



Finding a balanced life, together

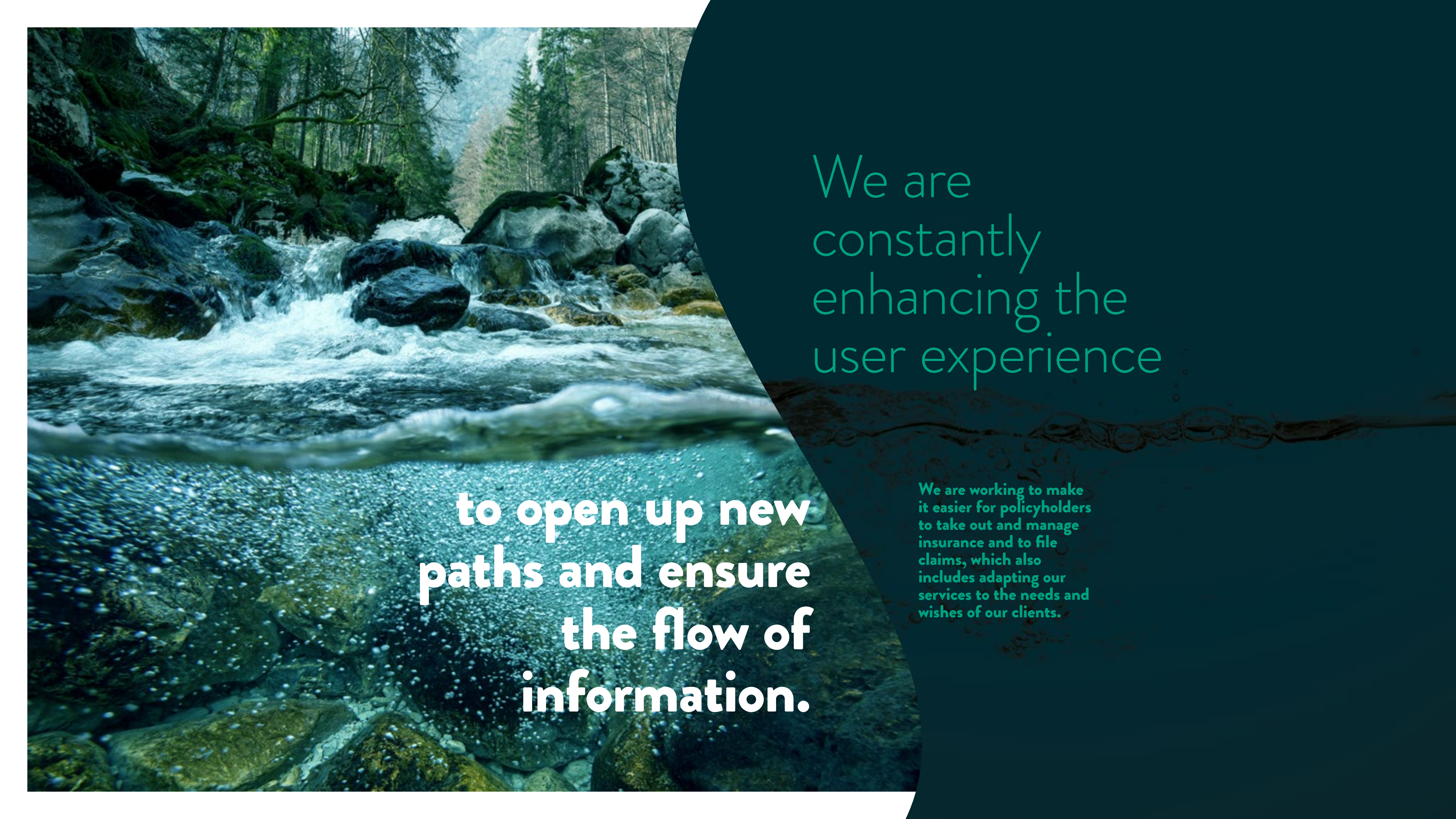
ANNUAL
REPORT
of the Sava
Insurance Group
and Sava Re d.d.
for
2019





#NeverAlone

We are building a customer-centric,
modern, digital,
community-minded
and sustainability-oriented
INSURANCE GROUP.



We are
constantly
enhancing the
user experience

**to open up new
paths and ensure
the flow of
information.**


We are working to make it easier for policyholders to take out and manage insurance and to file claims, which also includes adapting our services to the needs and wishes of our clients.



**we are adapting to the
environment to ensure
that our flow always finds
a way.**

By continuously
searching
for new
technological
solutions,

By renewing,
updating and
implementing new
technological solutions,
we are developing a
contemporary adaptive
user ecosystem.

A scenic photograph of a river flowing through a forested landscape. In the foreground, two trout are swimming in the clear water. The riverbank is covered with dense evergreen trees and shrubs. The sky is blue with some clouds. The image is split horizontally, with the top half showing the river and the bottom half showing the trout. A large, dark teal circular shape is overlaid on the right side of the image, containing white text.

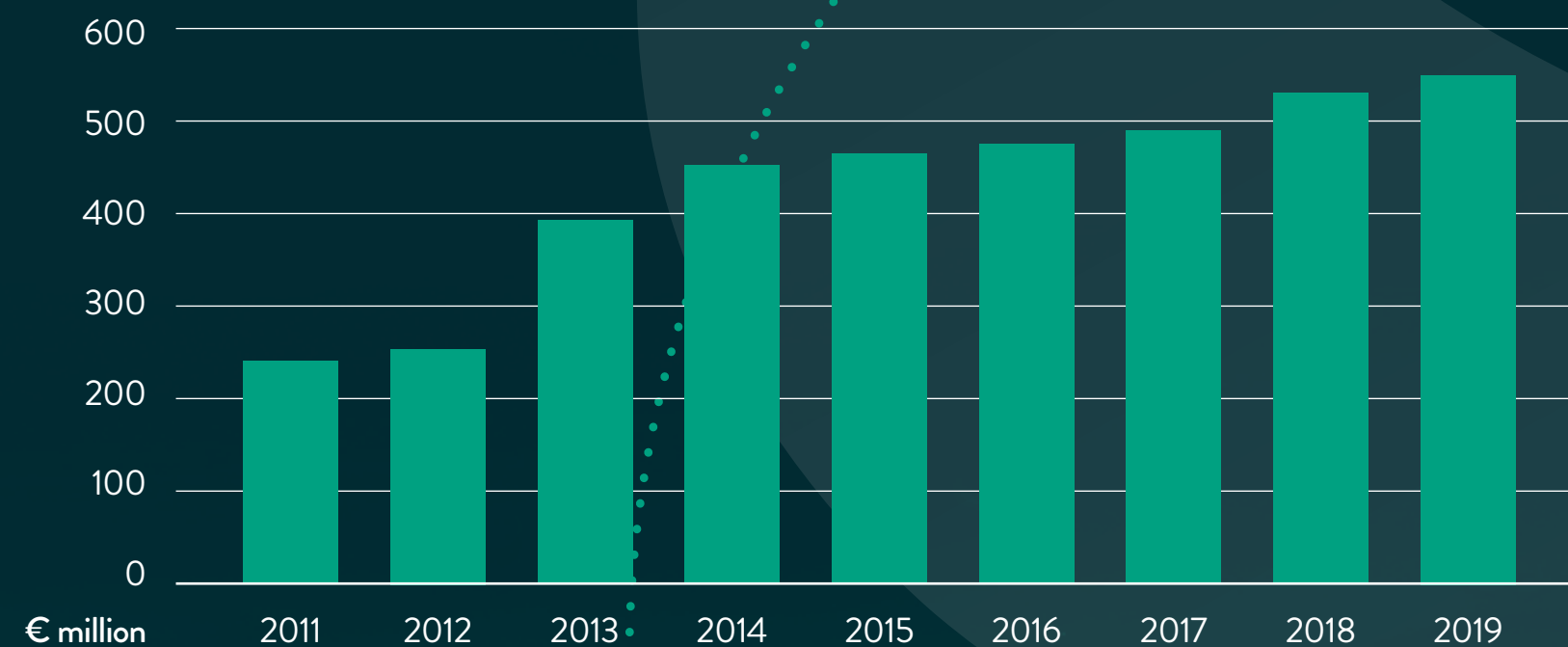
We continue
to create new
tributaries

that can
take us even
further.

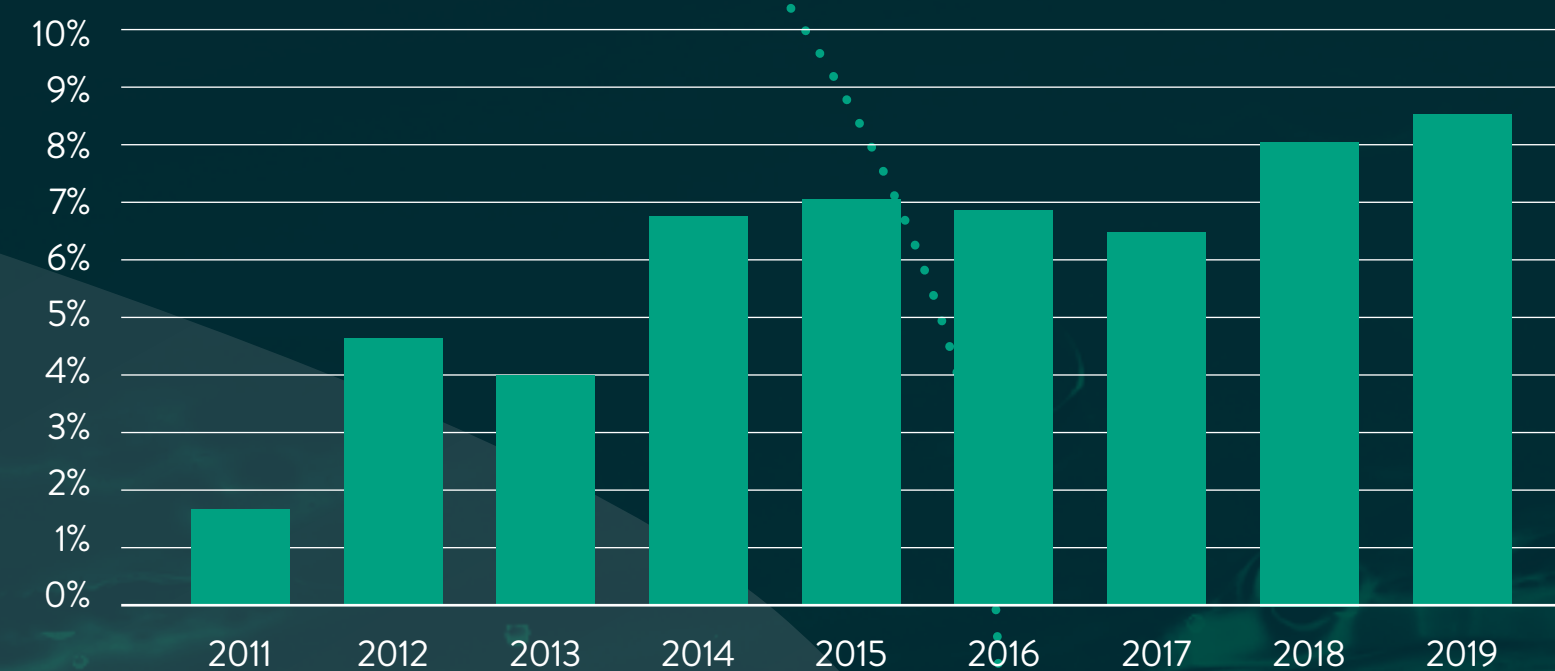
We intend to continue
with acquisitions in
the fields and on the
markets where we are
already active, and at
the same time search for
growth opportunities in
the insurance industry
beyond our borders.

Operating revenue of the Sava Insurance Group

CAGR:
11.6%

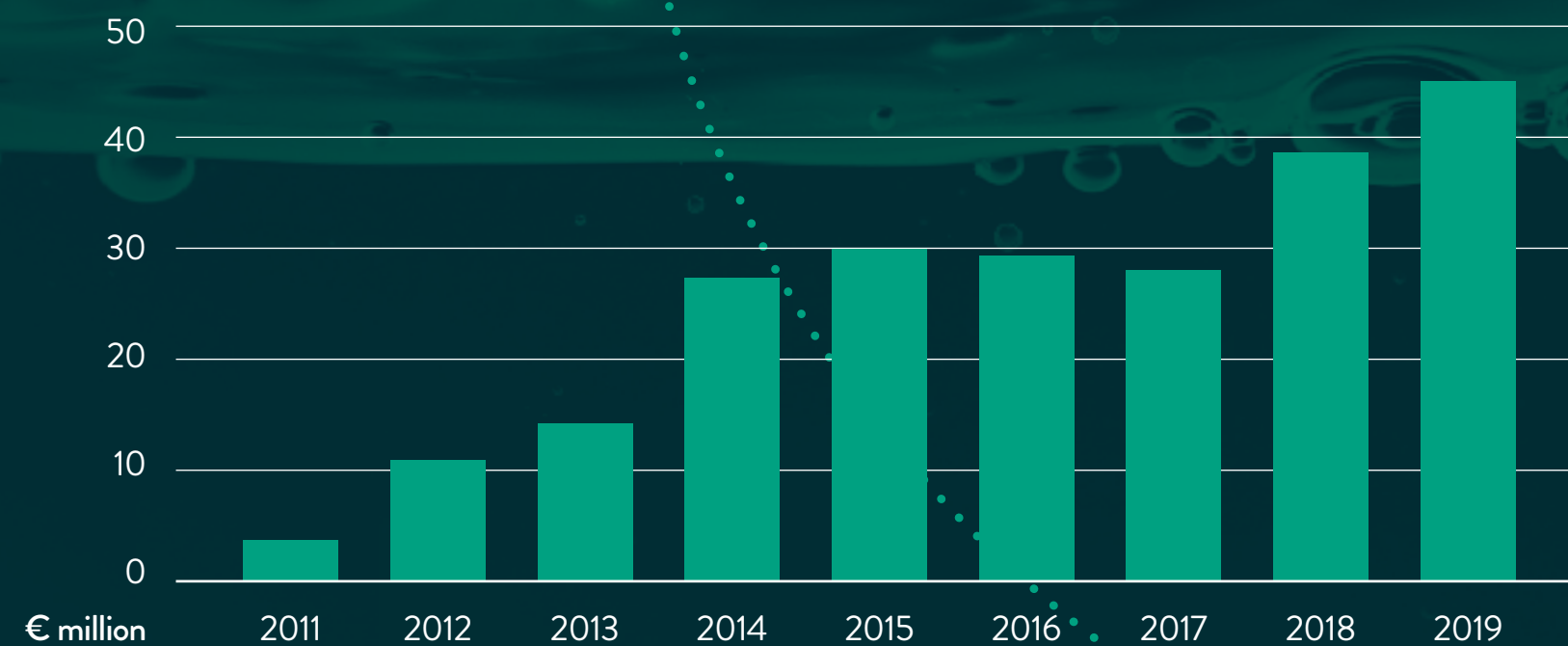


Return on revenue of the Sava Insurance Group

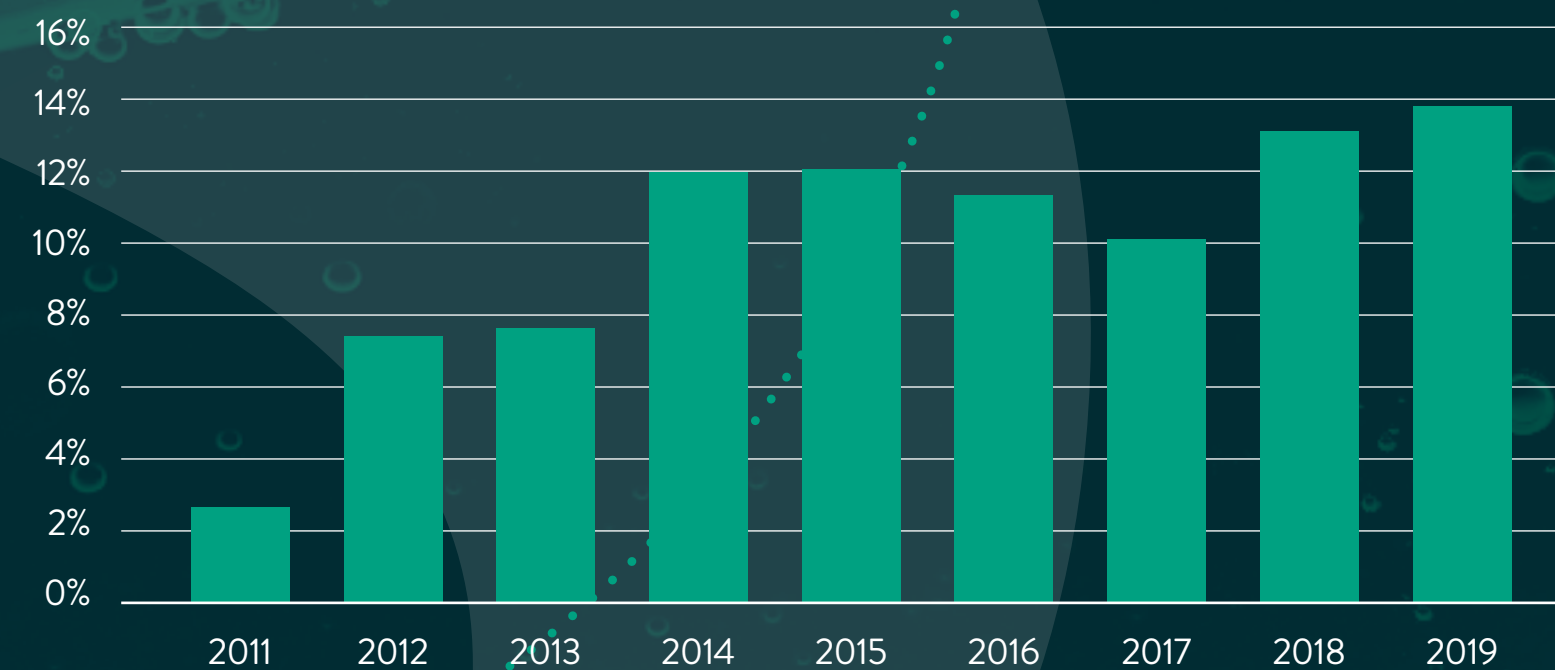


Profit, net of tax, of the Sava Insurance Group

CAGR:
36.9%



Return on equity of the Sava Insurance Group



S&P

BBB
(stable)

2005

A
(stable)

2019

AM Best

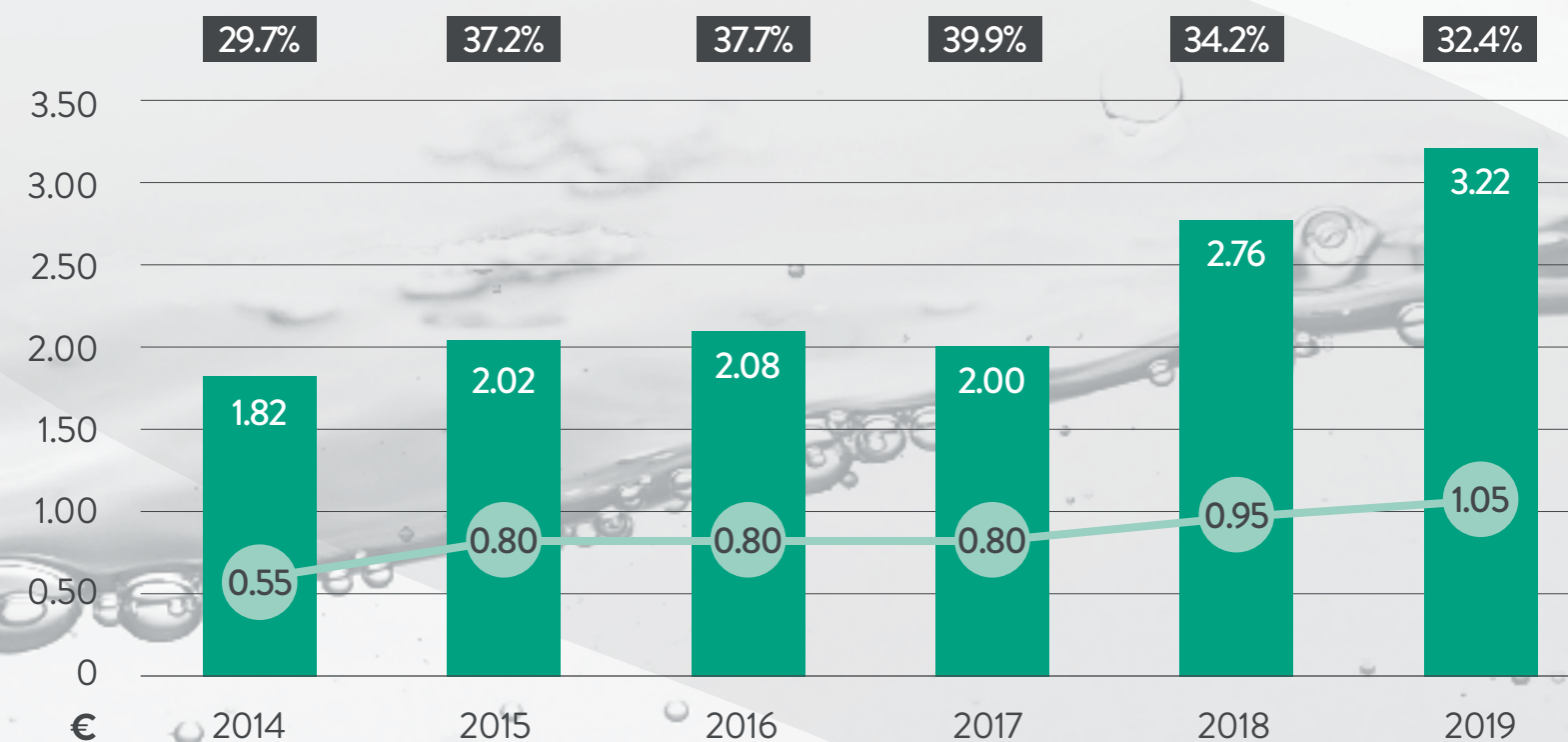
A-
(stable)

2012

A
(stable)

2019

Shares



● Dividend per share paid
(distribution in next year)

● Consolidated net earnings
per share

● Dividend as % of
consolidated profit



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 Insurance Group and Sava Re d.d. 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 to which the consolidated companies are exposed.

Ljubljana, 20 March 2020

Jošt Dolničar
Member of the
Management Board

Marko Jazbec
Chairman of the
Management Board

**Polona Pirš
Zupančič**
Member of the
Management Board

Srečko Čebon
Member of the
Management Board



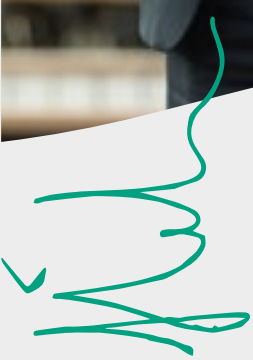
Polona Pirš Zupančič
Member of the Management Board



Marko Jazbec
Chairman of the Management Board



Jošt Dolničar
Member of the Management Board



Srečko Čebren
Member of the Management Board



Key financials



EUR, except percentages	Sava Insurance Group	
	2019	2018
Total of all operating segments		
Operating revenue	584,178,117	531,343,205
Year-on-year change	9.9%	9.7%
Profit or loss before tax	60,744,015	55,260,572
Year-on-year change	9.9%	38.6%
Profit or loss, net of tax	50,194,588	43,011,849
Year-on-year change	16.7%	38.3%
Comprehensive income	59,589,361	36,448,443
Year-on-year change	63.5%	11.2%
Return on revenue*	8.6%	8.1%
Net expense ratio*	31.3%	32.8%
Return on equity	13.8%	13.1%
Earnings or loss per share	3.22	2.76
Return on the investment portfolio*	1.9%	1.7%
Total of all operating segments		
	31 Dec 2019	31 Dec 2018
Total assets	1,885,953,003	1,706,023,490
Change on 31 Dec of prior year	10.5%	-0.1%
Shareholders' equity	384,776,847	340,175,455
Change on 31 Dec of prior year	13.1%	7.6%
Net technical provisions	1,115,945,868	1,103,231,374
Change on 31 Dec of prior year	1.2%	-2.1%
Book value per share	24.83	21.95
Number of employees (full-time equivalent basis)	2,723.3	2,416.7
Solvency ratio under Solvency II rules	-	218.0%

EUR, except percentages	Sava Insurance Group	
	2019	2018
Reinsurance + non-life		
Gross premiums written	508,530,894	457,228,348
Year-on-year change	11.2%	7.0%
Net incurred loss ratio*	61.7%	57.0%
Net expense ratio	32.3%	34.2%
Net combined ratio*	93.8%	92.9%
Profit or loss before tax	40,460,026	40,837,674
Year-on-year change	-0.9%	42.5%
Life business		
Gross premiums written	87,668,880	86,852,148
Year-on-year change	0.9%	-1.3%
Net expense ratio	28.9%	27.9%
Profit or loss before tax	16,593,299	12,355,948
Year-on-year change	34.4%	13.8%

Notes:
 * Excluding the effect of exchange differences. The return on the investment portfolio does not include the cost of the subordinated debt.
 ** For details on the calculation of ratios and net investment income, see the glossary in Appendix C2.

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Business report of the Sava Insurance Group and Sava Re



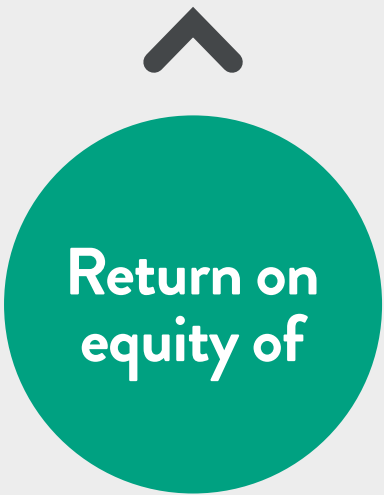
1 Letter from the chairman of the management board¹





Net profit of

13.8%



Organic growth and sound acquisitions drove Group growth and operating profitability

In 2019, the Sava Insurance Group increased its operating revenues by nearly 10%, which was driven both by higher gross premiums written by existing Group companies and the full-year operations of the companies Sava Penzisko Društvo from North Macedonia, the insurance business of Energoprojekt Garant from Serbia and the assistance business of TBS Team 24 from Slovenia, which all joined the Group in the course of 2018, and by companies acquired in 2019. At the end of last February Zavarovalnica Sava acquired a 100% stake in companies Ergo Osiguranje and Ergo Životno Osiguranje, and the investment fund management company Sava Infond joined the Group at the end of June 2019. These acquisitions allow the Sava Insurance Group to tap into the synergies resulting from the growth in the business volume, whereas the acquisition of Sava Infond will also facilitate the development of asset management and the beginning of centralisation of asset management activities in the Group.

The Group generated a net profit of EUR 50.2 million in 2019, up 16.7% year-on-year. The increase was driven by good results in the non-life insurance, life insurance and pensions operating segments, and was reduced by challenging claims experience in the Croatian non-life insurance segment and reinsurance business in international markets. Higher profitability was also driven also by the acquisition of Ergo Osiguranje and Ergo Životno Osiguranje in Croatia, which generated one-off income from the elimination of negative goodwill due to the difference between the cost of acquisition and fair value of acquired net assets.

Return on equity was high at 13.8% in 2019. A stable dividend policy and growth in the business volume and profitability allow us to maximise profits for shareholders. In 2019 we paid EUR 0.95 dividend per share, which translates into a dividend yield of 5.6%. The share’s market price in 2019 was up 17.6%.

Growth in gross insurance premiums written and increased loss experience in insurance business in Croatia and in reinsurance

Gross premiums written by the Sava Insurance Group in 2019 were up 9.6%. In Slovenia, Zavarovalnica Sava made an important contribution to high growth with a 12.2% increase in gross premiums written, 4.5 p. p. of which was an increase in gross premiums written for FoS business (freedom of services) performed by the non-life insurer in Slovenia in cooperation with various companies within the EU Member States. Gross life premiums written in Slovenia in 2019 remained at the same level as in 2018, which I see as a success, because we fully offset the shortfall in premiums related to maturity, deaths and surrenders with new insurance contracts.

Gross non-life premiums written outside Slovenia increased by 20.3%. This growth was driven chiefly by the inclusion of the Croatian non-life insurer ERGO Osiguranje into the Sava Insurance Group, but Serbian, Montenegrin, North Macedonian and Kosovar non-life insurers also achieved high growth in the range of 10%. Gross life premiums written outside Slovenia were up 9.1%.

Gross reinsurance premiums written rose by only 1% in 2019, which is due to restrictions on systematic growth and the rejection of less profitable contracts. In general, the reinsurance segment in 2019 experienced a larger volume of claims, primarily due to a greater number of catastrophic events, among them two typhoons in Japan, a hurricane in the Bahamas and some large fire losses.

The insurance segment saw an increased claims burden mainly in Croatia, where the loss ratio deteriorated due to increased claims in motor third-party liability and in motor casco business, as well as owing to the integration of the Croatian Ergo Osiguranje non-life insurer into the Group.



Subordinated bond issue to support the Group’s expansion and optimisation of capital

In order to support its development activities and the optimisation of its capital structure, in October 2019 Sava Re issued 20-year subordinated bonds with an issue size of EUR 75 million and a prepayment option after 10 years. The bonds were admitted to trading on the regulated market of the Luxembourg Stock Exchange. Under Solvency II, subordinated bonds count towards the Company’s additional capital. The fact that the Company obtained a favourable interest rate of 3.75% for this kind of a financial

instrument demonstrates the Group’s considerable financial strength and credit rating in the international markets, and at the same time indicates favourable borrowing conditions in these markets.

We are very proud that the Sava Insurance Group’s credit rating “A” with a stable outlook was confirmed in 2019 by both credit rating agencies, which gives our operations additional credibility in international reinsurance markets.

In addition to effective organic growth the Sava Insurance Group will continue to grow also through acquisitions. Our growth will continue to focus on the Group’s expansion in the industries and markets where we are already present, but we will look for growth opportunities also in the insurance industry in other EU countries. Last August we signed a purchase agreement for Diagnostični Center Bled d.o.o. (Bled Diagnostic Centre), through which we entered the private healthcare market, and in December we signed a contract to acquire the second largest life insurer in Slovenia, NLB Vita d.d., through which we will significantly increase our market share in life insurance.

I would like to take this opportunity to thank our shareholders, customers, employees and other stakeholders for their support and the trust they placed in us. We will continue to invest our efforts in improving quality at all levels of our business while ensuring a high degree of financial strength and profitability of the Group. We are aware that it is only with cooperation of all our stakeholders that we can realise our vision, through which we are building a customer-centric, modern, digital, community-minded and sustainability-oriented insurance group.

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

2020–2022



New strategy
period

We have set our sights high also for the next strategic period.

I am happy to say that all our key 2017–2019 strategy goals were achieved. We realised the planned synergies flowing from the merger of four insurers into Zavarovalnica Sava, and the umbrella insurance brand “Zavarovalnica Sava” also achieved very good brand awareness in the region. In the period, the Group grew both organically and through acquisitions. Through acquisitions, the Group expanded its presence in insurance, pensions, assistance and health insurance business and strengthened its asset management presence. A new strategy has been prepared for 2020–2022, which continues in the same primary direction.

In the next mid-term period we will embark on extensive projects aimed at customer-centric digital transformation of the Group. This will make it easier for our customers to buy and manage insurance policies and file claims, but special attention will be paid also to our online presence and mobile applications, as well as to the adjustment of communications and products to customer preferences. Also underway is the Group’s IT transformation, which will facilitate the digital transformation and overhaul of its core IT systems, which in turn will allow us to develop a modern and flexible IT system that will give us a competitive advantage in the future.

Sustainable development, i.e. corporate social responsibility, is a growing and an increasingly important aspect of decision-making in all business segments. Aware of the environmental changes and their impact on our business, we will prudently diversify our investment portfolio, focusing in part also on real estate, infrastructure and sustainable investments. This underpins our sustainability efforts in the communities and environment of which we are a part.

2 Profile of Sava Re and the Sava Insurance Group



2.1 Sava Re company profile²

Company name	Sava Re d.d.
Business address	Dunajska 56, 1000 Ljubljana, Slovenia
Telephone (switchboard)	+386 1 47 50 200
Fax	+386 1 47 50 264
Email	info@sava-re.si
Website	www.sava-re.si
ID number	5063825
Tax identification number	SI17986141
LEI code	549300P6F1BDSFSW5T72
Share capital	EUR 71,856,376
Shares	17,219,662 no-par-value shares
Management and supervisory bodies	MANAGEMENT BOARD: Marko Jazbec (chairman), Srečko Čebren, Jošt Dolničar, Polona Pirš Zupančič SUPERVISORY BOARD: Mateja Lovšin Herič (chairman), 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	Slovenian Sovereign Holding
Largest shareholder and holding	17.7% (no-par-value shares: 3,043,883)
Credit ratings: Standard & Poor's AM Best	A /stable/; July 2019 A /stable/; October 2019
Contact details for annual and sustainability reports	ir@sava-re.si
The Company has no branches.	

2 GRI 102-01, 102-03, 102-05, 102-53

2.2 Significant events in 2019



- On 27 February 2019, Zavarovalnica Sava satisfied all suspensive conditions, becoming the sole owner of the Croatia-based companies ERGO Osiguranje d.d. and ERGO Životno Osiguranje d.d.

February

- In May 2019, the 35th general meeting of shareholders was held.

May

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

June

- In August 2019, Sava Re as the buyer and Cinxro Holdings Ltd. as the seller signed a contract for the sale of 80% of the share capital of Diagnostični Center Bled d.o.o. (Bled Diagnostic Centre), representing 100% of the voting rights. In addition, Sava Re signed an agreement with Zavarovalnica Triglav d.d. on the manner of cooperation in the acquisition of a stake in the Diagnostic Centre Bled. In the agreement, the parties set out the key steps that will guide their joint control over the Diagnostic Centre Bled through their ZTSR d.o.o. joint venture. In March 2020, ZTSR d.o.o., the 50-50 joint venture of Sava Re in Zavarovalnica Triglav d.d., completed the acquisition of the health-care provider Diagnostic Centre Bled d.o.o. (Diagnostičnicenter Bled).

August

- In April 2019, Sava Re issued the “Solvency and financial condition report of Sava Re d.d. 2018”. The Company’s solvency ratio for 2018 was 293%.

April

- In June 2019, Sava Re issued the “Sava Insurance Group solvency and financial condition report 2018”. The Solvency II coverage ratio of the Sava Insurance Group for 2018 was 218%.

June

- Following its regular annual rating review in July 2019, the rating agency Standard & Poor’s affirmed the “A” insurer financial strength rating on Sava Re and Zavarovalnica Sava. The outlook was stable.

July

- Following its regular annual rating review in October 2019, the rating agency AM Best affirmed the “A” (excellent) insurer financial strength rating of Sava Re. The outlook was stable.

October

- In October 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039 and with an early recall option for 7 November 2029. The capital raised is Tier 2 eligible and Solvency II compliant. Sava Re intends to use the net proceeds for general corporate purposes of the Sava Insurance Group and for the optimisation of its capital structure. The total issue size is EUR 75 million. The bond issue is intended for qualified investors and is listed on the regulated market of the Luxembourg Stock Exchange.
- At its meeting in December 2019, the supervisory board of Sava Re took note of the notice of Srečko Čebren on his early termination of his term of office as Sava Re management board member and accepted his proposal for a consensual termination of employment contract as management board member as of 31 May 2020. At the same meeting, the supervisory board unanimously supported the proposal of Chairman of the Management Board Marko Jazbec and appointed Peter Skvarča, who comes from within the ranks of the Sava Insurance Group, as a new member of the management board.
- In December 2019, Sava Re as the buyer, and NLB d.d. and KBC Insurance NV as the sellers signed a sale, purchase and transfer agreement regarding 100% of the share capital in NLB Vita d.d. The acquisition of NLB Vita represents an important step for the Sava Insurance Group in the consolidation of its position in Slovenia's life insurance market. The bancassurance partnership between NLB Vita and NLB will continue to develop, as the bank remains the primary sales channel. The strengthening of partnerships with banks and the development of the bancassurance sales channel is an important strategic objective for the Sava Insurance Group. The transaction's completion depends on the satisfaction of certain suspensive conditions and regulatory approval. The transaction is expected to close by mid-2020.
- All procedures for the acquisition of Sava Terra by Zavarovalnica Sava were conducted in December 2019. The acquisition was completed on 13 February 2020.

October

December

December

December

October

- In October 2019, Japan was hit by Typhoon Hagibis, one of the worst storms in the region in decades. The negative impact of the loss on the Group's results in 2019 exceeded EUR 5 million.



2.3 Significant events after the reporting date

On 11 March 2020, the World Health Organisation declared the outbreak of the novel coronavirus a pandemic. In Slovenia, the government declared an epidemic on 12 March 2020. In their efforts to contain the effects of realised operational risk, Sava Re (the Company) and its other Group companies are following their business continuity protocols because the health of our staff and customers is paramount. At the time of preparing this announcement, it is not yet possible to measure all the impacts on the Group's operations. The Company will keep investors and other stakeholders informed of potential impacts as soon as these can be assessed and to the extent that they materialise. The sensitivity of the Group's results to various risks are discussed in the risk management section. In our assessment, the management have assumed that reinsurers will fulfil their obligations to the Group and Sava Re under all existing programmes.

Based on a number of publicly available macroeconomic projections, an economic slowdown is very likely and a transition into recession is possible. In addition, lower general consumption contributes to lower demand for insurance services because GDP growth is closely correlated with premium volume. The operations most exposed to the risk of a global economic downturn and volatility in financial markets are investment fund management, pension companies and insurances of the person. The Group does not rule out the possibility that other classes of business will also be impacted.

The impact of the virus as an external factor has had a severe effect on economic activity. The overriding assumption used in our assessments is that the viral infection will last for one quarter (to the end of June 2020). We assume that economic activity will then gradually return to growth over the next three quarters because the cause of the economic slowdown is a virus rather than structural problems or imbalances in the local or global economies.

So far, no measures have been taken by the insurance regulator, but the European Insurance and Occupational Pensions Authority has already announced the possibility of additional measures on their part to help insurance companies in the current situation. In our assessment of the expected impacts of the virus, we did not take into account the assumption that we will use or need help from the regulator or the state.

By the date of the approval of the 2019 year-end financial statements, the management of the Company/Group identified the following key risks with potential negative impacts on operations and operating results:

- a decline in the value of the financial investment portfolio due to a slowdown in economic growth and recent stock markets;
- increased payment of claims in the life segment, with a negative impact mainly on insurance risks for life-long products due to illness and an expected increase in mortality rate;

- a reduction in the premium income of newly concluded life insurance policies due to restrictions on personal contact by agents and the closure of branches;
- reduction of non-life insurance premiums due to restrictions on personal contact by agents and closure of branches;
- increased payment of compensation and insurance in connection with insolvency of travel agencies, travel assistance, travel insurance and business interruption insurance;
- increase in credit risk and requirements for additional impairments/write-offs of receivables arising from insurance premiums written due to a possible economic downturn.

Among the insurance classes that the Group expects to be most impacted in terms of premiums are travel insurance due to trip cancellations, corporate non-life insurance due to an economic downturn, and motor insurance due to both the expected delay in policy renewal and the decline in premiums from insurance of rental cars, goods vehicles and passenger cars, where a decline in new vehicle sales is also expected due to lower general consumption.

Related to the increased loss experience, we can expect an impact on the results of life-long, unit-linked and risk life products. In view of the restrictions on contact by agents and the hours our offices and agencies remain open, we expect premiums from new life business to decline. We also expect certain losses from insolvency and business interruption insurance sold to businesses in the industry.

The outbreak of the coronavirus epidemic could cause a short-term severe decline in economic activity, followed by a drop in risk-free interest rates, widening of credit spreads on debt instruments, and a drop in stock, infrastructure and real estate investments.

A drop in capital markets and developments in the insurance industry will also have an impact on the Group's eligible own funds and solvency capital requirement, and consequently on its solvency position. Because it is difficult to make educated guesses at this early stage of the epidemic, we did not quantify its impact on the stresses and scenarios yet. Instead, we used own risk and solvency assessment (ORSA) for 2020 as an approximation, and we present the correlation below. As already mentioned, we expect the coronavirus to have several impacts on our business related to our investments and insurance portfolios, as well as other areas.



In the ORSA, the Sava Insurance Group and Sava Re considered individual scenarios and a combination of scenarios to assess their overall impact on operations and capital adequacy. In determining the scenarios, we proceeded from our own risk profile of the Sava Insurance Group and Sava Re and tried to identify which events could have a material impact on our operations and capital adequacy. The assumptions made in the scenarios developed for ORSA were compared with identified risks related to the coronavirus. We assessed that ORSA scenarios covered the main risks, and the assessment of the scenario consequences is even more conservative than the expected consequences of the coronavirus (in particular with respect to potential effects of the financial scenario as presented further below). We have not yet quantified the coronavirus effects; nevertheless, we assess the combined ORSA scenario as a conservative estimate of risks and their possible magnitude.

In the ORSA, which is used as approximation for the coronavirus impact assessment, the solvency calculation was conducted in accordance with the Solvency II formula. In the assessment of the solvency position we did not take into account any regulatory measures taken.

A combined scenario for the Group included the following individual scenarios:

- a non-life scenario assuming worsening of the loss ratio for 10 percentage points of a certain segment of the non-life portfolio;
- a life scenario assuming an increase of 10 percentage points in the costs per life insurance policy, which would occur due to a decrease in the life portfolio or less new business. This would cause the deterioration of life portfolio results and a decline in eligible own funds;

- a financial scenario assuming declines in the value of investment as a consequence of lower economic activity and a higher level of unemployment and bankruptcy; the scenario simulates conditions as they were during the 2008–2009 financial crisis;
- a natural catastrophe (CAT) scenario assuming two major catastrophic events in the region where Sava Re has significant exposure.

For Sava Re alone, the same methodology as for the Group was used, but we tested only combined scenarios of two individual scenarios: the financial scenario and the natural catastrophe scenario. For Sava Re the life and non-life scenarios are not relevant.

In the original ORSA financial scenario, the impact on the financial investments portfolio was estimated by simulating the impacts of the 2008–2009 financial crisis on the portfolio estimate as at year-end 2019. The following assumptions were used for this simulation:

- the spread applying to investment-grade government bonds remains unchanged or tightens only slightly,
- the spread applying to financial bonds widens by 150 bp to 620 bp,
- the spread applying to investment-grade corporate bonds widens by 320 bp to 750 bp,
- the spread applying to non-investment grade bonds widens by 190 bp to 1600 bp
- equities fall by 40% to 80%,
- investment property and infrastructure investments fall by 22% (shown as investments in investment funds).

The currently not yet quantified adjustment of these ORSA assumptions to the consequences of the coronavirus are estimated as follows:

Government bonds: We believe that it is very likely that the effects of the coronavirus on government bonds will be very similar to the effects in 2008–2009 and, based on available information on movements in government bonds, we expect a materially higher increase in the value of Sava Re's portfolio of government bonds, given the material increase in returns on the safest investments.

Corporate bonds and loans: we expect the value of corporate bonds to decline by 40% to 60% of the assumed declines used in the 2008–2009 ORSA financial crisis scenario. We believe that the likelihood of widening of credit spreads due to the coronavirus with the intensity assumed under the ORSA scenario is relatively low due to the following circumstances:

- the regulatory framework in which financial institutions now operate is significantly more stable,
- there are mechanisms to provide assistance and liquidity,
- the capitalisation of the financial system is significantly higher,
- the experience gained in previous crises will help us respond in a faster and more coordinated manner.

Equity securities and property: we expect the value of invested assets to decline by 60% to 90% of the assumed declines used in the 2008–2009 ORSA financial crisis scenario. Our expectation is based on the following circumstances:

- stock markets have seen extremely high growth in the last 10 years,
- until the reporting date, more than 50% of the projected correction had been realised,
- the duration and magnitude of the epidemic and the impact on economic activity cannot be estimated.

Overall we believe that an epidemic would have a smaller impact on profit than projected by the 2008–2009 ORSA financial crisis scenario, mostly due to the expectation that recovery after the epidemic is expected to be faster than observed in the 2009–2009 crisis because the trigger of the economic slowdown is not structural (low capitalisation of the financial sector and excessive debt) but rather a severe external factor, which we assume will have a relatively short duration (less than 12 months).

The overall impact of the combined scenario described above is that the eligible own funds of the Sava Insurance Group and Sava Re would decline by a material amount. The decline would be partly offset by a lower solvency capital requirement, primarily as the result of a lower value of financial investments.





“A” credit ratings
reaffirmed,
outlook stable

The Group and Sava Re assess liquidity risk as not significant because it maintains a very liquid portfolio of financial investments for the settlement of its obligations arising out of insurance or other contracts.

While we expect the solvency ratio to decline, we have estimated that it would remain well above the regulatory requirement of 100% and above the minimum solvency ratio as set in the Group’s risk strategy for 2020–2022, at 150% (the same as for Sava Re). Thus, even if all the assumptions in the combined scenario are realised, we believe that the capital position of the Sava Insurance Group and Sava Re will remain adequate.

All this shows that the coronavirus situation could have a material impact on the performance of the Sava Insurance Group and Sava Re, but management has assessed that it is not expected to threaten their solvency thanks to their high solvency ratios. We also believe the liquidity risk will not be significant in the next 12 months, and consequently that the Group and the Company can continue their business operations, and that the going concern assumption is valid. Our assumption is based on our cash flows from core business expectations and the investment portfolio structure, which will provide adequate liquidity for a prolonged period of distressed economic factors.

Operational risk management

In line with measures taken by the Slovenian government, imposing nationwide restrictions on “all but essential” services, and expert recommendations to shut down public life, the Sava Insurance Group has also set up measures to protect people’s health and prevent the spread of the coronavirus.

In its efforts to contain the effects of realised operational risk, the Sava Insurance Group is following its business continuity protocols because the health of its staff and customers is paramount. To this end, the Slovenian members of the Sava Insurance Group entered a hybrid mode of operation (working partly in the office and partly from home) as of Monday, 16 March 2020, with employees predominantly working remotely.

In accordance with the business continuity protocols and recommendations of the crisis management group, the Group companies have mapped all key and urgent processes and have ensured that they are running smoothly with employees working from their homes. The employees have safely relocated the required means of work to their home environments. The Group companies in the area of claims handling are taking into account country-level measures and the behaviour of other entities on the market. In the case of an emergency that needs to be resolved immediately and that cannot be remotely resolved, an on-call team is scheduled for dispatch to the field to perform an inspection using the required protective equipment.

Regarding the employees involved in all key processes, there is daily information available on their health condition. There is also daily information available on the hybrid mode of operation.

2.4 Sava Re rating profile

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

Financial strength ratings of Sava Re

Agency	Rating ³	Outlook	Latest review
Standard & Poor’s	A	stable	July 2019: affirmed existing rating
A.M. Best	A	stable	October 2019: affirmed existing rating

2.5 Profile of the Sava Insurance Group⁴

Sava Re, the ultimate parent company of the Sava Insurance Group, transacts reinsurance business. The insurance part of the Group is composed of seven insurers based in Slovenia and in the countries of the Adriatic region: the composite insurer Zavarovalnica Sava, the non-life insurers Sava Neživotno Osiguranje (Serbia), Sava Osiguruvanje (North Macedonia), Illyria and Sava Osiguranje (Montenegro), and the two life insurers Sava Životno Osiguranje (Serbia) and Illyria Life. In addition to these (re)insurers, the Group consists of:

- Sava Pokojninska: a Slovenian pension company;
- Sava Penzisko Društvo: a pension fund manager based in North Macedonia managing second- and third-pillar pension funds;

- Sava Infond. a subsidiary managing investment funds;
- TBS Team 24: a Slovenia-based company providing assistance services relating to motor, health and homeowners insurance;
- ZTSR: an associate company offering market research services;
- G2I: an associate company marketing on-line motor policies;
- Illyria Hospital: a company based in Kosovo that owns some real property but is currently dormant.

3 The 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.

AM 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).

4 GRI 102-02, 102-45



2.6 Composition of the Sava Insurance Group⁵



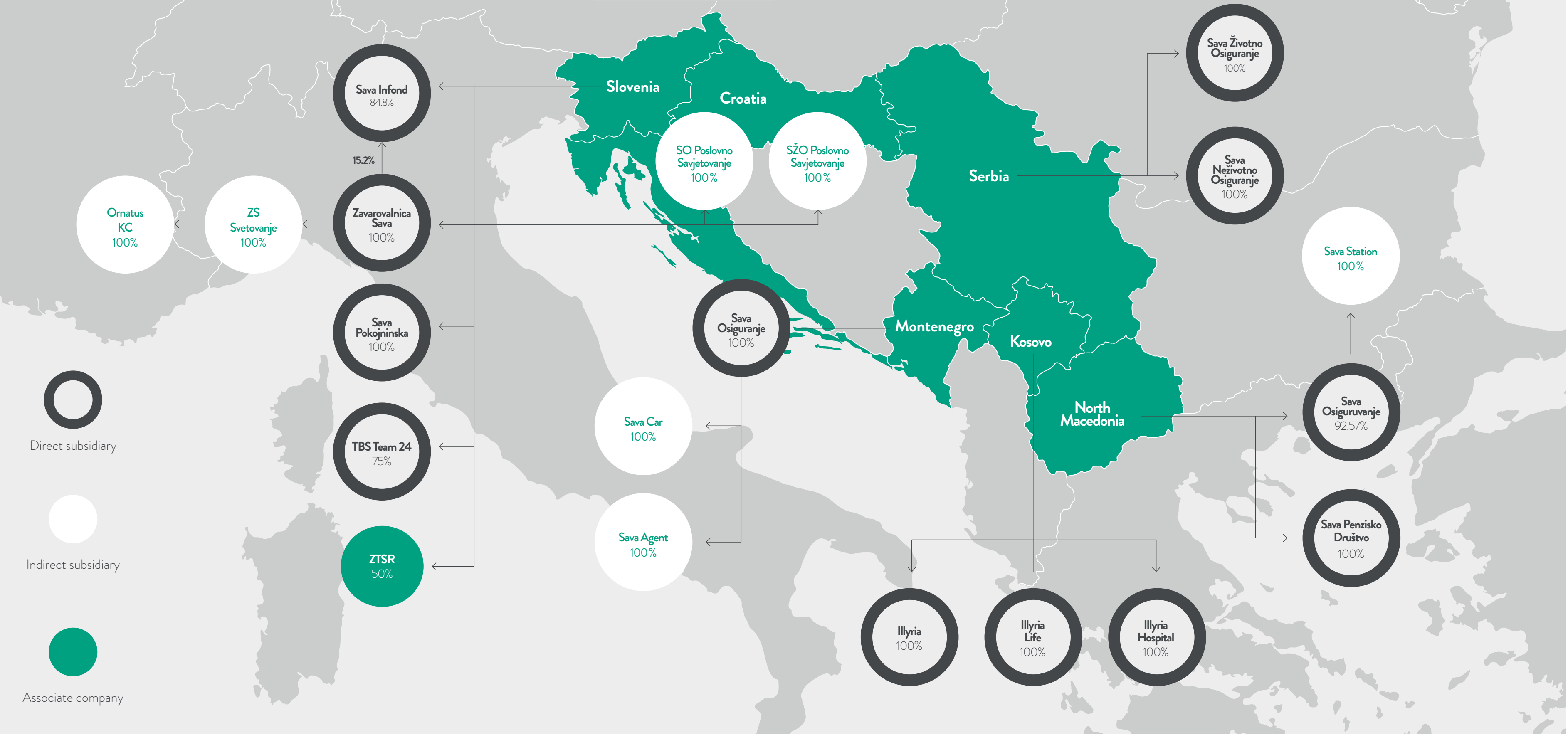
Company names of Sava Insurance Group members

	Official long name	Short name in this document
	Sava Insurance Group	Sava Insurance 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 (Serbia)
5	“SAVA ŽIVOTNO OSIGURANJE” akcionarsko društvo za osiguranje, Beograd	Sava Životno Osiguranje (Serbia)
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 (Montenegro)
9	SAVA osiguruvanje a.d. Skopje	Sava Osiguruvanje (North Macedonia)
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.	ZM 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 ispitivanje i analiza na motorni vozila SAVA STEJŠN DOOEL Skopje	Sava Station
16	TBS TEAM 24 podjetje za storitvene dejavnosti in trgovino d.o.o.	TBS Team 24
17	Društvo za upravuvanje so zadolžitelni i dobrovolin penzisko fondovi SAVA PENZISKO DRUŠTVO A.D Skopje	Sava Penzisko Društvo
18	ZTSR, raziskovanje trga, d.o.o.	ZTSR
19	Got2Insure Ltd	G2I
20	SAVA INFOND, družba za upravljanje, d.o.o.	Sava Infond
21	SO poslovno savjetovanje d.o.o.	SO Poslovno Savjetovanje
22	SŽO poslovno savjetovanje d.o.o.	SŽO Poslovno Savjetovanje

5 GRI 102-04, 102-45

Composition of the Sava Insurance Group
as at 31 December 2019

Sava Re



2.7 General information on Group companies as at 31 December 2019⁶



As at 31 December 2019, the Sava Insurance Group had the following members:

Sava Re

Registered office
Dunajska cesta 56, 1001 Ljubljana, Slovenia
ID number
5063825
Business activity
reinsurer
Share capital (EUR)
71,856,376
Governing bodies
management board
Marko Jazbec (chair), Jošt Dolničar, Srečko Čebren, Polona Pirš Zupančič
supervisory board
Mateja Lovšin Herič (chair), Keith William Morris, Andrej Kren, Davor Ivan Gjivoje, Mateja Živec, Andrej Gorazd Kunstek
Regulatory body
Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, Slovenia



Zavarovalnica Sava

Registered office
Cankarjeva ulica 3, 2000 Maribor, Slovenia
ID number
5063400
Business activity
composite insurer
Share capital (EUR)
68,417,377
Book value of equity interest (EUR)
68,417,377
% equity share / voting rights held by Group members
Sava Re: 100.0%
Governing bodies
management board
David Kastelic (chair), Primož Močivnik, Rok Moljk, Robert Ciglarič, Miha Pahulje
supervisory board
Jošt Dolničar (chair), Janez Komelj, Polona Pirš Zupančič, Pavel Gojkovič, Aleš Perko, Branko Beranič
Regulatory body
Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, Slovenia



Sava Pokojninska

Registered office
Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia
ID number
1550411
Business activity
pension company
Share capital (EUR)
6,301,109
Book value of equity interest (EUR)
6,301,109
% equity share / voting rights held by Group members
Sava Re: 100.0%
Governing bodies
management board
Lojze Grobelnik (chair), Igor Pšunder
supervisory board
Jošt Dolničar (chair), Katrca Rangus, Rok Moljk, Jure Korent, Andrej Rihter, Irena Šela, Robert Senica
Regulatory body
Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, Slovenia



Sava Neživotno Osiguranje (Serbia)

Registered office
Bulevar vojvode Mišića 51, 11040 Beograd, Serbia
ID number
17407813
Business activity
non-life insurer
Share capital (EUR)
10,570,373
Book value of equity interest (EUR)
10,570,373
% equity share / voting rights held by Group members
Sava Re: 100.0%
Governing bodies
management board
Milorad Bosnić (chair), Aleksandar Ašanin, Mirjana Bogičević
supervisory board
Jošt Dolničar (chair), Nebojša Ščekić, Josif Jusković
Regulatory body
Narodna banka Srbije , Nemanjina 17, 11000 Beograd, Serbia



6 GRI 102-02, 102-05, 102-06, 102-07, 102-18, 102-45

Sava Životno Osiguranje (Serbia)

Registered office

Bulevar vojvode Mišića 51, 11040
Beograd, Serbia

ID number

20482443

Business activity

life insurer

Share capital (EUR)

4,496,544

Book value of equity interest (EUR)

4,496,544

% equity share / voting rights held

by Group members

Sava Re: 100.0%

Governing bodies

management board

Bojan Mijailović (chair), Zdravko
Jojić

supervisory board

Polona Pirš Zupančič (chair), Pavel
Gojković, Uroš Čamilović

Regulatory body

Narodna banka Srbije, Nemanjina
17, 11000 Beograd, Serbia



Illyria

Registered office

Sheshi Nëna Terezë 33, 10000
Priština, Kosovo

ID number

70152892

Business activity

non-life insurer

Share capital (EUR)

5,428,040

Book value of equity interest (EUR)

5,428,040

% equity share / voting rights held

by Group members

Sava Re: 100.0%

Governing bodies

managing director

Shpend Balija

board of directors

Marko Jazbec (chair), Rok Moljk,
Andreja Rahne, Milan Viršek, Edita
Rituper

Regulatory body

Centralna Banka Kosova, Garibaldi
str. no.33, Priština, Kosovo



Illyria Life

Registered office

Sheshi Nëna Terezë 33, 10000
Priština, Kosovo

ID number

70520893

Business activity

life insurer

Share capital (EUR)

3,285,893

Book value of equity interest (EUR)

3,285,893

% equity share / voting rights held

by Group members

Sava Re: 100.0%

Governing bodies

managing director

Albin Podvorica

board of directors

Marko Jazbec (chair), Andreja
Rahne, Gianni Sokolić, Rok Moljk,
Milan Viršek

Regulatory body

Centralna Banka Kosova, Garibaldi
str. no.33, Priština, Kosovo



Sava Osiguruvanje (North Macedonia)

Registered office

Zagrebska br. 28 A, 1000 Skopje,
North Macedonia

ID number

4778529

Business activity

non-life insurer

Share capital (EUR)

3,820,077

Book value of equity interest (EUR)

3,536,245

% equity share / voting rights held

by Group members

Sava Re: 92.57%

Governing bodies

board of directors

executive directorji: Ilo Ristovski
(managing director), Melita
Gugulovska (executive director)

non-executive directors of the company

Rok Moljk (chair), Peter Skvarča,
Milan Viršek, Janez Jelnikar, Nenad
Jovanović

Regulatory body

Agencija za supervizija na
osiguruvanje na Republika
Makedonija, Ulica Vasil Glavinov br.
2, TCC Plaza kat 2, 1000 Skopje,
North Macedonia



Sava Osiguranje (Montenegro)

Registered office

Ulica Svetlane Kane Radević br. 1,
81000 Podgorica, Montenegro

ID number

02303388

Business activity

non-life insurer

Share capital (EUR)

4,033,303

Book value of equity interest (EUR)

4,033,303

% equity share / voting rights held

by Group members

Sava Re: 100.0%

Governing bodies

board of directors

executive director: Nebojša Šćekić
non-executive directors of the
company: Marko Jazbec (chair),
Milan Viršek, Edita Rituper

Regulatory body

Insurance Supervision Agency of
Montenegro, Ul. Moskovska bb,
81000 Podgorica, Montenegro





Illyria Hospital

Registered office
Sheshi Nëna Terezë 33, 10000
Priština, Kosovo
ID number
70587513
Business activity
currently none
Share capital (EUR)
1,800,000
Book value of equity interest (EUR)
1,800,000
% equity share / voting rights held by Group members
Sava Re: 100.0%
Governing bodies
managing director
Ilirijana Dželadini
Regulatory body
/

Sava Car

Registered office
Ulica Svetlane Kane Radević br. 1,
81000 Podgorica, Montenegro
ID number
02806380
Business activity
technical testing and analysis
Share capital (EUR)
485,000
Book value of equity interest (EUR)
485,000
% equity share / voting rights held by Group members
Sava Osiguranje (Montenegro):
100.0%
Governing bodies
executive director
Radenko Damjanović
Regulatory body
Ministry of Internal Affairs, Bulevar
Svetog Petra Cetinjskog 22, 81000
Podgorica, Montenegro



Sava Agent

Registered office
Ulica Svetlane Kane Radević br. 1,
81000 Podgorica, Montenegro
ID number
02699893
Business activity
insurance agent & broker services
Share capital (EUR)
10,000
Book value of equity interest (EUR)
10,000
% equity share / voting rights held by Group members
Sava Osiguranje (Montenegro):
100.0%
Governing bodies
executive director
Snežana Milović
Regulatory body
Insurance Supervision Agency of
Montenegro, Ul. Moskovska bb,
81000 Podgorica, Montenegro

Sava Station

Registered office
Zagrebska br.28 A, 1000 Skopje,
North Macedonia
ID number
7005350
Business activity
technical testing and analysis
Share capital (EUR)
199,821
Book value of equity interest (EUR)
199,821
% equity share / voting rights held by Group members
Sava Osiguruvanje (North
Macedonia): 100.0%
Governing bodies
managing director
Ilija Nikolovski
Regulatory body
Ministry of Internal Affairs of the
Republic of North Macedonia, Ul.
Dimcho Mirchev 9, 1000 Skopje,
North Macedonia





ZS Svetovanje

Registered office
Betnavska cesta 2, 2000 Maribor,
Slovenia
ID number
2154170000
Business activity
insurance agency
Share capital (EUR)
327,263
Book value of equity interest (EUR)
327,263
% equity share / voting rights held by Group members
Zavarovalnica Sava: 100.0%
Governing bodies
managing director
Aljaž Kos
Regulatory body
Insurance Supervision Agency,
Trg republike 3, 1000 Ljubljana,
Slovenia



Sava Penzisko Društvo

Registered office
Majka Tereza 1, 1000 Skopje, North
Macedonia
ID number
5989434
Business activity
pension fund management
Share capital (EUR)
2,110,791
Book value of equity interest (EUR)
2,110,791
% equity share / voting rights held by Group members
Sava Re: 100.0%
Governing bodies
management board
Mira Shekutkovska (chair), Petar
Taleski, Kosta Ivanovski
supervisory board
Jure Korent (chair), Pavel Gojkovič,
Mojca Gornjak, Goce Hristov
Regulatory body
The Agency for Supervision of
Fully Funded Pension Insurance –
MAPAS, North Macedonia



TBS Team 24

Registered office
Ljubljanska ulica 42, 2000 Maribor,
Slovenia
ID number
5946948000
Business activity
organisation of assistance services
and customer care
Share capital (EUR)
8,902
Book value of equity interest (EUR)
6,677
% equity share / voting rights held by Group members
Sava Re: 75.0%
Governing bodies
managing director: Edvard Hojnik
holder of procuration: Aleksandra
Tkalčič
Regulatory body
/



ZTSR

Registered office
Dunajska cesta 22, 1000 Ljubljana,
Slovenia
ID number
8281262000
Business activity
market research
Share capital (EUR)
250,000
Book value of equity interest (EUR)
125,000
% equity share / voting rights held by Group members
Sava Re: 50.0%
Governing bodies
managing director: Aleš Aberšek
supervisory board: Jošt Dolničar
(chair), Blaž Kmetec, Andreja
Cedilnik, Miha Grilec
Regulatory body
/



G2I

Registered office
Bailey House, 4-10 Barttelot Road,
Horsham, West Sussex, RH12 1DQ,
UK
ID number
10735938
Business activity
insurance
Share capital (EUR)
121,300
Book value of equity interest (EUR)
21,228
% equity share / voting rights held by Group members
Sava Re: 17.5% / 25.0%
Governing bodies
board of directors:
Graham Moreton Smith (chair and non-executive member), Jošt Dolničar (non-executive member), Robert Paul Marjoram (executive member), Lisa Maire Dunne (executive member), Nicholas Tsimekis (executive member), Justin James Davis (executive member), Robert Anthony Katzaros (executive member), Michael David Holley (non-executive member)
Regulatory body
Financial Conduct Authority FCA, 12 Endeavour Square, London E20 1JN, UK

Sava Infond

Registered office
Ulica Vita Kraigherja 5, 2000
Maribor, Slovenia
ID number
5822416000
Business activity
investment fund asset management
Share capital (EUR)
1,460,524
Book value of equity interest (EUR)
1,460,524
% equity share / voting rights held by Group members
Sava Re: 84.00% / 84.85%
Zavarovalnica Sava: 15.00% / 15.15%
Governing bodies
management board: Matjaž Lorenčič (chair), Samo Stonič (until 15 Feb 2020), Jožica Palčič (chair), Samo Stonič (since 16 Feb 2020)
supervisory board: Marko Jazbec (chair), Polona Pirš Zupančič, Jure Košir, Primož Močivnik, Miha Pahulje
Regulatory body
Securities Market Agency, Poljanski nasip 6, 1000 Ljubljana, Slovenia



SO Poslovno Savjetovanje

Registered office
Radnička cesta 80, 10000 Zagreb,
Croatia
ID number
2467143
Business activity
business consulting
Share capital (EUR)
3,884,285
Book value of equity interest (EUR)
3,884,285
% equity share / voting rights held by Group members
Zavarovalnica Sava: 100.0%
Governing bodies
managing director družbe: Tibor Kralj
Regulatory body
/

SŽO Poslovno Savjetovanje

Registered office
Radnička cesta 80, 10000 Zagreb,
Croatia
ID number
2401113
Business activity
business consulting
Share capital (EUR)
3,884,285
Book value of equity interest (EUR)
3,884,285
% equity share / voting rights held by Group members
Zavarovalnica Sava: 100.0%
Governing bodies
managing director družbe: Tibor Kralj
Regulatory body
/

The management of all Sava Insurance Group members is local, except at Illyria.⁷

2.8 Changes to the organisation⁸

The companies ERGO Osiguranje and ERGO Životno Osiguranje joined the Sava Insurance Group on 31 March 2019 and were included in the consolidated income statement on 1 April 2019. On 1 December 2019, the insurance portfolio of the acquired companies was transferred to the Croatia-based branch office of Zavarovalnica Sava and Ergo companies were subsequently transformed into limited liability companies under new names, SO Poslovno Savjetovanje and SŽO

Poslovno Savjetovanje. They are planned to be wound up in 2020.

In 2019, Sava Re acquired an 85% stake in Sava Infond, an investment fund management company. The other 15% are held by Zavarovalnica Sava. The first consolidated accounts of the Sava Insurance Group after Sava Infond joined the Group were prepared as at 30 June 2019.

7 GRI 202-02
8 GRI 102-10



3 Shareholders and share trading

up 17.6%

Market price of share

3.1 Capital market developments and impacts on the POSR share price

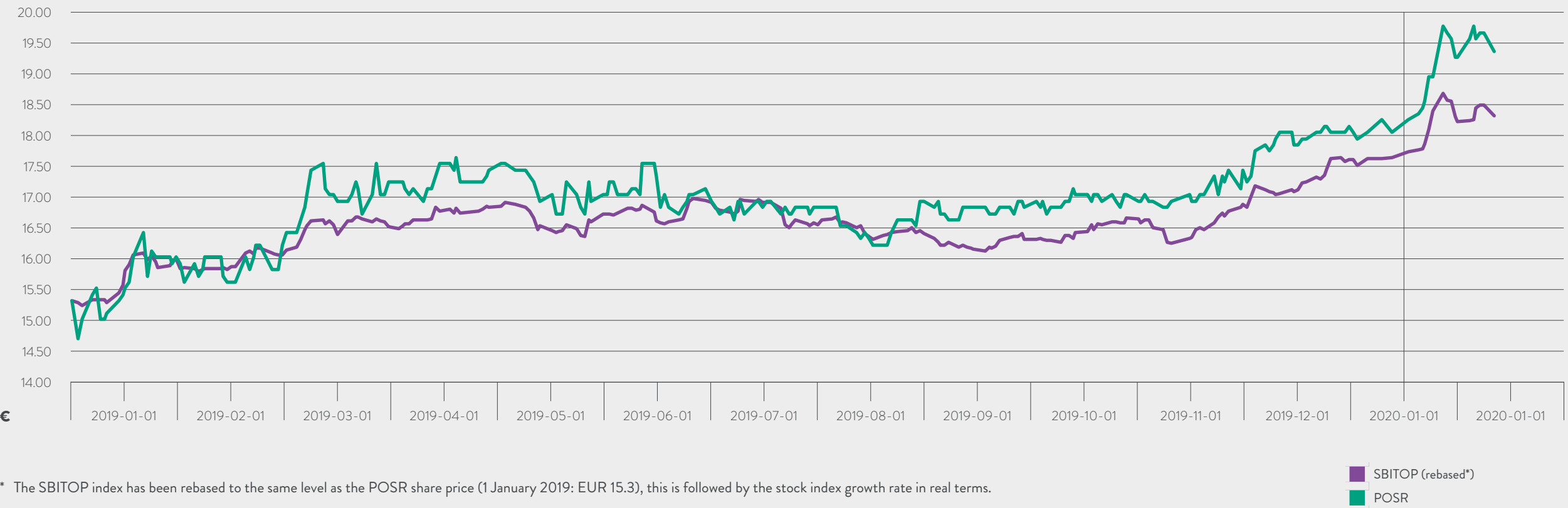
The year 2019 will be remembered for exceptional growth in most global equity indexes. The MSCI AC World global index was up 27.2%, while the European STOXX EUROPE 600 index gained 23.8%, measured in euros. While the Slovenian blue chip index SBITOP followed the positive global trend, its growth did not keep up with the rest of the world.

In 2019 it recorded a growth of 15%. High dividend yield of Slovenian equity issuers pushed profitability up by 22.1% in 2019. This was still below the yield of global and European indexes in 2019 (taking into account dividend payments), which ranged between 30.6% and 28.4%.

The yield of the Sava Re share was higher than the yield of the Slovenian SBITOP index. The Sava Re POSR gained 17.6% in 2019 and totalled 24.3% if dividend payments are taken into account. A dividend of EUR 0.95 per share was paid out in the second quarter of

the year. The share's annual trade volume on the Ljubljana Stock Exchange was EUR 10.6 million (2018: EUR 9.8 million). The share's average daily turnover in 2019 was EUR 43,417 (2018: EUR 40,167).

Movement in the POSR share price in 2019 compared to the SBITOP stock index



* The SBITOP index has been rebased to the same level as the POSR share price (1 January 2019: EUR 15.3), this is followed by the stock index growth rate in real terms.

The share price was EUR 18.00 and EUR 15.30 as at 31 December 2019 and 31 December 2018, respectively, representing a 17.6% increase in the period.



3.2 General information on the share

Basic details about the POSR share

	31 Dec 2019	31 Dec 2018
Share capital (EUR)	71,856,376	71,856,376
Number of shares	17,219,662	17,219,662
Ticker symbol	POSR	POSR
Number of shareholders	4,110	4,073
Type of share	ordinary	
Listing	Ljubljana Stock Exchange, prime market	
Number of own shares	1,721,966	1,721,966
Consolidated earnings per share (EUR)	3.22	2.76
Consolidated book value per share (EUR)	24.83	21.95
Share price at end of period (EUR)	18.00	15.30
Market capitalisation (EUR)	309,953,916	263,460,829
	1–12/2019	1–12/2018
Average share price in reporting period (EUR)	16.83	16.77
Minimum share price in reporting period (EUR)	14.70	14.10
Maximum share price in reporting period (EUR)	18.20	19.00
Trade volume for share in reporting period (EUR)	10,680,476	9,840,821
Average daily turnover (EUR)	43,417	40,167

Shareholder structure of Sava Re as at 31 December 2019⁹

Type of investor	Domestic investor	International investor
Insurance and pension companies	18.2%	0.0%
Other financial institutions*	17.9%	0.3%
Government	13.9%	0.0%
Natural persons	9.7%	0.1%
Investment funds and mutual funds	3.8%	2.8%
Banks	0.1%	29.6%
Other commercial companies	2.4%	1.1%
Total	66.0%	34.0%

* The other financial institutions item includes Slovenian Sovereign Holding with a stake of 17.7%.
** Shares in custodian accounts are allocated under bank activity.

⁹ Source: Central securities register KDD d.d. and own calculations.
¹⁰ Source: Central securities register KDD d.d.

As at 31 December 2019, 66.0% of share-holders were Slovenian and 34.0% foreign investors. The largest shareholder of POSR shares is Slovenian Sovereign Holding (Slovenskidržavni holding d.d.) with a 17.7% stake. On 24 May 2019, the Republic of Slovenia

received 655,000 Sava Re shares (representing 3.8% of the share capital) as non-mone-tary dividend distribution from Abanka. Slo-venian Sovereign Holding and the Republic of Slovenia jointly hold 5,436,319 shares accounting for a 31.6% stake.

Composition of the Sava Re Group share capital

Ten largest shareholders and qualifying shareholders under the Slovenian Takeover Act as at 31 December 2019¹⁰

Shareholder	Number 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	2,392,436	13.9%
4 Sava Re	1,721,966	10.0%
5 European Bank for Reconstruction and Development	1,071,429	6.2%
6 Raiffeisen Bank Austria d.d. – fiduciary account	786,130	4.6%
7 Modra Zavarovalnica d.d.	714,285	4.1%
8 HrvatskaPoštanska Banka – fiduciary account	345,000	2.0%
9 Guaranteed civil servants’ sub-fund	320,346	1.9%
10 East Capital – East Capital Balkans	272,137	1.6%
Total	13,107,464	76.1%

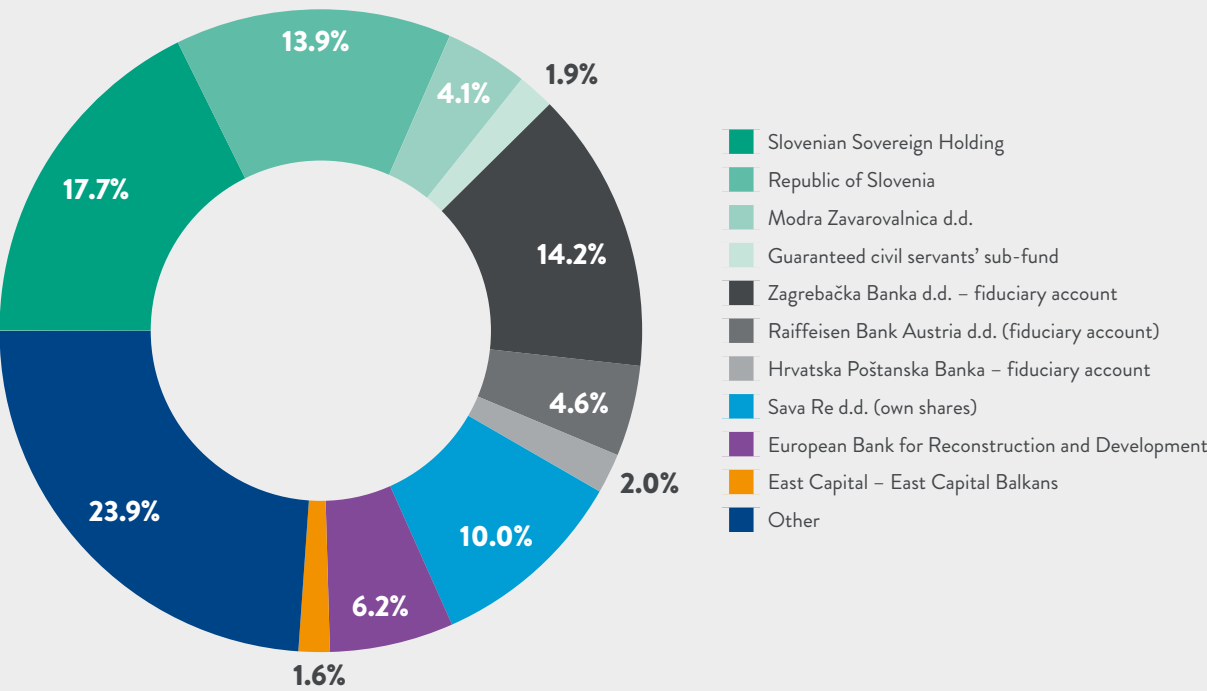
* Own shares carry no voting rights.
On 2 June 2016, Sava Re received a notice from Adris Grupa d.d., VladimiraNazora 1, 52210 Rovinj, Croatia, advising Sava Re of a change in major holdings in Sava Re. On 2 June 2016, Adris Grupa, including its subsidiaries with fiduciary accounts, held 3,278,049 POSR shares, representing 19.04% and 21.15% of issued and outstanding shares, respectively.

As at 31 December 2019, the first five of the largest Sava Re shareholders held a 5%-stake (qualifying holding in accordance with article 77 of the Slovenian Takeover Act, ZPre-1).



Dividend
yield

Top ten shareholders of Sava Re as at 31 December 2019



POSR shares held by supervisory and management board members as at 31 Dec 2019

	Number of shares	Holding (%)
Marko Jazbec	5,000	0.029%
Srečko Čebren	2,700	0.016%
Jošt Dolničar	4,363	0.025%
Polona Pirš Zupančič	2,478	0.014%
Total management board	14,541	0.084%
Andrej Gorazd Kunstek	2,900	0.017%
Total supervisory board	2,900	0.017%
Total management and supervisory boards	17,441	0.10%

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.

11 Current year dividend distributions from distributable profits of the previous year.

Pursuant to 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.

Holders of securities carrying special control rights

Sava Re has issued no securities carrying special control rights.

Details on dividends¹¹

EUR	For 2013	For 2014	For 2015	For 2016	For 2017	For 2018
Dividend payouts	4,386,985	9,065,978	12,398,157	12,398,157	12,398,157	14,722,811
Dividend/share	0.26	0.55	ordinary: 0.65 special: 0.15	0.80	0.80	0.95
Dividend yield	2.0%	3.8%	5.8%	5.0%	4.8%	5.6%

Own shares

In the period 1 January 2019 to 31 December 2019, Sava Re did not repurchase its own shares. The total number of own shares as at 31 December 2019 was 1,721,966, representing 10% less one share of all issued shares.

Dividends

The Company paid a dividend in the second quarter of 2019. The dividend per share was EUR 0.95, representing a 5.6% dividend yield on the record date.

Contingent capital

As at 31 December 2019, the Company had no conditional equity.



Intro- duction

of market-making
services for POSR
shares

3.3 Responsibility to investors¹²

Our investors, i.e. our shareholders, and analysts are important stakeholders of Sava Re and the Company maintains transparent, professional and comprehensive relationships with them.

As a Ljubljana Stock Exchange first listing company, we respect the principle of equal treatment and public information. In our communications, we follow recommendations for the uniform informing of all shareholders, and through public announcements we enable the simultaneous and transparent provision of information in accordance with the financial calendar. In so doing, we build trust among our shareholders and other potential investors in the Company and its POSR share. Key information is published in accordance with the financial calendar on our website and via the Ljubljana Stock Exchange SEOnet system. In 2019, there were 32 public notifications both in Slovenian and English.

In addition, Sava Re communicates in compliance with the Slovenian Financial Instruments Market Act (ZTFI-1), the Company's Act (ZGD-1), the mentioned recommendations of the Ljubljana Stock Exchange for listed companies, the Corporate Governance Code for Listed Companies, the rules of procedure of the supervisory board and the Company's internal communication rules.

The objective of the Company is to set up an open communication channel with investors. We want to achieve awareness of the real value the Sava Re and Sava Insurance Group brand and consequently everything that investing in the POSR share entails. In 2019 we continued with our efforts to improve the liquidity of the POSR share. Our responsibility to the investors is reflected in our cooperation and in setting up a two-way relationship using various communication tools. In 2019 we carried out the following activities:

- All shareholders (Slovenian and foreign) were sent the annual letter to shareholders via direct mail and were invited to the annual general meeting.
- Following each publication of business results, all registered investors, shareholders and other representatives of the financial public received an email informing them of the public notification.
- We organised the general meeting of shareholders in which shareholders exercised their voting rights in the Company's affairs.
- We communicated with investors in individual meetings at the Company's headquarters and through conference calls.
- Following the announcement of unaudited results, we organised a press conference at which we presented the Group and the Company's operations in the past year and informed the public about our plans for the future.
- After the release of its audited consolidated results, the Company's management visited its largest shareholders, informing them of major impacts on the Company and the Group, its short-term plans and strategy.

- We entered into an agreement on the provision of market-making services for the Sava Re share with the stock exchange member INTERKAPITAL vrijednosnipiri, d.o.o. INTERKAPITAL vrijednosnipiri d.o.o. started providing these services on 3 June 2019.
- In 2019, we attended conferences for investors and analysts in Slovenia and abroad, and participated in webcasts organised by the Ljubljana Stock Exchange. We strengthened our brand among international institutional investors through presentations at investment conferences, maintaining a focus on long-term investors.

Timely and consistent information for investors, shareholders and other representatives of the financial public is provided on our official website at www.sava-re.si, with a sub-page entitled "For Investors", containing all relevant information regarding fluctuations in the value of the POSR share, key indicators and dividends, financial reports and analyses, and the financial calendar. The website also features a calendar of past investment conferences as well as the material presented at these events. Also announced are the events to be attended in the next year.

We are available to investors, shareholders and analysts at the office of the management board and compliance, at the phone number +386 (0)1 47 50 200 and via email for investor relations ir@sava-re.si.



4 Report of the supervisory board



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

In 2019, 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 Company’s supervisory board operated as a six-member body in 2019.

In its meeting of 7 March 2017, the general meeting elected Davor Ivan Gjivoje as a supervisory board member for the next four-year term of office, starting on 7 March 2017. In addition, the general meeting elected, to four-year terms of office, the following persons as new members of the supervisory board: Mateja Lovšin Herič, Keith William Morris and Andrej Kren, whose terms of office started on 16 July 2017. On 16 August

2017, these members elected, in their constitutive meeting, Mateja Lovšin Herič as chair of the supervisory board and Keith William Morris as deputy chair.

As the terms of office of both employee representatives on the Sava Re supervisory board were due to expire on 11 June 2019, the Sava Re workers’ council carried out a candidate selection procedure and, in its meeting of 17 May 2019, appointed two representatives to the supervisory board.

Andrej Gorazd Kunstek and Mateja Živec were reappointed as employee representatives to serve another term on the Company’s supervisory board. Both the appointed members began their new terms of office on 12 June 2019.

In 2019, the supervisory board was composed of Mateja Lovšin Herič (chair), Keith William

Morris (deputy chair), Davor Ivan Gjivoje Jr., Andrej Kren, Andrej Gorazd Kunstek and Mateja Živec.

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

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 Insurance Group as a whole. During meetings, members express their opinions and positions, seeking to reconcile any differences.

The supervisory board notes that the reports prepared by the management board for the supervisory board’s own use and that of its committees were appropriate for use as part of a thorough review of issues, and comply with both the relevant laws and internal regulations. 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.

In 2019, the supervisory board met nine times. All members attended all meetings of the supervisory board (including one member participating twice by video conference). Supervisory board members who are unable to attend in person for good reason may vote remotely, through video conferencing and similar. Discussions were also joined by the management board members and the supervisory board secretary, while other professional staff also assisted in certain agenda items.

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



Below we outline the major issues to which the supervisory board members dedicated special attention in 2019

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

In late 2019, the supervisory board considered and approved the “Strategic plan of the Sava Insurance Group 2020–2022” and the “Business policy and financial plan of the Sava Insurance Group and Sava Re d.d. for 2020”.

Financial reports – annual report

The supervisory board reviewed the unaudited financial statements of the Group and the Company for 2018 and adopted the audited annual report of the Group and the Company for 2018, including the auditor’s report and opinion on the 2018 annual report, and the supervisory board’s own report on its activities in 2018. The annual report, including the auditor’s opinion, was also presented to the general meeting.

Financial reports – interim reports

The supervisory board also periodically reviewed other financial reports in 2019, i.e. unaudited financial reports of the Sava Insurance Group with the financial statements of Sava Re d.d. for the periods January–March 2019, January–June 2019 and January–September 2019.

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 year. Throughout 2019, the board was regularly updated by the management board on major loss events in domestic as well as global markets, and on the potential claims that could impact the Company.

Supervision of subsidiaries

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

Mergers and acquisitions

The supervisory board has received regular updates from the management board on acquisition opportunities, potential merger and acquisition targets in the region, intended submissions of offers as well as the professional bases for adopting such decisions.

Risk management system

Risk management

In late 2019, the supervisory board considered and approved the “Risk strategy of the Sava Insurance Group for the period 2020–2022”.

The supervisory board monitored risk management periodically and 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 last quarter of 2018 and of the first, second and third quarter risk reports for 2019. Furthermore, it considered the own risk and solvency assessment (ORSA) report of the Company and that of the Group for 2019, and gave its consent thereto.

It was informed of the Solvency II capital adequacy calculation as at 31 December 2018 and the solvency and financial condition reports (SFCR), of the Company and of the Group.

As the supervisory board believes that identifying and managing risk is an essential part of good governance, it has in place a risk committee to closely monitor risk developments and offer advice and support to the supervisory board on risk-related issues.

Actuarial affairs

In 2019, the supervisory board considered the actuarial function report of Sava Re d.d. for 2018 and took note of the Sava Insurance Group non-life actuarial function report for 2018 and the Sava Insurance Group life actuarial function report for 2018.

Compliance monitoring

In 2019, the supervisory board of Sava Re took note of the compliance function holder’s 2018 annual report and the annual work plan for 2019. It also took note of the compliance function holder’s half-yearly report for the period 1 January to 30 June 2019.

Internal audit

At the end of 2019, the supervisory board gave its consent to the “Strategic plan of the internal audit department for 2020–2022” and the annual work plan of the internal audit department for 2020.

In 2019, the supervisory board oversaw the activities of the Company’s internal audit department in accordance with its statutory powers. In addition, it considered the internal audit report for the period 31 October – 31 December 2018, and the annual report on internal auditing for 2018, including a quality assurance and improvement programme of the Company’s internal audit department, and drew up an opinion on the annual report, which was presented to the general meeting of shareholders. It also considered quarterly internal audit reports for the first, second and third quarters of 2019. All internal audit reports of the Company were presented by the director of internal audit.



The supervisory board considers the reports prepared by the internal audit to have been independent and objective, and that the internal auditor’s recommendations and conclusions are 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 with the required professional assistance. In addition, it also monitors the operations of these companies but found no major irregularities.

In line with the requirements of the internal audit standards, best practice and the internal audit policy, an independent quality assessment was carried out on Sava Re’s internal audit activities by Deloitte Revizija d.o.o in 2019. The supervisory board was briefed on the “Report on the quality assessment of internal auditing at Sava Re”, which confirmed that the standard of the internal audit work at Sava Re was very high.

Calling and holding of general meeting of shareholders

The supervisory board, together with the management board, called the Company’s regular annual general meeting of shareholders in 2019.

Preparing the election proposal for the general meeting

Based on a proposal by the audit committee, which conducted the selection process, in late 2018 the supervisory board drafted a proposal for the general meeting to appoint an audit firm for the next three-year period. The general meeting approved the proposal for the appointment of the external auditor in its regular annual meeting in 2019.

Solvency II

In 2019, the supervisory board considered selected Solvency II policies and gave its consent to the proposed amendments.

Furthermore, it familiarised itself with the operation of the Save Re modelling centre, following a detailed review by the risk committee. It learned about the Group’s modelling process, key development achievements in the area and the department’s development plans.

HR affairs

Succession planning

In 2019, the supervisory board took note of the succession planning procedures and activities for the members of the senior management of Sava Insurance Group companies.

Appointment of a new member of the management board

In December 2019, the supervisory board took note of the notice given by Srečko

Čebrown on the early termination of his term of office as Sava Re management board member and accepted his proposal for a consensual termination of employment contract as management board member as of 31 May 2020. At the same meeting, the supervisory board unanimously supported the proposal of Chairman of the Management Board Marko Jazbec and appointed Peter Skvarča as a new member of the management board responsible for reinsurance operations. Peter Skvarča has been appointed for a five-year term, beginning on the next business day following receipt of the Insurance Supervision Agency’s decision to issue a licence to Peter Skvarča to act as a member of the management board.

Authorisation of key function holder

In 2019, the supervisory board discussed in detail the change in the leadership of the internal audit and gave its consent to the appointment of the new director of the internal audit department and to the authorisation of the new internal audit function key holder of Sava Re and at the Group level.

Joint statement of key function holders

In 2019, the supervisory board of Sava Re considered the joint statement of all Sava Re key function holders for 2018 confirming that all key risk areas were adequately managed, both at the Company and Group levels.

Monitoring of other projects

The supervisory board took note of the progress report on the project of implementing the new international accounting standards IFRS 9 and IFRS 17.

Review of Sava Re operations by the Insurance Supervision Agency

The supervisory board oversaw the management board’s report on the correspondence with the Insurance Supervision Agency relating to the Agency’s review of Sava Re operations started in 2017 and completed at the end of June 2019.

The supervisory board took note of the information that in December 2019 the Insurance Supervision Agency started a new regular periodic review of the Company’s operations.

Strengthening supervisory board best practices

In accordance with best practices, supervisory board members, upon taking office and then annually, complete questionnaires, including a statement that they have no conflicts of interest. These statements are posted on the Company’s website. In 2019, all supervisory board members declared themselves independent.

In accordance with good practice, the supervisory board annually assesses its composition, operation and the work of its individual members and the supervisory board as a whole, including cooperation with the management board.

In 2019, the supervisory board members conducted their periodic self-assessment, on the basis of which an action plan was designed to further improve the board’s operation.



OPERATION OF SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

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

Composition of the audit committee

After the supervisory board was formed for a new term of office, the audit committee was set up in August 2017, consisting of Andrej Kren (chair), Mateja Lovšin Herič and Ignac Dolenšek. Their terms of office are limited by the term of office of the supervisory board.

Role of the audit committee

The duties and powers of the audit committee of the supervisory board are laid down by the Slovenian Companies Act, its rules of procedure and those of the supervisory board, and other autonomous legal acts (e.g. recommendations for audit committees).

Operation of the audit committee in 2019

The audit committee met a total of nine times in 2019. All members attended all committee meetings.

The chief tasks carried out by the audit committee in 2019 are set out below.

- It oversaw the integrity of financial information: The committee was largely focused on overseeing financial reporting processes. In this respect, it gave recom-

- mendations and suggestions regarding materials for supervisory board meetings to ensure compliance with relevant professional standards and the observance of appropriate reporting principles, such as completeness, transparency and consistency of reporting.
- It monitored the efficiency and effectiveness of internal controls and internal audit activities based on annual and quarterly internal audit reports, and assessed the adequacy of the annual and strategic internal audit work plan. It considered the report of the external quality assessment of the Sava Re internal audit and the action plan for implementing the recommendations set out in the report on the quality assessment of internal auditing at Sava Re d.d. It carried out a separate meeting with the director of the internal audit department. It considered the change in the leadership of the internal audit, gave its positive opinion on the appointment of the new director of the internal audit department, and gave its consent to the authorisation of the new internal audit function key holder of Sava Re and at the Group level.
- It monitored the statutory audit of the separate and consolidated financial statements. In 2019, the audit committee met with the selected external auditor several times, monitored the auditing of the separate and consolidated annual financial statements and, among other things, participated in determining audit focus areas. It considered the draft contract for the new external auditor to audit the financial statements for the years 2019–2021. Based on management board reports on

- non-audit services provided by audit firms, the audit committee assessed the independence of the auditor of the Company’s annual accounts. It designed a methodology for assessing the quality of external auditors and carried out the procedure of assessing the external auditor of the 2018 annual report.
- It also performed other activities: It took note of the management board’s progress report on the project of implementing the new accounting standards IFRS 9 and IFRS 17. In addition, it periodically took note of management board reports on correspondence with the Insurance Supervision Agency and other market regulators. It addressed the views of the Agency for Public Oversight of Auditing.

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

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 providing 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 as to ensure quality and independence of operation.

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

RISK COMMITTEE

Once the supervisory board was formed for a new term of office, a risk committee was set up in August 2017, consisting of: Keith William Morris (chair), Davor Ivan Gjivoje and Slaven Mičković. 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 Listed Companies and other applicable regulations relating to risk management.

Operation of the risk committee in 2019

The risk committee met six times in 2019. All members attended all committee meetings.

Major activities of the risk committee in 2019:

- The committee was focused on monitoring the risk management system, chiefly in terms of its reliability, effectiveness and efficiency. It assessed the adequacy of the risk management system in place. It examined in detail all risk management documents submitted to the committee or that the supervisory board is charged with approving:
 - quarterly risk reports as at 31 December 2018, 31 March 2019, 30 June 2019, 30 September 2019;
 - annual ORSA reports for 2019 (Company ORSA 2019 and Group ORSA 2019);
 - annual reports on the capital adequacy calculations under Solvency II and sol-



- vency and financial condition reports for 2018 (Company SFCR 2018 and Group SFCR 2018);
- risk strategy for the financial years 2020–2022;
- Solvency II policies – “Risk management policy of the Sava Insurance Group and Sava Re d.d.”
- It considered in detail the report on capital allocation and economic profitability for the year 2018.
- It considered in detail the comparison of SFCR reports in the insurance industry for 2018.
- It learned about the modelling process of the Company’s modelling centre.
- As part of the supervisory board meeting no. 19, it was made familiar, in greater detail, with the report on the progress of the project of implementation of the new IFRS 17 and IFRS 9 standards.

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

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

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

NOMINATIONS AND REMUNERATION COMMITTEE

Pursuant to 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 for selection criteria and for candidates to serve on the management and supervisory boards and to 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

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 2019

The nominations and remuneration committee of the supervisory board met three times in 2019. All members attended all committee meetings.

The nominations and remuneration committee conducted a performance assessment of the management board in 2019, based on which the supervisory board adopted a resolution regarding a bonus for the performance of the Sava Insurance Group.

In early 2019, the committee considered in detail the proposed new methodology for variable remuneration of the management board and drafted revised directors’ service agree-

ments for the management board. It also exhaustively examined the quantitative and qualitative criteria used in the performance assessment of the management board in 2019, which were subsequently approved by the supervisory board.

It considered in detail the management board’s report on the succession policy for the members of management of Sava Insurance Group companies.

At the end of the year, the nominations and remuneration committee, after close examination, proposed that the supervisory board approve the selected performance indicators and personal goals of the chairman and each member of the management board for 2020.

The nominations and remuneration committee conducted a selection procedure, producing a special report for the supervisory board relating to the appointment of a new member of the management 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 board and supervisory board, including all its committees, and the members of these bodies.

Composition of the fit and proper committee

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 and Rok Saje. Andrej Kren was appointed as an additional alternate member in cases where other committee members who are also supervisory board members are to undergo fit and proper assessments or any member is unable to attend. In August 2019, upon taking up her new term of office as supervisory board member, Mateja Živec was reappointed as chair and member of the fit and proper committee.

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

Operation of the fit and proper committee in 2019

In 2019, the fit and proper committee met twice. Members attended all meetings of the committee regularly; one member was justifiably absent from one meeting.

Upon the request of the Company’s workers’ council, the fit and proper committee conducted an assessment procedure for the candidates for shareholder representatives on the supervisory board. It also conducted an assessment procedure of a candidate for membership of the management board. Furthermore, it conducted an assessment of the competence of the management board as a collective body in its new composition.

CONCLUDING FINDINGS

The supervisory board assesses that Sava Re performed well in 2019 and achieved the key goals of the Company and the Sava Insurance Group. 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 Insurance Group for

2019, and those of key function holders of the Company’s risk control system.

In 2020, the supervisory board will pay special attention to monitoring the implementation of the strategic and annual plans. The supervisory board will, within its means and powers, offer the management board its full support.

ANNUAL REPORT 2019

The Company’s management board submitted the “Audited annual report of the Sava Insurance Group and Sava Re d.d. for 2019” for approval to the supervisory board. The audit committee of the supervisory board considered the unaudited and the audited annual reports of the Sava Insurance Group and Sava Re d.d. for 2019, including the auditor’s letter to the management on the conducted pre-audit, the auditor’s letter to the management on the audit, and the additional auditor’s report to the audit committee on the audit of the financial statements as at 31 December 2019, prepared in accordance with article 11 of the Regulation (EU) no. 537/2014, with the committee’s opinion thereon. In line with its powers, the supervisory board examined the audited annual report in its meeting of 25 March 2020.

The supervisory board noted that the annual report for 2019 was clear and transparent, as well as fully compliant with the content and disclosure requirements under the Companies Act, International Financial Reporting Standards, and the Insurance Act with its related implementing regulations.

The supervisory board was also presented with the opinion of the auditor KPMG Slovenija, PodjetjezaRevidiranje d.o.o., who audited the 2019 annual report of the Sava Insurance Group and Sava Re d.d. and carried out audit reviews in most of the Group’s subsidiary companies. The supervisory board has no objections to the positive opinion of the authorised auditor KPMG Slovenija, Podjetje za Revidiranje d.o.o., who finds that the consolidated and separate financial statements give, in all material respects, a fair view of the financial position of the Sava Insurance Group and Sava Re d.d. as at 31 December 2019 and the profit or loss, 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 2019 annual report, as well as on the opinion of the external auditor and that of the audit committee, the supervisory board considers that the annual report gives a true and fair view of the assets and liabilities, financial position, profit and loss, and cash flows of the Sava Insurance Group and Sava Re d.d.

The supervisory board hereby approves the audited annual report of the Sava Insurance Group and Sava Re d.d. 2019 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 2019, subject to final approval by the general meeting of shareholders of Sava Re, 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:

“The distributable profit of EUR 34,705,806.06 as at 31 December 2019 is to be appropriated as follows:

EUR 16,272,580.80 is to be appropriated for dividends. The dividend is EUR 1.05 gross per share and is to be paid, on 10 June 2020, to the shareholders entered in the shareholders’ register at 9 June 2020.

The remaining distributable profit of EUR 18,433,225.26 remains unappropriated. The proposal for the appropriation of distributable profit is based on the number of own shares as at 31 December 2019. On the date of the general meeting, the number of shares entitled to dividends may change as a result of disposals of own shares. Should the number of own shares change, the general meeting of shareholders will be proposed adjusted figures for appropriation of the distributable profit, while the dividend per share of EUR 1.05 remains unchanged.”

The supervisory board proposes that the general meeting grant discharge to the management board for the financial year 2019.

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

Ljubljana, 25 March 2020





General Meeting of Shareholders



Supervisory Board



Management Board

Two-tier governance

5 Corporate governance statement pursuant to article 70 of the Companies Act (ZGD-1)¹³

5.1 Corporate governance policy

In December 2017 the Sava Re management board, with the consent of the Company’s supervisory board, adopted the “Corporate governance policy of Sava Re d.d.”, and the “Sava Insurance Group governance policy” in March 2019. The documents set out the main subsidiary governance principles for the Sava Insurance Group, governance rules for Sava Re, taking into account the goals, mis-

sion, vision and values of the Sava Insurance 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

As a public limited company, 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. It is available in Slovenian and English from

the website of the Ljubljana Stock Exchange (at <http://www.ljse.si>).

The management and the supervisory boards of Sava Re hereby state that Sava Re operates in compliance with the Code, 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.

Recommendation 15.3: The chair of the supervisory board also serves as the chair of the supervisory board’s nominations and remuneration committee, because we believe this facilitates coordination between both bodies.

5.3 Bodies of Save Re¹⁴

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. The governing bodies – the general meeting, and the supervisory and management boards – 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.

This statement of compliance with the Corporate Governance Code for Listed Companies relates to the period since the issue of the previous statement, i.e. from 28 March 2019 until the date of publication in 2020, and is published in the Ljubljana Stock Exchange information system SEOnet and on the Company’s website, at www.sava-re.si.

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.

¹³ GRI 102-16
¹⁴ GRI 102-18



5.3.1 General meeting of shareholders

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.

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, at 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

In order 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 then 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, through financial organisations or shareholder associations.

Own shares carry no voting rights.

The general meeting in 2019

The general meeting of shareholders was convened once in 2019.

In accordance with the Company’s 2019 financial calendar, the 35th general meeting of shareholders was held on 21 May 2019. Among other things, the general meeting was presented with the annual report for 2018, including the auditor’s opinion and the written report of the supervisory board to the annual report, and the annual report on internal auditing for 2018 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 EUR 14,722,811.20 be appropriated for dividends, whereas the remaining part of the distributable profit of EUR 16,312,110.06 is to be left unappropriated. The general meeting granted a discharge for the financial year 2018 to both the supervisory and management boards. The general meeting appointed the audit firm KPMG Slovenija, Podjetje za Revidiranje d.o.o., Železna cesta 8A, Ljubljana, to audit the financial statements for the financial years 2019–2021. No challenging actions were announced in the general meeting.

The general meeting in 2020

In accordance with the Company’s 2020 financial calendar, the 36th general meeting of shareholders is scheduled to be held on 21 May 2020.

5.3.2 Supervisory board

The supervisory board oversees the Company’s conduct of business and appoints the members of the management board.

Pursuant to 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 members elect a chairperson from among the board’s members.¹⁵

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 2019 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.

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.

Implementation of the policy on the diversity of the management and supervisory boards in 2019 is detailed below.

Terms of reference and operation of the supervisory board

The supervisory board must comply with applicable regulations, particularly the laws on companies, insurance business, 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 more frequently. The terms of reference of the supervisory board are governed by its rules of procedure, which are posted on the Company’s website, at www.sava-re.si.

Remunerations, compensations and other benefits

Supervisory board members are entitled to receive payment for performing their function in the form of remuneration for performing their function, attendance fees and reimbursement of expenses. The amount of these payments is determined by resolution of the general meeting. Remuneration may not be directly linked to the Company’s performance as shown by the financial statements of the Company. The remuneration of supervisory board members is discussed in detail in section 17.10 “Related party disclosures” in the notes to the financial statements.

Commitment to identify the existence of any conflict of interest

Before taking office and afterwards periodically (annually) and upon each change, supervisory board members sign and submit to the supervisory board a statement of independence of the member of the company’s supervisory board, thereby taking a position with respect to individual conflicts of interest, in accordance with the criteria set out in the Code. The statements of independence of the members of the Company’s supervisory board are posted on the Company’s website, at www.sava-re.si.

POSR holdings of supervisory board members

Supervisory board members report any acquisition or disposal of Company shares to the Company and competent institutions, and Sava Re posts this information.

Details on POSR shares held by supervisory board members as at 31 December 2019 are provided in section 3 “Shareholders and share trading”.

The supervisory board in 2019

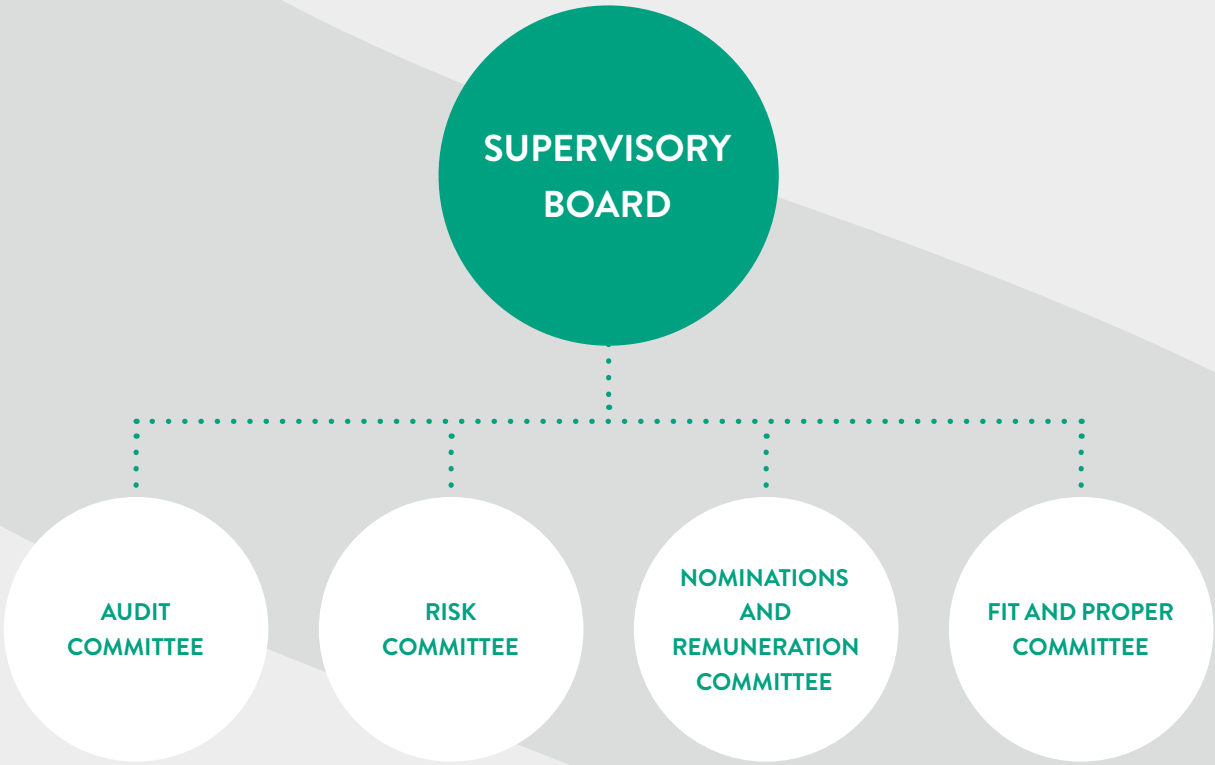
In 2019, the supervisory board was composed of Mateja Lovšin Herič (chair), Keith William Morris (deputy chair), Davor Ivan Gjivoje Jr., Andrej Kren, Gorazd Kunstek and Mateja Živec.

5.3.3 Supervisory board committees

Pursuant to legislation, the Code and best practice, the supervisory board appoints one or more committees, tasking them with specific areas, the preparation of draft resolutions of the supervisory board, the implementation of resolutions of the supervisory board, thereby offering it professional support.

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.



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.

In 2019 the audit committee comprised the following members: Andrej Kren (chair), and the members Mateja Lovšin Herič and Ignac Dolenšek (external member).



Risk committee

The chief tasks of the risk committee are 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;
- assess the appropriateness and adequacy of risk management documents to be approved by the supervisory board;
- 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.

In 2019 the risk committee comprised the following members: Keith William Morris (chair), and the members Davor Ivan Gjivoje and Slaven Mičković (external member).

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 a preliminary 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.

In 2019, the nominations and remuneration committee was composed of Mateja Lovšin Herič, (chair), and the members Keith William Morris, Davor Ivan Gjivoje Jr. and Andrej Kren.

Fit and 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.

In 2019 the fit and proper committee comprised the following members: Mateja Živec (chair), and the members Keith William Morris, Rok Saje (external member) and Andrej Kren (alternate member).

External member of supervisory board committees

Full name	Ignac Dolenšek	Slaven Mičković	Rok Saje
Supervisory board committee	audit committee	risk committee	fit and proper committee
First appointed	22 Jul 2013	24 Aug 2017	1 Jan 2018
End of term of office	16 Jul 2021	16 Jul 2021	16 Jul 2021
Attendance at meetings	8/8	6/6	1/2
Gender	M	M	M
Citizenship	Slovenian	Slovenian	Slovenian
Year of birth	1958	1958	1977
Formal education	university graduated economist, master of science in economics	master of mathematical sciences, doctor of science in economics	university graduated lawyer
Professional profile	audit, accounting, finance, taxes, bank and insurance business, insolvency law, holder of the certificate of the acquired title of a certified auditor, state auditor and state internal auditor, and the holder of the certificate of qualification for supervisory board and management board members	banking, modelling, risk management	insurance business, general legal affairs, insurance law, compliance
Notes on memberships of management or supervisory bodies of third parties	/	/	/



Composition of the supervisory board in 2019

Full name	Mateja Lovšin Herič	Keith William Morris	Davor Ivan Gjivoje	Andrej Kren	Andrej Gorazd Kunstek	Mateja Živec
Function	chair	deputy chair	member	member	member	member
Employment	Slovenski Državni Holding d.d. (Slovenian Sovereign Holding)	retired	Networld Inc. / DGG Holdings Ltd.	Delo d.o.o.	Sava Re d.d.	Sava Re d.d.
First appointed	14 Jul 2009	15 Jul 2013	7 Mar 2017	16 Jul 2017	23 Jan 2013	1 Apr 2016
End of term of office	16 Jul 2021	16 Jul 2021	7 Mar 2021	16 Jul 2021	12 Jun 2023	12 Jun 2023
Representative of shareholders/employees	of shareholders	of shareholders	of shareholders	of shareholders	of employees	of employees
Attendance at meetings	9/9	9/9	9/9	9/9	9/9	9/9
Gender	F	M	M	M	M	F
Citizenship	Slovenian	UK	USA	Slovenian	Slovenian	Slovenian
Year of birth	1969	1948	1968	1960	1974	1975
Formal education	university graduated economist	B. Sc., management sciences; specialised in finance and marketing	bachelor of arts, political science; master of science in economics	university graduated lawyer	university graduated economist, master of science in economics	university graduated economist, master of science in economics
Professional profile	corporate governance, governance, management of equity investments, finance, accounting, audit, insurance business	strategic management, business administration, banking and insurance business, risk management	strategic management, business administration, management of equity investments, risk management	strategic management, business administration, management of equity investments, finance, auditing	reinsurance, actuarial affairs, governance	banking and insurance business, asset management, governance
Independence under the Corporate Governance Code	YES	YES	YES	YES	YES	YES
Memberships in committees and functions	- audit committee, member - nominations and remuneration committee, chair	- risk committee, chair - nominations and remuneration committee, member - fit and proper committee, member	- risk committee, member - nominations and remuneration committee, member	- audit committee, chair - nominations and remuneration committee, member - fit and proper committee – alternate member	/	- fit and proper committee, chair
Attendance of committee meetings	- audit committee: 8/8 - nominations and remuneration committee: 3/3	- risk committee: 6/6 - nominations and remuneration committee: 3/3 - fit and proper committee: 2/2	- risk committee: 6/6 - nominations and remuneration committee: 3/3	- audit committee: 8/8 - nominations and remuneration committee: 3/3	/	- fit and proper committee: 2/2
Notes on memberships of management or supervisory bodies of third parties	/	European Reliance S.A., KifisiasAven. 274, 152 32, Chalandri, Greece – non-executive member of the board of directors HMS Victory Preservation Endowment Fund Ltd, HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH, UK – chairman of the board of directors	Networld Inc. / DGG Holdings Ltd. & Subsidiaries, 89 Headquarters Plaza, North Tower, Suite 1420 Morristown, NJ 07960, USA – chief executive officer; Adria Lines Dover, Delaware, USA – chief executive officer	Delo d.o.o., Dunajska 5, 1000 Ljubljana, Slovenia – managing director RSG Kapital d.o.o., Breg 14, 1000 Ljubljana, Slovenia – member of the supervisory board		Pinija, d.o.o., Sončna pot 41, 6320 Portorož, Slovenia – managing director of family business



The operation of the supervisory board and its committees in 2019 is detailed in section 4 “Report of the supervisory board”.

