



Translation of the

**Unaudited financial report
of the Sava Insurance Group and
financial statements of Sava Re d.d.
for the nine months
to 30 September 2019**

Ljubljana, 12 November 2019

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Introduction

1 Introduction

In accordance with the Financial Instruments Market Act and the rules of the Ljubljana Stock Exchange, Sava Re d.d., with registered office at Dunajska 56, Ljubljana, hereby publishes the “Unaudited financial report of the Sava Insurance Group and financial statements of Sava Re d.d. for the nine months to 30 September 2019”, also available from the Company’s website, at www.sava-re.si, as from 22 November 2019.

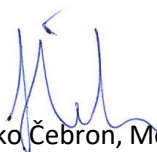
Declaration of the Management Board of Sava Re d.d.

To the best of our knowledge, the summary financial statements of the Sava Insurance Group with notes have been prepared to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The interim financial statements for the Sava Insurance Group and the separate financial statements of Sava Re d.d., which are both condensed, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed by the European Union and should be read together with the annual financial statements for the financial year ended 31 December 2018. The interim financial statements have not been audited.

The business report gives a fair view of the development and performance of the Group and the Company, and their financial position, including a description of the principal risks that the consolidated companies are exposed to.



Marko Jazbec, Chairman of the Management Board



Srečko Čebren, Member of the Management Board



Jošt Dolničar, Member of the Management Board



Polona Pirš Zupančič, Member of the Management Board

Ljubljana, 12 November 2019

1.1 Key financials

EUR, except percentages	Sava Insurance Group	
	1–9/2019	1–9/2018
Total operating segments		
Operating revenues	427,535,367	393,281,016
Year-on-year change	8.7%	8.1%
Gross premiums written	471,117,105	430,280,168
Year-on-year change	9.5%	5.2%
Net return on revenue (net result / total income other than investment and commission income), excluding the effect of exchange differences	8.8%	7.5%
Net expense ratio, including all income other than from investing and excluding the effect of exchange differences	30.5%	32.2%
Net investment income from the investment portfolio	19,013,020	14,382,106
Return on the investment portfolio	2.3%	1.7%
Net inv. income of the investment portfolio, excl. the effect of exchange differences	17,002,091	15,139,986
Return on the investment portfolio, excluding the effect of exchange differences	2.1%	1.8%
Profit or loss before tax	47,654,837	37,292,989
Year-on-year change	27.8%	37.4%
Profit or loss, net of tax	37,655,244	29,131,456
Year-on-year change	29.3%	39.2%
Comprehensive income	51,682,162	23,977,355
Year-on-year change	115.5%	5.1%
Annualised return on equity	13.6%	11.8%
Earnings or loss per share	2.42	1.87
Reinsurance + non-life		
Gross premiums written	403,388,697	364,079,800
Year-on-year change	10.8%	6.7%
Net incurred loss ratio	61.1%	58.5%
Net incurred loss ratio, excluding the effect of exchange differences	60.4%	58.8%
Operating expenses, including reinsurance commission income	105,086,596	101,982,861
Net expense ratio	31.4%	33.5%
Gross expense ratio	28.0%	29.4%
Net combined ratio	93.9%	94.3%
Net combined ratio, excluding the effect of exchange differences	93.3%	94.5%
Reinsurance + non-life + life		
Gross premiums written	468,549,024	428,584,868
Year-on-year change	9.3%	5.1%
Operating expenses, including reinsurance commission income	122,984,633	119,224,650
Net expense ratio	30.8%	32.3%
Gross expense ratio	27.9%	29.1%
Total operating segments	30/09/2019	31/12/2018
Total assets	1,844,783,212	1,705,947,263
Change on 31 Dec of prior year	8.1%	-0.1%
Shareholders' equity	376,970,303	340,175,455
Change on 31 Dec of prior year	10.8%	7.6%
Net technical provisions	1,148,582,207	1,103,231,374
Change on 31 Dec of prior year	4.1%	-2.1%
Book value per share	24.32	21.95
Number of employees (full-time equivalent basis)	2,566.4	2,416.7
Solvency ratio under Solvency II rules	-	218.0%

Notes:

- For details on the calculation of ratios and net investment income, see the appended glossary.
- Expenses for financial investments differ from the expenses in the “interest expenses” item of the income statement because they also include expenses for right-of-use assets of EUR 121 thousand.
- Net investment income of the investment portfolio does not include net investment income from assets pertaining to policyholders who bear the investment risk because such assets do not affect the income statement. The mathematical provision of policyholders who bear the investment risk moves in line with this line item.

The table below compares actual figures against figures planned for the full year 2019:

EUR million	1–9/2019	2019 plan	As % of plan
Sava Insurance Group			
Total income, other than from investments	427.5	> 535	79.9%
Profit or loss, net of tax	37.7	≥ 43.0	87.6%
Annualised return on equity	13.6%	> 12%	✓
Investment return, excluding the effect of exchange differences	2.1%	1.7%	✓
(Re)insurance part			
Gross premiums written	471.1	> 555	84.9%
Net premiums earned	402.1	> 515	78.1%
Net expense ratio (reins. + non-life + life)	30.8%	32.4–33.0%	✓
Net incurred loss ratio, excluding the effect of exchange differences (reins. + non-life)	60.4%	59.2–59.7%	✗
Net combined ratio, excluding the effect of exchange differences (reins. + non-life)	93.3%	93.6–94.1%	✓

Because exchange differences were not factored into the plan, the table shows ratios excluding the effect of exchange differences.

In the period 1–9/2019, the Sava Insurance Group wrote EUR 471.1 million in gross premiums, up 9.5% year on year. The growth in gross premiums written in 1–9/2019 was also contributed by business written by Zavarovalnica Sava with companies based in the European Economic Area. The net profit for the period was EUR 37.7 million, which is 87.6% of the lower value of the planned range for the full year 2019 and a 29.3% increase year on year. In the first nine months, the net expense ratio was better than planned, supported by a strong result of reinsurance operations (a relatively lower share of proportional business, which achieves higher commission rates than non-proportional business) and non-life operations (due to the integration of the Croatian insurance companies into the Group). The net incurred loss ratio was somewhat weaker than planned, mainly due to the impact of higher net claims incurred by the Croatian non-life insurers (international non-life business). The investment return was better than planned. The operating revenues of the Sava Insurance Group account for 79.9% of the full-year target figure, and we estimate that the full-year 2019 target will be achieved by year end. We believe that the Group will achieve its performance targets for the full year 2019.

1.2 Sava Re company profile

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	5,063,825
Tax identification number	17,986,141
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 (chair), Keith William Morris (deputy chair) Andrej Kren Davor Ivan Gjivoje Mateja Živec (employee representative) Andrej Gorazd Kunstek (employee representative)
Date of entry into court register	10 December 1990, Ljubljana District Court
Certified auditor	KPMG SLOVENIJA, podjetje za revidiranje, d.o.o. Železna cesta 8A 1000 Ljubljana Slovenia
Largest shareholder and holding	Slovenian Sovereign Holding 17.7% (no-par-value shares: 3,043,883)
Credit ratings:	
Standard & Poor's	A /stable/; July 2019
AM Best	A /stable/; October 2019
The Company has no branches.	

1.3 Bodies of the Company

Management board

In accordance with its articles of association, Sava Re is managed and represented by a two- to five-member management board. In order to transact business, the Company must be represented jointly by at least two members.



In the period 1–9/2019, there were no changes in the composition of the management board.

Composition of the management board as at 30 September 2019

Member	Title	Beginning of term of office	End of term of office
Marko Jazbec	chair	12/05/2017	12/05/2022
Srečko Čebren	member	01/06/2018	01/06/2023
Jošt Dolničar	member	01/06/2018	01/06/2023
Polona Pirš Zupančič	member	14/01/2018	14/01/2023

Notes on memberships of management or supervisory bodies of third parties:

Jošt Dolničar:

-  Slovenian Rowing Federation, Župančičeva cesta 9, 4260 Bled, Slovenia – president.
-  Olympic Committee of Slovenia – member of the executive board.

Supervisory board

The shareholder representatives on the supervisory board are elected by the Company's general meeting, while the two employee representatives are elected by the workers' council.

In the nine months to 30 September 2019, there were no changes in the composition of the supervisory board.



As the term of office of both employee representatives on the Sava Re supervisory board was 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.

Composition of the supervisory board as at 30 September 2019




Member	Title	Beginning of term of office	End of term of office
Mateja Lovšin Herič	chair	16/07/2017	16/07/2021
Keith W. Morris	deputy chair	16/07/2017	16/07/2021
Andrej Kren	member	16/07/2017	16/07/2021
Davor Ivan Gjivoje	member	07/03/2017	07/03/2021
Andrej Gorazd Kunstek	member (employee representative)	12/06/2019	12/06/2023
Mateja Živec	member (employee representative)	12/06/2019	12/06/2023

Notes on memberships of management or supervisory bodies of third parties:



Keith W. Morris:

-  European Reliance S.A., Kifisias Aven. 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, United Kingdom – chairman of the board of directors.

Davor Ivan Gjivoje, Jr.:

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

Andrej Kren:

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

Supervisory board committees

Audit committee

There were no changes in the composition of the supervisory board's audit committee in the nine months to 30 September 2019.

Composition of the supervisory board's audit committee as at 30 September 2019

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

Risk committee

There were no changes in the composition of the supervisory board's risk committee in the nine months to 30 September 2019.

Composition of the supervisory board's risk committee as at 30 September 2019

Member	Title	Beginning of term of office	End of term of office
Keith W. Morris	chairman	24/08/2017	16/07/2021
Davor Ivan Gjivoje	member	24/08/2017	16/07/2021
Slaven Mičković	external member and deputy chair	24/08/2017	16/07/2021

Nominations and remuneration committee

There were no changes in the composition of the supervisory board's nominations and remuneration committee in the nine months to 30 September 2019.

Composition of the supervisory board's nominations and remuneration committee as at 30 September 2019

Member	Title	Beginning of term of office	End of term of office
Mateja Lovšin Herič	chair	24/08/2017	16/07/2021
Keith W. Morris	member	24/08/2017	16/07/2021
Andrej Kren	member	24/08/2017	16/07/2021
Davor Ivan Gjivoje	member	24/08/2017	07/03/2021

Fit and proper committee

There were no changes in the composition of the supervisory board's fit and proper committee in the nine months to 30 September 2019.

Composition of the fit & proper committee as at 30 September 2019

Member	Title	Beginning of term of office	End of term of office
Mateja Živec	chair	12/06/2019	16/07/2021
Keith W. Morris	member	24/08/2017	16/07/2021
Rok Saje	external member	08/03/2018	16/07/2021
Andrej Kren	alternate member	24/08/2017	16/07/2021

General meeting of shareholders



The Sava Re general meeting of shareholders was held once in the nine months to 30 September 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 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.

1.4 Significant events in the nine months to 30 September 2019









- S** 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.
- S** 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 is 293%.
- S** In May 2019, the 35th general meeting of shareholders was held.
- S** 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 is 218%.
- S** On 7 June 2019, having met all the suspensive conditions under the sales agreement of 24 December 2018, Sava Re d.d. 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.
- S** 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 is stable.
- S** 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 the medical centre 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 interests in the Bled Diagnostic Centre. In the agreement, the parties set out the key steps that are to lead towards their joint control over the Bled Diagnostic Centre through their ZTSR d.o.o. joint venture.

1.5 Significant events after the reporting period

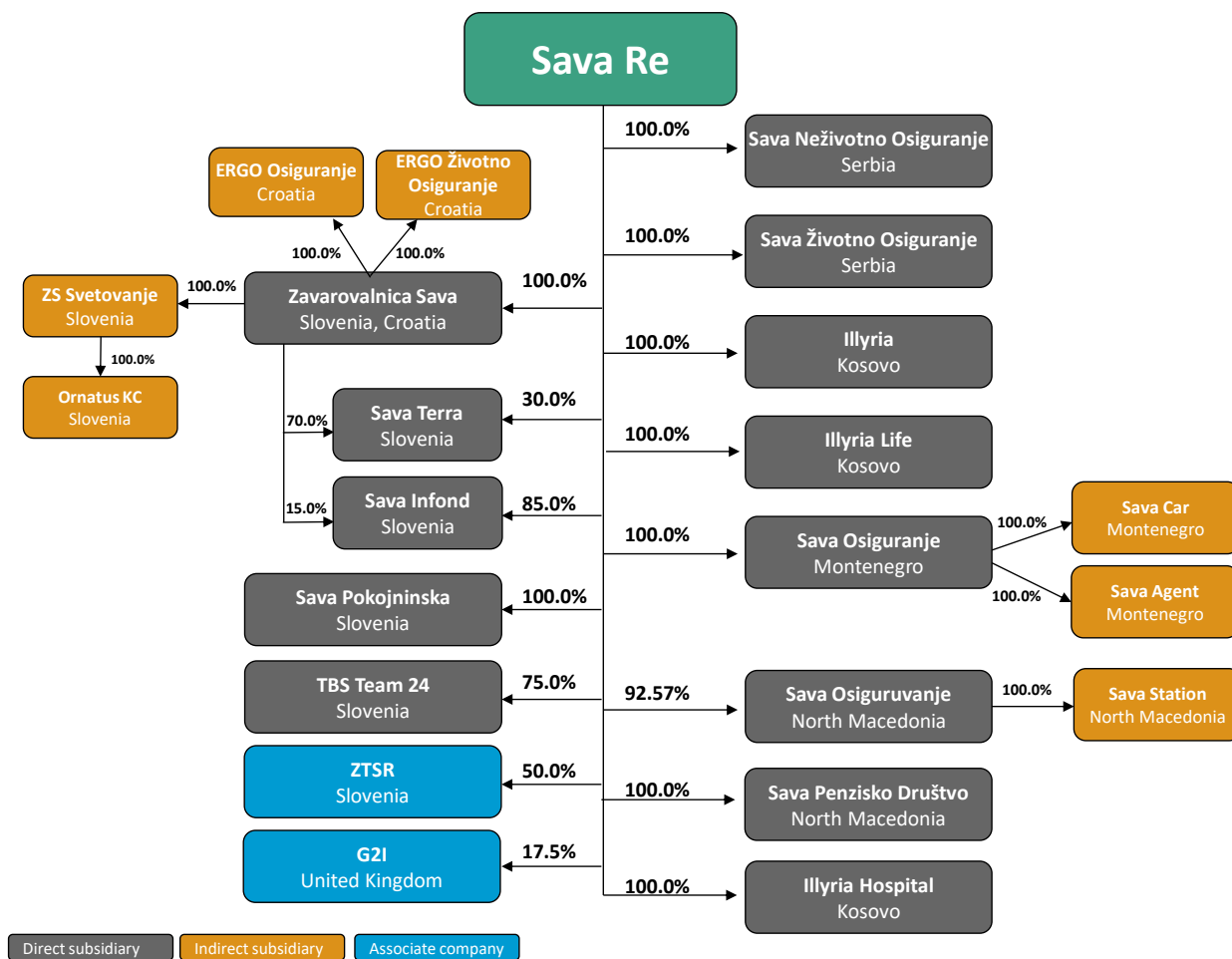
-  Following its regular annual rating review in October 2019, the rating agency AM Best affirmed the “A” (excellent) insurer financial strength rating of Sava Re. The outlook is stable.
-  In October 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039 and with an early recall option 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 optimisation of its capital structure. The total issue is EUR 75 million. The bond issue is intended for qualified investors and will be listed on the regulated market of the Luxembourg Stock Exchange.

1.6 Composition of the Sava Insurance Group

Sava Re, the ultimate parent company of the Sava Insurance Group, transacts reinsurance business. The insurance part of the Group is composed of nine 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, Sava Osiguranje (Montenegro) and ERGO Osiguranje; and the life insurers Sava Životno Osiguranje (Serbia), Illyria Life and ERGO Životno Osiguranje. 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;
-  Sava Terra: a subsidiary renting out property and managing investment property;
-  Illyria Hospital: a company based in Kosovo that owns some real property but is currently dormant.

Composition of the Sava Insurance Group as at 30 September 2019



Company names of Sava Insurance Group members

	Official long name	Short name in this document
	Sava Insurance Group	Sava Insurance Group or the Group
1	Pozavarovalnica Sava, d.d. / Sava Reinsurance Company d.d.	Sava Re or the Company
2	ZAVAROVALNICA SAVA, zavarovalna družba, d.d.	Zavarovalnica Sava
	SAVA OSIGURANJE, d.d. – Croatian branch office	Zavarovalnica Sava, Slovenian part (in tables)
3	Sava pokojninska družba, d.d.	Zavarovalnica Sava, Croatian part (in tables)
		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
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 upravljanje so zadolžiteln i dobovolin penzisko fondovi SAVA PENZISKO DRUŠTVO A.D Skopje)	Sava Penzisko Društvo
18	ZTSR, raziskovanje trga, d.o.o.	ZTSR
19	Sava Terra, družba za upravljanje z nepremičninami, d.o.o.	Sava Terra
20	Got2Insure Ltd	G2I
21	ERGO Osiguranje d.d.	ERGO Osiguranje
22	ERGO Životno Osiguranje d.d	ERGO Životno Osiguranje
23	SAVA INFOND, družba za upravljanje, d.o.o.	Sava Infond

1.7 Shareholders and share trading

POSR share price performance from 1 October 2018 to 30 September 2019 compared to the SBITOP stock index (EUR)



The SBITOP index has been rebased to the same level as the POSR share price (01/10/2018: EUR 16.0), and below is a presentation of the stock index growth rate in real terms.

The share price was EUR 15.30 and EUR 16.80 as at 31 December 2018 and 30 September 2019, respectively, representing a 9.8% rise in the period. A dividend of EUR 0.95 per share was paid out in the second quarter of 2019.

Basic details about the POSR share

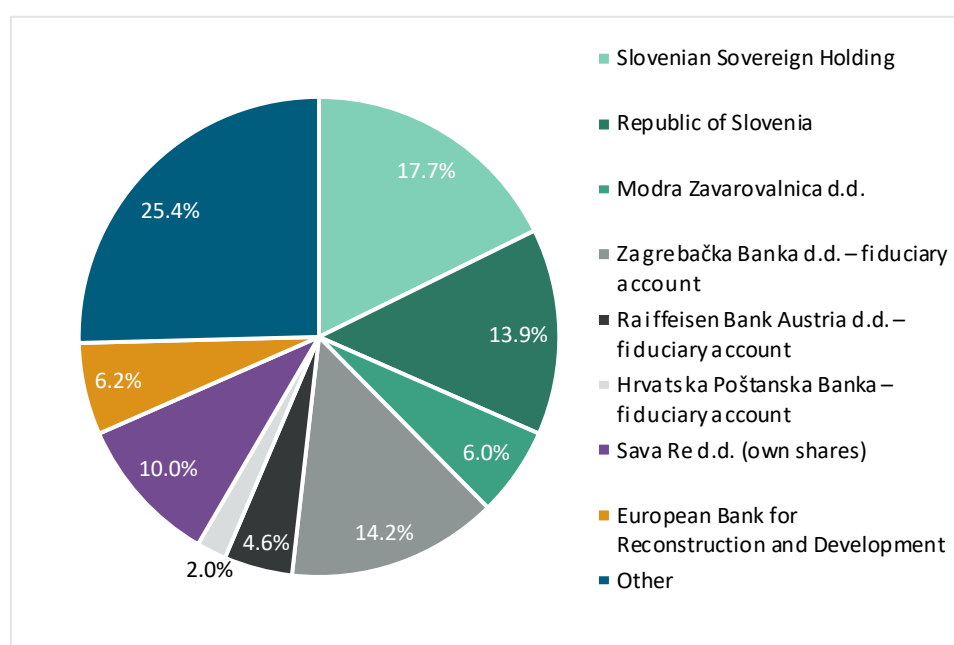
	30/09/2019	30/09/2018
Share capital (EUR)	71,856,376	71,856,376
Number of shares	17,219,662	17,219,662
Ticker symbol	POSR	POSR
Number of shareholders	4,111	4,079
Type of share	ordinary	
Listing	Ljubljana Stock Exchange, prime market	
Number of own shares	1,721,966	1,721,966
Consolidated earnings per share (EUR)	2.42	1.87
Consolidated book value per share (EUR)	24.32	21.13
Share price at end of period (EUR)	16.80	16.60
Market capitalisation (EUR)	289,290,322	285,846,389
	1-9/2019	1-9/2018
Average share price in reporting period (EUR)	16.65	17.27
Minimum share price in reporting period (EUR)	14.70	15.80
Maximum share price in reporting period (EUR)	17.60	19.00
Turnover in reporting period (EUR)	6,205,464	8,315,539
Average daily turnover for the share (EUR)	37,158	44,949

Top ten shareholders of Sava Re as at 30 September 2019¹

Shareholder	Number of shares	Holding
Slovenian Sovereign Holding	3,043,883	17.7%
Zagrebačka Banka d.d. – fiduciary account	2,439,852	14.2%
Republic of Slovenia	2,392,436	13.9%
Sava Re	1,721,966	10.0%
European Bank for Reconstruction and Development	1,071,429	6.2%
Raiffeisen Bank Austria d.d. – fiduciary account	785,030	4.6%
Modra Zavarovalnica d.d.	714,285	4.1%
Hrvatska Poštanska Banka – fiduciary account	345,000	2.0%
Modra Zavarovalnica d.d. – ZVPS	320,346	1.9%
East Capital – East Capital Balkans	292,782	1.7%
Total	13,127,009	76.2%

On 2 June 2016, Sava Re received a notice from Adris Grupa d.d., Vladimira Nazora 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 Sava Re issued and outstanding shares, respectively.

Largest shareholders of Sava Re as at 30 September 2019²



As at 30 September 2019, 65.8% of shareholders were Slovenian and 34.2% foreign. The largest shareholder of POSR shares is Slovenian Sovereign Holding (Slovenski državni 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-monetary dividend distribution from Abanka. Slovenian Sovereign Holding and the Republic of Slovenia jointly hold 5,436,319 shares accounting for a 31.6% stake.

¹ Source: KDD d.d. central securities register and own calculations.

² Source: KDD d.d. central securities register and own calculations.

Shareholder structure of Sava Re as at 30 September 2019³

Type of investor	Domestic investor	International investor
Insurance and pension companies	19.2%	0.0%
Other financial institutions*	17.9%	0.4%
Government	13.9%	0.0%
Natural persons	9.6%	0.1%
Banks	0.1%	29.5%
Investment funds and mutual funds	3.0%	3.0%
Other commercial companies	2.2%	1.2%
Total	65.8%	34.2%

* The other financial institutions item includes Slovenian Sovereign Holding with a stake of 17.7%.

** Interests held through fiduciary accounts cannot be classified.

POSR shares held by supervisory and management board members as at 30 September 2019

Member	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%

Own shares

In the period from 1 January 2019 to 30 September 2019, Sava Re did not repurchase its own shares. The total number of own shares as at 30 September 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 5.7% dividend yield on the record date.

Details on dividends⁴

EUR	2015	2016	2017	2018	2019
Dividend distributions	9,065,978	12,398,157	12,398,157	12,398,157	14,722,811
Dividend/share	0.55	ordinary: 0.65 special: 0.15	0.80	0.80	0.95
Dividend yield	3.8%	5.8%	5.0%	4.8%	5.7%

Contingent capital

As at 30 September 2019, the Company had no conditional equity.

³ Source: KDD d.d. central securities register and own calculations.

⁴ Current year dividend distributions from distributable profits of the previous year.

Sava Insurance Group interim business report

2 Review of operations and financial result of the Sava Insurance Group⁵

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 following companies are included in the operating segments:

- S** reinsurance business: Sava Re (extra-Group business), 30% of Sava Terra;
- S** non-life business, Slovenia: Zavarovalnica Sava (Slovenian part), 70% of Sava Terra;
- S** non-life business, international: Zavarovalnica Sava (Croatian part), Sava Neživotno Osiguranje (Serbia), Illyria, Sava Osiguranje (Montenegro), Sava Osiguruvanje (North Macedonia), ERGO Osiguranje, Illyria Hospital, Sava Car, Sava Agent, Sava Station;
- S** life business, Slovenia: Zavarovalnica Sava (Slovenian part), ZS Svetovanje, Ornatus KC;
- S** life business, international: Zavarovalnica Sava (Croatian part), Sava Životno Osiguranje (Serbia), Illyria Life, ERGO Životno Osiguranje
- S** pension business: Sava Pokojninska, Sava Penzisko Društvo;
- S** other: TBS Team 24, Sava Infond (company included in the balance sheet as from 30 June 2019 and in the income statement as from 1–9/2019), ZTRS (equity method), G2I (equity method).

For the purpose of segment reporting, we have also made the following reallocations of income statement items:

- S** 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 portions 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 catastrophic 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 has arisen. All these items are adjusted only in the part relating to the risks of subsidiaries retroceded by Sava Re to foreign reinsurers.
- S** 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 made also for other operating expenses relating to intra-group reinsurance transactions. In the period 1–9/2019, Sava Re allocated 65.4% of other operating expenses to segments as monitored by income composition (1–9/2018: 64.9%). 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. In the same way, income is eliminated in the consolidation process.
- S** Investment income and expenses are reallocated from the reinsurance segment to the non-life and life insurance segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).

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

⁵ A glossary of selected insurance terms and calculation methods for ratios is appended to this report.

- Intangible assets – goodwill is allocated to the segment from which it has arisen (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.
- 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).

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 Sava Terra was completed in the third quarter of 2018. The first consolidated accounts of the Sava Insurance Group after Sava Terra joined were prepared as at 31 December 2018. The companies ERGO Osiguranje and ERGO Životno Osiguranje joined the Sava Insurance Group on 31 March 2019, as the result of which 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.

