PRVA GROUP

AUDITED ANNUAL REPORT 2019

CONTENTS

BUSINESS REPORT

1 INTRODUCTORY WORD FROM THE MANAGEMENT BOARD

Prva Group and its companies remain one of the leading providers of income protection products in Central and South-East Europe. Last year, we exceeded €1 billion assets under management, which is undoubtedly a great milestone. Our two core pillars, pensions and life insurance, are supplemented by other personal insurance and savings products, and annuities. Having acquired a stake in Deželna banka Slovenije, our field of work now also includes the banking sector.

In Northern Macedonia, KB Prvo penzijsko društvo AD Skopje is the leading provider of mandatory supplementary and voluntary pension insurance. 2019 was a year of substantial regulatory change, affecting both the number of members and transfer of a part of our assets to the first pillar. Nevertheless, total assets under management recorded the steepest growth in our history by nearly €100 million, reaching €662 million in both pillars at the end of the year. Company operations have remained stable with net profit at the same level as the previous year and above expectations despite legislative change. In 2019, a third mandatory pension savings provider entered the market, causing change in new client distribution, resulting in minor market share shift. Regardless of this, the Company has maintained its leading market share of just below 53 percent of assets under management. All key elements of Prva osebna zavarovalnica's operations continued to grow in 2019; we are especially proud of what we have achieved in the field of health insurance, where we have become a relevant player, having successfully built another operational pillar of service. Growth in operations resulted in Prva osebna zavarovalnica's financial and capital stability in 2019. We ended the year with higher profit than the previous year even though we increased investment and established additional provisions in response to the situation on financial markets.

2019 was marked by very high stock market returns and downward bond yield curves in the field of voluntary supplementary pension insurance, resulting in above-average returns on all our funds, from 5.9% on Zajamčeni (Guaranteed) to 19.2% on Dinamični (Dynamic). These noteworthy returns and increase in new payments ensured 14% growth in assets under management. In terms of distribution of new payments between life cycle funds, we noticed stability in relation to payment into balanced and dynamic funds amounting to approximately 75% of all payments. The share of new funds delivered by the life cycle investment policy has impacted on a quarter of all assets under management. Calculation of capital requirement pursuant to Solvency II evidenced adequate capital last year. Solvency capital fell when compared to the previous year as a result of a steep fall in interest rates and operational growth.

Our business activity in Serbia continues stabilising the portfolio. In 2019, the trend in new payment growth continued, but the market share growth challenge still exists because the entire market is not growing and, as a result, many activities are performed internally by existing clients. Profit exceeded the planned amount and last year's operating profit by means of strict cost management and portfolio growth of more than 9%.

In the coming period, Prva will mainly focus on continuing its digitalisation of operations and, naturally, the implementation of the IFRS 17 regulatory requirement, representing a great change in insurance company operations monitoring. We will, of course, continue to develop products that enable growth in the next strategic period and maintain activities to maximise user experience on all markets. In the coming years, the Prva Group will maintain its high level of corporate management based on its Group Code, which ensures safe and ethical operations for the entire Group.

Boštjan Škufca Zaveršek
President of the management board

2 THE ACTIVITIES OF THE COMPANY AND THE GROUP AND ITS DEVELOPMENT

Basic information:

Name: Skupina Prva d.d. (Prva Group plc.)

Adress: Fajfarjeva ulica 33, 1000 Ljubljana

VAT identification number: SI28012593

Base capital: 13.386.247 EUR

Prva Group - Skupina Prva, d.d. (formerly Prva pokojninska družba d.d.) is a mixed-activity financial holding in which 3 pension companies, 1 insurance undertaking and 1 company engaged in marketing insurance products of a sister company, operated in 2019.

The Company's activity includes holding operations in insurance and pension funds.

KPMG Slovenija, d.o.o. was appointed for the auditor of the Company and the Group.

Prva Group - Skupina Prva, mixed financial holding company, plc. is a public limited company set up for an indefinite period of time.

In 2019, the following enterprises operated within the Group: Prva osebna zavarovalnica d.d. in Slovenia, KB Prvo in Macedonia, DDOR Garant in Serbia, FSKP in Kosovo, and Prva zavarovalniško zastopniška družba, d.o.o. in Slovenia.

Prva Group - Skupina Prva, mixed financial holding company, plc. compiled consolidated financial statements of the Group, which includes five subsidiaries, under IFRS as adopted by the EU. The consolidated financial statements are based on the original financial statements of the enterprises included in consolidation, inclusive of the necessary consolidation adjustments which, however, are not subject to posting in the financial statements of the enterprises included in consolidation. In the financial statements, subsidiaries are accounted for under the cost method. The report includes presentation of the operations of the long-term business funds managed by the subsidiaries.

Prva Group does not have any branch offices either in Slovenia or abroad.

In the Annual Report, Skupina Prva plc. is referred to as Skupina Prva, Prva Group or the Company, whereas Skupina Prva Group is referred to as Skupina Prva Group or the Group.

Prva plc. has not adopted any specific diversity policy in relation to the presentation in the governance or supervisory bodies regarding gender, age or education.

3 SHARE CAPITAL AND SHAREHOLDERS

The Company's share capital amounts to €13,386,247 and did not change in 2019. Individual capital elements are described in detail in Section 15.10. "Equity".

The owners of Prva Group, insurance holding company, plc. are successful Slovenian and foreign companies, members of the Supervisory and Management Boards and other shareholders, as well as companies that have included their insurants in one of the pension schemes of Prva osebna zavarovalnica, d.d. The ultimate parent of Prva Group, insurance holding company, plc. is A-Z Finance d.o.o.. A-Z Finance was founded in 1998 and is 100% owned by Alenka Žnidaršič Kranjc.

Table 1: Five largest shareholders of ordinary and preference shares of Prva Group, plc. as at 31 December 2019

Name of shareholder/Ordinary shares	Holding at 31 December 2019 in %
DEJ d.o.o.	70.20%
KYMAH LIMITED	14.83%
BTC d.d.	4.16%
KRITNI SKLAD PRVA+ ZAJAMČENI	4.14%
Prva Group plc	3.40%
5 MAJOR SHAREHOLDERS	**96.73%**
OTHER LEGAL ENTITIES	0.79%
OTHER NATURAL PERSONS	2.48%
TOTAL AT 31 DECEMBER 2018	**100.00%**

Name of shareholder/Preference shares	Holding at 31 December 2019 in %
MAVIA d.d.	11.36%
KRITNI SKLAD PRVA+ ZAJAMČENI	10.00%
KRITNI SKLAD PRVA ZAJAMČENI	10.00%
CIMOS d.d.	7.35%
KRITNI SKLAD PRVA IN PRVA+ URAVNOTEŽENI	6.49%
5 MAJOR SHAREHOLDERS	**45.20%**
OTHER LEGAL ENTITIES	42.21%
OTHER NATURAL PERSONS	12.58%
TOTAL AT 31 DECEMBER 2019	**100.00%**

Source: The Share Register of Prva Group plc.

23 legal entities or natural persons are owners of class A ordinary shares. The largest shareholders among them are Dej d.o.o. with a 70.20% holding, Kymah Limited with a 14.83% holding, and BTC with a 4.16% holding. The others own a total of 8.33% of ordinary shares.

Class B shares are owned by 67 legal entities or natural persons. The largest stake is owned by Mavia d.d. in the amount of 11.36%, Prva osebna zavarovalnica d.d. - Kritni sklad Prva+ Zajamčeni in the amount of 10.00%, followed by Prva osebna zavarovalnica d.d. – Kritni sklad Prva Zajamčeni with 10.00% stake, followed by Cimos d.d. with a 7.35% stake. The others own a total of 54.79% of preference shares.

At the end of 2019, the Company does not possess any authorised capital for the payment of shares.

4 COMPANY BODIES

The Company's bodies consist of the General Meeting, the Supervisory Board, the Management Board, and the Audit Committee.
The General Meeting of the Prva Group is comprised of legal entities and natural persons possessing shares of the Prva Group.
The Supervisory Board consists of four members. All are representatives of the capital.
The Management Board represents and presents the Company. The Company's Management Board consists of the President Boštjan Škufca Zaveršek.
The owners of the Company have the right to change the financial statements after their approval by the Management Board.

4.1 REPORT ON THE WORK OF THE SUPERVISORY BOARD AND AUDIT COMMITTEE OF PRVA GROUP

The four-member Supervisory Board performed its duties and tasks in accordance with provisions of the Insurance Act, Companies Act, Articles of Association, and Rules of Procedure of the Supervisory Board in 2019.

SUPERVISORY BOARD

In 2019 the Supervisory Board consisted of Nicholas Andrew Lindsay Stuart (Chairman), Helena Petrin, Miha Kranjc and Matej Akrapovič.

SUPERVISORY BOARD'S TASKS

The Supervisory Board monitored and discussed the operations of the Company and the work of the Management Board in two regular sessions and two conference calls in 2019. It carried out the legally prescribed supervision of the Company's operations and supervised the implementation of the resolutions adopted in previous sessions and at the General Meetings of the Company.

In 2019, the work of the Supervisory Board further consisted of addressing the Annual Report of Prva Group, insurance holding company, plc., for 2018, forming the opinion of the Supervisory Board on the Annual Report for 2018 and Reports of the Audit Committee for 2019, addressing and adopting the Business Plan for 2020-2022, and ongoing supervision of all the Company's operations and the comparison of the objectives realised with those planned.

At its last session in 2019 and with an outlook on the future operations of the Company, the Supervisory Board adopted the Business Plan for 2020-2022 and was informed of the plans of all the subsidiaries for the same strategic period.

The Supervisory Board was informed about the decisions of the supervisory bodies in a timely fashion and monitored their implementation.

At the meeting on 14th May 2020, the Supervisory board reviewed the Annual Report of Prva Group for 2019 and recommend the General meeting to adopt it.

AUDIT COMMITTEE

The Supervisory Board established a three-member Audit Committee. In 2019, the board was composed of Nicholas Andrew Lindsay Stuart (Chairman), Helena Petrin (Deputy Chairperson) and Sara Čučnik (Independent Expert).

The tasks and competencies of the Audit Committee are laid down in the Companies Act, Rules of Procedure of the Audit Committee, Rules of Procedure of the Supervisory Board and decisions adopted by the Supervisory Board.

In 2019, the Audit Committee addressed the following topics in two regular sessions and two conference calls:

- risk management and internal control efficiency (monitoring of the relevance of risk management, provision of sufficient amount of capital and monitoring internal controls efficiency and performance);
- efficiency and performance of the internal audit services in subsidiaries (monitoring efficiency and performance of internal audit services in individual subsidiaries through quarterly reports of internal auditors in subsidiaries or declarations made by internal auditors);
- financial statements and external audit (proposing appointment of external auditors, participating in drafting contracts between the auditor and the insurance undertaking, checking and monitoring auditor's independence, monitoring audit of the annual financial statements, cooperating with external auditors and assessing the annual report structure);
- integrity of financial information provided by the insurance undertaking (monitoring financial reporting procedures and their integrity);

The Audit committee issued an Annual Report on its work performed in 2019 which, among other, includes a consideration of the auditor's opinion on the Annual Report of Prva Group plc for 2018, the consolidated Annual Report of Prva Group plc for 2018, and Report on Related Party Transactions for 2018.

4.2 STATEMENT OF THE RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board approved the publication of the financial statements, accounting policies used and notes to the financial statements on 08 May 2020.

The Management Board is responsible for preparing the annual report which represents a true and fair view of the Company's and the Group's financial position and of their financial results for the year 2019.

Members of the Management Board and the Supervisory Board confirm that the Annual Report of the Group ad the Company, and its integral parts, inclusive of the corporate governance statement, have been compiled and published in accordance with the Companies Act and International Financial Reporting Standards, as adopted by the EU.

The Management Board is responsible for the preparation of the annual report of the Group and the Company, including the financial statements and consolidated financial statements and notes thereto that give a true and fair presentation of the financial position of the Company and the Group.

The Management Board confirms that the financial statements of the Company and the Group have been compiled under the assumption of a going concern, that the appropriate accounting policies have been consistently applied, and that any changes in these have been disclosed, and that accounting estimates have been made based on the principle of prudence and due diligence.

The Management Board is also responsible for the adoption of measures to secure the assets of Prva Group, insurance holding company, plc., and to prevent and detect fraud and other irregularities and/or illegal acts.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which a tax assessment was due, carry out an audit of the Company's operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that may result in a significant tax liability.

Pursuant to Articles 545 and 546 of the Companies Act, the management submitted a Report on transactions with the parent and other subsidiaries in the Group, confirming the fact that in view of the circumstances known at the time these legal transactions were made, Prva plc. was not disadvantaged in transactions with the parent or its related parties. Furthermore, no legal transactions were undertaken in 2019 and no actions were either carried out or omitted, which could cause damage to the Company as a result of the influence imposed by the parent.

Ljubljana, 08 May 2020

Boštjan Škufca Zaveršek

President of the Management Board

4.3 CORPORATE GOVERNANCE STATEMENT

Pursuant to the fifth paragraph of Article 70 of the Companies Act (ZGD-1), the Company issues the following corporate governance statement for the period from 1 January to 31 December 2019.

The Company applies the Corporate Governance Code for Public Limited Companies adopted by the Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia on 27 October 2016 and, which came into effect on 1 January 2017 and is available on the website of the Ljubljana Stock Exchange (www.ljse.si). While the application of the Corporate Governance Code for Public Companies (the Code) is not obligatory, the Company is required to disclose the recommendations not complied with including explanation of the reasons for non-compliance.

In 2015 the Company adopted the Corporate Governance Policy, which sets out the main guidelines for corporate governance of subsidiaries, considering long-term objectives of the Company and the legislation applicable to a country of the subsidiaries. The Company did not decide to use any other corporate governance.

Derogation from the Code

The Company has adopted a decision to apply by analogy rather than explicitly follow recommendations of the Code based on the following facts:

- The activity of the Company is limited to the management of participations in subordinated companies and generates revenue almost exclusively from dividends received from companies in which it holds equity shares. To ensure the relevant level of corporate governance in subordinated companies, in 2015 the Company adopted a corporate governance policy of the Prva Group plc., which is applicable to all subordinated companies.
- In line with the Company's scope of operations, in 2019 the Company employed 4 members of staff.
- The share capital of the Company is divided into two classes of shares (regular shares with voting rights and preference shares without voting rights). However, only preference shares are quoted on the stock exchange (without voting rights and without the right to participation in the governance of the Company). The company's ownership structure in 2019 in terms of both classes of shares has been stable with a relatively low number of shareholders and minor ownership changes.
- Considering the limited scope of the Company's activities and very few staff, as well as relatively stable ownership, the Company made a study of costs associated with compliance with the recommendations of the Code and assessed that further compliance with the Code was not cost efficient and would not contribute to the maximisation of the Company's value. The Company does comply with all the binding provisions of the relevant legislation that directly refer to the corporate governance of public limited companies.

Description of key characteristics of the internal control and risk management systems in the Company relating to the financial reporting process

Within the framework of the internal control system and risk management related to the financial reporting process, special attention is devoted to:

- Identifying important business events that have a direct or significant impact on the financial reporting;
- Accounting categories and individual accounts and the related processes;
- Regular updating and documenting of the business processes flow;
- Assessing the results and eliminating the weaknesses identified in the planned or existing internal controls.

Information referred to in items 3, 4, 6, 8 and 9 of the sixth paragraph of Article 70 of ZGD-1

The Company rules regarding appointment and replacement of members of the Management Board and the Supervisory Board are specified in the Articles of Association. All amendments to the Articles of Association may be adopted by the General Meeting with a majority of no less than 81% of the share capital represented. The share capital's structure is explained in Section "Share capital and shareholders". The Company did not adopt any specific restrictions regarding voting rights other than in terms of preference shares which are, according to the Articles of Association, without voting rights. The Company rules regarding appointment and replacement of members of the Management

Board and the Supervisory Board are specified in the Articles of Association. No other rules have been adopted. Members of the Management are not authorised for issuing or acquiring treasury shares.

The Management Board convenes the General Meeting of Shareholders at least one month in advance. Usually, it is convened at the head office of the Company. The competences of the General Meeting of Shareholders are stipulated in the Companies Act (ZGD-1). The General Meeting decides with a majority of votes cast by the share capital represented. Shareholders can exercise their rights at the General Meeting either in person or by proxy. Shareholders' rights are specified in the Articles of Association and applicable legislation.

Information on corporate and supervisory bodies

The managing and corporate governance of the Company are conducted under a two-tier system. Until 31 May 2019 The Company's Management Board consisted of Alenka Žnidaršič Kranjc as the President and Boštjan Škufca Zaveršek as its Member. From 1 June 2019 the Management Board consist of only one member Boštjan Škufca Zaveršek as the President. The Management Board performs its duties in accordance with statutory provisions, Articles of Association, internal rules and the established and generally accepted good business practices. The same applies to the Supervisory Board whose composition and tasks as well as those of its Audit Committee, are described in detail in Section "Report on the work of the Supervisory Board and Audit Committee of Prva Group".

Description of diversity policy

The company has not yet adopted any diversity policy in relation to the presentation in the governance or supervisory bodies regarding gender, age or education. Nevertheless, the structure of the governance and supervisory bodies is heterogeneous and ensures maximum complementarity between knowledge and experience of their members.

Ljubljana, 06 april 2020

Boštjan Škufca Zaveršek

President of the Management Board

5 ECONOMIC ENVIRONMENT

5.1 MACROECONOMIC ENVIRONMENT

In the first half of 2019, we witnessed a slowdown in global economic growth. The global economy weakened and growth in investment also decreased because of increasing trade and political tension. By the end of the year, the situation had slightly improved and the first signs of decreasing uncertainty in international trade began to show. When the external environment stabilises, global economic growth this year and in the coming years will be slower than in previous years. Protectionist measures and geopolitical tension bring economic uncertainty, which is reducing confidence in the economy, and most notably leading to weaker investment and export activity of companies engaged in international production chains. Salary and employment growth in the euro area have remained solid, especially when compared with economic activity indicators, supported by the European Central Bank's incentivised monetary policy. Last year, the tight situation in the international environment began to increasingly and significantly affect the Slovenian economy. Macroeconomic projections have remained relatively favourable yet lower than previous forecasts because of a slightly weaker outlook for the global economy. Domestic demand is the main driver of Slovenian economic growth; its balance of payments will positively contribute to GDP growth. Risk related to current forecasts remains significant and mainly on the downside.

6 CAPITAL MARKETS

6.1 MONEY MARKETS AND INTEREST RATES

In 2019, the most important central banks maintained a loose and incentive monetary policy. The discrepancy between the monetary policies of the ECB and the US central bank (Fed) dropped substantially after three decreases of the key interest rates by the Fed. At the end of the year, the Fed key interest rate stood between 1.50% and 1.75%. On the other hand, the ECB maintains the key interest rates virtually unchanged, keeping the interest rate for main refinancing operations at 0.00%, the interest rate for marginal lending facility at 0.25%; in September, the ECB decreased the interest rate for marginal lending facility from -0.40% to -0.50%. Additionally, the Fed and the ECB announced purchases of state bonds in 2019: the Fed US$60 billion a month and the ECB €20 billion a month, starting in November. This bond purchase programme will last as long as necessary, with the interest rates staying at the level of the current ones or lower, until inflation in the euro area reaches two percent.

6.2 STOCK MARKETS

At the end of 2018, investors feared the increased likelihood of recession, especially because of the escalated trade dispute between China and the USA. In light of the situation at that time, nobody probably dared to forecast that 2019 would be the highest yielding year for stocks since 2009. Despite fearing a recession, trade war and Brexit, investors who insisted on moderate risk investment were well rewarded, with global stock markets rising by 29.8% in Euro in 2019.

Last year's result was also very favourable for investors in safer bond investment. By September 2019, increased geopolitical risk and the cooling down of global economic growth reduced required bond yield (price growth), and by announcing that monetary policy would be even looser, central banks contributed to the growth of the majority of investments in 2019.

6.3 COMMODITY MARKETS

In 2019, the price of oil increased, though not by as much as the previous year's average. The price of Brent Crude Oil has increased by more than a tenth since the start of October 2019; as 2019

transitioned into 2020, it exceeded US$69 per barrel; the change in price was affected by an extended agreement between OPEC members and certain non-members in terms of a limited area of oil extraction, a temporary USA-China trade war ceasefire and increased escalation in the situation in the Middle East.

7 FINANCIAL RESULT OF THE COMPANY AND THE GROUP

The Company ended the 2019 financial year with net profit of €1,927,046 primarily as a result of the investment part of operations. The Group ended 2019 with net profit of €4,571,641.

Table 2: Key financial indicators of Prva Group plc. and the Group

	Prva Group		The Group	
	2019	2018	2019	2018
Net premium income	0	0	17,359,135	14,668,157
Net cost of claims	0	0	-4,947,718	-4,130,256
Cost of acquiring insurants	0	0	-2,334,342	-2,377,168
Profit before tax	2,114,871	2,670,342	5,278,825	5,315,130
Net profit	1,927,046	2,672,871	4,759,465	4,900,072
Income tax and other levies	-187,825	2,529	-519,359	-415,058
Assets under management*	-	-	1,076,224,273	936,023,613
Number of policyholders	-	-	510,225	497,112
Net increase in the number of policyholders	-	-	13,113	40,561
Average annual premium	-	-	157	176
Management fee	-	-	0.61%	0.66%
Yields of funds (attributed weighted average)	-	-	6.73%	0.42%
Equity				
ROE from operations			3.66%	11.62%
ROE from investments			8.47%	1.49%
Total ROE			12.13%	13.12%
Number of employees on the last day of the year			154	150

** Sum of balances in disclosure: Assets from financial contracts (Disclosure 15.7, table 59) in the amount of €320,048,748 assets from pension annuities the amount of €15,721,019; disclosure of off balance sheet liabilities of the Group (Disclosure 15.16, Table 75) in the amount of €733,622,729; as well as unit-linked assets amounting to €7,272,708 (Disclosure 15.6, Table 55)*

8 INFORMATION TECHNOLOGY

In 2019, the company continued to implement the adopted strategy from 2017, focusing on the consolidation of information services used by companies in the Group. Information services are used, where appropriate, through a single information source and centralized where it makes the most sense. In this process, the information role increased, increasing the need for information cooperation. Prva osebna zavarovalnica d.d. took the main role in consolidation of information resources, which in 2019 consolidated the information resources of FSKP and implemented

consolidation plan for Garant. Information technology processes in 2019 are in line with expectations and are coordinated between Group companies.

9 ORGANISATION AND PERSONNEL

Based on the hours worked, Prva Group, mixed financial holding company plc. had an average of 0.93 employees in 2019. The number of employees varies depending on the requirements in a specific period. As at the last day of 2019, 4 persons were employed in the Company. A total of 154 staff were employed by the entire Group at 31 December 2019.

Table 3: The number of employees of Prva plc. by level of education as at 31 December 2019

Organisational unit	Headcount
Management board	1
Administration	2
Finance and accounting	1
Total	**4**

Level of education	Headcount
PhD.	2
University degree	2
Total	**4**

10 RISK MANAGEMENT

Risk management is an integral part of all business processes of the Group and the Company, based on clear and specific organisation and well-thought processes, responsibilities and authorisations of individual functions and committees. Risk management provides for the control and management of uncertainties stemming from business opportunities, which is of fundamental importance for superior business decisions and consequently improved performance results.

10.1 MANAGEMENT OF CAPITAL AND CAPITAL ADEQUACY

The primary goal of capital management is to ensure sufficient and appropriate capital adequacy of all companies within the Group.

Pursuant to the current Slovene legislation, capital is measured in terms of its availability to comply with regulatory capital requirements at the level of individual insurance companies as well as at the level of the Group.

10.2 FINANCIAL RISK

In managing assets of guarantee funds and financing operations we are exposed to the following core risks as part of the capital and capital adequacy management:

- Risk of changes in prices of securities and fluctuation of interest rates
- Credit risk and
- Liquidity risk.

When forming the investment policies of individual portfolios, we consider the nature and characteristics of an insurance company's liabilities as we aim to achieve optimum spread of assets and an optimum return.

10.3 INTEREST RATE RISK

Interest rate risk is the risk of fluctuating market interest rates impacting the value of interest-sensitive assets, bonds and other debt securities whose value is sensitive to the interest rate

fluctuation. In the event of interest rates increase, the value of debt securities usually falls. On the other hand, in the event of a fall in interest rates, the value of debt securities usually increases. Interest sensitivity of debt securities is usually increased though prolonged maturity periods, reduced absolute level of interest rate in the economy, and lower instrument coupon.