5.3.4 Management board

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 in the “Act on the management board of Sava Re d.d.”

The management is composed so as to ensure responsible oversight and decision-making in the best interest of the Company. The management board’s composition takes account of diversification of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure sound and prudent conduct of the Company’s business. In 2019 the Company sought to align the composition of the management board with the Company’s policy on the diversity of the management and supervisory boards.

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.

Terms of reference and operation of the management board

The management board operates 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 and operation of the management board are defined in more detail in the “Rules of procedure of the management board”.

Delimitation of competencies between the management and supervisory bodies is described in greater detail in the “Corporate governance policy of Sava Re d.d.”, which is posted on the Company’s website, at www.sava-re.si.

Remunerations, compensations and other benefits

Remuneration of the management board members consists of a fixed and a variable component. The variable component of the salary of a management board member is composed of (1) business-performance-based pay, (2) individual-performance-based pay based on the annual goals of each management board member and (3) board-performance-based pay based on the performance of the management board with regard to the achievement of the board’s annual goals.

The variable component may not be determined so as to allow the rewarding of behaviour that encourages the exposure of the Company to uncontrolled risks. Remuneration, reimbursements and other benefits of the management board members are set out in the employment contracts made between the Company and each management board member. The methodology used to establish both the variable part of the salary as well as the amount of the bonus of each management board member is adopted by the supervisory board.

Remuneration of management board members is discussed in detail in section 17.10 “Related party disclosures” in the notes to the financial statements.

Shareholdings

Management board members report any acquisition or disposal of Company shares to the Company and competent institutions, and Sava Re posts this information.

Details on POSR shares held by management board members as at 31 December 2019 are provided in section 3 “Shareholders and share trading”.

The management board in 2019

In 2019, the management board comprised the following members: Marko Jazbec, chairman, and members Srečko Čebren, Jošt Dolničar and Polona Pirš Zupančič.

At its meeting of 19 December 2019, the supervisory board of Sava Re d.d. took note of the notice of Srečko Čebren on his early termination of his term of office as Sava Re management board member and accepted his proposal for a consensual termination of employment contract as management board member as of 31 May 2020. At the same meeting, the supervisory board unanimously supported the proposal of Chairman of the Management Board Marko Jazbec and appointed Peter Skvarča, who comes from within the ranks of the Sava Insurance Group, as a new member of the management board. Peter Skvarča, who will be responsible for reinsurance operations after the retirement of Srečko Čebren, has been appointed for a five-year term, beginning on the next business day following the receipt of the Insurance Supervision Agency’s decision to issue a licence to Peter Skvarča to act as a member of the management board.

The average age of the members of the management board is 51.72. All management board members are citizens of the Republic of Slovenia.¹⁶



Composition of the management board in 2019

Full name	Marko Jazbec	Srečko Čebren	Jošt Dolničar	Polona Pirš Župančič
Function	chairman	member	member	member
Areas of responsibility	- coordination of work of the management board - finance - general, HR, organisational and legal affairs - public relations - compliance - internal audit - management of mutual funds - health business - projects and innovations - modelling	- reinsurance operations - actuarial affairs	- management, control and development of strategic investments in direct insurance subsidiaries, including pension insurance - process and information technology - sales and customer relations	- corporate finance - controlling - accounting - investor relations - risk management
First appointed	12 May 2017	1 Feb 2009	31 Dec 2018	14 Jan 2018
End of term of office	12 May 2022	31 May 2020	1 Jun 2023	14 Jan 2023
Gender	M	M	M	F
Citizenship	Slovenian	Slovenian	Slovenian	Slovenian
Year of birth	1970	1954	1972	1975
Formal education	university graduated economist	university graduated mining engineer	university graduated lawyer	university graduated economist, master of science in economics
Professional profile	corporate governance, strategic management, banking and insurance business, finance, subsidiary governance, business administration	insurance and reinsurance business, actuarial affairs, business administration	insurance and reinsurance business, subsidiary governance, IT and process technology, business administration	insurance and reinsurance business, corporate governance, controlling, accounting, risk management, actuarial affairs, subsidiary governance, business administration
Notes on memberships of management or supervisory bodies of third parties	/	/	- Slovenian Rowing Federation, Župančičeva cesta 9, Bled, Slovenia – president - Olympic Committee of Slovenia – member of the executive board	/
Notes on memberships of management or supervisory bodies of third parties	- Sava Infond, družba za upravljanje, d.o.o., Ulica Vita Kraigherja 5, 2000 Maribor – chair of the supervisory board - Illyria, sh. a., Sheshi Nëna Terezë 33, 10000 Pristina, Kosovo – chair of the board of directors - Ilyria Life, sh. a., Sheshi Nëna Terezë 33, 10000 Pristina, Kosovo – chair of the board of directors - Sava Osiguranje, a.d., Ulica Svetlane Kane Radević br. 1, 81000 Podgorica, Montenegro – chair of the board of directors	/	- 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 d.d., Cankarjeva 3, 2000 Maribor, Slovenia – chair of the supervisory board - Sava Pokojninska Družba d.d., Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia – supervisory board member - Got2Insure Ltd., Bailey House, 4-10 Barttelot Road, Horsham, West Sussex, RH12 1DQ, UK – non-executive director - ZTSR, raziskovanje trga d.o.o., Dunajska cesta 22, 1000 Ljubljana, Slovenia – chair of the supervisory board	- Sava Životno Osiguranje a.d.o., Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – chair of the board of directors - Sava Infond, družba za upravljanje, d.o.o., Ulica Vita Kraigherja 5, 2000 Maribor – member of the supervisory board - Zavarovalnica Sava d.d., Cankarjeva 3, 2000 Maribor, Slovenia – member of the supervisory board



5.4 Financial reporting: internal controls and risk management¹⁷

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 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 information technology controls, 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 Insurance Group financial control rules. Members of the Sava Insurance Group submit the financial information required for the preparation of the consolidated financial statements in reporting packages, prepared in accordance with International Financial Reporting Standards (IFRS) and the parent'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 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 procedure 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.

5.5 External audit

The financial statements of the parent company have been audited by KPMG Slovenija, Podjetje za Revidiranje, d.o.o., Železna cesta 8A, Ljubljana, who were tasked with the auditing of the 2019 financial statements of Sava Re and the Sava Insurance Group for the first year. In 2019 most of the Group's subsidiary companies were audited by the local auditing staff of the same auditing firm. The 2019 financial statements of three Group member were audited by another audit firm.

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. Pursuant to the Insurance Act, Sava Re set up an internal audit department 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 department reports on its findings to the management board, the audit committee and the Company's supervisory board.

A contract for the auditing of the financial statements was signed with KPMG in 2019, covering the period 2019-2021.

Sava Re complies with the Companies Act provision on auditor rotation.





5.6 Details pursuant to article 70(6) of the Companies Act ZGD-1¹⁸

Sava Re is subject to the provisions of the Takeover Act (hereinafter: ZPre-1).

Information on the composition of share capital of Sava Re, the list of qualifying shareholders under the Takeover Act as at 31 December 2019, rights and obligations attached to shares, (non)restrictions on share transfer and information on (non)existence of shares carrying special control rights are presented in section 3 “Shareholders and share trading”.

Employee share schemes

Sava Re has no employee share scheme.

Restrictions of voting rights

Sava Re has adopted no restrictions on voting rights.

Shareholders’ agreements restricting transferability of share or 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

Under the 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 limitation. To be appointed as a member of the management board, natural persons must have full legal capacity and meet the requirements set down by law and internal rules. 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 as well as the assessment of the competence of the management board as a collective body is clearly set out in the Company’s fit and proper policy of relevant personnel.

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

Company rules on appointment and removal of supervisory board members

Under the 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 subsequently informs the general meeting of its decision. 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. To be appointed as a member of the supervisory board, natural persons must have full legal capacity and meet the requirements set down by law and internal rules. The process and criteria for selecting 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, as well as the assessment of the competence of the supervisory board as a collective body, is clearly set out in the Company’s fit and proper policy of relevant personnel.

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.

Company rules on amendments to its articles of association

The 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 (increase in share capital, acquisition of own shares)

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

The Company’s management board has no authorisation to purchase own shares.

With the additional own share repurchases in April 2016, the management board fully exhausted the general meeting authorisation granted in 2014 to purchase own shares up to 10% minus one share of the share capital.

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

Sava Recovers its exposure 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.



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

Management board members are not entitled to severance pay in case of resignation.

A management board member is entitled to severance pay if 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) and the employment relationship with a company of the Sava Insurance Group is terminated.

A management board member is also entitled to severance pay if their function is terminated by mutual consent in conjunction with a termination of their employment relationship with a company of the Sava Insurance Group.

A management board member is also entitled to severance pay upon retirement.

Management or supervisory bodies of Sava Insurance Group subsidiaries individually pursue the same values and corporate governance policies as the controlling company, unless otherwise required by law, the local regulator or based on the proportionality principle. Therefore, the management or supervisory bodies of each Sava Insurance Group subsidiary, as part of their responsibility for the governance of their company with regard to the implementation of Group policies, verify the need for any adjustments to local legislation as

well as any other necessary adjustments and in accordance with the procedures set out in the Group policies determine their adjustments to Group policies, making sure that the subsidiary complies with applicable laws and regulations as well as with rules of sound and prudent operation.

Governance of the Sava Insurance Group is described in greater detail in the Corporate governance policy of Sava Re d.d. posted on the Company’s website, at www.sava-re.si.

5.7 Governance of Sava Insurance Group members¹⁹

The controlling company’s management and supervisory bodies are the Sava Insurance Group bodies responsible for the proper governance and supervision of the entire Group and for setting up a governance framework appropriate to the structure, business and risks of the Sava Insurance Group as a whole and of its individual members.

The parent fully exercises its governance function by setting business strategy from the top down, taking into account both the Group as a whole as well as its individual members. For optimal capital allocation and resilience against unforeseen events, capital allocation and capital adequacy are managed on the Group level following the top-down principle. As part of its risk strategy, the Group determines the risk appetite both at the Group level as well as at the level of its members.

The Group has set up a systematic approach to risk management, including risk management at the level of individual companies, appropriate monitoring of the risks of individual companies by the controlling company as well as risk management at the Group level. The latter takes into account any interaction between the risks of individual Group companies, in particular risk concentration and other material risks associated with the operation of the Group.

Ljubljana,
20 March 2020

Sava Re
Management Board

Marko Jazbec,
Chairman

Srečko Čebren, Member

Jošt Dolničar, Member

Polona Pirš Zupančič, Member

Ljubljana,
25 March 2020

Sava Re
Supervisory Board

Mateja Lovšin Herič
Chair

6 Mission, vision, strategic focus and goals



6.1 Mission and vision²⁰

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, to become recognised as a company that communicates fairly and transparently, to meet the expectations of our shareholders and achieve an adequate return on equity, to raise awareness about the organisation's values and to integrate these into core business policies and the way people conduct themselves.

Through a positive climate, good business culture, continuous training and investments in employees, we contribute to the 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 our employees to their company and the Group.

By definition, insurance is the provision of economic security through the spreading of financial risk, which is why the industry is tightly intertwined with the larger overall economy. 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, permanent training of employees and external stakeholders and the utilization of synergies among Sava Insurance Group companies. The social responsibility demonstrated by the Company reflects the values on which we intend to focus more in the future.



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



We are building a customer-centric, modern, digital, community-minded and sustainability-oriented insurance group.



We grow relationships with our colleagues in a responsible, frank and respectful manner.
We exceed client expectations with our ongoing efforts to improve and strengthen relationships.
We are active in relation to our social and natural environment.

²⁰ GRI 102-16

6.2 Goals achieved in 2019²¹

The Sava Insurance Group achieved the following targets in 2019:

EUR million	2019	2019 plan	As % of plan
Sava Insurance Group			
Operating revenues	584.2	> 535	109.2%
Profit or loss, net of tax	50.2	≥ 43.0	116.7%
Return on equity (ROE)	13.8%	> 12 %	✓
Return on the investment portfolio*	1.9%	1.7%	✓
(Re)insurance part			
Gross premiums written	596.2	> 555	107.4%
Net premiums earned	545.7	> 515	106.0%
Net expense ratio (reins. + non-life + life)	31.7%	32.4–33.0%	✓
Net incurred loss ratio (reins. + non-life)*	61.7%	59.2–59.7%	✗
Net combined ratio* (reins. + non-life)*	93.8%	93.6–94.1%	✓

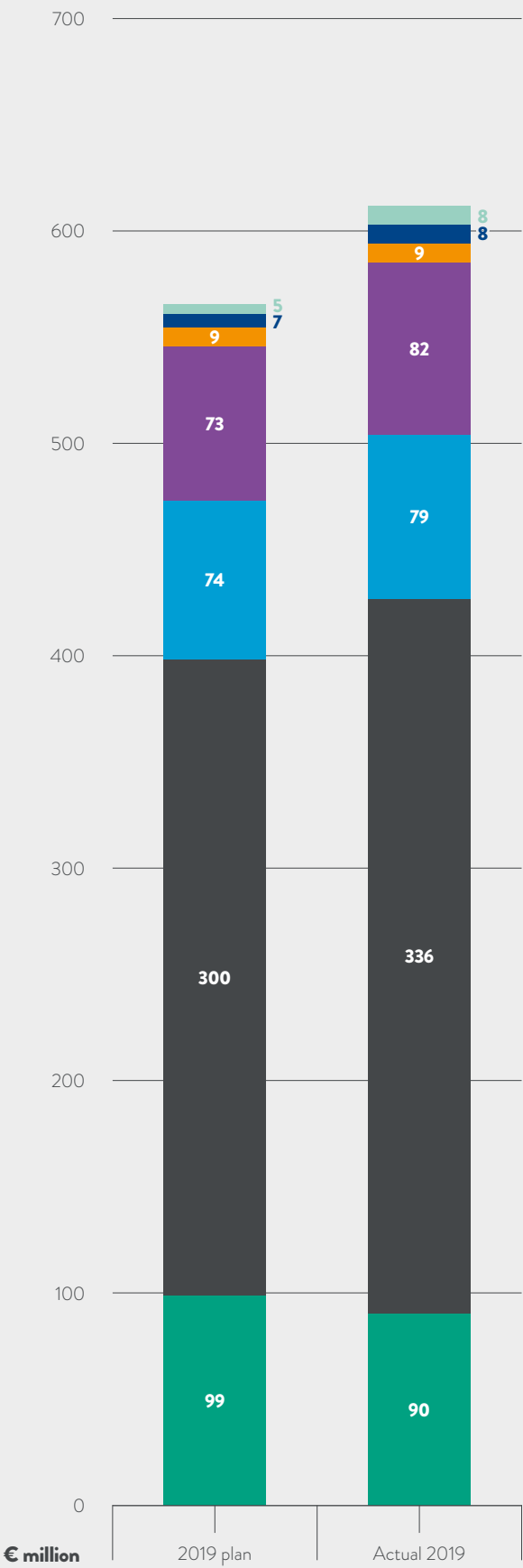
* Excluding the effect of exchange differences. The return on the investment portfolio does not include subordinated debt expenses.

In 2019, the Sava Insurance Group surpassed the planned gross premiums. Gross premiums surpassed planned volumes in practically all insurance markets. The greatest such case in absolute terms was Zavarovalnica Sava in Slovenia, due primarily to the growth in the sale of new vehicles, growth in average premiums, and FoS operations (freedom of services), written by the non-life insurer in Slovenia in cooperation with various companies within EU Member States. Gross premiums written by reinsurance operations fell slightly short of targets.

The expense ratio was lower than expected, while the net incurred loss ratio was higher than expected due to higher claims frequency in reinsurance markets, and in Croatia and Kosovo. The combined ratio was within the target range.

Net investment income slightly exceeded the planned value, which was partly due to one-time business events (revaluation of the 15% share of Sava Infond in the amount of EUR 2.7 million, and a partial repayment of the previously impaired corporate bond in the amount of EUR 0.4 million).

Expected gross premiums written by insurance companies and revenues of non-insurance companies (Sava Insurance Group)

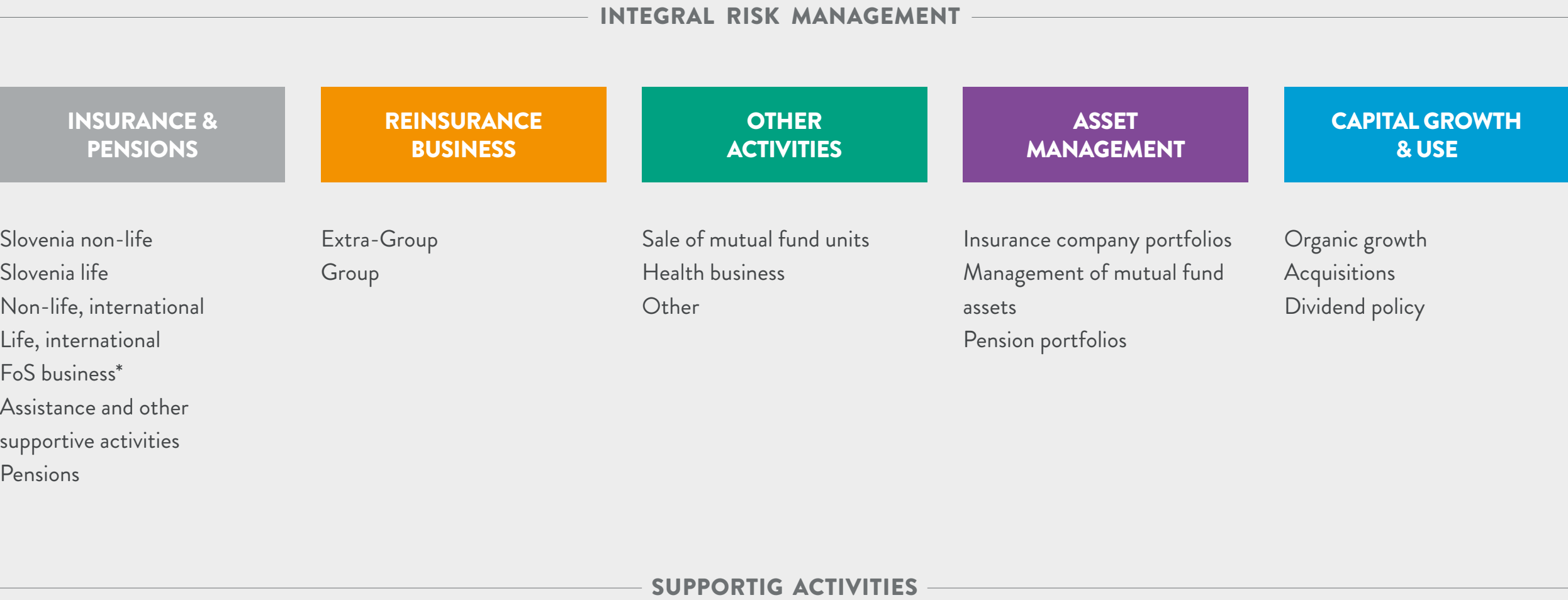


* Operating revenues.

6.3 Strategic focus of the Sava Insurance Group

The strategy of the Sava Insurance Group is based on the pillars as shown below:

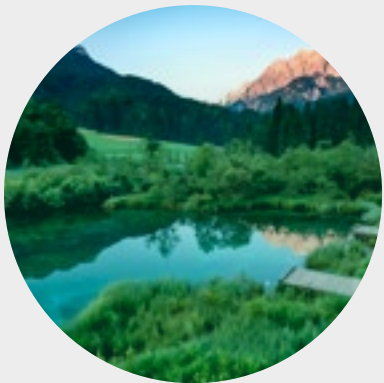
PILLARS OF BUSINESS OPERATIONS



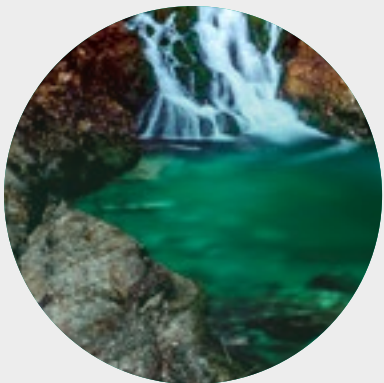
* FoS business. Freedom of Services business. Business written within the European Economic Area based on the freedom of services right to provide services on a cross-border basis.



DIGITAL TRANSFORMATION & PLACING THE CUSTOMER AT THE CENTRE



IT-TRANSFORMATION



GROWTH THROUGH ACQUISITIONS

Key guidelines set out in the strategy:

- **Digital transformation & placing the customer at the centre:** We want to make it easier for policyholders to take out and manage insurance and to file claims, which also includes adapting our services to the needs and wishes of our clients. The new generation of digital customers is accustomed to fast and easy online shopping with as few clicks as possible. The Sava Insurance Group is adapting to this reality; therefore, we have placed our core strategic focus on digital transformation and customer-centred orientation.
- **IT transformation:** Developing a modern and flexible IT system will give us a competitive advantage in the future through the overhaul of our central systems, which includes replacements, upgrades and the introduction of new IT solutions.
- **Growth through acquisitions:** In addition to effective organic growth during the strategic period, the Sava Insurance Group will continue its acquisition activities in the industries and markets where it is already present, and it will also look for growth opportunities in the insurance industry in other EU countries.

Long-term strategic targets:

- The long-term objective is to achieve a return on equity of at least 11% at both the Group level and as a 3-year average. The internal calculation of the weighted average cost of capital (WACC) of the Sava Insurance Group as at 31 December 2019, which includes the subordinated debt, totals 7.6%, with a cost of equity of 8.5%.
- In the period 2020–2022, a solvency ratio of 180% to 220% (between the lower end of the target range and the upper end of the adequate capital range) is expected at the Sava Insurance Group level.
- The combined ratio of non-life business in Slovenia will not exceed 94%, while the combined ratio abroad will not exceed 95%, with the exception of the Croatian market, where the combined ratio will not exceed 100%. The five-year average combined ratio of reinsurance business (total Group and non-Group business) will not exceed 93%.
- With regard to life insurance in Slovenia, profitability (the ratio of the value of new policies to the present value of the expected premiums of such new policies) of the portfolio of new life policies will be at least 9%, and in Croatia and on other markets at least 5% and 7.5%, respectively.
- The return on the Group’s investment portfolio will average at least 1.0% over three years.

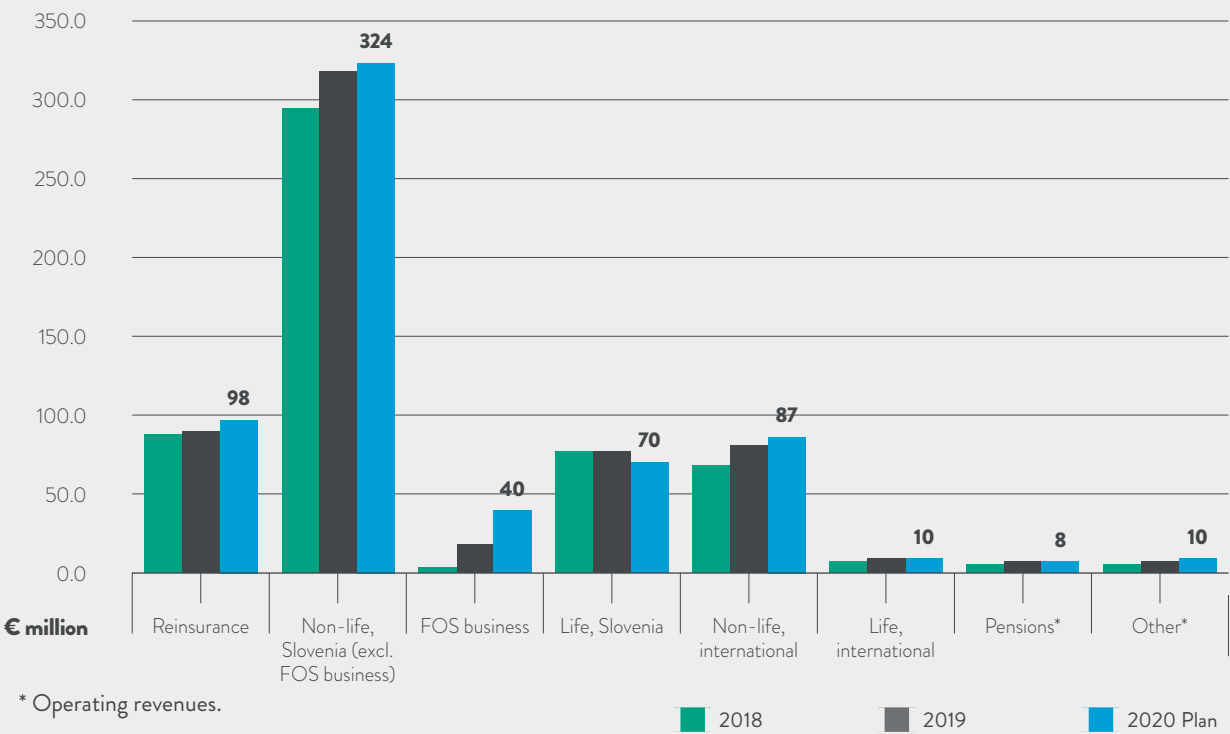
6.4 Plans of the Sava Insurance Group concerning the financial year 2020

Key targets for 2020

EUR million	2018	2019	2020 plan	Index/difference in p.p. P2020/19
Sava Insurance Group				
Operating revenues	531.3	584.2	> 610	104.4
Profit or loss, net of tax	43.0	50.2	> 45	89.7
Return on equity (ROE)	13.1%	13.8%	> 11%	-2.8 p.p.
Return on revenue*	8.1%	8.6%	> 7%	-1.6 p.p.
Net expense ratio	32.8%	31.3%	33–34%**	2.8 p.p.
Return on the investment portfolio*	1.7%	1.9%	1.3%	-0.6 p.p.
(Re)insurance part				
Gross premiums written	544.1	596.2	> 620	104.0
Net incurred loss ratio (reins. + non-life)*	57.0%	61.7%	59–60%	-1.7 p.p.
Net combined ratio* (reins. + non-life)*	92.9%	93.8%	< 94%	0.2 p.p.

* Excluding the effect of exchange differences. The return on the investment portfolio does not include subordinated debt expenses.
** About 2 p.p. relate to the cost of digitalisation and the IT transformation.

Target gross premiums written of insurance companies and revenues of non-insurance companies (Sava Insurance Group)



7 Business environment

Sava Re, the parent of the Sava Insurance Group, transacts reinsurance business in over 100 countries worldwide.²²

The following section contains a description of the international non-life insurance business market, as well as the significant indicators of macro-economic environments and insurance markets where the Sava Insurance Group is present.



Global non-life reinsurance markets²³

Robust capitalisation, sophisticated enterprise risk management practices, and rational underwriting continue to underpin the stable outlook on the global reinsurance sector. The sector continues to battle secular headwinds, as the influx of alternative capital challenges reinsurers' business models, despite its recent slowdown; however, its growth is expected to pick up and the situation is expected to calm down. Property and casualty reinsurance prices have been rising during the 2019 renewals in response to the record back-to-back catastrophe years of 2017–2018 and the resulting increase in claims. The 2019–2020 earnings forecast has been revised slightly upward following the steadying of reinsurance prices, with an expected combined ratio

of 95–98% and a return on equity of 7–9%. The reinsurance sector did not earn its cost of capital in 2017 and 2018, but 2019 looks somewhat more promising.

Global reinsurance has remained resilient, despite insured losses from natural catastrophes that reached record back-to-back highs over the past two years. Some reinsurers have chosen to stop retrenching; instead, they are taking advantage of higher premium rates by increasing their exposure to catastrophe risk. Although we expect risk discipline to prevail, global reinsurers' greater exposure to catastrophe risk could heighten their earnings and capital volatility.

Economic and insured cyber losses are mounting, which indicates that considerable non-affirmative “silent cyber” exposure is embedded in traditional re/insurance products. If (re)insurers do not start to screen their insurance portfolios for non-affirmative cyber exposures or manage them, losses could become significant and create volatility in capital and earnings in the near future. Underwriting cyber risks aren't straightforward because of the potential for large accumulation risk, their human origin, uncertainties over diversification benefits, limited historical data, and still basic modelling and IT expertise. It is expected that the global affirmative cyber insurance market will continue to expand faster than the vast majority of other traditional lines and could reach USD 8 billion in gross written premium by 2022, compared with about USD 5 billion in 2018. Reinsurers are well placed to harness this business potential if they can develop cyber ecosystems and improve cyber modelling, while managing accumulation risk and silent cyber exposure.

The amount of convergence capital (alternative capital, capital from non-insurance sources) provided to reinsurers globally fell for the first time in 10 years, reflecting two and a half years of negative returns and trapped collateral from large natural catastrophes. Despite these challenges, it is expected that capital will continue to flow into the market, particularly to insurance-linked security funds with strong underwriting, established track records of successful capital deployment and transparent reporting. Convergence capital will likely continue to play an important role in the competitive dynamics of the global reinsurance market and bolster capacity. It is also expected that traditional reinsurers will con-

tinue to factor third-party capital into their strategies to help them respond to the ongoing challenging competitive environment.

Competitive market conditions have forced global property and casualty (re)insurers to rethink their strategies and redeploy their capital toward optimal risk/reward opportunities. As a result, (re)insurers have shown growing interest in structured solutions, such as loss portfolio transfers and adverse development covers, for their legacy liabilities. If well executed, these structured solutions can benefit cedants and reinsurers. Cedants can lower earnings and capital volatility while reducing capital requirements. Reinsurers can enhance their business profiles and earnings by leveraging their underwriting and claims expertise while strengthening their client relationships.

Challenging market conditions in the global reinsurance sector and cheap financing sources will continue to drive consolidation. Merger and acquisition activity over the past two years demonstrates the convergence of primary insurance, reinsurance, and insurance-linked securities markets, and the desire to diversify internationally.

The reinsurance sector's M&A track record is patchy from the perspective of credit rating, as the effects on the acquirer's credit rating usually do not show on completion of deals, which continues to drive consolidation activities.

²² GRI 102-06

²³ Summarised based on Standard & Poor's: Global Reinsurance Highlights 2019.



Slovenia²⁴

Major economic indicators for Slovenia

	2015	2016	2017	2018	2019
Real change in GDP (%)	2.2	3.1	4.8	4.1	2.8
GDP (EUR million)	38,853	40,367	42,987	45,755	48,242
Registered unemployment rate (%)	12.3	11.2	9.5	8.2	7.7
Average inflation (%)	-0.5	-0.1	1.4	1.7	1.8
Population (million)	2.1	2.1	2.1	2.1	2.1
GDP per capita (EUR)	18,501	19,222	20,470	21,788	22,972
Insurance premiums (EUR million)	1,975.4	2,020.4	2,176.8	2,319.7	2,492.8
- growth/decline in insurance premiums	2.0%	2.3%	7.7%	6.6%	7.5%
Insurance premiums – non-life (EUR million)	1,409.4	1,449.7	1,529.3	1,609.8	1,745.5
- growth/decline in non-life insurance premiums	0.5%	2.9%	5.5%	5.3%	8.4%
Insurance premiums – life (EUR million)	565.9	570.7	647.5	709.9	747.3
- growth/decline in life insurance premiums	5.7%	0.8%	13.5%	9.6%	5.3%
Insurance premiums per capita (EUR)	940.6	962.1	1,036.6	1,104.6	1,187.0
Non-life insurance premiums per capita (EUR)	671.2	690.3	728.2	766.6	831.2
Life insurance premiums per capita (EUR)	269.5	271.8	308.3	338.0	355.9
Premiums/GDP (%)	5.1	5.0	5.1	5.1	5.2
Non-life premiums/GDP (%)	3.6	3.6	3.6	3.5	3.6
Life premiums/GDP (%)	1.5	1.4	1.5	1.6	1.5
Average monthly net salary (EUR)	1,013	1,030	1,062	1,092	1,126

Premiums for the years 2016–2019 are shown without the premiums of the branches of Adriatic Slovenica and Zavarovalnica Sava in Croatia.

²⁴ Source: UMAR, Economic Mirror, no. 1/2020, Statistical Office of the Republic of Slovenia, Slovenian Insurance Association.

²⁵ According to the latest data, consumer loans decreased in November 2019 after a high figure in October, which was due to the introduction of a mandatory macroprudential tool. On the other hand, the growth in housing loans continued.

- At the beginning of the last quarter of 2019, private consumption continued to grow, as did the sales of residential properties. Consumption of households, especially with regard to certain non-durable non-food products and services concerning spending leisure time at home and abroad, continued to rise based on increased resources, which stem from the growth in disposable income and consumer loans²⁵. The second half of the year brought an increase in the purchase of automobiles by natural persons, while purchases of food, beverages and tobacco stagnated. After a drop in the previous year, 2019 (by the end of the third quarter) also registered an increase in the sale of residential properties. The greatest increase was observed in second-hand apartments in Ljubljana and second-hand family houses, which in total amounted to more than half of all transactions, while sales of new real estate declined. There was also an increase in the average prices of real estate, due to the increase in the price of second-hand family houses and second-hand apartments outside Ljubljana, while the average price of new real estate was lower than in 2018.
- The growth in employment and the decline in unemployment was less intensive last year than in 2018. In the first ten months of 2019, the number of employed persons increased year on year by 2.6% (the most in the fields of construction, transport and warehousing, and hospitality); however, the increase was lower than in the same period of 2018. Due to the continued high demand for labour, labour shortages were indicated in the continued increase in employment of foreigners. Their contribution to the total increase in employment is high, exceeding 70%. The number of registered unemployed continued to

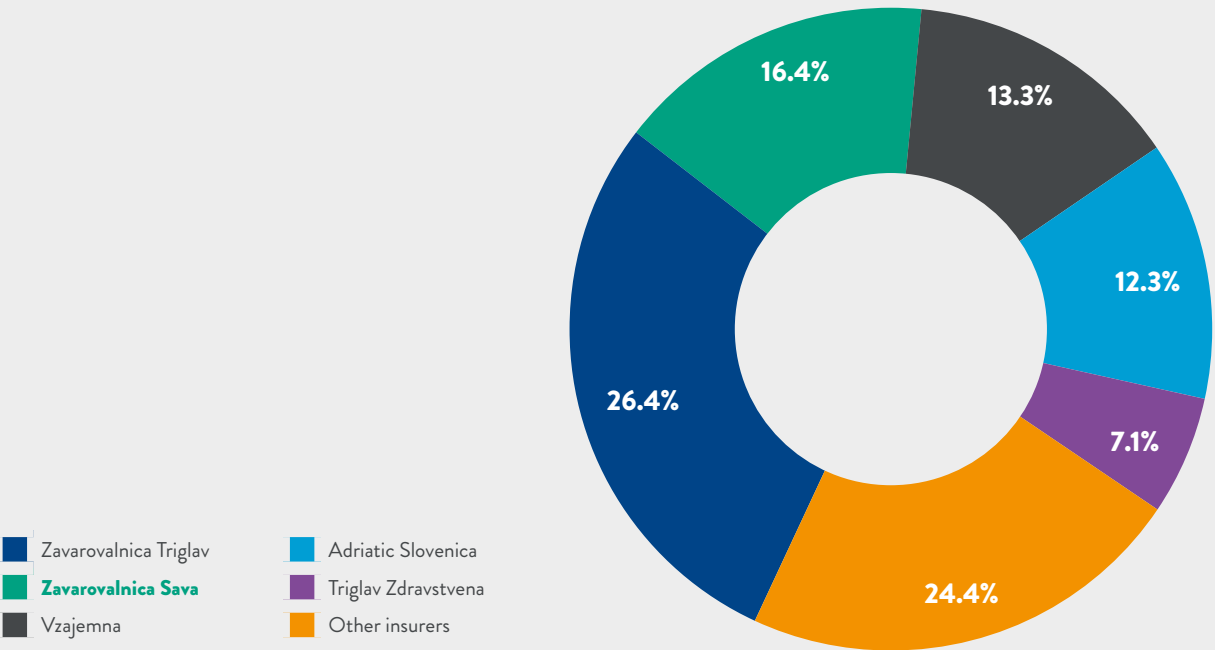
decrease; however, the rate of decrease was lower than at the beginning of the year. At the end of November, the figure stood at 72,395 persons or 4.9% less than in the previous year.

- The increase in the growth of salaries in 2019 was mainly due to the increase in the government sector. In the first ten months, year-on-year growth was 4.3%, compared with 3.4% in the same period of the previous year. The higher growth was mainly due to the higher growth in the government sector, as a result of the agreed increases in salaries and the agreed promotions, while to a lesser extent also as a result of the increase in the minimum wage. Somewhat more level growth also continued in the private sector, where salaries increased most in sectors and services like security, hospitality and trade.
- In December, year-on-year price growth was 0.4 p.p. higher than in the previous year. The contribution of the price of goods increased, mostly due to higher prices for food, especially fruit and meat, at the end of the year. The latter is largely associated with the rise of prices for pork due to the outbreak of African swine fever in Asia. Prices for non-energy industrial goods also increased slightly, while prices for durable goods continued to decrease. The growth in prices for energy products slowed in 2019 and only reached 1.2%, which is just one-third of the growth from 2018. Growth in the price of services slowed at the end of the year; however, it was still more than twice as high as the growth in the price of goods. Prices for services related to housing, health insurance and hospitality continued to rise steeply. Core inflation increased slightly in 2019, but remained below 2%.

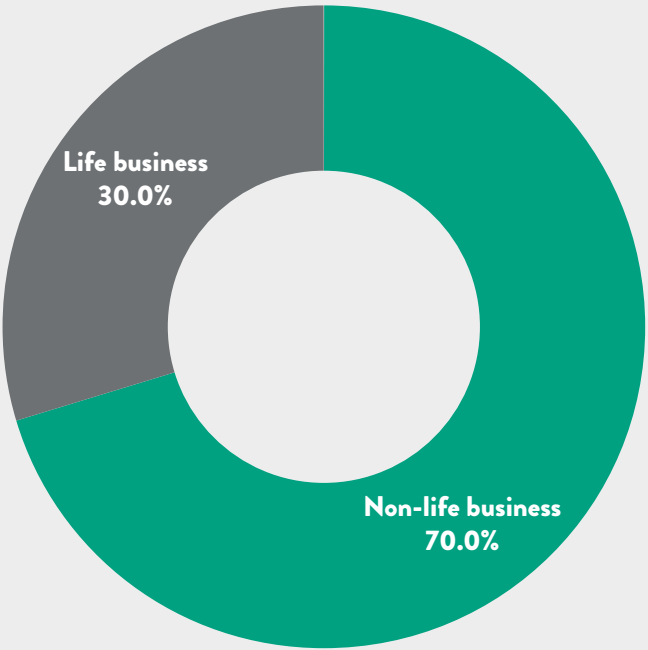


The Slovenian insurance market²⁶

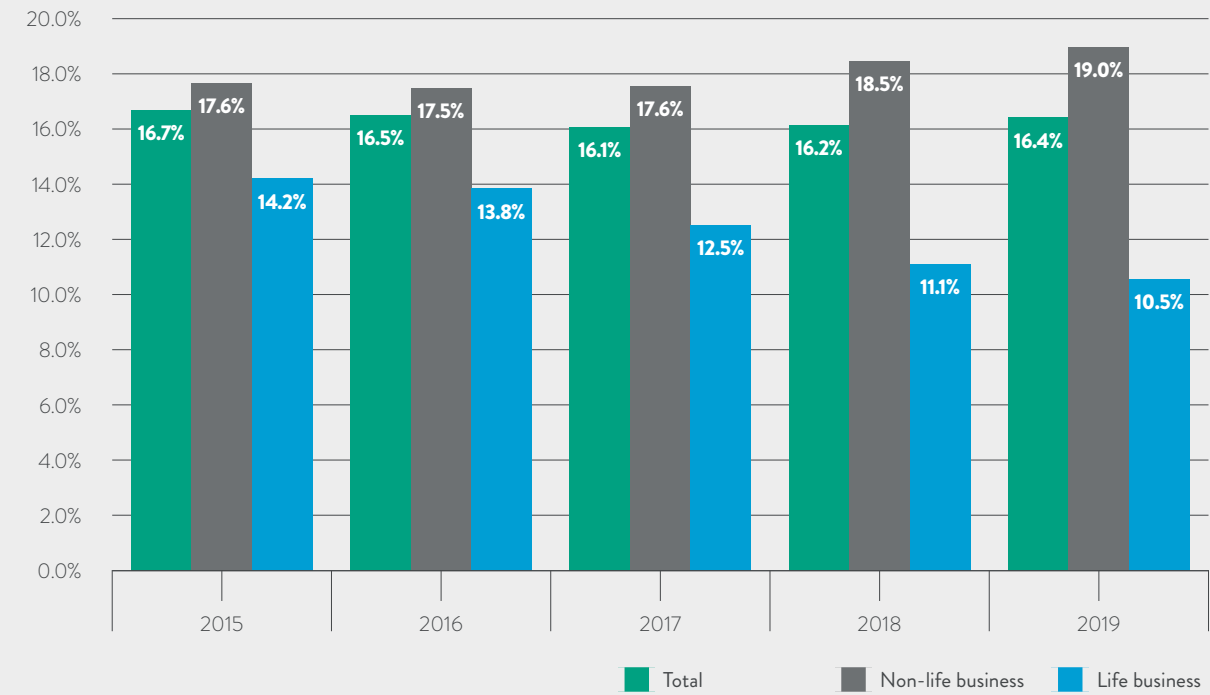
Slovenian insurance market 2019



Breakdown of premiums in the Slovenian insurance market in 2019



Market shares of Zavarovalnica Sava in the Slovenian insurance market²⁷



Premiums and market shares in the Slovenian reinsurance market²⁸

EUR	2019		2018	
	Gross premiums written	Market share	Gross premiums written	Market share
Sava Re	166,528,931	51.4%	151,636,216	53.6%
Triglav Re	157,582,324	48.6%	131,170,639	46.4%
Total	324,111,255	100.0%	282,806,855	100.0%

²⁶ Source: Slovenian Insurance Association. Market shares are calculated excluding the premiums of the branches of Adriatic Slovenica and Zavarovalnica Sava in Croatia.

²⁷ Source: Slovenian Insurance Association.

²⁸ Source: internal data of Sava Re and Triglav Re.

Croatia²⁹

Major economic indicators for Croatia

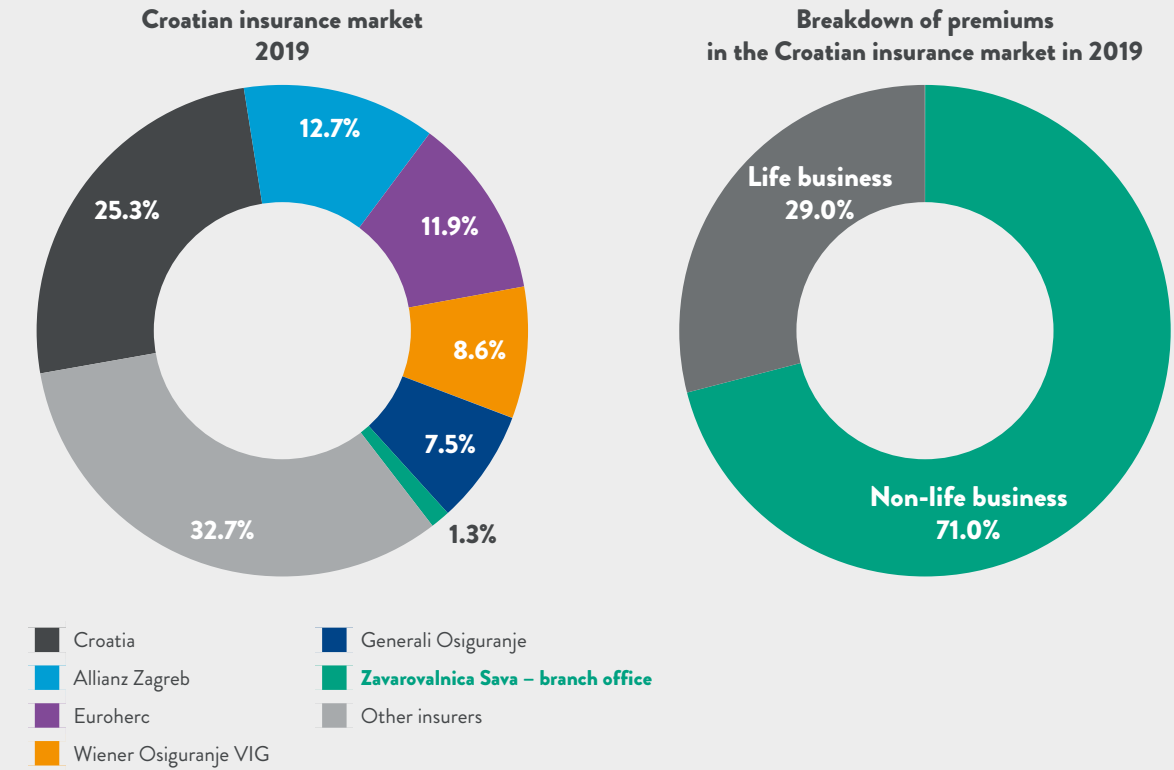
	2015	2016	2017	2018	2019
Real change in GDP (%)	2.4	3.5	3.1	2.6	3.1
GDP (EUR million)	44,616	46,616	49,094	51,579	53,952
Registered unemployment rate (%)	17.0	14.4	11.6	9.2	6.7
Average inflation (%)	-0.5	-1.1	1.1	1.5	0.8
Population (million)	4.2	4.2	4.2	4.2	4.2
GDP per capita (EUR)	10,613	11,176	11,689	12,281	12,846
Insurance premiums (EUR million)	1,146.0	1,167.6	1,231.0	1,350.0	1,446.2
- growth/decline in insurance premiums	2.2%	1.9%	5.4%	9.7%	7.1%
Insurance premiums – non-life (EUR million)	760.5	777.1	831.1	920.7	1,026.1
- growth/decline in non-life insurance premiums	-2.0%	2.2%	6.9%	10.8%	11.4%
Insurance premiums – life (EUR million)	385.5	390.5	400.0	429.3	420.1
- growth/decline in life insurance premiums	11.6%	1.3%	2.4%	7.3%	-2.1%
Insurance premiums per capita (EUR)	272.6	279.9	293.1	321.4	344.3
Non-life insurance premiums per capita (EUR)	180.9	186.3	197.9	219.2	244.3
Life insurance premiums per capita (EUR)	91.7	93.6	95.2	102.2	100.0
Premiums/GDP (%)	2.6	2.5	2.5	2.6	2.7
Non-life premiums/GDP (%)	1.7	1.7	1.7	1.8	1.9
Life premiums/GDP (%)	0.9	0.8	0.8	0.8	0.8
Average monthly net salary (EUR)	750	755	802	841	868
Exchange rate (HRK/EUR)	7.614	7.533	7.464	7.418	7.418

²⁹ Source: Croatian Chamber of Commerce and Industry, EMIS database, Croatian Insurance Supervision Agency.

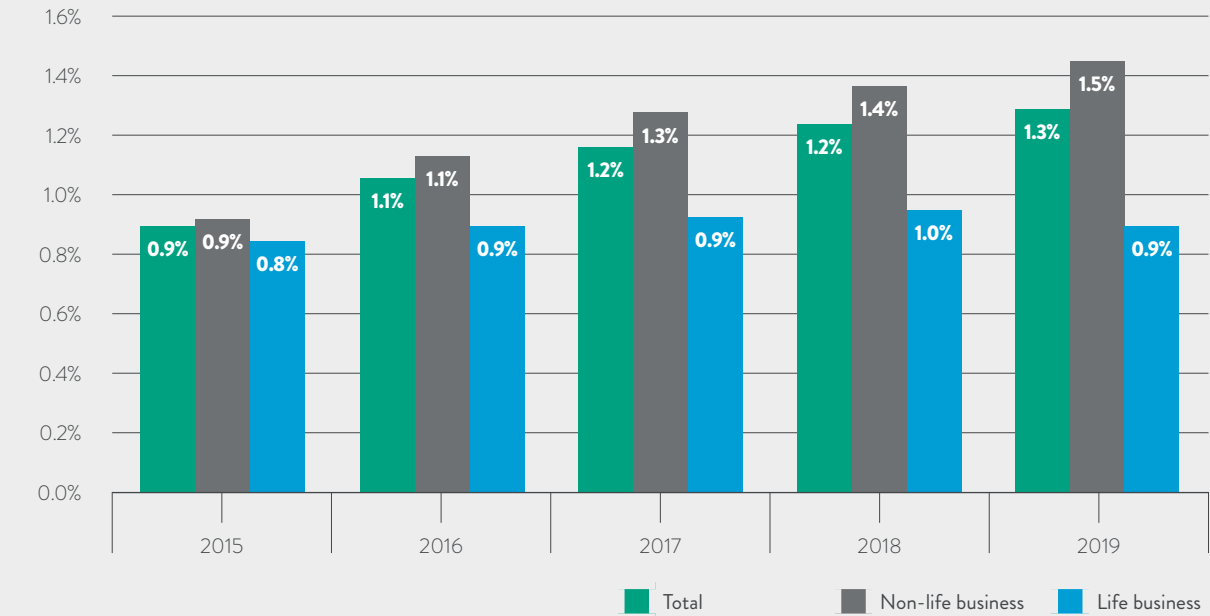
³⁰ Source: Croatian Insurance Bureau.

³¹ Source: Croatian Insurance Bureau.

Croatian insurance market³⁰



Market shares of Zavarovalnica Sava in the Croatian insurance market³¹



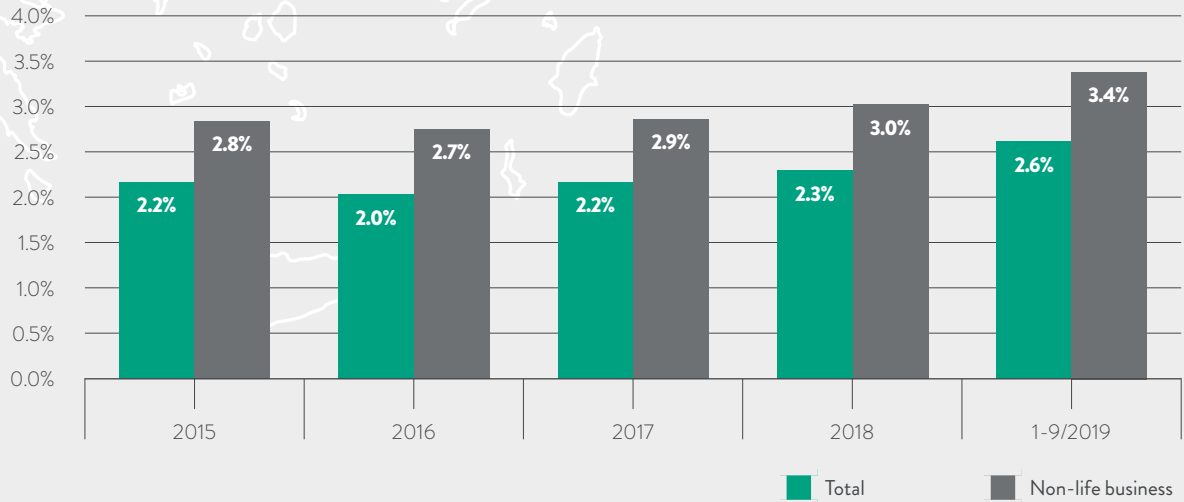
Serbia³²

Major economic indicators for Serbia

	2015	2016	2017	2018	2019
Real change in GDP (%)	0.7	2.5	2.8	3.5	3.5
GDP (RSD million)	3,973,034	4,151,610	4,363,916	4,665,703	5,020,178
GDP (EUR million)	32,955	33,780	35,953	39,426	42,576
Registered unemployment rate (%)	18.5	18.6	18.7	18.3	17.9
Average inflation (%)	1.4	1.3	3.2	3.5	4.0
Population (million)	7.1	7.1	7.1	7.1	7.1
GDP per capita (EUR)	4,642	4,758	5,064	5,553	5,997
Insurance premiums (EUR million)	671.2	725.3	767.0	844.3	887.0
- growth/decline in insurance premiums	13.0%	8.1%	5.7%	10.1%	5.1%
Insurance premiums – non-life (EUR million)	510.6	537.1	579.5	643.2	685.0
- growth/decline in non-life insurance premiums	11.8%	5.2%	7.9%	11.0%	6.5%
Insurance premiums – life (EUR million)	160.6	188.2	187.5	201.0	202.0
- growth/decline in life insurance premiums	17.3%	17.2%	-0.4%	7.2%	0.5%
Insurance premiums per capita (EUR)	94.5	102.2	108.0	118.9	124.9
Non-life insurance premiums per capita (EUR)	71.9	75.6	81.6	90.6	96.5
Life insurance premiums per capita (EUR)	22.6	26.5	26.4	28.3	28.5
Premiums/GDP (%)	2.0	2.1	2.1	2.1	2.1
Non-life premiums/GDP (%)	1.5	1.6	1.6	1.6	1.6
Life premiums/GDP (%)	0.5	0.6	0.5	0.5	0.5
Average monthly net salary (RSD)	44,437	45,862	47,888	47,336	54,471
Average monthly net salary (EUR)	369	373	395	400	462
Exchange rate (RSD/EUR)	120.6	122.9	121.4	118.3	117.9

* Figures for 2019 insurance premiums are estimates, as figures for the full year 2019 have not yet been published.

Market shares of Sava Neživotno Osiguranje



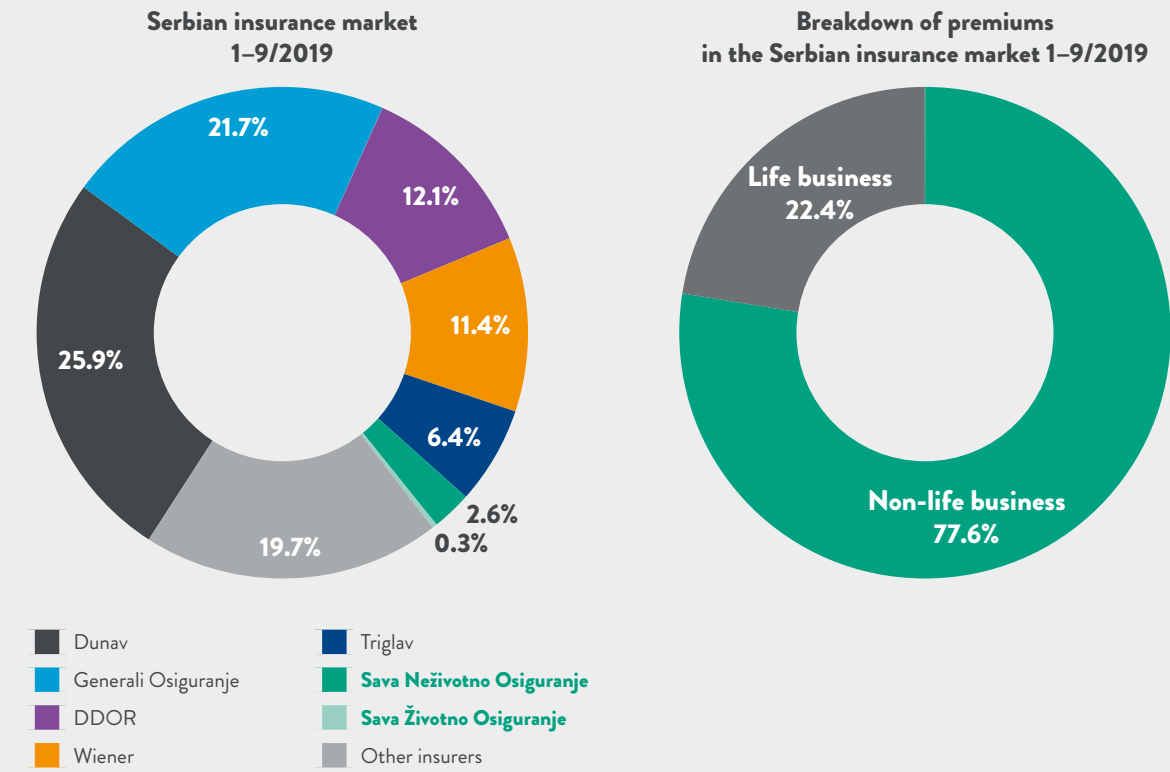
³² Source: www.imf.org, www.stat.gov.rs, Narodna Banka Srbije (Serbian National Bank).

³³ Source: Serbian National Bank.

³⁴ Source: Serbian National Bank.

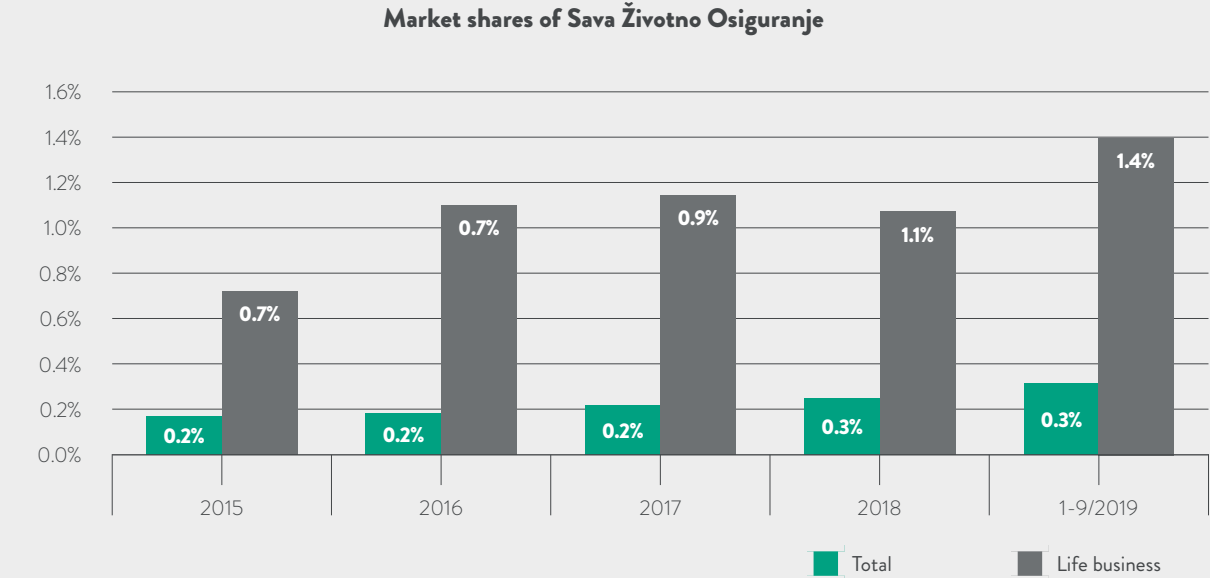
* The 2019 data refers to the period 1–9/2019, as figures for the whole year 2019 have not yet been published.

The Serbian insurance market³³



* The 2019 data refers to the period 1–9/2019, as figures for the full year 2019 have not yet been published.

Market shares of Sava Neživotno Osiguranje (Serbia) and Sava Životno Osiguranje (Serbia) in the Serbian insurance market³⁴



* The 2019 data refers to the period 1–9/2019, as figures for the whole year 2019 have not yet been published.

North Macedonia³⁵

Major economic indicators for North Macedonia

	2015	2016	2017	2018	2019
Real change in GDP (%)	3.9	2.8	1.1	2.7	3.5
GDP (MKD million)	558,954	594,795	618,106	658,053	697,431
GDP (EUR million)	9,087	9,653	10,057	10,680	11,328
Registered unemployment rate (%)	26.1	23.7	22.4	20.7	17.1
Average inflation (%)	-0.3	-0.2	1.4	1.5	0.8
Population (million)	2.1	2.1	2.1	2.1	2.1
GDP per capita (EUR)	4,327	4,597	4,789	5,086	5,394
Insurance premiums (EUR million)	134.5	141.5	146.3	161.1	171.9
- growth/decline in insurance premiums	8.5%	5.3%	3.4%	10.1%	6.7%
Insurance premiums – non-life (EUR million)	116.7	120.6	122.8	134.0	142.2
- growth/decline in non-life insurance premiums	6.6%	3.3%	1.8%	9.1%	6.1%
Insurance premiums – life (EUR million)	17.8	21.0	23.5	27.1	29.7
- growth/decline in life insurance premiums	23.2%	17.9%	12.2%	15.2%	9.7%
Insurance premiums per capita (EUR)	64.0	67.4	69.7	76.7	81.9
Non-life insurance premiums per capita (EUR)	55.6	57.4	58.5	63.8	67.7
Life insurance premiums per capita (EUR)	8.5	10.0	11.2	12.9	14.2
Premiums/GDP (%)	1.5	1.5	1.5	1.5	1.5
Non-life premiums/GDP (%)	1.3	1.2	1.2	1.3	1.3
Life premiums/GDP (%)	0.2	0.2	0.2	0.3	0.3
Average monthly net salary (EUR)	344	351	360	382	399
Exchange rate (MKD/EUR)	61.510	61.616	61.458	61.618	61.566

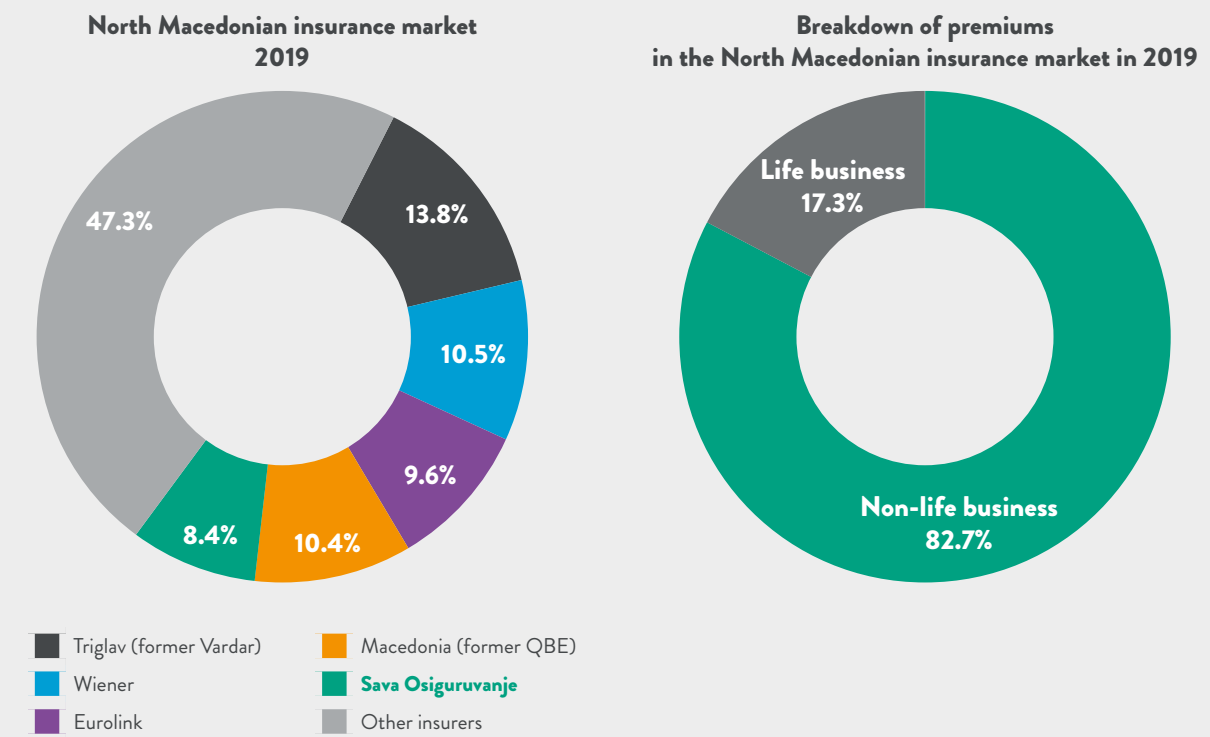
* Insurance premiums for 2019 are preliminary figures.

³⁵ Source: Republic of North Macedonia, Ministry of Finance: Indicators and projections (January 2020), Nacionalni biro za osiguranje Republike Makedonije (National Insurance Bureau of the Republic of North Macedonia).

³⁶ Source: National Insurance Bureau of the Republic of North Macedonia.

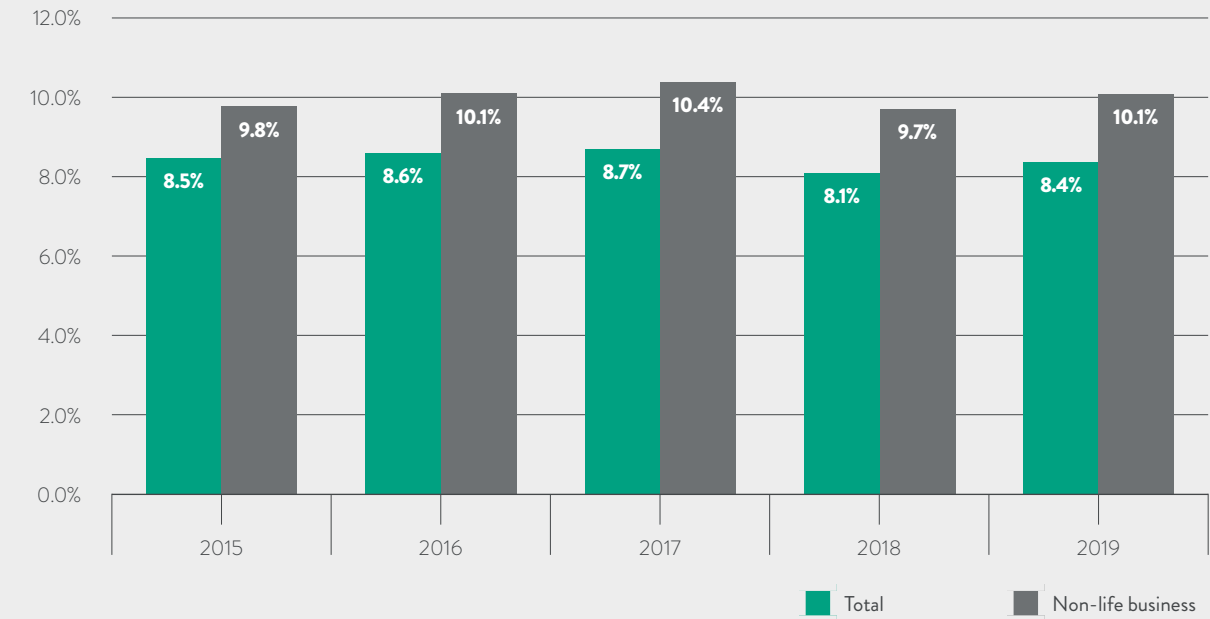
³⁷ Source: National Insurance Bureau of the Republic of North Macedonia.

The North Macedonian insurance market³⁶



* For 2019 preliminary figures are provided.

Market shares of Sava Osiguruvanje (North Macedonia) in the North Macedonian insurance market³⁷



* For 2019 preliminary figures are provided.

Montenegro³⁸

Major economic indicators for Montenegro

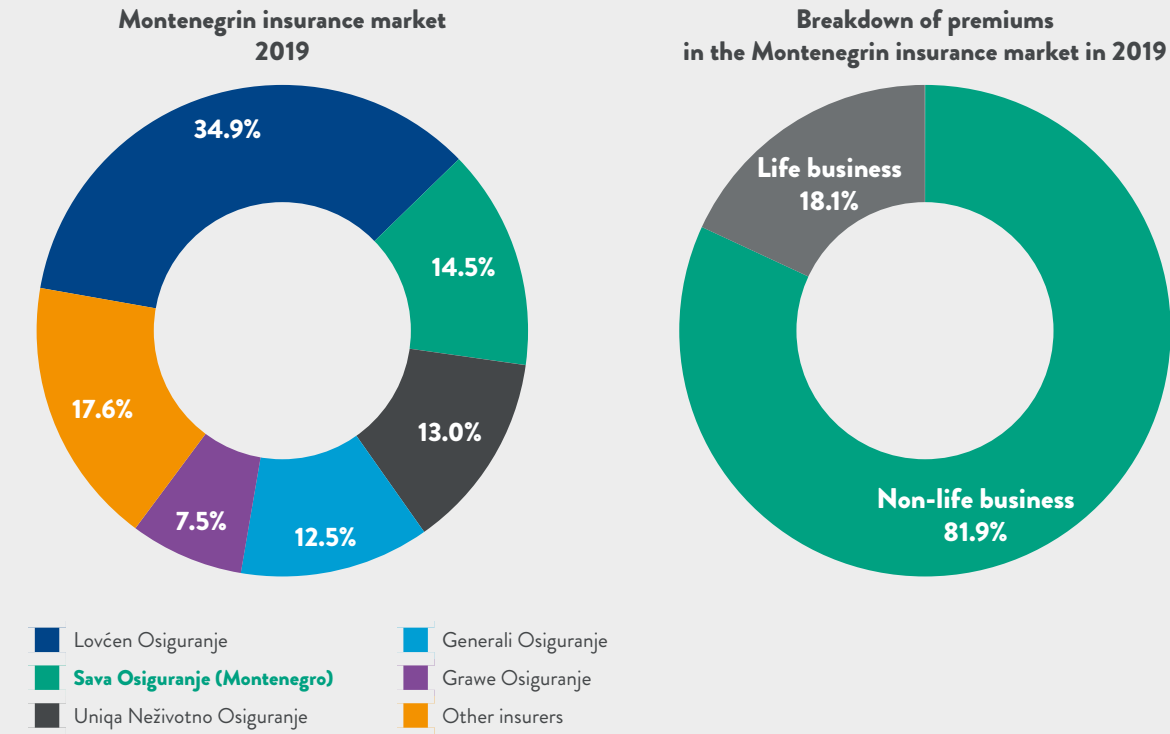
	2015	2016	2017	2018	2019
Real change in GDP (%)	3.4	2.9	4.7	5.1	3.1
GDP (EUR million)	3,655	3,954	4,299	4,663	4,817
Registered unemployment rate (%)	17.6	17.7	16.1	15.2	14.6
Average inflation (%)	1.5	-0.3	2.4	2.6	0.5
Population (million)	0.6	0.6	0.6	0.6	0.6
GDP per capita (EUR)	5,874	6,354	6,907	7,481	8,029
Insurance premiums (EUR million)	81.8	80.1	81.8	86.8	94.8
- growth/decline in insurance premiums	12.9%	-2.0%	2.0%	6.2%	9.2%
Insurance premiums – non-life (EUR million)	67.6	66.5	67.6	71.6	77.6
- growth/decline in non-life insurance premiums	13.0%	-1.7%	1.7%	5.9%	8.4%
Insurance premiums – life (EUR million)	14.2	13.7	14.2	15.2	17.1
- growth/decline in life insurance premiums	12.8%	-3.4%	3.5%	7.3%	12.7%
Insurance premiums per capita (EUR)	131.4	128.8	131.4	139.3	157.9
Non-life insurance premiums per capita (EUR)	108.6	106.8	108.6	114.9	129.4
Life insurance premiums per capita (EUR)	22.8	22.0	22.8	24.4	28.6
Premiums/GDP (%)	2.2	2.0	1.9	1.9	2.0
Non-life premiums/GDP (%)	1.8	1.7	1.6	1.5	1.6
Life premiums/GDP (%)	0.4	0.3	0.3	0.3	0.4
Average monthly net salary (EUR)	480	499	510	511	516

³⁸ Source: The government of Montenegro: Program ekonomskih reformi za Crnu Goru 2020–2022 (The Montenegro economic reform plan, January 2020), Agencija za nadzor osiguranja (Insurance Supervisor Agency).

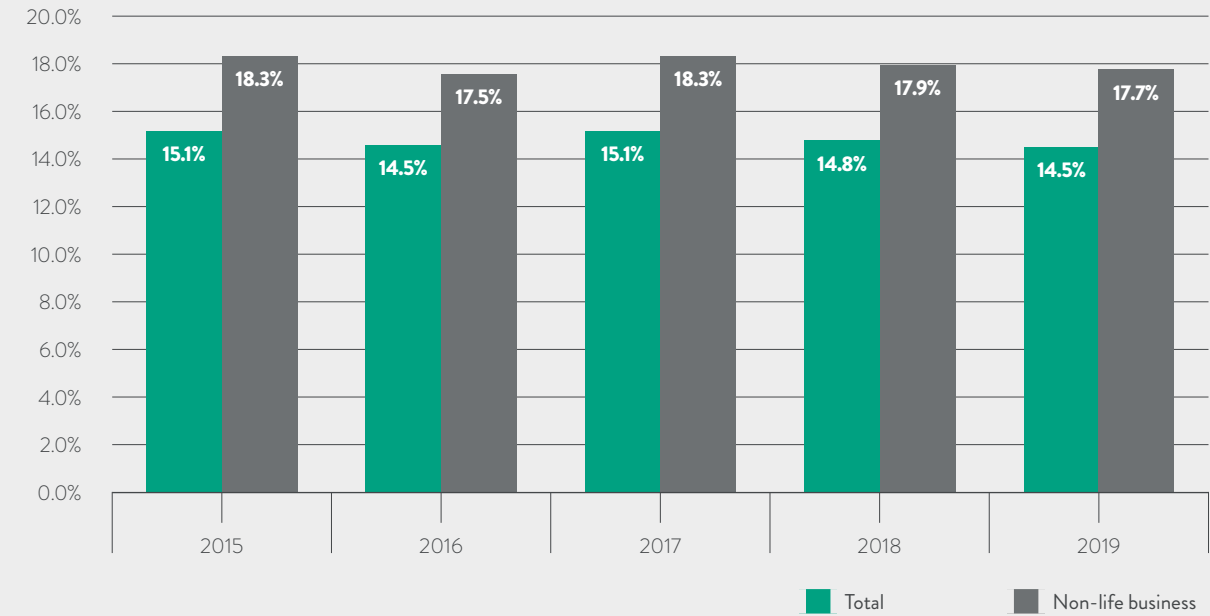
³⁹ Source: Insurance Supervisor of Montenegro.

⁴⁰ Source: Insurance Supervisor of Montenegro.

Montenegrin insurance market³⁹



Market shares of Sava Osiguranje (Montenegro) in the Montenegrin insurance market⁴⁰

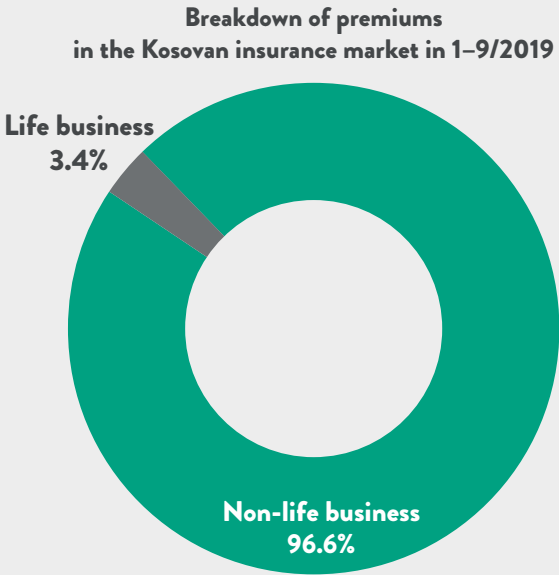
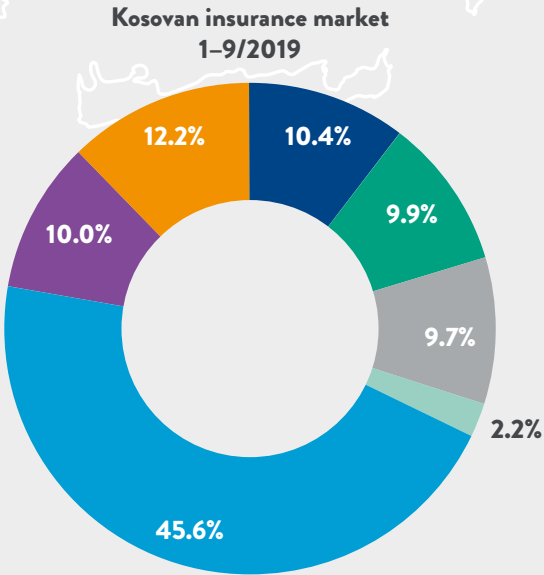


Kosovo⁴¹

Major economic indicators for Kosovo

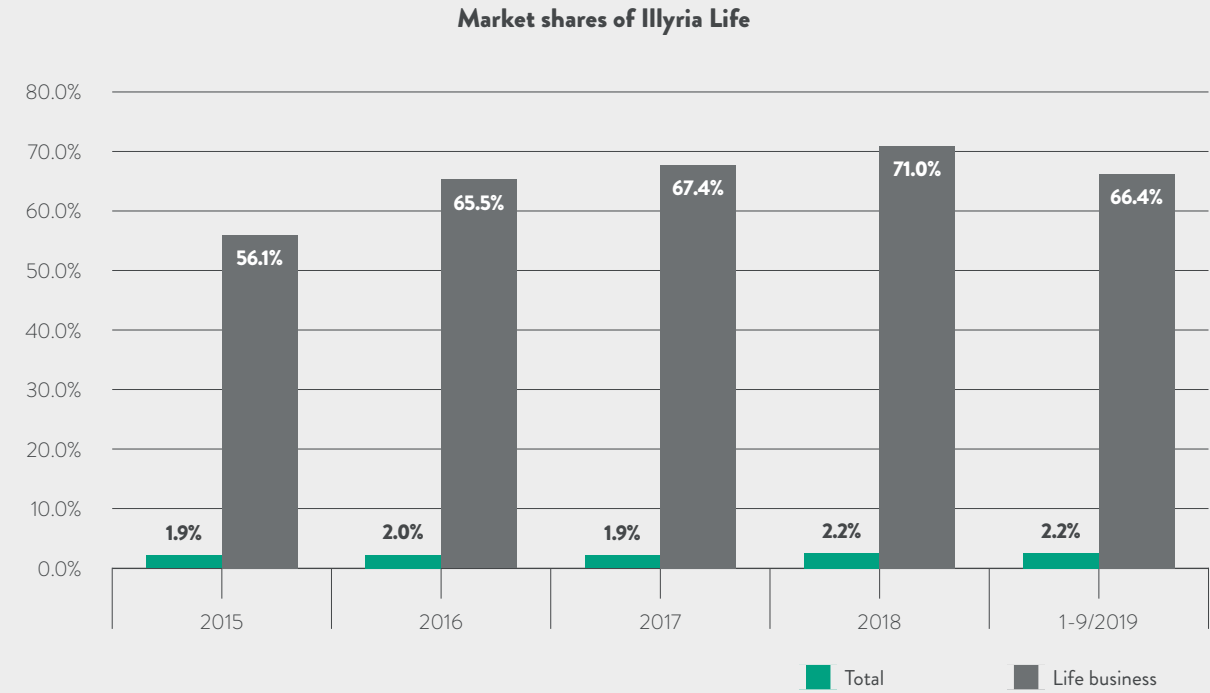
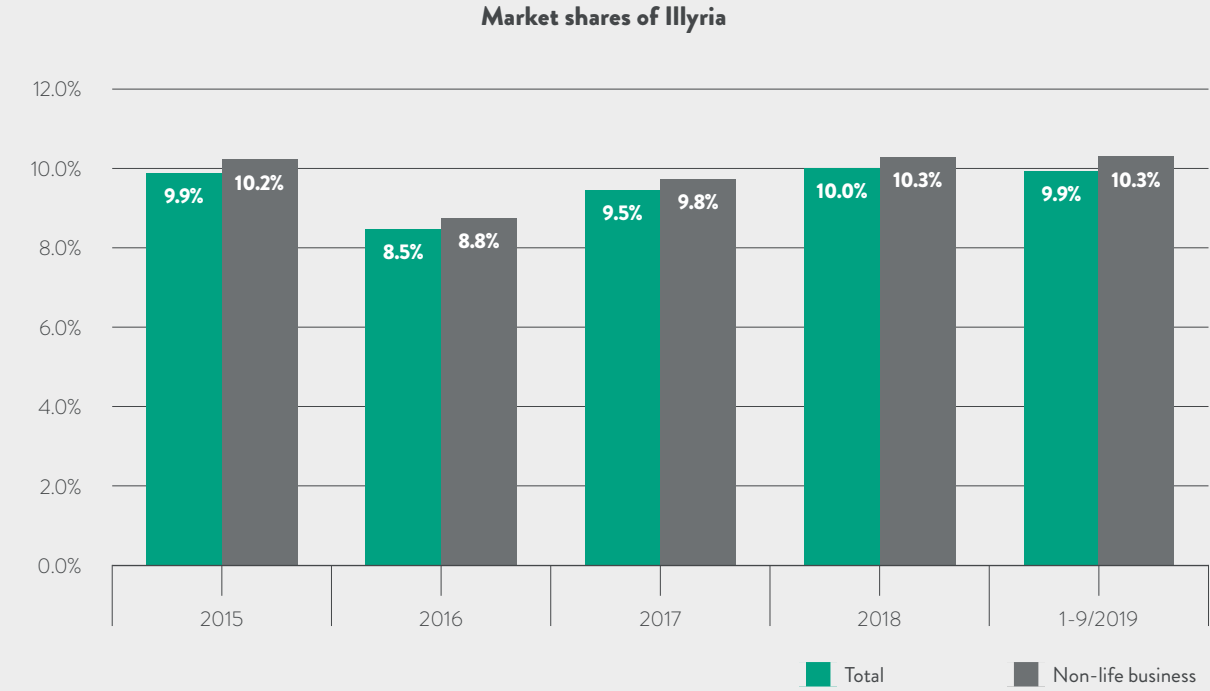
	2015	2016	2017	2018	2019
Real change in GDP (%)	4.0	4.1	3.8	3.6	4.2
GDP (EUR million)	5,772	6,015	6,284	6,653	7,033
Registered unemployment rate (%)	32.9	27.5	30.2	30.7	24.5
Average inflation (%)	-0.5	0.2	0.9	1.8	1.9
Population (million)	1.8	1.8	1.8	1.8	1.8
GDP per capita (EUR)	3,140	3,271	3,491	3,696	3,907
Insurance premiums (EUR million)	81.4	83.8	87.4	93.5	101.9
- growth/decline in insurance premiums	-1.3%	2.9%	4.4%	6.9%	9.0%
Insurance premiums – non-life (EUR million)	78.7	81.2	84.9	90.5	98.5
- growth/decline in non-life insurance premiums	-1.7%	3.2%	4.6%	6.6%	8.8%
Insurance premiums – life (EUR million)	2.7	2.6	2.5	3.0	3.4
- growth/decline in life insurance premiums	12.5%	-4.3%	-2.2%	16.7%	15.2%
Insurance premiums per capita (EUR)	44.3	45.6	48.6	51.9	56.6
Premiums/GDP (%)	1.4	1.4	1.4	1.4	1.4
Average monthly net salary (EUR)	451	457	471	488	n/a

Kosovan insurance market⁴²



⁴¹ Source: Central Bank of the Republic of Kosovo, www.imf.org, www.tradingeconomics.com.
⁴² Central Bank of the Republic of Kosovo.
⁴³ Central Bank of the Republic of Kosovo.

Market shares of Illyria and Illyria Life in the Kosovan insurance market⁴³



8 Review of operations of the Sava Insurance Group and Sava Re⁴⁴

8.1 Sava Insurance Group

Business is presented by operating segment reinsurance, non-life, life, pensions and the “other” segment. The non-life and life segments are further broken down by geography (Slovenia and international).

The operating segments include the following companies:

- reinsurance: Sava Re (non-Group business);
- non-life, Slovenia: Zavarovalnica Sava, Slovenian part;
- non-life, international: Zavarovalnica Sava (Croatian part), Sava Neživotno Osiguranje (Serbia), Illyria, Sava Osiguranje (Montenegro), Sava Osiguruvanje (North Macedonia), Sava Car, Sava Agent, Sava Station;

- life, Slovenia: Zavarovalnica Sava (Slovenian part), ZS Svetovanje, Ornatus KC;
- life, international: Zavarovalnica Sava (Croatian part), Sava Životno Osiguranje (Serbia), Illyria Life;
- pensions: Sava Pokojninska, Sava Penzisko Društvo;
- other: TBS Team 24, Sava Infond (company included in the balance sheet as from 30 June 2019 and in the income statement as from 7–12/2019), Illyria Hospital, ZTRS (equity method), G2I (equity method). The “other” segment also includes the costs of subordinate debt.

The segment reporting information also reflects reallocations of certain income statement items:

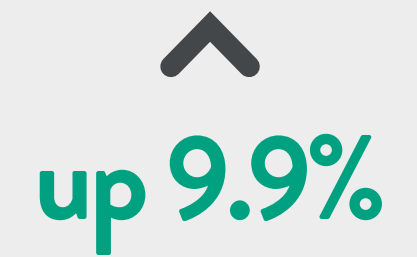
- Reallocations are made from the reinsurance segment to the other segments (Sava Re as the parent company handles the reinsurance of most risks of the subsidiaries within the Sava Insurance Group): in the segment reporting information, reinsurance premiums received by the reinsurer from the subsidiaries are reallocated to the segments from where they have arisen. The same applies, by analogy, to reinsurance-related claims, commission income, change in unearned premiums, claims provisions and deferred acquisition costs due to reinsurance. In the elimination process, the portion of business retroceded by Sava Re to foreign reinsurers is not allocated to the segments. Retrocession-related expenses usually exceed income (except in the case of catastrophe claims). In order to provide a more appropriate presentation of profitability by segment, the result of retroceded business is also allocated to the segment where it arose. All these items are adjusted only in the part relating to the risks of subsidiaries retroceded by Sava Re to foreign reinsurers.

- Other operating expenses relating to the reinsurance segment are reduced by the portion of expenses attributable to the administration of the Sava Insurance Group. Sava Re operates as a virtual holding company; hence a part of its expenses relates to the administration of the Group. Such expenses relating to the reinsurance segment are allocated to other segments based on gross premiums written. Such reallocation is also made for other operating expenses relating to intra-group reinsurance transactions. In 2019, Sava Re allocated 66.7% of other operating expenses to operating segments as monitored by income composition (2018: 65.6%). Furthermore, operating expenses of TBS Team 24 incurred in its activities on behalf of other Group companies were reallocated from the “other” segment to the Slovenian and international non-life segments. The same method is followed in the consolidation process when income is eliminated.
- 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 2019, a revaluation of the 15% share in Sava Infond (EUR 2.7 million) and the expenses for subordinate debt (EUR 0.5 million) are shown in the “other” segment.
- In 2019, the “other income” item shows an extraordinary income due to the remedying of goodwill arising from the purchase of the companies ERGO Osiguranje and ERGO Životno Osiguranje (international non-life segment: EUR 4.9 million, international life segment: EUR 2.6 million).

⁴⁴ A glossary of selected insurance terms and calculation methods for ratios is appended to this annual report.



Operating revenues



- In 2019, in the “other” segment, the “other expenses” item shows an extraordinary expense related to the acquisition of the company Sava Infond (EUR 0.8 million).
- In the statement of financial position, the following adjustments are made in addition to the eliminations made in the consolidation process:
 - Intangible assets – goodwill is allocated to the segment from which it arose (reallocated from the reinsurance segment to other segments depending on which subsidiary it relates to).
 - The balance of financial investments is reallocated from the reinsurance segment to the non-life and life 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 adjustments to income statement items.
 - With regard to the cash and cash equivalents item, the investments relating to subordinate debt are shown in the “other” segment.
 - Equity is reallocated from the reinsurance segment to other segments based on the cost of investments in subsidiaries (the sum total of carrying amounts of non-life insurers is reallocated to the non-life segment, and that of life insurers is reallocated to the life insurance and other segments).
 - With regard to subordinate obligations, the amount of subordinate debt is shown in the “other” segment.

TBS Team 24 was first included in the Sava Insurance Group consolidated financial statements on 31 January 2018, and the companies Energoprojekt Garant and Sava Penzisko Društvo on 31 March 2018. Energoprojekt Garant was merged with Sava Neživotno Osiguranje (Serbia) at year-end 2018. The acquisition of the company Sava Terra was implemented in the third quarter of 2018, and the first consolidation was performed on 31 December 2018. The companies ERGO Osiguranje and ERGO Životno Osiguranje joined the Sava Insurance Group on 31 March 2019. As a result they have been included in the consolidated income statement since 1 April 2019 and were already included in the statement of financial position as at 31 March 2019. Sava Infond has been included in the consolidated financial statements of the Sava Insurance Group since 30 June 2019.

The following provides some brief comment on the results of each operating segment.

Summary consolidated income statement

EUR	2019	2018	Index
Net premiums earned	548,040,035	504,669,701	108.6
Income from investments in subsidiary companies	2,717,909	0	-
Investment income	20,273,976	20,385,617	99.5
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	23,278,584	0	-
Other technical income	12,736,452	15,758,510	80.8
Other income	27,693,576	14,549,676	190.3
- Of which investment property	1,347,625	1,233,614	109.2
Net claims incurred	-399,191,460	-320,760,586	124.5
Change in other technical provisions	46,506,883	13,207,584	352.1
Change in technical provisions for policyholders who bear the investment risk	-12,825,182	15,962,680	-80.3
Expenses for bonuses and rebates	227,917	288,628	79.0
Operating expenses	-186,955,234	-178,131,437	105.0
Expenses relating to investments in associates	-54,721	-151,130	36.2
Expenses for financial assets and liabilities	-1,707,664	-3,187,907	53.6
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	0	-6,630,921	-
Other technical expenses	-15,435,751	-17,825,982	86.6
Other expenses	-4,561,305	-2,873,861	158.7
- Of which investment property	-448,716	-511,771	87.7
Profit or loss before tax	60,744,015	55,260,572	109.9

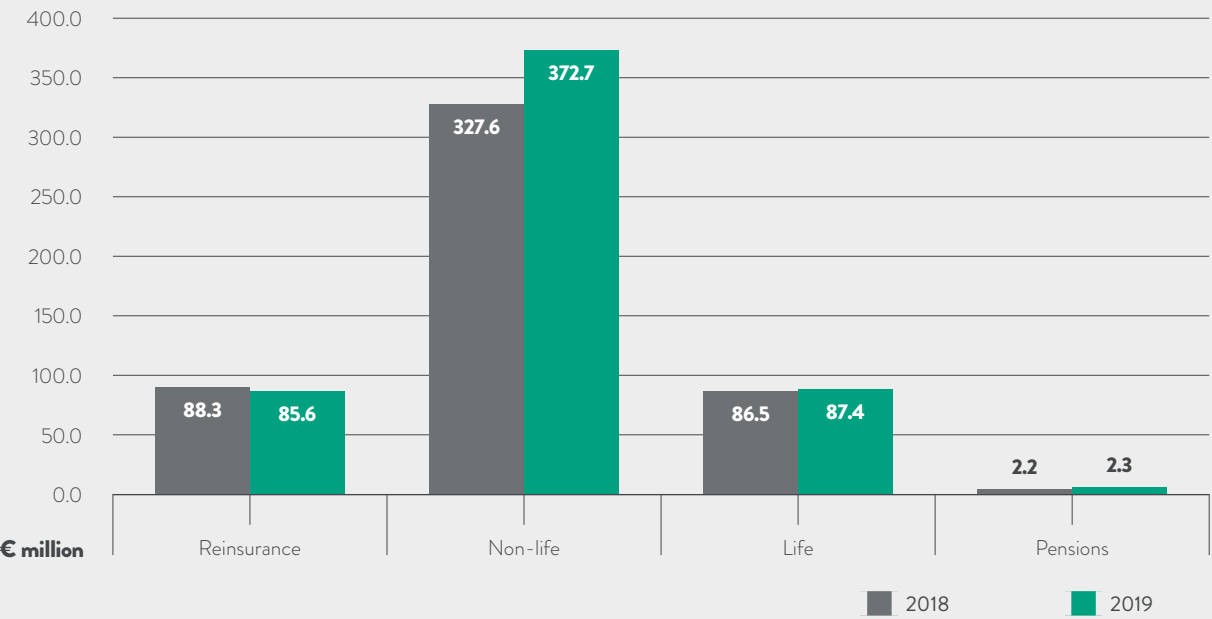


Consolidated net premiums earned⁴⁵

Consolidated net premiums earned

EUR	2019	2018	Index
Gross premiums written	598,526,157	546,299,539	109.6
Net premiums written	562,379,550	519,356,687	108.3
Change in net unearned premiums	-14,339,515	-14,686,986	97.6
Net premiums earned	548,040,035	504,669,701	108.6

Consolidated net premiums earned by operating segment



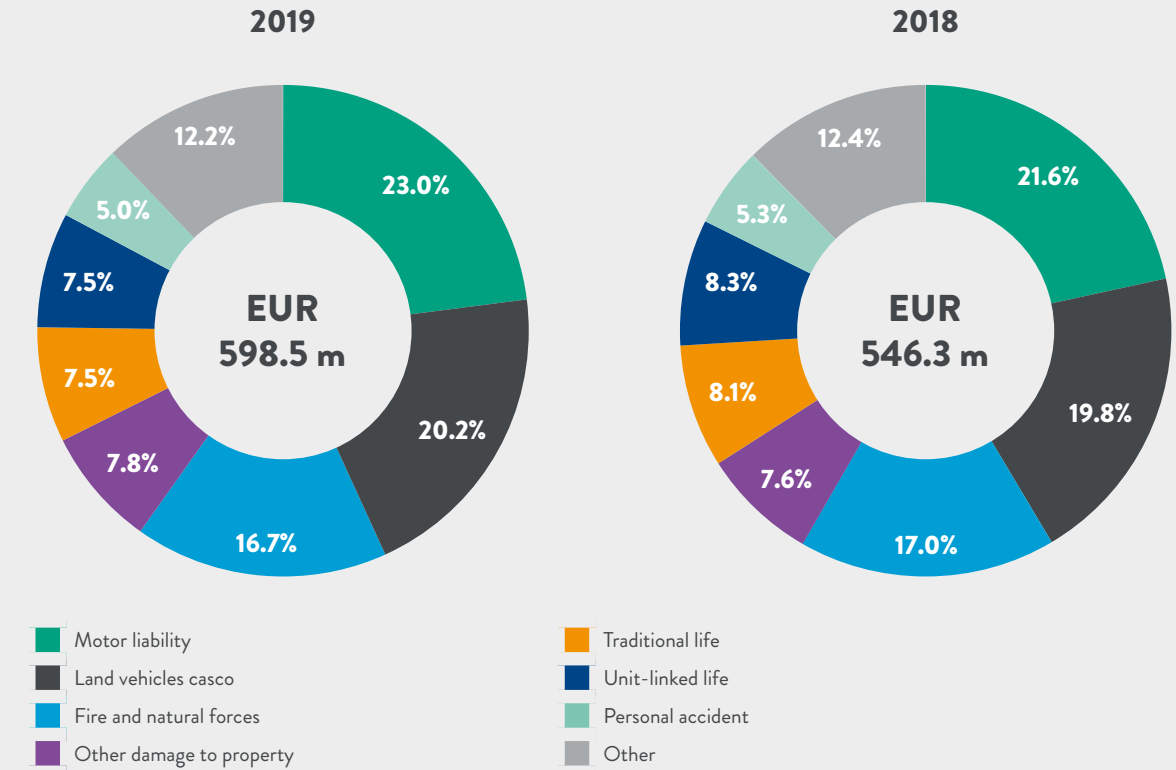
Consolidated net earned premiums by class of business

EUR	2019	2018	Index
Personal accident	29,930,509	28,306,999	105.7
Health	6,287,907	6,820,565	92.2
Land vehicles casco	113,206,642	101,923,291	111.1
Railway rolling stock	325,029	143,866	225.9
Aircraft hull	210,294	759,435	27.7
Ships hull	4,618,415	5,265,092	87.7
Goods in transit	4,321,251	6,857,151	63.0
Fire and natural forces	82,754,513	79,380,436	104.3
Other damage to property	40,109,442	35,622,632	112.6
Motor liability	127,086,388	111,409,123	114.1
Aircraft liability	51,025	107,829	47.3
Liability for ships	519,199	939,050	55.3
General liability	22,126,978	20,376,242	108.6
Credit	3,546,229	4,228,542	83.9
Suretyship	412,126	118,828	346.8
Miscellaneous financial loss	5,470,021	1,960,111	279.1
Legal expenses	455,746	169,916	268.2
Assistance	16,674,238	11,524,953	144.7
Traditional life	44,942,461	43,835,525	102.5
Unit-linked life	44,991,622	44,920,115	100.2
Total non-life	458,105,952	415,914,061	110.1
Total life	89,934,083	88,755,640	101.3
Total	548,040,035	504,669,701	108.6

⁴⁵ Included are also items of the pensions segment relating to pension annuity business in the distribution phase.



Consolidated gross premiums written by class of business



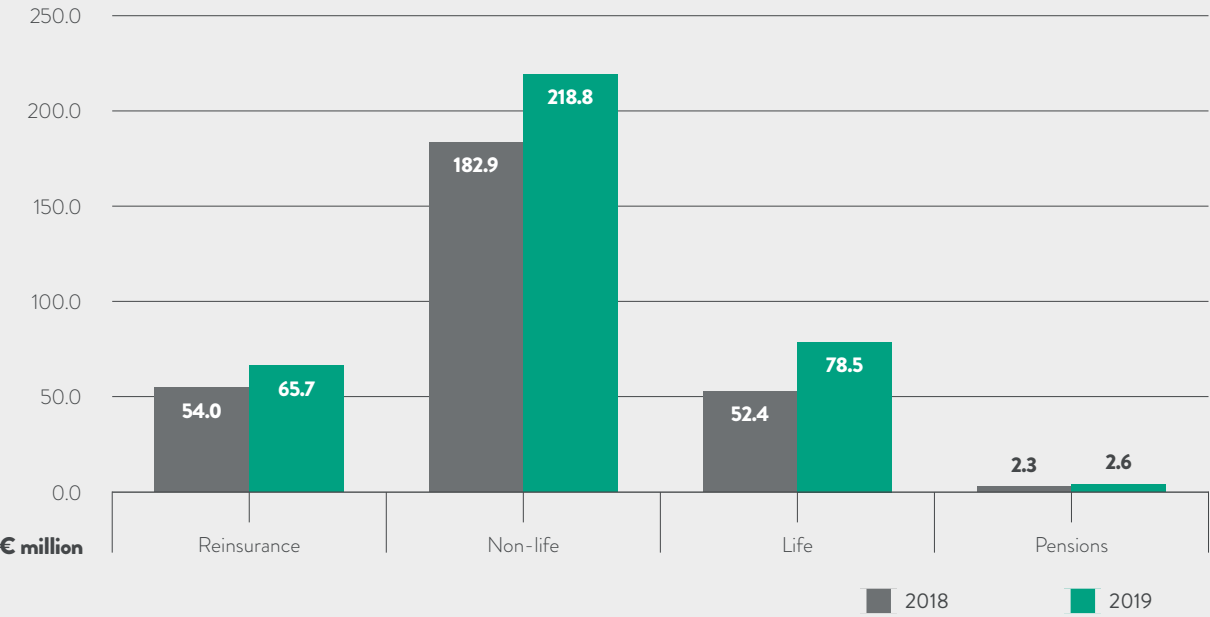
Consolidated net claims incurred⁴⁷

Consolidated net claims incurred, including the change in provisions related to life business

EUR	2019	2018	Index
Gross claims paid	392,032,235	342,556,518	114.4
Net claims paid	381,472,868	330,096,400	115.6
Change in the net provision for outstanding claims	17,718,592	-9,335,814	-189.8
Net claims incurred	399,191,460	320,760,586	124.5
Change in other technical provisions*	-46,506,883	-13,207,584	352.1
Change in technical provisions for policyholders who bear the investment risk	12,825,182	-15,962,680	-80.3
Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business	365,509,759	291,590,322	125.4

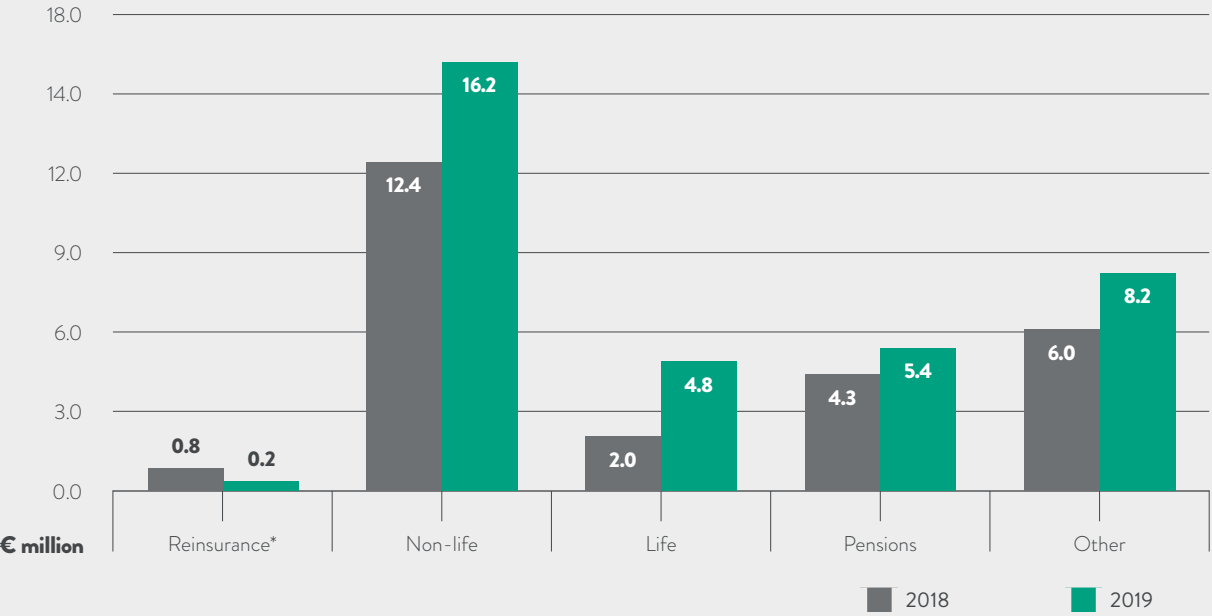
* This largely comprises mathematical provisions.

Composition of consolidated net claims incurred, including the change in life insurance provisions⁴⁸



Consolidated other technical income and other income

Composition of other technical income and other income by operating segment⁴⁶



⁴⁶ Other technical income does not include income from reinsurance commissions.

⁴⁷ Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

⁴⁸ 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.

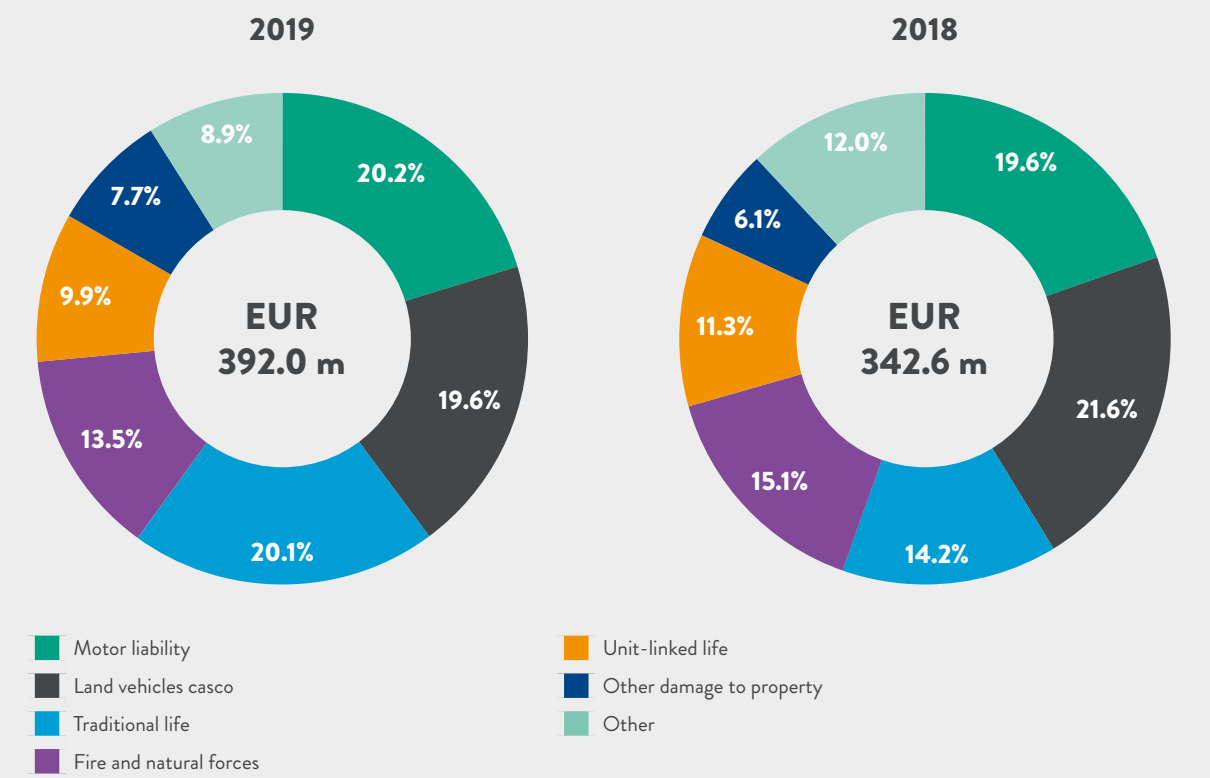
* The reinsurance segment is shown excluding the effect of exchange differences.

