15 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 consolidated financial statements of the Sava Re Group (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Sava Re Group as at 31 December 2018 and its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group 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 consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated 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 consolidated 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 consolidated financial statements.

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

The technical provisions of the Group 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 Group. The Group estimates technical provisions for business outside and inside Sava Re Group, taking into account estimated premium income (EPI) and estimated combined ratios (CR).

Those estimates also influence other significant areas within the consolidated financial statements, such as gross premium income and its related reinsurance receivables, commission and its related reinsurance liabilities and technical provisions. Premium estimates are made based on estimated premium income (EPI) for reinsurance contracts which, according to due dates, are already in force, although the Group has yet to receive reinsurance accounts on 31 December.

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The Group prepares back testing analyses to assess the correctness of previous period assumption and builds projections on experience. Estimates are made depending on differences between annually estimated CR and actual CR on a contract level. Additionally, incurred but not reported claims (IBNR) are calculated independently by the Group to confirm reasonability of ceded amounts, using development triangles of cumulative claim payments by underwriting year.

Due to the significant level of assumptions involved in the estimations made by the underwriters and the actuary we consider this matter to be significant for our Group 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 performed detailed analytical procedures on estimations related to premiums, commissions and technical provisions and assessed the experience (back testing) analyses performed by the Group 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 reviewed the methodology and assumptions used by the Group to establish its IBNR losses and performed recalculation of Group's IBNR losses for a sample of the most significant lines of business. We reviewed the methodology used by the Group to calculate claim provisions established by estimation using actuarial methods. Furthermore, we performed a comparison between changes in IBNR losses in 2018 and actually liquidated claims in 2018 on a contract level. For any unexpected deviations in changes between IBNR losses and liquidated claims, we inquired with the management and obtained explanations. We performed additional testing procedures on a sample of reported but not settled losses (RBNS) to assess their adequacy. We verified the appropriateness of the valuation of unearned premium reserves (UPR) by detailed analytical procedures on estimations related to premiums, where we assessed the experience (back testing) analysis performed by the Group in their assumption setting processes. We also 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 17.4.24 Technical provisions and 17.7.22 Technical provisions of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Estimates used in calculation of insurance liabilities, DAC and Liability Adequacy Test (LAT) – insurance

The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities, both in the insurance contract liabilities as reported in the balance sheet and in the reserve adequacy test. We determined this to be a significant item for our audit and a key auditing matter

We involved internal 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, particularly long-tail business in non-life operations and LAT cash flows in life products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim provisions calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the Group's approach and methodology for the actuarial analyses including estimated versus actual results and experience studies. Our assessments included evaluation, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied, along with comparison to applicable industry experiences considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with International Financial Reporting Standards as adopted by the European Union. We also performed audit procedures to determine the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's LAT which is a test performed to evaluate whether the liabilities are adequate as compared to the expected future contractual obligations. Our work on the LAT included assessment of the projected cash flows and assessment of the assumptions adopted in the context of both the Group and industry experience and specific product features.

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We assessed the adequacy of the disclosures included in notes 17.4.24 Technical provisions and 17.7.22 Technical provisions of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Other information

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 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 consolidated financial statements is, in all material respects, consistent with the consolidated 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 Group 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

• obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 consolidated 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 30 August 2016, our appointment was confirmed upon signing of engagement letter for audit of consolidated financial statements on 28 October 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 6 years.

Consistence with Additional Report to Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which we issued on 27 March 2019.

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 Group and we remain independent from the Group in conducting the audit.

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

Ljubljana, 28 March 2019

Janez Uranič
Certified auditor
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

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

16 Consolidated financial statements

16.1 Consolidated statement of financial position

(EUR)	Notes	31/12/2018	31/12/2017
ASSETS		**1,705,947,263**	**1,708,348,067**
Intangible assets	**1**	**37,121,118**	**22,712,944**
Property, plant and equipment	**2**	**42,893,432**	**45,438,014**
Deferred tax assets	**3**	**1,950,245**	**2,107,564**
Investment property	**4**	**20,643,019**	**15,364,184**
Financial investments in associates	**5**	**462,974**	**0**
Financial investments:	**6**	**1,008,097,470**	**1,038,125,019**
- loans and deposits		33,542,347	28,029,543
- held to maturity		77,122,037	106,232,327
- available for sale		885,017,410	897,645,279
- at fair value through profit or loss		12,415,676	6,217,870
Funds for the benefit of policyholders who bear the investment risk	**7**	**204,818,504**	**227,228,053**
Reinsurers' share of technical provisions	**8**	**27,292,750**	**30,787,241**
Investment contract assets	**9**	**135,586,965**	**129,622,131**
Receivables	**10**	**140,550,011**	**138,455,525**
Receivables arising out of primary insurance business		126,533,761	124,324,547
Receivables arising out of co-insurance and reinsurance business		5,835,798	6,197,717
Current tax assets		169,727	17,822
Other receivables		8,010,725	7,915,439
Deferred acquisition costs	**11**	**19,759,234**	**18,507,194**
Other assets	**12**	**2,064,220**	**2,043,395**
Cash and cash equivalents	**13**	**64,657,431**	**37,956,119**
Non-current assets held for sale	**14**	**49,890**	**684**

The notes to the financial statements in sections from 17.4 to 17.11 form an integral part of these financial statements.

(EUR)	Notes	31/12/2018	31/12/2017
EQUITY AND LIABILITIES		**1,705,947,263**	**1,708,348,067**
Equity		**340,175,455**	**316,116,895**
Share capital	15	71,856,376	71,856,376
Capital reserves	16	43,035,948	43,035,948
Profit reserves	17	183,606,914	162,548,076
Own shares	18	-24,938,709	-24,938,709
Fair value reserve	19	11,613,059	18,331,697
Reserve due to fair value revaluation		836,745	667,518
Retained earnings	20	35,140,493	33,093,591
Net profit or loss for the period	20	21,843,940	14,557,220
Translation reserve		-3,368,928	-3,353,304
Equity attributable to owners of the controlling company		**339,625,838**	**315,798,413**
Non-controlling interest in equity	**21**	**549,617**	**318,482**
Technical provisions	**22**	**920,491,487**	**931,398,362**
Unearned premiums		184,101,835	171,857,259
Technical provisions for life insurance business		254,849,366	271,409,915
Provision for outstanding claims		470,057,561	479,072,582
Other technical provisions		11,482,725	9,058,606
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**22**	**210,032,637**	**226,527,893**
Other provisions	**23**	**7,730,247**	**7,600,613**
Deferred tax liabilities	**3**	**3,529,235**	**5,781,494**
Investment contract liabilities	**9**	**135,441,508**	**129,483,034**
Other financial liabilities	**24**	**243,095**	**245,205**
Liabilities from operating activities	**25**	**54,736,601**	**60,598,188**
Liabilities from primary insurance business		44,278,514	54,711,289
Liabilities from reinsurance and co-insurance business		6,176,032	5,160,183
Current income tax liabilities		4,282,055	726,716
Other liabilities	**26**	**33,566,998**	**30,596,383**

16.2 Consolidated income statement[115]

(EUR)	Notes	2018	2017
Net earned premiums	**28**	**504,669,701**	**470,865,993**
Gross premiums written		546,299,539	517,233,431
Written premiums ceded to reinsurers and co-insurers		-26,942,852	-34,243,296
Change in gross unearned premiums		-11,415,695	-13,765,765
Change in unearned premiums, reinsurers' and co-insurers' shares		-3,271,291	1,641,623
Investment income	**29**	**26,802,161**	**27,446,915**
Interest income		16,459,186	18,607,327
Other investment income		10,342,975	8,839,588
Net unrealised gains on investments of life insurance policyholders who bear the investment risk		**16,867,324**	**16,849,384**
Other technical income	**30**	**21,238,357**	**15,429,720**
Commission income		3,634,682	2,870,868
Other technical income		17,603,675	12,558,852
Other income	**30**	**14,549,676**	**6,058,000**
Net claims incurred	**31**	**-320,760,586**	**-296,103,320**
Gross claims payments, net of income from recourse receivables		-342,556,518	-309,727,160
Reinsurers' and co-insurers' shares		12,460,118	15,846,528
Change in the gross claims provision		9,913,517	-2,931,960
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares		-577,703	709,272
Change in other technical provisions	**32**	**13,207,584**	**-2,179,849**
Change in technical provisions for policyholders who bear the investment risk	**32**	**15,962,680**	**-1,121,327**
Expenses for bonuses and rebates		**288,628**	**5,848**
Operating expenses	**33**	**-178,131,437**	**-156,962,328**
Acquisition costs		-58,372,509	-51,949,127
Change in deferred acquisition costs		1,598,536	2,389,002
Other operating expenses		-121,357,464	-107,402,203
Expenses for investments in associates and impairment losses on goodwill		**-151,130**	**0**
Impairment loss on goodwill	1	-94,906	0
Loss arising out of the investment in the equity-accounted associate company	5	-56,224	0
Expenses for financial assets and liabilities	**29**	**-9,604,451**	**-11,891,544**
Impairment losses on financial assets not at fair value through profit or loss		-1,943,975	-320,000
Interest expense		-28,445	-718,860
Other investment expenses		-7,632,031	-10,852,684
Net unrealised losses on investments of life insurance policyholders who bear the investment risk		**-23,498,245**	**-8,256,416**
Other technical expenses	**34**	**-23,305,829**	**-17,486,080**
Other expenses	**34**	**-2,873,861**	**-2,774,013**
Profit or loss before tax		**55,260,572**	**39,880,983**
Income tax expense	**35**	**-12,248,723**	**-8,786,075**
Net profit or loss for the period		**43,011,849**	**31,094,908**
Net profit or loss attributable to owners of the controlling company		**42,790,617**	**31,065,329**
Net profit or loss attributable to non-controlling interests		**221,232**	**29,579**
Earnings per share (basic and diluted)	**20**	**2.76**	**2.00**

The notes to the financial statements in sections from 17.4 to 17.11 form an integral part of these financial statements.

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16.3 Consolidated statement of other comprehensive income

(EUR)	2018			2017		
	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	**42,790,617**	**221,232**	**43,011,849**	**31,065,329**	**29,579**	**31,094,908**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**-6,565,036**	**1,630**	**-6,563,406**	**1,689,492**	**6,503**	**1,695,995**
a) Items that will not be reclassified subsequently to profit or loss	**169,227**	**0**	**169,227**	**315,865**	**0**	**315,865**
Other items that will not be reclassified subsequently to profit or loss	190,794	0	190,794	386,089	0	386,089
Tax on items that will not be reclassified subsequently to profit or loss	-21,567	0	-21,567	-70,224	0	-70,224
b) Items that may be reclassified subsequently to profit or loss	**-6,734,263**	**1,630**	**-6,732,633**	**1,373,627**	**6,503**	**1,380,130**
Net gains/losses on remeasuring available-for-sale financial assets	**-8,422,373**	**3,310**	**-8,419,063**	**851,240**	**4,184**	**855,424**
Net change recognised in the fair value reserve	-7,844,486	3,310	-7,841,176	2,804,458	4,184	2,808,642
Net change transferred from fair value reserve to profit or loss	-577,887	0	-577,887	-1,953,218	0	-1,953,218
Tax on items that may be reclassified subsequently to profit or loss	**1,703,734**	**0**	**1,703,734**	**21,508**	**0**	**21,508**
Net gains/losses from translation of financial statements of non-domestic companies	**-15,624**	**-1,680**	**-17,304**	**500,879**	**2,319**	**503,198**
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**36,225,581**	**222,862**	**36,448,443**	**32,754,821**	**36,082**	**32,790,903**
Attributable to owners of the controlling company	**36,225,581**	**0**	**36,225,581**	**32,754,821**	**0**	**32,754,821**
Attributable to non-controlling interest	**0**	**222,862**	**222,862**	**0**	**36,082**	**36,082**

The notes to the financial statements in sections from 17.4 to 17.11 form an integral part of these financial statements.

16.4 Consolidated statement of cash flows

(EUR)		Notes	2018	2017
A. Cash flows from operating activities				
a)	**Items of the income statement**	**36**	**12,395,876**	**29,652,140**
1.	Net premiums written in the period	28	519,356,687	482,990,135
2.	Investment income (other than financial income)	29	82,595	143,722
3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables		35,788,033	21,487,720
4.	Net claims payments in the period	31	-330,096,400	-293,880,632
5.	Expenses for bonuses and rebates		288,628	5,848
6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	33	-174,475,963	-151,825,973
7.	Investment expenses (excluding amortisation and financial expenses)		-119,291	-54,102
8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	34	-26,179,690	-20,428,503
9.	Tax on profit and other taxes not included in operating expenses	35	-12,248,723	-8,786,075
b)	**Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the income statement**		**-12,065,157**	**1,698,017**
1.	Change in receivables from primary insurance	10	-2,209,214	-72,983,726
2.	Change in receivables from reinsurance	10	361,919	61,807,865
3.	Change in other receivables from (re)insurance business	10	-532,222	365,290
4.	Change in other receivables and other assets	10	269,601	-2,880,757
5.	Change in deferred tax assets	3	157,319	218,499
6.	Change in inventories		-5,395	-28,879
7.	Change in liabilities arising out of primary insurance	25	-10,432,775	42,801,036
8.	Change in liabilities arising out of reinsurance business	25	1,015,849	-31,132,515
9.	Change in other operating liabilities	26	-524,718	-2,442,917
10.	Change in other liabilities (except unearned premiums)	26	2,086,738	6,231,258
11.	Change in deferred tax liabilities	3	-2,252,259	-257,137
c)	**Net cash from/used in operating activities (a + b)**		**330,719**	**31,350,157**

(EUR)		Notes	2018	2017
B. Cash flows from investing activities				
a)	**Cash receipts from investing activities**		**1,657,653,508**	**1,416,437,638**
1.	Interest received from investing activities		16,459,186	18,607,327
2.	Cash receipts from dividends and participation in the profit of others		1,378,367	1,141,433
4.	Proceeds from sale of property, plant and equipment		4,156,317	2,707,118
5.	Proceeds from sale of financial investments		1,635,659,638	1,393,981,760
b)	**Cash disbursements in investing activities**		**-1,620,282,746**	**-1,405,529,717**
1.	Purchase of intangible assets		-1,547,018	-1,177,107
2.	Purchase of property, plant and equipment		-2,761,542	-4,833,554
3.	Purchase of long-term financial investments		-1,615,974,186	-1,399,519,056
c)	**Net cash from/used in investing activities (a + b)**		**37,370,762**	**10,907,921**
C. Cash flows from financing activities				
b)	**Cash disbursements in financing activities**		**-12,426,602**	**-38,241,119**
1.	Interest paid		-28,445	-718,860
3.	Repayment of long-term financial liabilities		0	-24,000,000
4.	Repayment of short-term financial liabilities		0	-1,058,233
5.	Dividends and other profit participations paid		-12,398,157	-12,464,026
c)	**Net cash from/used in financing activities (a + b)**		**-12,426,602**	**-38,241,119**
C2. Closing balance of cash and cash equivalents			**64,657,431**	**37,956,119**
x)	**Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)**		**25,274,879**	**4,016,959**
y)	**Opening balance of cash and cash equivalents**		**37,956,119**	**33,939,160**
Opening balance of cash and cash equivalents – acquisition			1,426,433	0

The notes to the financial statements in sections from 17.4 to 17.11 form an integral part of these financial statements.

16.5 Consolidated statement of changes in equity for 2018

(EUR)	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/ loss for the period	VII. Own shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (15 + 16)
			Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other									
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	**71,856,376**	**43,035,948**	**11,578,919**	**24,938,709**	**11,225,068**	**114,805,380**	**18,331,697**	**667,518**	**33,093,591**	**14,557,220**	**-24,938,709**	**-3,353,304**	**315,798,413**	**318,482**	**316,116,895**
Opening balance in the financial period	**71,856,376**	**43,035,948**	**11,578,919**	**24,938,709**	**11,225,068**	**114,805,380**	**18,331,697**	**667,518**	**33,093,591**	**14,557,220**	**-24,938,709**	**-3,353,304**	**315,798,413**	**318,482**	**316,116,895**
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**-6,718,639**	**169,227**	**0**	**42,790,617**	**0**	**-15,624**	**36,225,581**	**222,862**	**36,448,443**
a) Net profit or loss for the period	0	0	0	0	0	0	0		0	42,790,617	0	0	42,790,617	221,232	43,011,849
b) Other comprehensive income	0	0	0	0	0	0	-6,718,639	169,227	0	0	0	-15,624	-6,565,036	1,630	-6,563,406
Dividend payouts	0	0	0	0	0	0	0	0	-12,398,157	0	0	0	-12,398,157	0	-12,398,157
Allocation of net profit to profit reserve	0	0	125,090	0	0	20,933,748	0	0	-112,161	-20,946,677	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	14,557,220	-14,557,220	0	0	0	0	0
Acquisition, subsidiary	0	0	0	0	0	0	0	0	0	0	0	0	0	8,273	8,273
Closing balance in the financial period	**71,856,376**	**43,035,948**	**11,704,009**	**24,938,709**	**11,225,068**	**135,739,128**	**11,613,059**	**836,745**	**35,140,493**	**21,843,940**	**-24,938,709**	**-3,368,928**	**339,625,838**	**549,617**	**340,175,455**

The notes to the financial statements in sections from 17.4 to 17.11 form an integral part of these financial statements.

16.6 Consolidated statement of changes in equity for 2017

(EUR)	I. Share capital	II. Capital reserves	III. Profit reserves				IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/loss for the period	VII. Own shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (15 + 16)
			Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other									
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	**71,856,376**	**43,681,441**	**11,411,550**	**24,938,709**	**11,225,068**	**98,318,285**	**17,458,948**	**351,655**	**36,778,941**	**9,049,238**	**-24,938,709**	**-3,854,182**	**296,277,319**	**761,008**	**297,038,327**
Prior-period restatements	0	0	0	0	0	0	0		-190,075	0	0	0	-190,075	0	-190,075
Opening balance in the financial period	**71,856,376**	**43,681,441**	**11,411,550**	**24,938,709**	**11,225,068**	**98,318,285**	**17,458,948**	**351,655**	**36,588,866**	**9,049,238**	**-24,938,709**	**-3,854,182**	**296,087,244**	**761,008**	**296,848,252**
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**872,748**	**315,865**	**0**	**31,065,329**	**0**	**500,879**	**32,754,821**	**36,082**	**32,790,903**
a) Net profit or loss for the period	0	0	0	0	0	0	0		0	31,065,329	0	0	31,065,329	29,579	31,094,908
b) Other comprehensive income	0	0	0	0	0	0	872,748	315,865	0	0	0	500,879	1,689,492	6,503	1,695,995
Dividend payouts	0	0	0	0	0	0	0	0	-12,398,157	0	0	0	-12,398,157	-65,869	-12,464,026
Allocation of net profit to profit reserve	0	0	167,369	0	0	16,487,095	0	0	-146,356	-16,508,109	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	9,049,238	-9,049,238	0	0	0	0	0
Acquisition of non-controlling interest	0	-645,493	0	0	0	0	0	0	0	0	0	0	-645,493	-412,740	-1,058,233
Closing balance in the financial period	**71,856,376**	**43,035,948**	**11,578,920**	**24,938,709**	**11,225,068**	**114,805,380**	**18,331,697**	**667,518**	**33,093,591**	**14,557,220**	**-24,938,709**	**-3,353,304**	**315,798,413**	**318,482**	**316,116,895**

The notes to the financial statements in sections from 17.4 to 17.11 form an integral part of these financial statements.

17 Notes to the consolidated financial statements

17.1 Basic details

Reporting company

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

The controlling company, Sava Re d.d., has its business address at Dunajska cesta 56, Ljubljana, Slovenia.

The Group transacts reinsurance business (18% of income), non-life insurance business (64% of income), life insurance business (16% of income), pension business (1% of income) and other non-insurance business (1% of income).

In 2018 the Group employed on average 2,403 people (2017: 2,438 employees) on a full-time equivalent basis. As at 31 December 2018, the total number of employees was 2,417 (31/12/2017: 2,389 employees) on a full-time equivalent basis. Statistics on employees in regular employment by various criteria are given in section 10 "Human resources management".

Number of employees by level of formal education

	31/12/2018	31/12/2017
Primary and lower secondary education	10	14
Secondary education	1,038	1,095
Higher education	303	294
University education	948	892
Master's degree and doctorate	118	94
Total	**2,417**	**2,389**

Statistics on the educational background of employees in 2017 differ from those published in the 2017 annual report because in one company part of the employees with secondary education (up to and including the 3rd grade of secondary school) were shown under the primary and lower secondary education item.

The controlling company has the following bodies: the general meeting of shareholders, the supervisory board and the management board.

The largest shareholder of the controlling company is Slovenian Sovereign Holding with a 17.7% stake. The second largest shareholder is Zagrebačka Banka (custodial account) with a 14.2% ownership interest, and the third largest the Republic of Slovenia with a 10.1% stake. The table "Ten largest shareholders of Sava Re as at 31 December 2018" (section 5.6) is followed by a note on the share of voting rights (section 5.6).

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

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

17.2 Business combinations and overview of Group companies[116]

In January 2018, the acquisition of the Slovenia-based TBS Team 24 was carried out. The controlling company became the owner of 75% of the company. The first consolidated accounts of the Sava Re Group after TBS Team 24 joined were prepared as at 31 January 2018. The following table shows the fair value of the net assets of the company acquired in the business combination, including goodwill recognised.

(EUR)	TBS Team 24
Intangible assets	2,942
Property, plant and equipment	106,510
Receivables	2,003,806
Cash and cash equivalents	14,951
Other assets	180,198
A. Total assets	**2,308,407**
Liabilities from operating activities and other liabilities	2,275,309
B. Total liabilities	**2,275,309**
Fair value of net assets acquired (A – B)	33,098
Non-controlling interest in equity as at 31 January 2018	8,274
Temporary allocation to goodwill	2,787,676
Market value of investment as at 31 January 2018	**2,812,500**

(EUR)	TBS Team 24
Acquisition of share	-2,812,500
Net cash acquired in the business combination	14,951
Net cash flow in the business combination	**-2,797,549**

[116] GRI 102-7, 102-45

In March 2018, the acquisitions of the two companies Energoprojekt Garant and Sava Penzisko Društvo were finalised. The controlling company became the owner of a 92.94% stake in Energoprojekt Garant and sole owner of Sava Penzisko Društvo. The first consolidated accounts of the Sava Re Group after Energoprojekt Garant and Sava Penzisko Društvo joined were prepared as at 31 March 2018. The following table shows the fair value of the net assets of the companies acquired in the business combination and goodwill recognised.

In July 2018, the controlling company acquired another 7.1% stake to become the sole owner of Energoprojekt Garant.

The Group merged Energoprojekt Garant with Sava Neživotno Osiguranje (SRB) on 31 December 2018.

(EUR)	Energoprojekt Garant
Intangible assets	16,156
Property, plant and equipment	32,992
Investment property	1,972,586
Financial investments	5,425,457
Reinsurers' share of technical provisions	181,305
Receivables	340,752
Cash and cash equivalents	751,942
Other assets	29,023
A. Total assets	**8,750,213**
Technical provisions	1,846,333
Other provisions	3,011
Deferred tax liabilities	1,032
Liabilities from operating activities and other liabilities	147,437
B. Total liabilities	**1,997,814**
Fair value of net assets acquired (A – B)	**6,752,398**
Non-controlling interest in equity as at 31/03/2018	**476,719**
Goodwill	**54,356**

(EUR)	Energoprojekt Garant
Acquisition of share	-6,330,035
Net cash acquired in the business combination	751,942
Net cash flow in the business combination	**-5,578,093**

In 2018, the company Energoprojekt Garant was merged with Sava Neživotno Osiguranje (SRB), to which the relevant goodwill is added.

(EUR)	Sava Penzisko Društvo
Intangible assets	38,971
Property, plant and equipment	17,448
Financial investments	7,917,244
Receivables	13,076
Cash and cash equivalents	46,440
Other assets	311,408
A. Total assets	**8,344,587**
Other provisions	60,602
Deferred tax liabilities	17,812
Liabilities from operating activities and other liabilities	441,600
B. Total liabilities	**520,014**
Fair value of net assets acquired (A – B)	**7,824,573**
Temporary allocation to goodwill	**11,710,411**
Market value of investment as at 31/3/2018	**19,534,984**

(EUR)	Sava Penzisko Društvo
Acquisition of share	-19,534,984
Net cash acquired in the business combination	46,440
Net cash flow in the business combination	**-19,488,544**

The increase in goodwill acquired through the acquisition of Sava Penzisko Društvo and TBS Team 24 is temporary in nature as the Company will examine the option of reclassifying part of the goodwill to the customer list as part of the one-year term for allocation of the purchase consideration in accordance with IFRS 3.

In September 2018, the company ZTSR d.o.o. was founded. Its registered nominal capital was EUR 250,000. Sava Re contributed EUR 125,000, representing a 50% stake.

The acquisition of the Slovenia-based company Sava Terra was completed in the fourth quarter of 2018. The Group became the sole owner of the company.

(EUR)	Sava Terra
Investment property	4,491,494
Receivables	58,972
Cash and cash equivalents	44,028
Other assets	2,528
A. Total assets	**4,597,022**
Deferred tax liabilities	151,144
Other financial liabilities	1,922,887
Liabilities from operating activities and other liabilities	30,222
B. Total liabilities	**2,104,253**
Fair value of net assets acquired (A - B)	**2,492,769**
Market value of investment as at 31/12/2018	**2,492,769**

(EUR)	Sava Terra
Acquisition of share	-2,492,769
Net cash acquired in the business combination	44,028
Net cash flow in the business combination	**-2,448,741**

Below are presented individual items of the statement of financial position and the income statement based on the separate financial statements of subsidiaries and associates, as prepared in line with IFRSs, together with the controlling company's share of voting rights.

Subsidiaries as at 31 December 2018

(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31/12/2018	Profit/loss for 2018	Total income	Share of voting rights
Zavarovalnica Sava	insurance	Slovenia	1,116,725,121	965,579,104	151,146,017	29,540,622	369,578,351	100.00%
Sava Neživotno Osiguranje (SRB)	insurance	Serbia	37,424,870	23,539,092	13,885,778	1,049,526	19,382,373	100.00%
Illyria	insurance	Kosovo	16,282,240	12,497,895	3,784,345	-390,799	9,275,173	100.00%
Sava Osiguruvanje (MKD)	insurance	North Macedonia	21,605,383	15,711,159	5,894,224	391,284	12,279,274	92.57%
Sava Osiguranje (MNE)	insurance	Montenegro	24,107,226	17,795,094	6,312,132	1,943,280	12,967,612	100.00%
Illyria Life	insurance	Kosovo	10,951,393	6,274,659	4,676,734	305,169	2,373,425	100.00%
Sava Životno Osiguranje (SRB)	insurance	Serbia	7,556,316	4,051,087	3,505,229	-168,562	2,551,457	100.00%
Illyria Hospital	currently none	Kosovo	1,800,736	4,495	1,796,241	-6	0	100.00%
Sava Car	research and analysis	Montenegro	739,077	169,564	569,513	-2,476	729,633	100.00%
ZM Svetovanje	consulting and marketing of insurances of the person	Slovenia	159,874	81,844	78,030	16,513	958,813	100.00%
Ornatus KC	ZS call centre	Slovenia	40,797	19,260	21,537	-5,316	216,000	100.00%
Sava Agent	insurance agency	Montenegro	1,970,854	1,853,597	117,257	80,911	701,752	100.00%
Sava Station	motor research and analysis	North Macedonia	343,772	24,715	319,057	29,778	160,281	92.57%
Sava Pokojninska	pension fund	Slovenia	151,140,812	144,024,695	7,116,117	258,571	4,181,039	100.00%
TBS Team 24	assistance service provider and customer care	Slovenia	2,370,342	1,577,490	792,852	759,757	10,219,623	75.00%
Sava Penzisko Društvo	pension fund management	North Macedonia	8,842,761	352,077	8,490,684	1,133,199	2,935,355	100.00%
Sava Terra	leasing and operation of own and leased property	Slovenia	3,801,526	1,953,108	1,848,418	-147,863	160,196	100.00%

Subsidiaries as at 31 December 2017

(EUR)	Activity	Registered office	Assets	Liabilities	Equity 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	North 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	currently none	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 agency	Montenegro	2,100,120	1,798,730	301,390	112,971	651,469	100.00%
Sava Station	motor research and analysis	North 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%

17.3 Consolidation principles

The controlling company has prepared both separate and consolidated financial statements for the year ended 31 December 2018. The consolidated financial statements include Sava Re as the controlling company and all its subsidiaries, i.e. companies in which Sava Re holds, directly or indirectly, more than half of the voting rights and has the power to control the financial and operating policies so as to obtain benefits from its activities. It is also of key importance for the satisfaction of the conditions mentioned above that, in the event of a takeover of the insurance company, the controlling company obtains all required approvals and consents (from the Insurance Supervision Agency and other supervisory institutions).

All subsidiaries were fully consolidated in the Sava Re Group.

The financial year of the Group is the same as the calendar year.

Business acquisitions are accounted for by applying the purchase method. Subsidiaries are fully consolidated as of the date of obtaining control and they are deconsolidated as of the date that such control is lost. At the time of an entity's first consolidation, its assets and liabilities are measured at fair value. Any excess of the market value over the share of the fair value of the acquired identifiable assets, liabilities and contingent liabilities is capitalised as goodwill.

When acquiring a non-controlling interest in a subsidiary (when the Group already holds a controlling interest), the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid, and attributes it to the owners of the controlling company. The difference between cost and the carrying amount of the non-controlling interest is accounted for in equity under capital reserves.

Profits earned and losses made by subsidiaries are included in the Group's income statement. Intra-Group transactions (receivables and liabilities, expenses and income between the consolidated companies) have been eliminated.

17.4 Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the consolidated financial statements. In 2018, the Group applied the same accounting policies as in 2017.

17.4.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with 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 were also prepared in accordance with applicable Slovenian legislation (the Companies Act, ZGD-1).

Interested parties can obtain information on the results of operations of the Sava Re Group by consulting the annual report. Annual reports are available on Sava Re's website and at its registered office.

In selecting and applying accounting policies, as well as in preparing the financial statements, the management board of the controlling company aims at providing understandable, relevant, reliable and comparable accounting information.

