PRVA GROUP

AUDITED ANNUAL REPORT 2018

1 CONTENTS

A) Business part

B) Accounting part

2 INTRODUCTORY WORD FROM THE MANAGEMENT BOARD

Prva Group and its companies remain one of the leading providers of income protection products in the Central and South-East Europe. The two core pillars, pension and life insurance, are supplemented by other personal insurance and savings products along with annuities. In 2018, the company has acquired a share of Deželna banka Slovenije and increase its business field also to the banking sector. In Macedonia, KB Prvo penzijsko društvo AD Skopje is the leading provider of the mandatory supplementary pension insurance and also voluntarily pension insurance. The company reached EUR 568 million assets under management in both pillars together. Company's operations exceeded all expectations in all major categories and the profit after tax has surpassed EUR 2 million for the first time. The market share is above 53%. Despite tense political situations and changes in law, which negatively affects voluntarily pension insurance, the premium still increased by 1,2%.
Prva osebna zavarovalnica again recorded a very successful year, which is the consequence of following the strategy along with favorable macroeconomic trends in Slovenia. Consequently, the company has achieved growth in all key operating area. On the other hand, the expectation of volatile financial markets had become reality and affected the yield from investment, which was significantly lower than previous year. Calculation of capital requirement in accordance with the Solvency II showed adequate amount of capital. The solvency capital amounted around 160%, which ensures that Prva well capitalized, safe and able to fulfill all its obligations.

In the area of voluntary supplementary pension insurance, Prva osebna zavarovalnica recorded growth of new amounting to 11% compared to the previous year. In spite of the negative annual returns, it should be emphasized that among all fund managers, Prva is still the best in 2018 in terms of yield and the return from the beginning of life cycle funds remains above the target values. In the area of personal insurance, in 2018 the company made an important step by entering in the field of health insurance. The key product remains the death insurance, where we recorded a nearly 7% increase in premiums compared to the previous year. One of the main reasons for growth is quality advising, which is part of the strategic orientation of the Prva and we see it as a basis for long-term customer satisfaction. For this purpose, we invested a lot in the education of both our own network and external networks in the past year. In our own network, we continued to increase the number of employees in 2018. The construction of a quality network was also one of the reasons for entering the ownership of the Deželna banka Slovenije (DBS), which was +already selling our products in its branch network before. The bank has the third largest network in Slovenia and is, as such, an important channel for the company.

Business in Serbia continues in the direction of stabilizing the portfolio. Consequently, the number of payers was higher than the year before for the first time. Regulatory reductions in management fees, which started in 2018, have resulted in a decrease in profits, partly compensated by lowering costs, so the results are still better than planned.

Last year, we focused greatly also on regulatory projects. In the area of financial reporting we carried out the transition to the IFRS 9. Even in the field of analyzing and implementing the requirements connected with the directive of protection of personal data, a lot of work has already been carried out last year. The project is fully completed in Slovenia and in 2019 it will be completed also on all other markets. The anti-money laundering and terrorist financing regulations have also been adopted or improved in virtually all countries where we are active.

In Prva Group, in the next strategic period 2019-2021 we plan to continue growth and insurance premiums. Without taking into account DBS's total assets, we will exceed EUR 1 billion of management assets already in the middle of the strategic period. 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.

Boštjan Škufca Zaveršek
Member of the Management Board

Alenka Žnidaršič Kranjc
President of the Management Board

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

Prva Group - Skupina Prva, d.d. (formerly Prva pokojninska družba d.d.) is a mixed-activity insurance holding in which 3 pension companies, 1 insurance undertaking and 1 company engaged in marketing insurance products of a sister company, operated in 2018.

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, insurance holding company, plc. is a public limited company set up for an indefinite period of time.

In 2018, 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, insurance 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.

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 Alenka Žnidaršič Kranjc as the President and Boštjan Škufca Zaveršek as its Member.

The owners of the Company have the right to change the financial statements after their approval by the Management Board.

The registered seat of the Company:

Skupina Prva d.d. (Prva Group plc.)
Fajfarjeva ulica 33
1000 Ljubljana
Slovenia

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 2018.

SUPERVISORY BOARD
In 2018 the Supervisory Board consisted of Nicholas Andrew Lindsay Stuart (Chairman), Helena Petrin, Miha Kranjc and Tanja Tuš (until 16th January 2018) when she was replaced by 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 three conference calls in 2018. 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 2018, the work of the Supervisory Board further consisted of addressing the Annual Report of Prva Group, insurance holding company, plc., for 2017, forming the opinion of the Supervisory Board on the Annual Report for 2017 and Reports of the Audit Committee for 2018, addressing and adopting the Business Plan for 2019-2021, and ongoing supervision of all the Company's operations and the comparison of the objectives realized with those planned.

At its last session in 2018 and with an outlook on the future operations of the Company, the Supervisory Board adopted the Business Plan for 2019-2021 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 16th May 2019, the Supervisory board reviewed the Annual Report of Prva Group for 2018 and recommend the General meeting to adopt it.

AUDIT COMMITTEE
The Supervisory Board established a three-member Audit Committee. In 2018, the board was composed of Nicholas Andrew Lindsay Stuart (Chairman), Helena Petrin (Deputy Chairperson) and Mojca Babnik (Independent Expert) until 31 March 2018, then she was replaced by Sara Čučnik.

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 2018, 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 2018 which, among other, includes a positive 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.

Ljubljana, 16.05.2019

Nicholas Andrew Lindsay Stuart

Predsednik nadzornega sveta

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 24 April 2019.

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 2018.

Members of the Management Board and the Supervisory Board confirm that the Annual Report of the Group and 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 2017 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, 24 April 2019

Boštjan Škufca Zaveršek

Member of the Management Board
Board

Alenka Žnidaršič Kranjc

President of the Management

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 2018.

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 2018 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 2018 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 maximization 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 authorized 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. The Company's Management Board consists of Alenka Žnidaršič Kranjc as the President and Boštjan Škufca Zaveršek as its Member. 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, 24 April 2019

Boštjan Škufca Zaveršek

Member of the Management Board

Alenka Žnidaršič Kranjc

President of the Management Board

5 SHARE CAPITAL AND SHAREHOLDERS

The Company's share capital amounts to €13,386,247 and did not change in 2018. Individual capital elements are described in detail in Section 21. "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 2018

Name of shareholder/Ordinary shares	Holding at 31 December 2018 in %
DEJ d.o.o.	70.19%
KYMAH LIMITED	14.83%
BTC d.d.	4.16%
KRITNI SKLAD PRVA+ ZAJAMČENI	4.14%
Prva Group plc	3.40%
5 MAJOR SHAREHOLDERS	**96.72%**
OTHER LEGAL ENTITIES	0.80%
OTHER NATURAL PERSONS	2.48%
TOTAL AT 31 DECEMBER 2018	**100.00%**

Name of shareholder/Preference shares	Holding at 31 December 2018 in %
Medis Intago, d.o.o.	14,42%
MAX-RENT d.o.o.	11,36%
KRITNI SKLAD PRVA+ ZAJAMČENI	10,00%
KRITNI SKLAD PRVA ZAJAMČENI	10,00%
CIMOS d.d.	7,35%
5 MAJOR SHAREHOLDERS	**53,13%**
OTHER LEGAL ENTITIES	33,97%
OTHER NATURAL PERSONS	12,89%
TOTAL AT 31 DECEMBER 2018	**100.00%**

Source: The Share Register of Prva Group plc.

24 legal entities or natural persons are owners of class A ordinary shares. The largest shareholders among them are Dej d.o.o. with a 70.19% 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 77 legal entities or natural persons. The largest stake is owned by Medis Intago, d.o.o. in the amount of 14.42%, 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 46.86% of preference shares.

At the end of 2018, the Company does not possess any authorized capital for the payment of shares.

6 ECONOMIC ENVIRONMENT

6.1 MACROECONOMIC ENVIRONMENT

In the past year, we were witnessing a continuation of the high growth of the global economy, while the accelerated growth of world trade volume slowed down in the second quarter of 2018. International institutions predict a gradual cooling of global trade and economic activity for the coming years, and the reasons for this are in part sought in increasing customs and other trade barriers. The more moderate growth of exports is the main reason for the slightly lower economic growth in the euro area last year, where good economic situation is deteriorating. The slowdown in growth is expected to continue in the euro area this year, while the major risks to the realization of the forecast are, besides increasing foreign trade barriers, geopolitical factors within the EU, among which we can highlight the uncertainties associated with the Italian fiscal plans and the forthcoming exit of the United Kingdom Britain and Northern Ireland from the European Union. The situation in the Slovenian economy improved over the past year, but at a lower pace than in 2017. The Slovenian export sector faces a less favorable international environment, and, according to IMAD's forecasts, this year the main factors contributing to continuation of conjuncture, will be the domestic and foreign consumption.

7 CAPITAL MARKETS

7.1 MONEY MARKETS AND INTEREST RATES

In 2018, the most important central banks, with the exception of the US Fed and the British central bank, which gradually raise interest rates, maintained a loose and incentive monetary policy. The discrepancy between the monetary policies of the ECB and the US central bank increased further after the December increase in the key interest rate by the Fed. The key interest rate at the end of the year was between 2.25% and 2.50%. On the other hand, the ECB maintains the key interest rates unchanged, maintaining the interest rate for main refinancing operations at 0.00%, the interest rate for marginal lending facility at 0.25% and the interest rate for marginal deposit facility at -0.40%. However, in December the Council of the European Central Bank finally confirmed that the net purchases of bonds under the bond purchasing program, which it launched in March 2015, will end at the end of 2018. The program began with monthly purchases of up to EUR 60 billion; in March 2016, the upper limit was raised to 80 billion euros; in 2017, again, it fell to 60 billion; this year it first fell to EUR 30 billion in October to EUR 15 billion. Within the framework of the program, the ECB and the national central banks in the euro area purchased a total of nearly EUR 2600 billion in securities by the end of November.

7.2 STOCK MARKETS

The MSCI World Index finished the growing trend in 2018, losing 4.11% last year (in EUR, including reinvested dividends). The reason for the first negative annual profitability of the index since 2011 is in the last quarter of 2018, when among investors dominated the negative atmosphere associated with the prospects for the future growth of profits of listed companies. The pessimistic mood on the financial markets was also affected by the expected rise in interest rates in the US (also in the EU), and investors were increasingly paying attention to political risks. Among these, we can highlight unfinished negotiations on Brexit, the adjustments of Italian budget and the consequences of the intensification of the trade dispute between China and the US, which have had a negative impact on the volume of international trade.

With increased uncertainties in equity markets, investors sought shelter in safe government bonds in the previous year; on the other hand, they did not increase the interest in corporate bonds to an extent, sufficient to achieve positive returns. The reasons for slightly negative returns on corporate bonds can be found in the ECB's less loosely monetary policy, which reduced the buying of bonds

during the year, and a likely first increase in the reference interest rate in the EU towards the end of 2019, while in the US we witnessed three rises of the reference interest rate by US Federal Reserve (FED). In addition to this, the slowdown in economic growth in the second half of the year led to the growth of credit mark-ups, which also affected the low profitability of corporate bonds.

7.3 COMMODITY MARKETS

In October 2018, the price for oil barrels reached the highest value after 2014, followed by a significant drop. The increase in the price of oil (Brent) in USD, which was marked in the first half of last year by the expectations of imposing sanctions on oil exports from Iran, continued in October and exceeded USD 86 for 159 liters barrel. This was followed by more than 40 percent drop, attributed by the International Energy Agency (IEA) to the situation in the black gold market, i.e. excess supply and lower expected demand growth due to a slowdown in global economic growth. Despite a lower December price than in the beginning of the year, oil in 2018 was on average almost a third more expensive than in the year before.

8 FINANCIAL RESULT OF THE COMPANY AND THE GROUP

The Company ended the 2018 financial year with net profit of €2,672,871 primarily as a result of the investment part of operations. The Group ended 2018 with net profit of €4,900,072.

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

	Prva Group		The Group	
	2018	2017	2018	2017
Net premium income	0	0	14,668,157	12,917,759
Net cost of claims	0	0	-4,130,256	-4,440,929
Cost of acquiring insurants	0	0	-2,377,168	-2,780,236
Profit before tax	2,670,342	1,463,407	5,315,130	5,356,567
Net profit	2,672,871	1,551,637	4,900,072	4,787,939
Income tax and other levies	2,529	88,230	-415,058	-568,628
Assets under management*	-	-	936,023,613	860,678,650
Number of policyholders	-	-	497,112	456,551
Net increase in the number of policyholders	-	-	40,561	13,509
Average annual premium	-	-	176	176
Management fee	-	-	0,66%	0,71%
Yields of funds (attributed weighted average)	-	-	0,42%	5,12%
Equity				
ROE from operations			11,62%	6,53%
ROE from investments			1,49%	7,47%
Total ROE			13,12%	13,99%
Number of employees on the last day of the year			150	154

** Sum of balances in disclosure: Assets from financial contracts (Disclosure 16.8, table 41) in the amount of €284.165.726 assets from pension annuities the amount of €15.721.018; disclosure of off balance sheet liabilities of the Group (Disclosure 16.17, Table 58) in the amount of €631.296.862; as well as unit-linked assets amounting to €4,840,006 (Disclosure 16.4, Table 28)*

9 INFORMATION TECHNOLOGY

In 2018, 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 mail role in consolidation of information resources. Information technology processes in 2018 are in line with expectations and are coordinated between Group companies.

10 ORGANISATION AND PERSONNEL

Based on the hours worked, Prva Group, insurance holding company plc. had an average of 1.07 employees in 2018. The number of employees varies depending on the requirements in a specific period. As at the last day of 2018, 4 persons were employed in the Company. A total of 146 staff were employed by the entire Group at 31 December 2018.