Consolidated net claims incurred by class of business⁴⁹

EUR	2019	2018	Index
Personal accident	11,451,517	11,168,972	102.5
Health	4,553,497	4,264,920	106.8
Land vehicles casco	77,969,525	73,108,208	106.6
Railway rolling stock	61,846	587,259	10.5
Aircraft hull	383,214	359,839	106.5
Ships hull	5,068,332	6,844,282	74.1
Goods in transit	1,687,880	5,684,790	29.7
Fire and natural forces	61,097,843	42,068,388	145.2
Other damage to property	29,990,422	17,979,720	166.8
Motor liability	79,518,637	62,105,208	128.0
Aircraft liability	8,887	-38,163	-23.3
Liability for ships	490,007	354,175	138.4
General liability	8,225,516	6,777,430	121.4
Credit	-82,382	-222,186	37.1
Suretyship	-3,995	-98,655	4.0
Miscellaneous financial loss	1,003,565	1,091,744	91.9
Legal expenses	245,728	-8,939	-2,748.9
Assistance	3,075,461	2,403,444	128.0
Traditional life	79,194,743	47,690,979	166.1
Unit-linked life	35,251,217	38,639,170	91.2
Total non-life	284,745,500	234,430,436	121.5
Total life	114,445,960	86,330,149	132.6
Total	399,191,460	320,760,586	124.5

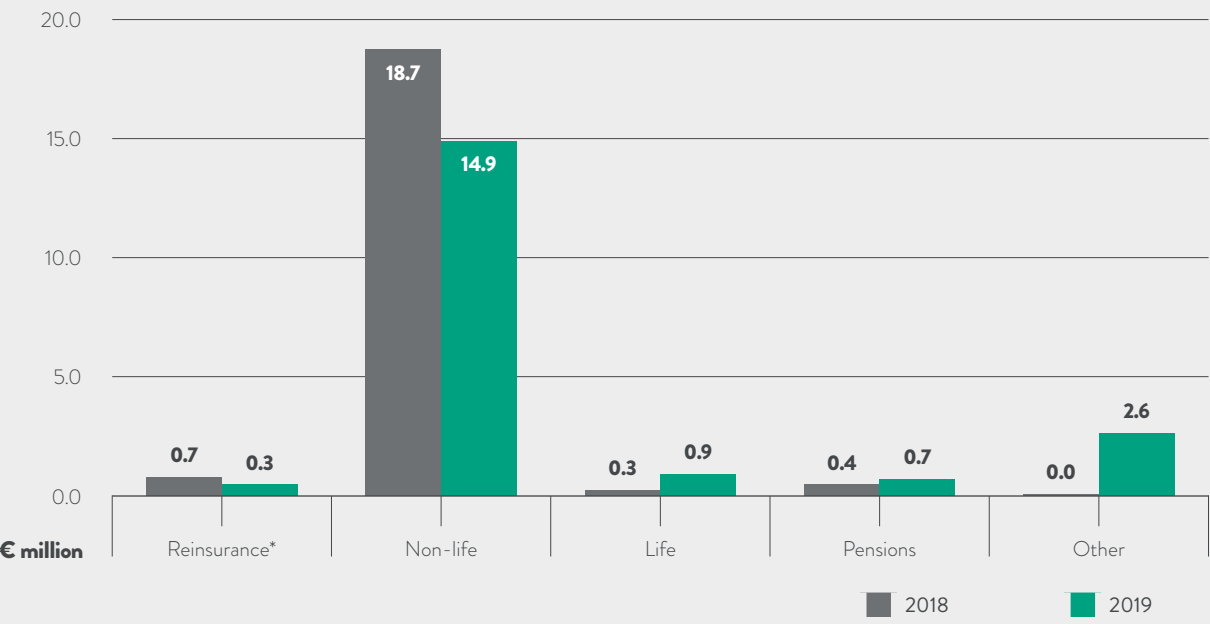
⁴⁹ These do not include the change in other technical provisions nor the change in the technical provision for policyholders who bear the investment risk.

Consolidated gross claims paid by class of business (including annuities)



Consolidated other technical expenses and other expenses

Composition of other technical expenses and other expenses by operating segment



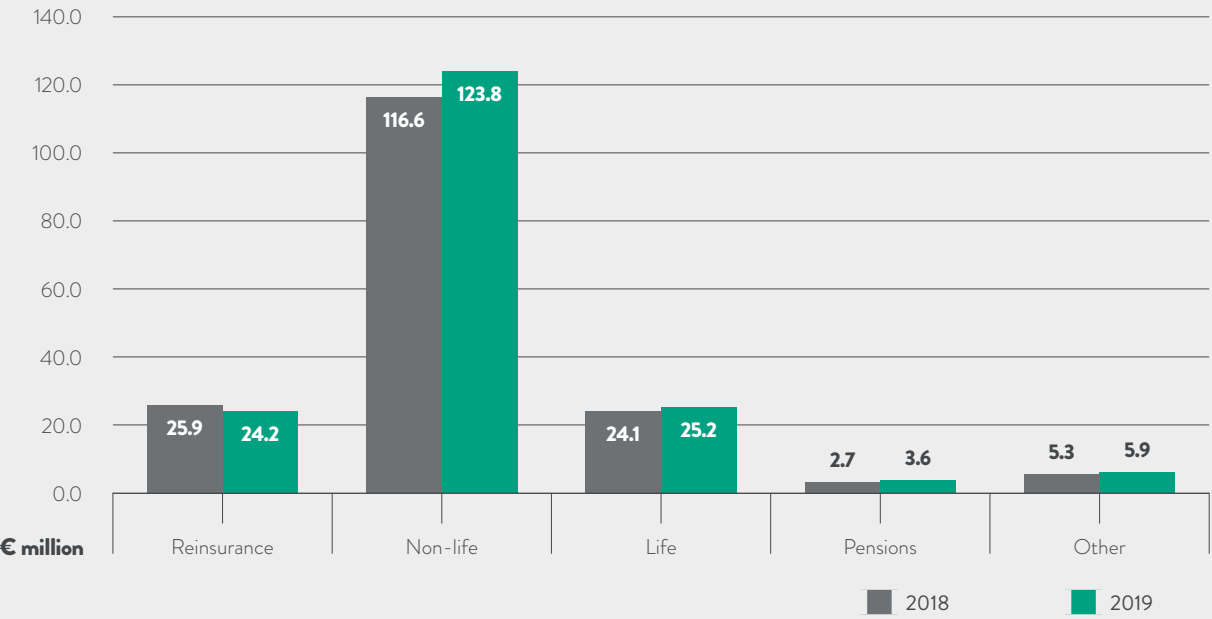
* The reinsurance segment is shown excluding the effect of exchange differences.

Consolidated operating expenses

Consolidated operating expenses

EUR	2019	2018	Index
Acquisition costs	65,793,677	58,372,509	112.7
Change in deferred acquisition costs (+/-)	-2,908,414	-1,598,536	181.9
Other operating expenses	124,069,971	121,357,464	102.2
Operating expenses	186,955,234	178,131,437	105.0
Reinsurance commission income	-4,291,946	-3,634,682	118.1
Net operating expenses	182,663,288	174,496,755	104.7

Consolidated net operating expenses by operating segment



Consolidated net investment income

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

Consolidated net investment income of the investment portfolio

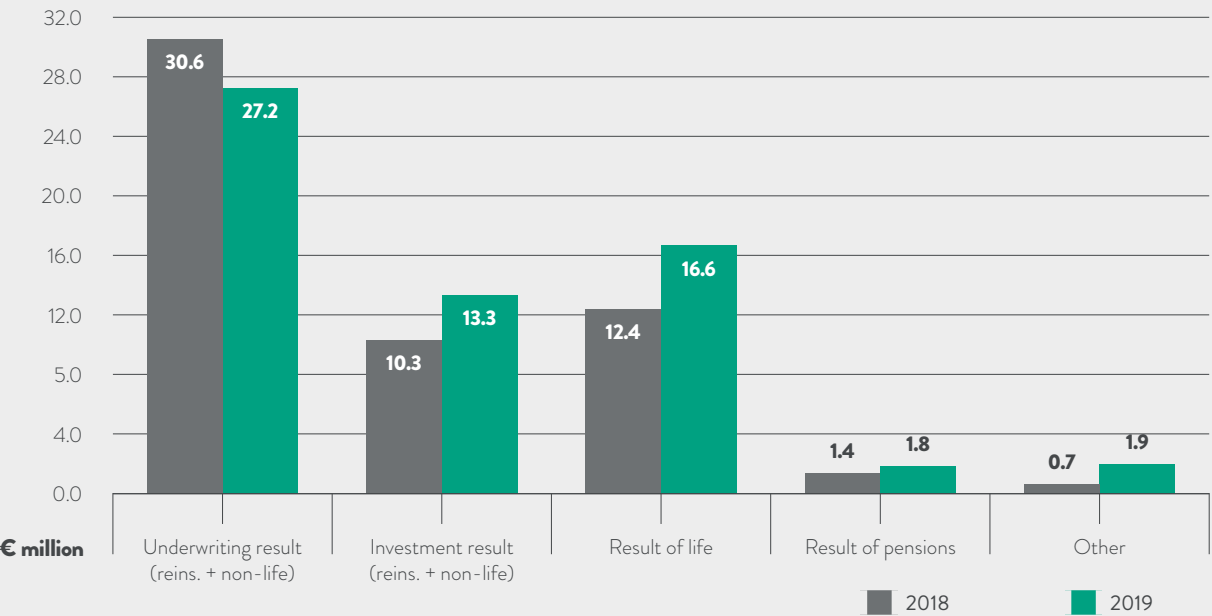
EUR	2019	2018	Absolute change
Net investment income of the investment portfolio	22,299,995	17,768,423	4,531,572
Net investment income of the investment portfolio, excluding the effect of exchange differences	20,959,926	17,922,647	3,037,279

Consolidated income and expenses relating to the investment portfolio

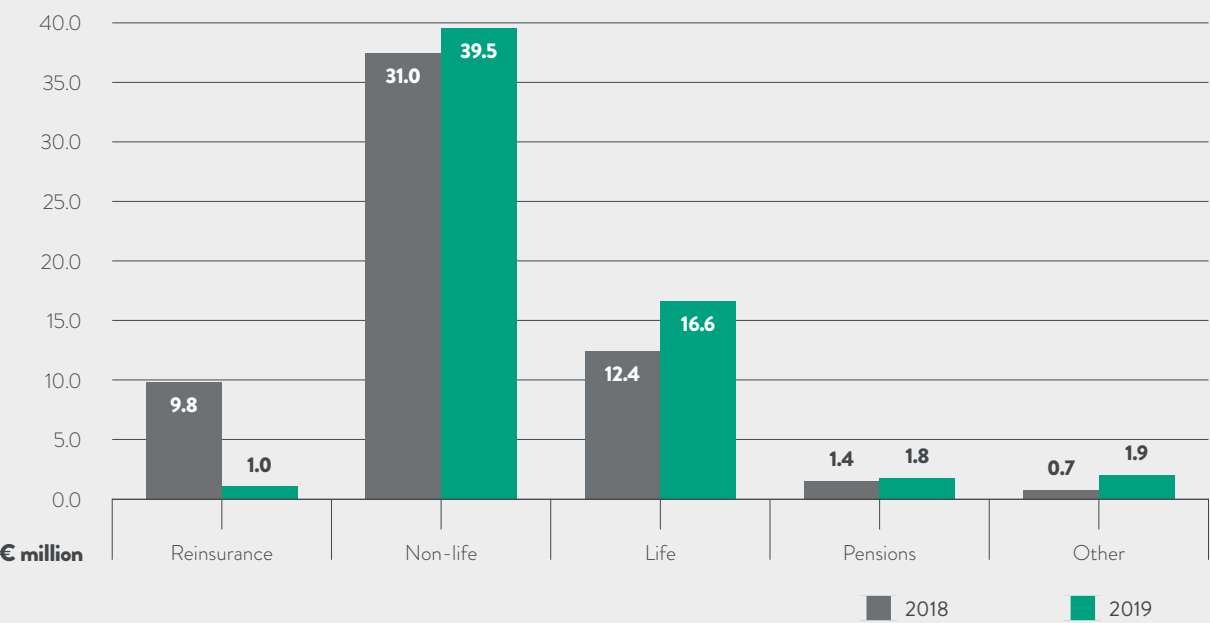
EUR	2019	2018	Absolute change
Income			
Interest income	14,016,424	16,459,186	-2,442,762
Change in fair value and gains on disposal of FVTPL assets	1,718,802	213,683	1,505,119
Gains on disposal of other IFRS asset categories	786,557	2,251,786	-1,465,229
Income of subsidiaries	2,717,909	0	2,717,909
Income from dividends and shares – other investments	1,623,033	1,378,367	244,666
Exchange gains	1,340,069	0	1,340,069
Diverse other income	2,136,717	1,316,209	820,508
Income relating to the investment portfolio	24,339,511	21,619,231	2,720,280
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	23,278,584	0	23,278,584
Expenses			
Interest expenses	510,432	28,445	481,987
Change in fair value and losses on disposal of FVTPL assets	626,040	636,625	-10,585
Losses on disposal of other IFRS asset categories	242,946	305,347	-62,401
Impairment losses on subsidiaries and associates	54,721	151,130	-96,409
Impairment losses on other investments	0	1,943,975	-1,943,975
Exchange losses	0	154,224	-154,224
Other	605,377	631,062	-25,685
Expenses relating to the investment portfolio	2,039,516	3,850,508	-1,811,292
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	0	6,630,921	-6,630,921

Consolidated gross profit or loss

Composition of the consolidated gross profit or loss



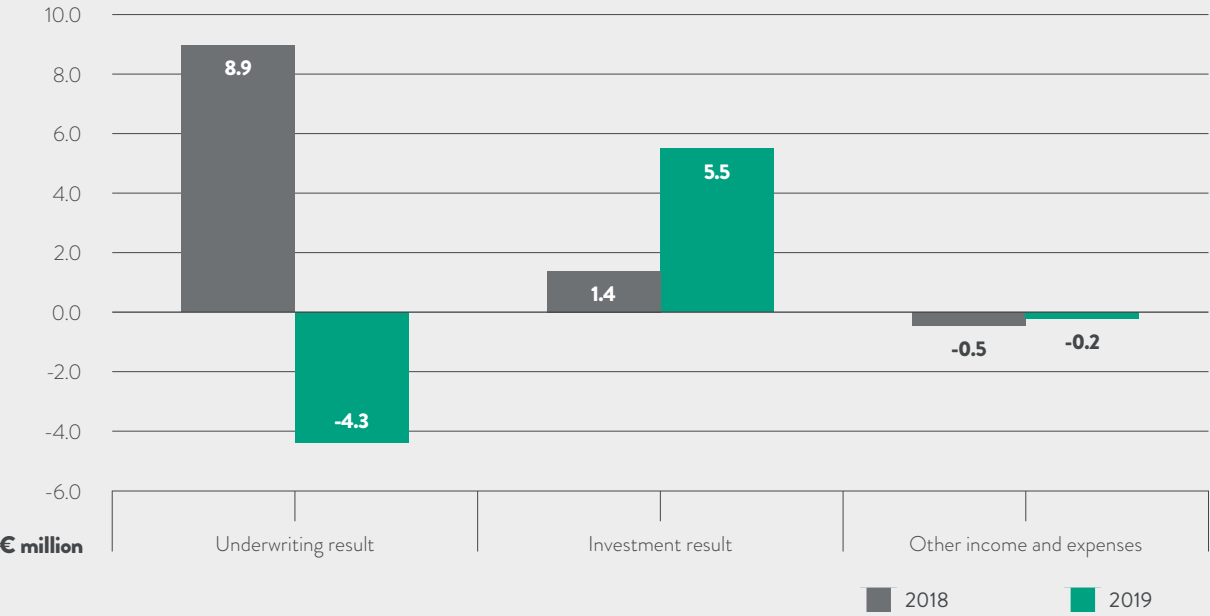
Composition of the consolidated gross income statement by operating segment



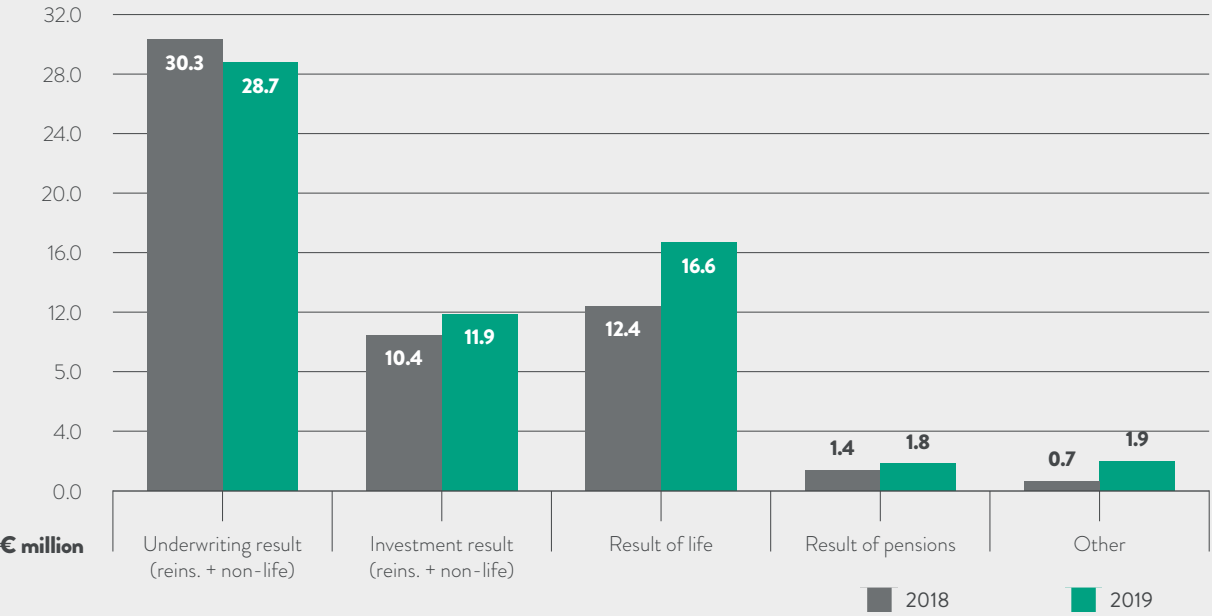
8.1.1 Reinsurance business

The reinsurance segment primarily reflects the developments in the portfolio that Sava Re writes outside Slovenia with non-Group companies.

Composition of the consolidated gross income statement; reinsurance business



Composition of the gross consolidated result (excluding the effect of exchange differences)



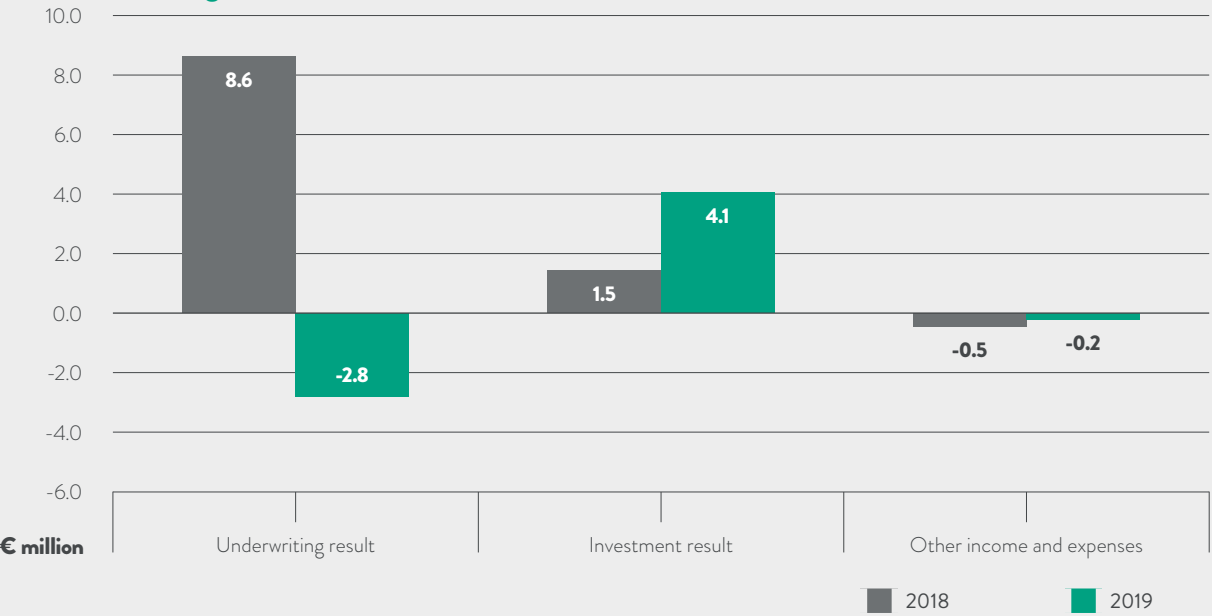
Profit after tax
^
up 16.7%



The performance of this operating segment is impacted by exchange differences, which is why the underwriting and investment results are not directly comparable. The following

graph shows the composition of gross profits of the reinsurance segment, excluding the effect of exchange differences.

Composition of the consolidated gross income statement; reinsurance business (excluding the effect of exchange differences)



The underwriting result, excluding the effect of exchange differences, was lower than in 2018, mainly on account of higher claims incurred (deviations are explained later in the section); in 2018, the Company also recognised a one-off effect of the positive settlement of a legal case in the amount of EUR 1.5 million. In 2019, the investment result was more favourable than in 2018, which was due to the partial repayment of the previously impaired corporate bond in 2019 (EUR +0.4 million); in 2018, the company also effected EUR 1.9 million in impairments, which in 2019 did not rise to such a level. The investment result was negatively affected by the decrease in interest income due to the matu-

rity of a part of the investment portfolio and the reinvestment of funds under significantly worse conditions; another significant reason is the increase in interest expenses due to the subordinated bond issued by the controlling company (EUR 0.5 million).

The Company follows a policy of asset and liability currency matching. The impact of exchange differences on results by operating segment was as follows: underwriting categories were impacted by exchange losses of EUR 1.6 million (2018: EUR 0.3 million of exchange gains) and exchange gains of EUR 1.4 million relating to investments (2018: EUR 0.1 million exchange losses).

Net premiums earned

Net premiums earned; reinsurance business

EUR	2019	2018	Index
Gross premiums written	90,250,935	89,317,441	101.0
Net premiums earned	85,611,888	88,342,760	96.9

Gross premiums written in the reinsurance segment in 2019 were up by 1.0% from the previous year. Premium growth was achieved in non-proportional reinsurance business, especially in Asian markets (through organic growth and new contracts). In 2019, net premiums earned were lower than in 2018 by 3.1% due to the higher change in net unearned premiums (in 2018, a decline in gross pre-

miums and consequently a decrease in net unearned premiums was recorded, while in 2019, an increase in gross premiums and consequently an increase in net unearned premiums was recorded).

More details on developments in unconsolidated data are provided in section 8.2 “Sava Re”.

Net claims incurred⁵⁰

Net claims incurred; reinsurance business

EUR	2019	2018	Index
Gross claims paid	54,209,096	51,397,784	105.5
Net claims incurred	64,948,955	53,742,449	120.9

Net claims incurred, excluding the effect of exchange differences; reinsurance business

EUR	2019	2018	Index
Gross claims paid	54,209,096	51,397,784	105.5
Net claims incurred	63,299,231	54,041,019	117.1

Return on investments

up 1.3 p.p.

In 2019, exchange differences had a negative impact on net claims incurred in the amount of EUR 1.6 million (in 2018 a positive impact in the amount of EUR 0.3 million). In 2019, net claims incurred, excluding the effect of exchange differences, rose by 17.1% compared to 2018, due to the fact that there were more catastrophic events in 2019 than in the previous year (2018: a typhoon in Japan and floods in India; 2019: two typhoons in Japan, a hurri-

cane in the Bahamas, fires in the United Kingdom and in Qatar). The net incurred loss ratio relating to the reinsurance segment (excluding the effect of exchange differences) was lower than in the previous year by 13.4 p.p., amounting to 74.8% (2018: 61.4%).

More details on developments in unconsolidated data are provided in section 8.2 “Sava Re”.

Operating expenses

Consolidated operating expenses; reinsurance business

EUR	2019	2018	Index
Acquisition costs	19,969,317	21,237,494	94.0
Change in deferred acquisition costs (+/-)	329,954	652,725	50.6
Other operating expenses	4,428,759	4,333,876	102.2
Operating expenses	24,728,030	26,224,095	94.3
Reinsurance commission income	-565,492	-365,777	-45.4
Net operating expenses	24,162,539	25,858,319	93.4

Acquisition costs (commissions) were lower, despite higher gross premiums. Acquisition costs accounted for 22.1% of gross premiums written in 2019, which is 1.6 p.p. less than in 2018. The lower increase in commissions compared to gross premiums written is the result of a relative decline in proportional business, which earns higher commission rates than non-proportional business. The change in deferred acquisition costs in 2019 is lower than in the previous year, and corresponds to the developments in unearned premiums.

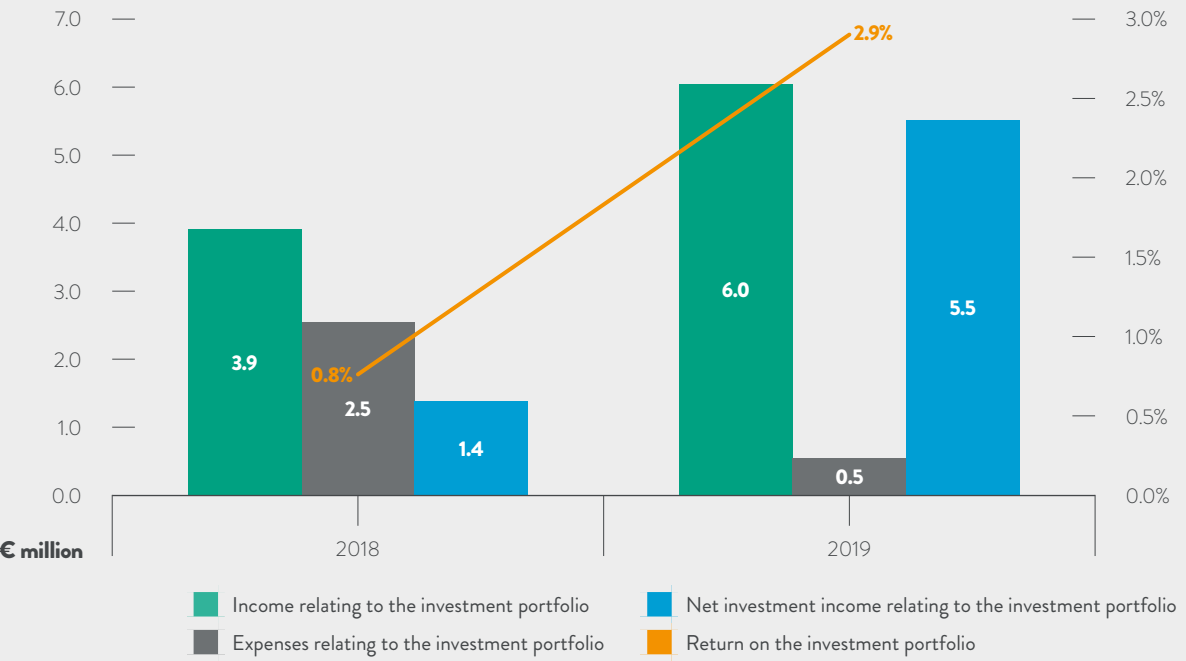
Other operating expenses increased by 2.2%, primarily on account of IT services.

In 2019, the net expense ratio was lower than in 2018 by 1.1 p.p. due to the lower acquisition costs and amounted to 28.2%.

More details on developments in unconsolidated data are provided in section 8.2 “Sava Re”.

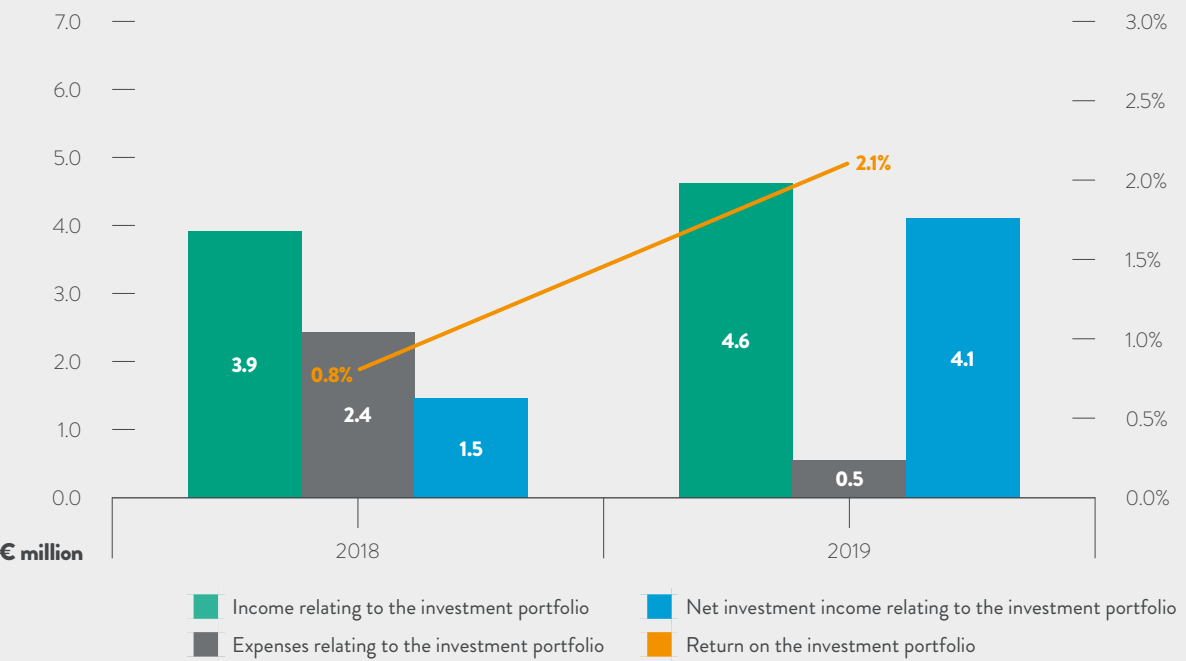
Net investment income

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



* Income and expenses for 2018 differ from those listed in the 2018 annual report due to the fact that exchange differences were presented separately, while the 2019 annual report shows the common impact of exchange differences.

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



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 the reinsurance segment.

Compared to 2018, the Group realised EUR 2.6 million higher return in the reinsurance segment. The higher return was affected by the income from the partial repayment of a previously impaired corporate bond (EUR +0.4 million). In 2018, the company realised EUR 1.9 million impairments, which were not realised in 2019. The investment return for the period was 2.1%.

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

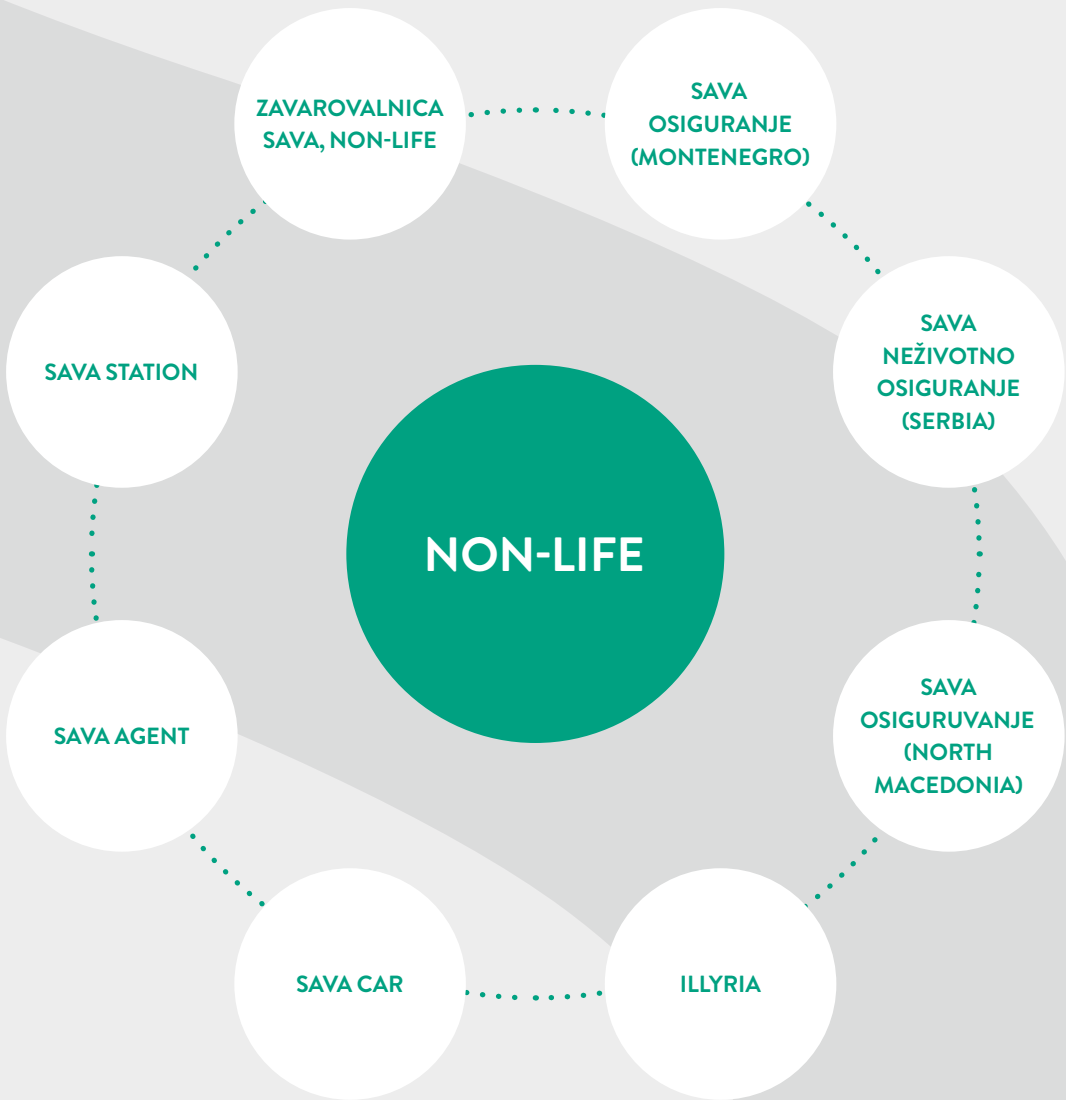
- Zavarovalnica Sava, non-life
- Sava Osiguranje (Montenegro)
- Sava Neživotno Osiguranje (Serbia)
- Sava Osiguruvanje (North Macedonia)
- Illyria
- Sava Car
- Sava Agent
- Sava Station

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

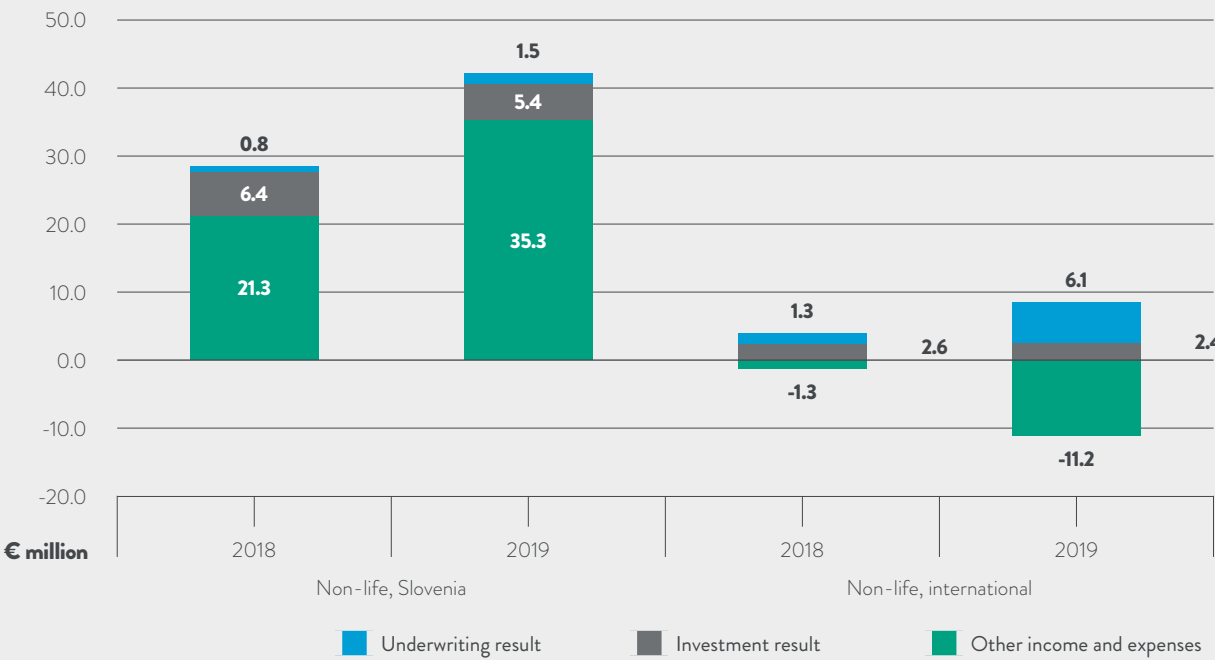
Income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.36 “Segment reporting”.



8.1.2 Non-life business

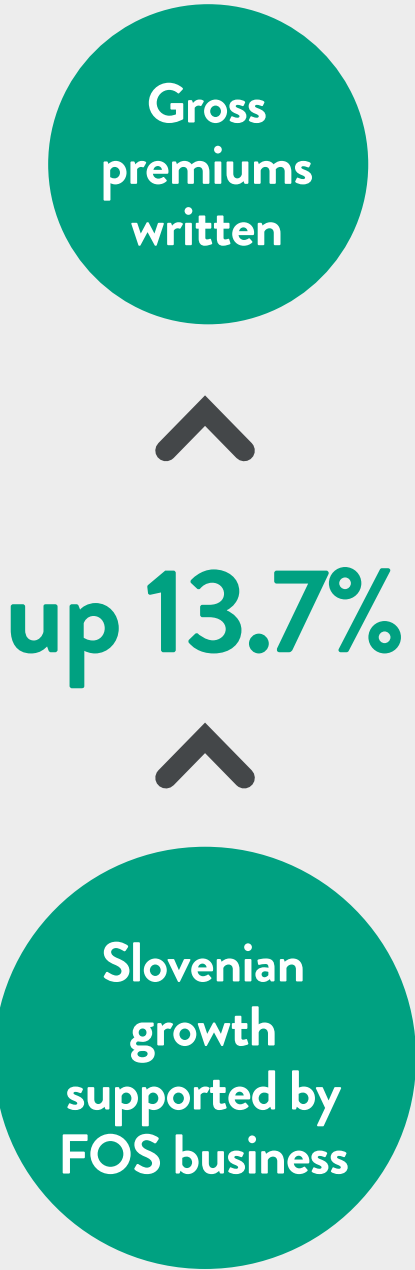


Composition of the consolidated gross income statement; non-life insurance business



The gross consolidated profit for 2019 relating to the non-life operating segment improved by EUR 8.5 million compared to 2018. This is the combined result of a EUR 13.7 million better result of the Slovenian insurer and a EUR 5.2 million weaker result of non-Slovenian insurers.

The consolidated underwriting result of the Slovenian non-life insurer improved by EUR 14.0 million, mainly driven by growth in net premiums earned. The decline in the non-Slovenian underwriting result of non-life insurers of EUR 9.9 million is chiefly attributable to higher net claims incurred by Croatian non-life insurers.



The investment result of the Slovenian non-life insurer was weaker by EUR 1.0 million due to lower interest income. The investment result of the non-Slovenian non-life insurers was weaker by EUR 0.2 million, which is chiefly attributable to lower other investment income and somewhat higher expenses for financial assets and liabilities.

The result of other income and expenses of the Slovenian non-life insurer improved by EUR 0.7 million, chiefly due to lower other

expenses in 2019. This is because in 2019 a change was made in the presentation of discounts for advance payments: in 2018, they were recorded as other expenses, while in 2019 they are recorded as a reduction in gross premiums written. The result of other income and expenses of non-Slovenian non-life insurers improved by EUR 4.8 million due to income concerning the remedying of negative goodwill recognised at the acquisition of the company ERGO Osiguranje.

Net premiums earned

Net premiums earned; non-life insurance business

EUR	2019	2018	Index
Gross premiums written	418,279,959	367,910,907	113.7
Net premiums earned	372,714,714	327,627,998	113.8

Net premiums earned by region; non-life insurance business

EUR	Slovenia			International		
	2019	2018	Index	2019	2018	Index
Gross premiums written	336,307,949	299,788,809	112.2	81,972,010	68,122,098	120.3
Net premiums earned	299,057,193	266,087,185	112.4	73,657,520	61,540,814	119.7

Unconsolidated gross non-life premiums of Sava Insurance Group members

EUR	2019	2018	Index
Zavarovalnica Sava, Slovenian part (non-life)	336,459,922	299,921,688	112.2
Zavarovalnica Sava, Croatian part (non-life)	21,040,720	12,622,849	166.7
Sava Neživotno Osiguranje (Serbia)	22,473,870	20,301,623	110.7
Illyria	10,320,121	9,377,074	110.1
Sava Osiguruvanje (North Macedonia)	14,397,197	13,038,150	110.4
Sava Osiguranje (Montenegro)	13,758,703	12,804,286	107.5
Total	418,450,532	368,065,671	113.7

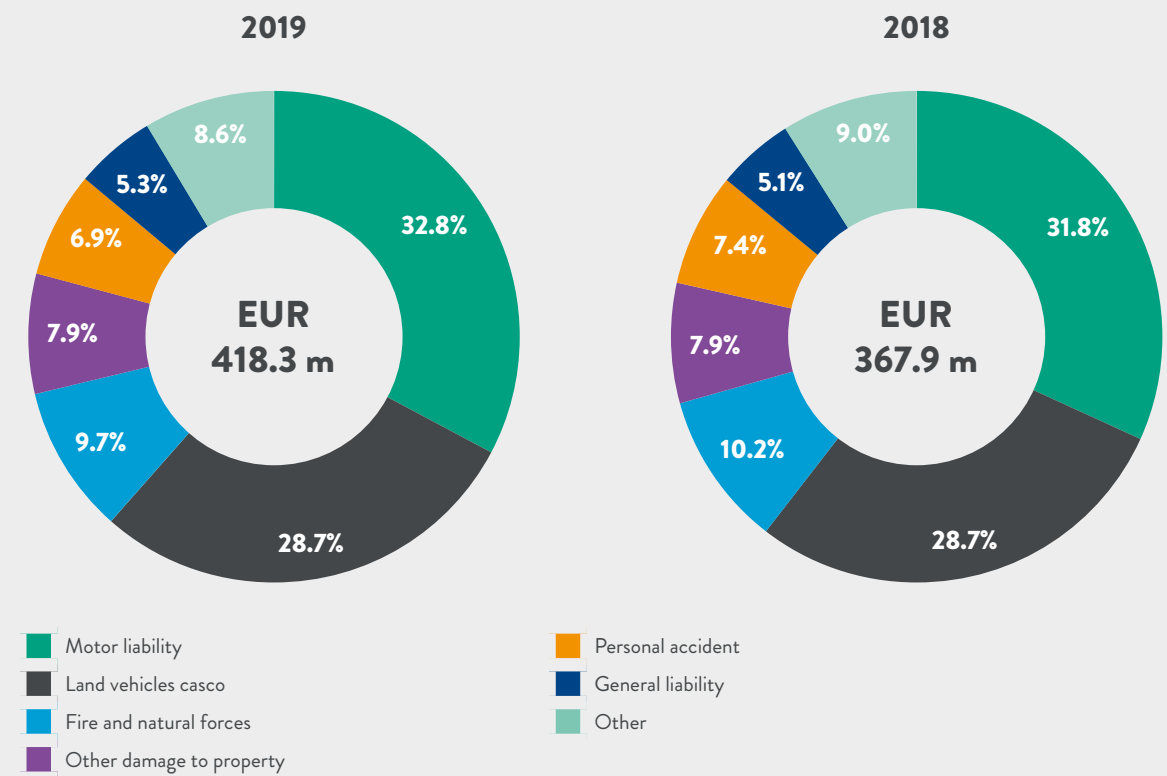
Gross non-life insurance premiums grew by 13.7% in 2019 as a result of the growth in gross non-life premiums of all non-life insurance companies in the Group. Accordingly, net premiums earned also grew, by 13.8% in total.

Slovenia-sourced gross non-life premiums grew by 12.2%. The increase in gross premiums for FOS business (freedom of service) in the amount of EUR 13.7 million written by the non-life insurer in Slovenia in cooperation with various companies within the EU Member States contributed to the growth of the Slovenian non-life insurer. This chiefly includes motor and general liability policies. The increase in gross premiums of the Slovenian non-life insurer in the amount of EUR 22.9 million refers to non-life insurances without FOS business. In the aforementioned period, the Slovenian insurance market registered 7.5% growth in non-life gross premiums, excluding FOS business and accepted co-insurance, while the Slovenian part of Zavarovalnica Sava achieved 7.7% premium growth. The growth in gross premiums written for the Slovenian non-life insurer, excluding

FOS business, mostly stemmed from motor business. A large part of the growth relates to private motor insurance business, where the number of policies is increasing, as is the average premium in all insurance packages with the highest sales. In addition, favourable economic conditions with rising sales of motor vehicles boosted the sale of upmarket motor insurance packages. There was also a rise in gross premiums written in property business, due to an increase in insured property value of a large client. Net non-life insurance premiums earned in Slovenia grew by 12.4% in 2019.

Gross non-life insurance premiums written abroad rose by 20.3%. The growth was chiefly driven by the inclusion of the Croatian non-life insurer ERGO into the Sava Insurance Group. The largest jump in absolute terms was in motor premiums, chiefly as the result of higher sales in Croatia. Gross motor premiums also rose for the other non-Slovenian non-life insurers as a result of increased sales activities (opening of new branches and road-worthiness tests) and the joining of new policyholders.

Composition of consolidated gross non-life insurance premiums by class of business



Net claims incurred

Net claims incurred; non-life insurance business

EUR	2019	2018	Index
Gross claims paid	220,529,309	203,745,926	108.2
Net claims incurred	219,804,515	180,579,549	121.7

Net claims incurred by region; non-life insurance business

EUR	Slovenia			International		
	2019	2018	Index	2019	2018	Index
Gross claims paid	179,339,140	172,411,609	104.0	41,190,169	31,334,317	131.5
Net claims incurred	174,757,144	150,490,839	116.1	45,047,371	30,088,710	149.7

Unconsolidated gross non-life claims paid by Sava Insurance Group companies

EUR	2019	2018	Index
Zavarovalnica Sava, Slovenian part (non-life)	180,119,095	176,876,690	101.8
Zavarovalnica Sava, Croatian part (non-life)	12,771,183	6,046,599	211.2
Sava Neživotno Osiguranje (Serbia)	9,519,789	9,126,197	104.3
Illyria	6,945,708	5,424,456	128.0
Sava Osiguruvanje (North Macedonia)	6,097,029	6,091,707	100.1
Sava Osiguranje (Montenegro)	5,938,718	4,671,859	127.1
Total	221,391,522	208,237,508	106.3

Consolidated gross non-life claims grew by 8.2% in 2019, chiefly as the result of growth in gross non-life claims of the non-Slovenian non-life insurers.

Consolidated gross claims paid relating to Slovenian business rose by 4.0% in 2019 compared to the previous year. The increase in consolidated gross claims of the Slovenian business was mostly due to the change in the ownership of a subsidiary assistance service provider. In 2018, the costs of services of the assistance service provider concerning the performance of activities for the other Group companies were recognised in operating expenses, while in 2019 a part of these expenses, which the assistance service provider performs for the Group companies, was transferred to the gross claims item. Without this change, the consolidated gross claims related to Slovenian business would remain at same level as the previous year. In 2019 compared to the same period in the previous year, Zavarovalnica Sava incurred higher

claims concerning motor insurance due to the increase in the average relevant claims. Two greater claims also increased the level of claims. On the other hand, in the property insurance segment gross claims decreased, since 2018 saw higher claims paid due to weather-related disasters.

Consolidated gross claims paid relating to non-Slovenian business rose by 31.5%. In absolute terms, growth was mainly driven by the inclusion of the non-life insurer ERGO into the Sava Insurance Group. The largest rise in claims was posted by the Croatian non-life insurer, specifically in motor liability business, followed by motor casco claims. The main reason for the rise in motor claims is a rise in the number of reported claims and several larger claims, which is related to the high growth in the sale of these policies, stronger external distribution channels and online sales. In 2019, the Kosovan non-life insurer also paid out one significant claim in the fire-risk segment.



by 1.7 p.p.



Gross expense ratio better

Operating expenses

Consolidated operating expenses; non-life segment

EUR	2019	2018	Index
Acquisition costs	39,221,781	30,232,646	129.7
Change in deferred acquisition costs (+/-)	-3,281,828	-1,771,029	185.3
Other operating expenses	91,529,627	91,328,745	100.2
Operating expenses	127,469,580	119,790,362	106.4
Reinsurance commission income	-3,646,850	-3,211,288	113.6
Net operating expenses	123,822,729	116,579,075	106.2

Consolidated gross operating expenses of the non-life segment

EUR	2019	2018	Index
Non-life, Slovenia	93,601,391	89,690,393	104.4
Non-life business, international	37,150,016	31,870,998	116.6

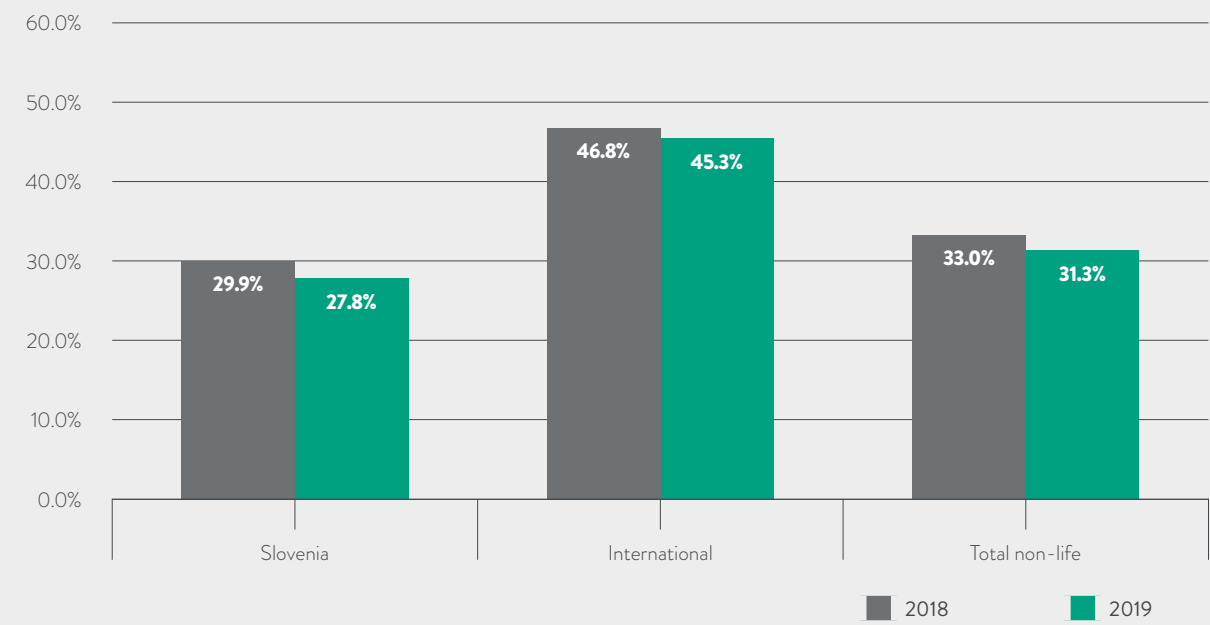
Consolidated acquisition costs were up by 29.7%. The rise in acquisition costs was driven by the growth in premiums written, specifically Slovenian business, FOS business and the inclusion of ERGO into the Sava Insurance Group.

Consolidated other operating expenses were only up by 0.2%. This was mostly due to the change in ownership of the subsidiary assistance service provider. In 2018, all operating

expenses of the assistance service provider related to the performance of activities for the other Group companies were transferred from the “other” segment into the non-life segment Slovenia and international non-life segment. In 2019, a part of these expenses was reallocated to gross claims.

An increased change in deferred acquisition costs reflects portfolio growth resulting in more deferred acquisition costs.

Consolidated gross expense ratio; non-life segment

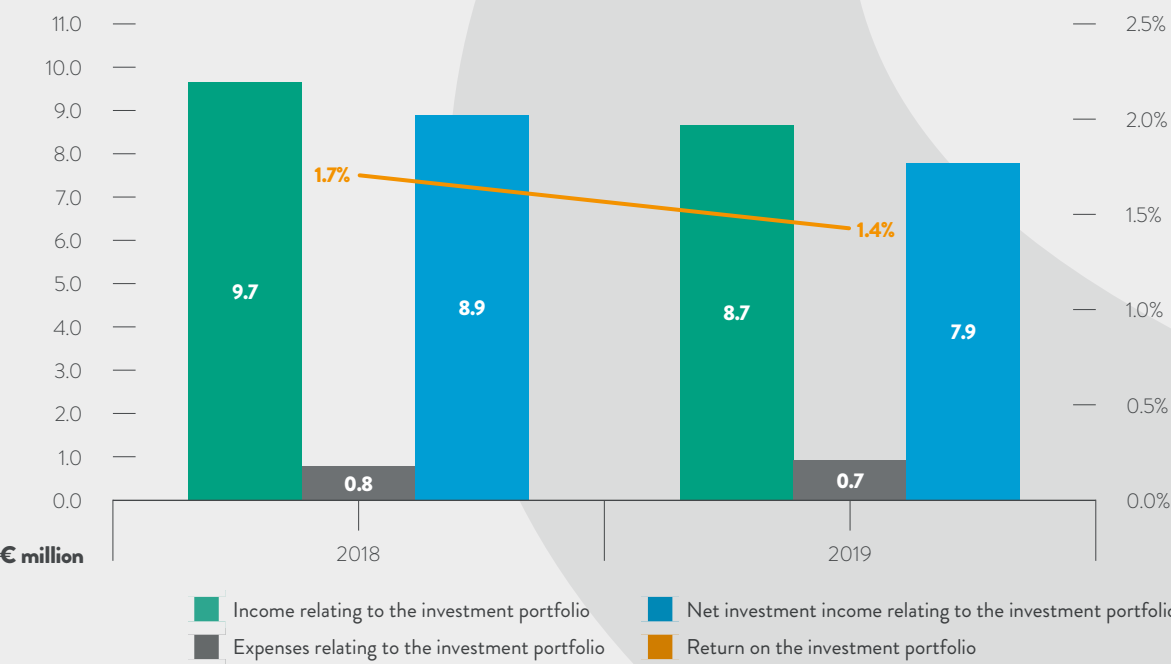


The consolidated gross expense ratio of the non-life segment dropped by 1.7 p.p. due to the increase in gross premiums written for the Slovenian non-life insurer (a decrease in the

gross expense ratio of 2.1 p.p.) and an increase in gross premiums written for foreign non-life insurers (a decrease in the gross expense ratio of 1.5 p.p.).

Net investment income

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



* Income and expenses for 2018 differ from those listed in the 2018 annual report due to the fact that exchange differences were presented separately, while the 2019 annual report shows their common impact.

The net investment income of the investment portfolio of non-life insurance business totalled EUR 7.9 million in 2019, down by EUR 1.0 million from 2018. Net investment income was lower largely owing to lower interest income (EUR 0.9 million). The investment return for the period was 1.4%.

8.1.3 Life business

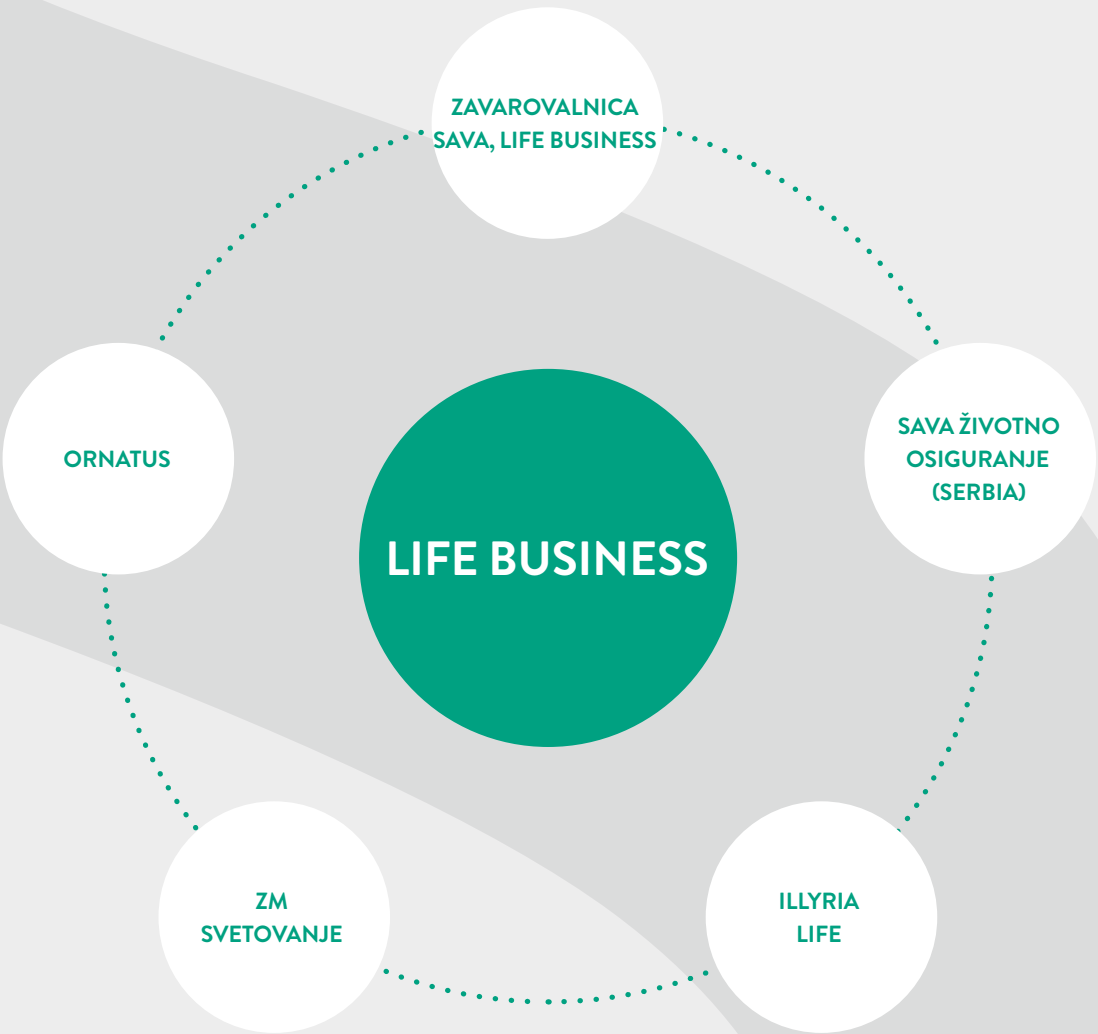
The life segment comprises the operations of the following companies:

- Zavarovalnica Sava, life business
- Sava Životno Osiguranje (Serbia)
- Illyria Life
- ZM Svetovanje
- Ornatus

The Slovenian part of Zavarovalnica Sava is discussed in the life segment Slovenia, and the Croatian part of the company in the inter-

national life segment. The company ERGO Životno Osiguranje joined the Sava Insurance Group on 31 March 2019, and at the end of 2019 it was merged with the Croatian part of Zavarovalnica Sava, which is why as of 1 April 2019 it is included in the consolidated income statement within the Croatian part of the Zavarovalnica Sava in the international life segment.

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”.



New
premiums
offset

strong
decline due
to maturities

Net premiums earned

Net premiums earned; life insurance business

EUR	2019	2018	Index
Gross premiums written	87,668,880	86,852,148	100.9
Net premiums earned	87,387,050	86,479,900	101.0

Net premiums earned by region; life insurance business

EUR	Slovenia			International		
	2019	2018	Index	2019	2018	Index
Gross premiums written	78,568,081	78,512,481	100.1	9,100,799	8,339,667	109.1
Net premiums earned	78,305,216	78,235,117	100.1	9,081,834	8,244,783	110.2

Unconsolidated gross life premiums of Sava Insurance Group companies

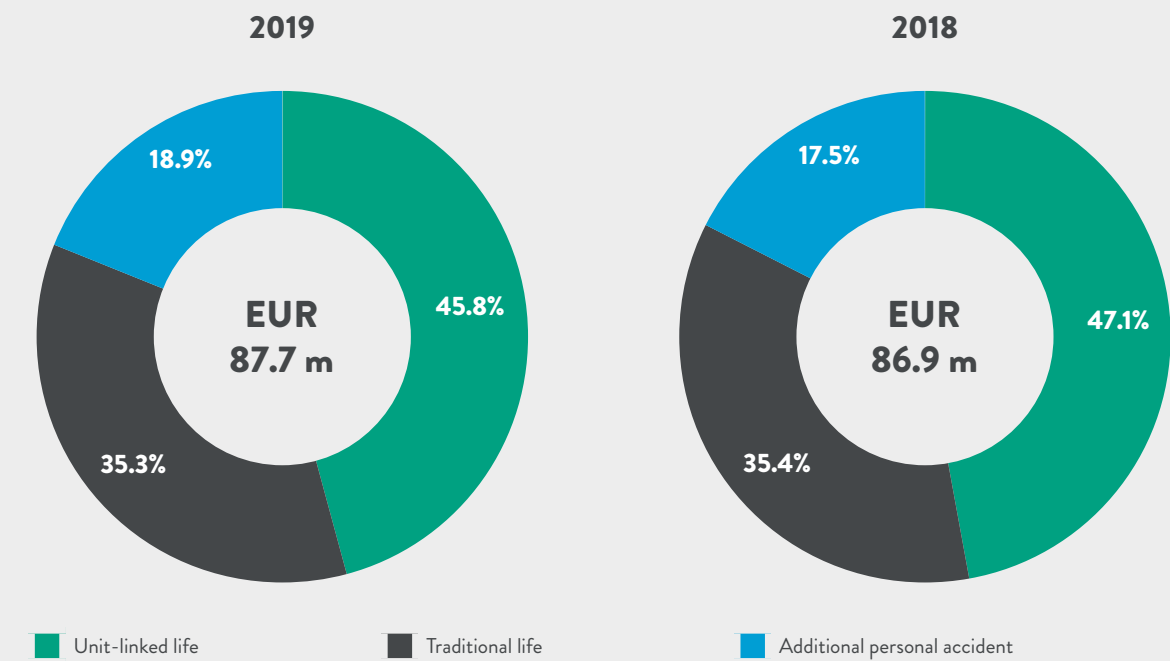
EUR	2019	2018	Index
Zavarovalnica Sava, Slovenian part (life)	78,568,081	78,512,481	100.1
Zavarovalnica Sava, Croatian part (life)	3,830,852	4,082,567	93.8
Sava Životno Osiguranje (Serbia)	2,930,958	2,164,054	135.4
Illyria Life	2,338,989	2,096,720	111.6
Total	87,668,880	86,855,822	100.9

In 2019, gross premiums written by the Slovenian life insurer remained at approximately the same level as in the previous year. The company managed to offset the entire short-fall in premiums related to maturities, deaths and surrenders with new insurance contracts.

In 2019, gross premiums written by the non-Slovenian life insurers grew by 9.1% year

on year, with the largest growth recorded in Serbia, reflecting greater efficiency of the own sales network, as was the case also in Kosovo; however, the Croatian part of Zavarovalnica Sava experienced a decline in gross premiums written as the result of expiring policies (due to maturities, deaths, surrenders) that the company did not manage to compensate by writing new business.

Composition of consolidated gross life insurance premiums by class of business



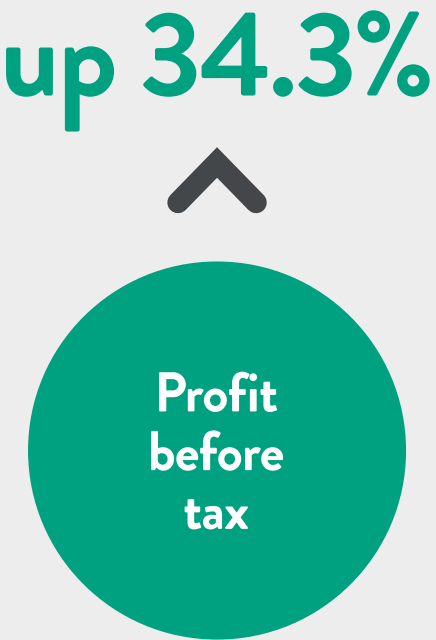
Net claims incurred

Net claims incurred; life insurance business

EUR	2019	2018	Index
Gross claims paid	116,584,759	86,710,037	134.5
Net claims incurred	113,728,867	85,735,817	132.7
Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business	78,459,726	52,359,369	149.8

Net claims incurred by region; life insurance business

EUR	Slovenia			International		
	2019	2018	Index	2019	2018	Index
Gross claims paid	113,119,029	83,983,307	134.7	3,465,730	2,726,730	127.1
Net claims incurred	110,015,616	83,103,557	132.4	3,713,251	2,632,260	141.1
Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business	72,517,574	47,368,422	153.1	5,942,152	4,990,947	119.1



Unconsolidated gross life claims paid by Sava Insurance Group companies

EUR	2019	2018	Index
Zavarovalnica Sava, Slovenian part (life)	113,119,029	83,983,307	134.7
Zavarovalnica Sava, Croatian part (life)	2,384,165	1,902,059	125.3
Sava Životno Osiguranje (Serbia)	550,211	375,637	146.5
Illyria Life	531,354	450,046	118.1
Total	116,584,759	86,711,049	134.5

In 2019, gross claims paid in Slovenia rose by 34.7% year on year as the result of a large number of policies reaching maturity. The bulk of the maturity benefits incurred in the period related to traditional life policies, specifically EUR 65.5 million, an increase of EUR 29.3 million year on year. Life insurances, where policyholders bear the investment risk, registered EUR 16.7 million in surrenders and advance payments, up EUR 8.6 million year on year, whereas this class of insurance incurred lower maturity benefits than in the previous year.

Of the non-Slovenian insurers, Sava Životno Osiguranje (Serbia) recorded the largest increase in gross claims paid (from maturities and deaths), at 46.5%. The Croatian branch of Zavarovalnica Sava had an increase in gross claims of 25.3% due to the merger with the ERGO life insurer (approximately EUR 0.7 million in gross claims). Without the ERGO portfolio, the gross claims in the Croatian branch of the Zavarovalnica Sava would decrease by roughly 12%. Illyria Life’s gross claims paid grew by 18.1% in 2019 (driven by maturities and surrenders).

Operating expenses

Consolidated operating expenses; life segment

EUR	2019	2018	Index
Acquisition costs	6,566,377	6,882,966	95.4
Change in deferred acquisition costs (+/-)	43,460	-480,232	-9.0
Other operating expenses	18,688,469	17,745,549	105.3
Operating expenses	25,298,306	24,148,283	104.8
Reinsurance commission income	-79,604	-57,618	138.2
Net operating expenses	25,218,703	24,090,665	104.7

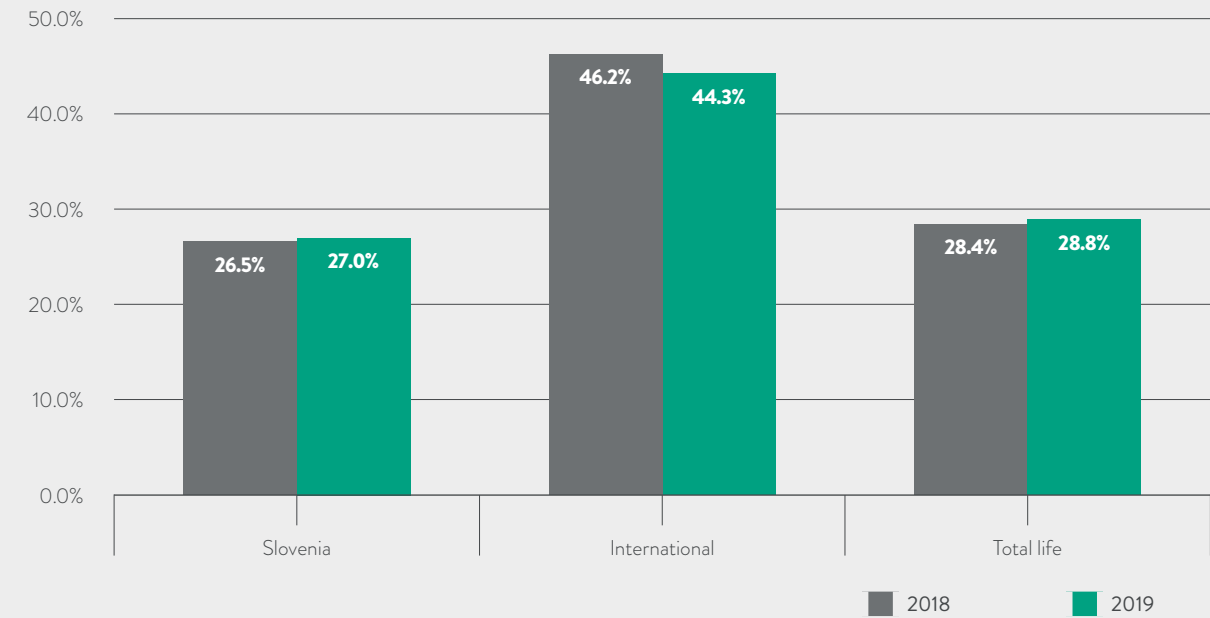
Consolidated gross operating expenses of the life segment

EUR	2019	2018	Index
Life business, Slovenia	21,223,163	20,773,139	102.1
Life business, international	4,031,684	3,855,376	104.6

In 2019, acquisition costs fell by 4.6% year on year, and were lower year-on-year in the life business of Slovenia, Croatia and Kosovo, but higher in Serbian business. The difference in the change in deferred acquisition costs between the years chiefly relates to Slovenian life business.

Other operating expenses grew year on year by 5.3%, namely in the life business of Slovenia, Croatia (due to the merger with the company ERGO Životno Osiguranje), Kosovo and Serbia.

Consolidated gross expense ratio; life segment



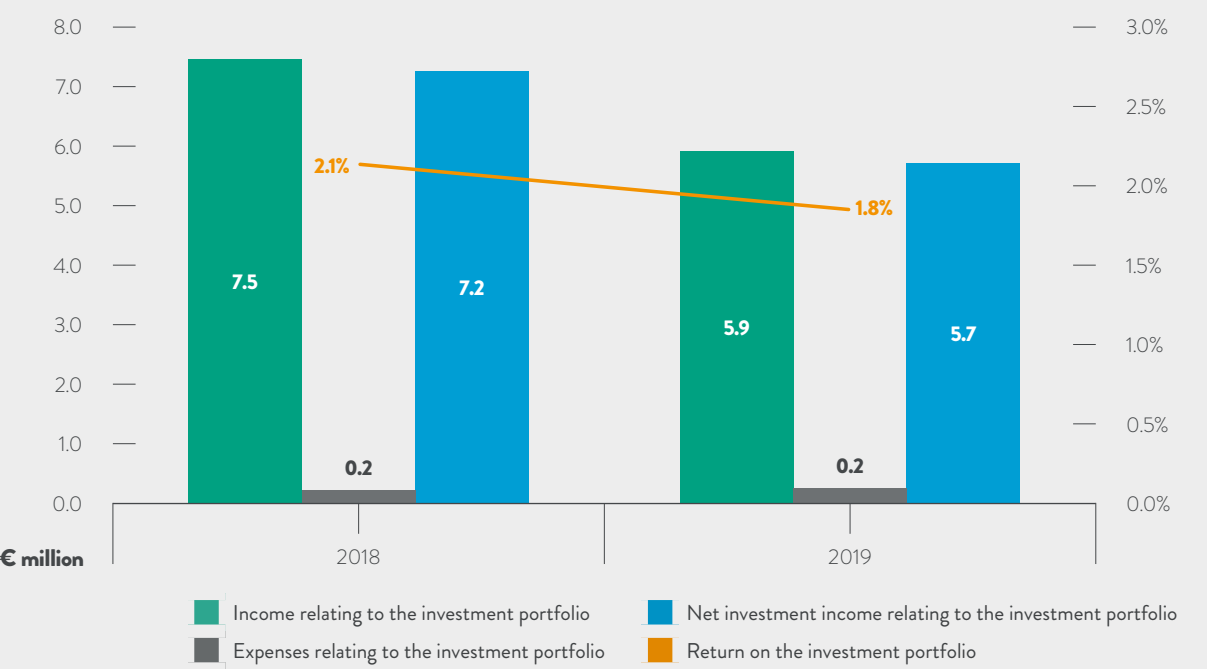
The consolidated gross expense ratio rose by 0.4 p.p. year on year. The Slovenian insurer saw an increase in the gross expense ratio by 0.5 p.p. (higher other operating expenses, mostly regarding information technology, while policy acquisition costs were lower and gross premiums remained roughly the same),

while the gross expense ratio fell significantly with foreign companies, namely by 1.9 p.p. (significantly higher gross premiums and lower policy acquisition costs, while the other operating expenses were higher due to the merger with ERGO Životno Osiguranje).



Net investment income

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



* Income and expenses for 2018 differ from those listed in the 2018 annual report due to the fact that exchange differences were presented separately, while the 2019 annual report shows their common impact.

The net investment income of the investment portfolio of life insurance business declined by EUR 1.5 million year on year. This was partly due to lower interest income (EUR 1.6 million). The investment return in 2019 was 1.8%.

8.1.4 Pensions

The pensions segment comprises the operations of the following companies:

- Sava Pokojninska
- Sava Penzisko Društvo

The company Sava Penzisko Društvo was included in the Group on 31 March 2018, which is why the pensions segment includes

comparative data of this company in the statement of financial position, whereas the income statement includes data only as of 1 April 2018.

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”.

Savings part

Other technical income and other income

EUR	2019	2018	Index
Other technical income and other income	5,364,761	4,279,631	125.4

Other technical income and other income include:

- income of the Slovenian pension company relating to entry charges paid by customers, exit charges, management fees that belong to the company in the management of the life cycle funds MOJI Skladi Življenjskega Cikla, and overheads charged to customers when transferring assets from the savings part to the annuity part; and
- income of the North Macedonian pension company relating to entry charges paid by customers and management fees to which the company is entitled for the management of mandatory and voluntary pension funds.

Movements in assets relating to the life cycle funds MOJI Skladi Življenjskega Cikla (Sava Pokojninska, Slovenia)

EUR	2019	2018	Index
Opening balance of fund assets (31 December)	134,926,064	128,862,922	104.7
Gross fund inflows	12,021,992	11,543,319	104.1
Gross fund outflows	-5,466,569	-5,507,194	99.3
Asset transfers	386,201	1,306,692	29.6
Fund return	6,922,388	-1,076,758	-
Entry and exit charges	-204,731	-202,917	100.9
Closing balance of fund assets (31 December)	148,585,345	134,926,064	110.1



Profit
before tax

The difference in the balance of fund assets and the balance sheet item assets of financial investments are the receivables of financial investments. In 2019, gross inflows into the group of life cycle funds MOJI Skladi Življenjskega Cikla (MY life-cycle funds) of the Slovenian pension company increased by 4.1% compared to the previous year. Growth was chiefly driven by an increase in the number of policyholders.

In 2019, gross outflows from the group of life cycle funds MOJI Skladi Življenjskega Cikla (MY life-cycle funds) of the Slovenian pension company decreased by 0.7% compared to the previous year. Gross outflows relates to regular or extraordinary termination. The largest portion of the latter refers to withdrawal from insurance.

Performance of the mandatory and voluntary funds of the North Macedonian pension company

EUR	2019
Net value of fund assets as at beginning of period (31/12/2018)	502,570,316
Gross fund inflows	71,494,380
Gross fund outflows	-32,236,740
Asset transfers	-1,364,134
Fund return	53,712,077
Entry and exit charges	-1,565,818
Fair value reserve and exchange differences	1,849,092
Net value of fund assets as at end of period (31/12/2019)	594,459,173

In 2019, gross inflows into the mandatory and voluntary funds of the North Macedonian pension company totalled EUR 71.5 million, and gross outflows were EUR 32.2 million. The majority of outflows refers to the statutory provision that assets and policyholders born after 1 January 1967 are to be transferred from the second pillar back to the first. The funds achieved a return of 9.8% in the period.

In 2019, the company carried out transfers from other Group contractors in the total amount of EUR 0.7 million, while transfers to other contractors totalled EUR 0.3 million, so that the net effect of transfers was positive but was, however, significantly lower than in the previous year.

Fund return of EUR 6.9 million is attributable to favourable developments in financial markets in 2019 (above-average returns).

Entry and exit charges relating to the My-Life-Cycle group of funds remained unchanged year on year.

In 2019, the balance of the group of life-cycle funds grew by 10.1% to EUR 148.6 million as at 31 December 2019.

In 2019, the net value of fund assets under management grew by 18.3% to EUR 594.5 million as at 31 December 2019.

The value of assets under management is not recognised in the statement of the financial position of Sava Penzisko Društvo because the North Macedonian pension company only manages the assets.

Annuity part

EUR	2019	2018	Index
Gross premiums written	2,326,383	2,219,043	104.8
Gross claims paid	709,123	702,771	100.9
Change in other net technical provisions (+/-)	-1,858,422	-1,589,897	116.3

The annuity part relates to the operation of Sava Pokojninska. The gross premiums written relate to the annuity fund, which in 2019 grew by 4.8% year on year, as a number of policyholders opted for additional pension annuities.

Gross claims paid include supplementary pension annuity payouts, which increased by 0.9% in 2019 compared to the previous year. After insured persons meet pension eligibil-

ity requirements their assets are transferred from savings accounts to annuity accounts, which creates growth for annuity funds.

The change in technical provisions includes the change in the technical provision relating to the annuity funds. The change in other net technical provisions reflects the change in premiums and claims, and the change due to revaluation for 2018.

Operating expenses

Operating expenses; pensions segment

EUR	2019	2018	Index
Operating expenses	3,590,660	2,674,108	134.3

In 2019, operating expenses grew by 34.3% year on year, mostly due to the North Macedonian pension company operating the entire year, while in 2018 it was only included in the Group as of 1 April 2018.



up
16.5%

Pension company savings
funds

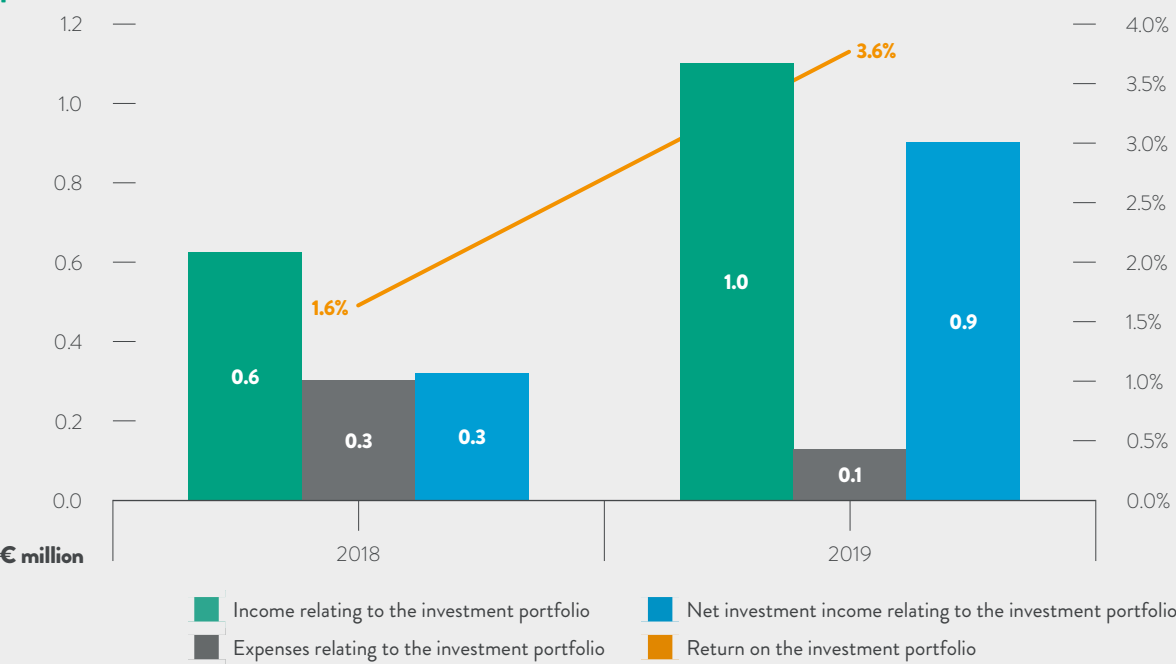
up
35.8%

Operating revenues

51 The table includes the portfolio of Sava Pokojninska (excluding investment contracts) and Sava Penzisko Društvo (excluding the return on the funds because the assets managed by Sava Penzisko Društvo are not disclosed in its statement of financial position).

Net investment income

Income, expenses and the net investment income relating to the investment portfolio (EUR); pensions⁵¹



* Income and expenses for 2018 differ from those listed in the 2018 annual report due to the fact that exchange differences were presented separately, while the 2019 annual report shows their common impact.

The net investment income of the investment portfolio of pension companies totalled EUR 0.9 million in 2019, up by EUR 0.6 million from 2018. Net investment income grew as the result of a partial repayment of a previously impaired corporate bond (EUR 0.3 mil-

lion), more dividend income (EUR 0.1 million) and higher income from changes in fair value on disposal of FVTPL assets (EUR 0.4 million). Return on the investment portfolio in 2019 was 3.6%.

8.1.5 Other

This “other” segment comprises the subsidiaries Sava Infond, TBS Team 24 and Illyria Hospital, and the two associates ZTSR and G2I (consolidated using the equity method). TBS Team 24 and Sava Infond were first included in the consolidated accounts on 31 January 2018 and 30 June 2019, respectively. The

“other” segment contributed EUR 1.9 million (EUR 10.9 million in income and EUR 9.0 million in expenses, including investment expenses) to the consolidated result in 2019. In 2019, this segment also includes interest expenditure from subordinate debt (EUR 0.5 milion).

8.2 Sava Re

Net premiums earned

Gross premiums written by geographical area

EUR	2019	2018	Index
Slovenia	71,209,780	58,213,627	122.3
International	95,319,151	93,422,589	102.0
Total	166,528,931	151,636,216	109.8

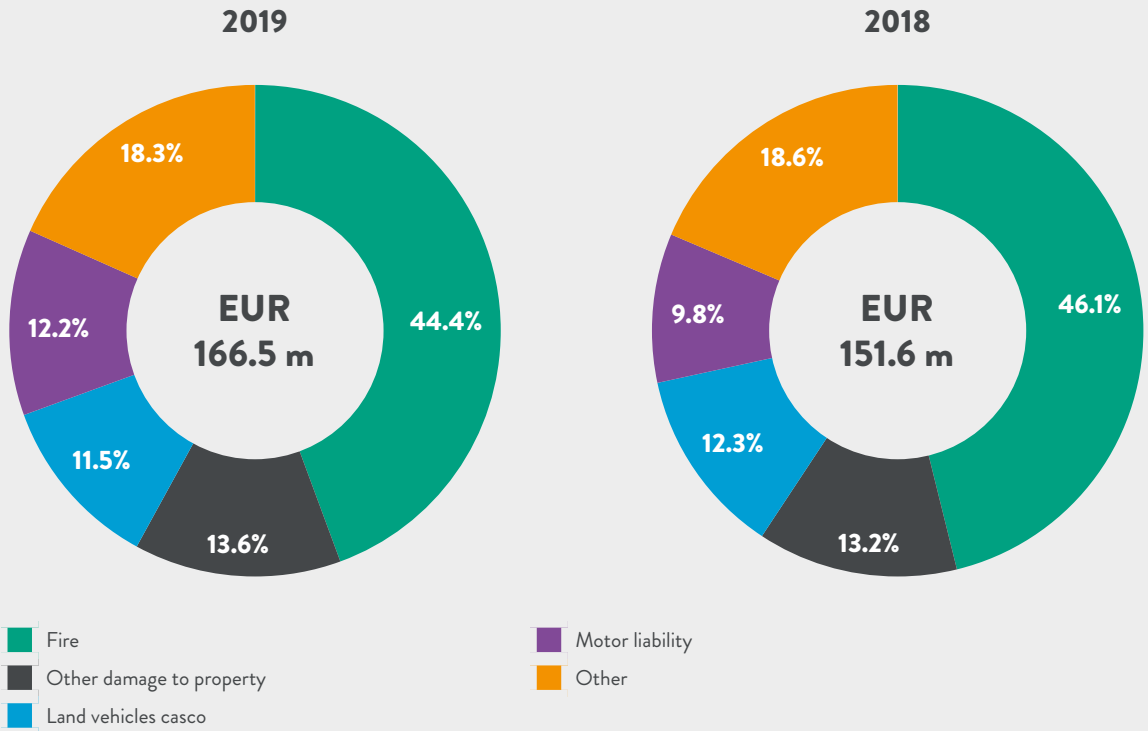
Net premiums earned

EUR	2019	2018	Index
Gross premiums written	166,528,931	151,636,216	109.8
Net premiums earned	137,446,312	133,740,178	102.8

Gross premiums written in Slovenia increased in 2019 by 22.3% or EUR 14.9 million (mainly due to higher premiums received from Zavarovalnica Sava). This favourable premium growth is a result of growth in motor business (increase both in average premium and number of policies written), some new customers, and growth in the portfolio of direct international business based on the freedom of services principle. Gross premiums written from abroad increased by 2.0%, or EUR 1.9 million, due to the growth in non-Group non-proportional business.

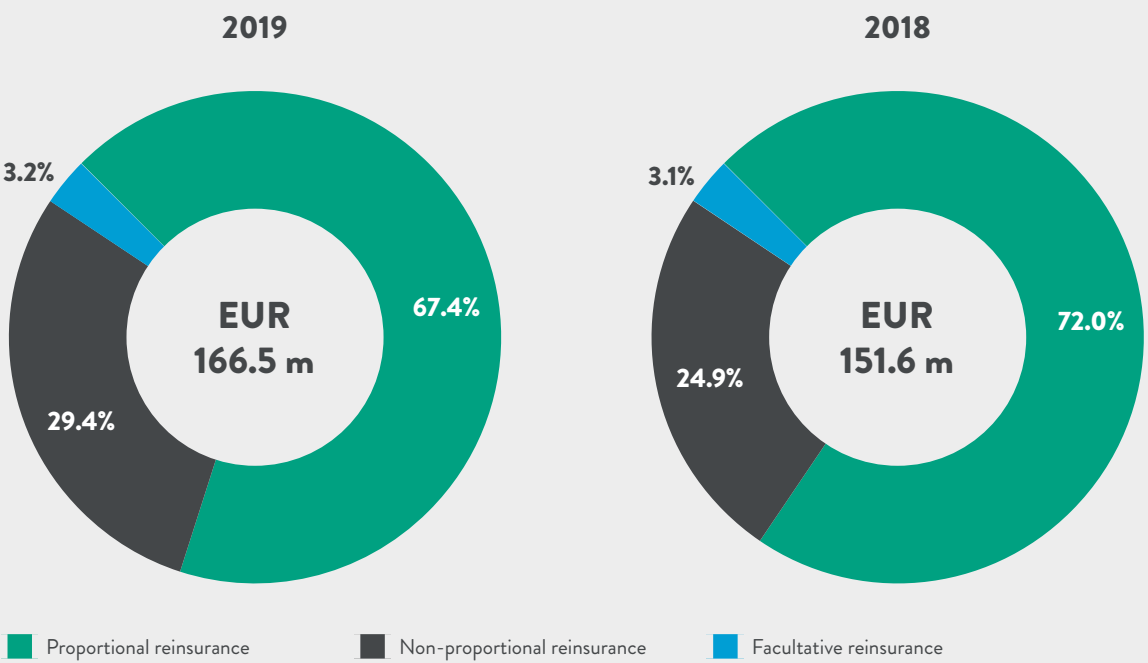
Fire business still accounted for the largest share of premiums in 2019, although its proportion shrank by 1.7 p.p. compared to 2018. The share of motor reinsurance within gross premiums increased by 1.6 p.p.

Gross premiums written by class of insurance



In 2019, the composition of gross premiums by form of reinsurance changed compared to 2018. The share of non-proportional reinsurance increased by 4.5 p.p., whereas the share of proportional reinsurance decreased by 4.6 p.p.

Gross premiums written by form of reinsurance



Net earned premiums by class of business

EUR	2019	2018	Index
Personal accident	5,205,504	5,020,020	103.7
Health	19,383	145,556	13.3
Land vehicles casco	17,749,969	18,042,977	98.4
Railway rolling stock	268,877	133,430	201.5
Aircraft hull	107,476	717,912	15.0
Ships hull	4,257,720	5,048,640	84.3
Goods in transit	2,699,163	5,017,426	53.8
Fire and natural forces	59,440,058	59,438,026	100.0
Other damage to property	18,904,456	16,931,240	111.7
Motor liability	15,232,068	13,739,253	110.9
Aircraft liability	33,974	94,774	35.8
Liability for ships	310,988	716,639	43.4
General liability	7,871,923	6,982,392	112.7
Credit	750,838	936,293	80.2
Suretyship	162,361	8,990	1,806.0
Miscellaneous financial loss	3,899,360	413,946	942.0
Legal expenses	8,187	1,835	446.2
Assistance	10,617	17,888	59.4
Traditional life	453,748	133,212	340.6
Unit-linked life	59,642	199,729	29.9
Total non-life	136,932,922	133,407,237	102.6
Total life	513,390	332,941	154.2
Total	137,446,312	133,740,178	102.8



Net claims incurred⁵²

Gross premiums written by geographical area

EUR	2019	2018	Index
Slovenia	29,863,098	28,899,976	103.3
International	57,120,624	53,787,702	106.2
Total	86,983,721	82,687,678	105.2

Net claims incurred

EUR	2019	2018	Index
Gross claims paid	86,983,721	82,687,678	105.2
Net claims incurred	94,118,562	76,604,633	122.9

Net claims incurred, excluding the effect of exchange differences

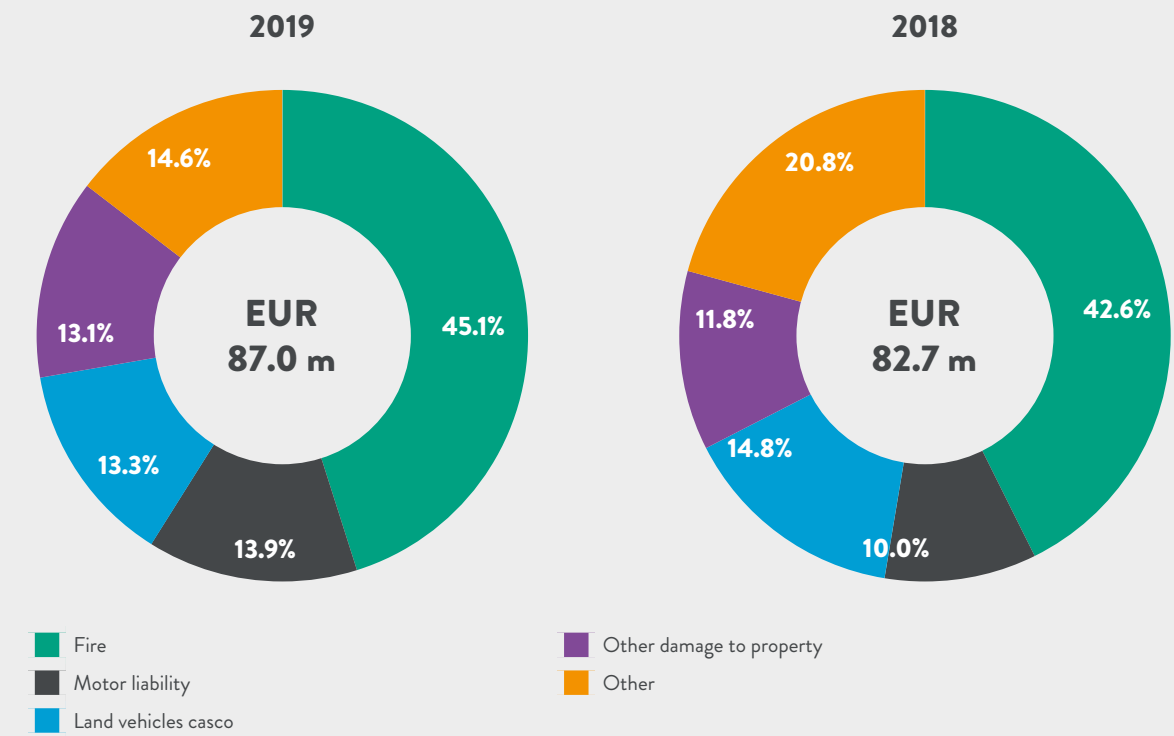
EUR	2019	2018	Index
Gross claims paid	86,983,721	82,687,678	105.2
Net claims incurred	92,468,837	76,903,203	120.2

Net claims incurred increased by 22.9% compared to 2018. In 2019, exchange differences had a negative impact on claims incurred in the amount of EUR 1.7 million (in 2018, the impact was positive in the amount of EUR 0.3 million). There were more catastrophic disasters in 2019 (two typhoons in Japan, a hurricane in the Bahamas, fires in the United Kingdom and in Qatar) than in the previous year (typhoons in Japan, floods in India).

As a result, the net incurred loss ratio of Sava Re in 2019 was lower than in 2018 by 11.6 p.p. and stood at 69.0%. The ratio without the impact of exchange differences was lower by 10.1 p.p. and in 2019 stood at 67.8%.

Non-life reinsurance business still accounted for the largest share of claims in 2019 and its proportion increased by 3.8 p.p. compared to 2018. The share of motor reinsurance also increased, namely by 2.4 p.p.

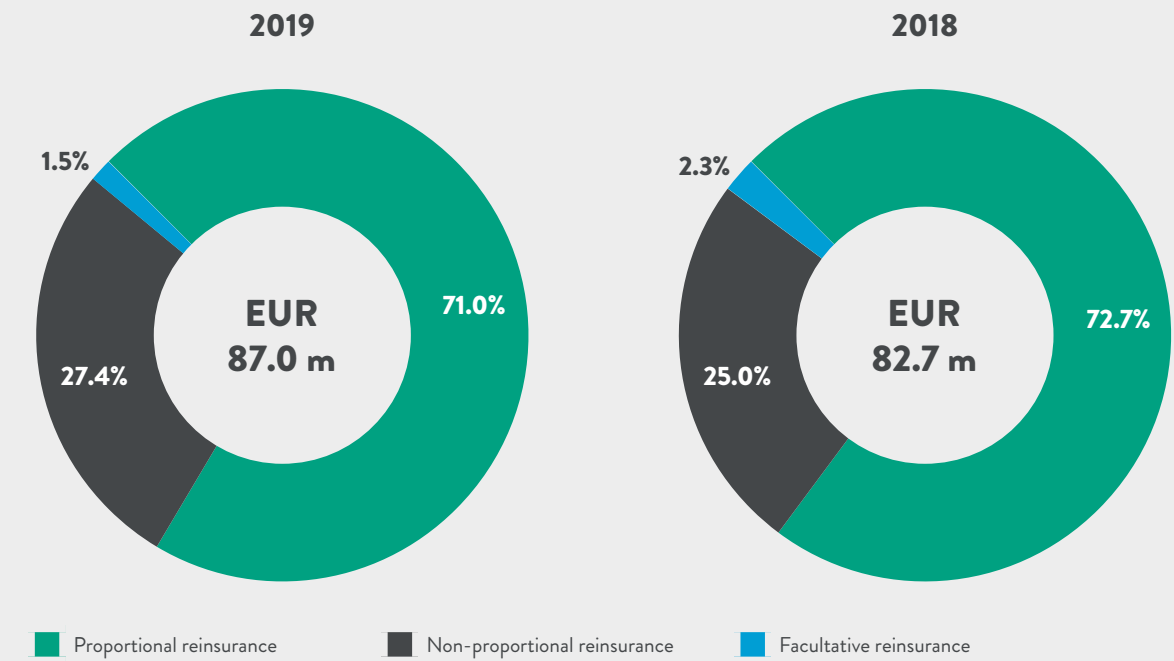
Gross claims paid by class of insurance



The proportion of gross claims paid by form of reinsurance changed somewhat: the share of proportional claims decreased (a drop in gross

claims of EUR 1.7 million), while the share of non-proportional claims increased (rise in gross claims of EUR 3.2. million).

Gross claims paid by form of reinsurance



Net claims incurred by class of business

EUR	2019	2018	Index
Personal accident	2,392,679	2,011,630	118.9
Health	62,281	-107,564	257.9
Land vehicles casco	11,018,432	12,242,884	90.0
Railway rolling stock	61,846	587,259	10.5
Aircraft hull	320,489	389,846	82.2
Ships hull	4,812,291	6,893,226	69.8
Goods in transit	1,177,345	5,032,859	23.4
Fire and natural forces	46,478,853	31,548,970	147.3
Other damage to property	11,852,321	8,819,464	134.4
Motor liability	10,897,791	5,994,892	181.8
Aircraft liability	4,462	-28,940	215.4
Liability for ships	547,613	377,093	145.2
General liability	4,260,175	3,012,608	141.4
Credit	-47,825	-73,069	134.5
Suretyship	-24,602	-88,016	172.0
Miscellaneous financial loss	272,139	59,339	458.6
Legal expenses	1,431	-1,396	302.5
Assistance	283	-131	416.6
Traditional life	28,902	-107,649	226.8
Unit-linked life	1,654	41,325	4.0
Total non-life	94,088,006	76,670,957	122.7
Total life	30,555	-66,324	246.1
Total	94,118,562	76,604,633	122.9

Operating expenses

Operating expenses

EUR	2019	2018	Index
Acquisition costs	35,723,768	34,848,052	102.5
Change in deferred acquisition costs (+/-)	1,267,334	-43,433	3,117.9
Other operating expenses	13,467,410	12,758,699	105.6
Operating expenses	50,458,512	47,563,317	106.1
Reinsurance commission income	-3,063,492	-2,530,359	78.9
Net operating expenses	47,395,020	45,032,959	105.2

In 2019, acquisition costs (commissions) increased by 2.5%, while gross premiums increased by 9.8%. The share of acquisition costs as a percentage of gross premiums written decreased by 1.5 p.p. year on year to 21.5%. The change in deferred acquisition costs (increase in 2019, decrease in 2018) was higher in 2019 than in 2018 due to more gross premiums written, leading to lower unearned premiums.

Other operating expenses of Sava Re comprise reinsurance costs (50.1%) and Group management costs (49.7%). Expenses of Sava Re rose by 5.6% compared to 2018, primarily due to the rise in personnel costs and costs of intellectual and personal services. The later

costs were mainly due to computer services and strategic investments in 2019. Amortisation costs also increased, reflecting higher costs for software. Expenses by nature are shown in note 36 of the notes to the financial statements.

The higher reinsurance commission income is primarily the result of increased commission income generated by Sava Re's retrocession business relating to reinsurance programmes of the Slovenian cedants. This effect relates to more commissions received on surplus reinsurance treaties, which means that due to good results in 2018 Sava Re received more commissions in 2019 from retrocessionaires.



Net investment income

Net investment income relating to the investment portfolio of Sava Re totalled EUR 43.7 million in 2019 (2018: EUR 32.4 million), of which EUR 6.8 million related to financial investments, including investment property, and EUR 36.9 million to investments in subsidiaries.

Net investment income also includes exchange gains relating to investments used

by the Company for asset-liability matching in foreign currencies. 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, net investment income and return on investment 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 statement of the annual report, section 17.6.3.2.4 “Currency risk”.

Net investment income of the Sava Re investment portfolio

EUR	2019	2018	Absolute change	Index
Income relating to financial investments, including investment property	11,831,287	11,645,908	185,379	101.6
Expenses relating to financial investments, including investment property	4,488,464	8,751,939	-4,263,475	51.3
Net investment income relating to financial investments, including investment property	7,342,823	2,893,969	4,448,854	253.7
Net investment income of financial investments in subsidiaries and associates	36,868,317	29,537,916	7,330,402	124.8
Net investment income from the investment portfolio	44,211,140	32,431,885	11,779,255	136.3
Expenses relating to financial liabilities	494,730	0	494,730	
Net investment income relating to the investment portfolio, including finance expenses	43,716,410	32,431,885	11,284,525	134.8
Net investment income of the investment portfolio, excluding the effect of exchange differences	42,303,449	32,528,406	9,775,043	130.1

Upon exclusion of exchange differences (2019: EUR 1.4 million) the return on the investment portfolio totalled EUR 42.3 million, an increase of EUR 9.8 million over 2018. The higher return was mostly due to

higher income from subsidiaries. In 2019, the Company recognised impairment losses on subsidiaries of EUR 1.8 million. The following table gives additional details by group of income and expenses.

Income, expenses, and net investment income relating to the Sava Re investment portfolio

EUR	2019	2018	Absolute change
Income			
Interest income	3,463,383	3,589,693	-126,311
Change in fair value and gains on disposal of FVTPL assets	628,375	91,554	536,822
Gains on disposal of other IFRS asset categories	294,180	477,596	-183,416
Income of subsidiary and associate companies	36,947,895	33,558,455	3,389,440
Income from dividends and shares – other investments	829,533	676,145	153,388
Exchange gains	1,412,961	0	1,412,961
Diverse other income	1,231,985	698,390	533,596
Total income from the investment portfolio	44,808,312	39,091,833	5,716,480
Expenses			
Interest expenses	494,730	0	494,730
Change in fair value and losses on disposal of FVTPL assets	254,868	217,937	36,931
Losses on disposal of other IFRS asset categories	140,187	125,388	14,800
Expenses of subsidiary and associate companies	0	4,020,539	-4,020,539
Impairment losses on investments	0	1,943,974	-1,943,974
Exchange losses	0	96,521	-96,521
Other	202,118	255,589	-53,471
Total expenses for the investment portfolio	1,091,903	6,659,948	-5,568,045
Net investment income from the investment portfolio	43,716,410	32,431,885	11,284,524
Net investment income of the investment portfolio, excluding the effect of exchange differences	42,303,449	32,528,406	9,775,042
Return on the investment portfolio	8.3%	6.9%	1.4%
Return on the investment portfolio, excluding the effect of exchange differences	8.0%	6.9%	1.1%

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 2019 income related to dividends received from subsidiaries, totalling EUR 36.9 million, up EUR 3.4 million year on year. Compared to 2018, there was a rise in dividend distributions from other financial investments in 2019. Interest income and realised gains on disposal of investments were somewhat more modest. In 2019, net exchange gains totalled EUR 1.4 million (2018: net exchange losses of EUR 0.1 million).

Compared to 2018, investment portfolio expenses decreased by EUR 5.6 million. In 2019, investment expenses were mainly comprised of interest expenses relating to the issued subordinated bond of Sava Re. No expenses relating to impairment losses on financial investments or subsidiary companies were recognised in 2019 (2018: EUR 6.0 million).



9 Financial position of the Sava Insurance Group and Sava Re

9.1 Sava Insurance Group

Total assets
^
up 10.5%

As at 31 December 2019, total assets of the Sava Insurance Group stood at EUR 1,886.0 million, an increase of 10.5% over year-end 2018. Below, we set out items of assets and liabilities in excess of 5% of total assets as at 31 December 2019, or items that changed by more than 2% of equity.

9.1.1 Assets

Consolidated total assets by type

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018
ASSETS	1,885,953,003	100.0%	1,706,023,490	100.0%
1 Intangible assets	61,060,069	3.2%	37,121,118	2.2%
2 Property, plant and equipment	47,615,710	2.5%	42,893,432	2.5%
3 Right-of-use assets	9,974,252	0.5%	0	0.0%
4 Deferred tax assets	2,044,124	0.1%	2,026,472	0.1%
5 Investment property	16,695,132	0.9%	20,643,019	1.2%
6 Financial investments in associates	581,104	0.0%	462,974	0.0%
7 Financial investments	1,064,874,239	56.5%	1,008,097,470	59.1%
8 Assets held for the benefit of policyholders who bear the investment risk	213,159,889	11.3%	204,818,504	12.0%
9 Reinsurers' share of technical provisions	38,620,539	2.0%	27,292,750	1.6%
10 Investment contract assets	151,197,102	8.0%	135,586,965	7.9%
11 Receivables	159,413,917	8.5%	140,550,011	8.2%
12 Deferred acquisition costs	23,500,521	1.2%	19,759,234	1.2%
13 Other assets	2,841,516	0.2%	2,064,220	0.1%
14 Cash and cash equivalents	93,804,031	5.0%	64,657,431	3.8%
15 Non-current assets held for sale	570,858	0.0%	49,890	0.0%

9.1.1.1 Intangible assets

As at 31 December 2019, intangible assets (1) totalled EUR 61.1 million, up 64.5% compared to 31 December 2018. The rise in this item is mainly the result of the increase in goodwill following the acquisition of Sava Infond. For more information see section 17.2 “Business combinations and overview of Group companies”.

9.1.1.2 Right-of-use assets

As at 31 December 2019 the Group companies recognised right-of-use assets (3), which refer to operating leases and were initially recognised by the companies on 1 January 2019. As at 31 December 2019 right-of-use assets totalled EUR 10.0 million.

9.1.1.3 Investment portfolio

The investment portfolio consists of the following statement of financial position items: financial investments (7), investment prop-

erty (5), financial investments in associates (6), and cash and cash equivalents (14).

Sava Insurance Group investment portfolio

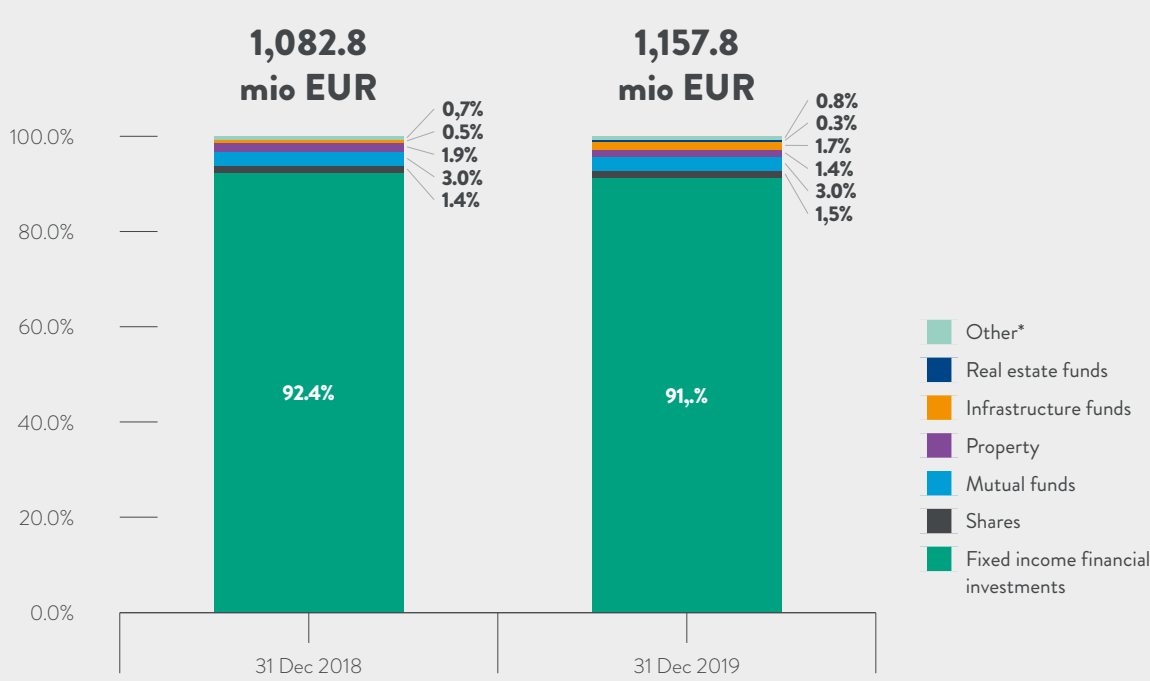
EUR	31 Dec 2019	31 Dec 2018	Absolute change	Index
Deposits	46,667,934	27,740,285	18,927,649	168.2
Government bonds	539,404,145	550,716,600	-11,312,455	97.9
Corporate bonds	394,576,781	368,961,240	25,615,541	106.9
Shares	17,503,726	15,675,616	1,828,110	111.7
Mutual funds	34,270,743	32,347,639	1,923,104	105.9
Infrastructure funds	20,159,022	5,264,540	14,894,482	382.9
Real estate funds	4,000,000	0	4,000,000	
Loans granted and other investments	1,202,867	1,116,240	86,627	107.8
Deposits with cedants	7,089,021	6,275,310	813,711	113.0
Total financial investments	1,064,874,239	1,008,097,470	56,776,769	105.6
Financial investments in associates	581,104	462,974	118,130	125.5
Investment property	16,695,132	20,643,019	-3,947,887	80.9
Cash and cash equivalents*	75,657,844	53,584,104	22,073,740	141.2
Total investment portfolio	1,157,808,319	1,082,787,567	75,020,752	106.9
Assets held for the benefit of policyholders who bear the investment risk	231,306,076	215,891,831	15,414,245	107.1
- Financial investments	213,159,889	204,818,504	8,341,385	104.1
- Cash and cash equivalents	18,146,187	11,073,327	7,072,860	163.9
Investment contract assets	151,197,102	135,586,965	15,610,137	111.5

* Cash and cash equivalents of policyholders who bear the investment risk (2019: EUR 18.1 million; 2018: EUR 11.1 million) are excluded from the investment portfolio.

