

23.2.13.1 Classification

The Company classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

These assets comprise financial assets held for trading.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realising gains in the short term.

Held-to-maturity financial assets

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturity that the Company can, and intends to, hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets are assets that the Company intends to hold for an indefinite period and are not classified as financial assets at fair value through profit or loss or held-to-maturity financial assets.

Loans and receivables (deposits)

This category includes loans and bank deposits with fixed or determinable payments that are not traded in any active market, and deposits with cedants. Under some reinsurance contracts, part of the reinsurance premium is retained by cedants as guarantee for payment of future claims, and generally released after one year. These deposits bear contractually-agreed interest.

23.2.13.2 Recognition, measurement and derecognition

Available-for-sale financial assets and held-to-maturity financial assets are initially measured at fair value plus any transaction costs. Financial assets at fair value through profit or loss are initially measured at fair value, with any transaction costs recognised as investment expenses.

Acquisitions and disposals of financial assets, loans and deposits are recognised on the trade date.

Gains and losses arising from fair value revaluation of financial assets available for sale are recognised in the statement of comprehensive income, and transferred to the income statement upon disposal or impairment. Gains and losses arising from fair value revaluation of financial assets at fair value through profit or loss are recognised directly in the income statement. Held-to-maturity financial assets are measured at amortised cost less any impairment losses.

Financial assets are derecognised when the contractual rights from the cash flows from the financial assets expire or when the assets are transferred and the transfer qualifies for derecognition in accordance with IAS 39.

If their fair value cannot be reliably measured, investments are valued at cost.

Loans and receivables (deposits) are measured at amortised cost less any impairment losses.

23.2.13.3 Impairment of investments

A financial asset other than at fair value through profit or loss is impaired and an impairment loss incurred provided there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and that such events have an impact on future cash flows that can be reliably estimated.

The Company assesses whether there is any objective evidence that individual financial assets are impaired on a three-month basis (when preparing interim and annual reports).

23.2.13.3.1 Debt securities

Investments in debt securities are impaired only if one of the following conditions is met:

- the issuer fails to make a coupon or principal payment, and it is likely that such liabilities will not be settled in the short term;
- the issuer is subject to a bankruptcy, liquidation or compulsory settlement procedure.

If the first condition above is met, an impairment loss is recognised in the income statement in the amount of the difference between the fair value and carrying amount of the debt security (if the carrying amount exceeds the fair value).

If the second condition above is met, an impairment loss is recognised in profit or loss, being the difference between the potential payment out of the bankruptcy or liquidation estate and the cost of the investment. The potential payment out of the bankruptcy or liquidation estate is estimated based on information concerning the bankruptcy, liquidation or compulsory settlement proceedings, or, if such information is not available, based on experience or estimates made by credit rating or other financial institutions.

In respect of debt securities, only impairment losses recognised pursuant to indent one above (first condition) may be reversed. An impairment loss is reversed when the issuer's liability is settled. Impairment losses are reversed through profit or loss.

23.2.13.3.2 Equity securities

Investments in equity securities are impaired if on the statement of financial position date:

- their market price is more than 40% below cost;
- their market price has remained below cost for more than one year;
- the model based on which the Company assesses the need for impairment of unquoted securities indicates that the asset needs to be impaired.

An impairment loss is recognised in the amount of the difference between market price and cost of financial assets.

23.2.13.4 Measurement of fair values

The Company measures all financial instruments at fair value, except for deposits, shares not quoted in any regulated market, loans and subordinated debt (assumed that the carrying amount is a reasonable approximation of fair value) and financial instruments held to maturity, which are measured at amortised cost. The fair value of investment property and land and buildings used in business operations and the fair value of financial instruments measured at amortised cost are set out in note 23. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The company shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Company determines the fair value of a financial asset on the valuation date by determining the price on the principal market based on:

- for stock exchanges: the quoted closing price on the stock exchange on the measurement date or on the last day of operation of the exchange on which the investment is quoted;
- for the OTC market: the quoted closing bid CBBT price or, if unavailable, the Bloomberg bid BVAL on the valuation date or on the last day of operation of the OTC market;
- the price is calculated on the basis of an internal valuation model.

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and presented in accordance with the IFRS 13 fair-value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.

Assets and liabilities are classified in accordance with IFRS 13 especially based on the availability of market information, which is determined by the relative levels of trading identical or similar instruments in the market, with a focus on information that represents actual market activity or binding quotations of brokers or dealers.

Investments measured or disclosed at fair value, are presented in accordance with the levels of fair value under IFRS 13, which categorises the inputs to measure fair value into the following three levels of the fair value hierarchy:

- Level 1 financial investments are those for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical financial assets that the Company can access at the measurement date.
- Level 2 financial investments are those whose fair value is determined using data that are directly or indirectly observable other than the prices quoted within level 1.
- Level 3 comprise financial investments for which observed market data are unavailable. Thus the fair value is determined based on valuation techniques using inputs that are not directly or indirectly observable in the market.

The Company discloses and fully complies with its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred. Policies for the timing of recognising transfers are the same for transfers into as for transfers out of any level. Examples of policies include: (a) the date of the event or change in circumstances that caused the transfer (b) the beginning of the reporting period (c) at the end of the reporting period.

23.2.14 Reinsurers' share of technical provisions

Reinsurers' share of technical provisions comprises the reinsurers' share of unearned premiums and of technical provisions. The amount is determined in accordance with reinsurance (retrocession) contracts and in line with movements in the retroceded portfolio based on gross reinsurance provisions for the business that is the object of these reinsurance (retrocession) contracts at the close of each accounting period.

The Company tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For retrocession risks, see section 23.5.2.6 "Retrocession programme".

23.2.15 Receivables

Receivables include receivables for gross premiums written and receivables for claims and commission relating to retrocession business.

23.2.15.1 Recognition of receivables

Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections 23.2.23 "Net premiums earned" and 23.2.24 "Net claims incurred".

23.2.15.2 Impairment of receivables arising out of reinsurance business

As regards its core activity of reinsurance, the Company transacts business exclusively with legal entities. Before entering a business relationship with a prospective client, especially if foreign, the Company carefully reviews its credit standing with regard to predefined criteria. If these are not met, the case is escalated to the Company's credit rating committee, which issues an opinion on whether the credit standing is adequate. The Company individually assesses receivables in terms of their recoverability or impairment, accounting for allowances based on payment history of individual cedants and retrocessionaires.

The Company nevertheless periodically reviews its reinsurance receivables on a client-by-client basis, at least once a year.

No receivables have been pledged as security.

23.2.15.3 Deferred acquisition costs

The Company discloses deferred commissions under deferred acquisition costs. These are booked commissions relating to the next financial year and are recognised based on (re)insurance accounts taking into account straight-line amortisation and estimated amounts for non-past due final commission payments under reinsurance contracts with Group cedants.

23.2.15.4 Other assets

Other assets include capitalised short-term deferred costs and short-term accrued income. Short-term deferred costs comprise short-term deferred costs for prepayments of unearned commissions to counterparties.

23.2.16 Cash and cash equivalents

The statement of financial position and cash flow item "cash and cash equivalents" comprises:

- cash, including cash in hand, cash in bank accounts of commercial banks or other financial institutions and overnight deposits, and
- cash equivalents, including demand deposits and deposits with an original maturity of up to three months.

23.2.17 Equity

Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euro;
- capital reserves comprise amounts in excess of the par value of shares;
- profit reserves comprise reserves provided for by the articles of association, legal reserves, reserves for treasury shares, credit risk and catastrophe equalisation reserves and other profit reserves;
- treasury shares;
- fair value reserve;
- retained earnings.

Reserves provided for by the articles of association are used:

- to cover the net loss that cannot be covered (in full) out of retained earnings and other profit reserves, or if these two sources of funds are insufficient to cover the net loss in full (an instrument of additional protection of tied-up capital);
- to increase share capital;
- to regulate the dividend policy.

Profit reserves also include catastrophe equalisation reserves set aside pursuant to the rules on technical provisions and reserves as approved by appointed actuaries. Thus the distribution of these reserves cannot be decided in general meeting.

Pursuant to the Companies Act, either the management or the supervisory board may allocate up to half of net profit to other reserves.

23.2.18 Subordinated liabilities

Subordinated liabilities represented the Company's long-term loan issued in 2006 and 2007 for the expansion of Group operations. The subordinated debt was measured at amortised cost on a monthly basis and was fully repaid in the first half of 2017 after having obtained approval from the Insurance Supervision Agency.

23.2.19 Technical provisions

Technical provisions are shown gross in the statement of financial position. The share of gross technical provisions for the business retroceded by the Company is shown in the statement of financial position under the item reinsurers' share of technical provisions. The main principles used in the calculation of gross technical provisions are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. They are accounted for on the basis of received reinsurance accounts for unearned premiums, following the cedants' methods: principally a pro rata temporis basis at insurance policy level. In cases where the Company does not receive timely accounts for unearned premiums on reinsurance business, the fractional value method is used at individual premium account level for periods for which premiums are written.

Provisions for outstanding claims (also "claims provisions") are established for incurred but not settled claims. These comprise provisions for incurred claims, both reported and unreported (IBNR). They are accounted for on the basis of received reinsurance accounts for provisions for outstanding claims and on the basis of received loss advices for non-proportional reinsurance business. Sava Re establishes the IBNR provision following three procedures. In the first procedure, the Company assumes a portion of the IBNR provision as calculated by cedants based on relevant reinsurance contract's provisions. In the second procedure, it is necessary to estimate the claims provision for business outside the Sava Re Group for which reinsurance accounts are not received timely to estimate technical categories, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance. As the triangular method is used in making estimates, the procedure also represents a liability adequacy test for the reinsurance portfolio outside the Sava Re Group. In the third procedure, the IBNR provision is calculated as part of the liability adequacy test for portfolio segments where reinsurance accounts are received timely and for which no estimates are made. This calculation is made for gross data of Slovenian cedants and subsidiaries at insurance class level, using development triangles of cumulative claim payments by underwriting year. If the provision for outstanding claims exceeds the one already set aside (and calculated based on reinsurance accounts), a reinsurance IBNR provision is set aside. The described procedures show that the outstanding claims provision is established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums. The Company establishes these provisions on the basis of reinsurance accounts for quota share reinsurance treaties with subsidiaries.

Other technical provisions solely include the provision for unexpired risks derived from a liability adequacy test of unearned premiums, as described below. Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation, the premium is deemed to be inadequate, the unearned premium is also inadequate. The Company carries out liability adequacy tests separately for gross unearned premiums and for the retroceded portion of unearned premiums at the insurance class level. Calculation of the expected combined ratio at insurance class level was based on the weighted average of the combined ratios realised in the last three to five years, which were also trend-adjusted. The calculation of the realised combined ratios was based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100%, thus revealing a deficiency in unearned premiums, a corresponding provision for unexpired risks is set aside within other technical provisions.

23.2.20 Other provisions

Other provisions comprise the net present value of employee benefits including severance pay upon retirement and jubilee benefits. They are calculated in accordance with IAS 19 based on the ratio of accrued service time in the Company to the entire expected service time in the Company (projected unit credit method).

Provisions are calculated based on personal data of employees: date of birth, date of commencement of employment, anticipated retirement, and salary. Entitlement to severance pay on retirement and jubilee benefits are based on provisions of the collective bargaining agreement or the employee's employment contract. Expected pay-outs also include tax liabilities where payments exceed statutory non-taxable amounts. The probability of an employee staying with the Company includes both the probability of death (under tables SLO 2007 M/F) and the probability of employment relationship termination based on internal data. Accordingly, the assumed annual real growth of salaries is based on internal data and the consumer price index. The assumed nominal growth in jubilee benefits equals expected inflation determined based on the ECB's long-term inflation target. The same term structure of risk-free interest rates is used for discounting as in the capital adequacy calculation under the Solvency II regime.

Pension insurance

The Company is required by law to pay pension insurance contributions on gross salaries at the rate of 8.85%. In addition, in 2001 the Company concluded a contract setting up a pension insurance scheme as part of the voluntary pension system, and has been making monthly contributions to it since then.

23.2.21 Other liabilities

Liabilities are initially recognised at amounts recorded in the relevant documents. Subsequently, they are increased in line with documents or decreased on the same basis or through payments. Other liabilities comprise: liabilities for claims and outwards retrocession premiums, liabilities for claims arising out of inwards reinsurance contracts, liabilities for retained deposits, amounts due to employees, amounts due to clients and other short-term liabilities.

The Company established provisions for unexpended annual leave recognised under accrued expenses. Unexpended leave may be used by no later than 30 June of the succeeding year.

23.2.22 Classification of insurance contracts

The Company classifies contracts as insurance contracts if they are concluded to transfer a considerable portion of risk; otherwise, they are classified as financial contracts. Whether there has been a considerable transfer of risk may be established either (i) directly when the Company assumes risks from contracts on a proportional basis that have been classified as insurance contracts by their cedants, or (ii) indirectly by determining that a reinsured event would result in significant additional pay-outs.

The Company only transacts reinsurance business the basic purpose of which is the transfer of underwriting risk. Thus the Company classified all the reinsurance contracts it concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Since non-proportional reinsurance contracts provide for the payment of significant additional pay-outs in case of loss events, they also qualify as insurance contracts.

23.2.23 Net premiums earned

Premiums earned are accounted for on an accrual basis, taking into account any increase in economic benefits in the form of cash inflows or increases in assets. Net premiums earned are gross premiums written (inwards reinsurance premiums), less reinsurance or retrocession premiums (outward reinsurance premiums). The amount of premiums earned is also affected by changes in (the Company's and reinsurers' shares of) unearned premiums. Estimates of premiums and unearned premiums are taken into account. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts, or on the basis of received estimates of final premiums that are yet to fall due based on contractual provisions. These items are used to calculate earned premiums in the income statement.

23.2.24 Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, taking into account any decrease in economic benefits in the form of cash outflows or decreases in assets. Net claims incurred comprise gross claims paid net of recourse receivables and reinsured claims, i.e. amounts invoiced to retrocessionaires. The amount of gross claims paid includes the change in the claims provision, taking into account estimated claims and provisions for outstanding claims. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. These items are used to calculate net claims incurred in the income statement. Claims incurred are estimated based on estimated premiums and expected combined ratios for individual reinsurance contracts.

23.2.25 Income and expenses relating to investments in subsidiaries and associates

Income relating to investments in subsidiaries and associates also includes dividends. Expenses relating to investments in subsidiaries and associates include impairment losses on investments. Dividend income is recognised when pay-out is authorised in accordance with the relevant general meeting resolution of any subsidiary or associate.

23.2.26 Investment income and expenses

The Company records investment income and expenses separately depending on whether they relate to the capital fund or the liability fund. The capital fund comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions.

Investment income includes:

- dividend income (income from shares),
- interest income,
- exchange gains,
- income from changes in the fair value and gains on the disposal of investments designated at fair value through profit or loss,
- gains on the disposal of investments of other investment categories and
- other income.

Investment expenses include:
- interest expense,
- exchange losses,
- expenses due to changes in fair value and losses on disposal of investments designated at fair value through profit or loss,
- losses on disposal of investments of other investment categories,
- other expenses.

The mentioned income and expenses are disclosed depending on how the underlying investments are classified, i.e. investments held to maturity, at fair value through profit or loss, available for sale, loans and receivables, or deposits.

Interest income and expenses for investments classified as held to maturity or available for sale are recognised in the income statement using the effective interest rate method. Interest income and expenses for investments at fair value through profit or loss are recognised in the income statement using the coupon interest rate. Dividend income is recognised in the income statement when payout is authorised. Gains and losses on the disposal of investments represent the difference between the carrying amount of a financial asset and its sale price, or between its cost less impairment, if any, and sale price in the case of investments available for sale.

23.2.27 Operating expenses

Operating expenses comprise:

- acquisition costs; reinsurance commission expenses recognised based on reinsurance accounts and estimates derived from estimated premiums and contractually agreed commission rates;
- change in deferred acquisition costs; deferred costs comprise deferred reinsurance commission expenses. These are booked commissions relating to the next financial year. They are recognised based on reinsurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation;
- other operating expenses classified by nature are as follows:
  i. depreciation/amortisation of operating assets,
  ii. personnel costs including employee salaries, social and pension insurance costs and other personnel costs,
  iii. remuneration of the supervisory board and audit committee; and payments under contracts for services,
  iv. other operating expenses relating to services and materials.

23.2.28 Other technical income

Other technical income comprises income from reinsurance commission less the change in deferred acquisition costs relating to reinsurers, and is recognised based on confirmed reinsurance accounts and estimated commission income taking into account straight-line amortisation.

23.2.29 Income tax expense

Income tax expense for the year comprises current and deferred tax. Income tax is presented in the income statement, except for the portion relating to the items presented in equity. The same applies to deferred tax. Current tax is payable on the taxable profit for the year using the tax rates enacted by the date of the statement of financial position, as well as on any adjustments to tax liabilities of prior periods. Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax amount is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates that have been enacted by the date of the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The rate of corporate income tax is 19% (2016: 17 %).

23.3 Changes in accounting policies and presentation

In 2017, the Company changed the presentation of the sub-items of receivables and liabilities from operating activities.

To better reflect the nature of the Company's operations, we now disclose the items relating to accepted reinsurance and co-insurance business, also known as inwards re/co-insurance, under receivables and liabilities from primary insurance business.

Receivables and liabilities from reinsurance and co-insurance business, however, will continue to include items relating to ceded retrocession business.

This change in presentation only relates to re-classification from one item to another within asset or liability items, and does not affect the balance sheet total.

The effect of this reclassification is discussed in notes 8 "Receivables" and 21 "Liabilities from operating activities".

23.4 Standards and interpretations issued but not yet effectiveand new standards and interpretations

The accounting policies adopted in preparing its financial statements are consistent with those of the previous financial year, except for the following amended IFRSs adopted by the Company as of 1 January 2017:

Amended standards that are already effective

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The objective of the amendments is to clarify the requirements of deferred tax assets for unrealised losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The amendments have no effect on the Company's financial statements.

IAS 7: Disclosure Initiative (Amendments)

The amendments to IAS 7 require that undertakings provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The amendments have no effect on the Company's financial statements.

Issued Annual Improvements

The IASB has issued the Annual Improvements to IFRSs 2014–2016 Cycle, which is a collection of amendments to IFRSs.

The following annual improvement has not yet been endorsed by the EU. The improvements have no effect on the Company's financial statements.

IFRS 12: Disclosure of Interests in Other Entities:

The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

Standards issued but not yet effective and not early adopted by the Group

IFRS 9: Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Regarding the implementation of IFRS 9, the Company will opt to apply the temporary exemption from this standard until the coming into force of IFRS 17 Insurance contracts. The management assesses that the enforcement of the standard will have a significant effect on the consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The management has assessed the effect of the standard on the Company's financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Company.

IFRS 15: Revenue from Contracts with Customers (Clarifications)

The clarifications apply for annual periods beginning on or after 1 January 2018. Early application is permitted. The objective of the clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the 'separately identifiable' principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The management has assessed the effect of the standard on the Company's financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Company.

IFRS 16: Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognise most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The management has assessed the effect of the standard on the Company's financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Company.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. The management has assessed the effect of the standard on the Company's financial statements and believes that the enforcement of the standard will have a significant effect on the Company's financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

IFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. Early application is permitted. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

IFRS 4: Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. Regarding the implementation of IFRS 9, the Company has opted to apply the temporary exemption from this standard until the coming into force of IFRS 17 Insurance Contracts.

IAS 40: Transfers to Investment Property (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. Early application is permitted. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

IFRS 9 Amendment: Prepayment features with negative compensation

The amendments are effective for periods beginning on or after 1 January 2019. Early application is permitted. The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments are effective for periods beginning on or after 1 January 2019. Early application is permitted. The amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The interpretation is effective for periods beginning on or after 1 January 2018. Early application is permitted. The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation has not yet been endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

The IASB has issued the Annual Improvements to IFRSs 2014–2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The management has assessed the effect of the improvements on the Company's financial statements and believes that the enforcement of the improvements will have no significant effect on the Company's financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28: Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation is effective for periods beginning on or after 1 January 2019. Early application is permitted. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. This interpretation has not yet been endorsed by the EU. The interpretation provides guidance on: considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This interpretation has not yet been endorsed by the EU. The management has assessed the effect of the interpretation on the Company's financial statements and believes that the interpretation will have no significant effect on the Company's financial statements.

23.5 Risk management[136]

The following table shows the changes in the risk profile in 2017 compared to 2016. The risks have been assessed with regard to the potential volatility of business results and the resulting impact on the Company's financial statements. The potential impact in case an extreme internal or external risk realises and the impact on the Company's solvency position is set out in the "Solvency and financial condition report of Sava Re, d.d."

Change in the Sava Re risk profile compared to the previous year

	Risk rating	Chang in risk in 2017 compared to 2016	Risk described in section
Operational risks	**medium**	→	**23.5.4**
Strategic risks	**medium**	→	**23.5.5**
Insolvency risk	**low**	→	**23.5.1**
Financial risks			**23.5.3**
Risk of financial investments in subsidiaries and associates	medium	→	23.5.3.1
Interest rate risk	low	↓	23.5.3.2.1
Equity risk	medium	↓	23.5.3.2.2
Property risk	low	↑	23.5.3.2.3
Currency risk	medium	→	23.5.3.2.4
Liquidity risk	low	→	23.5.4.2
Credit risk	medium	↓	23.5.4.3
Non-life underwriting risk			**23.5.2**
Underwriting process risk	medium	→	23.5.2.1
Pricing risk	medium	→	23.5.2.2
Claims risk	medium	→	23.5.2.3
Net retention risk	low	→	23.5.2.4
Reserve risk	low	→	23.5.2.5
Retrocession programme	low	→	23.5.2.6

[136] GRI 102-11

23.5.1 Capital adequacy of Sava Re

For calculating its capital requirements under Solvency II, Sava Re uses the standard formula. The solvency capital requirement is calculated annually, while eligible own funds supporting solvency requirements are calculated on a quarterly basis.

The following table shows the Company's capital adequacy calculation as at 31 December 2016[137].

Capital adequacy of Sava Re

(€)	31/12/2016
Eligible own funds	389,727,737
Minimum capital requirement (MCR)	36,913,700
Solvency capital requirement (SCR)	147,654,799
Solvency ratio	**264%**

Sava Re's unaudited eligible own funds as at 30 September 2017 totalled €460.2 million and were slightly higher than as at 31 December 2016. It needs to be noted that dividend payments for 2017 are not considered in quarterly calculated eligible own funds, while eligible own funds as at 31 December 2016 are net of the foreseeable dividends.

We estimate that the level of the Company's eligible own funds at the end of the year is slightly above the level as at 31 December 2016. We also expect that the level of the solvency ratio as at 31 December 2017 is marginally higher than as at 31 December 2016. Both is due to the methodological change in the valuation of own funds.

Detailed results of Sava Re's capital adequacy calculation as at 31 December 2017 and the methodological changes will be presented in the Solvency and financial condition report of Sava Re in May 2018.

23.5.2 Underwriting risk

Underwriting risks are risks related to the main activity pursued by insurance companies, i.e., the assumption of risks from policyholders. Insurance companies transfer any excess of risk to reinsurance companies, which is why reinsurance companies are exposed to underwriting risk. Underwriting risks that are important for reinsurers comprise mainly underwriting process risk, pricing risk, claims risk, net retention risk and reserving risk. Some other underwriting risks, such as product design risk, economic environment risk and policyholder behaviour risk are important mainly for insurers, but are transferred to reinsurance companies, especially through proportional reinsurance treaty arrangements. Such risks can only be managed through appropriate underwriting, additional requirements or clauses in reinsurance contracts and through an appropriate retrocession programme. Therefore, below we will give no separate discussion of the risks relating to product design, economic environment or policyholder behaviour.

[137] During the preparation of the audited annual report, Sava Re is yet to obtain audited capital adequacy data for 2017. The capital adequacy calculation will be published in Sava Re's Solvency and financial condition report for 2017 to be released no later than 7 May 2018.

Sava Re only assumes underwriting risk from its subsidiaries and other cedants. Part of the assumed risk is retained, any excess over its capacity is retroceded. Sava Re classifies all reinsurance contracts as insurance contracts within the meaning of IFRS 4. As the Company has no reinsurance contracts that qualify as financial contracts, we give below a detailed description of the risks arising from insurance contracts, as required under IFRS 4.

