Jernej R. and Tanja G.

SAVA RE FINANCIAL STATEMENTS WITH NOTES

REFLECTING SPORTING SPIRIT

We firmly believe in establishing ties at all levels – from the recreational to the professional. That is why we passionately support team sports, team endeavours and healthy lifestyles.

€2.1 million in sponsorships in 2017:

82.9% for sponsorships in sports;
17.1% in other areas.

21 AUDITOR'S REPORT

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pozavarovalnica Sava, d.d.

Opinion

We have audited the financial statements of Pozavarovalnica Sava, d.d. ("the Company"), which comprise the statement of financial position as at 31 December 2017, the income statement, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pozavarovalnica Sava, d.d. as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities ("Regulation (EU) No. 537/2014 of the European Parliament and the Council"). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Estimations concerning premium recognition, technical provisions, reinsurance assets and liabilities

Technical provisions of the Company consist solely of provisions related to reinsurance business. Part of those provisions are related to estimates based on input data received from cedants, underwriters' assumptions and historical data developed internally by the Company. The Company estimates claims provision for business outside the Sava Re Group, taking into account expected premiums and expected combined ratios.

Those estimates also influence other significant areas within the financial statements, such as gross premium income, commission and premium receivables. Premium estimates are made based on expected premiums from reinsurance contracts which, according to due dates, are already in force, although the Company has yet to receive reinsurance accounts.

The Company prepares back testing analyses to assess correctness of previous period assumption and builds projections on experience.

Additionally, incurred but not reported ("IBNR") provisions are calculated independently by the Company to confirm reasonability of ceded amounts, using development triangles of cumulative claim payments by underwriting year.

There is a risk that the estimates and judgements made by the underwriters and the actuary may result in a material misstatement in the financial statements. We determined this to be a significant item for our audit and a key audit matter.

We involved actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material and more complex and/or requiring significant judgement in setting of assumptions.

We assessed the design and verified the operating effectiveness of internal controls over the estimation process including the initial input of the data in the model based on reinsurance contracts as well as the later update of assumptions based on current information from cedants.

We reviewed the methodology and assumptions used by the Company to establish its IBNR provisions and performed recalculation of Company IBNR provisions. We reviewed the methodology used by the Company to calculate claim provisions established by estimation using actuarial methods.

We performed detailed analytical procedures on estimates relating to premiums, commissions and technical provisions and assessed the experience (back testing) analyses performed by the Company in their assumption setting processes. We tested on a sample basis whether the input data in the model for recalculation of estimates is accurate and complete. We assessed the adequacy of the disclosures included in notes 23.2.19 and 23.6.19 of the financial statements.

Other information

Other information comprises the information included in the annual report other than the financial statements and auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in

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accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of management, supervisory board and audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The audit committee and supervisory board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

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• conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

• evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

We communicate with the audit committee and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as the statutory auditor by the statutory body of the Company on 28 October 2016 based on our approval by the General Meeting of Shareholders of the Company on 30 August 2016. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 5 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 27 March 2018.

Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services were provided by us to the Company and its controlled undertakings.

Ljubljana, 28 March 2018

Jnez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Nena Cvetkovska
Certified auditor

22 FINANCIAL STATEMENTS

22.1 Statement of financial position

(€)	Notes	31/12/2017	31/12/2016
ASSETS		**580,886,180**	**568,147,764**
Intangible assets	**1**	**807,011**	**832,567**
Property and equipment	**2**	**2,485,645**	**7,753,202**
Deferred tax assets	**3**	**1,238,826**	**1,373,436**
Investment property	**4**	**8,230,878**	**3,122,076**
Financial investments in subsidiaries and associates	**5**	**193,409,578**	**191,640,382**
Financial investments:	**6**	**250,781,685**	**249,948,775**
- loans and deposits		12,840,885	13,069,414
- held to maturity		2,075,111	2,074,813
- available for sale		235,456,116	233,517,137
- at fair value through profit or loss		409,573	1,287,411
Reinsurers' share of technical provisions	**7**	**20,073,571**	**18,203,912**
Receivables	**8**	**88,602,395**	**79,836,627**
Receivables arising out of primary insurance business		85,167,822	0
Receivables arising out of co-insurance and reinsurance business		3,202,926	79,603,551
Other receivables		231,647	233,076
Deferred acquisition costs	**9**	**7,778,499**	**6,897,710**
Other assets	**10**	**799,634**	**549,258**
Cash and cash equivalents	**11**	**6,678,458**	**7,989,819**

(€)	Notes	31/12/2017	31/12/2016
EQUITY AND LIABILITIES		**580,886,180**	**568,147,764**
Equity		**290,966,155**	**270,355,622**
Share capital	12	71,856,376	71,856,376
Capital reserves	13	54,239,757	54,239,757
Profit reserves	14	163,491,114	147,004,019
Treasury shares	15	-24,938,709	-24,938,709
Fair value reserve	16	3,804,764	3,785,553
Reserve due to fair value revaluation		13,524	-1,765
Retained earnings	17	6,012,233	9,283,163
Net profit or loss for the period	17	16,487,096	9,127,228
Subordinated liabilities	**18**	**0**	**23,570,771**
Technical provisions	**19**	**232,639,163**	**226,207,479**
Unearned premiums		47,602,457	43,345,415
Provision for outstanding claims		184,269,492	182,167,780
Other technical provisions		767,214	694,284
Other provisions	**20**	**351,250**	**331,802**
Other financial liabilities	**10**	**91,182**	**104,280**
Liabilities from operating activities	**21**	**54,404,921**	**43,797,970**
Liabilities from primary insurance business		51,160,114	0
Liabilities from reinsurance and co-insurance business		3,090,008	43,723,843
Current income tax liabilities		154,799	74,127
Other liabilities	**22**	**2,433,509**	**3,779,840**

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

22.2 Income statement

(€)	Notes	2017	2016
Net earned premiums	24	130,864,620	133,428,875
Gross premiums written		153,219,752	147,426,893
Written premiums ceded to reinsurers and co-insurers		-18,907,314	-17,548,733
Change in gross unearned premiums		-4,257,043	3,200,650
Change in unearned premiums, reinsurers' and co-insurers' shares		809,225	350,065
Income from investments in subsidiaries and associates	25	26,136,830	26,308,516
Investment income	26	9,652,630	12,880,066
Interest income		3,895,944	4,427,975
Other investment income		5,756,686	8,452,091
Other technical income	27	6,098,385	9,263,194
Commission income		1,934,678	2,813,943
Other income		4,163,707	6,449,251
Other income	28	444,136	33,974
Net claims incurred	29	-78,583,967	-81,781,565
Gross claims payments less income from recourse receivables		-83,525,449	-85,165,592
Reinsurers' and co-insurers' shares		5,982,760	9,811,408
Change in the gross claims provision		-2,101,712	-8,254,869
Change in the reinsurers' and co-insurers' share of the claims provision		1,060,434	1,827,488
Change in other technical provisions	30	-158,608	-88,760
Expenses for bonuses and rebates	30	85,678	-162,545
Operating expenses	31	-43,113,125	-47,288,975
Acquisition costs		-33,185,632	-33,061,396
Change in deferred acquisition costs		880,778	-3,598,331
Other operating expenses		-10,808,271	-10,629,248
Expenses for investments in subsidiaries and associates		0	-4,330,782
Expenses for financial assets and liabilities	26	-10,551,329	-7,132,879
Impairment loss on financial assets not measured at fair value through profit or loss		-320,000	-330,740
Interest expenses		-718,338	-841,834
Other expenses		-9,512,991	-5,960,305
Other technical expenses	32	-5,876,562	-6,033,695
Other expenses	28	-234,824	-118,284
Profit or loss before tax		34,763,864	34,977,140
Income tax expense	33	-1,789,672	-2,103,323
Net profit or loss for the period		32,974,192	32,873,817
Earnings or loss per share (basic and diluted)	17	2.13	2.08

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

22.3 Statement of comprehensive income

(€)	Notes	2017	2016
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	17	32,974,192	32,873,817
OTHER COMPREHENSIVE INCOME, NET OF TAX	16	34,502	819,920
a) Items that will not be reclassified subsequently to profit or loss		15,289	41,070
Other items that will not be reclassified subsequently to profit or loss		16,894	44,864
Tax on items that will not be reclassified subsequently to profit or loss		-1,605	-3,794
b) Items that may be reclassified subsequently to profit or loss		19,213	778,850
Net gains/losses on remeasuring available-for-sale financial assets		23,719	1,050,990
Net change recognised in the fair value reserve		692,156	1,209,941
Net change transferred from fair value reserve to profit or loss		-668,437	-158,952
Tax on items that may be reclassified subsequently to profit or loss		-4,506	-272,140
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		33,008,694	33,693,737

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

22.4 Cash flow statement

(€)	Notes	2017	2016
A. Cash flows from operating activities			
a.) Items of the income statement	**34**	**12,020,532**	**12,055,355**
1. Net premiums written in the period	24	134,312,438	129,878,160
2. Investment income (other than financial income)	26	10,175	6,785
3. Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	27, 28	6,542,519	9,297,168
4. Net claims payments in the period	29	-77,542,688	-75,354,184
5. Expenses for bonuses and rebates		85,678	-162,545
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	31	-43,573,077	-43,350,273
7. Investment expenses (excluding amortisation and financial expenses)	26	-422	-4,454
8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	32	-6,024,419	-6,151,979
9. Tax on profit and other taxes not included in operating expenses	33	-1,789,671	-2,103,323
b.) Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position		**3,625,406**	**-643,807**
1. Change in receivables from primary insurance		-85,167,822	0
2. Change in receivables from reinsurance	8	76,400,625	2,849,455
4. Change in other receivables and other assets	8	-248,958	-9,830,595
5. Change in deferred tax assets	3	134,610	912,012
7. Change in liabilities arising out of primary insurance		51,160,115	0
6. Change in liabilities arising out of reinsurance business	21	-40,633,836	-4,148,067
7. Change in other operating liabilities	22	2,168,441	9,571,237
8. Change in other liabilities (except unearned premiums)	22	-187,768	2,151
c.) Net cash from/used in operating activities (a + b)		**15,645,938**	**11,411,548**

(€)	Notes	2017	2016
B. Cash flows from investing activities			
a.) Cash receipts from investing activities		**762,460,219**	**807,729,186**
1. Interest received from investing activities		3,895,945	4,427,975
2. Cash receipts from dividends and participation in the profit of others		26,755,664	27,051,488
4. Proceeds from sale of property and equipment		9,879	25,240
5. Proceeds from sale of financial investments		731,798,731	776,224,483
b.) Cash disbursements in investing activities		**-740,531,828**	**-783,321,091**
1. Purchase of intangible assets		-269,153	-260,516
2. Purchase of property and equipment		-208,526	-4,152,156
3. Purchase of financial investments		-740,054,149	-778,908,419
c.) Net cash from/used in investing activities (a + b)		**21,928,391**	**24,408,094**
C. Cash flows from financing activities			
b.) Cash disbursements in financing activities		**-38,885,691**	**-28,115,774**
1. Interest paid		-718,338	-841,834
3. Repayment of long-term financial liabilities		-24,000,000	0
4. Repayment of short-term financial liabilities		-1,769,196	-256,421
5. Dividends and other profit participations paid		-12,398,157	-12,398,157
6. Treasury share repurchases		0	-14,619,362
c.) Net cash from/used in financing activities (a + b)		**-38,885,691**	**-28,115,774**
C2. Closing balance of cash and cash equivalents		**6,678,458**	**7,989,819**
x) Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)		**-1,311,361**	**7,703,869**
y) Opening balance of cash and cash equivalents		**7,989,819**	**285,950**

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

22.5 Statement of changes in equity for the year ended 31 December 2017

(€)	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (as deduction item)	Total (1–13)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Catastrophe equalisation reserve	Other						
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	97,078,786	3,785,553	-1,765	9,283,163	9,127,228	-24,938,709	270,355,622
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	97,078,786	3,785,553	-1,765	9,283,163	9,127,228	-24,938,709	270,355,622
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**19,213**	**15,289**	**0**	**32,974,192**	**0**	**33,008,693**
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	32,974,192	0	32,974,192
b) Other comprehensive income	0	0	0	0	0	0	19,213	15,289	0	0	0	34,502
Dividend payouts	0	0	0	0	0	0	0	0	-12,398,157	0	0	-12,398,157
Allocation of net profit to profit reserve	0	0	0	0	0	16,487,096	0	0	0	-16,487,096	0	0
Transfer of profit	0	0	0	0	0	0	0	0	9,127,228	-9,127,228	0	0
Closing balance in the financial period	**71,856,376**	**54,239,757**	**14,986,525**	**24,938,709**	**10,000,000**	**113,565,880**	**3,804,764**	**13,524**	**6,012,233**	**16,487,096**	**-24,938,709**	**290,966,155**

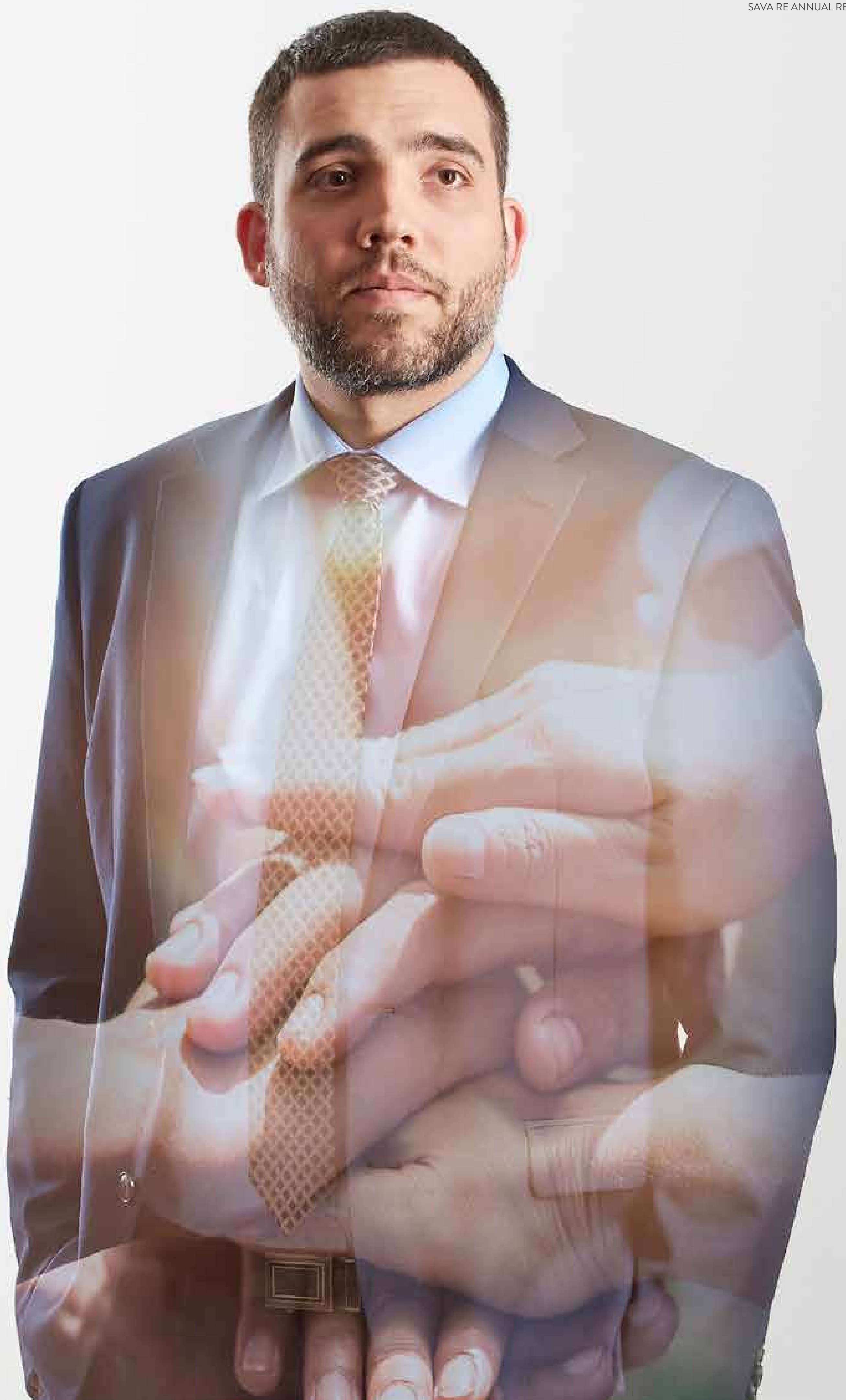
22.6 Statement of changes in equity for the year ended 31 December 2016

(v EUR)	I. Share capital	II. Capital reserves	III. Profit reserves						IV. Fair value reserve	V. Reserve due to fair value revaluation	VI. Retained earnings	VII. Net profit/loss for the period	VIII. Treasury shares (as deduction item)	Total (1–13)
			Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risk	Catastrophe equalisation reserve	Other						
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	0	14,986,525	10,319,347	917,885	10,000,000	87,951,558	3,006,703	-42,835	12,769,646	7,993,789	-10,319,347	263,679,403
Opening balance in the financial period	71,856,376	54,239,757	0	14,986,525	10,319,347	917,885	10,000,000	87,951,558	3,006,703	-42,835	12,769,646	7,993,789	-10,319,347	263,679,403
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**778,850**	**41,070**	**0**	**32,873,817**	**0**	**33,693,737**
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	32,873,817	0	32,873,817
b) Other comprehensive income	0	0	0	0	0	0	0	0	778,850	41,070	0	0	0	819,920
Net purchase/sale of treasury shares	0	0	0	0	14,619,362	0	0	0	0	0	0	-14,619,362	-14,619,362	-14,619,362
Dividend payouts	0	0	0	0	0	0	0	0	0	0	-12,398,157	0	0	-12,398,157
Allocation of net profit to profit reserve	0	0	0	0	0	0	0	9,127,227	0	0	0	-9,127,227	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	0	-917,885	0	0	0	0	917,885	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	0	0	7,993,789	-7,993,789	0	0
Closing balance in the financial period	**71,856,376**	**54,239,757**	**0**	**14,986,525**	**24,938,709**	**0**	**10,000,000**	**97,078,786**	**3,785,553**	**-1,765**	**9,283,163**	**9,127,228**	**-24,938,709**	**270,355,622**

The notes to the financial statements in sections 23.2–23.10 form an integral part of these financial statements.

REFLECTING COMMITTMENTS

People are at the core of our business, so we remain committed to the firm promise of #NIKOLI SAMI (NEVER ALONE). Our reputation is further strengthened through friendly communication and by acting responsibly.



Jane K.

23 NOTES TO THE FINANCIAL STATEMENTS

23.1 Basic details

Pozavarovalnica Sava, d.d. / Sava Reinsurance Company, d.d. (hereinafter: "Sava Re" or the "Company") was established under the Foundations of the Life and Non-Life Insurance System Act, and was entered in the company register kept by Ljubljana Basic Court, Ljubljana Unit (now Ljubljana District Court), on 10 December 1990. Its legal predecessor, Pozavarovalna skupnost Sava, was established in 1977.

Sava Re transacts reinsurance business both in the domestic and in the international market. Under the Standard Classification of Activities, its subclass code is 65.200. In accordance with the Slovenian Companies Act (hereinafter: "ZGD"), the Company is classified as a large company.

The Company has its registered office at Dunajska cesta 56, Ljubljana, Slovenia.

In the 2017 financial year, the Company employed on average 95.5 people (2016: 88.8), employed on a full-time equivalent basis. As at 31 December 2017, the total number of employees was 97 (31/12/2016: 95), employed on a full-time equivalent basis. Data on employees in regular employment by various criteria are given in section 20.3 "Human resources management".

Qualification profile of employees (full-time equivalent basis)

	2017	2016
Secondary education	13	12
Higher education	4	5
University education	61	58
Master's degree and doctorate	19	20
Total	**97**	**95**

The bodies of the Company are the general meeting, the supervisory board and the management board.

As at 31 December 2017, the largest shareholder of the Company was Slovenian Sovereign Holding (former Slovenian Restitution Fund) with a 17.7% stake. The second largest shareholder is Zagrebačka banka (custodial account) with a 14.2% stake, and the third largest the Republic of Slovenia with a 10.1% stake. Below the table "Ten largest shareholders as at 31 December 2017" is a note regarding the share of voting rights.

It is the responsibility of the Company's management board to prepare the annual report and authorise it for issue to the supervisory board. The audited annual report is then approved by the Company's supervisory board. If the annual report is not approved by the supervisory board, or if the management and the supervisory boards leave the decision about its approval to the general meeting of shareholders, the general meeting decides on the approval of the annual report.

The owners have the right to amend the financial statements after they have been authorised for issue to the supervisory board by the Company's management board.

The Company is the controlling company of the Sava Re Group, which, apart from the controlling company, comprises the following companies:

Subsidiaries as at 31 December 2017

(€)	Activity	Registered office	Assets	Liabilities	Equity as at 31/12/2017	Profit/loss for 2017	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,151,811,161	993,756,083	158,055,078	25,080,999	344,712,649	100.00%
Sava neživotno osiguranje (SRB)	insurance	Serbia	28,216,687	22,507,562	5,709,125	435,559	16,463,580	100.00%
Illyria	insurance	Kosovo	15,577,678	11,538,509	4,039,169	223,576	7,689,674	100.00%
Sava osiguruvanje (MKD)	insurance	Macedonia	22,867,851	17,374,464	5,493,387	358,257	12,277,755	92.57%
Sava osiguranje (MNE)	insurance	Montenegro	23,036,708	17,241,924	5,794,784	1,232,772	12,124,229	100.00%
Illyria Life	insurance	Kosovo	12,699,600	8,502,872	4,196,728	230,850	2,038,449	100.00%
Sava životno osiguranje (SRB)	insurance	Serbia	6,645,739	3,162,191	3,483,548	-818,333	2,058,571	100.00%
Illyria Hospital	does not currently perform any activities	Kosovo	1,800,742	4,579	1,796,163	-114	0	100.00%
Sava Car	research and analysis	Montenegro	634,723	42,188	592,535	-3,991	724,473	100.00%
ZM Svetovanje	consulting and marketing of insurances of the person	Slovenia	126,917	203,900	-76,983	-194,224	737,056	100.00%
Ornatus KC	ZS call centre	Slovenia	48,314	21,461	26,853	15,853	216,000	100.00%
Sava Agent	insurance agent	Montenegro	2,100,120	1,798,730	301,390	112,971	651,469	100.00%
Sava Station	motor research and analysis	Macedonia	316,750	25,614	291,136	39,731	175,454	92.57%
Sava pokojninska	pension fund	Slovenia	144,935,935	136,508,976	8,426,959	420,256	4,269,651	100.00%

Subsidiaries as at 31 December 2016

(€)	Activity	Registered office	Assets	Liabilities	Equity as at 31/12/2016	Profit/loss for 2016	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,138,039,266	980,210,101	157,829,165	23,430,774	326,410,351	99.74%
Sava neživotno osiguranje (SRB)	insurance	Serbia	25,387,084	20,316,459	5,070,625	116,929	15,379,795	100.00%
Illyria	insurance	Kosovo	14,538,265	10,841,158	3,697,107	-171,970	7,300,855	100.00%
Sava osiguruvanje (MKD)	insurance	Macedonia	21,377,413	16,348,215	5,029,198	465,490	11,850,287	92.44%
Sava osiguranje (MNE)	insurance	Montenegro	22,112,854	16,725,274	5,387,580	1,204,218	11,889,234	100.00%
Illyria Life	insurance	Kosovo	7,866,533	4,213,820	3,652,713	128,266	1,813,319	100.00%
Sava životno osiguranje (SRB)	insurance	Serbia	5,834,828	2,389,128	3,445,700	-206,975	1,613,094	100.00%
Illyria Hospital	does not currently perform any activities	Kosovo	1,800,772	4,495	1,796,277	-84	0	100.00%
Sava Car	research and analysis	Montenegro	481,718	36,624	445,094	39,883	708,948	100.00%
ZS Vivus	consulting and marketing of insurances of the person	Slovenia	267,008	54,548	212,460	-103,271	598,713	99.74%
ZM Svetovanje	insurance agent	Slovenia	33,767	128,609	-94,842	-122,823	162,848	99.74%
Ornatus KC	ZS call centre	Slovenia	46,896	25,166	21,730	7,494	216,000	99.74%
Sava Agent	insurance agent	Montenegro	2,322,627	2,129,557	193,070	72,788	641,735	100.00%
Sava Station	motor research and analysis	Macedonia	281,143	32,291	248,852	38,537	171,424	92.44%
Sava pokojninska	pension fund	Slovenia	134,444,848	126,401,679	8,043,169	581,695	3,210,125	100.00%

The data for Zavarovalnica Sava differ from those in the 2016 annual report, which were consolidated, while this year we present data from the separate financial statements.