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

The management board of the controlling company approved the audited financial statements on 28 March 2019.

17.4.2 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. Assets of policyholders who bear the investment risk are also measured at fair value.

17.4.3 Presentation currency, translation of transactions and items

The financial statements are presented in euros (EUR), rounded to the nearest euro. The euro is the functional and presentation currency of the Group. Due to rounding, figures in tables may not add up to the totals.

Assets and liabilities as at 31 December 2018 denominated in foreign currencies have been translated into euros using the mid-rates of the European Central Bank (hereinafter: ECB) as at 31 December 2018. Amounts in the income statements have been translated using the average exchange rate. As at 31 December 2017 and 31 December 2018, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-monetary items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve. Since equity items in the statement of financial position as at 31 December 2018 are translated using the exchange rates of the ECB on that day and since interim movements are translated using the average exchange rates of the ECB, any differences arising therefrom are disclosed in the equity item translation reserve.

17.4.4 Use of major accounting estimates 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.

- Calculation of goodwill, its measurement and impairment is determined using the accounting policy under 17.4.9 and note 1.
- Deferred tax assets are recognised if Group entities plan to realise a profit in the medium-term projections.
- Receivables are impaired based on the accounting policy set out in section 17.4.18. Any recognised impairment loss is shown in note 10.
- 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 17.4.15. Movements in investments and their classification are shown in note 6, while the associated income and expenses, and impairment, are shown in note 29.
- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in sections 17.4.24–27. Movements in these provisions are shown in note 22.

17.4.5 Materiality

To serve as a starting point in determining a materiality threshold for the consolidated financial statements, the management used the equity of the Sava Re Group, specifically 2% thereof as at 31 December 2018, which is EUR 6.8 million. The disclosures and notes required to meet regulatory or statutory requirements are presented, despite their being below the materiality threshold.

17.4.6 Cash flow statement

The cash flow statement has been prepared using the indirect method. The Group cash flow statement was prepared as the sum of all cash flows of all Group companies less any inter-Group cash flows. Cash flows from operating activities have been prepared based on data from the 2018 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities are shown based on actual disbursements. Items relating to changes in net operating assets are shown in net amounts.

17.4.7 Statement of changes in equity

The statement of changes in equity shows movements in individual components of equity in the period. Profit reserves also include the reserve for own shares and the catastrophe equalisation reserve.

17.4.8 Intangible assets

Intangible assets, except goodwill, are stated at cost, including any expenses directly attributable to preparing them for their intended use, less accumulated amortisation and any impairment losses. Amortisation is calculated for each item separately, on a straight-line basis, except for goodwill, which is not amortised. Intangible assets are first amortised upon their availability for use.

Intangible assets in the Group include computer software, licences pertaining to computer software (their useful life is assumed to be five years).

17.4.9 Goodwill

Goodwill arises on the acquisition of subsidiaries. In acquisitions, goodwill relates to the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the excess is negative (badwill), it is recognised directly in the income statement. The recoverable amount of the cash-generating unit so calculated is compared against its carrying amount, including goodwill belonging to such unit. The recoverable amount is value in use.

For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. Movement in goodwill is discussed in detail in note 1 of section 17.7.

Goodwill of associate companies is included in their carrying amount. Any impairment losses on goodwill of associate companies are treated as impairment losses on investments in associate companies.

Section 17.7, note 1, sets out the main assumptions for cash flow projections used in the calculation of the value in use.

17.4.10 Property, plant and equipment

Property, plant and equipment assets are initially recognised at cost, including cost directly attributable to acquisition of the asset. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses. For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made.

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

Depreciation rates of property, plant and equipment assets

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

The Group assesses annually 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.

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

17.4.11 Right-to-use assets during lease terms

As of 1 January 2019, the Group will include under assets the right to use lease assets as the present value of future lease payments due to the implementation of the new standard IFRS 16. The carrying amounts of the right-of-use assets will be reduced by means of adjustments equalling the remaining lease payments or amortisation calculated in view of the lease term. The Group will recognise lease payments relating to short-term and low-value leases as an expense.

17.4.12 Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, its sale must be highly probable and it must be available for immediate sale in its present condition. The Group must be committed to the sale and must realise it within one year. Such assets are measured at the lower of the assets' carrying amount or fair value less costs to sell, and are not depreciated.

17.4.13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are amounts of income taxes expected to be recoverable or payable, respectively, in future periods depending on taxable temporary differences. Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

The Group establishes deferred tax assets for temporary tax non-deductible impairments of portfolio investments. Deferred tax assets are additionally established for impairment losses on receivables, unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for 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).

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

The Group does not set off deferred tax assets and liabilities.

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In 2018, no deferred tax assets of this kind were recognised by the Group.

In 2018, deferred tax assets and liabilities were accounted for using tax rates that in the management's opinion will be used to actually tax the differences; these are from 9% to 19% (2017: from 9 to 19%).

17.4.14 Investment property

Investment property relates to assets that the Group does not use directly in carrying out its activities, but holds to earn rent or to realise capital gains at disposal. Investment property is accounted for using the cost model and the straight-line depreciation method. Investment property is depreciated at the rate of 1.3–2%. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Group acts as lessor are cancellable operating leases. Payments and/or rentals received are recognised as income on a straight-line basis over the term of the lease. For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. The Group assesses annually whether there is an 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 less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Group measures the fair value of investment property using fair value models. The fair values of investment property in Slovenia were verified based on appraisals made by certified property appraisers in 2016, while the values of investment property in Serbia were verified in 2018.

17.4.15 Financial investments and funds for the benefit of policyholders who bear the investment risk

17.4.15.1 Classification

The Group classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

This category consists of the following two sub-categories:
- financial assets held for trading, and
- financial assets designated as at fair value through profit or loss.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realising gains in the short term. Financial assets at fair value through profit or loss also comprise funds for the benefit of policyholders who bear the investment risk.

Held-to-maturity financial assets

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

Available-for-sale financial assets

Available-for-sale financial assets are assets that the Group 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.

Under IFRS 9, the Group discloses certain information; however, the standard was not applied as at 1 January 2018 as the Group postponed its application (insurance contracts). For more information, see section 17.5, heading "IFRS 9 Financial Instruments".

17.4.15.2 Recognition, measurement and derecognition

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

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

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

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

Loans and receivables (deposits), and held-to-maturity financial assets are measured at amortised cost.

17.4.15.3 Determination of fair values

The Group measures all financial instruments at fair value, except for deposits, shares not quoted in any regulated market, loans and subordinated debt (assuming that their carrying amount is a reasonable approximation of their 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 27. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses 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 Group 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: 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 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 whose fair value is determined using data that are directly or indirectly observable other than the prices quoted within level 1.
- Level 3: 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 Group discloses and fully complies with its policy of 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.

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

17.4.15.4.1 Debt securities

Investments in debt securities are impaired 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.

17.4.15.4.2 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 Group assesses the need for impairment of unquoted securities indicates that the asset needs to be impaired.

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

17.4.16 Reinsurers' share of technical provisions

The amount of reinsurers' share of technical provisions represents the proportion of gross technical provisions and unearned premiums for transactions that the Group ceded to reinsurers outside the Sava Re Group. Their amount is determined in accordance with reinsurance (retrocession) contracts and in line with movements in the portfolio based on gross technical provisions for the business that is the object of these reinsurance (retrocession) contracts at the close of each accounting period.

The Group tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For an estimation of retrocession risks, see section 17.6.3.6 "Retrocession programme – non-life business".

17.4.17 Investment contract assets and liabilities

Investment contract assets and liabilities only include the assets and liabilities from investment contracts of the company Sava Pokojninska. Investment contracts assets comprise the assets supporting the liability funds "Moji skladi življenjskega cikla" for the transaction of voluntary supplementary pension business. Investment contract liabilities comprise liabilities arising out of pension insurance business under group and individual plans for voluntary supplementary pension insurance, for which the administrator maintains personal accounts for pension plan members.

Sava Pokojninska initially recognises investment property assets under investment contract assets using the cost model, plus any transaction costs. Subsequent measurements are made using the fair value model. Sava Pokojninska monitors the value of property in local markets where it has investment property assets using indexes (change in value) calculated in-house or in-Group. The data used in such calculations are taken from the latest available report on the Slovenian real property market issued by the Surveying and Mapping Authority of the Republic of Slovenia. If the property price index changes by more than 10% compared to the index of the most recent valuation or that upon initial recognition, the property assets are reappraised. Appraisals are carried out by certified real estate appraisers licensed by the Slovenian Institute of Auditors. Notwithstanding the above sentence, property assets are appraised at least once every three years.

17.4.18 Receivables

Receivables mainly include premium receivables due from policyholders or insurers as well as receivables for claims and commissions due from reinsurers.

17.4.18.1 Recognition of receivables

Receivables are initially recognised based on issued policies, invoices or other authentic documents (e.g. confirmed reinsurance or co-insurance accounts). In financial statements, receivables are reported in net amounts, i.e. net of any allowances made.

Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections 17.4.30 "Net premiums earned" and 17.4.31 "Net claims incurred".

Recourse receivables are recognised as assets only if, on the basis of a recourse claim, an appropriate legal basis exists (a final order of attachment, a written agreement with or payments by the policyholder or debtor, or subrogation for credit risk insurance). Even if subrogation is applicable, recourse receivables are recognised only after the debtor's existence and contactability have been verified. Recognition of principal amounts to which recourse receivables relate decreases claims paid. Group companies recognise impairment losses on recourse receivables based on past experience. Recourse receivables are tested for impairment on a case-by-case basis.

No receivables have been pledged as security.

17.4.18.2 Impairment of receivablesv

The Group classifies receivables into groups with similar credit risk. It assesses receivables in terms of recoverability or impairment, making allowances based on payment history. Individual assessments are carried for all material items of receivables.

In addition to age, the method for accounting for allowances takes into account the phase of the collection procedure, historical data on the percentage of write-offs made and the ratio of recoverability. Assumptions are reviewed at least annually.

17.4.19 Deferred acquisition costs

Acquisition costs that are deferred include that part of operating expenses directly associated with policy underwriting.

The Group discloses under deferred acquisition costs, mostly deferred commissions. These are booked commissions relating to the next financial year and are recognised based on (re)insurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation.

17.4.20 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.

17.4.21 Cash and cash equivalents

Thus, 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.

17.4.22 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 own shares, catastrophe equalisation reserves and other profit reserves;
- own shares;
- fair value reserve;
- retained earnings;
- net profit/loss for the year;
- translation reserve;
- non-controlling interest.

Reserves provided for by the articles of association are used:

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

Profit reserves also include catastrophe (earthquake) equalisation reserves set aside pursuant to the rules on the calculation of technical provisions and reserves as approved by appointed actuaries. These are tied-up reserves.

Pursuant to the Companies Act, the Company's management board has the power to allocate up to half of the net profit to other reserves.

17.4.23 Classification of insurance contracts

The Group transacts traditional and unit-linked life business, non-life business and reinsurance business, the basic purpose of which is the transfer of underwriting risk. Underwriting risk is considered significant, if the occurrence of an insured event would result in significant additional payments. Accordingly, the Group classified all such contracts concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Since non-proportional reinsurance contracts provide for the payment of significant additional payouts in case of loss events, they also qualify as insurance contracts.

As at the end of 2015, the controlling company acquired the Moja Naložba pension company (now Sava Pokojninska). As a result, the Group has assets and liabilities from investment contracts relating to this company.

17.4.24 Technical provisions

Technical provisions are shown gross in the statement of financial position among liabilities. The share of technical provisions for the business ceded by the Group to non-Group reinsurers is shown in the statement of financial position under the asset item reinsurers' share of technical provisions. Technical provisions must be set at an amount that provides reasonable assurance that liabilities from assumed (re)insurance contracts can be met. The main principles used in calculations are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. Unearned premiums are calculated on a pro rata temporis basis at insurance policy level, except for decreasing term contracts (credit life). Since there is generally insufficient data available for inwards reinsurance business on the individual policy level, the fractional value method is used for calculating unearned premiums at the level of individual reinsurance accounts for periods for which premiums are written.

Mathematical provisions for life insurance contracts represent the actuarial value of obligations arising from policyholders' guaranteed entitlements. In most cases, they are calculated using the net Zillmer method with the same parameters as those used for premium calculation, except for the discount rate applied, which was a technical interest rate not exceeding 1.5%. Other parameters are the same as those used in the premium calculation. Calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortising acquisition costs. The calculation of mathematical provisions is based on the assumption that the full agent commission was paid at conclusion of the contract, while agents actually receive the commission within two to five years depending on the policy term. The mathematical provision includes all deferred commission. The Group sets aside deferred acquisition costs, showing them under assets in the event of commission prepayments, or shows the difference between the positive Zillmerised mathematical provision and the Zillmerised mathematical provision.

Provisions for outstanding claims (claims provision) are established in the amount of expected liabilities for incurred but not settled claims, including loss adjustment expenses. These comprise provisions for both reported claims calculated based on case estimates and claims incurred by not reported (IBNR) calculated using actuarial methods. Future liabilities are generally not discounted, with the exception of a part relating to annuities under certain liability insurance contracts. In such cases, the related provisions are established based on the expected net present value of future liabilities.

Provisions for incurred but not reported claims are calculated for the major part of the portfolios of primary insurers using methods based on paid claims triangles; the result is the total claims provision, and IBNR provision is calculated as the difference between the result of the triangle method and the provision based on case reserves. In classes where the volume of business is not large enough for reliable results from the triangle methods, the calculation is made based on either (i) the product of the expected number of subsequently reported claims and the average amount of subsequently reported claims or (ii) methods based on expected loss ratios. The consolidated IBNR provision also includes the IBNR provision for the part of business written outside the Sava Re Group. For this part of the portfolio, technical categories based on reinsurance accounts are not readily available; therefore, it is necessary to estimate items that are received untimely, including claims provisions, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance as well as development triangles for underwriting years succeeding accounted quarters; The IBNR provision is then established at the amount of the claims provision thus estimated.

The provision for outstanding claims is thus established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums.

Other technical provisions 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. Group companies carry out liability adequacy tests for unearned premiums at the level of homogeneous groups appropriate to portfolios. The calculation of the expected combined ratio in any homogeneous group is based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100%, thus revealing a deficiency in unearned premiums, a corresponding provision for unexpired risks is set aside within other technical provisions.

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

These are provisions for unit-linked life business. They comprise mathematical provisions, unearned premiums and provisions for outstanding claims. The bulk comprises mathematical provisions. Their value is the aggregate value of all units of funds under all policies, including all premiums not yet converted into units, plus the discretionary bonuses of guaranteed funds managed by us. The value of funds is based on market value as at the statement of financial position date.

17.4.26 Liability adequacy test (LAT)

The Group carries out adequacy testing of provisions set aside based on insurance contracts as at the financial statement date separately for non-life and life business. The liability adequacy test for non-life business is described in section 17.4.24 “Technical provisions”.

Liability adequacy testing for life business

The liability adequacy test for life policies is carried out at a minimum at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses and expenses. For this purpose, the present value of future cash flows is used.

Discounting is based on the yield curve for euro area sovereign bonds at the statement of financial position date, but for EU Member States the risk-free yield curve of government bonds at the statement of financial position date, including a loading for the investment mix. Where reliable market data is available, assumptions (such as discount rate and investment return) are derived from observable market prices. Assumptions that cannot be reliably derived from market values are based on current estimates calculated by reference to the Group’s own internal models (lapse rates, actual mortality and morbidity) and publicly available resources (demographic information published by the local statistical bureau). For mortality, higher rates are anticipated than realised due to uncertainty.

Input assumptions are updated annually based on recent experience. Correlations between risk factors are not taken into account. The principal assumptions used are described below.

The liability adequacy test is performed on the policy or product level. If the test is performed on the policy level, the results are shown on the product-level, with products grouped by class of business. Results of the test are then evaluated for each of the three groups separately. Each group is tested separately for liability adequacy. Liability inadequacies of individual groups are not offset against surpluses arising on other groups in determining any additional liabilities to be established. The net present value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities, for each group separately. If this comparison shows that the carrying amount of the insurance liabilities is inadequate in the light of the estimated cash flows, the entire deficiency is recognised in profit or loss by establishing an additional provision.

Mortality and morbidity are usually based on data supplied by the local statistical bureau and amended by the Group based on a statistical investigation of its mortality experience. Assumptions for mortality and morbidity are generally adjusted by a margin for risk and uncertainty and are higher than actual.

Future contractual premiums are included and for most business also premium indexation is taken into consideration. Estimates for lapses and surrenders are made based on experience. Actual persistency rates by product type and duration are regularly investigated, and assumptions updated accordingly. The actual persistency rates are generally adjusted by a margin for risk and uncertainty.

Estimates for future maintenance expenses included in the liability adequacy test are derived from current experience. For future periods, cash flows for expenses have been increased by a factor equal to the estimated annual inflation or have remained on the present level, taking into account the portfolio development.

Yield and the discount rate are based on the same yield curve; a loading for market development is added when discounting.

The liability adequacy test partly takes into account future discretionary bonuses due to the method of determining bonuses. The share of discretionary bonuses complies with internal rules and is treated as a discounted liability.

The Group estimated, for most of the life policies, the impact of changes in key variables that may have a material effect on the results of liability adequacy tests at the end of the year. Sensitivity analyses are prepared separately for traditional life business and investment-linked life business.

(EUR)	31/12/2018		31/12/2017	
	LAT test for traditional life policies	LAT test for unit-linked life policies	LAT test for traditional life policies	LAT test for unit-linked life policies
Base run	227,268,071	155,847,565	250,957,433	175,425,847
Return + 100 basis points	218,648,999	153,077,968	240,471,344	173,613,304
Return - 100 basis points	239,077,418	159,519,833	264,443,797	178,836,827
Mortality + 10%	229,951,670	157,473,881	253,487,108	177,445,629
Operating expenses on policy + 10%	231,349,661	159,825,579	254,384,583	179,078,866

The base run is calculated using the same assumptions as for liability adequacy testing. Changes in variables represent reasonable possible changes which, had they occurred, would have led to significant changes in insurance liabilities at the statement of financial position date. The reasonable possible changes represent neither expected changes in variables nor worst case scenarios. A change in key variables would affect the corresponding component of the result in the same proportion.

The analysis has been prepared for a change in variable with all other assumptions remaining unchanged and ignores changes in values of the related assets. Sensitivity was calculated for an unfavourable direction of movement. The income statement and insurance liabilities (as shown in the LAT test) are mostly impacted by changes in the investment return, while unit-linked business is also impacted by changes in operating expenses.

17.4.27 Other provisions

Employee benefits include severance pay upon retirement and jubilee benefits. Provisions for employee benefits are the net present value of the Group's future liabilities proportionate to the years of service in the Group (the projected unit credit method). Pursuant to IAS 19 "Employee benefits" came into force in 2013, actuarial gains and losses arising on re-measurement of net liabilities were recognised in other comprehensive income.

These provisions are calculated based on personal data of employees: date of birth, date of commencement of employment in the Group, anticipated retirement, and salary. For each Group company, the amounts of severance pay upon retirement and jubilee benefit are in accordance with local legislations, employment contracts and other applicable regulations. Expected payouts also include tax liabilities where payments exceed statutory non-taxable amounts.

The probability of an employee staying with the Group includes both the probability of death and the probability of employment relationship termination. Assumptions relating to future increases in salaries, severance pay upon retirement and jubilee benefits, as well as those relating to employee turnover depend on developments in individual markets and individual Group companies. The same term structure of risk-free interest rates is used for discounting as in the capital adequacy calculation under the Solvency II regime.

17.4.28 Other financial liabilities

Other financial liabilities mainly include dividend payment obligations relating to previous years.

17.4.29 Liabilities from operating activities and other liabilities

Liabilities are initially recognised at amounts recorded in the relevant documents. Subsequently, they are increased or decreased in line with documents or decreased 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, current income tax liabilities, amounts due to employees, amounts due to clients and other short-term liabilities.

As of 1 January 2019, the Group will also include lease liabilities in the other liabilities item.

17.4.30 Net premiums earned

Premiums earned are accounted for on an accrual basis, taking into account any increase in economic benefits in the form of higher cash inflows or assets. The following are disclosed separately: gross (re)insurance premiums, co-insurance and retrocession premiums, and unearned premiums. These items are used to calculate net premiums written in the income statement. Revenues are recognised based on confirmed (re)insurance accounts or (re)insurance contracts.

Estimates are made on the basis of amounts in reinsurance contracts, which, according to contractual due dates, have already accrued although the Group has yet to receive reinsurance accounts. Net premiums earned are calculated based on invoiced gross reinsurance premiums less invoiced premiums retroceded, both adjusted for the movement in gross unearned premiums and the change in reinsurers' share of unearned premiums. Premiums earned are estimated based on individual reinsurance contracts.

17.4.31 Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, 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 contractual due dates, have already accrued although the Group has yet to receive reinsurance accounts. Claims incurred are estimated based on estimated premiums and combined ratios for individual reinsurance contracts. These items are used to calculate net claims incurred in the income statement.

17.4.32 Investment income and expenses

The Group records investment income and expenses separately by source of funds, maintaining three separate registers: the non-life insurance investment register, the life insurance investment register and own funds investment register. Own fund investments support the Group's shareholders' funds; non-life insurance investments support technical provisions, and life insurance investments support mathematical provisions.

Investment income includes:

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

Investment expenses include:

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

The above income and expenses are shown 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.

17.4.33 Operating expenses

Operating expenses comprise:

- acquisition costs;
- change in deferred acquisition costs;
- other operating expenses classified by nature, as follows:
  a. depreciation/amortisation of operating assets,
  b. personnel costs including employee salaries, social and pension insurance costs and other personnel costs,
  c. remuneration of the supervisory board and audit committee; and payments under contracts for services,
  d. other operating expenses relating to services and materials.

17.4.34 Other technical income

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

17.4.35 Income tax expense

Income tax expense for the year comprises current and deferred tax. Current income tax is presented in the income statement, except for the portion relating to the items presented in equity. The same applies to deferred tax. Current tax is payable on the taxable profit for the year using the tax rates enacted by the date of the statement of financial position, as well as on any adjustments to tax liabilities of prior periods. Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax amount is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates 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 Group income tax expense has been determined in accordance with the requirements of each member's local legislation. Statutory tax rates in various countries are between 9 and 19%.

17.4.36 Segment reporting

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

Operating segments include reinsurance business, non-life insurance business, life insurance business, pensions and the "other" segment. Performance of these segments is monitored based on different indicators, a common performance indicator for all segments being net profit calculated in accordance with IFRSs. The management board monitors performance by segment to the level of underwriting results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions on a quarterly basis.

Asset items by operating segment as at 31 December 2018

31/12/2018	Reinsurance business	Non-life business			Life business			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
ASSETS	**274,837,456**	**565,031,397**	**131,712,828**	**696,744,225**	**526,967,567**	**29,122,751**	**556,090,318**	**173,344,750**	**4,930,514**	**1,705,947,263**
Intangible assets	**892,724**	**5,371,378**	**8,657,541**	**14,028,919**	**5,993,196**	**29,781**	**6,022,977**	**13,388,822**	**2,787,676**	**37,121,118**
Property, plant and equipment	**2,654,540**	**22,010,348**	**13,873,614**	**35,883,962**	**1,985,583**	**2,143,756**	**4,129,339**	**101,027**	**124,564**	**42,893,432**
Deferred tax assets	**1,867,370**	**9,888**	**72,546**	**82,434**	**0**	**441**	**441**	**0**	**0**	**1,950,245**
Investment property	**9,394,533**	**6,411,948**	**4,796,930**	**11,208,878**	**39,608**	**0**	**39,608**	**0**	**0**	**20,643,019**
Financial investments:	**162,310,851**	**425,673,545**	**80,589,909**	**506,263,454**	**291,963,448**	**24,732,979**	**316,696,427**	**22,826,738**	**0**	**1,008,097,470**
- loans and deposits	5,085,869	2,825,837	18,505,069	21,330,906	6,846	1,679,795	1,686,641	5,438,931	0	33,542,347
- held to maturity	1,393,386	35,320,569	3,496,063	38,816,632	30,578,107	2,083,460	32,661,566	4,250,452	0	77,122,037
- available for sale	153,175,040	382,444,839	58,516,033	440,960,871	261,374,919	20,675,814	282,050,733	8,830,765	0	885,017,410
- at fair value through profit or loss	2,656,556	5,082,301	72,744	5,155,045	3,576	293,909	297,485	4,306,590	0	12,415,676
Funds for the benefit of policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**204,770,733**	**47,771**	**204,818,504**	**0**	**0**	**204,818,504**
Reinsurers' share of technical provisions	**9,019,966**	**14,221,663**	**3,899,277**	**18,120,940**	**144,924**	**6,920**	**151,844**	**0**	**0**	**27,292,750**
Investment contract assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**135,586,965**	**0**	**135,586,965**
Receivables	**72,109,652**	**54,259,509**	**11,686,954**	**65,946,463**	**837,085**	**652,454**	**1,489,539**	**13,709**	**990,648**	**140,550,011**
Receivables arising out of primary insurance business	66,964,340	50,911,801	7,319,653	58,231,454	745,978	580,804	1,326,782	11,185	0	126,533,761
Receivables arising out of reinsurance and co-insurance business	4,842,279	577,109	411,881	988,990	0	4,529	4,529	0	0	5,835,798
Current tax assets	14,488	33,806	121,433	155,239	0	0	0	0	0	169,727
Other receivables	288,545	2,736,793	3,833,987	6,570,780	91,107	67,121	158,228	2,524	990,648	8,010,725
Deferred acquisition costs	**5,543,138**	**10,021,798**	**3,739,550**	**13,761,348**	**431,932**	**22,816**	**454,748**	**0**	**0**	**19,759,234**
Other assets	**380,021**	**920,495**	**387,060**	**1,307,555**	**900**	**22,223**	**23,123**	**287,849**	**65,672**	**2,064,220**
Cash and cash equivalents	**10,664,660**	**26,080,935**	**4,009,448**	**30,090,383**	**20,800,158**	**1,463,610**	**22,263,768**	**1,139,640**	**498,980**	**64,657,431**
Non-current assets held for sale	**0**	**49,890**	**0**	**49,890**	**0**	**0**	**0**	**0**	**0**	**49,890**

Equity and liability items by operating segment as at 31 December 2018

31/12/2018	Reinsurance business	Non-life business			Life business			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
LIABILITIES	**349,227,765**	**515,265,333**	**123,367,424**	**638,632,758**	**508,045,117**	**30,376,834**	**538,421,953**	**174,699,787**	**4,965,003**	**1,705,947,263**
Equity	**153,206,458**	**64,183,650**	**38,017,218**	**102,200,868**	**39,847,893**	**11,281,453**	**51,129,346**	**30,251,271**	**3,387,513**	**340,175,455**
Equity attributable to owners of the controlling company	**153,206,458**	**64,183,650**	**37,665,813**	**101,849,463**	**39,847,893**	**11,281,453**	**51,129,346**	**30,251,271**	**3,189,301**	**339,625,838**
Non-controlling interest in equity	**0**	**0**	**351,405**	**351,405**	**0**	**0**	**0**	**0**	**198,212**	**549,617**
Technical provisions	**156,779,256**	**416,360,199**	**75,985,712**	**492,345,911**	**245,113,488**	**18,107,217**	**263,220,705**	**8,145,615**	**0**	**920,491,487**
Unearned premiums	25,023,103	127,408,821	30,627,563	158,036,384	742,616	299,732	1,042,348	0	0	184,101,835
Mathematical provisions	0	0	0	0	229,055,266	17,648,485	246,703,751	8,145,615	0	254,849,366
Provision for outstanding claims	131,117,879	279,281,319	44,183,757	323,465,076	15,315,606	159,000	15,474,606	0	0	470,057,561
Other technical provisions	638,274	9,670,059	1,174,392	10,844,451	0	0	0	0	0	11,482,725
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**209,984,866**	**47,771**	**210,032,637**	**0**	**0**	**210,032,637**
Other provisions	**376,521**	**5,348,757**	**738,365**	**6,087,122**	**1,081,458**	**2,695**	**1,084,153**	**140,451**	**42,000**	**7,730,247**
Deferred tax liabilities	**0**	**1,635,238**	**234,300**	**1,869,538**	**1,594,732**	**38,398**	**1,633,130**	**26,567**	**0**	**3,529,235**
Investment contract liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**135,441,508**	**0**	**135,441,508**
Other financial liabilities	**87,506**	**-1**	**155,154**	**155,153**	**0**	**436**	**436**	**0**	**0**	**243,095**
Liabilities from operating activities	**35,618,804**	**6,439,968**	**3,934,306**	**10,374,274**	**8,256,894**	**268,718**	**8,525,612**	**34,160**	**183,751**	**54,736,601**
Liabilities from primary insurance business	30,472,253	4,465,905	1,037,780	5,503,685	8,102,962	199,614	8,302,576	0	0	44,278,514
Liabilities from reinsurance and co-insurance business	3,149,394	594,814	2,417,287	3,012,101	1,790	12,747	14,537	0	0	6,176,032
Current income tax liabilities	1,997,157	1,379,249	479,239	1,858,488	152,142	56,357	208,499	34,160	183,751	4,282,055
Other liabilities	**3,159,218**	**21,297,522**	**4,302,370**	**25,599,892**	**2,165,788**	**630,146**	**2,795,934**	**660,215**	**1,351,739**	**33,566,998**

