ANNUAL REPORT
of the Sava Insurance Group
and Sava Re d.d.
2020

SAVA INSURANCE GROUP

Together we can bridge all challenges.

NEVER ALONE

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Wooden bridge over the Sava, 98.5 metres long.

#NeverAlone

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

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Wooden bridge over the Sava, 98.5 metres long.

Bridges have always connected people. They arch across turbulent waters, join opposite sides and give hope. Bridges also symbolise stability, strength and progress.

Just like the Sava Insurance Group, which builds strong bonds of trust with its clients and helps them bridge hardships.

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We build strong bonds of trust with our customers and help them bridge hardships. We build our relationships with responsibility, honesty and respect, and we exceed our customers' expectations because they are always our number-one priority.

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

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Wooden bridge over the Sava, 98.5 metres long.

The key image selected for this year's annual report for the Sava Insurance Group and Sava Re is the wooden bridge over the Sava River near Litija.

This mighty wood-framed structure, spanning nearly 100 metres, stands upon two concrete pillars nearly 10 metres above the Sava River, and it fills us with hope that together we too can bridge all challenges after this most demanding year.

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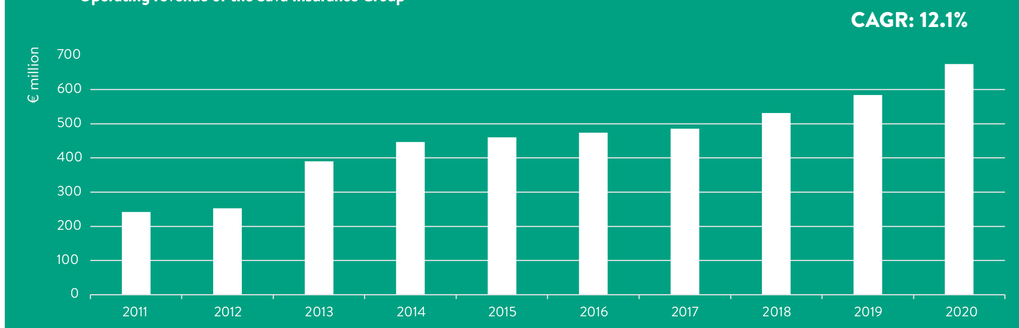
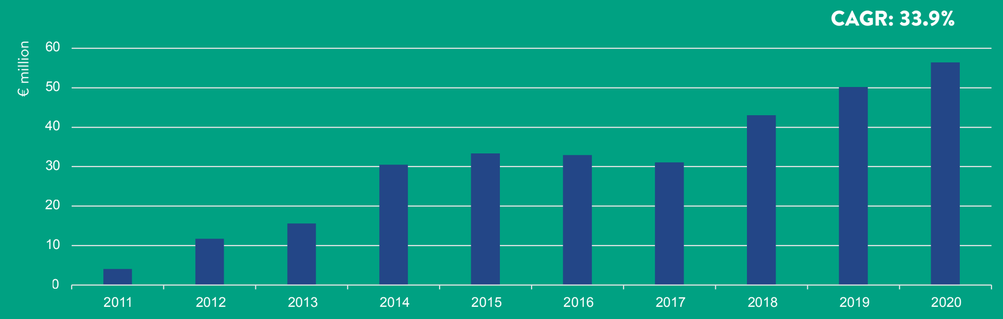
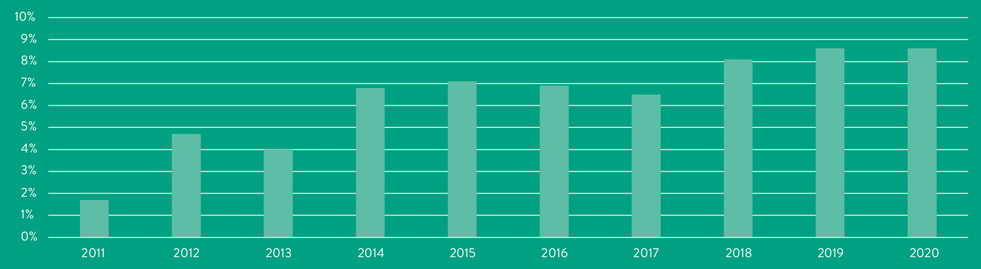
Operating revenue of the Sava Insurance Group



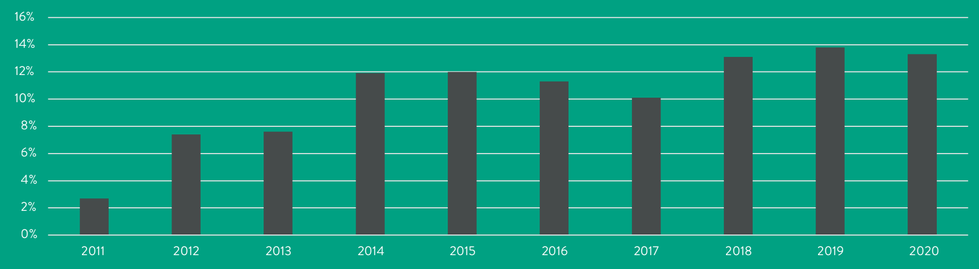
Profit or loss, net of tax, of the Sava Insurance Group



Return on revenue of the Sava Insurance Group



Return on equity of the Sava Insurance Group



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STANDARD & POOR'S

2020 A

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Declaration of the management board

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

31 MARCH 2021

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MARKO JAZBEC
CHAIRMAN OF THE MANAGEMENT BOARD

PETER SKVARČA
MEMBER OF THE MANAGEMENT BOARD

POLONA PIRŠ ZUPANČIČ
MEMBER OF THE MANAGEMENT BOARD

JOŠT DOLNIČAR
MEMBER OF THE MANAGEMENT BOARD

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Key financials

EUR, except percentages	Sava Insurance Group	
	2020	2019
Total of all operating segments		
Operating revenue	**674,902,104**	**584,178,117**
Year-on-year change	15.5%	9.9%
Profit or loss before tax	**67,746,715**	**60,744,015**
Year-on-year change	11.5%	9.9%
Profit or loss, net of tax	**56,386,299**	**50,194,588**
Year-on-year change	12.3%	16.7%
Comprehensive income	**75,783,096**	**59,589,361**
Year-on-year change	27.2%	63.5%
Return on revenue*	**8.6%**	**8.6%**
Net expense ratio, including operating revenue*/* **	**29.5%**	**31.6%**
Return on equity	**13.3%**	**13.8%**
Earnings or loss per share	3.63	3.22
Return on the investment portfolio*/**	1.6%	1.9%
Reinsurance + non-life		
Gross premiums written	**546,242,406**	**508,530,894**
Year-on-year change	7.4%	11.2%
Net incurred loss ratio*	**61.6%**	**61.7%**
Net expense ratio	**31.1%**	**32.3%**
Net combined ratio*	**93.9%**	**93.8%**
Profit or loss before tax	**41,069,221**	**40,460,026**
Year-on-year change	1.5%	-0.9%

EUR, except percentages	Sava Insurance Group	
	2020	2019
Life insurance		
Gross premiums written	**130,266,058**	**87,668,880**
Year-on-year change	48.6%	0.9%
Net expense ratio	**23.0%**	**28.9%**
Profit or loss before tax	**27,284,252**	**16,593,299**
Year-on-year change	64.4%	34.3%
Total of all operating segments	**31 December 2020**	**31 December 2019**
Total assets	**2,467,251,303**	**1,885,953,003**
Change on 31 December of prior year	30.8%	10.5%
Shareholders' equity	**460,214,488**	**384,776,847**
Change on 31 December of prior year	19.6%	13.1%
Net technical provisions	**1,600,307,265**	**1,115,945,868**
Change on 31 December of prior year	43.4%	1.2%
Book value per share	**29.70**	**24.83**
Number of employees (full-time equivalent basis)	2,690.7	2,723.3
Solvency ratio under Solvency II rules	-	220.0%

Items and ratios are defined in the glossary in Appendix C2.

* *Effect of exchange differences excluded.*

** *Subordinated debt expenses excluded. In 2020, impairment losses on goodwill are also excluded.*

*** *Exclusive of extraordinary income relating to negative goodwill on acquisitions (2020: Vita, 2019: ERGO) and amortisation of client list.*

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Business report of the Sava Insurance Group and Sava Re

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1
Letter from the chairman of the management board[1]

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1 GRI 102-14.

Swifter development

OF DIGITAL SOLUTIONS

Flexibility and responsiveness

We are looking back on a very special year. The coronavirus has restricted our movements and changed our daily lives. We see the role of the Sava Insurance Group primarily as taking care of our customers when they find themselves in difficult circumstances. Our slogan #NeverAlone is not only our promise to our customers, but to the culture that we really live, at the Group level, the individual company level and the level of our staff. During this time, we put the safety and health of our employees at the forefront while working to achieve our operational objectives. Although we worked remotely and had fewer live meetings, I feel that the year brought us closer together. I am also pleased to find that we made sure that we never left our clients alone during these challenging times and that we stood beside and behind them at all times despite the restrictive measures. To this end, we adapted many services and made them accessible remotely.

Strategy focus

In May 2020, the Sava Insurance Group successfully completed the acquisition of the life insurer Vita. Group operating revenue increased by just over 15%, which was driven primarily by the inclusion of Vita in the Group and also to some extent by the full-year operations of the asset management company, Sava Infond, which joined the Group in mid-2019.

Despite the effects of the corona crisis on the economy, we managed to increase our market share in non-life business in Slovenia, and we also grew in reinsurance business and the FoS (“freedom of services”) business written by Zavarovalnica Sava in cooperation with various companies in the European Union. Through the acquisition of Vita, the Sava Insurance Group has improved its market position in Slovenia as we rank second in terms of market share in the insurance industry. These acquisitions allow us to tap into the synergies resulting from the growth in business volume, and the acquisition of Vita is also an important step for the Group in strengthening partnerships with banks and developing the bancassurance sales channel for marketing insurance products, which is one of the Group’s main strategic directions.

In this special year, the Sava Insurance Group accelerated the development of digital solutions, all to make it easier for customers to do business with insurers. Remote underwriting, online reporting and remote property damage surveys, confirmation of identity by video call and remote communication became indispensable this year. Therefore, we improved and further developed and presented, in a broader context, online solutions that simplify our services for customers with new technologies and allow them to operate smoothly. With the online consulting office of Zavarovalnica Sava, we thus improved the accessibility and clarity of services, as underwriting in person was quite difficult due to the pandemic. Digital solutions are also being developed in other companies of the Sava Insurance Group.

Sustainable development (i.e. corporate social responsibility) is a growing and significant aspect of decision-making in all business segments. Aware of environmental changes and their impact on our business, we increased the share of real estate, infrastructure and sustainable investments in the portfolio in 2020. This underpins our sustainability efforts in the communities and environment that we are part of. The share of sustainable investments (ESG investments) in the portfolio was 8.3% at the end of the year. The portfolio of predominantly highly rated government and corporate bonds is fairly resilient to financial market volatility. The key goal of the Group’s investment policy is to maintain low volatility and a high level of security of assets intended for covering obligations arising from insurance contracts, as well as to ensure high liquidity and risk diversification.

Vita strengthens

MARKET SHARE IN SLOVENIA

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€56.4 m

NET PROFIT FOR THE YEAR

Business performance and financial stability
The Group generated a net profit of EUR 56.4 million in 2020, an increase of 12.3% over the previous year. The increase was mainly driven by good results in non-life insurance and life insurance in Slovenia, but partly offset by challenging claims experience in international reinsurance markets. Higher profitability was also due to the acquisition of Vita, which resulted in extraordinary income relating to negative goodwill. Return on equity was high, at 13.3% in 2020, which is slightly above the target return on equity in the strategic period 2020–2022.

We are very proud that the Sava Insurance Group's "A" credit rating with a stable outlook was confirmed in 2020 by both credit rating agencies, which gives our operations additional credibility in international reinsurance markets. This confirmation is particularly important in a year when the credit ratings of many issuers were under scrutiny and negative pressure from the special circumstances.

Intrinsic value of share and dividend challenges in 2020
In 2020, the POSR share price rose by 2.8% to EUR 18.50 despite high fluctuations in financial markets in March 2020, while dividends were not paid due to the regulator's call to temporarily suspend dividend payments and due to the assessment of potential Covid-19–related risks. The book value per share thus increased by 19.6% to EUR 29.70 as at the year end. We hope that the situation in financial markets will stabilise in 2021 and that regulatory restrictions will be eliminated, so that we can continue to implement our strategy of optimising capital and share value by paying dividends and allocating capital in accordance with our strategic goals.

I would like to take this opportunity to thank our shareholders, customers, employees and other stakeholders for their support and the trust they have placed in us. Thank you for your cooperation, effort and energy. We will continue to strive to deliver on our promise **#NeverAlone** and to further improve quality at all levels of our business while ensuring a high degree of financial strength and profitability of the Group.

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

13.3%

RETURN ON EQUITY

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Profile of Sava Re and the Sava Insurance Group

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2.1 Sava Re company profile[2]

Company name	Sava Re d.d.
Business address	Dunajska 56, 1000 Ljubljana, Slovenia
Telephone (switchboard)	+386 1 47 50 200
Facsimile	+386 1 47 50 264
Email	info@sava-re.si
Website	www.sava-re.si
ID number	5063825
Tax identification number	SI17986141
LEI code	549300P6F1BDSFSW5T72
Share capital	EUR 71,856,376
Shares	17,219,662 no-par-value shares
Management and supervisory bodies	**MANAGEMENT BOARD** Marko Jazbec (chairman) Jošt Dolničar Polona Pirš Zupančič Peter Skvarča **SUPERVISORY BOARD** Mateja Lovšin Herič (chair), Keith William Morris (deputy chair) Andrej Kren Davor Ivan Gjivoje Jr Mateja Živec (employee representative) Andrej Gorazd Kunstek (employee representative)
Date of entry into court register	10 December 1990, Ljubljana District Court
Certified auditor	KPMG Slovenia, 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	ir@sava-re.si
The Company has no branches.	

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

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2.2 Significant events in 2020

Vita joins the Group

In the first quarter of 2020, Europe and the rest of the world were hit by the Covid-19 pandemic, which affected lives and global capital markets. The Sava Insurance Group was also faced with the emergency situation; therefore, in August 2020 it prepared and published a financial plan for the period 2020–2022 that was adjusted to the new circumstances and that included Covid-19-related impacts on business projections as well as impacts of the Vita acquisition. The strategy of the Sava Insurance Group for 2020–2022 has remained unchanged in substance, but the financial plan the period has been changed to reflect the above impacts on the Group's operations.

MARCH

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.).

APRIL

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.

MAY

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).

JUNE

- In June 2020, the 36th general meeting of shareholders was held.
- In June 2020, the composition of the Sava Re management board changed. Srečko Čebron, 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.

OCTOBER

- 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 new circumstances that had arisen in certain EU insurance markets and in the United Kingdom that were in contrast to previously obtained legal advice. These mainly included 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 circumstances primarily related 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 could 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 described 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.
- 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.

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2.3 Significant events after the reporting date

On 5 March 2021, Sava Re received a letter from the Insurance Supervision Agency (ISA) stating that due to the uncertain situation regarding the spread of the Covid-19 pandemic and the associated uncertain consequences for the economy and the insurance sector, the ISA expects that, until 30 September 2021, insurance undertakings, reinsurance undertakings and pension companies suspend dividend payments, not enter into irrevocable commitments to pay dividends and refrain from buying own shares intended to reward shareholders. Furthermore, the recommendation of the ISA sets certain criteria that must be met by companies where, contrary to the recommendation, the management and supervisory boards decide to propose the appropriation of the distributable profit prior to the above date, and requires such companies to demonstrate compliance with the principle of prudence in their decisions. Evidence must be based on stress test results and their impact on financial stability, liquidity and the solvency ratio. The Company published the ISA letter via the SEOnet system on 8 March 2021.

2.4 Sava Re rating profile

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

Financial strength ratings of Sava Re

Agency	Rating[3]	Outlook	Latest review
Standard & Poor's	A	stable	August 2020: affirmed existing rating
AM Best	A	stable	October 2020: affirmed existing rating

2.5 Profile of the Sava Insurance Group[4]

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 (SVN); the non-life insurers Sava Neživotno Osiguranje (SRB), Sava Osiguruvanje (MKD), Illyria (RKS) and Sava Osiguranje (MNE) and the life insurers Vita (SVN), Sava Životno Osiguranje (SRB) and Illyria Life (RKS). In addition to these (re)insurers, the Group consists of:

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

"A"

CREDIT RATINGS REAFFIRMED, OUTLOOK STABLE

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

4 GRI 102-2, 102-45.

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The Group keeps expanding, diversifying into areas related to its existing business. We thus strengthen and refine our product range, evolving into a comprehensive service provider:

- **Reinsurance:** With over forty years of experience in international reinsurance, Sava Re provides a full range of reinsurance coverages. Building a globally diversified portfolio, we now conduct business with more than 350 clients in over one hundred reinsurance markets worldwide. Our guiding principle is to build long-term relationships with our clients and partners that allow creating stability throughout all economic cycles.
- **Insurance, Slovenia:** In Slovenia, we conduct insurance business under the Zavarovalnica Sava brand, an insurance company formed in 2016 by the merger of the Slovenian insurers Zavarovalnica Maribor and Zavarovalnica Tilia, and the Croatian insurers Velebit Osiguranje and Velebit Životno Osiguranje. This brings together long-standing tradition and two countries. We are proud to have designed an insurer better adapted to the current needs of our clients, thereby contributing to the development of the insurance industry in the region. In 2020, the Sava Insurance Group was joined by the Slovenian life insurer Vita. The acquisition of Vita improved the market position of the Sava Insurance Group in Slovenia where the Group ranks second in terms of insurance market share.
- **Insurance, international:** The Sava Insurance Group operates through subsidiaries and branches in the markets of Croatia, Serbia, Montenegro, North Macedonia and Kosovo. Motor third-party liability and motor casco account for a significant part of insurance business written in these markets, and there is a rising trend in property, health and other business. In the Croatian, Serbian and Kosovo markets, we are also present with life insurance companies.
- **Pensions:** The Sava Insurance Group offers pension insurance in Slovenia and North Macedonia. In the Slovenian market, Sava Pokojninska offers a comprehensive range of supplementary pension insurance: it manages pension fund assets and distributes supplementary pension annuity payments. We have been present in North Macedonia since 2018 when we acquired the second largest pension company NLB Nov Penziski Fond, subsequently rebranded Sava Penzisko Društvo.
- **Assistance services:** The TBS Team 24 assistance services supplement our core business in all the markets where we are present. We offer our clients motor, home and medical assistance, including other assistance services.
- **Asset management:** Sava Infond manages assets in excess of EUR 400 million, serving over 80,000 investors. The company has been successfully putting capital to work for its clients for twenty-five years.

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2.6 Composition of the Sava Insurance Group as at 31 December 2020[5]

SLOVENIA

- Zavarovalnica Sava | **100%**
  - ZS Svetovanje | **100%**
    - Omatus KC | **100%**
- Vita | **100%**
- Sava Infond | **84.8%**
- Sava Pokojninska | **100%**
- TBS Team 24 | **75%**
- ZTSR | **50%**

15.2%

CROATIA

- SO Poslovno Savjetovanje | **100%**

MONTENEGRO

- Sava Osiguranje | **100%**
  - Sava Car | **100%**
  - Sava Agent | **100%**

SERBIA

- Sava Životno Osiguranje | **100%**
- Sava Neživotno Osiguranje | **100%**

KOSOVO

- Illyria | **100%**
- Illyria Life | **100%**
- S Estate | **100%**

NORTH MACEDONIA

- Sava Osiguruvanje | **92.57%**
  - Sava Station | **100%**
- Sava Penzisko Društvo | **100%**

- Direct subsidiary
- Indirect subsidiary
- Associate company

5 GRI 102-04, 102-45.

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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 (SVN)
		Zavarovalnica Sava, Slovenian part (in tables)
	SAVA OSIGURANJE, d.d. – Croatian branch office	Zavarovalnica Sava, Croatian part (in tables)
3	SAVA NEŽIVOTNO OSIGURANJE AKCIONARSKO DRUŠTVO ZA OSIGURANJE Belgrade	Sava Neživotno Osiguranje (SRB)
4	KOMPANIA E SIGURIMEVE " ILLYRIA " SH.A.	Illyria (RKS)
5	SAVA osiguruvanje a.d. Skopje	Sava Osiguruvanje (North Macedonia)
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, Belgrade	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 (SVN)
12	ORNATUS KLICNI CENTER, podjetje za posredovanje telefonskih klicov, d.o.o.	Ornatus KC (SVN)
13	DRUŠTVO ZA ZASTUPANJE U OSIGURANJU "SAVA AGENT" D.O.O. - Podgorica	Sava Agent (MNE)
14	Društvo za tehničko ispituvanje i analiza na motorni vozila SAVA STEJŠN DOOEL Skopje	Sava Station (MKD)
15	Sava pokojninska družba, d.d.	Sava Pokojninska (SVN)
16	TBS TEAM 24 podjetje za storitvene dejavnosti in trgovino d.o.o.	TBS Team 24 (SVN)
17	Društvo za upravuvanje so zadolžitelni i dobovolin penzisko fondovi SAVA PENZISKO DRUŠTVO A.D Skopje	Sava Penzisko Društvo (MKD)
18	ZTSR, dejavnost holdingov, d.o.o.	ZTSR (SVN)
19	Got2Insure Ltd	G2I (GBR)
20	SAVA INFOND, družba za upravljanje, d.o.o.	Sava Infond (SVN)
21	SO poslovno savjetovanje d.o.o.	SO Poslovno Savjetovanje (HRV)
22	Diagnostični center Bled d.o.o.	DCB (SVN)
23	Življenjska zavarovalnica Vita d.d. Ljubljana	Vita (SVN)

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2.7 General information on Group companies as at 31 December 2020[6]

SAVA RE

Registered office
Dunajska 56, 1001 Ljubljana, Slovenia

ID number
5063825

Main activity
reinsurance

Share capital (EUR)
71,856,376

Governing bodies
management board
Marko Jazbec (chair), Jošt Dolničar, Polona Pirš Zupančič, Peter Skvarča
supervisory board
Mateja Lovšin Herič (chair), Keith William Morris, Andrej Kren, Davor Ivan Gjivoje Jr, Mateja Živec, Andrej Gorazd Kunstek

Regulatory body
Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, Slovenia

ZAVAROVALNICA SAVA (SVN)

Registered office
Cankarjeva ulica 3, 2000 Maribor, Slovenia

ID number
5063400

Main activity
insurance

Share capital (EUR)
68,417,377

Book value of equity interest (EUR)
68,417,377

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
management board
David Kastelic (chair), Primož Močivnik, Rok Moljk, Robert Ciglarič, Miha Pahulje
supervisory board
Jošt Dolničar (chair), Janez Komelj, Polona Pirš Zupančič, Pavel Gojkovič, Aleš Perko, Branko Beranič

Regulatory body
Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, Slovenia

SAVA NEŽIVOTNO OSIGURANJE (SRB)

Registered office
Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia

ID number
17407813

Main activity
non-life insurance

Share capital (EUR)
6,314,464

Book value of equity interest (EUR)
6,314,464

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
management board
Milorad Bosnić (chair until 31 Dec 2020), Bojan Mijailović (chair since 1 Jan 2021), Aleksandar Ašanin (until 31 Dec 2020), Mirjana Bogićević
supervisory board
Jošt Dolničar (chair), Nebojša Šćekić, Josif Jusković

Regulatory body
National Bank of Serbia, Nemanjina 17, 11000 Beograd, Serbia

ILLYRIA (RKS)

Registered office
Sheshi Nëna Terezë 33, 10000 Prishtina, Kosovo

ID number
810483769

Main activity
non-life insurance

Share capital (EUR)
7,228,040

Book value of equity interest (EUR)
7,228,040

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
managing director
Shpend Balija
board of directors
Marko Jazbec (chair), Rok Moljk, Andreja Rahne, Milan Viršek, Edita Rituper

Regulatory body
Central Bank of Kosovo, Garibaldi str. no. 33, Pristina, Kosovo

SAVA OSIGURUVANJE (NORTH MACEDONIA)

Registered office
Zagrebska br. 28A, 1000 Skopje, North Macedonia

ID number
4778529

Main activity
non-life insurance

Share capital (EUR)
3,820,077

Book value of equity interest (EUR)
3,536,245

% equity share / voting rights held by Group members
Sava Re: 92.57%

Governing bodies
BOARD OF DIRECTORS
executive directors
Ilo Ristovski, Melita Gugulovska
non-executive directors of the company
Rok Moljk (chair), Peter Skvarča, Milan Viršek, Sašo Tonevski, Nenad Jovanović

Regulatory body
Insurance Supervision Agency of the Republic of Macedonia, Ulica Vasil Glavinov br. 2, TCC Plaza kat 2, 1000 Skopje, North Macedonia

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

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SAVA OSIGURANJE (MNE)

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

ID number
02303388

Main activity
non-life insurance

Share capital (EUR)
4,033,303

Book value of equity interest (EUR)
4,033,303

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
BOARD OF DIRECTORS
executive director
Nebojša Šćekić
on-executive directors of the company
Marko Jazbec (chair), Milan Viršek, Edita Rituper

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

ILLYRIA LIFE (RKS)

Registered office
Sheshi Nëna Terezë 33, 10000 Prishtina, Kosovo

ID number
810793837

Main activity
life insurance

Share capital (EUR)
3,285,893

Book value of equity interest (EUR)
3,285,893

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
managing director
Albin Podvorica
board of directors
Marko Jazbec (chair), Andreja Rahne, Gianni Sokolič, Rok Moljk, Milan Viršek

Regulatory body
Central Bank of Kosovo, Garibaldi str. no. 33, Pristina, Kosovo

SAVA ŽIVOTNO OSIGURANJE (SRB)

Registered office
Bulevar vojvode Mišića 51, 11040 Belgrade, Serbia

ID number
20482443

Main activity
life insurance

Share capital (EUR)
4,326,664

Book value of equity interest (EUR)
4,326,664

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
management board[7]
Bojan Mijailović (chair), Zdravko Jojić
supervisory board
Polona Pirš Zupančič (chair), Pavel Gojkovič, Uroš Ćamilović

Regulatory body
National Bank of Serbia, Nemanjina 17, 11000 Beograd, Serbia

S ESTATE (RKS)

Registered office
Sheshi Nëna Terezë 33, 10000 Prishtina, Kosovo

ID number
810797912

Main activity
currently none

Share capital (EUR)
1,800,000

Book value of equity interest (EUR)
1,800,000

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
managing director
Ilirijana Dželadini

Regulatory body
/

SAVA CAR (MNE)

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

ID number
02806380

Main activity
technical testing and analysis

Share capital (EUR)
485,000

Book value of equity interest (EUR)
485,000

% equity share / voting rights held by Group members
Sava osiguranje (MNE): 100.0%

Governing bodies
executive director
Radenko Damjanović

Regulatory body
Ministry of Internal Affairs, Bulevar Svetog Petra Cetinjskog 22, 81000 Podgorica, Montenegro

7 As from 1 January 2021, Miloš Brusin is the chairman of the management board; Zdravko Jojić remains a board member.

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ZS SVETOVANJE (SVN)

Registered office
Betnavska cesta 2,
2000 Maribor, Slovenia

ID number
2154170000

Main activity
insurance agency

Share capital (EUR)
327,263

Book value of equity interest (EUR)
327,263

% equity share / voting rights held by Group members
Zavarovalnica Sava: 100.0%

Governing bodies
managing director
Aljaž Kos

Regulatory body
Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, Slovenia

SAVA AGENT (MNE)

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

ID number
02699893

Main activity
insurance agency

Share capital (EUR)
10,000

Book value of equity interest (EUR)
10,000

% equity share / voting rights held by Group members
Sava Osiguranje (MNE): 100.0%

Governing bodies
executive director
Snežana Milović

Regulatory body
Insurance Supervision Agency, Ul. Moskovska 17A M/C1, 81000 Podgorica, Montenegro

SAVA STATION (MKD)

Registered office
Bulevar vojvode Mišića 51,
11040 Belgrade, Serbia

ID number
7005350

Main activity
technical testing and analysis

Share capital (EUR)
199,821

Book value of equity interest (EUR)
199,821

% equity share / voting rights held by Group members
Sava Osiguruvanje (MKD): 100.0 %

Governing bodies
managing director
Ilija Nikolovski

Regulatory body
Ministry of Internal Affairs of Macedonia, Ul. Dimcho Mirchev 9, 1000 Skopje, North Macedonia

SAVA POKOJNINSKA (SVN)

Registered office
Ulica Vita Kraigherja 5,
2103 Maribor, Slovenia

ID number
1550411

Main activity
pension fund

Share capital (EUR)
6,301,109

Book value of equity interest (EUR)
6,301,109

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
management board
Lojze Grobelnik (chair), Igor Pšunder
supervisory board
Jošt Dolničar (chair), Rok Moljk, Jure Korent, Pavel Gojkovič, Irena Šela, Andrej Plos, Uroš Krajnc, Robert Senica

Regulatory body
Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, Slovenia

TBS TEAM 24 (SVN)

Registered office
Ljubljanska ulica 42,
2000 Maribor, Slovenia

ID number
5946948000

Main activity
provision of assistance services

Share capital (EUR)
8,902

Book value of equity interest (EUR)
6,677

% equity share / voting rights held by Group members
Sava Re: 75.0%

Governing bodies
managing director
Edvard Hojnik
holder of procuration
Aleksandra Tkalčič

Regulatory body
/

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SAVA PENZISKO DRUŠTVO (MKD)

Registered office
Majka Tereza 1, 1000 Skopje, North Macedonia

ID number
5989434

Main activity
fund management activities

Share capital (EUR)
2,110,791

Book value of equity interest (EUR)
2,110,791

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
management board
Mira Shekutkovska (chair), Petar Taleski, Kosta Ivanovski
supervisory board
Jure Korent (chair), Pavel Gojkovič, Mojca Gornjak, Goce Hristov

Regulatory body
MAPAS, Stiv Naumov 100, 1000 Skopje, North Macedonia

ZTSR (SVN)

Registered office
Miklošičeva cesta 19, 1000 Ljubljana, Slovenia

ID number
8281262000

Main activity
activities of holding companies

Share capital (EUR)
250,000

Book value of equity interest (EUR)
125,000

% equity share / voting rights held by Group members
Sava Re: 50.0%

Governing bodies
managing director
Grega Plantan
supervisory board
Polona Pirš Zupančič (chair), Uroš Ivanc

Regulatory body
/

G21 (GBR)

Registered office
Bailey House, 4–10 Barttelot Road, Horsham, West Sussex, RH12 1DQ, UK

ID number
10735938

Main activity
insurance agency

Share capital (EUR)
152,958

Book value of equity interest (EUR)
26,768

% equity share / voting rights held by Group members
Sava Re: 17.5% / 25.0%

Governing bodies
board of directors
Graham Moreton Smith (chair and non-executive member), Jošt Dolničar (non-executive member), Robert Paul Marjoram (executive member), Lisa Maire Dunne (executive member), Nicholas Tsimekis (executive member), Justin James Davis (executive member), Robert Anthony Katzaros (executive member), Michael David Holley (non-executive member)

Regulatory body
Financial Conduct Authority FCA, 12 Endeavour Square, London E20 1JN, UK

SAVA INFOND (SVN)

Registered office
Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia

ID number
5822416000

Main activity
investment fund asset management

Share capital (EUR)
1,460,524

Book value of equity interest (EUR)
1,460,524

% equity share / voting rights held by Group members
Sava Re: 84.00% / 84.85%
Zavarovalnica Sava: 15.00% / 15.15%

Governing bodies
management board
Jožica Palčič (chair), Samo Stonič
supervisory board
Polona Pirš Zupančič (chair), Nada Zidar, Jure Košir, Primož Močivnik, Miha Pahulje

Regulatory body
Securities Market Agency, Poljanski nasip 6, 1000 Ljubljana, Slovenia

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SO POSLOVNO SAVJETOVANJE (HRV)

Registered office
R. Frangeša Mihanovica 9, 10000 Zagreb, Hrvaška

ID number
2467143

Main activity
business and other management consultancy activities

Share capital (EUR)
3,884,285

Book value of equity interest (EUR)
3,884,285

% equity share / voting rights held by Group members
Zavarovalnica Sava: 100.0%

Governing bodies
managing director
Tibor Kralj

VITA (SVN)

Registered office
Trg republike 3, 1000 Ljubljana, Slovenia

ID number
1834665000

Main activity
life insurance

Share capital (EUR)
7,043,900

Book value of equity interest (EUR)
7,043,900

% equity share / voting rights held by Group members
Sava Re: 100.0%

Governing bodies
management board
Irena Prelog (chair), Tine Pust
supervisory board
Jošt Dolničar (chair), Pavel Gojkovič, Andreja Rahne, Jure Košir

Regulatory body
Insurance Supervision Agency, Trg republike 3, 1000 Ljubljana, Slovenia

The management of all Sava Insurance Group members is local[8].

2.8 Changes to the organisation[9]

In 2020, the Sava Insurance Group was joined by the Slovenian insurer Vita. The company SŽO Poslovno Savjetovanje was wound up at the end of 2020.

8 GRI 202-02.
9 GRI 102-10.

3 Shareholders and share trading

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3.1 Capital market developments and impacts on the POSR share price

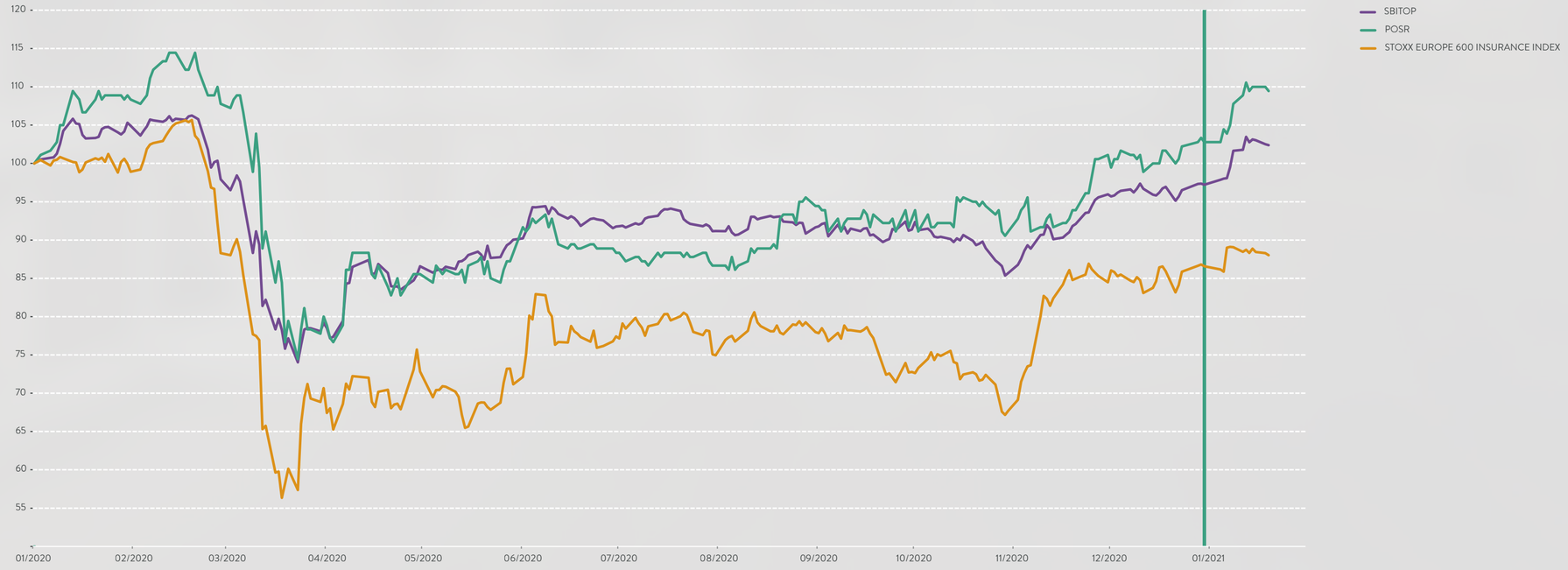
We are looking back on a volatile year, which was also reflected in the movement of the Sava Re share price. In February 2020, the share achieved its five-year high at EUR 20.6. But the spread of the Covid-19 virus led to growing risks, which was reflected in the share price dropping below EUR 14 per share in March. At the end of 2020, the share price ended at EUR 18.5, which was higher than the value at year-end 2019.

A comparison with the Slovenian SBITOP stock index (the Slovenian blue-chip index) shows that the Sava Re share performed significantly better than the Slovenian average. The Slovenian SBITOP stock index fell by 2.8% in 2020, while the Sava Re share price rose by 2.8%.

In 2020, developments in the Slovenian stock market followed global developments, but at a slower pace, however, the Slovenian stock index SBITOP performed better than the European one. The global stock index (MCI AC WORLD Index) ended 2020 with a growth of 5% (in euro terms), while the European Index (STOXX 600) fell by 4% over the same period.

The Sava Re share gained 38% from its low, at the end of March, until the end of 2020. Total turnover in the Sava Re share was EUR 28.7 million in 2020, compared to just EUR 10.7 million in 2019. The average daily turnover with the share in this period was EUR 115,787, compared to EUR 43,417 in 2019. The reason for this volatility and the higher turnover in the Sava Re share is investor response to the Covid-19 pandemic, the turn in global stock markets and low interest rates.

Movement in the POSR share price in 2020 compared to the SBITOP index and the STOXX Europe 600 insurance index in % (1 January 2020 = 100)



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3.2 General information on the share

Basic details about the POSR share

	31 December 2020	31 December 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	4,110
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)	3.63	3.22
Consolidated book value per share (EUR)	29.70	24.83
Share price at end of period (EUR)	18.50	18.00
Market capitalisation (EUR)	318,563,747	309,953,916
	1–12/2020	**1–12/2019**
Average share price in reporting period (EUR)	16.91	16.83
Period low (EUR)	13.40	14.70
Period high (EUR)	20.60	18.20
Turnover in reporting period (EUR)	28,715,190	10,680,476
Average daily turnover (EUR)	115,787	43,417

€29.70

BOOK VALUE OF SHARE

Shareholder structure of Sava Re as at 31 December 2020[10]

Type of investor	Domestic investor	International investor
Insurance and pension companies	18.2%	0.0%
Other financial institutions*	17.9%	14.5%
Republic of Slovenia	13.9%	0.0%
Natural persons	10.3%	0.2%
Investment funds and mutual funds	3.1%	2.0%
Other commercial companies	2.6%	1.1%
Banks	0.1%	16.0%
Total	**66.1%**	**33.9%**

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

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

Up 2.8%

MARKET SHARE PRICE

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

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Composition of the Sava Insurance Group share capital

Ten largest shareholders and qualifying shareholders under the Slovenian Takeover Act as at 31 December 2020[11]

Shareholder	Number of shares	Holding (%)
Slovenski Državni Holding d.d. (Slovenian Sovereign Holding)	3,043,883	17.7%
Intercapital securities Ltd., fiduciary account	2,487,252	14.4%
Republic of Slovenia	2,392,436	13.9%
Sava Re d.d., own shares*	1,721,966	10.0%
European Bank for Reconstruction and Development (EBRD)	1,071,429	6.2%
Raiffeisen Bank Austria, fiduciary account	804,299	4.7%
Modra Zavarovalnica d.d.	714,285	4.1%
Hrvatska Poštanska Banka – fiduciary account	363,055	2.1%
Guaranteed civil servants' sub-fund	320,346	1.9%
Kapitalska družba d.d. – SODPZ	238,109	1.4%
Total	**13,157,060**	**76.4%**

** 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 (hereinafter: Adris Grupa), 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.

As at 31 December 2020, the first five of the largest Sava Re shareholders held a 5%-stake (qualifying holding in accordance with article 77 of the Slovenian Takeover Act, ZPre-1).

POSR shares held by members of the supervisory and management boards as at 31 December 2020

	Number of shares	Holding (%)
Marko Jazbec	8,888	0.052%
Jošt Dolničar	4,363	0.025%
Polona Pirš Zupančič	3,748	0.022%
Peter Skvarča	850	0.005%
Total management board	**17,849**	**0.099%**
Andrej Gorazd Kunstek	2,900	0.017%
Mateja Živec	1,000	0.006%
Total supervisory board	**3,900**	**0.023%**
Total management and supervisory boards	**21,749**	**0.12%**

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

11 Vir: Centralni register vrednostnih papirjev KDD d.d.

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The shares give their holders the following rights:

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

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

Share transfer restrictions

All Sava Re shares are freely transferable.

Holders of securities carrying special control rights

Sava Re has issued no securities carrying special control rights.

Own shares

In the period from 1 January 2020 to 31 December 2020, Sava Re did not repurchase its own shares. The total number of own shares as at 31 December 2020 was 1,721,966, representing 10% less one share of all issued shares.

Dividend

The Company did not distribute any dividends in 1–12/2020. 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 expected that insurance companies would increase their resilience to the financial shock resulting from the consequences 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 shareholders of Sava Re was called, but it was subsequently cancelled (for more details, see section *2.2 Significant events in 2020*).

Details on dividends[12]

EUR	For 2013	For 2014	For 2015	For 2016	For 2017	For 2018	For 2019
Amount of dividend payment	4,386,985	9,065,978	12,398,157	12,398,157	12,398,157	14,722,811	0
Dividend per share	0.26	0.55	ordinary: 0.65 extraordinary: 0.15	0.80	0.80	0.95	-
Dividend yield	2.0%	3.8%	5.8%	5.0%	4.8%	5.6%	-

Contingent capital

The Company had no conditional equity as at 31 December 2020.

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

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3.3 Responsibility to investors[13]

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

As a Ljubljana Stock Exchange first listing company, we respect the principle of equal treatment and public information. In our communications, we follow recommendations for the uniform informing of all shareholders, and through public announcements we enable the simultaneous and transparent provision of information in accordance with the financial calendar. In so doing, we build trust among our shareholders and other potential investors in the Company and its POSR share. Key information is published in accordance with the financial calendar on the Company's website and via the Ljubljana Stock Exchange SEOnet system. In 2020, there were 88 public notifications both in Slovenian and English.

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

The objective of the Company is to set up an open communication channel with investors. We want to achieve awareness of the real value the Sava Re and Sava Insurance Group brand and consequently everything that investing in the POSR share entails. In 2020 we continued with our efforts to improve the liquidity of the POSR share. Our responsibility to the investors is reflected in our cooperation and in setting up a two-way relationship using various communication tools. In 2020 we carried out the following activities:

- All shareholders (Slovenian and foreign) were sent the annual letter to shareholders via direct mail and were invited to the annual general meeting.
- Following each publication of business results, all registered investors, shareholders and other representatives of the financial public received an email informing them of the public notification.
- We organised a general meeting of shareholders in which shareholders could exercise their voting rights in the Company's affairs.
- We communicated with investors in individual meetings and through conference calls, due to the Covid-19 epidemic.
- Following the announcement of unaudited results, we organised a press conference at which we presented the Group and the Company's operations in the past year and informed the public about our plans for the future.
- We extended the agreement on the provision of market-making services for the Sava Re share with the stock exchange member INTERKAPITAL Vrijednosni Papiri d.o.o.
- In 2020, we attended conferences for investors and analysts in Slovenia and abroad, and participated in webcasts organised by the Ljubljana Stock Exchange. We strengthened our brand among international institutional investors through presentations at investment conferences, maintaining a focus on long-term investors.

Timely and consistent information for investors, shareholders and other representatives of the financial public is provided on our official website at www.sava-re.si, which was completely redesigned in 2020, with a sub-page entitled "For Investors", containing all relevant information regarding fluctuations in the value of the POSR share, key indicators and dividends, financial reports and analyses, and the financial calendar. The website also features a calendar of past investment conferences as well as the material presented at these events. Also announced are the events to be attended in the next year.

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

13 GRI 102-42, 102-43.

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4 Report of the supervisory board

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

In 2020, the supervisory board monitored the Company's operations and oversaw its management in a responsible manner. It periodically examined reports on various aspects of the business, passed appropriate resolutions and monitored their implementation. Individual issues were addressed in detail by the relevant supervisory board committees, and on the basis of their findings the supervisory board adopted appropriate resolutions and recommendations.

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

COMPOSITION OF THE SUPERVISORY BOARD

In 2020, the supervisory board comprised the following six members: Mateja Lovšin Herič (chair), Keith William Morris (deputy chair), Davor Ivan Gjivoje Jr, Andrej Kren, Andrej Gorazd Kunstek and Mateja Živec.

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

OPERATION OF THE SUPERVISORY BOARD

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

The supervisory board notes that the reports prepared by the management board for the supervisory board's own use and that of its committees were appropriate for use as part of a thorough review of issues, and they comply with both the relevant laws and internal regulations. Meeting materials were provided in a timely manner, allowing members sufficient time to prepare themselves for the consideration of agenda items. The Company's professional staff assisted in carrying out meetings and organised other supporting activities.

In 2020, the supervisory board met ten times. All members attended all meetings. Discussions were also joined by the management board members and the supervisory board secretary, while other professional staff also assisted in certain agenda items. Because of the pandemic, most meetings were held as hybrid meetings, with both in-person and online attendance, but some were held by electronic means only.

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

Below we outline the major issues to which the supervisory board members dedicated special attention in 2020:

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

In late August of 2020, the supervisory board considered and approved the "Revised strategic plan of the Sava Insurance Group 2020–2022" and the "Revised business policy and financial plan of the Sava Insurance Group and Sava Re d.d. for 2020". The management board revised the two documents for the following reasons: first, because of the acquisition of the life insurance company NLB Vita, which joined the Sava Insurance Group (the Group) on 31 May 2020, and, second, because of the Covid-19 pandemic and the related impacts on the operations of Group companies.

In late 2020, the supervisory board considered and approved the "Business policy and financial plan of the Sava Insurance Group and Sava Re d.d. for 2021".

Financial reports – annual report

The supervisory board reviewed the unaudited financial statements of the Group and the Company for 2019 and adopted the audited annual report of the Group and the Company for 2019, including the auditor's report and opinion on the 2019 annual report, and the supervisory board's own report on its activities in 2019. The annual report, including the auditor's opinion, was also presented to the general meeting.

Financial reports – interim reports

The supervisory board also periodically reviewed other financial reports in 2020, i.e. unaudited financial reports of the Sava Insurance Group with the financial statements of Sava Re d.d. for the periods January–March 2020, January–June 2020 and January–September 2020.

Asset management

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

Reinsurance operations and claims development

The supervisory board was briefed on the Company's reinsurance programme for the current year. It considered the report on the management board's views on the development of reinsurance operations. Throughout 2020, the board was regularly updated by the management board on major loss events in the domestic as well as global markets, and on potential claims that could have a material impact on the Company.

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Supervision of subsidiaries

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

Risk management system

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

It took note of the risk report for the last quarter of 2019 and the first-, second- and third-quarter risk reports for 2020. In February, it took note of the "Joint Sava Insurance Group own risk and solvency assessment (ORSA) report for 2020". The document contains all key information on own risk and solvency assessment for Zavarovalnica Sava d.d., Sava Re d.d. (the parent) and the Sava Insurance Group.

In August it discussed the "Joint Sava Insurance Group ad hoc own risk and solvency assessment (ORSA) report" prepared based on the revised strategic plan for 2020–2022.

It was made familiar with the Solvency II capital adequacy calculation as at 31 December 2019 and the solvency and financial condition reports of the Company and of the Group for 2019 (SFCR). Furthermore, it took note of the management board's report on the development of a capital allocation and economic profit model.

In November, the supervisory board of Sava Re considered and gave its consent to the amendments to the "Risk strategy of the Sava Insurance Group and Sava Re for 2020–2022".
As the supervisory board believes that identifying and managing risk is an essential part of good governance, it has in place a risk committee to closely monitor risk developments and offer advice and support to the supervisory board on risk-related issues.

Actuarial affairs
In 2020, the supervisory board considered the actuarial function report of Sava Re d.d. for 2019 and took note of the Sava Insurance Group non-life actuarial function report for 2019 and the Sava Insurance Group life actuarial function report for 2019.

Compliance monitoring
In 2020, the supervisory board of Sava Re took note of the compliance function holder's 2019 annual report and the annual work plan for 2020. It also took note of the compliance function holder's half-yearly report for the period 1 January to 30 June 2020.

Internal audit
In 2020, the supervisory board oversaw the activities of the Company's internal audit department in accordance with its statutory powers. In addition, it considered the internal audit report for the period 31 October – 31 December 2019 and the annual report on internal auditing for 2019, including a quality assurance and improvement programme of the Company's internal audit department, and it drew up an opinion on the annual report, which was presented to the general meeting of shareholders. As part of the quality assurance and improvement programme of the internal audit department, the supervisory board took note of the realisation status of recommendations from the action plan prepared based on the external quality assessment of the internal audit carried out in 2019.

It also considered quarterly internal audit reports for the first, second and third quarters of 2020. Furthermore, it monitored the quarterly reports on internal auditing of EU Group companies (Group Internal Audit EU). All internal audit reports of the Company were presented by the director of internal audit.

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

At year-end 2020, the supervisory board took note of and gave its consent to the annual work plan of the internal audit department for 2021.

Joint statement of key function holders
The supervisory board took note of the joint statement of all key function holders of the Group and the Company for 2019, confirming that all key risk areas were adequately managed.

Calling and holding of general meeting of shareholders

The supervisory board, together with the management board, called the Company's general meeting of shareholders twice in 2020, for 16 June 2020 and 16 November 2020. The general meeting called for 16 November 2020 was cancelled.

Preparing the election proposal for the general meeting

The supervisory board considered the proposal of the nominations and remuneration committee for the selection of a candidate for membership of the supervisory board of Sava Re and took note of the assessment of the candidate and the assessment of the competence of the supervisory board as a whole, both carried out by the supervisory board's fit and proper committee. Based on the nomination procedure, the

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supervisory board prepared its proposal for the appointment of the supervisory board member whose term of office was to expire on 7 March 2021. During its regular session, the general meeting re-elected Davor Ivan Gjivoje Jr for another term of office. The elected supervisory board member took up his new four-year term of office on 8 March 2021.

Solvency II

In 2020, the supervisory board also took note of the update on the periodic review of Solvency II policies, discussing in detail individual policies and giving its consent to the proposed amendments.

HR affairs

Remuneration policy for members of management and supervisory bodies of the Sava Insurance Group
In 2020, the supervisory board approved the remuneration policy for members of the management and supervisory bodies of the Sava Insurance Group, which was presented to the Company's general meeting.

Succession planning
In 2020, the supervisory board took note of the succession planning procedures and activities for the members of the senior management at Sava Insurance Group companies.

Nomination process
In November, the supervisory board – due to the expiry of three members' terms of office – tasked the nominations and remuneration committee to start the procedure for preparing a proposal for the supervisory board for the selection of candidates to be proposed by the supervisory board to the general meeting for election in 2021, and it confirmed the proposed candidate selection procedure, including a timetable and supervisory board profile, in December.

Adoption of internal regulations

In September, the supervisory board approved the amendments to its rules of procedure and those of the audit committee and risk committee. In addition, in 2020, the supervisory board twice confirmed revisions of the act on the management board following changes in the composition and organisation of the Company's management board.

Monitoring corporate finance projects

The management board kept the supervisory board informed of developments in corporate finance projects.

Monitoring of other projects

The supervisory board took note of the management board report on the IFRS 17 implementation project and the project of implementing a new IT system for asset management. It also took note of the management board's report on the economic viability of key development projects at the Group level.

Review of Sava Re operations by the Insurance Supervision Agency

The supervisory board oversaw the management board's report on the correspondence with the Insurance Supervision Agency relating to the Agency's review of Sava Re operations started in December 2019.

Covid-19 pandemic

In the first quarter of 2020, Europe and the rest of the world were hit by the Covid-19 pandemic, which affected lives and global capital markets. The Sava Insurance Group was also faced with the emergency situation. Since the epidemic was declared in Slovenia, the supervisory board has closely monitored management board reports on measures put in place to protect employees and mitigate the impact of Covid-19 on Group operations. It took note of stress test results on the solvency position of Sava Re and the Sava Insurance Group as well as impacts on profit or loss for 2020. In August, it approved the revised planning documents of the Company and the Group. In September, it considered the management board's justification of its ability to pay dividends from 2019 profits and supported the proposed calling of an extraordinary general meeting to propose that shareholders approve the distribution of dividends. After the general meeting had been called, in early November, the supervisory board was informed of new circumstances by the management board that could have a negative impact on the Group's profit and its solvency position. These circumstances included potential coverage of Covid-19-related business interruption claims as a result of new court and regulatory practices in interpreting policies written in the Republic of Ireland (under freedom of services rules) and reinsurance business written in the United Kingdom. In the light of the new situation, the supervisory board, together with the management board, decided to cancel the general meeting called for 16 November 2020 and temporarily suspend the payment of dividends. Related to these circumstances, in December, the supervisory board discussed in greater detail the management board's report on transacting direct insurance business under the freedom of services rules (FoS business) in the European Union.

Strengthening supervisory board best practices

In accordance with best practices, supervisory board members, upon taking office and then annually, complete questionnaires, including a statement that they have no conflicts of interest. These statements are posted on the Company's website. In 2020, all supervisory board members declared themselves independent.

In accordance with good practice, the supervisory board annually assesses its composition, operation and the work of

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its individual members and the supervisory board as a whole, including cooperation with the management board.

In 2020, the supervisory board members conducted their periodic self-assessment of their work.

Operation of supervisory board committees

THE AUDIT COMMITTEE

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

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

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

Operation of the audit committee in 2020
The audit committee met a total of nine times in 2020. All members attended all committee meetings.
The chief tasks carried out by the audit committee in 2020 are set out below.

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

Monitoring the efficiency and effectiveness of internal controls and internal auditing
The audit committee monitored the efficiency and effectiveness of internal controls and internal audit activities based on annual and quarterly internal audit reports, and it assessed the adequacy of the annual internal audit work plan. It examined the quarterly reports on internal auditing of Group companies – Group Internal Audit EU. As part of the quality assurance and improvement programme of the internal audit department, which was considered along with the annual report of the internal audit department for 2019, the audit committee took note of the recommendations from the action plan prepared based on the external quality assessment of the internal audit carried out in 2019.

The audit committee carried out a separate meeting with the director of the internal audit department. It discussed in more detail the amendments to the internal audit policy of the Sava Insurance Group and Sava Re, issuing its positive opinion on the draft amendments.

Monitoring the statutory audit of separate and consolidated financial statements
In 2020, the audit committee met with the selected external auditor several times, monitored the auditing of the separate and consolidated annual financial statements and, among other things, participated in determining audit focus areas. Based on quarterly management board reports on non-audit services provided by audit firms, the audit committee assessed the independence of the auditor of the Company's annual accounts. It adopted the revised methodology for assessing the quality of external auditors and carried out a procedure of assessing the external auditor of the 2019 annual report. Against the background of the Covid-19 pandemic, it monitored in detail the difficulties in completing the external audit for 2019, especially in order for Sava Re, a public limited company, to be able – in line with its 2020 financial calendar – to publish its annual report in a timely manner.

Performance of other tasks
In 2020, the audit committee also performed other tasks: for the supervisory board, it prepared the "Report on activities of the audit committee in 2019", including a self-assessment of the efficiency of its work. It took note of the periodic management board update on the IFRS 17 implementation project and project of implementing a new IT system for asset management. Both projects were presented in supervisory board meetings, and the external member of the audit committee was also invited to attend the relevant agenda point. The audit committee quarterly took note of management board reports on correspondence with the Insurance Supervision Agency and other market regulators. It adopted the revised rules of procedure of the audit committee, submitting it to the supervisory board for approval. It considered the recommendation of the Slovenian Directors Association regarding the monitoring of the auditors' independence. It also confirmed its work plan for 2021.

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

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

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

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independence of operation.

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

THE RISK COMMITTEE

In August 2017, after the supervisory board was formed for a new term of office, a risk committee was set up, consisting of Keith William Morris (chair), Davor Ivan Gjivoje Jr and Slaven Mićković. The term of office of each committee member is limited by the term of office of the supervisory board.

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

Operation of the risk committee in 2020
The risk committee met eight times in 2020. All members attended all committee meetings.
Major activities of the risk committee in 2020:

Overseeing the operation of the risk management system
The risk committee focused on monitoring the risk management system, chiefly in terms of its reliability, effectiveness and efficiency. It assessed the adequacy of the risk management system in place.

It examined in detail all risk management documents submitted to the committee or that the supervisory board is charged with approving:

- quarterly risk reports as at 31 December 2019, 31 March 2020, 30 June 2020, 30 September 2020;
- Joint Sava Insurance Group and Sava Re own risk and solvency assessment (ORSA) report for 2020 and Joint Sava Insurance Group and Sava Re ad hoc own risk and solvency assessment (ad hoc ORSA) report – prepared based on the revised strategic plan for 2020–2022;
- annual reports on the capital adequacy calculations under Solvency II and solvency and financial condition reports of the Company and the Group for 2019 (Company SFCR and Group SFCR);
- revised risk strategy for the financial years 2020–2022;
- Solvency II policies: it discussed in greater detail the amendments to the own risk and solvency assessment policy of the Sava Insurance Group and Sava Re d.d., issuing its positive opinion on the draft amendments.
- It considered in depth the comparison of SFCR reports in the insurance industry for 2019. It took note of the management board's report on the development of a capital allocation model.

Performance of other tasks
In 2020, the risk committee also performed other tasks: for the supervisory board, it prepared a report on activities of the risk committee in 2019, including a self-assessment of the efficiency of its work. It took note of the periodic management board update on the IFRS 17 implementation project and project of implementing a new IT system for asset management. Both projects were presented in supervisory board meetings, and the external member of the risk committee was also invited to attend the relevant agenda point. It adopted the revised rules of procedure of the risk committee, submitting them to the supervisory board for approval. It also confirmed its work plan for 2021. It considered in detail management board reports on managing risks arising from the corona crisis and reports setting out Covid-19-related impacts on the operations of the Company and the Group.

The chair of the risk committee reported regularly to the supervisory board on its work and positions.
The supervisory board further believes that the composition of the risk committee is appropriate and that the members have such professional and personal qualities as to ensure quality and independence of operation.

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

THE NOMINATIONS AND REMUNERATION COMMITTEE

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

The term of office of each committee member is limited by the term of office of the supervisory board.

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

Operation of the nominations and remuneration committee in 2020
The nominations and remuneration committee of the supervisory board met five times in 2020. The members attended all meetings of the committee regularly; one member was justifiably absent from one meeting.

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

The nominations and remuneration committee considered in detail the management board's report on the succession policy for the executives of Sava Insurance Group companies. It also took note of the organisational climate scores from staff surveys.

At the end of the year, the nominations and remuneration committee, after close examination, proposed that the supervisory board approve the selected performance indicators and personal goals of the chairman and each member of the management board for 2021.

The nominations and remuneration committee conducted a selection procedure, producing a special report for the supervisory board relating to the appointment of a new member of the management board (beginning of term of office on 8 March 2021).

At the initiative of the supervisory board, the nominations and remuneration committee started the selection procedure for three candidates for the new term of office of the supervisory board. In late December, it drafted a nominations procedure for the supervisory board (drafting (i) a proposal for the supervisory board for the selection of an external expert to participate in the implementation of a candidate selection procedure for new members of the supervisory board, (ii) a candidate selection procedure with a timetable up until the election by the general meeting and (iii) competence profiles for a supervisory board member and the supervisory board as a whole).

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

THE FIT & PROPER COMMITTEE

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

Composition of the fit and proper committee

Starting with the new term of the supervisory board in August 2017 and March 2018, the fit and proper committee was set up as follows: Mateja Živec (chair), Keith William Morris and Rok Saje. Andrej Kren was appointed as an additional alternate member in cases where other committee members who are also supervisory board members are to undergo fit and proper assessments or any member is unable to attend. In August 2019, upon taking up her new term of office as a supervisory board member, Mateja Živec was reappointed as chair and a member of the fit and proper committee.

The term of office of each committee member is limited by the term of office of the supervisory board.

Operation of the fit and proper committee in 2020

In 2020, the fit and proper committee met four times. Members attended all meetings of the committee regularly; one member was not entitled to attend three meetings due to conflict of interest.

In 2020, the fit and proper committee conducted an assessment of a candidate to be re-elected as a member of the supervisory board. Furthermore, it conducted an assessment of the competence of the supervisory board as a collective body in the foreseen future composition. It also carried out a fit and proper assessment of a member of the Sava Re relevant staff.

CONCLUDING FINDINGS

The supervisory board assesses that in 2020 Sava Re failed to achieve its targets because of an adverse claims experience, suspended dividend payments by subsidiaries in line with regulatory guidance and increased risk related to direct insurance business under freedom of services rules in the Republic of Ireland, whereas the Sava Insurance Group as a whole performed well and achieved its key goals. This assessment of the supervisory board is also based on the report of the independent auditor on the financial statements of Sava Re d.d and the Sava Insurance Group for 2020, and those of key function holders of the Company's risk control system.

Despite the changed business circumstances due to Covid-19, the supervisory board assesses that the Sava Insurance Group maintains a strong financial position. Adverse impacts on operations due to the pandemic are expected to persist. Nevertheless, the Sava Insurance Group is planning to continue investing in growth and development in line with its strategic goals for the period 2020–2022.

In 2021, in addition to its regular tasks, the supervisory board will pay special attention to overseeing risk management in view of the Covid-19 situation. It will primarily focus on monitoring progress against the strategic and annual plans.

The supervisory board will, within its means and powers, offer the management board its full support.

MATEJA LOVŠIN HERIČ | CHAIR OF THE SUPERVISORY BOARD OF SAVA RE D.D. | LJUBLJANA, 7 APRIL 2021

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ANNUAL REPORT 2020

The Company's management board submitted the "Audited annual report of the Sava Insurance Group and Sava Re d.d. for 2020" for approval to the supervisory board. The audit committee of the supervisory board considered the unaudited and the audited annual reports of the Sava Insurance Group and Sava Re d.d. for 2020, including the auditor's letter to the management on the pre-audit conducted, the auditor's letter to the management on the audit, and the additional auditor's report to the audit committee on the audit of the financial statements as at 31 December 2020, prepared in accordance with article 11 of Regulation (EU) no. 537/2014, with the committee's opinion thereon. In line with its powers, the supervisory board examined the audited annual report in its meeting of 7 April 2021.

The supervisory board noted that the annual report for 2020 was clear and transparent, as well as fully compliant with the content and disclosure requirements under the Companies Act, International Financial Reporting Standards, and the Insurance Act with its related implementing regulations.

The supervisory board was also presented with the opinion of the auditor KPMG Slovenija, Podjetje za Revidiranje d.o.o., who audited the 2020 annual report of the Sava Insurance Group and Sava Re d.d. and carried out audit reviews in most of the Group's subsidiary companies. The supervisory board has nothing to add to the positive opinion of the authorised auditor KPMG Slovenija, Podjetje za Revidiranje d.o.o., who finds that the consolidated and separate financial statements provide, in all material respects, a fair view of the financial position of the Sava Insurance Group and Sava Re d.d. as at 31 December 2020 and the profit or loss, other comprehensive income and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Based on its review of the 2020 annual report, as well as on the opinion of the external auditor and that of the audit committee, the supervisory board considers that the annual report provides a true and fair view of the assets and liabilities, financial position, profit and loss, and cash flows of the Sava Insurance Group and Sava Re d.d.

The supervisory board hereby approves the audited annual report of the Sava Insurance Group and Sava Re d.d. for 2020 as submitted by the management board.

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

The supervisory board reviewed the management board's proposal for the appropriation of the distributable profit as at 31 December 2020, subject to final approval by the general meeting of shareholders of Sava Re. The supervisory board agrees with the management board's proposal to the general meeting regarding the appropriation of the distributable profit as at 31 December 2020 of EUR 23,806,703.97: EUR 13,173,041.60 to be appropriated for dividends, and the remaining part of the distributable profit of EUR 10,633,662.37 to be left unappropriated. Thus, the proposed gross dividend per share is EUR 0.85.

The management and supervisory boards have drafted this proposal in line with the criteria set by the Insurance Supervision Agency (the Agency). Based on the Agency's strictest criterion, the dividend must not exceed the average dividend paid in the period 2017–2019, which is EUR 0.85 per share. Furthermore, the Agency set a condition that in order to pay dividends companies must have made a profit in both the financial years 2019 and 2020, with the parent companies taking into consideration the financial position of both the parent as well as that of the group of companies they control when deciding on the payment of dividends. The Agency will consider the profitability criterion taking into account the specificities of the business model. While Sava Re made a loss in 2020, this is due to a recommendation to insurance companies, including Sava Re's subsidiaries, to use a very cautious approach regarding the payment of dividends. If dividends had been paid by subsidiaries in accordance with plans, Sava Re would have recorded a profit of approximately EUR 20 million. The Sava Insurance Group made a net profit of EUR 50.2 million and EUR 56.4 million in 2019 and 2020, respectively. Sava Re is compiling documents to demonstrate its financial stability, solvency, liquidity and resilience to stress scenarios (including Covid-19 impacts). The Company has presented evidence to the Agency that it is capable of paying out the proposed dividend as it maintains a robust solvency position. The Company has also submitted evidence of the high liquidity and financial stability of the Company and the Group. When drafting general meeting resolutions, the Company will re-examine the appropriation of distributable profit, taking into account all the Agency's criteria and recommendations applicable at the time of calling the general meeting.

The supervisory board proposes that the general meeting of shareholders grant discharge to the management board for the financial year 2020.

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

Ljubljana, 7 April 2021

5 Corporate governance statement pursuant to article 70 of the Companies Act (ZGD-1)[14]

14 GRI 102-16.

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5.1 Corporate governance policy

In December 2017 the Sava Re management board, with the consent of the Company's supervisory board, adopted the "Corporate governance policy of Sava Re d.d.", and the "Sava Insurance Group governance policy" in December 2020. The documents set out the main subsidiary governance principles for the Sava Insurance Group, governance rules for Sava Re, taking into account the goals, mission, vision and values of the Sava Insurance Group. The policies represent a commitment for future action.

The corporate governance policy of Sava Re is available through the Ljubljana Stock Exchange Seonet information system and from the *Company's website*.

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

As a public limited company, Sava Re's reference code is the Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia on 27 October 2016. It is available in Slovenian and English from the website of the Ljubljana Stock Exchange.

The management and the supervisory boards of Sava Re hereby state that Sava Re operates in compliance with the Code, with individual deviations that are disclosed and explained below.

5.2.1 Supervisory board

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

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

This statement of compliance with the Corporate Governance Code for Listed Companies relates to the period since the issue of the previous statement, i.e. from 26 March 2020 until the date of publication in 2021, and is published in the Ljubljana Stock Exchange information system SEOnet and on the Company's website.

5.3 Bodies of Sava Re[15]

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

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

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

5.3.1 General meeting of shareholders

The general meeting of shareholders is the supreme body of the Company through which shareholders exercise their rights in company matters. The terms of reference of the general meeting are governed by its rules of procedure, which are

15 GRI 102-18.

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posted on the Company's website.

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

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

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

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

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

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

Own shares carry no voting rights.

The general meeting in 2020
The general meeting of shareholders was convened twice in 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. It also 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 was to remain unallocated. The Company's supervisory and management boards were granted discharge for the year 2019. The general meeting elected Davor Ivan Gjivoje Jr as a new member of the supervisory board to represent the shareholders. He started his four-year term of office on 8 March 2021.

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 new circumstances that had arisen in certain EU insurance markets and in the United Kingdom that were in contrast to previously obtained legal advice. These mainly included 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. The new circumstances primarily related 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 could 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.

The general meeting in 2021
In accordance with the Company's 2021 financial calendar, the 37th general meeting of shareholders is scheduled to be held on 25 May 2021.

5.3.2 Supervisory board

The supervisory board oversees the Company's conduct of business and appoints the members of the management board. Pursuant to the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee

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representatives) are elected by the workers' council, which informs the general meeting of its decisions. Supervisory board members are appointed for a term of up to four years and may be re-elected. The supervisory board members elect a chairperson from among the board's members.

The supervisory board is composed in such a manner as to ensure responsible oversight and decision-making in the best interest of the Company. Its composition takes account of diversity in terms of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure a sound and prudent overseeing of the Company's affairs. In 2020, the Company sought to align the composition of the supervisory board with the Company's policy on the diversity of the management and supervisory boards[16].

The Company's policy on diversity of the management and supervisory boards is posted on the Company's website.

Implementation of the policy on the diversity of the management and supervisory boards in 2020 is detailed below.

Terms of reference and operation of the supervisory board
The supervisory board must comply with applicable regulations, particularly the laws on companies, insurance business, the Company's articles of association and the rules of procedure of the supervisory board. In accordance with the law, the supervisory board must be convened at least on a quarterly basis, generally after the end of each quarter. If necessary, it may meet more frequently. The terms of reference of the supervisory board are governed by its rules of procedure, which are posted on the Company's website.

Remunerations, compensations and other benefits
Supervisory board members are entitled to remuneration for performing their function, attendance fees and reimbursement of expenses. The amount of these payments is determined by a resolution of the general meeting. The remuneration must not be directly linked to the Company's performance as demonstrated by the Company's financial statements. In its 36th session held on 16 June 2020, the general meeting took note of the remuneration policy for members of supervisory and management bodies of the Sava Insurance Group.

The remuneration of supervisory board members for 2020 is discussed in detail in section *17.10 "Related party disclosures"* in the notes to the financial statements.

Commitment to identify the existence of any conflict of interest
Before taking office and afterwards periodically (annually) and upon each change, each supervisory board member signs and submits to the supervisory board a statement of their independence, thereby taking a position with respect to individual conflicts of interest, in accordance with the criteria set out in the Code. The statements of independence of the members of the Company's supervisory board are posted on the Company's website.

POSR holdings of supervisory board members
Supervisory board members report any acquisition or disposal of Company shares to the Company and relevant organisations, and Sava Re posts this information.

Details on POSR shares held by supervisory board members as at 31 December 2020 are provided in *section 3 "Shareholders and share trading"*.

The supervisory board in 2020
In 2020, the supervisory board comprised the following members: Mateja Lovšin Herič (chair), Keith William Morris (deputy chair), Davor Ivan Gjivoje Jr, Andrej Kren, Gorazd Kunstek and Mateja Živec.

5.3.3 Supervisory board committees

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

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

Audit committee
The chief tasks of the audit committee are to:

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

In 2020 the audit committee comprised the following members: Andrej Kren (chair), and the members Mateja Lovšin Herič and Ignac Dolenšek (external member).

Risk committee
The chief tasks of the risk committee are to:

- assess the impact of various types of risk on economic and regulatory capital;
- assess the Group's overall risk governance framework, including the risk management policy, the risk strategy, and monitoring of operational risk;

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- assess the appropriateness and adequacy of risk management documents to be approved by the supervisory board;
- perform other tasks assigned by a resolution of the supervisory board, in line with statutory requirements and best practices of comparable companies or insurance groups.
- In 2020 the risk committee comprised the following members: Keith William Morris (chair), and the members Davor Ivan Gjivoje and Slaven Mićković (external member).

Nominations and remuneration committee

The chief tasks of the nominations and remuneration committee are to:

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

In 2020, the nominations and remuneration committee was composed of Mateja Lovšin Herič, (chair), and the members Keith William Morris, Davor Ivan Gjivoje Jr and Andrej Kren.

Fit and proper committee

The chief tasks of the fit & proper committee are to:

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

In 2020 the fit and proper committee comprised the following members: Mateja Živec (chair), and the members Keith William Morris, Rok Saje (external member) and Andrej Kren (alternate member).

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Composition of the supervisory board in 2020

Full name	Mateja Lovšin Herič	Keith William Morris	Davor Ivan Gjivoje Jr	Andrej Kren	Andrej Gorazd Kunstek	Mateja Živec
Function	chair	deputy chair	member	member	member	member
Employment	Slovenski Državni Holding d.d. (Slovenian Sovereign Holding)	retiree	Networld Inc. / DGG Holdings Ltd.	Delo d.o.o.	Sava Re d.d.	Sava Re d.d.
First appointed	14 Jul 2009	15 Jul 2013	7 Mar 2017	16 Jul 2017	23 Jan 2013	1 Apr 2016
End of term of office	16 Jul 2021	16 Jul 2021	7 Mar 2021 / 8 Mar 2025	16 Jul 2021	12 Jun 2023	12 Jun 2023
Representative of shareholders/ employees	of shareholders	of shareholders	of shareholders	of shareholders	of employees	of employees
Attendance at meetings	10/10	10/10	10/10	10/10	10/10	10/10
Gender	F	M	M	M	M	F
Citizenship	Slovenian	British	American	Slovenian	Slovenian	Slovenian
Year of birth	1969	1948	1968	1960	1974	1975
Formal education	university graduated economist	B.Sc. in management sciences, specialised in finance and marketing	B.A. in political science, master of science in economics	university graduated lawyer	university graduated economist, master of science in economics	university graduated economist, master of science in economics
Professional profile	corporate governance, governance, management of equity investments, finance, accounting, audit, insurance business	strategic management, business administration, banking and insurance business, risk management	strategic management, business administration, management of equity investments, risk management, insurance business	strategic management, business administration, management of equity investments, finance, auditing, insurance business	insurance and reinsurance business, actuarial affairs, governance	banking and insurance business, asset management, governance
Independence under the Corporate Governance Code	YES	YES	YES	YES	YES	YES
Memberships in committees and functions	• audit committee, member • nominations and remuneration committee, chair	• risk committee, chair • nominations and remuneration committee, member • fit and proper committee, member	• risk committee, chair • nominations and remuneration committee, member	• audit committee, chair • nominations and remuneration committee, member • fit and proper committee, alternate member		• fit and proper committee, chair
Attendance of committee meetings	• audit committee: 9/9 • nominations and remuneration committee: 5/5	• risk committee: 8/8 • nominations and remuneration committee: 5/5 • fit and proper committee: 3/4	• risk committee: 8/8 • nominations and remuneration committee: 4/5	• audit committee: 9/9		• fit and proper committee: 1/4
Notes on memberships of management or supervisory bodies of third parties		**European Reliance S.A.,** Kifisias Aven. 274, 152 32, Chalandri, Greece – non-executive member of the board of directors **HMS Victory Preservation Endowment Fund Ltd**, HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH, UK – chairman of the board of directors	**Networld, Inc./DGG Holdings, Ltd. & Subsidiaries**, 89 Headquarters Plaza, North Tower (Suite 1420) Morristown, NJ 07960, USA – managing director **Adria Lines Dover**, Delaware, USA – chief executive officer	**Delo d.o.o.,** Dunajska 5, 1000 Ljubljana, Slovenia – managing director **RSG Kapital d.o.o.**, Breg 14, 1000 Ljubljana, Slovenia – member of the supervisory board		**Pinija d.o.o.**, Sončna pot 41, 6320 Portorož, Slovenia – managing director of family business

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External member of supervisory board committees

Full name	Ignac Dolenšek	Slaven Mićković	Rok Saje
Supervisory board committee	audit committee	risk committee	fit and proper committee
First appointed	22 Jul 2013	24 Aug 2017	1 Jan 2018
End of term of office	16 Jul 2021	16 Jul 2021	16 Jul 2021
Attendance at meetings	9/9	8/8	4/4
Gender	M	M	M
Citizenship	Slovenian	Slovenian	Slovenian
Year of birth	1958	1958	1977
Formal education	university graduated economist, master of science in economics	master of mathematical sciences, doctor of science in economics	university graduated lawyer
Professional profile	audit, accounting, finance, taxes, bank and insurance business, insolvency law, certified auditor, state auditor and state internal auditor, and holder of certificate of qualified supervisory and management board member	banking, modelling, risk management	insurance business, general legal affairs, insurance law, compliance
Notes on memberships of management or supervisory bodies of third parties	/	/	/

The operation of the supervisory board and its committees in 2020 is detailed in *section 4 "Report of the supervisory board"*.

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5.3.4 Management board

The management board runs the Company and represents it in public and legal matters. It is composed of at least two but no more than five members, of whom one is the chair. The chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. The chairperson and all members of the management board are in regular employment on a full-time basis. The exact number of management board members and the areas for which they are responsible is laid down by the supervisory board in the "Act on the management board of Sava Re d.d."

The management board is composed in a manner to ensure responsible oversight and decision-making in the best interest of the Company. The management board's composition takes account of diversification of technical knowledge, experience and skills, and the way candidates complement each other so as to form a homogenous team and ensure sound and prudent conduct of the Company's business. In 2020 the Company sought to align the composition of the management board with the Company's policy on diversity of the management and supervisory boards.

The Company's policy on diversity of the management and supervisory boards is posted on the Company's website.

The implementation of the policy on diversity of the management board in 2020 is detailed below.

Terms of reference and operation of the management board

The management board operates in accordance with the applicable legislation, particularly the Slovenian Companies Act and the Insurance Act, as well as with the articles of association and the act on the management board and its rules of procedure. Terms of reference and operation of the management board are defined in more detail in the "Rules of procedure of the management board".

Delimitation of competencies between the management and supervisory bodies is described in greater detail in the "Corporate governance policy of Sava Re d.d.", which is posted on the Company's website.

Remunerations, compensations and other benefits

Remuneration of the management board members consists of a fixed and a variable component. The variable component of the salary of a management board member is composed of (1) business-performance-based pay, (2) individual-performance-based pay linked to the annual goals of each management board member and (3) board-performance-based pay linked to common goals of the management board. The variable component must not be determined so as to allow the rewarding of behaviour that encourages the exposure of the Company to uncontrolled risk. Remuneration, reimbursements and other benefits of management board members are set out in the employment contract made between the Company and each management board member. The methodology used to establish both the variable pay as well as the amount of the bonus of each management board member is adopted by the supervisory board. In its 36th session held on 16 June 2020, the general meeting took note of the remuneration policy for members of supervisory and management bodies of the Sava Insurance Group.

The remuneration of management board members for 2020 is discussed in detail in section *17.10 "Related party disclosures"* in the notes to the financial statements.

Share ownership

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

Details on POSR shares held by management board members as at 31 December 2020 are provided in *section 3 "Shareholders and share trading"*.

The management board in 2020

In 2020, the management board comprised the following members: Marko Jazbec (chair), Srečko Čebron (until 31 May 2020), Jošt Dolničar, Polona Pirš Zupančič and Peter Skvarča (since 19 June 2020).

In 2020, the composition of the management board changed: Srečko Čebron retired on 31 May 2020 so that from 1 June 2020 the board operated temporarily with only three members. The Sava Re management board resumed as a four-member body on 19 June 2020 when Peter Skvarča started his five-year term of office.

The average age of the members of the management board is 47. All management board members are citizens of the Republic of Slovenia[17].

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Composition of the management board in 2020

Full name	Marko Jazbec	Srečko Čebron	Jošt Dolničar	Polona Pirš Zupančič	Peter Skvarča
Function	chairman	member	member	member	member
Work area at management board level	• coordination of work of the management board • finance • general, HR, organisational and legal affairs • public relations • compliance • internal audit • management of mutual funds • health business • projects • modelling	• reinsurance operations • actuarial affairs	• management of strategic investments in direct insurance subsidiaries carrying on non-life, life and pension business • information technology • innovation	• corporate finance • controlling • accounting • investor relations • risk management • actuarial department (since 1 June 2020)	• development of reinsurance and reinsurance underwriting, Group & non-Group • reinsurance protection • retrocession, Group & non-Group • development of reinsurance processes and technology • reinsurance technical accounting
First appointed	12 May 2017	9 February 2019	31 December 2008	14 January 2018	19 June 2020
End of term of office	12 May 2022	31 May 2020	1 June 2023	14 January 2023	19 June 2025
Gender	M	M	M	F	M
Citizenship	Slovenian	Slovenian	Slovenian	Slovenian	Slovenian
Year of birth	1970	1954	1972	1975	1975
Formal education	university graduated economist	university graduated mining engineer	university graduated lawyer	university graduated economist, master of science in economics	university graduate in political sciences (international relations), master's degree in European integration
Professional profile	banking, insurance business, finance, strategic management, corporate governance, business administration	insurance and reinsurance business, actuarial affairs, business administration	insurance and reinsurance business, subsidiary governance, IT and process technology, business administration	insurance and reinsurance business, corporate governance, controlling, accounting, risk management, actuarial affairs, business administration	insurance and reinsurance business, business administration
Notes on memberships of management or supervisory bodies of third parties	**Slovenian Insurance Association,** GIZ, Železna cesta 14, 1000 Ljubljana, Slovenia – member of the association's council		**Slovenian Rowing Federation,** Župančičeva cesta 9, 4260 Bled, Slovenia – president of the executive board **Olympic Committee of Slovenia**, member of the executive board		
Notes on memberships of management or supervisory bodies of related parties	**Illyria sh.a.**, Sheshi Nëna Terezë 33, 10000 Pristina, Kosovo – chair of the board of directors **Illyria Life sh.a.**, Sheshi Nëna Terezë 33, 10000 Pristina, Kosovo – chair of the board of directors **Sava Osiguranje a.d.**, Ulica Svetlane Kane Radević br. 1, 81000 Podgorica, Montenegro – chair of the board of directors **Sava Infond, Družba za Upravljanje d.o.o.**, Ulica Vita Kraigherja 5, 2000 Maribor, Slovenia – chair of the supervisory board (until 5 November 2020)		**Zavarovalnica Sava d.d.**, Cankarjeva 3, 2000 Maribor, Slovenia – chair of the supervisory board **Sava Pokojninska Družba d.d.**, Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia – supervisory board member **Vita, Življenjska Zavarovalnica, d.d.**, Trg republike 3, 1001 Ljubljana, Slovenia – chair of the supervisory board (since 3 June 2020) **Sava Neživotno Osiguranje a.d.**, Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – chair of the board of directors **DCB d.o.o.**, Pod Skalo 4, 4260 Bled, Slovenia – deputy chair of the supervisory board (since 2 April 2020) **Got2Insure Ltd.**, Bailey House, 4–10 Barttelot Road, Horsham, West Sussex, RH12 1DQ, UK – non-executive director	**Sava Životno Osiguranje a.d.o.**, Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – chair of the supervisory board **Sava Infond**, Družba Za Upravljanje, d.o.o., Ulica Vita Kraigherja 5, 2000 Maribor, Slovenia – member of the supervisory board (chair of the supervisory board until 5 November 2020) **Zavarovalnica Sava d.d.**, Cankarjeva 3, 2000 Maribor, Slovenia – deputy chair of the supervisory board **ZTSR, Dejavnost Holdingov, d.o.o.**, Miklošičeva 19, 1000 Ljubljana, Slovenia – chair of the supervisory board (since 17 March 2020)	**Sava Osiguruvanje a.d.**, Ulica Zagrebška br. 28A, 1000 Skopje, North Macedonia – non-executive member of the board of directors

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5.4 Financial reporting: internal controls and risk management[18]

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

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

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

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

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

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

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

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

5.5 External audit

The financial statements of the parent company are audited by KPMG Slovenia, Podjetje za Revidiranje, d.o.o., Železna cesta 8A, Ljubljana, who have also audited the 2020 financial statements of Sava Re and the Sava Insurance Group. In 2020 most of the Group's subsidiary companies were audited by the local auditing staff of the same auditing firm. The 2020 financial statements of three Group member were audited by another audit firm. A contract for the auditing of the financial statements was signed with KPMG in 2019, covering the period 2019–2021. Sava Re complies with the provision on auditor rotation under the Insurance Act.

18 GRI 103-01, 103-02.

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5.6 Details pursuant to article 70(6) of the Companies Act (ZGD-1)[19]

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

Information on the composition of share capital of Sava Re, the list of qualifying shareholders under the Takeover Act as at 31 December 2020, rights and obligations attached to shares, (non) restrictions on share transfer and information on (non)existence of shares carrying special control rights are presented in *section 3 "Shareholders and share trading"*.

Employee share schemes

Sava Re has no employee share scheme.

Restrictions of voting rights

Sava Re has adopted no restrictions on voting rights.

Shareholders' agreements restricting transferability of share or voting rights

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

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

Company rules on appointment or removal of management board members

Under the Sava Re articles of association, the chair and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitation. To be appointed as a member of the management board, natural persons must have full legal capacity and meet the requirements set down by law and internal rules. The process and criteria for the selection of candidates for members of the management board as well as the process of periodic fit and proper assessments of individual members as well as the assessment of the competence of the management board as a collective body is clearly set out in the Company's fit and proper policy of relevant personnel.

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

Company rules on appointment and removal of supervisory board members

Under the Sava Re articles of association, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which subsequently informs the general meeting of its decision. Shareholder representatives of the supervisory board are elected by the general meeting by a majority of votes present. The term of office of supervisory board members is four years, and is renewable. To be appointed as a member of the supervisory board, natural persons must have full legal capacity and meet the requirements set down by law and internal rules. The process and criteria for selecting candidates for membership of the supervisory board and for drafting proposals for general meeting resolutions on the appointment of supervisory board members, including the process of periodic fit and proper assessments of individual members, as well as the assessment of the competence of the supervisory board as a collective body, is clearly set out in the Company's fit and proper policy of relevant personnel.

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

Company rules on amendments to its articles of association

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

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

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

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

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

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

Sava Re limits its exposure by reinsuring its own account

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(retrocession). Retrocession contracts usually contain provisions governing contract termination in cases involving significant changes in ownership or control of the counterparty.

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

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

A management board member is entitled to severance pay if recalled for other economic or business reasons (major change in shareholder structure, reorganisation, launch of new product, major change in company objects and such like) and the employment relationship with a company of the Sava Insurance Group is terminated.

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

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

5.7 Governance of Sava Insurance Group members[20]

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

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

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

Management or supervisory bodies of Sava Insurance Group subsidiaries individually pursue the same values and corporate governance policies as the controlling company, unless otherwise required by law, the local regulator or based on the proportionality principle. Therefore, the management or supervisory bodies of each Sava Insurance Group subsidiary, as part of their responsibility for the governance of their company with regard to the implementation of Group policies, verify the need for any adjustments to local legislation as well as any other necessary adjustments and in accordance with the procedures set out in the Group policies, determine their adjustments to Group policies, making sure that the subsidiary complies with applicable laws and regulations as well as rules of sound and prudent operation.

Governance of the Sava Insurance Group is described in greater detail in the Corporate governance policy of Sava Re d.d. posted on the Company's website.

SAVA RE MANAGEMENT BOARD | LJUBLJANA, 31 MARCH 2021

Marko Jazbec
Chairman

Jošt Dolničar
Member

Peter Skvarča
Member

Polona Pirš Zupančič
Member

SAVA RE SUPERVISORY BOARD | LJUBLJANA, 7 APRIL 2021

Mateja Lovšin Herič
Chair

20 GRI 103-2.

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6
Mission, vision, strategic focus and goals

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6.1 Our purpose[21]

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

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

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

OUR MISSION

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

OUR VISION

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

OUR VALUES

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

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

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

21 GRI 102-16.

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6.2 Strategic focus of the Sava Insurance Group

The strategy of the Sava Insurance Group sets out strategic goals in two ways, based on its three key focus areas in the strategic period 2020–2022 and based on the Group's key pillars of business operations.

Key focus areas set out in the strategy:

- DIGITAL TRANSFORMATION & PLACING THE CUSTOMER AT THE CENTRE:
- IT TRANSFORMATION
- GROWTH THROUGH ACQUISITIONS

Key Group pillars:

INTEGRAL RISK MANAGEMENT

INSURANCE AND PENSIONS	REINSURANCE	OTHER ACTIVITIES	ASSET MANAGEMENT	CAPITAL GROWTH & USE
Non-life, Slovenia	Non-Group	Sale of mutual funds units	Insurance company portfolios	Organic growth
Life, Slovenia	Group	Health business	Management of mutual fund assets	Acquisitions
Non-life, Adria		Other	Pension portfolios	Dividend policy
Life, Adria				
FoS business*				
Assistance and other supporting activities				
Pensions				

SUPPORTING ACTIVITIES

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

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Revised 2020 annual plan and 2020—2020 strategy

Key focus areas set out in the strategy:

Digital transformation & placing the customer at the centre

We are working to make it easier for policyholders to take out and manage insurance and to file claims, which also includes adapting our services to the needs and wishes of our clients. The new generation of digital customers is accustomed to fast and easy online shopping with as few clicks as possible. The Sava Insurance Group is adapting to this reality, therefore we have placed our core strategic focus on digital transformation and customer-centred orientation.

IT transformation

By upgrading our core systems, which includes replacing, upgrading and introducing new IT solutions, we will develop a modern and flexible IT system that will give us a competitive edge in the future.

Growth through acquisitions:

In addition to effective organic growth during the strategic period, the Sava Insurance Group will continue its acquisition activities in the industries and markets where it is already present, and it will also look for growth opportunities in the insurance industry in other EU countries.

Long-term strategic targets:

- The long-term objective is to achieve a return on equity of at least 12% at both the Group level and as a 3-year average. The internal calculation of the weighted average cost of capital (WACC) of the Sava Insurance Group, which includes the subordinated debt, totals 7.6%, with a cost of equity of 8.5%.
- In the period 2020–2022, the solvency ratio at the Sava Insurance Group level will be between 180% and 220% (target capital range).
- Non-life business in Slovenia will operate on a combined ratio that will not exceed 94%; the combined ratio abroad will not exceed 97%. The five-year average combined ratio of reinsurance business (total Group and non-Group business) will not exceed 93%.
- With regard to life insurance in Slovenia, profitability (the ratio of the value of new policies to the present value of the expected premiums of such new policies) of the portfolio of new life policies will be at least 9%, and in Croatia and on other markets at least 5% and 7.5%, respectively.
- The return on the Group's investment portfolio will average at least 1.5% over three years.

6.3 Plans of the Sava Insurance Group concerning the financial year 2021

Key targets for 2021

EUR million	2019	2020	2021 plan	Index/ difference in p.p.
Sava Insurance Group				
Operating revenue	584.2	674.9	> 685	101.5%
Profit or loss, net of tax	50.2	56.4	> 53	94.0%
Return on equity (ROE)	13.8%	13.3%	≥ 11.5%	-1.8 p.p.
Net expense ratio	31.6%	29.5%	32–33%	+2.5 p.p.
Investment return*/**	1.9%	1.6%	1.5%	-0.1 p.p.
(Re)insurance part				
Gross premiums written	596.2	676.5	> 685	101.3%
Net incurred loss ratio (reins. + non-life)*	61.7%	61.6%	59–60%	-2.6 p.p.
Net combined ratio (reins. + non-life)*	93.8%	93.9%	< 94%	+0.1 p.p.

** Excluding the effect of exchange differences.*

*** The return on the investment portfolio does not include subordinated debt expenses.*

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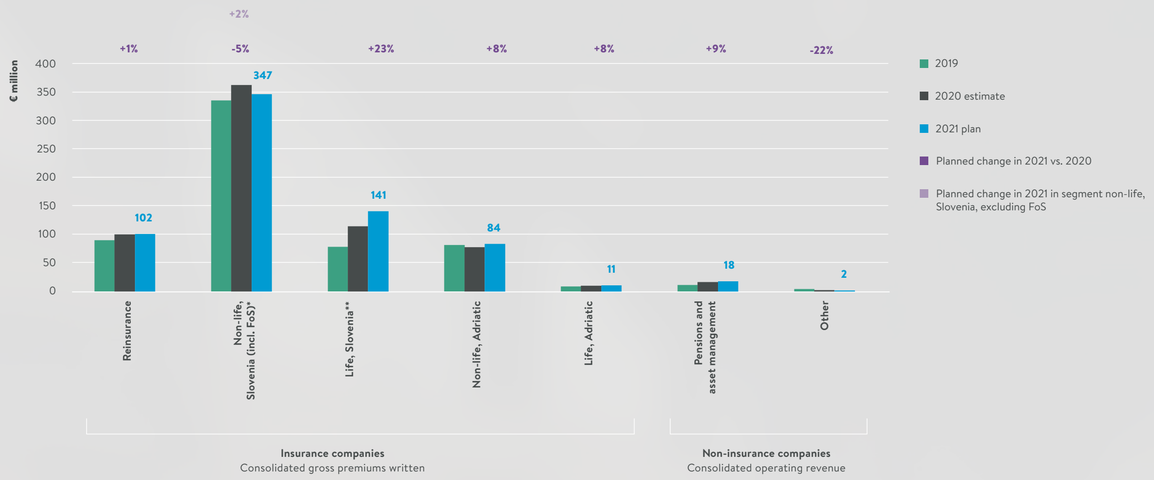
Target gross premiums written of insurance companies and revenues of non-insurance companies (Sava Insurance Group)



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

** *Vita included as from 31 May 2020.*

17.5%

ZAVAROVALNICA SAVA POLICIES WRITTEN REMOTELY

6.4 Goals achieved in 2020[22]

6.4.1 Achieved targets in 2020

The Sava Insurance Group achieved the following targets in 2020:

EUR million	2020	Revised 2020 plan	As % of revised plan
Sava Insurance Group			
Operating revenue	674.9	> 640	105.5%
Profit or loss, net of tax	56.4	> 50	112.8%
Return on equity (ROE)	13.3%	> 12%	✓
Return on revenue (ROR)*	8.6%	> 8%	✓
Net expense ratio*/***	29.5%	32–33%	✓
Return on the investment portfolio*/**	1.6%	1.4%	✓
(Re)insurance part			
Gross premiums written	676.5	> 640	105.7%
Net incurred loss ratio (reins. + non-life)*	61.6%	59–60%	✗
Net combined ratio (reins. + non-life)*	93.9%	< 94%	✓

* *Effect of exchange differences excluded.*

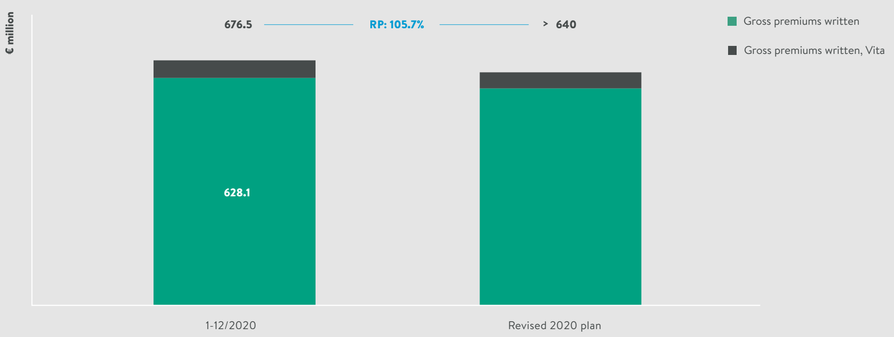
** *Subordinated debt expenses excluded. In 2020, impairment losses on goodwill are also excluded.*

*** *Exclusive of extraordinary income relating to negative goodwill on acquisitions (2020: Vita, 2019: ERGO) and amortisation of client list.*

Because exchange differences were not factored into the plan, the table shows ratios excluding the effect of exchange differences. In 2020, the Sava Insurance Group wrote EUR 676.5 million in gross premiums in the (re)insurance segments (excluding annuities from the pensions segment), up 13.5% year on year or EUR 80.3 million more than in the previous year. The growth in gross premiums written was influenced by the new Group member Vita (EUR 48.4 million or 8.1 p.p. growth) and an increase in Zavarovalnica Sava non-life insurance (EUR 24.0 million or 4.0 p.p. growth) and Zavarovalnica Sava's business written with various companies in the European Union (EUR 13.5 million or 2.2 p.p. growth). Excluding this business, the growth in gross premiums written would have been 11.7 %. Gross premiums written in the (re)insurance segments exceeded the revised target for the full year by 5.7%.

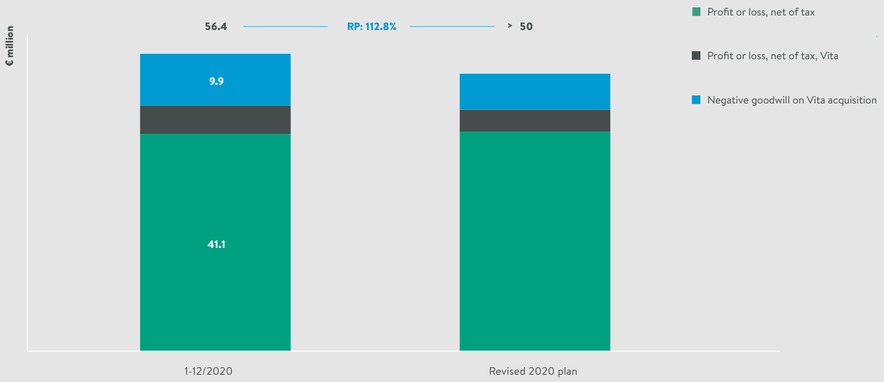
Gross premiums written, (re)insurance part

22 SRI 103-01, 103-02, 103-03, 201-01.



The net profit for the period was EUR 56.4 million, exceeding the lower end of the full-year 2020 target range by 12.8%. A contribution of EUR 9.9 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.

Profit or loss, net of tax



The net expense ratio for 2020 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 operates on an expense ratio that is below the Group's average. The net incurred loss ratio was slightly below target, mainly because of the unfavourable ratio in the reinsurance segment. The return on the investment portfolio was higher than planned. The operating revenue of the Sava Insurance Group was 5.5% higher than planned (revised 2020 plan).

6.4.2 Achievement of strategic targets

The Sava Insurance Group achieved the following strategic targets in 2020:

	2020	Revised 2020–2022 plan	As % of revised plan
Average growth in operating revenues	15.5%	> 5% annually	✓
Return on equity (ROE)	13.3%	> 12%	✓
Solvency ratio under Solvency II rules		180–220%	✓
Return on the investment portfolio*/**	1.6%	1.4%	✓
Net combined ratio (reins. + non-life)*	93.9%	< 95%	✓

* *Effect of exchange differences excluded.*

** *Subordinated debt expenses excluded. In 2020, impairment losses on goodwill are also excluded.*

In 2020, the Sava Insurance Group achieved its most important goals set for the period 2020–2022.

Strategic objectives achieved in the Group's main strategic focus areas:

Digital transformation & placing the customer at the centre

Due to the Covid-19-related circumstances in 2020, the Sava Insurance Group greatly accelerated the development of its digital solutions, all with the purpose of making it easier for customers to do business with insurance companies. The following functionalities were developed: remote policy signing, online claims reporting, remote property damage surveying and verification of identity by video call. Remote communication became indispensable in the year. Therefore, we improved and further developed online solutions that simplify our customer services with new technologies that support smooth running of business operations. Zavarovalnica Sava's online consulting office improved the accessibility and clarity of services, as underwriting in person was made significantly more difficult due to the pandemic. Digital solutions are also being developed in other companies of the Sava Insurance Group.

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IT transformation
The central investment management systems at Zavarovalnica Sava and Sava Re were replaced as part of the IT transformation projects, while the completion of the replacement of the existing solutions in the remaining companies is planned in 2021.

Regarding applications supporting core underwriting systems, replacement of the central system for the Ergo portfolio in Croatia was completed. Replacement projects are underway at Zavarovalnica Sava for life and non-life and at Sava Re for reinsurance. Consolidation of Zavarovalnica Sava's data warehouses is also underway.

The project of introducing cyber security 24/7 (SOC) was completed in four companies, and implementation in the remaining target companies is nearing completion. The upgrade of the system IT infrastructure and solutions is performed within the scope necessary to support the strategic projects.

Acquisitions-based growth
In addition to effective organic growth the Sava Insurance Group continued to grow through acquisitions in 2020. The acquisition of the life insurance company Vita was completed in May; as a result the Sava Insurance Group improved its market position in Slovenia. This acquisition is also an important step for the Group towards strengthening partnerships with banks and developing the bancassurance sales channel for marketing insurance products, which constitutes one of the Group's main strategic focus area. Our acquisition activities also continued in the private healthcare sector, which the Group has been developing within the ZTSR company.

Achievement of strategic objectives by key business pillar

Insurance and pensions
As part of the client in the centre programme, companies started the omni-channel communication projects, support to the contact centre processes, and portal and mobile solutions in addition to intensified automation and digitalisation of operations.

Online sales of insurance grew in non-life in 2020, and cooperation with banks was strengthened, especially with regard to payment card insurance, and new cooperation was established with mobile operators, digital equipment retailers and other specialised partners. Development of non-life saw new products launched to insure digital equipment, pets and electric vehicles. New products are being prepared based on the pay-as-you go principle (travel and motor insurance).

In terms of life insurance product offer, all companies reduced or abolished investment guarantees with all forms of life and pension insurance and made appropriate adjustments of certain types of coverages. Selected products were upgraded to include health risks and assistance services. The development of new banking products or adjustments of the existing ones was carried out based on demonstrated needs of banks and the sales potential.

Despite the considerable impact of the new coronavirus pandemic and the challenges related to assistance services, the TBS Team 24 Group assistance service provider has successfully adapted to the new situation. The company provides technical assistance to both Zavarovalnica Sava and the Croatian subsidiary, and in 2021 it will also take over the provision of tourist assistance.

Reinsurance
In 2020, activities were aimed at ensuring quality growth, taking into account the situation in individual markets and striving to further diversify the portfolio, both geographically and by market. The impact of the Covid-19 pandemic proved the main driver of developments in 2020. In mid-2020, it became clear that insurance terms and conditions in this area are relatively uncertain, therefore reinsurers also started adding the exclusion of communicable disease to their contract wordings, which was ultimately realised as from the renewal on 1 January 2021. The focus on profit margins and volatility of the core business will continue in the forthcoming mid-year renewals.

Asset management
The Group increased its share of real estate, infrastructure and sustainable investments in the portfolio in 2020. The share of sustainable investments (ESG investments) in the portfolio was 8.3% at the end of the year. The investment portfolio is composed of predominantly highly rated government and corporate bonds. The key goal of the Group's investment policy is to maintain low volatility and a high level of security of assets intended for covering obligations arising from insurance contracts, as well as to ensure high liquidity and risk diversification.

Mutual funds
In the field of asset management, Sava Infond established its position as the main mutual fund provider within the existing banking channel, and carried out activities to expand its offer in conjunction with other banking networks.

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7 Business environment

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Sava Re, the parent of the Sava Insurance Group, transacts reinsurance business in over 100 countries worldwide[23]. The following section contains a description of the international non-life insurance business market, as well as the significant indicators of macro-economic environments and insurance markets where the Sava Insurance Group is present.

Global non-life reinsurance markets[24]

For the global reinsurance sector, 2020 was another tough year. Because of significant pandemic-related losses, elevated natural catastrophe claims, and lower investment returns, the sector will again fail to meet its cost of capital. This follows three years in which the sector has struggled to meet its cost of capital due to large natural catastrophe losses, adverse loss trends in certain U.S. casualty lines, and fierce competition among reinsurers. Consequently, in May 2020, S&P Global Ratings revised its outlook on the global reinsurance sector to negative from stable, as S&P believes business conditions are difficult.

Until May, the top 20 global reinsurers reported about USD 12 billion in Covid-19-related claims year-to-date. S&P now forecasts that this cohort will generate a combined ratio of 103–108% in 2020 and 97–101% in 2021, and a return on equity of 0–3% and 5–8%, respectively. Based on more recent forecasts published by the rating agency AM Best in December 2020, the impact of Covid-19-related claims on claims ratios will be between 5% and 20%.

Sector capitalisation remains robust with no material capital destruction so far, benefiting from capital raises in 2020 and market recovery from March lows.

Non-life reinsurance pricing has been hardening during the past 18 months in reaction to natural catastrophe and pandemic losses, as well as alternative capital and retrocession capacity constraints. S&P expects the reinsurance pricing positive momentum will carry into 2021.

S&P expects those reinsurers less affected by Covid-19, which can afford to deploy capital, are likely to take a more offensive stand at the next renewals, while others take a more defensive tack.

Reinsurance protection is becoming essential, and more costly, for insurers as extreme weather events rise.

Will Covid-19 put reinsurers off catastrophe risk?
As S&P expects reinsurance markets to get firmer, the temptation to expand exposure will continue. Reinsurers' attitudes to catastrophe risk are diverging. Some reinsurers have reacted to the improved premium rates by taking on increased catastrophe risk—others have taken a more defensive attitude.

Standard & Poor's expects history to repeat itself. Those that combine being less affected by Covid-19 with being in a position to deploy capital are likely to take a more offensive stand at the next renewals.

As the uncertainty regarding Covid-19-related losses expands into 2021, many reinsurers face difficult strategic decisions. Overexposure could imperil their balance sheet and earnings, but overprotection will cause them to miss out on the higher returns offered by the property catastrophe space.

23 GRI 102-06.
24 Summarised based on Standard & Poor's: Reinsurance Highlights 2020.

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Slovenia[25]

Major economic indicators for Slovenia

	2016	2017	2018	2019	2020
Real change in GDP (%)	3.2	4.8	4.4	3.2	-6.7
GDP (EUR million)	40,443	43,009	45,863	48,393	45,972
Registered unemployment rate (%)	11.2	9.5	8.2	7.7	8.7
Average inflation (%)	-0.1	1.4	1.7	1.6	0.0
Population (million)	2.1	2.1	2.1	2.1	2.1
GDP per capita (EUR)	19,259	20,480	21,840	23,044	21,891
Insurance premiums (EUR million)	**2,020.4**	**2,176.8**	**2,319.7**	**2,492.8**	**2,542.2**
- growth/decline in insurance premiums	2.3%	7.7%	6.6%	7.5%	2.0%
Insurance premiums – non-life (EUR million)	1,449.7	1,529.3	1,609.8	1,745.5	1,797.0
- growth/decline in non-life insurance premiums	2.9%	5.5%	5.3%	8.4%	2.9%
Insurance premiums – life (EUR million)	570.7	647.5	709.9	747.3	745.2
- growth/decline in life insurance premiums	0.8%	13.5%	9.6%	5.3%	-0.3%
Insurance premiums per capita (EUR)	**962.1**	**1,036.6**	**1,104.6**	**1,187.0**	**1,210.6**
Non-life insurance premiums per capita (EUR)	690.3	728.2	766.6	831.2	855.7
Life insurance premiums per capita (EUR)	271.8	308.3	338.0	355.9	354.9
Premiums/GDP (%)	**5.0**	**5.1**	**5.1**	**5.2**	**5.5**
Non-life premiums/GDP (%)	3.6	3.6	3.5	3.6	3.9
Life premiums/GDP (%)	1.4	1.5	1.5	1.5	1.6
Average monthly take-home pay (EUR)	1,030	1,062	1,092	1,133	1,209

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

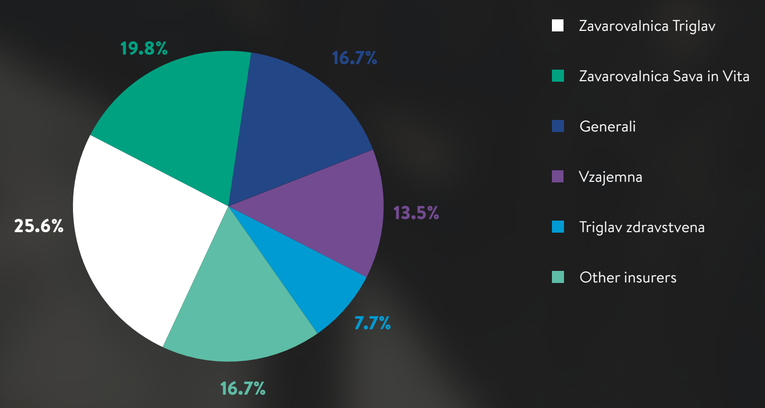
25 Source: UMAR, Economic Mirror, no. 1, 2021; Tax Office of the Republic of Slovenia; Slovenian Insurance Association.

- With stringent containment measures, turnover in trade and some service activities, particularly those related to private consumption, dropped significantly in Slovenia at the beginning of the last quarter of 2020. As it was during the first wave of the epidemic, the most affected sector was accommodation and food service activities, where employment also dropped significantly. The number of domestic tourist overnight stays plunged in the last quarter of the year, after strengthening significantly due to the redemption of tourist vouchers in the third quarter (when a significant part of turnover in hotels and restaurants tends to be generated by foreign tourists, whose number was modest in 2020). Household expenditure on personal, entertainment, sports and other services also declined. As a result of the closure of non-essential shops, turnover from the sale of motor vehicles and retail sales of semi-durable and durable goods also fell sharply. Lower volumes of freight and passenger traffic and lower transit of foreign tourists were also reflected in lower retail sales of automotive fuels. As in the first wave of the epidemic, sales of food products in retail stores and sales via mail order and the internet grew. Overall, however, household consumption again fell sharply in October and November with the tightening of measures to contain the epidemic, while household savings increased further. Households were also increasingly repaying consumer loans.
- The number of registered unemployed persons increased somewhat in December, after maintaining a similar level in the previous three months. At the end of December, 87,283 persons were unemployed, 3.7% more than at the end of November and 15.9% more than in the same period last year. Amid ongoing intervention measures, the December increase was not much different from that of previous years which, however, was largely due to seasonal factors. The smaller increase than in the spring months was also due to a smaller fall in economic activity than during the first wave. The number of employed persons was down 1.4% year on year in October, which was the same as in September. The activities with the largest declines (11.2% and 8.8% respectively) remained administrative and support service activities and accommodation and food service activities. Manufacturing saw a decline of 3.4%.
- Year-on-year growth of average gross wages in October stood at 4.6%; since the spring months it has been significantly affected by the payment of crisis allowances and the inclusion of employed persons into intervention job retention schemes. In the private sector, year-on-year wage growth has gradually weakened since April, when it rose sharply due to the impact of the methodology for collecting earnings statistics, which reflected the placement of a large number of people on temporary layoff. In the public sector, wage growth slowed after the discontinuation of allowances (the extraordinary payment of allowances for hazardous working conditions and additional workloads and the payment of bonuses for work in crisis conditions in accordance with the collective agreement) in the middle of the year. Since mid-October, when the second wave of the epidemic was declared, it has strengthened somewhat due to the renewed payment of allowances (albeit smaller payments than during the first wave).
- The epidemic and the measures to contain its spread have, due to lower demand, strongly affected the movement of some prices of goods and services. The year-on-year fall in consumer prices was somewhat higher at year-end 2020. This was due to considerably slower growth in prices for food and services, which is related to the increased supply of food due to a good harvest, lower activity of hotels and restaurants, and the complete closure of some other activities. Prices of semi-durables also fell notably in the last months last year, largely on account of lower clothing and footwear prices. Lower prices were still mainly due to the year-on-year drop in prices for oil products.

