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**TRANSLATION OF THE
UNAUDITED FINANCIAL REPORT OF THE
SAVA RE GROUP AND
SAVA REINSURANCE COMPANY FOR THE
THREE MONTHS TO 31 MAREC 2012**

Ljubljana, 30 May 2012

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INTRODUCTION

1 INTRODUCTION

In accordance with the Financial Instruments Market Act and the Rules of the Ljubljana Stock Exchange, Sava Reinsurance Company ("Sava Reinsurance Company"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Financial Report of the Sava Re Group and Sava Reinsurance Company for the Three Months to 31 March 2012.

Published data and interim financial statements for both the Sava Re Group and Sava Reinsurance Company for the three months to 31 March 2012 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and need to be read together with the annual financial statements prepared for the financial year ended 31 December 2011. The interim financial statements have not been audited.

The Unaudited Financial Report of the Sava Re Group and Sava Reinsurance Company for the Three Months to 31 March 2011 will be available as a hardcopy for viewing at the registered office of Sava Reinsurance Company at Dunajska 56, 1000 Ljubljana on every workday between 9:00 and 15:00 hrs, and as a softcopy on the Company's website at www.sava-re.si as from 30 May 2012.

1.1 Summary of key performance indicators¹

(EUR)	Sava Re Group		Sava Reinsurance Company	
	1-3 2012	1-3 2011	1-3 2012	1-3 2011
Gross premiums written	92,378,003	82,992,817	58,783,712	50,289,311
Year-on-year change	11.3%	9.1%	16.9%	9.6%
Gross claims paid	29,041,002	31,600,719	15,351,362	16,894,016
Year-on-year change	-8.1%	-14.4%	-9.1%	-16.7%
Net incurred loss ratio	65.2%	59.2%	64.5%	61.8%
Operating expenses including reinsurance commission income	18,431,834	19,170,816	9,520,000	9,333,788
Year-on-year change	-3.9%	1.4%	2.0%	-0.7%
Net expense ratio	32.1%	34.9%	31.4%	34.5%
Net combined ratio (total expenses/total income; except from investments)	97.8%	99.9%	96.5%	97.6%
Net investment income (investment income – expenses)*	5,280,632	3,461,680	1,474,284	757,148
Annualised realised investment return*	4.8%	3.7%	1.9%	1.0%
Profit/loss, net of tax	3,690,474	1,884,792	1,707,759	735,728
Year-on-year change	95.8%	-9.6%	132.1%	-13.3%
Comprehensive income	10,631,536	1,481,795	6,355,447	769,554
Return on equity	2.4%	1.7%	1.1%	0.5%
	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011
Total assets	635,544,520	582,037,026	458,481,420	417,051,465
Year-on-year change	9.2%	0.6%	9.9%	-0.3%
Shareholders' equity	158,712,385	148,080,050	164,809,973	158,454,528
Year-on-year change	7.2%	-4.3%	4.0%	1.5%
Net technical provisions	354,933,720	322,940,184	189,778,745	166,275,281
Year-on-year change	9.9%	5.1%	14.1%	6.3%
No. of employees (full-time equivalent basis)	1,485	1,530	66	66

*Net investment income and annualised realised investment return do not include income and expenses of assets pertaining to policyholders who bear the investment risk since such assets have no effect on the income statement because the mathematical provision of policyholders who bear the investment risk moves in line with these assets. Finance costs are also excluded.

¹The calculation of ratios is explained in the appended glossary.

1.2 Company Profile of Sava Reinsurance Company

Company name:	Pozavarovalnica Sava d.d. Sava Reinsurance Company d.d.
Registered office:	Dunajska 56 1000 Ljubljana Slovenia
Telephone (switchboard):	(01) 47 50 200
Telefax:	(01) 47 50 264
E-mail:	info@sava-re.si
Website:	www.sava-re.si
Company ID number:	5063825
Tax number:	17986141
Share capital:	EUR 39,069,099 (no. of no-par-value shares: 9,362,519)
Governance and supervision bodies:	MANAGEMENT BOARD Zvonko Ivanušič (Chairman) Jošt Dolničar (Member) Srečko Čebren (Member) Mateja Treven (Member) SUPERVISORY BOARD Branko Tomažič (Chairman) Mateja Lovšin Herič (Deputy Chairperson) Slaven Mičković (Member) Gregor Hudobivnik (Member) Martin Albreht (Member – employee representative) Samo Selan (Member – employee representative)
Date of entry into court register:	28 Dec 1990 Ljubljana District Court
Certified auditor:	KPMG Slovenija, podjetje za revidiranje, d.o.o. Železna cesta 8a 1000 Ljubljana Slovenia
Largest shareholder and holding:	Slovenska odškodninska družba, d.d. 25% + 1 share (2,340,631 no-par value shares)
S&P credit rating:	A– /negative/; January 2012
The Company has no branches.	

1.3 Governing bodies of the Company

The Management Board

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


On 14 October 2008, the Supervisory Board elected Zvonko Ivanušič Chairman of the Management Board. The five-year term of office of Zvonko Ivanušič and Jošt Dolničar started on 31 December 2008, Srečko Čebren started his five-year term of office as Board Member on 1 February 2009, and Mateja Treven her five-year term of office on 3 February 2011.

Members of the Management Board as at 31 March 2012:

Chairman of the Management Board:	Zvonko Ivanušič
Member of the Management Board:	Jošt Dolničar
Member of the Management Board:	Srečko Čebren
Member of the Management Board:	Mateja Treven

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

Zvonko Ivanušič:

-  Banka Celje, d.d., Vodnikova cesta 2, 3000 Celje – Deputy Chairman of the Supervisory Board

The Supervisory Board



In the first quarter 2012 there were no changes in the composition of the Supervisory Board.

Supervisory Board Members as at 31 March 2012:


Chairman:	Branko Tomažič
Deputy Chairperson:	Mateja Lovšin Herič
Member:	Slaven Mičković
Member:	Gregor Hudobivnik
Member (employee representative):	Martin Albreht
Member (employee representative):	Samo Selan

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

Branko Tomažič:

-  KAD, d.d., Dunajska cesta 119, Ljubljana – Supervisory Board Member
-  Daimond, d.d., Žnidarčičeva ulica 19, Šempeter pri Gorici – Supervisory Board Member

Slaven Mičković:

-  Abanka Vipava, d.d., Slovenska cesta 58, Ljubljana – Supervisory Board Member

Gregor Hudobivnik:

S Abančna DZU, Pražakova ulica 8, Ljubljana – Chairman of the Supervisory Board

Supervisory Board Committees

The Audit Committee

In the first quarter 2012, there were no changes in the composition of the Supervisory Board Audit Committee.

Members of the Supervisory Board Audit Committee as at 31 March 2012:

Chairperson:	Mateja Lovšin Herič
Member:	Slaven Mičković
External member:	Blanka Vezjak

The Nomination Committee

Pursuant to the recommendations of the Corporate Governance Code for Public Joint-Stock Companies, the Supervisory Board appointed a Nomination Committee as a special consultation body for the Supervisory Board for the purpose of carrying out objective and transparent proceedings for the nomination of candidates to fill Supervisory Board vacancies and recommend to the Supervisory Board which candidates to propose to the General Meeting for election.

Members of the Supervisory Board Nomination Committee as at 31 March 2012:

Chairman:	Branko Tomažič
Member:	Mateja Lovšin Herič
Member:	Vesna Razpotnik

The General Meeting of Shareholders

The General Meeting of Sava Reinsurance Company was not called in the first quarter 2012.

1.4 Significant events in the three months to 31 March 2012

- S** As announced at the end of 2011, in January 2012, S&P reviewed the sovereign credit ratings of euro area members that had been placed on CreditWatch. Slovenia was downgraded from AA– to A+. Further to the sovereign downgrade of Slovenia, S&P reaffirmed Sava Reinsurance Company's current credit and financial strength rating of A–, but with a negative outlook. Thereafter, the Company was no longer on CreditWatch.
- S** In February 2012, the Macedonian subsidiary Sava osiguruvanje sold all shares of Goldmak.
- S** In March 2012, the controlling company recapitalised its Kosovan subsidiary Illyria with EUR 2.2m.

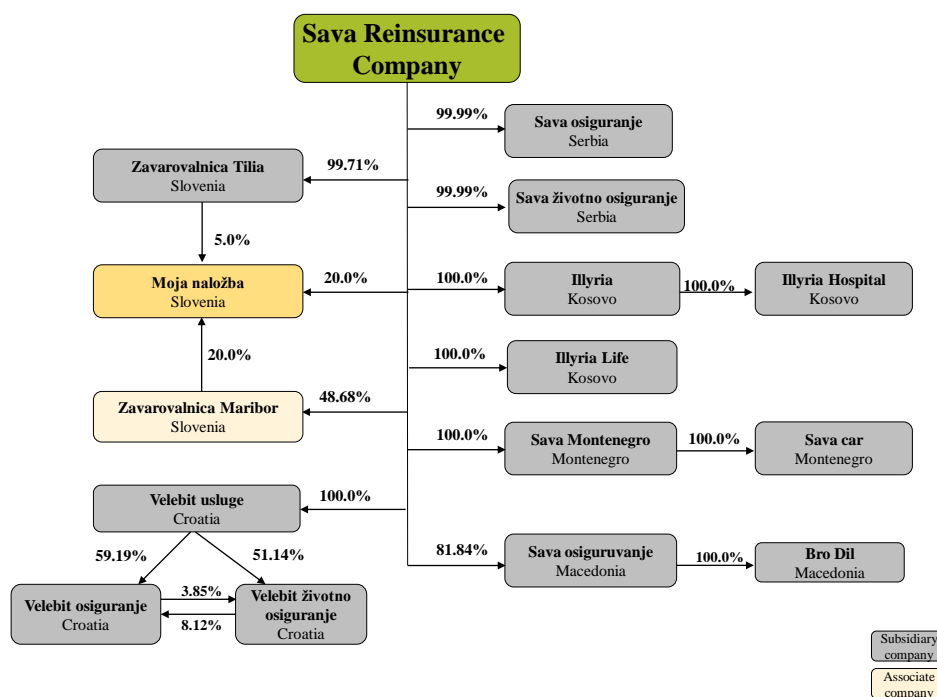
1.5 Significant events after the statement of financial position date

- S** On 2 April 2012, the POSR share of Sava Reinsurance Company was transferred to the prime market.
- S** On 2 April 2012, the Management Board of Sava Reinsurance Company adopted the resolution to initiate liquidation proceedings in the company Bro-Dil.