Interest rate risk is managed primarily through balancing of investment maturities (debt financial instruments), restructuring of investments from debt financial instruments at fixed interest rate to debt financial instruments with variable rates of interest, maturity balancing, and average modified duration of debt financial instruments while considering anticipated changes in interest rates, and the use of derivatives.

10.4 RISK OF CHANGES IN SHARE PRICES

The Company and the Group manage the risk of changes in prices of its portfolio securities through setting limits of acceptable exposure and through spread of investments both geographically and industry-wise. The security portfolio is comprised primarily of debt securities and as a result of this diversification, the risk of changes in prices of securities is further mitigated. Another important factor affecting investment decisions is the liquidity of securities.

10.5 LIQUIDITY RISK

Liquidity risk is the risk that due to limited liquidity of investments on securities market, the Company or the Group will not be able to trade an individual investment or trade the investment at significantly unfavourable conditions (primarily pricing conditions) than those at which the investment was valued. The risk or threat of imbalanced liquidity or imbalances between maturities of assets and liabilities may result in liquidity issues i.e. lack of monetary assets needed for the settlement of liabilities on maturity.

Liquidity risk is minimised through balancing investments' liquidity (liquidity is measured in terms of the issue's volume and the gap between its cost and its selling price), considering individual capital market's liquidity, and regular monitoring of the dynamics of inflow and outflows of portfolio assets, as well as by balancing the required additional liquidity assets under the ALM principle.

10.6 CURRENCY RISK

Currency risk is the risk of changes in foreign currency exchange rates impacting the value of the local currency investments, which are denominated in a foreign currency.

Our exposure to currency risk is only minor as most of our assets are invested in the euro.

Of other currency exposures, major exposure risk derives from currencies of the former Yugoslav countries.

Currency risk is mitigated predominantly through balancing of the assets and liabilities currency structure, by selecting investments in foreign currencies whose exchange rates in comparison with the local currency on average fluctuate in opposite directions (appropriate currency spread), and by use of derivatives.

10.7 CREDIT RISK

Credit risk, as one of the most significant financial risks is the risk of the counter party or the issuer of a financial instrument held by long-term business funds or the Company, failing to fulfil its obligations in full amount either on maturity or subsequently. It also includes the risk of a reduction in the value of securities as a consequence of increased probability of default, which is usually reflected in the reduction of the credit rating of the issuer's debt instruments.

A subgroup of the credit risk is the settlement risk, which is the risk of loss due to the process of payments between two or more parties in the settlement systems failing to proceed as expected or as agreed. This occurs mostly on exchange of assets when one of the parties to the settlement fails to settle its liabilities to one or several creditors after they had already fulfilled their individual obligations.

Credit risk is measured through daily monitoring of the issuers' operations or those of counter parties, to which the funds or the Company are exposed to in the form of deposits or receivables on account of derivative financial instruments. As part of the business performance monitoring, credit ratings, direction of changes in credit ratings, the volume of share capital of these entities, their performance result etc. are monitored particularly closely.

In addition, the basis for determining the risk of counter party default includes the contractual relationship between the Company and its counter party or the issuer, regulatory provisions, Rules of Procedures of the Central Securities Clearing Corporation in relation to transaction settlement, and rules on compliance with obligations on organised markets on which financial instruments are traded.

Settlement risk is managed by following high quality standards of business partners, their services and payment discipline, which are monitored during the business relationship duration.

10.8 OPERATIONAL RISK

Operational risk is the risk of a loss, including a legal risk, arising due to the following circumstances:

- Inadequate or inaccurate performance of internal processes
- Other inappropriate conduct of persons belonging to the internal business sphere of the legal entity
- Inadequate or inaccurate operation of systems belonging to the internal business sphere of the entity, or
- Other external events or actions.

Examples of operational risks include: external criminal activities, strategic risk, natural disasters, internal control system, process management, terrorist attacks and war, information technology infrastructure, software applications, legal risk, risk of loss of reputation, human error etc. Operational risk is managed through well-defined investment process including internal and external controls, which minimise the likelihood of losses arising from operational risk.

10.9 FUTURE PLANS

In Prva Group, in the next strategic period 2020-2022 we plan to continue growth of assets under management and insurance premiums. One of the major professional challenges will be the implementation of the solution in connection with IFRS17 in the Prva osebna zavarovalnica. In the years to come, we will continue to maintain a high level of corporate governance based on the Group Code and ensure the safe and ethical performance of the entire group.

10.10 SIGNIFICANT SUBSEQUENT EVENTS

Significant subsequent events are presented in the accounting report under the section 17.9.

ACCOUNTING REPORT

11 INDEPENDENT AUDITOR'S REPORT

KPMG

KPMG Slovenija, podjetje za revidiranje, d.o.o.
Železna cesta 8a
SI-1000 Ljubljana

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Independent Auditor's Report

To the shareholders of PRVA GROUP, insurance holding company, plc.

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and EU Regulation (EU) No 537/2014 of the European parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities (OJ L RS 158, 27 May 2014, p. 77-112 - EU Regulation EU No 537/2014). Our responsibilities under those standards are further described in the *Auditor's Responsibility for the Audit of the Separate and the Consolidated Financial Statements* section of our report. We are independent of the Company and the Group in accordance with both the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the separate and the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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Key Audit Matters

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

Impairment of investments in subsidiaries – separate financial statements	
Investments in subsidiaries as at 31 December 2019: EUR 16,581,773 (31 December 2018: EUR 16,581,773), related impairment loss of investments in subsidiaries recognized in 2019: nil (2018: nil). *We refer to the separate financial statements: Note 13.1.4.10 (accounting policies), Note 15.3 (financial disclosures).*	
Key audit matter	**Our response**
The Company has four active subsidiaries in several European countries that provide services in the fields of insurance and asset management. In the separate financial statements, these investments are carried at cost less impairment losses, if any. As at each reporting date, Management Board assesses whether indications exist that the carrying amounts of these investments may not be recoverable. Indications of impairment may include, among other things, significant operating losses, negative shareholders' equity or financial performance otherwise below the planned levels. Once impairment indications are identified for an investment, the Management Board estimates its recoverable amount, being the higher of its fair value less costs to sell or the value-in-use, using the internal model. The determination of the recoverable amounts involves significant Management Board judgment and estimates, in particular in respect of the assumptions such as growth rates, discount rates and forecasted net operating profit. Based on the above-mentioned circumstances, satisfying ourselves in respect of the impairment of investments in subsidiaries required our increased attention in the audit and is considered by us to be a key audit matter.	Our procedures, performed with the support from our own valuation specialists, included, among others: • Testing design and implementation of selected key controls over the assessment and recognition of impairment of investments, including the controls over the identification of impairment indications and making estimates of the recoverable amounts; • Critically evaluating, by reference to the relevant financial reporting standards and current market practice, the appropriateness of the model applied by the Company in their determination of impairment indicators and, where applicable, of the recoverable amounts of the investments in subsidiaries; • Evaluating the reasonableness of the Company's judgments as to the existence of impairment indicators and consequently the requirement to perform related impairment tests, based on our understanding of the current market conditions and by independently assessing the investees' financial performance based on the analysis of their historical performance against past forecasts;

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	• For the investments with impairment indicators, evaluating assumptions and judgements applied by the Company to determine the investment in subsidiaries recoverable amounts. Our assessment covered, among others: – challenging the discount rate used in the model, comparing it with the one which we estimated independently by reference to publicly available external sources, – evaluating the reasonableness of the Management Board's model estimates, such as, growth rate and forecasted net operating profit. This included, but was not limited to, inspecting the subsidiaries' financial statements, making corroborating inquiries of the Company's directors regarding the subsidiaries' financial performance and evaluating the historical reliability of its forecasts by analysing their actual performance against past forecasts; • Evaluating the accuracy and completeness of the Company's disclosures regarding the key assumptions and judgements applied while assessing the recoverable amounts of the investments in subsidiaries, against the requirements of the relevant financial reporting standards.

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Fair value of investment property – consolidated financial statements	
Investment property as at 31 December 2019: EUR 18,977,824; included in Investment property: EUR 2,250,000 and within Assets from financial contracts: EUR 16,727,824 (31 December 2018: EUR 19,373,634; included in Investment property: EUR 2,017,859 and within Assets from financial contracts: EUR 17,355,775), decrease of the fair value of investment property in 2019: EUR 395,810 (2018: decrease of EUR 436,358). *We refer to the consolidated financial statements: Note 13.1.4.11 and 13.1.4.12 (accounting policies), Note 15.4 and 15.7 (financial disclosures).*	
Key audit matter	**Our response**
Investment property is held to earn rental income and in the statement of financial position is presented among Investment property and Assets from financial contracts, that represent assets of pension funds. This includes, among others, office space in Ljubljana (Kristalna Palača, an office building in BTC City and on Fajfarjeva ulica). The investment property is measured at fair value. The determination of the above-mentioned fair value is based primarily on the income approach (based on discounted cash flow methods). It involves significant management judgment and estimates, as well as involvement of the Groups's in-house appraisers, in particular in respect of the model assumptions such as discount rates applied and future cash flow projections (based on expected future rental income). Due to the complexities involved in the above determination, as well as the fact that fair value the investment property is highly sensitive to changes of the assumptions used, we considered this area to be the key audit matter.	Our audit procedures, performed with the support from an external appraisal expert engaged by us, included, among others: • Testing the design and implementation of selected key controls over the measurement of the investment property fair values, including the controls over the selection of valuation methods and validation of key model inputs; • Critically evaluating, by reference to the relevant financial reporting standards and current market practice, the appropriateness of the methods applied by the Group and its in-house appraisers in their determination of the fair value of the investment property assets; • Assessing the competence, experience and objectivity of the Group's in-house appraisers; • Evaluating the reasonableness of the Group's judgments and estimates used in the valuations, mainly focusing on discount rates applied and proportion of vacancy and rental income, by tracing them to signed rental contracts, independent external sources and discount rates used in most recent comparable transactions; • Assessing the accuracy and completeness of the Group's disclosures related to the valuation techniques, significant judgments and key assumptions relating to the fair value measurements against the requirements of the relevant financial reporting standards.

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Measurement of gross mathematical provisions and gross provisions in favor of unit-linked insurance underwriters	
As at 31 December 2019: Gross mathematical provisions: EUR 22,164,292 (31 December 2018: EUR 17,386,229) and gross provisions in favor of unit-linked insurance underwriters: EUR 6,831,778 (31 December 2018: EUR 4,840,006). *We refer to the financial statements: Notes 13.1.4.16 (accounting policies), Note 15.12. (financial disclosures).*	
Key audit matter	**Our response**
Gross mathematical provisions and gross provisions in favor of unit-linked insurance underwriters represent a significant share of total liabilities in the Group's statement of financial position. Measurement of these provisions is associated with significant estimation uncertainty as it requires Management Board to exercise judgment and develop complex and subjective assumptions used as inputs into the underlying valuation model based on standard actuarial methodologies. Among other things, at each reporting date, the Group is required to perform a liability adequacy test (hereinafter, "LAT") with an aim to determine whether its recognized above mentioned technical provisions are appropriate and sufficient. The test is based on the comparison of the Management Board's current estimate of the present value of future cash flows arising from the in-force insurance contracts with the stated amounts of the related liabilities. In case the LAT test shows that the amounts of life insurance contract liabilities are insufficient in light of the estimated future cash flows, the entire deficiency is recognized in the profit or loss. The key assumptions used in the test include those in respect of: expected expenses, mortality and morbidity rates, investment yields, discount rates as well as the expected pattern of policyholders exercising their insurance options. Relatively insignificant changes in these assumptions can have a significant effect on the amounts of the related estimates due to the long-term nature of the obligations.	Our procedures, performed with the support from our own actuarial specialists, included, among others: • Testing design and implementation of selected key controls within the insurance provision measurement process, including those over determination and validation of actuarial assumptions; • Evaluating the methodology used by the Group in measuring technical provisions for life insurance and technical provisions for unit-linked insurance against relevant regulatory and financial reporting requirements; • Evaluating the reasonableness of the Group's current estimates of future cash flows used for LAT purposes by means of: – assessing the results of the Group's experience studies and using those historical results to challenge the key assumptions used in making estimates as at 31 December 2019. Specifically, among other things, we assessed whether the assumptions of mortality, morbidity as well as the pattern of the policyholders' option exercise as used in LAT were properly set based on the Group's experience studies, and whether the discount rates and investment yields used were in line with observable market rates; – assessing the reasonableness of the expense assumptions in LAT in considering past experience of the Group and any expected future changes;

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In view of the above-mentioned factors, measurement of gross mathematical provisions and gross provisions in favor of unit-linked insurance underwriters represents an area of significant audit risk which required our increased attention. As such we consider it to be a key audit matter.	• Assessing the reasonableness of the movements in above mentioned provisions made for the year, starting from the opening value and developing our independent expectation for the items which should result in an increase in the provisions (such as premiums, technical interest rate, profit sharing, yield rate) and those which result in its decrease (claims, expense loadings, risk premium, yield); • Assessing the Group's disclosures in respect of above-mentioned provisions against the requirements of the relevant financial reporting standards.

Other Information

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

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

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

With respect to the Business Report we considered whether the Business Report includes the disclosures required by the Company's Act (dated 4 May 2006, OJ L RS No. 42/2006 with amendments - hereafter referred to as "the applicable legal requirements").

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

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

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

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

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

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

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

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

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

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

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

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- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

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

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

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

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Report on Other Legal and Regulatory Requirements

We were appointed by shareholders of PRVA GROUP, insurance holding company, plc. on the shareholders meeting dated 16 June 2017 to audit the separate and consolidated financial statements for the year ended 31 December 2019. Our total uninterrupted period of engagement is three years.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 11 May 2020;
- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of EU Regulation No. 537/2014. We also remained independent of the audited entity in conducting the audit;

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

On behalf of the auditing company

KPMG SLOVENIJA,

podjetje za revidiranje, d.o.o.

Metka Sedej, FCCA

Certified Auditor

Barbara Kunc

Certified Auditor

Partner

Ljubljana, 12 May 2020

KPMG Slovenija, d.o.o.
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12 FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

12.1 INCOME STATEMENT

EUR	Notes	Prva Group		The Group	
		2019	2018	2019	2018
Net premium income	**14.1.**	**0**	**0**	**17,359,135**	**14,668,157**
Other insurance income	14.2.	39,461	39,225	8,859,069	8,272,939
Revenue from financial assets		**2,468,811**	**3,002,465**	**3,872,391**	**1,443,426**
Interest income	14.3.	*24,686*	*37,291*	*1,095,041*	*1,052,404*
Dividend income	14.4.	*2,432,832*	*2,928,534*	*255,339*	*216,090*
Other income from investments	14.5.	*11,293*	*36,640*	*2,522,010*	*174,932*
Other income	14.2.	1,835	1	565,440	363,668
Net cost of claims	14.6.	0	0	-4,947,718	-4,130,256
Change of technical provisions	14.6.	0	0	-9,175,798	-4,166,833
Operating costs		**-367,187**	**-320,688**	**-10,560,972**	**-9,975,332**
Cost of acquiring insurants	14.7.	*0*	*0*	*-2,334,342*	*-2,377,168*
Employee costs	14.8.	*-209,701*	*-185,032*	*-4,796,758*	*-4,415,530*
Other costs	14.9.	*-157,486*	*-135,656*	*-3,429,872*	*-3,182,634*
Investment expensees	14.5.	-26,725	-46,496	-185,949	-837,910
Other expenses	14.5.	-1,324	-4,167	-506,773	-322,729
Profit before tax		**2,114,871**	**2,670,342**	**5,278,825**	**5,315,130**
Income tax and deferred tax	14.11.	-187,825	2,529	-519,359	-415,058
Net profit		**1,927,046**	**2,672,871**	**4,759,465**	**4,900,072**
- attributable to equity holders of the parent		0		*3,720,866*	*3,804,430*
- non controlling interest		0		*1,038,599*	*1,095,643*
Net / diluted earnings per share	14.12.	0		11,39	11,68

The notes on the following pages are an integral part of the financial statements.

12.2 STATEMENT OF OTHER COMPREHENSIVE INCOME OF THE COMPANY AND THE GROUP

EUR		Notes	Prva Group		The Group	
			2019	2018	2019	2018
I.	**NET PROFIT/LOSS FOR THE YEAR**		**1,927,046**	**2,672,871**	**4,759,465**	**4,900,072**
II.	**OTHER COMPREHENSIVE INCOME AFTER TAX (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)**		**160,941**	**-15,833**	**1,078,261**	**-486,184**
3.	Actuarial gain/losses for pension program		0	0	-226	22,532
4.	Net gains/losses on re-measurement of FVOCI financial assets		198,693	-13,305	1,183,774	-554,472
4.1.	Gains / (losses) recognised in the revaluation reserve		198,693	0	23,061	9,666
4.2.	Transfer of gains / (losses) from the revaluation reserve to profit or loss		0	-13,305	1,160,713	-564,138
5.	Exchange rate differences		0	0	36,002	-14,195
6.	Tax on items that my be reclassified to profit and loss in subsequent periods	14.11	-37,752	-2,528	-141,289	59,951
III.	**NET COMPREHENSIVE INCOME FOR THE PERIOD (I + II)**		**2,087,987**	**2,657,038**	**5,837,726**	**4,413,889**
	attributable to equity holders of the parent		-	-	4,773,191	3,341,656
	non-controlling interest		-	-	1,064,534	1,072,233

All gains and losses included in the statement of other comprehensive income, except actuarial gains, will be transferred to the income statement in the future.

The notes on the following pages are an integral part of the financial statements.

12.3 STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

		Prva Group		The Group	
EUR	Notes	31.12.2019	31.12.2018	31.12.2019	31.12.2018
ASSETS					
Intangible assets	15.1.	0	0	542,610	554,274
Tangible fixed assets	15.2.	67,629	79,113	3,735,671	3,679,624
Deferred tax assets	14.11.	57,926	245,751	142,742	188,823
Investments in subsidiaries	15.3.	16,581,773	16,581,773	0	0
Investment property	15.4.	0	0	2,250,000	2,017,859
Financial investments	15.5.	**3,694,320**	**3,801,459**	**64,113,211**	**54,043,326**
1.Measured at amortized cost	*15.5.*	*0*	*0*	*19,547,851*	*16,737,224*
2.Measured at fair value through other comprehenseive income	*15.5.*	*3,312,250*	*3,113,557*	*19,885,764*	*18,675,751*
3.Measured at fair value through profit or loss	*15.5.*	*382,070*	*687,903*	*24,679,596*	*18,630,351*
Assets attributable to unit holders	15.6.	0	0	7,272,708	4,840,006
Assets from financial contracts	15.7.	0	0	320,048,748	284,165,726
Other receivables	15.8.	15,580	18,390	3,738,360	3,274,940
Other assets	15.8.	2,349	4,168	278,571	251,336
Cash and cash equivalents	15.9.	1,403,332	854,759	3,011,905	2,626,144
TOTAL ASSETS		**21,822,909**	**21,585,413**	**405,134,525**	**355,642,058**
EQUITY and LIABILITIES					
Equity	15.10.	**21,680,482**	**21,494,051**	**43,663,576**	**40,524,247**
Issued share capital		13,386,247	13,386,247	13,386,247	13,386,247
Reserves		6,021,220	6,021,220	6,021,220	6,021,220
Revaluation reserve		160,941	0	402,595	-649,730
Retained earnings and net profit or loss		2,761,772	2,736,282	19,073,833	17,254,522
Treasury shares		-649,698	-649,698	-649,698	-649,698
Equity of the owners of the parent company		21,680,482	21,494,051	38,234,197	35,362,561
Non-controlling interest		0	0	5,429,378	5,161,686
Technical provisions	15.12.	**0**	**0**	29,520,964	22,473,903
Gross provisions in favour of unit-linked insurance underwriters	15.12.	0	0	6,831,778	4,840,006
Other provisions	16.16.	0	0	83,653	67,959
Deferred tax liabilities	14.11.	37,752	0	143,569	51,729
Liabilities from financial contracts	15.13.	0	0	320,048,748	284,165,726
Other Financial liabilities	15.14.	0	0	164,229	299
Operating liabilities	15.15.	28,335	35,388	2,351,646	1,703,400
Other liabilities	15.15.	76,340	55,975	2,326,363	1,814,790
TOTAL EQUITY AND LIABILITIES		**21,822,909**	**21,585,413**	**405,134,525**	**355,642,058**

The notes on the following pages are an integral part of the financial statements.

12.4 CASH FLOW STATEMENT OF THE COMPANY AND THE GROUP

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit or loss before taxes	2,114,871	2,670,342	5,161,347	5,317,005
Adjustments for:	**-2,428,914**	**-2,943,211**	**5,188,996**	**2,736,565**
Profit/loss from investments measured at fair value	0	0	-900,656	564,977
Net interest income	-24,257	-37,291	-1,094,378	-968,324
Dividend income	-2,432,832	-2,928,534	-196,011	-183,044
Impairment of investment	26,296	46,496	29,665	50,154
Cost elimination (depreciation of fixed assets and other costs)	13,172	12,759	883,631	707,892
Gains/losses from disposal of investments	-11,293	-36,640	-311,372	-45,230
Net foreign exchange differences	0	0	-51,429	-140,667
Change in technical provisions	0	0	6,829,548	2,750,808
Profit from operating activities prior to changes in working capital	**-314,043**	**-272,869**	**10,350,343**	**8,053,570**
Increase in receivables/liabilities	17,942	-66,360	481,038	-765,418
Cash flow from operations	**-296,101**	**-339,229**	**10,831,381**	**7,288,152**
Interest income	24,686	80,700	1,112,551	923,236
Interest paid	-429	0	-1,837	-246
Tax paid	0	0	-399,362	-473,913
Net cash from operating activities	**-271,844**	**-258,529**	**11,542,732**	**7,737,229**
Cash flows from investing activities				
Proceeds/disbursements to acquire property, plant and equipment	-1,688	-36,112	-445,764	-381,870
Proceeds/disbursements to acquire intangible assets	0	0	-150,427	-145,904
Proceeds from disposal of financial assets	290,829	-2,554,627	102,129,650	32,371,336
Disbursements to acquire financial assets	0	0	-110,108,086	-39,065,931
Proceeds/disbursements for non-current HTM investments	0	0	0	0
Net receipts from repayments and expenditure for issued loans and deposits	0	816,332	-39,262	816,332
Proceeds/disbursements for the establishment of new entities, payment of additional capital	0	-1,000,000	0	0
Dividends received	2,432,832	2,928,534	196,011	183,044
Net cash from investing activities	**2,721,973**	**154,127**	**-8,417,878**	**-6,222,992**
Cash flows from financing activities				
Payment of preference and ordinary dividends and repayment of capital	-1,901,556	-1,501,710	-1,901,556	-1,501,710
Capital increase for own shares	0	0	0	0
Dividends paid to minority interests	0	0	-776,197	-671,246
Net cash from financing activities	**-1,901,556**	**-1,501,710**	**-2,677,753**	**-2,172,956**
Net cash flows	**548,572**	**-1,606,110**	**447,101**	**-658,720**
Net foreign exchange differences	0	0	-61,340	-101,900
Cash and cash equivalents as at 1 January	854,759	2,460,870	2,626,145	3,386,764
Closing balance of cash and cash equivalents at 31 December	**1,403,332**	**854,759**	**3,011,905**	**2,626,144**

The notes on the following pages are an integral part of the financial statements.