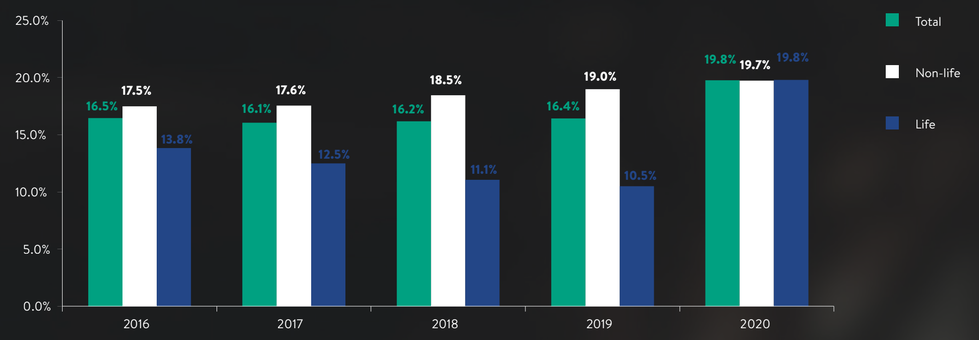
Wooden bridge over the Sava, 98.5 metres long.

The Slovenian insurance market[26]

Slovenia: insurance market shares, 2020

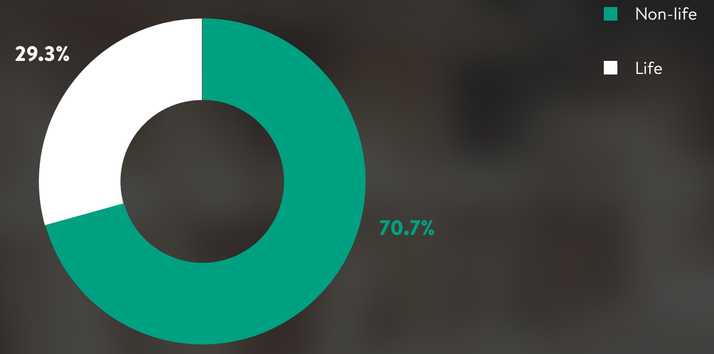


Market shares of Zavarovalnica Sava and Vita in the Slovenian insurance market[27]



Market shares of Zavarovalnica Sava for 2016–2019, and of Zavarovalnica Sava and Vita for 2020.

Breakdowns of premiums in the Slovenian insurance market, 2020



Premiums and market shares in the Slovenian reinsurance market[28]

EUR	2020		2019	
	Gross premiums written	Market share	Gross premiums written	Market share
Sava Re	191,683,253	51.4%	166,528,931	51.4%
Triglav Re	180,967,469	48.6%	157,582,324	48.6%
Total	**372,650,722**	**100.0%**	**324,111,255**	**100.0%**

Up 3 p.p.

MARKET SHARE IN SLOVENIAN INSURANCE MARKET

26 Source: Slovenian Insurance Association. Market shares are calculated excluding the premiums of the branches of Adriatic Slovenica and Zavarovalnica Sava in Croatia.
27 Source: Slovenian Insurance Association.
28 Source: internal data of Sava Re and Triglav Re.

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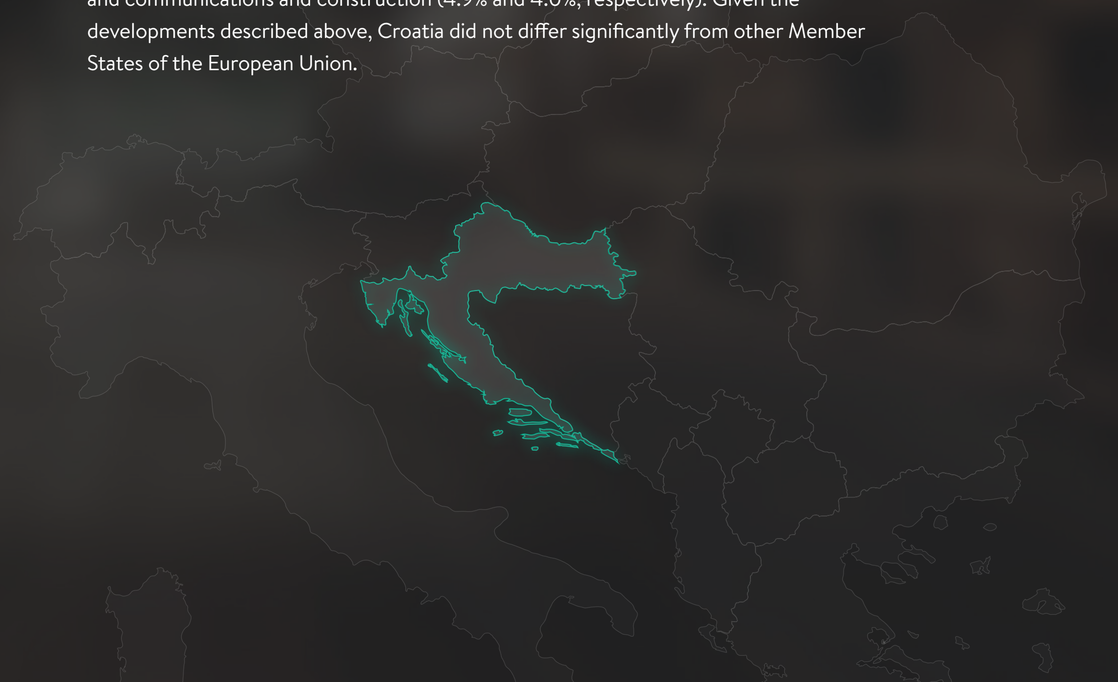
Croatia[29]

Major economic indicators for Croatia

	2016	2017	2018	2019	2020
Real change in GDP (%)	3.5	3.4	2.8	2.9	-7.6
GDP (EUR million)	46,616	49,262	51,979	54,270	47,000
Registered unemployment rate (%)	13.1	12.4	9.9	7.8	11.5
Average inflation (%)	-1.1	1.1	1.5	0.8	0.3
Population (million)	4.2	4.1	4.1	4.1	4.0
GDP per capita (EUR)	11,176	11,942	12,712	13,344	11,750
Insurance premiums (EUR million)	**1,167.6**	**1,231.0**	**1,350.0**	**1,446.1**	**1,416.4**
- growth/decline in insurance premiums	1.9%	5.4%	9.7%	7.1%	-2.1%
Insurance premiums – non-life (EUR million)	777.1	831.1	920.7	1,026.1	1,059.4
- growth/decline in non-life insurance premiums	2.2%	6.9%	10.8%	11.4%	3.2%
Insurance premiums – life (EUR million)	390.5	400.0	429.3	420.0	357.0
- growth/decline in life insurance premiums	1.3%	2.4%	7.3%	-2.2%	-15.0%
Insurance premiums per capita (EUR)	**279.9**	**298.4**	**330.2**	**355.6**	**354.1**
Non-life insurance premiums per capita (EUR)	186.3	201.5	225.2	252.3	264.8
Life insurance premiums per capita (EUR)	93.6	97.0	105.0	103.3	89.3
Premiums/GDP (%)	**2.5**	**2.5**	**2.6**	**2.7**	**3.0**
Non-life premiums/GDP (%)	1.7	1.7	1.8	1.9	2.3
Life premiums/GDP (%)	0.8	0.8	0.8	0.8	0.8
Average monthly take-home pay (EUR)	755	802	841	873	869
Exchange rate (HRK/EUR)	7.533	7.464	7.418	7.418	7.538

Croatia's economic output declined by a real 10.0% year on year in the third quarter of 2020. Cumulative decline was 8.8% in the first half of the year. This trend in GDP was the result of the Covid-19 pandemic, the contraction in domestic and external demand, as well as the necessary lockdown of part of the economy. The decline in GDP was most affected by the real decline in the value of service exports by as much as 47.1% year on year. Such a sharp decline in services exports was the result of much weaker performance in tourism. At the same time, exports of goods decreased by 4.0%. Lower domestic demand primarily reflected lower personal consumption, i.e. household consumption, which was affected by the lockdown of the economy and by a significant reduction in the propensity to spend, and slightly negative trends in the labour market, despite the measures taken to maintain employment levels. The production structure of GDP also shows that the largest decrease in gross value added of 21.6% was recorded in the item combining wholesale and retail trade, transport and food service activities, while decreases were also observed in other activities. Gross value added for the manufacturing industry decreased by 4.7% year on year. Growth was recorded in some activities, with the highest growth rates in the IT sector and communications and construction (4.9% and 4.0%, respectively). Given the developments described above, Croatia did not differ significantly from other Member States of the European Union.



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

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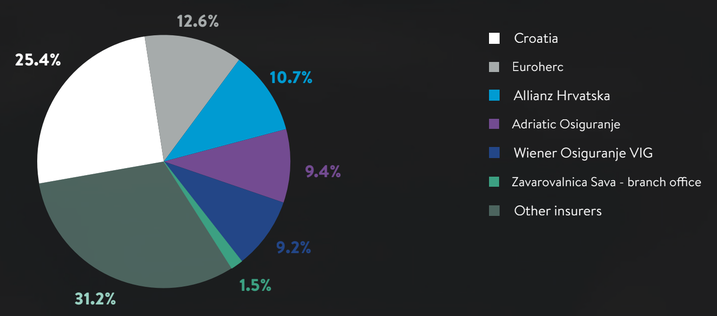
The Covid-19 pandemic had a strong negative impact on the movement of the state budget in 2020. In the first eleven months, budget revenues fell by 5.8%, with tax revenues falling by 11.4%, and revenue from contributions by 5.5%, while aid (mainly from international organisations, institutions and bodies) increased by 22.2%. The aid, mainly in the form of various EU grants, had a significant impact on the relatively low rate of the annual decline in total revenues. Budget expenditures, strongly influenced by the cost of economic aid measures, increased by 11.9% relative to the previous year, while the cost of aid or subsidies granted to citizens and households increased by 11.9%.

In the first three quarters of 2020, foreign direct investment totalled EUR 1.01 billion, which is 12.2% more than in the same period the previous year. The growth was generated exclusively on the basis of debt instruments, while capital investments were lower by 30.3% and profit by 12.2%. In terms of residents' activities, most investments in the first three quarters were made in the financial services industry (28% of total investments) and through equity investments in real estate (20.4% of total investments). As regards industrial activities, the largest investments were made in the pharmaceutical industry (9.2% of all investments).

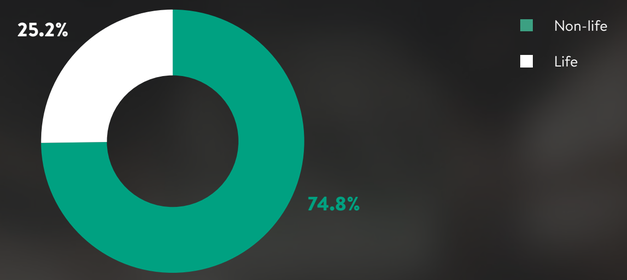
In November, the (temporary) registered unemployment rate increased compared to October (from 9.1% to 9.3%) due to an increase in the number of unemployed and a decrease in the number of employees. The seasonally-adjusted unemployment rate (ILO methodology) was 7.5%, which is 1.1 p.p. higher than in 2019. The annual increase of the unemployment rate in Croatia was higher than the average growth rate of the EU (0.9 p.p.).

The Croatian insurance market[30]

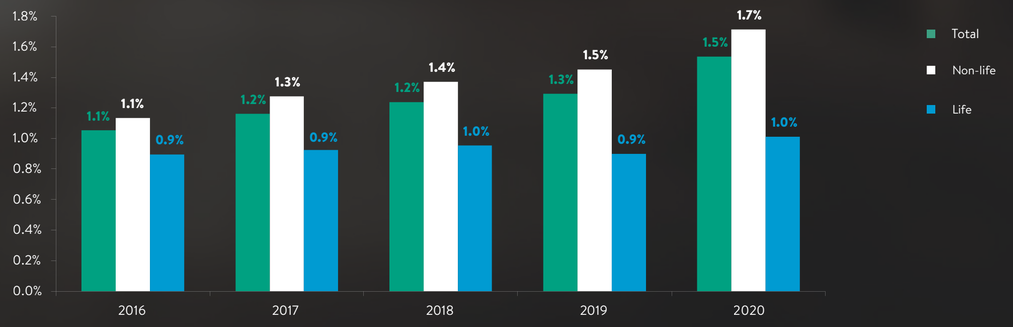
Croatia: insurance market shares, 2020



Breakdown of premiums in the Croatian insurance market, 2020



Market shares of Zavarovalnica Sava in the Croatian insurance market[31]



30 Source: Croatian Insurance Bureau.
31 Source: Croatian Insurance Bureau.

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Wooden bridge over the Sava, 98.5 metres long.

Serbia[32]

Major economic indicators for Serbia

	2016	2017	2018	2019	2020
Real change in GDP (%)	2.8	1.8	4.0	4.2	-1.1
GDP (RSD million)	4,117,150	4,321,128	4,753,005	5,410,794	5,476,537
GDP (EUR million)	33,500	35,600	40,164	45,889	46,526
Registered unemployment rate (%)	15.9	13.5	16.0	10.9	13.4
Average inflation (%)	1.1	3.1	2.6	1.9	1.5
Population (million)	7.1	7.0	7.0	7.0	6.9
GDP per capita (EUR)	4,718	5,086	5,746	6,593	6,707
Insurance premiums (EUR million)	**725.3**	**767.0**	**844.3**	**911.3**	**931.1**
- growth/decline in insurance premiums	8.1%	5.7%	10.1%	7.9%	2.2%
Insurance premiums – non-life (EUR million)	537.1	579.5	643.2	698.7	714.1
- growth/decline in non-life insurance premiums	5.2%	7.9%	11.0%	8.6%	2.2%
Insurance premiums – life (EUR million)	188.2	187.5	201.0	212.6	217.0
- growth/decline in life insurance premiums	17.2%	-0.4%	7.2%	5.7%	2.1%
Insurance premiums per capita (EUR)	**102.2**	**109.6**	**120.8**	**130.9**	**134.2**
Non-life insurance premiums per capita (EUR)	75.6	82.8	92.0	100.4	102.9
Life insurance premiums per capita (EUR)	26.5	26.8	28.8	30.5	31.3
Premiums/GDP (%)	**2.2**	**2.2**	**2.1**	**2.0**	**2.0**
Non-life premiums/GDP (%)	1.6	1.6	1.6	1.5	1.5
Life premiums/GDP (%)	0.6	0.5	0.5	0.5	0.5
Average monthly take-home pay (RSD)	45,862	47,888	47,336	55,417.7	60,926.0
Average monthly take-home pay (EUR)	373	395	400	470	518
Exchange rate (RSD/EUR)	122.9	121.4	118.3	117.9	117.7

The 2020 insurance premiums are estimates because figures for the whole year 2020 have not yet been published.

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

In six years, Serbia has transformed to an economy characterised by low inflation and stable growth, with a balanced fiscal position, declining public debt, significantly reduced external imbalances, and recovery in the labour market. GDP growth of the Republic of Serbia in 2019 strengthened further, reaching a rate of 4.2% driven by investments. The trend continued in the first quarter of 2020 with growth of 5.1%. The effects of the Covid-19 pandemic on the economy peaked in the second quarter, when GDP recorded a decline of 6.4%. According to its flash estimate, the Statistical Office of Serbia announced preliminarily that Serbia's GDP dropped by 1.1% in 2020.

According to the latest available data, the Covid-19 pandemic and the global slowdown have not affected Serbia as badly as other European countries due to improved macroeconomic and financial stability, growth momentum, fiscal space created in previous years, and a timely and comprehensive package of measures that maintained economic activity and preserved jobs. The smaller decrease in GDP was also due to the structure of the economy, which does not rely so much on tourism, and a rather high share of agriculture and the food industry, which were not significantly affected by the Covid-19 pandemic. Despite the relatively lower decline in economic activity, the impact of the pandemic has still been significant according to the International Monetary Fund, with real GDP in 2022 expected to be 4 p.p. below pre-Covid-19 projections.

The cost of the fiscal response to the crisis, coupled with the decline in revenues due to the fall in activity, brought the fiscal deficit up to almost 9% of GDP in 2020. However, Serbia managed to meet its larger financing needs in the bond market, both external and local. After a short period of tightening financing conditions in April, Serbia was able to return to international markets in early May, issuing a EUR 2 billion Eurobond. And in December, a 10-year Eurobond worth USD 1.2 billion was successfully issued at a relatively low yield.

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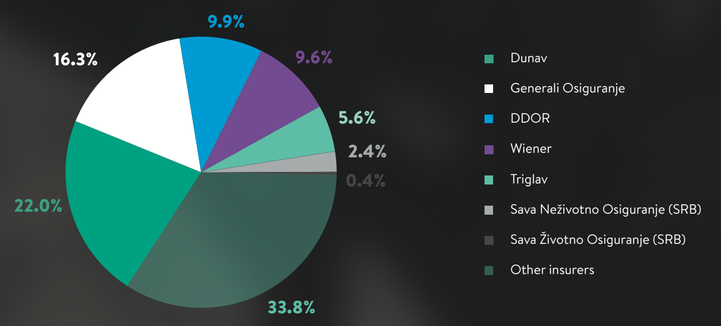
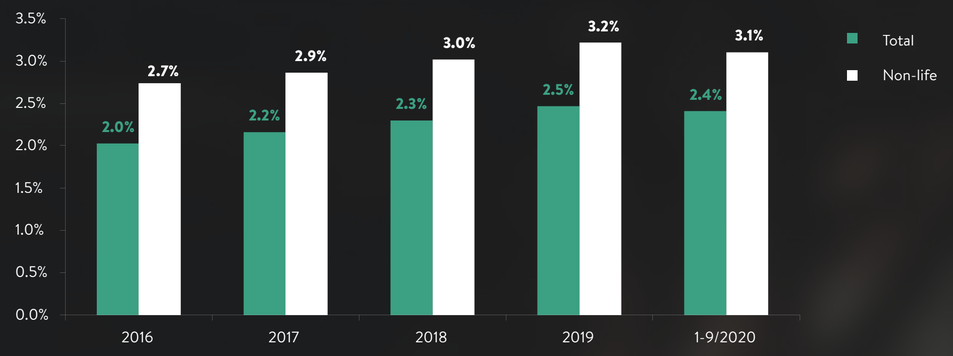
The Serbian insurance market[33]

Serbia: Insurance market shares, 1—9/2020



The 2020 data refers to the period 1–9/2020, as figures for the full year 2020 have not yet been published.

Market shares of the non-life insurer Sava Neživotno Osiguranje (Serbia)[34]

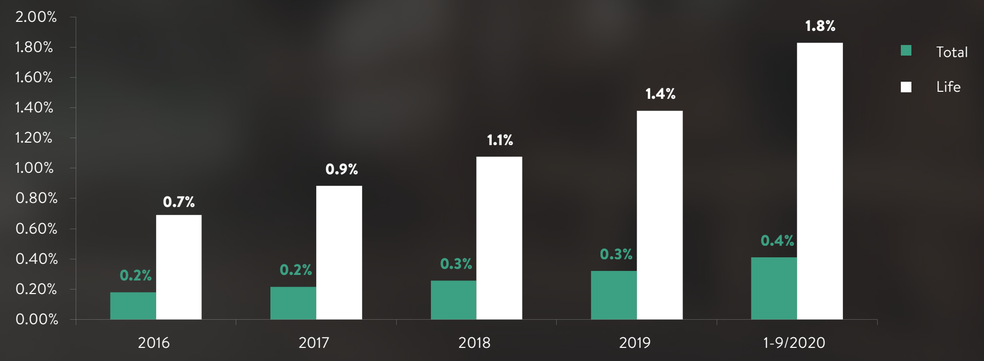


The 2020 data refers to the period 1–9/2020, as figures for the full year 2020 have not yet been published.

Breakdown of pemiums in the Serbian insurance market, 1—9/2020

The 2020 data refers to the period 1–9/2020, as figures for the full year 2020 have not yet been published.

Market shares of the life insurer Sava Životno Osiguranje (Serbia) in the Serbian insurance market



The 2020 data refers to the period 1–9/2020, as figures for the full year 2020 have not yet been published.

33 Source: Serbian National Bank.
34 Source: Serbian National Bank.

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North Macedonia[35]

Major economic indicators for North Macedonia

	2016	2017	2018	2019	2020
Real change in GDP (%)	2.9	0.0	3.1	3.6	-5.4
GDP (MKD million)	607,452	633,846	663,250	697,545	673,076
GDP (EUR million)	9,859	10,313	10,764	11,330	10,913
Registered unemployment rate (%)	23.6	22.4	21.6	17.1	16.6
Average inflation (%)	-0.2	1.4	1.7	2.0	1.9
Population (million)	2.1	2.1	2.1	2.1	2.1
GDP per capita (EUR)	4,695	4,911	5,126	5,396	5,249
Insurance premiums (EUR million)	**141.5**	**146.3**	**161.5**	**172.1**	**164.9**
- growth/decline in insurance premiums	5.3%	3.4%	10.4%	6.6%	-4.2%
Insurance premiums – non-life (EUR million)	120.6	122.8	134.3	142.3	136.5
- growth/decline in non-life insurance premiums	3.3%	1.8%	9.4%	6.0%	-4.1%
Insurance premiums – life (EUR million)	21.0	23.5	27.2	29.8	28.5
- growth/decline in life insurance premiums	17.9%	12.2%	15.6%	9.6%	-4.5%
Insurance premiums per capita (EUR)	**67.4**	**69.7**	**76.9**	**82.0**	**79.3**
Non-life insurance premiums per capita (EUR)	57.4	58.5	64.0	67.8	65.6
Life insurance premiums per capita (EUR)	10.0	11.2	13.0	14.2	13.7
Premiums/GDP (%)	**1.4**	**1.4**	**1.5**	**1.5**	**1.5**
Non-life premiums/GDP (%)	1.2	1.2	1.2	1.3	1.3
Life premiums/GDP (%)	0.2	0.2	0.3	0.3	0.3
Average monthly take-home pay (EUR)	353	388	394	419	447
Exchange rate (MKD/EUR)	61.616	61.458	61.618	61.566	61.674

Insurance premiums for 2020 are estimates.

North Macedonia's GDP shrank by 3.3% year on year in the third quater 2020, easing from a contraction of 14.9% in the previous period. This is in line with the temporary stabilisation of the Covid-19 pandemic in the summer and the gradual easing of measures to prevent the spread of the Covid-19 virus, complemented by the effects of the monetary and fiscal measures adopted so far. The significant slowdown in the decline in the third quarter was the result of growth in domestic demand, which is in turn mainly due to investment growth (after a sharp decline in the previous quarter) and a moderate decline in personal consumption. Net exports recorded a negative contribution following a positive contribution in the third quarter, mainly due to a faster recovery in imports. Currently available data for the forth quarter of 2020 suggests more moderate negative effects of the health crisis on economic activity. The October data reflects a more moderate slowdown of the drop in industrial production and transport as part of total trade compared to the annual decline in the third quarter, when containment measures to prevent the spread of Covid-19 were reintroduced; however, these measures were less restrictive than those taken following the initial onset of the pandemic. According to International Monetary Fund projections, 2020 is expected to end with a 5.4% drop in GDP.

In the January–November period, exports of goods and services amounted to MKD 322.7 billion, a decrease of 11.3% year on year. Imports of goods and services in this period amounted to MKD 419.5 billion, a decrease of 10.9% compared to the same period in 2019. Exports represented 76.9% of imports in the period January–November 2020.

Industrial production continued to decline in November, but at a slower pace, recording a 4% drop relative to November 2019. On a cumulative basis, industrial production in the period January-November 2020 decreased by 10.6% compared to the same period in 2019.

The adverse conditions associated with the Covid-19 pandemic continued to have negative but limited effects on developments in the labour market. As a result, the number of persons employed fell by 1.7% per year, which led to a further decrease in the employment rate by 0.5 p.p. Furthermore, the unemployment rate decreased in the third quarter of the year and amounted to 16.5% (16.7% in the second quarter), which is entirely due to the growing share of the currently inactive population.

35 Source: North Macedonia, Ministry of Finance: Indicators and projections (January 2020); National Insurance Bureau of the Republic of North Macedonia.

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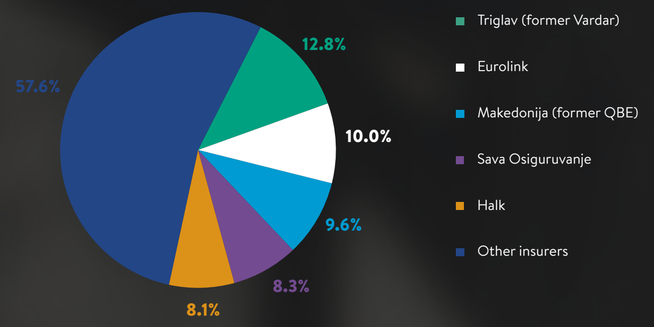
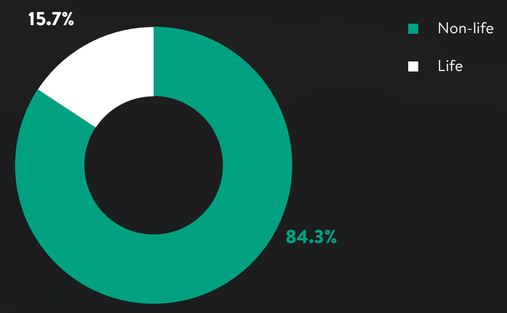
The North Macedonian insurance market[36]

North Macedonia: insurance market shares, 1–9/2020



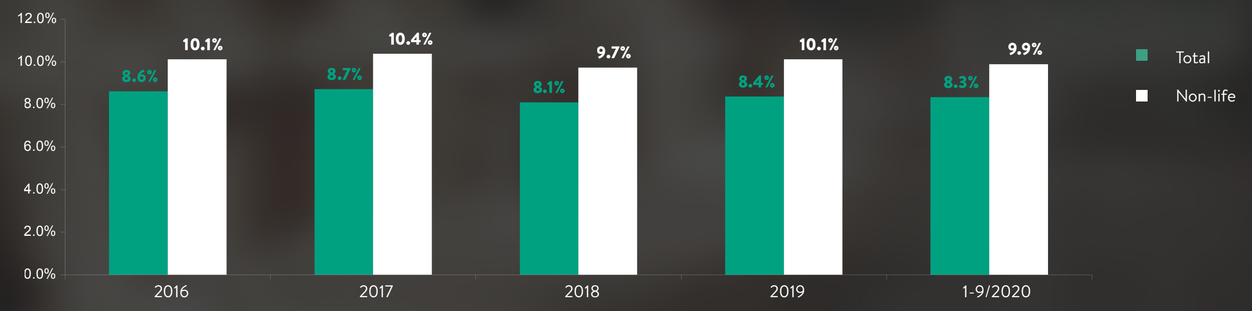
The 2020 data refers to the period 1–9/2020, as figures for the full year 2020 have not yet been published.

Breakdown of premiums in the North Macedonian insurance market, 1–9/2020



The 2020 data refers to the period 1–9/2020, as figures for the full year 2020 have not yet been published.

Market shares of Sava Osiguruvanje (North Macedonia) in the North Macedonian insurance market[37]



The 2020 data refers to the period 1–9/2020, as figures for the full year 2020 have not yet been published.

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

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Montenegro[38]

Major economic indicators for Montenegro

	2016	2017	2018	2019	2020
Real change in GDP (%)	2.9	4.7	5.1	4.1	-17.7
GDP (EUR million)	3,954	4,299	4,663	4,951	3,034
Registered unemployment rate (%)	17.7	16.1	15.2	15.1	19.0
Average inflation (%)	-0.3	2.4	2.6	0.4	-0.3
Population (million)	0.6	0.6	0.6	0.6	0.6
GDP per capita (EUR)	6,354	6,907	7,494	7,960	4,876
Insurance premiums (EUR million)	**80.1**	**81.8**	**86.8**	**94.8**	**93.7**
- growth/decline in insurance premiums	4.2%	2.1%	6.1%	9.2%	-1.1%
Insurance premiums – non-life (EUR million)	66.5	67.6	71.6	77.6	74.0
- growth/decline in non-life insurance premiums	3.8%	1.7%	5.9%	8.4%	-4.7%
Insurance premiums – life (EUR million)	13.7	14.2	15.2	17.2	19.7
- growth/decline in life insurance premiums	6.0%	3.8%	7.3%	12.7%	15.1%
Insurance premiums per capita (EUR)	**128.8**	**131.4**	**139.6**	**152.4**	**150.7**
Non-life insurance premiums per capita (EUR)	106.8	108.6	115.1	124.8	118.9
Life insurance premiums per capita (EUR)	22.0	22.8	24.5	27.6	31.7
Premiums/GDP (%)	**2.0**	**1.9**	**1.9**	**1.9**	**3.1**
Non-life premiums/GDP (%)	1.7	1.6	1.5	1.6	2.4
Life premiums/GDP (%)	0.3	0.3	0.3	0.3	0.7
Average monthly take-home pay (EUR)	499	510	511	515	523

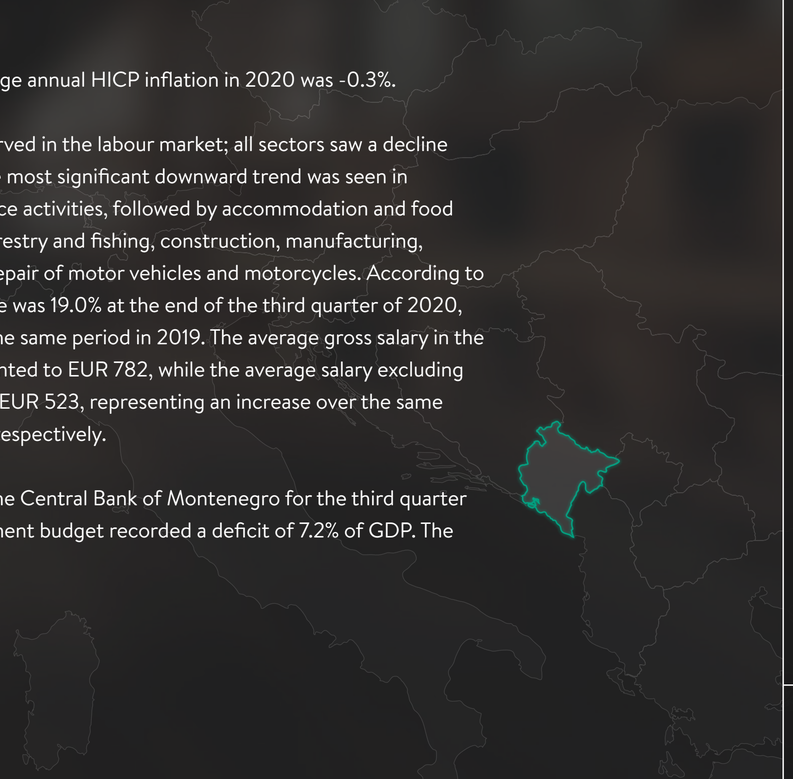
The Covid-19 pandemic had a negative impact on economic activity in Montenegro. According to Monstat preliminary data, Montenegrin GDP grew by 2.6% in in the first quarter of 2020 compared to the same quarter in 2019, while it fell sharply in the second and third quarters of 2020, i.e. by 20.3% and 26.9% compared to the same quarters in 2019. In all quarters of 2020, GDP contracted by 17.7% compared to the first three quarters of 2019, and by about 17% for the whole year according to the estimates of the Central Bank of Montenegro.

The steepest declines in the first nine months of 2020, compared to 2019, were seen by the following industries: tourism, where the number of overnight stays decreased by 79.7%, trade, industrial production, construction (the value of construction put in place fell by 7.9% over a given period, while construction activity measured by actual working time decreased by 3.8%) and transportation (passenger rail transport plunged by 51.7%, passenger road transport by 63.4% and by air by 80.4%). Compared to the first nine months of 2020, growth was only generated in forestry, 10.7% growth in forestry products.

According to Monstat, the average annual HICP inflation in 2020 was -0.3%.

Negative effects were also observed in the labour market; all sectors saw a decline in the number of employees: the most significant downward trend was seen in administrative and support service activities, followed by accommodation and food service activities, agriculture, forestry and fishing, construction, manufacturing, wholesale and retail trade, and repair of motor vehicles and motorcycles. According to Monstat, the unemployment rate was 19.0% at the end of the third quarter of 2020, which is 3.8 p.p. higher than in the same period in 2019. The average gross salary in the first nine months of 2020 amounted to EUR 782, while the average salary excluding taxes and contributions totalled EUR 523, representing an increase over the same period in 2019 of 1.4% and 1.8% respectively.

The macroeconomic report of the Central Bank of Montenegro for the third quarter of 2020 states that the government budget recorded a deficit of 7.2% of GDP. The



38 Source: Statistical bureau of Montenegro (published data for 2016–2019 and 1Q–3Q 2020). GDP figures, unemployment rate and average wage in 2020 relate to the situation as at 30 September 2020 since no more recent data has been published.

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deficit was affected by the reduction in government revenues and unforeseen expenditures, which is further reflected in the increase in public debt. According to ministry of finance preliminary data, gross government debt at the end of the third quarter of 2020 amounted to EUR 3,660.3 million or 79.5% of GDP.

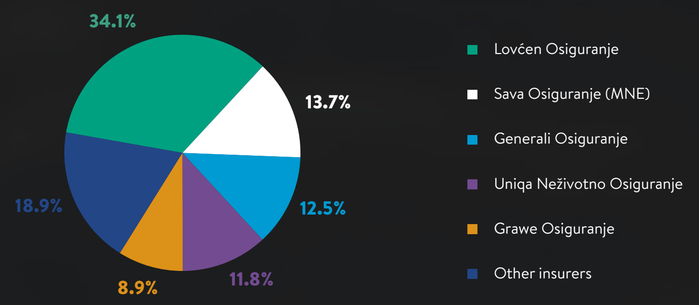
By the end of September 2020, the government had adopted three packages of measures to help boost the economy, with an estimated total value of around EUR 1.5 billion: the first package of EUR 280 million mainly focused on liquidity growth and support for the most vulnerable groups; the second package of EUR 75 million supported the maintenance of part-time employment and the creation of an environment that would allow the Montenegrin economy to recover faster, while the third recovery- and development-oriented package of measures, which includes short- and long-term measures to revive the economy by diversifying and increasing domestic production, is estimated at EUR 1.22 billion.

The Central Bank of Montenegro stated in its quarterly report that the banking sector in Montenegro was stable. Compared to 30 September 2019, credit growth recorded a rise of 5.7%, which mainly involved the two most vulnerable segments – households and the non-financial sector. In order to maintain financial stability and contribute to mitigating the economic consequences, the Central Bank of Montenegro has implemented five packages of measures since the beginning of the Covid-19 pandemic aimed at maintaining the liquidity of banks, increasing credit capacity, and directing liquidity to households and the economy. In addition to the measures indicated above, it adopted a decision amending its decision on bank reserve requirements to be held with the Central Bank of Montenegro aimed at releasing liquidity to provide additional support to those parts of the domestic economy affected by the Covid-19 pandemic.

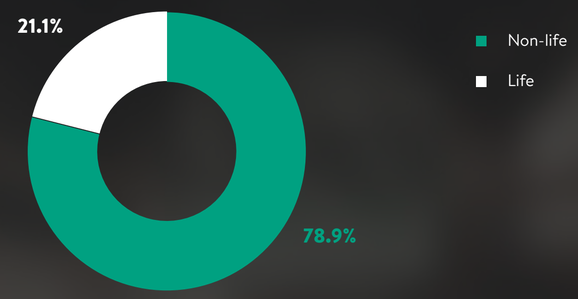
39 Source: Insurance Supervision Agency of Montenegro.
40 Source: Insurance Supervision Agency of Montenegro.

The Montenegrin insurance market[39]

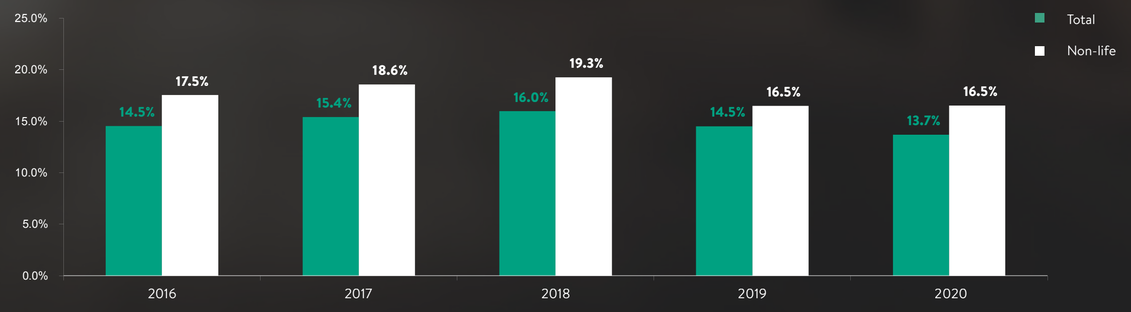
Montenegro: insurance market shares, 2020



Breakdown of premiums in the Montenegrin insurance market, 2020



Market shares of Sava Osiguranje (MNE) on the Montenegrin insurance market[40]



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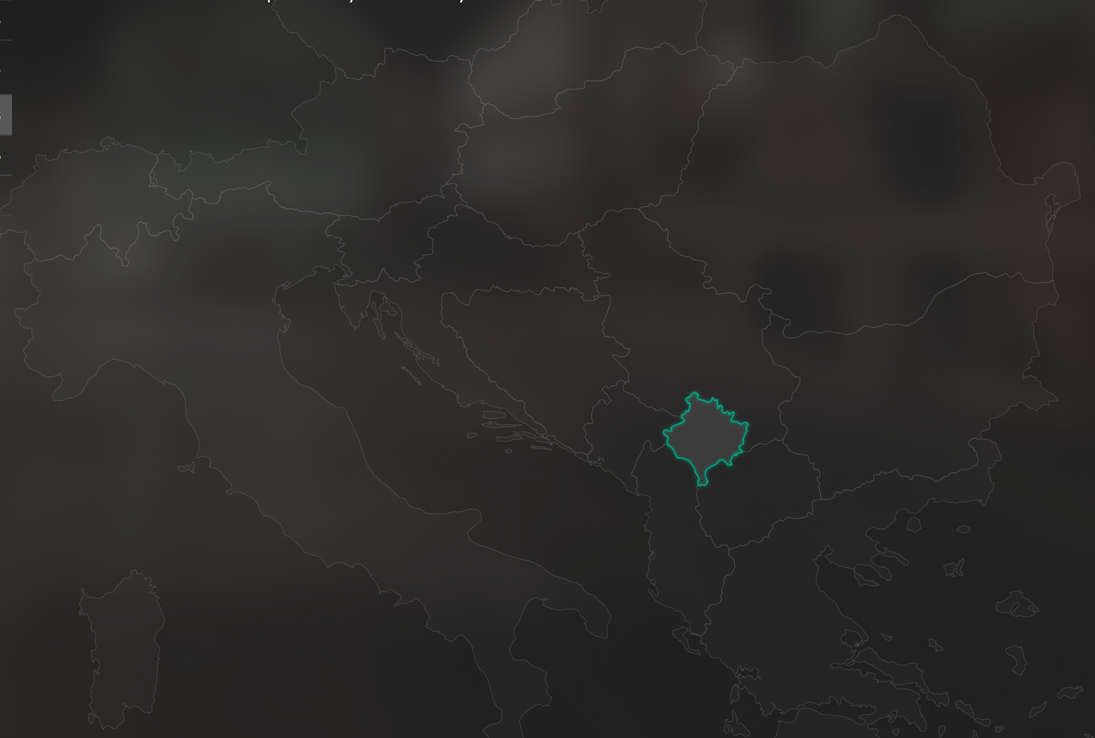
Kosovo[41]

Major economic indicators for Kosovo

	2015	2016	2017	2018	2019	2020
Real change in GDP (%)	4.1	4.1	4.1	4.6	4.0	-7.5
GDP (EUR million)	5,796	6,043	6,327	6,674	7,058	6,547
Registered unemployment rate (%)	32.9	27.5	30.5	29.6	25.7	n/a
Average inflation (%)	-0.5	0.3	1.4	1.1	2.7	0.8
Population (million)	1.8	1.8	1.8	1.8	1.8	1.8
GDP per capita (EUR)	3,153	3,286	3,515	3,708	3,921	3,623
Insurance premiums (EUR million)	**81.4**	**83.8**	**87.4**	**93.5**	**101.9**	**101.7**
- growth/decline in insurance premiums	-1.3%	2.9%	4.4%	6.9%	9.0%	-0.2%
Insurance premiums – non-life (EUR million)	78.7	81.2	84.9	90.5	98.0	98.1
- growth/decline in non-life insurance premiums	-1.7%	3.2%	4.6%	6.6%	8.3%	0.1%
Insurance premiums – life (EUR million)	2.7	2.6	2.5	3.0	3.5	3.6
- growth/decline in life insurance premiums	12.5%	-4.3%	-2.2%	16.7%	17.1%	3.5%
Insurance premiums per capita (EUR)	**44.3**	**45.6**	**48.6**	**51.9**	**56.6**	**56.3**
Premiums/GDP (%)	1.4	1.4	1.4	1.4	1.4	1.6
Average monthly take-home pay (EUR)	451	457	471	n/a	n/a	n/a

Real GDP shrank by 4.6% in the first half of 2020. Investment and net exports declined, while consumption increased. Despite the opening up of the economy, it is estimated that the declining trend in economic activity continued further in the third quarter of 2020. The estimates are supported by a decline in the export of services and government capital expenditures. Declines in the import of goods is also an indication of declining domestic demand, but remittances and commodity exports strengthened despite the corona crisis.

During the third quarter of 2020, Kosovo's government issued debt of a lower value compared to the previous quarter (second quarter 2020) and an interest rate similar that of the third quarter of 2019. This dynamic can be mainly attributed to the declining demand of the Kosovo government to finance its activities through this security. Lower demand can also be attributed to the increased level of external borrowing, which reached EUR 130.7 million by October 2020, while the total value for the entire previous year was only EUR 42.9 million.



41 Source: Central Bank of the Republic of Kosovo, www.imf.org.

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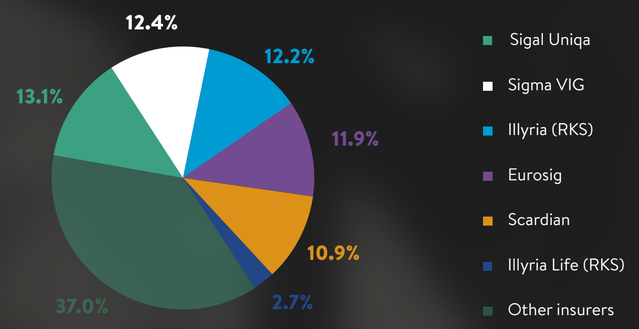
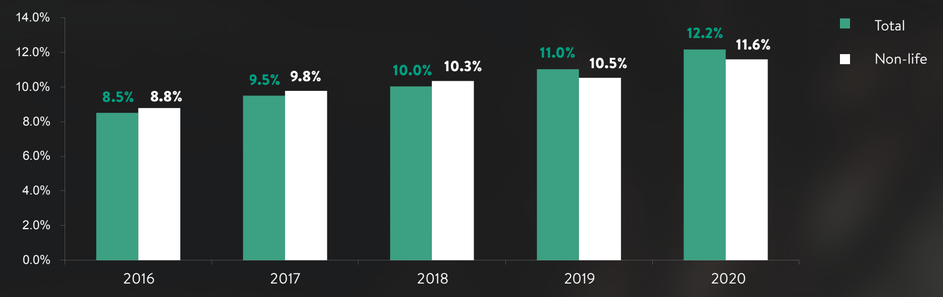
The Kosovo insurance market[42]

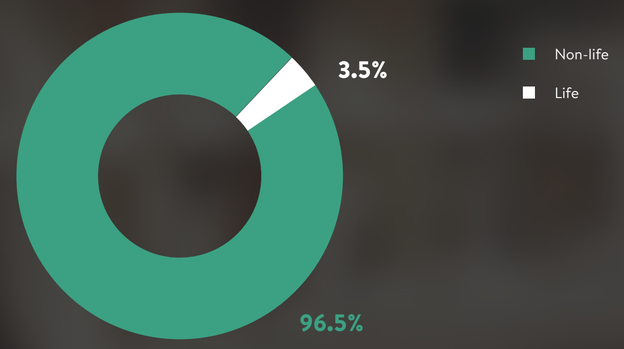
Kosovo insurance market shares, 2020



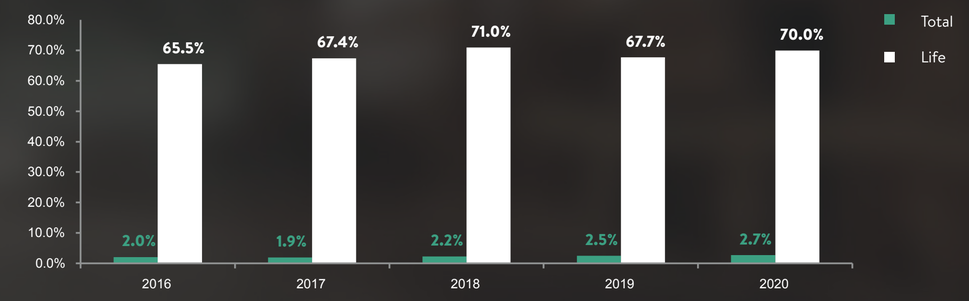
Market shares of Illyria (RKS) in the Kosovo insurance market[43]



Breakdown of premiums in the Kosovo insurance market, 2020



Market shares of Illyria Life (RKS) in the Kosovo insurance market



42 Source: Central Bank of the Republic of Kosovo.
43 Source: Central Bank of the Republic of Kosovo.

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8 Review of operations of the Sava Insurance Group and Sava Re[44]

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

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8.1 Sava Insurance Group

The Sava Insurance Group operates in the following segments: reinsurance, non-life, life, pensions and the "other" segment. The non-life and life segments are further broken down by geography (Slovenia and international).

The operating segments include the following companies:

- **reinsurance:** Sava Re (non-Group business);
- **non-life, Slovenia:** Zavarovalnica Sava (Slovenian part, 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 (MKD), Sava Car (MNE), Sava Agent (MNE), Sava Station (MKD);
- **life, Slovenia:** Zavarovalnica Sava (Slovenian part; business that is in substance life business), Vita (business that is in substance life business), ZS Svetovanje (SVN), Ornatus KC (SVN);
- **life, international:** Zavarovalnica Sava (Croatian part), Sava Životno Osiguranje (SRB), Illyria Life (RKS);
- **pension business:** Sava Pokojninska (SVN), Sava Penzisko Društvo (MKD);
- **other:** TBS Team 24 (SVN), Sava Infond (SVN) S Estate (RKS), ZTRS (SVN) and G2I (GRB) – equity-accounted. The "other" segment also includes expenses on subordinate debt.

- 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, 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 event 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 2020, Sava Re allocated 68.4% of other operating expenses to operating segments as monitored by income composition (2019: 66.7%). 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. Revenue associated with the operation of other Group companies is already eliminated in consolidation.
- Investment income and expenses are reallocated from the reinsurance segment to the non-life insurance and life insurance segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).

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Other significant reallocations between segments:

	2020	2019
Income from investments in subsidiaries and associates	• profits of associates ZTSR, G2I; EUR 0.1 million; allocated to the "other" segment	• revaluation of the 15% ownership interest in Sava Infond; EUR 2.7 million; allocated to the "other" segment
Other income	• the excess of the fair value of the net assets acquired over the purchase price of the investment in Vita; EUR 9.0 million allocated to the segment life, Slovenia, and EUR 0.9 million allocated to non-life, Slovenia	• the excess of the fair value of the net assets acquired over the purchase price of the investment in ERGO; EUR 4.9 million allocated to the segment non-life, international, and EUR 2.6 million allocated to life, international
Expenses for investments in associates and impairment losses on goodwill	• goodwill impairment losses relating to Sava Pokojninska; EUR 1.5 million; allocated to the pensions segment • impairment of the investment in G2I; EUR 0.6 million; allocated to the "other" segment	
Expenses for financial assets and liabilities	• expenses on subordinate debt; EUR 2.9 million; allocated to the "other" segment	• expenses on subordinate debt; EUR 0.5 million; allocated to the "other" segment
Other expenses		• expense associated with the acquisition of Sava Infond; EUR 0.8 million; allocated to the "other" segment

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 2019	April–December	no	July–December
IS 2020	January–December*	June–December	January–December
SFP 31 December 2019	yes	no	yes
SFP 31 December 2020	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	2020	2019	Index
Net premiums earned	635,361,568	548,040,035	115.9
Income from investments in subsidiaries and associates	142,088	2,717,909	5.2
Investment income	26,449,203	20,273,976	130.5
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	23,043,525	23,278,584	99.0
Other technical income	14,544,056	12,736,452	114.2
Other income	30,895,868	27,693,576	111.6
- Of which investment property	1,305,784	1,347,625	96.9
Net claims incurred	-426,695,412	-399,191,460	106.9
Change in other technical provisions	40,613,572	46,506,883	87.3
Change in technical provisions for policyholders who bear the investment risk	-35,479,642	-12,825,182	276.6
Expenses for bonuses and rebates	-103,253	227,917	-45.3
Operating expenses	-203,216,146	-186,955,234	108.7
Expenses for investments in associates and impairment losses on goodwill	-2,096,868	-54,721	3,831.9
Expenses for financial assets and liabilities	-13,122,281	-1,707,664	768.4
Other technical expenses	-19,324,402	-15,435,751	125.2
Other expenses	-3,265,161	-4,561,305	71.6
- Of which investment property	-492,996	-448,716	109.9
Profit or loss before tax	67,746,715	60,744,015	111.5

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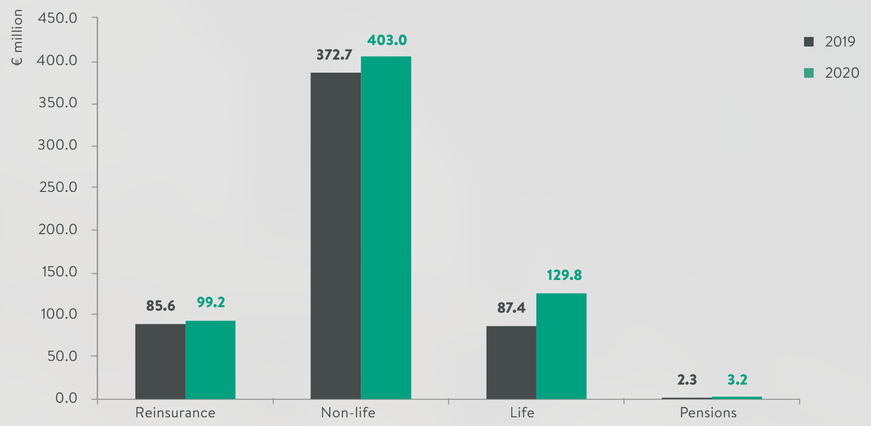
Consolidated net premiums earned[45]

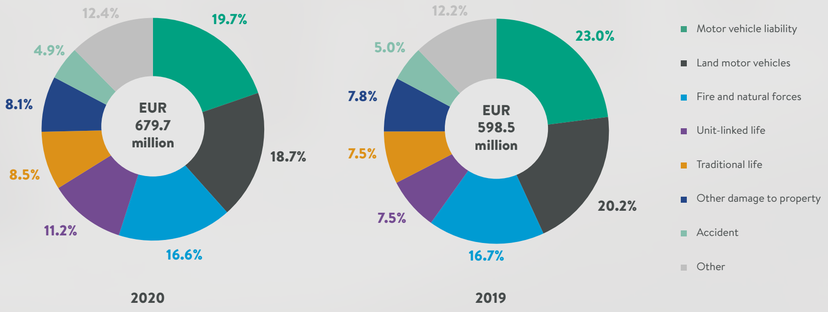
Consolidated net premiums earned

EUR	2020	2019	Index
Gross premiums written	679,749,305	598,526,157	113.6
Net premiums earned	635,361,568	548,040,035	115.9

Consolidated net premiums earned by operating segment



Consolidated gross premiums written by class of business



45 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	2020	2019	Index
Accident	33,338,699	29,930,509	111.4
Health	8,007,906	6,287,907	127.4
Land motor vehicles	123,767,411	113,206,642	109.3
Railway rolling stock	254,262	325,029	78.2
Aircraft hull	330,368	210,294	157.1
Ships hull	8,016,927	4,618,415	173.6
Goods in transit	6,071,697	4,321,251	140.5
Fire and natural forces	91,831,246	82,754,513	111.0
Other damage to property	44,316,158	40,109,442	110.5
Motor vehicle liability	135,518,450	127,086,388	106.6
Aircraft liability	107,263	51,025	210.2
Liability for ships	637,910	519,199	122.9
General liability	25,789,787	22,126,978	116.6
Credit	3,773,164	3,546,229	106.4
Suretyship	466,910	412,126	113.3
Miscellaneous financial loss	2,890,279	5,470,021	52.8
Legal expenses	140,054	455,746	30.7
Assistance	16,797,810	16,674,238	100.7
Traditional life	57,332,429	44,942,461	127.6
Unit-linked life	75,972,838	44,991,622	168.9
Total non-life	**502,056,301**	**458,105,952**	**109.6**
Total life	**133,305,267**	**89,934,083**	**148.2**
Total	**635,361,568**	**548,040,035**	**115.9**

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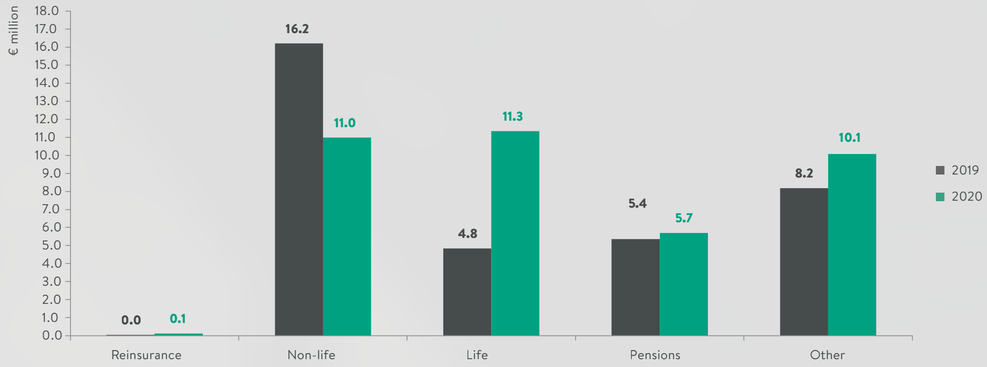
Consolidated other technical income and other income

Composition of other technical income and other income by operating segment[46]



Net exchange differences excluded in 2019.

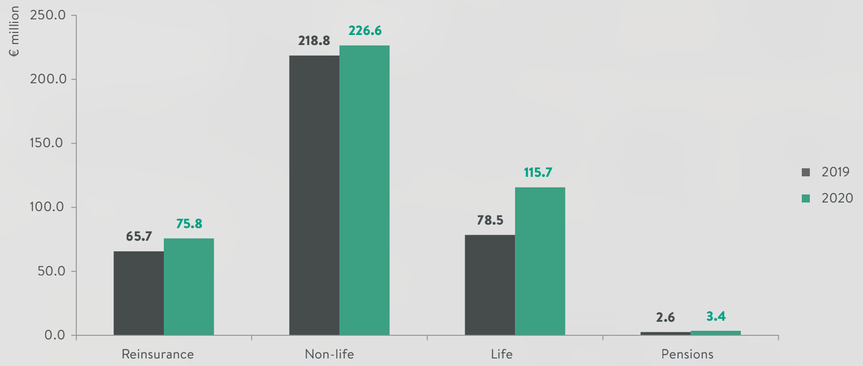
Consolidated net claims incurred[47]

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

EUR	2020	2019	Index
Gross claims paid	399,532,382	392,032,235	101.9
Net claims incurred	426,695,412	399,191,460	106.9
Consolidated net claims incurred, including the change in other provisions* and the change in the provision for unit-linked business	421,561,482	365,509,759	115.3

**This largely comprises mathematical provisions.*

Composition of consolidated net claims incurred, including the change in life insurance provisions[48]



46 Other technical income does not include income from reinsurance commissions.
47 Included are also items of the pensions segment relating to pension annuity business in the distribution phase.
48 The net claims incurred by operating segment include the change in other technical provisions and the change in technical provisions for policyholders who bear the investment risk.

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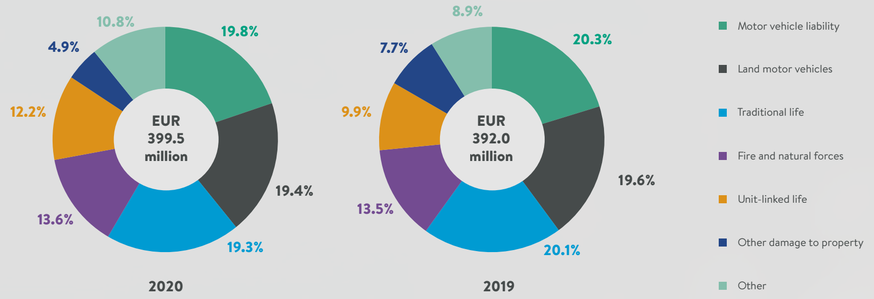
Consolidated net claims incurred by class of business[49]

EUR	2020	2019	Index
Accident	7,553,881	11,451,517	66.0
Health	4,788,219	4,553,497	105.2
Land motor vehicles	72,360,216	77,969,526	92.8
Railway rolling stock	138,340	61,846	223.7
Aircraft hull	262,111	383,214	68.4
Ships hull	8,639,972	5,068,332	170.5
Goods in transit	3,119,357	1,687,880	184.8
Fire and natural forces	81,805,624	61,097,847	133.9
Other damage to property	19,779,339	29,990,422	66.0
Motor vehicle liability	83,728,019	79,518,637	105.3
Aircraft liability	50,369	8,887	566.8
Liability for ships	139,630	490,007	28.5
General liability	7,223,986	8,225,514	87.8
Credit	-880,476	-82,382	1,068.8
Suretyship	309,929	-3,995	-7,757.9
Miscellaneous financial loss	7,749,659	1,003,565	772.2
Legal expenses	18,166	245,728	7.4
Assistance	7,859,188	3,075,459	255.5
Traditional life	74,359,344	79,194,743	93.9
Unit-linked life	47,690,540	35,251,217	135.3
Total non-life	**304,645,528**	**284,745,500**	**107.0**
Total life	**122,049,884**	**114,445,960**	**106.6**
Total	**426,695,412**	**399,191,460**	**106.9**

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



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

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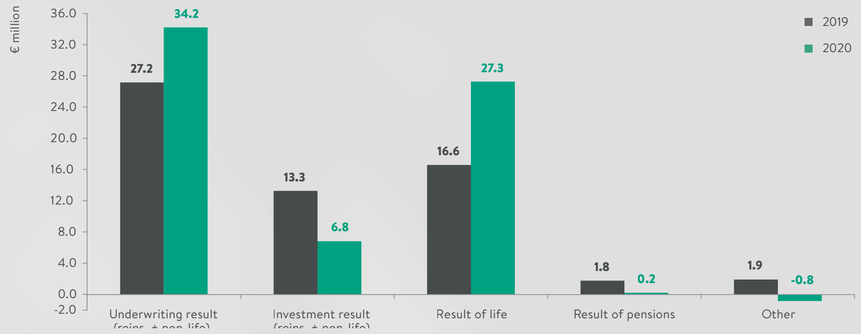
Consolidated other technical expenses and other expenses

Composition of other technical expenses and other expenses by operating segment



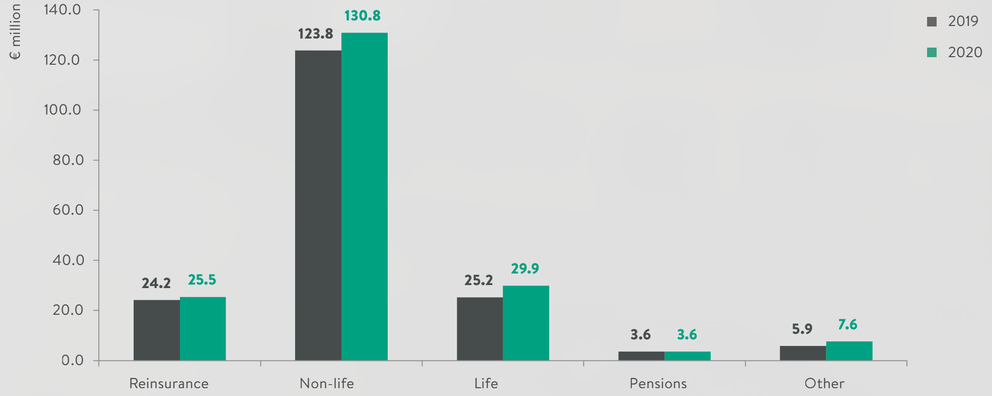
Net exchange differences excluded in 2020.

Consolidated operating expenses

Consolidated operating expenses

EUR	2020	2019	Index
Acquisition costs	74,410,866	65,793,677	113.1
Change in deferred acquisition costs (+/-)	-1,561,215	-2,908,414	53.7
Other operating expenses	130,366,495	124,069,971	105.1
Operating expenses	**203,216,146**	**186,955,234**	**108.7**
Reinsurance commission income	-5,899,388	-4,291,946	137.5
Net operating expenses	**197,316,758**	**182,663,288**	**108.0**

Consolidated net operating expenses by operating segment



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Consolidated net investment income

Net investment income of the investment portfolio also includes the income and expenses relating to investment property. In the income statement these are part of the "other income/expenses" item.

Consolidated net investment income of the investment portfolio

EUR	2020	2019	Absolute change
Net investment income of the investment portfolio	13,889,667	22,299,995	-8,410,328
Net investment income of the investment portfolio, excluding the effect of exchange differences	18,683,872	20,959,926	-2,276,054

Consolidated income and expenses relating to the investment portfolio[50]

EUR	2020	2019	Absolute change
Income			
Interest income	16,151,438	14,016,424	2,135,014
Change in fair value and gains on disposal of FVTPL assets	2,538,803	1,718,802	820,001
Gains on disposal of other IFRS asset categories	4,906,973	786,557	4,120,416
Income from associate companies	142,088	2,717,909	-2,575,821
Income from dividends and shares – other investments	1,173,588	1,623,033	-449,445
Exchange gains	0	1,340,069	-1,340,069
Other income	1,970,213	1,567,274	402,939
Other income from alternative funds	1,013,972	569,443	444,529
Income relating to the investment portfolio	**27,897,075**	**24,339,511**	**3,557,564**
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	23,043,525	23,278,584	-235,059
Expenses			
Interest expenses	2,977,680	510,432	2,467,248
Change in fair value and losses on disposal of FVTPL assets	2,300,188	626,040	1,674,148
Losses on disposal of other IFRS asset categories	1,439,986	242,946	1,197,040
Impairment loss on associate companies	567,048	54,721	512,327
Impairment losses on other investments	1,099,794	0	1,099,794
Exchange losses	4,794,205	0	4,794,205
Other	828,022	605,377	222,645
Other expenses for alternative funds	485	0	485
Expenses relating to the investment portfolio	**14,007,408**	**2,039,516**	**11,967,892**

* *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 (31 December 2020: EUR 174.9 thousand; 31 December 2019: EUR 171.6 thousand).*

** *In 2020, an amount of EUR 0.1 million was recognised in the first consolidation as profit of the equity-accounted associate company. In 2019, income of EUR 2.7 million was recognised, in the first consolidation, on the revaluation of the 15% ownership interest in Sava Infond held by the subsidiary Zavarovalnica Sava.*

50 The net effect of exchange differences is shown.

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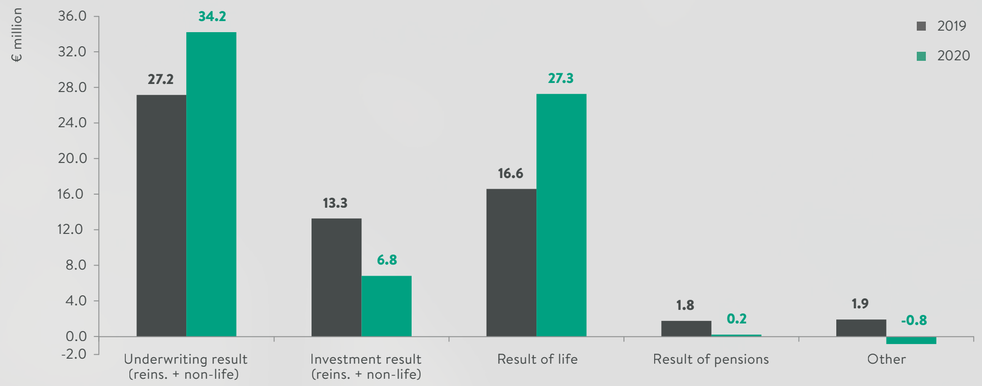
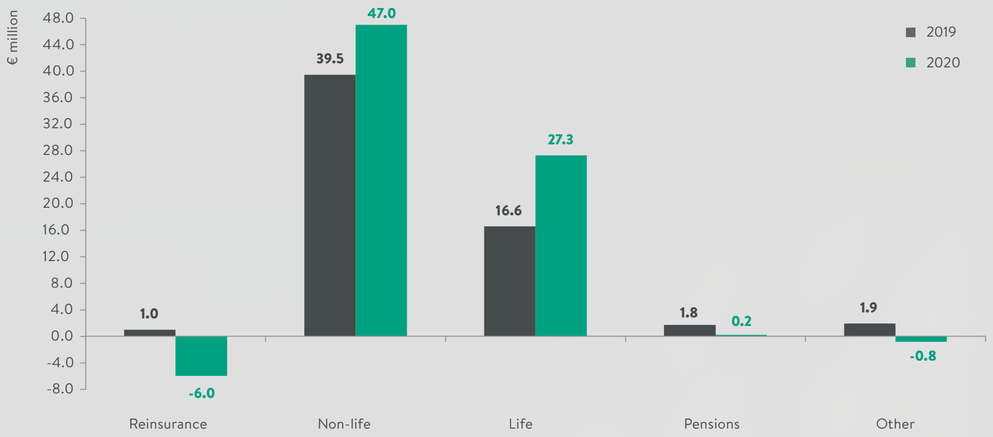
Consolidated gross profit or loss

Composition of the consolidated gross income statement

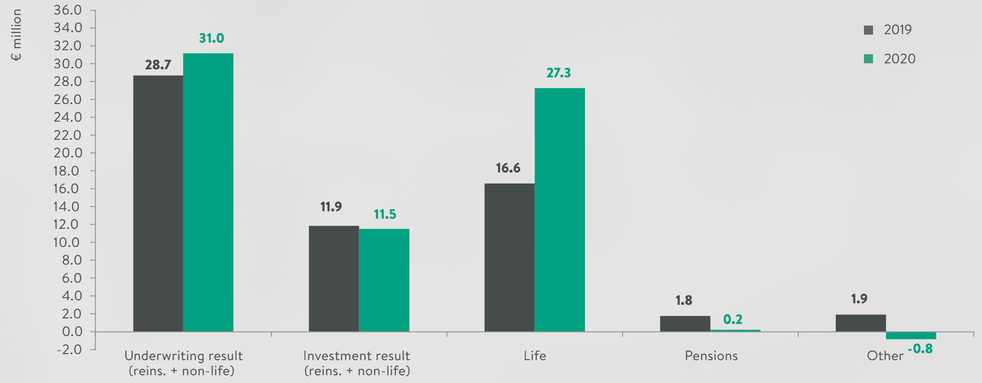


Composition of the consolidated gross profit or loss by operating segment



Since individual items of the income statement are affected by foreign exchange differences, the following graph shows the composition of the income statement excluding the effect of foreign exchange differences.

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



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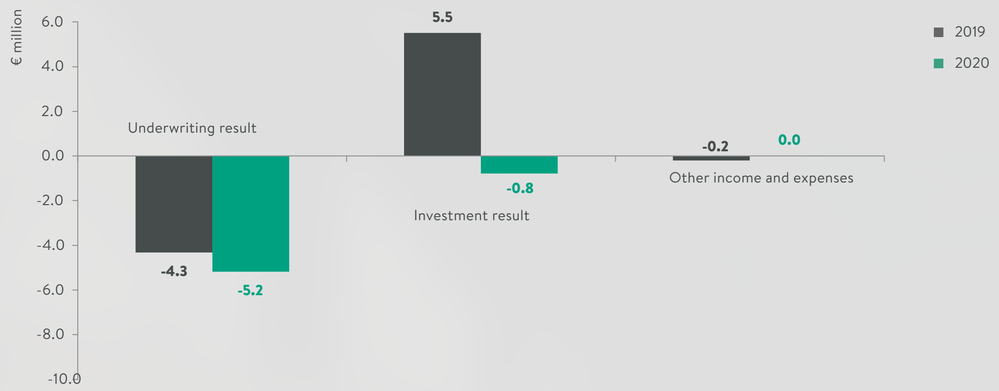
8.1.1 Reinsurance operations

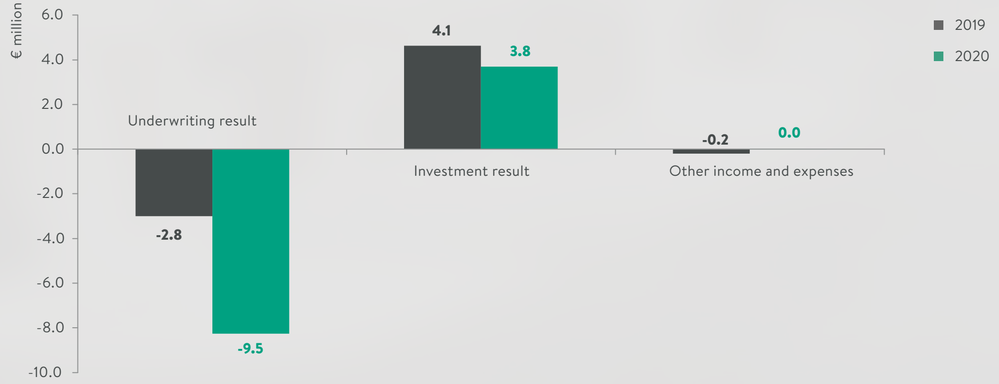
The reinsurance segment primarily reflects the developments in the portfolio that Sava Re writes outside the Sava Insurance Group.

Composition of the consolidated gross income statement; reinsurance



The performance of this operating segment is impacted by exchange differences, which is why the underwriting and investment results are not directly comparable. The following graph shows the composition of the gross result of the reinsurance segment, excluding the effect of exchange differences.

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



Up 18.3%

GROSS PREMIUMS WRITTEN

The underwriting result, excluding the effect of exchange differences, was lower than in 2019, mainly on account of higher claims incurred (deviations are explained later in the section). In 2020, the investment result was less favourable than in 2019, which was mainly due to lower interest income and lower dividends from financial investments.

The Company follows a policy of asset and liability currency matching. The impact of exchange differences on results by operating segment was as follows: underwriting categories were impacted by exchange gains of EUR 4.4 million (2019: EUR 1.5 million of negative impact) and exchange gains of EUR 4.6 million relating to investments (2019: a positive effect of EUR 1.4 million).

Net premiums earned

Net premiums earned; reinsurance

EUR	2020	2019	Index
Gross premiums written	106,792,968	90,250,935	118.3
Net premiums earned	99,243,228	85,611,888	115.9

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Gross premiums written in the reinsurance segment in 2020 were up by 18.3% from the previous year. Premium growth was achieved in proportional and non-proportional reinsurance business, especially in Asian markets (through organic growth and new contracts). Premiums for the 2020 underwriting year were 8.5% higher than for 2019 (EUR 7.6 million), which includes the drop caused by the economic downturn due to Covid-19. This increase in premiums is the result of positive price 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 rate increases in programmes heavily hit in the previous year (Japan – price increases of about 30–50%). Rate increases 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 repute 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 9.0 million higher, especially for proportional business. Net premiums earned grew by 15.9% in 2020 compared to 2019 as the result of an increase in gross premiums written.

More details on developments in unconsolidated data are provided in *section 8.2 "Sava Re"*.

Net claims incurred[51]

Net claims incurred; reinsurance

EUR	2020	2019	Index
Gross claims paid	56,510,782	54,209,096	104.2
Net claims incurred	76,011,122	64,948,955	117.0

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

EUR	2020	2019	Index
Gross claims paid	56,510,782	54,209,096	104.2
Net claims incurred	82,871,811	63,299,231	130.9

In 2020, exchange differences had a positive impact on net claims incurred in the amount of EUR 6.9 million (2019: a negative impact of EUR 1.6 million). In 2020, net claims incurred, excluding the effect of exchange differences, rose by 30.9% compared to 2019, mainly due to higher claims (primarily due to the Covid-19 pandemic; EUR 10.8 million cumulatively) and the underperformance of past underwriting years in 2020 compared to 2019. The growth in net claims incurred was also driven by organic growth of business (net premiums earned rose by 15.9%). The net incurred loss ratio relating to the reinsurance segment (excluding the effect of exchange differences) deteriorated by 8.5 p.p. year on year, to 83.3% (2019: 74.8%).

More details on developments in unconsolidated data are provided in *section 8.2 "Sava Re"*.

51 GRI 201-02.

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Operating expenses

Consolidated operating expenses; reinsurance

EUR	2020	2019	Index
Acquisition costs	22,148,662	19,969,317	110.9
Change in deferred acquisition costs (+/-)	-238,147	329,954	-72.2
Other operating expenses	4,180,146	4,428,759	94.4
Operating expenses	**26,090,661**	**24,728,030**	**105.5**
Reinsurance commission income	-638,027	-565,492	112.8
Net operating expenses	**25,452,634**	**24,162,539**	**105.3**

Acquisition expenses (commissions) increased by 10.9% (gross premiums written rose by 18.3%). The share of acquisition costs as a percentage of gross premiums written was 13.4% in 2020 (2019: 22.1%). The change in deferred acquisition costs (an increase in 2020 and a decrease in 2019) is the result of stronger growth in gross premiums written for new business in line with the movement in unearned premiums.

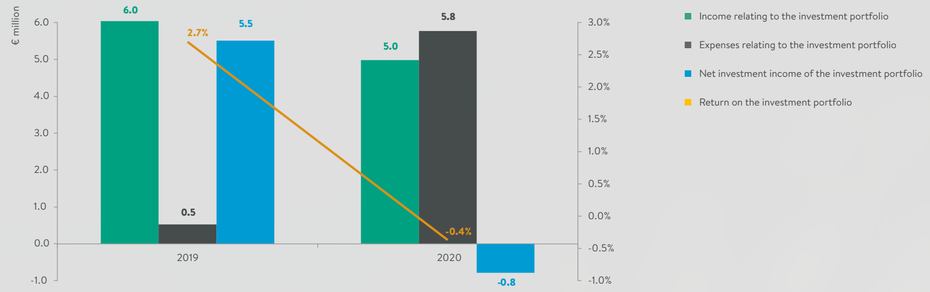
Other operating expenses declined by 5.6%, reflecting cost optimisation due to adjustments to Covid-19 business conditions (reduced business travel, lower commuting expenses and other adjustments).

In 2020, the net expense ratio improved by 2.6 p.p. from 2019 as the result of faster growth in net premiums earned compared to net operating expenses.
More details on developments in unconsolidated data are provided in *section 8.2 "Sava Re"*.

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

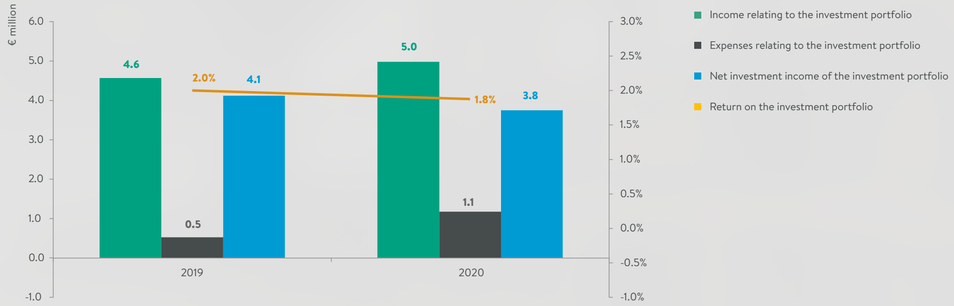
Net investment income

Income, expenses and net investment income relating to the investment portfolio; pensions[52]



** The return on the investment portfolio for 2019 differs from the figure in the 2019 annual report because the method for calculating the average amount invested changed in 2020 (the calculation is made based on the average of past five quarters).*

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



** The return on the investment portfolio for 2019 differs from the figure in the 2019 annual report because the method for calculating the average amount invested changed in 2020 (the calculation is made based on the average of past five quarters).*

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

Compared to 2020, the Group realised EUR 0.3 million lower return in the reinsurance segment. This was mainly due to lower interest income and lower dividends from financial investments. The investment return for the period was 1.8%.

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8.1.2 Non-life business

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

- ZAVAROVALNICA SAVA: NON-LIFE INSURANCE BUSINESS
- VITA (SVN): BUSINESS THAT IS IN SUBSTANCE NON-LIFE BUSINESS
- SAVA OSIGURANJE (MNE)
- SAVA NEŽIVOTNO OSIGURANJE (SRB)
- SAVA OSIGURUVANJE (NORTH MACEDONIA)
- ILLYRIA (RKS)
- SAVA CAR (MNE)
- SAVA AGENT (MNE)
- SAVA STATION (MKD)

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

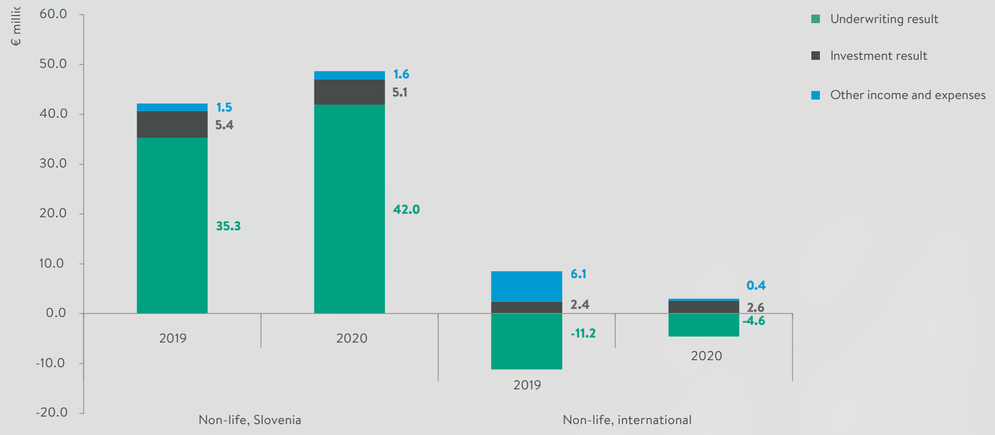
The Slovenian part of Zavarovalnica Sava is discussed under Slovenian non-life insurance, and the Croatian part of the company is discussed under international non-life insurance.

Income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section *17.4.36 Information on operating segments*.

Up €7.6 m

CONSOLIDATED PROFIT FOR THE YEAR

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 for 2020 compared to the same period last year. The lion's share of the improvement, EUR 6.5 million, was achieved in Slovenian business.

The consolidated underwriting result of the Slovenian non-life insurer improved by EUR 6.7 million, with the result from business in Slovenia increasing by EUR 14.6 million, whereas the result of FoS business (direct international business based on EU's freedom of services principle) decreased by EUR 7.9 million. The consolidated underwriting result of the Slovenian part improved primarily due to high growth in net premiums earned, and lower claims frequency due to the Covid-19 pandemic. The decline in the underwriting result of FoS business refers mainly to net claims incurred. As a result of uncertainties over the new court and regulatory practices, the Company set additional provisions for potential legal expenses and claims relating to Covid-19 related business interruption coverage as part of non-life policies written in the market of the Republic of Ireland. The increase in the non-Slovenian underwriting result of non-life insurers of EUR 6.6 million is the result of lower net claims incurred due to favourable loss experience, and lower operating expenses, namely lower acquisition costs associated with the decline in premiums, as well as lower other operating expenses connected with the Covid-19 pandemic.

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The net combined ratio of non-life in Slovenia improved by 0.9 p.p. to 87.2%, whereas the net combined ratio of non-Slovenian non-life insurers improved by 0.7 p.p. to 105.1%. The net combined ratio of non-Slovenian non-life insurers was affected by poorer performance in Croatia. This followed a change in legal practice regarding payments for non-pecuniary losses. For this reason, the insurer strengthened its claims provisions and provisions for unexpired risks. The net combined ratio of non-Slovenian non-life insurers, excluding the Croatian non-life insurer, stood at 96.4% in 2020.

The investment result of the Slovenian non-life segment deteriorated by EUR 0.3 million, chiefly because of lower interest income, which the company compensated by higher profits, revaluation of FVTPL investments, which was downward in 2020, and negative net exchange differences. The investment result of non-Slovenian non-life insurers increased by EUR 0.2 million due to higher gains on disposal of other IFRS asset categories.

The result of other income and expenses of the Slovenian non-life insurance companies remained at about the same level as in 2019 (an improvement of EUR 0.1 million). The result of other income and expenses of the non-Slovenian non-life insurance companies declined by EUR 5.7 million. In 2019, the “other income” item shows an extraordinary income due to the remedying of badwill arising from the purchase of the company ERGO Osiguranje in the amount of EUR 4.9 million.

Net premiums earned

Net premiums earned; non-life insurance business

EUR	2020	2019	Index
Gross premiums written	439,449,438	418,279,959	105.1
Net premiums earned	403,034,775	372,714,714	108.1

Net premiums earned by region; non-life insurance business

EUR	Slovenia			International		
	2020	2019	Index	2020	2019	Index
Gross premiums written	362,663,027	336,307,949	107.8	76,786,411	81,972,010	93.7
Net premiums earned	329,789,367	299,057,193	110.3	73,245,407	73,657,520	99.4

Unconsolidated gross non-life premiums of Sava Insurance Group members

EUR	2020	2019	Index
Zavarovalnica Sava, Slovenian part (non-life)	360,542,946	336,459,922	107.2
Zavarovalnica Sava, Croatian part (non-life)	18,160,216	21,040,720	86.3
Sava Neživotno Osiguranje (SRB)	20,674,714	22,473,870	92.0
Illyria (RKS)	11,372,461	10,320,121	110.2
Sava Osiguruvanje (North Macedonia)	13,760,537	14,397,197	95.6
Sava Osiguranje (MNE)	12,837,141	13,758,703	93.3
Vita (SVN)	2,299,559	0	-
Total	**439,647,573**	**418,450,532**	**105.1**

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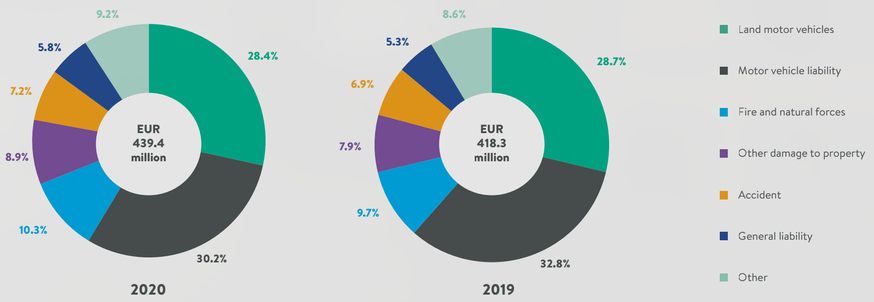
Gross non-life insurance premiums grew by 5.1% in 2020 as the result of growth in gross non-life premiums of the Slovenian part of Zavarovalnica Sava, Kosovo non-life insurer, and Vita's inclusion in the Sava Insurance Group. Accordingly, net premiums earned also grew, by 8.1% in total. The movement in gross premiums in most other markets was impacted by developments connected with the Covid-19 pandemic. As a result of the pandemic, gross premiums written by non-Slovenian insurers declined due to a drop in assistance business caused by border closing, and less motor liability business because of a lower number of registered vehicles as a result of a decline in economic activity.

Slovenia-sourced gross non-life premiums grew by 7.8%, or EUR 26.4 million. The growth in gross premiums was also contributed by business written under freedom of services rules of EUR 13.5 million, which the Slovenian non-life insurer generated in cooperation with various EU partners. The highest increase in FoS premiums was recorded in property, ships hull, and general liability, while the majority of motor insurance was terminated due to changes in markets (deteriorating conditions) and company's stricter criteria. The increase in gross premiums written was driven by the EUR 10.6 million rise in non-life premiums at the Slovenian part of Zavarovalnica Sava, excluding FoS business, and the EUR 2.3 million increase in non-life premiums at the insurer Vita. In the aforementioned period, the Slovenian insurance market achieved 2.9% growth in non-life gross premiums, excluding FoS business and accepted co-insurance, and the Slovenian part of Zavarovalnica Sava achieved 3.4% premium growth. 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, insurance sales were impeded by Covid-19 restrictions; however, Zavarovalnica Sava managed to offset lost gross premiums after restrictions were lifted in May and June. The circumstances relating to Covid-19 restrictions deteriorated again in the last two and a half months of 2020, which affected the company's results. Nevertheless, in 2020, the company recorded a 5.0% growth in gross motor own damage premiums, as well as an increase in gross property premiums, in particular because of strong sales of the new DOM homeowner's policies, an increase in the average premium, and an increase in the number of policyholders. Net non-life insurance premiums earned in Slovenia grew by 8.1% in 2020, mostly reflecting the relatively high growth in FoS and other non-life business.

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



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Net claims incurred[53]

Net claims incurred; non-life insurance business

EUR	2020	2019	Index
Gross claims paid	217,100,863	220,529,309	98.4
Net claims incurred	228,653,533	219,804,515	104.0

Net claims incurred by region; non-life insurance business

EUR	Slovenia			International		
	2020	2019	Index	2020	2019	Index
Gross claims paid	179,754,178	179,339,140	100.2	37,346,685	41,190,169	90.7
Net claims incurred	187,440,684	174,757,144	107.3	41,212,849	45,047,371	91.5

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

EUR	2020	2019	Index
Zavarovalnica Sava, Slovenian part (non-life)	183,260,143	180,119,095	101.7
Zavarovalnica Sava, Croatian part (non-life)	12,115,435	12,771,183	98.9
Sava Neživotno Osiguranje (SRB)	9,481,072	9,519,789	99.6
Illyria (RKS)	4,921,317	6,945,708	70.9
Sava Osiguruvanje (North Macedonia)	5,890,171	6,097,029	96.6
Sava Osiguranje (MNE)	5,038,314	5,938,718	84.8
Vita (SVN)	597,062	0	-
Total	**221,303,514**	**221,391,522**	**100.0**

Consolidated gross non-life claims dropped by 1.6% in 2020, as the result of lower gross non-life claims in the non-Slovenian non-life insurers.

In 2020, consolidated gross non-life claims paid in Slovenia remained at about the same level as the year before. There was a EUR 9.6 million increase in gross claims incurred in FoS business due to portfolio growth. Gross claims incurred on policies written in Slovenia declined by EUR 9.2 million as the result of a lower loss 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 the non-Slovenian insurers dropped by 9.3%. The Group recorded a lower figure for fire claims, mainly as the Group incurred a major fire loss in 2019, whereas in 2020 there were fewer claims reported. Gross claims paid also dropped in motor insurance, assistance business and in accident and health insurance. The decline is mainly the result of fewer claims due to the Covid-19 pandemic.

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Operating expenses

Consolidated operating expenses; non-life segment

EUR	2020	2019	Index
Acquisition costs	43,476,553	39,221,781	110.8
Change in deferred acquisition costs (+/-)	-779,852	-3,281,828	23.8
Other operating expenses	93,332,965	91,529,627	102.0
Operating expenses	**136,029,666**	**127,469,580**	**106.7**
Reinsurance commission income	-5,192,462	-3,646,850	142.4
Net operating expenses	**130,837,204**	**123,822,729**	**105.7**

Consolidated gross operating expenses of the non-life segment

EUR	2020	2019	Index
Non-life, Slovenia	102,549,440	93,601,391	109.6
Non-life, international	34,260,077	37,150,016	92.2

Consolidated acquisition costs were up by 10.8%. Growth in acquisition costs is mainly related to growth in FoS and less to growth in other business of the non-life part of Zavarovalnica Sava in Slovenia in the agency's sales channel.

Consolidated other operating expenses increased by 2.0% mainly due to the increase in operating expenses in 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 in 2020 it was part of the Croatian part of Zavarovalnica Sava for the full year). The change in deferred acquisition costs is smaller in 2020, primarily due to the smaller change in the deferred cost of acquiring FoS contracts.

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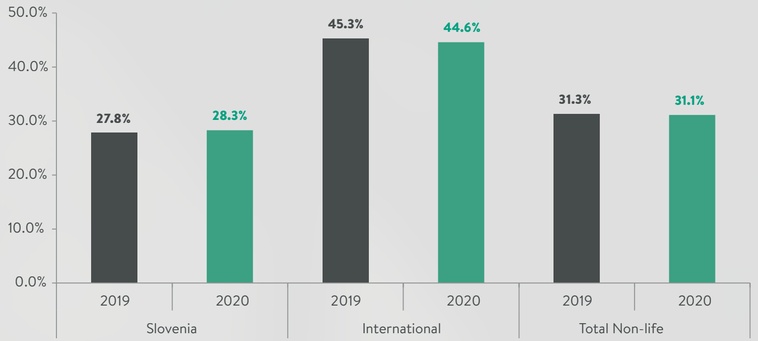
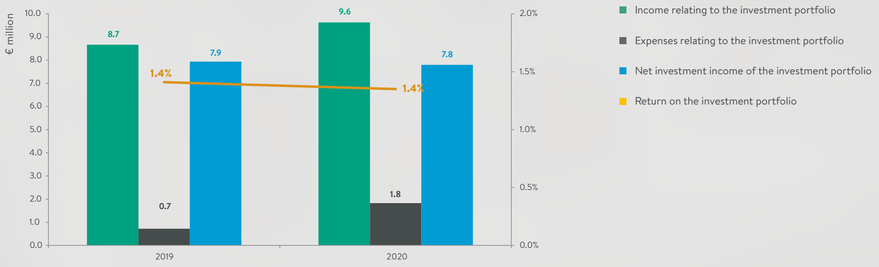
Consolidated gross expense ratio; non-life segment

The consolidated gross expense ratio of the non-life segment dropped by 0.2 p.p. The gross expense ratio for non-Slovenian non-life insurers dropped by 0.7 p.p., while the gross expense ratio for the Slovenian non-life insurers increased by 0.5 p.p.



Net investment income

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



In 2020, net investment income relating to non-life insurance totalled EUR 7.8 million and was flat compared to 2019. The investment return for the period was 1.4%.

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8.1.3 Life insurance

The life segment comprises the operations of the following companies:

- ZAVAROVALNICA SAVA: LIFE INSURANCE BUSINESS
- VITA (SVN): BUSINESS THAT IS IN SUBSTANCE LIFE BUSINESS
- SAVA ŽIVOTNO OSIGURANJE (SRB)
- ILLYRIA LIFE (RKS)
- ZS SVETOVANJE (SVN): INSURANCE AGENCY
- ORNATUS KC (SVN): CALL CENTRE

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

Since Vita's (SVN) inclusion in the Group on 31 May 2020, Vita's business that is in substance life business has been part of in the Slovenian life segment.

Income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section *17.4.36 Information on operating segments*.

Up 48.6%

GROSS PREMIUMS WRITTEN

Net premiums earned

Net premiums earned; life insurance business

EUR	2020	2019	Index
Gross premiums written	130,266,058	87,668,880	148.6
Net premiums earned	129,842,724	87,387,050	148.6

Net premiums earned by region; life insurance business

EUR	Slovenia			International		
	2020	2019	Index	2020	2019	Index
Gross premiums written	120,314,520	78,568,081	153.1	9,951,538	9,100,799	109.3
Net premiums earned	119,935,665	78,305,216	153.2	9,907,058	9,081,834	109.1

Unconsolidated gross life premiums of Sava Insurance Group companies

EUR	2020	2019	Index
Zavarovalnica Sava, Slovenian part (life)	74,196,468	78,568,081	94.4
Zavarovalnica Sava, Croatian part (life)	3,610,582	3,830,852	94.3
Illyria Life (RKS)	2,502,635	2,338,989	107.0
Sava Životno Osiguranje (SRB)	3,845,773	2,930,958	131.2
Vita (SVN)	46,118,052	0	-
Total	**130,273,510**	**87,668,880**	**148.6**

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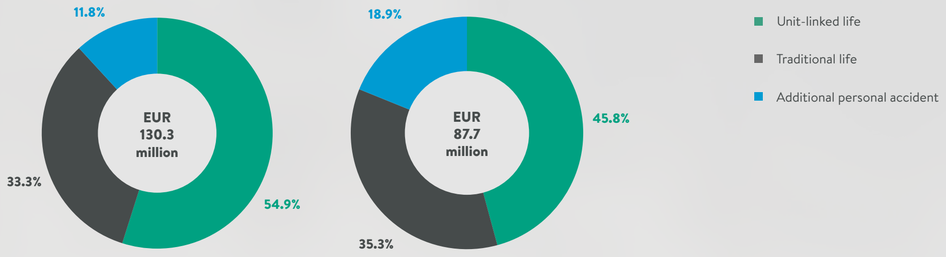
Gross premiums written in Slovenia grew by 53.1% in 2020 as the result of Vita's (SVN) inclusion in the Group (31 May 2020). In 2020, gross premiums written by the life insurance part of Zavarovalnica Sava in Slovenia dropped by 5.6% compared to 2019. The company did not manage to write sufficient new business to fully offset premiums lost due to policy maturities, surrenders and deaths. Since joining the Group, Vita (SVN) generated EUR 46.1 million in gross premiums written.

In 2020, gross premiums written by the non-Slovenian life insurers grew by 9.3% year on year, with the largest growth recorded in Serbia, reflecting greater efficiency of the own sales network, as was the case also in Kosovo; however, the Croatian part of Zavarovalnica Sava experienced a decline in gross premiums written as the result of expiring policies (due to maturities, deaths, surrenders) that the company, under the current circumstances, did not manage to compensate by writing new business.

Composition of consolidated gross life insurance premiums by class of business, including riders



The composition of consolidated gross life insurance premiums changed after the inclusion of Vita (SVN), which has a higher share of unit-linked than traditional life in its portfolio.

Net claims incurred

Net claims incurred; life insurance business

EUR	2020	2019	Index
Gross claims paid	124,952,168	116,584,759	107.2
Net claims incurred	121,061,560	113,728,867	106.4
Consolidated net claims incurred, including the change in other provisions* and the change in the provision for unit-linked business	115,697,826	78,459,726	147.5

** This largely comprises mathematical provisions.*

Net claims incurred by region; life insurance business

EUR	Slovenia			International		
	2020	2019	Index	2020	2019	Index
Gross claims paid	120,316,271	113,119,029	106.4	4,635,897	3,465,730	133.8
Net claims incurred	116,246,007	110,015,616	105.7	4,815,553	3,713,251	129.7
Consolidated net claims incurred, including the change in other provisions* and the change in the provision for unit-linked business	110,202,692	72,517,574	152.0	5,495,134	5,942,152	92.5

** This largely comprises mathematical provisions.*

Unconsolidated gross life claims paid by Sava Insurance Group companies

EUR	2020	2019	Index
Zavarovalnica Sava, Slovenian part (life)	103,279,107	113,119,029	91.3
Zavarovalnica Sava, Croatian part (life)	2,883,719	2,384,165	121.0
Illyria Life (RKS)	602,967	531,354	113.5
Sava Životno Osiguranje (SRB)	1,149,211	550,211	208.9
Vita (SVN)	17,037,164	0	-
Total	**124,952,168**	**116,584,759**	**107.2**

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In 2020, gross claims paid in Slovenia increased by 6.4% year on year as the result of Vita's (SVN) inclusion in the Group. 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 54.7 million, a decline of EUR 10.7 million compared to 2019. Unit-linked life business, where policyholders bear the investment risk, paid out EUR 14.6 million in maturity benefits, down EUR 1.5 million compared to 2019. Net claims incurred, including the change in mathematical provisions and the change in the provision for unit-linked business, are higher due to Vita's (SVN) inclusion in the Group.

Of the non-Slovenian insurers, Sava Životno Osiguranje (Serbia) recorded the largest increase in gross claims paid, at 108.9%, which was due to fast portfolio growth, maturities and somewhat higher mortality in 2020. Despite the rise in gross claims paid, net claims incurred in 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	2020	2019	Index
Acquisition costs	8,766,579	6,566,377	133.5
Change in deferred acquisition costs (+/-)	-543,216	43,460	-1249.9
Other operating expenses	21,700,767	18,688,469	116.1
Operating expenses	**29,924,130**	**25,298,306**	**118.3**
Reinsurance commission income	-68,899	-79,604	86.6
Net operating expenses	**29,855,231**	**25,218,703**	**118.4**

Consolidated gross operating expenses, life segment

EUR	2020	2019	Index
Life, Slovenia	26,613,942	21,223,163	125.4
Life, international	3,853,404	4,031,684	95.6

In 2020, policy acquisition expenses rose by 33.5% year on year because of the inclusion of Vita (SVN) in the consolidated accounts. The difference in the change in deferred acquisition costs between the years chiefly relates to the Slovenian part of Zavarovalnica Sava.

Other operating expenses increased by 16.1% in 2020 year on year due to Vita's (SVN) inclusion in the Group.

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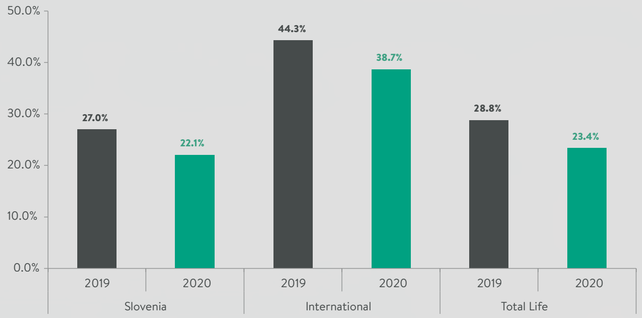
5.4 p.p. improved

GROSS EXPENSE RATIO

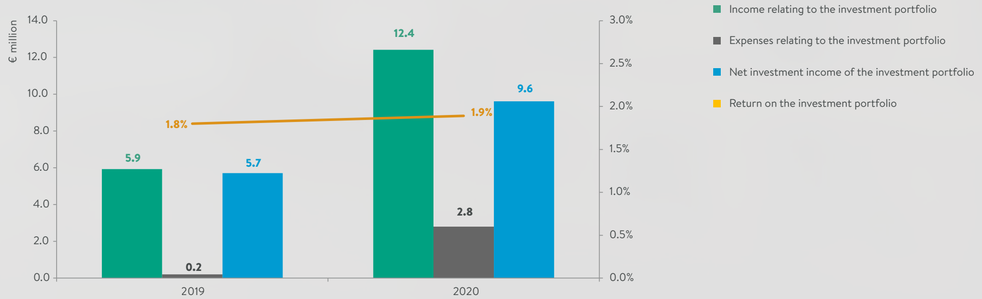
Consolidated gross expense ratio; life segment



The consolidated gross expense ratio dropped by 5.4 p.p. year on year, as the result of the inclusion of Vita (SVN), which, thanks to its specific sales model, operates on a lower gross expense ratio. Life insurance companies outside Slovenia saw a 5.6 p.p. decline in their gross expense ratio as the result of large growth in gross premiums written against lower operating expenses due to synergies created in Croatia after ERGO Životno Osiguranje (HRV) was merged.

Net investment income

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



** The return on the investment portfolio for 2019 differs from the figure in the 2019 annual report because the method for calculating the average amount invested changed in 2020 (the calculation is made based on the average of past five quarters).*

The net investment income of the investment portfolio of life insurance business increased by EUR 3.9 million compared to 2019. The return on the life insurance investment portfolio remained at the 2019 level of 1.9%, and did not decline despite the unfavourable trends in financial markets, which was mainly due to the inclusion of Vita's portfolio.

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8.1.4 Pensions

The pensions segment comprises the operations of the following companies:

- SAVA POKOJNINSKA
- SAVA PENZISKO DRUŠTVO

Income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section *17.4.36 Information on operating segments*.

Accumulation part

Other technical income and other income

EUR	2020	2019	Index
Other technical income and other income	5,704,338	5,364,761	106.3

Up 12.0%

PENSION COMPANIES' SAVINGS FUNDS

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 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.

Performance of the life cycle funds MOJI Skladi Življenjskega Cikla of the Slovenian pension company, and of the mandatory and voluntary pension funds managed by the North Macedonian pension company

EUR	2020	2019	Index
Opening balance of funds (31 December)	**743,044,518**	**637,496,381**	**116.6**
Gross fund inflows	85,444,205	83,516,372	102.3
Gross fund outflows	-10,415,384	-37,703,309	27.6
Asset transfers	-3,442,487	-977,933	352.0
Net investment income of fund	20,211,520	60,634,465	33.3
Entry and exit charges	-1,686,099	-1,770,549	95.2
Fair value reserve and exchange differences	-1,316,394	1,849,092	-
Closing balance of funds (31 December)	**831,839,879**	**743,044,518**	**112.0**

** The difference in the balance of fund assets and the balance sheet item assets of financial investments are the receivables of financial investments. .*

In 2020, gross inflows into the group of life cycle funds MOJI Skladi Življenjskega Cikla (MY life-cycle funds) of the Slovenian pension company increased by 5.1% compared to the previous year. This was driven primarily by the increase in the average contribution. In 2020, gross inflows into the mandatory and voluntary funds of the North Macedonian pension company increased by 1.8% compared to the previous year.

In 2020, gross fund outflows from the group of life cycle funds MOJI Skladi Življenjskega Cikla (MY life-cycle funds) of the Slovenian pension company increased by 2.2% compared to the previous year, while gross fund outflows from the mandatory and voluntary funds of the North Macedonian pension company decreased by 85.0% (the majority of outflows from the preceding year refers to the statutory provision that policyholders' assets are to be transferred from the second pillar back to the first).

The life cycle funds MOJI Skladi Življenjskega Cikla of the Slovenian pension company achieved a return of -0.3% in 2020 (2019: 4.9%), and the mandatory and voluntary pension funds managed by the North Macedonian pension company achieved a return of 3.3% (2019: 9.8%). The lower return on funds is the result of unfavourable trends in the financial markets caused by the Covid-19 pandemic, whereas the returns were above average the year before.

In 2020, the assets of the group of life-cycle funds (My life-cycle funds) of the Slovenian pension insurer grew by 4.6% to EUR 155.4 million as at 31 December 2020. In 2020, the net value of fund assets under management by the North Macedonian pension company grew by 13.8% to EUR 676.4 million as at 31 December 2020. Since the North Macedonian pension company merely manages the assets, the value of assets under management is not recorded in the statement of financial position.

Annuity part

EUR	2020	2019	Index
Gross premiums written	3,240,841	2,326,383	139.3
Gross claims paid	-968,569	-709,071	136.6
Change in other net technical provisions (+/-)	-2,453,481	-1,858,422	132.0

The annuity part comprises to the operations of Sava Pokojninska. The gross premiums written relate to the annuity fund, which in 2020 grew by 39.3% year on year, as a number of policyholders opted for additional pension annuities.

Gross claims paid include supplementary pension annuity payouts, which increased by 36.6% in 2020 compared to the previous 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 third section of the table comprises changes in the technical provision relating to the annuity funds. The change in other net technical provisions is the result of premiums paid in and claims paid out.

Operating expenses

Operating expenses; pensions segment

EUR	2020	2019	Index
Operating expenses	3,568,578	3,590,660	99.4

In 2020, operating expenses dropped by 0.6% year on year. Operating expenses also include amortisation of a client list (2020: EUR 0.4 million, 2019: EUR 0.3 million).

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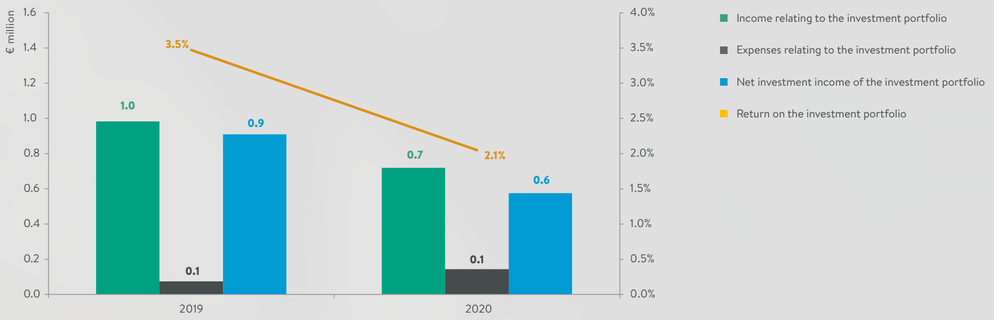
Net investment income

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



** The return on the investment portfolio for 2019 differs from the figure in the 2019 annual report because the method for calculating the average amount invested changed in 2020 (the calculation is made based on the average of past five quarters).*

In 2020, net investment income relating to the investment portfolio of pension companies totalled EUR 0.6 million, down EUR 0.3 million year on year. This was driven by higher expenses due to changes in fair value on the disposal of FVTPL assets. Return on the investment portfolio in 2020 was 2.1%.

8.1.5 Other

This "other" segment comprises the subsidiaries Sava Infond, TBS Team 24 and S Estate, and the two equity-accounted associates ZTSR and G2I. Sava Infond was first included in the consolidated accounts of the Sava Insurance Group on 30 June 2019. The "other" segment contributed EUR -0.8 million to the consolidated result in 2020 (2019: EUR 1.9 million). This segment also includes interest expense on subordinate debt (2020: EUR 2.9 million, 2019: EUR 0.5 million) and the amortisation of contracts with Sava Infond clients (2020: EUR 0.6 million, 2019: EUR 0 million).

Up 23.2%

OPERATING REVENUE

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8.2 Sava Re

Net premiums earned

Gross premiums written by geographical area

EUR	2020	2019	Index
Slovenia	79,641,860	71,209,780	111.8
International	112,041,393	95,319,151	117.5
Total	**191,683,253**	**166,528,931**	**115.1**

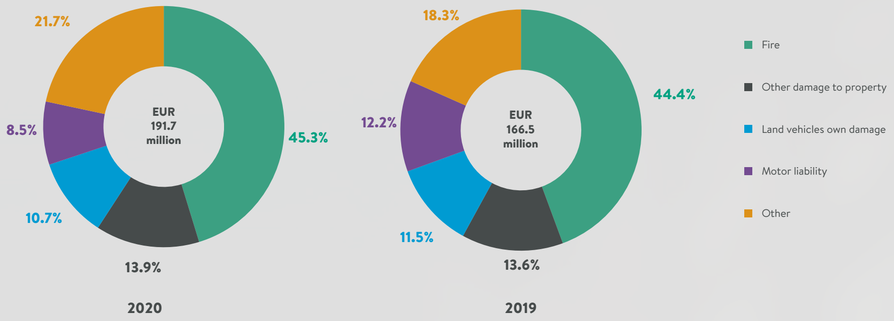
Net premiums earned

EUR	2020	2019	Index
Gross premiums written	191,683,253	166,528,931	115.1
Net premiums earned	157,398,793	137,446,312	114.5
Total	**191.683.253**	**166.528.931**	**115,1**

Gross premiums written in Slovenia increased in 2020 by 11.8% or EUR 8.4 million (mainly due to higher premiums received from Zavarovalnica Sava). The favourable growth of Zavarovalnica Sava's premiums was driven by the growth in non-life insurance of Zavarovalnica Sava in Slovenia, and the international policies written under the freedom of services rules, primarily related to property, ships hull and general liability business. Gross premiums written from abroad increased by 17.5%, or EUR 16.7 million, due to the growth in non-Group business.