After the acquisition of Sava pokojninska in 2015, the Company has no associate companies.

23.2 Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the financial statements. In 2017, the Company applied the same accounting principles as in 2016.

23.2.1 Statement of compliance

Sava Re prepared both separate and consolidated financial statements for the year ended 31 December 2017. The consolidated financial statements are part of this annual report. Annual reports are available on Sava Re's website and at its registered office.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB), and interpretations of the International Financial Reporting Interpretations Committee's ("IFRIC"), as adopted by the European Union. They have also been prepared in accordance with applicable Slovenian legislation (the Companies Act, "ZGD-1"), the Insurance Act and implementing regulations).

In selecting and applying accounting policies, as well as in preparing the financial statements, the management board aims to provide understandable, relevant, reliable and comparable accounting information.

The financial statements have been prepared based on the going-concern assumption.

The Company's management board approved the audited financial statements on 28 March 2018.

23.2.2 Measurement bases

The financial statements have been prepared on the historic cost basis, except for financial assets at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value.

23.2.3 Functional and presentation currency

The financial statements are presented in euros (€), rounded to the nearest euro. Due to rounding, figures in tables may not add up to the totals.

Assets and liabilities as at 31 December 2017 denominated in foreign currencies were translated into euros using the mid-rates of the European Central Bank (ECB) as at 31 December 2017. Amounts in the income statement have been translated using the exchange rate on the day of the transaction. As at 31 December 2017 and 31 December 2016, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-monetary items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve.

23.2.4 Use of major accounting estimates and sources of uncertainty

Assumptions and other sources of uncertainty relate to estimates that require management to make difficult, subjective and complex judgements. Areas that involve major management judgement are presented below.

- Criteria for impairment of investments in subsidiaries and associates are determined using the accounting policy under section 23.2.12 as discussed under note 5.
- Deferred tax assets are recognised if the Company plans to realise a profit in the medium-term.
- Receivables are impaired item-by-item based on the accounting policy set out in section 23.2.15. Any recognised impairment loss is shown in note 8.
- Financial investments.

Classification, recognition, measurement and derecognition, as well as investment impairment and fair value measurement, are made based on the accounting policy set out in section 23.2.13. Movements in investments and their classification are shown in note 6, while the associated income and expenses, and impairment, are shown in note 26.

- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in section 23.2.19. Movements in these provisions are shown in note 19.

The Company recognises estimates of technical items because it does not receive reinsurance accounts in time. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. These items include: premiums, claims, commission, unearned premiums, claim provisions and accruals and prepayments relating to deferred acquisition costs.

23.2.5 Materiality

To serve as a starting point in determining a materiality threshold for the financial statements, the Company's management used the equity of the Company, specifically 2% thereof as at 31 December 2017, which is €5.8 million. The disclosures and notes required under regulatory or statutory requirements are presented, even if below the materiality threshold.

23.2.6 Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows from operating activities have been prepared based on data from the 2017 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

23.2.7 Statement of changes in equity

The statement of changes in equity shows movements in individual components of equity in the period. Profit reserves are shown to include certain technical provisions that are inherently provisions for future risks and not liabilities according to IFRSs, i.e. the catastrophe equalisation reserve.

23.2.8 Intangible assets

Intangible assets are stated at cost, plus any expenses directly attributable to preparing them for their intended use, less accumulated amortisation and any impairment losses. Depreciation is calculated for each item separately, on a straight-line basis. Intangible assets are first amortised upon their availability for use.

Intangible assets include computer software, and licences pertaining to computer software. Their useful life is 5 years.

23.2.9 Property and equipment

Property and equipment assets are initially recognised at cost plus directly attributable costs. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses. The Company assesses whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

Property and equipment assets are first depreciated upon their availability for use. Depreciation is calculated for each item separately, on a straight-line basis. Depreciation rates are determined so as to allow the cost of property and equipment assets to be allocated to expenses over their estimated useful lives.

Depreciation rates of property and equipment assets

Depreciation group	Rate
Land	0%
Buildings	1.3%-2%
Transportation	15.5%-20%
Computer equipment	33.0%
Office and other furniture	10%-12.5%
Other equipment	6.7%-20%

Gains and losses on the disposal of items of property and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property and equipment assets that increase future economic benefits are recognised in their carrying amount.

23.2.10 Deferred tax assets and liabilities

Based on medium-term business projections, the Company expects to make a profit and therefore meets the requirement for recognising deferred tax assets.

The Company recognises deferred tax assets for temporary non-deductible impairments of portfolio securities and allowances for receivables, any unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for the credit risk and catastrophe equalisation reserves transferred (as at 1 January 2007) from technical provisions to profit reserves, which used to be tax-deductible when set aside (prior to 1 January 2007). The Company does not have deferred tax assets associated with impairment losses on investments in subsidiaries.

In addition, the Company establishes deferred tax assets/liabilities for the part of value adjustments that is recorded under the negative/positive fair value reserve. Deferred tax assets and liabilities are also accounted for actuarial gains/losses when calculating provisions for severance pay upon retirement. This is because actuarial gains/losses affect comprehensive income as well as the related deferred tax assets/liabilities.

The rate of corporate income tax is 19% (2016: 17 %).

23.2.11 Investment property

Investment property is property that the Company does not use directly in carrying out its activities, but holds to earn rentals. Investment property is accounted for using the cost model and straight-line depreciation. Investment property is depreciated at the rate of 1.3%–2%. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Company acts as lessor are operating leases. Payments received, i.e. rental income, are recognised as income on a straight-line basis over the term of the lease. The Company assesses annually whether there is any indication of impairment of investment property. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the net selling price. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Company has investment property leased out under cancellable operating lease contracts.

23.2.12 Financial investments in subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at fair value. Subsequently, the Company measures them using the cost model less any impairment losses.

Subsidiaries are entities in which the Company holds more than 50% of the voting rights, entities the Company controls and over which the Company thus has the power to control the financial and operating policies so as to obtain benefits from its activities. Associates are entities in which the Company holds between 20% and 50% of voting rights or over which the Company has significant influence.

Impairment testing in Group companies and associates is carried out at least on an annual basis. Pursuant to IAS 36, the controlling company when reviewing whether there are indications that an asset may be impaired, considers external (changes in market or legal environment; interest rates; elements of the discount rate, market capitalisation) as well as internal sources of information (business volume; manner of use of asset; actual versus budgeted performance results.

For the purpose of impairment testing of the cost of subsidiaries, pursuant to IAS 36, the controlling company reviews on an annual basis whether there are indications that assets are impaired. If impairment is necessary, an impairment test is carried out so that the recoverable amount of the cash-generating unit is calculated for each individual investment based on the value in use. Cash flow projections used in these calculations were based on the business plans approved by the management for the period until and including 2021, as well as on extrapolations of growth rates for an additional 5-year period. Projections are for more than five years because we consider that the markets where Group insurers operate are still underdeveloped and operations of subsidiaries have not normalised yet. The discount rate used is based on market rates adjusted to reflect each insurance company-specific risk. The recoverable amount of each cash-generating unit so calculated was compared against its carrying amount.

Key assumptions used in cash flow projections with calculations of the value in use

Discounted cash flow projections were based on the Group's business plans covering a 10-year period (strategic business plans for individual companies for the period 2018–2022 with a further 5-year extrapolation of results). Only 10-year normalised cash flows are appropriate for extrapolation into perpetuity.

The growth in premiums earned in the companies set out in the previous table reflects the growth expected in their insurance markets, as well as the characteristics of their portfolios (low share of non-motor business). In all their markets, insurance penetration is relatively low. However, insurance penetration is expected to increase due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Social inflation is also expected to increase, i.e. claims made against insurance companies are expected to become more frequent and higher. Costs are expected to lag slightly behind premiums owing to business process optimisation in subsidiaries. Business process optimisation will thus contribute to the growth in net profits.

The discount rate is determined as cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the interest rate applying to risk-free securities and equity premium as well as insurance business prospects. Added is a country risk premium and, for some companies, a smallness factor.

Discount rates used in 2017 ranged from 11.4% to 13.2% and are lower than those in 2016, primarily due to a lower beta factor (systematic risk measure) and a lower country risk.

Subsidiaries have been valued using internal models with a long-term growth rate ranging from 2.2% to 3.0%. This rate is based on long-term inflation expected for the market in which a subsidiary operates.

In assessing whether there is any indication of impairment of its investments in subsidiaries, the Company uses the same model as with goodwill. For more information on the assumptions, see section 17.4.9 of the consolidated financial statements with notes.

23.2.13 Financial investments

23.2.13.1 Classification

The Company classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

These assets comprise financial assets held for trading.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realising gains in the short term.

Held-to-maturity financial assets

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturity that the Company can, and intends to, hold to maturity.

Available-for-sale financial assets

Available-for-sale financial assets are assets that the Company intends to hold for an indefinite period and are not classified as financial assets at fair value through profit or loss or held-to-maturity financial assets.

Loans and receivables (deposits)

This category includes loans and bank deposits with fixed or determinable payments that are not traded in any active market, and deposits with cedants. Under some reinsurance contracts, part of the reinsurance premium is retained by cedants as guarantee for payment of future claims, and generally released after one year. These deposits bear contractually-agreed interest.

23.2.13.2 Recognition, measurement and derecognition

Available-for-sale financial assets and held-to-maturity financial assets are initially measured at fair value plus any transaction costs. Financial assets at fair value through profit or loss are initially measured at fair value, with any transaction costs recognised as investment expenses.

Acquisitions and disposals of financial assets, loans and deposits are recognised on the trade date.

Gains and losses arising from fair value revaluation of financial assets available for sale are recognised in the statement of comprehensive income, and transferred to the income statement upon disposal or impairment. Gains and losses arising from fair value revaluation of financial assets at fair value through profit or loss are recognised directly in the income statement. Held-to-maturity financial assets are measured at amortised cost less any impairment losses.

Financial assets are derecognised when the contractual rights from the cash flows from the financial assets expire or when the assets are transferred and the transfer qualifies for derecognition in accordance with IAS 39.

If their fair value cannot be reliably measured, investments are valued at cost.

Loans and receivables (deposits) are measured at amortised cost less any impairment losses.

23.2.13.3 Impairment of investments

A financial asset other than at fair value through profit or loss is impaired and an impairment loss incurred provided there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and that such events have an impact on future cash flows that can be reliably estimated.

The Company assesses whether there is any objective evidence that individual financial assets are impaired on a three-month basis (when preparing interim and annual reports).

23.2.13.3.1 Debt securities

Investments in debt securities are impaired only if one of the following conditions is met:

- the issuer fails to make a coupon or principal payment, and it is likely that such liabilities will not be settled in the short term;
- the issuer is subject to a bankruptcy, liquidation or compulsory settlement procedure.

If the first condition above is met, an impairment loss is recognised in the income statement in the amount of the difference between the fair value and carrying amount of the debt security (if the carrying amount exceeds the fair value).

If the second condition above is met, an impairment loss is recognised in profit or loss, being the difference between the potential payment out of the bankruptcy or liquidation estate and the cost of the investment. The potential payment out of the bankruptcy or liquidation estate is estimated based on information concerning the bankruptcy, liquidation or compulsory settlement proceedings, or, if such information is not available, based on experience or estimates made by credit rating or other financial institutions.

In respect of debt securities, only impairment losses recognised pursuant to indent one above (first condition) may be reversed. An impairment loss is reversed when the issuer's liability is settled. Impairment losses are reversed through profit or loss.

23.2.13.3.2 Equity securities

Investments in equity securities are impaired if on the statement of financial position date:

- their market price is more than 40% below cost;
- their market price has remained below cost for more than one year;
- the model based on which the Company assesses the need for impairment of unquoted securities indicates that the asset needs to be impaired.

An impairment loss is recognised in the amount of the difference between market price and cost of financial assets.

23.2.13.4 Measurement of fair values

The Company measures all financial instruments at fair value, except for deposits, shares not quoted in any regulated market, loans and subordinated debt (assumed that the carrying amount is a reasonable approximation of fair value) and financial instruments held to maturity, which are measured at amortised cost. The fair value of investment property and land and buildings used in business operations and the fair value of financial instruments measured at amortised cost are set out in note 23. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The company shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Company determines the fair value of a financial asset on the valuation date by determining the price on the principal market based on:

- for stock exchanges: the quoted closing price on the stock exchange on the measurement date or on the last day of operation of the exchange on which the investment is quoted;
- for the OTC market: the quoted closing bid CBBT price or, if unavailable, the Bloomberg bid BVAL on the valuation date or on the last day of operation of the OTC market;
- the price is calculated on the basis of an internal valuation model.

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and presented in accordance with the IFRS 13 fair-value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.

Assets and liabilities are classified in accordance with IFRS 13 especially based on the availability of market information, which is determined by the relative levels of trading identical or similar instruments in the market, with a focus on information that represents actual market activity or binding quotations of brokers or dealers.

Investments measured or disclosed at fair value, are presented in accordance with the levels of fair value under IFRS 13, which categorises the inputs to measure fair value into the following three levels of the fair value hierarchy:

- Level 1 financial investments are those for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical financial assets that the Company can access at the measurement date.
- Level 2 financial investments are those whose fair value is determined using data that are directly or indirectly observable other than the prices quoted within level 1.
- Level 3 comprise financial investments for which observed market data are unavailable. Thus the fair value is determined based on valuation techniques using inputs that are not directly or indirectly observable in the market.

The Company discloses and fully complies with its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred. Policies for the timing of recognising transfers are the same for transfers into as for transfers out of any level. Examples of policies include: (a) the date of the event or change in circumstances that caused the transfer (b) the beginning of the reporting period (c) at the end of the reporting period.

23.2.14 Reinsurers' share of technical provisions

Reinsurers' share of technical provisions comprises the reinsurers' share of unearned premiums and of technical provisions. The amount is determined in accordance with reinsurance (retrocession) contracts and in line with movements in the retroceded portfolio based on gross reinsurance provisions for the business that is the object of these reinsurance (retrocession) contracts at the close of each accounting period.

The Company tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For retrocession risks, see section 23.5.2.6 "Retrocession programme".

23.2.15 Receivables

Receivables include receivables for gross premiums written and receivables for claims and commission relating to retrocession business.

23.2.15.1 Recognition of receivables

Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections 23.2.23 "Net premiums earned" and 23.2.24 "Net claims incurred".

23.2.15.2 Impairment of receivables arising out of reinsurance business

As regards its core activity of reinsurance, the Company transacts business exclusively with legal entities. Before entering a business relationship with a prospective client, especially if foreign, the Company carefully reviews its credit standing with regard to predefined criteria. If these are not met, the case is escalated to the Company's credit rating committee, which issues an opinion on whether the credit standing is adequate. The Company individually assesses receivables in terms of their recoverability or impairment, accounting for allowances based on payment history of individual cedants and retrocessionaires.

The Company nevertheless periodically reviews its reinsurance receivables on a client-by-client basis, at least once a year.

No receivables have been pledged as security.

23.2.15.3 Deferred acquisition costs

The Company discloses deferred commissions under deferred acquisition costs. These are booked commissions relating to the next financial year and are recognised based on (re)insurance accounts taking into account straight-line amortisation and estimated amounts for non-past due final commission payments under reinsurance contracts with Group cedants.

23.2.15.4 Other assets

Other assets include capitalised short-term deferred costs and short-term accrued income. Short-term deferred costs comprise short-term deferred costs for prepayments of unearned commissions to counterparties.

23.2.16 Cash and cash equivalents

The statement of financial position and cash flow item "cash and cash equivalents" comprises:

- cash, including cash in hand, cash in bank accounts of commercial banks or other financial institutions and overnight deposits, and
- cash equivalents, including demand deposits and deposits with an original maturity of up to three months.

23.2.17 Equity

Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euro;
- capital reserves comprise amounts in excess of the par value of shares;
- profit reserves comprise reserves provided for by the articles of association, legal reserves, reserves for treasury shares, credit risk and catastrophe equalisation reserves and other profit reserves;
- treasury shares;
- fair value reserve;
- retained earnings.

Reserves provided for by the articles of association are used:

- to cover the net loss that cannot be covered (in full) out of retained earnings and other profit reserves, or if these two sources of funds are insufficient to cover the net loss in full (an instrument of additional protection of tied-up capital);
- to increase share capital;
- to regulate the dividend policy.

Profit reserves also include catastrophe equalisation reserves set aside pursuant to the rules on technical provisions and reserves as approved by appointed actuaries. Thus the distribution of these reserves cannot be decided in general meeting.

Pursuant to the Companies Act, either the management or the supervisory board may allocate up to half of net profit to other reserves.

23.2.18 Subordinated liabilities

Subordinated liabilities represented the Company's long-term loan issued in 2006 and 2007 for the expansion of Group operations. The subordinated debt was measured at amortised cost on a monthly basis and was fully repaid in the first half of 2017 after having obtained approval from the Insurance Supervision Agency.

23.2.19 Technical provisions

Technical provisions are shown gross in the statement of financial position. The share of gross technical provisions for the business retroceded by the Company is shown in the statement of financial position under the item reinsurers' share of technical provisions. The main principles used in the calculation of gross technical provisions are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. They are accounted for on the basis of received reinsurance accounts for unearned premiums, following the cedants' methods: principally a pro rata temporis basis at insurance policy level. In cases where the Company does not receive timely accounts for unearned premiums on reinsurance business, the fractional value method is used at individual premium account level for periods for which premiums are written.

Provisions for outstanding claims (also "claims provisions") are established for incurred but not settled claims. These comprise provisions for incurred claims, both reported and unreported (IBNR). They are accounted for on the basis of received reinsurance accounts for provisions for outstanding claims and on the basis of received loss advices for non-proportional reinsurance business. Sava Re establishes the IBNR provision following three procedures. In the first procedure, the Company assumes a portion of the IBNR provision as calculated by cedants based on relevant reinsurance contract's provisions. In the second procedure, it is necessary to estimate the claims provision for business outside the Sava Re Group for which reinsurance accounts are not received timely to estimate technical categories, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance. As the triangular method is used in making estimates, the procedure also represents a liability adequacy test for the reinsurance portfolio outside the Sava Re Group. In the third procedure, the IBNR provision is calculated as part of the liability adequacy test for portfolio segments where reinsurance accounts are received timely and for which no estimates are made. This calculation is made for gross data of Slovenian cedants and subsidiaries at insurance class level, using development triangles of cumulative claim payments by underwriting year. If the provision for outstanding claims exceeds the one already set aside (and calculated based on reinsurance accounts), a reinsurance IBNR provision is set aside. The described procedures show that the outstanding claims provision is established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums. The Company establishes these provisions on the basis of reinsurance accounts for quota share reinsurance treaties with subsidiaries.

Other technical provisions solely include the provision for unexpired risks derived from a liability adequacy test of unearned premiums, as described below. Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation, the premium is deemed to be inadequate, the unearned premium is also inadequate. The Company carries out liability adequacy tests separately for gross unearned premiums and for the retroceded portion of unearned premiums at the insurance class level. Calculation of the expected combined ratio at insurance class level was based on the weighted average of the combined ratios realised in the last three to five years, which were also trend-adjusted. The calculation of the realised combined ratios was based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100%, thus revealing a deficiency in unearned premiums, a corresponding provision for unexpired risks is set aside within other technical provisions.

23.2.20 Other provisions

Other provisions comprise the net present value of employee benefits including severance pay upon retirement and jubilee benefits. They are calculated in accordance with IAS 19 based on the ratio of accrued service time in the Company to the entire expected service time in the Company (projected unit credit method).

Provisions are calculated based on personal data of employees: date of birth, date of commencement of employment, anticipated retirement, and salary. Entitlement to severance pay on retirement and jubilee benefits are based on provisions of the collective bargaining agreement or the employee's employment contract. Expected pay-outs also include tax liabilities where payments exceed statutory non-taxable amounts. The probability of an employee staying with the Company includes both the probability of death (under tables SLO 2007 M/F) and the probability of employment relationship termination based on internal data. Accordingly, the assumed annual real growth of salaries is based on internal data and the consumer price index. The assumed nominal growth in jubilee benefits equals expected inflation determined based on the ECB's long-term inflation target. The same term structure of risk-free interest rates is used for discounting as in the capital adequacy calculation under the Solvency II regime.

Pension insurance

The Company is required by law to pay pension insurance contributions on gross salaries at the rate of 8.85%. In addition, in 2001 the Company concluded a contract setting up a pension insurance scheme as part of the voluntary pension system, and has been making monthly contributions to it since then.

23.2.21 Other liabilities

Liabilities are initially recognised at amounts recorded in the relevant documents. Subsequently, they are increased in line with documents or decreased on the same basis or through payments. Other liabilities comprise: liabilities for claims and outwards retrocession premiums, liabilities for claims arising out of inwards reinsurance contracts, liabilities for retained deposits, amounts due to employees, amounts due to clients and other short-term liabilities.

The Company established provisions for unexpended annual leave recognised under accrued expenses. Unexpended leave may be used by no later than 30 June of the succeeding year.

23.2.22 Classification of insurance contracts

The Company classifies contracts as insurance contracts if they are concluded to transfer a considerable portion of risk; otherwise, they are classified as financial contracts. Whether there has been a considerable transfer of risk may be established either (i) directly when the Company assumes risks from contracts on a proportional basis that have been classified as insurance contracts by their cedants, or (ii) indirectly by determining that a reinsured event would result in significant additional pay-outs.