23.5.2.1 Underwriting process risk

The underwriting process risk is the risk of incurring financial losses caused by an incorrect selection and approval of risks to be reinsured. In respect of reinsurance treaties, Sava Re follows the fortune of its ceding companies, while with facultative contracts, the decision on assuming a risk is on Sava Re.

It follows from the above that in order to manage this risk, it is essential to review the practices of existing and future ceding companies and to analyse developments on the relevant markets and in the relevant classes of insurance. Consequently, coverage may only be granted by taking into account internal underwriting guidelines. These define the requirements for partners, the minimum required level of information about the business, and the expected range of profitability. In addition, they also define the underwriting process and levels of authority, so that appropriate controls are included in the process. Sava Re's professionals with relevant qualifications assist in the underwriting of large risks assumed by the Company's subsidiaries (and subsequently reinsured with the controlling company).

The following table shows exposure measured by the number of contracts and aggregated limits of contracts. The sum does not include unlimited motor third-party liability XL covers that are fully retroceded.

Breakdown of reinsurance contracts and limits (before retrocession)

(€)	U/W year 2017		U/W year 2016	
Form of contract	No. of contracts	Aggregate limit	No. of contracts	Aggregate limit
Treaty business	755	1,436,874,324	698	1,395,369,549
Facultative contracts	219	916,403,018	195	776,396,956
Total	**974**	**2,353,277,342**	**893**	**2,171,766,505**

Aggregate limits again increased marginally in 2017 compared to 2016, as a result of the growth in premium income both in treaty and facultative business.

We believe that the reinsurance underwriting process risk is well managed. Sava Re reduces underwriting risk through partial or full retrocession.

23.5.2.2 Pricing risk

Pricing risk is the risk that the reinsurance premiums charged will be insufficient to cover liabilities under reinsurance contracts.

In proportional reinsurance contracts, reinsurance premiums depend on insurance premiums, mostly set by ceding companies, while the risk premium also depends on the commission recognised by the reinsurer. Therefore, this risk is managed by appropriate underwriting of risks to be reinsured and relevant adjustments to the commission policy. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Expected results of reinsurance contracts entered into on the basis of available information and set prices must be in line with target combined ratios; the adequacy of prices is verified based on the results by form and class of reinsurance.

The international reinsurance market remains in a soft market phase, but as reinsurance underwriting is adequately managed, pricing risk for Sava Re is assessed as moderate in both 2017 and 2016.

23.5.2.3 Claims risk

Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. In proportional reinsurance business, this risk is closely connected with the same risk in relation to ceding companies, which may arise due to incorrect assessments made in the course of underwriting, changes in court practice, new types of losses, increased public awareness of the rights attached to insurance contracts, macroeconomic changes and such like. In non-proportional reinsurance business, the Company has greater control over the expected claims risk through direct control on pricing; however, since this business is more volatile, the risk is managed mainly through portfolio diversification. A treaty may be either very profitable for the reinsurer (if there are no losses in excess of a predetermined amount, the priority) or very unprofitable, if a loss exceeds the priority.

This risk is managed by appropriate underwriting, controlling risk concentration in a particular location or geographical area, and especially by adequate reinsurance and retrocession programmes.

Although we are altering the composition of the portfolio to maximise profitability, we assess that there was no material difference between the claims risk of 2017 and 2016.

23.5.2.4 Net retention risk

Net retention risk is the risk that higher retention of insurance loss exposures will result in large aggregate losses due to catastrophic or concentrated claims experience. This risk may also materialise in the event of “shock losses”, where a large number of insured properties are impacted. This may occur especially through losses caused by natural peril events, which are generally covered by a basic or an additional fire policy or by a policy attached to an underlying fire policy (e.g. business interruption policy or earthquake policy).

Sava Re manages net retention risk by way of (i) appropriate professional underwriting of the risks to be insured, (ii) measuring the exposure (by aggregating sums insured) by geographical area for individual natural perils and especially by (iii) designing an appropriate reinsurance programme. In managing this risk, we take into account that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event and by the frequency of such events.

The table below shows exposure to natural perils and/or diversification by region.

Earthquake aggregates by region

(€)	31/12/2017	31/12/2016
Europe – EU Member States	715,311,374	767,654,390
Europe – non-EU members	145,878,443	138,091,549
Russia and countries of the former Soviet Union	25,643,619	25,447,591
Africa	45,086,397	47,032,821
Middle East	41,093,991	51,842,192
Asia	266,641,834	263,262,632
Latin America	73,780,223	34,299,612
USA and Canada	22,615,761	23,135,770
Caribbean	31,182,220	27,483,539
Oceania	25,526,052	23,215,554
Total	**1,392,759,913**	**1,401,465,649**

Flood aggregates by region

(€)	31/12/2017	31/12/2016
Europe – EU Member States	406,401,295	425,256,326
Europe – non-EU members	94,430,451	108,459,503
Russia and countries of the former Soviet Union	25,636,119	25,440,091
Africa	45,086,397	47,032,821
Middle East	23,244,580	34,932,628
Asia	216,938,451	223,152,020
Latin America	73,780,223	34,441,205
USA and Canada	22,615,761	23,135,770
Caribbean	31,182,220	27,483,539
Oceania	25,526,052	22,043,679
Total	**964,841,551**	**971,377,581**

Storm aggregates by region

(€)	31/12/2017	31/12/2016
Europe – EU Member States	401,286,042	432,701,483
Europe – non-EU members	94,417,441	108,443,253
Russia and countries of the former Soviet Union	25,636,119	25,440,091
Africa	45,086,397	47,032,821
Middle East	23,244,580	34,932,628
Asia	218,463,679	224,598,174
Latin America	71,895,308	32,346,638
USA and Canada	22,615,761	23,135,770
Caribbean	31,182,220	27,483,539
Oceania	25,526,052	23,215,554
Total	**959,353,601**	**979,329,950**

In 2017 the aggregate exposure to natural catastrophes by region declined, and so did the absolute level of risk (there was a somewhat smaller decline in the exposure to earthquakes and floods and a larger decline in the storm aggregate. We estimate that, in relative terms, retention risk was on the same level in 2017 and 2016. Nevertheless, Sava Re was not seriously impacted due to its adequate retention limits and adequate retrocession programme, as shown in the section on estimated exposure to underwriting risks.

23.5.2.5 Reserve risk

Reserve risk is the risk that technical provisions are not sufficient to cover the commitments of the (re) insurance business assumed. This may occur because of inaccurate actuarial estimates or an unexpected unfavourable loss development. It may be a result of new types of losses that have not been excluded in cedants' insurance conditions and for which no claims provisions have been established, which is common with liability insurance contracts but can also happen due to changed court practices. We consider that this risk does exist, mainly in respect of the claims provision; however, it is minor.

Sava Re manages reserving risk by strict adherence to the law and regulations on technical provisions, by applying recognised actuarial methods, critical observation of information received from ceding companies on reinsurers' shares of their claims provisions and, especially, by adopting a sufficiently prudent approach in setting the level of technical provisions, which is described in the notes to technical provisions.

Unlike primary insurers, Sava Re cannot use triangles of paid losses based on accident year data for actuarial estimations. This is because ceding companies report claims under proportional treaties by underwriting years. As claims under one-year policies written during any one year may occur either in the year the policy is written or in the year after, aggregate data for proportional reinsurance contracts are not broken down by accident year. Furthermore, some markets renew treaty business during the year, resulting in additional discrepancies between the underwriting year and the accident year.

In line with reinsurance practice, Sava Re analyses data concerning claims paid by underwriting year and estimates its future liabilities with respect to individual underwriting years by using appropriate actuarial methods. The estimated liabilities relate to claims that have already been incurred (reported and not reported) the settlement of which is provided for within the claims provision, and claims that have not yet been incurred the settlement of which is covered by unearned premiums, net of deferred commission.

Owing to the mentioned feature, the following two tables include as originally estimated gross or net liabilities. At any year-end claims provisions are included plus unearned premiums less deferred commission, which are compared to subsequent estimates of these liabilities. Such testing or analysis of whether technical provisions are adequate can only be applied to past years — the further back in time, the more precise the results. Given that the claims provision is calculated using the same actuarial method as in previous years, we conclude based on past discrepancies between originally estimated liabilities and subsequently established actual liabilities arising from claims at individual dates of the statement of financial position, that the provisions as at 31 December 2017 are adequate.

Adequacy analysis of gross technical provisions for past years

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
As originally estimated	206,099	199,339	207,416	209,963	218,615	224,093
Reestimated as of 1 year later	179,499	170,890	183,590	191,260	191,207	
Reestimated as of 2 years later	169,304	160,099	174,579	175,447		
Reestimated as of 3 years later	158,181	156,865	164,654			
Reestimated as of 4 years later	155,634	147,772				
Reestimated as of 5 years later	149,283					
Cumulative gross redundancy (latest estimate – original estimate)	**56,816**	**51,566**	**42,763**	**34,516**	**27,409**	
Cumulative gross redundancy as % of original estimate	27.6%	25.9%	20.6%	16.4%	12.5%	

Adequacy analysis of net technical provisions for past years

(€ thousand)	Year ended 31 December					
Estimate of net liabilities	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
As originally estimated	174,480	173,344	177,031	194,262	200,824	204,479
Reestimated as of 1 year later	153,136	153,577	161,973	175,595	175,066	
Reestimated as of 2 years later	147,655	142,529	151,267	159,178		
Reestimated as of 3 years later	136,270	137,887	140,291			
Reestimated as of 4 years later	132,322	127,700				
Reestimated as of 5 years later	125,137					
Cumulative gross redundancy (latest estimate – original estimate)	**49,342**	**45,644**	**36,740**	**35,084**	**25,758**	
Cumulative net redundancy as % of original estimate	28.3%	26.3%	20.8%	18.1%	12.8%	

The cumulative gross redundancies for underwriting years 2012–2015 increased if compared to amounts at the end of the preceding year, which were 24.5 %, 21.3 %, 15.8 % and 8.9 % of original estimates. The cumulative net redundancies for underwriting years 2012 to 2015 are also larger than the amounts as at the end of the preceding year, which were 24.2%, 20.5%, 14.6% and 9.6% of original estimates.

The cumulative gross and net redundancies are a result of prudent estimation of liabilities. They are also partly due to the fact that unearned premiums calculated based on the pro rata temporis rule, less deferred commission, for those classes of business where loss ratios are significantly below 100% are too large by the very nature of the calculation method. This is also the reason why the reestimate as of 1 year later is quickly decreasing compared to the original estimate, as unearned premiums relating to one-year insurance contracts are largely released in the following year when any redundancy is also released. Subsequent reestimates are slowly decreasing; and only after a long time do they stabilise.

In respect of those classes of insurance where the sum of the claims and the expense ratio exceeds 100%, Sava Re sets aside provisions for unexpired risks in addition to unearned premiums, as described in the notes to technical provisions.

Due to the high cumulative redundancies of both gross and net technical provisions, we estimate that reserving risk at the end of 2017 is relatively small and similar to that at year-end 2016.

23.5.2.6 Retrocession programme

An adequate retrocession programme is fundamental for managing the underwriting risk that Sava Re is exposed to. The programmes are designed to reduce potentially large risk exposures as largest amounts set out in the tables of maximum retentions are used only exceptionally with best risks. Sava Re uses retrocession treaties to diversify risk. The Company's net retained insurance portfolio (relating to both Slovenian and foreign ceding companies) is further covered for potentially large losses through prudently selected non-proportional reinsurance programmes.

We consider that the 2017 retrocession programme of Sava Re is comparable with that of 2016.

23.5.2.7 Estimated exposure to underwriting risks

Sava Re's maximum net retentions and its retrocession programmes are of key importance to estimating the exposure to underwriting risks. The net retention limit is set at €4 million for the majority of non-life classes of insurance and a combined limit of €4 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of €2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at €300,000. In principle, this caps any net claim arising out of any single loss event at a maximum of €4 million. In case of any catastrophe event, e.g. flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is €5 million for Group business as well as extra-Group business. These amounts represent the maximum net claim for a single catastrophe event based on reasonable actuarial expectations. In case of multiple catastrophic events in any single year, the non-proportional treaties include reinstatement provisions. Hence, the probability that a large number of catastrophe events would compromise the solvency position of Sava Re is negligible. Due to the random fluctuation in the number of catastrophic events, an increase in net claims must always be expected. This would negatively impact business results, but would certainly pose no threat to Sava Re's solvency.

A one-percentage change in the combined ratio due to higher/lower underwriting risks would have resulted in a change in the profit before tax of €1.3 million (2016: €1.3 million). In 2017 an additional maximum net claim of €5 million would have deteriorated the combined ratio by 3.8% (2016: 3.7%), which is still acceptable.

The probability that the underwriting risk may seriously undermine the Company's financial stability is deemed, according to our assessment, to have been low in both 2017 and 2016.

23.5.3 Financial risks

In its financial operations, Sava Re is exposed to financial risks, including market, liquidity and credit risk.

23.5.3.1 Risk of financial investments in subsidiaries and associates

Regarding the risk related to its financial investments in subsidiaries and associates, Sava Re is especially exposed to the risk of a decline in these investments and concentration risk. Among its financial investments in subsidiaries and associates, Sava Re has one major exposure, i.e. the investment in Zavarovalnica Sava, the value of which accounts for 63.78% (2016: 63.82%) of the total value of its financial investments in subsidiaries and associates.

As at 31 December 2017, Sava Re's total exposure to the risk of financial investments in subsidiaries and associates was €193.4 million (31/12/2016: €191.6 million).

Sava Re manages the risk related to its financial investments in subsidiaries and associates through active governance, comprising:

- a governance system (management and supervision), and clear segregation of responsibilities at all levels;
- risk management policies;
- systematic risk management with a three-lines-of-defence framework (discussed in detail in section 11 "Risk management");
- the setting of business and risk management strategies from the top down, taking into account both the Group as a whole as well as its individual members;
- a comprehensive system of monitoring operations, reporting on business results and risks at all levels.

Assessed sensitivity of investments in subsidiaries and associates

(€)	31/12/2017			31/12/2016		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
-10%	193,409,578	174,068,620	-19,340,958	191,640,382	172,476,344	-19,164,038
-20%	193,409,578	154,727,662	-38,681,916	191,640,382	153,312,306	-38,328,076
largest individual subsidiary of −10%	123,364,959	111,028,463	-12,336,496	122,312,446	110,081,201	-12,231,245
largest individual subsidiary of −20%	123,364,959	98,691,967	-24,672,992	122,312,446	97,849,957	-24,462,489

Exposure to the risk related to financial investments in subsidiaries and associates remained in 2017 at the 2016 level.

23.5.3.2 Market risk

Financial investments exposed to market risk

(€) Type of investment	31/12/2017	As % of total 31/12/2017	31/12/2016	As % of total 31/12/2016	Absolute difference 31/12/2017 / 31/12/2016	Change in structure (p.p.) 31/12/2017 / 31/12/2016
Deposits and CDs	2,398,614	0.9%	2,398,602	0.9%	12	0.0
Government bonds	116,270,045	43.8%	122,920,903	47.1%	-6,650,858	-3.3
Corporate bonds	108,409,148	40.8%	101,771,645	39.0%	6,637,503	1.8
Shares (excluding strategic shares)	10,399,227	3.9%	9,798,315	3.8%	600,912	0.2
Mutual funds	2,862,382	1.1%	2,388,497	0.9%	473,884	0.2
bond	2,564,660	1.0%		0.0%	2,564,660	1.0
mixed	0	0.0%	1,594,081	0.6%	-1,594,081	-0.6
equity	297,721	0.1%	794,417	0.3%	-496,695	-0.2
Loans granted and other investments	4,609,924	1.7%	2,834,953	1.1%	1,774,972	0.6
Deposits with cedants	5,832,346	2.2%	7,835,859	3.0%	-2,003,514	-0.8
Financial investments	**250,781,685**	**94.4%**	**249,948,775**	**95.7%**	**832,911**	**-1.4**
Investment property	8,230,878	3.1%	3,122,076	1.2%	5,108,801	1.9
Cash and cash equivalents	6,678,458	2.5%	7,989,819	3.1%	-1,311,360	-0.5
Total financial investments	**265,691,021**	**100.0%**	**261,060,670**	**100.0%**	**4,630,351**	

The value of financial investments exposed to market risk rose by €4.6 million in 2017 compared to year-end 2016. The increase is discussed in the business report section 20.2.1.1.

23.5.3.2.1 Interest rate risk

Interest rate risk is the risk that the Company will suffer a loss as a result of fluctuations in interest rates, resulting in a decrease in the value of assets or an increase in liabilities. Given that according to the prescribed methodology for the calculation of technical provisions for the purpose of financial statements, Sava Re does not have interest-rate sensitive technical provisions, changes in market interest rates are only reflected in the value of the investment portfolio.

Interest rate risk is measured through a sensitivity analysis, by observing the change in the value of investments in bonds if interest rates rise by one percentage point. The interest-rate sensitive bond portfolio includes government and corporate bonds, and bond mutual funds with a weight of 1. The analysed investments do not include held-to-maturity bonds, deposits or loans granted as these are measured at amortised cost and are, therefore, not sensitive to changes in market interest rates.

Results of the sensitivity analysis

(€)	31/12/2017					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	114,194,924	110,921,251	-3,273,674	114,194,924	117,706,635	3,511,710
Corporate bonds	108,409,151	105,413,387	-2,995,765	108,409,151	111,643,308	3,234,157
Bond mutual funds	2,564,660	2,492,429	-72,231	2,564,660	2,642,381	77,720
Total	**225,168,736**	**218,827,066**	**-6,341,670**	**225,168,736**	**231,992,324**	**6,823,587**
Effect on equity	-6,341,670			6,823,587		
Effect on the income statement	0			0		

(€)	31/12/2016					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	120,846,089	116,628,711	-4,217,378	120,846,089	125,432,749	4,586,660
Corporate bonds	101,771,648	98,529,323	-3,242,324	101,771,648	105,271,137	3,499,490
Total	**222,617,736**	**215,158,034**	**-7,459,702**	**222,617,736**	**230,703,886**	**8,086,150**
Effect on equity	-7,459,702			8,086,150		
Effect on the income statement	0			0		

The sensitivity analysis showed that in case of an increase in interest rates, the value of bonds included in the analysis would decrease by €6.3 million (31/12/2016: €7.5 million) or 2.8% (31/12/2016: 3.4 %).

Based on the results of the sensitivity analysis, the interest rate risk slightly decreased compared to 2016.

23.5.3.2.2 Equity risk

Equity risk is the risk that the value of investments will decrease due to fluctuations in equity markets.

The Company measures equity risk through a stress test scenario assuming a 10- or 20-percent drop in equity prices. Equity risk affects equities, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

Investments in subsidiaries are excluded from stress tests as the Company assesses their value in accordance with the policy described in section 23.2.12 "Financial investments in subsidiaries and associates". As at the year-end 2017, investments in subsidiaries totalled €193.4 million (31/12/2016: €191.6 million). Sava Re maintains and increases the value of its investments in subsidiaries through active management.

As at 31 December 2017, equity securities accounted for 4.0% of the investment portfolio, 0.7 p.p. less than in 2016.

Sensitivity assessment of investments to change in equity prices

(€)	31/12/2017			31/12/2016		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
-10%	10,696,948	9,627,253	-1,069,695	11,389,772	10,250,795	-1,138,977
-20%	10,696,948	8,557,558	-2,139,390	11,389,772	9,111,818	-2,277,954

To assess the Group's sensitivity of investments to equity risk, we assume a 10% drop in the value of all equity securities, which would have resulted in a decrease in the value of investments of €1.1 million (31/12/2016: €1.1 million).

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. Thus, a 20% fall in equity prices would have reduced the value of investments by €2.1 million (31/12/2016: €2.3 million).

The exposure to equity risk declined in 2017.

23.5.3.2.3 Property risk

The exposure to property risk is monitored through a stress test assuming a 25% drop in prices. The basis for the calculation is the balance of investment property.

Sensitivity assessment of investments to changes in real estate prices

(€)	31/12/2017			31/12/2016		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
-25%	8,230,878	6,173,158	-2,057,719	3,122,076	2,341,557	-780,519

A 25% drop in property prices would decreased the value of investments as at 31 December 2017 by €2.1 million (31/12/2016: €0.8 million).

Property risk rose in 2016 compared to year-end 2016 because of the higher balance of investment property assets.

23.5.3.2.4 Currency risk

Currency risk is the risk that changes in exchange rates will decrease foreign-denominated assets or increase liabilities denominated in foreign currencies.

As at 31 December 2017, the Company's liabilities denominated in foreign currencies accounted for 17.7% of its total liabilities. As the proportion of international business is rising (and so is the number of different currencies), Sava Re has put in place currency matching policies. It took measures for the matching of assets and liabilities in foreign currencies aimed at decreasing currency risk.

Under the adopted currency matching policy, matching activities in respect of any accounting currency[138] are to start as soon as the currency mismatch with that currency exceeds €2 million. If the financial market allows for the purchase and settlement of investments in the accounting currency, the Company starts investing in the accounting currency of the liability. If the financial market does not allow for the purchase and settlement of investments in the accounting currency and the transaction currency[139] is a global currency, the currency mismatch may be reduced through placements in the transaction currency. This requires a correlation between the accounting currency and the transaction currency of at least 90%. The correlation is the average of a one-, two-, three-, four- and five-year correlation between the accounting currency and the transaction currency calculated at the end of each quarter of the current year.

[138] The accounting currency is the local currency used in the accounting documentation. Reinsurance contracts may be accounted for in various accounting currencies. Generally, this is the currency of liabilities and receivables due from cedants, and hence also the reinsurer.

[139] The transaction currency is the currency in which reinsurance contract transactions are processed.

Measurement of currency risk

The Company uses a stochastic analysis to measure currency risk and to predict the average surplus funds as well as the 5th percentile of surplus funds after one year from the risk valuation date.

Based on exchange rates to which Sava Re has been exposed to over the past six years and the corresponding euro equivalent surpluses of assets and liabilities as at 31 December 2017, we made a stochastic analysis that projected that, assuming an unaltered currency structure, after one year the average surplus of assets over liabilities would be €0.04 million (31/12/2016: €0.02 million), but with a 5-percent probability that the deficit of assets would exceed €0.3 million (31/12/2016: €0.6 million).

Currency mismatch of assets and liabilities is monitored by individual accounting currency. The following table includes the currency mismatch for the five currencies that account for the largest share of liabilities.

Currency (mis)match as at 31 December 2017 (all amounts translated to euro)

Currency 2017	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	**480,204,998**	**478,013,928**		
Foreign currencies	**100,681,182**	**102,872,252**	**20,178,121**	**97.9**
US dollar (USD)	40,244,329	33,645,619	6,598,709	119.6
Korean won (KRW)	13,659,418	12,268,776	1,390,642	111.3
Chinese yuan (CNY)	8,680,101	8,296,593	383,508	104.6
Indian rupee (INR)	7,250,186	6,629,520	620,666	109.4
Taka (BDT)	2,100,842	6,286,135	4,185,294	33.4
Other	28,746,307	35,745,609	6,999,302	80.4
Total	**580,886,180**	**580,886,180**		
% valutne usklajenosti obveznosti			96,5%	

Currency (mis)match as at 31 December 2016 (all amounts translated to euro)

Currency 2016	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	**478,755,305**	**472,780,085**		
Foreign currencies	**89,392,458**	**95,367,680**	**19,625,899**	**93.7**
US dollar (USD)	35,945,392	29,739,019	6,206,373	120.9
Korean won (KRW)	13,406,991	13,287,940	119,051	100.9
Indian rupee (INR)	7,119,812	6,619,897	499,915	107.6
Taka (BDT)	2,409,710	5,612,845	3,203,135	42.9
Chinese yuan (CNY)	7,109,309	7,343,230	233,920	96.8
Other	23,401,244	32,764,749	9,363,505	71.4
Total	**568,147,764**	**568,147,764**		
Currency-matched liabilities (%)			96.5%	

Transaction currency (mis)match as at 31 December 2017 (all amounts translated to euro)

Currency 2017	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	**480,490,171**	**479,884,843**		
Foreign currencies	**100,396,009**	**101,001,336**	**6,685,636**	**99.4**
US dollar (USD)	43,252,126	43,255,862	3,736	100.0
Korean won (KRW)	13,659,418	12,268,776	1,390,642	111.3
Chinese yuan (CNY)	8,680,101	8,296,593	383,508	104.6
Indian rupee (INR)	8,026,369	7,931,790	94,579	101.2
Russian rouble (RUB)	10,381,528	9,210,102	1,171,426	112.7
Other	16,396,467	20,038,213	3,641,746	81.8
Total	**580,886,180**	**580,886,180**		
Currency-matched liabilities (%)			98.8%	

Transaction currency (mis)match as at 31 December 2016 (all amounts translated to euro)

Currency 2016	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	**479,194,354**	**475,108,023**		
Foreign currencies	**88,953,410**	**93,039,741**	**6,471,728**	**95.6**
US dollar (USD)	39,073,698	38,108,473	965,225	102.5
Korean won (KRW)	13,406,991	13,287,940	119,051	100.9
Chinese yuan (CNY)	7,109,309	7,343,230	233,920	96.8
Indian rupee (INR)	7,545,650	7,451,584	94,067	101.3
Russian rouble (RUB)	2,532,341	2,517,985	14,355	100.6
Other	19,285,420	24,330,529	5,045,110	79.3
Total	**568,147,764**	**568,147,764**		
Currency-matched liabilities (%)			98.9%	

The Company has set itself a target of matching assets and liabilities at least 90%. In 2017 assets and liabilities were matched 96.5% (2016: 96.5%), which demonstrates the high quality of currency risk management.