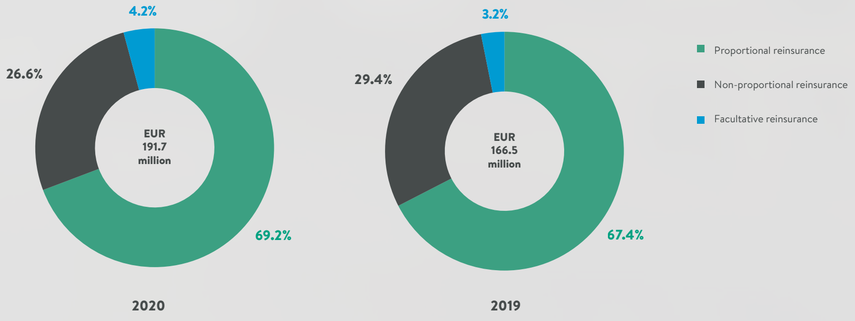
The largest share of premiums in 2020 remained fire business and increased by 0.9 p.p. compared to 2019. Motor reinsurance business lost 4.5 p.p. in terms of gross premiums written.

Gross premiums written by class of insurance



In 2020, the composition of gross premiums by form of reinsurance did not change significantly compared to 2019. The share of proportional reinsurance increased by 1.8 p.p, whereas the share of non-proportional reinsurance decreased by 2.9 p.p. (effect of an intra-Group transaction).

Gross premiums written by form of reinsurance



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Net earned premiums by class of business

EUR	2020	2019	Index
Accident	5,723,863	5,205,504	110.0
Health	314,710	19,382	1,623.6
Land motor vehicles	19,373,548	17,749,970	109.1
Railway rolling stock	221,464	268,878	82.4
Aircraft hull	178,152	107,476	165.8
Ships hull	6,705,206	4,257,720	157.5
Goods in transit	4,462,806	2,699,163	165.3
Fire and natural forces	69,519,092	59,440,062	117.0
Other damage to property	20,671,825	18,904,455	109.3
Motor vehicle liability	16,346,107	15,232,068	107.3
Aircraft liability	92,229	33,973	271.5
Liability for ships	441,295	310,988	141.9
General liability	10,177,591	7,871,923	129.3
Credit	874,345	750,838	116.4
Suretyship	309,335	162,362	190.5
Miscellaneous financial loss	1,400,506	3,899,357	35.9
Legal expenses	8,666	8,187	105.9
Assistance	13,508	10,617	127.2
Traditional life	514,976	453,746	113.5
Unit-linked life	49,568	59,642	83.1
Total non-life	**156,834,250**	**136,932,925**	**114.5**
Total life	**564,544**	**513,388**	**110.0**
Total	**157,398,793**	**137,446,312**	**114.5**

Net claims incurred

Gross premiums written by geographical area

EUR	2020	2019	Index
Slovenia	31,330,855	29,863,098	104.9
International	58,972,151	57,120,624	103.2
Total	**90,303,006**	**86,983,721**	**103.8**

Net claims incurred

EUR	2020	2019	Index
Gross claims paid	90,303,006	86,983,721	103.8
Net claims incurred	115,737,981	94,118,562	123.0

Net claims incurred, excluding the effect of exchange differences

EUR	2020	2019	Index
Gross claims paid	90,303,006	86,983,721	103.8
Net claims incurred	122,640,541	92,468,837	132.6

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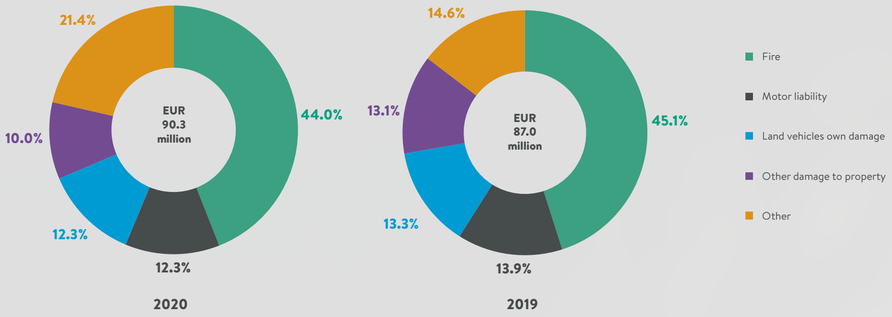
Net claims incurred increased by 23.0% compared to 2019. In 2020, exchange differences had a downward impact on claims incurred in the amount of EUR 6.9 million; in 2019, the upward impact in the amount of EUR 1.6 million. The majority of claims in 2020 was connected to the Covid-19 pandemic (the cumulative effect of EUR 10.8 million on the non-Group portfolio, and of EUR 3.3 million on the Group portfolio). Furthermore, past underwriting years for the non-Group portfolio performed worse in 2020 than in 2019 (claims related to the Covid-19 pandemic also affected the 2019 underwriting year).

As a result, the net incurred loss ratio of Sava Re in 2020 was a 4.4 p.p. deterioration from 2019 and stood at 73.4%. The ratio without the impact of exchange differences was lower by 10.2 p.p. and in 2020 stood at 78.0%.

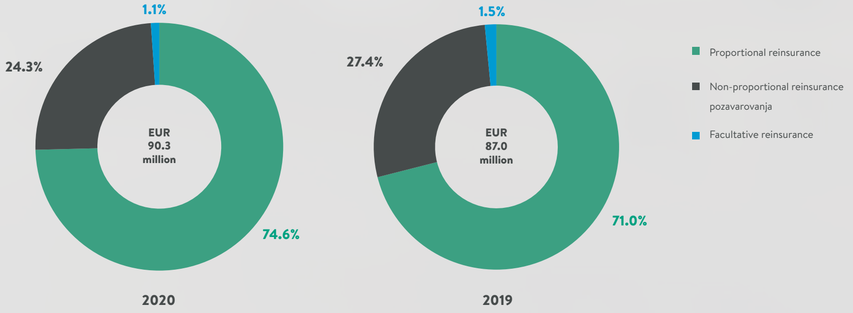
The largest share of claims in 2020 remained fire business and decreased by 1.1 p.p. compared to 2019. The share of motor reinsurance business also dropped, namely by 2.6 p.p. The proportion of ships hull reinsurance grew by 4.5 p.p. or EUR 4.5 million (primarily claims incurred in FoS business received from Zavarovalnica Sava).

Gross claims paid by class of insurance



The proportion of gross claims paid by form of reinsurance changed somewhat: the share of proportional claims increased (a rise in gross claims of EUR 5.6 million), whereas the share of non-proportional claims decreased (drop in gross claims of EUR 1.9 million). The change in the composition of gross claims paid reflects the change in the composition of gross premiums written.

Gross claims paid by form of reinsurance



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Net claims incurred by class of business

EUR	2020	2019	Index
Accident	1,388,097	2,392,679	58.0
Health	838,635	62,281	1,346.5
Land motor vehicles	10,263,187	11,018,432	93.1
Railway rolling stock	133,857	61,846	216.4
Aircraft hull	238,026	320,489	74.3
Ships hull	7,268,845	4,812,291	151.0
Goods in transit	2,636,808	1,177,345	224.0
Fire and natural forces	64,692,002	46,478,853	139.2
Other damage to property	8,497,103	11,852,321	71.7
Motor vehicle liability	10,664,587	10,897,791	97.9
Aircraft liability	34,273	4,462	768.1
Liability for ships	107,507	547,613	19.6
General liability	4,957,620	4,260,175	116.4
Credit	-244,226	-47,825	-510.7
Suretyship	296,387	-24,602	1,204.7
Miscellaneous financial loss	3,834,166	272,139	1,408.9
Legal expenses	691	1,431	48.3
Assistance	196	283	69.0
Traditional life	134,282	28,902	464.6
Unit-linked life	-4,061	1,654	-245.5
Total non-life	**115,607,760**	**94,088,006**	**122.9**
Total life	**130,221**	**30,555**	**426.2**
Total	**115,737,981**	**94,118,562**	**123.0**

Operating expenses

Operating expenses

EUR	2020	2019	Index
Acquisition costs	40,497,640	35,723,768	113.4
Change in deferred acquisition costs (+/-)	717,122	1,267,334	56.6
Other operating expenses	13,422,527	13,467,410	99.7
Operating expenses	**54,637,288**	**50,458,512**	**108.3**
Reinsurance commission income	-4,140,292	-3,063,492	135.1
Net operating expenses	**50,496,996**	**47,395,020**	**106.5**

In 2020, acquisition costs (commissions) increased by 13.4%, and gross premiums written rose by 15.1%. The share of acquisition costs as a percentage of gross premiums written decreased by 0.4 p.p. compared to 2019 to 21.1%.

Other operating expenses of Sava Re comprise reinsurance costs (50.0%) and Group management costs (50.0%). They decreased by 0.3% compared to 2019 as the result of lower reimbursement of expenses, cost of consulting services, and cost of attorney and notary services. Expenses by nature are shown in note 36 of the notes to the financial statements.

The higher reinsurance commission income is primarily the result of increased commission income generated by Sava Re's retrocession business relating to reinsurance programmes of the Slovenian cedants.

Net investment income

Net investment income relating to the investment portfolio of Sava Re totalled EUR -2.2 million in 2020 (2019: EUR 43.7 million).

Net investment income also includes exchange differences relating to investments used by the Company for asset-liability matching in foreign currencies. However, the effect of exchange differences does not fully impact profit or loss, since liabilities denominated in a foreign currency move in line with investments in that currency. For this reason, net investment income and return on investment are also shown excluding foreign exchange differences. The total impact of foreign exchange differences on the result is presented in the notes to the financial statements of the annual report, in section *17.6.4.2.1.3 "Currency risk"*.

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Net investment income of the Sava Re investment portfolio

EUR	2020	2019	Absolute change	Index
Income from financial investments	11,083,403	11,831,287	-747,884	93.7
Expenses for financial investments	10,385,425	4,488,464	5,896,962	231.4
Net investment income relating to financial investments, including investment property	**697,977**	**7,342,823**	**-6,644,846**	**9.5**
Net investment income of financial investments in subsidiaries and associates	19,903	36,868,317	-36,848,414	0.1
Net investment income relating to the investment portfolio	**717,880**	**44,211,140**	**-43,493,260**	**1.6**
Expenses relating to financial liabilities	2,871,406	494,730	2,376,676	
Net investment income relating to the investment portfolio, including finance expenses	**-2,153,526**	**43,716,410**	**-45,869,936**	**-4.9**
Net investment income of the investment portfolio, excluding the effect of exchange differences	**2,478,204**	**42,303,449**	**-39,825,245**	**5.9**

Income/expenses include income/expenses relating to investment property.

Upon exclusion of exchange differences (2020: EUR -4.6 million) the net investment income relating to the investment portfolio totalled EUR 2.5 million, EUR 39.8 million below the 2019 figure.

The largest contribution to total 2020 income was related to interest income, totalling EUR 3.0 million, down EUR 0.4 million year on year. Gains on the disposal of investments rose by EUR 0.8 million compared to 2019. Dividends received from subsidiaries in 2020 were significantly lower than in 2019 due to regulators' recommendation to insurers, reinsurers and pension companies to postpone dividend payouts due to Covid-19's impact on business.

Compared to 2019, investment portfolio expenses increased by EUR 10.5 million. Interest expenses relating to the subordinated bond of Sava Re issued in October 2019 amounted to EUR 2.9 million in 2020 (2019: EUR 0.5 million). Expenses relating to impairment losses on financial investments or subsidiary companies amounted to EUR 3.0 million in 2020 (no impairment losses were recognised in 2019). In 2020, net exchange losses totalled EUR 4.6 million (2019: net exchange gain of EUR 1.4 million).

54 The net effect of exchange differences is shown.

Income, expenses, and net investment income relating to the Sava Re investment portfolio[54]

EUR	2020	2019	Absolute change
Income			
Interest income at effective interest rate	3,047,007	3,463,383	-416,376
Change in fair value and gains on disposal of FVTPL assets	1,029,035	628,375	400,660
Gains on disposal of other IFRS asset categories	1,053,834	294,180	759,654
Income of subsidiary and associate companies	2,589,986	36,947,895	-34,357,908
Income from dividends and shares – other investments	233,582	829,533	-595,951
Exchange gains	0	1,412,961	-1,412,961
Other income	1,173,261	1,051,528	121,733
Other income from alternative funds	310,540	180,457	130,083
Total income from the investment portfolio	**9,437,246**	**44,808,312**	**-35,371,067**
Expenses			
Interest expenses	2,895,813	494,730	2,401,083
Change in fair value and losses on disposal of FVTPL assets	772,645	254,868	517,777
Losses on disposal of other IFRS asset categories	7,044	140,187	-133,143
Expenses of subsidiary and associate companies	2,570,083	0	2,570,083
Impairment losses on investments	429,356	0	429,356
Exchange losses	4,631,730	0	4,631,730
Other	283,615	202,118	81,497
Other expenses for alternative funds	485	0	485
Total expenses for the investment portfolio	**11,590,772**	**1,091,903**	**10,498,869**
Net investment income relating to the investment portfolio	**-2,153,526**	**43,716,410**	**-45,869,936**
Net investment income of the investment portfolio, excluding the effect of exchange differences	**2,478,204**	**42,303,449**	**-39,825,245**
Return on the investment portfolio	**-0.4%**	**8.3%**	**-8.7**
Return on the investment portfolio, excluding the effect of exchange differences	**0.4%**	**8.0%**	**-7.6**

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

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9 Financial position of the Sava Insurance Group and Sava Re

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9.1 Sava Insurance Group

As at 31 December 2020, total assets of the Sava Insurance Group stood at EUR 2,467.3 million, an increase of 30.8% over year-end 2019. Below, we set out items of assets and liabilities in excess of 5% of total assets as at 31 December 2020, or items that changed by more than 2% of equity.

9.1.1 Assets

Consolidated total assets by type

	EUR	31 December 2020	As % of total 31 December 2020	31 December 2019	As % of total 31 December 2019
	ASSETS	**2,467,251,303**	**100.0%**	**1,885,953,003**	**100.0%**
1	Intangible assets	64,278,611	2.6%	61,060,069	3.2%
2	Property, plant and equipment	48,336,491	2.0%	47,615,710	2.5%
3	Right-of-use assets	8,648,594	0.4%	9,974,252	0.5%
4	Deferred tax assets	4,924,819	0.2%	2,044,124	0.1%
5	Investment property	16,121,079	0.7%	16,695,132	0.9%
6	Financial investments in associates	15,056,143	0.6%	581,104	0.0%
7	Financial investments	1,430,149,336	58.0%	1,064,874,239	56.5%
8	Assets held for the benefit of policyholders who bear the investment risk	411,224,812	16.7%	213,159,889	11.3%
9	Reinsurers' share of technical provisions	42,609,217	1.7%	38,620,539	2.0%
10	Investment contract assets	158,765,028	6.4%	151,197,102	8.0%
11	Receivables	153,871,498	6.2%	159,413,917	8.5%
12	Deferred acquisition costs	24,278,003	1.0%	23,500,521	1.2%
13	Other assets	4,240,414	0.2%	2,841,516	0.2%
14	Cash and cash equivalents	83,458,594	3.4%	93,804,031	5.0%
15	Non-current assets held for sale	1,288,664	0.1%	570,858	0.0%

Up 30.8%

TOTAL ASSETS

9.1.1.1 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).

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Sava Insurance Group investment portfolio

EUR	31 December 2020	31 December 2019	Absolute change	Index
Deposits	22,415,444	46,667,934	-24,252,490	48.0
Government bonds	660,779,506	539,404,145	121,375,362	122.5
Corporate bonds	618,881,506	394,576,781	224,304,725	156.8
Shares	38,602,296	17,503,726	21,098,570	220.5
Mutual funds	38,313,074	34,270,743	4,042,331	111.8
Infrastructure funds	27,436,469	20,159,022	7,277,447	136.1
Real estate funds	14,340,307	4,000,000	10,340,307	358.5
Loans granted and other	2,119,569	1,202,867	916,702	176.2
Deposits with cedants	7,261,165	7,089,021	172,144	102.4
Total financial investments	**1,430,149,336**	**1,064,874,239**	**365,275,097**	**134.3**
Financial investments in associates	15,056,143	581,104	14,475,039	2591.0
Investment property	16,121,079	16,695,132	-574,053	96.6
Cash and cash equivalents	73,956,821	75,657,844	-1,701,024	97.8
Total investment portfolio	**1,535,283,379**	**1,157,808,319**	**377,475,059**	**132.6**
Assets held for the benefit of policyholders who bear the investment risk	420,726,585	231,306,076	189,420,510	181.9
- Financial investments	411,224,812	213,159,889	198,064,923	192.9
- Cash and cash equivalents*	9,501,773	18,146,187	-8,644,413	52.4
Investment contract assets	158,765,028	151,197,102	7,567,926	105.0

** Cash and cash equivalents of policyholders who bear the investment risk (2020: EUR 9.5 million; 2019: EUR 18.1 million) are excluded from the investment portfolio.*

Up €377.5 m

INVESTMENT PORTFOLIO

As at 31 December 2020, the investment portfolio of the Sava Insurance Group totalled EUR 1,535.3 million, an increase of EUR 377.5 million from year-end 2019. This increase was largely due to the inclusion of the Vita portfolio and net cash from core (re)insurance business. The level of financial investments in associates increased due to the recapitalisation of ZTSR, which acted as a source for the investment in DCB.

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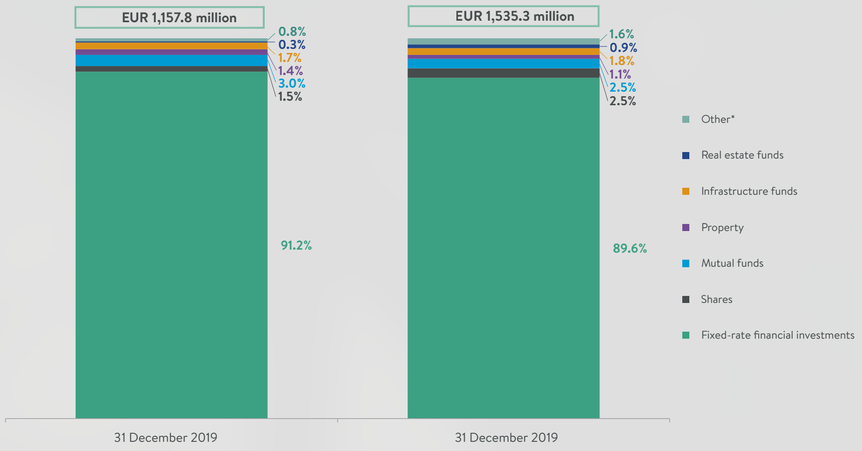
Composition of the investment portfolio

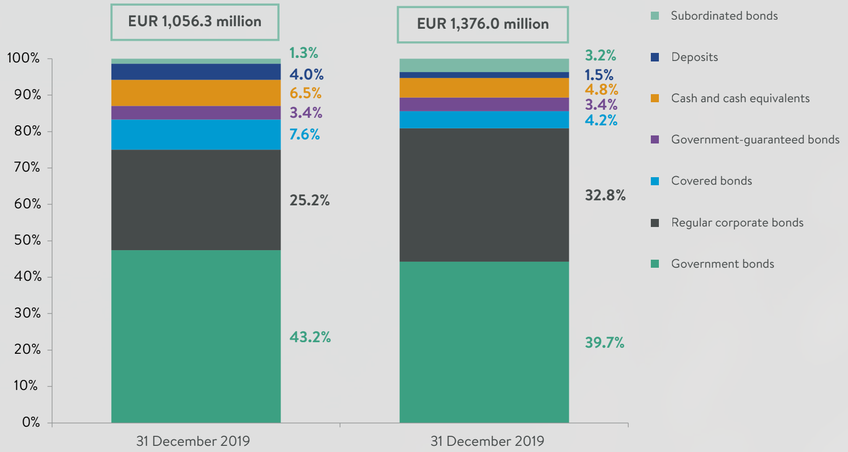


** The "other" item comprises deposits with cedants, loans granted and financial investments in associates*

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

- decrease of 1.6 p.p. in the proportion of fixed-rate investments;
- increase in the proportion of shares;
- increase in the proportion of infrastructure and real-estate funds.

Composition of fixed-rate investments



As at 31 December 2020, fixed-rate investments accounted for 89.6% of the portfolio, down 1.6 p.p. compared to the end of the previous year.

As at 31 December 2020, the value of fixed-rate investments stood at EUR 1,376.0 million (31/12/2019: EUR 1,056.3 million) and included:

- government bonds of EUR 608.9 million, or 39.7%, (31 December 2019: EUR 500.6 million; 43.2%),
- regular corporate bonds of EUR 504.0 million, or 32.8%, (31 December 2019: EUR 292.3 million; 25.2%),
- covered bonds of EUR 65.0 million, or 4.2%, (31 December 2019: EUR 87.4 million; 7.6%),
- government guaranteed corporate bonds of EUR 51.8 million, or 3.4%, (31 December 2019: EUR 38.8 million; 3.4%),
- cash and cash equivalents of EUR 74.0 million, or 4.8%, (31 December 2019: EUR 75.7 million; 6.5%),
- deposits of EUR 22.4 million, or 1.5%, (31 December 2019: EUR 46.7 million; 4.0%) and
- subordinated bonds of EUR 49.9 million, or 3.2%, (31 December 2019: EUR 14.9 million; 1.3%).

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9.1.1.2 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). Unit-linked products in the Sava Insurance Group are marketed by Zavarovalnica Sava and Vita.

The funds of these policyholders are recorded as financial investments (mainly in mutual funds selected by policyholders) and cash. As at 31 December 2020, financial investments totalled EUR 411.2 million, while cash and cash equivalents stood at EUR 9.5 million. Compared to 31 December 2019, assets increased by EUR 189.4 million as the result of Vita's inclusion in the Group.

9.1.1.3 Investment contract assets

The investment contract assets item (10) includes liability fund assets relating to the group of life cycle funds 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 annuity fund, the policies of which do not qualify as insurance contracts.

As at 31 December 2020, investment contract assets totalled EUR 158.7 million, up 5.0% compared to 31 December 2019. The increase in investment contract assets was mainly due to net flows of EUR 7.3 million (EUR 15.1 million of inflows and EUR 7.8 million of outflows in 2020) and net investment income of EUR -0.5 million generated in 2020, as well as EUR 0.7 million in assets backing annuity policies, which are not classified as insurance but investment contracts due to low underwriting risk.

As at 31 December 2020 financial investments accounted for 87.4% of all assets, the rest consisted of 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 *8.1.4 Pensions*.

9.1.1.4 Receivables

Receivables (11) decreased by 3.5% or EUR 5.5 million compared to year-end 2019. Receivables arising out of primary insurance business decreased by EUR 4.7 million compared to 31 December 2019. The ageing analysis shows the highest decrease in receivables arising out of primary insurance operations past due more than 180 days.

Receivables decreased in the reinsurance segment (EUR 8.3 million), in the receivables arising out of primary insurance business item. The majority of receivables in other segments rose, with the highest increase of EUR 2.6 million in the non-life segment due to the increase in gross premiums written, which impacted overall growth in this item.

Current tax assets decreased by EUR 2.5 million (decrease in the reinsurance segment). Other receivables rose by EUR 2.3 million (increase in the reinsurance segment on account of recourse receivables).

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9.1.2 Equity and liabilities

Consolidated total equity and liabilities by type

	EUR	31 December 2020	As % of total 31 December 2020	31 December 2019	As % of total 31 December 2019
	EQUITY AND LIABILITIES	**2,467,251,303**	**100.0%**	**1,885,953,003**	**100.0%**
1	Equity	460,214,488	18.7%	384,776,847	20.4%
	Share capital	71,856,376	2.9%	71,856,376	3.8%
	Capital reserves	43,035,948	1.7%	43,035,948	2.3%
	Profit reserves	202,285,580	8.2%	202,170,501	10.7%
	Own shares	-24,938,709	-1.0%	-24,938,709	-1.3%
	Fair value reserve	40,173,090	1.6%	20,718,610	1.1%
	Reserve due to fair value revaluation	964,485	0.0%	924,038	0.0%
	Retained earnings	73,413,529	3.0%	42,128,483	2.2%
	Net profit or loss for the period	56,197,540	2.3%	31,546,718	1.7%
	Translation reserve	-3,266,013	-0.1%	-3,168,414	-0.2%
	Equity attributable to owners of the controlling company	459,721,826	18.6%	384,273,551	20.4%
	Non-controlling interests in equity	492,662	0.0%	503,296	0.0%
2	Subordinated liabilities	74,804,974	3.0%	74,822,710	4.0%
3	Technical provisions	1,233,312,054	50.0%	933,952,709	49.5%
4	Technical provisions for the benefit of life insurance policyholders who bear the investment risk	409,604,428	16.6%	220,613,698	11.7%
5	Other provisions	9,287,735	0.4%	8,705,469	0.5%
6	Deferred tax liabilities	14,901,575	0.6%	5,294,664	0.3%
7	Investment contract liabilities	158,596,453	6.4%	151,040,643	8.0%
8	Other financial liabilities	470,937	0.0%	355,908	0.0%
9	Liabilities from operating activities	58,412,273	2.4%	61,290,549	3.2%
10	Lease liability	8,255,225	0.3%	10,448,915	0.6%
11	Other liabilities	39,391,161	1.6%	34,650,891	1.8%

9.1.2.1 Equity

Shareholders' equity (1) increased by 19.6%, or EUR 75.4 million, compared to year-end 2019. This increase was supported by the net profit for the year of EUR 56.4 million and the change in the fair value reserve of EUR 19.4 million.

9.1.2.2 Technical provisions

Gross technical provisions (3) are the largest item on the liabilities side. As at 31 December 2020, they were 32.1% or EUR 299.4 million higher than at year-end 2019. Mathematical provisions increased by EUR 253.8 million (Vita's inclusion in the Group), provision for outstanding claims by EUR 44.9 million (higher claims from FoS business and accepted reinsurance business, also due to Covid-19 in international markets), and unearned premiums by EUR 2.7 million

Movement in consolidated gross technical provisions

EUR	31 December 2019	31 December 2019	Index
Gross unearned premiums	210,614,842	207,895,397	101.3
Gross mathematical provisions	465,641,679	211,877,103	219.8
Gross provision for outstanding claims	547,764,679	502,914,277	108.9
Gross provision for bonuses, rebates and cancellations	1,300,797	1,234,753	105.3
Other gross technical provisions	7,990,057	10,031,179	79.7
Gross technical provisions	**1,233,312,054**	**933,952,709**	**132.1**

The gross technical provisions attributable to the reinsurance segment increased by 12.3%, or EUR 20.9 million, compared to year-end 2019, largely due to the increase in the provision for outstanding claims as the result of setting a provision for new claims, especially corona-crisis-related claims.

The gross technical provisions attributable to the non-life insurance segment increased by 4.3%, or EUR 23.2 million, compared to year-end 2019. The provision for outstanding claims rose by EUR 24.6 million (by EUR 19.4 million in 2019), largely as the result of setting the provision for outstanding claims associated with FoS business.

The gross mathematical provision increased by 119.8% (or EUR 253.8 million) as the

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result of the inclusion of Vita in the Group (EUR 291.9 million as at 31 December 2020). This increase is less than the Vita contribution because, for the rest of the Slovenian portfolio, maturity payments exceeded the growth in new business of traditional life policies including pension annuities in the payout phase.

The provision for bonuses, rebates and cancellations account for only a small proportion and remained flat compared to 2019.

Other gross technical provisions include gross provisions for unexpired risks. These dropped by EUR 2.0 million from year-end 2019 (non-life, Slovenia: EUR -1.8 million).

9.1.2.3 Technical provisions 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 409.6 million and increased by 85.7%, or EUR 189.0 million, mainly due to the inclusion of Vita in the Group (EUR 198.3 million as at 31 December 2020).

9.1.2.4 Deferred tax liabilities

Deferred tax liabilities (6) as at year-end 2020 increased by EUR 9.6 million from 31 December 2019. This was driven by the inclusion of Vita in the Group (EUR 7.4 million as at 31 December 2020).

9.1.2.5 Investment contract liabilities

Investment contract liabilities (7) of Sava Pokojninska totalled EUR 158.6 million as at 31 December 2020, up 5.0%, or EUR 7.6 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.

9.1.3 Sources of funding and their maturity

As at 31 December 2020, the Sava Insurance Group held EUR 460.2 million in equity and EUR 74.8 million in subordinated liabilities.

9.1.4 Cash flow

In 2020, the Sava Insurance Group's net cash from operating activities was positive, at EUR 62.5 million (2019: negative net cash of EUR 31.1 million). Net operating cash flow mainly reflected increased Group net profit due to higher premiums written (+ EUR 75.6 million), with net claims only having increased by EUR 12.6 million and net operating expenses, excluding amortisation/depreciation costs, by EUR 12.7 million. In addition, the net cash position was affected by lower receivables (mainly from primary insurance), lower liabilities from operating activities and a higher change in technical provisions as the result of a larger business volume.

In the same period, the Sava Insurance Group recorded negative net investment cash flow of EUR 79.1 million (2019: positive net cash flow of EUR 0.6 million). The net cash flow was negative mainly due to the investment in Vita in May 2020.

In 2020, the Sava Insurance Group had a negative net financing cash flow of EUR 6.0 million, compared to a positive net financing cash flow of EUR 56.9 million in 2019. A positive effect on the 2019 net cash flow was the issuance of a subordinated bond worth EUR 74.3 million, a negative effect was the payment of dividends of EUR 15.0 million, whereas no dividends were paid in 2020.

Net cash flow was EUR 49.7 million lower than in 2019, primarily due to higher cash disbursements in investing activities.

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9.2 Sava Re

As at 31 December 2020, total assets of Sava Re stood at EUR 756.6 million, an increase of 2.9% over year-end 2019. Below, we set out items of assets and liabilities in excess of 5% of total assets as at 31 December 2020, or items that changed by more than 2% of equity.

9.2.1 Assets

Total assets by type

EUR		31 December 2020	As % of total 31 December 2020	31 December 2019	As % of total 31 December 2019
ASSETS		**756,640,585**	**100.0%**	**735,585,561**	**100.0%**
1	Intangible assets	1,947,056	0.3%	1,294,110	0.2%
2	Property, plant and equipment	2,356,848	0.3%	2,507,611	0.3%
3	Right-of-use assets	89,258	0.0%	115,400	0.0%
4	Deferred tax assets	3,487,337	0.5%	1,141,098	0.2%
5	Investment property	8,031,875	1.1%	8,142,714	1.1%
6	Financial investments in subsidiaries and associates	319,097,412	42.2%	238,177,654	32.4%
7	Financial investments	269,537,788	35.6%	296,096,594	40.3%
9	Reinsurers' share of technical provisions	31,935,116	4.2%	31,159,308	4.2%
11	Receivables	86,753,033	11.5%	97,024,000	13.2%
12	Deferred acquisition costs	5,837,477	0.8%	6,554,598	0.9%
13	Other assets	487,239	0.1%	441,253	0.1%
14	Cash and cash equivalents	27,080,146	3.6%	52,931,222	7.2%

9.2.1.1 Investment portfolio

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

The Sava Re investment portfolio totalled EUR 623.7 million as at 31 December 2020 (31 December 2019: EUR 595.3 million)..

Sava Re investment portfolio by asset class

EUR	31 December 2020	31 December 2019	Absolute change	Index
Deposits	0	22,338,823	-22,338,823	-
Government bonds	132,857,699	137,363,303	-4,505,604	96.7
Corporate bonds	98,807,709	105,742,821	-6,935,112	93.4
Shares	9,256,913	9,690,877	-433,964	95.5
Mutual funds	3,216,524	1,704,135	1,512,389	188.7
Infrastructure funds	9,200,979	6,951,308	2,249,671	132.4
Real estate funds	3,969,161	1,000,000	2,969,161	396.9
Loans granted	4,967,639	4,216,308	751,331	117.8
Deposits with cedants	7,261,165	7,089,020	172,145	102.4
Total financial investments	**269,537,788**	**296,096,594**	**-26,558,806**	**91.0**
Financial investments in subsidiaries and associates	319,097,412	238,177,654	80,919,758	134.0
Investment property	8,031,875	8,142,714	-110,840	98.6
Cash and cash equivalents	27,080,146	52,931,222	-25,851,075	51.2
Total investment portfolio	**623,747,221**	**595,348,183**	**28,399,038**	**104.8**

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Compared to the previous year, the investment portfolio grew by EUR 28.4 million. This was mainly driven by positive cash flow from the core reinsurance business (EUR 31.7 million) and gains on revaluation of investments (EUR 6.1 million). The negative effect came from the payment of interest on the issued Sava Re's subordinated bond (EUR 2.9 million), and net exchange losses (EUR 4.6 million).

The largest share of the investment portfolio as at 31 December 2020 were financial investments in subsidiary and associate companies, which accounted for 51.2% (31 December 2019: 40.0%). Their share in the investment portfolio rose by 11.2 p.p. as the result of the acquisition of the insurer Vita. Fixed-rate financial investments represented a 41.5% share, and decreased by 12.0% compared to the previous year-end due to the acquisition of Vita. There was an increase in alternative investments in the form of infrastructure and real-estate funds, which totalled EUR 8.0 million, accounting for 1.4% of the investment portfolio as at 31 December 2019. Owing to the time lag between the commitment and the actual investing, the uncalled commitment in infrastructure and real-estate funds is disclosed off the balance sheet (amounting to EUR 13.7 million as at 31 December 2019). The decrease in deposits and cash and cash equivalents is linked to the acquisition of Vita.

Composition of the investment portfolio

	31 December 2020	31 December 2020	Change in composition in p.p.
Fixed-rate financial investments	53.5%	41.5%	-12.0
Financial investments in subsidiaries and associates	40.0%	51.2%	11.2
Shares and mutual funds	1.9%	2.0%	0.1
Infrastructure	1.2%	1.5%	0.3
Property	1.4%	1.3%	-0.1
Real estate funds	0.2%	0.6%	0.5
Other*	1.9%	2.0%	0.1
Total	**100.0%**	**100.0%**	**0.0**

**The "other" item comprises loans granted and deposits with cedants.*

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

	31 December 2020	31 December 2020	Change in composition in p.p.
Deposits	3.8%	0.0%	-3.8
Government bonds	22.0%	19.3%	-2.8
Government-guaranteed bonds	1.0%	2.0%	1.0
Regular corporate bonds	14.0%	12.6%	-1.4
Covered bonds	3.0%	2.0%	-1.0
Subordinated bonds	0.8%	1.2%	0.5
Cash and cash equivalents	8.9%	4.3%	-4.5
Total	**53.5%**	**41.5%**	**-12.0**

In the fixed-rate investments portfolio, the biggest drop was recorded in the proportion of deposits and cash and cash equivalents, primarily due to the acquisition of Vita. The proportion of other fixed-rate investments remained similar to that at year-end 2019.

9.2.1.2 Receivables

Receivables (11) at year-end 2020 show an decrease of 10.6%, or EUR 10.3 million. Receivables arising out of primary insurance business decreased by EUR 9.9 million. In the ageing analysis, the largest drop was in not-past-due receivables. Receivables from reinsurance and co-insurance increased by EUR 0.2 million, current tax assets decreased by EUR 2.5 million, and other receivables rose by EUR 1.8 million (recourse receivables).

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9.2.2 Equity and liabilities

Composition of equity and liability items by type

	EUR	31 December 2019	As % of total 31 December 2019	31 December 2019	As % of total 31 December 2019
	EQUITY AND LIABILITIES	**756,640,585**	**100.0%**	**735,585,561**	**100.0%**
1	Equity	333,869,060	44.1%	343,920,689	46.8%
	Share capital	71,856,376	9.5%	71,856,376	9.8%
	Capital reserves	54,239,757	7.2%	54,239,757	7.4%
	Profit reserves	202,818,558	26.8%	202,818,558	27.6%
	Own shares	-24,938,709	-3.3%	-24,938,709	-3.4%
	Fair value reserve	6,039,787	0.8%	5,217,524	0.7%
	Reserve due to fair value revaluation	46,586	0.0%	21,376	0.0%
	Retained earnings	34,797,321	4.6%	16,312,110	2.2%
	Net profit or loss for the period	-10,990,617	-1.5%	18,393,696	2.5%
	Translation reserve	0	0.0%	0	0.0%
2	Subordinated liabilities	74,804,974	9.9%	74,822,710	10.2%
3	Technical provisions	297,882,871	39.4%	261,338,591	35.5%
5	Other provisions	424,345	0.1%	466,901	0.1%
6	Deferred tax liabilities	76,227	0.0%	76,227	0.0%
8	Other financial liabilities	0	0.0%	87,504	0.0%
9	Liabilities from operating activities	45,389,434	6.0%	51,086,602	6.9%
10	Lease liability	87,834	0.0%	115,491	0.0%
11	Other liabilities	4,105,840	0.5%	3,670,845	0.5%

9.2.2.1 Equity

Equity (1) is the largest item on the liabilities side, representing 44.1% of total equity and liabilities. Compared to 31 December 2019, equity decreased by 2.9%, or EUR 10.1 million, due to the following movements:

- net profit for 2020 totalled EUR -11.0 million (decrease in equity);
- increase in the fair value reserve of EUR 0.8 million (increase in equity).

9.2.2.2 Subordinated liabilities

In 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039 and with an early recall option for 7 November 2029. The total issue size is EUR 75 million.

9.2.2.3 Technical provisions

Movements in gross technical provisions

EUR	31 December 2019	31 December 2019	Index
Gross unearned premiums	57,411,109	54,588,057	105.2
Gross provision for outstanding claims	238,990,653	205,064,638	116.5
Gross provision for bonuses, rebates and cancellations	274,368	269,941	101.6
Other gross technical provisions	1,206,740	1,415,955	85.2
Gross technical provisions	**297,882,870**	**261,338,591**	**114.0**

Technical provisions (3), the second-largest item on the liabilities side, increased by 14.0%, or EUR 36.5 million, compared to 31 December 2019. The increase is largely due to the growth in the gross claims provision (16.5% or EUR 33.9 million), which increased in the non-Group business portfolio by EUR 18.9 million due to portfolio growth and major loss events in recent years. The claims provisions in the Group's portfolio increased by EUR 15.0 million, chiefly on account of claims from FoS business. The movement in technical provisions is discussed in detail in note 24 of the notes to the financial statements.

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9.2.2.4 Liabilities from operating activities

Liabilities from operating activities (9) as at year-end 2020 decreased by EUR 5.7 million or 11.2% from 31 December 2019.

9.2.3 Other investments of Sava Re in the insurance industry

As at 31 December 2020 Sava Re held, in addition to its investments in subsidiaries, investments in other companies in the insurance industry.

Other investments of Sava Re in the insurance industry

	Holding (%) as at 31 December 2020
Slovenia	
Skupina Prva, zavarovalniški holding d.d.	4.04%
Zavarovalnica Triglav d.d.	0.73%
EU and other international	
Bosna Reosiguranje d.d., Sarajevo, Bosnia and Herzegovina	0.51%
Dunav Re a.d.o., Belgrade, Serbia	1.12%

9.2.4 Sources of funding and their maturity

As at 31 December 2020, Sava Re held EUR 333.9 million in equity capital and EUR 74.8 million in subordinated liabilities.

9.2.5 Cash flow

In 2020, the Company had a positive cash flow from operating activities in the amount of EUR 33.3 million (2019: EUR 6.0 million). The increase in the net cash flow is mainly the result of an increase in premium volume.

The investing cash flow deteriorated by EUR 33.4 million in 2020, chiefly because of the Company's lower dividend income from its subsidiaries as the result of regulatory recommendations to temporarily suspend dividend payments due to the corona crisis.

In 2020, the net disbursement in financing activities totalled EUR 3.0 million (2019: EUR 59.0 million in outflows). In 2019, the net cash flow was increased by subordinated debt (EUR 74.3 million) and decreased by the dividends paid (EUR 14.7 million). The Company did not pay dividends in 2020, while cash disbursements in investing activities were affected by the payment of interest from the subordinated debt (EUR 2.9 million).

In 2020, the net increase/decrease in cash and cash equivalents was EUR 68.1 million lower year on year, mainly as the result of the issue of subordinate debt in 2019, with no such event in 2020.

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10 Human resources management[55]

55 GRI 102-08.

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10.1 Strategic guidelines for human resources management[56]

We have set three human resources priorities for the strategic period 2020–2022:

- ensure competencies for the future by attracting and retaining the best talent, and by staff development and training;
- support the commitment of each individual by ensuring effective leadership and motivation;
- develop collective agility through the development of new agile work patterns by promoting a modern organisational culture and ensure a safe, diverse and sustainable work environment.

In order to achieve our priorities in human resources management, we are pursuing ten specific strategic objectives:

1. The Sava Insurance Group is recognised as an attractive and reputable employer in the region.
2. We improve the organisational climate and strengthen employee commitment.
3. We recognise individual talents, run analyses of their needs and potential, and further their development.
4. We develop and promote modern on-the-job training forms (coaching, rotation, internal trainers and programmes, etc.).
5. We are developing a system of goal-oriented leadership that ensures that expectations are communicated clearly and regular feedback is provided, ensuring that each employee receives performance assessments and rewards.
6. We have in place systematic succession planning, we analyse and develop future leaders and other key employees.
7. We promote open, honest and trusting relations and communication with employees and external stakeholders.
8. We develop a culture of continuous improvement and innovation.
9. We develop a flexible organisation, work forms and conditions, providing flexible employment models.
10. We promote and ensure a healthy and high-quality lifestyle for our employees.

10.2 Key activities in human resources management[57]

In 2020 human resources management focused on the following activities:

- organisational climate survey, evaluating the satisfaction and commitment of staff members in Slovenian Group companies,
- developing the management by objectives system,
- setting up and developing systematic succession planning, and
- ensuring safe and healthy ways of working during the Covid-19 pandemic.

10.3 Recruitment and staffing levels

Recruitment is conducted in line with the adopted recruitment plan.

The Company builds its human resources by:

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

2,906 people

EMPLOYED BY THE SAVA INSURANCE GROUP

56 GRI 103-01, 103-02, 103-03.
57 GRI 103-01, 103-02, 103-03.

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Full-time equivalent as at year-end

	31 December 2020	31 December 2019	Change
Zavarovalnica Sava	1,294.6	1,332.3	-37.7
Sava Osiguranje (SRB)	317.0	358.5	-41.5
Sava Osiguruvanje (North Macedonia)	223.8	224.8	-1.0
Illyria (RKS)	201.5	195.5	6.0
Sava Osiguranje (MNE)	130.3	127.5	2.8
Sava Re	119.4	115.1	4.3
Illyria Life (RKS)	65.0	70.0	-5.0
Sava Životno Osiguranje (SRB)	79.9	80.9	-1.0
Sava Pokojninska (SVN)	13.0	13.0	0.0
Sava Car (MNE)	48.3	47.0	1.3
Sava Agent (MNE)	17.0	18.3	-1.3
Sava Station (MKD)	10.3	8.8	1.5
ZS Svetovanje (SVN)	24.0	26.5	-2.5
Ornatus KC (SVN)	9.0	8.0	1.0
TBS Team 24 (SVN)	28.0	33.0	-5.0
Sava Penzisko Društvo (MKD)	34.0	32.0	2.0
Sava Infond (SVN)	29.6	32.2	-2.6
Vita (SVN)	46.2	0	46.2
Total	**2,690.7**	**2,723.3**	**-32.6**

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

10.3.1 Number of employees as at year end[58]

In 2020, the Sava Insurance Group was joined by a new company, Vita. Growth in employee numbers in other companies was recorded in particular in sales and sales support staff.

A total of 16 people joined the Company in 2020. The number of employees increased in internal audit, human resources management, sales and customer relations, the Group modelling centre, and reinsurance. As a result of redeployment within the Company or Group, departures, or absences due to maternity leave, we hired staff in financial investment management, controlling, and risk management.

Altogether 13 employees left Sava Re in 2020: seven of them left the Company following consensual termination, one was given notice of redundancy, and five were employed in Group subsidiaries.

Number of employees as at year-end

	31 December 2020	31 December 2019	Change
Zavarovalnica Sava	1,388	1,420	-32
Sava Osiguranje (SRB)	336	383	-47
Sava Osiguruvanje (North Macedonia)	232	238	-6
Illyria (RKS)	204	197	7
Sava Osiguranje (MNE)	137	135	2
Sava Re	130	127	3
Illyria Life (RKS)	66	71	-5
Sava Životno Osiguranje (SRB)	99	105	-6
Sava Pokojninska (SVN)	13	13	0
Sava Car (MNE)	62	61	1
Sava Agent (MNE)	40	42	-2
Sava Station (MKD)	14	12	2
ZS Svetovanje (SVN)	28	29	-1
Ornatus KC (SVN)	9	8	1
TBS Team 24 (SVN)	29	34	-5
Sava Penzisko Društvo (MKD)	37	33	4
Sava Infond (SVN)	32	34	-2
Vita (SVN)	50	0	50
Total	**2,906**	**2,942**	**-36**

58 GRI 102-07.

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Number of employees by type of employment (part-time, full-time) as at year end[59]

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Type of employment	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
Part-time	227	7.8	239	8.1	15	11.5	14	11.0
Full-time	2,679	92.2	2,703	91.9	115	88.5	113	89.0
Total	**2,906**	**100.0**	**2,942**	**100.0**	**130**	**100.0**	**127**	**100.0**

As at year-end 2020, the Sava Insurance Group had 2,679 full-time employees (92.2%) and 227 part-time employees (7.8%). Part-time employees were those who had disabled status, those who exercised the right to child-care leave, agents in first employment, and employees in split employment in the Group.

As at year-end 2020, Sava Re employed 115 persons on a full-time basis (88.5%) and 15 part time (11.5%). Most employees work on a full-time employment contract. Altogether 13 employees are in part-time employment, and the difference between this and full-time employment is covered by employment in the subsidiary, Zavarovalnica Sava. Additionally, part-time employment is offered to employees with statutory childcare rights.

Number of employees by type of contract as at year-end[60]

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Type of employment	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
Fixed-term contract	479	16.5	538	18.3	3	2.3	4	3.1
Contract of indefinite duration	2,427	83.5	2,404	81.7	127	97.7	123	96.9
Total	**2,906**	**100.0**	**2,942**	**100.0**	**130**	**100.0**	**127**	**100.0**

As at year-end 2020, 2,427 employees were employed under contracts of indefinite duration (83.5%) and 479 under fixed-term contracts (16.5%).

As at year-end 2020, Sava Re employed 127 staff (97.7%) under contracts of indefinite duration. Three fixed-term contracts (2.3%) have been concluded to arrange substitutions and handle temporary increase in work load.

59 GRI 102-08.
60 GRI 102-08.

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Employees covered by collective bargaining agreements as at year-end[61]

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Employees covered by the collective bargaining system	**Number**	**As % of total**	**Number**	**As % of total**	**Number**	**As % of total**	**Number**	**As % of total**
Employees covered by the collective bargaining agreement	2,771	95.4	2,807	95.4	106	81.5	91	71.7
Employees not covered by the collective bargaining agreement	135	4.6	135	4.6	24	18.5	36	28.3
Total	**2,906**	**100.0**	**2,942**	**100.0**	**130**	**100.0**	**127**	**100.0**

As at year-end 2020 the Sava Insurance Group had 2,771 (95.4%) employees covered by the collective bargaining agreement and 135 employees (4.6%) not covered by the collective agreement[62].

As at year-end 2020, Sava Re had 106 employees (81.5%) covered by the collective bargaining agreement and 24 employees (18.5%) who were not covered by this agreement. The share of employees not covered by the collective bargaining agreement decreased as new collective agreements entered into force on 1 January 2020, and owing to a new, less hierarchical organisation of work and job classification, which specifies those contracts not covered by the collective bargaining agreement for members of the management board, directors of the organisational units, the authorised representative of the management board, and the secretary of the management and supervisory boards.

Employees by level of education as at year-end[63]

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Level of formal education	**Number**	**As % of total**	**Number**	**As % of total**	**Number**	**As % of total**	**Number**	**As % of total**
Primary and lower secondary education	55	1.9	62	2.1	0	0.0	0	0.0
Secondary education	1,184	40.7	1,266	43.0	13	10.0	13	10.2
Higher education	306	10.5	311	10.6	4	3.1	5	3.9
University education	1,210	41.6	1,160	39.4	88	67.7	86	67.7
Master's degree or doctorate	151	5.2	143	4.9	25	19.2	23	18.1
Total	**2,906**	**100.0**	**2,942**	**100.0**	**130**	**100.0**	**127**	**100.0**

The structure of Sava Insurance Group employees by level of education in 2020 is similar to that in 2019. There is still a high proportion of employees in the group that (2020: 40.7%) has secondary-level education, with most of them in insurance sales. The Company's business requires highly-educated personnel, so the share of employees with university education is high (2020: 41.6%).

A total of 113 Sava Re staff members, or 86.9%, have more than higher education. Of these, 22 have master's degrees and three have doctorates. The Company's business requires highly-educated personnel. The Company also encourages employees to join formal education programmes.

61 GRI 102-41.
62 GRI 102-41.
63 GRI 102-08.

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Employees by age group as at year-end[64]

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Age group	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
from 20 to 25	110	3.8	133	4.5	0	0.0	3	2.4
from 26 to 30	246	8.5	254	8.6	12	9.2	14	11.0
from 31 to 35	367	12.6	371	12.6	11	8.5	7	5.5
from 36 to 40	486	16.7	501	17.0	28	21.5	24	18.9
from 41 to 45	507	17.4	507	17.2	22	16.9	27	21.3
from 46 to 50	475	16.3	477	16.2	29	22.3	25	19.7
from 51 to 55	356	12.3	352	12.0	18	13.8	20	15.7
over 56	359	12.4	347	11.8	10	7.7	7	5.5
Total	**2,906**	**100.0**	**2,942**	**100.0**	**130**	**100.0**	**127**	**100.0**

The composition of Sava Insurance Group employees by age group in 2020 was similar to that in 2019.

The average employee age at Sava Re slightly increased compared to the previous year and was 43.57 years. The average age of the members of the management board is 47.75. We also hired staff with more extensive experience, which is why there was a slight increase in the number of employees aged 36 years and older.

Employees by gender as at year-end[65]

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Gender	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
Women	1,626	56.0	1,682	57.2	84	64.6	81	63.8
Men	1,280	44.0	1,260	42.8	46	35.4	46	36.2
Total	**2,906**	**100.0**	**2,942**	**100.0**	**130**	**100.0**	**127**	**100.0**

64 GRI 102-08.
65 GRI 102-08, 405-01.

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The Sava Insurance Group's employee structure by gender is still balanced, with a growing number of women in recent years as well as in 2020. Women are represented at all levels of management and in all professional and administrative areas of work.

At Sava Re too women are represented at all levels of management and in all professional areas. Following the new recruitments in 2020, the proportion of men decreased by 0.8 p.p. compared to the previous year. The four-member management board is composed of one woman and three men.

The basic salary of women is the same as the basic salary of men in all employee categories[66].

Employees by years of service as at the year end

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Years of service	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
0 to 5 years	680	23.4	704	23.9	62	47.7	60	47.2
5–10 years	450	15.5	484	16.5	25	19.2	28	22.0
10–15 years	490	16.9	468	15.9	23	17.7	20	15.7
15–20 years	349	12.0	347	11.8	6	4.6	6	4.7
20–30 years	583	20.1	559	19.0	12	9.2	11	8.7
Over 30 years	354	12.2	380	12.9	2	1.5	2	1.6
Total	**2,906**	**100.0**	**2,942**	**100.0**	**130**	**100.0**	**127**	**100.0**

The largest employee group in the Sava Insurance Group in terms of years of service is the first group – employees with up to five years of service (2020: 23.4%).

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

Absenteeism rate[67]

Absenteeism is calculated as the number of lost workdays due to absences divided by the product of the average number of employees multiplied by the average number of workdays during the year. A higher absenteeism rate was recorded in ZS Svetovanje, TBS Team 24 and Illyria Life. The remaining companies recorded a lower absenteeism rate in 2020 compared to 2019. The table below shows absenteeism rate by company.

66 GRI 405-02.
67 GRI 403-02.

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Absenteeism rate[68]

Absenteeism rate	2020	2019
	As %	As %
Sava Infond (SVN)	5.37	6.54
Zavarovalnica Sava	4.15	4.84
ZS Svetovanje (SVN)	6.18	4.60
Sava Neživotno Osiguranje (SRB)	4.51	4.59
Ornatus KC (SVN)	2.15	3.56
Sava Osiguranje (MNE)	1.91	3.16
TBS Team 24 (SVN)	4.23	3.10
Sava Re	2.58	2.74
Sava Životno Osiguranje (SRB)	1.81	2.38
Sava Pokojninska (SVN)	0.75	2.35
Sava Car (MNE)	1.98	2.20
Sava Agent (MNE)	1.83	1.31
Sava Penzisko Društvo (MKD)	1.87	1.25
Illyria Life (RKS)	3.54	1.14
Sava Osiguruvanje (North Macedonia)	0.49	0.86
Illyria (RKS)	0.7	0.11
Sava Station (MKD)	0.28	0.00
Vita (SVN)	4.66	N/A

The 2020 the Sava Re employee absenteeism rate decreased by 0.16 p.p. to 2.58% year on year. Next year we will continue with our efforts to promote health in order to further improve this result.

Work-related injuries[69]

	Sava Insurance Group			Sava Re		
	2020	2019	Index	2020	2019	Index
Number of injuries	5	15	33.3	0	1	0.0
Number of working days lost	95	322	29.5	0	45	0.0
Number of working hours lost	760	2,576	29.5	0	360	0.0

The Group recorded 5 occupational injuries.

Employee turnover rate[70]

The employee turnover rate is measured by the ratio of the number of employees who left to the total number of employees as at the year end. The Group's employee turnover rate increased by 2.7 p.p. (2019: 12.68%, 2020: 15.38%).

Employee turnover rate

	Sava Insurance Group			Sava Re		
	2020	2019	Difference	2020	2019	Difference
Number of employees who left	447	373	74.0	13	9	4.0
Number of employees as at the year end	2,906	2,942	-36.0	130	127	3.0
Employee turnover rate (%)	**15.38%**	**12.68%**	**2.704**	**10.00%**	**7.09%**	**2.913**

The Sava Re employee turnover rate increased by 2.91 p.p. to 10.00% year on year. However, it should be noted that five employees who left Sava Re remained employed within the Sava Insurance Group.

68 GRI 403-02.
69 GRI 401-02.
70 GRI 401-01.

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Overview of employee arrivals and departures by gender in current year

	Sava Insurance Group				Sava Re			
	Arrivals		Departures		Arrivals		Departures	
Gender	Number	Composition (%)	Number	Composition (%)	Number	Composition (%)	Number	Composition (%)
Women	208	57.6	238	53.2	9	56.3	6	46.2
Men	153	42.4	209	46.8	7	43.8	7	53.8
Total	**361**	**100.0**	**447**	**100.0**	**16**	**100.0**	**13**	**100.0**

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

In 2020, Sava Re recruited 16 people, of which 9 were women and 7 were men, whereas among the 13 who left the Company, 6 were women and 7 were men.

Overview of employee arrivals and departures by age in current year

	Sava Insurance Group				Sava Re			
	Arrivals		Departures		Arrivals		Departures	
Age group	Number	As % of total	Number	As % of total	Number	As % of total	Number	As % of total
from 20 to 25	57	15.8	52	11.6	0	0.0	0	0.0
from 26 to 30	69	19.1	60	13.4	2	12.5	3	23.1
from 31 to 35	70	19.4	53	11.9	3	18.8	0	0.0
from 36 to 40	49	13.6	61	13.6	6	37.5	0	0.0
from 41 to 45	33	9.1	51	11.4	3	18.8	2	15.4
from 46 to 50	29	8.0	58	13.0	1	6.3	2	15.4
from 51 to 55	31	8.6	45	10.1	0	0.0	4	30.8
over 56	23	6.4	67	15.0	1	6.3	2	15.4
Total	**361**	**100.0**	**447**	**100.0**	**16**	**100.0**	**13**	**100.0**

The Group recorded the arrival of new employees and departures of employees in all age groups. Most of the new employees at Sava Re fall into the 36–40 years age group (6 newly recruited employees). Three new employees are part of the 31–35 and the 41–45 age groups. On the whole, we are employers who employ workers from all age groups. Employee departures were from different age groups.

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Parental leave[71]

Employees on parental leave

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Gender	Number	Composition (%)	Number	Composition (%)	Number	Composition (%)	Number	Composition (%)
Women	88	5.4	n/a	n/a	10	11.9	n/a	n/a
Men	23	1.8	n/a	n/a	4	8.7	n/a	n/a
Total	**111**	**3.8**	**n/a**	**n/a**	**14**	**10.8**	**n/a**	**n/a**

At the Group level, 111 employees – 88 women and 23 men – took parental leave in 2020. Employees on parental leave in 2020 accounted for 3.8% of all the Group's employees.

At the Sava Re level, 14 employees – 10 women and 4 men – took parental leave in 2020. Employees on parental leave in 2020 accounted for 10.8% of all Sava Re employees.

Employees who returned from parental leave

	Sava Insurance Group				Sava Re			
	2020		2019		2020		2019	
Gender	Number	Composition (%)	Number	Composition (%)	Number	Composition (%)	Number	Composition (%)
Women	43	2.6	n/a	n/a	5	6.0	n/a	n/a
Men	22	1.7	n/a	n/a	4	8.7	n/a	n/a
Total	**65**	**2.2**	**n/a**	**n/a**	**9**	**6.9**	**n/a**	**n/a**

At the Group level, 65 employees – 43 women and 22 men – returned to work from parental leave in 2020. The share of employees who returned from parental leave represented 2.2% of the total. All returned to their former posts.

At Sava Re, 9 employees – 5 women and 4 men – returned from parental leave in 2020. The share of employees who returned from parental leave represented 6.9% of the total. All returned to their former posts.

71 GRI 401-03.
72 GRI 103-01, 103-02, 103-03.

10.4 Employee training and development[72]

10.4.1 Types and scope of training

Employee training and development at the Sava Insurance Group is vital for the implementation of strategic directions and the achievement of the goals of the Group and its individual companies. We strive to provide all employees with training opportunities in either internal or external professional sessions. Group and individual trainings are organised in leadership skills, communication, efficient sales, teamwork and time management. Employees are encouraged to undergo training at professional seminars in order to acquire and maintain expertise. We also encourage employees in all companies to reintegrate into formal education.

Companies enable and encourage employees to obtain and retain licenses required for sales personnel and other professional staff. Sava Re encourages the development of competence and responsibility in its employees. Therefore, employees take part in education and training programmes in accordance with the needs of the workplace as well as their personal and career development.

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

In 2020, Sava Re fostered the development of leadership and social competencies through its year-long peer-to-peer coaching programme. Such meetings were organised individually for a smaller number of the management staff.

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We offer our employees interesting work in culturally diverse international environments. We are creating a working environment that supports their professional and personal development. We encourage knowledge sharing among Sava Insurance Group employees.

Due to the Covid-19 epidemic and new epidemic-related working circumstances in 2020, internal seminars in the Group focusing on internal audit, compliance, market communications, sustainable development, finance, accounting, controlling, human resources management, underwriting, and risk management were adapted to virtual formats through shorter video conferencing sessions. In addition to professional content, we prepared online training sessions on teamwork and communication for all participants as internal seminars.

As in previous years, we organised two international Group-level strategic conferences, bringing together employees from the entire Sava Insurance Group to exchange experiences, analyse current challenges, share best practices and prepare improvements that contribute to more efficient operations.

Due to the pandemic, our 2020 spring and autumn strategic conferences were held in two parts by means of videoconferencing. The common thread of the spring conference was the strategic topic of customer focus, while the autumn session focused on the strategic topic of employee focus.

Key data on employee training[73]

	Sava Insurance Group					Sava Re				
	2020	2019	2018	Index 2020/2019	Index 2019/2018	2020	2019	2018	Index 2020/2019	Index 2019/2018
Hours of training	43,594	59,455	46,796	73.3	127.1	2,017	1,991	1,864	101.3	106.8
Number of training attendees	2,213	2,111	2,157	104.8	97.9	106	102	72	103.9	141.7

While the number of training attendees in 2020 was almost the same as in 2019, the number of training hours was reduced by 26.7%. Fewer training hours are largely the result of circumstances related to the Covid-19 epidemic.

Training events were attended by 106, or 81.5%, of the total 130 employees. This amounted to a total of 2,017 training hours.

73 GRI 404-01.

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In 2020, employees mainly attended domestic and foreign online professional training. Training courses organised for leaders, for foreign language courses, various workshops on soft skills, and the use of social networks as well as the online tool Teams and cyber security assumed a similar format.

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

Number of training hours by type of training[74]

	Sava Insurance Group					Sava Re				
	2020	2019	2018	Index 2020/2019	Index 2019/2018	2020	2019	2018	Index 2020/2019	Index 2019/2018
Number of internal education/training hours	34,100	40,013	22,960	85.2	174.3	64	0	0	-	-
Number of external education/training hours	9,495	19,442	23,836	48.8	81.6	1,953	1,991	1,864	98.1	106.8
Total education/training hours	43,594	59,455	46,796	73.3	127.1	2,017	1,991	1,864	101.3	106.8

Due to the Covid-19 epidemic, the number of external training hours in the Sava Insurance Group decreased compared to the previous year.

Average hours of employee training by gender[75]

Year 2020	Sava Insurance Group			Sava Re		
	Number	Hours of training	Average	Number	Hours of training	Average
Women	1,230	24,043	19.5	61	1,469	24.1
Men	983	19,551	19.9	45	548	12.2
Total	**2,213**	**43,594**	**19.7**	**106**	**2,017**	**19.0**

The number of training hours in Slovenian Group companies is evenly distributed between women and men. The number of training hours at Sava Re is slightly higher for women.

74 GRI 404-01.
75 GRI 404-01.

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10.4.2 Succession planning

Group companies adopted a procedure for succession planning for members of management bodies. The supervisory boards of Group companies monitor the situation regarding each member of the management body. Annual performance appraisal interviews with these members also cover the issue of succession planning.

We encourage all companies to include all key executives in their processes for determining the foreseen successors and potential successors.

At Sava Re, we have set up a process designed to identify potential substitutes and successors for members of the management board and for directors directly reporting to the management board.

In annual interviews, all management board members and all directors directly reporting to the management board identify potential substitutes in case of unforeseen lengthy absence, and identify potential successors in case of the termination of the employee's position.

All management board members and directors directly reporting to the management board have designated their foreseen substitutes for key areas of their responsibility for cases of unforeseen longer absences. Most of them also identified a potential successor within the company or Group. We believe that in the case of the temporary unforeseen departure of an individual member of the management board or director, a replacement could be chosen from a set of potential substitutes and successors. One director could also temporarily manage two substantively connected organisational units.

We are aware how important our key professional and promising employees are, and through training we prepare them for more demanding tasks and posts associated with greater responsibilities. The scope of the training programmes that we organise and conduct demonstrates how committed we are to nurturing professional development and progress of all our employees.

The process of identifying and developing potential successors will be further encouraged and developed.

10.5 Management and motivation[76]

We encourage a positive working climate by effective leadership and motivation of employees, effective organisation of work and the involvement of employees in a number of projects. We appreciate the commitment of staff members in their efforts to achieve the Company's goals. The remuneration system is geared towards motivating employees to improve on their past performance. They are encouraged to be creative in performing routine tasks, so that they can achieve better results more efficiently.

10.5.1 Leader development

All Group companies continue to invest in leadership development, as we are convinced that good leadership fosters employee satisfaction and loyalty, through which we build a modern organisational culture.

At Sava Re, we have established a process of the analysis and development of leadership competencies for existing leaders, new leaders, and other key and potential members of senior management.

In 2020, we also organised live individual training sessions and online »peer-to-peer coaching« on virtual teams, purpose building, decision making, collaboration, and talent management.

10.5.2 Measuring organisational climate

In 2020, we measured organisational climate and satisfaction using the SiOK methodology, and applied the Gallup methodology to measure the commitment of employees in all Slovenian Group companies. Altogether 922 employees responded, which is 67.4% of the total. Top-rated categories of the organisational climate were attitude to quality and loyalty to the organisation. Career development and rewarding were rated

76 GRI 103-01, 103-02, 103-03.

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the lowest by employees. Employees were most satisfied with job security, working hours and co-workers, and least satisfied with opportunities for promotion and salaries.

The commitment analysis identified 45.3% of committed employees, 48.5% of non-committed employees, and 6.2% of actively non-committed employees in Slovenian Group companies.

102 employees responded at Sava Re, which is 77.9% of the total. Participation was good, and the results were good, too. The top-rated categories of the organisational climate were knowledge of the mission, vision and goals, loyalty to the organisation, and other human resources processes. Career development and rewarding were rated the lowest by employees. Employees were most satisfied with job security, working hours, conditions, superiors and management, and least satisfied with opportunities for promotion.

The commitment analysis identified 58.8% of committed employees, 37.3% of non-committed employees, and 3.9% of actively non-committed employees.

In 2021, the organisational climate will also be measured in other Group companies and in-depth analysis will cover the processes and areas that affect organisational climate and commitment. Moreover, we will be working to build a positive organisational climate and to strengthen employee commitment.

10.5.3 Employee benefits

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

They also organise social events for employees during the year, also outside working hours. In 2020, the format of these events was adapted.

Sava Re offers employees supplementary pension insurance, personal accident insurance, accident insurance for family members and business travel insurance.

Various events are organised for employees, the purpose of which is networking and informal socialising (social events at the end of the year, gift giving to employees and their children, picnics, socialising on Health Day, on Women's Day and more). In 2020, these events also took place in an adapted online format.

10.5.4 Annual performance appraisal interviews[77]

Annual performance appraisal interviews were also conducted in 2020, as we continue to see them as an important and efficient management tool.

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

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

Most companies conduct annual performance appraisal interviews at least for employees up to the upper-management level. At Sava Re, annual appraisal interviews were conducted with all employees, except with employees who were on a prolonged leave (maternity leave) or were planning to leave the Company.

78 women and 43 men took part in appraisal interviews at Sava Re in 2020. A total of 121 employees accounting for 93.1% were included in these interviews. The majority of appraisal interviews that were not performed were related to lengthy absence (maternity leave, illness) or the departure of an employee before the end of the period dedicated to performing appraisal interviews.

Employees involved in annual performance appraisal interviews

	Sava Insurance Group		Sava Re	
Employees involved in annual performance appraisal interviews	Number	As % of total	Number	As % of total
Women	220	14	78	93
Men	125	10	43	93
Total	**345**	**12**	**121**	**93**

10.5.5 Health and safety at work[78]

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

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

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

77 GRI 404-03.
78 GRI 103-01, 103-02, 103-03.

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In 2020, we carried out all health and safety measures at work, as well as fire protection measures, with additional attention paid to preventive measures to protect employees from infection with the Covid-19 virus.

Our health days were organised at Sava Re for the third year running, aimed at promoting healthy and active lifestyles among employees through various organised activities. Despite the epidemic, we successfully carried out all of the planned health days in 2020 in a slightly adapted format. An extra leave day as part of the promotion of regular health routines and activities at the workplace, the so-called day for health, was taken by 90 employees, i.e. 69% of all employees.

Prior to the epidemic, our staff were offered a weekly supply of seasonal fruit.

Employees are regularly referred to periodic health checks and undergo regular training in health and safety at work in accordance with applicable laws and internal acts.

10.5.5.1 Prevention of bullying, harassment, and violence in the workplace

The prevention of bullying and harassment in the workplace in the companies is regulated in accordance with local legislation.

Sava Re adopted the rules on prevention of bullying and harassment in the workplace pursuant to which mechanisms for dealing with and preventing such conduct were set up. These rules detail the procedure for employees who believe they are victims of such conduct. We did not record any incidents of bullying, harassment or violence in the workplace in 2020.

In order to avoid such cases also in the future, we aim to strengthen the positive organisational climate, the formal and informal socialising of employees in order to build and strengthen interpersonal relationships, and regular education and training related to appropriate behaviour in the work environment, with a focus on communication.

10.5.5.2 Protection of health and safety at work during the Covid-19 epidemic

Due to the Covid-19 epidemic in 2020, special attention was paid to the health and safety of all employees. Crisis management teams operated in all companies, ensuring the timely adoption of measures, the purchase of necessary protective equipment, and the informing of employees.

We immediately responded to the very changed situation and made significant adjustments to our method of operation. We enabled all employees to move to working from home, thus ensuring uninterrupted work processes despite restrictions at the state and company levels. We enabled employees to transfer work equipment and set up the Teams platform, which is now used for internal communication between employees.

Sava Re mobilised operation of the crisis management group (CMG), which meets on a weekly basis and ensures the smooth performance of adapted activities and measures in the company.

We drafted a plan to use in the event of a state of emergency being declared at the state or company level. All employees were briefed on the plan. We adhere to this plan in all Group companies, thus taking care to ensure the company's smooth operation and, most importantly, the health and well-being of our employees. Employees are briefed in advance on the rules, measures, and instructions that apply in the phase currently declared. We provide employees with a weekly update on epidemic-related changes as they apply to both the competent institutions and the Company.

We provided all employees with access to quality disposable and washable masks and disinfectants. We regularly disinfect the Company's premises and make sure that their employees spend as little time as possible there and that they do not meet. The Company organised and co-financed Covid-19 antibody testing for interested employees.

10.5.6 Other[79]

All employees can join representative labour bodies in all the companies where such bodies have been set up. Employee representatives are informed of the introduction of important changes in accordance with the applicable legislation. Employees are regularly informed of developments in Group companies through the Sava Insurance Group portal.

The trade union and the workers' council serve as the link between employees and management of the parent company Sava Re. Their members represent all organisational units. Also in 2020, we worked on the development of new internal acts of the Company (Rules on working from home) and on the overhauling of the existing acts (Rules on organisation of work and job systemisation).

We developed the rules on homeworking in normal and emergency situations and instructed Group companies to do the same, taking into account local legislation and regulations.

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

Internal communication runs through various internal media and tools. Monthly events are posted on the Savan intranet portal.

We foster cooperation and networking in our spring, autumn and pre-New Year social meetings, and in other social events.

79 GRI 103-01, 103-02, 103-03.

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Organisational chart of Sava Re as at 31 December 2020[80]

MANAGEMENT BOARD		
Risk control departments	**Business centres**	**Support departments**
Office of the management board & compliance	Financial operations & asset management	Human resources management
Internal audit	Reinsurance	Modelling centre
Risk management & asset-liability management	Non-life insurance	Information technology
Actuarial affairs	Life & pension insurance	Corporate finance
	Sales & customer relations	Strategic planning & controlling
		Accounting
		Group reinsurance & retrocession
		Technical accounting

80 GRI 102-18.

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11 Risk management[81]

81 GRI 102-11.

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Below we describe the risk and capital management systems and the significant risks to which the Sava Insurance Group is exposed. These areas will also be presented in more detail in the Solvency and financial condition report of Sava Re as at 31 December 2020, which will be posted on the Company's website not later than on 8 April 2021, and in the Solvency and financial condition report of the Sava Insurance Group as at 31 December 2020, which will be published on the Sava Re website on 20 May 2021.

11.1 Risk management system

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

In recent years, the Sava Insurance Group has expanded its services with the integration of non-insurance companies. The risk management system is therefore based on Solvency II requirements, but additionally takes into account the legal specifics of non-insurance companies. The risk management system in these companies is adapted according to the business activities of each of them and the scope of these activities and risks to which a company is exposed. In 2020, the Group was joined by the insurance company Vita which, being a Slovenian insurer, had already committed to the Solvency II requirements. For this reason, the integration of Vita's risk management system into the Group's risk management system proceeded without any particular problems.

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

The Sava Insurance Group has implemented a risk strategy that defines the Group's risk appetite and policies that cover the entire framework of risk management, own risk and solvency assessments, and risk management for each risk category. Based on the Group's risk strategy and policies, individual Group companies set up their own risk strategies and policies, taking into account their specificities and local legislation. The adequacy of the risk management system policies is examined annually. The risk strategy is prepared for three-year periods, simultaneously with the strategic plan.

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

- clearly-expressed risk appetite in the framework of the risk strategy and on this basis also operational limits;
- development of own risk assessment models and upgrading of the own risk and solvency assessment (hereinafter: ORSA),
- integration of the ORSA and risk strategy in the framework of business planning and shaping of the business strategy,
- integration of risk management processes into business processes,
- systematic upgrading of the internal control environment, adjustment of processes to new activities, monitoring of the occurrence of untoward events,
- establishment of adequate risk management standards in all Group companies depending on the scope, nature and complexity of business transactions and related risks.

11.1.1 Risk management organisation

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

The efficient functioning of the risk management system is primarily the responsibility of the Sava Re management board

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and the management board of each individual subsidiary. To ensure efficient risk management, the Group uses a three lines of defence model, which clearly segregates responsibilities and tasks among the lines:

- The first line of defence constitutes all organisational units with operational responsibilities (development, sales, marketing and insurance management, provision of insurance services, financial operations, accounting, controlling, human resources and others).
- The second line of defence consists of three key functions (the risk management function, actuarial function, compliance function) and the risk management committee, if set up in the company.
- The third line of defence consists of the internal audit function.

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

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

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

The supervisory board of each individual company approves the risk strategy, risk management policies and the appointment of key function holders in the risk management system. In addition, the supervisory board analyses periodic reports relating to risk management. A risk committee has been set up within the supervisory board of the parent company to provide relevant expertise and support in the risk management process in the Company and in the Group.

The first line of defence of each individual Group company involves all company employees responsible for ensuring that operational tasks are performed in a manner that reduces or eliminates risks. Additionally, risk owners are responsible for individual risks listed in the risk register. Line managers are responsible for ensuring that the operational performance of the processes for which they are responsible are conducted in a manner that reduces or eliminates risks, and that the frameworks laid down in the risk strategy are observed. The first line of defence is also responsible for monitoring and measuring risks, the preparation of data for regular reporting on individual areas of risk, and the identification of new risks.

Each Group company has set up the following three key functions as part of the second line of defence: the actuarial function, risk management function, and compliance function. In addition, the Group's large members have in place a risk management committee. The members of the risk management committee and key function holders are appointed by the management board; key function holder appointments additionally require the consent of the supervisory board. Each individual company ensures the independence of the key functions, which are organised as management support services and report directly to the management board. Their roles and responsibilities are defined in the policy of each key function or in the risk management policy that defines the risk management function.

The risk management function of each individual company is mainly responsible for setting up effective risk management processes and for the coordination of risk management processes already in place at the company or Group level. It is involved in all stages of the processes of identification, assessment, monitoring, management and reporting of risks. It is also involved in the preparation of the risk strategy and the setting of risk tolerance limits. The risk management function regularly reports to the risk management committee (if set up), the management and the supervisory boards, the risk committee (Sava Re) and the Group's risk management function holder, and works in cooperation with the risk management function on an ongoing basis. Furthermore, it offers support to the management board in decision-making (including in relation to the strategic decisions such as corporate business strategy, mergers and acquisitions, and major projects and investments).

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

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

Apart from the key functions, the second line of defence at Sava Re also consists of a risk management committee that addresses risks at the Company and Sava Insurance Group levels. Such a committee also operates in some (larger) subsidiaries. The committee includes the key representatives of the first line of defence and the management board with regard to the company's risk profile. The holders of other key functions of the risk management system are also invited to attend meetings of the committee. The committee is primarily responsible for monitoring the risk profiles of the Group and individual companies, analysing risk reports and issuing recommendations to the management board.

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The third line of defence consists of the internal audit function. Employees of the Sava Re internal audit department perform the internal audit function also as an outsourced assignment for other Slovenian subsidiaries (in Vita since 22 January 2021), while other subsidiaries have their own internal audit departments. The internal audit function operates at the individual company and Group levels and is completely independent from the business operations and other functions. In 2020, the Group Internal Audit was introduced at the level of the Slovenian part of the Sava Insurance Group, and in 2021 it was introduced in the entire Sava Insurance Group (including Sava Insurance Group companies outside the EU). In the context of the risk management system, the internal audit function holders are responsible for the independent analysis, verification, and assessment of the performance and effectiveness of internal control and risk management systems.

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

11.1.2 Components of the risk management system

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

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

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

Risk strategy				
First line of defence | Risk management processes				
Pricing	Underwriting process	Underwriting limits	Investment policy and limits	Information and management reports
Second line of defence | Risk management processes			Second line of defence | ORSA processes	
Risk management function			Analysis of risk profile	
Risk management committee			Own assesment of solvency needs	
Risk reports			Continuous compliance	
Risk register			Projections	
Register of incidents			Stress test and scenario analysis	
Third line of defence				
Internal audit				

11.1.2.1 Risk strategy

The Group seeks to operate in compliance with its business strategy and meet the key strategic objectives while maintaining an adequate capital level. With this in mind the management board, with the consent of the Sava Re supervisory board, approved the Sava Insurance Group risk strategy for 2020–2022 in 2019, taking into account its risk-bearing capacity. Each individual Group company drafts its own risk strategy by taking into account the Group's risk strategy. Due to the Covid-19-related developments and the integration of Vita into the Group, a revised strategic plan for the period 2020–2022 was approved in August 2020. In accordance with the revised strategic plan, also a revised risk strategy for the Sava Insurance Group and Sava Re for 2020–2022 was prepared. The Group document sets:

- the company's risk appetite,
- key indicators, and
- risk tolerance limits.

The key areas on which risk appetite is based are:

- the solvency ratio,
- the profitability of operating segments,
- the volatility of operating results by operating segment, and
- liquidity indicators.

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

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

For periodic monitoring of compliance with the risk strategy, individual Group companies define a minimum set of risk measures for each risk category to allow for monitoring of the Group's and each Group company's current risk profile and capital position. These risk measures are regularly monitored at the Group and individual company levels.

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11.1.2.2 Risk management processes

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

The chief risk management processes are:

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

Risk identification

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

In the process of risk identification, each individual Group company identifies the risks to which it is exposed. The key risks compiled in each company's risk register, constituting the company's risk profile, are reviewed on a regular basis and new risks are added if so required. Risk identification at the Group level is conducted in the same way.

Risk identification in individual Group companies and at Group level is both a top-down and a bottom-up process. The top-down risk identification process is conducted by the risk management function, the risk management committee and the management board of each Group company. Such identification of new and emerging risks is based on monitoring of the legal and business environment, market developments and trends, and expert knowledge; this approach is mainly used with strategic risks, such as reputational risk and regulatory risk.

Bottom-up risk identification takes place in individual organisational units and with risk owners (first line of defence). A Group company's risk thus identified is categorised and incorporated into the relevant monitoring, measuring, managing and reporting processes.

Risk identification is performed on an ongoing basis, especially as part of business planning and any major projects and business initiatives such as launching of a new product, investment in a new class of assets, acquisitions and other.

Risk assessment (measurement)

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

Risks are thus measured:

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

Risk monitoring

Risk monitoring is conducted at several levels: at the level of individual organisational units and risk owners, risk management departments, the risk management committee, the management board, the supervisory board's risk committee (Sava Re) and at the supervisory board level of each Group company. In addition, each Group company's risk profile is monitored at the Group level in terms of impact on the Group's risk profile. A standard set of risk measures is defined for risk monitoring, and Group companies follow it on a regular basis. Both risks and risk management measures are subject to monitoring and control. Adverse events and appropriate corrective measures to prevent the recurrence of an individual event are also monitored.

Risk management

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

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

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

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Risk reporting

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

11.1.2.3 Own risk and solvency assessment

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

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

The primary objective of the ORSA is to better understand own risk profile and the standard formula, and to analyse the impact of the changes in the risk profile on capital adequacy over the next three years. ORSA is an integral part of the decision-making process conducted to ensure that the key decisions and the business strategy are adopted with consideration of risks and associated capital requirements. Based on ORSA results we also check the compliance of the business strategy with the risk strategy. This establishes the link between the business strategy, the risks taken in the short, medium and longer term, and the capital requirements arising from those risks and capital management.

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11.2 Capital management

The capital management policy lays down objectives and key activities related to capital management. Capital management is inseparable from the risk strategy, which defines the risk appetite.

The Group's capital management objectives are:

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

The Group manages its capital to ensure that each Group company has available, on an ongoing basis, sufficient funds to meet its obligations and regulatory capital requirements. The composition of own funds held to ensure capital adequacy must comply with regulatory requirements and ensure an optimal balance between debt and equity capital. The amount of own funds of each Group company and the Group must be sufficient, at all times, to meet the statutory solvency capital requirement, as well as to satisfy the requirements of its target credit rating and other objectives of any Group member or the Group.

An important input element of capital management and business planning is the Group's risk strategy, including the risk appetite set out therein. The Group's risk strategy defines levels of capital adequacy. These levels serve as the basis for determining the capital adequacy of each Group company.

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

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

11.3 Material risks of the Sava Insurance Group

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

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

Individual risks are described in detail in the notes to the financial statements of the Sava Insurance Group and Sava Re (*section 17.6 "Risk management"*).

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

Internal auditing in the Company is carried out by an independent organisational unit, the internal audit department (IAD), which reports to the management board and is functionally and organisationally separate from other organisational units of the Company. This ensures the autonomy and independence of its operation.

Pursuant to the Insurance Act and based on outsourcing agreements Sava Re d.d. has been performing, for indefinite duration since 1 February 2018, the key functions of the internal audit of Zavarovalnica Sava d.d. and Sava Pokojninska Družba d.d. In 2019, Sava Re signed a contract, incompliance with the Investment Funds and Management Companies Act (ZISDU-3), with Sava Infond, Družba za Upravljanje d.o.o., with which the latter transferred the performance of the internal audit key function to Sava Re d.d. as of 1 January 2020, for an indefinite period. Pursuant to the Insurance Act, Sava Re concluded an outsourcing agreement with Življenjska Zavarovalnica Vita d.d. on 22 January 2021 under which the latter transferred the performance of the key function of its internal audit to Sava Re for an indefinite period.

In 2020, Sava Re's internal audit function conducted audits and other tasks in accordance with the annual plan of the internal audit of Sava Re. A total of 31 internal audit engagements, 28 of which were planned, were performed.

Based on all of the tests carried out and methods employed in individual audit areas, the internal audit function considers that the internal controls at Sava Re are adequate and that their reliability is GOOD. Moreover, it believes that the governance of Sava Re has proved appropriate and is being improved on an ongoing basis in order to achieve major business goals, and that risks are well managed with the efficiency and economy of operations in mind. According to the internal audit function, there remains room for improvement in the operation of the system. The audit engagements revealed individual irregularities and weaknesses, which the internal audit function pointed out, recommending the remedy of such and designed to improve control procedures, corporate governance and risk management. This is to improve the efficiency of internal controls and regularity of operations.

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

The internal audit department reports – on a quarterly basis – to the management board, the audit committee and the supervisory board on completed auditing engagements, the effectiveness and efficiency of control systems, corporate governance, risk management, identified breaches and irregularities, and on the monitoring of the implementation of recommendations. In addition, the internal audit department prepared an annual report on its activities in 2020, which is part of the materials for the general meeting of shareholders.

External assessment of the quality of internal audit at Sava Re d.d. in 2019 was performed by Deloitte Revizija d.o.o. The assessment of the IAD's operations confirmed compliance of the internal audit with the International Standards for the Professional Practice of Internal Auditing, Code of Ethics of Internal Auditors and the Code of Internal Auditing Principles.

While strengthening the IAD in 2020, we further intensified the implementation of the new software to support the comprehensive internal auditing process, also at the Sava Insurance Group internal audit level. In 2020, the Group Internal Audit was introduced at the level of the Slovenian part of the Sava Insurance Group, and in 2021 it was introduced at the entire Group level (including Sava Insurance Group companies outside the EU). The IAD regularly monitors the development and quality of the internal audit departments in subsidiaries, giving them the necessary professional assistance to do so, and in 2021 this will be further upgraded through the introduction of the Group Internal Audit.

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13 Sustainable development in the Sava Insurance Group

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About the report[82]

In accordance with the GRI standards the Sava Insurance Group sustainability report 2020 analyses three aspects: **economic**, **social** and **environmental**.

The essential contents of the Sava Insurance Group sustainability reporting[83]

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

The consolidated annual report refers to a single financial and calendar year and is prepared in accordance with the International Accounting Standards, the Companies Act, the Solvency II Directive and international sustainability reporting standards Global Reporting Initiative (GRI). The annual report is prepared by Sava Re specialist services and all subsidiaries. The consolidated annual report incorporates all legal entities constituting the Sava Insurance Group[84].

Sustainability reporting is integrated in individual sections of the annual report. Disclosures are specially indicated with interactive references. The section "Sustainable development in the Sava Insurance Group" provides disclosures and other specific business impacts not covered by other sections of the annual report. In addition to general disclosures it provides, in accordance with prescribed principles, disclosures on the economic, social and environmental aspects that are of vital importance for the Group and relate directly to the Group's strategy.

The data on sustainable operation of the Group was prepared by a mixed working group brought together explicitly for this purpose, with the assistance of specialist services of each subsidiary. Data is collected and the report drafted by specialist services of the parent company, which is also responsible for reporting. Disclosures in accordance with the GRI standard refer to all Group companies, where possible; where it is not possible, to the parent company and EU-based subsidiaries. The GRI content index[85] at the end of the annual report offers a comprehensive overview of the type and scope of disclosures.

No statements or information from the previous report have changed on account of new findings, and the report therefore contains no corrections[86].

Sava Re did not seek external assurance of the sustainability report in 2020[87].

Non-financial statement

With the non-financial information reported in accordance with the GRI standards, the annual report of the Sava Insurance Group and Sava Re d.d. for 2020 complies with the Directive 2014/95/EU of the European Parliament and of the Council on disclosure of non-financial and diversity information by certain large undertakings and groups, and with the Companies Act.

82 GRI 102-46.
83 GRI 102-47.
84 GRI 102-45, 102-50, 102-52
85 GRI 102-55.
86 GRI 102-48, 102-49.
87 GRI 102-56

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13.1 Sustainable development strategy of the Sava Insurance Group

In its strategic plan for the period 2017–2019, the Sava Insurance Group already incorporated sustainable development as one of its key pursuits and made a commitment to make it an integral part of the business processes. As sustainable development remains one of our priorities in the next strategic period 2020–2022, we have prepared and adopted the "Sustainable development strategy" in cooperation with all Group subsidiaries.

13.1.1 Sustainable development strategy 2020–2022

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

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

The #NeverAlone slogan remains our guide in our approach to all stakeholders.

Health Day: a Nordic walking course for Sava Re employees.

The upcoming strategic period will thus centre around:

- **the United Nations sustainable development goals of "good health and wellbeing"** and embedding them into our insurance products and services, to ensure healthy lives and promote well-being for all at all ages;
- **interests and expectations of the relevant interested parties and stakeholders,** as communicated to us through dialogue with different stakeholder groups. The sustainable development strategy is thus based on building quality long-term relationships with all stakeholders, with customers and their satisfaction at the centre;
- **ESG criteria**[88], which we are gradually and systematically integrating into the decision-making processes in the Group;
- **adoption of key performance indicators** and systematic measurement of the realisation of sustainable development goals;
- **corporate actions** and further promotion of corporate social and environmental responsibility.

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

88 ESG criteria: ESG (Environmental, Social, Governance) implies socially responsible behaviour that could be said to meet the three criteria: environmental and social criteria, and responsible corporate governance.

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13.1.2 Delivering the sustainable development strategy in the Sava Insurance Group and the integration of the ESG criteria into decision-making processes

In 2020, particular attention was paid to the introduction of the ESG criteria and the establishment of a system of key performance indicators. The year, marked by the Covid-19 pandemic, was thus dedicated to the testing of the proposed solutions. This new context has accelerated activities in some areas, while it also served to rearrange our priorities.
In this new situation, the Group put the safety and health of all employees and continuous communication with our customers first, in accordance with our business continuity plans.

In these new circumstances and in accordance with the adopted strategy of sustainable development, we focused on the following areas:

- introducing the ESG criteria into the client in the centre processes and establishing metrics to determine customer satisfaction,
- introducing the ESG criteria into product development and establishing relevant metrics, while implementing the European regulation on the supply of financial products, which enters into force on 10 March 2021,
- insurance underwriting and substantive assessment of the portfolio in terms of the ESG criteria,
- introducing the ESG criteria in the investment process in accordance with the aforementioned European regulation (SFDR – Sustainable Finance Disclosure Regulation),
- introducing the ESG criteria into the purchasing area,
- involving stakeholders, the identification of their interests and expectations, and an ongoing dialogue in new circumstances.

13.1.2.1 Customer in the Centre of all Processes and digitisation of operations (responsible attitude to consumers)[89]

As our most important stakeholders, customers were engaged in the formulation of a sustainable development strategy through a survey and the setting of the priority objectives of the Group's strategic plan. Customers gave high priority to the following topics (more details on stakeholder involvement in section *13.1.3 "Stakeholder engagement"*):

- compliance,
- products that are transparent and easy to understand,
- quality of sales network.

Their implementation depends on the responsiveness and transparency of processes and the offer of services and products via all possible sales or communication channels to provide the easiest access possible, which is based on process digitalisation and paperless operations.

In 2020, the situation as affected by the Covid-19 further accelerated the introduction of new communication channels that support remote operations and the uninterrupted provision of services to our customers. The introduction of video identification, remote signing and remote property damage surveying enabled customers to take out insurance policies, report claims, and communicate seamlessly with companies.

To ensure the quality of services, operational performance indicators are included in the processes, which allows us to optimise operations and deliver high quality services.

In 2020, the following new solutions for providing services to our customers were launched:

- the introduction of a remote signing provided customers with uninterrupted insurance cover when our sales points were closed, and made insurance services available during the lockdown resulting from the pandemic. This solution also follows the client in the centre guideline, making the services we offer to our customers fast, accessible and easy. All GDPR requirements were included in the process;
- the introduction of the video identification of a customer in support of processes that require appropriate and reliable identification in accordance with the law, especially in life insurance and in concluding transactions in connection with investment services;
- the introduction of remote property damage surveying ensures better accessibility, speed, and ease of reporting claims when measures restricting movement are imposed. Namely, a customer documents the claim simply digitally, which makes it faster to process and in turn reduces the time that the appraiser would otherwise need;
- the introduction of the omni channel platform to consolidate all interactions with the customer, with the aim of providing an integrated approach and central information on the company's activities concerning the customer. This platform also comprises a new chat solution that enables the recording of a dialogue with the customer, which complements the mosaic and the efforts to record all events related to it.

Sava Osiguruvanje – online claims reporting.

89 GRI 103-01, 103-02, 103-03.

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13.1.2.2 Product development and underwriting[90]

Environmental (increasing burden on the environment related to population growth, environmental pollution from waste, and other ecological problems), climate (greenhouse gas emissions) and social changes (introduction of new technologies, changes in legislation, demographic trends, population migration) are shaping a new landscape for the development of new products and underwriting. This gives rise to:

- new opportunities in the development of innovative products and services,
- new, unknown risks and consequently the creation of new underwriting criteria (such as climate change and weather-related natural disasters).

In this regard, in accordance with the strategy:

- a system in which sustainable development is also assessed according to the predetermined criteria is gradually being established with the development of non-life and accident insurance products. This is formally supported by appropriate questionnaires and rules that define the product development process. The questionnaire aims to determine whether our offer has a direct or indirect impact on our customers' attitude towards the environment or more responsible social behaviour. Examples of such products in 2020:
    - ◊ overhaul of the product intended for light means of transport (one insurance for all forms of mobility and e-mobility for light means of transport, promotion of mobility without a car, bicycle, e-bicycle, scooters, e-scooters, etc.),
    - ◊ launch of the pet Insurance product (better quality of life: caring for a pet (dog and cat) results in greater physical activity, better social life, reduced stress);
- in the case of financial products, the SFDR regulation (Regulation 2019/2088), which clearly defines the sustainability of these products by unifying the criteria for the entire European market also prevents misleading advertising of so-called green products;
- a system of the ESG criteria is being established in underwriting (insurance and reinsurance, especially in facultative underwriting) by introducing an exclusion and conditional exclusion list. Related activities performed in 2020:
    - ◊ in reinsurance business, a substantive assessment of the portfolio was prepared in order to determine the most important elements and the criteria for ESG reporting in reinsurance activities outside the Group,
    - ◊ in the facultative area, 30 cases were identified that required assessment whether an individual inquiry meets the requirements for conditional risk acceptance under the ESG criteria, which is the baseline for further activities based on the guidelines set in 2021;
- given the increasingly complex decision-making process in respect of the ESG criteria, an appropriate ESG data collection system is needed and, in relation to this, also appropriate information support to monitor the effects of introducing the ESG criteria and the need for reporting in accordance with regulations.

13.1.2.3 Investment process[91]

The 2020–2022 strategic period will be characterised by the implementation of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 laying down harmonised rules for financial market participants and financial advisers on transparency with regard to the integration of sustainability risks and the consideration of adverse impacts of sustainability in their processes and the provision of sustainability-related information with respect to financial products. The regulation imposes additional disclosure requirements on financial market participants regarding investment policy or the integration of the sustainability aspect into their investment decisions, as well as disclosure regarding the consideration of sustainability in individual financial products.

The process is presented in more detail in section *13.2.2 "ESG investment guidelines"*.

13.1.2.4 Sourcing process[92]

Group companies coordinated purchasing policy and made it more uniform, which involves strategic guidelines and principles governing a transparent procurement process. The inclusion of an anti-corruption clause in all purchase contracts has been agreed. The goals of the purchasing process:

- the establishment and maintenance of partnerships with suppliers (i.e. our existing or potential policyholders); therefore, we prefer to locate suppliers from the local environment;
- the definition of additional criteria for the selection of suppliers that take into account environmental and social aspects, and the definition of criteria to be met by local suppliers.

The purchasing process is described in more detail in section *13.3.4 "Relations with suppliers and the purchasing policy"*.

90 GRI 103-01, 103-02, 103-03, 305-01, 305-02, 305-03, 302-01.
91 GRI 103-01, 103-02, 103-03, 201-01.
92 GRI 103-09, 103-01, 103-02, 103-03, 204-01, 308-01.

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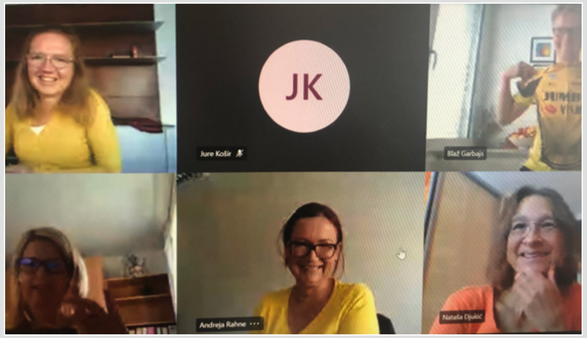
13.1.2.5 Cyber security

The Covid-19 pandemic in 2020 led to changes in the work organisation, as it moved from workplaces to working from home. The new way of working and its scope required intensive efforts to establish and maintain the resilience of the IT infrastructure and the ability to prevent and control cyberattacks.



Cheering for Slovenian racers during the Tour de France.

In 2020, the Company's security policy was overhauled, and an employee training programme was set up to identify and respond to attacks carried out via social engineering.

At the operational level, the capacities were upgraded with a 24/7 Security Operations Centre (SOC) that continuously monitors the Company's cyberspace, and which also includes the activities of employees working from home. In addition, several measures were taken to strengthen the existing IT infrastructure; additional control points were integrated and additional security systems were installed.

Security capacity upgrades for the period 2021 and 2022 were also outlined.

A fast and simple leap to the remote work scenario was made possible by the existing server infrastructure, which is well prepared for homeworking with secure VPN access. All users can actually work without any interruptions, and if anything untoward does happen the service desk is always available. A pandemic information portal is available to facilitate access to information.

In line with homeworking, use of the Microsoft Teams tool for teamwork has increased among employees. This also enables the quality introduction of the SAP system through outsourcers.

In 2020, a lecture on cyber security was held in which employees were instructed, in detail, on how to recognise an attack and how to deal with such, in particular in cases of false notifications and requests for the payment of various fictitious services that are sent by e-mail and contain incomplete documentation. The service desk regularly informs employees about suspicious e-mail and instructs them how to act when they receive such a message. Third-party access is also protected by appropriate protocols.

13.1.3 Stakeholder engagement[93]

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

The Sava Insurance Group thus strives to establish various forms of cooperation with stakeholders, and the year of the Covid-19 pandemic also brought new challenges in this area, since traditional forms of communication were no longer workable in these changed circumstances. New technologies and digitisation of operations thus took advantage of this renewed momentum, and accelerated new solutions, remote communication, and implementation of all processes.

In those circumstances, it was particularly important to identify the needs of stakeholders for information or content. To this end, we repeated the 2019 online survey, but this time we conducted it in all of the countries where we are present, except in Montenegro, where the epidemiological situation was extremely poor and the survey could therefore have had a disturbing or negative impact on stakeholders.

Blood donor day in Montenegro runs in line with protective rules.

93 GRI 102-40, 102-42, 102-43, 102-44, 102-46.

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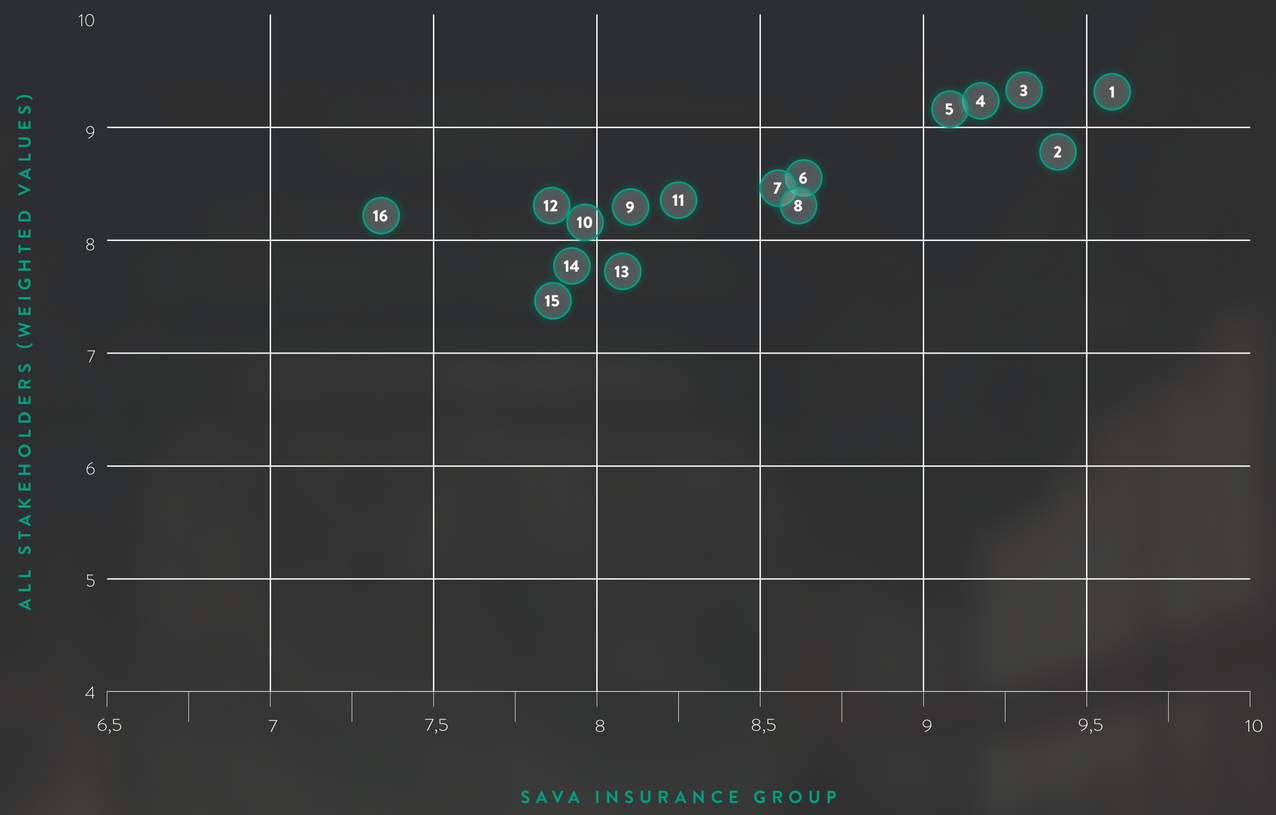
The results showed that the first five points considered essential from the point of view of the Sava Insurance Group and stakeholders are:

- sales network
- customer satisfaction
- compliance
- products that are transparent and easy to understand
- motivated, innovative and happy employees

Below, we list those stakeholders believed to have a significant impact on each legal entity in the Group and vice versa; what is more, these stakeholders also actively contribute in adding value to our business operations.

We cultivate responsible and sincere relations with all our stakeholders. In doing so we follow the recommendations and rules of public reporting, the code of ethics and internal rules. Additionally, we seek out opportunities to simplify access to information and opinion sharing, making use of information technology, which is unconstrained by time and space, and has allowed for continuous communication with all stakeholders during the pandemic. In 2020, traditional forms of integration, i.e. physical contact and social gatherings, have been assumed by new technologies. 2020 was special, not only in our communication with all stakeholders, but the Covid-19 pandemic also particularly marked the content of the information sent to stakeholders, especially employees and customers.

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



LEGEND

1 customer satisfaction
2 committed and motivated employees
3 sales network
4 compliance
5 products that are transparent and easy to understand
6 comprehensive risk management
7 cyber security
8 digitalisation of operations
9 development of sustainable products
10 responsible investment policy and risk taking (EGS criteria)
11 concern for the natural environment
12 credit rating
13 quality suppliers
14 local community
15 demographic change
16 climate change

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Stakeholders	Type of involvement	Objectives	The most important activities in 2020
Sava Insurance Group employees	• Employee participation (workers' council and unions) • Internal formal events (strategic conferences, professional and educational events) • Internal informal events • Internal training/consultations • Management by objectives (annual appraisal interviews) • Internal web and print media • Thinking out of the box • Electronic mail • Personal contact • Opinion polls/questionnaires • Sports societies	• Information, awareness • Stimulating ideas to improve the work environment and business processes • Two-way communication • Culture building, improving relations, fostering a good organisational climate	• Two strategic conferences annually with representatives of all subsidiaries • Ongoing dialogue with employee and trade union representatives • Events, conferences, lectures • Regular provision of information to employees on coronavirus-related measures by e-mail, regular departmental meetings via MS Teams • Covid-19 Info Point – intranet portal • Addresses by the chairman of the management board of Sava Re to all employees of the Group by e-mail
Customers include: • **the insured** • **policyholders** • **injured parties** • **cedants** • **investors in mutual and pension funds**	• One-to-one counselling • Meetings • Compliments and complaints • Websites, blogs • Contact centre • Market communication through different channels • Expert meetings/conferences • Events	• Service quality • Customer focus • Information • Quick problem solving • Customer-friendly attitude • Identifying actual market needs • Modern sales channels	• Year-long ongoing communication across the sales network • Interactive chats – on web sites • Electronic monthly publications (Sava Infond sent to 16,000 addresses) • Direct mail • Twice yearly presentation brochure for cedants • Regular communication to clients of all relevant information in the context of the Covid-19 pandemic
External sales network consisting of: • **insurance agencies** • **insurance intermediaries** • **banks** • **business partners such as vehicle inspections, tourist agencies, etc.**	• Regular contacts • Professional training • Meetings/events	• Product and offer expertise • Keeping up to date with developments in business processes • Keeping up to date with developments in laws and regulations governing the business • Building genuine partnerships	• Ongoing communication • Communication regarding measures and health protection in the context of the • Covid-19 pandemic
Suppliers **(services and materials**	• Tenders • Invitations to participation • Questionnaires • Meetings • Presentations	• Selection of the most appropriate supplier in accordance with the criteria • Environmentally friendly materials • Paperless operation • Digitisation of operations • Payment reliability • Honouring agreements • Delivery of waste disposal certificates • Supporting local economy	• Standing invitations to tender and supplier selections
Shareholders and prospective investors in POSR shares	• The general meeting of shareholders • Regularly through public notifications (SEOnet of the Ljubljana Stock Exchange) • Regularly on the website (www.sava-re.si) • At least once a year in the letter to shareholders • Regularly via email (ir@sava-re.si) • Regularly in individual meetings and through conference calls • Regularly at investment conferences at home and abroad	• Equal access to information • Clear dividend policy and yields • In-depth information on business operations, annual plan and strategic policy • Sustainable operations	• Regular and transparent communication with shareholders and investors, participation in eight events • In 2020, there were 44 public notifications on the SEOnet system.
Regulatory	• Regular and extraordinary reporting to the Insurance Supervision Agency (ISA) and Securities Market Agency (SMA) • Regular and extraordinary reporting to the Competition Protection Agency (CPA)	• Compliance with legislation • Business transparency • Security of policyholders • Compliance	• Consistent tracking of changes in legislations, regulatory measures and recommendations
Credit rating agencies	• Regular annual review of the financial position, operations and business results	• Improved credit rating	• AM Best confirmed the credit rating "A" (stable) • S&P confirmed the credit rating "A" (stable)
Media	• Regularly through press releases • At least once a year at the press conference • Periodically through interviews • Regularly through answers to journalists' questions	• Providing information to the general public • Regular and transparent information on business operations • Strengthening the positive realistic image of the Company/Group • Maintaining regular and positive relationships	• Responsive and timely communication with the media • The Sava Insurance Group had 1520 mentions in the media in 2020 (14% more than in 2019)
Communities	• Direct contact with local decision makers • Support to non-profit organisations through sponsorships and donations • Support for preventive actions • Employee assistance	• Involving the company/employees in local communities and society at large • Co-financing of projects important for the local community • Enhancing security through preventive actions • Infrastructure investments • Awareness raising among the population	• Section "*Sponsorship, donations and preventive actions*" • Section "*Responsibility to the community*"

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13.2 Economic report[94]

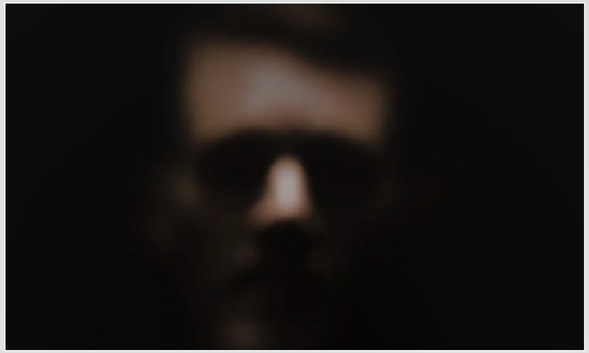
Economic performance defined by the strategic goals in all areas and reported more extensively in the financial part of the report is the key performance indicator for the operations of the Sava Insurance Group. This is achieved through timely risk identification and management. We believe that both financial and non-financial risks have an impact on the economic performance of the company.

Distributed economic value of the Sava Insurance Group, as follows from the table below, amounted to EUR 664.6 million in 2020. It consists of net claims incurred and other insurance expenses, expenses for financial assets, other expenses, operating expenses, dividend payouts, tax expenses, community investments in the form of prevention, donations and sponsorships, payments, benefits and bonuses to employees.

EUR million	Sava Insurance Group					
	2020	2019	2018	2017	2016	Index 2020/2019
Other economic impacts						
Economic value generated*	707.3	620.5	567.3	519.8	516.0	114.0
Economic value distributed	664.6	647.0	560.9	508.8	475.0	102.7
Net claims incurred and other technical expenses	446.0	421.5	344.1	313.6	285.7	105.8
Expenses for financial assets	13.1	6.1	9.6	11.9	8.6	215.0
Other expenses	3.3	4.6	2.9	2.8	2.5	71.6
Operating expenses**	119.9	111.0	102.8	87.7	90.7	108.0
Dividend payouts	0.0	14.7	12.4	12.5	12.4	0.0
Income tax expense	11.4	10.5	12.2	8.8	7.8	107.7
Investments in the social community (prevention, donations, sponsorships)	3.9	4.2	3.8	3.2	3.0	93.4
Employee payments, allowances and benefits	67.0	74.5	73.1	68.4	64.4	90.0
Economic value retained	42.7	-26.6	6.3	11.0	41.0	-160.8

* *Economic value generated = net premium earned plus other technical income plus investment income plus other income*

** *Operating expenses include commissions and other operating costs excluding personnel costs, sponsorships, prevention and donations*



Zavarovalnica Sava's Loneliness project helps people in mental distress.

94 GRI 103-01, 103-02, 103-03,201,01.

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13.2.1 Sponsorship, donations and preventive actions[95]

With the outbreak of the coronavirus pandemic in 2020, our strategic focus on the United Nations' global goal – health and well-being – acquired even greater importance. This new situation also affected our donations.

At the onset of the epidemic, Sava Re made a donation to the Administration of the Republic of Slovenia for Civil Protection and Disaster Relief in the amount of EUR 62,500 in order to help contain further spread and help rectify the consequences.

