

Financial statements of the Sava Insurance Group and Sava Re with notes



15 Auditor's report



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Independent Auditor's Report

To the shareholders of Pozavarovalnica Sava d.d.

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of Pozavarovalnica Sava, d.d. ("the Company") and the consolidated financial statements of the Company and its subsidiaries (collectively, "the Group"), which comprise the separate and consolidated statements of financial position as at 31 December 2019 and the separate and consolidated income statements, statements of other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the unconsolidated and consolidated financial position, respectively, of the Company and the Group as at 31 December 2019, and of their respective unconsolidated and consolidated financial performance and unconsolidated and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS as adopted by the EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU Regulation (EU) No 537/2014 of the European parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (OJ L 158, 27.5.2014, p. 77-112 - EU Regulation EU No 537/2014). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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



Impairment of investments in subsidiaries (separate financial statements)	
<i>Investments in subsidiaries as at 31 December 2019: EUR 237,485,605 (31 December 2018: EUR 217,905,567), related impairment loss recognized in 2019: nil (2018: EUR 4,020,539).</i> <i>We refer to the separate financial statements: Note 17.4.13 (accounting policies), Note 17.7.6 (financial disclosures).</i>	
Key audit matter	Our response
<p>The Company has twelve subsidiaries in several European countries that provide services in the fields of insurance, asset management and supporting businesses. In the separate financial statements, these investments are carried at cost less impairment losses, if any. As at each reporting date, Management Board assesses whether indications exist that their carrying amounts might not be recoverable. Indications of impairment may include, among other things, significant operating losses, negative shareholders' equity or financial performance otherwise below the planned levels.</p> <p>Once impairment indications are identified for an investment, the Management Board estimates its recoverable amount, being the higher of its fair value less costs to sell or the value-in-use, using internal model.</p> <p>The determination of the recoverable amounts, performed primarily on the basis of discounted cash flow models, involves significant Management Board judgment and estimates, in respect of the model assumptions such as growth rates, discount rates and forecasted net operating profit.</p> <p>Based on the above-mentioned circumstances, satisfying ourselves in respect of the impairment of investments in subsidiaries required our increased attention in the audit and is considered by us to be a key audit matter.</p>	<p>Our procedures, performed with the support from our own valuation specialists, included, among others:</p> <ul style="list-style-type: none">• Testing design and implementation of selected key controls over the assessment and recognition of impairment of investments, including the controls over the identification of impairment indications and making estimates of the recoverable amounts;• Critically evaluating, by reference to the relevant financial reporting standards and current market practice, the appropriateness of the applied model by the Company in their determination of impairment indicators and, where applicable, of the recoverable amounts of the investments in subsidiaries;• Evaluating the reasonableness of the Company's judgments as to the existence of impairment indicators and consequently the requirement to perform related impairment tests, based on our understanding of the current market conditions and by independently assessing the investees' financial performance based on the analysis of their historical performance against past forecasts;• For the investments with impairment indicators, evaluating assumptions and judgements applied by the Company to determine the investments' recoverable amounts. Our assessment covered, among others:<ul style="list-style-type: none">– challenging the discount rate used in the model, which we estimated independently by reference to publicly available external sources;– evaluating the reasonableness of the Management Board's model estimates, such as, growth rate and forecasted net operating profit. This included, but was not limited to, inspecting the subsidiaries' financial statements, making corroborating inquiries of the Company's directors regarding the subsidiaries' financial performance and analysing their actual performance against past forecasts;



	<ul style="list-style-type: none">• Evaluating the accuracy and completeness of the Company's disclosures regarding the key assumptions and judgements applied while assessing the recoverable amounts of the investments in subsidiaries.
Measurement of mathematical provision and technical provisions for unit-linked insurance for life insurance (consolidated financial statements) and incurred but not reported claim provisions for non-life insurance (separate and consolidated financial statements)	
<i>In the consolidated financial statements, mathematical provisions: EUR 211,877,103 and technical provisions for unit-linked insurance: EUR 220,613,698, total: EUR 432,490,801, as at 31 December 2019 (as at 31 December 2018, mathematical provisions: EUR 254,849,366, and technical provisions for unit-linked insurance: EUR 210,032,637, total: EUR 464,882,003).</i> <i>In the separate financial statements incurred but not reported claim provisions as at 31 December 2019: EUR 52,433,572 (31 December 2018: EUR 59,276,486) and in consolidated financial statements incurred but not reported provisions as at 31 December 2019: EUR 232,517,209 (31 December 2018: EUR 251,725,942).</i> <i>We refer to the separate and consolidated financial statements: Notes. 17.4.24. (Accounting policies) and Note 17.7.24 (Financial disclosures).</i>	
Key audit matter	Our response
<p>In the consolidated financial statements, mathematical provisions and technical provisions for unit-linked insurance, and in both separate and consolidated financial statements, incurred but not reported claim provisions (IBNR provisions), represent a significant share of the Company's and the Group's respective total liabilities. Measurement thereof is associated with significant estimation uncertainty as it requires Management Board to exercise judgment and develop complex and subjective assumptions used as inputs into the underlying valuation models based on standard actuarial methodologies.</p> <p><i>Mathematical provisions and technical provisions for unit-linked insurance</i></p> <p>Among other things, at each reporting date, the Group is required to perform a liability adequacy test (hereinafter, "LAT") with an aim to determine whether its recognized life insurance technical provisions are sufficient. The test is based on the comparison of the Management Board's current estimate of the present value of future cash flows arising from the in-force insurance contracts with the stated amounts of the related liabilities. In case the LAT shows that the amounts of</p>	<p>Our procedures, performed with the support from our own actuarial specialists, included, among others:</p> <ul style="list-style-type: none">• Testing design and implementation of selected key controls within the insurance provision measurement process, including those over determination and validation of actuarial assumptions;• Evaluating the methodology used in measuring mathematical provisions and technical provisions for unit-linked insurance and IBNR claim provisions against relevant regulatory and financial reporting requirements; <p><i>For mathematical provisions and technical provisions for unit-linked insurance</i></p> <ul style="list-style-type: none">• Evaluating the reasonableness of the Group's current estimates of future cash flows used for life insurance LAT purposes by means of:<ul style="list-style-type: none">– assessing the results of the Group's experience studies and using those historical results to challenge the key assumptions used in making estimates as at 31 December 2019. Specifically, among other things, we assessed whether the key mortality, morbidity and lapse rates as well as the pattern of the



mentioned provisions are insufficient in light of the estimated future cash flows, the entire deficiency is recognized in the profit or loss. The key assumptions used in the test include those in respect of: expected expenses, mortality and morbidity rates, investment yields, discount rates as well as the expected pattern of policyholders exercising their insurance options. Relatively insignificant changes in these assumptions can have a significant effect on the amounts of the related estimates due to the long-term nature of the obligations.

Incurred but not reported claim provisions

Significant complexity is also associated with estimating IBNR claim provisions. Several actuarial methods are available for calculating IBNR provisions, which need to be tailored to specific circumstances, based on the Management Board's judgment, in particular in respect of whether and to what extent past loss patterns can be applied in predicting claims reported in the future.

In view of the above-mentioned factors, measurement of the above-mentioned insurance contract liabilities represented an area of significant audit risk which required our increased attention. As such we consider it to be our key audit matter.

policyholders' option exercise, as used in LAT, were properly set based on the experience studies, and whether the discount rates and investment yields used were in line with observable market rates;

- assessing the reasonableness of the expense assumptions in the LAT considering past experience and any expected future changes;
- Assessing the reasonableness of the movements in mathematical provisions and technical provisions for unit-linked insurance during 2019, starting from the opening value and developing our independent expectation for the items which should result in an increase in the liability (such as premiums, technical interest rate, profit sharing, yield rate) and those which result in its decrease (claims, expense loadings, risk premium);

For incurred but not reported claim provisions

- Evaluating the IBNR claim provisions, by means of, among other things, assessment of the actuarial methods applied for selected significant lines of business and evaluation the appropriateness of the development factors used by the Company and the Group, based on our analysis of development factors in the past;
- Assessing the reasonableness of IBNR claim provisions recognized in the past by comparing historical estimates with actual claims (run off test);

For all above mentioned provisions

- Assessing the Company's and the Group's disclosures in respect of above-mentioned provisions against the requirements of the relevant financial reporting standards.

Other matter

The separate financial statements of the Company and the consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those separate and consolidated financial statements on 28 March 2019.



Other Information

Management is responsible for the other information. The other information comprises the "Business Report" and "Summary of tables" included in the Annual Report, but does not include the separate and consolidated financial statements and our auditor's report thereon. We obtained other information before the date of the financial statements and the auditor's report, except for the "Report of the Supervisory board and audit committee", which forms part of the Annual report and which will be available after the date of this auditor's report.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Business Report we considered whether the Business Report includes the disclosures required by the Company's Ac dated 4 May 2006 (official gazette of Republic of Slovenia No. 42/2006 with amendments - hereafter referred to as "the applicable legal requirements").

Based solely on the work required to be undertaken in the course of the audit of the separate and consolidated financial statements and the procedures above, in our opinion, in all material respects:

- the information given in the Business Report for the financial year for which the separate and consolidated financial statements are prepared, is consistent, in all material respects, with the separate and the consolidated financial statements; and
- the Business Report has been prepared in accordance with the applicable legal requirements.

In addition, in light of the knowledge and understanding of the entity and its environment in which it operates, obtained in the course of our audit, we are required to report if we have identified material misstatements in other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect.

Responsibility of Management and Those Charged with Governance for the Separate and the Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.



Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and EU Regulation (EU) No 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We were appointed by the shareholders of Pozavarovalnica Sava, d.d. on the shareholders meeting dated 21 May 2019 to audit the Company's and the Group's respective separate and consolidated financial statements for the year ended 31 December 2019. Our total uninterrupted period of engagement is one year.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 20 March 2020;
- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the Company and the Group in conducting the audit;

For the period to which our statutory audit relates, in addition to the audit and services, which are disclosed in the Business Report or in the separate and consolidated financial statements, we have not provided any other services to the Company or the Group.

On behalf of the auditing company

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.


Metka Sedej, FCCA
Certified Auditor


Barbara Kunc
Certified Auditor
Partner

Ljubljana, 20 March 2020

KPMG Slovenija, d.o.o.
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16 Financial statements

16.1 Statement of financial position

EUR	Note	Sava Insurance Group		Sava Re		
		31 Dec 2019	31 Dec 2018	31 Dec 2019	As restated 31 Dec 2018	As restated* 1 Jan 2018
ASSETS		1,885,953,003	1,706,023,490	735,585,561	604,612,961	579,168,086
Intangible assets	1	61,060,069	37,121,118	1,294,110	892,724	807,011
Property, plant and equipment	2	47,615,710	42,893,432	2,507,611	2,654,540	2,485,645
Right-of-use assets	3	9,974,252	0	115,400	0	0
Deferred tax assets	4	2,044,124	2,026,472	1,141,098	1,943,597	1,315,053
Investment property	5	16,695,132	20,643,019	8,142,714	8,285,733	8,230,878
Financial investments in subsidiaries and associates	6	581,104	462,974	238,177,654	218,424,765	191,615,257
Financial investments:	7	1,064,874,239	1,008,097,470	296,096,594	244,291,434	250,781,685
- loans and deposits		53,363,639	33,542,347	32,047,969	10,107,498	12,840,885
- held to maturity		41,586,644	77,122,037	2,075,784	2,075,425	2,075,111
- available for sale		943,663,578	885,017,410	255,270,080	228,151,616	235,456,116
- at fair value through profit or loss		26,260,378	12,415,676	6,702,761	3,956,895	409,573
Assets held for the benefit of policyholders who bear the investment risk	8	213,159,889	204,818,504	0	0	0
Reinsurers' share of technical provisions	9	38,620,539	27,292,750	31,159,308	21,437,221	20,073,571
Investment contract assets	10	151,197,102	135,586,965	0	0	0
Receivables	11	159,413,917	140,550,011	97,024,000	87,830,299	88,602,395
Receivables arising out of primary insurance business		139,954,356	126,533,761	89,537,760	82,518,635	85,167,822
Receivables arising out of co-insurance and reinsurance business		6,734,564	5,835,798	4,214,830	4,842,279	3,202,926
Current tax assets		3,002,507	169,727	2,802,044	0	0
Other receivables		9,722,490	8,010,725	469,366	469,385	231,647
Deferred acquisition costs	12	23,500,521	19,759,234	6,554,598	7,821,932	7,778,499
Other assets	13	2,841,516	2,064,220	441,253	379,264	799,634
Cash and cash equivalents	14	93,804,031	64,657,431	52,931,222	10,651,452	6,678,458
Non-current assets held for sale	15	570,858	49,890	0	0	0

EUR	Note	Sava Insurance Group		Sava Re		
		31 Dec 2019	31 Dec 2018	31 Dec 2019	As restated 31 Dec 2018	As restated* 1 Jan 2018
EQUITY AND LIABILITIES		1,885,953,003	1,706,023,490	735,585,561	604,612,961	579,168,086
Equity		384,776,847	340,175,455	343,920,689	317,561,040	289,171,834
Share capital	16	71,856,376	71,856,376	71,856,376	71,856,376	71,856,376
Capital reserves	17	43,035,948	43,035,948	54,239,757	54,239,757	54,239,757
Profit reserves	18	202,170,501	183,606,914	202,818,558	184,424,862	163,491,114
Own shares	19	-24,938,709	-24,938,709	-24,938,709	-24,938,709	-24,938,709
Fair value reserve	20	20,718,610	11,613,059	5,217,524	2,697,381	3,804,764
Reserve due to fair value revaluation		924,038	836,745	21,376	40,772	13,524
Retained earnings	21	42,128,483	35,140,493	14,517,789	8,306,851	4,217,912
Net profit or loss for the period	21	31,546,718	21,843,940	20,188,017	20,933,749	16,487,096
Translation reserve		-3,168,414	-3,368,928	0	0	0
Equity attributable to owners of the controlling company		384,273,551	339,625,838	343,920,689	317,561,040	289,171,834
Non-controlling interests in equity	22	503,296	549,617	0	0	0
Subordinated liabilities	23	74,822,710	0	74,822,710	0	0
Technical provisions	24	933,952,709	920,491,487	261,338,591	234,173,078	232,639,163
Unearned premiums		207,895,397	184,101,835	54,588,057	47,147,505	47,602,457
Technical provisions for life insurance business		211,877,103	254,849,366	0	0	0
Provision for outstanding claims		502,914,277	470,057,561	205,064,638	185,988,628	184,269,492
Other technical provisions		11,265,932	11,482,725	1,685,896	1,036,945	767,214
Technical provision for the benefit of life insurance policyholders who bear the investment risk	24	220,613,698	210,032,637	0	0	0
Other provisions	25	8,705,469	7,730,247	466,901	376,521	351,250
Deferred tax liabilities	4	5,294,664	3,605,462	76,227	76,227	76,227
Investment contract liabilities	10	151,040,643	135,441,508	0	0	0
Other financial liabilities		355,908	243,095	87,504	87,504	91,182
Liabilities from operating activities	26	61,290,549	54,736,601	51,086,602	49,185,680	54,404,921
Liabilities from primary insurance business		50,356,998	44,278,514	44,373,937	44,039,129	51,160,114
Liabilities from reinsurance and co-insurance business		9,300,437	6,176,032	6,712,665	3,149,394	3,090,008
Current income tax liabilities		1,633,114	4,282,055	0	1,997,157	154,799
Lease liabilities	27	10,448,915	0	115,491	0	0
Other liabilities	28	34,650,891	33,566,998	3,670,845	3,152,911	2,433,509

The consolidated statement of financial position for 2018 has changed in the deferred tax assets and deferred tax liabilities items due to a partial reversal of previously incorrectly netted deferred tax.

* The correction of the error is presented in section 17.11.

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

The income statement for 2018 included netted exchange differences for investment income and expenses, other technical income and expenses, and unrealised and realised gains and losses on investments of life insurance policyholders who bear the investment risk.

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

16.2 Income statement¹¹⁵

EUR	Note	Sava Insurance Group		Sava Re	
		1-12/2019	1-12/2018	1-12/2019	1v12/2018
Net earned premiums	30	548,040,035	504,669,701	137,446,312	133,740,178
Gross premiums written		598,526,157	546,299,539	166,528,931	151,636,216
Written premiums ceded to reinsurers and co-insurers		-36,146,607	-26,942,852	-26,361,308	-18,407,793
Change in gross unearned premiums		-19,266,582	-11,415,695	-7,440,552	454,952
Change in unearned premiums, reinsurers' and co-insurers' shares		4,927,067	-3,271,291	4,719,241	56,803
Income from investments in subsidiaries and associates	31	2,717,909	0	36,947,895	33,558,455
Other income		2,717,909	0	36,947,895	33,558,455
Investment income	32	20,273,977	20,385,617	7,075,808	4,840,665
Interest income		14,016,424	16,459,186	3,463,383	3,589,693
Other investment income		6,257,553	3,926,431	3,612,425	1,250,972
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	32	23,278,584	0	0	0
Other technical income	33	12,736,452	15,758,511	3,785,460	3,651,029
Commission income		4,291,946	3,634,682	3,063,492	2,530,359
Other technical income		8,444,506	12,123,829	721,968	1,120,671
Other income	33	27,693,576	14,549,676	804,538	701,331
Net claims incurred	34	-399,191,460	-320,760,586	-94,118,562	-76,604,633
Gross claims paid, net of income from recourse receivables		-392,032,235	-342,556,518	-86,983,721	-82,687,678
Reinsurers' and co-insurers' shares		10,559,367	12,460,118	6,938,323	6,495,334
Change in the gross claims provision		-23,869,642	9,913,517	-19,076,010	-1,719,136
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares		6,151,050	-577,703	5,002,847	1,306,847
Change in other technical provisions	35	46,506,883	13,207,584	-777,682	-268,920
Change in technical provisions for policyholders who bear the investment risk	35	-12,825,182	15,962,680	0	0
Expenses for bonuses and rebates		227,917	288,628	128,731	-811
Operating expenses	36	-186,955,234	-178,131,437	-50,458,512	-47,563,317
Acquisition costs		-65,793,677	-58,372,509	-35,723,768	-34,848,052
Change in deferred acquisition costs		2,908,414	1,598,536	-1,267,334	43,433
Other operating expenses		-124,069,971	-121,357,464	-13,467,410	-12,758,699
Expenses for investments in associates and impairment losses on goodwill	32	-54,721	-151,130	0	-4,020,539
Impairment loss on goodwill		0	-94,906	0	-4,020,539
Loss arising out of the investment in the equity-accounted associate company		-54,721	-56,224	0	0
Expenses for financial assets and liabilities	32	-1,707,664	-3,187,907	-892,197	-2,383,820
Impairment losses on financial assets not at fair value through profit or loss		0	-1,943,975	0	-1,943,974
Interest expense		-682,017	-28,445	-495,157	0
Other investment expenses		-1,025,647	-1,215,487	-397,040	-439,846
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	32	0	-6,630,921	0	0
Other technical expenses	33	-15,435,751	-17,825,983	-425,566	-348,355
Other expenses	33	-4,561,305	-2,873,861	-289,185	-279,399
Profit or loss before tax		60,744,016	55,260,572	39,227,041	45,021,864
Income tax expense	37	-10,549,428	-12,248,723	-645,328	-3,154,368
Net profit or loss for the period		50,194,588	43,011,849	38,581,713	41,867,497
Net profit or loss attributable to owners of the controlling company		49,977,170	42,790,617	-	-
Net profit or loss attributable to non-controlling interests		217,418	221,232	-	-
Earnings per share (basic and diluted)	21	3.22	2.76	-	-

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16.3 Statement of comprehensive income

EUR	Sava Insurance Group		Sava Re	
	1-12/2019	1-12/2018	1-12/2019	1-12/2018
PROFIT OR LOSS FOR THE PERIOD, NET OF TAX	50,194,588	43,011,849	38,581,713	41,867,497
OTHER COMPREHENSIVE INCOME, NET OF TAX	9,394,773	-6,563,406	2,500,748	-1,080,135
a) Items that will not be reclassified subsequently to profit or loss	87,291	169,227	-19,396	27,248
Other items that will not be reclassified subsequently to profit or loss	100,688	190,794	-19,396	29,779
Tax on items that will not be reclassified subsequently to profit or loss	-13,397	-21,567	0	-2,531
b) Items that may be reclassified subsequently to profit or loss	9,307,482	-6,732,633	2,520,144	-1,107,382
Net gains/losses on remeasuring available-for-sale financial assets	10,875,034	-8,419,063	3,111,290	-1,367,140
Net change recognised in the fair value reserve	11,354,363	-7,841,176	3,253,554	-1,165,440
Net change transferred from fair value reserve to profit or loss	-479,329	-577,887	-142,264	-201,700
Tax on items that may be reclassified subsequently to profit or loss	-1,769,074	1,703,734	-591,146	259,758
Net gains/losses from translation of financial statements of non-domestic companies	201,522	-17,304	0	0
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	59,589,361	36,448,443	41,082,461	40,787,362
Attributable to owners of the controlling company	59,370,524	36,225,581	-	-
Attributable to non-controlling interests	218,837	222,862	-	-

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

16.4 Cash flow statement

EUR			Note	Sava Insurance Group		Sava Re	
				1-12/2019	1-12/2018	1-12/2019	1-12/2018
A. Cash flows from operating activities							
a)	Items of the income statement			26,517,146	53,962,293	-2,903,317	11,767,434
	Net profit or loss for the period			50,194,588	43,011,849	38,581,713	41,867,497
	Adjustments for:						
2	Realised gains or losses on the disposal of property, plant and equipment assets			-179,575	-13,652	16,100	13,652
3	Gains or losses of equity-accounted subsidiary		32	54,721	56,224	0	0
5	Other financial expenses/income			-43,168,016	-10,914,889	-41,273,154	-33,803,754
6	Depreciation/amortisation			7,984,822	5,254,010	713,664	481,036
7	Income tax expense			10,549,428	12,248,723	645,328	3,154,368
8	Net exchange differences			1,081,178	4,320,028	-1,586,968	54,636
b.)	Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position			-57,570,976	-53,631,574	8,943,303	-6,148,051
1.	Change in receivables from primary insurance		11	-13,420,595	-2,209,214	-7,019,125	2,649,187
2.	Change in receivables from reinsurance		11	-898,766	361,919	627,449	-1,639,353
3.	Change in other receivables from (re)insurance business			351,279	-532,222	0	0
4.	Change in other receivables and other assets			-6,564,775	426,920	-794,182	-489,345
5.	Change in deferred tax assets		4	0	0	0	0
6.	Change in inventories		13	-34,504	-5,395	0	0
7.	Change in liabilities arising out of primary insurance		26	6,078,484	-10,432,775	334,808	-7,120,985
8.	Change in liabilities arising out of reinsurance business		26	3,124,405	1,015,849	3,563,271	59,386
9.	Change in other operating liabilities			4,843,248	-524,718	314,179	882,308
10.	Change in other liabilities (except unearned premiums)			-2,070,153	-28,448,079	-297,494	1,018,029
11.	Change in technical provisions			-37,060,778	-5,147,464	17,443,424	170,265
	- change in unearned premiums			14,339,515	14,686,986	2,721,310	-511,755
	- change in provision for outstanding claims			-17,718,592	9,335,814	14,073,163	412,289
	- change in other technical provisions			-270,982	2,424,119	648,951	269,731
	- change in mathematical provision			-46,235,901	-15,631,703	0	0
	- change in mathematical provision for policyholders who bear the investment risk			12,825,182	-15,962,680	0	0
12	Tax expense			-11,918,821	-8,136,395	-5,229,028	-1,677,544
c)	Net cash from/used in operating activities (a + b)			-31,053,830	330,719	6,039,986	5,619,383

EUR			Note	Sava Insurance Group		Sava Re	
				1-12/2019	1-12/2018	1-12/2019	1-12/2018
B. Cash flows from investing activities							
a)	Cash receipts from investing activities			472,776,934	806,087,833	154,665,296	138,973,252
	1.	Interest received from investing activities	32	14,016,424	16,459,186	3,463,383	3,589,693
	2.	Cash receipts from dividends and participation in the profit of others	32	1,623,033	1,378,367	41,835,889	34,234,600
	4.	Proceeds from sale of property, plant and equipment		363,166	4,156,317	58,347	12,319
	5.	Proceeds from sale of financial investments		456,634,120	784,093,963	109,307,678	101,136,640
	5.2.	Other cash inflows from disposal of financial investments		456,634,120	784,093,963	109,307,678	101,136,640
b)	Cash disbursements in investing activities			-472,210,012	-768,717,071	-177,470,764	-128,221,484
	1.	Purchase of intangible assets		-3,233,676	-1,547,018	-691,749	-326,455
	2.	Purchase of property, plant and equipment		-7,852,849	-2,761,542	-151,295	-396,476
	3.	Purchase of long-term financial investments		-461,123,487	-764,408,511	-176,627,720	-127,498,554
	3.1.	Purchase of subsidiary companies		-31,537,763	-31,689,486	-28,815,090	-30,830,047
	3.2.	Other cash outflows to acquire financial investments		-429,585,724	-732,719,025	-147,812,631	-96,668,507
c)	Net cash from/used in investing activities (a + b)			566,922	37,370,762	-22,805,468	10,751,768
C. Cash flows from financing activities							
a)	Cash receipts from financing activities			74,327,980	0	74,327,980	0
	2.	Cash inflows from long-term loans		74,327,980	0	74,327,980	0
b)	Cash disbursements in financing activities			-17,401,201	-12,426,602	-15,282,728	-12,398,157
	1.	Interest paid	32	-682,017	-28,445	-495,157	0
	3.	Repayment of long-term financial liabilities		-1,731,215	0	-64,760	0
	5.	Dividends and other profit participations paid		-14,987,969	-12,398,157	-14,722,811	-12,398,157
c)	Net cash from/used in financing activities (a + b)			56,926,779	-12,426,602	59,045,252	-12,398,157
C2. Closing balance of cash and cash equivalents				93,804,031	64,657,431	52,931,222	10,651,452
x)	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)			26,439,871	25,274,879	42,279,770	3,972,994
y)	Opening balance of cash and cash equivalents			64,657,431	37,956,119	10,651,452	6,678,458
	Opening balance of cash and cash equivalents – acquisition			2,706,729	1,426,433	0	0

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

16.5 Statement of changes in equity for 2019

Sava Insurance Group

EUR	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	III. Profit reserves Reserve for own shares	Catastrophe equalisation reserve	Other	IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-control-ling interests in equity	Total (15+16)
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	43,035,948	11,704,009	24,938,709	11,225,068	135,739,128	11,613,059	836,745	35,140,493	21,843,940	-24,938,709	-3,368,928	339,625,838	549,617	340,175,455
Opening balance in the financial period	71,856,376	43,035,948	11,704,009	24,938,709	11,225,068	135,739,128	11,613,059	836,745	35,140,493	21,843,940	-24,938,709	-3,368,928	339,625,838	549,617	340,175,455
Comprehensive income for the period, net of tax	0	0	0	0	0	0	9,105,553	87,291	0	49,977,170	0	200,510	59,370,524	218,837	59,589,361
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	49,977,170	0	0	49,977,170	217,418	50,194,588
b) Other comprehensive income	0	0	0	0	0	0	9,105,553	87,291	0	0	0	200,510	9,393,354	1,419	9,394,773
Transactions with owners – payouts	0	0	159,202	0	0	18,404,385	0	0	-14,855,947	-18,430,451	0	0	-14,722,811	-265,158	-14,987,969
Dividend distributions	0	0	0	0	0	0	0	0	-14,722,811	0	0	0	-14,722,811	-265,158	-14,987,969
Allocation of net profit to profit reserve	0	0	159,202	0	0	18,404,385	0	0	-133,136	-18,430,451	0	0	0	0	0
Movements within equity	0	0	0	0	0	0	0	0	21,843,940	-21,843,940	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	21,843,940	-21,843,940	0	0	0	0	0
Closing balance in the financial period	71,856,376	43,035,948	11,863,211	24,938,709	11,225,068	154,143,513	20,718,610	924,038	42,128,483	31,546,718	-24,938,709	-3,168,414	384,273,551	503,296	384,776,847

Sava Re

EUR	I.	II.	III. Profit reserves			IV.	Reserve due to fair value reva- luation	V.	VI.	VII.	Total (15+16)	
	Share capital	Capital reserves	Legal reserves and reserves provided for in the articles of association	Reserve for own shares	Catastrophe equalisation reserve	Other		Fair value reserve	Retained earnings	Net profit or loss for the period		Own shares
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	17.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	134,499,629	2,697,381	40,772	8,306,851	20,933,748	-24,938,709	317,561,040
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	134,499,629	2,697,381	40,772	8,306,851	20,933,748	-24,938,709	317,561,040
Comprehensive income for the period, net of tax	0	0	0	0	0	0	2,520,144	-19,396	0	38,581,713	0	41,082,461
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	38,581,713	0	38,581,713
b) Other comprehensive income	0	0	0	0	0	0	2,520,144	-19,396	0	0	0	2,500,748
Transactions with owners – payouts	0	0	0	0	0	18,393,696	0	0	-14,722,811	-18,393,696	0	-14,722,811
Dividend distributions	0	0	0	0	0	0	0	0	-14,722,811	0	0	-14,722,811
Allocation of net profit to profit reserve	0	0	0	0	0	18,393,696	0	0	0	-18,393,696	0	0
Movements within equity	0	0	0	0	0	0	0	0	20,933,749	-20,933,749	0	0
Transfer of profit	0	0	0	0	0	0	0	0	20,933,749	-20,933,749	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	152,893,325	5,217,524	21,376	14,517,789	20,188,017	-24,938,709	343,920,689

16.6 Statement of changes in equity for 2018

Sava Insurance Group

EUR	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	III. Profit reserves Reserve for own shares	Catastrophe equalisation reserve	Other	IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interests in equity	Total (15+16)
	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	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
Transactions with owners – payouts	0	0	125,090	0	0	20,933,748	0	0	-12,510,318	-20,946,677	0	0	-12,398,157	0	-12,398,157
Dividend distributions	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
Movements within equity	0	0	0	0	0	0	0	0	14,557,220	-14,557,220	0	0	0	8,273	8,273
Transfer of profit	0	0	0	0	0	0	0	0	14,557,220	-14,557,220	0	0	0	0	0
Closing balance in the financial period	71,856,376	43,035,948	11,704,009	24,938,709	11,225,068	135,739,128	11,613,058	836,745	35,140,493	21,843,940	-24,938,709	-3,368,928	339,625,838	549,617	340,175,455

Sava Re

EUR	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	III. Profit reserves Reserve for own shares	Catastrophe equalisation reserve	Other	IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit or loss for the period	VII. Own shares	Total (15+16)
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	17.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	113,565,881	3,804,764	13,524	6,012,233	16,487,096	-24,938,709	290,966,155
Adjustment	0	0	0	0	0	0	0	0	-1,794,321	0	0	-1,794,321
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	113,565,881	3,804,764	13,524	4,217,912	16,487,096	-24,938,709	289,171,834
Comprehensive income for the period, net of tax	0	0	0	0	0	0	-1,107,383	27,248	0	41,867,497	0	40,787,363
a) Net profit or loss for the period	0	0	0	0	0	0	0	0	0	41,867,497	0	41,867,497
b) Other comprehensive income	0	0	0	0	0	0	-1,107,383	27,248	0	0	0	-1,080,134
Transactions with owners – payouts	0	0	0	0	0	20,933,748	0	0	-12,398,157	-20,933,748	0	-12,398,157
Dividend distributions	0	0	0	0	0	0	0	0	-12,398,157	0	0	-12,398,157
Allocation of net profit to profit reserve	0	0	0	0	0	20,933,748	0	0	0	-20,933,748	0	0
Movements within equity	0	0	0	0	0	0	0	0	16,487,096	-16,487,096	0	0
Transfer of profit	0	0	0	0	0	0	0	0	16,487,096	-16,487,096	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	134,499,629	2,697,381	40,772	8,306,851	20,933,749	-24,938,709	317,561,040

The notes to the financial statements in sections from 17.4 to 17.10 form an integral part of these financial statements.

17 Notes to the financial statements

17.1 Basic details

Reporting company

Sava Re d.d. is the controlling company (hereinafter also the “Company”) of the Sava Insurance 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 (15% of operating revenues), non-life insurance business (67% of operating revenues), life insurance business (16% of operating revenues), pension business (1% of operating revenues) and other non-insurance business (1% of operating revenues).¹¹⁶

In 2019, the Group employed on average 2,570 people (2018: 2,403 employees) on a full-time equivalent basis. As at 31 December 2019, the total number of employees on a full-time equivalent basis was 2,723 (31 December 2018: 2,417 employees). The statistics on employees in regular employment by various criteria are given in section 10 “Human resources management”.

In the 2019 financial year, the Company employed on average 113 people (2018: 103 employees) on a full-time equivalent basis. As at 31 December 2019, the total number of employees on a full-time equivalent basis was 115 (31 December 2018: 110 employees). The statistics on employees in regular employment by various criteria are given in section 10 “Human resources management”.

Educational profile of employees

	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Primary and lower secondary education	10	10	0	0
Secondary education	1,204	1,038	13	13
Higher education	287	303	4	5
University education	1,084	948	76	73
Master’s degree and doctorate	138	118	22	19
Total	2,723	2,417	115	110

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

The largest shareholder of the Company is Slovenian Sovereign Holding, with a 17.7% stake. The second-largest shareholder is Zagrebačka Banka (custodial account) with a 14.2% stake, and the third-largest the Republic of Slovenia, with a 13.9% stake. The table “Ten largest shareholders and the list of holders of qualified holdings pursuant to the Takeovers Act as at 31 December 2019” (section 3.2) is followed by an additional note on the share of voting rights in Sava Re (section 3.2).

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

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

¹¹⁶ Data for 2019.

17.2 Business combinations and overview of Group companies¹¹⁷

On 27 February 2019, Zavarovalnica Sava satisfied all suspensive conditions, becoming the sole owner of the companies Ergo Osiguranje and Ergo Životno Osiguranje. The first consolidated accounts of the Sava Insurance Group after the Croatian companies joined the Group were prepared as at 31 March 2019. The gain on the bargain purchase determined upon the acquisition of ERGO companies totalled EUR 7.5 million. This gain resulted from the difference between the purchase price determined using the discounted cash flow method and the net value of assets established in the acquisition. In November 2019 the Group transferred the portfolio of insurance contracts from the acquired companies to the Croatia-based branch office of Zavarovalnica Sava, after which the ERGO companies were transformed into limited liability companies and are expected to be wound up in the next year. Through the acquisition of insurance companies the Group increased its market share in insurance business in Croatia, and by transferring the portfolio to the subsidiary of Zavarovalnica Sava the Group will optimise its operations in Croatia and realise synergies resulting from the growth in the volume of insurance business.

In June 2019, Sava Re acquired an 85% stake in the investment fund management company KBM Infond (now Sava Infond). The first consolidated accounts of the Sava Insurance Group after Sava Infond joined the Group were prepared as at 30 June 2019. Sava Infond serves over 80,000 investors and manages assets in excess of EUR 300 million in the Infond Umbrella Fund, which is made up of 22 sub-funds offering diverse investment schemes. In terms of the number of funds and assets under management, Infond, with a market share of approximately 12%, ranks among the largest asset managers in Slovenia. This acquisition is a further step in the Sava Insurance Group's strategy of acquisitions-based growth in asset management, an important pillar of the Group's operations other than insurance business. The acquisition of Infond will allow the Sava Insurance Group to further expand and develop its asset management operations. On the first consolidation, income of EUR 2.7 million was recognised on the revaluation of the 15% stake in Sava Infond held by Zavarovalnica Sava.

In 2019, the subsidiary Sava Terra was merged into Zavarovalnica Sava. This merger had no impact on the Group's consolidated financial statements.

The following tables show the fair values of the net assets of the companies acquired in business combinations.

Companies acquired in 2019

EUR	ERGO Osiguranje	ERGO Životno Osiguranje	Sava Infond	Total
	31 Mar 2019	31 Mar 2019	30 Jun 2019	
Intangible assets	3,219	288	2,703,026	2,706,533
Property, plant and equipment	184,537	10,802	377,326	572,666
Non-current assets held for sale	0	0	0	0
Deferred tax assets	0	0	16,653	16,653
Investment property	0	0	427,000	427,000
Financial investments	19,899,944	6,559,870	1,749,066	28,208,880
Assets held for the benefit of policyholders who bear the investment risk	0	1,380,266	0	1,380,266
Reinsurers' share of technical provisions	316,703	0	0	316,703
Investment contract assets	0	0	0	0
Receivables	1,420,993	1,416	579,413	2,001,822
Cash and cash equivalents	666,336	289,003	5,331,720	6,287,058
Other assets	760,525	20,333	79,522	860,380
A. Total assets	23,252,257	8,261,976	11,263,728	42,777,961
Subordinated liabilities	0	0	0	0
Technical provisions	14,834,022	2,252,948	0	17,086,970
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	1,380,266	0	1,380,266
Other provisions	0	0	184,417	184,417
Deferred tax liabilities	126,938	32,925	0	159,863
Other financial liabilities	31,828	0	0	31,828
Liabilities from operating activities and other liabilities	1,509,314	194,437	500,332	2,204,083
B. Total liabilities	16,502,102	3,860,575	684,749	21,047,426
Fair value of net assets acquired (A - B)	6,750,155	4,401,401	10,578,979	21,730,535
Gain on bargain purchase	4,917,425	2,568,671	0	7,486,096
Goodwill*	0	0	20,184,085	20,184,085
Market value of investment	1,832,729	1,832,729	30,763,064	34,428,523

* Temporary allocation to goodwill since the Company had insufficient data to assess the value of a customer list. An assessment will be performed in 2020.

EUR	ERGO Osiguranje	ERGO Životno Osiguranje	Sava Infond	Total
Acquisition of stake	-1,832,729	-1,832,729	-30,763,064	-34,428,523
Revaluation of stake	0	0	2,717,909	2,717,909
Net cash and cash equivalents acquired in the business combination	666,336	289,003	5,331,720	6,287,058
Net cash relating to the business combination	-1,166,394	-1,543,727	-22,713,435	-25,423,555

Goodwill of EUR 11,710,411 arisen on the acquisition of Sava Penzisko was partly allocated to the customer list (EUR 10,043,573) in 2019 based on the list's estimated value. Upon allocation to intangible

assets (customer list), deferred tax liabilities were recognised in the amount of EUR 17,812. The difference comprises goodwill of EUR 1,666,839.