In the management of currency risk (ALM aspect), the Company managed to directly match all substantially liquid currencies. Other currencies were matched based on their correlation with the euro or the US dollar. Since many accounting currencies are at least 90% correlated to the US dollar, the surplus of assets over liabilities in US dollars has been reduced to €3.7 thousand (from €6.6 million). This would further increase the currency matching percentage to 98.8% (2016: 98.9 %).

List of currencies matched through the transaction currency

Transaction currency	Accounting currency
Euro (€)	BGN
	BAM
	CFA Frank BCEAO (XOF)
	Danish krone (DKK)
	XAF
U.S. dollar (USD)	Dirham (AED)
	Netherlands Antillean guilder (ANG)
	Bangladeshi taka (BDT)
	Bahamian dollar (BSD)
	Guatemalan quetzal (GTQ)
	Hong Kong dollar (HKD)
	Kuwaiti dinar (KWD)
	Sri Lankan rupee (LKR)
	Maldivian rufiyaa (MVR)
	Omani rial (OMR)
	Pakistani rupee (PKR)
	Qatari riyal (QAR)
	Saudi riyal (SAR)
	East Caribbean dollar (XCD)
	Vietnamese dong (VND)
Indian rupee (INR)	BTN
	NPR

Effect of exchange differences on the income statement

A currency mismatch also affects profit or loss through accounting for exchange rate differences due to the impact of exchange rate changes on various statement of financial position items.

When assets and liabilities are 100% matched in terms of foreign currencies, changes in foreign exchange rates have no impact on profit or loss. This is because any change in the value of assets denominated in a foreign currency as a result of a change in the exchange rate is offset by the change in the value of liabilities denominated in that foreign currency. As Sava Re's assets and liabilities are not 100% currency matched, changes in exchange rates do affect the income statement. The following table shows the impact of exchange differences.

Effect of exchange differences on the income statement

Statement of financial position item	Exchange differences	
Euro (€)	31/12/2017	31/12/2016
Asset management	-5,483,541	1,360,875
Technical provisions and deferred commissions	6,427,290	-1,571,251
Receivables and liabilities	-1,739,316	-260,125
Total effect on the income statement	**-795,566**	**-470,502**

We estimate that currency risk did not change significantly in 2017 compared to 2016. In 2017 the Company continued active currency matching of assets and liabilities both directly through accounting currencies and indirectly through transaction currencies.

23.5.3.3 Liquidity risk

Liquidity risk is the risk that because of unexpected or unexpectedly high obligations, the Company will suffer a loss when ensuring liquid assets.

The Company minimises liquidity risk through ensuring funds in the amount of the estimated liquidity requirement. This comprises estimated ordinary current liquidity needs and liquidity reserves, which are ensured through the allocation of funds in money market instruments and through setting minimum percentages of portfolios that must be invested in highly liquid assets readily available to provide liquidity in case of emergency needs.

The normal current liquidity assessment is made based on the projected cash flow analysis in the period of up to one year included in the monthly and weekly plans that take into account the planned investment maturity dynamics as well as other inflows and outflows from operating activities. To this end, the Company uses historical data from previous monthly and weekly liquidity plans and projections regarding future operations. The liquidity reserve is calculated on the basis of an assessment of the maximum weekly outflows based on historical data.

In accordance with its liquidity risk management policy, the Company oversees the liquidity quality of its securities classified in line with the ECB methodology. The investment portfolio must include as a minimum 15% of securities of the L1A liquidity class. As at the reporting date, the Company's L1A class assets exceeded the minimum 15.0% mark.

Exposure to liquidity risk is also measured by maturity-matching of assets and liabilities. The table below shows the value of financial investments by year based on undiscounted cash flows, while the value of technical provisions is shown by year and expected maturity based on triangular development.

Maturity profile of financial assets and liabilities

(€)	Carrying amount as at 31/12/2017	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2017
Financial investments	250,781,685	0	50,259,319	142,313,870	46,636,862	13,261,608	252,471,660
- at fair value through profit or loss	409,573	0	0	0	0	409,573	409,573
- held to maturity	2,075,111	0	102,500	410,000	2,410,000	0	2,922,500
- loans and deposits	12,840,885	0	4,373,892	2,717,308	1,512,740	0	8,603,940
- available-for-sale	235,456,116	0	45,782,927	139,186,563	42,714,123	12,852,036	240,535,648
Reinsurers' share of technical provisions	20,073,571	0	8,072,407	5,947,618	6,053,545	0	20,073,571
Cash and cash equivalents	6,678,458	2,128,333	4,550,126			0	6,678,458
TOTAL ASSETS	**277,533,715**	**2,128,333**	**62,881,852**	**148,261,488**	**52,690,408**	**13,261,608**	**279,223,689**
Technical provisions	232,639,163	0	94,012,446	68,701,572	69,925,145	0	232,639,163
TOTAL LIABILITIES	**232,639,163**	**0**	**94,012,446**	**68,701,572**	**69,925,145**	**0**	**232,639,163**
Difference (assets – liabilities)	**44,894,551**	**2,128,333**	**-31,130,594**	**79,559,917**	**-17,234,738**	**13,261,608**	**46,584,525**

(€)	Carrying amount as at 31/12/2016	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2016
Financial investments	249,948,775	0	53,433,668	139,072,800	54,491,508	12,186,812	259,184,788
- at fair value through profit or loss	1,287,411	0	0	0	0	1,287,411	1,287,411
- held to maturity	2,074,813	0	102,500	410,000	2,512,500	0	3,025,000
- loans and deposits	13,069,414	0	10,160,970	3,376,419	857,299	0	14,394,688
- available-for-sale	233,517,137	0	43,170,198	135,286,381	51,121,709	10,899,402	240,477,689
Reinsurers' share of technical provisions	18,203,912	0	7,467,400	5,293,796	5,442,715	0	18,203,912
Cash and cash equivalents	7,989,819	6,930,776	1,059,043			0	7,989,819
TOTAL ASSETS	**276,142,505**	**6,930,776**	**61,960,111**	**144,366,596**	**59,934,223**	**12,186,812**	**285,378,518**
Subordinated liabilities	23,570,771	0	23,570,771	0	0	0	23,570,771
Technical provisions	226,207,479	0	93,201,727	65,580,454	67,425,297	0	226,207,478
TOTAL LIABILITIES	**249,778,249**	**0**	**116,772,498**	**65,580,454**	**67,425,297**	**0**	**249,778,249**
Difference (assets – liabilities)	**26,364,256**	**6,930,776**	**-54,812,387**	**78,786,142**	**-7,491,074**	**12,186,812**	**35,600,268**

Liquidity requirements are met by allocating funds to money market instruments in the percentage consistent with the estimated normal current liquidity requirement. In this regard, the Company maintains a liquidity buffer of highly liquid assets accounting for at least 15% of its investment portfolio. Highly liquid assets are intended to provide liquidity to meet any extraordinary liquidity requirements and are available on an ongoing basis.

An additional liquidity cushion is provided by a credit line of €10 million arranged by the Company with a commercial bank for the purpose of covering the liquidity needs of its Group members. The Company has in its books 72.7 million of investments assessed as highly liquid by the ECB (first two categories under ECB methodology for assessing the liquidity of investments).

In terms of the Company's liquidity, it is also very important that gross technical provisions and reserves are covered by funds of the non-life insurance register.

The Company's liquidity also depends on the average maturity of assets and liabilities. The average maturity of bonds and deposits of the non-life insurance register was 3.01 years at year-end 2017 (31/12/2016: 3.49 years), while the expected maturity of liabilities was 4.10 years (31/12/2016: 4.01 years).

Based on the proportion of liquid assets and the level of asset and liability matching, we assess that liquidity risk is well managed.

23.5.3.4 Credit risk

Credit risk is the risk of default on the obligations of a securities issuer or other counterparty towards the Company.

Assets exposed to credit risk include financial investments (deposit investments, bonds, deposits with cedants, cash and cash equivalents, and loans granted), receivables due from reinsurers and other receivables.

Exposure to credit risk

(€)	31/12/2017	31/12/2016
Type of asset	**Amount**	**Amount**
Fixed-income investments	**244,198,536**	**245,751,781**
Debt instruments*	231,687,731	229,926,103
Deposits with cedants	5,832,347	7,835,859
Cash and cash equivalents	6,678,458	7,989,819
Receivables due from reinsurers	**22,947,154**	**21,656,024**
Reinsurers' share of technical provisions	20,073,571	18,203,912
Receivables for shares in claims payments	2,873,583	3,452,112
Receivables, excluding receivables arising out of reinsurance business	**85,728,812**	**76,384,515**
Receivables arising out of primary insurance business	85,167,822	75,715,787
Receivables arising out of co-insurance and reinsurance business (other than receivables for shares in claims)	329,343	435,652
Current tax assets	41,064	60,938
Other receivables	190,583	172,138
Total exposure	**352,874,501**	**343,792,320**

* Debt instruments include loans granted; the figure for 2016 differs from that published in the 2016 annual report (€227.1 million).

Credit risk due to issuer default

Credit risk for investments is estimated based on two factors:

- credit ratings used in determining credit risk for fixed-income investments[140] and cash assets[141];
- performance indicators for other investments.

Below we set out an estimation of credit risk for fixed-income investments (included are debt securities, bank deposits, cash and cash equivalents, deposits with cedants and loans granted).

Fixed-income investments by issuer credit rating

(€)	31/12/2017		31/12/2016	
Rated by S&P/Moody's	**Amount**	**As % of total**	**Amount**	**As % of total**
AAA/Aaa	88,858,731	36.4%	83,095,870	33.8%
AA/Aa	37,636,383	15.4%	37,089,276	15.1%
A/A	64,854,168	26.6%	67,743,311	27.6%
BBB/Baa	27,552,436	11.3%	29,257,378	11.9%
Less than BBB/Baa	3,942,855	1.6%	9,634,140	3.9%
Not rated	21,353,963	8.7%	18,931,805	7.7%
Total	**244,198,536**	**100.0%**	**245,751,781**	**100.0%**

* Fixed-income investments also include investments in loans granted; the figure for 2016 differs from that published in the 2016 annual report (€242.9 million).

The share of investments exposed and credit risk that are rated A or better as at 31 December 2017 accounted for 78.4%, an increase of 1.9 p.p. over 2016. The improved credit profile compared to year-end 2016 is primarily as a result of (re)investments in higher grade securities. The Company also regularly monitors exposure to individual issuers and any changes in credit standing in order to be able to prepare for a timely response to any adverse developments in financial markets or increase in risk relating to any issuer.

Sava Re mitigates credit risk with other investments through a high degree of diversification and by investing in liquid securities.

The credit risk due to issuer default also includes concentration risk representing the risk of excessive concentration in a geographic area, economic sector or issuer.

The Company's investment portfolio is reasonably diversified in accordance with the Slovenian Insurance Act and the Company's internal rules in order to avoid large concentration of a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

[140] Included are bonds, corporate bonds, deposits, deposits with cedants and loans granted.
[141] This includes cash and demand deposits.

Diversification of financial investments by region

(€)	31/12/2017		31/12/2016	
Region	Amount	As % of total	Amount	As % of total
Slovenia	54,593,796	20.5%	62,820,061	24.1%
EU Member States	141,696,173	53.3%	138,764,117	53.2%
Non-EU members	9,176,812	3.5%	10,749,824	4.1%
Russia and Asia	16,384,509	6.2%	18,251,368	7.0%
Africa and the Middle East	2,134,198	0.8%	2,619,479	1.0%
America and Australia	41,705,533	15.7%	27,855,822	10.7%
Total	**265,691,021**	**100.0%**	**261,060,670**	**100.0%**

Financial investments are chiefly exposed to EU Member States (31/12/2017: 53.3%, 31/12/2016: 53.2%), with exposure spread among 23 countries. The second largest exposure is to Slovenian-based issuers (31/12/2017: 20.5%, 31/12/2016: 24.1%) and exposure is to issuers based in the Americas and Australia (31/12/2017: 15.7%, 31/12/2016: 10.7 %). The exposure to other regions remained broadly flat year on year.

Exposure to Slovenia by asset type

(€)	31/12/2017		31/12/2016	
Type of investment	Amount	As % of total	Amount	As % of total
Deposits	742,100	0.3%	742,085	0.3%
Government bonds	24,004,876	9.0%	35,789,278	13.7%
Corporate bonds	7,089,706	2.7%	7,525,592	2.9%
Shares	10,304,445	3.9%	9,418,063	3.6%
Mutual funds	0	0.0%	1,594,081	0.6%
Cash and cash equivalents	4,221,792	1.6%	4,628,886	1.8%
Investment property	8,230,878	3.1%	3,122,076	1.2%
Sum total	**54,593,796**	**20.5%**	**62,820,061**	**24.1%**

The % of total is calculated based on the amount of market-risk sensitive investments.

Diversification of financial investments by industry

(€)	31/12/2017		31/12/2016	
Industry	Amount	As % of total	Amount	As % of total
Banking	51,972,379	19.6%	53,789,276	20.6%
Government	116,270,044	43.8%	122,920,903	47.1%
Finance & insurance	38,773,758	14.6%	30,062,940	11.5%
Industry	17,422,633	6.6%	19,010,010	7.3%
Consumables	19,516,081	7.3%	12,743,410	4.9%
Utilities	21,736,127	8.2%	22,534,131	8.6%
Total	**265,691,021**	**100.0%**	**261,060,670**	**100.0%**

The Company's largest exposure in terms of industry as at 31 December 2017 was to governments, albeit with a high degree of diversification by issuers. Compared with the end of last year, the diversification by industry has not changed significantly.

As at 31 December 2017, exposure to the ten largest issuers was €88.2 million, representing 33.2% of financial investments (31/12/2016: €89.0 million; 34.1%). The largest single issuer of securities that Sava Re is exposed to is the Republic of Slovenia. As at 31 December 2017, it totalled €21.0 million or 7.9% of financial investments (31/12/2016: €32.7 million; 12.5%). No other issuer exceeds the 2.0% of financial assets threshold.

Based on the above, we estimate that by reducing its exposure to Slovenia and additional diversification by issuer, region and industry, the Company managed its credit risk well in 2017, and reduced it compared to 2016.

Counterparty default risk

The total exposure to retrocessionaires as at 31 December 2017 was €22.9 million (31/12/2016: €21.7 million). Of this, €20.1 million (31/12/2016: €18.2 million) relate to retroceded gross technical provisions (€3.5 million to unearned premiums and €16.6 million to provisions for outstanding claims) and €2.9 million (31/12/2016: €3.2 million) to receivables for reinsurers' shares in claims.

The total credit risk exposure of the Company arising from retrocessionaires represented 4.0% of total assets in 2017 (31/12/2016: 3.8 %). Retrocession programmes are mostly placed with first-class reinsurers with an appropriate credit rating (at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). We consider this risk as low, particularly as the investment portfolio is adequately diversified. See details in the following table.

Receivables due from reinsurers by reinsurer credit rating

(€)	31/12/2017		31/12/2016	
Rated by S&P / A.M. Best	Amount	As % of total	Amount	As % of total
AAA/A++	1,050,918	4.6%	1,122,148	5.2%
AA/A+	6,547,204	28.5%	8,248,329	38.1%
A/(A or A-)	10,005,802	43.6%	8,789,152	40.6%
BBB / (B++ or B+)	971,923	4.2%	566,101	2.6%
Less than BBB / less than B+	664,632	2.9%	625,970	2.9%
Not rated	3,706,674	16.2%	2,304,323	10.6%
Total	**22,947,154**	**100.0%**	**21,656,024**	**100.0%**

The tables below show the receivables ageing analysis, including the above-mentioned receivables for reinsurers' shares in claims.

Receivables ageing analysis

(€) 31/12/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	70,333,520	9,733,178	5,101,124	85,167,822
Receivables for reinsurers' shares in claims	2,068,584	316,745	488,254	2,873,583
Receivables for commission	312,676	16,666	0	329,342
Receivables arising out of co-insurance and reinsurance business	**72,714,780**	**10,066,589**	**5,589,378**	**88,370,748**
Short-term receivables arising out of financing	18,001	1,736	21,327	41,064
Other receivables	174,792	8,417	7,373	190,583
Other receivables	**192,793**	**10,153**	**28,700**	**231,647**
Total	**72,907,573**	**10,076,742**	**5,618,078**	**88,602,395**

(€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	62,789,076	10,072,536	2,854,175	75,715,787
Receivables for reinsurers' shares in claims	2,283,318	605,855	562,939	3,452,112
Receivables for commission	415,197	20,454	0	435,652
Receivables arising out of co-insurance and reinsurance business	**65,487,591**	**10,698,845**	**3,417,114**	**79,603,551**
Short-term receivables arising out of financing	14,172	30,995	15,771	60,938
Other short-term receivables	147,163	2,646	22,329	172,138
Other receivables	**161,334**	**33,641**	**38,101**	**233,076**
Total	**65,648,925**	**10,732,486**	**3,455,214**	**79,836,627**

The Company assessed its receivables for impairment. Allowances were established for receivables that needed to be impaired. Receivables are discussed in greater detail in note 8.

23.5.4 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

Operational risks are not among the most important risks of the Company. Nevertheless, some of them are quite important, such as:

- risk of inside information leakage,
- risk of external theft or fraud,
- risk of loss of key, expert and high-potential employees,
- risk of damage to physical assets due to natural disaster or fire,
- risk of loss or failure of computer or telecommunication systems,
- risks associated with transactions, execution and maintenance,
- risk of incorrect data input and inadequate documentation,
- risks associated with outsourcing.

We estimate that in 2017, the Company's exposure to operational risk remained on the 2016 level.

At least annually, the Company calculates its capital requirements for operational risks using the standard formula under Solvency II. This calculation, however, has a limited practical value, as the formula is not based on the actual exposure of the Company to operational risks, but on an approximation calculated mainly based on premiums, provisions and expenses.

Due to the above-mentioned reasons, the Company assesses operational risks mainly by qualitatively assessing the related probability and financial severity within the risk register, and by analysing various scenarios. With such regular assessments, the Company obtains an insight into the level of its exposure to operational risks.

The Company is not exposed to significant concentrations of operational risk.

The Company has in place various processes that ensure that it can properly identify, measure, monitor, manage, control and report operational risks, thus ensuring their effective management.

The Company's operational risk measures are aligned with those of the Group, as set out in section 17.7.6 "Operational risk".

23.5.5 Strategic risks

Strategic risk includes the risk of an unexpected decrease in the Company's value due to the adverse effects of management decisions, changes in the business and legal environment and market developments. Such adverse events could impact the Company's income and capital adequacy.

The Company is exposed to a variety of internal and external strategic risks. The key strategic risks of the Company in 2017 primarily include:

- regulatory risk,
- reputation risk,
- project risk,
- impact of market and economic conditions,
- competitor risk.

We assess that Sava Re's exposure to strategic risk in 2017 is at a similar level as in 2016.

Strategic risks are by nature very diverse, difficult to quantify and heavily dependent on various (including external) factors. They are also not included in the calculation of capital requirement in accordance with the Solvency II standard formula.

Therefore, strategic risks relating to the risk register are assessed qualitatively by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated using qualitative analysis of various scenarios. Based on both analyses combined, an overview is obtained of the extent and change in the exposure to this type of risk.

The Company manages strategic risks well and has no material exposure to concentration risk.

The Company's operational risk measures are aligned with those of the Group, as set out in section 17.7.7 "Strategic risk".

23.6 Notes to the financial statements – statement of financial position

1) Intangible assets

Movement in cost and accumulated amortisation/impairment losses of intangible assets

(€)	Software	Other intangible assets	Total
COST			
01/01/2017	1,431,299	39,685	1,470,984
Additions	196,213	0	196,213
Disposals	0	-9,042	-9,042
31/12/2017	1,627,512	30,643	1,658,155
ACCUMULATED AMORTISATION			
01/01/2017	638,417	0	638,417
Additions	212,727	0	212,727
31/12/2017	851,144	0	851,144
Carrying amount as at 01/01/2017	**792,883**	**39,685**	**832,567**
Carrying amount as at 31/12/2017	**776,368**	**30,643**	**807,011**

(€)	Software	Other intangible assets	Total
COST			
01/01/2016	1,171,111	12,159	1,183,270
Additions	260,188	27,526	287,714
31/12/2016	1,431,299	39,685	1,470,984
ACCUMULATED AMORTISATION			
01/01/2016	516,780	0	516,780
Additions	121,637	0	121,637
31/12/2016	638,417	0	638,417
Carrying amount as at 01/01/2016	**654,331**	**12,159**	**666,490**
Carrying amount as at 31/12/2016	**792,883**	**39,685**	**832,567**

2) Property and equipment

Movement in cost and accumulated depreciation/impairment losses of property and equipment assets

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
01/01/2017	149,876	7,591,448	1,559,190	92,256	9,392,770
Additions	0	0	289,914	0	289,914
Disposals	0	0	-182,875	-1,589	-184,464
Reclassifications	957	-5,269,225	0	0	-5,268,268
31/12/2017	150,833	2,322,223	1,666,228	90,667	4,229,951
ACCUMULATED DEPRECIATION					
01/01/2017	0	612,593	980,000	46,975	1,639,568
Additions	0	30,444	176,266	2,625	209,335
Disposals	0	0	-104,329	-268	-104,597
31/12/2017	0	643,037	1,051,937	49,333	1,744,306
Carrying amount as at 01/01/2017	**149,876**	**6,978,855**	**579,190**	**45,281**	**7,753,202**
Carrying amount as at 31/12/2017	**150,833**	**1,679,187**	**614,291**	**41,334**	**2,485,645**

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
01/01/2016	146,616	2,285,900	1,464,770	126,552	4,023,839
Additions	3,260	5,305,547	347,741	0	5,656,548
Disposals	0	0	-253,322	-34,296	-287,618
31/12/2016	149,876	7,591,448	1,559,190	92,256	9,392,770
ACCUMULATED DEPRECIATION					
01/01/2016	0	573,263	951,117	44,116	1,568,496
Additions	0	39,330	187,103	6,905	233,337
Disposals	0	0	-158,220	-4,046	-162,266
31/12/2016	0	612,593	980,000	46,975	1,639,568
Carrying amount as at 01/01/2016	**146,616**	**1,712,638**	**513,653**	**82,436**	**2,455,344**
Carrying amount as at 31/12/2016	**149,876**	**6,978,856**	**579,190**	**45,281**	**7,753,202**

In its books of account, the Company recorded property for own use being acquired at the total value invested (land, buildings and equipment). Individual parts of property assets have been recorded separately when put into use (in investment property).

Furthermore, the Baraga 5 property in Ljubljana (€5.3 million), formerly recorded as property for own use in progress, was reclassified, through the reclassifications item, as investment property in September 2017.

Property and equipment assets have not been acquired under financial lease arrangements and are unencumbered by any third-party rights.

The fair values of land and buildings are disclosed in note 23 “Fair values of assets and liabilities”.

