



Translation of the

**UNAUDITED FINANCIAL REPORT OF THE
SAVA RE GROUP AND
FINANCIAL STATEMENTS OF
POZAVAROVALNICA SAVA D.D.
FOR THE THREE MONTHS TO 2016**

Ljubljana, 13 May 2016

CONTENTS

INTRODUCTION		5
1	INTRODUCTION.....	7
1.1	Key financials	9
1.2	Basic details about Sava Reinsurance Company	11
1.3	Bodies of the Company.....	12
1.4	Significant events in the three months to 31 March 2016	13
1.5	Significant events after the reporting period	14
1.6	Composition of the Sava Re Group.....	15
1.7	Shareholders and share trading.....	17
SAVA RE GROUP INTERIM BUSINESS REPORT		19
2	SAVA RE GROUP REVIEW OF OPERATIONS.....	21
3	PERFORMANCE OF THE GROUP BY OPERATING SEGMENT.....	28
3.1	Reinsurance business.....	30
3.2	Non-life insurance business	34
3.3	Life insurance business	39
4	FINANCIAL POSITION OF THE SAVA RE GROUP.....	43
4.1	Assets	43
4.2	Liabilities	46
4.3	Capital structure	48
4.4	Cash flow	48
4.5	Credit ratings of Sava Reinsurance Company	48
5	PERSONNEL	49
6	RISK MANAGEMENT.....	49
6.1	Underwriting risks.....	49
6.2	Risks associated with policies where policyholders bear the investment risk	50
6.3	Risks associated with investment contracts	51
6.4	Financial risks.....	52
6.5	Operational risks.....	56
6.6	Strategic risks.....	57
6.7	Exposure to risk up until year-end 2016	57
SUMMARY OF SAVA RE GROUP FINANCIAL STATEMENTS WITH NOTES		59
7	UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.....	61
7.1	Unaudited consolidated statement of financial position	61
7.2	Unaudited consolidated income statement	62
7.3	Unaudited consolidated statement of comprehensive income	63
7.4	Unaudited consolidated statement of cash flows	64
7.5	Unaudited consolidated statement of changes in equity.....	65
8	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	66
8.1	Overview of major accounting policies.....	66
8.2	Seasonality and cyclicity of interim operations	66
8.3	The nature and amount of unusual items	66
8.4	Materiality	67
8.5	Issues, repurchases, and repayments of debt and equity securities.....	67
8.6	Key accounting estimates and judgements	67
8.7	Analysis of operating segments	67

8.8	Notes to significant changes in the statement of financial position.....	75
9	RELATED-PARTY DISCLOSURES.....	81

UNAUDITED CONDENSED FINANCIAL STATEMENTS OF SAVA REINSURANCE COMPANY... 85

10	UNAUDITED CONDENSED SEPARATE FINANCIAL STATEMENTS	87
10.1	Unaudited statement of financial position	87
10.2	Unaudited income statement.....	88
10.3	Unaudited statement of comprehensive income.....	89
10.4	Unaudited statement of changes in equity	90
10.5	Unaudited statement of cash flows.....	91

Appendix - Glossary of selected terms and calculation methodologies for indicators 93
--

Glossary of selected terms and computation methods for indicators..... 93
--

INTRODUCTION

1 INTRODUCTION

In accordance with the Financial Instruments Market Act and the Rules of the Ljubljana Stock Exchange, Pozavarovalnica Sava d.d. ("Sava Reinsurance Company"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Financial Report of the Sava Re Group and Pozavarovalnica Sava d.d. for the Three Months to 31 March 2016.

The Unaudited Financial Report of the Sava Re Group and Financial Statements of Pozavarovalnica Sava d.d. for the Three Months to 31 March 2016 will be available as a hardcopy for viewing at the registered office of Sava Reinsurance Company at Dunajska 56, 1000 Ljubljana on every workday between 9:00 and 15:00, and as a softcopy on the Company's website at www.sava-re.si as from 19 May 2016.

Declaration of the management board of Sava Reinsurance Company

To the best of our knowledge, the summary financial statements of the Sava Re Group with notes have been prepared to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The interim financial statements for the Sava Re Group and the separate financial statements of Sava Reinsurance Company, which are both condensed, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" endorsed by the European Union and should be read together with the annual financial statements for the financial year ended 31 December 2015. The interim financial statements have not been audited.

The business report gives a fair view of the development and performance of the Group and the Company, and their financial position, including a description of the principal risks that the consolidated companies are exposed to.

Zvonko Ivanušič, chairman of the management board



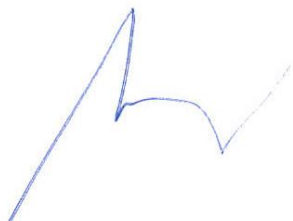
Srečko Čebren, member of the management board



Jošt Dolničar, member of the management board



Mateja Treven, member of the management board



Ljubljana, 13 May 2016

1.1 Key financials

(€)	Sava Re Group		Sava Reinsurance Company	
	1–3/2016	1–3/2015	1–3/2016	1–3/2015
Gross premiums written	153,499,567	152,529,643	55,738,753	57,267,173
Year-on-year change (%)	0.6 %	4.5 %	-2.7 %	14.5 %
Net premiums earned	111,389,356	111,721,324	31,007,332	29,875,167
Year-on-year change (%)	-0.3 %	4.9 %	3.8 %	20.3 %
Gross claims paid	66,401,275	71,916,424	20,278,129	25,806,673
Year-on-year change (%)	-7.7 %	3.1 %	-21.4 %	26.5 %
Net claims incurred	66,519,138	74,168,320	18,423,194	-22,972,878
Year-on-year change (%)	-10.3 %	15.0 %	-19.8 %	88.4 %
Net incurred loss ratio	61.1 %	66.9 %	59.4 %	76.9 %
Net incurred loss ratio, excluding the effect of exchange differences	63.0 %	59.6 %	64.9 %	54.9 %
Operating expenses, including reinsurance commission income	34,712,754	34,434,690	9,033,301	9,310,941
Year-on-year change (%)	0.8 %	6.5 %	-3.0 %	21.0 %
Net expense ratio	31.2 %	30.8 %	29.1 %	31.2 %
Net expense ratio, excluding the effect of exchange differences	31.2 %	30.7 %	29.2 %	30.8 %
Net combined ratio	95.8 %	99.8 %	89.9 %	104.3 %
Net combined ratio, excluding exchange differences	97.5 %	93.6 %	94.6 %	86.8 %
Net inv. income of the investment portfolio	4,154,656	11,471,054	351,006	7,247,667
Return on the investment portfolio	1.6 %	4.8 %	0.3 %	7.0 %
Net inv. income of the investment portfolio, excluding the effect of exchange differences	5,455,797	5,924,717	1,638,253	1,693,830
Return on the investment portfolio, excluding the effect of exchange differences	2.2 %	2.5 %	1.1 %	1.0 %
Profit/loss, net of tax	7,122,672	9,985,453	3,428,042	4,922,456
Year-on-year change (%)	-28.7 %	32.3 %	-30.4 %	-5.0 %
Comprehensive income	13,061,524	14,474,710	4,904,737	6,697,832
Annualised return on equity	9.6 %	13.9 %	5.2 %	6.3 %
Net earnings/loss per share	0.43	0.61	0.21	0.30
	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Total assets	1,673,857,979	1,607,281,060	611,606,376	570,886,710
% change on 31 Dec. of prior year	4.1 %	10.5 %	7.1 %	4.3 %
Shareholders' equity	298,262,853	286,401,678	267,405,194	263,679,403
% change on 31 Dec. of prior year	4.1 %	5.5 %	1.4 %	2.1 %
Net technical provisions	1,102,190,486	1,070,781,309	218,351,702	204,875,596
% change on 31 Dec. of prior year	2.9 %	4.3 %	6.6 %	10.3 %
No. of employees (full-time equivalent basis)	2,534	2,489	87	83
Book value per share	18.19	17.38	16.31	16.00

Notes:

- For details on the calculation of ratios and the net investment income, see the glossary appended to the report.
- The net investment income of the investment portfolio does not include the net investment income from assets pertaining to policyholders who bear the investment risk since such assets do not affect the income statement. The mathematical provision of policyholders who bear the investment risk moves in line with this line item.
- In the period 1–3/2016, there was a large positive effect of exchange differences on the underwriting result of the reinsurance segment and a negative effect on the net investment result. The net effect on net profit for the period, however, was relatively minor since the Company is following a strict asset-liability currency management policy.

The table below gives realised figures together with full-year 2016 planned figures:

(€ million)	1–3/2016	Plan 2016	As % of plan
Consolidated gross premiums written	153.5	487.9	31.5 %
Net profit/loss for the period	7.1	33.4	21.3 %
Annualised return on equity	9.6 %	11.6 %	✘
Net combined ratio, excluding the effect of exchange differences	97.5 %	94.8 %	✘
Net incurred loss ratio, excluding the effect of exchange differences	63.0 %	58.2 %	✘
Net expense ratio, excluding the effect of exchange differences	31.2 %	33.2 %	✓
Annualised return on the investment portfolio, excluding exchange differences	2.2 %	2.1 %	✓

The net combined ratio is calculated for the reinsurance and non-life insurance operating segments.

Since exchange differences had not been considered in the plan, the table shows ratios, excluding the effect of exchange differences.

In the period 1–3/2016 the Group exceeded its target for the net expense ratio and return on investments, while return on equity, the net incurred loss ratio and the net combined ratio were below target.

Although some of the indicators in the period 1–3/2016 are below the annual plan, the Company is not revising its plan for 2016.

1.2 Basic details about Sava Reinsurance Company

Company name	Pozavarovalnica Sava, d.d.
Business address	Dunajska 56 1000 Ljubljana Slovenia
Telephone (switchboard)	+386 1 47 50 200
Facsimile	+386 1 47 50 264
E-mail	info@sava-re.si
Website	www.sava-re.si
Company ID number	5063825
Tax number	17986141
LEI code	549300P6F1BDSFSW5T72
Share capital:	€ 71,856,376
Shares	17,219,662 no-par-value shares
Management and supervisory bodies	<p><u>THE MANAGEMENT BOARD</u></p> <p>Zvonko Ivanušič (chairman) Srečko Čebren Jošt Dolničar Mateja Treven</p> <p><u>SUPERVISORY BOARD</u></p> <p>Branko Tomažič (chairman) Mateja Lovšin Herič (deputy chairperson) Slaven Mičković Keith Morris Mateja Živec (employee representative) Andrej Gorazd Kunstek (employee representative)</p>
Date of entry into court register	28 December 1990, Ljubljana District Court
Certified auditor	Ernst & Young d.o.o. Dunajska 111 1000 Ljubljana Slovenia
Largest shareholder and holding	Slovenski državni holding, d.d. (Slovenian Sovereign Holding) 25 % + 1 share (no. of no-par value shares: 4,304,917)
Credit ratings:	
A.M. Best	A– /stable/ October 2015
Standard & Poor's	A– /stable/ July 2015
The Company has no branches.	

1.3 Bodies of the Company

The management board

In accordance with its articles of association, Sava Reinsurance Company is managed and represented by a two- to five-member management board. In order to transact business, the Company must be represented jointly by at least two members.

In the three months to 31 March 2016, there were no changes in the composition of the management board.

Members of the management board as at 31 March 2016

Member	Title	Beginning of term of office	Duration of term of office
Zvonko Ivanušič	chairman	01/06/2013	5 years
Srečko Čebren	member	01/06/2013	5 years
Jošt Dolničar	member	01/06/2013	5 years
Mateja Treven	member	01/06/2013	5 years

Notes on memberships of management or supervisory bodies of third parties:

Jošt Dolničar:

-  Slovenian Rowing Federation, Župančičeva cesta 9, Bled – President.

The supervisory board

Pursuant to the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting of shareholders, and two (employee representatives) are elected by the workers' council.

In the three months to 31 March 2016, there were some changes in the composition of the supervisory board. On 19 February 2016 Helena Dretnik tendered her resignation as member of the supervisory board with effect from the same date. In place of Helena Dretnik, the workers' council appointed Mateja Živec as new member of the supervisory board to represent employee interests for a term of office from 1 April 2016 to 11 June 2019.

Composition of the supervisory board at 31 March 2016

Member	Title	Beginning of term of office	Duration of term of office
Branko Tomažič	chairman	15/07/2013	4 years
Mateja Lovšin Herič	deputy chairperson	15/07/2013	4 years
Slaven Mičković	member	15/07/2013	4 years
Keith Morris	member	15/07/2013	4 years
Andrej Gorazd Kunstek	member (employee representative)	11/06/2015	4 years
Mateja Živec	member (employee representative)	01/04/2016	up until 11/06/2019

Notes on memberships of management or supervisory bodies of third parties:

The supervisory board members do not serve on any other management or supervisory body of any other legal entity.

Supervisory board committees

The audit committee

In the three months to 31 March 2016, there were no changes in the composition of the supervisory board audit committee.

Members of the supervisory board's audit committee at 31 March 2016

Member	Title
Mateja Lovšin Herič	chairperson
Slaven Mičković	member
Ignac Dolenšek	external member

Fit & proper committee

In order to implement a fit and proper assessment of members of the management and supervisory boards (including all members and candidates for these bodies), the supervisory board appointed a fit and proper committee on 10 February 2016, composed of Branko Tomažič (chair), Mateja Lovšin Herič and Nika Matjan (members), and Keith Morris (alternate member).

Composition of the fit & proper committee at 31 March 2016

Member	Title	Beginning of term of office	Duration of term of office
Branko Tomažič	chairman	10/02/2016	15/07/2017
Mateja Lovšin Herič	member	10/02/2016	15/07/2017
Nika Matjan	member	10/02/2016	15/07/2017
Keith Morris	alternate member	10/02/2016	15/07/2017

General meeting of shareholders

The general meeting of shareholders was not convened in the first quarter of 2016.

1.4 Significant events in the three months to 31 March 2016

- S** In its session of 23 February 2016, the workers' council of Sava Reinsurance Company was presented with the notice of resignation of Helen Dretnik as member of the supervisory board representing employee interests, and accepted it. Helena Dretnik had handed in her notice of resignation on 19 February 2016 with effect from the same date. Until the appointment of a new member of the supervisory board representing employee interests, the supervisory board of Sava Reinsurance Company operated as a five-member body. In accordance with the Workers' Participation in Management Act, the workers' council, in its session of 29 March 2016, appointed Mateja Živec as its new representative in the supervisory board. The member so appointed entered her term of office on 1 April 2016.
- S** From 1 January 2016 to 31 March 2016, Sava Reinsurance Company acquired own shares for a total amount of € 1.2 million on the Ljubljana Stock Exchange. The total

number of own shares at 31 March 2016 after the said purchases was 826,170, representing 4.7978 % of all issued shares.

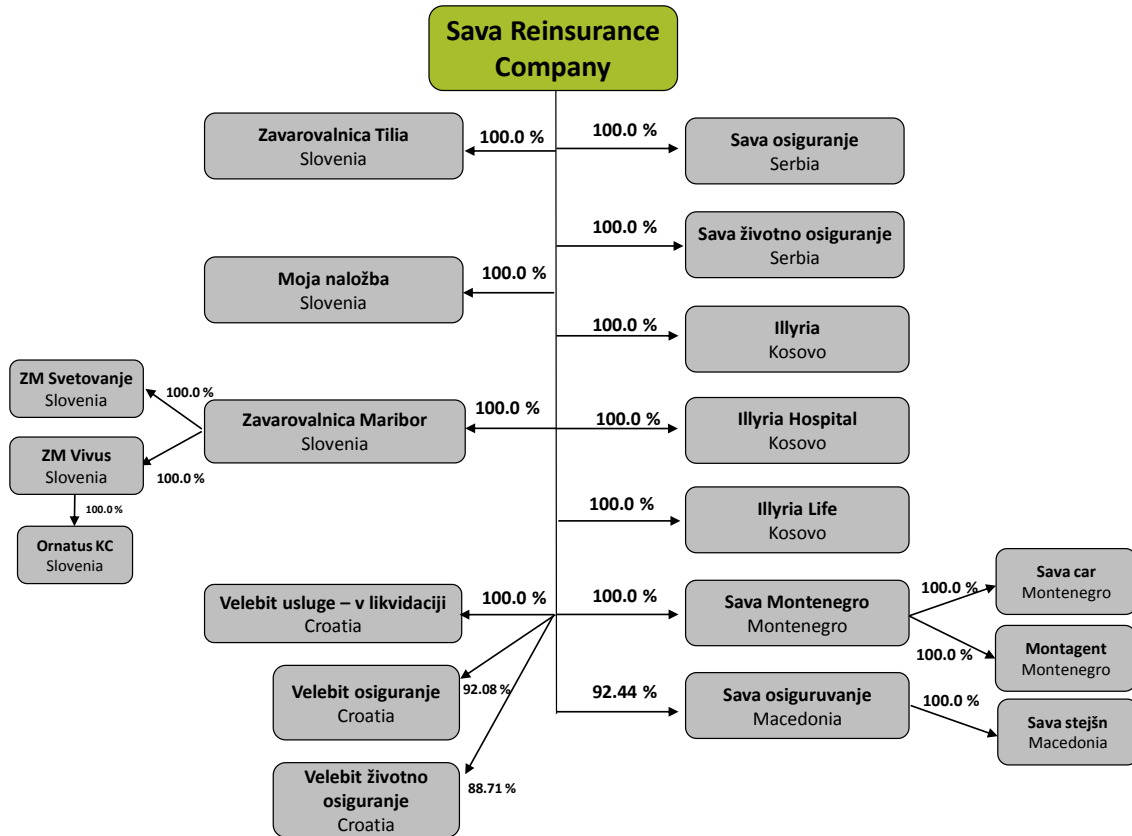
1.5 Significant events after the reporting period

- S** In their session of 6 April 2016, the supervisory and management boards of Sava Reinsurance Company drew up a proposal for the general meeting providing for a dividend of € 0.80 gross per share, of which € 0.65 gross per share would comprise the regular dividend (representing an 18-percent increase compared to the 2014 dividend) and € 0.15 gross per share would comprise an extraordinary dividend. The 31st regular general meeting of shareholders is to take place on 24 May 2016.
- S** In April 2016, Sava Reinsurance Company informed all its shareholders about the launch of an OTC own share repurchase programme. The Company invited all its shareholders to submit binding offers for the sale of their shares. After the sending of offers was closed, the Company set the price (€ 15) and purchase volume of POSR shares (845,599) to be repurchased. From 1 April to 22 April 2016, Sava Reinsurance Company purchased a total of 895,796 own shares for a total amount of € 13.4 million in both the regulated market and OTC market. The total number of own shares after the purchases was 1,721,966, which represents 10.0 % less one share of the Company's issued share capital.
- S** On 6 May 2016 the management boards of the EU-based Sava Re Group insurers (Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje, Velebit životno osiguranje) involved in the merger process signed a Cross-border Merger Plan and Merger Contract. On 13 May 2016 the supervisory boards of all four companies approved the contract, including a joint report of the management boards on the merger and cross-border merger and an auditor's opinion on the exchange ratio issued by the audit firm BDO revizija d.o.o.
- S** In early May 2016 after obtaining required approvals from the National Bank of Serbia, the Serbian insurer Sava osiguranje Belgrade announced the acquisition of the entire portfolio of the insurer AS osiguranje Belgrade.

1.6 Composition of the Sava Re Group

At 31 March 2016, in addition to the controlling company Sava Reinsurance Company, the insurance part of the Sava Re Group comprised ten insurers based in Slovenia and other Western Balkan countries and one pension company based in Slovenia.

Composition of the Sava Re Group at 31 March 2016



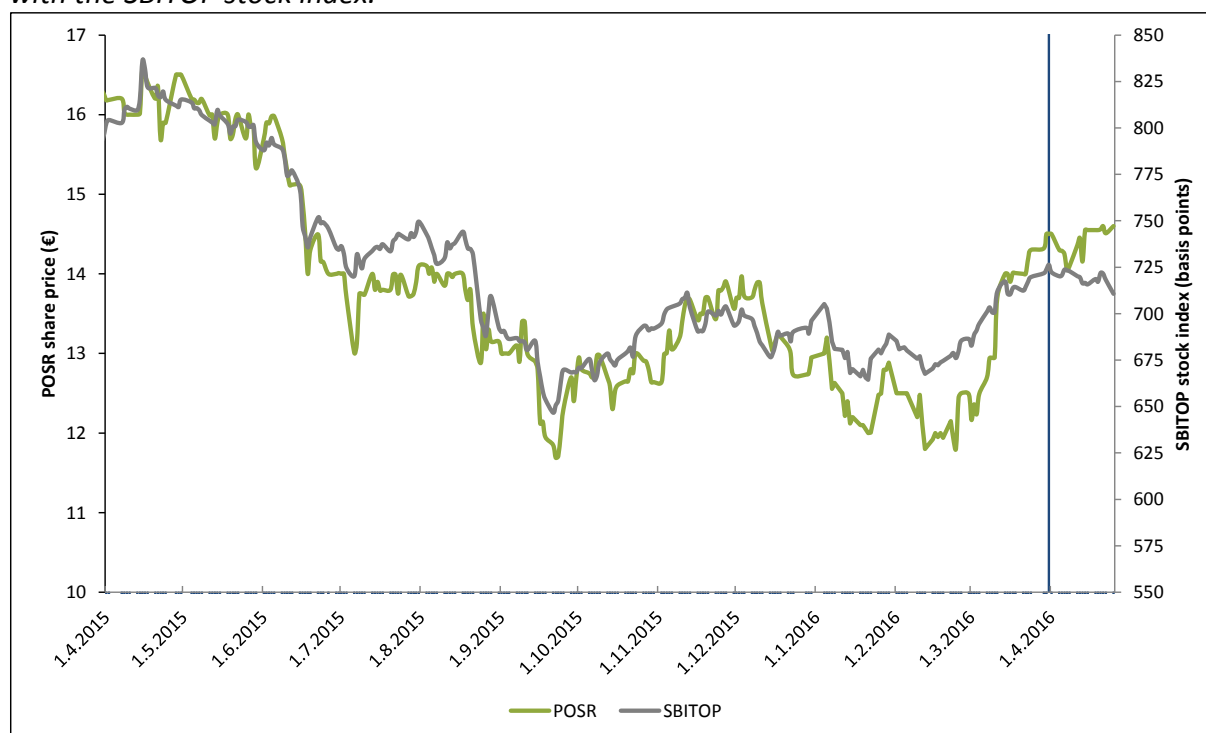
Winding-up proceedings for Velebit usluge started on 17 July 2015.

Company names of the Sava Re Group members

	Long name	Short name in this document
	Sava Re Group	Sava Re Group
1	Pozavarovalnica Sava, d.d.	Sava Reinsurance Company
2	ZAVAROVALNICA TILIA d.d., Novo mesto, delniška zavarovalna družba s popolno odgovornostjo	Zavarovalnica Tilia
3	ZAVAROVALNICA MARIBOR delniška zavarovalna družba	Zavarovalnica Maribor or ZM
4	Moja naložba pokojninska družba d.d.	Moja naložba
5	SAVA OSIGURANJE AKCIONARSKO DRUŠTVO ZA OSIGURANJE BEOGRAD	Sava osiguranje Belgrade
6	"SAVA ŽIVOTNO OSIGURANJE" akcionarsko društvo za osiguranje, Beograd	Sava životno osiguranje
7	KOMPANIA E SIGURIMEVE " ILLYRIA " SH.A.	Illyria
8	Kompania për Sigurimin e Jetës " Illyria – Life " SH.A.	Illyria Life
9	Akcionarsko društvo za osiguranje SAVA MONTENEGRO Podgorica	Sava Montenegro
10	SAVA osiguruvanje a.d. Skopje	Sava osiguruvanje Skopje
11	VELEBIT USLUGE d.o.o.	Velebit usluge in liquidation
12	VELEBIT OSIGURANJE dioničko društvo za poslove neživotnog osiguranja	Velebit osiguranje
13	VELEBIT ŽIVOTNO OSIGURANJE dioničko društvo	Velebit životno osiguranje
14	" Illyria Hospital " SH.P.K.	Illyria Hospital
15	Društvo sa ograničenom odgovornošću – SAVA CAR – Podgorica	Sava Car
16	ZM VIVUS zavarovalno zastopniška družba d.o.o.	ZM Vivus
17	ZM Svetovanje, storitve zavarovalnega zastopanja, d.o.o.	ZM Svetovanje
18	ORNATUS KLICNI CENTER, podjetje za posredovanje telefonskih klicov, d.o.o.	Ornatus KC
19	Društvo za zastupanje u osiguranju Montagent DOO Podgorica Montagent	Montagent
20	Društvo za tehničko ispitivanje i analiza na motorni vozila SAVA STEJŠN DOOEL Skopje	Sava stejšn or Sava Station

1.7 Shareholders and share trading

Movement in the POSR share price in the period 1 April 2015 to 31 March 2016 compared with the SBITOP stock index.



The market price on 31 December 2015 was € 12.95 against € 14.50 at 31 March 2016, representing a 12.0 % increase in the period.

Basic details about the POSR share

	31/03/2016	31/03/2015
Share capital	71,856,376	71,856,376
No. of shares	17,219,662	17,219,662
Ticker symbol	POSR	POSR
No. of shareholders	4,825	5,086
Type of share	ordinary	
Listing	Ljubljana Stock Exchange, prime market	
Number of treasury shares	826,170*	736,066
Net earnings/loss per share (€)	0.21	0.30
Consolidated net earnings per share (€)	0.43	0.61
Book value per share (€)	16.31	16.06
Consolidated book value per share (€)	18.19	17.26
Share price at end of period (€)	14.50	16.26
	1–3/2016	1–3/2015
Average share price in reporting period (€)	12.75	16.20
Minimum share price in reporting period (€)	11.80	15.40
Maximum share price in reporting period (€)	14.50	16.85
Trade volume in reporting period (€)	13,599,587	4,610,553

*The balance of treasury shares is the number of actually purchased treasury shares at 31 March 2016 and may vary from the total entered at KDD d.d. at 31 March 2016.

In the first quarter 2016, the Company did not pay out any dividends. Neither did it hold conditional equity.

At 31 March 2016, 66.1 % of shareholders were Slovenian and 33.9 % were foreign. The largest shareholder of the POSR share is the Slovenian Sovereign Holding (Slovenski državni holding d.d.) with 25 % plus one share.

Shareholder structure of Sava Reinsurance Company at 31 March 2016

Type of Investor	Domestic investors	Foreign investors
Other financial institutions	25.1 %	0.0 %
Insurers and pension companies	16.8 %	0.2 %
Natural persons	9.2 %	0.2 %
Banks	3.9 %	26.6 %
Investment funds and mutual funds	6.0 %	5.8 %
Other commercial companies	2.3 %	1.1 %
Government	2.8 %	0.0 %
Total	66.1 %	33.9 %

The other financial institutions item includes the Slovenian Sovereign Holding with a stake of 25 % plus one share.