EUR	Sava Penzisko Društvo
Intangible assets	10,082,544
Property, plant and equipment	17,448
Financial investments	7,917,244
Receivables	13,076
Cash and cash equivalents	46,440
Other assets	311,408
A. Total assets	18,388,159
Other provisions	60,602
Deferred tax liabilities	17,812
Liabilities from operating activities and other liabilities	441,600
B. Total liabilities	520,014
Fair value of net assets acquired (A - B)	17,868,145
Goodwill	1,666,839
Market value of investment as at 30 Jun 2019	19,534,984

EUR	Sava Penzisko Društvo
Acquisition of stake	-19,534,984
Net cash and cash equivalents acquired in the business combination	46,440
Net cash relating to the business combination	-19,488,544

Companies acquired in 2018

EUR	TBS Team 24	Energoprojekt Garant	Sava Penzisko Društvo	Sava Terra	Total
	31 Mar 2019	31 Mar 2019	30 Jun 2019	31 Dec 2019	
Intangible assets	2,942	16,156	38,971	0	58,069
Property, plant and equipment	106,510	32,992	17,448	0	156,950
Non-current assets held for sale	0	0	0	0	0
Deferred tax assets	0	0	0	0	0
Investment property	0	1,972,586	0	4,491,494	6,464,080
Financial investments	0	5,425,457	7,917,244	0	13,342,700
Reinsurers' share of technical provisions	0	181,305	0	0	181,305
Receivables	2,003,806	340,752	13,076	58,972	2,416,606
Cash and cash equivalents	14,951	751,942	46,440	44,028	857,361
Other assets	180,198	29,023	311,408	2,528	523,157
A. Total assets	2,308,407	8,750,213	8,344,587	4,597,022	24,000,229
Technical provisions	0	1,846,333	0	0	1,846,333
Other provisions	0	3,011	60,602	0	63,613
Deferred tax liabilities	0	1,032	17,812	151,144	169,988
Other financial liabilities	0	0	0	1,922,887	1,922,887
Liabilities from operating activities and other liabilities	2,275,309	147,437	441,600	30,222	2,894,569
B. Total liabilities	2,275,309	1,997,814	520,014	2,104,253	6,897,390
Fair value of net assets acquired (A - B)	33,098	6,752,398	7,824,573	2,492,769	17,102,838
Non-controlling interests in equity	8,274	476,719	0	0	484,993
Goodwill*	2,787,676	54,356	11,710,411	0	14,552,443
Market value of investment	2,812,500	6,330,035	19,534,984	2,492,769	31,170,288

* Sava Penzisko Društvo – temporary allocation to goodwill (EUR 11,710,411) since the Company had insufficient data to assess the value of a customer list. An assessment has been made in 2019.

EUR	TBS Team 24	Energoprojekt Garant	Sava Penzisko Društvo	Sava Terra	Total
Acquisition of stake	-2,812,500	-6,330,035	-19,534,984	-2,492,769	-31,170,289
Net cash and cash equivalents acquired in the business combination	14,951	751,942	46,440	44,028	857,361
Net cash relating to the business combination	-2,797,549	-5,578,093	-19,488,544	-2,448,741	-30,312,928

The tables below show individual items of the statement of financial position and the income statement based on the separate financial statements of

subsidiaries and associates prepared in accordance with IFRSs, together with the controlling company's share of voting rights.

Subsidiaries as at 31 December 2019

EUR	Activity	Registered office	Assets	Liabilities	Equity as at 31 Dec 2019	Profit or loss for 2019	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,151,013,238	989,712,523	161,300,721	38,477,269	406,794,650	100.00%
Sava Neživotno Osiguranje (Serbia)	insurance	Serbia	35,827,022	24,661,962	11,165,060	1,079,603	21,359,763	100.00%
Illyria	insurance	Kosovo	17,090,978	15,461,175	1,629,803	-2,267,470	9,008,400	100.00%
Sava Osiguruvanje (North Macedonia)	insurance	North Macedonia	22,759,709	16,639,706	6,120,003	201,857	13,257,606	92.57%
Sava Osiguranje (Montenegro)	insurance	Montenegro	26,477,686	18,817,413	7,660,273	1,233,918	13,161,749	100.00%
Illyria Life	insurance	Kosovo	12,096,206	7,156,573	4,939,633	290,251	2,665,076	100.00%
Sava Životno Osiguranje (Serbia)	insurance	Serbia	9,856,010	6,086,828	3,769,182	16,199	3,305,436	100.00%
Illyria Hospital	currently none	Kosovo	5,995	0	5,995	4,495	-1,790,246	100.00%
Sava Car	technical research and analysis	Montenegro	1,273,315	639,518	633,797	67,068	865,761	100.00%
ZM Svetovanje	consulting and marketing of insurances of the person	Slovenia	177,510	80,714	96,796	18,766	1,039,177	100.00%
Ornatus	ZS call centre	Slovenia	45,128	19,587	25,541	4,005	225,177	100.00%
Sava Agent	insurance agency	Montenegro	2,147,456	1,935,017	212,439	90,717	721,647	100.00%
Sava Station	technical research and analysis	North Macedonia	316,420	22,408	294,012	-25,952	142,209	92.57%
Sava Pokojninska	pension fund	Slovenia	168,050,634	160,206,689	7,843,945	735,098	5,597,283	100.00%
TBS Team 24	organisation of assistance services and customer care	Slovenia	2,589,010	1,748,579	840,431	858,888	12,396,440	75.00%
Sava Penzisko Društvo	pension fund management	North Macedonia	9,831,537	387,168	9,444,369	1,343,277	3,937,856	100.00%
SO Poslovno Savjetovanje d.o.o.	business consulting	Croatia	5,211,179	223,237	4,987,942	-1,704,333	9,054,758	100.00%
SŽO Poslovno Savjetovanje d.o.o.	business consulting	Croatia	4,424,245	74,243	4,350,002	-163,547	498,879	100.00%
Sava Infond	investment fund asset management	Slovenia	7,303,758	861,705	6,442,053	1,359,735	7,391,228	100.00%

If the newly acquired companies had been part of the Group since 1 January 2019, revenues and net profit for the year would have totalled 661,344,862 and 49,801,767, respectively, in 2019.

Subsidiaries as at 31 December 2018

EUR	Activity	Registered office	Assets	Liabilities	Equity as at 31 Dec 2018	Profit or 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 (Serbia)	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 (North Macedonia)	insurance	North Macedonia	21,605,383	15,711,159	5,894,224	391,284	12,279,274	92.57%
Sava Osiguranje (Montenegro)	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 (Serbia)	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	technical 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	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	technical 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	organisation of assistance services 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%

EUR	Sava Osiguruvanje (North Macedonia)		Sava Station		TBS Team 24	
	2019	2018	2019	2018	2019	2018
Non-controlling interest as % of equity	7.43%	7.43%	7.43%	7.43%	25%	25%
Proportion of non-controlling interest voting rights, in %	7.43%	7.43%	7.43%	7.43%	25%	25%
Statement of profit or loss and other comprehensive income						
Income	13,257,606	12,279,274	142,209	160,281	12,396,440	10,219,623
Net profit for the year	201,857	391,284	-25,952	29,778	858,888	759,757
- Of non-controlling interest	14,998	29,072	-1,928	2,213	214,722	189,939
Other comprehensive income	22,906	8,265	264	-493	0	0
- Of non-controlling interest	1,702	614	20	-37	0	0
Total comprehensive income	224,763	399,549	-25,688	29,285	858,888	759,757
- Of non-controlling interest	16,700	29,686	-1,909	2,176	214,722	189,939
Dividends to non-controlling interests	0	0	0	0	265,158	423,028
Statement of financial position						
Assets	22,759,709	21,605,383	316,420	343,772	2,589,010	2,370,342
Liabilities	16,639,706	15,711,159	22,408	24,715	1,748,579	1,577,490
Equity	6,120,003	5,894,224	294,012	319,057	840,431	792,852

17.3 Consolidation principles

The controlling company prepared both separate and consolidated financial statements as at 31 December 2019. 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 their financial and operating policies so as to obtain benefits from their activities.

All subsidiaries in the Sava Insurance Group are fully consolidated.

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

Subsidiaries are fully consolidated as of the date of obtaining control and are deconsolidated as of the date that such control is lost.

At the time of an entity's first consolidation, its assets and liabilities are measured at fair value. Goodwill is measured as the excess of the fair value of the consideration effectively transferred over the net amount of the acquirer's (controlling company's) interest

in the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is measured at cost less any impairment losses.

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

Significant accounting policies applied in the preparation of the consolidated and separate financial statements are set out below. In 2019, the Group applied the same accounting policies as in 2018, except for lease contracts, which are measured in accordance with IFRS 16. As for the implementation of IFRS 9, the Group applied the temporary exemption until the adoption of IFRS 17 "Insurance contracts". For more information, see section 17.5.

17.4.1 Statement of compliance

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

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

In selecting and applying accounting policies, as well as in preparing the financial statements, the management board of the 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 Company's management board approved the audited financial statements on 20 March 2020.

17.4.2 Measurement bases

The financial statements have been prepared on the historic cost basis, except for financial assets measured at fair value through profit or loss, and available-for-sale financial assets, which are measured at fair value. Assets of policyholders who bear the investment risk are also measured at fair value.

17.4.3 Presentation currency, translation of transactions and items

The financial statements are presented in euros (EUR) without cents. The euro is the functional and presentation currency of the Group companies. Due to rounding, figures in tables may not add up to the totals.

Assets and liabilities as at 31 December 2019 denominated in foreign currencies have been translated into euros using the mid-rates of the European Central Bank (hereinafter: “ECB”) as at 31 December 2019. Amounts in the income statements have been translated using the average exchange rate. As at 31 December 2018 and 31 December 2019, 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 2019 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, sources of uncertainty and correction of prior-period errors

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

- The need for impairment of goodwill is assessed using the accounting policy under section 17.4.7 and note 1.
- Criteria for impairment of investments in subsidiaries and associates are determined using the accounting policy under section 17.4.13 and note 6.
- Deferred tax assets are recognised if Group entities plan to realise a profit in their medium-term projections.
- Receivables are impaired based on the accounting policy set out in section 17.4.17. Any recognised impairment loss is shown in note 11.
- Financial investments: Classification, recognition, measurement and derecognition, investment impairment and fair value measurement, are made based on the accounting policy set out in section 17.4.14. Movements in investments and their classification are shown in note 7, while the associated income and expenses, and impairments are shown in note 33.

- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in sections 17.4.24–26. Movements in these provisions are shown in note 24.
- Due to the delayed receipt of reinsurance accounts, estimates are used for recognising technical items. Estimates relate to amounts in reinsurance contracts, which, according to contractual due dates, have already accrued, although the Company has yet to receive reinsurance accounts. These items include: premiums, claims, commissions, unearned premiums, claims provisions and deferred acquisition costs.

The Company Sava Re has recognised an error in its previous periods. As a consequence, it restated comparative amounts from previous periods, i.e. for the year ended 31 December 2018 and restated opening balances as at 1 January 2018, as shown in the statement of financial position in section 16.1.

In section 17.11 of the notes to the financial statements, the Company has additionally disclosed balances as previously reported as at 31 December 2017, the adjustment due to the recognised error, the restated balance as at 1 January 2018, and balances as reported as at 31 December 2018, adjustment due to recognised error, restated as at 31 December 2018.

17.4.5 Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash flow statement has been prepared as the sum of all cash flows of all Group companies less any inter-Group cash flows. Cash flows from operating activities have been prepared based on data from the 2019 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities are shown based on actual disbursements. Items relating to changes in net operating assets are shown in net amounts.

17.4.6 Intangible assets

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

Intangible assets include computer software, licences pertaining to computer software (with useful life assumed to be five years). In case of recognition of a specific intangible asset with a longer useful life (customer list), the useful life is defined in a separate valuation report.

17.4.7 Goodwill

Goodwill arises on the acquisition of subsidiaries. In acquisitions, goodwill relates to the excess of the cost of the business combination over the acquirer’s interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the excess is negative (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 of an asset or cash-generating unit is the higher of its fair value less costs of disposal and value in use.

A cash-generating unit consists of an individual company. Movement in goodwill is discussed in detail in note 1 of section 17.7.

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.

17.4.8 Property, plant and equipment

Property, plant and equipment assets are initially recognised at cost, including cost directly attributable to the acquisition of the asset. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses.

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.

An assessment is made annually to determine whether there is any indication of impairment. If any such indication exists, an estimate of the recoverable amount of the asset is made. The recoverable amount is the higher of the value in use and fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired. Value in use is assessed in terms of a cash-generating unit, with a company as a whole constituting a cash-generating unit.

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

17.4.9 Right-of-use assets

As of 1 January 2019, assets include right-of-use assets at the present value of future lease payments due to the implementation of the new standard IFRS 16 and the recognition of lease liability. Right-of-use assets are amortised through value adjustments in the amount equalling depreciation calculated based on the lease term. Lease liability is increased by interest expense calculated on the lease liability and decreased by lease

payments made. Right-of-use assets and lease liability are recognised in net amount, excluding taxes. Group companies recognise payments for short-term and low-value leases as an expense.

As of 1 January 2019, the Group companies recognise right-of-use assets relating to long-term leases (more than one year) in excess of EUR 5,000 and lease liability. The value of the right-of-use asset comprises the amount of the initial measurement of the lease liability, initial direct costs incurred by the lessee, and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. All lease contracts have been reviewed, examining the right to control the use of an identified asset for a definite period. The lease term is either set in the contract or estimated, if the lease contract is entered into for an indefinite period or has an extension option. The right-of-use assets are calculated as discounted future cash flows of the lease payments over the lease term. Lease liability is also recognised. The applied discount rate consists of the incremental borrowing rate and takes into account the company’s credit rating and lease term, and country risk for Group companies outside Slovenia.

The cost model is applied, where the right-of-use asset is measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liability using a revised discount rate. Upon the initial application of the standard the Group companies used the modified approach.

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%

17.4.10 Non-current assets held for sale

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

17.4.11 Deferred tax assets and liabilities

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

Deferred tax assets are established for temporary non-deductible impairments of portfolio investments. Deferred tax assets are additionally established for impairment losses on receivables, unused tax losses and for provisions for employees. Deferred tax liabilities are recognised for catastrophe equalisation reserves transferred from technical provisions to profit reserves (as at 1 January 2007), which were tax-deductible when set aside (prior to 1 January 2007).

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

A Group company sets off deferred tax assets and liabilities, provided that the criteria have been satisfied. The Group does not set off deferred tax assets and liabilities in its consolidated financial statements.

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In 2019, no deferred tax assets of this kind were recognised.

In 2019, deferred tax assets and liabilities were accounted for using tax rates that the management believes will be used to tax the differences. The tax rate applicable for most Group companies (Slovenia) is 19% (2018: 19%), and 9–18% for other companies.

17.4.12 Investment property

Investment property comprises assets not used directly for carrying out business activities but held to earn rent or to realise capital gains at disposal. Investment property is accounted for using the cost model and straight-line depreciation. Investment property is depreciated at the rate of 1.3–2%. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Group companies act as lessors are cancellable operating leases. Payments and/or rentals received are recognised as income on a straight-line basis over the term of the lease. A cash-generating unit consists of an individual property. An assessment is made annually as to whether there is an indication of impairment of investment property. If any such indication exists, an estimate of the recoverable amount of the asset is made. The recoverable amount is the higher of the value in use and the net selling price less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Group companies measure the fair value of investment property using fair value models.

17.4.13 Financial investments in subsidiaries and associates

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

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

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

If impairment is necessary, an impairment test is carried out for each individual investment by calculating the recoverable amount of the cash-generating unit based on the value in use. Cash flow projections used in these calculations are based on the business plans approved by the respective management for the period until and including 2024, as well as on extrapolations of growth rates for an additional five-year period for insurance and pension companies. The projection for insurance and pension companies exceeds five years as we believe that the markets in which Group insurance and pension companies operate have not matured to the level that would allow us to believe that they will achieve a normal volume of business in the period of five years. The discount rate used is based on market rates adjusted to reflect company-specific risks. The recoverable amount of each cash-generating unit so calculated was compared to its carrying amount.

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

Discounted cash flow projections are based on the Group companies’ five-year business projections (strategic business plans for individual companies for the period 2020–2024) with a further five-year extrapolation for insurance and pension companies. A ten-year projection for insurance and pension business allows us to estimate a normalised cash flow based on which we can estimate the residual value in perpetuity.

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

Growth in pension companies’ revenues is due to increased contributions to pension funds as a result of demographic trends, at relatively fixed operating costs. This leads to higher profitability and requires an extension of the period in which we can determine a normalised cash flow based on which we can estimate the residual value in perpetuity.

The discount rate is determined as the cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the risk-free interest rate and equity premium, as well as prospects for the relevant business. Added are the country risk premium and a size premium.

The discount factors used in 2019 ranged from 8.3% to 10.9%.

The residual value after the projection period was calculated based on a long-term growth rate ranging from 0.3% to 2.0%. For Slovenia-based companies this growth rate is based on the average risk-free rate of return totalling 0.3%; for other markets it totals 2.0% and is based on long-run inflation expectations.

The recoverable amount of Zavarovalnica Sava was not revalued, as it had been determined in previous years that as a result of highly profitable business operations the value in use materially exceeds the carrying amount. In 2019, the company further improved the profitability of its business operations and plans to continue this trend in the future.

Assessments as to whether there is any indication of impairment of investments in subsidiaries are made using the same model as for goodwill. For more information on the assumptions, see section 17.4.7 of the financial statements with notes.

17.4.14 Financial investments and assets held for the benefit of policyholders who bear the investment risk

17.4.14.1 Classification

Financial assets are classified into the following categories:

Financial assets at fair value through profit or loss

This category consists of the following two sub-categories:

- financial assets held for trading, and
- financial assets designated as at fair value through profit or loss.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realising gains in the short term. Financial assets designated as at fair value through profit or loss comprise subordinated financial assets, primarily because they provide the issuer with the option of early redemption, and assets held for the benefit of policyholders who bear the investment risk.

Held-to-maturity financial assets

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturities that the Group companies have the intention and ability to hold to maturity.

Available-for-sale financial assets

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

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.

17.4.14.2 Recognition, measurement and derecognition

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

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

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

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

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

17.4.14.3 Determination of fair values

All financial instruments are measured at fair value, except for deposits, shares not quoted in any regulated market that constitute the non-material portion of the investment portfolio, loans (assuming that their carrying amount is a reasonable approximation of fair value) and financial instruments held to maturity, which are measured at amortised cost. The fair value of investment property, and land and buildings used in business operations and the fair value of financial instruments measured at amortised cost are set out in note 29. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Valuation techniques are used that

are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

On the valuation date, the fair value of a financial investment is established by determining the price in the principal market based on:

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

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

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

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

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

The policy of determining when transfers between levels of the fair value hierarchy are deemed to have occurred is disclosed and fully complied with. Policy on the timing of recognising transfers is the same for transfers into the levels as that for transfers out of the levels. Examples of policies include: (a) the date of the event or change in circumstances that caused the transfer; (b) the beginning of the reporting period; (c) the end of the reporting period.

17.4.14.4 Impairment losses on investments

A financial asset other than at fair value through profit or loss is impaired and an impairment loss incurred only if there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and if such events have an impact on future cash flows that can be reliably estimated. An assessment is made quarterly as to whether there is any objective evidence that a financial asset is impaired (when preparing interim and annual reports).

17.4.14.4.1 Debt securities

Investments in debt securities (other than investments in debt securities at fair value through profit or loss) are impaired when any of the following conditions are met:

- the issuer fails to make a coupon or principal payment, and/or it is likely that such liabilities will not be settled in full in accordance with the assessment of circumstances on the reporting date;
- the issuer is subject to a bankruptcy, liquidation or compulsory settlement procedure.

If the first condition above is met, an impairment loss is recognised in profit or loss in the amount of the difference between the discounted value of expected cash flows from a debt security and carrying amount of the debt security (if the carrying amount exceeds the discounted value of expected future cash flows).

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

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

17.4.14.4.2 Equity securities

Equity investments (other than equity investments at fair value through profit or loss) are impaired when any of the following conditions are met:

- their market price is more than 40% below cost;
- 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 a financial instrument.

17.4.15 Reinsurers' share of technical provisions

The amount of the reinsurers' share of technical provisions represents the proportion of gross technical provisions and unearned premiums for transactions that the Group cedes to reinsurers and co-insurers outside the Sava Insurance Group. The amount is determined at the close of each accounting period in accordance with the provisions of co-insurance and reinsurance (retrocession) contracts and in line with movements in the portfolio, based on gross technical provisions for the business that is the subject of these contracts.

Assets are tested for impairment on the reporting date. Assets ceded to individual partners are tested individually. For an estimation of retrocession risks, see section 17.6.2.1.4 "Risk of inadequate retention and reinsurance programme".

17.4.16 Investment contract assets and liabilities

Investment contract assets and liabilities only include the investment contract assets and liabilities of the company Sava Pokojninska. Investment contract assets comprise the assets supporting the liability funds “Mojí Skladi Življenjskega Cikla” for the transaction of voluntary supplementary pension business that are measured in accordance with IFRS 9. On initial recognition, investment contract assets are classified as either assets at fair value through profit or loss or as held-to-maturity assets. The amounts are adjusted for the purpose of consolidation in line with the financial investment policies set out in section 17.4.14. Classification and valuation of assets is presented in detail in note 8. Investment contract liabilities comprise liabilities arising out of pension insurance business under group and individual plans for voluntary supplementary pension insurance, for which the administrator maintains personal accounts for pension plan members. Sava Pokojninska is required to establish mathematical provisions to cover these liabilities. Mathematical provisions comprise liabilities for assets on policyholders’ personal accounts (net contributions and return) and additional liabilities to cover the difference between the actual and guaranteed rate of return. Investment contract liabilities are presented in note 10.

Sava Pokojninska initially recognises investment property assets under investment contract assets using the cost model, plus any transaction costs. Subsequent measure-

ments are made using the fair value model, as prescribed by legislation. Appraisals are carried out at least once every three years by certified real estate appraisers licensed by the Slovenian Institute of Auditors.

17.4.17 Receivables

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

17.4.17.1 Recognition of receivables

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

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

Recourse receivables are recognised as assets only if, on the basis of a recourse claim, an appropriate legal basis exists (a final order

of attachment, a written agreement with or payments by the policyholder or debtor, or subrogation for credit risk insurance). Even if subrogation is applicable, recourse receivables are recognised only after the debtor’s existence has been verified and the debtor is contactable. Recognition of principal amounts to which recourse receivables relate decreases claims paid. Group companies recognise impairment losses on recourse receivables based on past experience. Recourse receivables are tested for impairment on a case-by-case basis.

The Group companies have pledged no receivables as security.

17.4.17.2 Impairment of receivables

Receivables are classified into groups with similar credit risk in order to be assessed in terms of recoverability or impairment. All material items of receivables are subject to this assessment. An allowance is created for receivables expected not to be collectible in full or in part. Such receivables are recognised as doubtful. In case of litigation, such receivables are recognised as disputable; allowances are established for such receivables and charged against operating expenses from revaluation.

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

17.4.18 Deferred acquisition costs

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

Deferred acquisition costs consist primarily of deferred commissions. These are invoiced commissions relating to the next financial year and are recognised based on (re) insurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation.

17.4.19 Other assets

Other assets consist of capitalised short-term accruals and deferrals, namely short-term deferred costs.

17.4.20 Cash and cash equivalents

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

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

17.4.21 Equity

Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euros;
- 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 or loss for the year;
- translation reserve;
- non-controlling interest.

Reserves provided for by the articles of association are used:

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

Profit reserves also include catastrophe equalisation reserves set aside pursuant to the rules on technical provisions and capital reserves as approved by appointed actuaries. These are tied-up reserves and their distribution cannot be decided in the general meeting.

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

17.4.22 Subordinated liabilities

Subordinated liabilities represent a long-term liability of the Group in the form of a subordinated bond to be used for general corporate purposes of the Sava Insurance Group and for the optimisation of its capital structure.

17.4.23 Classification of insurance contracts

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

17.4.24 Technical provisions

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

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

Mathematical provisions for life insurance contracts represent the actuarial value of obligations arising from policyholders’ guaranteed entitlements. In most cases, they are calculated using the net Zillmer method with the same parameters as those used for premium calculation, except for the discount rate applied, which was a technical interest rate of at least 1.25%. Other parameters are the same as those used in the premium calculation. Any calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortising acquisition costs. The calculation of mathematical provisions is based on the assumption that the full agent commission was paid upon the conclusion of the contract, while agents actually receive the commission within two to five years, depending on the policy term. The mathematical provision includes all deferred commissions. Deferred policy acquisition expenses are shown under assets, in the event of commission prepayments, or show the difference between the positive Zillmerised mathematical provision and the Zillmerised mathematical provision.

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

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

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

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

Other technical provisions include the provision for unexpired risks derived from a liability adequacy test for unearned premiums, as described below.

Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation the premium is deemed to be inadequate, the unearned premium is also inadequate. Group companies carry out liability adequacy tests for unearned premiums at the level of homogeneous groups appropriate to portfolios. The calculation of the expected combined ratio in any homogeneous group is based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio exceeds 100%, thus revealing a deficiency in unearned premiums, a corresponding provision for unexpired risks is set aside within other technical provisions.

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)

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

Liability adequacy testing for life business

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

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

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

The liability adequacy test is performed on the policy and/or product level. If the test is performed at the policy level, the results are shown at the product-level, with products grouped by class of business. A company evaluates the test results separately for traditional insurance other than annuities, investment insurance and annuity insurance. The adequacy of liabilities is checked separately for each group of insurance products. In determining any additional liabilities to be established the liability inadequacies of individual groups are not offset against surpluses arising on other groups. The net present value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities, for each group separately. If this comparison shows that the carrying amount of the insurance liabilities is inadequate in the light of the estimated cash flows, the entire deficiency is recognised in profit or loss by establishing an additional provision.

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

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

Estimates for future maintenance expenses included in the liability adequacy test are derived from experience. For future periods, cash flows for expenses have been increased by a factor equal to the estimated annual inflation 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 takes into account expected future discretionary bonuses. Expected future discretionary bonuses are aligned with the bonus methodology. The share of discretionary bonuses complies with internal rules and is treated as a discounted liability.

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

EUR	31 Dec 2019		31 Dec 2018	
	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	177,458,475	148,750,093	227,268,071	155,847,565
Investment return + 100bp	168,932,981	147,357,191	218,648,999	153,077,968
Investment return - 100bp	189,126,794	151,373,679	239,077,418	159,519,833
Mortality + 10%	180,664,530	149,947,210	229,951,670	157,473,881
Operating expenses on policy + 10%	182,152,541	152,598,542	231,349,661	159,825,579

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

The analysis is prepared for the change in variables, with all other assumptions remaining unchanged, and ignores changes in the values of related assets. Sensitivity was calculated for an unfavourable direction of movement. The income statement and insurance liabilities (as shown in the LAT test) are mostly impacted by changes in the 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” actuarial gains and losses arising on re-measurement of net liabilities for severance pay upon retirement are recognised in other comprehensive income.

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

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

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, lease liabilities and other liabilities

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

Since 1 January 2019 Group companies have been reporting lease liabilities as a separate item. Lease liability is initially recognised at the present value of lease payments that have not been paid on the date of recognition. The applied discount rate consists of the incremental borrowing rate and takes into account the company's credit rating and lease term, and country risk for the Group. Lease liability is measured at the commencement date by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. If the lease changes after the initial measurement, the carrying amount is remeasured to reflect any modifications or reassessments using a revised discount rate.

Other liabilities include amounts due to employees, amounts due to clients, deferred reinsurance commissions and accrued expenses.

17.4.30 Net premiums earned

Group companies use the accrual basis method of accounting for insurance premiums earned. The following are disclosed separately: gross (re)insurance premiums, co-insurance and retrocession premiums, and unearned premiums. These items are used to calculate net premiums written in the income statement. Premiums earned are recognised based on confirmed (re)insurance accounts or (re)insurance contracts.

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

17.4.31 Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis. 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 corresponding reinsurance accounts have not been received. Claims incurred are estimated based on estimated premiums and combined ratios for individual reinsurance contracts. These items are used to calculate net claims incurred in the income statement.

17.4.32 Investment income and expenses

Investment income and expenses are recorded separately by source of funds, i.e. in three separate registers: the non-life insurance investment register, the life insurance investment register and own funds investment register. Own fund investments support the Group's shareholders' funds, non-life insurance investments support technical provisions, and life insurance investments support mathematical provisions.

Investment income includes:

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

Investment expenses include:

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

These income and expenses are disclosed depending on whether the underlying investments are classified as investments held to maturity, at fair value through profit or loss, available for sale, loans and receivables, or deposits.

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

17.4.33 Operating expenses

Operating expenses include:

- acquisition costs in the period;
- change in deferred policy acquisition expenses;
- other operating expenses classified by nature, as follows:
 - a. depreciation/amortisation of operating assets;
 - b. personnel costs including employee salaries, social and pension insurance costs and other personnel costs;

- c. remuneration of the supervisory board and its committees; and payments under contracts for services;
- d. other operating expenses relating to services and materials.

17.4.34 Other technical income and expenses, and other expenses

Other technical income of the Group comprises income from commissions (reinsurance commissions less the change in deferred acquisition costs relating to reinsurers), and is recognised based on confirmed reinsurance accounts and estimated commission income taking into account straight-line amortisation. These include other technical income such as income on the realisation of impaired receivables, revenues from other insurance business, exchange gains and revenues from other services.

Other technical expenses of the Group comprise expenses for loss prevention activities and fire brigade charge, contribution for covering claims of uninsured and unidentified vehicles and vessels, regulator fees and exchange losses, operating expenses from revaluation and other expenses.

Other expenses consist of allowance for other receivables, direct operating expenses arising from investment property, expenses arising from impairment of intangible fixed assets and other extraordinary expenses.

17.4.35 Income tax expense

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

The Group income tax expense has been determined in accordance with the requirements of each member's local legislation. The tax rate applicable for most Group companies (Slovenia) is 19% (2018: 19%), and 9–18% for other companies.

17.4.36 Information on operating segments

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

Business is broken down by operating segment: reinsurance, non-life, life, pensions and the “other” segment. Performance of these segments is monitored based on different indicators, with net profit calculated in accordance with IFRSs a common performance indicator for all segments. 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 2019

Sava Insurance Group

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

Asset items by operating segment as at 31 December 2019

Sava Insurance Group

31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
EQUITY AND LIABILITIES	367.798.941	552.898.522	150.448.073	703.346.595	472.078.939	44.714.957	516.793.896	191.096.763	106.916.803	1.885.953.003
Equity	155,445,408	74,314,493	35,589,466	109,903,959	44,949,546	14,459,766	59,409,312	30,489,571	29,528,592	384,776,847
Equity attributable to owners of the controlling company	155,445,408	74,314,493	35,224,038	109,538,531	44,949,546	14,459,766	59,409,312	30,489,571	29,390,724	384,273,551
Non-controlling interests in equity	0	0	365,428	365,428	0	0	0	0	137,868	503,296
Subordinated liabilities	0	0	0	0	0	0	0	0	74,822,710	74,822,710
Technical provisions	170,080,102	436,211,501	98,321,928	534,533,429	193,127,114	27,613,972	220,741,086	8,598,092	0	933,952,709
Unearned premiums	25,100,729	143,184,999	38,631,915	181,816,914	689,607	288,147	977,754	0	0	207,895,397
Mathematical provisions	0	0	0	0	176,803,531	26,475,532	203,279,063	8,598,040	0	211,877,103
Provision for outstanding claims	143,563,417	285,671,540	57,194,999	342,866,539	15,633,976	850,293	16,484,269	52	0	502,914,277
Other technical provisions	1,415,956	7,354,962	2,495,014	9,849,976	0	0	0	0	0	11,265,932
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	219,142,364	1,471,334	220,613,698	0	0	220,613,698
Other provisions	466,901	5,384,572	1,334,068	6,718,640	1,137,841	6,617	1,144,458	150,441	225,029	8,705,469
Deferred tax liabilities	76,227	2,433,270	204,397	2,637,667	2,471,341	119,701	2,591,042	-10,272	0	5,294,664
Investment contract liabilities	0	0	0	0	0	0	0	151,040,643	0	151,040,643
Other financial liabilities	87,505	0	267,374	267,374	0	1,029	1,029	0	0	355,908
Liabilities from operating activities	37,944,541	9,912,042	3,569,373	13,481,415	9,204,616	319,943	9,524,559	0	340,034	61,290,549
Liabilities from primary insurance business	31,231,876	7,524,823	2,488,649	10,013,472	8,830,988	280,662	9,111,650	0	0	50,356,998
Liabilities from reinsurance and co-insurance business	6,712,665	1,764,935	788,214	2,553,149	12,353	22,270	34,623	0	0	9,300,437
Current income tax liabilities	0	622,284	292,510	914,794	361,275	17,011	378,286	0	340,034	1,633,114
Lease liability	30,942	4,535,643	5,676,898	10,212,541	0	21,894	21,894	150,899	32,639	10,448,915
Other liabilities	3,667,315	20,107,001	5,484,569	25,591,570	2,046,117	700,701	2,746,818	677,389	1,967,799	34,650,891

Asset items by operating segment as at 31 December 2018

Sava Insurance Group

31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
ASSETS	274,913,683	565,031,397	129,912,092	694,943,489	526,967,567	29,122,751	556,090,318	173,344,750	6,731,250	1,706,023,490
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	12,073,614	34,083,962	1,985,583	2,143,756	4,129,339	101,027	1,924,564	42,893,432
Deferred tax assets	1,943,597	9,888	72,546	82,434	0	441	441	0	0	2,026,472
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 in associates	0	0	0	0	0	0	0	0	462,974	462,974
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
Assets held 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 co-insurance and reinsurance 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	4,008,712	30,089,647	20,800,158	1,463,610	22,263,768	1,139,640	499,716	64,657,431
Non-current assets held for sale	0	49,890	0	49,890	0	0	0	0	0	49,890

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

Sava Insurance Group

31 Dec 2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
EQUITY AND LIABILITIES	349,349,335	515,219,989	123,366,687	638,586,678	508,045,117	30,376,834	538,421,953	174,699,787	4,965,740	1,706,023,490
Equity	153,206,458	64,183,650	38,020,976	102,204,626	39,847,893	11,281,453	51,129,346	30,251,271	3,383,755	340,175,455
Equity attributable to owners of the controlling company	153,206,458	64,183,650	37,669,571	101,853,221	39,847,893	11,281,453	51,129,346	30,251,271	3,185,543	339,625,838
Non-controlling interests in equity	0	0	351,405	351,405	0	0	0	0	198,212	549,617
Technical provisions	156,779,256	416,360,199	75,985,712	492,345,911	245,113,488	18,107,217	263,220,705	8,145,615	0	920,491,487
Unearned premiums	25,023,103	127,408,821	30,627,563	158,036,384	742,616	299,732	1,042,348	0	0	184,101,835
Mathematical provisions	0	0	0	0	229,055,266	17,648,485	246,703,751	8,145,615	0	254,849,366
Provision for outstanding claims	131,117,879	279,281,319	44,183,757	323,465,076	15,315,606	159,000	15,474,606	0	0	470,057,561
Other technical provisions	638,274	9,670,059	1,174,392	10,844,451	0	0	0	0	0	11,482,725
Technical 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	121,570	1,589,895	234,300	1,824,195	1,594,732	38,398	1,633,130	26,567	0	3,605,462
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	4,297,875	25,595,397	2,165,788	630,146	2,795,934	660,215	1,356,234	33,566,998

Income statement items by operating segment 2019

Sava Insurance Group

EUR 1-12/2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
Net premiums earned	85,611,888	299,057,193	73,657,520	372,714,714	78,305,216	9,081,834	87,387,050	2,326,383	0	548,040,035
Gross premiums written	90,250,935	336,307,949	81,972,010	418,279,959	78,568,081	9,100,799	87,668,880	2,326,383	0	598,526,157
Written premiums ceded to reinsurers and co-insurers	-4,879,330	-25,788,017	-5,117,036	-30,905,052	-330,184	-32,041	-362,225	0	0	-36,146,607
Change in gross unearned premiums	-77,625	-15,822,708	-3,437,069	-19,259,777	59,421	11,399	70,820	0	0	-19,266,582
Change in unearned premiums, reinsurers' and co-insurers' shares	317,908	4,359,969	239,615	4,599,584	7,898	1,677	9,575	0	0	4,927,067
Income from investments in subsidiary and associate companies	0	0	0	0	0	0	0	0	2,717,909	2,717,909
Other income	0	0	0	0	0	0	0	0	2,717,909	2,717,909
Investment income	5,251,100	5,711,461	2,387,656	8,099,117	4,815,322	1,108,758	5,924,080	983,078	16,602	20,273,977
Interest income	2,326,689	3,846,723	2,256,666	6,103,389	4,059,158	1,016,135	5,075,293	511,053	0	14,016,424
Other investment income	2,924,411	1,864,738	130,990	1,995,728	756,164	92,623	848,786	472,025	16,602	6,257,553
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	23,146,123	132,461	23,278,584	0	0	23,278,584
Other technical income	766,079	7,885,582	3,088,736	10,974,318	906,830	16,028	922,858	56,918	16,279	12,736,452
Commission income	565,492	2,972,638	674,212	3,646,850	72,388	7,216	79,604	0	0	4,291,946
Other technical income	200,587	4,912,944	2,414,524	7,327,468	834,442	8,812	843,254	56,918	16,279	8,444,506
Other income	804,539	2,756,979	6,675,015	9,431,994	1,394,544	2,595,556	3,990,100	5,307,843	8,159,100	27,693,576
Net claims incurred	-64,948,955	-174,757,144	-45,047,372	-219,804,516	-110,015,614	-3,713,251	-113,728,866	-709,123	0	-399,191,460
Gross claims paid, net of income from recourse receivables	-54,209,096	-179,339,140	-41,190,169	-220,529,309	-113,119,029	-3,465,730	-116,584,759	-709,071	0	-392,032,235
Reinsurers' and co-insurers' shares	2,359,869	5,328,928	2,803,682	8,132,610	53,867	13,021	66,888	0	0	10,559,367
Change in the gross provision for outstanding claims	-12,445,536	-6,413,177	-7,836,202	-14,249,379	3,094,555	-269,230	2,825,325	-52	0	-23,869,642
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-654,192	5,666,245	1,175,317	6,841,562	-45,008	8,688	-36,320	0	0	6,151,050
Change in other technical provisions	-777,682	1,991,996	-943,332	1,048,664	50,902,634	-2,808,311	48,094,323	-1,858,422	0	46,506,883
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-13,404,592	579,410	-12,825,182	0	0	-12,825,182
Expenses for bonuses and rebates	0	323,099	-95,182	227,917	0	0	0	0	0	227,917
Operating expenses	-24,728,030	-90,779,742	-36,689,837	-127,469,579	-21,282,726	-4,015,580	-25,298,306	-3,590,660	-5,868,658	-186,955,234
Acquisition costs	-19,969,317	-32,082,364	-7,139,417	-39,221,781	-5,966,821	-599,556	-6,566,377	-36,202	0	-65,793,677
Change in deferred acquisition costs	-329,954	2,821,649	460,179	3,281,828	-59,564	16,104	-43,460	0	0	2,908,414
Other operating expenses	-4,428,759	-61,519,027	-30,010,599	-91,529,626	-15,256,341	-3,432,128	-18,688,469	-3,554,458	-5,868,658	-124,069,971
Expenses relating to investments in related parties	-54,721	0	0	0	0	0	0	0	0	-54,721
Loss arising out of investments in equity-accounted associate companies	-54,721	0	0	0	0	0	0	0	0	-54,721
Expenses for financial assets and liabilities	-272,842	-460,464	-182,077	-642,541	-163,474	-43,743	-207,217	-79,450	-505,614	-1,707,664
Interest expense	0	-44,889	-125,491	-170,380	0	-767	-767	-5,256	-505,614	-682,017
Other investment expenses	-272,841	-415,575	-56,586	-472,161	-163,474	-42,976	-206,450	-74,194	0	-1,025,647
Other technical expenses	-251,560	-8,435,103	-5,195,735	-13,630,838	-636,756	-297,639	-934,395	-613,717	-5,241	-15,435,751
Other expenses	-414,533	-1,131,951	-342,556	-1,474,507	-2,632	-7,096	-9,728	-67,323	-2,595,214	-4,561,305
Profit or loss before tax	985,283	42,161,907	-2,687,164	39,474,744	13,964,872	2,628,427	16,593,299	1,755,527	1,935,164	60,744,016
Income tax expense										-10,549,428
Net profit or loss for the period										50,194,588
Net profit or loss attributable to owners of the controlling company										49,977,170
Net profit or loss attributable to non-controlling interests										217,418

Income statement items by operating segment 2018

Sava Insurance Group

EUR 1-12/2019	Reinsurance business	Non-life business			Life business			Pension business	Other	Total
		Slovenia	International	Total	Slovenia	International	Total			
Net premiums earned	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	3,201,740	6,643,714	2,468,919	9,112,633	6,662,342	789,591	7,451,933	619,312	0	20,385,611
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	839,869	1,896,354	215,161	2,111,514	798,328	10,322	808,650	166,398	0	3,926,431
Other technical income	1,118,194	9,236,839	2,434,622	11,671,461	1,348,282	64,195	1,412,477	1,556,380	0	15,758,511
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	752,417	6,671,135	1,789,038	8,460,173	1,295,340	59,519	1,354,859	1,556,380	0	12,123,829
Other income	694,824	2,522,851	1,977,700	4,500,551	585,618	25,971	611,589	2,723,251	6,019,461	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 paid, net of 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 provision for outstanding claims	-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	-88,455,182	-31,335,180	-119,790,362	-20,313,800	-3,834,483	-24,148,283	-2,674,108	-5,294,588	-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	-64,296,709	-27,032,036	-91,328,745	-14,518,607	-3,226,942	-17,745,549	-2,654,705	-5,294,588	-121,357,464
Expenses relating to investments in related parties	0	0	-94,906	-94,906	0	0	0	0	-56,224	-151,130
Loss arising out of investments in equity-accounted associate companies	0	0	0	0	0	0	0	0	-56,224	-56,224
Impairment loss on goodwill	0	0	-94,906	-94,906	0	0	0	0	0	-94,906
Expenses for financial assets and liabilities	-2,270,994	-372,972	-28,626	-401,598	-55,252	-150,549	-205,802	-302,925	-6,588	-3,187,907
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	-327,020	-372,972	-6,770	-379,742	-55,252	-150,549	-205,802	-302,923	0	-1,215,487
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-6,630,182	-739	-6,630,921	0	0	-6,630,921
Other technical expenses	-306,470	-12,842,846	-4,000,944	-16,843,790	-139,787	-93,869	-233,656	-437,350	-4,717	-17,825,983
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	28,475,546	2,544,909	31,020,454	12,310,768	45,180	12,355,948	1,410,413	656,534	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 or loss attributable to non-controlling interests										221,232

Inter-segment business – inter-segment consolidation eliminations

EUR	Reinsurance business		Non-life business		Life business		Pension business		Other	
	1-12/2019	1-12/2018	1-12/2019	1-12/2018	1-12/2019	1-12/2018	1-12/2019	1-12/2018	1-12/2019	1-12/2018
Gross premiums written	166,528,930	151,636,216	418,450,533	368,059,036	88,392,954	86,853,882	2,326,383	2,219,043	0	0
Net premiums written	90,250,935	89,317,441	418,279,959	367,910,907	88,392,954	86,852,148	2,326,383	2,219,043	0	0
Net claims incurred	-32,774,625	-31,289,893	-7,170,781	-3,553,752	0	0	0	0	0	0
Operating expenses	-16,859,937	-13,074,621	-1,634,566	-1,444,069	-899,828	-914,597	-70,505	-47,812	-513,951	-161,666
Investment income	77,584	71,727	2,533	124	0	0	3,462	0	0	0

Cost of intangible and property and equipment assets by operating segment

EUR	Reinsurance business		Non-life insurance business		Life insurance business		Pension business		Other		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Investments in intangible assets	693,863	334,072	2,492,550	1,421,825	8,283	345,710	37,571	82,396	1,409	0	3,233,676	2,184,003
Investments in property and equipment	153,835	396,598	7,446,668	1,981,927	152,304	25,900	49,221	35,159	50,822	370,235	7,852,849	2,809,819

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

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

The accounting policies adopted by the Group companies in preparing their financial statements are consistent with those of the previous financial year, except for the following new or amended IFRSs adopted for annual periods beginning on or after 1 January 2019.