3) Deferred tax assets and liabilities

(€)	31/12/2017	31/12/2016
Deferred tax assets	1,238,826	1,373,436

(€)	01/01/2017	Recognised in the IS	Recognised in the SCI	31/12/2017
Long-term financial investments	1,195,582	-167,573	-4,506	1,023,503
Short-term operating receivables	222,455	35,333		257,788
Provisions for jubilee benefits and severance pay (retirement)	31,440	3,742	-1,605	33,577
Other	-76,041	0	0	-76,041
Total	**1,373,436**	**-128,499**	**-6,111**	**1,238,826**

(€)	01/01/2016	Recognised in the IS	Recognised in the SCI	31/12/2016
Long-term financial investments	2,247,334	-779,612	-272,140	1,195,582
Short-term operating receivables	181,834	40,621	0	222,455
Provisions for jubilee benefits and severance pay (retirement)	39,840	-8,400	0	31,440
Other	-183,560	111,312	-3,794	-76,041
Total	**2,285,448**	**-636,080**	**-275,934**	**1,373,436**

4) Investment property

Movement in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
COST			
01/01/2017	5,810	3,200,431	3,206,241
Reclassifications	1,490,790	3,704,982	5,195,772
31/12/2017	1,496,601	6,905,412	8,402,013
ACCUMULATED DEPRECIATION			
01/01/2017	0	84,165	84,165
Additions	0	86,970	86,970
31/12/2017	0	171,135	171,135
Carrying amount as at 01/01/2017	**5,810**	**3,116,266**	**3,122,076**
Carrying amount as at 31/12/2017	**1,496,601**	**6,734,277**	**8,230,878**

(€)	Land	Buildings	Total
COST			
01/01/2016	10,027	3,023,753	3,033,780
Additions	0	213,000	213,000
Disposal	-4,217	-36,322	-40,539
31/12/2016	5,810	3,200,431	3,206,241
ACCUMULATED DEPRECIATION			
01/01/2016	0	34,038	34,038
Additions	0	59,315	59,315
Disposal	0	-9,188	-9,188
31/12/2016	0	84,165	84,165
Carrying amount as at 01/01/2016	**10,027**	**2,989,715**	**2,999,742**
Carrying amount as at 31/12/2016	**5,810**	**3,116,266**	**3,122,076**

Investment property assets comprise offices in the Bežigrajski dvor building at Dunajska 56 in Ljubljana, which the Company has leased out for an indefinite period of time, while part of the office building at Tivolska 48 in Ljubljana and the building at Baragova 5 in Ljubljana, are leased under long-term contracts.

All investment property assets yield rent. In 2017 the Company realised income of €326,147 from investment properties leased out, of which €11,152 was paid by subsidiaries, and €314,995 by third parties. In 2016, the income from associated companies totalled €11,152. Maintenance costs associated with investment property are either included in rent or charged to the lessees in a proportionate amount. These recovered costs amounted to €144,325 in 2017 (2016: €24,797).

The investment property assets are unencumbered by any third-party rights.

The fair values of investment property assets are disclosed in note 23 “Fair values of assets and liabilities”.

5) Financial investments in subsidiaries and associates

Financial investments in subsidiaries and associates are recognised at cost in accordance with IAS 27 "Separate Financial Statements".

Financial investments in the equity of Group companies

(€)	01/01/2017		Acquisition/recapitalisation	Impairment (-)	31/12/2017	
	Holding	Value	Value	Value	Holding	Value
Zavarovalnica Sava	99.74%	122,312,446	1,052,512	0	100.00%	123,364,959
Sava neživotno osiguranje (SRB)	100.00%	13,457,144	0	0	100.00%	13,457,144
Illyria	100.00%	10,318,445	0	0	100.00%	10,318,445
Sava osiguruvanje (MKD)	92.44%	10,278,898	5,721	0	92.57%	10,284,618
Sava osiguranje (MNE)	100.00%	15,373,019	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	100.00%	4,035,892
Sava životno osiguranje (SRB)	100.00%	5,974,281	710,963	0	100.00%	6,685,245
Illyria Hospital	100.00%	1,800,317	0	0	100.00%	1,800,317
Sava pokojninska	100.00%	8,089,939	0	0	100.00%	8,089,939
Total		**191,640,382**	**1,769,196**	**0**		**193,409,578**

(€)	01/01/2016		Acquisition/recapitalisation	Merger	Liquidation	Impairment (-)	31/12/2016	
	Holding	Value	Value			Value	Holding	Value
Zavarovalnica Sava	100.00%	0	0	122,312,446	0	0	99.74%	122,312,446
Zavarovalnica Sava	100.00%	94,760,785	0	-94,760,785	0	0	0.00%	0
Zavarovalnica Tilia	100.00%	13,967,082	0	-13,967,082	0	0	0.00%	0
Velebit osiguranje	92.08%	7,110,658	2,500	-7,113,158	0	0	0.00%	0
Velebit životno osiguranje	88.71%	6,467,858	3,580	-6,471,438	0	0	0.00%	0
Sava neživotno osiguranje (SRB)	100.00%	13,457,144	0	0	0	0	100.00%	13,457,144
Illyria	100.00%	13,633,529	0	0	0	-3,315,084	100.00%	10,318,445
Sava osiguruvanje (MKD)	92.44%	10,278,898	0	0	0	0	92.44%	10,278,898
Sava osiguranje (MNE)	100.00%	15,373,019	0	0	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	0	0	100.00%	4,035,892
Sava životno osiguranje (SRB)	100.00%	6,739,639	250,341	0	0	-1,015,698	100.00%	5,974,281
Velebit usluge in liquidation	100.00%	12,516,962	0	0	-12,516,962	0	0.00%	0
Illyria Hospital	100.00%	1,800,317	0	0	0	0	100.00%	1,800,317
Sava pokojninska	100.00%	8,089,939	0	0	0	0	100.00%	8,089,939
Total		**208,231,721**	**256,421**	**-16**	**-12,516,962**	**-4,330,782**		**191,640,382**

In 2017, the Company increased its investments in Group companies by €1.8 million. The Company acquired non-controlling interests in Zavarovalnica Sava of €1.1 million and Sava osiguruvanje (MKD) of €5,721, and recapitalised Sava životno osiguranje (SRB).

6) Financial investments

(€) 31/12/2017	Held-to-maturity	At fair value through P/L: Non-derivative: Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**2,075,111**	**0**	**222,604,081**	**7,008,538**	**231,687,731**
Deposits and CDs	0	0	0	2,398,614	2,398,614
Government bonds	2,075,111	0	114,238,753	0	116,313,865
Corporate bonds	0	0	108,365,328	0	108,365,328
Loans granted	0	0	0	4,609,924	4,609,924
Equity instruments	**0**	**409,573**	**12,852,036**	**0**	**13,261,609**
Shares	0	409,573	9,989,654	0	10,399,227
Mutual funds	0	0	2,862,382	0	2,862,382
Deposits with cedants	**0**	**0**	**0**	**5,832,347**	**5,832,347**
Total	**2,075,111**	**409,573**	**235,456,116**	**12,840,885**	**250,781,685**

(€) 31/12/2016	Held-to-maturity	At fair value through P/L: Non-derivative: Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**2,074,813**	**0**	**222,617,735**	**5,233,555**	**229,926,103**
Deposits and CDs	0	0	0	2,398,602	2,398,602
Government bonds	2,074,813	0	113,688,540	0	115,763,353
Corporate bonds	0	0	108,929,195	0	108,929,195
Loans granted	0	0	0	2,834,953	2,834,953
Equity instruments	**0**	**1,287,411**	**10,899,402**	**0**	**12,186,812**
Shares	0	376,807	9,421,508	0	9,798,315
Mutual funds	0	910,604	1,477,893	0	2,388,497
Deposits with cedants	**0**	**0**	**0**	**7,835,859**	**7,835,859**
Total	**2,074,813**	**1,287,411**	**233,517,137**	**13,069,414**	**249,948,775**

Sava Re held 0.5% of financial investments that constitute subordinated debt for the issuer (31/12/2016: 0.5 %).

Loans granted to Group companies

(€)	Type of debt instrument	31/12/2017	31/12/2016
Sava osiguranje Belgrade	loan	1,305,929	1,300,000
Sava osiguruvanje	loan	300,000	0
Illyria Life	loan	3,003,995	0
Zavarovalnica Sava	subordinated loan	0	1,534,953
Total		**4,609,924**	**2,834,953**

No securities have been pledged as security.

7) Reinsurers' share of technical provisions

(€)	31/12/2017	31/12/2016
From unearned premiums	3,513,686	2,704,461
From provisions for claims outstanding	16,559,885	15,499,451
Total	**20,073,571**	**18,203,912**

The reinsures' share of unearned premiums mostly moved in line with retroceded premiums. In 2017 these grew by 29.9%, mainly due to the growth of facultative business retroceded on a proportional basis, but also as a result of the restructuring of non-proportional covers for which unearned premiums as at 31 December 2017 were accounted for using a new method due to the interim renewal. In addition, retrocession premiums increased by 7.7%.

The reinsurers' share of claims provisions depends on the movement of large incurred claims, covered by the reinsurance programme, and the schedule of their related claim payments. In 2017 the reinsurers' share of the claims provision increased by 6.8%, with the upward movement relating to strengthening of provisions following large property claims and the downward movement relating to claim payments for the 2016 Slovenian hail losses.

8) Receivables

Due to the change in the presentation of receivables from operating activities described in section 23.3 “Changes in accounting policies and presentation”, receivables arising out of primary insurance business increased by €85.2 million. Had the change in the presentation of receivables for premiums arising out of reinsurance and co-insurance been made as at 31 December 2016, receivables arising out of primary insurance business would have totalled €75.7 million. The disclosed increase in these receivables in 2017 compared to the previous year would have amounted to €9.5 million, primarily as the result of the growth in gross premiums written in international markets, which affected the total increase in this item.

Change in presentation of receivables for 2016

(€)	Gross amount	Allowance	Receivables
Receivables arising out of primary insurance business			
31/12/2016	0	0	0
Reclassification	76,143,581	-427,794	75,715,787
31/12/2016 after reclassification	76,143,581	-427,794	75,715,787
Receivables arising out of co-insurance and reinsurance business			
31/12/2016	80,106,348	-502,798	79,603,550
Reclassification	-76,143,581	427,794	-75,715,787
31/12/2016 after reclassification	3,962,767	-75,004	3,887,763

Receivables of the controlling company arising out of reinsurance contracts are not specially secured. Receivables have been tested for impairment.

Receivables by type

(€)	31/12/2017			31/12/2016		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	85,661,458	-493,636	85,167,822	0	0	0
Receivables arising out of primary insurance business	**85,661,458**	**-493,636**	**85,167,822**	**0**	**0**	**0**
Receivables for premiums arising out of reinsurance and co-insurance	0	0	0	76,143,581	-427,794	75,715,787
Receivables for shares in claims payments	3,048,587	-175,004	2,873,583	3,527,116	-75,004	3,452,112
Receivables for commission	329,343	0	329,343	435,652	0	435,652
Receivables arising out of co-insurance and reinsurance business	**3,377,930**	**-175,004**	**3,202,926**	**80,106,348**	**-502,798**	**79,603,551**
Receivables arising out of investments	41,152	-88	41,064	61,026	-88	60,938
Other short-term receivables	605,163	-414,581	190,582	681,473	-509,335	172,138
Other receivables	**646,316**	**-414,669**	**231,647**	**742,499**	**-509,424**	**233,076**
Total	**89,685,704**	**-1,083,309**	**88,602,395**	**80,848,847**	**-1,012,222**	**79,836,627**

The table gives a receivables ageing analysis. Amounts are net of any allowances.

Receivables ageing analysis

(€) 31/12/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	70,333,520	9,733,178	5,101,123	85,167,822
Receivables arising out of primary insurance business	**70,333,520**	**9,733,178**	**5,101,123**	**85,167,822**
Receivables for reinsurers’ shares in claims	2,068,584	316,745	488,255	2,873,583
Receivables for commission	312,676	16,666	0	329,343
Receivables arising out of co-insurance and reinsurance business	**2,381,260**	**333,411**	**488,255**	**3,202,926**
Short-term receivables arising out of financing	18,001	1,736	21,327	41,064
Other short-term receivables	174,793	8,417	7,373	190,582
Other receivables	**192,795**	**10,153**	**28,700**	**231,647**
Total	**72,907,575**	**10,076,742**	**5,618,078**	**88,602,395**

(€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	62,789,076	10,072,536	2,854,175	75,715,787
Receivables for reinsurers’ shares in claims	2,283,318	605,855	562,939	3,452,112
Receivables for commission	415,197	20,454	0	435,652
Receivables arising out of co-insurance and reinsurance business	**65,487,591**	**10,698,845**	**3,417,114**	**79,603,551**
Short-term receivables arising out of financing	14,172	30,995	15,771	60,938
Other short-term receivables	147,163	2,646	22,329	172,138
Other receivables	**161,334**	**33,641**	**38,101**	**233,076**
Total	**65,648,925**	**10,732,486**	**3,455,214**	**79,836,627**

All receivables are current.

Movement in allowance for receivables

(€)	01/01/2017	Transfer	Additions	Reversals	Exchange differences	31/12/2017
Receivables due from policyholders	0	-427,794	-134,467	48,506	20,119	-493,637
Receivables arising out of primary insurance business	**0**	**-427,794**	**-134,467**	**48,506**	**20,119**	**-493,637**
Receivables for premiums arising out of reinsurance assumed	-427,794	427,794	0	0	0	0
Receivables for reinsurers' shares in claims	-75,004	0	-100,000	0	0	-175,004
Receivables arising out of co-insurance and reinsurance business	**-502,798**	**427,794**	**-100,000**	**0**	**0**	**-175,004**
Short-term receivables arising out of financing	-88	0	0	0	0	-88
Other short-term receivables	-509,335	0	0	94,754	0	-414,581
Other receivables	**-509,423**	**0**	**0**	**94,754**	**0**	**-414,669**
Total	**-1,012,222**	**0**	**-234,467**	**143,260**	**20,119**	**-1,083,309**

(€)	01/01/2016	Additions	Reversals	Exchange differences	31/12/2016
Receivables for premiums arising out of reinsurance assumed	-303,710	-155,960	34,291	-2,416	-427,794
Receivables for reinsurers' shares in claims	-75,004	0	0	0	-75,004
Receivables arising out of co-insurance and reinsurance business	**-378,714**	**-155,960**	**34,291**	**-2,416**	**-502,798**
Short-term receivables arising out of financing	-88	0	0	0	-88
Other short-term receivables	-537,057	0	27,722	0	-509,335
Other receivables	**-537,145**	**0**	**27,722**	**0**	**-509,423**
Total	**-915,859**	**-155,960**	**62,013**	**-2,416**	**-1,012,222**

9) Deferred acquisition costs

(€)	31/12/2017	31/12/2016
Deferred commission from inwards reinsurance in Slovenia and abroad	7,778,499	6,897,710

This item comprises exclusively commission accounted for relating to the next financial year recognised taking into account straight-line amortisation. All deferred acquisition costs are current. The deferred commissions relating to the Group's cedants declined to €0.4 million at the end of 2017 as a result of the reduction by the amount of the estimated sliding scale commission based on premiums written and expected incurred loss ratios of proportional treaties, which would be accounted for if such incurred loss ratios should realise. The deferred commissions relating to the extra-group portfolio rose by €1.1 million, moving in line with the growth in unearned premiums of the portfolio.

10) Other assets and other financial liabilities

Other assets mainly include prepaid licence fees and insurance premiums.

Other financial liabilities include short-term liabilities arising out of unpaid dividends of Sava Re for 2013, 2014 and 2015.

11) Cash and cash equivalents

(€)	31/12/2017	31/12/2016
Cash in bank accounts	2,963,782	899,168
Framework deposit or overnight deposits	3,714,676	7,090,651
Total	**6,678,458**	**7,989,819**

Cash equivalents comprises demand deposits and deposits placed with an original maturity of up to three months.

12) Share capital

As at 31 December 2017, the Company's share capital was divided into 17,219,662 shares (the same as at 31/12/2016). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company's control and profits (dividends). Each share carries one vote in general meeting and entitles the bearer to a proportionate share of the dividend payout.

Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol.

As at year-end 2017, the Company's shareholders' register listed 4,061 shareholders (31/12/2016: 4,308 shareholders). The Company's shares are listed in the prime market of the Ljubljana Stock Exchange.

13) Capital reserves

ZAfter successfully completing the recapitalisation in July 2013, the Company increased capital reserves by €22.2 million. Expenses directly attributable to the initial public offering of €1.0 million were deducted from the added amount. As at 31 December 2017 capital reserves totalled €54.2 million.

14) Profit reserves

Reserves provided for by the articles of association totalled €11.5 million, having reached the statutory prescribed amount already in 2006, while legal reserves totalled €3.5 million in 2017 and were also not strengthened in the year.

Profit reserves

(€)	31/12/2017	31/12/2016	Distributable/ non-distributable
Legal reserves and reserves provided for by the articles of association	14,986,525	14,986,525	non-distributable
Reserve for treasury shares	24,938,709	24,938,709	non-distributable
Catastrophe equalisation reserve	10,000,000	10,000,000	non-distributable
Other profit reserves	113,565,880	97,078,785	distributable
Total	**163,491,114**	**147,004,019**	

Reserves provided for by the articles of association are used:

- to cover the net loss which cannot be covered (in full) out of retained earnings and other profit reserves (an instrument of additional protection of the Company's tied-up capital);
- to increase the share capital from the Company's own funds; and
- to regulate the Company's dividend policy.

In accordance with IFRSs, the catastrophe equalisation reserve is shown under profit reserves.

In line with the Slovenian Companies Act, the Company's management board or the supervisory board may, when approving the annual report, allocate a part of net profit to other profit reserves, however, up to half of net profit for the period. Based on a management board decision approved by the supervisory board, profit reserves were strengthened by €16.5 million in 2017.

15) Treasury shares

As at 31 December 2017, the Company held 1,721,966 POSR shares (or 10% of all shares) worth €24,938,709.

On 23 April 2014, the 28th general meeting was held, in which the Company was authorised to buy back own shares of up to 10% of its share capital. The authorisation for acquiring up to a total of 1,721,966 shares was valid for three years.

16) Fair value reserve

The fair value reserve comprises the change in fair value of available-for-sale financial assets.

(€)	2017	2016
As at 1 January	**3,785,553**	**3,006,703**
Change in fair value	692,156	1,209,942
Transfer from fair value reserve to the IS due to disposal	-668,437	-158,952
Deferred tax	-4,506	-272,140
As at 31 December	**3,804,764**	**3,785,553**

The table shows the net change in the fair value reserve, which is an equity component.

17) Net profit or loss for the year and retained earnings

The weighted number of shares takes into account the annual average calculated on the basis of monthly averages of ordinary shares less the number of treasury shares. The weighted average number of shares outstanding in the financial period was 15,497,696. As the Company does not have potentially dilutive capital instruments, its net earnings per share equal diluted earnings per share.

Basic/diluted earnings/loss per share

(€)	2017	2016
Net profit/loss for the period	32,974,192	32,873,817
Weighted average number of shares outstanding	15,497,696	15,791,457
Net earnings/loss per share	**2.13**	**2.08**

Comprehensive income per share

(€)	2017	2016
Comprehensive income for the period	33,008,694	33,693,737
Weighted average number of shares outstanding	15,497,696	15,791,457
Comprehensive income per share	**2.13**	**2.13**

In line with the general meeting resolution dated 19 May 2017, the Company allocated €12,398,157 to dividend payouts.

Statement of distributable profit or loss

(€)	2017	2016
Net profit/loss for the period	32,974,192	32,873,817
- profit/loss for the year under applicable standards	32,974,192	32,873,817
Release from profit reserve	0	917,885
Retained earnings/losses	6,012,234	8,365,278
Additions to profit reserve as per resolution of the management board	0	14,619,362
- Additions to reserves for own shares	0	14,619,362
Additions to other reserves as per resolution of the management and supervisory boards	16,487,096	9,127,228
Distributable profit to be allocated by the general meeting	**22,499,330**	**18,410,391**
- to shareholders	0	12,398,157
- to be carried forward to the next year	0	6,012,234

18) Subordinated liabilities

At the end of 2006 and at the beginning of 2007, Sava Re raised a subordinated loan in the amount of €32 million, and drew down 97% of the principal amount.

Under the contractual provisions, the remaining nominal amount of €24 million could be early repaid as of 2017. After receiving the approval of the Slovenian Insurance Supervision Agency, the controlling company repaid the subordinated debt in the nominal amount of €24 million on 15 March 2017 and 14 June 2017.

In 2017, the controlling company paid €0.7 million in interest on subordinated debt (2016: € 0.8 million) and €14,455 in withholding tax on interest paid (2016: €40,160).

19) Technical provisions

Movements in gross technical provisions

(€)	01/01/2017	Additions	Uses	Exchange differences	31/12/2017
Gross unearned premiums	43,345,415	45,528,202	-41,023,857	-247,303	47,602,457
Gross provision for outstanding claims	182,167,780	73,160,487	-64,884,414	-6,174,360	184,269,492
Gross provision for bonuses, rebates and cancellations	483,539	397,861	-483,539	0	397,861
Other gross technical provisions	210,745	369,353	-210,745	0	369,352
Total	**226,207,479**	**119,455,903**	**-106,602,555**	**-6,421,663**	**232,639,163**

(€)	01/01/2016	Additions	Uses	Exchange differences	31/12/2016
Gross unearned premiums	46,546,065	41,193,194	-44,647,862	254,017	43,345,415
Gross provision for outstanding claims	173,912,911	74,464,445	-67,565,108	1,355,532	182,167,780
Gross provision for bonuses, rebates and cancellations	320,994	483,539	-320,994	0	483,539
Other gross technical provisions	121,984	210,745	-121,984	0	210,745
Total	**220,901,954**	**116,351,922**	**-112,655,948**	**1,609,550**	**226,207,479**

Technical provisions, the second largest item on the liabilities side, increased by 2.8% or €6.4 million compared to 31 December 2016.

Gross unearned premiums increased by 9.8%, or €4.3 million, mainly due to the decrease in gross premiums written by non-Group cedants.

The gross provision for outstanding claims increased by 1.2% in 2017. In the Group portfolio, the claims provision remained at about the same level (increase from €56.2 million to €56.4 million) as the increase on account of new large losses on the surplus treaty and new reported large excess of loss claims in motor liability business was offset by the decline because of the release for 2016 hail loss payments and the release of IBNR claims provisions for proportional motor liability reinsurance business. While the claims provision for non-Group business grew by €1.8 million, on excluding exchange gains (offset by the reverse effect in the movement of assets), it would have increased by only €0.8 million. The increase is primarily the result of establishing provisions for certain large loss events that occurred in 2017.

Structure of the provision for outstanding claims

(€)	31/12/2017	31/12/2016
Net provision for claims incurred but not reported (IBNR)	**63,336,603**	**62,765,077**
- gross provision	63,336,603	62,765,077
Net provision for claims reported but not settled	**104,514,999**	**103,993,977**
- gross provision	121,074,884	119,493,428
- reinsurers' share	-16,559,885	-15,499,451
Net provision for expected subrogation recoveries	**-141,995**	**-90,725**
Gross provision for outstanding claims	-141,995	-90,725
Net provision for outstanding claims	**167,709,607**	**166,668,329**
Total gross provision for outstanding claims	**184,269,492**	**182,167,780**
Total reinsurers' share (–)	**-16,559,885**	**-15,499,451**
IBNR as % of gross provision for outstanding claims	34.4%	34.5%
IBNR as % of net provision for outstanding claims	37.8%	37.7%

The movement in the gross and net claims provisions is aligned. The proportion of the IBNR provision remained at the prior-year level.

The provision for bonuses, rebates and cancellations declined as a result of the weaker performance of the business with certain major policyholders, who have negotiated conditions including bonuses and rebates, and in the business of which the Company participates through proportional reinsurance treaties with Group cedants.

Other technical provisions comprise the provision for unexpired risks. These are established if the expected combined ratio exceeds 100%, which in 2017 was the case with the reinsurance of ships, health, aviation and suretyship reinsurance.

Calculation of the gross provision for unexpired risks by class of insurance

(€)	31/12/2017		31/12/2016	
	Expected combined ratio	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	91.56%	0	91.70%	0
Health insurance	128.32%	1,099	133.97%	6,454
Land vehicles casco	98.56%	0	94.27%	0
Railway rolling stock	41.76%	0	20.86%	0
Aircraft hull	121.88%	9,168	89.19%	0
Ships hull	127.29%	320,611	121.10%	187,688
Goods in transit	78.52%	0	79.61%	0
Fire and natural forces	90.76%	0	92.84%	0
Other damage to property	60.12%	0	67.94%	0
Motor liability	91.79%	0	93.37%	0
Aircraft liability	59.50%	0	77.00%	0
Liability for ships	73.08%	0	67.28%	0
General liability	52.84%	0	61.42%	0
Credit	-2.02%	0	5.80%	0
Suretyship	180.33%	38,475	126.14%	16,602
Miscellaneous financial loss	73.92%	0	68.89%	0
Legal expenses	43.05%	0	62.29%	0
Assistance	38.12%	0	62.69%	0
Life	58.08%	0	66.39%	0
Unit-linked life	55.41%	0	61.71%	0
Total	**86.70%**	**369,353**	**87.04%**	**210,745**

20) Other provisions

Other provisions mainly comprise provisions for long-term employee benefits.