As at 31 December 2019, the investment portfolio of the Sava Insurance Group totalled EUR 1,157.8 million, an increase of EUR 75.0

million from year-end 2018. The increase was largely due to the issuance of Sava Re subordinated bonds totalling EUR 75 million.

Composition of the investment portfolio



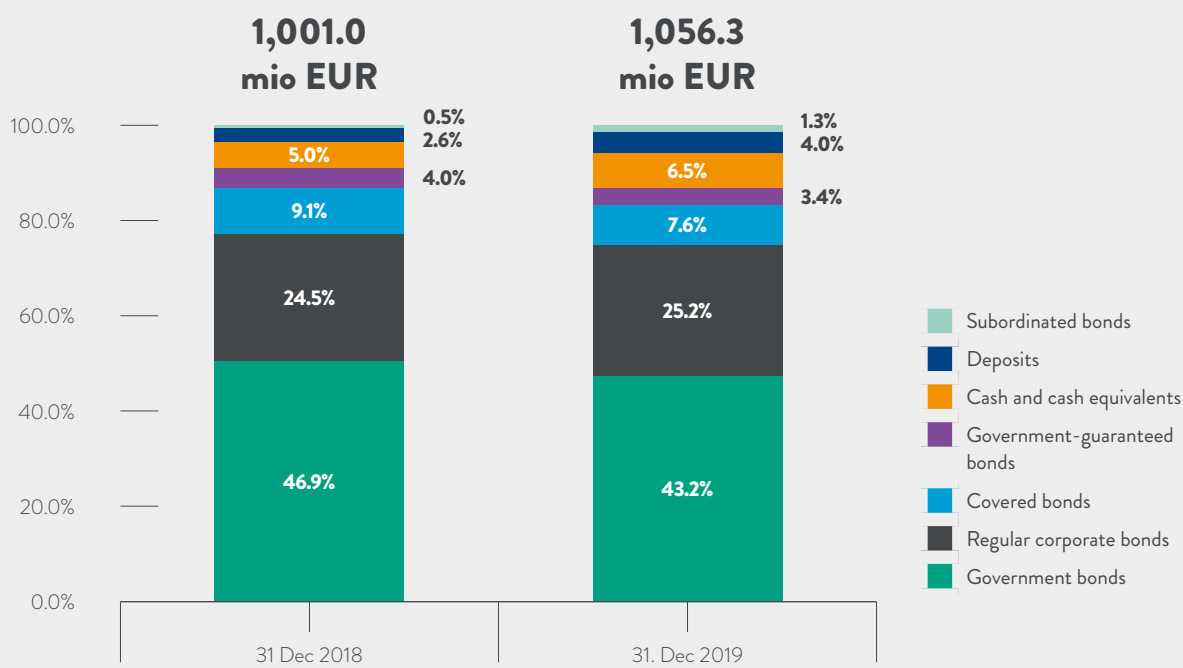
* The “other” item comprises deposits with cedants, loans given and financial investments in associates.

As at 31 December 2019, the value of fixed-income investments stood at EUR 1,058.1 million (31 December 2018: EUR 1,001.0 million) and included:

- government bonds of EUR 501.0 million, or 43.2%, (31 December 2018: EUR 507.7 million; 46.9%),
- regular corporate bonds of EUR 292.3 million, or 25.2%, (31 December 2018: EUR 265.1 million; 24.5%),
- covered bonds of EUR 87.4 million, or 7.6%, (31 December 2018: EUR 98.1 million; 9.1%),

- government guaranteed corporate bonds of EUR 38.8 million, or 3.4%, (31 December 2018: EUR 43.0 million; 4.0%),
- cash and cash equivalents of EUR 75.7 million, or 6.5%, (31 December 2018: EUR 53.6 million; 4.9%),
- deposits of EUR 46.7 million, or 4.0%, (31 December 2018: EUR 27.7 million; 2.6%) and
- subordinated bonds of EUR 14.9 million, or 1.3%, (31 December 2018: EUR 5.7 million; 0.5%).

Composition of fixed-income investments



Changes in the composition of the investment portfolio of the Sava Insurance Group:

- decrease of 1.2 p.p. in the proportion of fixed-income investments;
- increase in the proportion of investments in infrastructure funds;
- investments in real-estate funds totalling 0.3% of the investment portfolio.

In 2019, a slight decrease and change in the composition of fixed-income investments were due to the maturity of government bonds, increase in the corporate bond portfolio and the increase in cash and cash equivalents that resulted from strategic investments planned for 2020.

9.1.1.4 Assets held 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 2019, financial investments totalled EUR 213.2 million, while cash and cash equivalents stood at EUR 18.1 million. Thus, funds increased by EUR 15.4 million compared to 31 December 2018. The increase is a result of revaluation to market value (EUR 23.0 million), transfer of the Ergo Životno Osiguranje d.d. investment portfolio to the Croatia-based branch office of Zavarovalnica Sava (EUR 0.9 million), and changes in accrued interest on debt securities. Net cash flow was negative in 2019 (EUR 10.0 million).

9.1.1.5 Reinsurers’ share of technical provisions

The reinsurers’ and co-insurers’ share of technical provisions (9) increased by EUR 11.3 million, or 41.5%, compared to 31 December 2018. Unearned premiums increased by EUR 4.9 million (extension of the reinsurance programme, especially for new FOS business), whereas claims provisions increased by EUR 6.4 million on account of some large reinsurance claims made by Slovenian Railways in 2019, revaluation of reinsured annuities stemming from liability policies and the acquisition of a new company.

9.1.1.6 Investment contract assets

The investment contract assets item (10) includes liability fund assets relating to the group of life cycle funds MOJI Skladi Življenjskega Cikla (MY Life-cycle Funds) that have been 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 2019, investment contract assets totalled EUR 151.2 million, up 11.5% compared to 31 December 2018. The increase in investment contract assets was mainly due to net flows (EUR 6.7 million, with EUR 13.2 million of inflows and EUR 6.4 million of outflows in 2019) and net income of EUR 6.4 million achieved in 2019, which was fully allocated to policyholders’ personal accounts, as well as

EUR 1.9 million in assets backing annuity policies, which are not classified as insurance but investment contracts due to low underwriting risk.

As at 31 December 2019 financial investments accounted for 91.1% of all assets, the rest consisted of receivables, investment property 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.

9.1.1.7 Receivables

Receivables (11) increased by 13.4 % or EUR 18.9 million compared to year-end 2018.

The increase was partly due to the increase in receivables arising from primary insurance business, which rose by EUR 13.4 million compared to 31 December 2018. The ageing analysis shows the highest increase in receivables arising out of primary insurance operations up to 180 days past due. The majority of the increase from primary insurance business relates to Slovenian non-life business, amounting to EUR 11.0 million due to the increase in gross premiums written, which impacted the overall growth of this item. Receivables from primary insurance business also increased in the reinsurance segment (EUR 1.3 million) and the international non-life segment (EUR 1.0 million) on account of the growth in gross premiums written.



9.1.2 Equity and liabilities

Consolidated equity and liability items by type

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018
EQUITY AND LIABILITIES	1,885,953,003	100.0%	1,706,023,490	100.0%
1 Equity	384,776,847	20.4%	340,175,455	19.9%
Share capital	71,856,376	3.8%	71,856,376	4.2%
Capital reserves	43,035,948	2.3%	43,035,948	2.5%
Profit reserves	202,170,501	10.7%	183,606,914	10.8%
Own shares	-24,938,709	-1.3%	-24,938,709	-1.5%
Fair value reserve	20,718,610	1.1%	11,613,059	0.7%
Reserve due to fair value revaluation	924,038	0.0%	836,745	0.0%
Retained earnings	42,128,483	2.2%	35,140,493	2.1%
Net profit/loss for the period	31,546,718	1.7%	21,843,940	1.3%
Translation reserve	-3,168,414	-0.2%	-3,368,928	-0.2%
Equity attributable to owners of the controlling company	384,273,551	20.4%	339,625,838	19.9%
Non-controlling interest in equity	503,296	0.0%	549,617	0.0%
2 Subordinated liabilities	74,822,710	4.0%	0	0.0%
3 Technical provisions	933,952,709	49.5%	920,491,487	54.0%
4 Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	220,613,698	11.7%	210,032,637	12.3%
5 Other provisions	8,705,469	0.5%	7,730,247	0.5%
6 Deferred tax liabilities	5,294,664	0.3%	3,605,462	0.2%
7 Investment contract liabilities	151,040,643	8.0%	135,441,508	7.9%
8 Other financial liabilities	355,908	0.0%	243,095	0.0%
9 Liabilities from operating activities	61,290,549	3.2%	54,736,601	3.2%
10 Lease liabilities	10,448,915	0.6%	0	0.0%
11 Diverse liabilities	34,650,893	1.8%	33,566,998	2.0%

9.1.2.1 Equity

Equity (1) increased by 13.1%, or EUR 44.6 million, compared to year-end 2018.

Equity increased by the amount of net profit of EUR 50.2 million and EUR 9.4 million due to the fair value reserve. A charge against equity was the dividend payment of EUR 15.0 million.

9.1.2.2 Subordinated liabilities

In 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039 and with an early recall option for 7 November 2029. Sava Re intends to use the net proceeds for general corporate purposes of the Sava Insurance Group and for the optimisation of its capital structure. The total issue size is EUR 75 million.

Movement in consolidated gross technical provisions

EUR	31 Dec 2019	31 Dec 2018	Index
Gross unearned premiums	207,895,397	184,101,835	112.9
Gross mathematical provisions	211,877,103	254,849,366	83.1
Gross provision for outstanding claims	502,914,277	470,057,561	107.0
Gross provision for bonuses, rebates and cancellations	1,234,753	1,477,666	83.6
Other gross technical provisions	10,031,179	10,005,059	100.3
Gross technical provisions	933,952,709	920,491,487	101.5

Gross provisions for the reinsurance segment rose by 8.5%, or EUR 13.3 million, mainly on account of claims provisions, which increased by EUR 12.4 million due to major loss events in the international portfolio.

Gross provisions in the non-life segment at year-end 2019 were up 8.6%, or EUR 42.2 million, as a result of a EUR 23.8 million increase in unearned premiums (corresponding to the growth in the business volume), whereas the gross claims provision increased by EUR 19.4%, mainly on account of the integration of new companies into the Group and portfolio growth.

9.1.2.3 Technical provisions

Gross technical provisions (3) are the largest item on the liabilities side. As at 31 December 2019, they were 1.7% or EUR 15.4 million lower than at year-end 2018.

Gross provisions for traditional life policies at year-end 2018 were 16.1%, or EUR 42.5 million lower than at the previous year-end, mainly as a result of maturity payments.

Other technical provisions (provisions for bonuses, rebates and cancellations, and other provisions) account for a smaller proportion and remained at about the year-end 2018 level.



9.1.2.4 Technical provision for the benefit of life insurance policyholders who bear the investment risk

The technical provision for the benefit of policyholders who bear the investment risk (4) at 31 December 2019 grew by 5.0% or EUR 10.6 million compared to year-end 2018. This provision moves in line with funds of policyholders who bear the investment risk (depending on contributions, outflows and movement in fund unit prices).

9.1.2.5 Investment contract liabilities

Investment contract liabilities (7) of Sava Pokojninska totalled EUR 151.0 million as at 31 December 2019, up 11.5%, or EUR 15.6 million, from year-end 2018. Their movement is in line with the investment contract assets, driven largely by new premium contributions, payouts and changes in the unit prices of funds.

9.1.2.6 Lease liabilities

Group companies initially recognised their long-term lease liabilities as at 1 January 2019. As at 31 December 2019, lease liabilities totalled EUR 10.4 million and refer to liabilities from long-term operating leases.

9.1.3 Capital structure

As at 31 December 2019, the Sava Insurance Group held EUR 384.8 million in equity and EUR 74.8 million in subordinated liabilities.

9.1.4 Cash flow

In 2019, the Sava Insurance Group had a negative operating cash flow of EUR 31.1 million (2018: positive operating cash flow of EUR 0.3 million) that was driven by the cash flow from its core activity (insurance and reinsurance business). Cash flow is lower compared to the previous year mainly due to maturity benefits on life insurance policies.

In 2019, the Sava Insurance Group recorded a positive cash flow from financing activities of EUR 56.9 million (2018: negative EUR 12.4 million). Unlike dividend payments, which had a negative effect in 2019 (up EUR 2.6 million over 2018), subordinated debt had a positive effect (EUR 74.3 million).

Net cash flow in 2019 was EUR 1.2 million above the year-on-year figure, mainly due to the issuance of subordinated debt.

9.2 Sava Re

As at 31 December 2019, total assets of Sava Re stood at EUR 735.6 million, an increase of 21.7% over year-end 2018. Below we set out

items of assets and liabilities in excess of 5% of total assets as at 31 December 2019, or items that changed by more than 2% of equity.

9.2.1 Assets

Total assets by type

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018
ASSETS	735,585,561	100.0%	604,612,961	100.0%
1 Intangible assets	1,294,110	0.2%	892,724	0.1%
2 Property, plant and equipment	2,507,611	0.3%	2,654,540	0.4%
3 Right-of-use assets	115,400	0.0%	0	0.0%
4 Deferred tax assets	1,141,098	0.2%	1,943,597	0.3%
5 Investment property	8,142,714	1.1%	8,285,733	1.4%
6 Financial investments in subsidiaries and associates	238,177,654	32.4%	218,424,765	36.1%
7 Financial investments	296,096,594	40.3%	244,291,434	40.4%
9 Reinsurers' share of technical provisions	31,159,308	4.2%	21,437,221	3.5%
11 Receivables	97,024,000	13.2%	87,830,299	14.5%
12 Deferred acquisition costs	6,554,598	0.9%	7,821,932	1.3%
13 Other assets	441,253	0.1%	379,264	0.1%
14 Cash and cash equivalents	52,931,222	7.2%	10,651,452	1.8%



9.2.1.1 Financial investments in subsidiaries and associates and other financial investments

The investment portfolio consists of the following statement of financial position items: financial investments (7), investments in sub-

sidiaries and associates (6), investment property (5), and cash and cash equivalents (14).

The Sava Re investment portfolio totalled EUR 595.3 million as at 31 December 2019 (31 December 2018: EUR 481.7 million).

Sava Re investment portfolio by asset class

EUR	31 Dec 2019	31 Dec 2018	Absolute change	Index
Deposits	22,338,823	2,331,604	20,007,219	958.1
Government bonds	137,363,303	120,886,760	16,476,543	113.6
Corporate bonds	105,742,821	98,023,199	7,719,622	107.9
Shares	9,690,877	8,720,953	969,924	111.1
Mutual funds	1,704,135	3,102,927	-1,398,792	54.9
Infrastructure funds	6,951,308	1,860,608	5,090,700	373.6
Real estate funds	1,000,000	0	0	-
Loans granted	4,216,308	3,090,072	1,126,235	136.4
Deposits with cedants	7,089,020	6,275,310	813,710	113.0
Total financial investments	296,096,594	244,291,434	51,805,160	121.2
Financial investments in subsidiaries and associates	238,177,654	218,424,765	19,752,889	109.0
Investment property	8,142,714	8,285,733	-143,019	98.3
Cash and cash equivalents	52,931,222	10,651,452	42,279,769	496.9
Total investment portfolio	595,348,183	481,653,384	113,694,799	123.6

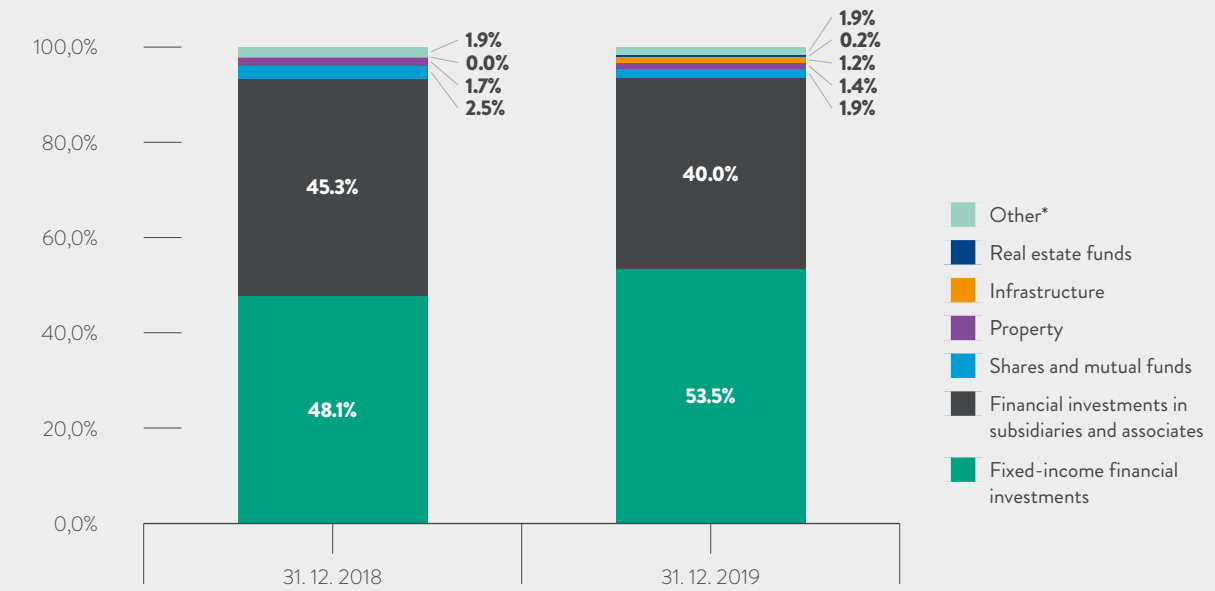
Compared to the previous year, the investment portfolio grew by EUR 113.7 million. The increase was largely due to the issuance of Sava Re subordinated bonds totalling EUR 75 million and dividend income from subsidiaries (EUR 36.9 million).

The largest share of the investment portfolio as at 31 December 2019 were fixed-income financial investments, which accounted for 53.5% (31 December 2018: 48.1%). Their share in the composition of the investment portfolio increased by 5.3 p.p. As at 31 December 2019 alternative investments in the form of infrastructure and real estate funds totalled EUR 8.0 million or 1.4% of the investment portfolio. Owing to the time

lag between the commitment and the actual investing, the uncalled commitment in infrastructure and real-estate funds is disclosed off the balance sheet (amounting to EUR 13.7 million as at 31 December 2019). Financial investments in subsidiaries accounted for 40.0%, up EUR 19.8 million. The increase was due to the acquisition of the 84% stake in Infond in the second quarter of 2019. The increase in cash equivalents is the result of the issuance of subordinated bonds, the proceeds of which were invested in deposits with up to six months maturity.

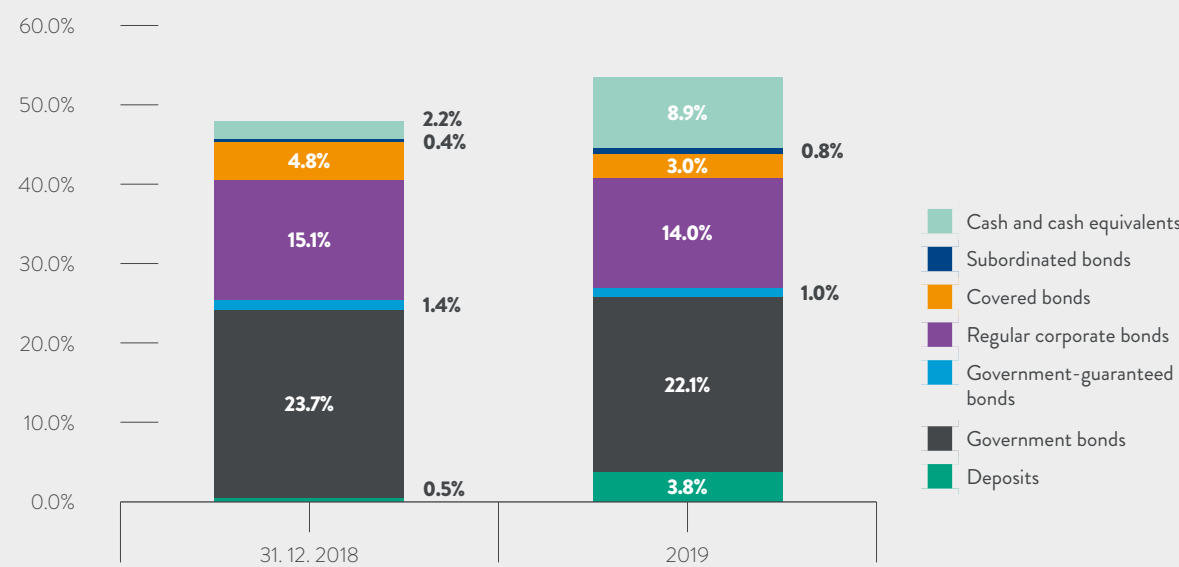
Following is an overview of the composition of the investment portfolio.

Composition of the investment portfolio



Following is a graph showing the composition of fixed-income investments.

Composition of fixed-income investments as part of the investment portfolio



The percentage of cash and cash equivalents in the composition of fixed-income investments has increased. The proportion of other fixed-income investments remained similar to that at year-end 2018.

9.2.1.2 Reinsurers’ share of technical provisions

The reinsurers’ and co-insurers’ share of technical provisions (9) increased by EUR 9.7 million, or 45.4%, compared to 31 December 2018. Unearned premiums increased by EUR 4.7 million (extension of the reinsurance programme, especially for new FOS business), whereas claims provisions increased by EUR 5.0 million on account of Group business (high retroceded claims by Slovenian Railways and revaluation of annuities stemming from liability insurance).

9.2.1.3 Receivables

Receivables (11) at year-end 2019 show an increase of 10.5% or EUR 9.2 million. Receivables arising out of primary insurance business increased by EUR 7.0 million, mainly due to the growth in gross premiums written. The ageing analysis shows an increase in up to 180 days past-due receivables arising out of primary insurance business (EUR 4.5 million). Receivables arising out of reinsurance and co-insurance business increased by EUR 0.6 million. Current tax assets increased by EUR 2.8 million from year-end 2018.

9.2.2 Equity and liabilities

Equity and liability items by type

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018
EQUITY AND LIABILITIES	735,585,561	100.0%	604,612,961	100.0%
1 Equity	343,920,689	46.8%	317,561,040	52.5%
Share capital	71,856,376	9.8%	71,856,376	11.9%
Capital reserves	54,239,757	7.4%	54,239,757	9.0%
Profit reserves	202,818,558	27.6%	184,424,862	30.5%
Own shares	-24,938,709	-3.4%	-24,938,709	-4.1%
Fair value reserve	5,217,524	0.7%	2,697,381	0.4%
Reserve due to fair value revaluation	21,376	0.0%	40,772	0.0%
Retained earnings	16,312,110	2.2%	8,306,851	1.4%
Net profit or loss for the period	18,393,696	2.5%	20,933,749	3.5%
2 Subordinated liabilities	74,822,710	10.2%	0	0.0%
3 Technical provisions	261,338,591	35.5%	234,173,078	38.7%
5 Other provisions	466,901	0.1%	376,521	0.1%
6 Deferred tax liabilities	76,227	0.0%	76,227	0.0%
8 Other financial liabilities	87,504	0.0%	87,504	0.0%
9 Liabilities from operating activities	51,086,602	6.9%	49,185,680	8.1%
10 Lease liabilities	115,491	0.0%	0	0.0%
11 Other liabilities	3,670,845	0.5%	3,152,911	0.5%

9.2.2.1 Equity

Equity (1) is the largest item on the liabilities side, representing 46.8% of total equity and liabilities. Compared to 31 December 2018, equity increased by 8.3% or EUR 26.4 million due to the following movements:

- The net profit for 2019 totalled EUR 38.6 million (increase in equity).
- Increase in the fair value reserve of EUR 2.5 million (increase in equity).
- Sava Re paid out dividends in the amount of EUR 14.7 million (decrease in equity).





9.2.2.2 Subordinated liabilities

In 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039 and with an early recall option for 7 November 2029. Sava Re intends to use the net proceeds for

general corporate purposes of the Sava Insurance Group and for the optimisation of its capital structure. The total issue size is EUR 75 million.

9.2.2.3 Technical provisions

Movements in gross technical provisions

EUR	31 Dec 2019	31 Dec 2018	Index
Gross unearned premiums	54,588,057	47,147,505	115.8
Gross provision for outstanding claims	205,064,638	185,988,628	110.3
Gross provision for bonuses, rebates and cancellations	269,941	398,672	67.7
Other gross technical provisions	1,415,955	638,273	221.8
Gross technical provisions	261,338,591	234,173,078	111.6

Technical provisions (3), the second-largest item on the liabilities side, increased by 11.6%, or EUR 27.2 million, compared to 31 December 2018. The increase is largely due to the growth in the gross claims provision (10.3% or EUR 19.1 million), which increased in the non-Group business portfolio by EUR 12.5 million due to portfolio growth and major loss events in recent years. The claims provision for the Group portfolio increased by EUR

6.6 million, mainly due to large claims by the Slovenian railways and revaluation of annuities stemming from liability business (both are largely retroceded). The movement in technical provisions is discussed in detail in note 24 of the notes to the financial statements.

Subordinated debt
issue



to step up
development
activities

9.2.3 Other investments of Sava Re in the insurance industry

As at 31 December 2019 Sava Re held, in addition to its investments in subsidiaries, investments in other companies in the insurance industry.

Other investments of Sava Re in the insurance industry

Holding (%) as at 31 Dec 2019	
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%

9.2.4 Capital structure

As at 31 December 2019, Sava Re held EUR 270.3 million in equity capital and EUR 74.8 million in subordinated liabilities.

9.2.5 Cash flow

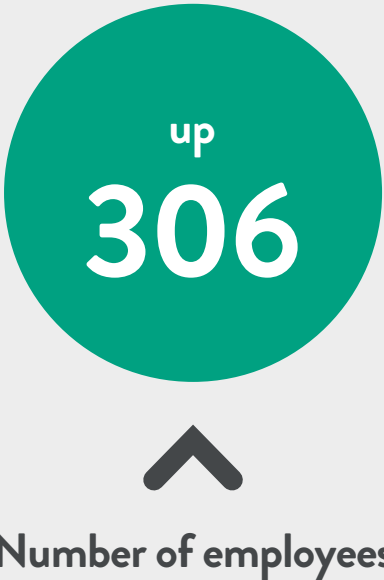
In 2019, the Company had a positive cash flow from operating activities in the amount of EUR 6.0 million (2018: EUR 5.6 million). It was up 7.5% year on year, mainly on account of the increase in premium income.

Net cash from financing activities totalled EUR 59.0 million (2018: EUR 12.4 million in outflows). The 2019 net cash flow was the

result of subordinated debt (EUR 74.3 million) and dividends paid (EUR 14.7 million). The 2018 net cash flow was negative as a result of dividends paid (EUR 12.4 million).

Net cash flow in 2019 was EUR 38.3 million above the year-on-year figure, mainly due to the issuance of subordinated debt.

10 Human resources management⁵³



10.1 Strategic guidelines for human resources management⁵⁴

The HRM policy of Group companies is based on the Group strategy, which supports all the major human resources processes (selection and recruitment, training and development, and management and motivation of employees) as well as a modern organisational culture and sustainable working environment:

- 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 working environment and
- promoting a modern corporate culture.

In its strategic plan for 2017–2019, the group set itself the following HRM strategic objectives:

- to set up a competence model (of desired behaviour) in HRM processes,
- to analyse and develop leadership competencies,
- to establish and develop a network of internal trainers to develop sales competences,
- to establish and develop mentoring,
- to introduce management by objectives and develop a remuneration system,
- to set up a succession system for key employees,
- to select and implement IT support for HR management and motivation of employees,
- to adjust job profiles and work organisation to the strategic business objectives of individual Group companies and to the modern organisational culture.

10.2 Key activities in human resources management⁵⁵

In 2019, human resources management focused on the following activities:

- expansion and improvements to the management by objectives system and gradual introduction and improvements to the remuneration system,
- establishment and gradual introduction of a succession system for key employees, and
- adjustment of work organisation to the strategic business objectives of individual Group companies and to the modern

10.3 Recruitment and staffing levels

Recruitment is conducted in line with the adopted recruitment plan.

The Company builds its human resources by:

- attracting high-potential and motivated staff,
- proper induction of new employees and integration,
- employee development in line with the needs of the Company and the Group, and
- creating a working environment that encourages personal and professional development of staff.

Full-time equivalent as at year-end

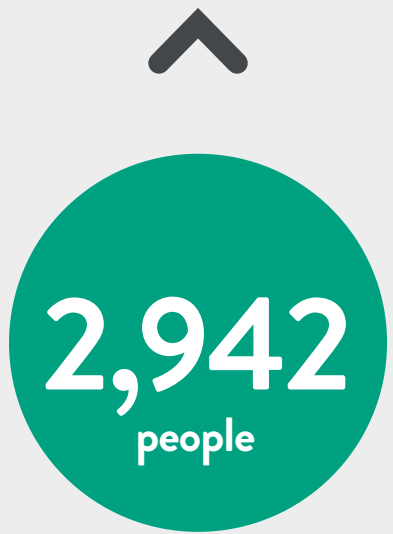
	31 Dec 2019	31 Dec 2018	Change
Zavarovalnica Sava	1,332.3	1,192.5	139.8
Sava Neživotno Osiguranje (Serbia)	358.5	330.8	27.8
Sava Osiguruvanje (North Macedonia)	224.8	196.8	28.0
Illyria	195.5	140.5	55.0
Sava Osiguranje (Montenegro)	127.5	129.0	-1.5
Sava Re	115.1	110.1	5.0
Sava Životno Osiguranje (Serbia)	80.9	80.4	0.5
Illyria Life	70.0	57.0	13.0
Sava Car	47.0	40.8	6.3
Sava Agent	18.3	20.5	-2.3
TBS Team 24	33.0	29.2	3.8
Sava Infond	32.2	-	-
Sava Penzisko Društvo	32.0	31.0	1.0
ZM Svetovanje	26.5	30.0	-3.5
Sava Pokojninska	13.0	13.0	0.0
Sava Station	8.8	6.3	2.5
Ornatus	8.0	9.0	-1.0
Total	2,723.3	2,416.7	306.6

* Sava Infond was not part of the Group in 2018.

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

⁵³ GRI 102-08
⁵⁴ GRI 103-01, 103-02, 103-03
⁵⁵ GRI 103-01, 103-02, 103-03

Sava Insurance Group
employs



10.3.1 Number of employees as at year end ⁵⁶

Number of employees as at year-end

	31 Dec 2019	31 Dec 2018	Change
Zavarovalnica Sava	1,420	1,269	151
Sava Neživotno Osiguranje (Serbia)	383	355	28
Sava Osiguruvanje (North Macedonia)	238	210	28
Illyria	197	143	54
Sava Osiguranje (Montenegro)	135	138	-3
Sava Re	127	118	9
Sava Životno Osiguranje (Serbia)	105	98	7
Illyria Life	71	58	13
Sava Car	61	52	9
Sava Agent	42	46	-4
TBS Team 24	34	30	4
Sava Infond	34	-	-
Sava Penzisko Društvo	33	33	0
ZM Svetovanje	29	30	-1
Sava Pokojninska	13	13	0
Sava Station	12	10	2
Ornatus KC	8	9	-1
Total	2,942	2,612	330

The highest growth in employee numbers compared to the previous year was recorded by Zavarovalnica Sava as a result of the transfer of the ERGO Osiguranje and ERGO Životno Osiguranje portfolios and employees to Zavarovalnica Sava, Croatian branch office, at the beginning of December. In 2019, the Sava Insurance Group was joined by a new company, Sava Infond. Growth in employee numbers in other companies was recorded in particular in sales and sales support staff.

A total of 18 people joined the Company in 2019, six of which had already been employed in the Sava Insurance Group. Three of them kept a part time position in subsidiaries. We increased our staffing levels in particular in reinsurance, risk management, treasury, middle and back office, asset management, accounting, actuarial affairs, development centre, information technology, modelling and internal audit.

Nine employees left the Company following consensual termination, two employees retired and two remained employed by the Sava Insurance Group.

Number of employees by type of employment (part-time, full-time) as at year end⁵⁷

Type of employment	Sava Insurance Group				Sava Re			
	2019		2018		2019		2018	
	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
Part-time	239	8.1	205	7.8	14	11.0	11	9.3
Full-time	2,703	91.9	2,407	92.2	113	89.0	107	90.7
Total	2,942	100.0	2,612	100.0	127	100.0	118	100.0

As at year-end 2019, the Sava Insurance Group had 2,703 full-time employees (91.9%) and 239 part-time employees (8.1%). Sava Životno Osiguranje (Serbia) recorded a higher number of part-time employees because of gradual transition from part-time to full-time employment. In Zavarovalnica Sava this is associated mainly with employees with a disability status, employees exercising their right to parenting leave and employees with split employment, and to a lesser

extent with agents. As at year-end 2019, Sava Re employed 113 persons on a full-time basis (89.0%) and 14 part time (11.0%). Most employees work on a full-time employment contract. Part-time employments are associated with employment by two or more Sava Insurance Group companies. Additionally, part-time employment is offered to employees with statutory childcare rights.

Number of employees by type of contract as at year-end⁵⁸

Type of employment	Sava Insurance Group				Sava Re			
	2019		2018		2019		2018	
	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
Fixed-term contract	538	18.3	422	16.2	4	3.1	5	4.2
Contract of indefinite duration	2,404	81.7	2,190	83.8	123	96.9	113	95.8
Total	2,942	100.0	2,612	100.0	127	100.0	118	100.0

As at year-end 2019, 2,404 employees were employed under contracts of indefinite duration (81.7%) and 538 under fixed-term contracts (18.3%). The number of fixed-term contracts increased in companies operating in North Macedonia and Serbia.

As at year-end 2019, Sava Re employed 123 staff (96.9%) under contracts of indefinite duration. Four fixed-term contracts (3.1%) have been concluded to arrange substitutions and handle temporary increase in work load.

56 GRI 102-07
57 GRI 102-08
58 GRI 102-08





Employees covered by collective bargaining agreements as at year-end⁵⁹

	Sava Insurance Group				Sava Re			
	2019		2018		2019		2018	
Employees covered by the collective bargaining system	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
Employees covered by the collective bargaining agreement	2,807	95.4	2,487	95.2	91	71.7	81	68.6
Employees not covered by the collective bargaining agreement	135	4.6	125	4.8	36	28.3	37	31.4
Total	2,942	100.0	2,612	100.0	127	100.0	118	100.0

As at year-end 2019 the Sava Insurance Group had 2,807 (95.4 %) employees covered by the collective bargaining agreement and 135 employees (4.6%) not covered by the collective agreement (5.1%)⁶⁰. The ratio was slightly different than in 2018 due to a higher number of employees employed under the collective bargaining agreement system. The inclusion of Sava Infond into the Sava Insurance Group contributed to a higher percent-

age of employees not covered by the collective bargaining agreement.

As at year-end 2019, Sava Re had 91 employees (71.7%) covered by the collective bargaining agreement and 36 employees (28.3%) who were not covered by this agreement. The proportion of employees covered by the collective bargaining agreement increased in professional positions.

Employees by level of education as at year-end⁶¹

	Sava Insurance Group				Sava Re			
	2019		2018		2019		2018	
Level of formal education	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
Primary and lower secondary education	62	2.1	11	0.4	0	0.0	0	0.0
Secondary education	1,266	43.0	1,142	43.7	13	10.2	14	11.9
Higher education	311	10.6	323	12.4	5	3.9	5	4.2
University education	1,160	39.4	1,010	38.7	86	67.7	78	66.1
Master's degree and doctorate	143	4.9	126	4.8	23	18.1	21	17.8
Total	2,942	100.0	2,612	100.0	127	100.0	118	100.0

The structure of Sava Insurance Group employees by level of education in 2019 is similar to that in 2018. The largest employee group (2019: 43.9%) has secondary-level education, with most of them in insurance sales.

A total of 109 Sava Re staff members, or 85.8%, have greater than higher education. Of these, 20 have master's degrees and three have doctorates. The Company's business requires highly-educated personnel. The Company also encourages employees to join formal education programmes.

Employees by age group as at year-end⁶²

	Sava Insurance Group				Sava Re			
	2019		2018		2019		2018	
Age group	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
from 20 to 25	133	4.5	78	3.0	3	2.4	2	1.7
from 26 to 30	254	8.6	228	8.7	14	11.0	14	11.9
from 31 to 35	371	12.6	344	13.2	7	5.5	8	6.8
from 36 to 40	501	17.0	471	18.0	24	18.9	22	18.6
from 41 to 45	507	17.2	477	18.3	27	21.3	25	21.2
from 46 to 50	477	16.2	396	15.2	25	19.7	25	21.2
from 51 to 55	352	12.0	325	12.4	20	15.7	14	11.9
over 56	347	11.8	293	11.2	7	5.5	8	6.8
Total	2,942	100.0	2,612	100.0	127	100.0	118	100.0

The number of employees by age group is the most volatile in the first group. The first age group, which consists of young people working in sales, recorded the greatest number of new employees. However, the Group has a solid employee base in the 36 to 50 age group, which remains virtually unchanged.

The average employee age in Sava Re slightly increased compared to the previous year and was 43.4 years (2018: 43.1 years). The average age of the members of the management board is 51.7 years. We also hired staff with more extensive experience, which is why there was a slight increase in the number of employees aged 36 years and older.

59 GRI 102-41

60 GRI 102-41

61 GRI 102-08

62 GRI 102-08

Employees by gender as at year-end⁶³

	Sava Insurance Group				Sava Re			
	2019		2018		2019		2018	
Gender	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
Women	1,682	57.2	1,502	57.5	81	63.8	72	61.0
Men	1,260	42.8	1,110	42.5	46	36.2	46	39.0
Total	2,942	100.0	2,612	100.0	127	100.0	118	100.0

The Sava Insurance Group’s employee structure by gender is still balanced, with a growing number of women in recent years as well as in 2019. Women are represented at all levels of management and in all professional and administrative areas of work.

At Sava Re, women are represented at all levels of management and in all profes-

sional areas. Following new recruitments in 2019, the proportion of men decreased by 2.8 p.p. compared to the previous year. The four-member management board consists of one woman and three men.

The basic salary of women is the same as the basic salary of men in all employee categories⁶⁴.

Employees by years of service as at the year end

	Sava Insurance Group				Sava Re			
	2019		2018		2019		2018	
Years of service	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
0 to 5 years	704	23.9	678	26.0	60	47.2	56	47.5
5–10 years	484	16.5	439	16.8	28	22.0	27	22.9
10–15 years	468	15.9	398	15.2	20	15.7	17	14.4
15–20 years	347	11.8	298	11.4	6	4.7	9	7.6
20–30 years	559	19.0	492	18.8	11	8.7	7	5.9
Over 30 years	380	12.9	307	11.8	2	1.6	2	1.7
Total	2,942	100.0	2,612	100.0	127	100.0	118	100.0

The largest employee group in the Sava Insurance Group in terms of years of service is the first group – employees with up to five years of service (2019: 23.9%). Slight growth was recorded in other years-of-service groups as a result of low employee turnover.

The large proportion of Sava Re employees in the first two categories, based on seniority in the Company, is attributed to increased recruitment since 2009.

Absenteeism rate⁶⁵

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 work-

days during the period multiplied by 100. The absenteeism rate in companies is higher due to longer sick leaves. The table below shows absenteeism rate by company. Some of the companies recorded a lower absenteeism rate in 2019 compared to 2018.

Absenteeism rate

Absenteeism rate	2019	2018
	As %	As %
Sava Infond	6.54	n/a
Zavarovalnica Sava	4.84	4.35
ZM Svetovanje	4.60	4.77
Sava Neživotno Osiguranje (Serbia)	4.59	4.04
Ornatus	3.56	2.64
Sava Osiguranje (Montenegro)	3.16	3.93
TBS Team 24	3.10	3.57
Sava Re	2.74	2.19
Sava Životno Osiguranje (Serbia)	2.38	2.69
Sava Pokojninska	2.35	3.25
Sava Car	2.20	0.30
Sava Agent	1.31	1.31
Sava Penzisko Društvo	1.25	1.05
Illyria Life	1.14	0.11
Sava Osiguruvanje (North Macedonia)	0.86	0.36
Illyria	0.11	0.34
Sava Station	0.00	0.00

In 2019, the absenteeism rate in Sava Re increased by 0.55 p.p. to 2.74% year on year. Our health promotion activities continued in 2019.

63 GRI 102-08, 405-01

64 GRI 405-02

65 GRI 403-02



10.3.2 Employee turnover rate⁶⁶

The employee turnover rate is measured by the ratio of the number of employees who left to the total number of employees as at the year end. The employee turnover rate decreased by 4.97 p.p. (2018: 17.65%, 2019: 12.68%). The number of employees who left was lower in all Group companies.

Employee turnover rate

	Sava Insurance Group			Sava Re		
	2019	2018	Difference	2019	2018	Difference
Number of employees who left	373	459	-86.0	9	7	0.0
Number of employees as at the year end	2,942	2,612	330.0	127	118	9.0
Employee turnover rate (%)	12.68%	17.57%	-4.894	7.09%	5.93%	-0.541

In 2019, the employee turnover rate in Sava Re increased by 1.16 p.p. to 7.09% year on year.

Overview of employee arrivals and departures by gender in current year

Year 2019	Sava Insurance Group				Sava Re			
	Arrivals		Departures		Arrivals		Departures	
Gender	Number	Composition (%)	Number	Composition (%)	Number	Composition (%)	Number	Composition (%)
Women	396	56.3	199	53.4	11	61.1	2	22.2
Men	307	43.7	174	46.6	7	38.9	7	77.8
Total	703	100.0	373	100.0	18	100.0	9	100.0

The employee turnover rate shows a downward trend in the number of departures in companies. The ratio of arrivals to departures by gender remains similar.

Similarly to previous years, Sava Re recorded an increasing number of new female employees, mainly in more demanding expert positions.

10.4 Employee training and development⁶⁷

Employee training and development at the Sava Insurance Group 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. Group and individual trainings are organised in leadership skills, communication, efficient sales, teamwork and time management. Employees are encouraged to undergo training at professional seminars in order to acquire and maintain expertise. We also encourage employees in all companies to reintegrate into formal education.

Companies enable and encourage employees to obtain and retain licenses required for sales personnel and other professional staff.

Sava Re encourages the development of competence and responsibility in its employees. Therefore, employees take part in education and training programmes in accordance with the needs of the workplace as well as their personal and career development.

We employ young and promising, as well as more experienced professionals. In order to prepare new employees for their new role quickly and efficiently, the Company prepares suitable induction programmes upon employment. During these periods, new employees are placed in the care of a mentor and a leader to prepare them for tasks that are more demanding and carry more responsibility.

In 2019, Sava Re fostered the development of leadership and social competencies through its year-long peer-to-peer coaching programme.

We offer our employees interesting work in culturally diverse international environments. We create a working environment that supports the professional and personal development of our employees. We encourage knowledge sharing among Sava Insurance Group employees. In order to unlock synergies and strengthen relations among Sava Insurance Group employees we offered seminars in internal auditing, IT, finance, accounting, controlling, actuarial affairs, human resource management, risk assumption and risk transfer, a life insurance workshop and two marketing and sales conferences.

As in previous years, we organised two international Group-level strategic conferences, bringing together employees from the entire Sava Insurance Group to exchange experiences, analyse current challenges, share best practices and prepare improvements that contribute to more efficient operations. This year, the focus was on strategy development, taking responsibility, credit rating, brand, clients and new developments in international financial reporting standards and sustainable development.



⁶⁶ GRI 401-01
⁶⁷ GRI 103-01, 103-02, 103-03

Key data on employee training⁶⁸

	Sava Insurance Group					Sava Re				
	2019	2018	2017	Index 2019/2018	Index 2018/2017	2019	2018	2017	Index 2019/2018	Index 2018/2017
Hours of training	59,455	46,796	49,738	127.1	94.1	2,057	1,864	1,948	110.4	95.7
Number of training attendees	2,111	2,157	1,425	97.9	151.4	102	72	77	141.7	93.5

While the number of training attendees in 2019 was almost the same as in 2018, the number of hours of training increased by 27.1%. Almost all Group companies offered more hours of training or education. The training programmes focused on the Company’s activities (insurance, finance), work areas (training for agents, sectoral legislation), and general skills and knowledge (communication skills, leadership, motivation, team leading and teamwork, and similar).

Sava Re employees participate in domestic and foreign business and professional conferences and training events. In 2019 we organised various training courses for leaders, foreign language courses, public speaking training sessions, a workshop on first aid and cardiopulmonary resuscitation, and courses aimed at developing computer and other skills.

We are a company with a broad range of expertise; therefore, we encourage employees to share their knowledge and skills. This is because highly-skilled employees represent a pillar of development in all areas of our business.

Training events were attended by 102 out of the total of 127 employees, which is 80.3%. This amounted to a total of 2,057 training hours.

Number of training hours by type of training⁶⁹

	Sava Insurance Group					Sava Re				
	2019	2018	2017	Index 2019/2018	Index 2018/2017	2019	2018	2017	Index 2019/2018	Index 2018/2017
Number of internal education/training hours	40,013	22,960	25,741	174.3	89.2	66	56	0	117.9	-
Number of external education/training hours	19,442	23,836	23,997	81.6	99.3	1,991	1,808	1,948	110.1	92.8
Total education/training hours	59,455	46,796	49,738	127.1	94.1	2,057	1,864	1,948	110.4	95.7

The number of internal training hours in the Sava Insurance Group increased significantly compared to the previous year. Growth is particularly pronounced in companies with many employees.

The highest increase in internal training hours was recorded in Zavarovalnica Sava, which adopted the “Decision on detailed conditions

for continuing professional training of insurance agents and brokers”. The Group also has a new member, Sava Infond, which also provides internal training programmes.

Companies organise internal training, in particular for new sales agents, and offer various workshops, e-training, internal lectures and similar.

Average hours of employee training by gender⁷⁰

Year 2019	Sava Insurance Group			Sava Re		
Gender	Number	Hours of training	Average	Number	Hours of training	Average
Women	1,199	34,419	28.7	66	1,483	22.5
Men	912	25,037	27.5	36	574	15.9
Total	2,111	59,455	28.2	102	2,057	20.2

The number of training hours is slightly higher for women, in particular in the parent company Sava Re.

68 GRI 404-01
69 GRI 404-01
70 GRI 404-01





10.5 Management and motivation⁷¹

We are aware how important our key professional and promising employees are for the Group, and through training we prepare them for more demanding tasks and posts associated with greater responsibilities. The scope of the training programmes that we organise and conduct demonstrates how committed we are to nurturing professional development and progress of all our employees. We continue to invest in leadership development, as we are convinced that good leadership fosters employee satisfaction and loyalty, through which we build a modern organisational culture.

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. We appreciate the commitment of staff members in their efforts to achieve the Company's goals. The remuneration system is geared towards motivating employees to improve on their past performance. They are encouraged to be creative in performing routine tasks, so that they can achieve better results more efficiently.

10.5.1 Annual performance appraisal interviews⁷²

Annual performance appraisal interviews were also conducted in 2019, as we continue to see them as an important and efficient management tool.

The focus is on a transparent goal-setting and goal-tracking system that is based on the Company's strategy. Thereby the Company seeks to bring the strategy closer to its employees, providing feedback on how their work contributes towards achieving the strategic goals of the Company as a whole. Employees are goal-oriented and quick to identify their role in and responsibility for delivering on the strategy.

In regular annual interviews, leaders and employees review past objectives and set new ones, breaking them down into tasks to be performed in the coming period. They also discuss past and required education, training and other plans.

Most companies conduct annual performance appraisal interviews at least for employees up to the upper-management level. At Sava Re, annual appraisal interviews were conducted with all employees.

10.5.2 Health and safety at work⁷³

In all Group companies, measures related to occupational and fire safety are carried out, in line with applicable legislation. In addition, all employees are referred to the necessary occupational health checks.

Group companies organise a number of activities promoting health in the workplace, depending on their organisational and other capabilities (promotion of recreation, motivational and stress management workshops).

Health and safety at work is a concern that involves all employees, management, the human resources department, an approved medical examiner and an external authorised service provider.

In 2019, we carried out all health and safety at work, and fire protection measures. Our health day was organised for the second year running. Through various activities (a hike, lecture, dance, tennis and volleyball) we want to raise awareness of the importance of our employees' health and well-being. Our staff are offered a weekly supply of seasonal fruit.

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.

The Company's holiday facilities in Bohinj and Cres are available for employees to use.

10.5.3 Other⁷⁴

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, also outside working hours. In addition, Group employees were involved in several corporate charity activities that are traditionally part of the Sava Re Day.

All employees can join representative labour bodies in all the companies where such bodies have been set up. Employee representatives are informed of the introduction of important changes in accordance with the applicable legislation.

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

The trade union and the workers' council serve as the link between employees and management of the parent company Sava Re. Their members represent all organisational units. In 2019, we worked closely on amending the collective agreement and several of the Company's internal acts.

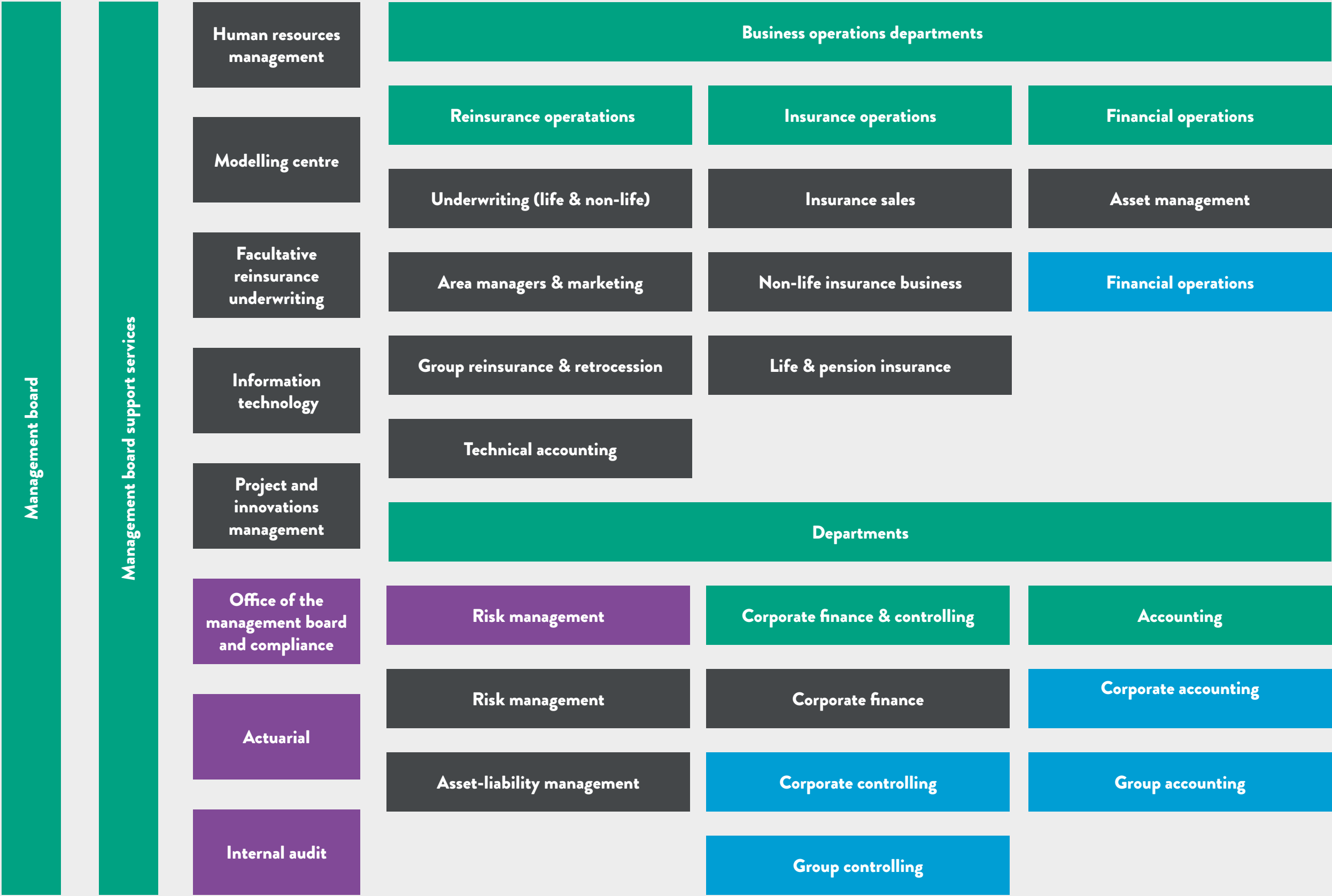
All-staff meetings serve as an important source of information for employees, where the management board presents results of operations, plans for the current period and the development strategy of the Company and the Group.

Internal communication is effected through various internal media and tools. Monthly events are posted on the Sava intranet portal.

We foster cooperation and networking in our spring, autumn and pre-New Year social meetings, and in other social events. This year, employees once again took part in a number of volunteer activities in support of the Sava Re Day.

⁷¹ GRI 103-01, 103-02, 103-03
⁷² GRI 404-03
⁷³ GRI 103-01, 103-02, 103-03
⁷⁴ GRI 103-01, 103-02, 103-03

Organisational chart of Sava Re as at 31 December 2019⁷⁵



75 GRI 102-18



11 Risk management⁷⁶



Below we describe the risk and capital management systems and the significant risks to which the Sava Insurance 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 2019, which will be posted on the Company’s website not later than on 07 April 2020, and in the Solvency and financial condition report of the Sava Insurance Group as at 31 December 2019, which will be published on the Sava Re website on 19 May 2020.

11.1 Risk management system

The Sava Insurance Group management is aware that risk management is key to achieving operational and strategic objectives and to ensuring the long-term solvency of the Group. Therefore, the Sava Insurance Group is continuously upgrading the risk management system both at the Group company and Group levels.

The Group companies’ 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 at the individual company and Group levels.

The Sava Insurance 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 and local legislation. The risk strategy is prepared for three-year periods, simultaneously with the strategic plan. The adequacy of the risk management system policies is examined annually.

The risk management system at the individual company and Group levels is subject to continuous improvement. Particular attention is paid to:

- clearly-expressed risk appetite within the framework of the risk strategy, including 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,
- systematic upgrading of the internal control environment, adjustment of processes to new activities, monitoring of the occurrence of untoward events,
- establishment of adequate risk management standards in all Group companies depending on the scope, nature and complexity of business transactions and related risks.



11.1.1 Risk management organisation

Systematic risk management includes an appropriate organisational structure and a clear delineation of responsibilities.

The efficient functioning of the risk management system is primarily the responsibility of the Sava Re management board and the management board of each 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 (development, sales, marketing and insurance management, provision of insurance services, financial operations, accounting, controlling, 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.
- The third line of defence 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:

- setting the risk strategy and approval of risk tolerance limits and operational limits,
- adopting policies relating to the risk management system,
- risk management processes,
- monitoring operations in terms of risk and providing input for risk-based decision making.

The supervisory board of each individual company approves the risk strategy, risk management policies and the appointment of key function holders in the risk management system. In addition, the supervisory board analyses periodic reports relating to risk management. A risk committee has been set up within the supervisory board of the parent company to provide relevant expertise and support in the risk management process in the Company and in the 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. Line managers are responsible for ensuring that the operational performance of the processes for which they are responsible are conducted in a manner that reduces or eliminates risks, and that the frameworks laid down in the risk strategy are observed. The first line of defence is also responsible for monitoring and measuring risks, the preparation of data for regular reporting on individual areas of risk, and the identification of new risks.

Each Group company has set up the following three key functions as part of the second line of defence: the actuarial function, risk management function, and compliance function. In addition, the Group's large members 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 additionally 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 at the company or Group level. It is involved in all stages of the processes 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 regularly reports to the risk management committee (if set up), the management and the supervisory boards, the risk committee (Sava Re) 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 business 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. The committee includes the key representatives of the first line of defence and the management board with regard to the company’s risk profile. The holders of other key functions of the risk management system are also invited to the committee meetings. 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 third line of defence consists of the internal audit function. For Slovenian companies the function is organised as an out-sourced internal audit engagement at Sava Re, whereas other companies have their own internal audit functions. The internal audit 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 the risk management processes and internal controls that are in place.

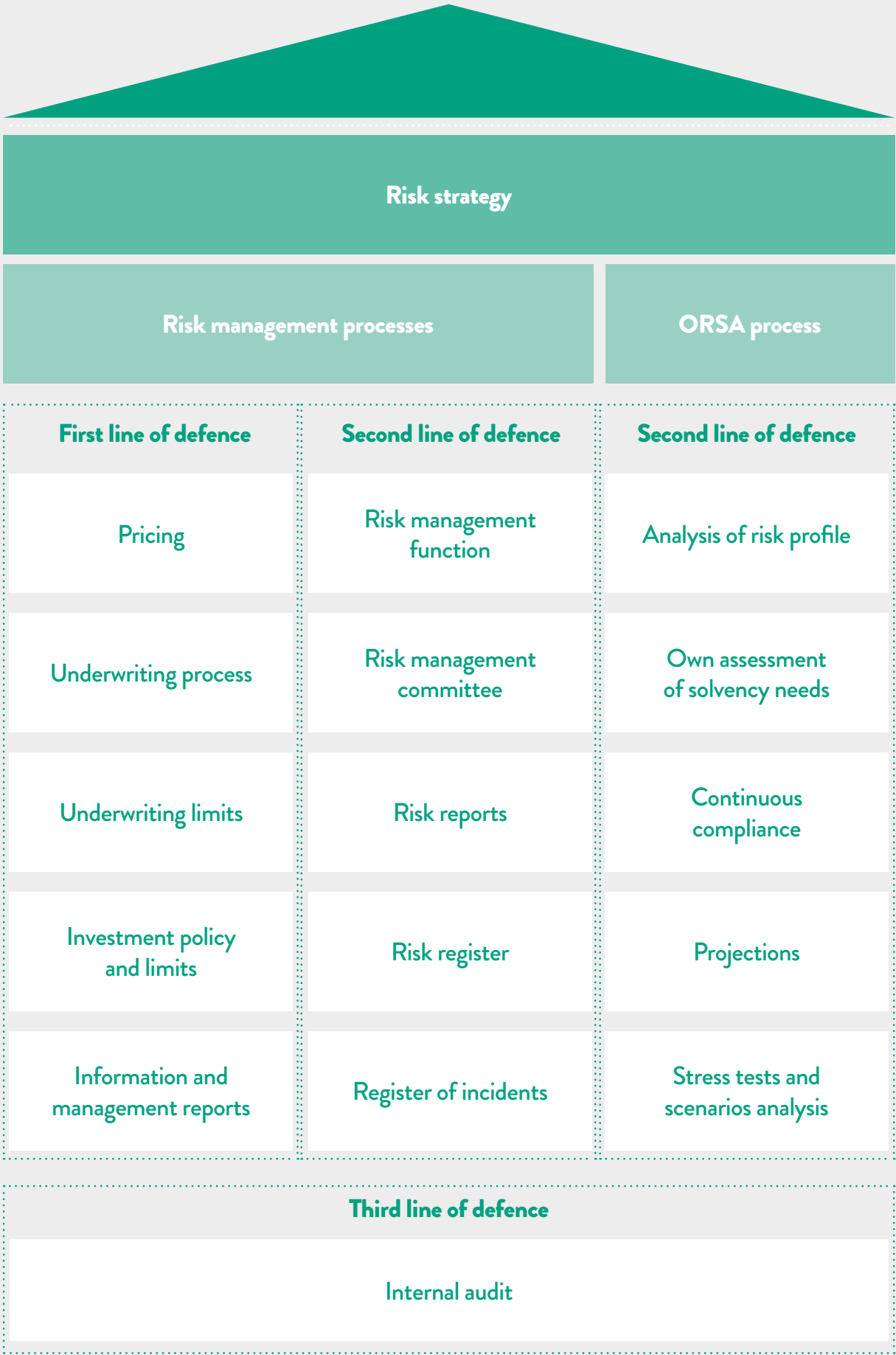
Good practices from Sava Re’s risk management model and the organisation of risk management are also transferred to other Group companies.

11.1.2 Components of the risk management system

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

- risk strategy,
- risk management processes within the first and second line of defence, and
- ORSA process.

The Group’s risk management system is presented in the diagram below.





11.1.2.1 Risk strategy

In order to establish a solid risk management framework, in 2017, the management board – with the consent of the Sava Re supervisory board – approved the Sava Insurance Group risk strategy for 2017–2019, which, defines the Group’s risk strategy based on its risk bearing capacity. Each individual Group company drafts its own risk strategy by taking into account the Sava Insurance Group’s risk strategy. The Group document sets:

- the company’s risk appetite,
- key 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 key areas on which risk appetite is based are:

- capital and solvency,
- liquidity,
- product profitability, and
- reputation of individual companies and the Group.

Each individual Group company sets its own 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 companies’ risk profiles, determining approved deviations from planned values. These limits are set based on the results of the sensitivity analysis, stress tests and scenarios, and professional judgment.

Based on the risk appetite and risk tolerance limits, individual Group companies 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 carried out in accordance with the set 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, a minimal set of risk measures has been defined in individual Group companies that facilitate simplified monitoring of the current risk profile and capital position of each individual company and the Group, without having to carry out a complete calculation of the solvency capital requirement. The measures in individual companies and the Group are subject to continuous monitoring.

11.1.2.2 Risk management processes

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

The chief risk management processes are:

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

Risk identification

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 also integrated in the decision-making system; all important and strategic business decisions are also evaluated in terms of risk.

In the process of risk identification, each 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 regular basis and new risks are added if so required. Risk identification at the Group level is conducted in the same way.

Risk identification in individual Group companies and at 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 each Group company. Such identification of new and emerging 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 regulatory risk.

Bottom-up risk identification takes place in individual organisational units and with 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 performed on an ongoing basis, especially as part of the business planning process and any major projects and business initiatives such as launching of a new product, investment in a new class of assets, acquisitions and other.

Risk assessment (measurement)

The Group has in place regular risk assessment (measurement) processes for all the risks to which individual companies or the Group are exposed. Both qualitative and quantitative methods are used to measure risk. The modelling development centre functions at the Group level to develop quantitative risk assessment models for the entire Group.



Risks are thus measured:

- using the Solvency II standard formula,
- by calculating the overall solvency needs within the own risk and solvency assessment (ORSA),
- by conducting and analysing stress tests and scenarios,
- through qualitative risk assessment in the risk register,
- using various risk measures allowing simplified measurement and monitoring of the current risk profile.

Risk monitoring

Risk monitoring is conducted at several levels: at the level of individual organisational units and risk owners, risk management departments, the risk management committee, the management board, the supervisory board's risk committee (Sava Re) 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. Both risks and risk management measures are subject to monitoring and control.

Risk management

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 all of its 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. If any business decision does not comply with the risk appetite or any risk tolerance limit is exceeded, the Company needs to document such deviation and take relevant action to resolve the situation.

Risk reporting

Regular risk reporting has been set up in the large Group companies and on the Group levels. Risk owners report on each risk category to the risk management function, including a predetermined set of significant risk measures and qualitative information. Based on this, the risk management function in cooperation with risk managers prepares a risk report covering each individual company's entire risk profile. The report is first discussed by the company's risk management committee (if the company has one), followed by the management and supervisory boards. Finally, a company's risk management function submits the report to the Group's risk management function.

11.1.2.3 Own risk and solvency assessment

In addition to these risk management processes, EU-based Group (re)insurance companies and the Group also perform an ORSA, which is defined in the own risk and solvency assessment policy. ORSA is a process that includes the identification of the differences between a company's or the Group'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 establishment of the link between the risk profile and capital management. In ORSA, 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 insurers and the Group report to the regulator on the ORSA (at least) on an annual basis. Every year, ORSA is more closely integrated with other processes, in particular with 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. Employees from different departments take part in the process, as we wish to obtain as complete and updated a picture of a company's risk profile as possible.

The primary objective of the ORSA is to better understand own risk profile and the standard formula, and to analyse the impact of the changes in the risk profile on capital adequacy over the next three years. ORSA is an integral part of the decision-making process conducted to ensure that the key decisions and the business strategy are 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 capital management.

In 2020, the Group is to prepare its first single ORSA report, which involves all entities required to perform the ORSA: Sava Re, Zavarovalnica Sava and the Sava Insurance Group. The purpose of the single report is to provide a comprehensive overview of own assessment and risk profile.

11.2 Capital management

Capital management at the Group level is defined in the capital management policy of the Sava Insurance Group and Sava Re d.d., which sets out the objectives and key activities associated with capital management. Capital management is inseparably linked with the risk strategy, which defines the risk appetite.

The Group's objectives of capital management are:

- solvency, in the range of the optimal long-term capitalisation as defined in its risk strategy;
- adequate degree of financing flexibility;
- ability to achieve adequate profitability for operating segments that tie up capital;
- ability to achieve an adequate return on capital or adequate dividend yields for shareholders.

The Group manages its capital to ensure that each Group company has available, on an ongoing basis, sufficient funds to meet its obligations and regulatory capital requirements. The composition of own funds held to ensure capital adequacy must comply with regulatory requirements and ensure an optimal balance between debt and equity capital. The level of eligible own funds in individual Group companies and within the Group is intended to meet the solvency capital requirements and to achieve the target credit rating and other objectives of the individual Group company and the Group as a whole.

An important input element in capital management and business planning is the Group risk strategy and its risk appetite set out in the strategy. For the purposes of determining a capital management framework, the Group risk strategy defines levels of capital adequacy. Group capital adequacy serves as the basis for determining the capital adequacy of each Group company.

The Group risk strategy in conjunction with capital adequacy is defined so as to meet regulatory requirements and the requirements of rating agencies, and to ensure that the parent company has sufficient excess capital to cover any potential capital needs of subsidiaries in the event of a major stress scenario materialising in any of them. To this end, excess of eligible own funds is determined over the statutorily required.

As provided by the risk strategy, all Group subsidiaries must have, on an ongoing basis, a sufficient amount of capital available to meet solvency requirements. In addition, Group subsidiaries subject to the Solvency II regime must have sufficient capital to absorb small to medium fluctuations in the SCR and own funds, which may result from the standard formula methodology and the possibility of small and medium stresses and stress scenarios materialising.

11.3 Material risks of the Sava Insurance Group

The Sava Insurance 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, market prices of other assets and participations in other companies.
- 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 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 Insurance Group (section 18.6).



12 Internal audit activities in the Sava Insurance Group



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, the internal audit department (IAD), 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.

Pursuant to the Insurance Act and based on outsourcing agreements Sava Re d.d. has been performing, for indefinite duration since 1 February 2018, the key functions of the internal audit of Zavarovalnica Sava d.d. and Sava Pokojninska Družba d.d. In 2019, Sava Re signed a contract pursuant to the Investment Funds and Management Companies Act (ZISDU-3) with Sava Infond, Družba za Upravljanje d.o.o., with which the latter transferred the performance of the internal audit key function to Sava Re d.d. as of 1 January 2020, for an indefinite period.

In 2019, the IAS conducted audits and other tasks in accordance with the annual work plan. Of the 24 internal audit engagements planned, 23 were performed.

Based on all tests and methods used in individual audit areas, the IAD is of the opinion that internal controls at Sava Re are adequate and that the degree of their reliability is good. The IAD is also of the opinion that the governance of Sava Re was appropriate and is 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 IAD, there remains room for improvement regarding the operation of the system. The audit engagements revealed individual irregularities and weaknesses, which the IAD pointed out, recommending the remedy of such aimed at improving control procedures, corporate governance and risk management. This is to improve the efficiency of internal controls and regularity of operations.

Regular IAD 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 IAD 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 IAD prepared an annual report on its activities in 2019, which is part of the materials for the general meeting of shareholders.

External assessment of the quality of internal audit at Sava Re d.d. in 2019 was performed by Deloitte Revizija d.o.o. The external assessment of the IAD's operations confirmed

compliance of the internal audit with the International Standards for the Professional Practice of Internal Auditing, Code of Ethics of Internal Auditors and the Code of Internal Auditing Principles.

While strengthening the IAD we intensified the implementation of the new software to support the comprehensive internal auditing process, also at the Sava Insurance Group internal audit level.

13 Sustainable development in the Sava Insurance Group

2020–2022

Sustainable development strategy adopted

Sustainable development is one of Sava Insurance Group’s fundamental strategic orientations for 2017–2019 and the next strategic period. Sustainable development, i.e. corporate social responsibility, is a growing and increasingly important aspect of decision-making in all business segments.

These efforts are reported in accordance with the international sustainability reporting standards Global Reporting Initiative (GRI) (Core option); the report provides a straightforward and honest overview of the character, values and strategic pursuits of the Company and the Group as a whole⁷⁷.

In accordance with the GRI standards the Sava Insurance Group sustainability report 2019 analyses three aspects: economic, social and environmental.

The essential contents of the Sava Insurance Group sustainability reporting⁷⁸

Economic aspects (GRI 200)	Economic performance Market presence Indirect economic impacts Procurement practices Prevention of corruption
Social aspects (GRI 400)	Recruitment and staffing levels Employee training and development Management and motivation Health and safety at work Customer relations/responsibility to consumers Relations with suppliers Local community Marketing and labelling
Environmental aspects (GRI 300)	Waste disposal policy Energy Supplier assessment Emissions

⁷⁷ GRI 102-54, 102-51
⁷⁸ GRI 102-47
⁷⁹ GRI 102-46
⁸⁰ GRI 102-45, 102-50, 102-52
⁸¹ GRI 102-55
⁸² GRI 102-48,102-49
⁸³ GRI 102-56

About the report⁷⁹

The consolidated annual report refers to a single financial and calendar 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 by Sava Re specialist services and all subsidiaries. The consolidated annual report incorporates all legal entities constituting the Sava Insurance Group⁸⁰.

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 Insurance Group” provides disclosures and other specific business impacts not covered by other sections of the annual report. In addition to general disclosures it provides, in accordance with prescribed principles, disclosures on the economic, social and environmental aspects that are of vital importance for the Group and relate directly to the Group strategy.

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 parent company, which is also responsible for reporting. Disclosures in accordance with the GRI standard refer to all Group companies, where possible; where it is not possible, to the parent company and EU-based subsidiaries. The GRI content index⁸¹ at the end of the annual report offers a comprehensive overview of the type and scope of disclosures.

No statements or information from the previous report have changed on account of new findings, and the report therefore contains no corrections⁸².

Sava Re did not seek external assurance of the sustainability report in 2019⁸³.



The 2030 Agenda for Sustainable Development, adopted at the United Nations Summit in September 2015, brings together 17 sustainable development goals in a well-balanced scheme.



Non-financial statement

With the non-financial information reported in accordance with the GRI standards, the annual report of the Sava Insurance Group and Sava Re d.d. for 2019 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.

13.1 Sustainability as part of the strategy

In its strategic plan for the period 2017–2019, the Sava Insurance Group incorporated sustainable development as one of its key pursuits and made a commitment to make it an integral part of the business processes in this period. As evident in the report, the guidelines were followed in some areas, whereas in others the sustainable aspect is still being implemented. Business models for sustainable development and criteria for monitoring sustainable development indicators have not yet

been established everywhere, and the 2019 non-financial report does not yet allow for comparative analysis in all areas, but in some cases it presents data and facts consistent with the reporting principles.

As sustainable development remains one of our priorities in the next strategic period 2020–2022, we have prepared and adopted the “Sustainable development strategy” in cooperation with all Group subsidiaries.



Employees of subsidiaries Illyria, Sava Osiguranje (Montenegro) and of both North Macedonian subsidiaries also participated in blood drives in 2019.

The upcoming strategic period will thus centre around:

- the focus on the United Nations Sustainable Development Goal "Good health and well-being" – in our insurance products and services, to ensure healthy lives and promote well-being for all at all ages;
- interests and expectations of the relevant interested parties and stakeholders, as communicated to us through dialogue with different stakeholder groups. The sustainable development strategy is thus based on building quality long-term relationships with all stakeholders, with customers and their satisfaction at the centre;

- ESG criteria, which we are gradually and systematically integrating into the decision-making processes in the Group;
- adoption of key performance indicators and systematic measurement of the realisation of sustainable development goals;
- corporate actions and further promotion of corporate social and environmental responsibility.

All subsidiaries appointed their sustainable development owners responsible for the implementation of the sustainable development strategy and coordination of the tasks agreed.



13.1.1 Sustainable development strategy for the period 2020–2022

The Group’s objectives and its sustainable development strategy are rooted in its values, mission and vision. The goal of the Sava Insurance Group for the strategy period is for its stakeholders to recognise it as:

- a socially responsible insurance and reinsurance company, and a socially responsible and credible partner,
- a socially responsible asset and equity manager,
- a socially responsible and attractive employer,
- an organisation that is socially responsible to the wider community.

We will pursue this goal by supplying transparent and comprehensible products over a wide sales network with a well-trained sales force, through transparent and effective processes (business digitalisation). This will contribute to improved customer satisfaction and will boost satisfaction, innovation and motivation among our employees.





13.2 Stakeholder engagement⁸⁴

The needs and interests of stakeholders are met and monitored through mutual relations established at the strategic and operational levels. Trust and mutual understanding with individual groups is thus strengthened on the basis of fair and balanced communications and inclusion.

Key stakeholder groups are a dynamic and constantly evolving category, with new stakeholder groups forming as the Sava Insurance Group develops and grows, and with them also the need for new information and communication channels. To this end, Sava Re organised workshops with members of specialist services in subsidiaries, in which we reidentified groups of stakeholders who play key roles in ensuring the ongoing health and success of the Sava Insurance Group.

At the same time we highlighted and discussed 17 key topics that had been recognised as important in our previous cooperation with stakeholders and as such as defining for the Sava Insurance Group strategic policy.

In the reporting period 2019 we thus, for the first time, directly engaged our key stakeholders in compiling the sustainability report, by asking them to participate in an online survey. This time, the groups of respondents were defined by Sava Re and Zavarovalnica Sava, but the plan is to engage all subsidiaries in the next sustainability reporting.



Subsidiary professional staff and sustainable development coordinators discuss the objectives of sustainable development and the larger strategic focus of the Group in a workshop.

84 GRI 102-40, 102-42, 102-43, 102-44, 102-46

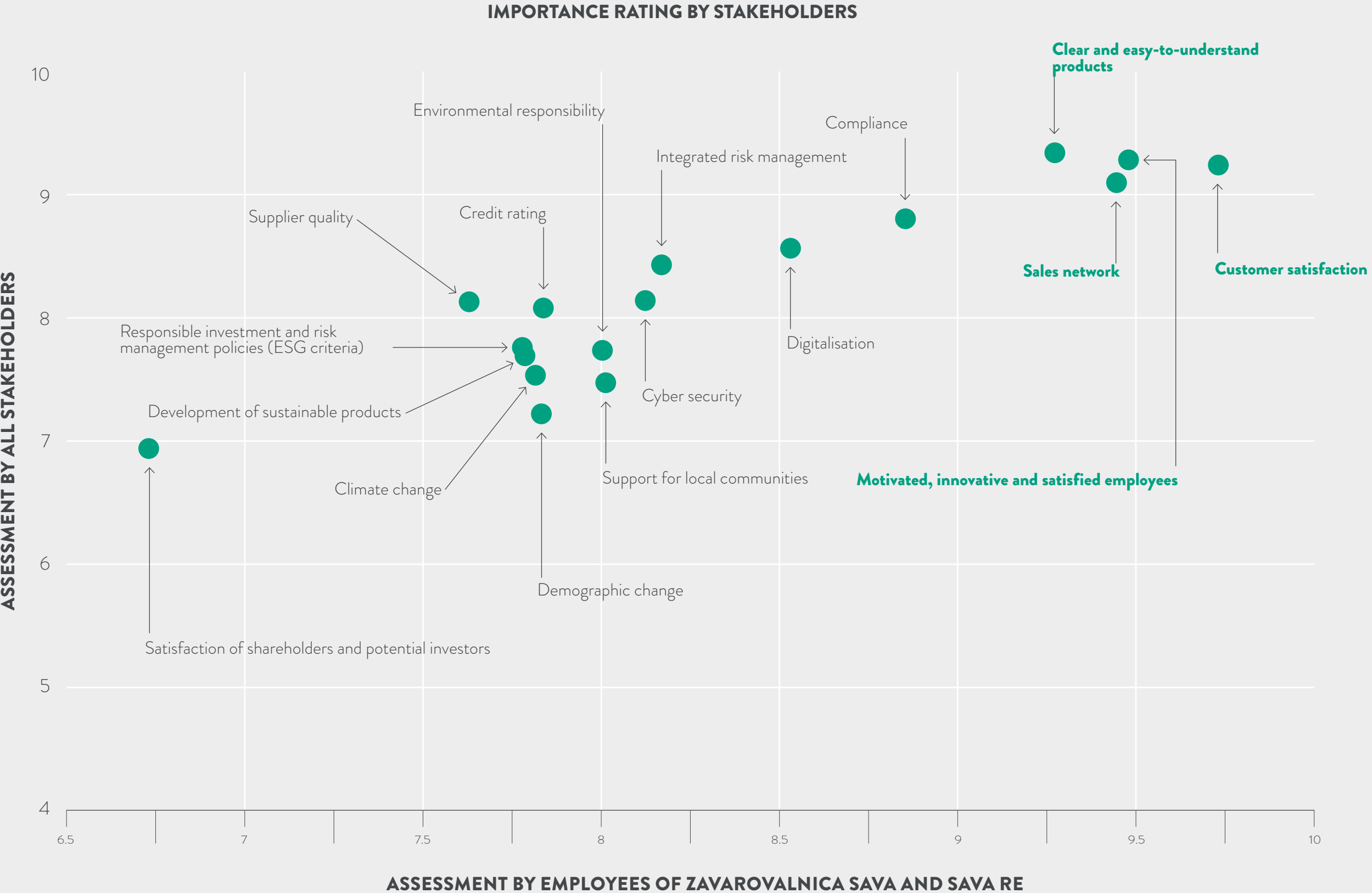
The topics and their materiality are shown in the graph to the right. The most important topics are:

- 1. customer satisfaction;
- 2. products that are transparent and easy to understand;
- 3. motivated, innovative and happy employees;
- 4. sales network.

Below, we list those 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.

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.

Topics and aspects in terms of their importance for stakeholders and the Sava Insurance Group



Stakeholders	Type of involvement	Objectives	The most important activities in 2019
Sava Insurance Group employees	<ul style="list-style-type: none">Employee participation (workers’ council and unions)Internal formal events (strategic conferences, professional and educational events)Internal informal eventsInternal training/consultationsManagement by objectives (annual appraisal interviews)Internal web and print mediaThinking out of the boxElectronic mailPersonal contactOpinion polls/questionnairesSports societies	<ul style="list-style-type: none">Information, awarenessStimulating ideas to improve the work environment and business processesTwo-way communicationCulture building, improving relations, fostering a good organisational climate	<ul style="list-style-type: none">Two strategic conferences annually with representatives of all subsidiaries*Ongoing dialogue with employee and trade union representatives*Events, conferences, lectures, 24 in 2019* <p>(more in the section “Responsibility to employees”)</p>
Customers include: <ul style="list-style-type: none">the insuredpolicyholdersinjured partiescedantsinvestors in mutual and pension funds	<ul style="list-style-type: none">One-to-one counsellingMeetingsCompliments and complaintsWebsites, blogsContact centreMarket communication through different channelsExpert meetings/conferencesEventsSocial networks	<ul style="list-style-type: none">Service qualityCustomer focusInformationQuick problem solvingCustomer-friendly attitudeIdentifying actual market needsModern sales channels	<ul style="list-style-type: none">Year-long ongoing communication across the sales network*Interactive chats – on web pages*Twice yearly presentation brochure for cedants* <p>(more in section “Responsibility to employees”)</p>
External sales network consisting of: <ul style="list-style-type: none">insurance agenciesinsurance intermediariesbanksbusiness partners such as vehicle inspections, tourist agencies	<ul style="list-style-type: none">Regular visitsProfessional trainingMeetings/events	<ul style="list-style-type: none">Product and offer expertiseKeeping up to date with developments in business processesKeeping up to date with developments in laws and regulations governing the businessBuilding genuine partnerships	<ul style="list-style-type: none">Ongoing communication <p>(more in section “Responsibility to employees”)</p>
Suppliers (services and materials)	<ul style="list-style-type: none">TendersInvitations to participationQuestionnairesMeetingsPresentations	<ul style="list-style-type: none">Selection of the most appropriate supplier in accordance with the criteriaEnvironmentally friendly materialsPaperless operationDigitisation of operationsPayment reliabilityHonouring agreementsDelivery of waste disposal certificatesSupporting local economy	<ul style="list-style-type: none">Invitations to tender and supplier selections <p>(more in section “Responsibility to employees”)</p>
Shareholders and prospective investors in POSR shares	<ul style="list-style-type: none">At least once a year at the general meeting of shareholdersRegularly through public notifications (SEOnet of the Ljubljana Stock Exchange)Regularly on the website (www.sava-re.si)At least once a year in the letter to shareholdersRegularly via email (ir@sava-re.si)Regularly in individual meetings and through conference callsRegularly at investment conferences at home and abroad	<ul style="list-style-type: none">Equal access to informationClear dividend policy and yieldsIn-depth information on business operations, annual plan and strategic policySustainable operations	<ul style="list-style-type: none">Regular and transparent communication with shareholders and investorsIn 2019 there were 32 public notifications on the SEOnet system.Dividend payouts in June 2019Agreement on the provision of market-making services for the POSR share
Regulatory	<ul style="list-style-type: none">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)	<ul style="list-style-type: none">Compliance with legislationTransparency of operationsSecurity of policyholdersCompliance	<ul style="list-style-type: none">Consistent tracking of changes in legislations, regulatory measures and recommendations
Credit rating agencies	<ul style="list-style-type: none">Regular annual review of the financial position, operations and business results	<ul style="list-style-type: none">Improved credit rating	<ul style="list-style-type: none">AM Best confirmed the credit rating “A” (stable)S&P confirmed the credit rating “A” (stable)
Media	<ul style="list-style-type: none">Regularly through press releasesAt least once a year at the press conferencePeriodically through interviewsRegularly through answers to journalists’ questions	<ul style="list-style-type: none">Providing information to the general publicRegular and transparent information on business operationsStrengthening the positive realistic image of the Company/GroupMaintaining regular and positive relationships	<ul style="list-style-type: none">Responsive and timely communication with the mediaThe Sava Insurance Group had 1337 mentions in the media in 2019.Meeting at the press conference upon the publication of unaudited Company and Group results
Communities	<ul style="list-style-type: none">Direct contact with local decision makersSupport to non-profit organisations through sponsorships and donationsSupport for preventive actionsEmployee assistance	<ul style="list-style-type: none">Involving the company/employees in local communities and society at largeCo-financing of projects important for the local communityEnhancing security through preventive actionsInfrastructure investmentsAwareness raising among the population	<ul style="list-style-type: none">Section “Sponsorship, donations and preventive actions”Section “Responsibility to the community”

* Data for Sava Re.



13.3 Economic aspect⁸⁵

Economic performance defined by the strategic goals in all areas and reported more extensively in the financial part of the report is the key performance indicator for the operations of the Sava Insurance Group. This is achieved

through timely risk identification and management. We believe that both financial and non-financial risks have an impact on the economic performance of the company.

EUR million	Sava Insurance Group				
	2019	2018	2017	2016	Index 2019/2018
Other economic impacts					
Economic value generated*	620.5	567.3	519.8	516	109.4
Economic value distributed	647.0	560.9	508.8	475	115.3
Net claims incurred and other technical expenses	421.5	344.1	313.6	285.7	122.5
Expenses for financial assets	6.1	9.6	11.9	8.6	63.6
Other expenses	4.6	2.9	2.8	2.5	158.7
Operating expenses**	111	102.8	87.7	90.7	107.9
Dividend payouts	14.7	12.4	12.5	12.4	118.7
Income tax expense	10.5	12.2	8.8	7.8	86.1
Investments in the social community (prevention, donations, sponsorships)	4.2	3.8	3.2	3	109.7
Employee payments, allowances and benefits	74.5	73.1	68.4	64.4	101.9
Economic value retained	-26.6	6.3	11	41	-419.0

* 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

Distributed economic value, as follows from the table, amounted to EUR 647.0 million in 2019. It consists of net claims incurred and other insurance expenses, expenses for financial assets, other expenses, operating

expenses, dividend payouts, tax expenses, community investments in the form of prevention, donations and sponsorships, payments, benefits and bonuses to employees.

13.3.1 Sponsorship, donations and preventive actions⁸⁶

Investing in prevention programmes reduces risks. Such programmes have a significant economic and social impact on the insurance

industry and are also prescribed by legislation (for more information see section 13.4 “Social aspect”).

Resources allocated to prevention

EUR	2019	2018	Index	As % of total in 2019
Zavarovalnica Sava	288,300	289,035	99.7	53.8%
Sava Neživotno Osiguranje (Serbia)	98,702	139,459	70.8	18.4%
Sava Osiguranje (Montenegro)	149,255	137,055	108.9	27.8%
Total	536,257	565,549	94.8	100.0%

We provide sponsorships and donations for promotion of a healthy lifestyle and general well-being. We invest in sports and raise awareness of the importance of sports and recreation for healthy life. We contribute to

the general well-being also by supporting culture and education programmes and professional associations, and by helping the underprivileged groups in organising their activities.



Children present their views on life with the song and dance improvisation "Life is a Circus" at the music and dance performance “Committed to Steps” of Zavarovalnica Sava.

85 GRI 103-01, 103-02, 103-03, 201-01
86 GRI 201-01, 203-02

Zavarovalnica Sava contributed the most resources for sponsorships and donations provided by the Group (find out more in section 13.4 “Social aspect”)

Sponsorships

EUR	2019	2018	Index	As % of total in 2019
Sava Re	5,000	12,524	39.9	0.2%
Zavarovalnica Sava	2,377,543	2,207,416	107.7	93.3%
Sava Pokojninska	12,376	11,150	111.0	0.5%
Sava Infond	36,317	35,238	103.1	1.4%
TBS Team 24	9,336	4,500	207.5	0.4%
Sava Životno Osiguranje (Serbia)	300	-	-	0.0%
Sava Neživotno Osiguranje (Serbia)	48,912	14,760	331.4	1.9%
Illyria Life	1,500	-	-	0.1%
Illyria	-	1,500	-	0.0%
Sava Osiguranje (Montenegro)	12,841	5,460	235.2	0.5%
Sava Osiguruvanje (North Macedonia)	41,998	8,074	520.2	1.6%
Sava Penzisko Društvo	1,855	-	-	0.1%
Total	2,547,977	2,300,622	110.8	100.0%

Donations

EUR	2019	2018	Index	As % of total in 2019
Sava Re	24,750	15,320	161.6	2.3%
Zavarovalnica Sava	919,973	841,346	109.3	85.7%
Sava Pokojninska	9,200	8,150	112.9	0.9%
Sava Infond	13,500	20,410	66.1	1.3%
TBS Team 24	-	-	-	-
Sava Životno Osiguranje (Serbia)	-	320	-	-
Sava Neživotno Osiguranje (Serbia)	14,920	2,184	683.1	1.4%
Illyria Life	816	447	182.6	0.1%
Illyria	913	500	182.7	0.1%
Sava Osiguranje (Montenegro)	26,384	41,787	63.1	2.5%
Sava Osiguruvanje (North Macedonia)	2,358	22,750	10.4	0.2%
Sava Penzisko Društvo	60,061	2,370	2,534.2	5.6%
Total	1,072,875	955,584	112.3	100.0%

13.3.2 Infrastructure investments⁸⁷ and investment property

When investing, Sava Re and Zavarovalnica Sava adhere to the ESG (environmental, social, governance) principles through negative screening. When choosing investments we favour those that comply with the ESG principles, the principles of sustainable developments, responsible investment and similar. Return on investment is not the only criterion; sustainable impact is another factor that plays a pivotal role in investment decisions. 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 promote development in accordance with their environmental and social policies. We also invest in securities issued to fund green, environmental projects (green bonds). We do not make investments in nuclear energy, net fishing, production or trade in illegal products or services, or in products and services that (potentially) harm people or the environment. In addition, we no longer invest in military industries, the tobacco industry, adult entertainment or gambling. From the end of 2018, investments in green bonds, which totalled EUR 19 million, increased by EUR

6.4 million and reached EUR 25.4 million. These are bonds of supply and energy companies, as well as government bonds and bonds issued by financial institutions. What they all have in common is that the funds collected through the issue of bonds, finance projects and investments that meet criteria such as the ESG standards.

Sustainability criteria are the most effectively integrated in infrastructure investments. In the past, compliance with ESG standards was one of the key selection criteria, but in the past year we tightened the criteria, and non-compliance with the ESG guidelines now constitutes ground for exclusion when making decisions on investments in infrastructure funds and direct infrastructure projects. Currently, all infrastructure funds in the portfolio meet the ESG criteria, which has a positive impact on the environment and society, and some of them explicitly target infrastructure projects that involve renewable energy sources.

In 2019, we provided capital commitments of EUR 25.5 million for four different infrastructure funds and one direct investment in energy efficiency solution for a school gym in the amount of EUR 107 thousand. All these funds meet the ESG criteria, with one of them investing exclusively in renewable energy sources in developing countries.



87 GRI 103-01, 103-02, 103-03, 203-01



The Sava Insurance Group invested EUR 5 million in real estate funds and provided additional EUR 5 million in capital commitments. Real estate funds plan to reduce their energy, water and waste consumption by 10% by 2025; they are working to gain environmental certifications such as LEED, BREEAM in HQE, or pursue sustainable goals, including greenhouse gas reduction, which they regularly report on to the Carbon Disclosure Project (CDP).

In 2020, we plan to continue investing in renewable energy sources and energy efficiency projects, and tap into the potential of green bonds to strengthen our portfolio. In the strategic period 2020–2022 we decided to uphold the UN Principles for Responsible Investment (PRI), in the framework of which we will further develop the sustainability assessment methodology for investments.

EUR million	31 Dec 2018			31 Dec 2019		
	Commitment*	Calls	Total	Commitment*	Calls	Total
Infrastructure funds	17.4	5.0	22.4	29.8	20.1	49.9
Real estate funds	5.0	0.0	5.0	5.0	5.0	10.0
Direct infrastructure projects	0.0	0.0	0.6	0.0	0.0	0.6
Green bonds	0.0	0.0	19.0	0.0	0.0	25.4

* Off balance sheet

13.3.3 Risks and opportunities arising from climate change⁸⁸

Globalisation and previously unimagined technological development have changed all our lives. Human activity, our growing need for energy supply through fossil fuels, and increasing greenhouse gas emissions are the main causes of climate change and have a visible impact on the environment. Measurements across the world provide evidence that the Earth is becoming warmer and glaciers smaller, while higher temperatures and increased evaporation drive the frequency and intensity of extreme weather phenomena (heat waves, droughts and storms), thus changing regional precipitation and climate patterns.

The insurance sector as the industry that offers insurance protection from natural disasters, thus faces the challenge of managing additional risks defined as the result of human activity in the last century, in particular the excess of greenhouse gasses in the atmosphere and intensive land use.

Investing in sustainable development and prevention (renewable resources, awareness raising) are the factors that have an important impact on the scope and scale of losses due to natural disasters, which is why we integrated sustainable development into our strategic plan 2017–2019 as one of its main orientations, while our main efforts remain focused on limiting exposure to the industries and sectors that play a big part in adding to environmental burdens.

In 2019 we saw an increase in losses due to natural disasters in Sava Re’s international reinsurance portfolio, the most notable being two typhoons in Japan (Faxai, EUR 2.7 million, and Hagibis, EUR 5 million) and the tropical storm Dorian in the Caribbean (EUR 2.3 million).

In 2019, Zavarovalnica Sava measured a moderate level and frequency of storms, much like in the two and three recent years. In these terms, 2019 could even be defined as a more favourable year. Catastrophes (storm, hail, flood) accounted for 12,148 claims (+13%) totalling (claim payments and provisions) EUR 10.4 million, which was slightly less (-5%) than the year before.

As for other subsidiaries, 2019 did not stand out in terms of weather phenomena and related claims.

Relations with suppliers and the purchasing policy⁸⁹

The Sava Insurance Group companies coordinated and unified the purchasing policy, which provides strategic guidelines and principles governing a transparent procurement process. Internal acts prescribe the inclusion of an anti-corruption clause in all purchase contracts.⁹⁰ When ordering, taking over and paying for goods, the principle of four eyes is applied, which ensures a high degree of individual control over the business purchasing process. Sava Re assesses the risk inherent in purchasing on a quarterly basis.⁹¹ The “Rules on the procurement procedure” are accompanied by the “Questionnaire on the sustainability of the company”⁹², which is intended for suppliers whose bids are collected through tenders (the value of goods exceeds EUR 50,000). A completed questionnaire is an important factor in the selection of a supplier and the first

step towards the promotion of sustainability in partner relationships within the procurement process. When updating their internal acts governing the business procurement process, the companies in North Macedonia and Montenegro also integrated the mechanisms for monitoring suppliers’ sustainability using questionnaires for high value purchases.

Group companies’ suppliers are mainly providers of consulting services, IT tool maintenance and upgrading, office supplies, small tools, computer hardware, software and similar, and company cars. Recycled paper was included in Sava Re’s stationery supply. The nature of business and the need to establish long-term partnerships in their own community require all Group companies to cooperate with local suppliers. The local market of an individual Group member represents the total geographical area of the country in which it is registered⁹³.

Although some of the purchases are made outside their home country, they are limited (mainly to the goods and services that cannot be sourced in their home country or are offered at non-competitive prices), and in case of producers or service providers from other countries business relationships are established through local agents or representatives. Frequently, looking for suppliers in foreign markets is not reasonable, because companies can make purchases under better conditions and with less risk with domestic suppliers.

The goal of the Group’s purchasing policy is also to set up a joint list of suppliers in order to create synergies in the quality of goods, by building trust between partners and securing favourable commercial conditions. The first initiatives are limited to the local markets and strategic suppliers.

⁸⁸ GRI 103-01, 103-02, 103-03, 201-02

⁸⁹ GRI 102-09, 103-01, 103-02, 103-03, 204-01, 308-01

⁹⁰ GRI 205-01

⁹¹ GRI 205-01

⁹² GRI 414-01

⁹³ GRI 204-01

The Sava Insurance Group ensures competitiveness and transparency of the selection procedure in relationships with its suppliers by sending requests for proposals to several providers and increasing competencies and responsibilities for decision making regarding the selection of suppliers, depending on the level of the estimated value of the goods. Special attention is paid to the development of quality criteria, mutual cooperation, creation of synergy, and price competitiveness (rebate scales and similar), all of which are considered an appropriate basis on which to assess suppliers.

In terms of procurement, the Company/ Group takes into account also a number of other internal acts defining procedures and other instructions, for example: the fleet management policy in the Group, rules on procurement, use and maintenance of company vehicles, systemic procurement procedure in the Sava Insurance Group, rules on company mobile phones and devices, and similar.

Sava Re and all Sava Insurance Group companies settle their procurement-related liabilities within agreed deadlines.



The new business premises in Montenegro boast a new energy-efficient heating and cooling system.

13.3.4 Financial assistance received from government⁹⁴

The Group companies received no financial assistance from the government in 2019.

Definition of other government incentives

In 2019, Sava Re claimed a reduction in the payment of employer’s contributions for pension and disability insurance for employing persons younger than 26 years of age for indefinite periods, 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 contributions for pension and disability insurance for the second year. The total value of these refunds amounted to EUR 2,025 (2018: EUR 2,119).

Sava Re also set up a collective voluntary supplementary 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 these contracts, the Company pays

a voluntary supplementary pension insurance premium for the employees who have joined the pension scheme. Thus, it is entitled to a reduced income tax base in 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 amounts to EUR 102,416 (2018: EUR 96,378).

Zavarovalnica Sava receives a monthly bonus for employing more employees with disabilities than prescribed by the quota and also claims exemption from paying the pension and disability insurance contributions for these employees. These incentives in Zavarovalnica Sava for 2019 totalled EUR 104,163 (2018: EUR 122,393).

In 2019, Sava Pokojninska received funds from the Public Scholarship, Development, Disability and Maintenance Fund of the Republic of Slovenia for comprehensive support to enterprises for active aging of the work force in the amount of EUR 14,600 for 7 employees. This served as the basis on which the company shaped the Strategy for better management of older workers and their upskilling.





skilled and motivated employees are essential for reaching our goals.

13.4 Social aspect

13.4.1 Responsibility to employees

In the Sava Insurance Group we are aware of our responsibility to employees. The fundamental goal of our sustainable development strategy is to be recognised by our stakeholders as a socially responsible and attractive employer in the region. Survey results also demonstrated how important satisfied, innovative and motivated employees are. All groups of the key stakeholders ranked the importance of happy, innovative and motivated employees among first three of seventeen topics (see section “Involvement of stakeholders”).

The Group is strongly committed to fostering and building honest and respectful relationships, and invests many efforts in creating a positive and creative atmosphere in its daily routine as well as in its strategic policies.

We are aware that we can achieve our goals only with competent, qualified, experienced and motivated employees. In the Sava Insurance Group we promote development and transfer of knowledge and skills. We create synergies by sharing knowledge and good practices between professional services and companies in the Group. To achieve this we organise expert meetings for representatives of all companies at events, meetings or professional conferences, which serves as

the opportunity to exchange knowledge and skills and allows us to inform each other about results and plans. In 2019, we organised 24 events of this kind.

In the Sava Insurance Group we build and promote the culture of innovation. We organise meetings and innovation workshops, and collect proposals for improvements. Zavarovalnica Sava introduced the “Register of Continuous Improvements” which enables all employees to submit, by completing an online form, proposals for improvements or innovations, express their approval or report an inconsistency, deficiency or error. Proposals or reports may relate to business processes, insurance products, compliance of business operations, 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 2019, the register received 25 requests.

Every year, the Montenegrin company Sava Osiguranje organises a competition for the most innovative proposals. These are reviewed by the appointed committee, which is also responsible for their implementation. Awards are conferred at an award ceremony meeting with all company employees.

Employee benefits⁹⁵

All companies offer additional benefits to their employees, within their capabilities, including preventive healthcare, team building, a motivating and positive working atmosphere, work-life balance and general wellbeing in the workplace.

They organise pre-New Year’s Eve social events, teambuilding programmes, excursions, meetings, new-year gifts for employees’ children and symbolic gifts for their employees upon jubilees and other occasions.

Once a week, Sava Re offers fruit to its employees and organises four events a year dedicated to health and recreation, with sports activities, workshops or lectures.

A medical examination is available for both men and women. The Company organises social events for all employees, including new year’s parties, picnics, celebrations of employees’ anniversaries, a day off for parents of first-graders.

All Slovenia-based companies pay voluntary supplementary pension insurance premium for their employees: Sava Re, Zavarovalnica Sava, Sava Pokojninska, Sava Infond and TBS Team 24. The North Macedonian insurers Sava Osiguruvanje and Sava Penzisko also pay into the voluntary pension scheme on behalf of their employees.



Beach volleyball: one of the activities Sava Re offered its employees in 2019 promoting health at the workplace.



Sava Insurance Group



Launch of the new brand

Companies offer additional discounts to their employees for health and other insurance, and have a collective accident insurance scheme in place for their employees.

All companies are aware how important the work-life balance is for their employees.

Zavarovalnica Sava is the recipient of the full Family-Friendly Company certificate. 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), and employees returning to work after a prolonged absence are offered assistance through interviews and a work reintegration plan.

Both Kosovar companies allow nursing mothers to leave work an hour early every day until their child is two years old.

Companies also offer discounts and other benefits to their employees who wish to join sports and recreational activities, visit cultural events and preventive medical check-ups.

Zavarovalnica Sava established a special association for its agents, the Zavarovalnica Sava Top Team, and agents are invited to join it based on their fulfilling the set criteria. In 2019, the Top Team had 43 members. They were invited to three gala cultural events and two major sporting events for business partners; they attended both sales conferences organised last year and received several quality business gifts.



[A family run with the message #ActiveTogether was organised in March 2019 by the subsidiaries in Serbia in cooperation with the Athletic Association of Serbia.](#)

13.4.2 Responsibility to consumers⁹⁶

Customer satisfaction and customer relations are at the centre of every business decision in the Sava Insurance Group. Our goal is to offer them the best user experience. Owing to the Group's growth, also in terms of new insurance companies and companies operating in complementary services, we decided to test the strength of the brand that best describes our Group.

All our companies have a common denominator: they conduct insurance business or business ancillary to insurance. For this reason, we decided that the umbrella brand Sava Re Group be replaced in all corporate documents by Zavarovalna Skupina Sava in Slovenian and Sava Insurance Group in English. The new umbrella brand was first used in the financial report January–March 2019.

In 2019, the Sava Insurance Group made the first step towards expanding its offer of ancillary insurance services to meet the needs of its customers. In so doing, the Group keeps its sights set on its sustainable development goals and socially responsible investing, which is becoming the most important investment trend of the present and the future.

In 2019, the Sava Insurance Group took over Infond and became its sole owner, which has allowed the Group to further expand and develop its asset management operations.

One of the sub-funds under the umbrella fund Krovni Sklad Infond, which is managed by Sava Infond, is also a global equity sub-fund of developed markets Družbeno Odgovorni Delniški Podsklad Razvitih Trgov, the first Slovenian fund that invests in shares based on social responsibility criteria.

In its pursuit of the United Nations sustainable development goal “Good health and well-being” the Sava Insurance Group launched, in cooperation with Zavarovalnica Triglav, activities to take over the Diagnostični Center Bled d.o.o. (Diagnostic Centre Bled), an important healthcare provider in the Slovenian market. It is a company with an established brand and more than 25 years of business tradition. The acquisition of Diagnostični Center Bled, d.o.o. is an important step for the Sava Insurance Group in implementing its strategy towards the expansion to the private healthcare market in Slovenia.

We remain true to the promise that we made to our clients in 2016 under the slogan #NeverAlone. We are honest, accurate and understandable in our communication with customers.

To manage provision of services all companies have in place rules, protocols or instructions that have a pivotal role in ensuring the quality of services and in turn customer satisfaction: for underwriting, claims settlement, instigation of recourse proceedings and complaints resolution, describing the procedures for providing information about insurance products or services where the local legislation so requires (e.g. in the Republic of Serbia).



Insurance product information

document

improved transparency and easier comparability

13.4.3 Client communication and information⁹⁷

The adoption of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on the distribution of insurance products (hereinafter: IDD directive) introduced significant changes in the development cycle of insurance services, especially in terms of selling insurance products in the insurance market.

With the aim of ensuring greater transparency and comparability of insurance, enhancing consumer protection and increasing confidence in the insurance market, the Company improved transparency in the development and sale of insurance products and product information provided to customers. The fundamental principles of the directive are the transparent operation of insurance companies and other sellers of insurance products in accordance with the best interests of policyholders, and the provision of fair, clear and non-misleading information about insurance

products.

The purpose of the new directive, which has applied since 1 October 2018, is to coordinate national rules concerning access to the distribution of insurance products and is aimed at minimum harmonisation, which means that it does not preclude Member States from maintaining certain traditional methods of selling insurance products or introducing more stringent provisions in order to protect customers, provided that such provisions are consistent with this directive. The IDD directive focuses on insurance distribution from the consumer (policyholders) protection perspective and stresses in particular the central role of insurance and reinsurance intermediaries in the distribution of insurance products. The IDD was transposed to the Slovenian legislation with the Act Amending the Insurance Act (ZZavar-1A) at the beginning of 2019.



The insurance product document is a form that contains all key information about the product. A customer can review the contents of the product in detail prior to entering into the insurance contract.



Our customers are also offered access to our services through modern media and technologies, which enables them to get better acquainted with the content of the product, take out insurance, and receive instructions on how to file an insurance claim.

In 2019, Zavarovalnica Sava adopted the “Rules regulating the distribution of insurance products”, which govern such distribution in order to prevent and mitigate damage for customers, support the management of conflicts of interest and ensure that customers’ objectives, interests and characteristics are taken into account.

One of the requirements of the directive is the insurance product information document (IPID). It is a short and stand-alone form with all key information about the product (e.g. insurance cover, excluded risks, restrictions). A customer is provided with better transparency and easier comparability of products. Prior to the conclusion of the contract, the agent must also determine the suitability of the insurance product for the client, and each policyholder must sign that they are acquainted with the content of the insurance product information document and that the insurance product has been fully and accurately presented.

Zavarovalnica Sava complies with all provisions of the Consumer Protection Act and other acts governing communication of information to clients entering into investment (insurance) contracts. Applicable legal provisions and regulatory frameworks are observed also when pursuing development activities.

Therefore, every effort is made to ensure transparency, clarity and access to information both in developing new products and in client notification.

At Sava Re we are aware of the role of effective dialogue with our reinsurance customers, so we pay regular visits to our partners and take part in international (re) insurance conferences.

⁹⁷ GRI 103-01, 103-02, 417-01





Management and
supervisory board
diversity policy



To increase international brand awareness we organise training programmes (Sava Summer Seminar) in which we host our existing and prospective partners from around the world and introduce them to the topical developments in reinsurance, actuarial science, modelling and solvency-related issues.

All subsidiaries post information on their products on their websites, whereas in Serbia customers receive product information prior to signing the policy and confirm this by signing the so-called pre-contractual notification.

All Group companies communicate with their customers through various channels that are adapted to different target groups and comply with the local legislation. 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. We inform our customers and communicate with them personally as well as through modern media and technology, including websites, email, written notifications, call centres or contact phones, online chats, social networks, SMS and similar. All companies have established an expansive sales network through their branch offices that offer customers access to their services.

When advertising the Group provides relevant information on advertised products. Product information is always available on official websites together with statutory notifications and related news. In the event of mass losses, Zavarovalnica Sava publishes a notice and provides instructions for policyholders, setting forth the right course of action.

Complaint resolution

When handling policyholders’ complaints, Group members abide by the rules and procedures on complaints resolution, which are compliant with the guidance issued by the European Insurance and Occupational Pensions Authority (EIOPA).

The complaints handling procedure in place in Zavarovalnica Sava is harmonised with the “Guidelines on complaints-handling by insurance undertakings” and “Report on best practices by insurance undertakings in handling complaints”, which were adopted by the European Insurance and Occupational Pensions Authority – EIOPA and also comply with the statutory obligations regarding the out-of-court resolution of consumer disputes. The complaints handling system rules are laid down in the applicable “Complaints resolution rules”. These rules regulate the procedure for the resolution of complaints submitted by policyholders, the insured, prospective insured, injured parties and other beneficiaries of insurance contracts regarding the misunderstandings and disputes arising from underwriting, and insurance or compensation payments, which are referred to the complaints committee. In 2019, the committee processed 2,641 complaints. Most of them concerned the amount of compensation paid, and grounds for refusal when compensation was denied.

Companies outside Slovenia also have in place internal rules, prescribed procedures and instructions for monitoring and handling complaints in accordance with the local legislation.

13.4.4 Fair business practices⁹⁸

The values and principles of ethical conduct are defined in the “Code of ethics of the Sava Insurance Group” (hereinafter: the “Code of ethics”), which was adopted also by the Group’s subsidiaries. The general principles of the “Code of ethics” represent the basic values of the Sava Insurance Group, which are binding on all our employees and include: fairness and compliance of business operations, transparency, managing conflicts of interest, 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 them to the compliance function holder. No violations of the “Code of ethics” were determined in 2019. Annual plan 2020 for the Sava Insurance Group compliance function holder envisages the renewal, i.e. updating of the “Code of Ethics of the Sava Insurance Group”.

In the conduct of its business the Company also 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 (re)insurance protection.

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. 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.

At the end of 2017, Sava Re also adopted a policy on the diversity of the management and supervisory boards of Sava Re d.d., which governs and preserves, inter alia, the gender- and age-balance of all board members⁹⁹. 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. No such cases were reported in 2019.



⁹⁸ GRI 102-16, 103-1, 103-2, 103-3, 205-1, 205-3, 419-01
⁹⁹ GRI 405-01

Code of ethics
of the Sava Insurance
Group

values and
principles of
ethical
conduct

Sava Re follows the principles and guidelines of the rules on the management of conflicts of interest. The rules aim to mitigate the effects of conflicts of interest and manage conflicts of interest that may arise in the performance of the duties and tasks of individuals in the Company, by establishing and implementing procedures and measures to be applied when a conflict of interest arises.