12.5 STATEMENT OF CHANGES IN EQUITY OF PRVA GROUP

EUR	Share capital	Share premium	Treasury shares	Other profit reserves	Revaluation reserve	Retained earnings	Total equity
Opening balance at 1 January 2018	**13,386,247**	**6,017,834**	**-649,698**	**3,386**	**15,833**	**1,552,131**	**20,325,732**
Comprehensive income for the period	**0**	**0**	**0**	**0**	-15,833	2,672,871	**2,657,038**
a) Net profit	*0*	*0*	*0*	*0*	*0*	*2,672,871*	***2,672,871***
b) Other comprehensive income	*0*	*0*	*0*	*0*	*-15,833*	*0*	***-15,833***
Transactions with owners	0	0	0	0	0	-1,501,710	**-1,501,710**
a) Ordinary share dividends	0	0	0	0	0	-1,100,986	**-1,100,986**
b) Preference share dividends	0	0	0	0	0	-400,724	**-400,724**
Capital increase from own assets	0	0	0	0	0	0	**0**
Payment of capital	0	0	0	0	0	12,991	**12,991**
Closing balance at 31 December 2018	**13,386,247**	**6,017,834**	**-649,698**	**3,386**	**0**	**2,736,282**	**21,494,050**
Opening balance at 1 January 2019	**13,386,247**	**6,017,834**	**-649,698**	**3,386**	**0**	**2,736,282**	**21,494,050**
Comprehensive income for the period	0	0	0	0	160,941	1,927,046	**2,087,987**
a) Net profit	*0*	*0*	*0*	*0*	*0*	*1,927,046*	***1,927,046***
b) Other comprehensive income	*0*	*0*	*0*	*0*	*160,941*	*0*	***160,941***
Transactions with owners	0	0	0	0	0	-1,901,556	**-1,901,556**
a) Ordinary share dividends	*0*	*0*	*0*	*0*	*0*	*-1,500,832*	***-1,500,832***
b) Preference share dividends	*0*	*0*	*0*	*0*	*0*	*-400,724*	***-400,724***
Capital increase from own assets	0	0	0	0	0	0	**0**
Payment of capital	0	0	0	0	0	0	**0**
Closing balance at 31 December 2019	**13,386,247**	**6,017,834**	**-649,698**	**3,386**	**160,941**	**2,761,772**	**21,680,482**

The notes on the following pages are an integral part of the financial statements.

12.6 STATEMENT OF CHANGES IN EQUITY OF THE GROUP

EUR	Share capital	Share premium and other profit reserves	Treasury shares	Revaluation reserve	Net profit and retained earnings	Total equity attributable to equity holders of the parent	Equity attributable to minority shareholders	Total
Opening balance at 1 January 2018	**13,386,247**	**6,021,220**	**-649,698**	**-186,956**	**14,951,803**	**33,522,616**	**4,760,700**	**38,283,315**
Comprehensive income for the period	**0**	**0**	**0**	**-462,774**	**3,804,430**	**3,341,656**	**1,072,233**	**4,413,889**
a) Net profit	*0*	*0*	*0*	*0*	*3,804,430*	*3,804,430*	*1,095,643*	***4,900,072***
b) Other comprehensive income	*0*	*0*	*0*	*-462,774*	*0*	*-462,774*	*-23,410*	***-486,184***
Transactions with owners	***0***	***0***	***0***	***0***	**-1,501,710**	**-1,501,710**	**-671,246**	**-2,172,956**
Ordinary share dividends - The Group	0	0	0	0	-1,100,986	-1,100,986	0	**-1,100,986**
Preference share dividends - The Group	0	0	0	0	-400,724	-400,724	0	**-400,724**
Dividends paid to minority interests	0	0	0	0	0	0	-671,246	**-671,246**
Equity repayments - The Group	0	0	0	0	0	0	0	**0**
Closing balance at 31 December 2018	**13,386,247**	**6,021,220**	**-649,698**	**-649,730**	**17,254,523**	**35,362,562**	**5,161,686**	**40,524,248**
Opening balance at 1 January 2019	**13,386,247**	**6,021,220**	**-649,698**	**-649,730**	**17,254,523**	**35,362,562**	**5,161,686**	**40,524,248**
Comprehensive income for the period	**0**	**0**	**0**	**1,052,324**	**3,720,866**	**4,773,191**	**1,064,534**	**5,837,725**
a) Net profit	*0*	*0*	*0*	*0*	*3,720,866*	*3,720,866*	*1,038,599*	***4,759,466***
b) Other comprehensive income	*0*	*0*	*0*	*1,052,324*	*0*	*1,052,324*	*25,935*	***1,078,260***
Transactions with owners	***0***	***0***	***0***	***0***	**-1,901,556**	**-1,901,556**	**-796,842**	**-2,698,398**
Ordinary share dividends - The Group	0	0	0	0	-1,500,832	-1,500,832	0	**-1,500,832**
Preference share dividends - The Group	0	0	0	0	-400,724	-400,724	0	**-400,724**
Dividends paid to minority interests	0	0	0	0	0	0	-796,842	**-796,841**
Equity repayments - The Group	0	0	0	0	0	0	0	**0**
Closing balance at 31 December 2019	**13,386,247**	**6,021,220**	**-649,698**	**402,594**	**19,073,833**	**38,234,196**	**5,429,378**	**43,663,575**

The notes on the following pages are an integral part of the financial statements.

13 NOTES TO THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

13.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Management Board confirms its responsibility for the preparation of the separate and consolidated financial statements of the Company and the Group. The financial statements of Prva Group, plc. and the Group for the year ended 31 December 2019, were prepared under the going concern assumption and approved by the Management Board on 08 May 2020. Prva Group, plc., is a public limited company, established in the Republic of Slovenia. Preference shares of the Company are listed on the free market of the Ljubljana Stock Exchange.

In line with the Insurance Act, Prva Group, financial holding company, plc., is a mixed-activity insurance holding company since it holds a significant share in at least one insurance company. In line with its activities, the Company performs holding activities in its subsidiary companies. At the end of 2019, the Company employed 4 persons (2018: 4).

The Company is a legal successor of Prva pokojninska družba, which modified its status in 2007. A new entity Prva osebna zavarovalnica d.d. was established to which all activities of optional additional retirement insurance were transferred as from 1 September 2007. Prva Group, insurance holding company, plc., changed the name of the company (formerly Prva pokojninska družba, d.d.) and its activities.

In addition to the Prva Group, plc. the Group includes:

Prva osebna zavarovalnica d.d.

The company was established in 2007 when the insurants from supplementary pension insurance were transferred from Prva pokojninska družba d.d.. Prva Group, insurance holding company, plc, is the 100% owner of Prva osebna zavarovalnica d.d. The operations of Prva osebna zavarovalnica, d. d. in 2019 were predominantly related to supplementary pension insurance within the framework of the third pillar in Slovenia. Beside supplementary pension insurance, which belongs to the insurance group with proceeds capitalization, the company started in 2009 to promote accident insurance, life insurance (class of insurance 19), life insurance with investment risk (class of insurance 21) and health insurance. Prva osebna zavarovalnica is currently a manager of four pension funds (in two pension plans), three funds of unit-linked insurance with different investment policies, four long-term business funds belonging to other classes of insurance, and a business fund portfolio. On 31 December 2019, the Company had 97 members of staff in full-time employment (2018: 93).

KB Prvo penzisko društvo AD Skopje

The operations of KB Prvo penzijsko društvo AD Skopje relate to the second and third pillar supplementary pension insurance in Macedonia. The company was established in 2005.

Prva Group, insurance holding company, plc., is a 51% owner of KB Prvo penzijsko društvo AD Skopje. The remaining 49% stake is owned by the largest Macedonian bank, the Komercijalna banka a.d. Skopje. On 31 December 2019, the Company had 33 members of staff in full-time employment (2018: 29).

DDOR-GARANT društvo za upravljnanje dobrovoljnim penzijskim fondom AD Beograd

The operations of DDOR-GARANT AD Beograd relate to the third pillar supplementary pension insurance in Serbia.

In 2019, Prva Group, insurance holding company, plc., held a 60% interest in the company, which was established in May 2006. On 31 December 2019, the company had 19 members of staff in full-time employment (2018: 19).

Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo

The operations of Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo relate to supplementary pension insurance of the third pillar in Kosovo.

Prva Group, insurance holding company, plc., holds a 67.4% interest in the company, which was established on 4 September 2006. The remaining 32.6% of the company is owned by Dukagjini Sh.p.k.. The company started to perform pension insurance transactions in 2007. On 31 December 2019, the company had 5 members of staff in full-time employment (2018: 5).

Prva zavarovalniško zastopniška družba d.o.o., Slovenija

The company was established at the end of 2010 and is in the 100% ownership of Prva Group plc. The company's core activity is the sale of insurance services and products of Prva osebna zavarovalnica d.d. to current and new clients, as well as the increase of market shares of Prva osebna zavarovalnica d.d. within the personal insurance group. At 31 December 2019 the company had no staff (2018: 0).

Table 4: Investments into subsidiary and associated companies as at 31 December 2019

EUR	Ownership	Carrying amount	Total equity of the Company	Profit/loss for 2019
Subsidiaries				
Prva osebna zavarovalnica d.d.	100%	13,730,000	27,186,019	2,845,902
Fajfarjeva ulica 33, 1000 Ljubljana				
KB Prvo penzisko društvo AD Skopje	51%	918,272	9,499,865	2,021,831
Blv.Ilinden 1, 1000 Skopje				
Fondi Slloveno- Kosovar I Pensioneve Sh.A Pristhine Kosovo	67.40%	394,000	465.847	28,592
Rr.UCK, nr.50/2, 10000 Prishtine				
DDOR GARANT Beograd	60%	1,532,000	1,336,354	96,453
Maršala Birjuzova 3-5, 11000 Beograd				
PRVA zavarovalniško zastopniška družba, d.o.o.	100%	7,500	1,413	-4,483
Ameriška ulica 8, 1000 Ljubljana				
Total		**16,581,772**	**38,501,499**	**4,988,294**

Ultimate parent

A-Z Finance d.o.o.

The ultimate parent of Prva Group plc. is A-Z Finance d.o.o. based at Devinska 1, Ljubljana. A-Z Finance was founded in 1998 and is 100% owned by Alenka Žnidaršič Kranjc. The company holds a 62.5% interest in DEJ d.o.o., which holds a 70.2% stake in Prva Group plc. A-Z Finance compiles a consolidated annual report, which can be obtained at the head office of the company. DEJ d.o.o. does not prepare a consolidated annual report and is included in the consolidated annual report of A-Z Finance d.o.o.

13.1.1 Statement of compliance

The enclosed separate and consolidated financial statements of Prva Group plc. and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations adopted by the IFRS Interpretations Committee, as endorsed by the European Union.

On the balance sheet date, in terms of the EU's standard confirmation process, there are no discrepancies in the accounting policies of Prva Group, and the International Financial Reporting Standards (IFRS) adopted by the EU Companies Act.

Basis of preparation

The financial statements of Prva Group plc. and the Group are prepared on the basis of accounting policies shown below.

The accounting policies used are consistent with those applied in previous years, except for the newly adopted standards and interpretations effective for periods beginning on or after 1 January 2019 as presented below.

13.1.2 Basic Policies

The consolidated financial statements of the Group and the separate financial statements of the Company are prepared under historical cost convention, except for the assets measured at fair value through profit or loss, and fair value through OCI. The financial statements are presented in euros. All values are rounded to one euro, except when specifically indicated otherwise.

13.1.3 Significant accounting estimates and assumptions

The preparation of financial statements requires the management to make certain estimates and assumptions that affect the carrying amounts of assets and liabilities of the Company and the Group, disclosure of potential liabilities on the reporting date and the amounts of revenues and expenses of the Company and the Group for the period ending on the reporting date.

Future events and their effects cannot be determined with certainty. Accordingly, the accounting estimates made require the exercise of judgement and those used in the preparation of the financial statements will change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. Actual results may differ from those estimates.

The most significant assumptions relate to:

- The classification of financial instruments, namely the division between financial instruments valuead at amortized cost, fair value through other comprehensive income and fair value through profit and loss
- Technical provisions Technical provisions are calculated based on insurance contracts, considering past development of claims events and expectations for the future, under the assumptions of mortality tables, cancellations, discount factors and loss ratios.
- Fair value of financial assets and their impairment: Fair value of financial assets whose price cannot be determined on an active capital market is assessed in consideration of a number of assumptions. Potential changes in these assumptions are reflected in the amount and potentially also in the impairment of these assets.

13.1.3.1 *Non-marketable investments*

Fair value of financial assets whose price cannot be determined on an active capital market is assessed in consideration of a number of assumptions. Potential changes in these assumptions are reflected in the amount and potentially also in the impairment of these assets.

If no active market exists for a financial instrument, its fair value is determined using one of the valuation techniques. Valuation techniques use the most recent transactions between willing and well informed parties if available, comparison of the current fair value of an instrument with similar characteristics, consideration of discounted cash flows, and techniques used for pricing of options. When a valuation technique is most frequently used by market participants to determine prices of financial instruments and the technique has been proven reliable in assessment of prices achieved in actual market transaction, the Company and the Group undertaking applies this particular technique.

The discounted cash flow method uses management's assessment of future cash flows and discount rate that reflects interest rates of comparable financial instruments.

13.1.3.2 *Technical provisions - Prva osebna zavarovalnica d.d.*

Technical provisions are set aside according to the provisions of IFRS 4.

The Company recognise technical provisions for coverage of future liabilities from insurance contracts as well as losses incurred as a result of risks stemming from insurance contracts.

The Company set aside provisions for unearned premium, provisions for claims outstanding and mathematical provisions in accordance with provisions of the Insurance Act. The Company sets aside special provisions that have a status of mathematical provisions for unit-linked insurance contracts where investment risk stems from changes in the value of investment funds' units.

Adequacy of the amount of provisions is verified by adequacy test (LAT-s) at least once a year. The actuarial function holder informs Supervisory Board and Management Board of the Company about the findings of the reliability and adequacy of the methods, models and assumptions used in the calculation of technical provisions, and on whether they formed technical reserves adequate to cover all liabilities of the acquired insurance. The classification of insurance contracts is described in Chapter 13.1.4.16.

13.1.4 Accounting policies

13.1.4.1 *Foreign currency translation*

The financial statements of the Company and the Group are presented in euro (EUR), which is the functional and reporting currency of the parent company and its subsidiaries in Slovenia. Transactions in a foreign currency are translated at the exchange rate of the European Central Bank prevailing on the date of the transaction. The exchange rate of the European Central Bank on the reporting day was used for the statement of financial position, while the average exchange rate for the financial year was used for the income statement. Exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognised directly in the statement of comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the income statement.

13.1.4.2 *Consolidation bases*

The consolidated financial statements comprise the financial statements of Prva Group, insurance holding company, plc., and its subsidiaries as at 31 December 2019 and comparable data as at 31 December 2018.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions, as well as intra-group dividends, are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. When the Group loses control over a subsidiary during the financial year, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative exchange rate differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

13.1.4.3 *Business combinations*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value

and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in the general administrative costs.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages (step acquisitions), the acquisition date fair value of the acquirer's previously held interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. When contingent consideration is recognised in equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating unit that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

13.1.4.4 *Revenue*

Revenues are recognised if it is likely that the Company will acquire economic benefits from them and if such benefits can be reliably measured. Revenues originate from services offered by the Company to its subsidiary companies, namely services relating to investment, internal auditing, and lease of hardware and software. Revenues are fully recognized at the moment when they incurred.

The majority of revenues of the Group originate from:

- ***Revenues from insurance premium***.

Net revenues from insurance premiums are calculated as gross insurance premiums less the reinsurers' share adjusted for the change in gross unearned premium, which is further adjusted by the reinsurance undertaking's share in the unearned premium. The written gross insurance premium in insurance contracts is the insurance premium written in a period.

Gross insurance premiums are recognised in accounting records on the day of settlement ofaccount rather than on the day of payment.

- ***Operating income***
  - *Entry fees*

    The Group, in performing its activity in accordance with the pension schemes, and general terms and conditions, charges an entry fee, meaning that the collected assets transferred into an individual long-term business fund are decreased by the amount of the entry fees and the fund is managed with assets which represent net premiums. The entire amount of revenue from entry fees is recognised when statements of account are made.

- *Management fees*

The Group manages twelve long-term business funds, for which it charges a management fee, meaning that the monthly value of assets in individual long-term business funds is decreased by the amount of the management fee.

- *Exit fees*

The Group is entitled to an exit fee in accordance with the pension schemes, meaning that the redemption value is decreased by the exit fee and this net value is then received by the individual terminating the insurance.

- ***Investment income***

  - *Interest*

Interest income is calculated and recognised on the basis of the effective interest rate.

  - *Dividends*

Dividends are recognised when the Company or the Group obtain the right to issue dividend pay-outs.

  - *Other investment income*

Income from changes in fair value of financial assets arise on subsequent re-measurement of fair value of financial assets designated at fair value through profit or loss. Gains on disposal arise on derecognition of financial assets other than financial assets measured at fair value through profit or loss. Gains on disposal is the difference between the asset" carrying amount and its selling price.

13.1.4.5 *Costs and expenses*

- ***Net claims costs***

Net expenses for claims are gross claims (compensation and appraisal expenses), deducted for reinsured part and amended for the change in gross claim reserves, which are adjusted for the share of reinsurance in these reserves. Appraisal expenses include external and internal expenses for assessing the eligibility of claims for loss events.

- ***Net operating expenses and acquisition costs***

Net operating expenses comprise of direct and indirect acquisition costs as well as other operating expenses such as depreciation, payroll, costs of natural persons not engaged in activity and other operating expenses which are not included under other items of costs.

Neither IFRS nor BC 116 prohibits or requires the deferral of acquisition costs. The standard does not state which costs can be deferred, the period of the deferral or the method of depreciation. Majority of direct and indirect acquisition costs are the costs of the period, whereas the direct costs of of the insurances which are marketed via external network, are deferred over a prolonged period of time. Deferred costs are recognised as an asset in the statement of financial position, whereas the change between the opening and closing balance of the period is stated as a separate item of acquisition costs in the income statement. The depreciation rate is set by actuary based on the dynamics of the utilisation of future corresponding premiums collected.

- ***Investment expenses***

Financial expenses comprise expenses arising as a result of fair value changes, loss on disposal of financial assets, impairment losses and other financial expense.

Expenses resulting from fair value changes of financial assets arise on subsequent re-measurement of fair value of financial assets designated at fair value through profit or loss.

Gains on disposal arise on derecognition of financial assets other than financial assets designated at fair value through profit or loss. Loss on disposal is the difference between the asset's carrying amount and its selling price.

13.1.4.6 *Tax*

- ***Income tax***

The current tax liability or receivable is recognized in accordance with the calculated corporate income tax in accordance with the applicable tax rate..

- ***Deferred tax***

Deferred tax assets and liabilities are accounted for using the balance sheet liability method. Only deferred tax assets and liabilities arising from temporary differences are recognised.

Deferred tax assets are reviewed on the reporting date and are impaired for that portion of the assets for which it is no longer probable that a sufficient taxable profit will be available against which the unused tax losses could be utilised.

Deferred tax assets and liabilities are recognised using the tax rate applicable when the asset is expected to be realised or liabilities settled. The tax rates (and tax regulations) valid on or substantially valid on the reporting date are used.

Deferred tax is recognised directly in the statement of comprehensive income if it refers to items recognised directly in the statement of comprehensive income.

Deferred tax assets and liabilities are offset when the Company:

- has a legal right to offset assessed tax assets and assessed tax liabilities, and
- deferred tax assets and deferred tax liabilities relate to the same tax authority in relation to
  - the same taxable unit, or to
  - different taxable units who intend to either settle the assessed tax liabilities and assessed tax assets with the difference, or simultaneously recover tax assets and settle tax liabilities in each of the future financial periods in which significant amounts of deferred tax assets or liabilities are expected to be either recovered or settled.

Deferred taxes are not netted on the Group level.

13.1.4.7 *Intangible assets*

Intangible assets acquired individually are recognised at cost while intangible assets acquired on the basis of a business combination are recognised at fair value on the day of the takeover. After initial recognition the historical cost method is used. The value in use of an individual intangible asset is limited. Amortisation of an item of intangible assets is recognised through profit or loss.

Intangible assets are amortised according to the straight-line amortisation method over their estimated useful lives using annual amortisation rates ranging from 20.0% to 33.3%.

Intangible assets created within the Group are not capitalised. The costs represent expenses in the period in which they arise.

Intangible assets are tested on an annual basis for impairment individually or as a portion of the cash-generating unit. The useful life of an individual intangible asset is assessed once a year and adjusted as required.

Subsequent expenditure that increases future economic benefits of the asset, increases the value of an item of intangible assets.

13.1.4.8 *Tangible fixed assets*

Equipment is recognised at cost, which includes direct costs of acquisition, less accumulated depreciation and impairment losses. The Group use the straight-line depreciation method over the estimated useful life of the assets. The depreciation rates did not change in 2019 and are identical to those used in 2018.

Assets	Depreciation rate in %
Land and buildings	3.0%
Equipment	10 – 33.33

Impairment test of carrying amounts of equipment is performed when events and changes in the circumstances show that the carrying amount exceeds the recoverable amount. The company assesses the value of fixed assets of high values, particularly buildings, by checking the assumptions applied in value appraisals and the market value less costs to sell such assets. If events occur which show that the book value of an asset exceeds its estimated recoverable value, the asset is impaired to its recoverable value. The recoverable value of an asset is the net sales value or value in use, namely the higher of the two. The value in use is determined by discounting expected future cash flows to the net current value using pre-tax discount rates, which reflect the current market estimate of the time value of money and potential risks associated with each individual asset. For assets whose future cash flows are also dependent on the remaining assets in individual cash-generating units, the value in use is calculated on the basis of future cash flows of this cash-generating unit. Impairment losses are recognised as an item of operating expenses from revaluation.

Derecognition of equipment is carried out when the asset is sold or when economic benefits are no longer expected from the continued use of the individual asset. Gains and losses on derecognition of an asset are reported in the profit or loss in the year the individual asset is deleted from the books.

Residual value of assets, assessed on the basis of their useful life or the amortisation method are reviewed or changed if necessary on an annual basis prior to the preparation of the annual financial statements.

Subsequent expenditure that increases future economic benefits of the asset, increases the value of an item of property, plant and equipment.

13.1.4.9 *Leases of assets*

On concluding a contract, a Group company assesses whether it is a lease contract, or not, and in case of a lease contract recognises the right to use an asset and the accompanying lease liability; short-term leases where the lease period is shorter than one year and low-value leases where the new asset value does not exceed €10,000 are exceptions.

A right-of-use asset is measured at cost and it includes the amount of initial measurement of the relevant lease liability. Lease assets are depreciated on a straight-line basis over the lease term. An entity reassesses lease liabilities and adjusts the right-of-use asset, if lease duration or lease amount changes and if the lease contract changes and such change is not accounted for as separate lease. The amount of remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset, except if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability; in such case, any remaining amount of the remeasurement shall be recognised in the profit or loss.

Lease liability is measured at the present value of lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate shall be used. This is the borrowing rate that a lessee should pay for a similar duration with similar security or in order to ensure financing necessary to acquire an asset with a value similar to right-of-use value in a similar economic setting.

Leases – transition effects

The Company began applying IFRS 16 change on 1 January, 2019, that is change in the accounting treatment of leases as lessees. The Company as lessee no longer classifies leases as ‘Operating and Financial Leases’ but recognises them as right-of-use assets for all assets under lease and lease liability under ‘Liabilities’. The Company categorises assets under lease into suitable categories based on their purpose of use. The Company recalculated the transition to the new accounting method using a simplified method, namely by disclosing all transition changes as initial balance adjustment in the ‘Statement of Profit or Loss’ at the date of initial application and brought forward the recalculated effect to ‘Profit or Loss Brought Forward’. In the ‘Cash Flow Statement’, the Company separates the

amount representing payment of the principal and amount representing the payment of interest, and included both in 'Cash Flows from Financing Activities'.

The average incremental borrowing rate used by the Company to recalculate future leases as at the date of initial application.

Tabela 5: The offect of the transition on 1 January 2019 for the Group

v EUR	The right to use	Financial lease obligations
At 31 Dec 2018		
Financial lease obligations - IFRS 16	0	229.160
Discounting effect	0	-11.513
Equipment – right to use	215.307	0
At 1 Jan 2019	**215.307**	**217.647**
Transfer to retained earnings	-2.341	0

13.1.4.10 *Investments into subsidiaries in the separate financial statements of Prva Group, plc*

Investments into subsidiaries are recognised at cost less impairment losses. Subsidiaries are those companies over which the parent maintains a controlling interest.

The Company assesses signs of impairment of investments into subsidiaries by reviewing the previously realised results, dividend paid, future business plans of subsidiaries, and the relevant part of Company capital based on the stake. In case operations and dividend payment show negative deviation in excess of 10%, the Company considers potentially impairing an investment, by value method using the present value of expected cash flows. Suitability of discount rate and the growth rate are applied in the assessment of impairment criteria.

13.1.4.11 *Investment property*

Investment property (land and buildings) are carried separately from all other items of property, plant and equipment. The following qualifying criteria applies for classification of real estate in the group of investment property:

- Investment property generates economic benefits Investment property is held for the purpose of lease to bring rental income or increase its cost
- The asset is not designated for sales in the immediate future during ordinary course of business.
- The asset's cost can be estimated reliably.