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

Summary of the consolidated income statement

EUR	1–9/2019	1–9/2018	Index
Net premiums earned	402,090,977	370,713,252	108.5
Income from investments in associates	2,717,909	0	-
Investment income	19,206,121	20,240,162	94.9
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	25,984,758	13,624,811	190.7
Other technical income	16,219,141	12,375,638	131.1
Other income	9,225,249	10,192,126	90.5
- Of which investment property	1,003,505	657,078	152.7
Net claims incurred	-286,899,084	-236,915,700	121.1
Change in other technical provisions	29,807,947	1,841,673	1,618.5
Change in technical provisions for policyholders who bear the investment risk	-8,778,847	7,746,913	-113.3
Expenses for bonuses and rebates	134,737	159,986	84.2
Operating expenses	-132,796,499	-128,314,188	103.5
Expenses relating to investments in associates	-24,414	0	-
Expenses for financial assets and liabilities	-3,513,034	-6,347,430	55.3
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-9,433,193	-10,024,287	94.1
Other technical expenses	-14,191,892	-15,936,269	89.1
Other expenses	-2,095,039	-2,063,698	101.5
- Of which investment property	-497,996	-349,618	142.4
Profit or loss before tax	47,654,837	37,292,989	127.8

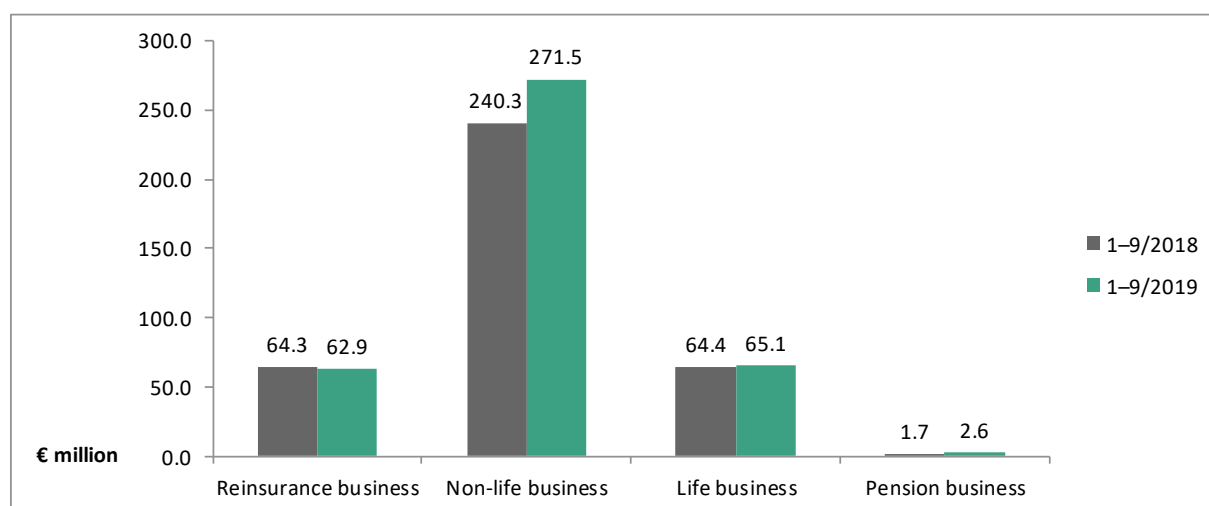
In 1–9/2019 operating revenues totalled EUR 427.5 million, up 8.7% year on year. Revenues were primarily driven by higher non-life revenues, the larger volume of business written by Zavarovalnica Sava with various companies in the EEA and partly by acquisitions. Following is a discussion of the major items of the consolidated income statement.

Consolidated net premiums earned⁶

Consolidated net premiums earned

EUR	1-9/2019	1-9/2018	Index
Gross premiums written	471,117,105	430,280,168	109.5
Net premiums written	439,442,144	406,087,882	108.2
Change in net unearned premiums	-37,351,167	-35,374,630	105.6
Net premiums earned	402,090,977	370,713,252	108.5

Consolidated net premiums earned by operating segment

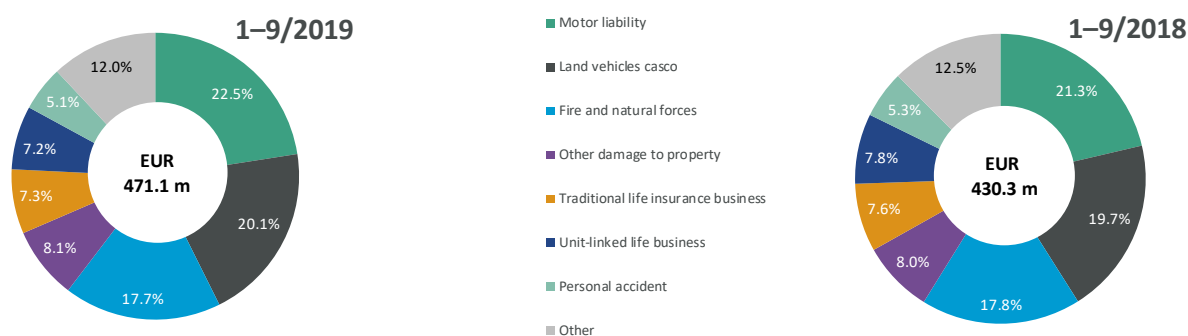


Consolidated net premiums earned by class of business

EUR	1-9/2019	1-9/2018	Index
Personal accident	22,167,041	20,987,075	105.6
Health insurance	4,610,947	5,573,498	82.7
Land vehicles casco	82,905,774	74,713,019	111.0
Railway rolling stock	213,177	107,441	198.4
Aircraft hull	189,831	698,833	27.2
Ships hull	2,400,255	3,044,529	78.8
Goods in transit	2,734,142	4,221,976	64.8
Fire and natural forces	60,769,543	58,584,669	103.7
Other damage to property	29,505,381	26,269,384	112.3
Motor liability	91,721,598	81,749,756	112.2
Aircraft liability	25,325	106,089	23.9
Liability for ships	357,913	560,831	63.8
General liability	16,122,277	14,758,763	109.2
Credit	2,713,666	3,145,132	86.3
Suretyship	123,185	44,319	278.0
Miscellaneous financial loss	4,742,668	1,845,755	257.0
Legal expenses	345,673	118,958	290.6
Assistance	12,543,768	8,029,263	156.2
Traditional life insurance business	34,183,384	32,648,336	104.7
Unit-linked life business	33,715,429	33,505,626	100.6
Total non-life	334,192,164	304,559,290	109.7
Total life	67,898,813	66,153,962	102.6
Total	402,090,977	370,713,252	108.5

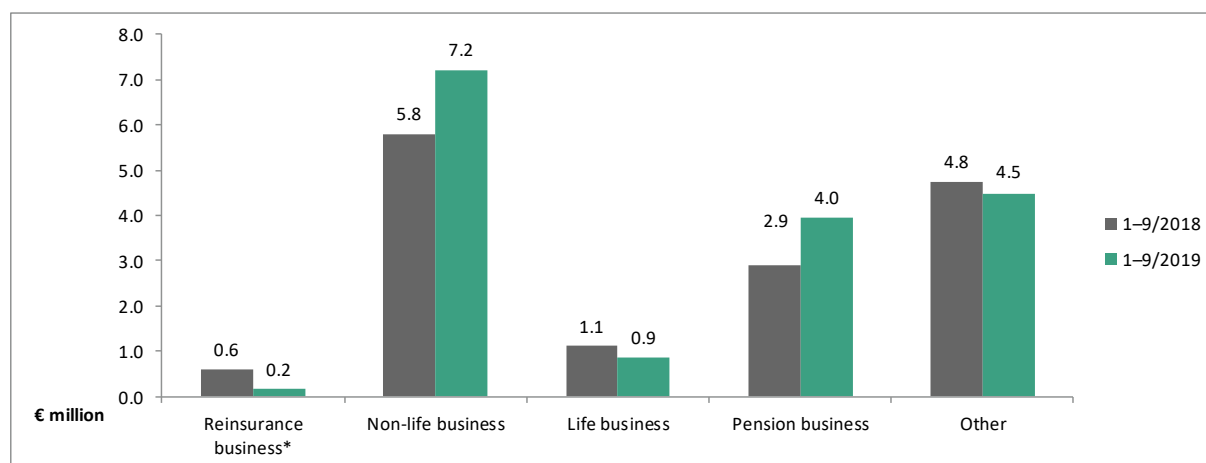
⁶ Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

Consolidated gross premiums written by class of business



Consolidated other technical income and other income

Composition of other technical and other income by operating segment



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

Consolidated net claims incurred⁷

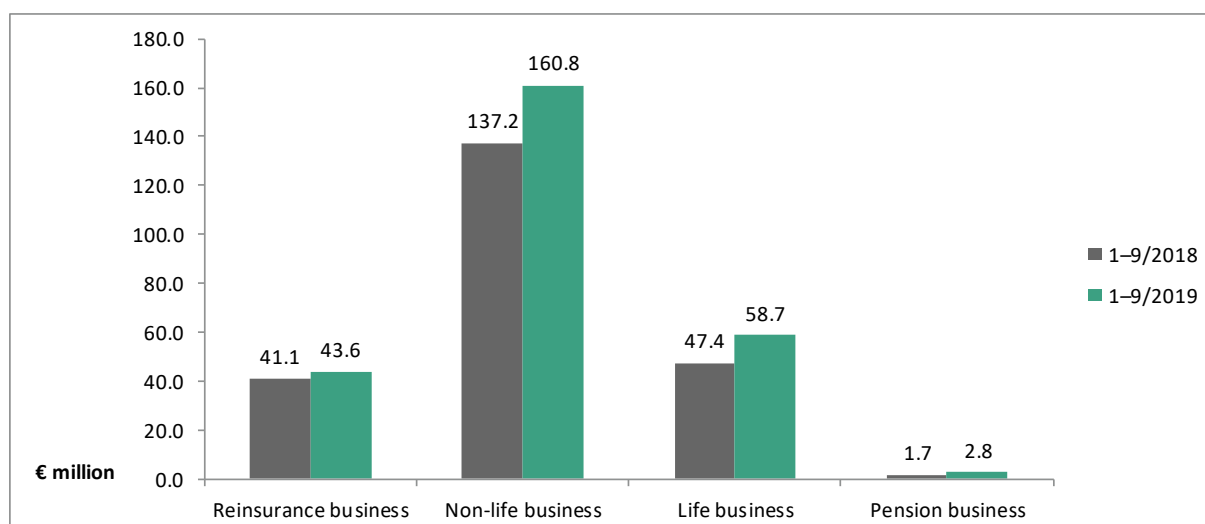
Consolidated net claims incurred, including the change in provisions related to life business

EUR	1-9/2019	1-9/2018	Index
Gross claims paid	281,951,986	245,980,576	114.6
Net claims paid	274,727,045	237,793,196	115.5
Change in the net provision for outstanding claims	12,172,039	-877,496	-1,387.1
Net claims incurred	286,899,084	236,915,700	121.1
Change in other technical provisions*	-29,807,947	-1,841,673	1,618.5
Change in technical provisions for policyholders who bear the investment risk	8,778,847	-7,746,913	-113.3
Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business	265,869,984	227,327,114	117.0

* These provisions mainly comprise mathematical provisions.

⁷ Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

Composition of consolidated net claims incurred, including the change in life insurance provisions⁸



Consolidated net claims incurred by class of business⁹

EUR	1-9/2019	1-9/2018	Index
Personal accident	9,294,210	8,649,684	107.5
Health insurance	3,317,402	3,049,450	108.8
Land vehicles casco	58,190,841	56,305,834	103.3
Railway rolling stock	84,211	86,902	96.9
Aircraft hull	504,495	455,404	110.8
Ships hull	1,698,971	3,187,691	53.3
Goods in transit	1,164,238	4,671,678	24.9
Fire and natural forces	45,072,199	33,998,013	132.6
Other damage to property	16,445,127	13,339,507	123.3
Motor liability	53,075,116	45,137,996	117.6
Aircraft liability	3,694	-20,267	-18.2
Liability for ships	262,060	150,602	174.0
General liability	6,881,810	3,240,278	212.4
Credit	-47,038	11,580	-406.2
Suretyship	51,267	203,762	25.2
Miscellaneous financial loss	1,145,483	923,732	124.0
Legal expenses	168,250	-7,282	-2,310.5
Assistance	7,547,355	2,128,121	354.6
Traditional life insurance business	55,679,343	28,574,643	194.9
Unit-linked life business	26,360,050	32,828,371	80.3
Total non-life	204,859,691	175,512,685	116.7
Total life	82,039,393	61,403,014	133.6
Total	286,899,084	236,915,700	121.1

⁸ 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.

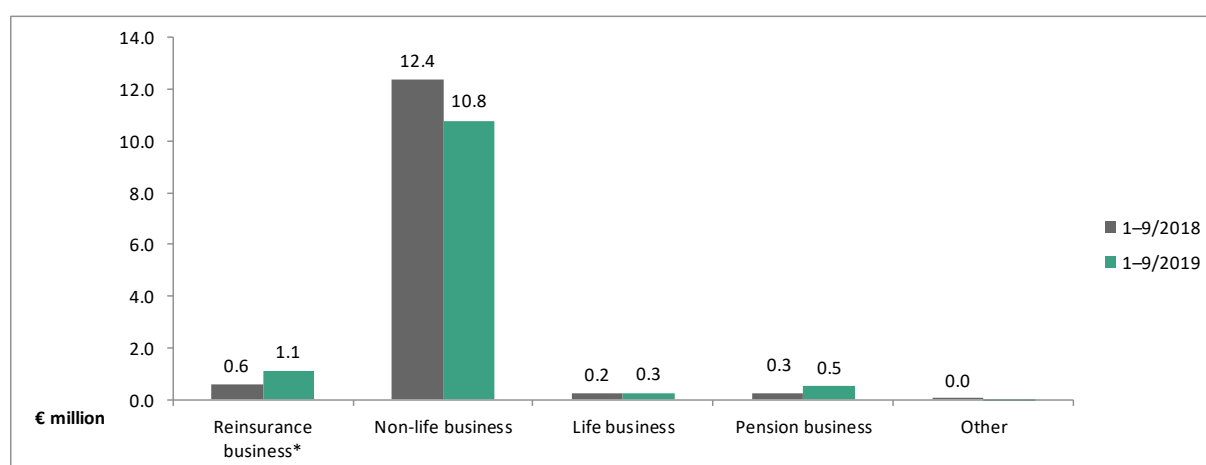
⁹ These do not include the change in other technical provisions nor the change in the technical provision for policyholders who bear the investment risk.

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



Consolidated other technical and other expenses

Composition of other technical and other expenses by operating segment



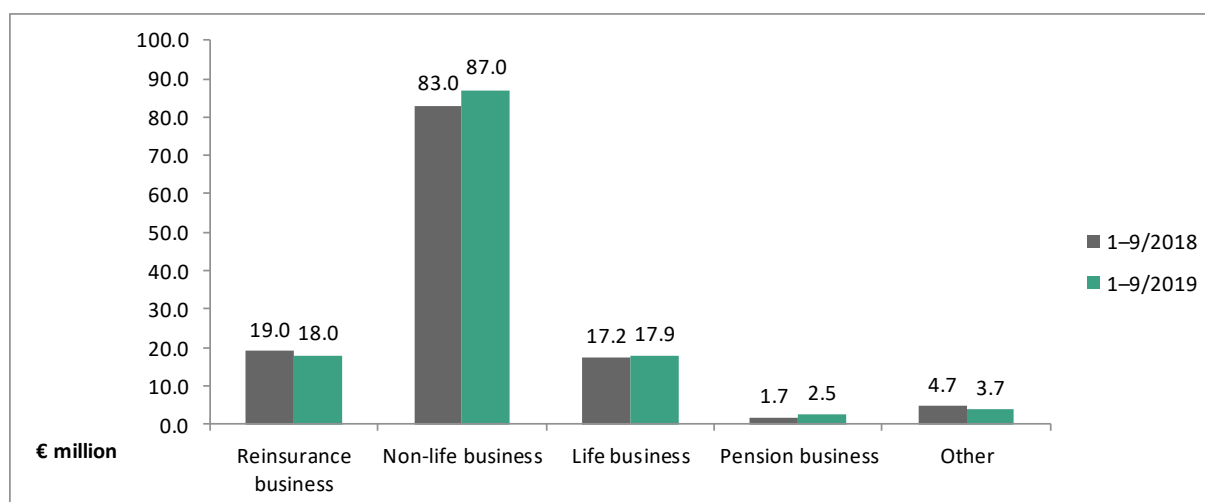
* The reinsurance segment is shown excluding the effect of foreign exchange losses.

Consolidated operating expenses

Consolidated operating expenses

EUR	1-9/2019	1-9/2018	Index
Acquisition costs	49,650,746	43,441,936	114.3
Change in deferred acquisition costs (+/-)	-4,218,796	-2,707,182	155.8
Other operating expenses	87,364,549	87,579,434	99.8
Operating expenses	132,796,499	128,314,188	103.5
Reinsurance commission income	-3,654,802	-2,684,275	136.2
Net operating expenses	129,141,697	125,629,913	102.8

Consolidated net operating expenses by operating segment



Consolidated net investment income

Consolidated net investment income of the investment portfolio

EUR	1-9/2019	1-9/2018	Absolute change
Net investment income from the investment portfolio	19,013,020	14,382,106	4,630,914
Net investment income of the investment portfolio, excluding the effect of exchange differences	17,002,091	15,139,986	1,862,105

* Expenses for financial investments differ from the expenses in the income statement item "interest expenses" because they also include expenses for right-of-use assets of EUR 121 thousand.

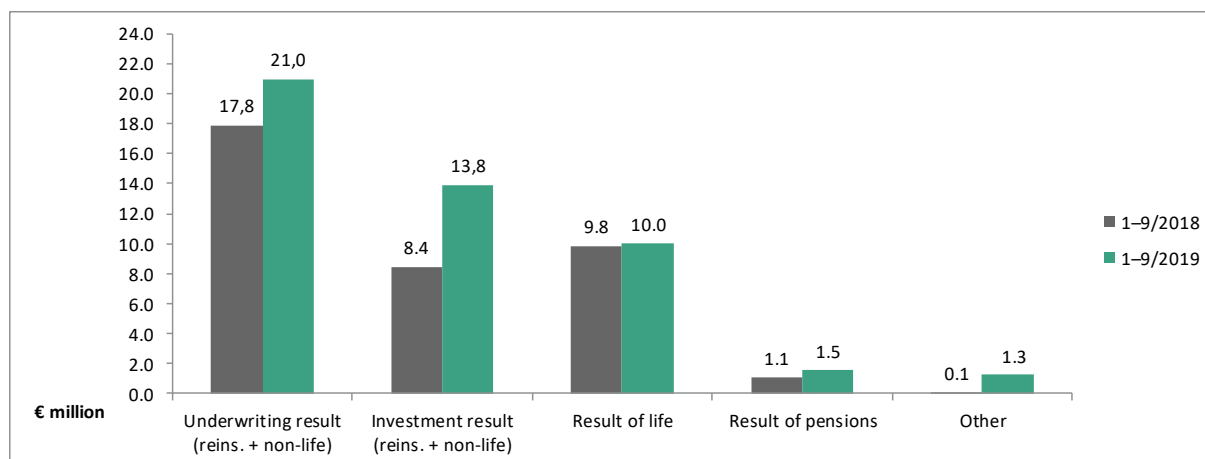
Consolidated income and expenses relating to the investment portfolio

EUR	1-9/2019	1-9/2018	Absolute change
Income			
Interest income	10,516,470	12,300,094	-1,783,624
Change in fair value and gains on disposal of FVPL assets	1,293,594	156,187	1,137,407
Gains on disposal of other IFRS asset categories	717,217	1,555,414	-838,197
Income from investments in subsidiary companies	2,717,909	0	2,717,909
Income from dividends and shares – other investments	1,343,707	1,285,126	58,581
Exchange gains	4,653,781	4,870,076	-216,295
Diverse other income	1,684,857	951,581	733,276
Income relating to the investment portfolio	22,927,535	21,118,478	1,809,057
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	25,984,758	13,624,811	12,359,947
Expenses			
Interest expenses	13,723	17,890	-4,167
Change in fair value and losses on disposal of FVPL assets	431,582	274,457	157,125
Losses on disposal of other IFRS asset categories	106,421	222,899	-116,478
Impairment of investments in associates	24,414	0	24,414
Exchange losses	2,642,852	5,627,956	-2,985,104
Other	695,523	593,170	102,353
Expenses relating to the investment portfolio	3,914,515	6,736,372	-2,821,857
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	9,433,193	10,024,287	-591,094

* Expenses for financial investments differ from the expenses in the income statement item "interest expenses" because they also include expenses for right-of-use assets of EUR 121 thousand.

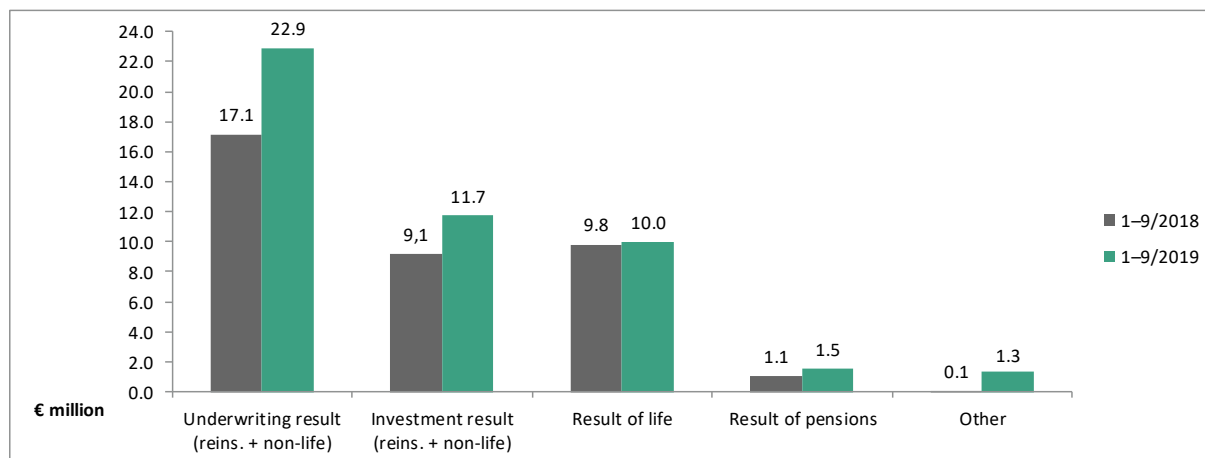
Consolidated gross profit or loss

Composition of the consolidated gross income statement

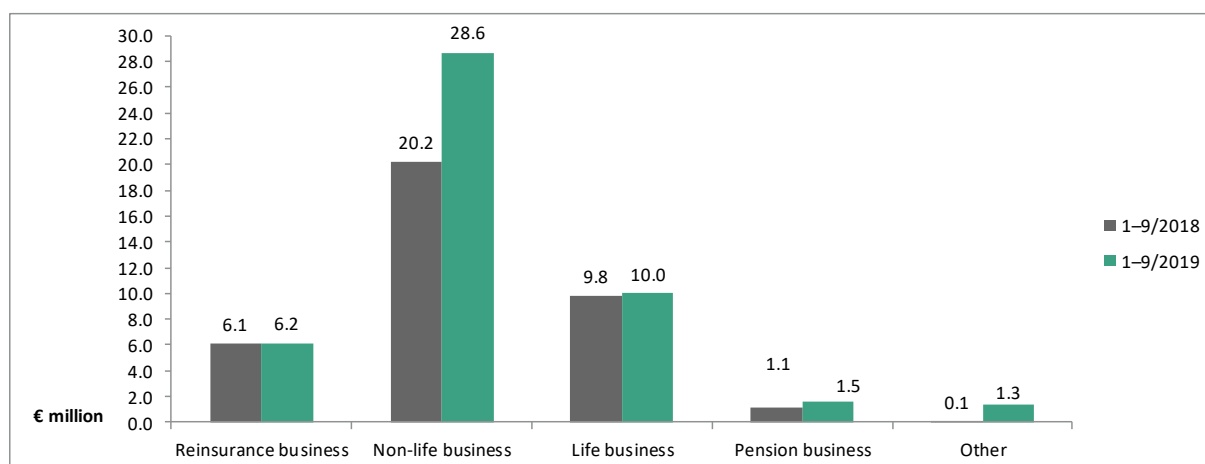


In the period 1-9/2019, exchange differences had a significant impact on the composition of the underwriting and investment results, which is why the results below are presented excluding the effect of exchange differences. The impact of exchange differences on the result by operating segment was as follows: negative effect on the underwriting result of EUR 1.9 million (1-9/2018: EUR 0.7 million positive effect); positive effect on the investment result of EUR 2.1 million (1-9/2018: EUR 0.7 million negative effect). The total positive effect of exchange differences on the 1-9/2019 result amounted to EUR 0.2 million (1-9/2018: EUR 0.02 million positive effect).