1.6 Sava Re Group structure including associate companies

In addition to the controlling company Sava Reinsurance Company, the Sava Re Group comprises nine insurers based in Slovenia and other countries of the former Yugoslavia. There are also two associate companies: one insurer and one pension company, both Slovenia-based.

Sava Re Group structure including associate companies as at 31 March 2012

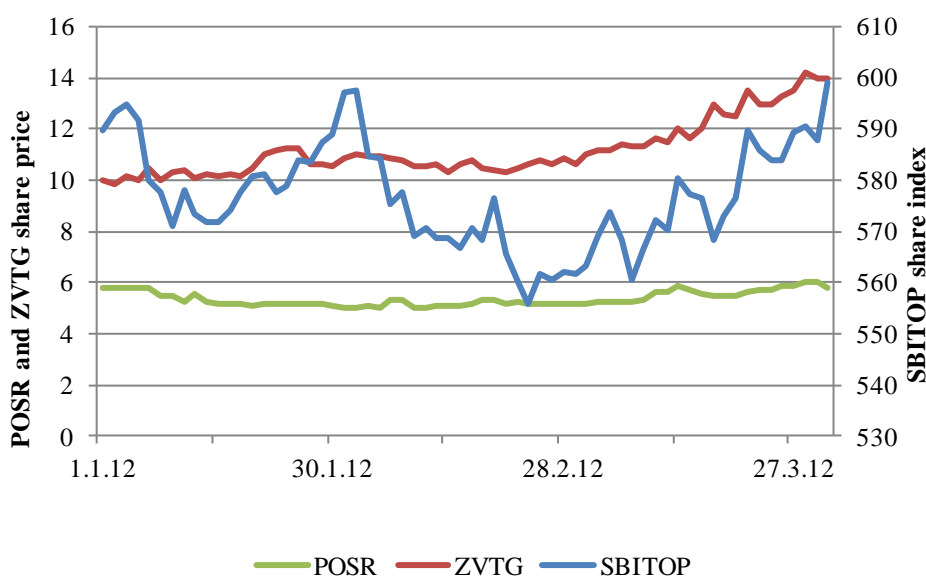


2 SHAREHOLDERS AND SHARE TRADING

As at 31 March 2012, Sava Re's share capital amounted to EUR 39,069,099.48, and was divided into 9,362,519 non-par value shares. Shares, all being registered shares, were issued in a dematerialised form and entered in the central securities registry under the POSR symbol. All pertain to the same class and are freely transferable without restrictions. The Management Board of Sava Reinsurance Company is not aware of any shareholders' agreement restricting share transferability.

The shares of Sava Reinsurance Company are traded in the prime market of the Ljubljana Stock Exchange d.d. Ljubljana.

Movement in the POSR share price in the period 1 January 2012–31 March 2012 compared to the Zavarovalnica Triglav share and the SBITOP share index.



In the period 1 January 2012–31 March 2012, the weighted average POSR share price fell by 0.2% (the SBITOP index rose by 1.6%), while total turnover volume was EUR 0.8m.

As at 31 March 2012, Sava Re had 5,020 shareholders, at 31 December 2011 it had 5,067 and at 31 March 2011, 5,312 shareholders.

As at 31 March 2012, Sava Reinsurance Company held 210 treasury shares, representing 0.002% of all shares outstanding. In the first quarter 2012, the Company did not buy back any shares.

The table below shows the top ten shareholders of Sava Reinsurance Company as at 31 March 2012.

Top ten shareholders of Sava Reinsurance Company as at 31 March 2012

Shareholder	No. of shares	Holding (%)
Slovenska odškodninska družba, d.d.	2,340,631	25.0%
Abanka d.d.	655,000	7.0%
Modra zavarovalnica d.d.	488,496	5.2%
Poteza naložbe d.o.o. - in bankruptcy proceedings	468,125	5.0%
Pišljar Marjan	444,345	4.7%
Nova KBM d.d.	435,925	4.7%
NFD 1, delniški podsklad	406,221	4.3%
Zavarovalnica Maribor d.d.	416,433	4.4%
SOP Ljubljana	369,141	3.9%
KD Galileo, fleksibilna struktura naložb	250,754	2.7%
Total	5,945,576	63.5%

Source: Central securities register KDD d.d.

As at 31 March 2012, 96.4% of shareholders were Slovenian and 3.6% foreign.

Shareholder Structure of Sava Reinsurance Company as at 31 March 2012

	Domestic investors	International investors
Other financial institutions*	30.3%	2.3%
Insurers and pension companies	18.2%	0.0%
Natural persons	17.2%	0.2%
Banks	14.4%	0.7%
Investment funds and mutual funds	14.0%	0.4%
Other commercial companies	2.3%	0.0%
Total	96.4%	3.6%

*Of the 30.3%, 30% relate to the Slovenian Restitution Fund and Poteza Naložbe d.o.o. – in bankruptcy proceedings.

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

As at 31 March 2012, members of the Management Board held 5,761 shares, representing 0.062% of total shares outstanding. As at 31 March 2012, Supervisory Board Member Gregor Hudobivnik was in possession of 192 shares of Sava Reinsurance Company. No other Supervisory Board Member was in possession of any shares of Sava Reinsurance Company.

POSR shares held by Management Board members as at 31 March 2012

	No. of shares	Holding (%)
Members of the Management Board		
Zvonko Ivanušič	1,826	0.020%
Mateja Treven	2,078	0.022%
Srečko Čebren	1000	0.011%
Jošt Dolničar	857	0.009%
Total	5,761	0.062%

Source: Central securities register KDD d.d.

Trading in the POSR share on the stock exchange in the given period

(EUR)	
Average price 1 Jan–31 Mar 2012	5.38
Share price at 31 Mar 2012	5.80
Trading volume in the period 1 Jan–31 Mar 2012	798,649
Period low 1 Jan–31 Mar 2012	5.00
Period high 1 Jan–31 Mar 2012	6.00

The Company paid no dividend in the first quarter 2012.

The Company has no conditional equity.



MANAGEMENT REPORT

3 SAVA RE GROUP BUSINESS RESULTS

Key financial data for the Sava Re Group

(EUR)	1–3 2012	1–3 2011	Index
Gross premiums written	92,378,003	82,992,817	111.3
Net premiums earned	57,391,840	55,008,138	104.3
Gross claims paid	29,041,002	31,600,719	91.9
Net claims incurred	35,444,747	32,269,763	109.8
Operating expenses including reinsurance commission income	18,431,834	19,170,816	96.1
Net investment income*	5,280,632	3,461,680	152.5
Profit/loss, net of tax	3,690,474	1,884,792	195.8
Comprehensive income	10,631,536	1,481,795	717.5

*Net investment income does not include income and expenses of assets pertaining to policyholders who bear the investment risk. Finance costs are also excluded.

3.1 Consolidated net earned premiums

Consolidated net earned premiums

(EUR)	1–3 2012	1–3 2011	Index
Gross premiums written	92,378,003	82,992,817	111.3
Net premiums written	80,653,577	71,930,086	112.1
Change in net unearned premiums	-23,261,737	-16,921,948	137.5
Net premiums earned	57,391,840	55,008,138	104.3

Non-consolidated gross premiums written by Group insurer

(EUR)	1–3 2012	1–3 2011	Index
Sava Reinsurance Company, Ljubljana	58,783,712	50,289,311	116.9
Zavarovalnica Tilia, Novo mesto	27,044,934	24,460,886	110.6
Sava osiguruvanje, Skopje	3,148,858	4,380,530	71.9
Sava osiguranje, Belgrade	2,681,644	2,615,079	102.5
Illyria, Pristina	3,290,959	4,284,270	76.8
Velebit osiguranje, Zagreb	2,255,158	2,176,086	103.6
Sava Montenegro, Podgorica	2,349,167	2,072,103	113.4
Velebit životno osiguranje, Zagreb	331,602	208,697	158.9
Illyria Life, Pristina	257,795	251,306	102.6
Sava životno osiguranje, Belgrade	181,999	127,933	142.3

Consolidated gross premiums written by region

(EUR)	1–3 2012	1–3 2011	Index	As % of total 1–3 2012
Slovenia	47,533,296	43,640,647	108.9	51.5%
International	44,844,707	39,352,170	114.0	48.5%
Total	92,378,003	82,992,817	111.3	100.0%

In the first quarter 2012, the Sava Re Group wrote EUR 92.4m in gross premiums, up 11.3% year-on-year. Premium growth was contributed by nearly all Group companies. Only the Macedonian subsidiary and Kosovan non-life insurer experienced a decline in premiums – in both cases because of the loss of certain larger risks. Sava Reinsurance Company grew premiums by 16.9% as a result of both an expanded domestic and international portfolio. Both Zavarovalnica Tilia as well as Zavarovalnica Maribor generated growth rates well above the Slovenian market average, resulting in a domestic growth in reinsurance business of 7.7%. International growth was 25.7%, as a result of (i) the fast growing Asian markets and (ii) a larger share of non-proportional coverages in the premium structure, where premiums are fully recorded when contracts are written (while proportional business records premiums quarterly).