The Sava Insurance Group updates the system and rules governing the conflicts of interest on an ongoing basis, in particular by raising awareness, building knowledge and standards of ethical conduct.

In 2019, Zavarovalnica Sava adopted the new “Code of ethics” that covers all business areas of the insurance company. The Code provides a framework for the Company’s commitment to legal compliance, fairness and ethical conduct; it expresses and implements the general principles and fundamental values of Zavarovalnica Sava and the rules of conduct that govern its employees’ daily work. The Code applies to all Zavarovalnica Sava employees and other stakeholders associated with its operations.

The disputes arising from violations of the insurance code, good business practices and fundamental standards of insurance practice are processed by the complaints resolution officer. In 2019, the complaints resolution officer processed 57 complaints that mainly concerned unprofessional conduct in handling insurance claims, incorrect data submitted with the insurance contract, protection of customers’ rights and benefits, and the complaints procedure ¹⁰⁰.

If a customer finds that the insurer was in breach of the insurance code and other good business practices and fundamental standards of the insurance profession, they may also lodge a complaint also with the insurance ombudsman at the Slovenian Insurance Association. In 2019, we received 14 complaints from the ombudsman. The complaints mainly refer to the handling of claims and delays in claims resolution¹⁰¹.

Zavarovalnica Sava has in place a system of reporting to the Office of the Republic of Slovenia for the Prevention of Money Laundering and an internal line for reporting suspected money laundering or terrorist financing to allow for prompt notification of the anti-money laundering and counter terrorist financing officer (hereinafter: AML/CTF officer) regarding the transactions or business relationships that show signs of suspected money laundering or terrorist financing. This area is governed by the internal “Rules on prevention of money laundering and terrorist financing” and in subordinate operative internal acts.

All other Group companies also introduced anti-money laundering measures, both by adopting internal rules and by employee training on the relevant local legislation.

Zavarovalnica Sava also adopted the Slovenian Corporate Integrity Guidelines and thus confirmed its commitment to abide by and ensure transparency and corporate integrity, zero tolerance for the illegal and unethical conduct of its employees from the top down as the fundamental principles underlying the Company’s operations.

In its contracts Zavarovalnica Sava lays down provisions on the conflict of interests, data protection, professional secrecy, general purchasing conditions and the anti-corruption clause.

Zavarovalnica Sava’s “Code of ethics” provides for anonymous reporting of improper conduct and breaches of the Company’s values within its “Speak Out” (“Spregovori”) system. They also prepared an implementing act defining the process of reporting suspected improper conduct, the issues covered

13.4.5 Anti-corruption¹⁰²

In accordance with the provisions of the Slovenian Corporate Integrity Guidelines, the Sava Insurance Group purchasing policy and internal rules of an individual company in the Republic of Slovenia, the anti-corruption clause is incorporated as a mandatory contractual provision in legal relations with contractual partners, along with the general purchasing conditions of individual companies, protection of confidential data and provisions governing the protection of personal data.

by the system, established reporting channels, a whistle-blower protection system and reporting on adopted measures. The proposed solution, i.e. the report and report handling procedure complies with the EU whistle-blower protection directive that was adopted at the end of 2019. Efficient internal procedure for handling unfair conduct can protect the Company against serious damage to its image in case of an external report indicating the Company’s failure to sanction, eliminate or prevent unfair conduct through internal mechanisms. In the process of establishing the “Speak Out” breach reporting system the Company also appointed a corporate integrity committee. A breach reporting system is in place also in the Republic of Croatia.

In 2019, the committee received one breach notification, which subsequently turned out to be unfounded.

The Sava Re “Rules on the management of conflicts of interest” prescribe the procedures and rules relating to receiving gifts, entertainment and hospitality.

The Sava Insurance Group did not record any corruption cases in 2019. A detailed and transparent gift policy limits the opportunities for unjustified grievances and distrust in employees’ honesty in performing their daily job responsibilities.

100 GRI 416-02
101 GRI 416-02
102 GRI 103-01, 103-02, 103-03, 205-01



13.4.6 Protection of personal data¹⁰³

The Sava Insurance Group companies registered in the Republic of Slovenia have in place internal acts that prescribe the procedures and measures for the protection of personal data and define the persons responsible for specific personal databases as well as persons that may process certain personal data due to the nature of their work. The data is properly protected through technical and organisational measures designed to ensure their confidentiality, integrity and availability. The companies subject to these measures also appointed data protection officers (DPOs) responsible for providing advice regarding and supervision over personal data protection.

In 2019, the Sava Insurance Group compliance officer enquired with compliance officers of non-EU subsidiaries as to whether their company had adopted an internal personal data protection act and whether this act had been reviewed by the local regulator, and if so, what their findings consisted of. The compliance officer found that all non-EU based companies had adopted internal personal data protection acts and regularly adapted them to legislative changes. The companies did not report any deficiencies observed by the local data protection supervisor. Based on this information the compliance officer finds that the companies are familiar with the personal data protection legislation and that the risk of violating this legislation is adequately managed.

The Sava Insurance Group compliance officer enquired with compliance officers of non-EU subsidiaries as to whether the General Data Protection Regulation (GDPR), which became directly applicable in the EU on 25 May 2018 (and applies also to non-EU companies that do business with EU residents or process their personal data) would be transposed to the local legislation in their respective countries.



Sava Osiguranje in Montenegro are awarded the Iskra Philanthropy Award by the Montenegrin Fund for Active Citizenship in special recognition of the company’s donor, humanitarian and volunteering activities.

According to the information received the GDPR had already been adopted by two countries and two were planning to adopt it by the end of 2019. The compliance officer will continue to follow up on the adoption of the new data protection legislation in Montenegro and the Republic of North Macedonia, and will coordinate, if so required, the transfer of good practices from the companies in Slovenia (in particular Zavarovalnica Sava) to the subsidiaries based in non-EU countries.

The largest Group company, Zavarovalnica Sava, fully complies with the GDPR and the Personal Data Protection Act (ZVOP), both of which require responsible handling of customers’ personal data. Its appointed data protection officer (DPO) complies with the adopted “Rules on the role and responsibilities of the data protection officer (DPO)”. The Company defined the fundamental principles and rules of conduct concerning personal data protection in its “Privacy policy” and the “Rules on personal data protection”. The rules define the responsibilities of the data protection officer, their deputies and assistants (DPO team) and the DPO’s consultants. The DPO team meets twice a month in regular meetings to discuss the topical issues concerning personal data protection in Zavarovalnica Sava.

In 2019, Zavarovalnica Sava adopted the “Workplace privacy policy”, which serves as the fundamental principle guiding Zavarovalnica Sava as an employer and data controller in ensuring privacy and lawful processing of personal data, and as a reference for employees in exercising their rights.

Sava Infond has in place the “Employee code of ethics and due diligence act”, “Rules on personal data protection”, “Information systems security policy” and a legal notice for the company’s customers published on its website www.infond.si – Personal data protection in Sava Infond, d.o.o.

Two breaches or so-called self-reports via the prescribed breach notification form for an identified (potential) major personal data breach were forwarded to the Information Commissioner of the Republic of Slovenia in Zavarovalnica Sava in 2019.

No such incidents were reported for other subsidiaries.

13.4.7 Contributions to political parties¹⁰⁴

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, which applies to all subsidiaries in the Group.

¹⁰³ GRI 103-01, 103-02, 103-03, 205-01, 418-01
¹⁰⁴ GRI 415-01



13.5 Responsibility to the community

The Sava Insurance Group members forge strong ties with the community in which they operate, establishing a partnership with their environment and society. They support their communities through projects with which they help institutions financially or with volunteer work, and thus actively participate in the broader social context.

Having already developed an extensive business network, Group companies can more easily recognise the needs and potentials of local communities. Certain members of our Group are the co-founders of the Network for Social Responsibility of Slovenia, members of the Institute for the Development of Social Responsibility and members of the Partnership for National Strategy and Social Responsibility.¹⁰⁵



With Zavarovalnica Sava’s Violet Little Ones (Vijolčnitamali) project the dreams of young sports fans come true. The project enables them to go to the football pitch hand-in-hand with their football idols at every home game.

13.5.1 Sponsorships and donations by substance¹⁰⁶

The Sava Insurance Group promotes social responsibility and builds its image as a sustainable partner; it operates ethically and gives back to the community, primarily with financial and other assistance in the promotion of healthy life and well-being for all at all ages by supporting sports activities, investing in educational, development and training programmes, humanitarian projects, ecology and health, paying special attention to underprivileged groups. We also support the efforts

that drive the growth and development of the economy, especially startups that develop innovative solutions.

Sava Re and The Sava Insurance Group also have in place the rules governing the giving back to the community through sponsorship and donations. Sava Osiguruvanje (North Macedonia) also has sponsorship and donations policies in place.

The Sava Insurance Group donations by substance

EUR	2019	As % of total in 2019
Humanitarian donations	16,467	1.8%
Donations to arts	139,185	15.1%
Donations for scientific purposes	2,500	0.3%
Donations for educational purposes	21,700	2.4%
Sports donations	689,861	75.0%
Social security donations	1,311	0.1%
Disability donations	2,294	0.2%
Healthcare donations	12,131	1.3%
Donations for protection against disasters	4,700	0.5%
Other donations	29,825	3.2%
Total	919,973	100.0%

The Sava Insurance Group as the biggest sponsor in the Group promotes a healthy lifestyle, mainly by supporting sports at all levels – from recreation to professional sports.

¹⁰⁵ GRI 102-13
¹⁰⁶ GRI 103-01, 103-02, 103-03, 203-02



The most important sponsorships and donations comprise:

- Football: main sponsor of Maribor Football Club and the Croatian football club Rijeka.
- Handball: sponsor of Handball Club Koper and Handball Club Maribor.
- Tennis: [general sponsor and partner of Tennis Slovenia](#).
- Running: sponsor of Konjice marathon, main sponsor of Novo mesto ½ marathon, [diamond sponsor of Ljubljana marathon](#).
- Skiing: main sponsor of Zlata lisica (Golden Fox).
- Volleyball: sponsor of Nova KBM Branik Volleyball Club.
- Arts: main sponsor of the biggest Slovenian festival, Ljubljana Festival, and sponsor of Festival Lent.
- The “Committed to Steps” (“Predani korakom”) project, which combines sponsorship of the Ljubljana Marathon, Male avanture Marina Medaka and a donation to the University Rehabilitation Institute, raises awareness of the importance of a balanced lifestyle.

In 2019, we launched the “Loneliness” (“Osamljenost”) project, an initiative aimed at training the employees at the Contact-Assistance Centre how to respond to calls from people in distress. Other companies with call centres will be invited to join the initiative. We will show them how the loneliness issue was addressed at Zavarovalnica Sava, because we believe everyone should have access to support when they need it the most.

Other subsidiaries also support their local communities with sponsorships and donations, becoming increasingly recognised as socially responsible companies. These efforts have won several companies numerous commendations as well as awards. One of the more prominent is the Iskra Philanthropy Award that was conferred on Sava Osiguranje in Montenegro by the Fund for Active Citizenship (Fond za aktivno građanstvo).



With Zavarovalnica Sava’s Violet Little Ones (Vijolčnitamali) project the dreams of young sports fans come true. The project enables them to go to the football pitch hand-in-hand with their football idols at every home game.



13.5.2 Preventive action projects¹⁰⁷

Preventive projects have a significant impact on the insurance industry as they reduce the likelihood of loss events and raise awareness of the general public of the importance of protection of property and health of our clients and the wider community. For this purpose the insurance companies create special funds for such projects, in line with the local legislation. Such funds are in place in Slovenia, the Republic of Serbia and Montenegro.

In Zavarovalnica Sava, most of these assets go to fire prevention, as the company supports a number of fire brigades both at the local and the national level.

The bulk of prevention resources in Serbia is also allocated to fire protection.

Noteworthy in terms of road safety is our cooperation with the national automobile association AMZS, through which Zavarovalnica Sava contributed to better road safety in 2019 as well. Two major projects:

- The “Best Driver in 2018” (“Najboljši za volanom 2018”) project was aimed at young drivers – raising awareness of the importance of road safety, and the acquisition of practical experience.
- Prior to the beginning of the new school year, the “365 Days to Go!” (“Še 365 dni!”) project informed drivers in the vicinity of schools and kindergartens that children would soon be back at school. The slogan made it clear that one needs to be very careful in traffic throughout the year.



Employees of both subsidiaries based in North Macedonia attend a day dedicated to financial literacy: –a workshop on insurance organised for primary school pupils in front of the Ministry of Finance.



Opening of a new Sava Station vehicle inspection unit in North Macedonia in November 2019.

Montenegrin companies allocate the bulk of these resources to road safety, with Sava Osiguranje (Montenegro) being the owner of the subsidiary Sava Car with which it has established a joint network of ten vehicle inspection centres.

Similarly, subsidiary Sava Station in North Macedonia also has two vehicle inspection centres.

A comprehensive offer of vehicle inspection and registration, with car insurance taken out upon vehicle inspection provided through our subsidiaries, contributes to better road safety.

In Zavarovalnica Sava road safety measures are taken also when using company vehicles. Pursuant to the internal “Rules on procurement, use and maintenance of company vehicles” all new company vehicles must have an integrated hands-free phone system. This reduces the risk of negative consequences of using a mobile phone while driving. All company vehicles in Zavarovalnica Sava are fitted with a fire extinguisher, although this is not yet mandatory in the Republic of Slovenia.

107 GRI 203-02, 413-01



Sava Re Day



delivering
on our
#NeverAlone
pledge

13.5.3 Corporate volunteerism¹⁰⁸

The Sava Insurance Group supports corporate volunteerism. Its major volunteer project is Sava Re Day, which has been bringing together employees from all Group members for nine years running and which most genuinely embodies our promise “Never alone” – in good spirits, with busy hands and a sympathetic ear for people who need our help. 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. We believe that we can significantly help local communities by involving employees in such projects, and at the same time raise awareness of the importance of sustainability and environment protection among our employees. Sava Re Day is not only about corporate social responsibility, it also promotes social responsibility in each and every employee.



Save Re Day embodies our promise “Never alone” through volunteerism, making those in need around us happier.

In 2019, the Save Re Day was part of the pan-Slovenian Day of Change organised by the Slovene Philanthropy – Association for the Promotion of Voluntary Work, under the auspices of Sava Re and Zavarovalnica Sava. The focus of the Day of Change was “Eliminate discrimination”, so the Slovene Philanthropy prepared activities involving various discriminated target groups. The Save Re Day was held on 5 April 2019 (several open-air activities had to be put off due to bad weather) and attended by all Group companies operating in Slovenia and the Croatian branch of Zavarovalnica Sava. Other Group companies organised the Save Re Day as close as possible to World Water Day (22 March).



On Sava Re Day, Sava Osiguranje (Montenegro) employees clean the city park in Berane, repaint benches and plant trees.

¹⁰⁸ GRI 103-01, 103-02, 103-03, 413-01



In the framework of Sava Re Day 2019 Sava Re employees participated in the following volunteer activities

Organisation	Activities
Inclusive hike in the hills with disabled people	A hike to Planina nad Vrhniko with disabled people of different ages and disabilities
Day with the homeless	Setting up living quarters and painting at the homeless day centre and the homeless shelter
Working with asylum seekers and refugees	Painting and furnishing the asylum centre
Working with people with mental health problems	Furnishing the premises for Altra day-centre users. Altra is a humanitarian organisation providing community mental health services and programmes.

On Sava Re Day, Zavarovalnica Sava helped at more than 38 locations, with more than 800 employees participating.

Alongside them were also employees from Sava Pokojninska and TBS Team 24.

Given the response of employees and external organisations, Sava Re Day was once again a success. The objective – to help those in need through personal engagement and to raise awareness of the importance of sustainability – was clearly achieved.



The slogan of the fourth Zavarovalnica Sava event “Sharing Christmas” was “Sharing Christmas, sharing knowledge”. It is extremely encouraging to see how children absorb knowledge from their elders and how happy the elderly are to pass it on.

In addition to Sava Re Day volunteer activities, Zavarovalnica Sava carried out two additional humanitarian projects in 2019 with the participation of its employees:

- The “Sharing Christmas”, an intergenerational social event, was organised also in 2019 and was extremely well received.
- 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.

In the framework of their humanitarian projects all non-EU companies organise Sava Re Day, in which our employees also participate with a helping hand. In North Macedonia, 27 employees from both companies took part in the run with children with Down syndrome, 29 employees donated blood, some of them restored benches in the city park and planted trees.

Sava Osiguranje (Montenegro) employees participate in blood drives twice a year. Their contribution to Sava Re Day was the renovation of the city park in the city of Berane, with 110 employees participating in the project.

13.5.4 Commitments to external initiatives¹⁰⁹

In the Sava Insurance 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 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.

13.5.5 Membership in associations¹¹⁰

Sava Re is active in several professional associations: Slovenian Insurance Association, Slovenian Directors’ Association, British-Slovenian Chamber of Commerce, Chamber of Commerce of Dolenjska and Bela krajina, Maritime Law Association of Slovenia, Sors – meeting of insurance and reinsurance companies, Slovenian Institute of Auditors, Slovenian Association of Actuaries, CFA Institute, European Institute of Compliance and Ethics (EISEP).

All subsidiaries are members of relevant associations and proactively contribute to the development of the industry and other social developments.

109 GRI 102-12
110 GRI 102-13



13.6 Environmental aspect¹¹¹

Concern for the natural environment, environmental issues, climate change and related weather phenomena have a profound impact on the global insurance industry. Environmen-

tal problems bring new and unexpected risks in the insurance sector. The Group is aware this requires urgent action in daily operations, both in practice and in strategic terms.

13.6.1 Waste disposal policy¹¹²

Sava Re has in place a waste separation system undergoing ongoing improvements. Also, the Company takes measures to reduce waste. One of those is a water bottle for each employee. We are going paperless, reducing paper consumption and waste paper. We have

electronic pay slips, and materials for management bodies and similar are prepared only in electronic form. We cannot yet measure the volume of waste by type, as waste is collected for the entire building, which accommodates a number of other legal entities.

Mixed utility and biodegradable waste, and mixed and glass packaging in Zavarovalnica Sava is collected by the local municipal companies.

Other waste in Zavarovalnica Sava branch offices was collected by authorised or registered waste collectors or processors.

The large volume of mixed construction and demolition waste is due to the renovation of large business premises and is not associated with regular business processes.

Discarded electronic devices are collected by service providers who replace them, or their contractors who service them; if not, they are taken over by registered waste collectors

or processors of such waste at the location of Zavarovalnica Sava.

As our battery consumption is low, batteries are collected for several years before they are properly consigned.

Zavarovalnica Sava uses remanufactured cartridges for printing and copying. The supplier collects the empty cartridges and reconditions them for reuse.

Slovenia-based companies separate waste according to the instructions of the local utility company. Non-EU based companies have an electronic waste disposal service provider, whereas waste separation and removal are provided by public utility companies.



Waste collection in Zavarovalnica Sava by type and volume (in kilograms)

Type of waste	2019	2018
Mixed municipal waste	106,562	94,688
Biodegradable waste	3,693	5,402
Mixed packaging	6,133	5,957
Glass packaging	1,310	1,310
Paper and cardboard	84,445	62,082
Discarded electrical and electronic equipment containing hazardous components	–	890
Discarded electrical and electronic equipment	–	4,390
Plastics	279	214
Metals	314	1,310
Grease and oil mixture from oil/water separation containing only edible oil and fats	–	1,140
Sludges from oil/water separators	1,200	–
Oily water from oil/water separators	3,500	–
Sawdust, shavings, cuttings, wood, particle board and veneer	–	1,700
Mixed construction and demolition waste	69,998	–

Data by year is not entirely comparable, as the measurement methodology changed in 2019. As much as 20% of data on municipal waste is an estimated volume assessed relative to the cost of utility services due to the change in the invoicing by public utility companies.

13.6.2 Paper consumption

The table below shows average daily paper consumption (sheets of A4 paper) per employee

	2019	2018	Index
Sava Re	8	9	86.6
Zavarovalnica Sava	29	29	99.7
Sava Pokojninska	23	27	83.1
Sava Infond	16	17	97.2
TBS Team 24	13	n/a	–
Sava Životno Osiguranje (Serbia)	11	12	91.7
Sava Neživotno Osiguranje (Serbia)	10	12	83.6
Illyria Life	n/a	n/a	–
Illyria	13	13	100.0
Sava Osiguranje (Montenegro)	23	26	88.5
Sava Osiguruvanje (North Macedonia)	30	30	100.0
Sava Penzisko Društvo	17	16	107.3

* The data in the table refer to company headquarters except for Zavarovalnica Sava, which includes all business units in Slovenia.

111 GRI 103-01, 103-02, 103-03
112 GRI 103-01, 103-02, 103-03, 306-02



13.6.3 Energy consumption¹¹³

Energy consumption and energy efficiency is both an environmental and economic concern.

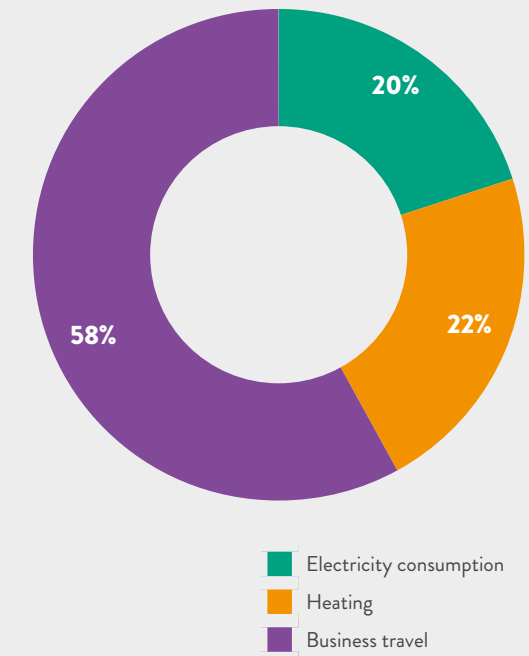
In 2019, Sava Re selected a qualified contractor to perform the Company’s energy review and prepare a report with proposals for improving its energy efficiency.

The Sava Insurance Group remains committed to sustainability also in investing and maintenance of investments.

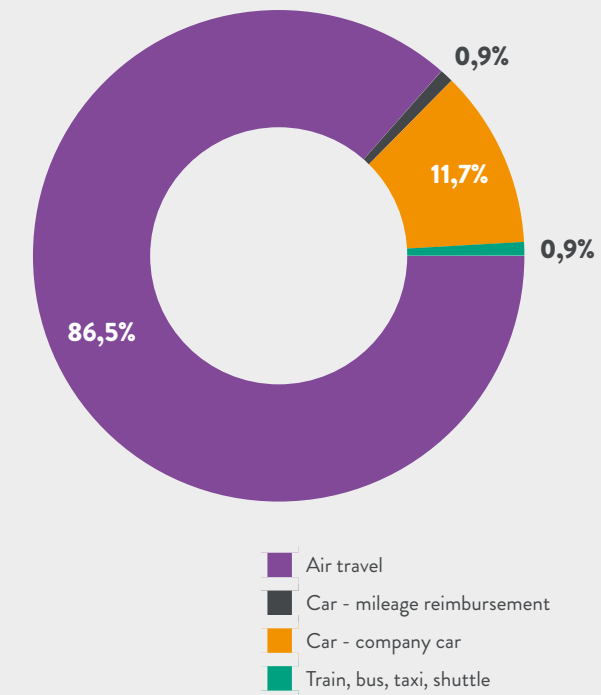
When buying new business premises in Montenegro, the project group that negotiated with the seller paid particular attention to having the facility fitted with energy efficient devices (lights, energy efficient window coverings, furniture in light, warm colours, meters monitoring consumption and similar). The new premises also come with a modern energy efficient heating and cooling system.

The rationale behind maintaining or replacing investments is always assessed also in terms of energy efficiency. For example, when Zavarovalnica Sava replaced the cooling gas aggregate in its business building in Novo Mesto with an electric one, it considerably reduced its gas consumption, while Sava Osiguranje (SRB) installed a recuperator and thus increased energy efficiency.

Share of emissions of Sava Re attributed to heating, electricity consumption and business travel in 2019



Share of emissions attributed to different type of travel at Sava Re in 2019



A more significant investment in reducing energy consumption was moving Zavarovalnica Sava’s business premises to the address Tivolska 48, where the two-pipe heating system was replaced during renovation with a four-pipe system, which enables simultaneous heating of cold offices and cooling of warm

13.6.4 Emissions¹¹⁴

In 2019, the Sava Insurance Group took the first steps towards introducing a methodology for calculating its carbon footprint. The methodology is based on the Greenhouse Gas Protocol, the most widely used greenhouse gas accounting standard.

In 2019, we thus calculated the carbon footprint for Sava Re and Sava Pokojninska Družba. Our goal for the next strategic period is to have all Group companies adopt the methodology.

The calculation demonstrated that the majority of emissions generated by Sava Re come from business travel (58%), especially air travel, which is not surprising given the international character of its business operations. The share of emissions attributed to energy consumption (20%) is almost the same as that attributed to heating (22%).

offices on the south-facing side. To ensure sufficient energy for heating and cooling we had an additional energy-efficient heat pump installed. All connections to the central consumption meter in the building (water, heating, cooling) are fitted with meters that accurately measure and monitor consumption.

The share of emissions attributed to business travel is even higher at Sava Pokojninska (88% of total emissions), mainly on account of car travel. On the other hand, the emissions they generate through energy consumption and heating are below average emissions generated by organisations with similar office activity.

Indirectly, the Group can contribute to emission reduction also through its investment policy and by investing in green projects. Three such projects resulted in 940 tons less CO2 emissions a year. These projects are:

- Municipality of Novigrad – public lighting renewal with energy saving and energy efficient light bulbs, which generated energy savings and halved the CO2emissions.
- Company GKN Driveline Zreče – heat energy supply and installation of a gas boiler, which completely eliminated emissions.
- Municipality of Dobropolje – installation of a biomass boiler and supply of raw materials to heat a kindergarten, school and subsequently a gym (added in 2019) reduced emissions by 97%.

¹¹³ GRI 302-01
¹¹⁴ GRI 103-01, 103-02, 103-03, 305-01, 305-02, 305-03





13.7 Key sustainable development guidelines and objectives

In its 2018 report the Sava Insurance Group presented its sustainability goals, most of which have been achieved:

- The sustainable development strategy was adopted, with all Group companies involved in its drafting.
- We established a network of sustainable development owners, with all companies actively joining their efforts.
- We organised a number of preventive projects and actively participated in projects taking place in our communities through sponsorships and donations.
- Through numerous benefits and measures we motivated employees for a healthy life-style and preventive health care.
- We integrated ESG criteria into our processes, primarily into our investment policy, but they are being introduced also into underwriting and development of insurance products and services.
- Our first measurement of greenhouse gas emissions took place and we are preparing measurements for all Group companies.
- We invested in energy efficiency improvements.

13.7.1 Objectives for 2020

The adopted sustainable development strategy will be launched in financial year 2020. Based on the Global Sustainable Development Goals set by the United Nations, the Sava Insurance Group decided that in the next strategic period the sustainable development the activities will be linked to health and well-being.

In the main, the sustainable development activities will be:

- involvement of stakeholders in the identification of the relevant content that will inform sustainable development objectives with the participation of stakeholders from the entire Group;
- progressive integration of ESG criteria as a decision-making tool, in particular in product development, assumption of risk and investment management, and production of associated documentation;
- systematic measurement of the realisation of sustainable development goals and a catalogue of key performance indicators for 2020 for economic, social and environmental aspects;
- agreeing and coordinating corporate campaigns with all subsidiaries, which will be aimed at promoting a healthy and quality lifestyle.



INVOLVEMENT

of stakeholders in the identification of the relevant content



ESG CRITERIA

progressive integration of ESG criteria



SYSTEMATIC MEASUREMENT

of the realisation of sustainable development goals



CORPORATE CAMPAIGNS

aimed at promoting a healthy and quality lifestyle

14 Business processes and IT support



In IT management, we refined the management of development requests, IT architecture, internal controls and risks, and improved the process of controlling IT costs and investments. We expanded the use of independent expert complementary opinion when making more complex decisions.

The self-audit system became a standard part of the internal audit and IT risk management systems across the Group.

As regards human resources, the situation is stable and we do not experience difficulties in attracting new people and external partners, even though this is becoming an increasingly pressing general problem.

In addition to supporting business and regulatory requirements of companies, business application development focused on the upgrade of IT processes in change management in the software development, and in the verification of the appropriateness of business solutions for various thematic

areas. In 2019 we launched the project of replacing the IT solution for asset management at the Group level, IT solution for life/non-life in a subsidiary and the selection process for a new reinsurance solution. Ongoing business solutions were maintained in accordance with business requirements.

With data warehouses and business reporting identified as the key development axis at the Group level we are upgrading, as part of the synergy with the regulatory project concerning the introduction of IFRS 17, the existing business intelligence and data quality management infrastructure, in the framework of which we established a tech-

nological level of the new generation data warehouse of the Company and the Group. In 2019 we started to gradually move contents from the existing data warehouse and add new business contents, based on more complex technical and organisational data quality criteria.

The infrastructure provided support to operations, improved the system software and hardware infrastructure in accordance with the business plan, and carried out upgrades in line with the amortisation cycle and the requirements supporting ongoing business, and planned IT development projects.

Information security was enhanced in accordance with business requirements. We prepared the relevant baselines for projects planned for the next strategic period, when this area will receive significant attention.

In business continuity, we successfully carried out the tasks we set ourselves.

Financial statements of the Sava Insurance Group and Sava Re with notes



15 Auditor's report



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Independent Auditor's Report

To the shareholders of Pozavarovalnica Sava d.d.

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of Pozavarovalnica Sava, d.d. ("the Company") and the consolidated financial statements of the Company and its subsidiaries (collectively, "the Group"), which comprise the separate and consolidated statements of financial position as at 31 December 2019 and the separate and consolidated income statements, statements of other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the unconsolidated and consolidated financial position, respectively, of the Company and the Group as at 31 December 2019, and of their respective unconsolidated and consolidated financial performance and unconsolidated and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU 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 (OJ L 158, 27.5.2014, p. 77-112 - EU Regulation EU No 537/2014). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and 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 separate and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG Slovenija, podjetje za revidiranje, d.o.o., slovenska družba
z omejeno odgovornostjo in članica KPMG mreže neodvisnih družb
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SI reg. št.: 06112062100
statutarni kapital: 56.852,00 EUR
ID za DDV: SI20437145
matična št.: 5648556




Impairment of investments in subsidiaries (separate financial statements)

Investments in subsidiaries as at 31 December 2019: EUR 237,485,605 (31 December 2018: EUR 217,905,567), related impairment loss recognized in 2019: nil (2018: EUR 4,020,539).

We refer to the separate financial statements: Note 17.4.13 (accounting policies), Note 17.7.6 (financial disclosures).

Key audit matter	Our response
<p>The Company has twelve subsidiaries in several European countries that provide services in the fields of insurance, asset management and supporting businesses. In the separate financial statements, these investments are carried at cost less impairment losses, if any. As at each reporting date, Management Board assesses whether indications exist that their carrying amounts might not be recoverable. Indications of impairment may include, among other things, significant operating losses, negative shareholders' equity or financial performance otherwise below the planned levels.</p> <p>Once impairment indications are identified for an investment, the Management Board estimates its recoverable amount, being the higher of its fair value less costs to sell or the value-in-use, using internal model.</p> <p>The determination of the recoverable amounts, performed primarily on the basis of discounted cash flow models, involves significant Management Board judgment and estimates, in respect of the model assumptions such as growth rates, discount rates and forecasted net operating profit.</p> <p>Based on the above-mentioned circumstances, satisfying ourselves in respect of the impairment of investments in subsidiaries required our increased attention in the audit and is considered by us to be a key audit matter.</p>	<p>Our procedures, performed with the support from our own valuation specialists, included, among others:</p> <ul style="list-style-type: none"> • Testing design and implementation of selected key controls over the assessment and recognition of impairment of investments, including the controls over the identification of impairment indications and making estimates of the recoverable amounts; • Critically evaluating, by reference to the relevant financial reporting standards and current market practice, the appropriateness of the applied model by the Company in their determination of impairment indicators and, where applicable, of the recoverable amounts of the investments in subsidiaries; • Evaluating the reasonableness of the Company's judgments as to the existence of impairment indicators and consequently the requirement to perform related impairment tests, based on our understanding of the current market conditions and by independently assessing the investees' financial performance based on the analysis of their historical performance against past forecasts; • For the investments with impairment indicators, evaluating assumptions and judgements applied by the Company to determine the investments' recoverable amounts. Our assessment covered, among others: <ul style="list-style-type: none"> – challenging the discount rate used in the model, which we estimated independently by reference to publicly available external sources; – evaluating the reasonableness of the Management Board's model estimates, such as, growth rate and forecasted net operating profit. This included, but was not limited to, inspecting the subsidiaries' financial statements, making corroborating inquiries of the Company's directors regarding the subsidiaries' financial performance and analysing their actual performance against past forecasts;



- Evaluating the accuracy and completeness of the Company's disclosures regarding the key assumptions and judgements applied while assessing the recoverable amounts of the investments in subsidiaries.

Measurement of mathematical provision and technical provisions for unit-linked insurance for life insurance (consolidated financial statements) and incurred but not reported claim provisions for non-life insurance (separate and consolidated financial statements)

In the consolidated financial statements, mathematical provisions: EUR 211,877,103 and technical provisions for unit-linked insurance: EUR 220,613,698, total: EUR 432,490,801, as at 31 December 2019 (as at 31 December 2018, mathematical provisions: EUR 254,849,366, and technical provisions for unit-linked insurance: EUR 210,032,637, total: EUR 464,882,003).

In the separate financial statements incurred but not reported claim provisions as at 31 December 2019: EUR 52,433,572 (31 December 2018: EUR 59,276,486) and in consolidated financial statements incurred but not reported provisions as at 31 December 2019: EUR 232,517,209 (31 December 2018: EUR 251,725,942).

We refer to the separate and consolidated financial statements: Notes. 17.4.24. (Accounting policies) and Note 17.7.24 (Financial disclosures).

Key audit matter	Our response
<p>In the consolidated financial statements, mathematical provisions and technical provisions for unit-linked insurance, and in both separate and consolidated financial statements, incurred but not reported claim provisions (IBNR provisions), represent a significant share of the Company's and the Group's respective total liabilities. Measurement thereof is associated with significant estimation uncertainty as it requires Management Board to exercise judgment and develop complex and subjective assumptions used as inputs into the underlying valuation models based on standard actuarial methodologies.</p> <p><i>Mathematical provisions and technical provisions for unit-linked insurance</i></p> <p>Among other things, at each reporting date, the Group is required to perform a liability adequacy test (hereinafter, "LAT") with an aim to determine whether its recognized life insurance technical provisions are sufficient. The test is based on the comparison of the Management Board's current estimate of the present value of future cash flows arising from the in-force insurance contracts with the stated amounts of the related liabilities. In case the LAT shows that the amounts of</p>	<p>Our procedures, performed with the support from our own actuarial specialists, included, among others:</p> <ul style="list-style-type: none"> • Testing design and implementation of selected key controls within the insurance provision measurement process, including those over determination and validation of actuarial assumptions; • Evaluating the methodology used in measuring mathematical provisions and technical provisions for unit-linked insurance and IBNR claim provisions against relevant regulatory and financial reporting requirements; <p><i>For mathematical provisions and technical provisions for unit-linked insurance</i></p> <ul style="list-style-type: none"> • Evaluating the reasonableness of the Group's current estimates of future cash flows used for life insurance LAT purposes by means of: <ul style="list-style-type: none"> – assessing the results of the Group's experience studies and using those historical results to challenge the key assumptions used in making estimates as at 31 December 2019. Specifically, among other things, we assessed whether the key mortality, morbidity and lapse rates as well as the pattern of the



<p>mentioned provisions are insufficient in light of the estimated future cash flows, the entire deficiency is recognized in the profit or loss. The key assumptions used in the test include those in respect of: expected expenses, mortality and morbidity rates, investment yields, discount rates as well as the expected pattern of policyholders exercising their insurance options. Relatively insignificant changes in these assumptions can have a significant effect on the amounts of the related estimates due to the long-term nature of the obligations.</p>	<p>policyholders' option exercise, as used in LAT, were properly set based on the experience studies, and whether the discount rates and investment yields used were in line with observable market rates;</p> <ul style="list-style-type: none">- assessing the reasonableness of the expense assumptions in the LAT considering past experience and any expected future changes;• Assessing the reasonableness of the movements in mathematical provisions and technical provisions for unit-linked insurance during 2019, starting from the opening value and developing our independent expectation for the items which should result in an increase in the liability (such as premiums, technical interest rate, profit sharing, yield rate) and those which result in its decrease (claims, expense loadings, risk premium);
<p><i>Incurred but not reported claim provisions</i></p> <p>Significant complexity is also associated with estimating IBNR claim provisions. Several actuarial methods are available for calculating IBNR provisions, which need to be tailored to specific circumstances, based on the Management Board's judgment, in particular in respect of whether and to what extent past loss patterns can be applied in predicting claims reported in the future.</p> <p>In view of the above-mentioned factors, measurement of the above-mentioned insurance contract liabilities represented an area of significant audit risk which required our increased attention. As such we consider it to be our key audit matter.</p>	<p><i>For incurred but not reported claim provisions</i></p> <ul style="list-style-type: none">• Evaluating the IBNR claim provisions, by means of, among other things, assessment of the actuarial methods applied for selected significant lines of business and evaluation the appropriateness of the development factors used by the Company and the Group, based on our analysis of development factors in the past;• Assessing the reasonableness of IBNR claim provisions recognized in the past by comparing historical estimates with actual claims (run off test); <p><i>For all above mentioned provisions</i></p> <ul style="list-style-type: none">• Assessing the Company's and the Group's disclosures in respect of above-mentioned provisions against the requirements of the relevant financial reporting standards.

Other matter

The separate financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those separate and consolidated financial statements on 28 March 2019.



Other Information

Management is responsible for the other information. The other information comprises the "Business Report" and "Summary of tables" included in the Annual Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. We obtained other information before the date of the financial statements and the auditor's report, except for the "Report of the Supervisory board and audit committee", which forms part of the Annual report and which will be available after the date of this auditor's report.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and 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 separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report we considered whether the Business Report includes the disclosures required by the Company's Ac dated 4 May 2006 (official gazette of Republic of Slovenia No. 42/2006 with amendments - hereafter referred to as "the applicable legal requirements").

Based solely on the work required to be undertaken in the course of the audit of the separate and consolidated financial statements and the procedures above, in our opinion, in all material respects:

- the information given in the Business Report for the financial year for which the separate and consolidated financial statements are prepared, is consistent, in all material respects, with the separate and the consolidated financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the entity and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

Responsibility of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using of the going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.





Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs and EU Regulation (EU) No 537/2014 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 separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and 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 Company's and the Group's internal control;
- 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 Company's and 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 auditors' report to the related disclosures in the separate and 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 auditors' report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholders of Pozavarovalnica Sava, d.d. on the shareholders meeting dated 21 May 2019 to audit the Company's and the Group's respective separate and consolidated financial statements for the year ended 31 December 2019. Our total uninterrupted period of engagement is one year.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 20 March 2020;
- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the Company and the Group in conducting the audit;

For the period to which our statutory audit relates, in addition to the audit and services, which are disclosed in the Business Report or in the separate and consolidated financial statements, we have not provided any other services to the Company or the Group.

On behalf of the auditing company

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


Metka Sedej, FCCA
Certified Auditor


Barbara Kunc
Certified Auditor
Partner

Ljubljana, 20 March 2020

KPMG Slovenija, d.o.o.
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16 Financial statements



16.1 Statement of financial position

EUR	Note	Sava Insurance Group		Sava Re		
		31 Dec 2019	31 Dec 2018	31 Dec 2019	As restated 31 Dec 2018	As restated* 1 Jan 2018
ASSETS		1,885,953,003	1,706,023,490	735,585,561	604,612,961	579,168,086
Intangible assets	1	61,060,069	37,121,118	1,294,110	892,724	807,011
Property, plant and equipment	2	47,615,710	42,893,432	2,507,611	2,654,540	2,485,645
Right-of-use assets	3	9,974,252	0	115,400	0	0
Deferred tax assets	4	2,044,124	2,026,472	1,141,098	1,943,597	1,315,053
Investment property	5	16,695,132	20,643,019	8,142,714	8,285,733	8,230,878
Financial investments in subsidiaries and associates	6	581,104	462,974	238,177,654	218,424,765	191,615,257
Financial investments:	7	1,064,874,239	1,008,097,470	296,096,594	244,291,434	250,781,685
- loans and deposits		53,363,639	33,542,347	32,047,969	10,107,498	12,840,885
- held to maturity		41,586,644	77,122,037	2,075,784	2,075,425	2,075,111
- available for sale		943,663,578	885,017,410	255,270,080	228,151,616	235,456,116
- at fair value through profit or loss		26,260,378	12,415,676	6,702,761	3,956,895	409,573
Assets held for the benefit of policyholders who bear the investment risk	8	213,159,889	204,818,504	0	0	0
Reinsurers' share of technical provisions	9	38,620,539	27,292,750	31,159,308	21,437,221	20,073,571
Investment contract assets	10	151,197,102	135,586,965	0	0	0
Receivables	11	159,413,917	140,550,011	97,024,000	87,830,299	88,602,395
Receivables arising out of primary insurance business		139,954,356	126,533,761	89,537,760	82,518,635	85,167,822
Receivables arising out of co-insurance and reinsurance business		6,734,564	5,835,798	4,214,830	4,842,279	3,202,926
Current tax assets		3,002,507	169,727	2,802,044	0	0
Other receivables		9,722,490	8,010,725	469,366	469,385	231,647
Deferred acquisition costs	12	23,500,521	19,759,234	6,554,598	7,821,932	7,778,499
Other assets	13	2,841,516	2,064,220	441,253	379,264	799,634
Cash and cash equivalents	14	93,804,031	64,657,431	52,931,222	10,651,452	6,678,458
Non-current assets held for sale	15	570,858	49,890	0	0	0

EUR	Note	Sava Insurance Group		Sava Re		
		31 Dec 2019	31 Dec 2018	31 Dec 2019	As restated 31 Dec 2018	As restated* 1 Jan 2018
EQUITY AND LIABILITIES		1,885,953,003	1,706,023,490	735,585,561	604,612,961	579,168,086
Equity		384,776,847	340,175,455	343,920,689	317,561,040	289,171,834
Share capital	16	71,856,376	71,856,376	71,856,376	71,856,376	71,856,376
Capital reserves	17	43,035,948	43,035,948	54,239,757	54,239,757	54,239,757
Profit reserves	18	202,170,501	183,606,914	202,818,558	184,424,862	163,491,114
Own shares	19	-24,938,709	-24,938,709	-24,938,709	-24,938,709	-24,938,709
Fair value reserve	20	20,718,610	11,613,059	5,217,524	2,697,381	3,804,764
Reserve due to fair value revaluation		924,038	836,745	21,376	40,772	13,524
Retained earnings	21	42,128,483	35,140,493	14,517,789	8,306,851	4,217,912
Net profit or loss for the period	21	31,546,718	21,843,940	20,188,017	20,933,749	16,487,096
Translation reserve		-3,168,414	-3,368,928	0	0	0
Equity attributable to owners of the controlling company		384,273,551	339,625,838	343,920,689	317,561,040	289,171,834
Non-controlling interests in equity	22	503,296	549,617	0	0	0
Subordinated liabilities	23	74,822,710	0	74,822,710	0	0
Technical provisions	24	933,952,709	920,491,487	261,338,591	234,173,078	232,639,163
Unearned premiums		207,895,397	184,101,835	54,588,057	47,147,505	47,602,457
Technical provisions for life insurance business		211,877,103	254,849,366	0	0	0
Provision for outstanding claims		502,914,277	470,057,561	205,064,638	185,988,628	184,269,492
Other technical provisions		11,265,932	11,482,725	1,685,896	1,036,945	767,214
Technical provision for the benefit of life insurance policyholders who bear the investment risk	24	220,613,698	210,032,637	0	0	0
Other provisions	25	8,705,469	7,730,247	466,901	376,521	351,250
Deferred tax liabilities	4	5,294,664	3,605,462	76,227	76,227	76,227
Investment contract liabilities	10	151,040,643	135,441,508	0	0	0
Other financial liabilities		355,908	243,095	87,504	87,504	91,182
Liabilities from operating activities	26	61,290,549	54,736,601	51,086,602	49,185,680	54,404,921
Liabilities from primary insurance business		50,356,998	44,278,514	44,373,937	44,039,129	51,160,114
Liabilities from reinsurance and co-insurance business		9,300,437	6,176,032	6,712,665	3,149,394	3,090,008
Current income tax liabilities		1,633,114	4,282,055	0	1,997,157	154,799
Lease liabilities	27	10,448,915	0	115,491	0	0
Other liabilities	28	34,650,891	33,566,998	3,670,845	3,152,911	2,433,509

The consolidated statement of financial position for 2018 has changed in the deferred tax assets and deferred tax liabilities items due to a partial reversal of previously incorrectly netted deferred tax.

* The correction of the error is presented in section 17.11.

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.



The income statement for 2018 included netted exchange differences for investment income and expenses, other technical income and expenses, and unrealised and realised gains and losses on investments of life insurance policyholders who bear the investment risk.

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

16.2 Income statement¹¹⁵

EUR	Note	Sava Insurance Group		Sava Re	
		1-12/2019	1-12/2018	1-12/2019	1v12/2018
Net earned premiums	30	548,040,035	504,669,701	137,446,312	133,740,178
Gross premiums written		598,526,157	546,299,539	166,528,931	151,636,216
Written premiums ceded to reinsurers and co-insurers		-36,146,607	-26,942,852	-26,361,308	-18,407,793
Change in gross unearned premiums		-19,266,582	-11,415,695	-7,440,552	454,952
Change in unearned premiums, reinsurers' and co-insurers' shares		4,927,067	-3,271,291	4,719,241	56,803
Income from investments in subsidiaries and associates	31	2,717,909	0	36,947,895	33,558,455
Other income		2,717,909	0	36,947,895	33,558,455
Investment income	32	20,273,977	20,385,617	7,075,808	4,840,665
Interest income		14,016,424	16,459,186	3,463,383	3,589,693
Other investment income		6,257,553	3,926,431	3,612,425	1,250,972
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	32	23,278,584	0	0	0
Other technical income	33	12,736,452	15,758,511	3,785,460	3,651,029
Commission income		4,291,946	3,634,682	3,063,492	2,530,359
Other technical income		8,444,506	12,123,829	721,968	1,120,671
Other income	33	27,693,576	14,549,676	804,538	701,331
Net claims incurred	34	-399,191,460	-320,760,586	-94,118,562	-76,604,633
Gross claims paid, net of income from recourse receivables		-392,032,235	-342,556,518	-86,983,721	-82,687,678
Reinsurers' and co-insurers' shares		10,559,367	12,460,118	6,938,323	6,495,334
Change in the gross claims provision		-23,869,642	9,913,517	-19,076,010	-1,719,136
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares		6,151,050	-577,703	5,002,847	1,306,847
Change in other technical provisions	35	46,506,883	13,207,584	-777,682	-268,920
Change in technical provisions for policyholders who bear the investment risk	35	-12,825,182	15,962,680	0	0
Expenses for bonuses and rebates		227,917	288,628	128,731	-811
Operating expenses	36	-186,955,234	-178,131,437	-50,458,512	-47,563,317
Acquisition costs		-65,793,677	-58,372,509	-35,723,768	-34,848,052
Change in deferred acquisition costs		2,908,414	1,598,536	-1,267,334	43,433
Other operating expenses		-124,069,971	-121,357,464	-13,467,410	-12,758,699
Expenses for investments in associates and impairment losses on goodwill	32	-54,721	-151,130	0	-4,020,539
Impairment loss on goodwill		0	-94,906	0	-4,020,539
Loss arising out of the investment in the equity-accounted associate company		-54,721	-56,224	0	0
Expenses for financial assets and liabilities	32	-1,707,664	-3,187,907	-892,197	-2,383,820
Impairment losses on financial assets not at fair value through profit or loss		0	-1,943,975	0	-1,943,974
Interest expense		-682,017	-28,445	-495,157	0
Other investment expenses		-1,025,647	-1,215,487	-397,040	-439,846
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	32	0	-6,630,921	0	0
Other technical expenses	33	-15,435,751	-17,825,983	-425,566	-348,355
Other expenses	33	-4,561,305	-2,873,861	-289,185	-279,399
Profit or loss before tax		60,744,016	55,260,572	39,227,041	45,021,864
Income tax expense	37	-10,549,428	-12,248,723	-645,328	-3,154,368
Net profit or loss for the period		50,194,588	43,011,849	38,581,713	41,867,497
Net profit or loss attributable to owners of the controlling company		49,977,170	42,790,617	-	-
Net profit or loss attributable to non-controlling interests		217,418	221,232	-	-
Earnings per share (basic and diluted)	21	3.22	2.76	-	-



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16.3 Statement of comprehensive income

EUR	Sava Insurance Group		Sava Re	
	1-12/2019	1-12/2018	1-12/2019	1-12/2018
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	50,194,588	43,011,849	38,581,713	41,867,497
OTHER COMPREHENSIVE INCOME, NET OF TAX	9,394,773	-6,563,406	2,500,748	-1,080,135
a) Items that will not be reclassified subsequently to profit or loss	87,291	169,227	-19,396	27,248
Other items that will not be reclassified subsequently to profit or loss	100,688	190,794	-19,396	29,779
Tax on items that will not be reclassified subsequently to profit or loss	-13,397	-21,567	0	-2,531
b) Items that may be reclassified subsequently to profit or loss	9,307,482	-6,732,633	2,520,144	-1,107,382
Net gains/losses on remeasuring available-for-sale financial assets	10,875,034	-8,419,063	3,111,290	-1,367,140
Net change recognised in the fair value reserve	11,354,363	-7,841,176	3,253,554	-1,165,440
Net change transferred from fair value reserve to profit or loss	-479,329	-577,887	-142,264	-201,700
Tax on items that may be reclassified subsequently to profit or loss	-1,769,074	1,703,734	-591,146	259,758
Net gains/losses from translation of financial statements of non-domestic companies	201,522	-17,304	0	0
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	59,589,361	36,448,443	41,082,461	40,787,362
Attributable to owners of the controlling company	59,370,524	36,225,581	-	-
Attributable to non-controlling interests	218,837	222,862	-	-

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.



16.4 Cash flow statement

EUR			Note	Sava Insurance Group		Sava Re	
				1-12/2019	1-12/2018	1-12/2019	1-12/2018
A. Cash flows from operating activities							
a)	Items of the income statement			26,517,146	53,962,293	-2,903,317	11,767,434
	Net profit or loss for the period			50,194,588	43,011,849	38,581,713	41,867,497
	Adjustments for:						
2	Realised gains or losses on the disposal of property, plant and equipment assets			-179,575	-13,652	16,100	13,652
3	Gains or losses of equity-accounted subsidiary		32	54,721	56,224	0	0
5	Other financial expenses/income			-43,168,016	-10,914,889	-41,273,154	-33,803,754
6	Depreciation/amortisation			7,984,822	5,254,010	713,664	481,036
7	Income tax expense			10,549,428	12,248,723	645,328	3,154,368
8	Net exchange differences			1,081,178	4,320,028	-1,586,968	54,636
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			-57,570,976	-53,631,574	8,943,303	-6,148,051
1.	Change in receivables from primary insurance		11	-13,420,595	-2,209,214	-7,019,125	2,649,187
2.	Change in receivables from reinsurance		11	-898,766	361,919	627,449	-1,639,353
3.	Change in other receivables from (re)insurance business			351,279	-532,222	0	0
4.	Change in other receivables and other assets			-6,564,775	426,920	-794,182	-489,345
5.	Change in deferred tax assets		4	0	0	0	0
6.	Change in inventories		13	-34,504	-5,395	0	0
7.	Change in liabilities arising out of primary insurance		26	6,078,484	-10,432,775	334,808	-7,120,985
8.	Change in liabilities arising out of reinsurance business		26	3,124,405	1,015,849	3,563,271	59,386
9.	Change in other operating liabilities			4,843,248	-524,718	314,179	882,308
10.	Change in other liabilities (except unearned premiums)			-2,070,153	-28,448,079	-297,494	1,018,029
11.	Change in technical provisions			-37,060,778	-5,147,464	17,443,424	170,265
	- change in unearned premiums			14,339,515	14,686,986	2,721,310	-511,755
	- change in provision for outstanding claims			-17,718,592	9,335,814	14,073,163	412,289
	- change in other technical provisions			-270,982	2,424,119	648,951	269,731
	- change in mathematical provision			-46,235,901	-15,631,703	0	0
	- change in mathematical provision for policyholders who bear the investment risk			12,825,182	-15,962,680	0	0
12	Tax expense			-11,918,821	-8,136,395	-5,229,028	-1,677,544
c)	Net cash from/used in operating activities (a + b)			-31,053,830	330,719	6,039,986	5,619,383



EUR			Note	Sava Insurance Group		Sava Re	
				1-12/2019	1-12/2018	1-12/2019	1-12/2018
B. Cash flows from investing activities							
a)	Cash receipts from investing activities			472,776,934	806,087,833	154,665,296	138,973,252
	1.	Interest received from investing activities	32	14,016,424	16,459,186	3,463,383	3,589,693
	2.	Cash receipts from dividends and participation in the profit of others	32	1,623,033	1,378,367	41,835,889	34,234,600
	4.	Proceeds from sale of property, plant and equipment		363,166	4,156,317	58,347	12,319
	5.	Proceeds from sale of financial investments		456,634,120	784,093,963	109,307,678	101,136,640
	5.2.	Other cash inflows from disposal of financial investments		456,634,120	784,093,963	109,307,678	101,136,640
b)	Cash disbursements in investing activities			-472,210,012	-768,717,071	-177,470,764	-128,221,484
	1.	Purchase of intangible assets		-3,233,676	-1,547,018	-691,749	-326,455
	2.	Purchase of property, plant and equipment		-7,852,849	-2,761,542	-151,295	-396,476
	3.	Purchase of long-term financial investments		-461,123,487	-764,408,511	-176,627,720	-127,498,554
	3.1.	Purchase of subsidiary companies		-31,537,763	-31,689,486	-28,815,090	-30,830,047
	3.2.	Other cash outflows to acquire financial investments		-429,585,724	-732,719,025	-147,812,631	-96,668,507
c)	Net cash from/used in investing activities (a + b)			566,922	37,370,762	-22,805,468	10,751,768
C. Cash flows from financing activities							
a)	Cash receipts from financing activities			74,327,980	0	74,327,980	0
	2.	Cash inflows from long-term loans		74,327,980	0	74,327,980	0
b)	Cash disbursements in financing activities			-17,401,201	-12,426,602	-15,282,728	-12,398,157
	1.	Interest paid	32	-682,017	-28,445	-495,157	0
	3.	Repayment of long-term financial liabilities		-1,731,215	0	-64,760	0
	5.	Dividends and other profit participations paid		-14,987,969	-12,398,157	-14,722,811	-12,398,157
c)	Net cash from/used in financing activities (a + b)			56,926,779	-12,426,602	59,045,252	-12,398,157
C2. Closing balance of cash and cash equivalents				93,804,031	64,657,431	52,931,222	10,651,452
x)	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)			26,439,871	25,274,879	42,279,770	3,972,994
y)	Opening balance of cash and cash equivalents			64,657,431	37,956,119	10,651,452	6,678,458
	Opening balance of cash and cash equivalents – acquisition			2,706,729	1,426,433	0	0

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.



16.5 Statement of changes in equity for 2019



Sava Insurance Group

EUR	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	III. Profit reserves Reserve for own shares	Catastrophe equalisation reserve	Other	IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-control-ling interests in equity	Total (15+16)
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	43,035,948	11,704,009	24,938,709	11,225,068	135,739,128	11,613,059	836,745	35,140,493	21,843,940	-24,938,709	-3,368,928	339,625,838	549,617	340,175,455
Opening balance in the financial period	71,856,376	43,035,948	11,704,009	24,938,709	11,225,068	135,739,128	11,613,059	836,745	35,140,493	21,843,940	-24,938,709	-3,368,928	339,625,838	549,617	340,175,455
Comprehensive income for the period, net of tax	0	0	0	0	0	0	9,105,553	87,291	0	49,977,170	0	200,510	59,370,524	218,837	59,589,361
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	49,977,170	0	0	49,977,170	217,418	50,194,588
b) Other comprehensive income	0	0	0	0	0	0	9,105,553	87,291	0	0	0	200,510	9,393,354	1,419	9,394,773
Transactions with owners – payouts	0	0	159,202	0	0	18,404,385	0	0	-14,855,947	-18,430,451	0	0	-14,722,811	-265,158	-14,987,969
Dividend distributions	0	0	0	0	0	0	0	0	-14,722,811	0	0	0	-14,722,811	-265,158	-14,987,969
Allocation of net profit to profit reserve	0	0	159,202	0	0	18,404,385	0	0	-133,136	-18,430,451	0	0	0	0	0
Movements within equity	0	0	0	0	0	0	0	0	21,843,940	-21,843,940	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	21,843,940	-21,843,940	0	0	0	0	0
Closing balance in the financial period	71,856,376	43,035,948	11,863,211	24,938,709	11,225,068	154,143,513	20,718,610	924,038	42,128,483	31,546,718	-24,938,709	-3,168,414	384,273,551	503,296	384,776,847

Sava Re

EUR	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	III. Profit reserves Reserve for own shares	Catastrophe equalisation reserve	Other	IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares	Total (15+16)
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	17.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	134,499,629	2,697,381	40,772	8,306,851	20,933,748	-24,938,709	317,561,040
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	134,499,629	2,697,381	40,772	8,306,851	20,933,748	-24,938,709	317,561,040
Comprehensive income for the period, net of tax	0	0	0	0	0	0	2,520,144	-19,396	0	38,581,713	0	41,082,461
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	38,581,713	0	38,581,713
b) Other comprehensive income	0	0	0	0	0	0	2,520,144	-19,396	0	0	0	2,500,748
Transactions with owners – payouts	0	0	0	0	0	18,393,696	0	0	-14,722,811	-18,393,696	0	-14,722,811
Dividend distributions	0	0	0	0	0	0	0	0	-14,722,811	0	0	-14,722,811
Allocation of net profit to profit reserve	0	0	0	0	0	18,393,696	0	0	0	-18,393,696	0	0
Movements within equity	0	0	0	0	0	0	0	0	20,933,749	-20,933,749	0	0
Transfer of profit	0	0	0	0	0	0	0	0	20,933,749	-20,933,749	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	152,893,325	5,217,524	21,376	14,517,789	20,188,017	-24,938,709	343,920,689

16.6 Statement of changes in equity for 2018



Sava Insurance Group

EUR	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	III. Profit reserves Reserve for own shares	Catastrophe equalisation reserve	Other	IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interests in equity	Total (15+16)
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	43,035,948	11,578,919	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
Opening balance in the financial period	71,856,376	43,035,948	11,578,919	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
Comprehensive income for the period, net of tax	0	0	0	0	0	0	-6,718,639	169,227	0	42,790,617	0	-15,624	36,225,581	222,862	36,448,443
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	42,790,617	0	0	42,790,617	221,232	43,011,849
b) Other comprehensive income	0	0	0	0	0	0	-6,718,639	169,227	0	0	0	-15,624	-6,565,036	1,630	-6,563,406
Transactions with owners – payouts	0	0	125,090	0	0	20,933,748	0	0	-12,510,318	-20,946,677	0	0	-12,398,157	0	-12,398,157
Dividend distributions	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	125,090	0	0	20,933,748	0	0	-112,161	-20,946,677	0	0	0	0	0
Movements within equity	0	0	0	0	0	0	0	0	14,557,220	-14,557,220	0	0	0	8,273	8,273
Transfer of profit	0	0	0	0	0	0	0	0	14,557,220	-14,557,220	0	0	0	0	0
Closing balance in the financial period	71,856,376	43,035,948	11,704,009	24,938,709	11,225,068	135,739,128	11,613,058	836,745	35,140,493	21,843,940	-24,938,709	-3,368,928	339,625,838	549,617	340,175,455

Sava Re

EUR	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	III. Profit reserves Reserve for own shares	Catastrophe equalisation reserve	Other	IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares	Total (15+16)
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	17.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	113,565,881	3,804,764	13,524	6,012,233	16,487,096	-24,938,709	290,966,155
Adjustment	0	0	0	0	0	0	0	0	-1,794,321	0	0	-1,794,321
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	113,565,881	3,804,764	13,524	4,217,912	16,487,096	-24,938,709	289,171,834
Comprehensive income for the period, net of tax	0	0	0	0	0	0	-1,107,383	27,248	0	41,867,497	0	40,787,363
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	41,867,497	0	41,867,497
b) Other comprehensive income	0	0	0	0	0	0	-1,107,383	27,248	0	0	0	-1,080,134
Transactions with owners – payouts	0	0	0	0	0	20,933,748	0	0	-12,398,157	-20,933,748	0	-12,398,157
Dividend distributions	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	20,933,748	0	0	0	-20,933,748	0	0
Movements within equity	0	0	0	0	0	0	0	0	16,487,096	-16,487,096	0	0
Transfer of profit	0	0	0	0	0	0	0	0	16,487,096	-16,487,096	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	134,499,629	2,697,381	40,772	8,306,851	20,933,749	-24,938,709	317,561,040

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

17 Notes to the financial statements



17.1 Basic details

Reporting company

Sava Re d.d. is the controlling company (hereinafter also the “Company”) of the Sava Insurance 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 business address at Dunajska cesta 56, Ljubljana, Slovenia.

The Group transacts reinsurance business (15% of operating revenues), non-life insurance business (67% of operating revenues), life insurance business (16% of operating revenues), pension business (1% of operating revenues) and other non-insurance business (1% of operating revenues).¹¹⁶

In 2019, the Group employed on average 2,570 people (2018: 2,403 employees) on a full-time equivalent basis. As at 31 December 2019, the total number of employees on a full-time equivalent basis was 2,723 (31 December 2018: 2,417 employees). The statistics on employees in regular employment by various criteria are given in section 10 “Human resources management”.

In the 2019 financial year, the Company employed on average 113 people (2018: 103 employees) on a full-time equivalent basis. As at 31 December 2019, the total number of employees on a full-time equivalent basis was 115 (31 December 2018: 110 employees). The statistics on employees in regular employment by various criteria are given in section 10 “Human resources management”.

Educational profile of employees

	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Primary and lower secondary education	10	10	0	0
Secondary education	1,204	1,038	13	13
Higher education	287	303	4	5
University education	1,084	948	76	73
Master’s degree and doctorate	138	118	22	19
Total	2,723	2,417	115	110

The bodies of the Company are the general meeting, the supervisory board and the management board.

The largest shareholder of the 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 13.9% stake. The table “Ten largest shareholders and the list of holders of qualified holdings pursuant to the Takeovers Act as at 31 December 2019” (section 3.2) is followed by an additional note on the share of voting rights in Sava Re (section 3.2).

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 board and supervisory board leave the decision about its approval (authorisation for issue) to the general meeting of shareholders, the general meeting decides also on the approval (authorisation for issue) of the annual report.

The owners have the right to amend the financial statements after they have been authorised by the Company’s management board for issue to the supervisory board.

¹¹⁶ Data for 2019.

17.2 Business combinations and overview of Group companies¹¹⁷

On 27 February 2019, Zavarovalnica Sava satisfied all suspensive conditions, becoming the sole owner of the companies Ergo Osiguranje and Ergo Životno Osiguranje. The first consolidated accounts of the Sava Insurance Group after the Croatian companies joined the Group were prepared as at 31 March 2019. The gain on the bargain purchase determined upon the acquisition of ERGO companies totalled EUR 7.5 million. This gain resulted from the difference between the purchase price determined using the discounted cash flow method and the net value of assets established in the acquisition. In November 2019 the Group transferred the portfolio of insurance contracts from the acquired companies to the Croatia-based branch office of Zavarovalnica Sava, after which the ERGO companies were transformed into limited liability companies and are expected to be wound up in the next year. Through the acquisition of insurance companies the Group increased its market share in insurance business in Croatia, and by transferring the portfolio to the subsidiary of Zavarovalnica Sava the Group will optimise its operations in Croatia and realise synergies resulting from the growth in the volume of insurance business.

In June 2019, Sava Re acquired an 85% stake in the investment fund management company KBM Infond (now Sava Infond). The first consolidated accounts of the Sava Insurance Group after Sava Infond joined the Group were prepared as at 30 June 2019. Sava Infond serves over 80,000 investors and manages assets in excess of EUR 300 million in the Infond Umbrella Fund, which is made up of 22 sub-funds offering diverse investment schemes. In terms of the number of funds and assets under management, Infond, with a market share of approximately 12%, ranks among the largest asset managers in Slovenia. This acquisition is a further step in the Sava Insurance Group's strategy of acquisitions-based growth in asset management, an important pillar of the Group's operations other than insurance business. The acquisition of Infond will allow the Sava Insurance Group to further expand and develop its asset management operations. On the first consolidation, income of EUR 2.7 million was recognised on the revaluation of the 15% stake in Sava Infond held by Zavarovalnica Sava.

In 2019, the subsidiary Sava Terra was merged into Zavarovalnica Sava. This merger had no impact on the Group's consolidated financial statements.

The following tables show the fair values of the net assets of the companies acquired in business combinations.

Companies acquired in 2019

EUR	ERGO Osiguranje	ERGO Životno Osiguranje	Sava Infond	Total
	31 Mar 2019	31 Mar 2019	30 Jun 2019	
Intangible assets	3,219	288	2,703,026	2,706,533
Property, plant and equipment	184,537	10,802	377,326	572,666
Non-current assets held for sale	0	0	0	0
Deferred tax assets	0	0	16,653	16,653
Investment property	0	0	427,000	427,000
Financial investments	19,899,944	6,559,870	1,749,066	28,208,880
Assets held for the benefit of policyholders who bear the investment risk	0	1,380,266	0	1,380,266
Reinsurers' share of technical provisions	316,703	0	0	316,703
Investment contract assets	0	0	0	0
Receivables	1,420,993	1,416	579,413	2,001,822
Cash and cash equivalents	666,336	289,003	5,331,720	6,287,058
Other assets	760,525	20,333	79,522	860,380
A. Total assets	23,252,257	8,261,976	11,263,728	42,777,961
Subordinated liabilities	0	0	0	0
Technical provisions	14,834,022	2,252,948	0	17,086,970
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	1,380,266	0	1,380,266
Other provisions	0	0	184,417	184,417
Deferred tax liabilities	126,938	32,925	0	159,863
Other financial liabilities	31,828	0	0	31,828
Liabilities from operating activities and other liabilities	1,509,314	194,437	500,332	2,204,083
B. Total liabilities	16,502,102	3,860,575	684,749	21,047,426
Fair value of net assets acquired (A - B)	6,750,155	4,401,401	10,578,979	21,730,535
Gain on bargain purchase	4,917,425	2,568,671	0	7,486,096
Goodwill*	0	0	20,184,085	20,184,085
Market value of investment	1,832,729	1,832,729	30,763,064	34,428,523

* Temporary allocation to goodwill since the Company had insufficient data to assess the value of a customer list. An assessment will be performed in 2020.





EUR	ERGO Osiguranje	ERGO Životno Osiguranje	Sava Infond	Total
Acquisition of stake	-1,832,729	-1,832,729	-30,763,064	-34,428,523
Revaluation of stake	0	0	2,717,909	2,717,909
Net cash and cash equivalents acquired in the business combination	666,336	289,003	5,331,720	6,287,058
Net cash relating to the business combination	-1,166,394	-1,543,727	-22,713,435	-25,423,555

Goodwill of EUR 11,710,411 arisen on the acquisition of Sava Penzisko was partly allocated to the customer list (EUR 10,043,573) in 2019 based on the list’s estimated value. Upon allocation to intangible

assets (customer list), deferred tax liabilities were recognised in the amount of EUR 17,812. The difference comprises goodwill of EUR 1,666,839.

EUR	Sava Penzisko Društvo
Intangible assets	10,082,544
Property, plant and equipment	17,448
Financial investments	7,917,244
Receivables	13,076
Cash and cash equivalents	46,440
Other assets	311,408
A. Total assets	18,388,159
Other provisions	60,602
Deferred tax liabilities	17,812
Liabilities from operating activities and other liabilities	441,600
B. Total liabilities	520,014
Fair value of net assets acquired (A - B)	17,868,145
Goodwill	1,666,839
Market value of investment as at 30 Jun 2019	19,534,984

EUR	Sava Penzisko Društvo
Acquisition of stake	-19,534,984
Net cash and cash equivalents acquired in the business combination	46,440
Net cash relating to the business combination	-19,488,544

Companies acquired in 2018

EUR	TBS Team 24	Energoprojekt Garant	Sava Penzisko Društvo	Sava Terra	Total
	31 Mar 2019	31 Mar 2019	30 Jun 2019	31 Dec 2019	
Intangible assets	2,942	16,156	38,971	0	58,069
Property, plant and equipment	106,510	32,992	17,448	0	156,950
Non-current assets held for sale	0	0	0	0	0
Deferred tax assets	0	0	0	0	0
Investment property	0	1,972,586	0	4,491,494	6,464,080
Financial investments	0	5,425,457	7,917,244	0	13,342,700
Reinsurers’ share of technical provisions	0	181,305	0	0	181,305
Receivables	2,003,806	340,752	13,076	58,972	2,416,606
Cash and cash equivalents	14,951	751,942	46,440	44,028	857,361
Other assets	180,198	29,023	311,408	2,528	523,157
A. Total assets	2,308,407	8,750,213	8,344,587	4,597,022	24,000,229
Technical provisions	0	1,846,333	0	0	1,846,333
Other provisions	0	3,011	60,602	0	63,613
Deferred tax liabilities	0	1,032	17,812	151,144	169,988
Other financial liabilities	0	0	0	1,922,887	1,922,887
Liabilities from operating activities and other liabilities	2,275,309	147,437	441,600	30,222	2,894,569
B. Total liabilities	2,275,309	1,997,814	520,014	2,104,253	6,897,390
Fair value of net assets acquired (A - B)	33,098	6,752,398	7,824,573	2,492,769	17,102,838
Non-controlling interests in equity	8,274	476,719	0	0	484,993
Goodwill*	2,787,676	54,356	11,710,411	0	14,552,443
Market value of investment	2,812,500	6,330,035	19,534,984	2,492,769	31,170,288

* Sava Penzisko Društvo – temporary allocation to goodwill (EUR 11,710,411) since the Company had insufficient data to assess the value of a customer list. An assessment has been made in 2019.

EUR	TBS Team 24	Energoprojekt Garant	Sava Penzisko Društvo	Sava Terra	Total
Acquisition of stake	-2,812,500	-6,330,035	-19,534,984	-2,492,769	-31,170,289
Net cash and cash equivalents acquired in the business combination	14,951	751,942	46,440	44,028	857,361
Net cash relating to the business combination	-2,797,549	-5,578,093	-19,488,544	-2,448,741	-30,312,928

The tables below show individual items of the statement of financial position and the income statement based on the separate financial statements of

subsidiaries and associates prepared in accordance with IFRSs, together with the controlling company’s share of voting rights.

Subsidiaries as at 31 December 2019

EUR	Activity	Registered office	Assets	Liabilities	Equity as at 31 Dec 2019	Profit or loss for 2019	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,151,013,238	989,712,523	161,300,721	38,477,269	406,794,650	100.00%
Sava Neživotno Osiguranje (Serbia)	insurance	Serbia	35,827,022	24,661,962	11,165,060	1,079,603	21,359,763	100.00%
Illyria	insurance	Kosovo	17,090,978	15,461,175	1,629,803	-2,267,470	9,008,400	100.00%
Sava Osiguruvanje (North Macedonia)	insurance	North Macedonia	22,759,709	16,639,706	6,120,003	201,857	13,257,606	92.57%
Sava Osiguranje (Montenegro)	insurance	Montenegro	26,477,686	18,817,413	7,660,273	1,233,918	13,161,749	100.00%
Illyria Life	insurance	Kosovo	12,096,206	7,156,573	4,939,633	290,251	2,665,076	100.00%
Sava Životno Osiguranje (Serbia)	insurance	Serbia	9,856,010	6,086,828	3,769,182	16,199	3,305,436	100.00%
Illyria Hospital	currently none	Kosovo	5,995	0	5,995	4,495	-1,790,246	100.00%
Sava Car	technical research and analysis	Montenegro	1,273,315	639,518	633,797	67,068	865,761	100.00%
ZM Svetovanje	consulting and marketing of insurances of the person	Slovenia	177,510	80,714	96,796	18,766	1,039,177	100.00%
Ornatus	ZS call centre	Slovenia	45,128	19,587	25,541	4,005	225,177	100.00%
Sava Agent	insurance agency	Montenegro	2,147,456	1,935,017	212,439	90,717	721,647	100.00%
Sava Station	technical research and analysis	North Macedonia	316,420	22,408	294,012	-25,952	142,209	92.57%
Sava Pokojninska	pension fund	Slovenia	168,050,634	160,206,689	7,843,945	735,098	5,597,283	100.00%
TBS Team 24	organisation of assistance services and customer care	Slovenia	2,589,010	1,748,579	840,431	858,888	12,396,440	75.00%
Sava Penzisko Društvo	pension fund management	North Macedonia	9,831,537	387,168	9,444,369	1,343,277	3,937,856	100.00%
SO Poslovno Savjetovanje d.o.o.	business consulting	Croatia	5,211,179	223,237	4,987,942	-1,704,333	9,054,758	100.00%
SŽO Poslovno Savjetovanje d.o.o.	business consulting	Croatia	4,424,245	74,243	4,350,002	-163,547	498,879	100.00%
Sava Infond	investment fund asset management	Slovenia	7,303,758	861,705	6,442,053	1,359,735	7,391,228	100.00%

If the newly acquired companies had been part of the Group since 1 January 2019, revenues and net profit for the year would have totalled 661,344,862 and 49,801,767, respectively, in 2019.



Subsidiaries as at 31 December 2018

EUR	Activity	Registered office	Assets	Liabilities	Equity as at 31 Dec 2018	Profit or loss for 2018	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,116,725,121	965,579,104	151,146,017	29,540,622	369,578,351	100.00%
Sava Neživotno Osiguranje (Serbia)	insurance	Serbia	37,424,870	23,539,092	13,885,778	1,049,526	19,382,373	100.00%
Illyria	insurance	Kosovo	16,282,240	12,497,895	3,784,345	-390,799	9,275,173	100.00%
Sava Osiguruvanje (North Macedonia)	insurance	North Macedonia	21,605,383	15,711,159	5,894,224	391,284	12,279,274	92.57%
Sava Osiguranje (Montenegro)	insurance	Montenegro	24,107,226	17,795,094	6,312,132	1,943,280	12,967,612	100.00%
Illyria Life	insurance	Kosovo	10,951,393	6,274,659	4,676,734	305,169	2,373,425	100.00%
Sava Životno Osiguranje (Serbia)	insurance	Serbia	7,556,316	4,051,087	3,505,229	-168,562	2,551,457	100.00%
Illyria Hospital	currently none	Kosovo	1,800,736	4,495	1,796,241	-6	0	100.00%
Sava Car	technical research and analysis	Montenegro	739,077	169,564	569,513	-2,476	729,633	100.00%
ZM Svetovanje	consulting and marketing of insurances of the person	Slovenia	159,874	81,844	78,030	16,513	958,813	100.00%
Ornatus	ZS call centre	Slovenia	40,797	19,260	21,537	-5,316	216,000	100.00%
Sava Agent	insurance agency	Montenegro	1,970,854	1,853,597	117,257	80,911	701,752	100.00%
Sava Station	technical research and analysis	North Macedonia	343,772	24,715	319,057	29,778	160,281	92.57%
Sava Pokojninska	pension fund	Slovenia	151,140,812	144,024,695	7,116,117	258,571	4,181,039	100.00%
TBS Team 24	organisation of assistance services and customer care	Slovenia	2,370,342	1,577,490	792,852	759,757	10,219,623	75.00%
Sava Penzisko Društvo	pension fund management	North Macedonia	8,842,761	352,077	8,490,684	1,133,199	2,935,355	100.00%
Sava Terra	leasing and operation of own and leased property	Slovenia	3,801,526	1,953,108	1,848,418	-147,863	160,196	100.00%

EUR	Sava Osiguruvanje (North Macedonia)		Sava Station		TBS Team 24	
	2019	2018	2019	2018	2019	2018
Non-controlling interest as % of equity		7.43%	7.43%	7.43%	25%	25%
Proportion of non-controlling interest voting rights, in %		7.43%	7.43%	7.43%	25%	25%
Statement of profit or loss and other comprehensive income						
Income	13,257,606	12,279,274	142,209	160,281	12,396,440	10,219,623
Net profit for the year	201,857	391,284	-25,952	29,778	858,888	759,757
- Of non-controlling interest	14,998	29,072	-1,928	2,213	214,722	189,939
Other comprehensive income	22,906	8,265	264	-493	0	0
- Of non-controlling interest	1,702	614	20	-37	0	0
Total comprehensive income	224,763	399,549	-25,688	29,285	858,888	759,757
- Of non-controlling interest	16,700	29,686	-1,909	2,176	214,722	189,939
Dividends to non-controlling interests	0	0	0	0	265,158	423,028
Statement of financial position						
Assets	22,759,709	21,605,383	316,420	343,772	2,589,010	2,370,342
Liabilities	16,639,706	15,711,159	22,408	24,715	1,748,579	1,577,490
Equity	6,120,003	5,894,224	294,012	319,057	840,431	792,852



17.3 Consolidation principles

The controlling company prepared both separate and consolidated financial statements as at 31 December 2019. 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 their financial and operating policies so as to obtain benefits from their activities.

All subsidiaries in the Sava Insurance Group are fully consolidated.

The financial year of the Group is the same as the calendar year.

Subsidiaries are fully consolidated as of the date of obtaining control and 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. Goodwill is measured as the excess of the fair value of the consideration effectively transferred over the net amount of the acquirer's (controlling company's) interest

in the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is measured at cost less any impairment losses.

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 any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid directly in equity, 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. Intra-Group transactions (receivables and liabilities, expenses and income between the consolidated companies) have been eliminated.

17.4 Significant accounting policies

Significant accounting policies applied in the preparation of the consolidated and separate financial statements are set out below. In 2019, the Group applied the same accounting policies as in 2018, except for lease contracts, which are measured in accordance with IFRS 16. As for the implementation of IFRS 9, the Group applied the temporary exemption until the adoption of IFRS 17 "Insurance contracts". For more information, see section 17.5.

17.4.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with the 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).

Interested parties can obtain information on the financial condition and results of operations of the Sava Insurance 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 Company's management board approved the audited financial statements on 20 March 2020.

17.4.2 Measurement bases

The financial statements have been prepared on the historic cost basis, except for financial assets measured 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 transactions and items

The financial statements are presented in euros (EUR) without cents. The euro is the functional and presentation currency of the Group companies. Due to rounding, figures in tables may not add up to the totals.



Assets and liabilities as at 31 December 2019 denominated in foreign currencies have been translated into euros using the mid-rates of the European Central Bank (hereinafter: “ECB”) as at 31 December 2019. Amounts in the income statements have been translated using the average exchange rate. As at 31 December 2018 and 31 December 2019, 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 2019 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, sources of uncertainty and correction of prior-period errors

Assumptions and other sources of uncertainty relate to estimates that require management to make complex, subjective and comprehensive judgements. Areas that involve significant management judgement are presented below.

- The need for impairment of goodwill is assessed using the accounting policy under section 17.4.7 and note 1.
- Criteria for impairment of investments in subsidiaries and associates are determined using the accounting policy under section 17.4.13 and note 6.
- Deferred tax assets are recognised if Group entities plan to realise a profit in their 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 11.
- Financial investments: Classification, recognition, measurement and derecognition, 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 7, while the associated income and expenses, and impairments are shown in note 33.

- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in sections 17.4.24–26. Movements in these provisions are shown in note 24.
- Due to the delayed receipt of reinsurance accounts, estimates are used for recognising technical items. Estimates relate to amounts in reinsurance contracts, which, according to contractual due dates, have already accrued, although the Company has yet to receive reinsurance accounts. These items include: premiums, claims, commissions, unearned premiums, claims provisions and deferred acquisition costs.

The Company Sava Re has recognised an error in its previous periods. As a consequence, it restated comparative amounts from previous periods, i.e. for the year ended 31 December 2018 and restated opening balances as at 1 January 2018, as shown in the statement of financial position in section 16.1.

In section 17.11 of the notes to the financial statements, the Company has additionally disclosed balances as previously reported as at 31 December 2017, the adjustment due to the recognised error, the restated balance as at 1 January 2018, and balances as reported as at 31 December 2018, adjustment due to recognised error, restated as at 31 December 2018.

17.4.5 Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash flow statement has been 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 2019 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities are shown based on actual disbursements. Items relating to changes in net operating assets are shown in net amounts.

17.4.6 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 separately, on a straight-line basis, except for goodwill, which is not amortised. Intangible assets are first amortised upon their availability for use.

Intangible assets include computer software, licences pertaining to computer software (with useful life assumed to be five years). In case of recognition of a specific intangible asset with a longer useful life (customer list), the useful life is defined in a separate valuation report.





17.4.7 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 of an asset or cash-generating unit is the higher of its fair value less costs of disposal and value in use.

A cash-generating unit consists of an individual company. Movement in goodwill is discussed in detail in note 1 of section 17.7.

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 17.7, note 1, sets out the main assumptions for cash flow projections used in the calculation of the value in use.

17.4.8 Property, plant and equipment

Property, plant and equipment assets are initially recognised at cost, including cost directly attributable to the acquisition of the asset. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses.

Property, plant 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, plant and equipment assets to be allocated over their estimated useful lives.

An assessment is made annually to determine whether there is any indication of impairment. If any such indication exists, an estimate of the recoverable amount of the asset is made. The recoverable amount is the higher of the 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. Value in use is assessed in terms of a cash-generating unit, with a company as a whole constituting a cash-generating unit.

Gains and losses on the disposal of items of property, plant and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property, plant and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property, plant and equipment assets that increase future economic benefits are recognised in their carrying amount.

17.4.9 Right-of-use assets

As of 1 January 2019, assets include right-of-use assets at the present value of future lease payments due to the implementation of the new standard IFRS 16 and the recognition of lease liability. Right-of-use assets are amortised through value adjustments in the amount equalling depreciation calculated based on the lease term. Lease liability is increased by interest expense calculated on the lease liability and decreased by lease

payments made. Right-of-use assets and lease liability are recognised in net amount, excluding taxes. Group companies recognise payments for short-term and low-value leases as an expense.

As of 1 January 2019, the Group companies recognise right-of-use assets relating to long-term leases (more than one year) in excess of EUR 5,000 and lease liability. The value of the right-of-use asset comprises the amount of the initial measurement of the lease liability, initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. All lease contracts have been reviewed, examining the right to control the use of an identified asset for a definite period. The lease term is either set in the contract or estimated, if the lease contract is entered into for an indefinite period or has an extension option. The right-of-use assets are calculated as discounted future cash flows of the lease payments over the lease term. Lease liability is also recognised. The applied discount rate consists of the incremental borrowing rate and takes into account the company’s credit rating and lease term, and country risk for Group companies outside Slovenia.

The cost model is applied, where the right-of-use asset is measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liability using a revised discount rate. Upon the initial application of the standard the Group companies used the modified approach.

Depreciation rates of property, plant 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%



17.4.10 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. There must be a commitment to sell the asset and the sale should be completed 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.

17.4.11 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.

Deferred tax assets are established for temporary 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 are recognised for catastrophe equalisation reserves transferred from technical provisions to profit reserves (as at 1 January 2007), which were tax-deductible when set aside (prior to 1 January 2007).

Deferred tax assets and liabilities are established also for the part of value adjustments recorded under fair value reserve. Deferred tax assets and liabilities are also accounted for actuarial gains or losses arising on the calculation of provisions for severance pay upon retirement. This is because actuarial gains and losses, and the related deferred tax assets or liabilities, affect comprehensive income.

A Group company sets off deferred tax assets and liabilities, provided that the criteria have been satisfied. The Group does not set off deferred tax assets and liabilities in its consolidated financial statements.

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 2019, no deferred tax assets of this kind were recognised.

In 2019, deferred tax assets and liabilities were accounted for using tax rates that the management believes will be used to tax the differences. The tax rate applicable for most Group companies (Slovenia) is 19% (2018: 19%), and 9–18% for other companies.

17.4.12 Investment property

Investment property comprises assets not used directly for carrying out business activities but held to earn rent or to realise capital gains at disposal. 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 Group companies act as lessors are cancellable operating leases. Payments and/or rentals received are recognised as income on a straight-line basis over the term of the lease. A cash-generating unit consists of an individual property. An assessment is made annually as to whether there is an indication of impairment of investment property. If any such indication exists, an estimate of the recoverable amount of the asset is made. 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 companies measure the fair value of investment property using fair value models.

17.4.13 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 voting rights and which the Company controls, i.e. has the power to control their financial and operating policies so as to obtain benefits from their 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, capitalisation) as well as internal sources of information (business volume, manner of use of asset, actual versus budgeted performance results, decline in expected cash flows and such like).



If impairment is necessary, an impairment test is carried out for each individual investment by calculating the recoverable amount of the cash-generating unit based on the value in use. Cash flow projections used in these calculations are based on the business plans approved by the respective management for the period until and including 2024, as well as on extrapolations of growth rates for an additional five-year period for insurance and pension companies. The projection for insurance and pension companies exceeds five years as we believe that the markets in which Group insurance and pension companies operate have not matured to the level that would allow us to believe that they will achieve a normal volume of business in the period of five years. The discount rate used is based on market rates adjusted to reflect company-specific risks. The recoverable amount of each cash-generating unit so calculated was compared to its carrying amount.

Key assumptions used in cash flow projections with calculations of the value in use

Discounted cash flow projections are based on the Group companies’ five-year business projections (strategic business plans for individual companies for the period 2020–2024) with a further five-year extrapolation for insurance and pension companies. A ten-year projection for insurance and pension business allows us to estimate a normalised cash flow based on which we can estimate the residual value in perpetuity.

Growth in premiums earned by insurance companies reflects the growth expected in their insurance markets, as well as the characteristics of their portfolios (a small proportion 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 rise, 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 expected business process optimisation in subsidiaries. Business process optimisation will thus contribute to the growth in net profits.

Growth in pension companies’ revenues is due to increased contributions to pension funds as a result of demographic trends, at relatively fixed operating costs. This leads to higher profitability and requires an extension of the period in which we can determine a normalised cash flow based on which we can estimate the residual value in perpetuity.

The discount rate is determined as the cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the risk-free interest rate and equity premium, as well as prospects for the relevant business. Added are the country risk premium and a size premium.

The discount factors used in 2019 ranged from 8.3% to 10.9%.

The residual value after the projection period was calculated based on a long-term growth rate ranging from 0.3% to 2.0%. For Slovenia-based companies this growth rate is based on the average risk-free rate of return totalling 0.3%; for other markets it totals 2.0% and is based on long-run inflation expectations.

The recoverable amount of Zavarovalnica Sava was not revalued, as it had been determined in previous years that as a result of highly profitable business operations the value in use materially exceeds the carrying amount. In 2019, the company further improved the profitability of its business operations and plans to continue this trend in the future.

Assessments as to whether there is any indication of impairment of investments in subsidiaries are made using the same model as for goodwill. For more information on the assumptions, see section 17.4.7 of the financial statements with notes.

17.4.14 Financial investments and assets held for the benefit of policyholders who bear the investment risk

17.4.14.1 Classification

Financial assets are classified 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 designated as at fair value through profit or loss comprise subordinated financial assets, primarily because they provide the issuer with the option of early redemption, and assets held 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 maturities that the Group companies have the intention and ability to hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets are assets that are intended to be held for an indefinite period and are not classified as financial assets at fair value through profit or loss or as 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.

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

All financial instruments are measured at fair value, except for deposits, shares not quoted in any regulated market that constitute the non-material portion of the investment portfolio, loans (assuming that their 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 29. 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. Valuation techniques are used 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.

On the valuation date, the fair value of a financial investment is established by determining the price in 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 financial statements are measured and presented in accordance with the IFRS 13 fair-value hierarchy that categorises the inputs of valuation techniques used to measure fair value into three levels.

Assets and liabilities are classified in accordance with IFRS 13 based primarily 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 used to measure fair value into the following three levels of the fair value hierarchy:

- Level 1: financial investments for which 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 whose fair value is determined using data that are directly or indirectly observable, other than the quoted prices included within Level 1.
- Level 3: financial investments for which observable market data is not available. Fair value is thus determined based on valuation techniques using inputs that are not directly or indirectly observable in the market.

The policy of determining when transfers between levels of the fair value hierarchy are deemed to have occurred is disclosed and fully complied with. Policy on the timing of recognising transfers is the same for transfers into the levels as that for transfers out of the levels. 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) the end of the reporting period.

17.4.14.4 Impairment losses on investments

A financial asset other than at fair value through profit or loss is impaired and an impairment loss incurred only if there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and if such events have an impact on future cash flows that can be reliably estimated. An assessment is made quarterly as to whether there is any objective evidence that a financial asset is impaired (when preparing interim and annual reports).

17.4.14.4.1 Debt securities

Investments in debt securities (other than investments in debt securities at fair value through profit or loss) are impaired when any of the following conditions are met:

- the issuer fails to make a coupon or principal payment, and/or it is likely that such liabilities will not be settled in full in accordance with the assessment of circumstances on the reporting date;
- 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 profit or loss in the amount of the difference between the discounted value of expected cash flows from a debt security and carrying amount of the debt security (if the carrying amount exceeds the discounted value of expected future cash flows).

If the second condition above is met, an impairment loss is recognised in profit or loss as 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 a credit rating or other financial institution.

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

Equity investments (other than equity investments at fair value through profit or loss) are impaired when any of the following conditions are met:

- 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 a financial instrument.

17.4.15 Reinsurers' share of technical provisions

The amount of the reinsurers' share of technical provisions represents the proportion of gross technical provisions and unearned premiums for transactions that the Group cedes to reinsurers and co-insurers outside the Sava Insurance Group. The amount is determined at the close of each accounting period in accordance with the provisions of co-insurance and reinsurance (retrocession) contracts and in line with movements in the portfolio, based on gross technical provisions for the business that is the subject of these contracts.

Assets are tested for impairment on the reporting date. Assets ceded to individual partners are tested individually. For an estimation of retrocession risks, see section 17.6.2.1.4 "Risk of inadequate retention and reinsurance programme".

17.4.16 Investment contract assets and liabilities

Investment contract assets and liabilities only include the investment contract assets and liabilities of the company Sava Pokojninska. Investment contract assets comprise the assets supporting the liability funds “Mojí Skladi Življenjskega Cikla” for the transaction of voluntary supplementary pension business that are measured in accordance with IFRS 9. On initial recognition, investment contract assets are classified as either assets at fair value through profit or loss or as held-to-maturity assets. The amounts are adjusted for the purpose of consolidation in line with the financial investment policies set out in section 17.4.14. Classification and valuation of assets is presented in detail in note 8. 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. Sava Pokojninska is required to establish mathematical provisions to cover these liabilities. Mathematical provisions comprise liabilities for assets on policyholders’ personal accounts (net contributions and return) and additional liabilities to cover the difference between the actual and guaranteed rate of return. Investment contract liabilities are presented in note 10.

Sava Pokojninska initially recognises investment property assets under investment contract assets using the cost model, plus any transaction costs. Subsequent measure-

ments are made using the fair value model, as prescribed by legislation. Appraisals are carried out at least once every three years by certified real estate appraisers licensed by the Slovenian Institute of Auditors.

17.4.17 Receivables

Receivables consist mainly of 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 has been verified and the debtor is contactable. Recognition of principal amounts to which recourse receivables relate decreases claims paid. Group companies recognise impairment losses on recourse receivables based on past experience. Recourse receivables are tested for impairment on a case-by-case basis.

The Group companies have pledged no receivables as security.

17.4.17.2 Impairment of receivables

Receivables are classified into groups with similar credit risk in order to be assessed in terms of recoverability or impairment. All material items of receivables are subject to this assessment. An allowance is created for receivables expected not to be collectible in full or in part. Such receivables are recognised as doubtful. In case of litigation, such receivables are recognised as disputable; allowances are established for such receivables and charged against operating expenses from revaluation.

In addition to age, the method of 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 at least annually.

17.4.18 Deferred acquisition costs

Acquisition costs that are deferred include that part of operating expenses directly associated with policy underwriting.

Deferred acquisition costs consist primarily of deferred commissions. These are invoiced 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 consist of capitalised short-term accruals and deferrals, namely short-term deferred costs.

17.4.20 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 and 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 euros;
- 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 own shares, catastrophe equalisation reserves and other profit reserves;
- own shares;
- fair value reserve;
- retained earnings;
- net profit or loss for the year;
- translation reserve;
- non-controlling interest.

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 capital reserves as approved by appointed actuaries. These are tied-up reserves and their distribution cannot be decided in the general meeting.

Pursuant to the Companies Act, the Company's management board has the power to allocate up to half of the net profit to other reserves.

17.4.22 Subordinated liabilities

Subordinated liabilities represent a long-term liability of the Group in the form of a subordinated bond to be used for general corporate purposes of the Sava Insurance Group and for the optimisation of its capital structure.

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 occurrence 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 a risk that is identical to 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.

17.4.24 Technical provisions

In the statement of financial position technical provisions are shown in gross amounts under liabilities. The share of technical provisions for the business ceded 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 accepted reinsurance business at 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 of at least 1.25%. Other parameters are the same as those used in the premium calculation. Any 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 upon the 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 commissions. Deferred policy acquisition expenses are shown under assets, in the event of commission prepayments, or show 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 both for reported claims, which are calculated based on case estimates, and claims incurred but not reported (IBNR), which are calculated using actuarial methods. Future liabilities are generally not discounted, with the exception of the 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 the 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 proportion of business written outside the 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 by accounting 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 include the provision for unexpired risks derived from a liability adequacy test for 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 is based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio 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)

Adequacy testing of provisions set aside based on insurance contracts is conducted 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 as 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 the 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 are 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 and/or product level. If the test is performed at the policy level, the results are shown at the product-level, with products grouped by class of business. A company evaluates the test results separately for traditional insurance other than annuities, investment insurance and annuity insurance. The adequacy of liabilities is checked separately for each group of insurance products. In determining any additional liabilities to be established the liability inadequacies of individual groups are not offset against surpluses arising on other groups. 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 is 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 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 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 takes into account expected future discretionary bonuses. Expected future discretionary bonuses are aligned with the bonus methodology. The share of discretionary bonuses complies with internal rules and is treated as a discounted liability.

For most life policies estimates are made of 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.

EUR	31 Dec 2019		31 Dec 2018	
	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	177,458,475	148,750,093	227,268,071	155,847,565
Investment return + 100bp	168,932,981	147,357,191	218,648,999	153,077,968
Investment return - 100bp	189,126,794	151,373,679	239,077,418	159,519,833
Mortality + 10%	180,664,530	149,947,210	229,951,670	157,473,881
Operating expenses on policy + 10%	182,152,541	152,598,542	231,349,661	159,825,579

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 is prepared for the change in variables, with all other assumptions remaining unchanged, and ignores changes in the values of related assets. Sensitivity was calculated for an unfavourable direction of movement. The income statement and insurance liabilities (as shown 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 for severance pay upon retirement 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 benefits 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 termination of employment relationship. 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 that in the capital adequacy calculation under Solvency II.

17.4.28 Other financial liabilities

Other financial liabilities mainly include dividend payment obligations relating to previous years.

17.4.29 Liabilities from operating activities, lease liabilities and other liabilities

Liabilities are initially recognised at amounts recorded in the relevant documents. Subsequently, they are increased or decreased in line with documents, and reduced through payments. Liabilities consist in: 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.

Since 1 January 2019 Group companies have been reporting lease liabilities as a separate item. Lease liability is initially recognised at the present value of lease payments that have not been paid on the date of recognition. The applied discount rate consists of the incremental borrowing rate and takes into account the company’s credit rating and lease term, and country risk for the Group. Lease liability is measured at the commencement date by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. If the lease changes after the initial measurement, the carrying amount is remeasured to reflect any modifications or reassessments using a revised discount rate.

Other liabilities include amounts due to employees, amounts due to clients, deferred reinsurance commissions and accrued expenses.

17.4.30 Net premiums earned

Group companies use the accrual basis method of accounting for insurance premiums earned. 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. Premiums earned 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 contractual 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. 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 contractual due dates, have already accrued, although corresponding reinsurance accounts have not been received. 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

Investment income and expenses are recorded separately by source of funds, i.e. in 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;
- net exchange gains;
- income from changes in fair value and gains on disposal of investments designated at fair value through profit or loss;
- gains on disposal of investments of other investment categories, and
- other income.

Investment expenses include:

- interest expense;
- net 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.



These income and expenses are disclosed depending on whether the underlying investments are classified as 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 the sale price in the case of investments available for sale.

17.4.33 Operating expenses

Operating expenses include:

- acquisition costs in the period;
- change in deferred policy acquisition expenses;
- 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 its committees; and payments under contracts for services;
- d. other operating expenses relating to services and materials.

17.4.34 Other technical income and expenses, and other expenses

Other technical income of the Group comprises income from commissions (reinsurance commissions 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. These include other technical income such as income on the realisation of impaired receivables, revenues from other insurance business, exchange gains and revenues from other services.

Other technical expenses of the Group comprise expenses for loss prevention activities and fire brigade charge, contribution for covering claims of uninsured and unidentified vehicles and vessels, regulator fees and exchange losses, operating expenses from revaluation and other expenses.

Other expenses consist of allowance for other receivables, direct operating expenses arising from investment property, expenses arising from impairment of intangible fixed assets and other extraordinary expenses.

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 effective on 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. The tax rate applicable for most Group companies (Slovenia) is 19% (2018: 19%), and 9–18% for other companies.

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 were formed based on similar services provided by companies (features of insurance products, market networks and the environment in which companies operate).

Business is broken down by operating segment: reinsurance, non-life, life, pensions and the “other” segment. Performance of these segments is monitored based on different indicators, with net profit calculated in accordance with IFRSs a common performance indicator for all segments. The management board monitors performance by segment to the level of underwriting results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions on a quarterly basis.