Source: Central securities register KDD d.d. and own sources.

Top ten shareholders of Sava Reinsurance Company at 31 March 2016

Shareholder	No. of shares	Holding
Slovenian Sovereign Holding	4,304,917	25.0 %
Zagrebačka banka d.d. - fiduciary account	2,454,432	14.3 %
European Bank for Reconstruction and Development	1,071,429	6.2 %
Pozavarovalnica Sava d.d. (own shares)*	805,359	4.7 %
Raiffeisen Bank Austria d.d. fiduciary account	765,839	4.4 %
Modra Zavarovalnica d.d.	714,285	4.1 %
Abanka d.d.	655,000	3.8 %
Adriatic Slovenica d.d., liability fund	501,391	2.9 %
Republic of Slovenia	476,402	2.8 %
Balkan Fund	463,211	2.7 %
Total	12,212,265	70.9 %

*Own shares carry no voting rights; this is the balance of own shares at KDD d.d. at 31 March 2016.

On 16 March 2016, Sava Reinsurance Company received notification from Croatia osiguranje d.d., Croatia, that its share of POSR voting rights was 14.81 %.

Source: number of shares at KDD d.d. at 31 March 2016.

Own shares

As at 31 March 2016, the Company held 826,170 treasury shares, representing 4.8 % of share capital. The total value of purchases made in the period 1–3/2016 was € 1.2 million. The balance at KDD d.d. may vary due to the lag between the purchase date and the settlement date of the transaction, which is two working days after the date of purchase. All shares were acquired on the regulated market.

From 1 April 2016 up to and including 22 April 2016, Sava Reinsurance Company bought 895,796 own shares for a total amount of € 13.4 million. The total number of own shares after the purchase was 1,721,966, which represents 10.0 % less one share of the Company's share capital.

SAVA RE GROUP INTERIM BUSINESS REPORT

2 SAVA RE GROUP REVIEW OF OPERATIONS

Summary of the consolidated income statement

(€)	1–3/2016	1–3/2015	Index
Net earned premiums	111,389,356	111,721,324	99.7
Income from investments in associates	0	88,739	-
Investment income	7,665,499	12,554,451	61.1
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	3,315,155	11,536,076	28.7
Other technical income	4,810,536	5,726,958	84.0
Other income	1,813,993	2,189,980	82.8
Net claims incurred	-66,519,138	-74,168,320	89.7
Change in other technical provisions	-3,094,774	-434,036	713.0
Change in technical provisions for policyholders who bear the investment risk	1,392,914	-14,162,829	-9.8
Expenses for bonuses and rebates	-232,141	62,549	-371.1
Operating expenses	-36,050,111	-35,270,754	102.2
Expenses for financial assets and liabilities	-3,584,125	-1,212,996	295.5
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-6,990,397	-259,106	2,697.9
Other technical expenses	-4,958,633	-6,042,130	82.1
Other expenses	-310,375	-445,792	69.6
Profit/loss before tax	8,647,759	11,884,114	72.8

The changes in net premiums earned, claims incurred, expenses and investments are commented later in the report. The decline in consolidated other technical income and expenses was mainly impacted by exchange differences of Sava Reinsurance Company, while the movements in unrealised gains and losses on investments of life insurance policyholders who bear the investment risk and changes in technical provisions of these policyholders were affected by the drop in the prices of mutual funds. Pre-tax profit was lower mainly due to the reinsurance segment as described later in section 3.1.

Consolidated operating ratios

	1–3/2016	1–3/2015
Net incurred loss ratio (reins. + non-life ins.)	61.1 %	66.9 %
Net incurred loss ratio, excluding the effect of exchange differences (reins. + non-life ins.)	63.0 %	59.6 %
Net expense ratio	31.2 %	30.8 %
Net expense ratio, excluding the effect of exchange differences	31.2 %	30.7 %
Return on the investment portfolio	1.6 %	4.8 %
Return on the investment portfolio, excluding exchange differences	2.2 %	2.5 %
Annualised return on equity	9.6 %	13.9 %

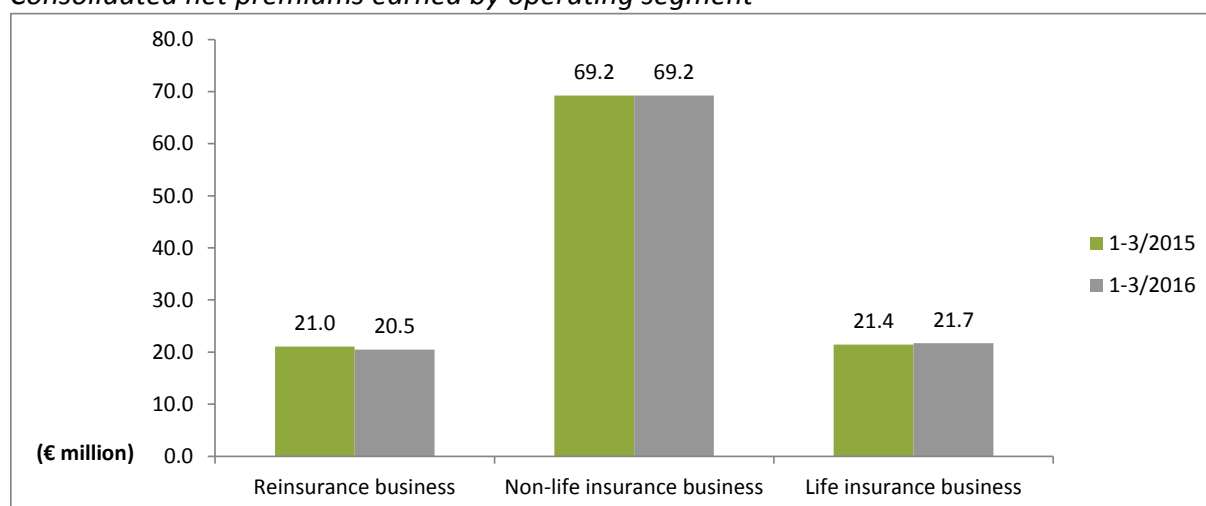
In the period 1–3/2016, exchange rate differences had a positive impact on the underwriting result of reinsurance business of € 1.6 million, and a negative effect of € 1.3 million on the investment result. Net impact of exchange differences on the net profit for the year was € 0.3 million. The Company follows a policy of asset and liability currency matching. As both effects on profit mainly relate to international reinsurance operations, detailed figures are presented in the section covering reinsurance business later in this report.

Consolidated net earned premiums

Consolidated net earned premiums

(€)	1-3/2016	1-3/2015	Index
Gross premiums written	153,499,567	152,529,643	100.6
Net premiums written	139,528,594	140,348,668	99.4
Change in net unearned premiums	-28,139,238	-28,627,344	98.3
Net earned premiums	111,389,356	111,721,324	99.7

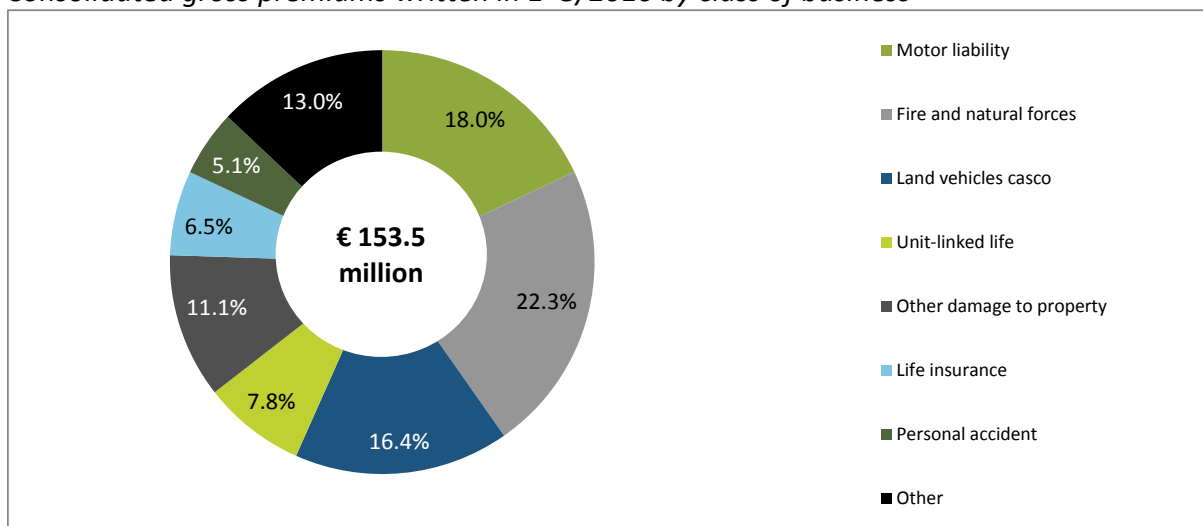
Consolidated net premiums earned by operating segment



Consolidated net earned premiums by class of business

(€)	1-3/2016	1-3/2015	Index
Personal accident	7,382,474	8,495,182	86.9
Health	947,961	1,053,297	90.0
Land vehicles casco	20,126,662	20,866,371	96.5
Railway rolling stock	10,132	10,944	92.6
Aircraft hull	18,805	155,425	12.1
Ships hull	841,115	1,717,489	49.0
Goods in transit	1,714,567	782,160	219.2
Fire and natural forces	18,532,530	19,970,485	92.8
Other damage to property	8,758,620	5,356,647	163.5
Motor liability	24,698,815	25,384,982	97.3
Aircraft liability	109,189	-42,511	-256.8
Liability for ships	160,724	151,610	106.0
General liability	3,664,515	3,745,406	97.8
Credit	787,109	592,450	132.9
Suretyship	73,601	116,997	62.9
Miscellaneous financial loss	1,049,839	340,955	307.9
Legal expenses	71,910	77,880	92.3
Assistance	1,022,302	1,134,037	90.1
Total non-life	89,970,870	89,909,806	100.1
Life insurance	9,490,531	9,291,332	102.1
Unit-linked life	11,923,312	12,516,337	95.3
Capital redemption	4,643	3,849	120.6
Total life	21,418,486	21,811,518	98.2
Total	111,389,356	111,721,324	99.7

Consolidated gross premiums written in 1–3/2016 by class of business

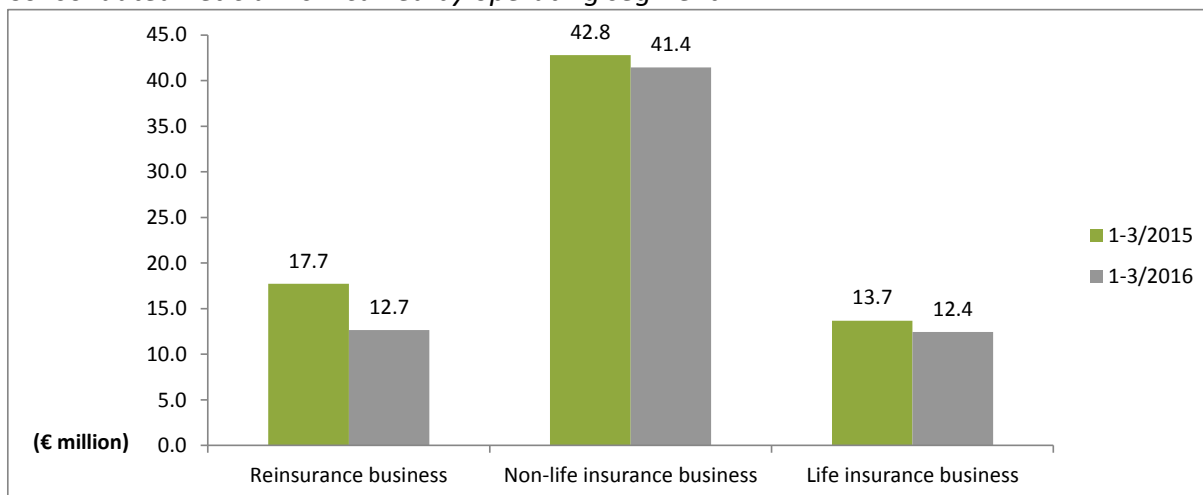


Consolidated net claims incurred

Consolidated net claims incurred

(€)	1–3/2016	1–3/2015	Index
Gross claims paid	66,401,275	71,916,424	92.3
Net claims paid	64,834,878	69,983,210	92.6
Change in the net provision for outstanding claims	1,684,260	4,185,110	40.2
Net claims incurred	66,519,138	74,168,320	89.7

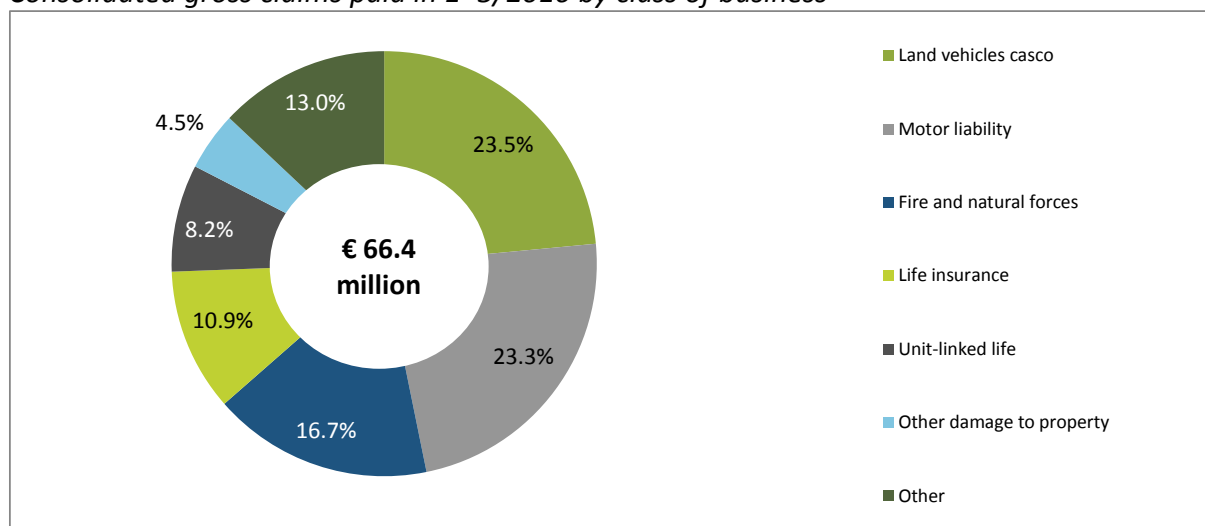
Consolidated net claims incurred by operating segment



Consolidated net claims incurred by class of business

(€)	1–3/2016	1–3/2015	Index
Personal accident	3,479,302	4,986,056	69.8
Health	673,979	816,344	82.6
Land vehicles casco	14,828,278	14,881,965	99.6
Railway rolling stock	1,141	0	0.0
Aircraft hull	209,887	193,780	108.3
Ships hull	3,250,769	1,217,717	267.0
Goods in transit	-1,443,313	1,292,014	-111.7
Fire and natural forces	14,702,174	11,196,802	131.3
Other damage to property	-716,287	6,050,030	-11.8
Motor liability	15,924,747	16,658,720	95.6
Aircraft liability	-92,943	12,631	-735.8
Liability for ships	272,824	104,296	261.6
General liability	1,886,878	2,508,373	75.2
Credit	-139,215	-202,626	68.7
Suretyship	18,512	212,534	8.7
Miscellaneous financial loss	730,116	206,577	353.4
Legal expenses	233	204	114.2
Assistance	247,533	277,151	89.3
Total non-life	53,834,615	60,412,568	89.1
Life insurance	6,947,466	8,268,437	84.0
Unit-linked life	5,737,048	5,487,315	104.6
Total life	12,684,523	13,755,752	92.2
Total	66,519,138	74,168,320	89.7

Consolidated gross claims paid in 1–3/2016 by class of business



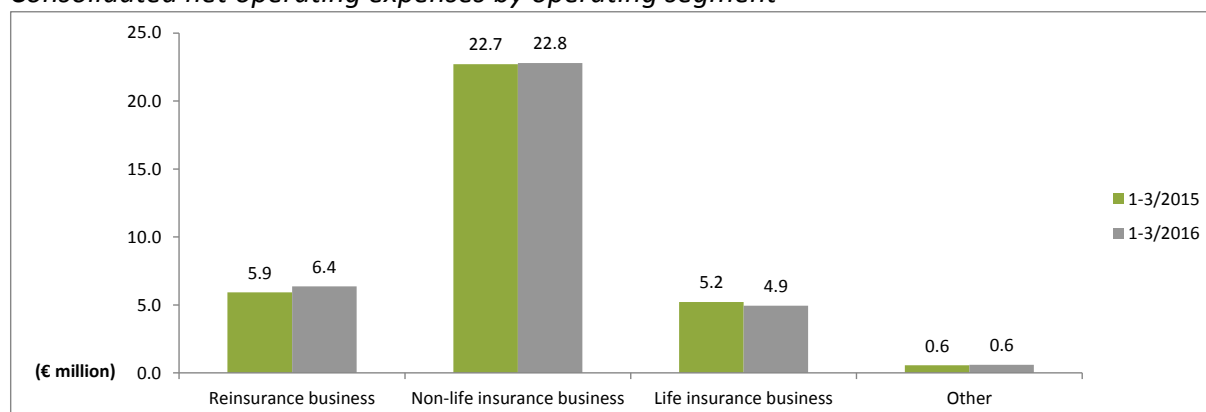
Consolidated operating expenses

Consolidated operating expenses

(€)	1-3/2016	1-3/2015	Index
Acquisition costs	12,592,372	13,726,798	91.7
Change in deferred acquisition costs (+/-)	-1,311,980	-2,831,614	46.3
Other operating expenses	24,769,719	24,375,570	101.6
Gross operating expenses, including change in DAC	36,050,111	35,270,754	102.2
Income from reinsurance commission	-1,337,357	-836,064	160.0
Net operating expenses	34,712,754	34,434,690	100.8
Gross expense ratio	23.5 %	23.1 %	
Net expense ratio	31.2 %	30.8 %	

The largest contribution to the increase in gross operating expenses was a minor change in deferred acquisition costs, since growth in the first quarter of 2016 was lower than the growth in the first quarter of 2015.

Consolidated net operating expenses by operating segment



Consolidated net investment income

Net inv. income of the investment portfolio

	1-3/2016	1-3/2015	Nominal change
Net investment income of financial investments	4,081,391	11,341,473	-7,260,082
Net investment income of investment property	73,282	40,860	32,422
Net inv. income of the investment portfolio	4,154,673	11,382,333	-7,227,660
Net inv. income of the investment portfolio, excluding exchange differences	5,455,814	5,835,996	-380,182
Net inv. income from investments for the benefit of life-insurance policyholders who bear the investment risk	-	-	-
	3,675,242	11,276,970	-14,952,212

In the first quarter of 2016, the Group's net investment income from its investment portfolio totalled € 4.2 million, down € 7.2 million year-on-year.

Since exchange differences have no significant impact on the result because exchange differences on the assets side are set off by exchange differences on the liabilities side, it is more meaningful to look at the net investment income, excluding exchange differences. A more detailed presentation is provided in section 6.4.1.4 "Currency risk".

Excluding the impact of exchange differences, the net investment income on the investment portfolio during the period is € 5.5 million, which is a decline of € 0.4 million year-on-year. This is primarily a result of the situation on the financial markets affecting the rates at which funds are (re)invested and the potential income from appreciation or realisation of gains on disposal of investments.

Income and expenses of the investment portfolio by type

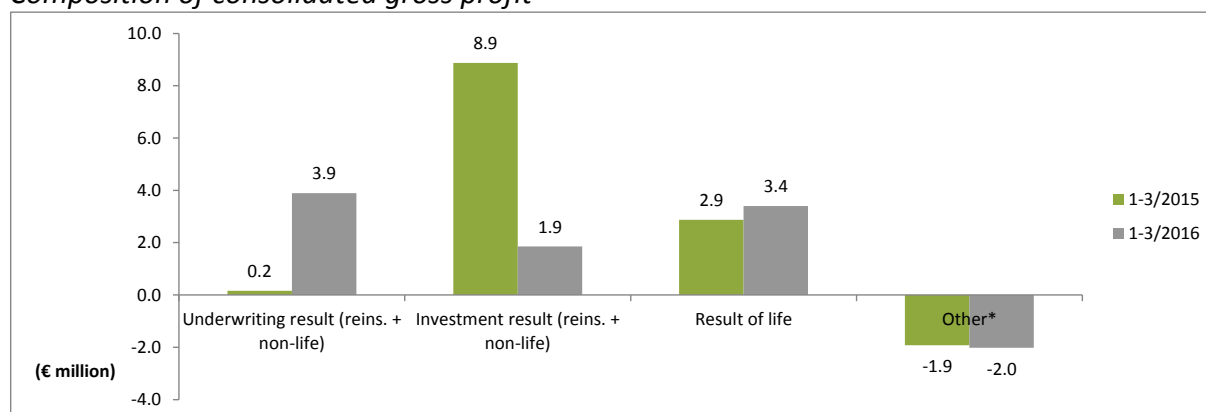
(€)	1–3/2016	1–3/2015	Nominal change
Income			
Interest income	5,435,420	5,576,930	-141,510
Change in fair value and gains on disposal of FVPL assets	242,548	535,186	-292,638
Gains on disposal of other IFRS asset categories	408,463	178,251	230,212
Income from dividends and shares – other investments	13,151		13,151
Exchange gains	1,502,751	6,223,161	-4,720,410
Other income	172,480	115,014	57,466
Income from the investment portfolio	7,774,813	12,628,542	-4,853,729
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	3,315,155	11,536,076	8,220,921
Expenses			
Interest expenses	214,228	328,227	-113,999
Change in fair value and losses on disposal of FVPL assets	360,299	26,649	333,650
Losses on disposal of other IFRS asset categories	162,663	165,886	-3,223
Impairment losses on investments	29,186	9,270	19,916
Exchange losses	2,803,892	676,824	2,127,068
Other	49,889	39,371	10,518
Expenses for the investment portfolio	3,620,157	1,246,227	2,373,930
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	6,990,397	259,106	6,731,291

In the first quarter of 2016 investment income declined by € 4.9 million year-on-year, but dropped by € 0.1 million if exchange differences are eliminated. The largest part of income is interest income, which amounted to € 5.4 million in the period 1–3/2016, down € 0.1 million year-on-year.

In the period 1–3/2016 expenses for the investment portfolio increase by € 2.4 million, but on elimination of exchange differences, by only € 0.2 million. In addition to exchange losses, the largest contributors to expenses are expenses arising from changes in market prices (2016: € 0.4 million) and repayment of Group loans (2016: € 0.2 million).

Consolidated net profit/loss

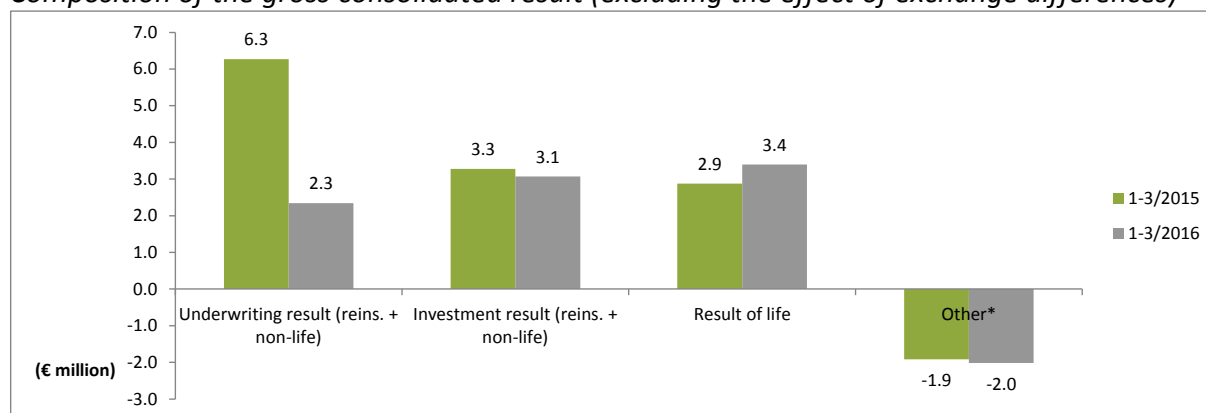
Composition of consolidated gross profit



*The "other" item includes the gross profit/loss of the "other" operating segment and tax relating to all operating segments.

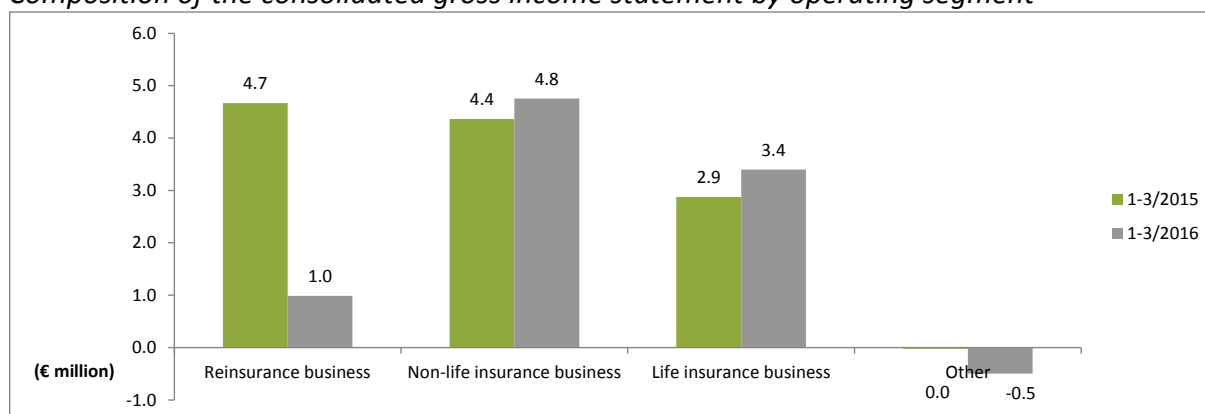
In 1–3/2016 exchange differences had a significant impact on the composition of the result, so below we set out results, excluding the effect of exchange differences. The impact of exchange differences on the result by operating segment was as follows: positive effect on the underwriting result of € 1.6 million (1–3/2015: € 6.1 million negative effect); negative effect on the investment result of € 1.3 million (1–3/2015: € 5.6 million positive effect). The total positive effect of exchange differences on the result of 1–3/2016 amounted to € 0.3 million (1–3/2015: € 0.5 million negative effect).

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



The underwriting result in the period 1–3/2016 was lower than last year as a result of a weaker underwriting result in the reinsurance segment. The underwriting result of the non-life segment improved this year. There was also an improvement in the result of life business, mainly due to better results by Zavarovalnica Tilja and the inclusion of Moja naložba in the consolidated accounts. The investment result for 1–3/2016 was marginally lower because of a lower realisation of gains on sales of investments and due to falling interest rates in the market.

Composition of the consolidated gross income statement by operating segment



Following is an overview of results by operating segment.