Table 3: The number of employees of Prva plc. by level of education as at 31 December 2018

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

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

11 RISK MANAGEMENT

Risk management is an integral part of all business processes of the Group and the Company, based on clear and specific organization and well-thought processes, responsibilities and authorizations 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.

A detailed description of the risk management process is included in Sections 28 to 30 of the financial report.

11.1 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.

11.2 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.

11.3 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.

11.4 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.

11.5 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 unfavorable 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 minimized 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.

11.6 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.

11.7 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 organized 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.

11.8 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 minimize the likelihood of losses arising from operational risk.

11.9 FUTURE PLANS

In Prva Group, in the next strategic period 2019-2021 we plan to continue growth and insurance premiums. Without taking into account DBS's total assets, we will exceed EUR 1 billion of management assets already in the middle of the strategic period. 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.

11.10 SIGNIFICANT SUBSEQUENT EVENTS

By decision no. 40102-36 / 2018-24, dated 20.3.2019, the Insurance Supervision Agency found that the group at the top of which is A-Z Finance, d.o.o, is a financial conglomerate. The above-mentioned group has vertically three holding companies (A-Z finance, d.o.o, Dej, d.o.o and Prva Group, d.d.), which are considered mixed financial holding companies, while the parent company at the top is represented by A-Z Finance, d.o.o.

There were no other circumstances or events affecting the preparation of the financial statements for the 2018 financial year.

12 INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

To the shareholders of PRVA GROUP plc.

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of PRVA GROUP plc. ("the Company") and the consolidated financial statements of Group PRVA GROUP plc. and its subsidiaries (collectively, "the Group"), which comprise the separate and consolidated statements of financial position as at 31 December 2018, 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 2018, 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. 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.

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.

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Impairment of investments in subsidiaries – separate financial statements	
Investments in subsidiaries as at 31 December 2018: EUR 16,581,773 (31 December 2017: EUR 15,581,773), related impairment loss of investments in subsidiaries recognized in 2018: nil (2017: nil). *We refer to the separate financial statements: Note 14.1 (accounting policies), Note 16.3 (financial disclosures).*	
Key audit matter	**Our response**
The Company holds investments in four subsidiaries 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 assesses whether indications exist that the carrying amounts of these investments may not be recoverable. These indications 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. The determination of the recoverable amounts involves significant management judgment and estimates, using the services of external valuation experts engaged by the Company, in particular, in respect of the assumptions such as growth rates, discount rates, projected future income. Based on the above-mentioned circumstances, impairment of investments in subsidiaries is considered by us to be a key audit matter.	Our procedures, performed with the support from our own valuation specialists, included, among others: • Assessing the competence, experience and objectivity of the external experts engaged by the Company; • Critically evaluating, by reference to the relevant financial reporting standards and current market practice, the appropriateness of the methods applied by the Company and its external experts in their determination of impairment indicators and where applicable, of the recoverable amounts of the investments in subsidiaries; • 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 reasonableness of the key assumptions applied by external appraisal experts engaged by the Company, such as, among others, in respect of the discount rates used (WACC), which we estimated independently by reference to independent external sources; - evaluating the reasonableness of the Management Board's estimates, such as, growth rate and projected income, used in valuation report. This included, but was not limited to, discussing the subsidiary's performance with the Company's directors and evaluating the historical reliability of its forecasts by testing past budgets against actual outcomes.

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	• 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.

Fair value of investment property – consolidated financial statements	
Investment property, included within Assets from financial contracts, as at 31 December 2018: EUR 17,355,775 (2017: EUR 15,915,000), increase of the fair value of investment property in 2018: EUR 1,440,775 (2017: decrease of EUR 416,950). *We refer to the consolidated financial statements: Note 14.1 (accounting policies), Note 16.8 (financial disclosures).*	
Key audit matter	**Our response**
Investment property, included within balance Assets from financial contracts, represents a significant assets in the Group's statement of financial position. The investment property is represented by the property the Group's pension funds hold to earn rental income, such as, among others, office space in Ljubljana (Kristalna Palača and an office building in BTC City). Investment property is measured at fair value, with gains and/or losses arising from changes in their fair value recognized as an increase or a decrease in the liability from financial contracts. The determination of the above-mentioned fair values is based on a number of valuation approaches, such as the market approach, the income approach, or both, as considered applicable. It involves significant management judgment and estimates, using services of appraisal experts engaged by the Group, in particular in respect of the assumptions such as discount rates applied, future cash flow projections (based on expected future rental income) and comparable market transactions. 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: • 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 external experts in their determination of the fair value of the investment property assets; • Challenging the key assumptions used in the said valuations, mainly focusing on discount rates 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.

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Measurement of life insurance contract liabilities – consolidated financial statements	
Life insurance contract liabilities (Mathematical provisions EUR 17,386,229, unexpired risk reserve EUR 800,393 and technical provisions for unit-linked insurance EUR 4,840,006) as at 31 December 2018: EUR 23,026,628 (31 December 2017: EUR 19,627,695), increase in the amount of life insurance contract liabilities in 2018: EUR 3,398,933 (2017: increase of EUR 3,935,747). *We refer to the consolidated financial statements: Note 14.1 (accounting policies), Notes 16.13 and 18.1 (financial disclosures).*	
Key audit matter	**Our response**
Life insurance contract liabilities represent a significant liability in the Group's statement of financial position. Measurement of these liabilities is associated with significant estimation uncertainty as it requires management to exercise judgment and develop complex and subjective assumptions used as inputs into the underlying valuation model based on standard actuarial methodologies. At each reporting date, the Group is required to perform a liability adequacy test (hereinafter, "LAT") with an aim to determine whether its recognized life insurance contract liabilities are complete. 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 Group's key assumptions used in the above cash flow model include those in respect of: expected expenses, lapse rates, investment yields and discount rates used. 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. In view of the above-mentioned factors, we consider measurement of life insurance contract liabilities to be a key risk in our audit.	Our procedures, performed with the support from our own actuarial and information technology (IT) specialists, included, among others: • Evaluating the methodology used by the Group in measuring life insurance contract liabilities against relevant regulatory and financial reporting requirements; • Assessing and testing of general IT controls, including those over the collecting and security of the data used in life insurance contract liabilities calculation; • Recalculating one annuity policy based on the new technical note to evaluate the appropriateness of the modification in the technical note; • 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 analysis, and using those historical results to challenge the key assumptions used in the measurement of the current estimates as at 31 December 2018. Specifically, among other things, we assessed whether lapse rates and mortality 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 comparison with historical experience of the Group;

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	- evaluating the impact of changes in key assumptions, as applied in the Group's sensitivity analysis scenarios. • Assessing the reasonableness of the movements in the life insurance contract liabilities for the year, starting from the opening value and developing our independent expectation for the items which should result in an increase in the liability (such as premiums, technical interest rate, profit sharing, yield rate) and those which result in its decrease (claims, expense loadings, risk premium, yield); • Assessing the Group's disclosures in respect of life insurance contract liabilities 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 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 is part of the Annual report and which will be available after issuing an 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 it includes the disclosures required by the Company's Act (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:

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

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

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

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and EU Regulation (EU) No 537/2014 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the separate and consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

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

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

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

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Report on Other Legal and Regulatory Requirements

We were appointed by shareholders of PRVA GROUP plc. on the shareholders meeting dated 16 June 2017 to audit the separate and consolidated financial statements for the year ended 31 December 2018. Our total uninterrupted period of engagement is 2 year, covering the period ending 31 December 2017.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Company dated 25 April 2019;
- we have not provided any prohibited non-audit services (NASs) referred in Article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the 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.

Damjan Ahčin, FCCA	Barbara Kunc
Certified Auditor	*Certified Auditor*
Director	*Partner*

Ljubljana, 25 April 2019

KPMG Slovenija, d.o.o.

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13 FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

13.1 INCOME STATEMENT

EUR	Notes	Prva Group		The Group	
		2018	2017	2018	2017
Net premium income	**15.2.**	0	0	14,668,157	12,917,759
Other insurance income	15.3.	39,225	39,487	8,272,939	7,973,012
Revenue from financial assets					
Interest income	*15.4.*	37,291	109,427	1,052,404	1,232,240
Interest expense	*15.4.*	0	-102	-20	-2,723
Dividend income	*15.5.*	2,928,534	2,853,038	216,090	137,769
Net foreign exchange differences	*15.6.*	0	0	131,525	-212,387
Net gains/losses from disposal of investments	*15.6.*	36,640	-7,398	43,407	1,530,245
Revaluation financial income (net)	*15.6.*	-46,496	0	-834,232	194,823
Impairment loss	*15.6.*	*0*	-1,078,553	-3,658	-21,861
Net cost of claims	15.7.	0	0	-4,130,256	-4,440,929
Change of technical provisions	15.7.	0	0	-4,166,833	-3,266,565
Operating costs					
Cost of acquiring insurants	*15.8.*	*0*	0	-2,377,168	-2,780,236
Employee costs	*15.9.*	-185,032	-251,979	-4,415,530	-4,483,749
Amortization and depreciation	15.10.	-12,759	-10,619	-487,194	-313,936
Other costs	15.10.	-122,897	-188,241	-2,695,440	-2,963,963
Other revenues	15.11.	1	2	363,668	168,928
Other expenses	15.11.	-4,167	-1,656	-322,729	-311,861
Profit before tax		**2,670,342**	**1,463,407**	**5,315,130**	**5,356,567**
Income tax and deferred tax	15.12.	2,529	88,230	-415,058	-568,628
Net profit		**2,672,871**	**1,551,637**	**4,900,072**	**4,787,939**
- attributable to equity holders of the parent				*3,804,430*	*3,772,565*
- non controlling interest				*1,095,643*	*1,015,374*
Net / diluted earnings per share	15.13.			11,68	11,57

The notes on pages 31 through 81 are an integral part of the financial statements.

13.2 STATEMENT OF COMPREHENSIVE INCOME OF THE COMPANY AND THE GROUP

EUR		Notes	Prva Group		The Group	
			2018	2017	2018	2017
I.	**NET PROFIT/LOSS FOR THE YEAR**		**2,672,871**	**1,551,637**	**4,900,072**	**4,787,939**
II.	**OTHER COMPREHENSIVE INCOME AFTER TAX (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)**		**-15,833**	**-32,594**	**-486,184**	**-411,468**
3.	Actuarial gain/losses for pension program		0	0	22,532	0
4.	Net gains/losses on re-measurement of FVOCI financial assets		-13,305	-27,390	-554,472	-550,041
4.1.	Gains / (losses) recognized in the revaluation reserve		0	-9,464	9,666	987,045
4.2.	Transfer of gains / (losses) from the revaluation reserve to profit or loss		-13,305	-17,926	-564,138	-1,537,086
5.	Exchange rate differences		0	0	-14,195	80,257
6.	Tax on other comprehensive income	15.12	**-2,528**	**-5,204**	**59,951**	**58,316**
III.	**NET COMPREHENSIVE INCOME FOR THE PERIOD (I + II)**		2,657,038	1,519,043	4,413,889	4,376,471
	attributable to equity holders of the parent		-	-	3,341,656	3,336,571
	non-controlling interest		**2,672,871**	**1,551,637**	**4,900,072**	**4,787,939**

The notes on pages 31 through 81 are an integral part of the financial statements.

13.3 STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND THE GROUP

		Prva Group		The Group	
EUR	Notes	31.12.2018	31.12.2017	31.12.2018	31.12.2017
ASSETS					
Property, plant and equipment	16.1.	79,113	55,761	3,679,624	3,596,343
Intangible assets	16.2.	0	0	554,274	573,851
Deferred tax assets	15.12.	245,751	245,751	188,823	153,317
Investments in subsidiaries	16.3.	16,581,773	15,581,773	0	0
Financial assets					
Assets attributable to unit holders	16.4.	0	0	4,840,006	3,738,550
Investments in securities	16.5.	3,801,459	2,116,742	54,043,326	49,038,804
1.Measured at amortized cost	16.5.	0	816,332	16,737,224	6,556,703
2.Measured at fair value through other comprehensive income	16.5.	3,113,557	1,300,410	18,675,751	41,265,738
3.Measured at fair value through profit or loss	16.5.	687,903	0	18,630,351	1,216,363
Investment property	16.6.	0	0	2,017,859	1,877,133
Short-term deferred costs and accrued revenue	16.7.	4,168	3,879	251,336	259,968
Assets from financial contracts	16.8.	0	0	284,165,726	275,349,532
Other receivables	16.7.	18,390	2,882	3,274,940	2,876,749
Cash and cash equivalents	16.9.	854,759	2,460,870	2,626,144	3,386,763
TOTAL ASSETS		**21,585,413**	**20,467,658**	**355,642,058**	**340,851,011**
EQUITY and LIABILITIES					
Equity					
1. Issued share capital		13,386,247	13,386,247	13,386,247	13,386,247
2. Reserves		6,021,220	6,021,220	6,021,220	6,021,220
3. Revaluation reserve		0	15,833	-649,730	-186,956
4. Retained earnings		2,736,282	1,552,131	17,254,522	14,951,802
5. Treasury shares		-649,698	-649,698	-649,698	-649,698
6. Non-controlling interest		0	0	5,161,686	4,760,700
Total equity	16.10.	21,494,051	20,325,732	40,524,247	38,283,314
Technical provisions	16.13.	**0**	**0**	27,313,909	23,080,887
Of that: gross provisions in favor of unit-linked insurance underwriters		0	0	4,840,006	3,738,550
Liabilities from financial contracts	16.14.	0	0	284,165,726	275,349,532
Financial liabilities from borrowings	16.15.	0		299	3,680
Other liabilities	16.16.	35,388	29,493	1,703,400	2,343,960
Deferred tax liabilities		0	2,528	51,729	78,858
Other provisions	16.16.	0	0	67,959	74,166
Short-term accrued costs and deferred revenue	16.16.	55,975	112,432	1,814,790	1,636,614
TOTAL EQUITY AND LIABILITIES		**21,585,413**	**20,467,658**	**355,642,058**	**340,851,011**

The notes on pages 31 through 81 are an integral part of the financial statements.