The change in consolidated net unearned premiums, which together with consolidated net premiums written form net premiums earned, in the 3 months to 31 March 2012 was an increase of EUR 23.3m. This increase is a result of the above-mentioned growth in the volume of non-proportional business, where a larger premium share is allocated to unearned premiums due different accounting treatment.

Consolidated gross premiums written by Group operating segment

(EUR)	1–3 2012	1–3 2011	Index	As % of total 1–3 2012
Reinsurance business	50,872,306	42,410,412	120.0	55.1%
Non-life insurance business	38,180,071	37,419,565	102.0	41.3%
Life insurance business	3,325,626	3,162,840	105.1	3.6%
Total	92,378,003	82,992,817	111.3	100.0%

Consolidated reinsurance premiums² grew by 20% in the first quarter 2012, both as a result of domestic (Slovenian) and international premium growth. Non-life business grew by 2%; this modest growth is due to the decline in premium volume on two markets, as already mentioned. The largest nominal increase in gross premiums written was recorded by Zavarovalnica Tilia (EUR 2.6m) and Sava Montenegro (EUR 0.3m). Life premiums, on the other hand, grew by 5.1% in the first quarter, year-on-year. All Group insurers who market life products outside Slovenia recorded premium growth. Conditions in life insurance markets remained tough as they continued to shrink.

² Consolidated reinsurance premiums comprise gross premiums written by Sava Reinsurance Company less premiums received from subsidiaries.

3.2 Consolidated net claims incurred

Consolidated net claims incurred

(EUR)	1–3 2012	1–3 2011	Index
Gross claims paid	29,041,002	31,600,719	91.9
Net claims paid	27,803,785	31,214,245	89.1
Change in the net provision for outstanding claims	7,640,962	1,055,518	723.9
Net claims incurred	35,444,747	32,269,763	109.8

Non-consolidated gross claims paid by Group insurer

(EUR)	1–3 2012	1–3 2011	Index
Sava Reinsurance Company, Ljubljana	15,351,362	16,894,016	90.9
Zavarovalnica Tilia, Novo mesto	9,953,089	11,290,056	88.2
Sava osiguranje, Belgrade	1,088,517	1,988,863	54.7
Sava osiguruvanje, Skopje	1,415,934	1,706,037	83.0
Illyria, Pristina	1,521,978	1,565,262	97.2
Sava Montenegro, Podgorica	805,708	1,005,639	80.1
Velebit osiguranje, Zagreb	996,645	723,382	137.8
Velebit životno osiguranje, Zagreb	64,903	14,024	462.8
Illyria Life, Pristina	2,754	0	-
Sava životno osiguranje, Belgrade	11,041	314	3516.2

Gross claims paid by region

(EUR)	1–3 2012	1–3 2011	Index	As % of total 1–3 2012
Slovenia	16,005,779	17,887,947	89.5	55.1%
International	13,035,223	13,712,772	95.1	44.9%
Total	29,041,002	31,600,719	91.9	100.0%

In the first quarter of 2012, the Sava Re Group recorded consolidated gross claims paid of EUR 29.0m, a decrease of 8.1% year-on-year. This drop is mainly a result of the decrease in gross claims paid recorded by the controlling company and Zavarovalnica Tilia. After the first quarter 2012, Sava Reinsurance Company recorded a 9.1% drop in gross claims paid year-on-year.

The change in the consolidated net claims provision, which together with consolidated net claims paid constitutes consolidated net claims incurred, was an increase of EUR 7.6m. This growth was mainly due to the increase in net claims provisions of the controlling company (relating to foreign-sourced business that enjoyed rapid growth over the recent years), while growth was also recorded by nearly all other Group companies.

Consolidated net claims incurred increased 9.8% year-on-year (net premiums earned grew by 4.3%) as a result of a significantly larger increase in the net claims provision of the controlling company.

Consolidated gross claims paid relating to business written in Slovenia fell by 10.5% year-on-year. The decrease in consolidated gross claims from Slovenia was mostly due to Sava Reinsurance Company and Zavarovalnica Tilia as by the end of the first quarter 2012, they

recorded less claims year-on-year, while other non-Slovenian Group non-life insurers also contributed to the drop in international gross claims paid.

Consolidated gross claims paid by Group operating segment

(EUR)	1–3 2012	1–3 2011	Index	As % of total 1–3 2012
Reinsurance business	13,172,229	13,444,026	98.0	45.4%
Non-life insurance business	14,506,675	17,041,639	85.1	50.0%
Life insurance business	1,362,098	1,115,054	122.2	4.7%
Total	29,041,002	31,600,719	91.9	100.0%

3.3 Consolidated operating expenses

Consolidated operating expenses

(EUR)	1–3 2012	1–3 2011	Index
Acquisition costs including change in DAC	10,467,222	10,248,517	102.1
Other operating expenses	8,545,062	9,370,972	91.2
Gross operating expenses	19,012,284	19,619,489	96.9
Income from reinsurance commission	-580,450	-448,673	129.4
Net operating expenses	18,431,834	19,170,816	96.1

DAC stands for deferred acquisition costs.

Consolidated acquisition costs (including the change in deferred acquisition costs) increased modestly in the first quarter 2012, but less than gross premiums written (11.3%). The largest increase in acquisition costs was recorded by Zavarovalnica Tilia (EUR 2.2m), who also achieved the highest premium growth. Almost all other Group members succeeded in lowering these costs.

Other operating expenses (administrative expenses) decreased only 8.8%, which indicates that Group cost management has been successful. The largest drop in administrative expenses was recorded by Zavarovalnica Tilia (EUR 1.4m).

Reinsurance commission income increased by 29.4% year-on-year, which has a positive effect on expenses as it decreases them.

Expense ratios³

	1–3 2012	1–3 2011
Gross expense ratio	20.6%	23.6%
Administrative expense ratio	9.3%	11.3%
Net expense ratio	32.1%	34.9%

³ The calculation of ratios is explained in the appended glossary.

Net operating expenses by business segments (including reinsurance commission income)

(EUR)	1–3 2012	1–3 2011	Index	As % of total
				1–3 2012
Reinsurance business	9,520,001	9,333,787	102.0	51.6%
Non-life insurance business	7,384,033	8,216,677	89.9	40.1%
Life insurance business	1,527,800	1,620,352	94.3	8.3%
Total	18,431,834	19,170,816	96.1	100.0%

3.4 Investment income and expenses, and the investment return

In the first quarter, the net investment income of the Sava Re Group totalled EUR 4.2m, up EUR 1.1m year-on-year. The investment income from investments in associates relates to the profit of Zavarovalnica Maribor (EUR 1m), which is consolidated by Sava Reinsurance Company using the equity method.

