



Translation of the

**UNAUDITED FINANCIAL REPORT OF THE
SAVA RE GROUP AND
FINANCIAL STATEMENTS OF
SAVA RE, D.D. FOR THE
SIX MONTHS TO 30 JUNE 2017**

Ljubljana, 16 August 2017

CONTENTS

INTRODUCTION		5
1	INTRODUCTION	7
1.1	Key financials	9
1.2	Sava Re company profile	11
1.3	Bodies of the Company	12
1.4	Significant events in the first half of 2017	14
1.5	Significant events after the reporting period	15
1.6	Composition of the Sava Re Group	15
1.7	Shareholders and share trading	16
SAVA RE GROUP INTERIM BUSINESS REPORT		19
2	SAVA RE GROUP REVIEW OF OPERATIONS	21
3	SEGMENT REPORTING	28
3.1	Reinsurance operations	29
3.2	Non-life insurance business	32
3.3	Life insurance business	37
4	FINANCIAL POSITION OF THE SAVA RE GROUP	41
4.1	Assets	41
4.2	Liabilities	45
4.3	Capital structure	46
4.4	Cash flow	47
4.5	Sava Re rating profile	47
5	PERSONNEL	47
6	RISK MANAGEMENT	48
6.1	Capital adequacy and capital management in the Sava Re Group	48
6.2	Underwriting risk	48
6.3	Risks associated with policies where policyholders bear the investment risk	49
6.4	Risks associated with investment contracts	50
6.5	Financial risks	50
6.6	Operational risks	55
6.7	Strategic risks	55
6.8	Risk exposure up until year-end 2017	56
SUMMARY OF SAVA RE GROUP FINANCIAL STATEMENTS WITH NOTES		57
7	UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	59
7.1	Unaudited consolidated statement of financial position	59
7.2	Unaudited consolidated income statement	60
7.3	Unaudited consolidated statement of comprehensive income	61
7.4	Unaudited consolidated statement of cash flows	62
7.5	Unaudited consolidated statement of changes in equity	63
8	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	65
8.1	Overview of major accounting policies	65
8.2	Seasonality and cyclicity of interim operations	65
8.3	Nature and amount of unusual items	65
8.4	Materiality	65
8.5	Issuance, repurchase, and repayment of debt and equity securities	65
8.6	Key accounting estimates and judgements	66
8.7	Analysis of operating segments	66
8.8	Notes to significant changes in the statement of financial position	74
9	RELATED-PARTY DISCLOSURES	81

UNAUDITED CONDENSED SEPARATE FINANCIAL STATEMENTS OF SAVA RE		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

INTRODUCTION

1 INTRODUCTION

In accordance with the Financial Instruments Market Act and the Rules of the Ljubljana Stock Exchange, Sava Re, d.d. (also "Sava Re"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Financial Report of the Sava Re Group and Sava Re, d.d. for the Six Months to 30 June 2017.

The Unaudited Financial Report of the Sava Re Group and the Financial Statements of Sava Re, d.d. for the Six Months to 30 June 2017 will be available as a hardcopy for viewing at the registered office of Sava Re 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 24 August 2017.

Declaration of the Management Board of Sava Re, d.d.

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 Re, d.d., 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 2016. 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.



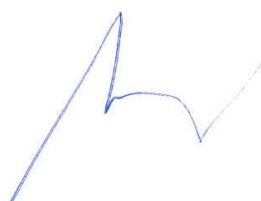
Marko Jazbec, Chairman of the Management Board



Jošt Dolničar, Member of the Management Board



Srečko Čebren, Member of the Management Board



Mateja Treven, Member of the Management Board

Ljubljana, 16 August 2017

1.1 Key financials

(€, except percentages)	Sava Re Group		Sava Re	
	1–6/2017	1–6/2016	1–6/2017	1–6/2016
Gross premiums written	297,770,558	280,824,486	95,389,489	91,416,564
Year-on-year change (%)	6.0 %	1.5 %	4.3 %	1.3 %
Net premiums earned	230,286,916	225,978,226	59,837,679	64,243,892
Year-on-year change (%)	1.9 %	3.1 %	-6.9 %	13.9 %
Gross claims paid	149,352,307	126,953,877	37,878,931	37,896,569
Year-on-year change (%)	17.6 %	-3.4 %	0.0 %	-5.7 %
Net claims incurred	141,966,092	131,844,127	31,958,124	39,297,576
Year-on-year change (%)	7.7 %	-2.8 %	-18.7 %	-0.2 %
Net incurred loss ratio	56.7 %	59.7 %	53.6 %	61.1 %
Net incurred loss ratio, excluding exchange differences	58.8 %	60.2 %	60.0 %	62.4 %
Operating expenses, including reinsurance commission income	74,174,142	73,813,418	19,546,106	19,355,382
Year-on-year change (%)	0.5 %	7.8 %	1.0 %	7.2 %
Net expense ratio	32.2 %	32.7 %	32.7 %	30.1 %
Net expense ratio, excluding exchange differences	32.3 %	32.7 %	32.9 %	30.1 %
Gross expense ratio	26.7 %	27.4 %	25.7 %	25.7 %
Net combined ratio	92.2 %	96.0 %	87.6 %	92.4 %
Net combined ratio, excluding exchange differences	94.2 %	96.2 %	93.4 %	93.1 %
Net inv. income of the investment portfolio	7,802,425	11,612,176	24,974,614	27,293,712
Return on the investment portfolio	1.4 %	2.3 %	5.3 %	6.6 %
Net inv. income of the investment portfolio, excluding exchange differences	11,558,939	11,895,625	28,377,471	27,596,877
Return on the investment portfolio, excluding exchange differences	2.2 %	2.3 %	6.8 %	6.7 %
Profit/loss, net of tax	17,117,531	14,340,956	31,369,751	29,611,904
Year-on-year change (%)	19.4 %	-16.2 %	5.9 %	78.9 %
Profit/loss before tax	22,395,481	19,584,137	32,665,866	32,558,574
Year-on-year change (%)	14.4 %	-11.2 %	0.3 %	74.5 %
Comprehensive income	15,389,873	23,418,555	31,006,383	31,231,583
Year-on-year change (%)	-34.3 %	116.7 %	-0.7 %	105.0 %
Annualised return on equity	11.1 %	9.7 %	13.3 %	12.4 %
Net earnings/loss per share	1.10	0.90	2.02	1.85
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Total assets	1,709,161,767	1,671,189,179	591,737,051	568,147,764
Change on 31 Dec of prior year (%)	2.3 %	4.0 %	4.2 %	-0.5 %
Shareholders' equity	299,964,168	297,038,327	288,963,848	270,355,622
Change on 31 Dec of prior year (%)	1.0 %	3.7 %	6.9 %	2.5 %
Net technical provisions	1,151,665,404	1,109,770,895	226,427,137	208,003,567
Change on 31 Dec of prior year (%)	3.8 %	3.6 %	8.9 %	1.5 %
Book value per share	19.36	18.81	-	-
No. of employees (full-time equivalent basis)	2,425.4	2,488.0	90.7	94.6

Notes:

- For details on the calculation of ratios and the net investment income, see the appended glossary.
- 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 1–6/2017, reinsurance segment exchange differences had a negative impact of € 3.4 million on the investment result and a positive impact of € 3.7 million on the underwriting result, which indicates that the Company is following a strict asset-liability currency management policy. The total impact in the period 1–6/2017 was a positive one of € 0.3 million, while in the period 1–6/2016, the impact on the result was a positive one of € 0.2 million.

The table below compares actual figures against figures planned for the full year 2017:

(€ million)	1-6/2017	2017 plan	As % of plan
Consolidated gross premiums written	297.8	494.3	60.2 %
Net profit/loss for the period	17.1	32.6	52.5 %
Annualised return on equity	11.1 %	10.3 %	
Net combined ratio, excluding exchange differences	94.2 %	94.6 %	
Net incurred loss ratio, excluding exchange differences	58.8 %	59.4 %	
Net expense ratio, excluding exchange differences	32.3 %	32.6 %	
Annualised return on the investment portfolio, excluding exchange differences	2.2 %	1.8 %	

*The net combined and the net incurred loss ratios have been calculated for the reinsurance and non-life operating segments.

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

The annualised return on equity was slightly higher than planned for the full year 2017 as a result of a better net combined ratio and better return on the investment portfolio in the first half of 2017 compared to the annual 2017 plan.

1.2 Sava Re company profile

Company name	Sava Re, 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	<u>MANAGEMENT BOARD</u> Marko Jazbec (chairman) Jošt Dolničar Srečko Čebren Mateja Treven <u>SUPERVISORY BOARD</u> ¹ Mateja Lovšin Herič (chair), Keith William Morris (deputy chair) Andrej Kren Davor Ivan Gjivoje Mateja Živec (employee representative) Andrej Gorazd Kunstek (employee representative)
Date of entry into court register	10/12/1990, 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/; November 2016
Standard & Poor's	A- /positive/; July 2017 ²
The Company has no branches.	

¹ Composition of the supervisory board as at 24 August 2017.

² As at 30 June 2017, the outlook for Sava Re was still stable.

1.3 Bodies of the Company

Management board

In accordance with its articles of association, Sava Re 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.

From 23 August 2016 to 11 May 2017, the management board operated with only three members. In order to fill the vacancy in the management board, the Sava Re supervisory board, on 16 December 2016, completed the process of selecting a new chairman of the management board of Sava Re, selecting Marko Jazbec as the most suitable candidate. Having received the decision that he was granted the licence for performing the function, Marko Jazbec started his five-year term of office as chairman of the management board of Sava Re on 12 May 2017.

Members of the management board as at 30 June 2017

Member	Title	Beginning of term of office	Duration of term of office
Marko Jazbec	chairman	12/05/2017	5 years
Jošt Dolničar	member	01/06/2013	5 years
Srečko Čebtron	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:

S Slovenian Rowing Federation, Župančičeva cesta 9, Bled – president.

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. Since 11 October 2016, the supervisory board operated with five members. In its session of 7 March 2017, the general meeting elected Davor Ivan Gjivoje as a new supervisory board member for the next four-year term of office, starting on 7 March 2017. As of 7 March 2017, the supervisory board of Sava Re has operated with all of its six members. In addition, the general meeting elected for a four-year term of office the following persons as new members of the supervisory board: Mateja Lovšin Herič, Keith William Morris and Andrej Kren, their terms of office to start on 16 July 2017.

Composition of the supervisory board as at 30 June 2017:

Member	Title	Beginning of term of office	Duration of term of office
Mateja Lovšin Herič	chair	15/07/2013	4 years
Slaven Mičković	deputy chair	15/07/2013	4 years
Keith Morris	member	15/07/2013	4 years
Davor Ivan Gjivoje	member	07/03/2017	4 years
Andrej Gorazd Kunstek	member (employee representative)	11/06/2015	4 years
Mateja Živec	member (employee representative)	01/04/2016	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

Audit committee

In the six months to 30 June 2017, there were no changes in the composition of the supervisory board audit committee.

Composition of the supervisory board's audit committee as at 30 June 2017

Member	Title	Beginning of term of office	Duration of term of office
Slaven Mičković	chairman	22/07/2013	15/07/2017
Mateja Lovšin Herič	member	22/07/2013	15/07/2017
Ignac Dolenšek	external member	22/07/2013	15/07/2017

Fit and proper committee

In the six months to 30 June 2017, there were no changes in the composition of the supervisory board fit and proper committee.

Composition of the fit & proper committee as at 30 June 2017

Member	Title	Beginning of term of office	Duration of term of office
Mateja Živec	chairperson	28/10/2016	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

Supervisory board's nominations committee

In the six months to 30 June 2017, there were no changes in the composition of the supervisory board nominations committee.

Composition of the supervisory board's nominations committee as at 30 June 2017:

Member	Title	Beginning of term of office	Duration of term of office
Mateja Lovšin Herič	chair	12/09/2016	15/07/2017
Keith W. Morris	member	12/10/2016	15/07/2017
Slaven Mičković	member	12/09/2016	15/07/2017

General meeting of shareholders

The Sava Re general meeting of shareholders was convened twice in the six months to 30 June 2017.

After the resignation of Branko Tomažič from the position of chair and member of the supervisory board in October 2016, the supervisory board of Sava Re, d.d. temporarily operated with five members. The term of office of the remaining three members who are shareholder representatives expired in July 2017. The election of four new members of the supervisory board was carried out in the 32nd session of the general meeting, held on 7 March 2017 at the Horus Hall of the Austria Trend Hotel Ljubljana. The general meeting elected, for a four-year term, the following members of the supervisory board: Davor Ivan Gjivoje, starting on 7 March 2017, and Mateja Lovšin Herič, Keith William Morris and Andrej Kren, starting on 16 July 2017.

On 19 May 2017, the 33rd General Meeting of Sava Re took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. Among other things, the general meeting was presented the annual report for 2016, including the auditor's opinion and written report of the supervisory board to the annual

report, and the annual report on internal auditing for 2016 with the opinion of the supervisory board thereto. Furthermore, the general meeting was informed of the remuneration of the members of management and supervisory bodies and of the management report on own shares. The general meeting resolved that part of distributable profit in the amount of € 12,398,156.80 be appropriated for dividends, while the remaining part of distributable profit of € 6,012,234.14 be left unappropriated. The general meeting discharged the supervisory board for the financial year 2016. Then the general meeting resolved to take separate votes on the granting of discharge for the financial year 2016 to each member of the management board. The general meeting granted the discharge for the financial year 2016 to the members of the management board: Jošt Dolničar (chairman of the management board from 23 August 2016), Srečko Čebroň and Mateja Treven.

1.4 Significant events in the first half of 2017

- S** On 7 March 2017, the 32nd general meeting of Sava Re took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. The general meeting elected the new supervisory board members for the next four-year term of office: Ivan Davor Gjivoje (term of office to start on 7 March 2017) and Mateja Lovšin Herič, Keith William Morris and Andrej Kren (terms of office to start on 16 July 2017). As of 7 March 2017, the supervisory board of Sava Re has operated with all of its six members.
- S** In 2006 and 2007, Sava Re raised a subordinated debt in the nominal amount of € 32 million maturing in 2027. Sava Re raised the subordinated debt to expand the Sava Re Group to the markets of the former Yugoslavia and to improve its capital adequacy position in accordance with the then applicable insurance law and the Standard & Poor's model. In January 2014, Sava Re repaid € 8 million of the nominal amount of its subordinated debt. After receiving the approval of the Slovenian Insurance Supervision Agency, Sava Re repaid the first tranche of the subordinated debt in the nominal amount of € 12 million on 15 March 2017. The remaining part of the subordinated debt in the nominal amount of € 12 million was repaid in June 2017. After the repayment of the subordinated debt, Sava Re and the Sava Re Group continue to maintain a high solvency ratio under the applicable law.
- S** On 19 April 2017, Sava Re jointly, with some other expropriated shareholders, presented comments and proposals relating to the draft Law on Judicial Protection of Holders of Qualifying Liabilities of Banks in connection with the cancellation of subordinated financial instruments. They emphasised that the draft law did not eliminate the unconstitutionality nor did it fully comply with the requirements of the Constitutional Court. It was reiterated that the cancellation of subordinated bonds was unjustified, wrong, and the most draconian measure taken in Europe, as demonstrated by new facts and figures.
- S** On 12 May 2017, Marko Jazbec took up the position of chairman of the management board of Sava Re, after obtaining the ISA licence for performing the function.
- S** On 19 May 2017 the 33rd general meeting was held with no challenging actions announced. The general meeting approved the proposed dividend of € 0.80 gross per share, in total € 12,398,156.80 (taking into account the number of own shares), or 37.7 % of the net profit of the Sava Re Group. The regular dividend increased by 23 % and was on the same level as the sum of last year's regular and special dividends.
- S** In June, a court settlement was concluded in the labour dispute between Sava Re and Zvonko Ivanušič, finally resolving all disputed relations between the parties concerning the termination of the plaintiff's employment contract with the defendant. Following this, a court settlement was concluded in the commercial dispute between the Company and Zvonko Ivanušič, finally resolving all disputed relations between the parties relating to the recall of the plaintiff from the position of chairman of the management board of Sava Re.
- S** In the first half of 2017, the Sava Re Solvency and Financial Condition Report 2016 was published.

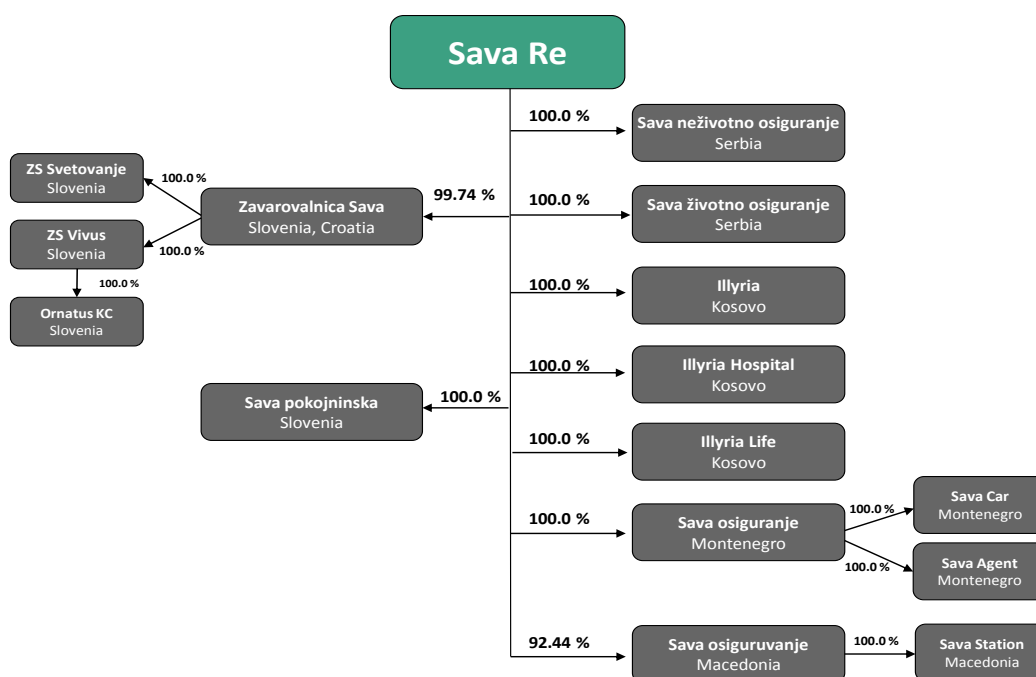
1.5 Significant events after the reporting period

- S** In July 2017, the Sava Re Group Solvency and Financial Condition Report 2016 was published.
- S** On 16 July 2017, the following members of the supervisory board began their four-year term of office based on a general meeting resolution: Andrej Kren, Keith William Morris and Mateja Lovšin Herič. The members of the supervisory board in the new term of office are Andrej Kren, Davor Ivan Gjivoje, Keith William Morris, Mateja Lovšin Herič, Mateja Živec and Gorazd Kunstek. On 16 August 2017, the supervisory board members in its constitutive meeting elected Mateja Lovšin Herič as chair of the supervisory board and Keith William Morris as deputy chair.
- S** On 26 July 2017, after its regular annual rating review, rating agency Standard & Poor's reaffirmed Sava Re's existing "A-" (excellent) ratings but revised the outlook to "positive" from "stable".
- S** On 8 August 2017, the general meeting of shareholders of Zavarovalnica Sava, d.d. was called in which the shareholders will be proposed a resolution to transfer all the shares of minority shareholders to the majority shareholder Sava Re (main shareholder). On the publication day of the Zavarovalnica Sava general meeting notice, Sava Re held 15,332,411 ordinary, registered no-par-value shares of Zavarovalnica Sava, accounting for 99.74 % of the Company's share capital. Upon entering the resolution on the share transfer into the register of companies, Sava Re will become sole owner of Zavarovalnica Sava.
- S** By the time of preparing this report, the subsidiary Zavarovalnica Sava suffered a number of large weather related loss events. In total, these events amounted to € 3.5 million; however, these losses are not expected to compromise the planned consolidated profit for 2017, as one catastrophic event of € 5 million had been included in the 2017 plan.

1.6 Composition of the Sava Re Group

As at 30 June 2017, the insurance part of the Sava Re Group comprised – in addition to the controlling company Sava Re – seven insurers based in Slovenia and other Western Balkan countries, and one pension company based in Slovenia.

Composition of the Sava Re Group as at 30 June 2017



Company names of the Sava Re Group members

	Official long company name	Short name in this document
	Sava Re Group	Sava Re Group
1	Pozavarovalnica Sava, d.d.	Sava Re
2	ZAVAROVALNICA SAVA, zavarovalna družba, d.d.	Zavarovalnica Sava
	SAVA OSIGURANJE d.d. – Croatian branch office	Zavarovalnica Sava, Slovenian part (in tables)
3	Sava pokojninska družba, d.d.	Zavarovalnica Sava, Croatian part (in tables)
4	Sava pokojninska	Sava pokojninska
4	SAVA NEŽIVOTNO OSIGURANJE AKCIONARSKO DRUŠTVO ZA OSIGURANJE BEOGRAD	Sava neživotno osiguranje (SRB)
5	"SAVA ŽIVOTNO OSIGURANJE" akcionarsko društvo za osiguranje, Beograd	Sava životno osiguranje (SRB)
6	KOMPANIA E SIGURIMEVE " ILLYRIA " SH.A.	Illyria
7	Kompania për Sigurimin e Jetës " Illyria – Life " SH.A.	Illyria Life
8	AKCIONARSKO DRUŠTVO SAVA OSIGURANJE PODGORICA	Sava osiguranje (MNE)
9	SAVA osiguruvanje a.d. Skopje	Sava osiguruvanje (MKD)
10	" Illyria Hospital " SH.P.K.	Illyria Hospital
11	Društvo sa ograničenom odgovornošću – SAVA CAR – Podgorica	Sava Car
12	ZS VIVUS zavarovalno zastopniška družba d.o.o.	ZS Vivus
13	ZS Svetovanje, storitve zavarovalnega zastopanja, d.o.o.	ZM Svetovanje
14	ORNATUS KLICNI CENTER, podjetje za posredovanje telefonskih klicov, d.o.o.	Ornatus KC
15	DRUŠTVO ZA ZASTUPANJE U OSIGURANJU "SAVA AGENT" D.O.O. – Podgorica	Sava Agent
16	Društvo za tehničko ispitivanje i analiza na motorni vozila SAVA STEJŠN DOEL Skopje	Sava Station

1.7 Shareholders and share trading

Movement in the POSR share price in the period 1 July 2016 to 30 June 2017 compared to the SBITOP stock index



The share price as at 31 December 2016 was € 13.22 and € 15.11 as at 30 June 2017, representing a 14.3 % increase in the period.

Basic details about the POSR share

	30/06/2017	30/06/2016
Share capital	71,856,376	71,856,376
No. of shares	17,219,662	17,219,662
Ticker symbol	POSR	POSR
No. of shareholders	4,136	4,767
Type of share	ordinary	
Listing	Ljubljana Stock Exchange, prime market	
Number of treasury shares	1,721,966	1,721,966
Consolidated net earnings per share (€)	1.10	0.90
Consolidated book value per share (€)	19.36	19.05
Share price at end of period (€)	15.11	14.39
	1–6/2017	1–6/2016
Average share price in reporting period (€)	15.67	13.62
Minimum share price in reporting period (€)	13.35	11.80
Maximum share price in reporting period (€)	17.20	14.80
Trade volume in reporting period (€)	10,996,403	16,065,110

As at 30 June 2017, a total of 65.6 % of shareholders were Slovenian and 34.4 % were foreign. The largest shareholder of the POSR share is the Slovenian Sovereign Holding (Slovenski državni holding d.d.) with 25 % plus one share.

Top ten shareholders of Sava Re as at 30 June 2017

Shareholder	No. of shares	Holding
Slovenian Sovereign Holding	4,304,917	25.0 %
Zagrebačka banka d.d. – fiduciary account	2,439,852	14.2 %
Pozavarovalnica Sava d.d.	1,721,966	10.0 %
European Bank for Reconstruction and Development	1,071,429	6.2 %
Raiffeisen Bank Austria d.d. (fiduciary account)	782,370	4.5 %
Modra Zavarovalnica d.d.	714,285	4.1 %
Abanka d.d.	655,000	3.8 %
Republic of Slovenia	476,402	2.8 %
East Capital - East Capital Balkans	388,740	2.3 %
Modra Zavarovalnica d.d. – ZVPS	320,346	1.9 %
Total	12,875,307	74.8 %

On 2 June 2016, Sava Re received a notice from Adris grupa, d.d., Vladimira Nazora 1, 52210 Rovinj, Croatia via its legal representative Rojs, Peljhan, Prelesnik & partnerji, o.p., d.o.o., advising the Company of a change in major holding in Sava Re. As at 2 June 2016, Adris grupa, including its subsidiaries with fiduciary accounts, held 3,278,049 POSR shares, representing 19.04 % of issued and 21.15 % of outstanding shares.

