

8 Review of operations of the Sava Insurance Group and Sava Re⁴⁴

8.1 Sava Insurance Group

Business is presented by operating segment reinsurance, non-life, life, pensions and the “other” segment. The non-life and life segments are further broken down by geography (Slovenia and international).

The operating segments include the following companies:

- reinsurance: Sava Re (non-Group business);
- non-life, Slovenia: Zavarovalnica Sava, Slovenian part;
- non-life, international: Zavarovalnica Sava (Croatian part), Sava Neživotno Osiguranje (Serbia), Illyria, Sava Osiguranje (Montenegro), Sava Osiguruvanje (North Macedonia), Sava Car, Sava Agent, Sava Station;

- life, Slovenia: Zavarovalnica Sava (Slovenian part), ZS Svetovanje, Ornatus KC;
- life, international: Zavarovalnica Sava (Croatian part), Sava Životno Osiguranje (Serbia), Illyria Life;
- pensions: Sava Pokojninska, Sava Penzisko Društvo;
- other: TBS Team 24, Sava Infond (company included in the balance sheet as from 30 June 2019 and in the income statement as from 7–12/2019), Illyria Hospital, ZTRS (equity method), G2I (equity method). The “other” segment also includes the costs of subordinate debt.

The segment reporting information also reflects reallocations of certain income statement items:

- Reallocations are made from the reinsurance segment to the other segments (Sava Re as the parent company handles the reinsurance of most risks of the subsidiaries within the Sava Insurance Group): in the segment reporting information, reinsurance premiums received by the reinsurer from the subsidiaries are reallocated to the segments from where they have arisen. The same applies, by analogy, to reinsurance-related claims, commission income, change in unearned premiums, claims provisions and deferred acquisition costs due to reinsurance. In the elimination process, the portion of business retroceded by Sava Re to foreign reinsurers is not allocated to the segments. Retrocession-related expenses usually exceed income (except in the case of catastrophe claims). In order to provide a more appropriate presentation of profitability by segment, the result of retroceded business is also allocated to the segment where it arose. All these items are adjusted only in the part relating to the risks of subsidiaries retroceded by Sava Re to foreign reinsurers.
- Other operating expenses relating to the reinsurance segment are reduced by the portion of expenses attributable to the administration of the Sava Insurance Group. Sava Re operates as a virtual holding company; hence a part of its expenses relates to the administration of the Group. Such expenses relating to the reinsurance segment are allocated to other segments based on gross premiums written. Such reallocation is also made for other operating expenses relating to intra-group reinsurance transactions. In 2019, Sava Re allocated 66.7% of other operating expenses to operating segments as monitored by income composition (2018: 65.6%). Furthermore, operating expenses of TBS Team 24 incurred in its activities on behalf of other Group companies were reallocated from the “other” segment to the Slovenian and international non-life segments. The same method is followed in the consolidation process when income is eliminated.
- Investment income and expenses are reallocated from the reinsurance segment to the non-life insurance and life insurance segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters). In 2019, a revaluation of the 15% share in Sava Infond (EUR 2.7 million) and the expenses for subordinate debt (EUR 0.5 million) are shown in the “other” segment.
- In 2019, the “other income” item shows an extraordinary income due to the remedying of goodwill arising from the purchase of the companies ERGO Osiguranje and ERGO Životno Osiguranje (international non-life segment: EUR 4.9 million, international life segment: EUR 2.6 million).

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

Operating revenues


up 9.9%

- In 2019, in the “other” segment, the “other expenses” item shows an extraordinary expense related to the acquisition of the company Sava Infond (EUR 0.8 million).

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

- Intangible assets – goodwill is allocated to the segment from which it arose (reallocated from the reinsurance segment to other segments depending on which subsidiary it relates to).
- The balance of financial investments is reallocated from the reinsurance segment to the non-life and life segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).
- The reinsurers’ share of technical provisions (reinsurers’ share of unearned premiums, claims provisions and other provisions) and deferred acquisition costs – in the same way as described in indent one of adjustments to income statement items.
- With regard to the cash and cash equivalents item, the investments relating to subordinate debt are shown in the “other” segment.
- Equity is reallocated from the reinsurance segment to other segments based on the cost of investments in subsidiaries (the sum total of carrying amounts of non-life insurers is reallocated to the non-life segment, and that of life insurers is reallocated to the life insurance and other segments).
- With regard to subordinate obligations, the amount of subordinate debt is shown in the “other” segment.

TBS Team 24 was first included in the Sava Insurance Group consolidated financial statements on 31 January 2018, and the companies Energoprojekt Garant and Sava Penzisko Društvo on 31 March 2018. Energoprojekt Garant was merged with Sava Neživotno Osiguranje (Serbia) at year-end 2018. The acquisition of the company Sava Terra was implemented in the third quarter of 2018, and the first consolidation was performed on 31 December 2018. The companies ERGO Osiguranje and ERGO Životno Osiguranje joined the Sava Insurance Group on 31 March 2019. As a result they have been included in the consolidated income statement since 1 April 2019 and were already included in the statement of financial position as at 31 March 2019. Sava Infond has been included in the consolidated financial statements of the Sava Insurance Group since 30 June 2019.

The following provides some brief commentary on the results of each operating segment.

Summary consolidated income statement

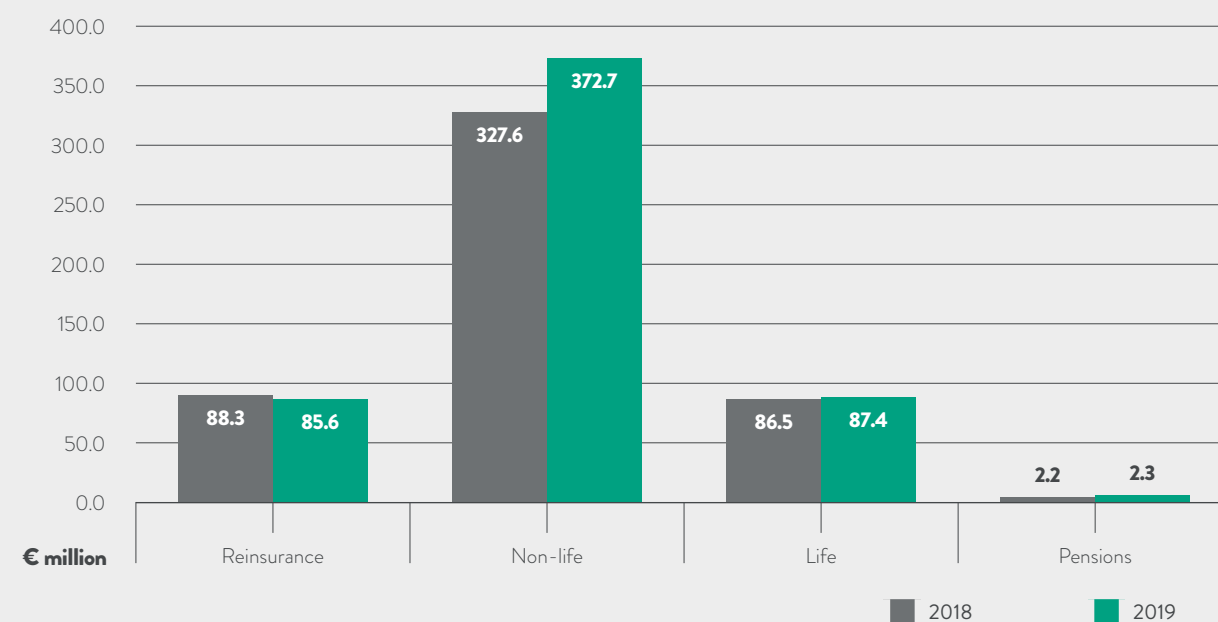
| EUR | 2019 | 2018 | Index |
|-----------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|--------------|
| Net premiums earned | 548,040,035 | 504,669,701 | 108.6 |
| Income from investments in subsidiary companies | 2,717,909 | 0 | - |
| Investment income | 20,273,976 | 20,385,617 | 99.5 |
| Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk | 23,278,584 | 0 | - |
| Other technical income | 12,736,452 | 15,758,510 | 80.8 |
| Other income | 27,693,576 | 14,549,676 | 190.3 |
| - Of which investment property | 1,347,625 | 1,233,614 | 109.2 |
| Net claims incurred | -399,191,460 | -320,760,586 | 124.5 |
| Change in other technical provisions | 46,506,883 | 13,207,584 | 352.1 |
| Change in technical provisions for policyholders who bear the investment risk | -12,825,182 | 15,962,680 | -80.3 |
| Expenses for bonuses and rebates | 227,917 | 288,628 | 79.0 |
| Operating expenses | -186,955,234 | -178,131,437 | 105.0 |
| Expenses relating to investments in associates | -54,721 | -151,130 | 36.2 |
| Expenses for financial assets and liabilities | -1,707,664 | -3,187,907 | 53.6 |
| Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk | 0 | -6,630,921 | - |
| Other technical expenses | -15,435,751 | -17,825,982 | 86.6 |
| Other expenses | -4,561,305 | -2,873,861 | 158.7 |
| - Of which investment property | -448,716 | -511,771 | 87.7 |
| Profit or loss before tax | 60,744,015 | 55,260,572 | 109.9 |

Consolidated net premiums earned⁴⁵

Consolidated net premiums earned

| EUR | 2019 | 2018 | Index |
|---------------------------------|--------------------|--------------------|--------------|
| Gross premiums written | 598,526,157 | 546,299,539 | 109.6 |
| Net premiums written | 562,379,550 | 519,356,687 | 108.3 |
| Change in net unearned premiums | -14,339,515 | -14,686,986 | 97.6 |
| Net premiums earned | 548,040,035 | 504,669,701 | 108.6 |

Consolidated net premiums earned by operating segment

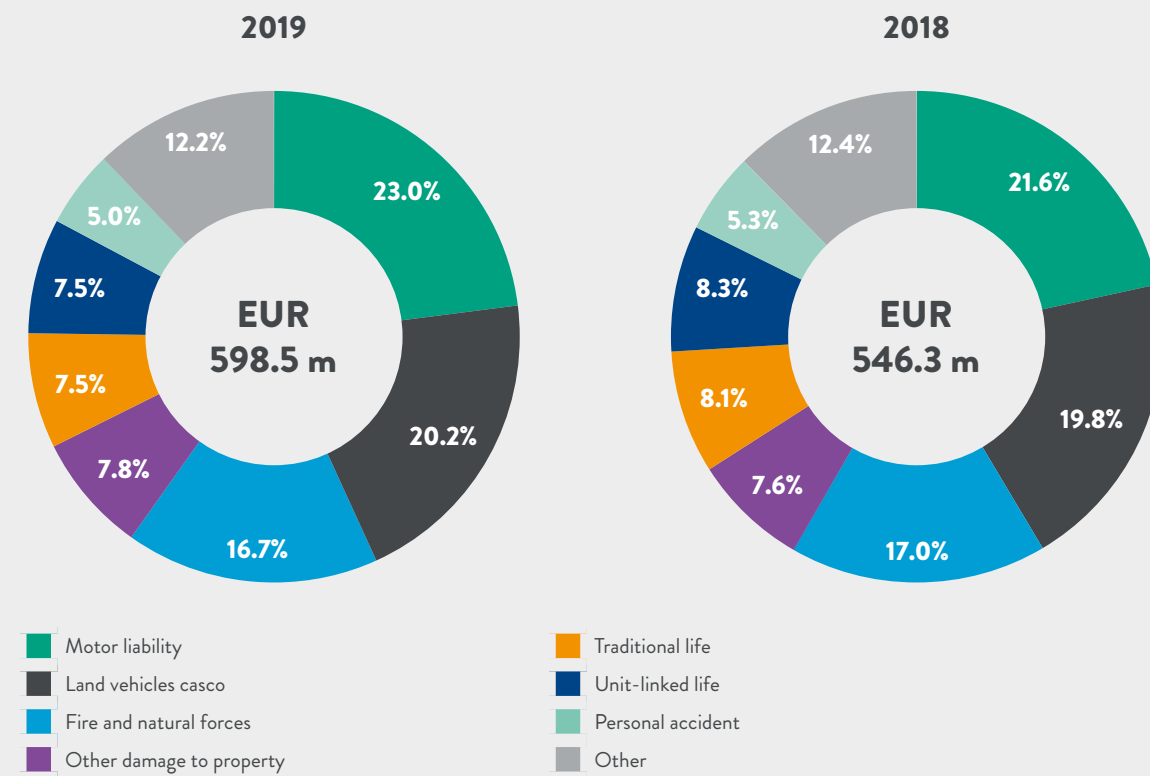


Consolidated net earned premiums by class of business

| EUR | 2019 | 2018 | Index |
|------------------------------|--------------------|--------------------|--------------|
| Personal accident | 29,930,509 | 28,306,999 | 105.7 |
| Health | 6,287,907 | 6,820,565 | 92.2 |
| Land vehicles casco | 113,206,642 | 101,923,291 | 111.1 |
| Railway rolling stock | 325,029 | 143,866 | 225.9 |
| Aircraft hull | 210,294 | 759,435 | 27.7 |
| Ships hull | 4,618,415 | 5,265,092 | 87.7 |
| Goods in transit | 4,321,251 | 6,857,151 | 63.0 |
| Fire and natural forces | 82,754,513 | 79,380,436 | 104.3 |
| Other damage to property | 40,109,442 | 35,622,632 | 112.6 |
| Motor liability | 127,086,388 | 111,409,123 | 114.1 |
| Aircraft liability | 51,025 | 107,829 | 47.3 |
| Liability for ships | 519,199 | 939,050 | 55.3 |
| General liability | 22,126,978 | 20,376,242 | 108.6 |
| Credit | 3,546,229 | 4,228,542 | 83.9 |
| Suretyship | 412,126 | 118,828 | 346.8 |
| Miscellaneous financial loss | 5,470,021 | 1,960,111 | 279.1 |
| Legal expenses | 455,746 | 169,916 | 268.2 |
| Assistance | 16,674,238 | 11,524,953 | 144.7 |
| Traditional life | 44,942,461 | 43,835,525 | 102.5 |
| Unit-linked life | 44,991,622 | 44,920,115 | 100.2 |
| Total non-life | 458,105,952 | 415,914,061 | 110.1 |
| Total life | 89,934,083 | 88,755,640 | 101.3 |
| Total | 548,040,035 | 504,669,701 | 108.6 |

⁴⁵ Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

Consolidated gross premiums written by class of business



Consolidated net claims incurred⁴⁷

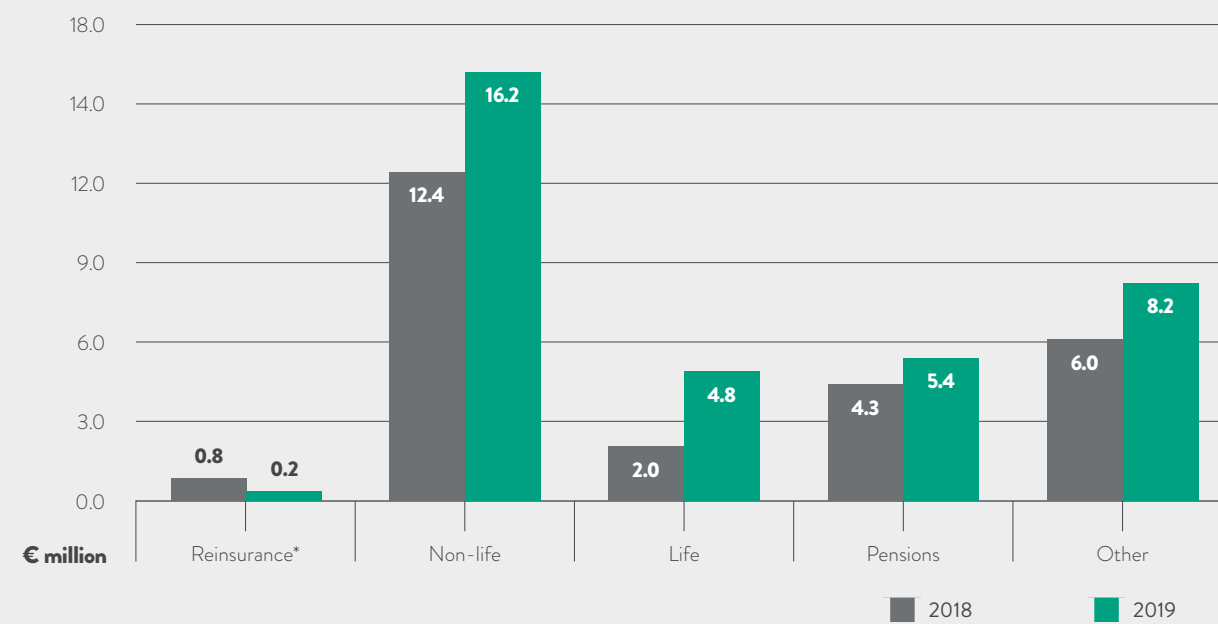
Consolidated net claims incurred, including the change in provisions related to life business

| EUR | 2019 | 2018 | Index |
|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------|
| Gross claims paid | 392,032,235 | 342,556,518 | 114.4 |
| Net claims paid | 381,472,868 | 330,096,400 | 115.6 |
| Change in the net provision for outstanding claims | 17,718,592 | -9,335,814 | -189.8 |
| Net claims incurred | 399,191,460 | 320,760,586 | 124.5 |
| Change in other technical provisions* | -46,506,883 | -13,207,584 | 352.1 |
| Change in technical provisions for policyholders who bear the investment risk | 12,825,182 | -15,962,680 | -80.3 |
| Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business | 365,509,759 | 291,590,322 | 125.4 |

* This largely comprises mathematical provisions.

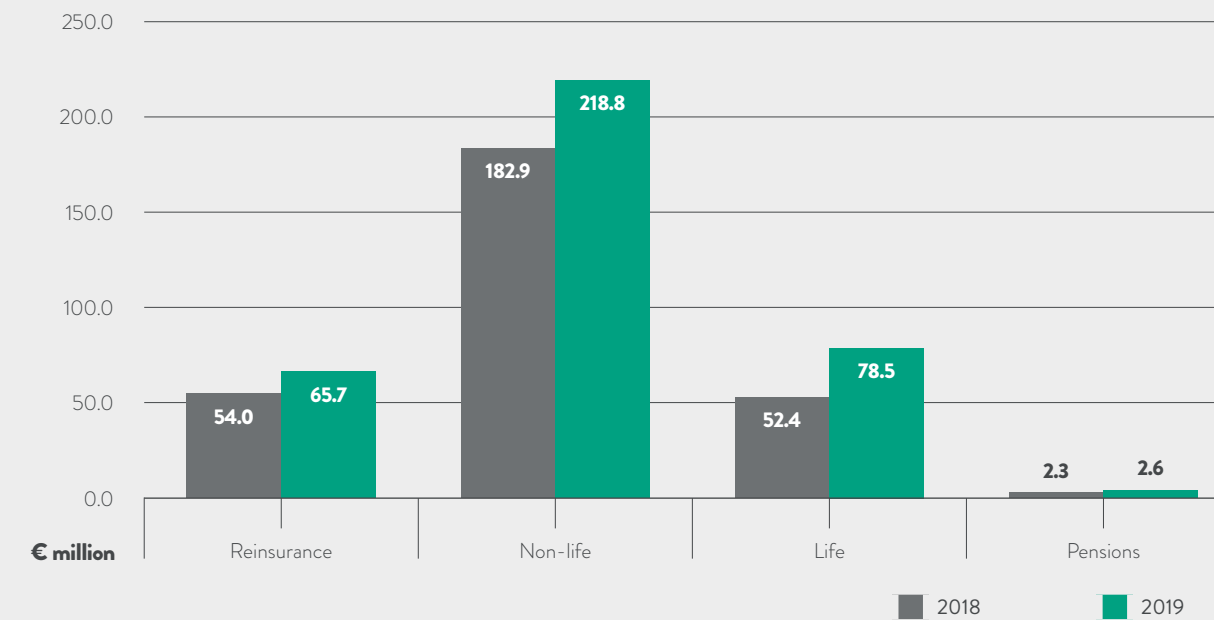
Consolidated other technical income and other income

Composition of other technical income and other income by operating segment⁴⁶



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

Composition of consolidated net claims incurred, including the change in life insurance provisions⁴⁸



⁴⁶ Other technical income does not include income from reinsurance commissions.