The Company only transacts reinsurance business the basic purpose of which is the transfer of underwriting risk. Thus the Company classified all the reinsurance contracts it concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Since non-proportional reinsurance contracts provide for the payment of significant additional pay-outs in case of loss events, they also qualify as insurance contracts.

23.2.23 Net premiums earned

Premiums earned are accounted for on an accrual basis, taking into account any increase in economic benefits in the form of cash inflows or increases in assets. Net premiums earned are gross premiums written (inwards reinsurance premiums), less reinsurance or retrocession premiums (outward reinsurance premiums). The amount of premiums earned is also affected by changes in (the Company's and reinsurers' shares of) unearned premiums. Estimates of premiums and unearned premiums are taken into account. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts, or on the basis of received estimates of final premiums that are yet to fall due based on contractual provisions. These items are used to calculate earned premiums in the income statement.

23.2.24 Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, taking into account any decrease in economic benefits in the form of cash outflows or decreases in assets. Net claims incurred comprise gross claims paid net of recourse receivables and reinsured claims, i.e. amounts invoiced to retrocessionaires. The amount of gross claims paid includes the change in the claims provision, taking into account estimated claims and provisions for outstanding claims. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. These items are used to calculate net claims incurred in the income statement. Claims incurred are estimated based on estimated premiums and expected combined ratios for individual reinsurance contracts.

23.2.25 Income and expenses relating to investments in subsidiaries and associates

Income relating to investments in subsidiaries and associates also includes dividends. Expenses relating to investments in subsidiaries and associates include impairment losses on investments. Dividend income is recognised when pay-out is authorised in accordance with the relevant general meeting resolution of any subsidiary or associate.

23.2.26 Investment income and expenses

The Company records investment income and expenses separately depending on whether they relate to the capital fund or the liability fund. The capital fund comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions.

Investment income includes:

- dividend income (income from shares),
- interest income,
- exchange gains,
- income from changes in the fair value and gains on the disposal of investments designated at fair value through profit or loss,
- gains on the disposal of investments of other investment categories and
- other income.

Investment expenses include:
- interest expense,
- exchange losses,
- expenses due to changes in fair value and losses on disposal of investments designated at fair value through profit or loss,
- losses on disposal of investments of other investment categories,
- other expenses.

The mentioned income and expenses are disclosed depending on how the underlying investments are classified, i.e. investments held to maturity, at fair value through profit or loss, available for sale, loans and receivables, or deposits.

Interest income and expenses for investments classified as held to maturity or available for sale are recognised in the income statement using the effective interest rate method. Interest income and expenses for investments at fair value through profit or loss are recognised in the income statement using the coupon interest rate. Dividend income is recognised in the income statement when payout is authorised. Gains and losses on the disposal of investments represent the difference between the carrying amount of a financial asset and its sale price, or between its cost less impairment, if any, and sale price in the case of investments available for sale.

23.2.27 Operating expenses

Operating expenses comprise:

- acquisition costs; reinsurance commission expenses recognised based on reinsurance accounts and estimates derived from estimated premiums and contractually agreed commission rates;
- change in deferred acquisition costs; deferred costs comprise deferred reinsurance commission expenses. These are booked commissions relating to the next financial year. They are recognised based on reinsurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation;
- other operating expenses classified by nature are as follows:
  i. depreciation/amortisation of operating assets,
  ii. personnel costs including employee salaries, social and pension insurance costs and other personnel costs,
  iii. remuneration of the supervisory board and audit committee; and payments under contracts for services,
  iv. other operating expenses relating to services and materials.

23.2.28 Other technical income

Other technical income comprises income from reinsurance commission less the change in deferred acquisition costs relating to reinsurers, and is recognised based on confirmed reinsurance accounts and estimated commission income taking into account straight-line amortisation.

23.2.29 Income tax expense

Income tax expense for the year comprises current and deferred tax. Income tax is presented in the income statement, except for the portion relating to the items presented in equity. The same applies to deferred tax. Current tax is payable on the taxable profit for the year using the tax rates enacted by the date of the statement of financial position, as well as on any adjustments to tax liabilities of prior periods. Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax amount is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates that have been enacted by the date of the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The rate of corporate income tax is 19% (2016: 17 %).

23.3 Changes in accounting policies and presentation

In 2017, the Company changed the presentation of the sub-items of receivables and liabilities from operating activities.

To better reflect the nature of the Company's operations, we now disclose the items relating to accepted reinsurance and co-insurance business, also known as inwards re/co-insurance, under receivables and liabilities from primary insurance business.

Receivables and liabilities from reinsurance and co-insurance business, however, will continue to include items relating to ceded retrocession business.

This change in presentation only relates to re-classification from one item to another within asset or liability items, and does not affect the balance sheet total.

The effect of this reclassification is discussed in notes 8 "Receivables" and 21 "Liabilities from operating activities".

23.4 Standards and interpretations issued but not yet effectiveand new standards and interpretations

The accounting policies adopted in preparing its financial statements are consistent with those of the previous financial year, except for the following amended IFRSs adopted by the Company as of 1 January 2017:

Amended standards that are already effective

IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)

The objective of the amendments is to clarify the requirements of deferred tax assets for unrealised losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The amendments have no effect on the Company's financial statements.

IAS 7: Disclosure Initiative (Amendments)

The amendments to IAS 7 require that undertakings provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The amendments have no effect on the Company's financial statements.

Issued Annual Improvements

The IASB has issued the Annual Improvements to IFRSs 2014–2016 Cycle, which is a collection of amendments to IFRSs.

The following annual improvement has not yet been endorsed by the EU. The improvements have no effect on the Company's financial statements.

IFRS 12: Disclosure of Interests in Other Entities:

The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

Standards issued but not yet effective and not early adopted by the Group

IFRS 9: Financial Instruments: Classification and Measurement

The standard is effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Regarding the implementation of IFRS 9, the Company will opt to apply the temporary exemption from this standard until the coming into force of IFRS 17 Insurance contracts. The management assesses that the enforcement of the standard will have a significant effect on the consolidated financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The management has assessed the effect of the standard on the Company's financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Company.

IFRS 15: Revenue from Contracts with Customers (Clarifications)

The clarifications apply for annual periods beginning on or after 1 January 2018. Early application is permitted. The objective of the clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the 'separately identifiable' principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The management has assessed the effect of the standard on the Company's financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Company.

IFRS 16: Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognise most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The management has assessed the effect of the standard on the Company's financial statements and believes that the enforcement of the standard will have no significant effect on the operations of the Company.

IFRS 17: Insurance Contracts

The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. The standard has not been yet endorsed by the EU. The management has assessed the effect of the standard on the Company's financial statements and believes that the enforcement of the standard will have a significant effect on the Company's financial statements.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

IFRS 2: Classification and Measurement of Share-based Payment Transactions (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. Early application is permitted. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

IFRS 4: Application of IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach, which would permit entities that issue contracts within the scope of IFRS 4 to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets. Regarding the implementation of IFRS 9, the Company has opted to apply the temporary exemption from this standard until the coming into force of IFRS 17 Insurance Contracts.

IAS 40: Transfers to Investment Property (Amendments)

The amendments are effective for periods beginning on or after 1 January 2018. Early application is permitted. The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

IFRS 9 Amendment: Prepayment features with negative compensation

The amendments are effective for periods beginning on or after 1 January 2019. Early application is permitted. The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amendments are effective for periods beginning on or after 1 January 2019. Early application is permitted. The amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments to the standard have not been yet endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The interpretation is effective for periods beginning on or after 1 January 2018. Early application is permitted. The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This interpretation has not yet been endorsed by the EU. The management has assessed the effect of the amendments on the Company's financial statements and believes that the enforcement of the amendments will have no significant effect on the Company's financial statements.

The IASB has issued the Annual Improvements to IFRSs 2014–2016 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. The management has assessed the effect of the improvements on the Company's financial statements and believes that the enforcement of the improvements will have no significant effect on the Company's financial statements.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
- **IAS 28: Investments in Associates and Joint Ventures:** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

IFRIC Interpretation 23: Uncertainty over Income Tax Treatments

The interpretation is effective for periods beginning on or after 1 January 2019. Early application is permitted. The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. This interpretation has not yet been endorsed by the EU. The interpretation provides guidance on: considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This interpretation has not yet been endorsed by the EU. The management has assessed the effect of the interpretation on the Company's financial statements and believes that the interpretation will have no significant effect on the Company's financial statements.

23.5 Risk management[136]

The following table shows the changes in the risk profile in 2017 compared to 2016. The risks have been assessed with regard to the potential volatility of business results and the resulting impact on the Company's financial statements. The potential impact in case an extreme internal or external risk realises and the impact on the Company's solvency position is set out in the "Solvency and financial condition report of Sava Re, d.d."

Change in the Sava Re risk profile compared to the previous year

	Risk rating	Chang in risk in 2017 compared to 2016	Risk described in section
Operational risks	**medium**	→	**23.5.4**
Strategic risks	**medium**	→	**23.5.5**
Insolvency risk	**low**	→	**23.5.1**
Financial risks			**23.5.3**
Risk of financial investments in subsidiaries and associates	medium	→	23.5.3.1
Interest rate risk	low	↓	23.5.3.2.1
Equity risk	medium	↓	23.5.3.2.2
Property risk	low	↑	23.5.3.2.3
Currency risk	medium	→	23.5.3.2.4
Liquidity risk	low	→	23.5.4.2
Credit risk	medium	↓	23.5.4.3
Non-life underwriting risk			**23.5.2**
Underwriting process risk	medium	→	23.5.2.1
Pricing risk	medium	→	23.5.2.2
Claims risk	medium	→	23.5.2.3
Net retention risk	low	→	23.5.2.4
Reserve risk	low	→	23.5.2.5
Retrocession programme	low	→	23.5.2.6

[136] GRI 102-11

23.5.1 Capital adequacy of Sava Re

For calculating its capital requirements under Solvency II, Sava Re uses the standard formula. The solvency capital requirement is calculated annually, while eligible own funds supporting solvency requirements are calculated on a quarterly basis.

The following table shows the Company's capital adequacy calculation as at 31 December 2016[137].

Capital adequacy of Sava Re

(€)	31/12/2016
Eligible own funds	389,727,737
Minimum capital requirement (MCR)	36,913,700
Solvency capital requirement (SCR)	147,654,799
Solvency ratio	**264%**

Sava Re's unaudited eligible own funds as at 30 September 2017 totalled €460.2 million and were slightly higher than as at 31 December 2016. It needs to be noted that dividend payments for 2017 are not considered in quarterly calculated eligible own funds, while eligible own funds as at 31 December 2016 are net of the foreseeable dividends.

We estimate that the level of the Company's eligible own funds at the end of the year is slightly above the level as at 31 December 2016. We also expect that the level of the solvency ratio as at 31 December 2017 is marginally higher than as at 31 December 2016. Both is due to the methodological change in the valuation of own funds.

Detailed results of Sava Re's capital adequacy calculation as at 31 December 2017 and the methodological changes will be presented in the Solvency and financial condition report of Sava Re in May 2018.

23.5.2 Underwriting risk

Underwriting risks are risks related to the main activity pursued by insurance companies, i.e., the assumption of risks from policyholders. Insurance companies transfer any excess of risk to reinsurance companies, which is why reinsurance companies are exposed to underwriting risk. Underwriting risks that are important for reinsurers comprise mainly underwriting process risk, pricing risk, claims risk, net retention risk and reserving risk. Some other underwriting risks, such as product design risk, economic environment risk and policyholder behaviour risk are important mainly for insurers, but are transferred to reinsurance companies, especially through proportional reinsurance treaty arrangements. Such risks can only be managed through appropriate underwriting, additional requirements or clauses in reinsurance contracts and through an appropriate retrocession programme. Therefore, below we will give no separate discussion of the risks relating to product design, economic environment or policyholder behaviour.

Sava Re only assumes underwriting risk from its subsidiaries and other cedants. Part of the assumed risk is retained, any excess over its capacity is retroceded. Sava Re classifies all reinsurance contracts as insurance contracts within the meaning of IFRS 4. As the Company has no reinsurance contracts that qualify as financial contracts, we give below a detailed description of the risks arising from insurance contracts, as required under IFRS 4.

23.5.2.1 Underwriting process risk

The underwriting process risk is the risk of incurring financial losses caused by an incorrect selection and approval of risks to be reinsured. In respect of reinsurance treaties, Sava Re follows the fortune of its ceding companies, while with facultative contracts, the decision on assuming a risk is on Sava Re.

It follows from the above that in order to manage this risk, it is essential to review the practices of existing and future ceding companies and to analyse developments on the relevant markets and in the relevant classes of insurance. Consequently, coverage may only be granted by taking into account internal underwriting guidelines. These define the requirements for partners, the minimum required level of information about the business, and the expected range of profitability. In addition, they also define the underwriting process and levels of authority, so that appropriate controls are included in the process. Sava Re's professionals with relevant qualifications assist in the underwriting of large risks assumed by the Company's subsidiaries (and subsequently reinsured with the controlling company).

The following table shows exposure measured by the number of contracts and aggregated limits of contracts. The sum does not include unlimited motor third-party liability XL covers that are fully retroceded.

Breakdown of reinsurance contracts and limits (before retrocession)

(€)	U/W year 2017		U/W year 2016	
Form of contract	No. of contracts	Aggregate limit	No. of contracts	Aggregate limit
Treaty business	755	1,436,874,324	698	1,395,369,549
Facultative contracts	219	916,403,018	195	776,396,956
Total	**974**	**2,353,277,342**	**893**	**2,171,766,505**

Aggregate limits again increased marginally in 2017 compared to 2016, as a result of the growth in premium income both in treaty and facultative business.

We believe that the reinsurance underwriting process risk is well managed. Sava Re reduces underwriting risk through partial or full retrocession.

[137] During the preparation of the audited annual report, Sava Re is yet to obtain audited capital adequacy data for 2017. The capital adequacy calculation will be published in Sava Re's Solvency and financial condition report for 2017 to be released no later than 7 May 2018.

23.5.2.2 Pricing risk

Pricing risk is the risk that the reinsurance premiums charged will be insufficient to cover liabilities under reinsurance contracts.

In proportional reinsurance contracts, reinsurance premiums depend on insurance premiums, mostly set by ceding companies, while the risk premium also depends on the commission recognised by the reinsurer. Therefore, this risk is managed by appropriate underwriting of risks to be reinsured and relevant adjustments to the commission policy. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Expected results of reinsurance contracts entered into on the basis of available information and set prices must be in line with target combined ratios; the adequacy of prices is verified based on the results by form and class of reinsurance.

The international reinsurance market remains in a soft market phase, but as reinsurance underwriting is adequately managed, pricing risk for Sava Re is assessed as moderate in both 2017 and 2016.

23.5.2.3 Claims risk

Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. In proportional reinsurance business, this risk is closely connected with the same risk in relation to ceding companies, which may arise due to incorrect assessments made in the course of underwriting, changes in court practice, new types of losses, increased public awareness of the rights attached to insurance contracts, macroeconomic changes and such like. In non-proportional reinsurance business, the Company has greater control over the expected claims risk through direct control on pricing; however, since this business is more volatile, the risk is managed mainly through portfolio diversification. A treaty may be either very profitable for the reinsurer (if there are no losses in excess of a predetermined amount, the priority) or very unprofitable, if a loss exceeds the priority.

This risk is managed by appropriate underwriting, controlling risk concentration in a particular location or geographical area, and especially by adequate reinsurance and retrocession programmes.

Although we are altering the composition of the portfolio to maximise profitability, we assess that there was no material difference between the claims risk of 2017 and 2016.

23.5.2.4 Net retention risk

Net retention risk is the risk that higher retention of insurance loss exposures will result in large aggregate losses due to catastrophic or concentrated claims experience. This risk may also materialise in the event of "shock losses", where a large number of insured properties are impacted. This may occur especially through losses caused by natural peril events, which are generally covered by a basic or an additional fire policy or by a policy attached to an underlying fire policy (e.g. business interruption policy or earthquake policy).

Sava Re manages net retention risk by way of (i) appropriate professional underwriting of the risks to be insured, (ii) measuring the exposure (by aggregating sums insured) by geographical area for individual natural perils and especially by (iii) designing an appropriate reinsurance programme. In managing this risk, we take into account that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event and by the frequency of such events.

The table below shows exposure to natural perils and/or diversification by region.

Earthquake aggregates by region

(€)	31/12/2017	31/12/2016
Europe – EU Member States	715,311,374	767,654,390
Europe – non-EU members	145,878,443	138,091,549
Russia and countries of the former Soviet Union	25,643,619	25,447,591
Africa	45,086,397	47,032,821
Middle East	41,093,991	51,842,192
Asia	266,641,834	263,262,632
Latin America	73,780,223	34,299,612
USA and Canada	22,615,761	23,135,770
Caribbean	31,182,220	27,483,539
Oceania	25,526,052	23,215,554
Total	**1,392,759,913**	**1,401,465,649**

Flood aggregates by region

(€)	31/12/2017	31/12/2016
Europe – EU Member States	406,401,295	425,256,326
Europe – non-EU members	94,430,451	108,459,503
Russia and countries of the former Soviet Union	25,636,119	25,440,091
Africa	45,086,397	47,032,821
Middle East	23,244,580	34,932,628
Asia	216,938,451	223,152,020
Latin America	73,780,223	34,441,205
USA and Canada	22,615,761	23,135,770
Caribbean	31,182,220	27,483,539
Oceania	25,526,052	22,043,679
Total	**964,841,551**	**971,377,581**

Storm aggregates by region

(€)	31/12/2017	31/12/2016
Europe – EU Member States	401,286,042	432,701,483
Europe – non-EU members	94,417,441	108,443,253
Russia and countries of the former Soviet Union	25,636,119	25,440,091
Africa	45,086,397	47,032,821
Middle East	23,244,580	34,932,628
Asia	218,463,679	224,598,174
Latin America	71,895,308	32,346,638
USA and Canada	22,615,761	23,135,770
Caribbean	31,182,220	27,483,539
Oceania	25,526,052	23,215,554
Total	**959,353,601**	**979,329,950**

In 2017 the aggregate exposure to natural catastrophes by region declined, and so did the absolute level of risk (there was a somewhat smaller decline in the exposure to earthquakes and floods and a larger decline in the storm aggregate. We estimate that, in relative terms, retention risk was on the same level in 2017 and 2016. Nevertheless, Sava Re was not seriously impacted due to its adequate retention limits and adequate retrocession programme, as shown in the section on estimated exposure to underwriting risks.

23.5.2.5 Reserve risk

Reserve risk is the risk that technical provisions are not sufficient to cover the commitments of the (re) insurance business assumed. This may occur because of inaccurate actuarial estimates or an unexpected unfavourable loss development. It may be a result of new types of losses that have not been excluded in cedants' insurance conditions and for which no claims provisions have been established, which is common with liability insurance contracts but can also happen due to changed court practices. We consider that this risk does exist, mainly in respect of the claims provision; however, it is minor.

Sava Re manages reserving risk by strict adherence to the law and regulations on technical provisions, by applying recognised actuarial methods, critical observation of information received from ceding companies on reinsurers' shares of their claims provisions and, especially, by adopting a sufficiently prudent approach in setting the level of technical provisions, which is described in the notes to technical provisions.

Unlike primary insurers, Sava Re cannot use triangles of paid losses based on accident year data for actuarial estimations. This is because ceding companies report claims under proportional treaties by underwriting years. As claims under one-year policies written during any one year may occur either in the year the policy is written or in the year after, aggregate data for proportional reinsurance contracts are not broken down by accident year. Furthermore, some markets renew treaty business during the year, resulting in additional discrepancies between the underwriting year and the accident year.

In line with reinsurance practice, Sava Re analyses data concerning claims paid by underwriting year and estimates its future liabilities with respect to individual underwriting years by using appropriate actuarial methods. The estimated liabilities relate to claims that have already been incurred (reported and not reported) the settlement of which is provided for within the claims provision, and claims that have not yet been incurred the settlement of which is covered by unearned premiums, net of deferred commission.

Owing to the mentioned feature, the following two tables include as originally estimated gross or net liabilities. At any year-end claims provisions are included plus unearned premiums less deferred commission, which are compared to subsequent estimates of these liabilities. Such testing or analysis of whether technical provisions are adequate can only be applied to past years — the further back in time, the more precise the results. Given that the claims provision is calculated using the same actuarial method as in previous years, we conclude based on past discrepancies between originally estimated liabilities and subsequently established actual liabilities arising from claims at individual dates of the statement of financial position, that the provisions as at 31 December 2017 are adequate.

Adequacy analysis of gross technical provisions for past years

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
As originally estimated	206,099	199,339	207,416	209,963	218,615	224,093
Reestimated as of 1 year later	179,499	170,890	183,590	191,260	191,207	
Reestimated as of 2 years later	169,304	160,099	174,579	175,447		
Reestimated as of 3 years later	158,181	156,865	164,654			
Reestimated as of 4 years later	155,634	147,772				
Reestimated as of 5 years later	149,283					
Cumulative gross redundancy (latest estimate – original estimate)	**56,816**	**51,566**	**42,763**	**34,516**	**27,409**	
Cumulative gross redundancy as % of original estimate	27.6%	25.9%	20.6%	16.4%	12.5%	

Adequacy analysis of net technical provisions for past years

(€ thousand)	Year ended 31 December					
Estimate of net liabilities	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
As originally estimated	174,480	173,344	177,031	194,262	200,824	204,479
Reestimated as of 1 year later	153,136	153,577	161,973	175,595	175,066	
Reestimated as of 2 years later	147,655	142,529	151,267	159,178		
Reestimated as of 3 years later	136,270	137,887	140,291			
Reestimated as of 4 years later	132,322	127,700				
Reestimated as of 5 years later	125,137					
Cumulative gross redundancy (latest estimate – original estimate)	**49,342**	**45,644**	**36,740**	**35,084**	**25,758**	
Cumulative net redundancy as % of original estimate	28.3%	26.3%	20.8%	18.1%	12.8%	

The cumulative gross redundancies for underwriting years 2012–2015 increased if compared to amounts at the end of the preceding year, which were 24.5 %, 21.3 %, 15.8 % and 8.9 % of original estimates. The cumulative net redundancies for underwriting years 2012 to 2015 are also larger than the amounts as at the end of the preceding year, which were 24.2%, 20.5%, 14.6% and 9.6% of original estimates.

The cumulative gross and net redundancies are a result of prudent estimation of liabilities. They are also partly due to the fact that unearned premiums calculated based on the pro rata temporis rule, less deferred commission, for those classes of business where loss ratios are significantly below 100% are too large by the very nature of the calculation method. This is also the reason why the reestimate as of 1 year later is quickly decreasing compared to the original estimate, as unearned premiums relating to one-year insurance contracts are largely released in the following year when any redundancy is also released. Subsequent reestimates are slowly decreasing; and only after a long time do they stabilise.

In respect of those classes of insurance where the sum of the claims and the expense ratio exceeds 100%, Sava Re sets aside provisions for unexpired risks in addition to unearned premiums, as described in the notes to technical provisions.

Due to the high cumulative redundancies of both gross and net technical provisions, we estimate that reserving risk at the end of 2017 is relatively small and similar to that at year-end 2016.