Shareholder structure of Sava Re at 30 June 2017

Type of Investor	Domestic investors	Foreign investors
Other financial institutions	25.2 %	0.1 %
Insurers and pension companies	19.2 %	0.1 %
Natural persons	9.1 %	0.1 %
Banks*	3.8 %	28.3 %
Investment funds and mutual funds	3.2 %	4.5 %
Other commercial companies	2.4 %	1.2 %
Government	2.8 %	0.0 %
Total	65.6 %	34.4 %

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

*On 2 June 2016, Sava Re received a notice from Adris grupa, d.d., Vladimira Nazora 1, 52210 Rovinj, Croatia via its legal representative Rojs, Peljhan, Prelesnik & partnerji, o.p., d.o.o., advising Sava Re of a change in major holdings in Sava Re. As at 2 June 2016, Adris grupa, including its subsidiaries with fiduciary accounts, held 3,278,049 POSR shares, representing 19.04 % of issued and 21.15 % of outstanding shares.

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

Own shares

In the period from 1 January 2017 to 30 June 2017, Sava Re did not repurchase any own shares. The total number of own shares as at 30 June 2017 was 1,721,966, representing 10 % minus one share of all issued shares.

Dividends

In the second quarter of 2017, the Company paid dividends as per general meeting resolution. In 1–6/2017, the Company did not have conditional equity.

Details on dividends

(€)	For 2013	For 2014	For 2015	For 2016
Dividend payouts	4,386,985	9,065,978	12,398,157	12,398,158
Dividend per share	0.26	0.55	regular: 0.65 special: 0.15	0.80
Dividend yield	2.0 %	3.8 %	5.8 %	5.1 %

SAVA RE GROUP INTERIM BUSINESS REPORT

2 SAVA RE GROUP REVIEW OF OPERATIONS

Summary of the consolidated income statement

(€)	1-6/2017	1-6/2016	Index
Net earned premiums	230,286,916	225,978,226	101.9
Investment income	14,460,004	16,677,086	86.7
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	7,799,252	7,477,217	104.3
Other technical income	5,950,357	8,817,975	67.5
Other income	3,063,319	2,980,609	102.8
- Of which investment property	226,996	158,998	142.8
Net claims incurred	-141,966,092	-131,844,127	107.7
Change in other technical provisions	-7,240,195	-5,378,834	134.6
Change in technical provisions for policyholders who bear the investment risk	6,809,232	-4,613,092	-147.6
Expenses for bonuses and rebates	772,581	-693,970	-111.3
Operating expenses	-75,371,304	-75,824,440	99.4
Expenses for financial assets and liabilities	-6,777,205	-5,151,685	131.6
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-5,160,405	-8,238,772	62.6
Other technical expenses	-9,413,374	-9,450,206	99.6
Other expenses	-817,605	-1,151,850	71.0
- Of which investment property	-107,370	-72,223	148.7
Profit/loss before tax	22,395,481	19,584,137	114.4

Consolidated performance ratios

	1-6/2017	1-6/2016
Net incurred loss ratio (reins. + non-life)	56.7 %	59.7 %
<i>Net incurred loss ratio, excluding exchange differences (reins. + non-life)</i>	<i>58.8 %</i>	<i>60.2 %</i>
Net expense ratio	32.2 %	32.7 %
<i>Net expense ratio, excluding exchange differences</i>	<i>32.3 %</i>	<i>32.7 %</i>
Net combined ratio (reins. + non-life)	92.2 %	96.0 %
<i>Net combined ratio, excluding exchange differences (reins. + non-life)</i>	<i>94.2 %</i>	<i>96.2 %</i>
Return on the investment portfolio	1.4 %	2.3 %
<i>Return on the investment portfolio, excluding exchange differences</i>	<i>2.2 %</i>	<i>2.3 %</i>
Annualised return on equity	11.1 %	9.7 %

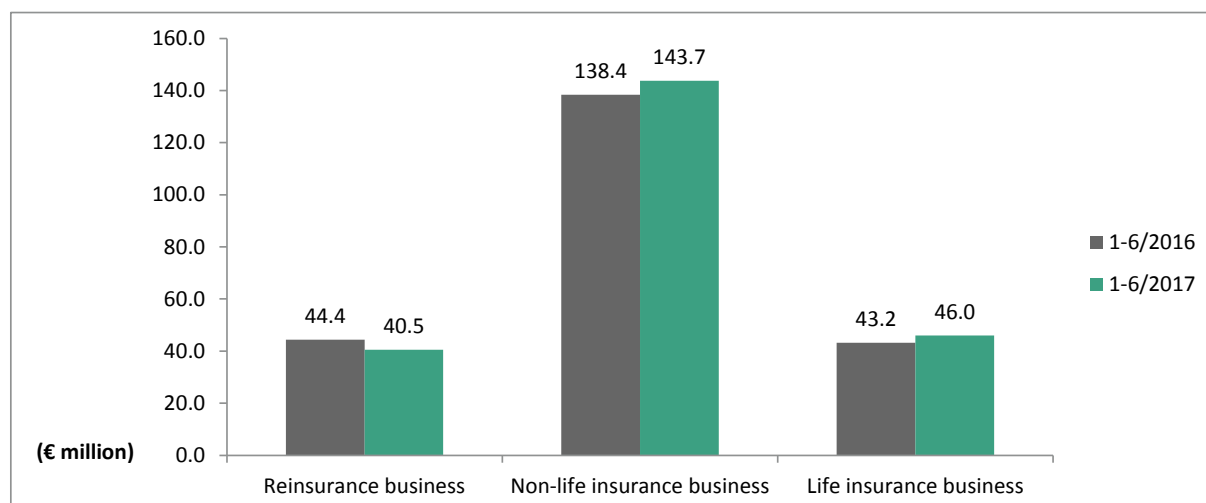
In the period 1-6/2017, exchange differences had a positive impact on the underwriting result of the reinsurance segment of € 3.7 million (1-6/2016: € 0.5 million) and a negative impact of € 3.4 million on the investment result (1-6/2016: negative impact of € 0.3 million). The total positive impact of exchange differences on the net profit for the period was € 0.3 million (1-6/2016: positive impact of € 0.2 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

(€)	1-6/2017	1-6/2016	Index
Gross premiums written	297,770,558	280,824,486	106.0
Net premiums written	274,500,279	261,309,176	105.0
Change in net unearned premiums	-44,213,363	-35,330,950	125.1
Net earned premiums	230,286,916	225,978,226	101.9

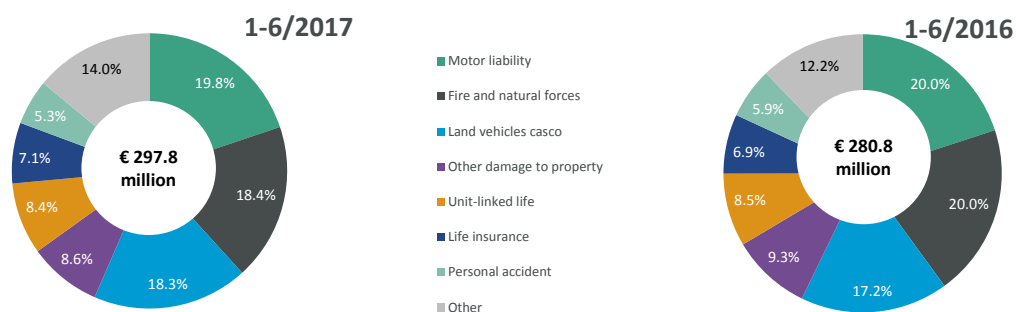
Consolidated net premiums earned by operating segment



Consolidated net earned premiums by class of business

(€)	1-6/2017	1-6/2016	Index
Personal accident	13,929,528	15,299,719	91.0
Health insurance	3,888,661	1,765,388	220.3
Land vehicles casco	43,185,296	39,750,360	108.6
Railway rolling stock	73,244	46,363	158.0
Aircraft hull	224,979	183,503	122.6
Ships hull	2,992,906	2,050,397	146.0
Goods in transit	3,784,737	3,107,425	121.8
Fire and natural forces	33,363,441	37,997,475	87.8
Other damage to property	15,543,662	18,116,764	85.8
Motor liability	50,746,989	49,033,781	103.5
Aircraft liability	1,655	135,998	1.2
Liability for ships	528,884	353,270	149.7
General liability	9,857,786	8,270,354	119.2
Credit	1,998,798	1,639,999	121.9
Suretyship	254,169	159,492	159.4
Miscellaneous financial loss	1,003,686	2,467,210	40.7
Legal expenses insurance	104,292	146,067	71.4
Assistance insurance	2,609,543	2,570,636	101.5
Total non-life	184,092,256	183,094,201	100.5
Life insurance	21,132,142	19,094,109	110.7
Unit-linked life	25,062,518	23,778,203	105.4
Capital redemption	0	11,713	-
Total life insurance	46,194,660	42,884,025	107.7
Total	230,286,916	225,978,226	101.9

Consolidated gross premiums written by class of business



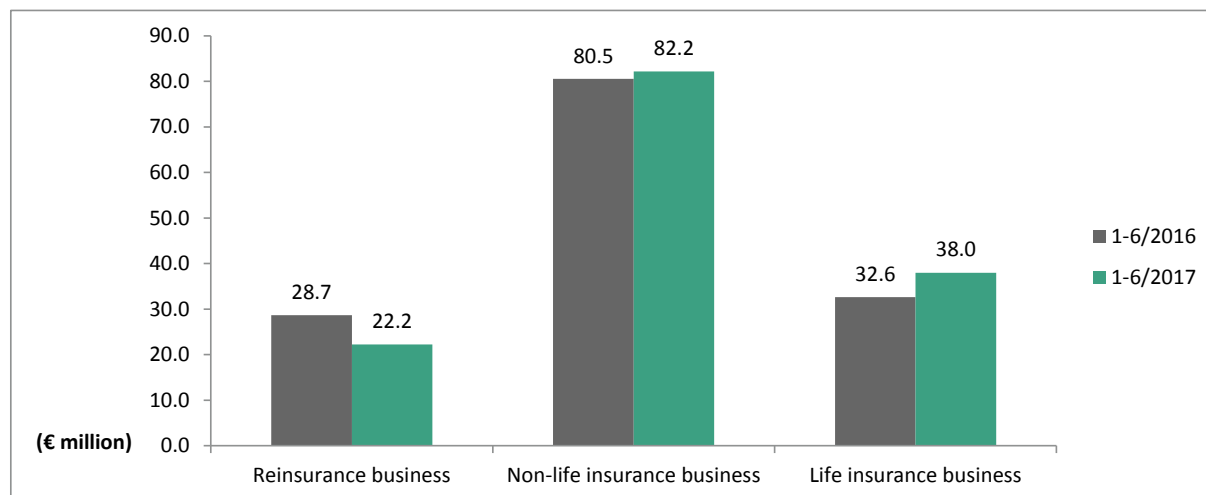
Consolidated net claims incurred

Consolidated net claims incurred

(€)	1-6/2017	1-6/2016	Index
Gross claims paid	149,352,307	126,953,877	117.6
Net claims paid	142,989,327	122,751,355	116.5
Change in the net provision for outstanding claims	-1,023,235	9,092,772	-11.3
Net claims incurred	141,966,092	131,844,127	107.7
Change in other technical provisions*	7,240,195	5,378,834	134.6
Change in technical provisions for policyholders who bear the investment risk	-6,809,232	4,613,092	-147.6
Net claims incurred, including the change in the mathematical and UL provisions	142,397,055	141,836,053	100.4

*These provisions mainly comprise mathematical provisions.

Consolidated net claims incurred by operating segment

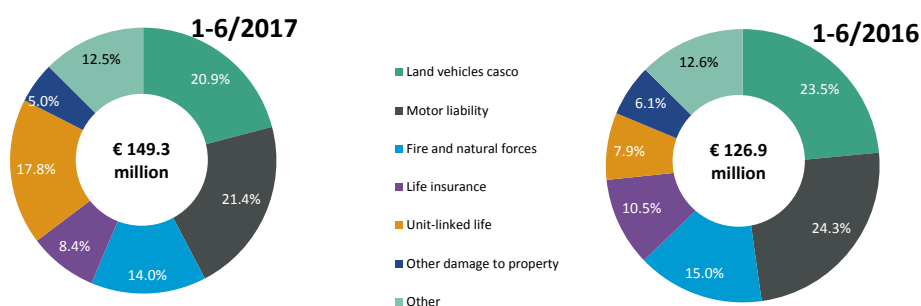


The net claims incurred by operating segment include the change in other technical provisions and the change in technical provisions for policyholders who bear the investment risk.

Consolidated net claims incurred by class of business³

(€)	1-6/2017	1-6/2016	Index
Personal accident	6,279,993	7,225,284	86.9
Health insurance	2,661,201	957,322	278.0
Land vehicles casco	32,856,870	29,793,137	110.3
Railway rolling stock	38,665	6,593	586.5
Aircraft hull	120,035	528,511	22.7
Ships hull	3,173,327	4,234,905	74.9
Goods in transit	2,354,976	-203,497	-1,157.3
Fire and natural forces	16,891,991	23,890,354	70.7
Other damage to property	8,072,053	5,283,416	152.8
Motor liability	27,094,736	31,752,099	85.3
Aircraft liability	10,026	-75,813	-13.2
Liability for ships	131,062	327,245	40.1
General liability	1,822,153	3,139,697	58.0
Credit	-318,212	-366,400	86.8
Suretyship	172,000	79,582	216.1
Miscellaneous financial loss	504,942	1,579,066	32.0
Legal expenses insurance	-670	955	-70.2
Assistance insurance	303,453	368,181	82.4
Total non-life	102,168,601	108,520,637	94.1
Life insurance	12,615,893	12,809,038	98.5
Unit-linked life	27,181,598	10,512,185	258.6
Capital redemption	0	2,267	-
Total life insurance	39,797,491	23,323,490	170.6
Total	141,966,092	131,844,127	107.7

Consolidated gross premiums written by class of business



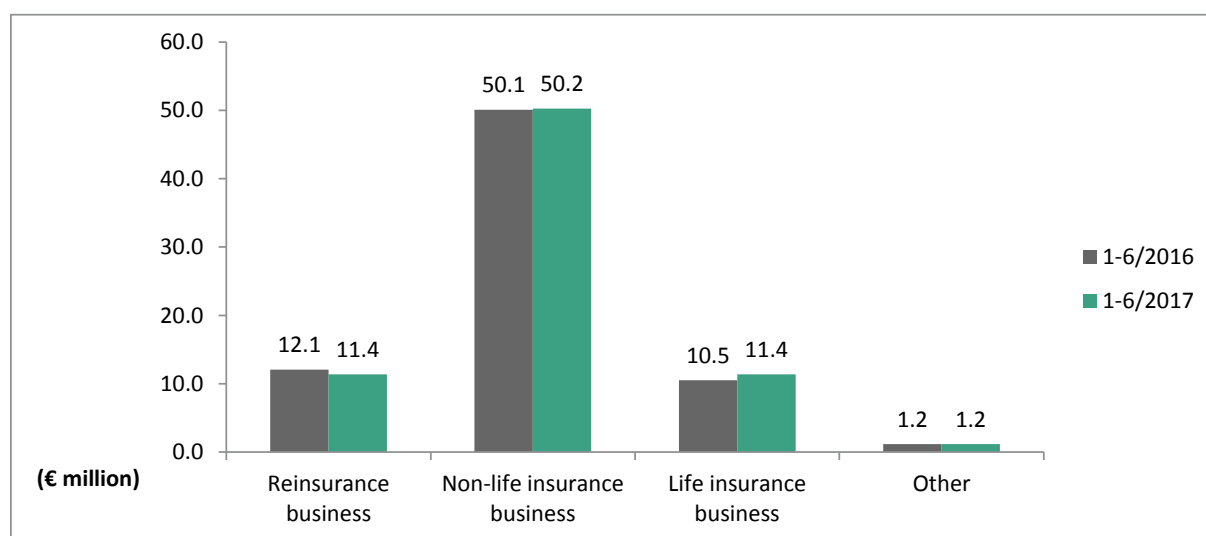
³ These do not include the change in other technical provisions nor the change in the technical provision for policyholders who bear the investment risk.

Consolidated operating expenses

Consolidated operating expenses

(€)	1-6/2017	1-6/2016	Index
Acquisition costs	26,766,713	26,387,633	101.4
Change in deferred acquisition costs (+/-)	-4,206,995	-1,243,285	338.4
Other operating expenses	52,811,586	50,680,092	104.2
Operating expenses	75,371,304	75,824,440	99.4
Income from reinsurance commission	-1,197,162	-2,011,022	59.5
Net operating expenses	74,174,142	73,813,418	100.5
Gross expense ratio	26.7 %	27.4 %	
Net expense ratio	32.2 %	32.7 %	

Consolidated net operating expenses by operating segment



Consolidated net investment income

Consolidated net inv. income of the investment portfolio

(€)	1-6/2017	1-6/2016	Absolute change
Net investment income from financial investments	7,682,799	11,525,400	-3,842,601
Net investment income of investment property	119,626	86,775	32,851
Net inv. income of the investment portfolio	7,802,425	11,612,175	-3,809,750
Net inv. income of the investment portfolio, excluding exchange differences	11,558,939	11,895,624	-336,685

In the period 1-6/2017, the Group's net investment income from its investment portfolio totalled € 7.8 million, down € 3.8 million year on year. The net investment income was lower largely because of the increase in the net negative exchange differences (€ -3.8 million).

The Group's net investment income from its investment portfolio, excluding exchange differences, totalled € 11.6 million, down € 0.3 million year on year.

Below is a detailed overview of income and expenses relating to the investment portfolio.

Consolidated income and expenses relating to the investment portfolio

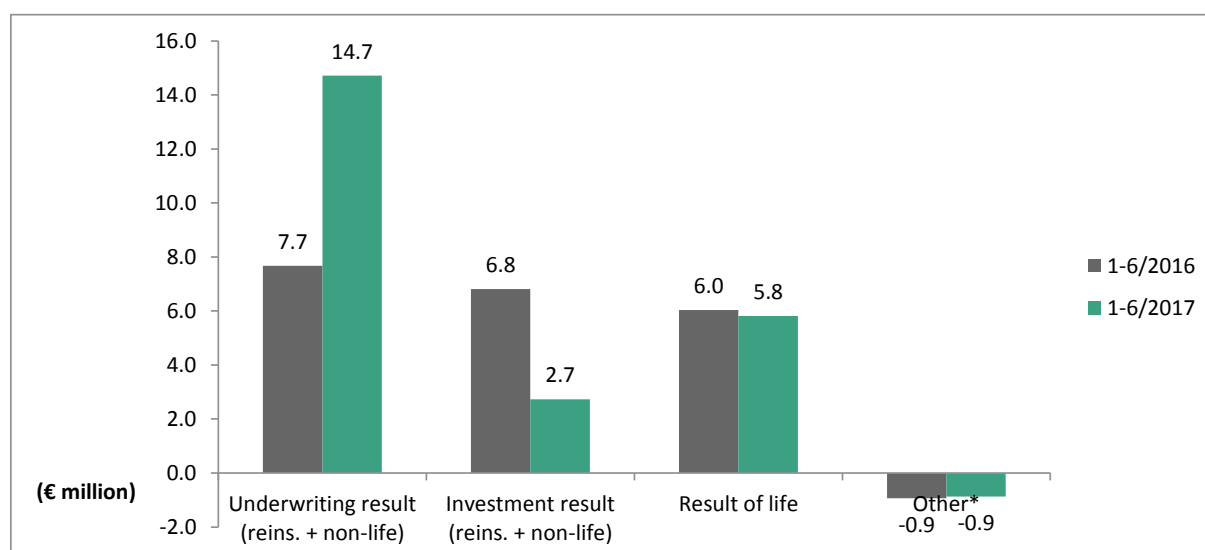
(€)	1-6/2017	1-6/2016	Absolute change
Income			
Interest income	9,505,855	10,641,643	-1,135,788
Change in fair value and gains on disposal of FVPL assets	159,612	362,975	-203,363
Gains on disposal of other IFRS asset categories	1,572,543	1,192,461	380,082
Income from dividends and shares – other investments	670,486	759,520	-89,034
Exchange gains	1,924,304	3,595,151	-1,670,847
Diverse other income	854,200	284,333	569,867
Income relating to the investment portfolio	14,687,000	16,836,083	-2,149,083
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	7,799,252	7,477,217	322,035
Expenses			
Interest expenses	718,353	423,215	295,138
Change in fair value and losses on disposal of FVPL assets	51,223	480,608	-429,385
Losses on disposal of other IFRS asset categories	268,556	271,490	-2,934
Impairment losses on investments	0	78,066	-78,066
Exchange losses	5,680,818	3,878,600	1,802,218
Other	165,625	91,929	73,696
Expenses relating to the investment portfolio	6,884,575	5,223,908	1,660,667
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	5,160,405	8,238,772	-3,078,367

In the period 1-6/2017, investment income totalled € 14.7 million, down € 2.1 million year on year; excluding exchange differences, investment income declined by € 0.5 million. The largest part of income was interest income, which amounted to € 9.5 million in the period 1-6/2017, down € 1.1 million year on year. Compared to the same period last year, realised capital gains on disposals of investments rose by € 0.6 million and other income by € 0.6 million.

In the period 1-6/2017, expenses relating to the investment portfolio increased by € 1.6 million year on year, but decreased by € 0.1 million on exclusion of exchange differences. In addition to exchange losses, the largest contributor to expenses was interest on loans. Interest on loans increased by € 0.3 million year on year. The increased interest expenses are entirely due to the one-off impact of the repayment of the Company's subordinated debt, accounted for using the effective interest rate method.

Consolidated gross profit/loss

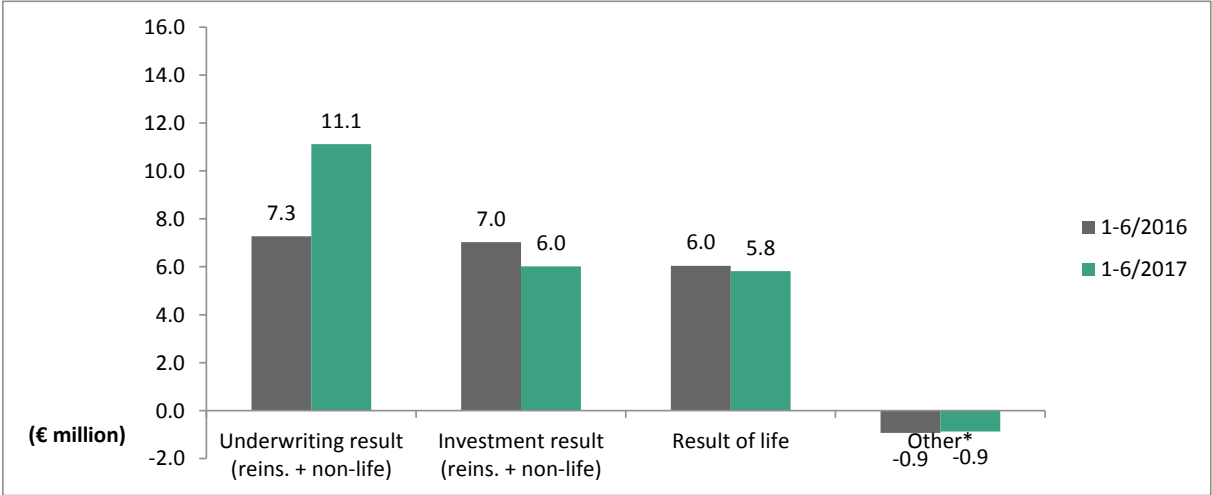
Composition of the consolidated gross profit



*The "other" category includes the gross result of the "other" segment.

In 1–6/2017, 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 € 3.7 million (1–6/2016: € 0.5 million positive effect); negative effect on the investment result of € 3.4 million (1–6/2016: € 0.3 million negative effect). The total positive effect of exchange differences on the result of 1–6/2017 amounted to € 0.3 million (1–6/2016: € 0.2 million positive effect).