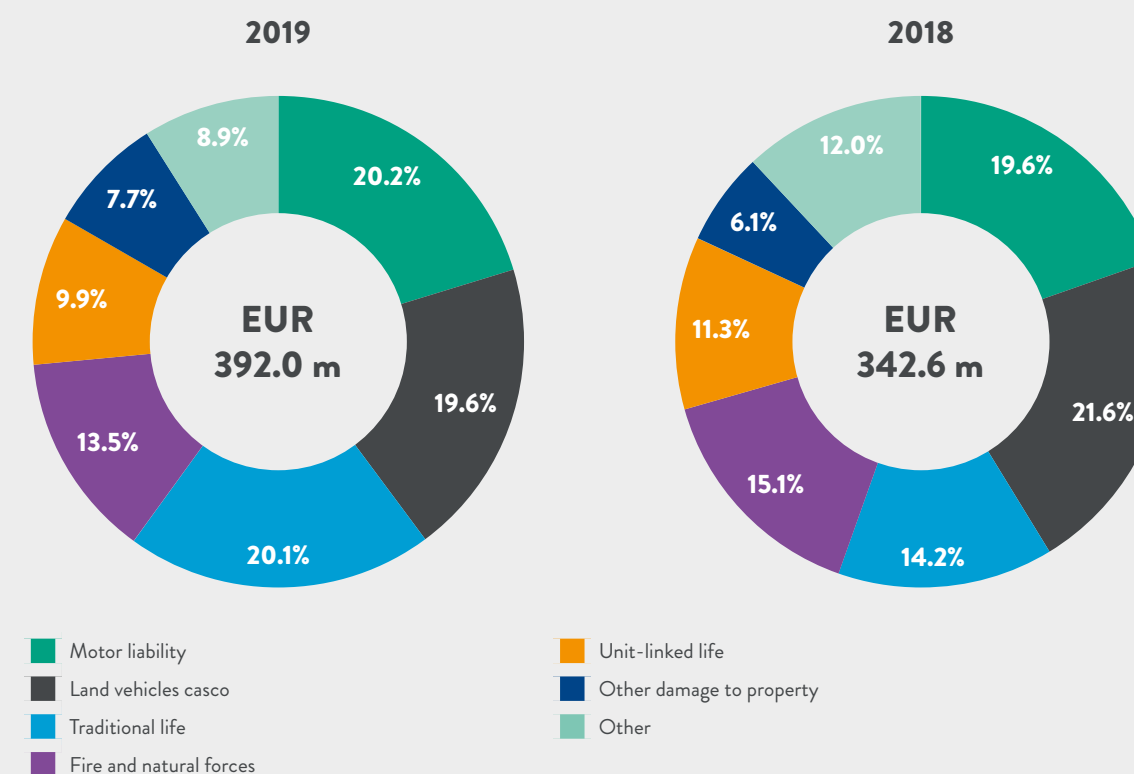
⁴⁷ Included are also items of the pensions segment relating to pension annuity business in the distribution phase.

⁴⁸ The net claims incurred by operating segment include the change in other technical provisions and the change in technical provisions for policyholders who bear the investment risk.

Consolidated net claims incurred by class of business⁴⁹

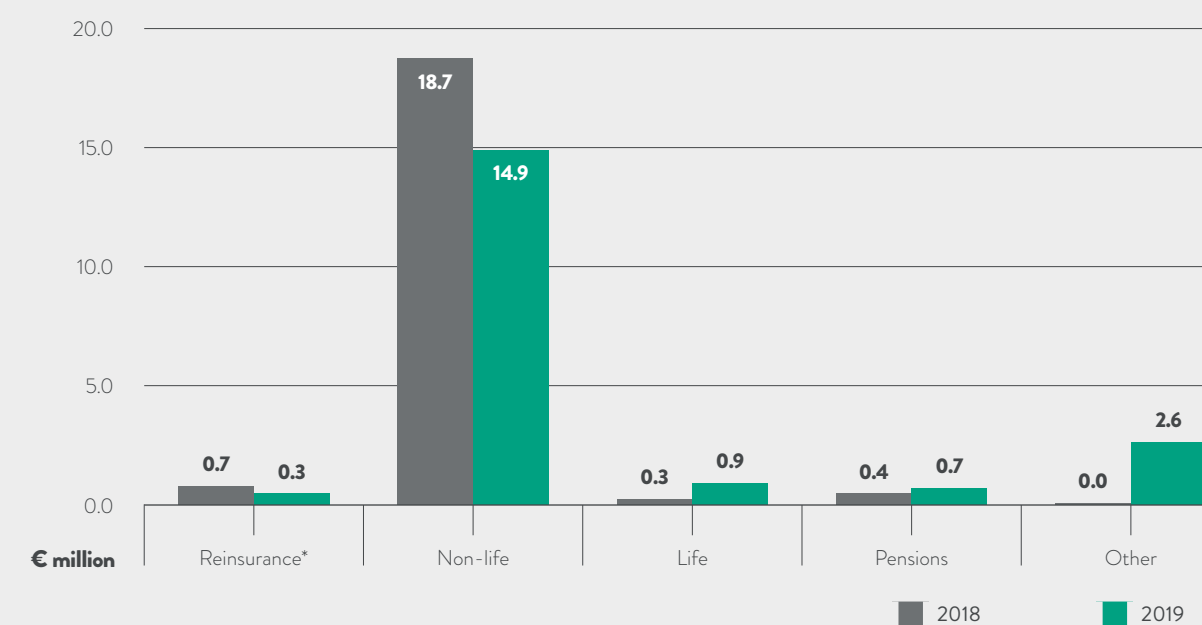
| EUR | 2019 | 2018 | Index |
|------------------------------|--------------------|--------------------|--------------|
| Personal accident | 11,451,517 | 11,168,972 | 102.5 |
| Health | 4,553,497 | 4,264,920 | 106.8 |
| Land vehicles casco | 77,969,525 | 73,108,208 | 106.6 |
| Railway rolling stock | 61,846 | 587,259 | 10.5 |
| Aircraft hull | 383,214 | 359,839 | 106.5 |
| Ships hull | 5,068,332 | 6,844,282 | 74.1 |
| Goods in transit | 1,687,880 | 5,684,790 | 29.7 |
| Fire and natural forces | 61,097,843 | 42,068,388 | 145.2 |
| Other damage to property | 29,990,422 | 17,979,720 | 166.8 |
| Motor liability | 79,518,637 | 62,105,208 | 128.0 |
| Aircraft liability | 8,887 | -38,163 | -23.3 |
| Liability for ships | 490,007 | 354,175 | 138.4 |
| General liability | 8,225,516 | 6,777,430 | 121.4 |
| Credit | -82,382 | -222,186 | 37.1 |
| Suretyship | -3,995 | -98,655 | 4.0 |
| Miscellaneous financial loss | 1,003,565 | 1,091,744 | 91.9 |
| Legal expenses | 245,728 | -8,939 | -2,748.9 |
| Assistance | 3,075,461 | 2,403,444 | 128.0 |
| Traditional life | 79,194,743 | 47,690,979 | 166.1 |
| Unit-linked life | 35,251,217 | 38,639,170 | 91.2 |
| Total non-life | 284,745,500 | 234,430,436 | 121.5 |
| Total life | 114,445,960 | 86,330,149 | 132.6 |
| Total | 399,191,460 | 320,760,586 | 124.5 |

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



Consolidated other technical expenses and other expenses

Composition of other technical expenses and other expenses by operating segment



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

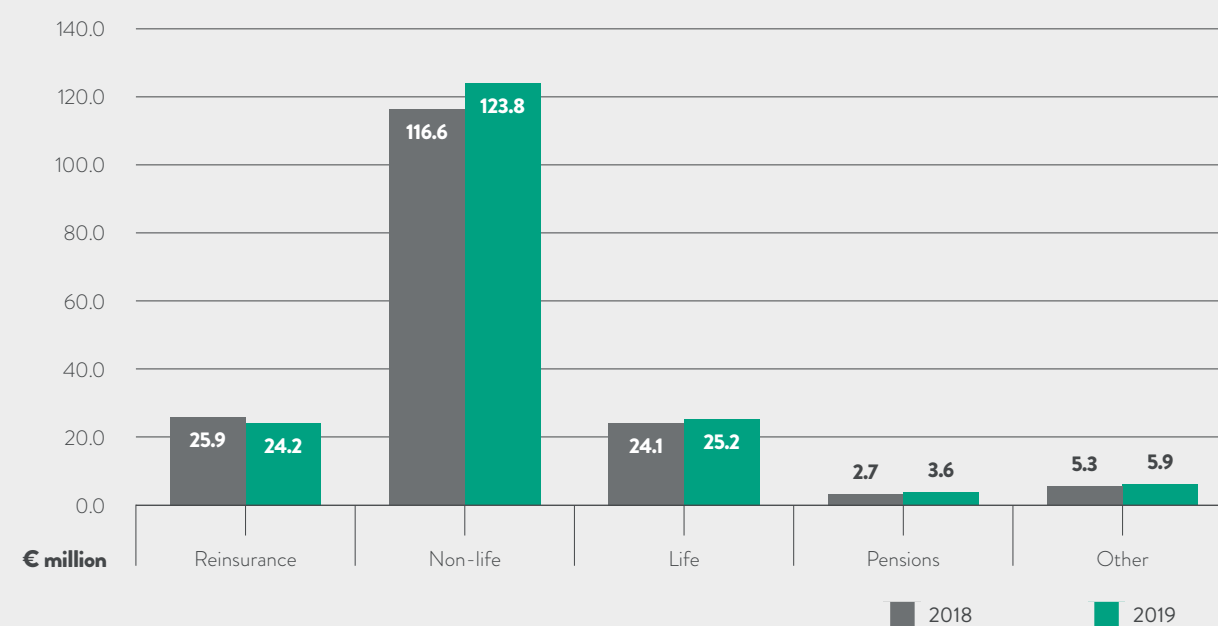
⁴⁹ These do not include the change in other technical provisions nor the change in the technical provision for policyholders who bear the investment risk.

Consolidated operating expenses

Consolidated operating expenses

| EUR | 2019 | 2018 | Index |
|--------------------------------------------|--------------------|--------------------|--------------|
| Acquisition costs | 65,793,677 | 58,372,509 | 112.7 |
| Change in deferred acquisition costs (+/-) | -2,908,414 | -1,598,536 | 181.9 |
| Other operating expenses | 124,069,971 | 121,357,464 | 102.2 |
| Operating expenses | 186,955,234 | 178,131,437 | 105.0 |
| Reinsurance commission income | -4,291,946 | -3,634,682 | 118.1 |
| Net operating expenses | 182,663,288 | 174,496,755 | 104.7 |

Consolidated net operating expenses by operating segment



Consolidated net investment income

Net investment income of the investment portfolio also includes the income and expenses relating to investment property. These are shown in the income statement under other income/expenses.

Consolidated net investment income of the investment portfolio

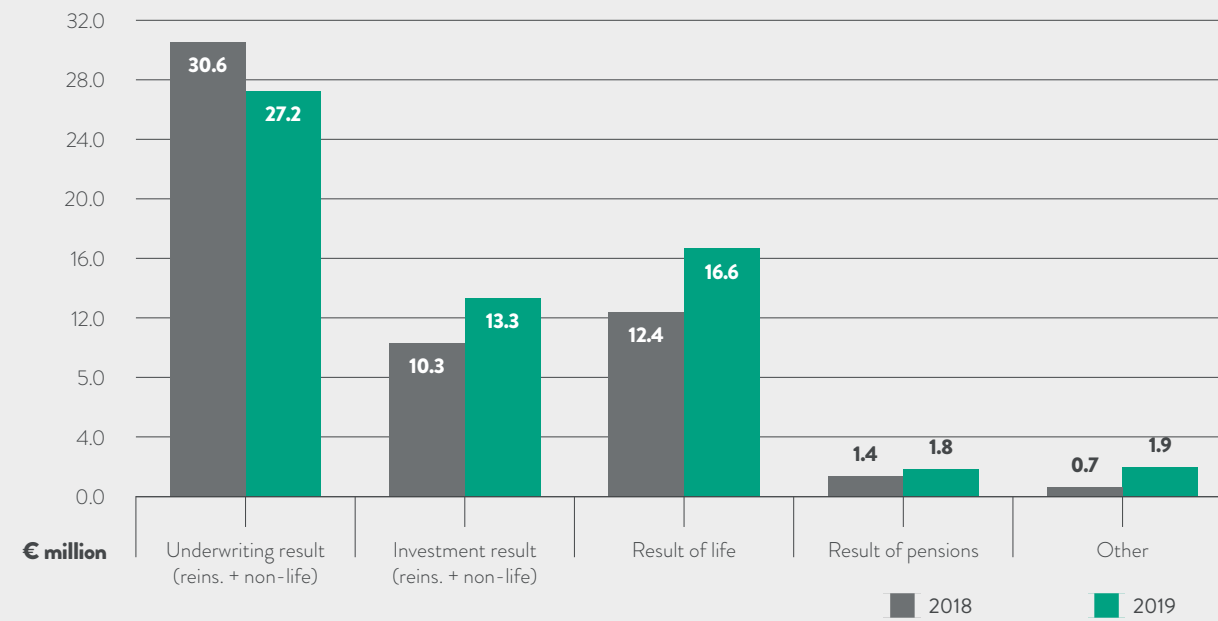
| EUR | 2019 | 2018 | Absolute change |
|-------------------------------------------------------------------------------------------------|------------|------------|-----------------|
| Net investment income of the investment portfolio | 22,299,995 | 17,768,423 | 4,531,572 |
| Net investment income of the investment portfolio, excluding the effect of exchange differences | 20,959,926 | 17,922,647 | 3,037,279 |

Consolidated income and expenses relating to the investment portfolio

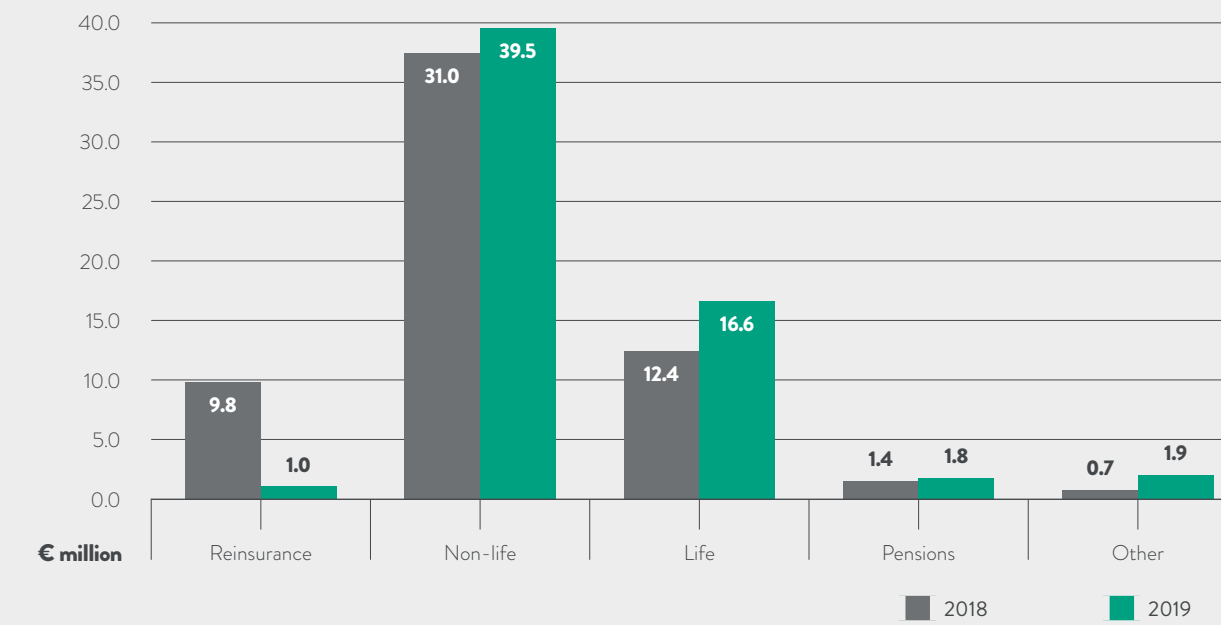
| EUR | 2019 | 2018 | Absolute change |
|----------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| Income | | | |
| Interest income | 14,016,424 | 16,459,186 | -2,442,762 |
| Change in fair value and gains on disposal of FVTPL assets | 1,718,802 | 213,683 | 1,505,119 |
| Gains on disposal of other IFRS asset categories | 786,557 | 2,251,786 | -1,465,229 |
| Income of subsidiaries | 2,717,909 | 0 | 2,717,909 |
| Income from dividends and shares – other investments | 1,623,033 | 1,378,367 | 244,666 |
| Exchange gains | 1,340,069 | 0 | 1,340,069 |
| Diverse other income | 2,136,717 | 1,316,209 | 820,508 |
| Income relating to the investment portfolio | 24,339,511 | 21,619,231 | 2,720,280 |
| Net unrealised and realised gains on investments of life insurance policyholders who bear the investment risk | 23,278,584 | 0 | 23,278,584 |
| Expenses | | | |
| Interest expenses | 510,432 | 28,445 | 481,987 |
| Change in fair value and losses on disposal of FVTPL assets | 626,040 | 636,625 | -10,585 |
| Losses on disposal of other IFRS asset categories | 242,946 | 305,347 | -62,401 |
| Impairment losses on subsidiaries and associates | 54,721 | 151,130 | -96,409 |
| Impairment losses on other investments | 0 | 1,943,975 | -1,943,975 |
| Exchange losses | 0 | 154,224 | -154,224 |
| Other | 605,377 | 631,062 | -25,685 |
| Expenses relating to the investment portfolio | 2,039,516 | 3,850,508 | -1,811,292 |
| Net unrealised and realised losses on investments of life insurance policyholders who bear the investment risk | 0 | 6,630,921 | -6,630,921 |

Consolidated gross profit or loss

Composition of the consolidated gross profit or loss



Composition of the consolidated gross income statement by operating segment



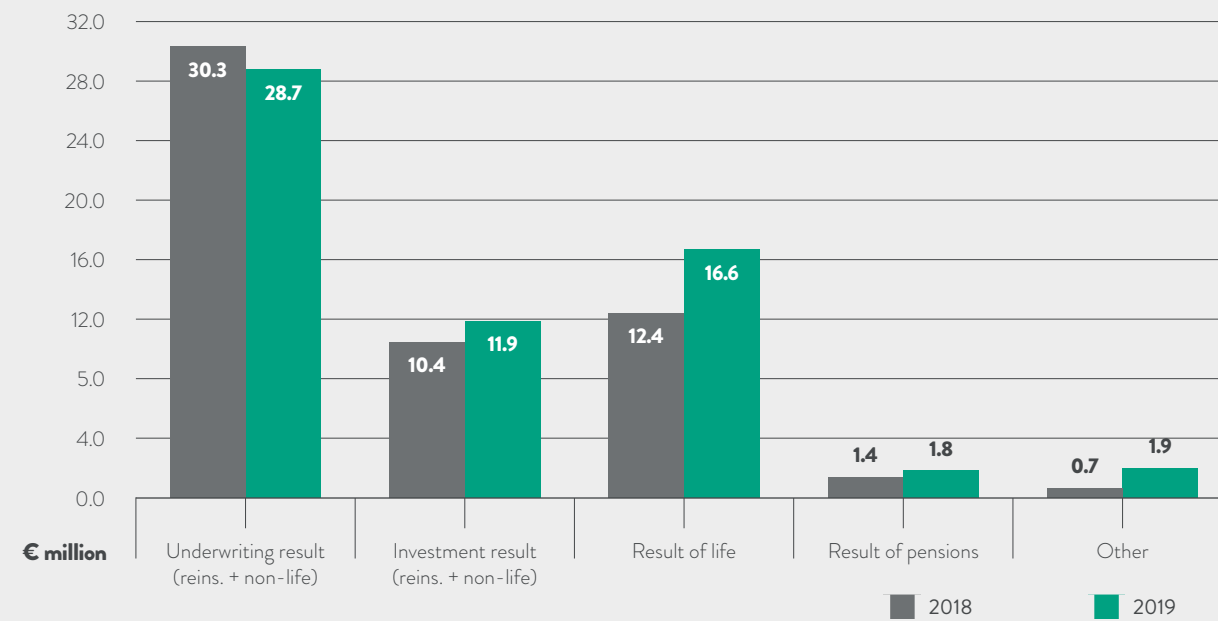
Profit after tax



up 16.7%

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

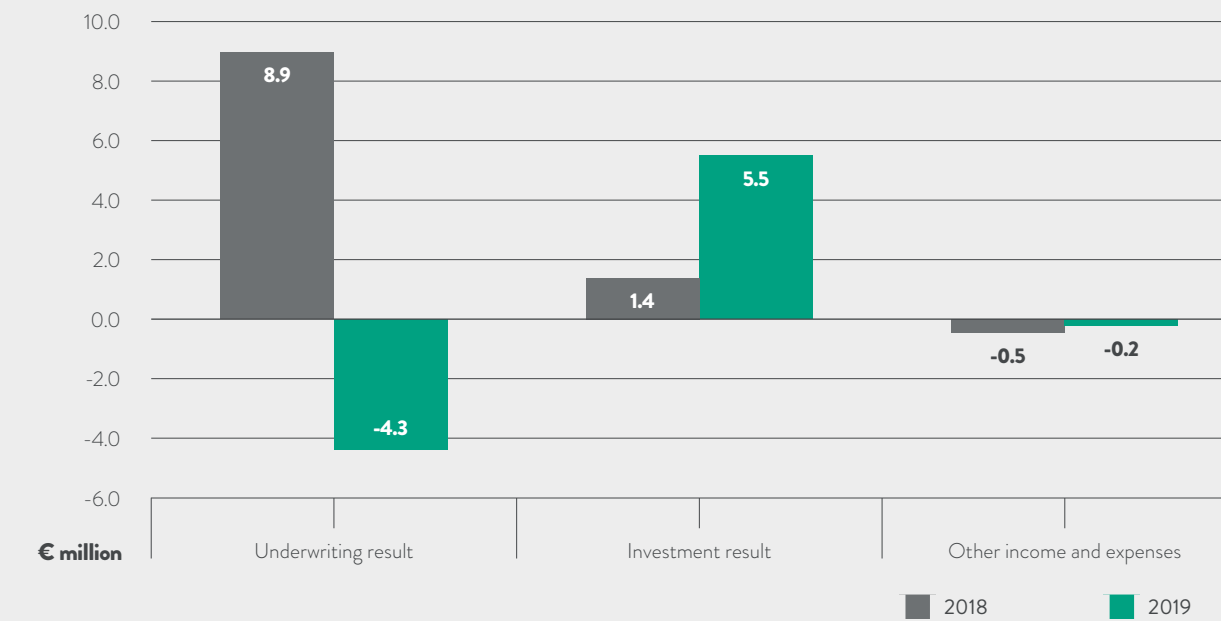
Composition of the gross consolidated result (excluding the effect of exchange differences)



8.1.1 Reinsurance business

The reinsurance segment primarily reflects the developments in the portfolio that Sava Re writes outside Slovenia with non-Group companies.