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



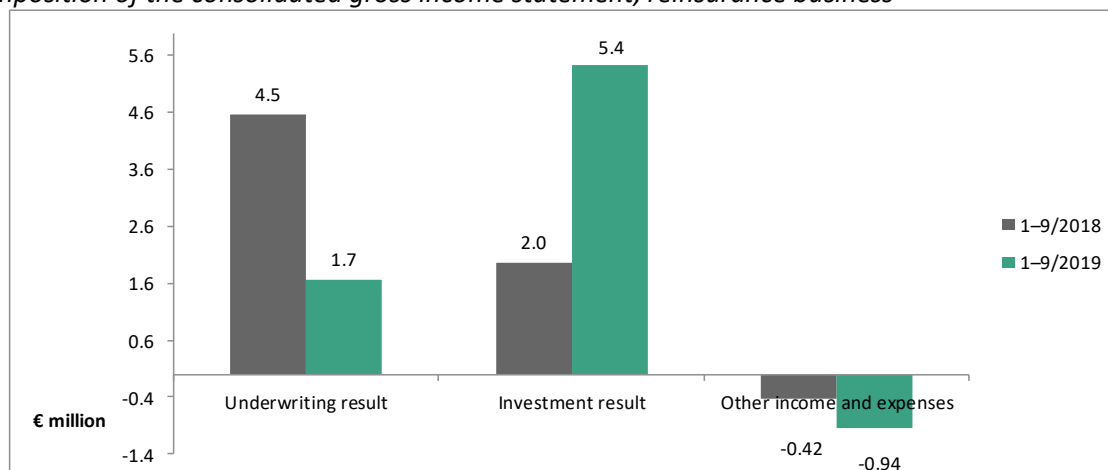
Composition of the consolidated gross profit or loss by operating segment



2.1 Reinsurance business

The income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section 7.7 “Segment reporting”. The reinsurance segment primarily reflects the developments in the portfolio that Sava Re writes outside Slovenia with extra-Group companies.

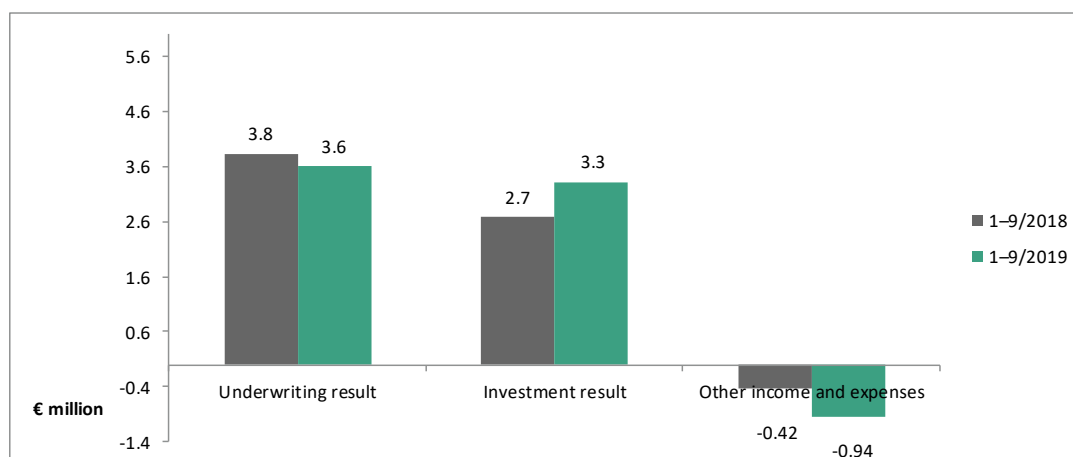
Composition of the consolidated gross income statement; reinsurance business



The performance of this operating segment is impacted by exchange differences, which is why the underwriting and investment results are not directly comparable. The impact of exchange differences is set out in section 2 under the heading “Consolidated gross profit or loss” and refers to the reinsurance segment shown here.

The following graph shows profit or loss, 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 impact of exchange differences, was slightly weaker in 1–9/2019 year on year, mainly as the result of lower net premiums earned. The investment result, excluding the effect of exchange differences, was better in 1–9/2019 year on year due to higher income from the partial repayment of corporate bonds previously impaired, higher dividend distributions from financial investments and stronger income from investment properties.

Net premiums earned

Net premiums earned; reinsurance business

EUR	1-9/2019	1-9/2018	Index
Gross premiums written	74,554,231	71,937,165	103.6
Net premiums earned	62,880,151	64,343,238	97.7

In 1-9/2019, gross premiums written for this segment were 3.6% higher year on year. Premium growth was achieved in non-proportional reinsurance business, especially in Asian markets (through organic growth and new contracts). In 1-9/2019, net premiums earned were 2.3% lower year on year due to a larger change in net unearned premiums as the result of faster growth of new business compared to last year.

Net claims incurred

Net claims incurred; reinsurance business

EUR	1-9/2019	1-9/2018	Index
Gross claims paid	39,634,147	35,750,243	110.9
Net claims incurred	43,525,115	40,966,475	106.2

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

EUR	1-9/2019	1-9/2018	Index
Gross claims paid	39,634,147	35,750,243	110.9
Net claims incurred	41,266,251	41,835,113	98.6

In 1-9/2019, net claims incurred increased by 6.2%. The growth is mainly a result of the impact of foreign exchange differences (2019: negative impact of EUR 2.3 million; 2018: positive impact of EUR 0.9 million).

The incurred loss ratio relating to the reinsurance segment (excluding the effect of exchange differences) was 0.6 p.p. weaker year on year, at 65.6% (1-9/2018: 65.0%).

Operating expenses

Consolidated operating expenses; reinsurance business

EUR	1-9/2019	1-9/2018	Index
Acquisition costs	16,106,779	16,554,704	97.3
Change in deferred acquisition costs (+/-)	-576,265	-187,039	308.1
Other operating expenses	2,989,408	2,898,399	103.1
Operating expenses	18,519,922	19,266,064	96.1
Reinsurance commission income	-475,806	-292,554	-37.4
Net operating expenses	18,044,116	18,973,510	95.1

In 1-9/2019, acquisition costs dropped by 2.7% (against a 3.6% growth in gross premiums written). Acquisition costs as a percentage of gross premiums written rose by 1.4 p.p. to 21.6% compared to 1-9/2018. 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.

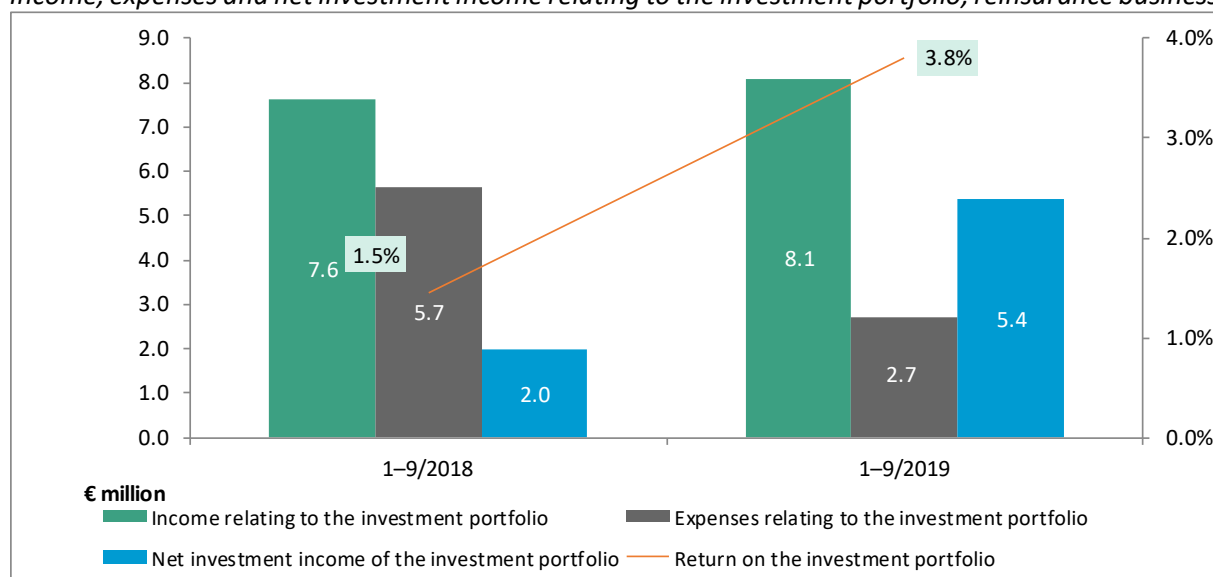
In 1-9/2019, the change in deferred acquisition costs was larger year on year, due to stronger growth in gross premiums written for new business in line with the movement in unearned premiums.

Other operating expenses increased by 3.1%, primarily due to personnel costs following expanded business operations and service costs related to IT development.

In 1–9/2019, the net expense ratio improved by 0.8 p.p. as the result of lower net expenses, which declined by more than net earned premiums. Acquisition costs, including the change in deferred acquisition costs, were down 5.1% year on year.

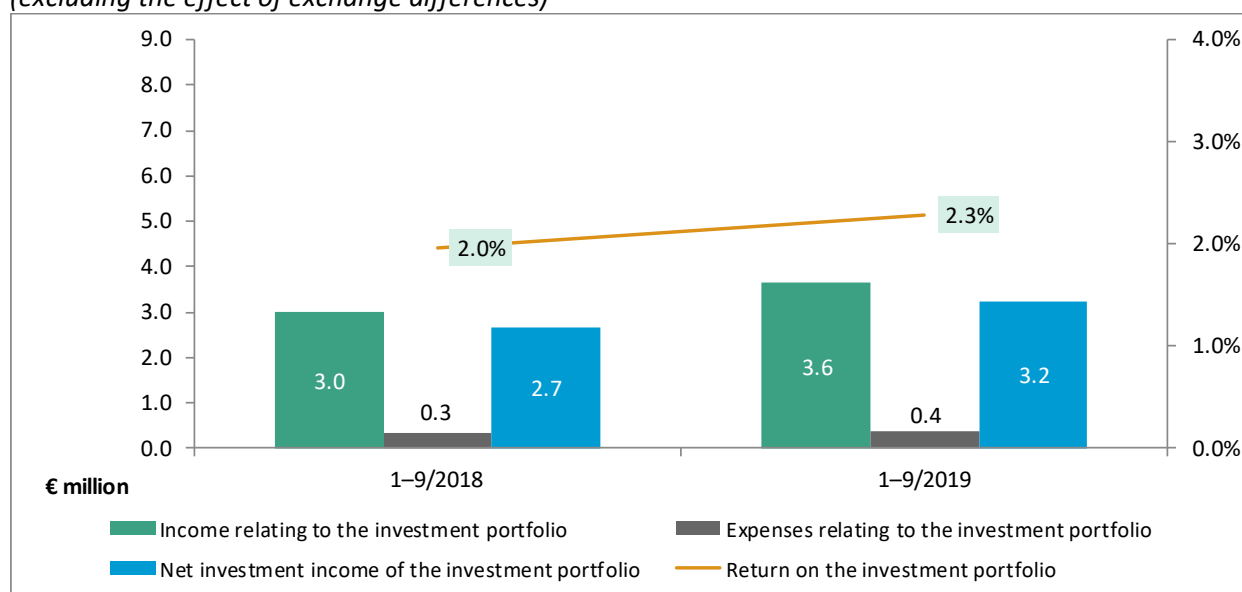
Net investment income

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



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

Income, expenses and net investment income relating to the investment portfolio; reinsurance business (excluding the effect of exchange differences)












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

In 1–9/2019, net investment income totalled EUR 3.2 million, up EUR 0.5 million year on year. Net investment income strengthened as the result of a partial repayment of a bond previously impaired (+ EUR 0.4 million), more dividend income from financial investments (+ EUR 0.1 million) and stronger income from investment property (+ EUR 0.1 million). The investment return for the period was 2.3%.

2.2 Non-life business

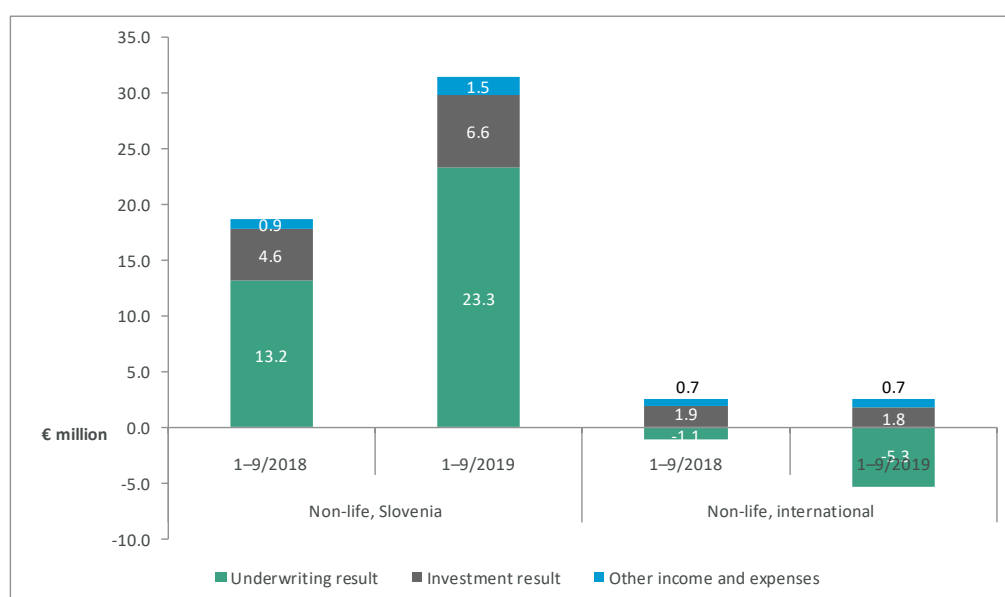
The non-life segment comprises the operations of the following companies:

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

ERGO Osiguranje joined the Sava Insurance Group on 31 March 2019 and was, therefore, included in the consolidated income statement as of 1 April 2019. 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.

The income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section 7.7 “Segment reporting”.

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



In 1-9/2019, the non-life segment recorded a (EUR 8.4 million) better gross consolidated result year on year. This is the combined result of a EUR 12.7 million better result of the Slovenian insurer and a EUR 4.3 million weaker result of non-Slovenian insurers.

The consolidated underwriting result of the Slovenian non-life insurer improved by EUR 10.1 million, mainly driven by growth in net premiums earned. The decline in the non-Slovenian underwriting result of non-life insurers of EUR 4.2 million is chiefly attributable to higher net claims incurred by Croatian non-life insurers.

The investment result of the Slovenian non-life insurer improved by EUR 2.0 million as the result of a one-off income from the revaluation of the 15% equity stake in Sava Infond held by Zavarovalnica Sava in the amount of EUR 2.7 million. The investment result of the non-Slovenian non-life insurers remained at about the year-on-year level.

The result of other income and expenses of the Slovenian non-life insurer improved by EUR 0.6 million, chiefly due to lower other expenses in this year. This is because this year a change has been made in the presentation of discounts for advance payments: last year, they were recorded as other expenses, and this year as a reduction in gross premiums written. The result of other income and expenses of non-Slovenian non-life insurers remained at the year-on-year level.

Net premiums earned

Net premiums earned; non-life insurance business

EUR	1–9/2019	1–9/2018	Index
Gross premiums written	328,834,466	292,142,635	112.6
Net premiums earned	271,496,264	240,297,054	113.0

Net premiums earned by region; non-life insurance business

EUR	Slovenia			International		
	1–9/2019	1–9/2018	Index	1–9/2019	1–9/2018	Index
Gross premiums written	265,808,128	239,750,028	110.9	63,026,338	52,392,607	120.3
Net premiums earned	217,370,643	194,403,012	111.8	54,125,620	45,894,042	117.9

Unconsolidated gross non-life premiums of Sava Insurance Group members

EUR	1–9/2019	1–9/2018	Index
Zavarovalnica Sava, Slovenian part (non-life)	265,942,408	239,880,905	110.9
Zavarovalnica Sava, Croatian part (non-life)	11,772,739	9,589,017	122.8
Sava Neživotno Osiguranje (Serbia)	17,488,119	15,974,346	109.5
Illyria	7,549,737	7,102,569	106.3
Sava Osiguruvanje (North Macedonia)	10,806,273	9,820,065	110.0
Sava Osiguranje (Montenegro)	10,646,655	9,918,297	107.3
ERGO Osiguranje	4,787,329	-	-
Total	328,993,260	292,285,199	112.6

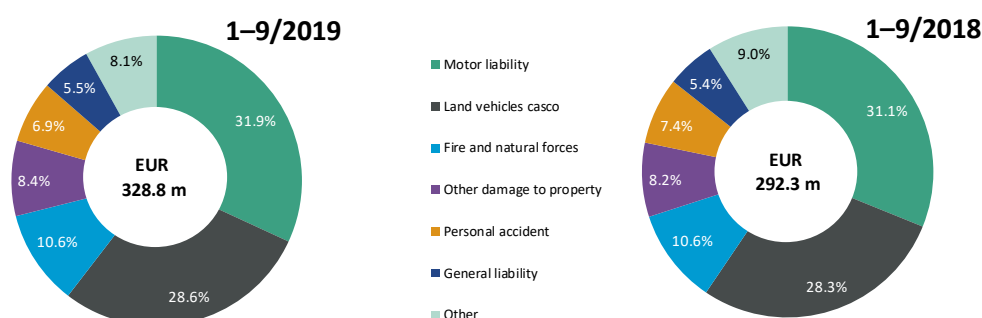
Gross non-life insurance premiums grew by 12.6% in 1–9/2019 as the result of growth in gross non-life premiums of all non-life insurers. Accordingly, net premiums earned also grew, by 13% in total.

Slovenia-sourced gross non-life premiums grew by 10.9%. EUR 10.0 million of the growth of the Slovenian non-life insurer was generated through freedom of services (FOS) business that the Slovenian non-life insurer writes in cooperation with various companies based in the European Union. This chiefly includes motor and general liability policies. The Slovenian non-life insurer generated an 11.2% growth in gross premiums written (excluding accepted co-insurance), against 7.8% growth posted by the Slovenian insurance market in the period. The Slovenian non-life insurer grew its non-life business, excluding FOS business, by EUR 16.1 million. The Slovenian insurance market posted 6.9% growth in non-life premiums, excluding FOS business and accepted co-insurance, and the Slovenian part of Zavarovalnica Sava achieved 7.0% 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, along with growth in the average premiums on packages. 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 non-life premiums written, as the result of the increased property value of a large client. Net non-life insurance premiums earned in Slovenia grew by 11.8% in 1–9/2019.

Gross non-life insurance premiums written abroad rose by 20.3%. This 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 boosted sales in Croatia. Gross motor premiums also rose for the North Macedonian and Serbian non-life insurers in response to sales activities (opening of new branch offices and vehicle inspection centres) and the attraction of new

policyholders. In Montenegro, gross premium growth was chiefly contributed by motor and aviation business. Net non-life insurance premiums earned abroad grew by 17.9% in 1–9/2019.

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



Net claims incurred

Net claims incurred; non-life insurance business

EUR	1–9/2019	1–9/2018	Index
Gross claims paid	159,066,591	148,383,983	107.2
Net claims incurred	161,346,249	134,488,486	120.0

Net claims incurred by region; non-life insurance business

EUR	Slovenia			International		
	1–9/2019	1–9/2018	Index	1–9/2019	1–9/2018	Index
Gross claims paid	130,545,877	126,798,715	103.0	28,520,714	21,585,268	132.1
Net claims incurred	129,387,544	111,753,590	115.8	31,958,706	22,734,895	140.6

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

EUR	1–9/2019	1–9/2018	Index
Zavarovalnica Sava, Slovenian part (non-life)	131,144,994	129,190,220	101.5
Zavarovalnica Sava, Croatian part (non-life)	6,702,912	4,202,767	159.5
Sava Neživotno Osiguranje (Serbia)	6,271,322	6,521,352	96.2
Illyria	4,823,002	3,933,456	122.6
Sava Osiguruvanje (North Macedonia)	4,397,650	3,832,275	114.8
Sava Osiguranje (Montenegro)	3,795,990	3,208,332	118.3
ERGO Osiguranje	2,599,997	-	-
Total	159,735,868	150,888,402	105.9

Consolidated gross non-life claims grew by 7.2% in 1–9/2019, 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 only 3% year on year. Motor liability claims of Zavarovalnica Sava increased year on year because of larger average reported motor liability claims and higher average incurred claims, which has been expected given the high premium growth. On the other hand, gross property claims saw a decline. This is because some large weather-related claims were settled in 1–9/2018.

Consolidated gross claims paid relating to non-Slovenian business rose by 32.1%. 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 this rise in motor claims is an increase in the number of reported claims, which is related to the high growth in the sale of these policies and strengthened external distribution channels and online sales.

Operating expenses

Consolidated operating expenses; non-life segment

EUR	1-9/2019	1-9/2018	Index
Acquisition costs	28,954,075	22,143,882	130.8
Change in deferred acquisition costs (+/-)	-3,781,328	-2,270,397	166.5
Other operating expenses	65,042,496	65,527,586	99.3
Operating expenses	90,215,243	85,401,071	105.6
Reinsurance commission income	-3,172,763	-2,391,721	132.7
Net operating expenses	87,042,480	83,009,351	104.9

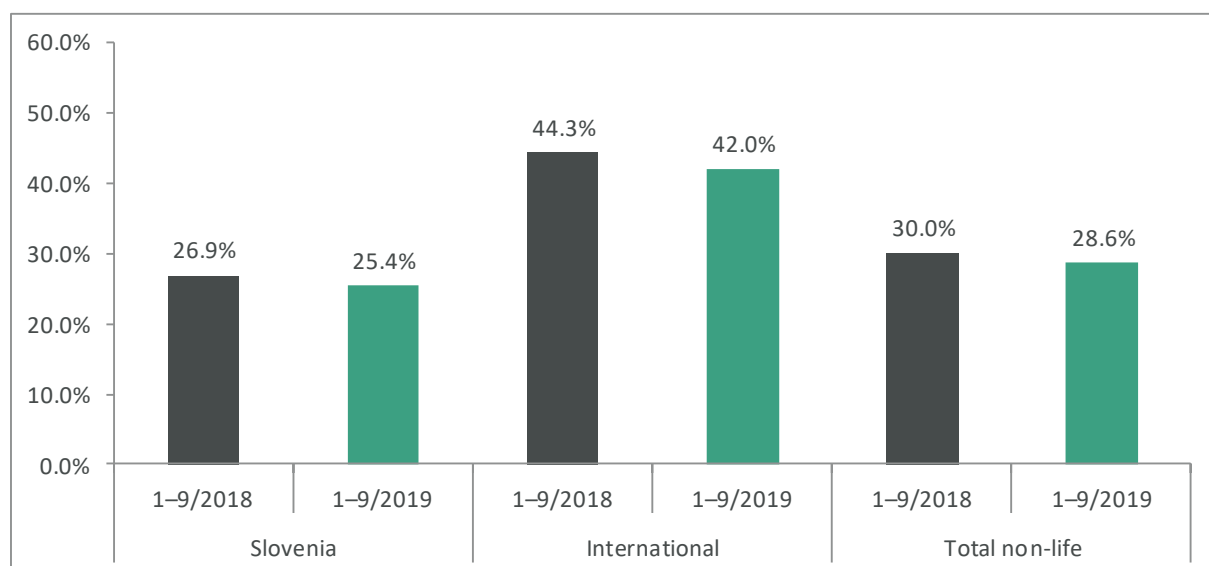
Consolidated gross operating expenses of the non-life segment

EUR	1-9/2019	1-9/2018	Index
Non-life business, Slovenia	67,508,152	64,463,973	104.7
Non-life business, international	26,488,419	23,207,496	114.1

Consolidated acquisition costs were up by 30.8%. 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 declined by 0.7%, largely as the result of reduced other operating expenses of the Slovenian and Serbian non-life insurer. In both cases, the largest decline was in personnel costs. In the case of the Slovenian non-life insurer, the decline is due to bonuses paid out in the first half of 2019 but incurred in 2018.

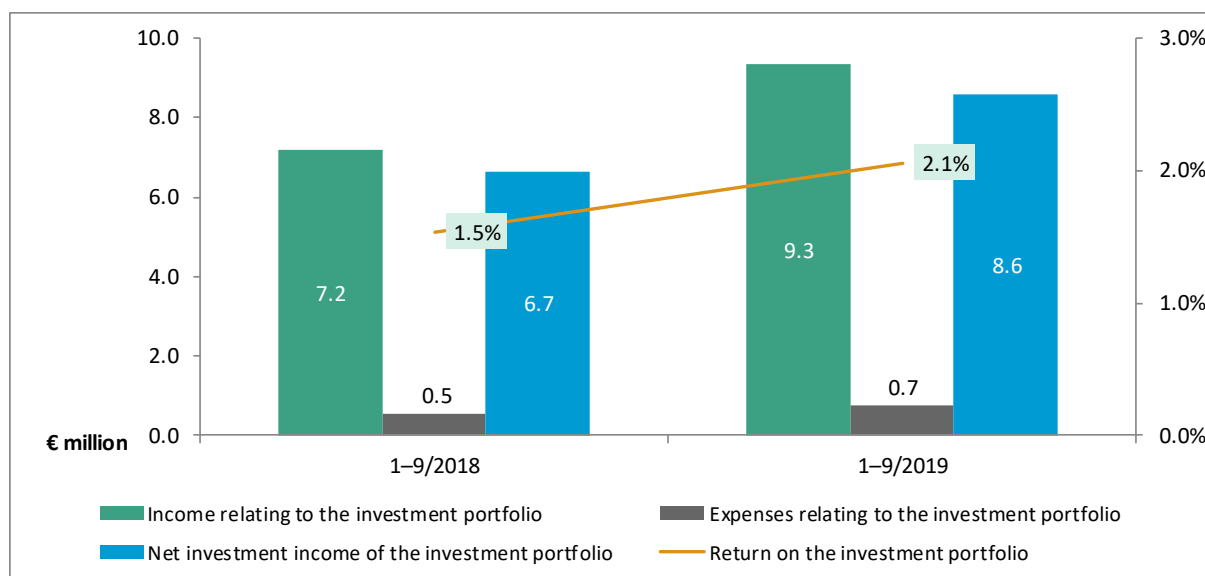
Consolidated gross expense ratio; non-life segment



The consolidated gross expense ratio of the non-life segment dropped by 1.4 p.p. due to the growth in gross premiums written for the Slovenian non-life insurer (a decrease in the gross expense ratio of 1.5 p.p.) and growth in gross premiums written for foreign non-life insurers (a decrease in the gross expense ratio of 2.3 p.p.).