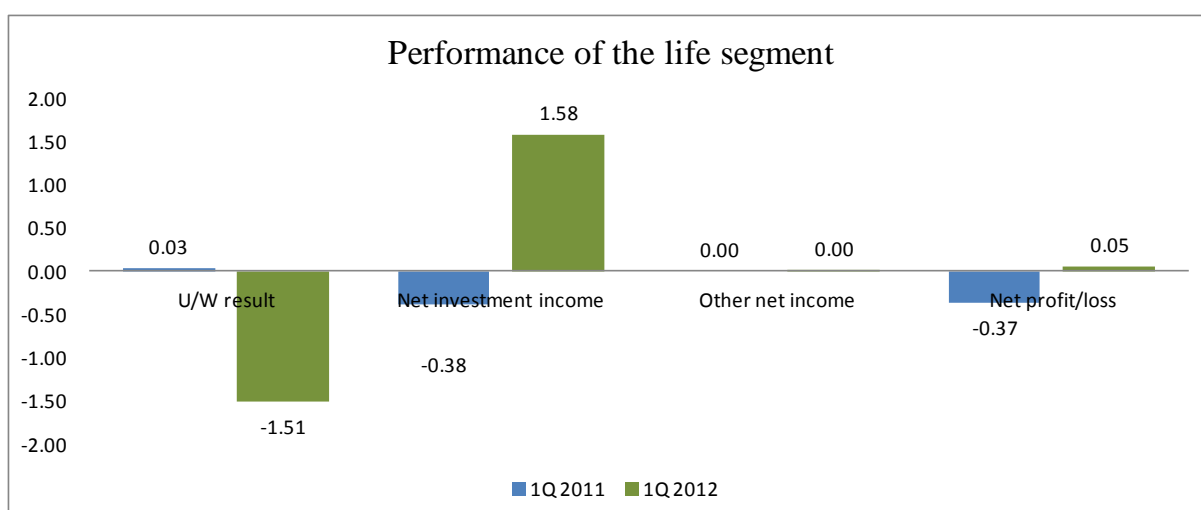
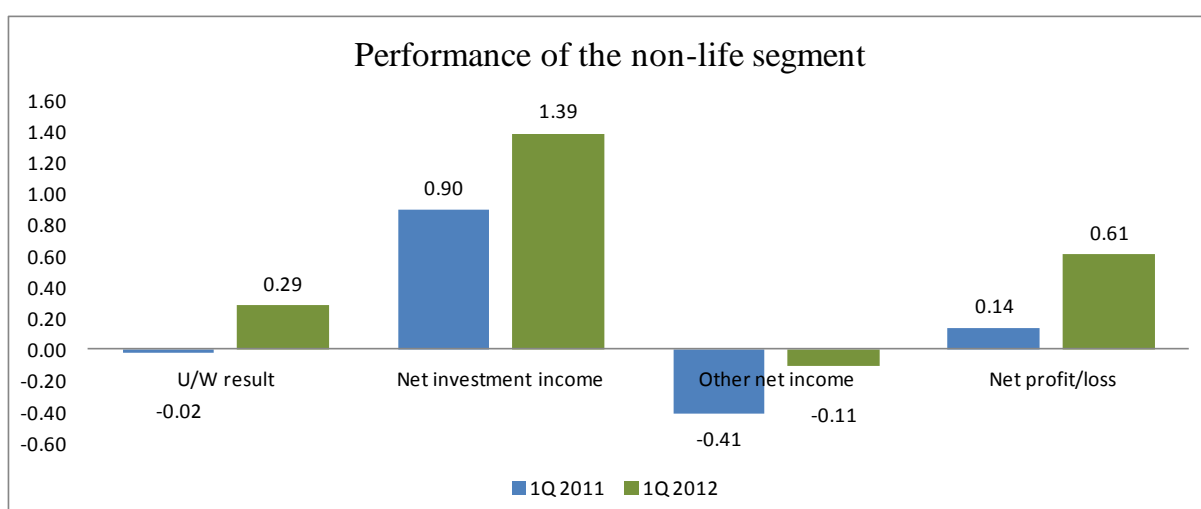
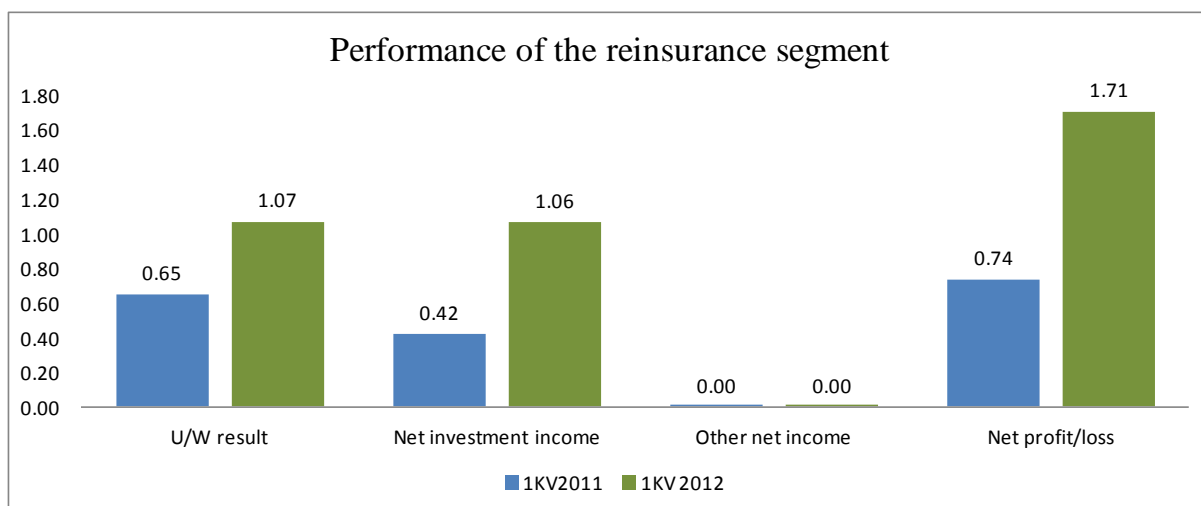
Net investment income of the Sava Re Group

(EUR)	1–3 2012	1–3 2011	Index
Investment income	5,879,686	4,653,395	126.4
- Income from investments in associates	995,642	1,454,857	68.4
- Interest income	3,386,942	2,901,370	116.7
- Other investment income	1,497,102	297,168	503.8
Investment expenses	1,707,001	1,629,697	104.7
- Impairment losses on financial assets	136,098	889,359	15.3
- Interest expense	462,956	437,982	105.7
- Other investment expenses	1,107,947	302,356	366.4
Net investment income (income – expenses)	4,172,685	3,023,698	138.0
Average invested assets	387,733,312	375,899,771	103.1
Investment return incl. finance costs (%)	4.3	3.2	133.8
Investment return excl. finance costs (%)	4.8	3.7	129.8

The investment return of the Sava Re Group excl. finance costs reached 4.8% in the first quarter 2012 and increased 1.1% year-on-year.

Net investment income and the investment return do not include income and expenses of assets pertaining to policyholders who bear the investment risk since such assets have no effect on the income statement because the mathematical provision of policyholders who bear the investment risk moves in line with these assets.

3.5 Segment reporting



The underwriting result and the investment result include figures relating to policyholders who bear the investment risk.

3.6 Realisation of the 2012 budget

Realisation of planned consolidated gross premiums written by segment

(million EUR)	1–3 2012	Plan 2012	%
Reinsurance business	50.9	120.2	42.3%
Non-life insurance business	38.2	135.4	28.2%
Life insurance business	3.3	15.5	21.5%
Total	92.4	271.1	34.1%

After one quarter of 2012, 34.1% of the annual planned premium had already been collected. We believe that our annual target will be achieved by the end of the year.

Most Group companies succeeded in decreasing the net expense ratio, which indicates that Group cost optimisation has been successful.

In the first quarter 2012, the Sava Re Group realised better expense and loss ratios than planned. This demonstrates that the Group is thriving and is moving in the right direction towards meeting its targets.

Realisation of planned ratios

	1–3 2012	Plan 2012	%
Net expense ratio	32.1%	33.3%	96.4%
Net incurred loss ratio	61.8%	62.3%	99.1%
Return on equity	2.4%	6.6%	36.5%

4 FINANCIAL POSITION OF THE GROUP

4.1 Composition of assets and liabilities

At 31 March 2012, total assets of the Sava Re Group stood at EUR 635.5m, an increase of 9.2% over year-end 2011.

Consolidated total assets by type of investment

(EUR)	31.3.2012	As % of total 31.3.2012	31.12.2011	As % of total 31.12.2011
ASSETS	635,544,520	100.0%	582,037,026	100.0%
Intangible assets	18,216,735	2.9%	18,274,819	3.1%
Property and equipment	24,261,547	3.8%	24,503,335	4.2%
Deferred tax assets	3,104,587	0.5%	4,527,413	0.8%
Investment property	5,807,833	0.9%	6,071,447	1.0%
Financial investments in associate companies	51,642,477	8.1%	49,085,007	8.4%
Financial investments	337,671,495	53.1%	325,188,363	55.9%
Funds for the benefit of policyholders who bear the investment risk	26,019,509	4.1%	24,138,957	4.1%
Reinsurers' share of technical provisions	28,491,174	4.5%	21,608,381	3.7%
Receivables	115,394,206	18.2%	86,266,849	14.8%
Deferred acquisition costs	18,458,969	2.9%	15,938,449	2.7%
Other assets	1,124,203	0.2%	1,338,989	0.2%
Cash and cash equivalents	4,991,719	0.8%	4,710,455	0.8%
Non-current assets held for sale	360,067	0.1%	384,562	0.1%

The largest part of assets are financial investments, which increased by 3.8% compared to end-of 2011. Positive effects on growth came from cash flows from operating activities and fair value revaluations of investments.

The second largest asset item is the receivables item, which increased in absolute terms (by 33.8%) compared to 31 December 2011 and also relatively to other items of assets. The increase is due to the movements of this item in the controlling company, where the item reaches its maximum value in the first quarter because the first quarter is the largest in terms of premium volume from Slovenia. However, as payment due dates are after the end of the quarter, premiums are booked as receivables. The estimated premium from abroad is also largest in the first quarter due to typical portfolio movement (about 80% of total premiums are written on 1 January), which is again reflected in receivables. The increase in receivables is not unusual and does not entail increased risks for bad debts as Sava Reinsurance Company only transacts business with legal persons (insurance and reinsurance companies) and there are very few write-downs. In the non-life insurance segment, which had also recorded an increase in receivables at the end of 2011, this increase is likewise related to the movements in policy underwriting of large policyholders.

Financial investments in associates account for 8.4% of assets, up by 5.2%. This item increased by the amount of profit contributed by both Zavarovalnica Maribor and Moja naložba.

Another item that changed by more than EUR 5m is the reinsurers' share of technical provisions. These increased by 31.9% or EUR 6.9m, which is a result of ordinary movements in unearned premiums and affects both liabilities (gross unearned premiums) and assets (reinsurers' share of unearned premiums). This item tends to decrease towards the end of the year.

Consolidated liabilities by type

(EUR)	31.3.2012	As % of total 31.3.2012	31.12.2011	As % of total 31.12.2011
EQUITY AND LIABILITIES	635,544,520	100.0%	582,037,026	100.0%
Equity	158,706,708	25.0%	148,080,050	25.4%
Subordinated liabilities	31,222,675	4.9%	31,220,817	5.4%
Technical provisions	358,128,047	56.3%	320,875,142	55.1%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	25,296,847	4.0%	23,673,423	4.1%
Other provisions	774,233	0.1%	795,606	0.1%
Liabilities related to non-current assets held for sale	0	0.0%	0	0.0%
Deferred tax liabilities	0	0.0%	0	0.0%
Liabilities under investment contracts	0	0.0%	0	0.0%
Other financial liabilities	5,143,307	0.8%	5,782,075	1.0%
Liabilities from operating activities	46,927,435	7.4%	41,486,025	7.1%
Other liabilities	9,345,268	1.5%	10,123,890	1.7%

The technical provisions item is the largest item of equity and liabilities; at 31 March 2012, the share of technical provisions grew by 1.2 percentage point to account for 56.3% of equity and liabilities. Gross unearned premiums grew by EUR 28.3m or 32.4%. In the first quarter, unearned premiums are highest and gradually decrease towards the end of the year, which is a result of underwriting dynamics, especially for reinsurance contracts, which are mainly concluded at the beginning of the year.

