



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 2020**

Ljubljana, 10 November 2020



## Contents

<b>Introduction .....</b>	<b>4</b>
1 Introduction .....	6
1.1 Key financials .....	8
1.2 Sava Re company profile .....	11
1.3 Bodies of the Company .....	12
1.4 Significant events in the first nine months of 2020.....	14
1.5 Significant events after the reporting period .....	15
1.6 Composition of the Sava Insurance Group.....	16
1.7 Shareholders and share trading .....	18
<b>Sava Insurance Group interim business report .....</b>	<b>22</b>
2 Review of Group operations and financial result .....	24
2.1 Reinsurance business .....	33
2.2 Non-life business .....	37
2.3 Life insurance business.....	42
2.4 Pensions business.....	45
2.5 Other.....	48
3 Financial position of the Sava Insurance Group .....	49
3.1 Assets.....	49
3.2 Equity and liabilities .....	53
3.3 Sources of funding and their maturity .....	55
3.4 Cash flow .....	55
3.5 Sava Re rating profile.....	55
4 Personnel .....	56
5 Risk management.....	57
5.1 Covid-19–related risks .....	57
5.2 Group capital adequacy and capital management.....	57
5.3 Underwriting risks .....	58
5.4 Financial risks.....	58
5.5 Operational risks.....	61
5.6 Strategic risks.....	61
5.7 Risk exposure up to year-end 2020 .....	61
<b>Summary of Sava Insurance Group financial statements with notes .....</b>	<b>63</b>
6 Unaudited condensed financial statements .....	65
6.1 Unaudited statement of financial position .....	65
6.2 Unaudited income statement .....	66
6.3 Unaudited statement of other comprehensive income.....	67
6.4 Unaudited statement of cash flows .....	68
6.5 Unaudited statement of changes in equity .....	69
7 Notes to the consolidated financial statements.....	71
7.1 Overview of major accounting policies .....	71
7.2 Seasonality and cyclicity of interim operations .....	71
7.3 Nature and amount of extraordinary items .....	71
7.4 Materiality .....	71
7.5 Issuance, repurchase, and repayment of debt and equity securities .....	71
7.6 Key accounting estimates and judgements.....	72
7.7 Segment reporting.....	72
7.8 Business combinations .....	80
7.9 Notes to significant changes in the statement of financial position .....	81
8 Related-party transactions.....	88

## **Appendix – Glossary of selected terms and calculation methodologies for indicators ..... 93**

# 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 2020”, also available from the Company’s website, at [www.sava-re.si](http://www.sava-re.si), as from 20 November 2020.

### *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 2019. 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.



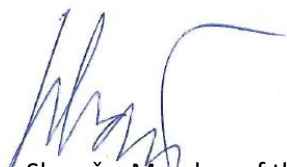
Marko Jazbec, Chairman of the Management Board



Jošt Dolničar, Member of the Management Board



Polona Pirš Zupančič, Member of the Management Board



Peter Skvarča, Member of the Management Board

Ljubljana, 10 November 2020



## 1.1 Key financials

EUR, except percentages	Sava Insurance Group	
	1–9/2020	1–9/2019
<b>Total of all operating segments</b>		
<b>Operating revenue</b>	<b>489,510,514</b>	<b>420,440,714</b>
Year-on-year change	16.4%	8.5%
<b>Profit or loss before tax</b>	<b>57,019,067</b>	<b>47,654,837</b>
Year-on-year change	19.7%	27.8%
<b>Profit or loss, net of tax</b>	<b>47,589,810</b>	<b>37,655,244</b>
Year-on-year change	26.4%	29.3%
<b>Comprehensive income</b>	<b>53,641,205</b>	<b>51,682,162</b>
Year-on-year change	3.8%	115.5%
<b>Return on revenue*</b>	<b>9.5%</b>	<b>8.9%</b>
<b>Net expense ratio, including operating revenue*</b>	<b>29.1%</b>	<b>30.7%</b>
<b>Return on equity</b>	<b>14.8%</b>	<b>13.6%</b>
Earnings or loss per share	3.06	2.42
Return on the investment portfolio*	1.7%	2.1%
<b>Reinsurance + non-life</b>		
<b>Gross premiums written</b>	<b>437,340,011</b>	<b>403,388,697</b>
Year-on-year change	8.4%	10.8%
<b>Net incurred loss ratio*</b>	<b>60.7%</b>	<b>60.4%</b>
<b>Net expense ratio</b>	<b>30.2%</b>	<b>31.4%</b>
<b>Net combined ratio*</b>	<b>92.4%</b>	<b>93.3%</b>
<b>Profit or loss before tax</b>	<b>38,227,961</b>	<b>34,816,202</b>
Year-on-year change	9.8%	32.3%
<b>Life insurance</b>		
<b>Gross premiums written</b>	<b>89,775,009</b>	<b>65,160,327</b>
Year-on-year change	37.8%	1.0%
<b>Net expense ratio</b>	<b>23.1%</b>	<b>27.5%</b>
<b>Profit or loss before tax</b>	<b>19,177,480</b>	<b>9,993,116</b>
Year-on-year change	91.9%	1.7%
<b>Total of all operating segments</b>	<b>30 September 2020</b>	<b>31 Dec 2019</b>
<b>Total assets</b>	<b>2,436,328,701</b>	<b>1,885,953,003</b>
Change on 31 Dec of prior year	29.2%	10.5%
<b>Shareholders' equity</b>	<b>438,315,694</b>	<b>384,776,847</b>
Change on 31 Dec of prior year	13.9%	13.1%
<b>Net technical provisions</b>	<b>1,593,433,845</b>	<b>1,115,945,868</b>
Change on 31 Dec of prior year	42.8%	1.2%
Book value per share	28.28	24.83
Number of employees (full-time equivalent basis)	2,706.3	2,723.3
Solvency ratio under Solvency II rules	-	220.0%

Notes:

\* Excluding the effect of exchange differences. The return on the investment portfolio does not include subordinated debt expenses (in 2020 goodwill impairment losses are also excluded). The Group's net expense ratio for 1–9/2020 does not include the excess of the fair value of the net assets acquired over the cost of the investment in Vita. The Group's return on revenue for 1–9/2020, excluding the positive excess of the fair value of the net assets acquired over the cost of the investment in Vita, is 9.7%.

For details on the calculation of ratios and net investment income, see the appended glossary.

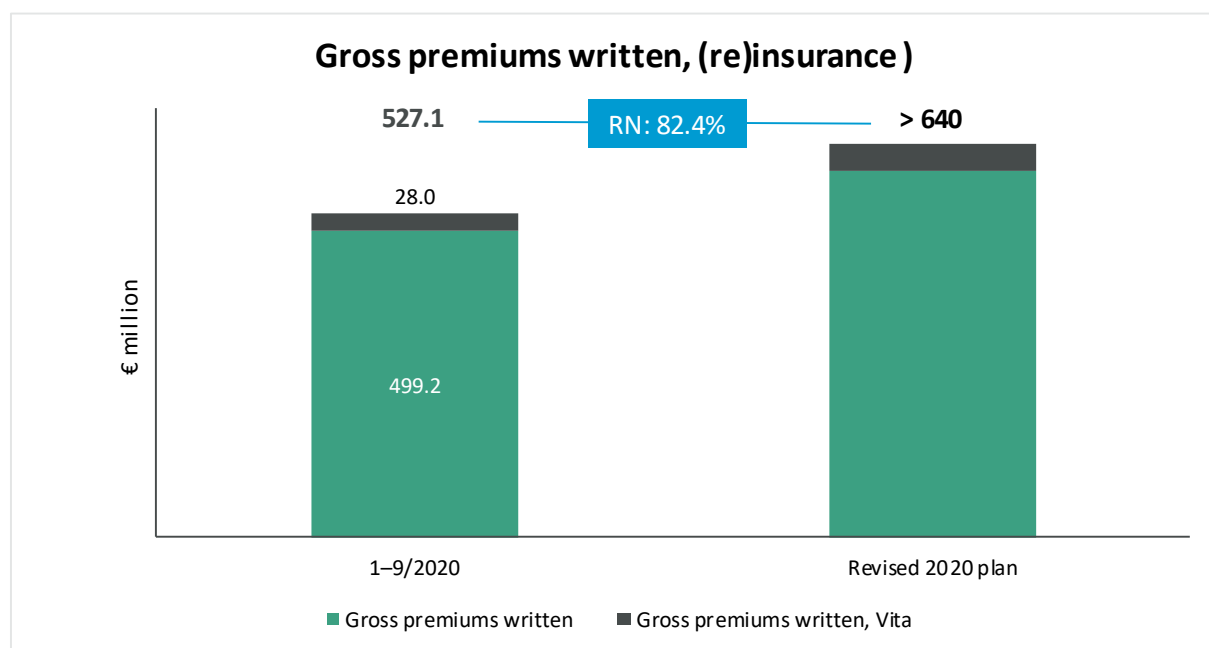
The table below compares actual figures against the revised plan for the full year 2020:

EUR million	1–9/2020	Revised 2020 plan	As % of revised plan
<b>Sava Insurance Group</b>			
Operating revenue	489.5	> 640	76.5%
Profit or loss, net of tax	47.6	> 50	95.2%
Return on equity (ROE)	14.8%	> 12%	✓
Return on revenue (ROR)*	9.5%	> 8%	✓
Net expense ratio	29.1%	32–33%	✓
Return on the investment portfolio*	1.7%	1.4%	✓
<b>(Re)insurance part</b>			
Gross premiums written	527.1	> 640	82.4%
Net incurred loss ratio (reins. + non-life)*	60.7%	59–60%	✗
Net combined ratio* (reins. + non-life)*	92.4%	< 94%	✓

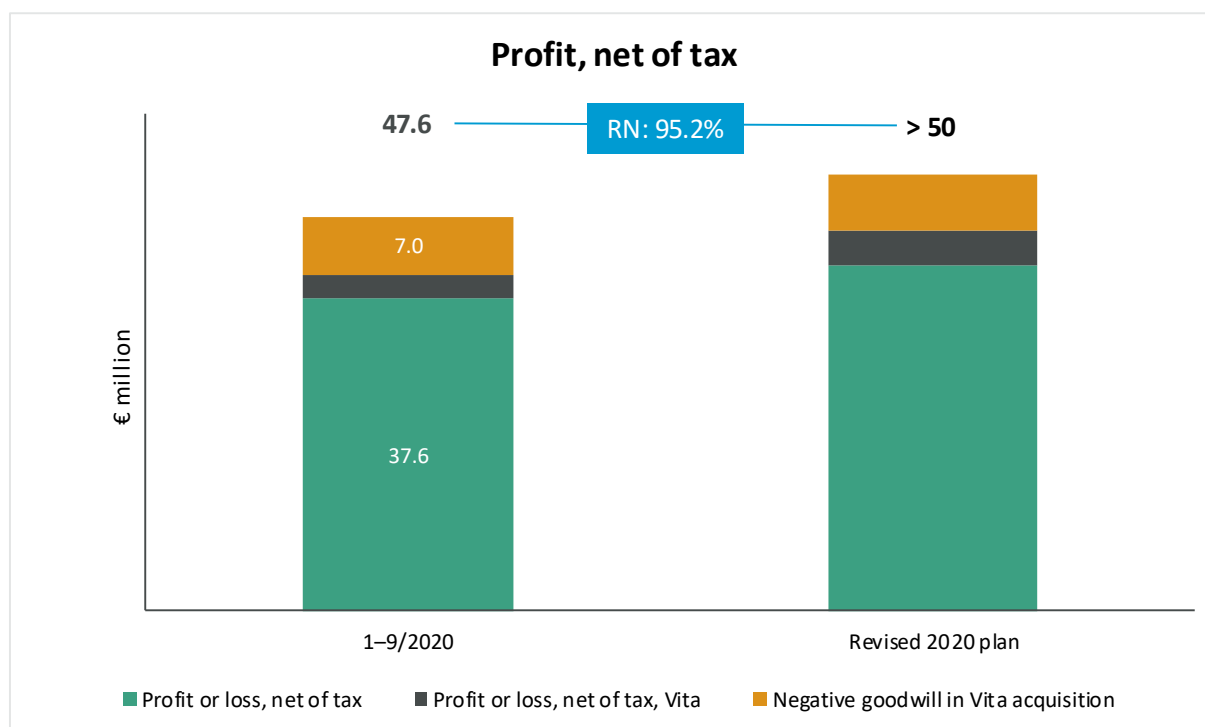
\* Excluding the effect of exchange differences.

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

In the period 1–9/2020, the Sava Insurance Group wrote EUR 527.1 million in gross premiums in the (re)insurance segment (excluding annuities), up 12.4% year on year. The growth in gross premiums written was influenced by the new Group member Vita (growth of EUR 28.0 million or 6.0 p.p.) and Zavarovalnica Sava's business written with various companies in the European Union. Excluding this business, the growth in gross premiums written would have been 9.5% (FoS premiums grew by EUR 15.2 million). Gross premiums written in the (re)insurance segment reached 82.4% of the full-year revised plan.



The net profit for the period was EUR 47.6 million, accounting for 95.2% of the lower end of the full-year 2020 target range. A contribution of EUR 7.0 million to the net profit for the period came from the excess of the fair value of the net assets acquired over the purchase price of the investment in Vita.



The net expense ratio for the first nine months of the year was better than planned. In the reinsurance and non-life insurance segments, the expense ratio improved as premiums earned grew faster than expenses, whereas in the life insurance segment, the largest effect on the expense ratio was Vita's integration into the Group, as the company has a net expense ratio that is below the Group's average. The net incurred loss ratio was within the planned range, mainly because of the favourable ratio in the non-life segment. The return on the investment portfolio was slightly higher than planned. The operating revenue of the Sava Insurance Group accounts for 76.5% of the full-year 2020 target figure (revised 2020 plan).

## 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	<a href="mailto:info@sava-re.si">info@sava-re.si</a>
Website	<a href="http://www.sava-re.si">www.sava-re.si</a>
ID number	5063825
Tax identification number	SI17986141
LEI code	549300P6F1BDSFSW5T72
Share capital	EUR 71,856,376
Shares	17,219,662 no-par-value shares
Management and supervisory bodies	<u>MANAGEMENT BOARD</u> Marko Jazbec (chairman) Jošt Dolničar Polona Pirš Zupančič Peter Skvarča <u>SUPERVISORY BOARD</u> Mateja Lovšin Herič (chair), Keith William Morris (deputy chair) Andrej Kren Davor Ivan Givoje 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 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 AM Best	A /stable/; August 2020 A /stable/; October 2020
Contact details for financial and sustainability reports	<a href="mailto:ir@sava-re.si">ir@sava-re.si</a>
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.

The composition of the management board changed in the period from 1 January to 30 September 2020. Srečko Čebren, member of the management board, retired as from 31 May 2020. From 1 June 2020, the management board operated as a three-members body. Having been appointed as a member of the Sava Re management board on 19 December 2019, Peter Skvarča started his term of office on 19 June 2020. Now that Peter Skvarča has taken up his office, the Sava Re management board again operates as a four-member body.

#### *Composition of the management board as at 30 September 2020*

Member	Title	Beginning of term of office	End of term of office
Marko Jazbec	chair	12 May 2017	12 May 2022
Jošt Dolničar	member	1 Jun 2018	1 Jun 2023
Polona Pirš Zupančič	member	14 Jan 2018	14 Jan 2023
Peter Skvarča	Member	19 Jun 2020	19 Jun 2025

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, whereas the two employee representatives are elected by the Company's workers' council.

In its 36th session held on 16 June 2020, the general meeting reappointed Davor I. Gjivoje Jr as a member of the Company's supervisory board representing shareholder interests, for a four-year term of office beginning on 8 March 2021.

The composition of the supervisory board did not change from 1 January to 30 September 2020.

#### *Composition of the supervisory board as at 30 September 2020*

Member	Title	Beginning of term of office	End of term of office
Mateja Lovšin Herič	chair	16 Jul 2017	16 Jul 2021
Keith W. Morris	deputy chair	16 Jul 2017	16 Jul 2021
Andrej Kren	member	16 Jul 2017	16 Jul 2021
Davor Ivan Gjivoje	member	7 Mar 2017	7 Mar 2021
Andrej Gorazd Kunstek	member (employee representative)	12 Jun 2019	12 Jun 2023
Mateja Živec	member (employee representative)	12 Jun 2019	12 Jun 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:

- Holdings, Ltd. & Subsidiaries, 89 Headquarters Plaza, North Tower (Suite 1420) Morristown, NJ 07960, USA – chief executive officer
- Adria Lines Dover, Delaware, USA – chief executive officer

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

Mateja Živec:

- Pinijska, d.o.o., Sončna pot 41, 6320 Portorož, Slovenia – managing director of family business

### *Supervisory board committees*

#### **Audit committee**

There were no changes in the composition of the supervisory board's audit committee from 1 January to 30 September 2020.

#### *Composition of the supervisory board's audit committee as at 30 September 2020*

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

#### **Risk committee**

There were no changes in the composition of the supervisory board's risk committee from 1 January to 30 September 2020.

#### *Composition of the supervisory board's risk committee as at 30 September 2020*

Member	Title	Beginning of term of office	End of term of office
Keith W. Morris	chairman	24 Aug 2017	16 Jul 2021
Davor Ivan Gjivoje	member	24 Aug 2017	7 Mar 2021
Slaven Mičković	external member and deputy chair	24 Aug 2017	16 Jul 2021

#### **Nominations and remuneration committee**

There were no changes in the composition of the supervisory board's nominations and remuneration committee from 1 January to 30 September 2020.

*Composition of the supervisory board's nominations and remuneration committee as at 30 September 2020*

Member	Title	Beginning of term of office	End of term of office
Mateja Lovšin Herič	chair	24 Aug 2017	16 Jul 2021
Keith W. Morris	member	24 Aug 2017	16 Jul 2021
Andrej Kren	member	24 Aug 2017	16 Jul 2021
Davor Ivan Gjivoje	member	24 Aug 2017	7 Mar 2021

***Fit and proper committee***

There were no changes in the composition of the supervisory board's fit and proper committee from 1 January to 30 September 2020.

*Composition of the fit & proper committee as at 30 September 2020*

Member	Title	Beginning of term of office	End of term of office
Mateja Živec	chair	12 Jun 2019	16 Jul 2021
Keith W. Morris	member	24 Aug 2017	16 Jul 2021
Rok Saje	external member	8 Mar 2018	16 Jul 2021
Andrej Kren	alternate member	24 Aug 2017	16 Jul 2021

***General meeting of shareholders***

The Sava Re general meeting of shareholders was held once in the nine months to 30 September 2020.

In accordance with the Company's 2020 financial calendar, the 36th general meeting of shareholders was held on 16 June 2020. Among other things, the general meeting was presented with the annual report for 2019, 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 2019 with the opinion of the supervisory board thereto. The general meeting took note of the remuneration policy for members of supervisory and management bodies of the Sava Insurance Group. 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 the distributable profit of EUR 34,705,806.06 as at 31 December 2019 is to remain unallocated. The general meeting granted a discharge for the financial year 2019 to both the supervisory and management boards. The general meeting elected Davor Ivan Gjivoje Jr as a new member of the Company's supervisory board to represent the shareholders for a new four-year term beginning on 8 March 2021.

## **1.4 Significant events in the first nine months of 2020**

- In March 2020, ZTSR d.o.o, a 50-50 joint venture of Sava Re d.d. and Zavarovalnica Triglav d.d., completed the acquisition of the health-care provider Diagnostic Centre Bled d.o.o. (Diagnostični center Bled, d.o.o.).
- In the first quarter of 2020, Europe, together with the rest of the world, was hit by the Covid-19 pandemic, which affected both lives and global capital markets. The Sava Insurance Group was also faced with an emergency situation; therefore, in August 2020 it prepared and published a financial plan for the period 2020–2022 adjusted to the new circumstances and that includes impacts of the circumstances related to Covid-19 on business projections as well as impacts of the Vita acquisition. In August 2020, the Sava Insurance Group prepared and published a revised strategic plan for 2020–2022. The revised plan was prepared for two reasons: first because of the

acquisition of the life insurance company NLB Vita, which was completed on 31 May 2020, and second because of the Covid-19 pandemic and the related impacts on Group companies' operations. The strategy of the Sava Insurance Group for 2020–2022 has remained unchanged in terms of substance, but the financial plan for 2020–2022 has been changed to reflect the above impacts on the Group's operations.

- In April 2020, Sava Re issued the "Solvency and financial condition report of Sava Re d.d. 2019". The Company's solvency ratio was 289% as at 31 December 2019. The "Solvency and financial condition report of the Sava Insurance Group 2019" was released on 19 May 2020. The Group's solvency ratio was 220% as at 31 December 2019.
- Having met all suspensive conditions of the sales and purchase agreement of 27 December 2019 in May 2020, Sava Re finalised the acquisition of a 100% stake in the company NLB Vita d.d. (now renamed Vita).
- In June 2020, the 36th general meeting of shareholders was held.
- In June 2020, there was a change in the composition of the Sava Re management board. Srečko Čebren, member of the management board, retired as from 31 May 2020 whereupon Peter Skvarča entered his five-year term of office as a member of the management board on 19 June 2020.
- Following its regular annual rating review, the rating agency Standard & Poor's affirmed the "A" (strong) insurer financial strength rating on Sava Re and Zavarovalnica Sava. The outlook was stable.

## 1.5 Significant events after the reporting period

- In line with the Company's amended 2020 financial calendar, the 37th general meeting of shareholders was called on 14 October 2020 to consider the distribution of dividends (EUR 1.05 per share). After the general meeting had been called, Sava Re was informed of and faced with new circumstances that had arisen in certain EU insurance markets and in the United Kingdom that are in contrast to previously obtained legal advice. These primarily include legal and regulatory practices and other material facts related to potential additional adverse effects of the Covid-19 pandemic on the operations of Zavarovalnica Sava and Sava Re. These new circumstances primarily relate to Covid-19–related claims on policies written in the market of the Republic of Ireland (under the freedom of services rules) and reinsurance contracts written in the United Kingdom for business interruption coverage as part of property policies, which under new court and regulatory practices may potentially have an adverse effect on the Group's business results and solvency position. The management board, with the consent of the supervisory board, decided that it was in the best interest of Sava Re, the Sava Insurance Group and its policyholders, in view of the new circumstances that may have a material impact on the Group's business performance and its solvency position up until year-end 2020 and in 2021, to cancel the general meeting of shareholders scheduled for 16 November 2020 and to temporarily suspend the payment of dividends. The Company announced the cancellation of the notice of the 37th general meeting of Sava Re d.d. on 6 November 2020, in the same way as the notice of the general meeting. Based on current detailed analyses of its insurance exposure, the Group has concluded that Covid-related business interruption claims are not covered under its policies written directly under freedom of services rules in the European Union. Regarding its exposure under reinsurance contracts, there may be coverage in some cases. In line with preliminary estimates, in the last quarter of 2020, the Group will most likely set a provision of up to EUR 10 million for potential legal expenses and reinsurance claims in this regard.
- Following its regular annual rating review in October 2020, the rating agency AM Best affirmed the "A" (excellent) insurer financial strength rating of Sava Re. The outlook was stable.

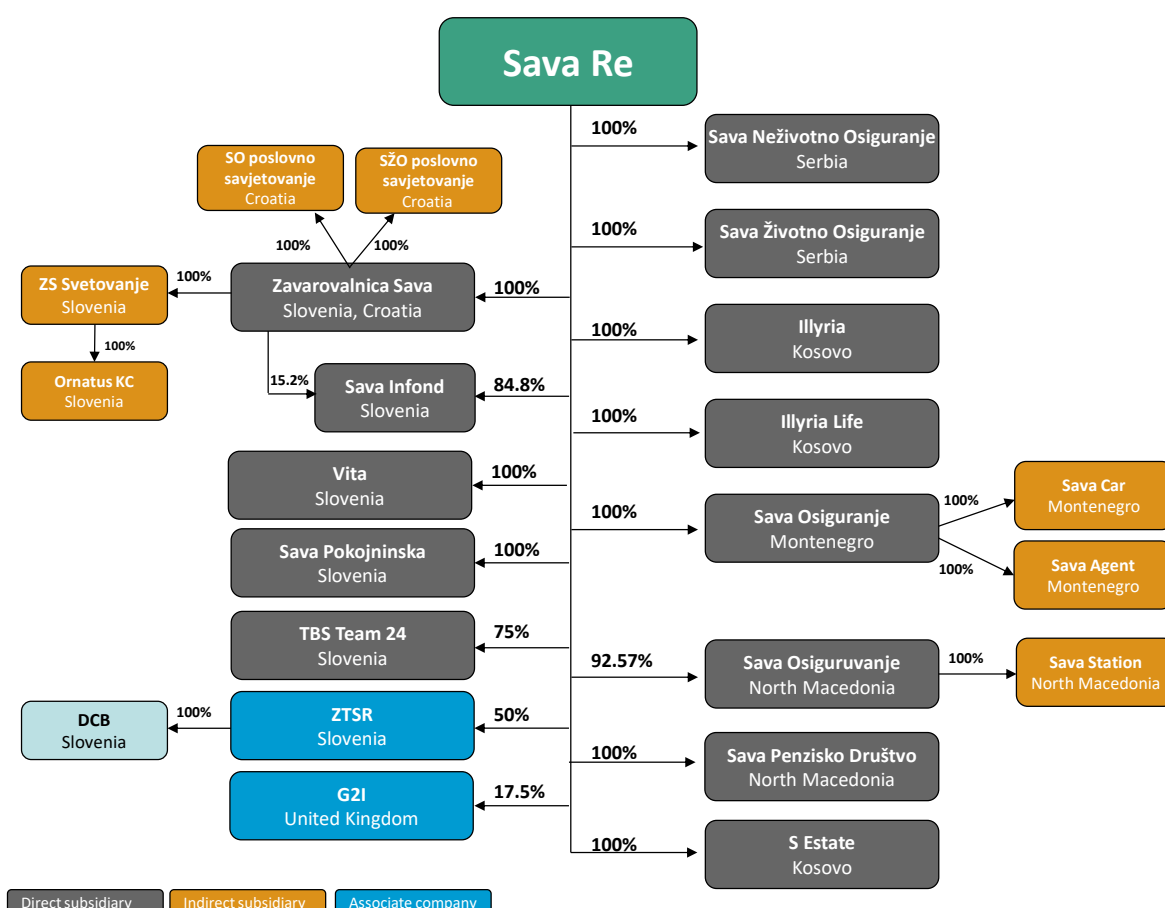


## 1.6 Composition of the Sava Insurance Group

Sava Re, the ultimate parent company of the Sava Insurance Group, transacts reinsurance business. The insurance part of the Group is composed of eight insurers based in Slovenia and in the countries of the Adriatic region: the composite insurer Zavarovalnica Sava (SLO); the non-life insurers Sava Neživotno Osiguranje (SRB), Sava Osiguranje (NMK), Illyria (RKS) and Sava Osiguranje (MNE) and the life insurers Vita (SLO), Sava Životno Osiguranje (SRB) and Illyria Life (RKS). In addition to these (re)insurers, the Group consists of:

- Sava Pokojninska (SLO): a Slovenian pension company;
- Sava Penzisko Društvo (NMK): a pension fund manager based in North Macedonia managing second- and third-pillar pension funds;
- Sava Infond (SLO): a subsidiary managing investment funds;
- TBS Team 24 (SLO): a Slovenia-based company providing assistance services relating to motor, health and homeowners insurance;
- ZTSR (SLO): a Sava Re associate company, a holding company and owner of the Diagnostic Centre Bled;
- G2I (GB): an associate company marketing on-line motor policies;
- S Estate (RKS): a company based in Kosovo that owns some real property but is currently dormant.

*Composition of the Sava Insurance Group as at 30 September 2020*



*Company names of Sava Insurance Group members*

	Official long name	Short name in this document
	Sava Insurance Group	Sava Insurance Group
1	Pozavarovalnica Sava, d.d. / Sava Reinsurance Company d.d.	Sava Re
2	ZAVAROVALNICA SAVA, zavarovalna družba, d.d.	Zavarovalnica Sava (SLO)
	SAVA OSIGURANJE, d.d. – Croatian branch office	Zavarovalnica Sava, Slovenian part (in tables)
	SAVA NEŽIVOTNO OSIGURANJE AKCIONARSKO DRUŠTVO ZA OSIGURANJE BEOGRAD	Zavarovalnica Sava, Croatian part (in tables)
3	SAVA NEŽIVOTNO OSIGURANJE AKCIONARSKO DRUŠTVO ZA OSIGURANJE BEOGRAD	Sava Neživotno Osiguranje (SRB)
4	KOMPANIA E SIGURIMEVE " ILLYRIA " SH.A.	Illyria (RKS)
5	SAVA osiguruvanje a.d. Skopje	Sava osiguruvanje (NMK)
6	AKCIONARSKO DRUŠTVO SAVA OSIGURANJE PODGORICA	Sava Osiguranje (MNE)
7	Kompania për Sigurimin e Jetës " Illyria – Life " SH.A.	Illyria Life (RKS)
8	"SAVA ŽIVOTNO OSIGURANJE" akcionarsko društvo za osiguranje, Beograd	Sava Životno Osiguranje (SRB)
9	S Estate L.L.C.	S Estate (RKS)
10	Društvo sa ograničenom odgovornošću – SAVA CAR – Podgorica	Sava Car (MNE)
11	ZS Svetovanje, storitve zavarovalnega zastopanja, d.o.o.	ZS Svetovanje (SLO)
12	ORNATUS KLICNI CENTER, podjetje za posredovanje telefonskih klicov, d.o.o.	Ornatus KC (SLO)
13	DRUŠTVO ZA ZASTUPANJE U OSIGURANJU "SAVA AGENT" D.O.O. - Podgorica	Sava Agent (MNE)
14	Društvo za tehničko ispitivanje i analiza na motorni vozila SAVA STEJŠN DOOEL Skopje	Sava Station (NMK)
15	Sava pokojninska družba, d.d.	Sava Pokojninska (SLO)
16	TBS TEAM 24 podjetje za storitvene dejavnosti in trgovino d.o.o.	TBS Team 24 (SLO)
17	Društvo za upravljanje so zadolžiteln i dobovolin penzisko fondovi SAVA PENZISKO DRUŠTVO A.D Skopje	Sava Penzisko Društvo (NMK)
18	ZTSR, raziskovanje trga, d.o.o.	ZTSR (SLO)
19	Got2Insure Ltd	G2I (GB)
20	SAVA INFOND, družba za upravljanje, d.o.o.	Sava Infond (SLO)
21	SO poslovno savjetovanje d.o.o.	SO Poslovno Savjetovanje (HR)
22	SŽO poslovno savjetovanje d.o.o.	SŽO Poslovno Savjetovanje (HR)
23	Diagnostični center Bled d.o.o.	DCB (SLO)
24	Življenjska zavarovalnica Vita d.d. Ljubljana	Vita (SLO)

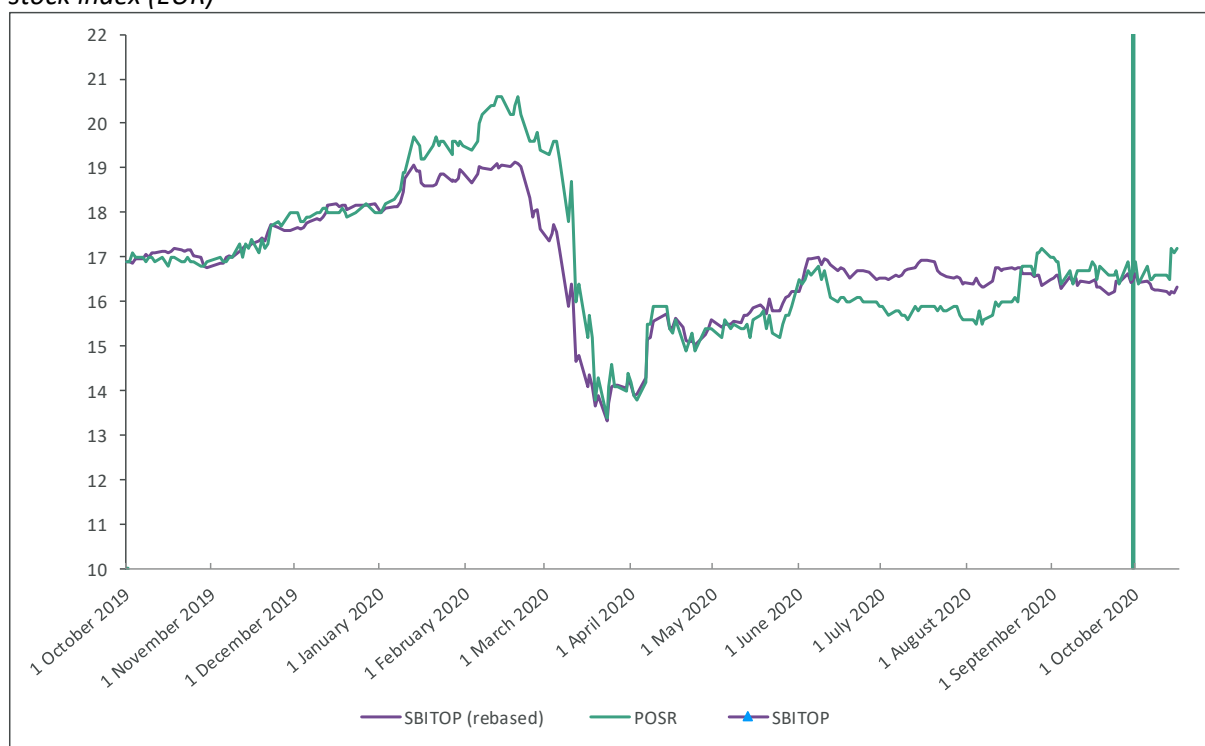
## 1.7 Shareholders and share trading

We have gone through nine months of volatility for the Sava Re share. In February 2020, the share recorded the highest price over the past five years at EUR 20.6. However, the spread of the coronavirus resulted in increased risk. This also impacted the POSR share price, which fell to EUR 14 per share in March.