Provisions for severance pay upon retirement and jubilee benefits have been calculated in accordance with the requirements of the revised IAS 19. The Company does not defer the recognition of actuarial gains and losses (i.e. the corridor approach) for defined benefit plans. There is a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions that are recognised in comprehensive income.

Change in other provisions

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Other provisions for costs	Total
01/01/2017	**275,344**	**55,605**	**852**	**331,801**
Interest costs	-832	-176	0	-1,007
Cost of service	36,302	8,108	0	44,410
Payments	0	-5,021	0	-5,021
Impact of changes in actuarial assumptions (IS)	0	-1,557	0	-1,557
Impact of changes in actuarial assumptions (SFP)	-16,893	0	0	-16,893
Other changes	0	0	-482	-482
31/12/2017	**293,921**	**56,958**	**370**	**351,250**

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Other provisions for costs	Total
01/01/2016	**292,168**	**54,610**	**499**	**347,277**
Interest costs	-465	-85	0	-550
Cost of service	35,083	7,980	0	43,064
Payments	-6,578	-2,734	0	-9,312
Actuarial gains/losses (SFP)	-44,864	-4,353	0	-49,217
Actuarial gains/losses (IS)	0	187	0	187
Other changes	0	0	353	353
31/12/2016	**275,344**	**55,605**	**852**	**331,802**

The standard requires the disclosure of quantitative information of the sensitivity of provisions for severance pay upon retirement (defined benefit plan) to a reasonably possible change in each significant actuarial assumption. The (principal) assumptions used were: the term structure of the risk-free interest rate for the euro, published by EIOPA, without adjustments for volatility, real wage growth of 1.02% (2016: 1.13%), inflation and growth in jubilee benefits 1.5% (2016: 1.5%), staff turnover up to age 35 1.8% (2016: 1.7%), in the age bracket 35–45 3.6% (2016: 3.6 %), after age 45 2.0% (2016: 1.9%), mortality as per SLO 2007 (m/f) tables.

Impact on the amount of provision for severance pay upon retirement (€)	31/12/2017	31/12/2016
Decrease in discount rate of 1%	40,427	41,023
Increase in discount rate of 1%	-33,440	-33,666
Increase in real income growth of 0.5%	-18,287	-18,362
Increase in real income growth of 0.5%	19,959	20,156
Decrease in staff turnover of 10%	8,002	7,931
Increase in staff turnover of 10%	-7,701	-7,624
Decrease in mortality rate of 10%	2,506	2,473
Increase in mortality rate of 10%	-2,477	-2,445

21) Liabilities from operating activities

Due to a change in the presentation of liabilities arising out of accepted business, liabilities from primary insurance business increased by €51.2 million. If the change in the presentation of liabilities had already been made on 31 December 2016, liabilities from primary insurance business would have totalled €40.3 million. The increase in these liabilities would thus amount to €10.8 million primarily due to increased liabilities for payment of claims because of regular interim movements. These liabilities are not past due and are related to premium receivables on the assets side.

There has been an decrease in liabilities from reinsurance and co-insurance business.

Change in presentation of liabilities for 2016

(€)	
Liabilities from primary insurance business	
31/12/2016	0
Reclassification	40,302,160
31/12/2016 after reclassification	40,302,160
Liabilities from reinsurance and co-insurance business	
31/12/2016	43,723,844
Reclassification	-40,302,160
31/12/2016 after reclassification	3,421,684

Liabilities from operating activities

(€)	31/12/2017	31/12/2016
Liabilities to policyholders	30,427,835	0
Other liabilities from primary insurance business	20,732,279	0
Liabilities from primary insurance business	**51,160,114**	**0**
Liabilities for reinsurance premiums	3,089,298	3,421,684
Liabilities for shares in reinsurance claims	710	22,055,430
Other liabilities due from co-insurance and reinsurance	0	18,246,730
Liabilities from reinsurance and co-insurance business	**3,090,008**	**43,723,843**
Current tax liabilities	**154,799**	**74,127**
Total	**54,404,921**	**43,797,970**

All liabilities are current.

The Company does not have liabilities arising out of co-insurance. The other liabilities due from co-insurance and reinsurance item comprises liabilities for reinsurance commission.

As at 31 December 2017, the Company recognised current tax liabilities of €154,799 (31/12/2016: €74,127).

22) Other liabilities

There was a decrease in other liabilities compared to 2016 as the Company closed its liabilities for part of the consideration for the property at Baragova 5 in Ljubljana for €1.5 million.

Accrued expenses and deferred income include accruals/deferrals relating to retained deposits from international inwards reinsurance business, provisions for unexpended annual leave of employees, personnel costs, commission of retroceded business and other accrued expenses and deferred income.

Other liabilities

(€) 2017	Maturity	
	Up to 1 year	Total
Short-term liabilities relating to securities	4,000	4,000
Short-term liabilities due to employees	465,008	465,008
Other short-term liabilities	926,352	926,352
Accruals and deferrals	1,038,149	1,038,149
Total	**2,433,509**	**2,433,509**

(€) 2016	Maturity	
	Up to 1 year	Total
Short-term liabilities relating to securities	4,010	4,010
Short-term liabilities due to employees	409,108	409,108
Other short-term liabilities	2,172,532	2,172,532
Accruals and deferrals	1,194,190	1,194,190
Total	**3,779,840**	**3,779,840**

Movements in accrued expenses and deferred income

(€)	01/01/2017	Additions - reclassification	Uses	31/12/2017
Short-term accrued expenses	**973,010**	**2,316,647**	**-2,437,541**	**852,118**
- auditing costs	42,029	96,380	-102,480	35,929
- accrued personnel cost	365,207	291,531	-365,207	291,531
- deferred reinsurance commission	412,879	1,830,314	-1,783,665	459,530
- deferred interest income	11,369	4,388	0	15,757
- other short-term accrued expenses	141,526	94,034	-186,189	49,372
Other accrued expenses and deferred income	**221,180**	**186,031**	**-221,180**	**186,031**
- liabilities for retained deposits	37,446	0	-37,446	0
- provision for unexpended employee leave	183,734	186,031	-183,734	186,031
Total	**1,194,190**	**2,502,678**	**-2,658,721**	**1,038,149**

(€)	01/01/2016	Additions - reclassification	Uses	31/12/2016
Short-term accrued expenses	**553,715**	**2,140,794**	**-1,721,499**	**973,010**
- auditing costs	33,551	42,029	-33,551	42,029
- accrued personnel cost	137,852	365,207	-137,852	365,207
- deferred reinsurance commission	325,537	1,587,111	-1,499,768	412,879
- deferred interest income	6,251	5,118	0	11,369
- other short-term accrued expenses	50,525	141,329	-50,328	141,526
Other accrued expenses and deferred income	**635,325**	**62,072**	**-476,217**	**221,180**
- liabilities for retained deposits	373,817	37,445	-373,817	37,446
- liabilities for tax on profit	102,400	0	-102,400	0
- provision for unexpended employee leave	159,108	24,626	0	183,734
Total	**1,189,040**	**2,202,866**	**-2,197,716**	**1,194,190**

23) Fair values of assets and liabilities

Methodology for the measurement of financial investments

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on the CBBT price in an active market.	Debt securities measured based on the CBBT price in an inactive market. Debt securities measured at the BVAL price if the CBBT price is unavailable. Debt securities measured using an internal model based on level 2 inputs.	Debt securities measured using an internal model that does not consider level 2 inputs.
Stock exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market. Debt securities measured at the BVAL price when the stock exchange price is unavailable. Debt securities measured using an internal model based on level 2 inputs.	Debt securities measured using an internal model that does not consider level 2 inputs.
Shares			
Stock exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market. Shares for which there is no stock exchange price and that are measured using an internal model based on level 2 inputs.	Shares are measured using an internal model that does not consider level 2 inputs.
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
Deposits and loans			
-with maturity		Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model using level 2 inputs.	Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model not using level 2 inputs.

Financial assets by level of the fair value hierarchy

(€) 31/12/2017	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	**235,865,689**	**168,973,221**	**63,313,461**	**3,579,007**	**235,865,689**	**0**
At fair value through P/L	**409,573**	**0**	**409,573**	**0**	**409,573**	**0**
Designated to this category	409,573	0	409,573	0	409,573	0
Equity instruments	409,573		409,573		409,573	0
Available-for-sale	**235,456,117**	**168,973,222**	**62,903,888**	**3,579,007**	**235,456,117**	**0**
Debt instruments	222,604,081	166,110,840	56,493,241		222,604,081	0
Equity instruments	12,852,036	2,862,382	6,410,647	3,579,007	12,852,035	0
Investments not measured at fair value	**14,915,996**	**2,817,696**	**3,127,264**	**10,442,271**	**16,387,231**	**1,471,235**
Held-to-maturity assets	**2,075,111**	**2,817,696**	**0**	**0**	**2,817,696**	**742,584**
Debt instruments	2,075,111	2,817,696	0	0	2,817,696	742,584
Loans and deposits	**12,840,885**	**0**	**3,127,264**	**10,442,271**	**13,569,536**	**728,650**
Deposits	2,398,614		3,127,264		3,127,264	728,650
Loans granted	4,609,924			4,609,924	4,609,924	0
Deposits with cedants	5,832,347			5,832,347	5,832,347	0

(€) 31/12/2016	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	**234,804,547**	**176,328,728**	**54,591,335**	**3,899,007**	**234,819,070**	**14,523**
At fair value through P/L	**1,287,411**	**910,604**	**376,807**	**0**	**1,287,411**	**0**
Designated to this category	1,287,411	910,604	376,807	0	1,287,411	0
Equity instruments	1,287,411	910,604	376,807	0	1,287,411	0
Available-for-sale	**233,517,137**	**175,418,124**	**54,214,529**	**3,899,007**	**233,531,659**	**14,523**
Debt instruments	222,617,735	173,940,230	48,677,504	0	222,617,735	0
Equity instruments	10,899,402	1,477,893	5,537,024	3,899,007	10,913,925	14,523
Investments not measured at fair value	**15,144,227**	**2,835,298**	**3,017,462**	**10,670,812**	**16,523,572**	**1,379,345**
Held-to-maturity assets	**2,074,813**	**2,835,298**	**0**	**0**	**2,835,298**	**760,485**
Debt instruments	2,074,813	2,835,298	0	0	2,835,298	760,485
Loans and deposits	**13,069,414**	**0**	**3,017,462**	**10,670,812**	**13,688,274**	**618,859**
Deposits	2,398,602	0	3,017,462	0	3,017,462	618,859
Loans granted	2,834,953	0	0	2,834,953	2,834,953	0
Deposits with cedants	7,835,859	0	0	7,835,859	7,835,859	0

Gains and losses on level 3 financial assets

(€)	Equity instruments	
	31/12/2017	31/12/2016
Income	80,897	124,749

Movements in level 3 financial assets

(€)	Equity instruments	
	31/12/2017	31/12/2016
Opening balance	**3,899,007**	**3,899,007**
Impairment	-320,000	0
Closing balance	**3,579,007**	**3,899,007**

Disclosure of the fair value of non-financial assets measured in the statement of financial position at amortised cost or at cost

Property 31/12/2017	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Owner-occupied property	31/12/2017	1,830,020	2,746,347	market approach and income approach (weighted 50 : 50), new purchases at cost
Investment property	31/12/2017	8,230,878	8,431,802	
Total		**10,060,898**	**11,178,149**	

Property 31/12/2016	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Owner-occupied property	31/12/2016	7,128,732	8,015,572	market approach and the income approach (weighted 50 : 50), new purchases at cost
Investment property	31/12/2016	3,122,076	3,236,030	
Total		**10,250,807**	**11,251,602**	

Movements in the fair value of land and buildings

(€)	01/01/2017	Reallocations	31/12/2017
Owner-occupied property	8,015,572	-5,269,225	2,746,347
Investment property	3,236,030	5,195,772	8,431,802
Total	**11,251,602**	**-73,453**	**11,178,149**

(€)	01/01/2016	Acquisitions	Reallocations	Change in fair value	31/12/2016
Owner-occupied property	1,968,712	5,269,225	39,582	738,053	8,015,572
Investment property	3,010,178	213,000	-39,582	52,434	3,236,030
Total	**4,978,890**	**5,482,225**	**0**	**790,487**	**11,251,602**

Reclassification of financial assets between levels

(€) 31/12/2017	Level 1	Level 2
Available-for-sale	**3,491,762**	**-3,491,762**
Debt instruments	3,491,762	-3,491,762
Total	**3,491,762**	**-3,491,762**

(€) 31/12/2016	Level 1	Level 2
Available-for-sale	**637,880**	**-637,880**
Debt instruments	637,880	-637,880
Total	**637,880**	**-637,880**

In 2017, the Company primarily measured its OTC assets based on BID CBBT prices representing unadjusted quoted prices, thus meeting the criteria for classification into level 1.

In 2017, the proportion of OTC assets measured based on closing BID CBBT prices declined flat compared to the end of 2016. As at 31 December 2017, level 1 investments represented 72% (31/12/2016: 77 %) of financial investments measured at fair value.

Quoted financial instruments that did not meet the active market criterion as at 31 December 2017, were valued based on an internal model. The valuation model applied used directly and indirectly observable market inputs, such as the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

Valuation methods for the above-mentioned items are described at the beginning of these notes under accounting policies. For investment property, the method is set out in section 23.2.11 "Investment property", for financial investments in subsidiaries and associates in section 23.2.12 "Financial investments in subsidiaries and associates", and for financial investments in section 23.2.13 "Financial investments".

23.7 Notes to the financial statements – income statement

24) Net earned premiums

Net earned premiums

(€) 2017	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	5,391,534	-36,818	217,401	-7,921	5,564,197
Health insurance	3,244,210	0	18,053	0	3,262,263
Land vehicles casco	17,966,660	-1,197,798	-1,640,571	2,538	15,130,829
Railway rolling stock	211,981	-4,248	-16,863	339	191,209
Aircraft hull	12,326	-7,894	115,173	630	120,235
Ships hull	5,542,664	-347,486	-488,455	65,421	4,772,144
Goods in transit	5,234,561	-259,542	-326,765	-2,999	4,645,256
Fire and natural forces	70,920,629	-11,050,787	-906,503	335,223	59,298,562
Other damage to property	18,222,571	-3,662,864	193,694	202,956	14,956,358
Motor liability	14,484,378	-531,754	-796,481	0	13,156,142
Aircraft liability	139,060	-49,171	-6,197	-11,011	72,682
Liability for ships	723,250	-9,932	-20,111	1,566	694,773
General liability	7,554,812	-864,517	-308,297	192,574	6,574,571
Credit	980,196	0	-186,709	0	793,486
Suretyship	242,199	0	20,594	0	262,793
Miscellaneous financial loss	1,509,279	-523,828	-87,455	27,438	925,433
Legal expenses	10,118	0	370	0	10,488
Assistance	19,355	0	-16	0	19,339
Life	489,010	-243,967	73,670	2,469	321,182
Unit-linked life	320,960	-116,710	-111,574	0	92,677
Total non-life	**152,409,782**	**-18,546,637**	**-4,219,138**	**806,756**	**130,450,762**
Total life	**809,970**	**-360,677**	**-37,904**	**2,469**	**413,858**
Total	**153,219,752**	**-18,907,314**	**-4,257,043**	**809,225**	**130,864,620**

(€) 2016	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	5,459,215	-42,693	900,568	-12,137	6,304,954
Health insurance	439,435	0	273,011	0	712,446
Land vehicles casco	16,046,517	-1,124,032	-407,706	-40,660	14,474,119
Railway rolling stock	111,896	0	-21,164	0	90,732
Aircraft hull	847,304	0	-17,280	0	830,025
Ships hull	3,400,041	-158,812	209,085	42,063	3,492,377
Goods in transit	5,217,065	-272,372	88,835	51,200	5,084,728
Fire and natural forces	71,576,193	-10,387,280	-487,996	177,939	60,878,856
Other damage to property	21,299,464	-3,251,628	1,084,979	140,440	19,273,254
Motor liability	12,460,725	-527,060	57,723	0	11,991,388
Aircraft liability	56,730	-56,307	141,390	4,102	145,914
Liability for ships	515,436	-6,138	20,572	0	529,870
General liability	6,302,548	-477,119	-172,280	-34,833	5,618,316
Credit	918,053	0	-333,384	0	584,669
Suretyship	209,725	0	-29,830	0	179,896
Miscellaneous financial loss	2,135,991	-466,072	1,552,435	34,703	3,257,056
Legal expenses	10,532	0	-546	0	9,986
Assistance	15,573	0	-1,477	0	14,096
Life	145,900	-629,620	343,715	-12,752	-152,757
Unit-linked life	258,549	-149,599	0	0	108,950
Total non-life	**147,022,444**	**-16,769,513**	**2,856,934**	**362,817**	**133,472,682**
Total life	**404,449**	**-779,219**	**343,715**	**-12,752**	**-43,807**
Total	**147,426,893**	**-17,548,733**	**3,200,650**	**350,065**	**133,428,875**

The above table shows the movement in gross premiums written. In 2017 gross premiums written in Slovenia rose by 1.6%, or €0.8 million (increase in premiums written by Zavarovalnica Sava), while gross premiums written abroad decreased by 5.2% or €5.0 million. This favourable premium growth is driven by the boost in proportional business with the highest absolute growth achieved in marine, motor liability and general liability reinsurance business.

Despite the rise in gross premiums written, net premiums earned for the period were lower than in 2016. Net unearned premiums were higher than as at the 2016 year end, while in the previous year the year-end figure was an increase from end of 2015. This trend is the result of growth in gross premiums written abroad in 2017 and their decline in 2016.

25) Income and expenses relating to investments in subsidiaries and associates

In 2017 the Company received dividends from its subsidiaries amounting to €26.1 million (2016: €26.3 million).
In 2017 the Company realised no expenses relating to its investments in subsidiaries (2016: €4.3 million).

26) Investment income and expenses

Investment income, expenses and net investment income by IFRS categories

Income relating to financial assets and liabilities from 1 January to 31 December 2017

(€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Diverse other income	Total	Income from associate companies
Held to maturity	**102,798**	**0**	**0**	**0**	**0**	**0**	**102,798**	**0**
Debt instruments	102,798	0	0	0	0	0	102,798	0
At fair value through P/L	**0**	**77,774**	**0**	**19,588**	**0**	**0**	**97,362**	**0**
Designated to this category	0	77,774	0	19,588	0	0	97,362	0
Equity instruments	0	77,774	0	19,588	0	0	97,362	0
Available-for-sale	**3,487,674**	**0**	**1,227,175**	**599,246**	**3,772,867**	**10,174**	**9,097,137**	**26,136,830**
Debt instruments	3,487,674	0	1,124,282	0	3,772,867	7,627	8,392,450	0
Equity instruments	0	0	102,893	599,246	0	2,547	704,687	26,136,830
Loans and receivables	**261,057**	**0**	**0**	**0**	**49,862**	**0**	**310,918**	**0**
Debt instruments	232,008	0	0	0	0	0	232,008	0
Other investments	29,049	0	0	0	49,862	0	78,911	0
Deposits with cedants	**44,415**	**0**	**0**	**0**	**0**	**0**	**44,415**	**0**
Total	**3,895,944**	**77,774**	**1,227,175**	**618,834**	**3,822,729**	**10,174**	**9,652,630**	**26,136,830**

Expenses relating to financial assets and liabilities from 1 January to 31 December 2017

(€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total
At fair value through P/L	**0**	**76,271**	**0**	**0**	**0**	**0**	**76,271**
Designated to this category	0	76,271	0	0	0	0	76,271
Equity instruments	0	76,271	0	0	0	0	76,271
Available-for-sale	**0**	**0**	**130,028**	**320,000**	**9,097,932**	**422**	**9,548,382**
Debt instruments	0	0	82,313	0	9,097,932	0	9,180,245
Equity instruments	0	0	47,715	320,000	0	422	368,137
Loans and receivables	**0**	**0**	**0**	**0**	**208,337**	**0**	**208,337**
Other investments	0	0	0	0	208,337	0	208,337
Subordinated liabilities	**718,338**	**0**	**0**	**0**	**0**	**0**	**718,338**
Total	**718,338**	**76,271**	**130,028**	**320,000**	**9,306,269**	**422**	**10,551,329**

Net inv. income of financial assets and liabilities from 1 January to 31 December 2017

(€)	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/ expenses	Total
Held to maturity	**102,798**	**0**	**0**	**0**	**0**	**0**	**0**	**102,798**
Debt instruments	102,798	0	0	0	0	0	0	102,798
At fair value through P/L	**0**	**1,503**	**0**	**19,588**	**0**	**0**	**0**	**21,091**
Designated to this category	0	1,503	0	19,588	0	0	0	21,091
Equity instruments	0	1,503	0	19,588	0	0	0	21,091
Available-for-sale	**3,487,674**	**0**	**1,097,146**	**599,246**	**-320,000**	**-5,325,065**	**9,752**	**-451,246**
Debt instruments	3,487,674	0	1,041,969	0	0	-5,325,065	7,627	-787,795
Equity instruments	0	0	55,178	599,246	-320,000	0	2,125	336,549
Loans and receivables	**261,057**	**0**	**0**	**0**	**0**	**-158,475**	**0**	**102,582**
Debt instruments	232,008	0	0	0	0	0	0	232,008
Other investments	29,049	0	0	0	0	-158,475	0	-129,426
Deposits with cedants	**44,415**	**0**	**0**	**0**	**0**	**0**	**0**	**44,415**
Subordinated liabilities	**-718,338**	**0**	**0**	**0**	**0**	**0**	**0**	**-718,338**
Total	**3,177,606**	**1,503**	**1,097,146**	**618,834**	**-320,000**	**-5,483,540**	**9,752**	**-898,699**

Income relating to financial assets and liabilities from 1 January to 31 December 2016

(€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Diverse other income	Total
Held to maturity	**103,055**	**0**	**0**	**0**	**0**	**0**	**103,055**
Debt instruments	103,055	0	0	0	0	0	103,055
At fair value through P/L	**0**	**100,222**	**0**	**18,876**	**0**	**0**	**119,098**
Designated to this category	0	100,222	0	18,876	0	0	119,098
Debt instruments	0	6,293	0	0	0	0	6,293
Equity instruments	0	93,929	0	18,876	0	0	112,805
Available-for-sale	**3,945,431**	**0**	**676,088**	**724,096**	**6,456,653**	**6,785**	**11,809,053**
Debt instruments	3,945,431	0	516,331	0	6,456,653	3,631	10,922,046
Equity instruments	0	0	159,758	724,096	0	3,154	887,007
Loans and receivables	**344,672**	**0**	**0**	**0**	**469,370**	**0**	**814,042**
Debt instruments	344,672	0	0	0	469,370	0	814,042
Deposits with cedants	**34,817**	**0**	**0**	**0**	**0**	**0**	**34,817**
Total	**4,427,975**	**100,222**	**676,088**	**742,972**	**6,926,023**	**6,785**	**12,880,066**

Expenses relating to financial assets and liabilities from 1 January to 31 December 2016

(€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total
At fair value through P/L	**0**	**205,693**	**0**	**0**	**0**	**0**	**205,693**
Designated to this category	0	205,693	0	0	0	0	205,693
Debt instruments	0	2,989	0	0	0	0	2,989
Equity instruments	0	202,703	0	0	0	0	202,703
Available-for-sale	**0**	**0**	**185,008**	**330,740**	**5,352,635**	**4,299**	**5,872,683**
Debt instruments	0	0	14,801	330,740	5,352,635	270	5,698,447
Equity instruments	0	0	170,207	0	0	4,029	174,236
Loans and receivables	**2,000**	**0**	**0**	**0**	**212,514**	**155**	**214,668**
Debt instruments	0	0	0	0	212,514	155	212,668
Other investments	2,000	0	0	0	0	0	2,000
Subordinated liabilities	**839,834**	**0**	**0**	**0**	**0**	**0**	**839,834**
Total	**841,834**	**205,693**	**185,008**	**330,740**	**5,565,150**	**4,454**	**7,132,879**

Net inv. income of financial assets and liabilities from 1 January to 31 December 2016

(€)	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/ expenses	Total
Held to maturity	**103,055**	**0**	**0**	**0**	**0**	**0**	**0**	**103,055**
Debt instruments	103,055	0	0	0	0	0	0	103,055
At fair value through P/L	**0**	**-105,471**	**0**	**18,876**	**0**	**0**	**0**	**-86,595**
Designated to this category	0	-105,471	0	18,876	0	0	0	-86,595
Debt instruments	0	3,303	0	0	0	0	0	3,303
Equity instruments	0	-108,774	0	18,876	0	0	0	-89,898
Available-for-sale	**3,945,431**	**0**	**491,080**	**724,096**	**-330,740**	**1,104,018**	**2,486**	**5,936,370**
Debt instruments	3,945,431	0	501,529	0	-330,740	1,104,018	3,361	5,223,598
Equity instruments	0	0	-10,449	724,096	0	0	-875	712,771
Loans and receivables	**342,672**	**0**	**0**	**0**	**0**	**256,857**	**-155**	**599,374**
Debt instruments	344,672	0	0	0	0	256,857	-155	601,374
Other investments	-2,000	0	0	0	0	0	0	-2,000
Deposits with cedants	**34,817**	**0**	**0**	**0**	**0**	**0**	**0**	**34,817**
Subordinated liabilities	**-839,834**	**0**	**0**	**0**	**0**	**0**	**0**	**-839,834**
Total	**3,586,142**	**-105,471**	**491,080**	**742,972**	**-330,740**	**1,360,875**	**2,331**	**5,747,187**

Income relating to financial assets and liabilities in 2017 amounted to €9.7 million (2016: €12.9 million).