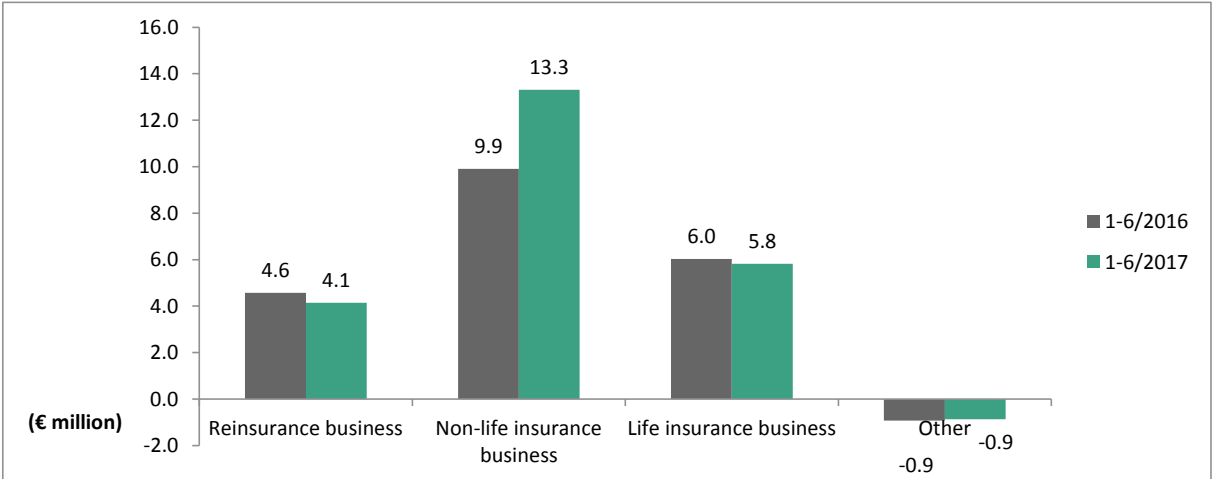
Composition of the gross consolidated result, excluding exchange differences



*The "other" category includes the gross result of the "other" segment.

The underwriting result in the period 1–6/2017 was better than last year mainly as a result of a stronger underwriting result in the Slovenian non-life insurance segment. The underwriting result of the reinsurance segment was an improvement, while on exclusion of exchange differences, it was lower than year on year. The investment result (excluding exchange differences) deteriorated slightly due to lower interest income, while the result of the life segment declined marginally mainly owing to the result of Zavarovalnica Sava.

Composition of the consolidated gross income statement by operating segment



Following is an overview of results by operating segment.

3 SEGMENT REPORTING

Business is presented by operating segment (non-life insurance, life insurance, reinsurance business and the "other" segment) and by geography (Slovenia and international). The "Slovenia" segment includes figures of the Slovenian part of Zavarovalnica Sava (pre-merger Zavarovalnica Maribor and Zavarovalnica Tilia) and Sava pokojninska (life segment), while the "international" segment covers the operations of the other subsidiaries, including the Croatian part of Zavarovalnica Sava (pre-merger Velebit osiguranje and Velebit životno osiguranje). The reinsurance segment was not broken down geographically, as after the elimination of transactions with subsidiaries, the majority of the remaining transactions relate to Sava Re's business in global 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 Re 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 Re 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 Re 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 Re operates as a virtual holding company; hence 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. Such reallocation has been made also for other operating expenses relating to intra-group reinsurance transactions. In the period 1–6/2017, Sava Re allocated 61.5 % of other operating expenses to operating segments as monitored (non-life and life insurance business) by premium structure (1–6/2016: 67.8 %).
- S** Investment income and expenses are reallocated from the reinsurance segment to the non-life insurance and life insurance segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).

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

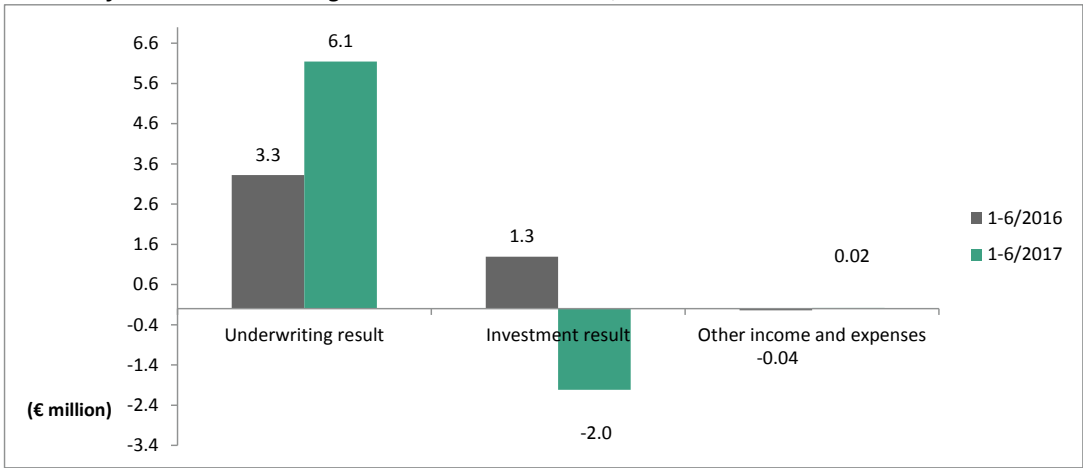
- S** Intangible assets – goodwill was allocated to the segment from which it arose (reallocated from the reinsurance segment to the non-life and life segments depending on which subsidiary it related to).
- S** The balance of financial investments was reallocated from the reinsurance segment to the non-life insurance and life insurance segments using the key for the apportionment of net technical provisions for the rolling year (average of past four quarters).
- S** The reinsurers' share of technical provisions (reinsurers' share of unearned premiums, claims provisions and other provisions) and deferred acquisition costs – in the same way as described in indent one of adjustments to income statement items.
- 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 is a brief commentary on the results of each operating segment.

3.1 Reinsurance operations

Income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section 8.7 "Analysis of operating segments". The reinsurance segment reflects developments of the reinsurance portfolio written by Sava Re outside the Sava Re Group.

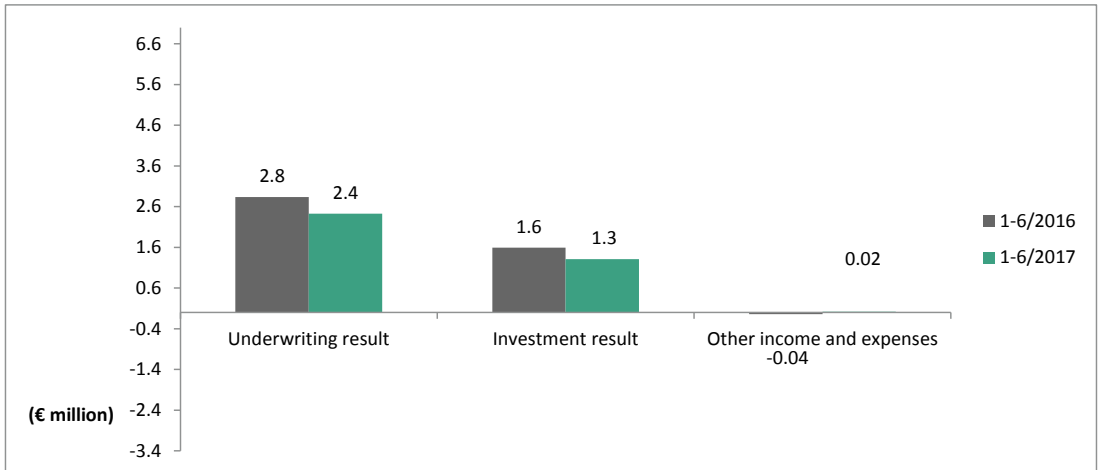
Composition of the consolidated gross income statement; reinsurance business



The performance of this operating segment was impacted by exchange differences, which is why the underwriting and investment results are not directly comparable. The impact of exchange differences is set out in section 2 under the heading "Consolidated gross profit" and refers to the reinsurance segment shown here.

The following graph shows the profit or loss, excluding exchange differences.

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



The underwriting result, excluding exchange differences, was slightly lower than in the same period of 2016. Although the underwriting result deteriorated, the combined ratio improved marginally (1-6/2017: 94.0 %; 1-6/2016: 94.2 %). The half-year 2017 technical result was better mainly due to lower net claims incurred (in 2016 some prudent provisions were made for some major loss events abroad), while in 2017 claims provisions decreased primarily for loss events relating to underwriting years 2015 and 2016. The investment result (excluding exchange differences) for the period 1-

6/2017 was slightly lower than year on year because of lower interest income and higher interest expenses.

Net premiums earned

Net premiums earned; reinsurance business

(€)	1-6/2017	1-6/2016	Index
Gross premiums written	56,838,583	54,988,111	103.4
Net premiums written	56,007,628	53,883,002	103.9
Change in net unearned premiums	-15,459,665	-9,454,263	163.5
Net earned premiums	40,547,963	44,428,740	91.3

Gross premiums written in this segment were slightly higher in 1-6/2017 than year on year. This increase is a result of the larger volume of new business.

In the period 1-6/2017, the change in the net unearned premiums (an increase compared to the end of the previous year) was larger than in the previous year. This is due to the growth in premium volume and the larger share of non-proportional reinsurance business, the premiums of which are accounted at the time of writing the contract, which is why a high amount of unearned premiums is set aside at the beginning of the year.

In Slovenia, the Company transacts business mostly with Zavarovalnica Sava, which is why the amounts of all categories of the reinsurance segment (extra-Group business) are relatively small.

Net claims incurred

Net claims incurred; reinsurance business

(€)	1-6/2017	1-6/2016	Index
Gross claims paid	24,126,581	25,777,862	93.6
Net claims paid	23,966,063	24,672,802	97.1
Change in the net provision for outstanding claims	-1,868,385	4,054,379	-46.1
Net claims incurred	22,097,678	28,727,181	76.9

Net claims incurred, excluding exchange differences; reinsurance business

(€)	1-6/2017	1-6/2016	Index
Gross claims paid	24,126,581	25,777,862	93.6
Net claims paid	23,966,063	24,672,802	97.1
Change in the net provision for outstanding claims	1,652,973	4,793,836	34.5
Net claims incurred	25,619,036	29,466,639	86.9

Consolidated gross claims paid of this segment were slightly lower in 1-6/2017 than year on year. In 2016, significant amounts were paid for claims relating to the Tianjin explosion, which had occurred in 2015. Consequently, the paid loss ratio improved in the period of 1-6/2017 year on year (1-6/2017: 42.4 %; 1-6/2016: 46.9 %).

The change in the net provision for outstanding claims (including exchange differences) in the period 1-6/2017 was lower than the one year on year (net provisions for outstanding claims decreased this year but increased in the previous year). The change in the net claims provision was primarily affected by exchange differences, which in 1-6/2017 had a positive impact on the profit of € +3.5 million (1-6/2016: € 0.7 million). On exclusion of exchange differences, the change in net claims provision in the first half of 2017 (up € 5.2 million) was somewhat lower than year on year (up € 5.5 million).

The net incurred loss ratio (including exchange differences) of the reinsurance segment improved to 54.5 % in the period of 1-6/2017 (1-6/2016: 64.7 %). On exclusion of exchange differences, the ratio improved by 1.7 percentage points year on year.

Operating expenses

Consolidated operating expenses; reinsurance business

(€)	1-6/2017	1-6/2016	Index
Acquisition costs	11,864,960	11,600,920	102.3
Change in deferred acquisition costs (+/-)	-2,319,816	-864,288	268.4
Other operating expenses	1,978,682	1,567,335	126.2
Operating expenses	11,523,826	12,303,967	93.7
Income from reinsurance commission	-147,701	-240,360	-138.6
Net operating expenses	11,376,125	12,063,607	94.3

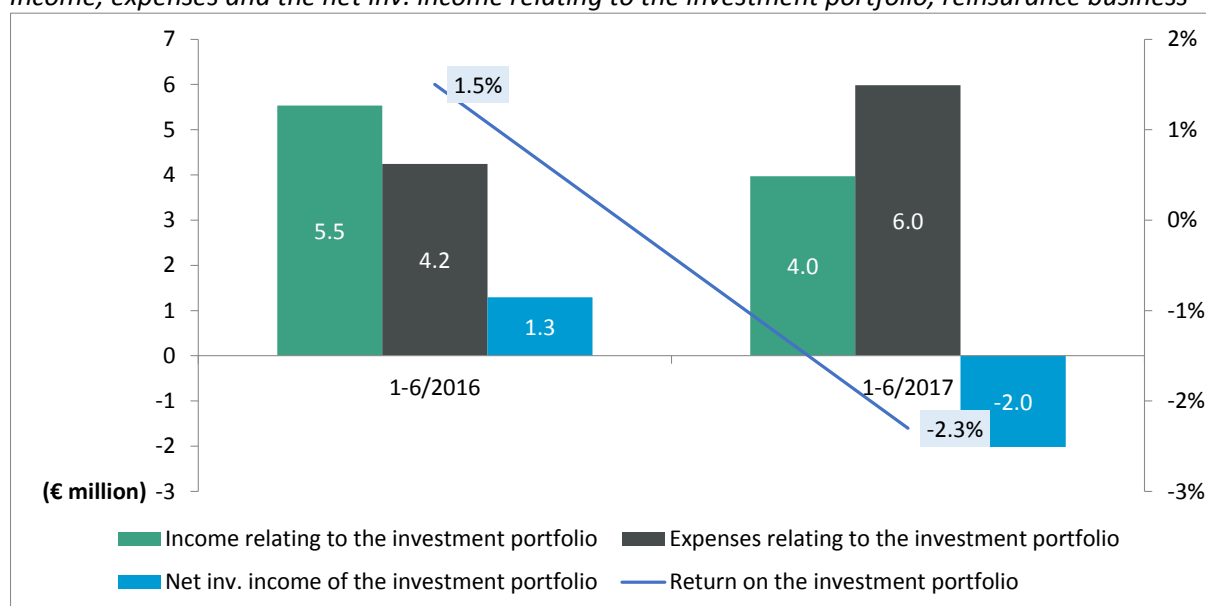
In 1-6/2017 acquisition costs increased by 2.3 % against a 3.4 % growth in gross premiums written. The ratio of acquisition costs as a percentage of premiums in 1-6/2017 increased by 0.2 percentage points year on year to 20.9 %.

In the period 1-6/2017, the increase in the level of deferred acquisition costs was larger than last year, due to larger gross premiums written resulting in increased acquisition costs. The mechanisms are much the same as the effect of the movement in gross premiums written on the movement of unearned premiums.

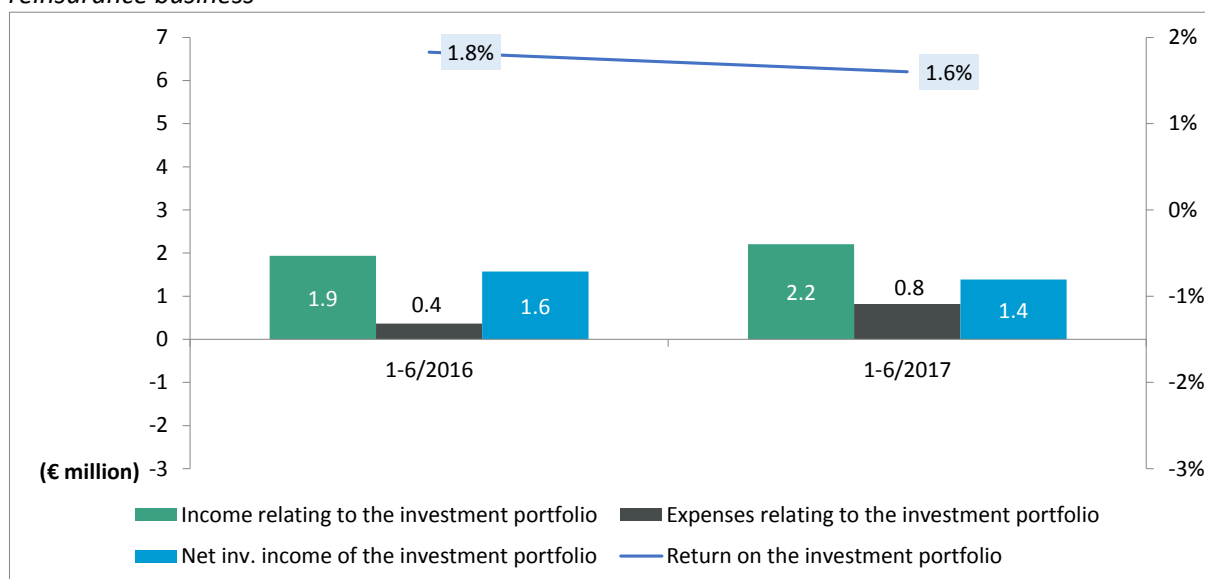
Other operating expenses increased by 26.2 % mainly due to larger personnel costs and amortisation costs because of the larger cost of software.

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








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

Compared to the same period last year, the Company realised € 0.2 million less net investment income in the reinsurance operating segment. The net investment income declined largely because of the decline in interest income (€ 0.1 million) and increase in interest expenses. In the reporting period, the Company realised € 0.5 million of gains on the disposal of financial investments. The investment return for the period was 1.6 %.

3.2 Non-life insurance business

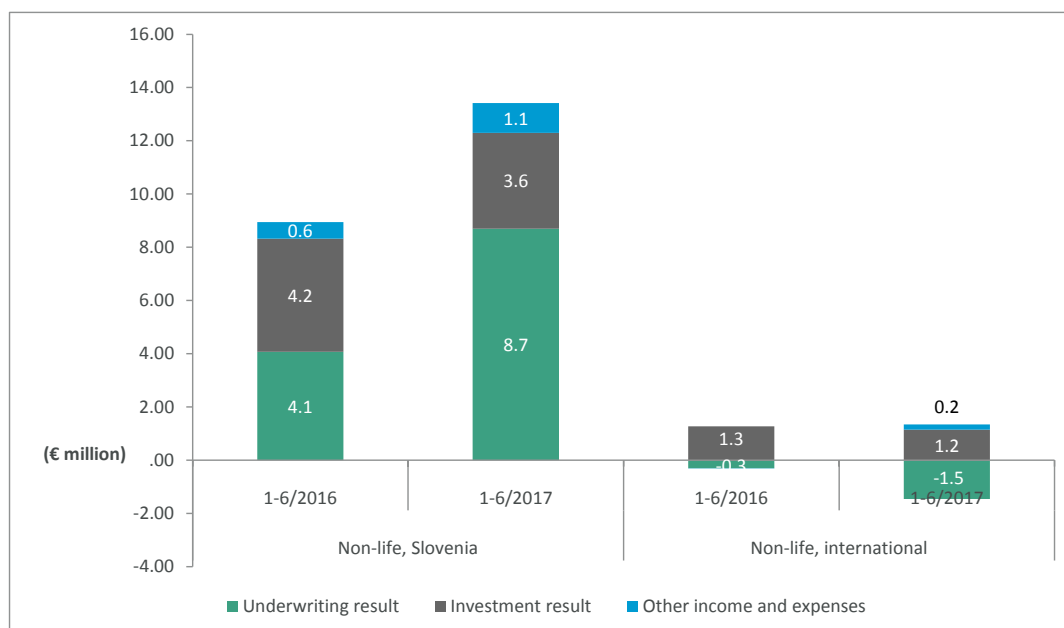
The non-life insurance segment comprises the operations of the following companies:

-  Zavarovalnica Sava, non-life
-  Sava osiguranje (MNE)
-  Sava neživotno osiguranje (SRB)
-  Sava osiguruvanje (MKD)
-  Illyria

The figures provided for the period 1–6/2017 for Zavarovalnica Sava are the sums of the figures of the Group insurers that merged on 2 November 2016 into Zavarovalnica Sava (Zavarovalnica Maribor, Zavarovalnica Tilia and Velebit osiguranje, excluding intra-group transactions). The Slovenian part of Zavarovalnica Sava is discussed under Slovenian non-life insurance, while the Croatian part of the company is discussed under international non-life insurance.

Income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section 8.7 "Analysis of operating segments".

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



The non-life insurance segment recorded a (€ 3.4 million) better consolidated net result in 1–6/2017 than in the same period last year. In this regard, the non-life segment of Slovenian insurance companies improved by € 4.5 million, while non-life operations abroad achieved a € 1.1 million lower result.

The underwriting result of the Slovenian part of Zavarovalnica Sava improved, reflecting both growth in net premiums earned and a drop in operating expenses. The largest impact on the overall deterioration in the underwriting result of the non-Slovenian non-life insurers came from the weaker underwriting performance of the Kosovan, Macedonian and Serbian non-life insurers.

The investment result of Slovenian non-life insurer declined by € 2.1 million year on year as a result of lower interest income and lower realised gains on disposals. The investment result of international non-life insurers remained at the 2016 level.

Net premiums earned

Net premiums earned; non-life insurance business

(€)	Slovenia			International		
	1–6/2017	1–6/2016	Index	1–6/2017	1–6/2016	Index
Gross premiums written	164,353,094	154,890,997	106.1	30,466,661	27,527,789	110.7
Net premiums written	144,582,518	138,612,546	104.3	27,936,933	25,557,367	109.3
Change in net unearned premiums	-26,579,421	-24,068,153	110.4	-2,232,732	-1,737,097	128.5
Net earned premiums	118,003,097	114,544,393	103.0	25,704,201	23,820,271	107.9

Unconsolidated gross non-life premiums of Sava Re Group companies

(€)	1–6/2017	1–6/2016	Index
Zavarovalnica Sava, Slovenian part (non-life)	164,454,994	154,995,581	106.1
Zavarovalnica Sava, Croatian part (non-life)	5,918,326	4,624,301	128.0
Sava neživotno osiguranje (SRB)	7,857,330	7,303,333	107.6
Illyria	3,847,865	3,620,061	106.3
Sava osiguruvanje (MKD)	6,376,624	6,264,049	101.8
Sava osiguranje (MNE)	6,472,678	5,718,203	113.2
Total	194,927,817	182,525,527	106.8

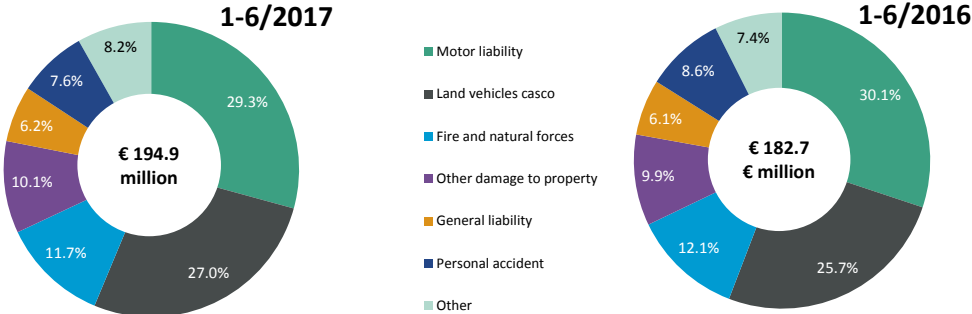
In the period 1–6/2017 gross non-life premiums written in Slovenia increased by 6.1 %, mainly owing to a higher volume of motor, property and liability business. Motor premium growth was driven both by growth achieved with individual clients, with increases in the number of policies and sums insured on casco policies, as well as in the commercial sector through new clients and partly increased coverages. The Slovenian non-life insurance market grew at a rate of 5.5 % in the period.

Gross non-life insurance premiums written abroad rose by 10.7 %. Gross non-life premiums grew in all the Group’s international non-life insurers with the largest growth coming from the Croatian branch of Zavarovalnica Sava and the Montenegrin non-life insurance company. The Croatian branch of Zavarovalnica Sava wrote more premiums in most of its classes of insurance year on year through good positioning in Internet sales, improved premium collection and increased efficiency of the own sales network. The largest growth was recorded in motor liability business. The non-life premium growth achieved by the branch was 28.0 %, while the Croatian non-life insurance market grew by 4.8 %. The Montenegrin non-life insurer achieved its highest premium growth in the fire and other damage to property class of business. As did the Serbian non-life insurer, due to the greater focus on the sale of these products, more success in public tenders and better sales of assistance products. The Kosovan non-life insurer grew primarily its health business. The premium growth achieved by the Macedonian insurer is a result of the increase in the number of motor vehicle liability insurance policies and improved sales in individual motor casco business.

Net non-life insurance premiums grew by 5.1 % in the first half of 2017. The reinsurers’ shares of premiums and unearned premiums increased in line with the growth in gross premiums written.

Overall, this led to a 3.9 % increase in net premiums earned.

Non-consolidated gross non-life premiums written by class of business



Net claims incurred

Net claims incurred; non-life insurance business

(€)	Slovenia			International		
	1–6/2017	1–6/2016	Index	1–6/2017	1–6/2016	Index
Gross claims paid	74,397,893	67,544,379	110.1	11,791,105	10,648,724	110.7
Net claims paid	69,029,848	65,018,247	106.2	11,013,176	10,161,434	108.4
Change in the net provision for outstanding claims	-1,961,563	3,557,891	-55.1	1,947,252	906,592	214.8
Net claims incurred	67,068,285	68,576,138	97.8	12,960,428	11,068,025	117.1

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

(€)	1–6/2017	1–6/2016	Index
Zavarovalnica Sava, Slovenian part (non-life)	74,905,452	67,758,024	110.5
Zavarovalnica Sava, Croatian part (non-life)	2,056,946	1,994,482	103.1
Sava neživotno osiguranje (SRB)	2,939,593	2,802,207	104.9
Illyria	1,811,487	1,856,251	97.6
Sava osiguruvanje (MKD)	3,059,813	2,251,595	135.9
Sava osiguranje (MNE)	1,968,593	1,783,933	110.4
Total	86,741,883	78,446,491	110.6

Gross claims paid for Slovenian business in the period 1–6/2017 increased mainly due to larger gross claims paid at Zavarovalnica Sava for private motor business. The year-on-year increase is largely a result of the hail payments relating to 2016 (three major loss events). But it is also because of the increased number of motor policies sold. In commercial motor business, the increase is mainly due to one major motor liability loss. The increased payments in property business are also the result of hailstorms. Provisions for these losses had already been made, which is why claim payments do not significantly affect the result.