Net investment income







Income, expenses and net investment income relating to the investment portfolio (EUR); non-life segment



In 1-9/2019, net investment income of non-life companies totalled EUR 8.6 million, up EUR 1.9 million year on year. Investment income strengthened due to a one-off income from the revaluation of the stake in Sava Infond of EUR 2.7 million. The return on investment for the period was 2.1%. If the revaluation income related to Sava Infond is excluded, the rate of return on the investment portfolio is 1.4%.

2.3 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
-  ERGO Životno Osiguranje

ERGO Životno Osiguranje joined the Sava Insurance Group on 31 March 2019 and was, therefore, included in the consolidated income statement as of 1 April 2019. The Slovenian part of Zavarovalnica Sava is discussed as Slovenian life insurance, and the Croatian part of the company is discussed as international life insurance.

The income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section 7.7 "Segment reporting".

Net premiums earned

Net premiums earned; life insurance business

EUR	1-9/2019	1-9/2018	Index
Gross premiums written	65,160,327	64,505,068	101.0
Net premiums earned	65,146,481	64,377,660	101.2

Net premiums earned by region; life insurance business

EUR	Slovenia			International		
	1-9/2019	1-9/2018	Index	1-9/2019	1-9/2018	Index
Gross premiums written	58,725,602	58,512,527	100.4	6,434,725	5,992,541	107.4
Net premiums earned	58,659,508	58,440,974	100.4	6,486,973	5,936,686	109.3

Unconsolidated gross life premiums of Sava Insurance Group companies

EUR	1-9/2019	1-9/2018	Index
Zavarovalnica Sava, Slovenian part (life)	58,725,602	58,512,527	100.4
Zavarovalnica Sava, Croatian part (life)	2,594,659	2,889,155	89.8
Illyria Life	1,696,745	1,543,840	109.9
Sava Životno Osiguranje (Serbia)	2,102,249	1,561,280	134.6
ERGO Životno Osiguranje	43,098	-	-
Total	65,162,353	64,506,802	101.0

In 1-9/2019, gross premiums written for the Slovenian life insurer grew by 0.4% year on year. The company managed to write sufficient new business to compensate for premiums lost due to policy maturities, deaths and surrenders.

In 1-9/2019, gross premiums written for the non-Slovenian insurer grew by 7.4% year on year, with the largest growth recorded in Serbia reflecting greater efficiency of the own sales network, and also in Kosovo, whereas the Croatian part of Zavarovalnica Sava experienced a decline in gross premiums written as the result of policy expiries (due to maturities, deaths, surrenders) that the company did not manage to compensate by writing new business.

Unconsolidated gross life insurance premiums written by class of business



Net claims incurred

Net claims incurred; life insurance business

EUR	1-9/2019	1-9/2018	Index
Gross claims paid	82,557,699	61,334,711	134.6
Net claims incurred	81,334,170	60,949,101	133.4
Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business	58,685,848	47,356,513	123.9

Net claims incurred by region; life insurance business

EUR	Slovenia			International		
	1-9/2019	1-9/2018	Index	1-9/2019	1-9/2018	Index
Gross claims paid	79,782,835	59,274,896	134.6	2,774,864	2,059,815	134.7
Net claims incurred	78,346,016	58,932,031	132.9	2,988,154	2,017,070	148.1
Consolidated net claims incurred, incl. the change in other provisions and the change in the provision for unit-linked business	54,430,113	43,871,020	124.1	4,255,735	3,485,493	122.1

Unconsolidated gross life claims paid by Sava Insurance Group companies

EUR	1-9/2019	1-9/2018	Index
Zavarovalnica Sava, Slovenian part (life)	79,782,835	59,274,896	134.6
Zavarovalnica Sava, Croatian part (life)	1,344,381	1,422,094	94.5
Illyria Life	418,611	351,691	119.0
Sava Životno Osiguranje (Serbia)	369,941	286,030	129.3
ERGO Životno Osiguranje	642,958	-	-
Total	82,558,726	61,334,711	134.6

In 1-9/2019, gross claims paid in Slovenia rose by 34.6% 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 44.2 million, an increase of EUR 24.6 million year on year. Unit-linked life business where policyholders bear the investment risk paid out EUR 10.3 million in surrenders and advance payments, up EUR 4.2 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 29.3%. Illyria Life's gross claims paid grew by 19.0%, largely driven by maturity benefits and surrenders. The Croatian branch of Zavarovalnica Sava saw gross claims paid decline by 5.5%, reflecting fewer claims from maturities and surrenders but more death benefits paid out.

Operating expenses

Consolidated operating expenses; life segment

EUR	1-9/2019	1-9/2018	Index
Acquisition costs	4,565,850	4,734,301	96.4
Change in deferred acquisition costs (+/-)	138,797	-249,746	-55.6
Other operating expenses	13,199,623	12,757,234	103.5
Operating expenses	17,904,270	17,241,789	103.8
Reinsurance commission income	-6,234	-	-
Net operating expenses	17,898,036	17,241,789	103.8

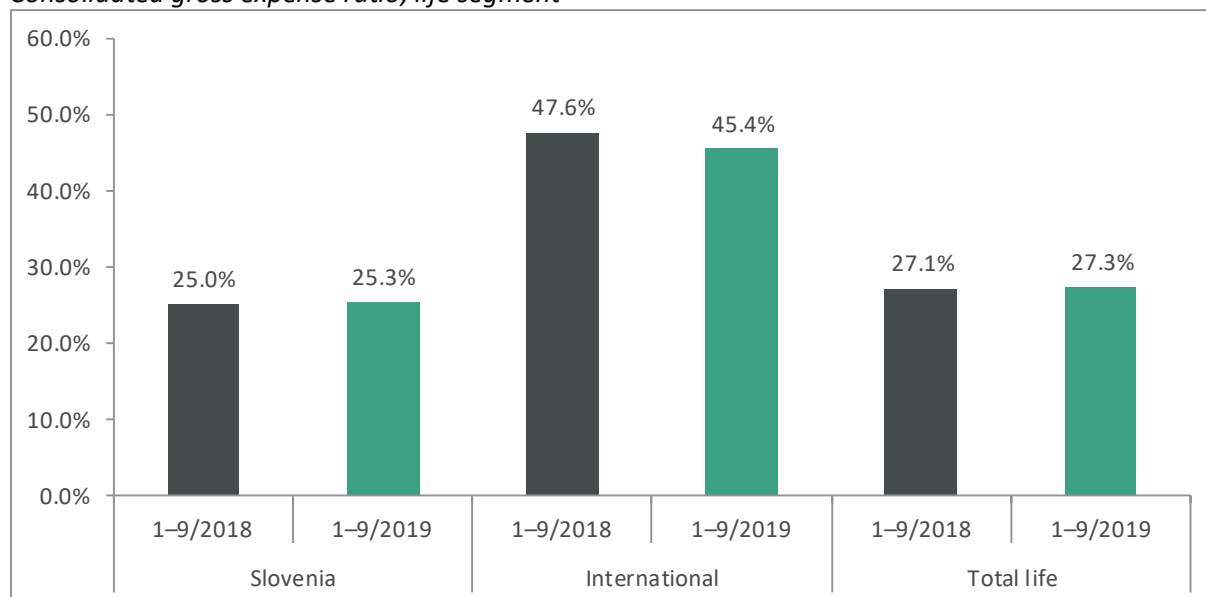
Consolidated gross operating expenses of the life segment

EUR	1-9/2019	1-9/2018	Index
Life business, Slovenia	14,842,132	14,637,669	101.4
Life business, international	2,923,341	2,853,866	102.4

In 1–9/2019, policy acquisition costs dropped by 3.6% year on year: they 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.

In 1–9/2019, other operating expenses rose by 3.5% year on year, mainly due to the integration of ERGO Životno Osiguranje into the Group.

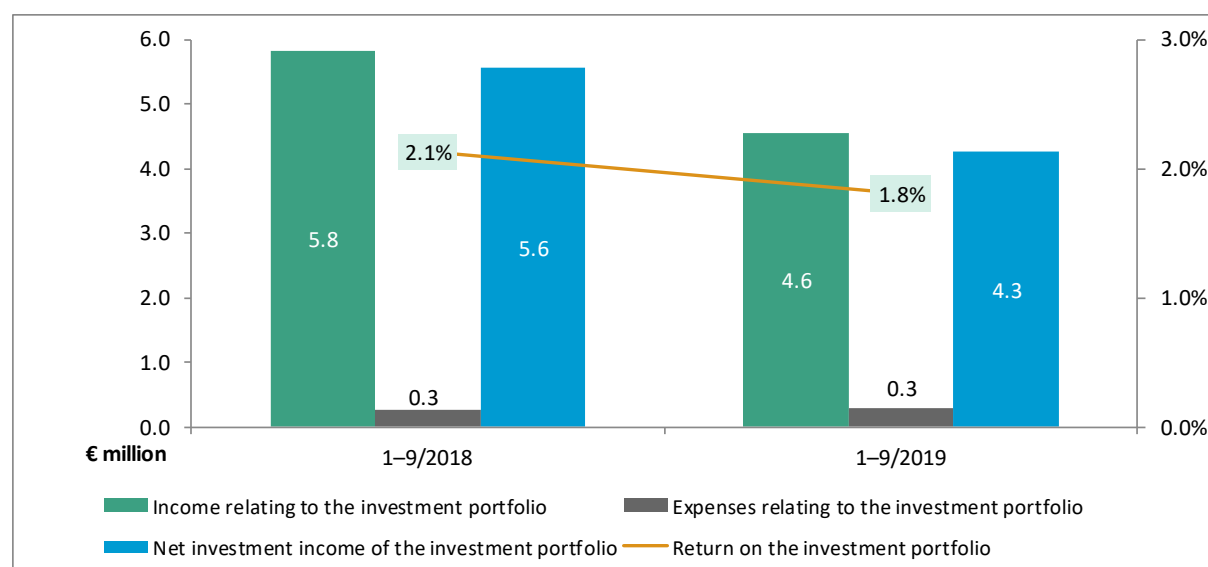
Consolidated gross expense ratio; life segment



The consolidated gross expense ratio rose by 0.2 p.p. year on year. The gross expense ratio of the Slovenian insurer went up by 0.3 p.p. (increased other operating expenses with otherwise lower policy acquisition expenses and slightly higher gross premiums written), but at the non-Slovenian companies it showed a significant decline, by 2.2 p.p. (much higher gross premiums and lower policy acquisition expenses with otherwise higher other operating expenses due to the integration of ERGO Životno Osiguranje).

Net investment income



Income, expenses and net investment income relating to the investment portfolio (EUR); life business (excluding life business of policyholders who bear the investment risk)



In 1-9/2019, net investment income relating to the life insurance investment portfolio totalled EUR 4.3 million, down EUR 1.3 million year on year. The net investment income was lower largely because of lower interest income (EUR 1.2 million). The return on investment for the period was 1.8%.

2.4 Pension business

The pensions segment comprises the operations of the following companies:

-  Sava Pokojninska
-  Sava Penzisko Društvo

Sava Penzisko Društvo was included in the consolidated financial statements 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 since 1 April 2018.

The income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section 7.7 "Segment reporting".

Savings phase

Other technical income and other income

EUR	1-9/2019	1-9/2018	Index
Other technical income	1,230,826	1,147,812	107.2
Other income	2,728,833	1,752,986	155.7
Total	3,959,659	2,900,798	136.5

Other technical income includes income of the Slovenian pension company for entry and exit charges charged to clients, management fees relating to the management of the My-Life-Cycle group of funds and administrative expenses charged to clients upon transfer of funds from the savings to the distribution scheme.

Other income includes the income of the North Macedonian pension company relating to entry charges paid by customers and management fees that the company is entitled to 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	1–9/2019	1–9/2018	Index
Opening balance of fund assets (31 December)	134,926,064	128,862,922	104.7
Gross fund inflows	8,225,873	7,942,824	103.6
Gross fund outflows	-4,319,053	-4,082,909	105.8
Asset transfers	233,251	540,037	43.2
Fund return	6,234,177	1,079,523	577.5
Entry and exit charges	-141,193	-141,091	100.1
Closing balance of fund assets (30 September)	145,159,119	134,201,307	108.2

The difference between the balance of fund assets and the investment contract assets item in the statement of financial position equals investment contract liabilities. Gross inflows into the My-Life-Cycle group of funds of the Slovenian pension company rose by 3.6% in the period 1–9/2019 year on year, which is the result of both more policyholders and higher average premium contributions.

In the period 1–9/2019, gross fund outflows from the My-Life-Cycle group of funds of the Slovenian pension insurer increased by 5.8% year on year. Gross outflows may relate to regular or extraordinary terminations. The major part of the latter stemmed from exits.

In the period 1–9/2019, the Company transferred assets in the amount of EUR 526 thousand from other pension service providers, and transfers to other providers totalled EUR 292 thousand, resulting in an overall positive net effect.

Net investment income generated by the funds of EUR 6.2 million is attributable to favourable developments in financial markets in the first three quarters of 2019 (above-average returns).

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

In the first three quarters of 2019, the total assets of the group of long-term business funds grew by 7.6% to EUR 145.2 million as at 30 September 2019.

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

EUR	1–9/2019
Net value of fund assets as at beginning of period (31/12/2018)	502,570,316
Gross fund inflows	53,682,813
Gross fund outflows	-17,625,889
Asset transfers	-350,543
Fund return	39,159,465
Entry and exit charges	-1,168,704
Transfer to liabilities to state pension fund	-2,340,816
Fair value reserve and exchange differences	932,564
Net value of fund assets as at end of period (30 September 2019)	574,859,206

In 1–9/2019, gross inflows into the mandatory and voluntary funds of the North Macedonian pension company totalled EUR 53.7 million, and gross outflows were EUR 17.6 million. The funds achieved a return of 7.3% in the period.

In the first three quarters of 2019, the net value of fund assets under management grew by 14.4% to EUR 574.9 million as at 30 September 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.

Pension annuities – distribution phase

EUR	1–9/2019	1–9/2018	Index
Gross premiums written	2,568,081	1,695,300	151.5
Gross claims paid	693,549	511,639	135.6
Change in other net technical provisions (+/-)	-2,071,039	-1,199,307	172.7

The annuity part relates to the operation of Sava Pokojninska. The gross premiums written relate to the annuity fund and, in the period 1–9/2019, the fund grew by 51.5% year on year because a number of policyholders opted for additional pension annuities.

Gross claims paid include supplementary pension annuity payouts, which increased by 35.6% in the period 1–9/2019 year on year. After insured persons meet pension eligibility 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

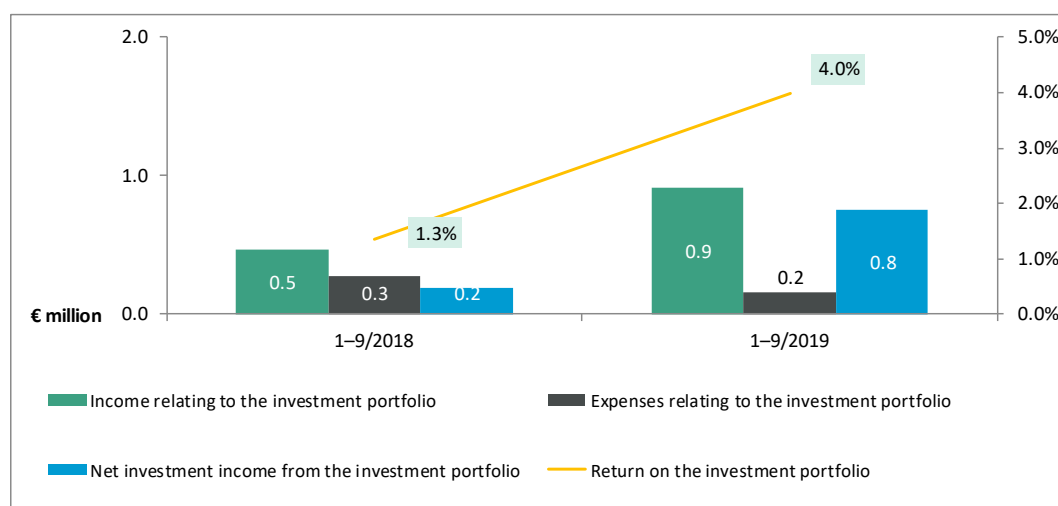
Operating expenses; pensions segment

EUR	1–9/2019	1–9/2018	Index
Operating expenses	2,451,198	1,741,919	140.7

In 1–9/2019, operating expenses rose by 40.7% year on year as the result of including the North Macedonian pension company into the Group on 31 March 2018.

Net investment income

Income, expenses and net investment income relating to the investment portfolio (EUR); pensions segment¹⁰



¹⁰ 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 from the pension companies' investment portfolio totalled EUR 0.8 million in 1–9/2019. In addition to the one-off impact of a partial repayment of a bond previously impaired, net investment income strengthened as the result of the appreciation and gains on the disposal of assets at fair value through profit or loss of EUR 0.2 million at Sava Pokojninska and higher interest income at Sava Penzisko Društvo of EUR 0.07 million. The investment return for the period was 4.0%.

2.5 Other

This “other” segment comprises the subsidiaries Sava Infond and TBS Team 24, 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 1.3 million (EUR 4.5 million in income and EUR 3.2 million in expenses, including investment expenses) to the consolidated result in 1–9/2019.

3 Financial position of the Sava Insurance Group

As at 30 September 2019, total assets of the Sava Insurance Group stood at EUR 1,844.8 million, an increase of 8.1% over year-end 2018. Below we set out items of assets and liabilities in excess of 5% of total assets as at 30 September 2019 and items that changed by more than 2% of equity.

3.1 Assets

Consolidated total assets by type

EUR	30/09/2019	As % of total 30/09/2019	31/12/2018	As % of total 31/12/2018
ASSETS	1,844,783,212	100.0%	1,705,947,263	100.0%
1 Intangible assets	62,572,544	3.4%	37,121,118	2.2%
2 Property, plant and equipment	51,985,134	2.8%	42,893,432	2.5%
3 Deferred tax assets	1,114,156	0.1%	1,950,245	0.1%
4 Investment property	20,781,892	1.1%	20,643,019	1.2%
5 Financial investments in associates	611,410	0.0%	462,974	0.0%
6 Financial investments	1,026,643,568	55.7%	1,008,097,470	59.1%
7 Funds for the benefit of policyholders who bear the investment risk	218,052,083	11.8%	204,818,504	12.0%
8 Reinsurers' share of technical provisions	37,953,341	2.1%	27,292,750	1.6%
9 Investment contract assets	146,731,065	8.0%	135,586,965	7.9%
10 Receivables	171,871,583	9.3%	140,550,011	8.2%
11 Deferred acquisition costs	24,896,659	1.3%	19,759,234	1.2%
12 Other assets	3,331,275	0.2%	2,064,220	0.1%
13 Cash and cash equivalents	78,196,028	4.2%	64,657,431	3.8%
14 Non-current assets held for sale	42,474	0.0%	49,890	0.0%

3.1.1 Intangible assets

As at 30 September 2019, intangible assets (1) totalled EUR 62.6 million, up 68.6% 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.

3.1.2 Property, plant and equipment

As at 30 September 2019, property, plant and equipment assets (2) totalled EUR 52.0 million, up 21.2% compared to 31 December 2018. The increase is mainly the result of recognising right-of-use assets from long-term leases of land, buildings and equipment in line with the new standard IFRS 16 "Leases", effective as of 1 January 2019. For more details, see section 7.9.2 "Property, plant and equipment".

3.1.3 Investment portfolio

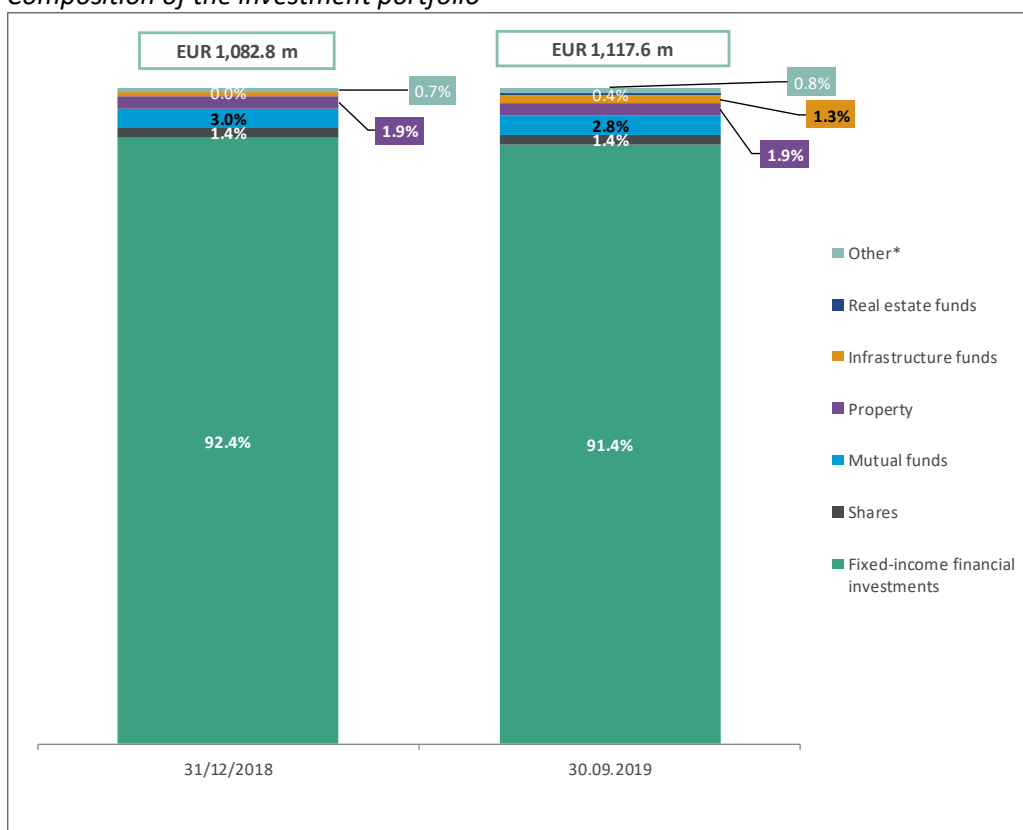
The investment portfolio consists of the following statement of financial position items: financial investments (6), investment property (4), financial investments in associates (5), and cash and cash equivalents (13).

Sava Insurance Group investment portfolio

(EUR)	30/09/2019	31/12/2018	Absolute change	Index
Deposits	39,046,245	27,740,285	11,305,960	140.8
Government bonds	527,486,852	550,716,600	-23,229,748	95.8
Corporate bonds	385,755,642	368,961,240	16,794,402	104.6
Shares	16,021,487	15,675,616	345,871	102.2
Quoted shares	13,872,508	13,374,486	498,022	103.7
Unquoted shares	2,148,979	2,301,130	-152,151	93.4
Mutual funds	31,843,520	32,347,639	-504,119	98.4
Bond and money market funds	29,348,111	29,449,173	-101,062	99.7
Equity and mixed mutual funds	2,495,409	2,898,466	-403,057	86.1
Infrastructure funds	13,992,822	5,264,540	8,728,282	265.8
Real estate funds	4,000,000	0	4,000,000	
Loans granted	970,590	1,116,240	-145,650	87.0
Deposits with cedants	7,526,410	6,275,310	1,251,100	119.9
Total financial investments	1,026,643,568	1,008,097,470	18,546,098	101.8
Financial investments in associates	611,410	462,974	148,436	132.1
Investment property	20,781,892	20,643,019	138,873	100.7
Cash and cash equivalents	69,531,738	53,584,104	15,947,634	129.8
Total investment portfolio	1,117,568,608	1,082,787,567	34,781,041	103.2
Funds for the benefit of policyholders who bear the investment risk	226,716,373	215,891,831	10,824,542	105.0
- Financial investments	218,052,083	204,818,504	13,233,579	106.5
- Cash and cash equivalents	8,664,290	11,073,327	-2,409,037	78.2
Investment contract assets	146,731,065	135,586,965	11,144,100	108.2

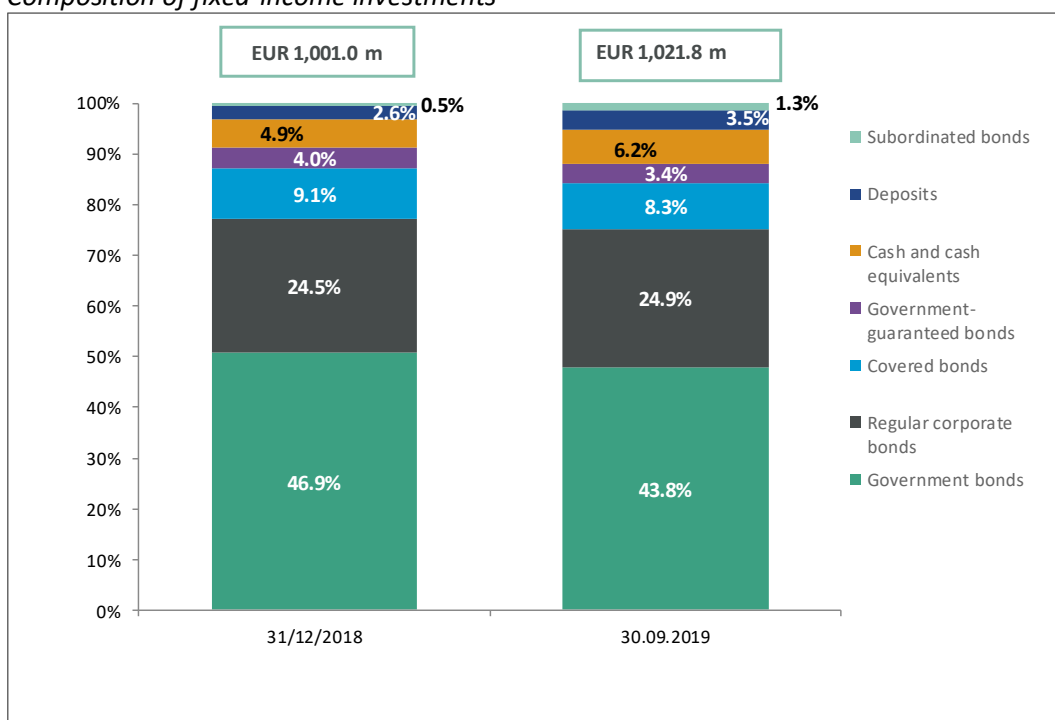
As at 30 September 2019, the investment portfolio of the Sava Insurance Group totalled EUR 1,117.6 million, an increase of EUR 34.7 million from year-end 2018. Positive effects on the balance of the investment portfolio stem from the change in accrued interest, fair value gains, realised gains on the disposal of financial investments and dividend income. The cash flow from core (re)insurance business had no significant impact on the investment portfolio.