The Sava Re share price then gradually rose, eventually regaining much of its lost value since March 2020. The rate of return for the period from the beginning of 2020 up until Q3 had been a negative one of 7.2%. A comparison with the Slovenian SBITOP stock index (the Slovenian blue-chip index) shows that the Sava Re share performed better than the Slovenian average. Over the same period (up until 30 September 2020), the Slovenian SBI TOP stock index fell by 8.6%. There was only one company in the Slovenian stock market that outperformed the Sava Re share in the period.

Developments in the Slovenian stock market follow global developments, but at a slower pace. The global stock index (MCI AC WORLD Index) grew by 35% from March to end of September (in euro terms), but recorded a 4.2% drop (in euro terms) in the first nine months of the year.

*POSR share price performance from 1 October 2019 to 30 September 2020 compared to the SBITOP stock index (EUR)*



The SBITOP index has been rebased to the same level as the POSR share price (1 October 2019: EUR 16.9), this is followed by the stock index growth rate in real terms.

The share price was EUR 18.00 and EUR 16.70 as at 31 December 2019 and 30 September 2020, respectively, representing a 7.2% fall in the period. The Sava Re share gained 24.6% from its low at the end of March until the end of September. Total turnover in the Sava Re share was EUR 22.5 million in 1–9/2020, compared to EUR 10.7 million in the full year 2019. The average daily turnover with the share in this period was EUR 118,979, compared to EUR 43,417 in the full year 2019. The reason for this volatility and the higher turnover in the Sava Re share is investor response to the Covid-19 pandemic and the turn in global stock markets.

## POSR share profile

	30 September 2020	30 September 2019
Share capital	71,856,376	71,856,376
Number of shares	17,219,662	17,219,662
Ticker symbol	POSR	POSR
Number of shareholders	4,248	4,111
Type of share	ordinary	
Listing	Ljubljana Stock Exchange, prime market	
Number of own shares	1,721,966	1,721,966
Consolidated net earnings per share (EUR)	3.06	2.42
Consolidated book value per share (EUR)	28.28	24.32
Share price at end of period (EUR)	16.70	16.80
Market capitalisation (EUR)	287,568,355	289,290,322
	1–9/2020	1–9/2019
Average share price in reporting period (EUR)	16.93	17.27
Period low (EUR)	13.40	15.80
Period high (EUR)	20.60	19.00
Turnover in reporting period (EUR)	22,486,977	8,315,539
Average daily turnover (EUR)	118,979	44,949

## Ten largest shareholders and qualifying shareholders under the Slovenian Takeover Act as at 30 September 2020<sup>1</sup>

	Shareholder	Number of shares	Holding (%)
1	Slovenski Državni Holding d.d. (Slovenian Sovereign Holding)	3,043,883	17.7%
2	Intercapital securities Ltd., fiduciary account	2,479,832	14.4%
3	Republic of Slovenia	2,392,436	13.9%
4	Sava Re d.d.	1,721,966	10.0%
5	European Bank for Reconstruction and Development (EBRD)	1,071,429	6.2%
6	Raiffeisen Bank Austria d.d., fiduciary account	796,540	4.6%
7	Modra Zavarovalnica d.d.	714,285	4.1%
8	Hrvatska Poštanska Banka, fiduciary account	362,505	2.1%
9	Guaranteed civil servants' sub-fund	320,346	1.9%
10	East Capital – East Capital Balkans	259,137	1.5%
	<b>Total</b>	<b>13,162,359</b>	<b>76.4%</b>

\* Own shares carry no voting rights.

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 issued and outstanding shares, respectively. The Company has received no subsequent notice of any change in holding from Adris Grupa d.d.

In April 2020, a total of 2,439,852 POSR shares were transferred from the shareholder Zagrebačka Banka d.d., fiduciary account, to the shareholder Interkapital Vrijednosni Papiri d.o.o., and then from that shareholder to INTERCAPITAL Securities Ltd. – fiduciary account.

## Sava Re shareholder structure as at 30 September 2020

Type of Investor	Domestic investor	International investor
Insurance and pension companies	18.2%	0.0%
Other financial institutions*	17.9%	14.6%
Government	13.9%	0.0%
Natural persons	10.4%	0.2%
Banks	0.1%	15.4%
Investment funds and mutual funds	3.3%	2.3%
Other commercial companies	2.5%	1.2%
<b>Total</b>	<b>66.4%</b>	<b>33.6%</b>

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

<sup>1</sup> Source: KDD d.d. central securities register and own calculations.

Fiduciary accounts with banks, attorneys and other financial institutions altogether account for 23.1% of all POSR shares.

*POSR shares held by members of the supervisory and management boards as at 30 September 2020*

	Number of shares	Holding (%)
Marko Jazbec	8,500	0.049%
Jošt Dolničar	4,363	0.025%
Polona Pirš Zupančič	3,748	0.022%
Peter Skvarča	850	0.005%
<b>Total management board</b>	<b>17,461</b>	<b>0.096%</b>
Andrej Gorazd Kunstek	2,900	0.017%
Mateja Živec	1,000	0.006%
<b>Total supervisory board</b>	<b>3,900</b>	<b>0.023%</b>
<b>Total management and supervisory boards</b>	<b>21,361</b>	<b>0.12%</b>

### Own shares

In the period from 1 January 2020 to 30 September 2020, Sava Re did not repurchase its own shares. The total number of own shares as at 30 September 2020 was 1,721,966, representing 10% less one share of all issued shares.

### Dividends

The Company did not distribute any dividends in 1–9/2020. On 31 March 2020, Sava Re received a letter from the Slovenian Insurance Supervision Agency calling on insurance, reinsurance and pension companies to temporarily suspend dividend payments and refrain from making any irrevocable commitments to pay dividends. Through this temporarily measure, in force until 1 October 2020, the Insurance Supervision Agency believed insurance companies would increase their resilience to the financial shock resulting from the impact of the Covid-19 pandemic, maintain financial stability and prevent any potential business disruptions.

The general meeting held on 16 June 2020 accepted the proposal of the management and supervisory boards not to distribute the distributable profit in respect of 2019 of EUR 34,705,806.06 so that it remains unallocated.

On 20 August 2020, the Insurance Supervision Agency addressed a letter to all (re)insurance companies, recommending that dividend payouts be suspended even after 1 October 2020 due to the consequences of Covid-19. However, given the variety of business models in operation, the Agency permitted individual (re)insurance companies to propose to their shareholders that dividends be paid out, even before the financial statements for 2020 are audited.

In line with the Insurance Supervision Agency's guidance, the Company again reviewed its technical bases for paying out dividends for the financial year 2019 and found that the Group's solvency position would not be at risk by a dividend payout.

On 14 October 2020, the 37th general meeting of Sava Re shareholders was called but subsequently cancelled (for details, see section 1.5).

### *Details on dividends<sup>2</sup>*

EUR	For 2013	For 2014	For 2015	For 2016	For 2017	For 2018	For 2019
Dividend distributions (accounted)	4,386,985	9,065,978	12,398,157	12,398,157	12,398,157	14,722,811	0
Dividend/share	0.26	0.55	ordinary: 0.65 special: 0.15	0.80	0.80	0.95	0.00
Dividend yield	2.0%	3.8%	5.8%	5.0%	4.8%	5.6%	-

### *Contingent capital*

As at 30 September 2020, the Company held no contingent capital.

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<sup>2</sup> Current year dividend distributions from distributable profits of the previous year.

# **Sava Insurance Group interim business report**





## 2 Review of Group operations and financial result<sup>3</sup>

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:

- reinsurance business: Sava Re (non-Group business);
- non-life, Slovenia: Zavarovalnica Sava (Slovenian part, business that is in substance non-life business; including FoS business, Vita (business that is in substance non-life business);
- non-life, international: Zavarovalnica Sava (Croatian part), Sava Neživotno Osiguranje (SRB), Illyria (RKS), Sava Osiguranje (MNE), Sava Osiguruvanje (NMK), Sava Car (MNE), Sava Agent (MNE), Sava Station (NMK);
- life business, Slovenia: Zavarovalnica Sava (Slovenian part; business that is in substance life business), Vita (business that is in substance life business), ZS Svetovanje (SLO), Ornatus KC (SLO);
- life business, international: Zavarovalnica Sava (Croatian part), Sava Životno Osiguranje (SRB), Illyria Life (RKS);
- pension business: Sava Pokojninska (SLO), Sava Penzisko Društvo (NMK);
- other: TBS Team 24 (SLO), Sava Infond (SLO) – company included in the balance sheet as from 30 June 2019 and in the income statement for the period 7–12/2019, S Estate (RKS), ZTRS (SLO) – equity-accounted, G2I (GB) – equity-accounted. The “other” segment also includes expenses on subordinate debt.

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

- Reallocations are made from the reinsurance segment to the other segments (Sava Re as the parent company handles the reinsurance of most risks of the subsidiaries within the Sava Insurance Group): in the segment reporting information, reinsurance premiums received by the reinsurer from the subsidiaries are reallocated to the segments from where they have arisen. The same applies, by analogy, to reinsurance-related claims, commission income, change in unearned premiums, claims provisions and deferred acquisition costs due to reinsurance. In the consolidation process, the portion of business retroceded by Sava Re to foreign reinsurers is not allocated to the segments. Retrocession-related expenses usually exceed income (except in the case of catastrophic claims). In order to provide a more appropriate presentation of profitability by segment, the result of retroceded business was also allocated to the segment where it had arisen. All these items were adjusted only in the part relating to the risks of subsidiaries retroceded by Sava Re to reinsurers abroad.
- 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 each subsidiary’s gross premiums written. Such reallocation was also made for other operating expenses relating to intra-Group reinsurance transactions. In the period 1–9/2020, Sava Re allocated 68.4% of other operating expenses to segments monitored by income composition (1–9/2019: 65.4%). 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. Revenues associated with the operation of other Group companies are already eliminated in the consolidation process.

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<sup>3</sup> A glossary of selected insurance terms and calculation methods for ratios is appended to this report.

- 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 2020, the “other” segment also includes expenses on subordinate debt (EUR 2.2 million) arising out of the parent’s operations. The expenses relating to the investments in associates item in 2020 show goodwill impairment losses in the pensions segment relating to Sava Pokojninska (EUR 1.5 million) and in the “other” segment, impairment losses for G2I (EUR 0.6 million).
- In 2020, the other income item relating to the Slovenian life segment showed a positive excess of the fair value of the net assets acquired over the cost of the investment in Vita (EUR 6.1 million), whereas the Slovenian non-life segment showed a EUR 0.9 million excess (based on the capital key, which in Vita is divided into non-life and life insurance).

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

- Intangible assets – goodwill is allocated to the segment from which it arose (depending on the acquisition of which subsidiary it relates to).
- The balance of financial investments associated with the Group’s reinsurance share of technical provisions 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.
- Subordinated liabilities are shown in the “other” segment.

The following table shows the period when subsidiaries were included in the consolidated financial statements:

	Ergo	Vita	Sava Infond
IS 1–9/2019	April–September	no	July–September
IS 1–9/2020	January–September*	June–September	January–September
SFP 30 Sep 2019	yes	no	yes
SFP 30 Sep 2019	yes*	yes	yes

\* On 1 December 2019, the company was merged with Zavarovalnica Sava, Croatian part.

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

#### *Summary of the consolidated income statement*

EUR	1–9/2020	1–9/2019	Index
Net premiums earned	461,830,731	402,090,977	114.9
Income from investments in associates	249,364	2,717,909	9.2
Investment income	19,344,130	16,563,269	116.8
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	0	16,551,565	-
Other technical income	9,867,279	12,779,290	77.2
Other income	22,178,422	9,225,249	240.4
Net claims incurred	-306,941,553	-286,899,084	107.0
Change in other technical provisions	24,930,466	29,807,947	83.6
Change in technical provisions for policyholders who bear the investment risk	-182,180	-8,778,847	2.1
Expenses for bonuses and rebates	-105,828	134,737	-78.5
Operating expenses	-144,387,769	-132,796,499	108.7
Expenses for investments in associates and impairment losses on goodwill	-2,096,868	-24,414	8,588.8
Expenses for financial assets and liabilities	-8,588,360	-870,182	987.0
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	-2,851,612	0	-
Other technical expenses	-14,779,380	-10,752,041	137.5
Other expenses	-1,447,775	-2,095,039	69.1
<b>Profit or loss before tax</b>	<b>57,019,067</b>	<b>47,654,837</b>	<b>119.7</b>

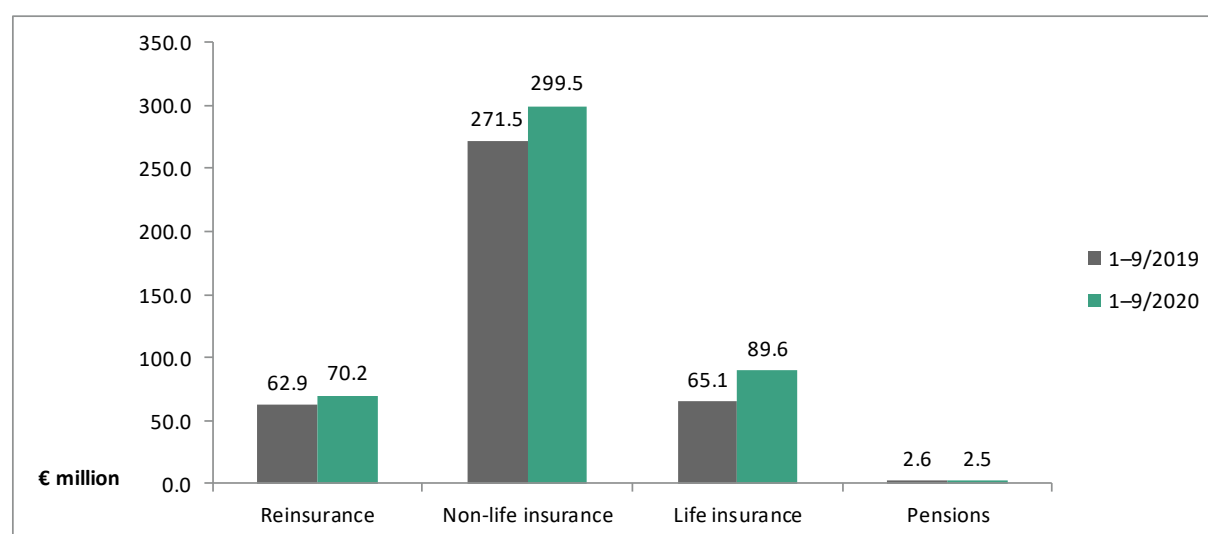
In 1–9/2020 operating revenue totalled EUR 489.5 million, up by 16.4% year on year. Revenue was primarily driven by higher non-life and life revenue, a larger volume of business written by Zavarovalnica Sava with various EU companies and partly by the integration of a new company (Vita) into the Group. Following is a discussion of the major items of the consolidated income statement.

### *Consolidated net premiums earned<sup>4</sup>*

#### *Consolidated net premiums earned*

EUR	1–9/2020	1–9/2019	Index
Gross premiums written	529,632,438	471,117,105	112.4
Net premiums earned	461,830,731	402,090,977	114.9

#### *Consolidated net premiums earned by operating segment*

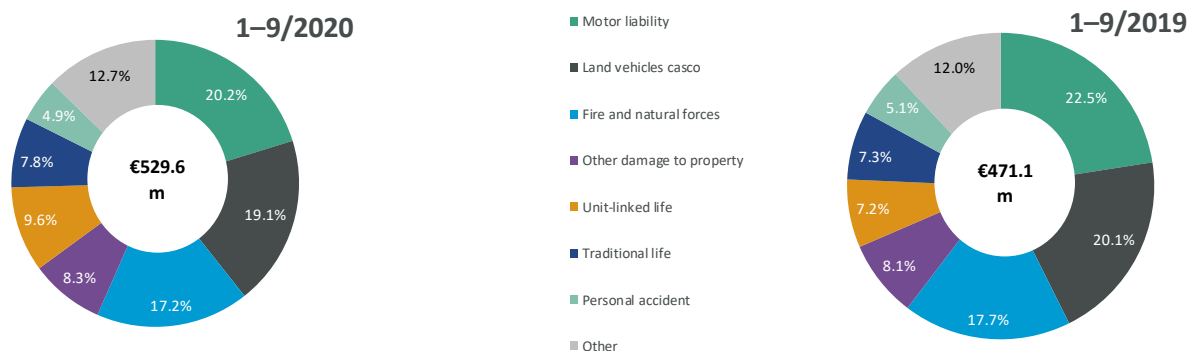


<sup>4</sup> Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

### Consolidated net premiums earned by class of business

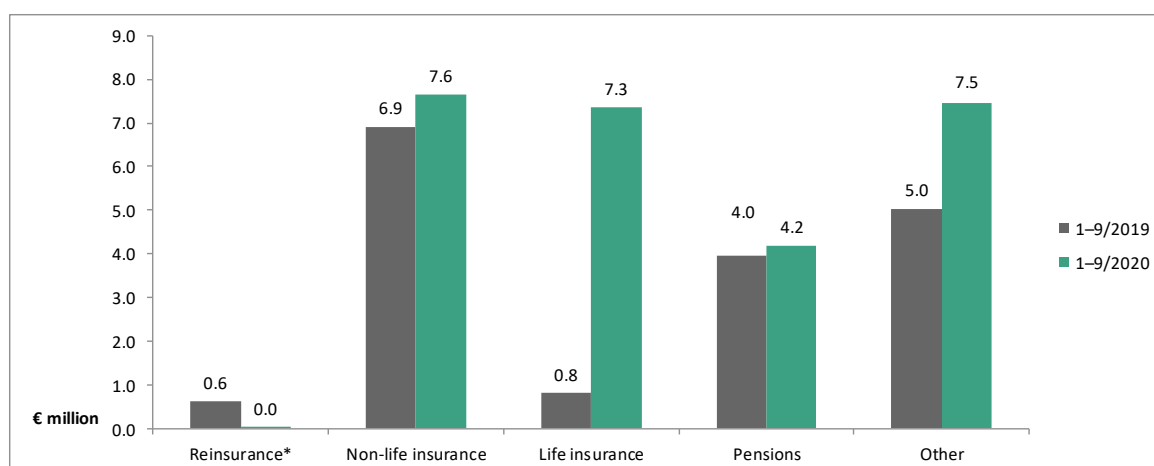
EUR	1-9/2020	1-9/2019	Index
Personal accident	24,495,691	22,167,041	110.5
Health	5,669,976	4,610,947	123.0
Land vehicles casco	92,168,126	82,905,774	111.2
Railway rolling stock	196,538	213,177	92.2
Aircraft hull	267,761	189,831	141.1
Ships hull	5,427,551	2,400,255	226.1
Goods in transit	4,216,492	2,734,142	154.2
Fire and natural forces	65,621,327	60,769,543	108.0
Other damage to property	31,420,264	29,505,381	106.5
Motor liability	101,867,969	91,721,598	111.1
Aircraft liability	76,805	25,325	303.3
Liability for ships	452,964	357,913	126.6
General liability	19,065,142	16,122,277	118.3
Credit	3,135,294	2,713,666	115.5
Suretyship	354,757	123,185	288.0
Miscellaneous financial loss	2,250,203	4,742,668	47.4
Legal expenses	72,946	345,673	21.1
Assistance	12,727,906	12,543,768	101.5
Traditional life	41,405,674	34,183,384	121.1
Unit-linked life	50,937,345	33,715,429	151.1
<b>Total non-life</b>	<b>369,487,712</b>	<b>334,192,164</b>	<b>110.6</b>
<b>Total life</b>	<b>92,343,019</b>	<b>67,898,813</b>	<b>136.0</b>
<b>Total</b>	<b>461,830,731</b>	<b>402,090,977</b>	<b>114.9</b>

### Consolidated gross premiums written by class of business



## Consolidated other technical income and other income

### Composition of other technical income and other income by operating segment<sup>5</sup>



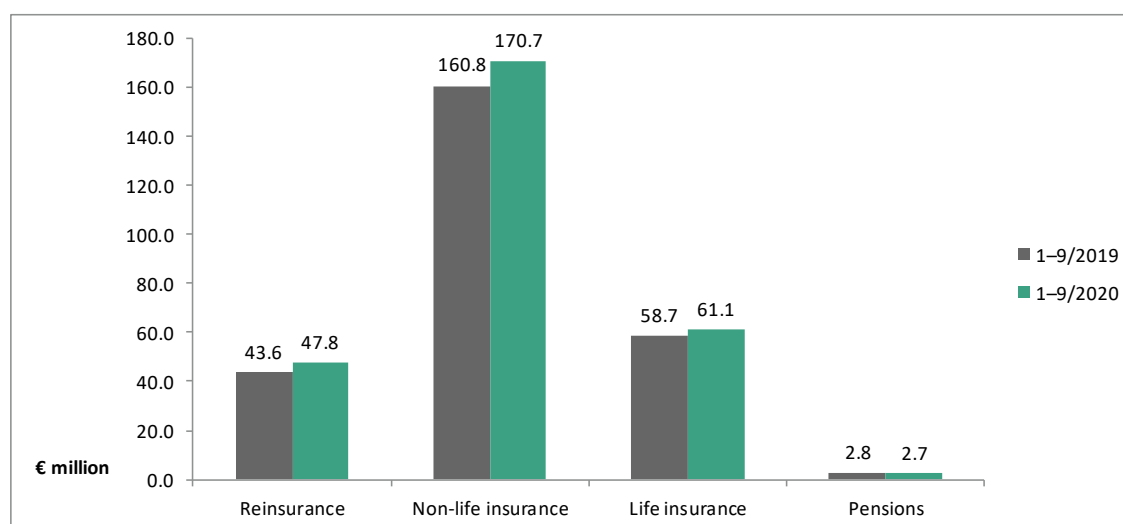
\* The reinsurance segment is shown excluding the effect of exchange differences.

## Consolidated net claims incurred<sup>6</sup>

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

EUR	1-9/2020	1-9/2019	Index
Gross claims paid	292,584,118	281,951,986	103.8
Net claims incurred	306,941,553	286,899,084	107.0
Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business	282,193,267	265,869,984	106.1

### Composition of consolidated net claims incurred, including the change in life insurance provisions<sup>7</sup>



<sup>5</sup> Commission income is not included.

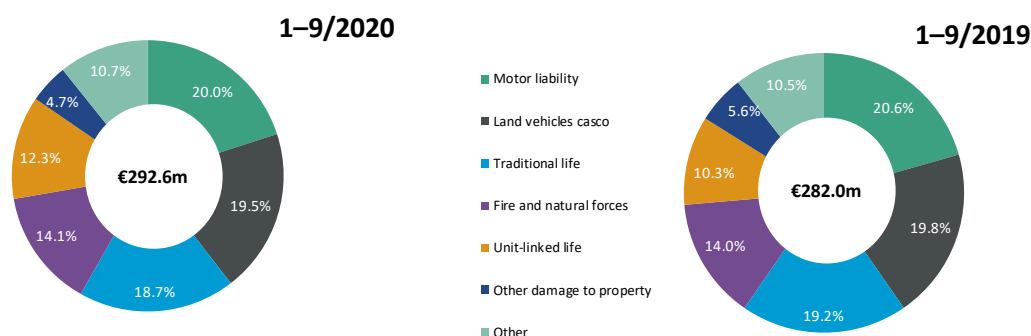
<sup>6</sup> Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

<sup>7</sup> The net claims incurred by operating segment include the change in other technical provisions and the change in technical provisions for policyholders who bear the investment risk.

### Consolidated net claims incurred by class of business<sup>8</sup>

EUR	1-9/2020	1-9/2019	Index
Personal accident	8,064,464	9,294,210	86.8
Health	3,181,228	3,317,402	95.9
Land vehicles casco	56,784,825	58,190,841	97.6
Railway rolling stock	62,215	84,211	73.9
Aircraft hull	323,238	504,495	64.1
Ships hull	6,681,497	1,698,971	393.3
Goods in transit	3,092,578	1,164,238	265.6
Fire and natural forces	46,525,087	45,072,199	103.2
Other damage to property	13,477,713	16,445,127	82.0
Motor liability	65,633,639	53,075,116	123.7
Aircraft liability	18,428	3,694	498.9
Liability for ships	183,297	262,060	69.9
General liability	5,905,956	6,881,810	85.8
Credit	-529,586	-47,038	1,125.9
Suretyship	152,277	51,267	297.0
Miscellaneous financial loss	1,251,766	1,145,483	109.3
Legal expenses	10,797	168,250	6.4
Assistance	6,361,741	7,547,355	84.3
Traditional life	53,889,772	55,679,343	96.8
Unit-linked life	35,870,621	26,360,049	136.1
<b>Total non-life</b>	<b>217,181,160</b>	<b>204,859,691</b>	<b>106.0</b>
<b>Total life</b>	<b>89,760,393</b>	<b>82,039,392</b>	<b>109.4</b>
<b>Total</b>	<b>306,941,553</b>	<b>286,899,084</b>	<b>107.0</b>

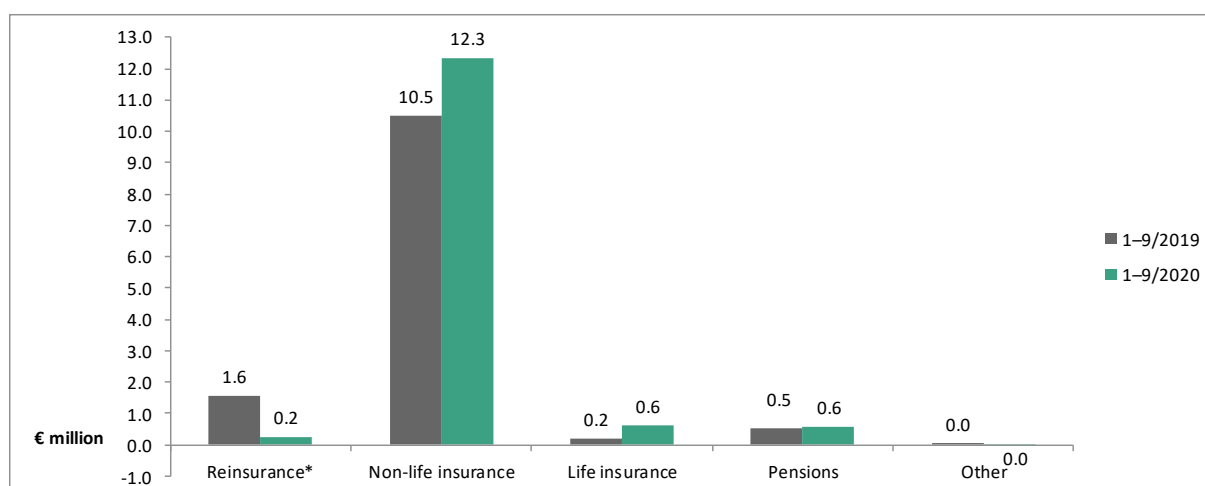
### Consolidated gross claims paid by class of business (including annuities)



<sup>8</sup> 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 other technical and other expenses

### Composition of other technical and other expenses by operating segment



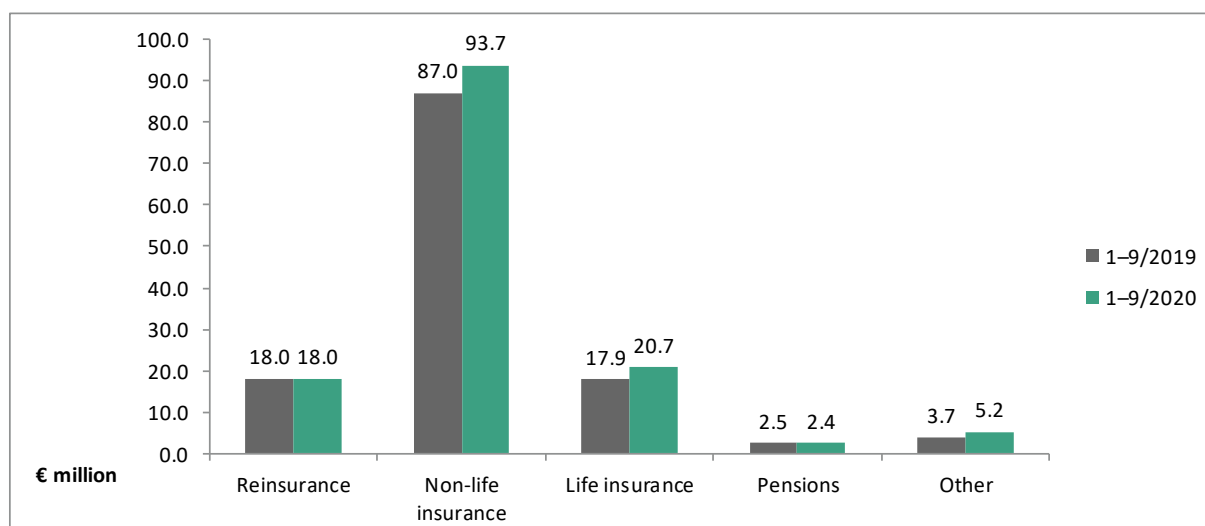
\* The reinsurance segment is shown excluding the effect of exchange differences.