The listed new standards, amendments to and interpretations of standards are not mandatory for annual periods beginning on 1 January 2019 or later, and have not been used in the preparation of these consolidated financial statements. The Group companies intend to apply these provisions when they enter into force.

Standards, Interpretations and amendments to published Standards as adopted by the EU

IFRS 16 Leases

On 1 January 2019, the Group companies implemented the new IFRS 16 “Leases” – discussed in section 17.4.9 “Right-of-use assets” and section 17.4.29 “Liabilities from operating activities, lease liabilities and other liabilities” – which had an impact on the financial statements.

New standards, interpretations and amendments to the published standards as adopted by the EU that have not yet been applied by the Group companies

IFRS 9 “Financial Instruments”

The final version of IFRS 9 “Financial Instruments” reflects all phases of the financial instruments project and replaces IAS 39 “Financial Instruments: Recognition and Measurement” and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group companies (insurance and reinsurance companies) have taken advantage of the option to postpone application due to the application of IFRS 17 “Insurance Contracts”.

Due to the adoption of the new standard on insurance contracts, IFRS 17, insurance companies may defer the application of IFRS 9 until 1 January 2022. Late application is conditional upon the carrying amount of liabilities arising out of insurance business exceeding 90% of the total carrying amount of liabilities. The Group companies first tested the satisfaction of this condition on 31 December 2015. The calculation is shown in the table below. There have been no changes that would have a significant effect on the satisfaction of the condition since 31 December 2015. The Group’s insurance companies are subject to disclosures in IFRS 9, as presented below.

Sava Insurance Group

EUR	31 Dec 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, investment contract liabilities.

Sava Re

EUR	31 Dec 2015	As % of total liabilities
Technical provisions and liabilities from operating activities	268,773,864	94.7%
Liabilities under insurance contracts subject to IFRS 4	268,773,864	94.7%
Other liabilities	14,899,307	5.3%
Total liabilities*	283,673,171	100.0%

* Excluding equity.

Sava Insurance Group

EUR	31 Dec 2019	As % of total liabilities	31 Dec 2018	As % of total liabilities
Technical provisions and liabilities from operating activities	995,546,986	77.8%	970,946,033	78.9%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	220,613,698	17.2%	210,032,637	17.1%
Liabilities under insurance contracts subject to IFRS 4	1,216,160,684	95.1%	1,180,978,670	96.0%
Other liabilities	62,997,239	4.9%	49,351,630	4.0%
Total liabilities*	1,279,157,923	100.0%	1,230,330,300	100.0%

* Excluding equity, subordinated liabilities and investment contract liabilities.

Sava Re

EUR	31 Dec 2019	As % of total liabilities	31 Dec 2018	As % of total liabilities
Technical provisions and liabilities from operating activities	312,425,193	98.6%	281,361,601	98.0%
Liabilities under contracts subject to IFRS 4	312,425,193	98.6%	281,361,601	98.0%
Other liabilities	4,416,968	1.4%	5,690,320	2.0%
Total liabilities*	316,842,162	100.0%	287,051,921	100.0%

* Excluding equity and subordinated liabilities.

The other liabilities item does not include investment contract liabilities disclosed by the Slovenian pension company, as the company already applies IFRS 9 (the calculation excluding investment contracts totals 96%) and subordinated liabilities from the Sava Re bond issue.

The table below provides an analysis of the fair value of financial assets. Financial assets are divided into assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, net of financial assets held for trading (hereinafter SPPI financial assets), and other financial assets.

Sava Insurance Group

EUR	SPPI financial assets			Other financial assets		
	Fair value 31 Dec 2018	Change in fair value	Fair value 31 Dec 2019	Fair value 31 Dec 2018	Change in fair value	Fair value 31 Dec 2019
Debt securities	1,083,888,272	12,671,177	1,096,559,449	16,647,063	24,156,976	40,804,040
Equity securities	0	0	0	204,838,246	20,066,304	224,904,550
Loans and deposits	31,679,063	21,594,525	53,273,588	0	0	0
Cash and cash equivalents	81,540,711	20,947,152	102,487,863	0	0	0
Total	1,197,108,046	55,212,854	1,252,320,900	221,485,309	44,223,281	265,708,590

Sava Re

EUR	SPPI financial assets			Other financial assets		
	Fair value 31 Dec 2018	Change in fair value	Fair value 31 Dec 2019	Fair value 31 Dec 2018	Change in fair value	Fair value 31 Dec 2019
Debt securities	216,631,245	20,529,393	237,160,638	4,521,801	3,672,874	8,194,675
Equity securities	0	0	0	13,684,488	5,661,831	19,346,319
Loans and deposits	3,982,602	20,976,346	24,958,948	0	0	0
Cash and cash equivalents	10,651,451	42,279,771	52,931,222	0	0	0
Total	231,265,298	83,785,510	315,050,808	18,206,289	9,334,706	27,540,994

The table below shows the carrying amounts of the assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, in view of their credit risk rating.

Sava Re						
EUR	Credit rating of SPPI assets as at 31 Dec 2019					
	Total	AAA	AA/A	BBB	BB/B	Not rated
Debt securities	236,507,630	77,450,375	111,175,817	45,594,415	1,033,066	1,253,957
Loans and deposits	24,958,948	0	0	0	0	24,958,948
Cash and cash equivalents	52,931,222	0	0	0	16,901,565	36,029,657
Total	314,397,800	77,450,375	111,175,817	45,594,415	17,934,631	62,242,562

Sava Insurance Group						
EUR	Credit rating of SPPI assets as at 31 Dec 2019					
	Total	AAA	AA/A	BBB	BB/B	Not rated
Debt securities	1,082,572,241	262,964,183	475,574,621	253,908,163	60,862,593	29,262,682
Loans and deposits	53,272,943	0	0	0	904,599	52,368,344
Cash and cash equivalents	104,644,173	0	0	0	22,642,365	82,001,808
Total	1,240,489,357	262,964,183	475,574,621	253,908,163	84,409,557	163,632,834

The table below shows the fair value and carrying amounts of the assets whose contractual cash flows consist solely of payments of principal and interest on the principal amounts outstanding, and which have been assessed as not having a low credit risk.

Sava Insurance Group		
EUR	SPPI assets that do not have a low credit risk	
	Fair value as at 31 Dec 2019	Carrying amount as at 31 Dec 2019
Debt securities	90,496,675	90,125,275
Loans and deposits	5,745,644	5,744,999
Cash and cash equivalents	22,642,365	22,642,365
Total	118,884,684	118,512,638

Sava Re		
EUR	SPPI assets that do not have a low credit risk	
	Fair value as at 31 Dec 2019	Carrying amount as at 31 Dec 2019
Debt securities	2,287,023	2,287,023
Loans and deposits	4,216,308	4,216,308
Cash and cash equivalents	16,901,565	16,901,565
Total	23,404,896	23,404,896

Standards, interpretations and amendments to the published Standards as adopted by the EU that are not yet effective for annual periods beginning 1 January 2019

IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”

The amendments are effective for annual periods beginning on or after 1 January 2020. The amendments have not yet been endorsed by the EU. The amendments clarify and align the definition of “material” and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amendments are not expected to have a material impact on the financial statements when initially applied.

Standards and interpretations not yet endorsed by the EU as at 1 January 2020

IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”

Amendments to IFRS 10 and IAS 28 relate to the sale or contribution of assets between an investor and its associate or joint venture. The European Commission decided to defer the endorsement indefinitely. The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), or
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

IFRS 17 “Insurance Contracts”

IFRS 17 applies for annual periods beginning on or after 1 January 2022 or later, with early application permitted. This standard has not yet been endorsed by the EU.

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 provides 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 project is of regulatory nature and of the highest priority. The new concept of accounting for insurance contracts, which changes the existing practice of many years, must be implemented by 2022. The aim of the new standard is to provide more relevant information underlying the disclosures for all

insurance contracts in financial statements, to harmonise different practices allowed by IFRS 4, and to ensure comparability with other industries. The standard has an impact on the reported profit or loss, in particular for long-term contracts, and also provides information on the current and expected profitability by main types of insurance contracts.

Group companies expect the new standard to have a significant impact on the financial statements on the date of initial application, as insurance companies represent an important part of the Group. Insurance companies in the Group have been preparing for the new standard since 2018, and the project is in the preparation stage of the first approximate financial statements. Insurance companies in the Group are still in the process of assessing the impact of the new standard on the financial statements. The largest impact will be on the calculation of provisions and also on revenues from insurance contracts, the presentation of which will be very different from the present one. In the statement of financial position, the new standard will have a material impact on receivables and liabilities arising out of insurance business as these categories will be shown under new designations.

IFRS 3 “Business Combinations”

The amendments are effective for accounting periods beginning on or after 1 January 2020. The amendments have not yet been endorsed by the EU. The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a

business. The amendments are not expected to have a material impact on the financial statements of the Group companies on the date of initial application.

IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments” and IFRS 7 “Financial Instruments”

The changes refer to disclosures. They are effective for accounting periods beginning on or after 1 January 2020. The amendments have not yet been endorsed by the EU. The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- “Highly probable” requirement
- Risk components
- Prospective assessments
- Retrospective effectiveness test (for IAS 39)
- Recycling of the cash flow hedging reserve.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

17.6 Risk management¹¹⁸

Below, we provide the most important types of risk to which the Group is exposed:

- 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),
- investment portfolio risk (investment property risk, the risk of failing to realise guaranteed returns, risk of financial investments in subsidiaries and associates, market risk, liquidity risk and credit risk),
- insolvency risk,
- operational risk and
- strategic risk.

The table shows the risk profiles of the Group and Sava Re in 2019. The risks have been assessed with regard to the potential volatility of business results and the resulting impact on the financial statements of the Group and Sava Re. The potential impact in the case an extreme internal or external risk is realised and the impact of such on the Group's solvency position is set out in the "Sava Insurance Group's solvency and financial condition report" and in the "Sava Re's solvency and financial condition report".

Risk profile of Sava Insurance Group and Sava Re

	Group risk rating	Sava Re risk rating	Risk described in section
Insolvency risk	low	low	18.6.1
Underwriting risk			18.6.2
Non-life underwriting risk			18.6.2.1
Underwriting process risk	moderate	moderate	18.6.2.1.1
Pricing risk	moderate	moderate	18.6.2.1.2
Claims risk	moderate	moderate	18.6.2.1.3
Risk of inadequate retention and reinsurance programme	moderate	moderate	18.6.2.1.4
Reserve risk	low	low	18.6.2.1.5
Life underwriting risk	low	low	18.6.2.8
Investment portfolio risk			18.6.3
Investment property risk	low	low	18.6.3.1
Financial risks			18.6.3.2
Market risk			18.6.3.2.1
Interest rate risk	moderate	moderate	
Equity risk	moderate	moderate	
Currency risk	low	low	
Liquidity risk	low	low	18.6.3.2.2
Credit risk	low	low	18.6.3.2.3
Risk of failure to realise guaranteed returns	moderate	/	18.6.3.2.3
Risk of financial investments in subsidiaries and associates	low	moderate	18.6.3.2.5
Operational risk	moderate	moderate	18.6.4
Strategic risks	moderate	moderate	18.6.5

17.6.1 Capital adequacy and capital management at the Sava Insurance Group and Sava Re

The Group and Sava Re use the standard formula for calculating their capital requirements under the Solvency II regime. The solvency capital requirement is calculated annually, while eligible own funds supporting the Group’s solvency requirements are valued on a quarterly basis.

The table below shows the calculation of capital adequacy of the Group and Sava Re as at 31 December 2018¹¹⁹ and 30 September 2019¹²⁰.

The Group’s unaudited eligible own funds as at 30 September 2019 totalled EUR 461.4 million and were slightly higher than as at 31 December 2018 (EUR 471.9 million). In the first three quarters, own funds were not reduced by the foreseeable dividends for 2019, whereas eligible own funds as at 31 December 2019 will be reduced by the foreseeable dividends. Due to the issuance of subordinated debt by Sava Re in the last quarter, the level of the Group’s eligible own funds as at 31 December 2019 will be higher than as at 31 December 2018. We expect the solvency capital requirement as at 31 December 2019 to be higher than as at 31 December 2018, and the solvency ratio is expected to remain at a similar level. Accordingly, the risk to the Group’s insolvency risk is assessed as very low.

Sava Re’s unaudited eligible own funds as at 30 September 2019 totalled EUR 500.4 million and were slightly higher than as at 31 December 2018 (EUR 475.9 million). In the first three quarters, own funds were not reduced by the foreseeable dividends for 2019, whereas eligible own funds as at 31 December 2019 will be reduced by the foreseeable dividends. Due to the issuance of subordinated debt in Sava Re in the last quarter, the level of Sava Re’s eligible own funds as at 31 December 2019 will be higher than as at 31 December 2018. We estimate that the solvency capital requirement as at 31 December 2019 will be higher than as at 31 December 2018. We also expect a higher solvency ratio of the Company.

It is important for the Group not only to achieve regulatory capital adequacy, but also to manage capital in such a way that the level of capital meets the requirements of credit rating agencies for level “A” ratings, and that the Group remains solvent and is able to meet its obligations even in the event of stress scenarios. To this end, the risk strategy, which defines the Group’s risk appetite, also defines the below capital adequacy ranges in relation to the solvency ratio.

Capital adequacy of the Group and Sava Re

EUR	Sava Insurance Group		Sava Re	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Eligible own funds	461,382,328	471,946,628	500,371,182	475,917,963
Minimum capital requirement (MCR)	102,989,654	102,730,187	40,630,482	40,630,482
Solvency capital requirement (SCR)	216,734,647	216,734,647	162,521,929	162,521,929
Solvency ratio	213%	218%	308%	293%

¹¹⁹ During the preparation of the audited annual report, the Sava Insurance Group and Sava Re have yet to obtain audited capital adequacy data for 2019. It will be presented in the Group’s 2019 Solvency and financial condition report to be published on 19 May 2020 and in the Solvency and financial condition report of Sava Re for 2019 to be published on 7 April 2020.

¹²⁰ As at 30 September 2019, the calculation of eligible own funds of the Group and Sava Re was made, taking into account the calculated capital requirement as of 31 December 2018.



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, risk of inadequate retention and reinsurance programme, risk of inadequate technical provisions. 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. Similarly to the Group, Sava Re is exposed to underwriting risk.

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 manages such risks through appropriate underwriting, any additional requirements or exclusion clauses in reinsurance contracts and through an appropriate retrocession programme. Sava Re retains a portion of the assumed risks (from the Group and outside it) and retrocedes the portion that exceeds its capacity.

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 Non-life underwriting risk

17.6.2.1.1 Underwriting process risk

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 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.

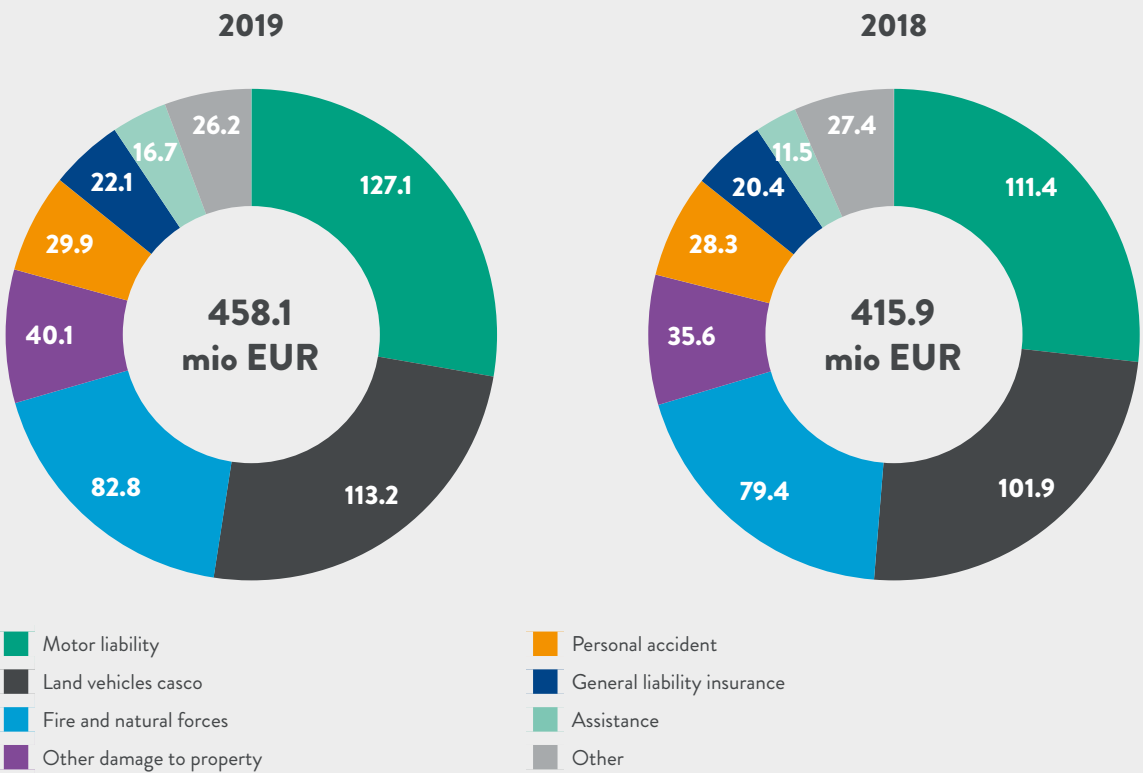
Most non-life (re)insurance contracts are renewed annually. This allows insurers to amend the conditions and rates to take into account any deterioration in the underwriting results of entire classes of business, and for major policyholders in a timely manner.

Where significant risks are involved, adequately qualified underwriting experts of the controlling company are involved. Additionally, in respect of risks exceeding the limits set out in the obligatory reinsurance treaties, it is vital that adequate facultative reinsurance cover is obtained to upgrade the basic reinsurance programme.

In respect of obligatory proportional reinsurance treaties, Sava Re follows the fortune of its ceding companies, while with non-proportional and facultative contracts,

the decision on assuming a risk is on Sava Re. It follows from the foregoing that in order to manage this risk, it is essential to review the practices of existing and future ceding companies and to analyse developments in the relevant markets and in the relevant classes of insurance. Consequently, coverage may only be granted by taking into account internal underwriting guidelines. The Group’s exposure measured by the volume of consolidated net premiums earned by insurance class is shown in the graph below.

Consolidated net non-life premiums earned by class of business (EUR million)



Underwriting risk in excess of the Group's capacity is reduced through retrocession contracts.

We estimate that underwriting process risk relating to the Group's (re)insurance business is moderate and well managed, although it moderately increased in 2019 compared to 2018 due to an increase in premium volume. This is because net non-life premiums written by the Group in 2019 grew by 10.2% or EUR 42.4 million compared to 2018.

17.6.2.1.2 Pricing risk

Pricing risk is the risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.

In the Group's subsidiaries, this risk depends on many factors, such as inadequate assessment of market developments, poor assessment of claims frequency, use of inadequate statistics, and intentionally excessively low premiums for certain insurance classes, as compensatory effects are expected from other classes or due to inadequate assessment of the effect of macroeconomic factors that may change significantly during the term of the contract.

Principally, the Group monitors pricing risk by conducting actuarial analyses of expected loss and combined 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, through comparison 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. 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 the target combined ratios, while the adequacy of prices is verified through modelling and reviewing of results on the portfolio level, and through results by form of reinsurance and group.

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 for a combined ratio below 100%.

The Group considers the pricing risk to have been moderate in 2019 and similar to that in 2018.

17.6.2.1.3 Claims risk

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 similar.

In inward non-proportional reinsurance business, this risk is closely linked to the same risk borne by ceding companies. In inward non-proportional reinsurance business, Sava Re has greater control over the expected claims risk through direct control over pricing; however, since this business is more volatile, the risk is managed mainly through portfolio diversification. A treaty may be either very profitable for the reinsurer (if there are no losses in excess of a predetermined amount, the priority) or very unprofitable, if the loss exceeds the priority.

Claims risk is managed through designing appropriate (re)insurance conditions and tariffs, appropriate underwriting, monitoring risk concentration by site or geographical area and especially through adequate reinsurance and retrocession programmes.

We believe that the risk management measures set out are adequate and we estimate that the claims risk remained moderate and similar to the 2018 level.

17.6.2.1.4 Risk of inadequate retention and reinsurance programme

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

Sava Re manages net retention risk by way of appropriate professional underwriting of the risks to be (re)insured, partly by measuring the exposure (based on model results and by aggregating sums insured) by geographical area for individual natural perils, and especially by designing an appropriate reinsurance programme. 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.

We estimate that, in relative terms, retention risk is moderate and in 2019 remained at 2018 levels.

Reinsurance programme

An appropriate reinsurance programme is important for managing the underwriting risk to which the Group and Sava Re are exposed. Sava Re uses retrocession treaties to diversify risk appropriately. The reinsurance programme is set up to reduce exposure to potential single large losses or the effect of a large number of single losses arising from the same loss event. The Group considers its reinsurance programme (including proportional and non-proportional reinsurance) to be appropriate in view of the risks to which it is exposed. Net retention limits set by the Group are only rarely applied. The 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 prudently selected non-proportional reinsurance programmes.

The Group’s reinsurance programme is not substantially different from 2018, but is supplemented primarily in line with portfolio growth (ensuring the coverage for new FOS business, additional renewal of the coverage for catastrophic events). In this way, the Group maintains retention risk at a level comparable to 2018.

17.6.2.1.5 Reserve risk

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

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

Due to the difference in reserving (set out later 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. Such testing or analysis of whether technical provisions are adequate can only be applied to past years – the further back in time, the more precise the results. Given that technical provisions are calculated using consistent actuarial methods, we can conclude, based on past discrepancies between originally estimated liabilities and subsequently established liabilities at individual dates of the statement of financial position, that the provisions as at 31 December 2019 are adequate.

Group primary insurance companies organise and analyse claims provision data by accident year. The table below shows an adequacy test/analysis of gross claims provisions established by the Group for liabilities

under non-life primary insurance contracts. Amounts were translated from local currencies into euros using the exchange rate prevailing at the end of the year (provisions) or in the middle of the year (claims paid).

Adequacy analysis of gross claims provisions for the Group’s non-life insurance business¹²¹

EUR thousand	Year ended 31 Dec					
Estimate of gross liabilities	2014	2015	2016	2017	2018	2019
As originally estimated	311,449	302,508	312,626	313,058	301,792	315,236
Re-estimated as of 1 year later	251,695	254,485	255,586	254,802	257,363	
Re-estimated as of 2 years later	231,622	217,834	214,067	229,894		
Re-estimated as of 3 years later	204,774	185,070	196,940			
Re-estimated as of 4 years later	179,122	171,338				
Re-estimated as of 5 years later	167,783					
Cumulative gross redundancy (latest estimate – original estimate)	143,666	131,170	115,686	83,164	44,429	
Cumulative gross redundancy as % of original estimate	46.1%	43.4%	37.0%	26.6%	14.7%	

The cumulative gross redundancies for the underwriting years from 2014 to 2018 increased compared to amounts at the end of the preceding year, which were 42.4%, 38.7%, 31.4% and 18.6% of original estimates.

The Group cannot use triangles organised on the basis of accident year data for actuarial estimations of claims provisions in respect of accepted reinsurance business. This is because ceding companies report claims under proportional treaties broken down by underwriting year. As claims under one-year policies written during any one year may occur either in the year the policy is written or in the year after, data on losses for proportional reinsurance contracts is only

broken down by underwriting year. Furthermore, some markets renew treaty business during the year, resulting in additional discrepancies between the underwriting year and the accident year. Due to these specifics, the Group provides data on reinsurer’s share by underwriting year. The estimated liabilities relate to claims that have already been incurred (reported and not reported) and the settlement of which is covered by the claims provision, and claims arising from accepted contracts that have not yet been incurred and the settlement of which is covered by unearned premiums less deferred commission.

¹²¹ For reasons of comparability, the figures below exclude figures relating to the changes resulting from the acquisitions of new companies during the year.

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 – extra-Group reinsurance business

EUR thousand	Year ended 31 Dec					
Estimate of gross liabilities	2014	2015	2016	2017	2018	2019
As originally estimated	125,023	142,850	146,463	149,017	150,198	163,366
Re-estimated as of 1 year later	119,263	132,998	127,717	132,200	144,054	
Re-estimated as of 2 years later	112,468	122,748	119,454	129,691		
Re-estimated as of 3 years later	106,666	117,864	120,935			
Re-estimated as of 4 years later	103,714	119,381				
Re-estimated as of 5 years later	106,388					
Cumulative gross redundancy (latest estimate – original estimate)	18,635	23,469	25,528	19,325	6,144	
Cumulative gross redundancy as % of original estimate	14.9%	16.4%	17.4%	13.0%	4.1%	

Cumulative gross redundancies for the underwriting years from 2014 to 2017 were at a comparable level as at the end of the preceding year, which were 17.0%, 17.5%, 18.4% and 11.3% of original estimates. We observe a small surplus for 2018, as the claims related to the Japanese typhoon estimated at the end of 2018 further deteriorated in 2019.

The Group manages reserve risk with strict regard for the internal procedures and rules on technical provisions and by using recognised actuarial methods.

Reserve risk is the risk of insufficiency of technical provisions and may occur because of inaccurate actuarial estimates or an unexpectedly unfavourable loss development. It may be a result of new types of losses that have not been excluded in cedants’ insurance conditions and for which no claims provisions have yet been established, which is common with liability insurance contracts, but can also occur due to changed court practices.

Due to the high cumulative redundancies of both gross and net technical provisions, we estimate reserve risk at the end of 2019 to be relatively low and similar to that at year-end 2018.

17.6.2.1.6 Estimated exposure to underwriting risks – non-life business

Maximum net retentions and retrocession programmes of the (re)insurance company are of key importance to estimating the exposure to underwriting risks.

The net retention limit per risk is set at EUR 4 million for the majority of non-life classes of insurance, whereby a combined limit used for the classes fire and natural forces, other damage to property and miscellaneous financial loss must not exceed EUR 4 million; a net retention limit of EUR 2 million is set for motor liability and for marine. The net claim payable relating to an individual risk may not exceed 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 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 must not exceed EUR 8 million. 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 or Sava Re’s solvency position, which has been tested using scenarios as part of the own risk and solvency assessment.

An increase in realised underwriting risk would essentially result in an increase in net claims. Because the Group as a whole has an adequate retrocession programme in place, it is not exposed to the risk of a sharp increase in net claims, not even in the case of catastrophic losses. A more likely scenario to which the Group is exposed to is the deterioration of the net combined ratio as a result of an increase in claims or expenses along with a decrease in premiums.

If the Group’s net combined ratio changed due to higher/lower underwriting risks by 1 p.p., net profit before tax would decrease/increase by EUR 4.87 million (2018: EUR 4.39 million).

If Sava Re’s net combined ratio changed due to higher/lower underwriting risks by 1 p.p., net profit before tax would change by EUR 1.5 million (2018: EUR 1.4 million). In 2018, an additional maximum net claim of EUR 5 million would have deteriorated the combined ratio by 3.5% (2018: 3.6%), which is still acceptable.

The risk that the underwriting risk may seriously compromise the Group’s or Sava Re’s financial stability is deemed, according to our assessment, low and there are no significant differences between 2019 and 2018.

17.6.2.2 Life underwriting risk

The main risks to which the Group is exposed 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 lower.

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 to identify 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 is low and at a comparable level to 2018.

17.6.3 Investment portfolio risk

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

In 2019, the Group also assessed investment-risk liability fund ("IRLF") investments in the investment portfolio with exposure to financial risk. IRLF 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 2019, the value of these investments totalled EUR 104.9 million (31 December 2018: EUR 82.6 million). As at 31 December 2019, investment portfolio assets of EUR 1,262.1 million were exposed to risk (31 December 2018: EUR 1,164.9 million) and included:

- financial investments of EUR 1,064.9 million (31 December 2018: EUR 1,008.1 million),
- investment property assets of EUR 16.7 million (31 December 2018: EUR 20.6 million),
- cash and cash equivalents of EUR 93.8 million, including the value of IRLF assets of EUR 18.1 million (31 December 2018: EUR 18.1 million)
- IRLF investments guaranteed by the insurer of EUR 86.7 million (31 December 2018: EUR 71.6 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 2019, these totalled EUR 126.4 million (31 December 2018: EUR 133.3 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.

As at 31 December 2019, Sava Re's investment portfolio totalled EUR 357.2 million and included:

- financial investments (2019: EUR 296.1 million; 2018: EUR 244.3 million):
- investment property (2019: EUR 8.1 million; 2018: EUR 8.3 million)
- cash and cash equivalents (2019: EUR 52.9 million; 2018: EUR 10.7 million).

Sava Re's investments exposed to investment portfolio risks

Sava Insurance Group

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 - 31 Dec 2018	Change in structure 31 Jan 2019 / 31 Dec 2018
Deposits and CDs	50,668,888	4.0%	27,740,278	2.4%	22,928,610	1.6%
Government bonds	580,661,388	46.0%	587,645,179	50.4%	-6,983,790	-4.4%
Corporate bonds	432,656,536	34.3%	400,292,979	34.4%	32,363,557	-0.1%
Shares (excluding strategic shares)	17,503,724	1.4%	15,675,617	1.3%	1,828,107	0.0%
Mutual funds	37,654,911	3.0%	35,635,616	3.1%	2,019,295	-0.1%
bond and money market	32,367,638	2.6%	32,737,150	2.8%	-369,512	-0.2%
mixed	157,448	0.0%	48,279	0.0%	109,169	0.0%
equity funds	5,129,825	0.4%	2,850,187	0.2%	2,279,637	0.2%
Infrastructure funds	20,159,022	1.6%	5,264,540	0.5%	14,894,482	1.1%
Real estate funds	4,000,000	0.3%	0	0.0%	4,000,000	0.3%
Loans granted and other investments	1,202,867	0.1%	1,116,239	0.1%	86,628	0.0%
Deposits with cedants	7,089,021	0.6%	6,275,310	0.5%	813,711	0.0%
Financial investments	1,151,596,357	91.2%	1,079,645,758	92.7%	71,950,599	-1.4%
Investment property	16,695,132	1.3%	20,643,019	1.8%	-3,947,888	-0.4%
Cash and cash equivalents	93,804,031	7.4%	64,657,431	5.6%	29,146,601	1.9%
Investment portfolio	1,262,095,520	100.0%	1,164,946,208	100.0%	97,149,312	0.0%

Sava Re's investments exposed to investment portfolio risks

Sava Re

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 - 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Deposits and CDs	22,338,823	6.3%	2,331,604	0.9%	20,007,219	5.4%
Government bonds	137,262,384	38.4%	120,829,371	45.9%	16,433,013	-7.5%
Corporate bonds	105,843,738	29.6%	98,080,587	37.3%	7,763,151	-7.6%
Shares (excluding strategic shares)	9,690,877	2.7%	8,720,953	3.3%	969,924	-0.6%
Mutual funds	1,704,135	0.5%	3,102,927	1.2%	-1,398,793	-0.7%
bond funds	1,704,135	0.5%	2,377,213	0.9%	-673,078	-0.4%
equity funds	0	0.0%	725,715	0.3%	-725,715	-0.3%
Infrastructure	6,951,308	1.9%	1,860,608	0.7%	5,090,700	1.2%
Real estate funds	1,000,000	0.3%	0	0.0%	1,000,000	0.3%
Loans granted and other investments	4,216,308	1.2%	3,090,072	1.2%	1,126,235	0.0%
Deposits with cedants	7,089,021	2.0%	6,275,310	2.4%	813,711	-0.4%
Financial investments	296,096,594	82.9%	244,291,433	92.8%	51,805,160	-9.9%
Investment property	8,142,714	2.3%	8,285,733	3.1%	-143,019	-0.9%
Cash and cash equivalents	52,931,222	14.8%	10,651,452	4.0%	42,279,770	10.8%
Investment portfolio	357,170,530	100.0%	263,228,618	100.0%	93,941,911	0.0%

17.6.3.1 Investment property risk

The risk is the change in the fair value of investment property directly or indirectly owned by the Group or Sava Re.

The Group and Sava Re are exposed to investment property risk within investment portfolio risks. The table below shows the value of investment property of the Group and Sava Re.

As at 31 December 2019, the value of the Group's investments exposed to property risk stood at EUR 20.7 million (31 December 2018: EUR 20.6 million) and did not substantially change compared to the previous period.

As at 31 December 2019, the value of the Sava Re investments exposed to property

risk stood at EUR 9.1 million (31 December 2018: EUR 9.0 million) and did not substantially change compared to the previous period.

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

The risk of alternative investments has been determined based on stressed values as pre-

scribed under Solvency II regulations for the capital adequacy calculation. We assumed a 15% decrease in the value of investment property and real estate funds.

A shock would reduce the value of the Group's investments exposed to investment property risk by EUR 3.1 million. And the value of Sava Re's investments exposed to investment property risk would drop by EUR 1.4 million.

Investment property

Sava Insurance Group

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 / 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Investment property	16,695,132	1.3%	20,643,019	1.8%	-3,947,888	-0.5%
Real estate funds	4,000,000	0.3%	0	0.0%	4,000,000	0.3%
Total	20,695,132	1.6%	20,643,019	1.8%	52,112	-0.1%

Sava Re

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 / 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Investment property	8,142,714	2.3%	8,285,733	3.1%	-143,019	-0.9%
Real estate funds	1,000,000	0.3%	0	0.0%	1,000,000	0.3%
Total	9,142,714	2.6%	8,285,733	3.1%	856,981	0.6%

Estimated value of investment property taking account of the shock

Sava Insurance Group

EUR	31 Dec 2019			31 Dec 2018		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investment property	16,695,132	14,190,862	-2,504,270	20,643,019	17,546,566	-3,096,453
Real estate funds	4,000,000	3,400,000	-600,000	0	0	0
Total	20,695,132	17,590,862	-3,104,270	20,643,019	17,546,566	-3,096,453

Sava Re

EUR	31 Dec 2019			31 Dec 2018		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investment property	8,142,714	6,921,307	-1,221,407	9,033,564	7,678,529	-1,355,035
Real estate funds	1,000,000	850,000	-150,000	0	0	0
Total	9,142,714	7,771,307	-1,371,407	9,033,564	7,678,529	-1,355,035

17.6.3.2 Financial risks

17.6.3.2.1 Market risk

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

The value of the Group’s financial investments exposed to market risk increased by EUR 97.1 million in 2019 compared to year-end 2018, which is explained in section 9.2.1.1 of the business report part.

The value of Sava Re’s financial investments exposed to market risk increased by EUR 93.1 million in 2019 compared to year-end 2018, which is explained in section 9.2.1.1 of the business report part.