Composition of the investment portfolio



* The "other" item comprises deposits with cedants, loans granted and financial investments in associates.

Composition of fixed-income investments



As at 30 September 2019, fixed-income investments accounted for 91.4% of the portfolio, down 0.1 p.p. compared to the end of the previous quarter. The following movements in the structure of fixed-income investments have been seen:

- S lower exposure to government bonds and government-guaranteed corporate bonds of EUR 23.2 million (a 3.7-point decline in the proportion of fixed-income investments), largely due to investments reaching their maturity;
- S increased risk exposure to conventional corporate, subordinated and covered bonds in the amount of EUR 16.8 million. The value of investments in conventional corporate bonds increased by EUR 13.4 million (a decrease in the proportion of fixed-income investments of 0.4 p.p.), the value of covered bonds decreased by EUR 8.8 million (a decrease in the proportion of fixed-income investments of 0.8 p.p.), whereas the value of covered bonds fell by EUR 5.4 million (a decline in the proportion of fixed-income investments of 0.8 p.p.);
- S an increase in cash and cash equivalents of EUR 15.9 million (a 1.3 p.p. rise in the proportion of fixed-income investments);
- S an increase in the risk exposure to government bonds of EUR 11.3 million (a 0.9 p.p. lower proportion of fixed-income investments).

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

Funds for the benefit of policyholders who bear the investment risk is a major asset item (7). Most unit-linked products of the Sava Insurance Group are marketed by Zavarovalnica Sava.

Funds of policyholders who bear the investment risk are invested in financial investments (mainly in mutual funds selected by policyholders) and cash. As at 30 September 2019, funds for the benefit of policyholders who bear the investment risk totalled EUR 226.7, of which EUR 218.0 million was financial investments and EUR 8.7 million was cash and cash equivalents. Funds for the benefit of policyholders who bear the investment risk grew by EUR 10.8 million compared to the previous year end. The growth is mainly due to the positive change in the market value of investments of EUR 17.5 million and accrued interest. Negative effects include core business cash outflows due to maturities and transfers between funds due to dividend payouts.

3.1.5 Reinsurers' share of technical provisions

The reinsurers' and coinsurers' share of technical provisions (8) increased by EUR 10.7 million, or 39.1%, compared to 31 December 2018. Unearned premiums increased by EUR 6.8 million (seasonal movement and extension of the reinsurance programme, especially for FOS business), and claims provisions increased by EUR 3.8 million on account of some large reinsurance claims in 2019 and the acquisition of a company.

3.1.6 Investment contract assets

The investment contract assets item (9) includes liability fund assets relating to the life cycle funds Moji Skladi Življenjskega Cikla, which 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), Moj Uravnoteženi Sklad (My Balanced Fund, MBF), in which policyholders bear the full investment risk, and Moj Zajamčeni Sklad (My Guaranteed Fund, MGF), in which policyholders bear the investment risk in excess of the guaranteed funds. As at 30 September 2019, investment contract assets totalled EUR 146.7 million, up 8.2% compared to 31 December 2018. The increase in investment contract assets relates to net flows (EUR 4.0 million; in the reporting period, premium contributions totalled EUR 9.0 million and outflows EUR 5.0 million), the achieved return (EUR 6.2 million) and the transfer of a receivables item of the real-estate fund of EUR 1.0 million back into the balance sheet from extra-balance sheet items.

As at 30 September 2019, investment contract financial investments accounted for 91.0% of total assets relating to investment contracts; the rest were receivables, investment property, and cash and cash equivalents.

Assets under the management of Sava Penzisko Društvo are not shown in the Group's statement of financial position; these amounts are shown in section 2.4 "Pension business".

3.1.7 Receivables

Receivables (10) rose by 22.3%, or EUR 31.3 million, compared to year-end 2018 (1–9/2018: increase of 10.7% or EUR 14.8 million). A higher increase in receivables is normal in the first nine months.

Increases were recorded in all types of receivables. The largest increase was with receivables arising from primary insurance business, up EUR 26.4 million, or 20.9%, compared to 31 December 2018; however, the lion's share of this increase (EUR 24.2 million) relates to not-past-due receivables. In absolute terms, the largest increase was in the non-life segment in Slovenia (an increase of EUR 14.3 million; 1–9/2018: EUR 10.2 million), in the reinsurance segment (an increase of EUR 9.6 million; 1–9/2018: EUR 2.2 million) and in the international non-life segment (an increase of EUR 2.6 million; 1–9/2018: of EUR 2.2 million). The reason for the increase in the non-life segment is the annual renewal of insurance contracts with legal entities; in the reinsurance segment, the increase is due to the renewal of reinsurance contracts with cedants and the timing of making estimates for reinsurance business. The increase in the international non-life segment was also due to the integration of ERGO Osiguranje, which held EUR 0.6 million in receivables arising out of primary insurance business as at 30 September 2019.

3.2 Liabilities

Consolidated total liabilities by type

EUR		30/09/2019	As % of total 30/09/2019	31/12/2018	As % of total 31/12/2018
EQUITY AND LIABILITIES		1,844,783,212	100.0%	1,705,947,263	100.0%
1	Equity	376,970,303	20.4%	340,175,455	19.9%
	Share capital	71,856,376	3.9%	71,856,376	4.2%
	Capital reserves	43,035,947	2.3%	43,035,948	2.5%
	Profit reserves	183,739,838	10.0%	183,606,914	10.8%
	Own shares	-24,938,709	-1.4%	-24,938,709	-1.5%
	Fair value reserve	25,572,876	1.4%	11,613,059	0.7%
	Reserve due to fair value revaluation	853,546	0.0%	836,745	0.0%
	Retained earnings	42,128,694	2.3%	35,140,493	2.1%
	Net profit or loss for the period	37,506,573	2.0%	21,843,940	1.3%
	Translation reserve	-3,320,046	-0.2%	-3,368,928	-0.2%
	Equity attributable to owners of the controlling company	376,435,095	20.4%	339,625,838	19.9%
	Non-controlling interests in equity	535,208	0.0%	549,617	0.0%
3	Technical provisions	969,734,586	52.6%	920,491,487	54.0%
4	Technical provisions for the benefit of life insurance policyholders who bear the investment risk	216,800,962	11.8%	210,032,637	12.3%
5	Other provisions	8,443,084	0.5%	7,730,247	0.5%
6	Deferred tax liabilities	7,601,911	0.4%	3,529,235	0.2%
7	Investment contract liabilities	146,576,623	7.9%	135,441,508	7.9%
8	Other financial liabilities	326,262	0.0%	243,095	0.0%
9	Liabilities from operating activities	60,858,459	3.3%	54,736,601	3.2%
10	Diverse liabilities	57,471,022	3.1%	33,566,998	2.0%

3.2.1 Equity

Equity (1) increased by 10.8%, or EUR 36.8 million, compared to year-end 2018. In the period 1–9/2019, equity increased by the amount of net profit of EUR 37.7 million and EUR 14.0 million due to the increase in the fair value reserve reflecting the remeasurement of available-for-sale financial assets. A charge against equity was the dividend payment of EUR 14.9 million.

3.2.2 Technical provisions

Gross technical provisions (3) are the largest item on the liabilities side. The figure as at 30 September 2019 was an increase of 5.3%, or EUR 49.2 million, over year-end 2018. The largest growth (EUR 48.8 million) was in gross unearned premiums, which is due to the faster growth in non-life insurance portfolios and the method of setting unearned premiums (deferment): high unearned premiums are set aside for annual premiums written at the beginning of the underwriting year. These are then gradually amortised over the year, and only on 31 December 2019 will they be comparable to the unearned premiums as at 31 December 2018.

Development of consolidated gross technical provisions

EUR	30/09/2019	31/12/2018	Index
Gross unearned premiums	232,870,296	184,101,835	126.5
Gross mathematical provisions	230,687,111	254,849,366	90.5
Gross provision for outstanding claims	494,717,239	470,057,561	105.2
Gross provision for bonuses, rebates and cancellations	1,336,512	1,477,666	90.4
Other gross technical provisions	10,123,428	10,005,059	101.2
Gross technical provisions	969,734,586	920,491,487	105.3

The gross technical provisions attributable to the reinsurance segment grew by 7.9%, or EUR 12.4 million, compared to year-end 2018. This growth is chiefly the result of the growth in unearned premiums reflecting the business growth in 2019 and the timing of underwriting reinsurance business, whereas claims provisions rose due to new claims reported.

Gross technical provisions attributable to the non-life segment grew by 12.8%, or EUR 63.2 million, compared to year-end 2018. Of this, EUR 40.7 million related to the growth in unearned premiums in line with the growth in premium income (1–9/2018: growth of EUR 32.2 million), and provisions for outstanding claims grew by EUR 18.2 million compared to year-end 2018 (chiefly as the result of new acquisitions).

Gross mathematical provisions decreased by 9.5% (or EUR 24.2 million) because the decline due to maturity benefits exceeded growth owing to aging of insured persons and the growth in the portfolio of traditional life insurance business, including the newly acquired portfolio and pension annuity business in the distribution phase.

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.

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

Gross provisions for unit-linked life business (4) totalled EUR 216.8 million as at 30 September 2019 and increased by 3.2%, or EUR 6.8 million, mainly due to new writings and the integration of ERGO Životno Osiguranje into the Group.

3.2.4 Investment contract liabilities

Investment contract liabilities (7) of Sava Pokojninska totalled EUR 146.6 million as at 30 September 2019, up 8.2%, or EUR 11.1 million, from year-end 2018. They move in line with investment contract assets depending on new inflows, outflows and movements in fund unit prices.

3.2.5 Diverse liabilities

Other liabilities (10) increased by 71.2%, or EUR 23.9 million, from year-end 2018 as the result of not-past-due liabilities for planned acquisitions, the integration of new companies into the Sava Insurance Group, temporary allocation of goodwill relating to the acquisition of the Ergo insurance companies and the effect of the initial recognition of liabilities under the new standard IFRS 16 "Leases".

3.3 Capital structure

As at 30 September 2019, the Sava Insurance Group held EUR 377.0 million in equity. It held no subordinated debt and was thus exclusively financed from equity.

3.4 Cash flow

In the period 1–9/2019, the Sava Insurance Group's net cash from operating activities was negative, at EUR 6.2 million (1–9/2018: positive net cash of EUR 11.9 million). The high net cash outflow from operating activities stemmed from maturing life policies.

In 1–9/2019, the Sava Insurance Group recorded a negative cash flow from financing activities of EUR 15.0 million (largely because of dividend distributions); in 1–9/2018, the negative cash flow was EUR 12.7 million.

The net increase in cash and cash equivalents in the period 1–9/2019 was larger year on year by EUR 7.8 million, which is the result of a tactical decision of the investment portfolio asset managers not to reinvest assets at the reporting date due to market conditions.

3.5 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 ¹¹	Outlook	Latest review
Standard & Poor's	A	stable	July 2019: affirmed rating
AM Best	A	stable	October 2019: affirmed rating

¹¹ 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 Personnel

Number of employees by Sava Insurance Group member

	30/09/2019	31/12/2018	Change
Zavarovalnica Sava	1,192.2	1,192.5	-0.3
Sava Neživotno Osiguranje (Serbia)	354.1	330.8	23.3
Sava Osiguruvanje (North Macedonia)	227.5	196.8	30.7
Illyria	167.0	140.5	26.5
Sava Osiguranje (Montenegro)	122.5	129.0	-6.5
Sava Re	112.6	110.1	2.5
Sava Životno Osiguranje (Serbia)	86.6	80.4	6.2
Illyria Life	50.5	57.0	-6.5
Sava Car	47.0	40.8	6.2
ERGO Osiguranje	33.1	0.0	33.1
Sava Infond	32.6	0.0	32.6
Sava Penzisko Društvo	31.0	31.0	0.0
TBS Team 24	29.0	29.2	-0.2
ZM Svetovanje	28.5	30.0	-1.5
Sava Agent	19.3	20.5	-1.2
Sava Pokojninska	13.0	13.0	0.0
Sava Station	9.0	6.3	2.7
Ornatus	8.0	9.0	-1.0
ERGO Životno Osiguranje	2.9	0.0	2.9
Total	2,566.4	2,416.7	149.5

The table above shows the number of employees calculated on a full-time equivalent basis. The number of employees of insurance companies is subject to change, mainly due to fluctuations in the agency network. The rise in the Group's headcount also reflects new acquisitions (68.6).

5 Risk management

In their operation, the Group companies are exposed to various categories of risk: insolvency risk, underwriting risk, risks associated with policies where policyholders bear the investment risk, risk associated with investment contracts, financial risk, operational risk and strategic risk. The Group companies identify, measure, manage, monitor and report on these risks in line with prescribed risk management processes. In addition, these risk management processes are set up at the Group level. The processes and methods of measuring and managing risk, and the exposure of the Group to the various categories of risk are detailed in the Sava Insurance Group annual report 2018 and are therefore not repeated in this report.

5.1 Capital adequacy and capital management at the Sava Insurance Group

The Sava Insurance Group uses the Solvency II standard formula for its solvency calculations. The most recent solvency calculation was carried out as at 31 December 2018. As at that date, the Group was well capitalised and had a solvency ratio of 218%. Details on the valuation, the calculation of eligible own funds and the Group's SCR as at 31 December 2018 are set out in the "Sava Insurance Group Solvency and financial condition report 2018" and are available on the Sava Re website.

The Group's eligible own funds as at 30 June 2019¹² decreased somewhat compared to 31 December 2018, while the risk profile remained roughly the same compared to year-end 2018, remaining in line with the Group's risk management strategy. The Group's solvency ratio as at 30 June 2019 stood at 214% (calculated using the Group's solvency capital requirement as at 31 December 2018 and eligible own funds as at 30 June 2019). The Group has a strong solvency ratio and its insolvency risk is small.

5.2 Underwriting risk

The Group's subsidiaries assume risk from policyholders and mostly transfer excess risk to Sava Re. The parent also assumes such risk from other cedants; any excess is retroceded to other reinsurers.

The Group is exposed to the following non-life underwriting risks: underwriting process risk (insurance and reinsurance), pricing risk, claims risk, retention risk and reserving risk. Its life operations are exposed to lapse risk, mortality risk and life expense risk.

An increase in realised underwriting risk would essentially result in an increase in net claims. Because the Group 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 that 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. A rise/drop in the Group's net combined ratio of one p.p. would decrease/increase its profit before tax by EUR 3.47 million (30/09/2018: EUR 3.16 million).

The Group's exposure to underwriting risk did not change significantly in the period 1–9/2019 compared to year-end 2018. Reinsurance and retrocession protection increased in line with the growth in business volume. In addition to contracts for covering FOS business, we arranged an aggregate cover for Slovenia to protect against a higher frequency of catastrophic events and arranged an additional reinstatement for events abroad along with an increase in the treaty capacity.

¹² Most recent data as at the reporting date. Eligible own funds are calculated and reported later than IFRS data.

5.3 Financial risks

In their financial operations, individual Group companies are exposed to financial risks, such as market, liquidity and credit risk as well as the risk of failure to realise guaranteed returns on life business.

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.

5.3.1 Risk of failure to realise guaranteed returns

Investment contracts

The Group classifies as investment contracts its voluntary supplementary pension insurance (VSPI) business of the Sava Pokojninska pension company during the accumulation phase, which is part of the company's group of liability funds (My-Life-Cycle funds).

The value of the investments covering investment contract liabilities totalled EUR 146.7 million as at 30 September 2019, up EUR 11.1 million from 31 December 2018.

The risk of failure to achieve the guaranteed return did not increase in the period.

Traditional and unit-linked life insurance contracts

With regard to its traditional and unit-linked life insurance business with a guaranteed unit value, the insurer is exposed to the risk of failure to realise the guaranteed return. Taking into account the realised return on financial investments and the guaranteed return on the liabilities side in the period 1–9/2019, the effect of not achieving the guaranteed return in 1–9/2019 totals EUR 401.8 thousand (1–6/2019: EUR 473.7 thousand). The decline in the effect of not achieving the guaranteed return was the result of dividend distributions for the equity portfolio of the KSZZ register in the amount of EUR 0.3 million in the period 6–9/2019.

5.3.2 Market risk

The investment portfolio sensitive to market risk as at 30 September 2019 of EUR 1,192.6 million grew by EUR 27.7 million from 31 December 2018.

Interest rate risk

The value of investments included in the interest-rate risk calculation as at 30 September 2019 was EUR 944.5 million (31/12/2018: EUR 930.2 million). Of this, EUR 619.5 million (31/12/2018: EUR 580.3 million) relates to assets of non-life insurers and the reinsurer and EUR 325.1 million (31/12/2018: EUR 350.7 million) to assets of life insurers.

The average maturity of non-life insurance and reinsurance assets was 3.23 years as at 30 September 2019 (31/12/2018: 2.98 years), and the expected maturity of non-life and reinsurance obligations was 2.39 years (31/12/2018: 2.77 years).

The average maturity of life insurance assets was 3.67 years as at 30 September 2019 (31/12/2018: 3.48 years), while the expected duration of life insurance obligations was 6.26 (31/12/2018: 4.39).

The maturity mismatch between assets and liabilities increased modestly, resulting in a rise in interest risk.

Equity risk

The value of investments that the Company included in the equity risk calculation totalled EUR 18.4 million as at 30 September 2019 (31/12/2018: EUR 18.5 million). A 10% drop in equity prices would result in a decline of EUR 1.8 million (31/12/2018: EUR 1.9 million).

The risk remained at about the same level as at year-end 2018.

Alternative investment risk

As at 30 September 2019, the Group's alternative investments totalled EUR 34.0 million (31/03/2018: EUR 25.9 million), comprising infrastructure fund investments, investment property and real-estate funds. The risk of alternative investments has been determined based on stressed values as prescribed under Solvency II regulations for the capital adequacy calculation. A drop of 25% was used for investment property and real-estate funds and a drop of 49% for infrastructure funds, because we did not apply a look-through approach to these funds, which resulted in an absolute decrease of EUR 11.9 million in total (31/12/2018: EUR 7.7 million).

There was a rise in risk compared to year-end 2018, chiefly because of investments into infrastructure and real-estate funds.

Currency risk

The Company monitors the matching of assets and liabilities by both the ALM aspect (by accounting currency) and the accounting aspect (by transaction currency). As at 30 September 2019, the position was 97.6% matched according to the ALM aspect (31/12/2018: 98.8%) and 94.8% matched according to the accounting aspect (31/12/2018: 96.8%).

The risk of a currency mismatch increased slightly in the reporting period.

5.3.3 Credit risk

As at 30 September 2019, fixed-income investments rated "A" or better accounted for 61.8 % of the total fixed-income portfolio (31/12/2018: 68.2%). In the 2019 reporting period, the share of the best-rated investments dropped compared to the prior year-end. This is due to the increased balance of deposits and cash equivalents (unrated).

As at 30 September 2019, the exposure to the ten largest issuers was EUR 397.5 million, representing 33.3% of financial investments (31/12/2018: EUR 403.5 million; 34.6%), with the largest exposure of the Group to any single issuer being the Republic of Slovenia (30/09/2019: EUR 79.6 million; 6.7 %; 31/12/2018: EUR 138.8 million; 11.9%), whereas exposure to any other single commercial issuer does not exceed 2.3% of financial investments.

Based on the above, we estimate that particularly through reducing their exposure to Slovenia and increased diversification by issuer, region and industry the Sava Insurance Group companies managed their exposure to credit risk well in 1–9/2019, reducing it compared to year-end 2018.

5.3.4 Liquidity risk

In the reporting period, the Company did not change the monitoring or management of liquidity risk. Nor were there any indications of any increase in such risk.

We believe that liquidity risk is low and well managed.

5.4 Operational risks

The Group periodically measures operational risks in terms of qualitative assessment of the probability of loss and financial severity of risks listed in the risk register, and the EU-based companies additionally use scenario analysis.

Operational risks are not among the Group's most significant risks. We assess that in the third quarter the Group's exposure to this category of risk remained at about the level at year-end 2018.

5.5 Strategic risks

Strategic risks are by nature very diverse, difficult to quantify and heavily dependent on various (including external) factors. The Group and its members are exposed to a diverse range of internal and external strategic risks.

Strategic risks are assessed qualitatively in the risk register by assessing the probability of loss and the potential financial severity of each event. Additionally, we seek to quantify key strategic risks by analysing diverse scenarios.

In the third quarter, the Group's exposure to strategic risk remained at about the same level as at year-end 2018.

5.6 Risk exposure up to year-end 2019

The main risks that the Group is exposed to remained underwriting risk, followed by market risk. The realisation of underwriting risk is fortuitous. Underwriting risk could be realised to a larger extent as a result of a larger number of catastrophic events (in Slovenia and abroad), and the realisation of financial risk could increase owing to unfavourable trends in financial markets.

Summary of Sava Insurance Group financial statements with notes

6 Unaudited condensed consolidated financial statements

6.1 Unaudited consolidated statement of financial position

EUR	30/09/2019	31/12/2018
ASSETS	1,844,783,212	1,705,947,263
Intangible assets	62,572,544	37,121,118
Property, plant and equipment	51,985,134	42,893,432
Deferred tax assets	1,114,156	1,950,245
Investment property	20,781,892	20,643,019
Financial investments in associates	611,410	462,974
Financial investments:	1,026,643,568	1,008,097,470
- Loans and deposits	45,924,497	33,542,347
- Held to maturity	46,949,550	77,122,037
- Available for sale	907,076,954	885,017,410
- At fair value through profit or loss	26,692,567	12,415,676
Funds for the benefit of policyholders who bear the investment risk	218,052,083	204,818,504
Reinsurers' share of technical provisions	37,953,341	27,292,750
Investment contract assets	146,731,065	135,586,965
Receivables	171,871,583	140,550,011
Receivables arising out of primary insurance business	152,956,672	126,533,761
Reinsurance and coinsurance receivables	6,102,663	5,835,798
Current tax assets	609,277	169,727
Other receivables	12,202,971	8,010,725
Deferred acquisition costs	24,896,659	19,759,234
Other assets	3,331,275	2,064,220
Cash and cash equivalents	78,196,028	64,657,431
Non-current assets held for sale	42,474	49,890
EQUITY AND LIABILITIES	1,844,783,212	1,705,947,263
Equity	376,970,303	340,175,455
Share capital	71,856,376	71,856,376
Capital reserves	43,035,947	43,035,948
Profit reserves	183,739,838	183,606,914
Own shares	-24,938,709	-24,938,709
Fair value reserve	25,572,876	11,613,059
Reserve due to fair value revaluation	853,546	836,745
Retained earnings	42,128,694	35,140,493
Net profit or loss for the period	37,506,573	21,843,940
Translation reserve	-3,320,046	-3,368,928
Equity attributable to owners of the controlling company	376,435,095	339,625,838
Non-controlling interests in equity	535,208	549,617
Technical provisions	969,734,586	920,491,487
Unearned premiums	232,870,296	184,101,835
Technical provisions for life insurance business	230,687,111	254,849,366
Provision for outstanding claims	494,717,239	470,057,561
Other technical provisions	11,459,940	11,482,725
Technical provisions for the benefit of life insurance policyholders who bear the investment risk	216,800,962	210,032,637
Other provisions	8,443,084	7,730,247
Deferred tax liabilities	7,601,911	3,529,235
Investment contract liabilities	146,576,623	135,441,508
Other financial liabilities	326,262	243,095
Liabilities from operating activities	60,858,459	54,736,601
Liabilities from primary insurance business	47,281,554	44,278,514
Liabilities from reinsurance and coinsurance business	11,122,395	6,176,032
Current income tax liabilities	2,454,510	4,282,055
Other liabilities	57,471,022	33,566,998

6.2 Unaudited consolidated income statement

EUR	1–9/2019	1–9/2018
Net premiums earned	402,090,977	370,713,252
Gross premiums written	471,117,105	430,280,168
Written premiums ceded to reinsurers and co-insurers	-31,674,961	-24,192,286
Change in gross unearned premiums	-43,967,208	-35,783,929
Change in unearned premiums, reinsurers' and co-insurers' shares	6,616,041	409,299
Income from investments in associates	2,717,909	0
Other income	2,717,909	0
Investment income	19,206,121	20,240,162
Interest income	10,516,470	12,300,094
Other investment income	8,689,651	7,940,068
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	25,984,758	13,624,811
Other technical income	16,219,141	12,375,638
Commission income	3,654,802	2,684,275
Other technical income	12,564,339	9,691,363
Other income	9,225,249	10,192,126
Net claims incurred	-286,899,084	-236,915,700
Gross claims paid, net of income from recourse receivables	-281,951,986	-245,980,576
Reinsurers' and co-insurers' shares	7,224,941	8,187,380
Change in the gross provision for outstanding claims	-15,639,483	1,611,349
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	3,467,444	-733,853
Change in other technical provisions	29,807,947	1,841,673
Change in technical provisions for policyholders who bear the investment risk	-8,778,847	7,746,913
Expenses for bonuses and rebates	134,737	159,986
Operating expenses	-132,796,499	-128,314,188
Acquisition costs	-49,650,746	-43,441,936
Change in deferred acquisition costs	4,218,796	2,707,182
Other operating expenses	-87,364,549	-87,579,434
Expenses for investments in associates and impairment losses on goodwill	-24,414	0
Loss arising out of investments in equity-accounted associate	-24,414	0
Expenses for financial assets and liabilities	-3,513,034	-6,347,430
Interest expense	-134,652	-17,890
Other investment expenses	-3,378,382	-6,329,540
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-9,433,193	-10,024,287
Other technical expenses	-14,191,892	-15,936,269
Other expenses	-2,095,039	-2,063,698
Profit or loss before tax	47,654,837	37,292,989
Income tax expense	-9,999,593	-8,161,533
Net profit or loss for the period	37,655,244	29,131,456
Net profit or loss attributable to owners of the controlling company	37,506,573	29,046,101
Net profit or loss attributable to non-controlling interests	148,671	85,355
Earnings per share (basic and diluted)	2.42	1.87

The change in the weighted average number of shares outstanding is shown in section 7.9.10 "Earnings or loss per share".