Gross claims relating to international business increased by 10.7 %, mainly due to the increase in claims at the Macedonian non-life insurer, where the chief reason is the settlement of four major property claims for which provisions had been set aside in prior years so claim payments did not affect the business result. In addition, there were a few large motor liability and motor casco claims as a result of the storm. In the case of the Montenegrin insurance company, the increase in claims reflects some major claims in accident insurance, motor vehicle insurance, and in fire and other damage to property. The Serbian non-life insurer increased claims as a result of its acquisition of the AS osiguranje portfolio (without any impact on profits, as the portfolio was acquired together with adequate claims provisions).

The decline in the net claims provision is mainly due to the payment of claims by Slovenian insurers relating to 2016 hailstorm losses.

Operating expenses

Consolidated operating expenses; non-life insurance business

(€)	1–6/2017	1–6/2016	Index
Acquisition costs	11,884,218	12,041,588	98.7
Change in deferred acquisition costs (+/-)	-1,736,597	-426,483	407.2
Other operating expenses	41,147,298	40,227,533	102.3
Operating expenses	51,294,919	51,842,638	98.9
Income from reinsurance commission	-1,052,463	-1,770,663	59.4
Net operating expenses	50,242,456	50,071,975	100.3

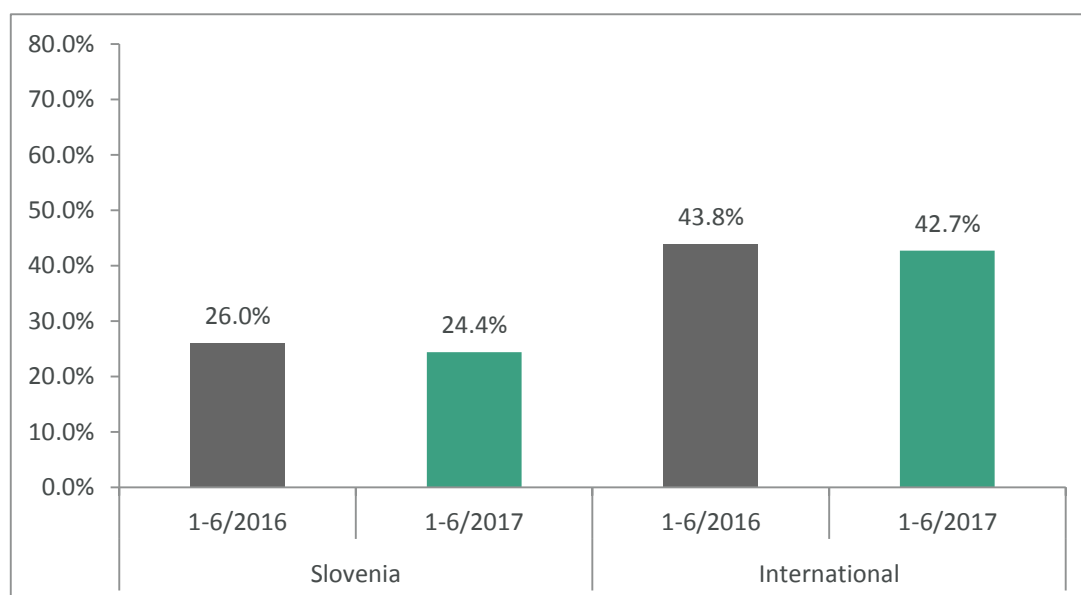
Unconsolidated gross non-life operating expenses of Sava Re Group companies

(€)	1-6/2017	1-6/2016	Index
Zavarovalnica Sava, Slovenian part (non-life)	36,598,590	36,592,846	100.0
Other Group insurers	12,965,262	12,048,097	107.6

The consolidated acquisition costs dropped by 1.3 %, as a result of the reclassification of the costs of the Croatian Zavarovalnica Sava branch after alignment to the Slovenian part of the Group. Prior to the merger, the Croatian insurer booked the salaries of its agents under acquisition costs, after the merger they were accounted for as personnel costs for the purpose of alignment with Zavarovalnica Sava.

The rise in other operating expenses is mainly due to the increase in the Serbian non-life insurer as a result of a larger workforce. The reason for the increase in the expenses of the Croatian branch office is mainly due to the above adjustment and reclassification of personnel costs relating to agent salaries and partly also owing to increases in other service costs.

Gross expense ratio; non-life insurance business

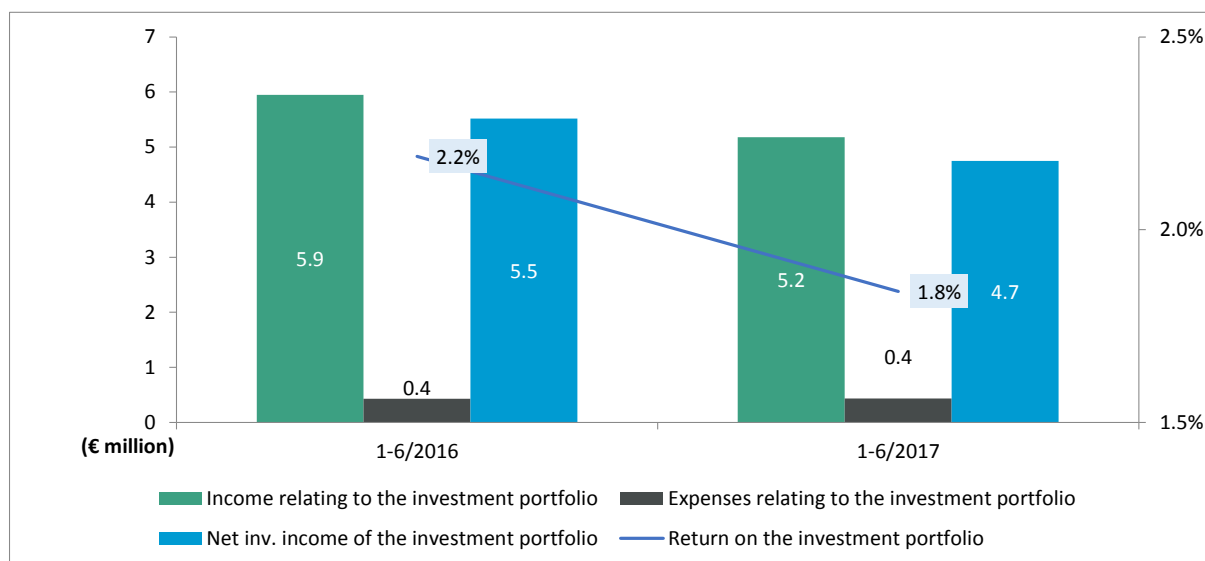


The consolidated gross expense ratio of non-life business declined in Zavarovalnica Sava by 1.6 percentage points year on year as a result of the growth in gross non-life premiums written by 6.1 %, while acquisition costs and other operating expenses remained on the prior year level.

The consolidated gross expense ratio of non-Slovenian non-life insurers dropped by 1.1 percentage points due to a 10.7 % growth in gross premiums written against a 7.6 % increase in acquisition costs with other operating expenses.

Net investment income





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



In 1–6/2017 the net investment income relating to the non-life insurance portfolio amounted to € 4.7 million, down € 0.8 million year on year. The net investment income was lower largely because of lower interest income (€ 0.5 million). In the reporting period, capital gains totalled € 0.6 million, down € 0.1 million year on year. The investment return for the period was 1.8 %.

3.3 Life insurance business

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

-  Zavarovalnica Sava, life business
-  Sava životno osiguranje (SRB)
-  Illyria Life
-  Sava pokojninska

The 1–6/2016 data for Zavarovalnica Sava is the sum of the data of the Group's insurers that merged on 2 November 2016 into Zavarovalnica Sava (Zavarovalnica Maribor, Zavarovalnica Tilia and Velebit životno osiguranje, excluding intra-group transactions). The Slovenian part of Zavarovalnica Sava is discussed as Slovenian life insurance, while the Croatian part of the company is discussed as international life insurance.

Income statement and statement of financial position items by operating segment are given in the notes to the financial statements, section 8.7 "Analysis of operating segments".

Net premiums earned

Net premiums earned; life insurance business

(€)	Slovenia			International		
	1–6/2017	1–6/2016	Index	1–6/2017	1–6/2016	Index
Gross premiums written	42,642,619	40,288,571	105.8	3,469,601	3,129,018	110.9
Net premiums written	42,506,439	40,129,065	105.9	3,466,762	3,127,196	110.9
Change in net unearned premiums	70,782	-53,152	-133.2	-12,327	-18,286	67.4
Net earned premiums	42,577,220	40,075,913	106.2	3,454,435	3,108,910	111.1

Unconsolidated gross life premiums written by Sava Re Group companies

(€)	1-6/2017	1-6/2016	Index
Zavarovalnica Sava, Slovenian part (life)	41,413,782	39,558,751	104.7
Zavarovalnica Sava, Croatian part (life)	1,870,184	1,649,834	113.4
Illyria Life	864,223	832,072	103.9
Sava životno osiguranje (SRB)	735,194	647,111	113.6
Sava pokojninska	1,228,837	729,821	168.4
Total	46,112,220	43,417,589	106.2

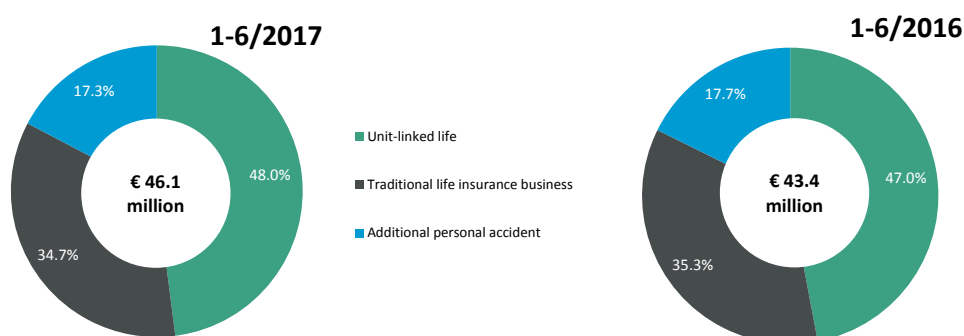
In 1-6/2017, gross premiums written by the Group's life insurers grew both in Slovenia as well as abroad year on year. Due to the liquidation of its DWS FlexPension funds by the DWS fund administrator, Zavarovalnica Sava made a special offer to policyholders who held savings relating to these funds to take out similar policies (new internal fund). The related growth in gross premiums written totalled € 2.2 million. The premiums written figure in Slovenia was also affected by a large number of maturities of unit-linked policies in January 2017, but many policyholders opted for taking out new policies. The Sava pokojninska pension insurer contributed € 0.5 million to premium growth from single premiums paid for annuities. This business is expected to continue increasing as policyholders reach retirement age, when funds from the savings accounts are transferred to annuity contracts.

Gross premiums written also increased in other countries, with the largest growth achieved in Serbia, where Sava životno osiguranje (SRB) recorded a 13.6 % premium growth. This growth is the result of a number of concluded policies, some of which are single-premium policies.

High growth was also generated by the Croatian part of Zavarovalnica Sava, which grew premiums by 13.4 % in the first half of the year, while the Croatian life insurance market recorded a 1.8 % growth. Sales in the Croatian branch of Zavarovalnica Sava were also boosted by the new arrangement as after the merger non-life agents have been permitted to sell life policies.

All non-Slovenian life insurers have been implementing measures to improve their own sales network through regular education and training events for sales personnel, while also seeking growth opportunities in other sales channels.

Unconsolidated gross life insurance premiums by class of business



Net claims incurred

Net claims incurred; life insurance business

(€)	Slovenia			International		
	1-6/2017	1-6/2016	Index	1-6/2017	1-6/2016	Index
Gross claims paid	38,249,799	22,237,162	172.0	786,929	745,750	105.5
Net claims paid	38,193,310	22,153,122	172.4	786,929	745,750	105.5
Change in the net provision for outstanding claims	857,093	587,710	145.8	2,369	-13,799	-17.2
Net claims incurred	39,050,403	22,740,832	171.7	789,298	731,951	107.8
Change in other technical provisions*	3,680,976	3,442,349	106.9	1,271,594	1,105,744	115.0
Change in technical provisions for policyholders who bear the investment risk	-6,817,113	4,613,757	-147.8	7,881	-665	-1185.1
Net claims incurred, including the change in the mathematical and UL provisions	35,914,266	30,796,938	116.6	2,068,773	1,837,030	112.6

*These provisions mainly comprise mathematical provisions.

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

(€)	1-6/2017	1-6/2016	Index
Zavarovalnica Sava, Slovenian part (life)	38,046,442	22,101,792	172.1
Zavarovalnica Sava, Croatian part (life)	355,374	382,189	93.0
Illyria Life	255,686	160,114	159.7
Sava životno osiguranje (SRB)	175,869	203,447	86.4
Sava pokojninska	203,357	135,370	150.2
Total	39,036,728	22,982,912	169.9

Gross claims paid in Slovenia grew by 72.0 %, as a result of a large number of unit-linked policies that matured in January 2017. The movement in claims needs to be looked at in conjunction with the change in technical provisions.

Gross claims have also increased in international business as a result of the increase in claims at Illyria Life, where two major claims were recorded due to accidental deaths this year, coupled with a significant number of surrenders as a large number of policies became eligible for this option.

The year-on-year change in technical provisions for policyholders who bear the investment risk of the Slovenian insurers is affected by claims settlements as well as movements in mutual fund unit prices.

Operating expenses

Consolidated operating expenses; life insurance business

(€)	1-6/2017	1-6/2016	Index
Acquisition costs	3,017,535	2,745,125	109.9
Change in deferred acquisition costs (+/-)	-150,582	47,486	-317.1
Other operating expenses	8,520,258	7,712,543	110.5
Operating expenses	11,387,211	10,505,154	108.4
Income from reinsurance commission	3,002	0	-
Net operating expenses	11,390,212	10,505,154	108.4

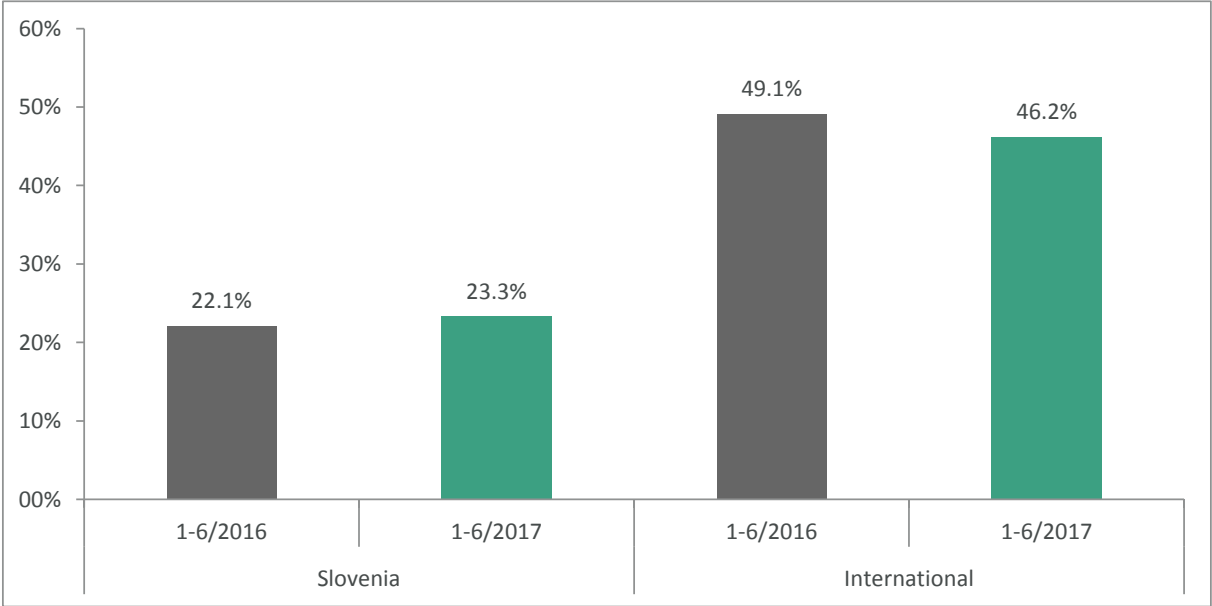
Unconsolidated gross life operating expenses of Sava Re Group companies

(€)	1-6/2017	1-6/2016	Index
Zavarovalnica Sava, Slovenian part (life)	8,866,436	8,101,636	109.4
Other Group insurers	2,301,934	2,153,055	106.9

The increase in acquisition costs is primarily due to the increases in the acquisition costs of the Slovenian part of Zavarovalnica Sava due to its expanded operations and altered dynamics of expenses included in products. This is also the reason for the negative change in deferred acquisition costs in 1–6/2017.

The rise in other operating expenses is mainly due to the higher expenses of Zavarovalnica Sava. In the Slovenian part this was due to higher personnel costs following the unification of employee collective agreements (prior to the merger, Zavarovalnica Maribor and Zavarovalnica Tilia had different agreements), higher material costs due to one-off purchases and the different timing of use of marketing funds. There was also a rise in the other operating expenses of the Croatian part of Zavarovalnica Sava, which however only relates to a reclassification of expenses for the purpose of alignment to the Slovenian part of the company. Prior to the merger, the Croatian insurer booked the salaries of its agents under acquisition costs. As of 2 November 2016, these were accounted for as personnel costs. In total, these costs remained at the same level as in the previous year.

Gross expense ratio; life insurance business

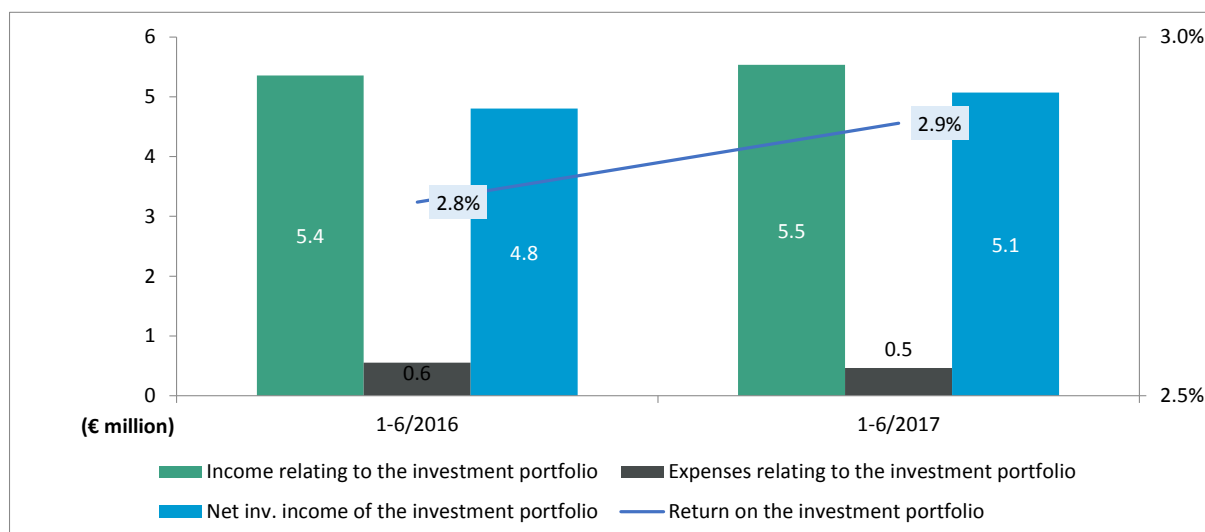


The consolidated gross expense ratio of the Slovenian companies increased by 1.2 percentage points, which is a result of increased expenses in both the Slovenian part of Zavarovalnica Sava and Sava pokojninska.

The consolidated gross expense ratio of the non-Slovenian life insurers dropped by 2.9 percentage points because of the increase in gross premiums written.

Net investment income

Income, expenses and the net investment income relating to the investment portfolio (€); life business, excluding unit-linked business



The net investment income of the investment portfolio of life insurance business rose by € 0.3 million in 1–6/2017 year on year. The net investment income grew marginally, reflecting slightly higher income and lower expenses. In the first half of 2017, the Group realised € 0.5 million of capital gains in the life insurance segment (1–6/2016: € 0.1 million) and € 0.5 million of other income. The investment return for the period was 2.9 %.

4 FINANCIAL POSITION OF THE SAVA RE GROUP

As at 30 June 2017, total assets of the Sava Re Group stood at € 1,709.2 million, an increase of 2.3 % over year-end 2016. Below we set out items of assets and liabilities in excess of 5 % of total assets as at 30 June 2017, or items that changed by more than 2 % of equity.

4.1 Assets

Consolidated total assets by type

(€)	30/06/2017	As % of total 30/06/2017	31/12/2016	As % of total 31/12/2016
ASSETS	1,709,161,767	100.0 %	1,671,189,179	100.0 %
Intangible assets	23,875,588	1.4 %	25,508,583	1.5 %
Property and equipment	53,544,836	3.1 %	51,887,127	3.1 %
Deferred tax assets	2,204,439	0.1 %	2,326,063	0.1 %
Investment property	7,915,904	0.5 %	7,933,786	0.5 %
Financial investments	1,019,912,960	59.7 %	1,030,235,239	61.6 %
Funds for the benefit of policyholders who bear the investment risk	217,923,910	12.8 %	224,175,076	13.4 %
Reinsurers' share of technical provisions	35,988,480	2.1 %	28,444,628	1.7 %
Investment contract assets	124,964,491	7.3 %	121,366,122	7.3 %
Receivables	160,344,719	9.4 %	127,408,527	7.6 %
Deferred acquisition costs	20,619,636	1.2 %	16,510,536	1.0 %
Other assets	2,605,527	0.2 %	1,366,844	0.1 %
Cash and cash equivalents	39,256,770	2.3 %	33,939,160	2.0 %
Non-current assets held for sale	4,507	0.0 %	87,488	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.

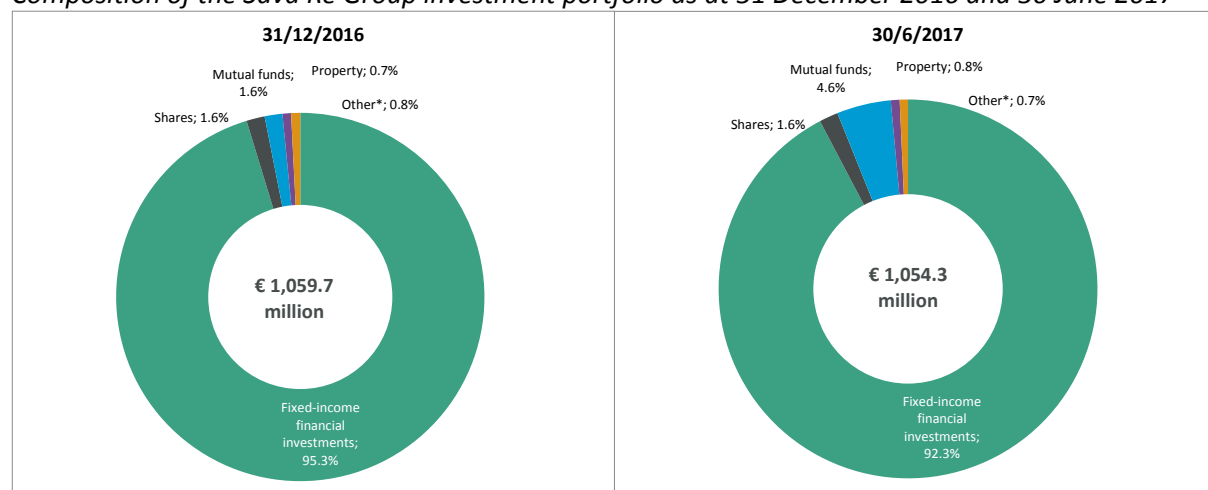
Sava Re Group investment portfolio by class of asset

(€)	30/06/2017	31/12/2016	Absolute change	Index
Deposits	22,609,339	24,737,308	-2,127,969	91.4
Government bonds	544,069,625	595,132,601	-51,062,976	91.4
Corporate bonds	380,031,796	368,357,333	11,674,463	103.2
Shares	16,976,323	16,980,847	-4,524	100.0
Mutual funds	48,763,731	16,531,807	32,231,924	295.0
Mutual money market funds	46,117,493	9,565,440	36,552,053	482.1
Equity and mixed mutual funds	2,646,238	6,966,367	-4,320,129	38.0
Loans granted and other investments	691,187	659,484	31,703	104.8
Deposits to cedants	6,770,959	7,835,859	-1,064,900	86.4
Total financial investments	1,019,912,960	1,030,235,239	-10,322,279	99.0
Investment property	7,915,904	7,933,786	-17,882	99.8
Cash and cash equivalents of the (re)insurer	26,440,395	21,481,381	4,959,014	123.1
Total investment portfolio	1,054,269,259	1,059,650,406	-5,381,147	99.5
Funds for the benefit of policyholders who bear the investment risk	230,740,285	236,632,855	-5,892,570	97.5
- financial investments	217,923,910	224,175,076	-6,251,166	97.2
- cash and cash equivalents	12,816,375	12,457,779	358,596	102.9
Investment contract assets	124,964,491	121,366,122	3,598,369	103.0

As at 30 June 2017, the Group's investment portfolio totalled € 1,054.3 million, a decrease of € 5.4 million from the year-end 2016 figure.