3 PERFORMANCE OF THE GROUP BY OPERATING SEGMENT

Business is presented by operating segments (non-life insurance, life insurance, reinsurance business and the "other" segment) and by geography (Slovenia and international). "Slovenia" includes Zavarovalnica Maribor and Zavarovalnica Tilia, while "international" includes the other subsidiaries. The reinsurance segment was not broken down geographically, as – after the elimination of transactions with Zavarovalnica Maribor and Zavarovalnica Tilia – the majority of the remaining transactions relates to Sava Reinsurance Company's business in international reinsurance markets.

In addition to said segment breakdown, the segment reporting information also reflects the effects of consolidation elimination and reallocation of certain income statement items:

- S** In the consolidation process, reinsurance effects were reallocated from the reinsurance segment to the non-life and life segments (Sava Reinsurance Company as the controlling company handles the reinsurance of most risks of the subsidiaries within the Sava Re Group): in the segment reporting information, reinsurance premiums received by the reinsurer from the subsidiaries were reallocated to the segment from where they arose (the same applies by analogy to reinsurance-related claims, commission income, change in unearned premiums, claims provisions and deferred acquisition costs). In the elimination process, the portion of business retroceded by Sava Reinsurance Company to foreign reinsurers was not allocated to the non-life and life segments. Retrocession-related expenses usually exceed income (except in the case of catastrophe claims). To provide a more adequate presentation of segment profitability, the result of the retroceded business was also allocated to the segment to which it related (non-life or life). All said items were adjusted only in the part relating to the risks of subsidiaries retroceded by Sava Reinsurance Company to foreign reinsurers.
- S** Other operating expenses of the reinsurance segment were reduced by the portion of expenses attributable to the administration of the Sava Re Group. Sava Reinsurance Company operates as a virtual holding company so a part of its expenses relates to the administration of the Group. Such expenses of the reinsurance segment were allocated to other segments based on gross premiums written. Other operating expenses include costs relating to the management of the Group. In the period 1–3/2016, Sava Reinsurance Company allocated 45.3 % of other operating expenses to operating

segments as monitored (non-life and life insurance business) by premium structure (1–3/2015: 47.8 %).

Reallocation of group management expenses to business segments

(€)	Reinsurance business	Non-life business – Slovenia	Non-life, international	Life, Slovenia	Life, intern.
1–3/2016	-1,062,819	763,795	109,846	176,085	13,093
1–3/2015	-959,484	682,396	101,321	165,352	10,415

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

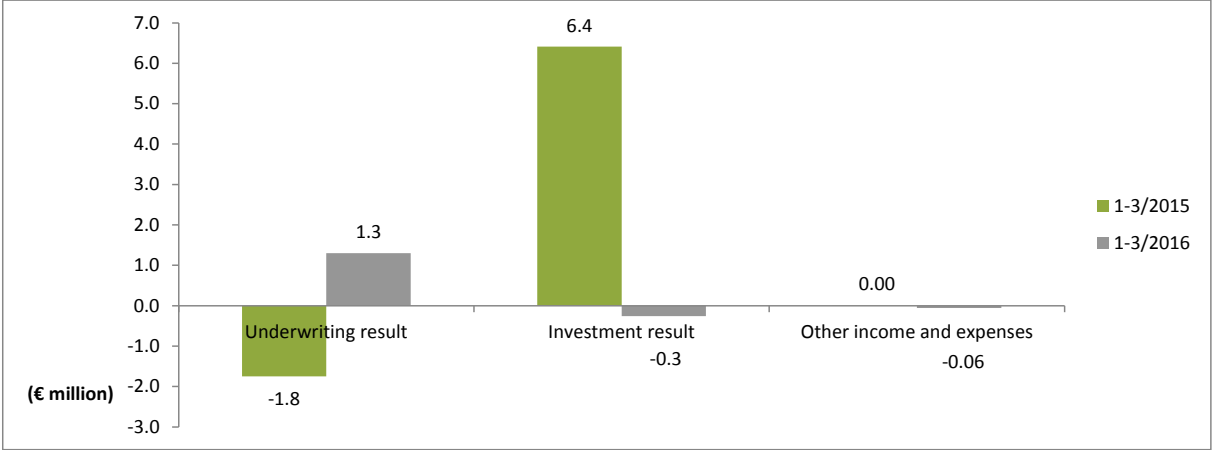
- S** Intangible assets – goodwill was allocated to the segment from which it arose (it was reallocated from the reinsurance segment to the non-life and life segments depending on which subsidiary it related to).
- S** Reinsurers' share of technical provisions (reinsurers' share of unearned premiums, claims provisions and other provisions) and deferred acquisition costs – in the same way as described in point one of adjustments to income statement items.
- S** Equity was reallocated from the reinsurance segment to the non-life and life segments based on the carrying amount of investments in subsidiaries (the sum total of carrying amounts of non-life insurers was reallocated to the non-life segment, and that of life insurers was reallocated to the life segment).

Following are commentaries to the results of each operating segment.

3.1 Reinsurance business

The income statement and the statement of financial position by operating segment are given in the notes to the financial statements, section 8.7. The reinsurance segment reflects developments of the reinsurance portfolio written by Sava Reinsurance Company outside the Sava Re Group.

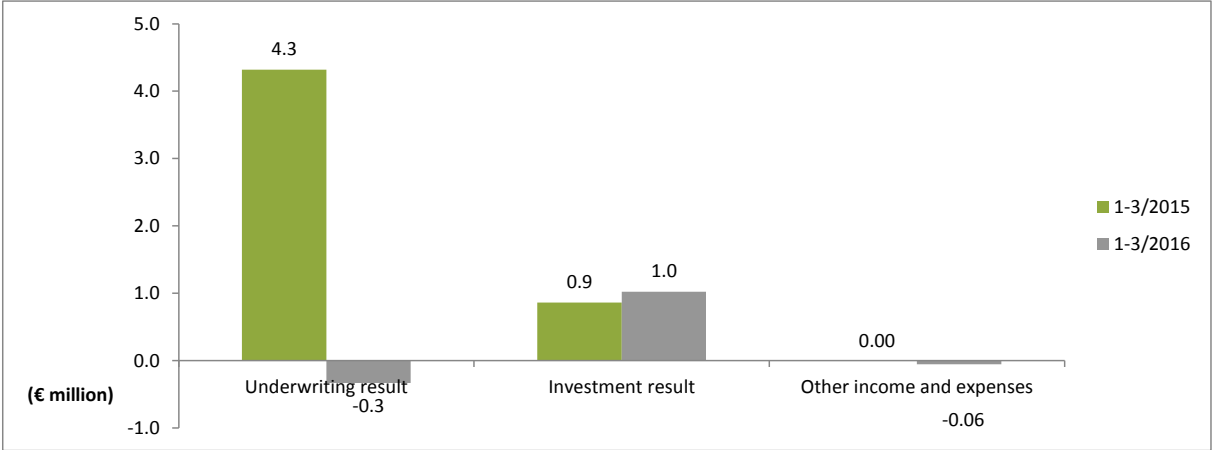
Composition of the consolidated gross income statement; reinsurance business



The income statements of the reinsurance segment for the period 1–3/2016 and 1–3/2015 were significantly impacted by exchange differences. The impact of exchange difference is set out in section 3 under the heading Consolidated net profit and refers to the reinsurance segment shown here.

The following graph shows profits, excluding the impact of exchange differences.

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



The underwriting result excluding the impact of exchange differences was slightly negative, mainly due to conservative claims reserving for certain major international losses (the result for the same period last year was positive partly because of reserve releases). The investment result (excluding the effect of exchange differences) for the period 1–3/2016 was slightly higher than year-on-year primarily due to a higher realisation of gains on the disposal of investments.

Net premiums earned

Consolidated gross premiums written by region; reinsurance business

(€)	1–3/2016	1–3/2015	Index
Slovenia	300,291	133,604	224.8
International	30,327,175	34,664,864	87.5
Total	30,627,466	34,798,468	88.0

Net premiums earned; reinsurance business

(€)	1–3/2016	1–3/2015	Index
Gross premiums written	30,627,466	34,798,469	88.0
Net premiums written	29,929,046	34,529,564	86.7
Change in net unearned premiums	-9,464,630	-13,492,025	70.1
Net earned premiums	20,464,416	21,037,540	97.3

Gross premiums written of this segment were slightly lower in the first quarter than year-on-year. The drop is due to lower premiums written abroad (mainly in South Korea, Russia, the USA, Sweden, Bulgaria, Mongolia), which is partly due to the soft market prevailing in international reinsurance markets as a result of which Sava Reinsurance Company has increased its selectivity in underwriting new business.

Despite the drop in gross premiums written, net premiums earned for the period 1–3/2016 were only slightly lower than year-on-year. The change in net unearned premiums for the period 1–3/2016 (an increase compared to the end of the prior year) was lower than year-on-year because of slower growth in new business.

In Slovenia, the Company transacts mostly intra-Group business; therefore, the amounts of all categories of the reinsurance segment (extra-Group business) are relatively small.

Net claims incurred

Consolidated gross claims paid by region; reinsurance business

(€)	1–3/2016	1–3/2015	Index
Slovenia	224,064	142,270	157.5
International	14,440,257	17,446,350	82.8
Total	14,664,321	17,588,621	83.4

Net claims incurred; reinsurance business

(€)	1–3/2016	1–3/2015	Index
Gross claims paid	14,664,321	17,588,621	83.4
Net claims paid	14,329,198	17,215,672	83.2
Change in the net provision for outstanding claims	-1,674,367	492,058	-340.3
Net claims incurred	12,654,831	17,707,730	71.5

Net claims incurred, excluding exchange differences reinsurance business

(€)	1–3/2016	1–3/2015	Index
Gross claims paid	14,664,321	17,588,621	83.4
Net claims paid	14,329,198	17,215,672	83.2
Change in the net provision for outstanding claims	-167,825	-5,548,964	3.0
Net claims incurred	14,161,373	11,666,708	121.4

Consolidated gross reinsurance claims fell by 16.6 % in the period 1–3/2016 year-on-year, reflecting primarily the decline in premium income in this segment. International gross claims paid fell faster than gross premiums written, indicating a favourable gross loss ratio (the paid loss ratio was 2.7 percentage points lower than in the period 1–3/2015).

The change in the net provision for outstanding claims (including the impact of exchange differences) was smaller in the period 1–3/2016 than year-on year. At 31 March 2016, the balance of net provisions for outstanding claims was lower than at year-end 2015 (claims provisions at 31 March 2015 moderately exceeded those at 31 December 2014).

The net incurred loss ratio for the reinsurance segment stood at 62.0 % for the period 1–3/2016, an improvement of 22.1 percentage points year-on-year. Excluding the impact of exchange differences, the ratio would have stood at 70.3 %, a deterioration of 17.2 percentage points. The deterioration was largely due to the partial release of conservatively established provisions for outstanding claims after the year-end 2014 review in the first quarter of last year, and an increase in the claims provisions relating to certain large claims reported in the first quarter of 2016.

Operating expenses

Consolidated operating expenses; reinsurance business

(€)	1–3/2016	1–3/2015	Index
Acquisition costs	5,638,930	6,372,587	88.5
Change in deferred acquisition costs (+/-)	-370,356	-1,445,891	25.6
Other operating expenses	1,282,325	1,047,805	122.4
Gross operating expenses, including change in DAC	6,550,899	5,974,501	109.6
Income from reinsurance commission	-176,280	-43,215	207.9
Net operating expenses	6,374,619	5,931,286	107.5

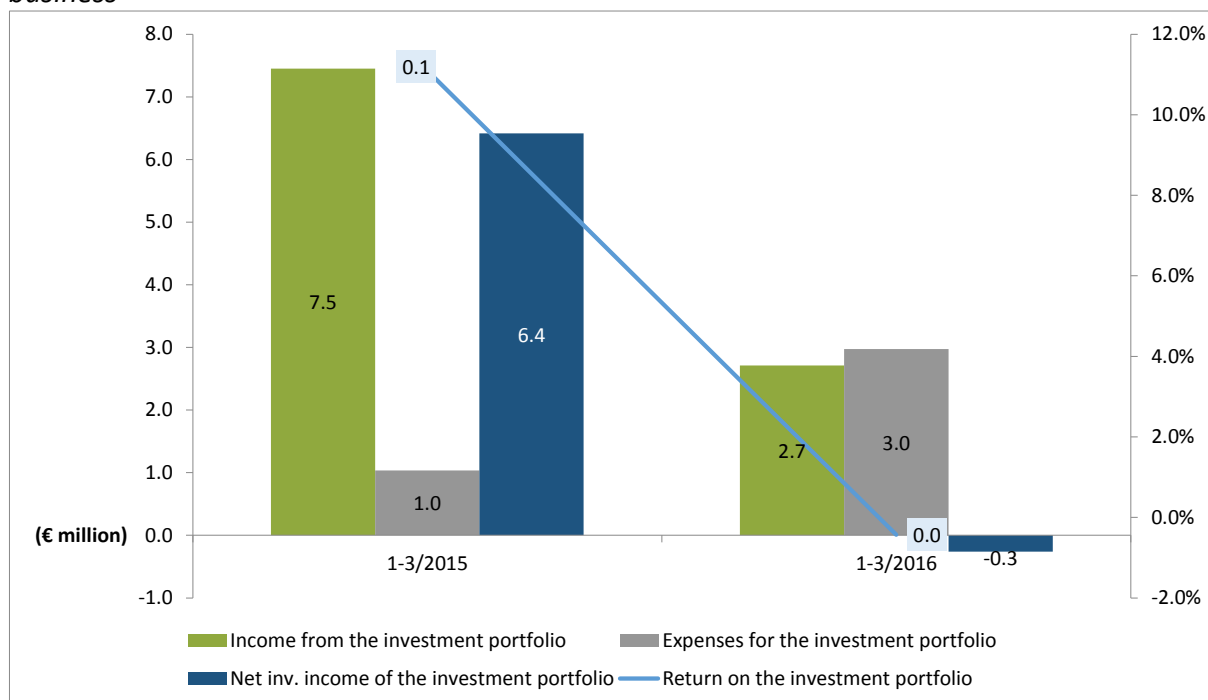
In the period 1–3/2016, acquisition costs dropped by 11.5 % as a result of the decline in premium income on the international portfolio (gross premiums fell by 12.1 %). The proportion of acquisition costs as a percentage of premiums remained approximately on the same level year-on-year.

In 1–3/2016 the change in deferred acquisition costs was smaller year-on-year, mainly reflecting the smaller volume of premiums and, consequently, acquisition costs.

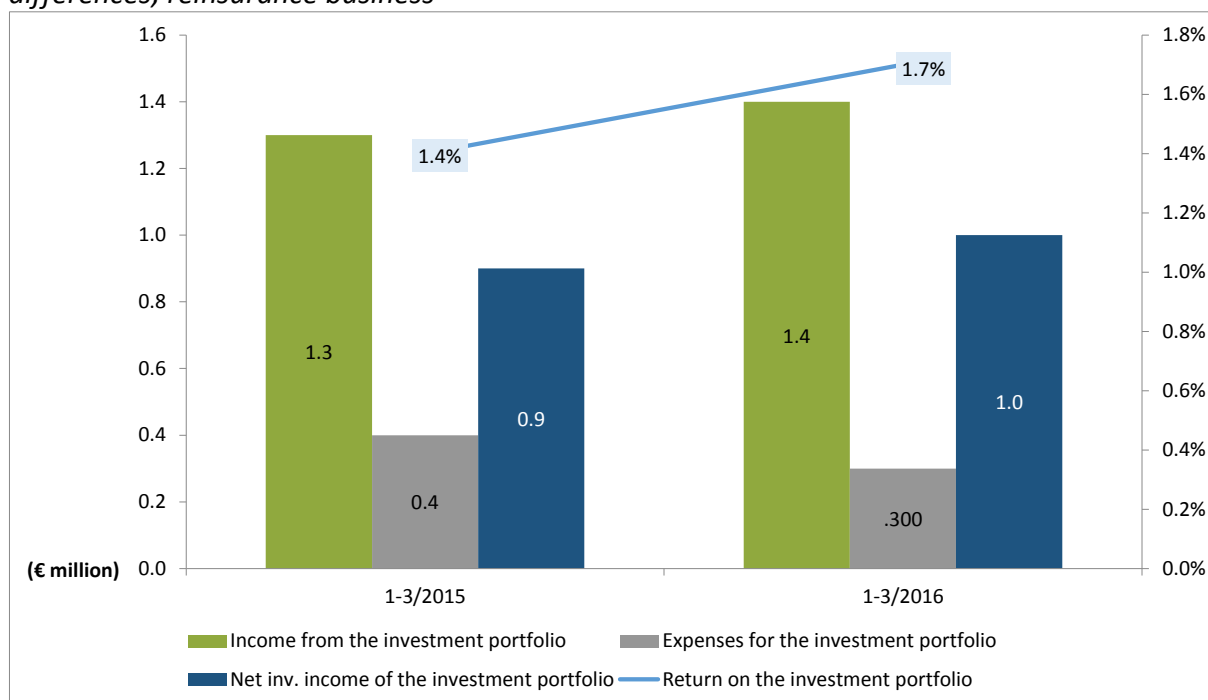
Other operating expenses increased by 22.4 % mainly due to growth in personnel costs (recruitment at Sava Reinsurance Company and the impact of interim employment in the prior year).

Net investment income

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










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



Since the investment result was strongly impacted by exchange differences, we present and comment on the net investment income excluding exchange differences. Compared to the same period last year, the net investment income of the investment portfolio increased by € 0.1 million. This modestly higher net investment income year-on-year was mainly a result of realised gains on the disposal of investments.

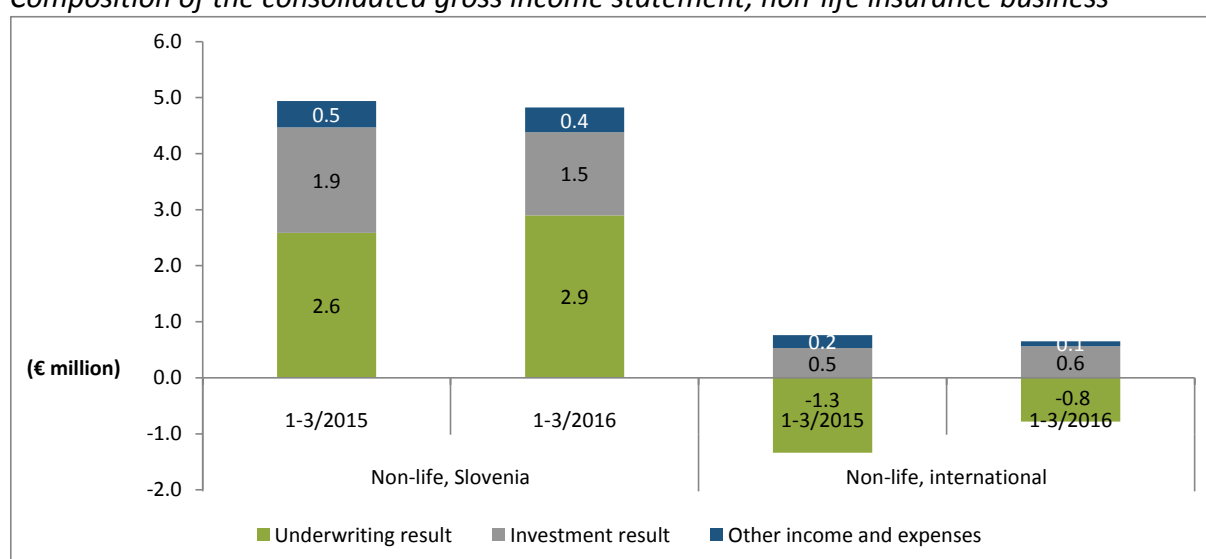
3.2 Non-life insurance business

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

-  Zavarovalnica Maribor, non-life
-  Zavarovalnica Tilia, non-life
-  Sava Montenegro
-  Sava osiguranje Belgrade
-  Sava osiguruvanje Skopje
-  Velebit osiguranje
-  Illyria

The income statement and the statement of financial position by operating segment are given in the notes to the financial statements, section 8.7.

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



The non-life insurance segment recorded a better consolidated net result in 1–3/2016 than in the same period last year. In this regard, the non-life segment of Slovenian insurance companies performed on about the same level as in the period 1–3/2015, while foreign non-life operations improved their performance by 77.3 %. This is mainly because of the more favourable underwriting results of Sava osiguranje Belgrade and Illyria. In fact, the underwriting result of Slovenian non-life insurers also improved, by 14.7 %. The investment result of Slovenian non-life insurers deteriorated by € 0.4 million as a result of both less realised gains on sales of investments and falling interest rates in international markets. The investment result of non-Slovenia-based insurers, by contrast, improved by € 0.04 million, especially due to the improvement in Illyria. As of 1 May 2015, the company is permitted to hold government bonds with higher interest rates than those on deposits, which in addition to cash and cash equivalents comprised the only asset class in the company's investment portfolio in 1–3/2015. Besides with Illyria, there was also an improvement in the investment result of Sava osiguranje Belgrade, due to a higher proportion of bonds in the portfolio, exchange gains and an increase in rental income.

Net premiums earned

Consolidated gross non-life premiums by region

(€)	1–3/2016	1–3/2015	Index
Slovenia	88,302,007	83,731,708	105.5
International	12,699,244	12,432,367	102.1
Total	101,001,251	96,164,075	105.0

Net premiums earned; non-life insurance business

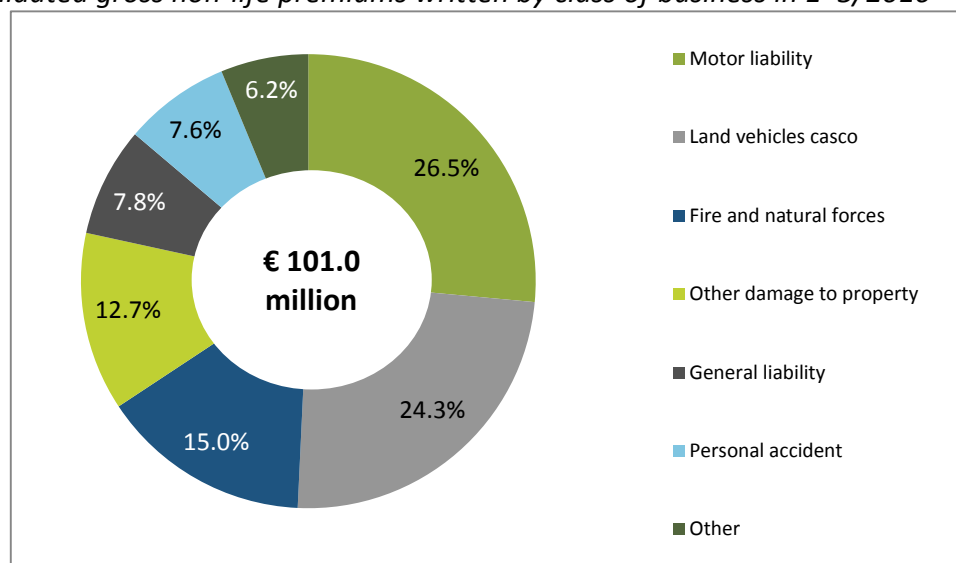
(€)	Slovenia		International	
	1–3/2016	1–3/2015	1–3/2016	1–3/2015
Gross premiums written	88,302,007	83,731,708	12,699,244	12,432,367
Net premiums written	76,344,454	73,001,930	11,464,766	11,339,078
Change in net unearned premiums	-18,782,985	-14,430,358	209,858	-672,748
Net earned premiums	57,561,469	58,571,572	11,674,624	10,666,330

Unconsolidated gross non-life premiums of Sava Re Group companies

(€)	1–3/2016	1–3/2015	Index
Zavarovalnica Maribor (non-life)	64,144,790	59,883,372	107.1
Zavarovalnica Tilia (non-life)	24,256,485	23,940,915	101.3
Sava osiguranje Belgrade	3,148,599	3,149,082	100.0
Sava osiguruvanje Skopje	2,926,186	2,662,622	109.9
Sava Montenegro	2,422,928	2,694,469	89.9
Illyria	1,791,889	2,006,369	89.3
Velebit osiguranje	2,411,122	1,920,775	125.5
Total	101,101,998	96,257,604	105.0

In the period 1–3/2016 gross premiums written from Slovenia increased by 5.5 % mainly due to higher non-life insurance premiums of Zavarovalnica Maribor: as a result of more premiums written through bancassurance arrangements and some policies written for some large policyholders in January, while in 2015 these were concluded later in the year. Zavarovalnica Tilia also recorded year-on-year growth in non-life premiums, of 1.3 %, in 1–3/2016. Non-Slovenian insurers with a year-on-year increase in gross premiums written include the non-life insurers in Macedonia and Croatia. The growth in non-life premiums in Macedonia is the combined result of a larger number of sales staff, opening of new branches and good results of new sales campaigns launched last year, for example, bancassurance and the establishment of the Sava Station vehicle inspection company. The Croatian non-life insurance company achieved its growth through increased sales activities and efficient pricing of motor liability coverages, also available online. The Montenegrin non-life insurer recorded a decline in premiums due to the restrictions on coinsurance business (by decision of the Competition Protection Agency) and the loss of certain clients. The Kosovan insurer lost premiums because of two new insurance companies, who entered the market in 2015, and the loss of half of its border insurance premiums. The total increase in non-Slovenian consolidated gross premiums written was 2.2 %.

Unconsolidated gross non-life premiums written by class of business in 1–3/2016



Net claims incurred

Consolidated gross non-life claims by region

(€)	1–3/2016	1–3/2015	Index
Slovenia	34,275,018	36,600,386	93.6
International	5,335,410	5,112,833	104.4
Total	39,610,428	41,713,219	95.0

Net claims incurred; non-life insurance business

(€)	Slovenia		International	
	1–3/2016	1–3/2015	1–3/2016	1–3/2015
Gross claims paid	34,275,018	36,600,386	5,335,410	5,112,833
Net claims paid	33,279,412	35,308,582	5,144,109	4,877,209
Change in the net provision for outstanding claims	2,258,624	1,585,044	756,739	1,028,053
Net claims incurred	35,538,036	36,893,626	5,900,848	5,905,262

Unconsolidated gross non-life claims paid of Sava Re Group companies

(€)	1–3/2016	1–3/2015	Index
Zavarovalnica Maribor (non-life)	23,605,842	25,880,236	91.2
Zavarovalnica Tilia (non-life)	10,808,129	10,871,311	99.4
Sava osiguranje Belgrade	1,263,145	1,419,885	89.0
Sava osiguruvanje Skopje	1,072,075	1,176,488	91.1
Sava Montenegro	931,064	826,297	112.7
Velebit osiguranje	1,157,948	720,743	160.7
Illyria	933,560	994,494	93.9
Total	39,771,764	41,889,455	94.9

In the period 1–3/2016 gross claims paid relating to Slovenian business declined mainly due to Zavarovalnica Maribor, as the gross claims of the first quarter of last year included ice damage payments of € 2.2 million. There was also a minor decline in gross claims paid of Zavarovalnica Tilia due to the downward trend in the realisation of new recourse receivables, while the settlement of existing ones is running, which is why recourse receivables in the period 1–3/2016 increased year-on-year. Gross claims paid for business

from abroad increased by 4.4 % mainly due to growth in claims of the Croatian non-life insurer (settlement of large losses) and the non-life insurer from Montenegro (increase of 12.7 % as a result of some large motor and liability claims).