23.5.2.6 Retrocession programme

An adequate retrocession programme is fundamental for managing the underwriting risk that Sava Re is exposed to. The programmes are designed to reduce potentially large risk exposures as largest amounts set out in the tables of maximum retentions are used only exceptionally with best risks. Sava Re uses retrocession treaties to diversify risk. The Company's net retained insurance portfolio (relating to both Slovenian and foreign ceding companies) is further covered for potentially large losses through prudently selected non-proportional reinsurance programmes.

We consider that the 2017 retrocession programme of Sava Re is comparable with that of 2016.

23.5.2.7 Estimated exposure to underwriting risks

Sava Re's maximum net retentions and its retrocession programmes are of key importance to estimating the exposure to underwriting risks. The net retention limit is set at €4 million for the majority of non-life classes of insurance and a combined limit of €4 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of €2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at €300,000. In principle, this caps any net claim arising out of any single loss event at a maximum of €4 million. In case of any catastrophe event, e.g. flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is €5 million for Group business as well as extra-Group business. These amounts represent the maximum net claim for a single catastrophe event based on reasonable actuarial expectations. In case of multiple catastrophic events in any single year, the non-proportional treaties include reinstatement provisions. Hence, the probability that a large number of catastrophe events would compromise the solvency position of Sava Re is negligible. Due to the random fluctuation in the number of catastrophic events, an increase in net claims must always be expected. This would negatively impact business results, but would certainly pose no threat to Sava Re's solvency.

A one-percentage change in the combined ratio due to higher/lower underwriting risks would have resulted in a change in the profit before tax of €1.3 million (2016: €1.3 million). In 2017 an additional maximum net claim of €5 million would have deteriorated the combined ratio by 3.8% (2016: 3.7%), which is still acceptable.

The probability that the underwriting risk may seriously undermine the Company's financial stability is deemed, according to our assessment, to have been low in both 2017 and 2016.

23.5.3 Financial risks

In its financial operations, Sava Re is exposed to financial risks, including market, liquidity and credit risk.

23.5.3.1 Risk of financial investments in subsidiaries and associates

Regarding the risk related to its financial investments in subsidiaries and associates, Sava Re is especially exposed to the risk of a decline in these investments and concentration risk. Among its financial investments in subsidiaries and associates, Sava Re has one major exposure, i.e. the investment in Zavarovalnica Sava, the value of which accounts for 63.78% (2016: 63.82%) of the total value of its financial investments in subsidiaries and associates.

As at 31 December 2017, Sava Re's total exposure to the risk of financial investments in subsidiaries and associates was €193.4 million (31/12/2016: €191.6 million).

Sava Re manages the risk related to its financial investments in subsidiaries and associates through active governance, comprising:

- a governance system (management and supervision), and clear segregation of responsibilities at all levels;
- risk management policies;
- systematic risk management with a three-lines-of-defence framework (discussed in detail in section 11 "Risk management");
- the setting of business and risk management strategies from the top down, taking into account both the Group as a whole as well as its individual members;
- a comprehensive system of monitoring operations, reporting on business results and risks at all levels.

Assessed sensitivity of investments in subsidiaries and associates

(€)	31/12/2017			31/12/2016		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
-10%	193,409,578	174,068,620	-19,340,958	191,640,382	172,476,344	-19,164,038
-20%	193,409,578	154,727,662	-38,681,916	191,640,382	153,312,306	-38,328,076
largest individual subsidiary of −10%	123,364,959	111,028,463	-12,336,496	122,312,446	110,081,201	-12,231,245
largest individual subsidiary of −20%	123,364,959	98,691,967	-24,672,992	122,312,446	97,849,957	-24,462,489

Exposure to the risk related to financial investments in subsidiaries and associates remained in 2017 at the 2016 level.

23.5.3.2 Market risk

Financial investments exposed to market risk

(€) Type of investment	31/12/2017	As % of total 31/12/2017	31/12/2016	As % of total 31/12/2016	Absolute difference 31/12/2017 / 31/12/2016	Change in structure (p.p.) 31/12/2017 / 31/12/2016
Deposits and CDs	2,398,614	0.9%	2,398,602	0.9%	12	0.0
Government bonds	116,270,045	43.8%	122,920,903	47.1%	-6,650,858	-3.3
Corporate bonds	108,409,148	40.8%	101,771,645	39.0%	6,637,503	1.8
Shares (excluding strategic shares)	10,399,227	3.9%	9,798,315	3.8%	600,912	0.2
Mutual funds	2,862,382	1.1%	2,388,497	0.9%	473,884	0.2
bond	2,564,660	1.0%		0.0%	2,564,660	1.0
mixed	0	0.0%	1,594,081	0.6%	-1,594,081	-0.6
equity	297,721	0.1%	794,417	0.3%	-496,695	-0.2
Loans granted and other investments	4,609,924	1.7%	2,834,953	1.1%	1,774,972	0.6
Deposits with cedants	5,832,346	2.2%	7,835,859	3.0%	-2,003,514	-0.8
Financial investments	**250,781,685**	**94.4%**	**249,948,775**	**95.7%**	**832,911**	**-1.4**
Investment property	8,230,878	3.1%	3,122,076	1.2%	5,108,801	1.9
Cash and cash equivalents	6,678,458	2.5%	7,989,819	3.1%	-1,311,360	-0.5
Total financial investments	**265,691,021**	**100.0%**	**261,060,670**	**100.0%**	**4,630,351**	

The value of financial investments exposed to market risk rose by €4.6 million in 2017 compared to year-end 2016. The increase is discussed in the business report section 20.2.1.1.

23.5.3.2.1 Interest rate risk

Interest rate risk is the risk that the Company will suffer a loss as a result of fluctuations in interest rates, resulting in a decrease in the value of assets or an increase in liabilities. Given that according to the prescribed methodology for the calculation of technical provisions for the purpose of financial statements, Sava Re does not have interest-rate sensitive technical provisions, changes in market interest rates are only reflected in the value of the investment portfolio.

Interest rate risk is measured through a sensitivity analysis, by observing the change in the value of investments in bonds if interest rates rise by one percentage point. The interest-rate sensitive bond portfolio includes government and corporate bonds, and bond mutual funds with a weight of 1. The analysed investments do not include held-to-maturity bonds, deposits or loans granted as these are measured at amortised cost and are, therefore, not sensitive to changes in market interest rates.

Results of the sensitivity analysis

(€)	31/12/2017					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	114,194,924	110,921,251	-3,273,674	114,194,924	117,706,635	3,511,710
Corporate bonds	108,409,151	105,413,387	-2,995,765	108,409,151	111,643,308	3,234,157
Bond mutual funds	2,564,660	2,492,429	-72,231	2,564,660	2,642,381	77,720
Total	**225,168,736**	**218,827,066**	**-6,341,670**	**225,168,736**	**231,992,324**	**6,823,587**
Effect on equity	-6,341,670			6,823,587		
Effect on the income statement	0			0		

(€)	31/12/2016					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	120,846,089	116,628,711	-4,217,378	120,846,089	125,432,749	4,586,660
Corporate bonds	101,771,648	98,529,323	-3,242,324	101,771,648	105,271,137	3,499,490
Total	**222,617,736**	**215,158,034**	**-7,459,702**	**222,617,736**	**230,703,886**	**8,086,150**
Effect on equity	-7,459,702			8,086,150		
Effect on the income statement	0			0		

The sensitivity analysis showed that in case of an increase in interest rates, the value of bonds included in the analysis would decrease by €6.3 million (31/12/2016: €7.5 million) or 2.8% (31/12/2016: 3.4 %).

Based on the results of the sensitivity analysis, the interest rate risk slightly decreased compared to 2016.

23.5.3.2.2 Equity risk

Equity risk is the risk that the value of investments will decrease due to fluctuations in equity markets.

The Company measures equity risk through a stress test scenario assuming a 10- or 20-percent drop in equity prices. Equity risk affects equities, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

Investments in subsidiaries are excluded from stress tests as the Company assesses their value in accordance with the policy described in section 23.2.12 "Financial investments in subsidiaries and associates". As at the year-end 2017, investments in subsidiaries totalled €193.4 million (31/12/2016: €191.6 million). Sava Re maintains and increases the value of its investments in subsidiaries through active management.

As at 31 December 2017, equity securities accounted for 4.0% of the investment portfolio, 0.7 p.p. less than in 2016.

Sensitivity assessment of investments to change in equity prices

(€)	31/12/2017			31/12/2016		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
-10%	10,696,948	9,627,253	-1,069,695	11,389,772	10,250,795	-1,138,977
-20%	10,696,948	8,557,558	-2,139,390	11,389,772	9,111,818	-2,277,954

To assess the Group's sensitivity of investments to equity risk, we assume a 10% drop in the value of all equity securities, which would have resulted in a decrease in the value of investments of €1.1 million (31/12/2016: €1.1 million).

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. Thus, a 20% fall in equity prices would have reduced the value of investments by €2.1 million (31/12/2016: €2.3 million).

The exposure to equity risk declined in 2017.

23.5.3.2.3 Property risk

The exposure to property risk is monitored through a stress test assuming a 25% drop in prices. The basis for the calculation is the balance of investment property.

Sensitivity assessment of investments to changes in real estate prices

(€)	31/12/2017			31/12/2016		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
-25%	8,230,878	6,173,158	-2,057,719	3,122,076	2,341,557	-780,519

A 25% drop in property prices would decreased the value of investments as at 31 December 2017 by €2.1 million (31/12/2016: €0.8 million).

Property risk rose in 2016 compared to year-end 2016 because of the higher balance of investment property assets.

23.5.3.2.4 Currency risk

Currency risk is the risk that changes in exchange rates will decrease foreign-denominated assets or increase liabilities denominated in foreign currencies.

As at 31 December 2017, the Company's liabilities denominated in foreign currencies accounted for 17.7% of its total liabilities. As the proportion of international business is rising (and so is the number of different currencies), Sava Re has put in place currency matching policies. It took measures for the matching of assets and liabilities in foreign currencies aimed at decreasing currency risk.

Under the adopted currency matching policy, matching activities in respect of any accounting currency[138] are to start as soon as the currency mismatch with that currency exceeds €2 million. If the financial market allows for the purchase and settlement of investments in the accounting currency, the Company starts investing in the accounting currency of the liability. If the financial market does not allow for the purchase and settlement of investments in the accounting currency and the transaction currency[139] is a global currency, the currency mismatch may be reduced through placements in the transaction currency. This requires a correlation between the accounting currency and the transaction currency of at least 90%. The correlation is the average of a one-, two-, three-, four- and five-year correlation between the accounting currency and the transaction currency calculated at the end of each quarter of the current year.

[138] The accounting currency is the local currency used in the accounting documentation. Reinsurance contracts may be accounted for in various accounting currencies. Generally, this is the currency of liabilities and receivables due from cedants, and hence also the reinsurer.

[139] The transaction currency is the currency in which reinsurance contract transactions are processed.

Measurement of currency risk

The Company uses a stochastic analysis to measure currency risk and to predict the average surplus funds as well as the 5th percentile of surplus funds after one year from the risk valuation date.

Based on exchange rates to which Sava Re has been exposed to over the past six years and the corresponding euro equivalent surpluses of assets and liabilities as at 31 December 2017, we made a stochastic analysis that projected that, assuming an unaltered currency structure, after one year the average surplus of assets over liabilities would be €0.04 million (31/12/2016: €0.02 million), but with a 5-percent probability that the deficit of assets would exceed €0.3 million (31/12/2016: €0.6 million).

Currency mismatch of assets and liabilities is monitored by individual accounting currency. The following table includes the currency mismatch for the five currencies that account for the largest share of liabilities.

Currency (mis)match as at 31 December 2017 (all amounts translated to euro)

Currency 2017	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	**480,204,998**	**478,013,928**		
Foreign currencies	**100,681,182**	**102,872,252**	**20,178,121**	**97.9**
US dollar (USD)	40,244,329	33,645,619	6,598,709	119.6
Korean won (KRW)	13,659,418	12,268,776	1,390,642	111.3
Chinese yuan (CNY)	8,680,101	8,296,593	383,508	104.6
Indian rupee (INR)	7,250,186	6,629,520	620,666	109.4
Taka (BDT)	2,100,842	6,286,135	4,185,294	33.4
Other	28,746,307	35,745,609	6,999,302	80.4
Total	**580,886,180**	**580,886,180**		
% valutne usklajenosti obveznosti			96,5%	

Currency (mis)match as at 31 December 2016 (all amounts translated to euro)

Currency 2016	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	**478,755,305**	**472,780,085**		
Foreign currencies	**89,392,458**	**95,367,680**	**19,625,899**	**93.7**
US dollar (USD)	35,945,392	29,739,019	6,206,373	120.9
Korean won (KRW)	13,406,991	13,287,940	119,051	100.9
Indian rupee (INR)	7,119,812	6,619,897	499,915	107.6
Taka (BDT)	2,409,710	5,612,845	3,203,135	42.9
Chinese yuan (CNY)	7,109,309	7,343,230	233,920	96.8
Other	23,401,244	32,764,749	9,363,505	71.4
Total	**568,147,764**	**568,147,764**		
Currency-matched liabilities (%)			96.5%	

Transaction currency (mis)match as at 31 December 2017 (all amounts translated to euro)

Currency 2017	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	**480,490,171**	**479,884,843**		
Foreign currencies	**100,396,009**	**101,001,336**	**6,685,636**	**99.4**
US dollar (USD)	43,252,126	43,255,862	3,736	100.0
Korean won (KRW)	13,659,418	12,268,776	1,390,642	111.3
Chinese yuan (CNY)	8,680,101	8,296,593	383,508	104.6
Indian rupee (INR)	8,026,369	7,931,790	94,579	101.2
Russian rouble (RUB)	10,381,528	9,210,102	1,171,426	112.7
Other	16,396,467	20,038,213	3,641,746	81.8
Total	**580,886,180**	**580,886,180**		
Currency-matched liabilities (%)			98.8%	

Transaction currency (mis)match as at 31 December 2016 (all amounts translated to euro)

Currency 2016	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	**479,194,354**	**475,108,023**		
Foreign currencies	**88,953,410**	**93,039,741**	**6,471,728**	**95.6**
US dollar (USD)	39,073,698	38,108,473	965,225	102.5
Korean won (KRW)	13,406,991	13,287,940	119,051	100.9
Chinese yuan (CNY)	7,109,309	7,343,230	233,920	96.8
Indian rupee (INR)	7,545,650	7,451,584	94,067	101.3
Russian rouble (RUB)	2,532,341	2,517,985	14,355	100.6
Other	19,285,420	24,330,529	5,045,110	79.3
Total	**568,147,764**	**568,147,764**		
Currency-matched liabilities (%)			98.9%	

The Company has set itself a target of matching assets and liabilities at least 90%. In 2017 assets and liabilities were matched 96.5% (2016: 96.5%), which demonstrates the high quality of currency risk management.

In the management of currency risk (ALM aspect), the Company managed to directly match all substantially liquid currencies. Other currencies were matched based on their correlation with the euro or the US dollar. Since many accounting currencies are at least 90% correlated to the US dollar, the surplus of assets over liabilities in US dollars has been reduced to €3.7 thousand (from €6.6 million). This would further increase the currency matching percentage to 98.8% (2016: 98.9 %).

List of currencies matched through the transaction currency

Transaction currency	Accounting currency
Euro (€)	BGN
	BAM
	CFA Frank BCEAO (XOF)
	Danish krone (DKK)
	XAF
U.S. dollar (USD)	Dirham (AED)
	Netherlands Antillean guilder (ANG)
	Bangladeshi taka (BDT)
	Bahamian dollar (BSD)
	Guatemalan quetzal (GTQ)
	Hong Kong dollar (HKD)
	Kuwaiti dinar (KWD)
	Sri Lankan rupee (LKR)
	Maldivian rufiyaa (MVR)
	Omani rial (OMR)
	Pakistani rupee (PKR)
	Qatari riyal (QAR)
	Saudi riyal (SAR)
	East Caribbean dollar (XCD)
	Vietnamese dong (VND)
Indian rupee (INR)	BTN
	NPR

Effect of exchange differences on the income statement

A currency mismatch also affects profit or loss through accounting for exchange rate differences due to the impact of exchange rate changes on various statement of financial position items.

When assets and liabilities are 100% matched in terms of foreign currencies, changes in foreign exchange rates have no impact on profit or loss. This is because any change in the value of assets denominated in a foreign currency as a result of a change in the exchange rate is offset by the change in the value of liabilities denominated in that foreign currency. As Sava Re's assets and liabilities are not 100% currency matched, changes in exchange rates do affect the income statement. The following table shows the impact of exchange differences.

Effect of exchange differences on the income statement

Statement of financial position item	Exchange differences	
Euro (€)	31/12/2017	31/12/2016
Asset management	-5,483,541	1,360,875
Technical provisions and deferred commissions	6,427,290	-1,571,251
Receivables and liabilities	-1,739,316	-260,125
Total effect on the income statement	**-795,566**	**-470,502**

We estimate that currency risk did not change significantly in 2017 compared to 2016. In 2017 the Company continued active currency matching of assets and liabilities both directly through accounting currencies and indirectly through transaction currencies.

23.5.3.3 Liquidity risk

Liquidity risk is the risk that because of unexpected or unexpectedly high obligations, the Company will suffer a loss when ensuring liquid assets.

The Company minimises liquidity risk through ensuring funds in the amount of the estimated liquidity requirement. This comprises estimated ordinary current liquidity needs and liquidity reserves, which are ensured through the allocation of funds in money market instruments and through setting minimum percentages of portfolios that must be invested in highly liquid assets readily available to provide liquidity in case of emergency needs.

The normal current liquidity assessment is made based on the projected cash flow analysis in the period of up to one year included in the monthly and weekly plans that take into account the planned investment maturity dynamics as well as other inflows and outflows from operating activities. To this end, the Company uses historical data from previous monthly and weekly liquidity plans and projections regarding future operations. The liquidity reserve is calculated on the basis of an assessment of the maximum weekly outflows based on historical data.

In accordance with its liquidity risk management policy, the Company oversees the liquidity quality of its securities classified in line with the ECB methodology. The investment portfolio must include as a minimum 15% of securities of the L1A liquidity class. As at the reporting date, the Company's L1A class assets exceeded the minimum 15.0% mark.

Exposure to liquidity risk is also measured by maturity-matching of assets and liabilities. The table below shows the value of financial investments by year based on undiscounted cash flows, while the value of technical provisions is shown by year and expected maturity based on triangular development.

Maturity profile of financial assets and liabilities

(€)	Carrying amount as at 31/12/2017	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2017
Financial investments	250,781,685	0	50,259,319	142,313,870	46,636,862	13,261,608	252,471,660
- at fair value through profit or loss	409,573	0	0	0	0	409,573	409,573
- held to maturity	2,075,111	0	102,500	410,000	2,410,000	0	2,922,500
- loans and deposits	12,840,885	0	4,373,892	2,717,308	1,512,740	0	8,603,940
- available-for-sale	235,456,116	0	45,782,927	139,186,563	42,714,123	12,852,036	240,535,648
Reinsurers' share of technical provisions	20,073,571	0	8,072,407	5,947,618	6,053,545	0	20,073,571
Cash and cash equivalents	6,678,458	2,128,333	4,550,126			0	6,678,458
TOTAL ASSETS	**277,533,715**	**2,128,333**	**62,881,852**	**148,261,488**	**52,690,408**	**13,261,608**	**279,223,689**
Technical provisions	232,639,163	0	94,012,446	68,701,572	69,925,145	0	232,639,163
TOTAL LIABILITIES	**232,639,163**	**0**	**94,012,446**	**68,701,572**	**69,925,145**	**0**	**232,639,163**
Difference (assets – liabilities)	**44,894,551**	**2,128,333**	**-31,130,594**	**79,559,917**	**-17,234,738**	**13,261,608**	**46,584,525**

(€)	Carrying amount as at 31/12/2016	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2016
Financial investments	249,948,775	0	53,433,668	139,072,800	54,491,508	12,186,812	259,184,788
- at fair value through profit or loss	1,287,411	0	0	0	0	1,287,411	1,287,411
- held to maturity	2,074,813	0	102,500	410,000	2,512,500	0	3,025,000
- loans and deposits	13,069,414	0	10,160,970	3,376,419	857,299	0	14,394,688
- available-for-sale	233,517,137	0	43,170,198	135,286,381	51,121,709	10,899,402	240,477,689
Reinsurers' share of technical provisions	18,203,912	0	7,467,400	5,293,796	5,442,715	0	18,203,912
Cash and cash equivalents	7,989,819	6,930,776	1,059,043			0	7,989,819
TOTAL ASSETS	**276,142,505**	**6,930,776**	**61,960,111**	**144,366,596**	**59,934,223**	**12,186,812**	**285,378,518**
Subordinated liabilities	23,570,771	0	23,570,771	0	0	0	23,570,771
Technical provisions	226,207,479	0	93,201,727	65,580,454	67,425,297	0	226,207,478
TOTAL LIABILITIES	**249,778,249**	**0**	**116,772,498**	**65,580,454**	**67,425,297**	**0**	**249,778,249**
Difference (assets – liabilities)	**26,364,256**	**6,930,776**	**-54,812,387**	**78,786,142**	**-7,491,074**	**12,186,812**	**35,600,268**

Liquidity requirements are met by allocating funds to money market instruments in the percentage consistent with the estimated normal current liquidity requirement. In this regard, the Company maintains a liquidity buffer of highly liquid assets accounting for at least 15% of its investment portfolio. Highly liquid assets are intended to provide liquidity to meet any extraordinary liquidity requirements and are available on an ongoing basis.

An additional liquidity cushion is provided by a credit line of €10 million arranged by the Company with a commercial bank for the purpose of covering the liquidity needs of its Group members. The Company has in its books 72.7 million of investments assessed as highly liquid by the ECB (first two categories under ECB methodology for assessing the liquidity of investments).

In terms of the Company's liquidity, it is also very important that gross technical provisions and reserves are covered by funds of the non-life insurance register.

The Company's liquidity also depends on the average maturity of assets and liabilities. The average maturity of bonds and deposits of the non-life insurance register was 3.01 years at year-end 2017 (31/12/2016: 3.49 years), while the expected maturity of liabilities was 4.10 years (31/12/2016: 4.01 years).

Based on the proportion of liquid assets and the level of asset and liability matching, we assess that liquidity risk is well managed.

23.5.3.4 Credit risk

Credit risk is the risk of default on the obligations of a securities issuer or other counterparty towards the Company.

Assets exposed to credit risk include financial investments (deposit investments, bonds, deposits with cedants, cash and cash equivalents, and loans granted), receivables due from reinsurers and other receivables.

Exposure to credit risk

(€)	31/12/2017	31/12/2016
Type of asset	**Amount**	**Amount**
Fixed-income investments	**244,198,536**	**245,751,781**
Debt instruments*	231,687,731	229,926,103
Deposits with cedants	5,832,347	7,835,859
Cash and cash equivalents	6,678,458	7,989,819
Receivables due from reinsurers	**22,947,154**	**21,656,024**
Reinsurers' share of technical provisions	20,073,571	18,203,912
Receivables for shares in claims payments	2,873,583	3,452,112
Receivables, excluding receivables arising out of reinsurance business	**85,728,812**	**76,384,515**
Receivables arising out of primary insurance business	85,167,822	75,715,787
Receivables arising out of co-insurance and reinsurance business (other than receivables for shares in claims)	329,343	435,652
Current tax assets	41,064	60,938
Other receivables	190,583	172,138
Total exposure	**352,874,501**	**343,792,320**

* Debt instruments include loans granted; the figure for 2016 differs from that published in the 2016 annual report (€227.1 million).