13.4 CASH FLOW STATEMENT OF THE COMPANY AND THE GROUP

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Cash flows from operating activities				
Profit or loss before taxes	2,670,342	1,463,407	5,317,005	5,356,566
Adjustments for:	-2,943,211	-1,873,192	2,736,566	507,466
Profit/loss from investments measured at fair value	0	0	564,977	-193,258
Net interest income	-37,291	-109,326	-968,324	-1,087,453
Dividend income	-2,928,534	-2,853,038	-216,090	-137,769
Impairment of investment	46,496	1,078,553	50,154	21,861
Depreciation of fixed assets	0	0	707,892	584,602
Gains/losses from disposal of investments	12,759	10,619	-12,183	-1,312,914
Net foreign exchange differences	-36,640	0	-140,667	81,659
Change in technical provisions	0	0	2,750,808	2,550,739
Profit from operating activities prior to changes in working capital	-272,869	-409,784	8,053,570	5,864,033
Increase in receivables/liabilities	-66,360	29,616	-765,418	824,966
Cash flow from operations	-339,229	-380,168	7,288,153	6,688,999
Interest income	80,700	107,007	923,236	1,182,850
Interest paid	0	-101,62	-246	-102
Tax paid	0	0	-473,913	-210,131
Net cash from operating activities	-258,529	-273,263	7,737,230	7,661,616
Cash flows from investing activities				
Proceeds/disbursements to acquire property, plant and equipment	-36,112	-1,245	-381,870	-3,244,001
Proceeds/disbursements to acquire intangible assets	0	0	-145,904	-202,901
Proceeds/disbursements from disposal of FVOCI financial assets	-2,554,627	660,488	32,371,336	53,570,448
Disbursements to acquire financial assets measured at FVTPL	0	0	-39,065,931	-53,387,254
Proceeds/disbursements for non-current HTM investments	0	0	0	-675,314
Net receipts from repayments and expenditure for issued loans and deposits	816,332	859,813	816,332	569,595
Proceeds/disbursements for the establishment of new entities, payment of additional capital	-1,000,000	0	0	0
Dividends received	2,928,534	2,853,038	183,044	95,567
Net cash from investing activities	154,127	4,372,094	-6,222,992	-3,273,861
Cash flows from financing activities				
Payment of preference and ordinary dividends and repayment of capital	-1,501,710	-1,219,895	-1,501,710	-1,219,895
Capital increase for own shares	0	-648,588	0	-648,588
Dividends paid to minority interests			-671,246	-463,959
Net cash from financing activities	-1,501,710	-1,868,483	-2,172,956	-2,332,443
Net cash flows	-1,606,110	2,230,348	-658,720	2,055,312
Net foreign exchange differences	0	0	-101,900	-56,709
Cash and cash equivalents as at 1 January	**2,460,870**	**230,522**	**3,386,764**	**1,388,160**
Closing balance of cash and cash equivalents at 31 December	**854,759**	**2,460,870**	**2,626,144**	**3,386,763**

The notes on pages 31 through 81 are an integral part of the financial statements.

13.5 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 2017	**13,386,247**	**6,017,833**	**-1,110**	**3,386**	**48,427**	**1,220,954**	**20,675,737**
Comprehensive income for the period	**0**	**0**	**0**	**0**	-32,594	1,551,637	**1,519,043**
a.) Net profit	*0*	*0*	*0*	*0*	*0*	*1,551,637*	***1,551,637***
b.)Other Comprehensive income	*0*	*0*	*0*	*0*	*-32,594*	*0*	***-32,594***
Ordinary share dividends	0	0	0	0	0	-818,999	**-818,999**
Preference share dividends	0	0	0	0	0	-400,897	**-400,897**
Capital increase from own assets	0	0	0	0	0	0	**0**
Payment of capital	0	0	-648,588	0	0	-565	**-649,153**
Closing balance at 31 December 2017	**13,386,247**	**6,017,833**	**-649,698**	**3,386**	**15,833**	**1,552,131**	**20,325,732**
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***
Ordinary share dividends	0	0	0	0	0	-1,100,986	**-1,100,986**
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**

The notes on pages 31 through 81 are an integral part of the financial statements.

13.6 STATEMENT OF CHANGES IN EQUITY OF THE GROUP

EUR	Share capital	Share premium and other profit reserves	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 2017	**13,386,247**	**6,020,110**	**249,038**	**12,399,699**	**32,055,093**	**4,184,759**	**36,239,852**
Comprehensive income for the period	**0**	0	-435,994	3,772,565	3,336,571	1,039,900	**4,376,471**
a) Net profit	*0*	*0*	*0*	*3,772,565*	*3,772,565*	*1,015,374*	***4,787,939***
b) Other comprehensive income	*0*	*0*	*-435,994*	*0*	*-435,994*	*24,526*	***-411,468***
Ordinary share dividends - The Group	0	0	0	-818,999	-818,999	0	**-818,999**
Preference share dividends - The Group	0	0	0	-400,897	-400,897	0	**-400,897**
Dividends paid to minority interests	0	0	0	0	0	-463,959	**-463,959**
Equity repayments - The Group	0	-648,588	0	-565	-649,153	0	**-649,153**
Closing balance at 31 December 2017	**13,386,247**	**5,371,522**	**-186,956**	**14,951,803**	**33,522,616**	**4,760,700**	**38,283,315**
Opening balance at 1 January 2018	**13,386,247**	**5,371,522**	**-186,956**	**14,951,803**	**33,522,616**	**4,760,700**	**38,283,315**
Comprehensive income for the period	**0**	0	-462,774	3,804,430	3,341,656	1,072,233	**4,413,889**
a) Net profit	*0*	*0*	*0*	*3,804,430*	*3,804,430*	*1,095,643*	***4,900,072***
b) Other comprehensive income	*0*	*0*	*-462,774*	*0*	*-462,774*	*-23,410*	***-486,184***
Ordinary share dividends - The Group	0	0	0	-1,100,986	-1,100,986	0	**-1,100,986**
Preference share dividends - The Group	0	0	0	-400,724	-400,724	0	**-400,724**
Dividends paid to minority interests	0	0	0	0	0	-671,246	**-671,246**
Closing balance at 31 December 2018	**13,386,247**	**5,371,522**	**-649,730**	**17,254,523**	**35,362,562**	**5,161,686**	**40,524,248**

The notes on pages 31 through 81 are an integral part of the financial statements.

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

14.1 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, insurance holding company, plc. and the Group for the year ended 31 December 2018, were approved by the Management Board on 24 April 2019. Prva Group, insurance holding company, 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, insurance 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 2018, the Company employed 4 persons (2017: 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, insurance holding company, 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 2017 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 2018, the Company had 93 members of staff in full-time employment (2017: 95).

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 2018, the Company had 29 members of staff in full-time employment (2017: 32).

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 2018, Prva Group, insurance holding company, plc., held a 60% interest in the company, which was established in May 2006. On 31 December 2018, the company had 19 members of staff in full-time employment (2017: 18).

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 2018, the company had 5 members of staff in full-time employment (2017: 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 2018 the company had no staff (2017: 0).

Table 4: Investments into subsidiary and associated companies as at 31 December 2018

EUR	Ownership	Carrying amount	Total equity of the Company	Profit/loss for 2017
Subsidiaries				
Prva osebna zavarovalnica d.d.	100%	13,730,000	24,982,550	2,806,630
Fajfarjeva ulica 33, 1000 Ljubljana				
KB Prvo penzisko društvo AD Skopje	51%	918,272	8,952,707	2,125,057
Blv.Ilinden 1, 1000 Skopje				
Fondi Slloveno- Kosovar I Pensioneve Sh.A Pristhine Kosovo	67,40%	394,000	432,089	21,134
Rr.UCK, nr.50/2, 10000 Prishtine				
DDOR GARANT Beograd	60%	1,532,000	1,405,897	118,687
Maršala Birjuzova 3-5, 11000 Beograd				
PRVA zavarovalniško zastopniška družba, d.o.o.	100%	7,500	5,896	0
Ameriška ulica 8, 1000 Ljubljana				
Total		**16,581,772**	**35,779,139**	**5,071,508**

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.

Summary of significant accounting policies

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.

The financial statements have been compiled in accordance with the current regulations governing reporting requirements of insurance and pension companies applicable in the financial year 2018.

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 2018 as presented below.

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.

Significant accounting estimates

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.

Management estimates include but are not limited to: depreciation period and the residual value of intangible assets and property, plant and equipment, allowances for doubtful receivables, and claims arising from lawsuits. 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 key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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. As a result of the financial crisis, uncertainty associated with the assessment of the fair value is even greater.

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 insurance 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.

When fair value cannot be determined, financial instruments are measured at cost (the amount paid or received) increased by the cost of transaction.

Technical provisions - Prva osebna zavarovalnica d.d.

Technical provisions are set aside according to the Insurance Act and its implementing regulations, and provisions of IFRS 4.

The Company recognize 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.

Significant management assumptions

In the process of applying the accounting policies, management had made the following judgements apart from those involving estimations, which have the most significant impact on the amounts recognized in the financial statement.

The most significant assumptions relate to:

- The classification of financial instruments, namely the division between financial instruments valued 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.

Investments into subsidiaries and associated companies in the separate financial statements of Prva Group, plc.

Investments into subsidiaries and associated companies are recognized at cost less impairment losses. Subsidiaries are those companies over which the parent maintains a controlling interest. Investments in associated companies refer to enterprises where although the parent has a significant influence, they are not subsidiaries of the parent.

Consolidation bases

The consolidated financial statements comprise the financial statements of Prva Group, insurance holding company, plc., and its subsidiaries as at 31 December 2017 and comparable data as at 31 December 2016.

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, unrealized 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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary

- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative exchange rate differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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 acquire. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or the proportionate share of the acquirer'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 acquire.

If the business combination is achieved in stages (step acquisitions), the acquisition date fair value of the acquirer's previously held interest in the acquire is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognized 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 recognized in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. When contingent consideration is recognized 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 recognized 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 recognized 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 acquire 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.

Investments in subsidiaries

Investments into subsidiaries are carried at cost.

The Company assesses signs of impairment of investments into subsidiaries by reviewing the previously realized 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. Suitability of discount rate and the growth rate are applied in the assessment of impairment criteria.

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.

Monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate of the functional currency on the reporting date. All differences arising from the translation of foreign currency are recognised in the profit or loss. Non-monetary assets and liabilities, recognised in terms of historical cost in a foreign currency, are translated using the exchange rate on the day of the transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated at the exchange rate prevailing on the day when the fair value was determined.

The functional currencies of the foreign subsidiaries are as follows:

- Macedonian denar for KB Prvo penzisko drustvo Skopje
- euro for Fondi Slloveno-Kosovar I Pensioneve Sh.A Pristhine Kosovo,
- Serbian dinar for DDOR GARANT Beograd

On the reporting day, the financial statements of the aforementioned subsidiaries were translated into the reporting currency of the consolidated financial statements. 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 recognized directly in the statement of comprehensive income until the sale of a subsidiary when the exchange rate differences are transferred to the income statement.

Land, buildings and equipment

Equipment is recognized at cost, which includes direct costs of acquisition, less accumulated depreciation and impairment losses. The Company and the Group use the straight-line depreciation method over the estimated useful life of the assets. The depreciation rates did not change in 2018 and are identical to those used in 2017.

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 recognized 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 amortization 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.

Borrowing costs

Borrowing costs comprise interest and other costs incurred by the Company and the Group in relation to the borrowing of financial assets. Borrowing costs may also include interest on overdrawn accounts at banks and interest on borrowings raised, foreign exchange differences from borrowings raised in foreign currency, and financial lease costs. Borrowing costs are recognized in the period to which they pertain as expenses associated with financial assets and liabilities.

Intangible assets

Intangible assets acquired individually are recognized at cost while intangible assets acquired on the basis of a business combination are recognized 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. Amortization of an item of intangible assets is recognized through profit or loss.

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

Intangible assets created within the Group are not capitalized. 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.

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 categorized as financial contracts and unit-linked funds) into the following categories:

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

The classification is based on the purpose of their acquisition.

Recognition of financial assets

The Company and the Group initially recognize all investments, except for investments classified at fair value through profit or loss, at fair value, which includes the purchase costs that are directly attributable to the acquisition. Investments classified at fair value through profit or loss are recognized at fair value (direct costs of acquisition are not included in the acquisition value).

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. Realized gains and losses on investments classified at fair value through profit or loss are recognized 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 recognized on the trading day, which is the day the Company or the Group commit to purchase or sell an individual asset.

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 i.e. cash flows that are consistent with a basic lending arrangement

Gains or losses from are recognized in the statement of comprehensive income as net unrealized 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 recognized on the trading day; this is the day the Company or the Group commit 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.

Investments 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 i.e. cash flows that are consistent with a basic lending arrangement

Investments are carried at amortized cost using the effective interest rate method. The amortized 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 amortized cost are recognized in the profit or loss (disposal, impairment or effects of the discount / premium amortization). Impairments of investments for debt instruments are performed based on expected credit loss, according to IFRS 9. The impairments are recognized in P&L.

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 chosen combination represent a similar approach as under IAS 39, because funds do not have equity and revaluation of investment is recognized through P&L to mathematical provisions. The frequency of purchases and sales is high, which is in line with the key goal – higher yields. Most of the financial instruments under IAS 39 and IFRS 9 afterwards is classified as fair value through profit and loss. 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 31.12.20118 there was no such investment.

The transition from IAS 39 to IFRS 9 did not have any significant impact on the classification or measurement. The majority of investments (under IAS 39 and IFRS 9) are still in the category of fair value through profit and loss.

Loans and deposits were moved to the amortized cost category. Additionally, the group of funds 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.