## Consolidated operating expenses

### Consolidated operating expenses

EUR	1-9/2020	1-9/2019	Index
Acquisition costs	55,406,857	49,650,746	111.6
Change in deferred acquisition costs (+/-)	-3,634,449	-4,218,796	86.1
Other operating expenses	92,615,361	87,364,549	106.0
<b>Operating expenses</b>	<b>144,387,769</b>	<b>132,796,499</b>	<b>108.7</b>
Reinsurance commission income	-4,365,918	-3,654,802	119.5
<b>Net operating expenses</b>	<b>140,021,851</b>	<b>129,141,697</b>	<b>108.4</b>

### Consolidated net operating expenses by operating segment



## Consolidated net investment income

### Consolidated net investment income of the investment portfolio

EUR	1–9/2020	1–9/2019	Absolute change
Net investment income from the investment portfolio	11,232,200	19,013,020	-7,780,820
Net investment income of the investment portfolio, excluding the effect of exchange differences	14,396,075	17,002,091	-2,606,016

### Consolidated income and expenses relating to the investment portfolio

EUR	1–9/2020	1–9/2019	Absolute change
<b>Income</b>			
Interest income	11,552,463	10,516,470	1,035,993
Change in fair value and gains on disposal of FVTPL assets	1,994,710	1,293,594	701,116
Gains on disposal of other IFRS asset categories	3,583,896	717,217	2,866,679
Income from profit of associate companies**	249,364	2,717,909	-2,468,545
Income from dividends and shares – other investments	1,028,610	1,343,707	-315,097
Exchange gains	0	2,010,929	-2,010,929
Diverse other income	1,435,974	1,394,693	41,281
Other income from alternative funds	732,259	290,164	442,095
<b>Income relating to the investment portfolio</b>	<b>20,577,276</b>	<b>20,284,683</b>	<b>292,593</b>
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	0	16,551,565	-16,551,565
<b>Expenses</b>			
Interest expense*	2,214,164	13,723	2,200,441
Change in fair value and losses on disposal of FVTPL assets	2,114,199	431,582	1,682,617
Losses on disposal of other IFRS asset categories	464,080	106,421	357,659
Impairment losses on associates	567,048	24,414	542,634
Impairment losses on other investments	429,355	0	429,355
Exchange losses	3,163,875	0	3,163,875
Other	391,870	695,523	-303,653
Other expenses for alternative funds	485	0	485
<b>Expenses relating to the investment portfolio</b>	<b>9,345,076</b>	<b>1,271,663</b>	<b>8,073,413</b>
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	2,851,612	0	2,851,612

Note: Investment portfolio expenses do not include impairment losses on goodwill of Sava Pokojninska recognised in the second quarter in the amount of EUR 1.5 million.

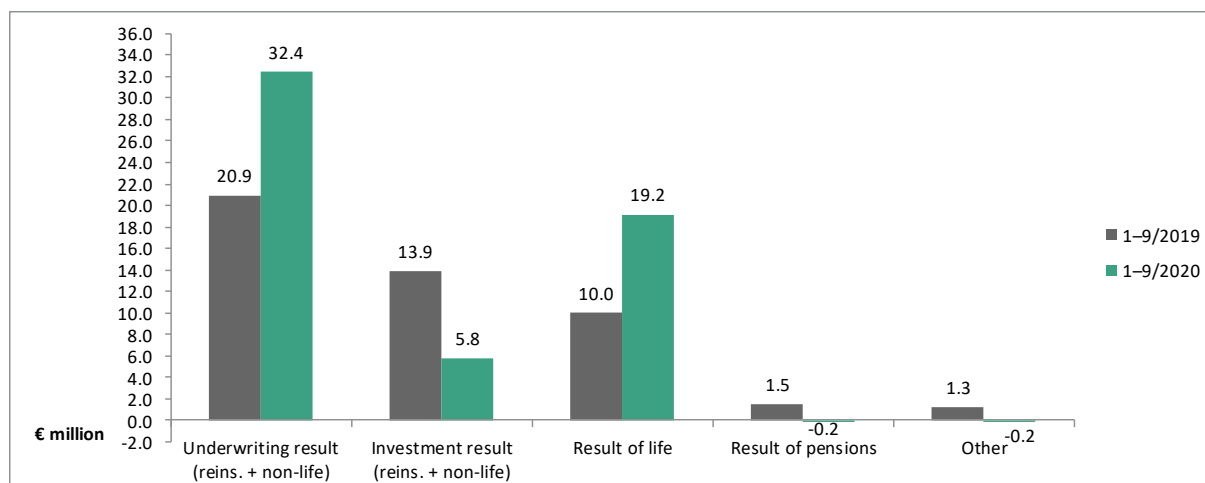
\* Expenses for financial investments differ from the expenses in the income statement item “interest expenses” because they also include expenses for right-of-use assets (30 September 2020: EUR 133.7 thousand; 30 September 2019: EUR 120.9 thousand).

\*\* In the period 1–9/2020, an amount of EUR 0.2 million was recognised in the first consolidation as profit of the equity-accounted associate company. In the period 1–9/2019, income of EUR 2.7 million was recognised, in the first consolidation, on the revaluation of the 15% stake in Sava Infond held by the subsidiary Zavarovalnica Sava.



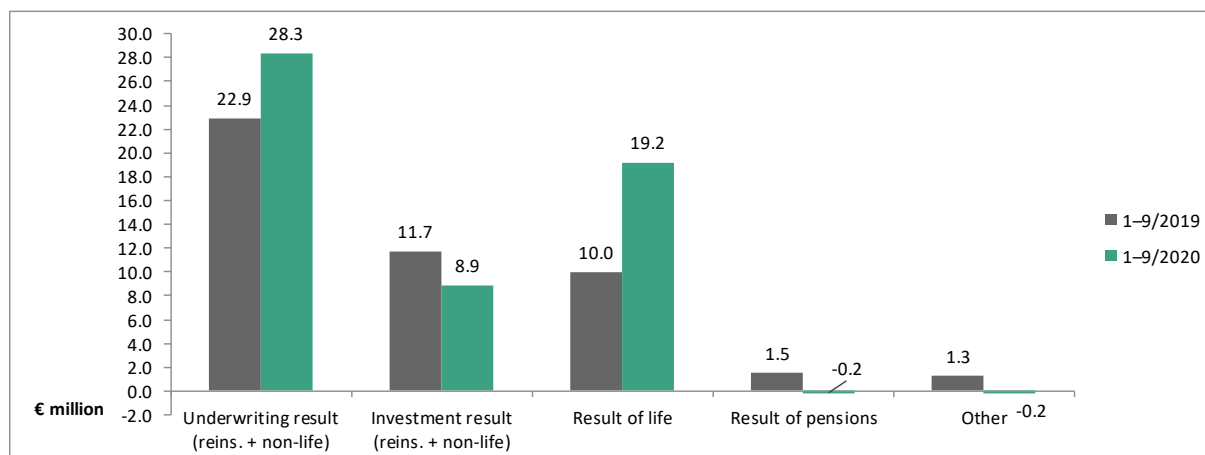
## Consolidated gross profit or loss

### Composition of the consolidated gross income statement

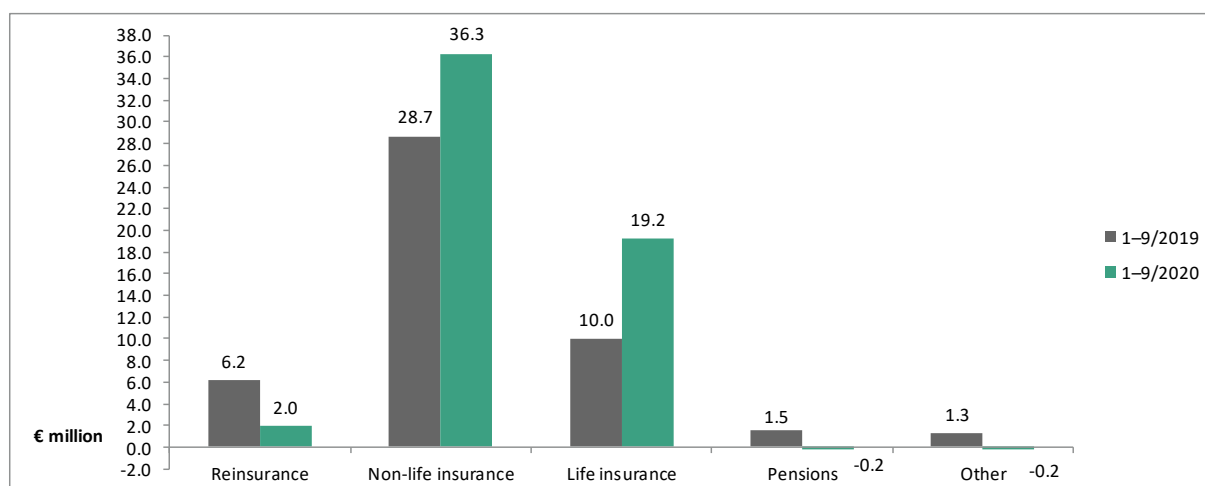


In the period 1-9/2020, exchange differences had a significant impact on the composition of the underwriting and investment results, which is why the results below are presented excluding the effect of exchange differences. The impact of exchange differences on the result by operating segment was as follows: a positive effect on the underwriting result of EUR 4.1 million (1-9/2019: a negative effect of EUR 1.9 million); a negative effect on the investment result of EUR 3.1 million (1-9/2019: a positive effect of EUR 2.1 million). The total positive effect of exchange differences on the 1-9/2020 result was thus EUR 1.0 million (1-9/2019: a positive effect of EUR 0.2 million).

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



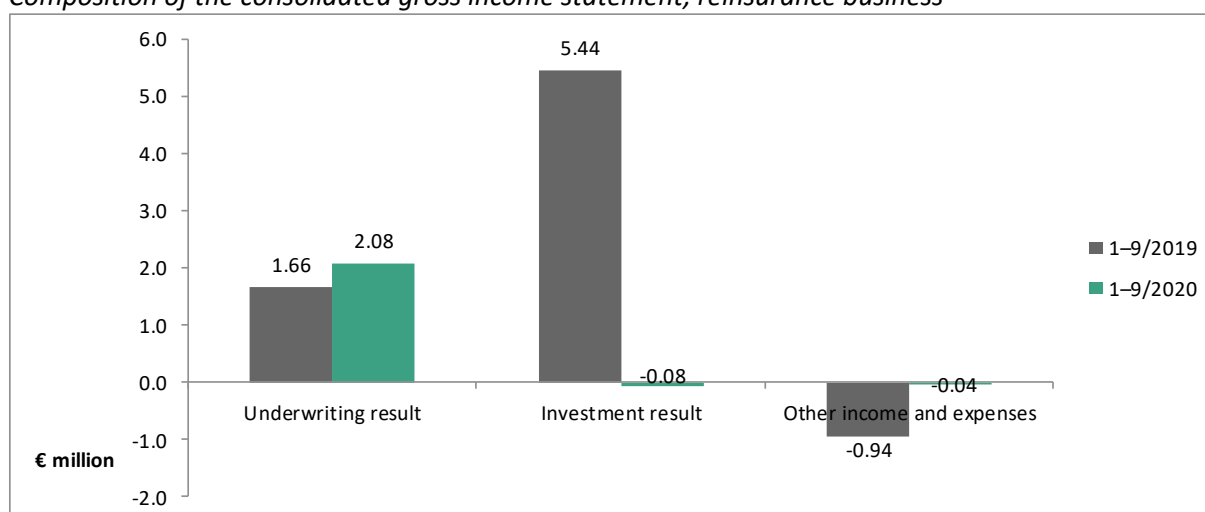
### Composition of the consolidated gross profit or loss by operating segment



## 2.1 Reinsurance business

The income statement and statement of financial position items by operating segment are presented 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 non-Group companies.

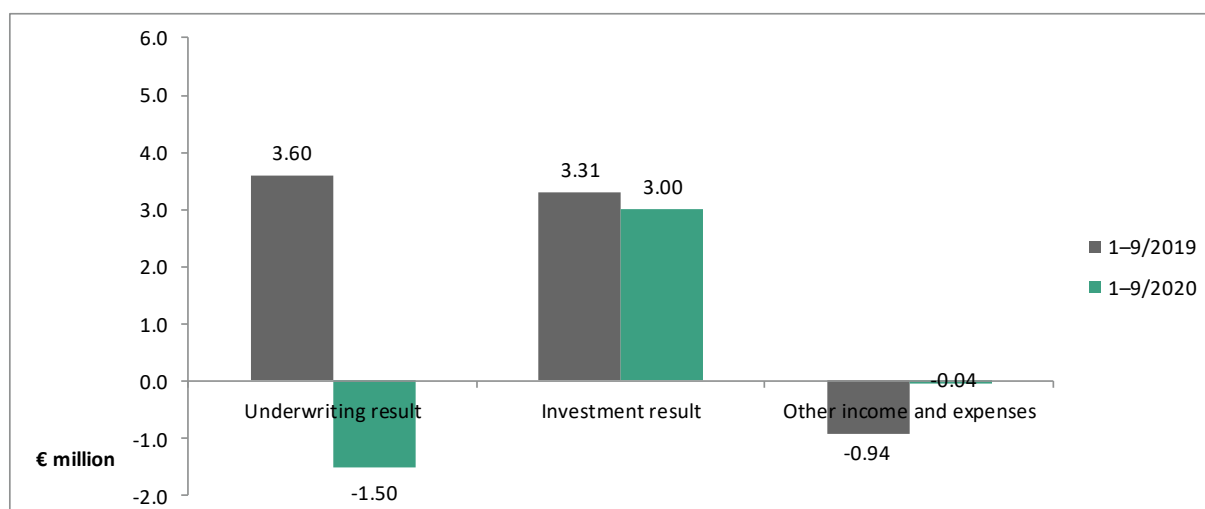
### Composition of the consolidated gross income statement; reinsurance business



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 weaker in 1–9/2020 year on year, mainly as the result of high claims incurred (as explained below in this section). In the period 1–9/2020, the investment result (excluding the effect of exchange differences) remained approximately at the same level year on year.

### *Net premiums earned*

*Net premiums earned; reinsurance business*

EUR	1–9/2020	1–9/2019	Index
Gross premiums written	84,943,518	74,554,231	113.9
Net premiums earned	70,180,430	62,880,151	111.6

In 1–9/2020, gross premiums written in this segment were 13.9% higher year on year. Premium growth was achieved in non-proportional and proportional reinsurance business, especially in Asian markets (through organic growth and new contracts). Premiums for the 2020 underwriting year were 9.6% higher than for 2019 (EUR 6.9 million) despite the inclusion of a 7.5% drop in underwriting year premiums in estimated premiums due to the current circumstances related to Covid-19. This increase in premiums is the result of positive movements in markets, where in the 1 January 2020 renewals and even more so in the mid-year renewals clear indications of hardening were seen and consequently price increases. This partly reflects price increases in programmes heavily hit in the previous year (Japan – price increases of about 30–50%). Rising prices also indicate a general trend because of past developments and the response to the uncertainty related to Covid-19. In addition, supported by our good reputation and strong profile, we managed to increase our shares on promising existing treaties while expanding our portfolio with new, previously unattainable, opportunities. The premiums for past underwriting years were also EUR 3.6 million higher, especially for proportional business. The growth in premiums earned was in line with gross premium growth.

## Net claims incurred

### Net claims incurred; reinsurance business

EUR	1–9/2020	1–9/2019	Index
Gross claims paid	43,143,677	39,634,147	108.9
Net claims incurred	47,186,888	43,525,115	108.4

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

EUR	1–9/2020	1–9/2019	Index
Gross claims paid	43,143,677	39,634,147	108.9
Net claims incurred	52,606,490	41,266,251	127.5

In 1–9/2020, exchange differences had a positive impact on net claims incurred in the amount of EUR 5.4 million (1–9/2019: a negative impact of EUR 2.2 million). Net claims incurred, excluding the effect of exchange differences, rose by 27.5% primarily because of Covid-19–related claims (EUR 2.5 million cumulatively) and two new major losses (a fire in South Korea, EUR 2.4 million; a stranded ship in Brazil, EUR 1.6 million). The growth in net claims incurred was also driven by organic growth of business (net premiums earned rose by 11.6%). The net incurred loss ratio relating to the reinsurance segment (excluding the effect of exchange differences) deteriorated by 10.0 p.p. year on year, to 75.8% (1–9/2019: 65.8%).

## Operating expenses

### Consolidated operating expenses; reinsurance business

EUR	1–9/2020	1–9/2019	Index
Acquisition costs	16,697,203	16,106,779	103.7
Change in deferred acquisition costs (+/-)	-994,822	-576,265	172.6
Other operating expenses	2,820,268	2,989,408	94.3
<b>Operating expenses</b>	<b>18,522,649</b>	<b>18,519,922</b>	<b>100.0</b>
Reinsurance commission income	-503,057	-475,806	-94.3
<b>Net operating expenses</b>	<b>18,019,593</b>	<b>18,044,116</b>	<b>99.9</b>

In 1–9/2020, acquisition costs rose by 3.7%, against 13.9% growth in gross premiums written. Acquisition costs as a percentage of gross premiums written rose by 1.9 p.p. year on year to 19.7% compared to 1–9/2019.

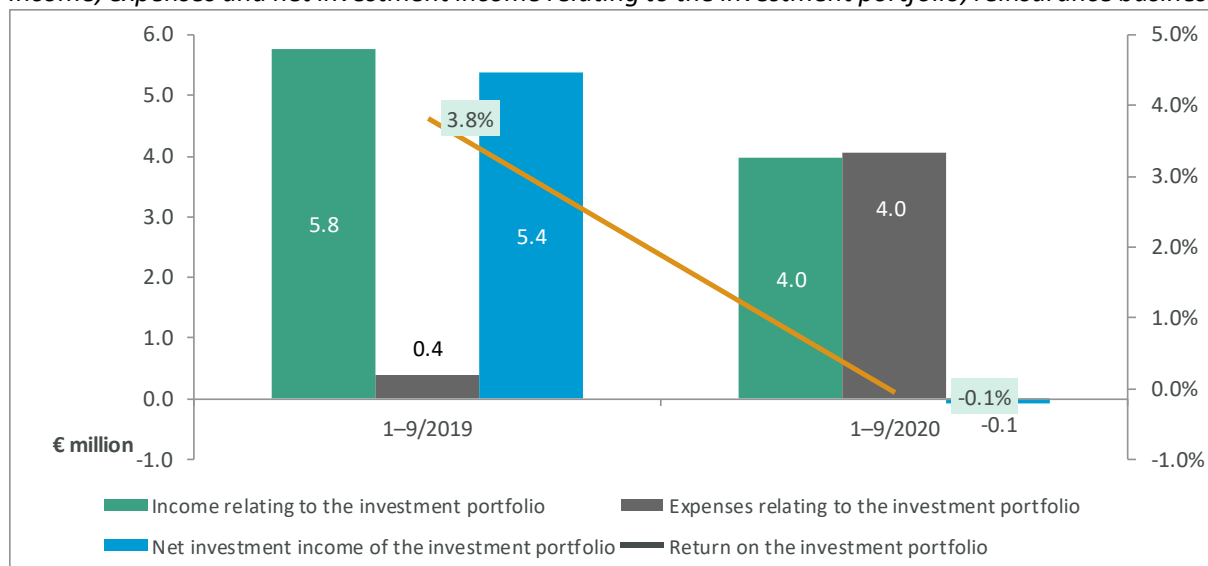
In 1–9/2020, the change in deferred acquisition costs was slightly larger year on year, due to stronger growth in gross premiums written for new business, in line with the movement in unearned premiums.

Other operating expenses declined by 5.7%, reflecting cost optimisation due to adjustments to Covid-19 business conditions (reduced business travel, lower commuting expenses and other adjustments).

In 1–9/2020, the net expense ratio improved by 3.0 p.p. as the result of faster growth in net premiums earned compared to net operating expenses. In 1–9/2020, acquisition costs, including the change in deferred acquisition costs, were up by 1.1% year on year.

## Net investment income

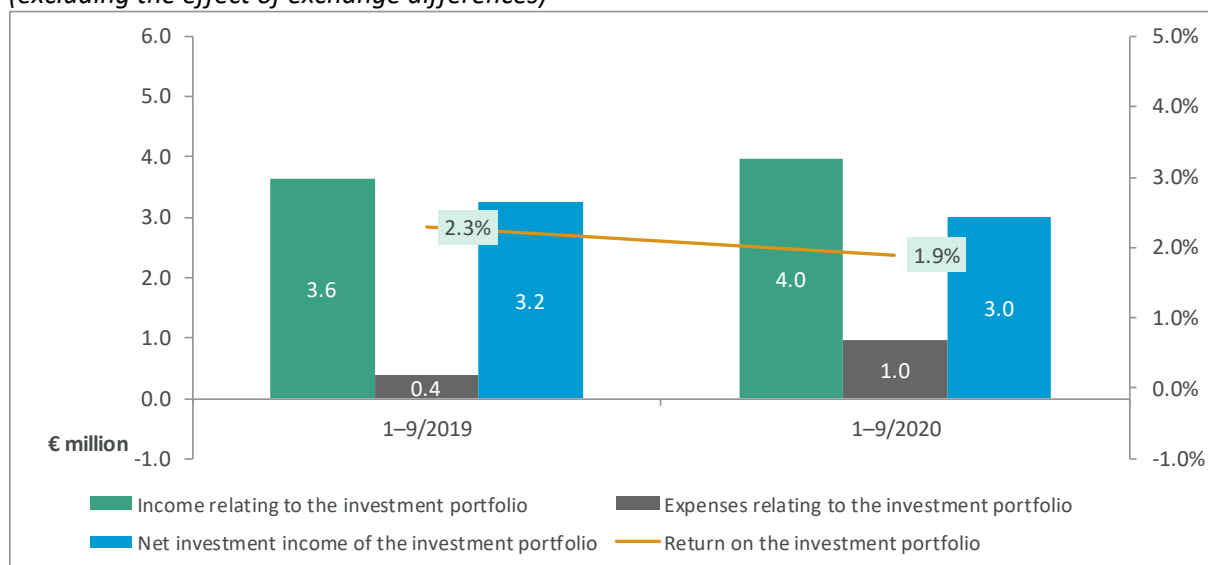
### Income, expenses and net investment income relating to the investment portfolio; reinsurance business



Income/expenses also include income/expenses relating to investment property. In the income statement these are part of the "other income/expenses" item.

Income and expenses for 1-9/2019 differ from those presented in the financial report for 1-9/2019 because exchange gains and losses were presented separately, whereas the 1-9/2020 report shows the net effect of exchange differences.

### 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 1-9/2020, net investment income totalled EUR 3.0 million and remained flat year on year. The investment return for the period was 1.9%.

## 2.2 Non-life business

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

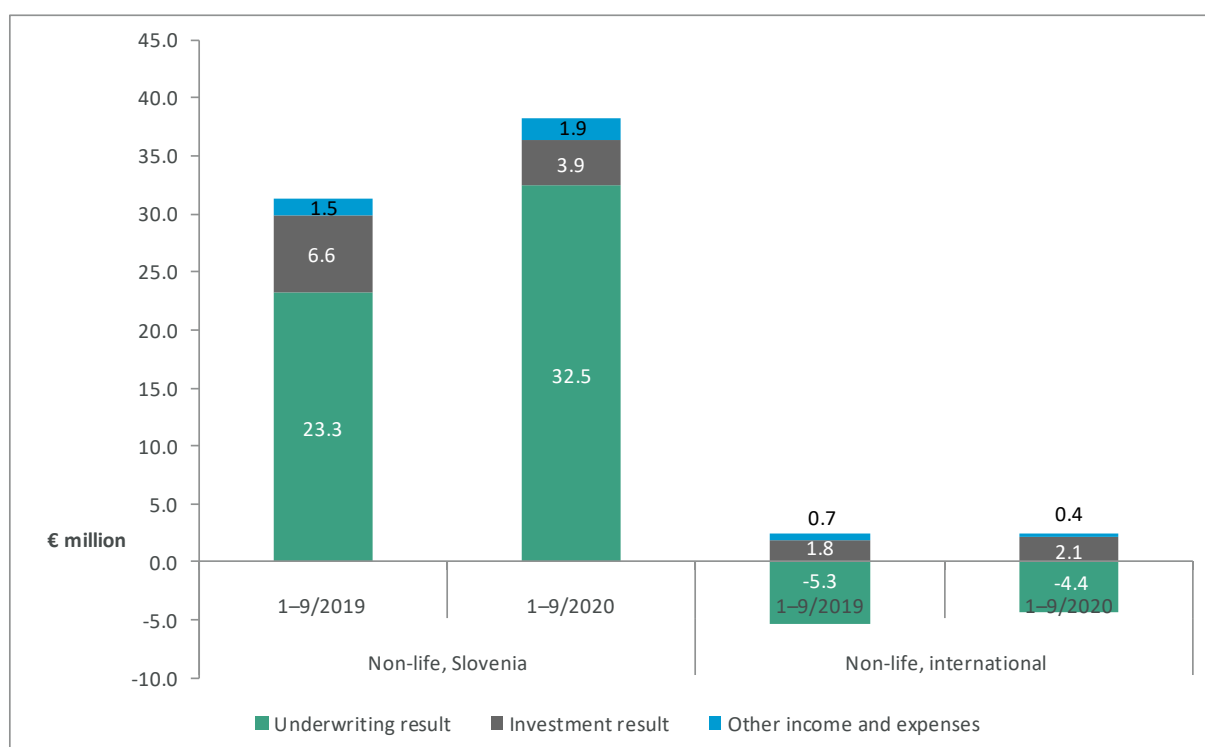
- Zavarovalnica Sava (SLO): business that is in substance non-life business
- Vita (SLO): business that is in substance non-life business
- Sava Osiguranje (MNE)
- Sava Neživotno Osiguranje (SRB)
- Sava osiguruvanje (NMK)
- Illyria (RKS)
- Sava Car (MNE)
- Sava Agent (MNE)
- Sava Station (NMK)

Since Vita's inclusion in the Group on 31 May 2020, its business that is in substance non-life business has been included in the Slovenian non-life segment.

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. FoS business is shown in the Slovenian non-life insurance segment.

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

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



The non-life segment recorded a EUR 7.6 million improvement in the consolidated pre-tax result in 1-9/2020 compared to the same period last year. The lion's share of the improvement, EUR 6.9 million, was achieved in Slovenian business.

The consolidated underwriting result of the Slovenian non-life segment improved by EUR 9.2 million, mainly driven by growth in net premiums earned and lower claims frequency due to the Covid-19 pandemic. The underwriting performance of non-Slovenian non-life insurers improved by EUR 0.9

million as the result of higher net earned premiums due to a smaller change in unearned premiums and more favourable claims development. The underwriting result of non-Slovenian non-life insurers, excluding Croatia, improved by EUR 3.2 million, whereas Croatian business posted a deterioration of EUR 2.3 million. This followed a change in Croatian legal practice regarding payments for non-pecuniary losses. For this reason, the insurer strengthened its claims provisions and provisions for unexpired risks.

The investment result of the Slovenian non-life segment deteriorated by EUR 2.9 million, chiefly because of a one-off income relating to the revaluation of the investment in Sava Infond in 2019 (a stake held by Zavarovalnica Sava) in the amount of EUR 2.7 million; the remaining drop relates to lower interest income and a higher change in the fair value and loss on the disposal of FVTPL investments.

The result of other income and expenses of the Slovenian non-life insurance companies improved by EUR 0.4 million as the result of both higher other income from the excess of the fair value of the net assets acquired over the cost of the investment in Vita, and lower expenses for investment property. The result of other income and expenses of the non-Slovenian non-life insurance companies declined by EUR 0.3 million reflecting higher "other expenses" of the Serbian non-life insurance company.

### *Net premiums earned*

#### *Net premiums earned; non-life insurance business*

EUR	1–9/2020	1–9/2019	Index
Gross premiums written	352,396,493	328,834,466	107.2
Net premiums earned	299,494,621	271,496,264	110.3

#### *Net premiums earned by region; non-life insurance business*

EUR	Slovenia			International		
	1–9/2020	1–9/2019	Index	1–9/2020	1–9/2019	Index
Gross premiums written	292,950,781	265,808,128	110.2	59,445,712	63,026,338	94.3
Net premiums earned	244,325,467	217,370,643	112.4	55,169,155	54,125,620	101.9

#### *Unconsolidated gross non-life premiums of Sava Insurance Group members*

EUR	1–9/2020	1–9/2019	Index
Zavarovalnica Sava, Slovenian part (non-life)	291,706,635	265,942,407	109.7
Zavarovalnica Sava, Croatian part (non-life)	14,733,596	16,451,604	89.6
Sava Neživotno Osiguranje (SRB)	16,519,251	17,488,119	94.5
Illyria (RKS)	8,436,068	7,549,737	111.7
Sava Osiguruvanje (NMK)	10,165,642	10,806,273	94.1
Sava Osiguranje (MNE)	9,615,250	10,646,655	90.3
Vita (SLO)	1,379,315	0	-
<b>Total</b>	<b>352,555,756</b>	<b>328,884,794</b>	<b>107.2</b>

Gross non-life insurance premiums grew by 7.2% in 1–9/2020, chiefly as the result of growth in gross non-life premiums of the Slovenian insurer. Accordingly, net premiums earned also grew, by 10.3% in total. The movement in gross premiums in most other markets was impacted by developments connected with the Covid-19 pandemic. Gross premiums written by non-Slovenian insurers declined as a result of the Covid-19 pandemic: lower assistance premiums due to border closing, less motor liability business because of a lower number of registered vehicles as a result of a decline in economic activity due to Covid-19; less business in fire and natural forces.

Slovenia-sourced gross non-life premiums grew by 10.2%, or EUR 27.1 million. This growth is mostly the result of growth in gross premiums of freedom of services (FoS) business of EUR 15.1 million that Zavarovalnica Sava generated in cooperation with various EU partners. This chiefly relates to marine hull, property, general liability and motor business. The EUR 10.6 million increase in gross premiums

written was driven by the rise in non-life premiums at the Slovenian part of Zavarovalnica Sava, excluding FoS business, and non-life premiums at the insurer Vita of EUR 1.4 million. Most of the growth in gross premiums of the Slovenian part of Zavarovalnica Sava, excluding FoS business, was achieved in private motor business as a result of an increase in the number of policies and higher average premiums. In March and April 2020, motor sales were down because of Covid-19 restrictions; however, Zavarovalnica Sava managed to offset lost premiums after restrictions were lifted, achieving 6.1% growth in gross motor casco premiums. There was also an increase in gross property premiums, in particular because of strong sales of the new homeowner's policies. In the aforementioned period, the Slovenian insurance market registered 4.6% growth in non-life gross premiums, excluding FoS business and accepted co-insurance, and the Slovenian part of Zavarovalnica Sava achieved 4.2% premium growth. Net non-life insurance premiums earned in Slovenia grew by 12.4% in 1–9/2020, mostly reflecting growth in FoS business.

Gross non-life insurance premiums written abroad dropped by 5.7%. In absolute terms, the largest fall was in assistance premiums, especially in Serbia, as Covid-19 restrictions made travel very difficult and the sales of travel insurance products plunged dramatically. Due to the Covid-19 pandemic there was also a decline in the sale of motor liability policies, and companies recorded lower gross premiums, except for the Kosovo insurer, who saw an increase in premiums per motor policy at the end of 2019. Gross premiums from fire business also declined because of fewer policies sold as a result of the Covid-19 pandemic.