Asset items by operating segment as at 31 December 2019

Sava Insurance Group

31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
ASSETS	298,625,514	603,147,268	154,705,530	757,852,797	490,007,934	45,893,861	535,901,795	190,884,814	102,688,084	1,885,953,003
Intangible assets	891,724	7,354,868	8,654,223	16,009,091	5,896,408	29,086	5,925,494	13,099,839	25,133,921	61,060,069
Property, plant and equipment	2,507,609	26,714,599	13,909,984	40,624,583	1,889,359	2,007,331	3,896,690	119,278	467,550	47,615,710
Right-of-use assets	30,853	4,463,261	5,350,660	9,813,921	0	21,532	21,532	105,436	2,510	9,974,252
Deferred tax assets	1,141,099	639,920	0	639,920	244,178	1,030	245,208	387	17,510	2,044,124
Investment property	8,142,714	3,300,880	4,790,362	8,091,242	38,266	0	38,266	0	422,910	16,695,132
Financial investments in associates	0	0	0	0	0	0	0	0	581,103	581,104
Financial investments:	174,162,291	448,185,266	92,607,855	540,793,120	245,743,594	38,199,758	283,943,353	25,191,766	40,783,709	1,064,874,239
- loans and deposits	5,779,224	2,881,423	13,681,894	16,563,317	4,010,208	2,556,408	6,566,616	4,453,975	20,000,508	53,363,639
- held to maturity	1,426,459	17,190,551	3,506,122	20,696,673	11,113,743	4,025,478	15,139,221	4,324,291	0	41,586,644
- available for sale	162,350,533	421,046,903	72,948,012	493,994,915	225,821,861	30,696,014	256,517,876	11,782,721	19,017,533	943,663,578
- at fair value through profit or loss	4,606,075	7,066,389	2,471,827	9,538,216	4,797,782	921,858	5,719,640	4,630,779	1,765,668	26,260,378
Assets held for the benefit of policyholders who bear the investment risk	0	0	0	0	212,284,264	875,625	213,159,889	0	0	213,159,889
Reinsurers' share of technical provisions	8,683,681	24,178,390	5,628,400	29,806,790	107,813	22,255	130,068	0	0	38,620,539
Investment contract assets	0	0	0	0	0	0	0	151,197,102	0	151,197,102
Receivables	75,742,820	67,105,872	13,290,126	80,395,998	806,629	677,652	1,484,281	55,819	1,734,999	159,413,917
Receivables arising out of primary insurance business	68,309,854	61,956,001	8,311,675	70,267,676	765,470	599,472	1,364,942	11,884	0	139,954,356
Receivables arising out of co-insurance and reinsurance business	4,214,830	2,083,275	430,592	2,513,867	0	5,867	5,867	0	0	6,734,564
Current tax assets	2,802,044	0	159,219	159,219	0	0	0	41,244	0	3,002,507
Other receivables	416,092	3,066,596	4,388,640	7,455,236	41,159	72,313	113,472	2,691	1,734,999	9,722,490
Deferred acquisition costs	4,950,425	13,092,210	4,979,149	18,071,359	439,559	39,178	478,737	0	0	23,500,521
Other assets	441,253	1,216,743	707,741	1,924,484	0	29,051	29,051	260,699	186,029	2,841,516
Cash and cash equivalents	21,931,044	6,870,808	4,240,623	11,111,431	22,557,864	3,991,362	26,549,226	854,488	33,357,842	93,804,031
Non-current assets held for sale	0	24,451	546,407	570,858	0	0	0	0	0	570,858



Asset items by operating segment as at 31 December 2019

Sava Insurance Group

31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
EQUITY AND LIABILITIES	367.798.941	552.898.522	150.448.073	703.346.595	472.078.939	44.714.957	516.793.896	191.096.763	106.916.803	1.885.953.003
Equity	155,445,408	74,314,493	35,589,466	109,903,959	44,949,546	14,459,766	59,409,312	30,489,571	29,528,592	384,776,847
Equity attributable to owners of the controlling company	155,445,408	74,314,493	35,224,038	109,538,531	44,949,546	14,459,766	59,409,312	30,489,571	29,390,724	384,273,551
Non-controlling interests in equity	0	0	365,428	365,428	0	0	0	0	137,868	503,296
Subordinated liabilities	0	0	0	0	0	0	0	0	74,822,710	74,822,710
Technical provisions	170,080,102	436,211,501	98,321,928	534,533,429	193,127,114	27,613,972	220,741,086	8,598,092	0	933,952,709
Unearned premiums	25,100,729	143,184,999	38,631,915	181,816,914	689,607	288,147	977,754	0	0	207,895,397
Mathematical provisions	0	0	0	0	176,803,531	26,475,532	203,279,063	8,598,040	0	211,877,103
Provision for outstanding claims	143,563,417	285,671,540	57,194,999	342,866,539	15,633,976	850,293	16,484,269	52	0	502,914,277
Other technical provisions	1,415,956	7,354,962	2,495,014	9,849,976	0	0	0	0	0	11,265,932
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	219,142,364	1,471,334	220,613,698	0	0	220,613,698
Other provisions	466,901	5,384,572	1,334,068	6,718,640	1,137,841	6,617	1,144,458	150,441	225,029	8,705,469
Deferred tax liabilities	76,227	2,433,270	204,397	2,637,667	2,471,341	119,701	2,591,042	-10,272	0	5,294,664
Investment contract liabilities	0	0	0	0	0	0	0	151,040,643	0	151,040,643
Other financial liabilities	87,505	0	267,374	267,374	0	1,029	1,029	0	0	355,908
Liabilities from operating activities	37,944,541	9,912,042	3,569,373	13,481,415	9,204,616	319,943	9,524,559	0	340,034	61,290,549
Liabilities from primary insurance business	31,231,876	7,524,823	2,488,649	10,013,472	8,830,988	280,662	9,111,650	0	0	50,356,998
Liabilities from reinsurance and co-insurance business	6,712,665	1,764,935	788,214	2,553,149	12,353	22,270	34,623	0	0	9,300,437
Current income tax liabilities	0	622,284	292,510	914,794	361,275	17,011	378,286	0	340,034	1,633,114
Lease liability	30,942	4,535,643	5,676,898	10,212,541	0	21,894	21,894	150,899	32,639	10,448,915
Other liabilities	3,667,315	20,107,001	5,484,569	25,591,570	2,046,117	700,701	2,746,818	677,389	1,967,799	34,650,891



Asset items by operating segment as at 31 December 2018

Sava Insurance Group

31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
ASSETS	274,913,683	565,031,397	129,912,092	694,943,489	526,967,567	29,122,751	556,090,318	173,344,750	6,731,250	1,706,023,490
Intangible assets	892,724	5,371,378	8,657,541	14,028,919	5,993,196	29,781	6,022,977	13,388,822	2,787,676	37,121,118
Property, plant and equipment	2,654,540	22,010,348	12,073,614	34,083,962	1,985,583	2,143,756	4,129,339	101,027	1,924,564	42,893,432
Deferred tax assets	1,943,597	9,888	72,546	82,434	0	441	441	0	0	2,026,472
Investment property	9,394,533	6,411,948	4,796,930	11,208,878	39,608	0	39,608	0	0	20,643,019
Financial investments in associates	0	0	0	0	0	0	0	0	462,974	462,974
Financial investments:	162,310,851	425,673,545	80,589,909	506,263,454	291,963,448	24,732,979	316,696,427	22,826,738	0	1,008,097,470
- loans and deposits	5,085,869	2,825,837	18,505,069	21,330,906	6,846	1,679,795	1,686,641	5,438,931	0	33,542,347
- held to maturity	1,393,386	35,320,569	3,496,063	38,816,632	30,578,107	2,083,460	32,661,566	4,250,452	0	77,122,037
- available for sale	153,175,040	382,444,839	58,516,033	440,960,871	261,374,919	20,675,814	282,050,733	8,830,765	0	885,017,410
- at fair value through profit or loss	2,656,556	5,082,301	72,744	5,155,045	3,576	293,909	297,485	4,306,590	0	12,415,676
Assets held for the benefit of policyholders who bear the investment risk	0	0	0	0	204,770,733	47,771	204,818,504	0	0	204,818,504
Reinsurers' share of technical provisions	9,019,966	14,221,663	3,899,277	18,120,940	144,924	6,920	151,844	0	0	27,292,750
Investment contract assets	0	0	0	0	0	0	0	135,586,965	0	135,586,965
Receivables	72,109,652	54,259,509	11,686,954	65,946,463	837,085	652,454	1,489,539	13,709	990,648	140,550,011
Receivables arising out of primary insurance business	66,964,340	50,911,801	7,319,653	58,231,454	745,978	580,804	1,326,782	11,185	0	126,533,761
Receivables arising out of co-insurance and reinsurance business	4,842,279	577,109	411,881	988,990	0	4,529	4,529	0	0	5,835,798
Current tax assets	14,488	33,806	121,433	155,239	0	0	0	0	0	169,727
Other receivables	288,545	2,736,793	3,833,987	6,570,780	91,107	67,121	158,228	2,524	990,648	8,010,725
Deferred acquisition costs	5,543,138	10,021,798	3,739,550	13,761,348	431,932	22,816	454,748	0	0	19,759,234
Other assets	380,021	920,495	387,060	1,307,555	900	22,223	23,123	287,849	65,672	2,064,220
Cash and cash equivalents	10,664,660	26,080,935	4,008,712	30,089,647	20,800,158	1,463,610	22,263,768	1,139,640	499,716	64,657,431
Non-current assets held for sale	0	49,890	0	49,890	0	0	0	0	0	49,890



Equity and liabilities items by operating segment as at 31 December 2018

Sava Insurance Group

31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
EQUITY AND LIABILITIES	349,349,335	515,219,989	123,366,687	638,586,678	508,045,117	30,376,834	538,421,953	174,699,787	4,965,740	1,706,023,490
Equity	153,206,458	64,183,650	38,020,976	102,204,626	39,847,893	11,281,453	51,129,346	30,251,271	3,383,755	340,175,455
Equity attributable to owners of the controlling company	153,206,458	64,183,650	37,669,571	101,853,221	39,847,893	11,281,453	51,129,346	30,251,271	3,185,543	339,625,838
Non-controlling interests in equity	0	0	351,405	351,405	0	0	0	0	198,212	549,617
Technical provisions	156,779,256	416,360,199	75,985,712	492,345,911	245,113,488	18,107,217	263,220,705	8,145,615	0	920,491,487
Unearned premiums	25,023,103	127,408,821	30,627,563	158,036,384	742,616	299,732	1,042,348	0	0	184,101,835
Mathematical provisions	0	0	0	0	229,055,266	17,648,485	246,703,751	8,145,615	0	254,849,366
Provision for outstanding claims	131,117,879	279,281,319	44,183,757	323,465,076	15,315,606	159,000	15,474,606	0	0	470,057,561
Other technical provisions	638,274	9,670,059	1,174,392	10,844,451	0	0	0	0	0	11,482,725
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	209,984,866	47,771	210,032,637	0	0	210,032,637
Other provisions	376,521	5,348,757	738,365	6,087,122	1,081,458	2,695	1,084,153	140,451	42,000	7,730,247
Deferred tax liabilities	121,570	1,589,895	234,300	1,824,195	1,594,732	38,398	1,633,130	26,567	0	3,605,462
Investment contract liabilities	0	0	0	0	0	0	0	135,441,508	0	135,441,508
Other financial liabilities	87,506	-1	155,154	155,153	0	436	436	0	0	243,095
Liabilities from operating activities	35,618,804	6,439,968	3,934,306	10,374,274	8,256,894	268,718	8,525,612	34,160	183,751	54,736,601
Liabilities from primary insurance business	30,472,253	4,465,905	1,037,780	5,503,685	8,102,962	199,614	8,302,576	0	0	44,278,514
Liabilities from reinsurance and co-insurance business	3,149,394	594,814	2,417,287	3,012,101	1,790	12,747	14,537	0	0	6,176,032
Current income tax liabilities	1,997,157	1,379,249	479,239	1,858,488	152,142	56,357	208,499	34,160	183,751	4,282,055
Other liabilities	3,159,218	21,297,522	4,297,875	25,595,397	2,165,788	630,146	2,795,934	660,215	1,356,234	33,566,998



Income statement items by operating segment 2019

Sava Insurance Group

EUR 1-12/2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
Net premiums earned	85,611,888	299,057,193	73,657,520	372,714,714	78,305,216	9,081,834	87,387,050	2,326,383	0	548,040,035
Gross premiums written	90,250,935	336,307,949	81,972,010	418,279,959	78,568,081	9,100,799	87,668,880	2,326,383	0	598,526,157
Written premiums ceded to reinsurers and co-insurers	-4,879,330	-25,788,017	-5,117,036	-30,905,052	-330,184	-32,041	-362,225	0	0	-36,146,607
Change in gross unearned premiums	-77,625	-15,822,708	-3,437,069	-19,259,777	59,421	11,399	70,820	0	0	-19,266,582
Change in unearned premiums, reinsurers' and co-insurers' shares	317,908	4,359,969	239,615	4,599,584	7,898	1,677	9,575	0	0	4,927,067
Income from investments in subsidiary and associate companies	0	0	0	0	0	0	0	0	2,717,909	2,717,909
Other income	0	0	0	0	0	0	0	0	2,717,909	2,717,909
Investment income	5,251,100	5,711,461	2,387,656	8,099,117	4,815,322	1,108,758	5,924,080	983,078	16,602	20,273,977
Interest income	2,326,689	3,846,723	2,256,666	6,103,389	4,059,158	1,016,135	5,075,293	511,053	0	14,016,424
Other investment income	2,924,411	1,864,738	130,990	1,995,728	756,164	92,623	848,786	472,025	16,602	6,257,553
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	23,146,123	132,461	23,278,584	0	0	23,278,584
Other technical income	766,079	7,885,582	3,088,736	10,974,318	906,830	16,028	922,858	56,918	16,279	12,736,452
Commission income	565,492	2,972,638	674,212	3,646,850	72,388	7,216	79,604	0	0	4,291,946
Other technical income	200,587	4,912,944	2,414,524	7,327,468	834,442	8,812	843,254	56,918	16,279	8,444,506
Other income	804,539	2,756,979	6,675,015	9,431,994	1,394,544	2,595,556	3,990,100	5,307,843	8,159,100	27,693,576
Net claims incurred	-64,948,955	-174,757,144	-45,047,372	-219,804,516	-110,015,614	-3,713,251	-113,728,866	-709,123	0	-399,191,460
Gross claims paid, net of income from recourse receivables	-54,209,096	-179,339,140	-41,190,169	-220,529,309	-113,119,029	-3,465,730	-116,584,759	-709,071	0	-392,032,235
Reinsurers' and co-insurers' shares	2,359,869	5,328,928	2,803,682	8,132,610	53,867	13,021	66,888	0	0	10,559,367
Change in the gross provision for outstanding claims	-12,445,536	-6,413,177	-7,836,202	-14,249,379	3,094,555	-269,230	2,825,325	-52	0	-23,869,642
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-654,192	5,666,245	1,175,317	6,841,562	-45,008	8,688	-36,320	0	0	6,151,050
Change in other technical provisions	-777,682	1,991,996	-943,332	1,048,664	50,902,634	-2,808,311	48,094,323	-1,858,422	0	46,506,883
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-13,404,592	579,410	-12,825,182	0	0	-12,825,182
Expenses for bonuses and rebates	0	323,099	-95,182	227,917	0	0	0	0	0	227,917
Operating expenses	-24,728,030	-90,779,742	-36,689,837	-127,469,579	-21,282,726	-4,015,580	-25,298,306	-3,590,660	-5,868,658	-186,955,234
Acquisition costs	-19,969,317	-32,082,364	-7,139,417	-39,221,781	-5,966,821	-599,556	-6,566,377	-36,202	0	-65,793,677
Change in deferred acquisition costs	-329,954	2,821,649	460,179	3,281,828	-59,564	16,104	-43,460	0	0	2,908,414
Other operating expenses	-4,428,759	-61,519,027	-30,010,599	-91,529,626	-15,256,341	-3,432,128	-18,688,469	-3,554,458	-5,868,658	-124,069,971
Expenses relating to investments in related parties	-54,721	0	0	0	0	0	0	0	0	-54,721
Loss arising out of investments in equity-accounted associate companies	-54,721	0	0	0	0	0	0	0	0	-54,721
Expenses for financial assets and liabilities	-272,842	-460,464	-182,077	-642,541	-163,474	-43,743	-207,217	-79,450	-505,614	-1,707,664
Interest expense	0	-44,889	-125,491	-170,380	0	-767	-767	-5,256	-505,614	-682,017
Other investment expenses	-272,841	-415,575	-56,586	-472,161	-163,474	-42,976	-206,450	-74,194	0	-1,025,647
Other technical expenses	-251,560	-8,435,103	-5,195,735	-13,630,838	-636,756	-297,639	-934,395	-613,717	-5,241	-15,435,751
Other expenses	-414,533	-1,131,951	-342,556	-1,474,507	-2,632	-7,096	-9,728	-67,323	-2,595,214	-4,561,305
Profit or loss before tax	985,283	42,161,907	-2,687,164	39,474,744	13,964,872	2,628,427	16,593,299	1,755,527	1,935,164	60,744,016
Income tax expense										-10,549,428
Net profit or loss for the period										50,194,588
Net profit or loss attributable to owners of the controlling company										49,977,170
Net profit or loss attributable to non-controlling interests										217,418



Income statement items by operating segment 2018

Sava Insurance Group

EUR 1–12/2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
Net premiums earned	88,342,760	266,087,185	61,540,814	327,627,998	78,235,117	8,244,783	86,479,900	2,219,043	0	504,669,701
Gross premiums written	89,317,441	299,788,809	68,122,098	367,910,907	78,512,481	8,339,667	86,852,148	2,219,043	0	546,299,539
Written premiums ceded to reinsurers and co-insurers	-3,773,119	-18,373,447	-4,437,049	-22,810,497	-338,523	-20,714	-359,237	0	0	-26,942,852
Change in gross unearned premiums	2,761,879	-11,969,069	-2,200,503	-14,169,572	62,048	-70,050	-8,002	0	0	-11,415,695
Change in unearned premiums, reinsurers' and co-insurers' shares	36,559	-3,359,108	56,268	-3,302,840	-889	-4,120	-5,009	0	0	-3,271,291
Investment income	3,201,740	6,643,714	2,468,919	9,112,633	6,662,342	789,591	7,451,933	619,312	0	20,385,617
Interest income	2,361,871	4,747,360	2,253,758	7,001,118	5,864,014	779,269	6,643,283	452,914	0	16,459,186
Other investment income	839,869	1,896,354	215,161	2,111,514	798,328	10,322	808,650	166,398	0	3,926,431
Other technical income	1,118,194	9,236,839	2,434,622	11,671,461	1,348,282	64,195	1,412,477	1,556,380	0	15,758,511
Commission income	365,777	2,565,704	645,584	3,211,288	52,942	4,676	57,618	0	0	3,634,682
Other technical income	752,417	6,671,135	1,789,038	8,460,173	1,295,340	59,519	1,354,859	1,556,380	0	12,123,829
Other income	694,824	2,522,851	1,977,700	4,500,551	585,618	25,971	611,589	2,723,251	6,019,461	14,549,676
Net claims incurred	-53,742,449	-150,490,839	-30,088,710	-180,579,550	-83,103,556	-2,632,260	-85,735,816	-702,771	0	-320,760,586
Gross claims paid, net of income from recourse receivables	-51,397,784	-172,411,609	-31,334,317	-203,745,926	-83,983,307	-2,726,730	-86,710,037	-702,771	0	-342,556,518
Reinsurers' and co-insurers' shares	1,707,583	8,994,203	1,672,411	10,666,613	79,246	6,676	85,922	0	0	12,460,118
Change in the gross provision for outstanding claims	-3,290,709	11,811,941	449,760	12,261,701	853,363	89,162	942,525	0	0	9,913,517
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-761,539	1,114,626	-876,563	238,062	-52,859	-1,368	-54,227	0	0	-577,703
Change in other technical provisions	-268,920	-2,546,120	198,753	-2,347,367	19,780,293	-2,366,525	17,413,768	-1,589,897	0	13,207,584
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	15,954,842	7,838	15,962,680	0	0	15,962,680
Expenses for bonuses and rebates	0	342,226	-53,598	288,628	0	0	0	0	0	288,628
Operating expenses	-26,224,095	-88,455,182	-31,335,180	-119,790,362	-20,313,800	-3,834,483	-24,148,283	-2,674,108	-5,294,588	-178,131,437
Acquisition costs	-21,237,494	-25,393,684	-4,838,962	-30,232,646	-6,254,532	-628,434	-6,882,966	-19,403	0	-58,372,509
Change in deferred acquisition costs	-652,725	1,235,211	535,818	1,771,029	459,339	20,893	480,232	0	0	1,598,536
Other operating expenses	-4,333,876	-64,296,709	-27,032,036	-91,328,745	-14,518,607	-3,226,942	-17,745,549	-2,654,705	-5,294,588	-121,357,464
Expenses relating to investments in related parties	0	0	-94,906	-94,906	0	0	0	0	-56,224	-151,130
Loss arising out of investments in equity-accounted associate companies	0	0	0	0	0	0	0	0	-56,224	-56,224
Impairment loss on goodwill	0	0	-94,906	-94,906	0	0	0	0	0	-94,906
Expenses for financial assets and liabilities	-2,270,994	-372,972	-28,626	-401,598	-55,252	-150,549	-205,802	-302,925	-6,588	-3,187,907
Impairment losses on financial assets not at fair value through profit or loss	-1,943,974	0	0	0	0	0	0	-1	0	-1,943,975
Interest expense	0	0	-21,856	-21,856	0	0	0	-1	-6,588	-28,445
Other investment expenses	-327,020	-372,972	-6,770	-379,742	-55,252	-150,549	-205,802	-302,923	0	-1,215,487
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-6,630,182	-739	-6,630,921	0	0	-6,630,921
Other technical expenses	-306,470	-12,842,846	-4,000,944	-16,843,790	-139,787	-93,869	-233,656	-437,350	-4,717	-17,825,983
Other expenses	-727,366	-1,649,310	-473,934	-2,123,244	-13,147	-8,772	-21,919	-522	-810	-2,873,861
Profit or loss before tax	9,817,222	28,475,546	2,544,909	31,020,454	12,310,768	45,180	12,355,948	1,410,413	656,534	55,260,572
Income tax expense										-12,248,723
Net profit or loss for the period										43,011,849
Net profit or loss attributable to owners of the controlling company										42,790,617
Net profit or loss attributable to non-controlling interests										221,232



Inter-segment business – inter-segment consolidation eliminations

EUR	Reinsurance business		Non-life business		Life business		Pension business		Other	
	1-12/2019	1-12/2018	1-12/2019	1-12/2018	1-12/2019	1-12/2018	1-12/2019	1-12/2018	1-12/2019	1-12/2018
Gross premiums written	166,528,930	151,636,216	418,450,533	368,059,036	88,392,954	86,853,882	2,326,383	2,219,043	0	0
Net premiums written	90,250,935	89,317,441	418,279,959	367,910,907	88,392,954	86,852,148	2,326,383	2,219,043	0	0
Net claims incurred	-32,774,625	-31,289,893	-7,170,781	-3,553,752	0	0	0	0	0	0
Operating expenses	-16,859,937	-13,074,621	-1,634,566	-1,444,069	-899,828	-914,597	-70,505	-47,812	-513,951	-161,666
Investment income	77,584	71,727	2,533	124	0	0	3,462	0	0	0

Cost of intangible and property and equipment assets by operating segment

EUR	Reinsurance business		Non-life insurance business		Life insurance business		Pension business		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investments in intangible assets	693,863	334,072	2,492,550	1,421,825	8,283	345,710	37,571	82,396	1,409	0	3,233,676	2,184,003
Investments in property and equipment	153,835	396,598	7,446,668	1,981,927	152,304	25,900	49,221	35,159	50,822	370,235	7,852,849	2,809,819

The Group’s insurance operations are focused on Slovenia and the Adriatic region (Serbia, Croatia, Montenegro, North Macedonia and Kosovo), while its reinsurance operations take place in global reinsurance markets.



17.5 Standards and interpretations issued but not yet effective, and new standards and interpretations

The accounting policies adopted by the Group companies in preparing their financial statements are consistent with those of the previous financial year, except for the following new or amended IFRSs adopted for annual periods beginning on or after 1 January 2019.

The listed new standards, amendments to and interpretations of standards are not mandatory for annual periods beginning on 1 January 2019 or later, and have not been used in the preparation of these consolidated financial statements. The Group companies intend to apply these provisions when they enter into force.

Standards, Interpretations and amendments to published Standards as adopted by the EU

IFRS 16 Leases

On 1 January 2019, the Group companies implemented the new IFRS 16 “Leases” – discussed in section 17.4.9 “Right-of-use assets” and section 17.4.29 “Liabilities from operating activities, lease liabilities and other liabilities” – which had an impact on the financial statements.

New standards, interpretations and amendments to the published standards as adopted by the EU that have not yet been applied by the Group companies

IFRS 9 “Financial Instruments”

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. The Group companies (insurance and reinsurance companies) have taken advantage of the option to postpone application due to the application of IFRS 17 “Insurance Contracts”.

Due to the adoption of the new standard on insurance contracts, IFRS 17, insurance companies may defer the application of IFRS 9 until 1 January 2022. Late application is conditional upon the carrying amount of liabilities arising out of insurance business exceeding 90% of the total carrying amount of liabilities. The Group companies first tested the satisfaction of this condition on 31 December 2015. The calculation is shown in the table below. There have been no changes that would have a significant effect on the satisfaction of the condition since 31 December 2015. The Group’s insurance companies are subject to disclosures in IFRS 9, as presented below.

Sava Insurance Group

EUR	31 Dec 2015	As % of total liabilities
Technical provisions and liabilities from operating activities	937,776,777	79.1%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	207,590,086	17.5%
Liabilities under insurance contracts subject to IFRS 4	1,145,366,863	96.6%
Other liabilities	40,674,000	3.4%
Total liabilities*	1,186,040,863	100.0%

* Excluding equity, investment contract liabilities.

Sava Re

EUR	31 Dec 2015	As % of total liabilities
Technical provisions and liabilities from operating activities	268,773,864	94.7%
Liabilities under insurance contracts subject to IFRS 4	268,773,864	94.7%
Other liabilities	14,899,307	5.3%
Total liabilities*	283,673,171	100.0%

* Excluding equity.

Sava Insurance Group

EUR	31 Dec 2019	As % of total liabilities	31 Dec 2018	As % of total liabilities
Technical provisions and liabilities from operating activities	995,546,986	77.8%	970,946,033	78.9%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	220,613,698	17.2%	210,032,637	17.1%
Liabilities under insurance contracts subject to IFRS 4	1,216,160,684	95.1%	1,180,978,670	96.0%
Other liabilities	62,997,239	4.9%	49,351,630	4.0%
Total liabilities*	1,279,157,923	100.0%	1,230,330,300	100.0%

* Excluding equity, subordinated liabilities and investment contract liabilities.

Sava Re

EUR	31 Dec 2019	As % of total liabilities	31 Dec 2018	As % of total liabilities
Technical provisions and liabilities from operating activities	312,425,193	98.6%	281,361,601	98.0%
Liabilities under contracts subject to IFRS 4	312,425,193	98.6%	281,361,601	98.0%
Other liabilities	4,416,968	1.4%	5,690,320	2.0%
Total liabilities*	316,842,162	100.0%	287,051,921	100.0%

* Excluding equity and subordinated liabilities.



The other liabilities item does not include investment contract liabilities disclosed by the Slovenian pension company, as the company already applies IFRS 9 (the calculation excluding investment contracts totals 96%) and subordinated liabilities from the Sava Re bond issue.

The table below provides an analysis of the fair value of financial assets. Financial assets are divided into assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, net of financial assets held for trading (hereinafter SPPI financial assets), and other financial assets.



Sava Insurance Group

EUR	SPPI financial assets			Other financial assets		
	Fair value 31 Dec 2018	Change in fair value	Fair value 31 Dec 2019	Fair value 31 Dec 2018	Change in fair value	Fair value 31 Dec 2019
Debt securities	1,083,888,272	12,671,177	1,096,559,449	16,647,063	24,156,976	40,804,040
Equity securities	0	0	0	204,838,246	20,066,304	224,904,550
Loans and deposits	31,679,063	21,594,525	53,273,588	0	0	0
Cash and cash equivalents	81,540,711	20,947,152	102,487,863	0	0	0
Total	1,197,108,046	55,212,854	1,252,320,900	221,485,309	44,223,281	265,708,590

Sava Re

EUR	SPPI financial assets			Other financial assets		
	Fair value 31 Dec 2018	Change in fair value	Fair value 31 Dec 2019	Fair value 31 Dec 2018	Change in fair value	Fair value 31 Dec 2019
Debt securities	216,631,245	20,529,393	237,160,638	4,521,801	3,672,874	8,194,675
Equity securities	0	0	0	13,684,488	5,661,831	19,346,319
Loans and deposits	3,982,602	20,976,346	24,958,948	0	0	0
Cash and cash equivalents	10,651,451	42,279,771	52,931,222	0	0	0
Total	231,265,298	83,785,510	315,050,808	18,206,289	9,334,706	27,540,994

The table below shows the carrying amounts of the assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, in view of their credit risk rating.



Sava Re

EUR	Credit rating of SPPI assets as at 31 Dec 2019					
	Total	AAA	AA/A	BBB	BB/B	Not rated
Debt securities	236,507,630	77,450,375	111,175,817	45,594,415	1,033,066	1,253,957
Loans and deposits	24,958,948	0	0	0	0	24,958,948
Cash and cash equivalents	52,931,222	0	0	0	16,901,565	36,029,657
Total	314,397,800	77,450,375	111,175,817	45,594,415	17,934,631	62,242,562

Sava Insurance Group

EUR	Credit rating of SPPI assets as at 31 Dec 2019					
	Total	AAA	AA/A	BBB	BB/B	Not rated
Debt securities	1,082,572,241	262,964,183	475,574,621	253,908,163	60,862,593	29,262,682
Loans and deposits	53,272,943	0	0	0	904,599	52,368,344
Cash and cash equivalents	104,644,173	0	0	0	22,642,365	82,001,808
Total	1,240,489,357	262,964,183	475,574,621	253,908,163	84,409,557	163,632,834

The table below shows the fair value and carrying amounts of the assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, and which have been assessed as not having a low credit risk.

Sava Insurance Group

EUR	SPPI assets that do not have a low credit risk	
	Fair value as at 31 Dec 2019	Carrying amount as at 31 Dec 2019
Debt securities	90,496,675	90,125,275
Loans and deposits	5,745,644	5,744,999
Cash and cash equivalents	22,642,365	22,642,365
Total	118,884,684	118,512,638

Sava Re

EUR	SPPI assets that do not have a low credit risk	
	Fair value as at 31 Dec 2019	Carrying amount as at 31 Dec 2019
Debt securities	2,287,023	2,287,023
Loans and deposits	4,216,308	4,216,308
Cash and cash equivalents	16,901,565	16,901,565
Total	23,404,896	23,404,896



Standards, interpretations and amendments to the published Standards as adopted by the EU that are not yet effective for annual periods beginning 1 January 2019

IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

The amendments are effective for annual periods beginning on or after 1 January 2020. The amendments have not yet been endorsed by the EU. The amendments clarify and align the definition of “material” and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendments are not expected to have a material impact on the financial statements when initially applied.

Standards and interpretations not yet endorsed by the EU as at 1 January 2020

IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”

Amendments to IFRS 10 and IAS 28 relate to the sale or contribution of assets between an investor and its associate or joint venture. The European Commission decided to defer the endorsement indefinitely. The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), or
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 17 “Insurance Contracts”

IFRS 17 applies for annual periods beginning on or after 1 January 2022 or later, with early application permitted. This standard has not yet been endorsed by the EU.

IFRS 17 “Insurance Contracts” establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. 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 provides 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 project is of regulatory nature and of the highest priority. The new concept of accounting for insurance contracts, which changes the existing practice of many years, must be implemented by 2022. The aim of the new standard is to provide more relevant information underlying the disclosures for all

insurance contracts in financial statements, to harmonise different practices allowed by IFRS 4, and to ensure comparability with other industries. The standard has an impact on the reported profit or loss, in particular for long-term contracts, and also provides information on the current and expected profitability by main types of insurance contracts.

Group companies expect the new standard to have a significant impact on the financial statements on the date of initial application, as insurance companies represent an important part of the Group. Insurance companies in the Group have been preparing for the new standard since 2018, and the project is in the preparation stage of the first approximate financial statements. Insurance companies in the Group are still in the process of assessing the impact of the new standard on the financial statements. The largest impact will be on the calculation of provisions and also on revenues from insurance contracts, the presentation of which will be very different from the present one. In the statement of financial position, the new standard will have a material impact on receivables and liabilities arising out of insurance business as these categories will be shown under new designations.

IFRS 3 “Business Combinations”

The amendments are effective for accounting periods beginning on or after 1 January 2020. The amendments have not yet been endorsed by the EU. The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a

business. The amendments are not expected to have a material impact on the financial statements of the Group companies on the date of initial application.

IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments” and IFRS 7 “Financial Instruments”

The changes refer to disclosures. They are effective for accounting periods beginning on or after 1 January 2020. The amendments have not yet been endorsed by the EU. The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- “Highly probable” requirement
- Risk components
- Prospective assessments
- Retrospective effectiveness test (for IAS 39)
- Recycling of the cash flow hedging reserve.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

17.6 Risk management¹¹⁸

Below, we provide the most important types of risk to which the Group is exposed:

- 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),
- investment portfolio risk (investment property risk, the risk of failing to realise guaranteed returns, risk of financial investments in subsidiaries and associates, market risk, liquidity risk and credit risk),
- insolvency risk,
- operational risk and
- strategic risk.

The table shows the risk profiles of the Group and Sava Re in 2019. The risks have been assessed with regard to the potential volatility of business results and the resulting impact on the financial statements of the Group and Sava Re. The potential impact in the case an extreme internal or external risk is realised and the impact of such on the Group’s solvency position is set out in the “Sava Insurance Group’s solvency and financial condition report” and in the “Sava Re’s solvency and financial condition report”.

Risk profile of Sava Insurance Group and Sava Re

	Group risk rating	Sava Re risk rating	Risk described in section
Insolvency risk	low	low	18.6.1
Underwriting risk			18.6.2
Non-life underwriting risk			18.6.2.1
Underwriting process risk	moderate	moderate	18.6.2.1.1
Pricing risk	moderate	moderate	18.6.2.1.2
Claims risk	moderate	moderate	18.6.2.1.3
Risk of inadequate retention and reinsurance programme	moderate	moderate	18.6.2.1.4
Reserve risk	low	low	18.6.2.1.5
Life underwriting risk	low	low	18.6.2.8
Investment portfolio risk			18.6.3
Investment property risk	low	low	18.6.3.1
Financial risks			18.6.3.2
Market risk			18.6.3.2.1
Interest rate risk	moderate	moderate	
Equity risk	moderate	moderate	
Currency risk	low	low	
Liquidity risk	low	low	18.6.3.2.2
Credit risk	low	low	18.6.3.2.3
Risk of failure to realise guaranteed returns	moderate	/	18.6.3.2.3
Risk of financial investments in subsidiaries and associates	low	moderate	18.6.3.2.5
Operational risk	moderate	moderate	18.6.4
Strategic risks	moderate	moderate	18.6.5



17.6.1 Capital adequacy and capital management at the Sava Insurance Group and Sava Re

The Group and Sava Re use the standard formula for calculating their 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 table below shows the calculation of capital adequacy of the Group and Sava Re as at 31 December 2018¹¹⁹ and 30 September 2019¹²⁰.

The Group’s unaudited eligible own funds as at 30 September 2019 totalled EUR 461.4 million and were slightly higher than as at 31 December 2018 (EUR 471.9 million). In the first three quarters, own funds were not reduced by the foreseeable dividends for 2019, whereas eligible own funds as at 31 December 2019 will be reduced by the foreseeable dividends. Due to the issuance of subordinated debt by Sava Re in the last quarter, the level of the Group’s eligible own funds as at 31 December 2019 will be higher than as at 31 December 2018. We expect the solvency capital requirement as at 31 December 2019 to be higher than as at 31 December 2018, and the solvency ratio is expected to remain at a similar level. Accordingly, the risk to the Group’s insolvency risk is assessed as very low.

Sava Re’s unaudited eligible own funds as at 30 September 2019 totalled EUR 500.4 million and were slightly higher than as at 31 December 2018 (EUR 475.9 million). In the first three quarters, own funds were not reduced by the foreseeable dividends for 2019, whereas eligible own funds as at 31 December 2019 will be reduced by the foreseeable dividends. Due to the issuance of subordinated debt in Sava Re in the last quarter, the level of Sava Re’s eligible own funds as at 31 December 2019 will be higher than as at 31 December 2018. We estimate that the solvency capital requirement as at 31 December 2019 will be higher than as at 31 December 2018. We also expect a higher solvency ratio of the Company.

It is important for the Group not only to achieve regulatory capital adequacy, but also to manage capital in such a way that the level of capital meets the requirements of credit rating agencies for level “A” ratings, and that the Group remains solvent and is able to meet its obligations even in the event of stress scenarios. To this end, the risk strategy, which defines the Group’s risk appetite, also defines the below capital adequacy ranges in relation to the solvency ratio.

Capital adequacy of the Group and Sava Re

EUR	Sava Insurance Group		Sava Re	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Eligible own funds	461,382,328	471,946,628	500,371,182	475,917,963
Minimum capital requirement (MCR)	102,989,654	102,730,187	40,630,482	40,630,482
Solvency capital requirement (SCR)	216,734,647	216,734,647	162,521,929	162,521,929
Solvency ratio	213%	218%	308%	293%

¹¹⁹ During the preparation of the audited annual report, the Sava Insurance Group and Sava Re have yet to obtain audited capital adequacy data for 2019. It will be presented in the Group’s 2019 Solvency and financial condition report to be published on 19 May 2020 and in the Solvency and financial condition report of Sava Re for 2019 to be published on 7 April 2020.

¹²⁰ As at 30 September 2019, the calculation of eligible own funds of the Group and Sava Re was made, taking into account the calculated capital requirement as of 31 December 2018.



17.6.2 Underwriting risk

As part of the underwriting risk category, the Group is exposed to underwriting process risk (insurance and reinsurance), pricing risk, claims risk, risk of inadequate retention and reinsurance programme, risk of inadequate technical provisions. 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. Similarly to the Group, Sava Re is exposed to underwriting risk.

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 manages such risks through appropriate underwriting, any additional requirements or exclusion clauses in reinsurance contracts and through an appropriate retrocession programme. Sava Re retains a portion of the assumed risks (from the Group and outside it) and retrocedes the portion that exceeds its capacity.

First, we present underwriting risks arising out of non-life business. This is followed by risks arising out of life insurance business. In addition, the Group has a minor exposure relating to health insurance business. Health insurance business pursued on a similar technical basis as non-life insurance business, the risks of which are therefore similar to non-life insurance risks, are discussed under non-life insurance. Health insurance business pursued on a similar technical basis as life insurance business, the risks of which are therefore similar to life insurance risks, are discussed under life insurance.

17.6.2.1 Non-life underwriting risk

17.6.2.1.1 Underwriting process risk

The Group mitigates underwriting process risk mainly by complying with established and prescribed underwriting procedures (especially with large risks); correctly determining the probable maximum loss 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.

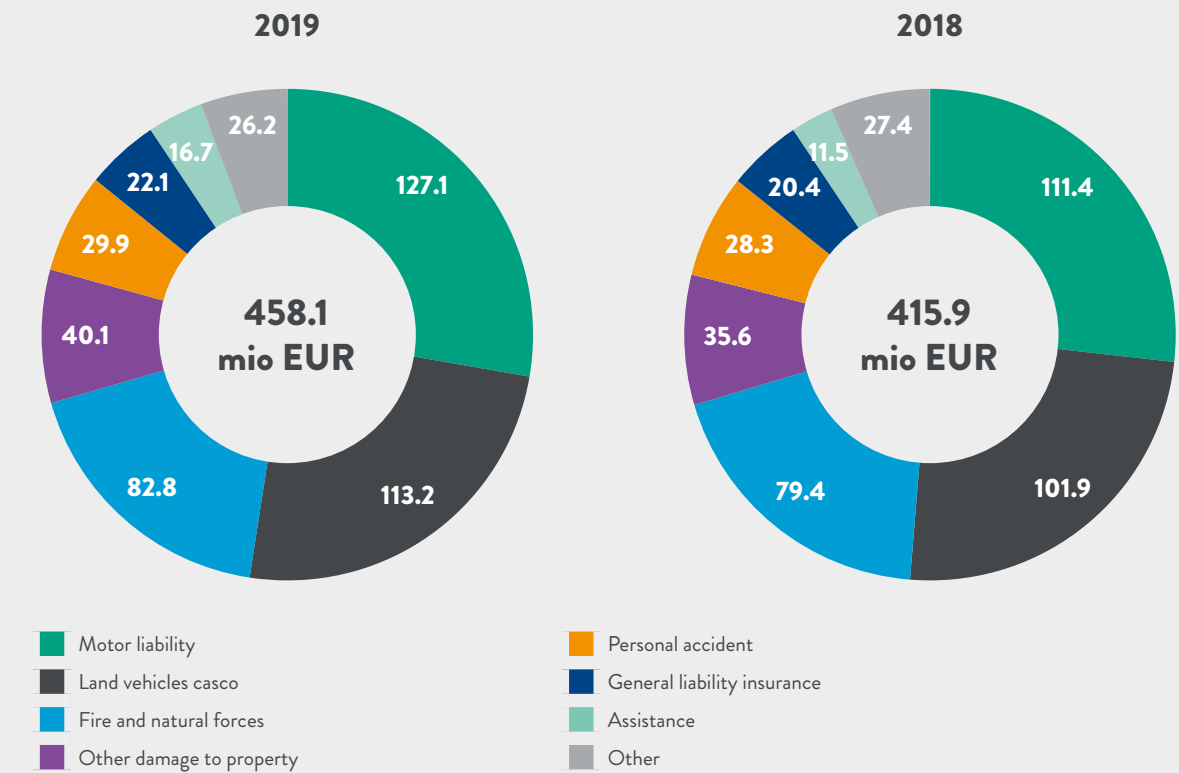
Most non-life (re)insurance contracts are renewed annually. This allows insurers to amend the conditions and rates to take into account any deterioration in the underwriting results of entire classes of business, and for major policyholders in a timely manner.

Where significant risks are involved, adequately qualified underwriting experts of the controlling company are involved. Additionally, in respect of risks exceeding the limits set out in the obligatory reinsurance treaties, it is vital that adequate facultative reinsurance cover is obtained to upgrade the basic reinsurance programme.

In respect of obligatory proportional reinsurance treaties, Sava Re follows the fortune of its ceding companies, while with non-proportional and facultative contracts,

the decision on assuming a risk is on Sava Re. It follows from the foregoing that in order to manage this risk, it is essential to review the practices of existing and future ceding companies and to analyse developments in the relevant markets and in the relevant classes of insurance. Consequently, coverage may only be granted by taking into account internal underwriting guidelines. The Group’s exposure measured by the volume of consolidated net premiums earned by insurance class is shown in the graph below.

Consolidated net non-life premiums earned by class of business (EUR million)





Underwriting risk in excess of the Group’s capacity is reduced through retrocession contracts.

We estimate that underwriting process risk relating to the Group’s (re)insurance business is moderate and well managed, although it moderately increased in 2019 compared to 2018 due to an increase in premium volume. This is because net non-life premiums written by the Group in 2019 grew by 10.2% or EUR 42.4 million compared to 2018.

17.6.2.1.2 Pricing risk

Pricing risk is the risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.

In the Group’s subsidiaries, this risk depends on many factors, such as inadequate assessment of market developments, poor assessment of claims frequency, use of inadequate statistics, and intentionally excessively low premiums for certain insurance classes, as compensatory effects are expected from other classes or due to inadequate assessment of the effect of macroeconomic factors that may change significantly during the term of the contract.

Principally, the Group monitors pricing risk by conducting actuarial analyses of expected loss and combined 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, through comparison 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. 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 individual reinsurance contracts entered into on the basis of available information and set prices must be in line with the target combined ratios, while the adequacy of prices is verified through modelling and reviewing of results on the portfolio level, and through results by form of reinsurance and group.

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 for a combined ratio below 100%.

The Group considers the pricing risk to have been moderate in 2019 and similar to that in 2018.

17.6.2.1.3 Claims risk

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 similar.

In inward non-proportional reinsurance business, this risk is closely linked to the same risk borne by ceding companies. In inward non-proportional reinsurance business, Sava Re has greater control over the expected claims risk through direct control over 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 the loss exceeds the priority.

Claims risk is managed through designing appropriate (re)insurance conditions and tariffs, appropriate underwriting, monitoring risk concentration by site or geographical area and especially through adequate reinsurance and retrocession programmes.

We believe that the risk management measures set out are adequate and we estimate that the claims risk remained moderate and similar to the 2018 level.

17.6.2.1.4 Risk of inadequate retention and reinsurance programme

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 appropriate professional underwriting of the risks to be (re)insured, partly by measuring the exposure (based on model results and by aggregating sums insured) by geographical area for individual natural perils, and especially by designing an appropriate reinsurance programme. 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.

We estimate that, in relative terms, retention risk is moderate and in 2019 remained at 2018 levels.



Reinsurance programme

An appropriate reinsurance programme is important for managing the underwriting risk to which the Group and Sava Re are exposed. Sava Re uses retrocession treaties to diversify risk appropriately. The reinsurance programme is set up to reduce exposure to potential single large losses or the effect of a large number of single losses arising from the same loss event. The Group considers its reinsurance programme (including proportional and non-proportional reinsurance) to be appropriate in view of the risks to which it is exposed. Net retention limits set by the Group are only rarely applied. 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.

The Group’s reinsurance programme is not substantially different from 2018, but is supplemented primarily in line with portfolio growth (ensuring the coverage for new FOS business, additional renewal of the coverage for catastrophic events). In this way, the Group maintains retention risk at a level comparable to 2018.

17.6.2.1.5 Reserve risk

When establishing technical provisions, the Group takes into account any under-reserved 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, Group companies establish provisions for unexpired risks for those homogeneous risk groups where the combined ratio (loss ratio plus expense ratio) is expected to exceed 100%, as described in the notes to technical provisions.

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. 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 technical provisions are calculated using consistent actuarial methods, we can conclude, based on past discrepancies between originally estimated liabilities and subsequently established liabilities at individual dates of the statement of financial position, that the provisions as at 31 December 2019 are adequate.

Group primary insurance companies organise and analyse claims provision data by accident 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 the Group’s non-life insurance business¹²¹

EUR thousand	Year ended 31 Dec					
Estimate of gross liabilities	2014	2015	2016	2017	2018	2019
As originally estimated	311,449	302,508	312,626	313,058	301,792	315,236
Re-estimated as of 1 year later	251,695	254,485	255,586	254,802	257,363	
Re-estimated as of 2 years later	231,622	217,834	214,067	229,894		
Re-estimated as of 3 years later	204,774	185,070	196,940			
Re-estimated as of 4 years later	179,122	171,338				
Re-estimated as of 5 years later	167,783					
Cumulative gross redundancy (latest estimate – original estimate)	143,666	131,170	115,686	83,164	44,429	
Cumulative gross redundancy as % of original estimate	46.1%	43.4%	37.0%	26.6%	14.7%	

The cumulative gross redundancies for the underwriting years from 2014 to 2018 increased compared to amounts at the end of the preceding year, which were 42.4%, 38.7%, 31.4% and 18.6% of original estimates.

The Group cannot use triangles organised on the basis of accident year data for actuarial estimations of claims provisions in respect of accepted reinsurance business. This is because ceding companies report claims under proportional treaties broken down by underwriting year. 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, data on losses for proportional reinsurance contracts is only

broken down by underwriting 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 reinsurer’s share by underwriting year. The estimated liabilities relate to claims that have already been incurred (reported and not reported) and the settlement of which is covered by the claims provision, and claims arising from accepted contracts that have not yet been incurred and the settlement of which is covered by unearned premiums less deferred commission.

121 For reasons of comparability, the figures below exclude figures relating to the changes resulting from the acquisitions of new companies during the year.



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 – extra-Group reinsurance business

EUR thousand	Year ended 31 Dec					
Estimate of gross liabilities	2014	2015	2016	2017	2018	2019
As originally estimated	125,023	142,850	146,463	149,017	150,198	163,366
Re-estimated as of 1 year later	119,263	132,998	127,717	132,200	144,054	
Re-estimated as of 2 years later	112,468	122,748	119,454	129,691		
Re-estimated as of 3 years later	106,666	117,864	120,935			
Re-estimated as of 4 years later	103,714	119,381				
Re-estimated as of 5 years later	106,388					
Cumulative gross redundancy (latest estimate – original estimate)	18,635	23,469	25,528	19,325	6,144	
Cumulative gross redundancy as % of original estimate	14.9%	16.4%	17.4%	13.0%	4.1%	

Cumulative gross redundancies for the underwriting years from 2014 to 2017 were at a comparable level as at the end of the preceding year, which were 17.0%, 17.5%, 18.4% and 11.3% of original estimates. We observe a small surplus for 2018, as the claims related to the Japanese typhoon estimated at the end of 2018 further deteriorated in 2019.

The Group manages reserve risk with strict regard for the internal procedures and rules on technical provisions and by using recognised actuarial methods.

Reserve risk is the risk of insufficiency of technical provisions and may occur because of inaccurate actuarial estimates or an unexpectedly 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 yet been established, which is common with liability insurance contracts, but can also occur due to changed court practices.

Due to the high cumulative redundancies of both gross and net technical provisions, we estimate reserve risk at the end of 2019 to be relatively low and similar to that at year-end 2018.

17.6.2.1.6 Estimated exposure to underwriting risks – non-life business

Maximum net retentions and retrocession programmes of the (re)insurance company are of key importance to estimating the exposure to underwriting risks.

The net retention limit per risk is set at EUR 4 million for the majority of non-life classes of insurance, whereby a combined limit used for the classes fire and natural forces, other damage to property and miscellaneous financial loss must not exceed EUR 4 million; a net retention limit of EUR 2 million is set for motor liability and for marine. The net claim payable relating to an individual risk may not exceed EUR 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 EUR 5 million for Group 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 some international markets (India, USA, China), this retention may be exceeded, but must not exceed EUR 8 million. 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 or Sava Re’s solvency position, which has been tested using scenarios as part of the own risk and solvency assessment.

An increase in realised underwriting risk would essentially result in an increase in net claims. Because the Group as a whole has an adequate retrocession programme in place, it is not exposed to the risk of a sharp increase in net claims, not even in the 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 changed due to higher/lower underwriting risks by 1 p.p., net profit before tax would decrease/increase by EUR 4.87 million (2018: EUR 4.39 million).

If Sava Re’s net combined ratio changed due to higher/lower underwriting risks by 1 p.p., net profit before tax would change by EUR 1.5 million (2018: EUR 1.4 million). In 2018, an additional maximum net claim of EUR 5 million would have deteriorated the combined ratio by 3.5% (2018: 3.6%), which is still acceptable.

The risk that the underwriting risk may seriously compromise the Group’s or Sava Re’s financial stability is deemed, according to our assessment, low and there are no significant differences between 2019 and 2018.

17.6.2.2 Life underwriting risk

The main risks to which the Group is exposed 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 lower.

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 to identify 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 EUR 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 the 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 is low and at a comparable level to 2018.

17.6.3 Investment portfolio risk

In their financial operations, individual Group companies are exposed to investment portfolio risk such as investment property risk, and financial risks such as market, liquidity and credit risk, as well as the risk of failure to realise guaranteed returns on life business.

In 2019, the Group also assessed investment-risk liability fund ("IRLF") investments in the investment portfolio with exposure to financial risk. IRLF investments are investments for which an insurance subsidiary provides guaranteed unit values, thereby assuming the risk of achieving the guaranteed return. As at 31 December 2019, the value of these investments totalled EUR 104.9 million (31 December 2018: EUR 82.6 million). As at 31 December 2019, investment portfolio assets of EUR 1,262.1 million were exposed to risk (31 December 2018: EUR 1,164.9 million) and included:

- financial investments of EUR 1,064.9 million (31 December 2018: EUR 1,008.1 million),
- investment property assets of EUR 16.7 million (31 December 2018: EUR 20.6 million),
- cash and cash equivalents of EUR 93.8 million, including the value of IRLF assets of EUR 18.1 million (31 December 2018: EUR 18.1 million),
- IRLF investments guaranteed by the insurer of EUR 86.7 million (31 December 2018: EUR 71.6 million).

The investments of policyholders relating to unit-linked life business where policyholders fully bear the investment risk are excluded from the analysis of risks; as at year-end 2019, these totalled EUR 126.4 million (31 December 2018: EUR 133.3 million).

The risk of failure to realise guaranteed returns also includes the risk of investment contracts relating to the long-term business funds of the voluntary supplementary pension insurance (VSPI) that Sava Pokojninska manages for the benefit of policyholders.

As at 31 December 2019, Sava Re's investment portfolio totalled EUR 357.2 million and included:

- financial investments (2019: EUR 296.1 million; 2018: EUR 244.3 million):
- investment property (2019: EUR 8.1 million; 2018: EUR 8.3 million)
- cash and cash equivalents (2019: EUR 52.9 million; 2018: EUR 10.7 million).



Sava Re's investments exposed to investment portfolio risks

Sava Insurance Group

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 - 31 Dec 2018	Change in structure 31 Jan 2019 / 31 Dec 2018
Deposits and CDs	50,668,888	4.0%	27,740,278	2.4%	22,928,610	1.6%
Government bonds	580,661,388	46.0%	587,645,179	50.4%	-6,983,790	-4.4%
Corporate bonds	432,656,536	34.3%	400,292,979	34.4%	32,363,557	-0.1%
Shares (excluding strategic shares)	17,503,724	1.4%	15,675,617	1.3%	1,828,107	0.0%
Mutual funds	37,654,911	3.0%	35,635,616	3.1%	2,019,295	-0.1%
bond and money market	32,367,638	2.6%	32,737,150	2.8%	-369,512	-0.2%
mixed	157,448	0.0%	48,279	0.0%	109,169	0.0%
equity funds	5,129,825	0.4%	2,850,187	0.2%	2,279,637	0.2%
Infrastructure funds	20,159,022	1.6%	5,264,540	0.5%	14,894,482	1.1%
Real estate funds	4,000,000	0.3%	0	0.0%	4,000,000	0.3%
Loans granted and other investments	1,202,867	0.1%	1,116,239	0.1%	86,628	0.0%
Deposits with cedants	7,089,021	0.6%	6,275,310	0.5%	813,711	0.0%
Financial investments	1,151,596,357	91.2%	1,079,645,758	92.7%	71,950,599	-1.4%
Investment property	16,695,132	1.3%	20,643,019	1.8%	-3,947,888	-0.4%
Cash and cash equivalents	93,804,031	7.4%	64,657,431	5.6%	29,146,601	1.9%
Investment portfolio	1,262,095,520	100.0%	1,164,946,208	100.0%	97,149,312	0.0%

Sava Re's investments exposed to investment portfolio risks

Sava Re

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 - 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Deposits and CDs	22,338,823	6.3%	2,331,604	0.9%	20,007,219	5.4%
Government bonds	137,262,384	38.4%	120,829,371	45.9%	16,433,013	-7.5%
Corporate bonds	105,843,738	29.6%	98,080,587	37.3%	7,763,151	-7.6%
Shares (excluding strategic shares)	9,690,877	2.7%	8,720,953	3.3%	969,924	-0.6%
Mutual funds	1,704,135	0.5%	3,102,927	1.2%	-1,398,793	-0.7%
bond funds	1,704,135	0.5%	2,377,213	0.9%	-673,078	-0.4%
equity funds	0	0.0%	725,715	0.3%	-725,715	-0.3%
Infrastructure	6,951,308	1.9%	1,860,608	0.7%	5,090,700	1.2%
Real estate funds	1,000,000	0.3%	0	0.0%	1,000,000	0.3%
Loans granted and other investments	4,216,308	1.2%	3,090,072	1.2%	1,126,235	0.0%
Deposits with cedants	7,089,021	2.0%	6,275,310	2.4%	813,711	-0.4%
Financial investments	296,096,594	82.9%	244,291,433	92.8%	51,805,160	-9.9%
Investment property	8,142,714	2.3%	8,285,733	3.1%	-143,019	-0.9%
Cash and cash equivalents	52,931,222	14.8%	10,651,452	4.0%	42,279,770	10.8%
Investment portfolio	357,170,530	100.0%	263,228,618	100.0%	93,941,911	0.0%



17.6.3.1 Investment property risk

The risk is the change in the fair value of investment property directly or indirectly owned by the Group or Sava Re.

The Group and Sava Re are exposed to investment property risk within investment portfolio risks. The table below shows the value of investment property of the Group and Sava Re.

As at 31 December 2019, the value of the Group’s investments exposed to property risk stood at EUR 20.7 million (31 December 2018: EUR 20.6 million) and did not substantially change compared to the previous period.

As at 31 December 2019, the value of the Sava Re investments exposed to property

risk stood at EUR 9.1 million (31 December 2018: EUR 9.0 million) and did not substantially change compared to the previous period.

In addition to investment property, real estate funds shown as alternative investments under financial investments are also exposed to the risk.

The risk of alternative investments has been determined based on stressed values as pre-

scribed under Solvency II regulations for the capital adequacy calculation. We assumed a 15% decrease in the value of investment property and real estate funds.

A shock would reduce the value of the Group’s investments exposed to investment property risk by EUR 3.1 million. And the value of Sava Re’s investments exposed to investment property risk would drop by EUR 1.4 million.

Investment property

Sava Insurance Group

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 / 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Investment property	16,695,132	1.3%	20,643,019	1.8%	-3,947,888	-0.5%
Real estate funds	4,000,000	0.3%	0	0.0%	4,000,000	0.3%
Total	20,695,132	1.6%	20,643,019	1.8%	52,112	-0.1%

Sava Re

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 / 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Investment property	8,142,714	2.3%	8,285,733	3.1%	-143,019	-0.9%
Real estate funds	1,000,000	0.3%	0	0.0%	1,000,000	0.3%
Total	9,142,714	2.6%	8,285,733	3.1%	856,981	0.6%

Estimated value of investment property taking account of the shock

Sava Insurance Group

EUR	31 Dec 2019			31 Dec 2018		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investment property	16,695,132	14,190,862	-2,504,270	20,643,019	17,546,566	-3,096,453
Real estate funds	4,000,000	3,400,000	-600,000	0	0	0
Total	20,695,132	17,590,862	-3,104,270	20,643,019	17,546,566	-3,096,453

Sava Re

EUR	31 Dec 2019			31 Dec 2018		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investment property	8,142,714	6,921,307	-1,221,407	9,033,564	7,678,529	-1,355,035
Real estate funds	1,000,000	850,000	-150,000	0	0	0
Total	9,142,714	7,771,307	-1,371,407	9,033,564	7,678,529	-1,355,035



17.6.3.2 Financial risks

17.6.3.2.1 Market risk

As part of market risks, the Group makes assessments of interest rate risk, equity risk and currency risk.

The value of the Group's financial investments exposed to market risk increased by EUR 97.1 million in 2019 compared to year-end 2018, which is explained in section 9.2.1.1 of the business report part.

The value of Sava Re's financial investments exposed to market risk increased by EUR 93.1 million in 2019 compared to year-end 2018, which is explained in section 9.2.1.1 of the business report part.

Financial investments exposed to market risk

Sava Insurance Group

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 / 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Deposits and CDs	50,668,888	4.1%	27,740,278	2.4%	22,928,610	1.7%
Government bonds	580,661,388	46.8%	587,645,179	51.4%	-6,983,790	-4.6%
Corporate bonds	432,656,536	34.9%	400,292,979	35.0%	32,363,557	-0.1%
Shares (excluding strategic shares)	17,503,724	1.4%	15,675,617	1.4%	1,828,107	0.0%
Mutual funds	37,654,911	3.0%	35,635,616	3.1%	2,019,295	-0.1%
bond and money market	32,367,638	2.6%	32,737,150	2.9%	-369,512	-0.3%
mixed	157,448	0.0%	48,279	0.0%	109,169	0.0%
equity funds	5,129,825	0.4%	2,850,187	0.2%	2,279,637	0.2%
Infrastructure funds	20,159,022	1.6%	5,264,540	0.5%	14,894,482	1.2%
Loans granted and other investments	1,202,867	0.1%	1,116,239	0.1%	86,628	0.0%
Deposits with cedants	7,089,021	0.6%	6,275,310	0.5%	813,711	0.0%
Financial investments	1,147,596,357	92.4%	1,079,645,758	94.3%	67,950,599	-1.9%
Cash and cash equivalents	93,804,031	7.6%	64,657,431	5.7%	29,146,601	1.9%
Investment portfolio	1,241,400,389	100.0%	1,144,303,189	100.0%	97,097,200	0.0%

Sava Re

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 / 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Deposits and CDs	22,338,823	6.4%	2,331,604	0.9%	20,007,219	5.5%
Government bonds	137,262,384	39.4%	120,829,371	47.4%	16,433,013	-8.0%
Corporate bonds	105,843,738	30.4%	98,080,587	38.5%	7,763,151	-8.1%
Shares (excluding strategic shares)	9,690,877	2.8%	8,720,953	3.4%	969,924	-0.6%
Mutual funds	1,704,135	0.5%	3,102,927	1.2%	-1,398,793	-0.7%
bond funds	1,704,135	0.5%	2,377,213	0.9%	-673,078	-0.4%
equity funds	0	0.0%	725,715	0.3%	-725,715	-0.3%
Infrastructure	6,951,308	2.0%	1,860,608	0.7%	5,090,700	1.3%
Loans granted and other investments	4,216,308	1.2%	3,090,072	1.2%	1,126,235	0.0%
Deposits with cedants	7,089,021	2.0%	6,275,310	2.5%	813,711	-0.4%
Financial investments	295,096,594	84.8%	244,291,433	95.8%	50,805,161	-11.0%
Cash and cash equivalents	52,931,222	15.2%	10,651,452	4.2%	42,279,770	11.0%
Investment portfolio	348,027,816	100.0%	254,942,885	100.0%	93,084,931	0.0%



17.6.3.2.2 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 by a sensitivity analysis, by changing the value of investments in interest-sensitive assets or the value of mathematical provisions when interest rates change by 1 p.p. The interest-rate sensitive portfolio includes government and corporate bonds, deposits, loans, bond mutual

funds with a weight of 1 and mixed mutual funds with a weight of 0.5.

Interest rate risk of the Group

The total value of investments included in the calculation as at 31 December 2019 was EUR 1,098.2 million (31 December 2018: EUR 1,052.0 million). Of this, EUR 706.6 million (31 December 2018: EUR 644.8 million) relates to assets of non-life insurers (including Sava Re) and EUR 391.6 million (31 December 2018: EUR 407.2 million) to assets of life insurers.

The sensitivity analysis of the non-life segment as at 31 December 2019 showed that in the event of an interest rate increase by 1 p.p., the value of the interest rate sensitive investments would drop EUR 22.8 million (31 December 2018: EUR 18.4 million) or 3.2% (31 December 2018: 2.8%). 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

Sava Insurance Group

EUR	31 Dec 2019					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	383,583,081	369,945,780	-13,637,301	383,583,081	398,267,504	14,684,424
Corporate bonds	270,698,346	262,516,307	-8,182,039	270,698,346	279,739,111	9,040,765
Bond and convertible mutual funds	15,477,957	14,979,127	-498,830	15,477,957	16,024,077	546,120
Other interest rate sensitive assets	36,861,535	36,406,440	-455,095	36,861,535	37,522,441	660,907
Total	706,620,919	683,847,424	-22,773,264	706,620,919	731,553,134	24,932,215
Effect on equity		-21,713,393			23,683,704	
Effect on the income statement		-1,059,872			1,248,511	

Sava Insurance Group

EUR	31 Dec 2018					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	358,366,636	347,155,458	-11,211,177	358,366,636	370,405,877	12,039,241
Corporate bonds	248,471,884	242,158,692	-6,313,193	248,471,884	255,377,864	6,905,979
Bond mutual funds	15,910,682	15,457,765	-452,917	15,910,682	16,405,056	494,374
Other interest rate sensitive assets	21,999,283	21,622,999	-376,283	21,999,283	22,593,207	593,925
Total	644,748,485	626,394,914	-18,353,571	644,748,485	664,782,004	20,033,519
Effect on equity		-17,893,458			19,584,563	
Effect on the income statement		-460,113			448,957	

The data for 2018 differ from those in the 2018 annual report due to a change in the presentation.

The sensitivity analysis of interest rate sensitive life insurance investments showed that in case of an increase in interest rates by 1 p.p., the value would decrease by EUR 16.3 million or 4.2% (31 December 2018: EUR 13.6 million; 3.3%). 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.

The value of the mathematical provision included in the sensitivity analysis on the liabilities side amounted to EUR 213.8 million at 31 December 2019 (31 December 2018: EUR 252.7 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 1.p.p higher, the mathematical provisions would decrease by EUR 8.5 million, or 3.9%, (31 December 2018: EUR 8.6 million; 3.4%). By contrast, if the provision is calculated using a 1 p.p. lower interest rate, mathematical provisions would increase by EUR 11.7 million, or 5.2%, (31 December 2018: EUR 11.8 million; 4.7%). The sensitivity analysis includes the results of the LAT test set out in section 17.4.26.

Results of the sensitivity analysis on interest-rate sensitive life investments

Sava Insurance Group

EUR	31 Dec 2019					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	200,106,970	190,364,516	-9,742,454	200,106,970	210,759,532	10,652,562
Corporate bonds	162,610,605	156,786,819	-5,823,787	162,610,605	169,069,010	6,458,405
Bond and mixed mutual funds	13,843,477	13,267,142	-576,335	13,843,477	14,476,505	633,028
Other interest rate sensitive assets	15,011,181	14,851,747	-159,436	15,011,181	15,172,828	161,647
Total	391,572,233	375,270,224	-16,302,012	391,572,233	409,477,875	17,905,642
Effect on equity		-15,487,524			16.956.846	
Effect on the income statement		-814,488			948.796	

Sava Insurance Group

EUR	31 Dec 2018					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	233,807,042	225,556,256	-8,250,786	233,807,042	242,764,397	8,957,355
Corporate bonds	152,277,698	147,455,245	-4,822,452	152,277,698	157,434,295	5,156,597
Bond, convertible and mixed mutual funds	13,845,718	13,382,133	-463,585	13,845,718	14,346,163	500,445
Other interest rate sensitive assets	7,269,820	7,172,698	-97,122	7,269,820	7,373,439	103,619
Total	407,200,278	393,566,332	-13,633,945	407,200,278	421,918,295	14,718,017
Effect on equity		-13,530,425			14.609.316	
Effect on the income statement		-103,520			108.701	

The data for 2018 differ from those in the 2018 annual report due to a change in the presentation.

Results of the sensitivity analysis on life insurance liabilities

Sava Insurance Group

EUR	+ 100 bp			- 100 bp		
	Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
31 Dec 2019	213,813,945	205,288,451	-8,525,493	213,813,945	225,482,264	11,668,320
31 Dec 2018	252,717,622	244,098,550	-8,619,072	252,717,622	264,526,969	11,809,347



The results of sensitivity analyses of assets and liabilities show that the sensitivity of assets to interest rate changes and also the sensitivity of mathematical provisions increased compared to 2018. In 2019, the Group also adjusted the maturity of assets and liabilities to reduce the net effect of interest rate changes on the Group’s balance sheets. 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 3.37 years at year-end 2019 (31 December 2018: 2.98 years), while the expected maturity of non-life liabilities was 2.20 years (31 December 2018: 2.77 years).

The average maturity of bonds and deposits of life business was 4.39 years at year-end 2019 (31 December 2018: 3.48 years), while the expected maturity of life liabilities was 4.98 years (31 December 2018: 4.39 years).

Interest rate risk increased slightly in 2019. The increase in interest rate risk is largely due to the widening of the difference between the value of interest rate sensitive assets over interest rate sensitive liabilities, but also the widening of the difference between the maturity of assets and liabilities. 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 over a longer period.

Interest rate risk of Sava Re

Given that according to the prescribed methodology for the calculation of technical provisions, 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. The interest-rate sensitive portfolio includes government and corporate bonds, bond and convertible mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5.

The sensitivity analysis showed that in case of an increase in interest rates, the value of bonds included in the analysis would decrease by EUR 8.3 million (31 December 2018: EUR 8.1 million) or 3.1% (31 December 2018: 3.6%).

Based on the results of the sensitivity analysis, the interest rate risk did not change significantly compared to 2018.



Results of the sensitivity analysis

Sava Re						
EUR						
31 Dec 2019						
+ 100 bp				- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	136,534,595	131,698,620	-4,835,976	136,534,595	141,737,692	5,203,097
Corporate bonds	105,843,738	102,632,328	-3,211,410	105,843,738	109,403,586	3,559,848
Bond mutual funds	1,704,135	1,651,694	-52,441	1,704,135	1,761,189	57,054
Other interest rate sensitive assets	26,555,131	26,326,649	-228,481	26,555,131	26,796,044	240,913
Total	270,637,599	262,309,291	-8,328,308	270,637,599	279,698,511	9,060,912
Effect on equity		-7,848,881			8,485,861	
Effect on the income statement		-479,427			575,051	

Sava Re						
EUR						
31 Dec 2018						
+ 100 bp				- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	120,204,598	116,264,070	-3,940,528	120,204,598	124,434,454	4,229,856
Corporate bonds	99,670,076	95,662,599	-4,007,477	99,670,076	102,373,285	2,703,209
Bond mutual funds	2,377,213	2,291,604	-85,609	2,377,213	2,452,120	74,908
Other interest rate sensitive assets	3,982,602	3,869,020	-113,582	3,982,602	4,103,434	120,831
Total	226,234,489	218,087,294	-8,147,195	226,234,489	233,363,293	7,128,804
Effect on equity		-7,960,158			7,128,804	
Effect on the income statement		-187,037			202,537	

The data for 2018 differ from those in the 2018 annual report due to a change in the presentation.

17.6.3.2.3 Equity risk

Equity risk is the risk that the value of investments will decrease due to fluctuations in equity markets. Assets exposed to the risk include shares, equity and mixed mutual funds (a stress test takes into account half of the

value) and alternative funds (infrastructure).

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. 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 EUR 4.3 million (31 December 2018: EUR 2.4 million). Thus, a 20% fall in equity prices would reduce the value of investments by EUR 8.6 million (31 December 2018: EUR 4.8 million). The

Group shows the highest concentration of equity risk to Slovenia-based issuers. The value of investments in equity securities of Slovenian issuers at year-end 2019 stood at EUR 16.9 million, representing 39.3% of assets sensitive to changes in equity securities (2018: EUR 15.1 million, 63.3%).



Sensitivity assessment of investments to equity risk

Equity investments

Sava Insurance Group

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 - 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Shares	17,503,724	1.4%	15,675,617	1.3%	1,828,107	0.0%
of which Slovenian shares	16,881,845	1.3%	15,075,879	1.3%	1,805,966	0.0%
Equity and mixed mutual funds	5,208,549	0.4%	2,874,327	0.2%	2,334,222	0.2%
Infrastructure funds	20,159,022	1.6%	5,264,540	0.5%	14,894,482	1.1%
Total	42,871,295	3.4%	23,814,484	2.0%	19,056,811	1.4%

Sensitivity assessment of equity investments

Sava Insurance Group

EUR	31 Dec 2019			31 Dec 2018		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investments sensitive to equity risk						
by -10%	42,871,295	38,584,166	-4,287,130	23,814,484	21,433,036	-2,381,448
by -20%	42,871,295	34,297,036	-8,574,259	23,814,484	19,051,587	-4,762,897

The Sava Insurance Group’s exposure to equity risk increased slightly in 2019 compared to year-end 2018, mainly on account of an increase in exposure to alternative investments (infrastructure funds). We estimate that the equity risk increased slightly over the period.

Assets exposed to the equity risk of Sava Re include shares, equity and mixed mutual funds (a stress test takes into account half of the value) and alternative funds. Investments in subsidiaries are excluded from stress tests as the Company assesses their value in accordance with the policy described in sec-

tion 17.4.13. “Financial investments in subsidiaries and associates”. As at the year-end 2019, investments in subsidiaries totalled EUR 238.2 million (31 December 2018: EUR 220.2 million). Sava Re maintains and increases the value of its investments in subsidiaries through active management.

As at 31 December 2019, investments exposed to the equity risk accounted for 4.7% of Sava Re’s investment portfolio, 0.4 p.p. more compared to year-end 2018.

Equity investments

Sava Re

EUR	31 Dec 2019	Composition 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 - 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Shares	9,690,877	2.7%	8,720,953	3.3%	969,924	-0.6%
of which Slovenian shares	9,567,833	2.7%	8,601,860	3.3%	965,973	-0.6%
Equity and mixed mutual funds	0	0.0%	725,715	0.3%	-725,715	-0.3%
Infrastructure funds	6,951,308	1.9%	1,860,608	0.7%	5,090,700	1.2%
Total	16,642,185	4.7%	11,307,276	4.3%	5,334,909	0.4%

Sensitivity assessment of equity investments

Sava Re

EUR	31 Dec 2019			31 Dec 2018		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investments sensitive to equity risk						
by -10%	16,642,185	14,977,966	-1,664,218	11,307,276	10,176,548	-1,130,728
by -20%	16,642,185	13,313,748	-3,328,437	11,307,276	9,045,820	-2,261,455

In order to assess the 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 EUR 1.7 million (31 December 2018: EUR 1.1 million). Thus, a 20% fall in equity prices would reduce the value of investments by EUR 3.3 million (31 December 2018: EUR 2.3 million).

Sava Re shows the highest concentration of equity risk to Slovenia-based issuers. The value of investments in equity securities of Slovenian issuers at year-end 2019 stood at EUR 9.5 million, representing 57.5% of assets sensitive to changes in equity securities (2018: EUR 8.6 million, 76.1%).

122 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.

123 The transaction currency is the currency in which reinsurance contract transactions are processed.

17.6.3.2.4 Currency risk

Currency risk is the risk that changes in exchange rates will lower the value of foreign-denominated assets or increase liabilities denominated in foreign currencies.

The Sava Insurance Group manages currency risk through the efforts of each company to optimise asset-liability currency matching. Sava Re is the Sava Insurance Group member with the largest exposure to currency risk.

As at 31 December 2019, the Company’s liabilities denominated in foreign currencies accounted for 18.0% of its total liabilities.

As the proportion of international business is rising (as is the number of different currencies), Sava Re has put in place a currency matching policy. It took measures for the matching of assets and liabilities in foreign currencies aimed at decreasing currency risk.

The currency matching policy lays down the criteria as to when the Company is to start the currency mismatch by accounting currency¹²². Based on the market situation, the Company assesses the ability of currency matching in the primary currency, and if this is not possible, the transaction currency

is to be used for matching¹²³. The currency matching policy of a company defines the conditions and method of matching. Currency matching of assets and liabilities using the accounting and transaction currency methodology is shown in the table “Transaction currency match”.

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 2019 (all amounts translated to euro)

Sava Re				
Currency 2019	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (EUR)	605,766,043	603,316,651		
Foreign currencies	129,819,517	132,268,910	29,146,610	98.1
US dollar (USD)	54,591,467	41,810,635	12,780,832	130.6
Korean won (KRW)	8,532,302	8,931,064	398,762	95.5
Chinese yuan (CNY)	9,211,704	9,675,170	463,466	95.2
Indian rupee (INR)	6,435,900	5,868,123	567,777	109.7
Taka (BDT)	2,323,697	9,276,185	6,952,489	25.1
Other	48,724,448	56,707,732	7,983,284	85.9
Total	735,585,561	735,585,561		
Currency-matched liabilities (%)			96.0%	

Currency (mis)match as at 31 December 2018 (all amounts translated to euro)

Sava Re				
Currency 2018	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (EUR)	504,260,349	504,216,386		
Foreign currencies	100,572,979	99,667,304	19,693,990	100.9
US dollar (USD)	42,333,181	32,803,314	9,529,867	129.1
Korean won (KRW)	9,229,219	9,085,947	143,271	101.6
Chinese yuan (CNY)	6,725,371	6,098,675	626,695	110.3
Indian rupee (INR)	2,117,973	6,415,488	4,297,515	33.0
Taka (BDT)	6,890,205	7,696,453	806,248	89.5
Other	33,277,032	37,567,425	4,290,394	88.6
Total	604,612,961	604,612,961		
Currency-matched liabilities (%)			96.8%	

* Values differ from those in the 2018 annual report due to the partial elimination of deferred tax netting and the recognition of impairment losses on the subsidiary company Illyria Hospital.

Transaction currency (mis)match as at 31 December 2019 (all amounts translated to euro)

Sava Re				
Currency 2019	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (EUR)	606,013,008	604,253,214		
Foreign currencies	129,572,553	131,332,347	2,984,419	98.7
US dollar (USD)	59,289,379	58,688,281	601,098	101.0
Korean won (KRW)	8,532,302	8,931,064	398,762	95.5
Chinese yuan (CNY)	9,211,704	9,675,170	463,466	95.2
Indian rupee (INR)	7,629,307	7,647,969	18,662	99.8
Russian rouble (RUB)	3,725,552	3,714,338	11,214	100.3
Other	41,184,308	42,675,525	1,491,217	96.5
Total	735,585,561	735,585,561		
Currency-matched liabilities (%)			99.6%	

Transaction currency (mis)match as at 31 December 2018 (all amounts translated to euro)

Sava Re				
Currency 2018	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (EUR)	504,260,349	506,216,386		
Foreign currencies	100,352,612	98,396,576	7,516,117	102.0
US dollar (USD)	45,360,745	42,471,025	2,889,720	106.8
Korean won (KRW)	9,229,219	9,085,947	143,271	101.6
Chinese yuan (CNY)	6,890,205	7,696,453	806,248	89.5
Indian rupee (INR)	8,025,495	7,818,596	206,899	102.6
Russian rouble (RUB)	4,965,997	3,469,810	1,496,186	143.1
Other	25,880,952	27,854,744	1,973,792	92.9
Total	604,612,961	604,612,961		
Currency-matched liabilities (%)			98.8%	

* Values differ from those in the 2018 annual report due to the partial elimination of deferred tax netting and the recognition of impairment losses on the subsidiary company Illyria Hospital.

Sava Re has set itself a target of matching assets and liabilities at least 90%. In 2019 assets and liabilities were matched 96.0% (2018: 96.8%), which demonstrates the high quality of currency risk management.

In the management of currency risk (management aspect), Sava Re managed to directly match all substantially liquid curren-

cies. 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 EUR 0.6 million (from EUR 2.9 million). This would further increase the currency matching percentage to 99.6% (2018: 98.8%).





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 profit or loss. The following table shows the impact of exchange differences. Other Group companies whose local cur-

rency is the euro (companies based in Slovenia, Montenegro and Kosovo) have the majority of euro-denominated liabilities, while a process of currency matching is conducted with regard to liabilities denominated in currencies other than euro when the materiality threshold is exceeded. Group companies whose local currency is not the euro (companies based in Croatia, Serbia and North 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 2019 compared to 2018 since Sava Re is taking measures to reduce exposure to currency risk, and it continues currency matching of assets and liabilities both directly based on accounting currencies and indirectly based on transaction currencies, and thus reduces exposure to currency risk.

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.

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.

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. The Group companies cover the excess of liabilities over assets with a maturity of less than one year with assets available on call and through surplus cash flows arising out of current operations.

Sava Re minimises liquidity risk by 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.

Sava Re makes the normal current liquidity assessment based on the projected cash flow analysis in the period of up to one year included in the monthly and weekly plans, which 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.

As at 31 December 2019, L1A assets represented 21.7% of the investment portfolio of the Company (31 December 2018: 25.0%), which points to its high liquidity.

Exposure to liquidity risk is also measured by maturity-matching of assets and liabilities. The following table 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.

Effect of exchange differences on the income statement

Sava Re		
Statement of financial position item	Exchange differences	
Euro (EUR)	31 Dec 2019	31 Dec 2018
Investments	1,412,961	-96,521
Technical provisions and deferred commissions	-1,718,693	239,949
Receivables and liabilities	174,007	41,886
Total effect on the income statement	-131,725	185,314

17.6.3.2.5 Liquidity risk

Liquidity risk is the risk that, owing to unexpected or unexpectedly high obligations, the Company will not be able to meet all its financial obligations.

Individual Group companies manage liquidity risk in line with the guidelines laid down in the Sava Insurance Group liquidity risk management policy. Each Group member carefully plans and monitors the realisation of cash flows (cash inflows and outflows),

Maturity profile of financial assets and liabilities

Sava Insurance Group

EUR	Carrying amount 31 Dec 2019	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31 Dec 2019
Financial investments	1,151,596,357	0	261,018,279	477,974,908	364,830,532	79,957,820	1,183,781,539
- At fair value through profit or loss	28,084,076	0	4,104,094	6,116,704	26,448,500	3,275,846	39,945,145
- Held to maturity	48,040,057	0	26,852,595	15,378,382	9,791,902	0	52,022,878
- Loans and deposits	57,364,593	0	39,015,243	13,986,585	1,424,919	640,162	55,066,909
- available-for-sale	1,018,107,630	0	191,046,347	442,493,238	327,165,211	76,041,811	1,036,746,607
Reinsurers’ share of technical provisions	38,620,539	0	21,021,124	11,534,780	6,064,635	0	38,620,539
Cash and cash equivalents	93,804,034	55,470,986	38,333,049	0	0	0	93,804,034
TOTAL ASSETS	1,284,020,930	55,470,986	320,372,452	489,509,688	370,895,167	79,957,820	1,316,206,113
Subordinated liabilities	74,822,710	0	0	0	74,822,710	0	74,822,710
Technical provisions	935,889,551	0	478,569,035	291,260,384	164,648,985	1,411,147	935,889,551
TOTAL LIABILITIES	1,010,712,261	0	478,569,035	291,260,384	239,471,695	1,411,147	1,010,712,261
Difference	273,308,669	55,470,986	-158,196,583	198,249,304	131,423,472	78,546,673	305,493,851

Financial investments also include IRLF investments, for which the insurer provides guaranteed return in the fair-value-through-profit-or-loss group of assets (EUR 1.8 million), held-to-maturity assets (EUR 6.5 million), loans and deposits (EUR 4.0 million) and available-for-sale assets (EUR 74.4 million).

Sava Insurance Group

EUR	Carrying amount 31 Dec 2019	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31 Dec 2019
Financial investments	1,079,645,759	0	225,115,979	562,990,227	268,284,372	56,575,774	1,112,966,351
- at fair value through profit or loss	12,415,676	0	989,664	5,237,686	7,535,010	1,530,950	15,293,310
- held to maturity	86,796,477	0	38,765,621	42,618,791	11,701,569	0	93,085,982
- loans and deposits	33,542,347	0	21,494,670	9,637,115	1,016,638	0	32,148,423
- available-for-sale	946,891,258	0	163,866,023	505,496,635	248,031,154	55,044,823	972,438,636
Reinsurers’ share of technical provisions	27,292,750	0	15,764,933	6,864,689	4,663,128	0	27,292,750
Cash and cash equivalents	64,657,431	31,318,301	33,339,131			0	64,657,432
TOTAL ASSETS	1,171,595,943	31,318,301	274,220,043	569,854,916	272,947,500	56,575,774	1,204,916,533
Technical provisions	920,491,487	0	444,864,696	303,435,220	170,194,757	1,996,814	920,491,487
TOTAL LIABILITIES	920,491,487	0	444,864,696	303,435,220	170,194,757	1,996,814	920,491,487
Difference	251,104,456	31,318,301	-170,644,653	266,419,696	102,752,743	54,578,960	284,425,046

Financial investments also include IRLF investments, for which the insurer provides guaranteed return, classified as held-to-maturity assets (EUR 9.7 million) and available-for-sale assets (EUR 61.9 million).



The Company has on its books EUR 62.1 million of investments (31 December 2018: EUR 71.0 million) 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, matching of maturity of gross technical provisions and reserves with funds of the non-life insurance register is very important. At year-end 2019, Sava Re recorded a surplus of assets over liabilities with maturities up

to one year, which indicates good liquidity of the Company. The average maturity of assets and liabilities also indicates the liquidity situation. The average maturity of bonds and deposits of the non-life insurance register was 3.20 years at year-end 2019 (31

December 2018: 3.03 years), while the expected maturity of liabilities was 2.98 years (31 December 2018: 4.1 years).

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 2018.



Maturity profile of financial assets and liabilities

Sava Re

EUR	Carrying amount as at 31 Dec 2019	Callable	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total 31 Dec 2019
Financial investments	296,096,593	0	89,335,538	115,912,227	81,688,394	17,711,286	304,647,445
- At fair value through profit or loss	6,702,761	0	298,300	2,632,200	7,081,500	521,404	10,533,404
- Held to maturity	2,075,784	0	102,500	410,000	2,205,000	0	2,717,500
- Loans and deposits	32,047,969	0	29,186,833	2,205,538	1,191,633	0	32,584,005
- available-for-sale	255,270,080	0	59,747,905	110,664,488	71,210,260	17,189,883	258,812,536
Reinsurers’ share of technical provisions	31,159,308	0	14,458,167	10,636,589	6,064,552	0	31,159,308
Cash and cash equivalents	52,931,222	33,000,170	19,931,052	0	0	0	52,931,222
TOTAL ASSETS	380,187,123	33,000,170	123,724,757	126,548,815	87,752,946	17,711,286	388,737,975
Subordinated liabilities	74,822,710	0	0	0	74,822,710	0	74,822,710
Technical provisions	261,338,591	0	122,166,812	88,635,440	50,536,339	0	261,338,591
TOTAL LIABILITIES	336,161,301		122,166,812	88,635,440	125,359,050		336,161,301
Difference	44,025,822	33,000,170	1,557,945	37,913,376	-37,606,104	17,711,286	52,576,673

Sava Re

EUR	Carrying amount as at 31 Dec 2018	Callable	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total 31 Dec 2018
Financial investments	244,291,434	0	59,595,548	126,529,405	53,495,382	13,684,488	253,304,823
- At fair value through profit or loss	3,956,895	0	178,875	2,266,500	2,301,214	439,304	5,185,894
- Held to maturity	2,075,425	0	102,500	410,000	2,307,500	0	2,820,000
- Loans and deposits	10,107,498	0	6,911,275	3,039,428	559,911	0	10,510,614
- available-for-sale	228,151,616	0	52,402,897	120,813,477	48,326,757	13,245,184	234,788,315
Reinsurers’ share of technical provisions	21,437,221	0	10,183,242	6,612,470	4,641,509	0	21,437,221
Cash and cash equivalents	10,651,452	5,623,541	5,027,912	0	0	0	10,651,452
TOTAL ASSETS	276,380,105	5,623,541	74,806,701	133,141,875	58,136,890	13,684,488	285,393,495
Technical provisions	234,173,078	0	111,782,724	71,912,571	50,477,783	0	234,173,078
TOTAL LIABILITIES	234,173,078	0	111,782,724	71,912,571	50,477,783	0	234,173,078
Difference	42,207,027	5,623,541	-36,976,023	61,229,303	7,659,107	13,684,488	51,220,417

17.6.3.2.6 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, loans granted, deposits with cedants, and cash and cash equivalents), receivables due from reinsurers and other receivables.

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 investments¹²⁴ and cash assets¹²⁵;
- 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).

Exposure to credit risk

Sava Insurance Group		
EUR	31 Dec 2019	31 Dec 2018
Type of asset	Amount	Amount
Fixed-income investments	1,166,082,730	1,087,727,415
Debt instruments	1,065,189,678	1,016,794,674
Deposits with cedants	7,089,021	6,275,310
Cash and cash equivalents	93,804,031	64,657,431
Receivables due from reinsurers	44,371,630	32,484,675
Reinsurers' share of technical provisions	38,620,539	27,292,750
Receivables for shares in claims paid	5,751,091	5,191,925
Other receivables	153,662,826	135,358,086
Receivables arising out of primary insurance business	139,954,356	126,533,761
Receivables arising out of co-insurance and reinsurance business (other than receivables for shares in claims)	983,473	643,873
Current tax assets	3,002,507	169,727
Other receivables	9,722,490	8,010,725
Total exposure	1,364,117,186	1,255,570,176

Sava Re		
EUR	31 Dec 2019	31 Dec 2018
Type of asset	Amount	Amount
Fixed-income investments	329,681,496	241,258,397
Debt instruments	269,661,253	224,331,635
Deposits with cedants	7,089,021	6,275,310
Cash and cash equivalents	52,931,222	10,651,452
Receivables due from reinsurers	34,592,235	25,812,956
Reinsurers' share of technical provisions	31,159,308	21,437,221
Receivables for shares in claims paid	3,432,927	4,375,735
Receivables, excluding receivables arising out of reinsurance business	90,789,029	83,454,566
Receivables arising out of primary insurance business	89,537,760	82,518,636
Receivables arising out of co-insurance and reinsurance business (excluding receivables for shares in claims)	781,903	466,544
Current tax assets	2,802,044	0
Other receivables	469,366	469,385
Total exposure	457,864,804	350,525,919

Fixed-income investments by issuer credit rating

Sava Insurance Group					
EUR	31 Dec 2019		31 Dec 2018		Change
Rated by S&P/Moody's	Amount	Composition	Amount	Composition	
AAA/Aaa	261,766,659	22.4%	280,460,107	25.8%	-3.4%
AA/Aa	178,319,701	15.3%	153,116,129	14.1%	1.2%
A/A	270,931,018	23.2%	307,943,183	28.3%	-5.1%
BBB/Baa	201,918,297	17.3%	148,814,188	13.7%	3.7%
BB/Ba	67,785,883	5.8%	72,142,728	6.6%	-0.8%
B/B	12,943,786	1.1%	15,321,952	1.4%	-0.3%
Not rated	172,417,385	14.8%	109,929,129	10.1%	4.7%
Total	1,166,082,730	100.0%	1,087,727,415	100.0%	

Sava Re					
EUR	31 Dec 2019		31 Dec 2018		Change
Rated by S&P/Moody's	Amount	Composition	Amount	Composition	
AAA/Aaa	77,450,375	23.5%	77,950,080	32.3%	-8.8%
AA/Aa	49,602,621	15.0%	39,938,848	16.6%	-1.5%
A/A	64,574,675	19.6%	60,026,889	24.9%	-5.3%
BBB/Baa	44,030,503	13.4%	39,284,693	16.3%	-2.9%
BB/Ba	17,520,785	5.3%	7,375,302	3.1%	2.3%
B/B	111	0.0%	524,844	0.2%	-0.2%
Not rated	76,502,426	23.2%	16,157,741	6.7%	16.5%
Total	329,681,496	100.0%	241,258,397	100.0%	0.0%

As at 31 December 2019, fixed-income investments rated “A” or better accounted for 60.9% of the total fixed-income portfolio (31 December 2018: 68.2%). The share of the best-rated investments slightly decreased in 2019 compared with the previous year. Almost 70% of unrated investments are cash and cash equivalents. A material proportion (13%) consists of investments in unrated government bonds of non-EU Group companies and certain corporate bonds (14%).

As regards management of credit risk, the objective of the Company is to have in its investment portfolio at least 40% of investments rated “A-” or better. As at 31 December 2019, investments rated “A” or better represented 58.1% of total investments exposed to credit risk (31 December 2018:73.7%). The Company 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.

¹²⁴ Included are bonds, corporate bonds, deposits, deposits with cedants and loans granted.

¹²⁵ This includes cash and demand deposits.





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 investment portfolio of the Sava Insurance 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.

The Sava Insurance Group’s largest exposure by industry or sector was to the government (31 December 2019: 46.0%; 31 Dec 2018: 50.5%), with a notable high diversification by issuer. As at 31 December 2019, the exposure to the banking sector was EUR 290.0 million, representing 23.0% of financial investments (31 December 2018: EUR 240.9 million; 20.7%).

Sava Re’s largest exposure by industry as at 31 December 2019 was to the government (31 December 2019: 38.6%; 31 Dec 2018: 45.9%), with a notable high diversification by issuer. As at 31 December 2019, the exposure to the banking sector was EUR 105.6 million, representing 29.6% of financial investments (31 December 2018: EUR 46.8 million; 17.8%).

Diversification of financial investments by industry

Sava Insurance Group					
EUR	31 Dec 2019		31 Dec 2018		Movement (p.p.)
Industry	Amount	Composition	Amount	Composition	
Banking	290,456,482	23.0%	240,907,376	20.7%	2.3
Government	580,671,078	46.0%	587,746,852	50.5%	-4.4
Finance & insurance	89,441,681	7.1%	85,153,194	7.3%	-0.2
Industry	62,411,618	4.9%	63,494,284	5.5%	-0.5
Consumables	90,806,840	7.2%	68,992,263	5.9%	1.3
Utilities	107,453,666	8.5%	92,186,794	7.9%	0.6
Property*	20,695,133	1.6%	20,643,019	1.8%	-0.1
Infrastructure	20,159,022	1.6%	5,822,426	0.5%	1.1
Total	1,262,095,520	100.0%	1,164,946,208	100.0%	

* Including investment property and real estate funds.

Sava Re					
EUR	31 Dec 2019		31 Dec 2018		Change
Industry	Amount	Composition	Amount	Composition	
Banking	105,635,612	29.6%	46,861,912	17.8%	11.8%
Government	137,783,145	38.6%	120,829,371	45.9%	-7.3%
Finance & insurance	30,913,121	8.7%	27,646,258	10.5%	-1.8%
Industry	17,382,185	4.9%	17,858,226	6.8%	-1.9%
Consumables	28,285,343	7.9%	17,975,879	6.8%	1.1%
Utilities	21,077,102	5.9%	20,775,863	7.9%	-2.0%
Property*	9,142,714	2.6%	8,862,613	3.4%	-0.8%
Infrastructure	6,951,308	1.9%	2,418,497	0.9%	1.0%
Total	357,170,530	100.0%	263,228,619	100.0%	0.0%

* Including investment property and real estate funds.

Diversification of financial investments by region

Sava Insurance Group					
EUR	31 Dec 2019		31 Dec 2018		Movement (p.p.)
Industry	Amount	Composition	Amount	Composition	
Slovenia	241,458,491	19.1%	252,539,597	21.7%	-2.5
EU Member States	738,434,338	58.5%	663,797,032	57.0%	1.5
Non-EU members	118,268,161	9.4%	118,466,264	10.2%	-0.8
Russia and Asia	28,394,918	2.2%	19,402,310	1.7%	0.6
Africa and the Middle East	2,393,770	0.2%	2,249,205	0.2%	0.0
America and Australia	133,145,842	10.5%	108,491,799	9.3%	1.2
Total	1,262,095,520	100.0%	1,164,946,208	100.0%	

Sava Re					
EUR	31 Dec 2019		31 Dec 2018		Change
Industry	Amount	Composition	Amount	Composition	
Slovenia	91,357,864	25.6%	48,942,112	18.6%	7.0%
EU Member States	176,442,399	49.4%	141,271,311	53.7%	-4.3%
Non-EU members	9,386,198	2.6%	9,131,951	3.5%	-0.8%
Russia and Asia	18,909,621	5.3%	16,076,965	6.1%	-0.8%
Africa and the Middle East	2,393,770	0.7%	2,249,205	0.9%	-0.2%
America and Australia	58,680,678	16.4%	45,557,075	17.3%	-0.9%
Total	357,170,530	100.0%	263,228,619	100.0%	0.0%
Infrastruktura	6,951,308	1.9%	2,418,497	0.9%	1.0%
Total	357,170,530	100.0%	263,228,619	100.0%	0.0%



The Group’s largest exposure by region is to the EU member states (31 December 2019: 58.5%, 31 December 2018: 57.0%), with the exposure spread among 24 countries. This is followed by the exposure to Slovenia-based issuers (31 December 2019: 19.1%; 31 Dec 2018: 21.7%) and issuers based in the Americas and Australia (31 December 2019: 10.5%; 31 Dec 2018: 9.3%). Exposure to other regions remained more or less the same compared to year-end 2018.

Sava Re’s largest exposure is to EU Member States (31 December 2019: 49.4%, 31 December 2018: 53.7%), with the exposure spread among 22 countries. This is followed by the exposure to Slovenia-based issuers (31 December 2019: 25.6%; 31 Dec 2018: 18.6%) and issuers based in the Americas and Australia (31 December 2019: 16.4%; 31 Dec 2018: 17.3%). Exposure to other regions remained more or less the same compared to year-end 2018.

The Group’s exposure to Slovenia decreased by 2.5 p.p. in 2019. Investments in government bonds represent the largest exposure to Slovenia as in the previous year. In the total portfolio they accounted for 7.6% and decreased by 5.7 p.p. compared to the previous year.

At year-end 2019, the exposure of Sava Re to Slovenia-based issuers was EUR 91.3 million, representing 25.6% of financial investments (31 December 2018: EUR 48.9 million; 18.6%). Compared to 2018, the percentage of such investments increased by 7 p.p. The increase in the structural share is the result of an increased cash and deposit balance with banks in Slovenia.

As at 31 December 2019, the Group’s exposure to the ten largest issuers was EUR 388.4 million, representing 30.7% of financial investments (31 December 2018: EUR 403.5 million; 34.7%). The largest single issuer of securities to which the Group is exposed is the Republic of Slovenia.

As at 31 December 2019, exposure to the ten largest issuers was EUR 125.5 million, representing 36.1% of financial investments (31 December 2018: EUR 83.7 million; 31.8%). The largest single issuer of securities to which Sava Re is exposed is the United States. As at 31 December 2019, it totalled EUR 25.8 million or 7.4% of financial investments (31 December 2018: EUR 17.4 million; 6.6%).

We assess that in 2019, the Sava Insurance Group companies – by maintaining a large percentage of highly-rated investments, diversification of investments by industry and geography and reducing concentration – managed credit risk well, maintaining it on the same level as in 2018.

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.

The tables below show the receivables ageing analysis for the Group and Sava Re, including the above-mentioned receivables for reinsurers’ shares in claims.

Exposure to Slovenia by asset type

Sava Insurance Group					
EUR	31 Dec 2019		31 Dec 2018		Movement (p.p.)
Type of investment	Amount	Composition	Amount	Composition	
Deposits	28,850,601	2.3%	862,080	0.1%	2.2
Government bonds	95,904,603	7.6%	155,297,826	13.3%	-5.7
Corporate bonds	32,131,057	2.5%	23,414,814	2.0%	0.5
Shares	16,881,845	1.3%	15,075,879	1.3%	0.0
Mutual funds	2,801,690	0.2%	738,415	0.1%	0.2
Loans granted	716,415	0.1%	695,895	0.1%	0.0
Cash and cash equivalents	52,024,880	4.1%	40,608,597	3.5%	0.6
Investment property	11,904,771	0.9%	15,846,091	1.4%	-0.4
Infrastructure funds	242,630	0.0%	0	0.0%	0.0
Sum total	241,458,491	19.1%	252,539,597	21.7%	-2.5

Sava Re					
EUR	31 Dec 2019		31 Dec 2018		Change
Type of investment	Amount	Composition	Amount	Composition	
Deposits	20,742,640	5.8%	742,115	0.3%	5.5%
Government bonds	13,643,115	3.8%	18,537,101	7.0%	-3.2%
Corporate bonds	9,532,599	2.7%	6,597,544	2.5%	0.2%
Shares	9,567,833	2.7%	8,601,860	3.3%	-0.6%
Mutual funds	201,277	0.1%	0	0.0%	0.1%
Loans granted	383,308	0.1%	900,210	0.3%	-0.2%
Cash and cash equivalents	28,901,748	8.1%	5,277,548	2.0%	6.1%
Investment property	8,142,714	2.3%	8,285,733	3.1%	-0.9%
Infrastructure funds	242,630	0.1%	0	0.0%	0.1%
Sum total	91,357,864	25.6%	48,942,112	18.6%	7.0%

Receivables ageing analysis

Sava Insurance Group					
EUR 31 Dec 2019	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	48,008,577	16,131,454	1,265,869	1,017,055	66,422,955
Receivables due from insurance intermediaries	587,073	1,065,597	4,254	18,863	1,675,787
Other receivables arising out of primary insurance business	541,983	18,497	29,979	53,531	643,990
Receivables for premiums arising out of assumed reinsurance and co-insurance	47,750,312	15,513,330	2,608,379	5,339,603	71,211,624
Receivables for reinsurers' shares in claims	4,379,202	692,022	358,812	321,055	5,751,091
Other receivables from co-insurance and reinsurance	870,233	71,068	38,580	3,592	983,473
Other short-term receivables arising out of insurance business	503,612	1,109,979	234,679	618,289	2,466,559
Short-term receivables arising out of financing	1,107,957	1,423	2,474	45,685	1,157,539
Current tax assets	3,002,507	0	0	0	3,002,507
Other short-term receivables	5,205,345	805,882	23,284	63,881	6,098,392
Total	111,956,801	35,409,252	4,566,310	7,481,554	159,413,917

Sava Insurance Group					
EUR 31 Dec 2018	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	42,569,511	11,774,547	1,156,006	994,098	56,494,162
Receivables due from insurance intermediaries	757,823	1,224,927	3,781	26,859	2,013,390
Other receivables arising out of primary insurance business	192,572	215,837	59,277	64,749	532,435
Receivables for premiums arising out of assumed reinsurance and co-insurance	53,846,411	7,898,864	1,253,021	4,495,478	67,493,774
Receivables for reinsurers' shares in claims	4,248,950	586,942	46,802	309,231	5,191,925
Other receivables from co-insurance and reinsurance	504,830	139,043	0	0	643,873
Other short-term receivables arising out of insurance business	1,311,217	634,873	345,550	526,198	2,817,838
Short-term receivables arising out of financing	935,154	4,077	3,454	39,595	982,280
Current tax assets	169,727	0	0	0	169,727
Other short-term receivables	3,836,984	271,057	51,545	51,021	4,210,607
Total	108,373,179	22,750,167	2,919,436	6,507,229	140,550,011

As at 31 December 2019, the total exposure of the Group to credit risk relating to reinsurers was EUR 44.4 million (31 December 2018: EUR 32.5 million), of which EUR 38.6 million (31 December 2018: EUR 27.3 million) relate to the reinsurers' share of technical provisions and EUR 5.8 million (31 December 2018: EUR 5.2 million) to receivables

for the reinsurers' and co-insurers' shares in claims. As at 31 December 2019, the Group's total credit risk exposure relating to retrocessionaires represented 2.4% of total assets (31 December 2018: 1.9%).

Retrocession programmes are mostly placed with first-class reinsurers that have an appro-

priate rating (at least A- according to Standard & Poor's for long-term business, and at least "BBB+" for short-term business). Thus, at least 80% of credit risk exposures related to a reinsurer at the end of 2019 (2018: at least 70%) at least 70%) relate to those with a rating equal to or higher than "BBB". 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 controlling company has a credit rating. We consider such a treatment conservative, as ordinarily a controlling company takes action if a subsidiary gets into trouble.



Sava Re

EUR 31 Dec 2019	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables arising out of primary insurance business	68,810,943	12,703,421	2,632,527	5,390,869	89,537,760
Receivables for reinsurers' shares in claims	2,095,644	660,987	358,812	317,484	3,432,927
Receivables for commission	672,907	66,824	38,580	3,592	781,903
Reinsurance and co-insurance receivables	2,768,551	727,811	397,392	321,076	4,214,830
Current tax assets	2,802,044	0	0	0	2,802,044
Short-term receivables arising out of financing	13,417	0	0	26,778	40,194
Other receivables	429,020	152	0	0	429,172
Other receivables	442,436	152	0	26,778	469,366
Total	74,823,975	13,431,384	3,029,919	5,738,723	97,024,000

Sava Re

EUR 31 Dec 2018	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables arising out of primary insurance business	68,495,754	8,163,247	1,307,653	4,551,981	82,518,635
Receivables for reinsurers' shares in claims	3,541,151	482,112	46,802	305,671	4,375,735
Receivables for commission	329,924	136,620	0	0	466,544
Reinsurance and co-insurance receivables	3,871,074	618,732	46,802	305,671	4,842,279
Short-term receivables arising out of financing	13,257	2,180	1,524	22,975	39,936
Other receivables	419,404	6,265	1,736	2,045	429,449
Other receivables	432,661	8,445	3,260	25,019	469,385
Total	72,799,489	8,790,423	1,357,715	4,882,671	87,830,299

Sava Re assessed its receivables for impairment. Allowances were established for receivables that needed to be impaired. Receivables are discussed in greater detail in note 11.

The total exposure of Sava Re to retrocessionaires as at 31 December 2018 was EUR 34.6 million (31 December 2018: EUR 25.8 million). Of this, EUR 31.2 million (31 December 2017: EUR 21.4 million) relate to retroceded gross technical provisions (EUR 8.3 million to unearned premiums and EUR 22.9 million to provisions for outstanding

claims) and EUR 3.4 million (31 December 2018: EUR 4.4 million) to receivables for reinsurers' shares in claims.

The total credit risk exposure of Sava Re arising from retrocessionaires represented 4.7% of total assets in 2019 (31 December 2018: 4.3%). 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

Sava Re				
EUR	31 Dec 2019		31 Dec 2018	
Rated by S&P / AM Best	Amount	Composition	Amount	Composition
AAA/A++	11,855,809	34.3%	278,948	1.1%
AA/A+	16,878,847	48.8%	7,791,707	30.2%
A / (A or A-)	1,337,347	3.9%	13,124,406	50.8%
BBB / (B++ or B+)	34,005	0.1%	1,412,595	5.5%
Less than BBB / less than B+	657,826	1.9%	758,193	2.9%
Not rated	3,828,401	11.1%	2,447,106	9.5%
Total	34,592,235	100.0%	25,812,955	100.0%

17.6.3.2.7 Risk of failure to realise guaranteed returns

The Group is exposed to the risk of failing to achieve the guaranteed return, specifically with investment contracts and with traditional and unit-linked life insurance business.

Investment contracts

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 manages the group of long-term life-cycle funds MOJI Skladi Življenjskega Cikla, which comprise three funds: MOJ Dinamični Sklad (MY Dynamic Fund), MOJ Uravnoteženi Sklad (MY Balanced Fund), and MOJ Zajamčeni Sklad (MY Guaranteed Fund). 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. In addition, there is a risk of failing to achieve the guaranteed return associated with investment contract assets and liabilities for the long-term business fund with a guaranteed return (MGF).

The members of the supplementary pension insurance scheme thus bear the entire 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. Liabilities relating to MGF comprise paid in premiums, guaranteed return and amounts in excess of the guaranteed return, provided the company achieved it. 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.

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. We assess that the risk of having to contribute funds in order to deliver the guaranteed return is low and did not change compared to 2018.

The value of fund assets of the North Macedonian pension company Sava Penzisko Društvo (two funds, mandatory and voluntary) is not included in the statement of financial position of the company as these are funds under management (similar treatment as for fund management companies). The role of the North Macedonian pension company is solely to manage the assets; the funds have no guaranteed return. Consequently, the company is not exposed to the risk to which investment contracts are exposed, i.e. failure to realise the guaranteed return.

Traditional and unit-linked life insurance contracts

With regard to its traditional life insurance and unit-linked life insurance business with a guaranteed unit value (value of a unit of the fund), the Group is exposed to the risk of failure to realise the guaranteed return.Taking into account the realised book return on financial investments and the guaranteed return on the liabilities side in the period 1–12/2019, the effect of not achieving the guaranteed return totals EUR 406.6 thousand.

We assess that the risk of failure to realise guaranteed returns is moderate and only slightly increased compared to 2018.

17.6.3.2.8 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 to the concentration risk. Among its financial investments in subsidiaries and associates, the Company has one major exposure, i.e. the investment in Zavarovalnica Sava, the value of which accounts for 51.8% (2018: 56.0%) of the total value of its financial investments in subsidiaries and associates. As at 31 December 2019, Sava Re’s total exposure to the risk of financial investments in subsidiaries and associates was EUR 238.2 million (31 December 2018: EUR 220.2 million).



Sava Re manages the risk related to its financial investments in subsidiaries and associates through active management of the companies, comprising:

- a governance system (management and supervision), and clear segregation of responsibilities at all levels;
- risk management policy;

- systematic risk management with a three-lines-of-defence framework (detailed 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.

The table below shows the value of investments in subsidiaries and associates taking into account the shock.

Exposure to risk related to financial investments in subsidiaries and associates in 2019 was slightly higher than in 2018, as Group complexity increased with new acquisitions. This also explains the slight drop in the percentage of total financial investments repre-

sented by the largest exposure, to Zavarovalnica Sava, and the increase in diversification. Taking account of all the impacts we believe that the risk related to participations increased slightly, but still remained moderate due to its active management.



Assessed sensitivity of investments in subsidiaries and associates

Sava Re						
EUR	31 Dec 2019			31 Dec 2018		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Decrease in value of 10%	238,177,654	214,359,889	-23,817,765	220,219,086	198,197,177	-22,021,909
Decrease in value of 20%	238,177,654	190,542,123	-47,635,531	220,219,086	176,175,269	-44,043,817
Value decrease of the largest subsidiary of 10%	123,364,958	111,028,463	-12,336,496	123,364,959	111,028,463	-12,336,496
Decrease in value of the largest subsidiary of 20%	123,364,958	98,691,967	-24,672,992	123,364,959	98,691,967	-24,672,992



17.6.4 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 Group’s or Sava Re’s most significant risks. Nevertheless, some of them are material, particularly:

- risk associated with the computer and communication system,
- risk associated with supervision and reporting,
- risk of loss of key, expert and high-potential employees,
- risk of incorrect data input and inadequate documentation,
- risk of damage to physical assets due to natural disaster or fire,
- compliance risk (laws and regulations),
- risk of theft and fraud.

The Group and Group companies calculate their 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 to operational risk, but on an approximation calculated mainly based on consolidated premiums, provisions and expenses of the Group.

To assess operational risks in Group companies and at the Group level, qualitative assessment of the probability and financial impact within the scope of the risk register is applied, 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.

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 also been set up 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 related to 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.

We estimate that the Group’s exposure to operational risks in 2019 was moderate and remained at the same level as in 2018.

17.6.5 Strategic risks

Group companies and the Group are exposed to a variety of internal and external strategic risks that may have a negative impact on the income or capital adequacy.

The primary key strategic risks to which the Group and Sava Re were exposed in 2019 include:

- risk of inadequate development strategy,
- risk associated with strategic investments,
- political risk,
- project risk,
- risk of market and economic conditions,
- reputation risk and
- risk associated with legislative changes,

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.

Group companies’ and the Group’s strategic risks are assessed qualitatively in the risk register by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated in an EU-based Group (re)insurance company 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.

Group companies mitigate individual strategic risks mainly through preventive measures, and individual companies have in place various processes that ensure that they can properly identify, measure, monitor, manage, control and report strategic risks, thus ensuring their effective management. 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 its reputation is important in realising its business goals and in order to achieve its strategic plans in the long term. Group companies have taken steps aimed at mitigating 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 responses in the case such risks materialise. Toward ensuring the Group’s good reputation, each and every employee is responsible for improving the quality of services delivered and overall customer satisfaction.

We estimate that the Group’s exposure to strategic risks in 2019 was moderate and remained at the same level as in 2018.

17.7 Notes to the financial statements – statement of financial position

1) Intangible assets

Movement in cost and accumulated amortisation / impairment losses of intangible assets

Sava Insurance Group

EUR	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
31 Dec 2018	12,558,445	29,006,121	35,953	4,223,022	15,430,893	61,254,434
Additions – acquisition of subsidiary	192,602	20,184,085	0	0	2,499,119	22,875,806
Reclassification	0	-10,043,573	0	0	10,043,573	0
Additions	2,876,105	0	0	0	357,571	3,233,676
Reversal	-305,879	0	-35,953	-67,191	0	-409,023
Exchange differences	12,955	0	0	0	24,550	37,505
31 Dec 2019	15,334,228	39,146,633	0	4,155,831	28,355,706	86,992,398
Accumulated amortisation and impairment losses						
31 Dec 2018	9,133,316	0	0	0	15,000,000	24,133,316
Additions	1,263,121	0	0	0	792,727	2,055,848
Disposals	-268,832	0	0	0	0	-268,832
Exchange differences	11,260	0	0	0	737	11,997
31 Dec 2019	10,138,865	0	0	0	15,793,464	25,932,329
Carrying amount as at 31 Dec 2018	3,425,129	29,006,121	35,953	4,223,022	430,893	37,121,119
Carrying amount as at 31 Dec 2019	5,195,363	39,146,633	0	4,155,831	12,562,242	61,060,069

Sava Insurance Group

EUR	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
31 Dec 2017	11,062,977	14,548,585	0	3,883,806	15,292,194	44,787,562
Additions – acquisition of subsidiary	43,682	14,552,443	0	0	0	14,596,125
Additions	1,494,480	0	35,953	339,216	314,354	2,184,003
Reversal	-30,084	0	0	0	-175,654	-205,738
Impairments	0	-94,907	0	0	0	-94,907
Exchange differences	-12,610	0	0	0	-1	-12,611
31 Dec 2018	12,558,445	29,006,121	35,953	4,223,022	15,430,893	61,254,434
Accumulated amortisation and impairment losses						
31 Dec 2017	8,074,618	0	0	0	14,000,000	22,074,618
Additions	1,091,421	0	0	0	1,000,000	2,091,421
Disposals	-20,899	0	0	0	0	-20,899
Exchange differences	-11,824	0	0	0	0	-11,824
31 Dec 2018	9,133,316	0	0	0	15,000,000	24,133,316
Carrying amount as at 31 Dec 2017	2,988,359	14,548,585	0	3,883,806	1,292,194	22,712,945
Carrying amount as at 31 Dec 2018	3,425,129	29,006,121	35,953	4,223,022	430,893	37,121,118

Sava Re			
EUR	Software	Other intangible assets	Total
Cost			
31 Dec 2018	1,953,966	33,919	1,987,885
Additions	691,749	2,114	693,863
Reversal	-54,166	0	-54,166
31 Dec 2019	2,591,548	36,033	2,627,582
Accumulated amortisation and impairment losses			
31 Dec 2018	1,095,161	0	1,095,161
Additions	265,353	0	265,353
Reversal	-27,042	0	-27,042
31 Dec 2019	1,333,472	0	1,333,472
Carrying amount as at 31 Dec 2018	858,805	33,919	892,724
Carrying amount as at 31 Dec 2019	1,258,077	36,033	1,294,110

Sava Re			
EUR	Software	Other intangible assets	Total
Cost			
31 Dec 2017	1,627,512	30,643	1,658,155
Additions	330,796	3,276	334,072
Reversal	-4,342	0	-4,342
31 Dec 2018	1,953,966	33,919	1,987,885
Accumulated amortisation and impairment losses			
31 Dec 2017	851,144	0	851,144
Additions	246,019	0	246,019
Reversal	-2,002	0	-2,002
31 Dec 2018	1,095,161	0	1,095,161
Carrying amount as at 31 Dec 2017	776,368	30,643	807,013
Carrying amount as at 31 Dec 2018	858,805	33,919	892,724

In 2019, the Group acquired three companies (Ergo Životno Osiguranje, Ergo Osiguranje and Sava Infond). In December 2019, Ergo Životno Osiguranje and Ergo Osiguranje were transformed into a limited liability company (SŽO Poslovno Savjetovanje and SO Poslovno Savjetovanje), having previously transferred the portfolio of insurance contracts to the Croatia-based branch office of Zavarovalnica Sava.

The increase in goodwill arises out of the acquisition of Sava Infond. Goodwill arisen on the acquisition of Sava Penzisko was partly allocated to a customer list based on the list’s estimated value, which increased the balance of other intangible assets.

The Group’s other intangible assets in 2019 mostly comprise the assessed value of this customer list.

Movement in goodwill

Goodwill relates to the acquisition of the following companies: Sava Neživotno Osiguranje (Serbia), Sava Osiguranje (Montenegro), Zavarovalnica Sava, Sava Agent, Sava Pokojninska, TBS Team 24, Sava Penzisko Društvo and Sava Infond. As at year-end 2019, goodwill totalled EUR 39.1 million (31 December 2018: EUR 29.0 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 2019

Sava Insurance Group	
EUR	
Total amount carried forward as at 31 Dec 2018	29,006,121
Additions in current year	20,184,085
Sava Infond	20,184,085
Disposals in current year	-10,043,573
Sava Penzisko Društvo	-10,043,573
Balance as at 31 Dec 2019	39,146,633
Sava Neživotno Osiguranje (Serbia)	4,565,229
Sava Osiguranje (Montenegro)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Sava Pokojninska	1,529,820
TBS Team 24	2,787,676
Sava Penzisko Društvo	1,666,839
Sava Infond	20,184,085





The decrease in goodwill arising out of Sava Penzisko Društvo relates to a reclassification to other intangible assets, as discussed

in section 17.2 “Business combinations and overview of Group companies”.

The discount rate is made up of the following:

- The risk-free rate of return is based on the 5-year average of yield to maturity of 10-year European government bonds.
- The equity risk premium has been taken from the publication of KPMG Netherlands “Equity market risk premium”, Research Summary, November 2019.
- Tax rates included in the discount rate calculation are the applicable tax rates in individual countries where companies operate.
- Beta has been taken from the Damodaran database.
- Country risk premiums have been taken from the Damodaran database.

Premium growth and profitability are planned for insurance companies since insurance penetration is relatively low in both Serbia and Montenegro. 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.

The profitability of pension companies is expected to grow. It is expected to be driven by increased contributions to pension funds as a result of demographic trends, at relatively fixed operating costs.

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. Subsidiaries have been valued using a long-term growth rate (g) ranging from 0.3% to 2.0% to calculate the residual value. For Slovenia-based companies this growth rate is based on the average risk-free rate of return totalling 0.3%; for other markets it totals 2.0% and is based on the expected industry growth in the long-term period.

Movement in goodwill in 2018

Sava Insurance Group	
EUR	
Total amount carried forward as at 31 Dec 2017	14,548,585
Additions in current year	14,552,443
TBS Team 24	2,787,676
Sava Neživotno Osiguranje (Serbia)*	54,356
Sava Penzisko Društvo	11,710,411
Disposals in current year	-94,907
Sava Osiguruvanje (North Macedonia)	-94,907
Balance as at 31 Dec 2018	29,006,121
Sava Neživotno Osiguranje (Serbia)	4,565,229
Sava Osiguranje (Montenegro)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Sava Pokojninska	1,529,820
TBS Team 24	2,787,676
Sava Penzisko Društvo	11,710,411

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, using the capital asset pricing model (CAPM). It is based on the interest rate on risk-free securities, equity premium, and insurance business prospects applying the beta factor. Added is a country risk premium and a size premium.