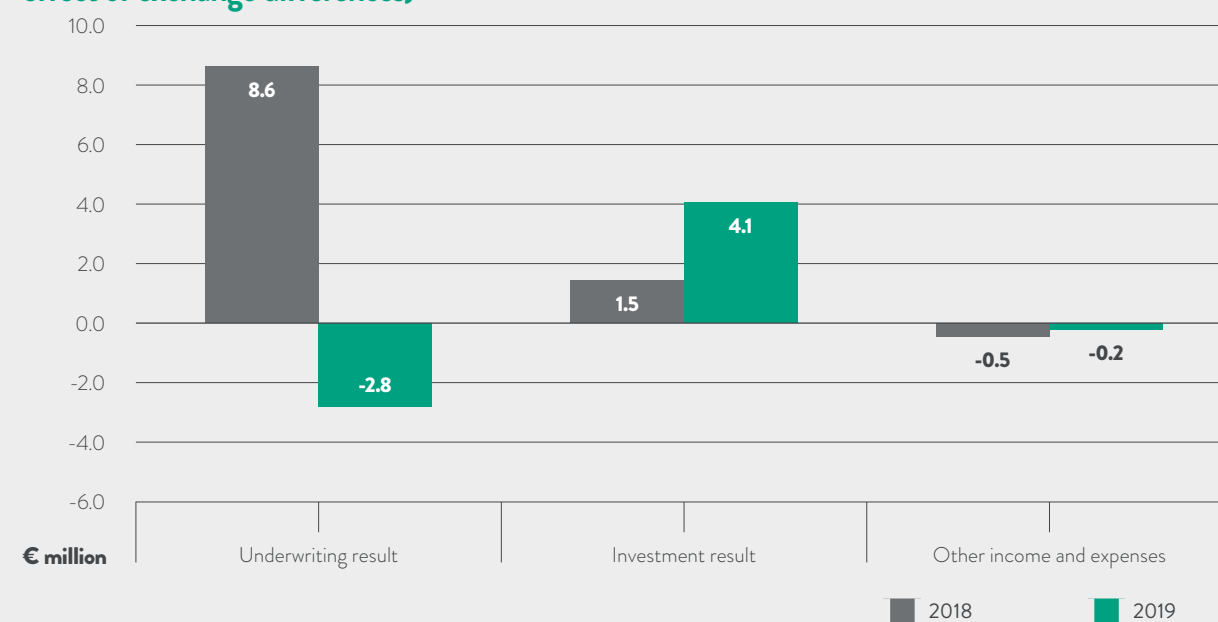
Composition of the consolidated gross income statement; reinsurance business



The performance of this operating segment is impacted by exchange differences, which is why the underwriting and investment results are not directly comparable. The following

graph shows the composition of gross profits of the reinsurance segment, excluding the effect of exchange differences.

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



The underwriting result, excluding the effect of exchange differences, was lower than in 2018, mainly on account of higher claims incurred (deviations are explained later in the section); in 2018, the Company also recognised a one-off effect of the positive settlement of a legal case in the amount of EUR 1.5 million. In 2019, the investment result was more favourable than in 2018, which was due to the partial repayment of the previously impaired corporate bond in 2019 (EUR +0.4 million); in 2018, the company also effected EUR 1.9 million in impairments, which in 2019 did not rise to such a level. The investment result was negatively affected by the decrease in interest income due to the matu-

urity of a part of the investment portfolio and the reinvestment of funds under significantly worse conditions; another significant reason is the increase in interest expenses due to the subordinated bond issued by the controlling company (EUR 0.5 million).

The Company follows a policy of asset and liability currency matching. The impact of exchange differences on results by operating segment was as follows: underwriting categories were impacted by exchange losses of EUR 1.6 million (2018: EUR 0.3 million of exchange gains) and exchange gains of EUR 1.4 million relating to investments (2018: EUR 0.1 million exchange losses).

Net premiums earned

Net premiums earned; reinsurance business

| EUR | 2019 | 2018 | Index |
|------------------------|------------|------------|-------|
| Gross premiums written | 90,250,935 | 89,317,441 | 101.0 |
| Net premiums earned | 85,611,888 | 88,342,760 | 96.9 |

Gross premiums written in the reinsurance segment in 2019 were up by 1.0% from the previous year. Premium growth was achieved in non-proportional reinsurance business, especially in Asian markets (through organic growth and new contracts). In 2019, net premiums earned were lower than in 2018 by 3.1% due to the higher change in net unearned premiums (in 2018, a decline in gross pre-

miums and consequently a decrease in net unearned premiums was recorded, while in 2019, an increase in gross premiums and consequently an increase in net unearned premiums was recorded).

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

Net claims incurred⁵⁰

Net claims incurred; reinsurance business

| EUR | 2019 | 2018 | Index |
|---------------------|------------|------------|-------|
| Gross claims paid | 54,209,096 | 51,397,784 | 105.5 |
| Net claims incurred | 64,948,955 | 53,742,449 | 120.9 |

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

| EUR | 2019 | 2018 | Index |
|---------------------|------------|------------|-------|
| Gross claims paid | 54,209,096 | 51,397,784 | 105.5 |
| Net claims incurred | 63,299,231 | 54,041,019 | 117.1 |

Return on
investments



up 1.3 p.p.

In 2019, exchange differences had a negative impact on net claims incurred in the amount of EUR 1.6 million (in 2018 a positive impact in the amount of EUR 0.3 million). In 2019, net claims incurred, excluding the effect of exchange differences, rose by 17.1% compared to 2018, due to the fact that there were more catastrophic events in 2019 than in the previous year (2018: a typhoon in Japan and floods in India; 2019: two typhoons in Japan, a hurri-

cane in the Bahamas, fires in the United Kingdom and in Qatar). The net incurred loss ratio relating to the reinsurance segment (excluding the effect of exchange differences) was lower than in the previous year by 13.4 p.p., amounting to 74.8% (2018: 61.4%).

More details on developments in unconsolidated data are provided in section 8.2 “Sava Re”.

Operating expenses

Consolidated operating expenses; reinsurance business

| EUR | 2019 | 2018 | Index |
|---------------------------------------------------|-------------------|-------------------|-------------|
| Acquisition costs | 19,969,317 | 21,237,494 | 94.0 |
| Change in deferred acquisition costs (+/-) | 329,954 | 652,725 | 50.6 |
| Other operating expenses | 4,428,759 | 4,333,876 | 102.2 |
| Operating expenses | 24,728,030 | 26,224,095 | 94.3 |
| Reinsurance commission income | -565,492 | -365,777 | -45.4 |
| Net operating expenses | 24,162,539 | 25,858,319 | 93.4 |

Acquisition costs (commissions) were lower, despite higher gross premiums. Acquisition costs accounted for 22.1% of gross premiums written in 2019, which is 1.6 p.p. less than in 2018. The lower increase in commissions compared to gross premiums written is the result of a relative decline in proportional business, which earns higher commission rates than non-proportional business. The change in deferred acquisition costs in 2019 is lower than in the previous year, and corresponds to the developments in unearned premiums.

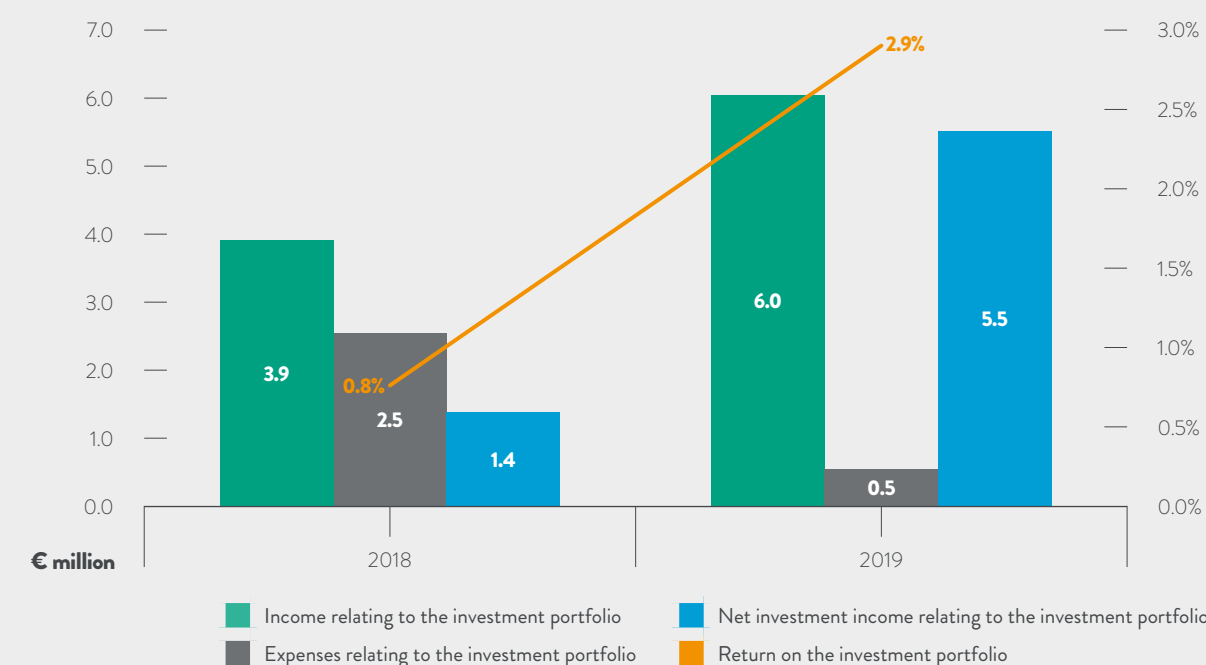
Other operating expenses increased by 2.2%, primarily on account of IT services.

In 2019, the net expense ratio was lower than in 2018 by 1.1 p.p. due to the lower acquisition costs and amounted to 28.2%.

More details on developments in unconsolidated data are provided in section 8.2 “Sava Re”.

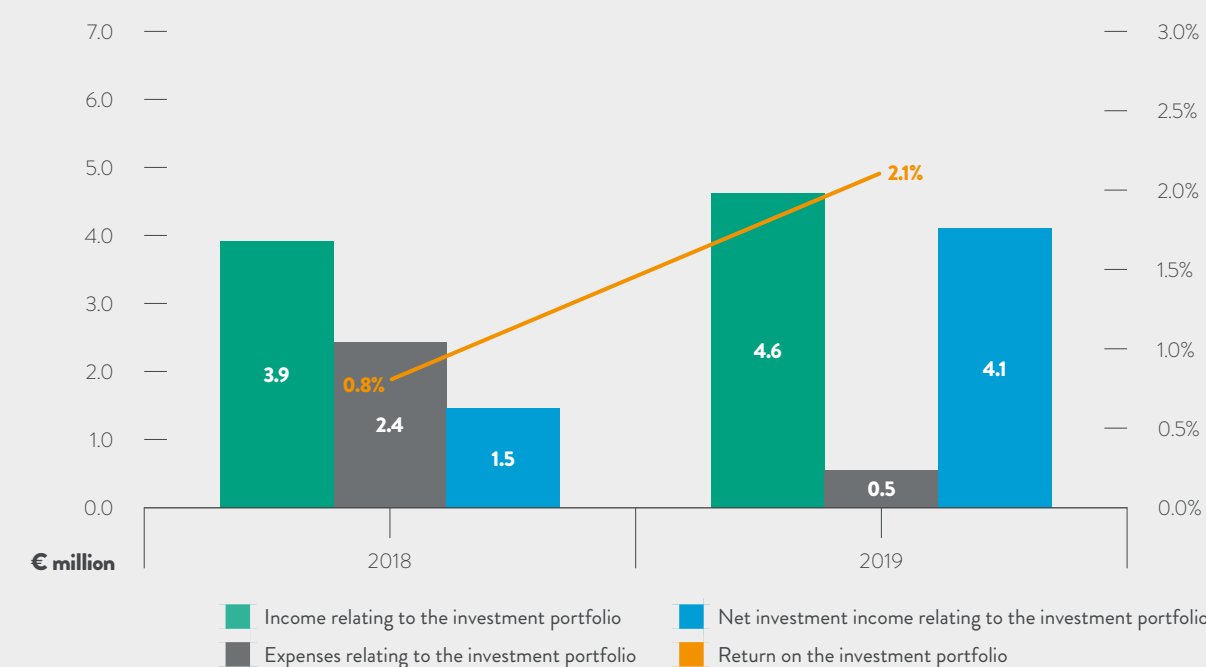
Net investment income

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



* Income and expenses for 2018 differ from those listed in the 2018 annual report due to the fact that exchange differences were presented separately, while the 2019 annual report shows the common impact of exchange differences.

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



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

Compared to 2018, the Group realised EUR 2.6 million higher return in the reinsurance segment. The higher return was affected by the income from the partial repayment of a previously impaired corporate bond (EUR +0.4 million). In 2018, the company realised EUR 1.9 million impairments, which were not realised in 2019. The investment return for the period was 2.1%.

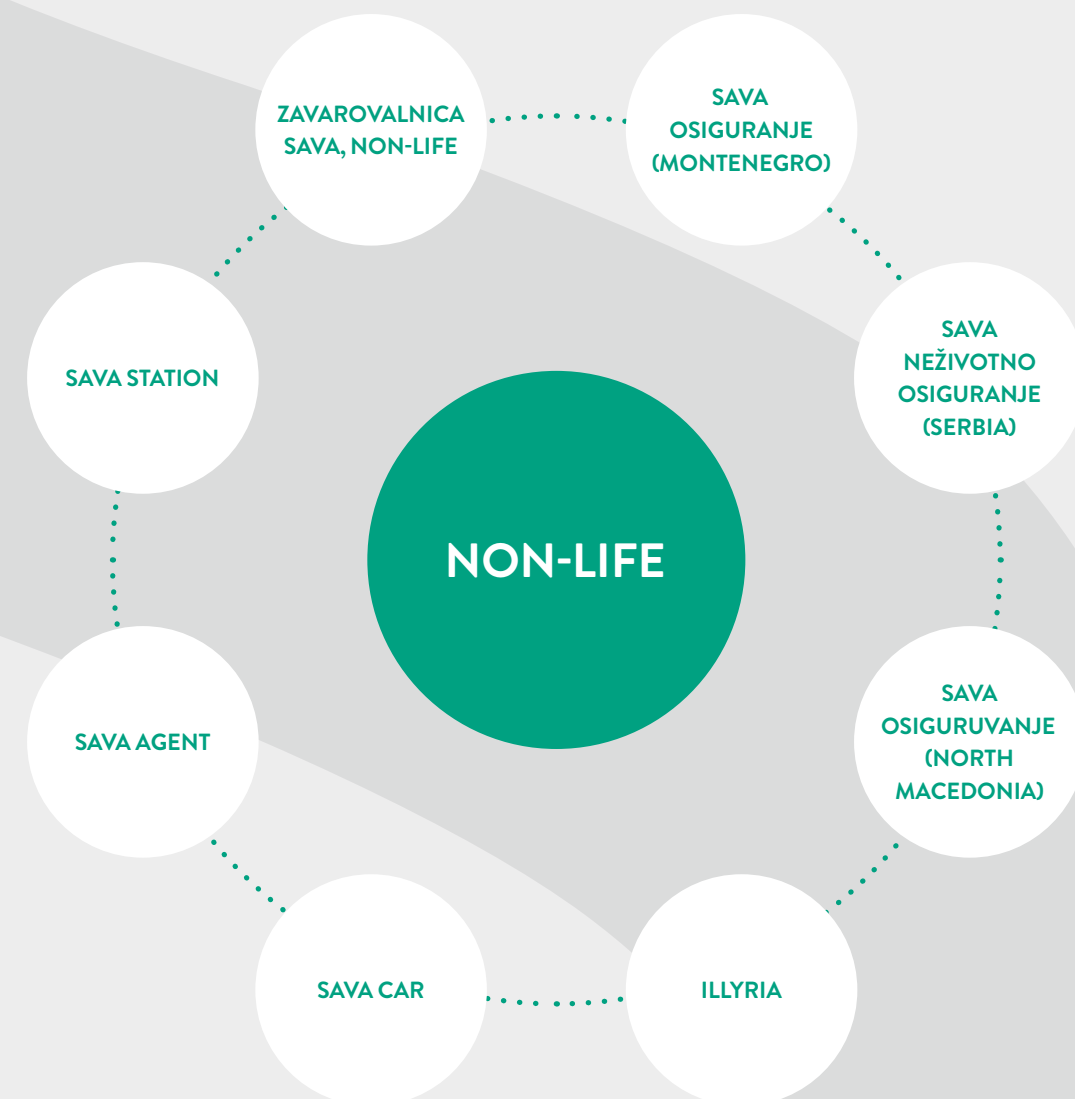
The non-life insurance segment comprises the operations of the following companies:

- Zavarovalnica Sava, non-life
- Sava Osiguranje (Montenegro)
- Sava Neživotno Osiguranje (Serbia)
- Sava Osiguruvanje (North Macedonia)
- Illyria
- Sava Car
- Sava Agent
- Sava Station

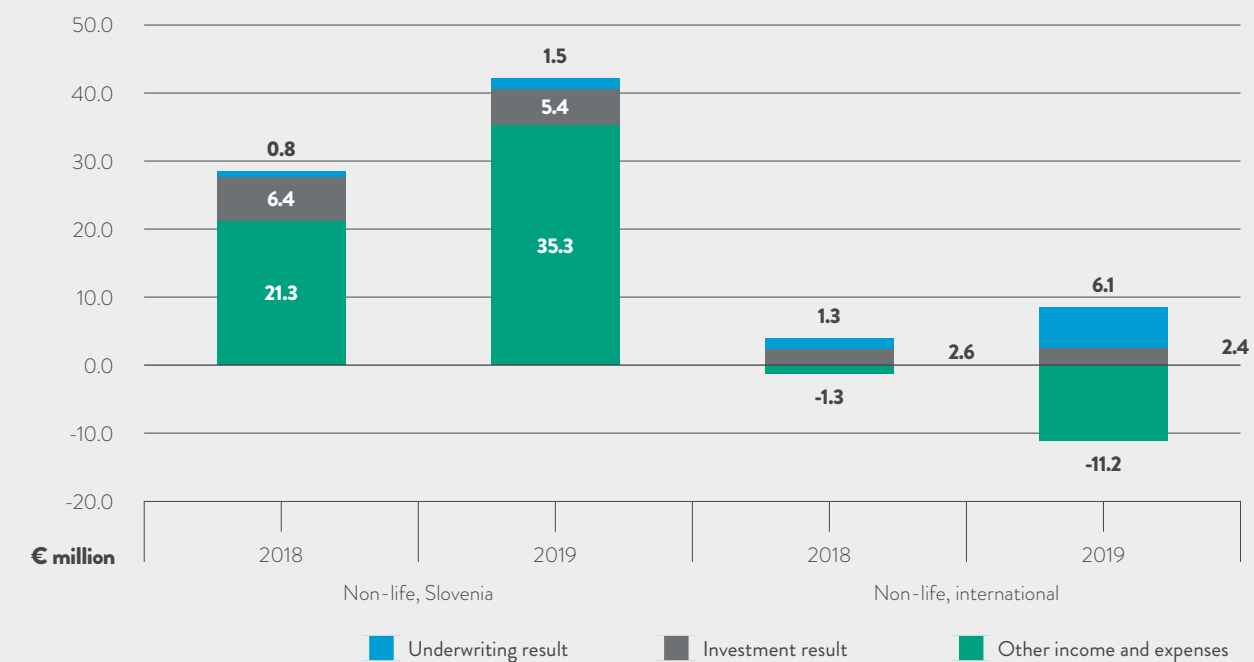
The Slovenian part of Zavarovalnica Sava is discussed under Slovenian non-life insurance, and the Croatian part of the company is discussed under international non-life insurance.

Income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.36 "Segment reporting".

8.1.2 Non-life business



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



The gross consolidated profit for 2019 relating to the non-life operating segment improved by EUR 8.5 million compared to 2018. This is the combined result of a EUR 13.7 million better result of the Slovenian insurer and a EUR 5.2 million weaker result of non-Slovenian insurers.

The consolidated underwriting result of the Slovenian non-life insurer improved by EUR 14.0 million, mainly driven by growth in net premiums earned. The decline in the non-Slovenian underwriting result of non-life insurers of EUR 9.9 million is chiefly attributable to higher net claims incurred by Croatian non-life insurers.