Financial investments exposed to market risk

Sava Insurance Group

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 / 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Deposits and CDs	50,668,888	4.1%	27,740,278	2.4%	22,928,610	1.7%
Government bonds	580,661,388	46.8%	587,645,179	51.4%	-6,983,790	-4.6%
Corporate bonds	432,656,536	34.9%	400,292,979	35.0%	32,363,557	-0.1%
Shares (excluding strategic shares)	17,503,724	1.4%	15,675,617	1.4%	1,828,107	0.0%
Mutual funds	37,654,911	3.0%	35,635,616	3.1%	2,019,295	-0.1%
bond and money market	32,367,638	2.6%	32,737,150	2.9%	-369,512	-0.3%
mixed	157,448	0.0%	48,279	0.0%	109,169	0.0%
equity funds	5,129,825	0.4%	2,850,187	0.2%	2,279,637	0.2%
Infrastructure funds	20,159,022	1.6%	5,264,540	0.5%	14,894,482	1.2%
Loans granted and other investments	1,202,867	0.1%	1,116,239	0.1%	86,628	0.0%
Deposits with cedants	7,089,021	0.6%	6,275,310	0.5%	813,711	0.0%
Financial investments	1,147,596,357	92.4%	1,079,645,758	94.3%	67,950,599	-1.9%
Cash and cash equivalents	93,804,031	7.6%	64,657,431	5.7%	29,146,601	1.9%
Investment portfolio	1,241,400,389	100.0%	1,144,303,189	100.0%	97,097,200	0.0%

Sava Re

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 / 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Deposits and CDs	22,338,823	6.4%	2,331,604	0.9%	20,007,219	5.5%
Government bonds	137,262,384	39.4%	120,829,371	47.4%	16,433,013	-8.0%
Corporate bonds	105,843,738	30.4%	98,080,587	38.5%	7,763,151	-8.1%
Shares (excluding strategic shares)	9,690,877	2.8%	8,720,953	3.4%	969,924	-0.6%
Mutual funds	1,704,135	0.5%	3,102,927	1.2%	-1,398,793	-0.7%
bond funds	1,704,135	0.5%	2,377,213	0.9%	-673,078	-0.4%
equity funds	0	0.0%	725,715	0.3%	-725,715	-0.3%
Infrastructure	6,951,308	2.0%	1,860,608	0.7%	5,090,700	1.3%
Loans granted and other investments	4,216,308	1.2%	3,090,072	1.2%	1,126,235	0.0%
Deposits with cedants	7,089,021	2.0%	6,275,310	2.5%	813,711	-0.4%
Financial investments	295,096,594	84.8%	244,291,433	95.8%	50,805,161	-11.0%
Cash and cash equivalents	52,931,222	15.2%	10,651,452	4.2%	42,279,770	11.0%
Investment portfolio	348,027,816	100.0%	254,942,885	100.0%	93,084,931	0.0%

17.6.3.2.2 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 by a sensitivity analysis, by changing the value of investments in interest-sensitive assets or the value of mathematical provisions when interest rates change by 1 p.p. The interest-rate sensitive portfolio includes government and corporate bonds, deposits, loans, bond mutual

funds with a weight of 1 and mixed mutual funds with a weight of 0.5.

Interest rate risk of the Group

The total value of investments included in the calculation as at 31 December 2019 was EUR 1,098.2 million (31 December 2018: EUR 1,052.0 million). Of this, EUR 706.6 million (31 December 2018: EUR 644.8 million) relates to assets of non-life insurers (including Sava Re) and EUR 391.6 million (31 December 2018: EUR 407.2 million) to assets of life insurers.

The sensitivity analysis of the non-life segment as at 31 December 2019 showed that in the event of an interest rate increase by 1 p.p., the value of the interest rate sensitive investments would drop EUR 22.8 million (31 December 2018: EUR 18.4 million) or 3.2% (31 December 2018: 2.8%). 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

Sava Insurance Group

EUR	31 Dec 2019					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	383,583,081	369,945,780	-13,637,301	383,583,081	398,267,504	14,684,424
Corporate bonds	270,698,346	262,516,307	-8,182,039	270,698,346	279,739,111	9,040,765
Bond and convertible mutual funds	15,477,957	14,979,127	-498,830	15,477,957	16,024,077	546,120
Other interest rate sensitive assets	36,861,535	36,406,440	-455,095	36,861,535	37,522,441	660,907
Total	706,620,919	683,847,424	-22,773,264	706,620,919	731,553,134	24,932,215
Effect on equity		-21,713,393			23,683,704	
Effect on the income statement		-1,059,872			1,248,511	

Sava Insurance Group

EUR	31 Dec 2018					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	358,366,636	347,155,458	-11,211,177	358,366,636	370,405,877	12,039,241
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	15,457,765	-452,917	15,910,682	16,405,056	494,374
Other interest rate sensitive assets	21,999,283	21,622,999	-376,283	21,999,283	22,593,207	593,925
Total	644,748,485	626,394,914	-18,353,571	644,748,485	664,782,004	20,033,519
Effect on equity		-17,893,458			19,584,563	
Effect on the income statement		-460,113			448,957	

The data for 2018 differ from those in the 2018 annual report due to a change in the presentation.

The sensitivity analysis of interest rate sensitive life insurance investments showed that in case of an increase in interest rates by 1 p.p., the value would decrease by EUR 16.3 million or 4.2% (31 December 2018: EUR 13.6 million; 3.3%). 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.

The value of the mathematical provision included in the sensitivity analysis on the liabilities side amounted to EUR 213.8 million at 31 December 2019 (31 December 2018: EUR 252.7 million). A sensitivity analysis for liabilities (mathematical provisions) showed that if the present value of mathematical provisions is calculated using an interest rate that is 1.p.p higher, the mathematical provisions would decrease by EUR 8.5 million, or 3.9%, (31 December 2018: EUR 8.6 million; 3.4%). By contrast, if the provision is calculated using a 1 p.p. lower interest rate, mathematical provisions would increase by EUR 11.7 million, or 5.2%, (31 December 2018: EUR 11.8 million; 4.7%). The sensitivity analysis includes the results of the LAT test set out in section 17.4.26.

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

Sava Insurance Group

EUR	31 Dec 2019					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	200,106,970	190,364,516	-9,742,454	200,106,970	210,759,532	10,652,562
Corporate bonds	162,610,605	156,786,819	-5,823,787	162,610,605	169,069,010	6,458,405
Bond and mixed mutual funds	13,843,477	13,267,142	-576,335	13,843,477	14,476,505	633,028
Other interest rate sensitive assets	15,011,181	14,851,747	-159,436	15,011,181	15,172,828	161,647
Total	391,572,233	375,270,224	-16,302,012	391,572,233	409,477,875	17,905,642
Effect on equity		-15,487,524			16.956.846	
Effect on the income statement		-814,488			948.796	

Sava Insurance Group

EUR	31 Dec 2018					
	+ 100 bp			- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	233,807,042	225,556,256	-8,250,786	233,807,042	242,764,397	8,957,355
Corporate bonds	152,277,698	147,455,245	-4,822,452	152,277,698	157,434,295	5,156,597
Bond, convertible and mixed mutual funds	13,845,718	13,382,133	-463,585	13,845,718	14,346,163	500,445
Other interest rate sensitive assets	7,269,820	7,172,698	-97,122	7,269,820	7,373,439	103,619
Total	407,200,278	393,566,332	-13,633,945	407,200,278	421,918,295	14,718,017
Effect on equity		-13,530,425			14.609.316	
Effect on the income statement		-103,520			108.701	

The data for 2018 differ from those in the 2018 annual report due to a change in the presentation.

Results of the sensitivity analysis on life insurance liabilities

Sava Insurance Group

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
31 Dec 2019	213,813,945	205,288,451	-8,525,493	213,813,945	225,482,264	11,668,320
31 Dec 2018	252,717,622	244,098,550	-8,619,072	252,717,622	264,526,969	11,809,347

The results of sensitivity analyses of assets and liabilities show that the sensitivity of assets to interest rate changes and also the sensitivity of mathematical provisions increased compared to 2018. In 2019, the Group also adjusted the maturity of assets and liabilities to reduce the net effect of interest rate changes on the Group’s balance sheets. The difference between the average maturity of assets and liabilities separately for life and non-life business is presented below.

The average maturity of bonds and deposits of non-life business was 3.37 years at year-end 2019 (31 December 2018: 2.98 years), while the expected maturity of non-life liabilities was 2.20 years (31 December 2018: 2.77 years).

The average maturity of bonds and deposits of life business was 4.39 years at year-end 2019 (31 December 2018: 3.48 years), while the expected maturity of life liabilities was 4.98 years (31 December 2018: 4.39 years).

Interest rate risk increased slightly in 2019. The increase in interest rate risk is largely due to the widening of the difference between the value of interest rate sensitive assets over interest rate sensitive liabilities, but also the widening of the difference between the maturity of assets and liabilities. 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.

Interest rate risk of Sava Re

Given that according to the prescribed methodology for the calculation of technical provisions, Sava Re does not have interest-rate sensitive technical provisions, changes in market interest rates are only reflected in the value of the investment portfolio. The interest-rate sensitive portfolio includes government and corporate bonds, bond and convertible mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5.

The sensitivity analysis showed that in case of an increase in interest rates, the value of bonds included in the analysis would decrease by EUR 8.3 million (31 December 2018: EUR 8.1 million) or 3.1% (31 December 2018: 3.6%).

Based on the results of the sensitivity analysis, the interest rate risk did not change significantly compared to 2018.

Results of the sensitivity analysis

Sava Re						
EUR						
31 Dec 2019						
+ 100 bp				- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	136,534,595	131,698,620	-4,835,976	136,534,595	141,737,692	5,203,097
Corporate bonds	105,843,738	102,632,328	-3,211,410	105,843,738	109,403,586	3,559,848
Bond mutual funds	1,704,135	1,651,694	-52,441	1,704,135	1,761,189	57,054
Other interest rate sensitive assets	26,555,131	26,326,649	-228,481	26,555,131	26,796,044	240,913
Total	270,637,599	262,309,291	-8,328,308	270,637,599	279,698,511	9,060,912
Effect on equity		-7,848,881			8,485,861	
Effect on the income statement		-479,427			575,051	

Sava Re						
EUR						
31 Dec 2018						
+ 100 bp				- 100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	120,204,598	116,264,070	-3,940,528	120,204,598	124,434,454	4,229,856
Corporate bonds	99,670,076	95,662,599	-4,007,477	99,670,076	102,373,285	2,703,209
Bond mutual funds	2,377,213	2,291,604	-85,609	2,377,213	2,452,120	74,908
Other interest rate sensitive assets	3,982,602	3,869,020	-113,582	3,982,602	4,103,434	120,831
Total	226,234,489	218,087,294	-8,147,195	226,234,489	233,363,293	7,128,804
Effect on equity		-7,960,158			7,128,804	
Effect on the income statement		-187,037			202,537	

The data for 2018 differ from those in the 2018 annual report due to a change in the presentation.

17.6.3.2.3 Equity risk

Equity risk is the risk that the value of investments will decrease due to fluctuations in equity markets. Assets exposed to the risk include shares, equity and mixed mutual funds (a stress test takes into account half of the

value) and alternative funds (infrastructure).

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. To assess the Group’s sensitivity of investments to equity risk, we can assume

a 10% drop in the value of all equity securities, which would result in a decrease in the value of investments by EUR 4.3 million (31 December 2018: EUR 2.4 million). Thus, a 20% fall in equity prices would reduce the value of investments by EUR 8.6 million (31 December 2018: EUR 4.8 million). The

Group shows the highest concentration of equity risk to Slovenia-based issuers. The value of investments in equity securities of Slovenian issuers at year-end 2019 stood at EUR 16.9 million, representing 39.3% of assets sensitive to changes in equity securities (2018: EUR 15.1 million, 63.3%).

Sensitivity assessment of investments to equity risk

Equity investments

Sava Insurance Group

EUR	31 Dec 2019	As % of total 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 - 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Shares	17,503,724	1.4%	15,675,617	1.3%	1,828,107	0.0%
of which Slovenian shares	16,881,845	1.3%	15,075,879	1.3%	1,805,966	0.0%
Equity and mixed mutual funds	5,208,549	0.4%	2,874,327	0.2%	2,334,222	0.2%
Infrastructure funds	20,159,022	1.6%	5,264,540	0.5%	14,894,482	1.1%
Total	42,871,295	3.4%	23,814,484	2.0%	19,056,811	1.4%

Sensitivity assessment of equity investments

Sava Insurance Group

EUR	31 Dec 2019			31 Dec 2018		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investments sensitive to equity risk						
by -10%	42,871,295	38,584,166	-4,287,130	23,814,484	21,433,036	-2,381,448
by -20%	42,871,295	34,297,036	-8,574,259	23,814,484	19,051,587	-4,762,897

The Sava Insurance Group’s exposure to equity risk increased slightly in 2019 compared to year-end 2018, mainly on account of an increase in exposure to alternative investments (infrastructure funds). We estimate that the equity risk increased slightly over the period.

Assets exposed to the equity risk of Sava Re include shares, equity and mixed mutual funds (a stress test takes into account half of the value) and alternative funds. Investments in subsidiaries are excluded from stress tests as the Company assesses their value in accordance with the policy described in sec-

tion 17.4.13. “Financial investments in subsidiaries and associates”. As at the year-end 2019, investments in subsidiaries totalled EUR 238.2 million (31 December 2018: EUR 220.2 million). Sava Re maintains and increases the value of its investments in subsidiaries through active management.

As at 31 December 2019, investments exposed to the equity risk accounted for 4.7% of Sava Re’s investment portfolio, 0.4 p.p. more compared to year-end 2018.

Equity investments

Sava Re

EUR	31 Dec 2019	Composition 31 Dec 2019	31 Dec 2018	As % of total 31 Dec 2018	Absolute change 31 Dec 2019 - 31 Dec 2018	Change in structure 31 Dec 2019 / 31 Dec 2018
Shares	9,690,877	2.7%	8,720,953	3.3%	969,924	-0.6%
of which Slovenian shares	9,567,833	2.7%	8,601,860	3.3%	965,973	-0.6%
Equity and mixed mutual funds	0	0.0%	725,715	0.3%	-725,715	-0.3%
Infrastructure funds	6,951,308	1.9%	1,860,608	0.7%	5,090,700	1.2%
Total	16,642,185	4.7%	11,307,276	4.3%	5,334,909	0.4%

Sensitivity assessment of equity investments

Sava Re

EUR	31 Dec 2019			31 Dec 2018		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Investments sensitive to equity risk						
by -10%	16,642,185	14,977,966	-1,664,218	11,307,276	10,176,548	-1,130,728
by -20%	16,642,185	13,313,748	-3,328,437	11,307,276	9,045,820	-2,261,455

In order to assess the sensitivity of investments to equity risk, we assume a 10% drop in the value of all equity securities, which would have resulted in a decrease in the value of investments of EUR 1.7 million (31 December 2018: EUR 1.1 million). Thus, a 20% fall in equity prices would reduce the value of investments by EUR 3.3 million (31 December 2018: EUR 2.3 million).

Sava Re shows the highest concentration of equity risk to Slovenia-based issuers. The value of investments in equity securities of Slovenian issuers at year-end 2019 stood at EUR 9.5 million, representing 57.5% of assets sensitive to changes in equity securities (2018: EUR 8.6 million, 76.1%).

17.6.3.2.4 Currency risk

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

The Sava Insurance Group manages currency risk through the efforts of each company to optimise asset-liability currency matching. Sava Re is the Sava Insurance Group member with the largest exposure to currency risk.

As at 31 December 2019, the Company’s liabilities denominated in foreign currencies accounted for 18.0% of its total liabilities.

As the proportion of international business is rising (as is the number of different currencies), Sava Re has put in place a currency matching policy. It took measures for the matching of assets and liabilities in foreign currencies aimed at decreasing currency risk.

The currency matching policy lays down the criteria as to when the Company is to start the currency mismatch by accounting currency¹²². Based on the market situation, the Company assesses the ability of currency matching in the primary currency, and if this is not possible, the transaction currency

is to be used for matching¹²³. The currency matching policy of a company defines the conditions and method of matching. Currency matching of assets and liabilities using the accounting and transaction currency methodology is shown in the table “Transaction currency match”.

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

¹²² The accounting currency is the local currency used in the accounting documentation. Reinsurance contracts may be accounted for in various accounting currencies. Generally, this is the currency of liabilities and receivables due from cedants, and hence also the reinsurer.

¹²³ The transaction currency is the currency in which reinsurance contract transactions are processed.

Currency (mis)match as at 31 December 2019 (all amounts translated to euro)

Sava Re				
Currency 2019	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (EUR)	605,766,043	603,316,651		
Foreign currencies	129,819,517	132,268,910	29,146,610	98.1
US dollar (USD)	54,591,467	41,810,635	12,780,832	130.6
Korean won (KRW)	8,532,302	8,931,064	398,762	95.5
Chinese yuan (CNY)	9,211,704	9,675,170	463,466	95.2
Indian rupee (INR)	6,435,900	5,868,123	567,777	109.7
Taka (BDT)	2,323,697	9,276,185	6,952,489	25.1
Other	48,724,448	56,707,732	7,983,284	85.9
Total	735,585,561	735,585,561		
Currency-matched liabilities (%)			96.0%	

Currency (mis)match as at 31 December 2018 (all amounts translated to euro)

Sava Re				
Currency 2018	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (EUR)	504,260,349	504,216,386		
Foreign currencies	100,572,979	99,667,304	19,693,990	100.9
US dollar (USD)	42,333,181	32,803,314	9,529,867	129.1
Korean won (KRW)	9,229,219	9,085,947	143,271	101.6
Chinese yuan (CNY)	6,725,371	6,098,675	626,695	110.3
Indian rupee (INR)	2,117,973	6,415,488	4,297,515	33.0
Taka (BDT)	6,890,205	7,696,453	806,248	89.5
Other	33,277,032	37,567,425	4,290,394	88.6
Total	604,612,961	604,612,961		
Currency-matched liabilities (%)			96.8%	

* Values differ from those in the 2018 annual report due to the partial elimination of deferred tax netting and the recognition of impairment losses on the subsidiary company Illyria Hospital.

Transaction currency (mis)match as at 31 December 2019 (all amounts translated to euro)

Sava Re				
Currency 2019	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (EUR)	606,013,008	604,253,214		
Foreign currencies	129,572,553	131,332,347	2,984,419	98.7
US dollar (USD)	59,289,379	58,688,281	601,098	101.0
Korean won (KRW)	8,532,302	8,931,064	398,762	95.5
Chinese yuan (CNY)	9,211,704	9,675,170	463,466	95.2
Indian rupee (INR)	7,629,307	7,647,969	18,662	99.8
Russian rouble (RUB)	3,725,552	3,714,338	11,214	100.3
Other	41,184,308	42,675,525	1,491,217	96.5
Total	735,585,561	735,585,561		
Currency-matched liabilities (%)			99.6%	

Transaction currency (mis)match as at 31 December 2018 (all amounts translated to euro)

Sava Re				
Currency 2018	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (EUR)	504,260,349	506,216,386		
Foreign currencies	100,352,612	98,396,576	7,516,117	102.0
US dollar (USD)	45,360,745	42,471,025	2,889,720	106.8
Korean won (KRW)	9,229,219	9,085,947	143,271	101.6
Chinese yuan (CNY)	6,890,205	7,696,453	806,248	89.5
Indian rupee (INR)	8,025,495	7,818,596	206,899	102.6
Russian rouble (RUB)	4,965,997	3,469,810	1,496,186	143.1
Other	25,880,952	27,854,744	1,973,792	92.9
Total	604,612,961	604,612,961		
Currency-matched liabilities (%)			98.8%	

* Values differ from those in the 2018 annual report due to the partial elimination of deferred tax netting and the recognition of impairment losses on the subsidiary company Illyria Hospital.

Sava Re has set itself a target of matching assets and liabilities at least 90%. In 2019 assets and liabilities were matched 96.0% (2018: 96.8%), which demonstrates the high quality of currency risk management.

In the management of currency risk (management aspect), Sava Re managed to directly match all substantially liquid curren-

cies. Other currencies were matched based on their correlation with the euro or the US dollar. Since many accounting currencies are at least 90% correlated to the US dollar, the surplus of assets over liabilities in US dollars has been reduced to EUR 0.6 million (from EUR 2.9 million). This would further increase the currency matching percentage to 99.6% (2018: 98.8%).

Effect of exchange differences on the income statement

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

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

rency is the euro (companies based in Slovenia, Montenegro and Kosovo) have the majority of euro-denominated liabilities, while a process of currency matching is conducted with regard to liabilities denominated in currencies other than euro when the materiality threshold is exceeded. Group companies whose local currency is not the euro (companies based in Croatia, Serbia and North Macedonia), transact most business in their respective local currencies, while due to Group relations, they are to a minor extent subject to euro-related currency risk.

We estimate that currency risk at the Group level remained the same in 2019 compared to 2018 since Sava Re is taking measures to reduce exposure to currency risk, and it continues currency matching of assets and liabilities both directly based on accounting currencies and indirectly based on transaction currencies, and thus reduces exposure to currency risk.

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.

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.

The table below shows the value of financial investments and technical provisions covering life policies by year based on undiscounted cash flows, while the value of technical provisions covering non-life business is shown by year and expected maturity based on triangular development. The Group companies cover the excess of liabilities over assets with a maturity of less than one year with assets available on call and through surplus cash flows arising out of current operations.

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

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

As at 31 December 2019, L1A assets represented 21.7% of the investment portfolio of the Company (31 December 2018: 25.0%), which points to its high liquidity.

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

Effect of exchange differences on the income statement

Sava Re		
Statement of financial position item	Exchange differences	
Euro (EUR)	31 Dec 2019	31 Dec 2018
Investments	1,412,961	-96,521
Technical provisions and deferred commissions	-1,718,693	239,949
Receivables and liabilities	174,007	41,886
Total effect on the income statement	-131,725	185,314

17.6.3.2.5 Liquidity risk

Liquidity risk is the risk that, owing to unexpected or unexpectedly high obligations, the Company will not be able to meet all its financial obligations.

Individual Group companies manage liquidity risk in line with the guidelines laid down in the Sava Insurance Group liquidity risk management policy. Each Group member carefully plans and monitors the realisation of cash flows (cash inflows and outflows),

Maturity profile of financial assets and liabilities

Sava Insurance Group

EUR	Carrying amount 31 Dec 2019	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31 Dec 2019
Financial investments	1,151,596,357	0	261,018,279	477,974,908	364,830,532	79,957,820	1,183,781,539
- At fair value through profit or loss	28,084,076	0	4,104,094	6,116,704	26,448,500	3,275,846	39,945,145
- Held to maturity	48,040,057	0	26,852,595	15,378,382	9,791,902	0	52,022,878
- Loans and deposits	57,364,593	0	39,015,243	13,986,585	1,424,919	640,162	55,066,909
- available-for-sale	1,018,107,630	0	191,046,347	442,493,238	327,165,211	76,041,811	1,036,746,607
Reinsurers’ share of technical provisions	38,620,539	0	21,021,124	11,534,780	6,064,635	0	38,620,539
Cash and cash equivalents	93,804,034	55,470,986	38,333,049	0	0	0	93,804,034
TOTAL ASSETS	1,284,020,930	55,470,986	320,372,452	489,509,688	370,895,167	79,957,820	1,316,206,113
Subordinated liabilities	74,822,710	0	0	0	74,822,710	0	74,822,710
Technical provisions	935,889,551	0	478,569,035	291,260,384	164,648,985	1,411,147	935,889,551
TOTAL LIABILITIES	1,010,712,261	0	478,569,035	291,260,384	239,471,695	1,411,147	1,010,712,261
Difference	273,308,669	55,470,986	-158,196,583	198,249,304	131,423,472	78,546,673	305,493,851

Financial investments also include IRLF investments, for which the insurer provides guaranteed return in the fair-value-through-profit-or-loss group of assets (EUR 1.8 million), held-to-maturity assets (EUR 6.5 million), loans and deposits (EUR 4.0 million) and available-for-sale assets (EUR 74.4 million).

Sava Insurance Group

EUR	Carrying amount 31 Dec 2019	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31 Dec 2019
Financial investments	1,079,645,759	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	0	989,664	5,237,686	7,535,010	1,530,950	15,293,310
- held to maturity	86,796,477	0	38,765,621	42,618,791	11,701,569	0	93,085,982
- loans and deposits	33,542,347	0	21,494,670	9,637,115	1,016,638	0	32,148,423
- available-for-sale	946,891,258	0	163,866,023	505,496,635	248,031,154	55,044,823	972,438,636
Reinsurers’ share of technical provisions	27,292,750	0	15,764,933	6,864,689	4,663,128	0	27,292,750
Cash and cash equivalents	64,657,431	31,318,301	33,339,131			0	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	0	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 IRLF 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).

The Company has on its books EUR 62.1 million of investments (31 December 2018: EUR 71.0 million) assessed as highly liquid by the ECB (first two categories under ECB methodology for assessing the liquidity of investments).

In terms of the Company’s liquidity, matching of maturity of gross technical provisions and reserves with funds of the non-life insurance register is very important. At year-end 2019, Sava Re recorded a surplus of assets over liabilities with maturities up

to one year, which indicates good liquidity of the Company. The average maturity of assets and liabilities also indicates the liquidity situation. The average maturity of bonds and deposits of the non-life insurance register was 3.20 years at year-end 2019 (31

December 2018: 3.03 years), while the expected maturity of liabilities was 2.98 years (31 December 2018: 4.1 years).

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 2018.

Maturity profile of financial assets and liabilities

Sava Re							
EUR	Carrying amount as at 31 Dec 2019	Callable	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total 31 Dec 2019
Financial investments	296,096,593	0	89,335,538	115,912,227	81,688,394	17,711,286	304,647,445
- At fair value through profit or loss	6,702,761	0	298,300	2,632,200	7,081,500	521,404	10,533,404
- Held to maturity	2,075,784	0	102,500	410,000	2,205,000	0	2,717,500
- Loans and deposits	32,047,969	0	29,186,833	2,205,538	1,191,633	0	32,584,005
- available-for-sale	255,270,080	0	59,747,905	110,664,488	71,210,260	17,189,883	258,812,536
Reinsurers’ share of technical provisions	31,159,308	0	14,458,167	10,636,589	6,064,552	0	31,159,308
Cash and cash equivalents	52,931,222	33,000,170	19,931,052	0	0	0	52,931,222
TOTAL ASSETS	380,187,123	33,000,170	123,724,757	126,548,815	87,752,946	17,711,286	388,737,975
Subordinated liabilities	74,822,710	0	0	0	74,822,710	0	74,822,710
Technical provisions	261,338,591	0	122,166,812	88,635,440	50,536,339	0	261,338,591
TOTAL LIABILITIES	336,161,301		122,166,812	88,635,440	125,359,050		336,161,301
Difference	44,025,822	33,000,170	1,557,945	37,913,376	-37,606,104	17,711,286	52,576,673

Sava Re							
EUR	Carrying amount as at 31 Dec 2018	Callable	Up to 1 year	From 1 to 5 years	Over 5 years	No maturity	Total 31 Dec 2018
Financial investments	244,291,434	0	59,595,548	126,529,405	53,495,382	13,684,488	253,304,823
- At fair value through profit or loss	3,956,895	0	178,875	2,266,500	2,301,214	439,304	5,185,894
- Held to maturity	2,075,425	0	102,500	410,000	2,307,500	0	2,820,000
- Loans and deposits	10,107,498	0	6,911,275	3,039,428	559,911	0	10,510,614
- available-for-sale	228,151,616	0	52,402,897	120,813,477	48,326,757	13,245,184	234,788,315
Reinsurers’ share of technical provisions	21,437,221	0	10,183,242	6,612,470	4,641,509	0	21,437,221
Cash and cash equivalents	10,651,452	5,623,541	5,027,912	0	0	0	10,651,452
TOTAL ASSETS	276,380,105	5,623,541	74,806,701	133,141,875	58,136,890	13,684,488	285,393,495
Technical provisions	234,173,078	0	111,782,724	71,912,571	50,477,783	0	234,173,078
TOTAL LIABILITIES	234,173,078	0	111,782,724	71,912,571	50,477,783	0	234,173,078
Difference	42,207,027	5,623,541	-36,976,023	61,229,303	7,659,107	13,684,488	51,220,417

17.6.3.2.6 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.

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 investments¹²⁴ and cash assets¹²⁵;
- 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).

Exposure to credit risk

Sava Insurance Group		
EUR	31 Dec 2019	31 Dec 2018
Type of asset	Amount	Amount
Fixed-income investments	1,166,082,730	1,087,727,415
Debt instruments	1,065,189,678	1,016,794,674
Deposits with cedants	7,089,021	6,275,310
Cash and cash equivalents	93,804,031	64,657,431
Receivables due from reinsurers	44,371,630	32,484,675
Reinsurers' share of technical provisions	38,620,539	27,292,750
Receivables for shares in claims paid	5,751,091	5,191,925
Other receivables	153,662,826	135,358,086
Receivables arising out of primary insurance business	139,954,356	126,533,761
Receivables arising out of co-insurance and reinsurance business (other than receivables for shares in claims)	983,473	643,873
Current tax assets	3,002,507	169,727
Other receivables	9,722,490	8,010,725
Total exposure	1,364,117,186	1,255,570,176

Sava Re		
EUR	31 Dec 2019	31 Dec 2018
Type of asset	Amount	Amount
Fixed-income investments	329,681,496	241,258,397
Debt instruments	269,661,253	224,331,635
Deposits with cedants	7,089,021	6,275,310
Cash and cash equivalents	52,931,222	10,651,452
Receivables due from reinsurers	34,592,235	25,812,956
Reinsurers' share of technical provisions	31,159,308	21,437,221
Receivables for shares in claims paid	3,432,927	4,375,735
Receivables, excluding receivables arising out of reinsurance business	90,789,029	83,454,566
Receivables arising out of primary insurance business	89,537,760	82,518,636
Receivables arising out of co-insurance and reinsurance business (excluding receivables for shares in claims)	781,903	466,544
Current tax assets	2,802,044	0
Other receivables	469,366	469,385
Total exposure	457,864,804	350,525,919

Fixed-income investments by issuer credit rating

Sava Insurance Group					
EUR	31 Dec 2019		31 Dec 2018		Change
Rated by S&P/Moody's	Amount	Composition	Amount	Composition	
AAA/Aaa	261,766,659	22.4%	280,460,107	25.8%	-3.4%
AA/Aa	178,319,701	15.3%	153,116,129	14.1%	1.2%
A/A	270,931,018	23.2%	307,943,183	28.3%	-5.1%
BBB/Baa	201,918,297	17.3%	148,814,188	13.7%	3.7%
BB/Ba	67,785,883	5.8%	72,142,728	6.6%	-0.8%
B/B	12,943,786	1.1%	15,321,952	1.4%	-0.3%
Not rated	172,417,385	14.8%	109,929,129	10.1%	4.7%
Total	1,166,082,730	100.0%	1,087,727,415	100.0%	

Sava Re					
EUR	31 Dec 2019		31 Dec 2018		Change
Rated by S&P/Moody's	Amount	Composition	Amount	Composition	
AAA/Aaa	77,450,375	23.5%	77,950,080	32.3%	-8.8%
AA/Aa	49,602,621	15.0%	39,938,848	16.6%	-1.5%
A/A	64,574,675	19.6%	60,026,889	24.9%	-5.3%
BBB/Baa	44,030,503	13.4%	39,284,693	16.3%	-2.9%
BB/Ba	17,520,785	5.3%	7,375,302	3.1%	2.3%
B/B	111	0.0%	524,844	0.2%	-0.2%
Not rated	76,502,426	23.2%	16,157,741	6.7%	16.5%
Total	329,681,496	100.0%	241,258,397	100.0%	0.0%

As at 31 December 2019, fixed-income investments rated “A” or better accounted for 60.9% of the total fixed-income portfolio (31 December 2018: 68.2%). The share of the best-rated investments slightly decreased in 2019 compared with the previous year. Almost 70% of unrated investments are cash and cash equivalents. A material proportion (13%) consists of investments in unrated government bonds of non-EU Group companies and certain corporate bonds (14%).

As regards management of credit risk, the objective of the Company is to have in its investment portfolio at least 40% of investments rated “A-” or better. As at 31 December 2019, investments rated “A” or better represented 58.1% of total investments exposed to credit risk (31 December 2018:73.7%). The Company regularly monitors exposure to individual issuers and any changes in credit standing in order to be able to prepare for a timely response to any adverse developments in financial markets or increase in risk relating to any issuer.

¹²⁴ Included are bonds, corporate bonds, deposits, deposits with cedants and loans granted.

¹²⁵ This includes cash and demand deposits.

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

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

The investment portfolio of the Sava Insurance 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.

The Sava Insurance Group’s largest exposure by industry or sector was to the government (31 December 2019: 46.0%; 31 Dec 2018: 50.5%), with a notable high diversification by issuer. As at 31 December 2019, the exposure to the banking sector was EUR 290.0 million, representing 23.0% of financial investments (31 December 2018: EUR 240.9 million; 20.7%).

Sava Re’s largest exposure by industry as at 31 December 2019 was to the government (31 December 2019: 38.6%; 31 Dec 2018: 45.9%), with a notable high diversification by issuer. As at 31 December 2019, the exposure to the banking sector was EUR 105.6 million, representing 29.6% of financial investments (31 December 2018: EUR 46.8 million; 17.8%).

Diversification of financial investments by industry

Sava Insurance Group					
EUR	31 Dec 2019		31 Dec 2018		Movement (p.p.)
Industry	Amount	Composition	Amount	Composition	
Banking	290,456,482	23.0%	240,907,376	20.7%	2.3
Government	580,671,078	46.0%	587,746,852	50.5%	-4.4
Finance & insurance	89,441,681	7.1%	85,153,194	7.3%	-0.2
Industry	62,411,618	4.9%	63,494,284	5.5%	-0.5
Consumables	90,806,840	7.2%	68,992,263	5.9%	1.3
Utilities	107,453,666	8.5%	92,186,794	7.9%	0.6
Property*	20,695,133	1.6%	20,643,019	1.8%	-0.1
Infrastructure	20,159,022	1.6%	5,822,426	0.5%	1.1
Total	1,262,095,520	100.0%	1,164,946,208	100.0%	

* Including investment property and real estate funds.

Sava Re					
EUR	31 Dec 2019		31 Dec 2018		Change
Industry	Amount	Composition	Amount	Composition	
Banking	105,635,612	29.6%	46,861,912	17.8%	11.8%
Government	137,783,145	38.6%	120,829,371	45.9%	-7.3%
Finance & insurance	30,913,121	8.7%	27,646,258	10.5%	-1.8%
Industry	17,382,185	4.9%	17,858,226	6.8%	-1.9%
Consumables	28,285,343	7.9%	17,975,879	6.8%	1.1%
Utilities	21,077,102	5.9%	20,775,863	7.9%	-2.0%
Property*	9,142,714	2.6%	8,862,613	3.4%	-0.8%
Infrastructure	6,951,308	1.9%	2,418,497	0.9%	1.0%
Total	357,170,530	100.0%	263,228,619	100.0%	0.0%

* Including investment property and real estate funds.

Diversification of financial investments by region

Sava Insurance Group					
EUR	31 Dec 2019		31 Dec 2018		Movement (p.p.)
Industry	Amount	Composition	Amount	Composition	
Slovenia	241,458,491	19.1%	252,539,597	21.7%	-2.5
EU Member States	738,434,338	58.5%	663,797,032	57.0%	1.5
Non-EU members	118,268,161	9.4%	118,466,264	10.2%	-0.8
Russia and Asia	28,394,918	2.2%	19,402,310	1.7%	0.6
Africa and the Middle East	2,393,770	0.2%	2,249,205	0.2%	0.0
America and Australia	133,145,842	10.5%	108,491,799	9.3%	1.2
Total	1,262,095,520	100.0%	1,164,946,208	100.0%	

Sava Re					
EUR	31 Dec 2019		31 Dec 2018		Change
Industry	Amount	Composition	Amount	Composition	
Slovenia	91,357,864	25.6%	48,942,112	18.6%	7.0%
EU Member States	176,442,399	49.4%	141,271,311	53.7%	-4.3%
Non-EU members	9,386,198	2.6%	9,131,951	3.5%	-0.8%
Russia and Asia	18,909,621	5.3%	16,076,965	6.1%	-0.8%
Africa and the Middle East	2,393,770	0.7%	2,249,205	0.9%	-0.2%
America and Australia	58,680,678	16.4%	45,557,075	17.3%	-0.9%
Total	357,170,530	100.0%	263,228,619	100.0%	0.0%
Infrastruktura	6,951,308	1.9%	2,418,497	0.9%	1.0%
Total	357,170,530	100.0%	263,228,619	100.0%	0.0%

The Group’s largest exposure by region is to the EU member states (31 December 2019: 58.5%, 31 December 2018: 57.0%), with the exposure spread among 24 countries. This is followed by the exposure to Slovenia-based issuers (31 December 2019: 19.1%; 31 Dec 2018: 21.7%) and issuers based in the Americas and Australia (31 December 2019: 10.5%; 31 Dec 2018: 9.3%). Exposure to other regions remained more or less the same compared to year-end 2018.

Sava Re’s largest exposure is to EU Member States (31 December 2019: 49.4%, 31 December 2018: 53.7%), with the exposure spread among 22 countries. This is followed by the exposure to Slovenia-based issuers (31 December 2019: 25.6%; 31 Dec 2018: 18.6%) and issuers based in the Americas and Australia (31 December 2019: 16.4%; 31 Dec 2018: 17.3%). Exposure to other regions remained more or less the same compared to year-end 2018.

Exposure to Slovenia by asset type

Sava Insurance Group					
EUR	31 Dec 2019		31 Dec 2018		Movement (p.p.)
Type of investment	Amount	Composition	Amount	Composition	
Deposits	28,850,601	2.3%	862,080	0.1%	2.2
Government bonds	95,904,603	7.6%	155,297,826	13.3%	-5.7
Corporate bonds	32,131,057	2.5%	23,414,814	2.0%	0.5
Shares	16,881,845	1.3%	15,075,879	1.3%	0.0
Mutual funds	2,801,690	0.2%	738,415	0.1%	0.2
Loans granted	716,415	0.1%	695,895	0.1%	0.0
Cash and cash equivalents	52,024,880	4.1%	40,608,597	3.5%	0.6
Investment property	11,904,771	0.9%	15,846,091	1.4%	-0.4
Infrastructure funds	242,630	0.0%	0	0.0%	0.0
Sum total	241,458,491	19.1%	252,539,597	21.7%	-2.5

Sava Re					
EUR	31 Dec 2019		31 Dec 2018		Change
Type of investment	Amount	Composition	Amount	Composition	
Deposits	20,742,640	5.8%	742,115	0.3%	5.5%
Government bonds	13,643,115	3.8%	18,537,101	7.0%	-3.2%
Corporate bonds	9,532,599	2.7%	6,597,544	2.5%	0.2%
Shares	9,567,833	2.7%	8,601,860	3.3%	-0.6%
Mutual funds	201,277	0.1%	0	0.0%	0.1%
Loans granted	383,308	0.1%	900,210	0.3%	-0.2%
Cash and cash equivalents	28,901,748	8.1%	5,277,548	2.0%	6.1%
Investment property	8,142,714	2.3%	8,285,733	3.1%	-0.9%
Infrastructure funds	242,630	0.1%	0	0.0%	0.1%
Sum total	91,357,864	25.6%	48,942,112	18.6%	7.0%

The Group’s exposure to Slovenia decreased by 2.5 p.p. in 2019. Investments in government bonds represent the largest exposure to Slovenia as in the previous year. In the total portfolio they accounted for 7.6% and decreased by 5.7 p.p. compared to the previous year.

At year-end 2019, the exposure of Sava Re to Slovenia-based issuers was EUR 91.3 million, representing 25.6% of financial investments (31 December 2018: EUR 48.9 million; 18.6%). Compared to 2018, the percentage of such investments increased by 7 p.p. The increase in the structural share is the result of an increased cash and deposit balance with banks in Slovenia.

As at 31 December 2019, the Group’s exposure to the ten largest issuers was EUR 388.4 million, representing 30.7% of financial investments (31 December 2018: EUR 403.5 million; 34.7%). The largest single issuer of securities to which the Group is exposed is the Republic of Slovenia.