Operating expenses

Consolidated operating expenses; non-life insurance business

(€)	1–3/2016	1–3/2015	Index
Acquisition costs	5,663,726	5,775,610	98.1
Change in deferred acquisition costs (+/-)	-931,361	-1,355,521	68.7
Other operating expenses	19,226,980	19,079,101	100.8
Gross operating expenses, including change in DAC	23,959,345	23,499,190	102.0
Income from reinsurance commission	-1,161,077	-791,455	146.7
Net operating expenses	22,798,267	22,707,735	100.4

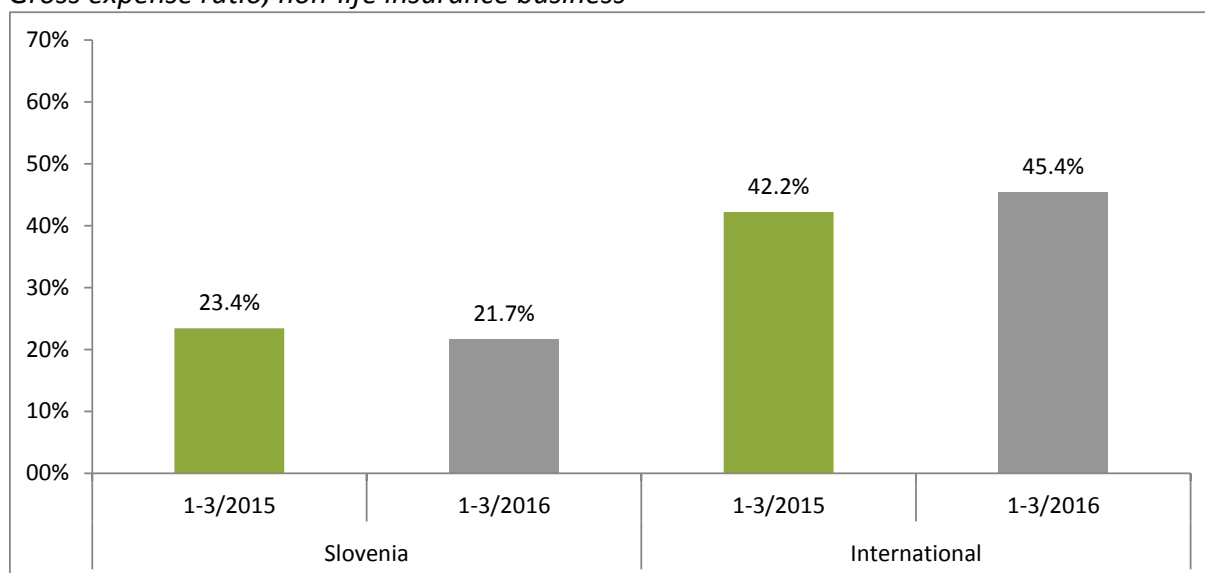
Total gross operating expenses of non-life business increased marginally as a result of the increase in other operating expenses (mainly because of larger personnel costs for setting up a new sales system, for expanding the own sales network and increased advertising costs for larger promotional activities).

Consolidated gross expenses for non-life business (excluding changes in deferred acquisition costs) were at about the same level as year-on-year or grew by merely 0.1 %, while consolidated gross non-life premiums written grew by 5.0 %. Thus in 1–3/2016 the ratio of expenses to premiums declined by 1.2 percentage points year-on-year.

Unconsolidated gross non-life operating expenses of Sava Re Group companies

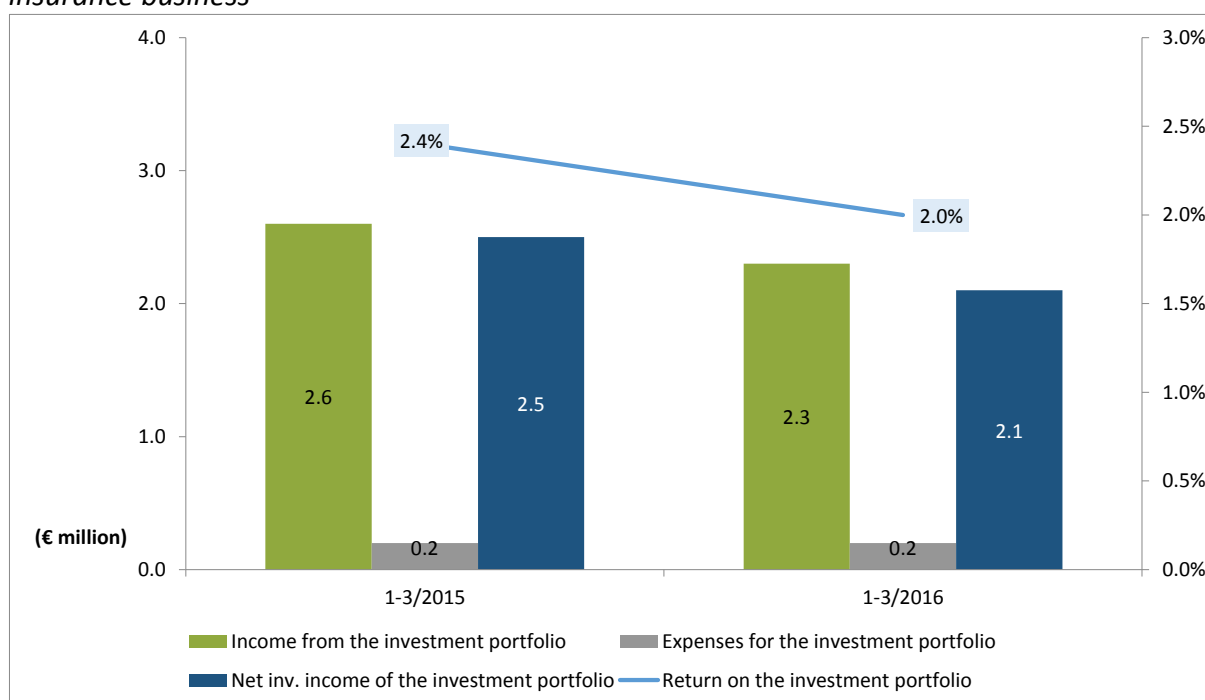
(€)	1–3/2016	1–3/2015	Index
Zavarovalnica Maribor (non-life)	12,330,027	12,938,105	95.3
Zavarovalnica Tilia (non-life)	5,338,076	5,224,892	102.2
Other Group insurers	5,822,953	5,315,665	109.5

Gross expense ratio; non-life insurance business



Net investment income






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



The net investment income of the investment portfolio of non-life insurance business declined by € 0.4 million year-on-year. The net investment income declined mainly due to lower interest income (€ -0.2 million) as a result of falling interest rates in capital markets and lower realised gains on the sale of investments (€ -0.2 million).

3.3 Life insurance business

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

-  Zavarovalnica Maribor, life business
-  Zavarovalnica Tilia, life business
-  Sava životno osiguranje
-  Illyria Life
-  Velebit životno osiguranje
-  Moja naložba

The income statement and the statement of financial position by operating segment are given in the notes to the financial statements, section 8.7.

Net premiums earned

Consolidated gross life insurance premiums by region

(€)	1–3/2016	1–3/2015	Index
Slovenia	20,357,162	20,289,106	100.3
International	1,513,688	1,277,993	118.4
Total	21,870,850	21,567,099	101.4

Net premiums earned; life insurance business

(€)	Slovenia		International	
	1–3/2016	1–3/2015	1–3/2016	1–3/2015
Gross premiums written	20,357,162	20,289,106	1,513,688	1,277,993
Net premiums written	20,277,393	20,200,716	1,512,935	1,277,379
Change in net unearned premiums	-87,768	-27,131	-13,713	-5,082
Net earned premiums	20,189,625	20,173,585	1,499,222	1,272,297

Gross life insurance premiums for the first quarter of 2016 show an increase from the previous year due to the inclusion of annuity business of the Moja naložba pension company of € 347,401 (Moja naložba had not been consolidated by Sava Reinsurance Company in 2015). Excluding Moja naložba business, the gross life insurance premiums of the Slovenian insurers would have been lower than in the previous year, since both life insurers recorded a decline in gross life premiums written. Premiums were lower because new business was not sufficient to offset expired business (through maturities or terminations). In the period the Slovenian insurance market recorded a 2.6 % fall in life business, while the combined life premiums of Zavarovalnica Maribor and Zavarovalnica Tilia dropped by 1.4 %.

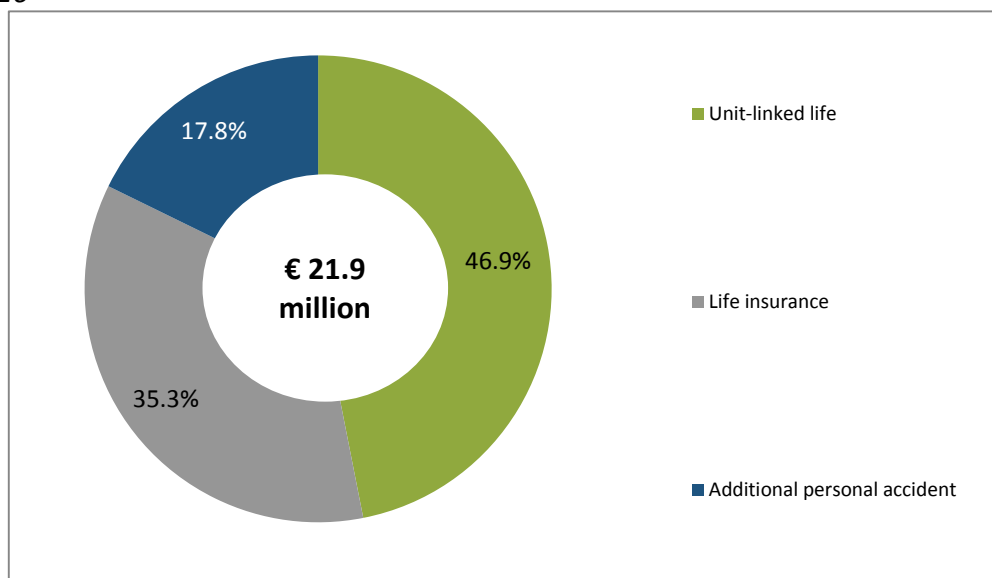
All non-Slovenian life insurers achieved growth in gross premiums written; the largest growth was generated by the Croatian company Velebit životno osiguranje, which recorded a 21.7 % growth in premiums against the background of a 1.9 % drop in the Croatian life insurance market in the first quarter.

Unconsolidated gross life premiums written by Sava Re Group companies

(€)	1–3/2016	1–3/2015	Index
Zavarovalnica Maribor (life)	18,058,978	18,254,431	98.9
Zavarovalnica Tilia (life)	1,950,783	2,034,675	95.9
Velebit životno osiguranje	796,198	654,239	121.7
Illyria Life	421,490	359,230	117.3
Sava životno osiguranje	317,074	282,529	112.2
Moja naložba	347,401	-	-
Total	21,891,925	21,585,103	101.4

Unconsolidated gross life insurance premiums by class of business

1–3/2016



Net claims incurred

Consolidated gross life insurance premiums by region

(€)	1–3/2016	1–3/2015	Index
Slovenia	11,731,241	12,349,644	95.0
International	395,285	264,940	149.2
Total	12,126,526	12,614,584	96.1

Net claims incurred; life insurance business

(€)	Slovenia		International	
	1–3/2016	1–3/2015	1–3/2016	1–3/2015
Gross claims paid	11,731,241	12,349,644	395,285	264,940
Net claims paid	11,686,874	12,316,807	395,285	264,940
Change in the net provision for outstanding claims	364,569	1,063,378	-21,305	16,576
Net claims incurred	12,051,442	13,380,185	373,980	281,516
Change in other technical provisions*	1,869,100	101,177	491,741	468,648
Change in technical provisions for policyholders who bear the investment risk	-1,392,345	14,153,978	-569	8,851
Net claims incurred, including the change in the mathematical and UL provisions	12,528,197	27,635,340	865,152	759,015

*These provisions mainly comprise mathematical provisions.

The decline in gross life insurance claims paid in Slovenia is due to the decline in claims of Zavarovalnica Maribor as claim payments relating to maturities were lower than last year. In contrast, in the first quarter of this year Zavarovalnica Tilja paid more claims based on maturities and death benefits than in the previous year, as well as some surrenders of significant amounts.

The growth in gross claims paid of non-Slovenian insurers is a result of an increase in the claims of the life insurers in Croatia and Kosovo. In the first quarter the Croatian company paid ten times the claim amount for maturities than in the previous year and one large death benefit, while Illyria Life paid a larger number of death benefits this year.

The increase in the change in other technical provisions of the Slovenian companies is mainly due to an increase in the mathematical provisions of Zavarovalnica Maribor because of higher profit attributions to policyholders and the already mentioned lower maturity payments, which reduce mathematical provisions.

With Slovenian insurers there has been a significant change compared to the same period in the previous year in technical provisions for policyholders who bear the investment risk, as a result of falling prices of mutual funds.

Unconsolidated gross claims paid for life business by Sava Re Group companies

(€)	1–3/2016	1–3/2015	Index
Zavarovalnica Maribor (life)	9,862,181	10,672,221	92.4
Zavarovalnica Tilja (life)	1,802,999	1,677,423	107.5
Velebit životno osiguranje	184,321	97,206	189.6
Sava životno osiguranje	112,572	119,768	94.0
Illyria Life	98,392	47,966	205.1
Moja naložba	66,061	-	-
Total	12,126,526	12,614,584	96.1

Operating expenses

Consolidated operating expenses; life insurance business

(€)	1–3/2016	1–3/2015	Index
Acquisition costs	1,289,716	1,578,601	81.7
Change in deferred acquisition costs (+/-)	-10,263	-30,202	34.0
Other operating expenses	3,663,022	3,676,113	99.6
Gross operating expenses, including change in DAC	4,942,475	5,224,512	94.6
Income from reinsurance commission	0	-1,393	-
Net operating expenses	4,942,475	5,223,119	94.6

The decline in acquisition costs for life business is mainly due to lower acquisition costs of the Slovenian companies and the Kosovan company.

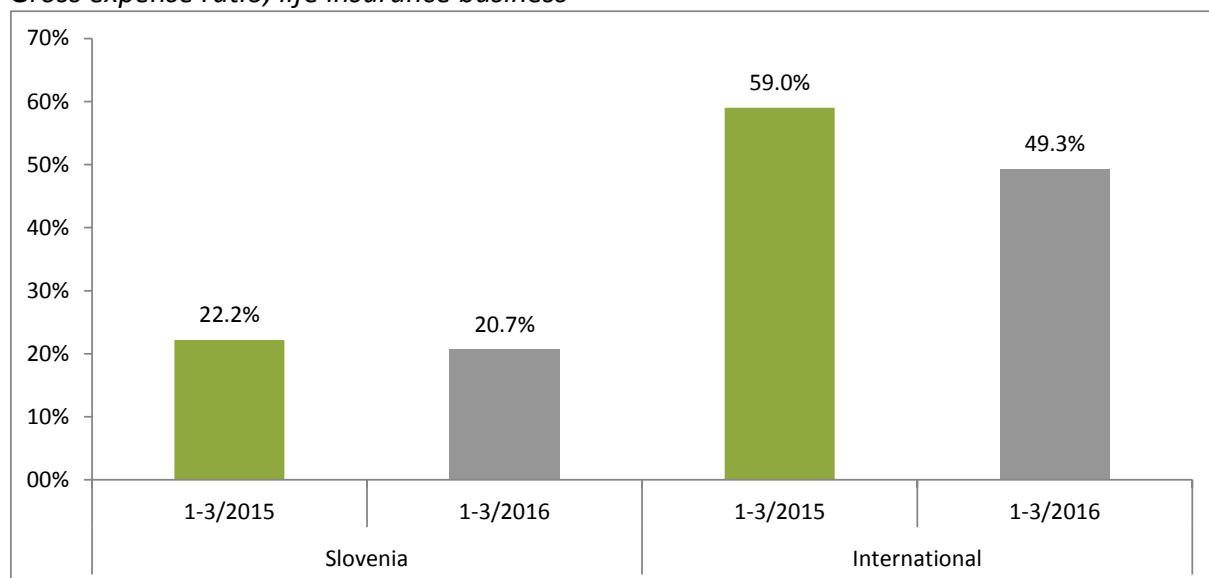
Compared to the prior year, the share of consolidated gross expenses (excluding changes in deferred acquisition costs) relative to premiums decreased by 1.5 percentage points for Slovenian companies and increased by 9.7 percentage points for non-Slovenian insurers, both on account of premium growth as well as reduced expenses.

Unconsolidated gross life operating expenses of Sava Re Group companies

(€)	1-3/2016	1-3/2015	Index
Zavarovalnica Maribor (life)	3,533,330	3,771,120	93.7
Zavarovalnica Tilia (life)	403,664	564,650	71.5
Other Group insurers*	1,040,012	754,827	137.8

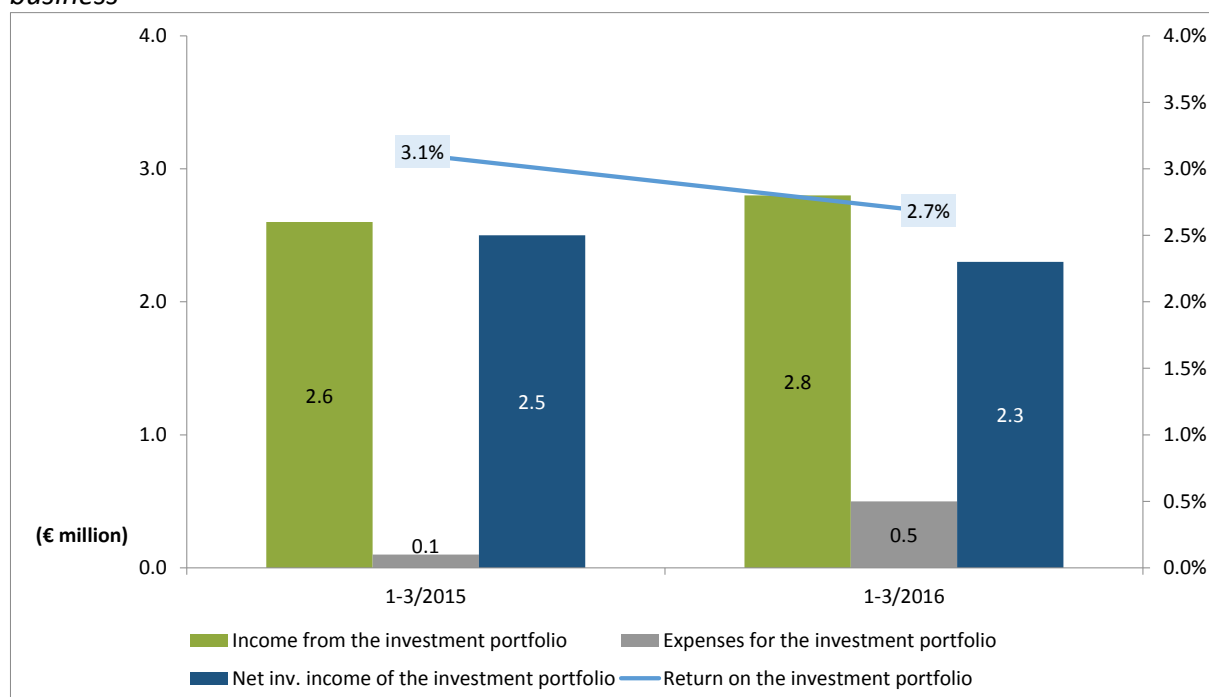
*Figures for 1-3/2016 include expenses of the Moja naložba pension company, while the figures for 1-3/2015 do not.

Gross expense ratio; life insurance business



Net investment income

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



Despite the increased income of the investment portfolio, the net investment income of the investment portfolio of life insurance business declined by € 0.2 million year-on-year.

Income in the period under review increased as a result of the income on pension business, which had been included in the life segment as from 1 January 2016. In the first quarter of 2016, the Group's expenses for the investment portfolio totalled € 0.5 million, down € 0.4 million year-on-year. Expenses grew primarily as a result of higher realised losses on revaluation of investments in the FVPL category (€ 0.2 million).

4 FINANCIAL POSITION OF THE SAVA RE GROUP

At 31 March 2016, total assets of the Sava Re Group stood at € 1,673.9 million, an increase of 4.1 % over year-end 2015. Below we set out items of assets and liabilities in excess of 5 % of total assets/liabilities at 31 March 2016.

4.1 Assets

Consolidated total assets by type

(€)	31/03/2016	As % of total at 31/03/2016	31/12/2015	As % of total at 31/12/2015
ASSETS	1,673,857,979	100.0 %	1,607,281,060	100.0 %
Intangible assets	29,633,524	1.8 %	30,465,315	1.9 %
Property and equipment	46,923,187	2.8 %	47,217,311	2.9 %
Deferred tax assets	2,792,905	0.2 %	2,371,857	0.1 %
Investment property	7,961,504	0.5 %	8,040,244	0.5 %
Financial investments in associates	0	0.0 %	0	0.0 %
Financial investments	1,002,045,224	59.9 %	1,015,056,805	63.2 %
Funds for the benefit of policyholders who bear the investment risk	208,341,896	12.4 %	214,189,117	13.3 %
Reinsurers' share of technical provisions	31,054,248	1.9 %	23,877,277	1.5 %
Assets from investment contracts	112,768,612	6.7 %	111,418,244	6.9 %
Receivables	167,874,527	10.0 %	130,663,929	8.1 %
Deferred acquisition costs	19,213,675	1.1 %	17,992,485	1.1 %
Other assets	2,328,242	0.1 %	1,173,159	0.1 %
Cash and cash equivalents	42,832,949	2.6 %	4,710,904	0.3 %
Non-current assets held for sale	87,486	0.0 %	104,413	0.0 %

4.1.1 Investment portfolio

The investment portfolio consists of the following statement of financial position items: financial investments, investment property and cash.

Sava Re Group investment portfolio by class of asset

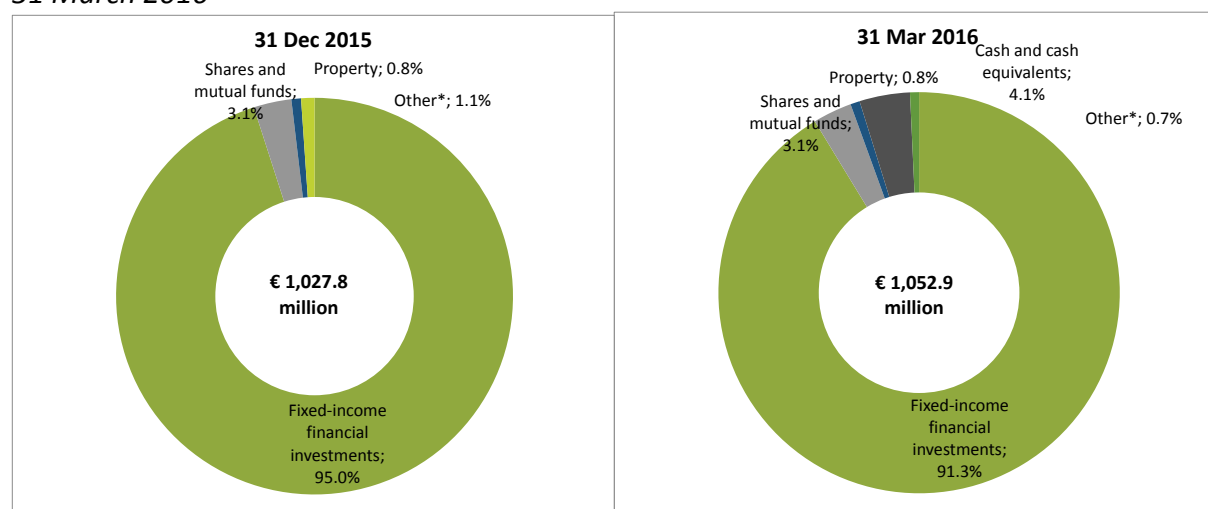
(€)	31/03/2016	31/12/2015	Nominal change	Index
Deposits	35,346,193	53,052,297	-17,706,104	66.6
Government bonds	526,931,060	554,117,154	-27,186,094	95.1
Corporate bonds	398,993,783	369,448,048	29,545,735	108.0
Shares	19,298,158	18,906,610	391,548	102.1
Mutual funds	13,831,778	12,758,487	1,073,291	108.4
Loans granted and other investments	700,257	1,075,435	-375,178	65.1
Deposits with cedants	6,943,995	5,698,774	1,245,221	121.9
Total financial investments	1,002,045,224	1,015,056,805	-13,011,581	98.7
Investment property	7,961,504	8,040,244	-78,740	99.0
Cash and cash equivalents	42,832,949	4,710,904	38,122,045	909.2
Total investment portfolio	1,052,839,677	1,027,807,953	25,031,724	102.4
Funds for the benefit of policyholders who bear the investment risk	208,341,896	214,189,117	-5,847,221	97.3
Assets from investment contracts	112,768,612	111,418,244	1,350,368	101.2

In the first quarter of 2016 the Group investment portfolio grew by € 25.0 million to € 1.1 billion at 31 March 2016.

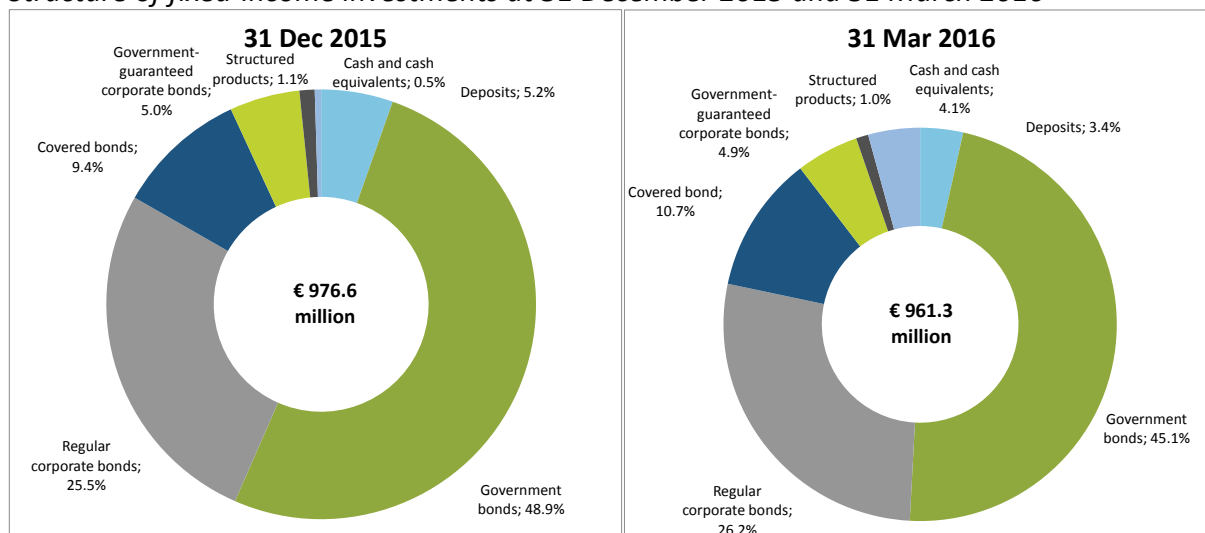
The increase of the investment portfolio was mainly driven by the positive cash flow from (re)insurance business and fair-value gains on investments.