The decline in the investment portfolio was largely due to the repayment of the subordinated debt of Sava Re (€ -24.0 million) and the payment of dividends to the shareholders of Sava Re (€ -12.4 million). Cash flow from core business⁴, the change in accrued interest, realised capital gains and dividends from financial investments were all positive, totalling € 37.6 million.

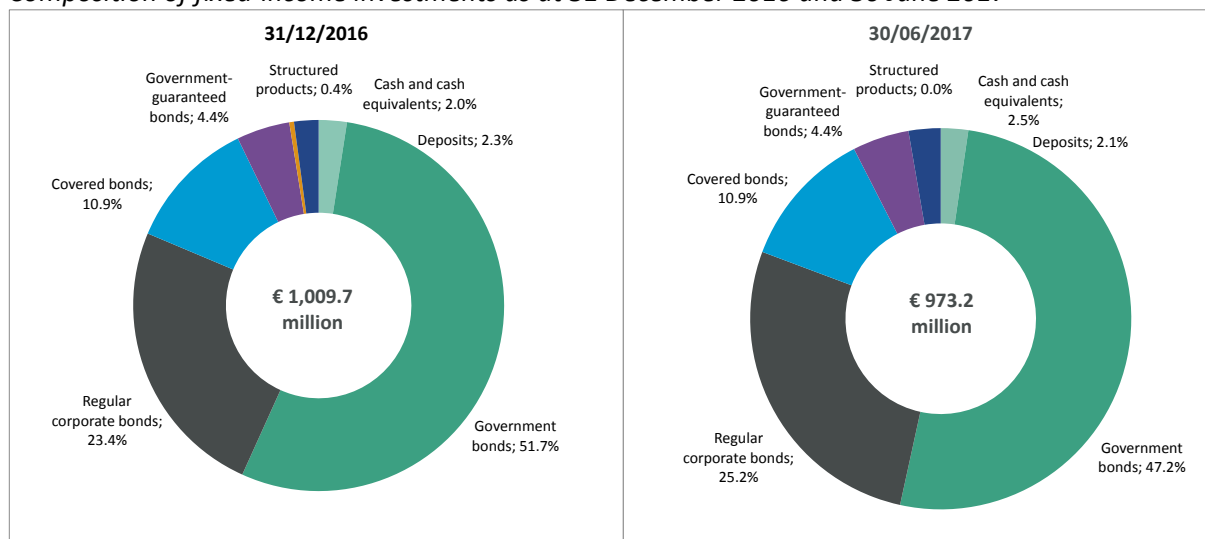
Composition of the Sava Re Group investment portfolio as at 31 December 2016 and 30 June 2017



*The "other" item comprises deposits with cedants, loans granted and other investments.

⁴ Cash flow from core business does not include cash flow from unit-linked business.

Composition of fixed-income investments as at 31 December 2016 and 30 June 2017



With regard to the structure of the Save Re Group investment portfolio, the most significant structural shift was:

- S** the 3.0-percentage-point increase in the share of investments in mutual funds. The increase is entirely due to the purchases of money market ETFs⁵ of € 36.1 million in the first half of 2016 and
- S** government bonds, the percentage share of which decreased by 4.6 percentage points compared to year-end 2016 owing to disposals and maturities. The decline in the share of government bonds reflects the Company's tactical decision to take advantage of rising debt securities prices.

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 are a major asset item. Zavarovalnica Sava is the only Group company to market life products where the investment risk is borne by policyholders (unit-linked products).

Funds of policyholders who bear the investment risk are recorded as financial investments (mainly in mutual funds selected by policyholders) and cash. As at 30 June 2017, financial investments totalled € 217.9 million and cash € 12.8 million. The decline in the funds of policyholders who bear the investment risk was a result of a negative cash flow from core business (€ -7.1 million), while the change in mutual fund prices of the funds selected by policyholders was a positive one (€ +2.6 million).

4.1.3 Reinsurers' share of technical provisions

The reinsurers' share of technical provisions (retroceded technical provisions) increased by € 7.5 million or 26.5 % compared to 31 December 2016. This is mainly because of the high level of retroceded unearned premiums set aside for non-proportional covers of the international reinsurance portfolio that are fully accounted at the beginning of the year and for which the unearned premiums represent a deferment; thus retroceded unearned premiums increased by € 7.1 million compared to the beginning of the year. The retroceded gross provision for outstanding claims grew by € 0.4 million.

⁵ ETF = exchange-traded fund; mutual funds that we purchase through a broker.

4.1.4 Receivables

Compared to year-end 2016, receivables increased by 25.9 % or € 32.9 million (first half of 2016: 16.3 % or € 21.4 million). A significant increase in receivables compared to the end of the previous year is normal in the first half of the year.

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 € 16.4 million compared to year-end 2016 (prior year: € 16.3 million) as a result of the renewal schedules of annual insurance policies with corporate clients. Receivables arising out of co-insurance and reinsurance business increased by € 12.2 million (prior year: € 4.4 million) as a result of the growth in reinsurance business and the dynamics of assessing reinsurance business. In both categories there has been an increase especially in not-past-due receivables (93.1 % increase).

4.1.5 Investment contract assets

The investment contract asset item includes liability fund assets relating to MOJI skladi življenjskega cikla [MY Life Cycle Funds] managed by the Sava pokojninska pension company for the benefit of policyholders. As of 1 January 2016, the company started managing a group of long-term business funds MOJI skladi življenjskega cikla, consisting of three long-term business funds: MOJ dinamični sklad [MY Dynamic Fund] (MDS) and MOJ uravnoteženi sklad [MY Balanced Fund] (MUS), where policyholders bear the entire investment risk, and MOJ zajamčeni sklad [MY Guaranteed Fund] (MZS), where policyholders bear the investment risk in excess of the guaranteed funds.

As at 30 June 2017, investment contract assets totalled € 125.0 million, up 2.9 % compared to 31 December 2016. The increase in investment contract assets was mainly due to new net premiums written (€ 1.9 million; in the period 1–6/2017 there were inflows of € 6.3 million and outflows including expenses of € 4.4 million) and a positive change in fair value reserve (€ 1.8 million).

Like the previous category, the movement in investment contract assets depends on new premium contributions, payouts and changes in fund unit values.

4.2 Liabilities

Balance and structure of equity & liabilities

(€)	30/06/2017	As % of total 30/06/2017	31/12/2016	As % of total 31/12/2016
EQUITY AND LIABILITIES	1,709,161,767	100.0 %	1,671,189,179	100.0 %
Equity	299,964,168	17.6 %	297,038,327	17.8 %
Share capital	71,856,376	4.2 %	71,856,376	4.3 %
Capital reserves	43,681,441	2.6 %	43,681,441	2.6 %
Profit reserves	146,039,035	8.5 %	145,893,612	8.7 %
Own shares	-24,938,709	-1.5 %	-24,938,709	-1.5 %
Fair value reserve	15,235,639	0.9 %	17,458,948	1.0 %
Reserve due to fair value revaluation	618,627	0.0 %	351,655	0.0 %
Retained earnings	33,284,600	1.9 %	36,778,948	2.2 %
Net profit/loss for the period	17,107,043	1.0 %	9,049,238	0.5 %
Translation reserve	-3,626,603	-0.2 %	-3,854,182	-0.2 %
Equity attributable to owners of the controlling company	299,257,447	17.5 %	296,277,319	17.7 %
Non-controlling interest in equity	706,721	0.0 %	761,008	0.0 %
Subordinated liabilities	0	0.0 %	23,570,771	1.4 %
Technical provisions	967,958,969	56.6 %	911,221,323	54.5 %
Technical provision for the benefit of life insurance policyholders who bear the investment risk	219,694,915	12.9 %	226,994,200	13.6 %
Other provisions	8,095,844	0.5 %	8,080,877	0.5 %
Deferred tax liabilities	5,439,157	0.3 %	6,038,631	0.4 %
Investment contract liabilities	124,841,189	7.3 %	121,229,675	7.3 %
Other financial liabilities	102,198	0.0 %	393,996	0.0 %
Liabilities from operating activities	58,241,504	3.4 %	48,790,646	2.9 %
Other liabilities	24,823,823	1.5 %	27,830,733	1.7 %

4.2.1 Equity

Equity increased by 1.0 % or € 2.9 million compared to year-end 2016.

A positive impact on the equity figure came mainly from the net profit for the period 1–6/2017 in the amount of € 17.1 million. The reserve due to fair value revaluation increase by € 0.3 million, the translation reserve by € 0.2 million. Negative impacts on equity related to the dividend payout of € 12.4 million and the decline in the fair value reserve of € 2.2 million compared to 31 December 2016.

4.2.2 Technical provisions

Gross technical provisions are the largest item of liabilities. The figure as at 30 June 2017 was an increase of 6.2 % or € 56.7 million compared to year-end 2016 (premium growth and establishment of high unearned premiums for coverages for which the full-year premiums were booked at the beginning of the year).

Movement in consolidated gross technical provisions

(€)	30/06/2017	31/12/2016	Index
Gross unearned premiums	209,181,842	157,678,496	132.7
Gross mathematical provisions	274,480,563	269,762,815	101.7
Gross provision for outstanding claims	474,170,389	475,157,985	99.8
Gross provision for bonuses, rebates and cancellations	1,037,610	1,831,420	56.7
Other gross technical provisions	9,088,565	6,790,607	133.8
Gross technical provisions	967,958,969	911,221,323	106.2

The gross technical provisions attributable to the reinsurance segment grew by 8.1 % or € 12.3 million compared to year-end 2016. The increase is due to the rise in unearned premiums as a result of the dynamics of writing reinsurance business (up € 14.5 million), while provisions for outstanding claims dropped by 2.4 million as a result of exchange differences and payments of prior-year losses.

The gross technical provisions attributable to the non-life insurance segment recorded an increase of 8.4 % or € 39.6 million compared to year-end 2016. Of these, € 37.0 million related to the increase in unearned premiums and € 1.2 million to the provision for claims outstanding. There was also an increase in gross premiums written and gross claims paid relating to this segment.

The gross mathematical provisions for traditional policies of the life segment increased by 1.7 % (or € 4.7 million) compared to year-end 2016, as a result of aging and growth of the portfolio of traditional life insurance business, including pension annuity business (during the distribution phase).

Other technical provisions (bonuses and discounts, unexpired risks) accounted for a smaller share and grew in total by € 1.5 million.

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

Gross mathematical provisions associated with unit-linked life business decreased by 3.2 % or € 7.3 million compared with the end of 2016, mainly due to maturities and surrenders.

4.2.4 Investment contract liabilities

The investment contract liabilities of Sava pokojninska totalled € 124.8 million at 30 June 2017, up 3.0 % or € 3.6 million from year-end 2016. They move in line with investment contract assets.

4.2.5 Liabilities from operating activities

Liabilities from operating activities increased by 19.4 %, or € 9.5 million, year on year (1–6/2016: decrease of € 3.9 million). The large increase in this item is due to an increase in liabilities arising out of reinsurance operations (liabilities for premiums relating to retrocession contracts) and an increase in current tax liabilities.

4.2.6 Subordinated liabilities

In 2006 and 2007, the controlling company raised a subordinated loan in the nominal amount of € 32 million scheduled to mature in 2027. Under the contractual provisions, the remaining nominal amount of € 24 million could be early repaid as of 2017. After receiving the approval of the Slovenian Insurance Supervision Agency, the controlling company repaid the subordinated debt in the nominal amount of € 24 million on 15 March 2017 and 14 June 2017.

4.3 Capital structure

As at 30 June 2017, the Sava Re Group held € 300.0 million of equity. The Group had no subordinated liabilities as at that date. Thus, as at that date the Group was solely financed through equity.

4.4 Cash flow

In the period 1–6/2017, the Sava Re Group had a positive operating cash flow of € 20.9 million (1–6/2016: € 27.0 million).

In the period 1–6/2017, the Sava Re Group recorded a negative financing cash flow of € -37.2 million (1–6/2016: € -15.0 million). The negative financing cash flow in the first half of 2017 is a result of the payment of dividends and repayment of subordinated debt.

The net increase/decrease of cash and cash equivalents in 1–6/2017 was € 30.6 million below the year-on-year figure.

4.5 Sava Re rating profile

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

Financial strength rating of Sava Re

Agency	Rating ⁶	Outlook	Latest review
Standard & Poor's	A–	positive	July 2017 ⁷ : improved outlook
A.M. Best	A–	stable	November 2016: affirmed existing rating

5 PERSONNEL

Staffing figures for Group members

	30/06/2017	31/12/2016	Change
Zavarovalnica Sava	1,287.4	1,322.9	-35.5
Sava neživotno osiguranje (SRB)	346.8	325.6	21.2
Sava osiguruvanje (MKD)	196.0	199.0	-3.0
Illyria	160.0	175.0	-15.0
Sava osiguranje (MNE)	130.3	137.0	-6.7
Sava Re	90.7	94.6	-3.9
Sava životno osiguranje (SRB)	64.9	72.1	-7.2
Sava Car	39.0	38.0	1.0
Illyria Life	31.3	35.0	-3.7
Sava Agent	18.8	18.0	0.8
ZS Vivus	17.0	25.0	-8.0
Sava pokojninska	14.4	14.3	0.1
ZM Svetovanje	13.8	15.5	-1.7
Ornatus KC	9.0	10.0	-1.0
Sava Station	6.0	6.0	0.0
Total	2,425.4	2,488.0	-62.6

⁶ 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).

⁷ As at 30 June 2017, the outlook for Sava Re was still stable.

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 fluctuations in the agency network.

6 RISK MANAGEMENT

The risks that the Group companies are exposed to are: insolvency risk, underwriting risk, risks associated with policies where policyholders bear the investment risk, risk associated with investment contracts, financial risk, operational risk and strategic risk.

6.1 Capital adequacy and capital management in the Sava Re Group

For the solvency calculation, the Sava Re Group uses the Solvency II standard formula. As at 31 December 2016, it held € 423 million of eligible own funds, all of which were tier one funds. The Group's Solvency Capital Requirement (SCR) totalled € 207 million as at 31 December 2016. Thus the Group is well capitalised and has a high solvency ratio of 204 %. The solvency ratio is also in line with the Group's internal rules, marginally exceeding the optimal solvency ratio range (170–200 %). Details on valuation and the calculation of eligible own funds and the Group's SCR are set out in the Sava Re Group's solvency and financial condition report for 2016.

The Group's eligible own funds as at 31 March 2017⁸ increased slightly compared to 31 December 2016 to € 439 million. The Group's risk profile did not change significantly compared to the end of 2016 and remains in line with the risk strategy. Based on these indicators, we estimate that the Group's solvency ratio remains at a comparable level as at 31 December 2016. Accordingly, the risk to the Group's capital adequacy is very small.

6.2 Underwriting risk

All Group subsidiaries assume risks from policyholders and mostly transfer excess risks to Sava Re. Sava Re 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 Re.

⁸ Most recent calculation. We will report on the level of the Group's eligible own funds as at 30 June 2017 in the report for the nine months to 30 September 2017.

Sava Re Group members mitigate the net retention risk by setting appropriate maximum net retention limits and by designing adequate reinsurance or retrocession programmes. In managing this risk, we take into account that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event and 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.

6.3 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. As at 30 June 2017 assets under such contracts totalled € 40.7 million (31/12/2016: € 36.3 million). With respect to such assets, there is a risk of failing to achieve the guaranteed return.

Zavarovalnica Sava offers a guaranteed return for the investment fund ZS Varnost and the ZS Hibrid product of the ZM Garant investment fund.

The guaranteed return for assets in the ZM Zajamčeni fund is 1.5 %. 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 managers 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, the 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 the 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 proportion of each policy's assets in any fund is 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.

In the last quarter of 2016, Zavarovalnica Sava set up the Varnost fund with an amount of € 60.0 million, for which it also provides a guarantee, and will, in line with its investment policy, invest in assets for which it will provide a 100 % guarantee. There is a risk of reinvesting these assets since interest rates on A-rated bonds are already negative for shorter maturities.

6.4 Risks associated with investment contracts

The Group classifies as investment contracts its Supplementary Voluntary Pension Insurance (SVPI) business of the pension insurer Sava pokojninska during the accumulation phase, as part of the company's SVPI liability fund. Investment contract liabilities are not included in the consolidated technical provisions item, and are, therefore, not included in the presentation of underwriting risk. Investment contract assets are not included in the consolidated financial investments item, and are, therefore, not included in the presentation of financial risks. In addition, there is a risk of failing to achieve the guaranteed returns associated with investment contract assets and liabilities.

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 Sava pokojninska provide a guaranteed return of 60 % of the average annual interest rate on government securities with a maturity of over one year. Investment contract liabilities 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 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, the realised return is below the guaranteed level, this part of liabilities decreases until the provision is fully exhausted. The described control of guaranteed return is carried out at the level of individual members' accounts. In the event that individual provisions of any account are not sufficient to cover the guaranteed return, the difference is covered from the pension company's own funds (there were no transfers in 2016 and the first half of 2017).

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

6.5 Financial risks

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

6.5.1 Market risk

Financial investments exposed to market risk

(€)						
Type of investment	30/06/2017	Structure as at 30/06/2017	31/12/2016	Structure as at 31/12/2016	Absolute difference 30/06/2017 / 31/12/2016	Change in structure 30/06/2017 / 31/12/2016
Deposits	22,609,339	2.1 %	24,737,308	2.3 %	-2,127,969	-0.2 %
Government bonds	544,069,625	51.6 %	595,132,601	56.2 %	-51,062,976	-4.6 %
Corporate bonds	380,031,796	36.0 %	368,357,333	34.8 %	11,674,463	1.3 %
Shares	16,976,323	1.6 %	16,980,847	1.6 %	-4,524	0.0 %
Mutual funds	48,763,731	4.6 %	16,531,807	1.6 %	32,231,924	3.1 %
money market funds	46,117,493	4.4 %	9,565,440	0.9 %	36,552,053	3.5 %
mixed funds	1,647,416	0.2 %	1,703,918	0.2 %	-56,502	0.0 %
equity funds	998,822	0.1 %	5,262,449	0.5 %	-4,263,627	-0.4 %
Loans granted and other investments	691,187	0.1 %	659,484	0.1 %	31,703	0.0 %
Deposits to cedants	6,770,959	0.6 %	7,835,859	0.7 %	-1,064,900	-0.1 %
Financial investments	1,019,912,960	96.7 %	1,030,235,239	97.2 %	-10,322,279	-0.5 %
Investment property	7,915,904	0.8 %	7,933,786	0.7 %	-17,882	0.0 %
Cash and cash equivalents	26,440,395	2.5 %	21,481,381	2.0 %	4,959,014	0.5 %
Investment portfolio	1,054,269,259	100.0 %	1,059,650,406	100.0 %	-5,381,147	0.0 %

The investment portfolio sensitive to market risk dropped by € 5.4 million compared to 31 December 2016. Details are provided in section 4.1.1 "Investment portfolio".

6.5.1.1 Interest rate risk

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. 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 offsets the movement on the liabilities side.

The total value of investments included in the calculation as at 30 June 2017 was € 866.9 million (31/12/2016: € 841.7 million). Of this, € 589.7 million (31/12/2016: € 582.7 million) relates to assets of non-life insurers (including Sava Re) and € 277.2 million (31/12/2016: € 259.0 million) to assets of life insurers.

The sensitivity analysis for data as at 30 June 2017 showed that in the event of an upward shift of the yield curve by 50 basis points, the value of non-life insurance investments would drop by € 10.7 million or 1.8 % (31/12/2016: € 11.2 million or 1.9 %). And the value of life insurance investments would decline by € 6.3 million or 2.3 % (31/12/2016: € 6.0 million or 2.3 %).

Compared to the prior year-end, interest rate risk declined marginally for non-life insurance business and slightly increased for life insurance business.

6.5.1.2 Equity risk

Equity risk is measured through a stress test assuming a 10-percent drop in equity prices. The calculation is based on the Company's equity holdings and equity mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5.

In case of a 10 % drop in the market prices of equity securities as at 30 June 2017, the value of investments would decrease by € 1.9 million (31/12/2016: € 2.3 million).

The risk decreased marginally compared to year-end 2016.

6.5.1.3 Property risk

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 all property prices, the value of investments as at 30 June 2017 would decrease by € 2.0 million (31/12/2016: € 2.0 million).

This risk did not change compared to year-end 2016.

6.5.1.4 Currency risk

The Sava Re Group manages currency risk by the efforts of each Group member to optimise asset-liability currency matching. Sava Re is the Sava Re Group member with the largest exposure to currency risk due to its substantial international presence. Group companies whose local currency is the euro (companies based in Slovenia, Montenegro and Kosovo) have all liabilities and investments denominated in euro, meaning that these companies are not exposed to currency risk. Group companies whose local currency is not the euro (in Serbia, Macedonia and Croatia) 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.

Sava Re reduces its currency risk by matching assets and liabilities denominated in foreign currencies. Currencies are matched at the accounting currency level⁹. If capital markets are not available in the accounting currency, currencies are matched at the transaction currency level¹⁰.

The tables below show the currency matching of Sava Re, providing effects on the statement of financial position and income statement with foreign currency amounts translated into euros.

Accounting currency (mis)match as at 30 June 2017

Currency	Assets	Liabilities	Mismatch	Matched liabilities (%)
2017				
Euro (€)	491,835,625	491,538,724		100.1
Foreign currencies	99,901,430	100,198,331		99.7
US dollar (USD)	40,636,089	31,651,158	8,984,931	128.4
Korean won (KRW)	13,121,858	12,240,673	881,185	107.2
Chinese yuan (CNY)	7,185,881	6,986,353	199,528	102.9
Indian rupee (INR)	9,128,161	8,599,220	528,941	106.2
Bangladeshi taka (BDT)	1,825,465	5,804,719	3,979,254	31.4
Other	28,003,977	34,916,208	6,912,231	80.2
Total	591,737,055	591,737,055		
Currency matched liabilities (%)			96.4 %	

⁹ The accounting currency is the local currency used in the accounting documentation. Reinsurance contracts may be accounted for in various accounting currencies. Generally, this is the currency of liabilities and receivables due from cedants, and hence also the reinsurer.

¹⁰ The transaction currency is the currency in which reinsurance contract transactions are processed.

Accounting currency (mis)match as at 31 December 2016

Currency 2016	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	478,755,305	472,780,085		101.3
Foreign currencies	89,392,458	95,367,679		93.7
US dollar (USD)	35,945,392	29,739,019	6,206,373	120.9
Korean won (KRW)	13,406,991	13,287,940	119,051	100.9
Indian rupee (INR)	7,119,812	6,619,897	499,915	107.6
Bangladeshi taka (BDT)	2,409,710	5,612,845	3,203,135	42.9
Chinese yuan (CNY)	7,109,309	7,343,230	233,920	96.8
Other	23,401,244	32,764,749	9,363,505	71.4
Total	568,147,764	568,147,764		
Currency matched liabilities (%)			96.5 %	

Transaction currency (mis)match as at 30 June 2017

Currency 2017	Assets	Liabilities	Mismatch	Matched liabilities (%)
Euro (€)	492,299,255	493,600,121		99.7
Foreign currencies	99,437,800	98,136,934		101.3
US dollar (USD)	43,488,822	40,978,871	2,509,950	106.1
Korean won (KRW)	13,121,858	12,240,673	881,185	107.2
Chinese yuan (CNY)	7,185,881	6,986,353	199,528	102.9
Indian rupee (INR)	9,888,303	9,834,662	53,641	100.5
Russian ruble (RUB)	6,027,256	5,287,372	739,884	114.0
Other	19,725,681	22,809,003	3,083,321	86.5
Total	591,737,055	591,737,055		
Currency matched liabilities (%)			98.7 %	
Currency matched liabilities as at 31/12/2016 (%)			98.9 %	

The Company has set itself the target of matching assets and liabilities at least 90 %. In the first half of 2017, assets and liabilities were 96.4 % matched (2016: 96.5 %), which demonstrates the high quality of currency risk management.