Gross
premiums
written



up 13.7%



Slovenian
growth
supported by
FOS business

The investment result of the Slovenian non-life insurer was weaker by EUR 1.0 million due to lower interest income. The investment result of the non-Slovenian non-life insurers was weaker by EUR 0.2 million, which is chiefly attributable to lower other investment income and somewhat higher expenses for financial assets and liabilities.

The result of other income and expenses of the Slovenian non-life insurer improved by EUR 0.7 million, chiefly due to lower other

expenses in 2019. This is because in 2019 a change was made in the presentation of discounts for advance payments: in 2018, they were recorded as other expenses, while in 2019 they are recorded as a reduction in gross premiums written. The result of other income and expenses of non-Slovenian non-life insurers improved by EUR 4.8 million due to income concerning the remedying of negative goodwill recognised at the acquisition of the company ERGO Osiguranje.

Net premiums earned

Net premiums earned; non-life insurance business

| EUR | 2019 | 2018 | Index |
|------------------------|-------------|-------------|-------|
| Gross premiums written | 418,279,959 | 367,910,907 | 113.7 |
| Net premiums earned | 372,714,714 | 327,627,998 | 113.8 |

Net premiums earned by region; non-life insurance business

| EUR | Slovenia | | | International | | |
|------------------------|-------------|-------------|-------|---------------|------------|-------|
| | 2019 | 2018 | Index | 2019 | 2018 | Index |
| Gross premiums written | 336,307,949 | 299,788,809 | 112.2 | 81,972,010 | 68,122,098 | 120.3 |
| Net premiums earned | 299,057,193 | 266,087,185 | 112.4 | 73,657,520 | 61,540,814 | 119.7 |

Unconsolidated gross non-life premiums of Sava Insurance Group members

| EUR | 2019 | 2018 | Index |
|-----------------------------------------------|--------------------|--------------------|--------------|
| Zavarovalnica Sava, Slovenian part (non-life) | 336,459,922 | 299,921,688 | 112.2 |
| Zavarovalnica Sava, Croatian part (non-life) | 21,040,720 | 12,622,849 | 166.7 |
| Sava Neživotno Osiguranje (Serbia) | 22,473,870 | 20,301,623 | 110.7 |
| Illyria | 10,320,121 | 9,377,074 | 110.1 |
| Sava Osiguruvanje (North Macedonia) | 14,397,197 | 13,038,150 | 110.4 |
| Sava Osiguranje (Montenegro) | 13,758,703 | 12,804,286 | 107.5 |
| Total | 418,450,532 | 368,065,671 | 113.7 |

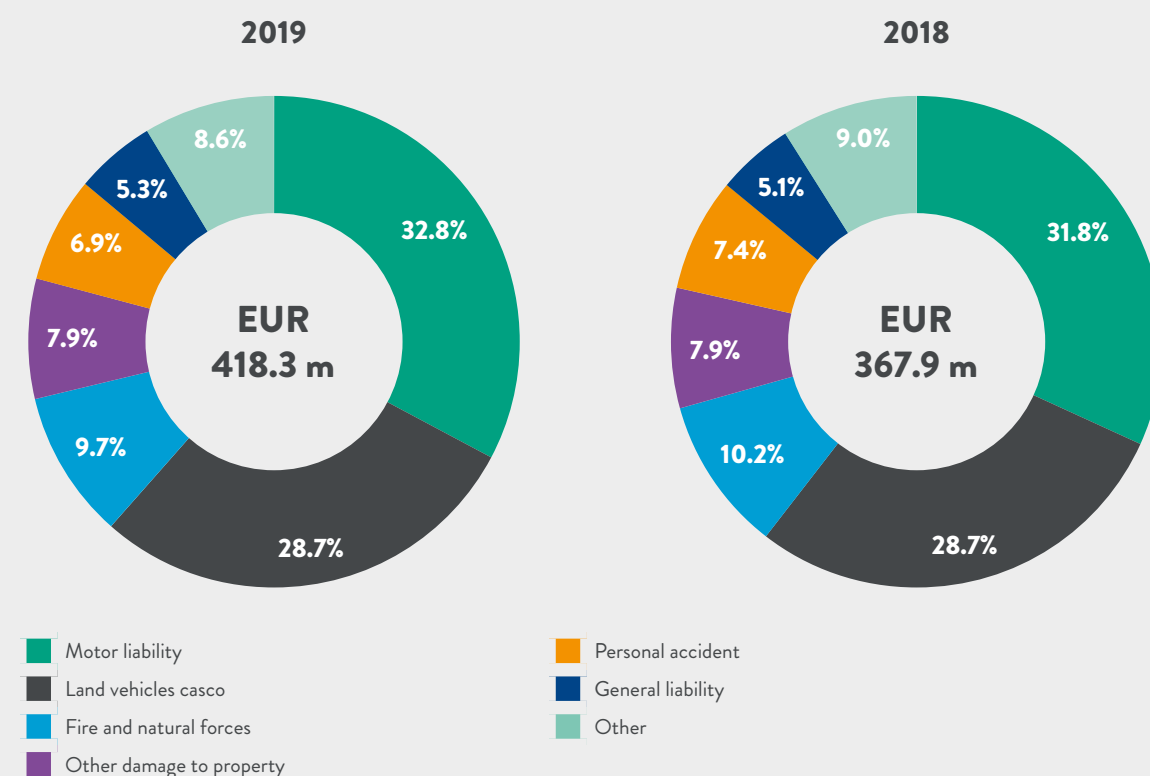
Gross non-life insurance premiums grew by 13.7% in 2019 as a result of the growth in gross non-life premiums of all non-life insurance companies in the Group. Accordingly, net premiums earned also grew, by 13.8% in total.

Slovenia-sourced gross non-life premiums grew by 12.2%. The increase in gross premiums for FOS business (freedom of service) in the amount of EUR 13.7 million written by the non-life insurer in Slovenia in cooperation with various companies within the EU Member States contributed to the growth of the Slovenian non-life insurer. This chiefly includes motor and general liability policies. The increase in gross premiums of the Slovenian non-life insurer in the amount of EUR 22.9 million refers to non-life insurances without FOS business. In the aforementioned period, the Slovenian insurance market registered 7.5% growth in non-life gross premiums, excluding FOS business and accepted co-insurance, while the Slovenian part of Zavarovalnica Sava achieved 7.7% premium growth. The growth in gross premiums written for the Slovenian non-life insurer, excluding

FOS business, mostly stemmed from motor business. A large part of the growth relates to private motor insurance business, where the number of policies is increasing, as is the average premium in all insurance packages with the highest sales. In addition, favourable economic conditions with rising sales of motor vehicles boosted the sale of upmarket motor insurance packages. There was also a rise in gross premiums written in property business, due to an increase in insured property value of a large client. Net non-life insurance premiums earned in Slovenia grew by 12.4% in 2019.

Gross non-life insurance premiums written abroad rose by 20.3%. The growth was chiefly driven by the inclusion of the Croatian non-life insurer ERGO into the Sava Insurance Group. The largest jump in absolute terms was in motor premiums, chiefly as the result of higher sales in Croatia. Gross motor premiums also rose for the other non-Slovenian non-life insurers as a result of increased sales activities (opening of new branches and road-worthiness tests) and the joining of new policyholders.

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



Net claims incurred

Net claims incurred; non-life insurance business

| EUR | 2019 | 2018 | Index |
|---------------------|-------------|-------------|-------|
| Gross claims paid | 220,529,309 | 203,745,926 | 108.2 |
| Net claims incurred | 219,804,515 | 180,579,549 | 121.7 |

Net claims incurred by region; non-life insurance business

| EUR | Slovenia | | | International | | |
|---------------------|-------------|-------------|-------|---------------|------------|-------|
| | 2019 | 2018 | Index | 2019 | 2018 | Index |
| Gross claims paid | 179,339,140 | 172,411,609 | 104.0 | 41,190,169 | 31,334,317 | 131.5 |
| Net claims incurred | 174,757,144 | 150,490,839 | 116.1 | 45,047,371 | 30,088,710 | 149.7 |

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

| EUR | 2019 | 2018 | Index |
|-----------------------------------------------|--------------------|--------------------|--------------|
| Zavarovalnica Sava, Slovenian part (non-life) | 180,119,095 | 176,876,690 | 101.8 |
| Zavarovalnica Sava, Croatian part (non-life) | 12,771,183 | 6,046,599 | 211.2 |
| Sava Neživotno Osiguranje (Serbia) | 9,519,789 | 9,126,197 | 104.3 |
| Illyria | 6,945,708 | 5,424,456 | 128.0 |
| Sava Osiguruvanje (North Macedonia) | 6,097,029 | 6,091,707 | 100.1 |
| Sava Osiguranje (Montenegro) | 5,938,718 | 4,671,859 | 127.1 |
| Total | 221,391,522 | 208,237,508 | 106.3 |

Consolidated gross non-life claims grew by 8.2% in 2019, chiefly as the result of growth in gross non-life claims of the non-Slovenian non-life insurers.

Consolidated gross claims paid relating to Slovenian business rose by 4.0% in 2019 compared to the previous year. The increase in consolidated gross claims of the Slovenian business was mostly due to the change in the ownership of a subsidiary assistance service provider. In 2018, the costs of services of the assistance service provider concerning the performance of activities for the other Group companies were recognised in operating expenses, while in 2019 a part of these expenses, which the assistance service provider performs for the Group companies, was transferred to the gross claims item. Without this change, the consolidated gross claims related to Slovenian business would remain at same level as the previous year. In 2019 compared to the same period in the previous year, Zavarovalnica Sava incurred higher

claims concerning motor insurance due to the increase in the average relevant claims. Two greater claims also increased the level of claims. On the other hand, in the property insurance segment gross claims decreased, since 2018 saw higher claims paid due to weather-related disasters.

Consolidated gross claims paid relating to non-Slovenian business rose by 31.5%. In absolute terms, growth was mainly driven by the inclusion of the non-life insurer ERGO into the Sava Insurance Group. The largest rise in claims was posted by the Croatian non-life insurer, specifically in motor liability business, followed by motor casco claims. The main reason for the rise in motor claims is a rise in the number of reported claims and several larger claims, which is related to the high growth in the sale of these policies, stronger external distribution channels and online sales. In 2019, the Kosovan non-life insurer also paid out one significant claim in the fire-risk segment.

by 1.7 p.p.



Gross expense ratio better

Operating expenses

Consolidated operating expenses; non-life segment

| EUR | 2019 | 2018 | Index |
|--------------------------------------------|-------------|-------------|-------|
| Acquisition costs | 39,221,781 | 30,232,646 | 129.7 |
| Change in deferred acquisition costs (+/-) | -3,281,828 | -1,771,029 | 185.3 |
| Other operating expenses | 91,529,627 | 91,328,745 | 100.2 |
| Operating expenses | 127,469,580 | 119,790,362 | 106.4 |
| Reinsurance commission income | -3,646,850 | -3,211,288 | 113.6 |
| Net operating expenses | 123,822,729 | 116,579,075 | 106.2 |

Consolidated gross operating expenses of the non-life segment

| EUR | 2019 | 2018 | Index |
|----------------------------------|------------|------------|-------|
| Non-life, Slovenia | 93,601,391 | 89,690,393 | 104.4 |
| Non-life business, international | 37,150,016 | 31,870,998 | 116.6 |

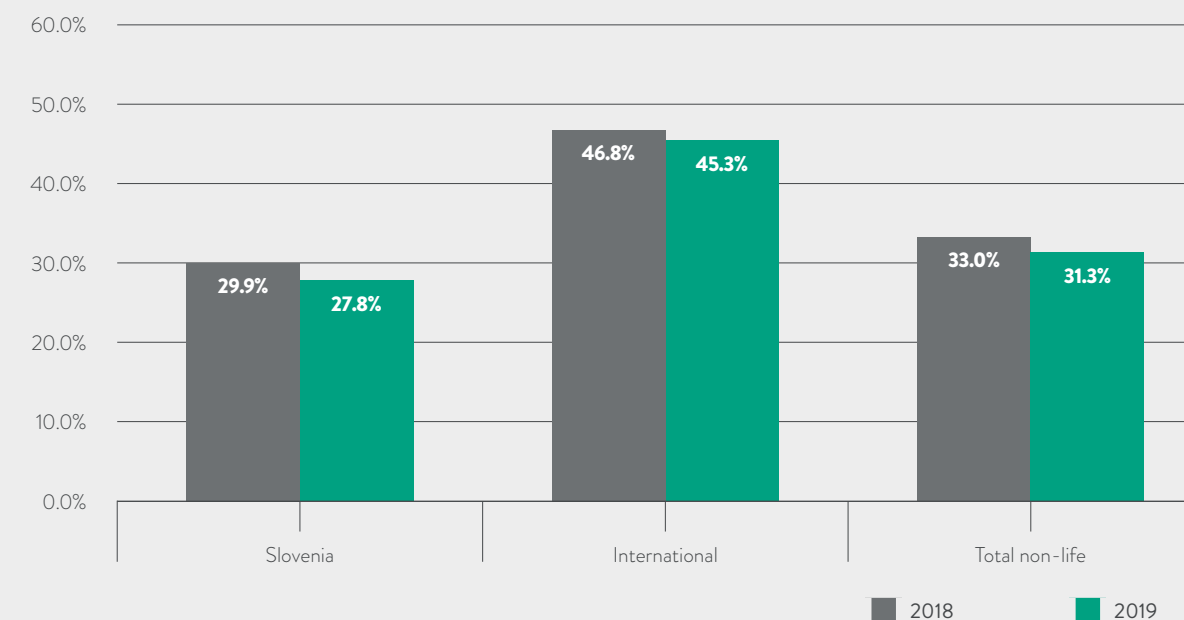
Consolidated acquisition costs were up by 29.7%. The rise in acquisition costs was driven by the growth in premiums written, specifically Slovenian business, FOS business and the inclusion of ERGO into the Sava Insurance Group.

Consolidated other operating expenses were only up by 0.2%. This was mostly due to the change in ownership of the subsidiary assistance service provider. In 2018, all operating

expenses of the assistance service provider related to the performance of activities for the other Group companies were transferred from the "other" segment into the non-life segment Slovenia and international non-life segment. In 2019, a part of these expenses was reallocated to gross claims.

An increased change in deferred acquisition costs reflects portfolio growth resulting in more deferred acquisition costs.

Consolidated gross expense ratio; non-life segment

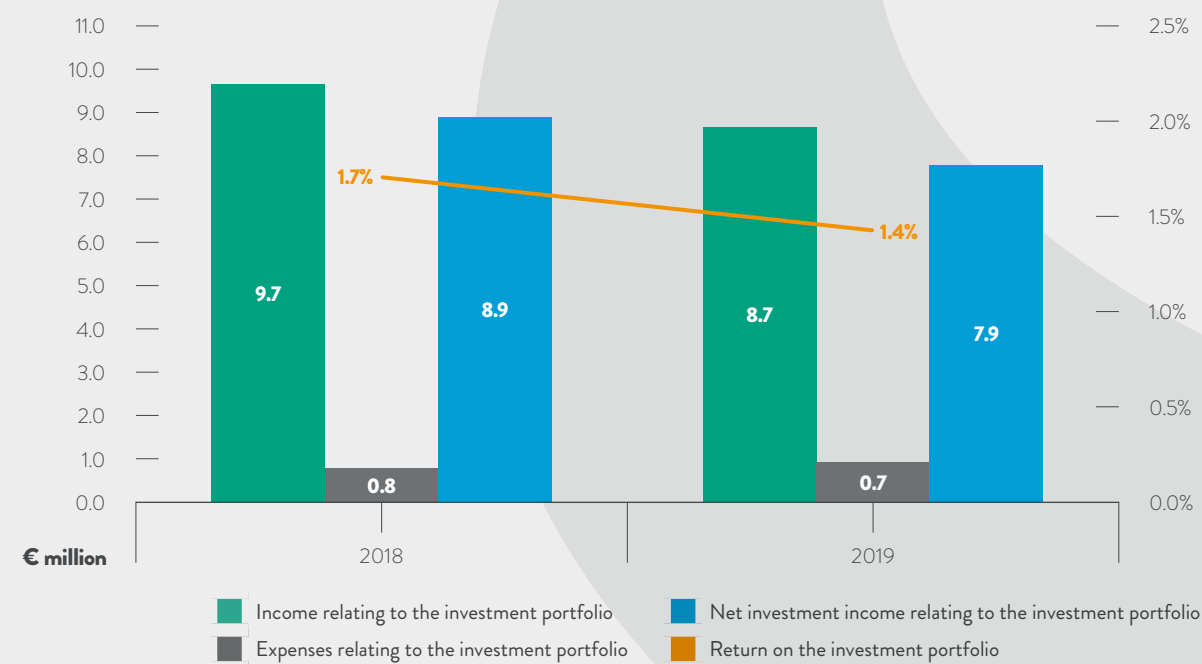


The consolidated gross expense ratio of the non-life segment dropped by 1.7 p.p. due to the increase in gross premiums written for the Slovenian non-life insurer (a decrease in the

gross expense ratio of 2.1 p.p.) and an increase in gross premiums written for foreign non-life insurers (a decrease in the gross expense ratio of 1.5 p.p.).

Net investment income

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



* Income and expenses for 2018 differ from those listed in the 2018 annual report due to the fact that exchange differences were presented separately, while the 2019 annual report shows their common impact.

The net investment income of the investment portfolio of non-life insurance business totalled EUR 7.9 million in 2019, down by EUR 1.0 million from 2018. Net investment income was lower largely owing to lower interest income (EUR 0.9 million). The investment return for the period was 1.4%.

8.1.3 Life business

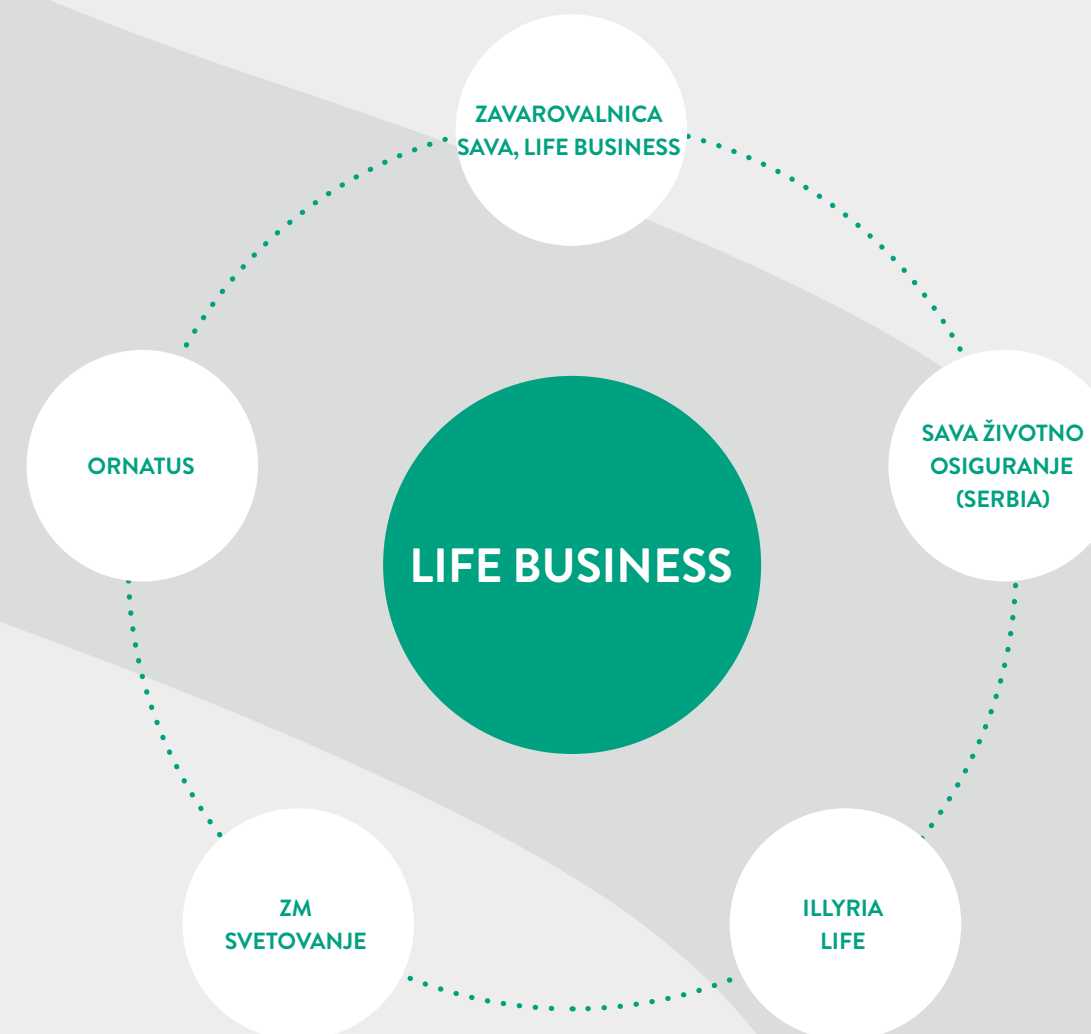
The life segment comprises the operations of the following companies:

- Zavarovalnica Sava, life business
- Sava Životno Osiguranje (Serbia)
- Illyria Life
- ZM Svetovanje
- Ornatus

The Slovenian part of Zavarovalnica Sava is discussed in the life segment Slovenia, and the Croatian part of the company in the inter-

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

The income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.36 "Segment reporting".