Effects of IFRS 9 implementation – pension funds

	Original classification under IAS 39	under IFRS9	Original carrying amount under IAS 39 31.12.2017	New carrying amount under IFRS 9 1.1.2018
Investment	Amortized cost	Amortized cost	17.596.075	17.568.154
Investment	FVTPL	FVTPL (according to business model)	234.341.049	234.341.049
Investment	FVTPL	Amortized cost	2.701.392	2.697.892
Total financial assets			**254.638.516**	**254.607.096**

	IAS 39 carrying amount 31.12.2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1.1.2018
Amortized cost (loans and deposits before)				
Opening balance	17.596.075	0	0	17.596.075
Transfer to amortized cost	-17.596.075	17.596.075	0	0
Remeasurement:ECL allowance	0	0	-27.921	-27.921
Reclass: from FVTPL	0	2.701.392	0	2.701.392
Remeasurement:ECL allowance	0	0	-3.500	-3.500
Closing balance	0	20.297.467	-31.421	20.266.046
FVTPL				
Opening balance	237.042.441	0	0	237.042.441
Transfer to AC	-2.701.392	0	0	-2.701.392
Transfer to FVTPL (according to business model)	-234.341.049	234.341.049	0	0
Closing balance	0	234.341.049	0	234.341.049

Reclassification of financial instruments to amortized cost	**2018**
Fair value as of 31.12.2017	2.701.392
Fair value gain/(loss) that would have been recognized in OCI during the year if the financial asset had not been reclassified	0

Loss allowance	Loss allowance under IAS 39/Provisions under IAS 37 31.12.2017	Reclassification	Remeasurement	Loss allowance under IFRS 9 1.1.2018
HTM (IAS 39)/Financial assets at amortized cost (IFRS 9)	0	0	31.421	31.421

Effects of IFRS 9 implementation - unit linked funds

	Original classification under IAS 39	under IFRS9	Original carrying amount under IAS 39 31.12.2017	New carrying amount under IFRS 9 1.1.2018
Investment	Amortized cost	Amortized cost	30.161	30.092
Investment	FVTPL	FVTPL (according to business model)	3.157.716	3.157.716
Investment	FVTPL	Amortized cost	9.782	9.729
Total financial assets			3.197.660	3.197.537

	IAS 39 carrying amount 31.12.2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1.1.2018
Amortized cost (loans and deposits before)				
Opening balance	30.161	0	0	30.161
Transfer to amortized cost	-30.161	30.161	0	0
Remeasurement:ECL allowance	0	0	-69	-69
Reclass: from FVTPL	0	9.782	0	9.782
Remeasurement:ECL allowance	0	0	-54	-54
Closing balance	0	39.943	-123	39.821
FVTPL				
Opening balance	3.167.499	0	0	3.167.499
Transfer to AC	-9.782	0	0	-9.782
Transfer to FVTPL (according to business model)	-3.157.716	3.157.716	0	0
Closing balance	0	3.157.716	0	3.157.716

Reclassification of financial instruments to amortized cost	**2018**
Fair value as of 31.12.2017	9.782
Fair value gain/(loss) that would have been recognized in OCI during the year if the financial asset had not been reclassified	0

Loss allowance	Loss allowance under IAS 39/Provisions under IAS 37 31.12.2017	Reclassification	Remeasurement	Loss allowance under IFRS 9 1.1.2018
HTM (IAS 39)/Financial assets at amortized cost (IFRS 9)	0	0	123	123

Financial investments of the company

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". The chosen combination represent a similar approach as under IAS 39, under which the Company, based on different analyzes, decided to recognize 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 Company 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.

	Original classification under IAS 39	under IFRS9	Original carrying amount under IAS 39 31.12.2017	New carrying amount under IFRS 9 1.1.2018
Investment	Amortized cost	Amortized cost	816.332	816.225
Investment	FVTPL	FVTPL (according to business model)	1.101.590	1.101.590
Investment	FVTPL	Amortized cost	198.821	198.611
Total financial assets			2.116.742	2.116.425

	IAS 39 carrying amount 31.12.2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1.1.2018
Amortized cost (loans and deposits before)				
Opening balance	816.332	0	0	816.332
Transfer to amortized cost	-816.332	816.332	0	0
Remeasurement:ECL allowance	0	0	-107	-107
Reclass: from FVTPL	0	198.821	0	198.821
Remeasurement:ECL allowance	0	0	-210	-210
Closing balance	0	1.015.153	-317	1.014.836
FVTPL				
Opening balance	0	0	0	0
Transfer from AFS (debt instrument, according to business model)	0	1.101.590	0	1.101.590
Closing balance	0	1.101.590	0	1.101.590
Available for sale				
Opening balance	1.300.410	0	0	0
Transfer to FVTPL (according to business model)	-1.101.590	0	0	0
Transfer to AC	-198.821	0	0	0
Closing balance	0	0	0	0

Reclassification of financial instruments to amortized cost	2018
Fair value as of 31.12.2017	198.821
Fair value gain/(loss) that would have been recognized in OCI during the year if the financial asset had not been reclassified	0

Loss allowance	Loss allowance under IAS 39/Provisions under IAS 37 31.12.2017	Reclassification	Remeasurement	Loss allowance under IFRS 9 1.1.2018
HTM (IAS 39)/Financial assets at amortized cost (IFRS 9)	0	0	317	317

Financial investments of the group

Prva osebna zavarovalnica

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". The chosen combination represent a similar approach as under IAS 39, under which the Company, based on different analyzes, decided to recognize 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 transferred all the equity instruments from AFS in the FVTPL category. Deposits and similar money market products are classified at amortized costs.

Loans and deposits were moved to the amortized cost category. Additionally, the Company 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.

KB Prvo penzisko društvo AD, Skopje; Fondi Slloveno-Kosovar I Pensioneve sh.A Pristhine Kosovo; DDOR GARANT Beograd

Financial assets under IFRS 9 are classified in the combination of business model for the "purpose of receiving contractual cash flows and sale", for the "purpose of receiving contractual cash flows" and "other".

Comparing to IAS 39, companies KB prvo and DDOR Garant transferred most of their investment, which was not for the purpose of liquidity reserve, from available for sale to amortized cost. For local purposes, both companies already classified those part of investment as HTM under IAS 39. On the consolidation level those investment were shown as AFS as a consequence of reclassification of HTM to FVTPL on pension funds at Prva osebna zavarovalnica (significant part of the group) in 2013 in 2014. Debt instruments, which represents liquidity reserve, are classified as FVTPL in both firms.

Loans and deposits were moved to the amortized cost category. Investment in equity will be classified as FVTPL according to IFRS 9.

	Original classification under IAS 39	under IFRS9	Original carrying amount under IAS 39 31.12.2017	New carrying amount under IFRS 9 1.1.2018
Investment	Amortized cost	Amortized cost	6.556.703	6.521.176
Investment	AFS	FVTPL (according to business model)	16.585.604	16.585.604
Investment	AFS	Amortized cost	7.904.067	7.851.300
Investment	AFS	FVOCI - debt	16.776.067	16.776.067
Investment	FVTPL	FVTPL (according to business model)	1.216.363	1.216.363
Total financial assets			49.038.804	48.950.510

	IAS 39 carrying amount 31.12.2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1.1.2018
Amortized cost (loans and deposits before)				
Opening balance	6.556.703			6.556.703
Transfer to amortized cost	-6.556.703	6.556.703		0
Remeasurement:ECL allowance			-35.527	-35.527
Reclass: from FVTPL		7.904.067		7.904.067
Remeasurement:ECL allowance			-52.768	-52.768
Closing balance	0	14.460.770	-88.294	14.372.476
FVTPL				
Opening balance	1.216.363	0	0	1.216.363
Transfer from AFS (debt instrument, according to business model)	0	16.585.604	0	16.585.604
Closing balance	1.216.363	16.585.604	0	17.801.967
FVOCI - debt				
Opening balance	0	0	0	0
Transfer from AFS (debt instrument, according to business model)	0	16.776.067	0	16.776.067
Closing balance	0	16.776.067	0	16.776.067
AFS				
Opening balance	41.265.738	0	0	41.265.738
Transfer to FVTPL (according to business model)	-16.585.604	0	0	-16.585.604
Transfer to FVOCI -debt	-16.776.067	0	0	-16.776.067
Transfer to AC	-7.904.067	0	0	-7.904.067
Closing balance	0	0	0	0

Reclassification of financial instruments to amortized cost	
Fair value as of 31.12.2017	7.904.067
Faire value gain/(loss) that would have been recognized in OCI during the year if the financial asset had not been reclassified	47.234

Loss allowance	Loss allowance under IAS 39/Provisions under IAS 37 31.12.2017	Reclassification	Remeasurement	Loss allowance under IFRS 9 1.1.2018
HTM (IAS 39)/Financial assets at amortized cost (IFRS 9)	0	0	41.060	41.060

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 of Slovenian Insurance Association (AZN/ATVP), 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:

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

%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.
- Assets under management (pension funds and unit linked funds) do not have capital, and consequently every change in ECL is shown in the change of provisions.

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 organized 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 categorizes 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 categorization in Level 1 or 2.

Table 5: 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

Derecognition of financial instruments

A financial asset is written-off when the risks and benefits and the control over contractual rights related to financial instruments are transferred. A financial liability is derecognized once it has been paid, extinguished or has become statute-barred.

Impairments

Investment property is checked annually for any indication of impairment. When an item of investment property has been impaired, its recoverable amount is assessed. The asset's recoverable amount is the higher of its net selling amount less cost of sales and its value in use. When the net carrying amount of investment property exceeds its recoverable amount, the difference is recognized as an impairment loss.

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.

Operating and other receivables

Operating receivables are recognized 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.

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.

Equity

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

Direct additional costs of issuing new shares less tax effects are recognized 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 recognized 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.

Borrowings

All borrowings are initially recognized at fair value less the cost of acquisition. At initial recognition, borrowings are recognized at amortized cost using the effective interest rate method through profit or loss, taking into consideration the costs of acquisition and any discount or premium upon acquisition.

Upon elimination of these liabilities, gains or losses are recognized in the profit or loss.

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 recognized by the Company as expenses of the period. The Company also recognizes 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 recognized 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 recognized as operating costs (employee costs) in the income statement. Changes of such provisions resulting from payments or new formations are recognized 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 recognized as actuarial gains or losses in other comprehensive income, but only for the provisions for termination benefit on retirement.

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.

Prva osebna zavarovalnica d.d. and 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 in line with IAS 39. 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 recognizes and evaluates assets from financial contracts the same as other investments.

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

Liabilities for insurance contracts - technical provisions

a) 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 recognized 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) Provisions for voluntary supplementary pension insurance products

Voluntary supplementary pension insurance products are categorized as 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 the net premium of individuals, which is the gross premium paid less entry charges. The amount of provision of an individual policyholder is the product of the number of individual fund's asset units of an individual policyholder and the values of asset unit on the valuation date.

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

a.7) 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 recognized 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 recognized 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 recognized 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.

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 categorized into:

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

Revenues and expenditures in respect of investments are recognized directly to insurants, in the Balance sheet under the Liabilities from financial contracts. Payment of premiums, realized and unrealized 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 pension 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.

The assets of pension funds of other subsidiaries do not include the guaranteed return, hence they are not recorded as assets and liabilities from financial contracts.

Reinsurance

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

Prva osebna zavarovalnica plc. draws up reinsurance calculation at the end of each quarter of the year. Reinsurance premium is recognised as a liability towards Reinsurance Company. At each quarter-end, claim calculation is drawn up and 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 Prva osebna zavarovalnica 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.

Revenue

Revenues are recognized 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.

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 recognized in accounting records on the day of settlement of account rather than on the day of payment.

- Fee and commission 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.

- Interest

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

- Dividends

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

- Other financial 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.

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.

- Financial 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.

- Tax
  - *Current tax*

Current tax assets or liabilities for current and past periods are measured at amounts the Company or the Group expect to pay or at amounts of tax credits. Current tax assets or liabilities are measured using tax rates valid on the reporting date.

  - *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 recognized.

Deferred tax assets are also recognized for unused tax losses and unused tax credits which are carried over into the following period if it is probable that the relevant amount of taxable profits will be available in future periods against which unused tax losses may be utilized.

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 utilized.

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

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

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 2017, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2018 and which are presented below.

New standards, Interpretations and amendments to published Standards (as at 31 October 2018) that are not yet effective

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

On the other hand accounting for the lessor remains mainly unchanged because the distinction between business and financial leasing is maintained.

The Group assumes that the new standard will not have a significant effect on the financial statements at the date of first application. After analyzing the operating leases in which it acts as a lessee, the Group found there will be some changes in the presentation of operating leases at company cars and renting of business premises.

Effects of implementing IFRS 16

Right to use	Financial liability
235.756	244.487

The nature and costs associated with these leases will change, as the company will recognize the costs of depreciation, the right to use of assets and the cost of interest for the lease obligations, which, however, are not relevant from the viewpoint of the statements as a whole. For the lease duration of premises, the group decided to display a financial liability in relation to the actual duration of the contract.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is

probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the financial statements as the Group does not operate in a complex multinational tax environment.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

These amendments address concerns raised about accounting for financial assets that include particular contractual prepayment options. In particular, the concern was related to how a company would classify and measure a debt instrument if the borrower was permitted to prepay the instrument at an amount less than the unpaid principal and interest owed. Such a prepayment amount is often described as including 'negative compensation'. Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss.

The amendments enable entities to measure at amortized cost some prepayable financial assets with so-called negative compensation

The Group does not expect that the amendments will have a material impact on the financial statements because the group does not have any prepayment with negative compensation.

Standards and interpretations not yet endorsed by the EU as at 31 October 2018

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 recognized 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 recognized 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 Group has no subsidiaries, 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.

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 zavarovalnica) operates in the insurance sector with insurance contracts. The Group is still estimating the potential effects on the financial statements.