The above table shows that at the end of March there was a significant increase in cash and cash equivalents. This is a result of a Group-wide decision effective as of 1 January 2016 to record demand deposits under cash and cash equivalents (in 2015 shown under the deposit item).

Composition of the Sava Re Group investment portfolio as at 31 December 2015 and 31 March 2016



Structure of fixed-income investments at 31 December 2015 and 31 March 2016



In terms of asset allocation compared to year-end 2015, the share of deposits declined by 1.8 percentage points and the share of government securities by 3.7 percentage points, while the share of investments in corporate bonds increased (+ 1.8 percentage points), mainly due to investments in covered bonds, which are considered a stable asset class in view of the volatile market conditions. By purchasing highly rated regular corporate bonds from a number of mainly international issuers, the investment portfolio was further diversified. The decline in the share of deposits is due to the change in recording of demand deposits now recorded under the increased cash and cash equivalents item.

4.1.2 Funds for the benefit of policyholders who bear the investment risk

Funds for the benefit of policyholders who bear the investment risk is a major asset item. Compared to 31 December 2015, these assets decreased by 2.7 %, or € 5.8 million, to € 208.3 million at 31 March 2016.

There are three Group companies marketing life products where the investment risk is borne by policyholders: Zavarovalnica Maribor, Zavarovalnica Tilia and Velebit životno osiguranje. At 31 March 2016, funds for the benefit of policyholders who bear the investment risk relating to Zavarovalnica Maribor totalled € 176.1 million (31/12/2015: € 179.9 million), funds relating to Zavarovalnica Tilia € 32.2 million (31/12/2015: 34.3 million), while such funds relating to Velebit životno osiguranje are negligible.

4.1.3 Assets from investment contracts

Assets from investment contracts include liability fund assets relating to SVPI¹ managed by the Moja naložba pension company for the benefit of policyholders. At 31 March 2016, liability fund assets totalled € 112.8 million, up 1.2 % compared to 31 December 2015. Financial investments accounted for 99.1 % of total assets, the remaining amount relates to receivables and cash and cash equivalents.

¹ SVPI = supplementary voluntary pension insurance

4.1.4 Receivables

Receivables increased by 28.5 % or € 37.2 million compared to year-end 2015. This asset type also increased in relative terms.

This increase was a result of both an increase in receivables arising out of primary insurance business as well as an increase in receivables arising out of reinsurance and coinsurance business. Receivables arising out of primary insurance business increased by € 19.2 million due to the annual renewal of insurance contracts with legal entities. Receivables from reinsurance and coinsurance business rose by € 16.2 million as a result of the annual renewal of reinsurance contracts with cedants and the dynamics of assessing reinsurance business.

4.2 Liabilities

Balance and composition of consolidated equity & liabilities

(€)	31/03/2016	As % of total at 30/09/2015	31/12/2015	As % of total at 31/12/2014
EQUITY AND LIABILITIES	1,673,857,979	100.0 %	1,607,281,060	100.0 %
Equity	298,262,853	17.8 %	286,401,680	17.8 %
<i>Share capital</i>	71,856,375	4.3 %	71,856,376	4.5 %
<i>Capital reserves</i>	43,388,724	2.6 %	43,388,724	2.7 %
<i>Profit reserves</i>	123,320,858	7.4 %	122,954,429	7.6 %
<i>Own shares</i>	-11,498,293	-0.7 %	-10,319,347	-0.6 %
<i>Fair value reserve</i>	18,565,220	1.1 %	12,684,233	0.8 %
<i>Retained earnings</i>	49,155,954	2.9 %	23,490,926	1.5 %
<i>Net profit/loss for the period</i>	5,933,397	0.4 %	24,849,680	1.5 %
<i>Translation reserve</i>	-3,429,667	-0.2 %	-3,467,155	-0.2 %
<i>Equity attributable to owners of the controlling company</i>	297,292,568	17.8 %	285,437,865	17.8 %
<i>Non-controlling interest in equity</i>	970,285	0.1 %	963,815	0.1 %
Subordinated liabilities	23,542,537	1.4 %	23,534,136	1.5 %
Technical provisions	926,711,029	55.4 %	887,068,500	55.2 %
Technical provision for the benefit of life insurance policyholders who bear the investment risk	206,533,705	12.3 %	207,590,086	12.9 %
Other provisions	7,472,605	0.4 %	7,389,695	0.5 %
Deferred tax liabilities	6,091,457	0.4 %	4,598,731	0.3 %
Liabilities under investment contracts	112,659,823	6.7 %	111,304,383	6.9 %
Other financial liabilities	172,709	0.0 %	206,047	0.0 %
Liabilities from operating activities	68,981,305	4.1 %	54,467,303	3.4 %
Other liabilities	23,429,956	1.4 %	24,720,499	1.5 %

*Net profit/loss for the period differs from net profit/loss in the income statement due to purchases of own shares and setting aside credit risk and catastrophe equalisation reserves.

4.2.1 Technical provisions

Gross technical provisions are the largest item of liabilities. The figure at 31 March 2016 was an increase of 4.5 % or € 39.6 million compared to year-end 2015. The largest increase was in unearned premiums (€ 34.9 million) as a result of underwriting dynamics during the year.

Movements in consolidated gross technical provisions

(€)	Sava Re Group		
	31/03/2016	31/12/2015	Index
Gross unearned premiums	190,974,948	156,039,680	122.4
Gross mathematical provisions	264,407,404	262,052,426	100.9
Gross provision for claims	460,834,698	459,012,655	100.4
Gross provision for bonuses, rebates and cancellations	1,166,992	0	0.0
Other gross technical provisions	9,326,987	9,963,739	93.6
Gross technical provisions	926,711,029	887,068,500	104.5

The gross technical provisions attributable to the reinsurance segment grew by 5.3 % or € 7.9 million compared to year-end 2015. The increase is due to the seasonal pattern in the movement of unearned premiums (increase of € 9.0 million). The slight drop in claims provisions (€ 1.1 million) was largely due to exchange rate differences (€ 1.6 million).

The gross technical provisions attributable to the non-life insurance segment recorded an increase of 6.4 % or € 29.3 million compared to year-end 2015. Of these, € 25.9 million relate to the increase in unearned premiums and € 2.9 million to the provision for claims outstanding.

The gross provision for traditional life policies increased by 0.9 % compared to year-end 2015 (by € 2.4 million).

4.2.2 Equity

The second largest item on the liabilities side is equity, which increased by 4.1 % or € 11.9 million from year-end 2015.

The most significant positive effects on equity were from the net profit for the period 1–3/2016 in the amount of € 7.1 million and the increase in the fair value reserve of € 5.9 million; the most significant negative effect was the consideration for own share repurchases of € 1.2 million.

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

Technical provisions for the benefit of policyholders who bear the investment risk at 31 March 2016 declined by 0.5 % or € 1.1 million compared to year-end 2015. This provision moves in line with funds of policyholders who bear the investment risk (depending on amounts and value of points of funds where assets are invested).

4.2.4 Liabilities under investment contracts

Liabilities under investment contracts of Moja naložba totalled € 112.7 million at 31 March 2016, up 1.2 % or € 1.4 million from year-end 2015. These liabilities move in line with assets under investment contracts.

4.3 Capital structure

At 31 March 2016 the Sava Re Group had € 298.3 million of equity capital and € 23.5 million of subordinated liabilities. At 31 March 2016, debt capital accounted for 7.9 % of capital funds. Subordinated liabilities relate to the subordinated debt of Sava Reinsurance Company taken out to expand to the Western Balkans.

4.4 Cash flow

Net cash from operating activities of the Sava Re Group in the period 1–3/2016 totalled € 10.9 million (1–3/2015: € 14.4 million), reflecting positive cash flow from core business.

Net disbursements used in financing activities of the Sava Re Group in the period 1–3/2016 totalled € 1.4 million (1–3/2015: € 1.3 million). In the period 1–3/2016 net disbursements used in financing activities related primarily to purchases of own shares.

Net cash in 1–3/2016 increased by € 38.5 million year-on-year as a result of the changed disclosure of demand deposits and deposits with an original maturity of up to three months. This effect is described in detail in section 8.8.5.

4.5 Credit ratings of Sava Reinsurance Company

Sava Reinsurance Company is rated by two rating agencies, Standard & Poor's and A.M. Best.

Credit ratings of Sava Reinsurance Company

Agency	Rating ²	Outlook	Latest review
Standard & Poor's	A–	stable	July 2015: improved rating
A.M. Best	A–	stable	October 2015: affirmed existing rating

² Credit rating agency Standard & Poor's uses the following scale for assessing financial strength: AAA (extremely strong), AA (very strong), A (strong), BBB (adequate), BB (less vulnerable), B (more vulnerable), CCC (currently vulnerable), CC (highly vulnerable), R (under regulatory supervision), SD (selectively defaulted), D (defaulted), NR (not rated). Plus (+) or minus (–) following the credit rating from AA to CCC indicates the relative ranking within the major credit categories.

A.M. Best uses for the following categories to assess financial strength: A++, A+ (superior), A, A– (excellent), B++, B+ (Good), B, B– (fair), C++, C+ (marginal), C, C– (weak), D (poor), E (under regulatory supervision), F (in liquidation), S (suspended).

5 PERSONNEL

Staffing figures for Group members

	31/03/2016	31/12/2015	Change
Zavarovalnica Maribor	771.44	762.93	8.51
Zavarovalnica Tilia	371.61	371.00	0.62
Sava osiguranje Belgrade	320.50	327.50	-7.00
Illyria	199.00	227.00	-28.00
Sava osiguruvanje Skopje	192.75	185.50	7.25
Velebit osiguranje	160.88	155.75	5.13
Sava Montenegro	137.00	136.25	0.75
Illyria Life	34.63	35.38	-0.75
Sava Reinsurance Company	87.33	82.95	4.38
Sava životno osiguranje	70.00	74.63	-4.63
Velebit životno osiguranje	65.13	59.63	5.50
Sava Car	32.00	31.25	0.75
Montagent	17.50	20.50	-3.00
Moja naložba	13.25	13.25	0.00
Sava stejšn	6.00	5.00	1.00
ZM Svetovanje	17.00	11.75	5.25
ZM Vivus	27.00	29.00	-2.00
Ornatus KC	11.00	11.00	0.00
Total	2,534.00	2,540.26	-6.26

The table above shows the number of employees calculated on a full-time equivalent basis. The number of employees in the Group is subject to fluctuations mainly due to fluctuation in the agency network. The change in the number of employees in Illyria is due to a decline in the number of agents.

6 RISK MANAGEMENT

The most important risks that Group members are exposed to are underwriting risks, market risks, insolvency risk, credit risk, strategic risk and operational risks.

6.1 Underwriting risks

All Group subsidiaries assume risks from policyholders and mostly transfer excess risks to Sava Reinsurance Company. Sava Reinsurance Company also assumes risks from other cedants; any excess is retroceded to other reinsurers.

In terms of underwriting process risk, losses may be incurred because Sava Re Group members incorrectly select or approve risks to be assumed for (re)insurance. This risk is mitigated by the Group mainly by complying with established and prescribed underwriting procedures; correctly determining the probable maximum loss (PML) for each risk; complying with underwriting guidelines and instructions; complying with the authorisation system; having in place an appropriate pricing and reinsurance policy; and through actuarial reviews. Underwriting risks in excess of the Group's capacity are also reduced through retrocession contracts.

The pricing risk is monitored by Sava Re Group members by conducting actuarial analyses of loss ratios and identifying their trends and by making appropriate corrections. When premium rates are determined for new products, the pricing risk can be monitored by prudently modelling loss experience, by comparing against others' experience, and by comparing the actual loss experience against estimates.

Claims risk is managed by appropriate (re)insurance conditions and pricing, adequate underwriting, controlling risk concentration, and especially adequate reinsurance programmes for subsidiaries and an adequate retrocession programme for Sava Reinsurance Company.

Sava Re Group members mitigate net retention risk by setting appropriate maximum net retention limits and by designing adequate reinsurance or retrocession programmes. In managing these risks, due consideration is given to the fact that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event as well as by the frequency of such events.

Sava Re Group members manage reserving risk by comparing historic reserving figures with actual amounts, by applying the latest actuarial methods and by adopting a prudent approach in setting the levels of technical provisions.

Retrocession programme: the Group concludes reciprocal contracts with other reinsurers to further disperse underwriting risks.

In order to manage underwriting risk of life insurance business, the Group regularly monitors mortality and morbidity rates, termination of life policies, looking for specific trends. In addition, it regularly conducts adequacy testing of provisions. The Group manages underwriting risk in its life insurance business by employing underwriting procedures. Underwriting guidelines specify criteria and terms of risk acceptance.

6.2 Risks associated with policies where policyholders bear the investment risk

With policies where policyholders bear the investment risk, risks are substantially transferred to policyholders, as mathematical provisions move in line with assets. Within the set of products where policyholders bear the investment risk, the Sava Re Group also offers products that, to a certain extent, provide a guaranteed return. At 31 March 2016 assets under such contracts totalled € 29.0 million (31/12/2015: € 27.3 million). With respect to such assets, there is a risk of failing to achieve the guaranteed return.

Zavarovalnica Maribor offers a guaranteed return for the investment fund ZM Zajamčeni and the ZM Hibrid product of the ZM Garant investment fund.

The guaranteed return for assets in the ZM Zajamčeni fund is 2.75 %. Mathematical provisions comprise liabilities for guaranteed funds (net contributions plus guaranteed return) and additional liabilities for profit attribution based on the difference between the actual and the required rate of return (liabilities for exceeding the return). Fund manager maintain data for each policyholder on the individual policy level, comprising net premiums

paid, guaranteed return and amounts for exceeding the guaranteed return (provisions for profit attribution). In years when the guaranteed return is exceeded, liabilities for exceeding the guaranteed return are increased; if, however, realised return is below the guaranteed level, these liabilities are decreased. If these liabilities are negative, they need to be covered by the insurer from own funds (the balance of additional liabilities is set to zero in the accounting books), but in years when the guaranteed return is again reached, the insurer first has to cover the negative balance through profit attribution. The described control of guaranteed return is carried out at the level of individual policies.

The assets underlying policies of the ZM Hibrid product are invested in two investment funds, DWS Garant 80 and ZM Garant. Each month on the cut-off date, the portion of assets in each fund are recalculated using a specific algorithm to ensure the achievement of the investment objective (selected by the policyholder) at the policy expiry. Fund managers maintain data for each policyholder on the individual policy level, comprising net premiums paid, current level of selected investment objective and balance of liabilities in both investment funds.

For the DWS Garant 80 investment fund, the guarantee that the unit value cannot fall by more than 20 % in one month is provided by DWS Investment GmbH. The guaranteed return for assets in the ZM Garant fund is 2.25 %. Mathematical provisions comprise liabilities for guaranteed funds (net premiums paid and guaranteed return). There are no additional liabilities for profit attribution for this fund. Fund managers maintain data for each policyholder on the individual policy level, comprising net premiums paid and guaranteed return. If the guaranteed return is not achieved, the insurer is to cover the loss from own funds.

6.3 Risks associated with investment contracts

The Group classifies as investment contracts its supplementary voluntary pension insurance (SVPI) business of the pension insurer Moja naložba during the accumulation phase, as part of the company's SVPI liability fund. Liabilities from investment contracts are not included in the consolidated technical provisions item, and are, therefore, not included in the presentation of underwriting risk. Assets under investment contracts are not included in the consolidated financial investments item, and are, therefore, not included in the presentation of financial risks. In addition, there is a risk of failing to achieve the guaranteed return associated with assets and liabilities under investment contracts.

SVPI policyholders (members) bear the investment risk in excess of the guaranteed return of the liability fund with guaranteed return. The two pension plans of Moja naložba provide a guaranteed return of 60 % of the average annual interest rate on government securities with a maturity of over one year. Liabilities under investment contracts include liabilities for guaranteed funds (net contributions plus guaranteed return) and additional liabilities to cover any deficit resulting from the difference between the actual and the required rate of return (liability to exceed the return). For each member, the fund manager keeps a personal account with accumulating net contributions, guaranteed returns and assets to exceed the guaranteed return (provisions). In years when the return in excess of guaranteed return is realised, liabilities for return in excess of guaranteed return are increased; if, however, realised return is below the guaranteed level, this part of liabilities decreases until the

provision is fully exhausted. The described control of guaranteed return is carried out at the level of individual personal accounts. In the event that individual provisions of any account are not sufficient to cover the guaranteed return, the difference is covered from the pension company's own funds (there were no transfers in 2016).

The risk of failing to realise guaranteed returns for both contracts where the investment risk is born by the policyholder as well as for assets under investment contracts, is managed primarily through appropriate management of policyholder assets and liabilities, an appropriate investment strategy and provisioning.

6.4 Financial risks

In the course of their financial operations, individual Group companies are exposed to financial risks, such as market risk, liquidity risk and credit risk.

6.4.1 Market risks

Balance of investments sensitive to market risk

(€)	31/03/2016	31/12/2015	Absolute difference 31/03/2016 / 31/12/2015
Type of investment			
Deposits	35,346,193	53,052,297	-17,706,104
Government bonds	526,931,060	502,263,965	24,667,095
Corporate bonds	398,993,783	421,301,237	-22,307,454
Shares	19,298,158	18,906,610	391,548
Mutual funds	13,831,778	12,758,487	1,073,291
bond and money market	340,456	341,158	-702
mixed funds	1,663,036	1,730,327	-67,291
equity funds	11,261,387	10,020,709	1,240,678
other	566,898	666,292	-99,394
Loans granted and other investments	700,257	1,075,435	-375,178
Deposits with cedants	6,943,995	5,698,774	1,245,221
Financial investments	1,002,045,224	1,015,056,805	-13,011,581
Investment property	7,961,504	8,040,244	-78,740
Cash and cash equivalents	42,832,949	4,710,904	38,122,045
Investment portfolio	1,052,839,677	1,027,807,953	25,031,724

The investment portfolio sensitive to market risk grew by € 25.0 million compared to 31 December 2015. Details are provided in section 4.1.1 "Investment portfolio".

6.4.1.1 Interest rate risk

Interest rate risk is the risk that a change in market interest rates will adversely affect the value of interest-sensitive assets and liabilities.

Interest rate risk is measured through a sensitivity analysis, by observing the change in the value of investments in bonds or the value of mathematical provisions in case of a change in interest rates by two percentage points. The analysed investments do not include held-to-maturity bonds as they are measured at amortised cost. Interest rate risk is managed through each company's efforts to optimise maturity matching of assets and liabilities so that any movement on the assets side neutralises the movement on the liabilities side.

On 31 March 2016, the value of interest-sensitive financial investments stood at € 834.3 million (31/12/2015: € 760.2 million). Of this, the value of interest-sensitive financial investments of non-life funds was € 571.1 million (31/12/2015: € 524.3 million); the value of interest-sensitive financial investments of life funds was € 263.2 million (31/12/2015: € 235.9 million).

A sensitivity analysis at 31 March 2015 showed that in the event of an upward shift in the interest rate curve by 50 basis points, the value of non-life insurance investments would drop by € 7.4 million or 1.3 % (31/12/2015: € 4.5 million or 0.9 %). The value of life insurance investments would decline by € 5.4 million or 2.1 % (31/12/2015: € 4.7 million or 2.0 %).

6.4.1.2 Equity risk

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

Equity risk is measured through a stress test assuming a 10-percent drop in equity prices. Equity risk affects shares, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

In case of a 10 % drop in the market prices of equity securities at 31 March 2016, the value of investments would decrease by € 3.2 million (31/12/2015: € 3.0 million).

The risk did not change significantly compared to year-end 2015.

6.4.1.3 Property risk

Property risk is the risk that the value of property will decrease due to fluctuations in real estate markets.

Exposure to property risk is monitored through a stress test assuming a 25 % drop in prices. The basis for the calculation is the balance of investment property.

In case of a 25 % drop in the real estate prices at 31 March 2016, the value of investments would decrease by € 2.0 million (31/12/2015: € 2.0 million).

The risk did not change compared to year-end 2015.

6.4.1.4 Currency risk

The Sava Re Group manages currency risk through the efforts of each Group member to optimise asset-liability currency matching. Sava Reinsurance Company is the Sava Re Group member with the largest exposure to currency risk due to its substantial international presence. Other Group companies whose local currency is the euro (other companies based in Slovenia, Montenegro and Kosovo) have all liabilities and investments denominated in euro, meaning that these companies are not affected by currency risk. Group companies whose local currency is not the euro transact most business in their respective local currencies, while due to Group relations, they are to a minor extent subject to euro-related currency risk and translation risk in respect to equity.

Sava Reinsurance Company reduces its currency risk by matching assets and liabilities denominated in foreign currencies. Currencies are matched at the accounting currency level. If capital markets are not available in the accounting currency, currencies are matched at the transaction currency level.

The tables below show currency matching of Sava Reinsurance Company with effects on the statement of financial position and the income statement at 31 March 2016.

Currency	Assets	Liabilities	Mismatch	% of matched liabilities
Euro (€)	490,641,157	487,748,461		
Foreign currencies	120,965,219	123,857,915	31,215,905	97.7
US dollar (USD)	43,803,559	34,900,368	8,903,191	125.5
Korean won (KRW)	21,823,334	17,906,826	3,916,508	121.9
Chinese yuan (CNY)	8,727,410	9,982,292	1,254,882	87.4
Indian rupee (INR)	8,378,981	7,037,075	1,341,905	119.1
Taka (BDT)	1,823,755	6,800,681	4,976,927	26.8
Other	36,408,180	47,230,672	10,822,492	77.1
Total	611,606,376	611,606,376		
% of currency matched liabilities			94.90 %	

At 31 March 2016, the Company had a surplus of assets over liabilities in US dollar (€ 8.9 million). This surplus was due to asset-liability management practices where the company ties to the US dollar a number of foreign currencies that are at least 90 % correlated with the US dollar. When these correlations are taken into account, the surplus of assets over liabilities in US dollar is reduced to € 2.0 million.

The currency mismatch also affects the income statement of Sava Reinsurance Company through accounting for exchange differences due to the impact of exchange rate changes on various statement of financial position items.

When assets and liabilities are 100 % matched in terms of foreign currencies, changes in foreign exchange rates have no impact on profit or loss. This is because any change in the value of assets denominated in a foreign currency as a result of a change in the exchange rate is offset by the change in the value of liabilities denominated in that foreign currency. As Sava Reinsurance Company's assets and liabilities are 94.9 % currency matched, changes in foreign exchange rates still affect the income statement to some extent. The following table shows the impact of exchange differences.

Effect of exchange differences on the income statement for 1–3/2016

Statement of financial position item	Exchange differences			
	Euro (€)	31/03/2016	31/03/2015	31/12/2015
Investments		-1,287,247	5,553,837	3,227,501
Technical provisions and deferred commissions		1,712,919	-6,803,242	-3,635,776
Receivables and liabilities		-94,859	733,568	230,791
Total effect on the income statement		330,812	-515,837	-177,484

6.4.2 Credit risk

Credit risk is the risk that issuers or other counterparties will fail to meet their obligations to the Company.

The Group mitigates credit risk by investing in highly rated debt securities. At 31 March 2016 a share of 81.7 % of the fixed income portfolio was rated "investment grade" (BBB– or better) (31/12/2015: 83.0 %), and 46.9 % of investments were rated A– or better (31/12/2015: 47.6 %).

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

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

The Group's largest regional concentration is with EU countries (31/03/2016: 48.8 %; 31/12/2015: 47.7 %). In terms of industry, the Group is mainly exposed to governments (31/03/2016: 50.1 %; 31/12/2015: 54.0%), followed by the banking sector (31/03/2016: 24.1 %; 31/12/2015: 21.0 %). In the banking sector, covered bonds represent 44.5 % of the exposure. The Group holds covered bonds as a form of low-risk investments. Exposure to the 10 largest issuers accounted for 34.4 % of the investment portfolio (31/12/2015: 37.4%), with the largest exposure to the Republic of Slovenia (31/03/2016: 20.1 %; 31/12/2015: 22.9%), while exposure to any other single issuer does not exceed 3 % of the investment portfolio.

We estimate that credit risk has not changed significantly compared to the year-end, while concentration risk decreased primarily due to the reduced concentration of government bonds of the Republic of Slovenia.

6.4.3 Liquidity risk

Liquidity risk is managed through prudent forecasting of future cash flow requirements.

In the event of large losses, so-called cash call provisions in reinsurance contracts are triggered, providing for immediate payments in the chain cedant – controlling company – retrocessionaire.

For the purpose of liquidity risk management, Sava Reinsurance Company and Zavarovalnica Tilia have each arranged a credit line with their respective commercial bank in the amount of € 5 million.

The Slovenia-based companies maintain a high proportion of their portfolio in highly liquid assets that are readily available to provide liquidity in the event of unexpected liquidity requirements (liquidity class L1A according to the ECB classification of assets eligible for collateral).

In the case of extraordinary liquidity needs of non-Slovenia based companies, the parent company would provide necessary funds through loans.

In terms of liquidity of Group companies, the matching of the assets with the technical and mathematical provisions covered is very important. Each Group company is responsible for monitoring the matching of assets with liability funds for life and non-life business and for regularly reporting the status of both to the parent company and supervisory institutions.

We believe that liquidity risk is low and well managed.

6.5 Operational risks

The Group's risk management policy lays down the processes and accountability in the management of such risks. The main risk groups to which the Group companies and the Group are exposed are:

- S** risk of internal and external fraud,
- S** employment practices and workplace safety,
- S** risks associated with clients, products and business practices,
- S** risk of damage to physical assets,
- S** risk of business disruption and system failures,
- S** risk of process management and execution and
- S** compliance risk (laws and regulations).

Operational risk generally arises together with other risks (e.g. underwriting risk, market risk), having a tendency to compound them. Inconsistencies in the underwriting process, for example, may significantly increase underwriting risks.

For effective management of operational risks, Group companies – in line with the risk management policy – establish processes for identifying, measuring, monitoring, managing and reporting of operational risks. To manage operational risk, the Group companies have in place an effective internal control system and a business process management system.