On its acquisition, an item of investment property is measured at cost comprising transaction costs; after initial recognition, they are measured at fair value. Fair value of investment property is measured at market prices on the reporting date, determined by application of established valuation techniques used in measurement of real estate's market values (discounted future cash flows, comparable market prices, most recent transaction prices). Revaluation of investment property is made at least at the end of the financial year or, in the event of major market changes, it can also be made during the financial year as and when necessary. The company determines the amount of materiality from the perspective of the financial statements as a whole in the amount of 1% of the net asset value.

13.1.4.12 *Financial investments, assets of insurants assuming investment risk and assets from financial contracts*

The company and the Group break down own investments and investments of assets under management (assets of pension funds and unit-linked funds) into the following categories:

- Investment at amortized cost
- Investments at fair value through other comprehensive income
- Investments at fair value through profit or loss

Part of the funds from financial contracts is also allocated to investment property, explained in Chapter 13.1.4.11.

The classification is based on the purpose of their acquisition.

Financial assets at amortized cost

Financial assets is measured at amortized cost, if:

- The financial asset is held according to the business model for the purpose of receiving contractual cash flows and
- According to contractual terms of the financial asset, it give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding ie cash flows that are consistent with a basic lending arrangement

Investments are carried at amortised cost using the effective interest rate method. The amortised cost is calculated by allocation of the premium or the discount on acquisition over the period until the maturity of the investment. Gains and losses on investments carried at amortised cost are recognised in the profit or loss (disposal, impairment or effects of the discount / premium amortisation). Financial investments are recognized on the trading date. Impairments of investments for debt instruments are performed based on expected credit loss, according to IFRS 9. The impairments are recognized in P&L.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets is measured at fair value through other comprehensive income, if:

- The financial asset is held according to the business model for the purpose of receiving contractual cash flows and sale and
- According to contractual terms of the financial asset, it give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding ie cash flows that are consistent with a basic lending arrangement

Gains or losses from are recognised in the statement of comprehensive income as net unrealised gains or losses on available-for-sale investments until the investment is sold or otherwise divested.

The acquisition and sale of individual financial assets are recognised on the trading day; this is the day the Company or the Groupcommit to purchase or sell an individual asset.

Impairments of investments for debt instruments are performed based on expected credit loss, according to IFRS 9. The impairments are recognized in P&L and capital revaluation surplus.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets is measured at fair value through profit or loss, if

- Is a debt instrument and it does not classify in one of the category below
- Is an equity instrument and it does not classify in the category fair value through OCI
- The classification significantly decrease the accounting mismatch, which could arise from different recognition and/or measurement of connected asset/liabilities
- The financial instruments is a derivative

Financial assets at fair value through profit or loss are measured at fair value. Realised gains and losses on investments classified at fair value through profit or loss are recognised directly in the profit or loss.

The fair value of investments in debt and equity securities quoted on organized markets is their quoted price at the end of trading on the balance sheet date. If the financial instruments are not listed on the stock exchange, the fair value is determined on the basis of a similar instrument or, the fair value may be determined as the net current value of future cash flows which the Company or the Group expect from the financial investment.

Acquisition and sale of individual financial investments classified at fair value through profit or loss are recognised on the trading day, which is the day the Company or the Group commit to purchase or sell an individual asset.

Business models IFRS 9

Financial investments, assets of insurants assuming investment risk and assets from financial contracts

Financial assets under IFRS 9 are classified in the combination of business model for the "purpose of receiving contractual cash flows" and "other". The frequency of purchases and sales is high, which is in line with the key goal – higher yields. Deposits and similar money market products are classified at amortized costs. Under the chosen combination of models, there is also the option to value bonds at amortized cost, but on 31.12.2019 there was no such investment.

Financial investments of the Group

Financial assets under IFRS 9 are classified in the combination of business model for the "purpose of receiving contractual cash flows", "purpose of receiving contractual cash flows and sale" and "other". Based on different analyzes, the investments are recognized to debt instruments (bonds) in two categories: FVTPL and FVOCI. The criteria for dividing is the modified duration of the instrument on the day od purchase. Bonds with modified duration more than 5 years are valued as FVOCI, others are shown in the FVTPL category. According to IFRS 9, the company measures all the equity instruments in the FVTPL with the exception of investment, classified as strategic. Those equity instruments are measured at FVOCI, where the effects of revaluation will never be shown in the P&L. Deposits and similar money market products are classified at amortized costs.

Loans and deposits were moved to the amortized cost category. Additionally, the Group moved investments in commercial papers (from Slovenian issuers) from available for sale category to the category amortized cost because of better presentation without any effects of remeasurement. Since commercial papers are short term and they have inactive market, the group considered the amortized cost value as the most adequate fair value.

IFRS 9 ECL methodology

The standard affects all debt instruments, that are not measured at Fair value through profit and loss (P&L). The ECL effects of debt instrument, measured at amortized cost, are shown on one side as decrease of book value and on the other side as negative result in P&L. The ECL effects of debt instrument, measured at fair value through other comprehensive, are shown on one side as negative result in P&L and on the other side increase of revaluation surplus (no effect on carrying amount of investment).

The ECL calculation are based on the following inputs:

- Transitional matrix of rating agency Moody`s for probability of default (PD) and loss given default (LGD)
- Printout of investment portfolio
- Credit ratings from rating agencies and internal ratings
- Purchase yield (by transaction or weighted average) for discount factor (DF)
- Level of securization of investment

Group companies according to the guidelines should review their portfolio for significant increase in credit risk only for investments, which are under the investment grade (BBB). Group companies should have defined some indicators, that may show a significant increase in credit risk and consequently transfer investment from Level 1 to Level 2 (in practice this means that ECL is calculated not only for 1 year, but for a lifetime).

Those indicators are:

- Change of credit rating for three levels (notches)
- Increase of YTM for 4 percentage point (from purchase yield)
- Yield higher than 5 % for government bond and 7% for corporate bonds

One additional indicator, that indicate significant increase in credit risk of debtor, is failure to fulfill contractual obligations. If the debtor obligations are due less than 90 days, debtor stays in Level 1. If due date is above 90 days, the debtor is automatically transferred to level 2 and consequently calculates lifetime ECL instead of 1-year ECL.

In case of objective evidence for an investment to be impaired, group companies should transfer the investment to Level 3 according to the IFRS 9 requirements. This means additional requirement in comparison to Level 2, because company should additionally book interest income on net basis.

One of the possible qualitative or quantitative criteria that the Company sets for the identification and monitoring of changes in credit risk since the initial recognition of the investment is the change in the external credit rating by 3 notches, unless the credit rating falls within the "investment grade"

Calculation of ECL

According to standards, the ECL calculation formula is:

$$\frac{\% \text{ PD X } \% \text{ LGD X Exposure}}{(1+DF)^T}$$

%PD:

For PD`s, companies can choose different databases. If the direct debtor PD is available without undue cost and effort, companies should primary use this PD. In case that the direct PD is not available, companies can use the transitional matrix of one of the big credit agencies (Moodys, S&P, Fitch), which are based on ratings. Company will update PD`s once per year (depending of data availability and change in the % PD).

%LGD:

For LGD`s, companies can choose different databases. For exposures, where a government is the final owner, companies use the generalized LGD of 45%, according to the guidelines of Bank of Slovenia.

If the direct debtor LGD is available without undue cost and effort, companies should primary use this LGD. In case that the direct LGD is not available, companies can use the transitional matrix of one of the big credit agencies (Moodys, S&P, Fitch), which are based on ratings.

Company will update LGD`s once per year (depending of data availability and change in the % LGD).

Exposure:

Exposure represents the amortized cost value of investment. In case of unavailability, companies can use purchase value plus accrued interest as exposure for calculating ECL. Exposure is adjusted for each reporting period.

DF:

The discount factor is calculated as weighted average of all purchase yields of particular investment. DF are updated based on the situation (according to purchases and sales).

Adjustments and exceptions

- Receivables of companies mainly represents receivables to pension funds for entry fees, management fees and exit fees and receivables to other own funds. Companies have analyzed the credit risk of those receivables and concluded that based on past experiences there is no need for additional impairments.
- ECL is not calculated for cash and redeemable deposits according to the guidelines of Slovenian Insurance Association (AZN/ATVP).
- ECL is also not calculated for factoring because of short term exposures (average maturity in 2017 was 65 days) and also from past experience of regular fulfilments of contractual obligations by debtors.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of fair value of an asset or a liability considers the asset's or liability's characteristics assuming exchange of an asset or a liability in an ordinary transaction in current market conditions, on the principal market or the most advantageous market for the asset or liability.

In the fair value measurement of non-financial assets, the ability of market participants to generate economic benefits from the highest and best use of the asset or from the asset's sale to another market participant who would use the asset to its highest and best use, is considered.

Fair value of financial instruments traded on organised financial markets is their quoted price on the reporting date. If the price is not quoted on an active market, the stockbrokers' bid price is used as the reference price. If no active market exists for a financial instrument, the Company and the Group determine its fair value based on one of the valuation techniques. Valuation techniques use the most recent transactions between willing and well informed parties if available, comparison of the current fair value of an instrument with similar characteristics, consideration of discounted cash flows, and techniques used for pricing of options. When a valuation technique is most frequently used by market participants to determine prices of financial instruments and the technique has been proven reliable in assessment of prices achieved in actual market transaction, the Company and the Group apply this particular technique.

An active market is a market where transactions are executed between market participants frequently enough and in a volume large enough to enable obtaining regular information about prices. The insurance company assesses market activity for equity instruments, making sure that the exchange rate applied when a security was traded with is not older than one month and that the monthly turnover totals at least 10% of the total position or €25,000, whichever is lower. Debt instruments are assessed under the BVAL score criterion, which is described below.

The discounted cash flow method uses management's assessment of future cash flows and discount rate that reflects interest rates of comparable financial instruments.

When fair value cannot be determined, financial instruments are measured at cost (the amount paid or received) increased by the cost of transaction. For such investments the company annually performs an impairment test.

The following fair value hierarchy is used to disclose fair value measurement of financial assets:

- Level 1: quoted prices in active markets for identical assets (quoted prices).
- Level 2: comparable market inputs (other than quoted inputs of identical assets) obtained directly or indirectly for identical or similar assets.
- Level 3: the use of valuation models using mostly unobservable market inputs.

When using exchange rate, the company separates individual investments to relevant levels based on the BVAL score. The company additionally checks the grounds for the BVAL score and the consequent classification of prices in the fair value hierarchy, and it categorises it by applying the criteria set out below.

Level 1 includes the prices:

- of investments with the BVAL score between 8 and 10,
- prepared exclusively based on directly observable data, which relate to a security, and without applying the indirectly observable data,
- whose minimum share of binding quotations is 90%.

Level 2 includes the prices:

- of investments with the BVAL score between 6 and 10,
- which are mostly prepared based on directly observable data or where the percentage of the indirectly observable data does not exceed 10%,
- which are prepared using market inputs obtained for directly or indirectly identical or similar assets (e.g. the basis for valuation is the yield curve for comparable financial assets with similar maturity and credit risk).

Level 3 includes the prices that do not meet the conditions for categorisation in Level 1 or 2.

Table 6: Own valuation techniques for Level 3 investments

Investment type	Valuation technique	Significant assumptions
Equity securities	Comparable entities	- market ratios: P/B and P/E of comparable entities and selected categories of the assessed entity
	Cash flow discounting	- infinite cash flow growth rate - risk premium - illiquidity premium
Debt securities	Cash flow discounting	- comparable maturity state bond yield - average credit risk of comparable corporate bonds - illiquidity premium
Investment property	Method of capitalization of returns (authorized external valuers)	- rental profit - capitalization measure - risk premium - premium for worse liquidity

13.1.4.13 *Operating and other receivables*

Operating receivables are recognised in the amounts arising from invoices issued less any bad debt allowances. The assessed bad debt allowances are based on the reasonable expectation of the Company that payment is no longer probable either in full or in a certain amount.

13.1.4.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash in banks and cash in hand as well as deposits with maturity of up to three months.

13.1.4.15 *Equity*

The share equity of the Company consists of ordinary and preference shares.

Direct additional costs of issuing new shares less tax effects are recognised in equity. In the event that any of the Group companies purchase shares of the parent, the payment including the direct transaction costs less tax effects is recognised in equity as treasury shares until these shares are reissued, sold or withdrawn. In the event of a subsequent sale or reissue of these shares, all effects of the sale or issue are included in the equity.

Ordinary shares

An ordinary share entitles its owner to a voting right and, based on the decision of the General Meeting, to dividends.

Preference shares

Preference shares are cumulative shares without voting rights which entitle their owners to a fixed 6% dividend per annum. The General Meeting adopts decisions on the payment of dividends at its sessions upon the proposal of the Management Board. Preference shares are considered as a part of equity, since holders of ordinary shares decide at the General Meeting whether dividends will be paid out to preference shareholders or not.

Capital reserves and profit reserves represent payments above the nominal value of shares, statutory and legal reserves, reserves for own shares and other profit reserves.

13.1.4.16 *Liabilities for insurance contracts - technical provisions*

Insurance contracts classification

Classification of insurance contracts of subsidiary Prva osebna zavarovalnica is consistent with:

- International Financial Reporting Standard 4 (IFRS 4)
- International Actuarial Standard of Practice 3 (IASP 3)

An insurance contract is a contract under which one party (the insurer) accepts significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

IFRS 4 states that uncertain event is when at the time of agreeing the contract it is not clear:

- Whether the insured event will happen,
- When will it happen and
- What the policy benefit will be.

The insurance risk is deemed significant if an insured event could cause the policyholder to pay significant extra amounts by whatever scenario other than those that do not include market component (they do not affect the economy of business). If under a scenario that includes a market component, significant extra amounts must be paid, condition specified in the previous sentence may be fulfilled even when there is an extremely low probability that the insured event will occur or when the expected (i.e. probability-weighted) present value of conditional cash flows accounts for a minor share of expected present value of all remaining cash flows.

The insurer assesses the importance of insurance risk in each individual case rather than based on the importance of financial statements. Therefore, the insurance risk is important also when there is a minimal probability of material claim for the whole group of contracts. Such assessment of individual contracts facilitates their classification as insurance contracts. However, when a relatively homogeneous group of contracts is comprised of contracts that transfer insurance risks, the insurer does not need to verify each individual contract in the group to identify a few contracts that transfer an insignificant insurance risk.

The Group classify insurance contracts into homogeneous groups for which the insurance company estimates the significance of insurance risk. Contracts in individual groups have common characteristics such as the class of insurance, insurance conditions, type of cover and premium payment method (one time premium or regular payments of a premium).

Insurance contracts that bear significant risk are accounted for in line with IFRS 4. If the insurance contracts do not have significant insurance risk, they are accounted for as financial contracts. The company discloses assets from financial contracts separately because it uses the returns arising therefrom to cover future liabilities from financial contracts and losses from financial risks. The company recognises and evaluates assets from financial contracts the same as other investments.

Detailed accounting treatments of individual categories stated above are explained below.

Technical provisions

Technical provisions are set aside according to the methodologies described below and in compliance with the statutory and implementing regulations, and provisions of IFRS 4. The part of technical provisions transferred to reinsurers is recognised in insurance company's assets.

For all of its insurance transactions, the company must make adequate technical provisions designed to cover future liabilities from insurance contracts and potential losses incurred as a result of risks arising from insurance transactions. The company is required to set aside the following types of technical provisions:

- provisions for unearned premium,
- provisions for bonuses, rebates and reversals,
- claims provisions,
- other technical provisions,
- mathematical provisions,
- provisions for unit-linked life insurance.

Technical provisions are set aside based on the balance on the last day of the accounting period or financial year.

At least once a year, the company assesses the adequacy of the formed technical provisions with the LAT test. In case technical provisions are not adequate, additional provisions are formed.

a.1) Unearned premium

Unearned premium is calculated separately for every insurance contract based on the written premium. The unearned premium calculation includes even distribution of loss occurrence probability during insurance period, and the premium is not reduced by the proportionate part of insurance acquisition costs.

a.2) Claims provisions

In all insurance types marketed by the insurance company, insurants file an application for the payment of benefit directly with the insurance company. Claims reported in such way are processed in the standard method.

Claims provisions are formed in the amount of estimated liabilities which the insurance company is required to pay out based on insurance contracts where an insured event has occurred before the end of the accounting period regardless of whether it has already been reported or not, including all estimated costs that will be incurred on the insurance company in respect of such insured events.

The amount of claims provisions is calculated using statistical methods and an actuarial valuation for all insurance types. Claims provisions are not discounted.

The amount of claims provisions is determined by first assessing the ultimate loss ratio (ULR) and then using it to calculate the amount of claims provisions. The record of reported but not settled claims enables determining the amount of provisions for reported but not settled (RBNS) claims based on the list of such claims and the estimate of losses paid. The insurance company calculates the provisions for the incurred but not reported (IBNR) claims by subtracting the RBNS from the total provisions. The calculated provisions are further checked using the triangle method.

a.3) Mathematical provisions

Mathematical provisions are formed in the amount of the present value of the estimated future liabilities of the insurance company less the present value of the future premiums of insurants. Mathematical provisions are set aside for long-term insurance contracts where premium is determined based on age on the conclusion of insurance contract and it does not change with the ageing of the insurant during the insurance period, while the loss frequency increases with age. Mathematical provisions are calculated using the prospective net Zillmer method with the same parameters as those applied for premium calculation. In life insurance products and health insurance products similar to life insurance products, future liabilities are payments of the agreed sums insured, and in annuity insurance products future liabilities are the expected values of future payments of the agreed annuities with attributed surpluses, including the annuity payment costs. Negative mathematical provisions on calculation date are nullified.

a.4) Provisions for unit-linked life insurance

Provisions for the life insurance products where the policyholder assumes investment risk are equal to the value of assets on individual policies. They are calculated as the product of the value of an investment fund unit and the number of investment fund units. The total provision is further increased by the premiums not yet invested in investment fund units. In some of the old insurance types, which the insurance company does not market anymore, initial units were also applied separately.

a.5) Provisions for bonuses and rebates

The insurance company forms provisions for bonuses and rebates in the amount of the expected bonuses for those policies where the insurant is entitled to bonuses. Provisions are formed based on the amount of bonuses such as determined in insurance contracts.

a.6) Liability Adequacy Test

In compliance with IFRS 4, which requires insurance companies to carry out the liability adequacy test (the LAT test), the insurance company assesses at each reporting date whether its recognised insurance liabilities are adequate by applying the current estimates of future financial flows from insurance contracts. If such estimate shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs and intangible assets) is inadequate in terms of the estimated future financial flows, the entire deficit is recognised in the profit or loss.

The insurance company carried out the LAT test on the portfolio balance as at 31 December 2017. In carrying out the LAT test, the insurance company included as recognised all liabilities arising from insurance contracts. It applied the present value of the best safe estimate of all future expected contractual cash and related financial flows: gross premium, costs, including the expected inflation, commissions, commission refunds, claims, options and guarantees. The test is carried out separately by homogenous groups of insurance types.

The following assumptions are used:

- mortality and morbidity assumptions;
- cost assumptions;
- lapse rate assumptions,
- the Republic of Slovenia bond yield curve.

The LAT test showed that liabilities are adequate in all insurance types, except in annuity insurance, which means that additional provisions must be formed only for annuity insurance types, which the insurance company has done in the amount such as shown by the LAT test.

Reinsurance

With reinsurance the Group transfers part of the risk to the Reinsurance Company and pays reinsurance fee.

Reinsurance premium is recognised as a liability towards Reinsurance Company. Reinsurance claims are recognised as a receivable from Reinsurance Company. Changes in unearned premium reinsured and changes in outstanding claim reserve reinsured are determined by Group at the end of every quarter when calculating unearned premium and claim reserve.

The reinsurance part of technical provisions in the statement of financial position is stated as an item of the insurance company's assets.

13.1.4.17 *Other provisions*

Other provisions include provisions for employee benefits.

Employee benefits include salaries and other allowances in accordance with the collective employment agreement. Contributions to the pension fund at the national level, social security, health insurance and unemployment insurance are recognised by the Company as expenses of the period. The Company also recognises any potential future costs arising from the collective agreement in connection to employees in accordance with IAS 19. The aforementioned expenses are calculated in accordance with the actuarial method and are recognised over the entire employment period for individual employees for whom the collective agreement applies.

Upon payment, costs of termination benefits on retirement and jubilee awards are recognised as operating costs (employee costs) in the income statement. Changes of such provisions resulting from payments or new formations are recognised the same way. The revaluation of the provisions set aside due to an increase or decrease of the present value of liabilities arising from a change in actuarial items and experience adjustment are recognised as actuarial gains or losses in other comprehensive income, but only for the provisions for termination benefit on retirement.

13.1.4.18 *Assets and liabilities from financial contracts*

These represent pension funds' assets, which guarantee the fulfilment of liabilities to the insurants. The subsidiary Prva osebna zavarovalnica manages four pension funds in accordance with the Pension and Disability Insurance Act (ZPIZ-2).

The assets comprise investments and cash. Investments in funds are categorised into:

- Investments at fair value through profit or loss
- Investment at amortized cost
- Investment property.

Revenues and expenditures in respect of investments are recognised directly to insurants, in the Balance sheet under the Liabilities from financial contracts. Payment of premiums, realised and unrealised capital gains or losses are also included under this item rather than in the income statement of the Company. Entry, exit and management fees are included in the profit or loss of the Group as revenues.

Liabilities in respect of voluntary supplementary pension insurance are mathematical provisions, which are divided into mathematical provisions for net premium paid, and provisions for guaranteed return and excess over the guaranteed return on funds with guarantee. And liabilities tied to input of prension funds Prva and Prva+ Dynamic and Prva and Prva+ Balanced. All pension schemes of the Company contain guaranteed yield which ranges from 40% to 60% of the guaranteed yield in line with ZPIZ-1. The company guarantees for the guaranteed liabilities and return with its own assets, therefore it classifies such contracts as assets and liabilities from financial contracts.

Provisions for these contracts are determined based on the value of assets on savings accounts of individual policyholders (pension plan members). The amount of provision arises from the calculation of an individual's net premium, which is the paid-in gross premium less entry charges. The amount of a provision for an individual policyholder equals the product of the number of units of an individual fund of an individual policyholder and the unit value on valuation date.

For pension insurance products with investments in the guaranteed fund, additional provisions are calculated for the event the guaranteed return on assets is not achieved.

13.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies applied in the compilation of consolidated financial statements are the same as those used in the preparation of consolidated financial statements for the year ended 31 December 2018, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2019 and which are presented below.

New standards, Interpretations and amendments to published Standards (as at January 2019) that are not yet effective

IAS 8.31 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

Effective for annual periods beginning on or after 1 January 2020.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

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

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

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

The Group does not expect that the amendments, when initially applied, will have material impact on the financial statements as the Entity has no associates or joint ventures.

IFRS 17 Insurance contracts

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

Effective for annual periods beginning on or after 1 January 2023; to be applied prospectively. Early application is permitted.

The Group expects that the new standard, when initially applied, will have a material impact on the financial statements, because significant part of the group (Prva osebna zavarovalnoca) operates in the insurance sector with insurance contracts. The Group is still estimating the potential effects on the financial statements.

Amendments to IFRS 3 Business Combinations

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Effective for annual periods beginning on or after 1 January 2020.

The Group does not expect the Amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

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

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

Effective for annual periods beginning on or after 1 January 2020.

The Entity expects that the amendments, when initially applied, will require additional disclosures of hedging relationships which are affected by uncertainties caused by the IBOR reform.

13.3 ADDITIONAL DISCLOSURES OF THE STATEMENT OF FINANCIAL POSITION AND THE INCOME STATEMENT ITEMS

Disclosures which the Company is obliged to include in its annual report in compliance with the Companies Act and International Financial Reporting Standards are presented under separate headings and under the items to which they correspond.

13.4 SEGMENT REPORTING

The Group operates in two main geographic areas. Main geographic area of the Group is Slovenia. In addition, the Group is present in other non-member countries of the south-eastern Europe (Northern Macedonia, Serbia and Kosovo).

The Group divided business segments on the basis of its main activities namely non-life insurance, life insurance and other operations, which includes the business of Prva Group, plc and Prva zavarovalniško zastopniška družba d.o.o. The Group included pension insurance in life insurance.