6.3 Unaudited consolidated statement of other comprehensive income

EUR	1–9/2019			1–9/2018		
	Attributable to owners of the controlling company	Attributable to non-controlling interests	Total	Attributable to owners of the controlling company	Attributable to non-controlling interests	Total
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	37,506,573	148,671	37,655,244	29,046,101	85,355	29,131,456
OTHER COMPREHENSIVE INCOME, NET OF TAX	14,025,496	1,422	14,026,918	-5,152,192	-1,909	-5,154,101
a) Items that will not be reclassified subsequently to profit or loss	16,799	0	16,799	34,865	0	34,865
Other items that will not be reclassified subsequently to profit or loss	16,799	0	16,799	34,865	0	34,865
b) Items that may be reclassified subsequently to profit or loss	14,008,697	1,422	14,010,119	-5,187,057	-1,909	-5,188,966
Net gains or losses on remeasuring available-for-sale financial assets	16,913,311	918	16,914,229	-6,579,653	68	-6,579,585
Net change recognised in the fair value reserve	17,186,979	918	17,187,897	-5,517,222	68	-5,517,154
Net change transferred from fair value reserve to profit or loss	-273,668	0	-273,668	-1,062,431	0	-1,062,431
Tax on items that may be reclassified subsequently to profit or loss	-2,953,492	0	-2,953,492	1,436,641	0	1,436,641
Net gains or losses from translation of financial statements of non-domestic companies	48,878	504	49,382	-44,045	-1,977	-46,022
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	51,532,069	150,093	51,682,162	23,893,909	83,446	23,977,355
Attributable to owners of the controlling company	51,532,069	0	51,532,069	23,893,909	0	23,893,909
Attributable to non-controlling interests	0	150,093	150,093	0	83,446	83,446

6.4 Unaudited consolidated statement of cash flows

EUR	1-9/2019	1-9/2018
A. Cash flows from operating activities		
a) Items of the income statement	32,779,463	37,899,666
1. Net premiums written in the period	439,442,144	406,087,882
2. Investment income (other than finance income)	681,352	73,265
3. Other operating income (excl. revaluation income and releases from provisions) and finance income from operating receivables	25,444,390	22,567,764
4. Net claims paid in the period	-276,712,482	-237,793,196
5. Expenses for bonuses and rebates	134,737	159,986
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-129,726,980	-126,830,307
7. Investment expenses (excluding amortisation and financial expenses)	-197,174	-204,228
8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-16,286,931	-17,999,967
9. Tax on profit and other taxes not included in operating expenses	-9,999,593	-8,161,533
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	-38,965,091	-26,046,712
1. Change in receivables from primary insurance	-26,422,911	-14,954,442
2. Change in receivables from reinsurance	-266,865	1,794,872
3. Change in other receivables from (re)insurance business	380,225	188,014
4. Change in other receivables and other assets	-5,012,021	-7,517,175
5. Change in deferred tax assets	836,089	452,854
6. Change in inventories	10,481	-19,999
7. Change in liabilities arising out of primary insurance	3,003,040	-7,845,405
8. Change in liabilities arising out of reinsurance business	4,946,363	2,439,470
9. Change in other operating liabilities	-277,819	7,542,821
10. Closing less opening diverse liabilities (except unearned premiums)	-20,600,422	-6,016,006
11. Change in deferred tax liabilities	4,438,749	-2,111,716
c) Net cash from/used in operating activities (a + b)	-6,185,628	11,852,954
B. Cash flows from investing activities		
a) Cash receipts from investing activities	896,346,749	1,329,500,620
1. Interest received from investing activities	10,516,470	12,300,094
2. Cash receipts from dividends and participation in the profit of others	1,343,707	1,285,126
3. Proceeds from sale of intangible assets	34,090	0
4. Proceeds from sale of property, plant and equipment assets	229,653	1,128,922
5. Proceeds from sale of financial investments	884,222,829	1,314,786,478
b) Cash disbursements in investing activities	-864,307,288	-1,325,646,981
1. Purchase of intangible assets	-1,379,807	-1,006,956
2. Purchase of property, plant and equipment	-3,347,764	-1,588,239
3. Purchase of long-term financial investments	-859,579,717	-1,323,051,786
c) Net cash from/used in investing activities (a + b)	32,039,461	3,853,639
C. Cash flows from financing activities		
b) Cash disbursements in financing activities	-15,021,965	-12,698,201
1. Interest paid	-134,652	-17,890
5. Dividends and other profit participations paid	-14,887,313	-12,680,311
c) Net cash from/used in financing activities (a + b)	-15,021,965	-12,698,201
C2. Closing balance of cash and cash equivalents	78,196,028	42,320,607
x) Net increase or decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	10,831,868	3,008,392
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	1,356,096

6.5 Unaudited consolidated statement of changes in equity

Unaudited consolidated statement of changes in equity for the period 1 January – 30 September 2019

EUR	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit 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)
			Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other									
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	43,035,948	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	13,959,818	16,799	0	37,506,573	0	48,878	51,532,068	150,093	51,682,161
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	37,506,573	0	0	37,506,573	148,671	37,655,244
b) Other comprehensive income	0	0	0	0	0	0	13,959,818	16,799	0	0	0	48,878	14,025,495	1,422	14,026,917
Dividend distributions	0	0	0	0	0	0	0	0	-14,722,811	0	0	0	-14,722,811	-164,502	-14,887,313
Allocation of net profit to profit reserve	0	0	122,252	0	0	10,672	0	0	-132,924	0	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	43,035,947	11,826,261	24,938,709	11,225,068	135,749,800	25,572,876	853,546	42,128,694	37,506,573	-24,938,709	-3,320,046	376,435,095	535,208	376,970,303

Unaudited consolidated statement of changes in equity for the period 1 January – 30 September 2018

EUR	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit 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)
			Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other									
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	43,035,948	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	-5,143,012	34,865	0	29,046,101	0	-44,045	23,893,909	83,446	23,977,355
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	29,046,101	0	0	29,046,101	85,355	29,131,456
b) Other comprehensive income	0	0	0	0	0	0	-5,143,012	34,865	0	0	0	-44,045	-5,152,192	-1,909	-5,154,101
Dividend distributions	0	0	0	0	0	0	0	0	-12,398,157	0	0	0	-12,398,157	-282,154	-12,680,311
Allocation of net profit to profit reserve	0	0	112,043	0	0	0	0	0	-112,043	0	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	14,557,220	-14,557,220	0	0	0	0	0
Acquisition, subsidiary	0	0	0	0	0	0	0	0	0	0	0	0	0	590,749	590,749
Additions due to acquisition of subsidiary	0	-39,564	0	0	0	0	0	0	0	0	0	0	-39,564	-476,719	-516,283
Closing balance in the financial period	71,856,376	42,996,384	11,690,961	24,938,709	11,225,068	114,805,380	13,188,685	702,383	35,140,612	29,046,101	-24,938,709	-3,397,349	327,254,601	233,804	327,488,405

7 Notes to the consolidated financial statements

The selected notes to the financial statements for the nine months to 30 September are significant to an understanding of the changes in the financial position and performance of the Group in the first nine months of 2019 as compared to both the first nine months of 2018 and the year-end 2018.

7.1 Overview of major accounting policies

The financial statements with notes have been prepared in compliance with IAS 34 “Interim Financial Reporting”.

In accordance with IAS 34, explanatory notes are provided for events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the last annual financial report prepared for 2018.

The financial statements with notes as at and for the nine months to 30 September 2019 have not been audited.

The interim financial statements as at 30 September 2019 have been prepared following the same accounting policies and computation methods as the annual financial statements for 2018, except for the policies related to IFRS 16 “Leases”. As at 1 January 2019, the Group recognised right-of-use assets and lease liabilities relating to its leases. The simplified approach has been used for the transition. Right-of-use assets were initially measured at cost, while lease liabilities were measured at the present value of future lease payments. After the recognition, the Group measures right-of-use assets at cost less any accumulated depreciation and any accumulated impairment losses. The lessee recognises the initial lease liability from the commencement date by calculating the present value of the remaining lease payments and taking into account the purchase option, excluding tax (net principle), discounted using the lessee’s incremental interest rate for leasing (unless the interest rate is set in the lease contract) on the contract commencement date. The incremental borrowing rate is determined based on the yield to maturity of unsecured bonds given the credit rating of Sava Re and the maturity profile (1–30 years). To this is added a country risk premium as the difference between the credit rating of each country and that of Sava Re, which already includes the country risk of Slovenia.

Lease payments associated with short-term leases and low-value leases are recognised as an expense on a straight-line basis over the lease term.

7.2 Seasonality and cyclicity of interim operations

The operations of the Group are not seasonal in nature. Pursuant to underwriting rules, the Group’s insurance companies defer those costs (expenses and income) that may or must be deferred at the year end.

7.3 Nature and amount of extraordinary items

There were no extraordinary items in terms of their nature, size or incidence that would affect assets, liabilities, equity, net profit or cash flows in the period 1–9/2019.

7.4 Materiality

Equity was used as a basis in determining a materiality threshold for the consolidated financial statements, specifically 2% thereof, which is EUR 7.5 million as at 30 September 2019. Changes in the balance of statement of financial position items that did not exceed the set materiality threshold have not been disaggregated in the interim financial statements. Disclosures and notes that the Group is required to present under IAS 34 or statutory requirements are given in the report, although they may not exceed the materiality threshold.

7.5 Issuance, repurchase, and repayment of debt and equity securities

The Group issued no new debt or equity securities.

7.6 Key accounting estimates and judgements

In preparing the interim report, the Group complies with the same principles relating to estimates as in the preparation of its annual report.

7.7 Segment reporting

Operating segments as disclosed and monitored were determined based on the different activities carried out in the Group. Segments have been formed based on similar services provided by companies (features of insurance products, market networks and the environment in which companies operate).

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, a common performance indicator for all segments being net profit calculated in accordance with IFRSs. 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.

Statement of financial position items by operating segment – assets as at 30 September 2019

EUR	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
ASSETS	301,367,864	605,668,519	168,161,010	773,829,529	505,709,481	40,502,393	546,211,873	189,569,336	33,804,610	1,844,783,212
Intangible assets	1,045,389	6,595,434	8,609,520	15,204,954	5,819,502	29,893	5,849,395	15,067,203	25,405,603	62,572,544
Property, plant and equipment	2,561,884	27,082,745	17,432,164	44,514,909	1,923,400	2,173,022	4,096,422	281,905	530,014	51,985,134
Deferred tax assets	1,016,456	9,888	70,715	80,603	0	444	444	0	16,653	1,114,156
Investment property	9,252,962	6,294,167	4,769,161	11,063,328	38,602	0	38,602	0	427,000	20,781,892
Financial investments:	168,817,795	431,819,364	102,306,088	534,125,452	262,609,582	34,909,537	297,519,119	24,420,127	1,761,075	1,026,643,568
- Loans and deposits	6,099,766	2,805,255	18,431,781	21,237,036	12,013,844	1,812,154	13,825,998	4,761,697	0	45,924,497
- Held to maturity	1,428,551	16,968,222	3,453,145	20,421,367	15,620,202	4,286,658	19,906,861	5,192,771	0	46,949,550
- Available for sale	156,703,016	405,171,756	77,970,684	483,142,440	230,278,714	27,879,290	258,158,003	9,073,495	0	907,076,954
- At fair value through profit or loss	4,586,462	6,874,132	2,450,477	9,324,609	4,696,822	931,435	5,628,257	5,392,164	1,761,075	26,692,567
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	217,218,187	833,896	218,052,083	0	0	218,052,083
Reinsurers' share of technical provisions	8,408,548	23,155,244	6,282,809	29,438,052	106,239	502	106,741	0	0	37,953,341
Investment contract assets	0	0	0	0	0	0	0	146,731,065	0	146,731,065
Receivables	83,541,806	69,579,628	15,276,451	84,856,079	796,980	594,392	1,391,372	9,165	2,073,162	171,871,583
Receivables arising out of primary insurance business	76,514,396	65,220,163	9,959,853	75,180,016	738,565	522,888	1,261,453	807	0	152,956,672
Reinsurance and coinsurance receivables	3,398,401	2,286,433	417,792	2,704,225	0	37	37	0	0	6,102,663
Current tax assets	464,607	0	144,670	144,670	0	0	0	0	0	609,277
Other receivables	3,164,402	2,073,032	4,754,136	6,827,168	58,415	71,467	129,882	8,358	2,073,162	12,202,971
Deferred acquisition costs	5,767,352	12,875,936	5,785,756	18,661,692	435,071	32,544	467,615	0	0	24,896,659
Other assets	464,906	1,562,573	662,757	2,225,330	9,145	68,762	77,907	301,705	261,427	3,331,275
Cash and cash equivalents	20,490,766	26,651,066	6,965,590	33,616,656	16,752,773	1,859,401	18,612,174	2,758,166	2,718,266	78,196,028
Non-current assets held for sale	0	42,474	0	42,474	0	0	0	0	0	42,474

Statement of financial position items by operating segment – equity and liabilities as at 30 September 2019

EUR	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
EQUITY AND LIABILITIES	398,294,558	561,826,485	158,880,691	720,707,177	489,314,667	39,117,807	528,432,473	189,800,278	7,548,727	1,844,783,212
Equity	184,462,986	66,208,983	35,937,187	102,146,170	43,648,338	11,982,307	55,630,644	30,148,802	4,581,700	376,970,303
Equity attributable to owners of the controlling company	184,462,986	66,208,983	35,571,475	101,780,458	43,648,338	11,982,307	55,630,644	30,148,802	4,412,204	376,435,095
Non-controlling interests in equity	0	0	365,712	365,712	0	0	0	0	169,496	535,208
Technical provisions	169,229,673	452,413,903	103,154,380	555,568,283	212,325,847	22,394,129	234,719,976	10,216,654	0	969,734,586
Unearned premiums	33,225,899	158,472,279	40,278,677	198,750,956	652,117	241,324	893,441	0	0	232,870,296
Mathematical provisions	0	0	4,384,768	4,384,768	195,138,590	20,947,099	216,085,689	10,216,654	0	230,687,111
Provision for outstanding claims	135,257,693	285,282,385	56,436,315	341,718,700	16,535,140	1,205,706	17,740,846	0	0	494,717,239
Other technical provisions	746,081	8,659,239	2,054,620	10,713,859	0	0	0	0	0	11,459,940
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	215,967,066	833,896	216,800,962	0	0	216,800,962
Other provisions	432,552	5,609,906	940,116	6,550,022	1,119,541	3,952	1,123,493	110,601	226,416	8,443,084
Deferred tax liabilities	0	2,448,406	443,690	2,892,096	2,652,106	160,944	2,813,050	1,896,765	0	7,601,911
Investment contract liabilities	0	0	0	0	0	0	0	146,576,623	0	146,576,623
Other financial liabilities	87,505	1	236,245	236,246	1	2,173	2,174	338	0	326,262
Liabilities from operating activities	38,549,949	8,209,180	3,684,095	11,893,275	9,880,331	279,399	10,159,730	9,343	246,162	60,858,459
Liabilities from primary insurance business	31,850,774	4,640,512	1,033,773	5,674,285	9,515,021	241,474	9,756,495	0	0	47,281,554
Reinsurance and coinsurance payables	6,699,175	1,987,743	2,409,462	4,397,205	25,538	477	26,015	0	0	11,122,395
Current income tax liabilities	0	1,580,925	240,860	1,821,785	339,772	37,448	377,220	9,343	246,162	2,454,510
Diverse liabilities	5,531,892	26,936,106	14,484,979	41,421,085	3,721,437	3,461,007	7,182,444	841,152	2,494,449	57,471,022

Statement of financial position items by operating segment – assets as at 31 December 2018

EUR	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
ASSETS	274,837,456	565,031,397	131,712,828	696,744,225	526,967,567	29,122,751	556,090,318	173,344,750	4,930,514	1,705,947,263
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	13,873,614	35,883,962	1,985,583	2,143,756	4,129,339	101,027	124,564	42,893,432
Deferred tax assets	1,867,370	9,888	72,546	82,434	0	441	441	0	0	1,950,245
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:	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
Funds 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
Reinsurance and coinsurance receivables	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	4,009,448	30,090,383	20,800,158	1,463,610	22,263,768	1,139,640	498,980	64,657,431
Non-current assets held for sale	0	49,890	0	49,890	0	0	0	0	0	49,890

Statement of financial position items by operating segment – equity and liabilities as at 31 December 2018

EUR	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
EQUITY AND LIABILITIES	349,273,105	515,219,990	123,367,425	638,587,415	508,045,120	30,376,834	538,421,953	174,699,787	4,965,003	1,705,947,263
Equity	153,206,458	64,183,650	38,017,218	102,200,868	39,847,893	11,281,453	51,129,346	30,251,271	3,387,513	340,175,455
Equity attributable to owners of the controlling company	153,206,458	64,183,650	37,665,813	101,849,463	39,847,893	11,281,453	51,129,346	30,251,271	3,189,301	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 provisions 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	45,343	1,589,895	234,300	1,824,195	1,594,732	38,398	1,633,130	26,567	0	3,529,235
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 coinsurance 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	4,302,370	25,599,892	2,165,788	630,146	2,795,934	660,215	1,351,739	33,566,998

Income statement items by operating segment 1–9/2019

EUR 1–9/2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
Net premiums earned	62,880,151	217,370,643	54,125,620	271,496,264	58,659,508	6,486,973	65,146,481	2,568,081	0	402,090,977
Gross premiums written	74,554,231	265,808,128	63,026,338	328,834,466	58,725,602	6,434,725	65,160,327	2,568,081	0	471,117,105
Written premiums ceded to reinsurers and co-insurers	-4,383,477	-22,944,238	-4,181,529	-27,125,767	-159,406	-6,310	-165,716	0	0	-31,674,961
Change in gross unearned premiums	-8,202,796	-30,867,744	-5,052,381	-35,920,125	97,147	58,566	155,713	0	0	-43,967,208
Change in unearned premiums, reinsurers' and co-insurers' shares	912,193	5,374,497	333,193	5,707,690	-3,835	-8	-3,843	0	0	6,616,041
Income from investments in subsidiary and associate companies	0	2,717,909	0	2,717,909	0	0	0	0	0	2,717,909
Other income	0	2,717,909	0	2,717,909	0	0	0	0	0	2,717,909
Investment income	7,497,287	4,282,371	1,933,034	6,215,404	3,664,246	902,559	4,566,805	910,616	16,009	19,206,121
Interest income	1,749,641	2,838,104	1,682,530	4,520,634	3,087,782	740,825	3,828,607	413,588	4,000	10,516,470
Other investment income	5,747,646	1,444,267	250,504	1,694,770	576,464	161,734	738,198	497,028	12,009	8,689,651
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	25,982,332	2,426	25,984,758	0	0	25,984,758
Other technical income	4,711,641	5,532,863	2,054,754	7,587,617	724,656	57,641	782,297	1,230,826	1,906,761	16,219,141
Commission income	475,806	2,224,769	947,994	3,172,763	6,234	0	6,234	0	0	3,654,802
Other technical income	4,235,835	3,308,094	1,106,760	4,414,854	718,422	57,641	776,063	1,230,826	1,906,761	12,564,339
Other income	601,071	2,216,718	1,003,147	3,219,865	57,370	34,140	91,510	2,728,833	2,583,970	9,225,249
Net claims incurred	-43,525,115	-129,387,544	-31,958,706	-161,346,251	-78,346,015	-2,988,154	-81,334,170	-693,549	0	-286,899,084
Gross claims paid, net of income from recourse receivables	-39,634,147	-130,545,877	-28,520,714	-159,066,591	-79,782,835	-2,774,864	-82,557,699	-693,549	0	-281,951,986
Reinsurers' and co-insurers' shares	1,774,295	3,796,026	1,620,002	5,416,028	34,576	42	34,618	0	0	7,224,941
Change in the gross provision for outstanding claims	-4,141,651	-5,948,426	-6,773,176	-12,721,602	1,437,094	-213,324	1,223,770	0	0	-15,639,483
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-1,523,611	3,310,732	1,715,182	5,025,914	-34,851	-8	-34,859	0	0	3,467,444
Change in other technical provisions	-107,810	818,566	-258,939	559,627	33,293,326	-1,866,157	31,427,169	-2,071,039	0	29,807,947
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-9,377,423	598,576	-8,778,847	0	0	-8,778,847
Expenses for bonuses and rebates	0	192,253	-57,516	134,737	0	0	0	0	0	134,737
Operating expenses	-18,519,922	-64,997,568	-25,217,675	-90,215,243	-14,990,489	-2,913,781	-17,904,270	-2,451,198	-3,705,866	-132,796,499
Acquisition costs	-16,106,779	-23,615,116	-5,338,959	-28,954,075	-4,131,042	-434,808	-4,565,850	-24,042	0	-49,650,746
Change in deferred acquisition costs	576,265	2,510,584	1,270,744	3,781,328	-148,357	9,560	-138,797	0	0	4,218,796
Other operating expenses	-2,989,408	-43,893,036	-21,149,460	-65,042,496	-10,711,090	-2,488,533	-13,199,623	-2,427,156	-3,705,866	-87,364,549
Expenses relating to investments in related parties	-24,414	0	0	0	0	0	0	0	0	-24,414
Loss arising out of investments in equity-accounted associate companies	-24,414	0	0	0	0	0	0	0	0	-24,414
Expenses for financial assets and liabilities	-2,468,420	-292,740	-283,822	-576,562	-123,204	-179,015	-302,220	-157,664	-8,169	-3,513,034
Interest expense	-368	-34,284	-86,953	-121,237	0	-600	-600	-4,278	-8,169	-134,652
Other investment expenses	-2,468,051	-258,456	-196,869	-455,325	-123,204	-178,415	-301,620	-153,386	0	-3,378,382
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-9,432,800	-393	-9,433,193	0	0	-9,433,193
Other technical expenses	-3,777,981	-6,249,916	-4,009,440	-10,259,356	-105,874	-130,415	-236,289	-468,529	550,263	-14,191,892
Other expenses	-1,105,043	-814,294	-72,015	-886,309	-1,419	-16,818	-18,237	-51,070	-34,380	-2,095,039
Profit or loss before tax	6,161,446	31,389,260	-2,741,557	28,647,703	10,004,212	-12,419	9,991,793	1,545,307	1,308,587	47,654,837
Income tax expense										-9,999,593
Net profit or loss for the period										37,655,244
Net profit or loss attributable to owners of the controlling company										37,506,573
Net profit or loss attributable to non-controlling interests										148,671