Expenses relating to financial assets and liabilities in 2017 amounted to €10.6 million (2016: €7.1 million).

The net investment income relating to financial assets and liabilities (excluding that of subsidiaries) was – €0.9 million (2016: €5.7 million). This decline in the net investment income in 2017 was mainly the result of net exchange losses. The net amount of exchange differences is still a loss of €5.5 million (2016: exchange gain of €1.4 million).

In 2017, the Company earned €1,002 of interest income on impaired investments; in 2016: €1,429.

Investment income and expenses by source of funds

The Company records investment income and expenses separately depending on whether they relate to own fund assets or non-life insurance register assets. Own fund assets support shareholders' funds, while the assets of the non-life insurance registers support technical provisions.

Investment income

(€)	Non-life insurance register of assets	Non-life insurance register of assets
	2017	2016
Interest income	3,443,665	3,697,928
Change in fair value and gains on disposal of FVPL assets	77,774	100,222
Gains on disposal of other IFRS asset categories	969,436	396,657
Income from dividends and shares – other investments	428,209	495,341
Exchange gains	3,804,465	6,925,109
Diverse other income	10,175	6,785
Total investment income – liability fund	**8,733,724**	**11,622,041**
	Capital fund	**Capital fund**
	2017	**2016**
Interest income	452,279	730,047
Gains on disposal of other IFRS asset categories	257,739	279,432
Income from dividends and shares – other investments	190,625	247,631
Exchange gains	18,264	914
Total investment income - capital fund	**918,906**	**1,258,024**
Total investment income	**9,652,630**	**12,880,066**

Investment expenses

(€)	Non-life insurance register of assets	Non-life insurance register of assets
	2017	2016
Change in fair value and losses on disposal of FVPL assets	76,271	205,693
Losses on disposal of other IFRS asset categories	119,908	185,008
Impairment losses on investments	0	330,740
Exchange losses	9,300,337	5,557,177
Other	0	155
Total investment expenses – liability fund	**9,496,516**	**6,278,774**
	Capital fund	**Capital fund**
	2017	**2016**
Interest expenses	718,338	841,834
Losses on disposal of other IFRS asset categories	10,120	0
Impairment losses on investments	320,000	0
Exchange losses	5,933	7,972
Other	422	4,299
Total investment expenses – capital fund	**1,054,812**	**854,106**
Total investment expenses	**10,551,329**	**7,132,879**

Net investment income	**-898,699**	**5,747,187**

Impairment losses on investments

(€)	31/12/2017	31/12/2016
Bonds	0	330,740
Shares	320,000	0
Total	**320,000**	**330,740**

27) Other technical income

(€)	2017	2016
Commission income	1,934,678	2,813,943
Exchange gains from reinsurance business	3,743,989	5,343,322
Miscellaneous technical income	419,718	1,105,929
Total	**6,098,385**	**9,263,194**

In 2017, the Company again had high exchange gains arising out of reinsurance business, but again also high exchange losses arising out of reinsurance business, as set out in note 32. Pursuant to our investment policy, we perform currency hedging.

Commission income, net of change in deferred acquisition costs attributable to reinsurers

(€)	2017	2016
Personal accident	12,906	17,218
Land vehicles casco	655	223
Railway rolling stock	190	0
Aircraft hull	656	0
Ships hull	2,138	936
Goods in transit	8,739	30,762
Fire and natural forces	1,299,374	1,835,134
Other damage to property	452,379	609,981
Motor liability	807	169
Aircraft liability	8,043	9,407
Liability for ships	274	0
General liability	32,334	31,677
Miscellaneous financial loss	52,368	91,056
Life	36,130	165,544
Unit-linked life	27,684	21,836
Total non-life	**1,870,864**	**2,626,562**
Total life	**63,814**	**187,381**
Total	**1,934,678**	**2,813,943**

28) Other income and expenses

Other income and expenses mainly include collected bad debt relating to other receivables that had been written-off, default interest under a final court decision and, to a minor extent, gains on the disposal of fixed assets and income from the use of holiday facilities.

The other expenses item mainly comprises expenses incurred by the Company on investment property before it was leased.

29) Net claims incurred

(€) 2017	Gross amounts		Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables				
Personal accident	3,061,325	0	-4,711	-659,597	-2,654	2,394,364
Health insurance	2,763,819	0	0	-243,071	0	2,520,748
Land vehicles casco	11,555,307	-182,093	-718,365	-651,684	620,857	10,624,022
Railway rolling stock	91,017	0	-4	11,627	0	102,640
Aircraft hull	36,632	0	0	242,205	-3,824	275,013
Ships hull	4,884,680	-420	-3,622	803,252	-145,659	5,538,232
Goods in transit	3,328,049	-851	-838	-478,216	-2,049	2,846,093
Fire and natural forces	36,765,809	-5,532	-3,430,891	6,619,118	315,589	40,264,092
Other damage to property	7,439,736	-5,933	-801,139	-91,303	-842,844	5,698,517
Motor liability	11,044,389	-1,095,506	-468,819	-2,854,127	-1,282,667	5,343,270
Aircraft liability	35,450	0	-40,389	-14,053	0	-18,992
Liability for ships	374,877	-214	0	-76,512	0	298,152
General liability	1,875,812	-2,312	-2,767	-141,143	-4,222	1,725,368
Credit	406,895	-590,964	0	-17,589	0	-201,658
Suretyship	176,292	-534	0	100,518	0	276,275
Miscellaneous financial loss	1,297,317	0	-386,146	-342,927	303,888	872,131
Legal expenses	1,165	0	0	-290	0	874
Assistance	9,258	0	0	-33	0	9,225
Life	129,004	0	-60,077	-34,323	-55,946	-21,342
Unit-linked life	132,977	0	-64,993	-70,139	39,097	36,942
Total non-life	**85,147,827**	**-1,884,359**	**-5,857,690**	**2,206,174**	**-1,043,585**	**78,568,367**
Total life	**261,981**	**0**	**-125,070**	**-104,462**	**-16,849**	**15,600**
Total	**85,409,808**	**-1,884,359**	**-5,982,760**	**2,101,712**	**-1,060,434**	**78,583,967**

(€) 2017	Gross amounts		Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables				
Personal accident	4,442,624	-33	-1,442	-488,427	-151	3,952,572
Health insurance	310,753	0	0	307,670	0	618,423
Land vehicles casco	10,035,528	-168,630	-33,595	1,378,389	-645,260	10,566,432
Railway rolling stock	13,970	0	0	606	0	14,576
Aircraft hull	251,644	0	0	628,314	0	879,958
Ships hull	2,183,806	0	-2,786	3,198,533	334	5,379,887
Goods in transit	3,299,890	-140	-1,154	-983,235	27	2,315,389
Fire and natural forces	40,582,105	-12,397	-6,323,312	7,551,164	-1,423,322	40,374,237
Other damage to property	9,816,966	-11,144	-721,500	-3,890,407	89,817	5,283,732
Motor liability	9,724,987	-401,413	-2,124,577	340,755	174,088	7,713,840
Aircraft liability	43,436	0	0	-112,121	0	-68,685
Liability for ships	112,462	0	0	289,465	0	401,928
General liability	1,522,255	-761	-4,405	1,379,781	438	2,897,308
Credit	294,354	-553,618	0	22,133	0	-237,131
Suretyship	174,696	-84,196	0	115,409	0	205,909
Miscellaneous financial loss	2,910,701	0	-275,121	-872,016	-92,540	1,671,024
Legal expenses	649	0	0	1,731	0	2,380
Assistance	70	0	0	-1,784	0	-1,714
Life	550,715	0	-244,118	-600,754	61,846	-232,311
Unit-linked life	126,311	0	-79,399	-10,337	7,236	43,811
Total non-life	**85,720,897**	**-1,232,331**	**-9,487,891**	**8,865,960**	**-1,896,570**	**81,970,065**
Total life	**677,026**	**0**	**-323,517**	**-611,091**	**69,082**	**-188,500**
Total	**86,397,922**	**-1,232,331**	**-9,811,408**	**8,254,869**	**-1,827,488**	**81,781,565**

The above tables show (columns from left to right) gross claims paid net of recourse receivables. This column is followed by claims recovered from retrocessionaires. In addition, net claims incurred include the change in the gross claims provision, both retained and retroceded.

In 2017, gross claims paid were 1.1% below the 2016 figure. The effect of the change in the claims provision is described in note 19.

30) Change in other technical provisions and expenses for bonuses and rebates

In 2017 other net technical provisions increased by €158,608 (2016: up €88,760). The figures for both years relate to changes in the net provision for unexpired risks.

The change in the provision for bonuses and rebates was a decrease of €85,678 in 2017 (2016: rise in expenses due to an increase in the provision of €162,545).

31) Operating expenses

The Company classifies operating expenses by nature. Compared to 2016, operating expenses fell by 8.8%, mainly due to the change in deferred acquisition costs. There was an increase in personnel costs and depreciation of operating assets.

Breakdown of operating expenses

(€)	2017	2016
Acquisition costs (commissions)	33,185,632	33,061,396
Change in deferred acquisition costs	-880,778	3,598,331
Depreciation of operating assets	420,825	340,371
Personnel costs	6,832,682	6,693,833
Salaries	5,261,466	5,259,890
Social and pension insurance contributions	903,092	892,850
Other personnel costs	668,124	541,093
Costs under contracts for services, incl. contributions	163,472	179,111
Other operating expenses	3,391,292	3,415,933
Total	**43,113,125**	**47,288,975**

Other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), decreased in relation to gross premiums written in 2017 and represented 7.1% of gross premiums written (2016: 7.2%).

Audit fees

(€)	2017	2016
Audit of annual report	59,780	59,780
Other assurance services	6,100	6,100
Other audit services	12,200	29,880
Total	**78,080**	**95,760**

The cost of auditing the annual report includes audit costs for both Sava Re and the consolidated annual report of the Sava Re Group. The performed interim audits and other audit services relate to assurance services for reports drawn up by the Company as part of Solvency II requirements.

Acquisition costs

(€)	2017	2016
Personal accident	1,268,720	1,261,274
Health insurance	1,067,545	124,444
Land vehicles casco	3,733,175	3,330,359
Railway rolling stock	28,389	11,263
Aircraft hull	1,064	135,197
Ships hull	1,299,980	783,954
Goods in transit	1,060,298	1,024,381
Fire and natural forces	15,324,674	16,854,563
Other damage to property	3,602,661	4,733,872
Motor liability	3,171,810	2,741,399
Aircraft liability	18,491	-22,464
Liability for ships	156,368	118,517
General liability	1,672,985	1,280,329
Credit	238,109	230,257
Suretyship	64,591	48,646
Miscellaneous financial loss	314,208	311,651
Legal expenses	3,698	4,932
Assistance	1,779	1,534
Life	94,737	50,767
Unit-linked life	62,350	36,522
Total non-life	**33,028,545**	**32,974,108**
Total life	**157,087**	**87,289**
Total	**33,185,632**	**33,061,396**

Change in deferred acquisition costs

(€)	2017	2016
Personal accident	109,825	569,391
Health insurance	2,936	10,413
Land vehicles casco	-182,043	704,623
Railway rolling stock	-6,622	-1,281
Aircraft hull	20,274	3,464
Ships hull	-206,363	125,092
Goods in transit	-111,795	89,189
Fire and natural forces	-525,629	289,076
Other damage to property	136,249	673,517
Motor liability	56,234	888,466
Aircraft liability	-1,709	9,479
Liability for ships	-20,060	14,668
General liability	-100,344	162,514
Credit	-29,837	-75,711
Suretyship	2,964	198
Miscellaneous financial loss	-28,539	67,193
Legal expenses	-126	54
Life	4,089	67,985
Unit-linked life	-282	0
Total non-life	**-884,585**	**3,530,346**
Total life	**3,807**	**67,985**
Total	**-880,778**	**3,598,331**

32) Other technical expenses

(€)	2017	2016
Expenses for exchange losses	5,433,841	5,603,447
Value adjustments	234,467	184,511
Regulator fees	191,656	186,301
Other technical expenses	16,598	59,436
Total	**5,876,562**	**6,033,695**

33) Income tax expense

Tax rate reconciliation

(€)	2017	2016
Profit/loss before tax	34,763,864	34,977,140
Income tax expenses at statutory tax rate	6,605,134	5,946,114
Tax effect of income that is deducted for tax purposes	-4,838,614	-4,379,357
Tax effect of expenses not deducted for tax purposes	289,085	892,542
Income or expenses relating to tax relief	-37,561	-36,652
Changes in temporary differences	-228,373	-319,323
Total income tax expense in the income statement	**1,789,672**	**2,103,323**
Effective tax rate	5.15%	6.01%

23.8 Notes to the financial statements – cash flow statement

34) Notes to the cash flow statement, which has been prepared using the indirect method

The cash flow statement shown in section 22.4 "Cash flow statement" has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

The table below presents income statement items not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

(€)	2017	2016
Net profit/loss for the period	**32,974,192**	**32,873,817**
Non-monetary income statement items not included in cash flow	**8,979,610**	**9,819,167**
- change in unearned premiums	3,447,818	-3,550,715
- change in the provision for outstanding claims	1,041,278	6,427,381
- change in other technical provisions	158,608	88,760
- operating expenses – amortisation/depreciation and change in deferred acquisition cost	-459,952	3,938,702
- impairment losses on financial assets	4,791,859	2,915,039
Eliminated investment income items	**-30,651,609**	**-31,479,463**
- interest received disclosed under C. a.) 1.	-3,895,944	-4,427,975
- receipts from dividends and shares in profit of others disclosed under C. a.) 2.	-26,755,665	-27,051,488
Eliminated investment expense items	**718,338**	**841,834**
- interest paid disclosed under C. b) 1.	718,338	841,834
Cash flows from operating activities – income statement items	**12,020,532**	**12,055,355**

23.9 Contingent receivables and liabilities

The Company has contingent liabilities arising out of guarantees given. The estimated contingent liabilities in this regard total €0.2 million.

The Company has contingent liabilities from claims against issuing banks for subordinated financial instruments of €10.0 million.

Off-balance sheet items are shown in the appendix hereto.

23.10 Related party disclosures

The Company separately discloses its relationships with the following groups of related parties:

- owners and related enterprises;
- management and supervisory board members and employees not subject to the tariff section of the collective agreement;
- subsidiary companies.

The Company is a party to a contract with the Sava pokojninska pension company on the participation in a supplementary pension scheme.

Owners and related enterprises
The Group's largest shareholder is Slovenian Sovereign Holding with a 17.7% stake.

Business relationship with the largest shareholder
In 2017 the Company had no business transactions with its largest shareholder.

Management board, supervisory board incl. its committees, and employees not subject to the tariff section of the collective agreement

Remuneration of management and supervisory board members, and of employees not subject to the tariff section of the collective agreement

(€)	2017	2016
Management board	620,246	655,175
Payments to employees not subject to the tariff section of the collective agreement	2,580,706	2,632,810
Supervisory board	111,606	128,283
Supervisory board committees	32,021	28,246
Total	**3,344,579**	**3,444,515**

Remuneration of management board members in 2017

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Marko Jazbec	101,831	0	134	4,281	106,246
Jošt Dolničar	150,440	14,912	5,582	8,664	179,599
Srečko Čebron	152,697	7,170	5,205	7,116	172,188
Mateja Treven	141,667	7,170	5,193	8,184	162,214
Total	**546,635**	**29,253**	**16,114**	**28,245**	**620,246**

Remuneration of management board members in 2016

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič (up until 23/8/2016)	109,304	15,936	4,170	5,775	135,185
Srečko Čebron	152,592	14,340	5,338	3,620	175,890
Jošt Dolničar	146,866	14,340	5,554	3,874	170,635
Mateja Treven	144,600	14,340	5,186	9,339	173,465
Total	**553,362**	**58,956**	**20,248**	**22,608**	**655,175**

Liabilities to members of the management board based on gross remuneration

(€)	31/12/2017	31/12/2016
Marko Jazbec	13,280	0
Srečko Čebron	11,950	12,616
Jošt Dolničar	12,616	13,280
Mateja Treven	11,950	11,950
Total	**49,796**	**37,846**

As at 31 December 2017, the Company had no receivables due from its management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration of the supervisory board and its committees in 2017

(€)		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Fringe benefits	Total
Supervisory board members						
Mateja Lovšin Herič	chair of the SB	2,970	18,958	183	0	22,111
Slaven Mićković	deputy chair (until 15/07/2017)	1,595	7,727	0	0	9,322
Keith William Morris	deputy chair (since 16/08/2017)	2,970	13,489	10,013	1,069	27,541
Andrej Gorazd Kunstek	member of the SB	2,970	13,000	0	0	15,970
Mateja Živec	member of the SB	2,970	13,000	0	0	15,970
Davor Ivan Gjivoje	SB member (since 07/03/2017)	2,640	10,624	0	0	13,264
Andrej Kren	SB member (since 16/07/2017)	1,375	5,976	77	0	7,428
Total supervisory board members		**17,490**	**82,773**	**10,273**	**1,069**	**111,606**
Audit committee members						
Andrej Kren	chair (since 16/08/2017)	880	1,835	97	0	2,812
Slaven Mićković	chair (until 15/07/2017)	1,320	2,634	0	0	3,954
Mateja Lovšin Herič	member	2,200	2,979	0	0	5,179
Ignac Dolenšek	external member		10,125	467	0	10,592
Total audit committee members		**4,400**	**17,573**	**564**	**0**	**22,537**
Members of the nominations and remuneration committee						
Mateja Lovšin Herič	Chair	880	0	0	0	880
Slaven Mićković	member (until 15/07/2017)	660	0	0	0	660
Keith William Morris	member (since 24/08/2017)	880	0	0	0	880
Davor Ivan Gjivoje	member (since 24/08/2017)	176	0	0	0	176
Andrej Kren	member (since 24/08/2017)	220	0	0	0	220
Total nominations committee members		**2,816**	**0**	**0**	**0**	**2,816**
Fit & proper committee members						
Mateja Živec	chair (since 24/08/2017)	616	0	0	0	616
Mateja Lovšin Herič	member (until 15/07/2017)	220	0	0	0	220
Keith William Morris	member (since 24/08/2017)	220	0	0	0	220
Nika Matjan	external member	0	0	0	0	0
Andrej Kren	alternate member (since 24/08/2017)	176	0	0	0	176
Total fit & proper committee members		**1,232**	**0**	**0**	**0**	**1,232**
Members of the risk committee						
Keith William Morris	committee chair (since 24/08/2017)	440	1,730	0	0	2,170
Davor Ivan Gjivoje	member (since 24/08/2017)	396	882	0	0	1,278
Slaven Mićković	external member (since 24/08/2017)	0	1,988	0	0	1,988
Total risk committee members		**836**	**4,600**	**0**	**0**	**5,436**

Remuneration of the supervisory board and its committees in 2016

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Fringe benefits	Total
Supervisory board members						
Branko Tomažič	SB chair (until 11/10/2016)	3,410	15,202	5,230	119	23,960
Mateja Lovšin Herič	SB chair (since 12/10/2016) / SB deputy chair (until 11/10/2016)	5,005	15,446	0	185	20,637
Slaven Mićković	deputy chairman (since 12/10/2016) / member (until 11/10/2016)	5,005	13,287	317	39	18,648
Andrej Gorazd Kunstek	member of the SB	5,005	13,000		175	18,180
Keith William Morris	member of the SB	4,235	13,000	13,254	200	30,690
Helena Dretnik	SB member (until 19/02/2016)	550	1,793	0	170	2,513
Mateja Živec	SB member (since 01/04/2016)	3,905	9,750	0	0	13,655
Total supervisory board members		**27,115**	**81,477**	**18,802**	**0**	**128,283**
Audit committee members						
Mateja Lovšin Herič	AC member (since 28/10/2016) / chair (until 27/10/2016)	2,376	4,591	0	0	6,967
Slaven Mićković	chair (since 28/10/2016) / member (until 27/10/2016)	2,376	3,534	7	0	5,917
Ignac Dolenšek	member of the AC		10,950	232	0	11,182
Total audit committee members		**4,752**	**19,075**	**239**	**0**	**24,066**
Nominations committee members						
Mateja Lovšin Herič	Chair of the committee	1,100	0	0	0	1,100
Branko Tomažič (until 11/10/2016)	member	660	0	0	0	660
Slaven Mićković	member	880	0	0	0	880
Keith William Morris	member	220	0	0	0	220
Total nominations committee members		**2,860**	**0**	**0**	**0**	**2,860**
Fit & proper committee members						
Mateja Lovšin Herič	Chair of the committee	660	0	0	0	660
Branko Tomažič	member (until 11/10/2016)	220	0	0	0	220
Nika Matjan	member	0	0	0	0	0
Mateja Živec	member	440	0	0	0	440
Total fit & proper committee members		**1,320**	**0**	**0**	**0**	**1,320**

Liabilities to members of the supervisory board and audit committee of the supervisory board based on gross remuneration

(€)	31/12/2017	31/12/2016
Mateja Lovšin Herič	2,391	3,381
Slaven Mićković	788	2,971
Andrej Gorazd Kunstek	1,358	1,908
Keith William Morris	3,714	7,145
Mateja Živec	1,358	2,128
Davor Ivan Gjivoje	1,534	0
Andrej Kren	2,023	0
Ignac Dolenšek	844	544
Total	**14,011**	**18,078**

Employee remuneration not subject to the tariff section of the collective agreement for 2017

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	2,263,970	173,658	143,078	2,580,706

Employee remuneration not subject to the tariff section of the collective agreement for 2016

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	2,257,673	237,411	137,726	2,632,810

Subsidiaries

Investments in and amounts due from Group companies

(€)		31/12/2017	31/12/2016
Debt securities and loans granted to Group companies	gross	4,609,924	2,834,953
Receivables for premiums arising out of reinsurance assumed	gross	13,394,084	12,891,949
Short-term receivables arising out of financing	gross	6,308	28,091
Other short-term receivables	gross	53,154	56,598
Short-term deferred acquisition costs	gross	1,182,922	1,505,595
Total		**19,246,392**	**17,317,186**

Liabilities to Group companies

(€)	31/12/2017	31/12/2016
Liabilities for shares in reinsurance claims due to Group companies	8,248,985	7,434,318
Other liabilities from co-insurance and reinsurance	3,040,284	2,648,269
Other short-term liabilities	2,891	700
Total (excl. provisions)	**11,292,160**	**10,083,287**

Liabilities to Group companies by maturity

(€) 31/12/2017	Maturity	
	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	8,248,985	8,248,985
Other short-term liabilities to Group companies	3,040,284	3,040,284
Other short-term liabilities	2,891	2,891
Total (excl. provisions)	**11,292,160**	**11,292,160**

(€) 31/12/2016	Maturity	
	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	7,434,318	7,434,318
Other short-term liabilities to Group companies	2,648,269	2,648,269
Other short-term liabilities	700	700
Total (excl. provisions)	**10,083,287**	**10,083,287**