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



### Net claims incurred

#### Net claims incurred; non-life insurance business

EUR	1–9/2020	1–9/2019	Index
Gross claims paid	158,737,524	159,066,591	99.8
Net claims incurred	170,013,546	161,346,249	105.4

#### Net claims incurred by region; non-life insurance business

EUR	Slovenia			International		
	1–9/2020	1–9/2019	Index	1–9/2020	1–9/2019	Index
Gross claims paid	132,355,259	130,545,877	101.4	26,382,265	28,520,714	92.5
Net claims incurred	138,524,941	129,387,544	107.1	31,488,605	31,958,706	98.5



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

EUR	1–9/2020	1–9/2019	Index
Zavarovalnica Sava, Slovenian part (non-life)	135,410,836	131,144,994	103.3
Zavarovalnica Sava, Croatian part (non-life)	8,840,676	9,310,075	95.0
Sava Neživotno Osiguranje (SRB)	6,622,139	6,271,322	105.6
Illyria (RKS)	3,347,885	4,823,001	69.4
Sava Osiguruvanje (NMK)	4,315,482	4,397,650	98.1
Sava Osiguranje (MNE)	3,315,103	3,795,990	87.3
Vita (SLO)	201,307	0	-
<b>Total</b>	<b>162,053,428</b>	<b>159,743,033</b>	<b>101.4</b>

Consolidated gross non-life claims remained flat in 1–9/2020 year on year.

In 1–9/2020, consolidated gross claims paid on Slovenian non-life business rose by 1.4% year on year. There was a EUR 7.0 million increase in gross claims incurred in FoS business due to portfolio growth. Gross claims incurred on policies written in Slovenia declined as the result of a lower claims frequency in motor insurance during the Covid-19 lockdown when there were fewer traffic accidents because of reduced motor traffic.

Consolidated gross claims paid relating to non-Slovenian business dropped by 7.5%. The Group recorded a lower figure for fire claims, mainly as the Group incurred a major fire loss last year, whereas this year there were fewer claims reported. There was also a decline in gross claims in accident, health and assistance business. The decline is mainly the result of fewer claims due to the Covid-19 pandemic.

### *Operating expenses*

*Consolidated operating expenses; non-life segment*

EUR	1–9/2020	1–9/2019	Index
Acquisition costs	32,868,188	28,954,075	113.5
Change in deferred acquisition costs (+/-)	-2,461,337	-3,781,328	65.1
Other operating expenses	67,134,833	65,035,443	103.2
<b>Operating expenses</b>	<b>97,541,684</b>	<b>90,208,190</b>	<b>108.1</b>
Reinsurance commission income	-3,861,372	-3,172,763	121.7
<b>Net operating expenses</b>	<b>93,680,312</b>	<b>87,035,427</b>	<b>107.6</b>

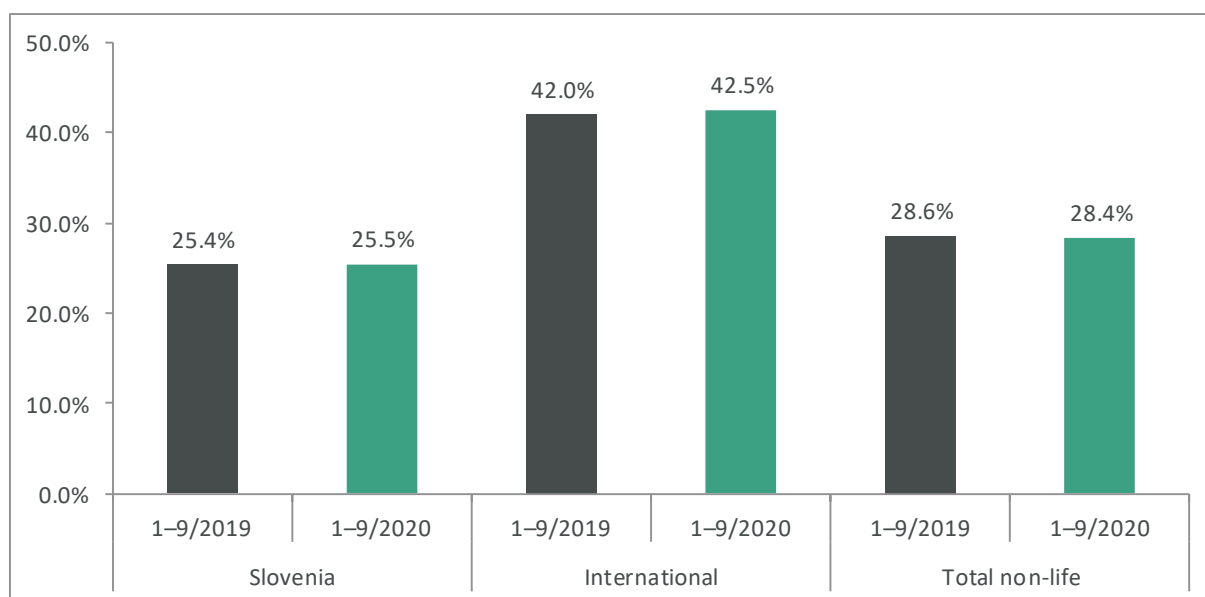
*Consolidated gross operating expenses of the non-life segment*

EUR	1–9/2020	1–9/2019	Index
Non-life business, Slovenia	74,732,522	67,504,119	110.7
Non-life business, international	25,270,500	26,485,399	95.4

Consolidated acquisition costs were up by 13.5%. Growth in acquisition costs is mainly related to growth in FoS and other business of the non-life part of Zavarovalnica Sava in Slovenia.

In 1–9/2020, consolidated other operating expenses increased by 3.2% due to the increase in operating expenses for FoS business of the Slovenian part of Zavarovalnica Sava, and partly due to Vita's integration into the Group. All non-Slovenian Group companies saw a drop in other operating expenses, except the Croatian part of Zavarovalnica Sava because of the previous year's only partial consolidation of ERGO (in 2019, the insurance company ERGO was included into the consolidated accounts from April, whereas this year it is part of the Croatian part of Zavarovalnica Sava for the full year).

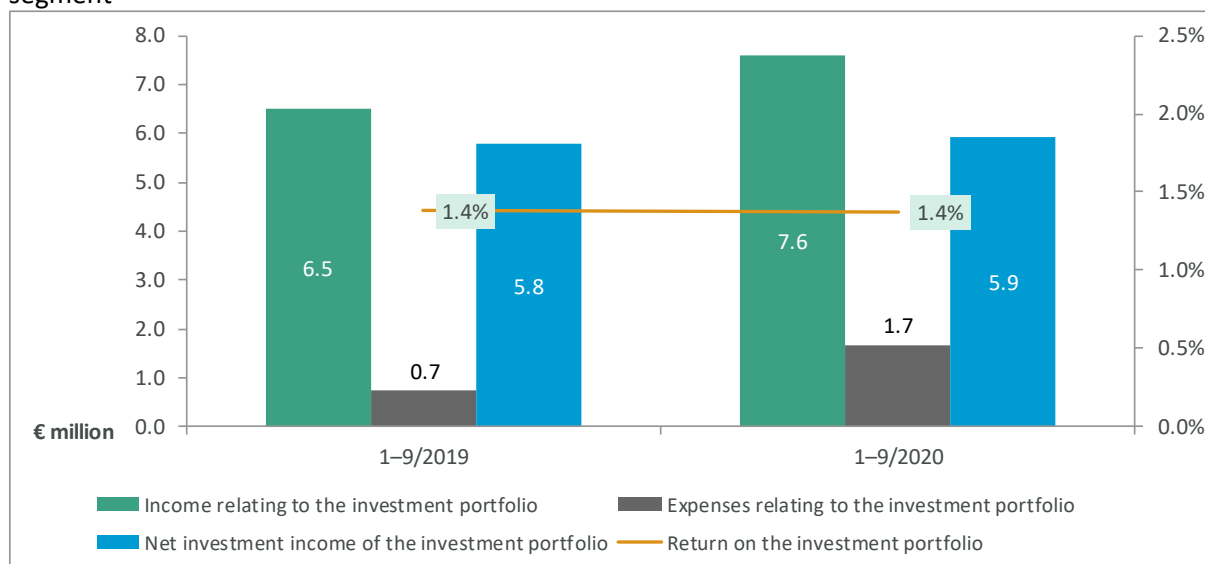
### Consolidated gross expense ratio; non-life segment



The consolidated gross expense ratio of the non-life segment dropped by 0.2 p.p. The gross expense ratio for the Slovenian non-life insurers increased by 0.1 p.p. due to higher gross expenses, whereas the gross expense ratio for non-Slovenian non-life insurers rose by 0.5 p.p. because gross premiums declined faster than gross claims paid.

### Net investment income

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



Income and expenses for 1-9/2019 differ from those presented in the financial report for 1-9/2019 because exchange gains and losses were presented separately, whereas the 1-9/2020 report shows the net effect of exchange differences.

In 1-9/2020, net investment income relating to non-life insurers totalled EUR 5.9 million and was flat year on year. In the same period last year, net investment income strengthened due to a one-off income from the revaluation of the stake in Sava Infond of EUR 2.7 million. When this one-off income is excluded, the net investment income is EUR 2.9 million higher in the reporting period. Net investment income mainly increased due to fair value changes, gains on the disposal of FVTPL assets and gains on other financial investments. The return on investment for the period was 1.4%.

## 2.3 Life insurance business

The life segment comprises the operations of the following companies:

- Zavarovalnica Sava (SLO): business that is in substance life business
- Vita (SLO): business that is in substance life business
- Sava Životno Osiguranje (SRB)
- Illyria Life (RKS)
- ZS Svetovanje (SLO): insurance agency
- Ornatus KC (SLO): call centre

Since Vita's inclusion in the Group on 31 May 2020, Vita's business that is in substance life business has been included in the Slovenian life segment.

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 presented in the notes to the financial statements, section 7.7 "Segment reporting".

### Net premiums earned

#### Net premiums earned; life insurance business

EUR	1–9/2020	1–9/2019	Index
Gross premiums written	89,775,009	65,160,327	137.8
Net premiums earned	89,638,262	65,146,481	137.6

#### Net premiums earned by region; life insurance business

EUR	Slovenia			International		
	1–9/2020	1–9/2019	Index	1–9/2020	1–9/2019	Index
Gross premiums written	82,343,320	58,725,602	140.2	7,431,689	6,434,725	115.5
Net premiums earned	82,198,479	58,659,508	140.1	7,439,783	6,486,973	114.7

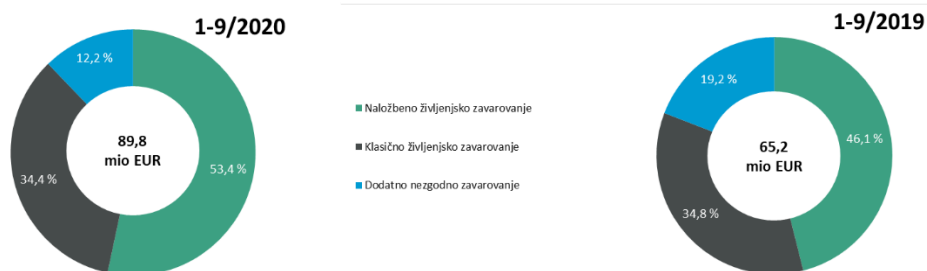
#### Unconsolidated gross life premiums of Sava Insurance Group companies

EUR	1–9/2020	1–9/2019	Index
Zavarovalnica Sava, Slovenian part (life)	55,757,672	58,725,603	94.9
Zavarovalnica Sava, Croatian part (life)	2,789,533	2,638,116	105.7
Illyria Life (RKS)	1,864,109	1,696,745	109.9
Sava Životno Osiguranje (SRB)	2,812,512	2,102,249	133.8
Vita (SLO)	26,585,648	0	-
<b>Total</b>	<b>89,809,473</b>	<b>65,162,714</b>	<b>137.8</b>

In 1–9/2020, gross premiums written by the Slovenian life insurers rose by 40.2% year on year as the result of including Vita into the consolidated accounts. In 1–9/2020, gross premiums written by the life insurance part of Zavarovalnica Sava in Slovenia dropped by 5.1% year on year. The company did not manage to write sufficient new business to fully offset premiums lost due to policy maturities, surrenders and deaths. In the four months since its inclusion in the Group, Vita wrote EUR 26.6 million in gross premiums.

In 1–9/2020, gross premiums written by the Group's non-Slovenian life insurers rose by 15.5% year on year, most strongly in Serbia, reflecting increased productivity of the insurer's own agency network.

## Unconsolidated gross life insurance premiums written by class of business



## Net claims incurred

### Net claims incurred; life insurance business

EUR	1-9/2020	1-9/2019	Index
Gross claims paid	90,000,558	82,557,699	109.0
Net claims incurred	89,038,288	81,334,170	109.5
Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business	61,058,994	58,685,848	104.0

### Net claims incurred by region; life insurance business

EUR	Slovenia			International		
	1-9/2020	1-9/2019	Index	1-9/2020	1-9/2019	Index
Gross claims paid	86,480,318	79,782,835	108.4	3,520,240	2,774,864	126.9
Net claims incurred	85,368,799	78,346,016	109.0	3,669,489	2,988,154	122.8
Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business	56,901,761	54,430,113	104.5	4,157,233	4,255,735	97.7

### Unconsolidated gross life claims paid by Sava Insurance Group companies

EUR	1-9/2020	1-9/2019	Index
Zavarovalnica Sava, Slovenian part (life)	76,933,218	79,782,835	96.4
Zavarovalnica Sava, Croatian part (life)	2,313,928	1,930,647	119.9
Illyria Life (RKS)	456,044	418,611	108.9
Sava Životno Osiguranje (SRB)	750,934	369,941	203.0
Vita (SLO)	9,547,100	0	-
<b>Total</b>	<b>90,001,224</b>	<b>82,502,034</b>	<b>109.1</b>

In 1-9/2020, gross claims paid in Slovenia rose by 8.4% year on year as the result of including Vita in the consolidated accounts. In the life insurance part of Zavarovalnica Sava in Slovenia, the bulk of the maturity benefits incurred in the period related to traditional life policies, specifically EUR 39.2 million, a decline of EUR 5.0 million year on year. Unit-linked life business, where policyholders bear the investment risk, paid out EUR 12.4 million in survival benefits, down EUR 2.0 million year on year.

Of the non-Slovenian insurers, Sava Životno Osiguranje (SRB) recorded the largest increase in gross claims paid, at 103.0% (especially claims relating to deaths and maturities), due to high premium growth. Despite the rise in gross claims paid, net claims incurred in 1-9/2020, including the change in other provisions and the change in the provision for unit-linked business of insurers abroad, declined because of the drop in the mathematical provision of Zavarovalnica Sava in Croatia as the result of the run-off of credit life policies and larger amounts paid for surrenders.

## Operating expenses

### Consolidated operating expenses; life segment

EUR	1-9/2020	1-9/2019	Index
Acquisition costs	5,827,985	4,565,850	127.6
Change in deferred acquisition costs (+/-)	-178,290	138,797	-128.5
Other operating expenses	15,078,749	13,198,301	114.2
<b>Operating expenses</b>	<b>20,728,444</b>	<b>17,902,948</b>	<b>115.8</b>
Reinsurance commission income	-1,489	-6,234	23.9
<b>Net operating expenses</b>	<b>20,726,955</b>	<b>17,896,714</b>	<b>115.8</b>

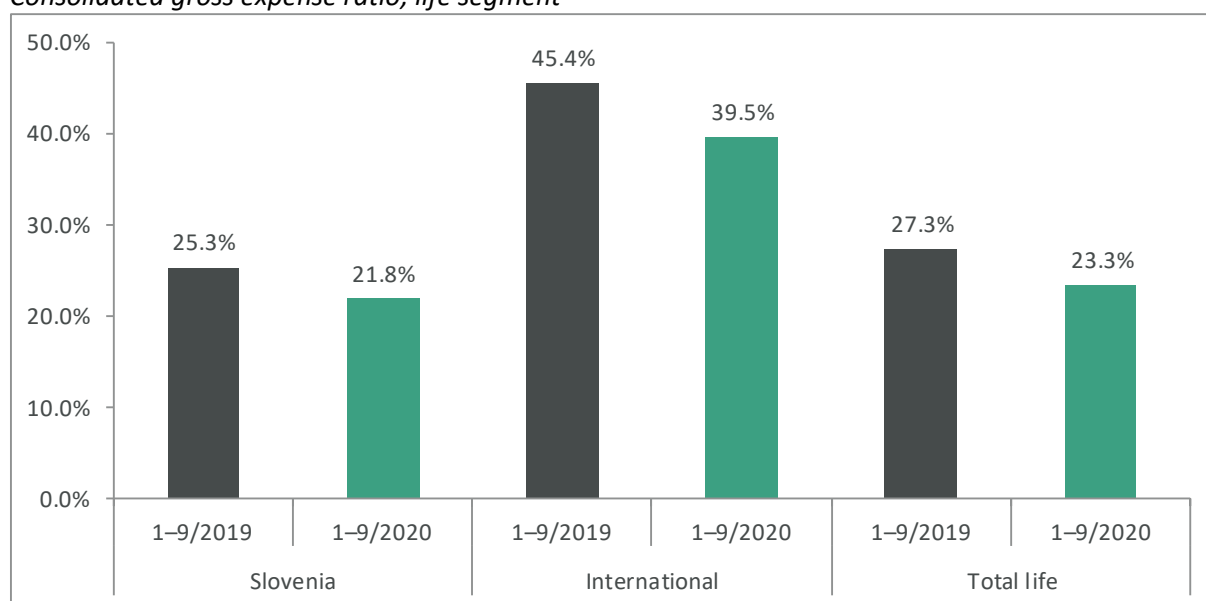
### Consolidated gross operating expenses of the life segment

EUR	1-9/2020	1-9/2019	Index
Life business, Slovenia	17,970,225	14,841,702	121.1
Life business, international	2,936,509	2,922,449	100.5

In 1-9/2020, policy acquisition expenses rose by 21.1% year on year because of the inclusion of Vita in the consolidated accounts. The difference in the change in deferred acquisition costs between the years chiefly relates to Slovenian life business.

In 1-9/2020, other operating expenses rose by 14.2% year on year, mostly due to the inclusion of Vita in the Group.

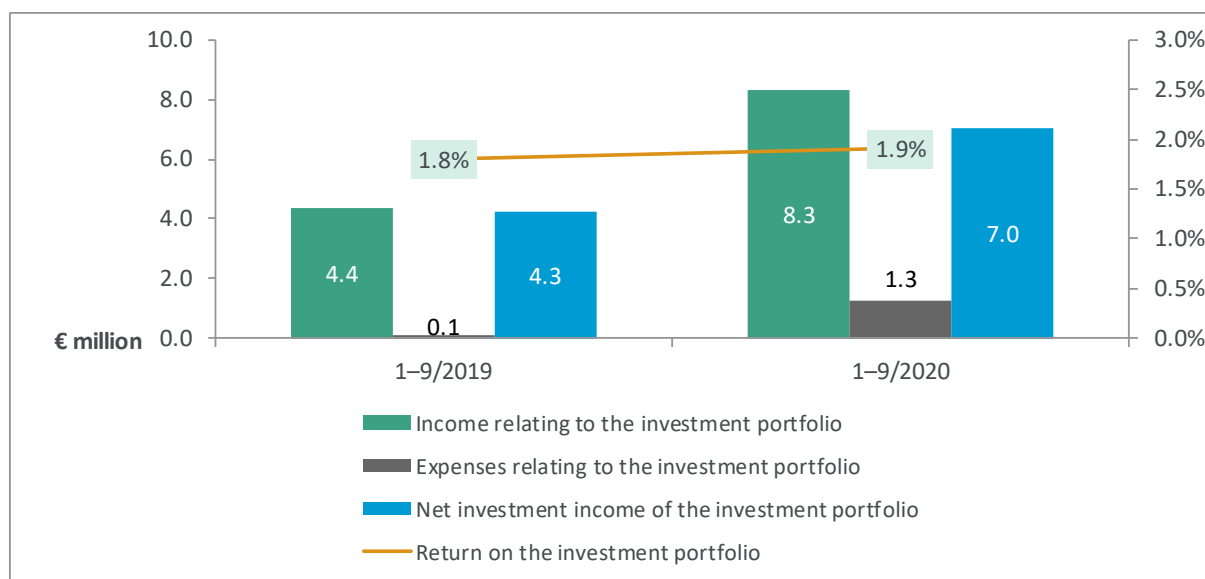
### Consolidated gross expense ratio; life segment



The consolidated gross expense ratio dropped by 4.0 p.p. year on year, as the result of the inclusion of Vita, which, thanks to its specific sales model, operates on a lower gross expense ratio. Life insurance companies outside Slovenia saw a decline in their gross expense ratio of 5.9 p.p. (large growth in gross premiums written against a marginal growth in gross operating expenses).

## 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)



Income and expenses for 1-9/2019 differ from those presented in the financial report for 1-9/2019 because exchange gains and losses were presented separately, whereas the 1-9/2020 report shows the net effect of exchange differences.

In 1-9/2020, net investment income relating to life business totalled EUR 7.0 million, up by EUR 2.8 million year on year. The return on the life insurance investment portfolio of 1.9% remained broadly flat year on year and did not decline despite the unfavourable trends in financial markets. This was mainly thanks to the joining of Vita, with on average longer maturity assets achieving a better return than the existing portfolio.

## 2.4 Pensions business

The pensions segment comprises the operations of the following companies:

- Sava Pokojninska (SLO)
- Sava Penzisko Društvo (NMK)

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

## Savings phase

### Other technical income and other income

EUR	1-9/2020	1-9/2019	Index
Other technical income and other income	4,199,026	3,958,931	106.1

Other technical income and other income include:

- income of the Slovenian pension company relating to entry charges paid by customers, exit charges, management fees that belong to the company in the management of the life cycle funds MY-Life-Cycle Funds (MOJI Skladi Življenjskega Cikla), and overheads charged to customers when transferring assets from the accumulation part to the annuity (distribution) part; and

- income of the North Macedonian pension company relating to entry charges paid by customers and management fees to which the company is entitled for the management of mandatory and voluntary pension funds.

*Movements in assets relating to the MY-Life-Cycle Funds (Sava Pokojninska, Slovenia)*

EUR	1–9/2020	1–9/2019	Index
<b>Opening balance of fund assets (31 Dec)</b>	<b>148,585,345</b>	<b>134,926,064</b>	<b>110.1</b>
Gross fund inflows	8,678,567	8,225,873	105.5
Gross fund outflows	-4,554,226	-4,319,053	105.4
Asset transfers	404,566	233,251	173.4
Net investment income of fund	-3,081,992	6,234,177	-
Entry and exit charges	-147,229	-141,193	104.3
<b>Closing balance of fund assets (30 September)</b>	<b>149,885,031</b>	<b>145,159,119</b>	<b>103.3</b>

The difference in the balance of fund assets and the balance sheet item assets of financial investments are the receivables of financial investments. Gross inflows into the MY-Life-Cycle Funds of the Slovenian pension company rose by 5.5% in the period 1–9/2020 year on year, which is chiefly the result of higher average premium contributions but also reflects an increase in the number of policyholders.

In the period 1–9/2020, gross fund outflows from the MY-Life-Cycle Funds of the Slovenian pension insurer exceeded the year-on-year figure by 5.4%. This was due to higher ordinary lapses (which include transfers to annuities and surrenders by persons who retire), whereas extraordinary lapses were lower (e.g. cancelled policies and deaths).

In the period 1–9/2020, the Company obtained assets in the amount of EUR 631 thousand from other pension service providers, and it transferred EUR 227 thousand to other providers, resulting in an overall positive net effect.

In 1–9/2020, funds recorded a negative net investment income of EUR 3.1 million, reflecting unfavourable movements in financial markets in the first quarter of 2020 related to the Covid-19 pandemic. Conditions in financial markets improved later in 2020. In the first three quarters of 2020, the total assets of the group of long-term business funds grew by 0.9% to EUR 149.9 million as at 30 September 2020.

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

EUR	1–9/2020	1–9/2019	Index
<b>Opening balance of net value of fund assets in period (31 Dec)</b>	<b>594,459,173</b>	<b>502,570,316</b>	<b>118.3</b>
Gross fund inflows	53,712,560	53,682,813	100.1
Gross fund outflows	-797,194	-17,625,889	4.5
Asset transfers	-3,004,957	-350,543	857.2
Net investment income of fund	1,972,403	39,159,465	5
Entry and exit charges	-1,085,356	-1,168,704	92.9
Transfer to liabilities due to state pension fund	0	-2,340,816	0.0
Fair value reserve and exchange differences	-3,311,352	932,564	-
<b>Closing balance of net value of fund assets (30 Jun)</b>	<b>641,945,277</b>	<b>574,859,206</b>	<b>111.7</b>

In 1–9/2020, gross inflows into the mandatory and voluntary funds of the North Macedonian pension company totalled EUR 53.7 million, and gross outflows were EUR 0.8 million. The rate of return on funds was only 0.3% due to negative developments in financial markets in the first quarter of 2020. Conditions in financial markets improved later in 2020.

Despite the negative trends in financial markets in the first three quarters of 2020, the net asset value of funds under management rose by 8.0% to EUR 641.9 million as at 30 September 2020.

The asset value of funds under the management for the North Macedonian pension company is not included in the Company's financial accounts, in accordance with regulations.

### *Pension annuities – distribution phase*

EUR	1–9/2020	1–9/2019	Index
Gross premiums written	2,517,418	2,568,081	98.0
Gross claims paid	-702,359	-693,549	101.3
Change in other net technical provisions	-1,992,128	-2,071,039	96.2

The annuity part relates to the operations of Sava Pokojninska. The gross premiums written relate to the annuity fund and decreased by 2.0% in the period 1–9/2020 year on year.

Gross claims paid include supplementary pension annuity payouts, which increased by 1.3% in the period 1–9/2020 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. These rose by EUR 2.0 million in the first three quarters of 2020, or by 3.8% less year on year, because of lower new premium contributions against higher claim payments.

### *Operating expenses*

#### *Operating expenses; pensions segment*

EUR	1–9/2020	1–9/2019	Index
Operating expenses	2,431,150	2,451,140	99.2

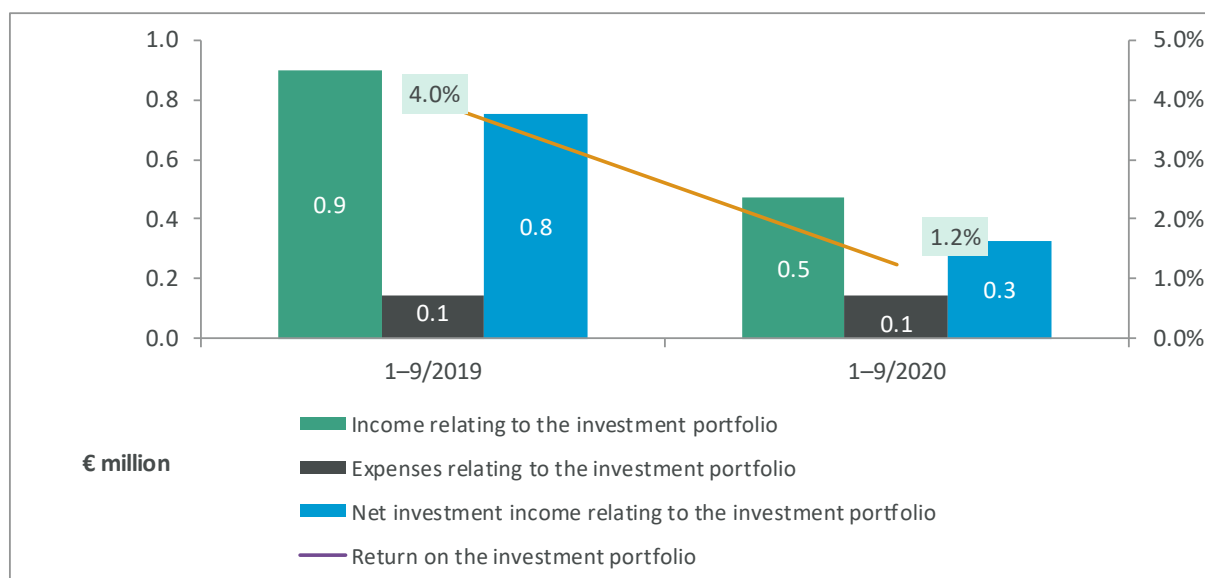
In the period 1–9/2020, operating expenses decreased by 0.8% year on year: they dropped at the Slovenian pension company but were higher at the North Macedonian pension company due to the amortisation of a client list set up as an intangible asset of the Group after the company was included in the Group.

### *Net investment income*

*Income, expenses and net investment income relating to the investment portfolio (EUR); pensions segment<sup>9</sup>*

<sup>9</sup> 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).





Income and expenses for 1-9/2019 differ from those presented in the financial report for 1-9/2019 because exchange gains and losses were presented separately, whereas the 1-9/2020 report shows the net effect of exchange differences.

Net investment income relating to the pension companies' investment portfolio totalled EUR 0.3 million in 1-9/2020. Net investment income declined due to lower interest income and fair value movements in disposals of investments. The investment return for the period was 1.2%.

## 2.5 Other

This "other" segment comprises the subsidiaries Sava Infond (SLO), TBS Team 24 (SLO) and S Estate (RKS), and the two associates ZTSR (SLO) and G2I (GB), both consolidated using the equity method.

Sava Infond contributed EUR 1.8 million to the consolidated result of the segment in 1-9/2020 (in 1-9/2019: EUR 0.6 million). Sava Infond was first included in the consolidated accounts of the Sava Insurance Group on 30 June 2019, which means that it was not fully included in the income statement for 1-9/2019.

TBS Team 24 contributed EUR 0.6 million to the consolidated result of the segment in 1-9/2020 (in 1-9/2019: EUR 0.7 million).

The "other" segment reduced the overall consolidated result for 1-9/2020 by EUR 0.2 million, mainly due to interest expenses on subordinated debt (EUR 2.1 million) and impairment losses on the investment in G2I (EUR 0.6 million). The "other" segment improved the consolidated result for 1-9/2019 by EUR 1.3 million.

### 3 Financial position of the Sava Insurance Group

As at 30 September 2020, total assets of the Sava Insurance Group stood at EUR 2,436.3 million, an increase of 29.2% over year-end 2019. Below we set out items of assets and liabilities in excess of 5% of total assets as at 30 September 2020 and items that changed by more than 2% of equity. For the sake of presenting a full overview, the investment portfolio is presented as made up of financial investments, investment property, financial investments in associates, and cash and cash equivalents (although certain categories do not achieve the threshold mentioned above).