The next largest item is equity, accounting for 25.0%. The increase in the amount of equity by 7.2% is a result of movements in its components as follows:

- S there was a decrease in the fair value reserve (by EUR 7.4m), which had the largest impact on the movement of equity and was a result of negative trends in capital markets; the lion's share originates from the controlling company;
- S the net profit for the year as recognised in equity was EUR 4.1m.

Liabilities from operating activities, representing 7.4% of the liabilities side, grew by 13.1%, with the largest impact coming from liabilities due from reinsurance.

4.2 Financial investments

Financial investments are the main asset item of the Group; therefore, below we will give a more in-depth presentation thereof.

As at 31 March 2012, invested assets of the Sava Re Group stood at EUR 388m⁴. This is an increase of 4.4% compared with 31 March 2011. The main drivers of growth for the investment portfolio were cash flow from reinsurance business and positive fair value revaluations of investments.

Invested assets of the Sava Re Group

(EUR)	31.3.2012	31.12.2011	Index
Deposits and money market instruments	127,444,354	104,217,802	122.3
Government bonds	98,719,886	103,952,549	95.0
Corporate bonds	86,487,922	85,742,611	100.9
Shares (excluding strategic shares)	10,476,641	11,004,545	95.2
Mutual funds	5,766,639	10,497,447	54.9
Loans granted	1,107,269	1,143,197	96.9
Land and buildings	5,807,833	6,071,444	95.7
Other	518,808	53,469	970.3
Strategic shares	51,642,478	49,085,007	105.2
Total investments	387,971,829	371,768,069	104.4
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	7,149,977	8,576,746	83.4
Investments for the benefit of life-insurance policyholders who bear the investment risk	26,019,509	24,138,957	107.8
Total	421,141,315	404,483,771	104.1

The breakdown of investments by type has not changed significantly compared to year-end 2011. There has been an increase in deposits and CDs, while the amount of government and corporate bonds has shrunk as a result of the circumstances in capital markets. In response to the growth in money supply (LTRO), bond prices have gone up considerably during this period. As we anticipate corrections, we have been selling bonds and investing in short-term deposits. The investment strategy of Group companies hence remains conservative, as the main part of the Group investment portfolio constitutes fixed-income investments.

⁴ Includes amount from the following statement of financial position items: *Investment property, Financial investments in associate companies and Financial investments*. The latter, however, does not include deposits of Sava Reinsurance Company with cedants totalling EUR 7.1m.

Investments of the Sava Re Group by type

(EUR)	31.3.2012	31.12.2011
Deposits and certificates of deposits	32.8%	28.0%
Government bonds	25.4%	28.0%
Corporate bonds	22.3%	23.1%
Shares	2.7%	3.0%
Mutual funds	1.5%	2.8%
Other*	1.9%	2.0%
Strategic shares	13.3%	13.2%
Total investments	100.0%	100.0%

4.3 Technical provisions of the Sava Re Group

Technical provisions are the main liability item of the Group; therefore we will give below a more detailed presentation thereof.

Movements in consolidated net technical provisions (TP)

(EUR)	31.3.2012	31.12.2011	Index
Net unearned premiums	105,788,164	82,742,134	127.9
Net provision for outstanding claims	204,515,919	197,417,473	103.6
Net mathematical provisions	16,750,173	16,503,451	101.5
Net provision for bonuses, rebates and cancellations	650,877	610,616	106.6
Other net technical provisions	1,931,740	1,993,087	96.9
Technical provisions for the benefit of policyholders who bear the investment risk	25,296,847	23,673,423	106.9
Total	354,933,720	322,940,184	109.9

Consolidated net unearned premiums increased by 27.9% compared to year-end 2011 (gross premiums written grew by 11.3%). Unearned premiums grew faster than gross premiums written, which is ordinary interim movement as large risks are ordinarily written on 1 January and unearned premiums for these risks are decreasing over the year.

The net claims provision grew by 3.6% compared to year-end 2011; this is due to growth in the controlling company's international business and in other Group non-life insurers.

4.4 Capital adequacy

At 31 March 2012, Sava Reinsurance Company recorded a EUR 20.5m surplus of available solvency margin over minimum capital, with the solvency ratio at 186.1%. The ratio compares favourably with the ratios of other European reinsurers and ensures stable operations. In the year, Sava Reinsurance Company will recapitalise some of its subsidiaries, which will push the ratio further down as current profit may be included in the calculation only at the year-end, after allocation of profits to profit reserves.

In the first quarter, all Group companies were adequately capitalised except Sava osiguruvanje, Skopje, where proceedings are underway to recapitalise the company.

4.5 Sources of finance and their maturities

At 31 March 2012, the Sava Re Group had EUR 158.7m of equity, EUR 31.2m subordinated liabilities and EUR 5.1m of other financial liabilities. From the above, it is evident that debt accounts for 18.6% of equity (year-end 2011: 20%). Sava Reinsurance Company and other Group companies will be reducing the proportion of debt as equity should suffice for day-to-day operations of the Group.

Subordinate debt of EUR 31.2m taken out by Sava Reinsurance Company is scheduled to mature in 2026 and was intended to finance the Groups expansion to the Western Balkans.

Financial liabilities to banks were EUR 5.1m and are all due in 2012.

At 31 March 2012, intra-Group loans totalled EUR 11.0m (year-end 2011: EUR 10.9m).

4.6 Cash flow

On the Group level, net cash flow from operating activities was positive and amounted to EUR 4.3m; net cash flow from financing activities totalled EUR 0.5m, while there was EUR 138.3m available for investing activities.

Sava Reinsurance Company generated a positive cash-flow from operating activities of EUR 2.0m. Of the available EUR 87.8m, EUR 86.9m were used as investments. The Company used net cash flow from investing and from operating activities to settle the interest on the subordinated debt and repay a loan in the amount of EUR 2.4m.

4.7 Credit rating

Sava Reinsurance Company is rated "A-" with a negative outlook by rating agency Standard & Poor's. The January 2012 downgrade from a stable to a negative outlook is a result of the downgrade in the sovereign rating of Slovenia by Standard & Poor's from AA- to A+ with a negative outlook.

Thus the reason that the outlook was changed to negative is neither to be found in capital adequacy nor in the performance of Sava Reinsurance Company as the Company shows continued growth and generates profit.

A summary of the Standard & Poor's report is available at the Company's website: www.sava-re.si.

5 HUMAN RESOURCES

Employees of the Sava Re Group⁵

	31.3.2012	31.12.2011	Change
Zavarovalnica Tilia, Slovenia	369	378	-9
Sava osiguranje, Serbia	244	266	-23
Velebit osiguranje, Croatia	157	147	10
Sava Montenegro, Montenegro	139	140	-1
Illyria, Kosovo	121	141	-20
Sava osiguruvanje, Macedonia	112	120	-8
Illyria Life, Kosovo	98	98	0
Velebit životno osiguranje, Croatia	89	79	10
Sava životno osiguranje, Serbia	79	84	-5
Sava Reinsurance Company, Slovenia	66	66	0
Sava Car, Montenegro	9	9	0
Bro-Dil, Macedonia	2	2	0
Total	1,485	1,530	-46

Compared to year-end 2011, the number of employees in the Group decreased by 46. The movement in the number of employees largely relates to changes in agency networks, where we aim at increased efficiency.

⁵ No. of employees on a full-time equivalent basis.

6 RISK REPORT

6.1 Underwriting risk

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

Due to underwriting process risk, losses may be incurred because of incorrect selection and approval of risks to be assumed for re/insurance. This risk is mainly mitigated by following established or prescribed underwriting procedures, underwriting guidelines and instructions, by having in place a system of powers, an adequate pricing and reinsurance policy, and through actuarial review.

Pricing risk is the risk that re/insurance premiums charged will be insufficient to cover future obligations arising from re/insurance contracts. In the Sava Re Group, pricing risk is mainly controlled by using actuarial analyses of loss ratios, monitoring their trends and by making adequate corrections.

Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. This risk is managed by appropriate insurance conditions and pricing, adequate underwriting, controlling risk concentration, and especially adequate reinsurance programs for subsidiaries and an adequate retrocession programme for Sava Reinsurance Company.

Net retention risk is the risk that higher retention of insurance loss exposures results in losses due to catastrophic or concentrated claims experience. Sava Re Group members mitigate this risk by setting appropriate maximum net retention limits and by designing adequate reinsurance or retrocession programmes.

Reserving risk is the risk that technical provisions are inadequate. 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.

6.2 Market risks

In their financial operations, some Group companies are exposed to market risks that comprise primarily interest rate risk, equity securities risk, currency risk, concentration risk and asset-liability mismatch risk.

6.2.1 Interest rate risk

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

Interest rate risk sensitivity is monitored through calculating the loss in the bond portfolio if interest rates rose by two percentage points. The bond portfolio includes government bonds,

corporate bonds, bond mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5.

The sensitivity analysis for the non-life segment at 31 December 2011 showed that in the event of an interest rate increase, the value of the interest rate sensitive investments would drop by EUR 10.3m or 6.0%. In the first quarter 2012, interest rate risk decreased slightly because of the smaller bond portfolio.

Interest rate risk in life business affects both mathematical provisions and the value of investments supporting mathematical provisions. An increase in interest rates would result in a decrease in both the mathematical provision as well as in invested assets. An increase in investments would fully offset an increase in mathematical provisions only if maturities of liabilities and investments were fully matched.