Asset items by operating segment at 31 December 2017

31/12/2017	Reinsurance business	Non-life business			Life business			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
ASSETS	**276,345,977**	**562,701,741**	**121,679,095**	**684,380,835**	**573,410,626**	**29,285,789**	**602,696,415**	**144,924,839**	**0**	**1,708,348,067**
Intangible assets	**807,011**	**5,930,640**	**8,669,940**	**14,600,580**	**7,213,397**	**38,444**	**7,251,841**	**53,512**	**0**	**22,712,944**
Property, plant and equipment	**2,485,645**	**25,240,112**	**13,318,247**	**38,558,359**	**2,116,782**	**2,197,557**	**4,314,339**	**79,671**	**0**	**45,438,014**
Deferred tax assets	**1,238,826**	**534,480**	**95,467**	**629,947**	**238,446**	**345**	**238,791**	**0**	**0**	**2,107,564**
Investment property	**8,230,878**	**3,066,546**	**4,025,810**	**7,092,356**	**40,950**	**0**	**40,950**	**0**	**0**	**15,364,184**
Financial investments:	**165,273,295**	**440,447,032**	**71,613,992**	**512,061,024**	**323,574,108**	**24,275,764**	**347,849,873**	**12,940,827**	**0**	**1,038,125,019**
- loans and deposits	5,526,052	3,019,310	15,223,594	18,242,904	7,439	4,243,147	4,250,586	10,001	0	28,029,543
- held to maturity	1,393,175	40,298,157	3,656,201	43,954,358	55,863,681	2,882,172	58,745,853	2,138,941	0	106,232,327
- available for sale	158,079,091	397,002,654	52,723,889	449,726,543	266,912,104	16,837,430	283,749,534	6,090,111	0	897,645,279
- at fair value through profit or loss	274,977	126,911	10,308	137,220	790,884	313,015	1,103,900	4,701,774	0	6,217,870
Funds for the benefit of policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**227,172,652**	**55,401**	**227,228,053**	**0**	**0**	**227,228,053**
Reinsurers' share of technical provisions	**9,744,947**	**16,212,812**	**4,626,944**	**20,839,757**	**198,672**	**3,866**	**202,538**	**0**	**0**	**30,787,241**
Investment contract assets	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**129,622,131**	**0**	**129,622,131**
Receivables	**74,851,935**	**47,924,024**	**12,954,338**	**60,878,362**	**856,334**	**1,867,321**	**2,723,655**	**1,573**	**0**	**138,455,525**
Receivables arising out of primary insurance business	71,773,739	45,187,064	6,451,723	51,638,787	741,601	170,420	912,021	0	0	124,324,547
Receivables arising out of reinsurance and co-insurance business	2,906,051	567,453	2,721,346	3,288,799	0	2,867	2,867	0	0	6,197,717
Current tax assets	0	0	17,822	17,822	0	0	0	0	0	17,822
Other receivables	172,145	2,169,507	3,763,447	5,932,954	114,733	1,694,034	1,808,767	1,573	0	7,915,439
Deferred acquisition costs	**6,235,348**	**8,743,590**	**3,214,513**	**11,958,103**	**311,809**	**1,933**	**313,742**	**0**	**0**	**18,507,194**
Other assets	**799,634**	**880,008**	**324,817**	**1,204,825**	**1,391**	**30,286**	**31,677**	**7,259**	**0**	**2,043,395**
Cash and cash equivalents	**6,678,458**	**13,721,812**	**2,835,026**	**16,556,838**	**11,686,085**	**814,872**	**12,500,957**	**2,219,866**	**0**	**37,956,119**
Non-current assets held for sale	**0**	**684**	**0**	**684**	**0**	**0**	**0**	**0**	**0**	**684**

Equity and liability items by operating segment as at 31 December 2017

31/12/2017	Reinsurance business	Non-life business			Life business			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
LIABILITIES	**345,352,373**	**515,078,617**	**120,152,010**	**635,230,627**	**554,636,153**	**27,411,026**	**582,047,178**	**145,717,890**	**0**	**1,708,348,067**
Equity	**143,382,173**	**67,041,741**	**37,684,149**	**104,725,890**	**47,700,274**	**11,099,491**	**58,799,765**	**9,209,069**	**0**	**316,116,895**
Equity attributable to owners of the controlling company	**143,382,173**	**67,041,741**	**37,365,667**	**104,407,408**	**47,700,274**	**11,099,491**	**58,799,765**	**9,209,069**	**0**	**315,798,413**
Non-controlling interest in equity	**0**	**0**	**318,482**	**318,482**	**0**	**0**	**0**	**0**	**0**	**318,482**
Technical provisions	**155,981,500**	**413,731,878**	**73,020,045**	**486,751,923**	**266,379,368**	**15,729,853**	**282,109,221**	**6,555,718**	**0**	**931,398,362**
Unearned premiums	27,784,980	115,284,582	27,763,773	143,048,355	794,499	229,425	1,023,924	0	0	171,857,259
Mathematical provisions	0	0	0	0	249,604,958	15,249,239	264,854,197	6,555,718	0	271,409,915
Provision for outstanding claims	127,827,170	290,994,868	44,020,475	335,015,343	15,979,911	250,158	16,230,069	0	0	479,072,582
Other technical provisions	369,350	7,452,428	1,235,797	8,688,225	0	1,031	1,031	0	0	9,058,606
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**226,472,492**	**55,401**	**226,527,893**	**0**	**0**	**226,527,893**
Other provisions	**351,250**	**5,356,300**	**664,997**	**6,021,297**	**1,154,362**	**31,137**	**1,185,499**	**42,567**	**0**	**7,600,613**
Deferred tax liabilities	**0**	**2,674,519**	**257,798**	**2,932,317**	**2,799,681**	**49,496**	**2,849,177**	**0**	**0**	**5,781,494**
Investment contract liabilities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**129,483,034**	**0**	**129,483,034**
Other financial liabilities	**91,181**	**0**	**154,023**	**154,023**	**1**	**0**	**1**	**0**	**0**	**245,205**
Liabilities from operating activities	**43,115,652**	**5,423,252**	**4,101,107**	**9,524,359**	**7,683,212**	**274,965**	**7,958,177**	**0**	**0**	**60,598,188**
Liabilities from primary insurance business	39,870,845	4,204,601	2,989,748	7,194,349	7,464,498	181,597	7,646,095	0	0	54,711,289
Liabilities from reinsurance and co-insurance business	3,090,008	1,218,651	845,443	2,064,094	1,308	4,773	6,081	0	0	5,160,183
Current income tax liabilities	154,799	0	265,916	265,916	217,406	88,595	306,001	0	0	726,716
Other liabilities	**2,430,618**	**20,850,927**	**4,269,891**	**25,120,818**	**2,446,762**	**170,683**	**2,617,445**	**427,502**	**0**	**30,596,383**

Income statement items by operating segment 2018

(EUR) 2018	Reinsurance	Non-life			Life			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
Net earned premiums	**88,342,760**	**266,087,185**	**61,540,814**	**327,627,998**	**78,235,117**	**8,244,783**	**86,479,900**	**2,219,043**	**0**	**504,669,701**
Gross premiums written	89,317,441	299,788,809	68,122,098	367,910,907	78,512,481	8,339,667	86,852,148	2,219,043	0	546,299,539
Written premiums ceded to reinsurers and co-insurers	-3,773,119	-18,373,447	-4,437,049	-22,810,497	-338,523	-20,714	-359,237	0	0	-26,942,852
Change in gross unearned premiums	2,761,879	-11,969,069	-2,200,503	-14,169,572	62,048	-70,050	-8,002	0	0	-11,415,695
Change in unearned premiums, reinsurers' and co-insurers' shares	36,559	-3,359,108	56,268	-3,302,840	-889	-4,120	-5,009	0	0	-3,271,291
Investment income	**9,314,271**	**6,643,714**	**2,639,957**	**9,283,671**	**6,662,342**	**920,515**	**7,582,857**	**621,363**	**0**	**26,802,161**
Interest income	2,361,871	4,747,360	2,253,758	7,001,118	5,864,014	779,269	6,643,283	452,914	0	16,459,186
Other investment income	6,952,400	1,896,354	386,199	2,282,552	798,328	141,246	939,574	168,449	0	10,342,975
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**16,866,684**	**640**	**16,867,324**	**0**	**0**	**16,867,324**
Other technical income	**6,474,011**	**9,308,109**	**2,448,055**	**11,756,164**	**1,348,282**	**103,491**	**1,451,773**	**1,556,410**	**0**	**21,238,357**
Commission income	365,777	2,565,704	645,584	3,211,288	52,942	4,676	57,618	0	0	3,634,682
Other technical income	6,108,234	6,742,405	1,802,471	8,544,876	1,295,340	98,815	1,394,155	1,556,410	0	17,603,675
Other income	**694,824**	**2,522,851**	**1,977,784**	**4,500,635**	**585,618**	**25,971**	**611,589**	**2,723,251**	**6,019,377**	**14,549,676**
Net claims incurred	**-53,742,449**	**-150,490,839**	**-30,088,710**	**-180,579,550**	**-83,103,556**	**-2,632,260**	**-85,735,816**	**-702,771**	**0**	**-320,760,586**
Gross claims payments less income from recourse receivables	-51,397,784	-172,411,609	-31,334,317	-203,745,926	-83,983,307	-2,726,730	-86,710,037	-702,771	0	-342,556,518
Reinsurers' and co-insurers' shares	1,707,583	8,994,203	1,672,411	10,666,613	79,246	6,676	85,922	0	0	12,460,118
Change in the gross claims provision	-3,290,709	11,811,941	449,760	12,261,701	853,363	89,162	942,525	0	0	9,913,517
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-761,539	1,114,626	-876,563	238,062	-52,859	-1,368	-54,227	0	0	-577,703
Change in other technical provisions	**-268,920**	**-2,546,120**	**198,753**	**-2,347,367**	**19,780,293**	**-2,366,525**	**17,413,768**	**-1,589,897**	**0**	**13,207,584**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**15,954,842**	**7,838**	**15,962,680**	**0**	**0**	**15,962,680**
Expenses for bonuses and rebates	**0**	**342,226**	**-53,598**	**288,628**	**0**	**0**	**0**	**0**	**0**	**288,628**
Operating expenses	**-26,224,095**	**-88,455,052**	**-31,335,103**	**-119,790,155**	**-20,313,406**	**-3,835,152**	**-24,148,558**	**-2,674,077**	**-5,294,551**	**-178,131,437**
Acquisition costs	-21,237,494	-25,393,684	-4,838,962	-30,232,646	-6,254,532	-628,434	-6,882,966	-19,403	0	-58,372,509
Change in deferred acquisition costs	-652,725	1,235,211	535,818	1,771,029	459,339	20,893	480,232	0	0	1,598,536
Other operating expenses	-4,333,876	-64,296,579	-27,031,959	-91,328,538	-14,518,213	-3,227,611	-17,745,824	-2,654,674	-5,294,551	-121,357,464
Expenses relating to investments in related parties	**0**	**0**	**-94,906**	**-94,906**	**0**	**0**	**0**	**0**	**-56,224**	**-151,130**
Impairment loss on goodwill	0	0	-94,906	-94,906	0	0	0	0	0	-94,906
Loss arising out of investments in equity-accounted associate companies	0	0	0	0	0	0	0	0	-56,224	-56,224
Expenses for financial assets and liabilities	**-8,383,525**	**-372,972**	**-199,664**	**-572,636**	**-55,252**	**-281,473**	**-336,726**	**-304,976**	**-6,588**	**-9,604,451**
Impairment losses on financial assets not at fair value through profit or loss	-1,943,974	0	0	0	0	0	0	-1	0	-1,943,975
Interest expense	0	0	-21,856	-21,856	0	0	0	-1	-6,588	-28,445
Other investment expenses	-6,439,551	-372,972	-177,808	-550,780	-55,252	-281,473	-336,726	-304,974	0	-7,632,031
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-23,496,866**	**-1,379**	**-23,498,245**	**0**	**0**	**-23,498,245**
Other technical expenses	**-5,662,287**	**-12,914,116**	**-4,014,377**	**-16,928,493**	**-139,787**	**-133,165**	**-272,952**	**-437,380**	**-4,717**	**-23,305,829**
Other expenses	**-727,366**	**-1,649,310**	**-473,934**	**-2,123,244**	**-13,147**	**-8,772**	**-21,919**	**-522**	**-810**	**-2,873,861**
Profit or loss before tax	**9,817,222**	**28,475,676**	**2,545,070**	**31,020,745**	**12,311,162**	**44,511**	**12,355,673**	**1,410,444**	**656,487**	**55,260,572**
Income tax expense										-12,248,723
Net profit or loss for the period										**43,011,849**
Net profit or loss attributable to owners of the controlling company										**42,790,617**
Net profit/loss attributable to non-controlling interest										**221,232**

Income statement items by operating segment 2017

(EUR) 2017	Reinsurance	Non-life			Life			Pensions	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
Net earned premiums	**90,753,434**	**236,000,817**	**54,301,567**	**290,302,385**	**80,635,888**	**7,055,555**	**87,691,443**	**2,118,731**	**0**	**470,865,993**
Gross premiums written	96,220,818	270,369,068	60,562,023	330,931,091	80,880,631	7,082,160	87,962,791	2,118,731	0	517,233,431
Written premiums ceded to reinsurers and co-insurers	-3,714,207	-25,926,840	-4,230,470	-30,157,310	-353,350	-18,429	-371,779	0	0	-34,243,296
Change in gross unearned premiums	-1,943,238	-9,392,092	-2,528,441	-11,920,533	104,333	-6,327	98,006	0	0	-13,765,765
Change in unearned premiums, reinsurers' and co-insurers' shares	190,062	950,681	498,455	1,449,136	4,274	-1,849	2,425	0	0	1,641,623
Investment income	**7,695,545**	**7,370,825**	**2,480,304**	**9,851,129**	**8,318,995**	**905,393**	**9,224,388**	**675,853**	**0**	**27,446,915**
Interest income	2,571,015	5,542,395	2,231,802	7,774,197	7,236,115	637,112	7,873,227	388,888	0	18,607,327
Other investment income	5,124,530	1,828,431	248,502	2,076,932	1,082,880	268,281	1,351,161	286,965	0	8,839,588
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**16,847,828**	**1,556**	**16,849,384**	**0**	**0**	**16,849,384**
Other technical income	**4,453,087**	**5,720,526**	**2,155,808**	**7,876,334**	**1,474,032**	**162,540**	**1,636,572**	**1,463,728**	**0**	**15,429,720**
Commission income	300,852	2,011,692	511,827	2,523,519	43,297	3,201	46,498	0	0	2,870,868
Other technical income	4,152,235	3,708,834	1,643,981	5,352,815	1,430,735	159,339	1,590,074	1,463,728	0	12,558,852
Other income	**432,595**	**2,876,338**	**1,832,900**	**4,709,238**	**705,311**	**199,517**	**904,828**	**11,339**	**0**	**6,058,000**
Net claims incurred	**-56,062,407**	**-142,748,185**	**-25,097,330**	**-167,845,514**	**-70,006,181**	**-1,737,308**	**-71,743,489**	**-451,910**	**0**	**-296,103,320**
Gross claims payments less income from recourse receivables	-54,159,750	-154,626,111	-28,382,817	-183,008,928	-70,327,201	-1,779,371	-72,106,572	-451,910	0	-309,727,160
Reinsurers' and co-insurers' shares	651,588	11,351,915	3,733,232	15,085,148	108,075	1,717	109,792	0	0	15,846,528
Change in the gross claims provision	-1,813,688	-1,833,872	443,993	-1,389,879	231,170	40,437	271,607	0	0	-2,931,960
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-740,557	2,359,883	-891,738	1,468,145	-18,225	-91	-18,316	0	0	709,272
Change in other technical provisions	**-158,608**	**424,865**	**-616,903**	**-192,038**	**2,796,216**	**-2,723,402**	**72,814**	**-1,902,017**	**0**	**-2,179,849**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-1,108,638**	**-12,689**	**-1,121,327**	**0**	**0**	**-1,121,327**
Expenses for bonuses and rebates	**0**	**56,333**	**-50,485**	**5,848**	**0**	**0**	**0**	**0**	**0**	**5,848**
Operating expenses	**-24,072,970**	**-80,355,535**	**-28,213,300**	**-108,568,835**	**-19,485,280**	**-3,451,783**	**-22,937,063**	**-1,383,460**	**0**	**-156,962,328**
Acquisition costs	-21,175,815	-21,105,811	-3,378,978	-24,484,789	-5,741,721	-515,632	-6,257,353	-31,170	0	-51,949,127
Change in deferred acquisition costs	1,203,450	-149,891	827,797	677,906	507,669	-23	507,646	0	0	2,389,002
Other operating expenses	-4,100,605	-59,099,833	-25,662,119	-84,761,952	-14,251,228	-2,936,128	-17,187,356	-1,352,290	0	-107,402,203
Expenses for financial assets and liabilities	**-10,379,159**	**-431,696**	**-278,973**	**-710,670**	**-161,880**	**-505,102**	**-666,983**	**-134,733**	**0**	**-11,891,544**
Impairment losses on financial assets not at fair value through profit or loss	-215,401	-99,425	-4,883	-104,308	-269	-21	-291	0	0	-320,000
Interest expense	-718,338	0	-522	-522	0	0	0	0	0	-718,860
Other investment expenses	-9,445,420	-332,271	-273,568	-605,839	-161,611	-505,081	-666,692	-134,733	0	-10,852,684
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-8,255,710**	**-706**	**-8,256,416**	**0**	**0**	**-8,256,416**
Other technical expenses	**-5,974,862**	**-6,606,152**	**-4,197,306**	**-10,803,458**	**-228,340**	**-441,445**	**-669,785**	**-37,975**	**0**	**-17,486,080**
Other expenses	**-234,824**	**-1,238,960**	**-1,174,186**	**-2,413,146**	**-103,545**	**-22,498**	**-126,043**	**-1**	**0**	**-2,774,013**
Profit or loss before tax	**6,451,832**	**21,069,176**	**1,142,096**	**22,211,272**	**11,428,695**	**-570,372**	**10,858,323**	**359,555**	**0**	**39,880,983**
Income tax expense										-8,786,075
Net profit or loss for the period										**31,094,908**
Net profit or loss attributable to owners of the controlling company										**31,065,329**
Net profit or loss attributable to non-controlling interest										**29,579**

Inter-segment business – inter-segment consolidation eliminations

(EUR)	Reinsurance business		Non-life business		Life business		Pensions		Other	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net earned premiums	62,318,775	56,998,934	148,129	155,695	1,734	0	0	0	0	0
Net claims incurred	-31,289,893	-29,365,699	-3,553,752	-63,437	0	0	0	0	0	0
Operating expenses	-13,074,621	-12,428,628	-1,444,069	-988,468	-914,597	-785,715	-47,812	-4,509	-161,666	-138,825
Investment income	71,727	76,441	124	4,456	0	0	0	0	0	0
Other income	332,875	23,017	262,339	118,402	325,724	3	0	0	6,181,951	1,875,677

Cost of intangible and property, plant and equipment assets by operating segment odsekih

(EUR)	Reinsurance business		Non-life insurance business		Life insurance business		Pensions		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Investments in intangible assets	334,072	196,213	1,421,825	806,960	345,710	36,037	82,396	38,812	0	672	2,184,003	1,078,694
Investments in property, plant and equipment	396,598	289,914	1,981,927	4,620,411	25,900	96,989	35,159	73,814	370,235	23,512	2,809,819	5,104,640

The Group's insurance operations are focused on Slovenia and the Adria region (Serbia, Croatia, Montenegro, North Macedonia and Kosovo), while its reinsurance operations take place in global reinsurance markets.

17.5 Standards and interpretations issued but not yet effective and new standards and interpretations

The accounting policies applied are consistent with those of the previous financial year, except for the following new or amended IFRSs adopted by the Group for annual periods beginning on or after 1 January 2018.

Amended standards that are already effective

IFRS 9 Financial Instruments

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Management has made an assessment of the effect of the standard and considers postponing the application of IFRS 17 Insurance Contracts.

Due to the adoption of the new standard on insurance contracts, IFRS 17, insurance companies may apply the standard as of 1 January 2021. Late application is conditional upon the carrying amount of liabilities arising out of insurance business exceeding 90% of the total carrying amount of liabilities. The satisfaction of this condition was tested as at 31 December 2015. The calculation is shown in the table below. There have been no changes that would have any significantly effect on the satisfaction of the condition since 31 December 2015.

The Group must disclose certain data under IFRS 9 as follows.

(EUR)	31/12/2015	As % of total liabilities
Technical provisions and liabilities from operating activities	937,776,777	79.1%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	207,590,086	17.5%
Liabilities under insurance contracts subject to IFRS 4	**1,145,366,863**	**96.6%**
Other liabilities	**40,674,000**	**3.4%**
Total liabilities*	**1,186,040,863**	**100.0%**

* Excluding equity, junior bonds and investment contract liabilities.

(EUR)	31/12/2018	As % of total liabilities	31/12/2017	As % of total liabilities
Technical provisions and liabilities from operating activities	970,946,033	78.9%	991,269,834	78.5%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	210,032,637	17.1%	226,527,893	17.9%
Liabilities under insurance contracts subject to IFRS 4	**1,180,978,670**	**96.0%**	**1,217,797,727**	**96.4%**
Other liabilities	**49,351,630**	**4.0%**	**44,950,411**	**3.6%**
Total liabilities*	**1,230,330,300**	**100.0%**	**1,262,748,138**	**100.0%**

* Excluding equity and investment contract liabilities.

The other liabilities item does not include investment contract liabilities disclosed by the Slovenian pension company, as it is already applying IFRS 9 (the calculation excluding investment contracts totals 96%).

The following table shows SPPI test data on investment contracts.

(EUR)	SPPI financial assets			Other financial assets		
	Fair value as at 31/12/2017	Change in fair value	Fair value as at 31/12/2018	Fair value as at 31/12/2017	Change in fair value	Fair value as at 31/12/2018
Debt securities	1,124,716,503	-40,828,231	1,083,888,272	20,553,955	-3,906,891	16,647,063
Equity securities	0	0	0	209,738,869	-4,900,623	204,838,246
Derivatives	0	0	0	0	0	0
Loans and deposits	41,434,650	-9,755,587	31,679,063	0	0	0
Cash and cash equivalents	50,941,476	30,599,235	81,540,711	0	0	0
Total	**1,217,092,629**	**-19,984,583**	**1,197,108,046**	**230,292,824**	**-8,807,515**	**221,485,309**

Credit rating of SPPI assets as at 31/12/2018						
(EUR)	Total	AAA	AA/A	BBB	BB/B	Not rated
Debt securities	1,072,599,133	282,907,731	493,518,545	183,439,140	73,628,124	39,105,592
Loans and deposits	31,266,486	0	0	14,002	652,062	30,600,422
Cash and cash equivalents	82,351,592	0	0	0	17,478,871	64,872,721
Total	**1,186,217,210**	**282,907,731**	**493,518,545**	**183,453,143**	**91,759,057**	**134,578,734**

(EUR)	SPPI assets that do not have a poor credit rating	
	Fair value as at 31/12/2018	Carrying amount as at 31/12/2018
Debt securities	104,039,163	103,460,705
Loans and deposits	5,770,604	5,767,751
Cash and cash equivalents	17,478,871	17,478,871
Total	**127,288,638**	**126,707,327**

IFRS 15 Revenue from Contracts with Customers

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 Group'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 that the Group is exempted from the application of the standard as it applies IFRS 4 Insurance Contracts, IAS 39 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate financial statements, and IAS 28 Investments in Associates and Joint Ventures.

IFRS 15 Revenue from Contracts with Customers (Clarifications)

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 that the Group is exempted from the application of the standard.

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

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 management has assessed the effect and believes that the enforcement of the Amendments will have no significant effect on the Group's financial statements.

IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)

The Amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard IFRS 17, which is currently being developed and covers insurance contracts. The new standard is 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 management has opted to apply the temporary exemption from this standard until the coming into force of IFRS 17.

IAS 40 Transfers to Investment Property (Amendments)

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 Group companies' management's intentions for the use of a property does not provide evidence of a change in use. The management has assessed the effect and believes that the enforcement of the Amendments will have no significant effect on the Group's financial statements.

IFRIC INTERPRETATION 22 Foreign Currency Transactions and Advance Consideration

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 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. The management has assessed the effect and believes that the enforcement of the amendments will have no significant effect on the Group'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 management has assessed the effect and believes that the enforcement of the Amendments will have no significant effect on the Group'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.

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

IFRS 16 Leases

As of 1 January 2019, the Group will recognise right-to-use assets on long-term leases (more than one year) in excess of USD 5,000 in accordance with IFRS 16, which applies as of 1 January 2019. The Group has reviewed all of its lease contract, examining the right to control certain assets during a certain period. The lease term is set by the contract or estimated for leases entered into for an indefinite period or with the option of extending the lease term. The Group calculates the right to use an underlying asset as the discounted future cash flows of the lease payments over the term of the lease. The discount rate applied takes into account the Company's credit rating and the lease term. Upon first application of the standard, the Group applied a simplified approach with recalculations for all lease contracts as at 1 January 2019.

(EUR)	01/01/2019
Operating lease liabilities recognised as at 01/01/2019	**9,385,523**
Operating lease liabilities – discounting of lessee's incremental borrowing rate as at 01/01/2019*	9,370,964
Interest liabilities relating to operating lease recognised as at 01/01/2019	**-14,559**
Value of right-to-use assets as at 01/01/2019 (relating to operating leases)	9,370,964
Finance lease liabilities recognised as at 01/01/2019	**0**
Interest liabilities relating to finance lease recognised as at 01/01/2019	**0**
Value of right-to-use assets as at 01/01/2019 (relating to finance leases)	0
Value of right-to-use assets as at 01/01/2019	**9,370,964**
Lease liabilities – depreciation as at 01/01/2019	**9,385,523**
Lease liabilities – interest as at 01/01/2019	**-14,559**
Relief option for:	
- short-term leases	392,730
- low value leases	12,366
Extension and cancellation of lease option	0
Variable lease payments that depend on an index or rate	0.00
Residual value guarantee	0.00
Total lease liabilities as at 01/01/2019	**9,776,060**

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. 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 yet been endorsed by the EU. The management has assessed the effect of the standard on the consolidated financial statements and believes that the enforcement of the standard will have a significant effect on the consolidated financial statements.

Amendment to 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. The main consequence of the amendments is that a full gain or loss must be recognised when a transaction involves a business (whether it is housed in a subsidiary or not). 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 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 estimates that it will have no impact on the Group's financial statements.

IFRS 9 Prepayment features with negative compensation (Amendment)

The Amendments are effective for annual 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 management has assessed the effect and believes that the enforcement of the Amendments will have no significant effect on the Group's financial statements.

IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments)

The Amendments are effective for annual 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 and believes that the enforcement of the Amendments will have no significant effect on the Group's financial statements.

IFRIC INTERPETATION 23 Uncertainty over Income Tax Treatments

The interpretations are effective for annual 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. 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. The management has assessed the effect and believes that the enforcement of the Amendments will have no significant effect on the Group's financial statements.

IAS 19 Plan Amendment, Curtailment or Settlement (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. The management has assessed the effect and believes that the enforcement of the Amendments will have no significant effect on the Group's financial statements.

Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted. These Amendments have not yet been endorsed by the EU.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors Definition of "material" (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. These Amendments have not yet been endorsed by the EU.

Issued Annual Improvements

The IASB has issued the Annual Improvements to IFRSs 2015-2017 Cycle, which is a collection of amendments to IFRSs. The Amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. These Improvements have not yet been endorsed by the EU.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits has been recognised.

IAS 23 Borrowing Costs

The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

17.6 Risk management[117]

The most important types of risk that the Group is exposed to are underwriting risks (underwriting process risk, pricing risk, claims risk, net retention risk, reserving risk and risks associated with the retrocession programme and life insurance business), financial risks (risk of failure to realise guaranteed returns, interest rate risk, equity risk, risk of alternative investments, currency risk, liquidity risk and credit risk), insolvency risk, risk relating to investment contracts, operational and strategic risk. To illustrate concentration risk for insurance contracts, a table showing a breakdown of insurance premiums by region is provided in section 17.4.36 "Segment reporting".

The following table shows the changes in the Group's risk profile in 2018 compared to 2017. The risks have been assessed with regard to the potential volatility of business results and the resulting impact on the Group's financial statements. The potential impact in case an extreme internal or external risk realises and the impact on the Group's solvency position is set out in the "Sava Re Group Solvency and financial condition report".

Change in the Group's risk profile compared to the previous year

	Risk rating	Risk described in section
Insolvency risk	**low**	**17.6.1**
Investment contract risks	**low**	**17.6.3**
Non-life underwriting risk		**17.6.2**
Underwriting process risk	medium	17.6.2.1
Pricing risk	medium	17.6.2.2
Claims risk	medium	17.6.2.3
Net retention risk	medium	17.6.2.4
Reserve risk	low	17.6.2.5
Retrocession programme	low	17.6.2.6
Life underwriting risk	**low**	**17.6.2.8**
Financial risks		**17.6.3**
Risk of failure to realise guaranteed returns	medium	17.6.3.1
Interest rate risk	low	17.6.3.2.1
Equity risk	medium	17.6.3.2.2
Alternative investment risk	medium	17.6.3.2.3
Currency risk	low	17.6.3.2.4
Liquidity risk	low	17.6.3.3
Credit risk	medium	17.6.3.4
Operational risks	**medium**	**17.6.4**
Strategic risks	**medium**	**17.6.5**

[117] GRI 102-11

17.6.1 Capital adequacy and capital management in the Sava Re Group

The Group uses the standard formula for calculating its capital requirements under the Solvency II regime. The solvency capital requirement is calculated annually, while eligible own funds supporting the Group's solvency requirements are valued on a quarterly basis.

The following table shows the Group's capital adequacy calculation as at 31 December 2017[118].