#### 3.1 Assets

##### *Consolidated total assets by type*

EUR	30 September 2020	As % of total 30 Sep 2020	31 December 2019	As % of total 31 Dec 2019
<b>ASSETS</b>	<b>2,436,328,701</b>	<b>100.0%</b>	<b>1,885,953,003</b>	<b>100.0%</b>
1 Intangible assets	62,074,722	2.5%	61,060,069	3.2%
2 Property, plant and equipment	48,455,266	2.0%	47,615,710	2.5%
3 Right-of-use assets	8,891,017	0.4%	9,974,252	0.5%
4 Deferred tax assets	2,796,288	0.1%	2,044,124	0.1%
5 Investment property	16,615,011	0.7%	16,695,132	0.9%
6 Financial investments in associates	13,763,421	0.6%	581,104	0.0%
7 Financial investments	1,373,716,097	56.4%	1,064,874,239	56.5%
8 Assets held for the benefit of policyholders who bear the investment risk	373,057,338	15.3%	213,159,889	11.3%
9 Reinsurers' share of technical provisions	48,948,209	2.0%	38,620,539	2.0%
10 Investment contract assets	152,934,620	6.3%	151,197,102	8.0%
11 Receivables	169,039,679	6.9%	159,413,917	8.5%
12 Deferred acquisition costs	26,870,763	1.1%	23,500,521	1.2%
13 Other assets	4,820,056	0.2%	2,841,516	0.2%
14 Cash and cash equivalents	133,777,858	5.5%	93,804,031	5.0%
15 Non-current assets held for sale	568,356	0.0%	570,858	0.0%

### 3.1.1 Investment portfolio

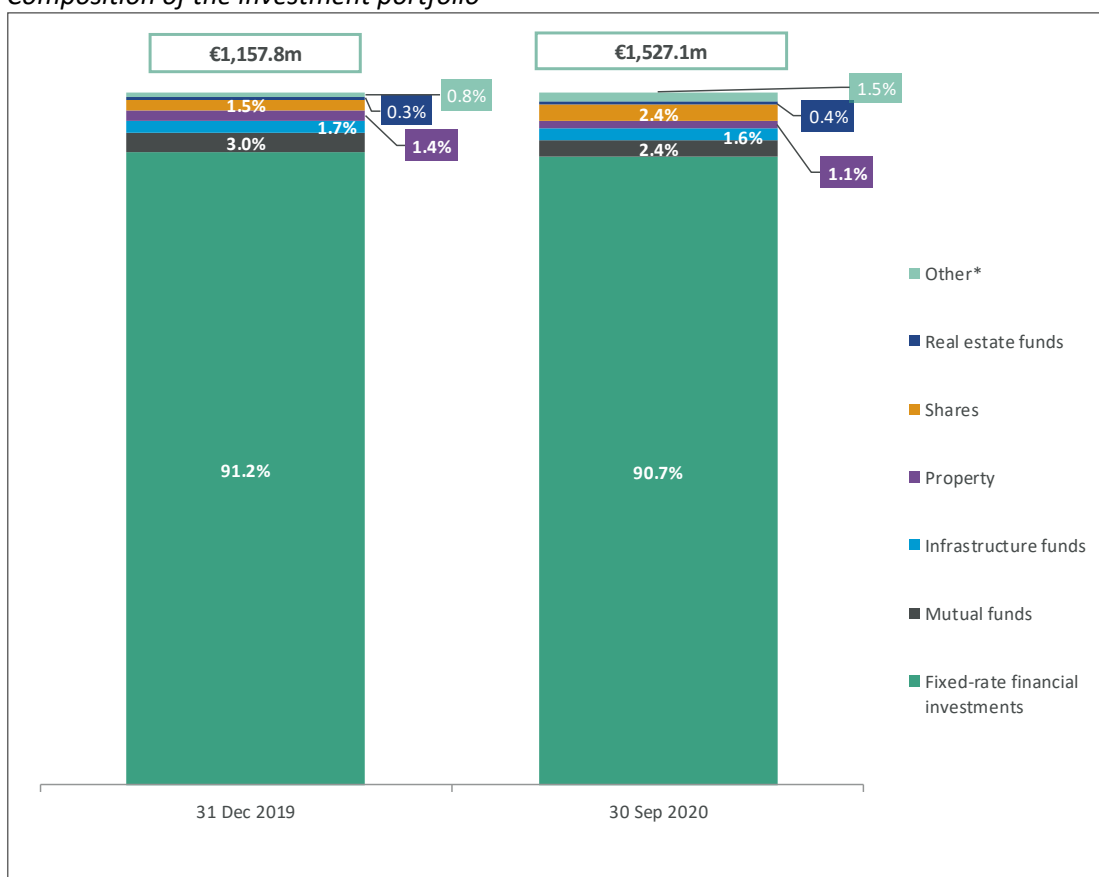
The investment portfolio consists of the following statement of financial position items: financial investments (7), investment property (5), financial investments in associates (6), and cash and cash equivalents (14).

#### *Sava Insurance Group investment portfolio*

EUR	30 Sep 2020	31 Dec 2019	Absolute change	Index
Deposits	21,346,159	46,667,934	-25,321,775	45.7
Government bonds	605,592,651	539,303,226	66,289,425	112.3
Corporate bonds	634,653,113	394,677,700	239,975,413	160.8
Shares	36,733,408	17,503,726	19,229,682	209.9
Quoted shares	34,905,052	15,354,718	19,550,334	227.3
Unquoted shares	1,828,356	2,149,008	-320,652	85.1
Mutual funds	36,366,769	34,270,743	2,096,026	106.1
Bond and money market funds	28,879,334	28,944,568	-65,234	99.8
Equity and mixed mutual funds	7,487,435	5,326,175	2,161,260	140.6
Infrastructure funds	24,581,408	20,159,022	4,422,386	121.9
Real estate funds	6,041,357	4,000,000	2,041,357	151.0
Loans granted and other investments	1,264,920	1,202,867	62,053	105.2
Loans granted	1,264,920	1,202,867	62,053	105.2
Deposits with cedants	7,136,312	7,089,021	47,291	100.7
<b>Total financial investments</b>	<b>1,373,716,097</b>	<b>1,064,874,239</b>	<b>308,841,858</b>	<b>129.0</b>
Financial investments in associates	13,763,421	581,104	13,182,317	2368.5
Investment property	16,615,011	16,695,132	-80,121	99.5
Cash and cash equivalents	123,023,849	75,657,844	47,366,005	162.6
<b>Total investment portfolio</b>	<b>1,527,118,378</b>	<b>1,157,808,319</b>	<b>369,310,058</b>	<b>131.9</b>
<b>Assets held for the benefit of policyholders who bear the investment risk</b>				
	383,811,347	231,306,076	152,505,271	165.9
- Financial investments	373,057,338	213,159,889	159,897,449	175.0
- Cash and cash equivalents	10,754,009	18,146,187	-7,392,178	59.3
<b>Investment contract assets</b>	<b>152,934,620</b>	<b>151,197,102</b>	<b>1,737,518</b>	<b>101.1</b>

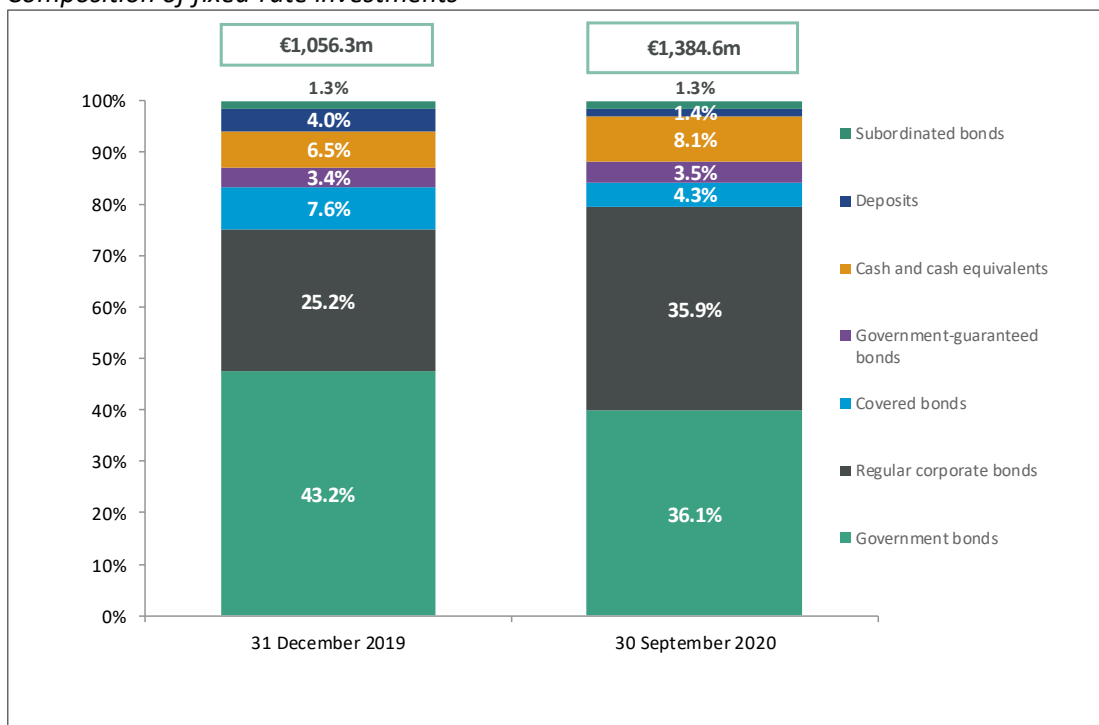
As at 30 September 2020, the investment portfolio of the Sava Insurance Group totalled EUR 1,527.1 million, an increase of EUR 369.3 million from year-end 2019. The growth in the investment portfolio was mainly the result of the inclusion of Vita in the Group and positive cash flow from core (re)insurance business. The level of financial investments in associates increased following the recapitalisation of ZTSR, which acted as a source for the investment in DCB. A major reason for the high balance of cash and cash equivalents is that out of prudence, given the macroeconomic and geopolitical situation, available positive cash flow has not been reinvested in longer-term instruments.

### Composition of the investment portfolio



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

### Composition of fixed-rate investments



As at 30 September 2020, fixed-rate investments accounted for 90.7% of the portfolio, down 0.5 p.p. compared to the end of the previous year. The portfolio of fixed-rate investments was strongly affected by the inclusion of Vita, increasing by 31.1%. This significantly altered the allocation by type of investment. The following movements in the structure of fixed-rate investments have been seen:

- a drop in the proportion of government bonds (including government-guaranteed corporate bonds) of 7.0 p.p.; in absolute terms, government bonds increased by EUR 66.3 million;
- an increase in the proportion of regular corporate bonds of 7.5 p.p. (increase in regular corporate bonds of EUR 240.0 million in absolute terms);
- a decrease in the proportion of deposits of 2.6 p.p., mainly due to reinvested assets upon the acquisition of Vita.

### 3.1.2 Assets held for the benefit of policyholders who bear the investment risk.

Assets held for the benefit of policyholders who bear the investment risk are a major asset item (8). Most unit-linked products of the Sava Insurance Group are marketed by Zavarovalnica Sava and Vita.

Assets 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 2020, assets for the benefit of policyholders who bear the investment risk totalled EUR 383.8, of which EUR 373.1 million was financial investments and EUR 10.8 million was cash and cash equivalents. Assets held for the benefit of policyholders who bear the investment risk grew by EUR 152.5 million, which is due to the inclusion of the insurer Vita in the Group.

### 3.1.3 Reinsurers' share of technical provisions

The reinsurers' and co-insurers' share of technical provisions (9) increased by EUR 10.3 million, or 26.7%, compared to 31 December 2019. Unearned premiums increased by EUR 5.6 million (new FoS contracts written by the Group's cedants and seasonal movement), and claims provisions rose by EUR 4.7 million (FoS business of the Slovenian non-life segment and inclusion of Vita in the Group).

### 3.1.4 Investment contract assets

The investment contract assets item (9) includes liability fund assets relating to the group of MY-Life-Cycle Funds (MOJI Skladi Življenjskega Cikla) that have been managed by the Sava Pokojninska pension company for the benefit of policyholders since 1 January 2016 and part of the assets of the My Annuity Fund (Moj Rentni), the policies of which do not qualify as insurance contracts under IFRS 4. As at 30 September 2020, investment contract assets totalled EUR 152.9 million, up 1.1% compared to 31 December 2019.

Positive effects were derived from net inflows of EUR 4.4 million (in the first three quarter of 2020, inflows totalled EUR 10.5 million and outflows were EUR 6.1 million) and EUR 0.5 million from annuity policies, which are classified as investment insurance contracts because of the insufficient level of risk transfer. The negative effect relates to the negative net investment income of EUR 3.1 million, reflecting the fall in prices of financial instruments in financial markets. As at 30 September 2020, investment contract assets accounted for 91.6% 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".

### 3.1.5 Receivables

Receivables (11) increased by 6.0%, or EUR 9.6 million, compared to year-end 2019 (compared to 30 September 2019: an increase of 22.3%, or EUR 31.3 million). The largest increase was with receivables arising from primary insurance business, up by EUR 11.4 million, or 8.2%, compared to 31 December 2019, with a EUR 17.3 million increase in not-past-due receivables. In absolute terms, the largest increase was in the non-life segment in Slovenia, up by EUR 10.7 million; 30 September 2019: EUR 14.3 million) and in the international non-life segment (an increase of EUR 2.4 million; 30 September 2019: EUR 2.6 million). The reason for the increase in the Slovenian non-life segment is the increase in receivables due from undertakings as the result of changed payment schedules due to Covid-19 and increased FoS business receivables. Receivables arising out of primary insurance business relating to the reinsurance segment declined by EUR 2.2 million; 30 September 2019: increase of EUR 9.6 million). This is followed by the increase in receivables arising from reinsurance and co-insurance business, up by EUR 0.8 million or 11.7% from 31 December 2019. Compared to year-end 2019, current tax assets declined by EUR 2.9 million, with a decline of EUR 2.8 million in the reinsurance segment, where current income tax liabilities were established at EUR 0.2 million.

## 3.2 Equity and liabilities

### Consolidated total equity and liabilities by type

EUR	30 Sep 2020	As % of total 30 Sep 2020	31 December 2019	As % of total 31 Dec 2019
<b>EQUITY AND LIABILITIES</b>	<b>2,436,328,701</b>	<b>100.0%</b>	<b>1,885,953,003</b>	<b>100.0%</b>
1 Equity	438,315,694	18.0%	384,776,847	20.4%
Share capital	71,856,376	2.9%	71,856,376	3.8%
Capital reserves	43,035,948	1.8%	43,035,948	2.3%
Profit reserves	202,260,323	8.3%	202,170,501	10.7%
Own shares	-24,938,709	-1.0%	-24,938,709	-1.3%
Fair value reserve	27,169,369	1.1%	20,718,610	1.1%
Reserve due to fair value revaluation	815,558	0.0%	924,038	0.0%
Retained earnings	73,656,896	3.0%	42,128,483	2.2%
Net profit or loss for the period	47,472,124	1.9%	31,546,718	1.7%
Translation reserve	-3,458,226	-0.1%	-3,168,414	-0.2%
Equity attributable to owners of the controlling company	437,869,659	18.0%	384,273,551	20.4%
Non-controlling interests in equity	446,035	0.0%	503,296	0.0%
2 Subordinated liabilities	76,974,559	3.2%	74,822,710	4.0%
3 Technical provisions	1,266,767,160	52.0%	933,952,709	49.5%
4 Technical provisions for the benefit of life insurance policyholders who bear the investment risk	375,614,894	15.4%	220,613,698	11.7%
5 Other provisions	9,709,358	0.4%	8,705,469	0.5%
6 Deferred tax liabilities	10,808,211	0.4%	5,294,664	0.3%
7 Investment contract liabilities	152,791,271	6.3%	151,040,643	8.0%
8 Other financial liabilities	343,003	0.0%	355,908	0.0%
9 Liabilities from operating activities	59,908,767	2.5%	61,290,549	3.2%
10 Lease liability	9,574,636	0.4%	10,448,915	0.6%
11 Other liabilities	35,521,148	1.5%	34,650,891	1.8%

### 3.2.1 Equity

Shareholders' equity (1) increased by 13.9%, or EUR 53.5 million, compared to year-end 2019. The net profit for the year had a positive impact on the change in equity, of EUR 47.6 million. An increase also came from the fair value reserve (EUR 6.5 million).

Retained earnings increased year on year by EUR 31.5 million because of the allocation of the full profit for the year 2019 to this item (with no effect on increase in equity as at 30 September 2020).

### 3.2.2 Technical provisions

Gross technical provisions (3) are the largest item on the liabilities side. The figure as at 30 September 2020 was an increase of 35.6%, or EUR 332.8 million, over year-end 2019. The largest increase was in mathematical provisions (of EUR 266.0 million – inclusion of Vita in the Group), unearned premiums (of EUR 36.4 million) and claims provisions (of EUR 29.0 million – inclusion of Vita in the Group).

#### *Development of consolidated gross technical provisions*

EUR	30 Sep 2020	31 Dec 2019	Index
Gross unearned premiums	244,249,869	207,895,397	117.5
Gross mathematical provisions	477,912,085	211,877,103	225.6
Gross provision for outstanding claims	531,906,071	502,914,277	105.8
Gross provision for bonuses, rebates and cancellations	1,305,883	1,234,753	105.8
Other gross technical provisions	11,393,252	10,031,179	113.6
<b>Gross technical provisions</b>	<b>1,266,767,160</b>	<b>933,952,709</b>	<b>135.6</b>

Gross technical provisions attributable to the reinsurance segment grew by 8.6%, or EUR 14.7 million, compared to year-end 2019. The increase is due to the rise in unearned premiums as the result of growth in business volume in 2020 (increase of EUR 10.7 million; in 1–9/2019 of EUR 8.2 million) or the establishment of high unearned premiums for coverages for which the full-year premiums were accounted for at the beginning of the coverage.

Gross technical provisions attributable to the non-life segment grew by 9.1%, or EUR 48.6 million, compared to year-end 2019. Of this, unearned premiums grew – in line with business growth – by EUR 25.5 million (1–9/2019: growth of EUR 40.7 million).

The gross mathematical provision increased by 125.6% (by EUR 266.0 million) as the result of the inclusion of Vita in the Group (EUR 291.7 million as at 30 September 2020). The increase in the gross provision is less than the Vita contribution because, for the rest of the portfolio, maturity payments exceed the growth in new business of traditional life policies including pension annuities in the distribution phase.

The provision for bonuses, rebates and cancellations account for only a small proportion and remained flat year on year.

Other gross technical provisions include gross provisions for unexpired risks. These increased by EUR 1.4 million from year-end 2019 (reinsurance: + EUR 0.6 million; non-life, international: + EUR 0.8 million).

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

Gross technical provisions for the benefit of life insurance policyholders who bear the investment risk (4) totalled EUR 375.6 million as at 30 September 2020 and increased by 70.3%, or EUR 155.0 million, mainly due to the integration of Vita into the Group (EUR 171.8 million as at 30 September 2020).

### 3.2.4 Investment contract liabilities

Investment contract liabilities (7) of Sava Pokojninska totalled EUR 152.8 million as at 30 September 2020, up 1.2%, or EUR 1.8 million, from year-end 2019. Their movement is in line with investment contract assets, driven largely by new premium contributions, payouts and changes in fund unit prices.

### 3.3 Sources of funding and their maturity

As at 30 September 2020, the Sava Insurance Group held EUR 438.3 million in shareholders' equity. The market value of subordinated debt was EUR 76.2 million. The ratio of debt to equity financing was 17.6%.

### 3.4 Cash flow

In the period 1–9/2020, the Sava Insurance Group's net operating cash flow was positive, at EUR 52.5 million (1–9/2019: negative net cash of EUR 6.2 million). Net operating cash flow mainly reflected the increased Group net profit due to higher premiums written (+ EUR 52.7 million), with net claims only having increased by EUR 15.6 million and net operating expenses, excluding amortisation/depreciation costs, by EUR 7.9 million. The net cash flow was also affected by the change in net current assets, specifically, lower receivables from primary insurance and other receivables and assets, lower liabilities from operating activities and a high change in technical provisions reflecting growth in business volume.

In the same period, the Sava Insurance Group recorded negative net investment cash flow of EUR 22.0 million (1–9/2019: positive net cash flow of EUR 32.0 million). The net cash flow was negative mainly due to the investment in Vita in May 2020.

The Sava Insurance Group did not distribute dividends in 1–9/2020; therefore, the net cash used in financing (EUR 3.4 million) was EUR 15.0 million higher year on year. In the period 1–9/2020, the negative net financing cash flow primarily reflected interest expenses on subordinated debt.

The closing balance of cash and cash equivalents increased by EUR 27.1 million from year-end 2019, also due to the acquisition of Vita. In 1–9/2020, the net increase in cash and cash equivalents was EUR 16.2 million higher year on year, mainly as the result of higher profits, lower tax expenses and cash disbursements in investing activities.

### 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 <sup>10</sup>	Outlook	Latest review
Standard & Poor's	A	stable	August 2020: affirmed existing rating
AM Best	A	stable	October 2020: affirmed existing rating

<sup>10</sup> 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 Sep 2020	31 Dec 2019	Change
Zavarovalnica Sava (SLO)	1,302.6	1,332.3	-29.7
Sava Neživotno Osiguranje (SRB)	332.6	358.5	-25.9
Sava Osiguruvanje (NMK)	222.3	224.8	-2.4
Illyria (RKS)	202.0	195.5	6.5
Sava Osiguranje (MNE)	128.5	127.5	1.0
Sava Re (SLO)	121.1	115.1	6.0
Sava Životno Osiguranje (SRB)	77.9	80.9	-3.0
Illyria Life (RKS)	60.0	70.0	-10.0
Sava Car (MNE)	47.8	47.0	0.8
Vita (SLO)	46.2	0.0	46.2
Sava Penzisko Društvo (NMK)	33.0	32.0	1.0
Sava Infond (SLO)	31.7	32.2	-0.5
TBS Team 24 (SLO)	27.3	33.0	-5.7
ZS Svetovanje (SLO)	25.0	26.5	-1.5
Sava Agent (MNE)	17.0	18.3	-1.3
Sava Pokojninska (SLO)	13.0	13.0	0.0
Sava Station (NMK)	10.3	8.8	1.6
Ornatus KC (SLO)	8.0	8.0	0.0
<b>Total</b>	<b>2,706.3</b>	<b>2,723.3</b>	<b>-17.0</b>

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. Vita brought along 46 employees when joining the Group.

## **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, risk affecting the investment portfolio, 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 2019 Sava Insurance Group annual report and are therefore not repeated in this report.

### **5.1 Covid-19–related risks**

The year 2020 is special with regard to Covid-19–related risks because it is difficult to predict potential effects of Covid-19 and the realisation of individual types of risk. These risks at the Group and individual company levels are identified, monitored, measured and reported on in order to ensure the timely adoption of necessary risk management measures.

To assess the impact of Covid-19 on operations, we revised the 2020 plan and reassessed the Group's solvency position at the end of 2020 and for the 2021–2024 period. The revised plan showed that the solvency ratio was at a high level and met statutory requirements as well as requirements under the Group's risk strategy. A large-impact stress scenario has also been carried out assuming impacts from the 2008–2009 financial crisis, which revealed that the Sava Insurance Group will remain adequately capitalised should such a scenario arise in the future. The revised strategic plan was approved in August 2020.

After the reporting date, the Group was faced with new Covid-19–related circumstances that had arisen in certain EU insurance markets and in the United Kingdom and that were in contrast to previously obtained legal advice. These primarily included legal and regulatory practices and other material facts related to potential additional adverse effects of the Covid-19 pandemic on the operations of the insurer Zavarovalnica Sava and the reinsurer Sava Re. These new circumstances primarily pertain to Covid-19–related claims on policies written in the market of the Republic of Ireland (under freedom of services rules) and reinsurance contracts written in the United Kingdom for business interruption coverage as part of property policies, which under new court and regulatory practices may potentially have an adverse effect on the Group's business results and solvency position. In line with preliminary estimates, in the last quarter of 2020, the Group will most likely set a claims provision of up to EUR 10 million for potential legal expenses and reinsurance claims in this regard.

Exposure to Covid-19–related risks is detailed under individual risk headings.

### **5.2 Group capital adequacy and capital management**

The Sava Insurance Group calculates its solvency position using the Solvency II standard formula. The calculation of the Group's solvency position as at 31 December 2019 shows that the Group is well capitalised and has a solvency ratio of 220%. The Group's Solvency Capital Requirement (hereinafter: Group SCR) totalled EUR 237.7 million as at 31 December 2019, and eligible own funds to meet the Group SCR were EUR 522.0 million. Details on the valuation, the calculation of eligible own funds and the Group's SCR as at 31 December 2019 are set out in the "Solvency and financial condition report of the Sava Insurance Group 2019" available on the Sava Re website.

The Group's eligible own funds as at 30 June 2020 grew slightly compared to 31 December 2019, primarily as the result of the acquisition of the insurer Vita. In addition, the Group's risk profile changed

as at 30 June 2020, also due to the acquisition of Vita. The Group's largest exposure remains to non-life underwriting risk; however, the proportion of the Group's exposure to life-underwriting risk increased when Vita joined the Group. The Group's unaudited solvency ratio was 197% as at 30 June 2020. Despite Covid-19, the Group maintains a high solvency ratio.

A major impact on the solvency ratio could result from the realisation of Covid-19-related market or underwriting risks; however, thanks to a high solvency ratio, insolvency risk remains low.

### **5.3 Underwriting risks**

The Group's insurance companies assume risk from policyholders and mostly transfer excess risk to Sava Re. Sava Re also assumes 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 loss events. 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 one p.p. rise/drop in the Group's net combined ratio relating to non-life (re)insurance business in the first three quarters of 2020 would decrease/increase its profit before tax by EUR 3.8 million in the period (1–9/2019: EUR 3.5 million).

The Group's exposure to underwriting risk did not change significantly in the period 1–9/2020 compared to year-end 2019. The risk of potential major claims has increased in the market of the Republic of Ireland (direct underwriting of insurance business in the EU under the freedom of services rules) and the market of the United Kingdom (reinsurance business) related to business interruption coverage. In line with preliminary estimates, in the last quarter of 2020, the Group will most likely set a claims provision of up to EUR 10 million for potential legal expenses and reinsurance claims in this regard. To date, we have observed no increase in risk in other portfolios or with regard to trip cancellation, event cancellation or other potential Covid-19-related claims. In addition to its impact on claims, the Covid-19 pandemic also resulted in slightly lower premium income generated by the Group's non-Slovenian non-life insurers. The Group's other operating segments were unaffected by the pandemic premium-wise.

### **5.4 Financial risks**

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

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.

#### 5.4.1 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 investments covering investment contract liabilities totalled EUR 152.9 million as at 30 September 2020, up by EUR 1.7 million from 31 December 2019.

Financial market volatility decreased in the third quarter. The third quarter rise in the value of financial instruments improved returns on financial investments and allowed for lower provisions to be set aside to cover potential losses incurred in the event of failure to realise guaranteed returns.

The risk of failing to achieve guaranteed returns decreased modestly compared to year-end 2019.

##### *Traditional and unit-linked life insurance contracts*

The Group is exposed to the risk of failure to realise the guaranteed return on its traditional life business and unit-linked life business with a guaranteed fund unit value. The realised book return on financial investments exceeds the guaranteed return on the liabilities side for the period 1–9/2020 by EUR 189.7 thousand (1–9/2019: loss of EUR 320.0 thousand).

#### 5.4.2 Investment property risk

As at 30 September 2020, the value of the Group's investments exposed to property risk stood at EUR 22.7 million (31 December 2019: EUR 20.7 million) and did not substantially change compared to the previous period.

In addition to investment property, real estate funds shown as alternative investments under financial investments are also exposed to this risk.

The risk of alternative investments has been determined based on stressed values as prescribed under Solvency II regulations for the capital adequacy calculation. We assumed a 15% decrease in the value of investment property and real estate funds.

A shock would reduce the value of the Group's investments sensitive to investment property risk by EUR 3.4 million (31 December 2019: EUR 3.1 million).

Property risk remained at approximately the same level.

#### 5.4.3 Market risk

As part of market risks, the Group makes assessments of interest rate risk, equity risk and currency risk.

The investment portfolio sensitive to market risk as at 30 September 2020 of EUR 1,585.6 million grew by EUR 344.2 million from 31 December 2019, mainly due to Vita joining the Group.

##### *Interest rate risk*

The total value of investments included in the calculation as at 30 September 2020 was EUR 1,388.6 million (31 December 2019: EUR 1,100.0 million). Of this, EUR 668.0 million (31 December 2019:

EUR 706.6 million) relates to assets of non-life insurers and the reinsurer, and EUR 720.6 million (31 December 2019: EUR 393.5 million) to assets of life insurers.

The average maturity of non-life insurance and reinsurance assets was 4.06 years as at 30 September 2020, whereas the expected maturity of non-life and reinsurance obligations was 2.15 years.

The average maturity of life insurance assets was 6.14 years as at 30 September 2020, and the expected duration of life insurance obligations was 6.25 years.

Interest rate risk remained broadly flat in the latest reporting period.

### *Equity risk*

The value of investments that the Company included in the equity risk calculation totalled EUR 68.7 million as at 30 September 2020 (31 December 2019: EUR 42.9 million). A 10% drop in equity prices would result in a decline of EUR 6.9 million (31 December 2019: EUR 4.3 million). The increased balance in equity securities is related to the inclusion of the Vita portfolio.

We assess that the risk increased slightly over the recent reporting period due to jumps in stock prices.

### *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 2020, the position was 99.2% matched according to the ALM aspect (31 December 2019: 99.6%) and 96.2% matched according to the accounting aspect (31 December 2019: 96.0%).

Matching risk remained at about the same level in the period.

## 5.4.4 Credit risk

As at 30 September 2020, fixed-rate investments rated “A” or better accounted for 57.4% of the total fixed-rate portfolio (31 December 2019: 60.9%). In the 2020 reporting period, the proportions of the best-rated investments dropped moderately compared to the prior year-end.

As at 30 September 2020, the exposure to the ten largest issuers was EUR 454.8 million, representing 28.3% of financial investments (31 December 2019: EUR 388.4 million; 30.7%), with the largest exposure of the Group to any single issuer being the Republic of Slovenia (30 September 2020: EUR 135.3 million; 8.4%; 31 December 2019: EUR 79.2 million; 6.3%), and the maximum single exposure to any commercial issuer was 4.1% 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 1–9/2020.

The Covid-19 outbreak led to reduced economic activity and destabilised financial markets, affecting the credit risk relating to the portfolio of financial investments. We estimate that credit risk increased due to the larger proportion of corporate bonds and the outbreak of the Covid-19 pandemic.

## 5.4.5 Liquidity risk

In the reporting period, the Company did not change its monitoring or management of liquidity risk, nor did the Company register any situation associated with the Covid-19 outbreak that would affect

the provision of liquidity in a material way. We assess that liquidity risk did rise moderately as the result of the pandemic but remains low.

## **5.5 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.

Operational risks are not among the Group's most significant risks. In the third quarter, the Group's exposure to operational risk increased compared to year-end 2019, but this decreased modestly compared to the first quarter. In the first quarter, the Group started analysing developments related to Covid-19 and took appropriate measures. These activities continued in the third quarter. All Group companies prepared appropriate measures to ensure the smooth running of all critical business functions and processes. Business processes continued running smoothly, with nearly no disruptions, even though steered by staff working from home. Activities launched were also aimed at limiting and adequately managing cyber risk. We assess that the Group's operational risk was managed adequately during the emergency situation.

## **5.6 Strategic risks**

Strategic risks are by nature very diverse, difficult to quantify and heavily dependent on various (including external) factors. The Group and its subsidiaries 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. In addition, we seek to quantify key strategic risks by analysing diverse scenarios.

In the first three quarters of 2020, there was a significant rise in the Group's exposure to strategic risk compared to year-end 2019 due to Covid-19. In the first quarter of the year, falls in financial markets led to reduced returns on financial investments and, consequently, to smaller profits, but the third quarter saw financial markets recover at least partially. The health emergency also had a negative effect on underwriting. On the one hand, the loss experience was more benign due to restrictions on movement and activities. On the other, there is a risk of a potential large number of business interruption claims in certain markets (see section 5.1 for details).

As early as in the first quarter, the Group started assessing the situation and introducing relevant mitigating measures, which is still ongoing: intensified monitoring of developments and risks in the Group companies and introducing activities to mitigate negative impacts on operations, continuous monitoring of sales and business performance, analysing potential impacts of Covid-19 and preparing a revised strategic plan.

We assess that the Group's strategic risk was also managed adequately during the emergency situation. However, this remains high as circumstances continue to deteriorate, and potential further impacts on the achievement of business and strategic plans are expected.

## **5.7 Risk exposure up to year-end 2020**

The main risks that the Group is exposed to remain underwriting risk, followed by market risk. The realisation of underwriting risk is fortuitous. Underwriting risk could be realised to a larger extent as the result of a larger number of catastrophic events (in Slovenia and abroad) or Covid-19 in relation to business interruption in certain business segments (see section 5.1 for details). After the value of

investments fell in the first quarter as financial markets responded to Covid-19, we saw the value of investments rise in the second and third quarter of 2020. With the number of infections rising again, conditions until the end of the year remain unpredictable. Until the year-end, financial risk could be realised to a larger extent as we again see adverse movements in financial markets. This likelihood is increased due to Covid-19. Risks also arise out of the overall economic downturn and the fact that certain industries have been weakened by the measures aimed at containing the crisis. We expect exposure to strategic and operational risk to remain unchanged and elevated until the end of 2020. Since the situation remains unpredictable, we will continue to monitor it closely.