As at 31 December 2019, exposure to the ten largest issuers was EUR 125.5 million, representing 36.1% of financial investments (31 December 2018: EUR 83.7 million; 31.8%). The largest single issuer of securities to which Sava Re is exposed is the United States. As at 31 December 2019, it totalled EUR 25.8 million or 7.4% of financial investments (31 December 2018: EUR 17.4 million; 6.6%).

We assess that in 2019, the Sava Insurance Group companies – by maintaining a large percentage of highly-rated investments, diversification of investments by industry and geography and reducing concentration – managed credit risk well, maintaining it on the same level as in 2018.

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.

The tables below show the receivables ageing analysis for the Group and Sava Re, including the above-mentioned receivables for reinsurers’ shares in claims.

Receivables ageing analysis

Sava Insurance Group

EUR 31 Dec 2019	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	48,008,577	16,131,454	1,265,869	1,017,055	66,422,955
Receivables due from insurance intermediaries	587,073	1,065,597	4,254	18,863	1,675,787
Other receivables arising out of primary insurance business	541,983	18,497	29,979	53,531	643,990
Receivables for premiums arising out of assumed reinsurance and co-insurance	47,750,312	15,513,330	2,608,379	5,339,603	71,211,624
Receivables for reinsurers' shares in claims	4,379,202	692,022	358,812	321,055	5,751,091
Other receivables from co-insurance and reinsurance	870,233	71,068	38,580	3,592	983,473
Other short-term receivables arising out of insurance business	503,612	1,109,979	234,679	618,289	2,466,559
Short-term receivables arising out of financing	1,107,957	1,423	2,474	45,685	1,157,539
Current tax assets	3,002,507	0	0	0	3,002,507
Other short-term receivables	5,205,345	805,882	23,284	63,881	6,098,392
Total	111,956,801	35,409,252	4,566,310	7,481,554	159,413,917

Sava Insurance Group

EUR 31 Dec 2018	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	42,569,511	11,774,547	1,156,006	994,098	56,494,162
Receivables due from insurance intermediaries	757,823	1,224,927	3,781	26,859	2,013,390
Other receivables arising out of primary insurance business	192,572	215,837	59,277	64,749	532,435
Receivables for premiums arising out of assumed reinsurance and co-insurance	53,846,411	7,898,864	1,253,021	4,495,478	67,493,774
Receivables for reinsurers' shares in claims	4,248,950	586,942	46,802	309,231	5,191,925
Other receivables from co-insurance and reinsurance	504,830	139,043	0	0	643,873
Other short-term receivables arising out of insurance business	1,311,217	634,873	345,550	526,198	2,817,838
Short-term receivables arising out of financing	935,154	4,077	3,454	39,595	982,280
Current tax assets	169,727	0	0	0	169,727
Other short-term receivables	3,836,984	271,057	51,545	51,021	4,210,607
Total	108,373,179	22,750,167	2,919,436	6,507,229	140,550,011

As at 31 December 2019, the total exposure of the Group to credit risk relating to reinsurers was EUR 44.4 million (31 December 2018: EUR 32.5 million), of which EUR 38.6 million (31 December 2018: EUR 27.3 million) relate to the reinsurers' share of technical provisions and EUR 5.8 million (31 December 2018: EUR 5.2 million) to receivables

for the reinsurers' and co-insurers' shares in claims. As at 31 December 2019, the Group's total credit risk exposure relating to retrocessionaires represented 2.4% of total assets (31 December 2018: 1.9%).

Retrocession programmes are mostly placed with first-class reinsurers that have an appro-

priate rating (at least A- according to Standard & Poor's for long-term business, and at least "BBB+" for short-term business). Thus, at least 80% of credit risk exposures related to a reinsurer at the end of 2019 (2018: at least 70%) at least 70%) relate to those with a rating equal to or higher than "BBB". When classifying reinsurers by credit

rating group, we considered the credit rating of each individual reinsurer, also where the reinsurer is part of a group. Often such reinsurers are unrated subsidiaries, while the controlling company has a credit rating. We consider such a treatment conservative, as ordinarily a controlling company takes action if a subsidiary gets into trouble.

Sava Re

EUR 31 Dec 2019	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables arising out of primary insurance business	68,810,943	12,703,421	2,632,527	5,390,869	89,537,760
Receivables for reinsurers' shares in claims	2,095,644	660,987	358,812	317,484	3,432,927
Receivables for commission	672,907	66,824	38,580	3,592	781,903
Reinsurance and co-insurance receivables	2,768,551	727,811	397,392	321,076	4,214,830
Current tax assets	2,802,044	0	0	0	2,802,044
Short-term receivables arising out of financing	13,417	0	0	26,778	40,194
Other receivables	429,020	152	0	0	429,172
Other receivables	442,436	152	0	26,778	469,366
Total	74,823,975	13,431,384	3,029,919	5,738,723	97,024,000

Sava Re

EUR 31 Dec 2018	Not past due	Past due up to 180 days	Past due from 181 days to 1 year	Past due over 1 year	Total
Receivables arising out of primary insurance business	68,495,754	8,163,247	1,307,653	4,551,981	82,518,635
Receivables for reinsurers' shares in claims	3,541,151	482,112	46,802	305,671	4,375,735
Receivables for commission	329,924	136,620	0	0	466,544
Reinsurance and co-insurance receivables	3,871,074	618,732	46,802	305,671	4,842,279
Short-term receivables arising out of financing	13,257	2,180	1,524	22,975	39,936
Other receivables	419,404	6,265	1,736	2,045	429,449
Other receivables	432,661	8,445	3,260	25,019	469,385
Total	72,799,489	8,790,423	1,357,715	4,882,671	87,830,299

Sava Re assessed its receivables for impairment. Allowances were established for receivables that needed to be impaired. Receivables are discussed in greater detail in note 11.

The total exposure of Sava Re to retrocessionaires as at 31 December 2018 was EUR 34.6 million (31 December 2018: EUR 25.8 million). Of this, EUR 31.2 million (31 December 2017: EUR 21.4 million) relate to retroceded gross technical provisions (EUR 8.3 million to unearned premiums and EUR 22.9 million to provisions for outstanding

claims) and EUR 3.4 million (31 December 2018: EUR 4.4 million) to receivables for reinsurers' shares in claims.

The total credit risk exposure of Sava Re arising from retrocessionaires represented 4.7% of total assets in 2019 (31 December 2018: 4.3%). Retrocession programmes

are mostly placed with first-class reinsurers with an appropriate credit rating (at least "A-" according to Standard & Poor's for long-term business, and at least "BBB+" for short-term business). We consider this risk as low, particularly as the investment portfolio is adequately diversified. See details in the following table.

Receivables due from reinsurers by reinsurer credit rating

Sava Re				
EUR	31 Dec 2019		31 Dec 2018	
Rated by S&P / AM Best	Amount	Composition	Amount	Composition
AAA/A++	11,855,809	34.3%	278,948	1.1%
AA/A+	16,878,847	48.8%	7,791,707	30.2%
A / (A or A-)	1,337,347	3.9%	13,124,406	50.8%
BBB / (B++ or B+)	34,005	0.1%	1,412,595	5.5%
Less than BBB / less than B+	657,826	1.9%	758,193	2.9%
Not rated	3,828,401	11.1%	2,447,106	9.5%
Total	34,592,235	100.0%	25,812,955	100.0%

17.6.3.2.7 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 entire investment risk arising out of the two funds MDF and MBF, while with the MGF they bear the investment risk above the guaranteed return. The guaranteed return of MGF is 60% of the average annual interest rate on government securities with a maturity of over one year. Liabilities relating to MGF comprise paid in premiums, guaranteed return and amounts in excess of the guaranteed return, provided the company achieved it. For each member, the fund administrator keeps a personal account with accumulating net contributions and assets to exceed the guaranteed return (provisions); for MGF, additionally the guaranteed return is maintained. Liabilities to the members of the MDF and MBF move in line with the value of investments; 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 low and did not change compared to 2018.

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

Traditional and unit-linked life insurance contracts

With regard to its traditional life insurance and unit-linked life insurance business with a guaranteed unit value (value of a unit of the fund), the Group is exposed to the risk of failure to realise the guaranteed return.Taking into account the realised book return on financial investments and the guaranteed return on the liabilities side in the period 1–12/2019, the effect of not achieving the guaranteed return totals EUR 406.6 thousand.

We assess that the risk of failure to realise guaranteed returns is moderate and only slightly increased compared to 2018.

17.6.3.2.8 Risk of financial investments in subsidiaries and associates

Regarding the risk related to its financial investments in subsidiaries and associates, Sava Re is especially exposed to the risk of a decline in these investments and to the concentration risk. Among its financial investments in subsidiaries and associates, the Company has one major exposure, i.e. the investment in Zavarovalnica Sava, the value of which accounts for 51.8% (2018: 56.0%) of the total value of its financial investments in subsidiaries and associates. As at 31 December 2019, Sava Re’s total exposure to the risk of financial investments in subsidiaries and associates was EUR 238.2 million (31 December 2018: EUR 220.2 million).

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

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

The table below shows the value of investments in subsidiaries and associates taking into account the shock.

Exposure to risk related to financial investments in subsidiaries and associates in 2019 was slightly higher than in 2018, as Group complexity increased with new acquisitions. This also explains the slight drop in the percentage of total financial investments repre-

sented by the largest exposure, to Zavarovalnica Sava, and the increase in diversification. Taking account of all the impacts we believe that the risk related to participations increased slightly, but still remained moderate due to its active management.

Assessed sensitivity of investments in subsidiaries and associates

Sava Re						
EUR	31 Dec 2019			31 Dec 2018		
	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Decrease in value of 10%	238,177,654	214,359,889	-23,817,765	220,219,086	198,197,177	-22,021,909
Decrease in value of 20%	238,177,654	190,542,123	-47,635,531	220,219,086	176,175,269	-44,043,817
Value decrease of the largest subsidiary of 10%	123,364,958	111,028,463	-12,336,496	123,364,959	111,028,463	-12,336,496
Decrease in value of the largest subsidiary of 20%	123,364,958	98,691,967	-24,672,992	123,364,959	98,691,967	-24,672,992

17.6.4 Operational risk

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

Operational risks are not among the Group's or Sava Re's most significant risks. Nevertheless, some of them are material, particularly:

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

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

To assess operational risks in Group companies and at the Group level, qualitative assessment of the probability and financial impact within the scope of the risk register is applied, while the EU-based (re)insurance companies additionally use scenario analysis. Through regular risk assessments, the Group companies obtain insight into the actual level of their exposure to such risks.

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

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

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

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 2019 was moderate and remained at the same level as in 2018.

17.6.5 Strategic risks

Group companies and the Group are exposed to a variety of internal and external strategic risks that may have a negative impact on the income or capital adequacy.

The primary key strategic risks to which the Group and Sava Re were exposed in 2019 include:

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

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

Group companies' and the Group's strategic risks are assessed qualitatively in the risk register by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated in an EU-based Group (re)insurance company using qualitative analysis of various scenarios. Based on both analyses combined, an overview is obtained of the extent and change in the exposure to this type of risk.

Group companies mitigate individual strategic risks mainly through preventive measures, and individual companies have in place various processes that ensure that they can properly identify, measure, monitor, manage, control and report strategic risks, thus ensuring their effective management. In addition to the competent organisational units in Group companies, 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 its reputation is important in realising its business goals and in order to achieve its strategic plans in the long term. Group companies have taken steps aimed at mitigating reputation risk, such as setting up fit and proper procedures applicable to key employees, ensuring systematic operations of their respective compliance functions, having in place business continuity plans, developing stress tests and scenarios, and planning actions and responses in the case such risks materialise. Toward ensuring the Group's good reputation, each and every employee is responsible for improving the quality of services delivered and overall customer satisfaction.

We estimate that the Group's exposure to strategic risks in 2019 was moderate and remained at the same level as in 2018.

17.7 Notes to the financial statements – statement of financial position

1) Intangible assets

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

Sava Insurance Group

EUR	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
31 Dec 2018	12,558,445	29,006,121	35,953	4,223,022	15,430,893	61,254,434
Additions – acquisition of subsidiary	192,602	20,184,085	0	0	2,499,119	22,875,806
Reclassification	0	-10,043,573	0	0	10,043,573	0
Additions	2,876,105	0	0	0	357,571	3,233,676
Reversal	-305,879	0	-35,953	-67,191	0	-409,023
Exchange differences	12,955	0	0	0	24,550	37,505
31 Dec 2019	15,334,228	39,146,633	0	4,155,831	28,355,706	86,992,398
Accumulated amortisation and impairment losses						
31 Dec 2018	9,133,316	0	0	0	15,000,000	24,133,316
Additions	1,263,121	0	0	0	792,727	2,055,848
Disposals	-268,832	0	0	0	0	-268,832
Exchange differences	11,260	0	0	0	737	11,997
31 Dec 2019	10,138,865	0	0	0	15,793,464	25,932,329
Carrying amount as at 31 Dec 2018	3,425,129	29,006,121	35,953	4,223,022	430,893	37,121,119
Carrying amount as at 31 Dec 2019	5,195,363	39,146,633	0	4,155,831	12,562,242	61,060,069

Sava Insurance Group

EUR	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
31 Dec 2017	11,062,977	14,548,585	0	3,883,806	15,292,194	44,787,562
Additions – acquisition of subsidiary	43,682	14,552,443	0	0	0	14,596,125
Additions	1,494,480	0	35,953	339,216	314,354	2,184,003
Reversal	-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 Dec 2018	12,558,445	29,006,121	35,953	4,223,022	15,430,893	61,254,434
Accumulated amortisation and impairment losses						
31 Dec 2017	8,074,618	0	0	0	14,000,000	22,074,618
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 Dec 2018	9,133,316	0	0	0	15,000,000	24,133,316
Carrying amount as at 31 Dec 2017	2,988,359	14,548,585	0	3,883,806	1,292,194	22,712,945
Carrying amount as at 31 Dec 2018	3,425,129	29,006,121	35,953	4,223,022	430,893	37,121,118

Sava Re

EUR	Software	Other intangible assets	Total
Cost			
31 Dec 2018	1,953,966	33,919	1,987,885
Additions	691,749	2,114	693,863
Reversal	-54,166	0	-54,166
31 Dec 2019	2,591,548	36,033	2,627,582
Accumulated amortisation and impairment losses			
31 Dec 2018	1,095,161	0	1,095,161
Additions	265,353	0	265,353
Reversal	-27,042	0	-27,042
31 Dec 2019	1,333,472	0	1,333,472
Carrying amount as at 31 Dec 2018	858,805	33,919	892,724
Carrying amount as at 31 Dec 2019	1,258,077	36,033	1,294,110

Sava Re

EUR	Software	Other intangible assets	Total
Cost			
31 Dec 2017	1,627,512	30,643	1,658,155
Additions	330,796	3,276	334,072
Reversal	-4,342	0	-4,342
31 Dec 2018	1,953,966	33,919	1,987,885
Accumulated amortisation and impairment losses			
31 Dec 2017	851,144	0	851,144
Additions	246,019	0	246,019
Reversal	-2,002	0	-2,002
31 Dec 2018	1,095,161	0	1,095,161
Carrying amount as at 31 Dec 2017	776,368	30,643	807,013
Carrying amount as at 31 Dec 2018	858,805	33,919	892,724

In 2019, the Group acquired three companies (Ergo Životno Osiguranje, Ergo Osiguranje and Sava Infond). In December 2019, Ergo Životno Osiguranje and Ergo Osiguranje were transformed into a limited liability company (SŽO Poslovno Savjetovanje and SO Poslovno Savjetovanje), having previously transferred the portfolio of insurance contracts to the Croatia-based branch office of Zavarovalnica Sava.

The increase in goodwill arises out of the acquisition of Sava Infond. Goodwill arisen on the acquisition of Sava Penzisko was partly allocated to a customer list based on the list's estimated value, which increased the balance of other intangible assets.

The Group's other intangible assets in 2019 mostly comprise the assessed value of this customer list.

Movement in goodwill

Goodwill relates to the acquisition of the following companies: Sava Neživotno Osiguranje (Serbia), Sava Osiguranje (Montenegro), Zavarovalnica Sava, Sava Agent, Sava Pokojninska, TBS Team 24, Sava Penzisko Društvo and Sava Infond. As at year-end 2019, goodwill totalled EUR 39.1 million (31 December 2018: EUR 29.0 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 2019

Sava Insurance Group

EUR	
Total amount carried forward as at 31 Dec 2018	29,006,121
Additions in current year	20,184,085
Sava Infond	20,184,085
Disposals in current year	-10,043,573
Sava Penzisko Društvo	-10,043,573
Balance as at 31 Dec 2019	39,146,633
Sava Neživotno Osiguranje (Serbia)	4,565,229
Sava Osiguranje (Montenegro)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Sava Pokojninska	1,529,820
TBS Team 24	2,787,676
Sava Penzisko Društvo	1,666,839
Sava Infond	20,184,085

The decrease in goodwill arising out of Sava Penzisko Društvo relates to a reclassification to other intangible assets, as discussed

Movement in goodwill in 2018

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

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.

in section 17.2 “Business combinations and overview of Group companies”.

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

The discount rate is made up of the following:

- The risk-free rate of return is based on the 5-year average of yield to maturity of 10-year European government bonds.
- The equity risk premium has been taken from the publication of KPMG Netherlands “Equity market risk premium”, Research Summary, November 2019.
- 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 Damodaran database.
- Country risk premiums have been taken from the Damodaran database.

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. For insurance and pension companies, it is additionally assessed whether the capital required for an insurance company to operate under local regulations would be fully engaged.

Premium growth and profitability are planned for insurance companies since insurance penetration is relatively low in both Serbia and Montenegro. 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.

The profitability of pension companies is expected to grow. It is expected to be driven by increased contributions to pension funds as a result of demographic trends, at relatively fixed operating costs.

To estimate the residual value used in the calculation of the estimated value of equity, the calculation considers normalised cash flow in the last year of the forecast made using the Gordon growth model. Subsidiaries have been valued using a long-term growth rate (g) ranging from 0.3% to 2.0% to calculate the residual value. For Slovenia-based companies this growth rate is based on the average risk-free rate of return totalling 0.3%; for other markets it totals 2.0% and is based on the expected industry growth in the long-term period.

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.

Sensitivity analysis

The tables below show the difference between the estimated recoverable amount and the carrying amount under different scenarios of long-term growth rates, discount rates and annual achievement of planned profit over all projection horizons.

Assumptions used in goodwill impairment testing in 2019

	Sava Neživotno Osiguranje (Serbia)	Sava Osiguranje (Montenegro)	Sava Penzisko	Sava Pokojninska	Sava Infond	TBS Team 24
Discount rate (%)	10.0	10.9	9.9	7.9	8.3	9.2
Long-term growth rate (%)	2.0	2.0	2.0	0.3	0.3	0.3
Expected average growth in revenue in the next 5 years (%)	4.9	1.7	7.9	5.5	6.6	1.7
Expected average annual net profit in the next 5 years (EUR million)	1.4	1.1	1.7	0.5	2.8	0.9

* Revenue = net premiums earned for both insurance companies, operating revenue for other companies.

Difference between estimated recoverable amount and carrying amount under different scenarios of long-term growth rate

EUR million	Sava Neživotno Osiguranje (Serbia)	Sava Osiguranje (Montenegro)	Sava Penzisko
Scenario: Long-term growth rate - 1 p.p. (- 100 bp)	9.1	5.8	16.7
Basic scenario or valuation	10.3	6.5	19.7
Scenario: Long-term growth rate + 1 p.p. (+ 100 bp)	11.9	7.4	23.6

* No sensitivity analysis of the long-term growth rate has been presented for the Slovenian companies because it stands at only 0.3%, and it is, hence, not meaningful to variate this assumption.

Difference between estimated recoverable amount and carrying amount under different scenarios of discount rate

EUR million	Sava Neživotno Osiguranje (Serbia)	Sava Osiguranje (Montenegro)	Sava Penzisko	Sava Pokojninska	Sava Infond	TBS Team 24
Scenario: Discount rate + 1 p.p. (+ 100 bp)	7.9	4.9	14.0	-0.3	8.7	3.2
Basic scenario or valuation	10.3	6.5	19.7	0.9	13.0	3.9
Scenario: Discount rate - 1 p.p. (- 100 bp)	13.5	8.5	27.1	2.4	18.5	4.9

* Profit = net profit for both insurance companies and both pension companies, and EBITDA for other companies.

Difference between estimated recoverable amount and carrying amount under different scenarios of achievement of planned profit

EUR million	Sava Neživotno Osiguranje (Serbia)	Sava Osiguranje (Montenegro)	Sava Penzisko	Sava Pokojninska	Sava Infond	TBS Team 24
Scenario: Profit* - 10%	8.0	5.0	15.4	-0.3	9.0	3.1
Basic scenario or valuation	10.3	6.5	19.7	0.9	13.0	3.9
Scenario: Profit* + 10%	12.6	8.0	24.0	2.0	17.0	4.8

* Profit = net profit for both insurance companies and both pension companies, and EBITDA for other companies.

2) Property and equipment

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

Sava Insurance Group					
EUR	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
31 Dec 2018	7,627,769	48,032,080	24,129,396	317,972	80,107,218
Additions – acquisition of subsidiary	54,194	97,754	342,977	0	494,925
Additions	104,103	3,440,313	4,303,338	5,095	7,852,849
Reclassification	0	4,789,910	-4,090	0	4,785,820
Disposals	-6,645	-1,083,270	-4,677,740	-4,788	-5,772,443
Impairment	-2,145,232	-757,268	0	0	-2,902,500
Exchange differences	-3,988	37,643	17,082	880	51,617
31 Dec 2019	5,630,200	54,557,162	24,110,963	319,159	84,617,486
Accumulated depreciation and impairment losses					
31 Dec 2018	0	19,063,393	18,091,130	59,263	37,213,786
Additions	0	1,285,078	2,184,147	38,638	3,507,863
Reclassification	0	626,926	-2,217	0	624,709
Disposals	0	-447,393	-3,912,086	-4,788	-4,364,267
Exchange differences	0	12,633	7,046	5	19,684
31 Dec 2019	0	20,540,637	16,368,020	93,118	37,001,775
Carrying amount as at 31 Dec 2018	7,627,769	28,968,687	6,038,266	258,709	42,893,432
Carrying amount as at 31 Dec 2019	5,630,200	34,016,525	7,742,943	226,041	47,615,710

Sava Insurance Group					
EUR	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
31 Dec 2017	7,834,841	49,629,117	23,976,932	242,407	81,683,298
Additions – acquisition of subsidiary	0	0	52,775	106,510	159,285
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 Dec 2018	7,627,769	48,032,080	24,129,396	317,972	80,107,218
Accumulated depreciation and impairment losses					
31 Dec 2017	0	17,924,007	18,243,994	77,283	36,245,284
Reclassification	0	1,285,348	1,829,177	48,064	3,162,589
Disposals	0	-28,177	-45,756	-3,220	-77,153
Impairment	0	-112,469	-1,935,825	-62,865	-2,111,159
Exchange differences	0	-5,316	-460	1	-5,775
31 Dec 2018	0	19,063,393	18,091,130	59,263	37,213,786
Carrying amount as at 31 Dec 2017	7,834,841	31,705,110	5,732,938	165,124	45,438,014
Carrying amount as at 31 Dec 2018	7,627,769	28,968,687	6,038,266	258,709	42,893,432

Sava Re

EUR	Land	Buildings	Equipment	Other property and equipment assets	Total
Cost					
31 Dec 2018	156,645	2,463,160	1,742,008	84,413	4,446,226
Additions	0	0	151,295	2,539	153,834
Disposals	0	0	-239,421	-4,766	-244,187
31 Dec 2019	156,644	2,463,160	1,653,883	82,186	4,355,873
Accumulated depreciation and impairment losses					
31 Dec 2018	0	702,698	1,040,696	48,290	1,791,685
Additions	0	33,263	206,798	1,562	241,623
Disposals	0	0	-180,279	-4,766	-185,045
31 Dec 2019	0	735,961	1,067,215	45,086	1,848,263
Carrying amount as at 31 Dec 2018	156,645	1,760,461	701,312	36,123	2,654,540
Carrying amount as at 31 Dec 2019	156,644	1,727,199	586,667	37,100	2,507,611

Sava Re

EUR	Land	Buildings	Equipment	Other property and equipment assets	Total
Cost					
31 Dec 2017	150,833	2,322,223	1,666,228	90,667	4,229,951
Additions	0	39,546	356,930	122	396,598
Disposals	0	0	-281,150	0	-281,150
Reclassification	5,811	101,391	0	-6,376	100,826
31 Dec 2018	156,645	2,463,160	1,742,008	84,413	4,446,226
Accumulated depreciation and impairment losses					
31 Dec 2017	0	643,037	1,051,937	49,333	1,744,306
Additions	0	31,486	202,237	1,293	235,017
Disposals	0	0	-213,478	0	-213,478
Reclassification	0	28,177	0	-2,336	25,841
31 Dec 2018	0	702,699	1,040,696	48,290	1,791,686
Carrying amount as at 31 Dec 2017	150,833	1,679,187	614,291	41,334	2,485,646
Carrying amount as at 31 Dec 2018	156,645	1,760,460	701,312	36,123	2,654,540

Impairment losses on land and buildings of EUR 2.9 million in 2019 relate to impairment losses recognised following the independent appraisals of property owned by the Slovenian non-life insurer and the Kosovan company.

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

3) Right-of-use assets

In this part, Group companies disclose information on operating leases.

Movement in cost and accumulated amortisation / impairment losses of right-of-use assets

Sava Insurance Group					
EUR	Land and buildings	Motor vehicles	Computers and IT equipment	Other	Total
As at 1 Jan 2019	8,628,596	812,882	-	4,719	9,446,198
Depreciation of right-of-use assets	-1,850,074	-293,367	-5,895	-3,398	-2,152,734
New contracts	2,344,667	314,603	54,000	20,663	2,733,932
Reversal of right-of-use assets	-53,144	0	0	0	-53,144
As at 31 Dec 2019	9,070,045	834,118	48,105	21,984	9,974,252

Sava Re			
EUR	Land and buildings	Motor vehicles	Total
As at 1 Jan 2019	148,521	15,335	163,855
Depreciation of right-of-use assets	-62,768	-3,067	-65,835
New contracts	17,380	0	17,380
As at 31 Dec 2019	103,132	12,268	115,400

The amounts recognised in the income statement related to leases are shown in the table below.

EUR	Sava Insurance Group	Sava Re
	2019	2019
Interest on lease liabilities	171,585	151
Costs associated with short-term leases	588,327	11,726
Costs associated with low value leases	1,660	-
Total	761,572	11,877

Cash flow from operating leases is shown in the table.

EUR	Sava Insurance Group	Sava Re
	2019	2019
Cash flow from leases	1,731,215	64,760

4) Deferred tax assets and liabilities

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Deferred tax assets	2,044,124	2,026,472	1,141,098	1,943,597
- Long-term financial investments	1,029,781	1,653,239	865,874	1,652,614
- Short-term operating receivables	241,122	332,345	231,234	254,487
- Provisions for jubilee benefits and severance pay (retirement)	773,221	40,888	43,990	36,497
Deferred tax liabilities	5,294,663	3,605,462	76,227	76,227
- Long-term financial investments	5,218,437	3,529,235	0	0
- Other	76,227	76,227	76,227	76,227

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Included in income statement	-89,021	-563,917	-211,355	371,319
- Long-term financial investments	-81,822	-561,237	-195,595	370,280
- Short-term operating receivables	23,254	-24,331	-23,254	-3,301
- Provisions for jubilee benefits and severance pay (retirement)	-30,452	21,651	7,494	4,339
Included in other comprehensive income	-1,782,471	1,682,167	-591,146	257,227
- Long-term financial investments	-1,769,074	1,703,734	-591,146	259,758
- Provisions for jubilee benefits and severance pay (retirement)	-13,397	-21,567	0	-2,531

Deferred tax assets are established for long-term financial investments, short-term operating receivables and provisions for jubilee benefits and termination benefits. And deferred tax liabilities are mainly established for long-term financial investments.

5) Investment property

Movement in cost and accumulated depreciation of investment property

Sava Insurance Group

EUR	Land	Buildings	Equipment	Total
Cost				
31 Dec 2018	2,482,923	19,408,916	150,203	22,042,042
Additions – acquisition of subsidiary	0	427,000	0	427,000
Additions	1,650	514,153	26,889	542,692
Reclassification	0	-4,789,910	4,090	-4,785,820
Disposals	0	-414,785	-21,087	-435,872
Impairment	-79,246	0	0	-79,246
Exchange differences	-2,639	31,176	0	28,537
31 Dec 2019	2,402,688	15,176,550	160,095	17,739,333
Accumulated depreciation and impairment losses				
31 Dec 2018	28,607	2,026,606	47,811	2,103,024
Additions	0	268,907	16,885	285,792
Reclassification	0	-626,926	2,217	-624,709
Disposals	0	0	-18,731	-18,731
Exchange differences	87	2,739	0	2,826
31 Dec 2019	28,694	1,671,326	48,182	1,748,202
Carrying amount as at 31 Dec 2018	2,454,316	18,086,311	102,392	20,643,019
Carrying amount as at 31 Dec 2019	2,373,994	14,209,225	111,913	16,695,132

Sava Insurance Group

EUR	Land	Buildings	Equipment	Total
Cost				
31 Dec 2017	2,557,131	13,922,645	0	16,479,776
Additions – acquisition of subsidiary	0	5,894,555	0	5,894,555
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 Dec 2018	2,482,923	19,408,916	150,203	22,042,042
Accumulated depreciation				
31 Dec 2017	28,790	1,086,802	0	1,115,592
Additions – acquisition of subsidiary	0	206,949	0	219,086
Additions	0	28,177	12,137	77,153
Reclassification	0	-34,326	48,976	-47,628
Disposals	0	34,509	-13,302	34,509
Impairment	0	494	0	311
Exchange differences	-183	1,322,605	0	1,399,023
31 Dec 2018	28,607	1,086,802	47,811	1,115,592
Carrying amount as at 31 Dec 2017	2,528,341	12,835,844	0	15,364,184
Carrying amount as at 31 Dec 2018	2,454,316	18,086,311	102,392	20,643,019

Sava Re

EUR	Land	Buildings	Equipment	Total
Cost				
31 Dec 2018	1,490,790	7,012,904	68,533	8,572,227
Additions	1,650	0	1,728	3,378
Reclassification	0	0	-1,149	-1,149
31 Dec 2019	1,492,440	7,012,904	69,112	8,574,456
Accumulated depreciation and impairment losses				
31 Dec 2018	0	282,080	4,414	286,494
Additions	0	140,853	4,887	145,740
Disposals	0	0	-492	-492
31 Dec 2019	0	422,933	8,809	431,742
Carrying amount as at 31 Dec 2018	1,490,790	6,730,824	64,119	8,285,733
Carrying amount as at 31 Dec 2019	1,492,440	6,589,971	60,303	8,142,714

Sava Re

EUR	Land	Buildings	Equipment	Total
Cost				
31 Dec 2017	1,496,601	6,905,412	0	8,402,013
Additions	0	208,883	62,157	271,040
Disposals	-5,811	-101,391	6,376	-100,826
31 Dec 2018	1,490,790	7,012,904	68,533	8,572,227
Accumulated depreciation and impairment losses				
31 Dec 2017	0	171,135	0	171,135
Additions	0	139,122	2,078	141,200
Disposals	0	-28,177	2,336	-25,841
31 Dec 2018	0	282,080	4,414	286,494
Carrying amount as at 31 Dec 2017	1,496,601	6,734,277	0	8,230,878
Carrying amount as at 31 Dec 2018	1,490,790	6,730,824	64,119	8,285,733

The decrease in investment property results from the reclassification of an investment property asset owned by Sava Terra to property for own use by Zavarovalnica Sava, in the amount of EUR 4.7 million. The increase of EUR 0.7 million relates to the acquisition of Sava Infond and new recognised purchases of EUR 0.3 million.

No impairment losses on investment property were recognised in 2019.

In 2019, the Group generated income of EUR 1.3 million by leasing out its investment property (2018: EUR 1.1 million). Maintenance costs associated with investment property are either included in the rent or charged to the lessee. Costs covered by the Group in 2019 totalled EUR 88,234 (2018: EUR 201,368).

In 2019, the Company generated income of EUR 784,610 by leasing out its investment property. In 2018, such income totalled EUR 692,712 (EUR 6,506 from subsidiaries and EUR 686,207 from other companies). Maintenance costs associated with investment property are either included in rent or charged to the lessees in a proportionate amount. These recovered costs amounted to EUR 54,393 in 2019 (2018: EUR 112,718).

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

6) Financial investments in subsidiaries and associates

Financial investments in subsidiaries

Sava Re							
EUR	31 Dec 2018		Acquisition/ recapitalisation	Dividend paid (-)	Disposal/decrease (-)	31 Dec 2019	
	Holding	Value	Value	Value	Holding	Holding	Value
Zavarovalnica Sava	100.00%	123,364,959	0	0	0	100.00%	123,364,959
Sava Neživotno Osiguranje (Serbia)	100.00%	20,399,165	0	0	-4,255,909	100.00%	16,143,256
Illyria	100.00%	8,094,000	0	0	0	100.00%	8,094,000
Sava Osiguruvanje (North Macedonia)	92.57%	10,031,490	0	0	0	92.57%	10,031,490
Sava Osiguranje (Montenegro)	100.00%	15,373,019	0	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	0	100.00%	4,035,892
Sava Životno Osiguranje (Serbia)	100.00%	5,142,278	0	0	0	100.00%	5,142,278
Illyria Hospital	100.00%	5,996	0	0	0	100.00%	5,996
Sava Pokojninska	100.00%	8,089,939	0	0	0	100.00%	8,089,939
TBS Team 24	75.00%	2,906,504	0	0	0	75.00%	2,906,504
Sava Penzisko Društvo	100.00%	19,714,494	0	0	0	100.00%	19,714,494
Sava Terra	30.00%	747,831	0	0	-747,831	0.00%	0
Sava Infond	85.00%	0	28,642,239	-4,058,461	0	85.00%	24,583,778
Total		217,905,567	28,642,239	-4,058,461	-5,003,740		237,485,605

Sava Re						
EUR	31 Dec 2017		Acquisition/ recapitalisation	Disposal/decrease (-)	31 Dec 2018	
	Holding	Value	Value	Value	Holding	Value
Zavarovalnica Sava	100.00%	123,364,959	0	0	100.00%	123,364,959
Sava Neživotno Osiguranje (Serbia)	100.00%	13,457,144	6,942,021	0	100.00%	20,399,165
Illyria	100.00%	10,318,445	0	-2,224,445	100.00%	8,094,000
Sava Osiguruvanje (North Macedonia)	92.57%	10,284,618	0	-253,128	92.57%	10,031,490
Sava Osiguranje (Montenegro)	100.00%	15,373,019	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,892	0	0	100.00%	4,035,892
Sava Životno Osiguranje (Serbia)	100.00%	6,685,245	0	-1,542,967	100.00%	5,142,278
Illyria Hospital	100.00%	1,800,317	0	-1,794,321	100.00%	5,996
Sava Pokojninska	100.00%	8,089,939	0	0	100.00%	8,089,939
TBS Team 24	0.00%	0	2,906,504	0	75.00%	2,906,504
Sava Penzisko Društvo	0.00%	0	19,714,494	0	100.00%	19,714,494
Sava Terra	0.00%	0	747,831	0	30.00%	747,831
Total		193,409,578	30,310,850	-4,020,539		217,905,567

Financial investments in associates

Sava Insurance Group

EUR	31 Dec 2018		Additions		Attributed profit or loss	31 Dec 2019		Share of voting rights (%)
	Holding	Value	Holding	Value		Holding	Value	
ZTSR	50.00%	102,560		0	-61,258	50.00%	41,302	50.00%
G2I	17.50%	360,414		172,851	6,536	17.50%	539,801	25.00%
Total		462,974		172,851	-54,721		581,104	

Sava Insurance Group

EUR	31 Dec 2017		Additions		Attributed profit or loss	31 Dec 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	

Sava Insurance Group

EUR	31 Dec 2019	31 Dec 2018
ZTSR		
Value of assets	95,491	220,564
Liabilities	12,885	15,444
Equity	82,605	205,120
Income	48,300	0
Net profit or loss for the period	-122,518	-44,880
Part of the profit or loss attributable to the Group	-61,258	-22,440
G2I		
Value of assets	3,477,661	813,069
Liabilities	2,585,680	5,266
Equity	891,981	807,803
Income	3,045,607	121
Net profit or loss for the period	37,350	-193,050
Part of the profit or loss attributable to the Group	6,536	-33,784

In 2019, the Company increased its investments in Group companies by EUR 24.6 million (2018: EUR 30.3 million). In 2019, the Company also increased its holdings in associates by EUR 0.2 million.

It also reduced its investments in Group companies in 2019 due to capital decrease (EUR 5 million). The assumptions used in the valuation are presented in greater detail in section 17.7 “Notes to the financial statements – statement of financial position”.

7) Financial investments

Sava Insurance Group					
EUR	Held-to-maturity	At FVTPL	Available-for-sale	Loans and receivables	Total
31 Dec 2019		Non derivative			
		Designated to this category			
Debt instruments	41,586,644	22,984,531	871,005,933	46,274,618	981,851,726
Deposits and CDs	0	1,596,183	0	45,071,751	46,667,934
Government bonds	39,556,443	2,764,926	497,082,775	0	539,404,144
Corporate bonds	2,030,201	18,623,422	373,923,158	0	394,576,781
Loans granted	0	0	0	1,202,867	1,202,867
Equity instruments	0	3,275,847	48,498,622	0	51,774,469
Shares	0	647,824	16,855,902	0	17,503,726
Mutual funds	0	2,628,023	31,642,720	0	34,270,743
Investments in infrastructure funds	0	0	20,159,022	0	20,159,022
Investments in property funds	0	0	4,000,000	0	4,000,000
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	7,089,021	7,089,021
Total	41,586,644	26,260,378	943,663,578	53,363,639	1,064,874,239
Sava Insurance Group					
EUR	Held-to-maturity	At FVTPL	Available-for-sale	Loans and receivables	Total
31 Dec 2018		Non derivative			
		Designated to this category			
Debt instruments	77,122,037	10,884,728	833,260,563	27,267,037	948,534,365
Deposits and CDs	0	1,589,488	0	26,150,797	27,740,285
Government bonds	75,748,901	350,731	474,616,968	0	550,716,600
Corporate bonds	1,373,136	8,944,509	358,643,595	0	368,961,240
Loans granted	0	0	0	1,116,240	1,116,240
Equity instruments	0	1,530,948	46,492,307	0	48,023,255
Shares	0	527,569	15,148,047	0	15,675,616
Mutual funds	0	1,003,379	31,344,260	0	32,347,639
Investments in infrastructure funds	0	0	5,264,540	0	5,264,540
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	6,275,310	6,275,310
Total	77,122,037	12,415,676	885,017,410	33,542,347	1,008,097,470

The Sava Insurance Group held 1.7% of financial investments constituting subordinated instruments for the issuer (31 December 2018: 0.8%). The total value of subordinated investments stood at EUR 18.5 million (31 December 2018: EUR 8.2 million), of which subordinated deposits comprised EUR 2.4 million (31 December 2018: EUR 2.4 million), and subordinated bonds comprised EUR 16.1 million (EUR 5.8 million).