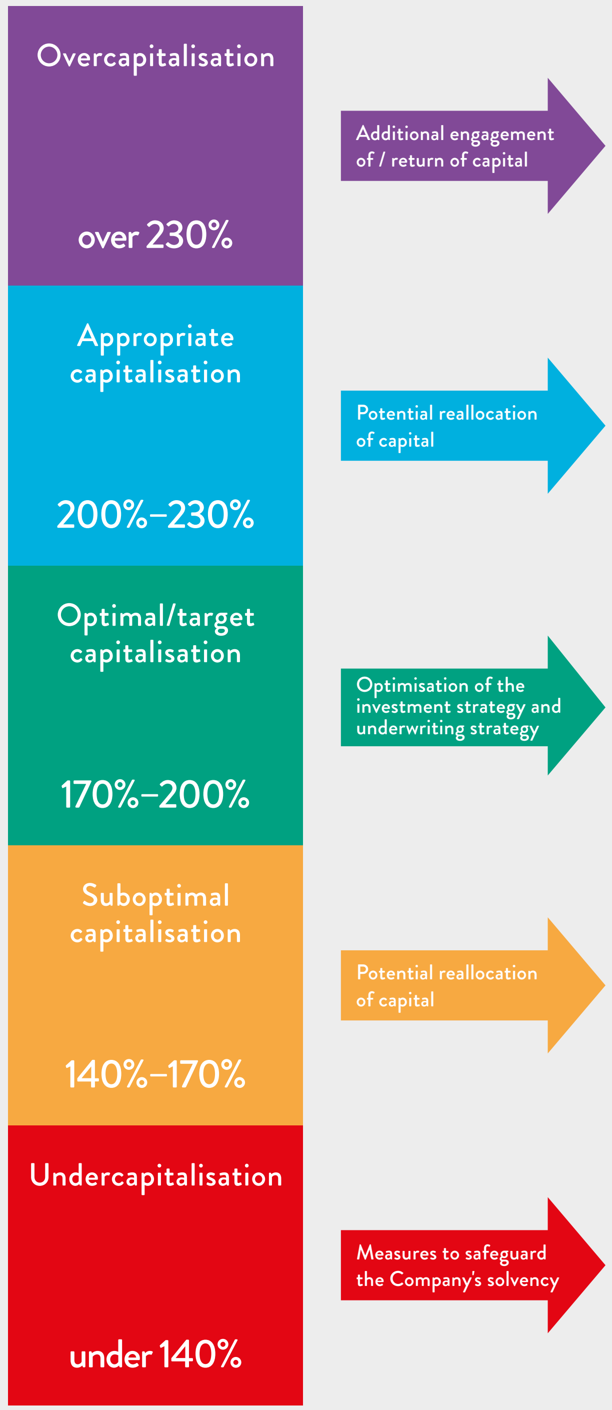
Capital adequacy of the Sava Re Group

(EUR)	31/12/2017
Eligible own funds	451,398,017
Minimum capital requirement	106,009,023
Solvency capital requirement (SCR)	205,015,362
Solvency ratio	**220%**

The Group's eligible own funds as at 30 September 2018 totalled EUR 458.8 million and were slightly higher than as at 31 December 2017. It needs to be noted that foreseeable dividends for 2018 are not considered in the calculation of eligible own funds in the first three quarters, while eligible own funds as at 31 December 2018 will be reduced by the foreseeable dividends. We assess that the level of eligible own funds at the end of 2018 will be slightly below the one as at 31 December 2017.

We expect that the solvency capital requirement as at 31 December 2018 will be slightly higher and the solvency ratio slightly lower than as at 31 December 2017.

As part of its risk strategy, the Sava Re Group has defined capitalisation ranges in terms of the solvency ratio:



We assess that Sava Re Group's solvency ratio will be within the optimal capitalisation range as at 31 December 2018. The Sava Re Group will be striving to maintain such a capital position in the coming years.

[118] During the preparation of the audited annual report, the Sava Re Group is yet to obtain audited capital adequacy data for 2018. The calculation will be published in the "Sava Re Group solvency and financial condition report for 2018" to be released on 3 June 2019.

17.6.2 Underwriting risk

As part of the underwriting risk category, the Group is exposed to underwriting process risk (insurance and reinsurance), pricing risk, claims risk, retention risk and reserving risk. The Group is indirectly exposed to some other underwriting risks, such as product design risk, economic environment risk and policyholder behaviour risk. While these risks may be significant, we believe their impact is indirectly reflected in the main underwriting risks, which is why we do not consider them in detail.

The basic purpose of both non-life and life insurance is the assumption of risk from policyholders. In addition to the risks assumed directly by Group primary insurance companies, the controlling company also indirectly assumes reinsurance risks from cedants outside the Group. The Group retains a portion of the assumed risks and retrocedes the portion that exceeds its capacity. The Group classifies its insurance and reinsurance contracts as insurance and investment contracts within the meaning of IFRS 4. Below is a detailed outline of the risks arising out of insurance contracts, as required under IFRS 4.

First, we present underwriting risks arising out of non-life business. This is followed by risks arising out of life insurance business. In addition, the Group has a minor exposure relating to health insurance business. Health insurance business pursued on a similar technical basis as non-life insurance business, the risks of which are therefore similar to non-life insurance risks, are discussed under non-life insurance. Health insurance business pursued on a similar technical basis as life insurance business, the risks of which are therefore similar to life insurance risks, are discussed under life insurance.

17.6.2.1 Underwriting process risk – non-life business

The Group mitigates underwriting process risk mainly by complying with established and prescribed underwriting procedures (especially with large risks); correctly determining the probable maximum loss (PML) for each risk; complying with internal underwriting guidelines and instructions; complying with the authorisation system; and having in place an appropriate pricing and reinsurance policy.

Most non-life insurance contracts are renewed annually. This allows insurers to amend the conditions and rates to take into account any deterioration in the underwriting results of entire classes of business, and for major policyholders in a timely manner.

Where significant risks are involved, underwriting experts of the controlling company collaborate with the underwriters of subsidiaries (and risks are mainly reinsured with the controlling company). Additionally in respect of risks exceeding the limits set out in the reinsurance treaties, it is vital that adequate facultative reinsurance cover is obtained to upgrade the basic reinsurance programme.

Underwriting risks in excess of the Group's capacity are reduced through retrocession contracts.

We estimate that underwriting process risk relating to (re)insurance business is well managed, although it moderately increased in 2018 compared to 2017 due to an increase in premium volume. This is because net non-life premiums written by the Group grew by 9.2% or EUR 34.9 million compared to 2017.

17.6.2.2 Pricing risk – non-life business

Pricing risk is the risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts. Principally, the Group monitors pricing risk by conducting actuarial analyses of loss ratios and identifying their trends and by making relevant corrections. When premium rates are determined for new products, the pricing risk can be monitored by prudently modelling loss experience, by comparing against market practice, and by comparing the actual loss experience against estimates.

In proportional reinsurance contracts, reinsurance premiums depend on insurance premiums, mostly set by ceding companies, while the risk premium also depends on the commission recognised by the reinsurer. Therefore, the Group manages this risk by having an appropriate underwriting process in place and by adjusting applicable commission rates. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Expected results of individual reinsurance contracts entered into on the basis of available information and set prices must be in line with target combined ratios, while the adequacy of prices is verified through modelling and reviewing of results on the portfolio level.

Based on reasonable actuarial expectations of claims movements or loss ratios and expenses or expense ratios and assuming rational behaviour of all market participants, the premium rates on the Group level allow the achievement of a combined ratio below 100%. The Group considers the aggregate pricing risk to have been moderate in 2018 and similar to that in 2017.

17.6.2.3 Claims risk – non-life business

Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. This risk may materialise due to incorrect assessments in the underwriting process, changes in court practice, new types of losses, increased claims awareness, changes in macroeconomic conditions and such like.

The claims risk is managed through designing appropriate policy conditions and tariffs, appropriate underwriting, monitoring risk concentration by site or geographical area and especially through adequate reinsurance and retrocession programmes.

Based on the realised loss events and their small impact on the Group's profit, we believe that the risk management measures set out are adequate and we estimate that the claims risk remained on a similar level as in the previous period.

17.6.2.4 Net retention risk – non-life business

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).

The Group manages this risk by way of adequate professional underwriting of the risks to be insured, partly by measuring the exposure to natural peril events by geographical area and designing appropriate reinsurance programmes. In managing these risks, due consideration is given to the fact that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event as well as by the frequency of such events.

The Group considers the net retention risk to have remained essentially the same in both 2018 and 2017.

17.6.2.5 Reserve risk – non-life business

When establishing technical provisions, the Group takes into account any underreserved technical provisions identified on the subsidiary company level, recognising any identified deficiencies at the Group level.

Unearned premiums are established by Group members on a pro rata basis at the insurance policy level. In addition to unearned premiums, the Group establishes provisions for unexpired risks for those homogeneous risk groups where the combined ratio (loss ratio plus expense ratio) is expected to exceed 100%.

Due to the difference in reserving (set out later in the report) methodologies used in accepted reinsurance and primary insurance business, the run-off analysis was made separately for primary insurance and reinsurance business.

Subsidiaries analyse claims provision data by accident year, unlike reinsurers, who analyse data by underwriting year. The table below shows an adequacy test/analysis of gross claims provisions established by the Group for liabilities under non-life primary insurance contracts. Amounts were translated from local currencies into euros using the exchange rate prevailing at the end of the year (provisions) or in the middle of the year (claims paid).

Adequacy analysis of gross claims provisions for past years – non-life insurance business

(EUR thousand)	Year ended 31 December					
Estimate of gross liabilities	2013	2014	2015	2016	2017	2018
As originally estimated	292,403	311,449	302,508	312,626	313,058	301,792
Reestimated as of 1 year later	248,748	251,958	254,822	256,010	254,841	
Reestimated as of 2 years later	218,062	231,885	218,171	214,490		
Reestimated as of 3 years later	207,571	205,037	185,407			
Reestimated as of 4 years later	186,200	179,385				
Reestimated as of 5 years later	165,651					
Cumulative gross redundancy (latest estimate – original estimate)	**126.752**	**132.065**	**117.101**	**98.136**	**58.217**	
Cumulative gross redundancy as % of original estimate	43.3%	42.4%	38.7%	31.4%	18.6%	

The cumulative gross redundancies for underwriting years from 2013 to 2016 increased if compared to amounts as at the end of the preceding year, which were 36.3%, 34.2%, 27.9% and 18.1% of original estimates.

Unlike for primary insurance business, the Group cannot use triangles based on accident year data for actuarial estimations of loss reserves in respect of accepted reinsurance business. This is because ceding companies report claims under quota share contracts 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, aggregated 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. Due to these specifics, the Group provides data on reinsurance claims paid by underwriting year. The estimated liabilities relate to claims that have already been incurred the settlement of which is provided for within the claims provision, and to claims of the existing portfolio that have not yet been incurred the settlement of which is covered by unearned premiums, net of deferred commission.

The table below therefore shows originally estimated gross or net liabilities with claims provisions included at any year end plus unearned premiums less deferred commission, which is compared to subsequent estimates of these liabilities.

Adequacy analysis of gross technical provisions for past years – reinsurance business

(EUR thousand)	Year ended 31 December					
Estimate of gross liabilities	2013	2014	2015	2016	2017	2018
As originally estimated	199,339	207,416	209,963	218,615	224,093	225,314
Reestimated as of 1 year later	170,890	183,590	191,260	191,207	196,533	
Reestimated as of 2 years later	160,099	174,579	175,447	177,623		
Reestimated as of 3 years later	156,865	164,654	165,546			
Reestimated as of 4 years later	147,772	157,337				
Reestimated as of 5 years later	142,401					
Cumulative gross redundancy (latest estimate – original estimate)	**56.938**	**50.079**	**44.417**	**40.993**	**27.561**	
Cumulative gross redundancy as % of original estimate	28.6%	24.1%	21.2%	18.8%	12.3%	

The cumulative gross redundancies for the underwriting years from 2013 to 2016 increased compared to amounts at the end of the preceding year, which were 25.9%, 20.6%, 16.4% and 12.5% of original estimates.

Due to the high cumulative redundancies of both the gross claims provision for non-life business and the gross technical provision for reinsurance business, we estimate that reserving risk at the end of 2017 is relatively small and similar to that at year-end 2015.

17.6.2.6 Retrocession programme – non-life business

To reduce the underwriting risks to which it is exposed, the Group must have in place an appropriate reinsurance programme (in particular a retrocession programme). These are designed so as to reduce exposure to possible single large losses or the effect of a large number of single losses arising from the same loss event. The Group considers its reinsurance programme (including proportional and non-proportional reinsurance) to be appropriate in view of the risks it is exposed to. Net retention limits set by the Group are only rarely applied. The Group also concludes co-insurance and reciprocal contracts with other reinsurers to further disperse risks. The Group's net retained portfolio, relating to both domestic and foreign cedants, is further covered for potentially large losses through a prudently designed non-proportional reinsurance programme, which in 2018 was somewhat adjusted due to the portfolio growth and extended to cover a larger frequency of catastrophic events:

- Catastrophe excess of loss cover for Slovenian risks, covering all Group companies, has two instead of one payable reinstatement on the first and second layers.
- A sublayer was added to the catastrophe excess of loss cover for non-Group inwards business with a priority of EUR 5 million to protect against a higher frequency of events in one year. In the event of an aggregate claim after the operation of the main cover of EUR 6 million, the sublayer provides cover of EUR 3 million in excess of a priority of EUR 2 million.
- The motor liability excess of loss cover for the Group portfolio has a priority of EUR 1.5 million (previously EUR 1 million) and a capacity of EUR 4.5 million (previously EUR 5 million).
- The general liability excess of loss cover for the Group portfolio has a priority of EUR 2 million (previously EUR 1 million) and a capacity of EUR 3 million.
- The marine excess of loss cover for the Group and non-Group portfolio has been unified and now operates per risk and per event (previously only for the Group portfolio, while the non-Group portfolio had been covered per event only). The cover has a priority of EUR 2 million (previously EUR 1 million) and a capacity of EUR 4 million (previously EUR 2.5 million).

17.6.2.7 Estimated exposure to underwriting risks – non-life business

An increase in realised underwriting risk would essentially result in an increase in net claims. As the Group has in place an adequate retrocession programme, it is not exposed to the risk of a sharp increase in net claims, not even in case of catastrophic losses. A more likely scenario to which the Group is exposed to is the deterioration of the net combined ratio as a result of an increase in claims or expenses along with a decrease in premiums. If the Group's net combined ratio increased/decreased by 1 percentage point, its net profit before tax would decrease/increase by EUR 4.39 million (2017: EUR 3.98 million).

The net retention limit per risk is set at EUR 4 million for the majority of non-life classes of insurance and a combined limit of EUR 4 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of EUR 2 million is set for motor liability and for marine; the net retention limit for life policies is EUR 300,000. In principle, this caps any net claim arising out of any single loss event at a maximum of EUR 4 million. In case of any catastrophe event, e.g. flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is EUR 5 million for Group business as well as non-Group business. These amounts represent the maximum net claim on the Group level for a single catastrophe event based on reasonable actuarial expectations. In some international markets (India, USA, China), this retention may be exceeded, but cannot be larger than EUR 8 million. 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 the Group is negligible. As the number of catastrophic events randomly fluctuates, an increase in net claims must always be expected. This may have an adverse effect on profit or loss, but will not compromise the Group's solvency position, which has been tested using scenarios as part of the own risk and solvency assessment.

The risk that the underwriting risk may seriously compromise the Group's financial stability is deemed, according to our assessment, low and there are no significant differences between 2018 and 2017.

17.6.2.8 Underwriting risks in life insurance

The main risks that the Group is exposed to due to life insurance operations are lapse risk, mortality risk and life expense risk. The exposure to other risks, such as longevity, disability and morbidity risk, is smaller.

Underwriting risks relating to additional accident business are similar to those described under non-life insurance and are managed in a similar way.

In order to manage the underwriting risk of life insurance business, the Group regularly monitors mortality and morbidity rates, termination of life policies, looking for specific trends. In addition, it regularly conducts adequacy testing of provisions. The Group also manages underwriting risk by strictly complying with underwriting procedures. These specify the criteria and terms of risk acceptance. At given premium rates, risk assumption depends on the age at entry and the requested sum insured. The Group accepts risks if the insured's health, as a measure of risk quality, is in line with table data listing criteria for medical examinations. An additional factor in the assumption of risks is lifestyle, including leisure activities and occupation. The Group has in place an appropriate reinsurance programme in order to limit the impact of underwriting risk; covers are generally on a proportional basis. The retention of insurers generally does not exceed EUR 50,000. Critical illness is reinsured with a foreign partner (Partner Re).

At the Group level, there is no significant concentration of life underwriting risk, as the portfolio is well-diversified in terms of the age of the insured persons, the unexpired policy term, exposures (of sums insured and sums at risk), and annual and single premium payment. The portfolio is also diversified in terms of the percentage of policies lapsed in a period, expenses and mortality and morbidity rates by product.

We estimate that the exposure to underwriting risk relating to life insurance business remained at the same level as in 2017.

17.6.3 Financial risks

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

In 2018, the Group included KSNT investments into the investment portfolio with exposure to financial risk. KSNT investments are investments for which an insurance subsidiary provides guaranteed unit values, thereby assuming the risk of achieving the guaranteed return. As at 31 December 2018, the value of these investments totalled EUR 82.6 million (31/12/2017: EUR 89.7 million). Accordingly, the below table shows adjusted 2017 comparative figures relating to the investment portfolio. As at 31 December 2018, investment portfolio assets of 1,164.9 million are exposed to financial risk (31/12/2017: 1,173.9 million), including:

- financial investments of EUR 1,008.1 million (31/12/2017: EUR 1,038.1 million),
- investment property assets of EUR 20.6 million (31/12/2017: EUR 15.4 million),
- cash and cash equivalents of EUR 64.7 million (including the value of KSNT assets of EUR 11.1 million (31/12/2017: EUR 38.0 million, of which EUR 7.2 million KSNT assets) and
- KSNT investments guaranteed by the insurer of EUR 71.6 million (31/12/2017: EUR 82.5 million).

Investments exposed to financial risk

Type of investment	31/12/2018	As % of total 31/12/2018	31/12/2017	As % of total 31/12/2017	Absolute difference 31/12/2018 / 31/12/2017	Change in structure 31/01/2018 / 31/12/2017
Deposits and CDs	27,740,278	2.4%	35,132,062	3.0%	-7,391,784	-0.6%
Government bonds	587,645,179	50.5%	600,051,963	51.1%	-12,406,784	-0.6%
Corporate bonds	400,292,979	34.4%	426,578,476	36.3%	-26,285,497	-2.0%
Shares (excluding strategic shares)	15,675,617	1.3%	17,524,834	1.5%	-1,849,217	-0.1%
Mutual funds	35,635,616	3.1%	34,904,842	3.0%	730,774	0.1%
bond and money market	32,737,150	2.8%	32,503,306	2.8%	233,844	0.0%
mixed	48,279	0.0%	167,621	0.0%	-119,342	0.0%
equity funds	2,850,187	0.2%	2,233,915	0.2%	616,272	0.1%
Infrastructure	5,264,540	0.5%	0	0.0%	5,264,540	0.5%
Loans granted and other	1,116,239	0.1%	591,985	0.1%	524,254	0.0%
Deposits with cedants	6,275,310	0.5%	5,832,347	0.5%	442,963	0.0%
Financial investments	**1,079,645,758**	**92.7%**	**1,120,616,508**	**95.5%**	**-40,970,750**	**-2.7%**
Investment property	20,643,019	1.8%	15,364,184	1.3%	5,278,835	0.5%
Cash and cash equivalents	64,657,431	5.6%	37,956,119	3.2%	26,701,312	2.3%
Investment portfolio	**1,164,946,208**	**100.0%**	**1,173,936,811**	**100.0%**	**8,990,602**	**0.0%**

* The 2017 figures differ from those published in the 2017 annual report as the investment portfolio includes KSNT investments (life liability fund) for which the insurer provides guaranteed unit values (2017: EUR 1,084.2 million).

The investments of policyholders relating to unit-linked life business where policyholders fully bear the investment risk are excluded from the analysis of risks; as at year-end 2018, these totalled EUR 133.3 million (31/12/2017: EUR 144.7 million).

The risk of failure to realise guaranteed returns also includes the risk of investment contracts relating to the long-term business funds of the voluntary supplementary pension insurance (VSPI) that Sava Pokojninska manages for the benefit of policyholders.

17.6.3.1 Risk of failure to realise guaranteed returns

The Group is exposed to the risk of failing to achieve the guaranteed return, specifically with investment contracts and with traditional and unit-linked life insurance business.

Investment contracts

The Group's investment contracts include a group of life cycle funds called MOJI skladi življenjskega cikla (MY life-cycle funds), relating to supplementary pension business of the company Sava Pokojninska in the accumulation phase. The company manages the group of long-term life-cycle funds MOJI skladi življenjskega cikla, which comprise three funds: MOJ dinamični sklad (MY Dynamic Fund), MOJ uravnoteženi sklad (MY Balanced Fund), and MOJ zajamčeni sklad (MY Guaranteed Fund). Investment contract liabilities are not included in the consolidated technical provisions item, and are, therefore, not included in the presentation of underwriting risk. Investment contract assets are not included in the consolidated financial investments item, and are, therefore, not included in the presentation of financial risks. In addition, there is a risk of failing to achieve the guaranteed return associated with investment contract assets and liabilities for the long-term business fund with a guaranteed return (MGF).

The members of the supplementary pension insurance scheme thus bear the entirely investment risk arising out of the two funds MDF and MBF, while with the MGF they bear the investment risk above the guaranteed return. The guaranteed return of MGF is 60% of the average annual interest rate on government securities with a maturity of over one year. Liabilities relating to MGF comprise paid in premiums, guaranteed return and amounts in excess of the guaranteed return, provided the company achieved it. For each member, the fund administrator keeps a personal account with accumulating net contributions and assets to exceed the guaranteed return (provisions); for MGF, additionally the guaranteed return is maintained. Liabilities to the members of the MDF and MBF move in line with the value of investments; members fully bear the investment risk. In years when the return in excess of guaranteed return is realised, liabilities to the members of the MGF for assets in excess of guaranteed levels of assets are increased; if, however, realised return is below the guaranteed level, this part of liabilities decreases until the provision is fully exhausted. The described control of guaranteed return is carried out at the level of individual members' accounts. In the event that individual provisions of any account are not sufficient to cover the guaranteed assets, the company is required to make provisions for the difference, which may exceed 20% of the capital. Any excess must be covered by the company's own funds.

The risk of failing to realise guaranteed returns is managed primarily through appropriate management of policyholder assets and liabilities, an appropriate investment strategy, an adequate level of the company's capital and provisioning. The Group tests its risk exposure arising out of guaranteed return through stress tests and scenarios as part of the own risk and solvency assessment. We assess that the risk of having to contribute funds in order to deliver the guaranteed return is small and did not change compared to 2017.

The value of fund assets of the North Macedonian pension company Sava Penzisko Društvo (two funds, mandatory and voluntary) is not included in the statement of financial position of the company as these are funds under management (similar treatment as with fund management companies). The role of the North Macedonian pension company is solely to manage the assets; the funds have no guaranteed return. Consequently, the company is not exposed to the risk to which investment contracts are exposed, i.e. failure to realise the guaranteed return.

Traditional and unit-linked life insurance contracts

With regard to its traditional and unit-linked life insurance business with a guaranteed unit value, the insurer is exposed to the risk of failure to realise the guaranteed return. The table below shows the value of assets to cover any liabilities relating to life business by register. The table shows the book return on investments and the guaranteed return of liabilities.

Effect of the risk of failure to realise guaranteed returns by register as at 31 December 2018

(EUR) Financial investments supporting life insurance liabilities with guaranteed NAV	INVESTMENTS			LIABILITIES			Effect of not realising guaranteed returns
	Balance	Book return	Book net investment income	Balance	Guaranteed return	Guaranteed net investment income	
ZAVAROVALNICA SAVA d.d. - KSŽZ 1	11,916,875	2.40%	286,005	10,520,207	2.40%	252,485	33,520
ZAVAROVALNICA SAVA d.d. - KSŽZ 2	3,190,656	0.60%	19,782	2,503,188	2.20%	55,571	-35,789
ZAVAROVALNICA SAVA d.d. - KSNT - 2 (ZM Zajamčeni)	27,114,965	2.00%	547,722	28,033,351	2.70%	768,114	-220,392
ZAVAROVALNICA SAVA d.d. - KSNT - 2a - (ZM Garant)	2,104,156	0.00%	0	2,470,210	0.60%	14,327	-14,327
ZAVAROVALNICA SAVA d.d. - KSNT – 3 (ZS Varnost and ZS Zajamčeni)	36,130,866	0.60%	205,946	36,157,613	0.00%	10,847	195,099
Total	**80,457,518**	**1.32%**	**1,059,455**	**79,684,569**	**1.38%**	**1,101,344**	**-41,889**

Effect of the risk of failure to realise guaranteed returns by register as at 31 December 2017

(EUR) Financial investments supporting life insurance liabilities with guaranteed NAV	INVESTMENTS			LIABILITIES			Effect of not realising guaranteed returns
	Balance	Book return	Book net investment income	Balance	Guaranteed return	Guaranteed net investment income	
ZAVAROVALNICA SAVA d.d. - KSŽZ 1	12,270,808	2.82%	346,037	10,876,369	2.42%	263,390	82,647
ZAVAROVALNICA SAVA d.d. - KSŽZ 2	2,316,994	0.74%	17,146	2,026,985	2.10%	42,534	-25,389
ZAVAROVALNICA SAVA d.d. – KSNT – 2 (ZS Zajamčeni)	24,414,858	2.63%	642,111	24,548,841	2.74%	673,455	-31,344
ZAVAROVALNICA SAVA d.d. - KSNT - 2a - (ZM Garant)	1,313,503	0.00%	0	1,513,148	0.18%	2,675	-2,675
ZAVAROVALNICA SAVA d.d. - KSNT - 3 (ZS Varnost and ZS Zajamčeni)	45,805,687	0.53%	242,770	45,575,555	0.01%	3,238	239,532
Total	**86,121,850**	**1.45%**	**1,248,063**	**84,540,898**	**1.17%**	**985,292**	**262,772**

We assess that the risk of failure to realise guaranteed returns is medium and did not change compared to 2017.

17.6.3.2 Market risk

Financial investments exposed to market risk

Type of investment	31/12/2018	As % of total 31/12/2018	31/12/2017	As % of total 31/12/2018	Absolute difference 31/12/2018 / 31/12/2017	Change in structure 31/01/2018 / 31/12/2017
Deposits and CDs	27,740,278	2.4%	35,132,062	3.0%	-7,391,784	-0.6%
Government bonds	587,645,179	50.5%	600,051,963	51.1%	-12,406,784	-0.6%
Corporate bonds	400,292,979	34.4%	426,578,476	36.3%	-26,285,497	-2.0%
Shares (excluding strategic shares)	15,675,617	1.3%	17,524,834	1.5%	-1,849,217	-0.1%
Mutual funds	35,635,616	3.1%	34,904,842	3.0%	730,774	0.1%
bond and money market	32,737,150	2.8%	32,503,306	2.8%	233,844	0.0%
mixed	48,279	0.0%	167,621	0.0%	-119,342	0.0%
equity funds	2,850,187	0.2%	2,233,915	0.2%	616,272	0.1%
Infrastructure	5,264,540	0.5%	0	0.0%	5,264,540	0.5%
Loans granted and other	1,116,239	0.1%	591,985	0.1%	524,254	0.0%
Deposits with cedants	6,275,310	0.5%	5,832,347	0.5%	442,963	0.0%
Financial investments	**1,079,645,758**	**92.7%**	**1,120,616,508**	**95.5%**	**-40,970,750**	**-2.7%**
Investment property	20,643,019	1.8%	15,364,184	1.3%	5,278,835	0.5%
Cash and cash equivalents	64,657,431	5.6%	37,956,119	3.2%	26,701,312	2.3%
Investment portfolio	**1,164,946,208**	**100.0%**	**1,173,936,811**	**100.0%**	**-8,990,602**	**0.0%**

* The 2017 figures differ from those published in the 2017 annual report as the investment portfolio includes KSNT investments (life liability fund) for which the insurer provides guaranteed unit values (2017: EUR 1,084.2 million).

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

17.6.3.2.1 Interest rate risk

Interest rate risk is the risk of exposure to losses resulting from fluctuations in interest rates. These can cause a decrease in investments or an increase in liabilities.

The major part of interest rate risk on the liabilities side only affects the life insurance segment (mathematical provisions). Based on the prescribed methodology for the calculation of technical provisions for the purposes of preparing financial statements, on the non-life business side only temporary and life annuities arising out of liability policies are interest-rate sensitive; however, any change in liabilities due to changes in the capitalised value of annuities as a result of a decline in interest rates is negligible and has therefore not been considered in those calculations.

Interest rate risk is measured through a sensitivity analysis, by observing the change in the value of investments in bonds or the value of mathematical provisions in case of a change in interest rates by one percentage point. The interest-rate sensitive bond portfolio includes government and corporate bonds, bond mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5. 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.

The total value of investments included in the calculation as at 31 December 2018 was EUR 930.2 million (31/12/2017: EUR 938.8 million). Of this, EUR 580.3 million (31/12/2017: EUR 593.9 million) relates to assets of non-life insurers (including Sava Re) and EUR 350.7 million (31/12/2017: EUR 344.9 million) to assets of life insurers.

The sensitivity analysis of the non-life segment as at 31 December 2018 showed that in the event of an interest rate increase by one percentage point, the value of the interest rate sensitive investments would drop EUR 17.5 million (31/12/2017: EUR 18.8 million) or 3.0% (31/12/2017: 3.2%). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale investments and the impact on profit or loss a result of investments classified as at fair value through profit or loss.

Results of the sensitivity analysis on interest-rate sensitive non-life investments

(EUR)	31/12/2018					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	315,922,774	305,211,493	-10,711,281	315,922,774	327,436,436	11,513,662
Corporate bonds	248,471,884	242,158,692	-6,313,193	248,471,884	255,377,864	6,905,979
Bond mutual funds	15,910,682	15,430,750	-479,932	15,910,682	16,429,945	519,263
Total	**580,305,341**	**562,800,935**	**-17,504,405**	**580,305,341**	**599,244,245**	**18,938,904**
Effect on equity	-17,094,791			18,489,948		
Effect on the income statement	-409,615			448,957		

(EUR)	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	310,599,940	300,233,681	-10,366,259	310,599,940	321,759,952	11,160,012
Corporate bonds	267,662,140	259,699,784	-7,962,356	267,662,140	276,223,084	8,560,944
Bond and mixed mutual funds	15,615,819	15,120,860	-494,960	15,615,819	16,148,378	532,559
Total	**593,877,899**	**575,054,324**	**-18,823,575**	**593,877,899**	**614,131,414**	**20,253,515**
Effect on equity	-18,823,575			20,253,515		
Effect on the income statement	0			0		

The sensitivity analysis of interest rate sensitive life insurance investments showed that in case of an increase in interest rates by one percentage point, the value would decrease by EUR 12.5 million or 3.6% (31/12/2017: EUR 13.4 million; 3.9%). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale investments and the impact on profit or loss a result of investments classified as at fair value through profit or loss.