In the year of the epidemic, Zavarovalnica Sava also participated in a preventive campaign to help the Civil Protection of the Republic of Slovenia. Part of the resources for prevention was intended for the purchase of respirators and other necessary material to prevent the spread of the virus or mitigate the effects of the epidemic.

We provide sponsorships and donations for promotion of a healthy lifestyle and general well-being. We invest in sports and raise awareness of the importance of sports and recreation for healthy life. We contribute to the general well-being also by supporting culture and education programmes and professional associations, and by helping the underprivileged groups in organising their activities.

- Investing in prevention programmes reduces risks. Such programmes have a significant economic and social impact on the insurance industry and are also prescribed by legislation.
- Despite the precarious situation brought about by the global crisis caused by the pandemic, the Group supported the environment to much the same extent as in the previous year. Total resources devoted to environmental protection were only down 8%.

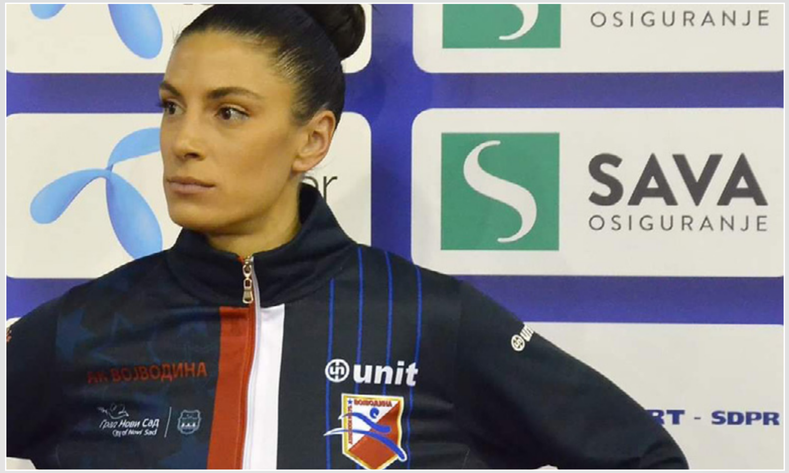
Sponsorships, donations and prevention activities are described in more detail in section *13.3 "Social aspect"*.

95 GRI 201-01, 203-02.

Sponsorships, donations and preventive activities*

EUR	2020	2019	Index
Sponsorships	2,164,519	2,585,221	84
Donations	1,016,860	1,105,307	92
Prevention	701,016	536,257	131
Total giving back to the community	**3,882,395**	**4,226,785**	**92**

** In 2019 and 2020, Zavarovalnica Vita was also taken into account to ensure comparability between the two years.*



Sava Osiguranje, Serbia, is the official sponsor of the Athletics Association of Serbia. Ivana Španović is a Serbian long jumper, the reigning world indoor champion.

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13.2.2 ESG investment guidelines[96]

When investing, the Sava Insurance Group adheres to the ESG principles (ESG – environmental, social, governance) through negative screening. When choosing investments we favour those that comply with the ESG principles, the principles of sustainable developments, responsible investment and similar. Return on investment is an important but not sole criterion, as risk analysis also takes account of the sustainability criterion, which is important in investment decisions. In building our investment portfolio we avoid investing in securities that might have harmful effects of any kind either on people or the environment, or that in any way deviate from the ESG principles. Part of our funds are invested in debt securities issued by international organisations such as the EBRD, the World Bank and the European Investment Bank, as we believe that these organisations invest in environment-friendly projects and promote development in accordance with their environmental and social policies. We also invest in securities issued to fund green, environmental projects (so-called green bonds) and sustainable bonds (sustainability bonds), which are intended to finance green and social sustainability objectives of issuers and are issued primarily by governments and local authorities.

From the end of 2019, investments in green and sustainability bonds, which totalled EUR 25.4 million, increased by EUR 57 million and amounted to EUR 82.4 million at year-end 2020. Exposure increased in almost all sectors, most notably in the sector of supply companies and government and financial institutions. In 2020, the outbreak of the pandemic significantly accelerated the issue of sustainability bonds and the offering of such, which had a favourable effect on the additional selection of ESG bonds available for investments. Common to all of the investments shown in the table below is the fact that the funds collected are used to finance projects and investments meeting certain criteria, such as the ESG standards.

We do not make investments in nuclear energy, net fishing, production or trade in illegal products or services, or in products and services that may (potentially) be harmful to people or the environment. In addition, we no longer invest in military industries, the tobacco industry, adult entertainment or gambling.

The companies that became part of the Sava Insurance Group in 2020 have adopted the guidelines set out above and will take them into account in investment management in the future; however, they are subject to a transitional period, during which they must adjust their processes and investment portfolios.

Compliance with sustainability criteria is particularly emphasised in infrastructure investments, real estate funds, and other alternative investments, since non-compliance with the ESG guidelines constitutes (as a rule) an exclusion criterion when deciding on investments in funds and direct projects. Currently, all alternative investments in the portfolios of the Sava Insurance Group, which are in the form of alternative funds, comply with at least one industry sustainability standard (UN PRI – United Nations Principles of Responsible Investments, GRESB – Global ESG Benchmark for Real Estate, TCFD – Task Force on climate-related Financial Disclosures) and also report in accordance with these standards. Rarely, where this is not the case, we have agreed on exclusion of investments that do not meet our internal ESG criteria. In many cases, these are funds with a favourable impact on the environment and society, as they are focused specifically, e.g. on renewable energy projects, the construction of infrastructure that supports the transition to renewable energy sources, and investments in energy savings. As regards energy savings and the so-called energy entrepreneurship, we have been active in the domestic environment for several years now through the financing of direct projects.

Real estate investments in our portfolios integrate ambitious environmental, social, and governance commitments. The most important goals are to drastically reduce the consumption of energy and water and decrease greenhouse gas emissions, as well as the efficient processing of waste. The managers of these funds have various certificates, including LEED, BREEAM, WELL and HQE. As part of the social goals, the funds strive to strengthen local communities and cities, and the construction of residential real estate takes account of the fact that these buildings are surrounded by green areas for social gatherings and promote healthy living, that real estate users have guaranteed access to social and educational institutions and actively participate in sustainable mobility projects, etc.

In 2021, we plan to continue investing in renewable energy sources and energy efficiency projects as well as sustainable real estate investments. Moreover, we intend to include ESG bonds in the portfolio as much as possible. Under the new legislation entering into force in 2021, we will also comply with the uniform rules regarding the transparency of the integration of sustainability risks into processes and take due account of impacts compromising sustainability when making investment decisions.

The table below lists all of the Group's investments where the ESG guidelines are followed.

Type of investment (EUR)	Uncalled commitment	Called up already	Total	Total investments called up or already made as a % of the Group's total investment portfolio
Infrastructure funds	25,981,109	27,161,550	53,142,659	1.8%
Real estate funds	-	14,500,000	14,500,000	0.9%
Direct infrastructure projects	-	574,482	574,482	0.0%
Private debt funds	6,000,000	0	6,000,000	0.0%
ESG (green & sustainable) bonds	-	82,404,551	82,404,551	5.4%
Bond mutual funds	-	3,494,416	3,494,416	0.2%
Total	**31,981,109**	**128,134,999**	**160,116,108**	**8.3%**

96 GRI 103-01, 103-02,103-03, 203-01.

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13.2.3 Risks and opportunities arising from climate change[97]

Climate change poses a serious risk to society, the economy, and to a large extent also to the work and operations of insurance and reinsurance companies.

Global temperatures are now about 1° C above pre-industrial levels, and without appropriate mitigation strategies put in place, global warming could reach 3° C or more by the end of this century. The harmful effects of global warming on nature and human systems are already visible today, and with no further international climate action, the average global temperature will keep increasing, as will the unpredictability of damage or the risk of natural disasters. It will also result in higher levels of risk in underwriting and thus the need to change business strategies.

Investing in sustainable development and prevention (renewable resources, awareness raising) are the factors that have an important impact on the scope and scale of losses due to natural disasters, whereas our main efforts remain focused on limiting exposure to the industries and sectors that play a big part in adding to environmental burdens.

In 2020, the international reinsurance portfolio saw no significant deviations in claims in connection with natural disasters, despite the earthquakes in Croatia and Turkey. Only one event resulting from a natural disaster exceeded EUR 1 million for the Sava Re net account in 2020.

Zavarovalnica Sava recorded 3 natural disaster claims in excess of EUR 1 million. The number of such claims was higher than in 2019.

Other subsidiaries did not experience 2020 as exceptional in terms of meteorological phenomena and related claims.

13.2.4 Relations with suppliers and the purchasing policy[98]

The Sava Insurance Group companies coordinated and unified the purchasing policy, which provides strategic guidelines and principles governing a transparent procurement process. Internal acts prescribe the inclusion of an anti-corruption clause in all purchase contracts.[99] When ordering, taking over and paying for goods, the principle of four eyes is applied, which ensures a high degree of individual control over the business purchasing process. Sava Re assesses the risk inherent in purchasing on a quarterly basis.[100] The "Rules on the procurement procedure" are accompanied by the "Questionnaire on the sustainability of the company"[101], which is intended for suppliers whose bids are collected through tenders (if the value of goods exceeds EUR 50,000). The completed questionnaire is an important factor in the selection of a supplier, and the first step towards the promotion of sustainability in partner relationships within the procurement process, and was revised in 2020 within the general purchasing conditions. The revised general purchasing conditions also emphasise the concern for the sustainable development of the Company. The revised questionnaire and general purchasing conditions were sent to all Group subsidiaries, with encouragement to adopt and use them. When updating their internal acts governing the business procurement process, the companies in North Macedonia and Montenegro also integrated the mechanisms for monitoring suppliers' sustainability using questionnaires for high value purchases.

Group companies' suppliers are mainly providers of consulting services, IT tool maintenance and upgrading, office supplies, small tools, computer hardware, software and similar, and company cars. Recycled paper was included in Sava Re's stationery supply.

The nature of business and the need to establish long-term partnerships in their own community require all Group companies to cooperate with local suppliers. The local market of an individual Group member represents the total geographical area of the country in which it is registered.[102]

Although some of the purchases are made outside their home country, they are limited (mainly to the goods and services that cannot be sourced in their home country or are offered at non-competitive prices), and in case of producers or service providers from other countries business relationships are established through local agents or representatives. Frequently, looking for suppliers in foreign markets is not reasonable, because companies can make purchases under better conditions and with less risk with domestic suppliers.

The goal of the Group's purchasing policy is also to set up a joint list of suppliers in order to create synergies in the quality of goods, by building trust between partners and securing favourable commercial conditions. The first initiatives are limited to the local markets and strategic suppliers.

The Sava Insurance Group ensures competitiveness and transparency of the selection procedure in relationships with its suppliers by sending requests for proposals to several providers and increasing competencies and responsibilities for decision making regarding the selection of suppliers, depending on the level of the estimated value of the goods. Special attention is

97 GRI 103-01, 103-02, 103-03, 201-02.
98 GRI 102-9, 103-1, 103-2, 103-3, 204-1, 308-1.
99 GRI 205-1.
100 GRI 205-1.
101 GRI 414-1.
102 GRI 204-01.

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paid to the development of quality criteria, mutual cooperation, creation of synergy, and price competitiveness (rebate scales and similar), all of which are considered an appropriate basis on which to assess suppliers.

In terms of procurement, the Company/Group takes into account also a number of other internal acts defining procedures and other instructions. For example: the fleet management policy in the Group, rules on procurement, use and maintenance of company vehicles, systemic procurement procedure in the Sava Insurance Group, rules on company mobile phones and devices, and similar. The "Sava Re rules on procurement, use and maintenance of company vehicles" and the "Sava Re rules on the use of information technology assets" were overhauled in 2020. The "Sava Re rules on the procurement procedure" are also under review.

Sava Re and all Group companies settle their procurement-related liabilities within agreed deadlines.

13.2.5 Financial assistance received from government[103]

The Group companies received no financial aid from the government in 2020

13.2.5.1 Definition of other government incentives
In 2020, Sava Re claimed a reduction in the payment of employer's contributions for pension and disability insurance for offering first employment to persons younger than 26 years of age for indefinite duration, namely for the first two years of employment. The company was entitled to a 50% refund for the first year of employment and up to 30% on the employer's contributions for the second year. The total value of these refunds amounted to EUR 2,175 (2019: EUR 2,025).

We were granted a partial 30% exemption from the payment of employer's contributions for employees who reached the age of 60, and the exemption from the payment of the employer's share of contributions for insurance regarding the employment contracts concluded for an indefinite period. The total value of these refunds amounted to EUR 11,126.

Sava Re also set up a collective voluntary supplementary pension insurance scheme funded by the employer and has a contract in place on the accession to the pension company's pension scheme, registered in the pension scheme register at the Financial Administration of the Republic of Slovenia. Based on these contracts, the Company pays a voluntary supplementary pension insurance premium for those employees who have joined the pension scheme and is thus entitled to a reduced income tax base for the amount of the voluntary supplementary pension insurance premium paid in the tax year for its employees to the pension scheme provider. The total value of this tax relief amounts to EUR 182,754 (2019: EUR 102,416).

In accordance with the legislation on the measures to mitigate and rectify the consequences of Covid-19, Sava Re claimed gross salary refunds in the amount of EUR 3,412 in 2020.

The Group has examined any Covid-19-related impacts on government assistance received. Five companies received state aid totalling EUR 234,468, including exemption from contribution payments, childcare and quarantine subsidies, crisis allowance, and sick leave due to force majeure.

Subsidiaries exercise initiatives or reliefs in accordance with local legislation (employment of the disabled, inclusion of employees in the pension schemes, etc.).

Home office.

103 GRI 201-04.

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4 QUALITY EDUCATION

13.3 Social aspect

13.3.1 Responsibility to employees[104]

The Sava Insurance Group is are aware of its responsibility to employees. The fundamental goal of our sustainable development strategy is for the Group to be recognised by our stakeholders as a socially responsible and attractive employer in the region.

The Group attaches significant importance to the health of employees and an honest and respectful attitude towards them. We invest many efforts in creating a positive and creative atmosphere in our daily routine, which stems from our strategic policies.

In 2020, particular care was given to the health of all employees, which is why the standard work environment was moved to the homes of our employees quickly and efficiently throughout the Group. We drafted a four-phase plan to use in the event of a state of emergency being declared at the state or company levels. The plan was communicated to all employees. We adhere to this plan in all Group companies, thus taking care to ensure the Company's smooth operation and, most importantly, employees are informed in advance of these rules, measures, and instructions in force at the currently announced stage and can take appropriate action in any situation. We also make sure that employees receive weekly updates on epidemic-related changes as they apply to both the competent institutions and the Company.

The slogan #NeverAlone gained additional importance and dimension in the year of the pandemic, together with the awareness of the essence of this message. During the pandemic and the locking down of public life, special attention was paid to the effort to keep employees informed by e-mail, intranet, and at regular virtual department meetings. Satisfaction surveys were conducted to assess employees' satisfaction with the content, method, and frequency of information. The results show that employees are very satisfied with the method, content, and frequency of information, and that they sincerely want continuous communication and relevant information.

Mutual information was supported with a new internal website Covid-19 Info Point, where all the information that employees needed – daily notices, instructions for handling various situations, instructions for safe work from home, frequently asked questions and answers, prescribed forms, telephone numbers of leaders, lists of participants in the crisis headquarters and similar – was collected in one place. The Covid-19 Info Point also serves as an archive of internal communication and public notifications published in advertising campaigns, on the blog, in social media, on our websites, etc.

We are aware that we can achieve our goals only with competent, qualified, experienced and motivated employees. In the Sava Insurance Group we promote development and transfer of knowledge and skills. We create synergies by sharing knowledge and good practices between professional services and companies in the Group. In order to achieve this we organise expert meetings for representatives of all companies at events, meetings, or professional conferences, which serve as an opportunity to exchange knowledge and skills and allows us to inform each other about results and plans. In 2020, we held organised virtual meetings with which we additionally connected and improved mutual relations.

In the Sava Insurance Group we build and promote the culture of innovation. Companies have established formal and informal systems for collecting innovative proposals. At the end of November 2020, Zavarovalnica Sava established a new method of collecting innovative proposal or suggestions for improvement, called "ImproveSava" which replaced the "Register of Continuous Improvements".

All employees can submit, by completing an online form, proposals for improvements or innovations, express their approval or report an inconsistency, deficiency or error. Proposals or reports may relate to business processes, insurance products, compliance of business operations, risks and internal controls, as well as employees and internal relationships.

13.3.2 Employee benefits[105]

All companies offer additional benefits to their employees, within their capabilities, including preventive healthcare, teambuilding, and a motivating and positive working atmosphere, good work-life balance, and general wellbeing in the workplace. We provide a flexible working environment and working hours, as well as financial assistance in the event of personal distress of our employees.

In 2020, we again organised many virtual meetings, despite the epidemic. We had virtual teambuilding event and a New Year's

104 GRI 103-01, 103-02, 103-03.
105 GRI 103-01, 103-02, 201-03.

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social event. The gift-giving event for children was safe and successful despite the epidemic, as all gifts were sent by post.

Every year Sava Re organises four events dedicated to health and recreation, with sports activities or workshops and lectures. Anxious to take care of the health of our employees, we organised testing over the summer period for all those interested in identifying a past Covid-19 infection.

The Slovenia-based companies pay voluntary supplementary pension insurance premium for their employees: Sava Re, Zavarovalnica Sava, Sava Pokojninska, Sava Infond, TBS Team 24 and Vita. The North Macedonian insurers Sava Osiguruvanje and Sava Penzisko also pay into the voluntary pension scheme on behalf of their employees.

Companies offer additional discounts to their employees for health and other insurance as well as a collective accident insurance scheme.

The Sava Insurance Group is aware how important the work-life balance is for its employees. This proved to be extremely important, especially during the epidemic, as we made it easier for employees to maintain a strong work-life balance with fast and active approaches.

Zavarovalnica Sava is the recipient of the full Family-Friendly Company certificate and offers paid absence from work for employees introducing their children into kindergarten or accompanying their child on the first day of school (from the 1st to the 3rd year of elementary school). Sava Re does not hold the certificate, but provides paid leave to employees introducing their children to kindergarten or accompanying them to school on the first day of school.

13.3.3 Responsibility to consumers[106]

Customer satisfaction and customer relations are at the centre of every business decision in the Sava Insurance Group. The activities are therefore directed at offering the best user experience, and these efforts are the main focus of the strategic plan.

We remain true to the promise we made to our clients in 2016 under the slogan #NeverAlone: we are fair, accurate and understandable in our communication with customers.
A start was made in 2020 to set up a catalogue of key performance indicators at the Group level, which will enable continuous monitoring of customer satisfaction in the strategic period.

Due to the pandemic in 2020, a great deal of effort was invested in accelerating achievement of the already set strategic goals:

- ensuring the continuity of services for our customers using new technological solutions (see section *13.1.2.1 "Customer in the Centre of all Processes and digitisation of operations (responsible attitude to consumers)"*,
- while ensuring maximum security (see *section 13.1.2.5 "Cyber security"*).

To manage the process of providing services all companies have in place rules, protocols or instructions that have a pivotal role in ensuring quality and in turn customer satisfaction: for underwriting, claims settlement, instigation of recourse proceedings and complaints resolution, describing the procedures for providing information about insurance products or services where the local legislation so requires.

13.3.4 Client communication and information[107]

The adoption of Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on the distribution of insurance products (hereinafter: IDD directive) introduced significant changes in the development cycle of insurance services, especially in terms of selling insurance products in the insurance market. The IDD directive focuses on insurance distribution from the consumer (policyholders) protection perspective and stresses in particular the central role of insurance and reinsurance intermediaries in the distribution of insurance products. The IDD directive was implemented with the amendment to the ZZavar-1a in early 2019.

An important milestone governing communication of information to clients certainly consists in the European regulation 2019/2088 on sustainability-related disclosures in the financial services sector (already mentioned SFDR), which stipulates that financial market participants and financial advisers who have financial products in their offer must publish written policies on the integration of sustainability risks and ensure the transparency of such integration. According to the Regulation, financial market participants will be required to provide information on investment decisions and their sustainability impacts in pre-contractual disclosures as well as within continuous periodic reporting.

In addition to the already established communication channels, Sava Insurance Group members are successfully adapting to paperless operations through the introduction of renewed self-service points (customer portals), and apart from the collection of data on the distribution of insurance products also the processes of collecting statements and consents regarding electronic business are being introduced to enable the customer to easily and transparently monitor and independently archive the received business communication with the companies.

All subsidiaries post information on their products on their websites, whereas in Serbia customers receive product information prior to signing the policy and confirm this by

106 GRI 103-01, 103-02, 103-03.
107 103-01, 103-02, 417-01.

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signing the so-called pre-contractual notification.

When advertising, customers are properly informed of the products. Product information is always available on official websites together with statutory notifications and related news. In the event of mass losses, Zavarovalnica Sava publishes a notice and provides instructions for policyholders, setting forth the right course of action.

The Covid-19 pandemic also positively affected customer information activities appreciably.

Up until the pandemic, Sava Re paid regular visits to its partners and participated in international conferences. Due to restrictions on travel and socialising, all otherwise regular activities had to move to digital platforms – these have temporarily replaced all other meeting formats and the exchange of knowledge and experience.
2020 saw a lot of epidemic-related communication in the light of health protection measures and the prevention of the spread of the new coronavirus.

Throughout the height of the epidemic, all companies kept their customers well informed, namely of the opening and working time of branches, the measures to contain the spread of the virus in place at the premises intended for customers, the possibilities of remote underwriting, online claim reporting and remote examination, etc. The companies prepared:

- notifications and instructions on behaviour protocol at our points of sale: posters, notifications prominently displayed;
- publication of all relevant information and guidelines on the Company's websites and in social media;
- informing also through blogs and by advising customers on how to act in different situations – how to take out insurance remotely, how to report a loss event, where to find the right information, etc.;
- informing customers about the new modern solutions for remote operations also through advertising campaigns.

13.3.5 Complaint resolution

When handling complaints submitted by policyholders (and other beneficiaries of insurance contracts), individual companies that are insurance or pension companies follow the rules and procedures for resolving complaints that comply with local laws and guidelines of the European Insurance and Occupational Pensions Authority (EIOPA), and the asset management company complies with the guidelines of the European Securities and Markets Authority (ESMA) in addition to the applicable laws and regulations in this field.

In accordance with the corporate governance policy of the Sava Insurance Group, complaints addressed to Sava Re but relating to subsidiaries' operations are recorded at Sava Re. After complaints have been examined, they are submitted to subsidiaries for resolution. The office of the management board and compliance at Sava Re maintains an internal online register of such complaints. Five complaints were recorded in 2020.

All subsidiaries also have in place internal rules, prescribed procedures, and instructions for monitoring and handling complaints in accordance with applicable laws.

13.3.6 Fair business practices[108]

The values and principles of ethical conduct are defined in the "Code of ethics of the Sava Insurance Group" (hereinafter: the "Code of ethics"), which was adopted also by the Group's subsidiaries. The general principles of the Code of ethics represent the basic values of the Sava Insurance Group, which are binding on all our employees and include: fairness and compliance of business operations, transparency, managing conflicts of interest, prevention of money-laundering and financing of terrorism, and prevention of restriction of competition. Employees who are aware of violations of the Code or other binding rules are obliged to report them to the compliance function holder. No violations of the "Code of ethics" were determined in 2020. The compliance officer in the Sava Insurance Group started the renewal of the "Code of Ethics of the Sava Insurance Group" in accordance with the 2020 annual plan.

In the conduct of their business the Group's insurance companies comply with the provisions of the adopted "Insurance code" to ensure business development, a professional underwriting process and business conduct. The (re)insurance companies' operations are grounded in compliance with market principles, market competition based on loyalty and integrity, and insurance economics and business ethics, with the aim of providing customers high-quality (re) insurance protection.

Sava Re has also signed the Slovenian Corporate Integrity Guidelines, committing the Group to creating a work environment grounded in a culture of corporate integrity, zero tolerance for the illegal and unethical conduct of its employees, compliance with legislation, rules and values as well as in the highest ethical standards. Sava Re's reference code is the Corporate Governance Code for Listed Companies adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia on 27 October 2016.

At the end of 2017, Sava Re also adopted a policy on the diversity of the management and supervisory boards of Sava Re d.d., which governs and preserves, inter alia, the gender- and age-balance of all board members.[109] Sava Re has integrated respect for human rights in its operations in accordance with the applicable legislation and follows the proposal for

108 GRI 102-16, 103-1, 103-2, 205-1, 205-3, 419-01.
109 GRI 405-1.

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the national action plan on business and human rights of the Republic of Slovenia. The Company has adopted the rules on prevention and elimination of violence, bullying, harassment and other forms of psychosocial risks in the workplace, including a protocol for recognising and resolving such risks..[110] In 2020, the Company recorded no such cases.

Sava Re follows the principles and guidelines of the rules on the management of conflicts of interest. The rules aim to mitigate the effects of conflicts of interest and manage conflicts of interest that may arise in the performance of the duties and tasks of individuals in the Company, by establishing and implementing procedures and measures to be applied when a conflict of interest arises.[111]

Fraud prevention and detection systems are in place in all Group companies.

In this regard, the Sava Insurance Group continuously updates its system and procedures, in particular by raising awareness, building knowledge, and standards of ethical conduct.

13.3.7 Anti-corruption[112]

In accordance with the provisions of the Slovenian Corporate Integrity Guidelines, the Sava Insurance Group purchasing policy and internal rules of an individual company in the Republic of Slovenia, the anti-corruption clause is incorporated as a mandatory contractual provision in legal relations with contractual partners, along with the general purchasing conditions of individual companies, protection of confidential data and provisions governing the protection of personal data. The Sava Re "Rules on the management of conflicts of interest" prescribe the procedures and rules relating to receiving gifts, entertainment and hospitality.

A detailed and transparent gift policy limits the opportunities for unjustified grievances and distrust in employees' honesty in performing their daily job responsibilities.

The Sava Insurance Group did not record any corruption cases in 2020.[113]

13.3.8 Protection of personal data[114]

The Sava Insurance Group is aware of the growing importance of ensuring the protection of privacy and personal data for customer satisfaction, transparency and clarity of products, and employee satisfaction. In line with its commitments to high ethical standards, it will continue to focus its attention on this field in close connection with the provision of cyber security.

The Sava Insurance Group companies registered in the Republic of Slovenia have in place internal acts that prescribe the procedures and measures for the protection of personal data and define the persons responsible for specific personal databases as well as persons that may process certain personal data due to the nature of their work. The data is properly protected through technical and organisational measures designed to ensure their confidentiality, integrity and availability. The companies subject to these measures also appointed data protection officers (DPOs) responsible for providing advice regarding and supervision over personal data protection.

In 2020, the Court of Justice of the EU passed two major judgments requiring Group companies to align their conduct. The first judgment called for an adjustment of the use of online cookies and the second one for the regulation of relations with US service providers (invalidating the EU Commission's adequacy decision on the EU-US Privacy Shield Framework). Due to the positions consequently adopted by the European Data Protection Board, Group companies will continue taking steps already initiated to ensure the adequacy of personal data transfer to other third countries. Group companies are also closely monitoring the need for action as a result of the UK's exit from the EU.

In 2021 and 2022, personal data protection in the Sava Insurance Group will be subject to a comprehensive review by Sava Re and will be harmonised more intensively. Targeted controls will be standardised to ensure the privacy of Group employees and individual clients is protected. The implementation of data protection impact assessments will engage some of the Group's business support functions, thus ensuring an even higher level of privacy protection of relevant stakeholders, especially when designing new approaches, products, and processes. It will strengthen employee education and training, and the coordination and transfer of best practices within the Group. In order to achieve these goals, it will create the function of data protection officer of the Sava Group as a special support function for Group companies.

13.3.9 Contributions to political parties[115]

In line with the adopted "Code of ethics" and the rules on sponsorship and donations, Sava Re does not finance political parties, nor does any of its subsidiaries.

110 GRI 412-03.
111 GRI 102-16.
112 GRI 103-01. 103-02, 103-03, 205-01.
113 GRI 205-03
114 GRI 103-01, 103-02, 103-03, 205-01, 418-01.
115 GRI 415-01

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13.4 Responsibility to the community

The Sava Insurance Group defines its social responsibility or responsibility to the community in its mission and values. The Group promotes better quality of living and relationships in the Company, which are developed in a responsible, frank, and respectful manner. We are active in relation to our natural and social environment.

The Sava Insurance Group members forge strong ties with the community in which they operate, establishing a partnership with their environment and society. They support their communities through projects with which they help institutions financially or with volunteer work, and thus actively participate in the broader social context.

Having already developed an extensive business network, Group companies can more easily recognise the needs and potentials of local communities.

According to the volume of giving back to the community, including donations, sponsorships, and preventive means, Slovenia-based insurance companies (including the Croatian subsidiary) account for approximately 90%.

Certain members of our Group are the co-founders of the Network for Social Responsibility of Slovenia, members of the Institute for the Development of Social Responsibility and members of the Partnership for National Strategy and Social Responsibility[116].

13.4.1 Sponsorships and donations by substance[117]

The Sava Insurance Group promotes social responsibility and builds its image as a sustainable partner; it operates ethically and gives back to the community, primarily with financial and other assistance in the promotion of healthy life and well-being for all at all ages by supporting sports activities, investing in educational, development and training programmes, humanitarian projects, ecology and health, paying special attention to underprivileged groups. We also support the efforts that drive the growth and development of the economy, especially startups that develop innovative solutions.

116 GRI 102-13.
117 GRI 103-01, 103-02, 103-03, 203-02.

The Mavrovo amateur charity giant slalom, North Macedonia.

Giving back to the community through sponsorship and donations is governed by rules. Sava Re's rules are published on its website.

Sponsorships and donations by substance

Purpose (EUR)	2020	2019	Index	As % of total in 2020	As % of total in 2019
Humanitarian	40,241	33,798	119	1.3%	0.9%
Cultural	77,777	157,925	49	2.4%	4.3%
Sports	2,493,677	2,783,452	90	78.4%	75.4%
Schooling & education & upbringing	70,769	65,060	109	2.2%	1.8%
Scientific	-	3,000	0	0.0%	0.1%
Social security	4,983	14,606	34	0.2%	0.4%
Disability	2,600	10,734	24	0.1%	0.3%
Health	110,806	38,117	291	3.5%	1.0%
Other	380,526	583,836	65	12.0%	15.8%
Total	**3,181,379**	**3,690,528**	**86**	**100.0%**	**100.0%**

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At the onset of the epidemic, Sava Re was made a major donation to the Administration of the Republic of Slovenia for Civil Protection and Disaster Relief in the amount of EUR 62,500 in order to help prevent further spread and address the consequences.

Zavarovalnica Sava as the Group's foremost sponsor promotes a healthy lifestyle, mainly by supporting sports at all levels – from recreation to professional sports. The most important Zavarovalnica Sava's sponsorships and donations in 2020 are:

- **Football:** main sponsor of Maribor Football Club and the Croatian football club Rijeka.
- **Skiing:** main sponsor of Zlata Lisica (Golden Fox).
- **Volleyball:** sponsor of Nova KBM Branik Volleyball Club.
- **Arts:** main sponsor of the biggest Slovenian festival, Ljubljana Festival, and sponsor of Festival Lent.
- **The "Committed to Steps" ("Predani korakom") project**, which combines sponsorship of the Ljubljana Marathon, Male avanture Marina Medaka and a donation to the University Rehabilitation Institute, raises awareness of the importance of a balanced lifestyle.

13.4.2 Preventive action projects[118]

Preventive projects have a significant impact on the insurance industry as they reduce the likelihood of loss events and raise awareness with the general public of the importance of protecting property and health. To this end the insurance companies create special funds for such projects in line with the local legislation.
Such funds are available at Zavarovalnica Sava in Slovenia, Sava Neživotno Osiguranje in the Republic of Serbia, and Sava Osiguranje in Montenegro.

118 RI 203-02, 413-01.

Resources allocated to prevention

EUR	2020	2019	Index
Zavarovalnica Sava	513,550	288,300	178
Sava Neživotno Osiguranje (SRB)	80,703	98,702	82
Sava Osiguranje (MNE)	106,763	149,255	72
Total	**701,016**	**536,257**	**131**

Zavarovalnica Sava's 365 Days to Go! project in cooperation with the Slovenian Automobile Association (AMZS).

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Zavarovalnica Sava's 365 Days to Go! project in cooperation with the Slovenian Automobile Association (AMZS).

Zavarovalnica Sava invests in prevention, mainly in order to prevent fire hazards and increase road safety. At the local and national level, Zavarovalnica Sava supports fire-fighting activities, while its cooperation with the national automobile association AMZS is crucial for better road safety. The two major projects resulting from this collaboration are the "Najboljši za volanom" (Best Driver) aimed at young drivers – raising awareness of the importance of road safety, and the acquisition of practical experience, and the "Še 365 dni!" (365 Days to Go!) project that reminds motorists in the vicinity of schools and kindergartens that schoolchildren are on the road all year round, and not just at the start of the school year when this issue is most often discussed.

In the year of the coronavirus epidemic, Zavarovalnica Sava also participated in a preventive campaign to help the Civil Protection of the Republic of Slovenia. Part of the resources for prevention was intended for the purchase of respirators and other necessary materials to help prevent the spread of the virus and reduce the effects of the epidemic.

The bulk of prevention resources in Serbia is also allocated to fire protection. Montenegrin companies allocate the bulk of these resources to road safety, which Sava Osiguranje (MNE) as the owner of the subsidiary Sava Car established a joint network of ten vehicle inspection centres.

Similarly, subsidiary Sava Station in North Macedonia also has two vehicle inspection centres.

A comprehensive offer of vehicle inspection and registration, with car insurance taken out upon vehicle inspection provided through our subsidiaries, contributes to better road safety.

In 2019, Zavarovalnica Sava launched the "Loneliness" ("Osamljenost") project, an initiative aimed at training the employees at the Contact-Assistance Centre how to respond to calls from people in distress. The importance of this project further increased during the pandemic.

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13.4.3 Corporate volunteerism[119]

The Sava Insurance Group supports corporate volunteerism. Its major volunteer project is the Sava Insurance Group Day. The event was scheduled to be implemented for the tenth time in 2020, but was cancelled due to the outbreak of the Covid-19 pandemic in accordance with the recommendations of the medical profession.

In collaboration with local organisations and associations we invest our efforts in helping less privileged groups and individuals in our society through intergenerational programmes and by assisting in renovations or minor repair and maintenance jobs. We believe that we can significantly help local communities by involving employees in such projects, and at the same time raise awareness of the importance of sustainability and environment protection among our employees. Sava Insurance Group Day is not only about corporate social responsibility, it also promotes social responsibility in each and every employee.

Employees of the Group's Serbia-based company succeeded in afforesting the banks of the Sava River in Belgrade in 2020 just before the outbreak of the pandemic.

Employees in Montenegro managed to carry out two blood donation campaigns in accordance with epidemiological preventive measures.

Instead of the traditional food collection for the "Christmas Dinner for All" project, in which employees donate food for the less privileged in local communities, Zavarovalnica Sava encouraged its employees to remain charitable, even though the project could not be implemented and instead participated in various Slovenian socially responsible projects.

In the future, we will try to promote corporate volunteering differently, despite the changed circumstances and fewer opportunities for social contacts, and will seek new opportunities in cooperation with relevant associations or institutions through the deployment of modern technologies.

13.4.4 Commitments to external initiatives[120]

In the Sava Insurance Group we participate in initiatives promoting ethical conduct and environmentally, socially and economically sustainable business practice. We comply with the fundamental standard of professional business conduct as laid down by the Insurance Code of the Slovenian Insurance Association. We follow the recommendations of the Ljubljana Stock Exchange for listed companies on disclosure of information and have signed the Slovenian Corporate Integrity Guidelines.

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

13.4.5 Membership in associations[121]

Sava Re is active in several professional associations: Slovenian Insurance Association, Slovenian Directors' Association, British-Slovenian Chamber of Commerce, Chamber of Commerce of Dolenjska and Bela Krajina regions, Maritime Law Association of Slovenia, Sors – meeting of insurance and reinsurance companies, Slovenian Institute of Auditors, Slovenian Association of Actuaries, CFA Institute, European Institute of Compliance and Ethics (EISEP).

All subsidiaries are members of relevant associations and proactively contribute to the development of the industry and other social developments.

119 GRI 103-1, 103-2, 103-3, 413-1
120 GRI 102-12.
121 GRI 102-13.

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13.5 Environmental aspect[122]

Concern for the natural environment, environmental issues, climate change and related weather phenomena have a profound impact on the global insurance industry. Environmental problems bring new and unexpected risks in the insurance sector. The Group is aware this requires urgent action in daily operations, both in practice and in strategic terms.

13.5.1 Waste disposal policy[123]

Sava Re has a waste separation system in place which is undergoing ongoing improvements. The Company also strives to reduce waste. We are going paperless, reducing paper consumption and the volume of waste paper (e.g. materials for management bodies are prepared only in electronic format). We cannot yet measure the volume of waste by type, as waste is collected for the entire building, which accommodates a number of other legal entities.

At Zavarovalnica Sava, municipal waste is disposed of separately by type of waste (mixed municipal waste, packaging, paper, glass, and biological waste).

In addition to municipal waste, high volumes of paper are collected by registered waste collectors. The table below provides information on waste paper taken over by utility companies as part of municipal waste collection

Type of waste	2020	2019	2018
20 01 01 Paper and cardboard	54,325	84,445	62,082

In the future, the Company expects that the digitalisation of processes or the transition to paperless operation will lead to even bigger savings and/or a reduction in the volume of waste paper.

Discarded electronic devices are collected by service providers who replace them, or their contractors who service them; if not, they are taken over by registered waste collectors or processors of such waste at the location of Zavarovalnica Sava. In 2020, Zavarovalnica Sava handed over 5,250 kg of discarded IT and other electronic equipment to the authorised waste management services.

Slovenia-based companies separate waste according to the instructions of the local utility company. Non-EU based companies have an electronic waste disposal service provider, and waste separation and removal is provided by public utility companies.

13.5.2 Energy consumption[124]

Energy consumption and energy efficiency is both an environmental and economic concern.

In 2020, the energy audit was performed in Sava Re and a report was drafted with proposals for improving its energy efficiency. On the basis of the findings of the energy audit and the calculation of its carbon footprint, an action plan to improve the Company's carbon footprint was adopted consisting of the following measures: homeworking, the performance of manual energy accounting, training of employees on efficient energy use, measures relating to the fleet and business travel.

The action plan served as the basis for the adoption of the rules governing homeworking, the establishment of regular energy consumption, performance of training for employees, and the replacement of a diesel vehicle from the fleet with a hybrid vehicle.

The Sava Insurance Group remains committed to sustainability also in investing and maintenance of investments. The rationale behind maintaining or replacing investments is always assessed also in terms of energy efficiency.

A more significant investment in reducing energy consumption was moving Zavarovalnica Sava's business premises to the address Tivolska 48, where the two-pipe heating system was replaced during renovation with a four-pipe system, which enables simultaneous heating of cold offices and cooling of warm offices on the south-facing side. To ensure sufficient energy for heating and cooling we had an additional energy-efficient heat pump installed. All connections of business premises to the building' central utilities (water, heating, cooling) are fitted with meters that accurately measure and monitor consumption. A modern central control system has been installed, which enables the optimal regulation of devices and consequently helps to reduce energy consumption.

122 GRI 103-01, 103-02, 103-03.
123 GRI 103-01, 103-02, 103-03, 306-02.
124 GRI 302-01.

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Sava Re wins the Časnik Finance Best Annual Report award for its 2019 annual report in the categories introduction, risk management and corporate governance.

As the largest Group company, Zavarovalnica Sava is gradually upgrading its real estate management with a central control system that is included in renovated and newly-constructed larger locations. The central control system is the basis of energy management, the source of knowledge on consumption, and consequently the management of such aimed at lower consumption and better energy efficiency.

Values of carbon dioxide (CO2) emissions and average fuel consumption were also considered in the purchase of company vehicles. These will continue to play a major role in future purchases. The fleet management application is being upgraded so that fuel consumption data on the basis of which appropriate consumption reduction measures are decided when reporting will be as reliable and accessible as possible.

The company works with providers of electric car-sharing services to employees, thus limiting negative externalities. Lower fuel consumption can be attributed to regular and thorough maintenance of vehicles by verified providers.

In the strategic period 2020–2022, major investments in property management will consist in the provision of a new office building for Zavarovalnica Sava in Maribor, the divestment of the existing energy-intensive office building at Cankarjeva ulica 3, and the sale/refurbishment of the Betnava business premises. When planning a new building, special attention is paid to energy efficiency.

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13 CLIMATE ACTION

13.5.3 Emissions – carbon footprint of the Sava Insurance Group for 2020[125]

The calculation of the carbon footprint for 2020 included five companies of the Sava Insurance Group:

1. SAVA RE,
2. ZAVAROVALNICA SAVA (10 SITES),
3. SAVA POKOJNINSKA,
4. SAVA INFOND AND
5. SAVA PENZISKO DRUŠTVO.

Calculation of the carbon footprint took into account direct emissions due to the use of fossil fuels for the heating of offices and fuel combustion in company-owned vehicles, and indirect emissions from power consumption and professional travel using vehicles not owned by the Company.

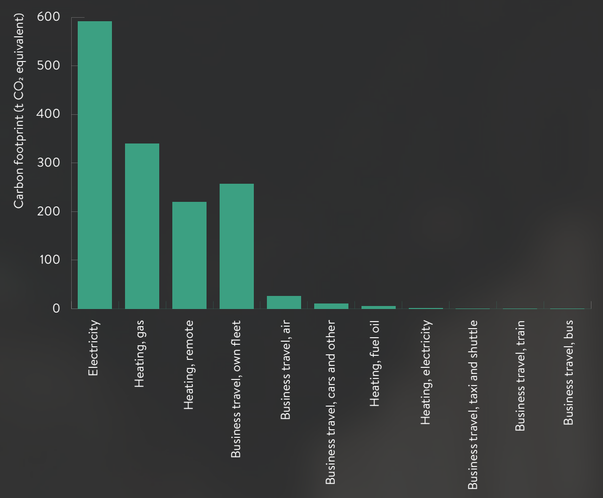
The total carbon footprint in 2020 was 1,454 tonnes of CO_2 equivalent (t CO_2 equivalent). This means 1.5 t of CO_2 equivalent per employee or 59 kg CO_2 equivalent per m^2 of office space.

The largest source of greenhouse gas emissions in 2020 was electricity consumption (41%), followed by heating (39%), while business travel accounted for 20% of emissions in a year marked by restricted movement due to the epidemic.

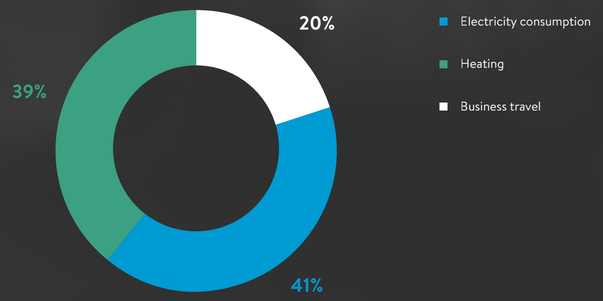
The carbon footprint of Sava Re and Sava Pokojninska was also calculated in 2019. Their total carbon footprint was 50% lower in 2020 compared to the previous year. Average emissions from electricity consumption per employee decreased by 19%, while average emissions from heating per square metre of business premises increased by 9%. As much as 85% lower emissions related to business travel contributed the most to the far lower carbon footprint for 2020. In 2019, they accounted for 60% of the total carbon footprint of Sava Re and Sava Pokojninska, while in 2020 their share shrank to 18%.

Indirectly, the Group reduces emissions through its investment policy and by investing in green projects. In 2020, we supported two energy efficiency projects in the field of lighting in industrial facilities, thus contributing to an additional 783-ton reduction of CO_2 emissions.

Distribution of sources by emission volume in all five companies



Proportions of emissions from heating, electricity consumption, and business travel in the Company's carbon footprint



125 GRI 103-01, 103-02, 103-03, 305-01, 305-02, 305-03.

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13.6 Key sustainable development guidelines and objectives

The Sava Insurance Group adopted a sustainable development strategy for the period 2020–2022, which will be constantly subject to critical assessment in terms of developments in the local and global environment during this strategic period.

Lessons learned from the outbreak of the 2020 pandemic and new experience will need to be evaluated and used as guidance and the basis for strategic decisions on sustainable development.

Plenty of activity can be expected during this period in the preparation and adoption of legislation in line with the European Union's aim to become a climate-neutral region by 2050.

In view of the above, the guidelines and objectives for 2021 are as follows:

- further focus on the United Nations global goal "good health and well-being";
- the introduction of SFDR or Regulation (EU) 2019/2088 into the Group's operations, which will be a multi-annual project that will require the adjusting of decision-making processes;
- further integration of the ESG criteria into decision-making processes and consequently the design and improvement of a system of key performance indicators for individual business areas;
- accelerated monitoring and alignment with the legislation on sustainability and climate change;
- further commitment to the community and promotion of corporate volunteering in the Group, at least within the organisation of the Sava Insurance Group Day.

Sava Insurance Group Day in Belgrade: a tree planting campaign along the Sava River.

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In IT management, we refined the management of development requests, IT architecture, internal controls and risks, and improved the process of controlling IT costs and investments. We continued to include independent expert opinions in more complex professional decisions.

We continue the practice of conducting IT self-audits, the results of which direct us to those areas requiring upgrades and improvements.

As regards human resources, the situation is stable and we do not experience difficulties in attracting new people and external partners, even though this is becoming an increasingly pressing general problem. We have increased the number of formal training sessions provided to employees who need IT services or implement IT processes in their work.

The development of business applications was combined with the maintenance of existing solutions in accordance with the business and regulatory requirements of the companies. We further upgraded IT processes in the managing of changes in software and IT project development. In some Group companies, we completed the implementation of a new IT solution for central IT applications to support asset management at the Group level. The project of replacing the central IT application for life/non-life support is being implemented in two subsidiaries, and the process of selecting a new reinsurance solution is being completed.

With data warehouses and business reporting identified as the key development axis at the Group level we developed an operational strategy. We performed regular maintenance in accordance with business and regulatory requirements and continued to expand the content of the data warehouse with new lines of business.

The infrastructure provided support to operations, improved the system software and hardware infrastructure in accordance with the business plan, and carried out upgrades in line with the amortisation cycle and the requirements supporting ongoing business, and planned IT development projects.

Information security saw an upgrade with the launch of the implementation of 24/7 supervision by the security operations centre for cyber defence in accordance with business requirements, and we started the systematic training of employees on security (e.g. vector of attack through social engineering) and prepared appropriate bases for further upgrades of the security system.

With a view to business continuity, we activated part of the plan and ensured uninterrupted operations during the epidemic, and successfully carried out other preventive tasks.

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Statement of management's responsibility

The management board of Sava Re d.d. hereby approves the financial statements of the Sava Insurance Group and Sava Re for the year ended 31 December 2020, and the accompanying appendices to the financial statements, accounting policies and notes to the financial statements. The management board confirms that the financial statements, including the notes, have been prepared on a going concern basis regarding the operations of the Company and the Group and that they comply with Slovenian law and the International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared using relevant judgements, estimates and assumptions, including actuarial judgements, which apply the methods most suitable to the Company and the Group under given circumstances, based on which we can give the below assurances.

The management board members ensure that to the best of their knowledge:

the financial statements and the accompanying notes have been drawn up in accordance with the reporting principles adopted by the Company and the Group, and give a true and fair view of the assets and liabilities, financial position, profit and loss of the Company and the Group;

the business report includes a fair presentation of the development and results of operations of the Company and the Group, and their financial position, including a description of the significant risks and opportunities that Sava Re and the Sava Insurance Group are exposed to.

Furthermore, the management board is responsible for keeping appropriate records that at all times present, in understandable detail, the financial position of the Company and the Group, for adopting appropriate measures for the protection of property, and for preventing and detecting fraud and other irregularities.

The tax authorities may, at any time within five years of the end of the year in which the tax was assessed, review the operations of the Company, which could result in additional tax obligations, default interest or penalties related to corporate income tax or other taxes or levies. The Company's management board is not aware of any circumstances that may give rise to any such significant liability.

MANAGEMENT BOARD OF SAVE RE
LJUBLJANA, 31 MARCH 2021

Marko Jazbec
Chairman
of the Management Board

Jošt Dolničar
Member
of the Management Board

Peter Skvarča
Member
of the Management Board

Polona Pirš Zupančič
Member
of the Management Board

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Independent Auditors' Report

To the owners of Pozavarovalnica Sava, d.d.

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the accompanying separate financial statements of Pozavarovalnica Sava, d.d. (the "Company") and the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group"), which comprise:

- the separate and consolidated statements of financial position as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

- the separate and consolidated statements of profit or loss;
- the separate and consolidated statements of other comprehensive income;
- the separate and consolidated statements of cash flows;
- the separate and consolidated statements of changes in equity;

and

- notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the unconsolidated and consolidated financial position, respectively, of the Company and the Group as at 31 December 2020, and of their respective unconsolidated and consolidated financial performance and unconsolidated and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS EU").

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TRR: SI56 2900 0000 1851 102

vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 061/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI22437145
matična št.: 5648556

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (OJ L 158, 27.5.2014, p. 77-112 - Regulation EU No 537/2014). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report. We are independent of the Company and the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in Slovenia and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the following key audit matters:

Valuation of mathematical provisions for life insurance and technical provisions for the benefit of life insurance policyholders who bear the investment risk (consolidated financial statements) and incurred but not reported claim provisions for non-life insurance (separate and consolidated financial statements)

In the consolidated financial statements, mathematical provision for life insurance: EUR 465,641,679 and technical provisions for the benefit of life insurance policyholders who bear the investment risk: EUR 409,604,428, total: EUR 875,246,107, as at 31 December 2020 (as at 31 December 2019, mathematical provision for life insurance: EUR 211,877,103, and technical provisions for the benefit of life insurance policyholders who bear the investment risk: EUR 220,613,698, total: EUR 432,490,801).

In the separate financial statements incurred but not reported claim provisions for non-life insurance as at 31 December 2020: EUR 79,366,006 (31 December 2019: EUR 52,433,572) and in consolidated financial statements incurred but not reported provisions as at 31 December 2020: EUR 265,196,911 (31 December 2019: EUR 232,517,209).

We refer to the separate and consolidated financial statements: Notes. 17.4.24., 17.4.25. in 17.4.26. (Accounting policies) and Note 17.7.24 (Financial disclosures).

Key audit matter	*Our response*
In the consolidated financial statements, mathematical provision for life insurance and technical provisions for the benefit of life insurance policyholders who bear the investment risk, and in both separate and consolidated financial statements, incurred but not reported claim provisions for non-life insurance (IBNR provisions), represent a significant share of the Company's and the Group's respective total liabilities.	Our procedures, performed with the support from our own actuarial specialists, included, among others: • Testing design and implementation of selected key controls within the insurance provision measurement process, including those over determination and validation of actuarial assumptions;

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- Evaluating the methodology used in measuring mathematical provision for life insurance, technical provisions for the benefit of life insurance policyholders who bear the investment risk and IBNR provisions against relevant regulatory and financial reporting requirements;

Mathematical provisions for life insurance and technical provisions for the benefit of life insurance policyholders who bear the investment risk

Determination of the adequacy of mathematical provision for life insurance and technical provisions for the benefit of life insurance policyholders who bear the investment risk is associated with significant estimation uncertainty as it involves complex models and actuarial analysis. In case inappropriate models, input data or assumptions are used in the underlying calculations, or in case such models, data or assumptions are inappropriately applied, there is a risk that insufficiency in the recognized amounts of the provisions is not identified.

At each reporting date, the Group is required to perform a liability adequacy test (hereinafter, "LAT") with an aim to determine whether the recognized technical provisions (mathematical provisions for life insurance and technical provisions for the benefit of life insurance policyholders who bear the investment risk represent a major part of insurance liabilities for life insurance) are sufficient. The test is based on the comparison of the Management Board's current estimate of the present value of future cash flows arising from the in-force insurance contracts with the stated amounts of the related provisions. In case the LAT shows that the amounts of technical provisions are insufficient in light of the estimated future cash flows, the entire deficiency is recognized in the profit or loss.

The Group's key assumptions used in the cash flow model include those in respect of: expected expenses, mortality, morbidity and lapse rates and other rates for policyholders to exercise options, investment yields and discount rates used. Relatively insignificant changes in these assumptions can have a significant effect on the amounts of the related estimates due to the long-term nature of the obligations.

Mathematical provisions for life insurance and technical provisions for the benefit of life insurance policyholders who bear the investment risk

- Challenging the Group's current estimates of future cash flows used for LAT purposes by means of:
  - assessing whether key data used in developing LAT assumptions is appropriate (such as historical discount and inflation rate, investment portfolio per reporting date, historical changes in policy status, data on expenses and incurred additional accident riders claims) by tracing them to the underlying Group evidence as well as, where applicable, external market data sources;
  - challenging the key assumptions used in the LAT. Specifically, among other things, we assessed whether the assumptions of mortality, morbidity, lapse rates and expenses as well as the pattern of the policyholders' option exercise were properly set based on the Group's experience studies and, where relevant, expected future changes, and whether the investment yields used were in line with observable market rates;
- assessing reasonableness of the movements in mathematical provisions for life insurance and technical provisions for the benefit of life insurance policyholders who bear the investment risk for the year, starting from the opening value and developing our independent expectation for the items which should result in an increase in the provisions (such as premiums, technical interest rate, profit sharing, yield rate) and those which result in its decrease (claims, expense loadings, risk premium);

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Incurred but not reported claim provisions for non-life insurance

Significant complexity is also associated with estimating IBNR provisions. Several actuarial methods are available for calculating IBNR provisions, which need to be tailored to specific circumstances, based on the Management Board's judgment, in particular in respect of whether and to what extent past loss patterns can be applied in predicting claims reported in the future.

In view of the above-mentioned factors, measurement of the above-mentioned insurance contract liabilities represent an area of significant audit risk which requires our increased attention. As such we consider it to be our key audit matter.

For incurred but nor reported claim provisions for non-life insurance

- Evaluating the IBNR provisions, by means of, among other things, assessment of the actuarial methods applied for selected significant lines of business;
- Assessing whether key data used in developing assumptions for IBNR provisions is appropriate (such as claim occurrence date, claim reporting date, claim payment date and amount of paid claim) by tracing them to the underlying Insurance Company and Group evidence;
- Challenging the key assumptions used in the IBNR provisions calculation. Specifically, among other things, we assessed whether development factors used by the Insurance Company and Group based on our analysis of development factors in the past are appropriate;
- Assessing the reasonableness of IBNR provisions recognized in the past by comparing historical estimates with actual paid claims (run off test);

For all above mentioned provisions

Assessing the Insurance Company's and Group's disclosures in respect of above-mentioned provisions against the requirements of the relevant financial reporting standards.

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Acquisition of subsidiary (consolidated financial statements)

Gain on bargain purchase in 2020: EUR 9,885,159 (2019: EUR 7,486,096).

We refer to the consolidated financial statements: Note 17.4.13 (accounting policies), Note 17.2 (financial disclosures).

Key audit matter	*Our response*

On May 29 2020 the Company completed the acquisition of 100% interest in life insurance company Vita, življenjska zavarovalnica d.d. (Vita).
 	
The Group is required to recognize identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date. Any difference between the consideration paid and net value of fair value assets acquired at the acquisition date is recognized either as goodwill or gain on bargain purchase.
 	
In the purchase price allocation, significant judgements and estimation are required in the determination of fair value of acquired assets and liabilities assumed, including the resulted bargain purchase gain.
 	
We identified the acquisition of Vita as a key audit matter due to the materiality of transaction and significant management judgement required in the determination of bargain purchase gain.
	Our procedures, performed with the support from our own specialists, included, among others:
	
	• examination of the sale and purchase agreement to obtain an understanding of the transaction, including among other things, date of the acquisition, entity being acquired and the transaction consideration;
	• evaluated the appropriateness of fair value determination for assets and liabilities which included among other things:
	  • challenging the fair values derived by reference to quotations in active markets by tracing the recognized fair values of quoted debt and equity securities in the Vita's portfolio to publicly available market quotations;
	  • obtaining external confirmations of quantities of financial instruments owned by Vita from the custodian bank;
	  • with the support of our actuarial specialist:
	  • evaluating the reasonableness of method used in the determination of the fair value of technical provisions by reference to industry practice;
	  • assessing the reasonableness of the movements in the best estimate of technical provisions between the opening and acquisition date considering the changes in portfolio and in assumptions;
	  • challenging the key assumptions used in the estimate of fair value (such as cost of capital, risk adjustments, interest rates) using our knowledge of the market and where appropriate by reference to external market data;

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	• Assessing the disclosures in respect of business combination against the requirements of the relevant financial reporting standards.

Impairment of financial investments in subsidiaries (separate financial statements)

Financial investments in subsidiaries as at 31 December 2020: EUR 304,072,412 (31 December 2019: EUR 237,485,605), related impairment loss recognized in 2020: 2,003,035 (2019: nil).

We refer to the separate financial statements: Note 17.4.13 (accounting policies), Note 17.7.6 (financial disclosures).

Key audit matter	*Our response*

The Company has thirteen subsidiaries that provide services in the fields of insurance, asset management and supporting businesses. In the separate financial statements, these investments are carried at cost less impairment losses, if any. As at each reporting date, Management Board assesses whether indications exist that their carrying amounts might not be recoverable. Indications of impairment may include, among other things, significant operating losses, negative shareholders' equity or financial performance otherwise below the planned levels.
 	
Once impairment indicatorss are identified for an investment, the Management Board estimates its recoverable amount, being the higher of its fair value less costs to sell or the value-in-use, using internal model.
 	
The determination of the recoverable amounts, performed primarily on the basis of discounted cash flow models, involves significant Management Board judgment and estimates, in respect of the model assumptions such as growth rates, discount rates and forecasted net operating profit.
 	
Based on the above-mentioned circumstances, satisfying ourselves in respect of the impairment of investments in subsidiaries required our increased attention in the audit and is considered by us to be a key audit matter.
	Our procedures, performed with the support from our own valuation specialists, included, among others:
	
	• Evaluating the reasonableness of the Company's judgments as to the existence of impairment indicators and consequently the requirement to perform related impairment tests, based on our understanding of the current market conditions and by independently assessing the investees' financial performance based on the analysis of their historical performance against past forecasts;
	
	• For the investments with impairment indicators, evaluating assumptions and judgements applied by the Company to determine the investments' recoverable amounts. Our assessment covered, among others:
	  - challenging the discount rate used in the model, which we estimated independently by reference to publicly available external sources;
	  - evaluating the reasonableness of the Management Board's model estimates, such as. growth rate and forecasted net operating profit. This included, but was not limited to, inspecting the subsidiaries' financial statements, making corroborating inquiries of the Company's directors regarding the subsidiaries' financial performance and analysing their actual performance against past forecasts;

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- Evaluating the accuracy and completeness of the Company's disclosures regarding the key assumptions and judgements applied while assessing the recoverable amounts of the investments in subsidiaries.

Other Information

Management is responsible for the other information. The other information comprises the "Business Report of the Sava Insurance Group and Sava Re" and "Appendices" included in the Annual Report but does not include the separate and consolidated financial statements and our auditor's report thereon. Other information was obtained prior to the date of this auditors' report, except for the Report of the Supervisory Board, which will be available after that date.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report, we considered whether it includes the disclosures required by the Company's Act dated 4 May 2006 (official gazette of Republic of Slovenia No. 42/2006 with amendments - hereafter referred to as "the applicable legal requirements"). Based solely on the work required to be undertaken in the course of the audit of the separate and consolidated financial statements and the procedures above, in our opinion, in all material respects:

- the information given in the Business Report for the financial year for which the separate and consolidated financial statements are prepared, is consistent with the separate and consolidated financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the entity and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in other information that we obtained prior to the date of this auditors' report. We have nothing to report in this respect.

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Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of separate and consolidated financial statements that give a true and fair view in accordance with the IFRS EU, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Regulation (EU) No 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs and Regulation (EU) No 537/2014, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial

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statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholders of the Company on the shareholders meeting dated 21 May 2019 to audit the Company's and the Group's respective separate and consolidated financial statements for the year ended 31 December 2020. Our total uninterrupted period of engagement is two years.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 31 March 2021;
- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of Regulation (EU) No 537/2014. We also remained independent of the Company and the Group in conducting the audit.

For the period to which our statutory audit relates, in addition to the audit and services, which are disclosed in the Management Report or in the separate and consolidated financial statements, we have not provided any other services to the Company or the Group.

On behalf of audit firm

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Metka Sedej, FCCA
Certified Auditor

Nevenka Kržan
Certified Auditor
Director

Ljubljana, 31 March 2021

KPMG Slovenija, d.o.o.

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Independent Auditor's Reasonable Assurance Report on the Compliance of Zavarovalna skupina Sava's Digital Statements with the Delegated Act on European Single Electronic Format (ESEF) Based on the European Commission Delegated Regulation no 2019/815

To the owners of Pozavarovalnica Sava, d.d.

We have undertaken a reasonable assurance engagement of the format and iXBRL tagging of consolidated financial statements included in the files 549300P6F1BDSFSW5T72-2020-12-31.zip with hashcode FMfygmw+GnHobQ8= (hereafter the "digital statements") prepared by Pozavarovalnica Sava, d.d. (the Company) and its subsidiaries (collectively the Group).

Responsibility of Management and Those Charged with Governance

Management of the Company is responsible for preparing the digital statements that comply with the ESEF. This responsibility includes:

- the preparation of the digital statements in a valid XHTML format;
- the selection and application of appropriate iXBRL tags using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the ESEF.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the format as well as electronic tagging of digital statements comply in all material respects with the requirements of ESEF for 2020 based on the evidence we have obtained. We conducted our assurance engagement in accordance with International Assurance Standard 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in the ESEF, whether due to fraud or error.

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TRR: SI56 2900 0000 1851 102
vpis v sodni register: Okrožno sodišče v Ljubljani
št. reg. vl.: 06/12062100
osnovni kapital: 54.892,00 EUR
ID za DDV: SI00437145
matična št.: 5648556

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Our Independence and quality control

We have complied with the independence and ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of Work performed

A reasonable assurance engagement includes, among others:

- obtaining an understanding of the tagging and the ESEF, including of internal control over the tagging process relevant to the engagement;
- obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over tagging process when the assessment of the risks of material misstatement include an expectation that such internal controls are operating effectively or procedures other than testing controls cannot alone provide sufficient appropriate evidence;
- reconciling the tagged data with the audited consolidated financial statements of the Group dated 31 March 2021;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the Group's use of iXBRL elements selected from ESSEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the digital statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

Our opinion has been formed on the basis of, and is subject to, the matters outlined in this report.

In our opinion, the format and electronic tagging of the digital statements of the Group included in the electronic file 549300P6F1BDSFSW5T72-2020-12-31.zip as at and for the year ended 31 December 2020 comply, in all material respects, with the ESEF.

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Other Matter

In this report we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements of the Company. We do not provide any assurance about other information published together with the digital statements either. Our audit opinion relating to the consolidated financial statements of the Group as at and for the year ended 31 December 2020 is set out in our Independent Auditor's Report dated 31 March 2021.

On behalf of the audit company

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Metka Sedej, FCCA
Certified Auditor

Nevenka Krzan
Certified Auditor
Director

Ljubljana, 31 March 2021

KPMG Slovenija, d.o.o.

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16 Financial statements

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16.1 Statement of financial position

		Sava Insurance Group		Sava Re	
EUR	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
ASSETS		2,467,251,303	1,885,953,003	756,640,585	735,585,561
Intangible assets	1	**64,278,611**	**61,060,069**	**1,947,056**	**1,294,110**
Property, plant and equipment	2	**48,336,491**	**47,615,710**	**2,356,848**	**2,507,611**
Right-of-use assets	3	**8,648,594**	**9,974,252**	**89,258**	**115,400**
Deferred tax assets	4	**4,924,819**	**2,044,124**	**3,487,337**	**1,141,098**
Investment property	5	**16,121,079**	**16,695,132**	**8,031,875**	**8,142,714**
Financial investments in subsidiaries and associates	6	**15,056,143**	**581,104**	**319,097,412**	**238,177,654**
Financial investments:	7	**1,430,149,336**	**1,064,874,239**	**269,537,788**	**296,096,594**
- Loans and deposits		31,796,178	53,363,639	12,228,804	32,047,969
- Held to maturity		43,679,425	41,586,644	2,816,598	2,075,784
- Available for sale		1,327,264,062	943,663,578	246,840,118	255,270,080
- At fair value through profit or loss		27,409,671	26,260,378	7,652,268	6,702,761
Assets held for the benefit of policyholders who bear the investment risk	8	**411,224,812**	**213,159,889**	**0**	**0**
Reinsurers' share of technical provisions	9	**42,609,217**	**38,620,539**	**31,935,116**	**31,159,308**
Investment contract assets	10	**158,765,028**	**151,197,102**	**0**	**0**
Receivables	11	**153,871,498**	**159,413,917**	**86,753,033**	**97,024,000**
Receivables arising out of primary insurance business		135,285,588	139,954,356	79,662,908	89,537,760
Receivables arising out of reinsurance and co-insurance business		6,054,576	6,734,564	4,461,167	4,214,830
Current tax assets		529,831	3,002,507	325,472	2,802,044
Other receivables		12,001,503	9,722,490	2,303,486	469,366
Deferred acquisition costs	12	**24,278,003**	**23,500,521**	**5,837,477**	**6,554,598**
Other assets	13	**4,240,414**	**2,841,516**	**487,239**	**441,253**
Cash and cash equivalents	14	**83,458,594**	**93,804,031**	**27,080,146**	**52,931,222**
Non-current assets held for sale	15	**1,288,664**	**570,858**	**0**	**0**

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

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		Sava Insurance Group		Sava Re	
EUR	Note	31 December 2020	31 December 2019	31 December 2020	31 December 2019
EQUITY AND LIABILITIES		2,467,251,303	1,885,953,003	756,640,585	735,585,561
Shareholders' equity		**460,214,488**	**384,776,847**	**333,869,060**	**343,920,689**
Share capital	16	71,856,376	71,856,376	71,856,376	71,856,376
Capital reserves	17	43,035,948	43,035,948	54,239,757	54,239,757
Profit reserves	18	202,285,580	202,170,501	202,818,558	202,818,558
Own shares	19	-24,938,709	-24,938,709	-24,938,709	-24,938,709
Fair value reserve	20	40,173,090	20,718,610	6,039,787	5,217,524
Reserve due to fair value revaluation		964,485	924,038	46,586	21,376
Retained earnings	21	73,413,529	42,128,483	34,797,321	14,517,789
Net profit or loss for the period	21	56,197,540	31,546,718	-10,990,617	20,188,017
Translation reserve		-3,266,013	-3,168,414	0	0
Equity attributable to owners of the controlling company		**459,721,826**	**384,273,551**	**333,869,060**	**343,920,689**
Non-controlling interests in equity	**22**	**492,662**	**503,296**	**0**	**0**
Subordinated liabilities	**23**	**74,804,974**	**74,822,710**	**74,804,974**	**74,822,710**
Technical provisions	**24**	**1,233,312,054**	**933,952,709**	**297,882,871**	**261,338,591**
Unearned premiums		210,614,842	207,895,397	57,411,109	54,588,057
Technical provisions for life insurance business		465,641,679	211,877,103	0	0
Provision for outstanding claims		547,764,679	502,914,277	238,990,653	205,064,638
Other technical provisions		9,290,854	11,265,932	1,481,109	1,685,896
Technical provisions for the benefit of life insurance policyholders who bear the investment risk	**24**	**409,604,428**	**220,613,698**	**0**	**0**
Other provisions	**25**	**9,287,735**	**8,705,469**	**424,345**	**466,901**
Deferred tax liabilities	**4**	**14,901,575**	**5,294,664**	**76,227**	**76,227**
Investment contract liabilities	**10**	**158,596,453**	**151,040,643**	**0**	**0**
Other financial liabilities		**470,937**	**355,908**	**0**	**87,504**
Liabilities from operating activities	**26**	**58,412,273**	**61,290,549**	**45,389,434**	**51,086,602**
Liabilities from primary insurance business		46,269,833	50,356,998	40,565,890	44,373,937
Liabilities from reinsurance and co-insurance business		6,837,159	9,300,437	4,823,544	6,712,665
Current income tax liabilities		5,305,281	1,633,114	0	0
Lease liability	**27**	**8,255,225**	**10,448,915**	**87,834**	**115,491**
Other liabilities	**28**	**39,391,161**	**34,650,891**	**4,105,840**	**3,670,845**

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

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16.2 Income statement[126]

		Sava Insurance Group		Sava Re	
EUR	**Note**	**1–12/2020**	**1–12/2019**	**1–12/2020**	**1–12/2019**
Net premiums earned	**30**	**635,361,568**	**548,040,035**	**157,398,793**	**137,446,312**
Gross premiums written		679,749,305	598,526,157	191,683,253	166,528,931
Written premiums ceded to reinsurers and co-insurers		-41,050,900	-36,146,607	-29,817,808	-26,361,308
Change in gross unearned premiums		-2,216,711	-19,266,582	-2,823,052	-7,440,552
Change in unearned premiums, reinsurers' and co-insurers' shares		-1,120,126	4,927,067	-1,643,599	4,719,241
Income from investments in subsidiaries and associates	**31**	**142,088**	**2,717,909**	**2,589,986**	**36,947,895**
Profit from investments in equity-accounted associate companies		142,088	0	0	0
Other income from investments in subsidiaries and associates		0	2,717,909	2,589,986	36,947,895
Investment income	**32**	**26,449,203**	**20,273,977**	**6,064,021**	**7,075,808**
Interest income		16,151,438	14,016,424	3,047,007	3,463,383
Other investment income		10,297,765	6,257,553	3,017,014	3,612,425
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	**32**	**23,043,525**	**23,278,584**	**0**	**0**
Other technical income	**33**	**14,544,056**	**12,736,452**	**4,554,918**	**3,785,460**
Commission income		5,899,388	4,291,946	4,140,292	3,063,492
Other technical income		8,644,668	8,444,506	414,625	721,968
Other income	**33**	**30,895,868**	**27,693,576**	**860,650**	**804,538**
Net claims incurred	**34**	**-426,695,412**	**-399,191,460**	**-115,737,981**	**-94,118,562**
Gross claims payments, net of income from recourse receivables		-399,532,382	-392,032,235	-90,303,006	-86,983,721
Reinsurers' and co-insurers' shares		5,199,171	10,559,367	6,071,633	6,938,323
Change in the gross provision for outstanding claims		-36,154,019	-23,869,642	-33,926,015	-19,076,010
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares		3,791,818	6,151,050	2,419,407	5,002,847
Change in other technical provisions	**35**	**40,613,572**	**46,506,883**	**209,214**	**-777,682**
Change in technical provisions for policyholders who bear the investment risk	**35**	**-35,479,642**	**-12,825,182**	**0**	**0**
Expenses for bonuses and rebates		**-103,253**	**227,917**	**-4,427**	**128,731**
Operating expenses	**36**	**-203,216,146**	**-186,955,234**	**-54,637,288**	**-50,458,512**
Acquisition costs		-74,410,866	-65,793,677	-40,497,640	-35,723,768
Change in deferred acquisition costs		1,561,215	2,908,414	-717,122	-1,267,334
Other operating expenses		-130,366,495	-124,069,971	-13,422,527	-13,467,410
Expenses for investments in associates and impairment losses on goodwill	**32**	**-2,096,868**	**-54,721**	**-2,570,083**	**0**
Impairment loss on goodwill		-2,096,868	0	-2,570,083	0
Loss arising out of investments in equity-accounted associate		0	-54,721	0	0
Expenses for financial assets and liabilities	**32**	**-13,122,281**	**-1,707,664**	**-8,801,803**	**-892,197**
Impairment losses on financial assets not at fair value through profit or loss		-1,099,794	0	-429,356	0
Interest expense		-3,152,597	-682,017	-2,895,938	-495,157
Other investment expenses		-8,869,890	-1,025,647	-5,476,509	-397,040
Other technical expenses	**33**	**-19,324,402**	**-15,435,751**	**-3,213,645**	**-425,566**
Other expenses	**33**	**-3,265,162**	**-4,561,305**	**-242,087**	**-289,185**
Profit or loss before tax		**67,746,714**	**60,744,016**	**-13,529,732**	**39,227,041**
Income tax expense	**37**	**-11,360,415**	**-10,549,428**	**2,539,116**	**-645,328**
Net profit or loss for the period		**56,386,299**	**50,194,588**	**-10,990,617**	**38,581,713**
Net profit or loss attributable to owners of the controlling company		**56,222,528**	**49,977,170**	**-**	**-**
Net profit or loss attributable to non-controlling interests		**163,771**	**217,418**	**-**	**-**
Earnings per share (basic and diluted)	**21**	**3.63**	**3.22**	**-**	**-**

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16.3 Statement of other comprehensive income

	Sava Insurance Group		Sava Re	
EUR	**1–12/2020**	**1–12/2019**	**1–12/2020**	**1–12/2019**
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	**56,386,299**	**50,194,588**	**-10,990,617**	**38,581,713**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**19,396,797**	**9,394,773**	**847,474**	**2,500,748**
a) Items that will not be reclassified subsequently to profit or loss	**40,447**	**87,291**	**25,210**	**-19,396**
Other items that will not be reclassified subsequently to profit or loss	-66,465	100,688	25,210	-19,396
Tax on items that will not be reclassified subsequently to profit or loss	106,912	-13,397	0	0
b) Items that may be reclassified subsequently to profit or loss	**19,356,350**	**9,307,482**	**822,263**	**2,520,144**
Net gains/losses on remeasuring available-for-sale financial assets	**24,016,152**	**10,875,034**	**1,015,139**	**3,111,290**
Net change recognised in the fair value reserve	26,263,079	11,354,363	1,015,139	3,253,554
Net change transferred from fair value reserve to profit or loss	-2,246,927	-479,329	0	-142,264
Tax on items that may be reclassified subsequently to profit or loss	**-4,561,530**	**-1,769,074**	**-192,875**	**-591,146**
Net gains or losses from translation of financial statements of non-domestic companies	**-98,272**	**201,522**	**0**	**0**
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**75,783,096**	**59,589,361**	**-10,143,143**	**41,082,461**
Attributable to owners of the controlling company	**75,619,856**	**59,370,524**	**-**	**-**
Attributable to non-controlling interests	**163,240**	**218,837**	**-**	**-**

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16.4 Cash flow statement

		Sava Insurance Group		Sava Re	
EUR	**Note**	**1–12/2020**	**1–12/2019**	**1–12/2020**	**1–12/2019**
A. Cash flows from operating activities					
a) Items of the income statement		**38,982,263**	**26,517,146**	**-6,678,632**	**-2,903,317**
Net profit or loss for the period		56,386,299	50,194,588	-10,990,617	38,581,713
Adjustments for:		-17,404,036	-23,677,442	4,311,984	-41,485,029
2. Realised gains or losses on the disposal of property, plant and equipment assets		-113,648	-179,575	-42,933	16,100
3. Gains or losses of equity-accounted subsidiary	32	-142,088	54,721	0	0
4. Impairment loss on intangible assets and goodwill		1,529,820	0	0	0
5. Other financial expenses/income		-49,139,873	-43,168,016	-1,278,377	-41,273,154
6. Depreciation/amortisation		10,188,394	7,984,822	727,645	713,664
7. Income tax expense		11,360,415	10,549,428	-2,539,116	645,328
8. Net exchange differences		8,912,944	1,081,178	7,444,766	-1,586,968
b.) Changes in net operating assets (receivables for premiums, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position		**23,534,827**	**-57,570,976**	**39,939,759**	**8,943,303**
1. Change in receivables from primary insurance	11	4,668,768	-13,420,595	9,874,852	-7,019,125
2. Change in receivables from reinsurance	11	679,988	-898,766	-246,337	627,449
3. Change in other receivables from (re)insurance business		-292,456	351,279	0	0
4. Change in other receivables and other assets		-4,521,630	-6,564,775	939,519	-794,182
6. Change in inventories	13	-24,663	-34,504	0	0
7. Change in liabilities arising out of primary insurance	26	-4,087,165	6,078,484	-3,808,048	334,808
8. Change in liabilities arising out of reinsurance business	26	-2,463,278	3,124,405	-1,889,121	3,563,271
9. Change in other operating liabilities		3,672,167	4,843,248	0	314,179
10. Change in other liabilities (except unearned premiums)		4,740,270	-2,070,153	434,995	-297,494
11. Change in technical provisions		30,565,108	-37,060,778	35,768,472	17,443,424
- change in unearned premiums		3,336,837	14,339,515	4,466,651	2,721,310
- change in provision for outstanding claims		32,362,201	-17,718,592	31,506,608	14,073,163
- change in other technical provisions		-2,223,677	-270,982	-204,787	648,951
- change in mathematical provision		-38,389,895	-46,235,901	0	0
- change in mathematical provision for policyholders who bear the investment risk		35,479,642	12,825,182	0	0
12. Tax expense		-9,402,282	-11,918,821	-1,134,573	-5,229,028
c) Net cash from/used in operating activities (a + b)		**62,517,090**	**-31,053,830**	**33,261,127**	**6,039,986**

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		Sava Insurance Group		Sava Re	
EUR	**Note**	**1–12/2020**	**1–12/2019**	**1–12/2020**	**1–12/2019**
B. Cash flows from investing activities					
a) Cash receipts from investing activities		**445,230,153**	**472,776,934**	**136,350,835**	**154,665,296**
1. Interest received from investing activities	32	16,151,438	14,016,424	3,572,404	3,463,383
2. Cash receipts from dividends and participation in the profit of others	32	1,173,588	1,623,033	2,823,567	41,835,889
3. Proceeds from sale of intangible assets		155,228	140,191	0	0
4. Proceeds from sale of property, plant and equipment assets		328,102	363,166	42,933	58,347
5. Proceeds from disposal of financial investments		427,421,797	456,634,120	129,911,930	109,307,678
b) Cash disbursements in investing activities		**-524,976,502**	**-472,210,012**	**-192,507,029**	**-177,470,764**
1. Purchase of intangible assets		-6,899,448	-3,233,676	-894,747	-691,749
2. Purchase of property, plant and equipment		-5,858,451	-7,852,849	-169,566	-151,295
3. Purchase of long-term financial investments		-512,218,603	-461,123,487	-191,442,716	-176,627,720
3.1. Purchase of subsidiary companies		-83,489,797	-31,537,763	-83,489,797	-28,815,090
3.2. Other disbursements to acquire financial investments		-428,728,806	-429,585,724	-107,952,919	-147,812,631
c) Net cash from/used in investing activities (a + b)		**-79,746,349**	**566,922**	**-56,156,194**	**-22,805,468**
C. Cash flows from financing activities					
a) Cash receipts from financing activities		**0**	**74,327,980**	**0**	**74,327,980**
2. Proceeds from long-term borrowing		0	74,327,980	0	74,327,980
b) Cash disbursements in financing activities		**-6,015,569**	**-17,401,201**	**-2,956,007**	**-15,282,728**
1. Interest paid	32	-3,152,597	-682,017	-2,889,555	-495,157
3. Repayment of long-term financial liabilities		-2,689,097	-1,731,215	-66,452	-64,760
5. Dividends and other profit participations paid		-173,875	-14,987,969	0	-14,722,811
c) Net cash from/used in financing activities (a + b)		**-6,015,569**	**56,926,779**	**-2,956,007**	**59,045,252**
C2. Closing balance of cash and cash equivalents		**83,458,594**	**93,804,031**	**27,080,146**	**52,931,222**
x) Net increase or decrease in cash and cash equivalents for the period (Ac + Bc + Cc)		**-23,244,828**	**26,439,871**	**-25,851,075**	**42,279,770**
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

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16.5 Statement of changes in equity for 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	19,454,480	40,447	0	56,222,528	0	-97,599	75,619,856	163,240	75,783,096
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	56,222,528	0	0	56,222,528	163,771	56,386,299
b) Other comprehensive income	0	0	0	0	0	0	19,454,480	40,447	0	0	0	-97,599	19,397,328	-531	19,396,797
Transactions with owners – payouts	*0*	*0*	*87,282*	*0*	*0*	*27,797*	*0*	*0*	*-90,092*	*-24,987*	*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	87,282	0	0	27,797	0	0	-90,092	-24,987	0	0	0	0	0
Movements within equity	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*31,375,138*	*-31,546,718*	*0*	*0*	*-171,580*	*0*	-171,580
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	-171,580	0	0	0	-171,580	0	-171,580
Closing balance in the financial period	71,856,376	43,035,948	11,950,493	24,938,709	11,225,068	154,171,310	40,173,090	964,485	73,413,529	56,197,540	-24,938,709	-3,266,013	459,721,826	492,662	460,214,488

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 (12 + 13)
			Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other						
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	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	822,263	25,210	0	-10,990,617	0	-10,143,143
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	-10,990,617	0	-10,990,617
b) Other comprehensive income	0	0	0	0	0	0	822,263	25,210	0	0	0	847,474
Movements within equity	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*20,279,531*	*-20,188,017*	*0*	91,515
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	91,515	0	0	91,515
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	152,893,325	6,039,788	46,586	34,797,320	-10,990,617	-24,938,709	333,869,060

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16.6 Statement of changes in equity for 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**	**9,105,553**	**87,291**	**0**	**49,977,170**	**0**	**200,510**	**59,370,524**	**218,837**	**59,589,361**
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	49,977,170	0	0	49,977,170	217,418	50,194,588
b) Other comprehensive income	0	0	0	0	0	0	9,105,553	87,291	0	0	0	200,510	9,393,354	1,419	9,394,773
Transactions with owners – payouts	***0***	***0***	***159,202***	***0***	***0***	***18,404,385***	***0***	***0***	***-14,855,947***	***-18,430,451***	***0***	***0***	***-14,722,811***	***-265,158***	**-14,987,969**
Dividend distributions (accounted)	0	0	0	0	0	0	0	0	-14,722,811	0	0	0	-14,722,811	-265,158	**-14,987,969**
Allocation of net profit to profit reserve	0	0	159,202	0	0	18,404,385	0	0	-133,136	-18,430,451	0	0	0	0	**0**
Movements within equity	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***0***	***21,843,940***	***-21,843,940***	***0***	***0***	***0***	***0***	**0**
Transfer of profit	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**21,843,940**	**-21,843,940**	**0**	**0**	**0**	**0**	**0**
Closing balance in the financial period	**71,856,376**	**43,035,948**	**11,863,211**	**24,938,709**	**11,225,068**	**154,143,513**	**20,718,610**	**924,038**	**42,128,483**	**31,546,718**	**-24,938,709**	**-3,168,414**	**384,273,551**	**503,296**	**384,776,847**

Sava Re

EUR	I. Share capital	II. Capital reserves	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 (12+13)
			Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other						
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	**71,856,376**	**54,239,757**	**14,986,525**	**24,938,709**	**10,000,000**	**134,499,629**	**2,697,381**	**40,772**	**8,306,851**	**20,933,748**	**-24,938,709**	**317,561,040**
Opening balance in the financial period	**71,856,376**	**54,239,757**	**14,986,525**	**24,938,709**	**10,000,000**	**134,499,629**	**2,697,381**	**40,772**	**8,306,851**	**20,933,748**	**-24,938,709**	**317,561,040**
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**2,520,144**	**-19,396**	**0**	**38,581,713**	**0**	**41,082,461**
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	38,581,713	0	**38,581,713**
b) Other comprehensive income	0	0	0	0	0	0	2,520,144	-19,396	0	0	0	**2,500,748**
Transactions with owners – payouts	***0***	***0***	***0***	***0***	***0***	***18,393,696***	***0***	***0***	***-14,722,811***	***-18,393,696***	***0***	**-14,722,811**
Dividend distributions (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**	**152,893,325**	**5,217,524**	**21,376**	**14,517,789**	**20,188,017**	**-24,938,709**	**343,920,689**

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17.1 Basic details

Reporting company

Sava Re d.d. (hereinafter also the Company) is the parent of the Sava Insurance Group (hereinafter also the Group). The Company was established under the Foundations of the Life and Non-Life Insurance System Act, and was entered in the company register kept by the Ljubljana Basic Court, Ljubljana Unit (now Ljubljana District Court), on 10 December 1990. Its legal predecessor, Pozavarovalna Skupnost Sava, was established in 1977.

Business address of the controlling company	Dunajska cesta 56, Ljubljana, Slovenia
Name of reporting entity	Pozavarovalnica Sava, d.d. (Sava Reinsurance Company d.d., Sava Re d.d.)
Legal form of entity	delniška družba (public limited company)
Domicile of entity	Slovenia
Address of entity's registered office	Dunajska cesta 56, Ljubljana, Slovenia
Country of incorporation	Slovenia
Principal place of business	Dunajska cesta 56, Ljubljana, Slovenia
Description of nature of entity's operations and principal activities	reinsurance
Name of parent entity	Pozavarovalnica Sava, d.d. (Sava Reinsurance Company d.d., Sava Re d.d.)
Name of ultimate parent of group	Pozavarovalnica Sava, d.d. (Sava Reinsurance Company d.d., Sava Re d.d.)
Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period	no changes in 2020
Description of nature of financial statements	IFRS
Date of end of reporting period	31 December 2020
Period covered by financial statements	1 January 2020 – 31 December 2020
Description of presentation currency	euro
Level of rounding used in financial statements	rounded to the nearest whole number

The Group transacts reinsurance business (15% of operating revenues), non-life insurance business (61% of operating revenues), life insurance business (21% of operating revenues), pension business (1% of operating revenues) and other non-insurance business (2% of operating revenues).[127]

In 2020, the Group employed on average 2,707 people (2019: 2,570 employees) on a full-time equivalent basis. As at 31 December 2020, the total number of employees on a full-time equivalent basis was 2,691 (31 December 2019: 2,723 employees). Statistics on employees in regular employment by various criteria are given in section *10 "Human resources management".*

In the 2020 financial year, the Company employed on average 117 people (2019: 113 employees) on a full-time equivalent basis. As at 31 December 2020, the total number of employees on a full-time equivalent basis was 119 (31 December 2019: 115 employees). Statistics on employees in regular employment by various criteria are given in section *10 "Human resources management".*

The bodies of the Company are the general meeting, the supervisory board and the management board.

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Educational profile of employees

	Sava Insurance Group		Sava Re	
	2020	2019	2020	2019
Primary or lower secondary education	7	10	0	0
Secondary education	1,127	1,204	13	13
Higher education	286	287	4	4
University education	1,133	1,084	79	76
Master's degree and doctorate	138	138	23	22
Total	**2,691**	**2,723**	**119**	**115**

The largest shareholder of the Company is Slovenian Sovereign Holding, with a 17.7% stake. The second-largest shareholder is Intercapital securities Ltd. (custodial account) with a 14.4% stake, and the third-largest the Republic of Slovenia, with a 13.9% stake. The table "Ten largest shareholders and the list of holders of qualified holdings pursuant to the Takeovers Act as at 31 December 2020" (section *3.2 "General information on the share"*) is followed by an additional note on the share of voting rights in Sava Re (section *3.2 "General information on the share"*).

It is the responsibility of the Company's management board to prepare the annual report and authorise it for issue to the supervisory board. The audited annual report is then approved by the Company's supervisory board. If the annual report is not approved by the supervisory board, or if the management board and supervisory board leave the decision about its approval (authorisation for issue) to the general meeting of shareholders, the general meeting decides also on the approval (authorisation for issue) of the annual report.

The general meeting has the power to amend the annual report after it has been approved by the Company's management board; however, it must be re-audited by the external auditor within two weeks after its approval by the general meeting.

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17.2 Business combinations and overview of Group companies[128]

The following tables show the fair values of the net assets and liabilities of the acquiree Vita acquired in the business combination.

Company acquired in 2020

EUR	Vita
	31 May 2020
Intangible assets	748,673
Property, plant and equipment	136,926
Right-of-use assets	796,712
Financial investments	370,015,850
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	12,899,391
Other assets	103,957
A. Total assets	**540,254,752**
Technical provisions	299,823,160
Technical provisions for the benefit of life insurance policyholders who bear the investment risk	154,409,933
Other provisions	274,062
Deferred tax liabilities	4,031,799
Liabilities from operating activities and other liabilities	5,040,842
B. Total liabilities	**463,579,796**
Fair value of net assets acquired (A - B)	76,674,956
Gain on bargain purchase	9,885,159
Market value of investment as at 31 May 2020	**66,789,797**

EUR	Vita
Acquisition of stake	-66,789,797
Net cash and cash equivalents acquired in the business combination	12,899,391
Net cash relating to the business combination	**-53,890,406**

Having met all suspensive conditions of the sales and purchase agreement of 27 December 2019, Sava Re finalised the acquisition of a 100% stake in the company Vita on 29 May 2020. Through the acquisition the Group increased its share of the Slovenian insurance market. The Group also strengthened its partnerships with banks and developed the bancassurance sales channel, which are also important strategic objectives.

The described transaction represents a business combination, included in the financial statements using the acquisition method. The first-time consolidation of the insurance company Vita was on 31 May 2020. On that date, all the acquired assets and liabilities of the insurer were valued at their fair value. The fair value of property, plant and equipment, and intangible assets was determined using the cost method less any accumulated depreciation/amortisation, that of financial instruments at market price (stock exchange price at the acquisition date). The valuation of technical provisions under Solvency II, which takes account of portfolio movements and assumptions used, does not deviate from the amount of technical provisions reported in the original financial statements of Vita as at 31 May 2020 and is a reasonable approximation of fair value. Other assets and liabilities have been taken into account at their carrying amounts reported in the original statements of Vita as at 31 May 2020 as they represent a reasonable approximation of fair value. Held-to-maturity financial assets that were held at amortised costs in the original accounts of the acquiree, have been revaluated to fair value. The value of EUR 3,503,437 was determined based on the stock market price on day of the acquisition. In respect of this value, deferred tax of EUR 665,653 was recognised.

The gain on the bargain purchase determined upon the acquisition of Vita totalled EUR 9.9 million. This gain resulted from the difference between the purchase price and the net value of the assets acquired in the acquisition. The purchase price was arrived at using the residual income method and taking into account the agreed changes in the distribution agreement between the acquiree and the seller, which affected the projected income and expenses of the acquiree. In addition, we applied prudence in the valuation when making projections for returns and for the value of the investment portfolio due to potential fluctuations in capital markets. The gain on the bargain purchase is included in the "other income" item of the income statement and discussed under note 33.

Receivables of EUR 828,062 comprise gross receivables of EUR 1,034,384, of which EUR 206,322 will likely remain uncollectible. On the acquisition date, the Company verified if there were any contingent liabilities. As none were found, none were recognised.

If Vita had been part of the Group since 1 January 2020, total revenues and net profit for 2020 would have totalled EUR EUR 607,661,535 and EUR 66,632,857, respectively. The net profit for 2020 generated by Vita contributed EUR 5,355,956 to the consolidated result of the Group. Vita contributed EUR 13,749,077 to the Group's other comprehensive income as at 31 December 2020.

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Companies acquired in 2019

EUR	ERGO Osiguranje	ERGO Životno Osiguranje	Sava Infond	Total
	31 March 2019	31 March 2019	30 June 2019	
Intangible assets	3,219	288	9,103,026	9,106,533
Property, plant and equipment	184,537	10,802	377,326	572,666
Deferred tax assets	0	0	16,653	16,653
Investment property	0	0	427,000	427,000
Financial investments	19,899,944	6,559,870	1,749,066	28,208,880
Assets held for the benefit of policyholders who bear the investment risk	0	1,380,266	0	1,380,266
Reinsurers' share of technical provisions	316,703	0	0	316,703
Receivables	1,420,993	1,416	579,413	2,001,822
Cash and cash equivalents	666,336	289,003	5,331,720	6,287,058
Other assets	760,525	20,333	79,522	860,380
A. Total assets	**23,252,257**	**8,261,976**	**17,663,728**	**49,177,961**
Technical provisions	14,834,022	2,252,948	0	17,086,970
Technical provisions for the benefit of life insurance policyholders who bear the investment risk	0	1,380,266	0	1,380,266
Other provisions	0	0	184,417	184,417
Deferred tax liabilities	126,938	32,925	1,216,000	1,375,863
Other financial liabilities	31,828	0	0	31,828
Liabilities from operating activities and other liabilities	1,509,314	194,437	500,332	2,204,083
B. Total liabilities	**16,502,102**	**3,860,575**	**1,900,749**	**22,263,426**
Fair value of net assets acquired (A - B)	6,750,155	4,401,401	15,762,979	26,914,535
Gain on bargain purchase	4,917,425	2,568,671	0	7,486,096
Goodwill	0	0	15,000,085	15,000,085
Market value of investment	**1,832,729**	**1,832,729**	**30,763,064**	**34,428,523**

EUR	ERGO Osiguranje	ERGO Životno Osiguranje	Sava Infond	Total
Acquisition of stake	-1,832,729	-1,832,729	-30,763,064	-34,428,523
Revaluation of stake	0	0	2,717,909	2,717,909
Net cash and cash equivalents acquired in the business combination	666,336	289,003	5,331,720	6,287,058
Net cash relating to the business combination	**-1,166,394**	**-1,543,727**	**-22,713,435**	**-25,423,555**

Goodwill arisen on the acquisition of Sava Infond of EUR 20,184,085 was temporarily allocated to goodwill because the company did not have sufficient information. In 2020, based on the estimated value goodwill was partly allocated to contractual relationships with customers (EUR 6,400,000). Upon allocation to intangible assets (contractual relationships with customers), deferred tax liabilities were recognised in the amount of EUR 1,216,000. The amortisation charge for the half-year period in 2019 was EUR 320,000 (deferred tax liability of EUR 60,800), and the amortisation charge for the full year 2020 totalled EUR 640,000 EUR (deferred tax liability of EUR 121,600). The goodwill recognised in respect of Sava Infond was EUR 15,000,085 as at 31 December 2020.

If the newly acquired companies had been part of the Group since 1 January 2019, total revenues and net profit for the 2019 would have totalled EUR 661,344,862 and EUR 49,801,767, respectively.

The tables below show individual items of the statement of financial position and the income statement based on the separate financial statements of subsidiaries and associates prepared in accordance with IFRSs, together with the parent company's share of voting rights.

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Subsidiaries as at 31 December 2020

EUR	Activity	Registered office	Assets	Liabilities	Equity as at 31 December 2020	Profit or loss for 2020	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,168,961,531	953,866,901	215,094,630	48,896,888	411,105,687	100.00%
Sava Neživotno Osiguranje (SRB)	insurance	Serbia	36,061,002	23,936,704	12,124,298	1,437,546	20,887,677	100.00%
Illyria (RKS)	insurance	Kosovo	20,903,204	16,888,896	4,014,308	601,381	10,317,800	100.00%
Sava Osiguruvanje (North Macedonia)	insurance	North Macedonia	23,939,241	17,289,728	6,649,513	540,674	13,359,917	92.57%
Sava Osiguranje (MNE)	insurance	Montenegro	28,401,936	19,170,286	9,231,650	1,759,863	12,586,721	100.00%
Illyria Life (RKS)	insurance	Kosovo	13,331,228	8,308,964	5,022,264	222,061	2,810,737	100.00%
Sava Životno Osiguranje (SRB)	insurance	Serbia	12,401,450	8,087,629	4,313,821	58,374	4,258,165	100.00%
S Estate (RKS)	currently none	Kosovo	5,936	1	5,935	-180	0	100.00%
Sava Car (MNE)	technical research and analysis	Montenegro	1,889,492	1,127,872	761,620	131,164	937,501	100.00%
ZS Svetovanje (SVN)	consulting and marketing of insurances of the person	Slovenia	208,622	78,438	130,184	33,388	984,656	100.00%
Ornatus KC (SVN)	ZS call centre	Slovenia	38,788	21,464	17,324	-8,218	245,644	100.00%
Sava Agent (MNE)	insurance agency	Montenegro	2,329,781	2,106,432	223,349	13,694	692,736	100.00%
Sava Station (MKD)	technical research and analysis	North Macedonia	213,839	45,565	168,274	-124,876	145,051	92.57%
Sava Pokojninska (SVN)	pension fund	Slovenia	178,693,978	170,235,570	8,458,408	499,727	5,497,393	100.00%
TBS Team 24 (SVN)	organisation of assistance services and customer service	Slovenia	1,930,012	1,361,300	568,712	518,743	9,330,446	75.00%
Sava Penzisko Društvo (MKD)	pension fund management	North Macedonia	11,197,072	941,405	10,255,667	1,580,100	4,183,466	100.00%
SO Poslovno Savjetovanje	business consulting	Croatia	4,950,507	11,568	4,938,939	278,801	419,484	100.00%
Sava Infond (SVN)	investment fund asset management	Slovenia	7,726,945	952,520	6,774,425	1,522,399	7,821,419	100.00%
Vita (SVN)	insurance	Slovenia	602,675,399	509,798,885	92,876,515	8,671,328	102,077,036	100.00%

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Subsidiaries as at 31 December 2019

EUR	Activity	Registered office	Assets	Liabilities	Equity as at 31 December 2019	Profit or loss for 2019	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,151,013,238	989,712,523	161,300,721	38,477,269	406,794,650	100.00%
Sava Neživotno Osiguranje (SRB)	insurance	Serbia	35,827,022	24,661,962	11,165,060	1,079,603	21,359,763	100.00%
Illyria (RKS)	insurance	Kosovo	17,090,978	15,461,175	1,629,803	-2,267,470	9,008,400	100.00%
Sava Osiguruvanje (North Macedonia)	insurance	North Macedonia	22,759,709	16,639,706	6,120,003	201,857	13,257,606	92.57%
Sava Osiguranje (MNE)	insurance	Montenegro	26,477,686	18,817,413	7,660,273	1,233,918	13,161,749	100.00%
Illyria Life (RKS)	insurance	Kosovo	12,096,206	7,156,573	4,939,633	290,251	2,665,076	100.00%
Sava Životno Osiguranje (SRB)	insurance	Serbia	9,856,010	6,086,828	3,769,182	16,199	3,305,436	100.00%
S Estate (RKS)	currently none	Kosovo	5,995	0	5,995	4,495	-1,790,246	100.00%
Sava Car (MNE)	technical research and analysis	Montenegro	1,273,315	639,518	633,797	67,068	865,761	100.00%
ZS Svetovanje (SVN)	consulting and marketing of insurances of the person	Slovenia	177,510	80,714	96,796	18,766	1,039,177	100.00%
Ornatus KC (SVN)	ZS call centre	Slovenia	45,128	19,587	25,541	4,005	225,177	100.00%
Sava Agent (MNE)	insurance agency	Montenegro	2,147,456	1,935,017	212,439	90,717	721,647	100.00%
Sava Station (MKD)	technical research and analysis	North Macedonia	316,420	22,408	294,012	-25,952	142,209	92.57%
Sava Pokojninska (SVN)	pension fund	Slovenia	168,050,634	160,206,689	7,843,945	735,098	5,597,283	100.00%
TBS Team 24 (SVN)	organisation of assistance services and customer service	Slovenia	2,589,010	1,748,579	840,431	858,888	12,396,440	75.00%
Sava Penzisko Društvo (MKD)	pension fund management	North Macedonia	9,831,537	387,168	9,444,369	1,343,277	3,937,856	100.00%
SO Poslovno Savjetovanje	business consulting	Croatia	5,211,179	223,237	4,987,942	-1,704,333	9,054,758	100.00%
SŽO Poslovno Savjetovanje	business consulting	Croatia	4,424,245	74,243	4,350,002	-163,547	498,879	100.00%
Sava Infond (SVN)	investment fund asset management	Slovenia	7,303,758	861,705	6,442,053	1,359,735	7,391,228	100.00%

Overview of companies with minority interests

EUR	Sava Osiguruvanje (North Macedonia)		Sava Station		TBS Team 24	
	2020	2019	2020	2019	2020	2019
Non-controlling interest as % of equity	7.43%	7.43%	7.43%	7.43%	25%	25%
Proportion of non-controlling interest voting rights, in %	7.43%	7.43%	7.43%	7.43%	25%	25%
Statement of profit or loss and other comprehensive income						
Income	13,359,917	13,257,606	145,051	142,209	9,330,446	12,396,440
Net profit for the year	540,674	201,857	-124,876	-25,952	518,743	858,888
- Of non-controlling interest	40,172	14,998	-9,278	-1,928	129,686	214,722
Other comprehensive income	-12,297	22,906	-424	264	37	0
- Of non-controlling interest	-914	1,702	-32	20	9	0
Total comprehensive income	528,377	224,763	-125,300	-25,688	518,780	858,888
- Of non-controlling interest	39,258	16,700	-9,310	-1,909	129,695	214,722
Dividends to non-controlling interests	0	0	0	0	173,875	265,158
Statement of financial position						
Assets	23,939,241	22,759,709	213,839	316,420	1,930,012	2,589,010
Liabilities	17,289,728	16,639,706	45,565	22,408	1,361,300	1,748,579
Shareholders' equity	6,649,513	6,120,003	168,274	294,012	568,712	840,431

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17.3 Consolidation principles

The parent company prepared both separate and consolidated financial statements as at 31 December 2020. The consolidated financial statements include Sava Re as the parent and all its subsidiaries, i.e. companies in which Sava Re holds, directly or indirectly, more than half of the voting rights and has the power to control their financial and operating policies so as to obtain benefits from their activities.

The Group's consolidated financial statements also include associate companies in which the members of the Sava Insurance Group (parent and subsidiaries) hold, directly or indirectly, between 20% and 50% of all voting rights. If they hold less than 20%, they can still have significant influence, provided such influence can be demonstrated.

All subsidiaries in the Sava Insurance Group are fully consolidated. Interests in associates and joint ventures are accounted for in the consolidated financial statements using the equity method.

The financial year of the Group is the same as the calendar year.

Subsidiaries are fully consolidated as of the date of obtaining control and are deconsolidated as of the date that such control is lost.

At the time of an entity's first consolidation, its assets and liabilities are measured at fair value. Goodwill is measured as the excess of the fair value of the consideration effectively transferred over the net amount of the acquirer's (controlling company's) interest in the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is measured at cost less any impairment losses.

When acquiring a non-controlling interest in a subsidiary (when the Group already holds a controlling interest), the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The Group recognises any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid directly in equity, and attributes it to the owners of the parent. The difference between cost and the carrying amount of the non-controlling interest is accounted for in equity under capital reserves.

Profits earned and losses made by subsidiaries are included in the Group's income statement. Intra-Group transactions (receivables and liabilities, expenses and income between the consolidated companies) have been eliminated.

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17.4 Significant accounting policies

Significant accounting policies applied in the preparation of the consolidated and separate financial statements are set out below. In 2020, the Group applied the same accounting policies as in 2019. As for the implementation of IFRS 9, the Group applied the temporary exemption until the adoption of IFRS 17 "Insurance contracts". For more information, see section *17.5 "Standards and interpretations issued but not yet effective, and new standards and interpretations".*

17.4.1 Statement of compliance

The consolidated and separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and interpretations of the International Financial Reporting Interpretations Committee's (IFRIC), as adopted by the European Union. They have also been prepared in accordance with applicable Slovenian legislation (the Companies Act, ZGD-1). The "Sava Insurance Group financial control rules" lay down accounting policies that must be followed by subsidiaries when reporting for consolidation purposes. The "Rules on accounting and accounting policies of Sava Re d.d." set down in detail the accounting policies of the Company.

Interested parties can obtain information on the financial condition and results of operations of the Sava Insurance Group by consulting the annual report. Annual reports are available on Sava Re's website and at its registered office.

In selecting and applying accounting policies, as well as in preparing the financial statements, the management board of the parent company aims at providing understandable, relevant, reliable and comparable accounting information.

The financial statements have been prepared based on the going-concern assumption.

The Company's management board approved the audited financial statements on 31 March 2021.

17.4.2 Measurement bases

The financial statements have been prepared on the historic cost basis, except for financial assets measured at fair value through profit or loss, and available-for-sale financial assets, which are measured at fair value. Assets of policyholders who bear the investment risk are also measured at fair value.

17.4.3 Presentation currency, translation of transactions and items

The financial statements are presented in euros (EUR) without cents. The euro is the functional and presentation currency of the Group companies. Due to rounding, figures in tables may not add up to the totals.

Assets and liabilities as at 31 December 2020 denominated in foreign currencies have been translated into euros using the mid-rates of the European Central Bank (hereinafter: "ECB") as at 31 December 2020. Amounts in the income statements have been translated using the average exchange rate. As at 31 December 2019 and 31 December 2020, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-monetary items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve. Since equity items in the statement of financial position as at 31 December 2020 are translated using the exchange rates of the ECB on that day and since interim movements are translated using the average exchange rates of the ECB, any differences arising therefrom are disclosed in the equity item translation reserve.

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17.4.4 Use of major accounting estimates, sources of uncertainty

Assumptions and other sources of uncertainty relate to estimates that require management to make complex, subjective and comprehensive judgements. Areas that involve significant management judgement are presented below.

- The need for impairment of goodwill is assessed using the accounting policy under section *17.4.7 "Goodwill"* and note 1.
- Criteria for impairment of investments in subsidiaries and associates are determined using the accounting policy under section *17.4.13 "Financial investments in subsidiaries and associates"* and under note 6.
- Deferred tax assets are recognised if Group entities plan to realise a profit in their medium-term projections. For details, see section *17.4.11 "Deferred tax assets and liabilities"* and note 4.
- Receivables are impaired based on the accounting policy set out in section *17.4.17 "Receivables"*. Any recognised impairment loss is shown in note 11.
- Financial investments: Classification, recognition, measurement and derecognition, investment impairment and fair value measurement, are made based on the accounting policy set out in section *17.4.14 "Financial investments and assets held for the benefit of policyholders who bear the investment risk"*. Movements in investments and their classification are shown in note 7, whereas the associated income and expenses, and impairment losses are shown in note 32.
- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in sections 17.4.24–26. Movements in these provisions are shown in note 24.
- Due to the delayed receipt of reinsurance accounts, estimates are used for recognising technical items. Estimates relate to amounts in reinsurance contracts, which, according to contractual due dates, have already accrued, although the Company has yet to receive reinsurance accounts. These items include: premiums, claims, commissions, unearned premiums, claims provisions and deferred acquisition costs.

17.4.5 Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash flow statement has been prepared as the sum of all cash flows of all Group companies less any inter-Group cash flows. Cash flows from operating activities have been prepared based on data from the 2020 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities are shown based on actual disbursements. Items relating to changes in net operating assets are shown in net amounts.

17.4.6 Intangible assets

Intangible assets, except goodwill, are stated at cost, including any expenses directly attributable to preparing them for their intended use, less accumulated amortisation and any impairment losses. Amortisation is calculated for each item separately, on a straight-line basis, except for goodwill, which is not amortised. Intangible assets are first amortised upon their availability for use.

Intangible assets include computer software, licences pertaining to computer software (with useful life assumed to be five years). In case of recognition of a specific intangible asset with a longer useful life (customer list or contractual customer relationships), the useful life is defined in a separate valuation report.

17.4.7 Goodwill

Goodwill arises on the acquisition of subsidiaries. In acquisitions, goodwill relates to the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the excess is negative (negative goodwill), it is recognised directly in the income statement. The recoverable amount of the cash-generating unit so calculated is compared against its carrying amount, including goodwill belonging to such unit. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and value in use.

A cash-generating unit consists of an individual company. Movement in goodwill is discussed in detail in note 1 of section *17.7 "Notes to the financial statements – statement of financial position"*.

Goodwill of associate companies is included in their carrying amount. Any impairment losses on goodwill of associate companies are treated as impairment losses on investments in associate companies.

Section *17.7 "Notes to the financial statements – statement of financial position"*, note 1, sets out the main assumptions for cash flow projections used in the calculation of value in use in accordance with the "Rules on accounting and accounting policies of Sava Re d.d."

17.4.8 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost, including cost directly attributable to the acquisition of the asset. Subsequently, the cost model is applied: assets are carried at cost, less accumulated depreciation and any impairment losses.

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Items of property, plant and equipment are first depreciated upon their availability for use. Depreciation is calculated for each item separately, on a straight-line basis. Depreciation rates are determined so as to allow the cost of property, plant and equipment assets to be allocated over their estimated useful lives.

Depreciation rates of property, plant and equipment assets

Depreciation group	Rate
Land	0.0%
Buildings	1.3–2.0%
Transportation means	15.5–20.0%
Computer equipment	33.33%
Office and other furniture	10.0–12.5%
Other equipment	6.7–20.0%

An assessment is made annually to determine whether there is any indication of impairment. If any such indication exists, an estimate of the recoverable amount of the asset is made. The recoverable amount is the higher of the value in use and fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired. Value in use is assessed in terms of a cash-generating unit, with a company as a whole constituting a cash-generating unit.