New
premiums
offset

strong
decline due
to maturities

Net premiums earned

Net premiums earned; life insurance business

| EUR | 2019 | 2018 | Index |
|------------------------|------------|------------|-------|
| Gross premiums written | 87,668,880 | 86,852,148 | 100.9 |
| Net premiums earned | 87,387,050 | 86,479,900 | 101.0 |

Net premiums earned by region; life insurance business

| EUR | Slovenia | | | International | | |
|------------------------|------------|------------|-------|---------------|-----------|-------|
| | 2019 | 2018 | Index | 2019 | 2018 | Index |
| Gross premiums written | 78,568,081 | 78,512,481 | 100.1 | 9,100,799 | 8,339,667 | 109.1 |
| Net premiums earned | 78,305,216 | 78,235,117 | 100.1 | 9,081,834 | 8,244,783 | 110.2 |

Unconsolidated gross life premiums of Sava Insurance Group companies

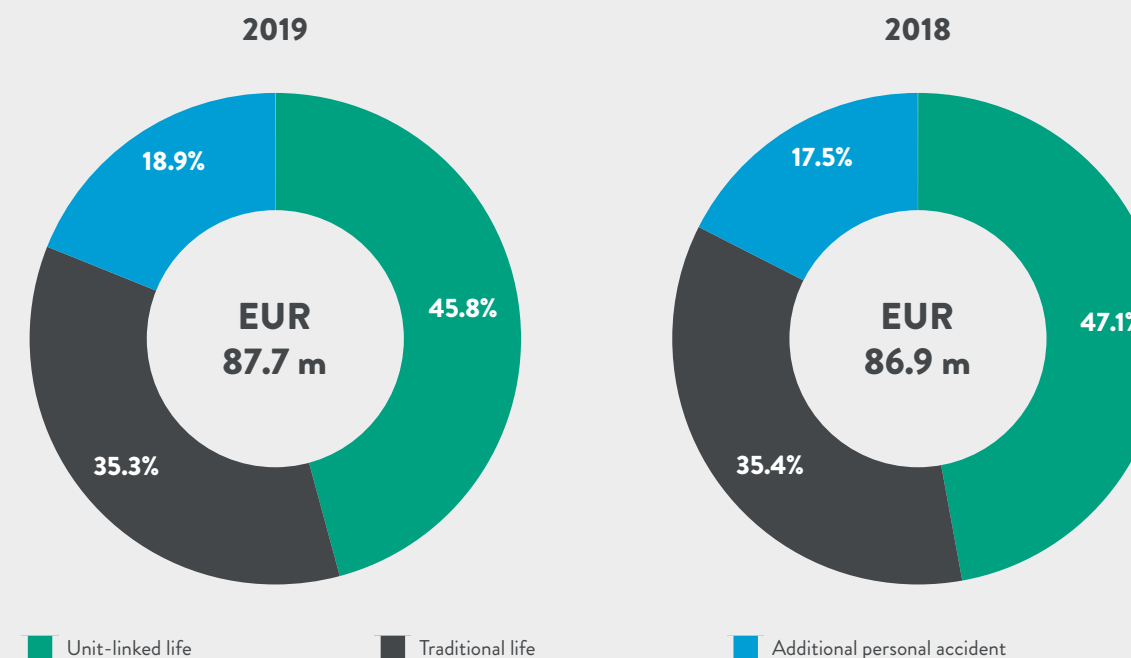
| EUR | 2019 | 2018 | Index |
|-------------------------------------------|-------------------|-------------------|--------------|
| Zavarovalnica Sava, Slovenian part (life) | 78,568,081 | 78,512,481 | 100.1 |
| Zavarovalnica Sava, Croatian part (life) | 3,830,852 | 4,082,567 | 93.8 |
| Sava Životno Osiguranje (Serbia) | 2,930,958 | 2,164,054 | 135.4 |
| Illyria Life | 2,338,989 | 2,096,720 | 111.6 |
| Total | 87,668,880 | 86,855,822 | 100.9 |

In 2019, gross premiums written by the Slovenian life insurer remained at approximately the same level as in the previous year. The company managed to offset the entire short-fall in premiums related to maturities, deaths and surrenders with new insurance contracts.

In 2019, gross premiums written by the non-Slovenian life insurers grew by 9.1% year

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

Composition of consolidated gross life insurance premiums by class of business



Net claims incurred

Net claims incurred; life insurance business

| EUR | 2019 | 2018 | Index |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------|------------|-------|
| Gross claims paid | 116,584,759 | 86,710,037 | 134.5 |
| Net claims incurred | 113,728,867 | 85,735,817 | 132.7 |
| Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business | 78,459,726 | 52,359,369 | 149.8 |

Net claims incurred by region; life insurance business

| EUR | Slovenia | | | International | | |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------|------------|-------|---------------|-----------|-------|
| | 2019 | 2018 | Index | 2019 | 2018 | Index |
| Gross claims paid | 113,119,029 | 83,983,307 | 134.7 | 3,465,730 | 2,726,730 | 127.1 |
| Net claims incurred | 110,015,616 | 83,103,557 | 132.4 | 3,713,251 | 2,632,260 | 141.1 |
| Consolidated net claims incurred, including the change in other provisions and the change in the provision for unit-linked business | 72,517,574 | 47,368,422 | 153.1 | 5,942,152 | 4,990,947 | 119.1 |

up 34.3%

Profit
before
tax

Unconsolidated gross life claims paid by Sava Insurance Group companies

| EUR | 2019 | 2018 | Index |
|-------------------------------------------|--------------------|-------------------|--------------|
| Zavarovalnica Sava, Slovenian part (life) | 113,119,029 | 83,983,307 | 134.7 |
| Zavarovalnica Sava, Croatian part (life) | 2,384,165 | 1,902,059 | 125.3 |
| Sava Životno Osiguranje (Serbia) | 550,211 | 375,637 | 146.5 |
| Illyria Life | 531,354 | 450,046 | 118.1 |
| Total | 116,584,759 | 86,711,049 | 134.5 |

In 2019, gross claims paid in Slovenia rose by 34.7% year on year as the result of a large number of policies reaching maturity. The bulk of the maturity benefits incurred in the period related to traditional life policies, specifically EUR 65.5 million, an increase of EUR 29.3 million year on year. Life insurances, where policyholders bear the investment risk, registered EUR 16.7 million in surrenders and advance payments, up EUR 8.6 million year on year, whereas this class of insurance incurred lower maturity benefits than in the previous year.

Of the non-Slovenian insurers, Sava Životno Osiguranje (Serbia) recorded the largest increase in gross claims paid (from maturities and deaths), at 46.5%. The Croatian branch of Zavarovalnica Sava had an increase in gross claims of 25.3% due to the merger with the ERGO life insurer (approximately EUR 0.7 million in gross claims). Without the ERGO portfolio, the gross claims in the Croatian branch of the Zavarovalnica Sava would decrease by roughly 12%. Illyria Life's gross claims paid grew by 18.1% in 2019 (driven by maturities and surrenders).

Operating expenses

Consolidated operating expenses; life segment

| EUR | 2019 | 2018 | Index |
|--------------------------------------------|-------------------|-------------------|--------------|
| Acquisition costs | 6,566,377 | 6,882,966 | 95.4 |
| Change in deferred acquisition costs (+/-) | 43,460 | -480,232 | -9.0 |
| Other operating expenses | 18,688,469 | 17,745,549 | 105.3 |
| Operating expenses | 25,298,306 | 24,148,283 | 104.8 |
| Reinsurance commission income | -79,604 | -57,618 | 138.2 |
| Net operating expenses | 25,218,703 | 24,090,665 | 104.7 |

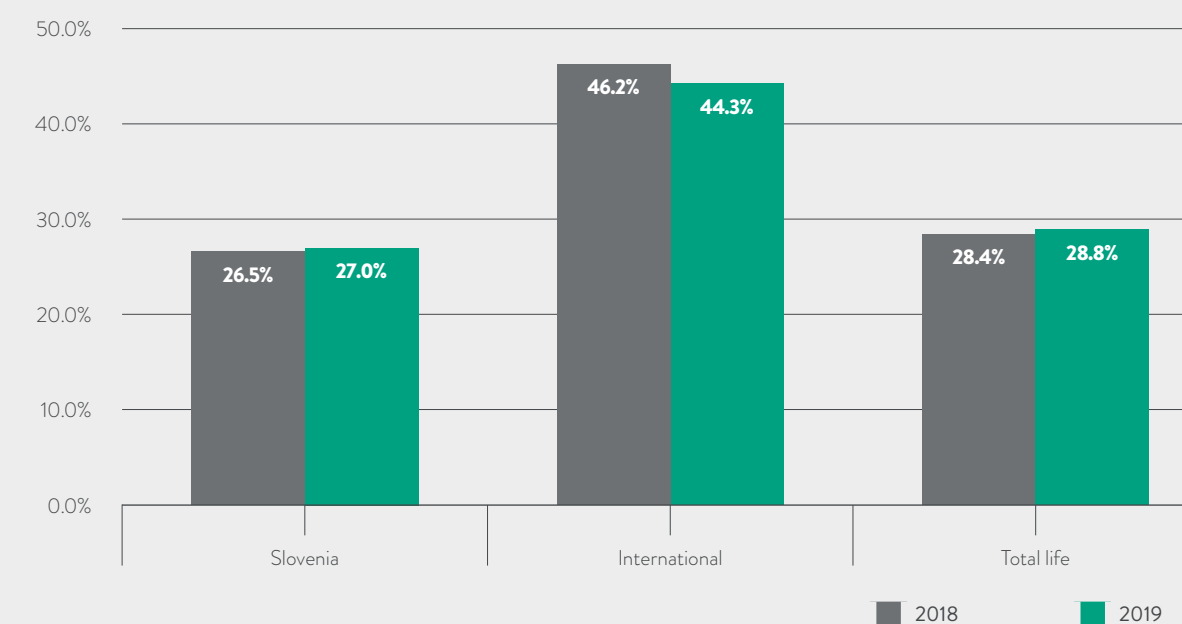
Consolidated gross operating expenses of the life segment

| EUR | 2019 | 2018 | Index |
|------------------------------|------------|------------|-------|
| Life business, Slovenia | 21,223,163 | 20,773,139 | 102.1 |
| Life business, international | 4,031,684 | 3,855,376 | 104.6 |

In 2019, acquisition costs fell by 4.6% year on year, and were lower year-on-year in the life business of Slovenia, Croatia and Kosovo, but higher in Serbian business. The difference in the change in deferred acquisition costs between the years chiefly relates to Slovenian life business.

Other operating expenses grew year on year by 5.3%, namely in the life business of Slovenia, Croatia (due to the merger with the company ERGO Životno Osiguranje), Kosovo and Serbia.

Consolidated gross expense ratio; life segment

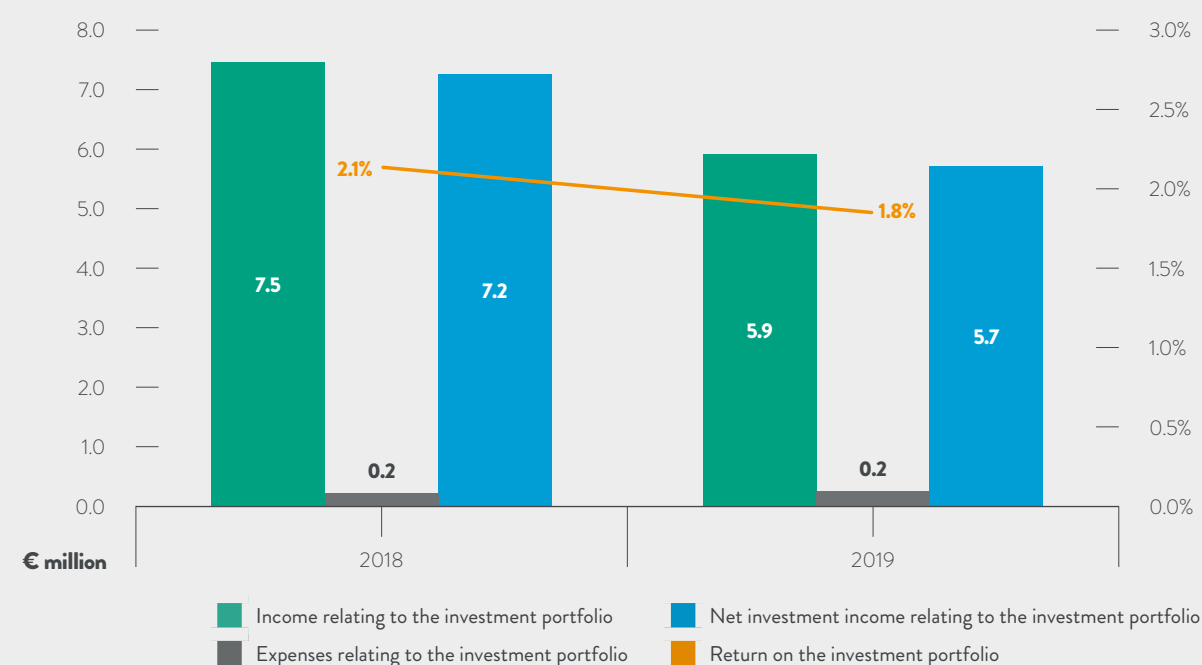


The consolidated gross expense ratio rose by 0.4 p.p. year on year. The Slovenian insurer saw an increase in the gross expense ratio by 0.5 p.p. (higher other operating expenses, mostly regarding information technology, while policy acquisition costs were lower and gross premiums remained roughly the same),

while the gross expense ratio fell significantly with foreign companies, namely by 1.9 p.p. (significantly higher gross premiums and lower policy acquisition costs, while the other operating expenses were higher due to the merger with ERGO Životno Osiguranje).

Net investment income

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



* Income and expenses for 2018 differ from those listed in the 2018 annual report due to the fact that exchange differences were presented separately, while the 2019 annual report shows their common impact.

The net investment income of the investment portfolio of life insurance business declined by EUR 1.5 million year on year. This was partly due to lower interest income (EUR 1.6 million). The investment return in 2019 was 1.8%.

8.1.4 Pensions

The pensions segment comprises the operations of the following companies:

- Sava Pokojninska
- Sava Penzisko Društvo

The company Sava Penzisko Društvo was included in the Group on 31 March 2018, which is why the pensions segment includes

comparative data of this company in the statement of financial position, whereas the income statement includes data only as of 1 April 2018.

Income statement and statement of financial position by operating segment are presented in the notes to the financial statements, section 17.4.36 "Segment reporting".

Savings part

Other technical income and other income

| EUR | 2019 | 2018 | Index |
|------------------------------------------------|-----------|-----------|-------|
| Other technical income and other income | 5,364,761 | 4,279,631 | 125.4 |

Other technical income and other income include:

- income of the Slovenian pension company relating to entry charges paid by customers, exit charges, management fees that belong to the company in the management of the life cycle funds MOJI Skladi Življenjskega Cikla, and overheads charged to customers when transferring assets from the savings part to the annuity part; and
- income of the North Macedonian pension company relating to entry charges paid by customers and management fees to which the company is entitled for the management of mandatory and voluntary pension funds.

Movements in assets relating to the life cycle funds MOJI Skladi Življenjskega Cikla (Sava Pokojninska, Slovenia)

| EUR | 2019 | 2018 | Index |
|-----------------------------------------------------|--------------------|--------------------|--------------|
| Opening balance of fund assets (31 December) | 134,926,064 | 128,862,922 | 104.7 |
| Gross fund inflows | 12,021,992 | 11,543,319 | 104.1 |
| Gross fund outflows | -5,466,569 | -5,507,194 | 99.3 |
| Asset transfers | 386,201 | 1,306,692 | 29.6 |
| Fund return | 6,922,388 | -1,076,758 | - |
| Entry and exit charges | -204,731 | -202,917 | 100.9 |
| Closing balance of fund assets (31 December) | 148,585,345 | 134,926,064 | 110.1 |

up
24.5%



Profit
before tax

The difference in the balance of fund assets and the balance sheet item assets of financial investments are the receivables of financial investments. In 2019, gross inflows into the group of life cycle funds MOJI Skladi Življenjskega Cikla (MY life-cycle funds) of the Slovenian pension company increased by 4.1% compared to the previous year. Growth was chiefly driven by an increase in the number of policyholders.

In 2019, gross outflows from the group of life cycle funds MOJI Skladi Življenjskega Cikla (MY life-cycle funds) of the Slovenian pension company decreased by 0.7% compared to the previous year. Gross outflows relates to regular or extraordinary termination. The largest portion of the latter refers to withdrawal from insurance.

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

| EUR | 2019 |
|------------------------------------------------------------------------|--------------------|
| Net value of fund assets as at beginning of period (31/12/2018) | 502,570,316 |
| Gross fund inflows | 71,494,380 |
| Gross fund outflows | -32,236,740 |
| Asset transfers | -1,364,134 |
| Fund return | 53,712,077 |
| Entry and exit charges | -1,565,818 |
| Fair value reserve and exchange differences | 1,849,092 |
| Net value of fund assets as at end of period (31/12/2019) | 594,459,173 |

In 2019, gross inflows into the mandatory and voluntary funds of the North Macedonian pension company totalled EUR 71.5 million, and gross outflows were EUR 32.2 million. The majority of outflows refers to the statutory provision that assets and policyholders born after 1 January 1967 are to be transferred from the second pillar back to the first. The funds achieved a return of 9.8% in the period.

In 2019, the company carried out transfers from other Group contractors in the total amount of EUR 0.7 million, while transfers to other contractors totalled EUR 0.3 million, so that the net effect of transfers was positive but was, however, significantly lower than in the previous year.

Fund return of EUR 6.9 million is attributable to favourable developments in financial markets in 2019 (above-average returns).

Entry and exit charges relating to the My-Life-Cycle group of funds remained unchanged year on year.

In 2019, the balance of the group of life-cycle funds grew by 10.1% to EUR 148.6 million as at 31 December 2019.

In 2019, the net value of fund assets under management grew by 18.3% to EUR 594.5 million as at 31 December 2019.

The value of assets under management is not recognised in the statement of the financial position of Sava Penzisko Društvo because the North Macedonian pension company only manages the assets.

Annuity part

| EUR | 2019 | 2018 | Index |
|------------------------------------------------|------------|------------|-------|
| Gross premiums written | 2,326,383 | 2,219,043 | 104.8 |
| Gross claims paid | 709,123 | 702,771 | 100.9 |
| Change in other net technical provisions (+/-) | -1,858,422 | -1,589,897 | 116.3 |

The annuity part relates to the operation of Sava Pokojninska. The gross premiums written relate to the annuity fund, which in 2019 grew by 4.8% year on year, as a number of policyholders opted for additional pension annuities.

Gross claims paid include supplementary pension annuity payouts, which increased by 0.9% in 2019 compared to the previous year. After insured persons meet pension eligibil-

ity requirements their assets are transferred from savings accounts to annuity accounts, which creates growth for annuity funds.

The change in technical provisions includes the change in the technical provision relating to the annuity funds. The change in other net technical provisions reflects the change in premiums and claims, and the change due to revaluation for 2018.

Operating expenses

Operating expenses; pensions segment

| EUR | 2019 | 2018 | Index |
|--------------------|-----------|-----------|-------|
| Operating expenses | 3,590,660 | 2,674,108 | 134.3 |

In 2019, operating expenses grew by 34.3% year on year, mostly due to the North Macedonian pension company operating the entire year, while in 2018 it was only included in the Group as of 1 April 2018.

up
16.5%

Pension company savings
funds

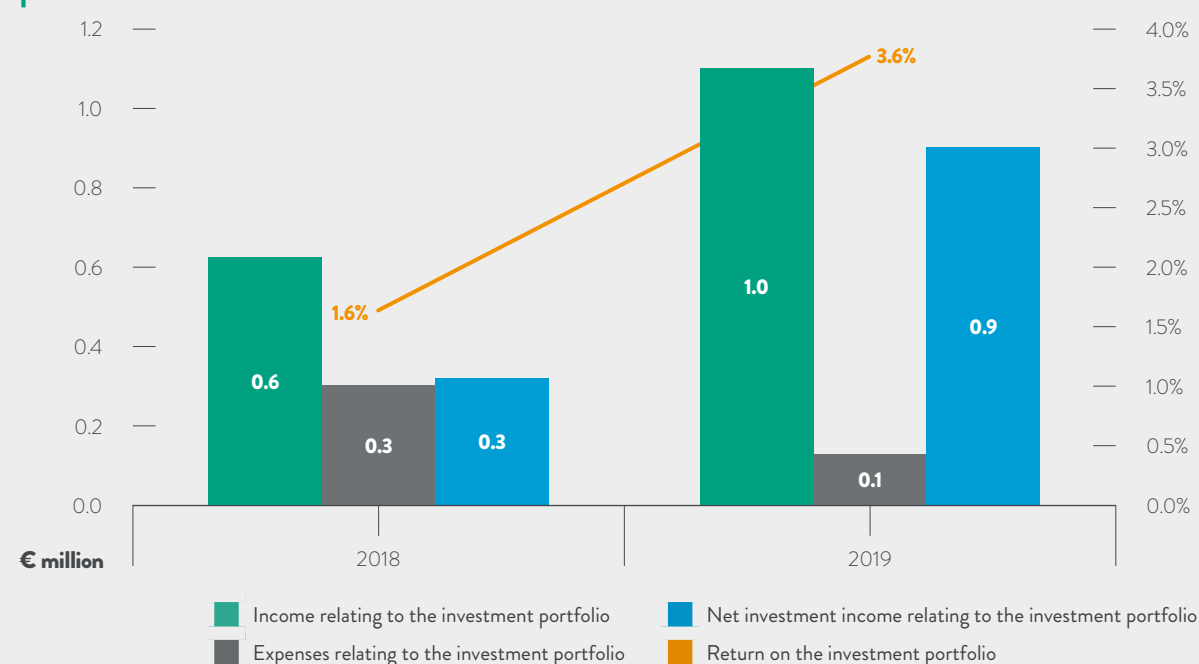
up
35.8%

Operating revenues

⁵¹ The table includes the portfolio of Sava Pokojninska (excluding investment contracts) and Sava Penzisko Društvo (excluding the return on the funds because the assets managed by Sava Penzisko Društvo are not disclosed in its statement of financial position).