Tabela 7: Income statement by segments at 31 December 2019

v EUR	Non-life Slovenia	Life Slovenia	Abroad	Other Slovenia	Total Slovenia	Total life	Cons.	Total
Net premium income	**2,430,079**	**14,929,056**	**0**	**0**	**17,359,135**	**14,929,056**		**17,359,135**
Other insurance income	15,851	3,929,257	4,913,961	39,461	3,984,569	8,843,218	-39,461	8,859,069
Revenue from financial assets	**404,150**	**3,382,346**	**-2,382,916**	**2,468,811**	**6,255,307**	**999,430**	**-2,343,699**	**3,872,391**
Interest income	*118,223*	*631,701*	*320,432*	*24,686*	*774,610*	*952,133*		*1,095,041*
Dividend income	*31,617*	*134,589*	*0*	*2,432,832*	*2,599,038*	*134,589*	*-2,343,699*	*255,339*
Other income from investments	*254,310*	*2,616,056*	*-359,649*	*11,293*	*2,881,659*	*2,256,407*		*2,522,010*
Other income	1,338	108,131	454,136	1,835	111,304	562,267		565,440
Net cost of claims	-589,397	-4,358,321	0	0	-4,947,718	-4,358,321		-4,947,718
Change of technical provisions	-423,180	-8,752,618	0	0	-9,175,798	-8,752,618		-9,175,798
Operating costs	**-1,481,095**	**-5,821,691**	**-2,889,536**	**-367,187**	**-7,669,973**	**-8,711,227**	**1,463**	**-10,560,972**
Cost of acquiring insurants	*-631,529*	*-1,454,897*	*-247,915*	*0*	*-2,086,427*	*-1,702,812*		*-2,334,342*
Expenses from investments	-24,643	-158,930	24,349	-26,725	-210,299	-134,581		-185,949
Other expenses	-64,333	-394,841	-46,274	-1,324	-460,499	-441,115		-506,773
Profit before tax	**268,770**	**2,862,388**	**2,414,493**	**2,114,871**	**5,246,028**	**5,276,881**	**-2,381,697**	**5,278,825**
Income tax and deferred tax	-50,170	-235,087	-46,278	-187,825	-473,082	-281,365	0	-519,359
Net profit	**218,600**	**2,627,301**	**2,368,215**	**1,927,046**	**4,772,947**	**4,995,516**	**-2,381,697**	**4,759,465**

Tabela 8: Income statement by segments at 31 December 2018

v EUR	Non-life Slovenia	Life Slovenia	Abroad	Other Slovenia	Total Slovenia	Total life	Cons.	Total
Net premium income	**2,095,507**	**12,572,650**	**0**	**0**	**14,668,157**	**12,572,650**		**14,668,157**
Other insurance income	103,466	3,350,407	4,819,065	39,225	3,493,099	8,169,473	-39,225	8,272,939
Revenue from financial assets	**135,673**	**718,073**	**467,878**	**2,965,824**	**3,819,570**	**1,185,951**	**-2,844,022**	**1,443,426**
Interest income	*99,948*	*582,812*	*332,353*	*37,291*	*720,051*	*915,165*		*1,052,404*
Dividend income	*21,985*	*109,594*	*0*	*2,928,533*	*3,060,112*	*109,595*	*-2,844,022*	*216,090*
Other income from investments	*13,741*	*25,666*	*135,525*	*0*	*39,407*	*161,191*		*174,932*
Other income	3,228	118,142	242,297	1	121,371	360,439		363,668
Net cost of claims	-312,321	-3,817,935	0	0	-4,130,256	-3,817,935		-4,130,256
Change of technical provisions	-374,044	-3,792,788	0	0	-4,166,833	-3,792,788		-4,166,833
Operating costs	**-1,146,286**	**-5,885,987**	**-2,625,371**	**-320,688**	**-7,352,961**	**-8,511,358**	**3,000**	**-9,975,332**
Cost of acquiring insurants	*-371,298*	*-1,774,298*	*-231,573*	*0*	*-2,145,595*	*-2,005,871*		*-2,377,168*
Expenses from investments	-78,914	-445,695	-303,446	-9,855	-534,464	-749,141		-837,910
Other expenses	-42,808	-227,974	-47,780	-4,167	-274,949	-275,754		-322,729
Profit before tax	**383,501**	**2,588,894**	**2,552,643**	**2,670,340**	**5,642,735**	**5,141,536**	**-2,880,247**	**5,315,130**
Income tax and deferred tax	-61,424	-104,341	-251,822	2,529	-163,236	-356,163		-415,058
Net profit	**322,077**	**2,484,553**	**2,300,821**	**2,672,869**	**5,479,498**	**4,785,374**	**-2,880,247**	**4,900,072**

Tabela 9: Statement of financial position by segments at 31 December 2019

EUR	Non-life insurance Slovenia	Life insurance Slovenia	Life insurance Abroad	Other Slovenia	Total Slovenija	Total Life insurance	Consolid.	Total
ASSETS								
Intangible assets	50,254	314,201	178,155	0	364,455	492,356	0	**542,610**
Tangible assets	78,180	2,638,019	951,843	67,629	2,783,828	3,589,862	0	**3,735,671**
Deferred tax assets	3,646	15,781	2,020	57,926	77,353	17,801	34,029	**142,742**
Investments in subsidiaries	0	0	0	16,581,773	16,581,773	0	-16,581,773	**0**
Investment property	0	2,250,000	0	0	2,250,000	2,250,000	0	**2,250,000**
Financial investments	**8,594,632**	**42,030,049**	**9,794,210**	**3,694,320**	**54,319,001**	**51,824,259**	**0**	**64,113,211**
1.Measured at amortized cost	*1,405,580*	*10,564,152*	*7,578,119*	*0*	*11,969,732*	*18,142,271*	*0*	***19,547,851***
2.Measured at fair value through other comprehenseive income	*2,180,208*	*13,808,327*	*584,979*	*3,312,250*	*19,300,785*	*14,393,306*	*0*	***19,885,764***
3.Measured at fair value through profit or loss	*5,008,842*	*17,657,570*	*1,631,113*	*382,070*	*23,048,483*	*19,288,684*	*0*	***24,679,596***
Assets attributable to unit holders	0	7,272,708	0	0	7,272,708	7,272,708	0	**7,272,708**
Assets from financial contracts	0	320,048,748	0	0	320,048,748	320,048,748	0	**320,048,748**
Other receivables	577,859	3,016,043	143,145	15,580	3,609,482	3,159,189	-14,267	**3,738,360**
Other assets	0	48,164	228,058	2,349	50,513	276,222	0	**278,571**
Cash and cash equivalents	407,733	550,086	650,754	1,403,332	2,361,151	1,200,839	0	**3,011,905**
TOTAL ASSETS	**9,712,304**	**378,183,798**	**-4,584,486**	**21,822,909**	**409,719,011**	**373,599,312**	**-16,562,010**	**405,134,525**

EUR	Non-life insurance Slovenia	Life insurance Slovenia	Life insurance Abroad	Other Slovenia	Total Slovenia	Total Life insurance	Consolid.	Total
EQUITY and LIABILITIES								
EQUITY	**4,422,973**	**22,763,046**	**11,293,422**	**21,681,895**	**48,867,913**	**34,056,469**	**-16,497,760**	**43,663,576**
Issued share capital	2,700,000	10,400,000	2,304,599	13,393,747	26,493,747	12,704,599	-15,412,099	**13,386,247**
Reserves	871,069	7,207,423	-70,886	6,078,020	14,156,512	7,136,537	-8,064,406	**6,021,220**
Revaluation reserve	87,107	642,697	-119,331	160,941	890,746	523,366	-368,820	**402,595**
Retained and net profit or loss	764,796	4,512,926	3,749,662	2,698,885	7,976,607	8,262,588	7,347,564	**19,073,833**
Treasury shares	0	0	0	-649,698	-649,698	0	0	**-649,698**
Owners equity of the parent company	4,422,973	22,763,046	5,864,044	21,681,895	48,867,913	28,627,090	-16,497,760	38,234,197
Non-controlling interest	0	0	5,429,378	0	0	5,429,378		5,429,378
Technical provisions	2,364,877	27,156,086	1	0	29,520,963	27,156,087		**29,520,964**
Gross provisions in favour of unit-linked insurance underwriters	0	6,831,778	0	0	6,831,778	6,831,778		**6,831,778**
Other provisions	0	83,653	0	0	83,653	83,653		**83,653**
Deferred tax liabilities	24,095	69,958	11,764	37,752	131,805	81,722		**143,569**
Liabilities from financial contracts	0	320,048,748	0	0	320,048,748	320,048,748		**320,048,748**
Other Financial liabilities	0	0	164,229	0	0	164,229		**164,229**
Operating liabilities	1,272,461	797,799	267,318	28,335	2,098,595	1,065,116	-14,267	**2,351,646**
Other liabilities	1,627,898	432,732	189,393	76,340	2,136,970	622,125		**2,326,363**
TOTAL EQUITY AND LIABILITIES	**9,712,304**	**378,183,799**	**11,926,127**	**21,822,909**	**409,719,012**	**390,109,927**	**-16,512,027**	**405,134,525**

Tabela 10: Statement of financial position by segments at 31 December 2018

EUR	Non-life insurance Slovenia	Life insurance Slovenia	Life insurance Abroad	Other Slovenia	Total Slovenija	Total Life insurance	Consolid.	Total
ASSETS								
Intangible assets	52,275	350,208	151,790	0	402,484	501,998	0	554,274
Tangible assets	86,919	2,932,901	580,691	79,113	3,098,933	3,513,593	0	3,679,624
Deferred tax assets	6,081	71,541	3,282	245,751	323,372	74,823	-137,831	188,823
Investments in subsidiaries	0	0	0	16,581,773	16,581,773	0	-16,581,773	0
Investment property	0	2,017,859	0	0	2,017,859	2,017,859	0	2,017,859
Financial investments	**7,247,975**	**33,180,695**	**9,813,196**	**3,801,459**	**44,230,130**	**42,993,891**	**0**	**54,043,326**
1.Measured at amortized cost	*967,643*	*7,606,285*	*8,163,297*	*0*	*8,573,928*	*15,769,581*	*0*	*16,737,224*
2.Measured at fair value through other comprehenseive income	*2,547,392*	*12,734,745*	*280,057*	*3,113,557*	*18,395,694*	*13,014,802*	*0*	*18,675,751*
3.Measured at fair value through profit or loss	*3,732,940*	*12,839,665*	*1,369,843*	*687,903*	*17,260,508*	*14,209,508*	*0*	*18,630,351*
Assets attributable to unit holders	0	4,840,006	0	0	4,840,006	4,840,006	0	4,840,006
Assets from financial contracts	0	284,165,726	0	0	284,165,726	284,165,726	0	284,165,726
Other receivables	801,294	2,326,342	131,180	18,390	3,146,026	2,457,522	-2,267	3,274,940
Other assets	0	31,791	215,376	4,168	35,960	247,167	0	251,336
Cash and cash equivalents	191,602	1,268,063	311,720	854,759	2,314,424	1,579,783	0	2,626,144
TOTAL ASSETS	**8,386,146**	**331,185,133**	**11,207,236**	**21,585,413**	**361,156,692**	**342,392,369**	**-16,721,870**	**355,642,058**

EUR	Non-life insurance Slovenia	Life insurance Slovenia	Life insurance Abroad	Other Slovenia	Total Slovenia	Total Life insurance	Consolid.	Total
EQUITY and LIABILITIES								
EQUITY	**4,420,858**	**20,561,692**	**10,862,333**	**21,494,051**	**46,476,601**	**31,424,025**	**-16,814,687**	**40,524,247**
Issued share capital	2,700,000	10,400,000	2,294,602	13,386,247	26,486,247	12,694,602	-15,394,602	**13,386,247**
Reserves	871,069	7,207,423	-221,154	6,021,220	14,099,712	6,986,269	-7,857,338	**6,021,220**
Revaluation reserve	3,594	-132,046	19,647	0	-128,452	-112,399	-540,925	**-649,730**
Retained and net profit or loss	846,195	3,086,315	3,607,552	2,736,282	6,668,792	6,693,867	6,978,179	**17,254,522**
Treasury shares	0	0	0	-649,698	-649,698	0	0	**-649,698**
Owners equity of the parent company	**4,420,858**	**20,561,692**	**5,700,647**	**21,494,051**	**46,476,601**	**26,262,339**	**-16,814,687**	**35,362,561**
Non-controlling interest	**0**	**0**	**5,161,686**	**0**	**0**	**5,161,686**	**0**	**5,161,686**
Technical provisions	1,935,478	20,538,424	0	0	22,473,903	20,538,424	0	**22,473,903**
Gross provisions in favour of unit-linked insurance underwriters	0	4,840,006	0	0	4,840,006	4,840,006	0	**4,840,006**
Other provisions	0	67,959	0	0	67,959	67,959	0	**67,959**
Deferred tax liabilities	6,522	37,583	7,623	0	44,106	45,206	0	**51,729**
Liabilities from financial contracts	0	284,165,726	0	0	284,165,726	284,165,726	0	**284,165,726**
Other Financial liabilities	0	0	299	0	0	299	0	**299**
Operating liabilities	126,883	533,992	1,009,403	35,388	696,263	1,543,396	-2,267	**1,703,400**
Other liabilities	1,896,403	439,750	-577,339	55,975	2,392,128	-137,588	0	**1,814,790**
TOTAL EQUITY AND LIABILITIES	**8,386,145**	**331,185,134**	**11,302,320**	**21,585,413**	**361,156,692**	**342,487,453**	**-16,816,954**	**355,642,058**

14 NOTES TO THE INCOME STATEMENT

14.1 NET PREMIUM INCOME

Table 11: Net income from insurance premiums

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Gross insurance premiums written	0	0	18,280,017	15,532,864
Premiums written re-insured	0	0	-930,651	-868,095
Change of unearned premium	0	0	9,769	3,389
Total	**0**	**0**	**17,359,135**	**14,668,157**

14.2 OPERATING INCOME AND OTHER INCOME

Table 12: Operating income and other income

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Entry fees	0	0	2,188,610	2,052,302
Management fee	0	0	6,154,459	5,912,321
Exit fees	0	0	63,160	71,772
Other operating income	39,461	39,225	452,841	236,544
Total operating income	**39,461**	**39,225**	**8,859,069**	**8,272,939**
Other income	1,835	1	565,440	363,668
Total	**41,296**	**39,226**	**9,424,509**	**8,636,607**

Main part of operating revenues from operations represents entry and management fees from supplementary pension insurance.

The entry fees are charged from paid-in premiums, not exceeding 3% at the year-end (2018: 3%).

The Group also charges annual management fee ranging from 0.5% to 1.0% for the administration and management of all pension funds (2018: 0.5% to 1%).

Upon the termination of the supplementary pension insurance, the administrator/Group is entitled to an exit fee in the amount of 1% of the redemption value upon termination of the insurance contract (2018: 1%).

At the Company operating revenues relate exclusively to services that the Company charges to subsidiaries for services rendered. These revenues are excluded from the consolidated revenues.

Other income relates to re-invoiced operating expenses of real estate, rental income, gains on sale and revaluation of fixed assets and services between related parties.

14.3 INTEREST INCOME

Interest income include interest from bank deposits and interest from investments earned in 2019.

Table 13: Interest income

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Financial assets	24,686	37,291	1,094,399	1,051,200
1. Amortized cost	0	0	644,038	400,606
2. Measured at fair value through other comprehensive income	24,686	37,291	153,996	298,257
3. Measured at fair value through profit or loss	0	0	296,365	352,337
Other	0	0	643	1,204
Total interest income	**24,686**	**37,291**	**1,095,042**	**1,052,404**

14.4 DIVIDEND INCOME

Table 14: Dividend income

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Dividends from subsidiaries	2,343,699	2,844,022	0	0
Dividends from investment, measured at fair value through other comprehensive income	89,133	84,511	89,133	84,511
Dividend income from investments measured at fair value through profit or loss	0	0	166,207	131,579
Total	**2,432,832**	**2,928,534**	**255,339**	**216,090**

14.5 OTHER INCOME AND EXPENSES FROM INVESTMENTS

Table 15: Other income and expenses from investments

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Net gains from revaluation of investments measured at fair value through profit or loss	-26,296	-46,496	1,922,159	-826,684
Net gains/losses from disposal of securities	11,293	36,640	394,421	43,407
Impairment of investments not measured at fair value through profit or loss	0	0	-24,393	-11,206
Other interest expenses	-429	0	-1,352	-20
Net foreign exchange differences	0	0	45,225	131,526
Total	**-15,432**	**-9,855**	**2,336,061**	**-662,978**

14.6 NET EXPENSES FOR CLAIMS AND CHANGES IN TECHNICAL PROVISIONS

Table 16: Changes in technical provisions

EUR	Prva Group 2019	Prva Group 2018	The Group 2019	The Group 2018
Change of gross mathematical provisions	0	0	0	0
Life insurance guarantee fund	0	0	-8,752,618	-3,792,788
Non-life insurance guarantee fund	0	0	-423,180	-374,044
Total	**0**	**0**	**-9,175,798**	**-4,166,833**

Table 17: Net expenses for claims

EUR	Prva Group 2019	Prva Group 2018	The Group 2019	The Group 2018
Gross claims charged	0	0	-5,162,359	-4,612,324
Re-insurance share of gross claims	0	0	428,196	441,467
Change of provisions for outstanding claims	0	0	-376,965	-343,549
Change of provisions for outstanding claims re-insured	0	0	163,410	384,150
Total	**0**	**0**	**-4,947,718**	**-4,130,256**

14.7 COSTS OF ACQUIRING INSURANTS

Commissions to agents and marketing promotion costs directly attributed to the acquisition of insurants are included under costs of acquiring insurance. Commissions to agents refer to fees which are paid to outside contractors as an award for the successful acquisition of insurants. The presented item comprises also changes in deferred insurance acquiring costs.

Table 18: Costs of acquiring insurants

EUR	Prva Group 2019	Prva Group 2018	The Group 2019	The Group 2018
Commissions to agents costs	0	0	-1,886,000	-1,832,866
Marketing campaigns costs	0	0	-448,342	-544,303
Total	**0**	**0**	**-2,334,342**	**-2,377,169**

14.8 EMPLOYEE COSTS

Salaries, holiday pay, reimbursements for meals and transportation to work, employer contributions and taxes for remitted salaries and payments of supplementary pension insurance are included under labour costs for 2019.

Prva Group plc. had 4 employees at the end of 2019 (2018: 4), while there were 154 persons employed in the Group at the end of 2019 (2018: 150).

Table 19: Employee costs

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Employee salaries	-124,429	-84,597	-3,528,554	-3,236,549
Holiday pay	-642	-720	-117,382	-93,623
Reimbursements for meals and transportation to work	-466	-907	-176,783	-171,159
Employer's contributions and taxes on salaries paid	-23,574	-35,416	-710,367	-659,682
- Pension insurance contributions	-12,958	-19,468	-316,521	-293,979
- Social security contributions	-10,615	-15,948	-393,846	-365,703
Payments to employees for supplementary pension insurance	-1,644	-1,109	-163,421	-139,647
Other labour costs	-58,946	-62,284	-100,251	-114,871
Total	**-209,701**	**-185,032**	**-4,796,758**	**-4,415,530**

14.9 OTHER COSTS

The costs of other services are primarily related to maintenance costs, postage and other services. Other costs comprise the cost of supervisory bodies in the amount of 959,334€ (2018: 849,081€), material operating costs in the amount of 140,985€ (2018:144,344€), long-term provisions to employees in the amount of 67,127€ (2018: 80,988€), bank fees in the amount of 61,877€ (2018: 80,988€), donations and sponsorships in the amount of 44,857€ (2018: 67,050€), services by individual persons, membership fees and other costs.

Table 20: Other costs

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Reimbursement of work-related costs	-2,604	-1,046	-63,349	-54,095
Costs of intellectual and personal services	-62,179	-39,858	-350,700	-328,485
Cost of rent	-1,463	-3,508	-146,570	-181,159
Costs of other services	-71,721	-68,788	-723,031	-736,610
Depreciation	-13,172	-12,759	-530,216	-487,194
Other costs	-6,348	-9,697	-1,616,006	-1,395,090
Total	**-157,486**	**-135,656**	**-3,429,872**	**-3,182,634**

Table 21: Audit fees

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Audit of the annual report	-8,540	-8,540	-53,209	-50,872
Other auditing services	-1,464	-1,464	-23,788	-19,180
Total	**-10,004**	**-10,004**	**-76,997**	**-70,052**

14.10 OTHER EXPENSES

Table 22: Other expenses

EUR	Prva Group 2019	Prva Group 2018	The Group 2019	The Group 2018
Other expenses	-1,324	-4,167	-506,772	-322,729
Total	**-1,324**	**-4,167**	**-506,772**	**-322,729**

Other expenses mainly relating to items incurred by Prva osebna zavarovalnica plc., and cover the costs charged to the Company and cannot be included under any other profit or loss item. In 2019 expenses were €477,768 (2018: €278,826). Most expenses representing write-offs of receivables, impairments of property as well as operating costs charged further.

14.11 DEFERRED TAX AND INCOME TAX

Table 23: Deferred tax of Prva group

EUR	Balance sheet 31.12.2019	Balance sheet 31.12.2018	Recognised in statement of comprehensive income 2019	Recognised in profit or loss 2019
Receivable for deferred tax	**57,926**	**245,751**	**0**	**0**
Impairment of investments	57,926	245,751	0	-187,825
Deferred tax liabilities	**-37,752**	**0**	**-37,752**	**0**
Revaluation of FVOCI investments	-37,752	0	-37,752	0
Total deferred income tax assets(+) / liabilities(-)	**20,175**	**245,751**	**-37,752**	**-187,825**

Table 24: Deferred tax of The Group

EUR	Balance sheet 31.12.2019	Balance sheet 31.12.2018	Recognised in statement of comprehensive income 2019	Recognised in profit or loss 2019
Receivable for deferred tax	**79,384**	**188,823**	**-53,589**	**-8,347**
Fixed asset depreciation	0	4,323	0	-4,323
Impairment of investments	72,120	178,400	-53,589	-5,188
Provisions for employees	7,265	6,101	0	1,164
Deferred tax liabilities	**143,569**	**51,729**	**87,699**	**0**
Revaluation of FVOCI investments	143,569	51,729	87,699	0
Deferred income tax assets / liabilities	**-64,185**	**137,094**	**-141,289**	**-8,347**

As at 31 December 2019, deferred tax amounts were restated using tax rates effective at the time the Group expects to utilise these tax assets i.e. at the rate of 19% (2018: 19%).

Table 25: Reconciliation of tax and accounting profit multiplied by the tax rate applicable in Slovenia

EUR	Prva Group		The Group	
	2019	2018	2019	2018
Profit for the year before tax	2,114,871	2,670,342	5,278,825	5,315,130
Adjustment for frofit with 0 tax rate	0	0	-2,050,204	-1,892,324
Profit on which income tax is calculated	2,114,871	2,670,342	3,228,620	3,422,807
Income tax using the statutory tax rate	401,825	507,365	613,438	650,333
Adjustment to the actual statutiry tax rate	0	0	-214,288	-226,503
Tax effect of income, deducted in calculating the tax	-463,833	-556,421	0	0
Tax effect of expenses, not deducted in the tax calculation	3,968	5,068	31,993	27,208
Tax effect of income, added in calculating the tax	23,112	21,801	0	0
Tax effect for reliefs	0	0	26,157	37,189
Tax effect fort he use of tax losses	0	0	0	21,691
Income tax	**0**	**0**	**511,013**	**418,998**
Deferred tax	-187,825	2,529	8,346	3,941
Total tax	**-187,825**	**2,529**	**519,360**	**415,057**
Effective tax rate	0.00%	0.00%	9.84%	7.81%

In the financial year under review, the the Group accounted for the amount of current income tax payable using the applicable tax rate of 19% in Slovenia (2018: 19%).

14.12 NET EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit for the financial period belonging to ordinary shareholders by the weighted average number of outstanding ordinary shares in the financial period. The weighted average number of outstanding ordinary shares is calculated using data on the number of outstanding ordinary shares while taking into consideration eventual purchases and sales within the period and the period in which the shares participated in the generating of profit. The adjusted earnings per share also take into account all potential ordinary shares. The Company does not have any potential ordinary shares, therefore the net earnings per share equals to the adjusted earnings per share.