Gains and losses on the disposal of items of property, plant and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property, plant and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property, plant and equipment assets that increase future economic benefits are recognised in their carrying amount.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.9 Right-of-use assets

As of 1 January 2019, assets include right-of-use assets at the present value of future lease payments due to the implementation of the new standard IFRS 16 and the recognition of lease liability. Right-of-use assets are amortised through value adjustments in the amount equalling depreciation calculated based on the lease term. Lease liability is increased by interest expense calculated on the lease liability and decreased by lease payments made. Right-of-use assets and lease liability are recognised in net amount, excluding taxes. Group companies recognise payments for short-term and low-value leases as an expense.

As of 1 January 2019, the Group companies recognise right-of-use assets relating to long-term leases (more than one year) in excess of EUR 5,000 and lease liability. The value of the right-of-use asset comprises the amount of the initial measurement of the lease liability, initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. All lease contracts have been reviewed, examining the right to control the use of an identified asset for a definite period. The lease term is either set in the contract or estimated, if the lease contract is entered into for an indefinite period or has an extension option. The right-of-use assets are calculated as discounted future cash flows of the lease payments over the lease term. Lease liability is also recognised. The applied discount rate consists of the incremental borrowing rate and takes into account the company's credit rating and lease term, and country risk for Group companies outside Slovenia. Upon the occurrence of a significant event that has an impact on the lease, the lease term and the value of the asset are reassessed.

The cost model is applied, where the right-of-use asset is measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liability using a revised discount rate. Upon the initial application of the standard the Group companies used the modified approach.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.10 Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, its sale must be highly probable and it must be available for immediate sale in its present condition. There must be a commitment to sell the asset and the sale should be completed within one year. Such assets are measured at the lower of the assets' carrying amount or fair value less costs to sell, and are not depreciated.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.11 Deferred tax assets and liabilities

Deferred tax assets and liabilities are amounts of income taxes expected to be recoverable or payable, respectively, in future periods depending on taxable temporary differences. Temporary differences are differences between the carrying

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amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax assets are established for temporary non-deductible impairments of portfolio investments. Deferred tax assets are additionally established for impairment losses on receivables, unused tax losses and for provisions for employees. Deferred tax liabilities are recognised for catastrophe equalisation reserves transferred from technical provisions to profit reserves (as at 1 January 2007), which were tax-deductible when set aside (prior to 1 January 2007).

Deferred tax assets and liabilities are established also for the part of value adjustments recorded under fair value reserve. Deferred tax assets and liabilities are also accounted for actuarial gains or losses arising on the calculation of provisions for severance pay upon retirement. This is because actuarial gains and losses, and the related deferred tax assets or liabilities, affect comprehensive income.

A Group company sets off deferred tax assets and liabilities, provided that the criteria have been satisfied. The Group does not set off deferred tax assets and liabilities in its consolidated financial statements.

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In 2020, such deferred tax assets were recognised.

In 2020, deferred tax assets and liabilities were accounted for using tax rates that the management believes will be used to tax the differences. The tax rate applicable for most Group companies (Slovenia) is 19% (2019: 19%), and 9–18% for other companies.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.12 Investment property

Investment property comprises assets not used directly for carrying out business activities but held to earn rent or to realise capital gains at disposal. Investment property is accounted for using the cost model and straight-line depreciation. Investment property is depreciated at the rate of 1.3–2.0%. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Group companies act as lessors are cancellable operating leases. Lease payments (rentals) received are recognised as income on a straight-line basis over the lease term. A cash-generating unit consists of an individual property. An assessment is made annually as to whether there is an indication of impairment of investment property. If any such indication exists, an estimate of the recoverable amount of the asset is made. The recoverable amount is the higher of the value in use and the net selling price less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Group companies measure the fair value of investment property using fair value models.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.13 Financial investments in subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at fair value. Subsequently, the Company measures them using the cost model less any impairment losses. Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

Subsidiaries are entities in which the Company holds more than 50% of voting rights and which the Company controls, i.e. has the power to control their financial and operating policies so as to obtain benefits from their activities. Associates are entities in which the Company holds between 20% and 50% of voting rights or over which the Company has significant influence.

Impairment testing in Group companies and associates is carried out at least on an annual basis. Pursuant to IAS 36, the controlling company, when reviewing whether there are indications that an asset may be impaired, considers external (changes in market or legal environment, interest rates, elements of the discount rate, capitalisation) as well as internal sources of information (business volume, manner of use of asset, actual versus budgeted performance results, decline in expected cash flows and such like).

If impairment is necessary, an impairment test is carried out for each individual investment by calculating the recoverable amount of the cash-generating unit based on the value in use. Cash flow projections used in these calculations are based on the business plans approved by the management for the period until and including 2025. The discount rate used is based on market rates adjusted to reflect company-specific risks. The recoverable amount of each cash-generating unit so calculated was compared to its carrying amount.

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Key assumptions used in cash flow projections with calculations of the value in use

Discounted cash flow projections are based on the Group companies' business plans covering a 5-year period (strategic business plans for individual companies for the period 2021–2025).

Growth in premiums earned by insurance companies reflects the growth expected in their insurance markets, as well as the characteristics of their portfolios (a small proportion of non-motor business). In all their markets, insurance penetration is relatively low. However, insurance penetration is expected to increase due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Social inflation is also expected to rise, i.e. claims made against insurance companies are expected to become more frequent and higher. Costs are expected to lag slightly behind premiums owing to expected business process optimisation in subsidiaries. Business process optimisation will thus contribute to the growth in net profits.

Growth in pension companies' revenues is due to increased contributions to pension funds as a result of demographic trends, at relatively fixed operating costs, which may lead to greater profitability.

The discount rate is determined as the cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the risk-free interest rate and equity premium, as well as prospects for the relevant business. Added is a country risk premium and a size premium.

The discount factors used in 2020 ranged from 6.7% to 11.7%.

The residual value after the projection period was calculated based on a long-term growth rate ranging from 0% to 2%. For Slovenia-based companies, other than the pension company, this growth rate is based on the average risk-free rate of return totalling 0%; for other markets, including the Slovenian pension company, it totals 2% and is based on the expected long-term industry growth rate in these markets, or industries in these markets.

Assessments as to whether there is any indication of impairment of investments in subsidiaries are made using the same model as for goodwill. For more information on the assumptions, see section *17.4.7 "Goodwill"* of the financial statements with notes.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.14 Financial investments and assets held for the benefit of policyholders who bear the investment risk

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.14.1 Classification

Financial assets are classified into the following categories:

Financial assets at fair value through profit or loss

This category consists of the following two sub-categories:

- financial assets held for trading, and
- financial assets designated as at fair value through profit or loss.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realising gains in the short term. Financial assets designated as at fair value through profit or loss comprise subordinated financial assets, primarily because they provide the issuer with the option of early redemption, and assets held for the benefit of policyholders who bear the investment risk.

Held-to-maturity financial assets

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturities that the Group companies have the intention and ability to hold to maturity.

Loans and receivables (deposits)

This category includes loans and bank deposits with fixed or determinable payments that are not traded in any active market, and deposits with cedants. Under some reinsurance contracts, part of the reinsurance premium is retained by cedants as guarantee for payment of future claims, and generally released after one year. These deposits bear contractually agreed interest.

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Available-for-sale financial assets
Available-for-sale financial assets are assets that are intended to be held for an indefinite period and are not classified as financial assets at fair value through profit or loss or as held to maturity financial assets.

17.4.14.2 Recognition, measurement and derecognition
Available-for-sale financial assets and held-to-maturity financial assets are initially measured at fair value plus any transaction costs. Financial assets at fair value through profit or loss are initially measured at fair value, with any transaction costs recognised as investment expenses.

Acquisitions and disposals of financial assets, loans and deposits are recognised on the trade date.

Gains and losses arising from fair value revaluation of financial assets available for sale are recognised in the statement of other comprehensive income, and transferred to the income statement upon disposal or impairment. Gains and losses arising from fair value revaluation of financial assets at fair value through profit or loss are recognised directly in the income statement.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the assets are transferred and the transfer qualifies for derecognition in accordance with IAS 39.

Loans and receivables (deposits) and held-to-maturity financial assets are measured at amortised cost.

17.4.14.3 Determination of fair values
All financial instruments are measured at fair value, except for deposits, shares not quoted in any regulated market that constitute the non-material portion of the investment portfolio, loans (assuming that their carrying amount is a reasonable approximation of fair value) and financial instruments held to maturity, which are measured at amortised cost. The fair value of investment property, and land and buildings used in business operations and the fair value of financial instruments measured at amortised cost are set out in note 29. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Valuation techniques are used that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

On the valuation date, the fair value of a financial investment is established by determining the price in the principal market based on:
- for stock exchanges: the quoted closing price on the stock exchange on the measurement date or on the last day of operation of the exchange on which the investment is quoted;
- for the OTC market: the quoted closing bid CBBT price or, if unavailable, the Bloomberg bid BVAL on the valuation date or on the last day of operation of the OTC market;
- the price is calculated on the basis of an internal valuation model.

Assets and liabilities measured or disclosed at fair value in the financial statements are measured and presented in accordance with the IFRS 13 fair-value hierarchy that categorises the inputs of valuation techniques used to measure fair value into three levels.

Assets and liabilities are classified in accordance with IFRS 13 based primarily on the availability of market information, which is determined by the relative levels of trading identical or similar instruments in the market, with a focus on information that represents actual market activity or binding quotations of brokers or dealers.

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Investments measured or disclosed at fair value are presented in accordance with the levels of fair value under IFRS 13, which categorises the inputs used to measure fair value into the following three levels of the fair value hierarchy:

- Level 1: financial investments for which fair value is determined based on quoted prices (unadjusted) in active markets for identical financial assets that the Company can access at the measurement date.
- Level 2: financial investments whose fair value is determined using data that are directly or indirectly observable, other than the quoted prices included within Level 1.
- Level 3: financial investments for which observable market data is not available. Fair value is thus determined based on valuation techniques using inputs that are not directly or indirectly observable in the market.

The policy of determining when transfers between levels of the fair value hierarchy are deemed to have occurred is disclosed and fully complied with. Policy on the timing of recognising transfers is the same for transfers into the levels as that for transfers out of the levels. Examples of policies include: (a) the date of the event or change in circumstances that caused the transfer; (b) the beginning of the reporting period; (c) the end of the reporting period. The Company reviews quarterly the categorisation of investments into the three levels of the fair value hierarchy. To this end, it applies the rules for determining the fair value set out under note 29. If the categorisation conditions change, financial investments are reclassified into the relevant level.

17.4.14.4 Impairment losses on investments

A financial asset other than at fair value through profit or loss is impaired and an impairment loss incurred only if there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and if such events have an impact on future cash flows that can be reliably estimated. An assessment is made quarterly as to whether there is any objective evidence that a financial asset is impaired (when preparing interim and annual reports).

17.4.14.4.1 Debt securities

Investments in debt securities (other than investments in debt securities at fair value through profit or loss) are impaired when any of the following conditions are met:

- the issuer fails to make a coupon or principal payment, and/or it is likely that such liabilities will not be settled in full in accordance with the assessment of circumstances on the reporting date;
- the issuer is subject to a bankruptcy, liquidation or compulsory settlement procedure.

If the first condition above is met, an impairment loss is recognised in profit or loss in the amount of the difference between the discounted value of expected cash flows from a debt security and carrying amount of the debt security (if the carrying amount exceeds the discounted value of expected future cash flows).

If the second condition above is met, an impairment loss is recognised in profit or loss as the difference between the potential payment out of the bankruptcy or liquidation estate and the cost of the investment. The potential payment out of the bankruptcy or liquidation estate is estimated based on information concerning the bankruptcy, liquidation or compulsory settlement proceedings, or, if such information is not available, based on experience or estimates made by a credit rating or other financial institution.

In respect of debt securities, only impairment losses recognised pursuant to indent one above (first condition) may be reversed. An impairment loss is reversed when the issuer's liability is settled. Impairment losses are reversed through profit or loss.

17.4.14.4.2 Equity securities

Equity investments (other than equity investments at fair value through profit or loss) are impaired when any of the following conditions are met:

- their market price is more than 40% below cost, or if
- the market price of any share is below its cost continuously for 1 year or continuously 3 years in the case of mutual funds;
- the model based on which the Group assesses the need for impairment of unquoted securities indicates that the asset needs to be impaired.

An impairment loss is recognised in the amount of the difference between market price and carrying amount of a financial instrument.

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17.4.15 Reinsurers' share of technical provisions

The amount of the reinsurers' share of technical provisions represents the proportion of gross technical provisions and unearned premiums for transactions that the Group cedes to reinsurers and co-insurers outside the Sava Insurance Group. The amount is determined at the close of each accounting period in accordance with the provisions of co-insurance and reinsurance (retrocession) contracts and in line with movements in the portfolio, based on gross technical provisions for the business that is the subject of these contracts.

Assets are tested for impairment on the reporting date. Assets ceded to individual partners are tested individually. The impact of the reinsurance programme on risk is described in section *17.6.3.1 "Non-life underwriting risk".*

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.16 Investment contract assets and liabilities

Investment contract assets and liabilities only include the investment contract assets and liabilities of the company Sava Pokojninska. Investment contract assets comprise the assets supporting the liability funds "Moji Skladi Življenjskega Cikla" for the transaction of voluntary supplementary pension business that are measured in accordance with IFRS 9. On initial recognition, investment contract assets are classified as either assets at fair value through profit or loss or as held-to-maturity assets. The amounts are adjusted for the purpose of consolidation in line with the financial investment policies set out in section *17.4.16 "Investment contract assets and liabilities".* Classification and valuation of assets is presented in detail in note 10. Investment contract liabilities comprise liabilities arising out of pension insurance business under group and individual plans for voluntary supplementary pension insurance, for which the administrator maintains personal accounts for pension plan members. Sava Pokojninska is required to establish mathematical provisions to cover these liabilities. Mathematical provisions comprise liabilities for assets on policyholders' personal accounts (net contributions and return) and additional liabilities to cover the difference between the actual and guaranteed rate of return. Investment contract liabilities are presented in note 10.

Sava Pokojninska initially recognises investment property assets under investment contract assets using the cost model, plus any transaction costs. Subsequent measurements are made using the fair value model, as prescribed by legislation. Appraisals are carried out at least once every three years by certified real estate appraisers licensed by the Slovenian Institute of Auditors.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.17 Receivables

Receivables consist mainly of premium receivables due from policyholders or insurers as well as receivables for claims and commissions due from reinsurers.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.17.1 Recognition of receivables

Receivables are initially recognised based on issued policies, invoices or other authentic documents (e.g. confirmed reinsurance or co-insurance accounts). In financial statements, receivables are reported in net amounts, i.e. net of any allowances made.

Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections *17.4.30 "Net premiums earned"* and *17.4.31 "Net claims incurred".*

Recourse receivables are recognised as assets only if, on the basis of a recourse claim, an appropriate legal basis exists (a final order of attachment, a written agreement with or payments by the policyholder or debtor, or subrogation for credit risk insurance). Even if subrogation is applicable, recourse receivables are recognised only after the debtor's existence has been verified and the debtor is contactable. Recognition of principal amounts to which recourse receivables relate decreases claims paid. Group companies recognise impairment losses on recourse receivables based on past experience. Recourse receivables are tested for impairment on a case-by-case basis.

The Group companies have pledged no receivables as security.

17.4.17.2 Impairment of receivables

Receivables are classified into groups with similar credit risk in order to be assessed in terms of recoverability or impairment. All material items of receivables are subject to this assessment. An allowance is created for receivables expected not to be collectible in full or in part. Such receivables are recognised as doubtful. In case of litigation, such receivables are recognised as disputable; allowances are established for such receivables and charged against operating expenses from revaluation.

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In addition to age, the method of accounting for allowances takes into account the phase of the collection procedure, historical data on the percentage of write-offs made and the ratio of recoverability. Assumptions are reviewed at least annually.

17.4.18 Deferred acquisition costs

Acquisition costs that are deferred include that part of operating expenses directly associated with policy underwriting.

Deferred acquisition costs consist primarily of deferred commissions. These are invoiced commissions relating to the next financial year and are recognised based on (re)insurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.19 Other assets

Other assets consist of capitalised short-term accruals and deferrals, namely short-term deferred costs.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.20 Cash and cash equivalents

The statement of financial position and cash flow item "cash and cash equivalents" comprises:

- cash, including cash in hand, cash in bank accounts of commercial banks and other financial institutions, and overnight deposits, and
- cash equivalents, including demand deposits and deposits with an original maturity of up to three months.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.21 Shareholders' equity

Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euros;
- capital reserves comprise amounts paid up in excess of the par value of shares;
- profit reserves comprise reserves provided for by the articles of association, legal reserves, reserves for own shares, catastrophe equalisation reserves and other profit reserves;
- own shares;
- fair value reserve;
- retained earnings;
- net profit or loss for the year;
- translation reserve;
- non-controlling interest.

Reserves provided for by the articles of association are used:

- to cover the net loss that cannot be covered (in full) out of retained earnings and other profit reserves, or if these two sources of funds are insufficient to cover the net loss in full (an instrument of additional protection of tied-up capital);
- to increase share capital;
- to regulate the dividend policy.

Profit reserves also include catastrophe equalisation reserves set aside pursuant to the rules on technical provisions and capital reserves as approved by appointed actuaries. These are tied-up reserves and their distribution cannot be decided in the general meeting.

Pursuant to the Companies Act, the Company's management board has the power to allocate up to half of the net profit to other reserves.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.22 Subordinated liabilities

Subordinated liabilities represent a long-term liability of the Group in the form of a subordinated bond to be used for general corporate purposes of the Sava Insurance Group and for the optimisation of its capital structure.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

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17.4.23 Classification of insurance contracts

The Group transacts traditional and unit-linked life business, non-life business and reinsurance business, the basic purpose of which is the transfer of underwriting risk. Underwriting risk is considered significant, if the occurrence of an insured event would result in significant additional payments. Accordingly, the Group classified all such contracts concluded as insurance contracts. Proportional reinsurance contracts represent a risk that is identical to the underlying insurance policies, which are insurance contracts. Since non-proportional reinsurance contracts provide for the payment of significant additional pay-outs in case of loss events, they also qualify as insurance contracts.

17.4.24 Technical provisions

In the statement of financial position technical provisions are shown in gross amounts under liabilities. The share of technical provisions for the business ceded to non-Group reinsurers is shown in the statement of financial position under the asset item reinsurers' share of technical provisions. Technical provisions must be set at an amount that provides reasonable assurance that liabilities from assumed (re)insurance contracts can be met. The main principles used in calculations are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. Unearned premiums are calculated on a pro rata temporis basis at insurance policy level, except for decreasing term contracts (credit life). Since there is generally insufficient data available for accepted reinsurance business at the individual policy level, the fractional value method is used for calculating unearned premiums at the level of individual reinsurance accounts for periods for which premiums are written.

Mathematical provisions for life insurance contracts represent the actuarial value of obligations arising from policyholders' guaranteed entitlements. In most cases, they are calculated using the net Zillmer method with the same parameters as those used for premium calculation, except for the discount rate applied, which was a technical interest rate of at least 1.25%. Other parameters are the same as those used in the premium calculation. Any calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortising acquisition costs. The calculation of mathematical provisions is based on the assumption that the full agent commission was paid upon the conclusion of the contract, while agents actually receive the commission within two to five years, depending on the policy term. The mathematical provision includes all deferred commissions. Deferred policy acquisition expenses are shown under assets, in the event of commission prepayments, or show the difference between the positive Zillmerised mathematical provision and the Zillmerised mathematical provision.

Provisions for outstanding claims (claims provision) are established in the amount of expected liabilities for incurred but not settled claims, including loss adjustment expenses. These comprise provisions both for reported claims, which are calculated based on case estimates, and claims incurred but not reported (IBNR), which are calculated using actuarial methods. Future liabilities are generally not discounted, with the exception of the part relating to annuities under certain liability insurance contracts. In such cases, the related provisions are established based on the expected net present value of future liabilities.

Provisions for incurred but not reported claims are calculated for the major part of the portfolios of primary insurers using methods based on paid claims triangles; the result is the total claims provision, and the IBNR provision is calculated as the difference between the result of the triangle method and the provision based on case reserves. In classes where the volume of business is not large enough for reliable results from the triangle methods, the calculation is made based on either (i) the product of the expected number of subsequently reported claims and the average amount of subsequently reported claims or (ii) methods based on expected loss ratios. The consolidated IBNR provision also includes the IBNR provision for the proportion of business written outside the Group. For this part of the portfolio, technical categories based on reinsurance accounts are not readily available; therefore, it is necessary to estimate items that are received untimely, including claims provisions, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance as well as development triangles for underwriting years by accounting quarters; the IBNR provision is then established at the amount of the claims provision thus estimated.

The provision for outstanding claims is thus established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums.

Other technical provisions include the provision for unexpired risks derived from a liability adequacy test for unearned premiums, as described below.

Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation the premium is deemed to be inadequate, the unearned premium is also inadequate. Group companies carry out liability adequacy

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tests for unearned premiums at the level of homogeneous groups appropriate to portfolios. The calculation of the expected combined ratio in any homogeneous group is based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio exceeds 100%, thus revealing a deficiency in unearned premiums, a corresponding provision for unexpired risks is set aside within other technical provisions.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

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

These are provisions for unit-linked life business. They comprise mathematical provisions, unearned premiums and provisions for outstanding claims. The bulk comprises mathematical provisions. Their value is the aggregate value of all units of funds under all policies, including all premiums not yet converted into units, plus the discretionary bonuses of guaranteed funds managed by us. The value of funds is based on market value as at the statement of financial position date.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.26 Liability adequacy test (LAT)

Adequacy testing of provisions set aside based on insurance contracts is conducted as at the financial statement date, separately for non-life and life business. The liability adequacy test for non-life business is described in section *17.4.24 "Technical provisions".*

Liability adequacy testing for life business

The liability adequacy test for life policies is carried out as a minimum at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses and expenses. For this purpose, the present value of future cash flows is used.

Discounting is based on the yield curve for euro area sovereign bonds at the statement of financial position date; but for EU Member States either the risk-free yield curve of government bonds at the statement of financial position date is used, including a loading for the investment mix, or a yield curve based on the investment mix and in case of reinvestments the Solvency II risk free rate is used. Where reliable market data is available, assumptions (such as the discount rate and investment return) are derived from observable market prices. Assumptions that cannot be reliably derived from market values are based on current estimates calculated by reference to the Group's own internal models (lapse rates, actual mortality and morbidity) and publicly available resources (demographic information published by the local statistical bureau). For mortality, higher rates are anticipated than are realised due to uncertainty.

Input assumptions are updated annually based on recent experience. Correlations between risk factors are not taken into account. The principal assumptions used are described below.

The liability adequacy test is performed on the policy and/or product level. If the test is performed at the policy level, the results are shown at the product-level, with products grouped by class of business. A company generally evaluates the test results separately for traditional policies other than annuities, unit-linked policies and annuities. If insurance liabilities, including related assets, cannot be evaluated separately as part of traditional or unit-linked policies, the company may evaluate the test results together. The adequacy of liabilities is checked separately for each group of insurance products. In determining any additional liabilities to be established the liability inadequacies of individual groups are not offset against surpluses arising on other groups. The net present value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities, for each group separately. If this comparison shows that the carrying amount of the insurance liabilities is inadequate in the light of the estimated cash flows, the entire deficiency is recognised in profit or loss by establishing an additional provision.

Mortality is usually based on data supplied by the local statistical bureau or on the mortality of the portfolio and is amended by the Group based on a statistical investigation of its mortality experience. Assumptions for mortality and morbidity are adjusted by a margin for risk and are higher than actual.

Future contractual premiums are included and for most business also premium indexation is taken into consideration. Estimates for lapses and surrenders are made based on experience. Actual persistency rates by product type and duration are regularly investigated, and assumptions updated accordingly. The actual persistency rates are adjusted by a margin for risk and uncertainty.

Estimates for future maintenance expenses included in the liability adequacy test are derived from experience. For future periods, cash flows for expenses have been increased by a factor equal to the estimated annual inflation.

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Yield and the discount rate are based on the same yield curve; a loading for market development is added when discounting.

The liability adequacy test takes into account expected future discretionary bonuses. Expected future discretionary bonuses are aligned with the bonus methodology. The share of discretionary bonuses complies with internal rules and is treated as a discounted liability.

For most life policies estimates are made of the impact of changes in key variables that may have a material effect on the results of liability adequacy tests at the end of the year. Sensitivity analyses are prepared separately for traditional life business and investment-linked life business.

EUR	31 December 2020		31 December 2019	
	LAT test for traditional life policies	LAT test for unit-linked life policies	LAT test for traditional life policies	LAT test for unit-linked life policies
Base run	398,789,646	361,855,319	177,458,475	148,750,093
Net inv. income + 100 basis points	382,303,277	352,807,585	168,932,981	147,357,191
Net inv. income - 100 basis points	419,316,231	372,221,448	189,126,794	151,373,679
Mortality + 10%	402,706,961	363,582,039	180,664,530	149,947,210
Operating expenses on policy + 10%	405,328,094	367,627,622	182,152,541	152,598,542

The base run is calculated using the same assumptions as for liability adequacy testing. Changes in variables represent reasonable possible changes which, had they occurred, would have led to significant changes in insurance liabilities at the statement of financial position date. The reasonable possible changes represent neither expected changes in variables nor worst case scenarios. A change in key variables would affect the corresponding component of the result in the same proportion.

The analysis is prepared for the change in variables, with all other assumptions remaining unchanged, and ignores changes in the values of related assets. Sensitivity was calculated for an unfavourable direction of movement. The income statement and insurance liabilities (as shown in the LAT test) are mostly impacted by changes in the net investment income and operating expenses.

17.4.27 Other provisions

Employee benefits include severance pay upon retirement and jubilee benefits. Provisions for employee benefits are the net present value of the Group's future liabilities proportionate to the years of service in the Group (the projected unit credit method). Pursuant to IAS 19 "Employee benefits" actuarial gains and losses arising on re-measurement of net liabilities for severance pay upon retirement are recognised in other comprehensive income.

These provisions are calculated based on personal data of employees: date of birth, date of commencement of employment in the Group, anticipated retirement, and salary. For each Group company, the amounts of severance pay upon retirement and jubilee benefits are in accordance with local legislations, employment contracts and other applicable regulations. Expected pay-outs also include tax liabilities where payments exceed statutory non-taxable amounts.

The probability of an employee staying with the Group includes both the probability of death and the probability of termination of employment relationship. Assumptions relating to future increases in salaries, severance pay upon retirement and jubilee benefits, as well as those relating to employee turnover depend on developments in individual markets and individual Group companies. The same term structure of risk-free interest rates is used for discounting as that in the capital adequacy calculation under Solvency II.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.28 Other financial liabilities

Other financial liabilities mainly include dividend payment obligations relating to previous years.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.29 Liabilities from operating activities, lease liabilities and other liabilities

Liabilities are initially recognised at amounts recorded in the relevant documents. Subsequently, they are increased or decreased in line with documents, and reduced through payments. Liabilities consist in: liabilities for claims and outwards retrocession premiums, liabilities for claims arising out of inwards reinsurance contracts, liabilities for retained deposits, current income tax liabilities, amounts due to employees, amounts due to clients and other short-term liabilities.

Since 1 January 2019 Group companies have been reporting lease liabilities as a separate item. Lease liability is initially recognised at the present value of lease payments that have not been paid on the date of recognition. The applied discount rate consists of the incremental borrowing rate and takes into account the company's credit rating and lease term, and country risk for the Group. Lease liability is measured at the commencement date by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. If the lease changes after the initial measurement, the carrying amount is

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remeasured to reflect any modifications or reassessments using a revised discount rate.

Other liabilities include amounts due to employees, amounts due to clients, deferred reinsurance commissions and accrued expenses.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.30 Net premiums earned

Group companies use the accrual basis method of accounting for insurance premiums earned. The following are disclosed separately: gross (re)insurance premiums, co-insurance and retrocession premiums, and unearned premiums. These items are used to calculate net premiums written in the income statement. Premiums earned are recognised based on confirmed (re)insurance accounts or (re)insurance contracts.

Estimates are made on the basis of amounts in reinsurance contracts, which, according to contractual due dates, have already accrued, although the Group has yet to receive reinsurance accounts. Net premiums earned are calculated based on invoiced gross reinsurance premiums less invoiced premiums retroceded, both adjusted for the movement in gross unearned premiums and the change in reinsurers' share of unearned premiums. Premiums earned are estimated based on individual reinsurance contracts.

The companies monitor premiums earned by insurance group and insurance class.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.31 Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis. Net claims incurred comprise gross claims payments, net of recourse receivables and reinsured claims, i.e. amounts invoiced to retrocessionaires. The amount of gross claims paid includes the change in the claims provision, taking into account estimated claims and provisions for outstanding claims. Estimates are made on the basis of amounts in reinsurance contracts, which, according to contractual due dates, have already accrued, although corresponding reinsurance accounts have not been received. Claims incurred are estimated based on estimated premiums and combined ratios for individual reinsurance contracts. These items are used to calculate net claims incurred in the income statement.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.32 Investment income and expenses

Investment income and expenses are recorded separately by source of funds, i.e. in three separate registers: the non-life insurance investment register, the life insurance investment register and own funds investment register. Own fund investments support the Group's shareholders' funds, non-life insurance investments support technical provisions, and life insurance investments support mathematical provisions.

Investment income includes:

- dividend income (income from shares);
- interest income;
- net exchange gains;
- income from changes in fair value and gains on disposal of investments designated at fair value through profit or loss;
- gains on disposal of investments of other investment categories, and
- other income.

Investment expenses include:

- interest expense;
- net exchange losses;
- expenses due to changes in fair value and losses on disposal of investments designated at fair value through profit or loss;
- losses on disposal of investments of other investment categories, and
- other expenses.

These income and expenses are disclosed depending on whether the underlying investments are classified as investments held to maturity, at fair value through profit or loss, available for sale, loans and receivables, or deposits.

Interest income and expenses for investments classified as held to maturity or available for sale are recognised in the income statement using the effective interest rate method. Interest income and expenses for investments at fair value through profit or loss are recognised in the income statement using the coupon interest rate. Dividend income is recognised in the income statement when payout is authorised. Gains and losses on the disposal of investments represent the difference between the carrying amount of a financial asset and its sale

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price, or between its cost less impairment, if any, and the sale price in the case of investments available for sale.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.33 Operating expenses

Operating expenses include:

- acquisition costs in the period;
- change in deferred policy acquisition expenses;
- other operating expenses classified by nature, as follows:
    a. depreciation/amortisation of operating assets;
    b. personnel costs including employee salaries, social and pension insurance costs and other personnel costs;
    c. remuneration of the supervisory board and its committees; and payments under contracts for services;
    d. other operating expenses relating to services and materials.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.34 Other technical income and expenses, and other expenses

Other technical income of the Group comprises income from commissions (reinsurance commissions less the change in deferred acquisition costs relating to reinsurers), and is recognised based on confirmed reinsurance accounts and estimated commission income taking into account straight-line amortisation. These include other technical income such as income on the realisation of impaired receivables, revenue from other insurance business (green card sales, claims handling as accommodation business), exchange gains and revenue from other services. This income is recognised in the income statement when services are completed or invoices issued.

Other technical expenses of the Group comprise expenses for loss prevention activities and fire brigade charge, contribution for covering claims of uninsured and unidentified vehicles and vessels, regulator fees and exchange losses, operating expenses from revaluation and other expenses.

Other expenses consist of allowance for other receivables, direct operating expenses arising from investment property, expenses arising from impairment of intangible fixed assets and other extraordinary expenses.

Items are also presented and measured using the accounting policies set out in the "Sava Insurance Group financial control rules".

17.4.35 Income tax expense

Income tax expense for the year comprises current and deferred tax. Current income tax is presented in the income statement, except for the portion relating to the items presented in equity. The same applies to deferred tax. Current tax is payable on the taxable profit for the year using the tax rates enacted by the date of the statement of financial position, as well as on any adjustments to tax liabilities of prior periods. Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax amount is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates effective on the date of the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group income tax expense has been determined in accordance with the requirements of each member's local legislation. The tax rate applicable for most Group companies (Slovenia) is 19% (2019: 19%), and 9–18% for other companies.

17.4.36 Information on operating segments

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

Business is broken down by operating segment: reinsurance, non-life, life, pensions and the "other" segment. Performance of these segments is monitored based on different indicators, a common performance indicator for all segments being net profit calculated in accordance with IFRSs. The management board monitors performance by segment to the level of underwriting results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions on a quarterly basis.

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Asset items by operating segment as at 31 December 2020

Sava Insurance Group										
31 December 2020	Reinsurance	Non-life			Life			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
ASSETS	310,173,528	654,513,690	155,257,572	809,771,260	1,054,086,240	44,893,868	1,098,980,107	200,910,035	47,416,372	2,467,251,303
Intangible assets	**1,947,056**	**10,358,364**	**8,745,822**	**19,104,186**	**7,644,297**	**38,203**	**7,682,500**	**11,166,150**	**24,378,719**	**64,278,611**
Property, plant and equipment	**2,356,848**	**28,243,943**	**13,429,584**	**41,673,527**	**1,912,628**	**1,888,097**	**3,800,725**	**105,412**	**399,979**	**48,336,491**
Right-of-use assets	**66,195**	**3,372,251**	**4,454,591**	**7,826,842**	**664,867**	**12,238**	**677,105**	**60,929**	**17,523**	**8,648,594**
Deferred tax assets	**3,487,337**	**829,759**	**258**	**830,017**	**582,379**	**2,265**	**584,644**	**4,969**	**17,852**	**4,924,819**
Investment property	**8,031,874**	**3,294,530**	**4,350,852**	**7,645,382**	**36,925**	**0**	**36,925**	**0**	**406,898**	**16,121,079**
Financial investments in associates	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**15,056,143**	**15,056,143**
Financial investments:	**186,826,022**	**474,526,385**	**88,172,501**	**562,698,886**	**613,086,540**	**38,632,943**	**651,719,483**	**27,138,083**	**1,766,863**	**1,430,149,336**
- Loans and deposits	6,193,636	2,732,127	16,441,565	19,173,692	7,665	1,596,647	1,604,311	4,824,539	0	**31,796,178**
- Held to maturity	1,978,547	1,888,476	3,204,533	5,093,009	30,188,403	1,249,135	31,437,538	5,170,332	0	**43,679,426**
- Available for sale	173,395,273	461,876,060	67,905,976	529,782,036	577,580,718	35,052,158	612,632,875	11,453,879	0	**1,327,264,062**
- At fair value through profit or loss	5,258,567	8,029,722	620,427	8,650,149	5,309,754	735,004	6,044,758	5,689,333	1,766,863	**27,409,670**
Assets held for the benefit of policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**410,768,551**	**456,261**	**411,224,812**	**0**	**0**	**411,224,812**
Reinsurers' share of technical provisions	**7,421,722**	**28,062,968**	**6,672,664**	**34,735,632**	**396,956**	**54,907**	**451,863**	**0**	**0**	**42,609,217**
Investment contract assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**158,765,028**	**0**	**158,765,028**
Receivables	**67,448,412**	**68,145,529**	**14,886,389**	**83,031,918**	**1,394,740**	**781,739**	**2,176,479**	**30,724**	**1,183,965**	**153,871,498**
Receivables arising out of primary insurance business	60,405,297	63,844,148	9,303,689	73,147,837	1,007,483	697,333	1,704,816	27,638	0	**135,285,588**
Receivables arising out of reinsurance and co-insurance business	4,461,167	1,141,721	440,023	1,581,744	484	11,181	11,665	0	0	**6,054,576**
Current tax assets	325,472	0	204,359	204,359	0	0	0	0	0	**529,831**
Other receivables	2,256,476	3,159,660	4,938,318	8,097,978	386,773	73,225	459,998	3,086	1,183,965	**12,001,503**
Deferred acquisition costs	**5,020,676**	**14,908,469**	**4,086,684**	**18,995,154**	**201,887**	**60,286**	**262,173**	**0**	**0**	**24,278,003**
Other assets	**487,239**	**1,645,235**	**869,622**	**2,514,857**	**375,148**	**88,316**	**463,464**	**277,920**	**496,934**	**4,240,414**
Cash and cash equivalents	**27,080,146**	**20,383,301**	**9,042,896**	**29,426,197**	**17,021,322**	**2,878,612**	**19,899,934**	**3,360,820**	**3,691,497**	**83,458,594**
Non-current assets held for sale	**0**	**742,955**	**545,709**	**1,288,664**	**0**	**0**	**0**	**0**	**0**	**1,288,664**

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Asset items by operating segment as at 31 December 2019

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

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Equity and liabilities items by operating segment as at 31 December 2020

Sava Insurance Group										
31 December 2020	Reinsurance	Non-life			Life			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
EQUITY AND LIABILITIES	363,097,197	590,990,339	149,996,648	740,986,988	1,011,232,998	45,219,532	1,056,452,530	200,925,866	105,788,717	2,467,251,303
Subordinated liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**74,804,974**	**74,804,974**
Technical provisions	**190,974,341**	**456,309,723**	**101,390,848**	**557,700,571**	**444,867,509**	**28,717,430**	**473,584,939**	**11,052,203**	**0**	**1,233,312,054**
Unearned premiums	27,322,807	146,495,865	35,644,071	182,139,936	855,782	296,317	1,152,099	0	0	**210,614,842**
Mathematical provisions	0	0	0	0	427,251,899	27,338,259	454,590,158	11,051,521	0	**465,641,679**
Provision for outstanding claims	162,444,795	304,295,082	63,181,438	367,476,520	16,759,828	1,082,854	17,842,682	682	0	**547,764,679**
Other technical provisions	1,206,739	5,518,776	2,565,339	8,084,115	0	0	0	0	0	**9,290,854**
Technical provisions for the benefit of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**408,564,749**	**1,039,679**	**409,604,428**	**0**	**0**	**409,604,428**
Other provisions	**424,345**	**5,710,437**	**1,314,860**	**7,025,297**	**1,409,324**	**10,351**	**1,419,675**	**157,773**	**260,645**	**9,287,735**
Deferred tax liabilities	**76,227**	**3,265,586**	**89,630**	**3,355,216**	**10,389,965**	**131,891**	**10,521,856**	**-85,585**	**1,033,861**	**14,901,575**
Investment contract liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**158,596,453**	**0**	**158,596,453**
Other financial liabilities	**-19**	**0**	**469,653**	**469,653**	**0**	**1,303**	**1,303**	**0**	**0**	**470,937**
Liabilities from operating activities	**31,478,898**	**11,728,673**	**3,997,581**	**15,726,254**	**10,578,811**	**528,117**	**11,106,928**	**28,857**	**71,336**	**58,412,273**
Liabilities from primary insurance business	26,655,354	7,538,149	2,318,996	9,857,145	9,307,748	449,586	9,757,334	0	0	**46,269,833**
Liabilities from reinsurance and co-insurance business	4,823,544	688,410	1,201,889	1,890,299	85,841	37,475	123,316	0	0	**6,837,159**
Current income tax liabilities	0	3,502,114	476,696	3,978,810	1,185,222	41,056	1,226,278	28,857	71,336	**5,305,281**
Lease liability	**65,480**	**3,450,925**	**4,639,955**	**8,090,880**	**0**	**12,695**	**12,695**	**68,520**	**17,650**	**8,255,225**
Other liabilities	**4,086,578**	**21,673,770**	**5,639,476**	**27,313,246**	**4,194,539**	**632,968**	**4,827,507**	**1,265,694**	**1,898,136**	**39,391,161**
Shareholders' equity										**460,214,488**
Equity attributable to owners of the controlling company										**459,721,826**
Non-controlling interests in equity										**492,662**

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Equity and liabilities items by operating segment as at 31 December 2019

Sava Insurance Group										
31 December 2019	Reinsurance	Non-life			Life			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
EQUITY AND LIABILITIES	367,798,941	552,898,522	150,448,073	703,346,595	472,078,939	44,714,957	516,793,896	191,096,763	106,916,803	1,885,953,003
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 provisions 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**

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Income statement items by operating segment 2020

Sava Insurance Group										
EUR	Reinsurance	Non-life			Life			Pensions	Other	Total
1–12/2020		Slovenia	International	Total	Slovenia	International	Total			
Net premiums earned	**99,243,228**	**329,789,367**	**73,245,407**	**403,034,775**	**119,935,665**	**9,907,058**	**129,842,724**	**3,240,841**	**0**	**635,361,568**
Gross premiums written	106,792,968	362,663,027	76,786,411	439,449,438	120,314,520	9,951,538	130,266,058	3,240,841	0	679,749,305
Written premiums ceded to reinsurers and co-insurers	-5,645,082	-28,183,838	-6,675,900	-34,859,738	-500,918	-45,162	-546,080	0	0	-41,050,900
Change in gross unearned premiums	-2,227,841	-2,687,004	2,618,081	-68,923	89,309	-9,256	80,053	0	0	-2,216,711
Change in unearned premiums, reinsurers' and co-insurers' shares	323,183	-2,002,818	516,816	-1,486,002	32,755	9,938	42,693	0	0	-1,120,126
Income from investments in subsidiaries and associates	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**142,088**	**142,088**
Profit from investments in equity-accounted associate companies	0	0	0	0	0	0	0	0	142,088	142,088
Investment income	**4,198,409**	**6,441,925**	**2,665,491**	**9,107,416**	**11,379,135**	**1,031,278**	**12,410,412**	**718,860**	**14,105**	**26,449,203**
Interest income	2,079,078	3,003,759	2,054,419	5,058,178	7,456,627	996,002	8,452,629	561,553	0	16,151,438
Other investment income	2,119,331	3,438,166	611,072	4,049,238	3,922,508	35,276	3,957,783	157,307	14,105	10,297,765
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**23,008,939**	**34,586**	**23,043,525**	**0**	**0**	**23,043,525**
Other technical income	**684,412**	**8,387,648**	**3,182,674**	**11,570,322**	**2,153,238**	**19,440**	**2,172,678**	**114,309**	**2,335**	**14,544,056**
Commission income	638,027	3,986,224	1,206,238	5,192,462	58,231	10,668	68,899	0	0	5,899,388
Other technical income	46,385	4,401,424	1,976,436	6,377,860	2,095,007	8,772	2,103,779	114,309	2,335	8,644,668
Other income	**860,052**	**3,120,293**	**2,013,992**	**5,134,285**	**9,185,133**	**53,863**	**9,238,996**	**5,590,029**	**10,072,506**	**30,895,868**
Net claims incurred	**-76,011,122**	**-187,440,684**	**-41,212,850**	**-228,653,534**	**-116,246,005**	**-4,815,553**	**-121,061,559**	**-969,198**	**0**	**-426,695,412**
Gross claims payments, net of income from recourse receivables	-56,510,782	-179,754,178	-37,346,685	-217,100,864	-120,316,271	-4,635,897	-124,952,168	-968,569	0	-399,532,382
Reinsurers' and co-insurers' shares	960,040	2,288,127	1,847,753	4,135,880	88,544	14,707	103,251	0	0	5,199,171
Change in the gross provision for outstanding claims	-18,881,000	-15,154,520	-6,292,584	-21,447,104	4,385,395	-210,681	4,174,714	-629	0	-36,154,019
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-1,579,379	5,179,887	578,667	5,758,554	-403,674	16,318	-387,356	0	0	3,791,818
Change in other technical provisions	**209,214**	**1,923,931**	**90,532**	**2,014,463**	**41,904,082**	**-1,060,706**	**40,843,376**	**-2,453,481**	**0**	**40,613,572**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-35,860,767**	**381,125**	**-35,479,642**	**0**	**0**	**-35,479,642**
Expenses for bonuses and rebates	**0**	**-90,566**	**-12,687**	**-103,253**	**0**	**0**	**0**	**0**	**0**	**-103,253**
Operating expenses	**-26,090,661**	**-100,892,872**	**-35,136,793**	**-136,029,666**	**-26,091,855**	**-3,832,275**	**-29,924,130**	**-3,568,578**	**-7,603,111**	**-203,216,146**
Acquisition costs	-22,148,662	-38,427,623	-5,048,930	-43,476,553	-8,164,129	-602,450	-8,766,579	-19,072	0	-74,410,866
Change in deferred acquisition costs	238,147	1,656,568	-876,716	779,852	522,087	21,129	543,216	0	0	1,561,215
Other operating expenses	-4,180,146	-64,121,817	-29,211,147	-93,332,965	-18,449,813	-3,250,954	-21,700,767	-3,549,506	-7,603,111	-130,366,495
Expenses for investments in associates and impairment losses on goodwill	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-1,529,820**	**-567,048**	**-2,096,868**
Impairment loss on goodwill	0	0	0	0	0	0	0	-1,529,820	-567,048	-2,096,868
Expenses for financial assets and liabilities	**-5,551,244**	**-1,471,690**	**-266,038**	**-1,737,728**	**-2,902,827**	**104,609**	**-2,798,218**	**-146,296**	**-2,888,795**	**-13,122,281**
Impairment losses on financial assets not at fair value through profit or loss	-301,606	-191,287	-9,992	-201,279	-595,823	-1,087	-596,910	1	0	-1,099,794
Interest expense	-24,485	-66,137	-164,775	-230,912	-18,394	-500	-18,894	-2,421	-2,875,885	-3,152,597
Other investment expenses	-5,225,153	-1,214,267	-91,271	-1,305,537	-2,288,609	106,196	-2,182,414	-143,876	-12,910	-8,869,890
Other technical expenses	**-3,213,645**	**-9,711,177**	**-4,756,022**	**-14,467,199**	**-714,898**	**-241,976**	**-956,874**	**-694,458**	**7,774**	**-19,324,402**
Other expenses	**-283,829**	**-1,395,574**	**-1,449,903**	**-2,845,477**	**-41,860**	**-5,176**	**-47,036**	**-77,461**	**-11,359**	**-3,265,162**
Profit or loss before tax	**-5,955,185**	**48,660,601**	**-1,636,196**	**47,024,405**	**25,707,979**	**1,576,273**	**27,284,252**	**224,747**	**-831,505**	**67,746,714**
Income tax expense										**-11,360,415**
Net profit or loss for the period										**56,386,299**
Net profit or loss attributable to owners of the controlling company										**56,222,528**
Net profit or loss attributable to non-controlling interests										**163,771**

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Income statement items by operating segment 2019

Sava Insurance Group										
EUR	Reinsurance	Non-life			Life			Pensions	Other	Total
1–12/2019		Slovenia	International	Total	Slovenia	International	Total			
Net premiums earned	**85,611,888**	**299,057,193**	**73,657,520**	**372,714,714**	**78,305,216**	**9,081,834**	**87,387,050**	**2,326,383**	**0**	**548,040,035**
Gross premiums written	90,250,935	336,307,949	81,972,010	418,279,959	78,568,081	9,100,799	87,668,880	2,326,383	0	598,526,157
Written premiums ceded to reinsurers and co-insurers	-4,879,330	-25,788,017	-5,117,036	-30,905,052	-330,184	-32,041	-362,225	0	0	-36,146,607
Change in gross unearned premiums	-77,625	-15,822,708	-3,437,069	-19,259,777	59,421	11,399	70,820	0	0	-19,266,582
Change in unearned premiums, reinsurers' and co-insurers' shares	317,908	4,359,969	239,615	4,599,584	7,898	1,677	9,575	0	0	4,927,067
Income from investments in subsidiaries and associates	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,717,909**	**2,717,909**
Other income	0	0	0	0	0	0	0	0	2,717,909	2,717,909
Investment income	**5,251,100**	**5,711,461**	**2,387,656**	**8,099,117**	**4,815,322**	**1,108,758**	**5,924,080**	**983,078**	**16,602**	**20,273,977**
Interest income	2,326,689	3,846,723	2,256,666	6,103,389	4,059,158	1,016,135	5,075,293	511,053	0	14,016,424
Other investment income	2,924,411	1,864,738	130,990	1,995,728	756,164	92,623	848,786	472,025	16,602	6,257,553
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**23,146,123**	**132,461**	**23,278,584**	**0**	**0**	**23,278,584**
Other technical income	**766,079**	**7,885,582**	**3,088,736**	**10,974,318**	**906,830**	**16,028**	**922,858**	**56,918**	**16,279**	**12,736,452**
Commission income	565,492	2,972,638	674,212	3,646,850	72,388	7,216	79,604	0	0	4,291,946
Other technical income	200,587	4,912,944	2,414,524	7,327,468	834,442	8,812	843,254	56,918	16,279	8,444,506
Other income	**804,539**	**2,756,979**	**6,675,015**	**9,431,994**	**1,394,544**	**2,595,556**	**3,990,100**	**5,307,843**	**8,159,100**	**27,693,576**
Net claims incurred	**-64,948,955**	**-174,757,144**	**-45,047,372**	**-219,804,516**	**-110,015,614**	**-3,713,251**	**-113,728,866**	**-709,123**	**0**	**-399,191,460**
Gross claims payments, net of income from recourse receivables	-54,209,096	-179,339,140	-41,190,169	-220,529,309	-113,119,029	-3,465,730	-116,584,759	-709,071	0	-392,032,235
Reinsurers' and co-insurers' shares	2,359,869	5,328,928	2,803,682	8,132,610	53,867	13,021	66,888	0	0	10,559,367
Change in the gross provision for outstanding claims	-12,445,536	-6,413,177	-7,836,202	-14,249,379	3,094,555	-269,230	2,825,325	-52	0	-23,869,642
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-654,192	5,666,245	1,175,317	6,841,562	-45,008	8,688	-36,320	0	0	6,151,050
Change in other technical provisions	**-777,682**	**1,991,996**	**-943,332**	**1,048,664**	**50,902,634**	**-2,808,311**	**48,094,323**	**-1,858,422**	**0**	**46,506,883**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-13,404,592**	**579,410**	**-12,825,182**	**0**	**0**	**-12,825,182**
Expenses for bonuses and rebates	**0**	**323,099**	**-95,182**	**227,917**	**0**	**0**	**0**	**0**	**0**	**227,917**
Operating expenses	**-24,728,030**	**-90,779,742**	**-36,689,837**	**-127,469,579**	**-21,282,726**	**-4,015,580**	**-25,298,306**	**-3,590,660**	**-5,868,658**	**-186,955,234**
Acquisition costs	-19,969,317	-32,082,364	-7,139,417	-39,221,781	-5,966,821	-599,556	-6,566,377	-36,202	0	-65,793,677
Change in deferred acquisition costs	-329,954	2,821,649	460,179	3,281,828	-59,564	16,104	-43,460	0	0	2,908,414
Other operating expenses	-4,428,759	-61,519,027	-30,010,599	-91,529,626	-15,256,341	-3,432,128	-18,688,469	-3,554,458	-5,868,658	-124,069,971
Expenses for investments in associates and impairment losses on goodwill	**-54,721**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-54,721**
Loss arising out of investments in equity-accounted associate companies	-54,721	0	0	0	0	0	0	0	0	-54,721
Expenses for financial assets and liabilities	**-272,842**	**-460,464**	**-182,077**	**-642,541**	**-163,474**	**-43,743**	**-207,217**	**-79,450**	**-505,614**	**-1,707,664**
Interest expense	0	-44,889	-125,491	-170,380	0	-767	-767	-5,256	-505,614	-682,017
Other investment expenses	-272,841	-415,575	-56,586	-472,161	-163,474	-42,976	-206,450	-74,194	0	-1,025,647
Other technical expenses	**-251,560**	**-8,435,103**	**-5,195,735**	**-13,630,838**	**-636,756**	**-297,639**	**-934,395**	**-613,717**	**-5,241**	**-15,435,751**
Other expenses	**-414,533**	**-1,131,951**	**-342,556**	**-1,474,507**	**-2,632**	**-7,096**	**-9,728**	**-67,323**	**-2,595,214**	**-4,561,305**
Profit or loss before tax	**985,283**	**42,161,907**	**-2,687,164**	**39,474,744**	**13,964,872**	**2,628,427**	**16,593,299**	**1,755,527**	**1,935,164**	**60,744,016**
Income tax expense										-10,549,428
Net profit or loss for the period										**50,194,588**
Net profit or loss attributable to owners of the controlling company										**49,977,170**
Net profit or loss attributable to non-controlling interests										**217,418**

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Inter-segment business – inter-segment consolidation eliminations

EUR	Reinsurance		Non-life		Life		Pensions		Other	
	1–12/2020	1–12/2019	1–12/2020	1–12/2019	1–12/2020	1–12/2019	1–12/2020	1–12/2019	1–12/2020	1–12/2019
Gross premiums written	191,683,253	166,528,930	439,647,574	418,450,533	130,273,510	88,392,954	3,240,841	2,326,383	0	0
Net premiums written	106,792,968	90,250,935	439,449,438	418,279,959	130,266,058	88,392,954	3,240,841	2,326,383	0	0
Net claims incurred	-33,792,224	-32,774,625	-6,075,210	-7,170,781	0	0	0	0	0	0
Operating expenses	-19,498,461	-16,859,937	-1,399,348	-1,634,566	-1,015,078	-899,828	-85,371	-70,505	-859,223	-513,951
Investment income	87,295	77,584	0	2,533	2,485,826	0	3,384	3,462	0	0
Other technical income	368,240	347,375	321,906	16,705,723	722,217	475,576	0	0	1,246,185	0
Other income	598	0	44,093	0	0	0	0	0	7,976,117	0

Cost of intangible and property, plant and equipment assets by operating segment

EUR	Reinsurance		Non-life		Life		Pensions		Other		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Investments in intangible assets	915,531	693,863	4,757,869	2,492,550	1,117,576	8,283	104,172	37,571	4,300	1,409	6,899,448	3,233,676
Investments in property, plant and equipment	170,565	153,835	5,455,876	7,446,668	73,737	152,304	115,350	49,221	42,923	50,822	5,858,451	7,852,850

The Group's insurance operations are focused on Slovenia and the Adriatic region (Serbia, Croatia, Montenegro, North Macedonia and Kosovo), while its reinsurance operations take place in global reinsurance markets.

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17.5 Standards and interpretations issued but not yet effective, and new standards and interpretations

The accounting policies adopted by the Group companies in preparing their financial statements are consistent with those of the previous financial year, except for the following new or amended IFRSs adopted for annual periods beginning on or after 1 January 2020.

The listed new standards, amendments to and interpretations of standards are not mandatory for annual periods beginning on 1 January 2020 or later, and have not been used in the preparation of these consolidated financial statements. The Group companies intend to apply these provisions when they enter into force.

New Standards, Interpretations and amendments to published Standards as adopted by the EU that have not yet been applied by the Group companies

IFRS 9 "Financial Instruments"

The final version of IFRS 9 "Financial Instruments" reflects all phases of the financial instruments project and replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group companies (insurance and reinsurance companies) have taken advantage of the option to postpone application due to the application of IFRS 17 "Insurance Contracts".

Due to the adoption of the new standard on insurance contracts, IFRS 17, insurance companies may defer the application of IFRS 9 until 1 January 2023. Late application is conditional upon the carrying amount of liabilities arising out of insurance business exceeding 90% of the total carrying amount of liabilities. The Group companies first tested the satisfaction of this condition on 31 December 2015. The calculation is shown in the table below. There have been no changes that would have a significant effect on the satisfaction of the condition since 31 December 2015. The Group's insurance companies are subject to disclosures in IFRS 9, as presented below.

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Sava Insurance Group		
EUR	**31 December 2015**	**As % of total liabilities**
Technical provisions and liabilities from operating activities	937,776,777	79.1%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	207,590,086	17.5%
Liabilities under insurance contracts subject to IFRS 4	**1,145,366,863**	**96.6%**
Other liabilities	**40,674,000**	**3.4%**
Total liabilities*	**1,186,040,863**	**100.0%**

** Excluding equity and investment contract liabilities.*

Sava Re		
EUR	**31 December 2015**	**As % of total liabilities**
Technical provisions and liabilities from operating activities	268,773,864	94.7%
Liabilities under insurance contracts subject to IFRS 4	**268,773,864**	**94.7%**
Other liabilities	**14,899,307**	**5.3%**
Total liabilities*	**283,673,171**	**100.0%**

** Excluding equity.*

Sava Insurance Group				
EUR	**31 December 2020**	**As % of total liabilities**	**31 December 2019**	**As % of total liabilities**
Technical provisions and liabilities from operating activities	1,286,419,046	72.5%	995,546,986	77.9%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	409,604,428	23.1%	220,613,698	17.3%
Liabilities under insurance contracts subject to IFRS 4	**1,696,023,474**	**95.6%**	**1,216,160,684**	**95.2%**
Other liabilities*	**77,611,914**	**4.4%**	**62,997,239**	**4.8%**
Total liabilities*	**1,773,635,388**	**100.0%**	**1,279,157,923**	**100.0%**

** Excluding equity, subordinated liabilities and investment contract liabilities.*

Sava Re				
EUR	**31 December 2020**	**As % of total liabilities**	**31 December 2019**	**As % of total liabilities**
Technical provisions and liabilities from operating activities	343,272,305	98.7%	312,425,193	98.6%
Liabilities under insurance contracts subject to IFRS 4	**343,272,305**	**98.7%**	**312,425,193**	**98.6%**
Other liabilities	**4,694,245**	**1.3%**	**4,416,968**	**1.4%**
Total liabilities*	**347,966,550**	**100.0%**	**316,842,162**	**100.0%**

** Excluding equity and subordinated liabilities.*

The other liabilities item does not include investment contract liabilities disclosed by the Slovenian pension company, as the company already applies IFRS 9 (the calculation excluding investment contracts totals 95.6%) and subordinated liabilities from the Sava Re bond issue.

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The table below provides an analysis of the fair value of financial assets. Financial assets are divided into assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, net of financial assets held for trading (hereinafter SPPI financial assets), and other financial assets

Sava Insurance Group	SPPI financial assets			Other financial assets		
	Fair value as at 31 December 2019	Change in fair value	Fair value as at 31 December 2020	Fair value as at 31 December 2019	Change in fair value	Fair value as at 31 December 2020
Debt securities	1,108,734,227	335,459,687	1,444,193,913	28,629,262	17,412,182	46,041,444
Equity securities	0	0	0	224,904,550	241,370,795	466,275,345
Derivatives	0	0	0	0	0	0
Loans and deposits*	53,273,588	-21,302,971	31,970,617	0	0	0
Cash and cash equivalents**	104,201,633	-3,101,334	101,100,298	0	0	0
Total	**1,266,209,448**	**311,055,381**	**1,577,264,829**	**253,533,812**	**258,782,978**	**512,316,790**

** Including loans to subsidiaries and two IRLF deposits.*
*** Including IRLF cash assets of Sava Pokojninska.*

Sava Re	SPPI financial assets			Other financial assets		
	Fair value as at 31 December 2019	Change in fair value	Fair value as at 31 December 2020	Fair value as at 31 December 2019	Change in fair value	Fair value as at 31 December 2020
Debt securities	239,173,956	-13,915,454	225,258,501	6,181,357	819,869	7,001,226
Equity securities	0	0	0	19,346,319	6,297,257	25,643,576
Derivatives	0	0	0	0	0	0
Loans and deposits	24,958,948	-19,991,309	4,967,639	0	0	0
Cash and cash equivalents	52,931,222	-25,851,075	27,080,146	0	0	0
Total	**317,064,125**	**-59,757,839**	**257,306,286**	**25,527,677**	**7,117,126**	**32,644,802**

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The table below shows the carrying amounts of the assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, in view of their credit risk rating.

Sava Insurance Group

	Total	AAA	AA/A	BBB	BB/B	Not rated
Debt securities*	1,426,323,708	284,725,572	660,101,496	372,317,338	69,961,221	39,218,081
Loans and deposits*	31,955,830	0	0	0	542,346	31,413,484
Cash and cash equivalents***	101,100,298	0	-75	0	38,467,814	62,632,560
Total	**1,559,379,837**	**284,725,572**	**660,101,421**	**372,317,338**	**108,971,381**	**133,264,126**

** Including IRLF debt securities.*
*** Including loans to subsidiaries and two IRLF deposits.*
**** Including IRLF cash assets of Sava Pokojninska.*

Sava Re

	Total	AAA	AA/A	BBB	BB/B	Not rated
Debt securities	224,664,181	85,217,697	95,578,797	37,726,611	2,331,025	3,810,051
Loans and deposits*	4,967,639	0	0	0	0	4,967,639
Cash and cash equivalents	27,080,146	0	-75	0	21,283,358	5,796,863
Total	**256,711,967**	**85,217,697**	**95,578,722**	**37,726,611**	**23,614,383**	**14,574,554**

** Excluding deposits with cedants.*

The table below shows the fair value and carrying amounts of the assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, and which have been assessed as not having a low credit risk.

Sava Insurance Group

	Fair value as at 31 December 2020	Carrying amount as at 31 December 2020
Debt securities	109,225,696	109,179,302
Loans and deposits	6,073,660	6,073,660
Cash and cash equivalents*	38,467,814	38,467,814
Total	**153,767,170**	**153,720,776**

** Excluding deposits with cedants, but including IRLF cash assets.*

Sava Re

	Fair value as at 31 December 2020	Carrying amount as at 31 December 2020
Debt securities	6,140,761	6,141,076
Loans and deposits*	4,967,639	4,967,639
Cash and cash equivalents*	21,283,358	21,283,358
Total	**32,391,758**	**32,392,073**

** Excluding deposits with cedants.*

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Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements, except for Covid-19-Related Rent Concessions – Amendment to IFRS 16 (see note 3 Right-of-use assets).

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

The amendments to the basis for determining contractual cash flows require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

At 31 December 2020, the Group had no sterling LIBOR secured bank loans that will be subject to IBOR reform.

The amendments to hedge accounting provide exceptions to the hedge accounting requirements in the following areas.

- Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. This amendment will not result in a discontinuation of the hedge or designation of a new hedging relationship.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

As at 31 December 2020, the Group had no cash flow hedges of sterling LIBOR risk.

The amendments require the Group to disclose additional information to enable users to understand the effect of interest rate benchmark reform on the Group's financial instruments, including information about the Group's exposure to risks arising from interest rate benchmark reform and any related risk management activities of the Group; however, the Group had no bank loans or cash flow hedges of sterling LIBOR risk.

New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2020, endorsed by the EU as at 6 November 2020

Amendments to IFRS 16 Leases and Covid-19-Related Rent Concessions

The amendments are effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020. The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of Covid-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognised in profit or loss. The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

This practical expedient is not available for lessors.

A lessee applies the amendments retrospectively and recognises the cumulative effect of initially applying them in the opening retained earnings of the reporting period in which they are first applied.

The Group has reviewed its leases but will not apply any concessions because the terms of the leases do not include any provision on force majeure. The impact is shown in note 3.

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New or amended Standards and Interpretations that are effective for annual periods beginning after 1 January 2020, not yet endorsed by the EU as at 6 November 2020

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture
The effective date has been deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future.

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group expects that the amendments, when initially applied, will have no material impact on its financial statements.

Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current
The amendments are effective for accounting periods beginning on or after 1 January 2023. Early application is permitted.

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

The Group expects that the amendments, when initially applied, will have a material impact on its financial statements.

Amendment to IAS 16 Property, Plant and Equipment
Property, Plant and Equipment – Proceeds before Intended Use

The amendments are effective for accounting periods beginning on or after 1 January 2022. Early application is permitted.

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

The Group expects that the amendments, on the date when initially applied, will have no material impact on its financial statements because the Group has no such assets.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
Onerous Contracts – Cost of Fulfilling a Contract

The amendments are effective for accounting periods beginning on or after 1 January 2022. Early application is permitted.

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

An entity shall apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The Group expects that the amendments, when initially applied, will have no material impact on its financial statements. However, the quantitative impact of the adoption of the Amendments is not yet determined as it will depend on the status of the contracts in place at the date of initial application of the amendments.

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Annual Improvements to IFRS Standards 2018-2020

The amendments are effective for accounting periods beginning on or after 1 January 2022. Early application is permitted.

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

Amendment to IAS 41 Agriculture

The improvements remove the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

The Group expects that the amendments, on the date when initially applied, will have no material impact on its financial statements

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17.6 Risk management[129]

Below, we provide the most important types of risk to which the Group is exposed:

- insurance risks (non-life insurance risks, life insurance risks, health insurance risks),
- investment portfolio risk (investment property risk, the risk of failing to realise guaranteed returns, market risk, credit risk, and liquidity risk),
- insolvency risk,
- operational risk and
- strategic risk.

The table shows the risk profiles of the Group and Sava Re in 2020. The risks have been assessed with regard to the potential volatility of business results and the resulting impact on the financial statements of the Group and Sava Re. The potential impact in the case an extreme internal or external risk is realised and the impact of such on the Group's solvency position is set out in the "Sava Insurance Group's solvency and financial condition report" and in the "Sava Re's solvency and financial condition report".

Risk profile of Sava Insurance Group and Sava Re

	Group risk rating	Sava Re risk rating	Risk described in section
Insolvency risk	**low**	**low**	*17.6.2*
Underwriting risks			*17.6.3*
Non-life underwriting risk	moderate	moderate	*17.6.3.1*
Life underwriting risk	moderate	low	*17.6.3.2*
Health underwriting risk	low	low	*17.6.3.3*
Investment portfolio risk			*17.6.4*
Investment property risk	low	low	*17.6.4.1*
Financial risks			*17.6.4.2*
Market risk	*moderate*	*moderate*	*17.6.4.2.1*
Liquidity risk	*low*	*low*	*17.6.4.2.2*
Credit risk	*moderate*	*moderate*	*17.6.4.2.3*
Risk of failure to realise guaranteed returns	*moderate*	-	*17.6.4.3*
Operational risks	**moderate**	**moderate**	*17.6.5*
Strategic risks	**moderate**	**moderate**	*17.6.6*

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17.6.1 Impact of Covid-19 pandemic

2020 was marked by the Covid-19 pandemic (hereinafter: Covid-19), which increased uncertainty related to the attainment of business results and strategic goals, and impacted the risks to which the Sava Insurance Group and Sava Re are exposed.

We already prepared and reported the first estimates of the impact of Covid-19 on the business, liquidity and capital requirements to the Insurance Supervision Agency in March 2020. We confirmed the resilience of the Group's and Sava Re's solvency status in the face of the then current market circumstances, which have proven to be the bottom of the oscillation in the financial markets, as well as the resilience of the solvency position against a stress scenario with a higher impact on financial investments based on the 2008–2009 financial crisis, as it was conducted in the own risk and solvency assessment (ORSA 2020). We also verified the Company's and Group's liquidity position, which resulted in an assessment that the situation is stable and that the Company and Group are both able to fulfil their due financial obligations.

Given the significantly changed market circumstances and the potential impact on business results and solvency position, in the second and third quarters 2020 we prepared and in August confirmed the revised strategic plan of the Sava Insurance Group for 2020–2022 with a more detailed assessment of the impact of Covid-19, including new financial projections. We also reported the solvency position projections to the Insurance Supervision Agency as an ad hoc ORSA. The projections confirmed the compliance of the solvency position over the entire strategic period from the legislative side, as well as compliance with the Group internal rules, and the ability to continuously ensure adequate liquidity. Based on the revised strategic plan, we drafted and confirmed the revised risk strategy of the Sava Insurance Group and Sava Re for 2020–2022, which updates and defines the risk appetite for 2021–2022.

Along with monitoring the current business results and liquidity, Sava Re and the Sava Insurance Group also regularly monitored capital adequacy, mainly in the light of the impact of Covid-19 on the (in)stability of the financial markets and other emerging circumstances. We were regularly monitoring the impact of Covid-19 and related risks in the risk reports. The analyses and reports were taken into account by the management as the basis for business decision-making.

Due to the uncertainty, it was determined to be in the best Company's interest to temporarily suspend the payment of dividends. The decision on payment was postponed until the publication of the audited financial statements for 2020. Consequently, the solvency ratios of Sava Re and the Group were slightly higher than planned.

The basis for performing the own risk and solvency assessment for 2021 (hereinafter 2021 ORSA) is the Sava Re and Sava Insurance Group business plan for 2021 confirmed in December 2020 and financial projections for 2022 and 2023. The business plan and financial projections also include the estimated impact of Covid-19 on operations. In addition to the solvency capital requirement (SCR) projections, solvency ratio, and financial projections, solvency projections of the SCR, and own risk assessment based on the business plan and financial projections, we also focused on the implementation of stress scenarios and the analysis of their impact in the 2021 ORSA. We identified scenarios that could occur and result in a significant impact on operations and/or the solvency position. We implemented two scenarios with a higher impact, i.e. the financial crisis scenario (parametrised based on the 2008–2009 financial crisis) and inflation scenario. These allowed us to test the robustness of capital adequacy. In both scenarios we also considered the potential impact on the Company's and/or Group's insurance portfolios. The financial crisis scenario was implemented for 31 December 2020 and for 31 December 2022 (with consideration of financial projections), while the inflation scenario was based on projections for 2021. Both described scenarios confirmed the robustness of Sava Re's and Sava Insurance Group's capital adequacy, which is significantly higher than the required regulatory amount, even if an individual scenario is realised.

Management of operational risks within the Group

In 2020, the Sava Insurance Group was monitoring the situation and accordingly adjusted its operations to the measures enacted by the government of the Republic of Slovenia and acted in accordance with expert recommendations in order to protect the health of our employees and clients, to prevent the spread of Covid-19, and to limit operational risks. In the process, the Group follows business continuity protocols. We drafted a 4-step plan to apply in the event of a state of emergency being declared at the country or corporate level. The plan was communicated to all employees. The plan is followed by all Group companies with the aim of ensuring the Group's continuous operation, and most importantly, briefing the employees in advance about the rules, measures, and instructions that apply in the currently declared phase so that they can act accordingly in the given situation. We also ensure that employees receive weekly notifications about the changes regarding the pandemic from the competent authorities, as well as from the Company.

To this end, the companies entered a hybrid mode of operation, with employees working partly in the office and partly from home, but predominantly working remotely. In the present case we did not detect an increased number of operational or cyber risks, nor do we expect such risks to arise in the future.

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had a positive impact on the growth of securities and on the decrease in risk premiums. After a drop in the first quarter of 2020, the value of the Group's investment portfolio increased and nearly reached pre-Covid-19 levels in the remaining part of the year due owing to favourable market dynamics.

Despite the improved conditions in the financial markets, the Group managed in 2020 to further increase the rating structure of its debt securities by increasing its share of investment grade investment. Simultaneously, the Group increased the sectorial diversification of financial investments with an emphasis on increasing the share of sectors that are less susceptible to the impact of the economic cycle (state, supply companies). In 2020, pursuant to its strategy, the Group gradually increased its investments in infrastructure projects and real-estate funds.

At the beginning of the pandemic, investment management companies suffered a drop in the value of assets under management, which in turn led to lower revenue from management commissions. The quick rise in prices of investments in securities, which was especially intensive in the second half of the year, helped increase the value of assets under management back to pre-crisis levels by the end of 2020.

Covid-19 had no significant impact on the liquidity of Group companies in 2020, as there were no discrepancies between the realised and planned cash flow. Sava Re has a highly liquid portfolio of financial investments, which are used for the repayment of liabilities from insurance and other contracts. In order to ensure adequate liquidity, Sava Re invested a large share of its investment portfolio in government bonds, cash, and demand deposits. Group companies exhibit an adequate liquidity position; along with their own funds for ensuring liquidity they have an open credit line with Sava Re to provide for a secondary source of liquidity.

Assessment of risks as a result of Covid-19

Due to the impact of Covid-19, there has been a slight increase in certain risks. We are now experiencing nearly a year of operations in exceptional circumstances, and we understand the risk now better than we did at the onset of the pandemic. We identify, monitor, analyse, and manage risks on a regular basis. We have determined that the risks within Sava Re and the Sava Insurance Group are well controlled. Below, we set out the potential risks associated with Covid-19:

- We do not expect that Covid-19 will have a significant negative impact on non-life insurance risks, while in some cases, as is evident from the annual report, Covid-19 even had a positive impact on the exposure to such risks. We determine that there may be a potential increase of insurance claims, i.e. mainly with business interruption (re)insurance policies. Exposure to such claims has increased primarily due to case law in specific countries.
- With regard to life insurance risks, we do not expect Covid-19 to significantly increase the mortality risk. There is a risk of somewhat higher lapse/surrender rates and higher costs per policy in the case the new business sales plan is not achieved. The risk of underwriting fewer new policies has increased, as life insurance is more sensitive to changes in macroeconomic conditions and the population's purchasing power.
- With respect to counterparty risk, there is a current risk of specific counterparties' credit ratings deteriorating and/or default.
- Market risks remain high, despite the quick reaction of the world's central banks. In 2021, we expect increased credit and interest risk. We expect these increased credit risks will result in lower credit ratings for commercial issuers, especially in industries that were significantly hurt by the lockdowns (e.g. tourism, services). We see the increased interest risk primarily as a risk that the recession will postpone the expected normalisation of market interest rates.
- Should the current optimistic investor view on the resolution of Covid-19 change, we could see another widening of credit spreads on corporate bonds and downgrading of debt securities. There was also an increase in the volatility of securities markets due to Covid-19 .
- Liquidity risks remain slightly higher due to the situation, but are still low and well managed.
- Strategic risks remain slightly elevated due to the uncertain situation.
- The operational risks resulting from Covid-19 are well managed, as already mentioned above. Cyber risks increased; however, they are well-managed due to increased cyber security. A number of measures have already been introduced in this area that will enable us to detect any intrusions and malicious activity against the Group's IT systems.

Going concern assumption

Uncertainty associated with Covid-19 remains in 2021, as it is impossible to assess how long measures for the containment of the autumn/winter virus wave in Europe will last, and how much of an adverse impact they will have on the economy. We expect slower economic growth and ongoing measures restricting movement will impact the Group's business. However, based on the above-listed risks, we do not expect that they will in any way compromise the solvency of Sava Re and the Sava Insurance Group, as their solvency ratios are high. We also believe that the liquidity risk within the Group is well-managed and do not expect a significant increase of this risk over the coming 12 months, so the going-concern assumption remains valid. Our assumption is based on the cash flow expected from the main activity and the composition of the investment portfolio that can provide adequate liquidity over a longer period of difficult circumstances.

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Despite the improved conditions in the financial markets, the Group managed in 2020 to further increase the rating structure of its debt securities by increasing its share of investment grade investment. Simultaneously, the Group increased the sectorial diversification of financial investments with an emphasis on increasing the share of sectors that are less susceptible to the impact of the economic cycle (state, supply companies). In 2020, pursuant to its strategy, the Group gradually increased its investments in infrastructure projects and real-estate funds.

At the beginning of the pandemic, investment management companies suffered a drop in the value of assets under management, which in turn led to lower revenue from management commissions. The quick rise in prices of investments in securities, which was especially intensive in the second half of the year, helped increase the value of assets under management back to pre-crisis levels by the end of 2020.

Covid-19 had no significant impact on the liquidity of Group companies in 2020, as there were no discrepancies between the realised and planned cash flow. Sava Re has a highly liquid portfolio of financial investments, which are used for the repayment of liabilities from insurance and other contracts. In order to ensure adequate liquidity, Sava Re invested a large share of its investment portfolio in government bonds, cash, and demand deposits. Group companies exhibit an adequate liquidity position; along with their own funds for ensuring liquidity they have an open credit line with Sava Re to provide for a secondary source of liquidity.

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- Market risks remain high, despite the quick reaction of the world's central banks. In 2021, we expect increased credit and interest risk. We expect these increased credit risks will result in lower credit ratings for commercial issuers, especially in industries that were significantly hurt by the lockdowns (e.g. tourism, services). We see the increased interest risk primarily as a risk that the recession will postpone the expected normalisation of market interest rates.
- Should the current optimistic investor view on the resolution of Covid-19 change, we could see another widening of credit spreads on corporate bonds and downgrading of debt securities. There was also an increase in the volatility of securities markets due to Covid-19 .
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- The operational risks resulting from Covid-19 are well managed, as already mentioned above. Cyber risks increased; however, they are well-managed due to increased cyber security. A number of measures have already been introduced in this area that will enable us to detect any intrusions and malicious activity against the Group's IT systems.

Going concern assumption

Uncertainty associated with Covid-19 remains in 2021, as it is impossible to assess how long measures for the containment of the autumn/winter virus wave in Europe will last, and how much of an adverse impact they will have on the economy. We expect slower economic growth and ongoing measures restricting movement will impact the Group's business. However, based on the above-listed risks, we do not expect that they will in any way compromise the solvency of Sava Re and the Sava Insurance Group, as their solvency ratios are high. We also believe that the liquidity risk within the Group is well-managed and do not expect a significant increase of this risk over the coming 12 months, so the going-concern assumption remains valid. Our assumption is based on the cash flow expected from the main activity and the composition of the investment portfolio that can provide adequate liquidity over a longer period of difficult circumstances.

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17.6.2 Capital adequacy and capital management in the Sava Insurance Group and Sava Re

The Group and Sava Re use the standard formula for calculating their capital requirements under the Solvency II regime. The calculation of the solvency capital requirement (hereinafter: SCR) is carried out annually, while eligible own funds supporting the Group's solvency requirements are valued on a quarterly basis. With respect to the current situation due to Covid-19, in 2020, we also calculated quarterly SCR estimates and reported them to the Insurance Supervision Agency. The estimates included the key impact on the SCR associated with the changes to the investment profile in 2020.

The capital requirements of the Company and the Group were met throughout 2020.

The table below shows the calculation of capital adequacy of the Group and Sava Re as at 31 December 2019[130] and 30 September 2020[131].

The Group's unaudited eligible own funds as at 30 September 2020 totalled EUR 581.5 million and were significantly higher than as at 31 December 2019 (EUR 522.0 million). Reasons for increased eligible own funds include the solid Group profit, the integration of Vita into the Sava Insurance Group, and the postponed payment of dividends in 2020 due to Covid-19-related uncertainty. Moreover, the eligible own funds during the first three quarters were not reduced by the foreseeable dividends for 2020, whereas eligible own funds as at 31 December 2020 will be reduced by the foreseeable dividends. The unaudited Group SCR estimate as at 30 September 2020 is higher than the SCR as at 31 December 2019. The merging of the Vita insurance company constitutes the largest impact on the figure. The Group's largest exposure remains to non-life underwriting risk; however, the proportion of the Group's exposure to market risks and life-underwriting risks increased when Vita joined the Group. We expect that the Group's solvency ratio at the end of the year will be similar to that as at 30 September 2020. Accordingly, we assess the Group's insolvency risk as low.

Sava Re's unaudited eligible own funds as at 30 September 2020 totalled EUR 592.1 million and were higher than as at 31 December 2019 (EUR 543.0 million). The main reasons for the increase in eligible own funds is the increased participation in subsidiaries, and the postponed payment of dividends. Moreover, the eligible own funds during the first three quarters were not reduced by the foreseeable dividends for 2020, whereas eligible own funds as at 31 December 2020 will be reduced by the same amount. The unaudited Group SCR estimate as at 30 September 2020 is higher than the SCR as at 31 December 2019. The main reasons for this are increased market risks linked to the growth in portfolio and strategic investments. Sava Re remains most exposed to market risk and non-life underwriting risk. We expect Save Re's solvency ratio at the end of the year will be similar to that as at 30 September 2020. Accordingly, we assess Sava Re's insolvency risk as low.

Capital adequacy of the Group and Sava Re

	Sava Insurance Group		Sava Re	
EUR	**30 September 2020**	**31 December 2019**	**30 September 2020**	**31 December 2019**
Eligible own funds	581,497,091	521,975,171	592,127,530	542,969,377
Minimum capital requirement (MCR)	133,088,285	112,919,644	51,914,096	46,955,101
Solvency capital requirement (SCR)	274,511,725	237,652,239	207,656,383	187,820,403
Solvency ratio	**212%**	**220%**	**285%**	**289%**

130 During the preparation of the audited annual report, the Sava Insurance Group and Sava Re have yet to obtain audited capital adequacy data for 2020. These will be presented in the Group's 2020 solvency and financial condition report to be published on 20 May 2021 and in the solvency and financial condition report of Sava Re for 2020 to be published on 8 April 2021.

131 The calculation of eligible own funds of the Group and Sava Re and the assessment of the solvency capital requirement was made as at 30 September 2020.

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It is important for the Group not only to achieve regulatory capital adequacy, but also to manage capital in such a way that the level of capital meets the requirements of credit rating agencies for level "A" ratings, and that the Group remains solvent and is able to meet its obligations even if stress scenarios are realised. To this end, the risk strategy of the Sava Insurance Group for 2020–2022, which defines the Group's risk appetite, defines the levels of required solvency ratios, as shown in the diagram.

The unaudited estimate of the solvency ratio as at 30 September 2020 indicates the ratio within the optimal level of the Group's capital in accordance with the risk strategy.

17.6.3 Underwriting risks

Underwriting risk arises from the Group's (re)insurance activities, i.e. the underwriting of (re)insurance contracts, and performance of (re)insurance contracts and transactions directly related to (re)insurance activities. It relates to the risks covered under (re)insurance contracts and associated processes, and arises from the uncertainty related to the occurrence, scope and timing of obligations.

Underwriting risk is generally divided into:
- non-life underwriting risk,
- life underwriting risk, including annuities stemming from non-life insurance business, and
- health underwriting risk (including accident (re)insurance).

The basic purpose of life, non-life and health insurance is the assumption of risk from policyholders. In addition to the risks directly assumed by the Group's primary insurance companies, the Group also assumes underwriting risk from cedants outside the Group through accepted reinsurance. Sava Re retains a portion of the assumed risks (from the Group and outside it) and retrocedes the portion that exceeds its capacity.

The Group and Sava Re are exposed to all three categories of risks. Accepted life reinsurance business of non-Group cedants, including accident reinsurance business, is classified as health reinsurance risk. Due to their one-year duration and according to the nature of their coverage, this life reinsurance business is comparable to accepted accident reinsurance business.

First, we present underwriting risks arising out of non-life business. This is followed by risks arising out of life and health insurance business.

17.6.3.1 Non-life underwriting risk

Non-life underwriting risk is divided into:
- **Premium risk** is the risk that premiums written are insufficient to meet the obligations arising from (re)insurance contracts. This risk depends on many factors, such as inadequate assessment of market developments, poor assessment of claims development, use of inadequate statistics, intentionally insufficient premiums for certain lines of business expected to be offset by other lines of business, or inadequate assessment of external macroeconomic factors that may change significantly during the term of a contract. These include:
  - underwriting process risk,
  - pricing risk and
  - risk of unexpected increase in claims.

Given the Group's portfolio structure, the largest contributors to premium risk include motor vehicle and property (re) insurance fire and other damage to property, including associated business interruption insurance). Compared to 2019, the Group's premium risk increased slightly with the expansion of business, which we assess as moderate. We further assess that this risk in Sava Re is also moderate.

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- **Reserve risk** is the risk that either technical provisions are insufficient to meet the obligations arising from (re)insurance contracts due to inadequate methods, inappropriate, incomplete and inaccurate data, inefficient procedures and controls or inadequate expert judgement, or misreporting, resulting in unreliable information about the financial position of the Company or the Group. These include:
  - the risk of data availability and accuracy,
  - the risk of adequacy of methods and assumptions used,
  - the risk of a calculation error,
  - the risk of complex tools used in processes yielding misleading results.

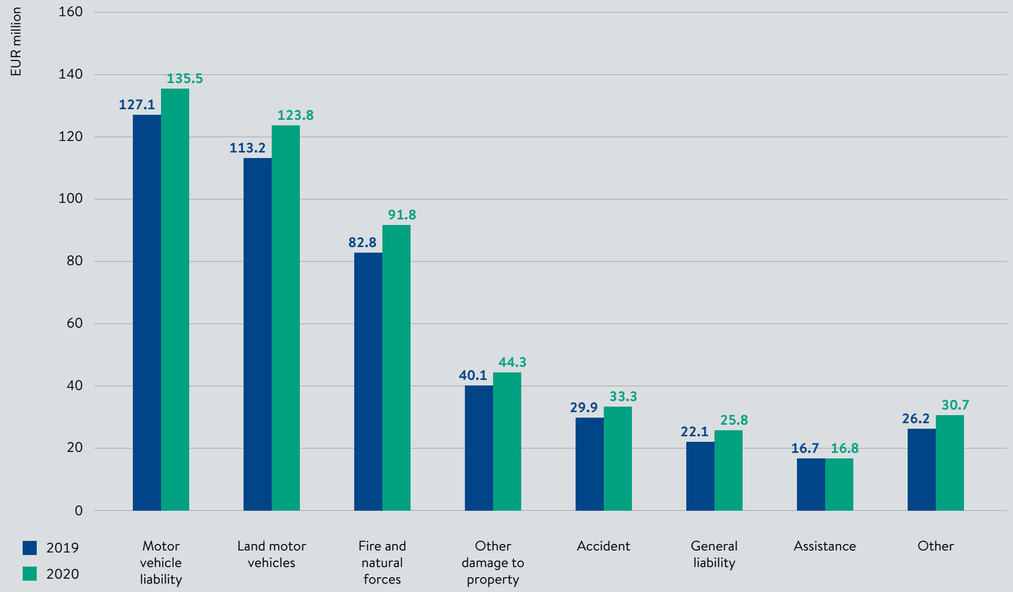
Like premium risk, most of the reserve risk originates from motor vehicle insurance and property business, for which technical provisions are also structurally the largest owing to the Group's traditional focus on such business. Despite the high base, we assess the Group's insurance reserve risk in 2020 as moderate, which is further supported by control measures, described hereafter. The risk is comparable to that in 2019. We also assess the same risk for Sava Re as moderate.

- **Catastrophe risk** is the risk of an occurrence of a catastrophic event; such events are rare but their financial impact is too high to be covered merely by otherwise appropriate premiums and provisions. Catastrophe risk may materialise in the case of extreme events or a large number of catastrophic events in a short period. The risk also includes an excessive geographical accumulation of risks. The Group's portfolio is geographically relatively well diversified, with risks being slightly more concentrated in Slovenia, which is further addressed by means of the reinsurance programme. We assess the Group's disaster risk in 2020 as moderate and (given the scope of insurance portfolios) comparable to that in 2019. We also assess the same risk for Sava Re as moderate.
- **Lapse risk** is the risk of loss or adverse change in the value of insurance liabilities resulting from changes in the level or volatility of lapse rates. The Group and the Company are not materially exposed to this type of risk. The risk of early termination of contracts in 2020 in Sava Re as well as in the Group is assessed as low and comparable to that in 2019.

Other underwriting risks, such as economic environment risk and policyholder behaviour risk, may be relevant, but their effect is already indirectly accounted for in the above non-life underwriting risk.

The Group's exposure to non-life underwriting risk, measured by the volume of consolidated net premiums earned by insurance class, is shown in the graph below.

Consolidated net non-life premiums earned[132] by class of business (EUR million)



132 The figure includes health insurance business, provided on a similar basis as non-life insurance business. Those risks are addressed in section 17.6.3.3. Health underwriting risk.

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The breakdown of the Group's net non-life premiums earned did not change significantly in 2020.

The Group has more premiums in the Adria region, where the direct Group's subsidiaries operate; exposure to Slovenia is predominant. Diversification in 2020 remains similar to that of the previous year. Other exposures of Sava Re in other areas are relatively well diversified globally.

Because the Group as a whole has an adequate retrocession programme in place, it is not exposed to the risk of a sharp increase in net claims, not even in the case of catastrophic losses. A more likely scenario to which the Group is exposed to is the deterioration of the net combined ratio as a result of an increase in claims or expenses along with a decrease in premiums. If the Group's net combined ratio were to change by 1 p.p. due to higher/lower underwriting risks, net profit before tax would decrease/increase by EUR 5.2 million (2019: EUR 4.9 million). If Sava Re's net combined ratio changed due to higher/lower underwriting risks by 1 p.p., net profit before tax would change by EUR 1.6 million (2019: EUR 1.5 million). In 2019, an additional maximum net claim of EUR 5 million would have deteriorated the combined ratio by 3.1% (2019: 3.5%).

The Group and/or Sava Re manage non-life underwriting risks by:

- established underwriting processes, comprising procedures and an authorisation system for the underwriting of (re) insurance contracts with higher sums insured, and a process for the underwriting of (re)insurance contracts in accordance with internal underwriting guidelines for facultative underwriting for high exposures;
- underwriting limits;
- geographical diversification;
- an appropriate actuarial pricing policy applied in product design and controlling; and
- an appropriate reinsurance programme.

The sections below explain risk management in greater detail by each non-life underwriting risk.

Premium risk

The Group seeks to mitigate underwriting process risk by restricting authorisations for mass underwriting, as well as by means of additional training of underwriters and agents, by providing understandable, clear and detailed instructions, and by defining appropriate underwriting limits that are consistent with the business strategy, the risk strategy and the reinsurance programme. In addition, we make special efforts to offer products to appropriate target clients (to prevent mis-selling and/or adverse selection), to accept reinsurance from trusted cedants, and to ensure that appropriate limits are in place for exposure concentration by geographical location and homogeneous risk groups, which maintain favourable risk diversification.

Another underwriting process risk is PML error, the inaccurate assessment of the Probable Maximum Loss (hereinafter: PML). In order to mitigate this risk, the Group has in place guidelines for PML assessment, requirements that PML assessments are a team exercise, and ensures that the reinsurance programme covers PML error. Most accepted non-life (re)insurance contracts are renewed annually. This allows insurers to amend the conditions and rates to take into account any deterioration in the underwriting results of entire classes of business, and for major policyholders in a timely manner. Where significant primary insurance risks are involved, adequately qualified underwriting experts of the parent company are involved. Additionally, in respect of risks exceeding the limits set out in the obligatory reinsurance treaties, it is vital that adequate facultative reinsurance cover is obtained to upgrade the basic reinsurance programme.

The net retention limit per risk is set at EUR 4 million for the majority of non-life classes of insurance and a combined limit of EUR 4 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of EUR 2 million is set for motor liability and for marine. In principle, this caps any net claim arising out of any single loss event at a maximum of EUR 4 million.

The Group seeks to mitigate price risk before launching a product by making in-depth market analyses, staying informed (media, competitors, clients), monitoring applicable regulations and associated requirements, and monitoring historical claim trends (for the entire market) and forecasts. In respect of obligatory proportional reinsurance treaties, Sava Re follows the fortune of its ceding companies, while with non-proportional and facultative contracts, the decision on assuming a risk is on Sava Re. It follows from the foregoing that in order to manage this risk, it is essential to review the practices of existing and future ceding companies and to analyse developments in the relevant markets and in the relevant classes of insurance. Consequently, coverage may only be granted by taking into account internal underwriting guidelines, whereby, based on available information and the set prices, as well as other relevant contractual provisions, the results need to comply with the target combined ratios. The suitability of pricing is verified through modelling and other detailed profitability reviews.

The Group mitigates claims risk through in-depth assessments of underwriting process risk, by restricting the authorisations in the underwriting process, and by developing IT support that allows an accurate overview of claims accumulation. For accepted reinsurance, this risk, too, can be managed by means of special clauses in proportional reinsurance contracts, which limit the reinsurer's share of unexpected claims, and by not accepting unlimited layers under non-proportional contracts.

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Also central to reducing this risk is the annual testing of the appropriateness of reinsurance protection using a variety of stress tests and scenarios, and setting appropriate retentions. Retention levels and per risk reinsurance protection in 2020 remain at the same level as in 2019.

Reserve risk

The Group manages reserve risk by means of robust processes and effective controls as regards the calculation of technical provisions both in accordance with IFRS and Solvency II regulations. In addition, it conducts annual backtesting of the appropriateness of technical provisions, analysing any major reasons for their insufficiency. Insufficiency of technical provisions and may occur because of inaccurate actuarial estimates or an unexpectedly unfavourable loss development. It may be a result of new types of losses that have not been excluded in cedants' insurance conditions and for which no claims provisions have yet been established, which is common with liability insurance contracts, but can also occur due to changed court practices. All experience so gained is then used in the calculation of future technical provisions.

By documenting and understanding such a process, the Group can identify and describe potential risks, such as the:
- risk of data availability and accuracy,
- risk of adequacy of methods and assumptions used,
- risk of a calculation error,
- risk associated with supporting IT systems and tools.

Controls are put in place for the mitigation of each identified risk. These controls ensure data quality and mitigate the risks associated with the calculation of technical provisions. The design and operational effectiveness of controls are reviewed at least annually and whenever a significant change occurs in the process or methods and models used to calculate technical provisions.

Such controls include:
- reconciliation of technical provision items with accounting records,
- peer review of actuarial methods and assumptions,
- changes to management controls relating to the IT tools used in the process,
- actuarial review and approval of the level of technical provisions.

The process by which technical provisions are calculated is subject to periodic approval. Where substantial changes have been made to the process, the methodology or models used in the calculation of technical provisions, a validation is carried out in accordance with the reporting schedule.

Back-testing of the appropriateness of technical provisions in 2020

Unearned premiums are established by Group members on a pro rata basis at the insurance policy level. In addition to unearned premiums, Group companies establish provisions for unexpired risks for those homogeneous risk groups where the combined ratio (loss ratio plus expense ratio) is expected to exceed 100%, as described in the notes to technical provisions.

Due to the difference in reserving (set out later) methodologies used in accepted reinsurance and primary insurance business, the run-off analysis was made separately for primary insurance and reinsurance business. Such testing or analysis of whether technical provisions are adequate can only be applied to past years – the further back in time, the more precise the results. Given that technical provisions are calculated using consistent actuarial methods, we can conclude, based on past discrepancies between originally estimated liabilities and subsequently established liabilities at individual dates of the statement of financial position, that the provisions as at 31 December 2020 are adequate.

Group primary insurance companies organise and analyse claims provision data by accident year. The table below shows an adequacy test/analysis of gross claims provisions established by the Group for liabilities under non-life primary insurance contracts. Amounts were translated from local currencies into euros using the exchange rate prevailing at the end of the year (provisions) or in the middle of the year (claims paid).

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Adequacy analysis of gross claims provisions for the Group's non-life insurance business[133]

EUR thousand	Year ended 31 Dec					
Estimate of gross liabilities	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
As originally estimated	303,797	314,973	316,603	306,598	322,962	346,485
Re-estimated as of 1 year later	255,730	257,508	258,309	264,102	283,133	
Re-estimated as of 2 years later	218,927	216,188	233,271	244,561		
Re-estimated as of 3 years later	186,132	199,103	218,814			
Re-estimated as of 4 years later	172,383	186,922				
Re-estimated as of 5 years later	162,861					
Cumulative gross redundancy (latest estimate – original estimate)	**140,936**	**128,051**	**97,790**	**62,037**	**39,828**	
Cumulative gross redundancy as % of original estimate	46.4%	40.7%	30.9%	20.2%	12.3%	

The cumulative gross redundancies for the underwriting years from 2015 to 2018 increased compared to amounts at the end of the preceding year, which were 43.4%, 37.0%, 26.6% and 14.7% of original estimates.

When establishing technical provisions, the Group takes into account any under-reserved technical provisions identified on the subsidiary company level, recognising any identified deficiencies at the Group level. As at 31 December 2020, there were no above-mentioned deficiencies.

The Group cannot use triangles organised on the basis of accident year data for actuarial estimations of claims provisions in respect of accepted reinsurance business. This is because ceding companies report claims under proportional treaties broken down by underwriting year. As claims under one-year policies written during any one year may occur either in the year the policy is written or in the year after, data on losses for proportional reinsurance contracts is only broken down by underwriting year. Furthermore, some markets renew treaty business during the year, resulting in additional discrepancies between the underwriting year and the accident year.

Due to these specifics, the Group provides data on reinsurer's share by underwriting year. The estimated liabilities relate to claims that have already been incurred (reported and not reported) and the settlement of which is covered by the claims provision, and claims arising from accepted contracts that have not yet been incurred and the settlement of which is covered by unearned premiums less deferred commission.

133 Contrary to last-year's reporting, this figure also includes the Ergo's portfolio, which is part of a Zavarovalnica Sava subsidiary, so the numbers reported prior to 2020 differ from those shown in last year's report.

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The table below therefore shows originally estimated gross or net liabilities with claims provisions included at any year-end plus unearned premiums less deferred commission, which is compared to subsequent estimates of these liabilities.

Adequacy analysis of gross technical provisions for past years – non-Group reinsurance business

EUR thousand	Year ended 31 Dec					
Estimate of gross liabilities	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
As originally estimated	142,850	146,463	149,017	150,198	163,050	183,917
Re-estimated as of 1 year later	132,998	127,717	132,200	143,738	152,741	
Re-estimated as of 2 years later	122,748	119,454	129,376	136,424		
Re-estimated as of 3 years later	117,864	120,620	126,985			
Re-estimated as of 4 years later	119,066	117,370				
Re-estimated as of 5 years later	118,033					
Cumulative gross redundancy (latest estimate – original estimate)	**24,817**	**29,093**	**22,032**	**13,774**	**10,310**	
Cumulative gross redundancy as % of original estimate	17.4%	19.9%	14.8%	9.2%	6.3%	

The cumulative gross redundancies for underwriting years from 2015 to 2019 increased if compared to amounts as at the end of the preceding year, which were 16.4%, 17.4%, 13.0% and 4.1% of original estimates.

Lapse risk

It is estimated that lapse risk is less important for the Group, as the vast majority of non-life insurance policies is written for one year and cannot be terminated early without the insurer's consent (except in case of premium default or if the subject-matter of the insurance policy is no longer owned by the policyholder or has been destroyed due to a loss event). The majority of accepted reinsurance contracts is also written for a period of one year. The risk associated with these contracts is also mitigated by nurturing good business relations with policy holder cedants and by closely analysing the market situation.

Catastrophe risk

The Group manages catastrophe risk by means of a well-designed underwriting process, by controlling risk concentration for products covering larger complexes against natural disasters and fire, by geographical diversification, and by adequate retrocession protection against natural and man-made catastrophes. In managing these risks, due consideration is given to the fact that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event as well as by the frequency of such events.

An appropriate reinsurance programme is important for managing the underwriting risk to which the Group is exposed. Sava Re uses retrocession treaties to diversify risk appropriately. The reinsurance programme is set up to reduce exposure to potential single large losses or the effect of a large number of single losses arising from the same loss event. The Group considers its reinsurance programme (including proportional and non-proportional reinsurance) to be appropriate in view of the risks to which it is exposed. Net retention limits set by the Group are only rarely applied. The

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Group also concludes co-insurance and reciprocal contracts with other reinsurers to further disperse risks.

The Group's primary insurance business and separately accepted non-Group reinsurance business is protected against natural catastrophes based on non-proportional CAT XL coverages for own account. Even prior to the operation of the non-proportional protection, the portfolio of earthquake (re) insurance business of the Group's cedants is protected by a quota share retrocession treaty. This means that if a major event occurs, the Group will suffer a loss equal, at most, to the amount of the priority of the catastrophe excess-of-loss cover plus reinstatement premium; the priority of both CAT programmes in 2020 remained unchanged and amounts to EUR 5 million. If the Group makes additional use of the coverage, it is subject to provisions concerning reinstatements, meaning that it would purchase protection for the remaining period of cover. This is a common instrument available in the international reinsurance market at a price that is usually lower than the original cover due to the shorter coverage period. The portfolio is further protected against the risk of a larger frequency of natural catastrophes in Slovenia by an aggregate cover; therefore, if several events exceed the Group's priority in a year, the Group will suffer a loss lower than the sum of the priorities. The non-Group portfolio is additionally insured through a sublimit in case of a higher catastrophe frequency. It ensures that the Group remains solvent even if several catastrophic events occur in a single year.

Compared to 2019, there are no significant differences in the Group's reinsurance programme. In this way, the Group maintains catastrophe risk at a level comparable to 2019.

Assessed risk exposure in 2020 compared to 2019

We estimate the Group's non-life underwriting risk as moderate and well-managed. However, compared to 2019, it increased slightly in 2020 due to an increase in premium volumes. This is because net non-life premiums written by the Group in 2020 grew by 9.6% or EUR 44.0 million compared to 2019. We further assess the non-life underwriting risk of Sava Re as moderate and comparable to 2019.

According to our assessment, the likelihood that the non-life underwriting risk will seriously compromise the Group's or Sava Re's financial stability is estimated as low, while there are no significant differences between 2020 and 2019.

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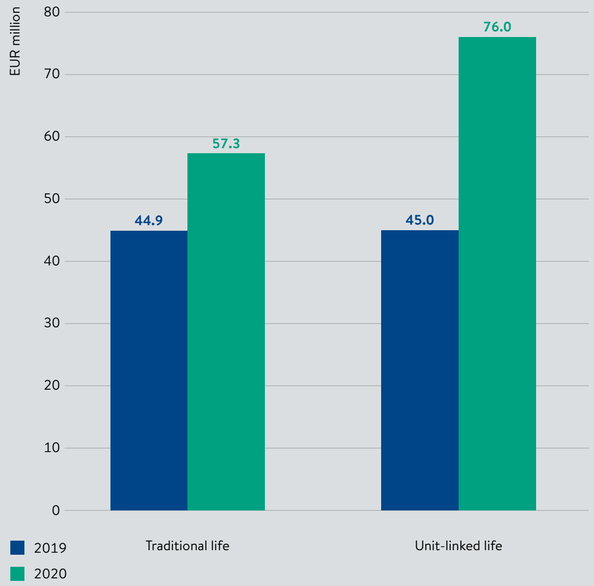
17.6.3.2 Life underwriting risk

The main life underwriting risks are:

- biometric risks, which are divided into:
  - mortality risk,
  - longevity risk
  - disability-morbidity risk,
- life expense risk,
- revision risk,
- lapse risk, being the risk of early termination of life insurance contracts, includes terminations due to surrenders, conversion to paid-up status, and premium default,
- life catastrophe risk.

Consolidated net premiums earned of the Group by line of business



The Group is moderately exposed to life underwriting risk. The Group's main exposure to life underwriting risk is in the EU. The Group's risks in 2020 increased due to the acquisition of Vita. The merger also led to a change in the breakdown of the Group's net life insurance premiums earned, as shown in the chart below.

The Group's key exposures are to lapse risk, mortality risk and expense risk. Other risks related to the Group's life insurance business are lower and are therefore not discussed in detail herein.

Lapse risk is the risk of an increase or decrease in lapse rates (rate of early termination of contracts) due to surrenders, conversions to paid-up status, or premium default. Risk levels depend on the use of adequate statistics, identification of terminations for various reasons in an underwriting year, and economic situation, which, to a certain extent, affect the behaviour of policyholders. Risk levels also depend on competitive insurance products available in the market, and advice provided by insurance intermediaries and financial advisers.

The Group manages lapse risk mainly by means of quarterly monitoring of the number and percentage of policies lapsed, by restricting surrenders if an approval by the insurer is required, and by the systematic prevention of insurance rearrangements by intermediaries.

Mortality risk is the risk that the actual mortality of insured persons will turn out to be greater than projected in mortality tables used during premium pricing. Risk levels depend on the use of adequate statistics and identification of insured persons with an increased mortality risk due to health reasons or a risky lifestyle.

The procedures used to manage mortality risk are: consistent application of underwriting protocols, which specify in detail the deviation from normal mortality risk, regular monitoring of exposures and adequacy of mortality tables used, and appropriate reinsurance protection.

Life expense risk is the risk that the actual expenses incurred in servicing life insurance contracts turn out to be greater than projected in pricing. Risk levels depend on the use of adequate statistics, and an increase in the actual expenses incurred in servicing life insurance contracts.

Life-expense risk is managed by the Group by periodic monitoring of the expenses incurred in servicing life insurance contracts, monitoring the macroeconomic situation (e.g. inflation), and appropriately planning the servicing of expenses for the coming years.

Besides the above-specified ways in each type of life-insurance business, the Group also controls life underwriting risks by regularly monitoring the life portfolio structure, exposure, premium payment patterns, lapse rates and expenses incurred in a specific period, as well as by analysing the appropriateness of the modelling of the expected mortality, morbidity, and lapse rates. The information so obtained allows for timely action in the case of adverse developments in these indicators.

The Group additionally manages life underwriting risk by strictly following underwriting and risk assessment procedures. These specify the criteria and terms of approving risk acceptance. At given premium rates, risk assumption depends on the age at entry and the requested sum insured. The Group accepts risks if the insured's health, as a measure of risk quality, is in line with table data listing criteria for medical examinations. An additional factor in the assumption of risks is lifestyle, including leisure activities and occupation. The Group has in place an

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appropriate reinsurance programme in order to limit the impact of underwriting risk (death and additional risks); covers are generally on a proportional basis. The retention of insurance companies does not exceed EUR 100,000.

There is no significant concentration of life underwriting risk at the Group level, as the portfolio is well-diversified in terms of the age of the insured persons, the remaining period of insurance, exposures (of sums insured and sums at risk), and premium payment schedule. The portfolio is also diversified in terms of the percentage of policies lapsed in a period, expenses and mortality, and morbidity rates by product.

Assessed risk exposure in 2020 compared to 2019

We estimate the Group's life underwriting risk as moderate and well-managed. However, it increased slightly in 2020 due to the acquisition of Vita, which primarily underwrites life insurance business.

17.6.3.3 Health underwriting risk

Health underwriting risk includes:

- health underwriting risks pursued on a similar technical basis as non-life insurance (hereinafter: NSLT health business);
- health underwriting risks pursued on a similar technical basis as life insurance (hereinafter: SLT health business).

The Group is exposed to both types of health underwriting risk. The majority of the exposure relates to accident insurance, which is classified as NSLT health insurance, while the exposure to SLT health insurance is very small.

NSLT health underwriting risks are by their nature very similar to non-life underwriting risks, which are discussed in greater detail in section *17.6.3.1 "Non-life underwriting risk"*, and are as such managed by the Group using similar techniques, i.e. by means of a well-designed underwriting process, the control of risk concentration for accident and health insurance products, and an adequate reinsurance protection.

SLT health underwriting risks are by their nature very similar to life underwriting risks, and are therefore managed by the Group using similar techniques. They are discussed in greater detail in section *17.6.3.2 "Life underwriting risk"*.

Assessed risk exposure in 2020 compared to 2019

We consider the Group's and Sava Re's exposure to health underwriting risk in 2020 low and comparable to 2019.

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17.6.4 Investment portfolio risk

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

The value of deposits, government and corporate bonds, mutual funds, and cash and cash equivalents as at 31 December 2020 was EUR 95.3 million (31 December 2019: EUR 104.9 million). As at 31 December 2020, investment portfolio assets of EUR 1,615.5 million were exposed to risk (31 December 2019: EUR 1,262.1 million).

Investments exposed to investment portfolio risks as at 31 December 2020

Sava Insurance Group						
EUR	Non-life	Life	IRLF		Total	Investments exposed to financial risk
			Insurance company's investments	Policyholder's investments		
Deposits and CDs	16,102,323	6,313,121	4,009,072	0	26,424,516	26,424,516
Government bonds	380,228,980	284,098,960	42,676,308	0	707,004,249	707,004,249
Corporate bonds	266,591,940	348,741,130	35,163,791	0	650,496,861	650,496,861
Shares (excluding strategic shares)	11,591,702	27,010,594	0	0	38,602,296	38,602,296
Mutual funds	27,474,663	10,838,412	3,959,090	325,416,550	367,688,715	42,272,165
bond and money market	21,127,570	8,748,033	3,959,090	23,275,952	57,110,645	33,834,693
mixed	0	0	0	67,674,586	67,674,586	0
equity funds	6,347,093	2,090,379	0	234,466,012	242,903,484	8,437,472
Infrastructure funds	27,436,468	0	0	0	27,436,468	27,436,468
Real estate funds	12,840,307	1,500,001	0	0	14,340,307	14,340,307
Loans granted and other investments	2,012,039	107,531	0	0	2,119,569	2,119,569
Deposits with cedants	7,261,165	0	0	0	7,261,165	7,261,165
Financial investments	**751,539,587**	**678,609,747**	**85,808,262**	**325,416,550**	**1,841,374,148**	**1,515,957,597**
Financial investments in associates	15,056,143	0	0	0	15,056,143	0
Investment property	16,084,154	36,925	0	0	16,121,079	16,121,079
Cash and cash equivalents	60,299,894	13,656,927	9,501,773	0	83,458,594	83,458,594
Investment portfolio	**842,979,778**	**692,303,599**	**95,310,036**	**325,416,550**	**1,956,009,964**	**1,615,537,270**

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Investments exposed to investment portfolio risks as at 31 December 2019

Sava Insurance Group						
EUR	Non-life	Life	IRLF		Total	Investments exposed to financial risk
			Insurance company's investments	Policyholder's investments		
Deposits and CDs	35,790,649	10,877,285	4,000,954	0	50,668,888	50,668,888
Government bonds	382,323,418	157,636,530	40,701,441		580,661,388	580,661,388
Corporate bonds	270,698,346	123,322,636	38,635,554	386,892	433,043,428	432,656,536
Shares (excluding strategic shares)	11,778,972	5,724,753	0	0	17,503,724	17,503,724
Mutual funds	23,142,085	11,128,657	3,384,170	126,050,877	163,705,789	37,654,912
bond and money market	19,928,803	9,054,666	3,384,170	1,656,330	34,023,969	32,367,638
mixed	116,044	41,404	0	16,028,513	16,185,961	157,448
equity funds	3,097,239	2,032,587	0	108,366,034	113,495,860	5,129,826
Infrastructure funds	20,159,022	0	0	0	20,159,022	20,159,022
Real estate funds	4,000,000	0	0	0	4,000,000	4,000,000
Loans granted and other investments	1,069,925	132,942	0	0	1,202,867	1,202,867
Deposits with cedants	7,089,021	0	0	0	7,089,021	7,089,021
Financial investments	**756,051,437**	**308,822,802**	**86,722,119**	**126,437,769**	**1,278,034,127**	**1,151,596,358**
Financial investments in associates	581,104	0	0	0	581,104	0
Investment property	16,656,865	38,266	0	0	16,695,132	16,695,132
Cash and cash equivalents	66,485,436	9,172,408	18,146,187	0	93,804,031	93,804,031
Investment portfolio	**839,774,842**	**318,033,477**	**104,868,306**	**126,437,769**	**1,389,114,393**	**1,262,095,521**

The investments of policyholders relating to unit-linked life business where policyholders fully bear the investment risk are excluded from the analysis of risks; as at year-end 2020, these totalled EUR 325.4 million (31 December 2019: EUR 126.4 million).