Sava Re held 1.2% of financial investments that constitute subordinated instruments for the issuer (31 December 2018: 0.9%). The total value of subordinated investments stood at EUR 6.9 million (31 December 2018: EUR 4.2 million), of which subordinated deposits comprised EUR 2.3 million (31 December 2018: EUR 2.3 million), and subordinated bonds comprised EUR 4.6 million (31 December 2018: EUR 1.9 million).

No securities have been pledged as security by the Group companies.

Fair values of financial investments are shown in note 29.

Sava Re

EUR	Held-to-maturity	At FVTPL		Available-for-sale	Loans and receivables	Total
		Non derivative				
		Designated to this category				
31 Dec 2019						
Debt instruments	2,075,784	6,181,358	236,445,163	24,958,948	269,661,253	
Deposits and CDs	0	1,596,183	0	20,742,640	22,338,823	
Government bonds	2,075,784	64,592	135,222,926	0	137,363,302	
Corporate bonds	0	4,520,583	101,222,237	0	105,742,820	
Loans granted	0	0	0	4,216,308	4,216,308	
Equity instruments	0	521,404	10,873,608	0	11,395,012	
Shares	0	521,404	9,169,473	0	9,690,877	
Mutual funds	0	0	1,704,135	0	1,704,135	
Investments in infrastructure funds	0	0	6,951,308	0	6,951,308	
Investments in property funds	0	0	1,000,000	0	1,000,000	
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	7,089,021	7,089,021	
Total	2,075,784	6,702,761	255,270,080	32,047,969	296,096,594	

Sava Re

EUR	Held-to-maturity	At FVTPL		Available-for-sale	Loans and receivables	Total
		Non derivative				
		Designated to this category				
31 Dec 2018						
Debt instruments	2,075,425	3,517,591	214,906,431	3,832,188	224,331,635	
Deposits and CDs	0	1,589,488	0	742,115	2,331,604	
Government bonds	2,075,425	35,863	118,775,472	0	120,886,760	
Corporate bonds	0	1,892,240	96,130,959	0	98,023,199	
Loans granted	0	0	0	3,090,072	3,090,072	
Equity instruments	0	439,304	11,384,576	0	11,823,880	
Shares	0	411,709	8,309,244	0	8,720,953	
Mutual funds	0	27,595	3,075,332	0	3,102,927	
Investments in infrastructure funds	0	0	1,860,608	0	1,860,608	
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	6,275,310	6,275,310	
Total	2,075,425	3,956,895	228,151,616	10,107,498	244,291,434	

Loans of the controlling company granted to Group companies

EUR	31 Dec 2019	31 Dec 2018
Sava Neživotno Osiguranje (Serbia)	1,305,132	1,305,134
Illyria	1,560,939	650,169
Sava Životno Osiguranje (Serbia)	771,462	0
Sava Terra	0	576,880
Total	3,637,533	2,532,183

8) Assets held for the benefit of policyholders who bear the investment risk

Sava Insurance Group					
EUR 31 Dec 2019	Held-to-maturity	At FVTPL	Available-for-sale	Loans and receivables	Total
		Non derivative			
		Designated to this category			
Debt instruments	6,444,636	1,823,699	71,068,660	4,000,954	83,337,949
Deposits and CDs	0	0	0	4,000,954	4,000,954
Government bonds	1,904,811	0	38,796,630	0	40,701,441
Corporate bonds	4,539,825	1,823,699	32,272,030	0	38,635,554
Equity instruments	0	126,437,769	3,384,170	0	129,821,939
Mutual funds	0	126,437,769	3,384,170	0	129,821,939
Total	6,444,636	128,261,469	74,452,830	4,000,954	213,159,889

Sava Insurance Group				
EUR 31 Dec 2018	Held-to-maturity	At FVTPL	Available-for-sale	Total
		Non derivative		
		Designated to this category		
Debt instruments	9,674,440	0	58,585,875	68,260,315
Government bonds	5,110,688	0	30,667,411	35,778,099
Corporate bonds	4,563,752	0	27,918,464	32,482,216
Equity instruments	0	133,270,212	3,287,977	136,558,189
Mutual funds	0	133,270,212	3,287,977	136,558,189
Total	9,674,440	133,270,212	61,873,852	204,818,504

Sava Insurance Group		
EUR	31 Dec 2019	31 Dec 2018
Held-to-maturity	6,444,636	9,674,439
At FVTPL – non-derivative – designated to this category	128,261,469	133,270,213
Available for sale	74,452,830	61,873,852
Loans and receivables	4,000,954	0
Total	213,159,889	204,818,504

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.

9) Reinsurers’ share of technical provisions

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
From unearned premiums	10,705,397	5,796,346	8,289,730	3,570,489
From provisions for claims outstanding	27,915,142	21,496,404	22,869,578	17,866,732
Total	38,620,539	27,292,750	31,159,308	21,437,221

The reinsurers’ and co-insurers’ share of technical provisions at the Group level increased by 41.5%, or EUR 11.3 million (Sava Re: increase of EUR 9.7 million). Of which EUR 4.9 million at the Group level are a result of the increase in unearned premiums (Sava Re: EUR 4.7 million), mainly as a result of new reinsurance coverage for FOS business written during the year

and therefore still have high unearned premiums at the end of the year. The reinsurers’ and co-insurers’ share of claims provisions at the Group level increased by EUR 6.4 million (Sava Re: EUR 5.0 million) on account of a large reinsurance claim made by the Slovenian railways, revaluation of annuities stemming from liability policies and the acquisition of a new company.

10) Investment contract assets and liabilities

Investment contract assets and liabilities relate to the subsidiary Sava Pokojninska. The Group had EUR 151.2 million (2018: EUR 135.6 million) of assets and EUR 151.0 million (2018: EUR 135.4 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. Further details on the risks associated with investment contracts are provided in section 17.4.14.

Investment contract assets

Sava Insurance Group

EUR	31 Dec 2019	31 Dec 2018
Financial investments	137,803,761	115,619,693
Investment property	506,000	490,000
Receivables	13,656	8,940
Cash and cash equivalents	12,873,685	19,468,332
Total	151,197,102	135,586,965

Sava Insurance Group

EUR	Held-to-maturity	At FVTPL	Loans and receivables	Investment property	Total
		Non derivative			
		Designated to this category			
31 Dec 2019					
Debt instruments	54,622,670	61,588,756	0	0	116,211,426
Bonds	54,622,670	61,588,756	0	0	116,211,426
Equity instruments	0	21,592,335	0	0	21,592,335
Total financial investments	54,622,670	83,181,091	0	0	137,803,761
Cash and receivables	0	0	12,887,341	0	12,887,341
Investment property	0	0	0	506,000	506,000
Total investment contract assets	54,622,670	83,181,091	12,887,341	506,000	151,197,102

Sava Insurance Group

EUR	Held-to-maturity	At FVTPL	Available-for-sale	Loans and receivables	Investment property	Total
		Non derivative				
		Designated to this category				
31 Dec 2018						
Debt instruments	50,552,225	48,429,039	0	0	0	98,981,264
Bonds	50,552,225	48,429,039	0	0	0	98,981,264
Equity instruments	0	16,638,522	0	0	0	16,638,522
Total financial investments	50,552,225	65,067,561	0	0	0	115,619,786
Cash and receivables	0	0	0	19,477,179	0	19,477,179
Investment property	0	0	0	0	490,000	490,000
Total investment contract assets	50,552,225	65,067,561	0	19,477,179	490,000	135,586,965

Investment contract assets by level of the fair value hierarchy

Sava Insurance Group

EUR 31 Dec 2019	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investment contract assets measured at fair value	83,181,091	78,497,562	4,576,390	107,139	83,181,091	0
At FVTPL	83,181,091	78,497,562	4,576,390	107,139	83,181,091	0
Designated to this category	83,181,091	78,497,562	4,576,390	107,139	83,181,091	0
Debt instruments	61,588,756	57,439,136	4,042,482	107,139	61,588,756	0
Equity instruments	21,592,335	21,058,426	533,909	0	21,592,335	0
Investment contract assets not measured at fair value	67,510,011	63,787,535	13,428,334	0	77,215,870	9,705,859
Held-to-maturity assets	54,622,670	50,900,194	13,428,334	0	64,328,529	9,705,859
Debt instruments	54,622,670	50,900,194	13,428,334	0	64,328,529	9,705,859
Cash and receivables	12,887,341	12,887,341	0	0	12,887,341	0
Investment property	506,000	506,000	0	0	506,000	0
Total investment contract assets	151,197,102	142,791,097	18,004,725	107,139	160,902,961	9,705,859

Sava Insurance Group

EUR 31 Dec 2018	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investment contract assets measured at fair value	65,067,561	50,649,029	13,515,166	903,365	65,067,561	0
At FVTPL	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
Debt instruments	48,429,039	34,401,477	13,124,196	903,365	48,429,039	0
Equity instruments	16,638,522	16,247,552	390,970	0	16,638,522	0
Investment contract assets 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	0	19,477,179	0
Investment property	490,000	0	0	490,000	490,000	0
Total investment contract assets	135,586,965	84,829,495	55,314,237	1,393,365	141,537,098	5,950,133

Investment contract liabilities

EUR	31 Dec 2019	31 Dec 2018
Net liabilities to pension policyholders	150,522,187	134,926,064
Other liabilities	630,647	613,674
TOTAL IN BALANCE SHEET – LONG-TERM BUSINESS FUNDS OF VOLUNTARY PENSION INSURANCE	151,152,834	135,539,738
Inter-company transactions between company and life insurance liability fund	-112,191	-98,231
TOTAL IN BALANCE SHEET	151,040,643	135,441,508

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

Sava Insurance Group

EUR	Debt instruments	
	31 Dec 2019	31 Dec 2018
Opening balance	903,365	1,363,664
Additions	106,731	913,701
Maturity	-902,958	-1,374,000
Closing balance	107,138	903,365
Income	7,042	15,610

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

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

The table below shows income and expenses relating to investment contracts in 2019.

Net investment income for the financial period (EUR)	Investment contracts	Annuity contracts
Finance income	8,546,295	118,972
Dividend income	105,558	0
Interest income	2,690,321	46,698
Gains on disposal of financial investments	112,729	985
Income from change in fair value	5,023,218	69,537
Other finance income	614,469	1,752
Income from investment property	65,205	0
Rental income	49,205	0
Income from change in fair value	16,000	0
Financial expenses	-86,450	-50,639
Losses on disposals	-86,374	-542
Other finance expenses	-76	-50,097
Expenses relating to investment property	-4,294	0
Expenses arising from management and renting	-4,294	0
Expenses relating to management of life insurance business fund	-1,598,388	-2,329
Asset management commission	-1,417,432	0
Expenses relating to custodian bank	-35,436	0
Other expenses charged against the life ins. liability fund under applicable rules	-145,520	-2,329
Transfer of cash from supplementary pension scheme	0	724,074
Net claims incurred	0	-245,457
Change in mathematical provision	0	-530,845
Expenses factored in policies	0	-13,777
Net profit/loss attributable to policyholders	6,922,368	0

Profit or loss realised from investment contract assets is fully recognised in investment contract liabilities.

11) Receivables

The Group’s receivables increased by EUR 18.9 million compared to year-end 2018, and the Company’s receivables went up by EUR 9.2 million.

This increase in the Group mostly stemmed from the non-life segment as a result of growth in gross premiums written, which had an effect on the total increase in this item. In the ageing analysis, the largest increase was in past due receivables up to 180 days arising out of primary insurance business.

Receivables arising out of reinsurance and co-insurance business increased by EUR 0.9 million. Current tax assets increased by EUR 2.8 million and mainly relate to Sava Re.

Receivables of the controlling company arising out of reinsurance contracts have not been specifically secured. Receivables have been tested for impairment. For all receivables that have already fallen due, allowances have been recognised relating to individual classes of similar credit risks into which receivables are classified. The Group tested material items of receivables individually. If the Company recognises receivables from and liabilities to the same entity, receivables are subject to impairment even if older than one year.

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

Receivables by type

Sava Insurance Group

EUR	31 Dec 2019			31 Dec 2018		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	160,675,555	-23,040,976	137,634,579	147,595,873	-23,607,937	123,987,936
Receivables due from insurance intermediaries	2,640,726	-964,939	1,675,787	3,085,381	-1,071,991	2,013,390
Other receivables arising out of primary insurance business	766,506	-122,516	643,990	662,312	-129,877	532,435
Receivables arising out of primary insurance business	164,082,787	-24,128,431	139,954,356	151,343,566	-24,809,805	126,533,761
Receivables for shares in claims	5,928,753	-177,662	5,751,091	5,368,904	-176,979	5,191,925
Other receivables from co-insurance and reinsurance	983,473	0	983,473	643,873	0	643,873
Receivables arising out of reinsurance and co-insurance business	6,912,226	-177,662	6,734,564	6,012,777	-176,979	5,835,798
Current tax assets	3,002,507	0	3,002,507	169,727	0	169,727
Other short-term receivables arising out of insurance business	20,113,224	-17,646,665	2,466,559	21,724,100	-18,906,262	2,817,838
Receivables arising out of investments	2,384,139	-1,226,600	1,157,539	2,222,130	-1,239,850	982,280
Other receivables	7,351,916	-1,253,524	6,098,392	5,591,808	-1,381,201	4,210,607
Other receivables	29,849,279	-20,126,789	9,722,490	29,538,038	-21,527,313	8,010,725
Total	203,846,799	-44,432,882	159,413,917	187,064,108	-46,514,097	140,550,011

Sava Re

EUR	31 Dec 2019			31 Dec 2018		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	89,290,919	-493,707	88,797,212	82,158,702	-396,032	81,762,670
Other receivables arising out of primary insurance business	740,548	0	740,548	755,965	0	755,965
Receivables arising out of primary insurance business	90,031,467	-493,707	89,537,760	82,914,668	-396,032	82,518,635
Receivables for shares in claims	3,608,596	-175,669	3,432,927	4,550,739	-175,004	4,375,735
Other receivables arising out of co-insurance and reinsurance business	781,903	0	781,903	466,544	0	466,544
Receivables arising out of reinsurance and co-insurance business	4,390,499	-175,669	4,214,830	5,017,282	-175,004	4,842,279
Current tax assets	2,802,044	0	2,802,044	0	0	0
Receivables arising out of investments	40,282	-88	40,194	40,024	-88	39,936
Other receivables	758,898	-329,726	429,172	844,030	-414,581	429,449
Other receivables	799,180	-329,815	469,366	884,054	-414,669	469,385
Total	98,023,191	-999,191	97,024,000	88,816,005	-985,705	87,830,299

Net receivables ageing analysis

Sava Insurance Group

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

Sava Insurance Group

EUR 31 Dec 2018	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	96,415,922	19,673,411	2,409,027	5,489,576	123,987,936
Receivables due from insurance intermediaries	757,823	1,224,927	3,781	26,859	2,013,390
Other receivables arising out of primary insurance business	192,572	215,837	59,277	64,749	532,435
Receivables arising out of primary insurance business	97,366,317	21,114,175	2,472,085	5,581,184	126,533,761
Receivables for reinsurers' shares in claims	4,248,950	586,942	46,802	309,231	5,191,925
Other receivables from co-insurance and reinsurance	504,830	139,043	0	0	643,873
Receivables arising out of reinsurance and co-insurance business	4,753,780	725,985	46,802	309,231	5,835,798
Current tax assets	169,727	0	0	0	169,727
Other short-term receivables arising out of insurance business	1,311,217	634,873	345,550	526,198	2,817,838
Short-term receivables arising out of financing	935,154	4,077	3,454	39,595	982,280
Other short-term receivables	3,836,984	271,057	51,545	51,021	4,210,607
Other receivables	6,083,355	910,007	400,549	616,814	8,010,725
Total	108,373,179	22,750,167	2,919,436	6,507,229	140,550,011

Sava Re

EUR 31 Dec 2019	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	68,158,970	12,690,262	2,608,379	5,339,600	88,797,212
Other receivables arising out of primary insurance business	651,973	13,159	24,147	51,269	740,548
Receivables arising out of primary insurance business	68,810,943	12,703,421	2,632,527	5,390,869	89,537,760
Receivables for reinsurers' shares in claims	2,095,644	660,987	358,812	317,484	3,432,927
Other receivables arising out of co-insurance and reinsurance business	672,907	66,824	38,580	3,592	781,903
Receivables arising out of reinsurance and co-insurance business	2,768,551	727,811	397,392	321,076	4,214,830
Current tax assets	2,802,044	0	0	0	2,802,044
Short-term receivables arising out of financing	13,417	0	0	26,778	40,194
Other short-term receivables	429,020	152	0	0	429,172
Other receivables	442,436	152	0	26,778	469,366
Total	74,823,975	13,431,384	3,029,919	5,738,723	97,024,000

Sava Re

EUR 31 Dec 2018	Not past due	Past due up to 180 days	Past due from 180 days to 1 year	Past due over 1 year	Total
Receivables due from policyholders	68,037,014	7,977,157	1,253,021	4,495,478	81,762,670
Other receivables arising out of primary insurance business	458,741	186,089	54,632	56,504	755,966
Receivables arising out of primary insurance business	68,495,754	8,163,247	1,307,653	4,551,982	82,518,636
Receivables for reinsurers' shares in claims	3,541,151	482,112	46,802	305,671	4,375,735
Other receivables arising out of co-insurance and reinsurance business	329,924	136,620	0	0	466,544
Receivables arising out of reinsurance and co-insurance business	3,871,074	618,732	46,802	305,671	4,842,279
Short-term receivables arising out of financing	13,257	2,180	24,499	0	39,936
Other short-term receivables	419,404	6,265	3,780	0	429,449
Other receivables	432,661	8,445	28,279	0	469,385
Total	72,799,489	8,790,423	1,382,734	4,857,652	87,830,299

Movement in allowance for receivables

Sava Insurance Group

EUR 31 Dec 2019	31 Dec 2018	Additions	Collection	Write-offs	Exchange differences	31 Dec 2019
Receivables due from policyholders	-23,607,937	-1,579,062	347,426	1,827,980	-29,383	-23,040,976
Receivables due from insurance intermediaries	-1,071,991	-215,333	327,199	0	-4,814	-964,939
Other receivables arising out of primary insurance business	-129,877	-7,751	15,485	0	-373	-122,516
Receivables arising out of primary insurance business	-24,809,805	-1,802,146	690,110	1,827,980	-34,570	-24,128,431
Receivables for shares in claims	-176,979	0	0	0	-683	-177,662
Receivables arising out of reinsurance and co-insurance business	-176,979	0	0	0	-683	-177,662
Other short-term receivables arising out of insurance business	-18,906,262	-33,804	79,682	1,227,666	-13,947	-17,646,665
Receivables arising out of investments	-1,239,850	0	22,185	0	-8,935	-1,226,600
Other short-term receivables	-1,381,201	-149,449	179,077	101,628	-3,579	-1,253,524
Other receivables	-21,527,313	-183,253	280,944	1,329,294	-26,461	-20,126,789
Total	-46,514,097	-1,985,399	971,054	3,157,274	-61,714	-44,432,882

Sava Insurance Group

EUR 31 Dec 2018	31 Dec 2018	Additions	Collection	Write-offs	Exchange differences	31 Dec 2019
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	-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

Sava Re

EUR 31 Dec 2019	31 Dec 2018	Transfer	Additions	Collection	Write-offs	Exchange differences	31 Dec 2019
Receivables due from policyholders	-396,032	0	-95,412	3,659	0	-5,922	-493,707
Receivables arising out of primary insurance business	-396,032	0	-95,412	3,659	0	-5,922	-493,707
Receivables for shares in claims	-175,004	-665	0	0	0	0	-175,669
Receivables arising out of reinsurance and co-insurance business	-175,004	-665	0	0	0	0	-175,669
Receivables arising out of investments	-88	0	0	0	0	0	-88
Other short-term receivables	-414,581	0	0	15,918	68,937	0	-329,726
Other receivables	-414,669	0	0	15,918	68,937	0	-329,814
Total	-985,705	-665	-95,412	19,576	68,937	-5,922	-999,191

Sava Re

EUR 31 Dec 2018	31 Dec 2017	Additions	Collection	Write-offs	Exchange differences	31 Dec 2019
Receivables due from policyholders	-493,637	-19,709	124,890	209	-7,786	-396,032
Receivables arising out of primary insurance business	-493,637	-19,709	124,890	209	-7,786	-396,032
Receivables for shares in claims	-175,004	0	0	0	0	-175,004
Receivables arising out of reinsurance and co-insurance business	-175,004	0	0	0	0	-175,004
Receivables arising out of investments	-88	0	0	0	0	-88
Other short-term receivables	-414,581	0	0	0	0	-414,581
Other receivables	-414,669	0	0	0	0	-414,669
Total	-1,083,309	-19,709	124,890	209	-7,786	-985,705

12) Deferred acquisition costs

This item comprises commissions invoiced but relating to the next financial year, which are deferred using the straight-line method, and for Sava Re estimated future sliding scale commissions for intra-Group reinsurance. At the Group level, deferred acquisition costs increased by EUR 3.7 million, which follows the growth of the portfolio, while in Sava Re

they decreased by EUR 1.3 million despite the growth in the business volume, which is a result of lower acquisition costs outside the Group (due to a larger share of non-proportional reinsurance business) and higher expected future commissions of Group business (on account of an improvement in the expected results of that business).

Deferred acquisition costs

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Short-term deferred acquisition costs	17,850,416	13,796,927	0	0
Short-term deferred reinsurance acquisition costs	5,650,105	5,962,307	6,554,598	7,821,932
Total	23,500,521	19,759,234	6,554,598	7,821,932

13) Other assets

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Inventories	117,664	83,160	0	0
Other short-term deferred costs (expenses) and accrued revenues	2,723,852	1,981,060	441,253	379,264
Total	2,841,516	2,064,220	441,253	379,264

The other short-term deferred costs (expenses) and accrued revenues item mainly includes prepaid costs of insurance licences, and other prepayments.

14) Cash and cash equivalents

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash in hand	18,284	23,867	0	0
Cash in bank accounts	32,260,496	25,830,801	17,931,044	5,027,911
Call and overnight deposits, and deposits of up to 3 months	61,525,251	38,802,763	35,000,177	5,623,541
Total	93,804,031	64,657,431	52,931,222	10,651,452

Cash equivalents include demand deposits and deposits with an original maturity of up to three months. The increase in cash compared to year-end 2018 is associated with

the issue of Sava Re subordinated bonds and the classification of assets under this heading into predominantly short-term investment classes.

15) Non-current assets held for sale

The amount of non-current assets held for sale rose compared to the previous year to EUR 570,858 (2018: EUR 49,890).

16) Share capital

As at 31 December 2019, the controlling company’s share capital was divided into 17,219,662 shares (the same as at 31 December 2018). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company’s control and profits (dividends). Each share carries one vote in general meeting and entitles the bearer to a proportionate share of the dividend distribution.

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

As at year-end 2019, the Company’s shareholders’ register listed 4,110 shareholders (31 December 2018: 4,073 shareholders). The Company’s shares are listed in the prime market of the Ljubljana Stock Exchange.

17) Capital reserves

A contra account of capital reserves includes the difference between market and book value of acquired non-controlling interests. The balance of capital reserves remained unchanged in 2019.

As at 31 December 2019, capital reserves of the controlling company and the Group totalled EUR 54.2 million and EUR 43.0 million, respectively. The balance of capital reserves remained unchanged in 2019.

Movement in capital reserves

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
As at 1 January	43,035,948	43,035,948	54,239,757	54,239,757
As at 31 December	43,035,948	43,035,948	54,239,757	54,239,757

18) Profit reserves

EUR	Sava Insurance Group			Sava Re		
	31 Dec 2019	31 Dec 2018	Distributable/ non-distributable	31 Dec 2019	31 Dec 2018	Distributable/ non-distributable
Legal reserves and reserves provided for by the articles of association	11,863,211	11,704,009	non-distributable	14,986,525	14,986,525	non-distributable
Reserve for own shares	24,938,709	24,938,709	non-distributable	24,938,709	24,938,709	non-distributable
Catastrophe equalisation reserve	11,225,068	11,225,068	non-distributable	10,000,000	10,000,000	non-distributable
Other profit reserves	154,143,513	135,739,128	distributable	152,893,324	134,499,629	distributable
Total	202,170,501	183,606,914		202,818,558	184,424,862	

Reserves provided for by the articles of association are used:

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

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

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

In line with regulations, the management board or the supervisory board may, when adopting the annual report, allocate a part of net profit to other profit reserves, but not more than half of the net profit for the period. In 2019, 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 by the general meeting.

19) Own shares

As at 31 December 2019, the Company held a total of 1,721,966 own shares (2018: 1,721,966) with ticker POSR (accounting for 10% less one share of the issued shares) for a value of EUR 24,938,709 (2018: EUR 24,938,709).

Own shares are a contra account of equity.

20) Fair value reserve

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

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
As at 1 January	11,613,059	18,331,697	2,697,381	3,804,764
Change in fair value	11,353,956	-5,900,511	5,047,875	-1,165,440
Transfer of the negative fair value reserve to the IS due to impairment	0	-1,943,975	-1,794,321	0
Transfer from fair value reserve to the IS due to disposal	-479,329	-577,887	-142,264	-201,700
Deferred tax	-1,769,074	1,703,734	-591,146	259,758
Total fair value reserve	20,718,610	11,613,059	5,217,524	2,697,381

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

21) Net profit or loss and retained earnings

The net profit attributable to owners of the controlling company relating to the 2019 financial year totalled EUR 50.0 million (2018: EUR 42.8 million).

The Company’s net profit for the year 2019 totalled EUR 36.8 million (2018: EUR 41.9

million). The management and supervisory boards have already allocated part of the net profit of EUR 18.4 million to other profit reserves. The remaining part of the net result of EUR 18.4 million is recognised as net profit for the financial year in the statement of financial position.

Net earnings/loss per share

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net profit or loss for the period	50,194,588	43,011,849	36,787,392	41,867,497
Net profit or loss attributable to owners of the controlling company	49,977,170	42,790,617	0	0
Weighted average number of shares outstanding	15,497,696	15,497,696	15,497,696	15,497,696
Net earnings/loss per share	3.22	2.76	2.37	2.70

Comprehensive income per share

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Comprehensive income for the period	59,589,363	36,448,443	39,288,140	40,787,362
Comprehensive income for the owners of the controlling company	59,370,526	36,225,581	0	0
Weighted average number of shares outstanding	15,497,696	15,497,696	15,497,696	15,497,696
Comprehensive income per share	3.83	2.34	2.54	2.63

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 2018. 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 2019 increased by EUR 7.0 million from 31 December 2018. Retained earnings were strengthened by the transferred net profit for the previous year of EUR 21.8 million, but reduced by EUR 14.7 million for dividend payments and EUR 0.1 million allocated to legal reserves.

In line with the general meeting resolution dated 21 May 2019, the Company allocated EUR 14,722,811 to dividend distributions.

Statement of distributable profit/loss

Sava Re		
EUR	2019	2018
Net profit or loss for the period	38,581,712.57	41,867,496.52
- profit or loss for the year under applicable standards	38,581,712.57	41,867,496.52
Retained earnings or losses	14,517,789.06	8,306,852.00
Additions to other reserves as per resolution of the management and supervisory boards	18,393,695.57	20,933,748.26
Distributable profit to be allocated by the general meeting	34,705,806.06	29,240,600.26
- to shareholders	-	14,722,811.20
- to be carried forward to the next year	-	14,517,789.06

22) Non-controlling interests in equity

Non-controlling interests in equity

Sava Insurance Group		
EUR	31 Dec 2019	31 Dec 2018
Sava Osiguruvanje (North Macedonia)	358,287	327,694
Sava Station	7,051	23,711
TBS Team 24	137,958	198,212
Total	503,296	549,617

23) Subordinated liabilities

In October 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039, ISIN code XS2063427574 and with an early recall option for 7 November 2029.

The total issue size is EUR 75 million. Until the early recall option of the bond, the annual interest rate is fixed at 3.75% and the coupon is payable annually. If the issuer does not exercise the early recall option, the annual interest rate after the date of the early recall will be 4.683% over the three-month Euribor, with coupons payable quarterly.

The bond is admitted to trading on the regulated market of the Luxembourg Stock Exchange. As at 31 December 2019, the market price of the bond was 98.462% (market value EUR 73,846,500).

The effective interest rate on the bond issued (calculated from the early recall option) is 3.86%.

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

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

Sava Insurance Group

EUR	31 Dec 2018	Additions	Uses and releases	Additions - acquisition of subsidiary	Exchange differences	31 Dec 2019
Gross unearned premiums	184,101,835	173,802,370	-154,541,465	4,512,575	20,082	207,895,397
Technical provisions for life insurance business	254,849,366	24,712,092	-73,030,340	6,301,254	-231,195	211,877,103
Gross provision for outstanding claims	470,057,561	240,940,407	-216,514,485	6,207,166	2,223,628	502,914,277
Gross provision for bonuses, rebates and cancellations	1,477,666	752,777	-1,020,072	25,289	-907.3	1,234,752
Other gross technical provisions	10,005,059	8,787,080	-8,828,110	63,633	3,518	10,031,180
Total	920,491,487	448,994,726	-453,934,472	17,109,917	2,015,125	933,952,709
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	210,032,637	48,053,729	-38,796,974	1,382,119	-57,813	220,613,698

Sava Insurance Group

EUR	31 Dec 2017	Additions	Uses and releases	Additions – acquisition of subsidiary	Exchange differences	31 Dec 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

Sava Re

EUR	31 Dec 2018	Additions	Uses and releases	Exchange differences	31 Dec 2019
Gross unearned premiums	47,147,505	52,441,976	-45,165,532	164,108	54,588,057
Gross provision for outstanding claims	185,988,628	86,904,882	-69,615,605	1,786,733	205,064,638
Gross provision for bonuses, rebates and cancellations	398,673	269,941	-398,672	0	269,942
Other gross technical provisions	638,272	1,415,955	-638,273	0	1,415,954
Total	234,173,078	141,032,755	-115,818,082	1,950,841	261,338,591

Sava Re

EUR	31 Dec 2017	Additions	Uses and releases	Exchange differences	31 Dec 2018
Gross unearned premiums	47,602,457	43,937,662	-44,466,232	73,618	47,147,505
Gross provision for outstanding claims	184,269,492	68,966,613	-66,986,678	-260,799	185,988,628
Gross provision for bonuses, rebates and cancellations	397,861	398,672	-397,861	0	398,673
Other gross technical provisions	369,352	638,273	-369,353	0	638,272
Total	232,639,163	113,941,220	-112,220,124	-187,180	234,173,078

The Group's gross technical provisions increased by 1.7% in 2019, with unearned premiums and claims provisions increased and mathematical provisions decreased.

- Unearned premiums grew by 12.9%, which stems from the growth in non-life gross premiums written.
- Mathematical provisions decreased by 16.1%, 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 2019 (as reflected in the

amount of maturity benefit payments made on policies), resulting in lower mathematical provisions of the Slovenian portfolio. Consolidated mathematical provisions, by contrast, increased due to the acquisition of the new company as well as owing to the growing volume of pension business of Sava Pokojninska Družba.

- Claims provisions increased by 7.0% on account of major losses in the reinsurance segment, the growth in portfolios and the acquisition of a new company. The composition of gross and net provisions for outstanding claims is shown in the following table.

- The provision for bonuses, rebates and cancellations is a small part of technical provisions; it reduced in Slovenian non-life insurance.
- The provision for unexpired risks (shown under the other gross technical provisions item) increased by 0.3%, which due to the expected improvement in the profitability of the Slovenian non-life insurance portfolio lags behind the growth in unearned premiums, constituting the basis for calculating these provisions.

The provision for the benefit of life insurance policyholders who bear the investment risk increased by 5.0%, by which the increase due to the growth of the new and acquired

portfolio and the value of assets exceeded maturity payments and purchases.

Sava Re's gross technical provisions increased by 11.6 % year on year. Unearned premiums grew by 15.8%, mainly on account of high growth of the Group business. Claims provisions increased by 10.3% owing to major loss events (typhoons in Japan) and the growth in portfolios in recent years. Due to the deterioration of results in recent years, especially in ship hull business, provisions for unexpired risks have increased in the reinsurance portfolio.

Composition of the provision for outstanding claims

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Net provision for claims incurred but not reported (IBNR)	232,517,209	251,725,942	52,433,572	59,276,486
Gross provision for outstanding claims	233,024,849	252,229,234	52,433,572	59,276,486
Reinsurers' share	-507,640	-503,292	0	0
Net provision for claims reported but not settled (RBNS)	224,703,049	178,188,816	129,957,316	109,011,761
Gross provision for outstanding claims	251,591,693	198,802,566	152,826,894	126,878,492
Reinsurers' share	-26,888,644	-20,613,750	-22,869,578	-17,866,732
Net provision for expected subrogation recoveries	-2,769,841	-3,003,302	-195,828	-166,350
Gross provision for outstanding claims	-2,769,841	-3,003,302	-195,828	-166,350
Reinsurers' share	0	0	0	0
Net provision for loss adjustment expenses	20,144,855	21,364,897	0	0
Gross provision for outstanding claims	20,144,855	21,364,897	0	0
Net provision for accepted co-insurance business	403,863	284,804	0	0
Gross provision for outstanding claims	922,721	664,166	0	0
Reinsurers' share	-518,858	-379,362	0	0
Total gross provision for outstanding claims	502,914,277	470,057,561	205,064,638	185,988,629
Total reinsurers' share	-27,915,142	-21,496,404	-22,869,578	-17,866,732
Net provision for outstanding claims	474,999,135	448,561,157	182,195,060	168,121,897

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

EUR 31 Dec 2019	Primary insurance	Reinsurance business
Personal accident	148,661	0
Health	82,839	0
Land vehicles casco	2,397,244	0
Railway rolling stock	0	13,804
Aircraft hull	19,016	20,239
Ships hull	14,035	1,331,781
Goods in transit	0	0
Fire and natural forces	3,398,245	0
Other damage to property	582,588	0
Motor liability	1,590,912	0
Aircraft liability	29,512	0
Liability for ships	0	0
General liability	69,951	0
Credit	0	0
Suretyship	0	50,130
Miscellaneous financial loss	21,196	0
Legal expenses	6,054	0
Assistance	254,970	0
Life	0	0
Unit-linked life	0	0
Total	8,615,222	1,415,955

EUR 31 Dec 2018	Primary insurance	Reinsurance business
Personal accident	172,388	0
Health	132,839	93
Land vehicles casco	2,992,501	0
Railway rolling stock	0	18,471
Aircraft hull	0	4,125
Ships hull	24,856	565,258
Goods in transit	31,988	0
Fire and natural forces	4,580,945	0
Other damage to property	433,100	0
Motor liability	697,615	0
Aircraft liability	0	0
Liability for ships	196	0
General liability	187,765	0
Credit	0	0
Suretyship	0	50,325
Miscellaneous financial loss	49,550	0
Legal expenses	0	0
Assistance	63,040	0
Life	0	0
Unit-linked life	0	0
Total	9,366,784	638,273

25) Other provisions

Among other provisions, the Group mainly discloses provisions for long-term employee benefits, which were set at year-end 2019 at EUR 7.5 million at the Group level, of which EUR 0.5 million at Sava Re (2018: EUR 7.0

million at the Group level and EUR 0.4 million at Sava Re level) as described in section 17.4.27 “Other provisions”. The increase due to current service cost, the change in past entitlements, and the acquisition of a new

company more than offset the decrease due to outflows and changes in assumptions. In accordance with the method prescribed in IAS 19, we, therefore, give a separate presentation of changes in provisions for sev-

erance 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	Sava Insurance Group			Sava Re		
	Provision for severance pay upon retirement	Provision for jubilee benefits	Total	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 1 Jan 2019	4,266,321	2,715,920	6,982,241	319,065	57,456	376,521
Interest expense (IS)	39,464	24,491	63,955	-1,116	-397	-1,514
Current service cost (IS)	367,548	272,626	640,174	42,635	17,685	60,320
Past service cost (IS)	0	58,691	58,691	0	58,691	58,691
Payout of benefits (-)	-67,330	-239,449	-306,779	-32,293	-6,326	-38,618
Actuarial losses (IS)	12,479	-35,160	-22,681	0	-7,895	-7,895
Actuarial losses (SFP)	-96,521	0	-96,521	19,396	0	19,396
Additions – acquisition of subsidiary	141,972	21,869	163,841	0	0	0
Exchange differences	867	259	1,126	0	0	0
Balance as at 31 Dec 2019	4,664,800	2,819,247	7,484,047	347,687	119,214	466,901

EUR	Sava Insurance Group			Sava Re		
	Provision for severance pay upon retirement	Provision for jubilee benefits	Total	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 1 Jan 2018	4,164,948	2,782,483	6,947,431	293,921	56,958	350,880
Interest expense (IS)	55,447	37,343	92,790	-1,119	-238	-1,357
Current service cost (IS)	302,682	201,762	504,444	37,265	7,925	45,190
Past service cost (IS)	-42,140	-55,161	-97,301	18,777	4,800	23,577
Payout of benefits (-)	-30,816	-194,467	-225,283	0	-9,197	-9,197
Actuarial losses (IS)	0	-38,144	-38,144	0	-2,793	-2,793
Actuarial losses (SFP)	-190,794	-35,850	-226,644	-29,780	0	-29,780
Additions – acquisition of subsidiary	7,021	18,231	25,252			
Exchange differences	-27	-277	-304	0	0	0
Balance as at 31 Dec 2018	4,266,321	2,715,920	6,982,241	319,065	57,456	376,521

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

Sava Insurance Group

Impact on the level of provisions (EUR)	Provision for severance pay upon retirement		Provision for jubilee benefits	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Decrease in discount rate of 1%	666,891	576,233	316,525	289,466
Increase in discount rate of 1%	-554,503	-478,993	-271,099	-247,649
Decrease in real salary growth of 0.5%	-282,802	-256,793	-126,952	-119,091
Increase in real salary growth of 0.5%	306,253	278,512	135,442	127,221
Decrease in staff turnover of 10%	156,785	134,392	79,408	71,880
Increase in staff turnover of 10 %	-148,872	-127,432	-75,968	-68,621
Decrease in mortality rate of 10%	34,490	29,429	12,502	11,553
Increase in mortality rate of 10%	-34,142	-28,851	-12,403	-11,300

Sava Re

Impact on the level of provisions (EUR)	Provision for severance pay upon retirement		Provision for jubilee benefits	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Decrease in discount rate of 1%	47,867	39,805	10,938	4,929
Increase in discount rate of 1%	-39,811	-33,208	-9,532	-4,309
Decrease in real salary growth of 0.5%	-21,674	-18,085	0	0
Increase in real salary growth of 0.5%	23,613	19,762	0	0
Decrease in staff turnover of 10%	12,967	10,203	3,209	1,418
Increase in staff turnover of 10 %	-12,351	-9,749	-3,093	-1,369
Decrease in mortality rate of 10%	2,830	2,562	302	138
Increase in mortality rate of 10%	-2,799	-2,534	-300	-138

In addition to provisions for employees, other provisions include remaining provisions of EUR 1.2 million (2018: 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.

Sava Insurance Group

EUR	31 Dec 2018	Additions	Uses and releases	Additions – acquisition of subsidiary	Exchange differences	31 Dec 2019
Other provisions	748,006	633,812	-181,061	20,576	89	1,221,422
Total	748,006	633,812	-181,061	20,576	89	1,221,422

Sava Insurance Group

EUR	31 Dec 2017	Additions	Uses and releases	Exchange differences	31 Dec 2018
Other provisions	653,182	174,342	-79,539	21	748,006
Total	653,182	174,342	-79,539	21	748,006

Liabilities from operating activities in the Group increased compared to year-end 2018, mainly due to an increase in liabilities for reinsurance premiums and liabilities to insurance intermediaries.