Results of the sensitivity analysis on interest-rate sensitive life investments

(EUR)	31/12/2018					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	190,893,375	183,449,947	-7,443,428	190,893,375	198,958,041	8,064,666
Corporate bonds	145,942,873	141,414,017	-4,528,856	145,942,873	150,780,351	4,837,478
Bond, convertible and mixed mutual funds	13,845,718	13,353,595	-492,123	13,845,718	14,376,063	530,345
Total	**350,681,967**	**338,217,558**	**-12,464,407**	**350,681,967**	**364,114,455**	**13,432,489**
Effect on equity	-12,360,887			13,323,787		
Effect on the income statement	-103,520			108,701		

(EUR)	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	178,006,349	170,712,907	-7,293,442	178,006,349	185,911,994	7,905,644
Corporate bonds	154,167,733	148,572,565	-5,595,169	154,167,733	160,161,454	5,993,721
Bond and mixed mutual funds	12,743,652	12,249,189	-494,464	12,743,652	13,276,893	533,241
Total	**344,917,735**	**331,534,662**	**-13,383,074**	**344,917,735**	**359,350,339**	**14,432,606**
Effect on equity	-13,210,123			14,248,903		
Effect on the income statement	-172,952			183,703		

* The 2017 figures differ from those published in the 2017 annual report as the investment portfolio includes KSNT investments (life liability fund) for which the insurer provides guaranteed unit values (2017: EUR 1,019.5 million).

The value of the mathematical provision included in the sensitivity analysis on the liabilities side amounted to EUR 252.7 million at 31 December 2018 (31/12/2017: EUR 263.8 million) and did not include the part of mathematical provision that is not interest-sensitive (31/12/2018: EUR 2.1 million, 31/12/2017: EUR 7.6 million). A sensitivity analysis for liabilities (mathematical provisions) showed that if the present value of mathematical provisions is calculated using an interest rate that is one percentage point higher, the mathematical provisions would decrease by EUR 8.6 million, or 3.4%, (31/12/2017: EUR 10.5 million; 4.0%). By contrast, if the provision is calculated using a 1 percentage point lower interest rate, mathematical provisions would increase by EUR 11.8 million, or 4.7%, (31/12/2017: EUR 13.5 million; 5.1%). The sensitivity analysis includes the results of the LAT test set out in section 17.4.26.

Results of the sensitivity analysis on life insurance liabilities

31/12/2018 (EUR)					
+ 100 bp			- 100 bp		
Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
252,717,622	244,098,550	-8,619,072	252,717,622	264,526,969	11,809,347

31/12/2017 (EUR)					
+ 100 bp			- 100 bp		
Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
263,841,809	253,355,720	-10,486,089	263,841,809	277,328,172	13,486,363

The results of the sensitivity analysis on the assets and liabilities sides show that assets and mathematical provisions are less sensitive to change in interest rates compared to 2017. In 2018, the Company continued matching the maturity of assets and liabilities to minimise the net impact of changes in interest rates on the Group's financial statements. The difference between the average maturity of assets and liabilities separately for life and non-life business is presented below.

The average maturity of bonds and deposits of non-life business was 2.98 years at year-end 2018 (31/12/2017: 3.15 years), while the expected maturity of non-life liabilities was 2.77 years (31/12/2017: 3.18 years).

The average maturity of bonds and deposits of life business was 3.48 years at year-end 2018 (31/12/2017: 3.46 years), while the expected maturity of life liabilities was 4.39 years (31/12/2017: 4.68 years).

In 2018, the value of interest rate sensitive assets increased by EUR 5.8 million, while the value of interest rate sensitive liabilities decreased by EUR 11.1 million. Interest rate risk increased marginally in 2018 compared to 2017.

An increase in interest rates of 100 basis points would result in a net effect in the value of assets and liabilities of EUR 3.8 million (2017: EUR 2.9 million), while a decrease in interest rates of 100 basis points would result in a net effect of -EUR 1.6 million (2017: -EUR 0.9 million). We assess that interest rate risk at the Group and Group company levels is well managed and that the net effect is relatively small compared to the level of assets and liabilities. It is important to note that due to the low interest rate environment, the companies are primarily exposed to reinvestment risk, and this is particularly important for the life insurance segment, which must meet its commitments regarding guaranteed returns over a longer period

17.6.3.2.2 Equity risk

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

Equity risk affects shares, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

To assess the Group's sensitivity of investments to equity risk, we can assume a 10% drop in the value of all equity securities, which would result in a decrease in the value of investments by EUR 1.9 million (31/12/2017: EUR 2.0 million).

Sensitivity assessment of investments to equity risk

(EUR)	31/12/2018			31/12/2017		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
of -10%	18,549,944	16,694,950	-1,854,994	19,842,560	17,858,304	-1,984,256

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 reduce the value of investments by EUR 3.7 million (31/12/2017: EUR 4.0 million).

The Sava Re Group's exposure to equity risk declined slightly in 2018 compared to year-end 2017. We assess that the risk remained on the same level as in 2017.

17.6.3.2.3 Alternative investment risk

As at 31 December 2018, the Group's alternative investments totalled EUR 25.1 million, comprising infrastructure fund investments and investment property. The risk of alternative investments has been determined based on stressed values as prescribed under Solvency II regulations for the capital adequacy calculation. A drop of 25% was used for investment property, and a drop of 49% for infrastructure funds, since we did not apply a look-through approach to these funds. Thus, the value of both investment types would fall by EUR 7.5 million.

(EUR)	31/12/2018			31/12/2017		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Infrastructure funds	5,264,540	2,684,915	-2,579,625	0	0	0
Investment property	20,643,022	15,482,267	-5,160,756	15,364,184	11,523,138	-3,841,046
Total	25,907,562	18,167,182	-7,740,380	15,364,184	11,523,138	-3,841,046

17.6.3.2.4 Currency risk

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

The Sava Re Group manages currency risk through the efforts of each Group member to optimise asset-liability currency matching.

Sava Re is the Sava Re Group member with the largest exposure to currency risk. Currency risk levels for Sava Re are explained in more detail in the notes to the financial statements of Sava Re in section 23.5.3.2.4 "Currency risk".

Other Group companies whose local currency is the euro (companies based in Slovenia, Montenegro and Kosovo) have all liabilities and investments denominated in euro, meaning that these companies are not affected by currency risk. Group companies whose local currency is not the euro (companies based in Croatia, Serbia and North Macedonia), transact most business in their respective local currencies, while due to Group relations, they are to a minor extent subject to euro-related currency risk.

We estimate that currency risk at the Group level remained the same in 2018 compared to 2017 since Sava Re is taking measures to reduce exposure to currency risk.

17.6.3.3 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.

Individual Group members manage liquidity risk in line with the guidelines laid down in the liquidity risk management policy of the Sava Re Group. Each Group member carefully plans and monitors the realisation of cash flows (cash inflows and outflows), and in the case of liquidity problems, informs the parent company, which assesses the situation and provides the necessary funds to ensure liquidity.

Liquidity risk assumed by individual Group members is also reduced by regular measurement and monitoring based on selected indicators. An indicator of liquidity risk is the level of maturity matching of financial assets and liabilities.

The table below shows the value of financial investments and technical provisions covering life policies by year based on undiscounted cash flows, while the value of technical provisions covering non-life business is shown by year and expected maturity based on triangular development.

Maturity profile of financial assets and liabilities

(EUR)	Carrying amount as at 31/12/2018	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2018
Financial investments	**1,079,645,762**	**0**	**225,115,979**	**562,990,227**	**268,284,372**	**56,575,774**	**1,112,966,351**
- at fair value through profit or loss	12,415,676		989,664	5,237,686	7,535,010	1,530,950	15,293,310
- held to maturity	86,796,477		38,765,621	42,618,791	11,701,569		93,085,982
- loans and deposits	33,542,347		21,494,670	9,637,115	1,016,638		32,148,423
- available-for-sale	946,891,262		163,866,023	505,496,635	248,031,154	55,044,823	972,438,636
Reinsurers' share of technical provisions	27,292,750		15,764,933	6,864,689	4,663,128		27,292,750
Cash and cash equivalents	64,657,431	31,318,301	33,339,131				64,657,432
TOTAL ASSETS	**1,171,595,943**	**31,318,301**	**274,220,043**	**569,854,916**	**272,947,500**	**56,575,774**	**1,204,916,533**
Technical provisions	920,491,487		444,864,696	303,435,220	170,194,757	1,996,814	920,491,487
TOTAL LIABILITIES	**920,491,487**	**0**	**444,864,696**	**303,435,220**	**170,194,757**	**1,996,814**	**920,491,487**
Difference	**251,104,456**	**31,318,301**	**-170,644,653**	**266,419,696**	**102,752,743**	**54,578,960**	**284,425,046**

Financial investments also include KSNT investments, for which the insurer provides guaranteed return, classified as held-to-maturity assets (EUR 9.7 million) and available-for-sale assets (EUR 61.9 million).

(EUR)	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	**1,120,616,508**	**0**	**191,556,193**	**644,852,558**	**259,475,605**	**52,429,676**	**1,148,314,033**
- at fair value through profit or loss	6,613,131		1,625,784	2,467,681	1,528,861	1,219,659	6,841,985
- held to maturity	116,135,943		35,663,910	78,635,664	11,753,831		126,053,404
- loans and deposits	41,556,393		36,385,643	5,305,157	1,726,295		43,417,096
- available-for-sale	956,311,041		117,880,857	558,444,056	244,466,618	51,210,018	972,001,548
Reinsurers' share of technical provisions	30,787,241		12,380,814	9,121,982	9,284,445		30,787,241
Cash and cash equivalents	37,956,119	25,972,448	11,983,671				37,956,119
TOTAL ASSETS	**1,189,359,867**	**25,972,448**	**215,920,678**	**653,974,540**	**268,760,050**	**52,429,676**	**1,217,057,393**
Subordinated liabilities							0
Technical provisions	931,398,362		378,731,057	344,027,587	204,267,658	4,372,060	931,398,362
TOTAL LIABILITIES	**931,398,362**	**0**	**378,731,057**	**344,027,587**	**204,267,658**	**4,372,060**	**931,398,362**
Difference	**257,961,505**	**25,972,448**	**-162,810,379**	**309,946,953**	**64,492,392**	**48,057,616**	**285,659,031**

* The 2017 figures differ from those published in the 2017 annual report as the investment portfolio includes KSNT investments (life liability fund) for which the insurer provides guaranteed unit values.

Liquidity requirements are met by allocating funds to money market instruments in the percentage consistent with the estimated normal current liquidity requirement. In this regard, each EU-based Group company maintains a liquidity buffer of highly liquid assets accounting for at least 15% of its investment portfolio. Highly liquid assets are intended to provide liquidity to meet any extraordinary liquidity requirements and are available on an ongoing basis. The other Group members manage their short-term liquidity requirements through cash in bank accounts and short-term deposits.

Based on the above, we estimate that liquidity risk is well managed both at the Group and individual company level and did not change significantly compared to year-end 2017.

17.6.3.4 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, loans granted, deposits with cedants, and cash and cash equivalents), receivables due from reinsurers and other receivables.

Exposure to credit risk

(EUR) Type of asset	31/12/2018 Amount	31/12/2017 Amount
Fixed-income investments	**1,087,727,415**	**1,106,142,951**
Debt instruments*	1,016,794,674	1,062,354,485
Deposits with cedants	6,275,310	5,832,347
Cash and cash equivalents**	64,657,431	37,956,119
Receivables due from reinsurers	**32,484,675**	**36,624,163**
Reinsurers' share of technical provisions	27,292,750	30,787,241
Receivables for shares in claims payments	5,191,925	5,836,922
Other receivables	**135,358,086**	**132,618,603**
Receivables arising out of primary insurance business	126,533,761	124,324,547
Receivables arising out of co-insurance and reinsurance business (other than receivables for shares in claims)	643,873	360,795
Current tax assets	169,727	17,822
Other receivables	8,010,725	7,915,439
Total exposure	**1,255,570,176**	**1,275,385,717**

* Debt securities also include KSNT investments (life liability fund) for which the insurer guarantees unit values; the figures differ from those provided in the 2017 annual report (2017: EUR 1,019.5 million)
**Investments in cash and cash equivalents also include KSNT investments (life liability fund) for which the insurer guarantees unit values; the figures differ from those provided in the 2017 annual report (2017: EUR 30.7 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[119] and cash assets[120];
- performance indicators for other investments.

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

Fixed-income investments by issuer credit rating

(EUR) Rated by S&P/Moody's	31/12/2018 Amount	31/12/2018 Composition	31/12/2017 Amount	31/12/2017 Composition	Change
AAA/Aaa	280,460,107	25.8%	300,218,053	27.1%	-1.4%
AA/Aa	153,116,129	14.1%	147,028,143	13.3%	0.8%
A/A	307,943,183	28.3%	357,835,464	32.3%	-4.0%
BBB/Baa	148,814,188	13.7%	121,848,097	11.0%	2.7%
Less than BBB/Baa	87,464,680	8.0%	88,966,300	8.0%	0.0%
Not rated	109,929,129	10.1%	90,246,894	8.2%	1.9%
Total	**1,087,727,415**	**100.0%**	**1,106,142,951**	**100.0%**	

* The value of fixed-income investments also includes KSNT investments (life liability fund) for which the insurer guarantees unit values; the amount of fixed-income investments differs from the one stated in the 2017 annual report (EUR 1,019.5 million).

As at 31 December 2018, fixed-income investments rated "A" or better accounted for 68.2 % of the total fixed-income portfolio (31/12/2017: 72.7%). In 2018 the share of the best rated investments remained unchanged from the previous year.

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

The investment portfolio of the Sava Re Group is reasonably diversified in accordance with local law and Group internal rules in order to avoid large concentration in a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

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

Diversification of financial investments by industry

(EUR) Industry	31/12/2018 Amount	Composition	31/12/2017 Amount	Composition	Movement (p.p.)
Banking	240,907,376	20.7%	250,920,063	21.4%	-0.7
Government	587,746,852	50.5%	600,050,246	51.1%	-0.7
Finance & insurance**	85,153,194	7.3%	87,365,591	7.4%	-0.1
Industry	63,494,284	5.5%	60,235,446	5.1%	0.3
Consumables	68,992,263	5.9%	71,649,707	6.1%	-0.2
Utilities	92,186,794	7.9%	88,351,573	7.5%	0.4
Property	20,643,019	1.8%	15,364,184	1.3%	0.5
Infrastructure	5,822,426	0.5%	0	0.0%	0.5
Total	**1,164,946,208**	**100.0%**	**1,173,936,811**	**100.0%**	

* The value of fixed-income investments also includes KSNT investments (life liability fund) for which the insurer guarantees unit values; the amount of fixed-income investments differs from the one stated in the 2017 annual report (EUR 1,084.2 million).
**The 2017 figures provided for the finance & insurance industry differ from those published in the 2017 annual report, since investment property is shown under the property industry (EUR 102.7 million).

The Sava Re Group's largest exposure by industry was to the government (31/12/2018: 50.5 %; 31/12/2017: 51.1%), with a notable high diversification by issuer. As at 31 December 2018, the exposure to the banking sector was EUR 240.9 million, representing 20.7% of financial investments (31/12/2017: EUR 250.9 million; 21.4%).

Diversification of financial investments by region

(EUR) Region	31/12/2018 Amount	Composition	31/12/2017 Amount	Composition	Movement (p.p.)
Slovenia	252,539,597	21.7%	284,104,200	24.2%	-2.5
EU Member States	663,797,032	57.0%	658,088,347	56.1%	0.9
Non-EU members	118,466,264	10.2%	98,345,975	8.4%	1.8
Russia and Asia	19,402,310	1.7%	20,869,406	1.8%	-0.1
Africa and the Middle East	2,249,205	0.2%	2,134,198	0.2%	0.0
America and Australia	108,491,799	9.3%	110,394,685	9.4%	-0.1
Total	**1,164,946,208**	**100.0%**	**1,173,936,810**	**100.0%**	

* The value of fixed-income investments also includes KSNT investments (life liability fund) for which the insurer guarantees unit values; the amount of fixed-income investments differs from the one stated in the 2017 annual report (EUR 1,084.2 million).

The Group's largest exposure by region is to the EU member states (31/12/2018: 57.0%, 31/12/2017: 56.1 %), with exposure spread between 63 countries. The second largest exposure is to Slovenia-based issuers (31/12/2018: 21.7 %; 31/12/2017: 24.2%) and the exposure to non-EU issuers (31/12/2018: 10.2 %; 31/12/2018: 8.4%). The exposure to other regions remained broadly flat year-on-year.

Exposure to Slovenia decreased by 2.5 percentage points in 2018. The exposure is lower due to maturing securities and the adopted limit system.

Exposure to Slovenia

(EUR) Type of investment	31/12/2018 Amount	Composition	31/12/2017 Amount	Composition	Movement (p.p.)
Deposits and CDs	862,080	0.1%	14,384,909	1.2%	-1.2
Government bonds	155,297,826	13.3%	193,031,289	16.4%	-3.1
Corporate bonds	23,414,814	2.0%	25,584,996	2.2%	-0.2
Shares	15,075,879	1.3%	16,992,679	1.4%	-0.2
Mutual funds	738,415	0.1%	1,286,438	0.1%	0.0
Cash and cash equivalents	40,608,597	3.5%	21,122,631	1.8%	1.7
Other	16,541,987	1.4%	11,701,257	1.0%	0.4
Total	**252,539,597**	**21.7%**	**284,104,200**	**24.2%**	**-2.5**

As at 31 December 2018, exposure to the ten largest issuers was EUR 403.5 million, representing 34.7% of financial investments (31/12/2017: EUR 425.1 million; 36.2%). The largest single issuer of securities that the Group is exposed to is the Republic of Slovenia. As at 31 December 2018, the exposure to Slovenian issuers totalled EUR 138.8 million, representing 11.9% of financial investments (31/12/2017: EUR 174.5 million; 14.9%). No other corporate issuer exceeded the 1.9% of financial assets threshold.

We assess that in 2018, the Sava Re Group – by maintaining a large percentage of highly-rated investments, diversification of investments by industry and geography and reducing concentration – managed credit risk well, maintaining it on the same level as in 2017.

Counterparty default risk

The Group is also exposed to credit risk in relation to its retrocession programme. As a rule, subsidiaries conclude reinsurance contracts directly with the controlling company. If so required by local regulations, they would also buy reinsurance from the providers of assistance services and from local reinsurers. In such cases, local reinsurers transfer the risks to Sava Re, thus reducing the effective credit risk exposure relating to reinsurers below the one correctly shown according to accounting rules.

As at 31 December 2018, the total exposure of the Group to credit risk relating to reinsurers was EUR 32.5 million (31/12/2017: EUR 36.6 million), of which EUR 27.3 million (31/12/2017: EUR 30.8 million) relate to reinsurers' share of technical provisions and EUR 5.2 million (31/12/2017: EUR 5.8 million) to receivables for reinsurers' and co-insurers' shares in claims. As at 31 December 2018, the Group's total credit risk exposure relating to retrocessionaires represented 1.9% of total assets (31/12/2017: 2.1%).

Retrocession programmes are mostly placed with first-class reinsurers which have an appropriate rating (at least A- according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). Thus, reinsurers rated BBB or better accounted for at least 70% (year-end 2018) and 60% (year-end 2017) of the credit risk exposure relating to reinsurers. When classifying reinsurers by credit rating group, we considered the credit rating of each individual reinsurer, also where the reinsurer is part of a group. Often such reinsurers are unrated subsidiaries, while the parent company has a credit rating. We consider such a treatment conservative, as ordinarily a controlling company takes action if a subsidiary gets into trouble.

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

Receivables ageing analysis

(EUR) 31/12/2018	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	42,569,511	11,774,547	2,150,104	56,494,162
Receivables due from insurance intermediaries	757,823	1,224,927	30,640	2,013,390
Other receivables arising out of primary insurance business	192,572	215,837	124,026	532,435
Receivables for premiums arising out of assumed reinsurance and co-insurance	53,846,411	7,898,864	5,748,499	67,493,774
Receivables for reinsurers' shares in claims	4,248,950	586,942	356,033	5,191,925
Other receivables from co-insurance and reinsurance	504,830	139,043	0	643,873
Other short-term receivables arising out of insurance business	1,311,217	634,873	871,748	2,817,838
Short-term receivables arising out of financing	935,154	4,077	43,049	982,280
Current tax assets	169,727	0	0	169,727
Other short-term receivables	3,836,984	271,057	102,566	4,210,607
Total	**108,373,179**	**22,750,167**	**9,426,665**	**140,550,011**

(EUR) 31/12/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	37,365,349	9,999,372	2,588,030	49,952,751
Receivables due from insurance intermediaries	910,753	1,269,562	39,911	2,220,226
Other receivables arising out of primary insurance business	106,151	66,590	5,989	178,730
Receivables for premiums arising out of assumed reinsurance and co-insurance	57,750,077	9,206,356	5,016,407	71,972,840
Receivables for reinsurers' shares in claims	2,734,526	2,580,876	521,520	5,836,922
Other receivables from co-insurance and reinsurance	343,008	17,787	0	360,795
Other short-term receivables arising out of insurance business	1,832,858	404,434	48,324	2,285,616
Short-term receivables arising out of financing	777,596	15,578	42,468	835,642
Current tax assets	17,822	0	0	17,822
Other short-term receivables	4,369,177	341,327	83,677	4,794,181
Total	**106,207,317**	**23,901,882**	**8,346,326**	**138,455,525**

Receivables are discussed in greater detail in note 10.

17.6.4 Operational risks

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

Operational risks are not among the Group's most significant risks. Nevertheless, some of them are quite important, especially:

- risk associated with the computer and communication system,
- risk associated with supervision and reporting,
- risk of loss of key, expert and high-potential employees,
- risk of incorrect data input and inadequate documentation,
- risk of damage to physical assets due to natural disaster or fire,
- compliance risk (laws and regulations),
- risk of theft and fraud.

The Group calculates its capital requirements for operational risks using the Solvency II standard formula at least once annually. This calculation of operational risk, however, has only limited practical value as the formula is not based on the actual exposure of the Group to operational risk, but on an approximation calculated mainly based on consolidated premiums, provisions and expenses of the Group.

For this reason, the Group assesses operational risks qualitatively in the risk register, assessing their frequency and potential financial impact, while the EU-based (re)insurance companies additionally use scenario analysis. Through regular risk assessments, the Group companies obtain insight into the actual level of their exposure to such risks.

The Group is not exposed to any significant concentrations of operational risk.

Group companies have established processes for identifying, measuring, monitoring, managing and reporting on such risks for the effective management of operational risk. Operational risk management processes have been set up also at the Group level and are defined in the operational risk management policy.

The main measures of operational risk management on the individual company and the Group level include:

- maintaining an effective business processes management system and system of internal controls;
- awareness-raising and training of all employees on their role in the implementation of the internal control system and management of operational risks;
- implementing security policies regarding information security;
- having in place a business continuity plan for all critical processes (in order to minimise the risk of unpreparedness for incidents and external events and any resulting business interruption);
- having in place IT-supported processes and controls in the key areas of business of every Group company;
- awareness-raising and training of all employees.

In addition, the Group also manages operational risks through independent oversight implemented by internal audit.

We estimate that the Group's exposure to operational risks in 2018 was medium and remained at the same level as in 2017.

17.6.5 Strategic risks

The Group is exposed to a variety of internal and external strategic risks that may have a negative impact on the Group's income or capital adequacy.

The key strategic risks that the Group was exposed to in 2018 primarily include:

- risk of inadequate development strategy,
- risk associated with strategic investments,
- political risk,
- project risk,
- risk of market and economic conditions,
- reputation risk and
- regulatory risk.

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, the Group assesses strategic risks qualitatively in the risk register, assessing their frequency and potential financial severity. 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 changes in the exposure to this type of risk.

We perceived no concentration of strategic risk in 2018.

Group companies mitigate individual strategic risks mainly through preventive measures.

In addition to the competent organisational units in Group companies, it is also the executive management bodies, the risk management committees and the risk management functions that are actively involved in the identification and management of strategic risks. Strategic risks are additionally identified by the Group's risk management committee.

Strategic risks are also managed by continually monitoring the realisation of short- and long-term goals of Group companies, and by monitoring regulatory changes in the pipeline and market developments.

The Group is aware that reputation is important for realising its business goals and achieving strategic plans in the long term. The risk strategy therefore identifies reputation risk as a key risk, providing that each Group company must continually strive to minimise the likelihood of actions that could have a major impact on the their reputation or on the reputation of the Group as a whole. In addition, Group companies have taken steps aimed at mitigating the reputation risk, such as setting up fit and proper procedures applicable to key employees, ensuring systematic operations of their respective compliance functions, having in place business continuity plans, developing stress tests and scenarios, and planning actions and response in case risks materialise. Risks related to reputation are also managed through seeking to improve services, timely and accurate reporting to supervisory bodies, and well-planned public communication. A crucial factor in ensuring good reputation and successful performance is the quality of services; therefore, each and every employee is responsible for improving the quality of services and customer satisfaction.

The Group manages and mitigates regulatory risk by continually monitoring the anticipated legislative changes in all countries where Group companies are established, and by assessing their potential impact on the operations of the Group in the short and long term. All Group companies have established compliance functions to monitor and assess the adequacy and effectiveness of regular procedures and measures taken to remedy any deficiencies in the Group's compliance with the law and regarding other commitments.

We estimate that the Group's exposure to strategic risks in 2018 was medium and remained at the same level as in 2017.

17.7 Notes to the consolidated financial statements – statement of financial position

1) Intangible assets

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

(EUR)	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
01/01/2018	11,062,977	14,548,585	0	3,883,806	15,292,194	44,787,562
Additions – acquisition of subsidiary	410,660	14,552,443	7,205	0	0	14,970,308
Additions	1,494,480	0	35,953	339,216	314,354	2,184,003
Disposals	-30,084	0	0	0	-175,654	-205,738
Impairments	0	-94,907	0	0	0	-94,907
Exchange differences	-12,610	0	0	0	-1	-12,611
31/12/2018	12,925,423	29,006,121	43,158	4,223,022	15,430,893	61,628,617
Accumulated amortisation						
01/01/2018	8,074,618	0	0	0	14,000,000	22,074,618
Additions – acquisition of subsidiary	366,978	0	7,205	0	0	374,183
Additions	1,091,421	0	0	0	1,000,000	2,091,421
Disposals	-20,899	0	0	0	0	-20,899
Exchange differences	-11,824	0	0	0	0	-11,824
31/12/2018	9,500,294	0	7,205	0	15,000,000	24,507,499
Carrying amount as at 01/01/2018	**2,988,359**	**14,548,585**	**0**	**3,883,806**	**1,292,194**	**22,712,945**
Carrying amount as at 31/12/2018	**3,425,129**	**29,006,121**	**35,953**	**4,223,022**	**430,893**	**37,121,118**

(EUR)	Software	Goodwill	Deferred acquisition costs	Other intangible assets	Total
Cost					
01/01/2017	10,482,029	14,548,585	3,424,663	15,340,708	43,795,984
Additions	1,078,694	0	0	0	1,078,694
Disposals	-543,742	0	459,143	-48,639	-133,238
Impairments	0	0	0	0	0
Exchange differences	45,996	0	0	125	46,121
31/12/2017	11,062,977	14,548,585	3,883,806	15,292,194	44,787,562
Accumulated amortisation					
01/01/2017	7,287,402	0	0	11,000,000	18,287,402
Additions	1,141,649	0	0	3,000,000	4,141,649
Disposals	-396,038	0	0	0	-396,038
Exchange differences	41,605	0	0	0	41,605
31/12/2017	8,074,618	0	0	14,000,000	22,074,618
Carrying amount as at 01/01/2017	**3,194,627**	**14,548,585**	**3,424,663**	**4,340,708**	**25,508,581**
Carrying amount as at 31/12/2017	**2,988,359**	**14,548,585**	**3,883,806**	**1,292,194**	**22,712,944**

In 2018, the Group acquired four companies (TBS Team 24, Sava Penzisko Društvo, Sava Terra and Energoprojekt Garant, the latter being merged with Sava Neživotno Osiguranje (SRB) at the end of the year), while goodwill impairment testing indicated that goodwill impairment losses needed to be recognised for Sava Osiguruvanje (MKD).

The increase in goodwill arising out of the acquisition of Sava Penzisko Društvo and TBS Team 24 is temporary in nature, as the Company will consider reclassifying part of the goodwill to customer lists within one year to allocate the purchase price in accordance with IFRS 3.

Movement in goodwill

Goodwill relates to the acquisition of the following companies: Sava Neživotno Osiguranje (SRB), Sava Osiguranje (MNE), Zavarovalnica Sava, Sava Agent, Sava Pokojninska, TBS Team 24 and Sava Penzisko Društvo. As at year-end 2018, goodwill totalled EUR 29.0 million (31/12/2017: EUR 14.5 million). Each of the listed companies is treated as a cash-generating unit. The table below shows the value of goodwill for each cash-generating unit.

Movement in goodwill in 2018

(EUR)	
Total amount carried over at 31/12/2017	**14,548,585**
Additions in current year	**14,552,443**
TBS Team 24	2,787,676
Sava Neživotno Osiguranje (SRB)	54,356
Sava Penzisko Društvo	11,710,411
Disposals in current year	**-94,907**
Sava Osiguruvanje (MKD)	-94,907
Balance at 31/12/2018	**29,006,121**
Sava Neživotno Osiguranje (SRB)	4,565,229
Sava Osiguranje (MNE)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Sava Pokojninska	1,529,820
TBS Team 24	2,787,676
Sava Penzisko Društvo	11,710,411

* The increase reflects the acquisition of Energoprojekt Garant.

Movement in goodwill in 2017

(EUR)	
Total amount carried over at 31/12/2016	**14,548,585**
Disposals in current year	**0**
Balance at 31/12/2017	**14,548,585**
Sava Neživotno Osiguranje (SRB)	4,510,873
Sava Osiguruvanje (MKD)	94,907
Sava Osiguranje (MNE)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Sava Pokojninska	1,529,820

Method of calculating value in use

Value in use for each cash-generating unit is calculated using the discounted cash flow method (DCF method). The budget projections of the CGUs and their estimate of the long-term results achievable are used as a starting point. Value in use is determined by reference to free cash flows discounted at an appropriate discount rate.