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

The Amendments clarifies that companies account for investments in associates or joint ventures, for which equity method is not applied, in accordance with provisions of IFRS 9 Financial Instruments.

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

Annual Improvements to IFRS 2015-2017 Cycle

The Improvements to IFRSs (2015-2017) contains four amendments to standards. The main changes were to:

- clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;
- clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;
- clarify that the entity should always accounts for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits; and
- clarify that the entity should exclude from the funds that the entity borrows generally borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete as borrowings made specifically for the purpose of obtaining a qualifying asset should not apply to a borrowing originally made specifically to obtain a qualifying asset if that asset is ready for its intended use or sale.

None of these changes are expected to have a material impact on the financial statements of the Group.

Amendments to IAS 19: Employee Benefits

The Amendments require that the Entity uses current and updated assumptions when a change to a plan, and amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

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.

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

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 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.

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

14.2 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.

14.3 SEGMENT REPORTING

Geographical segments

The Group operates or has operated 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.

The following table displays revenues, data on profits, assets and certain liabilities broken down by geographical segments.

Table 6: Geographical segments

Year Ended on 31 December 2018	*Slovenia*	*Third countries*	*Total*
Revenues by segment in 2018	21,575,778	5,224,427	26,800,206
Other data by segment			
Assets by segment	361,162,588	11,201,340	372,363,928
Financing:			
Property, plant and equipment	198,696	555,778	754,473
Intangible assets	164,887	2,409	167,297
Total financing	363,583	558,187	921,770

* before consolidation entries

Year Ended on 31 December 2017	*Slovenia*	*Third countries*	*Total*
Revenues by segment in 2017	21,767,885	5,079,231	26,847,116
Other data by segment			
Assets by segment	345,937,778	10,602,065	356,539,843
Financing:			
Property, plant and equipment	3,278,695	12,226	3,290,921
Intangible assets	218,977	3,841	222,818
Total financing	3,497,672	16,067	3,513,739

Revenues earned in Slovenia by individual segment relate to income generated by Prva Osebna zavarovalnica d.d., companies in the Group, and Prva zavarovalno zastopniška družba. Amounts earned by segments in third countries relate to subsidiaries in Kosovo, Macedonia and Serbia. The amounts presented are exclusive of consolidation entries.

Operating Segments

Primary operating segments of the Group include:

- Non-life insurance,
- Life assurance,
- Other

Table 7: Operating segments

Year Ended on 31 December 2018	Non-life insurance	Life insurance	Other	Total
Revenues by segment	2,234,408	16,759,272	7,806,525	26,800,206
Net profit or loss for the period	322,077	2,484,553	5,352,523	8,159,153
Total assets	8,386,146	331,185,133	32,792,650	372,363,928

* before consolidation entries

Year Ended on 31 December 2017	Non-life insurance	Life insurance	Other	Total
Revenues by segment	2,364,795	16,578,910	7,903,411	26,847,116
Net profit or loss for the period	907,894	2,194,311	3,681,100	6,783,306
Total assets	6,591,561	318,872,375	31,075,906	356,539,843

Non-life insurance represents amounts earned by Prva osebna zavarovalnica; Other relates to income generated by the Group, Life insurance relates to amounts earned by Prva osebna zavarovalnica from sale of life insurance and the remaining amount relates to other pension funds included in the consolidation. The amounts presented are exclusive of consolidation and off-balance entries.

15 NOTES TO THE INCOME STATEMENT

15.1 OPERATING INCOME

Operating income of the Company refers only to services the Company charges to subsidiary companies for services rendered. These incomes are eliminated from the consolidated revenues.

Income of the Group consists of:

- Net income from insurance premiums
- Other insurance income

15.2 NET PREMIUM INCOME

Table 8: Net income from insurance premiums

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Gross insurance premiums written	0	0	15,532,864	13,720,034
Premiums written re-insured	0	0	-868,095	-801,615
Change of unearned premium	0	0	3,389	-659
Total	**0**	**0**	14,668,157	12,917,759

15.3 OTHER INSURANCE INCOME

Other insurance income is composed from:

- entry fees
- management fees
- exit fees
- other services.

Table 9: Revenues from operations and other revenues

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Entry fees	0	0	2,052,302	1,998,258
Management fee	0	0	5,912,321	5,747,657
Exit fees	0	0	71,772	89,160
Revenues from operations	39,226	39,489	600,213	306,865
Total	39,226	39,489	8,636,607	8,141,940

Main part of other insurance income represents entry and management fees from supplementary pension insurance.

The entry fees are charged from paid-in premiums, not exceeding 3% of the paid-in premium at the year-end (2017: 3%).

The Group also charges annual management fee ranging from 0.5% to 1.0% for the administration and management of all pension funds (2017: 0.5% to 1.0%).

Upon the termination of the supplementary pension insurance, the administrator is entitled to an exit fee in the amount of 1% of the redemption value upon termination of the insurance contract (2017: 1%).

15.4 INTEREST INCOME AND EXPENSE

Interest income include interest from bank deposits and interest from investments earned in 2018.

- Interest income

Table 10: Interest income

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Financial assets	37,291	109,427	1,051,200	1,231,983
1. Amortized cost	0	0	400,606	67,638
2. Measured at fair value through other comprehensive income	37,291	109,427	298,257	1,130,186
3. Measured at fair value through profit or loss	0	0	352,337	34,159
Other	0	0	1,204	257
Total interest income	37,291	109,427	1,052,404	1,232,240

- Interest expense

Table 11: Interest expense

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Other interest expense	0	-102	-20	-2,723
Total	0	-102	-20	-2,723

15.5 DIVIDEND INCOME

Table 12: Dividend income

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Dividends from subsidiaries	2,844,022	1,995,368	0	0
Dividends from investment, measured at fair value through other comprehensive income	84,511	857,671	84,511	107,136
Dividend income from investments measured at fair value through profit or loss	0	0	131,579	30,633
Total	2,928,534	2,853,038	216,090	137,769

15.6 NET GAINS/LOSSES FROM INVESTMENTS

Table 13: Net gains/losses from investments

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Net gains from revaluation of investments measured at fair value through profit or loss	-46,496	0	-826,684	194,823
Net gains/losses from disposal of securities	36,640	-7,398	43,407	1,530,245
Impairment of investments not measured at fair value through profit or loss	0	-1,078,553	-11,206	-21,861
Net foreign exchange differences	0	0	131,526	-212,387
Total	-9,855	-1,085,951	-662,958	1,490,820

The impairment of investments in the amount of EUR 1,078,553 refers to the impairment of subsidiaries, and this is eliminated on the consolidated level.

15.7 NET EXPENSES FOR CLAIMS AND CHANGES IN TECHNICAL PROVISIONS

- Net expenses for claims

Table 14: Net expenses for claims

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Gross claims charged	0	0	-4,612,324	-4,582,317
Re-insurance share of gross claims	0	0	441,467	356,041
Change of provisions for outstanding claims	0	0	-343,549	-448,171
Change of provisions for outstanding claims re-insured	0	0	384,150	233,517
Total	**0**	**0**	**-4,130,256**	**-4,440,929**

- Changes in technical provisions

Table 15: Changes in technical provisions

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Change of gross mathematical provisions	0	0	0	0
Life insurance guarantee fund	0	0	-3,792,788	-3,031,501
Non-life insurance guarantee fund	0	0	-374,044	-235,064
Total	**0**	**0**	-4,166,833	-3,266,565

15.8 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 16: Costs of acquiring insurants

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Commissions to agents costs	0	0	-1,832,866	-2,291,944
Marketing campaigns costs	0	0	-544,303	-488,292
Total	**0**	**0**	-2,377,169	-2,780,236

15.9 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 labor costs for 2018.

Prva Group plc. had 4 employees at the end of 2018 (2017: 4), while there were 150 persons employed in the Group at the end of 2018 (2017: 154).

Table 17: Employee costs

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Employee salaries	-84,597	-149,907	-3,236,549	-3,320,399
Holiday pay	-720	-1,700	-93,623	-84,394
Reimbursements for meals and transportation to work	-907	-1,949	-171,159	-163,785
Employer's contributions and taxes on salaries paid	-35,416	-26,498	-659,682	-579,406
- Pension insurance contributions	-19,468	-14,565	-293,979	-214,533
- Social security contributions	-15,948	-11,932	-365,703	-364,874
Payments to employees for supplementary pension insurance	-1,109	-3,440	-139,647	-134,354
Other labor costs	-62,284	-68,485	-114,871	-201,407
Total	-185,032	-251,979	-4,415,530	-4,483,746

15.10 OTHER COSTS

Other costs comprise the cost of services by individual persons, material operating costs, service operating costs, marketing costs, supervisory board costs, rental costs, deferred employee liabilities and other costs.

Table 18: Other costs

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Reimbursement of work-related costs	-1,046	-3,981	-54,095	-82,776
Costs of intellectual and personal services	-39,858	-75,846	-328,485	-466,224
Cost of rent	-3,508	-17,548	-181,159	-391,010
Costs of other services	-68,788	-77,592	-736,610	-709,845
Other costs	-9,697	-13,273	-1,395,090	-1,314,109
Total	-122,897	-188,241	-2,695,440	-2,963,963

Table 19: Audit fees

EUR	Prva Group		The Group	
	2018	2017	2018	2017
Audit of the annual report	-8,540	-9,110	-50,872	-57,796
Other non-auditing services	0	0	0	0
Other auditing services	-1,464	-1,464	-19,180	-17,716
Tax advisory services	0	0	0	0
Total	-10,004	-10,574	-70,052	-75,512

15.11 OTHER REVENUES AND EXPENSES

- Other revenues

Other revenues relating to the operating costs of real estate, the difference in the sale of fixed assets and services between related parties.

- Other expenses

Table 20: Other expenses

	Prva Group		The Group	
EUR	2018	2017	2018	2017
Other expenses	-4,167	-1,656	-322,729	-311,861
Total	-4,167	-1,656	-322,729	-311,861

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. Most expenses representing write-offs of receivables as well as operating costs charged further.

15.12 DEFERRED AND CURRENT TAX

Table 21: Deferred tax of Prva group

	Balance sheet		Recognized in statement of comprehensive income	Recognized in profit or loss
EUR	31.12.2018	31.12.2017	2018	2018
Deferred income tax assets	245,751	245,751	0	
Impairment of investments and receivables	245,751	245,751	0	0
Unutilized tax losses	0	0	0	0
Deferred income tax liabilities	0	2,528	0	2,528
Revaluation of FVOCI investments	0	2,528	0	2,528
Total deferred income tax assets	245,751	243,223	0	2,528

Table 22: Deferred tax - The Group

EUR	Balance sheet		Recognized in statement of comprehensive income	Recognized in profit or loss
	31.12.2018	31.12.2017	2018	2018
Deferred income tax assets	188,823	153,318	30,726	1,411
Fixed asset depreciation	4,323	8,079	0	-3,756
Impairment of investments and receivables	178,400	140,236	30,726	4,069
Provisions for employees	6,101	5,003	0	1,098
Unutilized tax losses	0	0	0	0
Deferred income tax liabilities	51,729	78,387	-29,226	-2,529
Revaluation of FVOCI investments	51,729	78,387	-29,226	-2,529
Deferred income tax assets	137,094	74,931	59,951	3,940

As at 31 December 2018, deferred tax amounts were restated using tax rates effective at the time the Company expects to utilise these tax assets i.e. at the rate of 19% (2017: 19%).

Table 23: Reconciliation of tax and accounting profit multiplied by the tax rate applicable in Slovenia

EUR	Prva Group		The Group	
	2018	2017	2018	2018
Profit for the year before tax	2,670,342	1,463,407	5,315,130	5,356,567
Net increase/decrease in the tax basis	-2,795,411	-2,710,386	-166,692	-353,757
Expenses not recognized for tax purposes	13,685	1,095,556	143,199	110,392
Tax relief	0	0	195,730	201,482
Tax loss utilized	0	0	114,162	262,666
Deduction of foreign tax	0	0	0	0
Deferred tax	2,529	88,230	3,941	-173,554
Income tax	0	0	-418,998	-395,074
Total tax	2,529	88,230	-415,057	-568,628
Effective tax rate	0,00%	0,00%	7,81%	10,62%

In the financial year under review, the Company /the Group accounted for the amount of current income tax payable using the applicable tax rate of 19% in Slovenia (2017: 19%).

15.13 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 24: Earnings per share

	The Group	
	2018	2017
Net profit for the year attributable to the Company/Group	3,804,430	3,768,510
Less dividends paid out to owners of preference shares	-400,724	-400,825
Net profit attributable to ordinary equity holders of the parent (EUR)	3,403,705	3,367,685
Weighted average number of ordinary shares for basic earnings per share	291,484	291,484
Earnings per share (in EUR)	**11.68**	**11.55**

16 NOTES TO THE STATEMENT OF FINANCIAL POSITION

16.1 PROPERTY, PLANT AND EQUIPMENT

Table 25: Movement in property, plant and equipment in 2018

	Prva Group		The Group	
EUR	Equipment	TOTAL	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 2018	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

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

Table 26: Movement in property, plant and equipment in 2017

	Prva Group		The Group	
EUR	Equipment	TOTAL	Buildings and equipment	TOTAL
ACQUISITION VALUE				
At 31 Dec 2016	193,650	193,650	1,730,027	1,730,027
Additions	1,245	1,245	3,180,700	3,180,700
Disposals	0	0	-97,841	-97,841
Currency differences	0	0	6,105	6,105
At 31 Dec 2017	194,895	194,895	4,818,992	4,818,992
ACCUMULATED DEPRECIATION				
At 31 Dec 2016	128,515	128,515	1,116,998	1,116,998
Depreciation in 2017	10,619	10,619	152,959	152,959
Disposals	0	0	-50,718	-50,718
Currency differences	0	0	3,410	3,410
At 31 Dec 2017	139,134	139,134	1,222,649	1,222,649
CARRYING AMOUNT				
At 31 Dec 2016	65,135	65,135	613,030	613,030
At 31 Dec 2017	55,760	55,760	3,596,343	3,596,343

In 2018, Prva osebna zavarovalnica purchased real estate on Fajfarjeva ulica in Ljubljana, a part of which it uses for own needs (disclosed in fixed assets), and rents out the other part.