In the management of currency risk (ALM aspect), the Company managed to directly match all substantially liquid currencies. Other currencies were matched based on their correlation with the euro or the US dollar. Since many accounting currencies are at least 90 % correlated to the US dollar, the surplus of assets over liabilities in US dollars is thus reduced to € 2.5 million (from € 9.0 million based on the accounting aspect).

Effect of exchange differences on the income statement

Currency mismatches affect the income statement of Sava Re 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 Re's assets and liabilities are not 100 % currency matched, changes in exchange rates do affect profit or loss. The following table shows the impact of exchange differences.

Effect of exchange differences on the income statement

Statement of financial position item	Exchange differences		
Euro (€)	30/06/2017	31/12/2016	30/06/2016
Investments	-3,402,856	1,360,875	-303,165
Technical provisions and deferred commissions	4,087,383	-1,571,251	785,676
Receivables and liabilities	-370,205	-260,125	-303,144
Total effect on the income statement	314,322	-470,502	179,367

6.5.2 Credit risk

The Group mitigates credit risk by investing in highly rated debt securities. As at 30 June 2017 a share of 85.5 % of the fixed income portfolio was rated "investment grade" (BBB– or better) (31/12/2016: 84.5 %), and 72.3 % of investments were rated A- or better (31/12/2016: 73.6 %).

The credit quality of securities issuers remained at about the same level as at year-end 2016; therefore, we believe that the credit risk has not changed from the end of the prior year.

The 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 any other potential forms of concentration.

The Group's largest regional concentration is in EU countries (30/06/2017: 53.2 %; 31/12/2016: 51.7 %). In terms of industry, the Group is mainly exposed to governments (30/06/2017: 51.6 %; 31/12/2016: 56.2%), followed by the banking sector (31/03/2017: 20.2 %; 31/12/2016: 19.8 %). In the banking sector, covered bonds represent 53.9 % of the exposure. The Group holds covered bonds as a form of low-risk investment. Exposure to the 10 largest issuers accounted for 34.3 % of the investment portfolio (31/12/2016: 39.3%), with the largest exposure to the Republic of Slovenia (30/06/2017: 18.7 %; 31/12/2016: 22.2%), while exposure to any other single commercial issuer does not exceed 2.0 % of the investment portfolio.

We estimate that credit risk improved compared to year-end 2016.

6.5.3 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.

An additional liquidity cushion is provided by a credit line of € 10 million arranged by Sava Re with a commercial bank for the purpose of covering the liquidity needs of its Group members.

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 both Slovenia- and non-Slovenia based companies, the parent company would provide necessary funds from the parent's surplus funds or 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 manageable.

6.6 Operational risks

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

Identification of operational risks is carried out regularly and in all organisational units of individual Group companies, especially upon the introduction of new products, new regulatory requirements, changes in operations and the transformation of other internal and external factors that could affect the amount of operational risk. Each risk is assigned a risk owner, who is responsible for regular monitoring and reporting. The risk management department (if set up in the Group company) regularly informs the risk management committee and the management board of any new risks.

The Group measures (assesses) operational risks primarily in terms of qualitative assessment of the probability of loss and financial impact of risks listed in the risk register, while the EU-based companies additionally use scenario analysis. Risk registers are maintained both at the company and Group level, where risks are assessed that either occur only at the Group level or are compounded at the level of the Group.

To manage operational risk, the Group companies have in place an effective internal control system and a business process management system.

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.

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

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

Operational risks are not among the Group's most significant risks. Nevertheless, some of them are quite important, such as:

- S** risk associated with supervision and reporting,
- S** risk of internal and external fraud,
- S** risk of loss of key, expert and high-potential employees,
- S** risk of damage to physical assets due to natural disaster or fire,
- S** risk of loss relating to information technology.

6.7 Strategic risks

Strategic risks are by nature very diverse, difficult to quantify and heavily dependent on various (including external) factors.

The Sava Re Group and its Group members are also exposed to various internal and external strategic risks. The main strategic risks include as below:

- S** risk of strategic direction regarding the Company's business,
- S** risks associated with the merger of the Group's insurers in 2016,
- S** strategic investment risk,
- S** reputation risk,
- S** political risk
- S** regulatory risk.

Such risks are identified by individual organisational units of Group companies, management boards, risk management committees and risk management functions. Strategic risks are additionally identified by the Group's risk management committee.

The Group's strategic risks are assessed qualitatively in the risk register by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated using qualitative analysis of various scenarios. Based on both analyses combined, an overview is obtained of the extent and changes in the exposure to this type of risk.

The management of strategic risks is mainly through prevention. Individual strategic risks are mitigated through preventive activities. Strategic risks are also managed through on-going monitoring of the realisation of short- and long-term goals, by monitoring regulatory changes and market development.

6.8 Risk exposure up until year-end 2017

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 risks could be expected as a result of unfavourable trends in financial markets.

Although the merger process that combined four Sava Re Group companies was formally completed on 2 November 2016, some risks related to the merging of processes and the realisation of synergistic effects in Zavarovalnica Sava persist.

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

7 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1 Unaudited consolidated statement of financial position

(€)	30/06/2017	31/12/2016
ASSETS	1,709,161,767	1,671,189,179
Intangible assets	23,875,588	25,508,583
Property and equipment	53,544,836	51,887,127
Deferred tax assets	2,204,439	2,326,063
Investment property	7,915,904	7,933,786
Financial investments:	1,019,912,960	1,030,235,239
- loans and deposits	28,531,514	31,605,347
- held to maturity	105,655,586	130,812,195
- available for sale	880,308,095	858,641,003
- at fair value through profit or loss	5,417,765	9,176,694
Funds for the benefit of policyholders who bear the investment risk	217,923,910	224,175,076
Reinsurers' share of technical provisions	35,988,480	28,444,628
Investment contract assets	124,964,491	121,366,122
Receivables	160,344,719	127,408,527
Receivables arising out of primary insurance business	67,749,270	51,340,821
Receivables arising out of co-insurance and reinsurance business	80,248,900	68,005,582
Current tax assets	898,460	124,720
Other receivables	11,448,089	7,937,404
Deferred acquisition costs	20,619,636	16,510,536
Other assets	2,605,527	1,366,844
Cash and cash equivalents	39,256,770	33,939,160
Non-current assets held for sale	4,507	87,488
EQUITY AND LIABILITIES	1,709,161,767	1,671,189,179
Equity	299,964,168	297,038,327
Share capital	71,856,376	71,856,376
Capital reserves	43,681,441	43,681,441
Profit reserves	146,039,035	145,893,612
Own shares	-24,938,709	-24,938,709
Fair value reserve	15,235,639	17,458,948
Reserve due to fair value revaluation	618,627	351,655
Retained earnings	33,284,600	36,778,941
Net profit/loss for the period	17,107,043	9,049,238
Translation reserve	-3,626,603	-3,854,182
Equity attributable to owners of the controlling company	299,257,447	296,277,319
Non-controlling interest in equity	706,721	761,008
Subordinated liabilities	0	23,570,771
Technical provisions	967,958,969	911,221,323
Unearned premiums	209,181,842	157,678,496
Technical provisions for life insurance business	274,480,563	269,762,815
Provision for outstanding claims	474,170,389	475,157,985
Other technical provisions	10,126,175	8,622,027
Technical provision for the benefit of life insurance policyholders who bear the investment risk	219,694,915	226,994,200
Other provisions	8,095,844	8,080,877
Deferred tax liabilities	5,439,157	6,038,631
Investment contract liabilities	124,841,189	121,229,675
Other financial liabilities	102,198	393,996
Liabilities from operating activities	58,241,504	48,790,646
Liabilities from primary insurance business	12,621,840	11,910,253
Liabilities from reinsurance and co-insurance business	41,263,261	36,292,698
Current income tax liabilities	4,356,403	587,695
Other liabilities	24,823,823	27,830,733

7.2 Unaudited consolidated income statement

(€)	1–6/2017	1–6/2016
Net earned premiums	230,286,916	225,978,226
Gross premiums written	297,770,558	280,824,486
Written premiums ceded to reinsurers and co-insurers	-23,270,279	-19,515,310
Change in gross unearned premiums	-51,247,144	-40,204,016
Change in unearned premiums, reinsurers' and co-insurers' shares	7,033,781	4,873,066
Investment income	14,460,004	16,677,086
Interest income	9,505,855	10,641,644
Other investment income	4,954,149	6,035,442
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	7,799,252	7,477,217
Other technical income	5,950,357	8,817,975
Commission income	1,197,162	2,011,022
Other technical income	4,753,195	6,806,953
Other income	3,063,319	2,980,609
Net claims incurred	-141,966,092	-131,844,127
Gross claims payments, net of income from recourse receivables	-149,352,307	-126,953,877
Reinsurers' and co-insurers' shares	6,362,980	4,202,522
Change in the gross claims provision	352,294	-10,515,486
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	670,941	1,422,714
Change in other technical provisions	-7,240,195	-5,378,834
Change in technical provisions for policyholders who bear the investment risk	6,809,232	-4,613,092
Expenses for bonuses and rebates	772,581	-693,970
Operating expenses	-75,371,304	-75,824,440
Acquisition costs	-26,766,713	-26,387,633
Change in deferred acquisition costs	4,206,995	1,243,285
Other operating expenses	-52,811,586	-50,680,092
Expenses for financial assets and liabilities	-6,777,205	-5,151,685
Impairment losses on financial assets not at fair value through profit or loss	0	-62,629
Interest expense	-718,353	-423,215
Other investment expenses	-6,058,852	-4,665,841
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-5,160,405	-8,238,772
Other technical expenses	-9,413,374	-9,450,206
Other expenses	-817,605	-1,151,850
Profit/loss before tax	22,395,481	19,584,137
Income tax expense	-5,277,950	-5,243,181
Net profit/loss for the period	17,117,531	14,340,956
Net profit/loss attributable to owners of the controlling company	17,107,043	14,363,913
Net profit/loss attributable to non-controlling interests	10,488	-22,957
Earnings per share (basic and diluted)	1.10	0.90

The change in the weighted average number of shares outstanding is shown in section 8.8.6 "Net earnings/loss per share".

7.3 Unaudited consolidated statement of comprehensive income

(€)	1-6/2017			1-6/2016		
	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	17,107,043	10,488	17,117,531	14,363,913	-22,957	14,340,956
OTHER COMPREHENSIVE INCOME, NET OF TAX	-1,728,758	1,100	-1,727,658	9,065,789	11,810	9,077,599
a) Items that will not be reclassified subsequently to profit or loss	266,972	1,026	267,998	-61,311	0	-61,311
Other items that will not be reclassified subsequently to profit or loss	266,972	1,026	267,998	-71,358	0	-71,358
Tax on items that will not be reclassified subsequently to profit or loss	0	0	0	10,047	0	10,047
b) Items that may be reclassified subsequently to profit or loss	-1,995,730	74	-1,995,656	9,127,100	11,810	9,138,910
Net gains/losses on remeasuring available-for-sale financial assets	-2,922,975	-2,558	-2,925,533	10,755,942	4,257	10,760,199
Net change recognised in the fair value reserve	-1,931,490	-628	-1,932,118	10,051,952	4,257	10,056,209
Net change transferred from fair value reserve to profit or loss	-991,485	-1,930	-993,415	703,990	0	703,990
Tax on items that may be reclassified subsequently to profit or loss	699,666	1,608	701,274	-1,789,764	-2,107	-1,791,871
Net gains/losses from translation of financial statements of non-domestic companies	227,579	1,024	228,603	160,922	9,660	170,582
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	15,378,285	11,588	15,389,873	23,429,702	-11,147	23,418,555
Attributable to owners of the controlling company	15,378,285	0	15,378,285	23,429,702	0	23,429,702
Attributable to non-controlling interest	0	11,588	11,588	0	-11,147	-11,147

7.4 Unaudited consolidated statement of cash flows

(€)		1–6/2017	1–6/2016
A. Cash flows from operating activities			
a)	Items of the income statement	50,534,270	60,589,553
1.	Net premiums written in the period	274,500,279	261,309,176
2.	Investment income (other than financial income)	627,204	53,643
3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	9,013,676	11,798,584
4.	Net claims payments in the period	-142,989,327	-122,751,355
5.	Expenses for bonuses and rebates	772,581	-693,970
6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-75,822,959	-73,261,582
7.	Investment expenses (excluding amortisation and financial expenses)	-58,255	-19,706
8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-10,230,979	-10,602,056
9.	Tax on profit and other taxes not included in operating expenses	-5,277,950	-5,243,181
b)	Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the income statement	-29,618,316	-33,610,850
1.	Change in receivables from primary insurance	-16,408,449	-16,340,935
2.	Change in receivables from reinsurance	-12,243,318	-4,375,948
3.	Change in other receivables from (re)insurance business	126,485	-298,034
4.	Change in other receivables and other assets	-5,624,277	-3,169,648
5.	Change in deferred tax assets	121,624	-439,315
6.	Change in inventories	-25,316	-34,305
7.	Change in liabilities arising out of primary insurance	711,587	531,192
8.	Change in liabilities arising out of reinsurance business	4,970,563	-5,206,772
9.	Change in other operating liabilities	5,476,732	2,316,157
10.	Change in other liabilities (except unearned premiums)	-6,124,473	-8,505,978
11.	Change in deferred tax liabilities	-599,474	1,912,736
c)	Net cash from/used in operating activities (a + b)	20,915,954	26,978,703
B. Cash flows from investing activities			
a)	Cash receipts from investing activities	768,561,204	787,842,698
1.	Interest received from investing activities	9,505,855	10,641,644
2.	Cash receipts from dividends and participation in the profit of others	670,486	759,520
3.	Proceeds from sale of intangible assets		63,660
4.	Proceeds from sale of property and equipment	633,196	2,212,145
5.	Proceeds from sale of financial investments	757,751,667	774,165,729
b)	Cash disbursements in investing activities	-746,977,163	-763,836,445
1.	Purchase of intangible assets	-718,353	-408,351
2.	Purchase of property and equipment	-3,433,517	-6,520,821
3.	Purchase of long-term financial investments	-742,825,293	-756,907,273
c)	Net cash from/used in investing activities (a + b)	21,584,041	24,006,253
C. Cash flows from financing activities			
b)	Cash disbursements in financing activities	-37,182,385	-15,042,577
1.	Interest paid	-718,353	-423,215
3.	Repayment of long-term financial liabilities	-24,000,000	0
5.	Dividends and other profit participations paid	-12,464,032	0
c)	Net cash from/used in financing activities (a + b)	-37,182,385	-15,042,577
C2. Closing balance of cash and cash equivalents		39,256,770	40,653,283
x)	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	5,317,610	35,942,379
y)	Opening balance of cash and cash equivalents	33,939,160	4,710,904

7.5 Unaudited consolidated statement of changes in equity

Unaudited consolidated statement of changes in equity for the six months to 30 June 2017

(€)	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	Catastrophe equalisation reserve	Other									
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
Closing balance in previous financial year	71,856,376	43,681,441	11,411,550	24,938,709	11,225,068	98,318,285	17,458,948	351,655	36,778,941	9,049,238	-24,938,709	-3,854,182	296,277,319	761,008	297,038,327
Opening balance in the financial period	71,856,376	43,681,441	11,411,550	24,938,709	11,225,068	98,318,285	17,458,948	351,655	36,778,941	9,049,238	-24,938,709	-3,854,182	296,277,319	761,008	297,038,327
Comprehensive income for the period, net of tax	0	0	0	0	0	0	-2,223,309	266,972	0	17,107,043	0	227,579	15,378,285	11,588	15,389,873
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	17,107,043	0	0	17,107,043	10,488	17,117,531
b) Other comprehensive income	0	0	0	0	0	0	-2,223,309	266,972	0	0	0	227,579	-1,728,758	1,100	-1,727,658
Dividend payouts	0	0	0	0	0	0	0	0	-12,398,158	0	0	0	-12,398,158	-65,874	-12,464,032
Allocation of net profit to profit reserve	0	0	145,423	0	0	0	0	0	-145,423	0	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	9,049,238	-9,049,238	0	0	0	0	0
Closing balance in the financial period	71,856,376	43,681,441	11,556,973	24,938,709	11,225,068	98,318,285	15,235,639	618,627	33,284,600	17,107,043	-24,938,709	-3,626,603	299,257,447	706,721	299,964,168

Unaudited consolidated statement of changes in equity for the six months to 30 June 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)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risk	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	43,388,724	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	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	8,966,178	-61,311	0	14,363,913	0	160,922	23,429,702	-11,147	23,418,555
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	14,363,913	0	0	14,363,913	-22,957	14,340,956
b) Other comprehensive income	0	0	0	0	0	0	0	8,966,178	-61,311	0	0	0	160,922	9,065,789	11,810	9,077,599
Net purchase/sale of treasury shares	0	0	0	14,619,362	0	0	0	0	0	0	-14,619,362	-14,619,362	0	-14,619,362	0	-14,619,362
Allocation of net profit to profit reserve	0	0	140,144	0	0	0	0	0	0	-140,144	0	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-908,878	74,217	0	0	0	917,885	-83,224	0	0	0	0	0
Acquisition of non-controlling interests	0	-188	0	0	0	0	0	0	0	0	0	0	0	-188	-5,893	-6,081
Transfer of profit	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	-26,934	0	0	0	-26,934	0	-26,934
Closing balance in the financial period	71,856,376	43,388,536	11,382,910	24,938,709	67,313	11,299,285	89,191,057	21,687,883	-98,783	49,091,414	-338,673	-24,938,709	-3,306,233	294,221,082	946,775	295,167,859

8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The selected notes to the half-yearly financial statements are significant to an understanding of the changes in financial position and performance of the Group in the first half-year 2017 as compared to both the first half-year 2016 and end-of-year 2016.

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 2016.

The financial statements with notes as at and for the six months to 30 June 2017 have not been audited.

The interim financial statements as at 30 June 2017 have been prepared following the same accounting policies and computation methods as the annual financial statements for 2016.

8.2 Seasonality and cyclicity of interim operations

The operations of the Group are not seasonal in nature. Pursuant to underwriting 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 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 1–6/2017.

8.4 Materiality

Equity was used as a basis in determining a materiality threshold for the consolidated financial statements, specifically 2 % thereof at 30 June 2017, which is € 6 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 Issuance, repurchase, and repayment of debt and equity securities

The Group did not issue any new debt or equity securities. However, in the first half of 2017 it fully repaid the subordinated debt of the controlling company taken out in 2006 and 2007 to support the expansion of the Sava Re Group to the markets of the Western Balkans.

8.6 Key accounting estimates and judgements

In preparing the interim report, the Group complies with the same principles relating to estimates as in the preparation of its annual report.

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).

Subject to the nature, scope and organisation of work, CODM (Chief Operating Decision Maker) is a group composed of management board members, executive director of finance, executive director of accounting, executive director of corporate finance and controlling. 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. Non-life and life insurance business are separately monitored whether sourced in Slovenia or abroad (international); the major part of the reinsurance segment is foreign-sourced. 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 items by operating segment – assets as at 30 June 2017

30/06/2017	Reinsurance operations	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	284,234,356	574,487,646	115,550,829	690,038,475	705,328,955	24,558,096	729,887,051	5,001,885	1,709,161,767
Intangible assets	851,147	7,317,884	8,744,647	16,062,531	6,906,830	37,689	6,944,519	17,391	23,875,588
Property and equipment	7,710,681	28,444,301	10,520,540	38,964,841	2,222,716	2,498,293	4,721,009	2,148,305	53,544,836
Deferred tax assets	1,245,249	554,957	11,590	566,547	392,354	289	392,643	0	2,204,439
Investment property	3,090,426	260,396	4,523,461	4,783,857	41,621	0	41,621	0	7,915,904
Financial investments	169,266,019	433,844,106	66,847,778	500,691,884	330,141,519	19,787,904	349,929,423	25,634	1,019,912,960
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	217,873,170	50,740	217,923,910	0	217,923,910
Reinsurers' share of technical provisions	8,841,773	19,401,555	7,525,738	26,927,293	215,816	3,598	219,414	0	35,988,480
- from unearned premiums	451,090	11,933,417	1,891,784	13,825,201	27,720	2,327	30,047	0	14,306,339
- from provisions for claims outstanding	8,390,682	7,468,138	5,633,954	13,102,092	188,096	1,271	189,367	0	21,682,141
Investment contract assets	0	0	0	0	124,964,491	0	124,964,491	0	124,964,491
Receivables	79,627,129	64,668,315	10,688,444	75,356,759	1,796,358	1,319,197	3,115,555	2,245,276	160,344,719
Receivables arising out of primary insurance business	0	59,280,438	7,559,935	66,840,373	770,007	138,890	908,897	0	67,749,270
Receivables arising out of co-insurance and reinsurance business	78,312,348	1,155,778	780,705	1,936,483	10	59	69	0	80,248,900
Current tax assets	0	0	61,664	61,664	836,796	0	836,796	0	898,460
Other receivables	1,314,781	4,232,099	2,286,140	6,518,239	189,545	1,180,248	1,369,793	2,245,276	11,448,089
Deferred acquisition costs	6,701,079	10,593,174	3,041,114	13,634,288	282,093	2,176	284,269	0	20,619,636
Other assets	507,367	1,644,343	388,236	2,032,579	26,161	23,827	49,988	15,593	2,605,527
Cash and cash equivalents	6,393,486	7,757,931	3,259,281	11,017,212	20,465,826	830,560	21,296,386	549,686	39,256,770
Non-current assets held for sale	0	684	0	684	0	3,823	3,823	0	4,507

Statement of financial position items by operating segment – equity and liabilities as at 30 June 2017

30/06/2017	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	358,976,455	520,768,507	118,998,495	639,767,003	679,361,145	25,410,839	704,771,984	5,646,323	1,709,161,767
Equity	152,002,767	55,822,976	33,769,297	89,592,274	41,931,941	10,976,218	52,908,159	5,460,966	299,964,168
Equity attributable to owners of the controlling company	152,002,767	55,568,326	33,499,588	89,067,915	41,754,064	10,975,920	52,729,984	5,456,779	299,257,447
Non-controlling interest in equity	0	254,650	269,709	524,359	177,877	298	178,175	4,187	706,721
Technical provisions	164,346,764	434,825,355	76,924,697	511,750,052	278,068,736	13,793,417	291,862,153	0	967,958,969
Unearned premiums	40,385,592	139,692,026	28,120,961	167,812,987	822,352	160,911	983,263	0	209,181,842
Mathematical provisions	0	0	0	0	261,117,882	13,362,681	274,480,563	0	274,480,563
Provision for outstanding claims	123,607,245	286,325,791	47,840,408	334,166,199	16,128,502	268,443	16,396,945	0	474,170,389
Other technical provisions	353,927	8,807,538	963,328	9,770,866	0	1,382	1,382	0	10,126,175
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	219,644,135	50,780	219,694,915	0	219,694,915
Other provisions	333,059	5,767,592	669,950	6,437,542	1,307,245	17,257	1,324,502	741	8,095,844
Deferred tax liabilities	0	2,657,660	144,844	2,802,504	2,606,504	23,466	2,629,970	6,683	5,439,157
Investment contract liabilities	0	0	0	0	124,841,189	0	124,841,189	0	124,841,189
Other financial liabilities	92,094	-324,826	324,825	-1	9,212	894	10,106	-1	102,198
Liabilities from operating activities	37,880,137	9,909,473	1,954,967	11,864,440	8,220,326	268,801	8,489,127	7,800	58,241,504
Liabilities from primary insurance business	0	4,647,547	782,640	5,430,187	6,966,319	224,623	7,190,942	711	12,621,840
Liabilities from reinsurance and co-insurance business	37,484,775	2,759,904	986,926	3,746,830	27,663	3,993	31,656	0	41,263,261
Current income tax liabilities	395,362	2,502,022	185,401	2,687,423	1,226,344	40,185	1,266,529	7,089	4,356,403
Other liabilities	4,321,634	12,110,277	5,209,915	17,320,192	2,731,857	280,006	3,011,863	170,134	24,823,823

Statement of financial position items by operating segment – assets as at 31 December 2016