The sensitivity analysis on the liabilities side (mathematical provisions) showed that in the event of an interest rate increase at 31 March 2012, the value of the mathematical provision would drop by EUR 2.0m or 15.8%. The sensitivity analysis on the investment side (supporting the mathematical provision) at 31 March 2012 showed that in case of an increase in interest rates the value of interest rate sensitive investments would drop by EUR 0.8m or 7.1%.

We consider that interest rate risk on the Group level did not change in the first quarter 2012, as the amount of interest sensitive investments did not change substantially compared to the end of the prior year.

6.2.2 Equity securities risk

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

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

To assess the Group's sensitivity of investments to equity securities risk, we assume a 10% drop in the value of all equity securities. At 31 March 2012, this would decrease the value of the Group portfolio by EUR 1.4m (31 December 2011: EUR 1.6m). The value of the equity portfolio changes linearly with stock prices.

6.2.3 Currency risk

Currency risk is the risk that changes in exchange rates will decrease the value of foreign-currency investments or increase liabilities denominated in foreign currencies.

The Group has a surplus of euro-denominated assets over euro-denominated liabilities. In contrast, there are shortages with other currencies, especially with the US-dollar, which is related to the increased business volume generated by the controlling company in Asian markets. Since early 2011, the controlling company has been investing in dollar-denominated investments to mitigate matching risk.

6.2.4 Concentration risk

Concentration risk is 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.

The Group's investment portfolio is reasonably diversified in order to avoid large concentration of a certain type of investment, large concentration of a certain counterparty or industry or other potential forms of concentration. Thus assets are diversified by type of investment (e.g., time deposits, debt and equity securities, structured products, mutual funds), by maturity and by currency.

The Group keeps most of its investments in Slovenia, mostly with the banking sector and with government entities. Concentration by industry is related to investment types as the bulk of the investment portfolio consists of bank deposits and government bonds.

In terms of geography, the Group is most strongly exposed to Slovenia (65% of the investment portfolio), while by industry, its largest exposure is to the banking sector and to government bonds.

At 31 December 2011, the largest single issuer of debt or equity securities that the Group was exposed to was the Republic of Slovenia, an exposure of EUR 74m, which has decreased by EUR 7m. The remaining portfolio is diversified between 30 countries.

While we seek to decrease concentration risk by diversification, we are unable to neutralise the (global) systemic risk by diversification only, when all developments in capital markets are unfavourable.

6.3 Liquidity risk

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

The Group mitigates liquidity risk by having Group companies draw up annual liquidity plans with daily planned cash-flows (investments, reinsurance, expenses). In addition, the Group avoids liquidity risk by diversifying the maturities of deposits, which serve to meet day-to-day liquidity needs. The bond portfolio consists mainly of highly liquid listed bonds. Sudden liquidity needs arising in any Group subsidiary could be met by the controlling company through short-term bridge loans. In the event of large losses, so-called cash call provisions in reinsurance contracts are triggered and provide for immediate payments in the chain cedant–controlling company–retrocessionaire. For extraordinary liquidity situations, the controlling company has arranged a credit line with a commercial bank in the total amount of EUR 5m.

We consider liquidity risk to be low in the first quarter 2012 and not substantially different from the prior year.

6.4 Credit risk

Credit risk is the risk that issuers or other counter-parties will fail to meet their obligations to the Group.

In accordance with local legislations, implementing regulations and internal acts, Group members invest their cash surpluses only in (i) deposits with adequately performing banks (as per local credit rating standards), (ii) debt securities issued exclusively by entities with an adequate rating (if existing in local markets), and (iii) adequately liquid equity securities of companies with sufficient market capitalisation.

The Group is also exposed to credit risk in relation to its retrocession programme. As a rule, subsidiaries conclude reinsurance contracts directly with the controlling company, unless they are subject to localisation requirements. Even if this is the case, the subsidiary would still transfer at least part of its risk exposure to the controlling company so that the actual exposure of reinsurers to credit risk is smaller than the otherwise correctly reported one.

Retrocession programmes are mostly placed with first-class reinsurers with an adequate rating (at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). Thus, reinsurers rated A– or better accounted for over 80% of the credit risk exposure relating to reinsurers.

Given the large diversification and the low probability of default by reinsurers rated BBB+ or better, this part of credit risk is deemed to be low and substantially the same as in 2011.

6.5 Operational risks

Operational risk includes human capital risk, management control risk, system risk, process risk and legal risk and such like.

The Sava Re Group members mitigate operational risk by setting up adequate IT-supported procedures and controls in the most important areas of its operations. In addition, this risk is managed through the internal audit function and through staff training.

6.6 Exposure to risk up until the end of 2012

We expect that in the remaining nine months of the year, the exposure of Sava Reinsurance Company and the Sava Re Group to risks will not change significantly. Due to the nature of its business, 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 risks may be expected as a result of an increased frequency of storms with massive losses or as a result of unfavourable trends in financial markets.

6.7 Capital inadequacy risk

Sava Reinsurance Company meets capital adequacy requirements and so do all its subsidiary companies under local provisions (including one subsidiary that at 31 March 2012 was in the final stage of being recapitalised). Sava Reinsurance Company's excess of available solvency

margin over minimum capital increased by EUR 0.4m compared to 31 December 2011. The available solvency margin is still well above (EUR 20.5m) the required solvency margin of EUR 23.8m.

Statement of capital adequacy for Sava Reinsurance Company

(EUR)		1-3 2012	1-3 2011
CORE CAPITAL (Article 106 of the Insurance Act)			
Subscribed capital other than share capital subscribed based on cumulative preference shares, or founding capital	1	39,069,099	39,069,099
Capital reserves other than capital reserves related to cumulative preference shares	2	33,003,752	33,003,752
Profit reserves other than reserve for treasury shares and credit risk equalisation & catastrophe equalisation reserves	3	79,811,779	75,848,910
Retained earnings	4	7,915,508	0
Revaluation surplus relating to assets not financed by technical provisions	5	-213,470	-2,733,989
Treasury shares and own business shares	6	1,774	1,774
Intangible assets	7	175,779	178,615
Core capital (1+2+3+4+5-6-7)	8	159,409,115	145,007,383
Minimum guarantee fund	9	7,941,876	6,730,866
Meeting the requirement under paragraph 4 of Article 106 of the ZZavar (8 – 9)	10	151,467,239	138,276,517
ADDITIONAL CORE CAPITAL (Article 107 of the ZZavar)			
Subordinated debt	11	5,956,407	5,048,149
Additional core capital (11), however not more than 50% of the lower of core capital and minimum guarantee fund	12	5,956,407	5,048,149
AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (Article 108 of the ZZavar)			
Total of core and additional core capital (8 + 12)	13	165,365,522	150,055,532
Participation according to Article 108, paragraph 1, indent 1 of the ZZavar	14	118,124,536	107,398,909
Participation according to Article 108, paragraph 1, indent 1 of the ZZavar	15	2,902,404	1,512,612
Available solvency margin of insurer (13 – 14 – 15)	16	44,338,582	41,144,011
Required solvency margin	17	23,825,628	20,192,597
Surplus/deficit of available solvency margin (16 – 17)	18	20,512,954	20,951,414



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

7 UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

7.1 Unaudited consolidated statement of financial position as at 31 March 2012

(EUR)	31. 3. 2012	31. 12. 2011
ASSETS	635,544,520	582,037,026
Intangible assets	18,216,735	18,274,819
Property and equipment	24,261,547	24,503,335
Deferred tax assets	3,104,587	4,527,413
Investment property	5,807,833	6,071,447
Financial investments in associate companies	51,642,477	49,085,007
Financial investments:	337,671,495	325,188,363
- Loans and deposits	129,089,029	107,037,143
- Held to maturity	14,399,218	15,420,514
- Available for sale	190,623,779	198,012,939
- At fair value through profit or loss	3,559,469	4,717,767
Funds for the benefit of policyholders who bear the investment risk	26,019,509	24,138,957
Reinsurers' share of technical provisions	28,491,174	21,608,381
Receivables	115,394,206	86,266,849
Receivables arising out of primary insurance business	34,803,804	26,342,606
Receivables arising out of reinsurance and co-insurance business	74,671,555	52,698,920
Tax receivables	292,644	295,638
Other receivables	5,626,203	6,929,685
Deferred acquisition costs	18,458,969	15,938,449
Other assets	1,124,203	1,338,989
Cash and cash equivalents	4,991,719	4,710,455
Non-current assets held for sale	360,067	384,562
EQUITY AND LIABILITIES	635,544,520	582,037,026
Equity	158,712,385	148,080,050
Share capital	39,069,098	39,069,098
Capital reserves	25,417,397	25,417,397
Profit reserves	90,101,029	90,243,081
Treasury shares	-1,774	-1,774
Fair value reserve	-3,453,889	-10,809,738
Retained earnings	4,026,139	2,878,547
Net profit/loss for the period	4,171,132	1,147,011
Translation reserve	-2,766,627	-2,338,002
Equity attributable to the equity holders of the controlling company	156,562,505	145,605,620
Non-controlling interest in equity	2,149,880	2,474,430
Subordinated liabilities	31,222,675	31,220,817
Technical provisions	358,128,047	320,875,142
Unearned premiums	115,600,265	87,330,269
Mathematical provisions	16,750,348	16,503,688
Provision for outstanding claims	222,731,300	213,830,875
Other technical provisions	3,046,134	3,210,310
Technical provision for the benefit of life insurance policyholders who bear the investment risk	25,296,847	23,673,423
Other provisions	774,233	795,606
Other financial liabilities	5,143,307	5,782,075
Liabilities from operating activities	46,927,435	41,486,025
Liabilities from primary insurance business	1,794,113	1,397,404
Liabilities from reinsurance and co-insurance business	41,861,628	37,621,182
Current income tax liabilities	3,271,694	2,467,439
Other liabilities	9,339,591	10,123,890