Income statement items by operating segment 1–9/2018

(EUR)	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
Net premiums earned	64,343,238	194,403,012	45,894,042	240,297,054	58,440,974	5,936,686	64,377,660	1,695,300	0	370,713,252
Gross premiums written	71,937,165	239,750,028	52,392,607	292,142,635	58,512,527	5,992,541	64,505,068	1,695,300	0	430,280,168
Written premiums ceded to reinsurers and co-insurers	-3,402,654	-17,170,053	-3,440,500	-20,610,553	-176,923	-2,156	-179,079	0	0	-24,192,286
Change in gross unearned premiums	-4,690,580	-27,990,146	-3,164,120	-31,154,266	109,936	-49,019	60,917	0	0	-35,783,929
Change in unearned premiums, reinsurers' and co-insurers' shares	499,307	-186,817	106,054	-80,762	-4,566	-4,680	-9,246	0	0	409,299
Investment income	7,133,009	4,803,420	1,996,389	6,799,809	5,134,101	705,358	5,839,459	467,886	0	20,240,162
Interest income	1,798,131	3,501,759	1,668,601	5,170,360	4,441,629	571,025	5,012,655	318,949	0	12,300,094
Other investment income	5,334,878	1,301,661	327,788	1,629,449	692,472	134,332	826,804	148,937	0	7,940,068
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	13,624,201	610	13,624,811	0	0	13,624,811
Other technical income	4,925,909	3,435,621	1,861,526	5,297,147	934,213	70,557	1,004,770	1,147,812	0	12,375,638
Commission income	292,554	1,918,818	472,903	2,391,721	0	0	0	0	0	2,684,275
Other technical income	4,633,355	1,516,803	1,388,623	2,905,426	934,213	70,557	1,004,770	1,147,812	0	9,691,363
Other income	495,792	2,113,824	959,148	3,072,972	103,356	14,780	118,136	1,752,986	4,752,240	10,192,126
Net claims incurred	-40,966,475	-111,753,590	-22,734,895	-134,488,486	-58,932,031	-2,017,070	-60,949,101	-511,639	0	-236,915,700
Gross claims paid, net of income from recourse receivables	-35,750,243	-126,798,715	-21,585,268	-148,383,983	-59,274,896	-2,059,815	-61,334,711	-511,639	0	-245,980,576
Reinsurers' and co-insurers' shares	617,248	6,344,102	1,190,986	7,535,087	35,040	5	35,045	0	0	8,187,380
Change in the gross provision for outstanding claims	-3,719,571	6,746,903	-1,808,077	4,938,826	349,356	42,738	392,094	0	0	1,611,349
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-2,113,908	1,954,120	-532,536	1,421,584	-41,531	2	-41,529	0	0	-733,853
Change in other technical provisions	-123,220	-2,650,493	-30,982	-2,681,475	7,321,896	-1,476,221	5,845,675	-1,199,307	0	1,841,673
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	7,739,115	7,798	7,746,913	0	0	7,746,913
Expenses for bonuses and rebates	0	192,177	-32,191	159,986	0	0	0	0	0	159,986
Operating expenses	-19,266,064	-62,645,713	-22,755,359	-85,401,071	-14,403,262	-2,838,527	-17,241,789	-1,741,919	-4,663,344	-128,314,188
Acquisition costs	-16,554,704	-18,639,164	-3,504,718	-22,143,882	-4,276,431	-457,870	-4,734,301	-9,049	0	-43,441,936
Change in deferred acquisition costs	187,039	1,818,260	452,137	2,270,397	234,407	15,339	249,746	0	0	2,707,182
Other operating expenses	-2,898,399	-45,824,809	-19,702,778	-65,527,586	-10,361,238	-2,395,996	-12,757,234	-1,732,870	-4,663,344	-87,579,434
Expenses for financial assets and liabilities	-5,449,773	-210,074	-135,048	-345,122	-27,149	-248,967	-276,116	-273,722	-2,697	-6,347,430
Interest expense	0	0	-15,192	-15,192	0	0	0	-1	-2,697	-17,890
Other investment expenses	-5,449,773	-210,074	-119,856	-329,930	-27,149	-248,967	-276,116	-273,721	0	-6,329,540
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-10,022,979	-1,308	-10,024,287	0	0	-10,024,287
Other technical expenses	-4,352,484	-7,806,885	-3,289,053	-11,095,938	-114,468	-106,750	-221,218	-261,912	-4,717	-15,936,269
Other expenses	-633,705	-1,174,392	-234,715	-1,409,107	-12,719	-7,116	-19,835	-333	-718	-2,063,698
Profit or loss before tax	6,106,227	18,706,907	1,498,862	20,205,769	9,785,247	39,830	9,825,077	1,075,152	80,764	37,292,989
Income tax expense										-8,161,533
Net profit or loss for the period										29,131,456
Net profit or loss attributable to owners of the controlling company										29,046,101
Net profit or loss attributable to non-controlling interests										85,355

Inter-segment business

EUR	Reinsurance business		Non-life business		Life business		Pension business		Other	
	1-9/2019	1-9/2018	1-9/2019	1-9/2018	1-9/2019	1-9/2018	1-9/2019	1-9/2018	1-9/2019	1-9/2018
Net premiums earned	62,202,734	51,630,835	148,563	142,564	0	0	0	0	0	0
Net claims incurred	-24,260,859	-21,924,693	-5,455,160	-1,896,334	0	0	0	0	0	0
Operating expenses	-12,423,306	-8,820,315	-1,228,545	-1,100,664	-617,476	-643,188	-52,490	-30,529	-302,736	-133,368
Investment income	62,836	51,982	15,949	124	0	0	0	0	0	0
Other income	261,493	241,246	206,888	147,503	176,392	21	0	0	7,691,107	3,969,338

7.8 Business combinations

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 were prepared as at 31 March 2019.

The Group is planning to transfer the portfolios of the acquired companies to the Croatia-based branch office of Zavarovalnica Sava, after which the ERGO companies will be wound up. Owing to the above, the identified badwill of EUR 7.5 million was temporarily transferred to other liabilities. The following tables show the fair value of the net assets of the acquired companies in the business combinations.

EUR	ERGO Osiguranje
Intangible assets	3,219
Property, plant and equipment	184,537
Financial investments	19,899,944
Reinsurers' share of technical provisions	316,703
Receivables	1,420,993
Cash and cash equivalents	666,336
Other assets	760,525
A. Total assets	23,252,257
Technical provisions	14,834,022
Deferred tax liabilities	126,938
Other financial liabilities	31,828
Liabilities from operating activities and other liabilities	6,426,739
B. Total liabilities	21,419,527
Fair value of net assets acquired (A - B)	1,832,730
Market value of investment as at 31/03/2019	1,832,729

EUR	ERGO Osiguranje
Acquisition of stake	-1,832,729
Net cash and cash equivalents acquired in the business combination	666,336
Net cash relating to the business combination	-1,166,394

EUR	ERGO Životno Osiguranje
Intangible assets	288
Property, plant and equipment	10,802
Financial investments	6,559,870
Funds for the benefit of policyholders who bear the investment risk	1,380,266
Receivables	1,416
Cash and cash equivalents	289,003
Other assets	20,333
A. Total assets	8,261,976
Technical provisions	2,252,948
Technical provisions for the benefit of life insurance policyholders who bear the investment risk	1,380,266
Deferred tax liabilities	32,925
Liabilities from operating activities and other liabilities	2,763,108
B. Total liabilities	6,429,246
Fair value of net assets acquired (A - B)	1,832,730
Market value of investment as at 31/03/2019	1,832,729

EUR	ERGO Životno Osiguranje
Acquisitions of interest	-1,832,729
Net cash and cash equivalents acquired in the business combination	289,003
Net cash relating to the business combination	-1,543,727

Goodwill of EUR 11,710,411 arisen on the acquisition of Sava Penzisko was partly allocated to a customer list (EUR 10,043,573) based on the list's estimated value. Upon allocation to intangible assets

(customer list), deferred tax liabilities were recognised in the amount of EUR 1,908,279. The difference comprises goodwill of EUR 3,575,118.

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	1,926,091
Liabilities from operating activities and other liabilities	441,600
B. Total liabilities	2,428,293
Fair value of net assets acquired (A - B)	15,959,866
Goodwill	3,575,118
Market value of investment as at 31 March 2018	19,534,984

In June 2019, Sava Re acquired an 85% stake in KBM Infond (now Sava Infond). The first consolidated accounts of the Sava Insurance Group after Sava Infond joined were prepared as at 30 June 2019. The following tables show the fair value of the net assets of the company acquired in the business combination. The difference was temporarily allocated to goodwill. On the first consolidation, income of EUR 2.7 million was recognised on the remeasurement of the 15% stake in Sava Infond held by Zavarovalnica Sava.

EUR	Sava Infond
Intangible assets	2,703,026
Property, plant and equipment	377,326
Deferred tax assets	16,653
Investment property	427,000
Financial investments	1,749,066
Receivables	579,413
Cash and cash equivalents	5,331,720
Other assets	79,522
A. Total assets	11,263,728
Other provisions	184,417
Liabilities from operating activities and other liabilities	500,332
B. Total liabilities	684,749
Fair value of net assets acquired (A - B)	10,578,979
Temporary allocation to goodwill	20,184,085
Market value of investment as at 30/06/2019	30,763,064

EUR	Sava Infond
Acquisition of stake	-30,763,064
Revaluation of stake	2,717,909
Net cash and cash equivalents acquired in the business combination	5,331,720
Net cash relating to the business combination	-22,713,435

7.9 Notes to significant changes in the statement of financial position

7.9.1 Intangible assets

Movements in cost and value adjustments to intangible assets

EUR	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
01/01/2019	12,925,423	29,006,121	43,158	4,223,022	15,430,893	61,628,617
Additions – acquisition of company	723,196	12,048,791	0	0	19,781,666	32,553,653
Additions	1,532,388	0	0	0	681,127	2,213,515
Disposals	-201,492	0	-35,953	-151,496	0	-388,941
Exchange differences	9,407	0	0	0	14,131	23,538
30/09/2019	14,988,922	41,054,912	7,205	4,071,526	35,907,817	96,030,382
Value adjustments						
01/01/2019	9,500,294	0	7,205	0	15,000,000	24,507,499
Additions – acquisition of company	527,083	0	0	0	7,244,576	7,771,659
Additions	924,322	0	0	0	446,412	1,370,734
Disposals	-200,289	0	0	0	0	-200,289
Exchange differences	7,952	0	0	0	283	8,235
30/09/2019	10,759,362	0	7,205	0	22,691,271	33,457,838
Carrying amount as at 01/01/2019	3,425,129	29,006,121	35,953	4,223,022	430,893	37,121,118
Carrying amount as at 30/09/2019	4,229,560	41,054,912	0	4,071,526	13,216,546	62,572,544

Movement in goodwill

EUR	
Total amount carried over at 31/12/2018	29,006,121
Additions in current year	20,184,085
Sava Infond (temporary allocation)	20,184,085
Disposals in current year	-8,135,293
Sava Penzisko Društvo	-8,135,293
Balance as at 30/09/2019	41,054,912
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	3,575,118
Sava Infond (temporary allocation)	20,184,085

7.9.2 Property, plant and equipment

Since 1 January 2019, property, plant and equipment assets have also included the right-of-use assets from long-term lease of land, buildings and equipment of EUR 9 million.

Movements in cost of and value adjustments to property, plant and equipment assets

EUR	Land	Buildings	Right-of-use land and buildings	Equipment	Other property, plant and equipment assets	Right-of-use equipment	Total
Cost							
01/01/2019	7,627,768	48,032,080	0	24,364,840	464,389	0	80,489,079
Additions – acquisition of company	54,194	662,840	0	1,410,012	0	0	2,127,046
Additions	0	145,928	9,035,034	3,211,104	33,977	932,335	13,358,378
Disposals	-6,645	-93,386	-61,404	-3,161,956	-664	0	-3,324,055
Impairment	-94,199	-598,581	0	0	0	0	-692,780
Exchange differences	123	33,104	3,556	11,294	676	1,706	50,459
30/09/2019	7,581,241	48,181,986	8,977,186	25,835,294	498,378	934,041	92,008,126
Value adjustments							
01/01/2019	0	19,063,393	0	18,326,574	205,680	0	37,595,647
Additions – acquisition of company	0	565,086	0	988,901	0	0	1,553,987
Additions	0	869,096	1,292,192	1,494,324	35,416	194,888	3,885,916
Disposals	0	-71,629	-9,436	-2,949,326	-664	0	-3,031,055
Impairment	0	0	0	0	0	0	0
Exchange differences	0	9,740	652	7,703	2	401	18,498
30/09/2019	0	20,435,686	1,283,408	17,868,176	240,434	195,289	40,022,993
Carrying amount as at 01/01/2019	7,627,768	28,968,687	0	6,038,266	258,709	0	42,893,432
Carrying amount as at 30/09/2019	7,581,241	27,746,300	7,693,778	7,967,118	257,944	738,752	51,985,134

7.9.3 Financial investments

At the end of the third quarter of 2019, financial investments totalled EUR 1,026.6 million, up EUR 18.5 million from year-end 2018. Compared to the end of last year, the asset mix changed somewhat. Held-to-maturity assets shrank due to maturing investments, but there was an increase in the fair-value-through-profit-or-loss group of assets (more subordinated bond investments), available-for-sale assets as well as in the loans and receivables category.

Financial investments as at 30 September 2019

EUR	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative Designated to this category			
30/09/2019					
Debt instruments	46,949,550	23,333,210	844,578,482	38,398,087	953,259,329
Deposits and CDs	0	1,618,748	0	37,427,497	39,046,245
Government bonds	44,479,095	2,893,940	480,113,817	0	527,486,852
Corporate bonds	2,470,455	18,820,522	364,464,665	0	385,755,642
Loans granted	0	0	0	970,590	970,590
Equity instruments	0	3,359,357	44,505,650	0	47,865,007
Shares	0	566,211	15,455,276	0	16,021,487
Mutual funds	0	2,793,146	29,050,374	0	31,843,520
Investments in infrastructure funds	0	0	13,992,822	0	13,992,822
Investments in infrastructure funds	0	0	4,000,000	0	4,000,000
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	7,526,410	7,526,410
Total	46,949,550	26,692,567	907,076,954	45,924,497	1,026,643,568

Financial investments as at 31 December 2018

EUR	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
31/12/2018					
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

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

Funds for the benefit of policyholders who bear the investment risk as at 30 September 2019

EUR	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
30/09/2019					
Investments for the benefit of life-insurance policyholders who bear the investment risk	6,429,014	152,850,240	58,772,829	0	218,052,083

Funds for the benefit of policyholders who bear the investment risk as at 31 December 2018

EUR	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
31/12/2018					
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,674,439	133,270,213	61,873,852	0	204,818,504

7.9.5 Reinsurers' share of technical provisions

EUR	30/09/2019	31/12/2018
From unearned premiums	12,629,755	5,796,346
From provisions for claims outstanding	25,323,586	21,496,404
Total	37,953,341	27,292,750

The reinsurers' share of unearned premiums increased by EUR 6.8 million, which partly stems from seasonal movements and partly from the extension of the reinsurance programme, especially for new FOS business. The reinsurers' share of claims provisions grew by EUR 3.8 million, which is partly attributable to certain large reinsurance claims of 2019 and partly to the acquisition of a company.

7.9.6 Investment contract assets and liabilities

Investment contract assets

EUR	30/09/2019	31/12/2018
Financial investments	133,597,138	115,619,693
Investment property	506,000	490,000
Receivables	1,014,589	8,940
Cash and cash equivalents	11,613,337	19,468,332
Total	146,731,065	135,586,965

EUR 30/09/2019	Held to maturity	At fair value through P/L Non-derivative Designated to this category	Loans and deposits	Investment property	Total
Debt instruments	54,465,711	60,395,659	0	0	114,861,370
Bonds	54,465,711	60,395,659	0	0	114,861,370
Equity instruments	0	18,735,768	0	0	18,735,768
Total financial investments	54,465,711	79,131,427	0	0	133,597,138
Cash and receivables	0	0	12,627,927	0	12,627,927
Investment property	0	0	0	506,000	506,000
Total assets from investment contracts	54,465,711	79,131,427	12,627,927	506,000	146,731,065

Assets from investment contracts by level of the fair value hierarchy

EUR 30/09/2019	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Assets from investment contracts measured at fair value	79,131,427	73,476,633	5,544,959	109,835	79,131,427	0
At fair value through P/L	79,131,427	73,476,633	5,544,959	109,835	79,131,427	0
Designated to this category	79,131,427	73,476,633	5,544,959	109,835	79,131,427	0
Debt instruments	60,395,659	55,193,288	5,092,536	109,835	60,395,659	0
Equity instruments	18,735,768	18,283,345	452,423	0	18,735,768	0
Assets from investment contracts not measured at fair value	54,465,711	50,140,415	15,275,468	0	65,415,882	10,950,171
Held-to-maturity assets	54,465,711	50,140,415	15,275,468	0	65,415,882	10,950,171
Debt instruments	54,465,711	50,140,415	15,275,468	0	65,415,882	10,950,171
Cash and receivables	12,627,927	12,627,927	0	0	12,627,927	0
Investment property	506,000	0	0	506,000	506,000	0
Total assets from investment contracts	146,731,065	136,244,974	20,820,427	615,835	157,681,236	10,950,171

Investment contract liabilities

EUR	30/09/2019	31/12/2018
Net liabilities to pension policyholders	145,159,119	134,926,064
Diverse liabilities	1,525,969	613,674
Total in liability fund of VSPI balance sheet	146,685,088	135,539,738
Internal relations between the company and life ins. liability fund	-108,465	-98,231
Total in balance sheet	146,576,623	135,441,508

7.9.7 Receivables

Receivables grew by EUR 31.3 million compared to the balance as at year-end 2018, chiefly due to the annual renewal of insurance contracts with legal entities but partly also because of the annual renewal of reinsurance contracts with cedants and the dynamics of assessing reinsurance business. The increase in receivables was partly driven by the acquisitions finalised in the first half year.

Receivables by type

EUR	30/09/2019			31/12/2018		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	168,870,983	-24,005,187	144,865,796	147,595,873	-23,607,937	123,987,936
Receivables due from insurance brokers	7,895,381	-831,046	7,064,335	3,085,381	-1,071,991	2,013,390
Other receivables arising out of primary insurance business	1,163,885	-137,344	1,026,541	662,312	-129,877	532,435
Receivables arising out of primary insurance business	177,930,249	-24,973,577	152,956,672	151,343,566	-24,809,805	126,533,761
Receivables for shares in claims payments	5,453,305	-177,657	5,275,648	5,368,904	-176,979	5,191,925
Other receivables from coinsurance and reinsurance	827,015	0	827,015	643,873	0	643,873
Reinsurance and coinsurance receivables	6,280,320	-177,657	6,102,663	6,012,777	-176,979	5,835,798
Current tax assets	609,277	0	609,277	169,727	0	169,727
Other short-term receivables arising out of insurance business	20,350,475	-17,912,862	2,437,613	21,724,100	-18,906,262	2,817,838
Receivables arising out of investments	2,253,301	-1,244,697	1,008,604	2,222,130	-1,239,850	982,280
Other receivables	9,974,982	-1,218,228	8,756,754	5,591,808	-1,381,201	4,210,607
Other receivables	32,578,758	-20,375,787	12,202,971	29,538,038	-21,527,313	8,010,725
Total	217,398,604	-45,527,021	171,871,583	187,064,108	-46,514,097	140,550,011

Movements in allowance for receivables

EUR					Additions – acquisition of company	Exchange differences	30/09/2019
30/09/2019	01/01/2019	Additions	Collection	Write-offs			
Receivables due from policyholders	-23,607,937	-1,599,834	1,434,180	104,255	-310,506	-25,345	-24,005,187
Receivables due from insurance brokers	-1,071,991	-63,462	307,592	0	0	-3,185	-831,046
Other receivables arising out of primary insurance business	-129,877	-7,746	476	0	0	-197	-137,344
Receivables arising out of primary insurance business	-24,809,805	-1,671,042	1,742,248	104,255	-310,506	-28,727	-24,973,577
Receivables for shares in claims payments	-176,979	-665	0	0	0	-13	-177,657
Reinsurance and coinsurance receivables	-176,979	-665	0	0	0	-13	-177,657
Other short-term receivables arising out of insurance business	-18,906,262	-21,881	126,672	896,949	0	-8,340	-17,912,862
Receivables arising out of investments	-1,239,850	0	1,481	0	0	-6,328	-1,244,697
Other short-term receivables	-1,381,201	-7,421	103,942	68,937	0	-2,485	-1,218,228
Other receivables	-21,527,313	-29,302	232,095	965,886	0	-17,153	-20,375,787
Total	-46,514,097	-1,701,009	1,974,343	1,070,141	-310,506	-45,893	-45,527,021

Receivables ageing analysis

EUR		Past due up to	Past due more	
30/09/2019	Not past due	180 days	than 180 days	Total
Receivables due from policyholders	111,878,526	22,675,836	10,311,434	144,865,796
Receivables due from insurance brokers	5,542,048	1,487,892	34,395	7,064,335
Other receivables arising out of primary insurance business	722,863	118,242	185,436	1,026,541
Receivables arising out of primary insurance business	118,143,437	24,281,970	10,531,265	152,956,672
Receivables for reinsurers' shares in claims	3,638,432	969,284	667,932	5,275,648
Other receivables from coinsurance and reinsurance	759,512	35,281	32,222	827,015
Reinsurance and coinsurance receivables	4,397,944	1,004,565	700,154	6,102,663
Current tax assets	609,277	0	0	609,277
Other short-term receivables arising out of insurance business	940,713	643,114	853,786	2,437,613
Short-term receivables arising out of financing	956,974	4,918	46,712	1,008,604
Other short-term receivables	8,398,575	259,855	98,324	8,756,754
Other receivables	10,296,262	907,887	998,822	12,202,971
Total	133,446,920	26,194,422	12,230,241	171,871,583

EUR 31/12/2018	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	96,415,922	19,673,411	7,898,603	123,987,936
Receivables due from insurance brokers	757,823	1,224,927	30,640	2,013,390
Other receivables arising out of primary insurance business	192,572	215,837	124,026	532,435
Receivables arising out of primary insurance business	97,366,317	21,114,175	8,053,269	126,533,761
Receivables for reinsurers' shares in claims	4,248,950	586,942	356,033	5,191,925
Other receivables from coinsurance and reinsurance	504,830	139,043	0	643,873
Reinsurance and coinsurance receivables	4,753,780	725,985	356,033	5,835,798
Current tax assets	169,727	0	0	169,727
Other short-term receivables arising out of insurance business	1,311,217	634,873	871,748	2,817,838
Short-term receivables arising out of financing	935,154	4,077	43,049	982,280
Other short-term receivables	3,836,984	271,057	102,566	4,210,607
Other receivables	6,083,355	910,007	1,017,363	8,010,725
Total	108,373,179	22,750,167	9,426,665	140,550,011

7.9.8 Cash and cash equivalents

EUR	30/09/2019	31/12/2018
Cash in hand	22,611	23,867
Cash in bank accounts	36,857,174	25,830,801
Cash equivalents	41,316,243	38,802,763
Total	78,196,028	64,657,431

Compared to year-end 2018, the balance of cash and cash equivalents increased by EUR 13.5 million. The balance of cash and cash equivalents at the end of the year was higher because of the lack of favourable reinvestment opportunities in financial markets. Proceeds from maturities and disposals were not fully reinvested but held in short-term demand deposits.

7.9.9 Fair value reserve

The fair value reserve comprises the change in fair value of available-for-sale financial assets.

EUR	2019	2018
As at 1 January	11,613,059	18,331,697
Change in fair value	17,186,979	-5,900,511
Transfer of the negative fair value reserve to the IS due to impairment	0	-1,943,975
Transfer from fair value reserve to the IS due to disposal	-273,668	-577,887
Deferred tax	-2,953,492	1,703,735
Total fair value reserve	25,572,876	11,613,059

7.9.10 Earnings or loss per share

The weighted average number of shares outstanding in the financial period was 15,497,696. As at 30 September 2019, the parent held 1,721,966 own shares, which are excluded when calculating the weighted average number of shares.

Earnings or loss per share

EUR	1–9/2019	1–9/2018
Net profit or loss for the period	37,655,244	29,131,456
Net profit or loss for the period attributable to owners of the controlling company	37,506,573	29,046,101
Weighted average number of shares	15,497,696	15,497,696
Earnings or loss per share	2.42	1.87

Comprehensive income per share

EUR	1–9/2019	1–9/2018
Comprehensive income for the period	51,682,162	23,977,355
Comprehensive income for the period attributable to owners of the controlling company	51,532,069	23,893,909
Weighted average number of shares	15,497,696	15,497,696
Comprehensive income per share	3.33	1.54

7.9.11 Technical provisions

Technical provisions increased by EUR 49.2 million, or 5.3%, compared to 31 December 2018. The largest increase was recorded in gross unearned premiums (EUR 48.8 million) and mainly relates to the establishment of high unearned premiums for coverages for which the annual premiums were accounted for at the inception of the coverage and partly to the growth in non-life insurance business. Gross claims provisions increased by EUR 24.7 million, of which EUR 6.2 million relates to the acquisition of companies (ERGO Osiguranje and ERGO Životno Osiguranje), the remaining reflecting non-life (re)insurance portfolio growth and the related claims development. The gross provision for traditional life policies decreased by 9.5% (or EUR 24.2 million) resulting from the decline due to maturity benefits exceeded growth owing to aging of insureds and the growth in the portfolio of traditional life insurance business, including newly acquired companies and pension annuity business in the distribution phase.

Movements in gross technical provisions

EUR	01/01/2019	Additions	Uses and releases	Additions – acquisition of company	Exchange differences	30/09/2019
Gross unearned premiums	184,101,835	189,376,312	-145,352,997	4,512,575	232,571	232,870,296
Technical provisions for life insurance business	254,849,366	19,167,914	-49,662,022	6,301,254	30,599	230,687,111
Gross provision for outstanding claims	470,057,561	186,587,819	-170,630,576	6,207,166	2,495,269	494,717,239
Gross provision for bonuses, rebates and cancellations	1,477,666	387,932	-554,561	25,289	186	1,336,512
Other gross technical provisions	10,005,059	8,433,158	-8,382,121	63,633	3,699	10,123,428
Total	920,491,487	403,953,135	-374,582,277	17,109,917	2,762,324	969,734,586

7.9.12 Diverse liabilities

EUR	Maturity		
30/09/2019	Over 1 year	Up to 1 year	Total
Other liabilities	2,013,019	42,073,005	44,086,024
Deferred income and accrued expenses	0	13,384,998	13,384,998
Total	2,013,019	55,458,003	57,471,022

EUR	Maturity	
31/12/2018	Up to 1 year	Total
Other liabilities	14,334,129	14,334,129
Deferred income and accrued expenses	19,232,869	19,232,869
Total	33,566,998	33,566,998

Other liabilities

EUR	30/09/2019	31/12/2018
Short-term liabilities due to employees	3,290,536	2,805,998
Diverse other short-term liabilities for insurance business	4,607,940	3,853,572
Short-term trade liabilities	4,701,164	4,474,289
Diverse other short-term liabilities	22,831,827	3,161,322
Non-current lease liabilities	8,634,952	26,007
Other long-term liabilities	19,605	12,941
Total	44,086,024	14,334,129

Other liabilities rose by EUR 29.8 million compared to year-end 2018. Diverse other short-term liabilities increased by EUR 19.7 million owing to not-past-due liabilities for the acquisition of financial investments, the integration of new companies into the Sava Insurance Group and the temporary allocation of badwill of EUR 7.5 million arisen in the acquisition of the ERGO insurers. Non-current lease liabilities comprise those relating to operating leases (most liabilities) and finance leases, in line with the new standard IFRS 16 "Leases". The increase from year-end 2018 of EUR 8.6 million relates to long-term operating leases.