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

The discount rate is made up of the following:

- The risk-free rate of return is based on the mean yield to maturity of 10-year European government bonds (of only countries with an AAA credit rating). Data is taken from the European Central Bank (Euro-area yield curve), specifically for the period from 1 January 2008 to 31 December 2018 (considered are monthly returns). The risk-free rate of return has been additionally adjusted by the difference in the long-term expected inflation between the European Union and the country in which the assessed company is based.
- The equity risk premium has been taken from the publication of KPMG Netherlands "Equity market risk premium", Research Summary, November 2018. It has been additionally verified using Duff & Phelps "2018 Valuation Handbook, Guide to Cost of Capital" (source: published by the Slovenian Institute of Auditors).
- Tax rates included in the discount rate calculation are the applicable tax rates in individual countries where companies operate.
- Beta has been taken from the InFront Analytics database, separate for life insurers and non-life insurers. A 5-year beta has been taken into account based on weekly yields for European insurance companies.
- Country risk premiums have been estimated taking into account the difference in yields between 10-year European government bonds (European Central Bank data) and yield to maturity of local government bonds for the country in which the assessed company is based. Based on monthly yields, we estimated the country risk premium as the median value of the differences between the two yields for the period from 1 January 2008 to 31 December 2018. For countries where government bond yields were not available, bond yields of countries with a comparable credit rating were taken.

Discount rates used in goodwill impairment testing in 2018

	Discount factor
Sava Neživotno Osiguranje (SRB)	13.5%
Sava Životno Osiguranje (SRB)	14.2%
Sava Osiguranje (MNE)	13.1%
Sava Osiguruvanje (MKD)	12.7%
Illyria	13.2%
Illyria Life	14.0%
Sava Penzisko Društvo	13.6%
Sava Pokojninska	11.4%
TBS Team 24	17.4%

The bases for the testing of value in use are prepared in several phases. In phase one, the Company prepares three- or five-year projections of performance results for each company as part of the regular planning process unified Group-wide. These strategic plans are approved by the controlling company and relevant governance body. Based on such medium-term plans, the controlling company then makes extrapolations for those companies for which it is reasonable to assume that a normal volume of business has not yet been achieved (one where the capital required for an insurance company to operate under local regulations would be fully engaged and the minimum capital calculation using premium or loss ratios larger or equal to the lower limit of prescribed capital). In all their markets, insurance penetration (gross premiums written to gross domestic product) is relatively low. However, insurance penetration is expected to increase significantly due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Western Balkan markets, which have a relatively low penetration level, are expected to see a faster growth of gross premiums compared to the expected growth in GDP.

To estimate the residual value used in the calculation of the estimated value of equity, the calculation considers normalised cash flow in the last year of the forecast made using the Gordon growth model, where the expected long-term growth rate of net cash flow (g) generally does not exceed the long-term inflation rate expected for a market.

Goodwill impairment testing

In the impairment testing of goodwill arising out of the acquired companies listed at the beginning of this section, the recoverable amount of each cash-generating unit exceeded its carrying amount including goodwill belonging to the unit, except with Sava Osiguruvanje (MKD) for which goodwill impairment losses totalled EUR 94,907.

2) Property, plant and equipment

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

(EUR)	Land	Buildings	Equipment	Other property, plant and equipment	Total
Cost					
01/01/2018	7,834,841	49,629,117	23,976,932	242,407	81,683,298
Additions – acquisition of subsidiary	0	0	288,219	252,927	541,146
Additions	134,370	226,051	2,369,932	79,466	2,809,819
Reallocations	5,811	602,629	-67,518	-32,885	508,037
Disposals	-3,931	-215,910	-2,202,870	-77,718	-2,500,429
Impairment	-346,445	-2,201,472	0	0	-2,547,917
Exchange differences	3,123	-8,335	145	192	-4,875
31/12/2018	7,627,768	48,032,080	24,364,840	464,389	80,489,079
Accumulated depreciation					
01/01/2018	0	17,924,007	18,243,994	77,283	36,245,284
Additions – acquisition of subsidiary	0	0	235,444	146,417	381,861
Additions	0	1,285,348	1,829,177	48,064	3,162,589
Reallocations	0	-28,177	-45,756	-3,220	-77,153
Disposals	0	-112,469	-1,935,825	-62,865	-2,111,159
Exchange differences	0	-5,316	-460	1	-5,775
31/12/2018	0	19,063,393	18,326,574	205,680	37,595,647
Carrying amount as at 01/01/2018	**7,834,841**	**31,705,110**	**5,732,938**	**165,124**	**45,438,014**
Carrying amount as at 31/12/2018	**7,627,768**	**28,968,687**	**6,038,266**	**258,709**	**42,893,432**

(EUR)	Land	Buildings	Equipment	Other property, plant and equipment	Total
Cost					
01/01/2017	8,030,475	54,625,070	24,272,128	218,004	87,145,677
Additions – acquisition of subsidiary	0	0	0	0	0
Additions	90,522	3,048,978	1,937,007	28,133	5,104,640
Reallocations	-280,665	-7,393,827	0	0	-7,674,492
Disposals	-5,490	-205,855	-2,299,881	-7,733	-2,518,959
Impairment	0	-617,045	0	0	-617,045
Exchange differences	0	171,796	67,678	4,003	243,477
31/12/2017	7,834,841	49,629,117	23,976,932	242,407	81,683,298
Accumulated depreciation					
01/01/2017	0	17,107,342	18,072,626	78,583	35,258,551
Additions	0	0	0	0	0
Reallocations	0	1,229,690	2,078,597	4,357	3,312,644
Disposals	0	-246,361	0	0	-246,361
Impairment	0	-212,715	-1,953,210	-5,737	-2,171,662
Exchange differences	0	46,051	45,981	80	92,112
31/12/2017	0	17,924,007	18,243,994	77,283	36,245,284
Carrying amount as at 01/01/2017	**8,030,475**	**37,517,728**	**6,199,502**	**139,421**	**51,887,127**
Carrying amount as at 31/12/2017	**7,834,841**	**31,705,110**	**5,732,938**	**165,124**	**45,438,014**

Impairment losses on land and buildings of EUR 2.5 million relate to a recognised impairment made following the independent appraisal of an own use property in Serbia.

Property, plant and equipment assets have not been acquired by finance lease and are unencumbered by third-party rights.

The fair values of land and buildings are disclosed in note 27 “Fair values of assets and liabilities”.

3) Deferred tax assets and liabilities

(EUR)	31/12/2018	31/12/2017
Deferred tax assets	1,950,245	2,107,564
Deferred tax liabilities	-3,529,235	-5,781,494
Total net deferred tax assets/liabilities	**-1,578,990**	**-3,673,930**

Movement in deferred tax assets

(EUR)	01/01/2018	Recognised in the IS	Recognised in the SOCI	31/12/2018
Long-term financial investments	1,050,453	281,701	244,858	1,577,012
Short-term operating receivables	356,676	-24,331	0	332,345
Provisions for jubilee benefits and severance pay (retirement)	700,435	-637,980	-21,567	40,888
Total	**2,107,564**	**-380,610**	**223,291**	**1,950,245**

(EUR)	01/01/2017	Recognised in the IS	Recognised in the SOCI	31/12/2017
Long-term financial investments	1,386,480	-330,922	-5,105	1,050,453
Short-term operating receivables	239,298	117,378	0	356,676
Provisions for jubilee benefits and severance pay (retirement)	700,285	70,374	-70,224	700,435
Total	**2,326,063**	**-143,170**	**-75,329**	**2,107,564**

Movement in deferred tax liabilities

(EUR)	01/01/2018	Recognised in the IS	Recognised in the SOCI	Acquisition, subsidiary	31/12/2018
Long-term financial investments	-5,781,494	944,527	1,458,876	-151,144	-3,529,235

(EUR)	01/01/2017	Recognised in the IS	Recognised in the SOCI	31/12/2017
Long-term financial investments	-6,038,631	230,524	26,613	-5,781,494

4) Investment property

Movement in cost and accumulated depreciation of investment property

(EUR)	Land	Buildings	Equipment	Total
Cost				
01/01/2018	2,557,131	13,922,645	0	16,479,776
Additions – acquisition of subsidiary	0	6,598,556	0	6,598,556
Additions	0	289,546	63,116	352,662
Reallocations	-5,811	-602,629	100,403	-508,037
Disposals	-70,346	-101,209	-13,316	-184,871
Exchange differences	1,949	6,008	0	7,957
31/12/2018	2,482,923	20,112,917	150,203	22,746,043
Accumulated depreciation				
01/01/2018	28,790	1,086,802	0	1,115,592
Additions – acquisition of subsidiary	0	704,001	0	704,001
Additions	0	206,949	12,137	219,086
Reallocations	0	28,177	48,976	77,153
Disposals	0	-34,326	-13,302	-47,628
Impairment	0	34,509	0	34,509
Exchange differences	-183	494	0	311
31/12/2018	28,607	2,026,606	47,811	2,103,024
Carrying amount as at 01/01/2018	**2,528,341**	**12,835,844**	**0**	**15,364,184**
Carrying amount as at 31/12/2018	**2,454,316**	**18,086,311**	**102,392**	**20,643,019**

(EUR)	Land	Buildings	Total
Cost			
01/01/2017	775,979	7,848,997	8,624,976
Additions	8,467	664,945	673,412
Reallocations	1,772,412	5,829,584	7,601,996
Impairment	0	-546,740	-546,740
Exchange differences	273	125,859	126,132
31/12/2017	2,557,131	13,922,645	16,479,776
Accumulated depreciation			
01/01/2017	28,517	662,673	691,190
Additions	0	168,444	168,444
Reallocations	0	246,361	246,361
Exchange differences	273	9,324	9,597
31/12/2017	28,790	1,086,802	1,115,592
Carrying amount as at 01/01/2017	**747,462**	**7,186,324**	**7,933,786**
Carrying amount as at 31/12/2017	**2,528,341**	**12,835,844**	**15,364,184**

The increase in investment property assets is a result of the acquisition of Sava Terra and Energoprojekt Garant (subsequently merged with Sava Neživotno Osiguranje) in the amount of EUR 5.8 million and new purchases recognised of EUR 0.3 million.

No impairment losses on buildings were recognised in 2018; the impairment loss of EUR 0.5 million recognised in 2017 related to impairment after an independent valuation in Serbia.

In 2018 the Group generated income of EUR 1,146,475 by leasing out its investment property (2017: EUR 514,115). Maintenance costs associated with investment property are either included in the rent or charged to the lessee. Costs covered by the Group in 2018 totalled EUR 201,368 (2017: EUR 166,161).

The Group's investment properties are unencumbered by any third-party rights.

The fair values of investment property are disclosed in note 27 "Fair values of assets and liabilities".

5) Financial investments in associates

(EUR)	01/01/2018		Additions		Attributed profit or loss	31/12/2018		Share of voting rights (%)
	Holding	Value	Holding	Value		Holding	Value	
ZTSR	0.00%	0	50.00%	125,000	-22,440	50.00%	102,560	50.00%
G2I	0.00%	0	17.50%	394,197	-33,784	17.50%	360,414	25.00%
Total		**0**		**519,197**	**-56,224**		**462,974**	

(EUR)	31/12/2018
ZTSR	
Value of assets	220,564
Liabilities	15,444
Equity	205,120
Income	0
Net profit or loss for the period	-44,880
Part of the profit or loss attributable to the Group	-22,440
G2I	
Value of assets	813,069
Liabilities	5,266
Equity	807,803
Income	121
Net profit or loss for the period	-193,050
Part of the profit or loss attributable to the Group	-33,784

6) Financial investments

(EUR) 31/12/2018	Held-to-maturity	At fair value through P/L Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**77,122,037**	**10,884,728**	**833,260,563**	**27,267,037**	**948,534,365**
Deposits and CDs	0	1,589,488	0	26,150,797	27,740,285
Government bonds	75,748,901	350,731	474,616,968	0	550,716,600
Corporate bonds	1,373,136	8,944,509	358,643,595	0	368,961,240
Loans granted	0	0	0	1,116,240	1,116,240
Equity instruments	**0**	**1,530,948**	**46,492,307**	**0**	**48,023,255**
Shares	0	527,569	15,148,047	0	15,675,616
Mutual funds	0	1,003,379	31,344,260	0	32,347,639
Investments in infrastructure funds	**0**	**0**	**5,264,540**		**5,264,540**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**6,275,310**	**6,275,310**
Total	**77,122,037**	**12,415,676**	**885,017,410**	**33,542,347**	**1,008,097,470**

(EUR) 31/12/2017	Held-to-maturity	At fair value through P/L Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**106,232,327**	**4,998,211**	**849,482,348**	**22,197,196**	**982,910,082**
Deposits and CDs	0	0	0	21,605,211	21,605,211
Government bonds	106,033,885	1,479,811	459,002,227	0	566,515,923
Corporate bonds	198,442	3,518,400	390,480,121	0	394,196,963
Loans granted	0	0	0	591,985	591,985
Equity instruments	**0**	**1,219,659**	**48,162,931**	**0**	**49,382,590**
Shares	0	561,191	16,963,643	0	17,524,834
Mutual funds	0	658,468	31,199,288	0	31,857,756
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**5,832,347**	**5,832,347**
Total	**106,232,327**	**6,217,870**	**897,645,279**	**28,029,543**	**1,038,125,019**

The Sava Re Group held 0.8% of financial investments constituting subordinated instruments for the issuer (31/12/2017: 0.2%).

No securities have been pledged as security by the Group.

Fair values of financial investments are shown in note 27.

7) Funds for the benefit of policyholders who bear the investment risk

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

(EUR) 31/12/2017	Held-to-maturity	At fair value through P/L Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Total
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,903,616	145,131,820	58,665,766	13,526,851	227,228,053

Investments for the benefit of life-insurance policyholders who bear the investment risk are investments placed by the Group insurer in line with requests of life insurance policyholders.

8) Reinsurers' share of technical provisions

(EUR)	31/12/2018	31/12/2017
From unearned premiums	5,796,346	8,826,773
From provisions for claims outstanding	21,496,404	21,960,468
Total	**27,292,750**	**30,787,241**

The reinsurers' and coinsurers' share of technical provisions fell by 11.4%, or EUR 3.5 million.

The largest contribution to the 34.3% decline in unearned premiums is the change in assistance business previously conducted through a reinsurance arrangement with an assistance provider. In 2018, however, the Group started using its own assistance network and stopped paying reinsurance premiums to the assistance provider, as a result of which no further unearned reinsurance premiums were set aside in this regard.

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 2018, the reinsurers' share of claims provisions dropped by 2.1%. This is because the additions made for the motor liability excess of loss cover for the Group portfolio and the inwards property excess of loss cover relating to typhoon Jebi in Japan were offset by a decrease due to pay-outs and releases of retroceded provisions of the previous year relating to individual property claims on the Group and non-Group portfolios and due to the mentioned change in conducting assistance business.

9) Investment contract assets and liabilities

As at the end of 2015, the controlling company acquired the Sava Pokojninska pension company, previously accounted for as an associate. The Group had EUR 135.6 million (2017: EUR 129.6 million) of assets and EUR 135.4 million (2017: EUR 129.5 million) of investment contract liabilities. The Group's investment contracts include a group of life cycle funds called MOJI skladi življenjskega cikla (MY life-cycle funds), relating to supplementary pension business of the company Sava Pokojninska in the accumulation phase. Sava Pokojninska started managing the group of long-term business funds MOJI skladi življenjskega cikla on 1 January 2016. They comprise three funds: MOJ dinamični sklad (MY Dynamic Fund), and MOJ uravnoteženi sklad (MY Balanced Fund), and MOJ zajamčeni sklad (MY Guaranteed Fund). Further details on the risks associated with investment contracts are provided in section 17.7.2 "Investment contract risk".

Investment contract assets

(EUR)	31/12/2018	31/12/2017
Financial investments	115,619,693	114,570,149
Investment property	490,000	490,000
Receivables	8,940	9,525
Cash and cash equivalents	19,468,332	14,552,458
Total	**135,586,965**	**129,622,131**

(EUR) 31/12/2018	Held to maturity	At fair value through P/L	Loans and receivables	Investment property	Total
		Non-derivative			
		Designated to this category			
Debt instruments	50,552,225	48,429,039	0	0	98,981,264
Equity instruments	0	16,638,522	0	0	16,638,522
Total financial investments	**50,552,225**	**65,067,561**	**0**	**0**	**115,619,786**
Cash and receivables	0	0	19,477,179	0	19,477,179
Investment property	0	0	0	490,000	490,000
Total assets from investment contracts	**50,552,225**	**65,067,561**	**19,477,179**	**490,000**	**135,586,965**

(EUR) 31/12/2017	Held to maturity	At fair value through P/L	Loans and receivables	Investment property	Total
		Non-derivative			
		Designated to this category			
Debt instruments	46,485,779	50,692,041	0	0	97,177,820
Equity instruments	0	17,392,329	0	0	17,392,329
Total financial investments	**46,485,779**	**68,084,370**	**0**	**0**	**114,570,149**
Cash and receivables	0	0	14,561,982	0	14,561,982
Investment property	0	0	0	490,000	490,000
Total assets from investment contracts	**46,485,779**	**68,084,370**	**14,561,982**	**490,000**	**129,622,131**

Assets from investment contracts by level of the fair value hierarchy

31/12/2018	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Assets from investment contracts measured at fair value	**65,067,561**	**50,649,029**	**13,515,166**	**903,365**	**65,067,561**	**0**
At fair value through P/L	**65,067,561**	**50,649,029**	**13,515,166**	**903,365**	**65,067,561**	**0**
Designated to this category	**65,067,561**	**50,649,029**	**13,515,166**	**903,365**	**65,067,561**	**0**
Deposits and CDs	48,429,039	34,401,477	13,124,196	903,365	48,429,039	0
Bonds	16,638,522	16,247,552	390,970		16,638,522	0
Assets from investment contracts not measured at fair value	**70,029,404**	**34,180,466**	**41,799,071**	**0**	**75,979,538**	**5,950,133**
Held-to-maturity assets	**50,552,225**	**14,703,287**	**41,799,071**	**0**	**56,502,358**	**5,950,133**
Debt instruments	50,552,225	14,703,287	41,799,071	0	56,502,358	5,950,133
Cash and receivables	**19,477,179**	**19,477,179**	**0**		**19,477,179**	**0**
Investment property	**490,000**	**0**	**0**	**490,000**	**490,000**	**0**
Total assets from investment contracts	**135,586,965**	**84,829,495**	**55,314,237**	**1,393,365**	**141,537,098**	**5,950,133**

31/12/2017	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Assets from investment contracts measured at fair value	**68,084,370**	**60,081,352**	**6,639,354**	**1,363,664**	**68,084,370**	**0**
At fair value through P/L	**68,084,370**	**60,081,352**	**6,639,354**	**1,363,664**	**68,084,370**	**0**
Designated to this category	**68,084,370**	**60,081,352**	**6,639,354**	**1,363,664**	**68,084,370**	**0**
Deposits and CDs	50,692,041	42,901,893	6,426,484	1,363,664	50,692,041	0
Bonds	17,392,329	17,179,459	212,870	0	17,392,329	0
Assets from investment contracts not measured at fair value	**61,047,762**	**47,017,167**	**21,720,548**	**0**	**68,737,715**	**7,689,954**
Held-to-maturity assets	**46,485,779**	**32,455,184**	**21,720,548**	**0**	**54,175,733**	**7,689,954**
Debt instruments	46,485,779	32,455,184	21,720,548	0	54,175,733	7,689,954
Cash and receivables	**14,561,982**	**14,561,982**	**0**	**0**	**14,561,982**	**0**
Investment property	**490,000**	**0**	**0**	**490,000**	**490,000**	**0**
Total assets from investment contracts	**129,622,131**	**107,098,519**	**28,359,902**	**1,853,664**	**137,312,085**	**7,689,954**

Investment contract liabilities

(EUR)	31/12/2018	31/12/2017
Net liabilities to pension policyholders	134,926,064	128,862,922
Other liabilities	613,674	759,210
TOTAL IN LIABILITY FUND OF VSPI BALANCE SHEET	**135,539,738**	**129,622,132**
Internal relations between the company and life ins. liability fund	-98,231	-139,098
TOTAL IN BALANCE SHEET	**135,441,508**	**129,483,034**

Movement in investments, and income and expenses relating to investment contract assets measured at fair value – Level 3

(EUR)	Debt instruments	
	31/12/2018	31/12/2017
Opening balance	**1,363,664**	**1,431,632**
Additions	913,701	1,363,664
Disposal	0	-316,429
Maturity	-1,374,000	-1,115,203
Closing balance	**903,365**	**1,363,664**
Income	15,610	17,410
Expenses	0	-163

The pension company eliminates internal relations of the joint balance sheet, thus liabilities to pension policyholders exceed liabilities from investment contracts. Internal transactions between the group of My-Life-cycle long-term business funds and the pension company were eliminated in the balance sheet. These include entry charges and management fees for the current month, which may be recognised upon conversion or when credited to personal accounts.

Liabilities in the balance sheet of the long-term liability fund of the voluntary supplementary pension insurance are mostly long-term. These are liabilities relating to the voluntary supplementary pension life liability fund for premiums paid, guaranteed return and the return in excess of guaranteed return (provisions).

10) Receivables

Receivables increased by EUR 2.1 million compared to year-end 2017.

This increase mostly stemmed from the non-life segment as a result of growth in gross premiums written, which had an effect on the total increase of this item. In the ageing analysis, the largest increase was in not-past-due receivables arising out of primary insurance business.

By contrast, receivables arising out of reinsurance and co-insurance business declined by EUR 0.4 million.

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

Receivables by type

(EUR)	31/12/2018			31/12/2017		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	147,595,873	-23,607,937	123,987,936	148,688,925	-26,763,334	121,925,591
Receivables due from insurance intermediaries	3,085,381	-1,071,991	2,013,390	3,117,305	-897,079	2,220,226
Other receivables arising out of primary insurance business	662,312	-129,877	532,435	311,426	-132,696	178,730
Receivables arising out of primary insurance business	**151,343,566**	**-24,809,805**	**126,533,761**	**152,117,656**	**-27,793,109**	**124,324,547**
Receivables for shares in claims payments	5,368,904	-176,979	5,191,925	6,013,897	-176,975	5,836,922
Other receivables from co-insurance and reinsurance	643,873	0	643,873	360,795	0	360,795
Receivables arising out of reinsurance and co-insurance business	**6,012,777**	**-176,979**	**5,835,798**	**6,374,692**	**-176,975**	**6,197,717**
Current tax assets	169,727	0	169,727	17,822	0	17,822
Other short-term receivables arising out of insurance business	21,724,100	-18,906,262	2,817,838	22,890,785	-20,605,169	2,285,616
Receivables arising out of investments	2,222,130	-1,239,850	982,280	2,047,648	-1,212,006	835,642
Other receivables	5,591,808	-1,381,201	4,210,607	6,231,887	-1,437,706	4,794,181
Other receivables	**29,538,038**	**-21,527,313**	**8,010,725**	**31,170,320**	**-23,254,881**	**7,915,439**
Total	**187,064,108**	**-46,514,097**	**140,550,011**	**189,680,490**	**-51,224,965**	**138,455,525**

Net receivables ageing analysis

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

(EUR) 31/12/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	95,115,426	19,205,728	7,604,437	121,925,591
Receivables due from insurance intermediaries	910,753	1,269,562	39,911	2,220,226
Other receivables arising out of primary insurance business	106,151	66,590	5,989	178,730
Receivables arising out of primary insurance business	**96,132,330**	**20,541,880**	**7,650,337**	**124,324,547**
Receivables for reinsurers' shares in claims	2,734,526	2,580,876	521,520	5,836,922
Other receivables from co-insurance and reinsurance	343,008	17,787	0	360,795
Receivables arising out of reinsurance and co-insurance business	**3,077,534**	**2,598,663**	**521,520**	**6,197,717**
Current tax assets	**17,822**	**0**	**0**	**17,822**
Other short-term receivables arising out of insurance business	1,832,858	404,434	48,324	2,285,616
Short-term receivables arising out of financing	777,596	15,578	42,468	835,642
Other short-term receivables	4,369,177	341,327	83,677	4,794,181
Other receivables	**6,979,631**	**761,339**	**174,469**	**7,915,439**
Total	**106,207,317**	**23,901,882**	**8,346,326**	**138,455,525**

All receivables are current. For all receivables that have already fallen due, allowances have been recognised relating to individual classes of similar risks into which receivables are classified. Major items of receivables have been tested individually and since only minor indications of impairment have been found, these are included in collective impairment.

The Group's other short-term receivables arising out of insurance business comprise recourse receivables.

Movement in allowance for receivables

(EUR) 31/12/2018	01/01/2018	Additions	Collection	Write-offs	Exchange differences	31/12/2018
Receivables due from policyholders	-26,763,334	-1,214,542	684,003	3,680,207	5,729	-23,607,937
Receivables due from insurance intermediaries	-897,079	-265,231	81,949	8,382	-12	-1,071,991
Other receivables arising out of primary insurance business	-132,696	-6,643	8,621	0	841	-129,877
Receivables arising out of primary insurance business	**-27,793,109**	**-1,486,416**	**774,573**	**3,688,589**	**6,558**	**-24,809,805**
Receivables for shares in claims payments	-176,975	0	0	0	-4	-176,979
Receivables arising out of reinsurance and co-insurance business	**-176,975**	**0**	**0**	**0**	**-4**	**-176,979**
Other short-term receivables arising out of insurance business	-20,605,169	-276,336	4,646	1,957,362	13,235	-18,906,262
Receivables arising out of investments	-1,212,006	-27,058	0	0	-786	-1,239,850
Other short-term receivables	-1,437,706	-27,429	39,970	44,708	-744	-1,381,201
Other receivables	**-23,254,881**	**-330,823**	**44,616**	**2,002,070**	**11,705**	**-21,527,313**
Total	**-51,224,965**	**-1,817,239**	**819,189**	**5,690,659**	**18,259**	**-46,514,097**

(EUR) 01/01/2017	01/01/2017	Transfer	Additions	Collection	Write-offs	Exchange differences	31/12/2017
Receivables due from policyholders	-28,295,242	-427,794	-315,812	425,101	1,915,394	-64,981	-26,763,334
Receivables due from insurance intermediaries	-636,693	0	-271,945	17,670	7,897	-14,008	-897,079
Other receivables arising out of primary insurance business	-134,423	0	-3,343	6,341	0	-1,271	-132,696
Receivables arising out of primary insurance business	**-29,066,358**	**-427,794**	**-591,100**	**449,112**	**1,923,291**	**-80,260**	**-27,793,109**
Receivables for premiums arising out of reinsurance and co-insurance	-427,794	427,794	0	0	0	0	0
Receivables for shares in claims payments	-76,896	0	-100,000	0	0	-79	-176,975
Receivables arising out of reinsurance and co-insurance business	**-504,690**	**427,794**	**-100,000**	**0**	**0**	**-79**	**-176,975**
Other short-term receivables arising out of insurance business	-21,985,030	0	5,090	29	1,427,064	-52,322	-20,605,169
Receivables arising out of investments	-1,136,608	0	-36,212	0	0	-39,186	-1,212,006
Other short-term receivables	-1,249,866	0	-296,471	123,118	0	-14,487	-1,437,706
Other receivables	**-24,371,504**	**0**	**-327,593**	**123,147**	**1,427,064**	**-105,995**	**-23,254,881**
Total	**-53,942,552**	**0**	**-1,018,693**	**572,259**	**3,350,355**	**-186,334**	**-51,224,965**

11) Deferred acquisition costs

Deferred acquisition costs

(EUR)	31/12/2018	31/12/2017
Short-term deferred acquisition costs	13,796,927	11,896,165
Short-term deferred reinsurance acquisition costs	5,962,307	6,611,029
Total	**19,759,234**	**18,507,194**

Deferred acquisition costs comprise short-term deferred policy acquisition costs that are gradually taken to acquisition costs in 2019.

12) Other assets

Other assets

(EUR)	31/12/2018	31/12/2017
Inventories	83,160	77,765
Other short-term accrued income and deferred expenses	1,981,060	1,965,630
Total	**2,064,220**	**2,043,395**

The other short-term accrued income and deferred expenses item mainly includes prepaid costs of insurance licences, and other costs paid in advance.

13) Cash and cash equivalents

(EUR)	31/12/2018	31/12/2017
Cash in hand	23,867	25,546
Cash in bank accounts	25,830,801	10,759,226
Call and overnight deposits, and deposits of up to 3 months	38,802,763	27,171,347
Total	**64,657,431**	**37,956,119**

Cash equivalents comprises demand deposits and deposits placed with an original maturity of up to three months. The increase in cash compared to year-end 2017 is related to the rise in interest rates expected in 2019 and the settlement of maturity benefits on life policies of Zavarovalnica Sava in January 2019.

14) Non-current assets held for sale

The amount of non-current assets held for sale rose compared to the previous year to EUR 49,890 (2017: EUR 648).

15) Share capital

As at 31 December 2018, the controlling company's share capital was divided into 17,219,662 shares (the same as at 31/12/2017). 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 2018, the Company's shareholders' register listed 4,073 shareholders (31/12/2017: 4,061 shareholders). The Company's shares are listed in the prime market of the Ljubljana Stock Exchange.

16) Capital reserves

A contra account of capital reserves includes the difference between market and book value of acquired non-controlling interests. The balance of capital reserves remained unchanged in 2018.

Movement in capital reserves

(EUR)	31/12/2018	31/12/2017
As at 01/01/	**43,035,948**	**43,681,441**
Acquisition of non-controlling interests by company	0	-645,493
Sava osiguruvanje (MKD)	0	930
Zavarovalnica Sava	0	-646,423
As at 31/12/	**43,035,948**	**43,035,948**

17) Profit reserves

(EUR)	31/12/2018	31/12/2017	Distributable/ non-distributable
Legal reserves and reserves provided for by the articles of association	11,704,009	11,578,919	non-distributable
Reserve for own shares	24,938,709	24,938,709	non-distributable
Catastrophe equalisation reserve	11,225,068	11,225,068	non-distributable
Other profit reserves	135,739,128	114,805,380	distributable
Total	**183,606,914**	**162,548,076**	

Under the law of certain markets where the Group is present, equalisation provisions and catastrophe equalisation provisions are treated as technical provisions. As these requirements are not IFRS-compliant, the Group carries these provisions within profit reserves. Additions are made to these provisions by establishing other reserves from net profit for the year (subject to resolution of the management and the supervisory boards), while a dismantling or release of the provision is taken to retained earnings.

In line with regulations, the management board or the supervisory board may, when adopting the annual report, allocate a part of net profit to other profit reserves, but not more than half of the net profit for the period. In 2018 other profit reserves increased on this basis. Other reserves are distributable. The management board has the power to propose the appropriation of reserves as part of distribution of distributable profit, which is subject to approval of the general meeting.