7.2 Unaudited consolidated income statement for the three months to 31 March 2012

(EUR)	1-3 2012	1-3 2011
Net earned premiums	57,391,840	55,008,138
Gross premiums written	92,378,003	82,992,817
Written premiums ceded to reinsurers and co-insurers	-11,724,426	-11,062,731
Change in net unearned premiums	-23,261,737	-16,921,948
Income from investments in associates	995,642	1,454,857
- Profit from investments in equity-accounted associate companies	995,642	1,454,857
- Dividend income from associate companies	0	0
Investment income	6,384,572	3,522,807
- Interest income	3,386,942	2,901,370
- Other investment income	1,497,102	297,168
- Net unrealised gains on investments of life insurance policyholders who bear the investment risk	1,500,528	324,269
Other technical income	1,355,316	1,073,574
Commission income	580,450	448,673
Other technical income	774,866	624,901
Other income	136,852	176,501
Net claims incurred	-35,444,747	-32,269,763
Gross claims paid less income from recourse receivables	-29,041,002	-31,600,719
Reinsurers' and co-insurers' share of claims paid	1,237,217	386,474
Change in the net provision for outstanding claims	-7,640,962	-1,055,518
Change in other technical provisions	-325,692	-684,282
Change in technical provisions for policyholders who bear the investment risk	-1,623,424	88,130
Expenses for bonuses and rebates	-38,741	-217,422
Operating expenses	-19,012,283	-19,619,488
- Acquisition costs	-10,467,222	-10,248,517
- Other operating expenses	-8,545,061	-9,370,971
Expenses for investments in affiliates	0	0
Expenses for financial assets and liabilities	-1,969,216	-2,591,042
- Impairment losses on financial assets not measured at fair value through profit or loss	-136,098	-889,359
- Interest expense	-462,956	-437,982
- Other investment expenses	-1,107,947	-302,356
- Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-262,215	-961,345
Other technical expenses	-2,523,207	-2,777,991
Other expenses	-233,409	-608,472
Profit/loss before tax	5,093,503	2,555,546
Income tax expense	-1,403,029	-670,754
Net profit for the period	3,690,474	1,884,792
Profit for the period attributable to equity holders of the company	4,029,081	2,384,050
Net profit/loss for the period attributable to non-controlling interest	-338,607	-499,258

7.3 Unaudited consolidated statement of comprehensive income for the three months to 31 March 2012

(EUR)	1-3 2012	1-3 2011
NET PROFIT/LOSS FOR THE YEAR, NET OF TAX	3,690,474	1,884,792
OTHER COMPREHENSIVE INCOME, NET OF TAX	6,941,063	-402,997
Net change in fair value of available-for-sale financial assets	7,249,262	-108,169
Net change recognised in the fair value reserve	6,726,961	136,108
Net change transferred from fair value reserve to profit or loss	522,302	-244,277
Net gains/losses attributable to the Group recognised in the fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	1,561,828	-574,896
Income tax on other comprehensive income	-1,446,284	31,912
Net gains/losses from translation of financial statements of non-domestic companies	-423,743	248,156
COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	10,631,536	1,481,795
Share attributable to controlling interest	10,956,300	1,981,053
Share attributable to non-controlling interest	-324,764	-499,258

7.4 Unaudited consolidated statement of cash flows for the three months to 31 March 2012

EUR		1-3 2012	1-3 2011
A. Cash flows from operating activities			
a.)	Items of the income statement	29,533,745	10,667,753
	1. Net premiums written	80,653,577	65,850,205
	2. Investment income (other than financial income), financed from:	2,990,440	4,483,736
	- technical provisions	2,533,685	4,374,689
	- other sources	456,755	109,047
	3. Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	1,492,168	1,148,192
	4. Net claims paid	-27,803,785	-30,807,106
	5. Expenses for bonuses and rebates	111,445	3,691,853
	6. Net operating expenses excl. depreciation and change in deferred acquisition costs	-22,244,195	-22,439,965
	7. Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-1,506,260	-2,971,680
	- technical sources	-429,299	-2,754,775
	- other sources	-1,076,961	-216,905
	8. Other operating expenses excl. depreciation (other than for revaluation and excl. additions to provisions)	-2,756,616	-8,035,077
	9. Tax on profit and other taxes not included in operating expenses	-1,403,029	-252,405
b.)	Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax receivables/liabilities) of operating items of the statement of financial position	-25,206,848	-10,389,236
	1. Change in receivables from primary insurance	-8,461,198	-6,342,507
	2. Change in receivables from reinsurance	-21,972,635	1,441,826
	3. Change in other receivables from re/insurance business	-69,624	-245,271
	4. Change in receivables and assets	-927,786	1,815,326
	5. Change in deferred tax assets	1,422,826	-63,333
	6. Change in inventories	-1,848	-10,367
	7. Change in liabilities arising out of primary insurance	396,709	-3,159,322
	8. Change in liabilities arising out of reinsurance business	4,240,446	-7,962,628
	9. Change in other operating liabilities	413,244	2,702,456
	10. Change in other liabilities (except unearned premiums)	-246,982	1,584,737
	11. Change in deferred tax liabilities	0	-150,151
c.)	Net cash from/used in operating activities (a + b)	4,326,897	278,516
B. Cash flows from investing activities			
a.)	Cash receipts from investing activities	134,755,426	148,529,572
	1. Interest received from investing activities relating to:	3,386,941	2,950,231
	- investments financed from technical provisions	3,034,716	2,908,530
	- other investments	352,225	41,702
	2. Cash receipts from dividends and from participation in the profit of others, relating to:	1,002,833	4,824,251
	- investments financed from technical provisions	7,191	-225,946
	- other investments	995,642	5,050,197
	3. Proceeds from sale of intangible assets, financed from:	46,963	0
	- technical provisions	46,963	0
	4. Proceeds from sale of property and equipment, financed from:	1,101,012	-7,066
	- technical provisions	1,101,012	-14,186
	- other sources	0	7,120
	5. Proceeds from sale of long-term financial investments, financed from:	34,009,358	11,974,106
	- technical provisions	26,929,432	4,021,967
	- other sources	7,079,926	7,952,138
	6. Proceeds from sale of short-term financial investments, financed from:	95,208,319	128,788,051
	- technical provisions	47,597,126	85,755,843
	- other sources	47,611,193	43,032,208
b.)	Cash disbursements in investing activities	-138,338,100	-130,602,825
	1. Purchase of intangible assets	-64,678	-87,592
	2. Purchase of property and equipment, financed from:	-377,666	-218,911
	- technical provisions	-40,038	-44,000
	- other sources	-337,628	-174,911
	3. Purchase of long-term financial investments, financed from:	-35,633,857	-37,082,752
	- technical provisions	-33,441,136	-27,885,992
	- other sources	-2,192,721	-9,196,760
	4. Purchase of short-term financial investments, financed from:	-102,261,898	-110,404,715
	- technical provisions	-88,170,634	-75,011,039
	- other sources	-14,091,264	-35,393,676
c.)	Net cash from/used in investing activities (a + b)	-3,582,674	17,926,747
C. Cash flows from financing activities			
b.)	Cash disbursements in financing activities	-462,956	-10,615,814
	1. Interest paid	-462,956	-578,790
	3. Repayment of long-term financial liabilities	0	111,707
	4. Repayment of short-term financial liabilities	0	-10,148,731
c.)	Net cash from/used in financing activities (a + b)	-462,956	-10,615,814
C2 Closing balance of cash and cash equivalents		4,991,719	13,804,525
x.)	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc +	281,268	7,589,450
Opening balance of cash and cash equivalents		4,710,452	6,215,076

7.5 Unaudited consolidated statement of changes in equity for the three months to 31 March 2012

(EUR)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	VIII. Consolidation equity adjustment	IX. Total Group equity	X. Non-controlling interest in equity	XI. Total (13 + 14)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other								
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
Opening balance in financial period	39,069,099	25,417,396	16,673,828	1,774	745,290	7,996,935	64,825,254	-10,809,738	2,878,547	1,147,009	-1,774	-2,338,007	145,605,616	2,474,433	148,080,052
Comprehensive income for the year, net of tax	0	0	0	0	0	0	0	7,355,848	0	4,029,081	0	-428,627	10,956,301	-324,764	10,631,536
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve		0	0	0	-172,760	30,708	0	0	0	142,052	0		0		0
Transfer of profit/loss							0		1,147,009	-1,147,009		0	0	0	0
Other	0		0	0	0	0	0	0	580	0	0	0	580	211	791
Closing balance in financial period	39,069,099	25,417,396	16,673,828	1,774	572,530	8,027,643	64,825,254	-3,453,891	4,026,139	4,171,135	-1,774	-2,766,634	156,562,502	2,149,880	158,712,385

7.6 Unaudited consolidated statement of changes in equity for the three months to 31 March 2011

(EUR)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares	VIII. Translation reserve	Total Group equity	Non-controlling interest in equity	Total (13 + 14)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other								
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
Opening balance in financial period	39,069,099	25,417,397	16,660,613	1,774	1,261,187	6,576,060	60,862,385	-121,459	557,800	2,370,698	-1,774	-2,412,023	150,241,757	4,442,851	154,684,608
Comprehensive income for the year, net of tax	0	0	0	0	0	0	0	-651,153	0	2,384,050	0	248,156	1,981,053	-499,258	1,481,795
Settlement of loss from previous years	0	0	-259,688	0	0	0	0	0	259,688	0	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-307,775	25,215	0	0	0	282,560	0	0	0	0	0
Transfer of profit/loss	0	0	0	0	0	0	0	0	2,370,698	-2,370,698	0	0	0	0	0
Closing balance in financial period	39,069,099	25,417,397	16,400,925	1,774	953,412	6,601,275	60,862,385	-772,613	3,188,186	2,666,610	-1,774	-2,163,867	152,222,810	3,943,593	156,166,403

8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The selected notes to the quarterly financial statements are significant to an understanding of the changes in financial position and performance of the Group in the first quarter 2012 as compared to both the first quarter 2011 and end-of-year 2011.