Liabilities of the Company increased by EUR 1.9 million, mainly due to the growth in liabilities from reinsurance contracts. The Company does not have liabilities arising out of co-insurance. The other liabilities due from co-insurance and reinsurance item comprises liabilities for reinsurance commission.

The Group’s current tax liabilities dropped by EUR 2.6 million year on year. This is because the advance payments of tax made by Group companies during 2018 were lower than actually assessed corporate income tax for 2018.

In 2019, most liabilities were due within one year.

26) Liabilities from operating activities

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Liabilities to policyholders	16,711,456	15,647,149	23,367,809	23,598,949
Liabilities to insurance intermediaries	5,141,808	2,774,299	0	0
Other liabilities from primary insurance business	28,503,734	25,857,066	21,006,128	20,440,180
Liabilities from primary insurance business	50,356,998	44,278,514	44,373,937	44,039,129
Liabilities for reinsurance premiums	9,138,599	4,430,348	6,712,665	3,149,282
Liabilities for shares in reinsurance claims	153,892	157,718	0	112
Other liabilities due from co-insurance and reinsurance	7,946	1,587,966	0	0
Liabilities from reinsurance and co-insurance business	9,300,437	6,176,032	6,712,665	3,149,394
Current income tax liabilities	1,633,114	4,282,055	0	1,997,157
Total	61,290,549	54,736,601	51,086,602	49,185,680

Sava Insurance Group

EUR 2019	Maturity		
	From 1 to 5 years	Up to 1 year	Total
Liabilities to policyholders	0	16,711,456	16,711,456
Liabilities to insurance intermediaries	3,087	5,138,721	5,141,808
Other liabilities from primary insurance business	5,009	28,498,725	28,503,734
Liabilities from primary insurance business	8,096	50,348,902	50,356,998
Liabilities for reinsurance and co-insurance premiums	2,497	9,136,102	9,138,599
Liabilities for shares in reinsurance claims	0	153,892	153,892
Other liabilities from co-insurance and reinsurance business	0	7,946	7,946
Liabilities from reinsurance and co-insurance business	2,497	9,297,940	9,300,437
Current income tax liabilities	0	1,633,114	1,633,114
Total	10,593	61,279,956	61,290,549

Sava Re

EUR 2019	Maturity	
	Up to 1 year	Total
Liabilities to policyholders	23,367,809	23,367,809
Other liabilities from primary insurance business	21,006,128	21,006,128
Liabilities from primary insurance business	44,373,937	44,373,937
Liabilities for reinsurance and co-insurance premiums	6,712,665	6,712,665
Liabilities from reinsurance and co-insurance business	6,712,665	6,712,665
Total	51,086,602	51,086,602

Sava Insurance Group

EUR 2018	Maturity		
	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

Sava Re

EUR 2018	Maturity	
	Up to 1 year	Total
Liabilities to policyholders	23,598,949	23,598,949
Other liabilities from primary insurance business	20,440,180	20,440,180
Liabilities from primary insurance business	44,039,129	44,039,129
Liabilities for reinsurance and co-insurance premiums	3,149,282	3,149,282
Liabilities for shares in reinsurance claims	112	112
Liabilities from reinsurance and co-insurance business	3,149,394	3,149,394
Current income tax liabilities	1,997,157	1,997,157
Total	49,185,680	49,185,680

27) Lease liabilities

Lease liabilities were first recognised on 1 January 2019 and relate to the present value of future leases, increased by interest and decreased by rent paid.

EUR	Sava Insurance Group		Sava Re	
	1 Jan 2019	31 Dec 2019	1 Jan 2019	31 Dec 2019
Lease liability – maturity up to 1 year	2,402,110	2,613,830	65,627	71,583
Lease liability – maturity over 1 year	7,044,088	7,835,085	98,229	43,908
Total	9,446,198	10,448,915	163,855	115,491

Movement in short- and long-term lease liabilities

EUR	Sava Insurance Group		Sava Re	
	Short-term	Long-term	Short-term	Long-term
1 Jan 2019	2,402,110	7,044,088	65,627	98,229
New leases	0	2,562,347	0	17,229
Repayments	0	-1,731,215	0	-65,744
Interest attribution	0	171,585	0	151
Transfer to short-term liabilities	211,721	-211,721	5,956	-5,956
31 Dec 2019	2,613,830	7,835,085	1,583	43,908

The amounts recognised in the income statement related to leases are shown in the table below.

EUR	Sava Insurance Group	Sava Re
	2019	2019
Interest on lease liabilities	171,223	410
Costs associated with short-term leases	588,327	11,726
Costs associated with low value leases	1,660	-
Total	761,210	12,136

Cash flow from operating leases is shown in the table.

EUR	Sava Insurance Group	Sava Re
	2019	2019
Cash flow from leases	1,731,215	64,760

28) Other liabilities

Other liabilities by maturity

Sava Insurance Group		
EUR 2019	Maturity	
	Up to 1 year	Total
Other liabilities	17,488,174	17,488,174
Short-term provisions (deferred income and accrued expenses)	17,162,716	17,162,716
Total	34,650,890	34,650,890

Sava Insurance Group		
EUR 2018	Maturity	
	Up to 1 year	Total
Other liabilities	14,334,129	14,334,129
Short-term provisions (deferred income and accrued expenses)	19,232,869	19,232,869
Total	33,566,998	33,566,998

Sava Re		
EUR 2019	Maturity	
	Up to 1 year	Total
Other liabilities	1,679,658	1,679,658
Short-term provisions (deferred income and accrued expenses)	1,991,187	1,991,187
Total	3,670,845	3,670,845

Sava Re		
EUR 2018	Maturity	
	Up to 1 year	Total
Other liabilities	1,365,479	1,365,479
Short-term provisions (deferred income and accrued expenses)	1,787,432	1,787,432
Total	3,152,911	3,152,911

Other liabilities and short-term provisions (deferred income and accrued expenses are unsecured). All liabilities were due within one year.

Other liabilities

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Short-term liabilities due to employees	3,274,790	2,805,998	518,737	478,216
Diverse other short-term liabilities for insurance business	5,592,378	3,853,572	0	0
Short-term trade liabilities	4,942,406	4,474,289	767,187	571,428
Diverse other short-term liabilities	3,639,790	3,161,322	393,734	315,835
Other long-term liabilities	38,810	38,948	0	0
Total	17,488,174	14,334,129	1,679,658	1,365,479

Change in short-term provisions

Sava Insurance Group

EUR	31 Dec 2018	Additions	Uses	Releases	Additions – acquisition of subsidiary	Exchange differences	31 Dec 2019
Short-term accrued expenses	6,877,041	14,155,346	-15,382,751	-5,505	427,715	-336	6,071,510
Deferred commissions	12,355,828	29,622,557	-31,106,432	-2,687	208,857	13,083	11,091,206
Total	19,232,869	43,777,903	-46,489,183	-8,192	636,572	12,747	17,162,716

Sava Insurance Group

EUR	31 Dec 2017	Additions	Uses	Releases	Additions – acquisition of subsidiary	Exchange differences	31 Dec 2018
Short-term accrued expenses	3,342,673	12,723,728	-9,191,952	-11	2,607	-4	6,877,041
Deferred commissions	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

Sava Re

EUR	31 Dec 2018	Additions	Uses	31 Dec 2019
Short-term accrued expenses	1,600,638	2,835,698	-2,662,440	1,773,897
Deferred commissions	186,793	217,290	-186,793	217,290
Total	1,787,431	3,052,988	-2,849,233	1,991,186

Sava Re

EUR	31 Dec 2017	Additions	Uses	31 Dec 2018
Short-term accrued expenses	852,118	3,511,394	-2,762,873	1,600,638
Deferred commissions	186,031	186,793	-186,031	186,793
Total	1,038,149	3,698,187	-2,948,904	1,787,431

29) Fair values of assets and liabilities

Determination of fair values

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on CBBT prices in an active market.	Debt securities measured based on CBBT prices in an inactive market.	Debt securities measured using an internal model that does not consider level 2 inputs. The internal model applies the expected present value method, where bond prices are calculated based on the expected bond yield.
		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.	
Stock Exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market.	Debt securities measured using an internal model that does not consider level 2 inputs.
		Debt securities measured at the BVAL price when the stock exchange price is unavailable.	
		Debt securities are measured using an internal model based on level 2 inputs.	
Shares			
Stock Exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market.	Shares are measured using an internal model that does not consider level 2 inputs.
		Shares without available stock exchange prices and that are measured using an internal model based on level 2 inputs.	
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
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

Sava Insurance Group

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

Sava Insurance Group

EUR 31 Dec 2018	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	897,433,086	384,534,831	489,981,609	22,916,646	897,433,086	0
At FVTPL	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

Sava Re

EUR 31 Dec 2019	Carrying amount	Fair value			Total fair value	Difference between FV and CA
		Level 1	Level 2	Level 3		
Investments measured at fair value	261,972,841	201,891,911	48,574,959	11,505,970	260,972,841	0
At FVTPL	6,702,761	0	5,106,578	1,596,183	6,702,761	0
Designated to this category	6,702,761	0	5,106,578	1,596,183	6,702,761	0
Debt instruments	6,181,357	0	4,585,175	1,596,183	6,181,357	0
Equity instruments	521,404	0	521,404	0	521,404	0
Available-for-sale	255,270,080	201,891,911	43,468,381	9,909,788	254,270,080	0
Debt instruments	236,445,164	200,187,776	36,038,041	219,346	236,445,164	0
Equity instruments	10,873,608	1,704,135	7,430,340	1,739,134	10,873,608	0
Investments in infrastructure funds	6,951,308	0	0	6,951,308	6,951,308	0
Investments in property funds	1,000,000	0	0	1,000,000	1,000,000	0
Investments not measured at fair value	34,123,753	2,728,792	0	32,047,969	34,776,761	653,008
Held-to-maturity assets	2,075,784	2,728,792	0	0	2,728,792	653,008
Debt instruments	2,075,784	2,728,792	0	0	2,728,792	653,008
Loans and deposits	32,047,969	0	0	32,047,969	32,047,969	0
Deposits	20,742,640	0	0	20,742,640	20,742,640	0
Loans granted	4,216,308	0	0	4,216,308	4,216,308	0
Deposits with cedants	7,089,021	0	0	7,089,021	7,089,021	0
Total investments	296,096,594	204,620,703	48,574,959	43,553,939	295,749,601	653,008

Sava Re

EUR 31 Dec 2018	Carrying amount	Fair value			Total fair value	Difference between FV and CA
		Level 1	Level 2	Level 3		
Investments measured at fair value	232,108,511	108,231,449	118,603,834	5,273,227	232,108,513	0
At FVTPL	3,956,895	1,955,698	411,709	1,589,488	3,956,895	0
Designated to this category	3,956,895	1,955,698	411,709	1,589,488	3,956,895	0
Debt instruments	3,517,591	1,928,103	0	1,589,488	3,517,591	0
Equity instruments	439,304	27,595	411,709	0	439,304	0
Available-for-sale	228,151,616	106,275,751	118,192,125	3,683,739	228,151,616	0
Debt instruments	214,906,431	103,200,419	111,618,064	87,948	214,906,431	0
Equity instruments	11,384,576	3,075,332	6,574,061	1,735,183	11,384,576	0
	1,860,608	0	0	1,860,608	1,860,608	0
Investments for the benefit of policyholders who bear the investment risk					0	0
Investments not measured at fair value	12,182,923	0	3,621,553	9,365,383	12,986,936	804,013
Held-to-maturity assets	2,075,425	0	2,729,023	0	2,729,023	653,598
Debt instruments	2,075,425	0	2,729,023	0	2,729,023	653,598
Loans and deposits	10,107,498	0	892,530	9,365,383	10,257,912	150,415
Deposits	742,115	0	892,530	0	892,530	150,415
Loans granted	3,090,072	0	0	3,090,072	3,090,072	0
Deposits with cedants	6,275,310	0	0	6,275,310	6,275,310	0
Total investments	244,291,434	108,231,449	122,225,387	14,638,609	245,095,447	804,013

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

Sava Insurance Group

EUR	Debt instruments		Equity instruments		Investments in property funds	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Opening balance	15,250,825	10,560,689	2,401,281	4,245,105	5,264,540	0
Additions	3,949,569	3,842,167	11,578	0	17,513,526	5,976,467
Impairment	0	0	0	-1,943,974	0	0
Disposals	-739,638	0	-163,700	0	-2,164,017	-1,048,541
Maturity	-377,000	-769,922	0	0	0	0
Revaluation to fair value	829,241	-59,545	3,951	0	-455,028	336,614
Reclassification into levels	0	1,677,436	0	100,150	0	0
Closing balance	18,912,998	15,250,825	2,253,110	2,401,281	20,159,022	5,264,540
Income	586,904	375,567	134,948	399,170	532,267	92,007
Expenses	0	0	0	1,943,974	39,190	0
Unrealised and realised gains/losses	6,626	-68,621	0	0	18,159	0

Sava Re

EUR	Debt instruments		Equity instruments		Investments in infrastructure funds		Investments in property funds	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Opening balance	1,677,436	0	1,735,183	3,579,007	1,860,608	0	0	0
Additions	0	0	0	0	5,985,456	2,054,931	1,001,949	0
Impairment	0	0	0	-1,943,974		0	0	0
Disposals	0	0	0	0	-650,386	-299,663	0	0
Revaluation to fair value	138,093	0	3,951	0	-244,371	105,340	-1,949	0
Reclassification into levels	0	1,677,436	0	100,150		0	0	0
Closing balance	1,815,529	1,677,436	1,739,134	1,735,183	6,951,308	1,860,608	1,000,000	0
Income		30,050		100,701		29,116		0
Expenses		0		1,943,974		0		0

Reclassification of assets and financial liabilities between levels

Sava Insurance Group

EUR 31 Dec 2019	Level 1	Level 2
At FVTPL	833,853	-833,853
Designated to this category	833,853	-833,853
Debt instruments	833,853	-833,853
Available for sale	349,627,073	-349,627,073
Debt instruments	349,627,073	-349,627,073
Total financial investments	350,460,926	-350,460,926

Sava Insurance Group

EUR 31 Dec 2018	Level 1	Level 2	Level 3
At FVTPL	-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

Sava Re

EUR 31 Dec 2019	Level 1	Level 2
Available for sale	66,420,063	-66,420,063
Debt instruments	66,420,063	-66,420,063
Total financial investments	66,420,063	-66,420,063

Sava Re

EUR 31 Dec 2018	Level 1	Level 2	Level 3
At FVTPL	0	-1,643,558	1,643,558
Designated to this category	0	-1,643,558	1,643,558
Debt instruments	0	-1,643,558	1,643,558
Available-for-sale	-54,620,465	54,432,367	188,098
Debt instruments	-54,620,465	54,532,517	87,948
Equity instruments	0	-100,150	100,150
Total financial investments	-54,620,465	52,788,809	1,831,656

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

As at 31 December 2019, level 1 investments represented 78.3% (31 December 2018: 42.8%) 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.

In the second quarter of 2019, the Group changed its approach to recognising fair values of deposits. It believes that the carrying amount of deposits is a sufficient approximation of fair value because these mainly comprise short-term investments. The changed approach to recognising fair values of deposits has resulted in the reclassification from level 2 into level 3.

In 2019, the proportion of OTC assets measured based on closing BID CBBT prices increased compared to year-end 2018. As at 31 December 2019, level 1 investments represented 77.1% (31 December 2018: 46.6%) of financial investments measured at fair value.

Quoted financial instruments that did not meet the active market criterion as at 31 December 2019, were valued based on an internal model. The valuation model applied used directly and indirectly observable market inputs such as: the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

The Company changed its approach to recognising fair values of deposits. It believes that the carrying amount of deposits is a sufficient approximation of fair value because these mainly comprise short-term investments. The changed approach to recognising fair values of deposits has resulted in the reclassification from level 2 into level 3. Valuation methods for the above-mentioned items are described at the beginning of these notes under accounting policies. For investment property, the method is set out in section 17.4.12 “Investment property”, for financial investments in subsidiaries and associates in section 17.4.13 “Financial investments in subsidiaries and associates”, and for financial investments in section 17.4.14 “Financial investments and assets held for the benefit of policyholders who bear the investment risk”.

17.8 Notes to the financial statements – income statement

30) Net premiums earned

Net earned premiums

Sava Insurance Group

EUR 2019	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	30,213,220	1,232	-50,678	-234,300	1,035	29,930,509
Health	7,075,656	3,994	-793,884	23,252	-21,111	6,287,907
Land vehicles casco	120,746,227	-114	-1,905,778	-5,807,680	173,986	113,206,641
Railway rolling stock	371,340	0	-579	-45,525	-207	325,029
Aircraft hull	396,185	0	-197,901	11,516	494	210,294
Ships hull	4,278,014	2,787,509	-2,329,709	-1,876,583	1,759,186	4,618,417
Goods in transit	3,953,798	621,896	-311,775	8,357	48,975	4,321,251
Fire and natural forces	99,339,337	832,288	-15,789,901	-1,871,546	244,336	82,754,514
Other damage to property	46,340,198	350,142	-5,600,725	-1,037,842	57,669	40,109,442
Motor liability	137,475,671	-3,770	-4,441,145	-8,637,436	2,693,069	127,086,389
Aircraft liability	261,775	0	-214,625	2,790	1,085	51,025
Liability for ships	487,444	0	-29,154	52,726	8,183	519,199
General liability	25,563,216	381,652	-2,425,223	-1,353,408	-39,261	22,126,976
Credit	965,188	0	0	2,581,041	0	3,546,229
Suretyship	341,304	0	-6,348	77,631	-461	412,126
Miscellaneous financial loss	6,464,519	42,809	-918,110	-136,348	17,151	5,470,021
Legal expenses	1,046,530	7,304	-604,438	3,007	3,343	455,746
Assistance	17,889,796	-22	-80,030	-1,104,822	-30,684	16,674,238
Life	45,167,139	-425	-306,759	72,176	10,328	44,942,459
Unit-linked life	45,124,901	204	-139,845	6,412	-49	44,991,623
Total non-life	503,209,418	5,024,920	-35,700,003	-19,345,170	4,916,788	458,105,953
Total life	90,292,040	-221	-446,604	78,588	10,279	89,934,082
Total	593,501,458	5,024,699	-36,146,607	-19,266,582	4,927,067	548,040,035

Sava Insurance Group

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

Sava Re					
EUR 2019	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	5,178,615	-36,585	62,185	1,289	5,205,504
Health	18,977	0	406	0	19,382
Land vehicles casco	19,087,569	-830,008	-508,909	1,318	17,749,970
Railway rolling stock	298,463	-579	-28,799	-207	268,878
Aircraft hull	97,822	-4,252	13,951	-45	107,476
Ships hull	6,402,080	-2,326,847	-1,576,699	1,759,186	4,257,720
Goods in transit	2,871,595	-193,583	13,483	7,667	2,699,163
Fire and natural forces	73,870,193	-13,327,174	-1,299,862	196,906	59,440,062
Other damage to property	22,684,648	-3,636,257	-144,611	675	18,904,455
Motor liability	20,330,396	-3,880,640	-3,975,770	2,758,082	15,232,068
Aircraft liability	79,849	-49,115	2,513	727	33,973
Liability for ships	289,633	-29,154	42,326	8,183	310,988
General liability	9,397,608	-1,061,772	-426,863	-37,050	7,871,923
Credit	279,808	0	471,030	0	750,838
Suretyship	184,661	0	-22,299	0	162,362
Miscellaneous financial loss	4,564,999	-633,623	-44,158	12,139	3,899,357
Legal expenses	9,270	0	-1,084	0	8,187
Assistance	10,617	0	0	0	10,617
Life	738,367	-278,287	-16,687	10,354	453,746
Unit-linked life	133,761	-73,431	-706	17	59,642
Total non-life	165,656,803	-26,009,590	-7,423,159	4,708,871	136,932,925
Total life	872,128	-351,718	-17,392	10,371	513,388
Total	166,528,931	-26,361,308	-7,440,552	4,719,241	137,446,312

Sava Re

EUR 2018	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
Personal accident	5,129,020	-41,007	-65,156	-2,837	5,020,019
Health	140,611	0	4,945	0	145,556
Land vehicles casco	18,630,923	-745,814	159,869	-2,001	18,042,977
Railway rolling stock	122,506	-2,244	13,012	156	133,430
Aircraft hull	786,247	-5,594	-62,226	-516	717,912
Ships hull	5,666,010	-387,575	-258,038	28,242	5,048,639
Goods in transit	5,296,882	-233,817	-40,219	-5,419	5,017,426
Fire and natural forces	69,954,809	-11,625,323	800,787	307,753	59,438,026
Other damage to property	19,963,622	-3,304,643	414,345	-142,082	16,931,240
Motor liability	14,868,527	-486,347	-642,927	0	13,739,254
Aircraft liability	148,068	-46,782	-12,278	5,766	94,774
Liability for ships	747,076	-15,846	-21,614	7,023	716,638
General liability	7,859,330	-586,121	-160,708	-130,108	6,982,393
Credit	925,198	0	11,095	0	936,293
Suretyship	36,241	0	-27,252	0	8,989
Miscellaneous financial loss	645,442	-571,507	348,710	-8,698	413,947
Legal expenses	-71	0	1,906	0	1,835
Assistance	17,888	0	0	0	17,888
Life	513,723	-261,563	-118,472	-475	133,213
Unit-linked life	184,166	-93,610	109,173	0	199,729
Total non-life	150,938,327	-18,052,620	464,251	57,278	133,407,236
Total life	697,889	-355,173	-9,299	-475	332,942
Total	151,636,216	-18,407,793	454,952	56,803	133,740,178

The Group’s net premiums earned increased by EUR 44.1 million, mainly due to higher gross premiums written by non-life insurers (primarily growth in FOS business written by the non-life insurer in Slovenia in cooperation with various companies within the EU Member States. This chiefly includes motor and general liability policies). As a consequence, premiums ceded to reinsurers and co-insurers, and the change in unearned premiums were also higher.

Sava Re’s net premiums earned increased by EUR 3.7 million. Gross premiums written increased by EUR 14.9 million (mainly due to higher premiums received from Zavarovalnica Sava). Gross premiums written abroad increased by EUR 1.9 million due to the growth in non-proportional business outside the Group. The balance of net unearned premiums increased compared to year-end 2018 as the result of growth in gross premiums written.

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

In 2019, the Company received dividends from its subsidiaries amounting to EUR 36.9 million (2018: EUR 33.6 million). In 2019, the Company incurred no expenses relating to its investments in subsidiaries (2018: EUR 4.0 million).

In the first consolidation of Sava Infond in 2019, the Group revalued the equity interest of Zavarovalnica Sava in the investee, in the amount of EUR 2.7 million.

32) Investment income and expenses

Investment income by IFRS categories

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Investment income	24,620,399	26,802,161	11,046,677	10,953,196
- of which exchange gains	5,686,491	6,416,544	5,383,830	6,112,531
- netting of exchange differences	-4,346,422	-6,416,544	-3,970,869	-6,112,531
Investment income after netting	20,273,977	20,385,617	7,075,808	4,840,665
Investment expenses	6,104,724	9,604,451	4,863,066	8,496,351
- of which exchange losses	4,346,422	6,570,768	3,970,869	6,209,052
- netting of exchange differences	-4,346,422	-6,416,544	-3,970,869	-6,112,531
Investment expenses after netting	1,758,302	3,187,907	892,197	2,383,820

EUR	Sava Insurance Group	
	2019	2018
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	32,947,853	16,867,324
- netting of unrealised and realised gains and losses	-9,669,269	-16,867,324
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk after netting	23,278,584	0
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	9,669,269	23,498,245
- netting of unrealised and realised gains and losses	-9,669,269	-16,867,324
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk after netting	0	6,630,921

Sava Insurance Group

2019 EUR	Interest income	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	Income from associate companies
Held to maturity	2,238,414	0	43,327	0	16,761	0	2,298,502	221,012	0
Debt instruments	2,238,414	0	43,327	0	16,761	0	2,298,502	221,012	0
At FVTPL	565,746	1,718,802	0	29,380	2,691	47,091	2,363,710	32,291,296	0
Designated to this category	565,746	1,718,802	0	29,380	2,691	47,091	2,363,710	32,291,296	0
Debt instruments	565,746	1,505,993	0	0	2,595	0	2,074,334	107,740	0
Equity instruments	0	212,809	0	29,380	96	42,897	285,182	32,105,217	0
Other investments	0	0	0	0	0	4,194	4,194	78,339	0
Available-for-sale	10,596,823	0	743,230	1,593,653	5,599,509	669,039	19,202,254	434,478	2,717,909
Debt instruments	10,596,823	0	675,302	0	5,599,509	669,039	17,540,673	426,125	0
Equity instruments	0	0	67,661	1,024,477	0	0	1,092,138	8,353	2,717,909
Investments in infrastructure funds	0	0	267	532,267	0	0	532,534	0	0
Investments in property funds	0	0	0	36,909	0	0	36,909	0	0
Loans and receivables	592,330	0	0	0	67,530	72,962	732,822	1,067	0
Debt instruments	579,891	0	0	0	62,670	72,962	715,523	1,067	0
Other investments	12,439	0	0	0	4,860	0	17,299	0	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	23,111	0	0	0	0	0	23,111	0	0
Total	14,016,424	1,718,802	786,557	1,623,033	5,686,491	789,092	24,620,399	32,947,853	2,717,909

Sava Insurance Group

2018 EUR	Interest income	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk
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 FVTPL	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

Sava Re

2019 EUR	Interest income	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Income of subsidiaries
Held to maturity	102,859	0	0	0	0	0	102,859	0
Debt instruments	102,859	0	0	0		0	102,859	0
At FVTPL	174,080	628,375	0	22,794	0	0	825,249	0
Designated to this category	174,080	628,375	0	22,794	0	0	825,249	0
Debt instruments	174,080	497,757	0	0	0	0	671,838	0
Equity instruments	0	130,618	0	22,794	0	0	153,412	0
Available-for-sale	3,015,097	0	294,180	806,739	5,383,830	447,375	9,947,222	36,947,895
Debt instruments	3,015,097	0	289,915	0	5,383,830	447,375	9,136,217	0
Equity instruments	0	0	3,998	626,282	0	0	630,279	36,947,895
Investments in infrastructure funds	0	0	267	171,230	0	0	171,498	0
Investments in property funds	0	0	0	9,227	0	0	9,227	0
Loans and receivables	148,235	0	0	0	1	0	148,236	0
Debt instruments	141,041	0	0	0	0	0	141,041	0
Other investments	7,195	0	0	0	1	0	7,195	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	23,111	0	0	0	0	0	23,111	0
Total	3,463,383	628,375	294,180	829,533	5,383,830	447,375	11,046,677	36,947,895

Sava Re

2018 EUR	Interest income	Change in fair value and gains on disposal of FVTPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Income of subsidiaries
Held to maturity	102,814	0	0	0	0	0	102,814	0
Debt instruments	102,814	0	0	0	0	0	102,814	0
At FVTPL	55,329	91,554	0	21,625	906	0	169,414	0
Designated to this category	55,329	91,554	0	21,625	906	0	169,414	0
Debt instruments	55,329	40,126	0	0	0	0	95,455	0
Equity instruments	0	51,428	0	21,625	906	0	73,959	0
Available-for-sale	3,176,067	0	477,596	654,520	6,002,244	5,677	10,316,104	33,558,455
Debt instruments	3,176,067	0	375,429	0	6,002,244	5,677	9,559,416	0
Equity instruments	0	0	102,167	625,404	0	0	727,571	33,558,455
Loans and receivables	237,681	0	0	0	109,381	0	347,062	0
Debt instruments	208,885	0	0	0	0	0	208,885	0
Other investments	28,796	0	0	0	109,381	0	138,177	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	17,803	0	0	0	0	0	17,803	0
Total	3,589,693	91,554	477,596	676,145	6,112,531	5,677	10,953,196	33,558,455

Investment expenses by IFRS categories

Sava Insurance Group

2019 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Exchange losses	Other	Total	Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	Expenses relating to associates and impairment losses on goodwill
Held to maturity	0	0	0	16,637	0	16,637	0	0
Debt instruments	0	0	0	16,637	0	16,637	0	0
At FVTPL	0	626,040	0	14,200	55,523	767,647	9,667,146	0
Designated to this category	0	626,040	0	14,200	55,523	767,647	9,667,146	0
Debt instruments	0	605,428	0	14,200	46,302	665,930	23,049	0
Equity instruments	0	20,612	0	0	9,221	29,833	9,643,564	0
Other investments	0	0	0	0	71,884	71,884	533	0
Available-for-sale	0	0	242,946	4,227,370	16,386	4,486,702	2,123	54,721
Debt instruments	0	0	8,827	4,227,370	5,423	4,241,620	2,123	0
Equity instruments	0	0	177,038	0	0	177,038	0	54,721
Other investments	0	0	0	0	10,963	10,963	0	0
Investments in infrastructure funds	0	0	57,081	0	0	57,081	0	0
Loans and receivables	187,287	0	0	88,215	12,868	288,370	0	0
Debt instruments	0	0	0	77,336	12,868	90,204	0	0
Other investments	187,287	0	0	10,879	0	198,166	0	0
Subordinated liabilities	494,730	0	0	0	0	494,730	0	0
Total	682,017	626,040	242,946	4,346,422	84,777	6,054,086	9,669,269	54,721

Sava Insurance Group

2018 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised and realised 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 FVTPL	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

Sava Re						
2019 EUR	Interest expenses	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Exchange losses	Other	Total
At FVTPL	0	254,868	0	0	0	254,868
Designated to this category	0	254,868	0	0	0	254,868
Debt instruments	0	234,923	0	0	0	234,923
Equity instruments	0	19,944	0	0	0	19,944
Available-for-sale	0	0	140,187	3,970,847	0	4,111,034
Debt instruments	0	0	7,504	3,970,847	0	3,978,351
Equity instruments	0	0	114,792	0	0	114,792
Investments in infrastructure funds	0	0	17,891	0	0	17,891
Loans and receivables	426	0	0	22	1,985	2,433
Debt instruments	0	0	0	0	1,985	1,985
Other investments	426	0	0	22	0	448
Subordinated liabilities	494,730	0	0	0	0	494,730
Total	495,157	254,868	140,187	3,970,869	1,985	4,863,066

Sava Re						
2018 EUR	Change in fair value and losses on disposal of FVTPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Total	Expenses relating to subsidiaries
At FVTPL	217,937	0	0	0	217,937	0
Designated to this category	217,937	0	0	0	217,937	0
Debt instruments	167,542	0	0	0	167,542	0
Equity instruments	50,395	0	0	0	50,395	0
Available-for-sale	0	125,388	1,943,974	6,021,753	8,091,114	4,020,539
Debt instruments	0	83,900	0	6,021,383	6,105,283	0
Equity instruments	0	41,488	1,943,974	369	1,985,831	4,020,539
Loans and receivables	0	0	0	187,299	187,299	0
Other investments	0	0	0	187,299	187,299	0
Total	217,937	125,388	1,943,974	6,209,052	8,496,351	4,020,539

Net investment income

Sava Insurance Group

2019 EUR	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Foreign exchange gains/losses	Other income/ expenses	Total	Net unrealised and realised gains/losses on investments of life insurance policyholders who bear the investment risk	Income/expenses relating to associates and impairment losses on goodwill
Held to maturity	2,238,414	0	43,327	0	124	0	2,281,865	221,012	0
Debt instruments	2,238,414	0	43,327	0	124	0	2,281,865	221,012	0
At FVTPL	565,746	1,092,762	0	29,380	-11,509	-80,316	1,596,063	22,624,150	0
Designated to this category	565,746	1,092,762	0	29,380	-11,509	-80,316	1,596,063	22,624,150	0
Debt instruments	565,746	900,565	0	0	-11,605	-46,302	1,408,404	84,691	0
Equity instruments	0	192,197	0	29,380	96	33,676	255,349	22,461,653	0
Other investments	0	0	0	0	0	-67,690	-67,690	77,806	0
Available-for-sale	10,596,823	0	500,284	1,593,653	1,372,139	652,653	14,715,552	432,355	2,663,188
Debt instruments	10,596,823	0	666,475	0	1,372,139	663,616	13,299,053	424,002	0
Equity instruments	0	0	-109,377	1,024,477	0	0	915,100	8,353	2,663,188
Other investments	0	0	0	0	0	-10,963	-10,963	0	0
Investments in infrastructure funds	0	0	-56,814	532,267	0	0	475,453	0	0
Investments in property funds	0	0	0	36,909	0	0	36,909	0	0
Loans and receivables	405,043	0	0	0	-20,685	60,094	444,452	1,067	0
Debt instruments	579,891	0	0	0	-14,666	60,094	625,319	1,067	0
Other investments	-174,848	0	0	0	-6,019	0	-180,867	0	0
Deposits with cedants	23,111	0	0	0	0	0	23,111	0	0
Subordinated liabilities	-494,730	0	0	0	0	0	-494,730	0	0
Total	13,334,407	1,092,762	543,611	1,623,033	1,340,069	632,431	18,566,313	23,278,584	2,663,188

Sava Insurance Group

2018 EUR	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/ expenses	Total	Net unrealised and realised gains/losses on investments of life insurance policyholders who bear the investment risk	Income/expenses relating to associates and impairment losses on goodwill
Held to maturity	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 FVTPL	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

Sava Re

2019 EUR	Interest income/expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Foreign exchange gains/losses	Other income/expenses	Total	Income/expenses relating to subsidiaries
Held to maturity	102,859	0	0	0	0	0	102,859	0
Debt instruments	102,859	0	0	0	0	0	102,859	0
At FVTPL	174,080	373,508	0	22,794	0	0	570,382	0
Designated to this category	174,080	373,508	0	22,794	0	0	570,382	0
Debt instruments	174,080	262,834	0	0	0	0	436,914	0
Equity instruments	0	110,674	0	22,794	0	0	133,467	0
Available-for-sale	3,015,097	0	153,993	806,739	1,412,982	447,375	5,836,188	36,947,895
Debt instruments	3,015,097	0	282,411	0	1,412,982	447,375	5,157,866	0
Equity instruments	0	0	-110,794	626,282	0	0	515,488	36,947,895
Investments in infrastructure funds	0	0	-17,624	171,230	0	0	153,607	0
Investments in property funds	0	0	0	9,227	0	0	9,227	0
Loans and receivables	147,809	0	0	0	-21	-1,985	145,802	0
Debt instruments	141,041	0	0	0	0	-1,985	139,055	0
Other investments	6,768	0	0	0	-21	0	6,747	0
Deposits with cedants	23,111	0	0	0	0	0	23,111	0
Subordinated liabilities	-494,730	0	0	0	0	0	-494,730	0
Total	2,968,226	373,508	153,993	829,533	1,412,961	445,390	6,183,612	36,947,895

Sava Re

2018 EUR	Interest income/expenses	Change in fair value and gains/losses on disposal of FVTPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Foreign exchange gains/losses	Other income/expenses	Total	Income/expenses relating to subsidiaries
Held to maturity	102,814	0	0	0	0	0	0	102,814	0
Debt instruments	102,814	0	0	0	0	0	0	102,814	0
At FVTPL	55,329	-126,383	0	21,625	0	906	0	-48,523	0
Designated to this category	55,329	-126,383	0	21,625	0	906	0	-48,523	0
Debt instruments	55,329	-127,416	0	0	0	0	0	-72,087	0
Equity instruments	0	1,033	0	21,625	0	906	0	23,564	0
Available-for-sale	3,176,067	0	352,208	654,520	-1,943,974	-19,509	5,677	2,224,990	29,537,916
Debt instruments	3,176,067	0	291,529	0	0	-19,140	5,677	3,454,133	0
Equity instruments	0	0	60,680	625,404	-1,943,974	-369	0	-1,258,260	29,537,916
Investments in infrastructure funds	0	0	0	29,116	0	0	0	29,116	0
Loans and receivables	237,681	0	0	0	0	-77,919	0	159,762	0
Debt instruments	208,885	0	0	0	0	0	0	208,885	0
Other investments	28,796	0	0	0	0	-77,919	0	-49,123	0
Deposits with cedants	17,803	0	0	0	0	0	0	17,803	0
Total	3,589,693	-126,383	352,208	676,145	-1,943,974	-96,521	5,677	2,456,845	29,537,916

In 2019, interest income from the Group’s impaired investments totalled EUR 1,716 and in 2018 it totalled EUR 1,427.

The 2019 net investment income totalled EUR 18.6 million (2018: EUR 17.2 million). The increase is mainly due to higher net exchange differences compared to the previous year. Net exchange gains in 2019 totalled EUR 1.3 million (2018: net exchange losses of EUR 0.2 million).

The Company’s income relating to financial assets and liabilities in 2019 amounted to EUR 11.0 million (2018: EUR 11.0 million).

The Company’s expenses relating to financial assets and liabilities in 2019 amounted to EUR 4.9 million (2018: EUR 8.5 million).

Net investment income of the Company relating to financial assets and liabilities (excluding that of subsidiaries) amounted to EUR 6.2 million in 2019 (2018: EUR 2.5 million). The increase is mainly due to higher net exchange differences. The net amount of exchange gains totalled EUR 1.4 million (2018: exchange losses of EUR 0.1 million).