Credit risk due to issuer default

Credit risk for investments is estimated based on two factors:

- credit ratings used in determining credit risk for fixed-income investments[140] and cash assets[141];
- performance indicators for other investments.

Below we set out an estimation of credit risk for fixed-income investments (included are debt securities, bank deposits, cash and cash equivalents, deposits with cedants and loans granted).

Fixed-income investments by issuer credit rating

(€)	31/12/2017		31/12/2016	
Rated by S&P/Moody's	**Amount**	**As % of total**	**Amount**	**As % of total**
AAA/Aaa	88,858,731	36.4%	83,095,870	33.8%
AA/Aa	37,636,383	15.4%	37,089,276	15.1%
A/A	64,854,168	26.6%	67,743,311	27.6%
BBB/Baa	27,552,436	11.3%	29,257,378	11.9%
Less than BBB/Baa	3,942,855	1.6%	9,634,140	3.9%
Not rated	21,353,963	8.7%	18,931,805	7.7%
Total	**244,198,536**	**100.0%**	**245,751,781**	**100.0%**

* Fixed-income investments also include investments in loans granted; the figure for 2016 differs from that published in the 2016 annual report (€242.9 million).

The share of investments exposed and credit risk that are rated A or better as at 31 December 2017 accounted for 78.4%, an increase of 1.9 p.p. over 2016. The improved credit profile compared to year-end 2016 is primarily as a result of (re)investments in higher grade securities. The Company also regularly monitors exposure to individual issuers and any changes in credit standing in order to be able to prepare for a timely response to any adverse developments in financial markets or increase in risk relating to any issuer.

Sava Re mitigates credit risk with other investments through a high degree of diversification and by investing in liquid securities.

The credit risk due to issuer default also includes concentration risk representing the risk of excessive concentration in a geographic area, economic sector or issuer.

The Company's investment portfolio is reasonably diversified in accordance with the Slovenian Insurance Act and the Company's internal rules in order to avoid large concentration of a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

[140] Included are bonds, corporate bonds, deposits, deposits with cedants and loans granted.
[141] This includes cash and demand deposits.

Diversification of financial investments by region

(€)	31/12/2017		31/12/2016	
Region	Amount	As % of total	Amount	As % of total
Slovenia	54,593,796	20.5%	62,820,061	24.1%
EU Member States	141,696,173	53.3%	138,764,117	53.2%
Non-EU members	9,176,812	3.5%	10,749,824	4.1%
Russia and Asia	16,384,509	6.2%	18,251,368	7.0%
Africa and the Middle East	2,134,198	0.8%	2,619,479	1.0%
America and Australia	41,705,533	15.7%	27,855,822	10.7%
Total	**265,691,021**	**100.0%**	**261,060,670**	**100.0%**

Financial investments are chiefly exposed to EU Member States (31/12/2017: 53.3%, 31/12/2016: 53.2%), with exposure spread among 23 countries. The second largest exposure is to Slovenian-based issuers (31/12/2017: 20.5%, 31/12/2016: 24.1%) and exposure is to issuers based in the Americas and Australia (31/12/2017: 15.7%, 31/12/2016: 10.7 %). The exposure to other regions remained broadly flat year on year.

Exposure to Slovenia by asset type

(€)	31/12/2017		31/12/2016	
Type of investment	Amount	As % of total	Amount	As % of total
Deposits	742,100	0.3%	742,085	0.3%
Government bonds	24,004,876	9.0%	35,789,278	13.7%
Corporate bonds	7,089,706	2.7%	7,525,592	2.9%
Shares	10,304,445	3.9%	9,418,063	3.6%
Mutual funds	0	0.0%	1,594,081	0.6%
Cash and cash equivalents	4,221,792	1.6%	4,628,886	1.8%
Investment property	8,230,878	3.1%	3,122,076	1.2%
Sum total	**54,593,796**	**20.5%**	**62,820,061**	**24.1%**

The % of total is calculated based on the amount of market-risk sensitive investments.

Diversification of financial investments by industry

(€)	31/12/2017		31/12/2016	
Industry	Amount	As % of total	Amount	As % of total
Banking	51,972,379	19.6%	53,789,276	20.6%
Government	116,270,044	43.8%	122,920,903	47.1%
Finance & insurance	38,773,758	14.6%	30,062,940	11.5%
Industry	17,422,633	6.6%	19,010,010	7.3%
Consumables	19,516,081	7.3%	12,743,410	4.9%
Utilities	21,736,127	8.2%	22,534,131	8.6%
Total	**265,691,021**	**100.0%**	**261,060,670**	**100.0%**

The Company's largest exposure in terms of industry as at 31 December 2017 was to governments, albeit with a high degree of diversification by issuers. Compared with the end of last year, the diversification by industry has not changed significantly.

As at 31 December 2017, exposure to the ten largest issuers was €88.2 million, representing 33.2% of financial investments (31/12/2016: €89.0 million; 34.1%). The largest single issuer of securities that Sava Re is exposed to is the Republic of Slovenia. As at 31 December 2017, it totalled €21.0 million or 7.9% of financial investments (31/12/2016: €32.7 million; 12.5%). No other issuer exceeds the 2.0% of financial assets threshold.

Based on the above, we estimate that by reducing its exposure to Slovenia and additional diversification by issuer, region and industry, the Company managed its credit risk well in 2017, and reduced it compared to 2016.

Counterparty default risk

The total exposure to retrocessionaires as at 31 December 2017 was €22.9 million (31/12/2016: €21.7 million). Of this, €20.1 million (31/12/2016: €18.2 million) relate to retroceded gross technical provisions (€3.5 million to unearned premiums and €16.6 million to provisions for outstanding claims) and €2.9 million (31/12/2016: €3.2 million) to receivables for reinsurers' shares in claims.

The total credit risk exposure of the Company arising from retrocessionaires represented 4.0% of total assets in 2017 (31/12/2016: 3.8 %). Retrocession programmes are mostly placed with first-class reinsurers with an appropriate credit rating (at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). We consider this risk as low, particularly as the investment portfolio is adequately diversified. See details in the following table.

Receivables due from reinsurers by reinsurer credit rating

(€)	31/12/2017		31/12/2016	
Rated by S&P / A.M. Best	Amount	As % of total	Amount	As % of total
AAA/A++	1,050,918	4.6%	1,122,148	5.2%
AA/A+	6,547,204	28.5%	8,248,329	38.1%
A/(A or A-)	10,005,802	43.6%	8,789,152	40.6%
BBB / (B++ or B+)	971,923	4.2%	566,101	2.6%
Less than BBB / less than B+	664,632	2.9%	625,970	2.9%
Not rated	3,706,674	16.2%	2,304,323	10.6%
Total	**22,947,154**	**100.0%**	**21,656,024**	**100.0%**

The tables below show the receivables ageing analysis, including the above-mentioned receivables for reinsurers' shares in claims.

Receivables ageing analysis

(€) 31/12/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	70,333,520	9,733,178	5,101,124	85,167,822
Receivables for reinsurers' shares in claims	2,068,584	316,745	488,254	2,873,583
Receivables for commission	312,676	16,666	0	329,342
Receivables arising out of co-insurance and reinsurance business	**72,714,780**	**10,066,589**	**5,589,378**	**88,370,748**
Short-term receivables arising out of financing	18,001	1,736	21,327	41,064
Other receivables	174,792	8,417	7,373	190,583
Other receivables	**192,793**	**10,153**	**28,700**	**231,647**
Total	**72,907,573**	**10,076,742**	**5,618,078**	**88,602,395**

(€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	62,789,076	10,072,536	2,854,175	75,715,787
Receivables for reinsurers' shares in claims	2,283,318	605,855	562,939	3,452,112
Receivables for commission	415,197	20,454	0	435,652
Receivables arising out of co-insurance and reinsurance business	**65,487,591**	**10,698,845**	**3,417,114**	**79,603,551**
Short-term receivables arising out of financing	14,172	30,995	15,771	60,938
Other short-term receivables	147,163	2,646	22,329	172,138
Other receivables	**161,334**	**33,641**	**38,101**	**233,076**
Total	**65,648,925**	**10,732,486**	**3,455,214**	**79,836,627**

The Company assessed its receivables for impairment. Allowances were established for receivables that needed to be impaired. Receivables are discussed in greater detail in note 8.

23.5.4 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

Operational risks are not among the most important risks of the Company. Nevertheless, some of them are quite important, such as:

- risk of inside information leakage,
- risk of external theft or fraud,
- risk of loss of key, expert and high-potential employees,
- risk of damage to physical assets due to natural disaster or fire,
- risk of loss or failure of computer or telecommunication systems,
- risks associated with transactions, execution and maintenance,
- risk of incorrect data input and inadequate documentation,
- risks associated with outsourcing.

We estimate that in 2017, the Company's exposure to operational risk remained on the 2016 level.

At least annually, the Company calculates its capital requirements for operational risks using the standard formula under Solvency II. This calculation, however, has a limited practical value, as the formula is not based on the actual exposure of the Company to operational risks, but on an approximation calculated mainly based on premiums, provisions and expenses.

Due to the above-mentioned reasons, the Company assesses operational risks mainly by qualitatively assessing the related probability and financial severity within the risk register, and by analysing various scenarios. With such regular assessments, the Company obtains an insight into the level of its exposure to operational risks.

The Company is not exposed to significant concentrations of operational risk.

The Company has in place various processes that ensure that it can properly identify, measure, monitor, manage, control and report operational risks, thus ensuring their effective management.

The Company's operational risk measures are aligned with those of the Group, as set out in section 17.7.6 "Operational risk".

23.5.5 Strategic risks

Strategic risk includes the risk of an unexpected decrease in the Company's value due to the adverse effects of management decisions, changes in the business and legal environment and market developments. Such adverse events could impact the Company's income and capital adequacy.

The Company is exposed to a variety of internal and external strategic risks. The key strategic risks of the Company in 2017 primarily include:

- regulatory risk,
- reputation risk,
- project risk,
- impact of market and economic conditions,
- competitor risk.

We assess that Sava Re's exposure to strategic risk in 2017 is at a similar level as in 2016.

Strategic risks are by nature very diverse, difficult to quantify and heavily dependent on various (including external) factors. They are also not included in the calculation of capital requirement in accordance with the Solvency II standard formula.

Therefore, strategic risks relating to the risk register are assessed qualitatively by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated using qualitative analysis of various scenarios. Based on both analyses combined, an overview is obtained of the extent and change in the exposure to this type of risk.

The Company manages strategic risks well and has no material exposure to concentration risk.

The Company's operational risk measures are aligned with those of the Group, as set out in section 17.7.7 "Strategic risk".

23.6 Notes to the financial statements – statement of financial position

1) Intangible assets

Movement in cost and accumulated amortisation/impairment losses of intangible assets

(€)	Software	Other intangible assets	Total
COST			
01/01/2017	1,431,299	39,685	1,470,984
Additions	196,213	0	196,213
Disposals	0	-9,042	-9,042
31/12/2017	1,627,512	30,643	1,658,155
ACCUMULATED AMORTISATION			
01/01/2017	638,417	0	638,417
Additions	212,727	0	212,727
31/12/2017	851,144	0	851,144
Carrying amount as at 01/01/2017	**792,883**	**39,685**	**832,567**
Carrying amount as at 31/12/2017	**776,368**	**30,643**	**807,011**

(€)	Software	Other intangible assets	Total
COST			
01/01/2016	1,171,111	12,159	1,183,270
Additions	260,188	27,526	287,714
31/12/2016	1,431,299	39,685	1,470,984
ACCUMULATED AMORTISATION			
01/01/2016	516,780	0	516,780
Additions	121,637	0	121,637
31/12/2016	638,417	0	638,417
Carrying amount as at 01/01/2016	**654,331**	**12,159**	**666,490**
Carrying amount as at 31/12/2016	**792,883**	**39,685**	**832,567**

2) Property and equipment

Movement in cost and accumulated depreciation/impairment losses of property and equipment assets

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
01/01/2017	149,876	7,591,448	1,559,190	92,256	9,392,770
Additions	0	0	289,914	0	289,914
Disposals	0	0	-182,875	-1,589	-184,464
Reclassifications	957	-5,269,225	0	0	-5,268,268
31/12/2017	150,833	2,322,223	1,666,228	90,667	4,229,951
ACCUMULATED DEPRECIATION					
01/01/2017	0	612,593	980,000	46,975	1,639,568
Additions	0	30,444	176,266	2,625	209,335
Disposals	0	0	-104,329	-268	-104,597
31/12/2017	0	643,037	1,051,937	49,333	1,744,306
Carrying amount as at 01/01/2017	**149,876**	**6,978,855**	**579,190**	**45,281**	**7,753,202**
Carrying amount as at 31/12/2017	**150,833**	**1,679,187**	**614,291**	**41,334**	**2,485,645**

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
01/01/2016	146,616	2,285,900	1,464,770	126,552	4,023,839
Additions	3,260	5,305,547	347,741	0	5,656,548
Disposals	0	0	-253,322	-34,296	-287,618
31/12/2016	149,876	7,591,448	1,559,190	92,256	9,392,770
ACCUMULATED DEPRECIATION					
01/01/2016	0	573,263	951,117	44,116	1,568,496
Additions	0	39,330	187,103	6,905	233,337
Disposals	0	0	-158,220	-4,046	-162,266
31/12/2016	0	612,593	980,000	46,975	1,639,568
Carrying amount as at 01/01/2016	**146,616**	**1,712,638**	**513,653**	**82,436**	**2,455,344**
Carrying amount as at 31/12/2016	**149,876**	**6,978,856**	**579,190**	**45,281**	**7,753,202**

In its books of account, the Company recorded property for own use being acquired at the total value invested (land, buildings and equipment). Individual parts of property assets have been recorded separately when put into use (in investment property).

Furthermore, the Baraga 5 property in Ljubljana (€5.3 million), formerly recorded as property for own use in progress, was reclassified, through the reclassifications item, as investment property in September 2017.

Property and equipment assets have not been acquired under financial lease arrangements and are unencumbered by any third-party rights.

The fair values of land and buildings are disclosed in note 23 “Fair values of assets and liabilities”.

3) Deferred tax assets and liabilities

(€)	31/12/2017	31/12/2016
Deferred tax assets	1,238,826	1,373,436

(€)	01/01/2017	Recognised in the IS	Recognised in the SCI	31/12/2017
Long-term financial investments	1,195,582	-167,573	-4,506	1,023,503
Short-term operating receivables	222,455	35,333		257,788
Provisions for jubilee benefits and severance pay (retirement)	31,440	3,742	-1,605	33,577
Other	-76,041	0	0	-76,041
Total	**1,373,436**	**-128,499**	**-6,111**	**1,238,826**

(€)	01/01/2016	Recognised in the IS	Recognised in the SCI	31/12/2016
Long-term financial investments	2,247,334	-779,612	-272,140	1,195,582
Short-term operating receivables	181,834	40,621	0	222,455
Provisions for jubilee benefits and severance pay (retirement)	39,840	-8,400	0	31,440
Other	-183,560	111,312	-3,794	-76,041
Total	**2,285,448**	**-636,080**	**-275,934**	**1,373,436**

4) Investment property

Movement in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
COST			
01/01/2017	5,810	3,200,431	3,206,241
Reclassifications	1,490,790	3,704,982	5,195,772
31/12/2017	1,496,601	6,905,412	8,402,013
ACCUMULATED DEPRECIATION			
01/01/2017	0	84,165	84,165
Additions	0	86,970	86,970
31/12/2017	0	171,135	171,135
Carrying amount as at 01/01/2017	**5,810**	**3,116,266**	**3,122,076**
Carrying amount as at 31/12/2017	**1,496,601**	**6,734,277**	**8,230,878**

(€)	Land	Buildings	Total
COST			
01/01/2016	10,027	3,023,753	3,033,780
Additions	0	213,000	213,000
Disposal	-4,217	-36,322	-40,539
31/12/2016	5,810	3,200,431	3,206,241
ACCUMULATED DEPRECIATION			
01/01/2016	0	34,038	34,038
Additions	0	59,315	59,315
Disposal	0	-9,188	-9,188
31/12/2016	0	84,165	84,165
Carrying amount as at 01/01/2016	**10,027**	**2,989,715**	**2,999,742**
Carrying amount as at 31/12/2016	**5,810**	**3,116,266**	**3,122,076**

Investment property assets comprise offices in the Bežigrajski dvor building at Dunajska 56 in Ljubljana, which the Company has leased out for an indefinite period of time, while part of the office building at Tivolska 48 in Ljubljana and the building at Baragova 5 in Ljubljana, are leased under long-term contracts.

All investment property assets yield rent. In 2017 the Company realised income of €326,147 from investment properties leased out, of which €11,152 was paid by subsidiaries, and €314,995 by third parties. In 2016, the income from associated companies totalled €11,152. Maintenance costs associated with investment property are either included in rent or charged to the lessees in a proportionate amount. These recovered costs amounted to €144,325 in 2017 (2016: €24,797).

The investment property assets are unencumbered by any third-party rights.

The fair values of investment property assets are disclosed in note 23 “Fair values of assets and liabilities”.

5) Financial investments in subsidiaries and associates

Financial investments in subsidiaries and associates are recognised at cost in accordance with IAS 27 "Separate Financial Statements".

Financial investments in the equity of Group companies

(€)	01/01/2017		Acquisition/recapitalisation	Impairment (-)	31/12/2017	
	Holding	Value	Value	Value	Holding	Value
Zavarovalnica Sava	99.74%	122,312,446	1,052,512	0	100.00%	123,364,959
Sava neživotno osiguranje (SRB)	100.00%	13,457,144	0	0	100.00%	13,457,144
Illyria	100.00%	10,318,445	0	0	100.00%	10,318,445
Sava osiguruvanje (MKD)	92.44%	10,278,898	5,721	0	92.57%	10,284,618
Sava osiguranje (MNE)	100.00%	15,373,019	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	100.00%	4,035,892
Sava životno osiguranje (SRB)	100.00%	5,974,281	710,963	0	100.00%	6,685,245
Illyria Hospital	100.00%	1,800,317	0	0	100.00%	1,800,317
Sava pokojninska	100.00%	8,089,939	0	0	100.00%	8,089,939
Total		**191,640,382**	**1,769,196**	**0**		**193,409,578**

(€)	01/01/2016		Acquisition/recapitalisation	Merger	Liquidation	Impairment (-)	31/12/2016	
	Holding	Value	Value			Value	Holding	Value
Zavarovalnica Sava	100.00%	0	0	122,312,446	0	0	99.74%	122,312,446
Zavarovalnica Sava	100.00%	94,760,785	0	-94,760,785	0	0	0.00%	0
Zavarovalnica Tilia	100.00%	13,967,082	0	-13,967,082	0	0	0.00%	0
Velebit osiguranje	92.08%	7,110,658	2,500	-7,113,158	0	0	0.00%	0
Velebit životno osiguranje	88.71%	6,467,858	3,580	-6,471,438	0	0	0.00%	0
Sava neživotno osiguranje (SRB)	100.00%	13,457,144	0	0	0	0	100.00%	13,457,144
Illyria	100.00%	13,633,529	0	0	0	-3,315,084	100.00%	10,318,445
Sava osiguruvanje (MKD)	92.44%	10,278,898	0	0	0	0	92.44%	10,278,898
Sava osiguranje (MNE)	100.00%	15,373,019	0	0	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	0	0	100.00%	4,035,892
Sava životno osiguranje (SRB)	100.00%	6,739,639	250,341	0	0	-1,015,698	100.00%	5,974,281
Velebit usluge in liquidation	100.00%	12,516,962	0	0	-12,516,962	0	0.00%	0
Illyria Hospital	100.00%	1,800,317	0	0	0	0	100.00%	1,800,317
Sava pokojninska	100.00%	8,089,939	0	0	0	0	100.00%	8,089,939
Total		**208,231,721**	**256,421**	**-16**	**-12,516,962**	**-4,330,782**		**191,640,382**

In 2017, the Company increased its investments in Group companies by €1.8 million. The Company acquired non-controlling interests in Zavarovalnica Sava of €1.1 million and Sava osiguruvanje (MKD) of €5,721, and recapitalised Sava životno osiguranje (SRB).

6) Financial investments

(€) 31/12/2017	Held-to-maturity	At fair value through P/L		Available-for-sale	Loans and receivables	Total
		Non-derivative	Designated to this category			
Debt instruments	**2,075,111**		**0**	**222,604,081**	**7,008,538**	**231,687,731**
Deposits and CDs	0		0	0	2,398,614	2,398,614
Government bonds	2,075,111		0	114,238,753	0	116,313,865
Corporate bonds	0		0	108,365,328	0	108,365,328
Loans granted	0		0	0	4,609,924	4,609,924
Equity instruments	**0**		**409,573**	**12,852,036**	**0**	**13,261,609**
Shares	0		409,573	9,989,654	0	10,399,227
Mutual funds	0		0	2,862,382	0	2,862,382
Deposits with cedants	**0**		**0**	**0**	**5,832,347**	**5,832,347**
Total	**2,075,111**		**409,573**	**235,456,116**	**12,840,885**	**250,781,685**

(€) 31/12/2016	Held-to-maturity	At fair value through P/L		Available-for-sale	Loans and receivables	Total
		Non-derivative	Designated to this category			
Debt instruments	**2,074,813**		**0**	**222,617,735**	**5,233,555**	**229,926,103**
Deposits and CDs	0		0	0	2,398,602	2,398,602
Government bonds	2,074,813		0	113,688,540	0	115,763,353
Corporate bonds	0		0	108,929,195	0	108,929,195
Loans granted	0		0	0	2,834,953	2,834,953
Equity instruments	**0**		**1,287,411**	**10,899,402**	**0**	**12,186,812**
Shares	0		376,807	9,421,508	0	9,798,315
Mutual funds	0		910,604	1,477,893	0	2,388,497
Deposits with cedants	**0**		**0**	**0**	**7,835,859**	**7,835,859**
Total	**2,074,813**		**1,287,411**	**233,517,137**	**13,069,414**	**249,948,775**

Sava Re held 0.5% of financial investments that constitute subordinated debt for the issuer (31/12/2016: 0.5 %).

Loans granted to Group companies

(€)	Type of debt instrument	31/12/2017	31/12/2016
Sava osiguranje Belgrade	loan	1,305,929	1,300,000
Sava osiguruvanje	loan	300,000	0
Illyria Life	loan	3,003,995	0
Zavarovalnica Sava	subordinated loan	0	1,534,953
Total		**4,609,924**	**2,834,953**

No securities have been pledged as security.