16.2 INTANGIBLE ASSETS

Table 27: Movement in intangible assets in 2018

	Prva Group				The Group			
EUR	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software applications	Investments 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 Dec2017	178,858	0	0	178,858	1,705,409	0	56,508	1,761,917
Amortization 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

Table 28: Movement in intangible assets in 2017

,	Prva Group				The Group			
EUR	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL	Software applications	Investments in progress	Long-term deferred acquisition costs	TOTAL
ACQUISITION VALUE								
At 31 Dec 2016	178,858	0	0	178,858	2,058,433	9,452	118,375	2,186,260
Additions	0	0	0	0	2,069	198,589	22,337	222,995
Transfers	0	0	0	0	131,526	-131,526	-89,474	-89,474
Disposals	0	0	0	0		0	0	0
Currency differences					7,294	0	8,693	15,987
At 31 Dec 2017	178,858	0	0	178,858	2,199,321	76,515	59,931	2,335,768
ACCUMULATED AMORTISATION								
At 31 Dec2016	178,858	0	0	178,858	1,540,072	0	28410	1,568,482
Amortization in 2017	0			0	157,567	0	2,857	160,424
Disposals				0	0	0	22,361	22,361
Currency differences					7,769	0	2,880	10,649
At 31 Dec 2017	178,858			178,858	1,705,409	0	56,508	1,761,917
CARRYING AMOUNT								
At 31 Dec 2016	0	0	0	0	518,360	9,452	89,965	617,778
At 31 Dec 2017	0	0	0	0	493,913	76,515	3,423	573,851

16.3 INTERESTS IN SUBSIDIARIES

Interests 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 29: Interests in subsidiaries

EUR	Ownership	Prva Group	
		31.12.2018	31.12.2017
Prva osebna zavarovalnica d.d.	100%	13,730,000	12,730,000
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 realized results, dividend paid, and future business plans of subsidiaries.

On 30 November 2018, 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: 13.98%
- 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: 182% in KB Prvo 497%).

Table 30: 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%
12.83%	3.70%	5.80%	8.10%	10.60%	13.40%
13.33%	-0.10%	1.80%	3.90%	6.10%	8.50%
13.83%	-3.50%	-1.80%	0.00%	2.00%	4.20%
14.33%	-6.70%	-5.20%	-3.50%	-1.80%	0.20%
14.83%	-9.70%	-8.30%	-6.80%	-5.20%	-3.50%

Table 31: 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%	0.50%	1.50%	2.50%	3.50%
11.83%	2.40%	3.80%	5.50%	7.60%	10.20%
12.83%	0.00%	1.20%	2.50%	4.10%	6.10%
13.83%	-2.00%	-1.10%	0.00%	1.30%	2.80%
14.83%	-3.80%	-3.00%	-2.10%	-1.10%	0.10%
15.83%	-5.30%	-4.60%	-3.90%	-3.10%	-2.10%

16.4 ASSETS OF UNIT-LINKED POLICY HOLDERS

Table 32: Assets of unit-linked policy holders

	Prva Group		The Group	
EUR	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Assets of unit-linked policy holders	0	0	4,840,006	3,738,550
Total	**0**	**0**	**4,840,006**	**3,738,550**

16.5 INVESTMENTS IN SECURITIES

Investments in securities represent investments in shares and bonds.

Table 33: Investments in securities

EUR	Prva Group		The Group	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Investments into securities at amortized cost	0	816,332	16,737,224	6,556,703
Investments into securities at fair value through other comprehensive income	3,113,557	1,300,410	18,675,751	41,265,738
Investments into securities at fair value through profit or loss	687,903	0	18,630,351	1,216,363
Total	3,801,460	2,116,742	54,043,326	49,038,804

Table 34: Structure of securities based on type of interest rate

V EUR	Prva Group		The Group	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Investments into securities at amortized cost:	0	816,332	16,737,224	6,556,703
- debt securities at fixed rate of interest	0	816,332	16,737,224	6,556,703
- debt securities at variable rate of interest	0	0	0	0
Investments into securities at fair value through other comprehensive income	3,113,557	1,300,410	18,675,751	41,265,738
- debt securities at fixed rate of interest	0	1,300,410	15,561,698	32,993,448
- debt securities at variable rate of interest	0	0	496	241,985
- equity securities	3,113,557	0	3,113,557	8,030,305
Investments into securities at fair value through profit or loss	687,903	0	18,630,351	1,216,363
- debt securities at fixed rate of interest	687,903	0	12,012,417	1,216,363
- debt securities at variable rate of interest	0	0	197,680	0
- equity securities	0		6,420,254	0
Total	3,801,460	2,116,742	54,043,326	49,038,804

The effective interest rate for securities ranges from 0,7% do 10,10% (2017: 0,24% do 6,7%).

Table 35: Investment in equity instrument, valued at fair value through other comprehensive income

	Fair value 31.12.2018	Dividend income recognized for investment held at the end of the year	Transfer of cumulative gain or loss within equity
DBS d.d.	3,088,800	84,511	0
DEJ d.o.o., Alternativni investicijski sklad z garantiranim donosom v višini inflacije	24,756	0	0
Total	3,113,557	84,511	0

Table 36: Reconciliation of loss allowance for FVOCI instruments of the company

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit impaired)	
Loss allowance as of 1.1.2018	317	0	0	317
Net charge from purchase sale	-317	0	0	-317
Total net P&L charge during the period	317	0	0	317
Balance at 31.12.2018	0	0	0	0

Table 37: Group investment, valued at amortized cost by stages and credit ratings

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit impaired)	
Credit risk rating grade				
AAA-AA	0	0	0	0
A	0	0	0	0
BBB-BB	5,180,406	0	0	5,180,406
B	7,489,794	0	0	7,489,794
CCC-CC	0	0	0	0
C	0	0	0	0
D	0	0	0	0
Not rated	4,067,024	0	0	4,067,024
Balance at 31.12.2018	16,737,224	0	0	16,737,224

Table 38: Group investment, valued at fair value through other comprehensive income by stages and credit ratings

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit impaired)	
Credit risk rating grade	0	0	0	0
AAA-AA	4,064,222	0	0	4,064,222
A	4,298,032	0	0	4,298,032
BBB-BB	9,025,419	0	0	9,025,419
B	1,007,795	77,059	0	1,084,855
CCC-CC	0	0	0	0
C	0	0	0	0
D	0	0	0	0
Not rated	203,224	0	0	203,224
Balance at 31.12.2018	18,598,693	77,059	0	18,675,752

Table 39: Reconciliation of loss allowance for amortized cost instruments of the group

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit impaired)	
Loss allowance as of 1.1.2018	51,137	0	0	18,830
Net charge from purchase sale	-13,382	0	0	-339
Total net P&L charge during the period	13,382	0	0	339
Balance at 31.12.2018	37,755	0	0	18,492

Table 40: Reconciliation of loss allowance for FVOCI instruments of the group

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit impaired)	
Loss allowance as of 1.1.2018	25,229	0	0	25,229
Prenosi		0	0	0
Iz nivoja 1 v nivo 2	-4,781	4,781	0	0
Net charge from purchase sale	-4,117	0	0	-4,117
Total net P&L charge during the period	1,815	-4,781	0	-2,966
Balance at 31.12.2018	16,332	4,781	0	21,112

Table 41: Movement of financial investment

	PG		Skupina	
	2018	2017	2018	2017
At 1st January	2,116,742	3,675,000	49,038,804	50,402,964
Addition	3,113,871	-	39,065,931	54,062,568
Sell/maturity	- 1,375,576	- 1,520,301	- 32,892,271	- 56,481,553
Revaluation	- 53,578	- 37,957	- 1,169,138	1,054,825
Balance at 31 December	**3,801,459**	**2,116,742**	**54,043,326**	**49,038,804**

Table 42: Investment by quotation

	Prva Group		The group	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Investments traded on the organized market	687,903	1,300,410	46,881,569	40,566,189
Investments not traded on the organized market	3,113,557	816,332	7,161,757	8,472,615
Total	3,801,460	2,116,742	54,043,325	49,038,804

16.6 INVESTMENT PROPERTY

Table 43: Movement in investment property

EUR	Prva group	Skupina
As at 1.1.2017	0	0
Additions	0	1,877,131
Disposals	0	0
Profit/loss from evaluation to market value	0	0
As at 31.12.2017	0	1,877,131
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

In 2017, Prva osebna zavarovalnica purchased real estate on Fajfarjeva ulica in Ljubljana, a part of which it uses for own needs (disclosed in fixed assets), and rents out the other part.

The company generated €196,031 from rents in 2018 (2017: €85,837). Costs, relating to the investment property were €15.120 Eur (2017: €0)

16.7 OTHER RECEIVABLES AND SHORT-TERM DEFERRED COSTS AND ACCRUED INCOME

Table 44: Other receivables and short-term deferred costs and accrued income

EUR	Prva Group		The Group	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Receivables arising out of insurance operations	0	0	2,006,058	1,657,110
Short-term trade receivables	16,267	2,543	210,167	352,732
Short-term advance payments	2,039	0	149,696	129,480
Income tax assets	0	0	149,432	173,275
Other receivables and assets	85	339	758,915	566,742
Deferred expenses and accrued income	4,168	3,879	252,009	257,379
Total	**22,558**	**6,761**	**3,526,277**	**3,136,717**

16.8 ASSETS FROM FINANCIAL CONTRACTS

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

Table 45: Assets from financial contracts

EUR	Carrying amount		Market value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Investment into securities:	260,290,028	254,638,516	260,306,434	254,638,516
1. Amortized cost	15,003,257	17,596,075	15,019,663	17,596,075
3. Measured at fair value through profit or loss	245,286,771	237,042,441	245,286,771	237,042,441
Investment property	17,355,775	15,915,000	17,355,775	15,915,000
Trade receivables (insurants)	0	0	0	0
Other receivables (assets)	4,067,630	3,695,924	4,069,846	3,695,924
Cash and cash equivalents	2,452,292	1,100,896	2,452,292	1,100,896
Total assets	284,165,726	275,350,337	284,184,348	275,350,337
Technical provisions	283,819,270	274,512,496	283,819,270	274,512,496
Operating liabilities	346,456	837,841	348,672	837,841
Total liabilities	284,165,726	275,350,337	284,167,941	275,350,337

Table 46: Investments on accounts of pension insurants

		31.12.2018	31.12.2017
Pension fund Prva in Prva+ Dinamični	Investments into securities held-to-maturity	360,821	100,803
	Investments in securities measured at fair value	24,164,520	18,459,596
	Investment property	0	0
	Cash and cash equivalents	101,740	79,991
Pension fund Prva in Prva+ Uravnoteženi	Investments into securities held-to-maturity	1,454,823	551,735
	Investments in securities measured at fair value	28,014,721	21,426,129
	Investment property	0	0
	Cash and cash equivalents	86,851	91,046
Pension fund Prva Zajamčeni	Investments into securities held-to-maturity	1,298,968	1,631,214
	Investments in securities measured at fair value	23,451,317	24,394,957
	Investment property	1,520,550	1,390,025
	Cash and cash equivalents	473,166	227,634
Pension fund Prva+ Zajamčeni	Investments into securities held-to-maturity	11,888,644	15,312,323
	Investments in securities measured at fair value	169,656,214	172,761,759
	Investment property	15,835,225	14,524,975
	Cash and cash equivalents	1,790,535	702,226

Investments of pension funds in deposits with banks and savings banks represent long-term and short-term deposits, denominated in euros. The interest rates on deposits range from 0.7% - 8.20% annually (2016: 0.5% 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 organized markets of the Republic of Slovenia and EC and EOCD countries, as well as other countries.

Investments in property are investments in investment property measured at fair value. In the year 2018 there was an increase in value for €1.686.731. (2017: €416.950 EUR of impairments)

Table 47: Movement in investments on accounts of pension insurants

EUR	31.12.2018	31.12.2017
At 1 January	237,042,441	208,420,291
Increase	143,913,422	120,785,883
Revaluation	-8,801,891	14,546,192
Decrease	-111,863,944	-106,709,925
At 31 December	260,290,028	237,042,441

Table 48: Structure of securities based on type of interest rate on accounts of pension insurants

EUR	31.12.2018	31.12.2017
Debt securities	182,429,204	162,535,029
- Fixed interest rate	178,406,232	162,535,029
- Variable interest rate	4,022,972	0
Equity securities	77,860,824	74,507,413
Total	260,290,028	237,042,441

Table 47 and 48 in 2017 do not include the category of loans and deposits that, with the implementation of IFRS 9, have been transferred to financial investments, valued at amortized cost.

The effective interest rate on securities of pension funds ranges from -1,4% do 10,10% (2016: from 2017: -0,3 do 4,7%).

On 31 December 2018, the Company conducted an external appraisal of pension funds' investment property based on the direct capitalization of profits method and the discounted cash flow method.

The following assumptions were used in the appraisals:

- Capitalization rate between 6.37% and 8.16%; (sheltered housing 8.16, business premises 6.37%-6.55%)
- Non-occupancy deduction between 5% and 8.33%;
- Non-recoverability deduction between 0.5% and 0.83%;
- Annual growth of 1%.

On 31 December 2017, 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: 12.48%;
- Growth rate: 1.5%;
- Discount for minority stake: 20.6%;
- Discount for liquidity shortage: 5%.