As at 31 December 2020, the Sava Re investment portfolio totalled EUR 304.7 million (31 December 2019: EUR 357.2 million) and consists of:

- financial investments (2020: EUR 269.5 million; 2019: EUR 296.1 million).
- investment property (2020: EUR 8.0 million; 2019: EUR 8.1 million)
- cash and cash equivalents (2020: EUR 27.1 million; 2019: EUR 52.9 million).

In 2020, the value of Sava Re's investment portfolio exposed to portfolio risk decreased by EUR 52.5 million compared to year-end 2019, which is explained in section *9.2.1.1 "Investment portfolio"* of the business part of the report.

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Sava Re's investments exposed to investment portfolio risk

Sava Re

EUR	31 December 2020	As % of total 31 December 2020	31 December 2019	As % of total 31 December 2019	Absolute change 31 December 2020 - 31 December 2019	Movement in structure, p.p., 31 December 2020 - 31 December 2019
Deposits and CDs	0	0.0%	22,338,823	6.3%	-22,338,823	-6.3
Government bonds	132,857,699	43.6%	137,262,384	38.4%	-4,404,685	5.2
Corporate bonds	98,807,709	32.4%	105,843,738	29.6%	-7,036,030	2.8
Shares (excluding strategic shares)	9,256,913	3.0%	9,690,877	2.7%	-433,964	0.3
Mutual funds	3,216,524	1.1%	1,704,135	0.5%	1,512,389	0.6
bond funds	2,146,164	0.7%	1,704,135	0.5%	442,030	0.2
equity funds	1,070,360	0.4%	0	0.0%	1,070,360	0.4
Infrastructure funds	9,200,979	3.0%	6,951,308	1.9%	2,249,671	1.1
Real estate funds	3,969,161	1.3%	1,000,000	0.3%	2,969,161	1.0
Loans granted	4,967,639	1.6%	4,216,308	1.2%	751,331	0.5
Deposits with cedants	7,261,165	2.4%	7,089,021	2.0%	172,144	0.4
Financial investments	**269,537,788**	**88.5%**	**296,096,594**	**82.9%**	**-26,558,806**	**5.6**
Investment property	8,031,875	2.6%	8,142,714	2.3%	-110,839	0.4
Cash and cash equivalents	27,080,146	8.9%	52,931,222	14.8%	-25,851,075	-5.9
Total financial investments	**304,649,808**	**100.0%**	**357,170,530**	**100.0%**	**-52,520,722**	**0.0**

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17.6.4.1 Investment property risk

Investment property risk is the risk of change in the fair value of investment property directly or indirectly owned by the Group or Sava Re.

The Group and Sava Re are exposed to investment property risk within investment portfolio risks. In addition to investment property, real estate funds shown as alternative investments under financial investments are also exposed to the risk.

The two tables below show the value of investment property of the Group and Sava Re.

Investment property

Sava Insurance Group

EUR	31 December 2020	As % of total 31 December 2020	31 December 2019	As % of total 31 December 2019	Absolute change 31 December 2020 - 31 December 2019	Change in structure, p.p., 31 December 2020 - 31 December 2019
Investment property	16,121,080	1.0%	16,695,132	1.3%	-574,052	-0.3
Real estate funds	14,340,306	0.9%	4,000,000	0.3%	10,340,306	0.6
Total	**30,461,386**	**1.9%**	**20,695,132**	**1.6%**	**9,766,255**	**0.2**

Sava Re

EUR	31 December 2020	As % of total 31 December 2020	31 December 2019	As % of total 31 December 2019	Absolute change 31 December 2020 - 31 December 2019	Change in structure, p.p., 31 December 2020 - 31 December 2019
Investment property	8,031,875	2.6%	8,142,714	2.3%	-110,839	0.4
Real estate funds	3,969,161	1.3%	1,000,000	0.3%	2,969,161	1.0
Total	**12,001,035**	**3.9%**	**9,142,714**	**2.6%**	**2,858,321**	**-1.4**

As at 31 December 2019, the value of the Group's investments exposed to investment property risk stood at EUR 30.5 million (31 December 2019: EUR 20.7 million) and increased by EUR 9.8 million compared to the previous period, mainly due to the recorded commitment of funds with real-estate fund managers.

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As at 31 December 2020, the value of the Sava Re investments exposed to investment property risk stood at EUR 12.0 million (31 December 2019: EUR 9.1 million) and has increased by EUR 2.9 million compared to the previous period, mainly due to the recorded commitment of funds with real-estate fund managers.

Property risk was assessed by applying a 15% decrease to the value of investments. The result is shown in the tables below.

Estimated value of investment property taking account of the shock

Sava Insurance Group

EUR	31 December 2020			31 December 2019		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investment property	16,121,080	13,702,918	-2,418,162	16,695,132	14,190,862	-2,504,270
Real estate funds	14,340,306	12,189,260	-2,151,046	4,000,000	3,400,000	-600,000
Total	**30,461,386**	**25,892,178**	**-4,569,208**	**20,695,132**	**17,590,862**	**-3,104,270**

Sava Re

EUR	31 December 2020			31 December 2019		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investment property	8,031,875	6,827,094	-1,204,781	8,142,714	6,921,307	-1,221,407
Real estate funds	3,969,161	3,373,787	-595,374	1,000,000	850,000	-150,000
Total	**12,001,035**	**10,200,880**	**-1,800,155**	**9,142,714**	**7,771,307**	**-1,371,407**

In the case of such a shock, the value of the Group's investments exposed to investment property risk would decrease by EUR 4.6 million, while the value of investments of Sava Re exposed to investment property risk would decrease by EUR 1.8 million.

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17.6.4.2 Financial risks

17.6.4.2.1 Market risk

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

Group financial investments exposed to market risk

Sava Insurance Group						
EUR	**31 December 2020**	**As % of total 31 December 2020**	**31 December 2019**	**As % of total 31 December 2019**	**Absolute change 31 December 2020 - 31 December 2019**	**Change in structure, p.p., 31 December 2020 - 31 December 2019**
Deposits and CDs	26,424,516	1.7%	50,668,888	4.1%	-24,244,372	-2.4
Government bonds	707,004,249	44.6%	580,661,388	46.8%	126,342,861	-2.2
Corporate bonds	650,496,861	41.0%	432,656,536	34.9%	217,840,325	6.2
Shares (excluding strategic shares)	38,602,296	2.4%	17,503,724	1.4%	21,098,571	1.0
Mutual funds	42,272,165	2.7%	37,654,911	3.0%	4,617,254	-0.4
bond and money market	33,834,693	2.1%	32,367,638	2.6%	1,467,055	-0.5
mixed	0	0.0%	157,448	0.0%	-157,448	0.0
equity funds	8,437,472	0.5%	5,129,825	0.4%	3,307,647	0.1
Infrastructure funds	27,436,468	1.7%	20,159,022	1.6%	7,277,446	0.1
Loans granted and other investments	2,119,569	0.1%	1,202,867	0.1%	916,701	0.0
Deposits with cedants	7,261,165	0.5%	7,089,021	0.6%	172,144	-0.1
Financial investments	**1,501,617,290**	**94.7%**	**1,147,596,357**	**92.4%**	**354,020,931**	**2.3**
Cash and cash equivalents	83,458,594	5.3%	93,804,031	7.6%	-10,345,438	-2.3
Investment portfolio	**1,585,075,884**	**100.0%**	**1,241,400,389**	**100.0%**	**343,675,492**	**0.0**

The value of the Group's financial investments exposed to market risk increased by EUR 343.7 million in 2020 compared to year-end 2019, which is explained in section *9.2.1.1 "Investment portfolio"* of the business report part.

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Sava Re financial investments exposed to market risk

Sava Re						
EUR	**31 December 2020**	**As % of total 31 December 2020**	**31 December 2019**	**As % of total 31 December 2019**	**Absolute change 31 December 2020 - 31 December 2019**	**Change in structure, p.p., 31 December 2020 - 31 December 2019**
Deposits and CDs	0	0.0%	22,338,823	6.4%	-22,338,823	-6.4
Government bonds	132,857,699	45.4%	137,262,384	39.4%	-4,404,685	6.0
Corporate bonds	98,807,709	33.8%	105,843,738	30.4%	-7,036,030	3.4
Shares (excluding strategic shares)	9,256,913	3.2%	9,690,877	2.8%	-433,964	0.4
Mutual funds	3,216,524	1.1%	1,704,135	0.5%	1,512,389	0.6
bond funds	2,146,164	0.7%	1,704,135	0.5%	442,030	0.2
equity funds	1,070,360	0.4%	0	0.0%	1,070,360	0.4
Infrastructure funds	9,200,979	3.1%	6,951,308	2.0%	2,249,671	1.1
Loans granted and other investments	4,967,639	1.7%	4,216,308	1.2%	751,331	0.5
Deposits with cedants	7,261,165	2.5%	7,089,021	2.0%	172,144	0.4
Financial investments	**265,568,627**	**90.7%**	**295,096,594**	**84.8%**	**-29,527,966**	**6.0**
Cash and cash equivalents	27,080,146	9.3%	52,931,222	15.2%	-25,851,075	-6.0
Total financial investments	**292,648,773**	**100.0%**	**348,027,816**	**100.0%**	**-55,379,042**	**0.0**

The value of Sava Re's financial investments exposed to market risk decreased by EUR 55.4 million in 2020 compared to year-end 2019, which is explained in section *9.2.1.1 "Investment portfolio"* of the business report part.

17.6.4.2.1.1 Interest rate risk

Interest rate risk is the risk that the Group or the Company will be exposure to losses resulting from fluctuations in interest rates. These can cause a decrease in investments or an increase in liabilities.

The major part of interest rate risk on the liabilities side only affects the life insurance segment (mathematical provisions). Based on the prescribed methodology for the calculation of technical provisions for the purposes of preparing financial statements, on the non-life business side only temporary and life annuities arising out of liability policies are interest-rate sensitive; however, any change in liabilities due to changes in the capitalised value of annuities as a result of a decline in interest rates is negligible and has therefore not been considered in those calculations.

Interest rate risk is measured through a sensitivity analysis, by observing the change in the value of investments in interest-rate sensitive assets or the value of mathematical provisions in case of a change in interest rate of 1 p.p. The interest-rate sensitive bond portfolio includes government and corporate bonds, deposits, loans, bond mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5.

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Interest rate risk of the Group

The total value of investments included in the interest risk calculation as at 31 December 2020 was EUR 1,425.9 million (31 December 2019: EUR 1,098.2 million). Of this, EUR 689.9 million (31 December 2019: EUR 706.6 million) relates to assets of non-life insurers (including Sava Re) and EUR 735.9 million (31 December 2019: EUR 391.6 million) to assets of life insurers.

The sensitivity analysis of the non-life segment as at 31 December 2020 showed that in the event of an interest rate increase of 1 p.p., the value of the interest rate sensitive investments would drop EUR 26.7 million (31 December 2019: EUR 22.8 million) or 3.9% (31 December 2019: 3.2%). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale and held-to-maturity investments, loans and deposits, and the impact on profit or loss is a result of investments classified as at fair value through profit or loss.

Results of the sensitivity analysis on interest-rate sensitive non-life investments

Sava Insurance Group						
EUR	31 December 2020					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	381,171,094	365,094,801	-16,076,293	381,171,094	398,485,603	17,314,509
Corporate bonds	266,591,625	257,199,284	-9,392,341	266,591,625	276,906,886	10,315,261
Bond mutual funds	21,127,570	20,311,186	-816,384	21,127,570	22,018,496	890,926
Other interest rate sensitive assets	21,029,148	20,655,186	-373,962	21,029,148	21,601,578	572,430
Total	**689,919,436**	**663,260,457**	**-26,658,980**	**689,919,436**	**719,012,563**	**29,093,126**
Effect on equity		-25,433,152			27,630,657	
Effect on the income statement		-1,225,828			1,462,469	

Sava Insurance Group						
EUR	31 December 2019					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	383,583,081	369,945,780	-13,637,301	383,583,081	398,267,504	14,684,424
Corporate bonds	270,698,346	262,516,307	-8,182,039	270,698,346	279,739,111	9,040,765
Bond mutual funds	15,477,957	14,979,127	-498,830	15,477,957	16,024,077	546,120
Other interest rate sensitive assets	36,861,535	36,406,440	-455,095	36,861,535	37,522,441	660,907
Total	**706,620,919**	**683,847,424**	**-22,773,264**	**706,620,919**	**731,553,134**	**24,932,215**
Effect on equity		-21,713,393			23,683,704	
Effect on the income statement		-1,059,872			1,248,511	

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The sensitivity analysis of interest rate sensitive life insurance investments showed that in case of an increase in interest rates of 1 p.p., the value would decrease by EUR 39.2 million or 5.3% (31 December 2019: EUR 16.3 million; 4.2%). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale investments and the impact on profit or loss a result of investments classified as at fair value through profit or loss.

Results of the sensitivity analysis on interest-rate sensitive life investments

Sava Insurance Group						
EUR	31 December 2020					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	328,757,817	308,401,995	-20,355,822	328,757,817	351,431,001	22,673,184
Corporate bonds	384,041,600	366,004,192	-18,037,407	384,041,600	403,733,963	19,692,363
Bond, convertible and mixed mutual funds	12,707,109	12,030,908	-676,201	12,707,109	13,453,142	746,033
Other interest rate sensitive assets	10,429,724	10,336,756	-92,968	10,429,724	10,524,882	95,158
Total	**735,936,250**	**696,773,851**	**-39,162,398**	**735,936,250**	**779,142,988**	**43,206,738**
Effect on equity		-38,221,472			42,118,925	
Effect on the income statement		-940,926			1,087,813	

Sava Insurance Group						
EUR	31 December 2019					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	200,106,970	190,364,516	-9,742,454	200,106,970	210,759,532	10,652,562
Corporate bonds	162,610,605	156,786,819	-5,823,787	162,610,605	169,069,010	6,458,405
Bond and mixed mutual funds	13,843,477	13,267,142	-576,335	13,843,477	14,476,505	633,028
Other interest rate sensitive assets	15,011,181	14,851,747	-159,436	15,011,181	15,172,828	161,647
Total	**391,572,233**	**375,270,224**	**-16,302,012**	**391,572,233**	**409,477,875**	**17,905,642**
Effect on equity		-15,487,524			16,956,846	
Effect on the income statement		-814,488			948,796	

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As at 31 December 2020, the value of the mathematical provisions included in the sensitivity analysis on the liabilities side amounted to EUR 465.6 million (31 December 2019: EUR 213.8 million). A sensitivity analysis for liabilities (mathematical provisions) showed that if the present value of mathematical provisions is calculated using an interest rate that is 1 p.p. higher, the mathematical provisions in accordance with the LAT test would decrease by EUR 16.5 million, or 3.5%, (31 December 2019: EUR 8.5 million. 3.9%). By contrast, if the provision is calculated using a 1 p.p. lower interest rate, mathematical provisions in accordance with LAT test would increase by EUR 20.5 million, or 4.4% (31 December 2019: EUR 11.7 million or 5.2%). The sensitivity analysis includes the results of the LAT test set out in section *17.4.26 "Liability adequacy test (LAT)"*.

Results of the sensitivity analysis on life insurance liabilities

Sava Insurance Group						
EUR	+100 bp			-100 bp		
	Value of mathematical provision	Post-stress value based on LAT test	Change in value	Value of mathematical provision	Post-stress value based on LAT test	Change in value
31 December 2020	465,641,679	449,155,310	-16,486,370	465,641,679	486,168,264	20,526,584
31 December 2019	213,813,945	205,288,451	-8,525,493	213,813,945	225,482,264	11,668,320

The results of the sensitivity analysis on the assets and liabilities side show that assets are moderately more sensitive to changes in interest rates compared to 2019, while the sensitivity of liabilities compared to 2019 slightly decreased. In 2019, the Group also adjusted the maturity of assets and liabilities to reduce the net effect of interest rate changes on the Group's balance sheets. The difference between the average maturity of assets and liabilities separately for life and non-life business is presented below.

The average maturity of bonds and deposits of non-life business was 4.03 years at year-end 2020 (31 December 2019: 3.37 years), while the expected maturity of non-life liabilities was 2.08 years (31 December 2019: 2.20 years).

The average maturity of bonds and deposits of life business was 5.60 years at year-end 2020 (31 December 2019: 4.39 years), and the expected maturity of life liabilities was 6.44 years (31 December 2019: 4.98 years).

Interest rate risk increased slightly in 2020. The increase in interest rate risk is largely due to the widening of the difference between the value of interest rate sensitive assets over interest rate sensitive liabilities, but also the widening of the difference between the maturity of assets and liabilities. The increase in interest risk was also affected by the inclusion of the life insurer Vita into the Group. It is important to note that due to the low interest rate environment, the companies are primarily exposed to reinvestment risk, and this is particularly important for the life insurance segment, which must meet its commitments regarding guaranteed returns over a longer period.

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Sava Re interest rate risk

Given that according to the prescribed methodology for the calculation of technical provisions, Sava Re does not have interest-rate sensitive technical provisions, changes in market interest rates are only reflected in the value of the investment portfolio. The interest-rate sensitive investment portfolio includes government and corporate bonds, bond and convertible mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5.

Results of the sensitivity analysis

Sava Re						
EUR	31 December 2020					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	133,452,334	128,208,707	-5,243,627	133,452,334	139,087,713	5,635,379
Corporate bonds	98,807,393	95,211,507	-3,595,887	98,807,393	102,773,098	3,965,704
Bond and convertible mutual funds	2,146,164	2,065,094	-81,070	2,146,164	2,234,213	88,049
Other interest rate sensitive assets	4,967,639	4,846,045	-121,594	4,967,639	5,099,102	131,464
Total	**239,373,531**	**230,331,353**	**-9,042,177**	**239,373,531**	**249,194,127**	**9,820,596**
Effect on equity		-8,433,831			9,094,873	
Effect on the income statement		-608,346			725,723	

Sava Re						
EUR	31 December 2019					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	136,534,595	131,698,620	-4,835,976	136,534,595	141,737,692	5,203,097
Corporate bonds	105,843,738	102,632,328	-3,211,410	105,843,738	109,403,586	3,559,848
Bond mutual funds	1,704,135	1,651,694	-52,441	1,704,135	1,761,189	57,054
Other interest rate sensitive assets	26,555,131	26,326,649	-228,481	26,555,131	26,796,044	240,913
Total	**270,637,599**	**262,309,291**	**-8,328,308**	**270,637,599**	**279,698,511**	**9,060,912**
Effect on equity		-7,848,881			8,485,861	
Effect on the income statement		-479,427			575,051	

The sensitivity analysis showed that an increase in interest rates would lower the value of bonds included in the analysis by EUR 9.0 million (31 December 2019: EUR 8.3 million) or 3.8% (31 December 2019: 3.1%).

Based on the results of the sensitivity analysis, the interest rate risk did not change significantly compared to 2019.

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17.6.4.2.1.2 Equity risk

Equity risk is the risk that the value of investments will decrease due to fluctuations in equity markets. Assets exposed to the risk include shares, equity and mixed mutual funds (a stress test takes into account half of the value) and alternative funds (infrastructure).

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. To assess the Group's sensitivity of investments to equity risk, we can assume a 10% drop in the value of all equity securities, which would result in a decrease in the value of investments by EUR 7.4 million (31 December 2019: EUR 4.3 million). Thus, a 20% fall in equity prices would reduce the value of investments by EUR 14.9 million (31 December 2019: EUR 8.6 million). The Group shows the highest concentration of equity risk is to Slovenia-based issuers. The value of investments in Slovenian-issued equity securities at year-end 2020 stood at EUR 18.4 million, accounting for 24.7% of all assets sensitive to changes in equity securities (2019: EUR 16.8 million, 39.4%).

Equity investments included in the sensitivity analysis

Sava Insurance Group						
EUR	**31 December 2020**	**As % of total 31 December 2020**	**31 December 2019**	**As % of total 31 December 2019**	**Absolute change 31 December 2020 - 31 December 2019**	**Change in structure, p.p., 31 December 2020 - 31 December 2019**
Shares	38,602,296	2.4%	17,503,724	1.4%	21,098,571	1.0
of which Slovenian shares	*18,405,126*	*1.1%*	*16,881,845*	*1.3%*	*1,523,281*	*-0.2*
Equity and mixed mutual funds	8,437,472	0.5%	5,208,549	0.4%	3,228,923	0.1
Infrastructure funds	27,436,468	1.7%	20,159,022	1.6%	7,277,446	0.1
Total	**74,476,235**	**4.6%**	**42,871,295**	**3.4%**	**31,604,940**	**1.2**

Sensitivity assessment of equity investments

Sava Insurance Group						
EUR	**31 December 2020**			**31 December 2019**		
	Value	**Post-stress value**	**Change in value**	**Value**	**Post-stress value**	**Change in value**
Investments sensitive to equity risk						
loss of 10%	74,476,235	67,028,612	-7,447,624	42,871,295	38,584,166	-4,287,130
loss of 20%	74,476,235	59,580,988	-14,895,247	42,871,295	34,297,036	-8,574,259

The Sava Insurance Group's exposure to equity risk increased slightly in 2020 compared to year-end 2019, mainly due to an increase in exposure to equities and alternative investments (infrastructure funds). We estimate that the risk increased in 2020.

Sava Re's assets exposed to equity risk include equities, equity and mutual funds, and infrastructure funds. Investments in subsidiaries are excluded from stress tests, as the Company assesses their value in accordance with the policy described in section *17.4.13 "Financial investments in subsidiaries and associates".*

As at 31 December 2020, investments exposed to the equity risk accounted for 6.4% of Sava Re's investment portfolio, 1.8 p.p. more compared to year-end 2019.

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Equity investments included in the sensitivity analysis

Sava Re						
EUR	31 December 2020	Structure 31 December 2020	31 December 2019	Structure 31 December 2019	Absolute change 31 December 2020- 31 December 2019	Structure change, p.p. 31 December 2020- 31 December 2019
Shares	9,256,913	3.0%	9,690,877	2.7%	-433,964	0.3
of which Slovenian shares	9,155,294	3.0%	9,567,833	2.7%	-412,539	0.3
Equity and mixed mutual funds	1,070,360	0.4%	0	0.0%	1,070,360	0.4
Infrastructure funds	9,200,979	3.0%	6,951,308	1.9%	2,249,671	1.1
Total	**19,528,251**	**6.4%**	**16,642,185**	**4.7%**	**2,886,066**	**1.8**

Sensitivity assessment of equity investments

Sava Re						
EUR	31 December 2020			31 December 2019		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investments sensitive to equity risk						
loss of 10%	19,528,251	17,575,426	-1,952,825	16,642,185	14,977,966	-1,664,218
loss of 20%	19,528,251	15,622,601	-3,905,650	16,642,185	13,313,748	-3,328,437

In order to assess the sensitivity of investments to equity risk, we assume a 10% drop in the value of all equity securities included in the stress test, which would result in a drop in the value of investments by EUR 2.0 million (31 December 2019: EUR 1.7 million). Thus, a 20% drop in equity prices would reduce the value of investments by EUR 3.9 million (31 December 2019: EUR 3.3 million).

Sava Re shows the highest concentration of equity risk to Slovenia-based issuers. The value of investments in equity securities of Slovenian issuers at year-end 2020 stood at EUR 9.2 million, representing 46.8% of assets sensitive to changes in equity securities (2019: EUR 9.5 million, 57.5%).

The Group's and Sava Re's equity risk in 2020 increased slightly, but remains within the limits defined by the Group's risk strategy.

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Sava Re's risk of financial investments in subsidiaries and associates

Regarding the risk related to its financial investments in subsidiaries and associates, Sava Re is especially exposed to the risk of a decline in these investments and to the concentration risk. In 2019, Sava Re's financial investments in subsidiaries and associates included one larger exposure, i.e. the investment in Zavarovalnica Sava, the value of which accounted for 51.8% of the entire value of financial investments in subsidiaries and associates in 2019. In 2020, besides the change in value of existing subsidiaries, Vita also joined the Group, thus lowering the exposure to the largest company to 38.7%. As at 31 December 2020, Sava Re's total exposure to the risk of financial investments in subsidiaries and associates was EUR 319.1 million (31 December 2019: EUR 238.2 million).

Sava Re manages the risk related to its financial investments in subsidiaries and associates through active management of the companies, comprising:

- a governance system (management and supervision), and clear segregation of responsibilities at all levels;
- management policy;
- risk management with a three-lines-of-defence framework (detailed in *section 11 "Risk management"*);
- setting of business and risk management strategies from the top down, taking into account both the Group as a whole as well as its individual members;
- comprehensive system of monitoring operations, reporting on business results and risks at all levels.

The table below shows the value of investments in subsidiaries and associates taking into account the shock.

Assessed sensitivity of investments in subsidiaries and associates

Sava Re						
EUR	31 December 2020			31 December 2019		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Decrease in value of 10%	319,097,412	287,187,671	-31,909,741	238,177,654	214,359,889	-23,817,765
Decrease in value of 20%	319,097,412	255,277,930	-63,819,482	238,177,654	190,542,123	-47,635,531
Value decrease of largest subsidiary of 10%	123,364,958	111,028,462	-12,336,496	123,364,958	111,028,463	-12,336,496
Value decrease of largest subsidiary of 20%	123,364,958	98,691,967	-24,672,992	123,364,958	98,691,967	-24,672,992

Sava Re's exposure to risk related to financial investments in subsidiaries and associates in 2020 was higher than in 2019, as the scope of the Group's business increased with the acquisition of Vita. Taking account of all the impacts we believe that the risk related to participations increased slightly, but still remained moderate due to its active management.

17.6.4.2.1.3 Currency risk

Currency risk is the risk that changes in exchange rates will lower the value of foreign-denominated assets or increase liabilities denominated in foreign currencies.

The Sava Insurance Group manages currency risk through the efforts of each company to optimise asset-liability currency matching. Sava Re is the Sava Insurance Group member with the largest exposure to currency risk.

As at 31 December 2020, the Company's liabilities denominated in foreign currencies accounted for 18.0% of its total liabilities. As the proportion of international business is rising (as is the number of different currencies), Sava Re has put in place a currency matching policy. It took measures for the matching of assets and liabilities in foreign currencies aimed at decreasing currency risk. The currency matching policy lays down the criteria as to when the Company is to start the currency mismatch by accounting currency[134]. Based on the market situation, the Company assesses the ability of currency matching in the primary currency, and if this is not possible, the transaction currency is to be used for matching. The currency matching policy of a company defines the conditions and method of matching.[135] Currency matching of assets and liabilities using the accounting and transaction currency methodology is shown in the table "Transaction currency match".

Currency mismatch of assets and liabilities is monitored by individual accounting currency. The following table includes the currency mismatch for the five currencies that account for the largest share of liabilities.

134 The accounting currency is the local currency used in the accounting documentation. Reinsurance contracts may be accounted for in various accounting currencies. Generally, this is the currency of liabilities and receivables due from cedants, and hence also the reinsurer.

135 The transaction currency is the currency in which reinsurance contract transactions are processed.

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Currency (mis)match as at 31 December 2020 (all amounts translated to euros)

Sava Re				
Currency	**Assets**	**Liabilities**	**Mismatch**	**Matched liabilities (%)**
Euro (EUR)	**629,959,970**	**623,106,590**		
Foreign currencies	**126,680,615**	**133,533,995**	**28,447,915**	**94.9**
U.S. dollar (USD)	54,823,057	44,025,789	10,797,267	124.5
Korean won (KRW)	11,378,112	12,106,489	728,377	94.0
Chinese yuan (CNY)	8,260,310	9,004,798	744,488	91.7
Indian rupee (INR)	6,276,433	6,366,669	90,235	98.6
Taka (BDT)	2,583,799	7,492,748	4,908,948	34.5
Other	43,358,903	54,537,502	11,178,599	79.5
Total	**756,640,585**	**756,640,585**		
Currency-matched liabilities (%)			96.2%	

Currency (mis)match as at 31 December 2019 (all amounts translated to euros)

Sava Re				
Currency	**Assets**	**Liabilities**	**Mismatch**	**Matched liabilities (%)**
Euro (EUR)	**605,766,043**	**603,316,651**		
Foreign currencies	**129,819,517**	**132,268,910**	**29,146,610**	**98.1**
U.S. dollar (USD)	54,591,467	41,810,635	12,780,832	130.6
Korean won (KRW)	8,532,302	8,931,064	398,762	95.5
Chinese yuan (CNY)	9,211,704	9,675,170	463,466	95.2
Indian rupee (INR)	6,435,900	5,868,123	567,777	109.7
Taka (BDT)	2,323,697	9,276,185	6,952,489	25.1
Other	48,724,448	56,707,732	7,983,284	85.9
Total	**735,585,561**	**735,585,561**		
Currency-matched liabilities (%)			96.0%	

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Transaction currency (mis)match as at 31 December 2020 (all amounts translated to euros)

Sava Re				
Currency	**Assets**	**Liabilities**	**Mismatch**	**Matched liabilities (%)**
Euro (EUR)	**630,470,203**	**624,500,008**		
Foreign currencies	**126,170,381**	**132,140,576**	**12,021,707**	**95.5**
U.S. dollar (USD)	58,762,025	55,830,808	2,931,218	105.3
Korean won (KRW)	11,378,112	12,106,489	728,377	94.0
Chinese yuan (CNY)	8,260,310	9,004,798	744,488	91.7
Indian rupee (INR)	7,648,206	8,768,937	1,120,731	87.2
Russian rouble (RUB)	2,874,123	2,779,585	94,538	103.4
Other	37,247,605	43,649,960	6,402,355	85.3
Total	**756,640,585**	**756,640,585**		
Currency-matched liabilities (%)			98.4%	

Transaction currency (mis)match as at 31 December 2019 (all amounts translated to euros)

Sava Re				
Currency	**Assets**	**Liabilities**	**Mismatch**	**Matched liabilities (%)**
Euro (EUR)	**606,013,008**	**604,253,214**		
Foreign currencies	**129,572,553**	**131,332,347**	**2,984,419**	**98.7**
U.S. dollar (USD)	59,289,379	58,688,281	601,098	101.0
Korean won (KRW)	8,532,302	8,931,064	398,762	95.5
Chinese yuan (CNY)	9,211,704	9,675,170	463,466	95.2
Indian rupee (INR)	7,629,307	7,647,969	18,662	99.8
Russian rouble (RUB)	3,725,552	3,714,338	11,214	100.3
Other	41,184,308	42,675,525	1,491,217	96.5
Total	**735,585,561**	**735,585,561**		
Currency-matched liabilities (%)			99.6%	

Sava Re has set itself a target of matching assets and liabilities at least 90%. In 2020 assets and liabilities were matched 96.2% (2019: 96.0%), which demonstrates the high quality of currency risk management.

In the management of currency risk (management aspect), Sava Re managed to directly match all substantially liquid currencies. Other currencies were matched based on their correlation with the euro or the US dollar. Since many accounting currencies are at least 90% correlated to the US dollar, the surplus of assets over liabilities in US dollars has been reduced to EUR 2.9 million (from EUR 10.8 million). This would further increase the currency matching percentage to 98.4% (2019: 99.6%).

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Effect of exchange differences on the income statement

A currency mismatch also affects profit or loss through accounting for exchange rate differences due to the impact of exchange rate changes on various statement of financial position items.

When assets and liabilities are 100% matched in terms of foreign currencies, changes in exchange rates have no impact on profit or loss. This is because any change in the value of assets denominated in a foreign currency as a result of a change in the exchange rate is offset by the change in the value of liabilities denominated in that currency. As Sava Re's assets and liabilities are not 100% currency matched, changes in exchange rates do affect profit or loss. The following table shows the impact of exchange differences.

Effect of exchange differences on the income statement

Sava Re		
Statement of financial position item	Exchange differences	
Euro (EUR)	2020	2019
Investments	-4,631,730	1,412,961
Technical provisions and deferred commissions	7,298,446	-1,718,693
Receivables and liabilities	-2,813,036	174,007
Total effect on the income statement	**-146,320**	**-131,725**

Other Group companies whose local currency is the euro (companies based in Slovenia, Montenegro and Kosovo) have the majority of euro-denominated liabilities, while a process of currency matching is conducted with regard to liabilities denominated in currencies other than euro when the materiality threshold is exceeded. Group companies whose local currency is not the euro (companies based in Croatia, Serbia and North Macedonia), transact most business in their respective local currencies, while due to Group relations, they are to a minor extent subject to euro-related currency risk.

We estimate that currency risk at the Group level remained the same in 2020 compared to 2019 since Sava Re is taking measures to reduce exposure to currency risk, and it continues currency matching of assets and liabilities both directly based on accounting currencies and indirectly based on transaction currencies, and thus reduces exposure to currency risk.

17.6.4.2.2 Liquidity risk

Liquidity risk is the risk that, owing to unexpected or unexpectedly high obligations, the Company will not be able to meet all its financial obligations.

Individual Group companies manage liquidity risk in line with the guidelines laid down in the Group's liquidity risk management policy. Each Group member carefully plans and monitors the realisation of cash flows (cash inflows and outflows), and in the case of liquidity problems, informs the parent company, which assesses the situation and provides the necessary funds to ensure liquidity.

Liquidity risk assumed by an individual Group company is also reduced by the regular measurement and monitoring of selected liquidity indicators. An indicator of liquidity risk is the level of maturity matching of financial assets and liabilities.

Liquidity requirements are met by allocating funds to money market instruments in the percentage consistent with the estimated normal current liquidity requirement. In this regard, each EU-based Group company maintains a liquidity buffer of highly liquid assets accounting for at least 15% of its investment portfolio. Highly liquid assets are intended to provide liquidity to meet any extraordinary liquidity requirements and are available on an ongoing basis. The other Group members manage their short-term liquidity requirements through cash in bank accounts and short-term deposits.

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The table below shows the value of financial investments and technical provisions covering life policies by year based on undiscounted cash flows, while the value of technical provisions covering non-life business is shown by year and expected maturity based on triangular development. The Group companies cover the excess of liabilities over assets with a maturity of less than one year with assets available on call and through surplus cash flows arising out of current operations.

Maturity profile of financial assets and liabilities

Sava Insurance Group							
EUR	Carrying amount 31 December 2020	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31 December 2020
Financial investments	**1,515,957,598**	**0**	**241,031,259**	**588,961,573**	**631,725,008**	**122,651,235**	**1,584,369,075**
- At fair value through profit or loss	28,531,045	0	1,433,275	6,648,424	28,800,519	3,003,233	39,885,451
- Held to maturity	48,874,515	0	10,300,969	22,223,509	19,343,951	0	51,868,429
- Loans and deposits	35,805,250	0	61,198,066	12,411,918	1,360,465	0	74,970,449
- available-for-sale	1,402,746,788	0	168,098,949	547,677,722	582,220,073	119,648,002	1,417,644,747
Reinsurers' share of technical provisions	42,609,217	0	25,043,476	11,097,039	5,853,017	615,685	42,609,217
Cash and cash equivalents	83,458,594	16,129,465	67,329,128			0	83,458,593
TOTAL ASSETS	**1,642,025,409**	**16,129,465**	**333,403,863**	**600,058,612**	**637,578,025**	**123,266,920**	**1,710,436,885**
Subordinated liabilities	74,804,974	0	0	0	74,804,974	0	74,804,974
Technical provisions	1,233,312,054	0	466,853,383	445,533,403	318,511,639	2,413,629	1,233,312,054
TOTAL LIABILITIES	**1,308,117,028**	**0**	**466,853,383**	**445,533,403**	**393,316,613**	**2,413,629**	**1,308,117,028**
Difference	**333,908,381**	**16,129,465**	**-133,449,520**	**154,525,209**	**244,261,412**	**120,853,291**	**402,319,857**

Financial investments also include IRLF (investment risk liability fund) investments, for which the insurer provides return in the FVTPL category of assets (EUR 1.1 million), held-to-maturity assets (EUR 5.2 million), loans and deposits (EUR 4.0 million) and available-for-sale assets (EUR 75.5 million).

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Sava Insurance Group							
EUR	Carrying amount 31 December 2019	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31 December 2019
Financial investments	**1,151,596,357**	**0**	**261,018,279**	**477,974,908**	**364,830,532**	**79,957,820**	**1,183,781,539**
- At fair value through profit or loss	28,084,076	0	4,104,094	6,116,704	26,448,500	3,275,846	39,945,145
- Held to maturity	48,040,057	0	26,852,595	15,378,382	9,791,902	0	52,022,878
- Loans and deposits	57,364,593	0	39,015,243	13,986,585	1,424,919	640,162	55,066,909
- available-for-sale	1,018,107,630	0	191,046,347	442,493,238	327,165,211	76,041,811	1,036,746,607
Reinsurers' share of technical provisions	38,620,539	0	21,021,124	11,534,780	6,064,635	0	38,620,539
Cash and cash equivalents	93,804,031	55,470,983	38,333,049	0	0	0	93,804,031
TOTAL ASSETS	**1,284,020,930**	**55,470,986**	**320,372,452**	**489,509,688**	**370,895,167**	**79,957,820**	**1,316,206,113**
Subordinated liabilities	74,822,710	0	0	0	74,822,710	0	74,822,710
Technical provisions	933,952,709	0	478,325,305	290,631,987	163,584,270	1,411,147	933,952,709
TOTAL LIABILITIES	**1,008,775,419**	**0**	**478,325,305**	**290,631,987**	**238,406,980**	**1,411,147**	**1,008,775,419**
Difference	**275,245,509**	**55,470,986**	**-157,952,852**	**198,877,701**	**132,488,187**	**78,546,673**	**307,430,691**

Financial investments also include IRLF (investment risk liability fund) investments, for which the insurer provides guaranteed return in the FVTPL category of assets (EUR 1.8 million), held-to-maturity assets (EUR 6.5 million), loans and deposits (EUR 4.0 million) and available-for-sale assets (EUR 74.4 million).

Sava Re minimises liquidity risk by ensuring funds in the amount of the estimated liquidity requirement. This comprises estimated ordinary current liquidity needs and liquidity reserves, which are ensured through the allocation of funds in money market instruments and through setting minimum percentages of portfolios that must be invested in highly liquid assets readily available to provide liquidity in case of emergency.

Sava Re makes the normal current liquidity assessment based on the projected cash flow analysis in the period of up to one year included in the monthly and weekly plans, which take into account the planned investment maturity dynamics as well as other inflows and outflows from operating activities. To this end, historical data from previous monthly and weekly liquidity plans and projections regarding future operations are used. The liquidity reserve is then calculated on the basis of an assessment of the maximum weekly outflows based on historical data.

As at 31 December 2020, highly liquid investments of the Sava Insurance Group represented 37.7% (31 December 2019: 21.7%) of the entire investment portfolio, which demonstrates its high liquidity.

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Exposure to liquidity risk is also measured by maturity-matching of assets and liabilities. The following table shows the value of financial investments by year based on undiscounted cash flows, while the value of technical provisions is shown by year and expected maturity based on triangular development.

Maturity profile of financial assets and liabilities

Sava Re							
EUR	**Carrying amount 31 December 2020**	**Callable**	**Up to 1 year**	**1–5 years**	**Over 5 years**	**No maturity**	**Total 31 December 2020**
Financial investments	269,537,788	0	53,249,398	110,214,910	85,724,964	25,643,576	274,832,847
- At fair value through profit or loss	7,652,268	0	654,173	2,205,200	7,735,200	651,042	11,245,615
- Held to maturity	2,816,598	0	144,500	1,152,000	2,102,500	0	3,399,000
- Loans and deposits	12,228,804	0	9,610,771	2,009,076	954,760	0	12,574,607
- available-for-sale	246,840,118	0	42,839,954	104,848,633	74,932,504	24,992,534	247,613,625
Reinsurers' share of technical provisions	31,935,116	0	15,542,616	10,696,775	5,695,725	0	31,935,117
Cash and cash equivalents	27,080,146	4,600,000	22,480,146			0	27,080,146
TOTAL ASSETS	**328,553,049**	**4,600,000**	**91,272,159**	**120,911,685**	**91,420,689**	**25,643,576**	**333,848,109**
Subordinated liabilities	74,804,974	0	0	0	74,804,974	0	74,804,974
Technical provisions	297,882,871	0	145,737,942	99,280,772	52,864,158	0	297,882,871
TOTAL LIABILITIES	**372,687,845**	**0**	**145,737,942**	**99,280,772**	**127,669,132**	**0**	**372,687,845**
Difference	**-44,134,796**	**4,600,000**	**-54,465,782**	**21,630,913**	**-36,248,443**	**25,643,576**	**-38,839,736**

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Sava Re							
EUR	Carrying amount 31 December 2019	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31 December 2019
Financial investments	296,096,593	0	89,335,538	115,912,227	81,688,394	17,711,286	304,647,445
- At fair value through profit or loss	6,702,761	0	298,300	2,632,200	7,081,500	521,404	10,533,404
- Held to maturity	2,075,784	0	102,500	410,000	2,205,000	0	2,717,500
- Loans and deposits	32,047,969	0	29,186,833	2,205,538	1,191,633	0	32,584,005
- available-for-sale	255,270,080	0	59,747,905	110,664,488	71,210,260	17,189,883	258,812,536
Reinsurers' share of technical provisions	31,159,308	0	14,458,167	10,636,589	6,064,552	0	31,159,308
Cash and cash equivalents	52,931,222	33,000,170	19,931,052	0	0	0	52,931,222
TOTAL ASSETS	**380,187,123**	**33,000,170**	**123,724,757**	**126,548,815**	**87,752,946**	**17,711,286**	**388,737,975**
Subordinated liabilities	74,822,710	0	0	0	74,822,710	0	74,822,710
Technical provisions	261,338,591	0	122,166,812	88,635,440	50,536,339	0	261,338,591
TOTAL LIABILITIES	**336,161,301**		**122,166,812**	**88,635,440**	**125,359,050**		**336,161,301**
Difference	**44,025,822**	**33,000,170**	**1,557,945**	**37,913,376**	**-37,606,104**	**17,711,286**	**52,576,673**

Sava Re held EUR 134.2 million or 46% (31 December 2019: EUR 167.9 million; 48%) of highly liquid investments.

In terms of the Company's liquidity, matching of maturity of gross technical provisions and reserves with funds of the non-life insurance register is important. Sava Re's liabilities with up to 1 year's maturity at the end of 2020 exceeded short-term assets by EUR 54.6 million. Taking into consideration expected operating income and a high share of liquid investments, we estimate the Company's liquidity position as appropriate.

The average maturity of assets and liabilities also indicates the liquidity situation. The average maturity of bonds and deposits of the non-life insurance register was 3.97 years at year-end 2020 (31 December 2019: 3.20 years), while the expected maturity of liabilities was 2.82 years (31 December 2019: 2.98 years).

Based on the above, we estimate that liquidity risk is well managed both at the Group and individual company levels and did not increase significantly compared to year-end 2019.

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17.6.4.2.3 Credit risk

Credit risk is the risk of default on the obligations of a securities issuer or other counterparty towards the Company.

Within the context of credit risk, the Company and the Group also addresses concentration risk, i.e. excessive concentration of risk in a specific region, industry or issuer.

Assets exposed to credit risk include financial investments (deposit investments, bonds, loans granted, deposits with cedants, bond and convertible mutual funds, and cash and cash equivalents), receivables due from reinsurers and other receivables.

The Group's exposure to credit risk

Sava Insurance Group		
EUR	**31 December 2020**	**31 December 2019**
Type of asset	**Amount**	**Amount**
Fixed-rate investments	**1,510,599,647**	**1,198,450,369**
Debt instruments	1,419,879,889	1,097,557,317
Deposits with cedants	7,261,165	7,089,021
Cash and cash equivalents	83,458,594	93,804,031
Receivables due from reinsurers	**47,776,355**	**44,371,630**
Reinsurers' share of technical provisions	42,609,217	38,620,539
Receivables for shares in claims	5,167,138	5,751,091
Other receivables	**148,704,356**	**153,662,826**
Receivables arising out of primary insurance business	135,285,588	139,954,356
Receivables arising out of co-insurance and reinsurance business (other than receivables for shares in claims)	887,434	983,473
Current tax assets	529,831	3,002,507
Other receivables	12,001,503	9,722,490
Total exposure	**1,707,080,358**	**1,396,484,825**

The data for 2019 differs from data in the 2019 annual report due to the larger range of investments exposed to credit risk.

Sava Re's exposure to credit risk

Sava Re		
EUR	**31 December 2020**	**31 December 2019**
Type of asset	**Amount**	**Amount**
Fixed-rate investments	**273,120,522**	**331,385,630**
Debt instruments	238,779,211	271,365,388
Deposits with cedants	7,261,165	7,089,021
Cash and cash equivalents	27,080,146	52,931,222
Receivables due from reinsurers	**35,662,316**	**34,592,235**
Reinsurers' share of technical provisions	31,935,116	31,159,308
Receivables for shares in claims	3,727,200	3,432,927
Receivables, excluding receivables arising out of reinsurance business	**83,025,833**	**93,591,073**
Receivables arising out of primary insurance business	79,662,908	89,537,760
Receivables arising out of co-insurance and reinsurance business (excluding receivables for shares in claims)	733,967	781,903
Current tax assets	325,472	2,802,044
Other receivables	2,303,486	469,366
Total exposure	**391,808,671**	**459,568,938**

The data for 2019 differs from data in the 2019 annual report due to the larger range of investments exposed to credit risk.

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Credit risk due to issuer default

As at 31 December 2020, the Group was exposed to credit risk in the amount of EUR 1,510.6 million (31 December 2019: EUR 1,198.5 million).

As at 31 December 2020, the Group was exposed to credit risk in the amount of EUR 273.1 million (31 December 2019: EUR 331.4 million).

Credit risk for investments is estimated based on two factors:

- credit ratings used in determining credit risk for fixed-rate investments[136] and cash assets [137];
- performance indicators for other investments.

Below we set out an assessment of credit risk for fixed-rate investments (including debt securities, bank deposits, deposits with cedants, cash and cash equivalents, loans granted, and bond mutual funds).

As regards management of credit risk, the objective pursued by the Group determines that the share of debt instruments and cash and cash-equivalents accounts for at least 75% of the investment portfolio value. As at 31 December 2020, these assets represented 91.9% of the investment portfolio (31 December 2019: 95.0%).

As at 31 December 2020, fixed-rate investments rated "A" or better accounted for 60.6% of the total fixed-rate portfolio (31 December 2019: 59.3%). The share of the best-rated investments slightly increased in 2020 compared with the previous year. 45% of investments without credit rating includes investments in cash and cash equivalents, while a significant part (15%) consists of investments in government bonds without a credit rating in Group companies portfolios outside the EU and bond mutual funds (25%).

136 Included are bonds, corporate bonds, deposits, deposits with cedants and loans granted.
137 This includes cash and demand deposits.

Fixed-rate investments by issuer credit rating

Sava Insurance Group

EUR	31 December 2020		31 December 2019		Structure change, p.p.
Rated by S&P and Fitch	Amount	Structure	Amount	Structure	
AAA	280,353,617	18.6%	261,766,659	21.8%	-3.3
AA	206,149,002	13.6%	178,319,701	14.9%	-1.2
A	428,845,228	28.4%	270,931,018	22.6%	5.8
BBB	336,845,832	22.3%	201,918,297	16.8%	5.5
BB	110,414,161	7.3%	67,785,883	5.7%	1.7
B	14,787,432	1.0%	12,943,786	1.1%	-0.1
Not rated	133,204,375	8.8%	204,785,027	17.1%	-8.3
Total	**1,510,599,648**	**100.0%**	**1,198,450,370**	**100.0%**	

The data for 2019 differs from data in the 2019 annual report due to the larger range of investments exposed to credit risk.

Fixed-rate investments by issuer credit rating

Sava Re

EUR	31 December 2020		31 December 2019		Structure change, p.p.
Rated by S&P and Fitch	Amount	Structure	Amount	Structure	
AAA	85,217,697	31.2%	77,450,375	23.4%	7.8
AA	41,716,163	15.3%	49,602,621	15.0%	0.3
A	55,512,431	20.3%	64,574,675	19.5%	0.8
BBB	39,822,325	14.6%	44,030,503	13.3%	1.3
BB	22,899,630	8.4%	17,520,785	5.3%	3.1
B	714,777	0.3%	111	0.0%	0.3
Not rated	27,237,500	10.0%	78,206,560	23.6%	-13.6
Total	**273,120,522**	**100.0%**	**331,385,630**	**100.0%**	

** The data for 2019 differs from data in the 2019 annual report due to the larger amount of investments exposed to credit risk.*

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As regards management of credit risk, the objective pursued by the Company determines that the investments rated "A-" or better account for at least 45% of the entire investment portfolio value. As at 31 December 2020, investments rated "A" or better represented 66.8% of total investments exposed to credit risk (31 December 2019: 58.1%). The Company regularly monitors exposure to individual issuers and any changes in credit standing in order to be able to prepare for a timely response to any adverse developments in financial markets or increase in risk relating to any issuer.

Sava Re mitigates credit risk with other investments through a high degree of diversification and by investing in liquid securities.

The investment portfolios of the Sava Insurance Group and Sava Re is reasonably diversified in accordance with local law and Group internal rules in order to avoid large concentration in a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

Diversification of financial investments by industry

Sava Insurance Group					
EUR	31 December 2020		31 December 2019		Structure change, p.p.
Industry	Amount	Structure	Amount	Structure	
Government	708,656,314	43.9%	580,671,078	46.0%	-2.1
Banking	229,324,073	14.2%	290,456,482	23.0%	-8.8
Utilities	201,209,733	12.5%	107,453,666	8.5%	3.9
Finance & insurance	172,603,588	10.7%	89,441,681	7.1%	3.6
Consumables	137,612,058	8.5%	90,806,840	7.2%	1.3
Industry	96,614,881	6.0%	62,411,616	4.9%	1.0
Property	42,080,154	2.6%	20,695,133	1.6%	1.0
Infrastructure	27,436,468	1.7%	20,159,022	1.6%	0.1
Total	**1,615,537,270**	**100.0%**	**1,262,095,520**	**100.0%**	

The Sava Insurance Group's largest exposure by industry or sector was to the government (31 December 2020: 43.9%; 31 December 2019: 46.0%), with a notable high diversification by issuer. As at 31 December 2020, exposure to the banking sector amounted to EUR 229.3 million, representing 14.2% of financial investments (31 December 2019: 290.0 million; 23.0%).

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Diversification of financial investments by industry

Sava Re					
EUR	31 December 2020		31 December 2019		Structure change, p.p.
Industry	Amount	Structure	Amount	Structure	
Government	133,328,107	43.8%	137,783,145	38.6%	5.2
Banking	55,635,906	18.3%	105,635,612	29.6%	-11.3
Utilities	30,156,595	9.9%	21,077,102	5.9%	4.0
Finance & insurance	29,374,215	9.6%	30,913,120	8.7%	1.0
Consumables	19,533,725	6.4%	28,285,343	7.9%	-1.5
Property	14,498,716	4.8%	9,142,714	2.6%	2.2
Industry	12,921,568	4.2%	17,382,185	4.9%	-0.6
Infrastructure	9,200,979	3.0%	6,951,308	1.9%	1.1
Total	**304,649,808**	**100.0%**	**357,170,529**	**100.0%**	

Sava Re's largest exposure by industry as at 31 December 2020 was to the government (31 December 2020: 43.8%; 31 December 2019: 38.6%), with a notable high diversification by issuer. As at 31 December 2020, the exposure to the banking sector was EUR 55.6 million, representing 18.3% of financial investments (31 December 2019: EUR 105.6 million; 29.6%).

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Diversification of financial investments by region

Sava Insurance Group					
EUR	31 December 2020		31 December 2019		Structure change, p.p.
Region	Amount	Structure	Amount	Structure	
Slovenia	276,731,326	17.1%	241,458,491	19.1%	-2.0
Europe, EU Member States	891,936,117	55.2%	738,434,338	58.5%	-3.3
Europe, non-EU members	187,036,670	11.6%	118,268,163	9.4%	2.2
United States of America	185,871,362	11.5%	119,924,665	9.5%	2.0
Rest of the world	73,961,795	4.6%	44,009,864	3.5%	1.1
Total	**1,615,537,270**	**100.0%**	**1,262,095,522**	**100.0%**	

The Group's largest exposure by region is to the EU member states (31 December 2020: 55.2%, 31 December 2019: 58.5%), with the exposure spread among 25 countries. This is followed by the exposure to Slovenia-based issuers (31 December 2020: 17.1%; 31 December 2019: 19.1 %) and issuers based in the United States of America (31 December 2020: 11.5%; 31 December 2019: 9.5%). Exposure to other regions remained broadly flat year on year.

Diversification of financial investments by region

Sava Re					
EUR	31 December 2020		31 December 2019		Structure change, p.p.
Region	Amount	Structure	Amount	Structure	
Slovenia	65,242,854	21.4%	91,357,864	25.6%	-4.2
Europe, EU Member States	149,350,018	49.0%	176,442,398	49.4%	-0.4
Europe, non-EU members	11,393,887	3.7%	9,386,198	2.6%	1.1
United States of America	49,453,480	16.2%	54,943,556	15.4%	0.8
Rest of the world	29,209,569	9.6%	25,040,513	7.0%	2.6
Total	**304,649,808**	**100.0%**	**357,170,529**	**100.0%**	

Sava Re's largest exposure is to EU Member States (31 December 2020: 49.0%, 31 December 2019: 49.4%), with the exposure spread among 17 countries. This is followed by the exposure to Slovenia-based issuers (31 December 2020: 21.4%; 31 December 2019: 25.6%) and exposure to issuers based in the United States of America (31 December 2020: 16.2%; 31 December 2019: 15.4%).

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Exposure to Slovenia by asset type

Sava Insurance Group					
EUR	31 December 2020		31 December 2019		Structure change, p.p.
Type of investment	Amount	%	Amount	%	
Government bonds	148,458,208	9.2%	95,904,603	7.6%	1.6
Cash and cash equivalents	69,163,528	4.3%	52,024,880	4.1%	0.2
Corporate bonds	20,499,474	1.3%	32,131,057	2.5%	-1.3
Shares	18,405,126	1.1%	16,881,845	1.3%	-0.2
Investment property	11,770,227	0.7%	11,904,771	0.9%	-0.2
Deposits	4,009,072	0.2%	28,850,601	2.3%	-2.0
Loans granted	1,715,920	0.1%	716,415	0.1%	0.0
Mutual funds	2,223,059	0.1%	2,801,690	0.2%	-0.1
Infrastructure funds	486,711	0.0%	242,630	0.0%	0.0
Sum total	**276,731,326**	**17.1%**	**241,458,491**	**19.1%**	**-2.0**

The Group's exposure to Slovenia decreased by 2.0 p.p. in 2020. In 2020, investments in government bonds represent the largest exposure to Slovenia, the same as in 2019. In the total portfolio they accounted for 9.2% and increased by 1.6 p.p. compared to the previous year.

Exposure to Slovenia by asset type

Sava Re					
EUR	31 December 2020		31 December 2019		Structure change, p.p.
Type of investment	Amount	%	Amount	%	
Cash and cash equivalents	25,883,358	8.5%	28,901,748	8.1%	0.4
Government bonds	14,371,057	4.7%	13,643,115	3.8%	0.9
Shares	9,155,294	3.0%	9,567,833	2.7%	0.3
Investment property	8,031,875	2.6%	8,142,714	2.3%	0.4
Corporate bonds	5,920,734	1.9%	9,532,599	2.7%	-0.7
Loans granted	1,393,825	0.5%	383,308	0.1%	0.4
Infrastructure funds	486,711	0.2%	242,630	0.1%	0.1
Deposits	0	0.0%	20,742,640	5.8%	-5.8
Mutual funds	0	0.0%	201,277	0.1%	-0.1
Sum total	**65,242,854**	**21.4%**	**91,357,864**	**25.6%**	**-4.2**

At the year end, the exposure of Sava Re to Slovenia-based issuers was EUR 65.2 million, representing 21.4 % of financial investments (31 December 2019: EUR 91.4 million; 25.6%). Compared to 2019, the structural share of such investments dropped by 4.2 p.p., i.e. mostly due to the lower balance of deposits.

As at 31 December 2020, the Group's exposure to the ten largest issuers was EUR 451.7 million, representing 35.6% of financial investments (31 December 2019: EUR 388.4 million; 30.7%). The largest single issuer of securities to which the Group is exposed is the Republic of Slovenia.

As at 31 December 2020, Sava Re's exposure to the ten largest issuers was EUR 108.6 million, representing 35.6% of financial investments (31 December 2019: EUR 125.5 million; 36.1%). The largest single issuer of securities to which Sava Re is exposed is the United States. As at 31 December 2020, it totalled EUR 23.8 million or 7.8% of financial investments (31 December 2019: EUR 25.8 million; 7.4%).

We assess that in 2020, the Sava Insurance Group companies – by maintaining a large percentage of highly-rated investments, diversification of investments by industry and geography and reducing concentration – managed credit risk well, maintaining it on the same level as in 2019.

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Counterparty default risk

The Group is also exposed to credit risk in relation to its reinsurance programme. As a rule, subsidiaries conclude reinsurance contracts directly with the parent company. If so required by local regulations, they would also buy reinsurance from the providers of assistance services and from local reinsurers. In such cases, local reinsurers transfer the risks to Sava Re, thus reducing the effective credit risk exposure relating to reinsurers below the one correctly shown according to accounting rules.

The tables below show the receivables ageing analysis for the Group and Sava Re, including the above-mentioned receivables for reinsurers' shares in claims

As at 31 December 2020, the total exposure of the Group to credit risk relating to reinsurers was EUR 47.8 million (31 December 2019: EUR 44.4 million), of which EUR 42.6 million (31 December 2019: EUR 38.6 million) relate to reinsurers' share of technical provisions and EUR 5.2 million (31 December 2019: EUR 5.8 million) to receivables for reinsurers' and co-insurers' shares in claims. As at 31 December 2020, the Group's total credit risk exposure relating to retrocessionaires represented 1.9% of total assets (31 December 2019: 2.4%).

Receivables ageing analysis

Sava Insurance Group EUR 31 December 2020	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	98,216,113	23,982,952	4,374,660	6,334,876	132,908,601
Receivables due from insurance intermediaries	862,083	887,100	4,058	17,690	1,770,931
Other receivables arising out of primary insurance business	141,125	306,720	108,093	50,118	606,056
Receivables arising out of primary insurance business	**99,219,321**	**25,176,772**	**4,486,811**	**6,402,684**	**135,285,588**
Receivables for reinsurers' shares in claims	3,231,556	1,330,112	134,992	470,478	5,167,138
Other receivables arising out of co-insurance and reinsurance business	731,241	147,010	297	8,890	887,438
Receivables arising out of reinsurance and co-insurance business	**3,962,797**	**1,477,122**	**135,289**	**479,368**	**6,054,576**
Current tax assets	**529,831**	**0**	**0**	**0**	**529,831**
Other short-term receivables arising out of insurance business	963,217	734,708	372,579	688,511	2,759,015
Short-term receivables arising out of financing	1,630,216	1,664	2,639	19,474	1,653,993
Other short-term receivables	7,085,770	431,858	33,854	37,013	7,588,495
Other receivables	**9,679,203**	**1,168,230**	**409,072**	**744,998**	**12,001,503**
Total	**113,391,152**	**27,822,124**	**5,031,172**	**7,627,050**	**153,871,498**

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

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Reinsurance programmes are mostly placed with first-class reinsurers that have an appropriate rating (at least A- according to Standard & Poor's for long-term business, and at least "BBB+" for short-term business). Thus, at least 80% of credit risk exposures related to a reinsurer at the end of 2020 (2019: at least 80%) relate to those with a rating equal to or higher than "BBB". When classifying reinsurers by credit rating group, we considered the credit rating of each individual reinsurer, also where the reinsurer is part of a group. Often such reinsurers are unrated subsidiaries, while the parent company has a credit rating. We consider such a treatment conservative, as ordinarily a parent company takes action if a subsidiary gets into trouble.

Receivables ageing analysis

Sava Re EUR 31 December 2020	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	61,518,416	9,873,810	2,550,958	5,001,033	78,944,217
Other receivables arising out of primary insurance business	287,434	279,792	107,822	43,643	718,691
Receivables arising out of primary insurance business	**61,805,850**	**10,153,603**	**2,658,780**	**5,044,676**	**79,662,908**
Receivables for reinsurers' shares in claims	1,798,842	1,326,461	134,992	466,905	3,727,200
Other receivables arising out of co-insurance and reinsurance business	585,298	139,481	297	8,890	733,967
Receivables arising out of reinsurance and co-insurance business	**2,384,141**	**1,465,942**	**135,289**	**475,796**	**4,461,167**
Current tax assets	**325,472**	**0**	**0**	**0**	**325,472**
Short-term receivables arising out of financing	36,853	0	0	0	36,853
Other short-term receivables	2,266,633	0	0	0	2,266,633
Other receivables	**2,303,486**	**0**	**0**	**0**	**2,303,486**
Total	**66,818,949**	**11,619,545**	**2,794,068**	**5,520,471**	**86,753,033**

Sava Re EUR 31 December 2019	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	68,158,970	12,690,262	2,608,379	5,339,600	88,797,212
Other receivables arising out of primary insurance business	651,973	13,159	24,147	51,269	740,548
Receivables arising out of primary insurance business	**68,810,943**	**12,703,421**	**2,632,527**	**5,390,869**	**89,537,760**
Receivables for reinsurers' shares in claims	2,095,644	660,987	358,812	317,484	3,432,927
Other receivables arising out of co-insurance and reinsurance business	672,907	66,824	38,580	3,592	781,903
Receivables arising out of reinsurance and co-insurance business	**2,768,551**	**727,811**	**397,392**	**321,076**	**4,214,830**
Current tax assets	**2,802,044**	**0**	**0**	**0**	**2,802,044**
Short-term receivables arising out of financing	13,417	0	0	26,778	40,194
Other short-term receivables	429,020	152	0	0	429,172
Other receivables	**442,436**	**152**	**0**	**26,778**	**469,366**
Total	**74,823,975**	**13,431,384**	**3,029,919**	**5,738,723**	**97,024,000**

Sava Re assessed its receivables for impairment. Allowances were established for receivables that needed to be impaired. Receivables are discussed in greater detail in note 11.

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The total exposure of Sava Re to retrocessionaires as at 31 December 2020 was EUR 35.7 million (31 December 2019: EUR 34.6 million). Of this, EUR 31.9 million (31 December 2019: EUR 31.2 million) relate to retroceded gross technical provisions (EUR 6.6 million to unearned premiums and EUR 25.3 million to provisions for outstanding claims) and EUR 3.7 million (31 December 2019: EUR 3.4 million) to receivables for reinsurers' shares in claims.

The total credit risk exposure of Sava Re relating to reinsurers represented 4.7% of total assets in 2020 (31 December 2019: 4.7%). Reinsurance programmes are mostly placed with first-class reinsurers with an appropriate credit rating (at least "A-" according to Standard & Poor's for long-term business, and at least "BBB+" for short-term business). We consider this risk as low, particularly as the investment portfolio is adequately diversified. See details in the following table

Receivables due from reinsurers by reinsurer credit rating

Sava Re				
EUR	31 December 2020		31 December 2019	
Rated by S&P / AM Best	Amount	Structure	Amount	Structure
(A++ or A+)/(AAA or AA)	15,937,927	44.7%	11,855,809	34.3%
A / (A or A-)	14,885,019	41.7%	16,878,847	48.8%
BBB / (B++ or B+)	2,470,950	6.9%	1,337,347	3.9%
Less than BBB / less than B+	575,307	1.6%	691,831	2.0%
Not rated	1,793,112	5.0%	3,828,401	11.1%
Total	**35,662,315**	**100.0%**	**34,592,235**	**100.0%**

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17.6.4.3 Risk of failure to realise guaranteed returns

The Group is exposed to the risk of failing to achieve the guaranteed return, specifically with investment contracts and with traditional and unit-linked life insurance business.

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.

Investment contracts

The Group's investment contracts include a group of life cycle funds called MOJI Skladi Življenjskega Cikla (MY Life-Cycle Funds), relating to supplementary pension business of the company Sava Pokojninska in the accumulation phase. The company manages the group of long-term life-cycle funds MOJI Skladi Življenjskega Cikla, which comprise three funds: MOJ Dinamični Sklad (MY Dynamic Fund), MOJ Uravnoteženi Sklad (MY Balanced Fund), and MOJ Zajamčeni Sklad (MY Guaranteed Fund). Investment contract liabilities are not included in the consolidated technical provisions item, and are, therefore, not included in the presentation of underwriting risk. Investment contract assets are not included in the consolidated financial investments item, and are, therefore, not included in the presentation of investment portfolio risk. In addition, there is a risk of failing to achieve the guaranteed return associated with investment contract assets and liabilities for the long-term business fund with a guaranteed return (MGF).

The members of the supplementary pension insurance scheme thus bear the entire investment risk arising out of the two funds MDF and MBF, while with the MGF they bear the investment risk above the guaranteed return. The guaranteed return of MGF is 60% of the average annual interest rate on government securities with a maturity of over one year. Liabilities relating to MGF comprise paid in premiums, guaranteed return and amounts in excess of the guaranteed return, provided the company achieved it. For each member, the fund administrator keeps a personal account with accumulating net contributions and assets to exceed the guaranteed return (provisions); for MGF, additionally the guaranteed return is maintained. Liabilities to the members of the MDF and MBF move in line with the value of investments. In years when the return in excess of guaranteed return is realised, liabilities to the members of the MGF for assets in excess of guaranteed levels of assets are increased; if, however, realised return is below the guaranteed level, this part of liabilities decreases until the provision is fully exhausted. The described control of guaranteed return is carried out at the level of individual members' accounts. In the event that individual provisions of any account are not sufficient to cover the guaranteed assets, the company is required to make provisions for the difference, which may exceed 20% of the capital. Any excess must be covered by the company's own funds.

The risk of failing to realise guaranteed returns is managed primarily through appropriate management of policyholder assets and liabilities, an appropriate investment strategy, an adequate level of the company's capital and provisioning. The Group tests its risk exposure arising out of guaranteed return through stress tests and scenarios as part of the own risk and solvency assessment. We estimate that the risk that additional payments will have to be made to achieve the guaranteed returns increased slightly due to the volatility in the financial markets in 2020 compared to 2019.

The value of fund assets of the North Macedonian pension company Sava Penzisko Društvo (two funds, mandatory and voluntary) is not included in the statement of financial position of the company as these are funds under management (similar treatment as for fund management companies). The role of the North Macedonian pension company is solely to manage the assets; the funds have no guaranteed return. Consequently, the company is not exposed to the risk to which investment contracts are exposed, i.e. failure to realise the guaranteed return.

Traditional and unit-linked life insurance contracts

The Group is exposed to the risk of failure to realise guaranteed returns for its traditional and unit-linked life insurance business with guaranteed returns (e.g. guaranteed fund unit value). Taking into account the realised book return on financial investments and the guaranteed return on the liabilities side in the period 1–12/2020, the effect of not achieving the guaranteed return is a loss of EUR 249.2 thousand (1–12/2019: EUR -406.6 thousand).

The risk of failure to realise guaranteed returns increased slightly following the acquisition of Vita in 2020. We estimate that the risk of failure to realise guaranteed rates of return is moderate.

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17.6.5 Operational risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

Operational risks are not among the Group's or Sava Re's most significant risks. Nevertheless, some of them are material, particularly:

- risk associated with the computer and communication system,
- risk associated with supervision and reporting,
- risk of loss of key, expert and high-potential employees,
- risk of incorrect data input and inadequate documentation,
- risk of inadequate communication,
- risks associated with clients, products and business practices,
- risk of damage to physical assets due to natural disaster or fire,
- compliance risk relating to laws and regulations,
- risk of theft and fraud.

Significant Company and Group risks also include cyber risks. It is important for Group companies to lower this risk, as its realisation can lead to a complete interruption of business and extensive financial damage. This is why the Group regularly upgrades the management of and limits exposure to cyber risks.

The Group and Group companies calculate their capital requirements for operational risks using the Solvency II standard formula at least once annually. This calculation of operational risk, however, has only limited practical value, as the formula is not based on the actual exposure to operational risk, but on an approximation calculated mainly based on consolidated premiums, provisions and expenses of the Group.

To assess operational risks in Group companies and at the Group level, qualitative assessment of the probability and financial impact within the scope of the risk register is applied, while the EU-based (re)insurance companies additionally use scenario analysis. Through regular risk assessments, the Group companies obtain insight into the actual level of their exposure to such risks.

Group companies have established processes for identifying, measuring, monitoring, managing and reporting on such risks for the effective management of operational risk. Operational risk management processes have also been set up at the Group level and are defined in the operational risk management policy.

The main measures of operational risk management on the individual company and the Group level include:

- maintaining an effective business processes management system and system of internal controls;
- awareness-raising and training of all employees on their role in the implementation of the internal control system and management of operational risks;
- implementing security policies related to information security;
- having in place a business continuity plan for all critical processes (in order to minimise the risk of unpreparedness for incidents and external events and any resulting business interruption);
- having in place IT-supported processes and controls in the key areas of business of every Group company;
- awareness-raising and training of all employees.

We estimate that the Group's exposure to operational risks in 2020 was moderate and increased slightly compared to 2019 due to Covid-19.

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17.6.6 Strategic risks

Group companies and the Group are exposed to a variety of internal and external strategic risks that may have a negative impact on the income or capital adequacy.

The primary key strategic risks to which the Group and Sava Re were exposed in 2020 include:

- risk of inadequate development strategy,
- risks associated with strategic investments,
- risk of market and economic conditions,
- political risks,
- reputation risk,
- project risks, and
- risk associated with legislative changes,

Strategic risks are by nature very diverse, difficult to quantify and heavily dependent on various (including external) factors. They are also not included in the calculation of solvency capital requirement in accordance with the Solvency II standard formula.

Group companies' and the Group's strategic risks are assessed qualitatively in the risk register by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated in the EU-based Group (re)insurance companies, using qualitative analysis of various scenarios. Based on both analyses combined, an overview is obtained of the extent and change in the exposure to this type of risk.

Group companies mitigate individual strategic risks mainly through preventive measures, and individual companies have in place various processes that ensure that they can properly identify, measure, monitor, manage, control and report strategic risks, thus ensuring their effective management. In addition to the competent organisational units in Group companies, strategic risks are identified and managed by management bodies, risk management committees, risk management functions and the key functions of the risk management system. Strategic risks are additionally identified by the Group's risk management committee. Strategic risks are also managed by continually monitoring the realisation of short- and long-term goals of Group companies, and by monitoring regulatory changes in the pipeline and market developments.

The Group is aware that its reputation is important in realising its business goals and in order to achieve its strategic plans in the long term. Group companies have taken steps aimed at mitigating reputation risk, such as setting up fit and proper procedures applicable to key employees, ensuring systematic operations of their respective compliance functions, having in place business continuity plans, developing stress tests and scenarios, and planning actions and responses in the case such risks materialise. Toward ensuring the Group's good reputation, each and every employee is responsible for improving the quality of services delivered and overall customer satisfaction.

We estimate that the Group's exposure to strategic risks in 2020 was moderate, and increased slightly compared to 2019 due to various uncertainties related to the impact of Covid-19 on our business.

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17.7 Notes to the financial statements – statement of financial position

1) Intangible assets

Movement in cost and accumulated amortisation / impairment losses of intangible assets

Sava Insurance Group					
EUR	**Software**	**Goodwill**	**Deferred acquisition costs**	**Other intangible assets**	**Total**
Cost					
31 December 2019	15,334,228	40,877,792	4,155,831	33,539,706	93,907,557
Additions – acquisition of subsidiary	748,673	0	0	0	748,673
Additions	6,133,747	0	759,758	901,943	7,795,448
Disposals	-448,566	0	0	-309,031	-757,597
Exchange differences	-10,984	0	0	-22,871	-33,854
31 December 2020	21,757,098	40,877,792	4,915,589	34,109,747	101,660,226
Accumulated amortisation and impairment losses					
31 December 2019	10,138,865	6,915,159	0	15,793,464	32,847,488
Additions	1,385,312	0	0	2,016,236	3,401,548
Disposals	-386,843	0	0	0	-386,843
Impairments	0	1,529,820	0	0	1,529,820
Exchange differences	-10,333	0	0	-65	-10,398
31 December 2020	11,127,001	8,444,979	0	17,809,635	37,381,614
Carrying amount as at 31 December 2019	**5,195,363**	**33,962,633**	**4,155,831**	**17,746,242**	**61,060,069**
Carrying amount as at 31 December 2020	**10,630,097**	**32,432,812**	**4,915,589**	**16,300,112**	**64,278,611**

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Sava Re			
EUR	Software	Other intangible assets	Total
Cost			
31 December 2019	2,591,548	36,033	2,627,582
Additions	909,588	5,943	915,531
Disposals	-14,841	-5,893	-20,734
31 December 2020	3,486,295	36,083	3,522,379
Accumulated amortisation and impairment losses			
31 December 2019	1,333,472	0	1,333,472
Additions	256,690	0	256,690
Disposals	-14,840	0	-14,840
31 December 2020	1,575,322	0	1,575,322
Carrying amount as at 31 December 2019	**1,258,077**	**36,033**	**1,294,110**
Carrying amount as at 31 December 2020	**1,910,974**	**36,083**	**1,947,056**

Sava Re			
EUR	Software	Other intangible assets	Total
Cost			
31 December 2018	1,953,966	33,919	1,987,885
Additions	691,749	2,114	693,863
Reversal	-54,166	0	-54,166
31 December 2019	2,591,548	36,033	2,627,582
Accumulated amortisation and impairment losses			
31 December 2018	1,095,161	0	1,095,161
Additions	265,353	0	265,353
Reversal	-27,042	0	-27,042
31 December 2019	1,333,472	0	1,333,472
Carrying amount as at 31 December 2018	**858,805**	**33,919**	**892,724**
Carrying amount as at 31 December 2019	**1,258,077**	**36,033**	**1,294,110**

The decrease in goodwill arises from the impairment of Sava Pokojninska. Goodwill arisen on the acquisition of Sava Infond was partly allocated, based on the assessed value of contractual customer relationships, to contractual relationships with customers, which increased the balance of other intangible assets. For more information, see section *17.2 "Business combinations and overview of Group companies"*.

In 2020, the other intangible assets item of the Group comprises the assessed value of a customer list and contractual relationships with customers.

The Group's assets in progress amount to EUR 7.2 million (2019: EUR 2.2. million and relate to the acquisition of new IT solutions, in particular to prepare for the implementation of the new accounting standard IFRS 17 and 9, and to support the core business of Zavarovalnica Sava and Sava Re.

The Company's assets in progress stand at EUR 1.2 million (2019: EUR 798,413).

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Movement in goodwill

Movement in goodwill in 2020

Sava Insurance Group	
EUR	
Total amount carried forward as at 31 December 2019	**39,146,633**
Disposals in current year	**-6,713,820**
Sava Pokojninska	-1,529,820
Sava Infond	-5,184,000
Balance as at 31 December 2020	**32,432,813**
Sava Neživotno Osiguranje (SRB)	4,565,229
Sava Osiguranje (MNE)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
TBS Team 24	2,787,676
Sava Penzisko Društvo	1,666,838
Sava Infond	15,000,085

Movement in goodwill in 2019

Sava Insurance Group	
EUR	
Total amount carried forward as at 31 December 2018	**29,006,121**
Additions in current year	**20,184,085**
Sava Infond	20,184,085
Disposals in current year	**-10,043,573**
Sava Penzisko Društvo	-10,043,573
Balance as at 31 December 2019	**39,146,633**
Sava Neživotno Osiguranje (SRB)	4,565,229
Sava Osiguranje (MNE)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Sava Pokojninska	1,529,820
TBS Team 24	2,787,676
Sava Penzisko Društvo	1,666,839
Sava Infond	20,184,085

The decline in the goodwill in Sava Pokojninska relates to impairment, whereas the decline in the goodwill in Sava Infond relates to a reclassification to other intangible assets as presented in *17.2 Business combinations and overview of Group companies*.

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Method of calculating value in use

Value in use for each cash-generating unit is calculated using the discounted cash flow method (DCF method). The budget projections of the CGUs and their estimate of the long-term results achievable are used as a starting point. Value in use is determined by reference to free cash flows discounted at an appropriate discount rate.

The discount rate is determined as the cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the interest rate on risk-free securities, equity premium, and insurance business prospects applying the beta factor. Added is a country risk premium and a size premium.

The elements of the discount rate have been taken from:

- The risk-free rate of return is based on the yield to maturity of 30-year German government bonds (source: Bloomberg).
- The equity risk premium has been taken from the publication of KPMG Netherlands "Equity market risk premium," Research Summary, November 2020.
- Tax rates included in the discount rate calculation are the applicable tax rates in individual countries where companies operate.
- Beta for individual industries has been calculated with reference to comparable companies of the same industry of MSCI Small Cap Europe (source: Bloomberg).
- The country risk premiums have been calculated as the difference between the yield to maturity of German long-term government bonds and a comparable local bond issued (source: Bloomberg).
- Size premium: CRSP Deciles Study, Duff & Phelps, December 2019.

The bases for the testing of value in use are prepared in several phases: In phase one, the Company prepares three- or five-year projections of performance results for each company as part of the regular planning process unified Group-wide. These strategic plans are approved by the parent company and confirmed by the relevant governance body. For insurance and pension companies, it is additionally assessed whether the capital required for an insurance company to operate under local regulations would be fully engaged.

For insurance companies, premium growth and profitability are planned as insurance penetration is relatively low. Insurance penetration is expected to increase markedly due to the expected convergence of their countries' macroeconomic indicators towards levels common in western European countries. Western Balkan markets, which have a relatively low penetration rate, are expected to see a faster growth in gross premiums than in expected GDP.

The profitability of pension companies is expected to grow, driven by increased contributions to pension funds as the result of demographic trends and at relatively fixed operating costs.

To estimate the residual value used in the calculation of the estimated value of equity, the calculation considers normalised cash flow in the last year of the forecast made using the Gordon growth model. Subsidiaries have been valued using a long-term growth rate (g) ranging from 0–2% to calculate the residual value. For Slovenia-based companies, other than the pension company, this growth rate is based on the average risk-free rate of return totalling 0%; for other markets, including the Slovenian pension company, it totals 2% and is based on the expected long-term industry growth rate.

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Assumptions used in goodwill impairment testing in 2020

	Insurance company	Sava Neživotno Osiguranje (SRB)	Sava Osiguranje (MNE)	Sava Penzisko	Sava Pokojninska	Sava Infond	TBS Team 24
Discount rate (%)	7.7	9.1	11.3	8.9	9.6	8.7	7.3
Long-term growth rate (%)	0.0	2.0	2.0	2.0	2.0	0.0	0.0
Expected average growth in revenue in the next 5 years (%)	2.7	3.7	3.9	10.1	3.3	4.4	4.9
Expected average annual profit in the next 5 years (EUR million)	32.6	1.3	1.1	2.1	0.6	2.7	0.8

** Revenue = net premiums earned for both insurance companies, operating revenue for other companies.*
*** Profit = net profit for both insurance companies and both pension companies, and EBITDA for other companies.*

Goodwill impairment testing

In the impairment testing of goodwill arising out of the acquired companies listed at the beginning of this section, the recoverable amount of each cash-generating unit exceeded its carrying amount including goodwill belonging to all companies, except for Sava Pokojninska for which goodwill impairment losses of EUR 1.5 million were recognised.

Sensitivity analysis for estimation parameters

A sensitivity analysis was carried out for the difference between the estimated recoverable amount and the carrying amount for different long-term growth rates, discount rates and annual achievement of planned profit over all projection horizons. It was found that in no case of deviation (long-term growth rates change of 1 p.p., discount rates change of 1 p.p. or profit change of 10%) was the estimated recoverable amount lower than the carrying amount.

Sensitivity analysis for business scenarios

Due to the increased uncertainty arising from the Covid-19 pandemic, differences between the estimated recoverable amounts and carrying amounts were analysed for four different scenarios that provide a representative sample of possible future outcomes based on the current developments and experience gained in these uncertain times, and were developed in accordance with common general assumptions.

The analysis involved the following scenarios:

- Baseline scenario: basic plans made based on publicly available economic forecasts by country, and based on expectations of analysed companies' management boards.
- Optimistic scenario: an effective vaccine is developed in late 2020, and distributed in 2021, no significant increase in infections is recorded during the winter of 2021, travel restrictions in the Northern Hemisphere are lifted at the end of the first quarter.
- Pessimistic scenario: no effective vaccine is developed by the end of 2021, infections rise significantly during the winter of 2021, local restrictions on movement and travel remain in place until the end of 2021.
- Worst-case scenario: no effective vaccine is developed, continuous waves of infections, constant local restrictions on movement and travel.

The estimated recoverable amounts for all four scenarios are based on projections for the 2021–2025 period, and long-term growth rates for the period after 2025.

The estimated recoverable amounts exceed the carrying amounts for all companies in all scenarios, except in the very unlikely worst-case scenario, under which the total impairment loss for three of the Group's companies would amount to EUR 13.6 million or 4.5% of the carrying amount of the investments in subsidiaries.

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2) Property, plant and equipment

Movement in cost and accumulated depreciation / impairment losses of property, plant and equipment assets

Sava Insurance Group					
EUR	**Land**	**Buildings**	**Equipment**	**Other items of property, plant and equipment**	**Total**
Cost					
31 December 2019	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	1,280,283	2,254,952	2,294,172	29,044	5,858,451
Reclassification	-73,035	-1,630,752	-28,945	-146,417	-1,879,149
Disposals	-20,641	-78,621	-2,512,690	-496	-2,612,448
Impairment	-42,668	-47,491	0	0	-90,159
Exchange differences	-7,244	-44,168	-13,192	-125	-64,729
31 December 2020	6,766,894	55,011,082	23,987,234	201,165	85,966,378
Accumulated depreciation and impairment losses					
31 December 2019	0	20,540,637	16,368,020	93,118	37,001,775
Additions	0	1,138,908	2,708,610	53,020	3,900,538
Reclassification	0	-667,520	-26,442	-146,417	-840,379
Disposals	0	-50,635	-2,355,802	-490	-2,406,927
Exchange differences	0	-10,522	-14,599	0	-25,121
31 December 2020	0	20,950,868	16,679,787	-769	37,629,886
Carrying amount as at 31 December 2019	**5,630,200**	**34,016,525**	**7,742,943**	**226,041**	**47,615,710**
Carrying amount as at 31 December 2020	**6,766,894**	**34,060,214**	**7,307,447**	**201,934**	**48,336,491**

Sava Insurance Group					
EUR	**Land**	**Buildings**	**Equipment**	**Other items of property, plant and equipment**	**Total**
Cost					
31 December 2018	7,627,769	48,032,080	24,129,396	317,972	80,107,218
Additions – acquisition of subsidiary	54,194	97,754	342,977	0	494,925
Additions	104,103	3,440,313	4,303,338	5,095	7,852,849
Reclassification	0	4,789,910	-4,090	0	4,785,820
Disposals	-6,645	-1,083,270	-4,677,740	-4,788	-5,772,443
Impairment	-2,145,232	-757,268	0	0	-2,902,500
Exchange differences	-3,988	37,643	17,082	880	51,617
31 December 2019	5,630,200	54,557,162	24,110,963	319,159	84,617,486
Accumulated depreciation and impairment losses					
31 December 2018	0	19,063,393	18,091,130	59,263	37,213,786
Additions	0	1,285,078	2,184,147	38,638	3,507,863
Reclassification	0	626,926	-2,217	0	624,709
Disposals	0	-447,393	-3,912,086	-4,788	-4,364,267
Exchange differences	0	12,633	7,046	5	19,684
31 December 2019	0	20,540,637	16,368,020	93,118	37,001,775
Carrying amount as at 31 December 2018	**7,627,769**	**28,968,687**	**6,038,266**	**258,709**	**42,893,432**
Carrying amount as at 31 December 2019	**5,630,200**	**34,016,525**	**7,742,943**	**226,041**	**47,615,710**

Assets in progress amount to EUR 1.4 million (2019: EUR 359 thousand) and relate to an advance payment for the new office building of Zavarovalnica Sava.

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Sava Re					
EUR	Land	Buildings	Equipment	Other items of property, plant and equipment	Total
Cost					
31 December 2019	156,645	2,463,160	1,653,883	82,186	4,355,873
Additions	0	0	170,550	15	170,565
Disposals	0	0	-350,581	-6	-350,587
Reclassification	-5,271	-45,402	0	0	-50,673
31 December 2020	151,374	2,417,758	1,473,852	82,195	4,125,178
Accumulated depreciation and impairment losses					
31 December 2019	0	735,961	1,067,215	45,086	1,848,263
Additions	0	18,725	201,300	1,694	221,719
Disposals	0	0	-301,651		-301,651
31 December 2020	0	754,686	966,864	46,780	1,768,331
Carrying amount as at 31 December 2019	**156,645**	**1,727,199**	**586,667**	**37,100**	**2,507,611**
Carrying amount as at 31 December 2020	**151,374**	**1,663,072**	**506,987**	**35,415**	**2,356,848**

Sava Re					
EUR	Land	Buildings	Equipment	Other items of property, plant and equipment	Total
Cost					
31 December 2018	156,645	2,463,160	1,742,008	84,413	4,446,226
Additions	0	0	151,295	2,539	153,834
Disposals	0	0	-239,421	-4,766	-244,187
31 December 2019	156,644	2,463,160	1,653,883	82,186	4,355,873
Accumulated depreciation and impairment losses					
31 December 2018	0	702,698	1,040,696	48,290	1,791,685
Additions	0	33,263	206,798	1,562	241,623
Disposals	0	0	-180,279	-4,766	-185,045
31 December 2019	0	735,961	1,067,215	45,086	1,848,263
Carrying amount as at 31 December 2018	**156,645**	**1,760,461**	**701,312**	**36,123**	**2,654,540**
Carrying amount as at 31 December 2019	**156,644**	**1,727,199**	**586,667**	**37,100**	**2,507,611**

Property, plant and equipment assets have not been acquired under finance lease contracts and are unencumbered by third-party rights.

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3) Right-of-use assets

In this part, Group companies disclose information on operating leases.

Movement in cost and accumulated amortisation / impairment losses of right-of-use assets

Sava Insurance Group					
EUR	**Land and buildings**	**Motor vehicles**	**Computers and IT equipment**	**Other**	**Total**
As at 1 January 2020	**9,070,045**	**834,118**	**48,105**	**21,984**	**9,974,252**
Depreciation of right-of-use assets	-1,842,414	-324,453	-12,626	-13,176	-2,192,669
Change in right of use	-145,056	19,620	-5,357	-16,350	-147,143
New contracts	991,415	133,772	0	11,572	1,136,760
Reversal of right-of-use assets	-104,032	-14,544	0	-4,030	-122,606
As at 31 December 2020	**7,969,959**	**648,513**	**30,122**	**0**	**8,648,594**

Sava Insurance Group					
EUR	**Land and buildings**	**Motor vehicles**	**Computers and IT equipment**	**Other**	**Total**
As at 1 January 2019	**8,628,596**	**812,882**	**0**	**4,719**	**9,446,198**
Depreciation of right-of-use assets	-1,850,074	-293,367	-5,895	-3,398	-2,152,734
New contracts	2,344,667	314,603	54,000	20,663	2,733,932
Reversal of right-of-use assets	-53,144	0	0	0	-53,144
As at 31 December 2019	**9,070,045**	**834,118**	**48,105**	**21,984**	**9,974,252**

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Sava Re			
EUR	**Land and buildings**	**Motor vehicles**	**Total**
As at 1 January 2020	**103,132**	**12,268**	**115,400**
Depreciation of right-of-use assets	-86,240	-3,014	-89,254
Change in right of use	73,650	0	73,650
Derecognition of right-of-use assets	-1,284	-9,254	-10,538
As at 31 December 2020	**89,258**	**0**	**89,258**

Sava Re			
EUR	**Land and buildings**	**Motor vehicles**	**Total**
As at 1 January 2019	**148,520**	**15,335**	**163,855**
Depreciation of right-of-use assets	-62,768	-3,067	-65,835
Remeasurement of right-of-use assets	17,380	0	17,380
As at 31 December 2019	**103,132**	**12,268**	**115,400**

The amounts recognised in the income statement related to leases are shown in the table below.

	Sava Insurance Group		Sava Re	
EUR	**2020**	**2019**	**2020**	**2019**
Interest on lease liabilities	168,474	171,585	126	151
Costs associated with short-term leases	576,418	588,327	11,726	11,726
Costs associated with low value leases	0	1,660	-	-
Total	**744,892**	**761,572**	**11,852**	**11,877**

Cash flow from operating leases is shown in the table

	Sava Insurance Group		Sava Re	
EUR	**2020**	**2019**	**2020**	**2019**
Cash flow from leases	2,689,079	1,731,215	66,452	64,760

The circumstances linked to Covid-19 also affected lease payments in some cases. IASB published a document on 10 April, explaining the accounting impacts in accordance with IFRS 16. The Sava Insurance Group considered whether to treat changes in rent payments as lease modifications, or as a change from fixed to variable rent, and reviewed lease contracts and terms. The standard defines lease modification as a change in the scope of a lease, or the consideration for a lease. If the rent is changed due to government measures, or due to partial or total forgiveness of lease payments, and this is specified in contracts, the change does not constitute a change in the scope of the lease, and fixed rent is changed into variable. The lessee applies the clause from the standard that determines the effect should be recognised as a gain or loss.

There are no limitations or requirements associated with leases on the Company or the Group.

When reviewing all lease contracts, the company determined these do not contain force majeure clauses, and consequently treated changes as lease modifications. The Sava Insurance Group made lease modifications in four companies, which had a EUR 203,521 effect on the right-of-use assets.

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4) Deferred tax assets and liabilities

	Sava Insurance Group		Sava Re	
EUR	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Deferred tax assets	**4,924,819**	**2,044,124**	**3,487,337**	**1,141,098**
- Long-term financial investments	1,335,139	1,029,781	676,906	865,874
- Short-term operating receivables	267,747	241,122	257,859	231,234
- Provisions for jubilee benefits and severance pay (retirement)	816,630	773,221	47,269	43,990
- Tax loss	2,505,303	0	2,505,303	0
Deferred tax liabilities	**14,901,575**	**5,294,663**	**76,227**	**76,227**
- Long-term financial investments	14,822,131	5,218,437	0	0
- Other	79,444	76,227	76,227	76,227

	Sava Insurance Group		Sava Re	
EUR	**2020**	**2019**	**2020**	**2019**
Included in income statement	**2,817,317**	**-89,021**	**2,539,116**	**-211,355**
- Long-term financial investments	241,980	-81,822	7,859	-195,595
- Short-term operating receivables	26,626	23,254	26,626	-23,254
- Provisions for jubilee benefits and severance pay (retirement)	43,409	-30,452	-671	7,494
- Tax loss carried forward to subsequent tax periods	2,505,303	0	2,505,303	0
Included in other comprehensive income	**-4,454,618**	**-1,782,471**	**-192,875**	**-591,146**
- Long-term financial investments	-4,561,530	-1,769,074	-192,875	-591,146
- Provisions for jubilee benefits and severance pay (retirement)	106,912	-13,397	0	0

The Company's tax loss recognised will be covered from the Company's future profits over future years. The Company expects to report operating profits once regulatory recommendations to insurance and pension companies for suspending dividend payments are lifted.

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5) Investment property

Movement in cost and accumulated depreciation of investment property

Sava Insurance Group				
EUR	**Land**	**Buildings**	**Equipment**	**Total**
Cost				
31 December 2019	2,402,688	15,176,550	160,095	17,739,333
Additions	0	132,670	8,964	141,634
Reclassification	5,271	45,402	26,145	76,818
Disposals	0	0	-10,338	-10,338
Impairment	-55,408	-370,668	0	-426,076
Exchange differences	-5,799	-7,472	0	-13,271
31 December 2020	2,346,752	14,976,482	184,866	17,508,100
Accumulated depreciation and impairment losses				
31 December 2019	28,694	967,326	48,182	1,044,202
Additions	0	292,326	20,617	313,343
Reclassification	0	14,095	23,643	37,738
Disposals	0	0	-7,612	-7,612
Exchange differences	-65	-584	0	-649
31 December 2020	28,629	1,273,563	84,830	1,387,022
Carrying amount as at 31 December 2019	**2,373,994**	**14,209,224**	**111,913**	**16,695,132**
Carrying amount as at 31 December 2020	**2,318,123**	**13,702,919**	**100,036**	**16,121,079**

Sava Insurance Group				
EUR	**Land**	**Buildings**	**Equipment**	**Total**
Cost				
31 December 2018	2,482,923	19,408,916	150,203	22,042,042
Additions – acquisition of subsidiary	0	427,000	0	427,000
Additions	1,650	514,153	26,889	542,692
Reclassification	0	-4,789,910	4,090	-4,785,820
Disposals	0	-414,785	-21,087	-435,872
Impairment	-79,246	0	0	-79,246
Exchange differences	-2,639	31,176	0	28,537
31 December 2019	2,402,688	15,176,550	160,095	17,739,333
Accumulated depreciation and impairment losses				
31 December 2018	28,607	2,026,606	47,811	2,103,024
Additions	0	268,907	16,885	285,792
Reclassification	0	-626,926	2,217	-624,709
Disposals	0	0	-18,731	-18,731
Exchange differences	87	2,739	0	2,826
31 December 2019	28,694	1,671,326	48,182	1,748,202
Carrying amount as at 31 December 2018	**2,454,316**	**18,086,311**	**102,392**	**20,643,019**
Carrying amount as at 31 December 2019	**2,373,994**	**14,209,225**	**111,913**	**16,695,132**

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Sava Re				
EUR	**Land**	**Buildings**	**Equipment**	**Total**
Cost				
31 December 2019	1,492,440	7,012,904	69,112	8,574,456
Additions	5,271	45,402	0	50,673
Reclassification	0	0	-993	-993
31 December 2020	1,497,711	7,058,306	68,119	8,624,136
Accumulated depreciation and impairment losses				
31 December 2019	0	422,933	8,809	431,742
Additions	0	141,532	4,893	146,425
Reclassification	0	14,095	0	14,095
31 December 2020	0	578,559	13,702	592,261
Carrying amount as at 31 December 2019	**1,492,440**	**6,589,971**	**60,303**	**8,142,714**
Carrying amount as at 31 December 2020	**1,497,711**	**6,479,747**	**54,417**	**8,031,875**

Sava Re				
EUR	**Land**	**Buildings**	**Equipment**	**Total**
Cost				
31 December 2018	1,490,790	7,012,904	68,533	8,572,227
Additions	1,650	0	1,728	3,378
Reclassification	0	0	-1,149	-1,149
31 December 2019	1,492,440	7,012,904	69,112	8,574,456
Accumulated depreciation and impairment losses				
31 December 2018	0	282,080	4,414	286,494
Additions	0	140,853	4,887	145,740
Disposals	0	0	-492	-492
31 December 2019	0	422,933	8,809	431,742
Carrying amount as at 31 December 2018	**1,490,790**	**6,730,824**	**64,119**	**8,285,733**
Carrying amount as at 31 December 2019	**1,492,440**	**6,589,971**	**60,303**	**8,142,714**

There were no major reclassifications of investment property assets in 2020, whereas in 2019 the decrease in investment property resulted from the reclassification of an investment property asset owned by Sava Terra to property for own use by Zavarovalnica Sava, in the amount of EUR 4.7 million.

In 2020, the Group generated income of EUR 1.2 million by leasing out its investment property (2019: EUR 1.3 million). Maintenance costs associated with investment property are either included in the rent or charged to the lessee. Costs covered by the Group in 2020 totalled EUR 122,638 (2019: EUR 88,234). We estimate that the Group will continue to lease its investment property in 2021 and over the next five-year period in a similar scope as in 2020 and generate lease income of EUR 1.2 million.

In 2020, the Group generated income of EUR 783,238 by leasing out its investment property (2019: EUR 784,610). Maintenance costs associated with investment property are either included in rent or charged to the lessees in a proportionate amount. These recovered costs amounted to EUR 72,555 in 2020 (2019: EUR 54,393).

The investment properties are unencumbered by any third-party rights.

We have examined the investment property assets owned by the Group and the Company and find that the Covid-19 epidemic had no impact on operations. The lessees do not operate in business sectors hit by the Covid-19 epidemic.

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6) Financial investments in subsidiaries and associates

	Sava Insurance Group		Sava Re	
EUR	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Financial investments in subsidiaries	0	0	304,072,412	237,485,605
Financial investments in associates	15,056,143	581,104	15,025,000	692,048
Total	**15,056,143**	**581,104**	**319,097,412**	**238,177,653**

Financial investments in subsidiaries

Sava Re

EUR	31 December 2019		Acquisition/ recapitalisation	Impairment (-)	31 December 2020	
	Holding	Value	Value	Value	Holding	Value
Zavarovalnica Sava	100.00%	123,364,959	0	0	100.00%	123,364,958
Sava Neživotno Osiguranje (SRB)	100.00%	16,143,256	43	0	100.00%	16,143,299
Illyria	100.00%	8,094,000	1,800,000	-330,896	100.00%	9,563,104
Sava Osiguruvanje (North Macedonia)	92.57%	10,031,490	0	0	92.57%	10,031,490
Sava Osiguranje (MNE)	100.00%	15,373,019	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	100.00%	4,035,893
Sava Životno Osiguranje (SRB)	100.00%	5,142,278	0	0	100.00%	5,142,278
S Estate	100.00%	5,996	0	0	100.00%	5,996
Sava Pokojninska	100.00%	8,089,939	0	-1,672,139	100.00%	6,417,800
TBS Team 24	75.00%	2,906,504	0	0	75.00%	2,906,504
Sava Penzisko Društvo	100.00%	19,714,494	0	0	100.00%	19,714,494
Sava Infond	85.00%	24,583,778	0	0	85.00%	24,583,778
Vita	100.00%	0	66,789,797	0	100.00%	66,789,797
Total		**237,485,605**	**68,589,840**	**-2,003,035**		**304,072,412**

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Sava Re

EUR	31 December 2018		Acquisition/ recapitalisation	Dividend paid (-)	Disposal/ decrease (-)	31 December 2019	
	Holding	Value	Value	Value	Value	Holding	Value
Zavarovalnica Sava	100.00%	123,364,959	0	0	0	100.00%	123,364,959
Sava Neživotno Osiguranje (SRB)	100.00%	20,399,165	0	0	-4,255,909	100.00%	16,143,256
Illyria	100.00%	8,094,000	0	0	0	100.00%	8,094,000
Sava Osiguruvanje (North Macedonia)	92.57%	10,031,490	0	0	0	92.57%	10,031,490
Sava Osiguranje (MNE)	100.00%	15,373,019	0	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	0	100.00%	4,035,892
Sava Životno Osiguranje (SRB)	100.00%	5,142,278	0	0	0	100.00%	5,142,278
S Estate	100.00%	5,996	0	0	0	100.00%	5,996
Sava Pokojninska	100.00%	8,089,939	0	0	0	100.00%	8,089,939
TBS Team 24	75.00%	2,906,504	0	0	0	75.00%	2,906,504
Sava Penzisko Društvo	100.00%	19,714,494	0	0	0	100.00%	19,714,494
Sava Terra	30.00%	747,831	0	0	-747,831	0.00%	0
Sava Infond	85.00%	0	28,642,239	-4,058,461	0	85.00%	24,583,778
Total		**217,905,567**	**28,642,239**	**-4,058,461**	**-5,003,740**		**237,485,605**

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Financial investments in associates

Sava Insurance Group									
EUR	31 December 2019		Additions		Attributed profit or loss	Impairment	31 December 2020		
	Holding	Value	Holding	Value			Holding	Value	Share of voting rights (%)
ZTSR	50.00%	41,302	0.00%	14,900,000	150,863	0	50.00%	15,092,165	50.00%
G2I	17.50%	539,801	0.00%	0	-8,775	-567,048	17.50%	-36,022*	25.00%
Total		**581,103**		**14,900,000**	**142,088**	**-567,048**		**15,056,143**	

** The negative value of the investment reflects impairment losses recognised for the entire cost of the investment plus the negative results of the company G2I.*

Sava Insurance Group								
EUR	31 December 2018		Additions		Attributed profit or loss	31 December 2019		
	Holding	Value	Holding	Value		Holding	Value	Share of voting rights (%)
ZTSR	50.00%	102,560	0.00%	0	-61,258	50.00%	41,302	50.00%
G2I	17.50%	360,414	0.00%	172,851	6,536	17.50%	539,801	25.00%
Total		**462,974**		**172,851**	**-54,721**		**581,104**	

Sava Re								
EUR	31 December 2019		Additions		Impairment	31 December 2020		
	Holding	Value	Holding	Value		Holding	Value	Share of voting rights (%)
ZTSR	50.00%	125,000	0.00%	14,900,000	0	50.00%	15,025,000	50.00%
G2I	17.50%	567,048	0.00%	0	-567,048	17.50%	0	25.00%
Total		**692,048**		**14,900,000**	**-567,048**		**15,025,000**	

Sava Re							
EUR	31 December 2018		Additions		31 December 2019		
	Holding	Value	Holding	Value	Holding	Value	Share of voting rights (%)
ZTSR	50.00%	125,000	0.00%	0	50.00%	125,000	50.00%
G2I	17.50%	394,197	0.00%	172,851	17.50%	567,048	25.00%
Total		**519,197**		**172,851**		**692,048**	

Sava Insurance Group		
EUR	31 December 2020	31 December 2019
ZTSR		
Value of assets	40,255,944	95,491
Liabilities	10,071,614	12,885
Equity	30,184,330	82,605
Income	10,800,226	48,300
Net profit or loss for the period	301,725	-122,518
Part of the profit or loss attributable to the Group	150,863	-61,258
G2I		
Value of assets	1,924,836	3,477,661
Liabilities	973,624	2,585,680
Equity	951,212	891,981
Income	3,657,195	3,045,607
Net profit or loss for the period	-50,140	37,350
Part of the profit or loss attributable to the Group	-8,775	6,536

In 2020, the Company increased the value of its ownership interests in its subsidiaries by EUR 68.6 million (2019: EUR 24.6 million – acquisitions and dividends paid), most of which relates to the acquisition of Vita, Življenjska Zavarovalnica, d.d. The value of interests in associates increased by EUR 14.5 million (2019: EUR 0.2 million), owing to the recapitalisation of ZTSR.

In 2020, the Company also reduced the value of its interests in Group companies due to impairment (EUR 2.0 million), and in 2019 due to capital reduction (EUR 5 million). The assumptions used in the valuation are presented in greater detail in section *17.7 "Notes to the financial statements – statement of financial position".*

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7) Financial investments

Sava Insurance Group					
EUR	Held-to-maturity	At FVTPL	Available-for-sale	Loans and receivables	Total
		Non-derivative			
31 December 2020		Designated to this category			
Debt instruments	**43,679,425**	**24,406,439**	**1,211,575,148**	**24,535,013**	**1,304,196,025**
Deposits and CDs	0	0	0	22,415,444	22,415,444
Government bonds	32,233,757	1,042,385	627,503,364	0	660,779,506
Corporate bonds	11,445,668	23,364,054	584,071,784	0	618,881,506
Loans granted	0	0	0	2,119,569	2,119,569
Equity instruments	**0**	**3,003,232**	**73,912,138**	**0**	**76,915,370**
Shares	0	780,173	37,822,123	0	38,602,296
Mutual funds	0	2,223,059	36,090,015	0	38,313,074
Investments in infrastructure funds	**0**	**0**	**27,436,469**	**0**	**27,436,469**
Investments in property funds	**0**	**0**	**14,340,307**	**0**	**14,340,307**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**7,261,165**	**7,261,165**
Total	**43,679,425**	**27,409,671**	**1,327,264,062**	**31,796,178**	**1,430,149,336**

Sava Insurance Group					
EUR	Held-to-maturity	At FVTPL	Available-for-sale	Loans and receivables	Total
		Non-derivative			
31. 12. 2019		Designated to this category			
Debt instruments	**41,586,644**	**22,984,531**	**871,005,933**	**46,274,618**	**981,851,726**
Deposits and CDs	0	1,596,183	0	45,071,751	46,667,934
Government bonds	39,556,443	2,764,926	497,082,775	0	539,404,144
Corporate bonds	2,030,201	18,623,422	373,923,158	0	394,576,781
Loans granted	0	0	0	1,202,867	1,202,867
Equity instruments	**0**	**3,275,847**	**48,498,622**	**0**	**51,774,469**
Shares	0	647,824	16,855,902	0	17,503,726
Mutual funds	0	2,628,023	31,642,720	0	34,270,743
Investments in infrastructure funds	**0**	**0**	**20,159,022**	**0**	**20,159,022**
Investments in property funds	**0**	**0**	**4,000,000**	**0**	**4,000,000**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**7,089,021**	**7,089,021**
Total	**41,586,644**	**26,260,378**	**943,663,578**	**53,363,639**	**1,064,874,239**

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The Sava Insurance Group held 1.4% of financial investments constituting subordinated instruments for the issuer (31 December 2019: 1.7%). The total value of subordinated investments stood at EUR 19.6 million (31 December 2019: EUR 18.5 million).

Sava Re held 1.2% of financial investments that constitute subordinated instruments for the issuer (31 December 2019: 1.2%). The total value of subordinated investments stood at EUR 7.6 million (31 December 2019: EUR 6.9 million).

A portion of subordinated assets invested in banks is recognised as debt instruments in the category measured at amortised cost, while the other part is recognised in the category measured through profit or loss.

We reviewed the Company's and Group's financial investments, and determined that the impact of the Covid-19 epidemic did not materially decrease their fair value or create the need to impair the investments. The Company and Group hold a small portion of loans granted in their portfolio. The conditions and the ability to repay the loans given did not deteriorate in any of the cases due to the impact of the Covid-19 epidemic, while minor effects were recorded at the Group level, mainly in terms of extending repayment terms for loans given.