Table 26: Earnings per share

	The Group	
	2019	2018
Net profit for the year attributable to the Company/Group	3,533,042	3,804,430
Less dividends paid out to owners of preference shares	-400,724	-400,724
Net profit attributable to ordinary equity holders of the parent (EUR)	3,132,318	3,403,705
Weighted average number of ordinary shares for basic earnings per share	291,484	291,484
Earnings per share (in EUR)	**10.75**	**11.68**

15 NOTES TO THE STATEMENT OF FINANCIAL POSITION

15.1 INTANGIBLE LONG-TERM ASSETS

Table 27: Movement in intangible long-term assets in 2019

	Prva Group				The Group			
EUR	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software applications	Invest-ments in progress	Long-term deferred acquisition costs	TOTAL
ACQUISITION VALUE								
At 31 Dec 2018	178,858	0	0	178,858	2,342,628	-42,962	96,516	2,396,181
Additions	0	0	0	0	72,832	69,656	23,473	165,961
Transfers	0	0	0	0	0	0	-19,273	-19,273
Disposals	0	0	0	0	-8,724	0	0	-8,724
Currency differences	0	0	0	0	-2,907	0	44	-2,863
At 31 Dec 2019	178,858	0	0	178,858	2,403,829	26,694	100,760	2,531,282
ACCUMULATED AMORTISATION								
At 31 Dec 2018	178,858	0	0	178,858	1,776,477	0	65,431	1,841,908
Amortisation in 2019	0	0	0	0	158,142	0	826	158,968
Disposals	0	0	0	0	-8,044	0	-2,431	-10,475
Currency differences	0	0	0	0	-1,584	0	-145	-1,729
At 31 Dec 2019	178,858	0	0	178,858	1,924,992	0	63,681	1,988,673
CARRYING AMOUNT								
At 31 Dec 2018	0	0	0	0	566,151	-42,962	31,085	554,273
At 31 Dec 2019	0	0	0	0	478,837	26,694	37,078	542,610

Table 28: Movement in intangible long-term assets in 2018

	Prva Group				The Group			
EUR	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software applications	Invest-ments in progress	Long-term deferred acquisition costs	TOTAL
ACQUISITION VALUE								
At 31 Dec 2017	178,858	0	0	178,858	2,199,321	76,515	59,931	2,335,768
Additions	0	0	0	0	24,063	125,855	41,295	191,213
Transfers	0	0	0	0	238,912	-238,912	0	0
Disposals	0	0	0	0	-118,011	-6,420	-4,834	-129,266
Currency differences	0	0	0	0	-1,658	0	124	-1,534
At 31 Dec 2018	178,858	0	0	178,858	2,342,628	-42,962	96,516	2,396,181
ACCUMULATED AMORTISATION								
At 31 Dec 2017	178,858	0	0	178,858	1,705,409	0	56,508	1,761,917
Amortisation in 2018	0	0	0	0	190,586	0	2,036	192,622
Disposals	0	0	0	0	-118,011	0	7,032	-110,979
Currency differences	0	0	0	0	-1,506	0	-145	-1,651
At 31 Dec 2018	178,858	0	0	178,858	1,776,477	0	65,431	1,841,908
CARRYING AMOUNT								
At 31 Dec 2017	0	0	0	0	493,913	76,515	3,423	573,851
At 31 Dec 2018	0	0	0	0	566,151	-42,962	31,085	554,273

15.2 TANGIBLE FIXED ASSETS

Table 29: Movement in tangible fixed assets in 2019

	Prva Group		The Group	
EUR	Equipment	TOTAL	Buildings and equipment	TOTAL
ACQUISITION VALUE				
At 31 Dec 2018	**223,095**	**223,095**	**4,861,326**	**4,861,326**
Additions	1,688	1,688	409,789	409,789
Disposals	0	0	-147,681	-147,681
Currency differences	0	0	3,685	3,685
At 31 Dec 2019	**224,783**	**224,783**	**5,127,119**	**5,127,119**
ACCUMULATED DEPRECIATION				
At 31 Dec 2018	**143,982**	**143,982**	**1,181,702**	**1,181,702**
Depreciation in 2019	13,172	13,172	322,389	322,389
Impairments	0	0	186,420	186,420
Disposals	0	0	-141,064	-141,064
Currency differences	0	0	1,867	1,867
At 31 Dec 2019	**157,154**	**157,154**	**1,551,314**	**1,551,314**
CARRYING AMOUNT				
At 31 Dec 2018	79,113	79,113	3,679,624	3,679,624
At 31 Dec 2019	**67,629**	**67,629**	**3,575,804**	**3,575,804**

The fair value of real estate used by the Group to perform its core business is 2,798,598€ (2018: 2,951,987€).

Table 30: Movement in tangible fixed assets from the right of use in 2019

	Prva Group	Skupina		
V EUR	Skupaj	Zgradbe / poslovni prostori	Oprema	Skupaj
ACQUISITION VALUE				
At 1 Jan 2019	**0**	**165,645**	**49,662**	**215,307**
Additions	0	11,827	19,376	31,203
Disposals	0	0	0	0
Currency differences	0	0	0	0
At 31 Dec 2019	**0**	**177,472**	**69,038**	**246,510**
ACCUMULATED DEPRECIATION				
At 1 Jan 2019	**0**	**0**	**0**	**0**
Depreciation in 2019	0	44,471	42,172	86,643
Disposals	0	0	0	0
Currency differences	0	0	0	0
At 31 Dec 2019	**0**	**44,471**	**42,172**	**86,643**
CARRYING AMOUNT				
At 1 Jan 2019	0	165,645	3,019,821	215,307
At 31 Dec 2019	**0**	**133,001**	**26,866**	**159,867**

The Company has not pledged any items of property, plant and equipment as collateral for borrowings.

Table 31: Movement in tangible fixed assets 2018

EUR	Prva Group Equipment	TOTAL	The Group Buildings and equipment	TOTAL
ACQUISITION VALUE				
At 31 Dec 2017	**194,895**	**194,895**	**4,818,992**	**4,818,992**
Additions	52,700	52,700	754,473	754,473
Disposals	-24,500	-24,500	-707,116	-707,116
Currency differences	0	0	-5,023	-5,023
At 31 Dec 2018	**223,095**	**223,095**	**4,861,326**	**4,861,326**
ACCUMULATED DEPRECIATION				
At 31 Dec 2017	**139,134**	**139,134**	**1,222,649**	**1,222,649**
Depreciation in 2017	12,759	12,759	289,966	289,966
Disposals	-7,912	-7,912	-328,251	-328,251
Currency differences	0	0	-2,662	-2,662
At 31 Dec 2018	**143,982**	**143,982**	**1,181,702**	**1,181,702**
CARRYING AMOUNT				
At 31 Dec 2017	55,760	55,760	3,596,343	3,596,343
At 31 Dec 2018	**79,113**	**79,113**	**3,679,624**	**3,679,624**

15.3 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries represent investments of Prva Group plc. in the following companies: Prva osebna zavarovalnica d.d., KB Prvo penzisko društvo AD, Skopje, Fondi Slloveno-Kosovar I Pensioneve sh.A Pristhine Kosovo, DDOR GARANT Beograd, PRVA zavarovalniško zastopniška družba, d.o.o. These companies and the parent company Prva Group plc. form the Group.

Table 32: Investments in subsidiaries

EUR	Ownership	Prva Group 31.12.2019	31.12.2018
Prva osebna zavarovalnica d.d.	100%	13,730,000	13,730,000
KB Prvo penzisko društvo AD Skopje	51%	918,272	918,272
Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo	67%	394,000	394,000
DDOR GARANT Beograd	60%	1,532,000	1,532,000
PRVA zavarovalniško zastopniška družba, d.o.o.	100%	7,500	7,500
Total		**16,581,772**	**15,581,772**

Voting rights in subsidiaries are equal to the ownership share.

The Company assesses signs of impairment of investments into subsidiaries by reviewing the previously realised results, dividend paid, and future business plans of subsidiaries.

On 30 October 2019, the Company conducted an internal appraisal of investment in Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo and DDOR GARANT Beograd based on the value method in the use of the present value of expected cash flows. The following assumptions were used in the appraisal:

- Discount rate: 13.75%
- Long-term growth rate: 1.5%

According to the estimated values of investments, the Company concluded that there is no need for additional impairments.

For Prva osebna zavarovalnica and KB Prvo the company concluded, that there are no sign for impairments, since the respective capital of both companies significantly exceeded the book value of the investment (Prva osebna zavarovalnica: 198% in KB Prvo 528%).

Table 33: Sensitivity analysis for the value of the investment in DDOR Garant Beograd

	Discount rate		Long-term growth rate		
	0.50%	1.00%	1.50%	2.00%	2.50%
12.75%	4.41%	6.91%	9.64%	12.62%	15.89%
13.25%	-0.09%	2.16%	4.59%	7.24%	10.14%
13.75%	-4.22%	-2.20%	0.00%	2.34%	4.92%
14.25%	-8.03%	-6.21%	-4.26%	-2.14%	0.16%
14.75%	-11.56%	-9.91%	-8.15%	-6.25%	-4.19%

Table 34: Sensitivity analysis for the value of the investment in Fondi Slloveno- Kosovar I Pensioneve Sh.A Pristhine

	Discount rate		Long-term growth rate		
	0.50%	1.00%	1.50%	2.00%	2.50%
12.75%	1.34%	2.00%	2.73%	3.52%	4.39%
13.25%	0.06%	0.66%	1.30%	2.01%	2.77%
13.75%	-1.12%	-0.59%	0.00%	0.62%	1.31%
14.25%	-2.21%	-1.73%	-1.21%	-0.65%	-0.04%
14.75%	-3.23%	-2.79%	-2.33%	-1.82%	-1.27%

15.4 INVESTMENT PROPERTY

Table 35: Investment property

EUR	Prva group	Skupina
As at 1.1.2018	0	**1,877,131**
Additions	0	140,727
Disposals	0	0
Profit/loss from evaluation to market value	0	0
As at 31.12.2018	0	**2,017,859**
As at 1.1.2018	0	2,017,859
Additions	0	0
Disposals	0	0
Profit/loss from evaluation to market value	0	232,141
As at 31.12.2019	0	**2,250,000**

Investment property is located on Fajfarjeva ulica in Ljubljana, a part of which is used for own needs (disclosed in fixed assets), and rents out the other part.

The company generated €195,594 revenues from rents in 2019 (2018: €196,031). Costs, relating to the investment property were €19,218 (2018: €15,120)

On 31 December 2019, the Company conducted an external appraisal of investment property based on the direct capitalisation of profits method and the discounted cash flow method.

The following assumptions were used in the appraisals:

- Capitalisation rate between 6.58% and 7.88%; (business premises 6.58% - 7.58%, sheltered housing 7.88%,)
- Growth rate for sheltered housing 1%
- Non-occupancy deduction between 2.5% and 10%;
- Non-recoverability deduction between 0.5% and 1%.

Investment property is not pledged as security for debts.

15.5 FINANCIAL INVESTMENTS

Table 36: Investments in securities

EUR	Prva Group		The Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investments into securities at amortized cost	0	0	19,547,851	16,737,224
Investments into securities at fair value through other comprehensive income	3,312,250	3,113,557	19,885,764	18,675,751
Investments into securities at fair value through profit or loss	382,070	687,903	24,679,596	18,630,351
Total	**3,694,320**	**3,801,460**	**64,113,211**	**54,043,326**

Investments in securities represent investments in shares and bonds.

Table 37: Structure of securities based on type of interest rate

EUR	Prva Group		The Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investments into securities at amortized cost:	0	0	19,547,851	16,737,224
- debt securities at fixed rate of interest	0	0	19,547,851	16,737,224
- debt securities at variable rate of interest	0	0	0	0
Investments into securities at fair value through other comprehensive incom	3,312,250	3,113,557	19,885,764	18,675,751
- debt securities at fixed rate of interest	0	0	16,394,709	15,561,698
- debt securities at variable rate of interest	0	0	178,805	496
- equity securities	3,312,250	3,113,557	3,312,250	3,113,557
Investments into securities at fair value through profit or loss	382,070	687,903	24,679,596	18,630,351
- debt securities at fixed rate of interest	382,070	687,903	12,472,896	12,012,417
- debt securities at variable rate of interest	0	0	611	197,680
- equity securities	0	0	12,206,089	6,420,254
Total	**3,694,320**	**3,801,460**	**64,113,210**	**54,043,326**

The effective interest rate for securities ranges from 1.1% do 5.2% (2018: 0.7% do 10.10%).

Table 38: Investment in equity instuments, valued at fair value through other comprehensive income

EUR	Fair value 31.12.2019	Dividend income recognised for investment held at the end of the year	Transfer of cumulative gain or loss within equity in 2019
DBS d.d.	3,287,494	89,133	0
DEJ d.o.o., Alternativni investicijski sklad z garantiranim donosom v višini inflacije	24,756	0	0
Total	**3,312,250**	**89,133**	**0**

Table 39: Group investment, valued at amortized cost by stages and credit ratings

EUR	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Credit risk rating grade				
AAA-AA	0	0	0	0
A	0	0	0	0
BBB-BB	5,255,364	0	0	5,255,364
B	6,983,981	0	0	6,983,981
CCC-CC	0	0	0	0
C	0	0	0	0
D	0	0	0	0
Not rated	7,308,506	0	0	7,308,506
Balance at 31.12.2019	**19,547,851**	**0**	**0**	**19,547,851**

At 31 December 2019 the Group has deposits, commercial papers and bonds among its investments, valued at amortized cost with credit risk rating grade BBB-BB and B. Investments without credit risk rating grade are fully purchases of receivables.

Table 40: Group investment, valued at fair value through other comprehensive income by stages and credit ratings

EUR	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Credit risk rating grade				
AAA-AA	5,234,885	0	0	5,234,885
A	2,963,734	0	0	2,963,734
BBB-BB	11,306,493	0	0	11,306,493
B	0	0	0	0
CCC-CC	0	0	0	0
C	0	0	0	0
D	0	0	0	0
Not rated	380,652	0	0	380,652
Balance at 31.12.2019	**19,885,764**	**0**	**0**	**19,885,764**

Table 41: Reconciliation of loss allowance for amortized cost instruments of the group

EUR	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Loss allowance as of 1.1.2019	**37,755**	**0**	**0**	**37,755**
Transfers	0	0	0	0
From stage 1 to stage 2	0	0	0	0
Net charge from purchase sale	-6,215	0	0	-6,215
Total net P&L charge during the period	6,215	0	0	6,215
Balance at 31.12.2019	**31,539**	**0**	**0**	**31,539**

Table 42: Reconciliation of loss allowance for FVOCI instruments of the group

EUR	Stage 1 12-month ECL	Stage 2 Lifetime ECL (not credit-impaired)	Stage 3 Lifetime ECL (credit impaired)	Total
Loss allowance as of 1.1.2019	**16,332**	**4,781**	**0**	**21,112**
Transfers		0	0	0
From stage 1 to stage 2	0	-4,781	0	-4,781
Net charge from purchase sale	-4,544	0	0	-4,544
Total net P&L charge during the period	-4,544	4,781	0	237
Balance at 31.12.2019	**11,787**	**0**	**0**	**11,787**

Table 43: Movement of financial investment

EUR	Prva Group		Skupina	
	2019	2018	2019	2018
At 1st January	**3,801,459**	**2,116,742**	**54,043,326**	**49,038,804**
Addition	0	3,113,871	110,108,086	39,065,931
Sell/maturity	-315,515	-1,375,576	-102,115,074	-32,892,271
Revaluation	208,376	-53,578	2,076,874	-1,169,138
Balance at 31 December	**3,694,320**	**3,801,459**	**64,113,212**	**54,043,326**

Table 44: Investment by quotation

EUR	Prva Group		The group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investments traded on the organised market	286,343	687,903	53,648,443	46,881,569
Investments not traded on the organised market	3,407,977	3,113,557	10,464,769	7,161,757
Total	**3,694,320**	**3,801,460**	**64,113,211**	**54,043,326**

15.5.1 Fair value of financial investments

Table 45: Overview of the carrying and fair value of financial instruments of the Company

EUR	Carrying amount		Fair value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investments into securities	**3,694,320**	**3,801,459**	**3,694,320**	**3,801,459**
1. Amortized cost	*0*	*0*	*0*	*0*
2. FVOCI	*3,312,250*	*3,113,557*	*3,312,250*	*3,113,557*
3. FVTPL	*382,070*	*687,903*	*382,070*	*0*

The Group assumes that the carrying amounts of trade receivables and cash are the best approximation of fair values, so they are not included in the table above.

Table 46: Overview of the carrying and fair value of financial instruments held by the Group

EUR	Carrying amount		Fair value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investments into securities	**393,684,667**	**345,066,917**	**393,716,206**	**345,104,671**
1. Amortized cost	64,113,211	54,043,326	64,144,750	54,081,080
2. FVOCI	*19,547,851*	*16,737,224*	*19,579,390*	*16,774,979*
3. FVTPL	*19,885,764*	*18,675,751*	*19,885,764*	*18,675,751*
Investment property	*24,679,596*	*18,630,351*	*24,679,596*	*18,630,351*
Investments in favour of unit-linked insurants	2,250,000	2,017,859	2,250,000	2,017,859
Assets on accounts of pension insurance holders	7,272,708	4,840,006	7,272,708	4,840,006

The Group assumes that the carrying amounts of trade receivables and cash are the best approximation of fair values, so they are not included in the table above.

15.5.2 Assets and liabilities in terms of fair value hierarchy

Table 47: Assets and liabilities of the Company in terms of fair value hierarchy in 2019

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	0	251,112	3,443,208	3,694,320
Investments in securities	0	251,112	3,443,208	3,694,320
FVOCI	*0*	*0*	*3,312,250*	*3,312,250*
FVTPL	*0*	*251,112*	*130,958*	*382,070*
ASSETS whose fair value is disclosed				
Receivables	0	0	15,580	15,580
Amortized cost	*0*	*0*	*0*	*0*
Cash and cash equivalents	1,403,332	0	0	1,403,332
LIABILITIES whose fair value is disclosed				
Other liabilities	0	0	28,335	28,335

Level 3 of the company represents investment in DBS d.d. in the amount of 3,287,493€ and investments in bonds at Ljubljana stock exchange. Received dividends from DBS d.d. amounted to 89,133€.

There were no significant transfers between levels in 2019.

Table 48: Movement of financial investment in Level 3 of the Company in 2019

	1.01.2019	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	Transfers	31.12.2019
FVTPL	434,030	-52,513	0	0	250,558	0	130,958
FVOCI	3,113,557	198,693	0	0	0	0	3,312,250
Total	**3,547,587**	**146,180**	**0**	**0**	**250,558**	**0**	**3,443,208**

Table 49: Assets and liabilities of the Company in terms of fair value hierarchy in 2018

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	0	253,873	3,547,586	3,801,460
Investments in securities	0	253,873	3,547,586	3,801,460
FVOCI	*0*	*0*	*3,113,557*	*3,113,557*
FVTPL	0	*253,873*	*434,030*	*687,903*
ASSETS whose fair value is disclosed				
Receivables	0	0	18,390	18,390
Amortized cost	*0*	*0*	*0*	*0*
Cash and cash equivalents	854,759	0	0	854,759
LIABILITIES whose fair value is disclosed				
Other liabilities	0	0	35,388	35,388

Table 50: Movement of financial investment in Level 3 of the Company in 2018

	1.01.2019	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	Transfers	31.12.2019
FVTPL	724,663	-1,432	0	0	289,201	0	434,030
FVOCI	0	0	3,113,557	0	0	0	3,113,557
Total	**724,663**	**-1,432**	**3,113,557**	**0**	**289,201**	**0**	**3,547,587**

Table 51: Assets and liabilities of the Group in terms of fair value hierarchy in 2019

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	19,145,627	21,659,660	11,032,780	51,838,067
Assets of unit-linked policyholders	6,857,097	159,545	256,066	7,272,707
Investments in securities	12,288,530	21,500,115	10,776,714	44,565,360
FVTPL	*12,288,530*	*6,436,850*	*5,954,216*	*24,679,596*
FVOCI	*0*	*15,063,265*	*4,822,498*	*19,885,764*
Assets from financial contracts	90,825,321	115,652,178	65,963,102	272,440,600
Investments in securities	*90,825,321*	*115,652,178*	*49,235,278*	*255,712,776*
Designated at fair value through profit or loss	*90,825,321*	*115,652,178*	*49,235,278*	*255,712,776*
Investment property	*0*	*0*	*16,727,824*	*16,727,824*
ASSETS whose fair value is disclosed				
Receivables	0	0	3,738,360	3,738,360
Investments in securities	0	0	19,547,851	19,547,851
Amortized cost	*0*	*0*	*19,547,851*	*19,547,851*
Assets from financial contracts	25,621,353	0	21,986,795	47,608,148
Amortized cost	*0*	*0*	*17,299,207*	*17,299,207*
Other receivables (assets)	*0*	*0*	*4,687,588*	*4,687,588*
Cash and cash equivalents	*25,621,353*	*0*	*0*	*25,621,353*
Cash and cash equivalents	3,011,905	0	0	3,011,905
LIABILITIES whose fair value is disclosed				
Technical provisions	0	0	6,831,778	6,831,778
Technical provisions in favour of unit-linked insurants	0	0	4,308,595	4,308,595
Other liabilities	0	0	2,543,752	2,543,752
Liabilities from financial contracts	0	0	320,048,748	320,048,748

There were no transfers from level 2 to level 3 in 2019.

Table 52: Movement of financial investment in Level 3 of the Group in 2019

	1.01.2019	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	31.12.2019
FVTPL	4,922,757	22,515	2,558,435	625,186	924,305	5,954,216
FVOCI	3,316,771	209,434	1,739,005	326,000	116,713	4,822,498
Total	**8,239,528**	**231,949**	**4,297,440**	**951,186**	**1,041,018**	**10,776,714**

Table 53: Movement of assets from financial contracts in Level 3 of the Group in 2019

	1.01.2019	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	31.12.2019
FVTPL	33,524,623	6,161,914	13,659,209	3,613,127	497,341	49,235,278
Investment property	17,355,775	-627,951	0	0	0	16,727,824
Total	**50,880,398**	**5,533,963**	**13,659,209**	**3,613,127**	**497,341**	**65,963,102**

Table 54: Assets and liabilities of the Group in terms of fair value hierarchy in 2018

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	10,912,374	22,519,665	8,393,609	41,825,648
Assets of unit-linked policyholders	4,185,864	179,610	154,072	4,519,546
Investments in securities	6,726,510	22,340,055	8,239,537	37,306,102
Designated at fair value through profit or loss	*6,319,682*	*7,387,912*	*4,922,757*	*18,630,351*
Held for sale	*406,828*	*14,952,143*	*3,316,780*	*18,675,751*
Assets from financial contracts	71,173,891	140,828,483	50,640,172	262,642,546
Investments in securities	71,173,891	140,828,483	33,284,397	245,286,771
Designated at fair value through profit or loss	*71,173,891*	*140,828,483*	*33,284,397*	*245,286,771*
Investment property	*0*	*0*	*17,355,775*	*17,355,775*
ASSETS whose fair value is disclosed				
Receivables	0	0	3,274,940	3,274,940
Assets from financial contracts	0	0	16,737,224	16,737,224
Investments, held to maturity	*0*	*0*	*16,737,224*	*16,737,224*
Assets from financial contracts	2,452,292	0	19,073,103	21,525,395
Amortized cost	*0*	*0*	*15,003,256*	*15,003,256*
Other receivables (assets)	*0*	*0*	*4,069,846*	*4,069,846*
Cash and cash equivalents	*2,452,292*	*0*	*0*	*2,452,292*
Cash and cash equivalents	2,626,144	0	0	2,626,144
LIABILITIES whose fair value is disclosed				
Technical provisions	0	0	4,840,006	4,840,006
Technical provisions in favour of unit-linked insurants	0	0	3,109,094	3,109,094
Other liabilities	0	0	1,703,400	1,703,400
Liabilities from financial contracts	0	0	284,165,726	284,165,726

Table 55: Movement of financial investment in Level 3 of the Group in 2018

	1.01.2018	Transfer from FVOCI due to IFRS9	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	31.12.2018
FVTPL	1,993,566	2,134,833	-63,112	1,859,788	459,232	543,086	0
FVOCI	3,322,059	0	-3,364	3,318,648	255,636	241,708	2,823,228
Total	**5,315,624**	**2,134,833**	**-66,476**	**5,178,436**	**714,868**	**784,794**	**2,823,228**

Table 56: Movement of assets from financial contracts in Level 3 of the Group in 2019

	1.01.2018	Prosit/loss, recognised in P&L/OCI	Purchases	Sales	Maturity	31.12.2018
FVTPL	24,959,116	-1,581,228	12,993,293	3,011,148	75,636	33,284,397
Investment property	15,915,000	1,440,775	0	0	0	17,355,775
Total	**40,874,116**	**-140,453**	**12,993,293**	**3,011,148**	**75,636**	**50,640,172**

15.6 ASSETS OF UNIT-LINKED POLICY HOLDERS

Table 57: Assets of unit-linked policy holders

	Prva Group		The Group	
EUR	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investments designated at amortized cost	0	0	227,321	106,877
Investments designated at fair value through profit or loss	0	0	6,464,342	4,412,669
Other assets	0	0	581,044	320,460
Total	**0**	**0**	**7,272,708**	**4,840,006**

Table 58: Investments of unit-linked policy holders

	Prva Group		Skupina	
EUR	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investments of unit-linked policy holders, measured at FVTPL	0	0	6,464,342	4,412,669
· equity securities and ETF shares	0	0	6,276,053	4,185,864
· debt securities	0	0	188,289	226,806
Investments of unit-linked policy holders, measured at amortised cost	0	0	69,383	24,597
Other investments, measured at amortised cost (deposits)	0	0	157,938	82,279
Total	**0**	**0**	**6,691,663**	**4,519,546**

Tabela 59: Movement of investments of unit-linked policy holders in 2019

EUR	Measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
At 31 December 2018	**106,876**	**0**	**4,412,670**
Increase	500,000	118,553	2,230,459
Revaluation	-434	0	914,691
Maturity / Sales	379,123	118,552	1,093,478
At 31 December 2019	**227,321**	**0**	**6,464,342**

Tabela 60: Movement of investments of unit-linked policy holders in 2018

EUR	Measured at amortized cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss
At 31 December 2017	**0**	**0**	**3,167,499**
Increase	39,999	0	1,991,364
Revaluation	-114	0	-321,109
Maturity / Sales	-3,408,302	3,341,311	425,084
Transfer IFRS 9	-3,341,311	3,341,311	0
At 31 December 2018	**106,876**	**0**	**4,412,670**

15.7 ASSETS FROM FINANCIAL CONTRACTS

Assets from financial contracts relate to the Prva osebna zavarovalnica d.d. pension funds.