Significant operational risks are managed by Group companies as follows:

- S** Each Group company has in place procedures (set down in writing) for detecting and preventing insurance fraud. Relevant findings are regular reported to the risk management service.

- S** To manage IT risks, companies have adopted security policies in accordance with the ISO 27001 standard. Documentation related to information security management encompasses three levels: the rules of procedure regarding information security, security policies, and systemic procedures and instructions.
- S** As part of operational risk management, Group companies have drawn up business continuity plans for all critical processes in case of incidents or external events. In this way, the Group mitigates the risk of unpreparedness for incidents and external events and any resulting business interruption.
- S** For the purpose of operational risk management, the Sava Re Group has put in place adequate IT-supported procedures and controls in the most important areas of operation. In addition, such risks are managed through the internal audit function, through staff training and enhanced risk awareness.

6.6 Strategic risks

The Sava Re Group and its Group members are also exposed to internal and external strategic risk. Strategic risks at the individual company and Group level are regularly identified and assessed; such data being recorded in the risk catalogue. The risk management service monitors and regularly reports on strategic risks to the risk management committee and the management board. Strategic risk management is carried out mainly through the governance system of individual companies and the Group as well as through systematic risk management at both the company and Group level.

We estimated that the Group is particularly exposed to strategic risks associated with the merger of the Group's EU-based insurers. The Group is aware of the risks involved in the project, monitoring them on a regular basis to identify and manage them as early as possible.

Furthermore, we believe that another important risk is the risk associated with capital adequacy and capital allocation in light of the fact that the Solvency II regime has just entered into force, providing a completely new perspective on required capital and eligible own funds.

As part of its risk strategy, the Sava Re Group identified reputation risk as a key risk. For this purpose, the Group has laid down criteria as to which practices are unacceptable in the Sava Re Group.

6.7 Exposure to risk up until year-end 2016

The main risks that the Group is exposed to are underwriting risks followed by market risks. The realisation of underwriting risks is fortuitous and only for certain classes of insurance seasonal. A major increase in realised underwriting risks could be expected as a result of an increased frequency of storms with massive losses, while an increase in realised financial could be expected as a result of unfavourable trends in financial markets.

The year 2016 will bring about many changes in the Sava Re Group. The most important change is surely the combination of EU-based Group insurers (EU project); therefore, in addition to underwriting and market risk, the Group will also be significantly exposed to operational and strategic risks associated with the project. We expect that strategic and

operational risks associated with the EU project will remain at a high level until the completion of the project.

**SUMMARY OF SAVA RE GROUP
FINANCIAL STATEMENTS WITH
NOTES**

7 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1 Unaudited consolidated statement of financial position

(€)	31/03/2016	31/12/2015
ASSETS	1,673,857,979	1,607,281,060
Intangible assets	29,633,524	30,465,315
Property and equipment	46,923,187	47,217,311
Deferred tax assets	2,792,905	2,371,857
Investment property	7,961,504	8,040,244
Financial investments:	1,002,045,224	1,015,056,805
- loans and deposits	41,423,870	57,721,961
- held to maturity	128,617,233	165,444,270
- available for sale	815,603,832	773,486,797
- at fair value through profit or loss	16,400,289	18,403,777
Funds for the benefit of policyholders who bear the investment risk	208,341,896	214,189,117
Reinsurers' share of technical provisions	31,054,248	23,877,277
Assets from investment contracts	112,768,612	111,418,244
Receivables	167,874,527	130,663,929
Receivables arising out of primary insurance business	70,698,689	51,510,767
Receivables arising out of reinsurance and co-insurance business	86,070,749	68,757,586
Current tax assets	2,298,236	1,734,294
Other receivables	8,806,853	8,661,282
Deferred acquisition costs	19,213,675	17,992,485
Other assets	2,328,242	1,173,159
Cash and cash equivalents	42,832,949	4,710,904
Non-current assets held for sale	87,486	104,413
EQUITY AND LIABILITIES	1,673,857,979	1,607,281,060
Equity	298,262,853	286,401,678
Share capital	71,856,376	71,856,376
Capital reserves	43,388,724	43,388,724
Profit reserves	123,320,858	122,954,429
Own shares	-11,498,293	-10,319,347
Fair value reserve	18,622,118	12,721,705
Reserve due to fair value revaluation	-56,898	-37,472
Retained earnings	49,155,954	23,490,926
Net profit/loss for the period	5,933,397	24,849,678
Translation reserve	-3,429,667	-3,467,155
Equity attributable to owners of the controlling company	297,292,568	285,437,863
Non-controlling interest in equity	970,285	963,815
Subordinated liabilities	23,542,537	23,534,136
Technical provisions	926,711,029	887,068,500
Unearned premiums	190,974,948	156,039,680
Technical provisions for life insurance business	264,407,404	262,052,426
Provision for outstanding claims	460,834,698	459,012,655
Other technical provisions	10,493,979	9,963,739
Technical provision for the benefit of life insurance policyholders who bear the investment risk	206,533,705	207,590,086
Other provisions	7,472,605	7,389,695
Deferred tax liabilities	6,091,457	4,598,731
Liabilities under investment contracts	112,659,823	111,304,383
Other financial liabilities	172,709	206,047
Liabilities from operating activities	68,981,305	54,467,303
Liabilities from primary insurance business	11,166,569	10,968,865
Liabilities from reinsurance and co-insurance business	56,606,916	39,739,412
Current income tax liabilities	1,207,820	3,759,026
Other liabilities	23,429,956	24,720,501

7.2 Unaudited consolidated income statement

(€)	2016	2015
Net earned premiums	111,389,356	111,721,324
Gross premiums written	153,499,567	152,529,643
Written premiums ceded to reinsurers and co-insurers	-13,970,973	-12,180,975
Change in gross unearned premiums	-34,947,444	-33,721,814
Change in unearned premiums for the reinsurance and co-insurance part	6,808,206	5,094,470
Income from investments in associates	0	88,739
Profit from investments in equity-accounted associate companies	0	88,739
Investment income	7,665,499	12,554,451
Interest income	5,435,420	5,576,930
Other investment income	2,230,079	6,977,521
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	3,315,155	11,536,076
Other technical income	4,810,536	5,726,958
Commission income	1,337,357	836,064
Other technical income	3,473,179	4,890,894
Other income	1,813,993	2,189,980
Net claims incurred	-66,519,138	-74,168,320
Gross claims payments less income from recourse receivables	-66,401,275	-71,916,424
Reinsurers' and co-insurers' shares	1,566,397	1,933,214
Change in the gross claims provision	-2,253,710	-3,069,826
Change in the provision for outstanding claims for the reinsurance and co-insurance part	569,450	-1,115,284
Change in other technical provisions	-3,094,774	-434,036
Change in technical provisions for policyholders who bear the investment risk	1,392,914	-14,162,829
Expenses for bonuses and rebates	-232,141	62,549
Operating expenses	-36,050,111	-35,270,754
Acquisition costs	-12,592,372	-13,726,798
Change in deferred acquisition costs	1,311,980	2,831,614
Other operating expenses	-24,769,719	-24,375,570
Expenses for financial assets and liabilities	-3,584,125	-1,212,996
Impairment losses on financial assets not at fair value through profit or loss	-1,188	-1,036
Interest expense	-214,228	-328,227
Other investment expenses	-3,368,709	-883,733
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-6,990,397	-259,106
Other technical expenses	-4,958,633	-6,042,130
Other expenses	-310,375	-445,792
Profit/loss before tax	8,647,759	11,884,114
Income tax expense	-1,525,087	-1,898,661
Net profit/loss for the period	7,122,672	9,985,453
Net profit/loss attributable to owners of the controlling company	7,136,579	9,996,879
Net profit/loss attributable to non-controlling interests	-13,907	-11,426
Basic and diluted earnings per share	0.43	0.61

The change in the weighted average number of shares outstanding is shown in section 8.8.7 "Net earnings/loss per share".

7.3 Unaudited consolidated statement of comprehensive income

(€)	2016			2015		
	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	7,136,579	-13,907	7,122,672	9,996,879	-11,426	9,985,453
OTHER COMPREHENSIVE INCOME, NET OF TAX	5,918,475	20,377	5,938,852	4,482,527	6,730	4,489,257
a) Items that will not be reclassified subsequently to profit or loss	-19,426	0	-19,426	0	0	0
Other items that will not be reclassified subsequently to profit or loss	-19,426	0	-19,426	0	0	0
b) Items that may be reclassified subsequently to profit or loss	5,937,901	20,377	5,958,278	4,482,527	6,730	4,489,257
Net gains/losses on remeasuring available-for-sale financial assets	7,103,764	12,294	7,116,058	4,851,838	4,711	4,856,549
Net change recognised in the fair value reserve	7,167,628	12,294	7,179,922	4,542,590	4,711	4,547,301
Net change transferred from fair value reserve to profit or loss	-63,864	0	-63,864	309,248	0	309,248
Net gains/losses attributable to the Group recognised in fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	0	0	0	40,122	0	40,122
Tax on items that may be reclassified subsequently to profit or loss	-1,203,351	-2,511	-1,205,862	-449,946	0	-449,946
Net gains/losses from translation of financial statements of non-domestic companies	37,488	10,594	48,082	40,513	2,019	42,532
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	13,055,054	6,470	13,061,524	14,479,406	-4,696	14,474,710
Attributable to owners of the controlling company	13,055,054	0	13,055,054	14,479,406	0	14,479,406
Attributable to non-controlling interest	0	6,470	6,470	0	-4,696	-4,696

7.4 Unaudited consolidated statement of cash flows

(€)	2016	2015
A. Cash flows from operating activities		
a.) Items of the income statement	38,910,484	33,603,221
1. Net premiums written in the period	139,528,594	140,348,668
2. Investment income (other than financial income)	121,897	40,923
3. Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	6,624,529	7,913,938
4. Net claims payments in the period	-64,834,878	-69,983,210
5. Expenses for bonuses and rebates	-232,141	62,549
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-35,462,832	-36,255,025
7. Investment expenses (excluding amortisation and financial expenses)	-40,590	-6,137
8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-5,269,008	-6,487,922
9. Tax on profit and other taxes not included in operating expenses	-1,525,087	-2,030,563
Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the income statement	-27,968,828	-19,249,564
1. Change in receivables from primary insurance	-19,187,922	-17,507,761
2. Change in receivables from reinsurance	-17,313,163	-16,173,278
3. Change in other receivables from (re)insurance business	14,751	259,723
4. Change in other receivables and other assets	-5,728,250	-4,195,448
5. Change in deferred tax assets	-421,048	-214,724
6. Change in inventories	-16,041	-11,737
7. Change in liabilities arising out of primary insurance	197,704	429,658
8. Change in liabilities arising out of reinsurance business	16,867,504	14,991,419
9. Change in other operating liabilities	-755,204	5,770,386
10. Change in other liabilities (except unearned premiums)	-3,119,885	-4,065,405
11. Change in deferred tax liabilities	1,492,726	1,467,603
c.) Net cash from/used in operating activities (a + b)	10,941,656	14,353,657
B. Cash flows from investing activities		
a.) Cash receipts from investing activities	218,480,887	213,524,544
1. Interest received from investing activities relating to:	5,435,420	5,576,930
2. Proceeds from dividends and shares in the profit of others, relating to:	13,093	0
3. Proceeds from sale of intangible assets, financed from:	63,660	63,147
4. Proceeds from sale of property and equipment, financed from:	2,035,161	207,977
5. Proceeds from sale of financial investments	210,933,552	207,676,490
b.) Cash disbursements in investing activities	-189,907,324	-226,929,086
1. Purchase of intangible assets	-96,648	-360,731
2. Purchase of property and equipment, financed from:	-2,238,828	-1,313,362
3. Purchase of long-term financial investments, financed from:	-187,571,847	-225,254,993
c.) Net cash from/used in investing activities (a + b)	28,573,563	-13,404,542
C. Cash flows from financing activities		
b.) Cash disbursements in financing activities	-1,393,174	-1,301,203
1. Interest paid	-214,228	-328,227
3. Repayment of long-term financial liabilities	0	-840,975
6. Own share repurchases	-1,178,946	-132,001
c.) Net cash from/used in financing activities (a + b)	-1,393,174	-1,301,203
C2. Closing balance of cash and cash equivalents	42,832,949	5,291,113
Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	38,122,045	-352,088
Opening balance of cash and cash equivalents	4,710,904	5,643,201

7.5 Unaudited consolidated statement of changes in equity

Unaudited consolidated statement of changes in equity for the three months to 31 March 2016

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (15 + +16)	
			Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve										Other
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	43,388,724	0	11,242,766	10,319,347	976,191	11,225,068	89,191,057	12,721,705	-37,472	23,490,926	24,849,678	-10,319,347	-3,467,155	285,437,863	963,815	286,401,678
Opening balance in the financial period	71,856,376	43,388,724	0	11,242,766	10,319,347	976,191	11,225,068	89,191,057	12,721,705	-37,472	23,490,926	24,849,678	-10,319,347	-3,467,155	285,437,863	963,815	286,401,678
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	0	5,900,413	-19,426	0	7,136,579	0	37,488	13,055,054	6,470	13,061,524
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	7,136,579	0	0	7,136,579	-13,907	7,122,672
b) Other comprehensive income	0	0	0	0	0	0	0	0	5,900,413	-19,426	0	0	37,488	5,918,475	20,377	5,938,852	
Net purchase/sale of treasury shares	0	0	0	0	1,178,946	0	0	0	0	0	0	-1,178,946	-1,178,946	0	-1,178,946	0	-1,178,946
Allocation of net profit to profit reserve	0	0	0	139,438	0	0	0	0	0	0	-139,438	0	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	0	-976,191	24,236	0	0	0	976,191	-24,236	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	0	0	24,849,678	-24,849,678	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	-21,404	0	0	0	-21,404	0	-21,404
Closing balance in the financial period	71,856,376	43,388,724	0	11,382,204	11,498,293	0	11,249,304	89,191,057	18,622,118	-56,898	49,155,954	5,933,397	-11,498,293	-3,429,667	297,292,568	970,285	298,262,853

Unaudited consolidated statement of changes in equity for the three months to 31 March 2015

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (15 + +16)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other									
	1.	2.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	44,638,799	11,140,269	10,115,023	876,938	11,744,474	81,269,632	18,594,753	-146,012	15,652,780	17,474,558	-10,115,023	-3,489,433	269,613,133	1,915,490	271,528,623
Prior-period adjustments	0	0	0	0	0	0	0	0	0	-1,099,114	0	0	0	-1,099,114	0	-1,099,114
Opening balance in the financial period	71,856,376	44,638,799	11,140,269	10,115,023	876,938	11,744,474	81,269,632	18,594,753	-146,012	14,553,666	17,474,558	-10,115,023	-3,489,433	268,514,019	1,915,490	270,429,509
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	4,442,014	0	0	9,996,879	0	40,513	14,479,406	-4,696	14,474,710
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	9,996,879	0	0	9,996,879	-11,426	9,985,453
b) Other comprehensive income	0	0	0	0	0	0	0	4,442,014	0	0	0	0	40,513	4,482,527	6,730	4,489,257
Net purchase/sale of treasury shares	0	0	0	132,001	0	0	0	0	0	0	-132,001	-132,001	0	-132,001	0	-132,001
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	8,227	26,204	0	0	0	0	-34,431	0	0	0	0	0
Acquisition of non-controlling interests	0	-226,130	0	0	0	0	0	0	0	0	0	0	0	-226,130	-120,352	-346,482
Transfer of profit	0	0	0	0	0	0	0	0	0	17,474,558	-17,474,558	0	0	0	0	0
Closing balance in the financial period	71,856,376	44,412,669	11,140,269	10,247,024	885,165	11,770,678	81,269,632	23,036,767	-146,012	32,028,222	9,830,447	-10,247,024	-3,448,920	282,635,292	1,790,443	284,425,735

8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The selected notes to the interim financial statements are significant to an understanding of the changes in financial position and performance of the Group in the first quarter of 2016 as compared to both the first quarter of 2015 and end-of-year 2015.

8.1 Overview of major accounting policies

The financial statements with notes have been prepared in compliance with IAS 34 "Interim Financial Reporting".

Pursuant to IAS 34, notes are provided in relation to major business events that are required to understand the financial position and performance of the Group compared to the previous annual financial report prepared for 2015.

The financial statements with notes as at and for the three months to 31 March 2016 have not been audited.

The interim financial statements at 31 March 2016 have been prepared following the same accounting policies and computation methods as the annual financial statements for 2015.

As of 1 January 2016, the Group changed the disclosure of cash assets to include cash equivalents. Previously, in the statement of financial position at 31 December 2015 these were disclosed under financial investments.

Thus, the statement of financial position and cash flow item "cash and cash equivalents" comprises:

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

Detailed information on this change is provided in note 9.8.5 "Cash and cash equivalents".

8.2 Seasonality and cyclicity of interim operations

The operations of the Group are not seasonal in nature. Pursuant to technical rules, Group insurance companies defer costs/expenses and income that, by their nature, may or is required to be deferred also at the year-end.

8.3 The nature and amount of unusual items

There were no items unusual because of their nature, size or incidence that would affect assets, liabilities, equity, net profit or cash flows in the period 1–3/2015.

8.4 Materiality

Equity was used as a basis in determining a materiality threshold for the consolidated financial statements, specifically 2 % thereof at 31 March 2016, which is € 6.0 million. Changes in the balance of statement of financial position items that did not exceed the set materiality threshold have not been presented in detail in interim financial statements. Disclosures and notes that the Group is required to present under IAS 34 or statutory requirements are given in the report, even though they may not exceed the materiality threshold.

8.5 Issues, repurchases, and repayments of debt and equity securities

The Group issued no new debt or equity securities.

8.6 Key accounting estimates and judgements

The Group is predominately composed of financial companies that invest their assets (those supporting liabilities as well as capital funds) in financial instruments. If the fair value of any financial instrument falls below its cost, the Group – pursuant to applicable accounting rules – examines whether the decrease is a significant and long-term one, in the event of which the financial instrument is impaired.

8.7 Analysis of operating segments

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

In view of the nature, scope and organisation of work, CODM (Chief Operating Decision Maker) is a group composed of management board members, director of finance, director of strategic finance and controlling, and director of risk management. CODM can monitor quarterly the results of operations by segments. These results include technical results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions. All figures reviewed by CODM are part of quarterly financial reports submitted to the management board.

Operating segments include reinsurance business, non-life insurance business, life insurance business, and the "other" segment. Performance of these segments is monitored based on different indicators, a common performance indicator for all segments being net profit, calculated in accordance with IFRSs.

Statement of financial position by operating segment – assets at 31 March 2016

31/03/2016	Reinsurance business	Non-life insurance business			Life products			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	356,214,505	507,802,380	104,345,231	612,147,611	678,104,591	22,180,687	700,285,278	5,210,585	1,673,857,979
Intangible assets	647,400	11,542,344	10,381,757	21,924,101	6,995,826	48,818	7,044,644	17,379	29,633,524
Property and equipment	2,679,456	26,532,433	10,497,765	37,030,198	2,572,893	2,468,950	5,041,843	2,171,690	46,923,187
Deferred tax assets	1,979,014	444,419	22,078	466,497	347,235	159	347,394	0	2,792,905
Investment property	2,984,864	286,112	4,394,981	4,681,093	43,298	252,249	295,547	0	7,961,504
Financial investments:	239,640,078	351,393,912	58,563,551	409,957,463	334,124,881	18,269,733	352,394,614	53,069	1,002,045,224
- loans and deposits	10,981,104	9,101,264	17,119,126	26,220,390	157,462	4,013,677	4,171,139	51,237	41,423,870
- held to maturity	1,997,768	39,880,043	4,424,877	44,304,920	78,833,486	3,481,059	82,314,545	0	128,617,233
- available for sale	224,508,904	300,583,166	36,291,438	336,874,604	243,792,188	10,426,304	254,218,492	1,832	815,603,832
- at fair value through profit or loss	2,152,302	1,829,439	728,110	2,557,549	11,341,745	348,693	11,690,438	0	16,400,289
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	208,306,556	35,340	208,341,896	0	208,341,896
Reinsurers' share of technical provisions	10,813,767	14,901,576	5,105,166	20,006,742	231,673	2,066	233,739	0	31,054,248
- from unearned premiums	678,770	10,829,284	1,511,184	12,340,469	29,896	867	30,763	0	13,050,002
- from provisions for claims outstanding	10,134,997	4,978,206	3,593,982	8,572,188	201,777	1,199	202,976	0	18,910,161
- from other technical provisions	0	-905,915	0	-905,915	0	0	0	0	-905,915
Assets from investment contracts	0	0	0	0	112,768,612	0	112,768,612	0	112,768,612
Receivables	87,155,877	66,707,115	10,112,003	76,819,118	1,259,451	238,969	1,498,420	2,401,112	167,874,527
- Receivables arising out of primary insurance business	0	62,721,122	6,996,283	69,717,405	876,584	104,700	981,284	0	70,698,689
- Receivables arising out of reinsurance and co-insurance business	84,406,354	831,050	753,139	1,584,189	80,206	0	80,206	0	86,070,749
- Current tax assets	2,014,421	0	113,039	113,039	170,776	0	170,776	0	2,298,236
- Other receivables	735,102	3,154,943	2,249,542	5,404,485	131,885	134,269	266,154	2,401,112	8,806,853
Deferred acquisition costs	5,659,455	10,960,275	2,293,594	13,253,869	298,347	2,004	300,351	0	19,213,675
Other assets	487,353	1,429,542	306,486	1,736,028	44,229	22,905	67,134	37,727	2,328,242
Cash and cash equivalents	4,167,240	23,520,937	2,667,850	26,188,787	11,111,590	835,724	11,947,314	529,608	42,832,949
Non-current assets held for sale	0	83,716	0	83,716	0	3,770	3,770	0	87,486

Statement of financial position by operating segment – equity and liabilities at 31 March 2016

31/03/2016	Reinsurance business	Non-life insurance business			Life products			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	381,870,264	507,476,905	105,479,471	612,956,375	658,979,585	18,021,930	677,001,514	2,029,825	1,673,857,979
Equity	144,346,780	56,575,158	32,114,584	88,689,741	56,598,209	6,844,981	63,443,189	1,783,142	298,262,853
Equity attributable to owners of the controlling company	144,346,780	56,575,158	31,546,547	88,121,704	56,598,209	6,444,051	63,042,259	1,781,824	297,292,568
Non-controlling interest in equity	0	0	568,037	568,037	0	400,930	400,930	1,318	970,285
Subordinated liabilities	23,542,537	0	0	0	0	0	0	0	23,542,537
Technical provisions	157,231,967	423,564,076	66,274,884	489,838,960	268,886,500	10,753,602	279,640,102	0	926,711,029
- Unearned premiums	38,405,022	128,001,757	23,618,342	151,620,099	818,595	131,232	949,827	0	190,974,948
- Mathematical provisions	0	0	0	0	254,039,843	10,367,561	264,407,404	0	264,407,404
- Provision for outstanding claims	118,663,283	285,857,514	42,031,482	327,888,996	14,028,062	254,357	14,282,419	0	460,834,698
- Other technical provisions	163,662	9,704,805	625,060	10,329,865	0	452	452	0	10,493,979
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	206,498,365	35,340	206,533,705	0	206,533,705
Other provisions	380,145	5,262,999	584,987	5,847,986	1,232,293	10,506	1,242,799	1,675	7,472,605
Deferred tax liabilities	0	3,203,610	83,582	3,287,192	2,792,015	6,529	2,798,544	5,721	6,091,457
Liabilities under investment contracts	0	0	0	0	112,659,823	0	112,659,823	0	112,659,823
Other financial liabilities	88,426	0	84,283	84,283	0	0	0	0	172,709
Liabilities from operating activities	53,835,950	6,311,263	1,803,461	8,114,724	6,912,097	116,049	7,028,146	2,485	68,981,305
- Liabilities from primary insurance business	0	4,152,847	749,759	4,902,606	6,178,014	85,949	6,263,963	0	11,166,569
- Liabilities from reinsurance and co-insurance business	53,835,950	1,761,118	929,113	2,690,231	80,735	0	80,735	0	56,606,916
- Current income tax liabilities	0	397,298	124,589	521,887	653,348	30,100	683,448	2,485	1,207,820
Other liabilities	2,444,459	12,559,799	4,533,690	17,093,489	3,400,283	254,923	3,655,206	236,802	23,429,956

Statement of financial position by operating segment – assets at 31 December 2015

31/12/2015	Reinsurance business	Non-life insurance business			Life products			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	335,113,208	471,097,412	104,110,885	575,208,297	670,046,218	21,697,243	691,743,461	5,216,094	1,607,281,060
Intangible assets	666,490	12,420,044	10,392,378	22,812,422	6,909,849	59,058	6,968,907	17,496	30,465,315
Property and equipment	2,455,343	27,257,037	10,555,501	37,812,538	2,284,427	2,482,888	4,767,315	2,182,115	47,217,311
Deferred tax assets	2,285,448	47,144	29,669	76,813	0	9,596	9,596	0	2,371,857
Investment property	2,999,742	292,527	4,455,919	4,748,446	43,633	248,423	292,056	0	8,040,244
Financial investments:	239,798,250	364,469,374	60,136,040	424,605,414	332,938,023	17,662,049	350,600,072	53,069	1,015,056,805
- loans and deposits	10,622,047	18,420,623	18,257,288	36,677,911	6,245,235	4,125,531	10,370,766	51,237	57,721,961
- held to maturity	2,074,258	61,090,644	4,645,070	65,735,714	94,148,976	3,485,322	97,634,298	0	165,444,270
- available for sale	223,973,704	282,608,171	36,499,745	319,107,916	220,701,045	9,702,300	230,403,345	1,832	773,486,797
- at fair value through profit or loss	3,128,241	2,349,936	733,937	3,083,873	11,842,767	348,896	12,191,663	0	18,403,777
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	214,153,769	35,348	214,189,117	0	214,189,117
Reinsurers' share of technical provisions	10,715,168	8,387,854	4,513,367	12,901,222	258,387	2,500	260,887	0	23,877,277
Assets from investment contracts	0	0	0	0	111,418,244	0	111,418,244	0	111,418,244
Receivables	69,471,292	48,160,043	8,884,189	57,044,232	1,447,432	205,633	1,653,065	2,495,340	130,663,929
- Receivables arising out of primary insurance business	0	44,597,018	6,000,526	50,597,544	804,966	108,257	913,223	0	51,510,767
- Receivables arising out of reinsurance and co-insurance business	67,730,863	502,027	522,877	1,024,904	4	1,815	1,819	0	68,757,586
- Current tax assets	1,633,620	0	100,378	100,378	0	0	0	296	1,734,294
- Other receivables	106,809	3,060,998	2,260,408	5,321,406	642,462	95,561	738,023	2,495,044	8,661,282
Deferred acquisition costs	6,054,860	9,278,328	2,285,249	11,563,578	372,199	1,848	374,047	0	17,992,485
Other assets	380,665	453,619	237,894	691,513	33,717	28,402	62,119	38,862	1,173,159
Cash and cash equivalents	285,950	227,028	2,620,678	2,847,706	186,538	961,498	1,148,036	429,212	4,710,904
Non-current assets held for sale	0	104,413	0	104,413	0	0	0	0	104,413