18) Own shares

As at 31 December 2018, the Group held a total of 1,721,966 own shares (2017: 1,721,966) with ticker POSR (accounting for 10% less one share of the issued shares) for a value of EUR 24,938,709 (2017: EUR 24,938,709).

Own shares are a contra account of equity.

19) Fair value reserve

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

(EUR)	2018	2017
As at 1 January	**18,331,697**	**17,458,948**
Change in fair value	-5,900,511	2,804,458
Transfer of the negative fair value reserve to the IS due to impairment	-1,943,975	-320,000
Transfer from fair value reserve to the IS due to disposal	-577,887	-1,633,218
Deferred tax	1,703,734	21,508
Total fair value reserve	**11,613,059**	**18,331,697**

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

20) Net profit or loss and retained earnings

The net profit for 2018 attributable to owners of the controlling company totalled EUR 42.8 million (2017: EUR 31.1 million). The management and supervisory boards have already allocated part of the net profit of EUR 20.9 million to other profit reserves. The remaining part of the net result of EUR 21.8 million is recognised as net profit for the financial year in the statement of financial position.

Net earnings/loss per share

(EUR)	31/12/2018	31/12/2017
Net profit or loss for the period	43,011,849	31,094,908
Net profit or loss attributable to owners of the controlling company	42,790,617	31,065,329
Weighted average number of shares outstanding	15,497,696	15,497,696
Net earnings/loss per share	**2.76**	**2.00**

Comprehensive income per share

(EUR)	31/12/2018	31/12/2017
Comprehensive income for the period	36,448,443	32,790,903
Comprehensive income for the owners of the controlling company	36,225,581	32,754,821
Weighted average number of shares outstanding	15,497,696	15,497,696
Comprehensive income per share	**2.34**	**2.11**

The weighted number of shares takes into account the annual average calculated on the basis of monthly averages of ordinary shares less the number of own shares. The weighted average number of shares outstanding in the financial period was 15,497,696 and the same as in 2017. The controlling company does not have potentially dilutive capital instruments, which is why basic earnings per share equal diluted earnings per share.

Retained earnings as at 31 December 2018 increased by EUR 2.0 million from 31 December 2017.

Retained earnings were strengthened by the transferred net profit for the previous year of EUR 14.5 million, but reduced by EUR 12.4 million for dividend payments and EUR 0.1 million allocated to legal reserves.

21) Non-controlling interest in equity

Non-controlling interest in equity

(EUR)	31/12/2018	31/12/2017
Sava osiguruvanje (MKD)	327,694	311,778
Sava Station	23,711	6,704
TBS Team 24	198,212	0
Total	**549,617**	**318,482**

22) Technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

Movement in gross technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

(EUR)	01/01/2018	Additions	Uses and releases	Additions – acquisition of subsidiary	Exchange differences	31/12/2018
Gross unearned premiums	171,857,259	149,811,879	-138,334,761	715,562	51,896	184,101,835
Technical provisions for life insurance business	271,409,915	24,754,377	-41,320,059	0	5,133	254,849,366
Gross provision for outstanding claims	479,072,582	197,150,744	-206,554,396	674,115	-285,484	470,057,561
Gross provision for bonuses, rebates and cancellations	1,780,231	1,432,153	-1,734,446	0	-272	1,477,666
Other gross technical provisions	7,278,375	8,693,992	-6,416,885	448,977	600	10,005,059
Total	**931,398,362**	**381,843,145**	**-394,360,547**	**1,838,654**	**-228,127**	**920,491,487**
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	226,527,893	23,197,649	-39,692,905	0	0	210,032,637

(EUR)	01/01/2017	Additions	Uses and releases	Exchange differences	31/12/2017
Gross unearned premiums	157,678,496	141,550,030	-127,482,731	111,464	171,857,259
Technical provisions for life insurance business	269,762,815	27,224,792	-25,683,754	106,062	271,409,915
Gross provision for outstanding claims	475,157,985	222,075,488	-212,492,995	-5,667,896	479,072,582
Gross provision for bonuses, rebates and cancellations	1,831,422	1,190,679	-1,242,492	622	1,780,231
Other gross technical provisions	6,790,605	6,485,437	-6,013,852	16,185	7,278,375
Total	**911,221,323**	**398,526,426**	**-372,915,824**	**-5,433,563**	**931,398,362**
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	226,994,200	40,415,998	-40,882,305	0	226,527,893

Consolidated gross technical provisions increased by 1.2% in 2018, the result of an increase in unearned premiums and a decline in mathematical and claims provisions.

- Unearned premiums grew by 7.1%, which stems from the growth in non-life gross premiums written.
- Mathematical provisions decreased by 6.1%, in line with the movement of the traditional life insurance portfolio: The lion's share of mathematical provisions relates to the mature portfolio of these policies in Slovenia, where many policies matured in 2018 (as reflected in the amount of maturity benefits payments made on policies), resulting in lower mathematical provisions of the Slovenian portfolio. Consolidated mathematical provisions, by contrast, increased due to the growth and maturing of life portfolios abroad as well as owing to the growing volume of pension business of Sava Pokojninska Družba.
- Claims provisions decreased by 1.9%, with the decrease due to settlement of past large losses from claims provisions and releases from past-year IBNR provisions partly offset by increases in the parent company (mostly relating to typhoon Jebi).
- The provision for bonuses, rebates and cancellations is a small part of technical provisions; the provision decreased in Zavarovalnica Sava.
- The provision for unexpired risks (shown under the other gross technical provisions item) decreased by 37.6%, primarily because of higher unearned premiums, constituting the basis for calculating these provisions.

The provision for the benefit of life insurance policyholders who bear the investment risk decreased by 7.3%, mainly on account of maturity benefit payments (similar to mathematical provisions).

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

(EUR)	Primary insurance	Reinsurance business	
31/12/2018	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	172,388	84.2%	0
Health	132,839	122.9%	93
Land vehicles casco	2,992,501	95.9%	0
Railway rolling stock	0	167.3%	18,471
Aircraft hull	0	104.3%	4,125
Ships hull	24,856	139.7%	565,258
Goods in transit	31,988	90.3%	0
Fire and natural forces	4,580,945	88.5%	0
Other damage to property	433,100	66.4%	0
Motor liability	697,615	90.9%	0
Aircraft liability	0	26.3%	0
Liability for ships	196	67.7%	0
General liability	187,765	57.0%	0
Credit	0	-13.1%	0
Suretyship	0	169.1%	50,325
Miscellaneous financial loss	49,550	63.8%	0
Legal expenses	0	33.2%	0
Assistance	63,040	13.7%	0
Life	0	55.1%	0
Unit-linked life	0	55.9%	0
Total	**9,366,784**	**86.1%**	**638,273**

(EUR) 31/12/2017	Primary insurance	Reinsurance business	
	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	383,534	91.6%	0
Health	160,216	128.3%	1,099
Land vehicles casco	1,629,518	98.6%	0
Railway rolling stock	0	41.8%	0
Aircraft hull	0	121.9%	9,168
Ships hull	55,003	127.3%	320,611
Goods in transit	23,616	78.5%	0
Fire and natural forces	3,887,561	90.8%	0
Other damage to property	309,943	60.1%	0
Motor liability	135,924	91.8%	0
Aircraft liability	0	59.5%	0
Liability for ships	5,823	73.1%	0
General liability	175,729	52.8%	0
Credit	1,187	-2.0%	0
Suretyship	0	180.3%	38,475
Miscellaneous financial loss	65,790	73.9%	0
Legal expenses	9,040	43.1%	0
Assistance	56,422	38.1%	0
Life	0	58.1%	0
Unit-linked life	0	55.4%	0
Total	**6,899,308**	**86.7%**	**369,353**

Combined ratios for primary insurance are not given as amounts relate to several Group members.

23) Other provisions

Other provisions mainly comprise provisions for long-term employee benefits of EUR 7.0 million (2017: EUR 6.9 million), as described in section 17.4.27 "Other provisions". The provisions increased mainly because of additions for current service costs in line with the method prescribed by IAS 19. Following is a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions that are recognised in equity.

Movement in the provision for severance pay upon retirement and jubilee benefits

(EUR)	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 01/01/2018	**4,164,948**	**2,782,483**	**6,947,431**
Interest expense (IS)	55,447	37,343	92,790
Current service cost (IS)	302,682	201,762	504,444
Past service cost (IS)	-42,140	-55,161	-97,301
Payout of benefits (-)	-30,816	-194,467	-225,283
Actuarial losses (IS)	0	-38,144	-38,144
Actuarial losses (SFP)	-190,794	-35,850	-226,644
Additions – acquisition of subsidiary	7,021	18,231	25,252
Exchange differences	-27	-277	-304
Balance as at 31/12/2018	**4,266,321**	**2,715,920**	**6,982,241**

(EUR)	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 01/01/2017	**4,331,830**	**2,988,983**	**7,320,813**
Interest expense (IS)	709	1,281	1,990
Current service cost (IS)	324,231	224,070	548,301
Past service cost (IS)	-1,025	12,730	11,705
Payout of benefits (-)	-102,925	-211,067	-313,992
Actuarial losses (IS)	0	-232,707	-232,707
Actuarial losses (SFP)	-389,847	-1,975	-391,822
Exchange differences	1,975	1,168	3,143
Balance as at 31/12/2017	**4,164,948**	**2,782,483**	**6,947,431**

Below we provide a sensitivity analysis of the provision for severance pay upon retirement and the provision for jubilee benefits.

Sensitivity	Provision for severance pay upon retirement		Provision for jubilee benefits	
Impact on the level of provisions (EUR)	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Decrease in discount rate of 1%	576,233	589,909	289,466	290,869
Increase in discount rate of 1%	-478,993	-490,130	-247,649	-248,998
Increase in real income growth of 0.5%	-256,792	-262,778	-119,091	-120,121
Increase in real income growth of 0.5 %	278,511	284,848	127,221	128,144
Decrease in staff turnover of 10%	134,392	132,770	71,880	72,066
Increase in staff turnover of 10 %	-127,432	-126,293	-68,621	-68,971
Decrease in mortality rate of 10%	29,429	29,844	11,553	11,559
Increase in mortality rate of 10%	-28,851	-29,391	-11,300	-11,468

In addition to provisions for employees, other provisions include remaining provisions of EUR 0.7 million (2017: EUR 0.7 million) relating to provisions for litigation and the amounts recognised in accordance with the Vocational Rehabilitation and Employment of Persons with Disabilities Act from bonuses for exceeding the quota and amounts exempt from pension and disability insurance contributions. These may be used exclusively for disabled employees of the insurance company for the purpose set down by law.

(EUR)	01/01/2018	Additions	Uses and releases	Exchange differences	31/12/2018
Other provisions	653,182	174,342	-79,539	21	748,006

(EUR)	01/01/2017	Additions	Uses and releases	Exchange differences	31/12/2017
Other provisions	760,064	63,497	-170,598	219	653,182

24) Other financial liabilities

Other financial liabilities comprise minor liabilities for unpaid dividends of the controlling company relating to previous years.

25) Liabilities from operating activities

Liabilities from operating activities

(EUR)	Maturity		
2018	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	0	15,647,149	15,647,149
Liabilities to insurance intermediaries	706	2,773,593	2,774,299
Other liabilities from primary insurance business	841	25,856,225	25,857,066
Liabilities from primary insurance business	**1,547**	**44,276,967**	**44,278,514**
Liabilities for reinsurance and co-insurance premiums	2,490	4,427,858	4,430,348
Liabilities for shares in reinsurance claims	0	157,718	157,718
Other liabilities from co-insurance and reinsurance business	0	1,587,966	1,587,966
Liabilities from reinsurance and co-insurance business	**2,490**	**6,173,542**	**6,176,032**
Current tax liabilities	**0**	**4,282,055**	**4,282,055**
Total	**4,037**	**54,732,564**	**54,736,601**

(EUR)	Maturity		
2017	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	0	25,853,797	25,853,797
Liabilities to insurance intermediaries	301	2,697,612	2,697,913
Other liabilities from primary insurance business	0	26,159,579	26,159,579
Liabilities from primary insurance business	**301**	**54,710,988**	**54,711,289**
Liabilities for reinsurance and co-insurance premiums	1,756	5,110,717	5,112,473
Liabilities for shares in reinsurance claims	0	42,392	42,392
Other liabilities from co-insurance and reinsurance business	0	5,318	5,318
Liabilities from reinsurance and co-insurance business	**1,756**	**5,158,427**	**5,160,183**
Current tax liabilities	**0**	**726,716**	**726,716**
Total	**2,057**	**60,596,131**	**60,598,188**

Liabilities decreased compared to year-end 2017, mainly due to lower liabilities to policyholders.

Current tax liabilities rose by EUR 3.6 million year on year. This is because during 2018, the advance payments of tax made by Group companies was lower than actually assessed corporate income tax for 2018.

In 2018, most liabilities were current.

26) Other liabilities

Other liabilities by maturity

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

(EUR)	Maturity	
2017	Up to 1 year	Total
Other liabilities	13,450,252	13,450,252
Deferred income and accrued expenses	17,146,131	17,146,131
Total	**30,596,383**	**30,596,383**

Other liabilities and deferred income and accrued expenses are unsecured.

Other liabilities

(EUR)	31/12/2018	31/12/2017
Short-term liabilities due to employees	2,805,998	2,724,187
Diverse other short-term liabilities for insurance business	3,853,572	3,622,424
Short-term trade liabilities	4,474,289	3,690,369
Diverse other short-term liabilities	3,161,322	3,400,486
Other long-term liabilities	38,948	12,786
Total	**14,334,129**	**13,450,252**

Change in short-term provisions

(EUR)	01/01/2018	Additions	Uses	Releases	Additions – acquisition of subsidiary	Exchange differences	31/12/2018
Short-term accrued expenses	3,342,673	12,723,728	-9,191,952	-11	2,607	-4	6,877,041
Other accrued expenses and deferred income	13,803,458	35,070,046	-36,648,626	-16,376	146,119	1,207	12,355,828
Total	**17,146,131**	**47,793,774**	**-45,840,578**	**-16,387**	**148,726**	**1,203**	**19,232,869**

(EUR)	01/01/2017	Additions	Uses	Releases	Exchange differences	31/12/2017
Short-term accrued expenses	3,163,857	4,335,018	-4,076,880	-79,320	-2	3,342,673
Other accrued expenses and deferred income	8,783,477	14,895,274	-9,900,423	-16,362	41,492	13,803,458
Total	**11,947,334**	**19,230,293**	**-13,977,303**	**-95,682**	**41,490**	**17,146,131**

27) Fair values of assets and liabilities

Determination of fair values

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on CBBT prices in an active market.	Debt securities measured based on CBBT prices in an inactive market. Debt securities measured at the BVAL price if the CBBT price is unavailable. Debt securities are measured using an internal model based on level 2 inputs.	Debt securities measured using an internal model that does not consider level 2 inputs.
Stock Exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market. Debt securities measured at the BVAL price when the stock exchange price is unavailable. Debt securities are measured using an internal model based on level 2 inputs	Debt securities measured using an internal model that does not consider level 2 inputs.
Shares			
Stock Exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market. Shares without available stock exchange prices and that are measured using an internal model based on level 2 inputs.	Shares are measured using an internal model that does not consider level 2 inputs.
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
Alternative funds			
			The fair value is determined based on the valuation of individual projects, using methods for discounting future cash flows.
Deposits and loans			
- with maturity		Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model using level 2 inputs.	Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model not using level 2 inputs.

The Group measures the fair value of each financial instrument based on the methods shown above in line with its accounting policies.

Financial assets by level of the fair value hierarchy

(EUR)	Carrying amount	Fair value				Difference between FV and CA
31/12/2018		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	**897,433,086**	**384,534,831**	**489,981,609**	**22,916,646**	**897,433,086**	**0**
At fair value through P/L	**12,415,676**	**8,832,282**	**1,620,187**	**1,963,207**	**12,415,676**	**0**
Designated to this category	12,415,676	8,832,282	1,620,187	1,963,207	12,415,676	0
Debt instruments	10,884,728	7,811,997	1,109,524	1,963,207	10,884,728	0
Equity instruments	1,530,948	1,020,285	510,663	0	1,530,948	0
Available-for-sale	**885,017,410**	**375,702,549**	**488,361,422**	**20,953,439**	**885,017,410**	**0**
Debt instruments	833,260,563	344,077,414	475,895,531	13,287,618	833,260,563	0
Equity instruments	46,492,307	31,625,135	12,465,891	2,401,281	46,492,307	0
Investments in infrastructure funds	5,264,540	0	0	5,264,540	5,264,540	0
Investments for the benefit of policyholders who bear the investment risk	**195,144,065**	**160,967,316**	**34,176,749**	**0**	**195,144,065**	**0**
Investments not measured at fair value	**110,664,384**	**4,964,218**	**102,974,267**	**7,391,550**	**115,330,035**	**4,665,651**
Held-to-maturity assets	**77,122,037**	**4,964,218**	**76,410,895**	**0**	**81,375,113**	**4,253,076**
Debt instruments	77,122,037	4,964,218	76,410,895	0	81,375,113	4,253,076
Loans and deposits	**33,542,347**	**0**	**26,563,372**	**7,391,550**	**33,954,922**	**412,575**
Deposits	26,150,797	0	26,563,372	0	26,563,372	412,575
Loans granted	1,116,240	0	0	1,116,240	1,116,240	0
Deposits with cedants	6,275,310	0	0	6,275,310	6,275,310	0
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	**9,674,439**	**4,956,927**	**5,302,551**	**0**	**10,259,478**	**585,039**
Total investments	**1,008,097,470**	**389,499,049**	**592,955,876**	**30,308,196**	**1,012,763,121**	**4,665,651**
Total investments for the benefit of life policyholders who bear the investment risk	**204,818,504**	**165,924,243**	**39,479,300**	**0**	**205,403,543**	**585,039**

(EUR)	Carrying amount	Fair value				Difference between FV and CA
31/12/2017		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	**903,863,149**	**693,779,164**	**195,278,191**	**14,805,794**	**903,863,149**	**0**
At fair value through P/L	**6,217,870**	**3,522,808**	**2,384,776**	**310,286**	**6,217,870**	**0**
Designated to this category	6,217,870	3,522,808	2,384,776	310,286	6,217,870	0
Debt instruments	4,998,211	2,821,388	1,866,537	310,286	4,998,211	0
Equity instruments	1,219,659	701,420	518,239	0	1,219,659	0
Available-for-sale	**897,645,279**	**690,256,356**	**192,893,415**	**14,495,508**	**897,645,279**	**0**
Debt instruments	849,482,348	658,821,312	180,410,633	10,250,403	849,482,348	0
Equity instruments	48,162,931	31,435,044	12,482,782	4,245,105	48,162,931	0
Investments for the benefit of policyholders who bear the investment risk	**203,797,586**	**192,098,788**	**11,698,798**	**0**	**203,797,586**	**0**
Investments not measured at fair value	**134,261,870**	**85,121,533**	**51,603,990**	**6,424,332**	**143,149,855**	**8,887,985**
Held-to-maturity assets	**106,232,327**	**85,121,533**	**29,118,080**	**0**	**114,239,613**	**8,007,286**
Debt instruments	106,232,327	85,121,533	29,118,080	0	114,239,613	8,007,286
Loans and deposits	**28,029,543**	**0**	**22,485,910**	**6,424,332**	**28,910,242**	**880,699**
Deposits	21,605,211	0	22,485,910	0	22,485,910	880,699
Loans granted	591,985	0	0	591,985	591,985	0
Deposits with cedants	5,832,347	0	0	5,832,347	5,832,347	0
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	**23,430,467**	**10,650,182**	**13,729,849**	**0**	**24,380,031**	**949,564**
Total investments	**1,038,125,019**	**778,900,697**	**246,882,181**	**21,230,126**	**1,047,013,004**	**8,887,985**
Total investments for the benefit of life policyholders who bear the investment risk	**227,228,053**	**202,748,970**	**25,428,647**	**0**	**228,177,617**	**949,564**

As BID CBBT prices were unavailable for a large part of the bond portfolio, the BVAL price as at 31 December 2018 was used instead, in accordance with the methodology for determining the fair value of debt securities.

Movements in investments, income and expenses measured at fair value – Level 3

(EUR)	Debt instruments		Equity instruments		Other investments		Investments in infrastructure funds	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Opening balance	**10,560,689**	**7,138,804**	**4,245,105**	**4,565,105**	**0**	**46,479**	**0**	**0**
Additions	3,842,167	3,344,783	0	0	0	0	5,976,467	0
Impairment	0	0	-1,943,974	-320,000	0	0	0	0
Disposals	0	0	0	0	0	0	-1,048,541	0
Maturity	-769,922	-354,754	0	0	0	-46,479	0	0
Revaluation to fair value	-59,545	431,856	0	0	0	0	336,614	0
Reclassification into level	1,677,436	0	100,150	0	0	0	0	0
Closing balance	**15,250,825**	**10,560,689**	**2,401,281**	**4,245,105**	**0**	**0**	**5,264,540**	**0**
Income	375,567	87,103	399,170	190,180	0	0	92,007	0
Expenses	0	-40	1,943,974	0	0	0	0	0

Reclassification of assets and financial liabilities between levels

(EUR) 31/12/2018	Level 1	Level 2	Level 3
At fair value through P/L	**-117,837**	**-1,525,721**	**1,643,558**
Designated to this category	-117,837	-1,525,721	1,643,558
Debt instruments	-117,837	-1,525,721	1,643,558
Available-for-sale	**-293,252,954**	**293,064,856**	**188,098**
Debt instruments	-293,252,954	293,165,006	87,948
Equity instruments	0	-100,150	100,150
Total financial investments	**-293,370,791**	**291,539,135**	**1,831,656**

(EUR) 31/12/2017	Level 1	Level 2
At fair value through P/L	**-170,282**	**170,282**
Designated to this category	-170,282	170,282
Debt instruments	-170,282	170,282
Available-for-sale	**-30,739,013**	**30,739,013**
Debt instruments	-30,739,013	30,739,013
Total financial investments	**-30,909,295**	**30,909,295**

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

As at 31 December 2018, level 1 investments represented 42.8% (31/12/2017: 76.8%) of financial investments measured at fair value.

The valuation model applied used directly and indirectly observable market inputs, such as the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

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

31/12/2018 (EUR)	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2018	36,596,455	37,492,575	market approach and the income approach (weighted 50 : 50%), new purchases at cost
Investment property	31/12/2018	20,540,627	21,115,553	
Total		**57,137,084**	**58,608,128**	

31/12/2017 (EUR)	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2017	39,539,952	37,093,592	market approach and the income approach (weighted 50 : 50%), new purchases at cost
Investment property	31/12/2017	15,364,184	15,831,277	
Total		**54,904,136**	**52,924,869**	

Movements in fair values of owner-occupied and investment property

2018 (EUR)	Opening balance	Acquisitions	Disposals	Reallocations	Change in fair value	Additions – acquisition of subsidiary	Exchange differences	Closing balance
Owner-occupied property	37,093,592	360,421	-110,240	638,229	-479,739	0	-9,688	37,492,575
Investment property	15,831,277	289,546	-172,797	-638,229	-93,648	5,894,555	4,849	21,115,553
Total	**52,924,869**	**649,967**	**-283,037**	**0**	**-573,387**	**5,894,555**	**-4,839**	**58,608,128**

2017 (EUR)	Opening balance	Acquisitions	Disposals	Reallocations	Change in fair value	Additions – acquisition of subsidiary	Exchange differences	Closing balance
Owner-occupied property	43,047,424	3,139,500	-199,752	-7,429,088	-1,498,253	33,761	37,093,592	37.492.575
Investment property	8,100,146	673,412	0	7,355,635	-352,882	54,966	15,831,277	20.320.058
Total	**51,147,570**	**3,812,912**	**-199,752**	**-73,453**	**-1,851,135**	**88,727**	**52,924,869**	**57.812.633**

Valuation techniques for all items described above are defined in accounting policies. For investment property, the method is described in section 17.4.14 “Investment property” and for financial investments in section 17.4.15 “Financial investments and funds for the benefit of policyholders who bear the investment risk”.

17.8 Notes to the consolidated financial statements – income statement

28) Net earned premiums

Net earned premiums

(EUR) 2018	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	28,852,852	2,475	-100,017	-445,474	-2,837	28,306,999
Health	6,964,822	266	-666,896	482,048	40,326	6,820,566
Land vehicles casco	108,228,545	0	-1,605,236	-4,759,916	59,898	101,923,291
Railway rolling stock	136,537	0	-5,281	12,454	156	143,866
Aircraft hull	834,949	0	-10,614	-64,244	-656	759,435
Ships hull	5,912,366	0	-390,432	-285,084	28,242	5,265,092
Goods in transit	6,277,836	1,156,875	-360,331	-47,126	-170,104	6,857,150
Fire and natural forces	91,683,262	930,919	-13,756,218	96,129	426,342	79,380,434
Other damage to property	41,067,719	473,656	-5,229,016	-577,516	-112,212	35,622,631
Motor liability	117,990,521	0	-956,289	-5,557,266	-67,840	111,409,126
Aircraft liability	217,590	0	-98,377	-17,722	6,338	107,829
Liability for ships	942,374	0	-15,846	5,499	7,023	939,050
General liability	21,907,694	487,775	-1,743,740	-124,706	-150,781	20,376,242
Credit	3,496,086	0	0	732,456	0	4,228,542
Suretyship	207,362	0	-1,961	-87,034	461	118,828
Miscellaneous financial loss	2,569,769	45,183	-879,672	219,528	5,303	1,960,111
Legal expenses	723,902	8,946	-609,134	20,694	25,508	169,916
Assistance	15,963,453	0	-65,958	-1,010,831	-3,361,713	11,524,951
Life	44,138,014	0	-280,091	-17,749	-4,648	43,835,526
Unit-linked life	45,077,598	193	-167,743	10,165	-97	44,920,116
Total non-life	**453,977,639**	**3,106,095**	**-26,495,018**	**-11,408,111**	**-3,266,546**	**415,914,059**
Total life	**89,215,612**	**193**	**-447,834**	**-7,584**	**-4,745**	**88,755,642**
Total	**543,193,251**	**3,106,288**	**-26,942,852**	**-11,415,695**	**-3,271,291**	**504,669,701**

(EUR) 2017	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	27,485,491	4,040	-99,026	311,195	-3,860	27,697,840
Health	7,480,495	143	-594,628	26,129	-26,873	6,885,266
Land vehicles casco	95,190,755	0	-1,516,747	-6,012,754	30,511	87,691,765
Railway rolling stock	212,491	0	-4,248	-16,800	339	191,782
Aircraft hull	60,812	932	-13,976	120,028	-82	167,714
Ships hull	5,769,241	0	-347,656	-493,637	64,762	4,992,710
Goods in transit	6,352,928	687,892	-300,766	-401,104	3,425	6,342,375
Fire and natural forces	91,656,789	745,730	-12,835,690	-1,106,006	289,243	78,750,066
Other damage to property	37,679,775	319,208	-5,328,345	-371,347	399,130	32,698,421
Motor liability	107,378,633	0	-1,604,081	-3,377,452	90,852	102,487,952
Aircraft liability	391,893	1,014	-122,173	-7,559	-9,326	253,849
Liability for ships	988,883	0	-9,964	-36,221	1,571	944,269
General liability	20,414,990	263,553	-1,984,008	-355,283	314,282	18,653,534
Credit	5,588,902	0	-121,318	-1,141,736	0	4,325,848
Suretyship	394,971	0	-42,602	48,481	0	400,850
Miscellaneous financial loss	2,977,741	61,365	-649,591	-141,523	42,222	2,290,214
Legal expenses	746,920	8,701	-526,729	-3,668	-1,127	224,097
Assistance	13,984,936	0	-7,683,809	-919,774	446,200	5,827,553
Life	42,244,687	0	-261,733	100,348	495	42,083,797
Unit-linked life	48,139,398	122	-196,206	12,918	-141	47,956,091
Total non-life	**424,756,646**	**2,092,578**	**-33,785,357**	**-13,879,031**	**1,641,269**	**380,826,105**
Total life	**90,384,085**	**122**	**-457,939**	**113,266**	**354**	**90,039,888**
Total	**515,140,731**	**2,092,700**	**-34,243,296**	**-13,765,765**	**1,641,623**	**470,865,993**

29) Investment income and expenses

Investment income by IFRS category

2018 (EUR)	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	Other income	Total	Net unrealised gains on investments of life insurance policyholders who bear the investment risk
Held to maturity	**3,859,397**	**0**	**0**	**0**	**24,044**	**0**	**3,883,441**	**341,122**
Debt instruments	3,859,397	0	0	0	24,044	0	3,883,441	341,122
At fair value through P/L	**242,059**	**213,683**	**0**	**28,993**	**3,542**	**65,960**	**554,237**	**16,142,187**
Designated to this category	242,059	213,683	0	28,993	3,542	65,960	554,237	16,142,187
Debt instruments	242,059	149,371	0	0	2,185	1,182	394,797	59,784
Equity instruments	0	64,312	0	28,993	1,357	9,052	103,714	16,082,403
Other investments	0	0	0	0	0	55,726	55,726	0
Available-for-sale	**11,599,677**	**0**	**2,251,786**	**1,349,374**	**6,178,620**	**9,645**	**21,389,102**	**379,562**
Debt instruments	11,599,677	0	1,910,982	0	6,178,620	9,616	19,698,895	371,499
Equity instruments	0	0	340,804	1,257,367	0	0	1,598,171	8,063
Other investments	0	0	0	0	0	29	29	0
Investments in infrastructure funds	0	0	0	92,007	0	0	92,007	0
Loans and receivables	**740,250**	**0**	**0**	**0**	**210,338**	**6,990**	**957,578**	**4,453**
Debt instruments	698,974	0	0	0	93,388	6,990	799,352	4,453
Other investments	41,276	0	0	0	116,950	0	158,226	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**17,803**	**0**	**0**	**0**	**0**	**0**	**17,803**	**0**
Total	**16,459,186**	**213,683**	**2,251,786**	**1,378,367**	**6,416,544**	**82,595**	**26,802,161**	**16,867,324**