Table 61: Assets from financial contracts

EUR	Carrying amount		Market value	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Investment into securities:	273,011,982	260,290,028	273,068,023	260,306,434
1. Amortized cost	*17,299,207*	*15,003,257*	*17,355,247*	*15,019,663*
2. Measured at fair value through profit or loss	*255,712,776*	*245,286,771*	*255,712,776*	*245,286,771*
Investment property	16,727,824	17,355,775	16,727,824	17,355,775
Trade receivables (insurants)	0	0	0	0
Other receivables (assets)	1,121,960	4,067,630	1,121,960	4,069,846
Cash and cash equivalents	29,186,981	2,452,292	29,186,981	2,452,292
Total assets	320,048,748	284,165,726	320,104,788	284,184,348

The Group assumes that the carrying amounts of trade receivables and cash are the best approximation of fair values, so they are not included in the table above.

Table 62: Investments on accounts of pension insurants

		31.12.2019	31.12.2018
Pension fund Prva in Prva+ Dinamični	Investments into securities held-to-maturity	388,634	360,821
	Investments in securities measured at fair value	36,714,508	24,164,520
	Investment property	0	0
	Cash and cash equivalents	1,833,391	101,740
Pension fund Prva in Prva+ Uravnoteženi	Investments into securities held-to-maturity	1,991,111	1,454,823
	Investments in securities measured at fair value	38,447,759	28,014,721
	Investment property	0	0
	Cash and cash equivalents	1,887,942	86,851
Pension fund Prva Zajamčeni	Investments into securities held-to-maturity	1,759,522	1,298,968
	Investments in securities measured at fair value	22,226,226	23,451,317
	Investment property	1,464,779	1,520,550
	Cash and cash equivalents	1,872,612	473,166
Pension fund Prva+ Zajamčeni	Investments into securities held-to-maturity	13,159,939	11,888,644
	Investments in securities measured at fair value	158,324,282	169,656,214
	Investment property	15,263,045	15,835,225
	Cash and cash equivalents	20,027,408	1,790,535

Investments of pension funds in deposits with banks and savings banks represent long-term and short-term deposits and commercial records, denominated in euros. The interest rates on deposits range from 0.3% - 6.00% annually (2018: 0.7% to 8.20%).

Investments in securities designated at fair value through profit or loss represent shares traded on the securities market, shares and units of investment funds traded on the securities market, shares,

traded on the securities market and corporate bonds from the organised markets of the Republic of Slovenia and EC and EOCD countries, as well as other countries.

Investments in property are measured at fair value. In the year 2019 there was a decrease in value for €627,951. (2018: €1,686,731 EUR increase)

Table 63: Movement in investments on accounts of pension insurants

EUR	31.12.2019	31.12.2018
At 1 January	**260,290,028**	**237,042,441**
Increase	321,362,702	143,913,422
Revaluation	20,276,277	-8,801,891
Decrease	-328,917,024	-111,863,944
At 31 December	**273,011,982**	**260,290,028**

Table 64: Structure of securities based on type of interest rate on accounts of pension insurants

EUR	31.12.2019	31.12.2018
Debt securities	160,606,246	182,429,204
- Fixed interest rate	160,601,549	178,406,232
- Variable interest rate	4,697	4,022,972
Equity securities	112,405,736	77,860,824
Total	**273,011,982**	**260,290,028**

The effective interest rate on securities of pension funds ranges from -1.0% to 4.75% (2018: from -1.4 to 10.1%).

On 31 December 2019, the Company conducted an external appraisal of pension funds' investment property based on the direct capitalisation of profits method and the discounted cash flow method.

The following assumptions were used in the appraisals:

- Capitalisation rate between 6.58% and 7.88%; (sheltered housing 7.88%, business premises 6.58%-7.58%)
- Non-occupancy deduction between 2.5% and 10%;
- Non-recoverability deduction between 0.5% and 1%;
- Annual growth of 1%.

On 31 December 2019, the Company also conducted an external appraisal of investments in Prva Group shares owned by pension funds based on the method of the present value of expected cash flows. The following assumptions were used in the appraisals:

- Discount rate: 11.87%;
- Growth rate: 1.5%;
- Discount for minority stake: 17%;
- Discount for liquidity shortage: 21%.

On 31 December 2019, the Company also conducted an external appraisal of investments in DBS shares owned by pension funds based on the method of the present value of expected cash flows.The following assumptions were used in the appraisals:

- Discount rate: 8%;
- Growth rate: 2%;
- Discount for minority stake: 15%;
- Discount for liquidity shortage: 5%
- Discount for lack of marketability: 10%

15.8 RECEIVABLES AND OTHER ASSETS

Table 65: Receivables and other assets

EUR	Prva Group		The Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Receivables arising out of insurance operations	0	0	2,170,309	2,006,058
Receivables from reinsurance	0	0	419,001	431,662
Short-term trade receivables	14,267	16,267	169,836	210,167
Short-term advance payments	1,312	2,039	154,523	149,696
Income tax receivables	0	0	19,757	149,432
Receivables to state and other institutions	0	0	335,338	132,997
Other receivables and assets	2	85	532,953	194,255
Total receivables	**15,580**	**18,390**	**3,801,717**	**3,274,266**
Deferred expenses	2,349	4,168	69,797	43,577
Accrued income	0	0	208,774	208,432
Total	**2,349**	**4,168**	**278,571**	**252,009**

Receivables arising out of insurance operations include the amount of technical provisions transferred to reinsurance companies in the amount of 1,929,303 € (2018: 1,765,892€).

15.9 CASH AND CASH EQUIVALENTS

Table 66: Cash and cash equivalents

EUR	Prva Group		The Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Cash on hand	0	0	108	389
Cash on current accounts (local currency)	45,688	326,690	698,400	648,192
Cash on current accounts (foreign currency)	0	0	36,959	11,107
Deposits with up to 3-month maturity at banks	1,357,644	528,069	2,276,439	1,966,456
Total	**1,403,332**	**854,759**	**3,011,905**	**2,626,144**

Deposits with up to three month maturity are disclosed inclusive of related interest as accrued in accordance with contractual terms.

15.10 EQUITY

15.10.1 Share capital

At 31 December 2019, the share capital of the Company amounted to €13,386,247, of which €6,704,638 relates to ordinary shares, with the difference in the amount of €6,681,609 relating to preference shares.

The capital of the Group represents the capital of Prva Group plc. and the capital of a non-controlling interest.

Table 67: Share capital

EUR	31.12.2019	31.12.2018
Approved share capital (ordinary shares with a face value of EUR 23.00)	6,704,638	6,704,638
Approved share capital (preference shares with a face value of EUR 33.00)	6,681,609	6,681,609
Share capital (ordinary shares with a face value of EUR 23.00)	6,704,638	6,704,638
Share capital (preference shares with a face value of EUR 33.00)	6,681,609	6,681,609
Total share capital (issued and paid-up shares)	**13,386,247**	**13,386,247**

Table 68: Number of issued and paid-up shares

EUR	Ordinary shares		Preference shares	
	2019	2018	2019	2018
At 1 January	291,484	291,484	202,437	202,437
Issued	0	0	0	0
At 31 December	**291,484**	**291,484**	**202,437**	**202,437**

The Company owns 9,902 ordinary and 51 preference treasury shares on 31 December 2019 (in 2018: 9,902 ordinary and 51 preference).

15.10.2 Reserves

Share premium comprises the surplus of capital paid (payments above the minimum emission values of shares or stakes) in the amount of €6,017,833 (2018: €6,017,833) and cannot be distributed. Other profit reserves amount to €3,388 the same as in 2018.

Exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognised directly in the statement of comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the profit or loss. These reserves cannot be distributed.

Retained earnings have not been earmarked for any specific purpose and can be used to finance dividend payments in subsequent years.

15.11 DIVIDENDS PROPOSED AND PAID

At 31 December 2019, the distributable profit of Prva Group plc. amounts to €2,761,771 (2018: €2,736,282) and is comprised of retained earnings of €834,726 (2018: €63,411) and of the current year's profit amounting to €1,927,046 (2018: €2,672,871).

The Company intends to pay dividends to ordinary and preference shareholders for the 2019 financial year in total amount of €400.724 and the proposal will be submitted for approval to the General Meeting which will be held in June 2020. Dividends, which are announced after the reporting period, are not included in the liabilities item in the statement of financial position.

Dividends were paid out also in previous years. In 2019, a total of €1.9 million of dividends was paid to holders of preference and ordinary shares.

15.12 TECHNICAL PROVISIONS

Table 69: Technical provisions

v EUR	31.12.2019	31.12.2018
Non-life insurance	**2,364,877**	**1,935,478**
Gross unearned premiums	72,451	85,835
Gross provision for outstanding claim	1,199,311	1,179,708
Gross mathematical provisions	1,093,116	669,936
Life insurance	**33,987,864**	**25,378,430**
Gross unearned premiums	95,078	91,463
Gross mathematical provisions	22,164,292	17,386,229
Provisions for deficit determined on checking the amount of provisions made	2,236,723	800,393
Gross provisions in favour of unit-linked insurance underwriters	6,831,778	4,840,006
Gross provision for outstanding claim	2,659,993	2,260,340
Total	**36,352,741**	**27,313,909**

Tabela 70: Movement of mathematical provisions and provisions in favour of unit-linked insurance underwriters

v EUR	Life insurance	Non-life insurance	Provisions in favour of unit-linked insurance underwriters
At 1 January	**17,386,229**	**669,936**	**4,840,006**
Increase	6,636,939	0	1,790,373
Revaluation	-1,671,041	491,254	955,117
Cancellation of reservations	187,835	68,074	753,718
At 31 December	**22,164,292**	**1,093,116**	**6,831,778**

Technical provisions refer exclusively to Prva osebna zavarovalnica's provisions. The Company assesses the adequacy of mathematical provisions every last day of a quarter. This includes future cash flows based on carefully selected assumptions on future premiums, mortality, morbidity, redemptions, terminations, fund returns and costs. In case of products where a policyholder assumes investment risk, mathematical provisions are set aside as the value of investment property, hence in this case it is only checked whether the present value of other future cash flows relating to such insurance products is positive. If the LAT test shows any deficit, a provision is formed in the amount of such deficit.

Based on the LAT test as at 31 December 2019, Prva made additional €1,436,000 provisions on the annuity product.

15.13 LIABILITIES FROM FINANCIAL CONTRACTS

While Prva Group plc. does not have any liabilities from financial contracts, its subsidiaries do. Only Prva osebna zavarovalnica recognised these liabilities in the statement of financial position in accordance with IFRS.

Table 71: Liabilities from financial contracts

EUR	31.12.2019	31.12.2018
Other liabilities from PDPZ	386,756	346,457
Net liabilities to pension policyholders	319,661,992	283,819,270
Total	**320,048,748**	**284,165,726**

The Group guarantees the guaranteed liabilities and return with its own funds, and therefore the company classifies such contracts as financial contract.

Table 72: Other liabilities from financial contracts

EUR	31.12.2019	31.12.2018
Liabilities from insurance operations	337.841	297,542
Other liabilities	48.915	48,915
Total	**386,756**	**346,457**

Liabilities from insurance operations are liabilities for fees and commission and liabilities to insurants of Prva osebna zavarovalnica d.d.

Table 73: Net liabilities to pension policyholders

EUR	31.12.2019	31.12.2018
Mathematical provisions for paid net premiums	178,836,057	181,182,542
Mathematical provision for attributable return of fund	57,224,383	46,359,390
Guaranteed return	*20,579,334*	*20,813,813*
Return exceeding the guaranteed return	*36,645,049*	*25,545,577*
Provisions for insurance, where the property of fund is dividend into units (VEP)	83,601,552	56,277,338
Total	**319,661,992**	**283,819,270**

Net liabilities to pension policyholders represent mathematical provisions which are managed separately for each individual long term business fund.

Mathematical provisions must comply with the Decision on Detailed Rules and Minimum Standards to be applied in the Calculation of Technical Provisions and at any time equal at least the amount of the redemption value of the insurance.

Thus, provisions are formed for each individual pension fund with guaranteed return and comprise the guaranteed funds on the personal account of policyholders and provisions for returns exceeding the guaranteed return. The guaranteed value of the fund consists of the payment of the net premium and prescribed guaranteed return.

Table 74: Movement in liabilities due to pension insurance policyholders in 2019 and 2018

EUR	2018
At 1 Jan 2018	**274,512,495**
Payments	22,813,170
Redemption and net transfers	-9,873,543
Net result from investments	-339,208
Fees	-3,293,644
At 31 Dec 2018	**283,819,270**

EUR	2019
At 1 Jan 2019	**283,819,270**
Payments	23,878,785
Redemption and net transfers	-11,478,426
Net result from investments	27,012,528
Fees	-3,570,165
At 31 Dec 2019	**319,661,992**

15.14 OTHER FINANCIAL LIABILITIES

Prva Group and The Group do not have any financial liabilities from borrowings. Other financial liabilities include liabilities from long-term leases in amount of 162,768€ (2018: 0€).

Table 75: Maturity of liabilities from leases (EUR)

	Prva Group		The Group	
Maturity	31.12.2019	31.12.2018	31.12.2019	1.01.2019
In one year	0	0	10,595	65,346
In one to five years	0	0	152,173	145,134
In more than 5 years	0	0	0	0
Total	0	0	**162,768**	**210,479**

15.15 OPERATING LIABILITIES, OTHER PROVISIONS AND OTHER LIABILITIES

Table 76: Liabilities

EUR	Prva Group		The Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Other provisions	0	0	83,654	67,959
Operating liabilities	28,335	35,388	2,351,646	1,703,398
Other liabilities	76,340	55,975	2,326,363	1,814,790
Total	**104,676**	**91,363**	**4,761,662**	**3,586,147**

The Group companies settle their liabilities on maturity. Other liabilities are mostly related to Prva osebna zavarovalnica and relates to liabilities from reinsurance contracts, accounts payable to

suppliers and to employees. Other liabilities of the Group represent deferred income from insurance premiums.

15.16 OFF BALANCE LIABILITIES OF THE GROUP

The Group's off balance sheet liabilities refer to liabilities arising from the pension funds of subsidiaries abroad.

Table 77: Assets of long-term business funds of subsidiaries abroad recognised in the off balance sheet items (Group disclosure)

EUR	31.12.2019	31.12.2018
Fondi Kosovo	8,012,168	6,729,982
KB Prvo Makedonija	662,748,668	567,197,049
DDOR Garant Srbija	62,861,893	57,369,831
Total	**733,622,729**	**631,296,862**

Foreign subsidiaries do not guarantee a return on such assets with their own assets and, as result, they do not assume such risk. Hence, the Group does not disclose them as financial contracts.

16 OTHER DISCLOSURES TO THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

16.1 REMUNERATIONS OF MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, AND RELATED PARTY TRANSACTIONS

In 2019, a total of €156,763 was paid to the Management Board and members of the Supervisory Board of Prva Group plc. (2018: €184,021)

Table 78: Costs of the Management and Supervisory Boards (including attendance fees of subsidiaries) for Prva Group

	2019	2018
Management board	142,649	171,515
Supervisory Board	14,114	12,506
Total payouts	**156,763**	**184,021**

In 2019, Prva Group did not provide members of its Management or Subsidiary boards with any prepayments or loans, nor did it assume any liabilities on their behalf. Remunerations made in 2019 are presented below.

Table 79: Remunerations to members of the Management and Supervisory Boards of Prva Group plc. in 2019

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Bonus	Total
Alenka Žnidaršič Kranjc	82,125	0	11,482	642	0	28,000	122,249
Boštjan Škufca Zaveršek	20,400	0	0	0		0	20,400
Total	**102,525**	**0**	**11,482**	**642**	**0**	**28,000**	**142,649**

Members	Function	Attendance fee	Total gross	Personal income tax	Net	Contr. for pension and disability ins. 8.85% + 0.53% flat contrib.
MATEJ AKRAPOVIĆ	2,500	716	3,216	672	2,544	302
MIHA KRANJC	2,500	716	3,216	672	2,544	302
HELENA PETRIN	2,500	716	3,216	672	2,544	302
LINDSAY STUART	3,750	716	4,466	934	3,532	419
Total	**11,250**	**3,400**	**14,114**	**2,951**	**11,163**	**1,324**

The following other entities are considered related to Prva Group plc. and the Group:

- A-Z Finance d.o.o.
- AZ Nepremičnine d.o.o.
- Dej d.o.o.
- MN, d.o.o.
- Deos, d.o.o.

Table 80: Remunerations to members of the Management and Supervisory Boards of Prva Group plc. in 2018

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Bonus	Total
Alenka Žnidaršič Kranjc	36,000	0	6,019	0	0	82,696	124,715
Boštjan Škufca Zaveršek	16,800	0	0	0	0	30,000	46,800
Total	**52,800**	**0**	**6,019**	**0**	**0**	**112,696**	**171,515**

Members	Function	Attendance fee	Total gross	Personal income tax	Net	Contr. for pension and disability ins. 8.85% + 0.53% flat contrib.
MATEJ AKRAPOVIĆ	1,250	358	1,608	161	1,447	151
MIHA KRANJC	2,500	716	3,216	322	2,894	302
HELENA PETRIN	2,500	716	3,216	322	2,894	302
LINDSAY STUART	3,750	716	4,466	447	4,019	419
Total	**10.000**	**2.506**	**12.506**	**1.252**	**11.254**	**1.174**

Table 81: Transactions of Prva Group plc. with subsidiaries in 2019

PG - related parties	Costs - purchases from related parties	Revenue - sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
POZ	1,463	0	0	0
KB Prvo	0	0	0	0
DDOR	0	27,200	2,267	0
FONDI	0	12,261	12,000	0
Total	1,463	39,461	14,267	0

PG - related parties	Dividend income	Interest income	Interest expense
POZ	1.500.000	0	0
KB Prvo	726.684	0	0
DDOR	117.015	0	0
Deos	0	1.846	0
Total	**2.343.699**	**1.846**	**0**

Table 82: Transactions of Prva Group plc. with subsidiaries in 2018

PG - related parties	Costs - purchases from related parties	Revenue - sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
POZ	3,000	0	0	0
KB Prvo	0	0	0	0
DDOR	0	27,200	2,267	0
FONDI	0	12,025	0	0
Total	3,000	39,225	2,267	0

PG - related parties	Dividend income	Interest income	Interest expense
POZ	2,000,009	0	0
KB Prvo	406,881	0	0
DDOR	376,473	0	0
FONDI	60,660	0	0
Deos	0	163	0
Total	**2,844,022**	**163**	**0**

The Company, the Group and individual subsidiaries recorded no other significant related-party transactions in 2019.

The parent charged to its subsidiaries fees for investment management and internal audit services, as well as rent for hardware and software.

Beside above mentioned transactions the pension funds of Prva osebna zavarovalnica realized earnings from rental fees charged to Deos d.d. in amount of €73,419 (2018: €73,419). The amount of liabilities as per 31.12.2019 is €6,118.25 (2018: €6,118.25).

As per 31.12.2019 the pension funds of Prva osebna zavarovalnica in total holds 13,775 PPDM shares and 62,381 PPDT Prva Group shares (30.12.2018: 13,775 PPDM shares and 40,486 PPDT shares)

All transactions with subsidiaries have been carried out under market conditions and the Company/Group was not deprived.

17 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

17.1 INSURANCE RISK MANAGEMENT

Each insurance contract is exposed to uncertainties whether insurance event will appear, when it will appear and what the repayment will be. By nature, the insurance risks that arise from insurance contracts are coincidental and thus unpredictable.

Insurance risks relate to uncertainty of the insurance transactions. The most important components of insurance risks are:

- Risk of unsuitable amount of premium (premium risk); and
- Risk of inappropriate amount of technical provisions (provision risk);
- Risk of improperly calculated costs (cost risk);
- Lapse rate risk or contract termination risk.

Premium and cost risks are the risks that the actual costs and claims incurred will be higher than written premium. This can occur when the frequency or the amount of claims is higher than expected or if products are too expensive or sold unsuccessfully, which results in a product being cost-ineffective. Provision risk is a risk of inappropriate formation of technical provisions. Lapse rate risk is a risk that there will be more contract terminations than expected, which affects the product profitability and exposes the insurance company to the risk of opposite parties, particularly agents, where commission is paid in advance on contract conclusion.

Experience shows that portfolio size and spread decrease variances. The insurance company has implemented a process of accepting insurances that differentiates among different types of risks and aims to achieve appropriate portfolio size risks in order to decrease variability of expected claims.

The insurance company manages risks with the help of criteria set for accepting insurances which depends on the amount or the sum insured and the type of risk. Furthermore, the insurance company manages these risks through appropriate development of products, pricing and reinsurance. It regularly analyses the portfolio and costs in the portfolio, and checks the gender, age and geographical structure to prevent the occurrence of excessive exposure. Cancellation risk is managed through the return of the unearned commission on reversal and long-term client management. To this end, the insurance company also uses the CRM system.

The risk of inappropriate amount of provisions is managed by checking the appropriateness of provisions with the LAT test. For one of the products, the insurance company has already formed additional provisions.

Financial risk management

The basic financial instruments of the Company and the Group comprise financial investments in securities, money deposits and cash on accounts at banks. The main purpose of these financial instruments is to attain the long-term yields of the insurance company. The Company and Group also have other financial instruments such as trade receivables and payables which arise upon the Company and Group carrying out transactions.

The main types of risk originating from the financial instruments of the insurance company include market risk, liquidity risk and credit risk.

Insurance contract adequacy test

Prva osebna zavarovalnica conducted the LAT test on gross liabilities on the portfolio balance as at 31 December 2018. In conducting the LAT test, the insurance company applied as recognised all of the liabilities arising from insurance contracts. These are:

- provisions for unearned premiums,
- mathematical provisions,
- claims provisions.

When calculating the best estimate of liabilities (BEL), the insurance company used the present value of the best safe estimate of all future expected contractual cash and related financial flows, including:

- gross premium,
- costs, including the expected inflation,
- commission,
- commission refunds,
- claims,
- options and guarantees.

The test was conducted separately by homogenous groups of insurance types.

Accident insurance

A simplified test was conducted for the group of accident insurance types. The adequacy of claims provisions was estimated using a combined effect of the change of claims provisions during the calendar year and payments from insurance during the calendar year for the claims that occurred prior to the start of the year. The adequacy of provisions for unearned premiums was assessed using the combined (claims and cost) ratio.

Other types of insurance

For the other insurance groups, the best estimate of liabilities (BEL) was calculated using a projection of all future cash flows at the level of an individual insurance contract.

Parameters

The projection of future cash flows was made using economic and biometric parameters based on the available information obtained from financial institutions or own portfolio analyses. The parameters used represent the current best estimate without risk adjustments.