Income and expenses relating to Group companies

(€)	2017	2016
Gross premiums written	56,998,934	54,743,175
Change in gross unearned premiums	-2,313,806	-374,374
Gross claims payments	-30,532,041	-28,363,915
Change in the gross claims provision	-288,023	-2,004,124
Income from gross recourse receivables	1,166,341	1,208,540
Change in gross provision for bonuses, rebates and cancellations	85,678	-162,545
Other operating expenses	-96,148	-104,737
Dividend income	26,136,830	26,308,516
Other investment income	11,152	11,152
Interest income	76,441	156,454
Acquisition costs	-12,009,817	-11,142,168
Change in deferred acquisition costs	-322,672	-2,660,738
Other non-life income	11,865	15,197
Total	**38,924,734**	**37,630,433**

Investments in governments and majority state-owned companies

(€)	31/12/2017	31/12/2016
Interests in companies	8,005,401	7,249,440
Debt securities and loans	28,698,492	41,892,177
Total	**36,703,893**	**49,141,617**

Income and expenses relating to majority state-owned companies

(€)	2017	2016
Dividend income	483,592	344,261
Interest income	972,365	1,113,677
Exchange gains	218,869	700,317
other income	114,198	0
Total	**1,789,024**	**2,158,254**

Characteristics of loans granted to subsidiaries

(€) Borrower	Principal	Type of loan	Maturity	Interest rate
Sava neživotno osiguranje (SRB)	500,000	ordinary	30/06/2019	3.50%
Sava neživotno osiguranje (SRB)	800,000	ordinary	30/06/2018	2.90%
Sava osiguruvanje (MKD)	300,000	ordinary	11/07/2018	0.90%
Illyria Life	1,000,000	ordinary	11/07/2018	0.90%
Illyria Life	350,000	ordinary	31/05/2018	1.50%
Illyria Life	1,650,000	ordinary	30/06/2018	1.50%
Total	**4,600,000**			

24 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- In January 2018, Polona Pirš Zupančič began her five-year term of office as a member of the management board. After this change, the Sava Re management board continued to operate as a four-member body, as at its meeting of 20 December 2017 the supervisory board of Sava Re took note of the notice of Mateja Treven on her early termination of her term as Sava Re management board member, and accepted Mateja Treven's proposal for a consensual termination of her employment contract as management board member. Mateja Treven concluded her role as management board member on 13 January 2018 and will continue her career as part of the Sava Re Group. **Marko Jazbec** as chairman of the management board is, following the aforementioned changes, responsible for the coordination of the work of the management board, finance, general affairs, human resources, organisation and legal affairs, public relations, compliance and internal audit. **Srečko Čebron** is – also in the new term of office – responsible for reinsurance operations, facultative reinsurance underwriting and actuarial affairs. **Jošt Dolničar** is – in the new term of office – responsible for the management of strategic investments in primary insurance subsidiaries, modelling, IT, technologies and innovation, and pension insurance. **Polona Pirš Zupančič** is responsible for corporate finance and controlling, accounting, shareholder relations and risk management.
- On 2 November 2017, Sava Re signed a contract for the acquisition of a 75% stake in TBS TEAM 24. TBS TEAM 24 provides assistance services relating to motor, health and homeowners insurance. Sava Re met all suspensive conditions on 31 January 2018.
- In December 2017, NLB d.d. Ljubljana and NLB banka AD Skopje, as the seller, and Sava Re, as the purchaser, signed a purchase contract for all the shares of NLB Nov penziski fond AD Skopje. Sava Re met all suspensive conditions on 13 March 2018.
- In accordance with article 171(7) of the Insurance Act (ZZavar-1; Official Gazette of the Republic of Slovenia, no. 93/15), Zavarovalnica Sava and Sava pokojninska družba signed an outsourcing contract for internal audit with Sava Re, transferring this key function to Sava Re as of 1 February 2018 for an indefinite period.
- In March 2018, Sava Re obtained approval from Serbia's central bank, as well as from other regulators to purchase a 92.84% stake in Energoprojekt Garant, a Serbian insurance undertaking. After the acquisition of this majority stake and subsequent steps towards attaining sole ownership, Sava Re intends to merge the target with its existing subsidiary, the Serbian non-life insurer Sava neživotno osiguranje (SRB), and then optimise the subsidiary's capital structure.

APPENDICES

Klara H.

REFLECTING PROFESSIONALISM

We do not take quality personnel for granted. We employ only the best people, develop future leaders and ensure efficient leadership.

APPENDIX A

FINANCIAL STATEMENTS OF THE SAVA RE GROUP PURSUANT TO REQUIREMENTS OF THE INSURANCE SUPERVISION AGENCY

Consolidated statement of financial position – assets

(€)	31/12/2017	31/12/2016	Index
ASSETS	**1,708,348,067**	**1,671,189,179**	**102**
Intangible assets	**22,712,944**	**25,508,583**	**89**
Property and equipment	**45,438,014**	**51,887,127**	**88**
Non-current assets held for sale	**684**	**87,488**	**1**
Deferred tax assets	**2,107,564**	**2,326,063**	**91**
Investment property	**15,364,184**	**7,933,786**	**194**
Financial investments:	**1,038,125,019**	**1,030,235,239**	**101**
- in loans and deposits	28,029,543	31,605,347	89
- held to maturity	106,232,327	130,812,195	81
- available for sale	897,645,279	858,641,003	105
- measured at fair value	6,217,870	9,176,694	68
Funds for the benefit of policyholders who bear the investment risk	**227,228,053**	**224,175,076**	**101**
Reinsurers' and co-insurers' share of technical provisions	**30,787,241**	**28,444,628**	**108**
Investment contract assets	**129,622,131**	**121,366,122**	**107**
Receivables	**138,455,525**	**127,408,527**	**109**
Receivables arising out of primary insurance business	124,324,547	51,340,821	242
Receivables arising out of reinsurance and co-insurance business	6,197,717	68,005,582	9
Current tax assets	17,822	124,720	14
Other receivables	7,915,439	7,937,404	100
Other assets	**20,550,589**	**17,877,380**	**115**
Cash and cash equivalents	**37,956,119**	**33,939,160**	**112**
Off-balance sheet items	**70,964,864**	**74,326,907**	**95**

Consolidated statement of financial position – liabilities

(€)	31/12/2017	31/12/2016	Index
EQUITY AND LIABILITIES	**1,708,348,067**	**1,671,189,179**	**102**
Equity	**316,116,895**	**297,038,327**	**106**
Share capital	71,856,377	71,856,376	100
Capital reserves	43,035,948	43,681,441	99
Profit reserves	137,609,367	120,954,903	114
Fair value reserve	18,331,697	17,458,948	105
Reserve due to fair value revaluation	667,518	351,655	190
Retained earnings	33,093,591	36,778,941	90
Net profit or loss for the period	14,557,220	9,049,238	161
Translation reserve	-3,353,304	-3,854,182	87
Equity attributable to owners of the controlling company	**315,798,413**	**296,277,319**	**107**
Non-controlling interests in equity	**318,482**	**761,008**	**42**
Subordinated liabilities	**0**	**23,570,771**	**-**
Technical provisions	**931,398,362**	**911,221,323**	**102**
Unearned premiums	171,857,259	157,678,496	109
Technical provisions for life insurance business	271,409,915	269,762,815	101
Provision for outstanding claims	479,072,582	475,157,985	101
Other technical provisions	9,058,606	8,622,027	105
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**226,527,893**	**226,994,200**	**100**
Other provisions	**7,600,613**	**8,080,877**	**94**
Deferred tax liabilities	**5,781,494**	**6,038,631**	**96**
Investment contract liabilities	**129,483,034**	**121,229,675**	**107**
Other financial liabilities	**245,205**	**393,996**	**62**
Liabilities from operating activities	**60,598,188**	**48,790,646**	**124**
Liabilities from primary insurance business	54,711,289	11,910,253	459
Reinsurance and co-insurance payables	5,160,183	36,292,698	14
Current income tax liabilities	726,716	587,695	124
Other liabilities	**30,596,383**	**27,830,733**	**110**
Off-balance sheet items	**70,964,864**	**74,326,907**	**95**

Disclosure of off-balance sheet items

(€)	2017	2016
Outstanding recourse receivables;	29,978,991	30,992,363
Receivables from the cancellation of subordinated financial instruments	37,960,300	37,960,300
Other potential reinsurance receivables	0	1,950,000
Contingent assets	**67,939,291**	**70,902,663**

(€)	2017	2016
Guarantees issued	3,025,573	3,121,682
Civil claims	0	302,561
Contingent liabilities	**3,025,573**	**3,424,244**

In its off-balance sheet items for 2017 and 2016, the Group discloses contingent assets in the amount of the cancelled subordinated instruments regarding which the Group is continuing activities for the protection of its interests. Thus, in December 2016, claims were filed against the issuing banks of the cancelled subordinated financial instruments held by the Group.

Consolidated income statement

(€)	2017	2016	Index
Net earned premiums	**470,865,993**	**458,101,526**	**103**
- gross premiums written	517,233,431	490,205,154	106
- written premiums ceded to reinsurers and co-insurers	-34,243,296	-31,242,514	110
- change in unearned premiums	-12,124,142	-861,114	1,408
Investment income	**44,296,299**	**51,094,920**	**87**
Other technical income, of this	**15,429,720**	**18,237,409**	**85**
- commission income	2,870,868	3,732,607	77
Other income	**6,058,000**	**6,489,633**	**93**
Net claims incurred	**-296,103,320**	**-268,393,776**	**110**
- gross claims payments	-309,727,160	-269,445,796	115
- reinsurers' and co-insurers' shares	15,846,528	14,819,654	107
- change in the provision for outstanding claims	-2,222,688	-13,767,634	16
Change in other technical provisions	**-2,179,849**	**-5,254,856**	**41**
Change in technical provisions for policyholders who bear the investment risk	**-1,121,327**	**-17,442,161**	**6**
Expenses for bonuses and rebates	**5,848**	**-1,263,545**	**0**
Operating expenses, of this	**-156,962,328**	**-159,563,486**	**98**
- Acquisition costs	-49,560,125	-53,357,004	93
Expenses for investments in associates and impairment losses on goodwill	**0**	**-1,693,699**	**-**
Investment expenses, of this	**-20,147,960**	**-19,812,763**	**102**
- Impairment losses on financial assets not at fair value through profit or loss	-320,000	-594,025	54
Interest expense	-718,860	-842,126	85
Other investment expenses	-19,109,100	-18,376,612	104
Other technical expenses	**-17,486,080**	**-17,310,937**	**101**
Other expenses	**-2,774,013**	**-2,518,278**	**110**
Profit or loss before tax	**39,880,983**	**40,669,987**	**98**
Income tax expense	**-8,786,075**	**-7,751,774**	**113**
Net profit or loss for the period	**31,094,908**	**32,918,213**	**94**
Net profit or loss attributable to owners of the controlling company	**31,065,329**	**32,824,911**	**95**
Net profit or loss attributable to non-controlling interests	**29,579**	**-93,302**	**-32**
Basic earnings or loss per share	**2.00**	**2.08**	**96**
Diluted earnings or loss per share	**2.00**	**2.08**	**96**

Consolidated statement of comprehensive income

(€)	2017	2016	Index
A Technical account – non-life business other than health business			
I. Net earned premiums	**380,785,843**	**371,657,357**	**102.5**
1. Gross premiums written	425,059,331	400,787,049	106.1
2. Premiums written for assumed co-insurance (+)	2,092,578	2,834,342	73.8
3. Assumed co-insurance premiums written	-1,910,111	-1,903,366	100.4
4. Gross reinsurance premiums written (-)	-32,235,923	-29,226,036	110.3
5. Change in gross unearned premiums (+/-)	-13,863,771	-1,803,241	768.8
6. Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	1,643,739	968,609	169.7
II. Allocated investment return transferred from the non-technical account (item D VIII)	**-633,221**	**0**	**-**
III. Other net technical income	**2,349,601**	**2,571,430**	**91.4**
IV. Net claims incurred	**223,818,071**	**220,773,136**	**101.4**
1. Gross claims payments	244,135,426	230,503,067	105.9
2. Income from realised gross recourse receivables (-)	-6,966,748	-6,341,601	109.9
3. Co-insurers' shares paid (+/-)	865,355	885,969	97.7
4. Reinsurers' shares paid (-)	-16,710,166	-15,705,069	106.4
5. Change in the gross claims provision (+/–)	3,203,567	13,465,376	23.8
6. Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	-709,363	-2,034,606	34.9
V. Change in other net technical provisions (+/-)	**350,646**	**-2,713,050**	**-12.9**
VI. Net expenses for bonuses and rebates	**-5,848**	**1,263,545**	**-0.5**
VII. Net operating expenses	**131,482,892**	**134,041,594**	**98.1**
1. Acquisition costs	45,660,604	46,010,527	99.2
2. Change in deferred acquisition costs (+/-)	-1,881,356	1,280,904	-146.9
3. Other operating expenses	90,576,846	90,481,893	100.1
3.1. Depreciation/amortisation of operating assets	7,222,299	7,324,832	98.6
3.2. Personnel costs	57,565,023	54,851,953	105.0
3.3. Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	369,189	411,637	89.7
3.4. Other operating expenses	25,420,335	27,893,471	91.1
4. Income from reinsurance commission and reinsurance contract profit participation (-)	-2,873,202	-3,731,730	77.0
VIII. Other net technical expenses	**7,693,174**	**6,880,989**	**111.8**
1. Expenses for loss prevention activities	3,365,303	3,077,261	109.4
2. Contributions for covering claims of uninsured and unidentified vehicles	1,402,836	1,697,697	82.6
3. Other net technical expenses	2,925,035	2,106,031	138.9
IX. Balance on the technical account - non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)	**19,163,288**	**13,982,573**	**137.1**

(€)	2017	2016	Index
B Technical account – life business			
I. Net earned premiums	**90,080,150**	**86,444,169**	**104.2**
1. Gross premiums written	90,081,400	86,583,690	104.0
2. Premiums written for assumed co-insurance (+)	122	73	167.1
3. Assumed co-insurance premiums written	-12,176	-7,272	167.4
4. Gross reinsurance premiums written (-)	-85,086	-105,840	80.4
5. Change in gross unearned premiums (+/-)	98,006	-26,136	-375.0
6. Change in unearned premiums for the reinsurance part (+/-)	-2,116	-346	611.6
II. Investment income	**9,895,014**	**11,164,364**	**88.6**
1. Income from participating interests	273,904	281,365	97.4
2. Income from other investments	8,601,298	9,900,899	86.9
2.1. Income from land and buildings	0	666	0.0
2.2. Interest income	8,258,645	9,464,357	87.3
2.3. Other investment income	342,653	435,876	78.6
2.3.1 Financial income from revaluation	235,768	287,532	82.0
2.3.2 Other financial income	106,885	148,344	72.1
4. Gains on disposal of investments	1,019,812	982,100	103.8
III. Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**16,849,384**	**17,958,678**	**93.8**
IV. Other net technical income	**2,799,423**	**2,315,479**	**0.0**
V. Net claims incurred	**72,285,249**	**47,620,640**	**151.8**
1. Gross claims payments	72,558,482	45,284,330	160.2
3. Reinsurers' shares paid (-)	-1,717	-554	309.9
3.3 Reinsurers' share for other companies	-1,717	-554	309.9
4. Change in the gross claims provision (+/–)	-271,607	2,367,518	-11.5
5. Change in the provision for outstanding claims for reinsurance (+/-)	91	-30,654	-0.3
VI. Change in diverse other net technical provisions (+/-)	**2,950,530**	**25,410,067**	**11.6**
1. Change in the mathematical provision	2,948,122	25,410,067	11.6
1.1. Change in the gross mathematical provision (+/-)	2,948,122	25,410,067	11.6
2. Change in other net technical provisions (+/-)	2,408	0	-
2.1. Change in gross other technical provisions (+/-)	2,408	0	-

(€)	2017	2016	Index
VIII. Net operating expenses	**22,608,568**	**21,789,285**	**103.8**
1. Acquisition costs	6,288,523	5,872,023	107.1
2. Change in deferred acquisition costs (+/-)	-507,646	193,550	-262.3
3. Other operating expenses	16,825,357	15,724,589	107.0
3.1. Depreciation/amortisation of operating assets	303,058	292,352	103.7
3.2. Personnel costs	10,864,934	9,535,510	113.9
3.3. Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	88,627	79,794	111.1
3.4. Other operating expenses	5,568,738	5,816,933	95.7
3.4.1 Other operating expenses for other companies	5,568,738	5,816,933	95.7
4. Income from reinsurance commission and reinsurance contract profit participation (-)	2,334	-877	-266.1
4.3 Income from reinsurance commission for other companies	2,334	-877	-266.1
IX. Investment expenses	**802,579**	**957,108**	**83.9**
1. Depreciation of investments not necessary for operations	1,342	1,342	100.0
2. Asset management expenses, interest expenses and other financial expenses	44,584	120,607	37.0
3. Financial expenses from revaluation	566,491	380,165	149.0
4. Losses on disposal of investments	190,162	454,994	41.8
X. Net unrealised losses on investments of life insurance policyholders who bear the investment risk	**8,256,416**	**11,256,348**	**73.4**
XI. Other net technical expenses	**274,380**	**238,526**	**115.0**
2. Other net technical expenses	274,380	238,526	115.0
XIII. Balance on the technical account – life business (I+II+III+IV-V+VI-VII-VIII-IX-X-XI-XII)	**12,446,249**	**10,610,716**	**117.3**

(€)	2017	2016	Index
C. Non-technical account			
I. Balance on the technical account – non-life business (A X)	**19,163,288**	**13,982,573**	**137.1**
II. Balance on the technical account – life business (B XIII)	**12,446,249**	**10,610,716**	**117.3**
III. Investment income	**18,066,016**	**22,262,118**	**81.2**
1. Income from participating interests	867,529	1,003,035	86.5
1.3. Income from participating interests in other companies	867,529	1,003,035	86.5
2. Income from other investments	14,866,580	19,188,352	77.5
2.1. Income from land and buildings	514,115	289,574	177.5
- in other companies	514,115	289,574	177.5
2.2. Interest income	10,348,682	11,769,299	87.9
- in other companies	10,328,945	11,759,160	87.8
2.3. Other investment income	4,003,783	7,129,479	56.2
2.3.1 Financial income from revaluation	3,992,467	7,119,487	56.1
- in other companies	3,992,467	7,119,487	56.1
2.3.2 Other financial income	11,316	9,992	113.3
- in other companies	11,316	9,992	113.3
4. Gains on disposal of investments	2,331,907	2,070,731	112.6
VII. Investment expenses	**11,257,375**	**9,413,871**	**119.6**
1. Depreciation of investments not necessary for operations	167,068	119,523	139.8
2. Asset management expenses, interest expenses and other financial expenses	728,378	854,588	85.2
3. Financial expenses from revaluation	9,887,587	7,764,546	127.3
4. Losses on disposal of investments	474,342	675,214	70.3
VIII. Allocated investment return transferred to the technical account for non-life business other than health business (A II)	**-633,221**	**0**	**0.0**
IX. Other technical income	**7,409,828**	**9,327,653**	**79.4**
1. Other income from non-life business other than health business	7,155,449	9,284,674	77.1
2. Other income from life business	254,379	42,979	591.9
X. Other technical expenses	**9,518,526**	**10,070,557**	**94.5**
1. Other expenses for non-life business other than health business	9,085,146	9,698,894	93.7
2. Other expenses for life business	433,380	371,663	116.6
XI. Other income	**5,543,885**	**6,489,633**	**85.4**
1. Other non-life income	4,627,718	5,462,265	84.7
2. Other expenses for life business	916,167	1,027,368	89.2

(€)	2017	2016	Index
XII. Other expenses	**2,605,603**	**2,518,278**	**103.5**
1. Other non-life expenses	2,480,907	2,451,710	101.2
2. Other expenses for life business	124,696	66,568	187.3
XIII. Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	**39,880,983**	**40,669,987**	**98.1**
1. Profit/loss for the period for non-life business	26,822,264	29,427,155	91.2
2. Profit/loss for the period for life business	13,058,719	11,242,832	116.2
XIV. Tax on profit	**8,873,429**	**7,749,007**	**114.5**
1.1. Tax on profit from non-life business	6,360,033	5,865,758	108.4
1.2. Tax on profit for life business	2,513,396	1,883,249	133.5
XV. Deferred tax	**-87,354**	**2,767**	**-3157.0**
1.1. Deferred tax for non-life business	-253,223	59,846	-423.1
1.2. Deferred tax for life business	165,869	-57,079	-290.6
XVI. Net profit/loss for the period (XIII-XIV+XV)	**31,094,908**	**32,918,213**	**94.5**
Breakdown of profit/loss			
- From non-life insurance business	20,715,454	23,501,551	88.2
- From life business	10,379,454	9,416,662	110.2
D. Calculation of comprehensive income			
I. Profit/loss for the year, net of tax	**31,094,908**	**32,918,213**	**94.5**
II. Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+10)	**1,695,995**	**4,742,032**	**35.8**
a) Items that will not be reclassified subsequently to profit or loss	315,865	389,853	81.0
5. Other items that will not be reclassified subsequently to profit or loss	386,089	393,647	98.1
6. Tax on items that will not be reclassified subsequently to profit or loss	-70,224	-3,794	1850.9
b) Items that may be reclassified subsequently to profit or loss	1,380,130	4,352,179	31.7
1. Net gains/losses on remeasuring available-for-sale financial assets	855,424	6,220,370	13.8
4. Tax on items that may be reclassified subsequently to profit or loss	21,508	-1,479,133	-1.5
5. Exchange differences on translating foreign operations	503,198	-389,058	-129.3
III. Total comprehensive income (I + II)	**32,790,903**	**37,660,245**	**87.1**

APPENDIX B
FINANCIAL STATEMENTS OF SAVA RE PURSUANT TO REQUIREMENTS OF THE INSURANCE SUPERVISION AGENCY

Statement of financial position

(€)	31/12/2017	31/12/2016	Index
ASSETS (A–F)	**580,886,180**	**568,147,764**	**102.2**
A. Intangible assets	**807.011**	**832.567**	**96,9**
B. Property and equipment	**2.485.645**	**7.753.202**	**32,1**
D. Deferred tax assets	**1.238.826**	**1.373.436**	**90,2**
E. Investment property	**8.230.878**	**3.122.076**	**263,6**
F. Financial investments in Group companies and associates	**193.409.578**	**191.640.382**	**100,9**
G. Financial investments	**250.781.685**	**249.948.775**	**100,3**
- in loans and deposits	12.840.885	13.069.414	98,3
- Held to maturity	2.075.111	2.074.813	100,0
- Available for sale	235.456.116	233.517.137	100,8
- measured at fair value	409.573	1.287.411	31,8
I. Amount of technical provisions transferred to reinsurers and co-insurers	**20.073.571**	**18.203.912**	**110,3**
K. Receivables	**88.602.395**	**79.836.627**	**111,0**
2. Receivables arising out of reinsurance and co-insurance business	3.202.926	79.603.551	4,0
4. Other receivables	231.647	233.076	99,4
L. Other assets	**8.578.133**	**7.446.968**	**115,2**
M. Cash and cash equivalents	**6.678.458**	**7.989.819**	**83,6**
N. Off-balance sheet items	**10.196.000**	**12.356.000**	**82,5**

(€)		31/12/2017	31/12/2016	Index
EQUITY AND LIABILITIES (A–H)		**580,886,180**	**568,147,764**	**102.2**
A.	**Equity**	**290,966,155**	**270,355,622**	**107.6**
1.	Share capital	71,856,376	71,856,376	100.0
2.	Capital reserves	54,239,757	54,239,757	100.0
3.	Profit reserves	138,552,405	122,065,310	113.5
4.	Fair value reserve	3,804,764	3,785,553	100.5
5.	Reserve due to fair value revaluation	13,524	-1,765	-766.2
6.	Retained earnings	6,012,233	9,283,163	64.8
7.	Net profit or loss for the period	16,487,096	9,127,228	180.6
B.	**Subordinated liabilities**	**0**	**23,570,771**	**-**
C.	**Technical provisions**	**232,639,163**	**226,207,479**	**102.8**
1.	Unearned premiums	47,602,457	43,345,415	109.8
3.	Provision for outstanding claims	184,269,492	182,167,780	101.2
4.	Other technical provisions	767,214	694,284	110.5
E.	**Other provisions**	**351,250**	**331,802**	**105.9**
I.	**Other financial liabilities**	**91,182**	**104,280**	**87.4**
J.	**Liabilities from operating activities**	**54,404,921**	**43,797,970**	**124.2**
2.	Reinsurance and co-insurance payables	3,090,008	43,723,843	7.1
3.	Current income tax liabilities	154,799	74,127	208.8
K.	**Other liabilities**	**2,433,509**	**3,779,840**	**64.4**
L.	**Off-balance sheet items**	**10,196,000**	**12,356,000**	**82.5**

Disclosure of off-balance sheet items

(€)	2017	2016
Receivables from the cancellation of subordinated financial instruments	10,038,000	10,038,000
Other potential reinsurance receivables	0	1,950,000
Contingent assets	**10,038,000**	**11,988,000**

(€)	2017	2016
Guarantees issued	158,000	158,000
Civil claims	0	210,000
Contingent liabilities	**158,000**	**368,000**

In its off-balance sheet items for 2017 and 2016, the Company discloses contingent assets in the amount of the cancelled subordinated instruments regarding which the Company is continuing activities for the protection of its interests. Thus, in December 2016, claims were filed against the issuing banks of the cancelled subordinated financial instruments held by the Company.