16.9 CASH AND CASH EQUIVALENTS

Table 49: Cash and cash equivalents

EUR	Prva Group		The Group	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Cash on hand	0	0	389	261
Cash on current accounts (local currency)	326,690	12,814	648,192	142,068
Cash on current accounts (foreign currency)	0	0	11,107	109,065
Deposits with up to 3-month maturity at banks	528,069	2,448,056	1,966,456	3,135,368
Total	854,759	2,460,870	2,626,144	3,386,763

Deposits with up to three month maturity are disclosed inclusive of related interest as accrued in accordance with contractual terms. These funds are intended for the current coverage of costs and current placements.

16.10 EQUITY

At 31 December 2018, the share capital of the Company amounted to EUR 13,386,247, of which EUR 6,704,638 relates to ordinary shares, with the difference in the amount of EUR 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 50: Share capital

EUR	31.12.2017	31.12.2016
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 51: Number of issued and paid-up shares

EUR	Ordinary shares		Preference shares	
	2017	2016	2017	2016
At 1 January	291,484	291,484	202,437	291,484
Issued	0	0	0	0
At 31 December	**291,484**	**291,484**	**202,437**	**291,484**

The Company/the Group owns 9,902 ordinary and 51 preference treasury shares on 31 December 2018 (in 2017: 9,902 ordinary and 51 preference).

16.11 RESERVES

Share premium comprises the surplus of capital paid (payments above the minimum emission values of shares or stakes) in the amount of EUR 6,017,833 (2017: EUR 6,017,833) and cannot be distributed. Other profit reserves amount to EUR 3,388 the same as in 2017.

Exchange rate differences arising from the translation of the functional currencies into the reporting currency are recognized 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.

Table 52: The structure and movement of reserves in 2018 for Prva Group

EUR	Prva Group				
	Share premium and other profit reserves	Revaluation reserve	Retained earnings	Own shares	Total
1.1.2018	**6,021,220**	**15,833**	**1,552,131**	**-649,698**	**6,939,485**
Change	0	-15,833	1,184,151	0	1,168,318

31.12.2018	**6,021,220**	**0**	**2,736,282**	**-649,698**	**8,107,804**

Table 53: The structure and movement of reserves in 2018 for The Group

EUR	The Group				
	Share premium and other profit reserves	Revaluation reserve	Retained earnings	Own shares	**Total**
1.1.2018	**6,021,220**	**-186,956**	**14,951,802**	**-649,698**	**20,136,367**
Change	0	-462,774	2,302,720	0	1,839,947
31.12.2018	**6,021,220**	**-649,730**	**17,254,522**	**-649,698**	**21,976,314**

Table 54: The structure and movement of reserves in 2017 for Prva Group

EUR	Prva Group				
	Share premium and other profit reserves	Revaluation reserve	Retained earnings	Own shares	**Total**
1.1.2017	**6,021,220**	**48,427**	**1,220,954**	**-1,110**	**7,289,491**
Change	0	-32,594	331,177	-648,588	-350,005
31.12.2017	**6,021,220**	**15,833**	**1,552,131**	**-649,698**	**6,939,485**

Table 55: The structure and movement of reserves in 2017 for The Group

EUR	The Group				
	Share premium and other profit reserves	Revaluation reserve	Retained earnings	Own shares	**Total**
1.1.2017	**6,021,220**	**249,038**	**12,399,699**	**-1,110**	**18,668,847**
Change	0	-435,995	2,552,103	-648,588	1,467,521
31.12.2017	**6,021,220**	**-186,956**	**14,951,802**	**-649,698**	**20,136,367**

16.12 DIVIDENDS PROPOSED AND PAID

At 31 December 2018, the distributable profit of Prva Group plc. amounts to EUR 2.736.282 (2017: 1.552.131 EUR) and is comprised of retained earnings of EUR 63.411 (2017: 494 EUR) and of the current year's profit amounting to EUR 2.672.871 (2017: 1.551.637 EUR).

The Company intends to pay dividends to ordinary and preference shareholders for the 2018 financial year in total amount of EUR 1.5 million and the proposal will be submitted for approval to the General Meeting which will be held in June 2019. 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 2018, a total of EUR 1.5 million of dividends was paid to holders of preference and ordinary shares.

16.13 TECHNICAL PROVISIONS

Table 56: Technical provisions

v EUR	31.12.2018	31.12.2017
Non-life insurance	1,935,478	1,360,474
Gross unearned premiums	85,835	90,397
Gross provision for outstanding claim	1,179,708	974,185
Gross mathematical provisions	669,936	295,892
Life insurance	25,378,430	21,720,413
Gross unearned premiums	91,463	90,289
Gross mathematical provisions	17,386,229	14,875,445
Provisions for deficit determined on checking the amount of provisions made	800,393	1,013,700
Gross provisions in favor of unit-linked insurance underwriters	4,840,006	3,738,550
Gross provision for outstanding claim	2,260,340	2,002,429
Total	**27,313,909**	**23,080,887**

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 2018, Prva released €213.307 provisions on the annuity product.

16.14 LIABILITIES FROM FINANCIAL CONTRACTS

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

Table 57: Liabilities from financial contracts

EUR	31.12.2018	31.12.2017
Other liabilities from PDPZ	346,457	837,036
Net liabilities to pension policyholders	283,819,270	274,512,496
Total	**284,165,726**	**275,349,532**

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

Table 58: Other liabilities from financial contracts

EUR	31.12.2018	31.12.2017
Liabilities from insurance operations	297,542	423,808
Other liabilities	48,915	60,352
Total	**346,457**	**837,036**

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

Table 59: Net liabilities to pension policyholders

EUR	31.12.2018	31.12.2017
Mathematical provisions for paid net premiums	181,182,542	182,203,260
Mathematical provision for attributable return of fund	46,359,390	49,694,674
Guaranteed return	20,813,813	21,033,035
Return exceeding the guaranteed return	25,545,577	28,661,639
Provisions for insurance, where the property of fund is dividend into units (VEP)	56,277,338	42,614,562
Total	**283,819,270**	**274,512,496**

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 60: Movement in liabilities due to pension insurance policyholders in 2017 and 2018

EUR	2017
At 1 Jan 2017	**254,855,618**
Payments	22,299,258
Redemption and net transfers	-13,580,210
Net result from investments	14,072,996
Fees	-3,135,166
At 31 Dec 2017	**274,512,495**
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**

16.15 FINANCIAL LIABILITIES FROM BORROWINGS

The Company do not have any financial liabilities from borrowings. The Group do have borrowings in Kosovo in amount of 299 EUR (2017: 3.680 EUR).

16.16 OTHER LIABILITIES, OTHER PROVISIONS AND SHORT-TERM ACCRUED COSTS AND DEFERRED INCOME

Table 61: Liabilities

EUR	Prva Group		The Group	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Other provisions	0	0	67,959	163,825
Other liabilities	35,388	29,493	1,703,398	2,254,301
Short-term accrued costs and deferred revenue	55,975	112,432	1,814,790	1,636,614
Total	91,363	141,926	3,586,147	4,054,740

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. Short-term accrued and deferred items of the Group represent deferred income from insurance premiums.

16.17 OFF BALANCE LIABILITIES OF THE COMPANY

The Company's and the Group's off balance sheet liabilities refer to liabilities arising from the lease contract for business premises and pension funds of subsidiaries abroad.

Table 62: Movements in rent liabilities (EUR)

	Prva Group		The Group	
Maturity	2018	2017	2018	2017
In one year	0	0	163,258	114,964
In one to five years	0	0	439,386	495,147
In more than 5 years	0	0	0	285,173
SKUPAJ	0	0	602,643	895,284

In accordance with IFRS, liabilities from financial contracts of subsidiaries abroad are carried in the off balance sheet records.

Table 63: Assets of long-term business funds of subsidiaries abroad recognized in the off balance sheet items (Group disclosure)

v EUR	31.12.2018	31.12.2017
Fondi Kosovo	6,729,982	6,490,690
KB Prvo Makedonija	567,197,049	508,100,403
DDOR Garant Srbija	57,369,831	52,869,227
Total	631,296,862	567,460,320

Liabilities from financial contracts of the Group companies abroad, members of the Prva Group are reported in the off balance sheet records in accordance with IFRS. Furthermore, these liabilities are reported in the off balance sheet records also in the consolidated financial statements as required by IFRS. 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 Company does not disclose them as financial contracts.

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

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

In 2018, a total of EUR 184.021 was paid to the Management Board and members of the Supervisory Board of Prva Group plc. (2016: EUR 217.597), which is a 15% decrease in comparison to the year 2017.

Table 64: Costs of the Management and Supervisory Boards (including attendance fees of subsidiaries) for Prva Group

	2018	2017
Management board	171,515	203,483
Supervisory Board	12,506	14,114
Total payouts	184,021	217,597

In 2018, 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 2018 are presented below.

Table 65: 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		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

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.
- EBRD, Great Britain
- Dej d.o.o.
- MN, d.o.o.
- Deos, d.d.

Table 66: Remunerations to members of the Management and Supervisory Boards of Prva Group plc. in 2017

	Salary	Pension insurance	Benefits	Holiday pay	Attendance fee	Bonus	Total
Alenka Žnidaršič Kranjc	36,000	0	321	0	0	46,188	82,510
Boštjan Škufca Zaveršek	89,414	2,349	4,060	850		24,300	120,973
Total	125,414	2,349	4,381	850	0	70,488	203,483

Members	Function	Attendance fee	Total gross	Personal income tax	Net	Contr. for pension and disability ins. 8.85% + 0.53% flat contrib.
TANJA TUŠ	2,500	716	3,216	672	2,339	302
MIHA KRANJC	1,250	358	1,608	336	1,170	151
HELENA PETRIN	2,500	716	3,216	672	2,339	302
LINDSAY STUART	3,750	716	4,466	934	3,248	419
DARIGA SAMBAYEVA -EBRD	1,608	0	0	0	0	0
Total	11,608	2,506	12,506	2,615	9,096	1,173

Table 67: 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
Total	2,844,022	0	0

Table 68: Transactions of Prva Group plc. with subsidiaries in 2017

PG - related parties	Costs - purchases from related parties	Revenue - sales to related parties	Receivables due from subsidiaries	Liabilities to subsidiaries
POZ	12,364	0	0	10,006
KB Prvo	0	0	0	0
DDOR	0	27,200	2,267	0
FONDI	0	12,276	2,543	0
Total	12,364	39,476	4,810	10,006

PG - related parties	Dividend income	Interest income	Interest expense
POZ	2,369,990	0	0
KB Prvo	482,897	0	0
DDOR	0	0	0
FONDI	0	0	0
Total	2,852,887	0	0

The Company, the Group and individual subsidiaries recorded no other significant related-party transactions in 2018.

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

The Company has transferred a car to the related company Deos d.d. in amount of 14.000 Eur. Additionally the Company lended 110.000 EUR (163 EUR interest income). 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 EUR (2017: 73,419 EUR). The amount of liabilities as per 31.12.2018 is 6.118,25 EUR (2017: 6.118,25).

As per 31.12.2018 the pension funds of Prva osebna zavarovalnica in total holds 4.73% of PPDM shares (13,775 shares) and 20% of PPDT shares (40,486 shares). As per 31.12.2016 the funds in total holds 4.73% of PPDM shares (13,775 shares) and 20% of PPDT shares (40,486 shares)

All transactions with subsidiaries have been carried out under market conditions.

18 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

18.1 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.

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 recognized 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 categorization of the insurance company's costs by insurance types. These costs are analyzed 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 capitalizations: 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 surplus of EUR 213,307 for formed provisions on annuity insurance, whereby due to past deficits, the insurance company formed already EUR 1,013,700 of additional provisions. On the basis of an adequacy test, the insurance company released 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 EUR 800,393 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.

Change BEL	Mortality/ Morbidity		Cancellations and capitalization		Costs		Discount rate	
Product unit	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%	+ 10%	- 10%
PDPZ	143,569	-144,580	695,660	-730,895	1,379,925	-1,379,925	-76,597	82,501
Annuity	-76,378	86,520	0	0	70,122	-70,122	-113,336	117,851
Death	1,934,384	-1,946,895	219,932	-228,615	695,089	-695,089	-46,637	49,133
UL	2,697	-2,719	-170	-722	74,528	-74,528	0	0
Health	-15,180	18,445	245,427	-256,865	427,195	-427,195	7,263	-6,821

18.2 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.

18.3 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 69: The credit quality of the financial assets of Prva Group

Prva Group plc.	31.12.2018	%	31.12.2017	%
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%	165,066	7.80%
5. Below BBB	253,873	6.68%	410,682	19.40%
6. No rating	3,547,586	93.32%	1,540,995	72.80%
Total	3,801,460	100.00%	2,116,742	100.00%

The group with rating below BBB represented one government bond. The group with no rating mainly represented DBS d.d.

Table 70: The credit quality of the financial assets of the Group

The Group	31.12.2018	%	31.12.2017	%
1. Rating - AAA	0	0.00%	0	0.00%
2. Rating - AA	646,415	1.20%	680,779	1.39%
3. Rating - A	5,000,181	9.25%	3,716,083	7.58%
4. Rating - BBB	11,129,361	20.59%	10,630,858	21.68%
5. Below BBB	4,749,035	8.79%	6,037,085	12.31%
6. No rating	32,518,334	60.17%	27,973,999	57.04%
Total	54,043,326	100.00%	49,038,804	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.

Table 71: The credit quality of the financial investments of pension funds

PDPZ	31.12.2018	%	31.12.2017	%
1. Rating - AAA	4,160,541	1.46%	2,057,445	1.42%
2. Rating - AA	12,705,806	4.47%	10,010,247	2.53%
3. Rating - A	31,389,799	11.05%	36,670,266	15.98%
4. Rating - BBB	77,626,429	27.32%	69,253,758	25.53%
5. Below BBB	38,182,257	13.44%	49,053,647	18.47%
6. No rating	120,100,894	42.26%	108,304,169	36.07%
Total	284,165,726	100.00%	275,349,532	100.00%

The Company and pension funds have no outstanding receivables. None of the investments are pledged as collateral.