Investment expenses by IFRS category

2018 (EUR)	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	Net unrealised losses on investments of life insurance policyholders who bear the investment risk	Expenses relating to associates and impairment losses on goodwill
Held to maturity	**0**	**0**	**0**	**1**	**52,511**	**0**	**52,512**	**0**	**0**
Debt instruments	0	0	0	1	52,511	0	52,512	0	0
At fair value through P/L	**0**	**636,625**	**0**	**0**	**21,309**	**24,483**	**682,417**	**23,498,245**	**0**
Designated to this category	0	636,625	0	0	21,309	24,483	682,417	23,498,245	0
Debt instruments	0	522,255	0	0	21,210	9,667	553,132	63,010	0
Equity instruments	0	114,370	0	0	99	14,816	129,285	23,434,229	0
Other investments	0	0	0	0	0	0	0	1,006	0
Available-for-sale	**0**	**0**	**305,347**	**1,943,974**	**6,249,345**	**79,558**	**8,578,224**	**0**	**151,130**
Debt instruments	0	0	167,133	0	6,248,976	79,558	6,495,667	0	0
Equity instruments	0	0	138,214	1,943,974	369	0	2,082,557	0	151,130
Loans and receivables	**28,445**	**0**	**0**	**0**	**247,603**	**15,250**	**291,298**	**0**	**0**
Debt instruments	0	0	0	0	44,070	15,250	59,320	0	0
Other investments	28,445	0	0	0	203,533	0	231,978	0	0
Total	**28,445**	**636,625**	**305,347**	**1,943,975**	**6,570,768**	**119,291**	**9,604,451**	**23,498,245**	**151,130**

Net investment income

2018 (EUR)	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	Net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk	Income/ expenses relating to associates and goodwill impairment losses
Held to maturity	**3,859,397**	**0**	**0**	**0**	**-1**	**-28,467**	**0**	**3,830,929**	**341,122**	**0**
Debt instruments	3,859,397	0	0	0	-1	-28,467	0	3,830,929	341,122	0
At fair value through P/L	**242,059**	**-422,942**	**0**	**28,993**	**0**	**-17,767**	**41,477**	**-128,180**	**-7,356,058**	**0**
Designated to this category	242,059	-422,942	0	28,993	0	-17,767	41,477	-128,180	-7,356,058	0
Debt instruments	242,059	-372,884	0	0	0	-19,025	-8,485	-158,335	-3,226	0
Equity instruments	0	-50,058	0	28,993	0	1,258	-5,764	-25,571	-7,351,826	0
Other investments	0	0	0	0	0	0	55,726	55,726	-1,006	0
Available-for-sale	**11,599,677**	**0**	**1,946,439**	**1,349,374**	**-1,943,974**	**-70,725**	**-69,913**	**12,810,878**	**379,562**	**-151,130**
Debt instruments	11,599,677	0	1,743,849	0	0	-70,356	-69,942	13,203,228	371,499	0
Equity instruments	0	0	202,590	1,257,367	-1,943,974	-369	0	-484,386	8,063	-151,130
Other investments	0	0	0	0	0	0	29	29	0	0
Investments in infrastructure funds	0	0	0	92,007	0	0	0	92,007	0	0
Loans and receivables	**711,805**	**0**	**0**	**0**	**0**	**-37,265**	**-8,260**	**666,280**	**4,453**	**0**
Debt instruments	698,974	0	0	0	0	49,318	-8,260	740,032	4,453	0
Other investments	12,831	0	0	0	0	-86,583	0	-73,752	0	0
Deposits with cedants	**17,803**	**0**	**0**	**0**	**0**	**0**	**0**	**17,803**	**0**	**0**
Total	**16,430,741**	**-422,942**	**1,946,439**	**1,378,367**	**-1,943,975**	**-154,224**	**-36,696**	**17,197,710**	**-6,630,921**	**-151,130**

Investment income by IFRS category

2017 (EUR)	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	Other income	Total	Net unrealised gains on investments of life insurance policyholders who bear the investment risk
Held to maturity	**5,146,343**	**0**	**0**	**0**	**51,099**	**0**	**5,197,442**	**348,079**
Debt instruments	5,146,343	0	0	0	51,099	0	5,197,442	348,079
At fair value through P/L	**119,782**	**229,386**	**0**	**26,450**	**4,890**	**103,915**	**484,423**	**16,006,180**
Designated to this category	119,782	229,386	0	26,450	4,890	103,915	484,423	16,006,180
Debt instruments	119,782	116,337	0	0	4,890	1,835	242,844	1,145,080
Equity instruments	0	113,049	0	26,450	0	26,811	166,310	14,861,100
Other investments	0	0	0	0	0	75,269	75,269	0
Available-for-sale	**12,673,321**	**0**	**3,121,822**	**1,114,983**	**3,981,586**	**14,170**	**20,905,882**	**468,816**
Debt instruments	12,673,321	0	2,581,179	0	3,981,586	10,591	19,246,677	452,339
Equity instruments	0	0	493,505	1,114,983	0	3,579	1,612,067	16,477
Other investments	0	0	47,138	0	0	0	47,138	0
Loans and receivables	**623,466**	**0**	**511**	**0**	**165,139**	**25,637**	**814,753**	**26,309**
Debt instruments	593,129	0	511	0	109,733	25,637	729,010	26,309
Other investments	30,337	0	0	0	55,406	0	85,743	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**44,415**	**0**	**0**	**0**	**0**	**0**	**44,415**	**0**
Total	**18,607,327**	**229,386**	**3,122,333**	**1,141,433**	**4,202,714**	**143,722**	**27,446,915**	**16,849,384**

Investment expenses by IFRS category

2017 (EUR)	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	Net unrealised losses on investments of life insurance policyholders who bear the investment risk
Held to maturity	**0**	**0**	**0**	**0**	**110,620**	**0**	**110,620**	**0**
Debt instruments	0	0	0	0	110,620	0	110,620	0
At fair value through P/L	**0**	**79,645**	**0**	**0**	**107,922**	**35,748**	**223,315**	**8,237,919**
Designated to this category	0	79,645	0	0	107,922	35,748	223,315	8,237,919
Debt instruments	0	3,322	0	0	104,380	8,554	116,256	556,481
Equity instruments	0	76,323	0	0	3,542	27,194	107,059	7,681,438
Available-for-sale	**0**	**0**	**584,859**	**320,000**	**9,616,244**	**2,440**	**10,523,543**	**18,497**
Debt instruments	0	0	515,698	0	9,616,244	2,018	10,133,960	18,397
Equity instruments	0	0	69,161	320,000	0	422	389,583	100
Loans and receivables	**522**	**0**	**0**	**0**	**299,292**	**15,914**	**315,728**	**0**
Debt instruments	0	0	0	0	72,849	15,914	88,763	0
Other investments	522	0	0	0	226,443	0	226,965	0
Subordinated liabilities	**718,338**	**0**	**0**	**0**	**0**	**0**	**718,338**	**0**
Total	**718,860**	**79,645**	**584,859**	**320,000**	**10,134,078**	**54,102**	**11,891,544**	**8,256,416**

Net investment income

2017 (EUR)	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	Net unrealised gains/ losses on investments of life insurance policyholders who bear the investment risk
Held to maturity	**5,146,343**	**0**	**0**	**0**	**0**	**-59,521**	**0**	**5,086,822**	**348,079**
Debt instruments	5,146,343	0	0	0	0	-59,521	0	5,086,822	348,079
At fair value through P/L	**119,782**	**149,741**	**0**	**26,450**	**0**	**-103,032**	**68,167**	**261,108**	**7,768,261**
Designated to this category	119,782	149,741	0	26,450	0	-103,032	68,167	261,108	7,768,261
Debt instruments	119,782	113,015	0	0	0	-99,490	-6,719	126,588	588,599
Equity instruments	0	36,726	0	26,450	0	-3,542	-383	59,251	7,179,662
Other investments	0	0	0	0	0	0	75,269	75,269	0
Available-for-sale	**12,673,321**	**0**	**2,536,963**	**1,114,983**	**-320,000**	**-5,634,658**	**11,730**	**10,382,339**	**450,319**
Debt instruments	12,673,321	0	2,065,481	0	0	-5,634,658	8,573	9,112,717	433,942
Equity instruments	0	0	424,344	1,114,983	-320,000	0	3,157	1,222,484	16,377
Other investments	0	0	47,138	0	0	0	0	47,138	0
Loans and receivables	**622,944**	**0**	**511**	**0**	**0**	**-134,153**	**9,723**	**499,025**	**26,309**
Debt instruments	593,129	0	511	0	0	36,884	9,723	640,247	26,309
Other investments	29,815	0	0	0	0	-171,037	0	-141,222	0
Deposits with cedants	**44,415**	**0**	**0**	**0**	**0**	**0**	**0**	**44,415**	**0**
Subordinated liabilities	**-718,338**	**0**	**0**	**0**	**0**	**0**	**0**	**-718,338**	**0**
Total	**17,888,467**	**149,741**	**2,537,474**	**1,141,433**	**-320,000**	**-5,931,364**	**89,620**	**15,555,371**	**8,592,968**

In 2018, interest income from impaired investments totalled EUR 1,427 (2017: EUR 1,002).

Investment income and expenses by source of funds

The Group records investment income and expenses separately by source of funds, i.e. separately for own fund assets, non-life insurance register assets and life insurance register assets. Own fund investments support the Group's shareholder funds; non-life insurance register assets support technical provisions relating to non-life business, while life insurance register assets support technical provisions relating to life insurance business.

Investment income – non-life insurance business

(EUR)	Liability fund 2018	Liability fund 2017
Interest income	9,039,389	9,911,757
Change in fair value and gains on disposal of FVPL assets	138,403	81,976
Gains on disposal of other IFRS asset categories	1,402,696	1,799,602
Income from dividends and shares – other investments	659,996	580,806
Exchange gains	6,281,481	3,954,061
Other income	11,824	31,342
Total investment income – liability fund	**17,533,789**	**16,359,544**
	Capital fund 2018	**Capital fund 2017**
Interest income	327,418	436,925
Change in fair value and gains on disposal of FVPL assets	14,071	0
Gains on disposal of other IFRS asset categories	259,501	450,329
Income from dividends and shares – other investments	465,246	286,723
Exchange gains	2,088	18,264
Other income	1,004	116
Total investment income - capital fund	**1,069,328**	**1,192,357**
Total investment income – non-life business	**18,603,117**	**17,551,901**

Investment income – life insurance business

(EUR)	Long-term business fund 2018	Long-term business fund 2017
Interest income	6,135,074	7,218,224
Change in fair value and gains on disposal of FVPL assets	9,487	19,297
Gains on disposal of other IFRS asset categories	259,112	686,270
Income from dividends and shares – other investments	247,023	270,970
Exchange gains	107,559	215,078
Other income	5,727	30,941
Total investment income – liability fund	**6,763,982**	**8,440,780**
	Capital fund 2018	**Capital fund 2017**
Interest income	957,305	1,040,421
Change in fair value and gains on disposal of FVPL assets	51,722	128,113
Gains on disposal of other IFRS asset categories	330,477	186,132
Income from dividends and shares – other investments	6,102	2,934
Exchange gains	25,416	15,311
Other income	64,040	81,323
Total investment income - capital fund	**1,435,062**	**1,454,234**
Total investment income – life business	**8,199,044**	**9,895,014**

Total investment income	**26,802,161**	**27,446,915**

Expenses for financial assets and liabilities – non-life business

(EUR)	Liability fund 2018	Liability fund 2017
Interest expenses	28,444	522
Change in fair value and losses on disposal of FVPL assets	328,135	76,271
Losses on disposal of other IFRS asset categories	219,621	383,567
Impairment losses on investments	1,943,974	0
Exchange losses	6,319,618	9,561,654
Other	9,984	9,030
Total investment expenses – liability fund	**8,849,776**	**10,031,044**
	Capital fund 2018	**Capital fund 2017**
Interest expenses	0	718,338
Change in fair value and losses on disposal of FVPL assets	82,692	0
Losses on disposal of other IFRS asset categories	29,136	14,504
Impairment losses on investments	0	320,000
Exchange losses	1,518	5,933
Other	0	488
Total investment expenses – capital fund	**113,346**	**1,059,263**
Total investment expenses – non-life business	**8,963,122**	**11,090,307**

Expenses for financial assets and liabilities – life business

(EUR)	Long-term business fund 2018	Long-term business fund 2017
Losses on disposal of other IFRS asset categories	45,702	158,909
Exchange losses	218,919	356,046
Other	31,970	44,303
Total investment expenses – liability fund	**296,591**	**559,258**
	Capital fund 2018	**Capital fund 2017**
Change in fair value and losses on disposal of FVPL assets	225,799	3,374
Losses on disposal of other IFRS asset categories	10,888	27,879
Impairment losses on investments	1	0
Exchange losses	30,713	210,445
Other	77,337	281
Total investment expenses – capital fund	**344,738**	**241,979**
Total investment expenses – life business	**641,329**	**801,237**
Total investment expenses	**9,604,451**	**11,891,544**
Net investment income	**17,197,710**	**15,555,371**

Net investment income from non-life and life business

(EUR)	2018	2017
Non-life insurance business	9,639,995	6,461,594
Life insurance business	7,557,715	9,093,777
Total	**17,197,710**	**15,555,371**

(EUR)	Long-term business fund 2018	Long-term business fund 2017
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	16,867,324	16,849,384
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	23,498,245	8,256,416
Net investment income	**-6,630,921**	**8,592,968**

Impairment losses on investments

(EUR)	2018	2017
Shares	1,943,975	320,000

The 2018 investment return totalled EUR 17.2 million, up EUR 1.6 million from 2017. This is due to improved conditions in currency markets and the consequently lower effect of currency differences. Net negative currency differences totalled EUR 0.2 million in 2018, while in 2017 net negative currency differences totalled nearly EUR 6 million.

30) Other technical income and other income

Other technical income

(EUR)	2018	2017
Income from reinsurance commissions	3,634,682	2,870,868
Income on the realisation impaired receivables	5,260,757	2,326,977
Income from other insurance business	2,922,073	2,218,763
Exchange gains	5,477,165	4,043,120
Income from exit charges and management fees	2,524,754	2,700,784
Income from other services	1,418,926	1,269,208
Total	**21,238,357**	**15,429,720**

In 2018 the Group continued to experience strong increases in both exchange gains and losses, primarily arising from reinsurance business.

Reinsurance commission income are a major part of other technical income. The following tables show reinsurance commission income by class of business.

Income from reinsurance commission

(EUR)	2018	2017
Personal accident	18,405	23,434
Health	0	618
Land vehicles casco	199,530	65,593
Railway rolling stock	46	190
Aircraft hull	678	767
Ships hull	1,784	2,390
Goods in transit	29,060	11,511
Fire and natural forces	2,153,362	1,632,544
Other damage to property	780,990	606,065
Motor liability	19,051	199,540
Aircraft liability	9,755	11,346
Liability for ships	260	279
General liability	198,360	161,206
Miscellaneous financial loss	130,727	74,254
Assistance	14,812	19,652
Life	62,137	33,795
Unit-linked life	15,725	27,684
Total non-life	**3,556,820**	**2,809,389**
Total life	**77,862**	**61,479**
Total	**3,634,682**	**2,870,868**

Other income

(EUR)	2018	2017
Income on the realisation impaired receivables	127,229	284,474
Lease payments received from investment properties	1,146,475	514,115
Income from exit charges and management fees	2,707,419	0
Penalties and damages received	658,539	731,142
Income from disposal of investment property	87,139	0
Income from other services	9,822,875	4,528,269
Total	**14,549,676**	**6,058,000**

The increase in the income from other services item is a result of the inclusion of TBS Team 24 and Sava Penzisko Društvo in the consolidated accounts, the income of which is recognised in this item.

31) Net claims incurred

Net claims incurred

(EUR) 2018	Gross amounts Claims	Gross amounts Recourse receivables	Reinsurers' share of claims (–)	Co-insurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
Personal accident	12,883,294	-195	-13,635	8,256	-1,706,769	-1,979	11,168,972
Health	4,759,234	-3,358	-410,221	0	-207,654	126,919	4,264,920
Land vehicles casco	75,558,133	-1,458,709	-773,072	0	-108,465	-109,682	73,108,205
Railway rolling stock	559,088	0	-13	0	28,184	0	587,259
Aircraft hull	1,545,571	0	-450,851	0	-963,543	228,663	359,840
Ships hull	3,497,028	0	-5,004	0	3,496,955	-144,696	6,844,283
Goods in transit	5,635,149	-42,956	-1,141	529,557	-425,262	-10,556	5,684,791
Fire and natural forces	51,816,661	-46,734	-6,146,771	206,849	-4,722,167	960,551	42,068,389
Other damage to property	21,057,561	-41,346	-1,439,889	236,984	-2,352,946	519,357	17,979,721
Motor liability	71,171,313	-3,950,705	-393,256	0	-2,310,260	-2,411,882	62,105,210
Aircraft liability	-12,342	0	-1,000	0	8,178	-32,999	-38,163
Liability for ships	347,362	0	0	0	3,498	3,315	354,175
General liability	5,700,905	-7,403	-143,145	30,749	751,147	445,177	6,777,430
Credit	2,421,429	-2,819,237	0	0	175,623	0	-222,185
Suretyship	72,638	-7,000	0	0	-164,293	0	-98,655
Miscellaneous financial loss	875,522	0	-82,675	30,033	56,587	212,274	1,091,741
Legal expenses	447	0	0	1,052	-10,438	0	-8,939
Assistance	5,564,313	492	-3,504,361	0	-366,617	709,617	2,403,444
Life	48,612,363	0	-90,190	0	-906,218	75,022	47,690,977
Unit-linked life	38,868,000	0	-48,374	0	-189,057	8,602	38,639,171
Total non-life	**263,453,306**	**-8,377,151**	**-13,365,034**	**1,043,480**	**-8,818,242**	**494,079**	**234,430,438**
Total life	**87,480,363**	**0**	**-138,564**	**0**	**-1,095,275**	**83,624**	**86,330,148**
Total	**350,933,669**	**-8,377,151**	**-13,503,598**	**1,043,480**	**-9,913,517**	**577,703**	**320,760,586**

(EUR) 2017	Gross amounts		Reinsurers' share of claims (–)	Co-insurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables					
Personal accident	11,980,148	-1,132	-16,116	15,343	-587,439	-8,504	11,382,301
Health	4,934,881	-233	-1,304	0	62,108	-188,551	4,806,901
Land vehicles casco	66,611,262	-1,194,184	-965,206	0	224,020	630,039	65,305,930
Railway rolling stock	91,017	0	-4	0	11,627	0	102,640
Aircraft hull	68,330	0	-11,911	31,517	273,438	-5,025	356,350
Ships hull	5,002,554	-6	-3,682	0	898,054	-145,551	5,751,369
Goods in transit	3,541,459	-6,225	-20,569	298,971	-415,075	13,105	3,411,666
Fire and natural forces	48,403,126	-31,178	-3,758,659	282,643	12,298,953	156,928	57,351,813
Other damage to property	18,500,727	-47,393	-3,507,086	196,233	2,007,004	-1,107,887	16,041,598
Motor liability	66,049,470	-3,144,820	-909,180	0	-9,282,149	-1,535,948	51,177,373
Aircraft liability	42,562	0	-40,395	0	5,413	-29,594	-22,014
Liability for ships	314,312	-360	-11	0	-14,837	-8	299,096
General liability	6,148,642	-32,066	-679,049	39,549	-897,593	1,238,286	5,817,769
Credit	2,443,175	-2,505,461	-269	0	-723,255	0	-785,810
Suretyship	191,318	-18	0	0	131,683	0	322,983
Miscellaneous financial loss	2,186,678	-35	-405,303	0	-556,391	99,930	1,324,879
Legal expenses	1,165	0	0	1,099	8,484	0	10,748
Assistance	7,574,113	-3,637	-6,266,352	0	-152,052	190,266	1,342,338
Life	33,490,258	0	-61,794	0	-79,804	-55,855	33,292,805
Unit-linked life	39,118,711	0	-64,993	0	-280,229	39,097	38,812,586
Total non-life	**244,084,939**	**-6,966,748**	**-16,585,096**	**865,355**	**3,291,993**	**-692,514**	**223,997,929**
Total life	**72,608,969**	**0**	**-126,787**	**0**	**-360,033**	**-16,758**	**72,105,391**
Total	**316,693,908**	**-6,966,748**	**-16,711,883**	**865,355**	**2,931,960**	**-709,272**	**296,103,320**

The two tables above show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). Net claims incurred additionally include movements in the net claims provision; it decreased net claims incurred by EUR 9.3 million (2017: increase in net claims incurred of EUR 2.2 million).

32) Change in other technical provisions and change in the technical provision for policyholders who bear the investment risk

The change in other technical provisions relates to changes in the net provision for unexpired risks. The change in gross technical provisions is described in note 22.

33) Operating expenses

The Group classifies operating expenses by nature. Compared to 2017, operating expenses increased by 13.5%.

Operating expenses by nature

(EUR)	2018	2017
Acquisition costs (commissions)	58,372,509	51,949,127
Change in deferred acquisition costs	-1,598,536	-2,389,002
Depreciation/amortisation of operating assets	5,254,010	7,525,357
Personnel costs	73,118,022	68,429,957
- Salaries and wages	52,725,570	49,999,192
- Social and pension insurance costs	8,578,891	8,204,067
- Other personnel costs	11,813,561	10,226,698
Costs of services by natural persons not performing business, incl. of contributions	484,764	457,816
Other operating expenses	42,500,668	30,989,073
Total	**178,131,437**	**156,962,328**

Other operating expenses rose following the consolidation of new Group companies which typically incur larger other operating expenses due to the nature of their business.

Audit fees

(EUR)	2018	2017
Audit of annual report	263,732	264,905
Other assurance services	14,101	14,640
Other audit services	2,279	12,200
Total	**280,112**	**291,745**

34) Other technical expenses and other expenses

(EUR)	2018	2017
Expenses for loss prevention activities and fire brigade charge	3,387,535	3,365,303
Contribution for covering claims of uninsured and unidentified vehicles and vessels	1,282,145	1,402,836
Exchange losses	9,645,650	7,491,929
Operating expenses from revaluation	4,935,745	2,026,597
Other expenses	4,054,754	3,199,415
Total	**23,305,829**	**17,486,080**

Other technical expenses rose due to higher receivables write-downs of EUR 2.9 million and exchange losses of EUR 2.2 million.

Other expenses of EUR 2.9 million (2017: EUR 2.8 million) include contributions relating to the costs of the supervisory authority, allowance for other receivables, health protection contributions and fees for access to electronic police records.

35) Income tax expense

Tax rate reconciliation

(EUR)	2018	2017
Profit/loss before tax	55,260,572	39,880,983
Income tax expenses at statutory tax rate (19%)	10,499,509	7,577,387
Adjustment to the actual rates	6,571,773	6,014,182
Tax effect of income that is deducted for tax purposes	-6,801,659	-4,948,544
Tax effect of expenses not deducted for tax purposes	2,716,638	1,011,587
Tax effect of income that is added for tax purposes	-171,152	-88,891
Income or expenses relating to tax relief	-501,724	-430,352
Other	-64,662	-349,294
Total income tax expense in the income statement	**12,248,723**	**8,786,075**
Effective tax rate	22.17%	22.03%

17.9 Notes to the consolidated financial statements – cash flow statement

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

The cash flow statement shown in section 16.4 "Consolidated statement of cash flows" 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).

(EUR)	2018	2017
Net profit/loss for the period	**43,011,849**	**31,094,908**
Non-monetary income statement items not included in cash flow:	**-12,806,864**	**17,587,133**
- change in unearned premiums	14,686,986	12,124,142
- change in the provision for outstanding claims	9,335,814	-2,222,688
- change in other technical provisions	-13,207,584	2,179,849
- change in technical provisions for policyholders who bear the investment risk	-15,962,680	1,121,327
- operating expenses – amortisation/depreciation and change in deferred acquisition cost	3,655,474	5,136,355
- impairment losses on financial assets	-11,314,874	-751,852
Eliminated investment income items	**-17,837,553**	**-19,748,760**
- interest received disclosed under B. a) 1.	-16,459,186	-18,607,327
- receipts from dividends and shares in profit of others disclosed under B. a) 2.	-1,378,367	-1,141,433
Eliminated investment expense items	**28,445**	**718,860**
- interest paid disclosed under C. b) 1.	28,445	718,860
Cash flows from operating activities – income statement items	**12,395,876**	**29,652,140**

17.10 Contingent receivables and liabilities

The Group has contingent liabilities arising out of guarantees given. The related estimated amount of contingent liabilities for alternative funds totalled EUR 21.7 million and EUR 4.2 million for other guarantees.

The Group has contingent liabilities from unrealised recourse receivables of EUR 29.1 million and claims against issuing banks for subordinated financial instruments of EUR 38.0 million.

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

17.11 Related party disclosures

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

- owners and related enterprises;
- management board, supervisory boards including its committees and employees not subject to the tariff section of the collective agreement;
- subsidiary companies.

Owners and related enterprises

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

The members of the management and supervisory boards, the audit committee and employees not subject to the tariff section of the collective agreement

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

(EUR)	2018	2017
Management board	698,458	620,246
Payments to employees not subject to the tariff section of the collective agreement	4,809,153	4,506,668
Supervisory board	131,377	111,606
Supervisory board committees	42,516	32,021
Total	**5,681,504**	**5,270,541**

Remuneration of management board members in 2018

(EUR)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Marko Jazbec	160,560	12,630	248	7,686	181,124
Jošt Dolničar	144,600	18,655	5,282	7,469	176,006
Srečko Čebron	152,592	12,189	5,244	5,620	175,645
Polona Pirš Zupančič	139,404	0	3,988	4,906	148,298
Mateja Treven	5,196	12,189	0	0	17,385
Total	**602,352**	**55,663**	**14,762**	**25,681**	**698,458**

Remuneration of management board members in 2017

(EUR)	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**

Liabilities to members of the management board based on gross remuneration

(EUR)	31/12/2018	31/12/2017
Marko Jazbec	13,280	13,280
Jošt Dolničar	11,950	11,950
Srečko Čebron	12,616	12,616
Polona Pirš Zupančič	11,950	0
Mateja Treven	0	11,950
Total	**49,796**	**49,796**

As at 31 December 2018, the Group had no receivables due from the management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration of the supervisory board and its committees in 2018

(EUR)		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Fringe benefits	Total
Supervisory board members						
Mateja Lovšin Herič	chair	2,420	19,500	0	0	21,920
Keith William Morris	deputy chair	2,420	14,300	14,440	0	31,160
Andrej Gorazd Kunstek	member	2,420	13,000	93	0	15,513
Mateja Živec	member	2,145	13,000	81	0	15,226
Davor Ivan Gjivoje	member	2,475	13,000	16,423	0	31,898
Andrej Kren	member	2,420	13,000	240	0	15,660
Total supervisory board members		**14,300**	**85,800**	**31,277**	**0**	**131,377**
Audit committee members						
Andrej Kren	chairman	1,980	4,875	194	0	7,049
Mateja Lovšin Herič	member	1,980	3,250	0	0	5,230
Ignac Dolenšek	external member	0	9,450	714	0	10,164
Total audit committee members		**3,960**	**17,575**	**908**	**0**	**22,443**
Members of the nominations and remuneration committee						
Mateja Lovšin Herič	chair	660	0	0	0	660
Keith William Morris	member	660	0	0	0	660
Davor Ivan Gjivoje	member	220	0	0	0	220
Andrej Kren	member	660	0	0	0	660
Total nominations committee members		**2,200**	**0**	**0**	**0**	**2,200**
Fit & proper committee members						
Mateja Živec	chair	0	0	0	0	0
Mateja Lovšin Herič	member	0	0	0	0	0
Keith William Morris	member	0	0	0	0	0
Andrej Kren	alternate member	0	0	0	0	0
Total fit & proper committee members		**0**	**0**	**0**	**0**	**0**
Members of the risk committee						
Keith William Morris	chairman	1,100	4,875	0	0	5,975
Davor Ivan Gjivoje	member	1,628	3,521	0	0	5,149
Slaven Mićković	external member	0	6,750	0	0	6,750
Total risk committee members		**2,728**	**15,146**	**0**	**0**	**17,874**

Remuneration of the supervisory board and its committees in 2017

(EUR)		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Fringe benefits	Total
Supervisory board members						
Mateja Lovšin Herič	chair	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	2,970	13,000	0	0	15,970
Mateja Živec	member	2,970	13,000	0	0	15,970
Davor Ivan Gjivoje	member (since 07/03/2017)	2,640	10,624	0	0	13,264
Andrej Kren	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	0	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	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**

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

(EUR)	31/12/2018	31/12/2017
Mateja Lovšin Herič	0	2,391
Slaven Mićković	350	788
Andrej Gorazd Kunstek	0	1,358
Keith William Morris	0	3,714
Mateja Živec	0	1,358
Davor Ivan Gjivoje	0	1,534
Andrej Kren	0	2,023
Ignac Dolenšek	0	844
Total	**350**	**14,011**

Employee remuneration not subject to the tariff section of the collective agreement for 2018

(EUR)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	4,272,818	389,871	146,465	4,809,153

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

(EUR)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	4,189,932	173,658	143,078	4,506,668

Receivables due from the state and majority state-owned companies

(EUR)	31/12/2018	31/12/2017
Interests in companies	9,641,217	9,645,208
Debt securities and loans	168,175,326	203,987,529
Receivables due from policyholders	94,606	126,693
Total	**177,911,149**	**213,759,429**

Liabilities to the state and majority state-owned companies

(EUR)	31/12/2018	31/12/2017
Liabilities for shares in claims	9,041	19,478

Income and expenses relating to majority state-owned companies

(EUR)	2018	2017
Dividend income	583,434	565,389
Interest income	6,237,105	7,992,652
Gross premiums written	10,631,231	12,986,211
Gross claims payments	-5,056,417	-3,529,952
Total	**12,395,352**	**18,014,300**

Characteristics of loans granted to subsidiaries

(EUR) 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	15/07/2020	3.00%
Illyria	642,000	ordinary	15/07/2022	3.00%
Sava Terra	15,000	ordinary	11/12/2019	1.00%
Sava Terra	499,500	ordinary	02/02/2021	1.50%
Total	**2,456,500**			

18 Significant events after the reporting date

On 27 February 2019, Zavarovalnica Sava satisfied all suspensive conditions and became the sole owner of the Croatian companies ERGO Osiguranje d.d. and ERGO Životno Osiguranje d.d.