Change in short-term provisions (accrued costs and deferred income)

EUR	01/01/2019	Additions	Uses	Releases	Additions – acquisition of non-controlling interests	Exchange differences	30/09/2019
Short-term accrued expenses	6,877,041	11,423,345	-12,990,654	-3,083	427,715	176	5,734,540
Other accrued expenses and deferred income	12,355,828	19,576,836	-24,500,772		208,857	9,709	7,650,458
Total	19,232,869	31,000,181	-37,491,426	-3,083	636,572	9,885	13,384,998

Short-term provisions comprise accrued costs (expenses) and deferred income. These comprise accrued expenses for deferred commission.

7.9.13 Fair values of assets and liabilities

Shown is the change in fair value levels after 1–9/2019 compared to the year-end 2018, specifically due to the reclassification of debt instruments from level 2 into level 1. As at 31 December 2018, BID CBBT prices were unavailable for a large part of the bond portfolio; therefore, the Group used instead BVAL prices as at 31 December 2018. Consequently, debt instruments had to be shown one level lower (level 2), in accordance with the methodology for determining fair value levels. As at 30 September 2019, BID CBBT prices were available, which is why debt instruments could be reclassified from level 2 into level 1.

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.

Financial assets measured at fair value by level of the fair value hierarchy as at 30 September 2019

EUR 30/09/2019	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	933,769,521	722,138,340	172,861,439	38,769,742	933,769,521	0
<i>At fair value through P/L</i>	<i>26,692,567</i>	<i>6,515,180</i>	<i>18,470,205</i>	<i>1,707,182</i>	<i>26,692,567</i>	<i>0</i>
<i>Designated to this category</i>	<i>26,692,567</i>	<i>6,515,180</i>	<i>18,470,205</i>	<i>1,707,182</i>	<i>26,692,567</i>	<i>0</i>
Debt instruments	23,333,210	3,718,923	17,918,654	1,695,633	23,333,210	0
Equity instruments	3,359,357	2,796,257	551,551	11,549	3,359,357	0
Available-for-sale	907,076,954	715,623,160	154,391,234	37,062,560	907,076,954	0
Debt instruments	844,578,482	686,843,003	140,901,235	16,834,244	844,578,482	0
Equity instruments	44,505,650	28,780,157	13,489,999	2,235,494	44,505,650	0
Investments in infrastructure funds	13,992,822	0	0	13,992,822	13,992,822	0
Investments in infrastructure funds	4,000,000	0	0	4,000,000	4,000,000	0
Investments for the benefit of life policyholders who bear the investment risk	211,623,069	206,501,774	5,121,295	0	211,623,069	0
Investments not measured at fair value	92,874,047	24,174,038	26,749,848	45,924,497	96,848,383	3,974,336
<i>Held-to-maturity assets</i>	<i>46,949,550</i>	<i>24,174,038</i>	<i>26,749,848</i>	<i>0</i>	<i>50,923,886</i>	<i>3,974,336</i>
Debt instruments	46,949,550	24,174,038	26,749,848	0	50,923,886	3,974,336
Loans and receivables	45,924,497	0	0	45,924,497	45,924,497	0
Deposits	37,427,497	0	0	37,427,497	37,427,497	0
Loans granted	970,590	0	0	970,590	970,590	0
Deposits with cedants	7,526,410	0	0	7,526,410	7,526,410	0
Investments for the benefit of life policyholders who bear the investment risk	6,429,014	6,985,310	0	0	6,985,310	556,296
Total investments	1,026,643,568	746,312,378	199,611,287	84,694,239	1,030,617,904	3,974,336
Total investments for the benefit of life policyholders who bear the investment risk	218,052,083	213,487,084	5,121,295	0	218,608,379	556,296

Financial assets measured at fair value by level of the fair value hierarchy as at 31 December 2018

EUR 31/12/2018	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
<i>At fair value through P/L</i>	<i>12,415,676</i>	<i>8,832,282</i>	<i>1,620,187</i>	<i>1,963,207</i>	<i>12,415,676</i>	<i>0</i>
<i>Designated to this category</i>	<i>12,415,676</i>	<i>8,832,282</i>	<i>1,620,187</i>	<i>1,963,207</i>	<i>12,415,676</i>	<i>0</i>
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
<i>Held-to-maturity assets</i>	<i>77,122,037</i>	<i>4,964,218</i>	<i>76,410,895</i>	<i>0</i>	<i>81,375,113</i>	<i>4,253,076</i>
Debt instruments	77,122,037	4,964,218	76,410,895	0	81,375,113	4,253,076
Loans and receivables	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	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

Movements in level 3 FVPL financial assets

EUR	Debt instruments		Equity instruments		Investments in infrastructure funds		Investments in infrastructure funds	
	30/09/2019	31/12/2018	30/09/2019	31/12/2018	30/09/2019	31/12/2018	01/01/2019	31/12/2018
Opening balance	15,250,825	10,560,689	2,401,281	4,245,105	5,264,540	0	0	0
Additions – acquisition of company	0	0	0	0	0	0	0	0
Exchange differences	1	0	0	0	-1	0	0	0
Additions	3,534,792	3,842,167	0	0	9,635,602	5,976,467	4,001,949	0
Impairment	0	0	0	-1,943,974	0	0	0	0
Disposals	-240,000	0	-163,700	0	-363,627	-1,048,541	0	0
Maturities	-300,000	-769,922	0	0	0	0	0	0
Revaluation to fair value	284,259	-59,545	9,462	0	-543,692	336,614	-1,949	0
Reclassification into other levels	0	0	0	0	0	0	0	0
Reclassification into level	0	1,677,436	0	100,150	0	0	0	0
Closing balance	18,529,877	15,250,825	2,247,043	2,401,281	13,992,822	5,264,540	4,000,000	0

Disclosure of the fair value of non-financial assets measured in the statement of financial position at cost

30/09/2019	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	30/09/2019	35,327,542	37,675,838	market approach and income approach (weighted 50 : 50), new purchases at cost
Investment property	30/09/2019	20,682,608	21,433,605	
Total		56,010,150	59,109,443	

EUR 31/12/2018	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2018	36,596,457	37,492,575	market approach and income approach (weighted 50 : 50), new purchases at cost
Investment property	31/12/2018	20,540,627	21,115,553	
Total		57,137,084	58,608,128	

Changes in fair value of property in the period 1–9/2019

EUR	Opening balance	Acquisitions	Disposals	Change in fair value	Additions – acquisition of non-controlling interests	Exchange differences	Closing balance
Owner-occupied property	37,492,575	809	-53,900	-444,839	655,000	26,193	37,675,838
Investment property	21,115,553	1,650	0	-134,214	427,000	23,616	21,433,605
Total	58,608,128	2,459	-53,900	-579,053	1,082,000	49,809	59,109,443

Reclassification of assets and financial liabilities between levels in the period 1–9/2019

EUR	Level 1	Level 2
At fair value through P/L	632,293	-632,293
Designated to this category	632,293	-632,293
Debt instruments	632,293	-632,293
Available for sale	344,045,735	-344,045,735
Debt instruments	344,045,735	-344,045,735
Total	344,678,028	-344,678,028

The classification into a different level compared to the previous period is the result of the reclassification of debt securities (of EUR 344.7 million) into level 1, as mentioned, owing to the improved reliability of the price source (CBBT price).

8 Related-party transactions

Fixed remuneration of management board members for performing their function in the first nine months of 2019 totalled EUR 511,364 (1–9/2018: EUR 445,901), and variable remuneration totalled EUR 175,365 (1–9/2018: 55,663). Benefits in kind were EUR 29,230 (1–9/2018: EUR 31,397).

Remuneration of management board members in 1–9/2019

EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind – insurance premiums	Benefits in kind – use of company car	Total
Marko Jazbec	136,820	47,808	185	5,023	189,836
Jošt Dolničar	122,772	43,020	3,953	4,437	174,182
Srečko Čebren	129,244	43,020	3,934	3,555	179,753
Polona Pirš Zupančič	122,528	41,517	4,890	3,254	172,189
Total	511,364	175,365	12,961	16,269	715,959

Liabilities to members of the management board based on gross remuneration

EUR	30/09/2019	31/12/2018
Marko Jazbec	16,500	13,280
Jošt Dolničar	14,850	11,950
Srečko Čebren	15,516	12,616
Polona Pirš Zupančič	14,850	11,950
Total	61,716	49,796

Remuneration of supervisory board members and the members of its committees in 1–9/2019

EUR		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Total
Supervisory board members					
Mateja Lovšin Herič	chair	1,925	14,625	257	16,807
Keith William Morris	deputy chair	1,925	10,725	6,491	19,141
Andrej Gorazd Kunstek	member of the SB	1,925	9,750	0	11,675
Mateja Živec	member of the SB	1,925	9,750	0	11,675
Davor Ivan Gjivoje	member of the SB	1,925	9,750	53,764	65,439
Andrej Kren	member of the SB	1,925	9,750	458	12,133
Total supervisory board members		11,550	64,350	60,969	136,869
Audit committee members					
Andrej Kren	chairman	1,276	3,656	163	5,095
Mateja Lovšin Herič	member	1,276	2,437	0	3,714
Ignac Dolenšek	external member	0	7,800	459	8,259
Total audit committee members		2,552	13,894	621	17,067
Members of the nominations and remuneration committee					
Mateja Lovšin Herič	chair	440	1,625	0	2,065
Keith William Morris	member	440	1,083	0	1,523
Davor Ivan Gjivoje	member	440	1,083	0	1,523
Andrej Kren	member	440	1,083	0	1,523
Total nominations committee members		1,760	4,875	0	6,635
Members of the risk committee					
Keith William Morris	chair	880	3,656	0	4,536
Davor Ivan Gjivoje	member	880	2,437	0	3,317
Slaven Mičković	external member	0	4,737	0	4,737
Total risk committee members		1,760	10,831	0	12,591
Members of the fit & proper committee					
Mateja Živec	chair	0	1,625	0	1,625
Keith William Morris	member	0	1,083	0	1,083
Rok Saje	external member	0	1,083	0	1,083
Andrej Kren	alternate member	0	1,083	0	1,083
Total members of the fit & proper committee		0	4,875	0	4,875

Liabilities to members of the supervisory board and its committee based on gross remuneration

EUR	30/09/2019	31/12/2018
Mateja Lovšin Herič	0	0
Slaven Mičković	0	350
Gorazd Andrej Kunstek	0	0
Keith William Morris	0	0
Mateja Živec	0	0
Davor Ivan Gjivoje	0	0
Andrej Kren	0	0
Ignac Dolenšek	0	0
Total	0	350

Transactions with subsidiaries

Investments in and amounts due from Group companies

EUR	30/09/2019	31/12/2018
Debt securities and loans granted to Group companies	4,340,745	2,532,183
Receivables for premiums arising out of reinsurance assumed	22,811,602	15,107,402
Short-term receivables arising out of financing	2,939	4,472
Other short-term receivables	2,525	179,570
Short-term deferred acquisition costs	1,762,442	1,879,080
Total	28,920,253	19,702,708

Liabilities to Group companies

EUR	30/09/2019	31/12/2018
Liabilities for shares in reinsurance claims due to Group companies	9,031,163	9,800,555
Other liabilities from coinsurance and reinsurance	4,541,422	3,766,321
Other short-term liabilities	2,175	2,760
Total (excluding provisions)	13,574,760	13,569,636

Income and expenses relating to Group companies

EUR	1–9/2019	1–9/2018
Gross premiums written	62,202,734	51,630,835
Change in gross unearned premiums	-11,595,258	-7,220,499
Gross claims paid	-25,170,208	-22,750,879
Change in the gross provision for outstanding claims	-4,181,480	-1,040,003
Income from gross recourse receivables	909,349	826,187
Other operating expenses	-132,431	-85,728
Dividend income	34,947,396	32,983,069
Interest income	62,836	51,983
Acquisition costs	-12,167,082	-10,710,133
Change in deferred acquisition costs	-123,795	1,975,458
Other technical income	261,493	234,740
Total	45,013,554	45,901,535

Transactions with the state and majority state-owned entities

Investments in and receivables due from the state and companies that are majority state-owned

EUR	30/09/2019	31/12/2018
Interests in companies	7,726,641	9,641,217
Debt securities and loans	113,394,605	168,175,326
Receivables due from policyholders	639,849	94,606
Total	121,761,095	177,911,148

Liabilities to the state and majority state-owned companies

EUR	30/09/2019	31/12/2018
Liabilities for shares in claims	9,343	9,041
Total	9,343	9,041

Income and expenses relating to majority state-owned companies

EUR	1-9/2019	1-9/2018
Gross premiums written	10,821,769	12,147,667
Gross claims paid	-2,388,031	-2,671,143
Dividend income	570,944	0
Interest income	2,724,577	6,242,599
Other investment income	8,591	0

Related-party transactions were conducted on an arms-length basis.

Unaudited condensed separate financial statements of Sava Re

9 Unaudited condensed separate financial statements

9.1 Unaudited statement of financial position

EUR	30/09/2019	31/12/2018
ASSETS	667,990,141	606,331,055
Intangible assets	1,045,389	892,724
Property, plant and equipment	2,636,600	2,654,540
Deferred tax assets	1,016,456	1,867,370
Investment property	8,177,442	8,285,733
Financial investments in subsidiaries and associates	244,347,285	220,219,086
Financial investments:	246,558,789	244,291,434
- Loans and deposits	13,092,625	10,107,498
- Held to maturity	2,049,671	2,075,425
- Available for sale	224,835,883	228,151,616
- At fair value through profit or loss	6,580,610	3,956,895
Reinsurers' share of technical provisions	28,640,004	21,437,221
Receivables	106,350,293	87,830,299
Receivables arising out of primary insurance business	99,291,344	82,518,635
Reinsurance and coinsurance receivables	3,398,400	4,842,279
Current tax assets	464,607	0
Other receivables	3,195,942	469,385
Deferred acquisition costs	8,274,402	7,821,932
Other assets	462,852	379,264
Cash and cash equivalents	20,480,627	10,651,452
EQUITY AND LIABILITIES	667,990,141	606,331,055
Equity	347,472,655	319,355,361
Share capital	71,856,376	71,856,376
Capital reserves	54,239,757	54,239,757
Profit reserves	184,424,862	184,424,862
Own shares	-24,938,709	-24,938,709
Fair value reserve	5,856,369	2,697,381
Reserve due to fair value revaluation	-6,228	40,772
Retained earnings	16,312,110	10,101,172
Net profit or loss for the period	39,728,117	20,933,749
Technical provisions	262,277,646	234,173,078
Unearned premiums	66,945,559	47,147,505
Provision for outstanding claims	194,311,760	185,988,628
Other technical provisions	1,020,327	1,036,945
Other provisions	432,552	376,521
Other financial liabilities	87,504	87,504
Liabilities from operating activities	52,122,533	49,185,680
Liabilities from primary insurance business	45,423,358	44,039,129
Liabilities from reinsurance and coinsurance business	6,699,175	3,149,394
Current income tax liabilities	0	1,997,157
Diverse liabilities	5,597,251	3,152,911

9.2 Unaudited income statement

EUR	1–9/2019	1–9/2018
Net premiums earned	99,419,727	97,619,911
Gross premiums written	136,756,965	123,567,999
Written premiums ceded to reinsurers and co-insurers	-23,127,067	-16,901,671
Change in gross unearned premiums	-19,798,054	-11,911,078
Change in unearned premiums, reinsurers' and co-insurers' shares	5,587,882	2,864,661
Income from investments in subsidiaries and associates	34,947,396	32,983,069
Investment income	8,881,142	8,322,328
Interest income	2,573,203	2,659,085
Other investment income	6,307,939	5,663,243
Other technical income	6,805,266	6,751,650
Commission income	2,307,937	1,883,555
Other income	4,497,329	4,868,095
Other income	594,753	502,298
Net claims incurred	-65,796,195	-58,908,275
Gross claims paid, net of income from recourse receivables	-63,895,006	-57,674,936
Reinsurers' and co-insurers' shares	4,807,040	3,217,192
Change in the gross provision for outstanding claims	-8,323,131	-4,759,574
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	1,614,902	309,043
Change in other technical provisions	-107,810	-123,220
Expenses for bonuses and rebates	124,427	44,730
Operating expenses	-36,590,453	-33,445,528
Acquisition costs	-28,273,861	-27,264,838
Change in deferred acquisition costs	452,470	2,162,497
Other operating expenses	-8,769,062	-8,343,187
Expenses for financial assets and liabilities	-2,529,285	-5,509,715
Interest expenses	-369	0
Diverse other expenses	-2,528,916	-5,509,715
Other technical expenses	-3,777,982	-4,352,484
Other expenses	-243,258	-209,487
Profit or loss before tax	41,727,730	43,675,277
Income tax expense	-1,999,613	-2,260,082
Net profit or loss for the period	39,728,117	41,415,195
Earnings or loss per share (basic and diluted)	2.56	2.67

9.3 Unaudited statement of other comprehensive income

EUR	1–9/2019	1–9/2018
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	39,728,117	41,415,195
OTHER COMPREHENSIVE INCOME, NET OF TAX	3,111,988	-1,323,340
a) Items that will not be reclassified subsequently to profit or loss	-47,000	-3,657
Other items that will not be reclassified subsequently to profit or loss	-47,000	-3,657
b) Items that may be reclassified subsequently to profit or loss	3,158,988	-1,319,683
Net gains or losses on remeasuring available-for-sale financial assets	3,899,987	-1,629,240
Net change recognised in the fair value reserve	3,914,487	-1,509,714
Net change transferred from fair value reserve to profit or loss	-14,500	-119,525
Tax on items that may be reclassified subsequently to profit or loss	-740,998	309,557
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	42,840,105	40,091,856

9.4 Unaudited statement of changes in equity

Unaudited statement of changes in equity for the nine months to 30 September 2019

EUR	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares (contra account)	Total (1-13)
			Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other						
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	134,499,629	2,697,381	40,772	10,101,172	20,933,748	-24,938,709	319,355,361
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	10,101,172	20,933,748	-24,938,709	319,355,361
Comprehensive income for the period, net of tax	0	0	0	0	0	0	3,158,988	-47,000	0	39,728,117	0	42,840,105
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	39,728,117	0	39,728,117
b) Other comprehensive income	0	0	0	0	0	0	3,158,988	-47,000	0	0	0	3,111,988
Dividend distributions	0	0	0	0	0	0	0	0	-14,722,811	0	0	-14,722,811
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	134,499,629	5,856,369	-6,228	16,312,110	39,728,117	-24,938,709	347,472,655

Unaudited statement of changes in equity for the nine months to 30 September 2018

EUR	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares (contra account)	Total (1-13)
			Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other						
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	113,565,881	3,804,764	13,524	6,012,233	16,487,096	-24,938,709	290,966,155
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	6,012,233	16,487,096	-24,938,709	290,966,155
Comprehensive income for the period, net of tax	0	0	0	0	0	0	-1,319,683	-3,657	0	41,415,195	0	40,091,856
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	41,415,195	0	41,415,195
b) Other comprehensive income	0	0	0	0	0	0	-1,319,683	-3,657	0	0	0	-1,323,340
Dividend distributions	0	0	0	0	0	0	0	0	-12,398,157	0	0	-12,398,157
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	113,565,881	2,485,081	9,867	10,101,172	41,415,195	-24,938,709	318,659,854

9.5 Unaudited statement of cash flows

EUR		1–9/2019	1–9/2018
A. Cash flows from operating activities			
a.) Items of the income statement		19,810,494	17,437,302
1. Net premiums written in the period		113,629,899	106,666,328
2. Investment income (other than finance income)		382,518	4,268
3. Other operating income (excl. revaluation income and releases from provisions) and finance income from operating receivables		7,400,019	7,253,948
4. Net claims paid in the period		-59,087,966	-54,457,744
5. Expenses for bonuses and rebates		124,427	44,730
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs		-36,615,566	-35,252,175
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)		-4,021,240	-4,561,971
9. Tax on profit and other taxes not included in operating expenses		-1,999,613	-2,260,082
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		-19,122,559	-11,767,943
1. Change in receivables from primary insurance		-16,772,709	-5,979,195
2. Change in receivables from reinsurance		1,443,879	1,046,834
4. Change in other receivables and other assets		-3,274,752	-968,368
5. Change in deferred tax assets		850,914	-309,555
7. Change in liabilities arising out of primary insurance		1,384,229	-7,063,621
6. Change in liabilities arising out of reinsurance business		3,549,781	558,629
7. Change in other operating liabilities		-4,823,688	862,527
8. Closing less opening diverse liabilities (except unearned premiums)		1,260,812	84,806
c.) Net cash from/used in operating activities (a + b)		3,428,959	5,669,359
B. Cash flows from investing activities			
a.) Cash receipts from investing activities		888,270,843	807,176,014
1. Interest received from investing activities		2,573,203	2,659,083
2. Cash receipts from dividends and participation in the profit of others		35,690,848	33,629,984
4. Proceeds from sale of property, plant and equipment		6,839	7,908
5. Proceeds from sale of financial investments		849,999,953	770,879,039
b.) Cash disbursements in investing activities		-867,147,447	-800,817,499
1. Purchase of intangible assets		-253,451	-107,201
2. Purchase of property, plant and equipment		-86,155	-253,584
3. Purchase of financial investments		-866,807,841	-800,456,714
c.) Net cash from/used in investing activities (a + b)		21,123,397	6,358,515
C. Cash flows from financing activities			
b.) Cash disbursements in financing activities		-14,723,180	-12,398,157
1. Interest paid		-369	0
5. Dividends and other profit participations paid		-14,722,811	-12,398,157
c.) Net cash from/used in financing activities (a + b)		-14,723,180	-12,398,157
C2. Closing balance of cash and cash equivalents		20,480,628	6,308,175
x) Net increase or decrease in cash and cash equivalents for the period (Ac + Bc + Cc)		9,829,176	-370,283
y) Opening balance of cash and cash equivalents		10,651,452	6,678,458

Appendix – Glossary of selected terms and calculation methodologies for indicators

Appendix – Glossary of selected terms and calculation methodologies for indicators

Accounting currency. A local currency used in the accounting documentation. Reinsurance contracts may be accounted for using various accounting currencies. Generally, this is the currency in which are denominated liabilities and receivables in relation to the cedant, and hence also the reinsurer.
Administrative expense ratio. The ratio of operating expenses net of acquisition costs and change in deferred acquisition costs as a percentage of gross premiums written.
Associate. An entity over which the investor has significant influence (the power to participate in the financial and operating policy decisions) and that is neither a subsidiary nor an interest in a joint venture.
Book value per share. Ratio of total equity to weighted average number of shares outstanding.
Business continuity plan. Document 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.
BVAL price. Engl. Bloomberg valuation price. The price obtained from the Bloomberg information system.
Capital fund. Assets representing the capital of the Company.
CBBT price. Engl. Composite Bloomberg Bond Trader price. Closing price available in the Bloomberg information system based on binding bids.
Cedant, cede, cession. A cedant is the client of a reinsurance company. To cede is to transfer part of any risk an insurer has underwritten to a reinsurer. The part thus transferred to any reinsurer is called a cession.
Chief Operating Decision Maker (CODM). CODM may refer to a person responsible for monitoring an operating segment or to a group of persons responsible for allocating resources, and monitoring and assessing performance. CODM is a function and not a title.
Claims 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.
Claims risk. The risk that the number of claims or the average claim amount will be higher than expected.
Composite insurer. Insurer that writes both life and non-life business.
Comprehensive income. The sum of net profit for the period and other comprehensive income for the period, net of tax. The latter comprises the effects of other gains and losses not recognised in the income statement that affect equity, mainly through the fair value reserve.
Consolidated book value per share. Ratio of consolidated total equity to weighted average number of shares outstanding.
Consolidated earnings per share. Ratio of net profit/loss attributable to equity holders of the controlling company as a percentage of the weighted average number of shares outstanding.
Credit risk. The risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.
Currency risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.
Dividend yield. Ratio of dividend per share to the average price per share in the period.
Earnings per share. Ratio of net profit/loss as a percentage of the weighted average number of shares outstanding.
EIOPA. European Insurance and Occupational Pensions Authority.
Eligible own funds. The value of own funds eligible to cover the solvency capital requirement.
Equity risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.
Excess of loss reinsurance. A type of reinsurance in which the insurer agrees to pay a specified portion of a claim and the reinsurer agrees to pay all or a part of the claim above the specified currency amount or "retention".
Facultative reinsurance. A type of reinsurance under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks of the underlying policy. Typically used to reinsure large individual risks or for amounts in excess of limits on risks already reinsured elsewhere.
FATCA. Foreign Account Tax Compliance Act; for details see http://www.sava-re.si/en/o-druzbi/FATCA/
Financial investments. Financial investments do not include financial investments in associates, investment property nor cash and cash equivalents.
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.
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 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 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.