Statement of financial position by operating segment – equity and liabilities at 31 December 2015

31/12/2015	Reinsurance business	Non-life insurance business			Life products			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	319,043,959	508,862,351	108,192,139	617,054,490	653,391,027	17,657,935	671,048,962	133,650	1,607,281,060
Equity	106,575,645	83,959,570	36,329,811	120,289,381	52,620,232	6,997,920	59,618,152	-81,499	286,401,678
Equity attributable to owners of the controlling company	106,575,645	83,959,570	35,758,746	119,718,316	52,620,232	6,606,036	59,226,268	-82,365	285,437,863
Non-controlling interest in equity	0	0	571,065	571,065	0	391,884	391,884	866	963,815
Subordinated liabilities	23,534,136	0	0	0	0	0	0	0	23,534,136
Technical provisions	149,301,490	395,062,053	65,487,744	460,549,797	267,016,594	10,200,619	277,217,213	0	887,068,500
- Unearned premiums	29,416,771	102,286,783	23,467,843	125,754,626	750,713	117,570	868,283	0	156,039,680
- Mathematical provisions	0	0	0	0	252,244,030	9,808,396	262,052,426	0	262,052,426
- Provision for outstanding claims	119,762,737	283,785,036	41,168,951	324,953,987	14,021,851	274,080	14,295,931	0	459,012,655
- Other technical provisions	121,982	8,990,234	850,950	9,841,184	0	573	573	0	9,963,739
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	207,554,738	35,348	207,590,086	0	207,590,086
Other provisions	347,277	5,233,222	565,043	5,798,265	1,232,293	10,704	1,242,997	1,156	7,389,695
Deferred tax liabilities	0	2,558,159	77,210	2,635,369	1,957,641	0	1,957,641	5,721	4,598,731
Liabilities under investment contracts	0	0	0	0	111,304,383	0	111,304,383	0	111,304,383
Other financial liabilities	91,896	3	114,148	114,151	0	0	0	0	206,047
Liabilities from operating activities	37,058,444	7,525,440	1,779,680	9,305,120	7,939,771	143,842	8,083,613	20,126	54,467,303
- Liabilities from primary insurance business	0	3,533,129	443,609	3,976,738	6,879,987	112,140	6,992,127	0	10,968,865
- Liabilities from reinsurance and co-insurance business	37,058,444	1,651,833	1,000,059	2,651,892	25,610	3,466	29,076	0	39,739,412
- Current income tax liabilities	0	2,340,478	336,012	2,676,490	1,034,174	28,236	1,062,410	20,126	3,759,026
Other liabilities	2,135,071	14,523,904	3,838,503	18,362,407	3,765,375	269,502	4,034,877	188,146	24,720,501

Income statement by operating segment 1–3/2016

1–3/2016	Reinsurance business	Non-life insurance business			Life products			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	
Net earned premiums	20,464,416	57,561,469	11,674,624	69,236,093	20,189,625	1,499,222	21,688,847	0	111,389,356
Gross premiums written	30,627,466	88,302,007	12,699,244	101,001,251	20,357,162	1,513,688	21,870,850	0	153,499,567
Written premiums ceded to reinsurers and co-insurers	-698,420	-11,957,553	-1,234,478	-13,192,031	-79,769	-753	-80,522	0	-13,970,973
Change in gross unearned premiums	-8,988,251	-25,634,259	-227,691	-25,861,950	-83,639	-13,604	-97,243	0	-34,947,444
Change in unearned premiums for the reinsurance and co-insurance part	-476,379	6,851,274	437,549	7,288,824	-4,129	-109	-4,238	0	6,808,206
Investment income	2,692,017	1,576,747	626,756	2,203,503	2,546,822	223,157	2,769,979	0	7,665,499
Interest income	1,112,660	1,374,957	543,865	1,918,822	2,250,012	153,926	2,403,938	0	5,435,420
Other investment income	1,579,357	201,790	82,891	284,681	296,810	69,231	366,041	0	2,230,079
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	3,315,155	0	3,315,155	0	3,315,155
Other technical income	2,031,941	1,790,333	359,214	2,149,546	566,625	12,932	579,557	49,492	4,810,536
Commission income	176,280	1,017,224	143,854	1,161,077	0	0	0	0	1,337,357
Other technical income	1,855,661	773,109	215,360	988,469	566,625	12,932	579,557	49,492	3,473,179
Other income	815	662,679	121,442	784,121	952,498	7,210	959,708	69,349	1,813,993
Net claims incurred	-12,654,831	-35,538,036	-5,900,848	-41,438,885	-12,051,442	-373,980	-12,425,423	0	-66,519,138
Gross claims payments less income from recourse receivables	-14,664,321	-34,275,018	-5,335,410	-39,610,428	-11,731,241	-395,285	-12,126,526	0	-66,401,275
Reinsurers' and co-insurers' shares	335,123	995,606	191,301	1,186,907	44,367	0	44,367	0	1,566,397
Change in the gross claims provision	1,099,390	-2,097,739	-934,268	-3,032,007	-341,985	20,892	-321,093	0	-2,253,710
Change in the provision for outstanding claims for the reinsurance and co-insurance part	574,977	-160,885	177,529	16,644	-22,584	413	-22,171	0	569,450
Change in other technical provisions	-41,678	-911,555	219,300	-692,255	-1,869,100	-491,741	-2,360,841	0	-3,094,774
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	1,392,345	569	1,392,914	0	1,392,914
Expenses for bonuses and rebates	1	-224,610	-7,532	-232,142	0	0	0	0	-232,141
Operating expenses	-6,550,899	-18,200,825	-5,758,520	-23,959,345	-4,196,765	-745,709	-4,942,475	-597,393	-36,050,111
Acquisition costs	-5,638,930	-4,695,122	-968,604	-5,663,726	-1,062,891	-226,825	-1,289,716	0	-12,592,372
Change in deferred acquisition costs	370,356	928,556	2,805	931,361	10,107	156	10,263	0	1,311,980
Other operating expenses	-1,282,325	-14,434,259	-4,792,721	-19,226,980	-3,143,981	-519,040	-3,663,022	-597,393	-24,769,719
Expenses for financial assets and liabilities	-2,957,576	-95,577	-61,572	-157,149	-373,483	-95,917	-469,400	0	-3,584,125
Impairment losses on financial assets not at fair value through profit or loss	0	0	-158	-158	0	-1,030	-1,030	0	-1,188
Interest expense	-214,156	0	-72	-72	0	0	0	0	-214,228
Other investment expenses	-2,743,420	-95,577	-61,342	-156,919	-373,483	-94,887	-468,370	0	-3,368,709
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-6,989,828	-569	-6,990,397	0	-6,990,397
Other technical expenses	-1,962,268	-1,511,143	-1,367,000	-2,878,143	-47,980	-70,242	-118,222	0	-4,958,633
Other expenses	-35,423	-221,376	-36,593	-257,969	-39	-529	-568	-16,415	-310,375
Profit/loss before tax	986,515	4,888,107	-130,730	4,757,376	3,434,431	-35,597	3,398,835	-494,967	8,647,759
Income tax expense									-1,525,087
Net profit/loss for the period									7,122,672
Net profit/loss attributable to owners of the controlling company									7,136,579
Net profit/loss attributable to non-controlling interest									-13,907

Income statement by operating segment 1–3/2015

1–3/2015	Reinsurance business	Non-life insurance business			Life products			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	
Net earned premiums	21,037,540	58,571,572	10,666,330	69,237,902	20,173,585	1,272,297	21,445,882	0	111,721,324
Gross premiums written	34,798,469	83,731,708	12,432,367	96,164,075	20,289,106	1,277,993	21,567,099	0	152,529,643
Written premiums ceded to reinsurers and co-insurers	-268,905	-10,729,778	-1,093,289	-11,823,067	-88,390	-614	-89,004	-1	-12,180,975
Change in gross unearned premiums	-13,072,889	-20,299,589	-325,399	-20,624,988	-19,611	-4,326	-23,937	0	-33,721,814
Change in unearned premiums for the reinsurance and co-insurance part	-419,136	5,869,231	-347,349	5,521,882	-7,520	-756	-8,276	0	5,094,470
Income from investments in subsidiary and associate companies	0	0	0	0	0	0	0	88,739	88,739
Profit from investments in equity-accounted associate companies	0	0	0	0	0	0	0	88,739	88,739
Investment income	7,451,727	1,983,104	555,461	2,538,565	2,413,054	150,324	2,563,378	781	12,554,451
Interest income	1,107,686	1,600,089	513,493	2,113,582	2,226,142	128,739	2,354,881	781	5,576,930
Other investment income	6,344,041	383,015	41,968	424,983	186,912	21,585	208,497	0	6,977,521
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	11,535,960	116	11,536,076	0	11,536,076
Other technical income	3,556,495	1,003,488	423,980	1,427,468	284,517	50,850	335,367	407,627	5,726,958
Commission income	43,215	480,642	310,813	791,455	1,349	44	1,393	0	836,064
Other technical income	3,513,280	522,846	113,167	636,013	283,168	50,806	333,974	407,627	4,890,894
Other income	1,976	730,429	414,032	1,144,461	966,140	19,925	986,065	57,478	2,189,980
Net claims incurred	-17,707,730	-36,893,626	-5,905,262	-42,798,888	-13,380,185	-281,516	-13,661,701	0	-74,168,320
Gross claims payments less income from recourse receivables	-17,588,621	-36,600,386	-5,112,833	-41,713,219	-12,349,644	-264,940	-12,614,584	0	-71,916,424
Reinsurers' and co-insurers' shares	372,949	1,291,804	235,624	1,527,428	32,837	0	32,837	0	1,933,214
Change in the gross claims provision	-754,675	6,365	-1,304,397	-1,298,032	-1,000,543	-16,576	-1,017,119	0	-3,069,826
Change in the provision for outstanding claims for the reinsurance and co-insurance part	262,617	-1,591,409	276,344	-1,315,065	-62,835	0	-62,835	0	-1,115,284
Change in other technical provisions	0	152,942	-17,153	135,789	-101,177	-468,648	-569,825	0	-434,036
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-14,153,978	-8,851	-14,162,829	0	-14,162,829
Expenses for bonuses and rebates	353	82,035	-19,839	62,196	0	0	0	0	62,549
Operating expenses	-5,974,501	-18,297,398	-5,201,792	-23,499,190	-4,470,955	-753,557	-5,224,512	-572,551	-35,270,754
Acquisition costs	-6,372,587	-4,946,200	-829,410	-5,775,610	-1,345,906	-232,695	-1,578,601	0	-13,726,798
Change in deferred acquisition costs	1,445,891	1,312,926	42,595	1,355,521	30,167	35	30,202	0	2,831,614
Other operating expenses	-1,047,805	-14,664,124	-4,414,977	-19,079,101	-3,155,216	-520,897	-3,676,113	-572,551	-24,375,570
Expenses for financial assets and liabilities	-1,035,540	-99,563	-26,727	-126,290	-3,900	-47,266	-51,166	0	-1,212,996
Impairment losses on financial assets not at fair value through profit or loss	0	0	-141	-141	0	-895	-895	0	-1,036
Interest expense	-227,473	-97,500	-9	-97,509	0	-3,245	-3,245	0	-328,227
Other investment expenses	-808,067	-2,063	-26,577	-28,640	-3,900	-43,126	-47,026	0	-883,733
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-259,056	-50	-259,106	0	-259,106
Other technical expenses	-2,664,204	-2,032,555	-1,285,215	-3,317,770	-32,675	-27,481	-60,156	0	-6,042,130
Other expenses	0	-261,726	-179,711	-441,437	-369	-878	-1,247	-3,108	-445,792
Profit/loss before tax									11,884,114
Income tax expense									-1,898,661
Net profit/loss for the period									9,985,453
Net profit/loss attributable to owners of the controlling company									9,996,879
Net profit/loss attributable to non-controlling interest									-11,426

Inter-segment business

(€)	Reinsurance business		Non-life insurance business		Life products		Other	
	1-3/2016	1-3/2015	1-3/2016	1-3/2015	1-3/2016	1-3/2015	1-3/2016	1-3/2015
Net earned premiums	25,111,287	22,468,704	100,747	93,528	0	0	0	0
Net claims incurred	-5,613,808	-8,218,052	-15,697	-20,091	0	0	0	0
Operating expenses	-2,605,603	-3,018,058	-248,735	-67,305	-205,931	-11,597	-31,466	-32,126
Investment income	39,615	54,211	0	1,346	0	0	0	0
Other income	4,595	4,184	58,056	44,229	1,510	54	457,156	1,939,239

8.8 Notes to significant changes in the statement of financial position

8.8.1 Property and equipment

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
01/01/2016	8,019,657	48,886,307	23,962,466	462,257	81,330,687
Additions	101,903	334,320	596,990	199	1,033,412
Disposals	0	-320,291	-2,218,073	0	-2,538,364
Exchange differences	11,819	-27,512	-15,036	-5,700	-36,429
31/03/2016	8,133,379	48,872,824	22,326,347	456,756	79,789,306
Accumulated depreciation and impairment losses					
01/01/2016	0	16,060,017	17,799,123	254,237	34,113,377
Additions	0	304,576	598,743	8,342	911,661
Disposals	0	1	-2,132,550	0	-2,132,549
Exchange differences	0	-12,703	-10,225	-3,441	-26,369
31/03/2016	0	16,351,891	16,255,091	259,138	32,866,120
Carrying amount as at 01/01/2016	8,019,657	32,826,290	6,163,343	208,020	47,217,311
Carrying amount as at 31/03/2016	8,133,379	32,520,933	6,071,256	197,618	46,923,187

8.8.2 Financial investments

In the first three months of 2016 financial investments decreased by 13.0 million compared to year-end 2015. The item decreased because as of 1 January 2016, demand deposits and deposits with an original maturity of up to three months in the amount of € 22 million were transferred to the item cash and cash equivalents (demand deposits of € 20.4 million and deposits with an original maturity of up to three months of € 1.6 million). Had this reclassification been made on 31 December 2015, financial investments at 31 December 2015 would have totalled € 993 million. With regard to the above, financial investments as at 31 March 2016 increased by € 9 million compared to the adjusted balance as at 31 December 2015.

Financial investments at 31 March 2016

(€)	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
31/03/2016		Non-derivative Designated to this category			
Debt instruments	128,617,233	14,723,027	784,104,679	34,479,875	961,924,814
Deposits and CDs	1,520,096	0	0	33,826,097	35,346,193
Government bonds	126,736,052	2,512,261	345,915,804	0	475,164,117
Corporate bonds	361,085	12,210,766	438,188,875	0	450,760,726
Loans granted	0	0	0	653,778	653,778
Equity instruments	0	1,677,262	31,452,674	0	33,129,936
Shares	0	573,114	18,725,044	0	19,298,158
Mutual funds	0	1,104,148	12,727,630	0	13,831,778
Other investments	0	0	46,479	0	46,479
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	6,943,995	6,943,995
Total	128,617,233	16,400,289	815,603,832	41,423,870	1,002,045,224

Financial investments at 31 December 2015

(€)	Held-to-maturity	At fair value through P/L Non-derivative Designated to this category	Available-for-sale	Loans and receivables	Total
31/12/2015					
Debt instruments	165,444,270	16,488,823	743,376,443	52,023,187	977,332,723
Deposits and CDs	1,744,334	0	0	51,307,963	53,052,297
Government bonds	163,402,183	3,481,001	335,380,781	0	502,263,965
Corporate bonds	297,753	13,007,822	407,995,662	0	421,301,237
Loans granted	0		0	715,224	715,224
Equity instruments	0	1,728,773	29,936,324	0	31,665,097
Shares	0	595,678	18,310,932	0	18,906,610
Mutual funds	0	1,133,095	11,625,392	0	12,758,487
Other investments	0	186,181	174,030	0	360,211
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	5,698,774	5,698,774
Total	165,444,270	18,403,777	773,486,797	57,721,961	1,015,056,805

8.8.3 Reinsurers' share of technical provisions

Reinsurers' share of technical provisions (retroceded technical provisions) increased by € 7.2 million or 30.1 % compared to 31 December 2015. This is because large retroceded unearned premiums were established for non-proportional covers. These unearned premiums are booked in the first quarter for the entire year resulting in an increase of € 6.9 million in retroceded unearned premiums for the current quarter.

(€)	31/03/2016	31/12/2015
From unearned premiums	13,050,002	6,176,167
From provisions for claims outstanding	18,910,161	18,374,900
From other technical provisions	-905,915	-673,790
Total	31,054,248	23,877,277

8.8.4 Receivables

Receivables increased by € 37.2 million compared to year-end 2015. Receivables arising out of primary insurance business increased by € 19.2 million due to the annual renewal of insurance contracts. There was also an increase of € 17.3 million in receivables arising out of reinsurance and co-insurance business as a result of renewals of foreign-sourced reinsurance contracts written by Sava Reinsurance Company.

Receivables by type

(€)	31/03/2016			31/12/2015		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	97,860,246	-29,501,066	68,359,180	78,920,875	-28,975,503	49,945,372
Receivables from insurance brokers	2,717,850	-465,179	2,252,671	1,871,270	-466,986	1,404,284
Other receivables arising out of primary insurance business	228,096	-141,258	86,838	301,787	-140,676	161,111
Receivables arising out of primary insurance business	100,806,192	-30,107,503	70,698,689	81,093,932	-29,583,165	51,510,767
Receivables for premiums arising out of reinsurance and co-insurance	78,938,144	-366,409	78,571,735	63,733,597	-370,139	63,363,458
Receivables for shares in claims payments	5,112,775	-75,004	5,037,771	4,706,823	-75,004	4,631,819
Other receivables from co-insurance and reinsurance	2,461,243	0	2,461,243	762,309	0	762,309
Receivables arising out of reinsurance and co-insurance business	86,512,162	-441,413	86,070,749	69,202,729	-445,143	68,757,586
Current tax assets	2,298,236	0	2,298,236	1,734,294	0	1,734,294
Other short-term receivables arising out of insurance business	26,639,808	-23,334,459	3,305,349	26,727,874	-23,407,774	3,320,100
Receivables arising out of investments	1,980,809	-1,184,706	796,103	2,016,806	-1,203,491	813,315
Other receivables	6,154,041	-1,448,640	4,705,401	6,015,464	-1,487,597	4,527,867
Other receivables	34,774,658	-25,967,805	8,806,853	34,760,144	-26,098,862	8,661,282
Total	224,391,248	-56,516,721	167,874,527	186,791,099	-56,127,170	130,663,929

Movement in allowance for receivables

(€)	01/01/2016	Additions	Reversals	Write-offs	Exchange differences	31/03/2016
31/03/2016						
Receivables due from policyholders	-28,975,503	-651,592	-150,857	272,502	4,384	-29,501,066
Receivables from insurance brokers	-466,986	-4,235	3,655	0	2,387	-465,179
Other receivables arising out of primary insurance business	-140,676	-872	0	0	290	-141,258
Receivables arising out of primary insurance business	-29,583,165	-656,699	-147,202	272,502	7,061	-30,107,503
Receivables for premiums arising out of reinsurance and co-insurance	-370,139	-359	4,089	0	0	-366,409
Receivables for shares in claims payments	-75,004	0	0	0	0	-75,004
Receivables arising out of reinsurance and co-insurance business	-445,143	-359	4,089	0	0	-441,413
Other short-term receivables arising out of insurance business	-23,407,774	-171,368	95,135	133,441	16,107	-23,334,459
Receivables arising out of investments	-1,203,491	-1,061	2,410	320	17,116	-1,184,706
Other short-term receivables	-1,487,597	0	36,335	0	2,622	-1,448,640
Other receivables	-26,098,862	-172,429	133,880	133,761	35,845	-25,967,805
Total	-56,127,170	-829,487	-9,233	406,263	42,906	-56,516,721

Receivables ageing analysis

(€)	Not past due	Past due up to 180 days	Past due more than 180 days	Total
31/03/2016				
Receivables due from policyholders	55,481,675	9,374,860	3,502,645	68,359,180
Receivables from insurance brokers	929,165	1,298,931	24,575	2,252,671
Other receivables arising out of primary insurance business	46,608	31,760	8,470	86,838
Receivables arising out of primary insurance business	56,457,448	10,705,551	3,535,690	70,698,689
Receivables for premiums arising out of assumed reinsurance and co-insurance	54,400,511	19,513,865	4,657,359	78,571,735
Receivables for reinsurers' shares in claims	4,326,694	63,427	647,650	5,037,771
Other receivables from co-insurance and reinsurance	2,302,883	148,322	10,038	2,461,243
Receivables arising out of reinsurance and co-insurance business	61,030,088	19,725,614	5,315,047	86,070,749
Current tax assets	2,298,236	0	0	2,298,236
Other short-term receivables arising out of insurance business	2,896,430	325,702	83,217	3,305,349
Short-term receivables arising out of financing	575,180	140,660	80,263	796,103
Other short-term receivables	3,700,574	398,237	606,590	4,705,401
Other receivables	7,172,184	864,599	770,070	8,806,853
Total	126,957,956	31,295,764	9,620,807	167,874,527

(€) 31/12/2015	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	37,098,068	9,065,428	3,781,876	49,945,372
Receivables from insurance brokers	769,415	611,082	23,787	1,404,284
Other receivables arising out of primary insurance business	114,592	9,498	37,021	161,111
Receivables arising out of primary insurance business	37,982,075	9,686,008	3,842,684	51,510,767
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,218,164	9,610,038	2,535,256	63,363,458
Receivables for reinsurers' shares in claims	3,633,779	363,779	634,261	4,631,819
Other receivables from co-insurance and reinsurance	644,654	104,306	13,349	762,309
Receivables arising out of reinsurance and co-insurance business	55,496,597	10,078,123	3,182,866	68,757,586
Current tax assets	1,734,294	0	0	1,734,294
Other short-term receivables arising out of insurance business	2,149,062	1,088,551	82,487	3,320,100
Short-term receivables arising out of financing	689,965	70,247	53,103	813,315
Other short-term receivables	3,711,991	266,571	549,305	4,527,867
Other receivables	6,551,018	1,425,369	684,895	8,661,282
Total	101,763,984	21,189,500	7,710,445	130,663,929

8.8.5 Cash and cash equivalents

(€)	31/03/2016	31/12/2015
Cash on hand	76,155	46,946
Cash in bank accounts	5,131,696	4,587,530
Cash equivalents	37,625,098	76,428
Total	42,832,949	4,710,904

As set out in section 9.1 "Overview of major accounting policies", as of 1 January 2016 the Group discloses demand deposits and deposits with an original maturity of up to three months under the cash equivalents item. Had the reallocation been completed at 31 December 2015, the balance of cash and cash equivalents at 31 December 2015 would have been higher by € 22 million and would have totalled € 26.7 million.

8.8.6 Technical provisions

Technical provisions increased by € 39.6 million or 4.5 % compared to 31 December 2015. The largest increase was recorded in gross unearned premiums (€ 34.9 million) as a result of establishing high unearned premiums for coverages for which the full-year premiums were booked at the beginning of the year. The gross provision for traditional life policies increased by 0.9 % (or € 2.4 million) compared to year-end 2015. Provisions for outstanding claims, provisions for bonuses, rebates and cancellations, and other technical provisions remained at approximately the same level as at the end of 2015.

Movements in gross technical provisions

(€)	01/01/2016	Additions	Uses and releases	Exchange differences	31/03/2016
Gross unearned premiums	156,039,680	106,823,301	-71,561,854	-326,179	190,974,948
Technical provisions for life insurance business	262,052,426	8,035,067	-5,728,701	48,612	264,407,404
Gross provision for claims	459,012,655	50,072,592	-46,562,870	-1,687,679	460,834,698
Gross provision for bonuses, rebates and cancellations	1,132,456	608,806	-574,029	-241	1,166,992
Other gross technical provisions	8,831,283	1,513,060	-1,011,363	-5,993	9,326,987
Total	887,068,500	167,052,826	-125,438,817	-1,971,480	926,711,029

8.8.7 Net earnings/loss per share

The weighted average number of shares outstanding in the financial period was 16,452,419. At 31 March 2016, the controlling company owned 826,170 treasury shares, which are excluded when calculating the weighted average number of shares.