## **Summary of Sava Insurance Group financial statements with notes**





## 6 Unaudited condensed financial statements

### 6.1 Unaudited statement of financial position

EUR	Sava Insurance Group		Sava Re	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
<b>ASSETS</b>	<b>2,436,328,701</b>	<b>1,885,953,003</b>	<b>763,126,353</b>	<b>735,585,561</b>
Intangible assets	62,074,722	61,060,069	1,672,163	1,294,110
Property, plant and equipment	48,455,266	47,615,710	2,360,260	2,507,611
Right-of-use assets	8,891,017	9,974,252	143,565	115,400
Deferred tax assets	2,796,288	2,044,124	1,196,407	1,141,098
Investment property	16,615,011	16,695,132	8,068,543	8,142,714
Financial investments in subsidiaries and associates	13,763,421	581,104	318,028,308	238,177,654
<b>Financial investments:</b>	<b>1,373,716,097</b>	<b>1,064,874,239</b>	<b>258,944,009</b>	<b>296,096,594</b>
- Loans and deposits	29,747,391	53,363,639	12,591,516	32,047,969
- Held to maturity	39,916,905	41,586,644	2,048,404	2,075,784
- Available for sale	1,275,550,182	943,663,578	236,014,423	255,270,080
- At fair value through profit or loss	28,501,619	26,260,378	8,289,665	6,702,761
<b>Assets held for the benefit of policyholders who bear the investment risk</b>	<b>373,057,338</b>	<b>213,159,889</b>	<b>0</b>	<b>0</b>
<b>Reinsurers' share of technical provisions</b>	<b>48,948,209</b>	<b>38,620,539</b>	<b>37,098,426</b>	<b>31,159,308</b>
<b>Investment contract assets</b>	<b>152,934,620</b>	<b>151,197,102</b>	<b>0</b>	<b>0</b>
<b>Receivables</b>	<b>169,039,679</b>	<b>159,413,917</b>	<b>92,272,382</b>	<b>97,024,000</b>
Receivables arising out of primary insurance business	151,402,361	139,954,356	88,127,825	89,537,760
Receivables arising out of reinsurance and co-insurance business	7,523,363	6,734,564	3,763,161	4,214,830
Current tax assets	61,262	3,002,507	0	2,802,044
Other receivables	10,052,693	9,722,490	381,396	469,366
<b>Deferred acquisition costs</b>	<b>26,870,763</b>	<b>23,500,521</b>	<b>8,071,692</b>	<b>6,554,598</b>
<b>Other assets</b>	<b>4,820,056</b>	<b>2,841,516</b>	<b>475,876</b>	<b>441,253</b>
<b>Cash and cash equivalents</b>	<b>133,777,858</b>	<b>93,804,031</b>	<b>34,794,722</b>	<b>52,931,222</b>
<b>Non-current assets held for sale</b>	<b>568,356</b>	<b>570,858</b>	<b>0</b>	<b>0</b>
<b>EQUITY AND LIABILITIES</b>	<b>2,436,328,701</b>	<b>1,885,953,003</b>	<b>763,126,353</b>	<b>735,585,561</b>
<b>Equity</b>	<b>438,315,694</b>	<b>384,776,847</b>	<b>344,689,802</b>	<b>343,920,689</b>
Share capital	71,856,376	71,856,376	71,856,376	71,856,376
Capital reserves	43,035,948	43,035,948	54,239,757	54,239,757
Profit reserves	202,260,323	202,170,501	202,818,558	202,818,558
Own shares	-24,938,709	-24,938,709	-24,938,709	-24,938,709
Fair value reserve	27,169,369	20,718,610	5,015,234	5,217,524
Reserve due to fair value revaluation	815,558	924,038	3,496	21,376
Retained earnings	73,656,896	42,128,483	34,777,321	14,517,789
Net profit or loss for the period	47,472,124	31,546,718	917,768	20,188,017
Translation reserve	-3,458,226	-3,168,414	0	0
<b>Equity attributable to owners of the controlling company</b>	<b>437,869,659</b>	<b>384,273,551</b>	<b>344,689,802</b>	<b>343,920,689</b>
<b>Non-controlling interests in equity</b>	<b>446,035</b>	<b>503,296</b>	<b>0</b>	<b>0</b>
<b>Subordinated liabilities</b>	<b>76,974,559</b>	<b>74,822,710</b>	<b>76,974,559</b>	<b>74,822,710</b>
<b>Technical provisions</b>	<b>1,266,767,160</b>	<b>933,952,709</b>	<b>291,256,508</b>	<b>261,338,591</b>
Unearned premiums	244,249,869	207,895,397	74,010,000	54,588,057
Technical provisions for life insurance business	477,912,085	211,877,103	0	0
Provision for outstanding claims	531,906,071	502,914,277	215,004,455	205,064,638
Other technical provisions	12,699,135	11,265,932	2,242,052	1,685,896
<b>Technical provision for the benefit of life insurance policyholders who bear the investment risk</b>	<b>375,614,894</b>	<b>220,613,698</b>	<b>0</b>	<b>0</b>
<b>Other provisions</b>	<b>9,709,358</b>	<b>8,705,469</b>	<b>472,146</b>	<b>466,901</b>
<b>Deferred tax liabilities</b>	<b>10,808,211</b>	<b>5,294,664</b>	<b>76,227</b>	<b>76,227</b>
<b>Investment contract liabilities</b>	<b>152,791,271</b>	<b>151,040,643</b>	<b>0</b>	<b>0</b>
<b>Other financial liabilities</b>	<b>343,003</b>	<b>355,908</b>	<b>20,000</b>	<b>87,504</b>
<b>Liabilities from operating activities</b>	<b>59,908,767</b>	<b>61,290,549</b>	<b>45,847,681</b>	<b>51,086,602</b>
Liabilities from primary insurance business	45,741,399	50,356,998	40,033,679	44,373,937
Liabilities from reinsurance and co-insurance business	10,046,727	9,300,437	5,660,173	6,712,665
Current income tax liabilities	4,120,641	1,633,114	153,829	0
<b>Lease liability</b>	<b>9,574,636</b>	<b>10,448,915</b>	<b>146,925</b>	<b>115,491</b>
<b>Other liabilities</b>	<b>35,521,148</b>	<b>34,650,891</b>	<b>3,642,505</b>	<b>3,670,845</b>

## 6.2 Unaudited income statement

EUR	Sava Insurance Group		Sava Re	
	1–9/2020	1–9/2019	1–9/2020	1–9/2019
<b>Net premiums earned</b>	<b>461,830,731</b>	<b>402,090,977</b>	<b>112,907,658</b>	<b>99,419,727</b>
Gross premiums written	529,632,438	471,117,105	156,158,568	136,756,965
Written premiums ceded to reinsurers and co-insurers	-37,533,765	-31,674,961	-27,895,420	-23,127,067
Change in gross unearned premiums	-35,833,265	-43,967,208	-19,421,943	-19,798,054
Change in unearned premiums, reinsurers' and co-insurers' shares	5,565,323	6,616,041	4,066,454	5,587,882
<b>Income from investments in subsidiaries and associates</b>	<b>249,364</b>	<b>2,717,909</b>	<b>1,371,786</b>	<b>34,947,396</b>
Profit from investments in equity-accounted associate companies	249,364	0	0	0
Other income	0	2,717,909	1,371,786	0
<b>Investment income</b>	<b>19,344,130</b>	<b>16,563,269</b>	<b>4,878,054</b>	<b>6,553,075</b>
Interest income	11,552,463	10,516,470	2,367,668	2,573,203
Other investment income	7,791,667	6,046,799	2,510,386	3,979,872
<b>Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk</b>	<b>0</b>	<b>16,551,565</b>	<b>0</b>	<b>0</b>
<b>Other technical income</b>	<b>9,867,279</b>	<b>12,779,290</b>	<b>3,340,903</b>	<b>3,188,787</b>
Commission income	4,365,918	3,654,802	3,035,640	2,307,937
Other technical income	5,501,361	9,124,488	305,263	880,850
<b>Other income</b>	<b>22,178,422</b>	<b>9,225,249</b>	<b>602,972</b>	<b>594,753</b>
<b>Net claims incurred</b>	<b>-306,941,553</b>	<b>-286,899,084</b>	<b>-71,448,150</b>	<b>-65,796,195</b>
Gross claims paid, net of income from recourse receivables	-292,584,118	-281,951,986	-67,795,926	-63,895,006
Reinsurers' and co-insurers' shares	3,699,762	7,224,941	4,414,929	4,807,040
Change in the gross provision for outstanding claims	-21,506,022	-15,639,483	-9,939,817	-8,323,131
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	3,448,825	3,467,444	1,872,664	1,614,902
<b>Change in other technical provisions</b>	<b>24,930,466</b>	<b>29,807,947</b>	<b>-581,745</b>	<b>-107,810</b>
<b>Change in technical provisions for policyholders who bear the investment risk</b>	<b>-182,180</b>	<b>-8,778,847</b>	<b>0</b>	<b>0</b>
<b>Expenses for bonuses and rebates</b>	<b>-105,828</b>	<b>134,737</b>	<b>25,589</b>	<b>124,427</b>
<b>Operating expenses</b>	<b>-144,387,769</b>	<b>-132,796,499</b>	<b>-38,682,701</b>	<b>-36,590,453</b>
Acquisition costs	-55,406,857	-49,650,746	-31,136,940	-28,273,861
Change in deferred acquisition costs	3,634,449	4,218,796	1,517,094	452,470
Other operating expenses	-92,615,361	-87,364,549	-9,062,854	-8,769,062
<b>Expenses for investments in associates and impairment losses on goodwill</b>	<b>-2,096,868</b>	<b>-24,414</b>	<b>-2,239,187</b>	<b>0</b>
Goodwill impairment losses, impairment of subsidiaries and associates	-2,096,868	0	-2,239,187	0
Loss arising out of investments in equity-accounted associate	0	-24,414	0	0
<b>Expenses for financial assets and liabilities</b>	<b>-8,588,360</b>	<b>-870,182</b>	<b>-6,371,285</b>	<b>-201,218</b>
Impairment losses on financial assets not at fair value through profit or loss	-429,355	0	-429,356	0
Interest expense	-2,347,831	-134,652	-2,167,960	-369
Other investment expenses	-5,811,174	-735,530	-3,773,969	-200,849
<b>Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk</b>	<b>-2,851,612</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other technical expenses</b>	<b>-14,779,380</b>	<b>-10,752,041</b>	<b>-2,343,311</b>	<b>-161,502</b>
<b>Other expenses</b>	<b>-1,447,775</b>	<b>-2,095,039</b>	<b>-179,867</b>	<b>-243,258</b>
<b>Profit or loss before tax</b>	<b>57,019,067</b>	<b>47,654,837</b>	<b>1,280,717</b>	<b>41,727,730</b>
Income tax expense	-9,429,257	-9,999,593	-362,949	-1,999,613
<b>Net profit or loss for the period</b>	<b>47,589,810</b>	<b>37,655,244</b>	<b>917,768</b>	<b>39,728,117</b>
<b>Net profit or loss attributable to owners of the controlling company</b>	<b>47,472,124</b>	<b>37,506,573</b>	<b>-</b>	<b>-</b>
<b>Net profit or loss attributable to non-controlling interests</b>	<b>117,686</b>	<b>148,671</b>	<b>-</b>	<b>-</b>
<b>Earnings per share (basic and diluted)</b>	<b>3.06</b>	<b>2.42</b>	<b>-</b>	<b>-</b>

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 statement of other comprehensive income

EUR	Sava Insurance Group		Sava Re	
	1-9/2020	1-9/2019	1-9/2020	1-9/2019
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	47,589,810	37,655,244	917,768	39,728,117
OTHER COMPREHENSIVE INCOME, NET OF TAX	6,051,395	14,026,918	-220,170	3,111,988
a) Items that will not be reclassified subsequently to profit or loss	-108,480	16,799	-17,880	-47,000
Other items that will not be reclassified subsequently to profit or loss	-206,008	16,799	-17,880	-47,000
Tax on items that will not be reclassified subsequently to profit or loss	97,528	0	0	0
b) Items that may be reclassified subsequently to profit or loss	6,159,875	14,010,119	-202,290	3,158,988
Net gains/losses on remeasuring available-for-sale financial assets	8,104,933	16,914,229	-249,742	3,899,987
Net change recognised in the fair value reserve	10,190,945	17,187,897	-249,742	3,914,487
Net change transferred from fair value reserve to profit or loss	-2,086,012	-273,668	0	-14,500
Tax on items that may be reclassified subsequently to profit or loss	-1,653,554	-2,953,492	47,452	-740,998
Net gains or losses from translation of financial statements of non-domestic companies	-291,504	49,382	0	0
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	53,641,205	51,682,162	697,599	42,840,105
Attributable to owners of the controlling company	53,524,591	51,532,069	-	-
Attributable to non-controlling interests	116,614	150,093	-	-

## 6.4 Unaudited statement of cash flows

		Sava Insurance Group		Sava Re	
EUR		1–9/2020	1–9/2019	1–9/2020	1–9/2019
<b>A. Cash flows from operating activities</b>					
a)	Items of the income statement	54,835,699	19,173,163	5,120,824	3,061,436
	Net profit or loss for the period	47,589,810	37,655,244	917,768	39,728,117
	Adjustments for:				
2	Realised gains or losses on the disposal of property, plant and equipment assets	-124,327	-116,698	-22,352	-12,217
3	Gains or losses of equity-accounted subsidiary	-249,364	24,414	0	0
4	Impairment loss on intangible assets and goodwill	2,096,868	0	0	0
5	Other financial expenses/income	-17,429,333	-31,159,161	-1,915,032	-36,602,885
6	Depreciation/amortisation	7,115,349	5,620,464	539,295	536,641
7	Income tax expense	9,429,257	9,999,593	362,949	1,999,613
8	Net exchange differences	6,407,439	-2,850,692	5,238,196	-2,587,832
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	-2,354,316	-25,358,791	19,527,396	367,523
1.	Change in receivables from primary insurance	-11,448,005	-26,422,911	1,409,935	-16,772,709
2.	Change in receivables from reinsurance	-788,799	-266,865	451,669	1,443,879
3.	Change in other receivables from (re)insurance business	149,005	380,225	0	0
4.	Change in other receivables and other assets	-3,585,149	-4,175,932	1,282,989	-2,423,838
6.	Change in inventories	-26,880	10,481	0	0
7.	Change in liabilities arising out of primary insurance	-4,615,599	3,003,040	-4,340,258	1,384,229
8.	Change in liabilities arising out of reinsurance business	746,290	4,946,363	-1,052,492	3,549,781
9.	Change in other operating liabilities	2,117,239	-277,819	77,575	-4,823,688
10.	Change in other liabilities (except unearned premiums)	719,745	-22,895,119	-1,280,329	1,331,265
11.	Change in technical provisions	19,747,715	28,494,106	24,004,388	21,026,210
	- change in unearned premiums	30,267,942	37,351,167	15,355,489	14,210,171
	- change in provision for outstanding claims	18,057,197	12,172,039	8,067,154	6,708,229
	- change in other technical provisions	-1,914,569	-451,817	581,745	107,810
	- change in mathematical provision	-26,845,035	-29,356,130	0	0
	- change in mathematical provision for policyholders who bear the investment risk	182,180	8,778,847	0	0
12	Tax expense	-5,369,878	-8,154,360	-1,026,080	-4,347,607
c)	Net cash from/used in operating activities (a + b)	52,481,383	-6,185,628	24,648,220	3,428,959
<b>B. Cash flows from investing activities</b>					
a)	Cash receipts from investing activities	334,882,579	123,750,064	50,842,986	115,674,158
1.	Interest received from investing activities	11,552,463	10,516,470	2,367,668	2,573,203
2.	Cash receipts from dividends and participation in the profit of others	1,028,610	1,343,707	1,602,196	35,690,848
3.	Proceeds from sale of intangible assets	184,198	34,090	0	0
4.	Proceeds from sale of property, plant and equipment	513,685	229,653	35,264	6,839
5.	Proceeds from disposal of financial investments	321,603,623	111,626,144	46,837,858	77,403,268
5.2.	Other proceeds from disposal of financial investments	321,603,623	111,626,144	46,837,858	77,403,268
b)	Cash disbursements in investing activities	-356,893,541	-91,710,603	-91,396,377	-94,550,762
1.	Purchase of intangible assets	-3,861,644	-1,379,807	-566,317	-253,451
2.	Purchase of property, plant and equipment	-3,950,933	-3,347,764	-99,994	-86,155
3.	Purchase of long-term financial investments	-349,080,964	-86,983,032	-90,730,066	-94,211,156
3.1.	Purchase of subsidiary companies	-82,089,797	-24,128,199	-82,089,797	-24,128,199
3.2.	Other disbursements to acquire financial investments	-266,991,167	-62,854,833	-8,640,269	-70,082,957
c)	Net cash from/used in investing activities (a + b)	-22,010,962	32,039,461	-40,553,391	21,123,397
<b>C. Cash flows from financing activities</b>					
b)	Cash disbursements in financing activities	-3,395,985	-15,021,965	-2,231,328	-14,723,180
1.	Interest paid	-2,347,831	-134,652	-2,167,960	-369
3.	Repayment of long-term financial liabilities	-874,279	0	-63,367	0
5.	Dividends and other profit participations paid	-173,875	-14,887,313	0	-14,722,811
c)	Net cash from/used in financing activities (a + b)	-3,395,985	-15,021,965	-2,231,328	-14,723,180
<b>C2. Closing balance of cash and cash equivalents</b>		<b>133,777,858</b>	<b>78,196,028</b>	<b>34,794,722</b>	<b>20,480,627</b>
x)	Net increase or decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	27,074,436	10,831,868	-18,136,499	9,829,176
y)	Opening balance of cash and cash equivalents	93,804,031	64,657,431	52,931,222	10,651,452
	Opening balance of cash and cash equivalents – acquisition	12,899,391	2,706,729	0	0

## 6.5 Unaudited statement of changes in equity

### Unaudited statement of changes in equity for the period 1 January – 30 Sep 2020

Sava Insurance Group															
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	11,863,211	24,938,709	11,225,068	154,143,513	20,718,610	924,038	42,128,483	31,546,718	-24,938,709	-3,168,414	384,273,551	503,296	384,776,847
Opening balance in the financial period	71,856,376	43,035,948	11,863,211	24,938,709	11,225,068	154,143,513	20,718,610	924,038	42,128,483	31,546,718	-24,938,709	-3,168,414	384,273,551	503,296	384,776,847
Comprehensive income for the period, net of tax	0	0	0	0	0	0	6,450,759	-108,480	0	47,472,124	0	-289,812	53,524,591	116,614	53,641,205
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	47,472,124	0	0	47,472,124	117,686	47,589,810
b) Other comprehensive income	0	0	0	0	0	0	6,450,759	-108,480	0	0	0	-289,812	6,052,467	-1,072	6,051,395
Transactions with owners – payouts	0	0	62,108	0	0	27,714	0	0	-89,822	0	0	0	0	-173,875	-173,875
Dividend distributions (accounted)	0	0	0	0	0	0	0	0	0	0	0	0	0	-173,875	-173,875
Allocation of net profit to profit reserve	0	0	62,108	0	0	27,714	0	0	-89,822	0	0	0	0	0	0
Movements within equity	0	0	0	0	0	0	0	0	31,618,235	-31,546,718	0	0	71,517	0	71,517
Transfer of profit	0	0	0	0	0	0	0	0	31,546,718	-31,546,718	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	71,517	0	0	0	71,517	0	71,517
Closing balance in the financial period	71,856,376	43,035,948	11,925,319	24,938,709	11,225,068	154,171,227	27,169,369	815,558	73,656,896	47,472,124	-24,938,709	-3,458,226	437,869,659	446,035	438,315,694

Sava Re												
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	Total
			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	152,893,325	5,217,524	21,376	14,517,789	20,188,017	-24,938,709	343,920,689
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	152,893,325	5,217,524	21,376	14,517,789	20,188,017	-24,938,709	343,920,689
Comprehensive income for the period, net of tax	0	0	0	0	0	0	-202,290	-17,880	0	917,768	0	697,599
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	917,768	0	917,768
b) Other comprehensive income	0	0	0	0	0	0	-202,290	-17,880	0	0	0	-220,170
Movements within equity	0	0	0	0	0	0	0	0	20,259,532	-20,188,017	0	71,515
Transfer of profit	0	0	0	0	0	0	0	0	20,188,017	-20,188,017	0	0
Other	0	0	0	0	0	0	0	0	71,515	0	0	71,515
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	152,893,325	5,015,234	3,497	34,777,320	917,768	-24,938,709	344,689,802

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

Sava Insurance Group																
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	
Transactions with owners – payouts	0	0	122,252	0	0	10,672	0	0	-14,855,735	0	0	0	-14,722,811	-164,502	-14,887,313	
Dividend distributions (accounted)	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	
Movements within equity	0	0	0	0	0	0	0	0	21,843,940	-21,843,940	0	0	0	0	0	
Transfer of profit	0	0	0	0	0	0	0	0	21,843,940	-21,843,940	0	0	0	0	0	
Closing balance in the financial period	71,856,376	43,035,948	11,826,261	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	

Sava Re												
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	Total
			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
Transactions with owners – payouts	0	0	0	0	0	0	0	0	-14,722,811	0	0	-14,722,811
Dividend distributions (accounted)	0	0	0	0	0	0	0	0	-14,722,811	0	0	-14,722,811
Movements within equity	0	0	0	0	0	0	0	0	20,933,749	-20,933,749	0	0
Transfer of profit	0	0	0	0	0	0	0	0	20,933,749	-20,933,749	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	134,499,630	5,856,369	-6,228	16,312,110	39,728,117	-24,938,709	347,472,655

## **7 Notes to the consolidated financial statements**

The selected notes to the interim financial statements are significant to an understanding of the changes in financial position of the Group at the end of September 2020 compared to year-end 2019 and the performance of the Group in the first nine months of 2020 compared to the first nine months of 2019.

### **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 2019.

The financial statements with notes as at and for the nine months to 30 September 2020 have not been audited.

The interim financial statements as at 30 September 2020 have been prepared following the same accounting policies and computation methods as the annual financial statements for 2019.

### **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 1–9/2020 other than the effects of the Covid-19 pandemic, which are detailed in section 5.1 “Covid-19–related risks”.

### **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 8.8 million as at 30 September 2020. 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 provided in this 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 this 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 level of assets and technical provisions on a quarterly basis.

*Statement of financial position items by operating segment – assets as at 30 September 2020*

Sava Insurance Group 30 Sep 2020	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
<b>ASSETS</b>	<b>310,654,263</b>	<b>665,955,423</b>	<b>158,275,244</b>	<b>824,230,667</b>	<b>1,012,057,743</b>	<b>49,237,371</b>	<b>1,061,295,113</b>	<b>193,748,325</b>	<b>46,400,332</b>	<b>2,436,328,701</b>
Intangible assets	1,672,162	8,953,584	8,713,944	17,667,528	7,115,809	23,965	7,139,774	11,233,316	24,361,942	62,074,722
Property, plant and equipment	2,360,259	27,906,774	13,803,669	41,710,443	1,949,287	1,954,500	3,903,787	111,215	369,562	48,455,266
Right-of-use assets	96,884	4,272,979	4,371,181	8,644,160	28,547	14,562	43,109	81,832	25,032	8,891,017
Deferred tax assets	1,196,408	1,005,336	4,351	1,009,687	562,761	9,188	571,949	734	17,510	2,796,288
Investment property	8,068,542	3,326,039	4,766,333	8,092,372	37,260	0	37,260	0	416,837	16,615,011
Financial investments in associates	0	0	0	0	0	0	0	0	13,763,421	13,763,421
Financial investments:	178,058,167	444,839,977	88,443,666	533,283,643	597,139,582	38,075,507	635,215,088	25,422,867	1,736,333	1,373,716,097
- Loans and deposits	5,444,926	2,517,448	16,272,946	18,790,395	6,541	1,728,045	1,734,586	3,777,484	0	29,747,391
- Held to maturity	1,436,229	1,561,828	3,140,497	4,702,325	26,430,742	2,325,170	28,755,912	5,022,439	0	39,916,905
- Available for sale	165,480,432	432,425,409	67,571,090	499,996,499	565,389,821	33,285,149	598,674,970	11,398,283	0	1,275,550,182
- At fair value through profit or loss	5,696,580	8,335,291	1,459,133	9,794,424	5,312,478	737,143	6,049,621	5,224,661	1,736,333	28,501,619
Assets held for the benefit of policyholders who bear the investment risk	0	0	0	0	372,600,302	457,036	373,057,338	0	0	373,057,338
Reinsurers' share of technical provisions	8,518,935	33,129,337	6,676,393	39,805,729	622,855	689	623,544	0	0	48,948,209
Investment contract assets	0	0	0	0	0	0	0	152,934,620	0	152,934,620
Receivables	70,149,694	78,668,960	16,381,386	95,050,346	1,664,682	734,631	2,399,313	13,900	1,426,426	169,039,679
Receivables arising out of primary insurance business	66,080,231	72,685,707	10,713,538	83,399,245	1,328,885	589,961	1,918,846	4,039	0	151,402,361
Receivables arising out of reinsurance and co-insurance business	3,763,161	3,231,607	513,591	3,745,198	15,018	-14	15,004	0	0	7,523,363
Current tax assets	0	0	165,238	165,238	0	0	0	0	-103,976	61,262
Other receivables	306,302	2,751,646	4,989,019	7,740,665	320,779	144,684	465,463	9,861	1,530,402	10,052,693
Deferred acquisition costs	5,262,614	16,799,739	4,384,117	21,183,856	371,370	52,923	424,293	0	0	26,870,763
Other assets	475,876	2,542,051	995,581	3,537,632	260,816	20,304	281,120	288,664	236,764	4,820,056
Cash and cash equivalents	34,794,722	44,486,196	9,190,719	53,676,915	29,704,472	7,894,066	37,598,538	3,661,177	4,046,506	133,777,858
Non-current assets held for sale	0	24,451	543,905	568,356	0	0	0	0	0	568,356

*Statement of financial position items by operating segment – equity and liabilities as at 30 September 2020*

Sava Insurance Group 30 Sep 2020	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
<b>EQUITY AND LIABILITIES</b>	<b>360,737,510</b>	<b>600,924,212</b>	<b>153,262,477</b>	<b>754,186,689</b>	<b>974,980,341</b>	<b>43,559,090</b>	<b>1,018,539,431</b>	<b>193,810,416</b>	<b>109,054,649</b>	<b>2,436,328,701</b>
Subordinated liabilities	0	0	0	0	0	0	0	0	76,974,559	76,974,559
Technical provisions	184,783,973	478,256,743	104,895,495	583,152,238	459,863,566	28,376,691	488,240,257	10,590,692	0	1,266,767,160
Unearned premiums	35,847,785	169,563,215	37,748,762	207,311,977	823,988	266,119	1,090,107	0	0	244,249,869
Mathematical provisions	0	0	0	0	440,195,952	27,125,965	467,321,917	10,590,168	0	477,912,085
Provision for outstanding claims	146,938,487	301,258,263	63,880,564	365,138,827	18,843,626	984,607	19,828,233	524	0	531,906,071
Other technical provisions	1,997,701	7,435,265	3,266,169	10,701,434	0	0	0	0	0	12,699,135
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	374,556,876	1,058,018	375,614,894	0	0	375,614,894
Other provisions	472,146	5,813,887	1,469,530	7,283,417	1,549,129	8,309	1,557,438	172,708	223,649	9,709,358
Deferred tax liabilities	76,227	2,864,256	91,772	2,956,028	7,746,565	107,242	7,853,807	-77,851	0	10,808,211
Investment contract liabilities	0	0	0	0	0	0	0	152,791,271	0	152,791,271
Other financial liabilities	20,003	2	321,475	321,477	0	215	215	0	1,308	343,003
Liabilities from operating activities	31,742,022	13,312,644	3,594,215	16,906,859	10,662,571	436,958	11,099,529	66,393	93,964	59,908,767
Liabilities from primary insurance business	25,928,020	7,572,353	2,275,790	9,848,143	9,569,258	395,978	9,965,236	0	0	45,741,399
Liabilities from reinsurance and co-insurance business	5,660,173	3,182,070	1,112,028	4,294,098	92,459	-3	92,456	0	0	10,046,727
Current income tax liabilities	153,829	2,558,221	206,397	2,764,618	1,000,854	40,983	1,041,837	66,393	93,964	4,120,641
Lease liability	99,427	4,339,033	5,007,367	9,346,400	0	15,020	15,020	88,618	25,171	9,574,636
Other liabilities	3,638,408	18,516,525	5,537,436	24,053,961	4,051,807	649,664	4,701,471	993,966	2,133,341	35,521,148
Shareholders' equity										438,315,694
Equity attributable to owners of the controlling company										437,869,659
Non-controlling interests in equity										446,035

*Statement of financial position items by operating segment – assets as at 31 December 2019*

Sava Insurance Group 31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
<b>ASSETS</b>	<b>298,625,514</b>	<b>603,147,268</b>	<b>154,705,530</b>	<b>757,852,797</b>	<b>490,007,934</b>	<b>45,893,861</b>	<b>535,901,795</b>	<b>190,884,814</b>	<b>102,688,084</b>	<b>1,885,953,003</b>
Intangible assets	891,724	7,354,868	8,654,223	16,009,091	5,896,408	29,086	5,925,494	13,099,839	25,133,921	61,060,069
Property, plant and equipment	2,507,609	26,714,599	13,909,984	40,624,583	1,889,359	2,007,331	3,896,690	119,278	467,550	47,615,710
Right-of-use assets	30,853	4,463,261	5,350,660	9,813,921	0	21,532	21,532	105,436	2,510	9,974,252
Deferred tax assets	1,141,099	639,920	0	639,920	244,178	1,030	245,208	387	17,510	2,044,124
Investment property	8,142,714	3,300,880	4,790,362	8,091,242	38,266	0	38,266	0	422,910	16,695,132
Financial investments in associates	0	0	0	0	0	0	0	0	581,103	581,104
Financial investments:	174,162,291	448,185,266	92,607,855	540,793,120	245,743,594	38,199,758	283,943,353	25,191,766	40,783,709	1,064,874,239
- Loans and deposits	5,779,224	2,881,423	13,681,894	16,563,317	4,010,208	2,556,408	6,566,616	4,453,975	20,000,508	53,363,639
- Held to maturity	1,426,459	17,190,551	3,506,122	20,696,673	11,113,743	4,025,478	15,139,221	4,324,291	0	41,586,644
- Available for sale	162,350,533	421,046,903	72,948,012	493,994,915	225,821,861	30,696,014	256,517,876	11,782,721	19,017,533	943,663,578
- At fair value through profit or loss	4,606,075	7,066,389	2,471,827	9,538,216	4,797,782	921,858	5,719,640	4,630,779	1,765,668	26,260,378
Assets held for the benefit of policyholders who bear the investment risk	0	0	0	0	212,284,264	875,625	213,159,889	0	0	213,159,889
Reinsurers' share of technical provisions	8,683,681	24,178,390	5,628,400	29,806,790	107,813	22,255	130,068	0	0	38,620,539
Investment contract assets	0	0	0	0	0	0	0	151,197,102	0	151,197,102
Receivables	75,742,820	67,105,872	13,290,126	80,395,998	806,629	677,652	1,484,281	55,819	1,734,999	159,413,917
Receivables arising out of primary insurance business	68,309,854	61,956,001	8,311,675	70,267,676	765,470	599,472	1,364,942	11,884	0	139,954,356
Receivables arising out of reinsurance and co-insurance business	4,214,830	2,083,275	430,592	2,513,867	0	5,867	5,867	0	0	6,734,564
Current tax assets	2,802,044	0	159,219	159,219	0	0	0	41,244	0	3,002,507
Other receivables	416,092	3,066,596	4,388,640	7,455,236	41,159	72,313	113,472	2,691	1,734,999	9,722,490
Deferred acquisition costs	4,950,425	13,092,210	4,979,149	18,071,359	439,559	39,178	478,737	0	0	23,500,521
Other assets	441,253	1,216,743	707,741	1,924,484	0	29,051	29,051	260,699	186,029	2,841,516
Cash and cash equivalents	21,931,044	6,870,808	4,240,623	11,111,431	22,557,864	3,991,362	26,549,226	854,488	33,357,842	93,804,031
Non-current assets held for sale	0	24,451	546,407	570,858	0	0	0	0	0	570,858