7) Reinsurers' share of technical provisions

(€)	31/12/2017	31/12/2016
From unearned premiums	3,513,686	2,704,461
From provisions for claims outstanding	16,559,885	15,499,451
Total	**20,073,571**	**18,203,912**

The reinsurers' share of unearned premiums mostly moved in line with retroceded premiums. In 2017 these grew by 29.9%, mainly due to the growth of facultative business retroceded on a proportional basis, but also as a result of the restructuring of non-proportional covers for which unearned premiums as at 31 December 2017 were accounted for using a new method due to the interim renewal. In addition, retrocession premiums increased by 7.7%.

The reinsurers' share of claims provisions depends on the movement of large incurred claims, covered by the reinsurance programme, and the schedule of their related claim payments. In 2017 the reinsurers' share of the claims provision increased by 6.8%, with the upward movement relating to strengthening of provisions following large property claims and the downward movement relating to claim payments for the 2016 Slovenian hail losses.

8) Receivables

Due to the change in the presentation of receivables from operating activities described in section 23.3 "Changes in accounting policies and presentation", receivables arising out of primary insurance business increased by €85.2 million. Had the change in the presentation of receivables for premiums arising out of reinsurance and co-insurance been made as at 31 December 2016, receivables arising out of primary insurance business would have totalled €75.7 million. The disclosed increase in these receivables in 2017 compared to the previous year would have amounted to €9.5 million, primarily as the result of the growth in gross premiums written in international markets, which affected the total increase in this item.

Change in presentation of receivables for 2016

(€)	Gross amount	Allowance	Receivables
Receivables arising out of primary insurance business			
31/12/2016	0	0	0
Reclassification	76,143,581	-427,794	75,715,787
31/12/2016 after reclassification	76,143,581	-427,794	75,715,787
Receivables arising out of co-insurance and reinsurance business			
31/12/2016	80,106,348	-502,798	79,603,550
Reclassification	-76,143,581	427,794	-75,715,787
31/12/2016 after reclassification	3,962,767	-75,004	3,887,763

Receivables of the controlling company arising out of reinsurance contracts are not specially secured. Receivables have been tested for impairment.

Receivables by type

(€)	31/12/2017			31/12/2016		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	85,661,458	-493,636	85,167,822	0	0	0
Receivables arising out of primary insurance business	**85,661,458**	**-493,636**	**85,167,822**	**0**	**0**	**0**
Receivables for premiums arising out of reinsurance and co-insurance	0	0	0	76,143,581	-427,794	75,715,787
Receivables for shares in claims payments	3,048,587	-175,004	2,873,583	3,527,116	-75,004	3,452,112
Receivables for commission	329,343	0	329,343	435,652	0	435,652
Receivables arising out of co-insurance and reinsurance business	**3,377,930**	**-175,004**	**3,202,926**	**80,106,348**	**-502,798**	**79,603,551**
Receivables arising out of investments	41,152	-88	41,064	61,026	-88	60,938
Other short-term receivables	605,163	-414,581	190,582	681,473	-509,335	172,138
Other receivables	**646,316**	**-414,669**	**231,647**	**742,499**	**-509,424**	**233,076**
Total	**89,685,704**	**-1,083,309**	**88,602,395**	**80,848,847**	**-1,012,222**	**79,836,627**

The table gives a receivables ageing analysis. Amounts are net of any allowances.

Receivables ageing analysis

(€) 31/12/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	70,333,520	9,733,178	5,101,123	85,167,822
Receivables arising out of primary insurance business	**70,333,520**	**9,733,178**	**5,101,123**	**85,167,822**
Receivables for reinsurers' shares in claims	2,068,584	316,745	488,255	2,873,583
Receivables for commission	312,676	16,666	0	329,343
Receivables arising out of co-insurance and reinsurance business	**2,381,260**	**333,411**	**488,255**	**3,202,926**
Short-term receivables arising out of financing	18,001	1,736	21,327	41,064
Other short-term receivables	174,793	8,417	7,373	190,582
Other receivables	**192,795**	**10,153**	**28,700**	**231,647**
Total	**72,907,575**	**10,076,742**	**5,618,078**	**88,602,395**

(€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	62,789,076	10,072,536	2,854,175	75,715,787
Receivables for reinsurers' shares in claims	2,283,318	605,855	562,939	3,452,112
Receivables for commission	415,197	20,454	0	435,652
Receivables arising out of co-insurance and reinsurance business	**65,487,591**	**10,698,845**	**3,417,114**	**79,603,551**
Short-term receivables arising out of financing	14,172	30,995	15,771	60,938
Other short-term receivables	147,163	2,646	22,329	172,138
Other receivables	**161,334**	**33,641**	**38,101**	**233,076**
Total	**65,648,925**	**10,732,486**	**3,455,214**	**79,836,627**

All receivables are current.

Movement in allowance for receivables

(€)	01/01/2017	Transfer	Additions	Reversals	Exchange differences	31/12/2017
Receivables due from policyholders	0	-427,794	-134,467	48,506	20,119	-493,637
Receivables arising out of primary insurance business	**0**	**-427,794**	**-134,467**	**48,506**	**20,119**	**-493,637**
Receivables for premiums arising out of reinsurance assumed	-427,794	427,794	0	0	0	0
Receivables for reinsurers' shares in claims	-75,004	0	-100,000	0	0	-175,004
Receivables arising out of co-insurance and reinsurance business	**-502,798**	**427,794**	**-100,000**	**0**	**0**	**-175,004**
Short-term receivables arising out of financing	-88	0	0	0	0	-88
Other short-term receivables	-509,335	0	0	94,754	0	-414,581
Other receivables	**-509,423**	**0**	**0**	**94,754**	**0**	**-414,669**
Total	**-1,012,222**	**0**	**-234,467**	**143,260**	**20,119**	**-1,083,309**

(€)	01/01/2016	Additions	Reversals	Exchange differences	31/12/2016
Receivables for premiums arising out of reinsurance assumed	-303,710	-155,960	34,291	-2,416	-427,794
Receivables for reinsurers' shares in claims	-75,004	0	0	0	-75,004
Receivables arising out of co-insurance and reinsurance business	**-378,714**	**-155,960**	**34,291**	**-2,416**	**-502,798**
Short-term receivables arising out of financing	-88	0	0	0	-88
Other short-term receivables	-537,057	0	27,722	0	-509,335
Other receivables	**-537,145**	**0**	**27,722**	**0**	**-509,423**
Total	**-915,859**	**-155,960**	**62,013**	**-2,416**	**-1,012,222**

9) Deferred acquisition costs

(€)	31/12/2017	31/12/2016
Deferred commission from inwards reinsurance in Slovenia and abroad	7,778,499	6,897,710

This item comprises exclusively commission accounted for relating to the next financial year recognised taking into account straight-line amortisation. All deferred acquisition costs are current. The deferred commissions relating to the Group's cedants declined to €0.4 million at the end of 2017 as a result of the reduction by the amount of the estimated sliding scale commission based on premiums written and expected incurred loss ratios of proportional treaties, which would be accounted for if such incurred loss ratios should realise. The deferred commissions relating to the extra-group portfolio rose by €1.1 million, moving in line with the growth in unearned premiums of the portfolio.

10) Other assets and other financial liabilities

Other assets mainly include prepaid licence fees and insurance premiums.

Other financial liabilities include short-term liabilities arising out of unpaid dividends of Sava Re for 2013, 2014 and 2015.

11) Cash and cash equivalents

(€)	31/12/2017	31/12/2016
Cash in bank accounts	2,963,782	899,168
Framework deposit or overnight deposits	3,714,676	7,090,651
Total	**6,678,458**	**7,989,819**

Cash equivalents comprises demand deposits and deposits placed with an original maturity of up to three months.

12) Share capital

As at 31 December 2017, the Company's share capital was divided into 17,219,662 shares (the same as at 31/12/2016). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company's control and profits (dividends). Each share carries one vote in general meeting and entitles the bearer to a proportionate share of the dividend payout.

Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol.

As at year-end 2017, the Company's shareholders' register listed 4,061 shareholders (31/12/2016: 4,308 shareholders). The Company's shares are listed in the prime market of the Ljubljana Stock Exchange.

13) Capital reserves

ZAfter successfully completing the recapitalisation in July 2013, the Company increased capital reserves by €22.2 million. Expenses directly attributable to the initial public offering of €1.0 million were deducted from the added amount. As at 31 December 2017 capital reserves totalled €54.2 million.

14) Profit reserves

Reserves provided for by the articles of association totalled €11.5 million, having reached the statutory prescribed amount already in 2006, while legal reserves totalled €3.5 million in 2017 and were also not strengthened in the year.

Profit reserves

(€)	31/12/2017	31/12/2016	Distributable/ non-distributable
Legal reserves and reserves provided for by the articles of association	14,986,525	14,986,525	non-distributable
Reserve for treasury shares	24,938,709	24,938,709	non-distributable
Catastrophe equalisation reserve	10,000,000	10,000,000	non-distributable
Other profit reserves	113,565,880	97,078,785	distributable
Total	**163,491,114**	**147,004,019**	

Reserves provided for by the articles of association are used:

- to cover the net loss which cannot be covered (in full) out of retained earnings and other profit reserves (an instrument of additional protection of the Company's tied-up capital);
- to increase the share capital from the Company's own funds; and
- to regulate the Company's dividend policy.

In accordance with IFRSs, the catastrophe equalisation reserve is shown under profit reserves.

In line with the Slovenian Companies Act, the Company's management board or the supervisory board may, when approving the annual report, allocate a part of net profit to other profit reserves, however, up to half of net profit for the period. Based on a management board decision approved by the supervisory board, profit reserves were strengthened by €16.5 million in 2017.

15) Treasury shares

As at 31 December 2017, the Company held 1,721,966 POSR shares (or 10% of all shares) worth €24,938,709.

On 23 April 2014, the 28th general meeting was held, in which the Company was authorised to buy back own shares of up to 10% of its share capital. The authorisation for acquiring up to a total of 1,721,966 shares was valid for three years.

16) Fair value reserve

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

(€)	2017	2016
As at 1 January	**3,785,553**	**3,006,703**
Change in fair value	692,156	1,209,942
Transfer from fair value reserve to the IS due to disposal	-668,437	-158,952
Deferred tax	-4,506	-272,140
As at 31 December	**3,804,764**	**3,785,553**

The table shows the net change in the fair value reserve, which is an equity component.

17) Net profit or loss for the year and retained earnings

The weighted number of shares takes into account the annual average calculated on the basis of monthly averages of ordinary shares less the number of treasury shares. The weighted average number of shares outstanding in the financial period was 15,497,696. As the Company does not have potentially dilutive capital instruments, its net earnings per share equal diluted earnings per share.

Basic/diluted earnings/loss per share

(€)	2017	2016
Net profit/loss for the period	32,974,192	32,873,817
Weighted average number of shares outstanding	15,497,696	15,791,457
Net earnings/loss per share	**2.13**	**2.08**

Comprehensive income per share

(€)	2017	2016
Comprehensive income for the period	33,008,694	33,693,737
Weighted average number of shares outstanding	15,497,696	15,791,457
Comprehensive income per share	**2.13**	**2.13**

In line with the general meeting resolution dated 19 May 2017, the Company allocated €12,398,157 to dividend payouts.

Statement of distributable profit or loss

(€)	2017	2016
Net profit/loss for the period	32,974,192	32,873,817
- profit/loss for the year under applicable standards	32,974,192	32,873,817
Release from profit reserve	0	917,885
Retained earnings/losses	6,012,234	8,365,278
Additions to profit reserve as per resolution of the management board	0	14,619,362
- Additions to reserves for own shares	0	14,619,362
Additions to other reserves as per resolution of the management and supervisory boards	16,487,096	9,127,228
Distributable profit to be allocated by the general meeting	**22,499,330**	**18,410,391**
- to shareholders	0	12,398,157
- to be carried forward to the next year	0	6,012,234

18) Subordinated liabilities

At the end of 2006 and at the beginning of 2007, Sava Re raised a subordinated loan in the amount of €32 million, and drew down 97% of the principal amount.

Under the contractual provisions, the remaining nominal amount of €24 million could be early repaid as of 2017. After receiving the approval of the Slovenian Insurance Supervision Agency, the controlling company repaid the subordinated debt in the nominal amount of €24 million on 15 March 2017 and 14 June 2017.

In 2017, the controlling company paid €0.7 million in interest on subordinated debt (2016: € 0.8 million) and €14,455 in withholding tax on interest paid (2016: €40,160).

19) Technical provisions

Movements in gross technical provisions

(€)	01/01/2017	Additions	Uses	Exchange differences	31/12/2017
Gross unearned premiums	43,345,415	45,528,202	-41,023,857	-247,303	47,602,457
Gross provision for outstanding claims	182,167,780	73,160,487	-64,884,414	-6,174,360	184,269,492
Gross provision for bonuses, rebates and cancellations	483,539	397,861	-483,539	0	397,861
Other gross technical provisions	210,745	369,353	-210,745	0	369,352
Total	**226,207,479**	**119,455,903**	**-106,602,555**	**-6,421,663**	**232,639,163**

(€)	01/01/2016	Additions	Uses	Exchange differences	31/12/2016
Gross unearned premiums	46,546,065	41,193,194	-44,647,862	254,017	43,345,415
Gross provision for outstanding claims	173,912,911	74,464,445	-67,565,108	1,355,532	182,167,780
Gross provision for bonuses, rebates and cancellations	320,994	483,539	-320,994	0	483,539
Other gross technical provisions	121,984	210,745	-121,984	0	210,745
Total	**220,901,954**	**116,351,922**	**-112,655,948**	**1,609,550**	**226,207,479**

Technical provisions, the second largest item on the liabilities side, increased by 2.8% or €6.4 million compared to 31 December 2016.

Gross unearned premiums increased by 9.8%, or €4.3 million, mainly due to the decrease in gross premiums written by non-Group cedants.

The gross provision for outstanding claims increased by 1.2% in 2017. In the Group portfolio, the claims provision remained at about the same level (increase from €56.2 million to €56.4 million) as the increase on account of new large losses on the surplus treaty and new reported large excess of loss claims in motor liability business was offset by the decline because of the release for 2016 hail loss payments and the release of IBNR claims provisions for proportional motor liability reinsurance business. While the claims provision for non-Group business grew by €1.8 million, on excluding exchange gains (offset by the reverse effect in the movement of assets), it would have increased by only €0.8 million. The increase is primarily the result of establishing provisions for certain large loss events that occurred in 2017.

Structure of the provision for outstanding claims

(€)	31/12/2017	31/12/2016
Net provision for claims incurred but not reported (IBNR)	**63,336,603**	**62,765,077**
- gross provision	63,336,603	62,765,077
Net provision for claims reported but not settled	**104,514,999**	**103,993,977**
- gross provision	121,074,884	119,493,428
- reinsurers' share	-16,559,885	-15,499,451
Net provision for expected subrogation recoveries	**-141,995**	**-90,725**
Gross provision for outstanding claims	-141,995	-90,725
Net provision for outstanding claims	**167,709,607**	**166,668,329**
Total gross provision for outstanding claims	**184,269,492**	**182,167,780**
Total reinsurers' share (–)	**-16,559,885**	**-15,499,451**
IBNR as % of gross provision for outstanding claims	34.4%	34.5%
IBNR as % of net provision for outstanding claims	37.8%	37.7%

The movement in the gross and net claims provisions is aligned. The proportion of the IBNR provision remained at the prior-year level.

The provision for bonuses, rebates and cancellations declined as a result of the weaker performance of the business with certain major policyholders, who have negotiated conditions including bonuses and rebates, and in the business of which the Company participates through proportional reinsurance treaties with Group cedants.

Other technical provisions comprise the provision for unexpired risks. These are established if the expected combined ratio exceeds 100%, which in 2017 was the case with the reinsurance of ships, health, aviation and suretyship reinsurance.

Calculation of the gross provision for unexpired risks by class of insurance

(€)	31/12/2017		31/12/2016	
	Expected combined ratio	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	91.56%	0	91.70%	0
Health insurance	128.32%	1,099	133.97%	6,454
Land vehicles casco	98.56%	0	94.27%	0
Railway rolling stock	41.76%	0	20.86%	0
Aircraft hull	121.88%	9,168	89.19%	0
Ships hull	127.29%	320,611	121.10%	187,688
Goods in transit	78.52%	0	79.61%	0
Fire and natural forces	90.76%	0	92.84%	0
Other damage to property	60.12%	0	67.94%	0
Motor liability	91.79%	0	93.37%	0
Aircraft liability	59.50%	0	77.00%	0
Liability for ships	73.08%	0	67.28%	0
General liability	52.84%	0	61.42%	0
Credit	-2.02%	0	5.80%	0
Suretyship	180.33%	38,475	126.14%	16,602
Miscellaneous financial loss	73.92%	0	68.89%	0
Legal expenses	43.05%	0	62.29%	0
Assistance	38.12%	0	62.69%	0
Life	58.08%	0	66.39%	0
Unit-linked life	55.41%	0	61.71%	0
Total	**86.70%**	**369,353**	**87.04%**	**210,745**

20) Other provisions

Other provisions mainly comprise provisions for long-term employee benefits.

Provisions for severance pay upon retirement and jubilee benefits have been calculated in accordance with the requirements of the revised IAS 19. The Company does not defer the recognition of actuarial gains and losses (i.e. the corridor approach) for defined benefit plans. There is a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions that are recognised in comprehensive income.

Change in other provisions

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Other provisions for costs	Total
01/01/2017	**275,344**	**55,605**	**852**	**331,801**
Interest costs	-832	-176	0	-1,007
Cost of service	36,302	8,108	0	44,410
Payments	0	-5,021	0	-5,021
Impact of changes in actuarial assumptions (IS)	0	-1,557	0	-1,557
Impact of changes in actuarial assumptions (SFP)	-16,893	0	0	-16,893
Other changes	0	0	-482	-482
31/12/2017	**293,921**	**56,958**	**370**	**351,250**

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Other provisions for costs	Total
01/01/2016	**292,168**	**54,610**	**499**	**347,277**
Interest costs	-465	-85	0	-550
Cost of service	35,083	7,980	0	43,064
Payments	-6,578	-2,734	0	-9,312
Actuarial gains/losses (SFP)	-44,864	-4,353	0	-49,217
Actuarial gains/losses (IS)	0	187	0	187
Other changes	0	0	353	353
31/12/2016	**275,344**	**55,605**	**852**	**331,802**

The standard requires the disclosure of quantitative information of the sensitivity of provisions for severance pay upon retirement (defined benefit plan) to a reasonably possible change in each significant actuarial assumption. The (principal) assumptions used were: the term structure of the risk-free interest rate for the euro, published by EIOPA, without adjustments for volatility, real wage growth of 1.02% (2016: 1.13%), inflation and growth in jubilee benefits 1.5% (2016: 1.5%), staff turnover up to age 35 1.8% (2016: 1.7%), in the age bracket 35–45 3.6% (2016: 3.6 %), after age 45 2.0% (2016: 1.9%), mortality as per SLO 2007 (m/f) tables.

Impact on the amount of provision for severance pay upon retirement (€)	31/12/2017	31/12/2016
Decrease in discount rate of 1%	40,427	41,023
Increase in discount rate of 1%	-33,440	-33,666
Increase in real income growth of 0.5%	-18,287	-18,362
Increase in real income growth of 0.5%	19,959	20,156
Decrease in staff turnover of 10%	8,002	7,931
Increase in staff turnover of 10%	-7,701	-7,624
Decrease in mortality rate of 10%	2,506	2,473
Increase in mortality rate of 10%	-2,477	-2,445

21) Liabilities from operating activities

Due to a change in the presentation of liabilities arising out of accepted business, liabilities from primary insurance business increased by €51.2 million. If the change in the presentation of liabilities had already been made on 31 December 2016, liabilities from primary insurance business would have totalled €40.3 million. The increase in these liabilities would thus amount to €10.8 million primarily due to increased liabilities for payment of claims because of regular interim movements. These liabilities are not past due and are related to premium receivables on the assets side.

There has been an decrease in liabilities from reinsurance and co-insurance business.

Change in presentation of liabilities for 2016

(€)	
Liabilities from primary insurance business	
31/12/2016	0
Reclassification	40,302,160
31/12/2016 after reclassification	40,302,160
Liabilities from reinsurance and co-insurance business	
31/12/2016	43,723,844
Reclassification	-40,302,160
31/12/2016 after reclassification	3,421,684

Liabilities from operating activities

(€)	31/12/2017	31/12/2016
Liabilities to policyholders	30,427,835	0
Other liabilities from primary insurance business	20,732,279	0
Liabilities from primary insurance business	**51,160,114**	**0**
Liabilities for reinsurance premiums	3,089,298	3,421,684
Liabilities for shares in reinsurance claims	710	22,055,430
Other liabilities due from co-insurance and reinsurance	0	18,246,730
Liabilities from reinsurance and co-insurance business	**3,090,008**	**43,723,843**
Current tax liabilities	**154,799**	**74,127**
Total	**54,404,921**	**43,797,970**

All liabilities are current.

The Company does not have liabilities arising out of co-insurance. The other liabilities due from co-insurance and reinsurance item comprises liabilities for reinsurance commission.

As at 31 December 2017, the Company recognised current tax liabilities of €154,799 (31/12/2016: €74,127).

22) Other liabilities

There was a decrease in other liabilities compared to 2016 as the Company closed its liabilities for part of the consideration for the property at Baragova 5 in Ljubljana for €1.5 million.

Accrued expenses and deferred income include accruals/deferrals relating to retained deposits from international inwards reinsurance business, provisions for unexpended annual leave of employees, personnel costs, commission of retroceded business and other accrued expenses and deferred income.

Other liabilities

(€) 2017	Maturity	
	Up to 1 year	Total
Short-term liabilities relating to securities	4,000	4,000
Short-term liabilities due to employees	465,008	465,008
Other short-term liabilities	926,352	926,352
Accruals and deferrals	1,038,149	1,038,149
Total	**2,433,509**	**2,433,509**

(€) 2016	Maturity	
	Up to 1 year	Total
Short-term liabilities relating to securities	4,010	4,010
Short-term liabilities due to employees	409,108	409,108
Other short-term liabilities	2,172,532	2,172,532
Accruals and deferrals	1,194,190	1,194,190
Total	**3,779,840**	**3,779,840**

Movements in accrued expenses and deferred income

(€)	01/01/2017	Additions - reclassification	Uses	31/12/2017
Short-term accrued expenses	**973,010**	**2,316,647**	**-2,437,541**	**852,118**
- auditing costs	42,029	96,380	-102,480	35,929
- accrued personnel cost	365,207	291,531	-365,207	291,531
- deferred reinsurance commission	412,879	1,830,314	-1,783,665	459,530
- deferred interest income	11,369	4,388	0	15,757
- other short-term accrued expenses	141,526	94,034	-186,189	49,372
Other accrued expenses and deferred income	**221,180**	**186,031**	**-221,180**	**186,031**
- liabilities for retained deposits	37,446	0	-37,446	0
- provision for unexpended employee leave	183,734	186,031	-183,734	186,031
Total	**1,194,190**	**2,502,678**	**-2,658,721**	**1,038,149**

(€)	01/01/2016	Additions - reclassification	Uses	31/12/2016
Short-term accrued expenses	**553,715**	**2,140,794**	**-1,721,499**	**973,010**
- auditing costs	33,551	42,029	-33,551	42,029
- accrued personnel cost	137,852	365,207	-137,852	365,207
- deferred reinsurance commission	325,537	1,587,111	-1,499,768	412,879
- deferred interest income	6,251	5,118	0	11,369
- other short-term accrued expenses	50,525	141,329	-50,328	141,526
Other accrued expenses and deferred income	**635,325**	**62,072**	**-476,217**	**221,180**
- liabilities for retained deposits	373,817	37,445	-373,817	37,446
- liabilities for tax on profit	102,400	0	-102,400	0
- provision for unexpended employee leave	159,108	24,626	0	183,734
Total	**1,189,040**	**2,202,866**	**-2,197,716**	**1,194,190**

23) Fair values of assets and liabilities

Methodology for the measurement of financial investments

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on the CBBT price in an active market.	Debt securities measured based on the CBBT price in an inactive market.	Debt securities measured using an internal model that does not consider level 2 inputs.
		Debt securities measured at the BVAL price if the CBBT price is unavailable.	
		Debt securities measured using an internal model based on level 2 inputs.	
Stock exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market.	Debt securities measured using an internal model that does not consider level 2 inputs.
		Debt securities measured at the BVAL price when the stock exchange price is unavailable.	
		Debt securities measured using an internal model based on level 2 inputs.	
Shares			
Stock exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market.	Shares are measured using an internal model that does not consider level 2 inputs.
		Shares for which there is no stock exchange price and that are measured using an internal model based on level 2 inputs.	
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
Deposits and loans			
-with maturity		Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model using level 2 inputs.	Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model not using level 2 inputs.