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. For insurance and pension companies, it is additionally assessed whether the capital required for an insurance company to operate under local regulations would be fully engaged.

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.

Sensitivity analysis

The tables below show the difference between the estimated recoverable amount and the carrying amount under different scenarios of long-term growth rates, discount rates and annual achievement of planned profit over all projection horizons.

Assumptions used in goodwill impairment testing in 2019

	Sava Neživotno Osiguranje (Serbia)	Sava Osiguranje (Montenegro)	Sava Penzisko	Sava Pokojninska	Sava Infond	TBS Team 24
Discount rate (%)	10.0	10.9	9.9	7.9	8.3	9.2
Long-term growth rate (%)	2.0	2.0	2.0	0.3	0.3	0.3
Expected average growth in revenue in the next 5 years (%)	4.9	1.7	7.9	5.5	6.6	1.7
Expected average annual net profit in the next 5 years (EUR million)	1.4	1.1	1.7	0.5	2.8	0.9

* Revenue = net premiums earned for both insurance companies, operating revenue for other companies.

Difference between estimated recoverable amount and carrying amount under different scenarios of long-term growth rate

EUR million	Sava Neživotno Osiguranje (Serbia)	Sava Osiguranje (Montenegro)	Sava Penzisko
Scenario: Long-term growth rate - 1 p.p. (- 100 bp)	9.1	5.8	16.7
Basic scenario or valuation	10.3	6.5	19.7
Scenario: Long-term growth rate + 1 p.p. (+ 100 bp)	11.9	7.4	23.6

* No sensitivity analysis of the long-term growth rate has been presented for the Slovenian companies because it stands at only 0.3%, and it is, hence, not meaningful to variate this assumption.

Difference between estimated recoverable amount and carrying amount under different scenarios of discount rate

EUR million	Sava Neživotno Osiguranje (Serbia)	Sava Osiguranje (Montenegro)	Sava Penzisko	Sava Pokojninska	Sava Infond	TBS Team 24
Scenario: Discount rate + 1 p.p. (+ 100 bp)	7.9	4.9	14.0	-0.3	8.7	3.2
Basic scenario or valuation	10.3	6.5	19.7	0.9	13.0	3.9
Scenario: Discount rate - 1 p.p. (- 100 bp)	13.5	8.5	27.1	2.4	18.5	4.9

* Profit = net profit for both insurance companies and both pension companies, and EBITDA for other companies.

Difference between estimated recoverable amount and carrying amount under different scenarios of achievement of planned profit

EUR million	Sava Neživotno Osiguranje (Serbia)	Sava Osiguranje (Montenegro)	Sava Penzisko	Sava Pokojninska	Sava Infond	TBS Team 24
Scenario: Profit* - 10%	8.0	5.0	15.4	-0.3	9.0	3.1
Basic scenario or valuation	10.3	6.5	19.7	0.9	13.0	3.9
Scenario: Profit* + 10%	12.6	8.0	24.0	2.0	17.0	4.8

* Profit = net profit for both insurance companies and both pension companies, and EBITDA for other companies.



2) Property and equipment

Movement in cost and accumulated depreciation / impairment losses of property and equipment assets

Sava Insurance Group					
EUR	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
31 Dec 2018	7,627,769	48,032,080	24,129,396	317,972	80,107,218
Additions – acquisition of subsidiary	54,194	97,754	342,977	0	494,925
Additions	104,103	3,440,313	4,303,338	5,095	7,852,849
Reclassification	0	4,789,910	-4,090	0	4,785,820
Disposals	-6,645	-1,083,270	-4,677,740	-4,788	-5,772,443
Impairment	-2,145,232	-757,268	0	0	-2,902,500
Exchange differences	-3,988	37,643	17,082	880	51,617
31 Dec 2019	5,630,200	54,557,162	24,110,963	319,159	84,617,486
Accumulated depreciation and impairment losses					
31 Dec 2018	0	19,063,393	18,091,130	59,263	37,213,786
Additions	0	1,285,078	2,184,147	38,638	3,507,863
Reclassification	0	626,926	-2,217	0	624,709
Disposals	0	-447,393	-3,912,086	-4,788	-4,364,267
Exchange differences	0	12,633	7,046	5	19,684
31 Dec 2019	0	20,540,637	16,368,020	93,118	37,001,775
Carrying amount as at 31 Dec 2018	7,627,769	28,968,687	6,038,266	258,709	42,893,432
Carrying amount as at 31 Dec 2019	5,630,200	34,016,525	7,742,943	226,041	47,615,710

Sava Insurance Group					
EUR	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
31 Dec 2017	7,834,841	49,629,117	23,976,932	242,407	81,683,298
Additions – acquisition of subsidiary	0	0	52,775	106,510	159,285
Additions	134,370	226,051	2,369,932	79,466	2,809,819
Reallocations	5,811	602,629	-67,518	-32,885	508,037
Disposals	-3,931	-215,910	-2,202,870	-77,718	-2,500,429
Impairment	-346,445	-2,201,472	0	0	-2,547,917
Exchange differences	3,123	-8,335	145	192	-4,875
31 Dec 2018	7,627,769	48,032,080	24,129,396	317,972	80,107,218
Accumulated depreciation and impairment losses					
31 Dec 2017	0	17,924,007	18,243,994	77,283	36,245,284
Reclassification	0	1,285,348	1,829,177	48,064	3,162,589
Disposals	0	-28,177	-45,756	-3,220	-77,153
Impairment	0	-112,469	-1,935,825	-62,865	-2,111,159
Exchange differences	0	-5,316	-460	1	-5,775
31 Dec 2018	0	19,063,393	18,091,130	59,263	37,213,786
Carrying amount as at 31 Dec 2017	7,834,841	31,705,110	5,732,938	165,124	45,438,014
Carrying amount as at 31 Dec 2018	7,627,769	28,968,687	6,038,266	258,709	42,893,432

Sava Re

EUR	Land	Buildings	Equipment	Other property and equipment assets	Total
Cost					
31 Dec 2018	156,645	2,463,160	1,742,008	84,413	4,446,226
Additions	0	0	151,295	2,539	153,834
Disposals	0	0	-239,421	-4,766	-244,187
31 Dec 2019	156,644	2,463,160	1,653,883	82,186	4,355,873
Accumulated depreciation and impairment losses					
31 Dec 2018	0	702,698	1,040,696	48,290	1,791,685
Additions	0	33,263	206,798	1,562	241,623
Disposals	0	0	-180,279	-4,766	-185,045
31 Dec 2019	0	735,961	1,067,215	45,086	1,848,263
Carrying amount as at 31 Dec 2018	156,645	1,760,461	701,312	36,123	2,654,540
Carrying amount as at 31 Dec 2019	156,644	1,727,199	586,667	37,100	2,507,611

Sava Re

EUR	Land	Buildings	Equipment	Other property and equipment assets	Total
Cost					
31 Dec 2017	150,833	2,322,223	1,666,228	90,667	4,229,951
Additions	0	39,546	356,930	122	396,598
Disposals	0	0	-281,150	0	-281,150
Reclassification	5,811	101,391	0	-6,376	100,826
31 Dec 2018	156,645	2,463,160	1,742,008	84,413	4,446,226
Accumulated depreciation and impairment losses					
31 Dec 2017	0	643,037	1,051,937	49,333	1,744,306
Additions	0	31,486	202,237	1,293	235,017
Disposals	0	0	-213,478	0	-213,478
Reclassification	0	28,177	0	-2,336	25,841
31 Dec 2018	0	702,699	1,040,696	48,290	1,791,686
Carrying amount as at 31 Dec 2017	150,833	1,679,187	614,291	41,334	2,485,646
Carrying amount as at 31 Dec 2018	156,645	1,760,460	701,312	36,123	2,654,540

Impairment losses on land and buildings of EUR 2.9 million in 2019 relate to impairment losses recognised following the independent appraisals of property owned by the Slovenian non-life insurer and the Kosovan company.

Property, plant and equipment assets have not been acquired under finance lease contracts and are unencumbered by third-party rights.





3) Right-of-use assets

In this part, Group companies disclose information on operating leases.

Movement in cost and accumulated amortisation / impairment losses of right-of-use assets

Sava Insurance Group					
EUR	Land and buildings	Motor vehicles	Computers and IT equipment	Other	Total
As at 1 Jan 2019	8,628,596	812,882	-	4,719	9,446,198
Depreciation of right-of-use assets	-1,850,074	-293,367	-5,895	-3,398	-2,152,734
New contracts	2,344,667	314,603	54,000	20,663	2,733,932
Reversal of right-of-use assets	-53,144	0	0	0	-53,144
As at 31 Dec 2019	9,070,045	834,118	48,105	21,984	9,974,252

Sava Re			
EUR	Land and buildings	Motor vehicles	Total
As at 1 Jan 2019	148,521	15,335	163,855
Depreciation of right-of-use assets	-62,768	-3,067	-65,835
New contracts	17,380	0	17,380
As at 31 Dec 2019	103,132	12,268	115,400

The amounts recognised in the income statement related to leases are shown in the table below.

EUR	Sava Insurance Group	Sava Re
	2019	2019
Interest on lease liabilities	171,585	151
Costs associated with short-term leases	588,327	11,726
Costs associated with low value leases	1,660	-
Total	761,572	11,877

Cash flow from operating leases is shown in the table.

EUR	Sava Insurance Group	Sava Re
	2019	2019
Cash flow from leases	1,731,215	64,760

4) Deferred tax assets and liabilities

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Deferred tax assets	2,044,124	2,026,472	1,141,098	1,943,597
- Long-term financial investments	1,029,781	1,653,239	865,874	1,652,614
- Short-term operating receivables	241,122	332,345	231,234	254,487
- Provisions for jubilee benefits and severance pay (retirement)	773,221	40,888	43,990	36,497
Deferred tax liabilities	5,294,663	3,605,462	76,227	76,227
- Long-term financial investments	5,218,437	3,529,235	0	0
- Other	76,227	76,227	76,227	76,227

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Included in income statement	-89,021	-563,917	-211,355	371,319
- Long-term financial investments	-81,822	-561,237	-195,595	370,280
- Short-term operating receivables	23,254	-24,331	-23,254	-3,301
- Provisions for jubilee benefits and severance pay (retirement)	-30,452	21,651	7,494	4,339
Included in other comprehensive income	-1,782,471	1,682,167	-591,146	257,227
- Long-term financial investments	-1,769,074	1,703,734	-591,146	259,758
- Provisions for jubilee benefits and severance pay (retirement)	-13,397	-21,567	0	-2,531

Deferred tax assets are established for long-term financial investments, short-term operating receivables and provisions for jubilee benefits and termination benefits. And deferred tax liabilities are mainly established for long-term financial investments.

5) Investment property

Movement in cost and accumulated depreciation of investment property

Sava Insurance Group

EUR	Land	Buildings	Equipment	Total
Cost				
31 Dec 2018	2,482,923	19,408,916	150,203	22,042,042
Additions – acquisition of subsidiary	0	427,000	0	427,000
Additions	1,650	514,153	26,889	542,692
Reclassification	0	-4,789,910	4,090	-4,785,820
Disposals	0	-414,785	-21,087	-435,872
Impairment	-79,246	0	0	-79,246
Exchange differences	-2,639	31,176	0	28,537
31 Dec 2019	2,402,688	15,176,550	160,095	17,739,333
Accumulated depreciation and impairment losses				
31 Dec 2018	28,607	2,026,606	47,811	2,103,024
Additions	0	268,907	16,885	285,792
Reclassification	0	-626,926	2,217	-624,709
Disposals	0	0	-18,731	-18,731
Exchange differences	87	2,739	0	2,826
31 Dec 2019	28,694	1,671,326	48,182	1,748,202
Carrying amount as at 31 Dec 2018	2,454,316	18,086,311	102,392	20,643,019
Carrying amount as at 31 Dec 2019	2,373,994	14,209,225	111,913	16,695,132

Sava Insurance Group

EUR	Land	Buildings	Equipment	Total
Cost				
31 Dec 2017	2,557,131	13,922,645	0	16,479,776
Additions – acquisition of subsidiary	0	5,894,555	0	5,894,555
Additions	0	289,546	63,116	352,662
Reallocations	-5,811	-602,629	100,403	-508,037
Disposals	-70,346	-101,209	-13,316	-184,871
Exchange differences	1,949	6,008	0	7,957
31 Dec 2018	2,482,923	19,408,916	150,203	22,042,042
Accumulated depreciation				
31 Dec 2017	28,790	1,086,802	0	1,115,592
Additions – acquisition of subsidiary	0	206,949	0	219,086
Additions	0	28,177	12,137	77,153
Reclassification	0	-34,326	48,976	-47,628
Disposals	0	34,509	-13,302	34,509
Impairment	0	494	0	311
Exchange differences	-183	1,322,605	0	1,399,023
31 Dec 2018	28,607	1,086,802	47,811	1,115,592
Carrying amount as at 31 Dec 2017	2,528,341	12,835,844	0	15,364,184
Carrying amount as at 31 Dec 2018	2,454,316	18,086,311	102,392	20,643,019



Sava Re

EUR	Land	Buildings	Equipment	Total
Cost				
31 Dec 2018	1,490,790	7,012,904	68,533	8,572,227
Additions	1,650	0	1,728	3,378
Reclassification	0	0	-1,149	-1,149
31 Dec 2019	1,492,440	7,012,904	69,112	8,574,456
Accumulated depreciation and impairment losses				
31 Dec 2018	0	282,080	4,414	286,494
Additions	0	140,853	4,887	145,740
Disposals	0	0	-492	-492
31 Dec 2019	0	422,933	8,809	431,742
Carrying amount as at 31 Dec 2018	1,490,790	6,730,824	64,119	8,285,733
Carrying amount as at 31 Dec 2019	1,492,440	6,589,971	60,303	8,142,714

Sava Re

EUR	Land	Buildings	Equipment	Total
Cost				
31 Dec 2017	1,496,601	6,905,412	0	8,402,013
Additions	0	208,883	62,157	271,040
Disposals	-5,811	-101,391	6,376	-100,826
31 Dec 2018	1,490,790	7,012,904	68,533	8,572,227
Accumulated depreciation and impairment losses				
31 Dec 2017	0	171,135	0	171,135
Additions	0	139,122	2,078	141,200
Disposals	0	-28,177	2,336	-25,841
31 Dec 2018	0	282,080	4,414	286,494
Carrying amount as at 31 Dec 2017	1,496,601	6,734,277	0	8,230,878
Carrying amount as at 31 Dec 2018	1,490,790	6,730,824	64,119	8,285,733

The decrease in investment property results from the reclassification of an investment property asset owned by Sava Terra to property for own use by Zavarovalnica Sava, in the amount of EUR 4.7 million. The increase of EUR 0.7 million relates to the acquisition of Sava Infond and new recognised purchases of EUR 0.3 million.

No impairment losses on investment property were recognised in 2019.

In 2019, the Group generated income of EUR 1.3 million by leasing out its investment property (2018: EUR 1.1 million). Maintenance costs associated with investment property are either included in the rent or charged to the lessee. Costs covered by the Group in 2019 totalled EUR 88,234 (2018: EUR 201,368).

In 2019, the Company generated income of EUR 784,610 by leasing out its investment property. In 2018, such income totalled EUR 692,712 (EUR 6,506 from subsidiaries and EUR 686,207 from other companies). 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 EUR 54,393 in 2019 (2018: EUR 112,718).

The investment properties are unencumbered by any third-party rights.



6) Financial investments in subsidiaries and associates



Financial investments in subsidiaries

Sava Re

EUR	31 Dec 2018		Acquisition/ recapitalisation	Dividend paid (-)	Disposal/decrease (-)	31 Dec 2019	
	Holding	Value	Value	Value	Holding	Holding	Value
Zavarovalnica Sava	100.00%	123,364,959	0	0	0	100.00%	123,364,959
Sava Neživotno Osiguranje (Serbia)	100.00%	20,399,165	0	0	-4,255,909	100.00%	16,143,256
Illyria	100.00%	8,094,000	0	0	0	100.00%	8,094,000
Sava Osiguruvanje (North Macedonia)	92.57%	10,031,490	0	0	0	92.57%	10,031,490
Sava Osiguranje (Montenegro)	100.00%	15,373,019	0	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	0	100.00%	4,035,892
Sava Životno Osiguranje (Serbia)	100.00%	5,142,278	0	0	0	100.00%	5,142,278
Illyria Hospital	100.00%	5,996	0	0	0	100.00%	5,996
Sava Pokojninska	100.00%	8,089,939	0	0	0	100.00%	8,089,939
TBS Team 24	75.00%	2,906,504	0	0	0	75.00%	2,906,504
Sava Penzisko Društvo	100.00%	19,714,494	0	0	0	100.00%	19,714,494
Sava Terra	30.00%	747,831	0	0	-747,831	0.00%	0
Sava Infond	85.00%	0	28,642,239	-4,058,461	0	85.00%	24,583,778
Total		217,905,567	28,642,239	-4,058,461	-5,003,740		237,485,605

Sava Re

EUR	31 Dec 2017		Acquisition/ recapitalisation	Disposal/decrease (-)	31 Dec 2018	
	Holding	Value	Value	Value	Holding	Value
Zavarovalnica Sava	100.00%	123,364,959	0	0	100.00%	123,364,959
Sava Neživotno Osiguranje (Serbia)	100.00%	13,457,144	6,942,021	0	100.00%	20,399,165
Illyria	100.00%	10,318,445	0	-2,224,445	100.00%	8,094,000
Sava Osiguruvanje (North Macedonia)	92.57%	10,284,618	0	-253,128	92.57%	10,031,490
Sava Osiguranje (Montenegro)	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 (Serbia)	100.00%	6,685,245	0	-1,542,967	100.00%	5,142,278
Illyria Hospital	100.00%	1,800,317	0	-1,794,321	100.00%	5,996
Sava Pokojninska	100.00%	8,089,939	0	0	100.00%	8,089,939
TBS Team 24	0.00%	0	2,906,504	0	75.00%	2,906,504
Sava Penzisko Društvo	0.00%	0	19,714,494	0	100.00%	19,714,494
Sava Terra	0.00%	0	747,831	0	30.00%	747,831
Total		193,409,578	30,310,850	-4,020,539		217,905,567

Financial investments in associates

Sava Insurance Group

EUR	31 Dec 2018		Additions		Attributed profit or loss	31 Dec 2019		Share of voting rights (%)
	Holding	Value	Holding	Value		Holding	Value	
ZTSR	50.00%	102,560		0	-61,258	50.00%	41,302	50.00%
G2I	17.50%	360,414		172,851	6,536	17.50%	539,801	25.00%
Total		462,974		172,851	-54,721		581,104	

Sava Insurance Group

EUR	31 Dec 2017		Additions		Attributed profit or loss	31 Dec 2018		Share of voting rights (%)
	Holding	Value	Holding	Value		Holding	Value	
ZTSR	0.00%	0	50.00%	125,000	-22,440	50.00%	102,560	50.00%
G2I	0.00%	0	17.50%	394,197	-33,784	17.50%	360,414	25.00%
Total		0		519,197	-56,224		462,974	

Sava Insurance Group

EUR	31 Dec 2019	31 Dec 2018
ZTSR		
Value of assets	95,491	220,564
Liabilities	12,885	15,444
Equity	82,605	205,120
Income	48,300	0
Net profit or loss for the period	-122,518	-44,880
Part of the profit or loss attributable to the Group	-61,258	-22,440
G2I		
Value of assets	3,477,661	813,069
Liabilities	2,585,680	5,266
Equity	891,981	807,803
Income	3,045,607	121
Net profit or loss for the period	37,350	-193,050
Part of the profit or loss attributable to the Group	6,536	-33,784

In 2019, the Company increased its investments in Group companies by EUR 24.6 million (2018: EUR 30.3 million). In 2019, the Company also increased its holdings in associates by EUR 0.2 million.

It also reduced its investments in Group companies in 2019 due to capital decrease (EUR 5 million). The assumptions used in the valuation are presented in greater detail in section 17.7 “Notes to the financial statements – statement of financial position”.

7) Financial investments

Sava Insurance Group

EUR	Held-to-maturity	At FVTPL		Available-for-sale	Loans and receivables	Total
		Non derivative				
		Designated to this category				
31 Dec 2019						
Debt instruments	41,586,644	22,984,531	871,005,933	46,274,618	981,851,726	
Deposits and CDs	0	1,596,183	0	45,071,751	46,667,934	
Government bonds	39,556,443	2,764,926	497,082,775	0	539,404,144	
Corporate bonds	2,030,201	18,623,422	373,923,158	0	394,576,781	
Loans granted	0	0	0	1,202,867	1,202,867	
Equity instruments	0	3,275,847	48,498,622	0	51,774,469	
Shares	0	647,824	16,855,902	0	17,503,726	
Mutual funds	0	2,628,023	31,642,720	0	34,270,743	
Investments in infrastructure funds	0	0	20,159,022	0	20,159,022	
Investments in property funds	0	0	4,000,000	0	4,000,000	
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	7,089,021	7,089,021	
Total	41,586,644	26,260,378	943,663,578	53,363,639	1,064,874,239	

Sava Insurance Group

EUR	Held-to-maturity	At FVTPL		Available-for-sale	Loans and receivables	Total
		Non derivative				
		Designated to this category				
31 Dec 2018						
Debt instruments	77,122,037	10,884,728	833,260,563	27,267,037	948,534,365	
Deposits and CDs	0	1,589,488	0	26,150,797	27,740,285	
Government bonds	75,748,901	350,731	474,616,968	0	550,716,600	
Corporate bonds	1,373,136	8,944,509	358,643,595	0	368,961,240	
Loans granted	0	0	0	1,116,240	1,116,240	
Equity instruments	0	1,530,948	46,492,307	0	48,023,255	
Shares	0	527,569	15,148,047	0	15,675,616	
Mutual funds	0	1,003,379	31,344,260	0	32,347,639	
Investments in infrastructure funds	0	0	5,264,540	0	5,264,540	
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	6,275,310	6,275,310	
Total	77,122,037	12,415,676	885,017,410	33,542,347	1,008,097,470	



The Sava Insurance Group held 1.7% of financial investments constituting subordinated instruments for the issuer (31 December 2018: 0.8%). The total value of subordinated investments stood at EUR 18.5 million (31 December 2018: EUR 8.2 million), of which subordinated deposits comprised EUR 2.4 million (31 December 2018: EUR 2.4 million), and subordinated bonds comprised EUR 16.1 million (EUR 5.8 million).

Sava Re held 1.2% of financial investments that constitute subordinated instruments for the issuer (31 December 2018: 0.9%). The total value of subordinated investments stood at EUR 6.9 million (31 December 2018: EUR 4.2 million), of which subordinated deposits comprised EUR 2.3 million (31 December 2018: EUR 2.3 million), and subordinated bonds comprised EUR 4.6 million (31 December 2018: EUR 1.9 million).

No securities have been pledged as security by the Group companies.

Fair values of financial investments are shown in note 29.

Sava Re

EUR	Held-to-maturity	At FVTPL		Available-for-sale	Loans and receivables	Total
		Non derivative				
		Designated to this category				
31 Dec 2019						
Debt instruments	2,075,784	6,181,358	236,445,163	24,958,948	269,661,253	
Deposits and CDs	0	1,596,183	0	20,742,640	22,338,823	
Government bonds	2,075,784	64,592	135,222,926	0	137,363,302	
Corporate bonds	0	4,520,583	101,222,237	0	105,742,820	
Loans granted	0	0	0	4,216,308	4,216,308	
Equity instruments	0	521,404	10,873,608	0	11,395,012	
Shares	0	521,404	9,169,473	0	9,690,877	
Mutual funds	0	0	1,704,135	0	1,704,135	
Investments in infrastructure funds	0	0	6,951,308	0	6,951,308	
Investments in property funds	0	0	1,000,000	0	1,000,000	
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	7,089,021	7,089,021	
Total	2,075,784	6,702,761	255,270,080	32,047,969	296,096,594	

Sava Re

EUR	Held-to-maturity	At FVTPL		Available-for-sale	Loans and receivables	Total
		Non derivative				
		Designated to this category				
31 Dec 2018						
Debt instruments	2,075,425	3,517,591	214,906,431	3,832,188	224,331,635	
Deposits and CDs	0	1,589,488	0	742,115	2,331,604	
Government bonds	2,075,425	35,863	118,775,472	0	120,886,760	
Corporate bonds	0	1,892,240	96,130,959	0	98,023,199	
Loans granted	0	0	0	3,090,072	3,090,072	
Equity instruments	0	439,304	11,384,576	0	11,823,880	
Shares	0	411,709	8,309,244	0	8,720,953	
Mutual funds	0	27,595	3,075,332	0	3,102,927	
Investments in infrastructure funds	0	0	1,860,608	0	1,860,608	
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	6,275,310	6,275,310	
Total	2,075,425	3,956,895	228,151,616	10,107,498	244,291,434	

Loans of the controlling company granted to Group companies

EUR	31 Dec 2019	31 Dec 2018
Sava Neživotno Osiguranje (Serbia)	1,305,132	1,305,134
Illyria	1,560,939	650,169
Sava Životno Osiguranje (Serbia)	771,462	0
Sava Terra	0	576,880
Total	3,637,533	2,532,183



8) Assets held for the benefit of policyholders who bear the investment risk

Sava Insurance Group

EUR 31 Dec 2019	Held-to-maturity	At FVTPL		Available-for-sale	Loans and receivables	Total
		Non derivative				
		Designated to this category				
Debt instruments	6,444,636	1,823,699	71,068,660	4,000,954	83,337,949	
Deposits and CDs	0	0	0	4,000,954	4,000,954	
Government bonds	1,904,811	0	38,796,630	0	40,701,441	
Corporate bonds	4,539,825	1,823,699	32,272,030	0	38,635,554	
Equity instruments	0	126,437,769	3,384,170	0	129,821,939	
Mutual funds	0	126,437,769	3,384,170	0	129,821,939	
Total	6,444,636	128,261,469	74,452,830	4,000,954	213,159,889	

Sava Insurance Group

EUR	Held-to-maturity	At FVTPL		Available-for-sale	Total
		Non derivative			
		Designated to this category			
31 Dec 2018					
Debt instruments	9,674,440	0		58,585,875	68,260,315
Government bonds	5,110,688	0		30,667,411	35,778,099
Corporate bonds	4,563,752	0		27,918,464	32,482,216
Equity instruments	0	133,270,212		3,287,977	136,558,189
Mutual funds	0	133,270,212		3,287,977	136,558,189
Total	9,674,440	133,270,212		61,873,852	204,818,504

Sava Insurance Group

EUR	31 Dec 2019	31 Dec 2018
Held-to-maturity	6,444,636	9,674,439
At FVTPL – non-derivative – designated to this category	128,261,469	133,270,213
Available for sale	74,452,830	61,873,852
Loans and receivables	4,000,954	0
Total	213,159,889	204,818,504

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.

9) Reinsurers’ share of technical provisions

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
From unearned premiums	10,705,397	5,796,346	8,289,730	3,570,489
From provisions for claims outstanding	27,915,142	21,496,404	22,869,578	17,866,732
Total	38,620,539	27,292,750	31,159,308	21,437,221

The reinsurers’ and co-insurers’ share of technical provisions at the Group level increased by 41.5%, or EUR 11.3 million (Sava Re: increase of EUR 9.7 million). Of which EUR 4.9 million at the Group level are a result of the increase in unearned premiums (Sava Re: EUR 4.7 million), mainly as a result of new reinsurance coverage for FOS business written during the year

and therefore still have high unearned premiums at the end of the year. The reinsurers’ and co-insurers’ share of claims provisions at the Group level increased by EUR 6.4 million (Sava Re: EUR 5.0 million) on account of a large reinsurance claim made by the Slovenian railways, revaluation of annuities stemming from liability policies and the acquisition of a new company.



10) Investment contract assets and liabilities

Investment contract assets and liabilities relate to the subsidiary Sava Pokojninska. The Group had EUR 151.2 million (2018: EUR 135.6 million) of assets and EUR 151.0 million (2018: EUR 135.4 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. Further details on the risks associated with investment contracts are provided in section 17.4.14.

Investment contract assets

Sava Insurance Group		
EUR	31 Dec 2019	31 Dec 2018
Financial investments	137,803,761	115,619,693
Investment property	506,000	490,000
Receivables	13,656	8,940
Cash and cash equivalents	12,873,685	19,468,332
Total	151,197,102	135,586,965

Sava Insurance Group

EUR	Held-to-maturity	At FVTPL	Loans and receivables	Investment property	Total
		Non derivative			
		Designated to this category			
31 Dec 2019					
Debt instruments	54,622,670	61,588,756	0	0	116,211,426
Bonds	54,622,670	61,588,756	0	0	116,211,426
Equity instruments	0	21,592,335	0	0	21,592,335
Total financial investments	54,622,670	83,181,091	0	0	137,803,761
Cash and receivables	0	0	12,887,341	0	12,887,341
Investment property	0	0	0	506,000	506,000
Total investment contract assets	54,622,670	83,181,091	12,887,341	506,000	151,197,102

Sava Insurance Group

EUR	Held-to-maturity	At FVTPL	Available-for-sale	Loans and receivables	Investment property	Total
		Non derivative				
		Designated to this category				
31 Dec 2018						
Debt instruments	50,552,225	48,429,039	0	0	0	98,981,264
Bonds	50,552,225	48,429,039	0	0	0	98,981,264
Equity instruments	0	16,638,522	0	0	0	16,638,522
Total financial investments	50,552,225	65,067,561	0	0	0	115,619,786
Cash and receivables	0	0	0	19,477,179	0	19,477,179
Investment property	0	0	0	0	490,000	490,000
Total investment contract assets	50,552,225	65,067,561	0	19,477,179	490,000	135,586,965



Investment contract assets by level of the fair value hierarchy

Sava Insurance Group

EUR 31 Dec 2019	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investment contract assets measured at fair value	83,181,091	78,497,562	4,576,390	107,139	83,181,091	0
At FVTPL	83,181,091	78,497,562	4,576,390	107,139	83,181,091	0
Designated to this category	83,181,091	78,497,562	4,576,390	107,139	83,181,091	0
Debt instruments	61,588,756	57,439,136	4,042,482	107,139	61,588,756	0
Equity instruments	21,592,335	21,058,426	533,909	0	21,592,335	0
Investment contract assets not measured at fair value	67,510,011	63,787,535	13,428,334	0	77,215,870	9,705,859
Held-to-maturity assets	54,622,670	50,900,194	13,428,334	0	64,328,529	9,705,859
Debt instruments	54,622,670	50,900,194	13,428,334	0	64,328,529	9,705,859
Cash and receivables	12,887,341	12,887,341	0	0	12,887,341	0
Investment property	506,000	506,000	0	0	506,000	0
Total investment contract assets	151,197,102	142,791,097	18,004,725	107,139	160,902,961	9,705,859

Sava Insurance Group

EUR 31 Dec 2018	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investment contract assets measured at fair value	65,067,561	50,649,029	13,515,166	903,365	65,067,561	0
At FVTPL	65,067,561	50,649,029	13,515,166	903,365	65,067,561	0
Designated to this category	65,067,561	50,649,029	13,515,166	903,365	65,067,561	0
Debt instruments	48,429,039	34,401,477	13,124,196	903,365	48,429,039	0
Equity instruments	16,638,522	16,247,552	390,970	0	16,638,522	0
Investment contract assets not measured at fair value	70,029,404	34,180,466	41,799,071	0	75,979,538	5,950,133
Held-to-maturity assets	50,552,225	14,703,287	41,799,071	0	56,502,358	5,950,133
Debt instruments	50,552,225	14,703,287	41,799,071	0	56,502,358	5,950,133
Cash and receivables	19,477,179	19,477,179	0	0	19,477,179	0
Investment property	490,000	0	0	490,000	490,000	0
Total investment contract assets	135,586,965	84,829,495	55,314,237	1,393,365	141,537,098	5,950,133



Investment contract liabilities

EUR	31 Dec 2019	31 Dec 2018
Net liabilities to pension policyholders	150,522,187	134,926,064
Other liabilities	630,647	613,674
TOTAL IN BALANCE SHEET – LONG-TERM BUSINESS FUNDS OF VOLUNTARY PENSION INSURANCE	151,152,834	135,539,738
Inter-company transactions between company and life insurance liability fund	-112,191	-98,231
TOTAL IN BALANCE SHEET	151,040,643	135,441,508

Movement in investments, and income and expenses relating to investment contract assets measured at fair value – Level 3

Sava Insurance Group

EUR	Debt instruments	
	31 Dec 2019	31 Dec 2018
Opening balance	903,365	1,363,664
Additions	106,731	913,701
Maturity	-902,958	-1,374,000
Closing balance	107,138	903,365
Income	7,042	15,610

The pension company eliminates inter-company transactions of the joint balance sheet; therefore, liabilities to pension policyholders exceed investment contract liabilities. Internal transactions between the group of My-Life-cycle long-term business funds 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.

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).

The table below shows income and expenses relating to investment contracts in 2019.

Net investment income for the financial period (EUR)	Investment contracts	Annuity contracts
Finance income	8,546,295	118,972
Dividend income	105,558	0
Interest income	2,690,321	46,698
Gains on disposal of financial investments	112,729	985
Income from change in fair value	5,023,218	69,537
Other finance income	614,469	1,752
Income from investment property	65,205	0
Rental income	49,205	0
Income from change in fair value	16,000	0
Financial expenses	-86,450	-50,639
Losses on disposals	-86,374	-542
Other finance expenses	-76	-50,097
Expenses relating to investment property	-4,294	0
Expenses arising from management and renting	-4,294	0
Expenses relating to management of life insurance business fund	-1,598,388	-2,329
Asset management commission	-1,417,432	0
Expenses relating to custodian bank	-35,436	0
Other expenses charged against the life ins. liability fund under applicable rules	-145,520	-2,329
Transfer of cash from supplementary pension scheme	0	724,074
Net claims incurred	0	-245,457
Change in mathematical provision	0	-530,845
Expenses factored in policies	0	-13,777
Net profit/loss attributable to policyholders	6,922,368	0

Profit or loss realised from investment contract assets is fully recognised in investment contract liabilities.



11) Receivables

The Group’s receivables increased by EUR 18.9 million compared to year-end 2018, and the Company’s receivables went up by EUR 9.2 million.

This increase in the Group mostly stemmed from the non-life segment as a result of growth in gross premiums written, which had an effect on the total increase in this item. In the ageing analysis, the largest increase was in past due receivables up to 180 days arising out of primary insurance business.

Receivables arising out of reinsurance and co-insurance business increased by EUR 0.9 million. Current tax assets increased by EUR 2.8 million and mainly relate to Sava Re.

Receivables of the controlling company arising out of reinsurance contracts have not been specifically secured. Receivables have been tested for impairment. For all receivables that have already fallen due, allowances have been recognised relating to individual classes of similar credit risks into which receivables are classified. The Group tested material items of receivables individually. If the Company recognises receivables from and liabilities to the same entity, receivables are subject to impairment even if older than one year.

The Group’s other short-term receivables arising out of insurance business comprise recourse receivables.

Receivables by type

Sava Insurance Group

EUR	31 Dec 2019			31 Dec 2018		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	160,675,555	-23,040,976	137,634,579	147,595,873	-23,607,937	123,987,936
Receivables due from insurance intermediaries	2,640,726	-964,939	1,675,787	3,085,381	-1,071,991	2,013,390
Other receivables arising out of primary insurance business	766,506	-122,516	643,990	662,312	-129,877	532,435
Receivables arising out of primary insurance business	164,082,787	-24,128,431	139,954,356	151,343,566	-24,809,805	126,533,761
Receivables for shares in claims	5,928,753	-177,662	5,751,091	5,368,904	-176,979	5,191,925
Other receivables from co-insurance and reinsurance	983,473	0	983,473	643,873	0	643,873
Receivables arising out of reinsurance and co-insurance business	6,912,226	-177,662	6,734,564	6,012,777	-176,979	5,835,798
Current tax assets	3,002,507	0	3,002,507	169,727	0	169,727
Other short-term receivables arising out of insurance business	20,113,224	-17,646,665	2,466,559	21,724,100	-18,906,262	2,817,838
Receivables arising out of investments	2,384,139	-1,226,600	1,157,539	2,222,130	-1,239,850	982,280
Other receivables	7,351,916	-1,253,524	6,098,392	5,591,808	-1,381,201	4,210,607
Other receivables	29,849,279	-20,126,789	9,722,490	29,538,038	-21,527,313	8,010,725
Total	203,846,799	-44,432,882	159,413,917	187,064,108	-46,514,097	140,550,011

Sava Re

EUR	31 Dec 2019			31 Dec 2018		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	89,290,919	-493,707	88,797,212	82,158,702	-396,032	81,762,670
Other receivables arising out of primary insurance business	740,548	0	740,548	755,965	0	755,965
Receivables arising out of primary insurance business	90,031,467	-493,707	89,537,760	82,914,668	-396,032	82,518,635
Receivables for shares in claims	3,608,596	-175,669	3,432,927	4,550,739	-175,004	4,375,735
Other receivables arising out of co-insurance and reinsurance business	781,903	0	781,903	466,544	0	466,544
Receivables arising out of reinsurance and co-insurance business	4,390,499	-175,669	4,214,830	5,017,282	-175,004	4,842,279
Current tax assets	2,802,044	0	2,802,044	0	0	0
Receivables arising out of investments	40,282	-88	40,194	40,024	-88	39,936
Other receivables	758,898	-329,726	429,172	844,030	-414,581	429,449
Other receivables	799,180	-329,815	469,366	884,054	-414,669	469,385
Total	98,023,191	-999,191	97,024,000	88,816,005	-985,705	87,830,299



Net receivables ageing analysis

Sava Insurance Group

EUR 31 Dec 2019	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	95,758,889	31,644,784	3,874,248	6,356,658	137,634,579
Receivables due from insurance intermediaries	587,073	1,065,597	4,254	18,863	1,675,787
Other receivables arising out of primary insurance business	541,983	18,497	29,979	53,531	643,990
Receivables arising out of primary insurance business	96,887,945	32,728,878	3,908,481	6,429,052	139,954,356
Receivables for reinsurers' shares in claims	4,379,202	692,022	358,812	321,055	5,751,091
Other receivables arising out of co-insurance and reinsurance business	870,233	71,068	38,580	3,592	983,473
Receivables arising out of reinsurance and co-insurance business	5,249,435	763,090	397,392	324,647	6,734,564
Current tax assets	3,002,507	0	0	0	3,002,507
Other short-term receivables arising out of insurance business	503,612	1,109,979	234,679	618,289	2,466,559
Short-term receivables arising out of financing	1,107,957	1,423	2,474	45,685	1,157,539
Other short-term receivables	5,205,345	805,882	23,284	63,881	6,098,392
Other receivables	6,816,914	1,917,284	260,437	727,855	9,722,490
Total	111,956,801	35,409,252	4,566,310	7,481,554	159,413,917

Sava Insurance Group

EUR 31 Dec 2018	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	96,415,922	19,673,411	2,409,027	5,489,576	123,987,936
Receivables due from insurance intermediaries	757,823	1,224,927	3,781	26,859	2,013,390
Other receivables arising out of primary insurance business	192,572	215,837	59,277	64,749	532,435
Receivables arising out of primary insurance business	97,366,317	21,114,175	2,472,085	5,581,184	126,533,761
Receivables for reinsurers' shares in claims	4,248,950	586,942	46,802	309,231	5,191,925
Other receivables from co-insurance and reinsurance	504,830	139,043	0	0	643,873
Receivables arising out of reinsurance and co-insurance business	4,753,780	725,985	46,802	309,231	5,835,798
Current tax assets	169,727	0	0	0	169,727
Other short-term receivables arising out of insurance business	1,311,217	634,873	345,550	526,198	2,817,838
Short-term receivables arising out of financing	935,154	4,077	3,454	39,595	982,280
Other short-term receivables	3,836,984	271,057	51,545	51,021	4,210,607
Other receivables	6,083,355	910,007	400,549	616,814	8,010,725
Total	108,373,179	22,750,167	2,919,436	6,507,229	140,550,011



Sava Re

EUR 31 Dec 2019	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	68,158,970	12,690,262	2,608,379	5,339,600	88,797,212
Other receivables arising out of primary insurance business	651,973	13,159	24,147	51,269	740,548
Receivables arising out of primary insurance business	68,810,943	12,703,421	2,632,527	5,390,869	89,537,760
Receivables for reinsurers' shares in claims	2,095,644	660,987	358,812	317,484	3,432,927
Other receivables arising out of co-insurance and reinsurance business	672,907	66,824	38,580	3,592	781,903
Receivables arising out of reinsurance and co-insurance business	2,768,551	727,811	397,392	321,076	4,214,830
Current tax assets	2,802,044	0	0	0	2,802,044
Short-term receivables arising out of financing	13,417	0	0	26,778	40,194
Other short-term receivables	429,020	152	0	0	429,172
Other receivables	442,436	152	0	26,778	469,366
Total	74,823,975	13,431,384	3,029,919	5,738,723	97,024,000

Sava Re

EUR 31 Dec 2018	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	68,037,014	7,977,157	1,253,021	4,495,478	81,762,670
Other receivables arising out of primary insurance business	458,741	186,089	54,632	56,504	755,966
Receivables arising out of primary insurance business	68,495,754	8,163,247	1,307,653	4,551,982	82,518,636
Receivables for reinsurers' shares in claims	3,541,151	482,112	46,802	305,671	4,375,735
Other receivables arising out of co-insurance and reinsurance business	329,924	136,620	0	0	466,544
Receivables arising out of reinsurance and co-insurance business	3,871,074	618,732	46,802	305,671	4,842,279
Short-term receivables arising out of financing	13,257	2,180	24,499	0	39,936
Other short-term receivables	419,404	6,265	3,780	0	429,449
Other receivables	432,661	8,445	28,279	0	469,385
Total	72,799,489	8,790,423	1,382,734	4,857,652	87,830,299



Movement in allowance for receivables

Sava Insurance Group

EUR 31 Dec 2019	31 Dec 2018	Additions	Collection	Write-offs	Exchange differences	31 Dec 2019
Receivables due from policyholders	-23,607,937	-1,579,062	347,426	1,827,980	-29,383	-23,040,976
Receivables due from insurance intermediaries	-1,071,991	-215,333	327,199	0	-4,814	-964,939
Other receivables arising out of primary insurance business	-129,877	-7,751	15,485	0	-373	-122,516
Receivables arising out of primary insurance business	-24,809,805	-1,802,146	690,110	1,827,980	-34,570	-24,128,431
Receivables for shares in claims	-176,979	0	0	0	-683	-177,662
Receivables arising out of reinsurance and co-insurance business	-176,979	0	0	0	-683	-177,662
Other short-term receivables arising out of insurance business	-18,906,262	-33,804	79,682	1,227,666	-13,947	-17,646,665
Receivables arising out of investments	-1,239,850	0	22,185	0	-8,935	-1,226,600
Other short-term receivables	-1,381,201	-149,449	179,077	101,628	-3,579	-1,253,524
Other receivables	-21,527,313	-183,253	280,944	1,329,294	-26,461	-20,126,789
Total	-46,514,097	-1,985,399	971,054	3,157,274	-61,714	-44,432,882

Sava Insurance Group

EUR 31 Dec 2018	31 Dec 2018	Additions	Collection	Write-offs	Exchange differences	31 Dec 2019
Receivables due from policyholders	-26,763,334	-1,214,542	684,003	3,680,207	5,729	-23,607,937
Receivables due from insurance intermediaries	-897,079	-265,231	81,949	8,382	-12	-1,071,991
Other receivables arising out of primary insurance business	-132,696	-6,643	8,621	0	841	-129,877
Receivables arising out of primary insurance business	-27,793,109	-1,486,416	774,573	3,688,589	6,558	-24,809,805
Receivables for shares in claims	-176,975	0	0	0	-4	-176,979
Receivables arising out of reinsurance and co-insurance business	-176,975	0	0	0	-4	-176,979
Other short-term receivables arising out of insurance business	-20,605,169	-276,336	4,646	1,957,362	13,235	-18,906,262
Receivables arising out of investments	-1,212,006	-27,058	0	0	-786	-1,239,850
Other short-term receivables	-1,437,706	-27,429	39,970	44,708	-744	-1,381,201
Other receivables	-23,254,881	-330,823	44,616	2,002,070	11,705	-21,527,313
Total	-51,224,965	-1,817,239	819,189	5,690,659	18,259	-46,514,097



Sava Re

EUR 31 Dec 2019	31 Dec 2018	Transfer	Additions	Collection	Write-offs	Exchange differences	31 Dec 2019
Receivables due from policyholders	-396,032	0	-95,412	3,659	0	-5,922	-493,707
Receivables arising out of primary insurance business	-396,032	0	-95,412	3,659	0	-5,922	-493,707
Receivables for shares in claims	-175,004	-665	0	0	0	0	-175,669
Receivables arising out of reinsurance and co-insurance business	-175,004	-665	0	0	0	0	-175,669
Receivables arising out of investments	-88	0	0	0	0	0	-88
Other short-term receivables	-414,581	0	0	15,918	68,937	0	-329,726
Other receivables	-414,669	0	0	15,918	68,937	0	-329,814
Total	-985,705	-665	-95,412	19,576	68,937	-5,922	-999,191

Sava Re

EUR 31 Dec 2018	31 Dec 2017	Additions	Collection	Write-offs	Exchange differences	31 Dec 2019
Receivables due from policyholders	-493,637	-19,709	124,890	209	-7,786	-396,032
Receivables arising out of primary insurance business	-493,637	-19,709	124,890	209	-7,786	-396,032
Receivables for shares in claims	-175,004	0	0	0	0	-175,004
Receivables arising out of reinsurance and co-insurance business	-175,004	0	0	0	0	-175,004
Receivables arising out of investments	-88	0	0	0	0	-88
Other short-term receivables	-414,581	0	0	0	0	-414,581
Other receivables	-414,669	0	0	0	0	-414,669
Total	-1,083,309	-19,709	124,890	209	-7,786	-985,705

12) Deferred acquisition costs

This item comprises commissions invoiced but relating to the next financial year, which are deferred using the straight-line method, and for Sava Re estimated future sliding scale commissions for intra-Group reinsurance. At the Group level, deferred acquisition costs increased by EUR 3.7 million, which follows the growth of the portfolio, while in Sava Re

they decreased by EUR 1.3 million despite the growth in the business volume, which is a result of lower acquisition costs outside the Group (due to a larger share of non-proportional reinsurance business) and higher expected future commissions of Group business (on account of an improvement in the expected results of that business).

Deferred acquisition costs

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Short-term deferred acquisition costs	17,850,416	13,796,927	0	0
Short-term deferred reinsurance acquisition costs	5,650,105	5,962,307	6,554,598	7,821,932
Total	23,500,521	19,759,234	6,554,598	7,821,932



13) Other assets

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Inventories	117,664	83,160	0	0
Other short-term deferred costs (expenses) and accrued revenues	2,723,852	1,981,060	441,253	379,264
Total	2,841,516	2,064,220	441,253	379,264

The other short-term deferred costs (expenses) and accrued revenues item mainly includes prepaid costs of insurance licences, and other prepayments.

14) Cash and cash equivalents

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash in hand	18,284	23,867	0	0
Cash in bank accounts	32,260,496	25,830,801	17,931,044	5,027,911
Call and overnight deposits, and deposits of up to 3 months	61,525,251	38,802,763	35,000,177	5,623,541
Total	93,804,031	64,657,431	52,931,222	10,651,452

Cash equivalents include demand deposits and deposits with an original maturity of up to three months. The increase in cash compared to year-end 2018 is associated with

the issue of Sava Re subordinated bonds and the classification of assets under this heading into predominantly short-term investment classes.

15) Non-current assets held for sale

The amount of non-current assets held for sale rose compared to the previous year to EUR 570,858 (2018: EUR 49,890).

16) Share capital

As at 31 December 2019, the controlling company’s share capital was divided into 17,219,662 shares (the same as at 31 December 2018). 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 distribution.

Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol.

As at year-end 2019, the Company’s shareholders’ register listed 4,110 shareholders (31 December 2018: 4,073 shareholders). The Company’s shares are listed in the prime market of the Ljubljana Stock Exchange.

17) Capital reserves

A contra account of capital reserves includes the difference between market and book value of acquired non-controlling interests. The balance of capital reserves remained unchanged in 2019.

As at 31 December 2019, capital reserves of the controlling company and the Group totalled EUR 54.2 million and EUR 43.0 million, respectively. The balance of capital reserves remained unchanged in 2019.

Movement in capital reserves

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
As at 1 January	43,035,948	43,035,948	54,239,757	54,239,757
As at 31 December	43,035,948	43,035,948	54,239,757	54,239,757



18) Profit reserves

EUR	Sava Insurance Group			Sava Re		
	31 Dec 2019	31 Dec 2018	Distributable/ non-distributable	31 Dec 2019	31 Dec 2018	Distributable/ non-distributable
Legal reserves and reserves provided for by the articles of association	11,863,211	11,704,009	non-distributable	14,986,525	14,986,525	non-distributable
Reserve for own shares	24,938,709	24,938,709	non-distributable	24,938,709	24,938,709	non-distributable
Catastrophe equalisation reserve	11,225,068	11,225,068	non-distributable	10,000,000	10,000,000	non-distributable
Other profit reserves	154,143,513	135,739,128	distributable	152,893,324	134,499,629	distributable
Total	202,170,501	183,606,914		202,818,558	184,424,862	

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 when 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 the share capital from own funds;
- to regulate the dividend policy.

Under the law of certain markets where the Group is present, equalisation provisions and catastrophe equalisation provisions are treated as technical provisions. As these requirements are not IFRS-compliant, the Group carries these provisions within profit reserves. 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.

In accordance with IFRSs, the catastrophe equalisation reserve is shown under profit reserves.

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 2019, 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 by the general meeting.

19) Own shares

As at 31 December 2019, the Company held a total of 1,721,966 own shares (2018: 1,721,966) with ticker POSR (accounting for 10% less one share of the issued shares) for a value of EUR 24,938,709 (2018: EUR 24,938,709).

Own shares are a contra account of equity.

20) Fair value reserve

The fair value reserve comprises the change in fair value of available-for-sale financial assets.

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
As at 1 January	11,613,059	18,331,697	2,697,381	3,804,764
Change in fair value	11,353,956	-5,900,511	5,047,875	-1,165,440
Transfer of the negative fair value reserve to the IS due to impairment	0	-1,943,975	-1,794,321	0
Transfer from fair value reserve to the IS due to disposal	-479,329	-577,887	-142,264	-201,700
Deferred tax	-1,769,074	1,703,734	-591,146	259,758
Total fair value reserve	20,718,610	11,613,059	5,217,524	2,697,381

The table shows the net change in the fair value reserve, which is an equity component.



21) Net profit or loss and retained earnings

The net profit attributable to owners of the controlling company relating to the 2019 financial year totalled EUR 50.0 million (2018: EUR 42.8 million).

The Company’s net profit for the year 2019 totalled EUR 36.8 million (2018: EUR 41.9

million). The management and supervisory boards have already allocated part of the net profit of EUR 18.4 million to other profit reserves. The remaining part of the net result of EUR 18.4 million is recognised as net profit for the financial year in the statement of financial position.

Net earnings/loss per share

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net profit or loss for the period	50,194,588	43,011,849	36,787,392	41,867,497
Net profit or loss attributable to owners of the controlling company	49,977,170	42,790,617	0	0
Weighted average number of shares outstanding	15,497,696	15,497,696	15,497,696	15,497,696
Net earnings/loss per share	3.22	2.76	2.37	2.70

Comprehensive income per share

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Comprehensive income for the period	59,589,363	36,448,443	39,288,140	40,787,362
Comprehensive income for the owners of the controlling company	59,370,526	36,225,581	0	0
Weighted average number of shares outstanding	15,497,696	15,497,696	15,497,696	15,497,696
Comprehensive income per share	3.83	2.34	2.54	2.63

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 own shares. The weighted average number of shares outstanding in the financial period was 15,497,696 and the same as in 2018. 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 2019 increased by EUR 7.0 million from 31 December 2018. Retained earnings were strengthened by the transferred net profit for the previous year of EUR 21.8 million, but reduced by EUR 14.7 million for dividend payments and EUR 0.1 million allocated to legal reserves.

In line with the general meeting resolution dated 21 May 2019, the Company allocated EUR 14,722,811 to dividend distributions.

Statement of distributable profit/loss

Sava Re		
EUR	2019	2018
Net profit or loss for the period	38,581,712.57	41,867,496.52
- profit or loss for the year under applicable standards	38,581,712.57	41,867,496.52
Retained earnings or losses	14,517,789.06	8,306,852.00
Additions to other reserves as per resolution of the management and supervisory boards	18,393,695.57	20,933,748.26
Distributable profit to be allocated by the general meeting	34,705,806.06	29,240,600.26
- to shareholders	-	14,722,811.20
- to be carried forward to the next year	-	14,517,789.06

22) Non-controlling interests in equity

Non-controlling interests in equity

Sava Insurance Group		
EUR	31 Dec 2019	31 Dec 2018
Sava Osiguruvanje (North Macedonia)	358,287	327,694
Sava Station	7,051	23,711
TBS Team 24	137,958	198,212
Total	503,296	549,617

23) Subordinated liabilities

In October 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039, ISIN code XS2063427574 and with an early recall option for 7 November 2029.

The total issue size is EUR 75 million. Until the early recall option of the bond, the annual interest rate is fixed at 3.75% and the coupon is payable annually. If the issuer does not exercise the early recall option, the annual interest rate after the date of the early recall will be 4.683% over the three-month Euribor, with coupons payable quarterly.

The bond is admitted to trading on the regulated market of the Luxembourg Stock Exchange. As at 31 December 2019, the market price of the bond was 98.462% (market value EUR 73,846,500).

The effective interest rate on the bond issued (calculated from the early recall option) is 3.86%.

24) 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

Sava Insurance Group

EUR	31 Dec 2018	Additions	Uses and releases	Additions - acquisition of subsidiary	Exchange differences	31 Dec 2019
Gross unearned premiums	184,101,835	173,802,370	-154,541,465	4,512,575	20,082	207,895,397
Technical provisions for life insurance business	254,849,366	24,712,092	-73,030,340	6,301,254	-231,195	211,877,103
Gross provision for outstanding claims	470,057,561	240,940,407	-216,514,485	6,207,166	2,223,628	502,914,277
Gross provision for bonuses, rebates and cancellations	1,477,666	752,777	-1,020,072	25,289	-907.3	1,234,752
Other gross technical provisions	10,005,059	8,787,080	-8,828,110	63,633	3,518	10,031,180
Total	920,491,487	448,994,726	-453,934,472	17,109,917	2,015,125	933,952,709
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	210,032,637	48,053,729	-38,796,974	1,382,119	-57,813	220,613,698

Sava Insurance Group

EUR	31 Dec 2017	Additions	Uses and releases	Additions – acquisition of subsidiary	Exchange differences	31 Dec 2018
Gross unearned premiums	171,857,259	149,811,879	-138,334,761	715,562	51,896	184,101,835
Technical provisions for life insurance business	271,409,915	24,754,377	-41,320,059	0	5,133	254,849,366
Gross provision for outstanding claims	479,072,582	197,150,744	-206,554,396	674,115	-285,484	470,057,561
Gross provision for bonuses, rebates and cancellations	1,780,231	1,432,153	-1,734,446	0	-272	1,477,666
Other gross technical provisions	7,278,375	8,693,992	-6,416,885	448,977	600	10,005,059
Total	931,398,362	381,843,145	-394,360,547	1,838,654	-228,127	920,491,487
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	226,527,893	23,197,649	-39,692,905	0	0	210,032,637

Sava Re

EUR	31 Dec 2018	Additions	Uses and releases	Exchange differences	31 Dec 2019
Gross unearned premiums	47,147,505	52,441,976	-45,165,532	164,108	54,588,057
Gross provision for outstanding claims	185,988,628	86,904,882	-69,615,605	1,786,733	205,064,638
Gross provision for bonuses, rebates and cancellations	398,673	269,941	-398,672	0	269,942
Other gross technical provisions	638,272	1,415,955	-638,273	0	1,415,954
Total	234,173,078	141,032,755	-115,818,082	1,950,841	261,338,591

Sava Re

EUR	31 Dec 2017	Additions	Uses and releases	Exchange differences	31 Dec 2018
Gross unearned premiums	47,602,457	43,937,662	-44,466,232	73,618	47,147,505
Gross provision for outstanding claims	184,269,492	68,966,613	-66,986,678	-260,799	185,988,628
Gross provision for bonuses, rebates and cancellations	397,861	398,672	-397,861	0	398,673
Other gross technical provisions	369,352	638,273	-369,353	0	638,272
Total	232,639,163	113,941,220	-112,220,124	-187,180	234,173,078

The Group's gross technical provisions increased by 1.7% in 2019, with unearned premiums and claims provisions increased and mathematical provisions decreased.

- Unearned premiums grew by 12.9%, which stems from the growth in non-life gross premiums written.
- Mathematical provisions decreased by 16.1%, in line with the movement of the traditional life insurance portfolio: The lion's share of mathematical provisions relates to the mature portfolio of these policies in Slovenia, where many policies matured in 2019 (as reflected in the

amount of maturity benefit payments made on policies), resulting in lower mathematical provisions of the Slovenian portfolio. Consolidated mathematical provisions, by contrast, increased due to the acquisition of the new company as well as owing to the growing volume of pension business of Sava Pokojninska Družba.

- Claims provisions increased by 7.0% on account of major losses in the reinsurance segment, the growth in portfolios and the acquisition of a new company. The composition of gross and net provisions for outstanding claims is shown in the following table.

- The provision for bonuses, rebates and cancellations is a small part of technical provisions; it reduced in Slovenian non-life insurance.
- The provision for unexpired risks (shown under the other gross technical provisions item) increased by 0.3%, which due to the expected improvement in the profitability of the Slovenian non-life insurance portfolio lags behind the growth in unearned premiums, constituting the basis for calculating these provisions.

The provision for the benefit of life insurance policyholders who bear the investment risk increased by 5.0%, by which the increase due to the growth of the new and acquired

portfolio and the value of assets exceeded maturity payments and purchases.

Sava Re's gross technical provisions increased by 11.6 % year on year. Unearned premiums grew by 15.8%, mainly on account of high growth of the Group business. Claims provisions increased by 10.3% owing to major loss events (typhoons in Japan) and the growth in portfolios in recent years. Due to the deterioration of results in recent years, especially in ship hull business, provisions for unexpired risks have increased in the reinsurance portfolio.

Composition of the provision for outstanding claims

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net provision for claims incurred but not reported (IBNR)	232,517,209	251,725,942	52,433,572	59,276,486
Gross provision for outstanding claims	233,024,849	252,229,234	52,433,572	59,276,486
Reinsurers' share	-507,640	-503,292	0	0
Net provision for claims reported but not settled (RBNS)	224,703,049	178,188,816	129,957,316	109,011,761
Gross provision for outstanding claims	251,591,693	198,802,566	152,826,894	126,878,492
Reinsurers' share	-26,888,644	-20,613,750	-22,869,578	-17,866,732
Net provision for expected subrogation recoveries	-2,769,841	-3,003,302	-195,828	-166,350
Gross provision for outstanding claims	-2,769,841	-3,003,302	-195,828	-166,350
Reinsurers' share	0	0	0	0
Net provision for loss adjustment expenses	20,144,855	21,364,897	0	0
Gross provision for outstanding claims	20,144,855	21,364,897	0	0
Net provision for accepted co-insurance business	403,863	284,804	0	0
Gross provision for outstanding claims	922,721	664,166	0	0
Reinsurers' share	-518,858	-379,362	0	0
Total gross provision for outstanding claims	502,914,277	470,057,561	205,064,638	185,988,629
Total reinsurers' share	-27,915,142	-21,496,404	-22,869,578	-17,866,732
Net provision for outstanding claims	474,999,135	448,561,157	182,195,060	168,121,897

Calculation of the gross provision for unexpired risks by class of insurance

EUR 31 Dec 2019	Primary insurance	Reinsurance business
Personal accident	148,661	0
Health	82,839	0
Land vehicles casco	2,397,244	0
Railway rolling stock	0	13,804
Aircraft hull	19,016	20,239
Ships hull	14,035	1,331,781
Goods in transit	0	0
Fire and natural forces	3,398,245	0
Other damage to property	582,588	0
Motor liability	1,590,912	0
Aircraft liability	29,512	0
Liability for ships	0	0
General liability	69,951	0
Credit	0	0
Suretyship	0	50,130
Miscellaneous financial loss	21,196	0
Legal expenses	6,054	0
Assistance	254,970	0
Life	0	0
Unit-linked life	0	0
Total	8,615,222	1,415,955

EUR 31 Dec 2018	Primary insurance	Reinsurance business
Personal accident	172,388	0
Health	132,839	93
Land vehicles casco	2,992,501	0
Railway rolling stock	0	18,471
Aircraft hull	0	4,125
Ships hull	24,856	565,258
Goods in transit	31,988	0
Fire and natural forces	4,580,945	0
Other damage to property	433,100	0
Motor liability	697,615	0
Aircraft liability	0	0
Liability for ships	196	0
General liability	187,765	0
Credit	0	0
Suretyship	0	50,325
Miscellaneous financial loss	49,550	0
Legal expenses	0	0
Assistance	63,040	0
Life	0	0
Unit-linked life	0	0
Total	9,366,784	638,273



25) Other provisions

Among other provisions, the Group mainly discloses provisions for long-term employee benefits, which were set at year-end 2019 at EUR 7.5 million at the Group level, of which EUR 0.5 million at Sava Re (2018: EUR 7.0

million at the Group level and EUR 0.4 million at Sava Re level) as described in section 17.4.27 “Other provisions”. The increase due to current service cost, the change in past entitlements, and the acquisition of a new

company more than offset the decrease due to outflows and changes in assumptions. In accordance with the method prescribed in IAS 19, we, therefore, give a separate presentation of changes in provisions for sev-

erance 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

EUR	Sava Insurance Group			Sava Re		
	Provision for severance pay upon retirement	Provision for jubilee benefits	Total	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 1 Jan 2019	4,266,321	2,715,920	6,982,241	319,065	57,456	376,521
Interest expense (IS)	39,464	24,491	63,955	-1,116	-397	-1,514
Current service cost (IS)	367,548	272,626	640,174	42,635	17,685	60,320
Past service cost (IS)	0	58,691	58,691	0	58,691	58,691
Payout of benefits (-)	-67,330	-239,449	-306,779	-32,293	-6,326	-38,618
Actuarial losses (IS)	12,479	-35,160	-22,681	0	-7,895	-7,895
Actuarial losses (SFP)	-96,521	0	-96,521	19,396	0	19,396
Additions – acquisition of subsidiary	141,972	21,869	163,841	0	0	0
Exchange differences	867	259	1,126	0	0	0
Balance as at 31 Dec 2019	4,664,800	2,819,247	7,484,047	347,687	119,214	466,901

EUR	Sava Insurance Group			Sava Re		
	Provision for severance pay upon retirement	Provision for jubilee benefits	Total	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 1 Jan 2018	4,164,948	2,782,483	6,947,431	293,921	56,958	350,880
Interest expense (IS)	55,447	37,343	92,790	-1,119	-238	-1,357
Current service cost (IS)	302,682	201,762	504,444	37,265	7,925	45,190
Past service cost (IS)	-42,140	-55,161	-97,301	18,777	4,800	23,577
Payout of benefits (-)	-30,816	-194,467	-225,283	0	-9,197	-9,197
Actuarial losses (IS)	0	-38,144	-38,144	0	-2,793	-2,793
Actuarial losses (SFP)	-190,794	-35,850	-226,644	-29,780	0	-29,780
Additions – acquisition of subsidiary	7,021	18,231	25,252			
Exchange differences	-27	-277	-304	0	0	0
Balance as at 31 Dec 2018	4,266,321	2,715,920	6,982,241	319,065	57,456	376,521

Below we provide a sensitivity analysis of the provision for severance pay upon retirement and the provision for jubilee benefits.

Sava Insurance Group

Impact on the level of provisions (EUR)	Provision for severance pay upon retirement		Provision for jubilee benefits	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Decrease in discount rate of 1%	666,891	576,233	316,525	289,466
Increase in discount rate of 1%	-554,503	-478,993	-271,099	-247,649
Decrease in real salary growth of 0.5%	-282,802	-256,793	-126,952	-119,091
Increase in real salary growth of 0.5%	306,253	278,512	135,442	127,221
Decrease in staff turnover of 10%	156,785	134,392	79,408	71,880
Increase in staff turnover of 10 %	-148,872	-127,432	-75,968	-68,621
Decrease in mortality rate of 10%	34,490	29,429	12,502	11,553
Increase in mortality rate of 10%	-34,142	-28,851	-12,403	-11,300

Sava Re

Impact on the level of provisions (EUR)	Provision for severance pay upon retirement		Provision for jubilee benefits	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Decrease in discount rate of 1%	47,867	39,805	10,938	4,929
Increase in discount rate of 1%	-39,811	-33,208	-9,532	-4,309
Decrease in real salary growth of 0.5%	-21,674	-18,085	0	0
Increase in real salary growth of 0.5%	23,613	19,762	0	0
Decrease in staff turnover of 10%	12,967	10,203	3,209	1,418
Increase in staff turnover of 10 %	-12,351	-9,749	-3,093	-1,369
Decrease in mortality rate of 10%	2,830	2,562	302	138
Increase in mortality rate of 10%	-2,799	-2,534	-300	-138

In addition to provisions for employees, other provisions include remaining provisions of EUR 1.2 million (2018: EUR 0.7 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.

Sava Insurance Group

EUR	31 Dec 2018	Additions	Uses and releases	Additions – acquisition of subsidiary	Exchange differences	31 Dec 2019
Other provisions	748,006	633,812	-181,061	20,576	89	1,221,422
Total	748,006	633,812	-181,061	20,576	89	1,221,422

Sava Insurance Group

EUR	31 Dec 2017	Additions	Uses and releases	Exchange differences	31 Dec 2018
Other provisions	653,182	174,342	-79,539	21	748,006
Total	653,182	174,342	-79,539	21	748,006





Liabilities from operating activities in the Group increased compared to year-end 2018, mainly due to an increase in liabilities for reinsurance premiums and liabilities to insurance intermediaries.

Liabilities of the Company increased by EUR 1.9 million, mainly due to the growth in liabilities from reinsurance contracts. 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.

The Group’s current tax liabilities dropped by EUR 2.6 million year on year. This is because the advance payments of tax made by Group companies during 2018 were lower than actually assessed corporate income tax for 2018.

In 2019, most liabilities were due within one year.

26) Liabilities from operating activities

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Liabilities to policyholders	16,711,456	15,647,149	23,367,809	23,598,949
Liabilities to insurance intermediaries	5,141,808	2,774,299	0	0
Other liabilities from primary insurance business	28,503,734	25,857,066	21,006,128	20,440,180
Liabilities from primary insurance business	50,356,998	44,278,514	44,373,937	44,039,129
Liabilities for reinsurance premiums	9,138,599	4,430,348	6,712,665	3,149,282
Liabilities for shares in reinsurance claims	153,892	157,718	0	112
Other liabilities due from co-insurance and reinsurance	7,946	1,587,966	0	0
Liabilities from reinsurance and co-insurance business	9,300,437	6,176,032	6,712,665	3,149,394
Current income tax liabilities	1,633,114	4,282,055	0	1,997,157
Total	61,290,549	54,736,601	51,086,602	49,185,680

Sava Insurance Group

EUR 2019	Maturity		
	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	0	16,711,456	16,711,456
Liabilities to insurance intermediaries	3,087	5,138,721	5,141,808
Other liabilities from primary insurance business	5,009	28,498,725	28,503,734
Liabilities from primary insurance business	8,096	50,348,902	50,356,998
Liabilities for reinsurance and co-insurance premiums	2,497	9,136,102	9,138,599
Liabilities for shares in reinsurance claims	0	153,892	153,892
Other liabilities from co-insurance and reinsurance business	0	7,946	7,946
Liabilities from reinsurance and co-insurance business	2,497	9,297,940	9,300,437
Current income tax liabilities	0	1,633,114	1,633,114
Total	10,593	61,279,956	61,290,549

Sava Re

EUR 2019	Maturity	
	Up to 1 year	Total
Liabilities to policyholders	23,367,809	23,367,809
Other liabilities from primary insurance business	21,006,128	21,006,128
Liabilities from primary insurance business	44,373,937	44,373,937
Liabilities for reinsurance and co-insurance premiums	6,712,665	6,712,665
Liabilities from reinsurance and co-insurance business	6,712,665	6,712,665
Total	51,086,602	51,086,602

Sava Insurance Group

EUR 2018	Maturity		
	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	0	15,647,149	15,647,149
Liabilities to insurance intermediaries	706	2,773,593	2,774,299
Other liabilities from primary insurance business	841	25,856,225	25,857,066
Liabilities from primary insurance business	1,547	44,276,967	44,278,514
Liabilities for reinsurance and co-insurance premiums	2,490	4,427,858	4,430,348
Liabilities for shares in reinsurance claims	0	157,718	157,718
Other liabilities from co-insurance and reinsurance business	0	1,587,966	1,587,966
Liabilities from reinsurance and co-insurance business	2,490	6,173,542	6,176,032
Current tax liabilities	0	4,282,055	4,282,055
Total	4,037	54,732,564	54,736,601

Sava Re

EUR 2018	Maturity	
	Up to 1 year	Total
Liabilities to policyholders	23,598,949	23,598,949
Other liabilities from primary insurance business	20,440,180	20,440,180
Liabilities from primary insurance business	44,039,129	44,039,129
Liabilities for reinsurance and co-insurance premiums	3,149,282	3,149,282
Liabilities for shares in reinsurance claims	112	112
Liabilities from reinsurance and co-insurance business	3,149,394	3,149,394
Current income tax liabilities	1,997,157	1,997,157
Total	49,185,680	49,185,680

27) Lease liabilities

Lease liabilities were first recognised on 1 January 2019 and relate to the present value of future leases, increased by interest and decreased by rent paid.

EUR	Sava Insurance Group		Sava Re	
	1 Jan 2019	31 Dec 2019	1 Jan 2019	31 Dec 2019
Lease liability – maturity up to 1 year	2,402,110	2,613,830	65,627	71,583
Lease liability – maturity over 1 year	7,044,088	7,835,085	98,229	43,908
Total	9,446,198	10,448,915	163,855	115,491

Movement in short- and long-term lease liabilities

EUR	Sava Insurance Group		Sava Re	
	Short-term	Long-term	Short-term	Long-term
1 Jan 2019	2,402,110	7,044,088	65,627	98,229
New leases	0	2,562,347	0	17,229
Repayments	0	-1,731,215	0	-65,744
Interest attribution	0	171,585	0	151
Transfer to short-term liabilities	211,721	-211,721	5,956	-5,956
31 Dec 2019	2,613,830	7,835,085	1,583	43,908

The amounts recognised in the income statement related to leases are shown in the table below.

EUR	Sava Insurance Group	Sava Re
	2019	2019
Interest on lease liabilities	171,223	410
Costs associated with short-term leases	588,327	11,726
Costs associated with low value leases	1,660	-
Total	761,210	12,136

Cash flow from operating leases is shown in the table.

EUR	Sava Insurance Group	Sava Re
	2019	2019
Cash flow from leases	1,731,215	64,760

28) Other liabilities

Other liabilities by maturity

Sava Insurance Group		
EUR 2019	Maturity	
	Up to 1 year	Total
Other liabilities	17,488,174	17,488,174
Short-term provisions (deferred income and accrued expenses)	17,162,716	17,162,716
Total	34,650,890	34,650,890

Sava Insurance Group		
EUR 2018	Maturity	
	Up to 1 year	Total
Other liabilities	14,334,129	14,334,129
Short-term provisions (deferred income and accrued expenses)	19,232,869	19,232,869
Total	33,566,998	33,566,998

Sava Re		
EUR 2019	Maturity	
	Up to 1 year	Total
Other liabilities	1,679,658	1,679,658
Short-term provisions (deferred income and accrued expenses)	1,991,187	1,991,187
Total	3,670,845	3,670,845

Sava Re		
EUR 2018	Maturity	
	Up to 1 year	Total
Other liabilities	1,365,479	1,365,479
Short-term provisions (deferred income and accrued expenses)	1,787,432	1,787,432
Total	3,152,911	3,152,911

Other liabilities and short-term provisions (deferred income and accrued expenses are unse-cured). All liabilities were due within one year.



Other liabilities

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Short-term liabilities due to employees	3,274,790	2,805,998	518,737	478,216
Diverse other short-term liabilities for insurance business	5,592,378	3,853,572	0	0
Short-term trade liabilities	4,942,406	4,474,289	767,187	571,428
Diverse other short-term liabilities	3,639,790	3,161,322	393,734	315,835
Other long-term liabilities	38,810	38,948	0	0
Total	17,488,174	14,334,129	1,679,658	1,365,479



Change in short-term provisions

Sava Insurance Group

EUR	31 Dec 2018	Additions	Uses	Releases	Additions – acquisition of subsidiary	Exchange differences	31 Dec 2019
Short-term accrued expenses	6,877,041	14,155,346	-15,382,751	-5,505	427,715	-336	6,071,510
Deferred commissions	12,355,828	29,622,557	-31,106,432	-2,687	208,857	13,083	11,091,206
Total	19,232,869	43,777,903	-46,489,183	-8,192	636,572	12,747	17,162,716

Sava Insurance Group

EUR	31 Dec 2017	Additions	Uses	Releases	Additions – acquisition of subsidiary	Exchange differences	31 Dec 2018
Short-term accrued expenses	3,342,673	12,723,728	-9,191,952	-11	2,607	-4	6,877,041
Deferred commissions	13,803,458	35,070,046	-36,648,626	-16,376	146,119	1,207	12,355,828
Total	17,146,131	47,793,774	-45,840,578	-16,387	148,726	1,203	19,232,869

Sava Re

EUR	31 Dec 2018	Additions	Uses	31 Dec 2019
Short-term accrued expenses	1,600,638	2,835,698	-2,662,440	1,773,897
Deferred commissions	186,793	217,290	-186,793	217,290
Total	1,787,431	3,052,988	-2,849,233	1,991,186

Sava Re

EUR	31 Dec 2017	Additions	Uses	31 Dec 2018
Short-term accrued expenses	852,118	3,511,394	-2,762,873	1,600,638
Deferred commissions	186,031	186,793	-186,031	186,793
Total	1,038,149	3,698,187	-2,948,904	1,787,431

29) 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. The internal model applies the expected present value method, where bond prices are calculated based on the expected bond yield.
		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.	
Alternative funds			
			The fair value is determined based on the valuation of individual projects, using methods for discounting future cash flows.
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.

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

Sava Insurance Group

EUR 31 Dec 2019	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	969,923,955	759,148,773	165,450,052	45,325,130	969,923,955	0
At FVTPL	26,260,378	5,991,532	18,585,312	1,683,534	26,260,378	0
Designated to this category	26,260,378	5,991,532	18,585,312	1,683,534	26,260,378	0
Debt instruments	22,984,531	3,363,509	17,949,066	1,671,956	22,984,531	0
Equity instruments	3,275,847	2,628,023	636,246	11,578	3,275,847	0
Available-for-sale	943,663,577	753,157,241	146,864,740	43,641,596	943,663,577	0
Debt instruments	871,005,933	721,504,536	132,260,355	17,241,042	871,005,933	0
Equity instruments	48,498,622	31,652,705	14,604,385	2,241,532	48,498,622	0
Investments in infrastructure funds	20,159,022	0	0	20,159,022	20,159,022	0
Investments in property funds	4,000,000	0	0	4,000,000	4,000,000	0
Investments for the benefit of policyholders who bear the investment risk	202,714,299	198,183,199	4,531,100		202,714,299	0
Investments not measured at fair value	94,950,283	35,542,413	16,735,930	45,695,843	97,974,186	3,023,903
Held-to-maturity assets	41,586,644	35,542,413	9,068,134	0	44,610,547	3,023,903
Debt instruments	41,586,644	35,542,413	9,068,134	0	44,610,547	3,023,903
Loans and deposits	53,363,639	0	7,667,796	45,695,843	53,363,639	0
Deposits	45,071,751	0	0	45,071,751	45,071,751	0
Loans granted	1,202,867	0	578,775	624,092	1,202,867	0
Deposits with cedants	7,089,021	0	7,089,021	0	7,089,021	0
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	10,445,590	6,916,526		4,000,954	10,917,480	471,890
Total investments	1,064,874,239	794,691,186	182,185,982	91,020,973	1,067,898,141	3,023,903
Total investments for the benefit of life policyholders who bear the investment risk	213,159,889	205,099,725	4,531,100	4,000,954	213,631,779	471,890



Sava Insurance Group

EUR 31 Dec 2018	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	897,433,086	384,534,831	489,981,609	22,916,646	897,433,086	0
At FVTPL	12,415,676	8,832,282	1,620,187	1,963,207	12,415,676	0
Designated to this category	12,415,676	8,832,282	1,620,187	1,963,207	12,415,676	0
Debt instruments	10,884,728	7,811,997	1,109,524	1,963,207	10,884,728	0
Equity instruments	1,530,948	1,020,285	510,663	0	1,530,948	0
Available-for-sale	885,017,410	375,702,549	488,361,422	20,953,439	885,017,410	0
Debt instruments	833,260,563	344,077,414	475,895,531	13,287,618	833,260,563	0
Equity instruments	46,492,307	31,625,135	12,465,891	2,401,281	46,492,307	0
Investments in infrastructure funds	5,264,540	0	0	5,264,540	5,264,540	0
Investments for the benefit of policyholders who bear the investment risk	195,144,065	160,967,316	34,176,749	0	195,144,065	0
Investments not measured at fair value	110,664,384	4,964,218	102,974,267	7,391,550	115,330,035	4,665,651
Held-to-maturity assets	77,122,037	4,964,218	76,410,895	0	81,375,113	4,253,076
Debt instruments	77,122,037	4,964,218	76,410,895	0	81,375,113	4,253,076
Loans and deposits	33,542,347	0	26,563,372	7,391,550	33,954,922	412,575
Deposits	26,150,797	0	26,563,372	0	26,563,372	412,575
Loans granted	1,116,240	0	0	1,116,240	1,116,240	0
Deposits with cedants	6,275,310	0	0	6,275,310	6,275,310	0
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	9,674,439	4,956,927	5,302,551	0	10,259,478	585,039
Total investments	1,008,097,470	389,499,049	592,955,876	30,308,196	1,012,763,121	4,665,651
Total investments for the benefit of life policyholders who bear the investment risk	204,818,504	165,924,243	39,479,300	0	205,403,543	585,039



Sava Re

EUR 31 Dec 2019	Carrying amount	Fair value			Total fair value	Difference between FV and CA
		Level 1	Level 2	Level 3		
Investments measured at fair value	261,972,841	201,891,911	48,574,959	11,505,970	260,972,841	0
At FVTPL	6,702,761	0	5,106,578	1,596,183	6,702,761	0
Designated to this category	6,702,761	0	5,106,578	1,596,183	6,702,761	0
Debt instruments	6,181,357	0	4,585,175	1,596,183	6,181,357	0
Equity instruments	521,404	0	521,404	0	521,404	0
Available-for-sale	255,270,080	201,891,911	43,468,381	9,909,788	254,270,080	0
Debt instruments	236,445,164	200,187,776	36,038,041	219,346	236,445,164	0
Equity instruments	10,873,608	1,704,135	7,430,340	1,739,134	10,873,608	0
Investments in infrastructure funds	6,951,308	0	0	6,951,308	6,951,308	0
Investments in property funds	1,000,000	0	0	1,000,000	1,000,000	0
Investments not measured at fair value	34,123,753	2,728,792	0	32,047,969	34,776,761	653,008
Held-to-maturity assets	2,075,784	2,728,792	0	0	2,728,792	653,008
Debt instruments	2,075,784	2,728,792	0	0	2,728,792	653,008
Loans and deposits	32,047,969	0	0	32,047,969	32,047,969	0
Deposits	20,742,640	0	0	20,742,640	20,742,640	0
Loans granted	4,216,308	0	0	4,216,308	4,216,308	0
Deposits with cedants	7,089,021	0	0	7,089,021	7,089,021	0
Total investments	296,096,594	204,620,703	48,574,959	43,553,939	295,749,601	653,008

Sava Re

EUR 31 Dec 2018	Carrying amount	Fair value			Total fair value	Difference between FV and CA
		Level 1	Level 2	Level 3		
Investments measured at fair value	232,108,511	108,231,449	118,603,834	5,273,227	232,108,513	0
At FVTPL	3,956,895	1,955,698	411,709	1,589,488	3,956,895	0
Designated to this category	3,956,895	1,955,698	411,709	1,589,488	3,956,895	0
Debt instruments	3,517,591	1,928,103	0	1,589,488	3,517,591	0
Equity instruments	439,304	27,595	411,709	0	439,304	0
Available-for-sale	228,151,616	106,275,751	118,192,125	3,683,739	228,151,616	0
Debt instruments	214,906,431	103,200,419	111,618,064	87,948	214,906,431	0
Equity instruments	11,384,576	3,075,332	6,574,061	1,735,183	11,384,576	0
	1,860,608	0	0	1,860,608	1,860,608	0
Investments for the benefit of policyholders who bear the investment risk					0	0
Investments not measured at fair value	12,182,923	0	3,621,553	9,365,383	12,986,936	804,013
Held-to-maturity assets	2,075,425	0	2,729,023	0	2,729,023	653,598
Debt instruments	2,075,425	0	2,729,023	0	2,729,023	653,598
Loans and deposits	10,107,498	0	892,530	9,365,383	10,257,912	150,415
Deposits	742,115	0	892,530	0	892,530	150,415
Loans granted	3,090,072	0	0	3,090,072	3,090,072	0
Deposits with cedants	6,275,310	0	0	6,275,310	6,275,310	0
Total investments	244,291,434	108,231,449	122,225,387	14,638,609	245,095,447	804,013



Movements in investments, income and expenses measured at fair value – Level 3

Sava Insurance Group

EUR	Debt instruments		Equity instruments		Investments in property funds	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Opening balance	15,250,825	10,560,689	2,401,281	4,245,105	5,264,540	0
Additions	3,949,569	3,842,167	11,578	0	17,513,526	5,976,467
Impairment	0	0	0	-1,943,974	0	0
Disposals	-739,638	0	-163,700	0	-2,164,017	-1,048,541
Maturity	-377,000	-769,922	0	0	0	0
Revaluation to fair value	829,241	-59,545	3,951	0	-455,028	336,614
Reclassification into levels	0	1,677,436	0	100,150	0	0
Closing balance	18,912,998	15,250,825	2,253,110	2,401,281	20,159,022	5,264,540
Income	586,904	375,567	134,948	399,170	532,267	92,007
Expenses	0	0	0	1,943,974	39,190	0
Unrealised and realised gains/losses	6,626	-68,621	0	0	18,159	0

Sava Re

EUR	Debt instruments		Equity instruments		Investments in infrastructure funds		Investments in property funds	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Opening balance	1,677,436	0	1,735,183	3,579,007	1,860,608	0	0	0
Additions	0	0	0	0	5,985,456	2,054,931	1,001,949	0
Impairment	0	0	0	-1,943,974		0	0	0
Disposals	0	0	0	0	-650,386	-299,663	0	0
Revaluation to fair value	138,093	0	3,951	0	-244,371	105,340	-1,949	0
Reclassification into levels	0	1,677,436	0	100,150		0	0	0
Closing balance	1,815,529	1,677,436	1,739,134	1,735,183	6,951,308	1,860,608	1,000,000	0
Income		30,050		100,701		29,116		0
Expenses		0		1,943,974		0		0



Reclassification of assets and financial liabilities between levels

Sava Insurance Group

EUR 31 Dec 2019	Level 1	Level 2
At FVTPL	833,853	-833,853
Designated to this category	833,853	-833,853
Debt instruments	833,853	-833,853
Available for sale	349,627,073	-349,627,073
Debt instruments	349,627,073	-349,627,073
Total financial investments	350,460,926	-350,460,926

Sava Insurance Group

EUR 31 Dec 2018	Level 1	Level 2	Level 3
At FVTPL	-117,837	-1,525,721	1,643,558
Designated to this category	-117,837	-1,525,721	1,643,558
Debt instruments	-117,837	-1,525,721	1,643,558
Available-for-sale	-293,252,954	293,064,856	188,098
Debt instruments	-293,252,954	293,165,006	87,948
Equity instruments	0	-100,150	100,150
Total financial investments	-293,370,791	291,539,135	1,831,656

Sava Re

EUR 31 Dec 2019	Level 1	Level 2
Available for sale	66,420,063	-66,420,063
Debt instruments	66,420,063	-66,420,063
Total financial investments	66,420,063	-66,420,063

Sava Re

EUR 31 Dec 2018	Level 1	Level 2	Level 3
At FVTPL	0	-1,643,558	1,643,558
Designated to this category	0	-1,643,558	1,643,558
Debt instruments	0	-1,643,558	1,643,558
Available-for-sale	-54,620,465	54,432,367	188,098
Debt instruments	-54,620,465	54,532,517	87,948
Equity instruments	0	-100,150	100,150
Total financial investments	-54,620,465	52,788,809	1,831,656

The Group primarily measures its OTC debt 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 2019, level 1 investments represented 78.3% (31 December 2018: 42.8%) 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.

In the second quarter of 2019, the Group changed its approach to recognising fair values of deposits. It believes that the carrying amount of deposits is a sufficient approximation of fair value because these mainly comprise short-term investments. The changed approach to recognising fair values of deposits has resulted in the reclassification from level 2 into level 3.

In 2019, the proportion of OTC assets measured based on closing BID CBBT prices increased compared to year-end 2018. As at 31 December 2019, level 1 investments represented 77.1% (31 December 2018: 46.6%) of financial investments measured at fair value.

Quoted financial instruments that did not meet the active market criterion as at 31 December 2019, 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.

The Company changed its approach to recognising fair values of deposits. It believes that the carrying amount of deposits is a sufficient approximation of fair value because these mainly comprise short-term investments. The changed approach to recognising fair values of deposits has resulted in the reclassification from level 2 into level 3. 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 17.4.12 “Investment property”, for financial investments in subsidiaries and associates in section 17.4.13 “Financial investments in subsidiaries and associates”, and for financial investments in section 17.4.14 “Financial investments and assets held for the benefit of policyholders who bear the investment risk”.



17.8 Notes to the financial statements – income statement

30) Net premiums earned

Net earned premiums

Sava Insurance Group

EUR 2019	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	30,213,220	1,232	-50,678	-234,300	1,035	29,930,509
Health	7,075,656	3,994	-793,884	23,252	-21,111	6,287,907
Land vehicles casco	120,746,227	-114	-1,905,778	-5,807,680	173,986	113,206,641
Railway rolling stock	371,340	0	-579	-45,525	-207	325,029
Aircraft hull	396,185	0	-197,901	11,516	494	210,294
Ships hull	4,278,014	2,787,509	-2,329,709	-1,876,583	1,759,186	4,618,417
Goods in transit	3,953,798	621,896	-311,775	8,357	48,975	4,321,251
Fire and natural forces	99,339,337	832,288	-15,789,901	-1,871,546	244,336	82,754,514
Other damage to property	46,340,198	350,142	-5,600,725	-1,037,842	57,669	40,109,442
Motor liability	137,475,671	-3,770	-4,441,145	-8,637,436	2,693,069	127,086,389
Aircraft liability	261,775	0	-214,625	2,790	1,085	51,025
Liability for ships	487,444	0	-29,154	52,726	8,183	519,199
General liability	25,563,216	381,652	-2,425,223	-1,353,408	-39,261	22,126,976
Credit	965,188	0	0	2,581,041	0	3,546,229
Suretyship	341,304	0	-6,348	77,631	-461	412,126
Miscellaneous financial loss	6,464,519	42,809	-918,110	-136,348	17,151	5,470,021
Legal expenses	1,046,530	7,304	-604,438	3,007	3,343	455,746
Assistance	17,889,796	-22	-80,030	-1,104,822	-30,684	16,674,238
Life	45,167,139	-425	-306,759	72,176	10,328	44,942,459
Unit-linked life	45,124,901	204	-139,845	6,412	-49	44,991,623
Total non-life	503,209,418	5,024,920	-35,700,003	-19,345,170	4,916,788	458,105,953
Total life	90,292,040	-221	-446,604	78,588	10,279	89,934,082
Total	593,501,458	5,024,699	-36,146,607	-19,266,582	4,927,067	548,040,035



Sava Insurance Group

EUR 2018	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	28,852,852	2,475	-100,017	-445,474	-2,837	28,306,999
Health	6,964,822	266	-666,896	482,048	40,326	6,820,566
Land vehicles casco	108,228,545	0	-1,605,236	-4,759,916	59,898	101,923,291
Railway rolling stock	136,537	0	-5,281	12,454	156	143,866
Aircraft hull	834,949	0	-10,614	-64,244	-656	759,435
Ships hull	5,912,366	0	-390,432	-285,084	28,242	5,265,092
Goods in transit	6,277,836	1,156,875	-360,331	-47,126	-170,104	6,857,150
Fire and natural forces	91,683,262	930,919	-13,756,218	96,129	426,342	79,380,434
Other damage to property	41,067,719	473,656	-5,229,016	-577,516	-112,212	35,622,631
Motor liability	117,990,521	0	-956,289	-5,557,266	-67,840	111,409,126
Aircraft liability	217,590	0	-98,377	-17,722	6,338	107,829
Liability for ships	942,374	0	-15,846	5,499	7,023	939,050
General liability	21,907,694	487,775	-1,743,740	-124,706	-150,781	20,376,242
Credit	3,496,086	0	0	732,456	0	4,228,542
Suretyship	207,362	0	-1,961	-87,034	461	118,828
Miscellaneous financial loss	2,569,769	45,183	-879,672	219,528	5,303	1,960,111
Legal expenses	723,902	8,946	-609,134	20,694	25,508	169,916
Assistance	15,963,453	0	-65,958	-1,010,831	-3,361,713	11,524,951
Life	44,138,014	0	-280,091	-17,749	-4,648	43,835,526
Unit-linked life	45,077,598	193	-167,743	10,165	-97	44,920,116
Total non-life	453,977,639	3,106,095	-26,495,018	-11,408,111	-3,266,546	415,914,059
Total life	89,215,612	193	-447,834	-7,584	-4,745	88,755,642
Total	543,193,251	3,106,288	-26,942,852	-11,415,695	-3,271,291	504,669,701



Sava Re

EUR 2019	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	5,178,615	-36,585	62,185	1,289	5,205,504
Health	18,977	0	406	0	19,382
Land vehicles casco	19,087,569	-830,008	-508,909	1,318	17,749,970
Railway rolling stock	298,463	-579	-28,799	-207	268,878
Aircraft hull	97,822	-4,252	13,951	-45	107,476
Ships hull	6,402,080	-2,326,847	-1,576,699	1,759,186	4,257,720
Goods in transit	2,871,595	-193,583	13,483	7,667	2,699,163
Fire and natural forces	73,870,193	-13,327,174	-1,299,862	196,906	59,440,062
Other damage to property	22,684,648	-3,636,257	-144,611	675	18,904,455
Motor liability	20,330,396	-3,880,640	-3,975,770	2,758,082	15,232,068
Aircraft liability	79,849	-49,115	2,513	727	33,973
Liability for ships	289,633	-29,154	42,326	8,183	310,988
General liability	9,397,608	-1,061,772	-426,863	-37,050	7,871,923
Credit	279,808	0	471,030	0	750,838
Suretyship	184,661	0	-22,299	0	162,362
Miscellaneous financial loss	4,564,999	-633,623	-44,158	12,139	3,899,357
Legal expenses	9,270	0	-1,084	0	8,187
Assistance	10,617	0	0	0	10,617
Life	738,367	-278,287	-16,687	10,354	453,746
Unit-linked life	133,761	-73,431	-706	17	59,642
Total non-life	165,656,803	-26,009,590	-7,423,159	4,708,871	136,932,925
Total life	872,128	-351,718	-17,392	10,371	513,388
Total	166,528,931	-26,361,308	-7,440,552	4,719,241	137,446,312



Sava Re

EUR 2018	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	5,129,020	-41,007	-65,156	-2,837	5,020,019
Health	140,611	0	4,945	0	145,556
Land vehicles casco	18,630,923	-745,814	159,869	-2,001	18,042,977
Railway rolling stock	122,506	-2,244	13,012	156	133,430
Aircraft hull	786,247	-5,594	-62,226	-516	717,912
Ships hull	5,666,010	-387,575	-258,038	28,242	5,048,639
Goods in transit	5,296,882	-233,817	-40,219	-5,419	5,017,426
Fire and natural forces	69,954,809	-11,625,323	800,787	307,753	59,438,026
Other damage to property	19,963,622	-3,304,643	414,345	-142,082	16,931,240
Motor liability	14,868,527	-486,347	-642,927	0	13,739,254
Aircraft liability	148,068	-46,782	-12,278	5,766	94,774
Liability for ships	747,076	-15,846	-21,614	7,023	716,638
General liability	7,859,330	-586,121	-160,708	-130,108	6,982,393
Credit	925,198	0	11,095	0	936,293
Suretyship	36,241	0	-27,252	0	8,989
Miscellaneous financial loss	645,442	-571,507	348,710	-8,698	413,947
Legal expenses	-71	0	1,906	0	1,835
Assistance	17,888	0	0	0	17,888
Life	513,723	-261,563	-118,472	-475	133,213
Unit-linked life	184,166	-93,610	109,173	0	199,729
Total non-life	150,938,327	-18,052,620	464,251	57,278	133,407,236
Total life	697,889	-355,173	-9,299	-475	332,942
Total	151,636,216	-18,407,793	454,952	56,803	133,740,178

The Group’s net premiums earned increased by EUR 44.1 million, mainly due to higher gross premiums written by non-life insurers (primarily growth in FOS business written by the non-life insurer in Slovenia in cooperation with various companies within the EU Member States. This chiefly includes motor and general liability policies). As a consequence, premiums ceded to reinsurers and co-insurers, and the change in unearned premiums were also higher.

Sava Re’s net premiums earned increased by EUR 3.7 million. Gross premiums written increased by EUR 14.9 million (mainly due to higher premiums received from Zavarovalnica Sava). Gross premiums written abroad increased by EUR 1.9 million due to the growth in non-proportional business outside the Group. The balance of net unearned premiums increased compared to year-end 2018 as the result of growth in gross premiums written.



31) Income and expenses relating to investments in subsidiaries and associates

In 2019, the Company received dividends from its subsidiaries amounting to EUR 36.9 million (2018: EUR 33.6 million). In 2019, the Company incurred no expenses relating to its investments in subsidiaries (2018: EUR 4.0 million).

In the first consolidation of Sava Infond in 2019, the Group revalued the equity interest of Zavarovalnica Sava in the investee, in the amount of EUR 2.7 million.

32) Investment income and expenses

Investment income by IFRS categories

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Investment income	24,620,399	26,802,161	11,046,677	10,953,196
- of which exchange gains	5,686,491	6,416,544	5,383,830	6,112,531
- netting of exchange differences	-4,346,422	-6,416,544	-3,970,869	-6,112,531
Investment income after netting	20,273,977	20,385,617	7,075,808	4,840,665
Investment expenses	6,104,724	9,604,451	4,863,066	8,496,351
- of which exchange losses	4,346,422	6,570,768	3,970,869	6,209,052
- netting of exchange differences	-4,346,422	-6,416,544	-3,970,869	-6,112,531
Investment expenses after netting	1,758,302	3,187,907	892,197	2,383,820

EUR	Sava Insurance Group	
	2019	2018
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	32,947,853	16,867,324
- netting of unrealised and realised gains and losses	-9,669,269	-16,867,324
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk after netting	23,278,584	0
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	9,669,269	23,498,245
- netting of unrealised and realised gains and losses	-9,669,269	-16,867,324
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk after netting	0	6,630,921



Sava Insurance Group

2019 EUR	Interest income	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	Income from associate companies
Held to maturity	2,238,414	0	43,327	0	16,761	0	2,298,502	221,012	0
Debt instruments	2,238,414	0	43,327	0	16,761	0	2,298,502	221,012	0
At FVTPL	565,746	1,718,802	0	29,380	2,691	47,091	2,363,710	32,291,296	0
Designated to this category	565,746	1,718,802	0	29,380	2,691	47,091	2,363,710	32,291,296	0
Debt instruments	565,746	1,505,993	0	0	2,595	0	2,074,334	107,740	0
Equity instruments	0	212,809	0	29,380	96	42,897	285,182	32,105,217	0
Other investments	0	0	0	0	0	4,194	4,194	78,339	0
Available-for-sale	10,596,823	0	743,230	1,593,653	5,599,509	669,039	19,202,254	434,478	2,717,909
Debt instruments	10,596,823	0	675,302	0	5,599,509	669,039	17,540,673	426,125	0
Equity instruments	0	0	67,661	1,024,477	0	0	1,092,138	8,353	2,717,909
Investments in infrastructure funds	0	0	267	532,267	0	0	532,534	0	0
Investments in property funds	0	0	0	36,909	0	0	36,909	0	0
Loans and receivables	592,330	0	0	0	67,530	72,962	732,822	1,067	0
Debt instruments	579,891	0	0	0	62,670	72,962	715,523	1,067	0
Other investments	12,439	0	0	0	4,860	0	17,299	0	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	23,111	0	0	0	0	0	23,111	0	0
Total	14,016,424	1,718,802	786,557	1,623,033	5,686,491	789,092	24,620,399	32,947,853	2,717,909



Sava Insurance Group

2018 EUR	Interest income	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk
Held to maturity	3,859,397	0	0	0	24,044	0	3,883,441	341,122
Debt instruments	3,859,397	0	0	0	24,044	0	3,883,441	341,122
At FVTPL	242,059	213,683	0	28,993	3,542	65,960	554,237	16,142,187
Designated to this category	242,059	213,683	0	28,993	3,542	65,960	554,237	16,142,187
Debt instruments	242,059	149,371	0	0	2,185	1,182	394,797	59,784
Equity instruments	0	64,312	0	28,993	1,357	9,052	103,714	16,082,403
Other investments	0	0	0	0	0	55,726	55,726	0
Available-for-sale	11,599,677	0	2,251,786	1,349,374	6,178,620	9,645	21,389,102	379,562
Debt instruments	11,599,677	0	1,910,982	0	6,178,620	9,616	19,698,895	371,499
Equity instruments	0	0	340,804	1,257,367	0	0	1,598,171	8,063
Other investments	0	0	0	0	0	29	29	0
Investments in infrastructure funds	0	0	0	92,007	0	0	92,007	0
Loans and receivables	740,250	0	0	0	210,338	6,990	957,578	4,453
Debt instruments	698,974	0	0	0	93,388	6,990	799,352	4,453
Other investments	41,276	0	0	0	116,950	0	158,226	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	17,803	0	0	0	0	0	17,803	0
Total	16,459,186	213,683	2,251,786	1,378,367	6,416,544	82,595	26,802,161	16,867,324



Sava Re

2019 EUR	Interest income	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Income of subsidiaries
Held to maturity	102,859	0	0	0	0	0	102,859	0
Debt instruments	102,859	0	0	0		0	102,859	0
At FVTPL	174,080	628,375	0	22,794	0	0	825,249	0
Designated to this category	174,080	628,375	0	22,794	0	0	825,249	0
Debt instruments	174,080	497,757	0	0	0	0	671,838	0
Equity instruments	0	130,618	0	22,794	0	0	153,412	0
Available-for-sale	3,015,097	0	294,180	806,739	5,383,830	447,375	9,947,222	36,947,895
Debt instruments	3,015,097	0	289,915	0	5,383,830	447,375	9,136,217	0
Equity instruments	0	0	3,998	626,282	0	0	630,279	36,947,895
Investments in infrastructure funds	0	0	267	171,230	0	0	171,498	0
Investments in property funds	0	0	0	9,227	0	0	9,227	0
Loans and receivables	148,235	0	0	0	1	0	148,236	0
Debt instruments	141,041	0	0	0	0	0	141,041	0
Other investments	7,195	0	0	0	1	0	7,195	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	23,111	0	0	0	0	0	23,111	0
Total	3,463,383	628,375	294,180	829,533	5,383,830	447,375	11,046,677	36,947,895

Sava Re

2018 EUR	Interest income	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Income of subsidiaries
Held to maturity	102,814	0	0	0	0	0	102,814	0
Debt instruments	102,814	0	0	0	0	0	102,814	0
At FVTPL	55,329	91,554	0	21,625	906	0	169,414	0
Designated to this category	55,329	91,554	0	21,625	906	0	169,414	0
Debt instruments	55,329	40,126	0	0	0	0	95,455	0
Equity instruments	0	51,428	0	21,625	906	0	73,959	0
Available-for-sale	3,176,067	0	477,596	654,520	6,002,244	5,677	10,316,104	33,558,455
Debt instruments	3,176,067	0	375,429	0	6,002,244	5,677	9,559,416	0
Equity instruments	0	0	102,167	625,404	0	0	727,571	33,558,455
Loans and receivables	237,681	0	0	0	109,381	0	347,062	0
Debt instruments	208,885	0	0	0	0	0	208,885	0
Other investments	28,796	0	0	0	109,381	0	138,177	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	17,803	0	0	0	0	0	17,803	0
Total	3,589,693	91,554	477,596	676,145	6,112,531	5,677	10,953,196	33,558,455



Investment expenses by IFRS categories

Sava Insurance Group

2019 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Exchange losses	Other	Total	Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	Expenses relating to associates and impairment losses on goodwill
Held to maturity	0	0	0	16,637	0	16,637	0	0
Debt instruments	0	0	0	16,637	0	16,637	0	0
At FVTPL	0	626,040	0	14,200	55,523	767,647	9,667,146	0
Designated to this category	0	626,040	0	14,200	55,523	767,647	9,667,146	0
Debt instruments	0	605,428	0	14,200	46,302	665,930	23,049	0
Equity instruments	0	20,612	0	0	9,221	29,833	9,643,564	0
Other investments	0	0	0	0	71,884	71,884	533	0
Available-for-sale	0	0	242,946	4,227,370	16,386	4,486,702	2,123	54,721
Debt instruments	0	0	8,827	4,227,370	5,423	4,241,620	2,123	0
Equity instruments	0	0	177,038	0	0	177,038	0	54,721
Other investments	0	0	0	0	10,963	10,963	0	0
Investments in infrastructure funds	0	0	57,081	0	0	57,081	0	0
Loans and receivables	187,287	0	0	88,215	12,868	288,370	0	0
Debt instruments	0	0	0	77,336	12,868	90,204	0	0
Other investments	187,287	0	0	10,879	0	198,166	0	0
Subordinated liabilities	494,730	0	0	0	0	494,730	0	0
Total	682,017	626,040	242,946	4,346,422	84,777	6,054,086	9,669,269	54,721

Sava Insurance Group

2018 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	Expenses relating to associates and impairment losses on goodwill
Held to maturity	0	0	0	1	52,511	0	52,512	0	0
Debt instruments	0	0	0	1	52,511	0	52,512	0	0
At FVTPL	0	636,625	0	0	21,309	24,483	682,417	23,498,245	0
Designated to this category	0	636,625	0	0	21,309	24,483	682,417	23,498,245	0
Debt instruments	0	522,255	0	0	21,210	9,667	553,132	63,010	0
Equity instruments	0	114,370	0	0	99	14,816	129,285	23,434,229	0
Other investments	0	0	0	0	0	0	0	1,006	0
Available-for-sale	0	0	305,347	1,943,974	6,249,345	79,558	8,578,224	0	151,130
Debt instruments	0	0	167,133	0	6,248,976	79,558	6,495,667	0	0
Equity instruments	0	0	138,214	1,943,974	369	0	2,082,557	0	151,130
Loans and receivables	28,445	0	0	0	247,603	15,250	291,298	0	0
Debt instruments	0	0	0	0	44,070	15,250	59,320	0	0
Other investments	28,445	0	0	0	203,533	0	231,978	0	0
Total	28,445	636,625	305,347	1,943,975	6,570,768	119,291	9,604,451	23,498,245	151,130



Sava Re

2019 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Exchange losses	Other	Total
At FVTPL	0	254,868	0	0	0	254,868
Designated to this category	0	254,868	0	0	0	254,868
Debt instruments	0	234,923	0	0	0	234,923
Equity instruments	0	19,944	0	0	0	19,944
Available-for-sale	0	0	140,187	3,970,847	0	4,111,034
Debt instruments	0	0	7,504	3,970,847	0	3,978,351
Equity instruments	0	0	114,792	0	0	114,792
Investments in infrastructure funds	0	0	17,891	0	0	17,891
Loans and receivables	426	0	0	22	1,985	2,433
Debt instruments	0	0	0	0	1,985	1,985
Other investments	426	0	0	22	0	448
Subordinated liabilities	494,730	0	0	0	0	494,730
Total	495,157	254,868	140,187	3,970,869	1,985	4,863,066

Sava Re

2018 EUR	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Total	Expenses relating to subsidiaries
At FVTPL	217,937	0	0	0	217,937	0
Designated to this category	217,937	0	0	0	217,937	0
Debt instruments	167,542	0	0	0	167,542	0
Equity instruments	50,395	0	0	0	50,395	0
Available-for-sale	0	125,388	1,943,974	6,021,753	8,091,114	4,020,539
Debt instruments	0	83,900	0	6,021,383	6,105,283	0
Equity instruments	0	41,488	1,943,974	369	1,985,831	4,020,539
Loans and receivables	0	0	0	187,299	187,299	0
Other investments	0	0	0	187,299	187,299	0
Total	217,937	125,388	1,943,974	6,209,052	8,496,351	4,020,539



Net investment income

Sava Insurance Group

2019 EUR	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Foreign exchange gains/losses	Other income/ expenses	Total	Net unrealised and realised gains/losses on investments of life insurance policyholders who bear the investment risk	Income/expenses relating to associates and impairment losses on goodwill
Held to maturity	2,238,414	0	43,327	0	124	0	2,281,865	221,012	0
Debt instruments	2,238,414	0	43,327	0	124	0	2,281,865	221,012	0
At FVTPL	565,746	1,092,762	0	29,380	-11,509	-80,316	1,596,063	22,624,150	0
Designated to this category	565,746	1,092,762	0	29,380	-11,509	-80,316	1,596,063	22,624,150	0
Debt instruments	565,746	900,565	0	0	-11,605	-46,302	1,408,404	84,691	0
Equity instruments	0	192,197	0	29,380	96	33,676	255,349	22,461,653	0
Other investments	0	0	0	0	0	-67,690	-67,690	77,806	0
Available-for-sale	10,596,823	0	500,284	1,593,653	1,372,139	652,653	14,715,552	432,355	2,663,188
Debt instruments	10,596,823	0	666,475	0	1,372,139	663,616	13,299,053	424,002	0
Equity instruments	0	0	-109,377	1,024,477	0	0	915,100	8,353	2,663,188
Other investments	0	0	0	0	0	-10,963	-10,963	0	0
Investments in infrastructure funds	0	0	-56,814	532,267	0	0	475,453	0	0
Investments in property funds	0	0	0	36,909	0	0	36,909	0	0
Loans and receivables	405,043	0	0	0	-20,685	60,094	444,452	1,067	0
Debt instruments	579,891	0	0	0	-14,666	60,094	625,319	1,067	0
Other investments	-174,848	0	0	0	-6,019	0	-180,867	0	0
Deposits with cedants	23,111	0	0	0	0	0	23,111	0	0
Subordinated liabilities	-494,730	0	0	0	0	0	-494,730	0	0
Total	13,334,407	1,092,762	543,611	1,623,033	1,340,069	632,431	18,566,313	23,278,584	2,663,188



Sava Insurance Group

2018 EUR	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL 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	Net unrealised and realised gains/losses on investments of life insurance policyholders who bear the investment risk	Income/expenses relating to associates and impairment losses on goodwill
Held to maturity	3,859,397	0	0	0	-1	-28,467	0	3,830,929	341,122	0
Debt instruments	3,859,397	0	0	0	-1	-28,467	0	3,830,929	341,122	0
At FVTPL	242,059	-422,942	0	28,993	0	-17,767	41,477	-128,180	-7,356,058	0
Designated to this category	242,059	-422,942	0	28,993	0	-17,767	41,477	-128,180	-7,356,058	0
Debt instruments	242,059	-372,884	0	0	0	-19,025	-8,485	-158,335	-3,226	0
Equity instruments	0	-50,058	0	28,993	0	1,258	-5,764	-25,571	-7,351,826	0
Other investments	0	0	0	0	0	0	55,726	55,726	-1,006	0
Available-for-sale	11,599,677	0	1,946,439	1,349,374	-1,943,974	-70,725	-69,913	12,810,878	379,562	-151,130
Debt instruments	11,599,677	0	1,743,849	0	0	-70,356	-69,942	13,203,228	371,499	0
Equity instruments	0	0	202,590	1,257,367	-1,943,974	-369	0	-484,386	8,063	-151,130
Other investments	0	0	0	0	0	0	29	29	0	0
Investments in infrastructure funds	0	0	0	92,007	0	0	0	92,007	0	0
Loans and receivables	711,805	0	0	0	0	-37,265	-8,260	666,280	4,453	0
Debt instruments	698,974	0	0	0	0	49,318	-8,260	740,032	4,453	0
Other investments	12,831	0	0	0	0	-86,583	0	-73,752	0	0
Deposits with cedants	17,803	0	0	0	0	0	0	17,803	0	0
Total	16,430,741	-422,942	1,946,439	1,378,367	-1,943,975	-154,224	-36,696	17,197,710	-6,630,921	-151,130



Sava Re

2019 EUR	Interest income/expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Foreign exchange gains/ losses	Other income/expenses	Total	Income/expenses relating to subsidiaries
Held to maturity	102,859	0	0	0	0	0	102,859	0
Debt instruments	102,859	0	0	0	0	0	102,859	0
At FVTPL	174,080	373,508	0	22,794	0	0	570,382	0
Designated to this category	174,080	373,508	0	22,794	0	0	570,382	0
Debt instruments	174,080	262,834	0	0	0	0	436,914	0
Equity instruments	0	110,674	0	22,794	0	0	133,467	0
Available-for-sale	3,015,097	0	153,993	806,739	1,412,982	447,375	5,836,188	36,947,895
Debt instruments	3,015,097	0	282,411	0	1,412,982	447,375	5,157,866	0
Equity instruments	0	0	-110,794	626,282	0	0	515,488	36,947,895
Investments in infrastructure funds	0	0	-17,624	171,230	0	0	153,607	0
Investments in property funds	0	0	0	9,227	0	0	9,227	0
Loans and receivables	147,809	0	0	0	-21	-1,985	145,802	0
Debt instruments	141,041	0	0	0	0	-1,985	139,055	0
Other investments	6,768	0	0	0	-21	0	6,747	0
Deposits with cedants	23,111	0	0	0	0	0	23,111	0
Subordinated liabilities	-494,730	0	0	0	0	0	-494,730	0
Total	2,968,226	373,508	153,993	829,533	1,412,961	445,390	6,183,612	36,947,895

Sava Re

2018 EUR	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL 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	Income/expenses relating to subsidiaries
Held to maturity	102,814	0	0	0	0	0	0	102,814	0
Debt instruments	102,814	0	0	0	0	0	0	102,814	0
At FVTPL	55,329	-126,383	0	21,625	0	906	0	-48,523	0
Designated to this category	55,329	-126,383	0	21,625	0	906	0	-48,523	0
Debt instruments	55,329	-127,416	0	0	0	0	0	-72,087	0
Equity instruments	0	1,033	0	21,625	0	906	0	23,564	0
Available-for-sale	3,176,067	0	352,208	654,520	-1,943,974	-19,509	5,677	2,224,990	29,537,916
Debt instruments	3,176,067	0	291,529	0	0	-19,140	5,677	3,454,133	0
Equity instruments	0	0	60,680	625,404	-1,943,974	-369	0	-1,258,260	29,537,916
Investments in infrastructure funds	0	0	0	29,116	0	0	0	29,116	0
Loans and receivables	237,681	0	0	0	0	-77,919	0	159,762	0
Debt instruments	208,885	0	0	0	0	0	0	208,885	0
Other investments	28,796	0	0	0	0	-77,919	0	-49,123	0
Deposits with cedants	17,803	0	0	0	0	0	0	17,803	0
Total	3,589,693	-126,383	352,208	676,145	-1,943,974	-96,521	5,677	2,456,845	29,537,916



In 2019, interest income from the Group’s impaired investments totalled EUR 1,716 and in 2018 it totalled EUR 1,427.