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 72: Maturity structure of receivables

Gross receivables	Prva Group		Skupina	
(EUR)	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Not matured	18,390	2,882	3,215,214	2,791,492
Up to 90 days	0	0	67,254	94,489
More than 90 days	0	0	14,671	15,913
Total	18,390	2,882	3,297,140	2,901,894

Receivable allowances	Prva Group		Skupina	
(EUR)	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Not matured	0	0	0	0
Up to 90 days	0	0	8,996	10,824
More than 90 days	0	0	13,204	14,321
Total	0	0	22,200	25,145

Carrying amount of receivables	Prva Group		Skupina	
(EUR)	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Not matured	18,390	2,882	3,215,214	2,791,492
Up to 90 days	0	0	58,259	83,666
More than 90 days	0	0	1,467	1,591
Total	18,390	2,882	3,274,940	2,876,749

18.4 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 73: Overview of the contractual maturity of the financial assets and liabilities of Prva Group

EUR	31.12.2018			31.12.2017		
	TOTAL	Maturity up to 12 months	Maturity above 12 months	TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	20,383,232	250,558	20,132,674	16,882,183	1,180,218	16,518,297
Investments in subsidiaries	16,581,773	0	16,581,773	15,581,773	0	15,581,773
Share in associated company	0	0	0	0	0	0
Investments in securities	3,801,459	250,558	3,550,901	2,116,742	1,180,218	936,524
1. Amortized cost	0	0	0	816,332	816,332	0
2. FVOCI	3,113,557	0	3,113,557	1,300,410	363,886	936,524
3. FVTPL	687,903	250,558	437,344			0
Cash and cash equivalents	854,759	854,759	0	2,460,870	2,460,870	0
Other receivables	18,390	18,390	0	2,882	2,882	0
TOTAL ASSETS	21,256,381	1,123,708	20,132,674	20,162,267	3,643,971	16,518,297
LIABILITIES						
Other liabilities	35,388	35,388	0	29,493	29,493	0
TOTAL LIABILITIES	35,388	35,388	0	29,493	29,493	0

Table 74: Overview of the contractual maturity of the financial assets and liabilities of the Group.

EUR	31.12.2018			31.12.2017		
	TOTAL	Maturity up to 12 months	Maturity above 12 months	TOTAL	Maturity up to 12 months	Maturity above 12 months
ASSETS						
Investments	54,043,326	14,978,227	39,065,098	49,038,804	17,826,409	31,212,403
Share in associated company	0	0	0	0	0	0
Investments in securities	54,043,326	14,978,227	39,065,098	49,038,804	17,826,409	31,212,403
1. Amortized cost	16,737,225	6,629,992	10,107,233	6,556,703	5,814,466	742,237
2. FVOCI	18,675,750	121,223	18,554,527	41,265,738	10,795,580	30,470,166
3. FVTPL	18,630,351	8,227,013	10,403,338	1,216,363	1,216,363	0
Cash and cash equivalents	2,626,144	2,626,144	0	3,386,763	3,386,763	0
Other receivables	3,274,940	3,274,940	0	2,876,749	2,876,749	0
Assets from financial contracts	284,165,726	112,023,665	172,142,062	275,349,532	109,849,490	165,500,042
TOTAL ASSETS	344,110,136	132,902,977	211,207,160	330,651,848	133,939,411	196,712,445
LIABILITIES						
Other liabilities	1,703,400	1,703,400	0	2,343,960	2,343,960	0
Liabilities from financial contracts	284,165,726	21,955,308	262,210,418	275,349,532	18,633,080	256,716,451
TOTAL LIABILITIES	285,869,126	23,658,708	262,210,418	277,693,492	20,977,040	256,716,451

Table 75: Overview of the structure of 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 76: Overview of the structure of assets and liabilities of Prva Group considering expected non-discounted cash flow in 2017

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	484,271	849,470	0	0	1,333,741	1,300,410
1. Amortized cost	0	0	0	0	0	0
2. FVOCI	484,271	849,470	0	0	1,333,741	1,300,410
3. FVTPL	0	0	0	0	0	0
Short-term deferred costs and accrued revenue	3,879	0	0	0	3,879	3,879
Issued loans and deposits	0	0	0	0	0	0
Assets from financial contracts	819,817	0	0	0	819,817	816,332
Other receivables	2,882	0	0	0	2,882	2,882
Cash and cash equivalents	0	0	0	2,460,870	2,460,870	2,460,870
TOTAL ASSETS	1,310,849	1,095,221	0	2,460,870	4,866,940	4,830,125
LIABILITIES						
Other liabilities and short-term accrued costs and deferred income	141,926	0	0	0	141,926	141,926
TOTAL LIABILITIES	141,926	0	0	0	141,926	141,926

Table 77: 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
Assets of unit-linked insurants	251,336	0	0	0	251,336	251,336
Cash and cash equivalents	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
Assets from financial contracts	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 financial contracts	21,955,308	33,525,416	228,685,002	0	284,165,726	284,165,726
TOTAL LIABILITIES	23,658,708	33,525,416	228,685,002	0	285,869,126	285,869,126

Table 78: Overview of the structure of assets and liabilities of the Group considering expected non-discounted cash flow in 2017

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	4,885,557	9,763,168	22,521,225	8,030,305	45,200,254	42,482,101
1. Amortized cost	0	0	0	0	0	0
2. FVOCI	3,669,194	9,763,168	22,521,225	8,030,305	43,983,891	41,265,738
3. FVTPL	1,216,363	0	0	0	1,216,363	1,216,363
Assets of unit-linked insurants	259,968	0	0	0	259,968	259,968
Issued loans and deposits	23,563,584	69,133,646	108,992,141	91,523,309	293,212,680	275,349,532
Cash and cash equivalents	5,852,966	769,615	0	0	6,622,580	6,556,703
Other receivables	3,288,659	0	0	0	3,288,659	2,876,749
Assets from financial contracts	0	0	0	3,386,763	3,386,763	3,386,763
TOTAL ASSETS	37,850,734	79,666,429	131,513,365	102,940,377	351,970,904	330,911,816
LIABILITIES						
Other liabilities	2,343,960	0	0	0	2,343,960	2,343,960
Liabilities from financial contracts	18,633,081	24,122,378	232,594,073	0	275,349,532	275,349,532
TOTAL LIABILITIES	20,977,040	24,122,378	232,594,073	0	277,693,492	277,693,492

18.5 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 31.12.2018 was EUR 198.176 (31.12.2017: 0)

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 79: Interest rate risk - pension funds

Change in market interest rate	FY 2018 Impact on technical provisions (EUR)	FY 2017 Impact on technical provisions (EUR)
+/-10 bt	0	0

18.6 CURRENCY RISK

The Group's liabilities and receivables are converted according to the reference exchange rate of the European Central Bank at 31 December 2018. 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 recognized 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 80: Currency risk of the Group

	2018		2017	
Currency	Exchange rate change	Impact on pre-tax income	Exchange rate change	Impact on pre-tax income
MKD	5%	12,131	5%	6,567
	-5%	-12,131	-5%	-6,567
RSD	5%	1,608	5%	2,436
	-5%	-1,608	-5%	-2,436

Table 81: Values of foreign currency balances in the Group

v EUR	31.12.2018	31.12.2017
MKD	242,504	211,620
RSD	32,153	9,750

18.7 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 2018, the Company reports EUR 0 of such investments (2017: EUR 0).

Table 82: The effect of changes to the market prices of equity securities - Prva Group

		FY 2018	FY 2017
	Index change in %	Impact on capital (EUR)	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 2018, the Group reports EUR 0 of such investments (2017: EUR 0).

Table 83: The effect of changes to the market prices of equity securities - the Group

		FY 2018	FY 2017
	Index change in %	Impact on capital (EUR)	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 EUR 14.102 and the capital of the Group would fall by EUR 2,233,744 as shown by the following table.

Table 84: The effect of changes of market prices of securities sensitive to market interest rates - Prva Group

Change in market interest rate	FY 2018 (EUR)	FY 2017 (EUR)
+/-100 bt	14,102	25,358

Table 85: The effect of changes of market prices of securities sensitive to market interest rates - The Group

Change in market interest rate	FY 2018 Impact on capital (EUR)	FY 2017 Impact on capital (EUR)
+/-100 bt	2,233,774	2,472,901

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

18.8 FAIR VALUE

Table 86: Overview of the carrying and fair value of financial instruments of the Company

EUR	Carrying amount		Fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total financial assets	4,674,609	4,580,495	4,674,609	4,580,495
Investment into securities:	3,801,459	2,116,742	3,801,459	2,116,742
1. Amortized cost	0	816,332	0	816,332
2. FVOCI	3,113,557	1,300,410	3,113,557	1,300,410
3. FVTPL	687,903	0	687,903	0
Trade receivables (insurants)	0	0	0	0
Other receivables (assets)	18,390	2,882	18,390	2,882
Cash and cash equivalents	854,759	2,460,870	854,759	2,460,870
Assets on accounts of pension insurance holders	0	0	0	0

Table 87: Overview of the carrying and fair value of financial instruments held by the Group

EUR	Carrying amount		Fair value	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Total financial assets	**351,408,160**	**336,680,817**	**351,445,914**	**334,803,683**
Investment into securities:	54,043,326	49,038,804	54,081,080	49,038,804
1. Amortized cost	16,737,224	6,556,703	16,774,979	6,556,703
2. FVOCI	18,675,751	41,265,738	18,675,751	41,265,738
3. FVTPL	18,630,351	1,216,363	18,630,351	1,216,363
Investment property	2,017,859	1,877,133	2,017,859	0
Trade receivables (insurants)	152,744	180,151	152,744	180,151
Other receivables (assets)	3,562,355	3,109,883	3,562,355	3,109,883
Cash and cash equivalents	2,626,144	3,386,763	2,626,144	3,386,763
Investments in favor of unit-linked insurants	4,840,006	3,738,550	4,840,006	3,738,550
Assets on accounts of pension insurance holders	284,165,726	275,349,532	284,165,726	275,349,532
Total financial liabilities	**289,005,732**	**279,088,082**	**289,005,732**	**279,088,082**
Liabilities from financial contracts	**284,165,726**	**275,349,532**	**284,165,726**	**275,349,532**
Technical provisions in favor of unit-linked insurants	4,840,006	3,738,550	4,840,006	3,738,550

18.9 ASSETS AND LIABILITIES ACCORDING TO FAIR VALUE HIERARCHY

Table 88: 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				0
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

Level 3 of the company represents investment in DBS d.d. and investments in bonds at Ljubljana stock exchange.

Table 89: Assets and liabilities of the Company in terms of fair value hierarchy in 2017

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	0	0	724,663	724,663
Investments in securities	0	0	724,663	724,663
FVOCI	0	575,748	724,663	1,300,410
ASSETS whose fair value is disclosed				
Receivables	0	0	2,882	2,882
Amortized cost	0	0	816,332	816,332
Cash and cash equivalents	2,460,870	0	0	2,460,870
LIABILITIES whose fair value is disclosed				
Other liabilities	0	0	29,493	29,493

Table 90: 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
FVTPL	6.319.682	7.387.912	4.922.757	18.630.351
FVOCI	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
Investments in securities	0	0	16.737.224	16.737.224
Amortized cost	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 favor 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

At 31.12.2018, the Group had financial assets, measured at fair value, in the amount of EUR 287,112,419 (2017: EUR 282,692,040), of which EUR 41,678,006 (2016: EUR 39,682,760) classified in level three.

Table 91: Assets and liabilities of the Group in terms of fair value hierarchy in 2017

EUR	Level 1	Level 2	Level 3	Total
ASSETS at fair value				
Investments	12,712,756	20,582,506	12,354,338	45,649,599
Assets of unit-linked policyholders	3,022,538	80,272	64,689	3,167,499
Investments in securities	9,690,219	20,502,233	12,289,649	42,482,101
Designated at fair value through profit or loss	*0*	*0*	*1,216,363*	*1,216,363*
Held for sale	*9,690,219*	*20,502,233*	*11,073,286*	*41,265,738*
Assets from financial contracts	81,157,948	128,556,076	43,243,417	252,957,441
Investments in securities	81,157,948	128,556,076	27,328,417	237,042,441
Designated at fair value through profit or loss	*81,157,948*	*128,556,076*	*27,328,417*	*237,042,441*
Investment property	0	0	15,915,000	15,915,000
ASSETS whose fair value is disclosed				
Receivables	0	0	2,876,749	2,876,749
Assets from financial contracts	1,100,896	0	21,291,999	22,392,895
Investments, held to maturity	*0*	*0*	*17,596,075*	*17,596,075*
Issued loans and deposits	*0*	*0*	*3,695,924*	*3,695,924*
Other receivables (assets)	1,100,896	0	0	1,100,896
Issued loans and deposits	0	0	6,556,703	6,556,703
Cash and cash equivalents	3,386,763	0	0	3,386,763
LIABILITIES whose fair value is disclosed				
Technical provisions	0	0	19,342,336	19,342,336
Technical provisions in favor of unit-linked insurants	0	0	3,738,550	3,738,550
Other liabilities	0	0	2,343,960	2,343,960
Liabilities from financial contracts	0	0	275,349,532	275,349,532

18.10 OTHER FACTS

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

18.11 SIGNIFICANT SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

By decision no. 40102-36 / 2018-24, dated 20.3.2019, the Insurance Supervision Agency found that the group at the top of which is A-Z Finance, d.o.o, is a financial conglomerate. The above-mentioned group has vertically three holding companies (A-Z finance, d.o.o, Dej, d.o.o and Prva Group, d.d.), which are considered mixed financial holding companies, while the parent company at the top is represented by A-Z Finance, d.o.o.

There were no other circumstances or events affecting the preparation of the financial statements for the 2018 financial year.

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