Financial assets by level of the fair value hierarchy

(€) 31/12/2017	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	**235,865,689**	**168,973,221**	**63,313,461**	**3,579,007**	**235,865,689**	**0**
At fair value through P/L	**409,573**	**0**	**409,573**	**0**	**409,573**	**0**
Designated to this category	409,573	0	409,573	0	409,573	0
Equity instruments	409,573		409,573		409,573	0
Available-for-sale	**235,456,117**	**168,973,222**	**62,903,888**	**3,579,007**	**235,456,117**	**0**
Debt instruments	222,604,081	166,110,840	56,493,241		222,604,081	0
Equity instruments	12,852,036	2,862,382	6,410,647	3,579,007	12,852,035	0
Investments not measured at fair value	**14,915,996**	**2,817,696**	**3,127,264**	**10,442,271**	**16,387,231**	**1,471,235**
Held-to-maturity assets	**2,075,111**	**2,817,696**	**0**	**0**	**2,817,696**	**742,584**
Debt instruments	2,075,111	2,817,696	0	0	2,817,696	742,584
Loans and deposits	**12,840,885**	**0**	**3,127,264**	**10,442,271**	**13,569,536**	**728,650**
Deposits	2,398,614		3,127,264		3,127,264	728,650
Loans granted	4,609,924			4,609,924	4,609,924	0
Deposits with cedants	5,832,347			5,832,347	5,832,347	0

(€) 31/12/2016	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	**234,804,547**	**176,328,728**	**54,591,335**	**3,899,007**	**234,819,070**	**14,523**
At fair value through P/L	**1,287,411**	**910,604**	**376,807**	**0**	**1,287,411**	**0**
Designated to this category	1,287,411	910,604	376,807	0	1,287,411	0
Equity instruments	1,287,411	910,604	376,807	0	1,287,411	0
Available-for-sale	**233,517,137**	**175,418,124**	**54,214,529**	**3,899,007**	**233,531,659**	**14,523**
Debt instruments	222,617,735	173,940,230	48,677,504	0	222,617,735	0
Equity instruments	10,899,402	1,477,893	5,537,024	3,899,007	10,913,925	14,523
Investments not measured at fair value	**15,144,227**	**2,835,298**	**3,017,462**	**10,670,812**	**16,523,572**	**1,379,345**
Held-to-maturity assets	**2,074,813**	**2,835,298**	**0**	**0**	**2,835,298**	**760,485**
Debt instruments	2,074,813	2,835,298	0	0	2,835,298	760,485
Loans and deposits	**13,069,414**	**0**	**3,017,462**	**10,670,812**	**13,688,274**	**618,859**
Deposits	2,398,602	0	3,017,462	0	3,017,462	618,859
Loans granted	2,834,953	0	0	2,834,953	2,834,953	0
Deposits with cedants	7,835,859	0	0	7,835,859	7,835,859	0

Gains and losses on level 3 financial assets

(€)	Equity instruments	
	31/12/2017	31/12/2016
Income	80,897	124,749

Movements in level 3 financial assets

(€)	Equity instruments	
	31/12/2017	31/12/2016
Opening balance	**3,899,007**	**3,899,007**
Impairment	-320,000	0
Closing balance	**3,579,007**	**3,899,007**

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

Property 31/12/2017	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Owner-occupied property	31/12/2017	1,830,020	2,746,347	market approach and income approach (weighted 50 : 50), new purchases at cost
Investment property	31/12/2017	8,230,878	8,431,802	
Total		**10,060,898**	**11,178,149**	

Property 31/12/2016	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Owner-occupied property	31/12/2016	7,128,732	8,015,572	market approach and the income approach (weighted 50 : 50), new purchases at cost
Investment property	31/12/2016	3,122,076	3,236,030	
Total		**10,250,807**	**11,251,602**	

Movements in the fair value of land and buildings

(€)	01/01/2017	Reallocations	31/12/2017
Owner-occupied property	8,015,572	-5,269,225	2,746,347
Investment property	3,236,030	5,195,772	8,431,802
Total	**11,251,602**	**-73,453**	**11,178,149**

(€)	01/01/2016	Acquisitions	Reallocations	Change in fair value	31/12/2016
Owner-occupied property	1,968,712	5,269,225	39,582	738,053	8,015,572
Investment property	3,010,178	213,000	-39,582	52,434	3,236,030
Total	**4,978,890**	**5,482,225**	**0**	**790,487**	**11,251,602**

Reclassification of financial assets between levels

(€) 31/12/2017	Level 1	Level 2
Available-for-sale	**3,491,762**	**-3,491,762**
Debt instruments	3,491,762	-3,491,762
Total	**3,491,762**	**-3,491,762**

(€) 31/12/2016	Level 1	Level 2
Available-for-sale	**637,880**	**-637,880**
Debt instruments	637,880	-637,880
Total	**637,880**	**-637,880**

In 2017, the Company primarily measured its OTC assets based on BID CBBT prices representing unadjusted quoted prices, thus meeting the criteria for classification into level 1.

In 2017, the proportion of OTC assets measured based on closing BID CBBT prices declined flat compared to the end of 2016. As at 31 December 2017, level 1 investments represented 72% (31/12/2016: 77 %) of financial investments measured at fair value.

Quoted financial instruments that did not meet the active market criterion as at 31 December 2017, were valued based on an internal model. The valuation model applied used directly and indirectly observable market inputs, such as the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

Valuation methods for the above-mentioned items are described at the beginning of these notes under accounting policies. For investment property, the method is set out in section 23.2.11 "Investment property", for financial investments in subsidiaries and associates in section 23.2.12 "Financial investments in subsidiaries and associates", and for financial investments in section 23.2.13 "Financial investments".

23.7 Notes to the financial statements – income statement

24) Net earned premiums

Net earned premiums

(€) 2017	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	5,391,534	-36,818	217,401	-7,921	5,564,197
Health insurance	3,244,210	0	18,053	0	3,262,263
Land vehicles casco	17,966,660	-1,197,798	-1,640,571	2,538	15,130,829
Railway rolling stock	211,981	-4,248	-16,863	339	191,209
Aircraft hull	12,326	-7,894	115,173	630	120,235
Ships hull	5,542,664	-347,486	-488,455	65,421	4,772,144
Goods in transit	5,234,561	-259,542	-326,765	-2,999	4,645,256
Fire and natural forces	70,920,629	-11,050,787	-906,503	335,223	59,298,562
Other damage to property	18,222,571	-3,662,864	193,694	202,956	14,956,358
Motor liability	14,484,378	-531,754	-796,481	0	13,156,142
Aircraft liability	139,060	-49,171	-6,197	-11,011	72,682
Liability for ships	723,250	-9,932	-20,111	1,566	694,773
General liability	7,554,812	-864,517	-308,297	192,574	6,574,571
Credit	980,196	0	-186,709	0	793,486
Suretyship	242,199	0	20,594	0	262,793
Miscellaneous financial loss	1,509,279	-523,828	-87,455	27,438	925,433
Legal expenses	10,118	0	370	0	10,488
Assistance	19,355	0	-16	0	19,339
Life	489,010	-243,967	73,670	2,469	321,182
Unit-linked life	320,960	-116,710	-111,574	0	92,677
Total non-life	**152,409,782**	**-18,546,637**	**-4,219,138**	**806,756**	**130,450,762**
Total life	**809,970**	**-360,677**	**-37,904**	**2,469**	**413,858**
Total	**153,219,752**	**-18,907,314**	**-4,257,043**	**809,225**	**130,864,620**

(€) 2016	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	5,459,215	-42,693	900,568	-12,137	6,304,954
Health insurance	439,435	0	273,011	0	712,446
Land vehicles casco	16,046,517	-1,124,032	-407,706	-40,660	14,474,119
Railway rolling stock	111,896	0	-21,164	0	90,732
Aircraft hull	847,304	0	-17,280	0	830,025
Ships hull	3,400,041	-158,812	209,085	42,063	3,492,377
Goods in transit	5,217,065	-272,372	88,835	51,200	5,084,728
Fire and natural forces	71,576,193	-10,387,280	-487,996	177,939	60,878,856
Other damage to property	21,299,464	-3,251,628	1,084,979	140,440	19,273,254
Motor liability	12,460,725	-527,060	57,723	0	11,991,388
Aircraft liability	56,730	-56,307	141,390	4,102	145,914
Liability for ships	515,436	-6,138	20,572	0	529,870
General liability	6,302,548	-477,119	-172,280	-34,833	5,618,316
Credit	918,053	0	-333,384	0	584,669
Suretyship	209,725	0	-29,830	0	179,896
Miscellaneous financial loss	2,135,991	-466,072	1,552,435	34,703	3,257,056
Legal expenses	10,532	0	-546	0	9,986
Assistance	15,573	0	-1,477	0	14,096
Life	145,900	-629,620	343,715	-12,752	-152,757
Unit-linked life	258,549	-149,599	0	0	108,950
Total non-life	**147,022,444**	**-16,769,513**	**2,856,934**	**362,817**	**133,472,682**
Total life	**404,449**	**-779,219**	**343,715**	**-12,752**	**-43,807**
Total	**147,426,893**	**-17,548,733**	**3,200,650**	**350,065**	**133,428,875**

The above table shows the movement in gross premiums written. In 2017 gross premiums written in Slovenia rose by 1.6%, or €0.8 million (increase in premiums written by Zavarovalnica Sava), while gross premiums written abroad decreased by 5.2% or €5.0 million. This favourable premium growth is driven by the boost in proportional business with the highest absolute growth achieved in marine, motor liability and general liability reinsurance business.

Despite the rise in gross premiums written, net premiums earned for the period were lower than in 2016. Net unearned premiums were higher than as at the 2016 year end, while in the previous year the year-end figure was an increase from end of 2015. This trend is the result of growth in gross premiums written abroad in 2017 and their decline in 2016.

25) Income and expenses relating to investments in subsidiaries and associates

In 2017 the Company received dividends from its subsidiaries amounting to €26.1 million (2016: €26.3 million).
In 2017 the Company realised no expenses relating to its investments in subsidiaries (2016: €4.3 million).

26) Investment income and expenses

Investment income, expenses and net investment income by IFRS categories

Income relating to financial assets and liabilities from 1 January to 31 December 2017

(€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Diverse other income	Total	Income from associate companies
Held to maturity	**102,798**	**0**	**0**	**0**	**0**	**0**	**102,798**	**0**
Debt instruments	102,798	0	0	0	0	0	102,798	0
At fair value through P/L	**0**	**77,774**	**0**	**19,588**	**0**	**0**	**97,362**	**0**
Designated to this category	0	77,774	0	19,588	0	0	97,362	0
Equity instruments	0	77,774	0	19,588	0	0	97,362	0
Available-for-sale	**3,487,674**	**0**	**1,227,175**	**599,246**	**3,772,867**	**10,174**	**9,097,137**	**26,136,830**
Debt instruments	3,487,674	0	1,124,282	0	3,772,867	7,627	8,392,450	0
Equity instruments	0	0	102,893	599,246	0	2,547	704,687	26,136,830
Loans and receivables	**261,057**	**0**	**0**	**0**	**49,862**	**0**	**310,918**	**0**
Debt instruments	232,008	0	0	0	0	0	232,008	0
Other investments	29,049	0	0	0	49,862	0	78,911	0
Deposits with cedants	**44,415**	**0**	**0**	**0**	**0**	**0**	**44,415**	**0**
Total	**3,895,944**	**77,774**	**1,227,175**	**618,834**	**3,822,729**	**10,174**	**9,652,630**	**26,136,830**

Expenses relating to financial assets and liabilities from 1 January to 31 December 2017

(€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total
At fair value through P/L	**0**	**76,271**	**0**	**0**	**0**	**0**	**76,271**
Designated to this category	0	76,271	0	0	0	0	76,271
Equity instruments	0	76,271	0	0	0	0	76,271
Available-for-sale	**0**	**0**	**130,028**	**320,000**	**9,097,932**	**422**	**9,548,382**
Debt instruments	0	0	82,313	0	9,097,932	0	9,180,245
Equity instruments	0	0	47,715	320,000	0	422	368,137
Loans and receivables	**0**	**0**	**0**	**0**	**208,337**	**0**	**208,337**
Other investments	0	0	0	0	208,337	0	208,337
Subordinated liabilities	**718,338**	**0**	**0**	**0**	**0**	**0**	**718,338**
Total	**718,338**	**76,271**	**130,028**	**320,000**	**9,306,269**	**422**	**10,551,329**

Net inv. income of financial assets and liabilities from 1 January to 31 December 2017

(€)	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/ expenses	Total
Held to maturity	**102,798**	**0**	**0**	**0**	**0**	**0**	**0**	**102,798**
Debt instruments	102,798	0	0	0	0	0	0	102,798
At fair value through P/L	**0**	**1,503**	**0**	**19,588**	**0**	**0**	**0**	**21,091**
Designated to this category	0	1,503	0	19,588	0	0	0	21,091
Equity instruments	0	1,503	0	19,588	0	0	0	21,091
Available-for-sale	**3,487,674**	**0**	**1,097,146**	**599,246**	**-320,000**	**-5,325,065**	**9,752**	**-451,246**
Debt instruments	3,487,674	0	1,041,969	0	0	-5,325,065	7,627	-787,795
Equity instruments	0	0	55,178	599,246	-320,000	0	2,125	336,549
Loans and receivables	**261,057**	**0**	**0**	**0**	**0**	**-158,475**	**0**	**102,582**
Debt instruments	232,008	0	0	0	0	0	0	232,008
Other investments	29,049	0	0	0	0	-158,475	0	-129,426
Deposits with cedants	**44,415**	**0**	**0**	**0**	**0**	**0**	**0**	**44,415**
Subordinated liabilities	**-718,338**	**0**	**0**	**0**	**0**	**0**	**0**	**-718,338**
Total	**3,177,606**	**1,503**	**1,097,146**	**618,834**	**-320,000**	**-5,483,540**	**9,752**	**-898,699**

Income relating to financial assets and liabilities from 1 January to 31 December 2016

(€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Diverse other income	Total
Held to maturity	**103,055**	**0**	**0**	**0**	**0**	**0**	**103,055**
Debt instruments	103,055	0	0	0	0	0	103,055
At fair value through P/L	**0**	**100,222**	**0**	**18,876**	**0**	**0**	**119,098**
Designated to this category	0	100,222	0	18,876	0	0	119,098
Debt instruments	0	6,293	0	0	0	0	6,293
Equity instruments	0	93,929	0	18,876	0	0	112,805
Available-for-sale	**3,945,431**	**0**	**676,088**	**724,096**	**6,456,653**	**6,785**	**11,809,053**
Debt instruments	3,945,431	0	516,331	0	6,456,653	3,631	10,922,046
Equity instruments	0	0	159,758	724,096	0	3,154	887,007
Loans and receivables	**344,672**	**0**	**0**	**0**	**469,370**	**0**	**814,042**
Debt instruments	344,672	0	0	0	469,370	0	814,042
Deposits with cedants	**34,817**	**0**	**0**	**0**	**0**	**0**	**34,817**
Total	**4,427,975**	**100,222**	**676,088**	**742,972**	**6,926,023**	**6,785**	**12,880,066**

Expenses relating to financial assets and liabilities from 1 January to 31 December 2016

(€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total
At fair value through P/L	**0**	**205,693**	**0**	**0**	**0**	**0**	**205,693**
Designated to this category	0	205,693	0	0	0	0	205,693
Debt instruments	0	2,989	0	0	0	0	2,989
Equity instruments	0	202,703	0	0	0	0	202,703
Available-for-sale	**0**	**0**	**185,008**	**330,740**	**5,352,635**	**4,299**	**5,872,683**
Debt instruments	0	0	14,801	330,740	5,352,635	270	5,698,447
Equity instruments	0	0	170,207	0	0	4,029	174,236
Loans and receivables	**2,000**	**0**	**0**	**0**	**212,514**	**155**	**214,668**
Debt instruments	0	0	0	0	212,514	155	212,668
Other investments	2,000	0	0	0	0	0	2,000
Subordinated liabilities	**839,834**	**0**	**0**	**0**	**0**	**0**	**839,834**
Total	**841,834**	**205,693**	**185,008**	**330,740**	**5,565,150**	**4,454**	**7,132,879**

Net inv. income of financial assets and liabilities from 1 January to 31 December 2016

(€)	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/ expenses	Total
Held to maturity	**103,055**	**0**	**0**	**0**	**0**	**0**	**0**	**103,055**
Debt instruments	103,055	0	0	0	0	0	0	103,055
At fair value through P/L	**0**	**-105,471**	**0**	**18,876**	**0**	**0**	**0**	**-86,595**
Designated to this category	0	-105,471	0	18,876	0	0	0	-86,595
Debt instruments	0	3,303	0	0	0	0	0	3,303
Equity instruments	0	-108,774	0	18,876	0	0	0	-89,898
Available-for-sale	**3,945,431**	**0**	**491,080**	**724,096**	**-330,740**	**1,104,018**	**2,486**	**5,936,370**
Debt instruments	3,945,431	0	501,529	0	-330,740	1,104,018	3,361	5,223,598
Equity instruments	0	0	-10,449	724,096	0	0	-875	712,771
Loans and receivables	**342,672**	**0**	**0**	**0**	**0**	**256,857**	**-155**	**599,374**
Debt instruments	344,672	0	0	0	0	256,857	-155	601,374
Other investments	-2,000	0	0	0	0	0	0	-2,000
Deposits with cedants	**34,817**	**0**	**0**	**0**	**0**	**0**	**0**	**34,817**
Subordinated liabilities	**-839,834**	**0**	**0**	**0**	**0**	**0**	**0**	**-839,834**
Total	**3,586,142**	**-105,471**	**491,080**	**742,972**	**-330,740**	**1,360,875**	**2,331**	**5,747,187**

Income relating to financial assets and liabilities in 2017 amounted to €9.7 million (2016: €12.9 million).

Expenses relating to financial assets and liabilities in 2017 amounted to €10.6 million (2016: €7.1 million).

The net investment income relating to financial assets and liabilities (excluding that of subsidiaries) was – €0.9 million (2016: €5.7 million). This decline in the net investment income in 2017 was mainly the result of net exchange losses. The net amount of exchange differences is still a loss of €5.5 million (2016: exchange gain of €1.4 million).

In 2017, the Company earned €1,002 of interest income on impaired investments; in 2016: €1,429.

Investment income and expenses by source of funds

The Company records investment income and expenses separately depending on whether they relate to own fund assets or non-life insurance register assets. Own fund assets support shareholders' funds, while the assets of the non-life insurance registers support technical provisions.

Investment income

(€)	Non-life insurance register of assets	Non-life insurance register of assets
	2017	2016
Interest income	3,443,665	3,697,928
Change in fair value and gains on disposal of FVPL assets	77,774	100,222
Gains on disposal of other IFRS asset categories	969,436	396,657
Income from dividends and shares – other investments	428,209	495,341
Exchange gains	3,804,465	6,925,109
Diverse other income	10,175	6,785
Total investment income – liability fund	**8,733,724**	**11,622,041**
	Capital fund	**Capital fund**
	2017	**2016**
Interest income	452,279	730,047
Gains on disposal of other IFRS asset categories	257,739	279,432
Income from dividends and shares – other investments	190,625	247,631
Exchange gains	18,264	914
Total investment income - capital fund	**918,906**	**1,258,024**
Total investment income	**9,652,630**	**12,880,066**

Investment expenses

(€)	Non-life insurance register of assets	Non-life insurance register of assets
	2017	2016
Change in fair value and losses on disposal of FVPL assets	76,271	205,693
Losses on disposal of other IFRS asset categories	119,908	185,008
Impairment losses on investments	0	330,740
Exchange losses	9,300,337	5,557,177
Other	0	155
Total investment expenses – liability fund	**9,496,516**	**6,278,774**
	Capital fund	**Capital fund**
	2017	**2016**
Interest expenses	718,338	841,834
Losses on disposal of other IFRS asset categories	10,120	0
Impairment losses on investments	320,000	0
Exchange losses	5,933	7,972
Other	422	4,299
Total investment expenses – capital fund	**1,054,812**	**854,106**
Total investment expenses	**10,551,329**	**7,132,879**

Net investment income	**-898,699**	**5,747,187**

Impairment losses on investments

(€)	31/12/2017	31/12/2016
Bonds	0	330,740
Shares	320,000	0
Total	**320,000**	**330,740**

27) Other technical income

(€)	2017	2016
Commission income	1,934,678	2,813,943
Exchange gains from reinsurance business	3,743,989	5,343,322
Miscellaneous technical income	419,718	1,105,929
Total	**6,098,385**	**9,263,194**

In 2017, the Company again had high exchange gains arising out of reinsurance business, but again also high exchange losses arising out of reinsurance business, as set out in note 32. Pursuant to our investment policy, we perform currency hedging.

Commission income, net of change in deferred acquisition costs attributable to reinsurers

(€)	2017	2016
Personal accident	12,906	17,218
Land vehicles casco	655	223
Railway rolling stock	190	0
Aircraft hull	656	0
Ships hull	2,138	936
Goods in transit	8,739	30,762
Fire and natural forces	1,299,374	1,835,134
Other damage to property	452,379	609,981
Motor liability	807	169
Aircraft liability	8,043	9,407
Liability for ships	274	0
General liability	32,334	31,677
Miscellaneous financial loss	52,368	91,056
Life	36,130	165,544
Unit-linked life	27,684	21,836
Total non-life	**1,870,864**	**2,626,562**
Total life	**63,814**	**187,381**
Total	**1,934,678**	**2,813,943**

28) Other income and expenses

Other income and expenses mainly include collected bad debt relating to other receivables that had been written-off, default interest under a final court decision and, to a minor extent, gains on the disposal of fixed assets and income from the use of holiday facilities.