Net earnings/loss per share

(€)	1–3/2016	1–3/2015
Net profit/loss for the period	7,122,672	9,985,453
Net profit/loss for the period attributable to owners of the controlling company	7,136,579	9,996,879
Weighted average number of shares	16,452,419	16,486,004
Net earnings/loss per share	0.43	0.61

Comprehensive income per share

(€)	1–3/2016	1–3/2015
Comprehensive income for the period	13,061,524	14,474,710
Comprehensive income for the period attributable to owners of the controlling company	13,055,054	14,479,406
Weighted average number of shares	16,452,419	16,486,004
Comprehensive income per share	0.79	0.88

8.8.8 Liabilities from operating activities

(€) 31/03/2016	Maturity		
	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	2,257,767	2,257,767
Liabilities to insurance intermediaries	6,139	2,083,388	2,089,527
Other liabilities from primary insurance business	1,313	6,817,962	6,819,275
Liabilities from primary insurance business	7,452	11,159,117	11,166,569
Liabilities for reinsurance and co-insurance premiums	17,415	14,427,521	14,444,936
Liabilities for shares in reinsurance claims	0	26,292,010	26,292,010
Other liabilities from co-insurance and reinsurance business	95,624	15,774,346	15,869,970
Liabilities from reinsurance and co-insurance business	113,039	56,493,877	56,606,916
Current tax liabilities	0	1,207,820	1,207,820
Total	120,491	68,860,814	68,981,305

(€) 31/12/2015	Maturity		
	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	1,299,114	1,299,114
Liabilities to insurance intermediaries	6,151	2,010,073	2,016,224
Other liabilities from primary insurance business	1,323	7,652,204	7,653,527
Liabilities from primary insurance business	7,474	10,961,391	10,968,865
Liabilities for reinsurance and co-insurance premiums	17,423	7,185,115	7,202,538
Liabilities for shares in reinsurance claims	0	19,523,660	19,523,660
Other liabilities from co-insurance and reinsurance business	95,821	12,917,393	13,013,214
Liabilities from reinsurance and co-insurance business	113,244	39,626,168	39,739,412
Current tax liabilities	0	3,759,026	3,759,026
Total	120,718	54,346,585	54,467,303

8.8.9 Fair values of assets and liabilities

Financial assets measured at fair value by hierarchy level at 31 March 2016

(€) 31/3/2016	Carrying amount (CA)	Fair value			Difference between FV and CA
		Level 1	Level 2	Level 3	
Investments measured at fair value	832,004,121	648,873,015	170,573,443	12,557,664	0
At fair value through P/L	16,400,289	4,171,213	12,229,076	0	0
<i>Designated to this category</i>	16,400,289	4,171,213	12,229,076	0	0
Debt instruments	14,723,027	2,946,714	11,776,313	0	0
Equity instruments	1,677,262	1,224,499	452,763	0	0
Available-for-sale	815,603,832	644,701,801	158,344,367	12,557,664	0
Debt instruments	784,104,679	631,844,976	144,313,622	7,946,081	0
Equity instruments	31,452,674	12,856,825	14,030,745	4,565,104	0
Other investments	46,479	0	0	46,479	0
Investments not measured at fair value	170,041,103	116,982,921	37,540,654	10,178,606	-5,338,922
Held-to-maturity assets	128,617,233	111,840,227	23,890,278	0	7,113,273
Debt instruments	128,617,233	111,840,227	23,890,278	0	7,113,273
Loans and receivables	41,423,870	5,142,694	13,650,375	10,178,606	-12,452,195
Deposits	33,826,097	5,142,239	13,650,375	0	-15,033,483
Loans granted	653,778	455	0	3,234,611	2,581,288
Deposits with cedants	6,943,995	0	0	6,943,995	0

Financial assets measured at fair value by hierarchy level at 31 December 2015

(€) 31/12/2015	Carrying amount	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	791,890,574	609,121,776	170,264,955	12,503,843	791,890,574	0
At fair value through P/L	18,403,775	4,659,094	13,744,682	0	18,403,775	0
<i>Designated to this category</i>	18,403,775	4,659,094	13,744,681	0	18,403,775	0
Debt instruments	16,488,821	3,394,741	13,094,080	0	16,488,821	0
Equity instruments	1,728,773	1,264,353	464,420	0	1,728,773	0
Other investments	186,181	0	186,181	0	186,181	0
Available-for-sale	773,486,798	604,462,682	156,520,273	12,503,843	773,486,798	0
Debt instruments	743,376,444	592,835,458	142,648,726	7,892,260	743,376,444	0
Equity instruments	29,936,324	11,627,224	13,743,996	4,565,104	29,936,324	0
Other investments	174,030	0	127,551	46,479	174,030	0
Investments not measured at fair value	223,166,231	166,653,085	71,779,708	1,096,225	239,529,018	16,362,787
Held-to-maturity assets	165,444,270	123,671,948	56,613,888	600,301	180,886,136	15,441,867
Debt instruments	165,444,270	123,671,948	56,613,888	600,301	180,886,136	15,441,867
Loans and receivables	57,721,961	42,981,138	15,165,820	495,924	58,642,882	920,921
Deposits	52,023,187	37,196,717	15,165,820	495,924	52,858,461	835,274
Deposits with cedants	5,698,774	0	0	5,698,774	5,698,774	0

Movements in level 3 financial assets

(€)	Debt instruments		Equity instruments		Other investments	
	31/03/2016	31/12/2015	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Opening balance	7,892,260		4,565,104	4,638,249	46,479	0
Additions	53,821	7,892,260	0	0	0	0
Impairment losses	0	0	0	-686,472	0	0
Reclassification into other levels	0	0	0	-2,770	0	0
Reclassification into level	0	0	0	616,097	0	46,479
Closing balance	7,946,081	7,892,260	4,565,104	4,565,104	46,479	46,479

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

(€)	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property		48,615,817	45,387,988	
Owner-occupied property	31/03/2016	40,654,313	36,985,767	market approach and income approach (weighted 50: 50), new purchases at cost
Investment property	31/03/2016	7,961,504	8,402,221	
Total		48,615,817	45,387,988	

Changes in fair value of property in the three months to 31 March 2016

2016	Opening balance	Acquisitions	Disposals	Change in fair value	Additions – acquisition of non-controlling interest	Exchange differences	Closing balance
Owner-occupied property	37,048,744	436,224	-320,292	-207,824		28,915	36,985,767
Investment property	8,443,933	0	-18,337	11,068		-34,443	8,402,221
Total	45,492,677	436,224	-338,629	-196,756	0	-5,528	45,387,988

Reclassification of assets and financial liabilities between levels in the three months to 31 March 2016

	Level 1	Level 2	Level 3
Available-for-sale	1,756,797	-1,756,797	0
Debt instruments	1,756,797	-1,756,797	0
Total	1,756,797	-1,756,797	0

9 RELATED-PARTY DISCLOSURES

Fixed salaries of management board members for performing their function in the first three months of 2016 totalled € 161,665 (1–3/2015: € 156,780). No variable remuneration was paid in the first quarter. Fringe benefits totalled € 10,590 (1–3/2015: € 9,390).

Remunerations paid to supervisory board members and members of the supervisory board audit committee in the first quarter of 2016 totalled € 35,274 (1–3/2015: € 39,724).

Remuneration paid to management board members in 1–3/2016

(€)	Gross salary – fixed amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	41,838	1,557	2,238	45,633
Jošt Dolničar	35,538	561	1,293	37,392
Srečko Čebtron	37,848	1,302	516	39,666
Mateja Treven	35,850	1,837	1,287	38,974
Total	151,074	5,256	5,334	161,665

Liabilities to management board members

(€)	31/03/2016	31/12/2015
Zvonko Ivanušič	13,946	13,946
Jošt Dolničar	11,950	11,950
Srečko Čebtron	12,616	12,616
Mateja Treven	11,950	11,950
Total	50,462	50,462

Remuneration of members of the supervisory board, audit committee and fit and proper committee for fit and proper assessments in the period 1–3/2016

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	825	4,875	834	6,534
Mateja Lovšin Herič	deputy chair of the SB	825	3,575	0	4,400
Slaven Mičković	member of the SB	825	3,250		4,075
Gorazd Andrej Kunstek	member of the SB	825	3,250	0	4,075
Keith William Morris	member of the SB	825	3,250	2,066	6,141
Helena Dretnik	member of the SB	550	2,167	0	2,717
Total supervisory board members		4,675	20,367	2,900	27,942
Audit committee members					
Mateja Lovšin Herič	chair of the AC	616	1,219		1,835
Slaven Mičković	member of the AC	616	812	121	1,550
Ignac Dolenšek	external member		3,450	58	3,508
Total audit committee members		1,232	5,481	179	6,892
Members of the fit & proper committee					
Mateja Lovšin Herič	member	220	0	0	220
Branko Tomažič	member	220	0	0	220
Nika Matjan	member	0	0	0	0
Total members of the fit & proper committee		440	0	0	440

Liabilities to members of the supervisory board and the audit committee

(€)	31/03/2016	31/12/2015
Branko Tomažič	2,474	2,230
Mateja Lovšin Herič	2,313	2,093
Slaven Mičković	1,849	1,849
Gorazd Andrej Kunstek	1,358	1,358
Keith William Morris	6,141	13,621
Helena Dretnik	0	1,358
Ignac Dolenšek	2,739	4,332
Total	16,874	26,841

Transactions with subsidiaries

Investments in and amounts due from Group companies

(€)	31/03/2016	31/12/2015
Debt securities and loans granted to Group companies	2,834,953	2,834,953
Receivables for premiums arising out of reinsurance assumed	25,558,195	14,722,143
Short-term receivables arising out of financing	39,615	28,091
Other short-term receivables	34,851	204,223
Short-term deferred acquisition costs	5,893,303	4,166,332
Total	34,360,917	21,955,742

Liabilities to Group companies

(€)	31/03/2016	31/12/2015
Liabilities for shares in reinsurance claims due to Group companies	5,570,841	7,892,615
Other liabilities from co-insurance and reinsurance	4,990,740	2,920,851
Other short-term liabilities	12,424,090	12,325,063
Total (excl. provisions)	22,985,671	23,138,529

Income and expenses relating to Group companies

(€)	1 – 3/2016	1 - 3/2015
Gross premiums written	25,111,287	22,508,564
Change in gross unearned premiums	-11,601,283	-9,871,249
Gross claim payments	-5,914,337	-8,510,612
Change in gross claims provisions	-673,551	3,607,835
Income from gross recourse receivables	300,529	272,469
Other operating expenses	-24,539	-125,127
Dividend income	570,000	814,740
Interest income	39,615	55,557
Acquisition costs	-4,308,036	-4,556,706
Change in deferred acquisition costs	1,728,124	1,449,027
Other technical income	960	0
Other non-life income	847	145,683
Total	5,229,616	5,790,181

Transactions with the state and majority state-owned entities

Investments in and receivables due from the state and companies that are majority state-owned

(€)	31/03/2016	31/12/2015
Interests in companies	10,085,716	8,770,698
Debt securities and loans	265,813,265	311,386,506
Receivables due from policyholders	2,662,968	358,169
Total	278,561,949	320,515,373

Liabilities to the state and majority state-owned companies

(€)	31/03/2016	31/12/2015
Liabilities for shares in claims	13,116	80,548
Total	13,116	80,548

Income and expenses relating to majority state-owned companies

(€)	1 – 3/2016	1–3/2015
Gross premiums written	8,112,345	4,661,977
Gross claims payments	-159,766	-3,382,056
Interest income	2,474,478	3,464,768
Other investment income	0	348,008
Other investment expenses	0	-43,683
Total	10,427,057	5,049,014

Related-party transactions were conducted on an arms-length basis.

**UNAUDITED CONDENSED
FINANCIAL STATEMENTS OF SAVA
REINSURANCE COMPANY**

10 UNAUDITED CONDENSED SEPARATE FINANCIAL STATEMENTS

10.1 Unaudited statement of financial position

(€)	31/03/2016	31/12/2015
ASSETS	611,606,376	570,886,710
Intangible assets	647,400	666,490
Property and equipment	2,679,456	2,455,343
Deferred tax assets	1,979,014	2,285,448
Investment property	2,984,864	2,999,742
Financial investments in subsidiaries and associates	208,231,721	208,231,721
Financial investments:	242,475,031	242,633,203
- loans and deposits	13,816,057	13,457,000
- held to maturity	1,997,768	2,074,258
- available for sale	224,508,904	223,973,704
- at fair value through profit or loss	2,152,302	3,128,241
Reinsurers' share of technical provisions	22,572,293	16,026,358
Receivables	112,788,538	84,425,749
Receivables arising out of reinsurance and co-insurance business	109,964,549	82,453,006
Current tax assets	2,014,421	1,633,620
Other receivables	809,568	339,123
Deferred acquisition costs	12,593,466	10,496,041
Other assets	487,353	380,665
Cash and cash equivalents	4,167,240	285,950
EQUITY AND LIABILITIES	611,606,376	570,886,710
Equity	267,405,194	263,679,403
Share capital	71,856,376	71,856,376
Capital reserves	54,239,757	54,239,757
Profit reserves	124,436,375	124,175,314
Own shares	-11,498,293	-10,319,347
Fair value reserve	4,502,824	3,006,703
Reserve due to fair value revaluation	-62,261	-42,835
Retained earnings	21,681,320	12,769,646
Net profit/loss for the period	2,249,096	7,993,789
Subordinated liabilities	23,542,537	23,534,136
Technical provisions	240,923,995	220,901,954
Unearned premiums	67,008,413	46,546,065
Provision for outstanding claims	173,457,971	173,912,911
Other technical provisions	457,611	442,978
Other provisions	380,145	347,277
Other financial liabilities	88,426	91,897
Liabilities from operating activities	64,397,531	47,871,910
Liabilities from reinsurance and co-insurance business	64,397,531	47,871,910
Other liabilities	14,868,548	14,460,133

10.2 Unaudited income statement

(€)	1–3/2016	1–3/2015
Net earned premiums	31,007,332	29,875,167
Gross premiums written	55,738,753	57,267,173
Written premiums ceded to reinsurers and co-insurers	-10,062,740	-8,851,489
Change in gross unearned premiums	-20,462,348	-22,909,538
Change in unearned premiums for the reinsurance and co-insurance part	5,793,667	4,369,021
Income from investments in subsidiaries and associates	570,000	774,003
Investment income	2,731,632	7,505,938
Interest income	1,152,275	1,161,897
Other investment income	1,579,357	6,344,041
Other technical income	3,045,429	4,158,095
Commission income	1,186,020	641,102
Other income	1,859,409	3,516,993
Other income	1,662	2,447
Net claims incurred	-18,423,194	-22,972,878
Gross claims payments less income from recourse receivables	-20,278,129	-25,806,673
Reinsurers' and co-insurers' shares	647,793	1,527,778
Change in the gross claims provision	454,875	2,851,906
Change in the provision for outstanding claims for the reinsurance and co-insurance part	752,267	-1,545,889
Change in other technical provisions	-41,678	0
Expenses for bonuses and rebates	27,045	58,515
Operating expenses	-10,219,321	-9,952,043
Acquisition costs	-9,946,966	-10,813,041
Change in deferred acquisition costs	2,097,327	2,893,983
Other operating expenses	-2,369,682	-2,032,985
Expenses for investments in subsidiaries and associates	0	0
Expenses for financial assets and liabilities	-2,957,576	-1,035,540
Interest expenses	-214,156	-227,473
Diverse other expenses	-2,743,420	-808,067
Other technical expenses	-1,932,268	-2,623,467
Other expenses	-35,423	0
Profit/loss before tax	3,773,640	5,790,237
Income tax expense	-345,598	-867,781
Net profit/loss for the period	3,428,042	4,922,456
Net diluted earnings/loss per share	0.21	0.30

10.3 Unaudited statement of comprehensive income

(€)	Note	1–3/2016	1–3/2015
PROFIT/LOSS FOR THE PERIOD, NET OF TAX		3,428,042	4,922,456
OTHER COMPREHENSIVE INCOME, NET OF TAX		1,476,695	1,775,376
a) Items that will not be reclassified subsequently to profit or loss		-19,426	0
Other items that will not be reclassified subsequently to profit or loss		-19,426	0
b) Items that may be reclassified subsequently to profit or loss		1,496,121	1,775,376
Net gains/losses on remeasuring available-for-sale financial assets		1,802,555	2,139,007
Net change recognised in the fair value reserve		1,906,727	1,833,161
Net change transferred from fair value reserve to profit or loss		-104,172	305,846
Tax on items that may be reclassified subsequently to profit or loss		-306,434	-363,631
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		4,904,737	6,697,832

10.4 Unaudited statement of changes in equity

Unaudited statement of changes in equity for the three months to 31 March 2016

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	Total (1–13)	
			Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve							Other
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	0	14,986,525	10,319,347	917,885	10,000,000	87,951,558	3,006,703	-42,835	12,769,646	7,993,789	-10,319,347	263,679,403
Opening balance in the financial period	71,856,376	54,239,757	0	14,986,525	10,319,347	917,885	10,000,000	87,951,558	3,006,703	-42,835	12,769,646	7,993,789	-10,319,347	263,679,403
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	0	1,496,121	-19,426	0	3,428,042	0	4,904,737
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	0	3,428,042	0	3,428,042
b) Other comprehensive income	0	0	0	0	0	0	0	0	1,496,121	-19,426	0	0	0	1,476,695
Net purchase/sale of treasury shares	0	0	0	0	1,178,946	0	0	0	0	0	0	-1,178,946	-1,178,946	-1,178,946
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	0	-917,885	0	0	0	0	917,885	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	0	0	7,993,789	-7,993,789	0	0
Closing balance in the financial period	71,856,376	54,239,757	0	14,986,525	11,498,293	0	10,000,000	87,951,558	4,502,824	-62,261	21,681,320	2,249,096	-11,498,293	267,405,194

Unaudited statement of changes in equity for the three months to 31 March 2015

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	Reserve due to fair value revaluation	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	Total (1–13)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other						
	1.	2.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	10,115,023	845,522	10,000,000	80,030,132	4,357,599	-15,860	15,713,039	6,122,585	-10,115,023	258,135,674
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	10,115,023	845,522	10,000,000	80,030,132	4,357,599	-15,860	15,713,039	6,122,585	-10,115,023	258,135,674
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	1,775,376	0	0	4,922,456	0	6,697,832
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	4,922,456	0	4,922,456
b) Other comprehensive income	0	0	0	0	0	0	0	1,775,376	0	0	0	0	1,775,376
Net purchase/sale of treasury shares	0	0	0	132,001	0	0	0	0	0	0	-132,001	-132,001	-132,001
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	2,060	0	0	0	0	0	-2,060	0	0
Transfer of profit	0	0	0	0	0	0	0	0	0	6,122,585	-6,122,585	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	10,247,024	847,582	10,000,000	80,030,132	6,132,975	-15,860	21,835,624	4,788,394	-10,247,024	264,701,505

10.5 Unaudited statement of cash flows

(€)	1–3/2016	1–3/2015
A. Cash flows from operating activities		
a.) Items of the income statement	14,560,013	12,082,735
Net premiums written in the period	45,676,013	48,415,684
Investment income (other than financial income)	778	880
Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	3,047,091	4,160,542
Net claims payments in the period	-19,630,336	-24,278,895
Expenses for bonuses and rebates	27,045	58,515
Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-12,247,102	-12,782,594
Investment expenses (excluding depreciation/amortisation and financial expenses)	-187	-149
Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-1,967,691	-2,623,467
Tax on profit and other taxes not included in operating expenses	-345,598	-867,781
Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the		
b.) statement of financial position	-12,647,040	-9,536,066
Change in receivables from reinsurance	-27,511,543	-24,153,867
Change in other receivables and other assets	-1,618,852	-3,068,033
Change in deferred tax assets	306,434	453,971
Change in liabilities arising out of reinsurance business	16,525,621	16,221,676
Change in other operating liabilities	-474,338	481,849
Change in other liabilities (except unearned premiums)	125,638	528,338
c.) Net cash from/used in operating activities (a + b)	1,912,973	2,546,668
B. Cash flows from investing activities		
a.) Cash receipts from investing activities	39,163,248	77,379,588
Interest received from investing activities	1,152,275	1,161,897
Cash receipts from dividends and participation in the profit of others	574,366	774,003
Proceeds from sale of property and equipment	58,946	40
Proceeds from sale of financial investments	37,377,661	75,443,648
b.) Cash disbursements in investing activities	-35,801,829	-78,269,653
Purchase of intangible assets	-8,048	-130,719
Purchase of property and equipment	-138,048	-30,678
Purchase of financial investments	-35,655,733	-78,108,256
c.) Net cash from/used in investing activities (a + b)	3,361,419	-890,065
C. Cash flows from financing activities		
b.) Cash disbursements in financing activities	-1,393,102	-1,200,449
Interest paid	-214,156	-227,473
Repayment of short-term financial liabilities	0	-840,975
Own share repurchases	-1,178,946	-132,001
c.) Net cash from/used in financing activities (a + b)	-1,393,102	-1,200,449
C2. Closing balance of cash and cash equivalents	4,167,240	968,495
Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	3,881,290	456,154
C2. Opening balance of cash and cash equivalents	285,950	512,342

Appendix - Glossary of selected
terms and calculation
methodologies for indicators

Appendix – Glossary of selected terms and calculation methodologies for indicators

Administrative expense ratio. The ratio of operating expenses net of acquisition costs and change in deferred acquisition costs as a percentage of gross premiums written.

Associate. An entity over which the investor has significant influence (the power to participate in the financial and operating policy decisions) and that is neither a subsidiary nor an interest in a joint venture.

Book value per share. Ratio of total equity to number of shares outstanding.

Capital fund. Assets representing the capital of the Company.

Cedant, cede, cession. A cedant is the client of a reinsurance company. To cede is to transfer part of any risk an insurer has underwritten to a reinsurer. The part thus transferred to any reinsurer is called a cession.

Chief Operating Decision Maker (CODM). CODM may refer to a person responsible for monitoring an operating segment or to a group of persons responsible for allocating resources, and monitoring and assessing performance. CODM is a function and not a title.

Claims payments. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses. Gross/net – before/after deduction of reinsurance. **Gross claims paid are gross claims payments less subrogation receivables. Net claims paid is short for net claims payments.**

Claims risk. The risk that the number of claims or the average claim amount will be higher than expected.

Composite insurer. Insurer that writes both life and non-life business.

Concentration risk. The risk that due to excessive concentration of investments in a geographic area, economic sector or issuer, unfavourable movements could result in a concurrent decrease in the value of investments.

Consolidated book value per share. Ratio of consolidated total equity to number of shares outstanding.

Consolidated earnings per share. Ratio of net profit/loss attributable to equity holders of the controlling company as a percentage of the weighted average number of shares outstanding.

Credit risk. The risk that issuers or other counter-parties will fail to meet their obligations to the Group. The Group assesses concentration risk as part of credit risk.

Currency risk. The risk that changes in exchange rates will decrease the value of assets denominated in foreign currencies or increase liabilities denominated in foreign currencies.

Dividend yield. Ratio of dividend per share to the price per share two days after the general meeting.

Earnings per share. Ratio of net profit/loss as a percentage of the weighted average number of shares outstanding.

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

Excess of loss reinsurance. A type of reinsurance in which the insurer agrees to pay a specified portion of a claim and the reinsurer agrees to pay all or a part of the claim above the specified currency amount or "retention".

Facultative reinsurance. A type of reinsurance under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks of the underlying policy. Typically used to reinsure large individual risks or for amounts in excess of limits on risks already reinsured elsewhere.

FATCA. Foreign Account Tax Compliance Act; for details see <http://www.sava-re.si/en/o-druzbi/FATCA/>

Financial investments. Financial investments do not include financial investments in associates, investment property nor cash and cash equivalents.

Gross claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables. Gross claims paid are claims before deduction of reinsurance.

Gross expense ratio. The ratio of operating expenses as a percentage of gross premiums written.

Gross incurred loss ratio. Gross claims paid, including the change in the gross provision for outstanding claims, as a percentage of gross premiums written gross of the change in gross unearned premiums.

Gross operating expenses. Operating expenses, excluding commission income.

Gross premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross premiums written are premiums before deduction of reinsurance.

Gross/net. In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.

Guarantee fund. One third of the required solvency margin.

IBNER. Provision for claims that are **Incurred But Not Enough Reported**.

IBNR. Provision for claims that are **Incurred But Not Reported**.

Insurance density. The ratio of gross premiums written as a percentage of the number of inhabitants.

Insurance penetration. The ratio of gross premiums written as a percentage of gross domestic product.

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

Investment portfolio. The investment portfolio includes financial investments in associates, investment property, and cash and cash equivalents.

Liability fund. Assets covering technical provisions.

Life insurance liability fund. Assets covering mathematical provisions.

Liquidity risk. The risk that an entity will not have sufficient liquid assets to meet its obligations as they fall due, and will have to sell its less liquid assets at an inopportune time or raise loans outside the schedule.

Market risks. Include interest rate risk, equity risk and currency risk.

Net claims incurred. Net claims payments (short: net claims paid) in the period gross of the change in the net provision for outstanding claims.

Net claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables and reinsurers' and co-insurers' share of claims paid. **Gross claims paid are gross claims payments less subrogation receivables.**

Net combined ratio. Ratio of total expenses net of investment expenses as a percentage of total income net of investment income. The ratio relating to the group is calculated based on the reinsurance and non-life insurance operating segments.

Net expense ratio. The ratio of operating expenses, net of commission income, as a percentage of net earned premiums.

Net incurred loss ratio. Net claims incurred gross of the change in other technical provisions as a percentage of net premiums earned. The ratio relating to the group is calculated based on the reinsurance and non-life insurance operating segments.

Net investment income of the investment portfolio. Calculated from income statements items: income from investments in subsidiaries and associates + investment income + income from investment property – expenses for investments in subsidiaries and associates – expenses for financial assets and liabilities – expenses for investment property. Income and expenses relating to investment property are included in the other income / other expenses item. Net investment income of the investment portfolio does not include net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk as these do not affect the income statement. These items move in line with the mathematical provision of policyholders who bear the investment risk.

Net operating expenses. Operating expenses net of commission income.

Net premiums earned. Net premiums written for a given period adjusted for the change in net unearned premiums.

Net premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Net premiums written are premiums after deduction of reinsurance.

Net retention risk. The risk that higher retention of insurance loss exposures results in large losses due to catastrophic or concentrated claims experience.

Net/gross. In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.

Non-proportional reinsurance (excess reinsurance). A reinsurance arrangement whereby the reinsurer indemnifies a ceding company above a specified level (usually a monetary amount) of losses that the ceding company has underwritten. A deductible amount is set and any loss exceeding that amount is paid by the reinsurer.

ORSA. Own risk and solvency assessment: an own assessment of the risks associated with an insurer's business and strategic plan, and the sufficiency of own funds to support those risks

Paid loss ratio. The ratio of gross claims paid as a percentage of gross premiums written.

Premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross/net – before/after deduction of reinsurance.

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

Primary insurer. Insurance company that has a direct contractual relationship with the holder of the insurance policy (private individual, firm or organisation).

Proportional reinsurance. A reinsurance arrangement whereby the reinsurer indemnifies a ceding company for a pre-agreed proportion of premiums and losses of each policy that the ceding company has underwritten. It can be subdivided into two main types: quota-share reinsurance and surplus reinsurance.

RBNS. Provision for claims that are **Reported But Not Settled**.

Recourse receivables. Amount of recourse claims which were recognised in the period as recourse receivables based on (i) any agreement with any third parties under recourse issues, (ii) court decisions, or (iii) for credit business – settlement of insurance claim.

Required solvency margin. The minimum solvency margin capital requirement calculated in accordance with the rules based on Solvency I. The capital level representing the first threshold that triggers measures related to the Insurance Supervision Agency in the event that it is breached.

Reserving risk. The risk that technical provisions will be inadequate.

Retention ratio. Ratio of net premiums written as a percentage of gross premiums written.

Retention. The amount or portion of risk (loss) that a ceding company retains for its own account, and does not reinsure. Losses and loss expenses in excess of the retention level are then paid by the reinsurer to the ceding company up to the limit of indemnity, if any, set out in the reinsurance contract. In proportional reinsurance, the retention may be a percentage of the original policy's limit. In non-proportional insurance, the retention is usually a monetary amount of loss, a percentage of loss or a loss-to-premium ratio.

Retrocession. The reinsurance bought by reinsurers; a transaction by which a reinsurer cedes risks to another reinsurer.

Return on equity (ROE). The ratio of net profit for the period as a percentage of average equity in the period.

Return on the investment portfolio. The ratio of net investment income of the investment portfolio to average invested assets. It includes the following statement of financial position items: investment property, financial investments in subsidiaries and associates, financial investments and cash and cash equivalents. The average amount is calculated based on figures at the financial statement date and at the end of the prior year.

Solvency ratio. The ratio of the available solvency margin as a percentage of the required solvency margin.

Subsidiary entity. An entity that is controlled by another entity.

Total comprehensive income, net of tax. The sum of net profit for the period and other comprehensive income for the period, net of tax. The latter comprises the effects of other gains and losses not recognised in the income statement that affect equity, mainly through the fair value reserve.

Underwriting result. Profit or loss realised from insurance operations as opposed to that realised from investments or other items.

Unearned premiums. The portion of premiums written that applies to the unexpired portion of the policy period and is attributable to and recognised as income in future years.