*Statement of financial position items by operating segment – equity and liabilities as at 31 December 2019*

Sava Insurance Group 31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
<b>EQUITY AND LIABILITIES</b>	<b>367,798,941</b>	<b>552,898,521</b>	<b>150,448,073</b>	<b>703,346,595</b>	<b>472,078,939</b>	<b>44,714,957</b>	<b>516,793,896</b>	<b>191,096,763</b>	<b>106,916,803</b>	<b>1,885,953,003</b>
Subordinated liabilities	0	0	0	0	0	0	0	0	74,822,710	74,822,710
Technical provisions	170,080,102	436,211,501	98,321,928	534,533,429	193,127,114	27,613,972	220,741,086	8,598,092	0	933,952,709
Unearned premiums	25,100,729	143,184,999	38,631,915	181,816,914	689,607	288,147	977,754	0	0	207,895,397
Mathematical provisions	0	0	0	0	176,803,531	26,475,532	203,279,063	8,598,040	0	211,877,103
Provision for outstanding claims	143,563,417	285,671,540	57,194,999	342,866,539	15,633,976	850,293	16,484,269	52	0	502,914,277
Other technical provisions	1,415,956	7,354,962	2,495,014	9,849,976	0	0	0	0	0	11,265,932
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	219,142,364	1,471,334	220,613,698	0	0	220,613,698
Other provisions	466,901	5,384,572	1,334,068	6,718,640	1,137,841	6,617	1,144,458	150,441	225,029	8,705,469
Deferred tax liabilities	76,227	2,433,270	204,397	2,637,667	2,471,341	119,701	2,591,042	-10,272	0	5,294,664
Investment contract liabilities	0	0	0	0	0	0	0	151,040,643	0	151,040,643
Other financial liabilities	87,505	0	267,374	267,374	0	1,029	1,029	0	0	355,908
Liabilities from operating activities	37,944,541	9,912,042	3,569,373	13,481,415	9,204,616	319,943	9,524,559	0	340,034	61,290,549
Liabilities from primary insurance business	31,231,876	7,524,823	2,488,649	10,013,472	8,830,988	280,662	9,111,650	0	0	50,356,998
Liabilities from reinsurance and co-insurance business	6,712,665	1,764,935	788,214	2,553,149	12,353	22,270	34,623	0	0	9,300,437
Current income tax liabilities	0	622,284	292,510	914,794	361,275	17,011	378,286	0	340,034	1,633,114
Lease liability	30,942	4,535,643	5,676,898	10,212,541	0	21,894	21,894	150,899	32,639	10,448,915
Other liabilities	3,667,315	20,107,001	5,484,569	25,591,570	2,046,117	700,701	2,746,818	677,389	1,967,799	34,650,891
Shareholders' equity										384,776,847
Equity attributable to owners of the controlling company										384,273,551
Non-controlling interests in equity										503,296

# Income statement items by operating segment 1–9/2020

Sava Insurance Group EUR 1–9/2020	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
<b>Net premiums earned</b>	<b>70,180,430</b>	<b>244,325,467</b>	<b>55,169,155</b>	<b>299,494,621</b>	<b>82,198,479</b>	<b>7,439,783</b>	<b>89,638,262</b>	<b>2,517,418</b>	<b>0</b>	<b>461,830,731</b>
Gross premiums written	84,943,518	292,950,781	59,445,712	352,396,493	82,343,320	7,431,689	89,775,009	2,517,418	0	529,632,438
Written premiums ceded to reinsurers and co-insurers	-5,119,989	-26,785,556	-5,383,163	-32,168,719	-233,841	-11,216	-245,057	0	0	-37,533,765
Change in gross unearned premiums	-10,747,056	-25,722,413	515,086	-25,207,327	100,270	20,848	121,118	0	0	-35,833,265
Change in unearned premiums, reinsurers' and co-insurers' shares	1,103,957	3,882,654	591,520	4,474,174	-11,270	-1,538	-12,808	0	0	5,565,323
<b>Investment income</b>	<b>3,375,391</b>	<b>5,114,043</b>	<b>2,079,426</b>	<b>7,193,468</b>	<b>7,466,860</b>	<b>831,351</b>	<b>8,298,211</b>	<b>474,772</b>	<b>2,288</b>	<b>19,344,130</b>
Interest income	1,615,245	2,359,888	1,543,912	3,903,800	4,849,443	805,754	5,655,197	378,221	0	11,552,463
Other investment income	1,760,146	2,754,155	535,514	3,289,668	2,617,416	25,597	2,643,013	96,551	2,288	7,791,667
<b>Other technical income</b>	<b>532,109</b>	<b>5,664,087</b>	<b>2,569,790</b>	<b>8,233,877</b>	<b>1,020,829</b>	<b>4,108</b>	<b>1,024,937</b>	<b>76,356</b>	<b>0</b>	<b>9,867,279</b>
Commission income	503,057	2,934,384	926,988	3,861,372	1,062	427	1,489	0	0	4,365,918
Other technical income	29,052	2,729,703	1,642,802	4,372,505	1,019,767	3,681	1,023,448	76,356	0	5,501,361
<b>Other income</b>	<b>602,974</b>	<b>2,648,867</b>	<b>1,016,871</b>	<b>3,665,738</b>	<b>6,276,812</b>	<b>48,175</b>	<b>6,324,987</b>	<b>4,122,670</b>	<b>7,462,053</b>	<b>22,178,422</b>
<b>Net claims incurred</b>	<b>-47,186,888</b>	<b>-138,524,941</b>	<b>-31,488,606</b>	<b>-170,013,547</b>	<b>-85,368,798</b>	<b>-3,669,489</b>	<b>-89,038,287</b>	<b>-702,831</b>	<b>0</b>	<b>-306,941,553</b>
Gross claims paid, net of income from recourse receivables	-43,143,677	-132,355,259	-26,382,265	-158,737,524	-86,480,318	-3,520,240	-90,000,558	-702,359	0	-292,584,118
Reinsurers' and co-insurers' shares	600,182	1,621,996	1,425,088	3,047,084	52,428	67	52,495	0	0	3,699,762
Change in the gross provision for outstanding claims	-3,374,689	-12,121,500	-7,061,534	-19,183,034	1,192,842	-140,669	1,052,173	-472	0	-21,506,022
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-1,268,704	4,329,822	530,106	4,859,927	-133,751	-8,647	-142,398	0	0	3,448,825
<b>Change in other technical provisions</b>	<b>-581,745</b>	<b>11,639</b>	<b>-668,774</b>	<b>-657,135</b>	<b>29,038,633</b>	<b>-877,159</b>	<b>28,161,474</b>	<b>-1,992,128</b>	<b>0</b>	<b>24,930,466</b>
<b>Change in technical provisions for policyholders who bear the investment risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-571,595</b>	<b>389,415</b>	<b>-182,180</b>	<b>0</b>	<b>0</b>	<b>-182,180</b>
<b>Expenses for bonuses and rebates</b>	<b>0</b>	<b>-91,942</b>	<b>-13,886</b>	<b>-105,828</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-105,828</b>
<b>Operating expenses</b>	<b>-18,522,649</b>	<b>-71,694,964</b>	<b>-25,846,721</b>	<b>-97,541,684</b>	<b>-17,805,877</b>	<b>-2,922,567</b>	<b>-20,728,444</b>	<b>-2,431,150</b>	<b>-5,163,842</b>	<b>-144,387,769</b>
Acquisition costs	-16,697,203	-29,021,431	-3,846,757	-32,868,188	-5,350,780	-477,205	-5,827,985	-13,481	0	-55,406,857
Change in deferred acquisition costs	994,822	3,037,558	-576,221	2,461,337	164,348	13,942	178,290	0	0	3,634,449
Other operating expenses	-2,820,268	-45,711,091	-21,423,743	-67,134,833	-12,619,445	-2,459,304	-15,078,749	-2,417,669	-5,163,842	-92,615,361
<b>Expenses relating to investments in related parties</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,529,820</b>	<b>-567,048</b>	<b>-2,096,868</b>
Loss arising out of investments in equity-accounted associate companies	0	0	0	0	0	0	0	0	0	0
<b>Expenses for financial assets and liabilities</b>	<b>-3,885,928</b>	<b>-1,326,809</b>	<b>-190,152</b>	<b>-1,516,961</b>	<b>-1,066,177</b>	<b>212,293</b>	<b>-853,884</b>	<b>-145,180</b>	<b>-2,186,407</b>	<b>-8,588,360</b>
Interest expense	-16,438	-49,696	-108,769	-158,465	-14,629	-1,914	-16,543	-1,601	-2,154,784	-2,347,831
Other investment expenses	-3,568,449	-1,159,049	-71,539	-1,230,587	-1,051,186	214,251	-836,935	-143,580	-31,623	-5,811,174
<b>Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,865,905</b>	<b>14,293</b>	<b>-2,851,612</b>	<b>0</b>	<b>0</b>	<b>-2,851,612</b>
<b>Other technical expenses</b>	<b>-2,343,310</b>	<b>-7,224,688</b>	<b>-4,106,905</b>	<b>-11,331,593</b>	<b>-457,166</b>	<b>-149,623</b>	<b>-606,789</b>	<b>-508,721</b>	<b>11,033</b>	<b>-14,779,380</b>
<b>Other expenses</b>	<b>-219,203</b>	<b>-651,381</b>	<b>-492,796</b>	<b>-1,144,177</b>	<b>-6,766</b>	<b>-2,428</b>	<b>-9,194</b>	<b>-74,480</b>	<b>-721</b>	<b>-1,447,775</b>
<b>Profit or loss before tax</b>	<b>1,951,181</b>	<b>38,249,377</b>	<b>-1,972,598</b>	<b>36,276,779</b>	<b>17,859,328</b>	<b>1,318,152</b>	<b>19,177,480</b>	<b>-193,094</b>	<b>-193,280</b>	<b>57,019,067</b>
Income tax expense										-9,429,257
<b>Net profit or loss for the period</b>										<b>47,589,810</b>
<b>Net profit or loss attributable to owners of the controlling company</b>										<b>47,472,124</b>
<b>Net profit or loss attributable to non-controlling interests</b>										<b>117,686</b>

*Income statement items by operating segment 1–9/2019*

Sava Insurance Group EUR 1–9/2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
<b>Net premiums earned</b>	<b>62,880,151</b>	<b>217,370,643</b>	<b>54,125,620</b>	<b>271,496,264</b>	<b>58,659,508</b>	<b>6,486,973</b>	<b>65,146,481</b>	<b>2,568,081</b>	<b>0</b>	<b>402,090,977</b>
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
<b>Income from investments in subsidiary and associate companies</b>	<b>0</b>	<b>2,717,909</b>	<b>0</b>	<b>2,717,909</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,717,909</b>
Other income	0	2,717,909	0	2,717,909	0	0	0	0	0	2,717,909
<b>Investment income</b>	<b>5,169,220</b>	<b>4,282,371</b>	<b>1,807,898</b>	<b>6,090,268</b>	<b>3,664,246</b>	<b>726,068</b>	<b>4,390,314</b>	<b>897,458</b>	<b>16,009</b>	<b>16,563,269</b>
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	3,419,579	1,444,267	125,368	1,569,634	576,464	-14,757	561,707	483,870	12,009	6,046,799
<b>Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,549,532</b>	<b>2,033</b>	<b>16,551,565</b>	<b>0</b>	<b>0</b>	<b>16,551,565</b>
<b>Other technical income</b>	<b>1,095,162</b>	<b>5,380,069</b>	<b>1,890,213</b>	<b>7,270,282</b>	<b>724,656</b>	<b>2,069</b>	<b>726,725</b>	<b>1,230,098</b>	<b>2,457,024</b>	<b>12,779,290</b>
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	619,356	3,155,300	942,219	4,097,519	718,422	2,069	720,491	1,230,098	2,457,024	9,124,488
<b>Other income</b>	<b>601,071</b>	<b>2,216,718</b>	<b>1,003,147</b>	<b>3,219,865</b>	<b>57,370</b>	<b>34,140</b>	<b>91,510</b>	<b>2,728,833</b>	<b>2,583,970</b>	<b>9,225,249</b>
<b>Net claims incurred</b>	<b>-43,525,115</b>	<b>-129,387,544</b>	<b>-31,958,706</b>	<b>-161,346,251</b>	<b>-78,346,015</b>	<b>-2,988,154</b>	<b>-81,334,170</b>	<b>-693,549</b>	<b>0</b>	<b>-286,899,084</b>
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
<b>Change in other technical provisions</b>	<b>-107,810</b>	<b>818,566</b>	<b>-258,939</b>	<b>559,627</b>	<b>33,293,326</b>	<b>-1,866,157</b>	<b>31,427,169</b>	<b>-2,071,039</b>	<b>0</b>	<b>29,807,947</b>
<b>Change in technical provisions for policyholders who bear the investment risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-9,377,423</b>	<b>598,576</b>	<b>-8,778,847</b>	<b>0</b>	<b>0</b>	<b>-8,778,847</b>
<b>Expenses for bonuses and rebates</b>	<b>0</b>	<b>192,253</b>	<b>-57,516</b>	<b>134,737</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>134,737</b>
<b>Operating expenses</b>	<b>-18,519,922</b>	<b>-64,993,535</b>	<b>-25,214,655</b>	<b>-90,208,190</b>	<b>-14,990,059</b>	<b>-2,912,889</b>	<b>-17,902,948</b>	<b>-2,451,140</b>	<b>-3,714,300</b>	<b>-132,796,499</b>
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	-43,889,003	-21,146,440	-65,035,443	-10,710,660	-2,487,641	-13,198,301	-2,427,098	-3,714,300	-87,364,549
<b>Expenses relating to investments in related parties</b>	<b>-24,414</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-24,414</b>
Loss arising out of investments in equity-accounted associate companies	-24,414	0	0	0	0	0	0	0	0	-24,414
<b>Expenses for financial assets and liabilities</b>	<b>-140,353</b>	<b>-292,740</b>	<b>-158,686</b>	<b>-451,426</b>	<b>-123,204</b>	<b>-2,524</b>	<b>-125,729</b>	<b>-144,506</b>	<b>-8,169</b>	<b>-870,182</b>
Interest expense	-368	-34,284	-86,953	-121,237	0	-600	-600	-4,278	-8,169	-134,652
Other investment expenses	-139,984	-258,456	-71,733	-330,189	-123,204	-1,924	-125,129	-140,228	0	-735,530
<b>Other technical expenses</b>	<b>-161,502</b>	<b>-6,097,122</b>	<b>-3,844,899</b>	<b>-9,942,021</b>	<b>-105,874</b>	<b>-74,843</b>	<b>-180,717</b>	<b>-467,801</b>	<b>0</b>	<b>-10,752,041</b>
<b>Other expenses</b>	<b>-1,105,043</b>	<b>-814,294</b>	<b>-72,015</b>	<b>-886,309</b>	<b>-1,419</b>	<b>-16,818</b>	<b>-18,237</b>	<b>-51,070</b>	<b>-34,380</b>	<b>-2,095,039</b>
<b>Profit or loss before tax</b>	<b>6,161,446</b>	<b>31,393,293</b>	<b>-2,738,537</b>	<b>28,654,756</b>	<b>10,004,642</b>	<b>-11,527</b>	<b>9,993,115</b>	<b>1,545,365</b>	<b>1,300,153</b>	<b>47,654,837</b>
Income tax expense										-9,999,593
<b>Net profit or loss for the period</b>										<b>37,655,244</b>
<b>Net profit or loss attributable to owners of the controlling company</b>										<b>37,506,573</b>
<b>Net profit or loss attributable to non-controlling interests</b>										<b>148,671</b>

*Inter-segment business*

EUR	Reinsurance business		Non-life business		Life business		Pension business		Other	
	1-9/2020	1-9/2019	1-9/2020	1-9/2019	1-9/2020	1-9/2019	1-9/2020	1-9/2019	1-9/2020	1-9/2019
Gross premiums written	156,158,567	136,756,965	352,547,308	328,983,029	89,782,460	66,936,646	2,517,418	791,762	0	0
Net premiums written	84,943,518	74,554,231	352,396,493	328,834,466	89,775,009	66,936,646	2,517,418	791,762	0	0
Net claims incurred	-24,652,249	-24,260,859	-4,688,268	-5,455,160	0	0	0	0	0	0
Operating expenses	-14,054,453	-12,423,306	-1,130,123	-1,228,545	-579,700	-617,476	-92,239	-52,490	-606,557	-302,736
Investment income	63,943	62,836	0	15,949	0	0	1,676	0	0	0
Other technical income	276,211	261,493	232,892	206,888	464,422	176,392	0	0	879,740	906,440
Other income	0	0	15,817	10,725	0	0	0	0	6,096,414	6,784,667



## 7.8 Business combinations

On 29 May 2020, Sava Re satisfied all suspensive conditions, becoming the sole owner of the Slovenia-based company NLB Vita d.d. (now renamed Vita, Življenjska Zavarovalnica). Vita was first included in the consolidated accounts on 31 May 2020.

The acquisition of Vita resulted in a gain on the bargain purchase of EUR 7.0 million (excess of the fair value of the net assets as at 31 May 2020 over the paid purchase price).

EUR	Vita (SLO)
Intangible assets	748,673
Property, plant and equipment	136,926
Right-of-use assets	796,712
Financial investments	369,115,374
Assets held for the benefit of policyholders who bear the investment risk	153,446,464
Reinsurers' share of technical provisions	1,278,717
Receivables	828,062
Cash and cash equivalents	10,296,429
Other assets	103,957
<b>A. Total assets</b>	<b>536,751,315</b>
Technical provisions	299,823,160
Technical provision for the benefit of life insurance policyholders who bear the investment risk	154,409,933
Other provisions	274,062
Deferred tax liabilities	3,366,146
Liabilities from operating activities and other liabilities	5,040,842
<b>B. Total liabilities</b>	<b>462,914,143</b>
<b>Fair value of net assets acquired (A - B)</b>	<b>73,837,172</b>
<b>Gain on bargain purchase</b>	<b>7,047,375</b>
Market value of investment as at 31 May 2020	66,789,797

EUR	Vita (SLO)
Acquisition of stake	-66,789,797
Net cash and cash equivalents acquired in the business combination	10,296,429
<b>Net cash relating to the business combination</b>	<b>-56,493,368</b>

## 7.9 Notes to significant changes in the statement of financial position

### 7.9.1 Property, plant and equipment

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

EUR	Land	Buildings	Equipment	Other property, plant and equipment assets	Total
<b>Cost</b>					
1 Jan 2020	5,630,200	54,557,162	24,110,963	319,159	84,617,486
Additions – acquisition of subsidiary	0	0	136,926	0	136,926
Additions	1,190,086	1,127,170	1,589,658	24,387	3,931,301
Disposals	-20,641	-78,621	-1,707,688	-380	-1,807,330
Reclassification	-12,813	-76,809	-30,433	0	-120,055
Exchange differences	1	-39,307	-19,362	-455	-59,123
30 Sep 2020	6,786,833	55,489,596	24,080,065	342,711	86,699,204
<b>Accumulated depreciation and impairment losses</b>					
1 Jan 2020	0	20,540,637	16,368,020	93,118	37,001,775
Additions	0	862,433	1,587,585	39,195	2,489,213
Disposals	0	-50,635	-1,121,700	-380	-1,172,715
Reclassification	0	-9,745	-36,102	0	-45,847
Exchange differences	0	-13,326	-15,157	-5	-28,488
30 Sep 2020	0	21,329,364	16,782,646	131,928	38,243,938
<b>Carrying amount as at 1 Jan 2020</b>	<b>5,630,200</b>	<b>34,016,525</b>	<b>7,742,943</b>	<b>226,041</b>	<b>47,615,710</b>
<b>Carrying amount as at 30 Sep 2020</b>	<b>6,786,833</b>	<b>34,160,232</b>	<b>7,297,419</b>	<b>210,783</b>	<b>48,455,266</b>

### 7.9.2 Financial investments in associates

EUR	1 Jan 2020			Additions		Impairment	Attributed profit or loss 1–9/2020	30 Sep 2020		Share of voting rights (%)
	Holding	Value	Share of voting rights (%)	Holding	Value			Holding	Value	
ZTSR (SLO)	50.0%	41,303	50.0%	0.00%	13,500,000	0	187,096	50.0%	13,728,400	50.0%
G2I (GB)	17.5%	539,801	25.0%	0.00%	0	-567,048	62,268	17.5%	35,021	25.0%
<b>Total</b>		<b>581,104</b>			<b>13,500,000</b>	<b>-567,048</b>	<b>-16,654</b>		<b>13,763,421</b>	

The EUR 13.5 million increase in the value of ZTSR relates to the company's recapitalisation for the sake of the investment in Diagnostic Centre Bled. The investment in G2I has been impaired.

EUR	30 Sep 2020	31 Dec 2019
<b>ZTSR (SLO)</b>		
Value of assets	37,601,193	95,491
Liabilities	10,199,361	12,885
Shareholders' equity	27,401,832	82,605
Income	6,998,234	48,300
Net profit or loss for the period	374,192	-122,518
Part of the profit or loss attributable to the Group	187,096	-61,258
<b>G2I (GB)</b>		
Value of assets	2,125,598	3,477,661
Liabilities	775,650	2,585,680
Shareholders' equity	1,349,948	891,981
Income	3,465,435	3,045,607
Net profit or loss for the period	355,818	37,350
Part of the profit or loss attributable to the Group	62,268	5,565

### 7.9.3 Financial investments

As at 30 September 2020, financial investments totalled EUR 1,373.7 million, up by EUR 308.8 million from year-end 2019. Compared to the previous year, there was an increase in available-for-sale financial investments as the result of the inclusion of the Vita portfolio and a related decrease in the “loans and receivables” item of the accounts. Held-to-maturity and FVTPL investments remained broadly flat.

#### *Financial investments as at 30 September 2020*

EUR	Held-to-maturity	FVTPL	Available-for-sale	Loans and receivables	Total
		Non-derivative Designated to this category			
<b>30 Sep 2020</b>					
<b>Debt instruments</b>	<b>39,916,905</b>	<b>25,794,196</b>	<b>1,174,534,663</b>	<b>22,611,079</b>	<b>1,262,856,843</b>
Deposits and CDs	0	0	0	21,346,159	21,346,159
Government bonds	30,134,731	1,853,333	573,604,587	0	605,592,651
Corporate bonds	9,782,174	23,940,863	600,930,076	0	634,653,113
Loans granted	0	0	0	1,264,920	1,264,920
<b>Equity instruments</b>	<b>0</b>	<b>2,707,423</b>	<b>70,392,754</b>	<b>0</b>	<b>73,100,177</b>
Shares	0	708,894	36,024,514	0	36,733,408
Mutual funds	0	1,998,529	34,368,240	0	36,366,769
Investments in infrastructure funds	0	0	24,581,408	0	24,581,408
Investments in property funds	0	0	6,041,357	0	6,041,357
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	7,136,312	7,136,312
<b>Total</b>	<b>39,916,905</b>	<b>28,501,619</b>	<b>1,275,550,182</b>	<b>29,747,391</b>	<b>1,373,716,097</b>

#### *Financial investments as at 31 December 2019*

EUR	Held-to-maturity	FVTPL	Available-for-sale	Loans and receivables	Total
		Non-derivative Designated to this category			
<b>31 Dec 2019</b>					
<b>Debt instruments</b>	<b>41,586,644</b>	<b>22,984,531</b>	<b>871,005,933</b>	<b>46,274,618</b>	<b>981,851,726</b>
Deposits and CDs	0	1,596,183	0	45,071,751	46,667,934
Government bonds	39,556,443	2,764,926	497,082,775	0	539,404,144
Corporate bonds	2,030,201	18,623,422	373,923,158	0	394,576,781
Loans granted	0	0	0	1,202,867	1,202,867
<b>Equity instruments</b>	<b>0</b>	<b>3,275,847</b>	<b>48,498,622</b>	<b>0</b>	<b>51,774,469</b>
Shares	0	647,824	16,855,902	0	17,503,726
Mutual funds	0	2,628,023	31,642,720	0	34,270,743
Investments in infrastructure funds	0	0	20,159,022	0	20,159,022
Investments in property funds	0	0	4,000,000	0	4,000,000
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	7,089,021	7,089,021
<b>Total</b>	<b>41,586,644</b>	<b>26,260,378</b>	<b>943,663,578</b>	<b>53,363,639</b>	<b>1,064,874,239</b>

## 7.9.4 Assets held for the benefit of policyholders who bear the investment risk

### Assets held for the benefit of policyholders who bear the investment risk as at 30 September 2020

EUR	Held to maturity	FVTPL	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
<b>30 Sep 2020</b>					
<b>Debt instruments</b>	<b>5,191,105</b>	<b>1,130,846</b>	<b>69,488,237</b>	<b>4,007,025</b>	<b>79,817,212</b>
Deposits and CDs	0	0	0	4,007,025	4,007,025
Government bonds	967,178	0	39,443,510	0	40,410,688
Corporate bonds	4,223,928	1,130,846	30,044,726	0	35,399,500
<b>Equity instruments</b>	<b>0</b>	<b>288,865,118</b>	<b>4,375,007</b>	<b>0</b>	<b>293,240,124</b>
Mutual funds	0	288,865,118	4,375,007	0	293,240,124
<b>Total</b>	<b>5,191,105</b>	<b>289,995,963</b>	<b>73,863,243</b>	<b>4,007,025</b>	<b>373,057,338</b>

### Assets held for the benefit of policyholders who bear the investment risk as at 31 December 2019

EUR	Held to maturity	FVTPL	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
<b>31 Dec 2019</b>					
<b>Debt instruments</b>	<b>6,444,636</b>	<b>1,823,699</b>	<b>71,068,660</b>	<b>4,000,954</b>	<b>83,337,949</b>
Deposits and CDs	0	0	0	4,000,954	4,000,954
Government bonds	1,904,811	0	38,796,630	0	40,701,441
Corporate bonds	4,539,825	1,823,699	32,272,030	0	38,635,554
<b>Equity instruments</b>	<b>0</b>	<b>126,437,769</b>	<b>3,384,170</b>	<b>0</b>	<b>129,821,939</b>
Mutual funds	0	126,437,769	3,384,170	0	129,821,939
<b>Total</b>	<b>6,444,636</b>	<b>128,261,468</b>	<b>74,452,830</b>	<b>4,000,954</b>	<b>213,159,889</b>

## 7.9.5 Reinsurers' share of technical provisions

EUR	30 Sep 2020	31 Dec 2019
From unearned premiums	16,281,351	10,705,397
From provisions for claims outstanding	32,647,880	27,915,142
From other technical provisions	18,978	0
<b>Total</b>	<b>48,948,209</b>	<b>38,620,539</b>

The reinsurers' and co-insurers' share of technical provisions increased by EUR 10.3 million or 26.7%. Unearned premiums grew by EUR 5.6 million, mostly from contracts that came into force at the beginning of 2020 (seasonal movements) and from the extension of reinsurance cover for FoS business. The provision for outstanding claims grew by EUR 4.7 million, mainly on account of FoS business but also due to the acquisition of a company.

## 7.9.6 Investment contract assets

Despite volatile financial markets, investment contract assets grew by EUR 1.7 million to EUR 152.9 million compared to year-end 2019.

## 7.9.7 Receivables

Gross receivables rose by EUR 7.1 million from year-end 2019, chiefly because of a (EUR 9.0 million) increase in receivables due from policyholders, the renewal of most annual non-life (re)insurance contracts with major clients (companies and cedants) and changed payment schedules due to Covid-19. The allowance for receivables declined by EUR 2.5 million (setting an allowance of EUR 1.9 million, reversal of EUR 0.8 million, write-offs of EUR 3.8 million and negative effect of acquisition of new company of EUR 0.2 million; most changes relate to receivables due from policyholders). Receivables rose by EUR 9.6 million compared to year-end 2019.

The largest increase was in not-past-due receivables due from policyholders, up by EUR 15.0 million related to changed payment schedules because of Covid-19, whereas current tax assets declined by EUR 2.9 million. There was an EUR 8.2 million decline in receivables past due up to 180 days, of which a decline of EUR 7.4 million relates to receivables due from policyholders.