The other expenses item mainly comprises expenses incurred by the Company on investment property before it was leased.

29) Net claims incurred

(€) 2017	Gross amounts		Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables				
Personal accident	3,061,325	0	-4,711	-659,597	-2,654	2,394,364
Health insurance	2,763,819	0	0	-243,071	0	2,520,748
Land vehicles casco	11,555,307	-182,093	-718,365	-651,684	620,857	10,624,022
Railway rolling stock	91,017	0	-4	11,627	0	102,640
Aircraft hull	36,632	0	0	242,205	-3,824	275,013
Ships hull	4,884,680	-420	-3,622	803,252	-145,659	5,538,232
Goods in transit	3,328,049	-851	-838	-478,216	-2,049	2,846,093
Fire and natural forces	36,765,809	-5,532	-3,430,891	6,619,118	315,589	40,264,092
Other damage to property	7,439,736	-5,933	-801,139	-91,303	-842,844	5,698,517
Motor liability	11,044,389	-1,095,506	-468,819	-2,854,127	-1,282,667	5,343,270
Aircraft liability	35,450	0	-40,389	-14,053	0	-18,992
Liability for ships	374,877	-214	0	-76,512	0	298,152
General liability	1,875,812	-2,312	-2,767	-141,143	-4,222	1,725,368
Credit	406,895	-590,964	0	-17,589	0	-201,658
Suretyship	176,292	-534	0	100,518	0	276,275
Miscellaneous financial loss	1,297,317	0	-386,146	-342,927	303,888	872,131
Legal expenses	1,165	0	0	-290	0	874
Assistance	9,258	0	0	-33	0	9,225
Life	129,004	0	-60,077	-34,323	-55,946	-21,342
Unit-linked life	132,977	0	-64,993	-70,139	39,097	36,942
Total non-life	**85,147,827**	**-1,884,359**	**-5,857,690**	**2,206,174**	**-1,043,585**	**78,568,367**
Total life	**261,981**	**0**	**-125,070**	**-104,462**	**-16,849**	**15,600**
Total	**85,409,808**	**-1,884,359**	**-5,982,760**	**2,101,712**	**-1,060,434**	**78,583,967**

(€) 2017	Gross amounts		Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables				
Personal accident	4,442,624	-33	-1,442	-488,427	-151	3,952,572
Health insurance	310,753	0	0	307,670	0	618,423
Land vehicles casco	10,035,528	-168,630	-33,595	1,378,389	-645,260	10,566,432
Railway rolling stock	13,970	0	0	606	0	14,576
Aircraft hull	251,644	0	0	628,314	0	879,958
Ships hull	2,183,806	0	-2,786	3,198,533	334	5,379,887
Goods in transit	3,299,890	-140	-1,154	-983,235	27	2,315,389
Fire and natural forces	40,582,105	-12,397	-6,323,312	7,551,164	-1,423,322	40,374,237
Other damage to property	9,816,966	-11,144	-721,500	-3,890,407	89,817	5,283,732
Motor liability	9,724,987	-401,413	-2,124,577	340,755	174,088	7,713,840
Aircraft liability	43,436	0	0	-112,121	0	-68,685
Liability for ships	112,462	0	0	289,465	0	401,928
General liability	1,522,255	-761	-4,405	1,379,781	438	2,897,308
Credit	294,354	-553,618	0	22,133	0	-237,131
Suretyship	174,696	-84,196	0	115,409	0	205,909
Miscellaneous financial loss	2,910,701	0	-275,121	-872,016	-92,540	1,671,024
Legal expenses	649	0	0	1,731	0	2,380
Assistance	70	0	0	-1,784	0	-1,714
Life	550,715	0	-244,118	-600,754	61,846	-232,311
Unit-linked life	126,311	0	-79,399	-10,337	7,236	43,811
Total non-life	**85,720,897**	**-1,232,331**	**-9,487,891**	**8,865,960**	**-1,896,570**	**81,970,065**
Total life	**677,026**	**0**	**-323,517**	**-611,091**	**69,082**	**-188,500**
Total	**86,397,922**	**-1,232,331**	**-9,811,408**	**8,254,869**	**-1,827,488**	**81,781,565**

The above tables show (columns from left to right) gross claims paid net of recourse receivables. This column is followed by claims recovered from retrocessionaires. In addition, net claims incurred include the change in the gross claims provision, both retained and retroceded.

In 2017, gross claims paid were 1.1% below the 2016 figure. The effect of the change in the claims provision is described in note 19.

30) Change in other technical provisions and expenses for bonuses and rebates

In 2017 other net technical provisions increased by €158,608 (2016: up €88,760). The figures for both years relate to changes in the net provision for unexpired risks.

The change in the provision for bonuses and rebates was a decrease of €85,678 in 2017 (2016: rise in expenses due to an increase in the provision of €162,545).

31) Operating expenses

The Company classifies operating expenses by nature. Compared to 2016, operating expenses fell by 8.8%, mainly due to the change in deferred acquisition costs. There was an increase in personnel costs and depreciation of operating assets.

Breakdown of operating expenses

(€)	2017	2016
Acquisition costs (commissions)	33,185,632	33,061,396
Change in deferred acquisition costs	-880,778	3,598,331
Depreciation of operating assets	420,825	340,371
Personnel costs	6,832,682	6,693,833
Salaries	5,261,466	5,259,890
Social and pension insurance contributions	903,092	892,850
Other personnel costs	668,124	541,093
Costs under contracts for services, incl. contributions	163,472	179,111
Other operating expenses	3,391,292	3,415,933
Total	**43,113,125**	**47,288,975**

Other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), decreased in relation to gross premiums written in 2017 and represented 7.1% of gross premiums written (2016: 7.2%).

Audit fees

(€)	2017	2016
Audit of annual report	59,780	59,780
Other assurance services	6,100	6,100
Other audit services	12,200	29,880
Total	**78,080**	**95,760**

The cost of auditing the annual report includes audit costs for both Sava Re and the consolidated annual report of the Sava Re Group. The performed interim audits and other audit services relate to assurance services for reports drawn up by the Company as part of Solvency II requirements.

Acquisition costs

(€)	2017	2016
Personal accident	1,268,720	1,261,274
Health insurance	1,067,545	124,444
Land vehicles casco	3,733,175	3,330,359
Railway rolling stock	28,389	11,263
Aircraft hull	1,064	135,197
Ships hull	1,299,980	783,954
Goods in transit	1,060,298	1,024,381
Fire and natural forces	15,324,674	16,854,563
Other damage to property	3,602,661	4,733,872
Motor liability	3,171,810	2,741,399
Aircraft liability	18,491	-22,464
Liability for ships	156,368	118,517
General liability	1,672,985	1,280,329
Credit	238,109	230,257
Suretyship	64,591	48,646
Miscellaneous financial loss	314,208	311,651
Legal expenses	3,698	4,932
Assistance	1,779	1,534
Life	94,737	50,767
Unit-linked life	62,350	36,522
Total non-life	**33,028,545**	**32,974,108**
Total life	**157,087**	**87,289**
Total	**33,185,632**	**33,061,396**

Change in deferred acquisition costs

(€)	2017	2016
Personal accident	109,825	569,391
Health insurance	2,936	10,413
Land vehicles casco	-182,043	704,623
Railway rolling stock	-6,622	-1,281
Aircraft hull	20,274	3,464
Ships hull	-206,363	125,092
Goods in transit	-111,795	89,189
Fire and natural forces	-525,629	289,076
Other damage to property	136,249	673,517
Motor liability	56,234	888,466
Aircraft liability	-1,709	9,479
Liability for ships	-20,060	14,668
General liability	-100,344	162,514
Credit	-29,837	-75,711
Suretyship	2,964	198
Miscellaneous financial loss	-28,539	67,193
Legal expenses	-126	54
Life	4,089	67,985
Unit-linked life	-282	0
Total non-life	**-884,585**	**3,530,346**
Total life	**3,807**	**67,985**
Total	**-880,778**	**3,598,331**

32) Other technical expenses

(€)	2017	2016
Expenses for exchange losses	5,433,841	5,603,447
Value adjustments	234,467	184,511
Regulator fees	191,656	186,301
Other technical expenses	16,598	59,436
Total	**5,876,562**	**6,033,695**

33) Income tax expense

Tax rate reconciliation

(€)	2017	2016
Profit/loss before tax	34,763,864	34,977,140
Income tax expenses at statutory tax rate	6,605,134	5,946,114
Tax effect of income that is deducted for tax purposes	-4,838,614	-4,379,357
Tax effect of expenses not deducted for tax purposes	289,085	892,542
Income or expenses relating to tax relief	-37,561	-36,652
Changes in temporary differences	-228,373	-319,323
Total income tax expense in the income statement	**1,789,672**	**2,103,323**
Effective tax rate	5.15%	6.01%

23.8 Notes to the financial statements – cash flow statement

34) Notes to the cash flow statement, which has been prepared using the indirect method

The cash flow statement shown in section 22.4 “Cash flow statement” has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

The table below presents income statement items not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

(€)	2017	2016
Net profit/loss for the period	**32,974,192**	**32,873,817**
Non-monetary income statement items not included in cash flow	**8,979,610**	**9,819,167**
- change in unearned premiums	3,447,818	-3,550,715
- change in the provision for outstanding claims	1,041,278	6,427,381
- change in other technical provisions	158,608	88,760
- operating expenses – amortisation/depreciation and change in deferred acquisition cost	-459,952	3,938,702
- impairment losses on financial assets	4,791,859	2,915,039
Eliminated investment income items	**-30,651,609**	**-31,479,463**
- interest received disclosed under C. a.) 1.	-3,895,944	-4,427,975
- receipts from dividends and shares in profit of others disclosed under C. a.) 2.	-26,755,665	-27,051,488
Eliminated investment expense items	**718,338**	**841,834**
- interest paid disclosed under C. b) 1.	718,338	841,834
Cash flows from operating activities – income statement items	**12,020,532**	**12,055,355**

23.9 Contingent receivables and liabilities

The Company has contingent liabilities arising out of guarantees given. The estimated contingent liabilities in this regard total €0.2 million.

The Company has contingent liabilities from claims against issuing banks for subordinated financial instruments of €10.0 million.

Off-balance sheet items are shown in the appendix hereto.

23.10 Related party disclosures

The Company separately discloses its relationships with the following groups of related parties:

- owners and related enterprises;
- management and supervisory board members and employees not subject to the tariff section of the collective agreement;
- subsidiary companies.

The Company is a party to a contract with the Sava pokojninska pension company on the participation in a supplementary pension scheme.

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

Business relationship with the largest shareholder
In 2017 the Company had no business transactions with its largest shareholder.

Management board, supervisory board incl. its committees, and employees not subject to the tariff section of the collective agreement

Remuneration of management and supervisory board members, and of employees not subject to the tariff section of the collective agreement

(€)	2017	2016
Management board	620,246	655,175
Payments to employees not subject to the tariff section of the collective agreement	2,580,706	2,632,810
Supervisory board	111,606	128,283
Supervisory board committees	32,021	28,246
Total	**3,344,579**	**3,444,515**

Remuneration of management board members in 2017

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Marko Jazbec	101,831	0	134	4,281	106,246
Jošt Dolničar	150,440	14,912	5,582	8,664	179,599
Srečko Čebron	152,697	7,170	5,205	7,116	172,188
Mateja Treven	141,667	7,170	5,193	8,184	162,214
Total	**546,635**	**29,253**	**16,114**	**28,245**	**620,246**

Remuneration of management board members in 2016

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič (up until 23/8/2016)	109,304	15,936	4,170	5,775	135,185
Srečko Čebron	152,592	14,340	5,338	3,620	175,890
Jošt Dolničar	146,866	14,340	5,554	3,874	170,635
Mateja Treven	144,600	14,340	5,186	9,339	173,465
Total	**553,362**	**58,956**	**20,248**	**22,608**	**655,175**

Liabilities to members of the management board based on gross remuneration

(€)	31/12/2017	31/12/2016
Marko Jazbec	13,280	0
Srečko Čebron	11,950	12,616
Jošt Dolničar	12,616	13,280
Mateja Treven	11,950	11,950
Total	**49,796**	**37,846**

As at 31 December 2017, the Company had no receivables due from its management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration of the supervisory board and its committees in 2017

(€)		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Fringe benefits	Total
Supervisory board members						
Mateja Lovšin Herič	chair of the SB	2,970	18,958	183	0	22,111
Slaven Mićković	deputy chair (until 15/07/2017)	1,595	7,727	0	0	9,322
Keith William Morris	deputy chair (since 16/08/2017)	2,970	13,489	10,013	1,069	27,541
Andrej Gorazd Kunstek	member of the SB	2,970	13,000	0	0	15,970
Mateja Živec	member of the SB	2,970	13,000	0	0	15,970
Davor Ivan Gjivoje	SB member (since 07/03/2017)	2,640	10,624	0	0	13,264
Andrej Kren	SB member (since 16/07/2017)	1,375	5,976	77	0	7,428
Total supervisory board members		**17,490**	**82,773**	**10,273**	**1,069**	**111,606**
Audit committee members						
Andrej Kren	chair (since 16/08/2017)	880	1,835	97	0	2,812
Slaven Mićković	chair (until 15/07/2017)	1,320	2,634	0	0	3,954
Mateja Lovšin Herič	member	2,200	2,979	0	0	5,179
Ignac Dolenšek	external member		10,125	467	0	10,592
Total audit committee members		**4,400**	**17,573**	**564**	**0**	**22,537**
Members of the nominations and remuneration committee						
Mateja Lovšin Herič	Chair	880	0	0	0	880
Slaven Mićković	member (until 15/07/2017)	660	0	0	0	660
Keith William Morris	member (since 24/08/2017)	880	0	0	0	880
Davor Ivan Gjivoje	member (since 24/08/2017)	176	0	0	0	176
Andrej Kren	member (since 24/08/2017)	220	0	0	0	220
Total nominations committee members		**2,816**	**0**	**0**	**0**	**2,816**
Fit & proper committee members						
Mateja Živec	chair (since 24/08/2017)	616	0	0	0	616
Mateja Lovšin Herič	member (until 15/07/2017)	220	0	0	0	220
Keith William Morris	member (since 24/08/2017)	220	0	0	0	220
Nika Matjan	external member	0	0	0	0	0
Andrej Kren	alternate member (since 24/08/2017)	176	0	0	0	176
Total fit & proper committee members		**1,232**	**0**	**0**	**0**	**1,232**
Members of the risk committee						
Keith William Morris	committee chair (since 24/08/2017)	440	1,730	0	0	2,170
Davor Ivan Gjivoje	member (since 24/08/2017)	396	882	0	0	1,278
Slaven Mićković	external member (since 24/08/2017)	0	1,988	0	0	1,988
Total risk committee members		**836**	**4,600**	**0**	**0**	**5,436**

Remuneration of the supervisory board and its committees in 2016

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Fringe benefits	Total
Supervisory board members						
Branko Tomažič	SB chair (until 11/10/2016)	3,410	15,202	5,230	119	23,960
Mateja Lovšin Herič	SB chair (since 12/10/2016) / SB deputy chair (until 11/10/2016)	5,005	15,446	0	185	20,637
Slaven Mićković	deputy chairman (since 12/10/2016) / member (until 11/10/2016)	5,005	13,287	317	39	18,648
Andrej Gorazd Kunstek	member of the SB	5,005	13,000		175	18,180
Keith William Morris	member of the SB	4,235	13,000	13,254	200	30,690
Helena Dretnik	SB member (until 19/02/2016)	550	1,793	0	170	2,513
Mateja Živec	SB member (since 01/04/2016)	3,905	9,750	0	0	13,655
Total supervisory board members		**27,115**	**81,477**	**18,802**	**0**	**128,283**
Audit committee members						
Mateja Lovšin Herič	AC member (since 28/10/2016) / chair (until 27/10/2016)	2,376	4,591	0	0	6,967
Slaven Mićković	chair (since 28/10/2016) / member (until 27/10/2016)	2,376	3,534	7	0	5,917
Ignac Dolenšek	member of the AC		10,950	232	0	11,182
Total audit committee members		**4,752**	**19,075**	**239**	**0**	**24,066**
Nominations committee members						
Mateja Lovšin Herič	Chair of the committee	1,100	0	0	0	1,100
Branko Tomažič (until 11/10/2016)	member	660	0	0	0	660
Slaven Mićković	member	880	0	0	0	880
Keith William Morris	member	220	0	0	0	220
Total nominations committee members		**2,860**	**0**	**0**	**0**	**2,860**
Fit & proper committee members						
Mateja Lovšin Herič	Chair of the committee	660	0	0	0	660
Branko Tomažič	member (until 11/10/2016)	220	0	0	0	220
Nika Matjan	member	0	0	0	0	0
Mateja Živec	member	440	0	0	0	440
Total fit & proper committee members		**1,320**	**0**	**0**	**0**	**1,320**

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

(€)	31/12/2017	31/12/2016
Mateja Lovšin Herič	2,391	3,381
Slaven Mićković	788	2,971
Andrej Gorazd Kunstek	1,358	1,908
Keith William Morris	3,714	7,145
Mateja Živec	1,358	2,128
Davor Ivan Gjivoje	1,534	0
Andrej Kren	2,023	0
Ignac Dolenšek	844	544
Total	**14,011**	**18,078**

Employee remuneration not subject to the tariff section of the collective agreement for 2017

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	2,263,970	173,658	143,078	2,580,706

Employee remuneration not subject to the tariff section of the collective agreement for 2016

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	2,257,673	237,411	137,726	2,632,810

Subsidiaries

Investments in and amounts due from Group companies

(€)		31/12/2017	31/12/2016
Debt securities and loans granted to Group companies	gross	4,609,924	2,834,953
Receivables for premiums arising out of reinsurance assumed	gross	13,394,084	12,891,949
Short-term receivables arising out of financing	gross	6,308	28,091
Other short-term receivables	gross	53,154	56,598
Short-term deferred acquisition costs	gross	1,182,922	1,505,595
Total		**19,246,392**	**17,317,186**

Liabilities to Group companies

(€)	31/12/2017	31/12/2016
Liabilities for shares in reinsurance claims due to Group companies	8,248,985	7,434,318
Other liabilities from co-insurance and reinsurance	3,040,284	2,648,269
Other short-term liabilities	2,891	700
Total (excl. provisions)	**11,292,160**	**10,083,287**

Liabilities to Group companies by maturity

(€) 31/12/2017	Maturity	
	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	8,248,985	8,248,985
Other short-term liabilities to Group companies	3,040,284	3,040,284
Other short-term liabilities	2,891	2,891
Total (excl. provisions)	**11,292,160**	**11,292,160**

(€) 31/12/2016	Maturity	
	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	7,434,318	7,434,318
Other short-term liabilities to Group companies	2,648,269	2,648,269
Other short-term liabilities	700	700
Total (excl. provisions)	**10,083,287**	**10,083,287**

Income and expenses relating to Group companies

(€)	2017	2016
Gross premiums written	56,998,934	54,743,175
Change in gross unearned premiums	-2,313,806	-374,374
Gross claims payments	-30,532,041	-28,363,915
Change in the gross claims provision	-288,023	-2,004,124
Income from gross recourse receivables	1,166,341	1,208,540
Change in gross provision for bonuses, rebates and cancellations	85,678	-162,545
Other operating expenses	-96,148	-104,737
Dividend income	26,136,830	26,308,516
Other investment income	11,152	11,152
Interest income	76,441	156,454
Acquisition costs	-12,009,817	-11,142,168
Change in deferred acquisition costs	-322,672	-2,660,738
Other non-life income	11,865	15,197
Total	**38,924,734**	**37,630,433**

Investments in governments and majority state-owned companies

(€)	31/12/2017	31/12/2016
Interests in companies	8,005,401	7,249,440
Debt securities and loans	28,698,492	41,892,177
Total	**36,703,893**	**49,141,617**

Income and expenses relating to majority state-owned companies

(€)	2017	2016
Dividend income	483,592	344,261
Interest income	972,365	1,113,677
Exchange gains	218,869	700,317
other income	114,198	0
Total	**1,789,024**	**2,158,254**

Characteristics of loans granted to subsidiaries

(€) Borrower	Principal	Type of loan	Maturity	Interest rate
Sava neživotno osiguranje (SRB)	500,000	ordinary	30/06/2019	3.50%
Sava neživotno osiguranje (SRB)	800,000	ordinary	30/06/2018	2.90%
Sava osiguruvanje (MKD)	300,000	ordinary	11/07/2018	0.90%
Illyria Life	1,000,000	ordinary	11/07/2018	0.90%
Illyria Life	350,000	ordinary	31/05/2018	1.50%
Illyria Life	1,650,000	ordinary	30/06/2018	1.50%
Total	**4,600,000**			

24 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- In January 2018, Polona Pirš Zupančič began her five-year term of office as a member of the management board. After this change, the Sava Re management board continued to operate as a four-member body, as at its meeting of 20 December 2017 the supervisory board of Sava Re took note of the notice of Mateja Treven on her early termination of her term as Sava Re management board member, and accepted Mateja Treven's proposal for a consensual termination of her employment contract as management board member. Mateja Treven concluded her role as management board member on 13 January 2018 and will continue her career as part of the Sava Re Group. **Marko Jazbec** as chairman of the management board is, following the aforementioned changes, responsible for the coordination of the work of the management board, finance, general affairs, human resources, organisation and legal affairs, public relations, compliance and internal audit. **Srečko Čebron** is – also in the new term of office – responsible for reinsurance operations, facultative reinsurance underwriting and actuarial affairs. **Jošt Dolničar** is – in the new term of office – responsible for the management of strategic investments in primary insurance subsidiaries, modelling, IT, technologies and innovation, and pension insurance. **Polona Pirš Zupančič** is responsible for corporate finance and controlling, accounting, shareholder relations and risk management.
- On 2 November 2017, Sava Re signed a contract for the acquisition of a 75% stake in TBS TEAM 24. TBS TEAM 24 provides assistance services relating to motor, health and homeowners insurance. Sava Re met all suspensive conditions on 31 January 2018.
- In December 2017, NLB d.d. Ljubljana and NLB banka AD Skopje, as the seller, and Sava Re, as the purchaser, signed a purchase contract for all the shares of NLB Nov penziski fond AD Skopje. Sava Re met all suspensive conditions on 13 March 2018.
- In accordance with article 171(7) of the Insurance Act (ZZavar-1; Official Gazette of the Republic of Slovenia, no. 93/15), Zavarovalnica Sava and Sava pokojninska družba signed an outsourcing contract for internal audit with Sava Re, transferring this key function to Sava Re as of 1 February 2018 for an indefinite period.
- In March 2018, Sava Re obtained approval from Serbia's central bank, as well as from other regulators to purchase a 92.84% stake in Energoprojekt Garant, a Serbian insurance undertaking. After the acquisition of this majority stake and subsequent steps towards attaining sole ownership, Sava Re intends to merge the target with its existing subsidiary, the Serbian non-life insurer Sava neživotno osiguranje (SRB), and then optimise the subsidiary's capital structure.