Sava Re

EUR 31 December 2020	Held-to-maturity	At FVTPL Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**2,816,598**	**7,001,226**	**221,847,584**	**4,967,639**	**236,633,047**
Deposits and CDs	0	0	0	0	0
Government bonds	2,074,512	0	130,783,187	0	132,857,699
Corporate bonds	742,086	7,001,226	91,064,397	0	98,807,709
Loans granted	0	0	0	4,967,639	4,967,639
Equity instruments	**0**	**651,042**	**11,822,395**	**0**	**12,473,437**
Shares	0	651,042	8,605,871	0	9,256,913
Mutual funds	0	0	3,216,524	0	3,216,524
Investments in infrastructure funds	**0**	**0**	**9,200,979**	**0**	**9,200,979**
Investments in property funds	**0**	**0**	**3,969,161**	**0**	**3,969,161**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**7,261,165**	**7,261,165**
Total	**2,816,598**	**7,652,268**	**246,840,118**	**12,228,804**	**269,537,788**

Sava Re

EUR 31 December 2019	Held-to-maturity	At FVTPL Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**2,075,784**	**6,181,358**	**236,445,163**	**24,958,948**	**269,661,253**
Deposits and CDs	0	1,596,183	0	20,742,640	22,338,823
Government bonds	2,075,784	64,592	135,222,926	0	137,363,302
Corporate bonds	0	4,520,583	101,222,237	0	105,742,820
Loans granted	0	0	0	4,216,308	4,216,308
Equity instruments	**0**	**521,404**	**10,873,608**	**0**	**11,395,012**
Shares	0	521,404	9,169,473	0	9,690,877
Mutual funds	0	0	1,704,135	0	1,704,135
Investments in infrastructure funds	**0**	**0**	**6,951,308**	**0**	**6,951,308**
Investments in property funds	**0**	**0**	**1,000,000**	**0**	**1,000,000**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**7,089,021**	**7,089,021**
Total	**2,075,784**	**6,702,761**	**255,270,080**	**32,047,969**	**296,096,594**

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Movement in financial investments

Sava Insurance Group						
EUR	**Equity securities**	**Debt securities**	**Deposits**	**Loans**	**Deposits with cedants**	**Total**
Balance as at 1 January 2020	**75,933,492**	**933,980,922**	**46,667,937**	**1,202,867**	**7,089,021**	**1,064,874,239**
Additions – portfolio assumption	19,789,963	350,235,574	0	0	0	370,025,537
New acquisitions	30,999,449	318,127,742	20,132,250	1,429,965	6,289,335	376,978,741
Transfer between asset classes	0	848,099	-848,099	0	0	0
Maturities	0	-174,374,085	-43,897,945	-321,560	-5,493,150	-224,086,740
Disposal	-10,111,414	-183,352,096	0	-248,492	0	-193,712,001
Change in fair value – in equity	3,059,550	20,219,750	0	0	0	23,279,300
Change in fair value – from equity to IS – disposals	-25,679	3,492,480	0	0	0	3,466,801
Change in fair value – from equity to IS – impairment	-989,979	-108,756	0	0	0	-1,098,735
Change in fair value through profit or loss	47,285	175,801	0	-1,062	0	222,023
Change in amortised cost, exchange differences	1,212	11,023,381	385,873	59,358	-624,041	10,845,783
Exchange differences, opening balance	-11,733	-607,798	-24,573	-1,509	0	-645,612
Balance as at 31 December 2020	**118,692,147**	**1,279,661,013**	**22,415,443**	**2,119,569**	**7,261,165**	**1,430,149,336**

Sava Insurance Group						
EUR	**Equity securities**	**Debt securities**	**Deposits**	**Loans**	**Deposits with cedants**	**Total**
Balance as at 1 January 2019	**53,117,537**	**916,280,813**	**27,836,827**	**2,583,779**	**6,275,310**	**1,006,094,267**
Additions – portfolio assumption	3,066,470	25,023,785	0	0	0	28,090,254
New acquisitions	30,498,373	226,092,286	66,428,546	532,766	6,718,935	330,270,907
Transfer between asset classes	0	0	640,162	0	0	640,162
Maturities	0	-192,616,796	-48,805,665	-1,969,334	0	-243,391,794
Disposal	-13,658,962	-63,751,446	0	0	-6,207,234	-83,617,642
Change in fair value – in equity	2,600,507	7,744,506	0	0	0	10,345,013
Change in fair value – from equity to IS – disposals	104,111	538,202	0	0	0	642,313
Change in fair value – from equity to IS – impairment	0	-607	0	0	0	-607
Change in fair value through profit or loss	208,094	963,825	6,626	-280	70,895	1,249,161
Change in amortised cost, exchange differences	96	13,843,141	564,129	56,097	231,115	14,694,578
Exchange differences, opening balance	-2,735	-136,787	-2,690	-161	0	-142,373
Balance as at 31 December 2019	**75,933,492**	**933,980,922**	**46,667,937**	**1,202,867**	**7,089,021**	**1,064,874,239**

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Sava Re						
EUR	**Equity securities**	**Debt securities**	**Deposits**	**Loans**	**Deposits with cedants**	**Total**
Balance as at 1 January 2020	**19,346,319**	**243,106,122**	**22,338,823**	**4,216,308**	**7,089,021**	**296,096,593**
New acquisitions	7,399,528	89,789,706	880,272	3,594,079	6,289,335	107,952,919
Transfer between asset classes	0	742,132	-742,132	0	0	0
Maturities	0	-47,561,037	-22,485,202	-2,967,467	-5,493,150	-78,506,856
Disposal	-419,660	-55,200,297	0	0	0	-55,619,957
Change in fair value – in equity	-487,598	1,502,737	0	0	0	1,015,139
Change in fair value – from equity to IS – disposals	-5,325	1,011,670	0	0	0	1,006,345
Change in fair value – from equity to IS – impairment	-320,600	-108,756	0	0	0	-429,356
Change in fair value through profit or loss	129,639	126,752	0	0	0	256,391
Change in amortised cost, exchange differences	1,274	-1,743,622	8,238	124,720	-624,041	-2,233,431
Balance as at 31 December 2020	**25,643,576**	**231,665,408**	**0**	**4,967,639**	**7,261,165**	**269,537,788**

Sava Re						
EUR	**Equity securities**	**Debt securities**	**Deposits**	**Loans**	**Deposits with cedants**	**Total**
Balance as at 1 January 2019	**13,656,893**	**218,909,958**	**2,331,604**	**3,090,072**	**6,275,310**	**244,263,838**
New acquisitions	7,189,154	97,867,477	20,000,000	4,177,900	6,718,935	135,953,466
Maturities	0	-81,130,003	-98,933	-3,156,119	0	-84,385,056
Disposal	-2,399,816	0	0	0	-6,207,234	-8,607,050
Change in fair value – in equity	839,234	2,272,054	0	0	0	3,111,288
Change in fair value – from equity to IS – disposals	-48,840	282,411	0	0	0	233,571
Change in fair value through profit or loss	109,694	256,208	6,626	0	70,895	443,423
Change in amortised cost, exchange differences	0	4,648,018	99,526	104,454	231,115	5,083,114
Balance as at 31 December 2019	**19,346,319**	**243,106,122**	**22,338,823**	**4,216,308**	**7,089,021**	**296,096,593**

No securities have been pledged as security by the Group companies.

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Loans of the parent granted to Group companies

EUR	31 December 2020	31 December 2019
Sava Neživotno Osiguranje (SRB)	499,979	1,305,132
Illyria (RKS)	1,560,232	1,560,939
Sava Životno Osiguranje (SRB)	1,351,526	771,461
Total	**3,411,737**	**3,637,532**

Fair values of financial investments are shown in note 29.

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8) Assets held for the benefit of policyholders who bear the investment risk

Sava Insurance Group					
EUR	Held-to-maturity	FVTPL	Available-for-sale	Loans and receivables	Total
		Non-derivative			
31 December 2020		Designated to this category			
Debt instruments	**5,195,090**	**1,121,374**	**71,523,636**	**4,009,072**	**81,849,172**
Deposits and CDs	0	0	0	4,009,072	4,009,072
Government bonds	976,595	0	41,699,713	0	42,676,308
Corporate bonds	4,218,494	1,121,374	29,823,923	0	35,163,791
Equity instruments	**0**	**325,416,550**	**3,959,090**	**0**	**329,375,640**
Mutual funds	0	325,416,550	3,959,090	0	329,375,640
Total	**5,195,090**	**326,537,924**	**75,482,726**	**4,009,072**	**411,224,812**

Sava Insurance Group					
EUR	Held-to-maturity	FVTPL	Available-for-sale	Loans and receivables	Total
		Non-derivative			
31 December 2019		Designated to this category			
Debt instruments	**6,444,636**	**1,823,699**	**71,068,660**	**4,000,954**	**83,337,949**
Deposits and CDs	0	0	0	4,000,954	4,000,954
Government bonds	1,904,811	0	38,796,630	0	40,701,441
Corporate bonds	4,539,825	1,823,699	32,272,030	0	38,635,554
Equity instruments	**0**	**126,437,769**	**3,384,170**	**0**	**129,821,939**
Mutual funds	0	126,437,769	3,384,170	0	129,821,939
Total	**6,444,636**	**128,261,469**	**74,452,830**	**4,000,954**	**213,159,889**

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Sava Insurance Group		
EUR	31 December 2020	31 December 2019
Held-to-maturity	5,195,090	6,444,636
At FVTPL – non-derivative – designated to this category	326,537,924	128,261,469
Available-for-sale	75,482,726	74,452,830
Loans and receivables	4,009,072	4,000,954
Total	**411,224,812**	**213,159,889**

Investments for the benefit of life-insurance policyholders who bear the investment risk are investments placed by the Group insurer in line with requests of life insurance policyholders.

Movement in financial investments

Sava Insurance Group				
EUR	Equity securities	Debt securities	Deposits	Total
Balance as at 1 January 2020	**129,435,048**	**79,723,887**	**4,000,954**	**213,159,889**
Additions – portfolio assumption	153,446,464	0	0	153,446,464
New acquisitions	46,832,747	4,917,318	0	51,750,065
Maturities	0	-8,053,814	0	-8,053,814
Disposal	-23,047,203	-57,429	0	-23,104,632
Change in fair value – in equity	75,420	919,103	0	994,524
Change in fair value – from equity to IS – disposals	-6,284	89,054	0	82,771
Change in fair value through profit or loss	22,390,399	4,451	0	22,394,851
Change in amortised cost, exchange differences	-82,789	640,681	8,118	566,010
Exchange differences	-4,999	-6,315	0	-11,314
Balance as at 31 December 2020	**329,038,804**	**78,176,937**	**4,009,072**	**411,224,813**

Sava Insurance Group				
EUR	Equity securities	Debt securities	Deposits	Total
Balance as at 1 January 2019	**136,558,189**	**68,260,316**	**0**	**204,818,505**
Additions – portfolio assumption	434,823	389,134	0	823,958
New acquisitions	18,499,662	29,742,392	4,000,000	52,242,054
Transfer between asset classes	-48,551,757	-19,858,255	0	-68,410,012
Change in fair value – in equity	22,369,715	33,115	0	22,402,830
Change in fair value through profit or loss	102,034	669,124	0	771,158
Change in amortised cost, exchange differences	22,631	488,061	954	511,646
Exchange differences	-250	0	0	-250
Balance as at 31 December 2019	**129.435.048**	**79.723.887**	**4.000.954**	**213.159.889**

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9) Reinsurers' share of technical provisions

	Sava Insurance Group		Sava Re	
EUR	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
From unearned premiums	9,582,146	10,705,397	6,646,131	8,289,730
From provisions for claims outstanding	33,002,650	27,915,142	25,288,985	22,869,578
From other technical provisions	24,421	0	0	0
Total	**42,609,217**	**38,620,539**	**31,935,116**	**31,159,308**

The reinsurers' and co-insurers' share of technical provisions at the Group level increased by 10.3%, or EUR 4.0 million (Sava Re: increase of EUR 0.8 million). As part of this, unearned premiums declined by EUR 1.1 million at the Group level (FoS business coverage in run-off that will not be renewed), whereas the EUR 5.0 million increase in claims provisions relates to larger surplus coverage of Group cedants, quota share reinsurance of FoS business and new Group companies.

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10) Investment contract assets and liabilities

Investment contract assets and liabilities relate to the subsidiary Sava Pokojninska. The Group had EUR 158.8 million (2019: EUR 151.2 million) of investment contract assets and EUR 158.6 million (2019: EUR 151.0 million) of investment contract liabilities. Its investment contracts include a group of life cycle funds called MOJI Skladi Življenjskega Cikla (MY life-cycle funds), relating to supplementary pension business of the company Sava Pokojninska in the accumulation phase. Further details on the risks associated with investment contract liabilities are provided in section *17.4.14 "Financial investments and assets held for the benefit of policyholders who bear the investment risk".*

Investment contract assets

Sava Insurance Group		
EUR	31 December 2020	31 December 2019
Financial investments	138,712,977	137,803,761
Investment property	506,000	506,000
Receivables	11,136	13,656
Cash and cash equivalents	19,534,916	12,873,685
Total	**158,765,028**	**151,197,102**

Sava Insurance Group					
EUR	Held to maturity	At FVTPL	Loans and receivables	Investment property	Total
		Non-derivative			
31 December 2020		Designated to this category			
Debt instruments	**54,695,756**	**63,302,795**	**0**	**0**	**117,998,551**
Bonds	54,695,756	63,302,795	0	0	117,998,551
Equity instruments	**0**	**20,714,425**	**0**	**0**	**20,714,425**
Total financial investments	**54,695,756**	**84,017,220**	**0**	**0**	**138,712,977**
Cash, cash equivalents and receivables	**0**	**0**	**19,546,052**	**0**	**19,546,052**
Investment property	**0**	**0**	**0**	**506,000**	**506,000**
Total investment contract assets	**54,695,756**	**84,017,220**	**19,546,052**	**506,000**	**158,765,028**

Sava Insurance Group					
EUR	Held to maturity	At FVTPL	Loans and receivables	Investment property	Total
		Non-derivative			
31 December 2019		Designated to this category			
Debt instruments	**54,622,670**	**61,588,756**	**0**	**0**	**116,211,426**
Bonds	54,622,670	61,588,756	0	0	116,211,426
Equity instruments	**0**	**21,592,335**	**0**	**0**	**21,592,335**
Total financial investments	**54,622,670**	**83,181,091**	**0**	**0**	**137,803,761**
Cash, cash equivalents and receivables	**0**	**0**	**12,887,341**	**0**	**12,887,341**
Investment property	**0**	**0**	**0**	**506,000**	**506,000**
Total investment contract assets	**54,622,670**	**83,181,091**	**12,887,341**	**506,000**	**151,197,102**

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Investment contract assets by level of the fair value hierarchy

Sava Insurance Group						
EUR	Carrying amount	Fair value				Difference between FV and CA
31 December 2020		Level 1	Level 2	Level 3	Total Fair value	
Investment contract assets measured at fair value	**84,017,220**	**73,633,554**	**7,815,976**	**2,567,690**	**84,017,220**	**0**
FVTPL	**84,017,220**	**73,633,554**	**7,815,976**	**2,567,690**	**84,017,220**	**0**
Designated to this category	84,017,220	73,633,554	7,815,976	2,567,690	84,017,220	0
Debt instruments	63,302,795	56,176,060	6,993,994	132,741	63,302,795	0
Equity instruments	20,714,425	17,457,494	821,982	2,434,949	20,714,425	0
Investment contract assets not measured at fair value	**54,695,756**	**57,337,912**	**9,032,515**	**0**	**66,370,427**	**11,674,671**
Held-to-maturity assets	**54,695,756**	**57,337,912**	**9,032,515**	**0**	**66,370,427**	**11,674,671**
Debt instruments	54,695,756	57,337,912	9,032,515	0	66,370,427	11,674,671
Total investment contract assets	**54,695,756**	**130,971,466**	**9,032,515**	**2,567,690**	**150,387,647**	**11,674,671**

Sava Insurance Group						
EUR	Carrying amount	Fair value				Difference between FV and CA
31 December 2019		Level 1	Level 2	Level 3	Total Fair value	
Investment contract assets measured at fair value	**83,181,091**	**78,497,562**	**4,576,390**	**107,139**	**83,181,091**	**0**
FVTPL	**83,181,091**	**78,497,562**	**4,576,390**	**107,139**	**83,181,091**	**0**
Designated to this category	83,181,091	78,497,562	4,576,390	107,139	83,181,091	0
Debt instruments	61,588,756	57,439,136	4,042,482	107,139	61,588,756	0
Equity instruments	21,592,335	21,058,426	533,909	0	21,592,335	0
Investment contract assets not measured at fair value	**67,510,011**	**63,787,535**	**13,428,334**	**0**	**77,215,870**	**9,705,859**
Held-to-maturity assets	**54,622,670**	**50,900,194**	**13,428,334**	**0**	**64,328,529**	**9,705,859**
Debt instruments	54,622,670	50,900,194	13,428,334	0	64,328,529	9,705,859
Cash, cash equivalents and receivables	**12,887,341**	**12,887,341**	**0**	**0**	**12,887,341**	**0**
Investment property	**506,000**	**506,000**	**0**	**0**	**506,000**	**0**
Total investment contract assets	**151,197,102**	**142,791,097**	**18,004,725**	**107,139**	**160,902,961**	**9,705,859**

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Investment contract liabilities

EUR	31 December 2020	31 December 2019
Net liabilities to pension policyholders	158,110,998	150,522,187
Other liabilities	613,999	630,647
TOTAL IN BALANCE SHEET – LONG-TERM BUSINESS FUNDS OF VOLUNTARY PENSION INSURANCE	**158,724,998**	**151,152,834**
Inter-company transactions between company and life insurance liability fund	-128,543	-112,191
TOTAL IN BALANCE SHEET	**158,596,453**	**151,040,643**

Movement in financial investments

EUR	Debt securities	Equity securities	Total
Balance as at 1 January 2020	**116,211,426**	**21,592,336**	**137,803,762**
New acquisitions	55,990,969	5,640,845	61,631,814
Maturities	-6,961,331	0	-6,961,331
Disposal	-46,118,938	-5,922,285	-52,041,224
Coupon payments	-2,615,517	0	-2,615,517
Accrued interest	2,695,448	0	2,695,448
Revaluation (through IS)	-1,107,605	-638,835	-1,746,440
Income/expenses upon sale	-17,885	173,971	156,086
Exchange differences	-78,015	-131,606	-209,620
Balance as at 31 December 2020	**117,998,552**	**20,714,425**	**138,712,977**

EUR	Debt securities	Equity securities	Total
Balance as at 1 January 2019	**100,260,466**	**16,791,679**	**117,052,145**
New acquisitions	64,711,225	6,905,837	71,617,062
Maturities	-7,026,073	0	-7,026,073
Disposal	-43,683,223	-5,389,280	-49,072,503
Coupon payments	-2,670,417	0	-2,670,417
Accrued interest	2,737,225	0	2,737,225
Revaluation (through IS)	1,804,970	3,284,525	5,089,495
Income/expenses upon sale	32,060	-5,264	26,796
Exchange differences	45,192	4,838	50,031
Balance as at 31 December 2019	**116,211,426**	**21,592,336**	**137,803,762**

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Movement in investments, and income and expenses relating to investment contract assets measured at fair value – level 3

Sava Insurance Group				
EUR	Debt instruments		Equity instruments	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Opening balance	107,139	903,365	0	0
Additions	132,267	106,731	2,500,000	0
Impairment	0	0	-65,051	0
Maturities	-106,665	-902,958	0	0
Closing balance	**132,741**	**107,139**	**2,434,949**	**0**
Income	2,869	7,042	33,516	0
Expenses	0	0	-67,177	0

The pension company eliminates inter-company transactions of the joint balance sheet; therefore, liabilities to pension policyholders exceed investment contract liabilities. Internal transactions between the group of My-Life-cycle long-term business funds and the pension company were eliminated in the balance sheet. These include entry charges and management fees for the current month, which may be recognised upon conversion or when credited to personal accounts.

Liabilities in the balance sheet of the long-term liability fund of the voluntary supplementary pension insurance are mostly long-term. These are liabilities relating to the voluntary supplementary pension life liability fund for premiums paid, guaranteed return and the return in excess of guaranteed return (provisions).

The table below shows income and expenses relating to investment contracts in 2020.

Net investment income for the financial period (EUR)	Investment contracts	Annuity contracts
Finance income	**3,795,889**	**51,605**
Dividend income	154,139	0
Interest income at effective interest rate	2,662,525	32,936
Gains on disposal of financial investments	296,345	6,630
Gain on change in fair value	596,602	0
Other finance income	86,278	12,039
Income from investment property	**49,268**	**0**
Rental income	49,268	0
Gain on change in fair value	0	0
Financial expenses	**-2,689,199**	**-6,111**
Losses on disposals	-146,118	-770
Loss on change in fair value	-2,333,463	-5,341
Other finance expenses	-209,618	0
Expenses relating to investment property	**-4,557**	**0**
Expenses arising from management and renting	-4,557	0
Expenses relating to management of life insurance business fund	**-1,670,408**	**0**
Asset management commission	-1,475,891	0
Expenses relating to custodian bank	-36,897	0
Audit-related expenses	-9,760	0
Brokerage expenses for purchase and sale of securities	-3,409	0
Other expenses charged against the life ins. liability fund under applicable rules	-144,450	0
Transfer of cash from supplementary pension scheme	**0**	**1,035,270**
Net claims incurred	**0**	**-322,427**
Change in mathematical provision	**0**	**-734,624**
Expenses factored in policies	**0**	**-23,713**
Net profit or loss attributable to policyholders	**-519,007**	**0**

Profit or loss realised from investment contract assets is fully recognised in investment contract liabilities.

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11) Receivables

The receivables of the Group and the Company decreased by EUR 5.5 million and EUR 10.3 million compared to year-end 2019, respectively.

There was a significant decline in the Group's reinsurance segment item receivables arising out of primary insurance business of EUR 8.3 million. The receivables relating to most other business segments increased, with the largest increase in the non-life segment, amounting to EUR 2.6 million, due to the increase in gross premiums written, which resulted in the overall increase in this item. In the ageing analysis, the largest decrease was in past due receivables up to 180 days arising out of primary insurance business.

Receivables arising out of reinsurance and co-insurance business decreased by EUR 0.7 million. Current tax assets decreased by EUR 2.5 million and mainly relate to Sava Re. Other receivables rose by EUR 2.3 million and mostly comprise recourse receivables.

Receivables of the parent company arising out of reinsurance contracts have not been specifically secured.

The receivables of the Group and the Company have been tested for impairment. For all receivables that have already fallen due, allowances have been recognised relating to individual classes of similar risks into which receivables are classified.

The Group tested material items of receivables individually.

If the Company recognises receivables from and liabilities to the same entity, receivables are subject to impairment even if older than one year.

Receivables by type

Sava Insurance Group

EUR	31 December 2020			31 December 2019		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	154,469,019	-21,560,418	132,908,601	160,675,555	-23,040,976	137,634,579
Receivables due from insurance intermediaries	2,608,578	-837,647	1,770,931	2,640,726	-964,939	1,675,787
Other receivables arising out of primary insurance business	762,484	-156,428	606,056	766,506	-122,516	643,990
Receivables arising out of primary insurance business	**157,840,081**	**-22,554,493**	**135,285,588**	**164,082,787**	**-24,128,431**	**139,954,356**
Receivables for shares in claims	5,344,797	-177,659	5,167,138	5,928,753	-177,662	5,751,091
Other receivables arising out of co-insurance and reinsurance business	887,438	0	887,438	983,473	0	983,473
Receivables arising out of reinsurance and co-insurance business	**6,232,235**	**-177,659**	**6,054,576**	**6,912,226**	**-177,662**	**6,734,564**
Current tax assets	**529,831**	**0**	**529,831**	**3,002,507**	**0**	**3,002,507**
Other short-term receivables arising out of insurance business	18,048,243	-15,289,228	2,759,015	20,113,224	-17,646,665	2,466,559
Receivables arising out of investments	2,877,916	-1,223,923	1,653,993	2,384,139	-1,226,600	1,157,539
Other receivables	8,770,856	-1,182,361	7,588,495	7,351,916	-1,253,524	6,098,392
Other receivables	**29,697,015**	**-17,695,512**	**12,001,503**	**29,849,279**	**-20,126,789**	**9,722,490**
Total	**194,299,162**	**-40,427,664**	**153,871,498**	**203,846,799**	**-44,432,882**	**159,413,917**

Sava Re

EUR	31 December 2020			31 December 2019		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	79,542,628	-598,410	78,944,217	89,290,919	-493,707	88,797,212
Other receivables arising out of primary insurance business	718,691	0	718,691	740,548	0	740,548
Receivables arising out of primary insurance business	**80,261,318**	**-598,410**	**79,662,908**	**90,031,467**	**-493,707**	**89,537,760**
Receivables for shares in claims	3,902,869	-175,669	3,727,200	3,608,596	-175,669	3,432,927
Other receivables arising out of co-insurance and reinsurance business	733,967	0	733,967	781,903	0	781,903
Receivables arising out of reinsurance and co-insurance business	**4,636,836**	**-175,669**	**4,461,167**	**4,390,499**	**-175,669**	**4,214,830**
Current tax assets	**325,472**	**0**	**325,472**	**2,802,044**	**0**	**2,802,044**
Receivables arising out of investments	36,942	-88	36,853	40,282	-88	40,194
Other receivables	2,596,359	-329,726	2,266,633	758,898	-329,726	429,172
Other receivables	**2,633,301**	**-329,815**	**2,303,486**	**799,180**	**-329,815**	**469,366**
Total	**87,856,927**	**-1,103,894**	**86,753,033**	**98,023,192**	**-999,191**	**97,024,000**

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Net receivables ageing analysis

Sava Insurance Group EUR 31 December 2020	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	98,216,113	23,982,952	4,374,660	6,334,876	132,908,601
Receivables due from insurance intermediaries	862,083	887,100	4,058	17,690	1,770,931
Other receivables arising out of primary insurance business	141,125	306,720	108,093	50,118	606,056
Receivables arising out of primary insurance business	**99,219,321**	**25,176,772**	**4,486,811**	**6,402,684**	**135,285,588**
Receivables for reinsurers' shares in claims	3,231,556	1,330,112	134,992	470,478	5,167,138
Other receivables arising out of co-insurance and reinsurance business	731,241	147,010	297	8,890	887,438
Receivables arising out of reinsurance and co-insurance business	**3,962,797**	**1,477,122**	**135,289**	**479,368**	**6,054,576**
Current tax assets	**529,831**	**0**	**0**	**0**	**529,831**
Other short-term receivables arising out of insurance business	963,217	734,708	372,579	688,511	2,759,015
Short-term receivables arising out of financing	1,630,216	1,664	2,639	19,474	1,653,993
Other short-term receivables	7,085,770	431,858	33,854	37,013	7,588,495
Other receivables	**9,679,203**	**1,168,230**	**409,072**	**744,998**	**12,001,503**
Total	**113,391,152**	**27,822,124**	**5,031,172**	**7,627,050**	**153,871,498**

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

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Sava Re EUR 31 December 2020	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	61,518,416	9,873,810	2,550,958	5,001,033	78,944,217
Other receivables arising out of primary insurance business	287,434	279,792	107,822	43,643	718,691
Receivables arising out of primary insurance business	**61,805,850**	**10,153,603**	**2,658,780**	**5,044,676**	**79,662,908**
Receivables for reinsurers' shares in claims	1,798,842	1,326,461	134,992	466,905	3,727,200
Other receivables arising out of co-insurance and reinsurance business	585,298	139,481	297	8,890	733,967
Receivables arising out of reinsurance and co-insurance business	**2,384,141**	**1,465,942**	**135,289**	**475,796**	**4,461,167**
Current tax assets	**325,472**	**0**	**0**	**0**	**325,472**
Short-term receivables arising out of financing	36,853	0	0	0	36,853
Other short-term receivables	2,266,633	0	0	0	2,266,633
Other receivables	**2,303,486**	**0**	**0**	**0**	**2,303,486**
Total	**66,818,949**	**11,619,545**	**2,794,068**	**5,520,471**	**86,753,033**

Sava Re EUR 31 December 2019	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	68,158,970	12,690,262	2,608,379	5,339,600	88,797,212
Other receivables arising out of primary insurance business	651,973	13,159	24,147	51,269	740,548
Receivables arising out of primary insurance business	**68,810,943**	**12,703,421**	**2,632,527**	**5,390,869**	**89,537,760**
Receivables for reinsurers' shares in claims	2,095,644	660,987	358,812	317,484	3,432,927
Other receivables arising out of co-insurance and reinsurance business	672,907	66,824	38,580	3,592	781,903
Receivables arising out of reinsurance and co-insurance business	**2,768,551**	**727,811**	**397,392**	**321,076**	**4,214,830**
Current tax assets	**2,802,044**	**0**	**0**	**0**	**2,802,044**
Short-term receivables arising out of financing	13,417	0	0	26,778	40,194
Other short-term receivables	429,020	152	0	0	429,172
Other receivables	**442,436**	**152**	**0**	**26,778**	**469,366**
Total	**74,823,975**	**13,431,384**	**3,029,919**	**5,738,723**	**97,024,000**

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Movements in allowance for receivables

Sava Insurance Group EUR 31 December 2020	31 December 2019	Additions	Collection	Write-offs	Additions – acquisition of subsidiary	Exchange differences	31 December 2020
Receivables due from policyholders	-23,040,976	-2,119,407	2,092,939	1,684,702	-221,713	44,037	-21,560,418
Receivables due from insurance intermediaries	-964,939	-12,589	138,891	0	0	990	-837,647
Other receivables arising out of primary insurance business	-122,516	-41,031	6,886	0	0	233	-156,428
Receivables arising out of primary insurance business	**-24,128,431**	**-2,173,027**	**2,238,716**	**1,684,702**	**-221,713**	**45,260**	**-22,554,493**
Receivables for shares in claims	-177,662	0	0	0	0	0	-177,662
Receivables arising out of reinsurance and co-insurance business	**-177,662**	**0**	**0**	**0**	**0**	**0**	**-177,662**
Other short-term receivables arising out of insurance business	-17,646,665	-585,382	664	2,933,105	0	9,050	-15,289,228
Receivables arising out of investments	-1,226,600	0	1,089	0	0	1,588	-1,223,923
Other short-term receivables	-1,253,524	-127,512	195,016	2,957	0	702	-1,182,361
Other receivables	**-20,126,789**	**-712,894**	**2,029,088**	**1,103,743**	**0**	**11,340**	**-17,695,512**
Total	**-44,432,882**	**-2,885,921**	**4,267,804**	**2,788,445**	**-221,713**	**56,600**	**-40,427,664**

Sava Insurance Group EUR 31 December 2019	31 December 2018	Additions	Collection	Write-offs	Exchange differences	31 December 2019
Receivables due from policyholders	-23,607,937	-1,579,062	347,426	1,827,980	-29,383	-23,040,976
Receivables due from insurance intermediaries	-1,071,991	-215,333	327,199	0	-4,814	-964,939
Other receivables arising out of primary insurance business	-129,877	-7,751	15,485	0	-373	-122,516
Receivables arising out of primary insurance business	**-24,809,805**	**-1,802,146**	**690,110**	**1,827,980**	**-34,570**	**-24,128,431**
Receivables for shares in claims	-176,979	0	0	0	-683	-177,662
Receivables arising out of reinsurance and co-insurance business	**-176,979**	**0**	**0**	**0**	**-683**	**-177,662**
Other short-term receivables arising out of insurance business	-18,906,262	-33,804	79,682	1,227,666	-13,947	-17,646,665
Receivables arising out of investments	-1,239,850	0	22,185	0	-8,935	-1,226,600
Other short-term receivables	-1,381,201	-149,449	179,077	101,628	-3,579	-1,253,524
Other receivables	**-21,527,313**	**-183,253**	**280,944**	**1,329,294**	**-26,461**	**-20,126,789**
Total	**-46,514,097**	**-1,985,399**	**971,054**	**3,157,274**	**-61,714**	**-44,432,882**

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The Group has examined any Covid-19-related impacts on receivables. Five Group companies recognised impairment losses on receivables in the total amount of EUR 408,279; one Group company wrote off EUR 105,788 receivables.

Sava Re EUR 31 December 2020	31 December 2019	Additions	Collection	Exchange differences	31 December 2020
Receivables due from policyholders	-493,707	-179,160	39,025	35,433	-598,410
Receivables arising out of primary insurance business	**-493,707**	**-179,160**	**39,025**	**35,433**	**-598,410**
Receivables for shares in claims	-175,669	0	0	0	-175,669
Receivables arising out of reinsurance and co-insurance business	**-175,669**	**0**	**0**	**0**	**-175,669**
Receivables arising out of investments	-88	0	0	0	-88
Other short-term receivables	-329,726	0	0	0	-329,726
Other receivables	**-329,814**	**0**	**0**	**0**	**-329,814**
Total	**-999,190**	**-179,160**	**39,025**	**35,433**	**-1,103,894**

Sava Re EUR 31 December 2019	31. 12. 2018	Transfer	Additions	Collection	Write-offs	Exchange differences	31 December 2019
Receivables due from policyholders	-396,032	0	-95,412	3,659	0	-5,922	-493,707
Receivables arising out of primary insurance business	**-396,032**	**0**	**-95,412**	**3,659**	**0**	**-5,922**	**-493,707**
Receivables for shares in claims	-175,004	-665	0	0	0	0	-175,669
Receivables arising out of reinsurance and co-insurance business	**-175,004**	**-665**	**0**	**0**	**0**	**0**	**-175,669**
Receivables arising out of investments	-88	0	0	0	0	0	-88
Other short-term receivables	-414,581	0	0	15,918	68,937	0	-329,726
Other receivables	**-414,669**	**0**	**0**	**15,918**	**68,937**	**0**	**-329,814**
Total	**-985,705**	**-665**	**-95,412**	**19,576**	**68,937**	**-5,922**	**-999,191**

12) Deferred acquisition costs

This item comprises commissions invoiced but relating to the next financial year, which are deferred using the straight-line method, and for Sava Re estimated future sliding scale commissions for intra-Group reinsurance. At the Group level, deferred acquisition costs increased by EUR 0.8 million (2019: EUR 3.7 million), which is in line with growth in the portfolio, whereas in Sava Re they decreased by EUR 0.7 million despite growth in business volume (2019: EUR 1.3 million), as the result of lower acquisition costs for business outside the Group (with predominantly non-proportional reinsurance business) and higher expected future commissions from Group business (on account of expected improved profitability of that business).

Deferred acquisition costs

	Sava Insurance Group		Sava Re	
EUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Short-term deferred acquisition costs	18,368,778	17,850,416	0	0
Short-term deferred reinsurance acquisition costs	5,909,225	5,650,105	5,837,477	6,554,598
Total	**24,278,003**	**23,500,521**	**5,837,477**	**6,554,598**

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13) Other assets

	Sava Insurance Group		Sava Re	
EUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Inventories	142,327	117,664	0	0
Other short-term deferred costs (expenses) and accrued revenue	4,098,087	2,723,852	487,239	441,253
Total	**4,240,414**	**2,841,516**	**487,239**	**441,253**

The other short-term deferred costs (expenses) and accrued revenue item mainly includes prepaid costs of insurance licences, and other prepayments.

14) Cash and cash equivalents

	Sava Insurance Group		Sava Re	
EUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Cash in hand	17,313	18,284	0	0
Cash in bank accounts	56,463,387	32,260,496	22,480,146	17,931,044
Call and overnight deposits, and deposits of up to 3 months	26,977,894	61,525,251	4,600,000	35,000,177
Total	**83,458,594**	**93,804,031**	**27,080,146**	**52,931,222**

Cash equivalents include demand deposits and deposits with an original maturity of up to three months. The decrease in cash compared to year-end 2019 is associated with the reclassification of these assets to other financial investments.

15) Non-current assets held for sale

The amount of non-current assets held for sale rose compared to the previous year to EUR 1,288,664 (2019: EUR 570,858) and relates to items of property, plant and equipment held for sale.

16) Share capital

As at 31 December 2020, the parent's share capital was divided into 17,219,662 shares (the same as at 31 December 2019). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company's control and profits (dividends). Each share carries one vote in general meeting and entitles the bearer to a proportionate share of the dividend distribution.

Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol.

As at year-end 2020, the Company's shareholders' register listed 4,238 shareholders (31 December 2019: 4,110 shareholders). The Company's shares are listed in the prime market of the Ljubljana Stock Exchange.

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17) Capital reserves

A contra account of capital reserves includes the difference between market and book value of acquired non-controlling interests. The balance of capital reserves remained unchanged in 2020.

Movement in capital reserves

	Sava Insurance Group		Sava Re	
EUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
As at 1 January	43,035,948	43,035,948	54,239,757	54,239,757
Balance as at 31 December	43,035,948	43,035,948	54,239,757	54,239,757

18) Profit reserves

	Sava Insurance Group			Sava Re		
EUR	31 December 2020	31 December 2019	Distributable/ non-distributable	31 December 2020	31 December 2019	Distributable/ non-distributable
Legal reserves and reserves provided for by the articles of association	11,950,493	11,863,211	non-distributable	14,986,525	14,986,525	non-distributable
Reserve for own shares	24,938,709	24,938,709	non-distributable	24,938,709	24,938,709	non-distributable
Catastrophe equalisation reserve	11,225,068	11,225,068	non-distributable	10,000,000	10,000,000	non-distributable
Other profit reserves	154,171,310	154,143,513	distributable	152,893,324	152,893,324	distributable
Total	**202,285,580**	**202,170,501**		**202,818,558**	**202,818,558**	

Reserves provided for by the articles of association are used:

- to cover the net loss that cannot be covered (in full) out of retained earnings and other profit reserves, or when these two sources of funds are insufficient to cover the net loss in full (an instrument of additional protection of tied-up capital);
- to increase the share capital from own funds;
- to regulate the dividend policy.

Under the law of certain markets where the Group is present, equalisation provisions and catastrophe equalisation provisions are treated as technical provisions. As these requirements are not IFRS-compliant, the Group carries these provisions within profit reserves. Additions are made to these provisions by establishing other reserves from net profit for the year (subject to resolution of the management and the supervisory boards), while a dismantling or release of the provision is taken to retained earnings.

In accordance with IFRSs, the catastrophe equalisation reserve is shown under profit reserves.

In line with regulations, the management board or the supervisory board may, when adopting the annual report, allocate a part of net profit to other profit reserves, but not more than half of the net profit for the period. In 2020, the Company incurred a tax loss; hence, other reserves will not change. Other reserves are distributable.

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19) Own shares

As at 31 December 2020, the Company held a total of 1,721,966 own shares (2019: 1,721,966) with ticker POSR (accounting for 10% less one share of the issued shares) for a value of EUR 24,938,709 (2019: EUR 24,938,709).

Own shares are a contra account of equity.

20) Fair value reserve

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

	Sava Insurance Group		Sava Re	
EUR	**2020**	**2019**	**2020**	**2019**
As at 1 January	**20,718,610**	**11,613,059**	**5,217,524**	**2,697,381**
Change in fair value	26,262,937	11,353,956	1,015,139	5,047,875
Transfer of the negative fair value reserve to the IS due to impairment	0	0	0	-1,794,321
Transfer from fair value reserve to the IS due to disposal	-2,246,927	-479,329	0	-142,264
Deferred tax	-4,561,530	-1,769,074	-192,875	-591,146
Total fair value reserve	**40,173,090**	**20,718,610**	**6,039,787**	**5,217,524**

The table shows the net change in the fair value reserve, which is an equity component.

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21) Net profit or loss and retained earnings

The net profit attributable to owners of the controlling company relating to the 2020 financial year totalled EUR 56.2 million (2019: EUR 50.0 million).

The Company ended the 2020 financial year with a loss of EUR 11.0 million (2019: profit of EUR 36.8 million). The total loss is charged to retained earnings.

The weighted number of shares takes into account the annual average calculated on the basis of monthly averages of ordinary shares less the number of own shares. The weighted average number of shares outstanding in the financial period was 15,497,696 and the same as in 2019. The parent does not have potentially dilutive capital instruments, which is why basic earnings per share equal diluted earnings per share.

Retained earnings as at 31 December 2020 decreased by EUR 11.0 million from 31 December 2019 (2019: increase of EUR 20.2 million), reflecting the covering of a loss.

In 2020, the Company did not pay any dividends in line with the recommendation of the Slovenian Insurance Supervision Agency due to potential negative impacts of the Covid-19 pandemic on operations. For more information, see section *3.2 "General information on the share".*

Earnings or loss per share

	Sava Insurance Group		Sava Re	
EUR	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Net profit or loss for the period	56,386,299	50,194,588	-10,990,617	38,581,713
Net profit or loss attributable to owners of the controlling company	56,222,528	49,977,170	0	0
Weighted average number of shares outstanding	15,497,696	15,497,696	15,497,696	15,497,696
Earnings or loss per share	**3.63**	**3.22**	**-0.71**	**2.49**

Comprehensive income per share

	Sava Insurance Group		Sava Re	
EUR	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Comprehensive income for the period	75,783,096	59,589,361	-10,143,143	41,082,461
Comprehensive income for the owners of the controlling company	75,619,856	59,370,524	0	0
Weighted average number of shares outstanding	15,497,696	15,497,696	15,497,696	15,497,696
Comprehensive income per share	**4.88**	**3.83**	**-0.65**	**2.65**

The distributable profit for 2020 totals EUR 23.8 million.

Statement of distributable profit or loss

Sava Re		
EUR	**2020**	**2019**
Net profit or loss for the period	-10,990,616.55	38,581,712.57
- profit or loss for the year under applicable standards	-10,990,616.55	38,581,712.57
Retained earnings or losses	34,705,806.06	14,517,789.06
Adjustment to retained earnings	91,514.46	0.00
Additions to other reserves as per resolution of the management and supervisory boards	0.00	18,393,695.57
Distributable profit to be allocated by the general meeting	**23,806,703.97**	**34,705,806.06**
- to shareholders	not yet published	0.00
- to be carried forward to the next year	0.00	34,705,806.06

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22) Non-controlling interests in equity

Non-controlling interests in equity

	Sava Insurance Group	
EUR	**31 December 2020**	**31 December 2019**
Sava Osiguruvanje (MKD)	397,985	358,287
Sava Station	-2,480	7,051
TBS Team 24	97,157	137,958
Total	**492,662**	**503,296**

23) Subordinated liabilities

In October 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039, ISIN code XS2063427574 and with an early recall option for 7 November 2029.

The total issue size is EUR 75 million. Until the early recall option of the bond, the annual interest rate is fixed at 3.75% and the coupon is payable annually. If the issuer does not exercise the early recall option, the annual interest rate after the date of the early recall will be 4.683% over the three-month Euribor, with coupons payable quarterly.

The bond is admitted to trading on the regulated market of the Luxembourg Stock Exchange. As at 31 December 2020, the market price of the bond was 100.353% and the market value EUR 75,680,846 (2019: price 98.462% and market value EUR 73,846,500). The book value of the bond as at 31 December 2020 was EUR 74,804,974 (31 December 2019: EUR 74,822,710).

The effective interest rate on the bond issued (calculated from the early recall option) is 3.86%.

Sava Re				
EUR	**31 December 2019**	**Additions**	**Reductions**	**31 December 2020**
Subordinated bond	74,822,710	3,287,915	-3,305,651	74,804,974

Additions relate to attributable interest; reductions relate to interest paid and change in price.

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24) Technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

Movement in gross technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

Sava Insurance Group

EUR	31 December 2019	Additions	Uses	Reversals	Additions – acquisition of subsidiary	Exchange differences	31 December 2020
Gross unearned premiums	207,895,397	228,743,609	-226,470,990	-19,574	868,238	-401,838	210,614,842
Technical provisions for life insurance business	211,877,103	30,265,232	-65,323,976	-2,156,330	290,984,317	-4,667	465,641,679
Gross provision for outstanding claims	502,914,277	264,219,014	-143,415,230	-76,875,217	7,970,605	-7,048,769	547,764,679
Gross provision for bonuses, rebates and cancellations	1,234,752	1,198,045	-1,131,377	-467	0	-157	1,300,796
Other gross technical provisions	10,031,180	7,031,490	-9,071,960	0	0	-651	7,990,058
Total	**933,952,710**	**531,457,390**	**-445,413,533**	**-79,051,588**	**299,823,160**	**-7,456,082**	**1,233,312,055**
Net technical provision for the benefit of life insurance policyholders who bear the investment risk	220,613,698	79,961,005	-44,375,985	-1,004,223	154,409,933	0	409,604,428

Sava Insurance Group

EUR	31 December 2018	Additions	Uses	Reversals	Additions – acquisition of subsidiary	Exchange differences	31 December 2019
Gross unearned premiums	184,101,835	173,802,370	-148,259,056	-6,282,409	4,512,575	20,082	207,895,397
Technical provisions for life insurance business	254,849,366	23,988,018	-71,185,265	-1,845,075	6,301,254	-231,195	211,877,103
Gross provision for outstanding claims	470,057,561	253,839,197	-131,366,000	-98,047,274	6,207,166	2,223,628	502,914,277
Gross provision for bonuses, rebates and cancellations	1,477,666	752,777	-998,068	-22,004	25,289	-907	1,234,752
Other gross technical provisions	10,005,059	8,787,080	-8,316,902	-511,208	63,633	3,518	10,031,180
Total	**920,491,487**	**461,169,442**	**-360,125,291**	**-106,707,970**	**17,109,917**	**2,015,125**	**933,952,709**
Net technical provision for the benefit of life insurance policyholders who bear the investment risk	210,032,637	48,053,729	-36,358,973	-2,438,001	1,382,119	-57,813	220,613,698

Sava Re

EUR	31 December 2019	Additions	Uses	Reversals	Exchange differences	31 December 2020
Gross unearned premiums	54,588,057	53,610,806	-49,931,323	0	-856,431	57,411,109
Gross provision for outstanding claims	205,064,638	132,985,632	-75,886,065	-15,900,555	-7,272,996	238,990,654
Gross provision for bonuses, rebates and cancellations	269,942	274,368	-269,941	0	0	274,369
Other gross technical provisions	1,415,954	1,206,740	-1,415,955	0	0	1,206,739
Total	**261,338,590**	**188,077,547**	**-127,503,285**	**-15,900,555**	**-8,129,427**	**297,882,871**

Sava Re

EUR	31 December 2018	Additions	Uses	Reversals	Exchange differences	31 December 2019
Gross unearned premiums	47,147,505	52,441,976	-45,165,532	0	164,108	54,588,057
Technical provisions for life insurance business	0	0	0	0	0	0
Gross provision for outstanding claims	185,988,628	113,204,274	-69,615,605	-26,299,392	1,786,733	205,064,638
Gross provision for bonuses, rebates and cancellations	398,673	269,941	-398,672	0	0	269,942
Other gross technical provisions	638,272	1,415,955	-638,273	0	0	1,415,954
Total	**234,173,078**	**167,332,147**	**-115,818,082**	**-26,299,392**	**1,950,841**	**261,338,591**

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The Group's gross technical provisions increased by 32.1%, or EUR 299.4 million, in 2020, largely because of the Group includes a new company.

- Unearned premiums grew by 1.3%, which stems from the movement in new non-life business written.
- Mathematical provisions increased by 119.8%, reflecting the acquisition of a company and growth in younger portfolios.
- Claims provisions grew by 8.9% and grew in all Group companies. The lion's share relates to large claims incurred in FoS business and accepted reinsurance business, including Covid-19-related claims in international markets. The composition of gross and net provisions for outstanding claims is shown in the following table.
- The provision for bonuses, rebates and cancellations is a small part of technical provisions; it grew in Slovenian non-life insurance.
- The provision for unexpired risks (shown under the other gross technical provisions item) decreased by 20.3%, reflecting an improvement in expected performance due to lower loss frequency in domestic markets as a result of the epidemic.

The provision for the benefit of life insurance policyholders who bear the investment risk increased by 85.7%, mainly due to the acquisition of a company, but also because of portfolio growth and increase in the value of assets, which exceeded payments for maturities and surrenders.

Sava Re's gross technical provisions increased by 14.0%, or EUR 36.5 million, year on year. Unearned premiums increased by EUR 2.2 million, mainly due to the increase in gross premiums written by non-Group cedants. The claims provision increased by 16.5%, or EUR 33.9 million: most of the increase relating to business of the Group's cedants (EUR 15.0 million) is attributable to FoS business, and the increase relating to non-Group cedants (EUR 18.9 million) is attributable to Covid-19-related claims and growth in business.

Composition of the provision for outstanding claims

	Sava Insurance Group		Sava Re	
EUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Net provision for claims incurred but no reported	**265,196,111**	**232,517,209**	**79,366,006**	**52,433,572**
Gross provision for outstanding claims	266,948,962	233,024,849	79,366,006	52,433,572
Reinsurers' share	-1,752,851	-507,640	0	0
Net provision for claims reported but not settled, triangles	**230,518,249**	**224,703,049**	**134,524,546**	**129,957,316**
Gross provision for outstanding claims	261,344,224	251,591,693	159,813,531	152,826,894
Reinsurers' share	-30,825,975	-26,888,644	-25,288,985	-22,869,578
Net provision for expected subrogation recoveries	**-2,634,158**	**-2,769,841**	**-188,884**	**-195,828**
Gross provision for outstanding claims	-2,634,158	-2,769,841	-188,884	-195,828
Reinsurers' share	0	0	0	0
Net provision for loss adjustment expenses	**17,828,862**	**20,144,855**	**0**	**0**
Gross provision for outstanding claims	17,828,862	20,144,855	0	0
Reinsurers' share	0	0	0	
Net provision for accepted co-insurance business	**3,852,965**	**403,863**	**0**	**0**
Gross provision for outstanding claims	4,276,789	922,721	0	0
Reinsurers' share	-423,824	-518,858	0	0
Total gross provision for outstanding claims	**547,764,679**	**502,914,277**	**238,990,653**	**205,064,638**
Total reinsurers' share	**-33,002,650**	**-27,915,142**	**-25,288,985**	**-22,869,578**
Net provision for outstanding claims	**514,762,029**	**474,999,135**	**213,701,669**	**182,195,060**

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Calculation of the gross provision for unexpired risks by class of insurance

EUR 31 December 2020	Primary insurance	Sava Re
Accident	141,140	0
Health	40,705	347
Land motor vehicles	1,029,638	0
Railway rolling stock	0	10,321
Aircraft hull	17,162	30,168
Ships hull	57,529	1,165,904
Goods in transit	6,631	0
Fire and natural forces	2,906,314	0
Other damage to property	269,832	0
Motor vehicle liability	1,816,894	0
Aircraft liability	29,319	0
Liability for ships	15,719	0
General liability	279,638	0
Miscellaneous financial loss	25,945	0
Assistance	146,850	0
Total	**6,783,317**	**1,206,740**

EUR 31 December 2019	Primary insurance	Sava Re
Accident	148,661	0
Health	82,839	0
Land motor vehicles	2,397,244	0
Railway rolling stock	0	13,804
Aircraft hull	19,016	20,239
Ships hull	14,035	1,331,781
Fire and natural forces	3,398,245	0
Other damage to property	582,588	0
Motor vehicle liability	1,590,912	0
Aircraft liability	29,512	0
General liability	69,951	0
Suretyship	0	50,130
Miscellaneous financial loss	21,196	0
Legal expenses	6,054	0
Assistance	254,970	0
Total	**8,615,222**	**1,415,955**

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25) Other provisions

Among other provisions, the Group mainly discloses provisions for long-term employee benefits, which were set at year-end 2020 at EUR 8.0 million at the Group level, of which EUR 0.4 million at Sava Re (2019: EUR 7.5 million at the Group level and EUR 0.5 million at Sava Re) as described in section *17.4.27 "Other provisions"*. The increase mainly relates to current service costs and the acquisition of a company; the decrease is attributable to payouts of benefits. In accordance with the method prescribed in IAS 19, we, therefore, give a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions recognised in equity.

Movement in the provision for severance pay upon retirement and jubilee benefits

	Sava Insurance Group			Sava Re		
EUR	Provision for severance pay upon retirement	Provision for jubilee benefits	Total	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 1 January 2020	**4,664,800**	**2,819,247**	**7,484,047**	**347,687**	**119,214**	**466,901**
Interest expense (IS)	-7,203	6,142	-1,061	-1,574	-521	-2,095
Current service cost (IS)	361,563	283,519	645,082	37,389	16,529	53,918
Past service cost (IS)	4,148	680	4,828			0
Payout of benefits (-)	-157,253	-188,971	-346,224	-50,314	-8,575	-58,889
Actuarial losses (IS)	-35,147	39,152	4,005		-10,280	-10,280
Actuarial losses (SFP)	70,861	0	70,861	-25,210		-25,210
Additions – acquisition of subsidiary	74,228	44,823	119,051			0
Exchange differences	-206	-169	-375			0
Balance as at 31 December 2020	**4,975,791**	**3,004,423**	**7,980,214**	**307,978**	**116,366**	**424,345**

	Sava Insurance Group			Sava Re		
EUR	Provision for severance pay upon retirement	Provision for jubilee benefits	Total	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 1 January 2019	**4,266,321**	**2,715,920**	**6,982,241**	**319,065**	**57,456**	**376,521**
Interest expense (IS)	39,464	24,491	63,955	-1,116	-397	-1,514
Current service cost (IS)	367,548	272,626	640,174	42,635	17,685	60,320
Past service cost (IS)	0	58,691	58,691	0	58,691	58,691
Payout of benefits (-)	-67,330	-239,449	-306,779	-32,293	-6,326	-38,618
Actuarial losses (IS)	12,479	-35,160	-22,681	0	-7,895	-7,895
Actuarial losses (SFP)	-96,521	0	-96,521	19,396	0	19,396
Additions – acquisition of subsidiary	141,972	21,869	163,841	0	0	0
Exchange differences	867	259	1,126	0	0	0
Balance as at 31 December 2019	**4,664,800**	**2,819,247**	**7,484,047**	**347,687**	**119,214**	**466,901**

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Below we provide a sensitivity analysis of the provision for severance pay upon retirement and the provision for jubilee benefits.

Sava Insurance Group	Provision for severance pay upon retirement		Provision for jubilee benefits	
Impact on the level of provisions (EUR)	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Decrease in discount rate of 1%	712,589	666,891	332,853	316,525
Increase in discount rate of 1%	-592,284	-554,503	-285,098	-271,099
Decrease in real income growth of 0.5%	-304,236	-282,802	-133,069	-126,952
Increase in real income growth of 0.5%	329,556	306,253	141,966	135,442
Decrease in staff turnover of 10%	182,354	156,785	85,893	79,408
Increase in staff turnover of 10 %	-171,957	-148,872	-82,054	-75,968
Decrease in mortality rate of 10%	36,340	34,490	13,121	12,502
Increase in mortality rate of 10%	-35,974	-34,142	-13,019	-12,403

Sava Re	Provision for severance pay upon retirement		Provision for jubilee benefits	
Impact on the level of provisions (EUR)	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Decrease in discount rate of 1%	44,900	47,867	10,453	10,938
Increase in discount rate of 1%	-37,507	-39,811	-9,120	-9,532
Decrease in real income growth of 0.5%	-20,098	-21,674	0	0
Increase in real income growth of 0.5%	21,845	23,613	0	0
Decrease in staff turnover of 10%	17,205	12,967	4,014	3,209
Increase in staff turnover of 10 %	-16,121	-12,351	-3,830	-3,093
Decrease in mortality rate of 10%	2,718	2,830	296	302
Increase in mortality rate of 10%	-2,687	-2,799	-294	-300

In addition to provisions for employees, the other provisions item includes other provisions of EUR 1.3 million (2019: EUR 1.2 million). The amount of EUR 863,752 relates to provisions recognised in the HUO guarantee fund for unidentified and uninsured vehicles and ships set aside by Zavarovalnica Sava, Croatian branch; EUR 225,593 relates to a dispute with employees and long-term tax provisions in Montenegro; EUR 104,169 are long-term provisions for benefits.

Sava Insurance Group						
EUR	31 December 2019	Additions	Uses and reversals	Additions – acquisition of subsidiary	Exchange differences	31 December 2020
Other provisions	1,221,422	208,715	-312,369	189,778	-25	1,307,521
Total	**1,221,422**	**208,715**	**-312,369**	**189,778**	**-25**	**1,307,521**

Sava Insurance Group						
EUR	31 December 2018	Additions	Uses and reversals	Additions – acquisition of subsidiary	Exchange differences	31 December 2019
Other provisions	748,006	633,812	-181,061	20,576	89	1,221,422
Total	**748,006**	**633,812**	**-181,061**	**20,576**	**89**	**1,221,422**

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26) Liabilities from operating activities

Liabilities from operating activities dropped by EUR 2.9 million compared to year-end 2019, mainly owing to lower other liabilities arising from primary insurance business of EUR 5.0 million. The Company saw a decline in liabilities from operating activities of EUR 5.7 million, mainly reflecting lower other liabilities from primary insurance business, down EUR 3.2 million, and liabilities for reinsurance premiums, down EUR 1.9 million.

The other liabilities due from co-insurance and reinsurance item comprises liabilities for reinsurance commission.

EUR	Sava Insurance Group		Sava Re	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Liabilities to policyholders	16,784,079	16,711,456	22,777,735	23,367,809
Liabilities to insurance intermediaries	6,013,927	5,141,808	0	0
Other liabilities from primary insurance business	23,471,827	28,503,734	17,788,155	21,006,128
Liabilities from primary insurance business	**46,269,833**	**50,356,998**	**40,565,890**	**44,373,937**
Liabilities for reinsurance premiums	6,741,079	9,138,599	4,823,544	6,712,665
Liabilities for shares in reinsurance claims	91,847	153,892	0	0
Other liabilities due from co-insurance and reinsurance	4,233	7,946	0	0
Liabilities from reinsurance and co-insurance business	**6,837,159**	**9,300,437**	**4,823,544**	**6,712,665**
Current income tax liabilities	**5,305,281**	**1,633,114**	**0**	**0**
Total	**58,412,273**	**61,290,549**	**45,389,434**	**51,086,602**

Sava Insurance Group			
EUR	Maturity		
2020	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	4,260,521	12,523,558	16,784,079
Liabilities to insurance intermediaries	3,278	6,010,649	6,013,927
Other liabilities from primary insurance business	1,484,459	21,987,368	23,471,827
Liabilities from primary insurance business	**5,748,258**	**40,521,575**	**46,269,833**
Liabilities for reinsurance and co-insurance premiums	7,875	6,733,204	6,741,079
Liabilities for shares in reinsurance claims	0	91,847	91,847
Other liabilities from reinsurance and co-insurance business	0	4,233	4,233
Liabilities from reinsurance and co-insurance business	**7,875**	**6,829,284**	**6,837,159**
Current income tax liabilities	**0**	**5,305,281**	**5,305,281**
Total	**5,756,133**	**52,656,140**	**58,412,273**

Sava Insurance Group			
EUR	Maturity		
2019	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	4,234,515	12,476,941	16,711,456
Liabilities to insurance intermediaries	3,087	5,138,721	5,141,808
Other liabilities from primary insurance business	5,009	28,498,725	28,503,734
Liabilities from primary insurance business	**8,096**	**50,348,902**	**50,356,998**
Liabilities for reinsurance and co-insurance premiums	2,497	9,136,102	9,138,599
Liabilities for shares in reinsurance claims	0	153,892	153,892
Other liabilities from reinsurance and co-insurance business	0	7,946	7,946
Liabilities from reinsurance and co-insurance business	**2,497**	**9,297,940**	**9,300,437**
Current income tax liabilities	**0**	**1,633,114**	**1,633,114**
Total	**10,593**	**61,279,956**	**61,290,549**

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The Group's current tax liabilities rose by EUR 3.7 million year on year. This is because during 2020, the advance payments of tax made by Group companies was lower than actually assessed corporate income tax for 2020.

In 2020, most of the Group's liabilities (EUR 52.7 million) were due within one year. Part of liabilities from operating activities of EUR 5.8 million had a maturity of one to five years and related to liabilities arising from primary insurance business.

Sava Re			
EUR		Maturity	
2020	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	4,260,521	18,517,214	22,777,735
Other liabilities from primary insurance business	1,481,811	16,306,344	17,788,155
Liabilities from primary insurance business	**5,742,332**	**34,823,558**	**40,565,890**
Liabilities for reinsurance and co-insurance premiums	5,375	4,818,169	4,823,544
Liabilities from reinsurance and co-insurance business	**5,375**	**4,818,169**	**4,823,544**
Total	**5,747,707**	**39,641,726**	**45,389,434**

Sava Re			
EUR		Maturity	
2019	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	4,234,515	19,133,294	23,367,809
Other liabilities from primary insurance business	1,587,792	19,418,336	21,006,128
Liabilities from primary insurance business	**5,822,307**	**38,551,630**	**44,373,937**
Liabilities for reinsurance and co-insurance premiums	18,248	6,694,417	6,712,665
Liabilities from reinsurance and co-insurance business	**18,248**	**6,694,417**	**6,712,665**
Total	**5,840,555**	**45,246,047**	**51,086,602**

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27) Lease liability

	Sava Insurance Group		Sava Re	
EUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Lease liability – maturity up to 1 year	2,377,129	2,613,830	44,726	71,583
Lease liability – maturity over 1 year	5,878,097	7,835,085	43,108	43,908
Total	**8,255,225**	**10,448,915**	**87,834**	**115,491**

Movement in short- and long-term lease liabilities

	Sava Insurance Group		Sava Re	
EUR	Short-term	Long-term	Short-term	Long-term
1 January 2020	**2,613,830**	**7,835,085**	**71,583**	**43,908**
New leases	0	326,915	0	38,669
Repayments	0	-2,689,079	0	-66,452
Interest attribution	0	168,474	0	126
Transfer to short-term liabilities	-236,702	236,702	-26,857	26,857
31 December 2020	**2,377,129**	**5,878,097**	**44,726**	**43,108**

The amounts recognised in the income statement related to leases are shown in the table below.

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Interest on lease liabilities	168,474	171,585	126	151
Costs associated with short-term leases	576,418	588,327	11,726	11,726
Costs associated with low value leases	-	1,660	-	-
Total	**744,891**	**761,572**	**11,852**	**11,877**

Cash flow from operating leases is shown in the table.

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Cash flow from leases	2,689,079	1,731,215	66,452	64,740

28) Other liabilities

Other liabilities by maturity

Sava Insurance Group			
EUR	Maturity		
2020	Over 1 year	Up to 1 year	Total
Other liabilities	691,931	17,191,769	17,883,700
Short-term provisions (deferred income and accrued expenses)	0	21,507,461	21,507,461
Total	**691,931**	**38,699,230**	**39,391,161**

Sava Insurance Group		
EUR	Maturity	
2019	Up to 1 year	Total
Other liabilities	17,488,174	17,488,174
Short-term provisions (deferred income and accrued expenses)	17,162,716	17,162,716
Total	**34,650,891**	**34,650,891**

Sava Re		
EUR	Maturity	
2020	Up to 1 year	Total
Other liabilities	1,508,811	1,508,811
Short-term provisions (deferred income and accrued expenses)	2,597,028	2,597,028
Total	**4,105,840**	**4,105,840**

Sava Re		
EUR	Maturity	
2019	Up to 1 year	Total
Other liabilities	1,679,658	1,679,658
Short-term provisions (deferred income and accrued expenses)	1,991,187	1,991,187
Total	**3,670,845**	**3,670,845**

Other liabilities and short-term provisions (deferred income and accrued expenses are unsecured).

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Other liabilities

	Sava Insurance Group		Sava Re	
EUR	**31 December 2020**	**31 December 2019**	**31 December 2020**	**31 December 2019**
Short-term liabilities due to employees	3,757,391	3,274,790	569,273	518,737
Diverse other short-term liabilities for insurance business	4,943,512	5,592,378	0	0
Short-term trade liabilities	4,781,012	4,942,406	473,800	767,187
Diverse other short-term liabilities	3,709,854	3,639,790	465,738	393,734
Other long-term liabilities	691,931	38,810	0	0
Total	**17,883,700**	**17,488,174**	**1,508,811**	**1,679,658**

Change in short-term provisions

Sava Insurance Group

EUR	31 December 2019	Additions	Uses	Reversals	Additions – acquisition of subsidiary	Exchange differences	31 December 2020
Short-term accrued expenses	6,071,510	10,773,652	-10,219,906	-111,714	1,469,340	-1,219	7,981,663
Other accrued costs (expenses) and deferred revenue	11,091,206	28,326,805	-25,908,872	-4,183	22,303	-1,461	13,525,798
Total	**17,162,716**	**39,100,457**	**-36,128,778**	**-115,897**	**1,491,643**	**-2,680**	**21,507,461**

Sava Insurance Group

EUR	31 December 2018	Additions	Uses	Reversals	Additions – acquisition of subsidiary	Exchange differences	31 December 2019
Short-term accrued expenses	6,877,041	14,155,346	-15,382,751	-5,505	427,715	-336	6,071,510
Deferred commissions	12,355,828	29,622,557	-31,106,432	-2,687	208,857	13,083	11,091,206
Total	**19,232,869**	**43,777,903**	**-46,489,183**	**-8,192**	**636,572**	**12,747**	**17,162,716**

Sava Re

EUR	31 December 2019	Additions	Uses	31 December 2020
Short-term accrued expenses	1,773,897	1,471,394	-925,700	2,319,591
Other accrued costs (expenses) and deferred revenue	217,290	60,148	0	277,438
Total	**1,991,186**	**1,531,542**	**-925,700**	**2,597,028**

Sava Re

EUR	31 December 2018	Additions	Uses	31 December 2019
Short-term accrued expenses	1,600,638	2,835,698	-2,662,440	1,773,897
Deferred commissions	186,793	217,290	-186,793	217,290
Total	**1,787,431**	**3,052,988**	**-2,849,233**	**1,991,186**

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29) Fair values of assets and liabilities

Determination of fair values

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on CBBT prices in an active market.	Debt securities measured based on CBBT prices in an inactive market. Debt securities measured at the BVAL price if the CBBT price is unavailable. Debt securities are measured using an internal model based on level 2 inputs.	Debt securities measured using an internal model that does not consider level 2 inputs. The internal model applies the expected present value method, where bond prices are calculated based on the expected bond yield.
Stock Exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market. Debt securities measured at the BVAL price when the stock exchange price is unavailable. Debt securities are measured using an internal model based on level 2 inputs.	Debt securities measured using an internal model that does not consider level 2 inputs.
Shares			
Stock Exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market. Shares without available stock exchange prices and that are measured using an internal model based on level 2 inputs.	Shares are measured using an internal model that does not consider level 2 inputs.
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
Alternative funds			
			The fair value is determined based on the valuation of individual projects, using methods for discounting future cash flows.
Deposits and loans			
- with maturity		Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model using level 2 inputs.	Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model not using level 2 inputs.

The Group measures the fair value of each financial instrument based on the methods shown in the above table, in line with its accounting policies.

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Financial assets by level of the fair value hierarchy

Sava Insurance Group EUR 31 December 2020	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total Fair value	
Investments measured at fair value	**1,354,673,733**	**1,024,515,549**	**284,697,323**	**45,460,863**	**1,354,673,733**	**0**
At FVTPL	***27,409,671***	***9,093,388***	***16,531,703***	***1,784,580***	***27,409,671***	***0***
Designated to this category	*27,409,671*	*9,093,388*	*16,531,703*	*1,784,580*	*27,409,671*	*0*
Debt instruments	24,406,439	6,870,329	15,763,093	1,773,017	24,406,439	0
Equity instruments	3,003,232	2,223,059	768,610	11,563	3,003,232	0
Available-for-sale	***1,327,264,062***	***1,015,422,161***	***268,165,620***	***43,676,283***	***1,327,264,062***	***0***
Debt instruments	1,211,575,148	958,904,416	252,670,734	0	1,211,575,148	0
Equity instruments	73,912,138	56,517,745	15,494,886	1,899,507	73,912,138	0
Investments in infrastructure funds	27,436,469	0	0	27,436,469	27,436,469	0
Investments in property funds	14,340,307	0	0	14,340,307	14,340,307	0
Investments for the benefit of policyholders who bear the investment risk	**402,020,651**	**399,954,555**	**2,066,096**	**0**	**402,020,651**	**0**
Investments not measured at fair value	**75,475,603**	**22,965,332**	**22,603,563**	**32,644,231**	**78,213,126**	**2,737,523**
Held-to-maturity assets	***43,679,425***	***22,965,332***	***22,603,563***	***848,053***	***46,416,948***	***2,737,523***
Debt instruments	43,679,425	22,965,332	22,603,563	848,053	46,416,948	2,737,523
Loans and deposits	***31,796,178***	***0***	***0***	***31,796,178***	***31,796,178***	***0***
Deposits	22,415,444	0	0	22,415,444	22,415,444	0
Loans granted	2,119,569	0	0	2,119,569	2,119,569	0
Deposits with cedants	7,261,165	0	0	7,261,165	7,261,165	0
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	**9,204,161**	**5,518,905**	**0**	**4,009,072**	**9,527,977**	**323,816**
Total investments	**1,430,149,336**	**1,047,480,881**	**307,300,886**	**78,105,094**	**1,432,886,859**	**2,737,523**
Total investments for the benefit of life policyholders who bear the investment risk	**411,224,812**	**405,473,460**	**2,066,096**	**4,009,072**	**411,548,628**	**323,816**

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

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Sava Re						
EUR	Carrying amount	Fair value				Difference between FV and CA
31 December 2020		Level 1	Level 2	Level 3	Total Fair value	
Investments measured at fair value	**254,492,387**	**198,639,178**	**39,581,208**	**16,272,001**	**254,492,387**	**0**
At FVTPL	***7,652,268***	***728,133***	***5,219,383***	***1,704,752***	***7,652,268***	***0***
Designated to this category	*7,652,268*	*728,133*	*5,219,383*	*1,704,752*	*7,652,268*	*0*
Debt instruments	7,001,226	728,133	4,568,341	1,704,752	7,001,226	0
Equity instruments	651,042	0	651,042	0	651,042	0
Available-for-sale	***246,840,118***	***197,911,045***	***34,361,825***	***14,567,248***	***246,840,119***	***0***
Debt instruments	221,847,584	194,694,521	27,153,063	0	221,847,584	0
Equity instruments	11,822,395	3,216,524	7,208,762	1,397,109	11,822,395	0
Investments in infrastructure funds	9,200,979	0	0	9,200,979	9,200,979	0
Investments in property funds	3,969,161	0	0	3,969,161	3,969,161	0
Investments not measured at fair value	**15,045,402**	**2,669,147**	**0**	**12,970,890**	**15,640,037**	**594,635**
Held-to-maturity assets	***2,816,598***	***2,669,147***	***0***	***742,086***	***3,411,233***	***594,635***
Debt instruments	2,816,598	2,669,147	0	742,086	3,411,233	594,635
Loans and deposits	***12,228,804***	***0***	***0***	***12,228,804***	***12,228,804***	***0***
Loans granted	4,967,639	0	0	4,967,639	4,967,639	0
Deposits with cedants	7,261,165	0	0	7,261,165	7,261,165	0
Total investments	**269,537,788**	**201,308,325**	**39,581,208**	**29,242,890**	**270,132,424**	**594,635**

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Sava Re						
EUR	Carrying amount	Fair value				Difference between FV and CA
31 December 2019		Level 1	Level 2	Level 3	Total Fair value	
Investments measured at fair value	**261,972,841**	**201,891,911**	**48,574,959**	**11,505,970**	**260,972,841**	**0**
At FVTPL	***6,702,761***	***0***	***5,106,578***	***1,596,183***	***6,702,761***	***0***
Designated to this category	6,702,761	0	5,106,578	1,596,183	6,702,761	0
Debt instruments	6,181,357	0	4,585,175	1,596,183	6,181,357	0
Equity instruments	521,404	0	521,404	0	521,404	0
Available-for-sale	***255,270,080***	***201,891,911***	***43,468,381***	***9,909,788***	***254,270,080***	***0***
Debt instruments	236,445,164	200,187,776	36,038,041	219,346	236,445,164	0
Equity instruments	10,873,608	1,704,135	7,430,340	1,739,134	10,873,608	0
Investments in infrastructure funds	6,951,308	0	0	6,951,308	6,951,308	0
Investments in property funds	1,000,000	0	0	1,000,000	1,000,000	0
Investments not measured at fair value	**34,123,753**	**2,728,792**	**0**	**32,047,969**	**34,776,761**	**653,008**
Held-to-maturity assets	***2,075,784***	***2,728,792***	***0***	***0***	***2,728,792***	***653,008***
Debt instruments	2,075,784	2,728,792	0	0	2,728,792	653,008
Loans and deposits	***32,047,969***	***0***	***0***	***32,047,969***	***32,047,969***	***0***
Deposits	20,742,640	0	0	20,742,640	20,742,640	0
Loans granted	4,216,308	0	0	4,216,308	4,216,308	0
Deposits with cedants	7,089,021	0	0	7,089,021	7,089,021	0
Total investments	**296,096,594**	**204,620,703**	**48,574,959**	**43,553,939**	**295,749,601**	**653,008**

The fair value of the investment property of the Company as at 31 December 2020 stood at EUR 8,990,602 (2019: EUR 8,942,292), that of the Group at EUR 17,426,655 (2019: EUR 17,652,935). The Company classifies investment property as level 3 assets.

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Movements in investments, income and expenses measured at fair value – level 3

Sava Insurance Group								
EUR	Debt instruments		Equity instruments		Investments in infrastructure funds		Investments in property funds	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Opening balance	**18,912,998**	**15,250,825**	**2,253,110**	**2,401,281**	**20,159,022**	**5,264,540**	**4,000,000**	**0**
Exchange differences	0	0	0	0	-123	0	0	0
Additions	83,008	3,949,569	0	11,578	8,405,844	17,513,526	10,506,818	4,001,949
Impairment	-108,756	0	-320,600	0	0	0	0	0
Disposals	0	-739,638	0	-163,700	-376,861	-2,164,017	0	0
Maturities	-95,000	-377,000	0	0	0	0	0	0
Revaluation to fair value	2,463	829,241	-21,440	3,951	-751,413	-455,028	-166,511	-1,949
Reclassification into other levels	-17,021,696	0	0	0	0	0	0	0
Reclassification into levels	0	0	0	0	0	0	0	0
Closing balance	**1,773,017**	**18,912,998**	**1,911,070**	**2,253,110**	**27,436,469**	**20,159,022**	**14,340,307**	**4,000,000**
Income	155,534	586,904	267,751	134,948	817,667	532,267	132,867	36,909
Expenses	108,756	0	320,600	0	0	39,190	0	0
Unrealised gains/losses	109,260	6,626	0	0	0	18,159	0	0

Sava Re								
EUR	Debt instruments		Equity instruments		Investments in infrastructure funds		Investments in property funds	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Opening balance	**1,815,529**	**1,677,436**	**1,739,134**	**1,735,183**	**6,951,308**	**1,860,608**	**1,000,000**	**0**
Exchange differences	1	0	0	0	-62	0	0	0
Additions	0	0	0	0	2,966,812	5,985,456	3,002,172	1,001,949
Impairment	-108,756	0	-320,600	0		0	0	0
Disposals	0	0	0	0	-221,963	-650,386	0	0
Maturities	0	0	0	0		0	0	0
Revaluation to fair value	-2,022	138,093	-21,425	3,951	-495,117	-244,371	-33,011	-1,949
Reclassification into other levels	0	0	0	0		0	0	0
Reclassification into levels	0	0	0	0		0	0	0
Closing balance	**1,704,752**	**1,815,529**	**1,397,109**	**1,739,134**	**9,200,979**	**6,951,308**	**3,969,161**	**1,000,000**
Income	155,534	0	85,951	0	252,754	0	34,925	0
Expenses	108,756	0	320,600	0		0		0
Unrealised gains/losses	109,260	0		0		0		0

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Reclassification of assets and financial liabilities between levels

Sava Insurance Group			
EUR 31 December 2020	Level 1	Level 2	Level 3
FVTPL	-175,644	175,644	0
Designated to this category	**-175,644**	**175,644**	**0**
Debt instruments	-175,644	175,644	0
Reclassification from level 1 into level 2	-175,644	175,644	0
Available-for-sale	7,904,365	12,116,442	-20,020,807
Debt instruments	7,904,365	12,116,442	-20,020,807
Reclassification from level 1 into level 2	-3044.603	3,044,603	0
Reclassification from level 2 into level 1	10,948,969	-10,948,969	0
Reclassification from level 3 into level 2	0	20,020,807	-20,020,807
Total	7,728,721	12,292,086	-20,020,807

Sava Insurance Group		
EUR 31 December 2019	Level 1	Level 2
FVTPL	120,273	-120,273
Designated to this category	**120,273**	**-120,273**
Debt instruments	120,273	-120,273
Reclassification from level 2 into level 1	120,273	-120,273
Available-for-sale	289,507,324	-289,507,324
Debt instruments	289,507,324	-289,507,324
Reclassification from level 2 into level 1	289,507,324	-289,507,324
Total	289,627,597	-289,627,597

** Owing to a change in the approach to reclassifications between levels, 2019 figures differ from those published in the 2019 annual report.*

Sava Re		
EUR 31 December 2020	Level 1	Level 2
Available-for-sale	3,297,985	-3,297,985
Debt instruments	3,297,985	-3,297,985
Reclassification from level 1 into level 2	-1,619,126	1,619,126
Reclassification from level 2 into level 1	4,917,111	-4,917,111
Total	3,297,985	-3,297,985

Sava Re		
EUR 31 December 2019	Level 1	Level 2
Available-for-sale	54,593,273	-54,593,273
Debt instruments	54,593,273	-54,593,273
Reclassification from level 2 into level 1	54,593,273	-54,593,273
Total	54,593,273	-54,593,273

** Owing to a change in the approach to reclassifications between levels, 2019 figures differ from those published in the 2019 annual report.*

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The Group primarily measures its OTC debt assets based on BID CBBT prices, which are 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. The classification of assets by level has not changed from 2019.

As at 31 December 2020, level 1 investments represented 74.6% (31 December 2019: 78.3%) of financial investments measured at fair value.

The valuation model applied used directly and indirectly observable market inputs, such as the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

In 2020, the proportion of OTC market assets measured using closing BID CBBT prices increased compared to year-end 2019. As at 31 December 2020, level 1 investments represented 77.8% (31 December 2019: 77.1%) of financial investments measured at fair value.

Quoted financial instruments that did not meet the active market criterion as at 31 December 2020 were valued based on an internal model. The valuation model applied used directly and indirectly observable market inputs, such as: the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

The Sava Insurance Group classifies as level-3 investments its investments in alternative funds, such as real-estate funds, infrastructure funds, private debt funds, private equity funds and similar. There are no market prices available for such investments; therefore, valuation based on available market data is not possible.

Alternative fund valuations are provided by fund managers in the form of fund unit values or as the value of invested assets, being the best approximation of fair value. Assets are valued based on material non-public information on assets invested in funds. The Sava Insurance Group has only limited access to input data as are available to fund managers; which is why the Group does not carry out own valuations nor is it possible for the Group to run sensitivity analyses.

In order to value fund assets, managers of such funds generally use methods that comply with International Private Equity and Venture Capital Valuation standards, such as discounting of cash flows and the multiples method.

Valuation methods for the above-mentioned items are described at the beginning of these notes under accounting policies. The method for investment property is described in section *17.4.12 "Investment property"*, for financial investments in subsidiaries and associates in section *17.4.13 "Financial investments in subsidiaries and associates"*, and for financial investments in section *17.4.14 "Financial investments and assets held for the benefit of policyholders who bear the investment risk"*.

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17.8 Notes to the financial statements – income statement

30) Net premiums earned

Net premiums earned

Sava Insurance Group EUR 2020	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Accident	33,235,012	3,045	-208,828	312,548	-3,078	33,338,699
Health	8,617,436	718	-598,212	-6,545	-5,491	8,007,906
Land motor vehicles	127,038,900	877	-2,080,745	-1,308,715	117,093	123,767,410
Railway rolling stock	211,320	0	-110	43,341	-289	254,262
Aircraft hull	536,945	0	-195,162	-14,722	3,307	330,368
Ships hull	6,452,906	7,171,215	-5,448,395	108,014	-266,814	8,016,926
Goods in transit	5,269,131	541,903	-318,420	533,648	45,436	6,071,698
Fire and natural forces	111,484,675	1,018,873	-18,070,229	-3,232,689	630,619	91,831,249
Other damage to property	54,423,785	421,815	-6,985,576	-3,969,365	425,496	44,316,155
Motor vehicle liability	133,985,568	0	-924,031	4,873,388	-2,416,471	135,518,454
Aircraft liability	337,312	0	-212,450	-40,641	23,042	107,263
Liability for ships	667,686	0	-16,818	-5,404	-7,554	637,910
General liability	30,749,015	317,302	-3,360,769	-2,130,937	215,175	25,789,786
Credit	1,342,728	0	-158,798	2,571,829	17,405	3,773,164
Suretyship	547,347	0	-84,926	4,488	1	466,910
Miscellaneous financial loss	3,990,337	77,636	-1,082,536	-163,935	68,777	2,890,279
Legal expenses	754,687	7,146	-626,791	10,201	-5,189	140,054
Assistance	16,732,851	0	-50,961	119,464	-3,544	16,797,810
Life insurance	57,734,030	0	-521,379	77,745	42,030	57,332,426
Unit-linked life	76,076,927	177	-105,764	1,576	-77	75,972,839
Total non-life	**536,377,641**	**9,560,530**	**-40,423,757**	**-2,296,032**	**-1,162,079**	**502,056,303**
Total life	**133,810,957**	**177**	**-627,143**	**79,321**	**41,953**	**133,305,265**
Total	**670,188,598**	**9,560,707**	**-41,050,900**	**-2,216,711**	**-1,120,126**	**635,361,568**

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Sava Insurance Group EUR 2019	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Accident	30,213,220	1,232	-50,678	-234,300	1,035	29,930,509
Health	7,075,656	3,994	-793,884	23,252	-21,111	6,287,907
Land motor vehicles	120,746,227	-114	-1,905,778	-5,807,680	173,986	113,206,641
Railway rolling stock	371,340	0	-579	-45,525	-207	325,029
Aircraft hull	396,185	0	-197,901	11,516	494	210,294
Ships hull	4,278,014	2,787,509	-2,329,709	-1,876,583	1,759,186	4,618,417
Goods in transit	3,953,798	621,896	-311,775	8,357	48,975	4,321,251
Fire and natural forces	99,339,337	832,288	-15,789,901	-1,871,546	244,336	82,754,514
Other damage to property	46,340,198	350,142	-5,600,725	-1,037,842	57,669	40,109,442
Motor vehicle liability	137,475,671	-3,770	-4,441,145	-8,637,436	2,693,069	127,086,389
Aircraft liability	261,775	0	-214,625	2,790	1,085	51,025
Liability for ships	487,444	0	-29,154	52,726	8,183	519,199
General liability	25,563,216	381,652	-2,425,223	-1,353,408	-39,261	22,126,976
Credit	965,188	0	0	2,581,041	0	3,546,229
Suretyship	341,304	0	-6,348	77,631	-461	412,126
Miscellaneous financial loss	6,464,519	42,809	-918,110	-136,348	17,151	5,470,021
Legal expenses	1,046,530	7,304	-604,438	3,007	3,343	455,746
Assistance	17,889,796	-22	-80,030	-1,104,822	-30,684	16,674,238
Life insurance	45,167,139	-425	-306,759	72,176	10,328	44,942,459
Unit-linked life	45,124,901	204	-139,845	6,412	-49	44,991,623
Total non-life	**503,209,418**	**5,024,920**	**-35,700,003**	**-19,345,170**	**4,916,788**	**458,105,953**
Total life	**90,292,040**	**-221**	**-446,604**	**78,588**	**10,279**	**89,934,082**
Total	**593,501,458**	**5,024,699**	**-36,146,607**	**-19,266,582**	**4,927,067**	**548,040,035**

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Sava Re EUR 2020	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Accident	5,764,658	-38,265	822	-3,353	5,723,863
Health	315,856	0	-1,146	0	314,710
Land motor vehicles	20,525,041	-776,487	-389,632	14,627	19,373,548
Railway rolling stock	194,000	-110	27,863	-289	221,464
Aircraft hull	178,814	-2,204	1,612	-70	178,152
Ships hull	12,315,957	-5,447,360	103,423	-266,814	6,705,206
Goods in transit	4,376,069	-219,588	294,349	11,976	4,462,806
Fire and natural forces	86,764,814	-15,340,679	-2,463,888	558,845	69,519,092
Other damage to property	26,684,911	-4,387,780	-1,841,367	216,061	20,671,825
Motor vehicle liability	16,202,151	-311,694	2,878,291	-2,422,642	16,346,107
Aircraft liability	205,625	-97,076	-40,612	24,292	92,229
Liability for ships	465,542	-16,818	126	-7,554	441,295
General liability	13,671,456	-2,100,952	-1,547,374	154,462	10,177,591
Credit	555,574	0	318,772	0	874,345
Suretyship	303,322	0	6,013	0	309,335
Miscellaneous financial loss	2,246,894	-730,340	-150,546	34,497	1,400,506
Legal expenses	8,591	0	75	0	8,666
Assistance	14,654	0	-1,146	0	13,508
Life insurance	788,501	-298,219	-17,683	42,378	514,976
Unit-linked life	100,823	-50,236	-1,002	-17	49,568
Total non-life	**190,793,930**	**-29,469,353**	**-2,804,367**	**-1,685,961**	**156,834,250**
Total life	**889,323**	**-348,456**	**-18,685**	**42,362**	**564,544**
Total	**191,683,253**	**-29,817,808**	**-2,823,052**	**-1,643,599**	**157,398,793**

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Sava Re EUR 2019	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Accident	5,178,615	-36,585	62,185	1,289	5,205,504
Health	18,977	0	406	0	19,382
Land motor vehicles	19,087,569	-830,008	-508,909	1,318	17,749,970
Railway rolling stock	298,463	-579	-28,799	-207	268,878
Aircraft hull	97,822	-4,252	13,951	-45	107,476
Ships hull	6,402,080	-2,326,847	-1,576,699	1,759,186	4,257,720
Goods in transit	2,871,595	-193,583	13,483	7,667	2,699,163
Fire and natural forces	73,870,193	-13,327,174	-1,299,862	196,906	59,440,062
Other damage to property	22,684,648	-3,636,257	-144,611	675	18,904,455
Motor vehicle liability	20,330,396	-3,880,640	-3,975,770	2,758,082	15,232,068
Aircraft liability	79,849	-49,115	2,513	727	33,973
Liability for ships	289,633	-29,154	42,326	8,183	310,988
General liability	9,397,608	-1,061,772	-426,863	-37,050	7,871,923
Credit	279,808	0	471,030	0	750,838
Suretyship	184,661	0	-22,299	0	162,362
Miscellaneous financial loss	4,564,999	-633,623	-44,158	12,139	3,899,357
Legal expenses	9,270	0	-1,084	0	8,187
Assistance	10,617	0	0	0	10,617
Life insurance	738,367	-278,287	-16,687	10,354	453,746
Unit-linked life	133,761	-73,431	-706	17	59,642
Total non-life	**165,656,803**	**-26,009,590**	**-7,423,159**	**4,708,871**	**136,932,925**
Total life	**872,128**	**-351,718**	**-17,392**	**10,371**	**513,388**
Total	**166,528,931**	**-26,361,308**	**-7,440,552**	**4,719,241**	**137,446,312**

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31) Income and expenses relating to investments in subsidiaries and associates

In 2020, the Group generated income from dividends and profit distributions of associates of EUR 142,088 (2019: EUR 2.7 million – remeasurement of Zavarovalnica Sava's interest in Sava Infond). In 2020, it recognised impairment losses on goodwill in the amount of EUR 2.1 million (2019: EUR 0.0 million).

32) Investment income and expenses

Investment income by IFRS categories

EUR	Sava Insurance Group		Sava Re	
	2020	2019	2020	2019
Investment income	31,835,154	24,620,399	10,300,165	11,046,677
- of which exchange gains	5,385,951	5,686,491	4,236,143	5,383,830
- netting of exchange differences	-5,385,951	-4,346,422	-4,236,143	-3,970,869
Investment income after netting	**26,449,203**	**20,273,977**	**6,064,021**	**7,075,808**
Investment expenses	18,508,232	6,054,086	13,037,946	4,863,066
- of which exchange losses	10,180,156	4,346,422	8,867,873	3,970,869
- netting of exchange differences	-5,385,951	-4,346,422	-4,236,143	-3,970,869
Investment expenses after netting	**13,122,281**	**1,707,664**	**8,801,803**	**892,197**

Interest income at effective interest rate	Sava Insurance Group	
	2020	2019
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	58,378,999	32,947,853
- netting of unrealised gains and losses	-35,335,474	-9,669,269
Net unrealised gains on investments of life insurance policyholders who bear the investment risk after netting	**23,043,525**	**23,278,584**
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	35,335,474	9,669,269
- netting of unrealised gains and losses	-35,335,474	-9,669,269
Net unrealised losses on investments of life insurance policyholders who bear the investment risk after netting	**0**	**0**

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2020 EUR	Interest income at effective interest rate	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised gains on investments of life insurance policyholders who bear the investment risk	Income from associate companies
Held to maturity	**1,369,840**	**0**	**36,453**	**0**	**41,480**	**180,226**	**1,627,999**	**176,520**	**0**
Debt instruments	1,369,840	0	36,453	0	41,480	180,226	1,627,999	176,520	0
At FVTPL	**873,196**	**2,538,803**	**0**	**35,467**	**23,765**	**53,196**	**3,524,427**	**57,670,330**	**0**
Designated to this category	873,196	2,538,803	0	35,467	23,765	53,196	3,524,427	57,670,330	0
Debt instruments	873,196	2,203,809	0	0	23,765	44	3,100,814	203,512	0
Equity instruments	0	334,994	0	35,467	0	14,117	384,578	57,466,818	0
Other investments	0	0	0	0	0	39,035	39,035	0	0
Available-for-sale	**13,413,096**	**0**	**4,870,520**	**1,138,121**	**5,277,105**	**1,443,652**	**26,142,494**	**524,027**	**142,088**
Debt instruments	13,413,096	0	3,479,098	0	5,275,770	21,074	22,189,038	501,151	0
Equity instruments	0	0	1,391,422	1,138,121	1,335	408,606	2,939,484	22,876	142,088
Investments in infrastructure funds	0	0	0	0	0	881,105	881,105	0	0
Investments in property funds	0	0	0	0	0	132,867	132,867	0	0
Loans and receivables	**471,680**	**0**	**0**	**0**	**43,601**	**1,327**	**516,608**	**8,122**	**0**
Debt instruments	455,183	0	0	0	9,836	1,327	466,346	8,122	0
Other investments	16,497	0	0	0	33,765	0	50,262	0	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**23,626**	**0**	**0**	**0**	**0**	**0**	**23,626**	**0**	**0**
Total	**16,151,438**	**2,538,803**	**4,906,973**	**1,173,588**	**5,385,951**	**1,678,401**	**31,835,154**	**58,378,999**	**142,088**

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2019 EUR	Interest income at effective interest rate	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	Income from associate companies
Held to maturity	**2,238,414**	**0**	**43,327**	**0**	**16,761**	**0**	**2,298,502**	**221,012**	**0**
Debt instruments	2,238,414	0	43,327	0	16,761	0	2,298,502	221,012	0
At FVTPL	**565,746**	**1,718,802**	**0**	**29,380**	**2,691**	**47,091**	**2,363,710**	**32,291,296**	**0**
Designated to this category	565,746	1,718,802	0	29,380	2,691	47,091	2,363,710	32,291,296	0
Debt instruments	565,746	1,505,993	0	0	2,595	0	2,074,334	107,740	0
Equity instruments	0	212,809	0	29,380	96	42,897	285,182	32,105,217	0
Other investments	0	0	0	0	0	4,194	4,194	78,339	0
Available-for-sale	**10,596,823**	**0**	**743,230**	**1,593,653**	**5,599,509**	**669,039**	**19,202,254**	**434,478**	**2,717,909**
Debt instruments	10,596,823	0	675,302	0	5,599,509	669,039	17,540,673	426,125	0
Equity instruments	0	0	67,661	1,024,477	0	0	1,092,138	8,353	2,717,909
Investments in infrastructure funds	0	0	267	532,267	0	0	532,534	0	0
Investments in property funds	0	0	0	36,909	0	0	36,909	0	0
Loans and receivables	**592,330**	**0**	**0**	**0**	**67,530**	**72,962**	**732,822**	**1,067**	**0**
Debt instruments	579,891	0	0	0	62,670	72,962	715,523	1,067	0
Other investments	12,439	0	0	0	4,860	0	17,299	0	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**23,111**	**0**	**0**	**0**	**0**	**0**	**23,111**	**0**	**0**
Total	**14,016,424**	**1,718,802**	**786,557**	**1,623,033**	**5,686,491**	**789,092**	**24,620,399**	**32,947,853**	**2,717,909**

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Sava Re

2020 EUR	Interest income at effective interest rate	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Income from associate companies
Held to maturity	**101,228**	**0**	**0**	**0**	**0**	**0**	**101,228**	**0**
Debt instruments	101,228	0	0	0		0	101,228	0
At FVTPL	**343,308**	**1,029,035**	**0**	**30,273**	**0**	**0**	**1,402,616**	**0**
Designated to this category	343,308	1,029,035	0	30,273	0	0	1,402,616	0
Debt instruments	343,308	749,814	0	0	0	0	1,093,122	0
Equity instruments	0	279,222	0	30,273	0	0	309,494	0
Available-for-sale	**2,444,846**	**0**	**1,053,834**	**203,309**	**4,236,143**	**700,563**	**8,638,695**	**2,589,986**
Debt instruments	2,444,846	0	1,055,169	0	4,234,808	2,028	7,736,851	0
Equity instruments	0	0	-1,335	203,309	1,335	387,995	591,304	2,589,986
Investments in infrastructure funds	0	0			0	275,615	275,615	0
Investments in property funds	0	0			0	34,925	34,925	0
Loans and receivables	**134,000**	**0**	**0**	**0**	**0**	**0**	**134,000**	**0**
Debt instruments	132,959	0	0	0	0	0	132,959	0
Other investments	1,042	0	0	0		0	1,042	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**23,626**	**0**	**0**	**0**	**0**	**0**	**23,626**	**0**
Total	**3,047,007**	**1,029,035**	**1,053,834**	**233,582**	**4,236,143**	**700,563**	**10,300,165**	**2,589,986**

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2019 EUR	Interest income at effective interest rate	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Income from subsidiaries
Held to maturity	**102,859**	**0**	**0**	**0**	**0**	**0**	**102,859**	**0**
Debt instruments	102,859	0	0	0		0	102,859	0
At FVTPL	**174,080**	**628,375**	**0**	**22,794**	**0**	**0**	**825,249**	**0**
Designated to this category	174,080	628,375	0	22,794	0	0	825,249	0
Debt instruments	174,080	497,757	0	0	0	0	671,838	0
Equity instruments	0	130,618	0	22,794	0	0	153,412	0
Available-for-sale	**3,015,097**	**0**	**294,180**	**806,739**	**5,383,830**	**447,375**	**9,947,222**	**36,947,895**
Debt instruments	3,015,097	0	289,915	0	5,383,830	447,375	9,136,217	0
Equity instruments	0	0	3,998	626,282	0	0	630,279	36,947,895
Investments in infrastructure funds	0	0	267	171,230	0	0	171,498	0
Investments in property funds	0	0	0	9,227	0	0	9,227	0
Loans and receivables	**148,235**	**0**	**0**	**0**	**1**	**0**	**148,236**	**0**
Debt instruments	141,041	0	0	0	0	0	141,041	0
Other investments	7,195	0	0	0	1	0	7,195	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**23,111**	**0**	**0**	**0**	**0**	**0**	**23,111**	**0**
Total	**3,463,383**	**628,375**	**294,180**	**829,533**	**5,383,830**	**447,375**	**11,046,677**	**36,947,895**

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Investment expenses by IFRS categories

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2020 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised losses on investments of life insurance policyholders who bear the investment risk	Expenses relating to associates and impairment losses on goodwill
Held to maturity	**0**	**0**	**0**	**0**	**27,487**	**170,539**	**198,026**	**0**	**0**
Debt instruments	0	0	0	0	27,487	170,539	198,026	0	0
At FVTPL	**0**	**2,300,187**	**0**	**0**	**18,061**	**70,708**	**2,388,956**	**35,323,367**	**0**
Designated to this category	0	2,300,187	0	0	18,061	70,708	2,388,956	35,323,367	0
Debt instruments	0	1,998,307	0	0	18,061	64,809	2,081,177	147,014	0
Equity instruments	0	301,880	0	0	0	0	301,880	35,176,353	0
Other investments	0	0	0	0	0	5,899	5,899	0	0
Available-for-sale	**0**	**0**	**1,439,986**	**1,099,795**	**10,029,918**	**88,807**	**12,658,506**	**2,603**	**2,096,868**
Debt instruments	0	0	22,861	108,756	10,029,794	30,079	10,191,490	0	0
Equity instruments	0	0	1,417,286	991,039	0	58,243	2,466,568	2,603	2,096,868
Investments in infrastructure funds	0	0	-161	0	124	485	448	0	0
Loans and receivables	**281,060**	**0**	**0**	**0**	**104,690**	**5,457**	**391,338**	**9,504**	**0**
Debt instruments	76,107	0	0	0	11,039	5,457	92,603	9,504	0
Other investments	204,953	0	0	0	93,651	0	298,604	0	0
Subordinated liabilities	2,871,406	0	0	0	0	0	2,871,406	0	0
Total	**3,152,597**	**2,300,187**	**1,439,986**	**1,099,795**	**10,180,156**	**335,511**	**18,508,232**	**35,335,474**	**2,096,868**

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2019 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Exchange losses	Other	Total	Net unrealised losses on investments of life insurance policyholders who bear the investment risk	Expenses relating to associates and impairment losses on goodwill
Held to maturity	**0**	**0**	**0**	**16,637**	**0**	**16,637**	**0**	**0**
Debt instruments	0	0	0	16,637	0	16,637		
At FVTPL	**0**	**626,040**	**0**	**14,200**	**55,523**	**767,647**	**9,667,146**	**0**
Designated to this category	0	626,040	0	14,200	55,523	767,647	9,667,146	0
Debt instruments	0	605,428	0	14,200	46,302	665,930	23,049	0
Equity instruments	0	20,612	0	0	9,221	29,833	9,643,564	0
Other investments	0	0	0	0	71,884	71,884	533	0
Available-for-sale	**0**	**0**	**242,946**	**4,227,370**	**16,386**	**4,486,702**	**2,123**	**54,721**
Debt instruments	0	0	8,827	4,227,370	5,423	4,241,620	2,123	0
Equity instruments	0	0	177,038	0	0	177,038	0	54,721
Other investments	0	0	0	0	10,963	10,963	0	0
Investments in infrastructure funds	0	0	57,081	0	0	57,081	0	0
Loans and receivables	**187,287**	**0**	**0**	**88,215**	**12,868**	**288,370**	**0**	**0**
Debt instruments	0	0	0	77,336	12,868	90,204	0	0
Other investments	187,287	0	0	10,879	0	198,166	0	0
Subordinated liabilities	**494,730**	**0**	**0**	**0**	**0**	**494,730**	**0**	**0**
Total	**682,017**	**626,040**	**242,946**	**4,346,422**	**84,777**	**6,054,086**	**9,669,269**	**54,721**

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Sava Re

2020 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Expenses relating to associates and impairment losses on goodwill
At FVTPL	**0**	**772,645**	**0**	**0**	**0**	**40,444**	**813,089**	**0**
Designated to this category	0	772,645	0	0	0	40,444	813,089	0
Debt instruments	0	623,062	0	0	0	40,444	663,506	0
Equity instruments	0	149,583	0	0	0	0	149,583	0
Available-for-sale	**0**	**0**	**7,044**	**429,356**	**8,867,873**	**24,645**	**9,328,919**	**2,570,083**
Debt instruments	0	0	3,054	108,756	8,867,812	24,160	9,003,782	0
Equity instruments	0	0	4,068	320,600	0	0	324,668	2,570,083
Investments in infrastructure funds	0	0	-78		62	485	468	0
Loans and receivables	**24,532**	**0**	**0**	**0**	**0**	**0**	**24,532**	**0**
Debt instruments	24,407	0	0	0	0	0	24,407	0
Other investments	126	0	0	0	0	0	126	0
Subordinated liabilities	2,871,406	0	0	0	0	0	2,871,406	0
Total	**2,895,938**	**772,645**	**7,044**	**429,356**	**8,867,873**	**65,089**	**13,037,946**	**2,570,083**

Sava Re

2019 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Exchange losses	Other	Total
At FVTPL	**0**	**254,868**	**0**	**0**	**0**	**254,868**
Designated to this category	0	254,868	0	0	0	254,868
Debt instruments	0	234,923	0	0	0	234,923
Equity instruments	0	19,944	0	0	0	19,944
Available-for-sale	**0**	**0**	**140,187**	**3,970,847**	**0**	**4,111,034**
Debt instruments	0	0	7,504	3,970,847	0	3,978,351
Equity instruments	0	0	114,792	0	0	114,792
Investments in infrastructure funds	0	0	17,891	0	0	17,891
Loans and receivables	**426**	**0**	**0**	**22**	**1,985**	**2,433**
Debt instruments	0	0	0	0	1,985	1,985
Other investments	426	0	0	22	0	448
Subordinated liabilities	494,730	0	0	0	0	494,730
Total	**495,157**	**254,868**	**140,187**	**3,970,869**	**1,985**	**4,863,066**

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Net investment income

Sava Insurance Group

2020 EUR	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/ expenses	Total	Net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk	Income/expenses relating to associates and impairment losses on goodwill
Held to maturity	**1,369,840**	**0**	**36,453**	**0**	**0**	**13,993**	**9,687**	**1,429,973**	**176,520**	**0**
Debt instruments	1,369,840	0	36,453	0	0	13,993	9,687	1,429,973	176,520	0
At FVTPL	**873,196**	**238,616**	**0**	**35,467**	**0**	**5,704**	**-17,512**	**1,135,471**	**22,346,963**	**0**
Designated to this category	873,196	238,616	0	35,467	0	5,704	-17,512	1,135,471	22,346,963	0
Debt instruments	873,196	205,502	0	0	0	5,704	-64,765	1,019,637	56,498	0
Equity instruments	0	33,114	0	35,467	0	0	14,117	82,698	22,290,465	0
Other investments	0	0	0	0	0	0	33,136	33,136	0	0
Available-for-sale	**13,413,096**	**0**	**3,430,534**	**1,138,121**	**-1,099,795**	**-4,752,813**	**1,354,845**	**13,483,988**	**521,424**	**-1,954,780**
Debt instruments	13,413,096	0	3,456,237	0	-108,756	-4,754,024	-9,005	11,997,548	501,151	0
Equity instruments	0	0	-25,864	1,138,121	-991,039	1,335	350,363	472,916	20,273	-1,954,780
Investments in infrastructure funds	0	0	161	0	0	-124	880,620	880,657	0	0
Investments in property funds	0	0	0	0	0	0	132,867	132,867	0	0
Loans and receivables	**190,620**	**0**	**0**	**0**	**0**	**-61,089**	**-4,130**	**125,270**	**-1,382**	**0**
Debt instruments	379,076	0	0	0	0	-1,203	-4,130	373,743	-1,382	0
Other investments	-188,456	0	0	0	0	-59,886	0	-248,473	0	0
Deposits with cedants	23,626	0	0	0	0	0	0	23,626	0	0
Subordinated liabilities	-2,871,406	0	0	0	0	0	0	-2,871,406	0	0
Total	**12,998,841**	**238,616**	**3,466,987**	**1,173,588**	**-1,099,795**	**-4,794,205**	**1,342,890**	**13,326,922**	**23,043,525**	**-1,954,780**

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Held to maturity	**2,238,414**	**0**	**43,327**	**0**	**124**	**0**	**2,281,865**	**221,012**	**0**
Debt instruments	2,238,414	0	43,327	0	124	0	2,281,865	221,012	0
At FVTPL	**565,746**	**1,092,762**	**0**	**29,380**	**-11,509**	**-80,316**	**1,596,063**	**22,624,150**	**0**
Designated to this category	565,746	1,092,762	0	29,380	-11,509	-80,316	1,596,063	22,624,150	0
Debt instruments	565,746	900,565	0	0	-11,605	-46,302	1,408,404	84,691	0
Equity instruments	0	192,197	0	29,380	96	33,676	255,349	22,461,653	0
Other investments	0	0	0	0	0	-67,690	-67,690	77,806	0
Available-for-sale	**10,596,823**	**0**	**500,284**	**1,593,653**	**1,372,139**	**652,653**	**14,715,552**	**432,355**	**2,663,188**
Debt instruments	10,596,823	0	666,475	0	1,372,139	663,616	13,299,053	424,002	0
Equity instruments	0	0	-109,377	1,024,477	0	0	915,100	8,353	2,663,188
Other investments	0	0	0	0	0	-10,963	-10,963	0	0
Investments in infrastructure funds	0	0	-56,814	532,267	0	0	475,453	0	0
Investments in property funds	0	0	0	36,909	0	0	36,909	0	0
Loans and receivables	**405,043**	**0**	**0**	**0**	**-20,685**	**60,094**	**444,452**	**1,067**	**0**
Debt instruments	579,891	0	0	0	-14,666	60,094	625,319	1,067	0
Other investments	-174,848	0	0	0	-6,019	0	-180,867	0	0
Deposits with cedants	23,111	0	0	0	0	0	23,111	0	0
Subordinated liabilities	-494,730	0	0	0	0	0	-494,730	0	0
Total	**13,334,407**	**1,092,762**	**543,611**	**1,623,033**	**1,340,069**	**632,431**	**18,566,313**	**23,278,584**	**2,663,188**

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Sava Re

2020 EUR	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/ expenses	Total	Income/expenses relating to associates and impairment losses on goodwill
Held to maturity	**101,228**	**0**	**0**	**0**	**0**	**0**	**0**	**101,228**	**0**
Debt instruments	101,228	0	0	0	0	0	0	101,228	0
At FVTPL	**343,308**	**256,391**	**0**	**30,273**	**0**	**0**	**-40,444**	**589,527**	**0**
Designated to this category	343,308	256,391	0	30,273	0	0	-40,444	589,527	0
Debt instruments	343,308	126,752	0	0	0	0	-40,444	429,616	0
Equity instruments	0	129,639	0	30,273	0	0	0	159,911	0
Available-for-sale	**2,444,846**	**0**	**1,046,789**	**203,309**	**-429,356**	**-4,631,730**	**675,918**	**-690,224**	**19,903**
Debt instruments	2,444,846	0	1,052,115	0	-108,756	-4,633,003	-22,132	-1,266,931	0
Equity instruments	0	0	-5,404	203,309	-320,600	1,335	387,995	266,636	19,903
Other investments	0	0	0	0	0	0	0	0	0
Investments in infrastructure funds	0	0	78	0	0	-62	275,130	275,146	0
Investments in property funds	0	0	0	0	0	0	34,925	34,925	0
Loans and receivables	**109,468**	**0**	**0**	**0**	**0**	**0**	**0**	**109,468**	**0**
Debt instruments	108,552	0	0	0	0	0	0	108,552	0
Other investments	916	0	0	0	0	0	0	916	0
Deposits with cedants	23,626	0	0	0	0	0	0	23,626	0
Subordinated liabilities	-2,871,406	0	0	0	0	0	0	-2,871,406	0
Total	**151,069**	**256,391**	**1,046,789**	**233,582**	**-429,356**	**-4,631,730**	**635,474**	**-2,737,782**	**19,903**

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Sava Re 2019 EUR	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Foreign exchange gains/ losses	Other income/expenses	Total	Income/expenses relating to subsidiaries
Held to maturity	**102,859**	**0**	**0**	**0**	**0**	**0**	**102,859**	**0**
Debt instruments	102,859	0	0	0	0	0	102,859	0
At FVTPL	**174,080**	**373,508**	**0**	**22,794**	**0**	**0**	**570,382**	**0**
Designated to this category	174,080	373,508	0	22,794	0	0	570,382	0
Debt instruments	174,080	262,834	0	0	0	0	436,914	0
Equity instruments	0	110,674	0	22,794	0	0	133,467	0
Available-for-sale	**3,015,097**	**0**	**153,993**	**806,739**	**1,412,982**	**447,375**	**5,836,188**	**36,947,895**
Debt instruments	3,015,097	0	282,411	0	1,412,982	447,375	5,157,866	0
Equity instruments	0	0	-110,794	626,282	0	0	515,488	36,947,895
Investments in infrastructure funds	0	0	-17,624	171,230	0	0	153,607	0
Investments in property funds	0	0	0	9,227	0	0	9,227	0
Loans and receivables	**147,809**	**0**	**0**	**0**	**-21**	**-1,985**	**145,802**	**0**
Debt instruments	141,041	0	0	0	0	-1,985	139,055	0
Other investments	6,768	0	0	0	-21	0	6,747	0
Deposits with cedants	23,111	0	0	0	0	0	23,111	0
Subordinated liabilities	-494,730	0	0	0	0	0	-494,730	0
Total	**2,968,226**	**373,508**	**153,993**	**829,533**	**1,412,961**	**445,390**	**6,183,612**	**36,947,895**

The 2020 net investment income totalled EUR 13.3 million (2019: EUR 18.6 million). The decrease in net investment income is mainly due to higher net exchange losses, the change in the fair value, the loss on the disposal of FVTPL investments and losses on other IFRS asset categories. Net exchange losses in 2020 totalled EUR 4.8 million (2019: net exchange gains of EUR 1.3 million).

The Company's income relating to financial assets and liabilities in 2020 amounted to EUR 10.0 million (2019: EUR 11.0 million), and expenses relating to financial assets and liabilities in 2020 totalled EUR 13.0 million (2019: EUR 4.9 million). Net investment income of the Company relating to financial assets and liabilities (excluding that of subsidiaries) was negative, at EUR -2.7 million, in 2020 (2019: EUR 6.2 million). The year-on-year decrease is mainly due to net exchange losses. The net amount of exchange differences is still a loss of EUR 4.8 million (2019: exchange gain of 1.4 million).

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Investment income and expenses by source of funds

The Group records investment income and expenses separately by source of funds, i.e. separately for own fund assets, non-life insurance register assets and life insurance register assets. Own fund investments support the Group's shareholder funds; non-life insurance register assets support technical provisions relating to non-life business, whereas life insurance register assets support technical provisions relating to life insurance business.