Income statement

(€)	2017	2016	Index
Net earned premiums	**130,864,620**	**133,428,875**	**98**
- gross premiums written	153,219,752	147,426,893	104
- written premiums ceded to reinsurers and co-insurers	-18,907,314	-17,548,733	108
- change in unearned premiums	-3,447,818	3,550,715	-97
Income from investments in associated companies, of this	**26,136,830**	**26,308,516**	**99**
Investment income	**9,652,630**	**12,880,066**	**75**
Other technical income, of this	**6,098,385**	**9,263,194**	**66**
- commission income	1,934,678	2,813,943	69
Other income	**444,136**	**33,974**	**1,307**
Net claims incurred	**-78,583,967**	**-81,781,565**	**96**
- gross claims payments	-83,525,449	-85,165,592	98
- reinsurers' and co-insurers' shares	5,982,760	9,811,408	61
- change in the provision for outstanding claims	-1,041,278	-6,427,381	16
Change in other technical provisions	**-158,608**	**-88,760**	**179**
Expenses for bonuses and rebates	**85,678**	**-162,545**	**-53**
Operating expenses, of this	**-43,113,125**	**-47,288,975**	**91**
- Acquisition costs	-32,304,854	-36,659,727	88
Investment expenses, of this	**-10,551,329**	**-7,132,879**	**148**
- Impairment losses on financial assets not at fair value through profit or loss	-320,000	-330,740	97
Other technical expenses	**-5,876,562**	**-6,033,695**	**97**
Other expenses	**-234,824**	**-118,284**	**199**
Profit or loss before tax	**34,763,864**	**34,977,140**	**99**
Income tax expense	**-1,789,672**	**-2,103,323**	**85**
Net profit or loss for the period	**32,974,192**	**32,873,817**	**100**
Basic earnings/loss per share	**2.13**	**2.08**	**102.21**
Diluted earnings/loss per share	**2.13**	**2.08**	**102.21**

Statement of comprehensive income

(€)	2017	2016	Index
A Technical account – non-life business other than health business			
I. Net earned premiums	**130,864,620**	**133,428,875**	**98.1**
1. Gross premiums written	153,219,752	147,426,893	103.9
4. Gross reinsurance premiums written (-)	-18,907,314	-17,548,733	107.7
5. Change in gross unearned premiums (+/-)	-4,257,043	3,200,650	-133.0
6. Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	809,225	350,065	231.2
II. Allocated investment return transferred from the non-technical account (item D VIII)	**-633,221**	**0**	**-**
IV. Net claims incurred	**78,583,967**	**81,781,565**	**96.1**
1. Gross claims payments	85,409,808	86,397,922	98.9
2. Income from realised gross recourse receivables (-)	-1,884,359	-1,232,330	152.9
4. Reinsurers' shares paid (-)	-5,982,760	-9,811,408	61.0
5. Change in the gross claims provision (+/–)	2,101,712	8,254,869	25.5
6. Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	-1,060,434	-1,827,488	58.0
V. Change in other net technical provisions (+/-)	**-158,608**	**88,760**	**-178.7**
VI. Net expenses for bonuses and rebates	**-85,678**	**162,545**	**-52.7**
VII. Net operating expenses	**41,178,447**	**44,475,032**	**92.6**
1. Acquisition costs	33,185,632	33,061,396	100.4
2. Change in deferred acquisition costs (+/-)	-880,778	3,598,331	-24.5
3. Other operating expenses	10,808,271	10,629,248	101.7
3.1. Depreciation/amortisation of operating assets	420,825	340,371	123.6
3.2. Personnel costs	6,832,682	6,693,833	102.1
3.3. Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	163,472	179,111	91.3
3.4. Other operating expenses	3,391,292	3,415,933	99.3
4. Income from reinsurance commission and reinsurance contract profit participation (-)	-1,934,678	-2,813,943	68.8
VIII. Other net technical expenses	**191,679**	**186,327**	**102.9**
1. Expenses for loss prevention activities	23	26	88.5
3. Other net technical expenses	191,656	186,301	0.0
IX. Balance on the technical account – non-life business other than health business (I+II+III-IV+V-VI-VII-VIII)	**10,204,376**	**6,734,646**	**151.5**

Statement of comprehensive income

(€)	2017	2016	Index
C. Non-technical account			
I. Balance on the technical account – non-life business other than health business (A X)	**10,204,376**	**6,734,647**	**151.5**
III. Investment income	**36,115,607**	**39,319,827**	**91.9**
1. Income from participating interests	26,755,664	27,051,488	98.9
1.1. Income from participating interests in Group companies	26,136,830	26,308,516	0.0
1.3. Income from participating interests in other companies	618,834	742,972	83.3
2. Income from other investments	8,054,994	11,492,029	70.1
2.1. Income from land and buildings	326,147	131,245	248.5
- in Group companies	11,152	11,152	100.0
- in other companies	314,995	120,093	262.3
2.2. Interest income	3,895,944	4,427,975	88.0
- in Group companies	120,856	191,271	63.2
- in other companies	3,775,088	4,236,704	89.1
2.3. Other investment income	3,832,903	6,932,809	55.3
2.3.1 Financial income from revaluation	3,822,729	6,926,024	55.2
- in other companies	3,822,729	6,926,024	55.2
2.3.2 Other financial income	10,174	6,785	150.0
- in other companies	10,174	6,785	150.0
4. Gains on disposal of investments	1,304,949	776,310	168.1
V. Investment expenses	**10,638,299**	**11,522,976**	**92.3**
1. Depreciation of investments not necessary for operations	86,970	59,315	146.6
2. Asset management expenses, interest expenses and other financial expenses	718,760	846,288	84.9
3. Financial expenses from revaluation	9,626,269	10,226,671	94.1
4. Losses on disposal of investments	206,300	390,702	52.8
VI. Allocated investment return transferred to the technical account for non-life business other than health business (A II)	**-633,221**	**0**	**-**
VII. Other technical income	**4,163,707**	**6,318,006**	**65.9**
1. Other income from non-life business other than health business	4,163,707	6,318,006	65.9
VIII. Other technical expenses	**5,684,883**	**5,788,053**	**98.2**
1. Other expenses for non-life business other than health business	5,684,883	5,788,053	98.2

Statement of comprehensive income

(€)	2017	2016	Index
IX. Other income	**117,989**	**33,974**	**347.3**
1. Other non-life income	117,989	33,974	347.3
X. Other expenses	**147,854**	**118,284**	**125.0**
1. Other non-life expenses	147,854	118,284	125.0
XI. Profit/loss for the year before tax (I+II+III+IV-V-VI+VII-VIII+IX-X)	**34,763,864**	**34,977,140**	**99.4**
1. Profit/loss for the period for non-life business	34,763,864	34,977,140	99.4
XIV. Tax on profit	**1,661,173**	**1,467,243**	**113.2**
1.1. Tax on profit from non-life business	1,661,173	1,467,243	113.2
XV. Deferred tax	**128,499**	**636,080**	**20.2**
1.1. Deferred tax for non-life business	128,499	636,080	20.2
XVI. Net profit/loss for the period (XIII-XIV+XV)	**32,974,192**	**32,873,817**	**100.3**
Breakdown of profit/loss			
- From non-life insurance business	32,974,192	32,873,817	100.3
D. Calculation of comprehensive income			
I. Net profit/loss for the year	**32,974,192**	**32,873,817**	**100.3**
II. Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+)	**34,502**	**819,920**	**4.2**
a) Items that will not be reclassified subsequently to profit or loss	**15,289**	**41,070**	**37.2**
5. Other items that will not be reclassified subsequently to profit or loss	16,894	44,864	37.7
6. Tax on items that will not be reclassified subsequently to profit or loss	-1,605	-3,794	42.3
b) Items that may be reclassified subsequently to profit or loss	**19,213**	**778,850**	**2.5**
1. Net gains/losses on remeasuring available-for-sale financial assets	23,719	1,050,990	2.3
5. Tax on items that may be reclassified subsequently to profit or loss	-4,506	-272,140	1.7
III. Comprehensive income for the year, net of tax (I + II)	**33,008,694**	**33,693,737**	**98.0**

APPENDIX C
GLOSSARY OF SELECTED TERMS AND CALCULATION METHODS FOR INDICATORS

Accounting currency. A local currency used in the accounting documentation. Reinsurance contracts may be accounted for using various accounting currencies. Generally, this is the currency in which are denominated liabilities and receivables in relation to the cedant, and hence also the reinsurer.

Administrative expense ratio. The ratio of operating expenses net of acquisition costs and change in deferred acquisition costs as a percentage of gross premiums written.

Associate. An entity over which the investor has significant influence (the power to participate in the financial and operating policy decisions) and that is neither a subsidiary nor an interest in a joint venture.

Book value per share. Ratio of total equity to weighted average number of shares outstanding.

Business continuity plan. Document comrising procedures for ensuring continuity of key business processes and systems. The contingency plan is an integral part of the business continuity plan, setting out technical and organisational measures to return to normal operation and minimise the consequences of severe business disruptions.

BVAL price. Engl. Bloomberg valuation price. The price obtained from the Bloomberg information system.

Capital fund. Assets representing the capital of the Company.

CBBT price. Engl. Composite Bloomberg Bond Trader price. Closing price available in the Bloomberg information system based on binding bids.

Cedant, cede, cession. A cedant is the client of a reinsurance company. To cede is to transfer part of any risk an insurer has underwritten to a reinsurer. The part thus transferred to any reinsurer is called a cession.

Chief Operating Decision Maker (CODM). CODM may refer to a person responsible for monitoring an operating segment or to a group of persons responsible for allocating resources, and monitoring and assessing performance. CODM is a function and not a title.

Claims payments. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses. Gross/net – before/after deduction of reinsurance. Gross claims paid are gross claims payments less subrogation receivables. Net claims paid is short for net claims payments.

Claims risk. The risk that the number of claims or the average claim amount will be higher than expected.

Composite insurer. Insurer that writes both life and non-life business.

Comprehensive income. The sum of net profit for the period and other comprehensive income for the period, net of tax. The latter comprises the effects of other gains and losses not recognised in the income statement that affect equity, mainly through the fair value reserve.

Concentration risk. The risk that due to excessive concentration of investments in a geographic area, economic sector or issuer, unfavourable movements could result in a concurrent decrease in the value of investments.

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

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

Credit risk. The risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.

Currency risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.

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

Earnings per share. Ratio of net profit or loss as a percentage of the weighted average number of shares outstanding.

EIOPA. European Insurance and Occupational Pensions Authority.

Eligible own funds. The value of own funds eligible to cover the solvency capital requirement.

Equity risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.

Excess of loss reinsurance. A type of reinsurance in which the insurer agrees to pay a specified portion of a claim and the reinsurer agrees to pay all or a part of the claim above the specified currency amount or "retention".

Facultative reinsurance. A type of reinsurance under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks of the underlying policy. Typically used to reinsure large individual risks or for amounts in excess of limits on risks already reinsured elsewhere.

FATCA. Foreign Account Tax Compliance Act; for details see http://www.sava-re.si/en/o-druzbi/FATCA/

Financial investments. Financial investments do not include financial investments in associates, investment property nor cash and cash equivalents.

Gross claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables. Gross claims paid are claims before deduction of reinsurance.

Gross expense ratio. The ratio of operating expenses as a percentage of gross premiums written.

Gross incurred loss ratio. Gross claims paid, including the change in the gross provision for outstanding claims, as a percentage of gross premiums written gross of the change in gross unearned premiums.

Gross operating expenses. Operating expenses, excluding commission income.

Gross premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross premiums written are premiums before deduction of reinsurance.

Gross/net. In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.

IBNER. Provision for claims that are Incurred But Not Enough Reported.

IBNR. Provision for claims that are Incurred But Not Reported.

Insurance density. The ratio of gross premiums written as a percentage of the number of inhabitants.

Insurance penetration. The ratio of gross premiums written as a percentage of gross domestic product.

Interest rate risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

Investment portfolio. The investment portfolio includes financial investments in associates, investment property, and cash and cash equivalents.

Liability fund. Assets covering technical provisions.

Life insurance liability fund. Assets covering mathematical provisions.

Liquidity risk. The risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

Market risks. Include interest rate risk, equity risk and currency risk.

Minimum capital requirement (MCR). The minimum capital requirement must be equal to the amount of eligible own funds under which policyholders, insured persons and other beneficiaries under insurance contracts would be exposed to an unacceptable risk level if the undertaking were allowed to continue operations.

Net claims incurred. Net claims payments (short: net claims paid) in the period gross of the change in the net provision for outstanding claims.

Net claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables and reinsurers' and co-insurers' share of claims paid. Gross claims paid are gross claims payments less subrogation receivables.

Net combined ratio. Ratio of total expenses net of investment expenses as a percentage of total income net of investment income.

Net expense ratio. The ratio of operating expenses, net of commission income, as a percentage of net earned premiums.

Net incurred loss ratio. Net claims incurred gross of the change in other technical provisions as a percentage of net premiums earned.

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

Net operating expenses. Operating expenses net of commission income.

Net premiums earned. Net premiums written for a given period adjusted for the change in net unearned premiums.

Net premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Net premiums written are premiums after deduction of reinsurance.

Net retention risk. The risk that higher retention of insurance loss exposures results in large losses due to catastrophic or concentrated claims experience.

Net/gross. In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.

Non-proportional reinsurance (excess reinsurance). A reinsurance arrangement whereby the reinsurer indemnifies a ceding company above a specified level (usually a monetary amount) of losses that the ceding company has underwritten. A deductible amount is set and any loss exceeding that amount is paid by the reinsurer.

Operational limit. Operational limits for particular areas are determined on the basis of expressed risk tolerance limits. In absolute terms, this is the maximum amount acceptable for a particular risk so that the Company remains within its risk appetite framework.

Operational risk. The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

ORSA. Own risk and solvency assessment: an own assessment of the risks associated with an insurer's business and strategic plan, and the sufficiency of own funds to support those risks

OTC market. Engl. Over-The-Counter market. OTC market transactions are transactions outside the regulated market.

Paid loss ratio. The ratio of gross claims paid as a percentage of gross premiums written.

Premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross/net – before/after deduction of reinsurance.

Pricing risk. The risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.

Primary insurer. Insurance company that has a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Proportional reinsurance. A reinsurance arrangement whereby the reinsurer indemnifies a ceding company for a pre-agreed proportion of premiums and losses of each policy that the ceding company has underwritten. It can be subdivided into two main types: quota-share reinsurance and surplus reinsurance.

RBNS. Provision for claims that are Reported But Not Settled.

Recourse receivables. Amount of recourse claims which were recognised in the period as recourse receivables based on (i) any agreement with any third parties under recourse issues, (ii) court decisions, or (iii) for credit business – settlement of insurance claim.

Reputation risk. Risk of loss due to the Company's negative image as perceived by its policyholders, business partners, owners and investors, supervisors or other stakeholders.

Required solvency margin. The minimum solvency margin capital requirement calculated in accordance with the rules based on Solvency I. The capital level representing the first threshold that triggers measures related to the Insurance Supervision Agency in the event that it is breached.

Reserving risk. The risk that technical provisions will be inadequate.

Retention ratio. Ratio of net premiums written as a percentage of gross premiums written.

Retention. The amount or portion of risk (loss) that a ceding company retains for its own account, and does not reinsure. Losses and loss expenses in excess of the retention level are then paid by the reinsurer to the ceding company up to the limit of indemnity, if any, set out in the reinsurance contract. In proportional reinsurance, the retention may be a percentage of the original policy's limit. In non-proportional insurance, the retention is usually a monetary amount of loss, a percentage of loss or a loss-to-premium ratio.

Retrocession. The reinsurance bought by reinsurers; a transaction by which a reinsurer cedes risks to another reinsurer.

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

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

Risk appetite. The level of risk that a company is willing to take in pursuit of its strategic objectives. It is determined based on the acceptable solvency ratio, ratio of high-quality liquid assets as a percentage of the investment portfolio, profitability of insurance products and reputation risk.

Risk register. Catalogue of all identified risks maintained regularly updated by the Company.

Solvency capital requirement (SCR). Level of capital calculated as prescribed by law based on all measurable risks, including life and non-life insurance risk, health insurance risk, market risk, counterparty default risk and operational risk.

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

Solvency ratio. The ratio of the available solvency margin as a percentage of the required solvency margin.

Standard formula. Formulas laid down by Solvency II regulations for the calculation of the Solvency Capital Requirement.

Strategic risk. Risk of unexpected decline in the company's value due to adverse impact of wrong business decisions, changes to the business or legal environment and market development.

Subsidiary entity. An entity that is controlled by another entity.

Transaction currency. The currency in which reinsurance contract transactions are processed.

Underwriting result. Profit or loss realised from insurance operations as opposed to that realised from investments or other items.

Underwriting risk. The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

Unearned premiums. The portion of premiums written that applies to the unexpired portion of the policy period and is attributable to and recognised as income in future years.

APPENDIX C2

GRI INDEX [142]

GRI standard and disclosure	Description	Section	Topic boundary and notes/limitations
GENERAL STANDARD DISCLOSURES			
GRI 101: Foundation 2017			
GRI 102: General disclosures 2017			
Organisational profile 2017			
102-1	Name of the organisation	s. 2.1	Sava Re
102-2	Activities, brands, products, and services	s. 2.7, s. 2.8	Sava Re Group
102-3	Location of headquarters	s. 2.1	Sava Re
102-4	Location of operations	s. 2.6	Sava Re Group
102-5	Ownership and legal form	s. 2.1, s. 5.6	Sava Re
102-6	Markets served (by region, industry and type of customers)	s. 2.8, before s. 19	Sava Re Group
102-7	Scale of the organisation	s. 2.8, s. 10.3.1, s. 16.2, s. 17.2, s. 20.3.3	Sava Re Group
102-8	Information on employees	s. 5.3.2, s. 10.1, s. 10.3.1, s. 20.3.3	Sava Re Group
102-9	Supply chain	s. 13	Sava Re Group
102-10	Significant changes to the organisation	s. 2.9	Sava Re Group
102-11	Precautionary principle or approach	s. 11, s. 17.7, s. 20.4, s. 23.5	Sava Re Group
102-12	External documents, principles and other economic, environmental and social initiatives that the organisation supports	s. 13	Sava Re and Zavarovalnica Sava
102-13	Membership of associations	s. 13	Sava Re
Strategy			
102-14	Statement from senior decision-maker on the importance of sustainable development for the organisation and its strategy	s. 1	Sava Re
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour, including codes of conduct and ethics	s. 5.3, s. 6.1, s. 13	Sava Re Group
Governance			
102-18	Governance structure	s. 2.8, s. 5.3, s. 20.3.5	Sava Re Group
Stakeholders			
102-40	List of stakeholder groups	s. 13	Sava Re Group
102-41	Collective bargaining agreements	s. 10.3.1, s. 13, s. 20.3.3	Sava Re Group
102-42	Identifying and selecting stakeholders	s. 3.3, s. 13	Sava Re Group
102-43	Approach to stakeholder engagement	s. 3.3, s. 13	Sava Re Group Stakeholders have not been involved in the SR process.
102-44	Key topics and concerns raised in stakeholder engagement and response by the organisation (also via reporting)	s. 13	Sava Re Group Stakeholders have not been involved in the SR process, which is why no responses have been obtained.
Reporting practice			
102-45	Entities included in the consolidated financial statements	s. 13, s. 2.5, s. 17.2	Sava Re Group
102-46	Defining report content and topic boundaries	s. 13	Sava Re Group Stakeholders have not been involved in the SR process, which is why no materiality matrix has been designed.
102-47	List of material topics	s. 13	Sava Re Group
102-48	Restatements of information	s. 13	Sava Re Group There are no changes because this is the first report.
102-49	Changes in reporting regarding topic boundaries	s. 13	Sava Re Group There are no changes because this is the first report.
102-50	Reporting period	s. 13	Sava Re Group
102-51	Date of most recent report	s. 13	Sava Re Group This is the first report.
102-52	Reporting cycle	s. 13	Sava Re Group
102-53	Contact point for questions regarding the report	s. 2.1	Sava Re Group
102-54	Claims of reporting in accordance with the GRI Standards	s. 13	Sava Re Group
102-55	GRI content index	s. 13	Sava Re Group
102-56	External assurance	s. 13	/

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SPECIFIC STANDARD DISCLOSURES			
Disclosures on management approach	**Material topics**	**Section**	**Reasons for omission/ notes**
ECONOMIC IMPACTS			
GRI 201: Economic performance			
103-1, 103-2, 103-3	Management approach	s. 6.3, s. 10.1, s. 10.3, s. 10.4, s. 10.5, s. 13, s. 20.3.1, s. 20.3.3, s. 20.3.4, s. 20.3.5	Sava Re Group
201-1	Direct economic value generated and distributed	s. 13	Sava Re Group
201-2	Financial implications and other risks and opportunities due to climate change	s. 2.2, s. 8.1, s. 13, s. 20.1	Sava Re Group
201-3	Defined benefit plan obligations	s. 13	Sava Re Group
201-4	Financial assistance received from government	s. 3.2, s. 5.6, s. 13	Sava Re Group
GRI 202: Market presence			
202-2	Proportion of senior management hired from the local community	s. 2.8, s. 5.3.4	Sava Re Group
GRI 203: Indirect economic impacts 2017			
203-1	Infrastructure investments and services supported	s. 13	Sava Re Group
GRI 204: Procurement practices 2017			
204-1	Proportion of spending on local suppliers	s. 13	Sava Re Group The proportion is not disclosed.
GRI 205: Anti-corruption 2017			
205-1	Operations assessed for risks related to corruption	s. 13	Zavarovalnica Sava
205-3	Confirmed incidents of corruption and actions taken	s. 13	Zavarovalnica Sava
ENVIRONMENTAL STANDARDS			
GRI 302: Energy 2017			
302-1	Energy consumption within the organisation	s. 13	Zavarovalnica Sava
GRI 306: Effluents and waste 2017			
306-2	Waste by type and disposal method	s. 13	Zavarovalnica Sava
GRI 308: Supplier environmental assessment 2017			
308-1	New suppliers that were screened using environmental criteria	s. 13	New suppliers were not screened using environmental criteria

COMPANY			
401-1	Employment and fluctuation	s. 10.3.2, s. 13, s. 20.3.3	Sava Re Group
403-2	Lost days	s. 10.3.1, s. 20.3.3	Sava Re Group
404-1	Average hours of training per year per employee	s. 10.4, s. 13, s. 20.3.4	Sava Re Group
404-3	Percentage of employees receiving regular performance and career development reviews	s. 10.5.1, s. 13, s. 20.3.5	Sava Re Group
405-1	Diversity of governance bodies and employees	s. 5.3.2, s. 10.3.1, s. 13, s. 20.3.3	Sava Re Group
405-2	Ratio of basic salary and remuneration of women to men	s. 20.3.3	Sava Re
413: Local communities 2017			
413-1	Operations with local community engagement, impact assessments, and development programs	s. 13	Sava Re Group
GRI 417: Marketing and labelling			
414-1	New suppliers that were screened using social criteria	s. 13	Sava Re and Zavarovalnica Sava New suppliers were not screened using social criteria
417-1	Requirements for product and service information and labelling	s. 13	Sava Re Group
419-1	Non-compliance with laws and regulations	s. 13	Sava Re Group The Group found no breach or non-compliance with rules or regulations.

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