- Interest rate curve: The Republic of Slovenia bond yield curve is applied.
- Costs: The basis for determining costs in insurance types is the accounting categorisation of the insurance company's costs by insurance types. These costs are analysed and broken down to underwriting costs, which do not affect the future operations of the insurance company and are not used in the determination of future costs included in provisions. In the future, 2% growth of costs per individual insurance is expected, except for annuities where the cost is measured by individual annuity and a lower growth of costs per annuity is expected at 0.5% as result of faster expected increase in the volume. In unit-linked life insurance and voluntary supplementary pension insurance, 2% premium growth was applied.
- Mortality and morbidity: Tables, which can be either standard or used in determining insurance prices, are used as the basis for determining the expected mortality and morbidity rates. The tables are balanced according to the perceived loss result of insurance by individual insurance coverage. In case of an insufficient number of insurance contracts or claims in individual coverage, the data of similar coverage is reasonably used.
- Reversals, redemptions and capitalisations: The expected lapse rates are obtained based on portfolio analysis over the past few years. Annuity redemptions are not anticipated, as annuities are usually non-redeemable.

Results of adequacy test

The test showed a deficit of €1,436,331 for formed provisions on annuity insurance, whereby due to past deficits, the insurance company formed already €800,393 of additional provisions. On the basis of an adequacy test, the insurance company created provisions in the amount of surplus. Thus, for the purpose of testing the provisions adequacy for annuity insurance, the insurance company has created a total of €2,236,724 of additional provisions. In other insurance classes, the LAT test confirmed the adequacy of formed provisions.

Sensitivity analysis of result on change in parameters

The insurance company conducted sensitivity analysis to the change in the key parameters, which were used for carrying out the LAT test.

Table 83: Sensitivity analysis – LAT test

Change BEL	Mortality/ Morbidity		Cancellations and capitalization		Costs		Discount rate	
Product unit	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%
PDPZ	112,147	-113.015	612.048	-652.272	1.660.080	-1.660.080	-61.262	63.538
Annuity	-133,890	152.875	0	0	75.481	-75.481	-74.515	76.487
Death	1,659,641	-1.669.574	408.841	-427.541	718.723	-718.723	-7.591	7.771
UL	3,205	-3.280	7.917	-8.375	117.692	-117.692	-2.685	2.740
Health	-27,509	32.557	165.546	-171.349	472.820	-472.820	-19.598	20.003

17.2 CAPITAL MANAGEMENT

Prva Group manages its capital with the aim of ensuring both smooth and continued operations of the Company and maximum profitability for its shareholders, through optimal balance between borrowings and capital.

The Group monitors capital balances of its subsidiaries to ensure adequate amount of capital. All of the subsidiaries fully comply with the relevant capital adequacy requirements.

17.3 CREDIT RISK

The Company and the Group operate only with well established, trustworthy clients. They are exposed to credit risk in terms of investments in securities, issued loans and deposits, cash and other receivables The main exposure presents the risk of the other counter party default due to insolvency; the maximum exposure equals the carrying amount of the financial instruments.

Securities presented in the table below have been classified to different groups according to their credit rating. In determining individual investment's credit rating, the credit ratings issued by Moody's, S&P and Fitch are taken into account. When credit rating has been issued by more than one agency, the second best credit rating is applied.

Table 84: The credit quality of the financial assets of Prva Group

Prva Group plc.	31.12.2019	%	31.12.2018	%
1. Rating - AAA	0	0.00%	0	0.00%
2. Rating - AA	0	0.00%	0	0.00%
3. Rating - A	0	0.00%	0	0.00%
4. Rating - BBB	0	0.00%	0	0.00%
5. Below BBB	251,112	6.80%	253,873	6.68%
6. No rating	3,443,208	93.20%	3,547,586	93.32%
Total	**3,694,320**	**100.00%**	**3,801,460**	**100.00%**

The group with rating below BBB represented one government bond in 2019. In the category without rating, the Group classifies investments in shares (89%), which are mostly investments in DBS d.d., bonds (10%) and shares (1%). Compared to 2018, the structure has not changed.

Table 85: The credit quality of the financial assets of the Group

The Group	31.12.2019	%	31.12.2018	%
1. Rating - AAA	1,370,953	2.14%	0	0.00%
2. Rating - AA	1,075,951	1.68%	646,415	1.20%
3. Rating - A	4,031,090	6.29%	5,000,181	9.25%
4. Rating - BBB	11,428,133	17.82%	11,129,361	20.59%
5. Below BBB	13,409,256	20.91%	4,749,035	8.79%
6. No rating	32,797,829	51.16%	32,518,334	60.17%
Total	**64,113,211**	**100.00%**	**54,043,326**	**100.00%**

The following table presents the investment structure in terms of financial instruments used, which are presented in the above table of credit risk analysis. Investments are not pledged. In the rating group lower than the BBB, the Group classifies government bonds (62%), corporate bonds (32%) and deposits (7%) in 2019. In the non-rated category, the Group classifies investments in shares (36%), deposits in Slovenian banks (35%) bonds of domestic issuers (17%), shares (10%) and bills (3%). Compared to 2018, the structure has not changed significantly.

Table 86: The credit quality of the financial investments of pension funds

PDPZ	31.12.2019	%	31.12.2018	%
1. Rating - AAA	8,728,824	2.73%	4,160,541	1.42%
2. Rating - AA	15,450,930	4.83%	12,705,806	2.53%
3. Rating - A	25,953,405	8.11%	31,389,799	15.98%
4. Rating - BBB	76,903,743	24.03%	77,626,429	25.53%
5. Below BBB	30,211,913	9.44%	38,182,257	18.47%
6. No rating	162,799,933	50.87%	120,100,894	36.07%
Total	**320,048,748**	**100.00%**	**284,165,726**	**100.00%**

The Company and pension funds have no outstanding receivables. None of the investments are pledged as collateral. In 2019, the Group classifies high-yield bonds (52%), government bonds (27%), emerging market bonds (20%) and corporate bonds (1%) as a rating group lower than the BBB. The group classifies investments in foreign and domestic investment funds (34%), cash and deposits (26%), foreign and domestic shares (14%), real estate (11%), corporate bonds (14%) and government bonds as unrated. (1%).

The Company and the Group regularly assess credit risk arising from deposits at banks and by following a conservative investments policy invest any surplus assets in deposits of local banks for which the Company and the Group believe there is no risk of default on repayment i.e. no significant credit risk.

Table 87: Maturity structure of receivables

Gross receivables	Prva Group		Skupina	
(EUR)	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Not matured	15,580	18,390	3,648,069	3,215,214
Up to 90 days	0	0	95,440	67,254
More than 90 days	0	0	15,959	14,671
Total	**15,580**	**18,390**	**3,759,468**	**3,297,140**

Receivable allowances	Prva Group		Skupina	
(EUR)	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Not matured	0	0	2,228	0
Up to 90 days	0	0	10,179	8,996
More than 90 days	0	0	10,929	13,204
Total	**0**	**0**	**21,108**	**22,200**

Carrying amount of receivables	Prva Group		Skupina	
(EUR)	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Not matured	15,580	18,390	3,645,841	3,215,214
Up to 90 days	0	0	85,261	58,259
More than 90 days	0	0	5,030	1,467
Total	**15,580**	**18,390**	**3,738,360**	**3,274,940**

17.4 LIQUIDITY RISK

The Company and the Group manage liquidity risk through cash flow forecasting. The Company uses cash flow forecasts to take into account the maturity of financial investment including planned outflows which relate to the Company's operations.

Financial investments of the Company and the Group are financed with the Company's capital. At the end of the year, the Company and the Group report only liabilities for running costs with maturity of up to 3 months. The following tables represent the structure of assets and liabilities according to maturities.

Table 88: Overview of the contractual maturity of the financial assets and liabilities of Prva Group

EUR	31.12.2019			31.12.2018		
	TOTAL	Maturity up to 12 months	Maturity above 12 months	TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	3,694,320	35,231	3,659,089	3,801,459	250,558	3,550,901
Investments in securities	3,694,320	35,231	3,659,089	3,801,459	250,558	3,550,901
1. Amortized cost	0	0	0	0	0	0
2. FVOCI	3,312,250	0	3,312,250	3,113,557	0	3,113,557
3. FVTPL	382,070	35,231	346,839	687,903	250,558	437,344
Cash and cash equivalents	1,403,332	1,403,332	0	854,759	854,759	0
Other receivables	15,580	15,580	0	18,390	18,390	0
TOTAL ASSETS	5,113,232	1,454,143	3,659,089	4,674,608	1,123,707	3,550,901
LIABILITIES						
Other liabilities	104,676	104,676	0	91,363	91,363	0
TOTAL LIABILITIES	**104,676**	**104,676**	**0**	**91,363**	**91,363**	**0**

Table 89: Overview of the contractual maturity of the financial assets and liabilities of the Group.

EUR	31.12.2019			31.12.2018		
	TOTAL	Maturity up to 12 months	Maturity above 12 months	TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	64,113,211	13,310,421	50,802,790	54,043,326	14,978,227	39,065,098
Investments in securities	64,113,211	13,310,421	50,802,790	54,043,326	14,978,227	39,065,098
1. Amortized cost	19,547,851	10,754,289	8,793,562	16,737,225	6,629,992	10,107,233
2. FVOCI	19,885,764	168,456	19,717,308	18,675,750	121,223	18,554,527
3. FVTPL	24,679,596	2,387,676	22,291,920	18,630,351	8,227,013	10,403,338
Cash and cash equivalents	3,011,905	3,011,905	0	2,626,144	2,626,144	0
Other receivables	3,801,718	3,801,718	0	3,274,940	3,274,940	0
Assets from financial contracts	320,048,748	171,825,330	148,223,418	284,165,726	112,023,665	172,142,062
TOTAL ASSETS	**390,975,581**	**191,949,374**	**199,026,208**	**344,110,136**	**132,902,977**	**211,207,160**
LIABILITIES						
Other liabilities	2,351,646	2,351,646	0	1,703,400	1,703,400	0
Liabilities from onsurance contracts	36,352,741	6,256,975	30,095,766	27,313,909	3,955,685	23,358,224
Liabilities from financial contracts	320,048,748	-3,443,071	323,491,819	284,165,726	21,955,308	262,210,418
TOTAL LIABILITIES	**358,753,135**	**5,165,550**	**353,587,585**	**313,183,035**	**27,614,393**	**285,568,642**

Table 90: Overview of the structure of assets and liabilities of Prva Group considering expected non-discounted cash flow in 2019

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Assets and liabilities with no maturity	Total	Carrying amount
ASSETS						
Deferred tax assets	0	195,751	0	0	195,751	195,751
Investments in securities	35,231	346,839	0	3,312,250	3,694,320	3,694,320
1. Amortized cost	0	0	0	0	0	0
2. FVOCI	0	0	0	3,312,250	3,312,250	3,312,250
3. FVTPL	35,231	346,839	0	0	382,070	382,070
Short-term deferred costs and accrued revenue	2,349	0	0	0	2,349	2,349
Assets from financial contracts	0	0	0	0	0	0
Other receivables	15,580	0	0	0	15,580	15,580
Cash and cash equivalents	0	0	0	1,403,332	1,403,332	1,403,332
TOTAL ASSETS	**53,160**	**542,590**	**0**	**4,715,582**	**5,311,332**	**5,311,332**
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	104,676	0	0	0	104,676	104,676
TOTAL LIABILITIES	**104,676**	**0**	**0**	**0**	**104,676**	**104,676**

Table 91: Overview of the structure of assets and liabilities of Prva Group considering expected non-discounted cash flow in 2018

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	Assets and liabilities with no maturity	Total	Carrying amount
ASSETS						
Deferred tax assets	0	245,751	0	0	245,751	245,751
Investments in securities	250,558	437,344	0	3,113,557	3,801,460	3,801,460
1. Amortized cost	*0*	*0*	*0*	*0*	*0*	*0*
2. FVOCI	*0*	*0*	*0*	*3,113,557*	*3,113,557*	*3,113,557*
3. FVTPL	*250,558*	*437,344*	*0*	*0*	*687,903*	*687,903*
Short-term deferred costs and accrued revenue	4,168	0	0	0	4,168	4,168
Assets from financial contracts	0	0	0	0	0	0
Other receivables	18,390	0	0	0	18,390	18,390
Cash and cash equivalents	0	0	0	854,759	854,759	854,759
TOTAL ASSETS	**273,116**	**683,095**	**0**	**3,968,316**	**4,924,528**	**4,924,528**
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	91,363	0	0	0	91,363	91,363
TOTAL LIABILITIES	**91,363**	**0**	**0**	**0**	**91,363**	**91,363**

Table 92: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2019

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	No maturity /on demand	Total	Carrying amount
ASSETS						
Investments in securities	13,310,421	17,780,027	17,504,424	15,518,339	64,113,211	64,113,211
1. Amortized cost	10,754,289	2,584,524	6,209,038	0	19,547,851	19,547,851
2. FVOCI	168,456	6,146,806	10,258,252	3,312,250	19,885,764	19,885,764
3. FVTPL	2,387,676	9,048,697	1,037,134	12,206,089	24,679,596	24,679,596
Short-term deferred costs and accrued revenue	278,571	0	0	0	278,571	278,571
Assets from financial contracts	171,825,330	70,640,711	77,582,707	0	320,048,748	320,048,748
Other receivables	3,738,360	0	0	0	3,738,360	3,738,360
Cash and cash equivalents	0	0	0	3,011,905	3,011,905	3,011,905
TOTAL ASSETS	**189,152,683**	**88,420,738**	**95,087,131**	**18,530,244**	**391,190,795**	**391,190,795**
LIABILITIES						
Other liabilities	2,543,752	0	0	0	2,543,752	2,543,752
Liabilities from insurance contracts	6,256,975	19,483,485	10,612,281	0	36,352,741	36,352,741
Liabilities from financial contracts	26,652,695	39,027,892	254,368,161	0	320,048,748	320,048,748
TOTAL LIABILITIES	**35,453,422**	**58,511,377**	**264,980,442**	**0**	**358,945,241**	**358,945,241**

Table 93: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2018

EUR	Maturity up to 1 year	Maturity from 1 to 5 years	Maturity more than 5 years	No maturity /on demand	Total	Carrying amount
ASSETS						
Investments in securities	9,469,324	18,572,645	16,467,545	9,533,811	54,043,325	54,043,326
1. Amortized cost	7,348,310	3,465,598	5,923,317	0	16,737,224	16,737,224
2. FVOCI	0	5,017,964	10,544,228	3,113,557	18,675,750	18,675,751
3. FVTPL	2,121,014	10,089,083	0	6,420,254	18,630,351	18,630,351
Short-term deferred costs and accrued revenue	251,336	0	0	0	251,336	251,336
Assets from financial contracts	112,021,450	77,327,556	94,816,720	0	284,165,726	284,165,726
Other receivables	3,274,940	0	0	0	3,274,940	3,274,940
Cash and cash equivalents	0	0	0	2,626,144	2,626,144	2,626,144
TOTAL ASSETS	**125,017,049**	**95,900,201**	**111,284,265**	**12,159,955**	**344,361,471**	**344,361,472**
LIABILITIES						
Other liabilities	1,703,400	0	0	0	1,703,400	1,703,400
Liabilities from insurance contracts	3,955,685	14,048,536	9,309,688	0	27,313,909	27,313,909
Liabilities from financial contracts	21,955,308	33,525,416	228,685,002	0	284,165,726	284,165,726
TOTAL LIABILITIES	**27,614,393**	**47,573,952**	**237,994,690**	**0**	**313,183,034**	**313,183,035**

17.5 INTEREST RATE RISK

The Company and Group's exposure to changes in market interest rates is very low as the exposure to such papers on 31.12.2019 was 179,416 EUR (31.12.2018: 198,176 EUR)

The Company and the Group adopt decisions for mitigating interest risk on the basis of active monitoring of the development of events on international capital markets. At the same time, interest rate risk of funds managed by Prva osebna zavarovalnica relates to guaranteed return which a fund must ensure to policyholders in line with the pension schemes. Through active management of investments, the Group mitigates its interest rate risk.

Table 94: Interest rate risk - pension funds

Change in market interest rate	FY 2019 Impact on technical provisions (EUR)	FY 2018 Impact on technical provisions (EUR)
+/-10 bt	0	0

17.6 CURRENCY RISK

The Group's liabilities and receivables are converted according to the reference exchange rate of the European Central Bank at 31 December 2019. Due to regulating exposure by currencies on individual level of subsidiaries, the Group is not exposed to major currency risk. Foreign currency translation reserves arising due to exchange rates are recognised through statement of comprehensive income.

Table below represents sensitivity to changes in important currencies to which the Group is exposed given that all other parameters remain the same.

The MKD currency represents the volatility in the assets of the Macedonian subsidiary. The same applies to bonds denominated in RSD which are included in the portfolio of the Belgrade subsidiary.

Table 95: Currency risk of the Group

	2019		2018	
Currency	Exchange rate change	Impact on pre-tax income	Exchange rate change	Impact on pre-tax income
MKD	5%	33,910	5%	12,131
	-5%	-33,910	-5%	-12,131
RSD	5%	5,035	5%	315
	-5%	-5,035	-5%	-315

Table 96: Values of foreign currency balances in the Group

v EUR	31.12.2019	31.12.2018
MKD	490,869	242,504
RSD	65,900	32,153

17.7 THE RISK OF CHANGES TO THE MARKET PRICES OF SECURITIES

The Company is exposed to the risk of changes to the market prices of securities in the case of equity securities quoted on financial markets. As at 31 December 2019, the Company reports €0 of such investments (2018: €0).

Table 97: The effect of changes to the market prices of equity securities - Prva Group

	Index change in %	FY 2019 Impact on capital (EUR)	FY 2018 Impact on capital (EUR)
Other	+/-10	0	0

The Group is exposed to the risk of changes to the market prices of securities in relation to equity securities quoted on financial markets. As at 31 December 2019, the Group reports €0 of such investments (2018: €0).

Table 98: The effect of changes to the market prices of equity securities - the Group

	Index change in %	FY 2019 Impact on capital (EUR)	FY 2018 Impact on capital (EUR)
Other	+/-10	0	0

The Company and the Group are also exposed to the risk of changes of market prices of securities due to their exposure to fixed income securities. If the market interest rate was to grow by 100 bp, the market value of the Company's portfolio would fall by €8,062 and the capital of the Group would fall by €2,556,916 as shown by the following table.

Table 99: The effect of changes of market prices of securities sensitive to market interest rates - Prva Group

Change in market interest rate	FY 2019 (EUR)	FY 2018 (EUR)
+/-100 bt	8,062	14,102

Table 100: The effect of changes of market prices of securities sensitive to market interest rates - The Group

Change in market interest rate	FY 2019 Impact on capital (EUR)	FY 2018 Impact on capital (EUR)
+/-100 bt	2,556,916	2,233,774

Neither of the illustrations above includes securities of the long-term business fund carrying investment risk, with respect to which the Group is not exposed to market risk as a result of the management arrangement.

17.8 OTHER FACTS

Prva Group had not issued any participation rights instruments, convertible bonds or similar securities or issued rights.

17.9 SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

As of 11 March 2020, the World Health Organization declared the COVID-19 pandemic (SARS-CoV-2 or coronavirus), and on 12 March 2020 Slovenia declared an epidemic due to an increase in the number of coronavirus infections.

In order to curb the coronavirus spreading, the governments of countries in which the Group operates have taken diverse measures such as the closure of most public institutions and educational institutions, the prohibition of supply and sale of goods and services directly to consumers in the territory of Republic of Slovenia, the suspension of public transport and the temporary ban on public gatherings of people, public events and other events in public places. Furthermore, it is intensively preparing measures to ease the epidemic's impact of the economy.

At the outbreak of the virus, the Group companies have verified, unified and appropriately supplemented the business continuity plans directly tailored to the declared epidemic. Accordingly, the Prva d.d. Group as well as the Group fulfil all their obligations in a legal, contractual and strategic frameworks. It covers mostly out-of-office procedures and infrastructure, smooth communication with clients, a smooth implementation of significant projects, including the preparation of insurance contracts remotely for the entire portfolio and other processes. In order to reduce the risk of spreading the infection, the managements of Group companies approved a decision based on which the employees were authorise to work outside the employer's premises. The biggest impact on the implementation of activities is in the field of sales, where the Group changed to distance selling and also technologically supplemented it.

By the date of preparation this report, the Group has assessed the impact of events after the balance sheet date and identified the main risks that could have an impact on business operations. During the period after the balance sheet date, the Group did not detect any other significant events except for the impacts of the coronavirus pandemic.

On the consolidation level the Group assessed that the main risks regarding COVID-19 arise from the decline of value on financial markets. The biggest impact of the decline in financial market is reflected in equity securities and bonds (as part or investments and assets from financial contracts; technical provisions for the benefit of life insurers who assume investment risks and liabilities from financial contracts are affected accordingly). Insurance and pension activity in Slovenia (Insurance activity) is the most important in the Group with 96% of total assets of the consolidated assets. Other business within the Group represent only 4% of the total assets of the consolidated financial statements. The financial investments of the other business in the Group are invested mainly in bonds (more than 77% of the financial investment of other entities) and generate regular interest-related inflows with no significant decline in the value of the portfolio.

As explained above on the Group level main risks derive from insurance activity and therefore the disclosure focuses on these . Besides the fall of values on capital markets (having the largest impact on operations), the liquidity risk the risk of lower sales and consequently the risk of appropriate capital adequacy as a result of all stated influences were assessed as well. Within the insurance activity, mechanisms were preliminary already put in place, to ensure its smooth functioning and fulfilling all its obligations even in such circumstances, which in this case primarily represents a prudent strategic allocation of investments, a multi-annual business presence plan and a robust business continuity plan. In assessing the impact of the epidemic it was assumed that the reinsurers would settle all their liabilities to the company under the reinsurance programmes. The Management of the Parent Company estimates that all the risks identified in relation to the coronavirus-related consequences have already been taken into account in the scenarios included in ORSA 2019 as performed for insurance activity. In view of all the own risk and solvency assessments made in 2019, where capital adequacy is verified in accordance with the business plan and various stress scenarios, it estimates that the most similar scenario is the scenario of an exceptional fall in investments' value. In this scenario the capital adequacy and financial position of the insurance activity was reviewed based on the assumption of the instant declined of the value of the equity instruments for 40%, decline of the value of investment property for 10% and decline of financial investment on an assumption of credit margins with fixed yield between 230 b.p. and 400 b.p. (risk margin for government bond is reduced for 70 b.p.). Even if this scenario is realised capital adequacy is maintained. The scenario was prepared on the basis of actual historical worst-case scenarios, in particular the financial crisis

of 2007-08, under the assumption of an instant shock scenario and a gradual recovery over one year - the reason for the instant shocks is to test the impact on operations even without the insurance activities 's response to the serious fall in the price of shares, bonds and real estate prices), as this has the fastest effect as well.

The market situation is regularly monitored and does not, to date, exceed the stress scenario described above and as established in the most recent risk and solvency assessment process, where the insurance company maintains its capital adequacy also in 2020. By the date of preparation annual report the decrease of investment portfolio is less severe compared to assumptions in the scenario described above.

The Management of the Parent Company estimates that also in the future the consequences will not exceed the negative effects of the scenarios assumed within the ORSA due to different reasons of the decline in financial markets as a consequence of the COVID-19 compared to the causes of the 2007-2009 financial crisis, which were considered as the basis for the assessment in ORSA. Reasons for this assumptions are that currently there are different regulatory framework and the financial markets are in different state, reason for the crisis (and potentially wider economic crisis), and especially various measures taken by different countries to mitigate the effect of crisis. Due to later the in the insurance activity it is not expected that a significant increase in the surrender or suspension status of policies will occur.

In the Group a decrease in liquidity is noticed on the financial markets, but due to its current liquidity position (specifically larger cash positions), does not expect any problems in this area or has no need for unplanned or unfavourable divestment. Based on future cash flows of the Group it was assessed that the pay-outs by the end of 2020, are many times lower than the share of investment portfolios, which can be easily sold at very short notice.

However, the estimated negative impact of the decline in the value of financial investments does not endanger liquidity, or capital adequacy of the insurance company at the time of preparation this report. Based on the test scenarios and the analyses described above, the Management of the Parent Company estimates that even in the most pessimistic scenario there are no material uncertainties regarding the going concern on the group level. Based on the above analysis the going concern assumption remains appropriate for the Parent Company and for the Group.

The Parent Company and the Group cannot however preclude the possibility that extended lock down periods, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment that the Parent Company and the Group operates in, will not have an adverse effect on the Parent Company or on the Group, and its financial position and operating results, in the medium and longer term. The Parent Company and the Group continues to monitor the situations closely and will respond to mitigate the impact of such events and circumstances as they occur.

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