### Receivables by type

EUR	30 Sep 2020			31 Dec 2019		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	169,700,441	-23,010,184	146,690,257	160,675,555	-23,040,976	137,634,579
Receivables due from insurance intermediaries	4,979,558	-877,024	4,102,534	2,640,726	-964,939	1,675,787
Other receivables arising out of primary ins. bus.	779,703	-170,133	609,570	766,506	-122,516	643,990
<b>Receivables arising out of prim. ins. business</b>	<b>175,459,702</b>	<b>-24,057,341</b>	<b>151,402,361</b>	<b>164,082,787</b>	<b>-24,128,431</b>	<b>139,954,356</b>
Receivables for shares in claims	6,427,990	-177,653	6,250,337	5,928,753	-177,662	5,751,091
Other receivables arising out of co-insurance and reinsurance business	1,273,026	0	1,273,026	983,473	0	983,473
<b>Receivables arising out of reinsurance and co-insurance business</b>	<b>7,701,016</b>	<b>-177,653</b>	<b>7,523,363</b>	<b>6,912,226</b>	<b>-177,662</b>	<b>6,734,564</b>
<b>Current tax assets</b>	<b>61,262</b>	<b>0</b>	<b>61,262</b>	<b>3,002,507</b>	<b>0</b>	<b>3,002,507</b>
Other short-term receivables arising out of insurance business	17,696,615	-15,379,061	2,317,554	20,113,224	-17,646,665	2,466,559
Receivables arising out of investments	2,706,349	-1,220,232	1,486,117	2,384,139	-1,226,600	1,157,539
Other receivables	7,329,706	-1,080,684	6,249,022	7,351,916	-1,253,524	6,098,392
<b>Other receivables</b>	<b>27,732,670</b>	<b>-17,679,977</b>	<b>10,052,693</b>	<b>29,849,279</b>	<b>-20,126,789</b>	<b>9,722,490</b>
<b>Total</b>	<b>210,954,650</b>	<b>-41,914,971</b>	<b>169,039,679</b>	<b>203,846,799</b>	<b>-44,432,882</b>	<b>159,413,917</b>

### Movements in allowance for receivables

EUR	1 Jan 2020	Additions	Collection	Write-offs	Additions – acquisition of company	Exchange differences	30 Sep 2020
30 Sep 2020							
Receivables due from policyholders	-23,040,976	-1,519,562	496,770	1,224,187	-221,712	51,109	-23,010,184
Receivables due from insurance intermediaries	-964,939	-28,776	113,733	0	0	2,958	-877,024
Other receivables arising out of primary insurance business	-122,516	-50,555	2,213	0	0	725	-170,133
<b>Receivables arising out of primary insurance business</b>	<b>-24,128,431</b>	<b>-1,598,893</b>	<b>612,716</b>	<b>1,224,187</b>	<b>-221,712</b>	<b>54,792</b>	<b>-24,057,341</b>
Receivables for shares in claims	-177,662	0	0	0	0	9	-177,653
<b>Receivables arising out of reinsurance and co-insurance business</b>	<b>-177,662</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>-177,653</b>
Other short-term receivables arising out of insurance business	-17,646,665	-338,599	8,191	2,585,008	0	13,004	-15,379,061
Receivables arising out of investments	-1,226,600	0	1,144	0	0	5,224	-1,220,232
Other short-term receivables	-1,253,524	-28,242	199,456	0	0	1,626	-1,080,684
<b>Other receivables</b>	<b>-20,126,789</b>	<b>-366,841</b>	<b>208,791</b>	<b>2,585,008</b>	<b>0</b>	<b>19,854</b>	<b>-17,679,977</b>
<b>Total</b>	<b>-44,432,882</b>	<b>-1,965,734</b>	<b>821,507</b>	<b>3,809,195</b>	<b>-221,712</b>	<b>74,655</b>	<b>-41,914,971</b>

## Receivables ageing analysis

EUR					
30 Sep 2020	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	111,309,244	25,139,493	3,760,433	6,481,087	146,690,257
Receivables due from insurance intermediaries	2,709,451	1,368,661	6,416	18,006	4,102,534
Other receivables arising out of primary insurance business	151,123	288,291	121,252	48,904	609,570
<b>Receivables arising out of primary insurance business</b>	<b>114,169,818</b>	<b>26,796,445</b>	<b>3,888,101</b>	<b>6,547,997</b>	<b>151,402,361</b>
Receivables for reinsurers' shares in claims	5,459,936	232,978	93,976	463,447	6,250,337
Other receivables arising out of co-insurance and reinsurance business	1,260,226	1,314	1,590	9,896	1,273,026
<b>Receivables arising out of reinsurance and co-insurance business</b>	<b>6,720,162</b>	<b>234,292</b>	<b>95,566</b>	<b>473,343</b>	<b>7,523,363</b>
<b>Current tax assets</b>	<b>61,262</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,262</b>
Other short-term receivables arising out of insurance business	594,047	740,410	352,053	631,044	2,317,554
Short-term receivables arising out of financing	1,461,893	1,579	3,223	19,422	1,486,117
Other short-term receivables	5,598,426	395,510	108,792	146,294	6,249,022
<b>Other receivables</b>	<b>7,654,366</b>	<b>1,137,499</b>	<b>464,068</b>	<b>796,760</b>	<b>10,052,693</b>
<b>Total</b>	<b>128,605,608</b>	<b>28,168,236</b>	<b>4,447,735</b>	<b>7,818,100</b>	<b>169,039,679</b>

EUR					
30 Sep 2020	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	110,721,385	24,210,931	4,016,050	7,741,891	146,690,257
Receivables due from insurance intermediaries	2,709,451	1,368,661	6,416	18,006	4,102,534
Other receivables arising out of primary insurance business	151,123	288,291	121,252	48,904	609,570
<b>Receivables arising out of primary insurance business</b>	<b>113,581,959</b>	<b>25,867,883</b>	<b>4,143,718</b>	<b>7,808,801</b>	<b>151,402,361</b>
Receivables for reinsurers' shares in claims	5,459,936	232,978	93,976	463,447	6,250,337
Other receivables arising out of co-insurance and reinsurance business	1,260,226	1,314	1,590	9,896	1,273,026
<b>Receivables arising out of reinsurance and co-insurance business</b>	<b>6,720,162</b>	<b>234,292</b>	<b>95,566</b>	<b>473,343</b>	<b>7,523,363</b>
<b>Current tax assets</b>	<b>61,262</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61,262</b>
Other short-term receivables arising out of insurance business	594,047	740,410	352,053	631,044	2,317,554
Short-term receivables arising out of financing	1,461,893	1,579	3,223	19,422	1,486,117
Other short-term receivables	5,598,426	395,510	108,792	146,294	6,249,022
<b>Other receivables</b>	<b>7,654,366</b>	<b>1,137,499</b>	<b>464,068</b>	<b>796,760</b>	<b>10,052,693</b>
<b>Total</b>	<b>128,017,749</b>	<b>27,239,674</b>	<b>4,703,352</b>	<b>9,078,904</b>	<b>169,039,679</b>

EUR					
31 Dec 2019	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	95,758,889	31,644,784	3,874,248	6,356,658	137,634,579
Receivables due from insurance brokers	587,073	1,065,597	4,254	18,863	1,675,787
Other receivables arising out of primary insurance business	541,983	18,497	29,979	53,531	643,990
<b>Receivables arising out of primary insurance business</b>	<b>96,887,945</b>	<b>32,728,878</b>	<b>3,908,481</b>	<b>6,429,052</b>	<b>139,954,356</b>
Receivables for reinsurers' shares in claims	4,379,202	692,022	358,812	321,055	5,751,091
Other receivables arising out of co-insurance and reinsurance business	870,233	71,068	38,580	3,592	983,473
<b>Receivables arising out of reinsurance and co-insurance business</b>	<b>5,249,435</b>	<b>763,090</b>	<b>397,392</b>	<b>324,647</b>	<b>6,734,564</b>
<b>Current tax assets</b>	<b>3,002,507</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,002,507</b>
Other short-term receivables arising out of insurance business	503,612	1,109,979	234,679	618,289	2,466,559
Short-term receivables arising out of financing	1,107,957	1,423	2,474	45,685	1,157,539
Other short-term receivables	5,205,345	805,882	23,284	63,881	6,098,392
<b>Other receivables</b>	<b>6,816,914</b>	<b>1,917,284</b>	<b>260,437</b>	<b>727,855</b>	<b>9,722,490</b>
<b>Total</b>	<b>111,956,801</b>	<b>35,409,252</b>	<b>4,566,310</b>	<b>7,481,554</b>	<b>159,413,917</b>

### 7.9.8 Cash and cash equivalents

EUR	30 Sep 2020	31 Dec 2019
Cash in hand	26,780	18,284
Cash in bank accounts	50,121,132	32,260,496
Cash equivalents	83,629,946	61,525,251
<b>Total</b>	<b>133,777,858</b>	<b>93,804,031</b>

Compared to year-end 2019, the balance of cash and cash equivalents increased by EUR 40.0 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 transaction accounts or demand deposits.

### 7.9.9 Retained earnings

Retained earnings grew by EUR 31.5 million because the distributable profit in respect of 2019 remained unallocated.

### 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 2020, the parent company held 1,721,966 own shares, which are subtracted when calculating the weighted average number of shares.

#### *Earnings or loss per share*

EUR	1–9/2020	1–9/2019
Net profit or loss for the period	47,589,810	37,655,244
Net profit or loss for the period attributable to owners of the controlling company	47,472,124	37,506,573
Weighted average number of shares	15,497,696	15,497,696
<b>Earnings or loss per share</b>	<b>3.06</b>	<b>2.42</b>

#### *Comprehensive income per share*

EUR	1–9/2020	1–9/2019
Comprehensive income for the period	53,641,205	51,682,162
Comprehensive income for the period attributable to owners of the controlling company	53,524,591	51,532,069
Weighted average number of shares	15,497,696	15,497,696
<b>Comprehensive income per share</b>	<b>3.45</b>	<b>3.33</b>

### 7.9.11 Technical provisions and technical provisions for the benefit of life insurance policyholders who bear the investment risk

Technical provisions increased by EUR 332.8 million, or 35.6%, compared to 31 December 2019. The largest increase was in the technical provision for life business (mathematical provision for traditional life business), which grew by EUR 266.0 million, mostly on account of the integration of a new company into the Group. The increase in gross unearned premiums (EUR 36.4 million) was mainly driven by growth in non-life (re)insurance premiums. Gross claims provisions increased by EUR 29.0 million, most of which is attributable to the inclusion of a new company in the consolidated accounts, growth in non-life (re)insurance business and adjustments made to align to Croatian market regulations.

The gross provision relating to unit-linked business rose by EUR 155.0 million due to the inclusion of a new company in the consolidated accounts.

### Movements in gross technical provisions

EUR	1 Jan 2020	Additions	Uses and reversals	Additions – acquisition of company	Exchange differences	30 Sep 2020
Gross unearned premiums	207,895,397	209,839,689	-173,538,983	850,303	-796,537	244,249,869
Technical provisions for life insurance business	211,877,103	26,874,436	-51,597,418	290,984,317	-226,353	477,912,085
Gross provision for outstanding claims	502,914,277	198,998,439	-171,463,610	7,566,380	-6,109,415	531,906,071
Gross provision for bonuses, rebates and cancellations	1,234,753	568,328	-495,958	0	-1,240	1,305,883
Other gross technical provisions	10,031,179	10,025,962	-8,637,888	0	-26,001	11,393,252
<b>Total</b>	<b>933,952,709</b>	<b>446,306,854</b>	<b>-405,733,857</b>	<b>299,401,000</b>	<b>-7,159,546</b>	<b>1,266,767,160</b>
Net technical provision for the benefit of life insurance policyholders who bear the investment risk	220,613,698	53,762,983	-53,574,709	154,832,091	-19,169	375,614,894

### 7.9.12 Investment contract liabilities

Investment contract liabilities relate to Sava Pokojninska and totalled EUR 152.8 million as at 30 September 2020, down by 1.2% or EUR 1.8 million from year-end 2019. Their movement is in line with investment contract assets, driven largely by new premium contributions, payouts and changes in fund unit prices.

### 7.9.13 Fair values of assets and liabilities

#### Financial assets measured at fair value by level of the fair value hierarchy as at 30 September 2020

EUR 30 Sep 2020	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
<b>Investments measured at fair value</b>	<b>1,304,051,801</b>	<b>1,081,756,135</b>	<b>168,029,108</b>	<b>54,266,558</b>	<b>1,304,051,801</b>	<b>0</b>
<i>FVTPL</i>	<i>28,501,619</i>	<i>6,186,510</i>	<i>19,737,008</i>	<i>2,578,101</i>	<i>28,501,619</i>	<i>0</i>
<i>Designated to this category</i>	<i>28,501,619</i>	<i>6,186,510</i>	<i>19,737,008</i>	<i>2,578,101</i>	<i>28,501,619</i>	<i>0</i>
Debt instruments	25,794,196	4,187,981	19,039,639	2,566,576	25,794,196	0
Equity instruments	2,707,423	1,998,529	697,369	11,525	2,707,423	0
<b>Available-for-sale</b>	<b>1,275,550,182</b>	<b>1,075,569,625</b>	<b>148,292,100</b>	<b>51,688,457</b>	<b>1,275,550,182</b>	<b>0</b>
Debt instruments	1,174,534,663	1,021,226,832	134,133,854	19,173,977	1,174,534,663	0
Equity instruments	70,392,754	54,342,793	14,158,246	1,891,715	70,392,754	0
Investments in infrastructure funds	24,581,408	0	0	24,581,408	24,581,408	0
Investments in property funds	6,041,357	0	0	6,041,357	6,041,357	0
Investments for the benefit of life policyholders who bear the investment risk	363,859,207	360,782,870	3,076,337	0	363,859,207	0
<b>Investments not measured at fair value</b>	<b>69,664,296</b>	<b>35,667,133</b>	<b>6,941,060</b>	<b>29,747,393</b>	<b>72,355,586</b>	<b>2,691,288</b>
<i>Held-to-maturity assets</i>	<i>39,916,905</i>	<i>35,667,133</i>	<i>6,941,060</i>	<i>0</i>	<i>42,608,193</i>	<i>2,691,288</i>
Debt instruments	39,916,905	35,667,133	6,941,060	0	42,608,193	2,691,288
<b>Loans and receivables</b>	<b>29,747,391</b>	<b>0</b>	<b>0</b>	<b>29,747,393</b>	<b>29,747,393</b>	<b>0</b>
Deposits	21,346,158	0	0	21,346,160	21,346,160	0
Loans granted	1,264,920	0	0	1,264,921	1,264,921	0
Deposits with cedants	7,136,312	0	0	7,136,312	7,136,312	0
Investments for the benefit of life policyholders who bear the investment risk	9,198,131	5,546,868	0	4,007,025	9,553,893	355,762
<b>Total investments</b>	<b>1,373,716,097</b>	<b>1,117,423,268</b>	<b>174,970,168</b>	<b>84,013,951</b>	<b>1,376,407,387</b>	<b>2,691,288</b>
<b>Total investments for the benefit of life policyholders who bear the investment risk</b>	<b>373,057,338</b>	<b>366,329,738</b>	<b>3,076,337</b>	<b>4,007,025</b>	<b>373,413,100</b>	<b>355,762</b>



*Financial assets measured at fair value by level of the fair value hierarchy as at 31 December 2019*

EUR 31 Dec 2019	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
<b>Investments measured at fair value</b>	<b>969,923,955</b>	<b>759,148,773</b>	<b>165,450,052</b>	<b>45,325,130</b>	<b>969,923,955</b>	<b>0</b>
<b>FVTPL</b>	<b>26,260,378</b>	<b>5,991,532</b>	<b>18,585,312</b>	<b>1,683,534</b>	<b>26,260,378</b>	<b>0</b>
<i>Designated to this category</i>	26,260,378	5,991,532	18,585,312	1,683,534	26,260,378	0
Debt instruments	22,984,531	3,363,509	17,949,066	1,671,956	22,984,531	0
Equity instruments	3,275,847	2,628,023	636,246	11,578	3,275,847	0
<b>Available-for-sale</b>	<b>943,663,578</b>	<b>753,157,241</b>	<b>146,864,740</b>	<b>43,641,596</b>	<b>943,663,577</b>	<b>0</b>
Debt instruments	871,005,933	721,504,536	132,260,355	17,241,042	871,005,933	0
Equity instruments	48,498,622	31,652,705	14,604,385	2,241,532	48,498,622	0
Investments in infrastructure funds	20,159,022	0	0	20,159,022	20,159,022	0
Investments in property funds	4,000,000	0	0	4,000,000	4,000,000	0
Investments for the benefit of policyholders who bear the investment risk	202,714,299	198,183,199	4,531,100	0	202,714,299	0
<b>Investments not measured at fair value</b>	<b>94,950,283</b>	<b>35,542,413</b>	<b>16,735,930</b>	<b>45,695,843</b>	<b>97,974,186</b>	<b>3,023,903</b>
<b>Held-to-maturity assets</b>	<b>41,586,644</b>	<b>35,542,413</b>	<b>9,068,134</b>	<b>0</b>	<b>44,610,547</b>	<b>3,023,903</b>
Debt instruments	41,586,644	35,542,413	9,068,134	0	44,610,547	3,023,903
<b>Loans and receivables</b>	<b>53,363,639</b>	<b>0</b>	<b>7,667,796</b>	<b>45,695,843</b>	<b>53,363,639</b>	<b>0</b>
Deposits	45,071,751	0	0	45,071,751	45,071,751	0
Loans granted	1,202,867	0	578,775	624,092	1,202,867	0
Deposits with cedants	7,089,021	0	7,089,021	0	7,089,021	0
Investments for the benefit of policyholders who bear the investment risk	10,445,590	6,916,526	0	4,000,954	10,917,480	471,890
<b>Total investments</b>	<b>1,064,874,239</b>	<b>794,691,186</b>	<b>182,185,982</b>	<b>91,020,973</b>	<b>1,067,898,141</b>	<b>3,023,903</b>
<b>Total investments for the benefit of life policyholders who bear the investment risk</b>	<b>213,159,889</b>	<b>205,099,725</b>	<b>4,531,100</b>	<b>4,000,954</b>	<b>213,631,779</b>	<b>471,890</b>

*Movements in level 3 FVTPL financial assets*

EUR	Debt instruments		Equity instruments		Investments in infrastructure funds		Investments in property funds	
	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019	30 Sep 2020	31 Dec 2019
<b>Opening balance</b>	<b>18,912,998</b>	<b>15,250,825</b>	<b>2,253,110</b>	<b>2,401,281</b>	<b>20,159,022</b>	<b>5,264,540</b>	<b>4,000,000</b>	<b>0</b>
Additions	1,896,249	3,949,569	0	11,578	5,780,604	17,513,526	2,250,000	4,001,949
Impairment	-108,756	0	-320,600	0	0	0	0	0
Disposals	0	-739,638	0	-163,700	-369,281	-2,164,017	0	0
Maturities	256,033	-377,000	0	0	0	0	0	0
Revaluation to fair value	-51,705	829,241	-29,269	3,951	-988,937	-455,028	-208,643	-1,949
Reclassification into other levels	104,422	0	0	0	0	0	0	0
Reclassification into level	731,313	0	0	0	0	0	0	0
<b>Closing balance</b>	<b>21,740,553</b>	<b>18,912,998</b>	<b>1,903,240</b>	<b>2,253,110</b>	<b>24,581,408</b>	<b>20,159,022</b>	<b>6,041,357</b>	<b>4,000,000</b>

*Reclassification of assets and financial liabilities between levels in the period 1–9/2020*

EUR	Level 1	Level 2
<b>FVTPL</b>	<b>-950,596</b>	<b>950,596</b>
Debt instruments	-950,596	950,596
<b>Available-for-sale</b>	<b>1,682,649</b>	<b>-1,682,649</b>
Debt instruments	1,682,649	-1,682,649
<b>Total</b>	<b>732,053</b>	<b>-732,053</b>

The Group primarily measures its OTC debt assets based on BID CBBT prices representing unadjusted quoted prices, thus meeting the criteria for classification into level 1. Level 1 also includes mutual fund assets and listed securities that satisfy the active market requirement.

## 8 Related-party transactions

The Group makes separate disclosures for the following groups of related parties:

- owners and related enterprises;
- key management personnel: the management board and the supervisory board, including its committees;
- subsidiary companies;
- associates.

## Owners and related enterprises

The Group's largest shareholder is Slovenian Sovereign Holding with a 17.7% stake.

## Management board and supervisory board, including its committees

Fixed remuneration of management board members for performing their function in the first nine months of 2020 totalled EUR 526,297 (1–9/2019: EUR 511,364), and variable remuneration totalled EUR 235,667 (1–9/2019: EUR 175,365). Benefits in kind were EUR 25,393 (1–9/2019: EUR 29,230). The "other payments" item relates to severance pay for a management board member.

### Remuneration of management board members in 1–9/2020

EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind – insurance premiums	Benefits in kind – use of company car	Other payments	Total
Marko Jazbec	144,000	55,536	139	4,098	-	203,773
Jošt Dolničar	129,585	49,980	3,921	3,500	-	186,986
Srečko Čebren	73,177	80,171	1,535	2,170	89,100	246,153
Polona Pirš Zupančič	129,585	49,980	3,901	2,646	-	186,112
Peter Skvarča	49,950	-	1,449	2,034	-	53,433
<b>Total</b>	<b>526,297</b>	<b>235,667</b>	<b>10,945</b>	<b>14,448</b>	<b>89,100</b>	<b>876,457</b>

### Liabilities to members of the management board based on gross remuneration

EUR	30 Sep 2020	30 September 2019
Marko Jazbec	16,500	16,500
Jošt Dolničar	14,850	14,850
Srečko Čebren	-	15,516
Polona Pirš Zupančič	14,850	14,850
Peter Skvarča	14,850	-
<b>Total</b>	<b>61,050</b>	<b>61,716</b>

### Remuneration of supervisory board members and the members of its committees in 1–9/2020

(EUR)		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Total
<b>Supervisory board members</b>					
Mateja Lovšin Herič	chair	1,403	13,163	0	14,566
Keith William Morris	deputy chair	1,403	9,653	1,200	12,256
Gorazd Andrej Kunstek	member of the SB	1,403	8,775	0	10,178
Mateja Živec	member of the SB	1,403	8,775	0	10,178
Davor Ivan Gjivoje	member of the SB	1,403	8,775	5,119	15,297
Andrej Kren	member of the SB	1,403	8,775	98	10,276
<b>Total supervisory board members</b>		<b>8,418</b>	<b>57,916</b>	<b>6,417</b>	<b>72,751</b>
<b>Audit committee members</b>					
Andrej Kren	chairman	1,122	3,291	98	4,511
Mateja Lovšin Herič	member	1,122	2,194	0	3,316
Ignac Dolenšek	external member	0	6,184	230	6,414
<b>Total audit committee members</b>		<b>2,244</b>	<b>11,669</b>	<b>328</b>	<b>14,241</b>
<b>Members of the nominations and remuneration committee</b>					
Mateja Lovšin Herič	chair	308	3,291		3,599
Keith William Morris	member	308	2,194	300	2,802
Davor Ivan Gjivoje	member	220	2,194	1,280	3,694
Andrej Kren	member	308	2,194		2,502
<b>Total nominations committee members</b>		<b>1,144</b>	<b>9,873</b>	<b>1,580</b>	<b>12,597</b>
<b>Members of the risk committee</b>					
Keith William Morris	chair	154	3,291	300	3,745
Davor Ivan Gjivoje	member	154	2,194	1,280	3,628
Slaven Mičković	external member	0	6,216	0	6,216
<b>Total risk committee members</b>		<b>308</b>	<b>11,701</b>	<b>1,580</b>	<b>13,589</b>

Members of the fit & proper committee					
Mateja Živec	chair	154	3,291		3,445
Keith William Morris	member	726	2,194	300	3,220
Rok Saje	external member	814	2,194		3,008
Andrej Kren	alternate member	814	2,194		3,008
Total members of the fit & proper committee		2,508	9,873	300	12,681

As at 30 September 2020, the Company had no liabilities due to any members of the supervisory board or its committees.

### Transactions with subsidiaries

#### Investments in and amounts due from Group companies

EUR	30 Sep 2020	31 Dec 2019
Loans granted to Group companies	4,825,757	3,637,532
Receivables for premiums arising out of reinsurance assumed	22,047,594	21,227,908
Short-term receivables arising out of financing	2,645	2,939
Other short-term receivables	72,450	50,336
Short-term deferred acquisition costs	1,463,973	941,701
Total	28,412,420	25,860,416

#### Liabilities to Group companies

EUR	30 Sep 2020	31 Dec 2019
Liabilities for shares in reinsurance claims due to Group companies	8,906,047	8,658,814
Other liabilities from co-insurance and reinsurance	5,199,612	4,483,248
Other short-term liabilities	4,098	3,533
Total (excluding provisions)	14,109,757	13,145,595

#### Income and expenses relating to Group companies

EUR	1-9/2020	1-9/2019
Gross premiums written	71,215,048	62,202,734
Change in gross unearned premiums	-8,674,887	-11,595,258
Gross claims paid	-25,392,898	-25,170,208
Change in the gross provision for outstanding claims	-6,565,128	-4,181,480
Income from gross recourse receivables	740,649	909,349
Other operating expenses	-119,390	-132,431
Dividend income	1,371,786	34,947,396
Interest income	63,943	62,836
Acquisition costs	-14,439,739	-12,167,082
Change in deferred acquisition costs	522,272	-123,795
Other technical income	276,211	261,493
Total	18,997,869	45,013,554

### 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 Sep 2020	31 Dec 2019
Interests in companies	6,808,833	8,013,877
Debt securities	97,817,931	112,723,578
Receivables due from policyholders	663,465	147,237
Total	105,290,230	120,884,693

#### Liabilities to the state and majority state-owned companies

EUR	30 Sep 2020	31 Dec 2019
Liabilities for shares in claims	9,163	1,093

*Income and expenses relating to majority state-owned companies*

EUR	1-9/2020	1-9/2019
Gross premiums written	11,391,487	10,821,769
Gross claims paid	-1,671,847	-2,388,031
Dividend income	131,689	570,944
Interest income	1,741,330	2,724,577
Other investment income	739,699	8,591
<b>Total</b>	<b>12,332,359</b>	<b>11,729,258</b>

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

*Characteristics of loans granted to subsidiaries*

Sava Re				
Borrower	Principal	Type of loan	Maturity	Interest rate
Sava Životno Osiguranje (SRB)	770,000	ordinary	15 November 2020	0.90%
Sava Životno Osiguranje (SRB)	2,000,000	ordinary	15 January 2021	0.90%
Sava Neživotno Osiguranje (SRB)	500,000	ordinary	15 July 2021	2.30%
Illyria (RKS)	500,000	subordinated	27 June 2029	3.00%
Illyria (RKS)	642,000	ordinary	15 July 2022	3.00%
Illyria (RKS)	400,000	ordinary	15 July 2021	1.00%
<b>Total</b>	<b>4,812,000</b>			



## **Appendix – Glossary of selected terms and calculation methodologies for indicators**



## Appendix – Glossary of selected terms and calculation methodologies for indicators

<b>Accounting currency.</b> 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.
<b>Administrative expense ratio.</b> The ratio of operating expenses net of acquisition costs and change in deferred acquisition costs as a percentage of gross premiums written.
<b>Associate.</b> 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.
<b>Book value per share.</b> Ratio of total equity to weighted average number of shares outstanding.
<b>Business continuity plan.</b> 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.
<b>BVAL price.</b> Engl. Bloomberg valuation price. The price obtained from the Bloomberg information system.
<b>Capital fund.</b> Assets representing the capital of the Company.
<b>CBBT price.</b> Engl. Composite Bloomberg Bond Trader price. Closing price available in the Bloomberg information system based on binding bids.
<b>Cedant, cede, cession.</b> 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.
<b>Chief Operating Decision Maker (CODM).</b> 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.
<b>Claims paid.</b> 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. <b>Gross claims paid are gross claims paid less subrogation receivables. Net claims paid is short for net claims payments.</b>
<b>Claims risk.</b> The risk that the number of claims or the average claim amount will be higher than expected.
<b>Composite insurer.</b> Insurer that writes both life and non-life business.
<b>Comprehensive income.</b> 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.
<b>Consolidated book value per share.</b> Ratio of consolidated total equity to weighted average number of shares outstanding.
<b>Consolidated earnings per share.</b> Ratio of net profit/loss attributable to equity holders of the controlling company as a percentage of the weighted average number of shares outstanding.
<b>Credit risk.</b> 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.
<b>Currency risk.</b> The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.
<b>Dividend yield.</b> Ratio of dividend per share to the average price per share in the period.
<b>Earnings per share.</b> Ratio of net profit/loss as a percentage of the weighted average number of shares outstanding.
<b>EIOPA.</b> European Insurance and Occupational Pensions Authority.
<b>Eligible own funds.</b> The value of own funds eligible to cover the solvency capital requirement.
<b>Equity risk.</b> 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.
<b>Excess of loss reinsurance.</b> 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".
<b>Facultative reinsurance.</b> 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.
<b>FATCA.</b> Foreign Account Tax Compliance Act; for details see <a href="http://www.sava-re.si/en/o-druzbi/FATCA/">http://www.sava-re.si/en/o-druzbi/FATCA/</a>
<b>Financial investments.</b> Financial investments do not include financial investments in associates, investment property nor cash and cash equivalents.
<b>Financial risk.</b> 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.
<b>FOS business.</b> 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.
<b>FVTPL.</b> Financial instruments measured at fair value through profit or loss.
<b>Gross claims paid.</b> 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.
<b>Gross expense ratio.</b> The ratio of operating expenses as a percentage of gross premiums written.
<b>Gross incurred loss ratio.</b> 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.
<b>Gross operating expenses.</b> Operating expenses, excluding commission income.
<b>Gross premiums written.</b> 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.
<b>Gross/net.</b> In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.
<b>HR.</b> Croatia.
<b>IBNER.</b> Provision for claims that are <b>Incurred But Not Enough Reported</b> .
<b>IBNR.</b> Provision for claims that are <b>Incurred But Not Reported</b> .



<b>Insurance density.</b> The ratio of gross premiums written as a percentage of the number of inhabitants.
<b>Insurance penetration.</b> The ratio of gross premiums written as a percentage of gross domestic product.
<b>Interest rate risk.</b> 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.
<b>Investment portfolio.</b> The investment portfolio includes financial investments in associates, investment property, and cash and cash equivalents.
<b>Liability fund.</b> Assets covering technical provisions.
<b>Life insurance register of assets.</b> Register of assets used to cover mathematical provisions.
<b>Liquidity risk.</b> 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.
<b>Market risks.</b> Include interest rate risk, equity risk and currency risk.
<b>Minimum capital requirement (MCR).</b> 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.
<b>MNE.</b> Montenegro.
<b>Net claims incurred.</b> Net claims payments (short: net claims paid) in the period gross of the change in the net provision for outstanding claims.
<b>Net claims paid.</b> 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. <b>Gross claims paid are gross claims paid less subrogation receivables.</b>
<b>Net combined ratio.</b> Ratio of total expenses net of investment expenses as a percentage of total income net of investment income.
<b>Net expense ratio.</b> The ratio of operating expenses, net of commission income, as a percentage of net earned premiums.
<b>Net incurred loss ratio.</b> Net claims incurred gross of the change in other technical provisions as a percentage of net premiums earned.
<b>Net investment income of the investment portfolio.</b> 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.
<b>Net operating expenses.</b> Operating expenses net of commission income.
<b>Net premiums earned.</b> Net premiums written for a given period adjusted for the change in net unearned premiums.
<b>Net premiums written.</b> 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.
<b>Net retention risk.</b> The risk that higher retention of insurance loss exposures results in large losses due to catastrophic or concentrated claims experience.
<b>Net/gross.</b> In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.
<b>NMK.</b> North Macedonia.
<b>Non-life insurance register of assets.</b> Register of assets used to cover non-life technical provisions.
<b>Non-proportional reinsurance (excess reinsurance).</b> 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.
<b>Operating revenues.</b> Total income less investment income.
<b>Operational limit.</b> 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.
<b>Operational risk.</b> The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
<b>ORSA.</b> 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
<b>OTC market.</b> Engl. Over-The-Counter market. OTC market transactions are transactions outside the regulated market.
<b>Paid loss ratio.</b> The ratio of gross claims paid as a percentage of gross premiums written.
<b>Premiums written.</b> 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.
<b>Pricing risk.</b> The risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.
<b>Primary insurer.</b> Insurance company that has a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).
<b>Proportional reinsurance.</b> 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.
<b>RBNS.</b> Provision for claims that are <b>Reported But Not Settled</b> .
<b>Recourse receivables.</b> 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.
<b>Reputation risk.</b> Risk of loss due to the Company's negative image as perceived by its policyholders, business partners, owners and investors, supervisors or other stakeholders.
<b>Reserve risk.</b> Risk that technical provisions are not sufficient to cover the commitments of the (re)insurance business assumed.
<b>Reserving risk.</b> The risk that technical provisions will be inadequate.
<b>Retention ratio.</b> Ratio of net premiums written as a percentage of gross premiums written.
<b>Retention.</b> 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,

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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.

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**Retrocession.** The reinsurance bought by reinsurers; a transaction by which a reinsurer cedes risks to another reinsurer.

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**Return on equity (ROE).** The ratio of net profit for the period as a percentage of average equity in the period.

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**Return on revenue (ROR).** Ratio of net profit for the year to operating revenues.

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**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.

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**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.

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**Risk register.** Catalogue of all identified risks maintained regularly updated by the Company.

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**RKS.** Kosovo.

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**SLO.** Slovenia.

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**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.

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**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.

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**SRB.** Serbia.

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**Standard formula.** Formulas laid down by Solvency II regulations for the calculation of the Solvency Capital Requirement.

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**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.

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**Subsidiary entity.** An entity that is controlled by another entity.

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**Transaction currency.** The currency in which reinsurance contract transactions are processed.

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**Underwriting process risk.** Risk of financial loss due to incorrect selection and approval of risks to be (re)insured.

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**Underwriting result.** Profit or loss realised from insurance operations as opposed to that realised from investments or other items.

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**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.

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**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.

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