31/12/2016	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	267,386,560	558,344,159	108,616,807	666,960,966	708,777,140	22,980,335	731,757,476	5,084,177	1,671,189,179
Intangible assets	832,567	9,183,818	8,648,422	17,832,240	6,797,493	28,318	6,825,811	17,965	25,508,583
Property and equipment	7,753,202	26,624,935	10,572,398	37,197,333	2,253,664	2,501,372	4,755,036	2,181,556	51,887,127
Deferred tax assets	1,373,436	535,913	12,115	548,028	404,313	286	404,599	0	2,326,063
Investment property	3,122,076	262,150	4,507,268	4,769,418	42,292	0	42,292	0	7,933,786
Financial investments	163,850,914	445,217,876	66,510,447	511,728,322	335,671,470	18,958,899	354,630,369	25,634	1,030,235,239
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	224,175,076	0	224,175,076	0	224,175,076
Reinsurers' share of technical provisions	10,295,442	13,017,657	4,916,098	17,933,756	212,623	2,808	215,431	0	28,444,628
- from unearned premiums	1,366,908	4,761,288	1,046,476	5,807,764	27,343	1,561	28,904	0	7,203,576
- from provisions for claims outstanding	8,928,534	8,256,369	3,869,622	12,125,991	185,280	1,247	186,527	0	21,241,052
Investment contract assets	0	0	0	0	121,366,122	0	121,366,122	0	121,366,122
Receivables	66,558,578	48,584,561	8,404,380	56,988,941	1,245,694	218,518	1,464,212	2,396,796	127,408,527
Receivables arising out of primary insurance business	0	44,969,594	5,451,876	50,421,470	789,421	129,930	919,351	0	51,340,821
Receivables arising out of co-insurance and reinsurance business	66,410,191	753,335	840,606	1,593,941	7	1,443	1,450	0	68,005,582
Current tax assets	0	0	31,505	31,505	93,215	0	93,215	0	124,720
Other receivables	148,387	2,861,632	2,080,393	4,942,025	363,051	87,145	450,196	2,396,796	7,937,404
Deferred acquisition costs	5,061,269	8,844,174	2,339,855	11,184,028	263,283	1,956	265,239	0	16,510,536
Other assets	549,258	446,398	253,288	699,686	27,238	57,475	84,713	33,187	1,366,844
Cash and cash equivalents	7,989,819	5,542,937	2,452,537	7,995,474	16,317,873	1,206,955	17,524,828	429,039	33,939,160
Non-current assets held for sale	0	83,740	0	83,740	0	3,748	3,748	0	87,488

Statement of financial position items by operating segment – equity and liabilities as at 31 December 2016

31/12/2016	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	337,751,922	507,092,478	113,868,354	620,960,833	683,829,982	23,878,746	707,708,728	4,767,694	1,671,189,176
Equity	124,184,574	72,461,354	38,107,048	110,568,403	46,629,669	11,101,256	57,730,925	4,554,423	297,038,324
Equity attributable to owners of the controlling company	124,184,574	72,176,574	37,821,766	109,998,341	46,442,467	11,101,256	57,543,723	4,550,679	296,277,316
Non-controlling interest in equity	0	284,780	285,282	570,062	187,202	0	187,202	3,744	761,008
Subordinated liabilities	23,570,771	0	0	0	0	0	0	0	23,570,771
Technical provisions	152,065,973	403,102,517	69,062,456	472,164,973	274,584,318	12,406,059	286,990,377	0	911,221,323
Unearned premiums	25,841,746	105,946,948	24,860,726	130,807,674	885,914	143,162	1,029,076	0	157,678,496
Mathematical provisions	0	0	0	0	257,767,552	11,995,263	269,762,815	0	269,762,815
Provision for outstanding claims	126,013,482	289,221,942	43,724,075	332,946,017	15,930,852	267,634	16,198,486	0	475,157,985
Other technical provisions	210,745	7,933,627	477,655	8,411,282	0	0	0	0	8,622,027
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	226,952,211	41,989	226,994,200	0	226,994,200
Other provisions	331,802	5,666,532	708,474	6,375,006	1,358,699	14,829	1,373,528	541	8,080,877
Deferred tax liabilities	0	2,917,207	135,462	3,052,669	2,957,570	21,709	2,979,279	6,683	6,038,631
Investment contract liabilities	0	0	0	0	121,229,675	0	121,229,675	0	121,229,675
Other financial liabilities	104,279	0	289,356	289,356	0	170	170	191	393,996
Liabilities from operating activities	33,715,381	6,740,767	1,618,373	8,359,140	6,540,362	156,598	6,696,960	19,165	48,790,646
Liabilities from primary insurance business	0	4,677,316	601,390	5,278,706	6,516,433	115,114	6,631,547	0	11,910,253
Liabilities from reinsurance and co-insurance business	33,641,254	1,838,071	784,281	2,622,352	23,929	5,163	29,092	0	36,292,698
Current income tax liabilities	74,127	225,380	232,702	458,082	0	36,321	36,321	19,165	587,695
Other liabilities	3,779,142	16,204,101	3,947,185	20,151,286	3,577,478	136,136	3,713,614	186,691	27,830,733

Income statement items by operating segment 1–6/2017

(€) 1–6/2017	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	
Net earned premiums	40,547,963	118,003,097	25,704,201	143,707,298	42,577,220	3,454,435	46,031,655	0	230,286,916
Gross premiums written	56,838,583	164,353,094	30,466,661	194,819,755	42,642,619	3,469,601	46,112,220	0	297,770,558
Written premiums ceded to reinsurers and co-insurers	-830,955	-19,770,576	-2,529,728	-22,300,304	-136,180	-2,839	-139,019	0	-23,270,279
Change in gross unearned premiums	-14,543,847	-33,696,605	-3,059,435	-36,756,040	70,405	-17,662	52,743	0	-51,247,144
Change in unearned premiums, reinsurers' and co-insurers' shares	-915,818	7,117,184	826,703	7,943,887	377	5,335	5,712	0	7,033,781
Investment income	3,835,243	3,846,072	1,244,324	5,090,396	5,122,767	411,597	5,534,364	0	14,460,004
Interest income	1,352,551	2,810,648	1,099,340	3,909,988	3,945,120	298,197	4,243,317	0	9,505,855
Other investment income	2,482,693	1,035,425	144,984	1,180,409	1,177,647	113,400	1,291,048	0	4,954,149
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	7,798,778	474	7,799,252	0	7,799,252
Other technical income	2,008,641	1,839,029	976,076	2,815,105	943,190	74,970	1,018,160	108,451	5,950,357
Commission income	147,701	807,114	245,349	1,052,463	-3,002	0	-3,002	0	1,197,162
Other technical income	1,860,940	1,031,915	730,727	1,762,642	946,192	74,970	1,021,162	108,451	4,753,195
Other income	156,106	1,597,883	412,561	2,010,444	698,270	7,171	705,441	191,328	3,063,319
Net claims incurred	-22,097,678	-67,068,285	-12,960,429	-80,028,714	-39,050,402	-789,298	-39,839,700	0	-141,966,092
Gross claims payments less income from recourse receivables	-24,126,581	-74,397,893	-11,791,105	-86,188,998	-38,249,799	-786,929	-39,036,728	0	-149,352,307
Reinsurers' and co-insurers' shares	160,518	5,368,045	777,929	6,145,973	56,489	0	56,489	0	6,362,980
Change in the gross claims provision	2,406,237	2,610,612	-3,805,987	-1,195,375	-859,909	1,341	-858,568	0	352,294
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-537,852	-649,049	1,858,735	1,209,686	2,817	-3,710	-893	0	670,941
Change in other technical provisions	-143,182	-1,677,351	-467,092	-2,144,443	-3,680,976	-1,271,594	-4,952,570	0	-7,240,195
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	6,817,113	-7,881	6,809,232	0	6,809,232
Expenses for bonuses and rebates	2	803,440	-30,861	772,579	0	0	0	0	772,581
Operating expenses	-11,523,826	-38,962,557	-12,332,363	-51,294,919	-9,784,328	-1,602,882	-11,387,211	-1,165,348	-75,371,304
Acquisition costs	-11,864,960	-10,396,952	-1,487,266	-11,884,218	-2,743,512	-274,023	-3,017,535	0	-26,766,713
Change in deferred acquisition costs	2,319,816	1,071,214	665,383	1,736,597	150,363	219	150,582	0	4,206,995
Other operating expenses	-1,978,682	-29,636,819	-11,510,480	-41,147,298	-7,191,179	-1,329,078	-8,520,258	-1,165,348	-52,811,586
Expenses for financial assets and liabilities	-5,928,150	-248,969	-135,571	-384,540	-127,025	-337,489	-464,514	0	-6,777,205
Interest expense	-718,338	0	-15	-15	0	0	0	0	-718,353
Other investment expenses	-5,209,812	-248,969	-135,556	-384,525	-127,025	-337,489	-464,514	0	-6,058,852
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-5,159,958	-447	-5,160,405	0	-5,160,405
Other technical expenses	-2,648,058	-4,236,886	-2,347,889	-6,584,775	-116,520	-63,954	-180,474	-67	-9,413,374
Other expenses	-61,324	-473,509	-179,902	-653,411	-94,112	-1,307	-95,419	-7,451	-817,605
Profit/loss before tax	4,145,736	13,421,967	-116,946	13,305,020	5,944,017	-126,205	5,817,811	-873,087	22,395,481
Income tax expense									-5,277,950
Net profit/loss for the period									17,117,531
Net profit/loss attributable to owners of the controlling company									17,107,043
Net profit/loss attributable to non-controlling interest									10,488

Income statement items by operating segment 1–6/2016

(€) 1–6/2016	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	
Net earned premiums	44,428,740	114,544,393	23,820,271	138,364,664	40,075,913	3,108,910	43,184,823	0	225,978,226
Gross premiums written	54,988,111	154,890,997	27,527,789	182,418,786	40,288,571	3,129,018	43,417,589	0	280,824,486
Written premiums ceded to reinsurers and co-insurers	-1,105,109	-16,278,451	-1,970,422	-18,248,873	-159,506	-1,822	-161,328	0	-19,515,310
Change in gross unearned premiums	-8,651,746	-29,450,824	-2,034,599	-31,485,423	-48,670	-18,177	-66,847	0	-40,204,016
Change in unearned premiums, reinsurers' and co-insurers' shares	-802,517	5,382,671	297,502	5,680,174	-4,482	-109	-4,591	0	4,873,066
Investment income	5,501,599	4,501,372	1,320,387	5,821,759	4,954,274	399,454	5,353,728	0	16,677,086
Interest income	1,481,400	3,321,888	1,104,774	4,426,661	4,431,263	302,320	4,733,582	0	10,641,644
Other investment income	4,020,199	1,179,485	215,613	1,395,098	523,011	97,134	620,145	0	6,035,442
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	7,477,217	0	7,477,217	0	7,477,217
Other technical income	3,710,946	2,884,566	986,396	3,870,963	1,130,661	24,001	1,154,662	81,405	8,817,975
Commission income	240,360	1,522,420	248,242	1,770,663	0	0	0	0	2,011,022
Other technical income	3,470,586	1,362,146	738,154	2,100,300	1,130,661	24,001	1,154,662	81,405	6,806,953
Other income	26,716	1,341,744	440,393	1,782,137	994,381	10,445	1,004,826	166,930	2,980,609
Net claims incurred	-28,727,181	-68,576,138	-11,068,025	-79,644,163	-22,740,832	-731,951	-23,472,783	0	-131,844,127
Gross claims payments less income from recourse receivables	-25,777,862	-67,544,379	-10,648,724	-78,193,103	-22,237,162	-745,750	-22,982,912	0	-126,953,877
Reinsurers' and co-insurers' shares	1,105,060	2,526,132	487,290	3,013,422	84,040	0	84,040	0	4,202,522
Change in the gross claims provision	-4,842,243	-4,509,010	-657,389	-5,166,399	-519,927	13,083	-506,844	0	-10,515,486
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	787,864	951,119	-249,203	701,917	-67,783	716	-67,067	0	1,422,714
Change in other technical provisions	42,544	-1,250,119	376,834	-873,285	-3,442,349	-1,105,744	-4,548,093	0	-5,378,834
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-4,613,757	665	-4,613,092	0	-4,613,092
Expenses for bonuses and rebates	1	-668,717	-25,254	-693,971	0	0	0	0	-693,970
Operating expenses	-12,303,967	-39,963,948	-11,878,690	-51,842,638	-8,968,849	-1,536,305	-10,505,154	-1,172,682	-75,824,440
Acquisition costs	-11,600,920	-9,970,985	-2,070,603	-12,041,588	-2,261,041	-484,084	-2,745,125	0	-26,387,633
Change in deferred acquisition costs	864,288	247,386	179,097	426,483	-47,618	132	-47,486	0	1,243,285
Other operating expenses	-1,567,335	-30,240,349	-9,987,184	-40,227,533	-6,660,190	-1,052,353	-7,712,543	-1,172,682	-50,680,092
Expenses for financial assets and liabilities	-4,213,607	-295,773	-91,143	-386,916	-432,193	-118,970	-551,162	0	-5,151,685
Impairment losses on financial assets not at fair value through profit or loss	0	-55,084	-554	-55,638	0	-6,991	-6,991	0	-62,629
Interest expense	-423,020	0	-195	-195	0	0	0	0	-423,215
Other investment expenses	-3,790,587	-240,689	-90,394	-331,083	-432,193	-111,979	-544,171	0	-4,665,841
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-8,238,108	-664	-8,238,772	0	-8,238,772
Other technical expenses	-3,832,034	-2,898,025	-2,511,039	-5,409,064	-111,428	-97,678	-209,106	-2	-9,450,206
Other expenses	-63,737	-675,103	-406,001	-1,081,104	-57	-2,111	-2,168	-4,841	-1,151,850
Profit/loss before tax	4,570,019	8,944,254	964,129	9,908,382	6,084,873	-49,948	6,034,926	-929,190	19,584,137
Income tax expense									-5,243,181
Net profit/loss for the period									14,340,956
Net profit/loss attributable to owners of the controlling company									14,363,913
Net profit/loss attributable to non-controlling interest									-22,957

Inter-segment business

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other	
	1-6/2017	1-6/2016	1-6/2017	1-6/2016	1-6/2017	1-6/2016	1-6/2017	1-6/2016
Net earned premiums	38,550,906	36,428,453	108,063	284,185	0	0	0	0
Net claims incurred	-13,752,350	-12,118,707	-99,404	-30,075	0	0	0	0
Operating expenses	-5,598,481	-5,402,539	-639,936	-581,455	-198,268	-386,675	-70,830	-69,990
Investment income	47,809	79,215	2,003	351	0	0	0	0
Other income	11,705	12,648	56,346	113,016	1	448	848,007	970,963

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					
01/01/2017	8,030,475	54,625,070	24,272,128	218,004	87,145,677
Additions	15,784	2,939,251	613,362	0	3,568,397
Disposals	0	-11,593	-949,446	-1,216	-962,255
Exchange differences	0	48,513	18,573	1,042	68,128
30/06/2017	8,046,259	57,601,241	23,954,617	217,830	89,819,947
Accumulated depreciation and impairment losses					
01/01/2017	0	17,107,342	18,072,626	78,583	35,258,551
Additions	0	617,292	1,096,959	1,945	1,716,196
Disposals	0	-11,593	-713,297	-190	-705,080
Exchange differences	0	12,110	13,282	53	25,445
30/06/2017	0	17,725,151	18,469,570	80,391	36,275,112
Carrying amount as at 01/01/2017	8,030,475	37,517,728	6,199,502	139,421	51,887,127
Carrying amount as at 30/06/2017	8,046,259	39,876,090	5,485,047	137,439	53,544,836

8.8.2 Financial investments

In the first half of 2017, financial investments declined by € 10.5 million compared to year-end 2016 due to the reclassification of certain investments as cash (planned dividend payout, repayment of subordinated debt and a tactical decision relating to the management of the investment portfolio).

Financial investments as at 30 June 2017

(€)	Held-to-maturity	At fair value through P/L		Available-for-sale	Loans and receivables	Total
		Non-derivative	Designated to this category			
30/06/2017						
Debt instruments	105,655,586	3,595,410		816,390,396	21,757,579	947,398,971
Deposits and CDs	1,539,971	0		0	21,069,368	22,609,339
Government bonds	103,840,394	1,604,338		391,878,138	0	497,322,870
Corporate bonds	275,221	1,991,072		424,512,258	0	426,778,551
Loans granted	0	0		0	688,211	688,211
Equity instruments	0	1,822,355		63,917,699	0	65,740,054
Shares	0	555,194		16,421,129	0	16,976,323
Mutual funds	0	1,267,161		47,496,570	0	48,763,731
Other investments	0	0		0	2,976	2,976
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0		0	6,770,959	6,770,959
Total	105,655,586	5,417,765		880,308,095	28,531,514	1,019,912,960

Financial investments as at 31 December 2016

(€)	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative Designated to this category			
31/12/2016					
Debt instruments	130,812,195	7,439,052	826,819,512	23,769,488	988,840,247
Deposits and CDs	1,580,825	0	0	23,156,483	24,737,308
Government bonds	129,016,305	1,644,648	417,668,768	0	548,329,721
Corporate bonds	215,065	5,794,404	409,150,744	0	415,160,213
Loans granted	0	0	0	613,005	613,005
Equity instruments	0	1,737,642	31,775,012	0	33,512,654
Shares	0	524,744	16,456,103	0	16,980,847
Mutual funds	0	1,212,898	15,318,909	0	16,531,807
Other investments	0	0	46,479	0	46,479
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	7,835,859	7,835,859
Total	130,812,195	9,176,694	858,641,003	31,605,347	1,030,235,239

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

(€)	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative Designated to this category			
30/06/2017					
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,811,960	143,068,295	51,529,793	13,513,862	217,923,910

(€)	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative Designated to this category			
31/12/2016					
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,935,635	136,616,498	53,580,945	24,041,998	224,175,076

8.8.4 Reinsurers' share of technical provisions

The reinsurers' share of technical provisions increased by € 7.5 million or 26.5 % compared to 31 December 2016. The largest increase was recorded in unearned premiums (€ 6.5 million) as a result of seasonal movements: establishment of high unearned premiums for coverages for which the full-year premiums were booked at the beginning of the year (especially non-proportional coverages and surplus covers for large industrial risks). The increase in the provision for outstanding claims (€ 0.5 million or 2.5 %) was the result of additions for a major property claim in Macedonia (€ 1.9 million) partially set off by payments of past major claims.

(€)	30/06/2017	31/12/2016
From unearned premiums	14,306,339	7,203,576
From provisions for claims outstanding	21,682,141	21,241,052
Total	35,988,480	28,444,628

8.8.5 Receivables

Receivables increased by € 32.9 million compared to year-end 2016. Receivables arising out of primary insurance business increased by € 16.4 million due to the annual renewal of insurance contracts. There was also an increase of € 12.2 million in receivables arising out of reinsurance and co-insurance business as a result of renewals of foreign-sourced reinsurance contracts written by Sava Re.

Receivables by type

(€)	30/06/2017			31/12/2016		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	93,510,235	-28,670,093	64,840,142	77,414,889	-28,295,242	49,119,647
Receivables from insurance brokers	3,456,770	-643,872	2,812,898	2,759,399	-636,693	2,122,706
Other receivables arising out of primary insurance business	232,234	-136,004	96,230	232,891	-134,423	98,468
Receivables arising out of primary insurance business	97,199,239	-29,449,969	67,749,270	80,407,179	-29,066,358	51,340,821
Receivables for premiums arising out of reinsurance and co-insurance	75,383,947	-383,731	75,000,216	63,665,635	-427,794	63,237,841
Receivables for shares in claims payments	4,775,691	-176,916	4,598,775	4,408,072	-76,896	4,331,176
Other receivables from co-insurance and reinsurance	649,909	0	649,909	436,565	0	436,565
Receivables arising out of co-insurance and reinsurance business	80,809,547	-560,647	80,248,900	68,510,272	-504,690	68,005,582
Current tax assets	898,460	0	898,460	124,720	0	124,720
Other short-term receivables arising out of insurance business	23,717,424	-21,193,003	2,524,421	24,635,936	-21,985,030	2,650,906
Receivables arising out of investments	2,543,578	-1,116,833	1,426,745	2,054,426	-1,136,608	917,818
Other receivables	8,729,413	-1,232,490	7,496,923	5,618,546	-1,249,866	4,368,680
Other receivables	34,990,415	-23,542,326	11,448,089	32,308,908	-24,371,504	7,937,404
Total	213,897,661	-53,552,942	160,344,719	181,351,079	-53,942,552	127,408,527

Movement in allowance for receivables

(€)	01/01/2017	Additions	Reversals	Write-offs	Exchange differences	30/06/2017
30/06/2017						
Receivables due from policyholders	-28,295,242	-1,382,440	165,507	871,542	-29,460	-28,670,093
Receivables from insurance brokers	-636,693	-18,207	13,333	50	-2,355	-643,872
Other receivables arising out of primary insurance business	-134,423	-2,329	1,358	0	-610	-136,004
Receivables arising out of primary insurance business	-29,066,358	-1,402,976	180,198	871,592	-32,425	-29,449,969
Receivables for premiums arising out of reinsurance and co-insurance	-427,794	-10,140	41,642	0	12,561	-383,731
Receivables for shares in claims payments	-76,896	-100,000	0	0	-20	-176,916
Receivables arising out of co-insurance and reinsurance business	-504,690	-110,140	41,642	0	12,541	-560,647
Other short-term receivables arising out of insurance business	-21,985,030	-10,370	82,434	737,925	-17,962	-21,193,003
Receivables arising out of investments	-1,136,608	-178	30,224	0	-10,271	-1,116,833
Other short-term receivables	-1,249,866	-167,287	187,780	0	-3,117	-1,232,490
Other receivables	-24,371,504	-177,835	300,438	737,925	-31,350	-23,542,326
Total	-53,942,552	-1,690,951	522,278	1,609,517	-51,234	-53,552,942

Receivables ageing analysis

(€) 30/06/2017	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	52,230,400	9,876,766	2,732,976	64,840,142
Receivables from insurance brokers	1,309,226	1,463,558	40,114	2,812,898
Other receivables arising out of primary insurance business	80,798	9,017	6,415	96,230
Receivables arising out of primary insurance business	53,620,424	11,349,341	2,779,505	67,749,270
Receivables for premiums arising out of assumed reinsurance and co-insurance	62,694,666	10,140,085	2,165,465	75,000,216
Receivables for reinsurers' shares in claims	3,238,647	590,170	769,958	4,598,775
Other receivables from co-insurance and reinsurance	609,665	40,244	0	649,909
Receivables arising out of co-insurance and reinsurance business	66,542,978	10,770,499	2,935,423	80,248,900
Current tax assets	898,460	0	0	898,460
Other short-term receivables arising out of insurance business	341,097	2,167,945	15,379	2,524,421
Short-term receivables arising out of financing	1,384,413	2,657	39,675	1,426,745
Other short-term receivables	7,086,113	320,352	90,458	7,496,923
Other receivables	8,811,623	2,490,954	145,512	11,448,089
Total	129,873,485	24,610,794	5,860,440	160,344,719

(€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	36,688,644	9,345,376	3,085,627	49,119,647
Receivables from insurance brokers	1,146,175	939,073	37,458	2,122,706
Other receivables arising out of primary insurance business	86,029	6,013	6,426	98,468
Receivables arising out of primary insurance business	37,920,848	10,290,462	3,129,511	51,340,821
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,162,568	9,624,769	2,450,504	63,237,841
Receivables for reinsurers' shares in claims	3,158,284	606,406	566,486	4,331,176
Other receivables from co-insurance and reinsurance	429,134	7,431	0	436,565
Receivables arising out of co-insurance and reinsurance business	54,749,986	10,238,606	3,016,990	68,005,582
Current tax assets	124,720	0	0	124,720
Other short-term receivables arising out of insurance business	1,810,502	823,955	16,449	2,650,906
Short-term receivables arising out of financing	777,099	68,724	71,995	917,818
Other short-term receivables	3,830,310	439,853	98,517	4,368,680
Other receivables	6,417,911	1,332,532	186,961	7,937,404
Total	99,213,465	21,861,600	6,333,462	127,408,527

8.8.6 Net earnings/loss per share

The weighted average number of shares outstanding in the financial period was 15,497,696. As at 30 June 2017, the controlling company owned 1,721,966 treasury shares, which are excluded when calculating the weighted average number of shares.

Net earnings/loss per share

(€)	1-6/2017	1-6/2016
Net profit/loss for the period	17,117,531	14,340,956
Net profit/loss for the period attributable to owners of the controlling company	17,107,043	14,363,913
Weighted average number of shares	15,497,696	16,043,252
Net earnings/loss per share	1.10	0.90

Comprehensive income per share

(€)	1–6/2017	1–6/2016
Comprehensive income for the period	15,389,873	23,418,555
Comprehensive income for the period attributable to owners of the controlling company	15,378,285	23,429,702
Weighted average number of shares	15,497,696	16,043,252
Comprehensive income per share	0.99	1.46

8.8.7 Subordinated liabilities

In 2006 and 2007, the controlling company raised a subordinated loan in the nominal amount of € 32 million scheduled to mature in 2027. Under the contractual provisions, the remaining nominal amount of € 24 million could be early repaid as of 2017. After receiving the approval of the Slovenian Insurance Supervision Agency, the controlling company repaid the subordinated debt in the nominal amount of € 24 million on 15 March 2017 and 14 June 2017.