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	Sava Insurance Group		Sava Re	
	Liability fund	Liability fund	Liability fund	Liability fund
	2019	2018	2019	2018
Interest income	8,177,874	9,039,389	3,158,702	3,237,373
Change in fair value and gains on disposal of FVTPL assets	1,106,463	138,403	552,861	77,483
Gains on disposal of other IFRS asset categories	507,569	1,402,696	281,440	468,988
Income from dividends and shares – other investments	1,153,854	659,996	633,553	478,249
Exchange gains	5,520,598	6,281,481	5,382,349	6,110,443
Other income	521,062	11,824	447,375	5,677
Total investment income – liability fund	16,987,420	17,533,789	10,456,280	10,378,214
	Capital fund	Capital fund	Capital fund	Capital fund
	2019	2018	2019	2018
Interest income	256,376	327,418	304,681	352,320
Change in fair value and gains on disposal of FVTPL assets	75,514	14,071	75,514	14,071
Gains on disposal of other IFRS asset categories	21,132	259,501	12,740	8,608
Income from dividends and shares – other investments	195,980	465,246	195,980	197,896
Exchange gains	1,482	2,088	1,482	2,087
Other income	16,602	1,004	0	0
Total investment income - capital fund	567,086	1,069,328	590,397	574,982
Total investment income – non-life business	17,554,506	18,603,117	11,046,677	10,953,196

Investment income – life insurance business

Sava Insurance Group

EUR	Long-term business fund 2019	Long-term business fund 2018
Interest income	5,144,667	6,135,074
Change in fair value and gains on disposal of FVTPL assets	334,090	9,487
Gains on disposal of other IFRS asset categories	206,728	259,112
Income from dividends and shares – other investments	270,142	247,023
Exchange gains	155,771	107,559
Other income	24,958	5,727
Total investment income – liability fund	6,136,356	6,763,982
	Capital fund 2019	Capital fund 2018
Interest income	437,507	957,305
Change in fair value and gains on disposal of FVTPL assets	202,735	51,722
Gains on disposal of other IFRS asset categories	51,128	330,477
Income from dividends and shares – other investments	3,057	6,102
Exchange gains	8,640	25,416
Other income	226,470	64,040
Total investment income - capital fund	929,537	1,435,062
Total investment income – life business	7,065,893	8,199,044

Expenses for financial assets and liabilities – non-life business

EUR	Sava Insurance Group		Sava Re	
	Liability fund 2019	Liability fund 2018	Liability fund 2019	Liability fund 2018
Interest expenses	157,921	28,444	0	0
Change in fair value and losses on disposal of FVTPL assets	375,648	328,135	185,980	135,245
Losses on disposal of other IFRS asset categories	240,149	219,621	140,187	120,320
Impairment losses on investments	0	1,943,974	0	1,943,974
Exchange losses	4,178,624	6,319,618	3,968,689	6,207,534
Other	60,807	9,984	1,985	0
Total investment expenses – liability fund	5,013,149	8,849,776	4,296,841	8,407,073
	Capital fund 2019	Capital fund 2018	Capital fund 2019	Capital fund 2018
Interest expenses	518,073	0	495,157	0
Change in fair value and losses on disposal of FVTPL assets	68,888	82,692	68,888	82,692
Losses on disposal of other IFRS asset categories	0	29,136	0	5,068
Exchange losses	2,180	1,518	2,180	1,518
Total investment expenses – capital fund	589,141	113,346	566,225	89,277
Total investment expenses – non-life business	5,602,290	8,963,122	4,863,065	8,496,351

Expenses for financial assets and liabilities – life business

Sava Insurance Group

EUR	Long-term business fund 2019	Long-term business fund 2018
Interest expenses	767	0
Change in fair value and losses on disposal of FVTPL assets	179,671	0
Losses on disposal of other IFRS asset categories	2,797	45,702
Exchange losses	125,886	218,919
Other	23,278	31,970
Total investment expenses – liability fund	332,399	296,591
EUR	Capital fund 2019	Capital fund 2018
Interest expenses	5,256	0
Change in fair value and losses on disposal of FVTPL assets	1,833	225,799
Losses on disposal of other IFRS asset categories	0	10,888
Exchange losses	39,732	30,713
Other	72,576	77,337
Total investment expenses – capital fund	119,397	344,738
Total investment expenses – life business	451,796	641,329

Net investment income from non-life and life business

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Non-life insurance business	11,952,216	9,639,995	6,183,612	2,456,845
Life insurance business	6,614,097	7,557,715	0	0
Total	18,566,313	17,197,710	6,183,612	2,456,845

Sava Insurance Group

EUR	Long-term business fund 2019	Long-term business fund 2018
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	32,947,853	16,867,324
Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk	9,669,269	23,498,245
Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk	23,278,584	-6,630,921

Net investment income relating to financial investments totalled EUR 18.9 million in 2019, up by EUR 1.7 million from 2018. This is due to improved conditions in currency markets and the consequently higher effect of currency differences. Net exchange gains totalled EUR 1.3 million in 2019, while in 2018 net exchange losses totalled EUR 0.2 million.

Impairment losses on investments

In 2019, the Group did not recognise impairment losses on its financial investments (2018: EUR 1.9 million).

33) Other technical income and expenses and other income/ revenue and expenses

Other technical income

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Other technical income	19,302,796	21,238,357	9,463,227	8,964,961
- of which exchange gains	6,566,344	5,479,846	5,851,774	5,355,817
- netting of exchange differences	-6,566,344	-5,479,846	-5,677,768	-5,313,931
Other technical income after netting	12,736,452	15,758,511	3,785,460	3,651,029
Other technical expenses	22,002,095	23,305,829	6,103,333	5,662,287
- of which exchange losses	8,987,591	9,645,650	5,677,768	5,313,931
- netting of exchange differences	-6,566,344	-5,479,846	-5,677,768	-5,313,931
Other technical expenses after netting	15,435,751	17,825,983	425,566	348,355

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Reinsurance commission income	4,291,946	3,634,682	3,063,492	2,530,359
Revenues from other insurance business	3,643,412	2,922,073	0	0
Other technical income	7,935,358	6,556,755	3,063,492	2,530,359
Income on the realisation of impaired receivables	3,133,707	5,260,757	176,738	0
Exchange gains	6,566,344	5,479,846	5,851,774	5,355,817
Revenues from exit charges and management fees	749,885	2,524,754	0	0
Revenues from other services	917,503	1,416,245	371,224	1,078,785
Other income	11,367,438	14,681,602	6,399,736	6,434,602
Total	19,302,796	21,238,357	9,463,227	8,964,961

In 2019, the Group continued to experience strong increases in both exchange gains and losses, primarily arising from reinsurance business. The Company performs currency hedging pursuant to its investment policy.

Reinsurance commission income is a material part of other technical income. The following table shows reinsurance commission income by class of business.

Reinsurance commission income

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Personal accident	9,624	18,405	11,377	13,979
Land vehicles casco	226,728	199,530	4,558	790
Railway rolling stock	12	46	12	46
Aircraft hull	504	678	504	678
Ships hull	84,973	1,784	86,068	1,784
Goods in transit	5,301	29,060	5,610	26,560
Fire and natural forces	2,554,647	2,153,362	2,108,591	1,722,566
Other damage to property	924,594	780,990	613,021	560,467
Motor liability	-47,928	19,051	90	159
Aircraft liability	9,179	9,755	8,276	6,022
Liability for ships	-3,959	260	220	260
General liability	193,529	198,360	29,391	31,940
Miscellaneous financial loss	222,430	130,727	97,050	89,671
Assistance	12,275	14,812	0	0
Life	81,190	62,137	76,966	59,711
Unit-linked life	21,757	15,725	21,757	15,725
Total non-life	4,188,999	3,556,820	2,964,768	2,454,922
Total life	102,947	77,862	98,723	75,437
Total	4,291,946	3,634,682	3,063,492	2,530,359

Other income

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Income on the realisation of impaired receivables	130,628	127,229	15,918	0
Lease payments received from investment properties	1,326,987	1,146,475	784,610	692,712
Revenues from exit charges and management fees	9,035,488	2,707,419	0	0
Penalties and damages received	639,509	658,539	90	674
Income from disposal of investment property	20,638	87,139	0	0
Gain on bargain purchase	7,486,096	0	0	0
Revenues from other services	9,054,230	9,822,875	3,921	7,945
Total	27,693,576	14,549,676	804,538	701,331

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

The increase in the revenues from other services item in 2019 is a result of the inclusion of TBS Team 24 and Sava Penzisko Društvo (included during 2018) in the consolidated accounts, the revenues of which are recognised in this item.

Other technical expenses and other expenses

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Expenses for loss prevention activities and fire brigade charge	3,671,186	3,387,535	14	20
Contribution for covering claims of uninsured and unidentified vehicles and vessels	1,868,589	1,282,145	0	0
Regulator fees	1,768,712	1,363,306	197,127	199,186
Exchange losses	8,987,591	9,645,650	5,677,768	5,313,931
Operating expenses from revaluation	2,465,692	4,935,745	199,199	107,727
Other expenses	3,240,325	2,691,448	29,226	41,423
Total	22,002,095	23,305,829	6,103,333	5,662,287

Other technical expenses of the Group decreased as a result of lower net exchange losses and operating expenses from revaluation.

Other expenses of EUR 4.6 million (2018: EUR 2.9 million) include allowances for

other receivables, indirect business expenses relating to investment property, expenses arising out of impaired property, plant and equipment assets for own use and other extraordinary expenses.

34) Net claims incurred

Net claims incurred

Sava Insurance Group

EUR 2019	Gross amounts		Reinsurers' share of claims (–)	Co-insurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables					
Personal accident	11,410,740	-1,285	-10,984	2,317	83,619	-32,890	11,451,517
Health	4,334,734	-700	-91	0	212,900	6,654	4,553,497
Land vehicles casco	79,064,258	-2,151,030	-911,018	-908	2,084,587	-116,363	77,969,526
Railway rolling stock	75,260	0	0	0	-13,414	0	61,846
Aircraft hull	211,282	0	-639	0	280,143	-107,572	383,214
Ships hull	5,470,269	0	-74,236	6,966	-164,660	-170,007	5,068,332
Goods in transit	2,437,128	10,375	-574	434,574	-1,201,749	8,126	1,687,880
Fire and natural forces	53,128,792	-76,302	-5,873,959	108,256	15,134,767	-1,323,707	61,097,847
Other damage to property	30,313,218	-11,992	-1,490,539	195,099	1,108,046	-123,410	29,990,422
Motor liability	82,394,194	-2,976,262	-1,893,387	-6,536	5,425,612	-3,424,984	79,518,637
Aircraft liability	169,425	0	-162,273	0	-75,364	77,099	8,887
Liability for ships	350,371	0	-7	0	139,643	0	490,007
General liability	6,785,398	-32,203	-802,280	62,022	3,306,592	-1,094,015	8,225,514
Credit	2,267,929	-2,589,552	-7	0	239,248	0	-82,382
Suretyship	110,283	-1,500	-49	0	-112,729	0	-3,995
Miscellaneous financial loss	903,187	0	-33,966	7,010	122,164	5,170	1,003,565
Legal expenses	186,133	0	-391	68	123,197	-63,279	245,728
Assistance	2,948,805	-7,510	-37,164	-38	3,019	168,347	3,075,459
Life	78,641,819	0	-34,379	0	585,916	1,387	79,194,743
Unit-linked life	38,666,971	0	-42,253	0	-3,411,895	38,394	35,251,217
Total non-life	282,561,406	-7,837,961	-11,291,564	808,829	26,695,621	-6,190,831	284,745,500
Total life	117,308,790	0	-76,632	0	-2,825,979	39,781	114,445,960
Total	399,870,196	-7,837,961	-11,368,196	808,829	23,869,642	-6,151,050	399,191,460

Sava Insurance Group

EUR 2018	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	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

Sava Re

EUR 2019	Gross amounts		Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables				
Personal accident	2,062,506	-59	-555	329,918	869	2,392,679
Health	52,857	0	0	9,425	0	62,281
Land vehicles casco	11,871,895	-287,144	-169,011	-384,754	-12,554	11,018,432
Railway rolling stock	75,260	0	0	-13,414	0	61,846
Aircraft hull	200,356	0	-544	128,249	-7,572	320,489
Ships hull	5,251,544	0	-74,236	-195,010	-170,007	4,812,291
Goods in transit	2,198,774	-18	0	-1,029,125	7,714	1,177,345
Fire and natural forces	39,226,590	-13,216	-4,666,134	12,785,280	-853,666	46,478,854
Other damage to property	11,404,873	-4,996	-541,336	1,153,675	-159,895	11,852,321
Motor liability	12,456,242	-381,540	-1,386,327	2,914,249	-2,704,833	10,897,791
Aircraft liability	7,152	0	0	9,210	-11,900	4,462
Liability for ships	339,854	0	0	207,760	0	547,613
General liability	2,269,455	-4,710	-1,563	3,142,690	-1,145,698	4,260,175
Credit	364,979	-552,232	0	139,428	0	-47,825
Suretyship	87,290	-289	0	-111,603	0	-24,602
Miscellaneous financial loss	234,966	0	-23,640	45,912	14,901	272,139
Legal expenses	1,709	0	0	-277	0	1,431
Assistance	343	0	0	-60	0	283
Life	60,918	0	-32,723	-694	1,401	28,902
Unit-linked life	60,361	0	-42,253	-54,849	38,394	1,654
Total non-life	88,106,645	-1,244,203	-6,863,346	19,131,552	-5,042,642	94,088,007
Total life	121,279	0	-74,976	-55,543	39,795	30,555
Total	88,227,924	-1,244,203	-6,938,323	19,076,010	-5,002,847	94,118,562

Sava Re

EUR 2018	Gross amounts		Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
	Claims	Recourse receivables				
Personal accident	3,569,281	0	-6,715	-1,551,886	950	2,011,630
Health	223,414	0	0	-330,978	0	-107,564
Land vehicles casco	12,439,633	-197,538	-134,940	225,112	-89,382	12,242,884
Railway rolling stock	559,088	0	-13	28,184	0	587,259
Aircraft hull	1,080,337	0	0	-687,951	-2,539	389,846
Ships hull	3,392,217	0	-5,004	3,650,700	-144,687	6,893,226
Goods in transit	5,544,521	-5,262	-235	-500,067	-6,098	5,032,859
Fire and natural forces	35,268,510	-7,760	-5,101,716	547,829	842,107	31,548,970
Other damage to property	9,754,664	-5,847	-886,923	-728,560	686,130	8,819,464
Motor liability	9,616,767	-1,346,975	-182,340	581,823	-2,674,383	5,994,892
Aircraft liability	-5,394	0	0	-23,546	0	-28,940
Liability for ships	341,558	-389	0	32,607	3,317	377,093
General liability	2,204,597	-1,820	-538	817,014	-6,645	3,012,608
Credit	399,237	-627,662	0	155,356	0	-73,069
Suretyship	60,462	-1,163	0	-147,315	0	-88,016
Miscellaneous financial loss	226,844	0	-40,458	-158,674	31,627	59,339
Legal expenses	447	0	0	-1,843	0	-1,396
Assistance	306	0	0	-437	0	-131
Life	126,290	0	-88,078	-189,515	43,655	-107,649
Unit-linked life	79,314	0	-48,374	1,284	9,102	41,325
Total non-life	84,676,490	-2,194,416	-6,358,882	1,907,368	-1,359,603	76,670,957
Total life	205,604	0	-136,452	-188,232	52,757	-66,324
Total	84,882,093	-2,194,416	-6,495,334	1,719,136	-1,306,847	76,604,633

The two tables above show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). In addition, net claims incurred include the change in the net provision for outstanding claims.

Compared to 2018, gross claims paid in 2019 increased by EUR 32.8 million in the Group and EUR 4.3 million in the Company. The effect of the change in the claims provision is described in note 18.

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

The change in other technical provisions relates to the change in the net provision for unexpired risks and the change in the technical provision for policyholders who bear the investment risk. The change in gross technical provisions is described in note 24.

The change in other technical provisions increased by EUR 32.8 million in 2019 and relates to the change in the provision for unexpired risks, whereas the change in the technical provision of policyholders who bear the investment risk decreased by EUR 28.7 million.

36) Operating expenses

The Group classifies operating expenses by nature. Compared to 2018, operating expenses increased by 4.9%, mainly due to an increase in acquisition costs by EUR 7.4 million (2018: EUR 1.0 million).

Operating expenses by nature

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Acquisition costs (commissions)	65,793,677	58,372,509	35,723,768	34,848,052
Change in deferred acquisition costs	-2,908,414	-1,598,536	1,267,334	-43,433
Depreciation/amortisation of operating assets	7,637,651	5,254,010	572,811	481,036
Personnel costs	74,683,061	73,118,022	8,482,767	8,298,393
- Salaries and wages	56,253,083	52,725,570	6,641,407	6,586,422
- Social and pension insurance costs	8,316,080	8,578,891	1,105,375	1,071,730
- Other personnel costs	10,113,898	11,813,561	735,985	640,241
Costs of services by natural persons not performing business, incl. of contributions	722,779	484,764	269,364	185,715
Other operating expenses	41,026,480	42,500,668	4,142,467	3,793,554
Total	186,955,234	178,131,437	50,458,512	47,563,317

In 2019, the proportion of other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), decreased in relation to gross premiums written by 6.8%, while in 2018 it increased and was 8.4%. Other operating expenses include material costs of EUR 3.3 million, service costs of EUR 34.0 million (cost of other service costs of EUR 10.8 million comprising postal and shipping charges, telephone expenses, cost of clean-

ing, operating and management expenses, various fees and charges, and such like, cost of intellectual and personal services of EUR 9.8 million, costs of advertising, promotion and entertainment of EUR 7.3 million, transaction costs and bank fees of EUR 1.9 million) and provisions for pensions, jubilee benefits, severance pay (upon retirement) of EUR 1.1 million, and other expenses relating to donations, sponsorships, membership fees and diverse expenses of EUR 2.6 million

Audit fees

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Audit of annual report	310,991	263,732	77,757	54,282
Other assurance services	26,197	14,101	0	5,561
Other audit services	0	2,279	0	2,279
Total	337,188	280,112	77,757	62,122

The cost of auditing the annual report includes audit costs for both Sava Re and the consolidated annual report of the Sava Insurance Group. Other audit services relate to assurance services for reports drawn up by the Company and the Group under Solvency II requirements.

37) Income tax expense

Tax rate reconciliation

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Profit/loss before tax	60,744,016	55,260,572	39,227,041	45,021,864
Income tax expenses at statutory tax rate (19%)	11,541,363	10,499,509	7,453,138	8,554,154
Adjustment to the actual rates	586,213	679,771	0	0
Tax effect of income that is deducted for tax purposes	-2,544,331	-425,553	-7,279,887	-6,521,174
Tax effect of expenses not deducted for tax purposes	1,517,537	2,232,534	443,555	1,217,676
Tax effect of income that is added for tax purposes	38,466	-171,152	0	0
Income or expenses relating to tax relief	-727,246	-501,724	-79,267	-49,839
Other	137,426	-64,662	107,788	-46,449
Total income tax expense in the income statement	10,549,428	12,248,723	645,328	3,154,368
Effective tax rate	17.37%	22.17%	1.65%	7.01%

17.9 Contingent receivables and liabilities

The Group has contingent liabilities arising out of guarantees given. The estimated amount of contingent liabilities for alternative funds of the Group totalled EUR 34.8 million and EUR 4.4 million for other guarantees (collateral provided in the form of bank guarantees, promissory notes and acceptance drafts) the estimated amount of contingent liabilities for alternative funds in the Company amounted to EUR 13.9 million.

The Group has contingent receivables from unrealised recourse receivables of EUR 29.5 million and claims against issuing banks for subordinated financial instruments of EUR 38.0 million, and the Company has contingent receivables from claims against issuing banks for subordinated financial instruments of EUR 10.0 million.

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

17.10 Related party disclosures

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

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

Owners and related enterprises

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

The members of the management board and supervisory boards, including the members of its committees, and employees not subject to the tariff section of the collective agreement

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

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
The management board	909,811	698,458	909,811	698,458
Payments to employees not subject to the tariff section of the collective agreement	5,822,237	4,809,153	2,836,862	2,817,528
Supervisory board	144,091	115,946	144,091	115,946
Supervisory board committees	103,001	57,949	103,001	57,949
Total	6,979,140	5,681,504	3,993,765	3,689,879

Remuneration of management board members in 2019

EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind – insurance premiums	Benefits in kind – use of company car	Total
Marko Jazbec	186,320	47,808	248	6,457	240,833
Jošt Dolničar	167,322	43,020	5,271	5,628	221,241
Srečko Čebren	175,792	43,020	5,251	4,564	228,627
Polona Pirš Zupančič	167,078	41,517	6,208	4,307	219,109
Total	696,512	175,365	16,978	20,956	909,811

Remuneration of management board members in 2018

EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind – insurance premiums	Benefits in kind – 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 Čebren	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

Liabilities to members of the management board based on gross remuneration

EUR	31 Dec 2019	31 Dec 2018
Marko Jazbec	16,500	13,280
Jošt Dolničar	14,850	11,950
Srečko Čebren	15,516	12,616
Polona Pirš Zupančič	14,128	11,950
Total	60,994	49,796

As at 31 December 2019, the Company had no receivables due from the management board members. Management board members are not remunerated for their functions in subsidiary companies. Management board members have other entitlements under employment contracts, i.e. an allowance for

annual leave of EUR 1,200, severance pay upon retirement and contributions to voluntary supplementary pension insurance. Management board members are not entitled to jubilee benefits for 10, 20 or 30 years of service.

Remuneration of the supervisory board and its committees in 2019

EUR		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Total
Supervisory board members					
Mateja Lovšin Herič	chair	2,475	19,500	257	22,232
Keith William Morris	deputy chair	2,475	14,300	7,635	24,410
Gorazd Andrej Kunstek	member of the SB	2,475	13,000	0	15,475
Mateja Živec	member of the SB	2,475	13,000	0	15,475
Davor Ivan Gjivoje	member of the SB	2,475	13,000	33,553	49,028
Andrej Kren	member of the SB	2,475	13,000	953	16,428
Total supervisory board members		14,850	85,800	42,399	143,049
Audit committee members					
Andrej Kren	chair	1,936	4,875	260	7,072
Mateja Lovšin Herič	member	1,936	3,250	0	5,186
Ignac Dolenšek	external member	0	10,425	686	11,111
		3,872	18,550	947	23,369
Members of the nominations and remuneration committee					
Mateja Lovšin Herič	chair	660	2,844	0	3,504
Keith William Morris	member	660	1,896	1,573	4,129
Davor Ivan Gjivoje	member	660	1,896	11,433	13,989
Andrej Kren	member	660	1,896	33	2,588
Total nominations committee members		2,640	8,531	13,039	24,210
Members of the risk committee					
Keith William Morris	chair	1,320	4,875	4,042	10,237
Davor Ivan Gjivoje	member	1,320	3,250	25,203	29,773
Slaven Mičković	external member	0	6,987	0	6,987
Total risk committee members		2,640	15,112	29,245	46,997
Members of the fit & proper committee					
Mateja Živec	chair	220	2,844	0	3,064
Keith William Morris	member	220	1,896	275	2,391
Rok Saje	external member	220	1,896	0	2,116
Andrej Kren	alternate member	0	1,896	0	1,896
Total members of the fit & proper committee		660	8,531	275	9,466

As at the year-end 2019, the Company had no liabilities to members of the supervisory board nor to the members of its committees based on gross remuneration. In 2018, the Company had a liability of EUR 350 to Slaven Mičković.

As at 31 December 2019, the Company had no receivables due from the supervisory board members.

Average gross salary in Group companies

The average gross salary of Group companies is calculated as the sum of all personnel costs of Group companies (income statement item “personnel costs”) multiplied by the number of months in operation, which is then divided by the average number of all employees based on the number of hours worked of all Group companies.

Sava Insurance Group

EUR	2019	2018
Average monthly gross salary	2,422	2,536

Remuneration of the supervisory board and its committees in 2018

EUR		Attendance fees	Remuneration for performing the function	Reimbursement of expenses and training	Total
Supervisory board members					
Mateja Lovšin Herič	chair	2,420	19,500	0	21,920
Keith William Morris	deputy chair	2,420	14,300	7,220	23,940
Andrej Gorazd Kunstek	member	2,420	13,000	93	15,513
Mateja Živec	member	2,145	13,000	81	15,226
Davor Ivan Gjivoje	member	2,475	13,000	8,212	23,687
Andrej Kren	member	2,420	13,000	240	15,660
Total supervisory board members		14,300	85,800	15,846	115,946
Audit committee members					
Andrej Kren	chair	1,980	4,875	194	7,049
Mateja Lovšin Herič	member	1,980	3,250	0	5,230
Ignac Dolenšek	external member	0	9,450	714	10,164
Total audit committee members		3,960	17,575	908	22,443
Members of the nominations and remuneration committee					
Mateja Lovšin Herič	chair	660	0	0	660
Keith William Morris	member	660	0	4,513	5,173
Davor Ivan Gjivoje	member	220	0	5,132	5,352
Andrej Kren	member	660	0	0	660
Total nominations committee members		2,200	0	9,645	11,845
Members of the risk committee					
Keith William Morris	chair	1,100	4,875	2,708	8,683
Davor Ivan Gjivoje	member	1,628	3,521	3,079	8,228
Slaven Mičković	external member	0	6,750	0	6,750
Total risk committee members		2,728	15,146	5,787	23,661

Employee remuneration not subject to the tariff section of the collective agreement for 2019

Sava Re

EUR	Gross salary – fixed amount	Gross salary – variable amount	Benefits in kind and other benefits	Total
Individual employment contracts	2,358,297	334,922	143,644	2,836,862

Employee remuneration not subject to the tariff section of the collective agreement for 2019

Sava Insurance Group

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

Subsidiaries

Investments in and amounts due from Group companies

Sava Re			
EUR		31 Dec 2019	31 Dec 2018
Loans granted to Group companies	gross	3,637,532	2,532,183
Receivables for premiums arising from accepted reinsurance	gross	21,227,908	15,107,402
Short-term receivables arising out of financing	gross	2,939	4,472
Other short-term receivables	gross	50,336	179,570
Short-term deferred acquisition costs	gross	941,701	1,879,080
Total		25,860,416	19,702,708

Liabilities to Group companies

Sava Re			
EUR		31 Dec 2019	31 Dec 2018
Liabilities for shares in reinsurance claims due to Group companies		8,658,814	9,800,555
Other short-term liabilities from co-insurance and reinsurance		4,483,248	3,766,321
Other short-term liabilities		3,533	2,760
Total (excluding provisions)		13,145,595	13,569,636

Liabilities to Group companies by maturity

EUR	Maturity	
	Up to 1 year	Total
31 Dec 2019		
Liabilities for shares in reinsurance claims due to Group companies	8,658,814	8,658,814
Other short-term liabilities from co-insurance and reinsurance	4,483,248	4,483,248
Other short-term liabilities	3,533	3,533
Total (excluding provisions)	13,145,595	13,145,595

EUR	Maturity	
	Up to 1 year	Total
31 Dec 2018		
Liabilities for shares in reinsurance claims due to Group companies	9,800,555	9,800,555
Other short-term liabilities from co-insurance and reinsurance	3,766,321	3,766,321
Other short-term liabilities	2,760	2,760
Total (excluding provisions)	13,569,636	13,569,636

Income and expenses relating to Group companies

Sava Re		
EUR	2019	2018
Gross premiums written	76,277,995	62,318,774
Change in gross unearned premiums	-7,362,927	-2,306,927
Gross claims paid	-34,000,880	-32,562,533
Change in the gross provision for outstanding claims	-6,630,473	1,571,572
Income from gross recourse receivables	1,226,255	1,272,641
Change in gross provision for bonuses, rebates and cancellations	128,731	-811
Other operating expenses	-168,110	-160,221
Dividend income	36,947,895	33,558,455
Other investment income	0	6,506
Interest income	77,583	71,728
Acquisition costs	-15,754,451	-13,610,558
Change in deferred acquisition costs	-937,380	696,158
Other non-life income	347,375	326,370
Total	50,151,612	51,181,154

Associate companies

Operating income and expenses relating to associate companies

Sava Re	
EUR	2019
Other operating expenses	-24,150
Total	-24,150

Majority state-owned companies

Receivables due from the state and majority state-owned companies

EUR	Sava Insurance Group		Sava Re	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Interests in companies	8,013,877	9,641,217	6,794,811	8,238,751
Debt securities and loans	112,723,578	168,175,326	20,356,357	25,276,511
Receivables due from policyholders	147,237	94,606	0	0
Total	120,884,693	177,911,149	27,151,167	33,515,262

Liabilities to the state and majority state-owned companies

EUR	Sava Insurance Group	
	31 Dec 2019	31 Dec 2018
Liabilities for shares in claims	1,093	9,041
Total	1,093	9,041

Income and expenses relating to majority state-owned companies

EUR	Sava Insurance Group		Sava Re	
	2019	2018	2019	2018
Dividend income	570,944	583,434	499,203	517,087
Interest income	3,597,126	6,237,105	575,247	729,578
Gross premiums written	10,887,303	10,631,231	0	0
Gross claims paid	-3,004,301	-5,056,417	0	0
Total	12,051,072	12,395,352	1,074,450	1,246,664

Characteristics of loans granted to subsidiaries

Sava Re				
Borrower	Principal	Type of loan	Maturity	Interest rate
Sava Neživotno Osiguranje (Serbia)	500,000	ordinary	15 Jul 2021	2.30%
Sava Neživotno Osiguranje (Serbia)	800,000	ordinary	15 Jul 2020	3.00%
Illyria	642,000	ordinary	15 Jul 2022	3.00%
Illyria	400,000	ordinary	15 Jul 2020	1.20%
Illyria	500,000	subordinated	26 Jul 2029	3.00%
Sava Životno Osiguranje (Serbia)	770,000	ordinary	15 Jan 2020	0.90%
Total	3,612,000			

17.11 Correction of prior-period errors

The error relates to the valuation of the investment in the subsidiary Illyria Hospital. The impairment loss on the investment arises out of the drop in the value of the land owned by this subsidiary company. Over the years, the company diligently tested the value of the land based on professional appraisals. After additionally engaging certified real estate appraisers, it was found that

the prior-year appraisals failed to consider all material circumstance.

In the past, the Company netted its total deferred tax assets against its deferred tax liabilities. It was established that these must not be netted in full, which the company corrected in 2019, with relevant adjustments to all comparative periods.

Sava Re			
EUR	As reported 31 Dec 2017	Change	As restated 1 Jan 2018
ASSETS	580,886,180	-1,718,094	579,168,086
Deferred tax assets	1,238,826	76,227	1,315,053
Financial investments in subsidiaries and associates	193,409,578	-1,794,321	191,615,257
EQUITY AND LIABILITIES	580,886,180	-1,718,094	579,168,086
Equity	290,966,155	-1,794,321	289,171,834
Retained earnings	6,012,233	-1,794,321	4,217,912
Deferred tax liabilities	0	76,227	76,227

Sava Re			
EUR	As reported 31 Dec 2018	Change	As restated 1 Jan 2018
ASSETS	606,331,055	-1,718,094	604,612,961
Deferred tax assets	1,867,370	76,227	1,943,597
Financial investments in subsidiaries and associates	220,219,086	-1,794,321	218,424,765
EQUITY AND LIABILITIES	606,331,055	-1,718,095	604,612,961
Equity	319,355,361	-1,794,321	317,561,040
Retained earnings	10,101,172	-1,794,321	8,306,851
Deferred tax liabilities	0	76,227	76,227

18 Significant events after the reporting date

In March 2020, ZTSR d.o.o., the 50-50 joint venture of Sava Re in Zavarovalnica Triglav d.d., completed the acquisition of the health-care provider Diagnostic Centre Bled d.o.o. (Diagnostics center Bled).

On 11 March 2020, the World Health Organisation declared the outbreak of the novel coronavirus a pandemic. In Slovenia, the government declared an epidemic on 12 March 2020. In their efforts to contain the effects of realised operational risk, Sava Re (the Company) and its other Group companies are following their business continuity protocols because the health of our staff and customers is paramount. At the time of preparing this announcement, it is not yet possible to measure all the impacts on the Group's operations. The Company will keep investors and other stakeholders informed of potential impacts as soon as these can be assessed and to the extent that they materialise. The sensitivity of the Group's results to various risks are discussed in the risk management section. In our assessment, the management have assumed that reinsurers will fulfil their obligations to the Group and Sava Re under all existing programmes.

Based on a number of publicly available macroeconomic projections, an economic slowdown is very likely and a transition into recession is possible. In addition, lower general consumption contributes to lower demand for insurance services because GDP growth is closely correlated with premium volume. The operations most exposed to the risk of a global economic downturn and volatility in financial markets are investment fund management, pension companies and insurances of the person. The Group does not rule out the possibility that other classes of business will also be impacted.

The impact of the virus as an external factor has had a severe effect on economic activity. The overriding assumption used in our assessments is that the viral infection will last for one quarter (to the end of June 2020). We assume that economic activity will then gradually return to growth over the next three quarters because the cause of the economic slowdown is a virus rather than structural problems or imbalances in the local or global economies.

So far, no measures have been taken by the insurance regulator, but the European Insurance and Occupational Pensions Authority has already announced the possibility of additional measures on their part to help insurance companies in the current situation. In our assessment of the expected impacts

of the virus, we did not take into account the assumption that we will use or need help from the regulator or the state.

By the date of the approval of the 2019 year-end financial statements, the management of the Company/Group identified the following key risks with potential negative impacts on operations and operating results:

- a decline in the value of the financial investment portfolio due to a slowdown in economic growth and recent stock markets;
- increased payment of claims in the life segment, with a negative impact mainly on insurance risks for life-long products due to illness and an expected increase in mortality rate;

- a reduction in the premium income of newly concluded life insurance policies due to restrictions on personal contact by agents and the closure of branches;
- reduction of non-life insurance premiums due to restrictions on personal contact by agents and closure of branches;
- increased payment of compensation and insurance in connection with insolvency of travel agencies, travel assistance, travel insurance and business interruption insurance;
- increase in credit risk and requirements for additional impairments/write-offs of receivables arising from insurance premiums written due to a possible economic downturn.

Among the insurance classes that the Group expects to be most impacted in terms of premiums are travel insurance due to trip cancellations, corporate non-life insurance due to an economic downturn, and motor insurance due to both the expected delay in policy renewal and the decline in premiums from insurance of rental cars, goods vehicles and passenger cars, where a decline in new vehicle sales is also expected due to lower general consumption.

Related to the increased loss experience, we can expect an impact on the results of life-long, unit-linked and risk life products. In view of the restrictions on contact by agents and the hours our offices and agencies remain open, we expect premiums from new life business to decline. We also expect certain losses from insolvency and business interruption insurance sold to businesses in the industry.

The outbreak of the coronavirus epidemic could cause a short-term severe decline in economic activity, followed by a drop in risk-free interest rates, widening of credit spreads on debt instruments, and a drop in stock, infrastructure and real estate investments.

A drop in capital markets and developments in the insurance industry will also have an impact on the Group's eligible own funds and solvency capital requirement, and consequently on its solvency position. Because it is difficult to make educated guesses at this early stage of the epidemic, we did not quantify its impact on the stresses and scenarios yet. Instead, we used own risk and solvency assessment (ORSA) for 2020 as an approximation, and we present the correlation below. As already mentioned, we expect the coronavirus to have several impacts on our business related to our investments and insurance portfolios, as well as other areas.

In the ORSA, the Sava Insurance Group and Sava Re considered individual scenarios and a combination of scenarios to assess their overall impact on operations and capital adequacy. In determining the scenarios, we proceeded from our own risk profile of the Sava Insurance Group and Sava Re and tried to identify which events could have a material impact on our operations and capital adequacy. The assumptions made in the scenarios developed for ORSA were compared with identified risks related to the coronavirus. We assessed that ORSA scenarios covered the main risks, and the assessment of the scenario consequences is even more conservative than the expected consequences of the coronavirus (in particular with respect to potential effects of the financial scenario as presented further below). We have not yet quantified the coronavirus effects; nev-

ertheless, we assess the combined ORSA scenario as a conservative estimate of risks and their possible magnitude.

In the ORSA, which is used as approximation for the coronavirus impact assessment, the solvency calculation was conducted in accordance with the Solvency II formula. In the assessment of the solvency position we did not take into account any regulatory measures taken.

A combined scenario for the Group included the following individual scenarios:

- a non-life scenario assuming worsening of the loss ratio for 10 percentage points of a certain segment of the non-life portfolio;
- a life scenario assuming an increase of 10 percentage points in the costs per life insurance policy, which would occur due to a decrease in the life portfolio or less new business. This would cause the deterioration of life portfolio results and a decline in eligible own funds;
- a financial scenario assuming declines in the value of investment as a consequence of lower economic activity and a higher level of unemployment and bankruptcy; the scenario simulates conditions as they were during the 2008–2009 financial crisis;
- a natural catastrophe (CAT) scenario assuming two major catastrophic events in the region where Sava Re has significant exposure.

For Sava Re alone, the same methodology as for the Group was used, but we tested only combined scenarios of two individual scenarios: the financial scenario and the natural catastrophe scenario. For Sava Re the life and non-life scenarios are not relevant.

In the original ORSA financial scenario, the impact on the financial investments portfolio was estimated by simulating the impacts of the 2008–2009 financial crisis on the portfolio estimate as at year-end 2019. The following assumptions were used for this simulation:

- the spread applying to investment-grade government bonds remains unchanged or tightens only slightly,
- the spread applying to financial bonds widens by 150 bp to 620 bp,
- the spread applying to investment-grade corporate bonds widens by 320 bp to 750 bp,
- the spread applying to non-investment grade bonds widens by 190 bp to 1600 bp
- equities fall by 40% to 80%,
- investment property and infrastructure investments fall by 22% (shown as investments in investment funds).

The currently not yet quantified adjustment of these ORSA assumptions to the consequences of the coronavirus are estimated as follows:

Government bonds: We believe that it is very likely that the effects of the coronavirus on government bonds will be very similar to the effects in 2008–2009 and, based on available information on movements in government bonds, we expect a materially higher increase in the value of Sava Re's portfolio of government bonds, given the material increase in returns on the safest investments.

Corporate bonds and loans: we expect the value of corporate bonds to decline by 40% to 60% of the assumed declines used in the 2008–2009 ORSA financial crisis scenario. We believe that the likelihood of widening of credit spreads due to the coronavirus with the intensity assumed under the ORSA scenario is relatively low due to the following circumstances:

- the regulatory framework in which financial institutions now operate is significantly more stable,
- there are mechanisms to provide assistance and liquidity,
- the capitalisation of the financial system is significantly higher,
- the experience gained in previous crises will help us respond in a faster and more coordinated manner.

Equity securities and property: we expect the value of invested assets to decline by 60% to 90% of the assumed declines used in the 2008–2009 ORSA financial crisis scenario. Our expectation is based on the following circumstances:

- stock markets have seen extremely high growth in the last 10 years,
- until the reporting date, more than 50% of the projected correction had been realised,
- the duration and magnitude of the epidemic and the impact on economic activity cannot be estimated.

Overall we believe that an epidemic would have a smaller impact on profit than projected by the 2008–2009 ORSA financial crisis scenario, mostly due to the expectation that recovery after the epidemic is expected to be faster than observed in the 2009–2009 crisis because the trigger of the economic slowdown is not structural (low capitalisation of the financial sector and excessive debt) but rather a severe external factor, which we assume will have a relatively short duration (less than 12 months).

The overall impact of the combined scenario described above is that the eligible own funds of the Sava Insurance Group and Sava Re would decline by a material amount. The decline would be partly offset by a lower solvency capital requirement, primarily as the result of a lower value of financial investments.

The Group and Sava Re assess liquidity risk as not significant because it maintains a very liquid portfolio of financial investments for the settlement of its obligations arising out of insurance or other contracts.

While we expect the solvency ratio to decline, we have estimated that it would remain well above the regulatory requirement of 100% and above the minimum solvency ratio as set in the Group's risk strategy for 2020–2022, at 150% (the same as for Sava Re). Thus, even if all the assumptions in the combined scenario are realised, we believe that the capital position of the Sava Insurance Group and Sava Re will remain adequate.

All this shows that the coronavirus situation could have a material impact on the performance of the Sava Insurance Group and Sava Re, but management has assessed that it is not expected to threaten their solvency thanks to their high solvency ratios. We also believe the liquidity risk will not be significant in the next 12 months, and consequently that the Group and the Company can continue their business operations, and that the going concern assumption is valid. Our assumption is based on our cash flows from core business expectations and the investment portfolio structure, which will provide adequate liquidity for a prolonged period of distressed economic factors.

Operational risk management

In line with measures taken by the Slovenian government, imposing nationwide restrictions on “all but essential” services, and expert recommendations to shut down public life, the Sava Insurance Group has also set up measures to protect people's health and prevent the spread of the coronavirus.

In its efforts to contain the effects of realised operational risk, the Sava Insurance Group is following its business continuity protocols because the health of its staff and customers is paramount. To this end, the Slovenian members of the Sava Insurance Group entered a hybrid mode of operation (working partly in the office and partly from home) as of Monday, 16 March 2020, with employees predominantly working remotely.

In accordance with the business continuity protocols and recommendations of the crisis management group, the Group companies have mapped all key and urgent processes and have ensured that they are running smoothly with employees working from their homes. The employees have safely relocated the required means of work to their home environments. The Group companies in the area of claims handling are taking into account country-level measures and the behaviour of other entities on the market. In the case of an emergency that needs to be resolved immediately and that cannot be remotely resolved, an on-call team is scheduled for dispatch to the field to perform an inspection using the required protective equipment.

Regarding the employees involved in all key processes, there is daily information available on their health condition. There is also daily information available on the hybrid mode of operation.