The 2019 net investment income totalled EUR 18.6 million (2018: EUR 17.2 million). The increase is mainly due to higher net exchange differences compared to the previous year. Net exchange gains in 2019 totalled EUR 1.3 million (2018: net exchange losses of EUR 0.2 million).

The Company’s income relating to financial assets and liabilities in 2019 amounted to EUR 11.0 million (2018: EUR 11.0 million).

The Company’s expenses relating to financial assets and liabilities in 2019 amounted to EUR 4.9 million (2018: EUR 8.5 million).

Net investment income of the Company relating to financial assets and liabilities (excluding that of subsidiaries) amounted to EUR 6.2 million in 2019 (2018: EUR 2.5 million). The increase is mainly due to higher net exchange differences. The net amount of exchange gains totalled EUR 1.4 million (2018: exchange losses of EUR 0.1 million).

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

EUR	Sava Insurance Group		Sava Re	
	Liability fund	Liability fund	Liability fund	Liability fund
	2019	2018	2019	2018
Interest income	8,177,874	9,039,389	3,158,702	3,237,373
Change in fair value and gains on disposal of FVTPL assets	1,106,463	138,403	552,861	77,483
Gains on disposal of other IFRS asset categories	507,569	1,402,696	281,440	468,988
Income from dividends and shares – other investments	1,153,854	659,996	633,553	478,249
Exchange gains	5,520,598	6,281,481	5,382,349	6,110,443
Other income	521,062	11,824	447,375	5,677
Total investment income – liability fund	16,987,420	17,533,789	10,456,280	10,378,214
	Capital fund	Capital fund	Capital fund	Capital fund
	2019	2018	2019	2018
Interest income	256,376	327,418	304,681	352,320
Change in fair value and gains on disposal of FVTPL assets	75,514	14,071	75,514	14,071
Gains on disposal of other IFRS asset categories	21,132	259,501	12,740	8,608
Income from dividends and shares – other investments	195,980	465,246	195,980	197,896
Exchange gains	1,482	2,088	1,482	2,087
Other income	16,602	1,004	0	0
Total investment income - capital fund	567,086	1,069,328	590,397	574,982
Total investment income – non-life business	17,554,506	18,603,117	11,046,677	10,953,196



Investment income – life insurance business

Sava Insurance Group		
EUR	Long-term business fund 2019	Long-term business fund 2018
Interest income	5,144,667	6,135,074
Change in fair value and gains on disposal of FVTPL assets	334,090	9,487
Gains on disposal of other IFRS asset categories	206,728	259,112
Income from dividends and shares – other investments	270,142	247,023
Exchange gains	155,771	107,559
Other income	24,958	5,727
Total investment income – liability fund	6,136,356	6,763,982
	Capital fund 2019	Capital fund 2018
Interest income	437,507	957,305
Change in fair value and gains on disposal of FVTPL assets	202,735	51,722
Gains on disposal of other IFRS asset categories	51,128	330,477
Income from dividends and shares – other investments	3,057	6,102
Exchange gains	8,640	25,416
Other income	226,470	64,040
Total investment income - capital fund	929,537	1,435,062
Total investment income – life business	7,065,893	8,199,044

Expenses for financial assets and liabilities – non-life business

EUR	Sava Insurance Group		Sava Re	
	Liability fund 2019	Liability fund 2018	Liability fund 2019	Liability fund 2018
Interest expenses	157,921	28,444	0	0
Change in fair value and losses on disposal of FVTPL assets	375,648	328,135	185,980	135,245
Losses on disposal of other IFRS asset categories	240,149	219,621	140,187	120,320
Impairment losses on investments	0	1,943,974	0	1,943,974
Exchange losses	4,178,624	6,319,618	3,968,689	6,207,534
Other	60,807	9,984	1,985	0
Total investment expenses – liability fund	5,013,149	8,849,776	4,296,841	8,407,073
	Capital fund 2019	Capital fund 2018	Capital fund 2019	Capital fund 2018
Interest expenses	518,073	0	495,157	0
Change in fair value and losses on disposal of FVTPL assets	68,888	82,692	68,888	82,692
Losses on disposal of other IFRS asset categories	0	29,136	0	5,068
Exchange losses	2,180	1,518	2,180	1,518
Total investment expenses – capital fund	589,141	113,346	566,225	89,277
Total investment expenses – non-life business	5,602,290	8,963,122	4,863,065	8,496,351



Expenses for financial assets and liabilities – life business

Sava Insurance Group

EUR	Long-term business fund 2019	Long-term business fund 2018
Interest expenses	767	0
Change in fair value and losses on disposal of FVTPL assets	179,671	0
Losses on disposal of other IFRS asset categories	2,797	45,702
Exchange losses	125,886	218,919
Other	23,278	31,970
Total investment expenses – liability fund	332,399	296,591
EUR	Capital fund 2019	Capital fund 2018
Interest expenses	5,256	0
Change in fair value and losses on disposal of FVTPL assets	1,833	225,799
Losses on disposal of other IFRS asset categories	0	10,888
Exchange losses	39,732	30,713
Other	72,576	77,337
Total investment expenses – capital fund	119,397	344,738
Total investment expenses – life business	451,796	641,329

Net investment income from non-life and life business

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Non-life insurance business	11,952,216	9,639,995	6,183,612	2,456,845
Life insurance business	6,614,097	7,557,715	0	0
Total	18,566,313	17,197,710	6,183,612	2,456,845

Sava Insurance Group

EUR	Long-term business fund 2019	Long-term business fund 2018
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	32,947,853	16,867,324
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	9,669,269	23,498,245
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	23,278,584	-6,630,921

Net investment income relating to financial investments totalled EUR 18.9 million in 2019, up by EUR 1.7 million from 2018. This is due to improved conditions in currency markets and the consequently higher effect of currency differences. Net exchange gains totalled EUR 1.3 million in 2019, while in 2018 net exchange losses totalled EUR 0.2 million.

Impairment losses on investments

In 2019, the Group did not recognise impairment losses on its financial investments (2018: EUR 1.9 million).

33) Other technical income and expenses and other income/ revenue and expenses

Other technical income

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Other technical income	19,302,796	21,238,357	9,463,227	8,964,961
- of which exchange gains	6,566,344	5,479,846	5,851,774	5,355,817
- netting of exchange differences	-6,566,344	-5,479,846	-5,677,768	-5,313,931
Other technical income after netting	12,736,452	15,758,511	3,785,460	3,651,029
Other technical expenses	22,002,095	23,305,829	6,103,333	5,662,287
- of which exchange losses	8,987,591	9,645,650	5,677,768	5,313,931
- netting of exchange differences	-6,566,344	-5,479,846	-5,677,768	-5,313,931
Other technical expenses after netting	15,435,751	17,825,983	425,566	348,355

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Reinsurance commission income	4,291,946	3,634,682	3,063,492	2,530,359
Revenues from other insurance business	3,643,412	2,922,073	0	0
Other technical income	7,935,358	6,556,755	3,063,492	2,530,359
Income on the realisation of impaired receivables	3,133,707	5,260,757	176,738	0
Exchange gains	6,566,344	5,479,846	5,851,774	5,355,817
Revenues from exit charges and management fees	749,885	2,524,754	0	0
Revenues from other services	917,503	1,416,245	371,224	1,078,785
Other income	11,367,438	14,681,602	6,399,736	6,434,602
Total	19,302,796	21,238,357	9,463,227	8,964,961



In 2019, the Group continued to experience strong increases in both exchange gains and losses, primarily arising from reinsurance business. The Company performs currency hedging pursuant to its investment policy.

Reinsurance commission income is a material part of other technical income. The following table shows reinsurance commission income by class of business.

Reinsurance commission income

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Personal accident	9,624	18,405	11,377	13,979
Land vehicles casco	226,728	199,530	4,558	790
Railway rolling stock	12	46	12	46
Aircraft hull	504	678	504	678
Ships hull	84,973	1,784	86,068	1,784
Goods in transit	5,301	29,060	5,610	26,560
Fire and natural forces	2,554,647	2,153,362	2,108,591	1,722,566
Other damage to property	924,594	780,990	613,021	560,467
Motor liability	-47,928	19,051	90	159
Aircraft liability	9,179	9,755	8,276	6,022
Liability for ships	-3,959	260	220	260
General liability	193,529	198,360	29,391	31,940
Miscellaneous financial loss	222,430	130,727	97,050	89,671
Assistance	12,275	14,812	0	0
Life	81,190	62,137	76,966	59,711
Unit-linked life	21,757	15,725	21,757	15,725
Total non-life	4,188,999	3,556,820	2,964,768	2,454,922
Total life	102,947	77,862	98,723	75,437
Total	4,291,946	3,634,682	3,063,492	2,530,359

Other income

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Income on the realisation of impaired receivables	130,628	127,229	15,918	0
Lease payments received from investment properties	1,326,987	1,146,475	784,610	692,712
Revenues from exit charges and management fees	9,035,488	2,707,419	0	0
Penalties and damages received	639,509	658,539	90	674
Income from disposal of investment property	20,638	87,139	0	0
Gain on bargain purchase	7,486,096	0	0	0
Revenues from other services	9,054,230	9,822,875	3,921	7,945
Total	27,693,576	14,549,676	804,538	701,331

Other income and expenses mainly include lease payments received from investment properties, 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 increase in the revenues from other services item in 2019 is a result of the inclusion of TBS Team 24 and Sava Penzisko Društvo (included during 2018) in the consolidated accounts, the revenues of which are recognised in this item.

Other technical expenses and other expenses

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Expenses for loss prevention activities and fire brigade charge	3,671,186	3,387,535	14	20
Contribution for covering claims of uninsured and unidentified vehicles and vessels	1,868,589	1,282,145	0	0
Regulator fees	1,768,712	1,363,306	197,127	199,186
Exchange losses	8,987,591	9,645,650	5,677,768	5,313,931
Operating expenses from revaluation	2,465,692	4,935,745	199,199	107,727
Other expenses	3,240,325	2,691,448	29,226	41,423
Total	22,002,095	23,305,829	6,103,333	5,662,287

Other technical expenses of the Group decreased as a result of lower net exchange losses and operating expenses from revaluation.

Other expenses of EUR 4.6 million (2018: EUR 2.9 million) include allowances for

other receivables, indirect business expenses relating to investment property, expenses arising out of impaired property, plant and equipment assets for own use and other extraordinary expenses.



34) Net claims incurred

Net claims incurred

Sava Insurance Group

EUR 2019	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	11,410,740	-1,285	-10,984	2,317	83,619	-32,890	11,451,517
Health	4,334,734	-700	-91	0	212,900	6,654	4,553,497
Land vehicles casco	79,064,258	-2,151,030	-911,018	-908	2,084,587	-116,363	77,969,526
Railway rolling stock	75,260	0	0	0	-13,414	0	61,846
Aircraft hull	211,282	0	-639	0	280,143	-107,572	383,214
Ships hull	5,470,269	0	-74,236	6,966	-164,660	-170,007	5,068,332
Goods in transit	2,437,128	10,375	-574	434,574	-1,201,749	8,126	1,687,880
Fire and natural forces	53,128,792	-76,302	-5,873,959	108,256	15,134,767	-1,323,707	61,097,847
Other damage to property	30,313,218	-11,992	-1,490,539	195,099	1,108,046	-123,410	29,990,422
Motor liability	82,394,194	-2,976,262	-1,893,387	-6,536	5,425,612	-3,424,984	79,518,637
Aircraft liability	169,425	0	-162,273	0	-75,364	77,099	8,887
Liability for ships	350,371	0	-7	0	139,643	0	490,007
General liability	6,785,398	-32,203	-802,280	62,022	3,306,592	-1,094,015	8,225,514
Credit	2,267,929	-2,589,552	-7	0	239,248	0	-82,382
Suretyship	110,283	-1,500	-49	0	-112,729	0	-3,995
Miscellaneous financial loss	903,187	0	-33,966	7,010	122,164	5,170	1,003,565
Legal expenses	186,133	0	-391	68	123,197	-63,279	245,728
Assistance	2,948,805	-7,510	-37,164	-38	3,019	168,347	3,075,459
Life	78,641,819	0	-34,379	0	585,916	1,387	79,194,743
Unit-linked life	38,666,971	0	-42,253	0	-3,411,895	38,394	35,251,217
Total non-life	282,561,406	-7,837,961	-11,291,564	808,829	26,695,621	-6,190,831	284,745,500
Total life	117,308,790	0	-76,632	0	-2,825,979	39,781	114,445,960
Total	399,870,196	-7,837,961	-11,368,196	808,829	23,869,642	-6,151,050	399,191,460



Sava Insurance Group

EUR 2018	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	12,883,294	-195	-13,635	8,256	-1,706,769	-1,979	11,168,972
Health	4,759,234	-3,358	-410,221	0	-207,654	126,919	4,264,920
Land vehicles casco	75,558,133	-1,458,709	-773,072	0	-108,465	-109,682	73,108,205
Railway rolling stock	559,088	0	-13	0	28,184	0	587,259
Aircraft hull	1,545,571	0	-450,851	0	-963,543	228,663	359,840
Ships hull	3,497,028	0	-5,004	0	3,496,955	-144,696	6,844,283
Goods in transit	5,635,149	-42,956	-1,141	529,557	-425,262	-10,556	5,684,791
Fire and natural forces	51,816,661	-46,734	-6,146,771	206,849	-4,722,167	960,551	42,068,389
Other damage to property	21,057,561	-41,346	-1,439,889	236,984	-2,352,946	519,357	17,979,721
Motor liability	71,171,313	-3,950,705	-393,256	0	-2,310,260	-2,411,882	62,105,210
Aircraft liability	-12,342	0	-1,000	0	8,178	-32,999	-38,163
Liability for ships	347,362	0	0	0	3,498	3,315	354,175
General liability	5,700,905	-7,403	-143,145	30,749	751,147	445,177	6,777,430
Credit	2,421,429	-2,819,237	0	0	175,623	0	-222,185
Suretyship	72,638	-7,000	0	0	-164,293	0	-98,655
Miscellaneous financial loss	875,522	0	-82,675	30,033	56,587	212,274	1,091,741
Legal expenses	447	0	0	1,052	-10,438	0	-8,939
Assistance	5,564,313	492	-3,504,361	0	-366,617	709,617	2,403,444
Life	48,612,363	0	-90,190	0	-906,218	75,022	47,690,977
Unit-linked life	38,868,000	0	-48,374	0	-189,057	8,602	38,639,171
Total non-life	263,453,306	-8,377,151	-13,365,034	1,043,480	-8,818,242	494,079	234,430,438
Total life	87,480,363	0	-138,564	0	-1,095,275	83,624	86,330,148
Total	350,933,669	-8,377,151	-13,503,598	1,043,480	-9,913,517	577,703	320,760,586



Sava Re

EUR 2019	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	2,062,506	-59	-555	329,918	869	2,392,679
Health	52,857	0	0	9,425	0	62,281
Land vehicles casco	11,871,895	-287,144	-169,011	-384,754	-12,554	11,018,432
Railway rolling stock	75,260	0	0	-13,414	0	61,846
Aircraft hull	200,356	0	-544	128,249	-7,572	320,489
Ships hull	5,251,544	0	-74,236	-195,010	-170,007	4,812,291
Goods in transit	2,198,774	-18	0	-1,029,125	7,714	1,177,345
Fire and natural forces	39,226,590	-13,216	-4,666,134	12,785,280	-853,666	46,478,854
Other damage to property	11,404,873	-4,996	-541,336	1,153,675	-159,895	11,852,321
Motor liability	12,456,242	-381,540	-1,386,327	2,914,249	-2,704,833	10,897,791
Aircraft liability	7,152	0	0	9,210	-11,900	4,462
Liability for ships	339,854	0	0	207,760	0	547,613
General liability	2,269,455	-4,710	-1,563	3,142,690	-1,145,698	4,260,175
Credit	364,979	-552,232	0	139,428	0	-47,825
Suretyship	87,290	-289	0	-111,603	0	-24,602
Miscellaneous financial loss	234,966	0	-23,640	45,912	14,901	272,139
Legal expenses	1,709	0	0	-277	0	1,431
Assistance	343	0	0	-60	0	283
Life	60,918	0	-32,723	-694	1,401	28,902
Unit-linked life	60,361	0	-42,253	-54,849	38,394	1,654
Total non-life	88,106,645	-1,244,203	-6,863,346	19,131,552	-5,042,642	94,088,007
Total life	121,279	0	-74,976	-55,543	39,795	30,555
Total	88,227,924	-1,244,203	-6,938,323	19,076,010	-5,002,847	94,118,562



Sava Re

EUR 2018	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	3,569,281	0	-6,715	-1,551,886	950	2,011,630
Health	223,414	0	0	-330,978	0	-107,564
Land vehicles casco	12,439,633	-197,538	-134,940	225,112	-89,382	12,242,884
Railway rolling stock	559,088	0	-13	28,184	0	587,259
Aircraft hull	1,080,337	0	0	-687,951	-2,539	389,846
Ships hull	3,392,217	0	-5,004	3,650,700	-144,687	6,893,226
Goods in transit	5,544,521	-5,262	-235	-500,067	-6,098	5,032,859
Fire and natural forces	35,268,510	-7,760	-5,101,716	547,829	842,107	31,548,970
Other damage to property	9,754,664	-5,847	-886,923	-728,560	686,130	8,819,464
Motor liability	9,616,767	-1,346,975	-182,340	581,823	-2,674,383	5,994,892
Aircraft liability	-5,394	0	0	-23,546	0	-28,940
Liability for ships	341,558	-389	0	32,607	3,317	377,093
General liability	2,204,597	-1,820	-538	817,014	-6,645	3,012,608
Credit	399,237	-627,662	0	155,356	0	-73,069
Suretyship	60,462	-1,163	0	-147,315	0	-88,016
Miscellaneous financial loss	226,844	0	-40,458	-158,674	31,627	59,339
Legal expenses	447	0	0	-1,843	0	-1,396
Assistance	306	0	0	-437	0	-131
Life	126,290	0	-88,078	-189,515	43,655	-107,649
Unit-linked life	79,314	0	-48,374	1,284	9,102	41,325
Total non-life	84,676,490	-2,194,416	-6,358,882	1,907,368	-1,359,603	76,670,957
Total life	205,604	0	-136,452	-188,232	52,757	-66,324
Total	84,882,093	-2,194,416	-6,495,334	1,719,136	-1,306,847	76,604,633

The two tables above show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). In addition, net claims incurred include the change in the net provision for outstanding claims.

Compared to 2018, gross claims paid in 2019 increased by EUR 32.8 million in the Group and EUR 4.3 million in the Company. The effect of the change in the claims provision is described in note 18.

35) 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 the change in the net provision for unexpired risks and the change in the technical provision for policyholders who bear the investment risk. The change in gross technical provisions is described in note 24.

The change in other technical provisions increased by EUR 32.8 million in 2019 and relates to the change in the provision for unexpired risks, whereas the change in the technical provision of policyholders who bear the investment risk decreased by EUR 28.7 million.



36) Operating expenses

The Group classifies operating expenses by nature. Compared to 2018, operating expenses increased by 4.9%, mainly due to an increase in acquisition costs by EUR 7.4 million (2018: EUR 1.0 million).

Operating expenses by nature

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Acquisition costs (commissions)	65,793,677	58,372,509	35,723,768	34,848,052
Change in deferred acquisition costs	-2,908,414	-1,598,536	1,267,334	-43,433
Depreciation/amortisation of operating assets	7,637,651	5,254,010	572,811	481,036
Personnel costs	74,683,061	73,118,022	8,482,767	8,298,393
- Salaries and wages	56,253,083	52,725,570	6,641,407	6,586,422
- Social and pension insurance costs	8,316,080	8,578,891	1,105,375	1,071,730
- Other personnel costs	10,113,898	11,813,561	735,985	640,241
Costs of services by natural persons not performing business, incl. of contributions	722,779	484,764	269,364	185,715
Other operating expenses	41,026,480	42,500,668	4,142,467	3,793,554
Total	186,955,234	178,131,437	50,458,512	47,563,317

In 2019, the proportion of other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), decreased in relation to gross premiums written by 6.8%, while in 2018 it increased and was 8.4%. Other operating expenses include material costs of EUR 3.3 million, service costs of EUR 34.0 million (cost of other service costs of EUR 10.8 million comprising postal and shipping charges, telephone expenses, cost of cleaning, operating and management expenses, various fees and charges, and such like, cost of intellectual and personal services of EUR 9.8 million, costs of advertising, promotion and entertainment of EUR 7.3 million, transaction costs and bank fees of EUR 1.9 million) and provisions for pensions, jubilee benefits, severance pay (upon retirement) of EUR 1.1 million, and other expenses relating to donations, sponsorships, membership fees and diverse expenses of EUR 2.6 million

Audit fees

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Audit of annual report	310,991	263,732	77,757	54,282
Other assurance services	26,197	14,101	0	5,561
Other audit services	0	2,279	0	2,279
Total	337,188	280,112	77,757	62,122

The cost of auditing the annual report includes audit costs for both Sava Re and the consolidated annual report of the Sava Insurance Group. Other audit services relate to assurance services for reports drawn up by the Company and the Group under Solvency II requirements.

37) Income tax expense

Tax rate reconciliation

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Profit/loss before tax	60,744,016	55,260,572	39,227,041	45,021,864
Income tax expenses at statutory tax rate (19%)	11,541,363	10,499,509	7,453,138	8,554,154
Adjustment to the actual rates	586,213	679,771	0	0
Tax effect of income that is deducted for tax purposes	-2,544,331	-425,553	-7,279,887	-6,521,174
Tax effect of expenses not deducted for tax purposes	1,517,537	2,232,534	443,555	1,217,676
Tax effect of income that is added for tax purposes	38,466	-171,152	0	0
Income or expenses relating to tax relief	-727,246	-501,724	-79,267	-49,839
Other	137,426	-64,662	107,788	-46,449
Total income tax expense in the income statement	10,549,428	12,248,723	645,328	3,154,368
Effective tax rate	17.37%	22.17%	1.65%	7.01%



17.9 Contingent receivables and liabilities

The Group has contingent liabilities arising out of guarantees given. The estimated amount of contingent liabilities for alternative funds of the Group totalled EUR 34.8 million and EUR 4.4 million for other guarantees (collateral provided in the form of bank guarantees, promissory notes and acceptance drafts) the estimated amount of contingent liabilities for alternative funds in the Company amounted to EUR 13.9 million.

The Group has contingent receivables from unrealised recourse receivables of EUR 29.5 million and claims against issuing banks for subordinated financial instruments of EUR 38.0 million, and the Company has contingent receivables from claims against issuing banks for subordinated financial instruments of EUR 10.0 million.

Off-balance sheet items are shown in the appendix hereto.

17.10 Related party disclosures

The Group makes separate disclosures for the following groups of related parties:

- owners and related enterprises;
- key management personnel management board, supervisory board including its committees, and employees not subject to the tariff section of the collective agreement;
- subsidiary companies;
- associates.

Owners and related enterprises

The Group’s largest shareholder is Slovenian Sovereign Holding with a 17.7% stake.

The members of the management board and supervisory boards, including the members of 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

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
The management board	909,811	698,458	909,811	698,458
Payments to employees not subject to the tariff section of the collective agreement	5,822,237	4,809,153	2,836,862	2,817,528
Supervisory board	144,091	115,946	144,091	115,946
Supervisory board committees	103,001	57,949	103,001	57,949
Total	6,979,140	5,681,504	3,993,765	3,689,879

Remuneration of management board members in 2019

EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind – insurance premiums	Benefits in kind – use of company car	Total
Marko Jazbec	186,320	47,808	248	6,457	240,833
Jošt Dolničar	167,322	43,020	5,271	5,628	221,241
Srečko Čebren	175,792	43,020	5,251	4,564	228,627
Polona Pirš Zupančič	167,078	41,517	6,208	4,307	219,109
Total	696,512	175,365	16,978	20,956	909,811

Remuneration of management board members in 2018

EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind – insurance premiums	Benefits in kind – use of company car	Total
Marko Jazbec	160,560	12,630	248	7,686	181,124
Jošt Dolničar	144,600	18,655	5,282	7,469	176,006
Srečko Čebren	152,592	12,189	5,244	5,620	175,645
Polona Pirš Zupančič	139,404	0	3,988	4,906	148,298
Mateja Treven	5,196	12,189	0	0	17,385
Total	602,352	55,663	14,762	25,681	698,458

Liabilities to members of the management board based on gross remuneration

EUR	31 Dec 2019	31 Dec 2018
Marko Jazbec	16,500	13,280
Jošt Dolničar	14,850	11,950
Srečko Čebren	15,516	12,616
Polona Pirš Zupančič	14,128	11,950
Total	60,994	49,796

As at 31 December 2019, the Company had no receivables due from the management board members. Management board members are not remunerated for their functions in subsidiary companies. Management board members have other entitlements under employment contracts, i.e. an allowance for

annual leave of EUR 1,200, severance pay upon retirement and contributions to voluntary supplementary pension insurance. Management board members are not entitled to jubilee benefits for 10, 20 or 30 years of service.



Remuneration of the supervisory board and its committees in 2019

EUR		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Total
Supervisory board members					
Mateja Lovšin Herič	chair	2,475	19,500	257	22,232
Keith William Morris	deputy chair	2,475	14,300	7,635	24,410
Gorazd Andrej Kunstek	member of the SB	2,475	13,000	0	15,475
Mateja Živec	member of the SB	2,475	13,000	0	15,475
Davor Ivan Gjivoje	member of the SB	2,475	13,000	33,553	49,028
Andrej Kren	member of the SB	2,475	13,000	953	16,428
Total supervisory board members		14,850	85,800	42,399	143,049
Audit committee members					
Andrej Kren	chair	1,936	4,875	260	7,072
Mateja Lovšin Herič	member	1,936	3,250	0	5,186
Ignac Dolenšek	external member	0	10,425	686	11,111
		3,872	18,550	947	23,369
Members of the nominations and remuneration committee					
Mateja Lovšin Herič	chair	660	2,844	0	3,504
Keith William Morris	member	660	1,896	1,573	4,129
Davor Ivan Gjivoje	member	660	1,896	11,433	13,989
Andrej Kren	member	660	1,896	33	2,588
Total nominations committee members		2,640	8,531	13,039	24,210
Members of the risk committee					
Keith William Morris	chair	1,320	4,875	4,042	10,237
Davor Ivan Gjivoje	member	1,320	3,250	25,203	29,773
Slaven Mičković	external member	0	6,987	0	6,987
Total risk committee members		2,640	15,112	29,245	46,997
Members of the fit & proper committee					
Mateja Živec	chair	220	2,844	0	3,064
Keith William Morris	member	220	1,896	275	2,391
Rok Saje	external member	220	1,896	0	2,116
Andrej Kren	alternate member	0	1,896	0	1,896
Total members of the fit & proper committee		660	8,531	275	9,466

As at the year-end 2019, the Company had no liabilities to members of the supervisory board nor to the members of its committees based on gross remuneration. In 2018, the Company had a liability of EUR 350 to Slaven Mičković.

As at 31 December 2019, the Company had no receivables due from the supervisory board members.

Average gross salary in Group companies

The average gross salary of Group companies is calculated as the sum of all personnel costs of Group companies (income statement item “personnel costs”) multiplied by the number of months in operation, which is then divided by the average number of all employees based on the number of hours worked of all Group companies.

Sava Insurance Group			
EUR	2019	2018	
Average monthly gross salary	2,422	2,536	

Remuneration of the supervisory board and its committees in 2018

EUR		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Total
Supervisory board members					
Mateja Lovšin Herič	chair	2,420	19,500	0	21,920
Keith William Morris	deputy chair	2,420	14,300	7,220	23,940
Andrej Gorazd Kunstek	member	2,420	13,000	93	15,513
Mateja Živec	member	2,145	13,000	81	15,226
Davor Ivan Gjivoje	member	2,475	13,000	8,212	23,687
Andrej Kren	member	2,420	13,000	240	15,660
Total supervisory board members		14,300	85,800	15,846	115,946
Audit committee members					
Andrej Kren	chair	1,980	4,875	194	7,049
Mateja Lovšin Herič	member	1,980	3,250	0	5,230
Ignac Dolenšek	external member	0	9,450	714	10,164
Total audit committee members		3,960	17,575	908	22,443
Members of the nominations and remuneration committee					
Mateja Lovšin Herič	chair	660	0	0	660
Keith William Morris	member	660	0	4,513	5,173
Davor Ivan Gjivoje	member	220	0	5,132	5,352
Andrej Kren	member	660	0	0	660
Total nominations committee members		2,200	0	9,645	11,845
Members of the risk committee					
Keith William Morris	chair	1,100	4,875	2,708	8,683
Davor Ivan Gjivoje	member	1,628	3,521	3,079	8,228
Slaven Mičković	external member	0	6,750	0	6,750
Total risk committee members		2,728	15,146	5,787	23,661

Employee remuneration not subject to the tariff section of the collective agreement for 2019

Sava Re				
EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind and other benefits	Total
Individual employment contracts	2,358,297	334,922	143,644	2,836,862

Employee remuneration not subject to the tariff section of the collective agreement for 2019

Sava Insurance Group				
EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind and other benefits	Total
Individual employment contracts	4,272,818	389,871	146,465	4,809,153



Subsidiaries

Investments in and amounts due from Group companies

Sava Re			
EUR		31 Dec 2019	31 Dec 2018
Loans granted to Group companies	gross	3,637,532	2,532,183
Receivables for premiums arising from accepted reinsurance	gross	21,227,908	15,107,402
Short-term receivables arising out of financing	gross	2,939	4,472
Other short-term receivables	gross	50,336	179,570
Short-term deferred acquisition costs	gross	941,701	1,879,080
Total		25,860,416	19,702,708

Liabilities to Group companies

Sava Re			
EUR		31 Dec 2019	31 Dec 2018
Liabilities for shares in reinsurance claims due to Group companies		8,658,814	9,800,555
Other short-term liabilities from co-insurance and reinsurance		4,483,248	3,766,321
Other short-term liabilities		3,533	2,760
Total (excluding provisions)		13,145,595	13,569,636

Liabilities to Group companies by maturity

EUR	Maturity	
	Up to 1 year	Total
31 Dec 2019		
Liabilities for shares in reinsurance claims due to Group companies	8,658,814	8,658,814
Other short-term liabilities from co-insurance and reinsurance	4,483,248	4,483,248
Other short-term liabilities	3,533	3,533
Total (excluding provisions)	13,145,595	13,145,595

EUR	Maturity	
	Up to 1 year	Total
31 Dec 2018		
Liabilities for shares in reinsurance claims due to Group companies	9,800,555	9,800,555
Other short-term liabilities from co-insurance and reinsurance	3,766,321	3,766,321
Other short-term liabilities	2,760	2,760
Total (excluding provisions)	13,569,636	13,569,636

Income and expenses relating to Group companies

Sava Re		
EUR	2019	2018
Gross premiums written	76,277,995	62,318,774
Change in gross unearned premiums	-7,362,927	-2,306,927
Gross claims paid	-34,000,880	-32,562,533
Change in the gross provision for outstanding claims	-6,630,473	1,571,572
Income from gross recourse receivables	1,226,255	1,272,641
Change in gross provision for bonuses, rebates and cancellations	128,731	-811
Other operating expenses	-168,110	-160,221
Dividend income	36,947,895	33,558,455
Other investment income	0	6,506
Interest income	77,583	71,728
Acquisition costs	-15,754,451	-13,610,558
Change in deferred acquisition costs	-937,380	696,158
Other non-life income	347,375	326,370
Total	50,151,612	51,181,154

Associate companies

Operating income and expenses relating to associate companies

Sava Re	
EUR	2019
Other operating expenses	-24,150
Total	-24,150



Majority state-owned companies

Receivables due from the state and majority state-owned companies

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Interests in companies	8,013,877	9,641,217	6,794,811	8,238,751
Debt securities and loans	112,723,578	168,175,326	20,356,357	25,276,511
Receivables due from policyholders	147,237	94,606	0	0
Total	120,884,693	177,911,149	27,151,167	33,515,262

Liabilities to the state and majority state-owned companies

EUR	Sava Insurance Group	
	31 Dec 2019	31 Dec 2018
Liabilities for shares in claims	1,093	9,041
Total	1,093	9,041

Income and expenses relating to majority state-owned companies

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Dividend income	570,944	583,434	499,203	517,087
Interest income	3,597,126	6,237,105	575,247	729,578
Gross premiums written	10,887,303	10,631,231	0	0
Gross claims paid	-3,004,301	-5,056,417	0	0
Total	12,051,072	12,395,352	1,074,450	1,246,664

Characteristics of loans granted to subsidiaries

Sava Re				
Borrower	Principal	Type of loan	Maturity	Interest rate
Sava Neživotno Osiguranje (Serbia)	500,000	ordinary	15 Jul 2021	2.30%
Sava Neživotno Osiguranje (Serbia)	800,000	ordinary	15 Jul 2020	3.00%
Illyria	642,000	ordinary	15 Jul 2022	3.00%
Illyria	400,000	ordinary	15 Jul 2020	1.20%
Illyria	500,000	subordinated	26 Jul 2029	3.00%
Sava Životno Osiguranje (Serbia)	770,000	ordinary	15 Jan 2020	0.90%
Total	3,612,000			

17.11 Correction of prior-period errors

The error relates to the valuation of the investment in the subsidiary Illyria Hospital. The impairment loss on the investment arises out of the drop in the value of the land owned by this subsidiary company. Over the years, the company diligently tested the value of the land based on professional appraisals. After additionally engaging certified real estate appraisers, it was found that

the prior-year appraisals failed to consider all material circumstance.

In the past, the Company netted its total deferred tax assets against its deferred tax liabilities. It was established that these must not be netted in full, which the company corrected in 2019, with relevant adjustments to all comparative periods.

Sava Re

EUR	As reported 31 Dec 2017	Change	As restated 1 Jan 2018
ASSETS	580,886,180	-1,718,094	579,168,086
Deferred tax assets	1,238,826	76,227	1,315,053
Financial investments in subsidiaries and associates	193,409,578	-1,794,321	191,615,257
EQUITY AND LIABILITIES	580,886,180	-1,718,094	579,168,086
Equity	290,966,155	-1,794,321	289,171,834
Retained earnings	6,012,233	-1,794,321	4,217,912
Deferred tax liabilities	0	76,227	76,227

Sava Re

EUR	As reported 31 Dec 2018	Change	As restated 1 Jan 2018
ASSETS	606,331,055	-1,718,094	604,612,961
Deferred tax assets	1,867,370	76,227	1,943,597
Financial investments in subsidiaries and associates	220,219,086	-1,794,321	218,424,765
EQUITY AND LIABILITIES	606,331,055	-1,718,095	604,612,961
Equity	319,355,361	-1,794,321	317,561,040
Retained earnings	10,101,172	-1,794,321	8,306,851
Deferred tax liabilities	0	76,227	76,227



18 Significant events after the reporting date

In March 2020, ZTSR d.o.o., the 50-50 joint venture of Sava Re in Zavarovalnica Triglav d.d., completed the acquisition of the health-care provider Diagnostic Centre Bled d.o.o. (Diagnostics center Bled).

On 11 March 2020, the World Health Organisation declared the outbreak of the novel coronavirus a pandemic. In Slovenia, the government declared an epidemic on 12 March 2020. In their efforts to contain the effects of realised operational risk, Sava Re (the Company) and its other Group companies are following their business continuity protocols because the health of our staff and customers is paramount. At the time of preparing this announcement, it is not yet possible to measure all the impacts on the Group's operations. The Company will keep investors and other stakeholders informed of potential impacts as soon as these can be assessed and to the extent that they materialise. The sensitivity of the Group's results to various risks are discussed in the risk management section. In our assessment, the management have assumed that reinsurers will fulfil their obligations to the Group and Sava Re under all existing programmes.

Based on a number of publicly available macroeconomic projections, an economic slowdown is very likely and a transition into recession is possible. In addition, lower general consumption contributes to lower demand for insurance services because GDP growth is closely correlated with premium volume. The operations most exposed to the risk of a global economic downturn and volatility in financial markets are investment fund management, pension companies and insurances of the person. The Group does not rule out the possibility that other classes of business will also be impacted.

The impact of the virus as an external factor has had a severe effect on economic activity. The overriding assumption used in our assessments is that the viral infection will last for one quarter (to the end of June 2020). We assume that economic activity will then gradually return to growth over the next three quarters because the cause of the economic slowdown is a virus rather than structural problems or imbalances in the local or global economies.

So far, no measures have been taken by the insurance regulator, but the European Insurance and Occupational Pensions Authority has already announced the possibility of additional measures on their part to help insurance companies in the current situation. In our assessment of the expected impacts

of the virus, we did not take into account the assumption that we will use or need help from the regulator or the state.

By the date of the approval of the 2019 year-end financial statements, the management of the Company/Group identified the following key risks with potential negative impacts on operations and operating results:

- a decline in the value of the financial investment portfolio due to a slowdown in economic growth and recent stock markets;
- increased payment of claims in the life segment, with a negative impact mainly on insurance risks for life-long products due to illness and an expected increase in mortality rate;



- a reduction in the premium income of newly concluded life insurance policies due to restrictions on personal contact by agents and the closure of branches;
- reduction of non-life insurance premiums due to restrictions on personal contact by agents and closure of branches;
- increased payment of compensation and insurance in connection with insolvency of travel agencies, travel assistance, travel insurance and business interruption insurance;
- increase in credit risk and requirements for additional impairments/write-offs of receivables arising from insurance premiums written due to a possible economic downturn.

Among the insurance classes that the Group expects to be most impacted in terms of premiums are travel insurance due to trip cancellations, corporate non-life insurance due to an economic downturn, and motor insurance due to both the expected delay in policy renewal and the decline in premiums from insurance of rental cars, goods vehicles and passenger cars, where a decline in new vehicle sales is also expected due to lower general consumption.

Related to the increased loss experience, we can expect an impact on the results of life-long, unit-linked and risk life products. In view of the restrictions on contact by agents and the hours our offices and agencies remain open, we expect premiums from new life business to decline. We also expect certain losses from insolvency and business interruption insurance sold to businesses in the industry.

The outbreak of the coronavirus epidemic could cause a short-term severe decline in economic activity, followed by a drop in risk-free interest rates, widening of credit spreads on debt instruments, and a drop in stock, infrastructure and real estate investments.

A drop in capital markets and developments in the insurance industry will also have an impact on the Group's eligible own funds and solvency capital requirement, and consequently on its solvency position. Because it is difficult to make educated guesses at this early stage of the epidemic, we did not quantify its impact on the stresses and scenarios yet. Instead, we used own risk and solvency assessment (ORSA) for 2020 as an approximation, and we present the correlation below. As already mentioned, we expect the coronavirus to have several impacts on our business related to our investments and insurance portfolios, as well as other areas.

In the ORSA, the Sava Insurance Group and Sava Re considered individual scenarios and a combination of scenarios to assess their overall impact on operations and capital adequacy. In determining the scenarios, we proceeded from our own risk profile of the Sava Insurance Group and Sava Re and tried to identify which events could have a material impact on our operations and capital adequacy. The assumptions made in the scenarios developed for ORSA were compared with identified risks related to the coronavirus. We assessed that ORSA scenarios covered the main risks, and the assessment of the scenario consequences is even more conservative than the expected consequences of the coronavirus (in particular with respect to potential effects of the financial scenario as presented further below). We have not yet quantified the coronavirus effects; nev-

ertheless, we assess the combined ORSA scenario as a conservative estimate of risks and their possible magnitude.

In the ORSA, which is used as approximation for the coronavirus impact assessment, the solvency calculation was conducted in accordance with the Solvency II formula. In the assessment of the solvency position we did not take into account any regulatory measures taken.

A combined scenario for the Group included the following individual scenarios:

- a non-life scenario assuming worsening of the loss ratio for 10 percentage points of a certain segment of the non-life portfolio;
- a life scenario assuming an increase of 10 percentage points in the costs per life insurance policy, which would occur due to a decrease in the life portfolio or less new business. This would cause the deterioration of life portfolio results and a decline in eligible own funds;
- a financial scenario assuming declines in the value of investment as a consequence of lower economic activity and a higher level of unemployment and bankruptcy; the scenario simulates conditions as they were during the 2008–2009 financial crisis;
- a natural catastrophe (CAT) scenario assuming two major catastrophic events in the region where Sava Re has significant exposure.

For Sava Re alone, the same methodology as for the Group was used, but we tested only combined scenarios of two individual scenarios: the financial scenario and the natural catastrophe scenario. For Sava Re the life and non-life scenarios are not relevant.

In the original ORSA financial scenario, the impact on the financial investments portfolio was estimated by simulating the impacts of the 2008–2009 financial crisis on the portfolio estimate as at year-end 2019. The following assumptions were used for this simulation:

- the spread applying to investment-grade government bonds remains unchanged or tightens only slightly,
- the spread applying to financial bonds widens by 150 bp to 620 bp,
- the spread applying to investment-grade corporate bonds widens by 320 bp to 750 bp,
- the spread applying to non-investment grade bonds widens by 190 bp to 1600 bp
- equities fall by 40% to 80%,
- investment property and infrastructure investments fall by 22% (shown as investments in investment funds).



The currently not yet quantified adjustment of these ORSA assumptions to the consequences of the coronavirus are estimated as follows:

Government bonds: We believe that it is very likely that the effects of the coronavirus on government bonds will be very similar to the effects in 2008–2009 and, based on available information on movements in government bonds, we expect a materially higher increase in the value of Sava Re’s portfolio of government bonds, given the material increase in returns on the safest investments.

Corporate bonds and loans: we expect the value of corporate bonds to decline by 40% to 60% of the assumed declines used in the 2008–2009 ORSA financial crisis scenario. We believe that the likelihood of widening of credit spreads due to the coronavirus with the intensity assumed under the ORSA scenario is relatively low due to the following circumstances:

- the regulatory framework in which financial institutions now operate is significantly more stable,
- there are mechanisms to provide assistance and liquidity,
- the capitalisation of the financial system is significantly higher,
- the experience gained in previous crises will help us respond in a faster and more coordinated manner.

Equity securities and property: we expect the value of invested assets to decline by 60% to 90% of the assumed declines used in the 2008–2009 ORSA financial crisis scenario. Our expectation is based on the following circumstances:

- stock markets have seen extremely high growth in the last 10 years,
- until the reporting date, more than 50% of the projected correction had been realised,
- the duration and magnitude of the epidemic and the impact on economic activity cannot be estimated.

Overall we believe that an epidemic would have a smaller impact on profit than projected by the 2008–2009 ORSA financial crisis scenario, mostly due to the expectation that recovery after the epidemic is expected to be faster than observed in the 2009–2009 crisis because the trigger of the economic slowdown is not structural (low capitalisation of the financial sector and excessive debt) but rather a severe external factor, which we assume will have a relatively short duration (less than 12 months).

The overall impact of the combined scenario described above is that the eligible own funds of the Sava Insurance Group and Sava Re would decline by a material amount. The decline would be partly offset by a lower solvency capital requirement, primarily as the result of a lower value of financial investments.

The Group and Sava Re assess liquidity risk as not significant because it maintains a very liquid portfolio of financial investments for the settlement of its obligations arising out of insurance or other contracts.

While we expect the solvency ratio to decline, we have estimated that it would remain well above the regulatory requirement of 100% and above the minimum solvency ratio as set in the Group’s risk strategy for 2020–2022, at 150% (the same as for Sava Re). Thus, even if all the assumptions in the combined scenario are realised, we believe that the capital position of the Sava Insurance Group and Sava Re will remain adequate.

All this shows that the coronavirus situation could have a material impact on the performance of the Sava Insurance Group and Sava Re, but management has assessed that it is not expected to threaten their solvency thanks to their high solvency ratios. We also believe the liquidity risk will not be significant in the next 12 months, and consequently that the Group and the Company can continue their business operations, and that the going concern assumption is valid. Our assumption is based on our cash flows from core business expectations and the investment portfolio structure, which will provide adequate liquidity for a prolonged period of distressed economic factors.

Operational risk management

In line with measures taken by the Slovenian government, imposing nationwide restrictions on “all but essential” services, and expert recommendations to shut down public life, the Sava Insurance Group has also set up measures to protect people’s health and prevent the spread of the coronavirus.

In its efforts to contain the effects of realised operational risk, the Sava Insurance Group is following its business continuity protocols because the health of its staff and customers is paramount. To this end, the Slovenian members of the Sava Insurance Group entered a hybrid mode of operation (working partly in the office and partly from home) as of Monday, 16 March 2020, with employees predominantly working remotely.

In accordance with the business continuity protocols and recommendations of the crisis management group, the Group companies have mapped all key and urgent processes and have ensured that they are running smoothly with employees working from their homes. The employees have safely relocated the required means of work to their home environments. The Group companies in the area of claims handling are taking into account country-level measures and the behaviour of other entities on the market. In the case of an emergency that needs to be resolved immediately and that cannot be remotely resolved, an on-call team is scheduled for dispatch to the field to perform an inspection using the required protective equipment.

Regarding the employees involved in all key processes, there is daily information available on their health condition. There is also daily information available on the hybrid mode of operation.



Appendices



Appendix A – Sava

Re performance

indicators¹²⁶



Development of gross premiums written

EUR	2019	2018	Index
	1	2	1/2
Personal accident	5,178,615	5,129,020	101.0
Health	18,977	140,611	13.5
Land vehicles casco	19,087,569	18,630,923	102.5
Railway rolling stock	298,463	122,506	243.6
Aircraft hull	97,822	786,247	12.4
Ships hull	6,402,080	5,666,010	113.0
Goods in transit	2,871,595	5,296,882	54.2
Fire	73,870,193	69,954,809	105.6
Other damage to property	22,684,648	19,963,622	113.6
Motor liability	20,330,396	14,868,527	136.7
Aircraft liability	79,849	148,068	53.9
Liability for ships	289,633	747,076	38.8
General liability	9,397,608	7,859,330	119.6
Credit	279,808	925,198	30.2
Suretyship	184,661	36,241	509.5
Miscellaneous financial loss	4,564,999	645,442	707.3
Legal expenses	9,270	-71	-13,101.3
Assistance	10,617	17,888	59.4
Life	738,367	513,723	143.7
Unit-linked life	133,761	184,166	72.6
Total non-life	165,656,803	150,938,327	109.8
Total life	872,128	697,889	125.0
Total	166,528,931	151,636,216	109.8

¹²⁶ 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 and 85/2016).

Net premiums written as a percentage of gross premiums written

EUR, except percentages	Gross premiums written	Net premiums written	2019	2018
	1	2	2/1	
Personal accident	5,178,615	5,142,030	99.3%	99.2%
Health	18,977	18,977	100.0%	100.0%
Land vehicles casco	19,087,569	18,257,561	95.7%	96.0%
Railway rolling stock	298,463	297,883	99.8%	98.2%
Aircraft hull	97,822	93,570	95.7%	99.3%
Ships hull	6,402,080	4,075,233	63.7%	93.2%
Goods in transit	2,871,595	2,678,013	93.3%	95.6%
Fire	73,870,193	60,543,018	82.0%	83.4%
Other damage to property	22,684,648	19,048,391	84.0%	83.4%
Motor liability	20,330,396	16,449,756	80.9%	96.7%
Aircraft liability	79,849	30,733	38.5%	68.4%
Liability for ships	289,633	260,480	89.9%	97.9%
General liability	9,397,608	8,335,836	88.7%	92.5%
Credit	279,808	279,808	100.0%	100.0%
Suretyship	184,661	184,661	100.0%	100.0%
Miscellaneous financial loss	4,564,999	3,931,376	86.1%	11.5%
Legal expenses	9,270	9,270	100.0%	100.0%
Assistance	10,617	10,617	100.0%	100.0%
Life	738,367	460,079	62.3%	49.1%
Unit-linked life	133,761	60,331	45.1%	49.2%
Total non-life	165,656,803	139,647,213	84.3%	88.0%
Total life	872,128	520,410	59.7%	49.1%
Total	166,528,931	140,167,623	84.2%	87.9%

Development of gross claims paid

EUR	2019	2018	Index
	1	2	1/2
Personal accident	2,062,447	3,569,281	57.8
Health	52,857	223,414	23.7
Land vehicles casco	11,584,751	12,242,094	94.6
Railway rolling stock	75,260	559,088	13.5
Aircraft hull	200,356	1,080,337	18.5
Ships hull	5,251,544	3,392,217	154.8
Goods in transit	2,198,756	5,539,259	39.7
Fire	39,213,374	35,260,750	111.2
Other damage to property	11,399,877	9,748,817	116.9
Motor liability	12,074,702	8,269,792	146.0
Aircraft liability	7,152	-5,394	-132.6
Liability for ships	339,854	341,169	99.6
General liability	2,264,745	2,202,777	102.8
Credit	-187,253	-228,425	82.0
Suretyship	87,001	59,299	146.7
Miscellaneous financial loss	234,966	226,844	103.6
Legal expenses	1,709	447	382.2
Assistance	343	306	112.1
Life	60,918	126,290	48.2
Unit-linked life	60,361	79,314	76.1
Total non-life	86,862,442	82,482,074	105.3
Total life	121,279	205,604	59.0
Total	86,983,721	82,687,678	105.2

Loss ratios

EUR, except percentages	Gross premiums written	Gross claims paid	2019	2018
	1	2	2/1	
Personal accident	5,178,615	2,062,447	39.8%	69.6%
Health	18,977	52,857	278.5%	158.9%
Land vehicles casco	19,087,569	11,584,751	60.7%	65.7%
Railway rolling stock	298,463	75,260	25.2%	456.4%
Aircraft hull	97,822	200,356	204.8%	137.4%
Ships hull	6,402,080	5,251,544	82.0%	59.9%
Goods in transit	2,871,595	2,198,756	76.6%	104.6%
Fire	73,870,193	39,213,374	53.1%	50.4%
Other damage to property	22,684,648	11,399,877	50.3%	48.8%
Motor liability	20,330,396	12,074,702	59.4%	55.6%
Aircraft liability	79,849	7,152	9.0%	-3.6%
Liability for ships	289,633	339,854	117.3%	45.7%
General liability	9,397,608	2,264,745	24.1%	28.0%
Credit	279,808	-187,253	-66.9%	-24.7%
Suretyship	184,661	87,001	47.1%	163.6%
Miscellaneous financial loss	4,564,999	234,966	5.1%	35.1%
Legal expenses	9,270	1,709	18.4%	-631.7%
Assistance	10,617	343	3.2%	1.7%
Life	738,367	60,918	8.3%	24.6%
Unit-linked life	133,761	60,361	45.1%	43.1%
Total non-life	165,656,803	86,862,442	52.4%	54.6%
Total life	872,128	121,279	13.9%	29.5%
Total	166,528,931	86,983,721	52.2%	54.5%



Administrative expenses as percentage of gross premiums written

EUR, except percentages	Gross premiums written	Operating expenses*	2019	2018
	1	2	2/1	
Personal accident	5,178,615	1,790,824	34.6%	30.7%
Health	18,977	7,658	40.4%	75.4%
Land vehicles casco	19,087,569	5,288,844	27.7%	26.2%
Railway rolling stock	298,463	179,272	60.1%	114.2%
Aircraft hull	97,822	69,866	71.4%	16.7%
Ships hull	6,402,080	1,215,033	19.0%	22.3%
Goods in transit	2,871,595	887,208	30.9%	20.9%
Fire	73,870,193	19,266,452	26.1%	28.2%
Other damage to property	22,684,648	5,438,550	24.0%	25.8%
Motor liability	20,330,396	4,499,289	22.1%	24.9%
Aircraft liability	79,849	14,289	17.9%	21.5%
Liability for ships	289,633	120,115	41.5%	23.5%
General liability	9,397,608	2,770,322	29.5%	28.2%
Credit	279,808	304,728	108.9%	37.9%
Suretyship	184,661	30,647	16.6%	-93.5%
Miscellaneous financial loss	4,564,999	1,579,975	34.6%	68.8%
Legal expenses	9,270	2,797	30.2%	-2,868.4%
Assistance	10,617	2,049	19.3%	21.3%
Life	738,367	199,561	27.0%	27.6%
Unit-linked life	133,761	44,894	33.6%	20.8%
Total non-life	165,656,803	43,467,921	26.2%	27.1%
Total life	872,128	244,455	28.0%	25.8%
Total	166,528,931	43,712,376	26.2%	27.1%

* 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

EUR, except percentages	Gross premiums written	Acquisition costs	2019	2018
	1	2	2/1	
Personal accident	5,178,615	1,372,982	26.5%	26.9%
Health	18,977	2,359	12.4%	26.1%
Land vehicles casco	19,087,569	3,978,492	20.8%	23.1%
Railway rolling stock	298,463	77,932	26.1%	20.5%
Aircraft hull	97,822	21,038	21.5%	12.6%
Ships hull	6,402,080	1,261,112	19.7%	18.6%
Goods in transit	2,871,595	719,918	25.1%	15.6%
Fire	73,870,193	16,146,569	21.9%	23.5%
Other damage to property	22,684,648	4,499,663	19.8%	21.9%
Motor liability	20,330,396	3,488,795	17.2%	23.3%
Aircraft liability	79,849	11,431	14.3%	18.6%
Liability for ships	289,633	75,385	26.0%	17.6%
General liability	9,397,608	2,526,132	26.9%	25.2%
Credit	279,808	94,847	33.9%	31.3%
Suretyship	184,661	29,983	16.2%	-94.9%
Miscellaneous financial loss	4,564,999	1,205,988	26.4%	51.4%
Legal expenses	9,270	3,043	32.8%	-1,659.2%
Assistance	10,617	1,048	9.9%	9.9%
Life	738,367	167,843	22.7%	23.9%
Unit-linked life	133,761	39,208	29.3%	16.8%
Total non-life	165,656,803	35,516,717	21.4%	23.0%
Total life	872,128	207,051	23.7%	22.0%
Total	166,528,931	35,723,768	21.5%	23.0%



Net paid loss ratio

EUR, except percentages	Net premiums earned	Net claims incurred	2019	2018
	1	2	2/1	
Personal accident	5,205,504	2,392,679	46.0%	40.1%
Health	19,382	62,281	321.3%	-73.9%
Land vehicles casco	17,749,970	11,018,432	62.1%	67.9%
Railway rolling stock	268,878	61,846	23.0%	440.1%
Aircraft hull	107,476	320,489	298.2%	54.3%
Ships hull	4,257,720	4,812,291	113.0%	136.5%
Goods in transit	2,699,163	1,177,345	43.6%	100.3%
Fire	59,440,062	46,478,853	78.2%	53.1%
Other damage to property	18,904,455	11,852,321	62.7%	52.1%
Motor liability	15,232,068	10,897,791	71.5%	43.6%
Aircraft liability	33,973	4,462	13.1%	-30.5%
Liability for ships	310,988	547,613	176.1%	52.6%
General liability	7,871,923	4,260,175	54.1%	43.1%
Credit	750,838	-47,825	-6.4%	-7.8%
Suretyship	162,362	-24,602	-15.2%	-979.1%
Miscellaneous financial loss	3,899,357	272,139	7.0%	14.3%
Legal expenses	8,187	1,431	17.5%	-76.1%
Assistance	10,617	283	2.7%	-0.7%
Life	453,746	28,902	6.4%	-80.8%
Unit-linked life	59,642	1,654	2.8%	20.7%
Total non-life	136,932,925	94,088,006	68.7%	57.5%
Total life	513,388	30,555	6.0%	-19.9%
Total	137,446,312	94,118,562	68.5%	57.3%

Combined loss ratio for non-life insurance business (EUR, except percentages)

Net claims incurred	Administrative expenses	Net premiums earned	2019	2018
1	2	3	(1+2)/3	
94,088,006	13,467,410	136,932,925	78.5%	67.0%

Net investment income as percentage of average investments

EUR	Average investments	Investment income	Investment expenses	Effect of investments 1–12/2019	Effect of investments 1–12/2018
Non-life insurance register	233,340,219	11,232,823	4,492,713	2.9%	1.0%
Capital fund	274,266,387	37,546,359	570,058	13.5%	12.9%
Total	507,606,607	48,779,182	5,062,772	8.6%	7.0%

Net provisions for outstanding claims as percentage of net earned premiums

EUR, except percentages	Net provision for outstanding claims	Net premiums earned	2019	2018
	1	2	1/2	
Personal accident	6,593,400	5,205,504	126.7%	124.8%
Health	23,044	19,382	118.9%	9.4%
Land vehicles casco	5,911,065	17,749,970	33.3%	35.0%
Railway rolling stock	27,003	268,878	10.0%	30.3%
Aircraft hull	805,960	107,476	749.9%	95.5%
Ships hull	11,883,751	4,257,720	279.1%	242.6%
Goods in transit	4,024,582	2,699,163	149.1%	100.6%
Fire	88,905,256	59,440,062	149.6%	129.0%
Other damage to property	16,478,681	18,904,455	87.2%	91.5%
Motor liability	29,026,616	15,232,068	190.6%	209.7%
Aircraft liability	30,973	33,973	91.2%	35.5%
Liability for ships	772,668	310,988	248.5%	78.8%
General liability	16,772,207	7,871,923	213.1%	211.6%
Credit	671,029	750,838	89.4%	56.8%
Suretyship	238,906	162,362	147.1%	3,899.3%
Miscellaneous financial loss	247,445	3,899,357	6.3%	45.1%
Legal expenses	109	8,187	1.3%	21.1%
Assistance	45	10,617	0.4%	0.6%
Life	68,232	453,746	15.0%	50.7%
Unit-linked life	29,437	59,642	49.4%	23.0%
Total non-life	182,412,740	136,932,925	133.2%	125.9%
Total life	97,669	513,388	19.0%	34.1%
Total	182,510,410	137,446,312	132.8%	125.7%



Gross profit or loss for the period as percentage of net premiums written (EUR, except percentages)

Gross profit/loss	Net premiums written	2019	2018
1	2	1/2	
39,227,041	140,167,623	28.0%	33.8%

Gross profit or loss for the period as percentage of average equity (EUR, except percentages)

Gross profit/loss	Average assets	2019	2018
1	2	1/2	
39,227,041	330,740,864	11.9%	14.8%

Gross profit or loss for the period as percentage of average assets (EUR, except percentages)

Gross profit/loss	Average assets	2019	2018
1	2	1/2	
39,227,041	670,099,261	5.9%	7.6%

Gross profit or loss for the period per share (EUR, except percentages)

Gross profit/loss	Number of shares	2019	2018
1	2	1/2	
39,227,041	17,219,662	2.28	2.61

Receivables arising out of reinsurance business and reinsurers’ share of technical provisions as percentage of equity (EUR, except percentages)

Reinsurance receivables	Reinsurers’ share of technical provisions	Equity	2019	2018
1	2	3	(1+2)/3	
4,214,830	31,159,308	343,920,689	10.3%	8.2%

Net premiums written as percentage of average equity and average technical provisions (EUR, except percentages)

Net premiums written	Average equity	Average technical provisions	2019	2018
1	2	3	1/(2+3)	
140,167,623	330,740,864	247,755,835	24.2%	24.7%

Average technical provisions as percentage of net earned premiums (EUR, except percentages)

Average net technical provisions	Net premiums earned	2019	2018
1	2	1/2	
221,457,570	137,446,312	161.1%	159.0%

Equity as percentage of liabilities and equity (EUR, except percentages)

Equity	Liabilities and equity	2019	2018
1	2	1/2	
343,920,689	735,585,561	46.8%	52.7%

Net technical provisions as percentage of liabilities and equity (EUR, except percentages)

Net technical provisions	Liabilities and equity	2019	2018
1	2	1/2	
230,179,283	735,585,561	31.3%	35.1%

Gross premiums written per employee (EUR, except percentages)

Gross premiums written	Number of employees in regular employment	2019	2018
1	2	1/2	
166,528,931	115.125	1,446,505	1,376,946



Appendix B – Financial statements of the Sava Insurance Group pursuant to requirements of the Insurance Supervision Agency



Consolidated statement of financial position – assets

EUR	31 Dec 2019	31 Dec 2018	Index
ASSETS	1,885,953,003	1,708,348,067	110.4
Intangible assets	61,060,069	22,712,944	268.8
Property, plant and equipment	57,589,962	45,438,014	126.7
Non-current assets held for sale	570,858	684	83,458.8
Deferred tax assets	2,044,124	2,107,564	97.0
Investment property	16,695,132	15,364,184	108.7
Financial investments in associates	581,104	0	0.0
Financial investments:	1,064,874,239	1,038,125,019	102.6
- in loans and deposits	53,363,639	28,029,543	190.4
- held to maturity	41,586,644	106,232,327	39.1
- available for sale	943,663,578	897,645,279	105.1
- measured at fair value	26,260,378	6,217,870	422.3
Funds for the benefit of policyholders who bear the investment risk	213,159,889	227,228,053	93.8
Reinsurers' and co-insurers' share of technical provisions	38,620,539	30,787,241	125.4
Investment contract assets	151,197,102	129,622,131	116.6
Receivables	159,413,917	138,455,525	115.1
1. Receivables arising out of primary insurance business	139,954,356	124,324,547	112.6
2. Receivables arising out of reinsurance and co-insurance business	6,734,564	6,197,717	108.7
3. Current tax assets	3,002,507	17,822	16,847.2
4. Other receivables	9,722,490	7,915,439	122.8
Other assets	26,342,037	20,550,589	128.2
Cash and cash equivalents	93,804,031	37,956,119	247.1
Off-balance sheet items	106,701,875	93,020,663	114.7

Consolidated statement of financial position – liabilities

EUR	31 Dec 2019	31 Dec 2018	Index
EQUITY AND LIABILITIES	1,885,953,003	1,708,348,067	110.4
Equity	384,776,847	316,116,895	121.7
Share capital	71,856,376	71,856,376	100.0
Capital reserves	43,035,948	43,035,948	100.0
Profit reserves	177,231,792	137,609,367	128.8
Fair value reserve	20,718,610	18,331,697	113.0
Reserve due to fair value revaluation	924,038	667,518	138.4
Retained earnings	42,128,483	33,093,591	127.3
Net profit or loss for the period	31,546,718	14,557,220	216.7
Translation reserve	-3,168,414	-3,353,304	94.5
Equity attributable to owners of the controlling company	384,273,551	315,798,413	1,018.7
Non-controlling interest in equity	503,296	318,482	158.0
Subordinated liabilities	74,822,710	0	-
Technical provisions	933,952,709	931,398,362	100.3
Unearned premiums	207,895,397	171,857,259	121.0
Technical provisions for life insurance business	211,877,103	271,409,915	78.1
Provision for outstanding claims	502,914,277	479,072,582	105.0
Other technical provisions	11,265,932	9,058,606	124.4
Technical provision for the benefit of life insurance policyholders who bear the investment risk	220,613,698	226,527,893	97.4
Other provisions	8,705,469	7,600,613	114.5
Deferred tax liabilities	5,294,664	5,781,494	91.6
Investment contract liabilities	151,040,643	129,483,034	116.6
Other financial liabilities	355,908	245,205	145.1
Liabilities from operating activities	61,290,549	60,598,188	101.1
1. Liabilities from primary insurance business	50,356,998	54,711,289	92.0
2. Liabilities from reinsurance and co-insurance business	9,300,437	5,160,183	180.2
3. Current income tax liabilities	1,633,114	726,716	224.7
Other liabilities	45,099,806	30,596,383	147.4
Off-balance sheet items	106,701,875	93,020,663	114.7

In its off-balance sheet items for 2019 and 2018, the Group shows contingent assets in the amount of its cancelled subordinated instruments, regarding which the Group is continuing activities for the protection of its interests. In December 2016, claims were filed against the issuing banks of the subordinated financial instruments held by the Group prior to their cancellation.

Disclosure of off-balance sheet items

EUR	2019	2018
Outstanding recourse receivables	29,537,104	29,140,134
Receivables from the cancellation of subordinated financial instruments	37,960,300	37,960,300
Contingent assets	67,497,404	67,100,434

EUR	2019	2018
Guarantees issued	39,204,470	25,920,229
Contingent liabilities	39,204,470	25,920,229

Consolidated income statement

EUR	1-12/2019	1-12/2018	Index
Net earned premiums	548,764,109	504,669,701	109
- gross premiums written	599,250,231	546,299,539	110
- written premiums ceded to reinsurers and co-insurers	-36,146,607	-26,942,852	134
- change in unearned premiums	-14,339,515	-14,686,986	98
Investment income	57,687,220	43,669,485	132
Other technical income, of which	19,302,796	21,238,357	91
- commission income	4,291,946	3,634,682	118
Other income	27,693,576	14,549,676	190
Net claims incurred	-399,436,917	-320,760,586	125
- gross claims payments	-392,277,692	-342,556,518	115
- reinsurers' and co-insurers' shares	10,559,367	12,460,118	85
- change in provision for outstanding claims	-17,718,592	9,335,814	-190
Change in other technical provisions*	45,976,038	13,207,584	348
Change in technical provisions for policyholders who bear the investment risk	-12,825,182	15,962,680	-80
Expenses for bonuses and rebates	227,917	288,628	79
Operating expenses, of which	-186,957,563	-178,131,437	105
- Acquisition costs	-62,885,263	-56,773,973	111
Expenses relating to investments in subsidiaries and associates, of this	-54,721	-151,130	0
Equity-accounted loss relating to investments in associate	-54,721	-56,224	0
Investment expenses, of this	-15,773,993	-33,102,696	48
Other technical expenses	-22,015,871	-23,305,829	94
Other expenses	-4,561,302	-2,873,861	159
Profit or loss before tax	60,744,016	55,260,572	110
Income tax expense	-10,549,428	-12,248,723	86
Net profit or loss for the period	50,194,588	43,011,849	117
Net profit or loss attributable to owners of the controlling company	49,977,170	42,790,617	117
Net profit/loss attributable to non-controlling interests	217,418	221,232	98
Basic earnings/loss per share	3.22	2.76	117
Diluted earnings/loss per share	3.22	2.76	117



Consolidated statement of comprehensive income

EUR		1-12/2019	1-12/2018	Index
A Technical account – non-life business other than health business				
I.	Net earned premiums	458,068,929	415,703,443	110.2
1.	Gross premiums written	503,505,974	454,122,253	110.9
2.	Premiums written for assumed co-insurance (+)	5,024,920	3,106,095	161.8
3.	Assumed co-insurance premiums written (-)	-2,543,779	-2,106,430	120.8
4.	Gross reinsurance premiums written (-)	-33,507,943	-24,743,761	135.4
5.	Change in gross unearned premiums (+/-)	-19,337,402	-11,407,693	169.5
6.	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	4,927,159	-3,267,021	-150.8
II.	Allocated investment return transferred from the non-technical account (item D VIII)	0	2,398,687	0.0
III.	Other net technical income	3,675,053	2,684,273	136.9
IV.	Net claims and benefits incurred	284,724,573	234,261,548	121.5
1.	Gross claims and benefits paid	282,576,366	263,520,861	107.2
2.	Income from realised gross recourse receivables (-)	-7,837,961	-8,377,151	93.6
3.	Co-insurers' shares paid (+/-)	808,829	1,043,480	77.5
4.	Reinsurers' shares paid (-)	-11,366,540	-13,501,485	84.2
5.	Change in the gross claims provision (+/-)	26,694,915	-8,970,992	-297.6
6.	Change in the reinsurers' and co-insurers' share of the claims provision (+/-)	-6,151,036	546,835	-1,124.8
V.	Change in other net technical provisions (+/-)	-270,982	2,616,287	-10.4
VI.	Net expenses for bonuses and rebates	-227,917	-288,628	79.0
VII.	Net operating expenses	155,706,897	149,607,019	104.1
1.	Acquisition costs	59,191,098	51,470,140	115.0
2.	Change in deferred acquisition costs (+/-)	-2,951,874	-1,118,304	264.0
3.	Other operating expenses	103,755,395	102,887,440	100.8
3.1.	Depreciation/amortisation of operating assets	6,731,801	4,947,835	136.1
3.2.	Personnel costs	62,757,579	61,457,841	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	618,656	379,924	162.8
3.4.	Other operating expenses	33,647,359	36,101,840	93.2
4.	Income from reinsurance commission and reinsurance contract profit participation (-)	-4,287,722	-3,632,257	118.1
VIII.	Other net technical expenses	8,529,820	7,590,087	112.4
1.	Expenses for loss prevention activities	3,671,186	3,387,535	108.4
2.	Contributions for covering claims of uninsured and unidentified vehicles	1,868,589	1,282,145	145.7
3.	Other net technical expenses	2,990,045	2,920,407	102.4
IX.	Balance on the technical account – non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)	13,281,591	27,000,090	49.2



Consolidated statement of comprehensive income (continued)

EUR		1-12/2019	1-12/2018	Index
B Technical account – life business				
I.	Net earned premiums	90,695,180	88,966,258	101.9
1.	Gross premiums written	90,719,558	89,070,998	101.9
2.	Premiums written for assumed co-insurance (+)	-221	193	-114.5
3.	Assumed co-insurance premiums written (-)	-20,376	-19,346	105.3
4.	Gross reinsurance premiums written (-)	-74,509	-73,315	101.6
5.	Change in gross unearned premiums (+/-)	70,820	-8,002	-885.0
6.	Change in unearned premiums for the reinsurance part (+/-)	-92	-4,270	2.2
II.	Investment income	7,184,861	8,199,044	87.6
1.	Income from participating interests	273,199	253,125	107.9
2.	Income from other investments	6,046,460	7,295,121	82.9
2.2.	Interest income	5,628,870	7,092,379	79.4
2.3.	Other investment income	417,590	202,742	206.0
2.3.1	Financial income from revaluation	164,411	132,975	123.6
2.3.2	Other financial income	253,179	69,767	362.9
4.	Gains on disposal of investments	865,202	650,798	132.9
III.	Net unrealised gains on investments of life insurance policyholders who bear the investment risk	32,947,853	16,867,324	195.3
IV.	Other net technical income	878,033	2,817,750	0.0
V.	Net claims and benefits incurred	114,712,344	86,499,038	132.6
1.	Gross claims and benefits paid	117,539,287	87,412,808	134.5
3.	Reinsurers' shares paid (-)	-1,656	-2,113	78.4
4.	Change in the gross claims provision (+/-)	-2,825,273	-942,525	299.8
5.	Change in the provision for outstanding claims for reinsurance (+/-)	-14	30,868	-0.1
VI.	Change in diverse other net technical provisions (+/-)	-32,879,874	-31,786,551	103.4
1.	Change in the mathematical provision	-32,879,874	-31,786,790	103.4
1.1.	Change in the gross mathematical provision (+/-)	-32,879,874	-31,786,790	103.4
2.	Change in other net technical provisions (+/-)	0	239	0.0
2.1.	Change in gross other technical provisions (+/-)	0	239	0.0



Consolidated statement of comprehensive income (continued)

EUR	1-12/2019	1-12/2018	Index
VIII. Net operating expenses	26,958,720	24,889,736	108.3
1. Acquisition costs	6,602,579	6,902,369	95.7
2. Change in deferred acquisition costs (+/-)	43,460	-480,232	-9.1
3. Other operating expenses	20,316,905	18,470,024	110.0
3.1. Depreciation/amortisation of operating assets	905,850	306,175	295.9
3.2. Personnel costs	11,925,482	11,660,181	102.3
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	104,123	104,840	99.3
3.4. Other operating expenses	7,381,450	6,398,828	115.4
4. Income from reinsurance commission and reinsurance contract profit participation (-)	-4,224	-2,425	174.2
IX. Investment expenses	503,776	642,671	78.4
1. Depreciation of investments not necessary for operations	1,342	1,342	100.0
2. Asset management expenses, interest expenses and other financial expenses	151,973	109,308	139.0
3. Financial expenses from revaluation	165,618	249,633	66.3
4. Losses on disposal of investments	184,843	282,388	65.5
X. Net unrealised losses on investments of life insurance policyholders who bear the investment risk	9,669,269	23,498,245	41.2
XI. Other net technical expenses	1,316,615	560,676	234.8
2. Other net technical expenses	1,316,615	560,676	234.8
XIII. Balance on the technical account – life business (I+II+III+IV-V+VI-VII-VIII-IX-X-XI-XII)	11,425,077	12,546,561	91.1
C. Non-technical account			
I. Balance on the technical account – non-life business (A X)	13,281,591	27,000,090	49.2
II. Balance on the technical account – life business (B XIII)	11,425,077	12,546,561	91.1
III. Investment income	21,599,402	19,749,592	109.4
1. Income from participating interests	4,067,743	1,125,242	361.5
2. Income from other investments	15,820,981	16,809,679	94.1
2.1. Income from land and buildings	1,326,987	1,146,475	115.7
2.2. Interest income	8,434,250	9,366,807	90.0
2.3. Other investment income	6,059,744	6,296,397	96.2
2.3.1 Financial income from revaluation	5,591,042	6,289,559	88.9
2.3.2 Other financial income	468,702	6,838	6,854.4
4. Gains on disposal of investments	1,710,678	1,814,671	94.3
VII. Investment expenses	6,002,840	9,376,208	64.0
1. Depreciation of investments not necessary for operations	345,829	261,956	132.0
2. Asset management expenses, interest expenses and other financial expenses	736,801	38,428	1,917.4
3. Financial expenses from revaluation	4,180,804	8,360,016	50.0
4. Losses on disposal of investments	739,406	715,808	103.3
VIII. Allocated investment return transferred to the technical account for non-life business other than health business (A II)	0	2,398,687	0.0



Consolidated statement of comprehensive income (continued)

EUR		1-12/2019	1-12/2018	Index
IX.	Other technical income	10,457,764	12,101,652	86.4
1.	Other income from non-life business other than health business	10,382,604	11,968,837	86.8
2.	Other income from life business	75,160	132,815	56.6
X.	Other technical expenses	12,169,436	15,155,066	80.3
1.	Other expenses for non-life business other than health business	11,871,142	15,005,410	79.1
2.	Other expenses for life business	298,294	149,656	199.3
XI.	Other income	26,366,589	13,403,201	196.7
1.	Other non-life income	17,068,646	10,068,361	169.5
2.	Other expenses for life business	9,297,943	3,334,840	278.8
XII.	Other expenses	4,214,131	2,610,563	161.4
1.	Other non-life expenses	4,138,425	2,589,464	159.8
2.	Other expenses for life business	75,706	21,099	358.8
XIII.	Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	60,744,016	55,260,572	109.9
1.	Profit or loss for the period for non-life business	40,319,836	39,417,111	102.3
2.	Profit/loss for the period for life business	20,424,180	15,843,461	128.9
XIV.	Tax on profit	10,638,449	12,812,640	83.0
1.1.	Tax on profit from non-life business	7,501,315	10,014,553	74.9
1.2.	Tax on profit for life business	3,137,134	2,798,087	112.1
XV.	Deferred tax	-89,021	-563,917	15.8
1.1.	Deferred tax for non-life business	-21,906	-559,955	3.9
1.2.	Deferred tax for life business	-67,115	-3,962	1,694.0
XVI.	Net profit or loss for the period (XIII-XIV+XV)	50,194,588	43,011,849	116.7
	Disaggregation of profit or loss			
	- From non-life insurance business	32,840,427	29,962,513	109.6
	- From life business	17,354,161	13,049,336	133.0
D. Calculation of comprehensive income				
I.	Profit/loss for the year, net of tax	50,194,588	43,011,849	116.7
II.	Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+10)	9,394,773	-6,563,406	-143.1
a)	Items that will not be reclassified subsequently to profit or loss	87,291	169,227	51.6
5.	Other items that will not be reclassified subsequently to profit or loss	100,688	190,794	52.8
6.	Tax on items that will not be reclassified subsequently to profit or loss	-13,397	-21,567	62.1
b)	Items that may be reclassified subsequently to profit or loss	9,307,482	-6,732,633	-138.2
1.	Net gains/losses on remeasuring available-for-sale financial assets	10,875,034	-8,419,063	-129.2
4.	Tax on items that may be reclassified subsequently to profit or loss	-1,769,074	1,703,734	-103.8
5.	Exchange differences on translating foreign operations	201,522	-17,304	-1,164.6
III.	Total comprehensive income (I + II)	59,589,361	36,448,443	163.5



Consolidated statement of cash flows

EUR		1-12/2019	1-12/2018
A. Cash flows from operating activities			
a)	Items of the income statement	9,838,747	12,395,876
	1. Net premiums written in the period	563,103,624	519,356,687
	2. Investment income (other than finance income)	790,843	82,595
	3. Other operating income (excl. revaluation income and releases from provisions) and finance income from operating receivables	46,947,090	35,788,033
	4. Net claims paid in the period	-381,718,325	-330,096,400
	5. Expenses for bonuses and rebates	227,917	288,628
	6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-182,179,044	-174,475,963
	7. Investment expenses (excluding amortisation and financial expenses)	-206,757	-119,291
	8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-26,577,173	-26,179,690
	9. Tax on profit and other taxes not included in operating expenses	-10,549,428	-12,248,723
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	-40,892,577	-12,065,157
	1. Change in receivables from primary insurance	-13,420,595	-2,209,214
	2. Change in receivables from reinsurance	-898,766	361,919
	3. Change in other receivables from (re)insurance business	351,279	-532,222
	4. Change in other receivables and other assets	-6,547,123	269,601
	5. Change in deferred tax assets	-17,652	157,319
	6. Change in inventories	-34,504	-5,395
	7. Change in liabilities arising out of primary insurance	6,078,484	-10,432,775
	8. Change in liabilities arising out of reinsurance business	3,124,405	1,015,849
	9. Change in other operating liabilities	4,956,061	-524,718
	10. Change in other liabilities (except unearned premiums)	-38,081,647	2,086,738
	11. Change in deferred tax liabilities	3,597,481	-2,252,259
c)	Net cash from/used in operating activities (a + b)	-31,053,830	330,719



EUR		1-12/2019	1-12/2018
B. Cash flows from investing activities			
a)	Cash receipts from investing activities	472,776,934	806,087,833
1.	Interest received from investing activities	14,016,424	16,459,186
2.	Cash receipts from dividends and participation in the profit of others	1,623,033	1,378,367
4.	Proceeds from sale of property, plant and equipment assets	363,166	4,156,317
5.	Proceeds from sale of financial investments	456,634,120	784,093,963
5.2.	Other proceeds from sale of financial investments	456,634,120	784,093,963
b)	Cash disbursements in investing activities	-472,210,012	-768,717,071
1.	Purchase of intangible assets	-3,233,676	-1,547,018
2.	Purchase of property, plant and equipment	-7,852,849	-2,761,542
3.	Purchase of long-term financial investments	-461,123,487	-764,408,511
3.1.	Purchase of subsidiaries or other companies	-31,537,763	-31,689,486
3.2.	Purchase of other financial investments	-429,585,724	-732,719,025
c)	Net cash from/used in investing activities (a + b)	566,922	37,370,762
C. Cash flows from financing activities			
a)	Cash receipts from financing activities	74,327,980	0
2.	Proceeds from long-term borrowing	74,327,980	0
b)	Cash disbursements in financing activities	-17,401,201	-12,426,602
1.	Interest paid	-682,017	-28,445
5.	Dividends and other profit participations paid	-14,987,969	-12,398,157
c)	Net cash from/used in financing activities (a + b)	56,926,779	-12,426,602
C2. Closing balance of cash and cash equivalents		93,804,031	64,657,431
x)	Net increase or decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	26,439,871	25,274,879
y)	Opening balance of cash and cash equivalents	64,657,431	37,956,119
Opening balance of cash and cash equivalents – acquisition		2,706,729	1,426,433



Appendix C – Financial statements of Sava Re pursuant to requirements of the Insurance Supervision Agency



Statement of financial position

EUR	31 Dec 2019	31 Dec 2018	Index
ASSETS (A–F)	735,585,561	604,612,961	121.7
A. Intangible assets	1,294,110	892,724	145.0
B. Property, plant and equipment	2,623,011	2,654,540	98.8
D. Deferred tax assets	1,141,098	1,943,597	58.7
E. Investment property	8,142,714	8,285,733	98.3
F. Financial investments in Group companies and associates, of which	238,177,654	218,424,765	109.0
G. Financial investments	296,096,594	244,291,434	121.2
- in loans and deposits	32,047,969	10,107,498	317.1
- held to maturity	2,075,784	2,075,425	100.0
- available for sale	255,270,080	228,151,616	111.9
- measured at fair value	6,702,761	3,956,895	169.4
I. Amount of technical provisions transferred to reinsurers and co-insurers	31,159,308	21,437,221	145.4
K. Receivables	97,024,000	87,830,299	110.5
1. Receivables arising out of primary insurance business	89,537,760	82,518,635	108.5
2. Receivables arising out of reinsurance and co-insurance business	4,214,830	4,842,279	87.0
3. Current tax assets	2,802,044	0	0.0
4. Other receivables	469,366	469,385	100.0
L. Other assets	6,995,852	8,201,196	85.3
M. Cash and cash equivalents	52,931,222	10,651,452	496.9
N. Off-balance sheet items	23,903,498	16,773,056	142.5

EUR		31 Dec 2019	31 Dec 2018	Index
EQUITY AND LIABILITIES (A–H)		735,585,561	604,612,960	121.7
A.	Equity	343,920,689	317,561,039	108.3
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	177,879,849	159,486,153	111.5
4.	Fair value reserve	5,217,524	2,697,381	193.4
5.	Reserve due to fair value revaluation	21,376	40,772	52.4
6.	Retained earnings	14,517,789	8,306,851	174.8
7.	Net profit or loss for the period	20,188,017	20,933,749	96.4
B.	Subordinated liabilities	74,822,710	0	0.0
C.	Technical provisions	261,338,591	234,173,078	111.6
1.	Unearned premiums	54,588,057	47,147,505	115.8
3.	Provision for outstanding claims	205,064,638	185,988,628	110.3
4.	Other technical provisions	1,685,896	1,036,945	162.6
E.	Other provisions	466,901	376,521	124.0
G.	Deferred tax liabilities	76,227	76,227	100.0
I.	Other financial liabilities	87,504	87,504	100.0
J.	Liabilities from operating activities	51,086,602	49,185,680	103.9
1.	Liabilities from primary insurance business	44,373,937	44,039,129	100.8
2.	Reinsurance and co-insurance payables	6,712,665	3,149,394	213.1
3.	Current income tax liabilities	0	1,997,157	0.0
K.	Other liabilities	3,786,336	3,152,911	120.1
L.	Off-balance sheet items	23,903,498	16,773,056	142.5

Disclosure of off-balance sheet items

EUR	2019	2018
Receivables from the cancellation of subordinated financial instruments	10,038,000	10,038,000
Contingent assets	10,038,000	10,038,000

EUR	2019	2018
Guarantees issued	13,865,498	6,735,056
Contingent liabilities	13,865,498	6,735,056

In its off-balance sheet items for 2019 and 2018, the Company shows contingent assets in the amount of its cancelled subordinated instruments, regarding which the Company is continuing activities for the protection of its interests. In December 2016, claims were filed against the issuing banks of the subordinated financial instruments held by the Company prior to their cancellation.



Income statement

EUR	1-12/2019	1-12/2018	Index
Net earned premiums	137,446,312	133,740,178	102.8
- gross premiums written	166,528,931	151,636,216	109.8
- written premiums ceded to reinsurers and co-insurers	-26,361,308	-18,407,793	143.2
- change in unearned premiums	-2,721,310	511,755	-531.8
Income from investments in associated companies, of this	36,947,895	33,558,455	110.1
Investment income	11,046,677	10,953,196	100.9
Interest income	3,463,383	3,589,693	96.5
Other investment income	7,583,294	7,363,502	103.0
Other technical income, of which	9,463,227	8,964,961	105.6
- commission income	3,063,492	2,530,359	121.1
- Other technical income	6,399,736	6,434,602	99.5
Other income	804,538	701,331	114.7
Net claims incurred	-94,118,562	-76,604,633	122.9
- gross claims payments	-86,983,721	-82,687,678	105.2
- reinsurers' and co-insurers' shares	6,938,323	6,495,334	106.8
- change in provision for outstanding claims	-14,073,163	-412,289	3,413.4
Change in other technical provisions	-777,682	-268,920	289.2
Expenses for bonuses and rebates	128,731	-811	-15,877.4
Operating expenses, of which	-50,458,512	-47,563,317	106.1
- Acquisition costs	-36,991,102	-34,804,618	106.3
Other operating expenses	-13,467,410	-12,758,699	105.6
Expenses relating to investments in subsidiaries and associates	0	-4,020,539	0.0
Impairment loss on goodwill	0	0	0.0
Loss arising out of investments in equity-accounted associate	0	0	0.0
Investment expenses, of this	-4,863,066	-8,496,351	57.2
- Impairment losses on financial assets not at fair value through profit or loss	0	-1,943,974	0.0
Interest expense	-495,157	0	0.0
Other investment expenses	-4,367,909	-6,552,377	66.7
Other technical expenses	-6,103,333	-5,662,287	107.8
Other expenses	-289,185	-279,399	103.5
Profit or loss before tax	39,227,041	45,021,864	87.1
Income tax expense	-645,328	-3,154,368	20.5
Net profit or loss for the period	38,581,713	41,867,497	92.2
Basic earnings/loss per share	2.49	2.70	92.2
Diluted earnings/loss per share	2.49	2.70	92.2



Statement of comprehensive income

EUR		1-12/2019	1-12/2018	Index
A Technical account – non-life business other than health business				
I.	Net earned premiums	137,446,312	133,740,178	102.8
1.	Gross premiums written	166,528,931	151,636,216	109.8
4.	Gross reinsurance premiums written (-)	-26,361,308	-18,407,793	143.2
5.	Change in gross unearned premiums (+/-)	-7,440,552	454,952	-1,635.5
6.	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	4,719,241	56,803	8,308.1
II.	Allocated investment return transferred from the non-technical account (item D VIII)	6,136,328	-2,398,687	-255.8
IV.	Net claims and benefits incurred	94,118,562	76,604,633	122.9
1.	Gross claims and benefits paid	88,227,924	84,882,093	103.9
2.	Income from realised gross recourse receivables (-)	-1,244,203	-2,194,416	56.7
4.	Reinsurers' shares paid (-)	-6,938,323	-6,495,334	106.8
5.	Change in the gross claims provision (+/-)	19,076,010	1,719,136	1,109.6
6.	Change in the reinsurers' and co-insurers' share of the claims provision (+/-)	-5,002,847	-1,306,847	382.8
V.	Change in other net technical provisions (+/-)	-777,682	-268,920	289.2
VI.	Net expenses for bonuses and rebates	-128,731	811	-15,877.4
VII.	Net operating expenses	47,395,020	45,032,958	105.3
1.	Acquisition costs	35,723,768	34,848,052	102.5
2.	Change in deferred acquisition costs (+/-)	1,267,334	-43,433	-2,917.9
3.	Other operating expenses	13,467,410	12,758,699	105.6
3.1.	Depreciation/amortisation of operating assets	572,811	481,036	119.1
3.2.	Personnel costs	8,482,767	8,298,393	102.2
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	269,364	185,715	145.0
3.4.	Other operating expenses	4,142,467	3,793,554	109.2
4.	Income from reinsurance commission and reinsurance contract profit participation (-)	-3,063,492	-2,530,359	121.1
VIII.	Other net technical expenses	197,141	199,205	99.0
1.	Expenses for loss prevention activities	14	20	70.7
3.	Other net technical expenses	197,127	199,186	0.0
IX.	Balance on the technical account – non-life business other than health business (I+II+III-IV+V-VI-VII-VIII)	1,222,966	9,234,963	13.2



EUR		1-12/2019	1-12/2018	Index
C. Non-technical account				
I.	Balance on the technical account – non-life business other than health business (A X)	1,222,966	9,234,963	13.2
III.	Investment income	48,779,182	45,204,363	107.9
	1. Income from participating interests	37,777,428	34,234,600	110.4
	1.1. Income from participating interests in Group companies	36,947,895	33,558,455	0.0
	1.3. Income from participating interests in other companies	829,533	676,145	122.7
	2. Income from other investments	10,079,198	10,400,614	96.9
	2.1. Income from land and buildings	784,610	692,712	113.3
	- in Group companies	0	6,506	0.0
	- in other companies	784,610	686,207	114.3
	2.2. Interest income	3,463,383	3,589,693	96.5
	- in Group companies	100,694	89,531	112.5
	- in other companies	3,362,689	3,500,162	96.1
	2.3. Other investment income	5,831,206	6,118,208	95.3
	2.3.1 Financial income from revaluation	5,383,830	6,112,531	88.1
	- in other companies	5,383,830	6,112,531	88.1
	2.3.2 Other financial income	447,375	5,677	7,880.1
	- in other companies	447,375	5,677	7,880.1
	4. Gains on disposal of investments	922,555	569,149	162.1
V.	Investment expenses	5,003,919	12,656,011	39.5
	1. Depreciation of investments not necessary for operations	140,853	139,121	101.2
	2. Asset management expenses, interest expenses and other financial expenses	497,142	0	0.0
	3. Financial expenses from revaluation	3,970,869	12,173,565	32.6
	4. Losses on disposal of investments	395,055	343,324	115.1
VI.	Allocated investment return transferred to the technical account for non-life business other than health business (A II)	6,136,328	-2,398,687	-255.8
VII.	Other technical income	6,399,736	6,434,602	99.5
	1. Other income from non-life business other than health business	6,399,736	6,434,602	99.5
VIII.	Other technical expenses	5,906,193	5,463,081	108.1
	1. Other expenses for non-life business other than health business	5,906,193	5,463,081	108.1
IX.	Other income	19,929	8,619	231.2
	1. Other non-life income	19,929	8,619	231.2



EUR		1-12/2019	1-12/2018	Index
X.	Other expenses	148,332	140,277	105.7
1.	Other non-life expenses	148,332	140,277	105.7
XI.	Profit or loss for the year before tax (I+II+III+IV-V-VI+VII-VIII+IX-X)	39,227,041	45,021,864	87.1
1.	Profit or loss for the period for non-life business	39,227,041	45,021,864	87.1
XIV.	Tax on profit	433,973	3,525,687	12.3
1.1.	Tax on profit from non-life business	433,973	3,525,687	12.3
XV.	Deferred tax	211,355	-371,319	-56.9
1.1.	Deferred tax for non-life business	211,355	-371,319	-56.9
XVI.	Net profit or loss for the period (XIII-XIV+XV)	38,581,713	41,867,497	92.2
	- From non-life insurance business	38,581,713	41,867,497	92.2
D. Calculation of comprehensive income				
I.	Net profit or loss for the year	38,581,713	41,867,497	92.2
II.	Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+)	2,500,748	-1,080,135	-231.5
a)	Items that will not be reclassified subsequently to profit or loss	-19,396	27,248	-71.2
5.	Other items that will not be reclassified subsequently to profit or loss	-19,396	29,779	-65.1
6.	Tax on items that will not be reclassified subsequently to profit or loss	0	-2,531	0.0
b)	Items that may be reclassified subsequently to profit or loss	2,520,144	-1,107,382	-227.6
1.	Net gains/losses on remeasuring available-for-sale financial assets	3,111,290	-1,367,140	-227.6
5.	Tax on items that may be reclassified subsequently to profit or loss	-591,146	259,758	-227.6
III.	Comprehensive income for the year, net of tax (I + II)	41,082,461	40,787,362	100.7



Cash flow statement

EUR		1-12/2019	1-12/2018
A. Cash flows from operating activities			
a)	Items of the income statement	15,307,896	10,485,469
	1. Net premiums written in the period	140,167,623	133,228,423
	2. Investment income (other than finance income)	447,375	5,677
	3. Other operating income (excl. revaluation income and releases from provisions) and finance income from operating receivables	4,540,716	9,666,292
	4. Net claims paid in the period	-80,045,398	-76,192,344
	5. Expenses for bonuses and rebates	128,731	-811
	6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-48,569,086	-47,125,714
	7. Investment expenses (excluding amortisation and financial expenses)	-1,985	0
	8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-714,751	-5,941,686
	9. Tax on profit and other taxes not included in operating expenses	-645,328	-3,154,368
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	-9,267,909	-4,866,086
	1. Change in receivables from primary insurance	-7,019,125	2,649,187
	2. Change in receivables from reinsurance	627,449	-1,639,353
	3. Change in other receivables from (re)insurance business	0	0
	4. Change in other receivables and other assets	-4,131,348	182,632
	5. Change in deferred tax assets	802,499	-628,544
	6. Change in inventories	0	0
	7. Change in liabilities arising out of primary insurance	334,808	-7,120,985
	8. Change in liabilities arising out of reinsurance business	3,563,271	59,386
	9. Change in other operating liabilities	-3,649,219	882,308
	10. Change in other liabilities (except unearned premiums)	203,755	749,283
	11. Change in deferred tax liabilities	0	0
c)	Net cash from/used in operating activities (a + b)	6,039,986	5,619,383



EUR		1-12/2019	1-12/2018
B. Cash flows from investing activities			
a)	Cash receipts from investing activities	154,665,296	138,973,252
	1. Interest received from investing activities	3,463,383	3,589,693
	2. Cash receipts from dividends and participation in the profit of others	41,835,889	34,234,600
	4. Proceeds from sale of property, plant and equipment assets	58,347	12,319
	5. Proceeds from sale of financial investments	109,307,678	101,136,640
	5.2. Other proceeds from sale of financial investments	109,307,678	101,136,640
b)	Cash disbursements in investing activities	-177,470,764	-128,221,484
	1. Purchase of intangible assets	-691,749	-326,455
	2. Purchase of property, plant and equipment	-151,295	-396,476
	3. Purchase of long-term financial investments	-176,627,720	-127,498,554
	3.1. Purchase of subsidiaries or other companies	-28,815,090	-30,830,047
	3.2. Purchase of other financial investments	-147,812,631	-96,668,507
c)	Net cash from/used in investing activities (a + b)	-22,805,468	10,751,768
C. Cash flows from financing activities			
a)	Cash receipts from financing activities	74,327,980	0
	2. Proceeds from long-term borrowing	74,327,980	0
b)	Cash disbursements in financing activities	-15,282,728	-12,398,157
	1. Interest paid	-495,157	0
	5. Dividends and other profit participations paid	-14,722,811	-12,398,157
c)	Net cash from/used in financing activities (a + b)	59,045,252	-12,398,157
C2. Closing balance of cash and cash equivalents		52,931,222	10,651,452
x)	Net increase or decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	42,279,771	3,972,994
y)	Opening balance of cash and cash equivalents	10,651,452	6,678,458
	Opening balance of cash and cash equivalents – acquisition	0	0



Appendix C2 – 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.	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.
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.	Consolidated book value per share. Ratio of consolidated total equity to weighted average number of shares outstanding.
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.	Consolidated earnings per share. Ratio of net profit/loss attributable to equity holders of the controlling company as a percentage of the weighted average number of shares outstanding.
Book value per share. Ratio of total equity to 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.
Business continuity plan. Document comprising 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.	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.
BVAL price. Engl. Bloomberg valuation price. The price obtained from the Bloomberg information system.	Dividend yield. Ratio of dividend per share to the average price per share in the period.
Capital fund. Assets representing the capital of the Company.	Earnings per share. Ratio of net profit/loss as a percentage of the weighted average number of shares outstanding.
CBBT price. Engl. Composite Bloomberg Bond Trader price. Closing price available in the Bloomberg information system based on binding bids.	EIOPA. European Insurance and Occupational Pensions Authority.
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.	Eligible own funds. The value of own funds eligible to cover the solvency capital requirement.
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.	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.
Claims paid. 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 paid less subrogation receivables. Net claims paid is short for net claims payments.	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".
Claims risk. The risk that the number of claims or the average claim amount will be higher than expected.	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.
Composite insurer. Insurer that writes both life and non-life business.	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.
Financial risk. It comprises the risk of failure to achieve the guaranteed return, interest rate risk, equity risk, risk of alternative investments, currency risk, liquidity risk and credit risk.
FOS business. Freedom of Services business. Business written within the European Economic Area based on the freedom of services right to provide services on a cross-border basis.
FVTPL. Financial instrumentsmeasuredat fair valuethrough profit or loss.
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 register of assets. Register of assets used to cover 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 paid 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 and realised gains or losses on investments of life insurance policyholders who bear the investment risk as these do not affect the income statement. These items move in line with the mathematical provision of policyholders who bear the investment risk.
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-life insurance register of assets. Register of assets used to cover non-life technical provisions.
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.
Operating revenues. Total income less investment income.
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.
Reserve risk. Risk that technical provisions are not sufficient to cover the commitments of the (re) insurance business assumed.
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 revenue (ROR). Ratio of net profit for the year to operating revenues.
Return on the investment portfolio. The ratio of net investment income relating to the investment portfolio to average invested assets. It includes the following statement of financial position items: investment property, financial investments in subsidiaries and associates, financial investments and cash and cash equivalents. The average amount is calculated based on figures as at the reporting date and as at the end of the prior year.
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% indicates that the firm has sufficient resources to meet the SCR.
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 process risk. Risk of financial loss due to incorrect selection and approval of risks to be (re) insured.
Underwriting result. Profit or loss realised from insurance operations as opposed to that realised from investments or other items.
Underwriting risk. Risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions. Underwriting risk comprises underwriting process risk, pricing risk, claims risk, retention risk and reserving risk.
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 D – GRI index¹²⁷



GENERAL STANDARD DISCLOSURES			
GRI standard and disclosure	Description	Section	Topic boundary and notes/limitations
GRI 101: Foundation 2018			
GRI 102: General disclosures 2018			
Organisational profile 2018			
102-01	Name of the organisation	2.1	Sava Re
102-02	Activities, brands, products, and services	2.7	Sava Insurance Group
102-03	Location of headquarters	2.1	Sava Re
102-04	Location of operations	2.6	Sava Insurance Group
102-05	Ownership and legal form	2.1	Sava Re
102-06	Markets served (by region, industry and type of customers)	2.7	Sava Insurance Group
102-07	Scale of the organisation	2.7, 16.2, 10.3.1	Sava Insurance Group
102-08	Information on employees	10, 10.3.1	Sava Insurance Group
102-09	Supply chain	13	Sava Insurance Group
102-10	Significant changes to the organisation	2.8	Sava Insurance Group
102-11	Precautionary principle or approach	11, 17.6, 20.4, 23.5	Sava Insurance Group
102-12	External documents, principles and other economic, environmental and social initiatives that the organisation supports	13	Sava Re and Zavarovalnica Sava
102-13	Membership of associations	13	Sava Re
Strategy			
102-14	Statement from senior decision-maker on the importance of sustainable development for the organisation and its strategy	1	Sava Re
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour, including codes of conduct and ethics	5, 6.1, 13	Sava Insurance Group
Governance			
102-18	Governance structure	2.7, 5.3, 10.5.3	Sava Insurance Group

Stakeholders			
102-40	List of stakeholder groups	13	Sava Insurance Group
102-41	Collective bargaining agreements	10.3.1, 13	Sava Insurance Group
102-42	Identifying and selecting stakeholders	3.3, 13	Sava Insurance Group
102-43	Approach to stakeholder engagement	3.3, 13	Sava Insurance Group
102-44	Key topics and concerns raised in stakeholder engagement and response by the organisation (also via reporting)	13	Sava Insurance Group
Reporting practice			
102-45	Entities included in the consolidated financial statements	2.5, 2.6, 2.7, 13, 17.2	Sava Insurance Group
102-46	Defining report content and topic boundaries	13	Sava Insurance Group. The materiality matrix has been prepared in cooperation with the stakeholders of Sava Re and Zavarovalnica Sava.
102-47	List of material topics	13	Sava Insurance Group
102-48	Restatements of information	13	Sava Insurance Group. The report does not include corrected statements.
102-49	Changes in reporting regarding topic boundaries	13	Sava Insurance Group. The scope of topics has not changed materially.
102-50	Reporting period	13	Sava Insurance Group
102-51	Date of most recent report	13	Sava Insurance Group. The most recent annual report of the Group and the Company for 2018 was published on 4 April 2019.
102-52	Reporting cycle	13	Sava Insurance Group
102-53	Contact point for questions regarding the report	2.1	Sava Insurance Group
102-54	Claims of reporting in accordance with the GRI Standards	13	Sava Insurance Group
102-55	GRI content index	13	Sava Insurance Group
102-56	External assurance	13	/

¹²⁷ GRI 102-55

SPECIFIC STANDARD DISCLOSURES			
Disclosures on management approach	Material topics	Section	Reasons for omission/ notes
ECONOMIC IMPACTS			
GRI 201: Economic performance			
103-01, 103-02, 103-03	Management approach	5.4, 6.2, 10.1, 10.2, 10.4, 10.5, 13	Sava Insurance Group
201-01	Direct economic value generated and distributed	13, 6.2	Sava Insurance Group
201-02	Financial implications and other risks and opportunities due to climate change	8.1.1, 8.2, 13	Sava Insurance Group
201-03	Defined benefit plan obligations	13	Sava Insurance Group
201-04	Financial assistance received from government	5.6, 13	Sava Insurance Group
GRI 202: Market presence			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
202-02	Proportion of senior management hired from the local community	2.7, 5.3.4	Sava Insurance Group
GRI 203: Indirect economic impacts			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
203-01	Infrastructure investments and services supported	13	Sava Insurance Group
203-02	Major indirect economic impacts	13	Sava Insurance Group
GRI 204: Procurement practices			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
204-01	Proportion of spending on local suppliers	13	Sava Insurance Group. Proportion not disclosed.
GRI 205: Prevention of corruption			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
205-01	Operations assessed for risks related to corruption	13	Sava Insurance Group
205-03	Confirmed incidents of corruption and actions taken	13	Sava Insurance Group
ENVIRONMENTAL STANDARDS			
GRI 302: Energy			
103-01, 103-02, 103-03	Management approach	13	Sava Re, Zavarovalnica Sava, Sava Pokojninska
302-01	Energy consumption within the organisation	13	Sava Re, Zavarovalnica Sava
305 GRI: Emissions			
305-01	direct GHG emissions	13	Sava Re, Sava Pokojninska
305-02	indirect GHG emissions	13	Sava Re, Sava Pokojninska
305-03	other indirect GHG emissions	13	Sava Re, Sava Pokojninska
GRI 306: Effluents and waste			
103-01, 103-02, 103-03	Management approach	13	Sava Re, Zavarovalnica Sava, Sava Pokojninska
306-02	Waste by type and disposal method	13	Sava Re, Zavarovalnica Sava, Sava Pokojninska

GRI 308: Supplier environmental assessment			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
308-01	New suppliers that were screened using environmental criteria		Sava Re. Proportion not disclosed.
SOCIAL IMPACTS			
103-01, 103-02, 103-03	Management approach	13	Sava Re, Zavarovalnica Sava, Sava Pokojninska
GRI 401: Recruitment			
103-01, 103-02, 103-03	Management approach	10, 20.3	Sava Insurance Group
401-01	Employment and fluctuation	10.3.2, 13	Sava Insurance Group
GRI 403: Health and safety at work			
103-01, 103-02, 103-03	Management approach	10, 20.3	Sava Insurance Group
403-02	Lost days	10.3.1	Sava Insurance Group
GRI 404: Education and training			
103-01, 103-02, 103-03	Management approach	10	Sava Insurance Group
404-01	Average hours of training per year per employee	10.4	Sava Insurance Group
404-03	Percentage of employees receiving regular performance and career development reviews	10.5.1	Sava Insurance Group
GRI 405: Diversity and equal opportunities			
103-01, 103-02, 103-03	Management approach	10	Sava Insurance Group
405-01	Diversity of governance bodies and employees	5.3.1, 10.3.1, 13	Sava Insurance Group
405-02	Basic salary factor of women is the same as that of men in all employee categories	10.3.1	Sava Re
413: Local communities			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
413-01	Operations with local community engagement, impact assessments, and development programs	13	Sava Insurance Group
GRI 414: Assessment of supplier in terms of impact on society			
103-01, 103-02, 103-03	Management approach	13	Sava Re and Zavarovalnica Sava
414-01	New suppliers that were screened using social criteria	13	Sava Re and Zavarovalnica Sava
GRI 417: Marketing and labelling			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
417-01	Requirements for product and service information and labelling	13	Sava Insurance Group
GRI 419: Compliance			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
419-01	Non-compliance with laws and regulations	13	Sava Insurance Group



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