Net investment income

Income, expenses and the net investment income relating to the investment portfolio (EUR); pensions⁵¹



* Income and expenses for 2018 differ from those listed in the 2018 annual report due to the fact that exchange differences were presented separately, while the 2019 annual report shows their common impact.

The net investment income of the investment portfolio of pension companies totalled EUR 0.9 million in 2019, up by EUR 0.6 million from 2018. Net investment income grew as the result of a partial repayment of a previously impaired corporate bond (EUR 0.3 mil-

lion), more dividend income (EUR 0.1 million) and higher income from changes in fair value on disposal of FVTPL assets (EUR 0.4 million). Return on the investment portfolio in 2019 was 3.6%.

8.1.5 Other

This “other” segment comprises the subsidiaries Sava Infond, TBS Team 24 and Illyria Hospital, and the two associates ZTSR and G2I (consolidated using the equity method). TBS Team 24 and Sava Infond were first included in the consolidated accounts on 31 January 2018 and 30 June 2019, respectively. The

“other” segment contributed EUR 1.9 million (EUR 10.9 million in income and EUR 9.0 million in expenses, including investment expenses) to the consolidated result in 2019. In 2019, this segment also includes interest expenditure from subordinate debt (EUR 0.5 million).

8.2 Sava Re

Net premiums earned

Gross premiums written by geographical area

| EUR | 2019 | 2018 | Index |
|----------------------|--------------------|--------------------|--------------|
| Slovenia | 71,209,780 | 58,213,627 | 122.3 |
| International | 95,319,151 | 93,422,589 | 102.0 |
| Total | 166,528,931 | 151,636,216 | 109.8 |

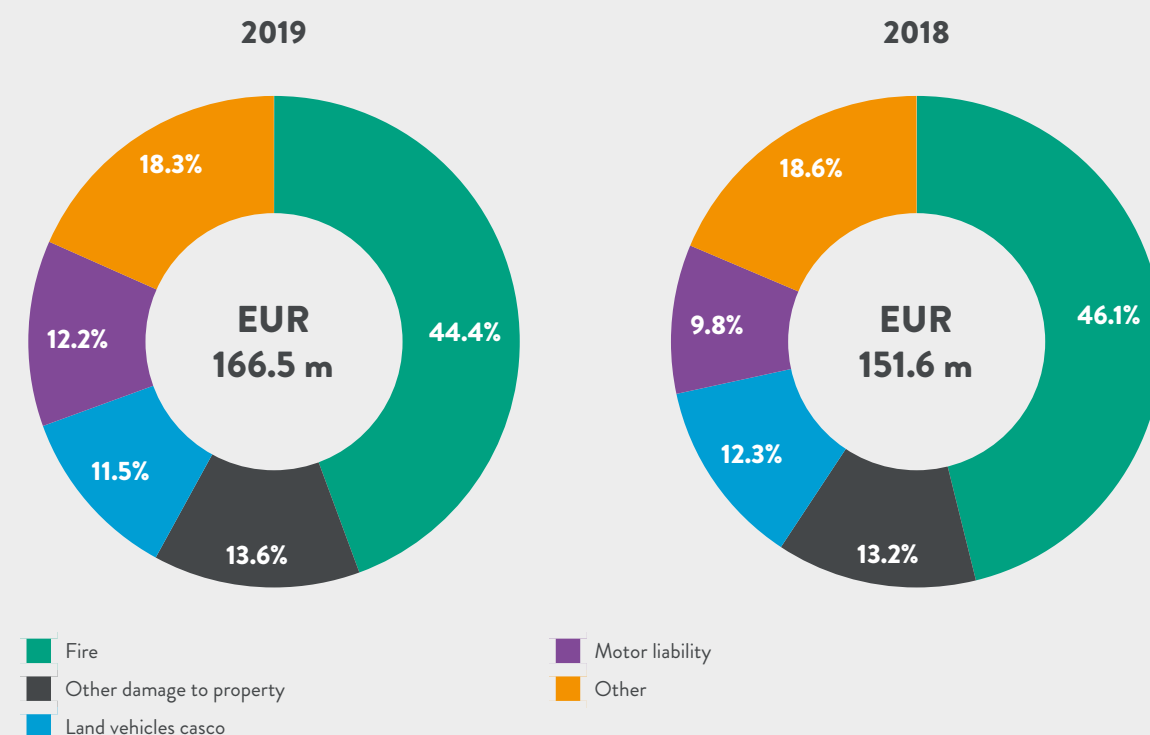
Net premiums earned

| EUR | 2019 | 2018 | Index |
|-------------------------------|-------------|-------------|-------|
| Gross premiums written | 166,528,931 | 151,636,216 | 109.8 |
| Net premiums earned | 137,446,312 | 133,740,178 | 102.8 |

Gross premiums written in Slovenia increased in 2019 by 22.3% or EUR 14.9 million (mainly due to higher premiums received from Zavarovalnica Sava). This favourable premium growth is a result of growth in motor business (increase both in average premium and number of policies written), some new customers, and growth in the portfolio of direct international business based on the freedom of services principle. Gross premiums written from abroad increased by 2.0%, or EUR 1.9 million, due to the growth in non-Group non-proportional business.

Fire business still accounted for the largest share of premiums in 2019, although its proportion shrank by 1.7 p.p. compared to 2018. The share of motor reinsurance within gross premiums increased by 1.6 p.p.

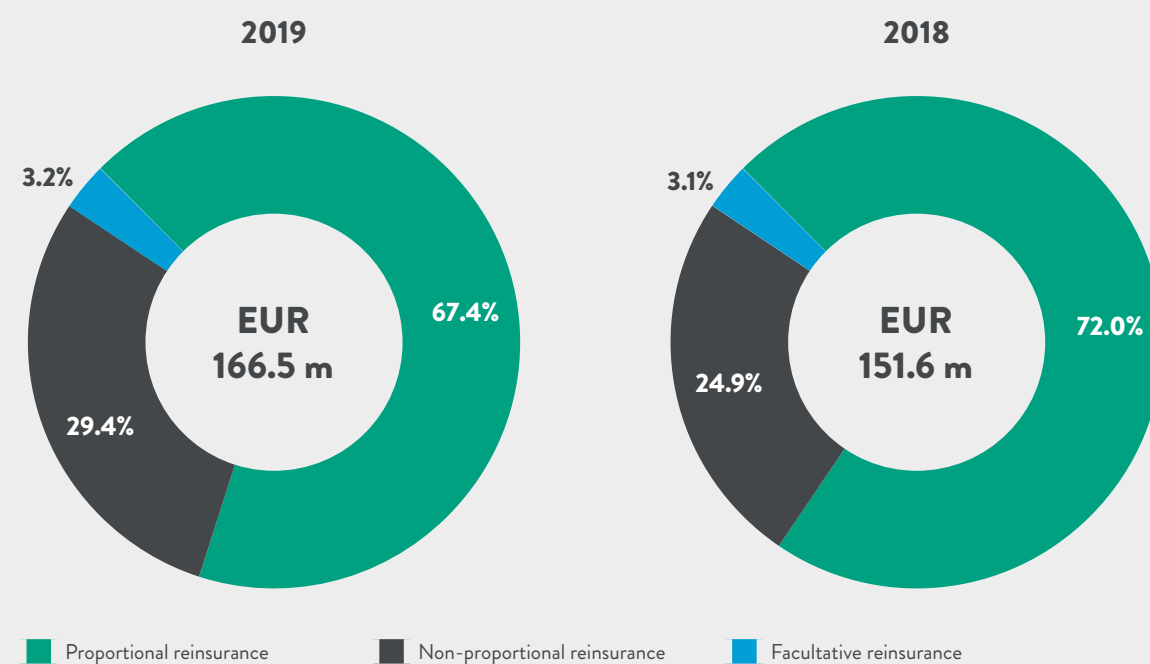
Gross premiums written by class of insurance



In 2019, the composition of gross premiums by form of reinsurance changed compared to 2018. The share of non-proportional reinsurance

increased by 4.5 p.p., whereas the share of proportional reinsurance decreased by 4.6 p.p.

Gross premiums written by form of reinsurance



Net earned premiums by class of business

| EUR | 2019 | 2018 | Index |
|------------------------------|--------------------|--------------------|--------------|
| Personal accident | 5,205,504 | 5,020,020 | 103.7 |
| Health | 19,383 | 145,556 | 13.3 |
| Land vehicles casco | 17,749,969 | 18,042,977 | 98.4 |
| Railway rolling stock | 268,877 | 133,430 | 201.5 |
| Aircraft hull | 107,476 | 717,912 | 15.0 |
| Ships hull | 4,257,720 | 5,048,640 | 84.3 |
| Goods in transit | 2,699,163 | 5,017,426 | 53.8 |
| Fire and natural forces | 59,440,058 | 59,438,026 | 100.0 |
| Other damage to property | 18,904,456 | 16,931,240 | 111.7 |
| Motor liability | 15,232,068 | 13,739,253 | 110.9 |
| Aircraft liability | 33,974 | 94,774 | 35.8 |
| Liability for ships | 310,988 | 716,639 | 43.4 |
| General liability | 7,871,923 | 6,982,392 | 112.7 |
| Credit | 750,838 | 936,293 | 80.2 |
| Suretyship | 162,361 | 8,990 | 1,806.0 |
| Miscellaneous financial loss | 3,899,360 | 413,946 | 942.0 |
| Legal expenses | 8,187 | 1,835 | 446.2 |
| Assistance | 10,617 | 17,888 | 59.4 |
| Traditional life | 453,748 | 133,212 | 340.6 |
| Unit-linked life | 59,642 | 199,729 | 29.9 |
| Total non-life | 136,932,922 | 133,407,237 | 102.6 |
| Total life | 513,390 | 332,941 | 154.2 |
| Total | 137,446,312 | 133,740,178 | 102.8 |

Net claims incurred⁵²

Gross premiums written by geographical area

| EUR | 2019 | 2018 | Index |
|---------------|-------------------|-------------------|--------------|
| Slovenia | 29,863,098 | 28,899,976 | 103.3 |
| International | 57,120,624 | 53,787,702 | 106.2 |
| Total | 86,983,721 | 82,687,678 | 105.2 |

Net claims incurred

| EUR | 2019 | 2018 | Index |
|---------------------|------------|------------|-------|
| Gross claims paid | 86,983,721 | 82,687,678 | 105.2 |
| Net claims incurred | 94,118,562 | 76,604,633 | 122.9 |

Net claims incurred, excluding the effect of exchange differences

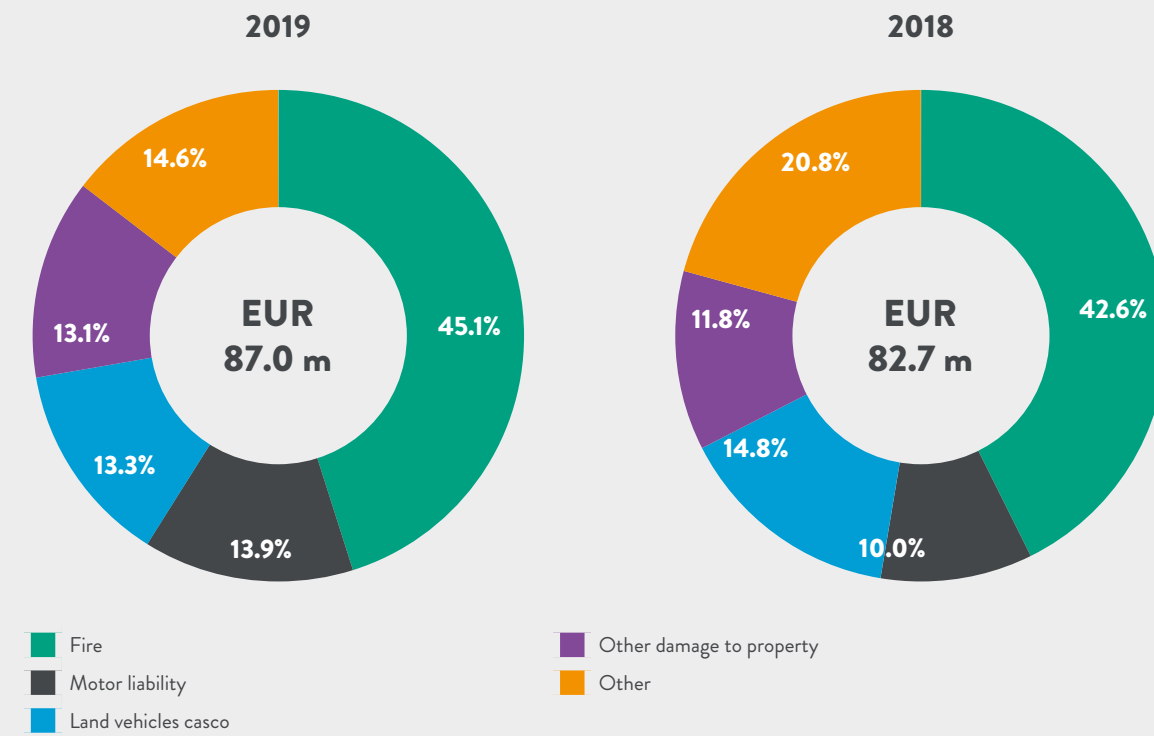
| EUR | 2019 | 2018 | Index |
|---------------------|------------|------------|-------|
| Gross claims paid | 86,983,721 | 82,687,678 | 105.2 |
| Net claims incurred | 92,468,837 | 76,903,203 | 120.2 |

Net claims incurred increased by 22.9% compared to 2018. In 2019, exchange differences had a negative impact on claims incurred in the amount of EUR 1.7 million (in 2018, the impact was positive in the amount of EUR 0.3 million). There were more catastrophic disasters in 2019 (two typhoons in Japan, a hurricane in the Bahamas, fires in the United Kingdom and in Qatar) than in the previous year (typhoons in Japan, floods in India).

As a result, the net incurred loss ratio of Sava Re in 2019 was lower than in 2018 by 11.6 p.p. and stood at 69.0%. The ratio without the impact of exchange differences was lower by 10.1 p.p. and in 2019 stood at 67.8%.

Non-life reinsurance business still accounted for the largest share of claims in 2019 and its proportion increased by 3.8 p.p. compared to 2018. The share of motor reinsurance also increased, namely by 2.4 p.p.

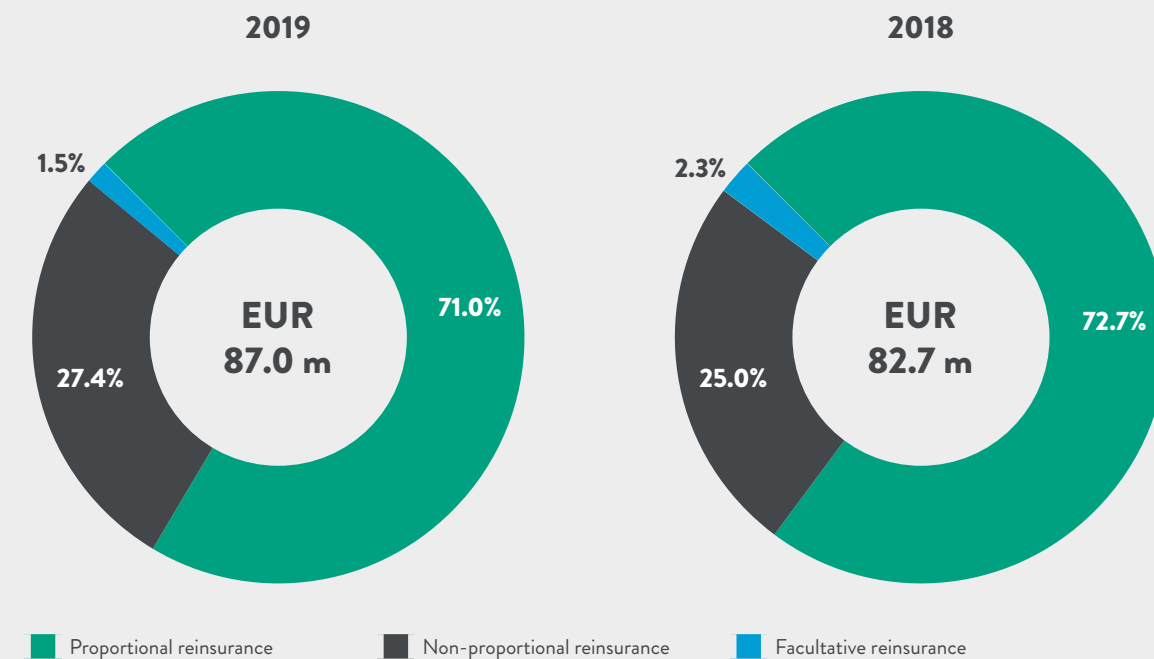
Gross claims paid by class of insurance



The proportion of gross claims paid by form of reinsurance changed somewhat: the share of proportional claims decreased (a drop in gross

claims of EUR 1.7 million), while the share of non-proportional claims increased (rise in gross claims of EUR 3.2 million).

Gross claims paid by form of reinsurance



Net claims incurred by class of business

| EUR | 2019 | 2018 | Index |
|------------------------------|-------------------|-------------------|--------------|
| Personal accident | 2,392,679 | 2,011,630 | 118.9 |
| Health | 62,281 | -107,564 | 257.9 |
| Land vehicles casco | 11,018,432 | 12,242,884 | 90.0 |
| Railway rolling stock | 61,846 | 587,259 | 10.5 |
| Aircraft hull | 320,489 | 389,846 | 82.2 |
| Ships hull | 4,812,291 | 6,893,226 | 69.8 |
| Goods in transit | 1,177,345 | 5,032,859 | 23.4 |
| Fire and natural forces | 46,478,853 | 31,548,970 | 147.3 |
| Other damage to property | 11,852,321 | 8,819,464 | 134.4 |
| Motor liability | 10,897,791 | 5,994,892 | 181.8 |
| Aircraft liability | 4,462 | -28,940 | 215.4 |
| Liability for ships | 547,613 | 377,093 | 145.2 |
| General liability | 4,260,175 | 3,012,608 | 141.4 |
| Credit | -47,825 | -73,069 | 134.5 |
| Suretyship | -24,602 | -88,016 | 172.0 |
| Miscellaneous financial loss | 272,139 | 59,339 | 458.6 |
| Legal expenses | 1,431 | -1,396 | 302.5 |
| Assistance | 283 | -131 | 416.6 |
| Traditional life | 28,902 | -107,649 | 226.8 |
| Unit-linked life | 1,654 | 41,325 | 4.0 |
| Total non-life | 94,088,006 | 76,670,957 | 122.7 |
| Total life | 30,555 | -66,324 | 246.1 |
| Total | 94,118,562 | 76,604,633 | 122.9 |

Operating expenses

Operating expenses

| EUR | 2019 | 2018 | Index |
|--------------------------------------------|-------------------|-------------------|--------------|
| Acquisition costs | 35,723,768 | 34,848,052 | 102.5 |
| Change in deferred acquisition costs (+/-) | 1,267,334 | -43,433 | 3,117.9 |
| Other operating expenses | 13,467,410 | 12,758,699 | 105.6 |
| Operating expenses | 50,458,512 | 47,563,317 | 106.1 |
| Reinsurance commission income | -3,063,492 | -2,530,359 | 78.9 |
| Net operating expenses | 47,395,020 | 45,032,959 | 105.2 |

In 2019, acquisition costs (commissions) increased by 2.5%, while gross premiums increased by 9.8%. The share of acquisition costs as a percentage of gross premiums written decreased by 1.5 p.p. year on year to 21.5%. The change in deferred acquisition costs (increase in 2019, decrease in 2018) was higher in 2019 than in 2018 due to more gross premiums written, leading to lower unearned premiums.

Other operating expenses of Sava Re comprise reinsurance costs (50.1%) and Group management costs (49.7%). Expenses of Sava Re rose by 5.6% compared to 2018, primarily due to the rise in personnel costs and costs of intellectual and personal services. The later

costs were mainly due to computer services and strategic investments in 2019. Amortisation costs also increased, reflecting higher costs for software. Expenses by nature are shown in note 36 of the notes to the financial statements.