Investment income – non-life insurance business

	Sava Insurance Group		Sava Re	
EUR	**Liability fund**	**Liability fund**	**Liability fund**	**Liability fund**
	2020	**2019**	**2020**	**2019**
Interest income at effective interest rate	6,790,351	8,177,874	2,709,732	3,158,702
Change in fair value and gains on disposal of FVTPL assets	1,606,407	1,106,463	911,169	552,861
Gains on disposal of other IFRS asset categories	2,110,493	507,569	1,024,889	281,440
Income from dividends and shares – other investments	334,265	1,153,854	221,983	633,553
Exchange gains	4,882,097	5,520,598	4,231,359	5,382,349
Other income	1,018,052	521,062	312,505	447,375
Total investment income – liability fund	**16,741,665**	**16,987,420**	**9,411,637**	**10,456,280**
	Capital fund	**Capital fund**	**Capital fund**	**Capital fund**
	2020	**2019**	**2020**	**2019**
Interest income at effective interest rate	349,657	256,376	337,276	304,681
Change in fair value and gains on disposal of FVTPL assets	117,867	75,514	117,867	75,514
Gains on disposal of other IFRS asset categories	508,344	21,132	28,945	12,740
Income from dividends and shares – other investments	11,598	195,980	11,598	195,980
Exchange gains	9,052	1,482	4,784	1,482
Other income	402,163	16,602	388,058	0
Total investment income - capital fund	**1,398,681**	**567,086**	**888,528**	**590,397**
Total investment income – non-life business	**18,140,346**	**17,554,506**	**10,300,165**	**11,046,677**

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Investment income – life insurance business

	Sava Insurance Group	
EUR	Long-term business fund	Long-term business fund
	2020	2019
Interest income at effective interest rate	8,128,820	5,144,667
Change in fair value and gains on disposal of FVTPL assets	725,992	334,090
Gains on disposal of other IFRS asset categories	2,231,453	206,728
Income from dividends and shares – other investments	827,083	270,142
Exchange gains	478,575	155,771
Other income	218,131	24,958
Total investment income – liability fund	**12,610,054**	**6,136,356**
	Capital fund	Capital fund
	2020	2019
Interest income at effective interest rate	882,610	437,507
Change in fair value and gains on disposal of FVTPL assets	88,537	202,735
Gains on disposal of other IFRS asset categories	56,683	51,128
Income from dividends and shares – other investments	642	3,057
Exchange gains	16,227	8,640
Other income	40,055	226,470
Total investment income – capital fund	**1,084,754**	**929,537**
Total investment income – life business	**13,694,808**	**7,065,893**

Expenses for financial assets and liabilities – non-life business

	Sava Insurance Group		Sava Re	
EUR	Liability fund	Liability fund	Liability fund	Liability fund
	2020	2019	2020	2019
Interest expenses	228,763	157,921	13,844	0
Change in fair value and losses on disposal of FVTPL assets	1,440,750	375,648	764,038	185,980
Losses on disposal of other IFRS asset categories	1,754	240,149	1,605	140,187
Impairment losses on investments	503,284	0	429,356	0
Exchange losses	9,787,527	4,178,624	8,862,624	3,968,689
Other	56,563	60,807	24,645	1,985
Total investment expenses – liability fund	**12,018,641**	**5,013,149**	**10,096,112**	**4,296,841**
	Capital fund	Capital fund	Capital fund	Capital fund
	2020	2019	2020	2019
Interest expenses	2,902,519	518,073	2,882,095	495,157
Change in fair value and losses on disposal of FVTPL assets	21,517	68,888	8,607	68,888
Losses on disposal of other IFRS asset categories	5,439	0	5,439	0
Impairment losses on investments	0	0		0
Exchange losses	5,250	2,180	5,249	2,180
Other	40,444	0	40,444	0
Total investment expenses – capital fund	**2,975,169**	**589,141**	**2,941,835**	**566,225**
Total investment expenses – non-life business	**14,993,810**	**5,602,290**	**13,037,946**	**4,863,065**

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Expenses for financial assets and liabilities – life business

	Sava Insurance Group	
EUR	Long-term business fund	Long-term business fund
	2020	2019
Interest expenses	4,292	767
Change in fair value and losses on disposal of FVTPL assets	708,565	179,671
Losses on disposal of other IFRS asset categories	1,413,218	2,797
Impairment losses on investments	513,044	0
Exchange losses	382,562	125,886
Other	231,953	23,278
Total investment expenses – liability fund	**3,253,634**	**332,399**
	Capital fund	Capital fund
	2020	2019
Interest expenses	17,023	5,256
Change in fair value and losses on disposal of FVTPL assets	129,355	1,833
Losses on disposal of other IFRS asset categories	19,575	0
Impairment losses on investments	83,467	0
Exchange losses	4,817	39,732
Other	6,551	72,576
Total investment expenses – capital fund	**260,788**	**119,397**
Total investment expenses – life business	**3,514,422**	**451,796**

Net investment income from non-life and life business

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Non-life insurance	3,146,536	11,952,216	-2,737,781	6,183,612
Life insurance	10,180,386	6,614,097	0	0
Total	**13,326,922**	**18,566,313**	**-2,737,781**	**6,183,612**

	Sava Insurance Group	
EUR	Long-term business fund	Long-term business fund
	2020	2019
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	58,378,999	32,947,853
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	35,335,474	9,669,269
Net gains	**23,043,525**	**23,278,584**

Impairment losses on investments

In 2020, the Group recognised impairment losses of EUR 1.1 million on its financial investments (2019: no impairment losses).

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33) Other technical income and expenses and other income/revenue and expenses

Other technical income

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Other technical income	28,513,698	19,302,796	17,349,649	9,463,227
- of which exchange gains	13,969,642	6,566,344	12,794,731	5,851,774
- netting of exchange differences	-13,969,642	-6,566,344	-12,794,731	-5,677,768
Other technical income after netting	**14,544,056**	**12,736,452**	**4,554,918**	**3,785,460**
Other technical expenses	33,294,044	22,002,095	16,008,376	6,103,333
- of which exchange losses	18,088,381	8,987,591	15,607,767	5,677,768
- netting of exchange differences	-13,969,642	-6,566,344	-12,794,731	-5,677,768
Other technical expenses after netting	**19,324,402**	**15,435,751**	**3,213,645**	**425,566**

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Reinsurance commission income	5,899,388	4,291,946	4,140,292	3,063,492
Revenue from other insurance business	2,590,203	3,643,412	0	0
Other technical income	**8,489,591**	**7,935,358**	**4,140,292**	**3,063,492**
Income on the realisation of impaired receivables	2,379,109	3,133,707	39,025	176,738
Exchange gains	13,969,642	6,566,344	12,794,731	5,851,774
Revenue from exit charges and management fees	1,981,344	749,885	0	0
Revenue from other services	1,694,012	917,503	375,600	371,224
Other income	**20,024,107**	**11,367,438**	**13,209,357**	**6,399,736**
Total	**28,513,698**	**19,302,796**	**17,349,649**	**9,463,227**

Reinsurance commission income

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Accident	19,826	9,624	9,874	11,377
Land motor vehicles	386,220	226,728	207	4,558
Railway rolling stock	2	12	2	12
Aircraft hull	266	504	266	504
Ships hull	950,056	84,973	949,712	86,068
Goods in transit	1,322	5,301	684	5,610
Fire and natural forces	2,742,187	2,554,647	2,186,988	2,108,591
Other damage to property	1,082,596	924,594	698,520	613,021
Motor vehicle liability	116,260	-47,928	102	90
Aircraft liability	9,748	9,179	11,024	8,276
Liability for ships	454	-3,959	118	220
General liability	265,343	193,529	88,334	29,391
Credit	15,882	-2,783	0	0
Suretyship	22,442	-97	0	0
Miscellaneous financial loss	164,080	222,430	99,161	97,050
Legal expenses	7,348	-30	0	0
Assistance	12,537	12,275	0	0
Life insurance	83,702	81,190	76,183	76,966
Unit-linked life	19,118	21,757	19,118	21,757
Total non-life	**5,796,569**	**4,188,999**	**4,044,992**	**2,964,768**
Total life	**102,819**	**102,947**	**95,300**	**98,723**
Total	**5,899,388**	**4,291,946**	**4,140,292**	**3,063,492**

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Other income

	Sava Insurance Group		Sava Re	
EUR	**2020**	**2019**	**2020**	**2019**
Income on the realisation of impaired receivables	125,423	130,628	0	15,918
Lease payments received from investment properties	1,305,784	1,326,987	783,238	784,610
Revenue from exit charges and management fees	13,266,321	9,035,488	0	0
Penalties and damages received	496,364	639,509	0	90
Income from disposal of investment property	0	20,638	0	0
Gain on bargain purchase	9,885,159	7,486,096	0	0
Revenue from other services	5,816,817	9,054,230	77,412	3,921
Total	**30,895,868**	**27,693,576**	**860,650**	**804,538**

Income from other services comprises gains on the disposal of items of property, plant and equipment and income from the use of holiday facilities.

Income from other services dropped by EUR 3.2 million compared to 2019. The increased income from other services in 2019 was the result of the inclusion of the company Sava Infond, and also TBS Team 24 and Sava Penzisko Društvo, the income of which is recognised in this item.

Other technical expenses and other expenses

	Sava Insurance Group		Sava Re	
EUR	**2020**	**2019**	**2020**	**2019**
Expenses for loss prevention activities and fire brigade charge	4,037,450	3,671,186	14	14
Contribution for covering claims of uninsured and unidentified vehicles and vessels	1,691,254	1,868,589	0	0
Regulator fees	1,963,493	1,768,712	211,284	197,127
Exchange losses	18,088,381	8,987,591	15,607,767	5,677,768
Operating expenses from revaluation	3,354,303	2,465,692	179,160	199,199
Other expenses	4,159,163	3,240,325	10,151	29,226
Total	**33,294,044**	**22,002,095**	**16,008,376**	**6,103,333**

Other technical expenses and other expenses include foreign exchange losses based on the gross principle, whereas in the financial statements they are included based on the net principle.

Other expenses of EUR 4.2 million (2019: EUR 3.2 million) include allowances for and impairment losses on other receivables, indirect business expenses relating to investment property, expenses arising out of impaired items of property, plant and equipment for own use, and other extraordinary expenses.

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34) Net claims incurred

Net claims incurred

Sava Insurance Group							
EUR	Gross amounts		Reinsurers' share of claims (–)	Co-insurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
2020	Claims	Recourse receivables					
Accident	12,269,088	-771	-116,406	768	-4,476,102	-122,696	7,553,881
Health	4,787,042	-1,514	0	0	236,155	-233,464	4,788,219
Land motor vehicles	79,206,144	-1,726,851	-947,115	0	-4,231,915	59,953	72,360,216
Railway rolling stock	100,665	0	0	0	37,675	0	138,340
Aircraft hull	616,213	0	-16,463	0	-364,310	26,671	262,111
Ships hull	7,005,357	0	-2,239,570	3,381,197	2,675,670	-2,182,682	8,639,972
Goods in transit	2,604,908	0	0	327,672	191,302	-4,525	3,119,357
Fire and natural forces	54,488,706	-78,817	-3,307,490	212,620	30,922,465	-431,860	81,805,624
Other damage to property	19,565,697	-79,742	-833,901	82,733	1,585,860	-541,308	19,779,339
Motor vehicle liability	82,035,659	-2,987,703	-1,539,755	0	5,438,972	780,846	83,728,019
Aircraft liability	44,626	0	-12,424	0	4,271	13,896	50,369
Liability for ships	384,608	0	0	0	-244,978	0	139,630
General liability	6,640,328	-7,925	-143,687	99,269	403,905	232,096	7,223,986
Credit	2,083,746	-2,499,745	0	0	-464,477	0	-880,476
Suretyship	89,109	-15,000	0	0	235,820	0	309,929
Miscellaneous financial loss	1,168,830	-694	-101,553	7,140	8,447,970	-1,772,034	7,749,659
Legal expenses	16,194	0	-8,131	640	16,339	-6,876	18,166
Assistance	7,943,569	-1,270	-19,066	0	-67,484	3,439	7,859,188
Life insurance	77,088,626	0	-2,256	0	-3,064,906	337,880	74,359,344
Unit-linked life	48,793,299	0	-23,392	0	-1,128,213	48,846	47,690,540
Total non-life	**281,050,489**	**-7,400,032**	**-9,285,562**	**4,112,039**	**40,347,138**	**-4,178,544**	**304,645,528**
Total life	**125,881,925**	**0**	**-25,648**	**0**	**-4,193,119**	**386,726**	**122,049,884**
Total	**406,932,414**	**-7,400,032**	**-9,311,210**	**4,112,039**	**36,154,019**	**-3,791,818**	**426,695,412**

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Sava Insurance Group

EUR 2019	Gross amounts		Reinsurers' share of claims (–)	Co-insurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables					
Accident	11,410,740	-1,285	-10,984	2,317	83,619	-32,890	11,451,517
Health	4,334,734	-700	-91	0	212,900	6,654	4,553,497
Land motor vehicles	79,064,258	-2,151,030	-911,018	-908	2,084,587	-116,363	77,969,526
Railway rolling stock	75,260	0	0	0	-13,414	0	61,846
Aircraft hull	211,282	0	-639	0	280,143	-107,572	383,214
Ships hull	5,470,269	0	-74,236	6,966	-164,660	-170,007	5,068,332
Goods in transit	2,437,128	10,375	-574	434,574	-1,201,749	8,126	1,687,880
Fire and natural forces	53,128,792	-76,302	-5,873,959	108,256	15,134,767	-1,323,707	61,097,847
Other damage to property	30,313,218	-11,992	-1,490,539	195,099	1,108,046	-123,410	29,990,422
Motor vehicle liability	82,394,194	-2,976,262	-1,893,387	-6,536	5,425,612	-3,424,984	79,518,637
Aircraft liability	169,425	0	-162,273	0	-75,364	77,099	8,887
Liability for ships	350,371	0	-7	0	139,643	0	490,007
General liability	6,785,398	-32,203	-802,280	62,022	3,306,592	-1,094,015	8,225,514
Credit	2,267,929	-2,589,552	-7	0	239,248	0	-82,382
Suretyship	110,283	-1,500	-49	0	-112,729	0	-3,995
Miscellaneous financial loss	903,187	0	-33,966	7,010	122,164	5,170	1,003,565
Legal expenses	186,133	0	-391	68	123,197	-63,279	245,728
Assistance	2,948,805	-7,510	-37,164	-38	3,019	168,347	3,075,459
Life insurance	78,641,819	0	-34,379	0	585,916	1,387	79,194,743
Unit-linked life	38,666,971	0	-42,253	0	-3,411,895	38,394	35,251,217
Total non-life	**282,561,406**	**-7,837,961**	**-11,291,564**	**808,829**	**26,695,621**	**-6,190,831**	**284,745,500**
Total life	**117,308,790**	**0**	**-76,632**	**0**	**-2,825,979**	**39,781**	**114,445,960**
Total	**399,870,196**	**-7,837,961**	**-11,368,196**	**808,829**	**23,869,642**	**-6,151,050**	**399,191,460**

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EUR	Gross amounts		Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
2020	Claims	Recourse receivables				
Accident	2,126,678	-66	-10,439	-729,259	1,184	1,388,097
Health	843,927	0	0	-5,292	0	838,635
Land motor vehicles	11,319,780	-220,196	-61,973	-869,258	94,833	10,263,187
Railway rolling stock	100,665	0	0	33,192	0	133,857
Aircraft hull	608,729	0	-16,463	-360,911	6,671	238,026
Ships hull	9,544,523	0	-2,239,570	2,146,573	-2,182,681	7,268,845
Goods in transit	2,509,139	0	0	127,669	0	2,636,808
Fire and natural forces	39,762,650	-3,748	-2,481,610	26,676,504	738,206	64,692,002
Other damage to property	9,032,987	-9,529	-347,786	274,266	-452,834	8,497,103
Motor vehicle liability	11,447,405	-360,113	-880,702	412,719	45,278	10,664,587
Aircraft liability	32,202	0	0	-9,826	11,897	34,273
Liability for ships	377,121	0	0	-269,614	0	107,507
General liability	2,634,467	-1,520	-619	1,949,927	375,366	4,957,620
Credit	315,850	-423,017	0	-137,060	0	-244,226
Suretyship	60,125	-2,168	0	238,431	0	296,387
Miscellaneous financial loss	521,918	-97	-41,526	4,427,140	-1,073,269	3,834,166
Legal expenses	752	0	0	-61	0	691
Assistance	217	0	0	-22	0	196
Life insurance	50,910	0	32,447	67,850	-16,925	134,282
Unit-linked life	33,418	0	-23,392	-46,954	32,868	-4,061
Total non-life	**91,239,133**	**-1,020,454**	**-6,080,688**	**33,905,119**	**-2,435,350**	**115,607,761**
Total life	**84,327**	**0**	**9,055**	**20,896**	**15,943**	**130,221**
Total	**91,323,461**	**-1,020,454**	**-6,071,633**	**33,926,015**	**-2,419,407**	**115,737,981**

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Sava Re EUR 2019	Gross amounts		Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables				
Accident	2,062,506	-59	-555	329,918	869	2,392,679
Health	52,857	0	0	9,425	0	62,281
Land motor vehicles	11,871,895	-287,144	-169,011	-384,754	-12,554	11,018,432
Railway rolling stock	75,260	0	0	-13,414	0	61,846
Aircraft hull	200,356	0	-544	128,249	-7,572	320,489
Ships hull	5,251,544	0	-74,236	-195,010	-170,007	4,812,291
Goods in transit	2,198,774	-18	0	-1,029,125	7,714	1,177,345
Fire and natural forces	39,226,590	-13,216	-4,666,134	12,785,280	-853,666	46,478,854
Other damage to property	11,404,873	-4,996	-541,336	1,153,675	-159,895	11,852,321
Motor vehicle liability	12,456,242	-381,540	-1,386,327	2,914,249	-2,704,833	10,897,791
Aircraft liability	7,152	0	0	9,210	-11,900	4,462
Liability for ships	339,854	0	0	207,760	0	547,613
General liability	2,269,455	-4,710	-1,563	3,142,690	-1,145,698	4,260,175
Credit	364,979	-552,232	0	139,428	0	-47,825
Suretyship	87,290	-289	0	-111,603	0	-24,602
Miscellaneous financial loss	234,966	0	-23,640	45,912	14,901	272,139
Legal expenses	1,709	0	0	-277	0	1,431
Assistance	343	0	0	-60	0	283
Life insurance	60,918	0	-32,723	-694	1,401	28,902
Unit-linked life	60,361	0	-42,253	-54,849	38,394	1,654
Total non-life	**88,106,645**	**-1,244,203**	**-6,863,346**	**19,131,552**	**-5,042,642**	**94,088,007**
Total life	**121,279**	**0**	**-74,976**	**-55,543**	**39,795**	**30,555**
Total	**88,227,924**	**-1,244,203**	**-6,938,323**	**19,076,010**	**-5,002,847**	**94,118,562**

The two tables above show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). In addition, net claims incurred include the change in the net provision for outstanding claims.

Gross claim payments in 2020 increased by EUR 7.5 million in the Group and EUR 3.3 million in the Company, compared to 2019. The effect of the change in the claims provision is described in note 24.

35) Change in other technical provisions and change in the technical provision for policyholders who bear the investment risk

The change in other technical provisions relates to the change in the net provision for unexpired risks and the change in the technical provision for policyholders who bear the investment risk. The change in gross technical provisions is described in note 24.

In 2020, the change in other technical provisions decreased by EUR 5.9 million (in 2019 increased of EUR 32.8 million) and relates to the change in the provision for unexpired risks, and the change in the technical provision of policyholders who bear the investment risk decreased by EUR 22.7 million.

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36) Operating expenses

The Group classifies operating expenses by nature. Compared to 2019, operating expenses increased by 8.7%, mainly due to an increase in acquisition costs of EUR 8.6 million (2019: EUR 7.4 million). The Company's operating expenses increased by 8.3%, mainly due to an increase in acquisition costs by EUR 4.8 million (2019: EUR 2.9 million).

Operating expenses by nature

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Acquisition costs (commissions)	74,410,866	65,793,677	40,497,640	35,723,768
Change in deferred acquisition costs	-1,561,215	-2,908,414	717,122	1,267,334
Depreciation/amortisation of operating assets	9,895,517	7,637,651	581,188	572,811
Personnel costs	81,028,873	74,683,061	9,257,885	8,482,767
- Salaries and wages	60,562,574	56,253,083	7,280,473	6,641,407
- Social and pension insurance costs	8,942,793	8,316,080	1,213,435	1,105,375
- Other personnel costs	11,523,506	10,113,898	763,976	735,985
Costs of services by natural persons not performing business, incl. of contributions	607,658	722,779	193,944	269,364
Other operating expenses	38,834,447	41,026,480	3,389,510	4,142,467
Total	**203,216,146**	**186,955,234**	**54,637,288**	**50,458,512**

In 2020, the proportion of other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), decreased in relation to gross premiums written and accounted for 5.8% (in 2019 it also decreased and accounted for 6.8%). Other operating expenses include material costs of EUR 1.8 million, energy costs of EUR 1.2 million, lease payments of EUR 1.2 million, service costs of EUR 30.9 million (other service costs of EUR 11.8 million comprising postal and shipping charges, telephone expenses, cost of cleaning, operating and management expenses, various fees and charges, and such like, cost of intellectual and personal services of EUR 10.7 million, costs of advertising, promotion and entertainment of EUR 6.2 million, transaction costs and bank fees of EUR 2.2 million) and provisions for pensions, jubilee benefits, severance pay (upon retirement) of EUR 1.0 million, other provisions of EUR 0.3 million, and other expenses relating to donations, sponsorships, membership fees and diverse expenses of EUR 2.4 million.

The Group has examined any Covid-19-related impacts on government assistance received. Five companies received government assistance totalling EUR 234,468 in the form of exemptions from paying national insurance contributions, child nursing and quarantine subsidies, crisis benefits and sick leave compensation due to force majeure.

Audit fees

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Audit of annual report	368,957	310,991	65,662	77,757
Other assurance services	39,214	26,197	16,221	0
Total	**408,171**	**337,188**	**81,883**	**77,757**

The cost of auditing the annual report includes audit costs incurred by each Group company, and additionally for Sava Re, in addition to the cost of auditing the separate financial statements, the cost of auditing the consolidated financial statements of the Sava Insurance Group. Other audit services relate to assurance services for reports drawn up by the Company and the Group under Solvency II requirements, and for other reports in respect of which the auditor provides assurance services (report on related parties, approval of financial statements for foreign regulators, etc.).

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37) Income tax expense

Tax rate reconciliation

	Sava Insurance Group		Sava Re	
EUR	**2020**	**2019**	**2020**	**2019**
Profit or loss before tax	67,746,714	60,744,016	-13,529,732	39,227,041
Income tax expenses at statutory tax rate (19%)	12,871,876	11,541,363	0	7,453,138
Adjustment to the actual rates	1,154,318	586,213	0	0
Tax effect of income that is deducted for tax purposes	-3,115,744	-2,544,331	-2,539,116	-7,279,887
Tax effect of expenses not deducted for tax purposes	918,440	1,517,537	0	443,555
Tax effect of income that is added for tax purposes	14,579	38,466	0	0
Income or expenses relating to tax relief	-489,737	-727,246	0	-79,267
Other	6,683	137,426	0	107,788
Total income tax expense in the income statement	**11,360,415**	**10,549,428**	**-2,539,116**	**645,328**
Effective tax rate	16.77%	17.37%	18.77%	1.65%

17.9 Contingent receivables and liabilities

The Group has contingent receivables from unrealised recourse receivables of EUR 29.6 million and claims against issuing banks for subordinated financial instruments of EUR 38.0 million, and the Company has contingent receivables from claims against issuing banks for subordinated financial instruments of EUR 10.0 million and other potential receivables from reinsurance business of EUR 1.7 million.

The Group has contingent liabilities arising out of guarantees given. The estimated value of these contingent liabilities for the Group and the Company total EUR 39.2 million and EUR 13.1 million, respectively.

Off-balance sheet items are shown in the appendix hereto.

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17.10 Related party disclosures

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

- owners and related enterprises;
- key management personnel: management board, supervisory board including its committees, and employees not subject to the tariff section of the collective agreement,
- subsidiary companies,
- associates.

Owners and related enterprises

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

The members of the management board and supervisory boards, including the members of its committees, and employees not subject to the tariff section of the collective agreement

Remuneration of management and supervisory board members, and of employees not subject to the tariff section of the collective agreement

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Management board	1,069,537	909,811	1,069,537	909,811
Payments to employees not subject to the tariff section of the collective agreement	6,734,382	5,822,237	1,987,418	2,836,862
Supervisory board	100,833	144,091	100,833	144,091
Supervisory board committees	76,773	103,001	76,773	103,001
Total	**7,981,525**	**6,979,140**	**3,234,561**	**3,993,765**

Remuneration of management board members in 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	193,500	55,536	190	5,226	-	254,452
Jošt Dolničar	174,135	49,980	5,225	4,475	-	233,815
Srečko Čebron	73,177	80,171	2,170	1,535	89,100	246,154
Polona Pirš Zupančič	174,135	49,980	5,199	3,507	-	232,821
Peter Skvarča	95,700	-	2,748	3,849	-	102,296
Total	**710,647**	**235,667**	**15,532**	**18,591**	**89,100**	**1,069,537**

Remuneration of management board members in 2019

EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind – insurance premiums	Benefits in kind – use of company car	Total
Marko Jazbec	186,320	47,808	248	6,457	240,833
Jošt Dolničar	167,322	43,020	5,271	5,628	221,241
Srečko Čebron	175,792	43,020	5,251	4,564	228,627
Polona Pirš Zupančič	167,078	41,517	6,208	4,307	219,109
Total	**696,512**	**175,365**	**16,978**	**20,956**	**909,811**

In March and April 2020, some employees (management board, employees under individual employment contracts) voluntarily agreed to pay cuts of between 15.0% and 20.0% due to the uncertainties related to Covid-19.

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Liabilities to management board members based on gross remuneration

EUR	31 December 2020	31 December 2019
Marko Jazbec	16,500	16,500
Jošt Dolničar	14,850	14,850
Srečko Čebron	-	15,516
Polona Pirš Zupančič	14,850	14,128
Peter Skvarča	14,850	-
Total	**61,050**	**60,994**

As at 31 December 2020, the Company disclosed liabilities for potential payment of the variable part of pay of management board members in respect of 2018 and 2019 subject to certain conditions in the amount of EUR 108,619.
As at 31 December 2020, the Company had no receivables due from the management board members. Management board members are not remunerated for their functions in subsidiary companies. They have other entitlements under employment contracts, i.e. an allowance for annual leave of EUR 1,200, severance pay upon retirement and contributions to voluntary supplementary pension insurance. Management board members are not entitled to jubilee benefits for 10, 20 or 30 years of service.

Remuneration of the supervisory board and its committees in 2020

EUR		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Total
Supervisory board members					
Mateja Lovšin Herič	chair	2,503	18,038	0	20,541
Keith William Morris	deputy chair	2,503	13,228	1,200	16,931
Gorazd Andrej Kunstek	member of the SB	2,503	12,025	0	14,528
Mateja Živec	member of the SB	2,503	12,025	0	14,528
Davor Ivan Gjivoje	member of the SB	2,503	12,025	5,119	19,647
Andrej Kren	member of the SB	2,503	12,025	130	14,658
Total supervisory board members		**15,018**	**79,366**	**6,449**	**100,833**
Audit committee members					
Andrej Kren	chair	1,782	4,509	98	6,389
Mateja Lovšin Herič	member	1,782	3,006	0	4,788
Ignac Dolenšek	external member	0	8,734	230	8,964
Total audit committee members		**3,564**	**16,249**	**328**	**20,141**
Members of the nominations and remuneration committee					
Mateja Lovšin Herič	chair	968	4,509	0	5,477
Keith William Morris	member	968	3,006	300	4,274
Davor Ivan Gjivoje	member	594	3,006	1,280	4,880
Andrej Kren	member	968	3,006	0	3,974
Total nominations committee members		**3,498**	**13,527**	**1,580**	**18,605**
Members of the risk committee					
Keith William Morris	chair	836	4,509	300	5,645
Davor Ivan Gjivoje	member	836	3,006	1,280	5,122
Slaven Mićković	external member	0	10,991	0	10,991
Total risk committee members		**1,672**	**18,506**	**1,580**	**21,758**
Members of the fit & proper committee					
Mateja Živec	chair	154	4,509	0	4,663
Keith William Morris	member	660	3,006	300	3,966
Rok Saje	external member	814	3,006	0	3,820
Andrej Kren	alternate member	814	3,006	0	3,820
Total members of the fit & proper committee		**2,442**	**13,527**	**300**	**16,269**

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Remuneration of the supervisory board and its committees in 2019

EUR		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Total
Supervisory board members					
Mateja Lovšin Herič	chair	2,475	19,500	257	22,232
Keith William Morris	deputy chair	2,475	14,300	7,635	24,410
Gorazd Andrej Kunstek	member of the SB	2,475	13,000	0	15,475
Mateja Živec	member of the SB	2,475	13,000	0	15,475
Davor Ivan Gjivoje	member of the SB	2,475	13,000	33,553	49,028
Andrej Kren	member of the SB	2,475	13,000	953	16,428
Total supervisory board members		**14,850**	**85,800**	**42,399**	**143,049**
Audit committee members					
Andrej Kren	chair	1,936	4,875	260	7,072
Mateja Lovšin Herič	member	1,936	3,250	0	5,186
Ignac Dolenšek	external member	0	10,425	686	11,111
Total audit committee members		**3,872**	**18,550**	**947**	**23,369**
Members of the nominations and remuneration committee					
Mateja Lovšin Herič	chair	660	2,844	0	3,504
Keith William Morris	member	660	1,896	1,573	4,129
Davor Ivan Gjivoje	member	660	1,896	11,433	13,989
Andrej Kren	member	660	1,896	33	2,588
Total nominations committee members		**2,640**	**8,531**	**13,039**	**24,210**
Members of the risk committee					
Keith William Morris	chair	1,320	4,875	4,042	10,237
Davor Ivan Gjivoje	member	1,320	3,250	25,203	29,773
Slaven Mićković	external member	0	6,987	0	6,987
Total risk committee members		**2,640**	**15,112**	**29,245**	**46,997**
Members of the fit & proper committee					
Mateja Živec	chair	220	2,844	0	3,064
Keith William Morris	member	220	1,896	275	2,391
Rok Saje	external member	220	1,896	0	2,116
Andrej Kren	alternate member	0	1,896	0	1,896
Total members of the fit & proper committee		**660**	**8,531**	**275**	**9,466**

As at 31 December 2020, the Company had no receivables due from the supervisory board members and had no liabilities due to any members of the supervisory board or its committees based on gross remuneration.

In order to mitigate the impact of the epidemic, the members of the supervisory board and the external members of supervisory board committees waived 30.0% of the remuneration they receive on account of their membership of the Company's bodies from March to May 2020. The example was followed by the members of the supervisory boards and external members of supervisory board committees of the other Slovenian members of the Sava Insurance Group who are remunerated for performing their roles.

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Employee remuneration not subject to the tariff section of the collective agreement for 2020

Sava Re				
EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind and other benefits	Total
Individual employment contracts	1,533,843	353,923	99,652	1,987,418

Employee remuneration not subject to the tariff section of the collective agreement for 2019

Sava Re				
EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind and other benefits	Total
Individual employment contracts	2,358,297	334,922	143,644	2,836,862

The Company carried out a reorganisation in early 2020. As a result, 15 employees working under individual employment contracts started working under contracts subject to the tariff section of the collective agreement.

Average gross salary in Group companies

The average gross salary of Group companies is calculated as the sum of all personnel costs of Group companies (income statement item "personnel costs") multiplied by the number of months in operation, which is then divided by the average number of all employees based on the number of hours worked of all Group companies.

	Sava Insurance Group	
EUR	2020	2019
Average monthly gross salary	2,494	2,422

Subsidiaries

Investments in and amounts due from Group companies

Sava Re			
EUR		31 December 2020	31 December 2019
Loans granted to Group companies	gross	3,411,737	3,637,532
Receivables for premiums arising out of reinsurance assumed	gross	18,988,445	21,227,908
Short-term receivables arising out of financing	gross	2,645	2,939
Other short-term receivables	gross	44,367	50,336
Short-term deferred acquisition costs	gross	14,145	941,701
Total		**22,461,338**	**25,860,416**

Liabilities to Group companies

Sava Re		
EUR	31 December 2020	31 December 2019
Technical provisions	106,908,528	91,259,351
- Unearned premiums	30,088,302	29,487,328
- Provision for outstanding claims	76,545,858	61,502,082
- Other technical provisions	274,368	269,941
Liabilities for shares in reinsurance claims due to Group companies	9,030,400	8,658,814
Other liabilities from co-insurance and reinsurance	4,880,137	4,483,248
Other short-term liabilities	19,264	3,533
Total	**120,838,329**	**104,404,946**

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Liabilities to Group companies by maturity

EUR	Maturity			
31 December 2020	**Over 5 years**	**from 1 to 5**	**Up to 1 year**	**Total**
Technical provisions	19,018,527	35,717,472	52,172,528	106,908,528
Liabilities for shares in reinsurance claims due to Group companies	0	0	9,030,400	9,030,400
Other liabilities from co-insurance and reinsurance	0	0	4,880,137	4,880,137
Other short-term liabilities	0	0	19,264	19,264
Total	**19,018,527**	**35,717,472**	**66,102,329**	**120,838,329**

EUR	Maturity			
31 December 2019	**Over 5 years**	**from 1 to 5**	**Up to 1 year**	**Total**
Technical provisions	17,709,316	31,060,284	42,489,751	91,259,351
Liabilities for shares in reinsurance claims due to Group companies	0	0	8,658,814	8,658,814
Other liabilities from co-insurance and reinsurance	0	0	4,483,248	4,483,248
Other short-term liabilities	0	0	3,533	3,533
Total	**17,709,316**	**31,060,284**	**55,635,346**	**104,404,946**

Income and expenses relating to Group companies

Sava Re		
EUR	**2020**	**2019**
Gross premiums written	84,890,285	76,277,995
Change in gross unearned premiums	-595,211	-7,362,927
Gross claims payments	-34,802,040	-34,000,880
Change in the gross provision for outstanding claims	-15,045,015	-6,630,473
Income from gross recourse receivables	1,009,816	1,226,255
Change in gross provision for bonuses, rebates and cancellations	-4,427	128,731
Other operating expenses	-194,213	-168,110
Dividend income	2,589,986	36,947,895
Interest income at effective interest rate	87,295	77,583
Acquisition costs	-18,348,978	-15,754,451
Change in deferred acquisition costs	-955,269	-937,380
Other non-life income	368,240	347,375
Total	**19,000,470**	**50,151,612**

Associate companies

Operating income and expenses relating to associates

Sava Re		
EUR	**2020**	**2019**
Other operating expenses	0	-24,150
Total	**0**	**-24,150**

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Majority state-owned companies

Receivables due from the state and majority state-owned companies

	Sava Insurance Group		Sava Re	
EUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Interests in companies	7,237,288	8,013,877	6,244,773	6,794,811
Debt securities and loans	90,780,931	112,723,578	17,361,396	20,356,357
Receivables due from policyholders	97,641	147,237	0	0
Total	**98,115,860**	**120,884,693**	**23,606,169**	**27,151,167**

Liabilities to the state and majority state-owned companies

	Sava Insurance Group		Sava Re	
EUR	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Liabilities for shares in claims	3,504	1,093	0	0
Total	**3,504**	**1,093**	**0**	**0**

Income and expenses relating to majority state-owned companies

	Sava Insurance Group		Sava Re	
EUR	2020	2019	2020	2019
Dividend income	134,489	570,944	76,772	499,203
Interest income at effective interest rate	2,230,989	3,597,126	410,443	575,247
Gross premiums written	11,445,875	10,887,303	0	0
Gross claims payments	-2,408,029	-3,004,301	0	0
Total	**11,403,324**	**12,051,072**	**487,215**	**1,074,450**

Characteristics of loans granted to subsidiaries

Sava Re				
Borrower	Principal	Type of loan	Maturity	Interest rate
Sava Životno Osiguranje (SRB)	1,350,000	ordinary	15 January 2021	0.90%
Sava Neživotno Osiguranje (SRB)	500,000	ordinary	15 July 5021	2.30%
Illyria	642,000	ordinary	15 July 2022	3.00%
Illyria	400,000	ordinary	15 July 2021	0.90%
Illyria	500,000	subordinated	26 July 2029	3.00%
Total	**3,392,000**			

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18 Significant events after the reporting date

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- On 5 March 2021, Sava Re received a letter from the Insurance Supervision Agency stating that due to the uncertain situation regarding the spread of the Covid-19 pandemic and the associated uncertain consequences for the economy and the insurance sector, the Insurance Supervision Agency expects that, until 30 September 2021, insurance undertakings, reinsurance undertakings and pension companies suspend dividend payments, not enter into irrevocable commitments to pay dividends and refrain from buying own shares intended to reward shareholders. Furthermore, the recommendation of the Insurance Supervision Agency sets certain criteria that must be met by companies where, contrary to the recommendation, the management and supervisory boards decide to propose the appropriation of the distributable profit prior to the above date, and requires such companies to demonstrate compliance with the principle of prudence in their decisions. Evidence must be based on stress test results and their impact on financial stability, liquidity and the solvency ratio. The Company published the ISA letter via the SEOnet system on 8 March 2021.

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APPENDIX A – Sava Re performance indicators[138]

Development of gross premiums written

EUR	2020	2019	Index
	1	2	1/2
Personal accident	5,764,658	5,178,615	111.3
Health	315,856	18,977	1,664.4
Land motor vehicles	20,525,041	19,087,569	107.5
Railway rolling stock	194,000	298,463	65.0
Aircraft hull	178,814	97,822	182.8
Ships hull	12,315,957	6,402,080	192.4
Goods in transit	4,375,968	2,871,595	152.4
Fire	86,764,915	73,870,193	117.5
Other damage to property	26,684,911	22,684,648	117.6
Motor vehicle liability	16,202,151	20,330,396	79.7
Aircraft liability	205,625	79,849	257.5
Liability for ships	465,542	289,633	160.7
General liability	13,671,456	9,397,608	145.5
Credit	555,574	279,808	198.6
Suretyship	303,322	184,661	164.3
Miscellaneous financial loss	2,246,894	4,564,999	49.2
Legal expenses	8,591	9,270	92.7
Assistance	14,654	10,617	138.0
Life	788,501	738,367	106.8
Unit-linked life	100,823	133,761	75.4
Total non-life	**190,793,930**	**165,656,803**	**115.2**
Total life	**889,323**	**872,128**	**102.0**
Total	**191,683,253**	**166,528,931**	**115.1**

Net premiums written as a percentage of gross premiums written

EUR, except percentages	Gross premiums written	Net premiums written	2020	2019
	1	2	2/1	
Personal accident	5,764,658	5,726,394	99.3%	99.3%
Health	315,856	315,856	100.0%	100.0%
Land vehicles casco	20,525,041	19,748,553	96.2%	95.7%
Railway rolling stock	194,000	193,891	99.9%	99.8%
Aircraft hull	178,814	176,611	98.8%	95.7%
Ships hull	12,315,957	6,868,597	55.8%	63.7%
Goods in transit	4,375,968	4,156,380	95.0%	93.3%
Fire	86,764,915	71,424,236	82.3%	82.0%
Other damage to property	26,684,911	22,297,132	83.6%	84.0%
Motor vehicle liability	16,202,151	15,890,458	98.1%	80.9%
Aircraft liability	205,625	108,549	52.8%	38.5%
Liability for ships	465,542	448,723	96.4%	89.9%
General liability	13,671,456	11,570,503	84.6%	88.7%
Credit	555,574	555,574	100.0%	100.0%
Suretyship	303,322	303,322	100.0%	100.0%
Miscellaneous financial loss	2,246,894	1,516,555	67.5%	86.1%
Legal expenses	8,591	8,591	100.0%	100.0%
Assistance	14,654	14,654	100.0%	100.0%
Life	788,501	490,281	62.2%	62.3%
Unit-linked life	100,823	50,586	50.2%	45.1%
Total non-life	**190,793,930**	**161,324,577**	**84.6%**	**84.3%**
Total life	**889,323**	**540,868**	**60.8%**	**59.7%**
Total	**191,683,253**	**161,865,444**	**84.4%**	**84.2%**

138 Performance indicators are given pursuant to the Decision on the annual report and quarterly financial statements of insurance companies (Official Gazette of the Republic of Slovenia, nos. 1/2016 and 85/2016).

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Development of gross claims paid

EUR	2020	2019	Index
	1	2	1/2
Personal accident	2,126,612	2,062,447	103.1
Health	843,927	52,857	1,596.6
Land motor vehicles	11,099,585	11,584,751	95.8
Railway rolling stock	100,665	75,260	133.8
Aircraft hull	608,729	200,356	303.8
Ships hull	9,544,523	5,251,544	181.7
Goods in transit	2,509,139	2,198,756	114.1
Fire	39,758,902	39,213,374	101.4
Other damage to property	9,023,457	11,399,877	79.2
Motor vehicle liability	11,087,292	12,074,702	91.8
Aircraft liability	32,202	7,152	450.2
Liability for ships	377,121	339,854	111.0
General liability	2,632,946	2,264,745	116.3
Credit	-107,166	-187,253	57.2
Suretyship	57,956	87,001	66.6
Miscellaneous financial loss	521,821	234,966	222.1
Legal expenses	752	1,709	44.0
Assistance	217	343	63.3
Life	50,910	60,918	83.6
Unit-linked life	33,418	60,361	55.4
Total non-life	**90,218,679**	**86,862,442**	**103.9**
Total life	**84,327**	**121,279**	**69.5**
Total	**90,303,006**	**86,983,721**	**103.8**

Loss ratios

EUR, except percentages	Gross premiums written	Gross claims paid	2020	2019
	1	2	2/1	
Personal accident	5,764,658	2,126,612	36.9%	39.8%
Health	315,856	843,927	267.2%	278.5%
Land motor vehicles	20,525,041	11,099,585	54.1%	60.7%
Railway rolling stock	194,000	100,665	51.9%	25.2%
Aircraft hull	178,814	608,729	340.4%	204.8%
Ships hull	12,315,957	9,544,523	77.5%	82.0%
Goods in transit	4,375,968	2,509,139	57.3%	76.6%
Fire	86,764,915	39,758,902	45.8%	53.1%
Other damage to property	26,684,911	9,023,457	33.8%	50.3%
Motor vehicle liability	16,202,151	11,087,292	68.4%	59.4%
Aircraft liability	205,625	32,202	15.7%	9.0%
Liability for ships	465,542	377,121	81.0%	117.3%
General liability	13,671,456	2,632,946	19.3%	24.1%
Credit	555,574	-107,166	-19.3%	-66.9%
Suretyship	303,322	57,956	19.1%	47.1%
Miscellaneous financial loss	2,246,894	521,821	23.2%	5.1%
Legal expenses	8,591	752	8.8%	18.4%
Assistance	14,654	217	1.5%	3.2%
Life	788,501	50,910	6.5%	8.3%
Unit-linked life	100,823	33,418	33.1%	45.1%
Total non-life	**190,793,930**	**90,218,679**	**47.3%**	**52.4%**
Total life	**889,323**	**84,327**	**9.5%**	**13.9%**
Total	**191,683,253**	**90,303,006**	**47.1%**	**52.2%**

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Administrative expenses as percentage of gross premiums written

EUR, except percentages	Gross premiums written	Operating expenses*	2020	2019
	1	2	2/1	
Personal accident	5,764,658	1,773,720	30.8%	34.6%
Health	315,856	48,809	15.5%	40.4%
Land motor vehicles	20,525,041	5,233,314	25.5%	27.7%
Railway rolling stock	194,000	107,119	55.2%	60.1%
Aircraft hull	178,814	52,030	29.1%	71.4%
Ships hull	12,315,957	2,741,371	22.3%	19.0%
Goods in transit	4,375,968	1,122,777	25.7%	30.9%
Fire	86,764,915	21,472,635	24.7%	26.1%
Other damage to property	26,684,911	5,972,768	22.4%	24.0%
Motor vehicle liability	16,202,151	4,331,931	26.7%	22.1%
Aircraft liability	205,625	39,338	19.1%	17.9%
Liability for ships	465,542	124,771	26.8%	41.5%
General liability	13,671,456	3,665,343	26.8%	29.5%
Credit	555,574	251,870	45.3%	108.9%
Suretyship	303,322	84,463	27.8%	16.6%
Miscellaneous financial loss	2,246,894	660,256	29.4%	34.6%
Legal expenses	8,591	5,306	61.8%	30.2%
Assistance	14,654	2,154	14.7%	19.3%
Life	788,501	194,258	24.6%	27.0%
Unit-linked life	100,823	40,477	40.1%	33.6%
Total non-life	**190,793,930**	**47,689,973**	**25.0%**	**26.2%**
Total life	**889,323**	**234,735**	**26.4%**	**28.0%**
Total	**191,683,253**	**47,924,708**	**25.0%**	**26.2%**

** Included are only the operating expenses relating to reinsurance operations (excluding administrative expenses relating to the Group).*

Acquisition costs (commission) as percentage of gross premiums written

EUR, except percentages	Gross premiums written	Acquisition costs	2020	2019
	1	2	2/1	
Personal accident	5,764,658	1,388,442	24.1%	26.5%
Health	315,856	46,946	14.9%	12.4%
Land motor vehicles	20,525,041	4,097,672	20.0%	20.8%
Railway rolling stock	194,000	67,082	34.6%	26.1%
Aircraft hull	178,814	25,296	14.1%	21.5%
Ships hull	12,315,957	2,340,028	19.0%	19.7%
Goods in transit	4,375,968	851,744	19.5%	25.1%
Fire	86,764,915	18,513,283	21.3%	21.9%
Other damage to property	26,684,911	5,334,904	20.0%	19.8%
Motor vehicle liability	16,202,151	3,180,513	19.6%	17.2%
Aircraft liability	205,625	32,956	16.0%	14.3%
Liability for ships	465,542	105,066	22.6%	26.0%
General liability	13,671,456	3,539,662	25.9%	26.9%
Credit	555,574	179,355	32.3%	33.9%
Suretyship	303,322	78,014	25.7%	16.2%
Miscellaneous financial loss	2,246,894	513,562	22.9%	26.4%
Legal expenses	8,591	5,012	58.3%	32.8%
Assistance	14,654	1,465	10.0%	9.9%
Life	788,501	159,745	20.3%	22.7%
Unit-linked life	100,823	36,893	36.6%	29.3%
Total non-life	**190,793,930**	**40,301,002**	**21.1%**	**21.4%**
Total life	**889,323**	**196,638**	**22.1%**	**23.7%**
Total	**191,683,253**	**40,497,640**	**21.1%**	**21.5%**

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Net paid loss ratios

EUR, except percentages	Net premiums earned	Net claims incurred	2020	2019
	1	2	2/1	
Personal accident	5,723,863	1,388,097	24.3%	46.0%
Health	314,710	838,635	266.5%	321.3%
Land motor vehicles	19,373,548	10,263,187	53.0%	62.1%
Railway rolling stock	221,464	133,857	60.4%	23.0%
Aircraft hull	178,153	238,026	133.6%	298.2%
Ships hull	6,705,206	7,268,845	108.4%	113.0%
Goods in transit	4,462,705	2,636,808	59.1%	43.6%
Fire	69,519,192	64,692,002	93.1%	78.2%
Other damage to property	20,671,825	8,497,103	41.1%	62.7%
Motor vehicle liability	16,346,107	10,664,587	65.2%	71.5%
Aircraft liability	92,229	34,273	37.2%	13.1%
Liability for ships	441,295	107,507	24.4%	176.1%
General liability	10,177,591	4,957,620	48.7%	54.1%
Credit	874,345	-244,226	-27.9%	-6.4%
Suretyship	309,335	296,387	95.8%	-15.2%
Miscellaneous financial loss	1,400,506	3,834,166	273.8%	7.0%
Legal expenses	8,666	691	8.0%	17.5%
Assistance	13,508	196	1.4%	2.7%
Life	514,976	134,282	26.1%	6.4%
Unit-linked life	49,568	-4,061	-8.2%	2.8%
Total non-life	**156,834,249**	**115,607,760**	**73.7%**	**68.7%**
Total life	**564,544**	**130,221**	**23.1%**	**6.0%**
Total	**157,398,793**	**115,737,981**	**73.5%**	**68.5%**

Combined loss ratio for non-life insurance business (EUR, except percentages)

Net claims incurred	Administrative expenses	Net premiums earned	2020	2019
1	2	3	(1+2)/3	
115,607,760	13,422,527	156,834,249	82.3%	78.5%

Net investment income as percentage of average investments

EUR	Average investments	Investment income	Investment expenses	Effect of investments 2020	Effect of investments 2019
Non-life insurance register of assets	246,400,050	10,188,904	10,310,184	0.0%	2.9%
Capital fund	323,141,968	3,484,485	5,516,731	-0.6%	13.5%
Total	**569,542,018**	**13,673,389**	**15,826,915**	**-0.4%**	**8.6%**

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Net provisions for outstanding claims as percentage of net earned premiums

EUR, except percentages	Net provision for outstanding claims	Net premiums earned	2020	2019
	1	2	1/2	
Personal accident	5,865,325	5,723,863	102.5%	126.7%
Health	17,752	314,710	5.6%	118.9%
Land motor vehicles	5,136,640	19,373,548	26.5%	33.3%
Railway rolling stock	60,195	221,464	27.2%	10.0%
Aircraft hull	451,721	178,153	253.6%	749.9%
Ships hull	11,847,643	6,705,206	176.7%	279.1%
Goods in transit	4,152,251	4,462,705	93.0%	149.1%
Fire	116,004,618	69,519,192	166.9%	149.6%
Other damage to property	16,300,112	20,671,825	78.9%	87.2%
Motor vehicle liability	29,484,613	16,346,107	180.4%	190.6%
Aircraft liability	33,044	92,229	35.8%	91.2%
Liability for ships	503,054	441,295	114.0%	248.5%
General liability	19,097,500	10,177,591	187.6%	213.1%
Credit	533,969	874,345	61.1%	89.4%
Suretyship	477,337	309,335	154.3%	147.1%
Miscellaneous financial loss	3,601,316	1,400,506	257.1%	6.3%
Legal expenses	48	8,666	0.6%	1.3%
Assistance	23	13,508	0.2%	0.4%
Life	119,157	514,976	23.1%	15.0%
Unit-linked life	15,351	49,568	31.0%	49.4%
Total non-life	**213,567,160**	**156,834,249**	**136.2%**	**133.2%**
Total life	**134,508**	**564,544**	**23.8%**	**19.0%**
Total	**213,701,669**	**157,398,793**	**135.8%**	**132.8%**

Gross profit or loss for the period as percentage of net premiums written (EUR, except percentages)

Gross profit or loss	Net premiums written	2020	2019
1	2	1/2	
-13,529,732	161,865,444	-8.4%	28.0%

Gross profit or loss for the period as percentage of average equity (EUR, except percentages)

Gross profit or loss	Average equity	2020	2019
1	2	1/2	
-13,529,732	338,894,875	-4.0%	11.9%

Gross profit or loss for the period as percentage of average assets (EUR, except percentages)

Gross profit or loss	Average assets	2020	2019
1	2	1/2	
-13,529,732	746,113,073	-1.8%	5.9%

Gross profit or loss for the period per share (EUR, except percentages)

Gross profit or loss	Number of shares	2020	2019
1	2	1/2	
-13,529,732	17,219,662	-0.79	2.28

Receivables arising out of reinsurance business and reinsurers' share of technical provisions as percentage of equity (EUR, except percentages)

Reinsurance receivables	Reinsurers' share of technical provisions	Equity	2020	2019
1	2	3	(1+2)/3	
4,461,167	31,935,116	333,869,060	10.9%	10.3%

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Net premiums written as percentage of average equity and average technical provisions (EUR, except percentages)

Net premiums written	Average equity	Average technical provisions	2020	2019
1	2	3	1/(2+3)	
161,865,444	338,894,875	279,610,731	26.2%	24.2%

Average technical provisions as percentage of net earned premiums (EUR, except percentages)

Average net technical provisions	Net premiums earned	2020	2019
1	2	1/2	
248,063,519	157,398,793	157.6%	161.1%

Equity as percentage of liabilities and equity (EUR, except percentages)

Equity	Liabilities and equity	2020	2019
1	2	1/2	
333,869,060	756,640,585	44.1%	46.8%

Net technical provisions as percentage of liabilities and equity (EUR, except percentages)

Net technical provisions	Liabilities and equity	2020	2019
1	2	1/2	
265,947,755	756,640,585	35.1%	31.3%

Gross premiums written per employee (EUR, except percentages)

Gross premiums written	Number of employees in regular employment	2020	2019
1	2	1/2	
191,683,253	119.375	1,605,724	1,446,505

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APPENDIX B – Financial statements of the Sava Insurance Group pursuant to requirements of the Insurance Supervision Agency

Consolidated statement of financial position – assets

EUR	31 December 2020	31 December 2019	Index
ASSETS	**2,467,251,303**	**1,885,953,003**	**130.8**
Intangible assets	**64,278,611**	**61,060,069**	**105.3**
Property, plant and equipment	**56,985,085**	**57,589,962**	**98.9**
Non-current assets held for sale	**1,288,664**	**570,858**	**225.7**
Deferred tax assets	**4,924,819**	**2,044,124**	**240.9**
Investment property	**16,121,079**	**16,695,132**	**96.6**
Financial investments in associates	**15,056,143**	**581,104**	**0.0**
Financial investments:	**1,430,149,336**	**1,064,874,239**	**134.3**
- in loans and deposits	31,796,178	53,363,639	59.6
- held to maturity	43,679,426	41,586,644	103.0
- available for sale	1,327,264,062	943,663,578	140.7
- measured at fair value	27,409,670	26,260,378	107.6
Assets held for the benefit of policyholders who bear the investment risk	**411,224,812**	**213,159,889**	**192.9**
Reinsurers' and co-insurers' share of technical provisions	**42,609,217**	**38,620,539**	**110.3**
Investment contract assets	**158,765,028**	**151,197,102**	**105.0**
Receivables	**153,871,498**	**159,413,917**	**96.5**
1. Receivables arising out of primary insurance business	135,285,588	139,954,356	96.7
2. Receivables arising out of reinsurance and co-insurance business	6,054,576	6,734,564	89.9
3. Current tax assets	529,831	3,002,507	17.6
4. Other receivables	12,001,503	9,722,490	123.4
Other assets	**28,518,417**	**26,342,037**	**108.3**
Cash and cash equivalents	**83,458,594**	**93,804,031**	**89.0**
Off-balance sheet items	**108,587,402**	**106,701,875**	**101.8**

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Consolidated statement of financial position – equity and liabilities

EUR	31 December 2020	31 December 2019	Index
EQUITY AND LIABILITIES	**2,467,251,303**	**1,885,953,003**	**130.8**
Shareholders' equity	**460,214,488**	**384,776,847**	**119.6**
Share capital	71,856,376	71,856,376	100.0
Capital reserves	43,035,948	43,035,948	100.0
Profit reserves	177,346,871	177,231,792	100.1
Fair value reserve	40,173,090	20,718,610	193.9
Reserve due to fair value revaluation	964,485	924,038	104.4
Retained earnings	73,413,529	42,128,483	174.3
Net profit or loss for the period	56,197,540	31,546,718	178.1
Translation reserve	-3,266,013	-3,168,414	103.1
Equity attributable to owners of the controlling company	**459,721,826**	**384,273,551**	**1,053.8**
Non-controlling interest in equity	**492,662**	**503,296**	**97.9**
Subordinated liabilities	**74,804,974**	**74,822,710**	**0.0**
Technical provisions	**1,233,312,054**	**933,952,709**	**132.1**
Unearned premiums	210,614,842	207,895,397	101.3
Technical provisions for life insurance business	465,641,679	211,877,103	219.8
Provision for outstanding claims	547,764,679	502,914,277	108.9
Other technical provisions	9,290,854	11,265,932	82.5
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**409,604,428**	**220,613,698**	**185.7**
Other provisions	**9,287,735**	**8,705,469**	**106.7**
Deferred tax liabilities	**14,901,575**	**5,294,664**	**281.4**
Investment contract liabilities	**158,596,453**	**151,040,643**	**105.0**
Other financial liabilities	**470,937**	**355,908**	**132.3**
Liabilities from operating activities	**58,412,273**	**61,290,549**	**95.3**
1. Liabilities from primary insurance business	46,269,833	50,356,998	91.9
2. Liabilities from reinsurance and co-insurance business	6,837,159	9,300,437	73.5
3. Current income tax liabilities	5,305,281	1,633,114	324.9
Other liabilities	**47,646,386**	**45,099,806**	**105.6**
Off-balance sheet items	**108,587,402**	**106,701,875**	**101.8**

Disclosure of off-balance sheet items

EUR	2020	2019
Outstanding recourse receivables	29,626,929	29,537,104
Receivables from the cancellation of subordinated financial instruments	37,960,300	37,960,300
Other potential reinsurance receivables	1,687,112	0
Contingent assets	**69,274,341**	**67,497,404**

EUR	2020	2019
Guarantees issued	39,211,069	39,204,470
Civil claims	101,992	0
Contingent liabilities	**39,313,061**	**39,204,470**

In its off-balance sheet items for 2020 and 2019, the Group shows contingent assets in the amount of its cancelled subordinated instruments, regarding which the Group is continuing activities for the protection of its interests. In December 2016, claims were filed against the issuing banks of the subordinated financial instruments held by the Group prior to their cancellation.

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Consolidated income statement

EUR	1–12/2020	1–12/2019	Index
Net earned premiums	**635,361,568**	**548,040,035**	**115.9**
- gross premiums written	679,749,305	598,526,157	113.6
- written premiums ceded to reinsurers and co-insurers	-41,050,900	-36,146,607	113.6
- change in unearned premiums	-3,336,837	-14,339,515	23.3
Investment income	**90,214,153**	**57,568,252**	**156.7**
Other technical income, of which	**28,513,698**	**19,302,796**	**147.7**
- commission income	5,899,388	4,291,946	137.5
Other income	**30,895,868**	**27,693,576**	**111.6**
Net claims incurred	**-426,695,412**	**-399,191,460**	**106.9**
- gross claims payments	-399,532,382	-392,032,235	101.9
- reinsurers' and co-insurers' shares	5,199,171	10,559,367	49.2
- change in provision for outstanding claims	-32,362,201	-17,718,592	182.6
Change in other technical provisions	**40,613,572**	**46,506,883**	**87.3**
Change in technical provisions for policyholders who bear the investment risk	**-35,479,642**	**-12,825,182**	**276.6**
Expenses for bonuses and rebates	**-103,253**	**227,917**	**-45.3**
Operating expenses, of which	**-203,216,146**	**-186,955,234**	**108.7**
- acquisition costs	-72,849,651	-62,885,263	115.8
Expenses relating to investments in subsidiaries and associates, of this	**-2,096,868**	**-54,721**	**0.0**
Loss arising out of investments in equity-accounted associate	0	-54,721	0.0
Investment expenses, of this	**-53,843,706**	**-15,723,355**	**342.4**
Other technical expenses	**-33,294,044**	**-22,002,095**	**151.3**
Other expenses	**-3,265,162**	**-4,561,305**	**71.6**
Profit or loss before tax	**67,746,714**	**60,744,016**	**111.5**
Income tax expense	**-11,360,415**	**-10,549,428**	**107.7**
Net profit or loss for the period	**56,386,299**	**50,194,588**	**112.3**
Net profit or loss attributable to owners of the controlling company	**56,222,528**	**49,977,170**	**112.5**
Net profit or loss attributable to non-controlling interests	**163,771**	**217,418**	**75.3**
Basic earnings/loss per share	**3.63**	**3.22**	**112.5**
Diluted earnings/loss per share	**3.63**	**3.22**	**112.5**

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Consolidated statement of other comprehensive income

EUR			1–12/2020	1–12/2019	Index
A	Technical account – non-life business other than health business				
I.	**Net earned premiums**		**502,053,711**	**458,068,929**	**109.6**
	1.	Gross premiums written	536,681,876	503,505,974	106.6
	2.	Premiums written for assumed co-insurance (+)	9,560,530	5,024,920	190.3
	3.	Assumed co-insurance premiums written (-)	-2,711,970	-2,543,779	106.6
	4.	Gross reinsurance premiums written (-)	-38,060,243	-33,507,943	113.6
	5.	Change in gross unearned premiums (+/-)	-2,296,764	-19,337,402	11.9
	6.	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	-1,119,718	4,927,159	-22.7
II.	**Allocated investment return transferred from the non-technical account (item D VIII)**		**15,485**	**0**	**0.0**
III.	**Other net technical income**		**2,541,664**	**3,675,053**	**69.2**
IV.	**Net claims and benefits incurred**		**304,612,679**	**284,724,573**	**107.0**
	1.	Gross claims payments	281,011,677	282,576,366	99.5
	2.	Income from realised gross recourse receivables (-)	-7,400,032	-7,837,961	94.4
	3.	Co-insurers' shares paid (+/-)	4,112,039	808,829	508.4
	4.	Reinsurers' shares paid (-)	-9,276,507	-11,366,540	81.6
	5.	Change in the gross claims provision (+/-)	40,328,104	26,694,915	151.1
	6.	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	-4,162,602	-6,151,036	67.7
V.	**Change in other net technical provisions (+/-)**		**-2,223,677**	**-270,982**	**820.6**
VI.	**Net expenses for bonuses and rebates**		**103,253**	**-227,917**	**-45.3**
VII.	**Net operating expenses**		**166,224,300**	**155,706,897**	**106.8**
	1.	Acquisition costs	65,625,215	59,191,098	110.9
	2.	Change in deferred acquisition costs (+/-)	-1,017,999	-2,951,874	34.5
	3.	Other operating expenses	107,508,953	103,755,395	103.6
	3.1.	Depreciation/amortisation of operating assets	8,645,799	6,731,801	128.4
	3.2.	Personnel costs	67,033,350	62,757,579	106.8
	3.3.	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	494,027	618,656	79.9
	3.4.	Other operating expenses	31,335,777	33,647,359	93.1
	4.	Income from reinsurance commission and reinsurance contract profit participation (-)	-5,891,869	-4,287,722	137.4
VIII.	**Other net technical expenses**		**9,060,104**	**8,529,820**	**106.2**
IX.	**Balance on the technical account – non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)**		**26,834,201**	**13,281,591**	**202.0**

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Consolidated statement of other comprehensive income (continued)

EUR		1–12/2020	1–12/2019	Index
B	Technical account – life insurance business			
I.	**Net earned premiums**	**133,307,857**	**89,971,106**	**148.2**
1.	Gross premiums written	133,506,722	89,995,484	148.4
2.	Premiums written for assumed co-insurance (+)	177	-221	-80.1
3.	Assumed co-insurance premiums written (-)	-17,662	-20,376	86.7
4.	Gross reinsurance premiums written (-)	-261,025	-74,509	350.3
5.	Change in gross unearned premiums (+/-)	80,053	70,820	113.0
6.	Change in unearned premiums for the reinsurance part (+/-)	-408	-92	443.5
II.	**Investment income**	**13,694,808**	**7,065,893**	**193.8**
1.	Income from participating interests	827,725	273,199	303.0
2.	Income from other investments	9,764,418	5,998,013	162.8
2.2.	Interest income	9,011,430	5,582,174	161.4
2.3.	Other investment income	752,988	415,839	181.1
2.3.1	Financial income from revaluation	494,802	164,411	301.0
2.3.2	Other financial income	258,186	251,428	102.7
4.	Gains on disposal of investments	3,102,665	794,681	390.4
III.	**Net unrealised gains on investments of life insurance policyholders who bear the investment risk**	**58,378,999**	**32,947,853**	**177.2**
IV.	**Other net technical income**	**2,132,306**	**878,033**	**0.0**
V.	**Net claims and benefits incurred**	**122,082,733**	**114,466,887**	**106.7**
1.	Gross claims payments	125,920,737	117,293,830	107.4
3.	Reinsurers' shares paid (-)	-34,703	-1,656	2095.6
4.	Change in the gross claims provision (+/-)	-4,174,085	-2,825,273	147.7
5.	Change in the provision for outstanding claims for reinsurance (+/-)	370,784	-14	-2648457.1
VI.	**Change in diverse other net technical provisions (+/-)**	**-2,910,253**	**-33,410,719**	**8.7**
1.	Change in the mathematical provision	-2,910,253	-33,410,719	8.7
1.1.	Change in the gross mathematical provision (+/-)	-2,910,253	-33,410,719	8.7
VIII.	**Net operating expenses**	**31,092,458**	**26,956,391**	**115.3**
1.	Acquisition costs	8,785,651	6,602,579	133.1
2.	Change in deferred acquisition costs (+/-)	-543,216	43,460	-1249.9
3.	Other operating expenses	22,857,542	20,314,576	112.5
3.1.	Depreciation/amortisation of operating assets	1,249,718	905,850	138.0

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		3.2. Personnel costs	13,995,523	11,925,482	117.4
		3.3. Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	113,631	104,123	109.1
		3.4. Other operating expenses	7,498,670	7,379,121	101.6
	4.	Income from reinsurance commission and reinsurance contract profit participation (-)	-7,519	-4,224	178.0
IX.	**Investment expenses**		**3,515,764**	**453,138**	**775.9**
	1.	Depreciation of investments not necessary for operations	1,342	1,342	100.0
	2.	Asset management expenses, interest expenses and other financial expenses	259,819	101,877	255.0
	3.	Financial expenses from revaluation	983,890	165,618	594.1
	4.	Losses on disposal of investments	2,270,713	184,301	1232.1
X.	**Net unrealised losses on investments of life insurance policyholders who bear the investment risk**		**35,335,474**	**9,669,269**	**365.4**
XI.	**Other net technical expenses**		**1,471,807**	**1,302,839**	**113.0**
	2.	Other net technical expenses	1,471,807	1,302,839	113.0
XII.	**Allocated investment return transferred to the non-technical account (item D V) (-)**		**114**	**0**	**0**
XIII.	**Balance on the technical account – life business (I+II+III+IV-V+VI-VII-VIII-IX-X-XI-XII)**		**16,925,873**	**11,425,080**	**148.2**
C.	**Non-technical account**				
I.	**Balance on the technical account – non-life business (A X)**		**26,834,201**	**13,281,591**	**202.0**
II.	**Balance on the technical account – life business (B XIII)**		**16,925,873**	**11,425,080**	**148.1**
III.	**Investment income**		**19,588,218**	**21,599,402**	**90.7**
	1.	Income from participating interests	487,951	4,067,743	12.0
	2.	Income from other investments	14,757,156	15,820,981	93.3
		2.1. Income from land and buildings	1,305,784	1,326,987	98.4
		2.2. Interest income	7,140,008	8,434,250	84.7
		2.3. Other investment income	6,311,364	6,059,744	104.2
		2.3.1 Financial income from revaluation	4,892,476	5,591,042	87.5
		2.3.2 Other financial income	1,418,888	468,702	302.7
	4.	Gains on disposal of investments	4,343,111	1,710,678	253.9
V.	**Allocated investment return transferred to the technical account, life insurance (B XII)**		**114**	**0**	**0.0**
VII.	**Investment expenses**		**17,369,012**	**6,002,840**	**289.4**
	1.	Depreciation of investments not necessary for operations	278,334	345,829	80.5
	2.	Asset management expenses, interest expenses and other financial expenses	3,228,289	736,801	438.2
	3.	Financial expenses from revaluation	12,405,839	4,180,804	296.7

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Consolidated statement of other comprehensive income (continued)

EUR			1–12/2020	1–12/2019	Index
	4.	Losses on disposal of investments	1,456,550	739,406	197.0
VIII.	**Allocated investment return transferred to the technical account for non-life business other than health business (A II)**		**15,485**	**0**	**0.0**
IX.	**Other technical income**		**17,940,340**	**10,457,764**	**171.6**
	1.	Other income from non-life business other than health business	17,839,933	10,382,604	171.8
	2.	Other income from life business	100,407	75,160	133.6
X.	**Other technical expenses**		**22,762,133**	**12,169,436**	**187.0**
	1.	Other expenses for non-life business other than health business	22,568,034	11,871,142	190.1
	2.	Other expenses for life business	194,099	298,294	65.1
XI.	**Other income**		**29,590,084**	**26,366,589**	**112.2**
	1.	Other non-life income	14,768,683	17,068,646	86.5
	2.	Other expenses for life business	14,821,401	9,297,943	159.4
XII.	**Other expenses**		**2,985,486**	**4,214,134**	**70.8**
	1.	Other non-life expenses	2,862,331	4,138,425	69.2
	2.	Other expenses for life business	123,155	75,709	162.7
XIII.	**Profit or loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)**		**67,746,714**	**60,744,016**	**111.5**
	1.	Profit or loss for the period for non-life business	36,216,173	40,319,836	89.8
	2.	Profit or loss for the period for life business	31,530,541	20,424,180	154.4
XIV.	**Tax on profit**		**14,177,732**	**10,638,449**	**133.3**
	1.1.	Tax on profit from non-life business	9,718,325	7,501,315	129.6
	1.2.	Tax on profit from life business	4,459,407	3,137,134	142.2
XV.	**Deferred tax**		**-2,817,317**	**-89,021**	**3164.8**
	1.1.	Deferred tax for non-life business	-2,715,187	-21,906	12394.7
	1.2.	Deferred tax for life business	-102,130	-67,115	152.2
XVI.	**Net profit or loss for the period (XIII-XIV+XV)**		**56,386,299**	**50,194,588**	**112.3**
	Disaggregation of profit or loss				
	- From non-life insurance business		29,213,035	32,840,427	89.0
	- From life business		27,173,264	17,354,161	156.6

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Consolidated statement of other comprehensive income (continued)

EUR		1–12/2020	1–12/2019	Index
D.	**Calculation of comprehensive income**			
I.	**Profit or loss for the year, net of tax**	**56,386,299**	**50,194,588**	**112.3**
II.	**Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+10)**	**19,396,797**	**9,394,773**	**206.5**
a)	**Items that will not be reclassified subsequently to profit or loss**	**40,447**	**87,291**	**46.3**
	5. Other items that will not be reclassified subsequently to profit or loss	-66,465	100,688	-66.0
	6. Tax on items that will not be reclassified subsequently to profit or loss	106,912	-13,397	-798.0
b)	**Items that may be reclassified subsequently to profit or loss**	**19,356,350**	**9,307,482**	**208.0**
	1. Net gains/losses on remeasuring available-for-sale financial assets	24,016,152	10,875,034	220.8
	4. Tax on items that may be reclassified subsequently to profit or loss	-4,561,530	-1,769,074	257.8
	5. Exchange differences on translating foreign operations	-98,272	201,522	-48.8
III.	**Total comprehensive income (I + II)**	**75,783,096**	**59,589,361**	**127.2**

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Consolidated statement of cash flows

EUR			1–12/2020	1–12/2019
A.	**Cash flows from operating activities**			
	a)	**Items of the income statement**	**56,739,389**	**9,838,747**
	1.	Net premiums written in the period	638,698,405	563,103,624
	2.	Investment income (other than finance income)	1,678,401	790,843
	3.	Other operating income (excl. revaluation income and releases from provisions) and finance income from operating receivables	35,554,765	46,947,090
	4.	Net claims payments in the period	-394,333,211	-381,718,325
	5.	Expenses for bonuses and rebates	-103,253	227,917
	6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-194,881,844	-182,179,044
	7.	Investment expenses (excluding amortisation and financial expenses)	-335,511	-206,757
	8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-18,177,948	-26,577,173
	9.	Tax on profit and other taxes not included in operating expenses	-11,360,415	-10,549,428
	b)	**Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the income statement**	**5,777,701**	**-40,892,577**
	1.	Change in receivables from primary insurance	4,668,768	-13,420,595
	2.	Change in receivables from reinsurance	679,988	-898,766
	3.	Change in other receivables from (re)insurance business	-292,456	351,279
	4.	Change in other receivables and other assets	-1,640,935	-6,547,123
	5.	Change in deferred tax assets	-2,880,695	-17,652
	6.	Change in inventories	-24,663	-34,504
	7.	Change in liabilities arising out of primary insurance	-4,087,165	6,078,484
	8.	Change in liabilities arising out of reinsurance business	-2,463,278	3,124,405
	9.	Change in other operating liabilities	3,672,167	4,956,061
	10.	Change in other liabilities (except unearned premiums)	-1,460,941	-38,081,647
	11.	Change in deferred tax liabilities	9,606,911	3,597,481
	c)	**Net cash from/used in operating activities (a + b)**	**62,517,090**	**-31,053,830**

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EUR			1–12/2020	1–12/2019
B.	**Cash flows from investing activities**			
	a)	**Cash receipts from investing activities**	**445,230,153**	**472,776,934**
		1. Interest received from investing activities	16,151,438	14,016,424
		2. Cash receipts from dividends and participation in the profit of others	1,173,588	1,623,033
		3. Proceeds from sale of intangible assets	155,228	140,191
		4. Proceeds from sale of property, plant and equipment assets	328,102	363,166
		5. Proceeds from disposal of financial investments	427,421,797	456,634,120
		5.2. Other proceeds from disposal of financial investments	427,421,797	456,634,120
	b)	**Cash disbursements in investing activities**	**-524,976,502**	**-472,210,012**
		1. Purchase of intangible assets	-6,899,448	-3,233,676
		2. Purchase of property, plant and equipment	-5,858,451	-7,852,849
		3. Purchase of long-term financial investments	-512,218,603	-461,123,487
		3.1. Purchase of subsidiaries or other companies	-83,489,797	-31,537,763
		3.2. Other disbursements to acquire financial investments	-428,728,806	-429,585,724
	c)	**Net cash from/used in investing activities (a + b)**	**-79,746,349**	**566,922**
C.	**Cash flows from financing activities**			
	a)	**Cash receipts from financing activities**	**0**	**74,327,980**
		2. Proceeds from long-term borrowing	0	74,327,980
	b)	**Cash disbursements in financing activities**	**-6,015,569**	**-17,401,201**
		1. Interest paid	-3,152,597	-682,017
		3. Repayment of long-term financial liabilities	-2,689,097	-1,731,215
		5. Dividends and other profit participations paid	-173,875	-14,987,969
	c)	**Net cash from/used in financing activities (a + b)**	**-6,015,569**	**56,926,779**
C2.	**Closing balance of cash and cash equivalents**		**83.458.594**	**93.804.031**
	x)	**Net increase or decrease in cash and cash equivalents for the period (Ac + Bc + Cc)**	**-23,244,828**	**26,439,871**
	y)	**Opening balance of cash and cash equivalents**	**93,804,031**	**64,657,431**
	Opening balance of cash and cash equivalents – acquisition		**12,899,391**	**2,706,729**

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APPENDIX C – Financial statements of Sava Re pursuant to requirements of the Insurance Supervision Agency

Statement of financial position

EUR			31 December 2020	31 December 2019	Index
ASSETS (A–F)			756,640,585	735,585,561	102.9
A.		**Intangible assets**	**1,947,056**	**1,294,110**	**150.5**
B.		**Property, plant and equipment**	**2,446,107**	**2,623,011**	**93.3**
D.		**Deferred tax assets**	**3,487,337**	**1,141,098**	**305.6**
E.		**Investment property**	**8,031,875**	**8,142,714**	**98.6**
F.		**Financial investments in Group companies and associates, of which**	**319,097,412**	**238,177,654**	**134.0**
G.		**Financial investments**	**269,537,788**	**296,096,594**	**91.0**
	-	in loans and deposits	12,228,804	32,047,969	38.2
	-	held to maturity	2,816,598	2,075,784	99.9
	-	available for sale	246,840,118	255,270,080	96.7
	-	measured at fair value	7,652,268	6,702,761	125.2
I.		**Amount of technical provisions transferred to reinsurers and co-insurers**	**31,935,116**	**31,159,308**	**102.5**
K.		**Receivables**	**86,753,033**	**97,024,000**	**89.4**
	1.	Receivables arising out of primary insurance business	79,662,908	89,537,760	89.0
	2.	Receivables arising out of reinsurance and co-insurance business	4,461,167	4,214,830	105.8
	3.	Current tax assets	325,472	2,802,044	11.6
	4.	Other receivables	2,303,486	469,366	490.8
L.		**Other assets**	**6,324,715**	**6,995,852**	**90.4**
M.		**Cash and cash equivalents**	**27,080,146**	**52,931,222**	**51.2**
N.		**Off-balance sheet items**	**23,294,295**	**23,903,498**	**97.5**
EQUITY AND LIABILITIES (A–H)			756,640,585	735,585,561	102.9
A.		**Equity**	**333,869,060**	**343,920,689**	**97.1**
	1.	Share capital	71,856,376	71,856,376	100.0
	2.	Capital reserves	54,239,757	54,239,757	100.0
	3.	Profit reserves	177,879,849	177,879,849	100.0
	4.	Fair value reserve	6,039,787	5,217,524	115.8
	5.	Reserve due to fair value revaluation	46,586	21,376	217.9

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Statement of financial position (continued)

EUR			31 December 2020	31 December 2019	Index
	6.	Retained earnings	34,797,321	14,517,789	239.7
	7.	Net profit or loss for the period	-10,990,617	20,188,017	-54.4
B.		**Subordinated liabilities**	**74,804,974**	**74,822,710**	**100.0**
C.		**Technical provisions**	**297,882,871**	**261,338,591**	**114.0**
	1.	Unearned premiums	57,411,109	54,588,057	105.2
	3.	Provision for outstanding claims	238,990,653	205,064,638	116.5
	4.	Other technical provisions	1,481,109	1,685,896	87.9
E.		**Other provisions**	**424,345**	**466,901**	**90.9**
G.		**Deferred tax liabilities**	**76,227**	**76,227**	**100.0**
I.		**Other financial liabilities**	**0**	**87,504**	**0.0**
J.		**Liabilities from operating activities**	**45,389,434**	**51,086,602**	**88.9**
	1.	Liabilities from primary insurance business	40,565,890	44,373,937	91.4
	2.	Liabilities from reinsurance and co-insurance business	4,823,544	6,712,665	71.9
K.		**Other liabilities**	**4,193,673**	**3,786,336**	**110.8**
L.		**Off-balance sheet items**	**23,294,294**	**23,903,498**	**97.5**

Disclosure of off-balance sheet items

EUR	2020	2019
Receivables from the cancellation of subordinated financial instruments	10,038,000	10,038,000
Contingent assets	**10,038,000**	**10,038,000**

EUR	2020	2019
Guarantees issued	13,825,942	6,735,056
Contingent liabilities	**13,825,942**	**6,735,056**

In its off-balance sheet items for 2020 and 2019, the Company shows contingent assets in the amount of its cancelled subordinated instruments, regarding which the Company is continuing activities for the protection of its interests. In December 2016, claims were filed against the issuing banks of the subordinated financial instruments held by the Company prior to their cancellation.

Income statement

EUR	1–12/2020	1–12/2019	Index
Net earned premiums	**157,398,793**	**137,446,312**	**114.5**
- gross premiums written	191,683,253	166,528,931	115.1
- written premiums ceded to reinsurers and co-insurers	-29,817,808	-26,361,308	113.1
- change in unearned premiums	-4,466,651	-2,721,310	164.1
Income from investments in associated companies, of this	**2,589,986**	**36,947,895**	**7.0**
Other income	2,589,986	36,947,895	7.0
Investment income	**6,064,021**	**7,075,808**	**85.7**
Interest income	3,047,007	3,463,383	88.0
Other investment income	3,017,014	3,612,425	83.5
Other technical income, of which	**4,554,918**	**3,785,460**	**120.3**
- commission income	4,140,292	3,063,492	135.1
- Other technical income	414,625	721,968	57.4
Other income	**860,650**	**804,538**	**107.0**
Net claims incurred	**-115,737,981**	**-94,118,562**	**123.0**
- gross claims payments	-90,303,006	-86,983,721	103.8
- reinsurers' and co-insurers' shares	6,071,633	6,938,323	87.5
- change in provision for outstanding claims	-31,506,608	-14,073,163	223.9
Change in other technical provisions	**209,214**	**-777,682**	**-26.9**
Expenses for bonuses and rebates	**-4,427**	**128,731**	**-3.4**
Operating expenses, of which	**-54,637,288**	**-50,458,512**	**108.3**
- Acquisition costs	-41,214,762	-36,991,102	111.4
Other operating expenses	-13,422,527	-13,467,410	99.7
Expenses relating to investments in subsidiaries and associates	**-2,570,083**	**0**	**0.0**
Impairment losses	-2,570,083	0	0.0
Investment expenses, of this	**-8,801,803**	**-892,197**	**986.5**
- Impairment losses on financial assets not at fair value through profit or loss	-429,356	0	0.0
Interest expense	-2,895,938	-495,157	584.9
Other investment expenses	-5,476,509	-397,040	1,379.3
Other technical expenses	**-3,213,645**	**-425,566**	**755.1**
Other expenses	**-242,087**	**-289,185**	**83.7**
Profit or loss before tax	**-13,529,732**	**39,227,041**	**-34.5**
Income tax expense	**2,539,116**	**-645,328**	**-393.5**
Net profit or loss for the period	**-10,990,617**	**38,581,713**	**-28.5**
Basic earnings/loss per share	**-0.71**	**2.49**	**-28.49**
Diluted earnings/loss per share	**-0.71**	**2.49**	**-28.49**

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Statement of other comprehensive income

EUR				1–12/2020	1–12/2019	Index
A	Technical account – non-life business other than health business					
I.	**Net earned premiums**			**157,398,791**	**137,446,312**	**114.5**
	1.	Gross premiums written		191,683,252	166,528,931	115.1
	4.	Gross reinsurance premiums written (-)		-29,817,809	-26,361,308	113.1
	5.	Change in gross unearned premiums (+/-)		-2,823,053	-7,440,552	37.9
	6.	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)		-1,643,599	4,719,241	-34.8
II.	**Allocated investment return transferred from the non-technical account (item D VIII)**			**-121,280**	**6,136,328**	**-2.0**
IV.	**Net claims and benefits incurred**			**115,737,980**	**94,118,562**	**123.0**
	1.	Gross claims payments		91,323,461	88,227,924	103.5
	2.	Income from realised gross recourse receivables (-)		-1,020,455	-1,244,203	82.0
	4.	Reinsurers' shares paid (-)		-6,071,633	-6,938,323	87.5
	5.	Change in the gross claims provision (+/-)		33,926,015	19,076,010	177.9
	6.	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)		-2,419,407	-5,002,847	48.4
V.	**Change in other net technical provisions (+/-)**			**209,214**	**-777,682**	**-26.9**
VI.	**Net expenses for bonuses and rebates**			**4,427**	**-128,731**	**-3.4**
VII.	**Net operating expenses**			**50,496,994**	**47,395,020**	**106.5**
	1.	Acquisition costs		40,497,640	35,723,768	113.4
	2.	Change in deferred acquisition costs (+/-)		717,122	1,267,334	56.6
	3.	Other operating expenses		13,422,524	13,467,410	99.7
		3.1.	Depreciation/amortisation of operating assets	581,188	572,811	101.5
		3.2.	Personnel costs	9,257,884	8,482,767	109.1
		3.3.	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	193,944	269,364	72.0
		3.4.	Other operating expenses	3,389,508	4,142,467	81.8
	4.	Income from reinsurance commission and reinsurance contract profit participation (-)		-4,140,292	-3,063,492	135.2
VIII.	**Other net technical expenses**			**211,298**	**197,141**	**107.2**
	1.	Expenses for loss prevention activities		14	14	101.5
	3.	Other net technical expenses		211,284	197,127	107.2
IX.	**Balance on the technical account – non-life business other than health business (I+II+III-IV+V-VI-VII-VIII)**			**-8,963,974**	**1,222,966**	**-733.0**

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Statement of other comprehensive income (continued)

EUR		1–12/2020	1–12/2019	Index
C.	**Non-technical account**			
I.	Balance on the technical account – non-life business other than health business (A X)	-8,963,974	1,222,966	-733.0
III.	Investment income	9,437,244	44,808,313	21.1
1.	Income from participating interests	2,823,567	37,777,428	7.5
1.1.	Income from participating interests in Group companies	2,589,986	36,947,895	7.0
1.3.	Income from participating interests in other companies	233,581	829,533	28.2
2.	Income from other investments	4,530,807	6,108,329	74.2
2.1.	Income from land and buildings	783,238	784,610	99.8
	- in Group companies	598	0	0.0
	- in other companies	782,640	784,610	99.8
2.2.	Interest income	3,047,006	3,463,383	88.0
	- in Group companies	110,921	100,694	110.2
	- in other companies	2,936,085	3,362,689	87.3
2.3.	Other investment income	700,563	1,860,337	37.7
	2.3.1 Financial income from revaluation	0	1,412,961	0.0
	- in other companies	0	1,412,961	0.0
	2.3.2 Other financial income	700,563	447,375	156.6
	- in other companies	700,563	447,375	156.6
4.	Gains on disposal of investments	2,082,870	922,555	225.8
V.	**Investment expenses**	**11,513,419**	**1,033,050**	**1114.5**
1.	Depreciation of investments not necessary for operations	141,532	140,853	100.5
2.	Asset management expenses, interest expenses and other financial expenses	2,961,028	497,142	595.6
3.	Financial expenses from revaluation	7,631,170	0	0.0
4.	Losses on disposal of investments	779,689	395,055	197.4
VI.	**Allocated investment return transferred to the technical account for non-life business other than health business (A II)**	**-121,280**	**6,136,328**	**-2.0**
VII.	**Other technical income**	**414,625**	**721,968**	**57.4**
1.	Other income from non-life business other than health business	414,625	721,968	57.4
VIII.	**Other technical expenses**	**3,002,347**	**228,425**	**1314.4**
1.	Other expenses for non-life business other than health business	3,002,347	228,425	1314.4
IX.	**Other income**	**77,412**	**19,929**	**388.5**
1.	Other non-life income	77,412	19,929	388.5
X.	**Other expenses**	**100,555**	**148,332**	**67.8**

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Statement of other comprehensive income (continued)

EUR			1–12/2020	1–12/2019	Index
	1.	Other non-life expenses	100,555	148,332	67.8
XI.	**Profit or loss for the year before tax (I+II+III+IV-V-VI+VII-VIII+IX-X)**		**-13,529,734**	**39,227,041**	**-34.5**
	1.	Profit or loss for the period for non-life business	-13,529,734	39,227,041	-34.5
XIV.	**Tax on profit**		**0**	**433,973**	**0.0**
	1.1.	Tax on profit from non-life business	0	433,973	0.0
XV.	**Deferred tax**		**-2,539,116**	**211,355**	**-1201.4**
	1.1.	Deferred tax for non-life business	-2,539,116	211,355	-1201.4
XVI.	**Net profit or loss for the period (XIII-XIV+XV)**		**-10,990,617**	**38,581,713**	**-28.5**
	Disaggregation of profit or loss				
	- From non-life insurance business		-10,990,617	38,581,713	-28.5
D.	**Calculation of comprehensive income**				
I.	**Net profit or loss for the year**		**-10,990,617**	**38,581,713**	**-28.5**
II.	**Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+)**		**847,474**	**2,500,748**	**33.9**
	a)	Items that will not be reclassified subsequently to profit or loss	25,210	-19,396	-130.0
		5. Other items that will not be reclassified subsequently to profit or loss	25,210	-19,396	-130.0
	b)	Items that may be reclassified subsequently to profit or loss	822,263	2,520,144	32.6
		1. Net gains/losses on remeasuring available-for-sale financial assets	1,015,139	3,111,290	32.6
		5. Tax on items that may be reclassified subsequently to profit or loss	-192,875	-591,146	32.6
III.	**Comprehensive income for the year, net of tax (I + II)**		**-10,143,143**	**41,082,461**	**-24.7**

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Cash flow statement

EUR			1–12/2020	1–12/2019	Index
A.	**Cash flows from operating activities**				
a.)		**Items of the income statement**	**29,425,091**	**15,307,896**	**192.2**
	1.	Net premiums written in the period	161,865,444	140,167,623	115.5
	2.	Investment income (other than finance income)	700,563	447,375	156.6
	3.	Other operating income (excl. revaluation income and releases from provisions) and finance income from operating receivables	5,415,568	4,540,716	119.3
	4.	Net claims payments in the period	-84,231,373	-80,045,398	105.2
	5.	Expenses for bonuses and rebates	-4,427	128,731	-3.4
	6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-53,338,978	-48,569,086	109.8
	7.	Investment expenses (excluding amortisation and financial expenses)	-65,089	-1,985	3,278.8
	8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-3,455,732	-714,751	483.5
	9.	Tax on profit and other taxes not included in operating expenses	2,539,116	-645,328	-393.5
b.)		**Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position**	**3,333,692**	**-9,267,909**	**-36.0**
	1.	Change in receivables from primary insurance	9,874,852	-7,019,125	-140.7
	2.	Change in receivables from reinsurance	-246,337	627,449	-39.3
	4.	Change in other receivables and other assets	1,313,588	-4,131,348	-31.8
	5.	Change in deferred tax assets	-2,346,239	802,499	-292.4
	7.	Change in liabilities arising out of primary insurance	-3,808,048	334,808	-1,137.4
	6.	Change in liabilities arising out of reinsurance business	-1,889,121	3,563,271	-53.0
	7.	Change in other operating liabilities	-170,845	-3,649,219	4.7
	8.	Change in other liabilities (except unearned premiums)	605,842	203,755	297.3
c.)		**Net cash from/used in operating activities (a + b)**	**32,758,783**	**6,039,986**	**542.4**

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Cash flow statement (continued)

B.	**Cash flows from investing activities**				
	a.)	**Cash receipts from investing activities**	**136,859,562**	**154,665,296**	**88.5**
		1. Interest received from investing activities	3,572,404	3,463,383	103.1
		2. Cash receipts from dividends and participation in the profit of others	2,823,567	41,835,889	6.7
		4. Proceeds from sale of property, plant and equipment assets	42,933	58,347	73.6
		5. Proceeds from sale of financial investments	130,420,657	109,307,678	119.3
	b.)	**Cash disbursements in investing activities**	**-192,507,029**	**-177,470,764**	**108.5**
		1. Purchase of intangible assets	-894,747	-691,749	129.3
		2. Purchase of property, plant and equipment	-169,566	-151,295	112.1
		3. Purchase of financial investments	-191442716	-176,627,720	108.4
	c.)	**Net cash from/used in investing activities (a + b)**	**-55,647,468**	**-22,805,468**	**244.0**
C.	**Cash flows from financing activities**				
	a.)	**Cash receipts from financing activities**	**0**	**74,327,980**	**0.0**
		2. Proceeds from long-term borrowing	0	74,327,980	0.0
	b.)	**Cash disbursements in financing activities**	**-2,962,391**	**-15,282,728**	**19.4**
		1. Interest paid	-2,895,938	-495,157	584.9
		3. Repayment of long-term financial liabilities	-66,452	-64,760	102.6
		5. Dividends and other profit participations paid	0	-14,722,811	0.0
	c.)	**Net cash from/used in financing activities (a + b)**	**-2,962,391**	**59,045,252**	**-5.0**
C2.	**Closing balance of cash and cash equivalents**		**27,080,146**	**52,931,222**	**51.2**
	x)	**Net increase or decrease in cash and cash equivalents for the period (Ac + Bc + Cc)**	**-25,851,075**	**42,279,770**	**-61.1**
	y)	**Opening balance of cash and cash equivalents**	**52,931,221**	**10,651,452**	**496.9**

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APPENDIX C2 – Glossary of selected terms and calculation methods for indicators

Accounting currency. A local currency used in the accounting documentation. Reinsurance contracts may be accounted for in various accounting currencies. Generally, this is the currency of liabilities and receivables due from cedants, and hence also the reinsurer.

Administrative expense ratio. Operating expenses, net of acquisition costs and the change in deferred acquisition costs, as a percentage of gross premiums written.

Associate entity. An entity over which the investor has significant influence (the power to participate in the financial and operating policy decisions) and that is neither a subsidiary nor an interest in a joint venture.

Book value per share. Ratio of total equity to weighted average number of shares outstanding.

Business continuity plan. Document that includes procedures for ensuring the continuous operation of key business processes and systems. The contingency plan is an integral part of the business continuity plan and sets out technical and organisational measures to restore operations and mitigate the consequences of severe business disruptions.

BVAL price (Bloomberg valuation). Price obtained from the Bloomberg information system.

Capital fund. Assets representing the capital of the Company.

CBBT price (Composite Bloomberg Bond Trader). Closing price published by the Bloomberg system based on binding bids.

Cedant, cede, cession. A cedant is the client of a reinsurance company. To cede is to transfer part of any risk an insurer has underwritten to a reinsurer. The part thus transferred to any reinsurer is called a cession.

Claims risk. The risk that the number of claims or the average claim amount will be higher than expected.

CODM (chief operating decision maker) 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.

Composite insurance company. Insurer that writes both life and non-life business.

Comprehensive income. Comprehensive income is made up of two parts. The first part is net profit for the period net of tax as in the income statement; the second part is other comprehensive income for the period, net of tax, comprising the effects of other gains and losses not recognised in the income statement that affect equity, mainly through the fair value reserve.

Consolidated book value per share. Ratio of consolidated total equity to weighted average number of shares outstanding.

Consolidated earnings or loss per share. Ratio of net profit or loss attributable to equity holders of the controlling company as a percentage of the weighted average number of shares outstanding.

Credit risk. The risk of loss of or adverse change in the financial situation of the insurer, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance undertakings are exposed, in the form of counterparty default risk, spread risk or market risk concentrations.

Currency risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.

Dividend yield. Ratio of dividend per share to the rolling average price per share in the period.

EIOPA (European Insurance and Occupational Pensions Authority). European Insurance and Occupational Pensions Authority

Eligible own funds. Own funds eligible to cover the solvency capital requirement.

Equity risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.

Equity risk. Risk that the value of investments will decrease due to fluctuations in equity markets.

Excess of loss reinsurance. A type of reinsurance in which the insurer agrees to pay a specified portion of a claim and the reinsurer agrees to pay all or a part of the claim above the specified currency amount or "retention".

Facultative reinsurance. A type of reinsurance under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks of the underlying policy. Typically used to reinsure large individual risks or for amounts in excess of limits on risks already reinsured elsewhere.

FATCA (Foreign Account Tax Compliance Act).

Financial investments. Financial investments do not include financial investments in associates, investment property, or cash and cash equivalents.

Financial risk. It comprises the risk of failure to achieve the guaranteed return, interest rate risk, equity risk, risk of alternative investments, currency risk, liquidity risk and credit risk.

FoS (freedom of service). Business written within the European Economic Area based on the freedom of services right to provide services on a cross-border basis.

FVTPL (fair value through profit or loss). Financial instruments measured at fair value through profit or loss.

Gross claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables. Gross claims paid are claims before deduction of reinsurance.

Gross claims payments. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses. Gross/net: before or after deduction of reinsurance. Gross claim payments less realised income from recourse receivables (short: gross claims paid) Net claim payments, net of realised income from recourse receivables (short: net claims paid).

Gross expense ratio. The ratio of operating expenses as a percentage of gross premiums written. The Group's ratio is calculated for the reinsurance, non-life insurance and life insurance operating segments.

Gross incurred loss ratio. Gross claims paid, including the change in the gross provision for outstanding claims, as a percentage of gross premiums written, including the change in gross unearned premiums. The Group's ratio is calculated for the reinsurance and non-life insurance operating segments.

Gross insurance premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross/net: before or after deduction of reinsurance. Gross premiums written (short: gross premiums). Net premiums written (short: net premiums).

Gross operating expenses. Operating expenses, net of the change in deferred acquisition costs (policy acquisition costs and other operating expenses).

Gross premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross premiums written are premiums before deduction of reinsurance.

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Gross/net. In insurance terminology, the terms gross and net usually denote figures before or after deduction of reinsurance.

IBNER (incurred but not enough reported). Provision for claims that are incurred but not enough reported.

IBNR (incurred but not reported). Provision for claims incurred but no reported.

Insurance density. Gross premiums written as a percentage of the number of inhabitants.

Insurance penetration. Gross premiums written as a percentage of gross domestic product.

Interest rate risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

Investment portfolio. The investment portfolio includes financial investments in associates, investment property, and cash and cash equivalents.

IRLF (investment risk liability fund). Liability fund for unit-linked life insurance business.

IS Income statement.

Life insurance register of assets. Register of assets used to cover mathematical provisions.

Liquidity risk. The risk that (re)insurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

Market risk. Includes interest rate risk, equity risk and currency risk.

Minimum capital requirement. The minimum capital requirement is equal to the amount of eligible basic own funds below which policyholders, insured persons and other beneficiaries of insurance contracts would be exposed to an unacceptable level of risk if the insurer was allowed to continue operating.

Net (insurance) premiums earned. Net premiums written for a given period, including the change in net unearned premiums.

Net claims incurred. Net claims payments, net of income from recourse receivables (short: net claims paid) in the period, including the change in the net provision for outstanding claims.

Net claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables and reinsurers' and co-insurers' share of claims paid.

Net combined ratio. Ratio of total expenses (other than investment) to total income (other than investment). The Group's ratio is calculated for the reinsurance and non-life insurance operating segments.

Net earnings or loss per share. Net profit or loss as a percentage of the weighted average number of shares outstanding.

Net expense ratio. For (re)insurance operating segments, the ratio is calculated as operating expenses, net of commission income, as a percentage of net earned premiums. For the Group, the ratio is calculated as the ratio of operating expenses, net of commission income, to the sum of net premiums earned, other technical income and other income. Not included are one-off impacts on operations and amortisation of client lists or contractual customer relationships.

Net incurred loss ratio. Net claims incurred gross of the change in other technical provisions as a percentage of net premiums earned. The Group's ratio is calculated for the reinsurance and non-life insurance operating segments.

Net investment income from the investment portfolio. Calculated from income statements items: income from investments in subsidiaries and associates plus investment income plus income from investment property minus expenses for investments in associates and impairment losses on goodwill less expenses for financial assets and liabilities less 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 or realised gains or losses on investments of life insurance policyholders who bear the investment risk as these do not affect the income statement. These items move in line with the mathematical provision of policyholders who bear the investment risk.

Net operating expenses. Operating expenses net of commission income.

Net premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Net premiums written are premiums after deduction of reinsurance.

Net retention risk. The risk that higher retention of insurance loss exposures will result in large net aggregate losses due to catastrophic or concentrated claims experience.

Net/gross. In insurance terminology, the terms gross and net usually denote figures before or after deduction of reinsurance.

Non-life insurance register of assets. Register of assets used to cover non-life technical provisions.

Non-proportional reinsurance (excess reinsurance). A reinsurance arrangement whereby the reinsurer indemnifies a ceding company above a specified level (usually a monetary amount) of losses that the ceding company has underwritten. A deductible amount (priority) is set; any loss exceeding that amount is paid by the reinsurer.

Operating revenue. Total income less investment income.

Operational limit. Operational limits for particular areas are determined on the basis of expressed risk tolerance limits. In absolute terms, this is the maximum amount acceptable for a particular risk so that the Company remains within its risk appetite framework.

Operational risk. Risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

ORSA (own risk and solvency assessment). Own risk and solvency assessment: own assessment of the risks associated with a company's business and strategic plan and assessment of the adequacy of own funds to cover them.

OTC market. (Engl. over-the-counter). A transaction in the OTC market is one between two parties in securities or other financial instruments outside a regulated market.

Paid loss ratio. Gross claims paid as a percentage of gross premiums written.

Pricing risk. The risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.

Primary (direct) insurance company. Insurance company that has a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Property risk. The risk that the value of property will decrease due to fluctuations in real estate markets.

Proportional reinsurance. A reinsurance arrangement whereby the reinsurer indemnifies a ceding company for a pre-agreed proportion of premiums and losses of each policy that the ceding company has underwritten. It can be subdivided into two main types: quota-share reinsurance and surplus reinsurance.

RBNS (reported but not settled). Provision for claims that are reported but not settled.

Realised recourse receivables (short: recourse receivables) Amount of recourse claims recognised in the period as recourse receivables based on (i) any agreement with recourse debtors, (ii) court decisions, or (iii) for credit business – settlement of an insurance claim.

Reputation risk. Risk of loss due to the Company's negative image as perceived by its policyholders, business partners, owners and investors, supervisors or other stakeholders.

Reserve risk. Risk that technical provisions are not sufficient to cover the commitments of the (re)insurance business assumed.

Reserving risk. The risk that technical provisions will be inadequate.

Retention ratio. Net premiums written as a percentage of gross premiums written.

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Retention. The amount or portion of risk (claim) that a ceding company retains for its own account, and does not reinsure. The claim and loss adjustment expenses in excess of the retention level are then paid by the reinsurer to the ceding company up to the limit of indemnity, if any, set out in the reinsurance contract. In proportional reinsurance, the retention may be a percentage of the original policy's limit. In non-proportional insurance, the retention is usually a monetary amount of the claim, a percentage of the claim or a claim-to-premium ratio.

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

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

Return on revenue. Ratio of net profit for the year to operating revenues.

Return on the investment portfolio. The ratio of net investment income relating to the investment portfolio to average invested assets. It includes the following statement of financial position items: investment property, financial investments in subsidiaries and associates, financial investments, and cash and cash equivalents. The average amount is calculated based on figures as at the reporting date and as at the end of the prior year.

Risk appetite. Risk level that a company is willing to take in order to meet its strategic goals. It is defined based on the acceptable solvency ratio, the liquidity ratio of the assets, profitability of insurance products and reputation risk.

Risk register. List of all identified risks maintained and periodically updated by a company.

SFP. Statement of financial position.

Solvency Capital Requirement (SCR). An amount based on the regulatory calculation of all quantifiable risk, including non-life underwriting risk, life underwriting risk, health underwriting risk, market risk, counterparty default risk and operational risk.

Solvency ratio. The ratio of eligible own funds as a percentage of the SCR. A solvency ratio in excess of 100% indicates that the firm has sufficient resources to meet the SCR.

Standard formula. Set of calculations prescribed by Solvency II regulations used for generating the solvency capital requirement.

Strategic risk. The risk of an unexpected decrease in a company's value due to the adverse effects of management decisions, changes in business and legal environment and market developments.

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

TP. Technical provisions.

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

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

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

Underwriting risk. Risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and provisioning assumptions. Underwriting risk comprises underwriting process risk, pricing risk, claims risk, retention risk and reserving risk.

Unearned premiums. That part of premiums written relating to the unexpired portion of the policy period and is attributable to and recognised as income in future years.

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APPENDIX D – GRI INDEX[139]

GENERAL STANDARD DISCLOSURES			
GRI standard and disclosure	Description	Section	Topic boundary and notes/ limitations
GRI 101: Foundation 2018			
GRI 102: General disclosures 2018			
Presentation of organisation			
102-01	Name of the organisation	2.1	Sava Re
102-02	Activities, brands, products, and services	2.7	Sava Insurance Group
102-03	Location of headquarters	2.1	Sava Re
102-04	Location of operations	2.6	Sava Insurance Group
102-05	Ownership and legal form	2.1	Sava Re
102-06	Markets served (by region, industry and type of customers)	2.7	Sava Insurance Group
102-07	Scale of the organisation	2.7, 16.2, 10.3.1	Sava Insurance Group
102-08	Information on employees	10, 10.3.1	Sava Insurance Group
102-09	Supply chain	13	Sava Insurance Group
102-10	Significant changes to the organisation	2.8	Sava Insurance Group
102-11	Precautionary principle or approach	11, 17.6, 20.4, 23.5	Sava Insurance Group
102-12	External documents, principles and other economic, environmental and social initiatives that the organisation supports	13	Sava Re and Zavarovalnica Sava
102-13	Membership of associations	13	Sava Re
Strategy			
102-14	Statement from senior decision-maker on the importance of sustainable development for the organisation and its strategy	1	Sava Re

GENERAL STANDARD DISCLOSURES			
GRI standard and disclosure	Description	Section	Topic boundary and notes/ limitations
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour, including codes of conduct and ethics	5, 6.1, 13	Sava Insurance Group
Governance			
102-18	Governance structure	2.7, 5.3, 10.5.3.	Sava Insurance Group
Stakeholders			
102-40	List of stakeholder groups	13	Sava Insurance Group
102-41	Collective bargaining agreements	10.3.1, 13	Sava Insurance Group
102-42	Identifying and selecting stakeholders	3.3, 13	Sava Insurance Group
102-43	Approach to stakeholder engagement	3.3, 13	Sava Insurance Group
102-44	Key topics and concerns raised in stakeholder engagement and response by the organisation (also via reporting)	13	Sava Insurance Group
Reporting practice			
102-45	Entities included in the consolidated financial statements	2.5, 2.6, 2.7, 13, 17.2	Sava Insurance Group
102-46	Defining report content and topic boundaries	13	Sava Insurance Group. The materiality matrix has been prepared in cooperation with the stakeholders of the Sava Insurance Group.
102-47	List of material topics	13	Sava Insurance Group
102-48	Restatements of information	13	Sava Insurance Group. The report does not include corrected statements.
102-49	Changes in reporting regarding topic boundaries	13	Sava Insurance Group. The scope of topics has not changed materially.
102-50	Reporting period	13	Sava Insurance Group

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GENERAL STANDARD DISCLOSURES			
GRI standard and disclosure	**Description**	**Section**	**Topic boundary and notes/ limitations**
102-51	Date of most recent report	13	Sava Insurance Group. The most recent annual report of the Group and the Company for 2019 was published on 26 March 2020.
102-52	Reporting cycle	13	Sava Insurance Group
102-53	Contact point for questions regarding the report	2.1	Sava Insurance Group
102-54	Claims of reporting in accordance with the GRI Standards	13	Sava Insurance Group
102-55	GRI content index	13	Sava Insurance Group
102-56	External assurance	13	/
SPECIFIC STANDARD DISCLOSURES			
Disclosures on management approach	**Material topics**	**Section**	**Reasons for omission/notes**
ECONOMIC IMPACTS			
GRI 201: Economic performance			
103-01, 103-02, 103-03	Management approach	5.4, 6.2, 10.1, 10.2, 10.4, 10.5, 13	Sava Insurance Group
201-01	Direct economic value generated and distributed	13, 6.2	Sava Insurance Group
201-02	Financial implications and other risks and opportunities due to climate change	8.1.1, 8.2, 13	Sava Insurance Group
201-03	Defined benefit plan obligations	13	Sava Insurance Group
201-04	Financial assistance received from government	5.6, 13	Sava Insurance Group
GRI 202: Market presence			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
202-02	Proportion of senior management hired from the local community	2.7, 5.3.4	Sava Insurance Group
GRI 203: Indirect economic impacts			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group

GENERAL STANDARD DISCLOSURES			
GRI standard and disclosure	**Description**	**Section**	**Topic boundary and notes/ limitations**
203-01	Infrastructure investments and services supported	13	Sava Insurance Group
203-02	Major indirect economic impacts	13	Sava Insurance Group
GRI 204: Procurement practices			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
204-01	Proportion of spending on local suppliers	13	Sava Insurance Group. Proportion not disclosed.
GRI 205: Prevention of corruption			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
205-01	Operations assessed for risks related to corruption	13	Sava Insurance Group
205-03	Confirmed incidents of corruption and actions taken	13	Sava Insurance Group
ENVIRONMENTAL STANDARDS			
GRI 302: Energy			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
302-01	Energy consumption within the organisation	13	Sava Insurance Group
305 GRI: Emissions			
305-01	direct GHG emissions	13	Sava Insurance Group
305-02	indirect GHG emissions	13	Sava Insurance Group
305-03	other indirect GHG emissions	13	Sava Insurance Group
GRI 306: Effluents and waste			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
306-02	Waste by type and disposal method	13	Sava Insurance Group
GRI 308: Supplier environmental assessment			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group

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GENERAL STANDARD DISCLOSURES			
GRI standard and disclosure	Description	Section	Topic boundary and notes/ limitations
308-01	New suppliers that were screened using environmental criteria		Sava Re. Proportion not disclosed.
SOCIAL IMPACTS			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
GRI 401: Recruitment			
103-01, 103-02, 103-03	Management approach	10, 20.3	Sava Insurance Group
401-01	Employment and fluctuation	10.3.2	Sava Insurance Group
GRI 403: Health and safety at work			
103-01, 103-02, 103-03	Management approach	10, 20.3	Sava Insurance Group
403-02	Lost days	10.3.1	Sava Insurance Group
GRI 404: Education and training			
103-01, 103-02, 103-03	Management approach	10	Sava Insurance Group
404-01	Average hours of training per year per employee	10.4	Sava Insurance Group
404-03	Percentage of employees receiving regular performance and career development reviews	10.5.1	Sava Insurance Group
GRI 405: Diversity and equal opportunities			
103-01, 103-02, 103-03	Management approach	10	Sava Insurance Group

GENERAL STANDARD DISCLOSURES			
GRI standard and disclosure	Description	Section	Topic boundary and notes/ limitations
405-01	Diversity of governance bodies and employees	5.3.1, 10.3.1, 13	Sava Insurance Group
405-02	Basic salary factor of women is the same as that of men in all employee categories	10.3.1	Sava Re
GRI 412: Human rights assessment			
412–03	Contracts and agreements that include provisions concerning the protection of human rights or have been subject to a human rights review	13	Sava Re
GRI 413: Local communities			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
413-01	Operations with local community engagement, impact assessments, and development programs	13	Sava Insurance Group
GRI 414: Assessment of supplier in terms of impact on society			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
414-01	New suppliers that were screened using social criteria	13	Sava Insurance Group
GRI 417: Marketing and labelling			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
417-01	Requirements for product and service information and labelling	13	Sava Insurance Group
GRI 419: Compliance			
103-01, 103-02, 103-03	Management approach	13	Sava Insurance Group
419-01	Non-compliance with laws and regulations	13	Sava Insurance Group

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