8.8.8 Technical provisions

Technical provisions increased by € 56.7 million or 6.2 % compared to 31 December 2016. The largest increase was recorded in gross unearned premiums (€ 51.5 million) as a result of seasonal movements (establishment of high unearned premiums for coverages for which the full-year premiums were booked at the beginning of the year) and of non-life premium growth. The gross provision for traditional life policies increased by 1.7 % (or € 4.7 million), as a result of aging and growth of the portfolio of traditional life insurance business, including pension annuity business (during the distribution phase). The gross provision for outstanding claims decreased by 0.2 % (€ 1.0 million), mainly due to favourable exchange differences for the controlling company and due to the settlement of losses relating to the previous years, i.e. releases of over-prudent provisions in the Slovenian Group members (decline by € 5.1 million), which offset the increase in the provision for outstanding claims established by other Group companies due to an unfavourable loss experience (most relating to a large claim in Macedonia of € 2.9 million). Gross mathematical provisions associated with unit-linked life business decreased by 3.2 % or € 7.3 million, mainly due to maturities and the acquisition of the DWS funds. Other technical provisions (bonuses and discounts, unexpired risks) account for a smaller share and grew in total by € 1.5 million.

Movements in gross technical provisions

(€)	01/01/2017	Additions	Uses and releases	Exchange differences	30/06/2017
Gross unearned premiums	157,678,496	148,441,539	-96,367,638	-570,555	209,181,842
Technical provisions for life insurance business	269,762,815	14,457,725	-9,765,415	25,438	274,480,563
Gross provision for outstanding claims	475,157,985	108,283,926	-105,866,266	-3,405,256	474,170,389
Gross provision for bonuses, rebates and cancellations	1,831,422	366,183	-1,160,252	259	1,037,610
Other gross technical provisions	6,790,605	6,962,907	-4,670,187	5,238	9,088,565
Total	911,221,323	278,512,280	-217,829,758	-3,944,876	967,958,969
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	226,994,200	21,609,335	-28,908,620	0	219,694,915

8.8.9 Fair values of assets and liabilities

Financial assets measured at fair value by level of the fair value hierarchy as at 30 June 2017

(€) 30/06/2017	Carrying amount	Fair value				Total fair value	Difference between FV and CA
		Level 1	Level 2	Level 3			
Investments measured at fair value	885,725,860	701,653,961	175,436,464	8,635,435	885,725,860	0	
At fair value through P/L	5,417,765	3,335,055	1,878,920	203,790	5,417,765	0	
Designated to this category	5,417,765	3,335,055	1,878,920	203,790	5,417,765	0	
Debt instruments	3,595,410	2,024,422	1,367,198	203,790	3,595,410	0	
Equity instruments	1,822,355	1,310,633	511,722	0	1,822,355	0	
Available-for-sale	880,308,095	698,318,906	173,557,544	8,431,645	880,308,095	0	
Debt instruments	816,390,396	650,821,586	161,702,270	3,866,540	816,390,396	0	
Equity instruments	63,917,699	47,497,320	11,855,274	4,565,105	63,917,699	0	
Inv. for the benefit of life policyholders who bear the inv. risk	194,598,088	181,829,050	12,718,298	0	194,547,348	-50,740	
Investments not measured at fair value	134,187,100	84,345,199	52,734,690	8,885,850	145,962,763	11,775,663	
Held-to-maturity assets	105,655,586	84,345,199	30,796,356	0	115,141,555	9,485,969	
Debt instruments	105,655,586	84,345,199	30,796,356	0	115,141,555	9,485,969	
Loans and receivables	28,531,514	0	21,938,334	8,885,850	30,821,208	2,289,694	
Deposits	21,069,368	0	21,938,334	0	21,938,334	868,966	
Loans granted	688,211	0	0	2,111,915	2,111,915	1,423,704	
Deposits with cedants	6,770,959	0	0	6,770,959	6,770,959	0	
Other investments	2,976	0	0	2,976	0	-2,976	
Inv. for the benefit of life policyholders who bear the inv. risk	23,325,822	10,675,838	13,729,521	0	24,405,359	1,079,537	

Financial assets measured at fair value by level of the fair value hierarchy as at 31 December 2016

(€) 31/12/2016	Carrying amount	Fair value				Total fair value	Difference between FV and CA
		Level 1	Level 2	Level 3			
Investments measured at fair value	867,817,697	679,892,840	176,194,863	11,750,388	867,838,091	20,394	
At fair value through P/L	9,176,694	2,841,687	6,133,045	207,834	9,182,566	5,872	
Designated to this category	9,176,694	2,841,687	6,133,045	207,834	9,182,566	5,872	
Debt instruments	7,439,052	1,590,145	5,646,945	207,834	7,444,924	5,872	
Equity instruments	1,737,642	1,251,542	486,100	0	1,737,642	0	
Available-for-sale	858,641,003	677,051,153	170,061,818	11,542,554	858,655,525	14,522	
Debt instruments	826,819,512	661,731,495	158,157,047	6,930,970	826,819,512	0	
Equity instruments	31,775,012	15,319,658	11,904,771	4,565,105	31,789,534	14,522	
Other investments	46,479	0	0	46,479	46,479	0	
Investments for the benefit of policyholders who bear the investment risk	190,197,443	172,358,357	17,839,086	0	190,197,443	0	
Investments not measured at fair value	162,417,542	135,383,592	32,156,239	8,539,017	176,078,848	13,661,306	
Held-to-maturity assets	130,812,195	135,383,592	8,004,082	0	143,387,674	12,575,479	
Debt instruments	130,812,195	135,383,592	8,004,082	0	143,387,674	12,575,479	
Loans and receivables	31,605,347	0	24,152,157	8,539,017	32,691,174	1,085,827	
Deposits	23,156,483	0	24,152,157	0	24,152,157	995,674	
Loans granted	613,005	0	0	703,158	703,158	90,153	
Deposits with cedants	7,835,859	0	0	7,835,859	7,835,859	0	
Investments for the benefit of policyholders who bear the investment risk	33,977,633	11,208,926	24,058,706	0	35,267,632	1,289,999	

Movements in level 3 FVPL financial assets

(€)	Debt instruments		Equity instruments		Other investments	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Opening balance	7,138,804	7,892,260	4,565,105	4,565,104	46,479	46,479
Exchange differences	-1		0	0	0	0
Additions	60,868	0	0	1	0	0
Disposals	-64,911	-753,456	0	0	-46,479	0
Maturity	-3,065,914	0	0	0	0	0
Revaluation to fair value	1,484	0	0	0	0	0
Closing balance	4,070,330	7,138,804	4,565,105	4,565,105	0	46,479

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

(€) 30/06/2017	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property		55,838,254	53,814,265	
Owner-occupied property	30/06/2017	47,922,350	45,657,584	market approach and income approach
Investment property	30/06/2017	7,915,904	8,156,681	(weighted 50: 50), new purchases at cost
Total		55,838,254	53,814,265	

Changes in fair value of property in the period 1–6/2017

(€) 2017	Opening balance	Acquisitions	Disposals	Change in fair value	Exchange differences	Closing balance
Owner-occupied property	43,047,424	3,159,724	-16,035	-520,402	-13,127	45,657,584
Investment property	8,100,146	57,500	0	15,141	-16,106	8,156,681
Total	51,147,570	3,217,224	-16,035	-505,261	-29,233	53,814,265

Reclassification of assets and financial liabilities between levels in the period 1–6/2017

(€)	Level 1	Level 2
At fair value through P/L	31,686	-31,686
<i>Designated to this category</i>	<i>31,686</i>	<i>-31,686</i>
Debt instruments	31,686	-31,686
Available-for-sale	-2,088,707	2,088,707
Debt instruments	-2,088,707	2,088,707
Equity instruments	0	0
Other investments	0	0
Total	-2,057,021	2,057,021

9 RELATED-PARTY DISCLOSURES

Fixed remuneration of management board members for performing their function in the first half year of 2017 totalled € 250,688 (1–6/2016: € 304,114). Variable remuneration amounted to € 29,253 in the first half of 2017 (1–6/2016: 58,956). Fringe benefits were € 21,028 (1–6/2016: € 22,259).

Remuneration paid to supervisory board members and members of the supervisory board's committees in the first half of 2017 totalled € 71,310 (1–6/2016: € 74,339).

Remuneration of management board members in 1–6/2017

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Marko Jazbec	22,151	0	28	729	22,908
Jošt Dolničar	78,740	14,912	2,968	4,332	100,953
Srečko Čebren	76,896	7,170	2,604	3,690	90,360
Mateja Treven	72,900	7,170	2,585	4,092	86,747
Total	250,688	29,253	8,184	12,843	300,968

Liabilities to members of the management board based on gross remuneration

(€)	30/06/2017	31/12/2016
Marko Jazbec		0
Jošt Dolničar	13,280	13,280
Srečko Čebren	11,950	12,616
Mateja Treven	12,616	11,950
Total	49,796	37,846

Remuneration of members of the supervisory board, audit committee and fit and proper committee in the period 1–6/2017

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Mateja Lovšin Herič	chair of the SB	1,595	9,750	0	11,345
Slaven Mičković	deputy chair	1,595	7,150	0	8,745
Gorazd Andrej Kunstek	member of the SB	1,595	6,500	0	8,095
Keith William Morris	member of the SB	1,595	6,500	6,290	14,385
Mateja Živec	member of the SB	1,595	6,500	0	8,095
Davor Ivan Gjivoje	SB member (since 07/03/2017)	1,320	4,124	0	5,444
Total supervisory board members		9,295	40,524	6,290	56,109
Audit committee members					
Slaven Mičković	chairman	1,320	2,438	0	3,758
Mateja Lovšin Herič	member of the AC	1,320	1,625	0	2,945
Ignac Dolenšek	member of the AC		5,963	116	6,079
Total audit committee members		2,640	10,025	116	12,781
Nomination committee members					
Mateja Lovšin Herič	Chair of the committee	660	0	0	660
Slaven Mičković	member	660	0	0	660
Keith William Morris	member	660	0	0	660
Total nominations committee members		1,980	0	0	1,980
Fit & proper committee members					
Mateja Lovšin Herič	Chair of the committee	220	0	0	220
Nika Matjan	member	0	0	0	0
Mateja Živec	member	220	0	0	220
Total fit & proper committee members		440	0	0	440

Liabilities to members of the supervisory board and audit committee of the supervisory board based on gross remuneration

(€)	30/06/2017	31/12/2016
Mateja Lovšin Herič	2,611	3,381
Slaven Mičković	2,313	2,971
Gorazd Andrej Kunstek	1,578	1,908
Keith William Morris	7,094	7,145
Mateja Živec	1,578	2,128
Davor Ivan Gjivoje	1,578	0
Ignac Dolenšek	357	544
Total	17,110	18,078

Transactions with subsidiaries

Investments in and amounts due from Group companies

(€)	30/06/2017	31/12/2016
Debt securities and loans granted to Group companies	1,305,800	2,834,953
Receivables for premiums arising out of reinsurance assumed	21,518,627	12,891,949
Short-term receivables arising out of financing	0	28,091
Other short-term receivables	3,816	56,598
Short-term deferred acquisition costs	3,422,188	1,505,595
Total	26,250,431	17,317,186

Liabilities to Group companies

(€)	30/06/2017	31/12/2016
Liabilities for shares in reinsurance claims due to Group companies	7,308,015	7,434,318
Other liabilities from co-insurance and reinsurance	4,344,262	2,648,269
Other short-term liabilities	708	700
Total (excl. provisions)	11,652,985	10,083,287

Income and expenses relating to Group companies

(€)	1-6/2017	1-6/2016
Gross premiums written	38,550,906	36,428,453
Change in gross unearned premiums	-11,794,536	-9,664,620
Gross claims payments	-14,362,363	-12,745,629
Change in the gross claims provision	1,579,237	-1,436,478
Income from gross recourse receivables	610,013	626,922
Other operating expenses	-43,870	-56,325
Dividend income	26,036,830	24,999,093
Interest income	47,809	79,215
Acquisition costs	-7,473,125	-6,986,315
Change in deferred acquisition costs	1,918,514	1,640,099
Other technical income	5,736	7,072
Other non-life income	393	0
Total	35,075,544	32,891,487

Transactions with the state and majority state-owned entities

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

(€)	30/06/2017	31/12/2016
Interests in companies	9,137,350	9,406,870
Debt securities and loans	239,174,972	281,292,477
Receivables due from policyholders	865,475	141,554
Total	249,177,797	290,840,901

Liabilities to the state and majority state-owned companies

(€)	30/06/2017	31/12/2016
Liabilities for shares in claims	33,218	4,263

Income and expenses relating to majority state-owned companies

(€)	1-6/2017	1-6/2016
Gross premiums written	11,376,548	10,748,433
Gross claims payments	-2,112,260	-1,360,014
Dividend income	245,770	0
Interest income	4,241,805	5,087,528
Other investment income	414,300	717,114
Total	14,166,163	15,193,061

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

**UNAUDITED CONDENSED SEPARATE
FINANCIAL STATEMENTS OF
SAVA RE**

10 UNAUDITED CONDENSED SEPARATE FINANCIAL STATEMENTS

10.1 Unaudited statement of financial position

(€)	30/06/2017	31/12/2016
ASSETS	591,737,051	568,147,764
Intangible assets	851,147	832,567
Property and equipment	7,710,681	7,753,202
Deferred tax assets	1,245,249	1,373,436
Investment property	3,090,426	3,122,076
Financial investments in subsidiaries and associates	191,640,382	191,640,382
Financial investments:	245,614,547	249,948,775
- loans and deposits	10,397,616	13,069,414
- held to maturity	2,023,231	2,074,813
- available for sale	231,929,303	233,517,137
- at fair value through profit or loss	1,264,397	1,287,411
Reinsurers' share of technical provisions	22,066,156	18,203,912
Receivables	101,483,491	79,836,627
Receivables arising out of co-insurance and reinsurance business	100,164,894	79,603,551
Other receivables	1,318,597	233,076
Deferred acquisition costs	11,134,119	6,897,710
Other assets	507,367	549,258
Cash and cash equivalents	6,393,486	7,989,819
EQUITY AND LIABILITIES	591,737,051	568,147,764
Equity	288,963,848	270,355,622
Share capital	71,856,376	71,856,376
Capital reserves	54,239,757	54,239,757
Profit reserves	147,004,019	147,004,019
Own shares	-24,938,709	-24,938,709
Fair value reserve	3,404,903	3,785,553
Reserve due to fair value revaluation	15,518	-1,765
Retained earnings	6,012,233	9,283,163
Net profit/loss for the period	31,369,751	9,127,228
Subordinated liabilities	0	23,570,771
Technical provisions	248,493,293	226,207,479
Unearned premiums	69,683,798	43,345,415
Provision for outstanding claims	178,182,306	182,167,780
Other technical provisions	627,189	694,284
Other provisions	333,059	331,802
Other financial liabilities	92,095	104,280
Liabilities from operating activities	49,532,414	43,797,970
Liabilities from reinsurance and co-insurance business	49,137,052	43,723,843
Current income tax liabilities	395,362	74,127
Other liabilities	4,322,342	3,779,840

10.2 Unaudited income statement

(€)	1–6/2017	1–6/2016
Net earned premiums	59,837,679	64,243,892
Gross premiums written	95,389,489	91,416,564
Written premiums ceded to reinsurers and co-insurers	-14,046,411	-12,557,132
Change in gross unearned premiums	-26,338,383	-18,316,366
Change in unearned premiums, reinsurers' and co-insurers' shares	4,832,984	3,700,826
Income from investments in subsidiaries and associates	26,036,830	24,999,093
Investment income	4,800,973	6,541,798
Interest income	2,000,002	2,236,429
Other investment income	2,800,971	4,305,369
Other technical income	2,603,629	5,134,522
Commission income	736,953	1,651,288
Other income	1,866,676	3,483,234
Other income	162,075	26,716
Net claims incurred	-31,958,124	-39,297,576
Gross claims payments, net of income from recourse receivables	-37,878,931	-37,896,569
Reinsurers' and co-insurers' shares	2,906,073	2,919,646
Change in the gross claims provision	3,985,474	-6,278,721
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-970,740	1,958,068
Change in other technical provisions	-143,182	42,544
Expenses for bonuses and rebates	210,276	-4,249
Operating expenses	-20,283,059	-21,006,670
Acquisition costs	-19,338,085	-18,587,235
Change in deferred acquisition costs	4,238,330	2,504,387
Other operating expenses	-5,183,304	-4,923,822
Expenses for financial assets and liabilities	-5,946,846	-4,255,725
Interest expenses	-718,338	-423,020
Diverse other expenses	-5,228,508	-3,832,705
Other technical expenses	-2,593,058	-3,802,034
Other expenses	-61,327	-63,737
Profit/loss before tax	32,665,866	32,558,574
Income tax expense	-1,296,115	-2,946,670
Net profit/loss for the period	31,369,751	29,611,904
Earnings/loss per share (basic and diluted)	2.02	1.85

10.3 Unaudited statement of comprehensive income

(€)	1-6/2017	1-6/2016
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	31,369,751	29,611,904
OTHER COMPREHENSIVE INCOME, NET OF TAX	-363,368	1,619,679
a) Items that will not be reclassified subsequently to profit or loss	17,283	-25,784
Other items that will not be reclassified subsequently to profit or loss	17,283	-25,784
b) Items that may be reclassified subsequently to profit or loss	-380,650	1,645,463
Net gains/losses on remeasuring available-for-sale financial assets	-469,940	1,982,487
Net change recognised in the fair value reserve	-210,501	1,870,090
Net change transferred from fair value reserve to profit or loss	-259,438	112,397
Tax on items that may be reclassified subsequently to profit or loss	89,289	-337,024
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	31,006,383	31,231,583

10.4 Unaudited statement of changes in equity

Unaudited statement of changes in equity for the six months to 30 June 2017

(€)	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	Catastrophe equalisation reserve	Other						
	1.	2.	4.	5.	7.	8.	9.	10.	11.	12.	13.	14.
Closing balance in previous financial year	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	97,078,786	3,785,553	-1,765	9,283,163	9,127,228	-24,938,709	270,355,622
Opening balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	97,078,786	3,785,553	-1,765	9,283,163	9,127,228	-24,938,709	270,355,622
Comprehensive income for the period, net of tax	0	0	0	0	0	0	-380,650	17,283	0	31,369,751	0	31,006,383
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	31,369,751	0	31,369,751
b) Other comprehensive income	0	0	0	0	0	0	-380,650	17,283	0	0	0	-363,368
Dividend payouts	0	0	0	0	0	0	0	0	-12,398,158	0	0	-12,398,158
Transfer of profit	0	0	0	0	0	0	0	0	9,127,228	-9,127,228	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	10,000,000	97,078,786	3,404,903	15,518	6,012,233	31,369,751	-24,938,709	288,963,848

Unaudited statement of changes in equity for the six months to 30 June 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)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risk	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	10,319,347	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	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	1,645,463	-25,784	0	29,611,904	0	31,231,583
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	29,611,904	0	29,611,904
b) Other comprehensive income	0	0	0	0	0	0	0	1,645,463	-25,784	0	0	0	1,619,679
Net purchase/sale of treasury shares	0	0	0	14,619,362	0	0	0	0	0	0	-14,619,362	-14,619,362	-14,619,362
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	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	7,993,789	-7,993,789	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	24,938,709	0	10,000,000	87,951,558	4,652,166	-68,619	21,681,320	14,992,542	-24,938,709	280,291,624

10.5 Unaudited statement of cash flows

(€)	1–6/2017	1–6/2016
A. Cash flows from operating activities		
a.) Items of the income statement	21,076,912	18,902,516
1. Net premiums written in the period	81,343,078	78,859,432
2. Investment income (other than financial income)	6,016	3,814
3. Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	2,765,704	5,161,747
4. Net claims payments in the period	-34,972,858	-34,976,923
5. Expenses for bonuses and rebates	210,276	-4,249
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-24,324,382	-23,357,995
7. Investment expenses (excluding amortisation and financial expenses)	-422	-309
8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-2,654,385	-3,836,331
9. Tax on profit and other taxes not included in operating expenses	-1,296,115	-2,946,670
b.) Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position	-13,581,629	-11,191,788
2. Change in receivables from reinsurance	-20,561,343	-7,918,388
4. Change in other receivables and other assets	-1,043,630	1,469,487
5. Change in deferred tax assets	128,187	337,023
6. Change in liabilities arising out of reinsurance business	5,413,209	-5,075,693
7. Change in other operating liabilities	886,309	2,026,839
8. Change in other liabilities (except unearned premiums)	1,595,639	-2,031,056
c.) Net cash from/used in operating activities (a + b)	7,495,283	7,710,728
B. Cash flows from investing activities		
a.) Cash receipts from investing activities	395,666,808	368,781,693
1. Interest received from investing activities	2,000,002	2,236,429
2. Cash receipts from dividends and participation in the profit of others	26,550,375	25,557,904
4. Proceeds from sale of property and equipment	1,512	10,007
5. Proceeds from sale of financial investments	367,114,919	340,977,353
b.) Cash disbursements in investing activities	-367,641,930	-344,006,397
1. Purchase of intangible assets	-110,700	-51,058
2. Purchase of property and equipment	-131,039	-3,922,166
3. Purchase of financial investments	-367,400,191	-340,033,173
c.) Net cash from/used in investing activities (a + b)	28,024,879	24,775,296
C. Cash flows from financing activities		
b.) Cash disbursements in financing activities	-37,116,495	-15,048,462
1. Interest paid	-718,338	-423,020
3. Repayment of long-term financial liabilities	-24,000,000	0
4. Repayment of short-term financial liabilities	0	-6,080
5. Dividends and other profit participations paid	-12,398,157	0
6. Own share repurchases	0	-14,619,362
c.) Net cash from/used in financing activities (a + b)	-37,116,495	-15,048,462
C2. Closing balance of cash and cash equivalents	6,393,486	17,723,512
x) Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	-1,596,333	17,437,562
y) Opening balance of cash and cash equivalents	7,989,819	285,950

**Appendix – Glossary of selected
terms and calculation
methodologies for indicators**

Appendix – Glossary of selected terms and calculation methodologies for indicators

Accounting currency. A local currency used in the accounting documentation. Reinsurance contracts may be accounted for using various accounting currencies. Generally, this is the currency in which are denominated liabilities and receivables in relation to the cedant, and hence also the reinsurer.

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 weighted average number of shares outstanding.

Business continuity plan. Document comprising procedures for ensuring continuity of key business processes and systems. The contingency plan is an integral part of the business continuity plan, setting out technical and organisational measures to return to normal operation and minimise the consequences of severe business disruptions.

BVAL price. Engl. *Bloomberg valuation price.* The price obtained from the Bloomberg information system.

Capital fund. Assets representing the capital of the Company.

CBBT price. Engl. Composite Bloomberg Bond Trader price. Closing price available in the Bloomberg information system based on binding bids.

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.

Comprehensive income. 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.

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 weighted average 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 of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.

Currency risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.

Dividend yield. Ratio of dividend per share to the average price per share in the period.

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

EIOPA. European Insurance and Occupational Pensions Authority.

Eligible own funds. The value of own funds eligible to cover the solvency capital requirement.

Equity risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.

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.

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 sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

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 insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.

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

Minimum capital requirement (MCR). The minimum capital requirement must be equal to the amount of eligible own funds under which policyholders, insured persons and other beneficiaries under insurance contracts would be exposed to an unacceptable risk level if the undertaking were allowed to continue operations.

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.

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.

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 from and expenses for 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.

Operational limit. Operational limits for particular areas are determined on the basis of expressed risk tolerance limits. In absolute terms, this is the maximum amount acceptable for a particular risk so that the Company remains within its risk appetite framework.

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

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

OTC market. Engl. Over-The-Counter market. OTC market transactions are transactions outside the regulated market.

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.

Reputation risk. Risk of loss due to the Company's negative image as perceived by its policyholders, business partners, owners and investors, supervisors or other stakeholders.

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.

Risk appetite. The level of risk that a company is willing to take in pursuit of its strategic objectives. It is determined based on the acceptable solvency ratio, ratio of high-quality liquid assets as a percentage of the investment portfolio, profitability of insurance products and reputation risk.

Risk register. Catalogue of all identified risks maintained regularly updated by the Company.

Solvency capital requirement (SCR). Level of capital calculated as prescribed by law based on all measurable risks, including life and non-life insurance risk, health insurance risk, market risk, counterparty default risk and operational risk.

Solvency ratio. The ratio of eligible own funds as a percentage of the SCR. A solvency ratio in excess of 100 per cent indicates that the firm has sufficient resources to meet the SCR.

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

Standard formula. Formulas laid down by Solvency II regulations for the calculation of the Solvency Capital Requirement.

Strategic risk. Risk of unexpected decline in the company's value due to adverse impact of wrong business decisions, changes to the business or legal environment and market development.

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

Transaction currency. The currency in which reinsurance contract transactions are processed.

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

Underwriting risk. The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.

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.