The higher reinsurance commission income is primarily the result of increased commission income generated by Sava Re's retrocession business relating to reinsurance programmes of the Slovenian cedants. This effect relates to more commissions received on surplus reinsurance treaties, which means that due to good results in 2018 Sava Re received more commissions in 2019 from retrocessionaires.

Net investment income

Net investment income relating to the investment portfolio of Sava Re totalled EUR 43.7 million in 2019 (2018: EUR 32.4 million), of which EUR 6.8 million related to financial investments, including investment property, and EUR 36.9 million to investments in subsidiaries.

Net investment income also includes exchange gains relating to investments used

by the Company for asset-liability matching in foreign currencies. However, the effect of exchange differences does not fully impact profit or loss, since liabilities denominated in a foreign currency move in line with investments in that currency. For this reason, net investment income and return on investment are also shown excluding foreign exchange differences. The total impact of exchange differences on the result is set out in the notes to the financial statement of the annual report, section 17.6.3.2.4 "Currency risk".

Net investment income of the Sava Re investment portfolio

| EUR | 2019 | 2018 | Absolute change | Index |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|--------------|
| Income relating to financial investments, including investment property | 11,831,287 | 11,645,908 | 185,379 | 101.6 |
| Expenses relating to financial investments, including investment property | 4,488,464 | 8,751,939 | -4,263,475 | 51.3 |
| Net investment income relating to financial investments, including investment property | 7,342,823 | 2,893,969 | 4,448,854 | 253.7 |
| Net investment income of financial investments in subsidiaries and associates | 36,868,317 | 29,537,916 | 7,330,402 | 124.8 |
| Net investment income from the investment portfolio | 44,211,140 | 32,431,885 | 11,779,255 | 136.3 |
| Expenses relating to financial liabilities | 494,730 | 0 | 494,730 | |
| Net investment income relating to the investment portfolio, including finance expenses | 43,716,410 | 32,431,885 | 11,284,525 | 134.8 |
| Net investment income of the investment portfolio, excluding the effect of exchange differences | 42,303,449 | 32,528,406 | 9,775,043 | 130.1 |

Upon exclusion of exchange differences (2019: EUR 1.4 million) the return on the investment portfolio totalled EUR 42.3 million, an increase of EUR 9.8 million over 2018. The higher return was mostly due to

higher income from subsidiaries. In 2019, the Company recognised impairment losses on subsidiaries of EUR 1.8 million. The following table gives additional details by group of income and expenses.

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

| EUR | 2019 | 2018 | Absolute change |
|--------------------------------------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| Income | | | |
| Interest income | 3,463,383 | 3,589,693 | -126,311 |
| Change in fair value and gains on disposal of FVTPL assets | 628,375 | 91,554 | 536,822 |
| Gains on disposal of other IFRS asset categories | 294,180 | 477,596 | -183,416 |
| Income of subsidiary and associate companies | 36,947,895 | 33,558,455 | 3,389,440 |
| Income from dividends and shares – other investments | 829,533 | 676,145 | 153,388 |
| Exchange gains | 1,412,961 | 0 | 1,412,961 |
| Diverse other income | 1,231,985 | 698,390 | 533,596 |
| Total income from the investment portfolio | 44,808,312 | 39,091,833 | 5,716,480 |
| Expenses | | | |
| Interest expenses | 494,730 | 0 | 494,730 |
| Change in fair value and losses on disposal of FVTPL assets | 254,868 | 217,937 | 36,931 |
| Losses on disposal of other IFRS asset categories | 140,187 | 125,388 | 14,800 |
| Expenses of subsidiary and associate companies | 0 | 4,020,539 | -4,020,539 |
| Impairment losses on investments | 0 | 1,943,974 | -1,943,974 |
| Exchange losses | 0 | 96,521 | -96,521 |
| Other | 202,118 | 255,589 | -53,471 |
| Total expenses for the investment portfolio | 1,091,903 | 6,659,948 | -5,568,045 |
| Net investment income from the investment portfolio | 43,716,410 | 32,431,885 | 11,284,524 |
| Net investment income of the investment portfolio, excluding the effect of exchange differences | 42,303,449 | 32,528,406 | 9,775,042 |
| Return on the investment portfolio | 8.3% | 6.9% | 1.4% |
| Return on the investment portfolio, excluding the effect of exchange differences | 8.0% | 6.9% | 1.1% |


Income/expenses include income/expenses relating to investment property. These are shown in the income statement under other income/expenses.

The largest contribution to total 2019 income related to dividends received from subsidiaries, totalling EUR 36.9 million, up EUR 3.4 million year on year. Compared to 2018, there was a rise in dividend distributions from other financial investments in 2019. Interest income and realised gains on disposal of investments were somewhat more modest. In 2019, net exchange gains totalled EUR 1.4 million (2018: net exchange losses of EUR 0.1 million).

Compared to 2018, investment portfolio expenses decreased by EUR 5.6 million. In 2019, investment expenses were mainly comprised of interest expenses relating to the issued subordinated bond of Sava Re. No expenses relating to impairment losses on financial investments or subsidiary companies were recognised in 2019 (2018: EUR 6.0 million).

9 Financial position of the Sava Insurance Group and Sava Re

9.1 Sava Insurance Group

Total assets

 up 10.5%

As at 31 December 2019, total assets of the Sava Insurance Group stood at EUR 1,886.0 million, an increase of 10.5% over year-end 2018. Below, we set out items of assets and liabilities in excess of 5% of total assets as at 31 December 2019, or items that changed by more than 2% of equity.

9.1.1 Assets

Consolidated total assets by type

| EUR | 31 Dec 2019 | As % of total 31 Dec 2019 | 31 Dec 2018 | As % of total 31 Dec 2018 |
|-----------------------------------------------------------------------------|----------------------|---------------------------|----------------------|---------------------------|
| ASSETS | 1,885,953,003 | 100.0% | 1,706,023,490 | 100.0% |
| 1 Intangible assets | 61,060,069 | 3.2% | 37,121,118 | 2.2% |
| 2 Property, plant and equipment | 47,615,710 | 2.5% | 42,893,432 | 2.5% |
| 3 Right-of-use assets | 9,974,252 | 0.5% | 0 | 0.0% |
| 4 Deferred tax assets | 2,044,124 | 0.1% | 2,026,472 | 0.1% |
| 5 Investment property | 16,695,132 | 0.9% | 20,643,019 | 1.2% |
| 6 Financial investments in associates | 581,104 | 0.0% | 462,974 | 0.0% |
| 7 Financial investments | 1,064,874,239 | 56.5% | 1,008,097,470 | 59.1% |
| 8 Assets held for the benefit of policyholders who bear the investment risk | 213,159,889 | 11.3% | 204,818,504 | 12.0% |
| 9 Reinsurers' share of technical provisions | 38,620,539 | 2.0% | 27,292,750 | 1.6% |
| 10 Investment contract assets | 151,197,102 | 8.0% | 135,586,965 | 7.9% |
| 11 Receivables | 159,413,917 | 8.5% | 140,550,011 | 8.2% |
| 12 Deferred acquisition costs | 23,500,521 | 1.2% | 19,759,234 | 1.2% |
| 13 Other assets | 2,841,516 | 0.2% | 2,064,220 | 0.1% |
| 14 Cash and cash equivalents | 93,804,031 | 5.0% | 64,657,431 | 3.8% |
| 15 Non-current assets held for sale | 570,858 | 0.0% | 49,890 | 0.0% |

9.1.1.1 Intangible assets

As at 31 December 2019, intangible assets (1) totalled EUR 61.1 million, up 64.5% compared to 31 December 2018. The rise in this item is mainly the result of the increase in goodwill following the acquisition of Sava Infond. For more information see section 17.2 "Business combinations and overview of Group companies".

9.1.1.2 Right-of-use assets

As at 31 December 2019 the Group companies recognised right-of-use assets (3), which refer to operating leases and were initially recognised by the companies on 1 January 2019. As at 31 December 2019 right-of-use assets totalled EUR 10.0 million.

9.1.1.3 Investment portfolio

The investment portfolio consists of the following statement of financial position items: financial investments (7), investment prop-

erty (5), financial investments in associates (6), and cash and cash equivalents (14).

Sava Insurance Group investment portfolio

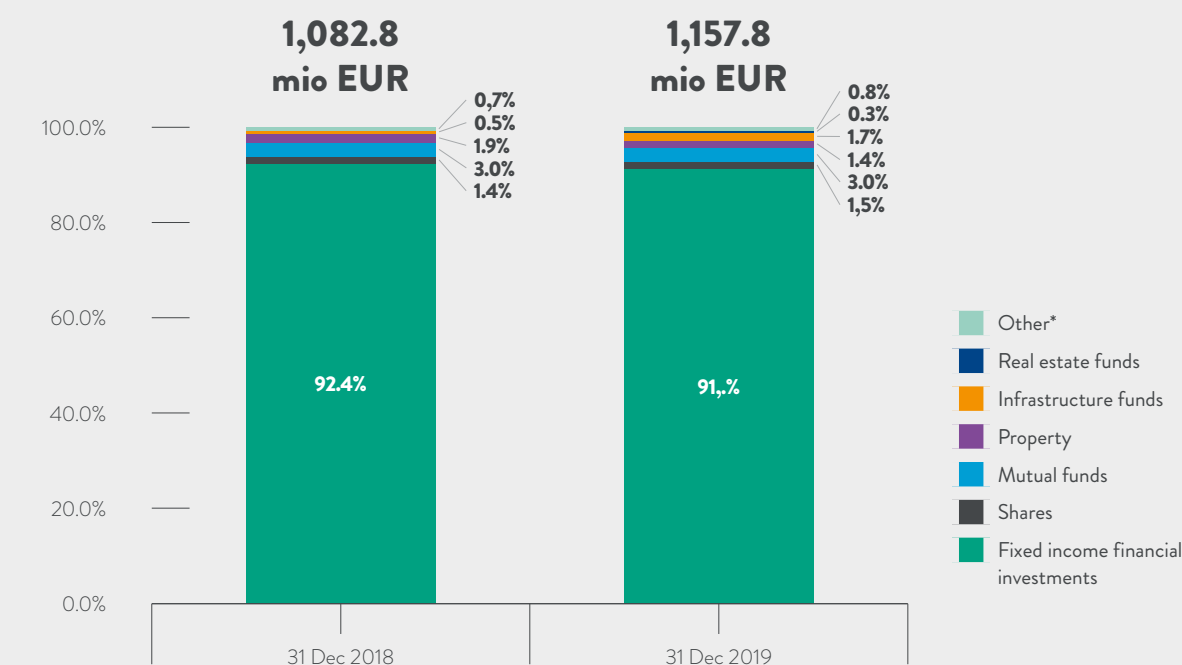
| EUR | 31 Dec 2019 | 31 Dec 2018 | Absolute change | Index |
|----------------------------------------------------------------------------------|----------------------|----------------------|-------------------|--------------|
| Deposits | 46,667,934 | 27,740,285 | 18,927,649 | 168.2 |
| Government bonds | 539,404,145 | 550,716,600 | -11,312,455 | 97.9 |
| Corporate bonds | 394,576,781 | 368,961,240 | 25,615,541 | 106.9 |
| Shares | 17,503,726 | 15,675,616 | 1,828,110 | 111.7 |
| Mutual funds | 34,270,743 | 32,347,639 | 1,923,104 | 105.9 |
| Infrastructure funds | 20,159,022 | 5,264,540 | 14,894,482 | 382.9 |
| Real estate funds | 4,000,000 | 0 | 4,000,000 | |
| Loans granted and other investments | 1,202,867 | 1,116,240 | 86,627 | 107.8 |
| Deposits with cedants | 7,089,021 | 6,275,310 | 813,711 | 113.0 |
| Total financial investments | 1,064,874,239 | 1,008,097,470 | 56,776,769 | 105.6 |
| Financial investments in associates | 581,104 | 462,974 | 118,130 | 125.5 |
| Investment property | 16,695,132 | 20,643,019 | -3,947,887 | 80.9 |
| Cash and cash equivalents* | 75,657,844 | 53,584,104 | 22,073,740 | 141.2 |
| Total investment portfolio | 1,157,808,319 | 1,082,787,567 | 75,020,752 | 106.9 |
| Assets held for the benefit of policyholders who bear the investment risk | 231,306,076 | 215,891,831 | 15,414,245 | 107.1 |
| - Financial investments | 213,159,889 | 204,818,504 | 8,341,385 | 104.1 |
| - Cash and cash equivalents | 18,146,187 | 11,073,327 | 7,072,860 | 163.9 |
| Investment contract assets | 151,197,102 | 135,586,965 | 15,610,137 | 111.5 |

* Cash and cash equivalents of policyholders who bear the investment risk (2019: EUR 18.1 million; 2018: EUR 11.1 million) are excluded from the investment portfolio.

As at 31 December 2019, the investment portfolio of the Sava Insurance Group totalled EUR 1,157.8 million, an increase of EUR 75.0

million from year-end 2018. The increase was largely due to the issuance of Sava Re subordinated bonds totalling EUR 75 million.

Composition of the investment portfolio



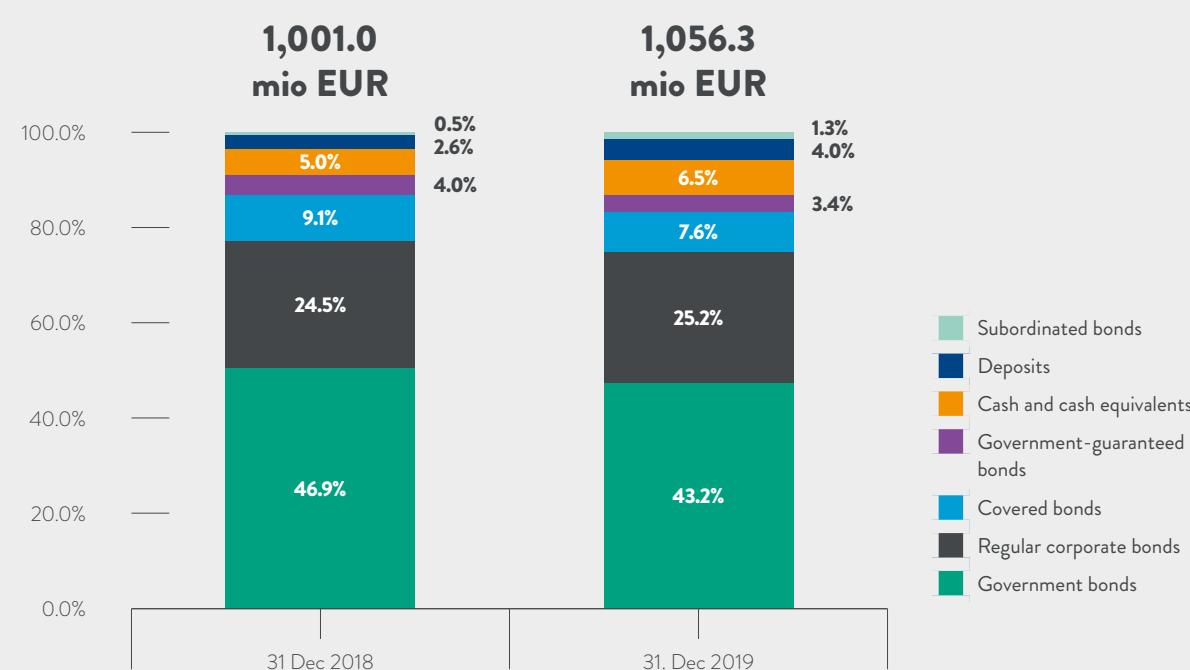
* The "other" item comprises deposits with cedants, loans given and financial investments in associates.

As at 31 December 2019, the value of fixed-income investments stood at EUR 1,058.1 million (31 December 2018: EUR 1,001.0 million) and included:

- government bonds of EUR 501.0 million, or 43.2%, (31 December 2018: EUR 507.7 million; 46.9%),
- regular corporate bonds of EUR 292.3 million, or 25.2%, (31 December 2018: EUR 265.1 million; 24.5%),
- covered bonds of EUR 87.4 million, or 7.6%, (31 December 2018: EUR 98.1 million; 9.1%),

- government guaranteed corporate bonds of EUR 38.8 million, or 3.4%, (31 December 2018: EUR 43.0 million; 4.0%),
- cash and cash equivalents of EUR 75.7 million, or 6.5%, (31 December 2018: EUR 53.6 million; 4.9%),
- deposits of EUR 46.7 million, or 4.0%, (31 December 2018: EUR 27.7 million; 2.6%) and
- subordinated bonds of EUR 14.9 million, or 1.3%, (31 December 2018: EUR 5.7 million; 0.5%).

Composition of fixed-income investments



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

- decrease of 1.2 p.p. in the proportion of fixed-income investments;
- increase in the proportion of investments in infrastructure funds;
- investments in real-estate funds totalling 0.3% of the investment portfolio.

In 2019, a slight decrease and change in the composition of fixed-income investments were due to the maturity of government bonds, increase in the corporate bond portfolio and the increase in cash and cash equivalents that resulted from strategic investments planned for 2020.

9.1.1.4 Assets held for the benefit of policyholders who bear the investment risk

Zavarovalnica Sava is the only Group company to market life products where the investment risk is borne by policyholders. The funds of these policyholders are recorded as financial investments (mainly in mutual funds selected by policyholders) and cash. As at 31 December 2019, financial investments totalled EUR 213.2 million, while cash and cash equivalents stood at EUR 18.1 million. Thus, funds increased by EUR 15.4 million compared to 31 December 2018. The increase is a result of revaluation to market value (EUR 23.0 million), transfer of the Ergo Životno Osiguranje d.d. investment portfolio to the Croatia-based branch office of Zavarovalnica Sava (EUR 0.9 million), and changes in accrued interest on debt securities. Net cash flow was negative in 2019 (EUR 10.0 million).

9.1.1.5 Reinsurers' share of technical provisions

The reinsurers' and co-insurers' share of technical provisions (9) increased by EUR 11.3 million, or 41.5%, compared to 31 December 2018. Unearned premiums increased by EUR 4.9 million (extension of the reinsurance programme, especially for new FOS business), whereas claims provisions increased by EUR 6.4 million on account of some large reinsurance claims made by Slovenian Railways in 2019, revaluation of reinsured annuities stemming from liability policies and the acquisition of a new company.

9.1.1.6 Investment contract assets

The investment contract assets item (10) includes liability fund assets relating to the group of life cycle funds MOJI Skladi Življenjskega Cikla (MY Life-cycle Funds) that have been managed by the Sava Pokojninska pension company for the benefit of policyholders since 1 January 2016. This group consists of three long-term business funds: Moj Dinamični Sklad (My Dynamic Fund, MDF) and Moj Uravnoteženi Sklad (My Balanced Fund, MBF) (where policyholders bear the full investment risk) and Moj Zajamčeni Sklad (My Guaranteed Fund, MGF), where policyholders bear the investment risk in excess of the guaranteed funds. As at 31 December 2019, investment contract assets totalled EUR 151.2 million, up 11.5% compared to 31 December 2018. The increase in investment contract assets was mainly due to net flows (EUR 6.7 million, with EUR 13.2 million of inflows and EUR 6.4 million of outflows in 2019) and net income of EUR 6.4 million achieved in 2019, which was fully allocated to policyholders' personal accounts, as well as

EUR 1.9 million in assets backing annuity policies, which are not classified as insurance but investment contracts due to low underwriting risk.

As at 31 December 2019 financial investments accounted for 91.1% of all assets, the rest consisted of receivables, investment property and cash and cash equivalents.

Like the previous category, the movement in investment contract assets depends on new premium contributions, outflows and changes in the unit prices of funds.

9.1.1.7 Receivables

Receivables (11) increased by 13.4 % or EUR 18.9 million compared to year-end 2018.

The increase was partly due to the increase in receivables arising from primary insurance business, which rose by EUR 13.4 million compared to 31 December 2018. The ageing analysis shows the highest increase in receivables arising out of primary insurance operations up to 180 days past due. The majority of the increase from primary insurance business relates to Slovenian non-life business, amounting to EUR 11.0 million due to the increase in gross premiums written, which impacted the overall growth of this item. Receivables from primary insurance business also increased in the reinsurance segment (EUR 1.3 million) and the international non-life segment (EUR 1.0 million) on account of the growth in gross premiums written.

9.1.2 Equity and liabilities

Consolidated equity and liability items by type

| EUR | 31 Dec 2019 | As % of total 31 Dec 2019 | 31 Dec 2018 | As % of total 31 Dec 2018 |
|----------------------------------------------------------------------------------------------------------------|----------------------|------------------------------|----------------------|------------------------------|
| EQUITY AND LIABILITIES | 1,885,953,003 | 100.0% | 1,706,023,490 | 100.0% |
| 1 Equity | 384,776,847 | 20.4% | 340,175,455 | 19.9% |
| Share capital | 71,856,376 | 3.8% | 71,856,376 | 4.2% |
| Capital reserves | 43,035,948 | 2.3% | 43,035,948 | 2.5% |
| Profit reserves | 202,170,501 | 10.7% | 183,606,914 | 10.8% |
| Own shares | -24,938,709 | -1.3% | -24,938,709 | -1.5% |
| Fair value reserve | 20,718,610 | 1.1% | 11,613,059 | 0.7% |
| Reserve due to fair value revaluation | 924,038 | 0.0% | 836,745 | 0.0% |
| Retained earnings | 42,128,483 | 2.2% | 35,140,493 | 2.1% |
| Net profit/loss for the period | 31,546,718 | 1.7% | 21,843,940 | 1.3% |
| Translation reserve | -3,168,414 | -0.2% | -3,368,928 | -0.2% |
| Equity attributable to owners of the controlling company | 384,273,551 | 20.4% | 339,625,838 | 19.9% |
| Non-controlling interest in equity | 503,296 | 0.0% | 549,617 | 0.0% |
| 2 Subordinated liabilities | 74,822,710 | 4.0% | 0 | 0.0% |
| 3 Technical provisions | 933,952,709 | 49.5% | 920,491,487 | 54.0% |
| 4 Net technical provisions for the benefit of life insurance policyholders who bear the investment risk | 220,613,698 | 11.7% | 210,032,637 | 12.3% |
| 5 Other provisions | 8,705,469 | 0.5% | 7,730,247 | 0.5% |
| 6 Deferred tax liabilities | 5,294,664 | 0.3% | 3,605,462 | 0.2% |
| 7 Investment contract liabilities | 151,040,643 | 8.0% | 135,441,508 | 7.9% |
| 8 Other financial liabilities | 355,908 | 0.0% | 243,095 | 0.0% |
| 9 Liabilities from operating activities | 61,290,549 | 3.2% | 54,736,601 | 3.2% |
| 10 Lease liabilities | 10,448,915 | 0.6% | 0 | 0.0% |
| 11 Diverse liabilities | 34,650,893 | 1.8% | 33,566,998 | 2.0% |

9.1.2.1 Equity

Equity (1) increased by 13.1%, or EUR 44.6 million, compared to year-end 2018.

Equity increased by the amount of net profit of EUR 50.2 million and EUR 9.4 million due to the fair value reserve. A charge against equity was the dividend payment of EUR 15.0 million.

9.1.2.2 Subordinated liabilities

In 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039 and with an early recall option for 7 November 2029. Sava Re intends to use the net proceeds for general corporate purposes of the Sava Insurance Group and for the optimisation of its capital structure. The total issue size is EUR 75 million.

Movement in consolidated gross technical provisions

| EUR | 31 Dec 2019 | 31 Dec 2018 | Index |
|--------------------------------------------------------|--------------------|--------------------|--------------|
| Gross unearned premiums | 207,895,397 | 184,101,835 | 112.9 |
| Gross mathematical provisions | 211,877,103 | 254,849,366 | 83.1 |
| Gross provision for outstanding claims | 502,914,277 | 470,057,561 | 107.0 |
| Gross provision for bonuses, rebates and cancellations | 1,234,753 | 1,477,666 | 83.6 |
| Other gross technical provisions | 10,031,179 | 10,005,059 | 100.3 |
| Gross technical provisions | 933,952,709 | 920,491,487 | 101.5 |

Gross provisions for the reinsurance segment rose by 8.5%, or EUR 13.3 million, mainly on account of claims provisions, which increased by EUR 12.4 million due to major loss events in the international portfolio.

Gross provisions in the non-life segment at year-end 2019 were up 8.6%, or EUR 42.2 million, as a result of a EUR 23.8 million increase in unearned premiums (corresponding to the growth in the business volume), whereas the gross claims provision increased by EUR 19.4%, mainly on account of the integration of new companies into the Group and portfolio growth.

9.1.2.3 Technical provisions

Gross technical provisions (3) are the largest item on the liabilities side. As at 31 December 2019, they were 1.7% or EUR 15.4 million lower than at year-end 2018.

Gross provisions for traditional life policies at year-end 2018 were 16.1%, or EUR 42.5 million lower than at the previous year-end, mainly as a result of maturity payments.

Other technical provisions (provisions for bonuses, rebates and cancellations, and other provisions) account for a smaller proportion and remained at about the year-end 2018 level.

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

The technical provision for the benefit of policyholders who bear the investment risk (4) at 31 December 2019 grew by 5.0% or EUR 10.6 million compared to year-end 2018. This provision moves in line with funds of policyholders who bear the investment risk (depending on contributions, outflows and movement in fund unit prices).

9.1.2.5 Investment contract liabilities

Investment contract liabilities (7) of Sava Pokojninska totalled EUR 151.0 million as at 31 December 2019, up 11.5%, or EUR 15.6 million, from year-end 2018. Their movement is in line with the investment contract assets, driven largely by new premium contributions, payouts and changes in the unit prices of funds.

9.1.2.6 Lease liabilities

Group companies initially recognised their long-term lease liabilities as at 1 January 2019. As at 31 December 2019, lease liabilities totalled EUR 10.4 million and refer to liabilities from long-term operating leases.

9.1.3 Capital structure

As at 31 December 2019, the Sava Insurance Group held EUR 384.8 million in equity and EUR 74.8 million in subordinated liabilities.

9.1.4 Cash flow

In 2019, the Sava Insurance Group had a negative operating cash flow of EUR 31.1 million (2018: positive operating cash flow of EUR 0.3 million) that was driven by the cash flow from its core activity (insurance and reinsurance business). Cash flow is lower compared to the previous year mainly due to maturity benefits on life insurance policies.

In 2019, the Sava Insurance Group recorded a positive cash flow from financing activities of EUR 56.9 million (2018: negative EUR 12.4 million). Unlike dividend payments, which had a negative effect in 2019 (up EUR 2.6 million over 2018), subordinated debt had a positive effect (EUR 74.3 million).

Net cash flow in 2019 was EUR 1.2 million above the year-on-year figure, mainly due to the issuance of subordinated debt.

9.2 Sava Re

As at 31 December 2019, total assets of Sava Re stood at EUR 735.6 million, an increase of 21.7% over year-end 2018. Below we set out

items of assets and liabilities in excess of 5% of total assets as at 31 December 2019, or items that changed by more than 2% of equity.

9.2.1 Assets

Total assets by type

| EUR | 31 Dec 2019 | As % of total 31 Dec 2019 | 31 Dec 2018 | As % of total 31 Dec 2018 |
|---------------------------------------------------------------|--------------------|------------------------------|--------------------|------------------------------|
| ASSETS | 735,585,561 | 100.0% | 604,612,961 | 100.0% |
| 1 Intangible assets | 1,294,110 | 0.2% | 892,724 | 0.1% |
| 2 Property, plant and equipment | 2,507,611 | 0.3% | 2,654,540 | 0.4% |
| 3 Right-of-use assets | 115,400 | 0.0% | 0 | 0.0% |
| 4 Deferred tax assets | 1,141,098 | 0.2% | 1,943,597 | 0.3% |
| 5 Investment property | 8,142,714 | 1.1% | 8,285,733 | 1.4% |
| 6 Financial investments in subsidiaries and associates | 238,177,654 | 32.4% | 218,424,765 | 36.1% |
| 7 Financial investments | 296,096,594 | 40.3% | 244,291,434 | 40.4% |
| 9 Reinsurers' share of technical provisions | 31,159,308 | 4.2% | 21,437,221 | 3.5% |
| 11 Receivables | 97,024,000 | 13.2% | 87,830,299 | 14.5% |
| 12 Deferred acquisition costs | 6,554,598 | 0.9% | 7,821,932 | 1.3% |
| 13 Other assets | 441,253 | 0.1% | 379,264 | 0.1% |
| 14 Cash and cash equivalents | 52,931,222 | 7.2% | 10,651,452 | 1.8% |

9.2.1.1 Financial investments in subsidiaries and associates and other financial investments

The investment portfolio consists of the following statement of financial position items: financial investments (7), investments in sub-

subsidiaries and associates (6), investment property (5), and cash and cash equivalents (14).

The Sava Re investment portfolio totalled EUR 595.3 million as at 31 December 2019 (31 December 2018: EUR 481.7 million).

Sava Re investment portfolio by asset class

| EUR | 31 Dec 2019 | 31 Dec 2018 | Absolute change | Index |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------|
| Deposits | 22,338,823 | 2,331,604 | 20,007,219 | 958.1 |
| Government bonds | 137,363,303 | 120,886,760 | 16,476,543 | 113.6 |
| Corporate bonds | 105,742,821 | 98,023,199 | 7,719,622 | 107.9 |
| Shares | 9,690,877 | 8,720,953 | 969,924 | 111.1 |
| Mutual funds | 1,704,135 | 3,102,927 | -1,398,792 | 54.9 |
| Infrastructure funds | 6,951,308 | 1,860,608 | 5,090,700 | 373.6 |
| Real estate funds | 1,000,000 | 0 | 0 | - |
| Loans granted | 4,216,308 | 3,090,072 | 1,126,235 | 136.4 |
| Deposits with cedants | 7,089,020 | 6,275,310 | 813,710 | 113.0 |
| Total financial investments | 296,096,594 | 244,291,434 | 51,805,160 | 121.2 |
| Financial investments in subsidiaries and associates | 238,177,654 | 218,424,765 | 19,752,889 | 109.0 |
| Investment property | 8,142,714 | 8,285,733 | -143,019 | 98.3 |
| Cash and cash equivalents | 52,931,222 | 10,651,452 | 42,279,769 | 496.9 |
| Total investment portfolio | 595,348,183 | 481,653,384 | 113,694,799 | 123.6 |

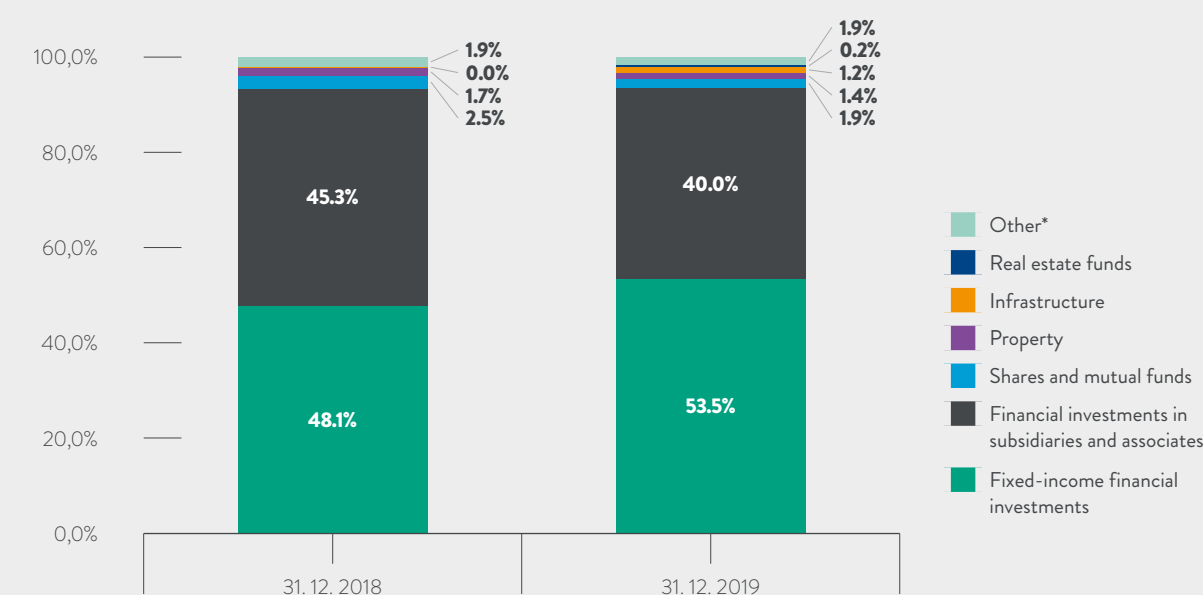
Compared to the previous year, the investment portfolio grew by EUR 113.7 million. The increase was largely due to the issuance of Sava Re subordinated bonds totalling EUR 75 million and dividend income from subsidiaries (EUR 36.9 million).

The largest share of the investment portfolio as at 31 December 2019 were fixed-income financial investments, which accounted for 53.5% (31 December 2018: 48.1%). Their share in the composition of the investment portfolio increased by 5.3 p.p. As at 31 December 2019 alternative investments in the form of infrastructure and real estate funds totalled EUR 8.0 million or 1.4% of the investment portfolio. Owing to the time

lag between the commitment and the actual investing, the uncalled commitment in infrastructure and real-estate funds is disclosed off the balance sheet (amounting to EUR 13.7 million as at 31 December 2019). Financial investments in subsidiaries accounted for 40.0%, up EUR 19.8 million. The increase was due to the acquisition of the 84% stake in Infond in the second quarter of 2019. The increase in cash equivalents is the result of the issuance of subordinated bonds, the proceeds of which were invested in deposits with up to six months maturity.

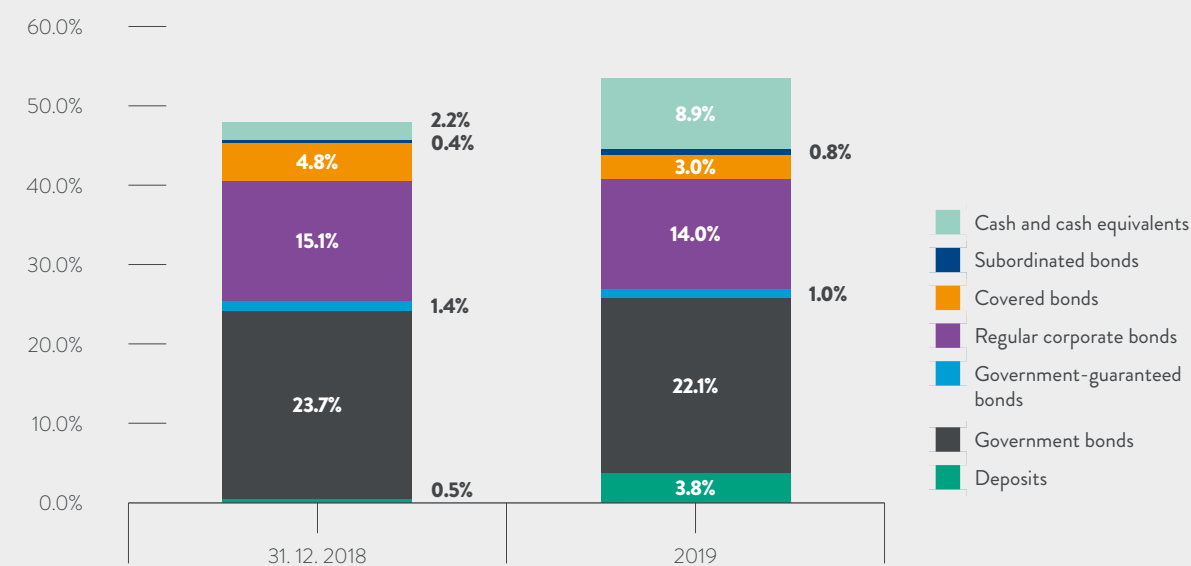
Following is an overview of the composition of the investment portfolio.

Composition of the investment portfolio



Following is a graph showing the composition of fixed-income investments.

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



The percentage of cash and cash equivalents in the composition of fixed-income investments has increased. The proportion of other fixed-income investments remained similar to that at year-end 2018.

9.2.1.2 Reinsurers' share of technical provisions

The reinsurers' and co-insurers' share of technical provisions (9) increased by EUR 9.7 million, or 45.4%, compared to 31 December 2018. Unearned premiums increased by EUR 4.7 million (extension of the reinsurance programme, especially for new FOS business), whereas claims provisions increased by EUR 5.0 million on account of Group business (high retroceded claims by Slovenian Railways and revaluation of annuities stemming from liability insurance).

9.2.1.3 Receivables

Receivables (11) at year-end 2019 show an increase of 10.5% or EUR 9.2 million. Receivables arising out of primary insurance business increased by EUR 7.0 million, mainly due to the growth in gross premiums written. The ageing analysis shows an increase in up to 180 days past-due receivables arising out of primary insurance business (EUR 4.5 million). Receivables arising out of reinsurance and co-insurance business increased by EUR 0.6 million. Current tax assets increased by EUR 2.8 million from year-end 2018.

9.2.2 Equity and liabilities

Equity and liability items by type

| EUR | 31 Dec 2019 | As % of total 31 Dec 2019 | 31 Dec 2018 | As % of total 31 Dec 2018 |
|------------------------------------------------|--------------------|---------------------------|--------------------|---------------------------|
| EQUITY AND LIABILITIES | 735,585,561 | 100.0% | 604,612,961 | 100.0% |
| 1 Equity | 343,920,689 | 46.8% | 317,561,040 | 52.5% |
| Share capital | 71,856,376 | 9.8% | 71,856,376 | 11.9% |
| Capital reserves | 54,239,757 | 7.4% | 54,239,757 | 9.0% |
| Profit reserves | 202,818,558 | 27.6% | 184,424,862 | 30.5% |
| Own shares | -24,938,709 | -3.4% | -24,938,709 | -4.1% |
| Fair value reserve | 5,217,524 | 0.7% | 2,697,381 | 0.4% |
| Reserve due to fair value revaluation | 21,376 | 0.0% | 40,772 | 0.0% |
| Retained earnings | 16,312,110 | 2.2% | 8,306,851 | 1.4% |
| Net profit or loss for the period | 18,393,696 | 2.5% | 20,933,749 | 3.5% |
| 2 Subordinated liabilities | 74,822,710 | 10.2% | 0 | 0.0% |
| 3 Technical provisions | 261,338,591 | 35.5% | 234,173,078 | 38.7% |
| 5 Other provisions | 466,901 | 0.1% | 376,521 | 0.1% |
| 6 Deferred tax liabilities | 76,227 | 0.0% | 76,227 | 0.0% |
| 8 Other financial liabilities | 87,504 | 0.0% | 87,504 | 0.0% |
| 9 Liabilities from operating activities | 51,086,602 | 6.9% | 49,185,680 | 8.1% |
| 10 Lease liabilities | 115,491 | 0.0% | 0 | 0.0% |
| 11 Other liabilities | 3,670,845 | 0.5% | 3,152,911 | 0.5% |

9.2.2.1 Equity

Equity (1) is the largest item on the liabilities side, representing 46.8% of total equity and liabilities. Compared to 31 December 2018, equity increased by 8.3% or EUR 26.4 million due to the following movements:

- The net profit for 2019 totalled EUR 38.6 million (increase in equity).
- Increase in the fair value reserve of EUR 2.5 million (increase in equity).
- Sava Re paid out dividends in the amount of EUR 14.7 million (decrease in equity).

9.2.2.2 Subordinated liabilities

In 2019, Sava Re issued subordinated bonds with a scheduled maturity of 2039 and with an early recall option for 7 November 2029. Sava Re intends to use the net proceeds for

general corporate purposes of the Sava Insurance Group and for the optimisation of its capital structure. The total issue size is EUR 75 million.

9.2.2.3 Technical provisions

Movements in gross technical provisions

| EUR | 31 Dec 2019 | 31 Dec 2018 | Index |
|--------------------------------------------------------|--------------------|--------------------|--------------|
| Gross unearned premiums | 54,588,057 | 47,147,505 | 115.8 |
| Gross provision for outstanding claims | 205,064,638 | 185,988,628 | 110.3 |
| Gross provision for bonuses, rebates and cancellations | 269,941 | 398,672 | 67.7 |
| Other gross technical provisions | 1,415,955 | 638,273 | 221.8 |
| Gross technical provisions | 261,338,591 | 234,173,078 | 111.6 |

Technical provisions (3), the second-largest item on the liabilities side, increased by 11.6%, or EUR 27.2 million, compared to 31 December 2018. The increase is largely due to the growth in the gross claims provision (10.3% or EUR 19.1 million), which increased in the non-Group business portfolio by EUR 12.5 million due to portfolio growth and major loss events in recent years. The claims provision for the Group portfolio increased by EUR

6.6 million, mainly due to large claims by the Slovenian railways and revaluation of annuities stemming from liability business (both are largely retroceded). The movement in technical provisions is discussed in detail in note 24 of the notes to the financial statements.

Subordinated debt
issue



to step up
development
activities

9.2.3 Other investments of Sava Re in the insurance industry

As at 31 December 2019 Sava Re held, in addition to its investments in subsidiaries, investments in other companies in the insurance industry.

Other investments of Sava Re in the insurance industry

| | Holding (%) as at 31 Dec 2019 |
|------------------------------------------------------------|-------------------------------|
| Slovenia | |
| Skupina Prva, zavarovalniški holding, d.d. | 4.04% |
| Zavarovalnica Triglav d.d. | 0.73% |
| EU and other international | |
| Bosna Reosiguranje, d.d., Sarajevo, Bosnia and Herzegovina | 0.51% |
| Dunav Re, a.d.o., Belgrade, Serbia | 1.12% |

9.2.4 Capital structure

As at 31 December 2019, Sava Re held EUR 270.3 million in equity capital and EUR 74.8 million in subordinated liabilities.

9.2.5 Cash flow

In 2019, the Company had a positive cash flow from operating activities in the amount of EUR 6.0 million (2018: EUR 5.6 million). It was up 7.5% year on year, mainly on account of the increase in premium income.

Net cash from financing activities totalled EUR 59.0 million (2018: EUR 12.4 million in outflows). The 2019 net cash flow was the

result of subordinated debt (EUR 74.3 million) and dividends paid (EUR 14.7 million). The 2018 net cash flow was negative as a result of dividends paid (EUR 12.4 million).

Net cash flow in 2019 was EUR 38.3 million above the year-on-year figure, mainly due to the issuance of subordinated debt.