8.1 Overview of major accounting policies

The financial report for the first quarter with notes has 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 2011.

The quarterly financial report with notes has not been audited.

The interim financial statements at 31 March 2012 have been prepared using the same accounting policies and calculation methods as in the annual financial statements for 2011.

8.2 Seasonality and cyclicity of interim operations

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

8.3 The nature and amount of unusual items

In the three months to 31 March 2012, there were no unusual events that, by their nature, scope or manner of occurrence, would affect assets, liabilities, equity, net profit or cash flows.

8.4 Issuances, repurchases, and repayments of debt and equity securities

The Group neither issued new debt securities nor repaid the existing subordinate debt.

No dividends have been paid out.

8.5 Key accounting estimates and judgements

The Group is predominately composed of financial companies that invest their assets (those supporting liabilities as well as capital funds) in financial instruments. If the fair value of any financial instrument falls below its cost, the Group – pursuant to applicable accounting rules – considers whether the decrease is a significant and long-term one, in the event of which the financial instrument is impaired. In the three months to 31 March 2012, the Group recognised an impairment loss on equities of EUR 134k.

8.6 Analysis of operating segments

Operating segments disclosed and monitored were determined based on the various activities carried out in the Group. Segments have been formed based on similar services provided by

companies (features of insurance products, market networks and the environment in which companies operate).

In view of the nature, scope and organisation of work, CODM⁶ (Chief Operating Decision Maker) is a group composed of management board members, director of finance, director of accounting, director of controlling, and director of risk management. CODM can monitor quarterly the results of operations by segments. These results include technical results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions.

Operating segments include reinsurance, non-life business, life business, and other. Performance of these segments is monitored based on different indicators, the most important performance indicator for all segments being net profit, calculated in accordance with IFRSs. The reinsurance segment mainly relates to the controlling company; the non-life segment relates to non-life business of Group companies and to the non-life business of Tilia, a composite insurance company; the life segment relates to life business of Group companies and to the life business of Tilia. The "other" segment relates to a stock broking company and other Group companies. This segment does not meet the materiality threshold but is presented separately because of the large difference in the nature of activities carried on.

The reinsurance and non-life segments exceed the 10-percent threshold of total income, total assets and share in profit/loss, and are therefore presented separately. The life segment does not meet any recommended materiality threshold; however, life business is presented separately due to the nature of the business and its specific features that sets it apart from other business.

⁶ Chief Operating Decision Maker (senior executive with decision making power or management board including executive directors who allocate resources and assess performance).

Statement of financial position by operating segment as at 31 March 2012

(EUR)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Consolidated		Total	
	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011
ASSETS	458,481,420	417,051,465	224,917,804	203,991,844	57,564,959	55,339,001	14,486,476	14,107,563	-119,906,138	-108,452,846	635,544,520	582,037,029
Intangible assets	156,214	175,779	1,745,349	1,794,545	239,541	233,455	2,815	3,046	16,072,816	16,067,994	18,216,735	18,274,819
Property and equipment	2,421,635	2,367,170	15,196,375	15,434,217	4,691,340	4,774,256	1,952,197	1,927,692	0	0	24,261,547	24,503,335
Deferred tax assets	2,928,973	4,064,272	122,736	342,089	52,878	121,052	0	0	0	0	3,104,587	4,527,413
Investment property	158,003	158,587	5,485,770	5,749,289	164,060	163,571	0	0	0	0	5,807,833	6,071,447
Financial investments in associate companies	116,860,800	114,423,243	2,930,554	2,926,546	861,876	859,074	11,718,562	11,680,470	-80,729,315	-80,804,326	51,642,477	49,085,007
Financial investments:	215,039,212	208,748,194	110,852,333	105,526,148	22,406,376	21,807,711	645,074	277,810	-11,271,500	-11,171,500	337,671,495	325,188,366
- Loans and deposits	73,266,507	57,859,936	58,354,147	52,987,374	8,094,801	7,212,843	645,074	148,490	-11,271,500	-11,171,500	129,089,029	107,037,143
- Held to maturity	6,573,046	7,513,050	4,921,851	5,012,364	2,904,321	2,895,100	0	0	0	0	14,399,218	15,420,514
- Available for sale	135,199,659	143,375,208	45,183,228	44,238,494	10,240,892	10,269,917	0	129,320	0	0	190,623,779	198,012,939
- At fair value through profit or loss	0	0	2,393,107	3,287,916	1,166,362	1,429,851	0	0	0	0	3,559,469	4,717,767
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	26,019,509	24,138,957	0	0	0	0	26,019,509	24,138,957
Reinsurers' share of technical provisions	23,780,051	17,615,761	30,648,236	25,645,091	54,310	53,573	0	0	-25,991,423	-21,706,044	28,491,174	21,608,381
Assets from investment contracts	0	0	0	0	0	0	0	0	0	0	0	0
Receivables	85,406,470	59,848,462	45,812,324	35,143,479	1,664,447	1,699,095	100,517	104,422	-17,589,552	-10,528,609	115,394,206	86,266,849
Receivables arising out of primary insurance business	0	0	34,500,376	25,934,918	347,224	349,718	0	102,007	-43,796	-44,037	34,803,804	26,342,606
Receivables arising out of reinsurance and co-insurance business	84,623,936	58,948,939	6,318,648	3,987,706	12,276	18,230	0	0	-16,283,305	-10,255,955	74,671,555	52,698,920
Tax receivables	0	0	291,372	294,490	0	0	1,272	1,148	0	0	292,644	295,638
Other receivables	782,534	899,523	4,701,928	4,926,365	1,304,947	1,331,147	99,245	1,267	-1,262,451	-228,617	5,626,203	6,929,685
Deferred acquisition costs	11,444,346	9,305,676	7,029,229	6,565,482	382,558	377,652	0	0	-397,164	-310,361	18,458,969	15,938,449
Other assets	127,608	190,408	946,895	1,094,523	49,700	54,058	0	0	0	0	1,124,203	1,338,989
Cash and cash equivalents	158,108	153,912	3,787,936	3,385,873	978,364	1,056,547	67,311	114,123	0	0	4,991,719	4,710,455
Non-current assets held for sale	0	0	360,067	384,562	0	0	0	0	0	0	360,067	384,562

(EUR)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Consolidated		Total	
	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011	31. 3. 2012	31. 12. 2011
EQUITY AND LIABILITIES	458,481,420	417,051,465	224,917,804	203,991,844	57,564,959	55,339,001	14,486,476	14,107,563	-119,906,138	-108,452,846	635,544,520	582,037,029
Equity	164,809,973	158,454,528	30,925,280	27,481,892	13,434,831	13,071,188	14,185,619	13,816,944	-64,643,317	-64,744,503	158,712,386	148,080,052
Share capital	39,069,099	39,069,099	44,950,528	42,750,538	22,324,422	22,086,990	14,153,845	14,153,845	-81,428,796	-78,991,374	39,069,098	39,069,098
Capital reserves	33,003,752	33,003,753	0	0	57	57	0	0	-7,586,412	-7,586,413	25,417,397	25,417,397
Profit reserves	87,384,090	87,556,850	2,146,352	2,115,554	336,491	336,491	90,189	90,189	143,907	143,997	90,101,029	90,243,081
Treasury shares	-1,774	-1,774	0	0	0	0	0	0	0	0	-1,774	-1,774
Fair value reserve	-4,441,222	-9,088,908	1,513,569	630,488	-128,142	-400,356	9,828	9,828	-407,922	-1,960,790	-3,453,889	-10,809,738
Retained earnings	7,915,508	3,596,862	-16,441,286	-12,788,554	-8,230,363	-5,969,149	-37,281	24,003	20,819,561	18,015,385	4,026,139	2,878,547
Net profit/loss for the period	1,880,519	4,318,647	641,131	-3,652,911	-11,657	-2,261,027	326,936	-61,284	1,334,203	2,803,586	4,171,132	1,147,011
Translation reserve	0	0	-1,885,014	-1,573,223	-855,977	-721,818	-357,898	-399,637	332,262	356,676	-2,766,627	-2,338,000
Equity attributable to the equity holders of the controlling company	164,809,973	158,454,530	30,925,280	27,481,892	13,434,831	13,071,188	14,185,619	13,816,944	-66,793,197	-67,218,933	156,562,506	145,605,622
Non-controlling interest in equity	0	0	0	0	0	0	0	0	2,149,880	2,474,430	2,149,880	2,474,430
Subordinated liabilities	31,222,675	31,220,817	0	0	0	0	0	0	0	0	31,222,675	31,220,817
Technical provisions	213,558,796	183,891,042	153,200,358	141,608,498	17,360,315	17,081,646	0	0	-25,991,423	-21,706,044	358,128,047	320,875,142
Unearned premiums	63,857,888	40,897,411	62,477,388	53,660,457	379,008	379,712	0	0	-11,114,019	-7,607,311	115,600,265	87,330,269
Mathematical provisions	0	0	0	0	16,750,348	16,503,688	0	0	0	0	16,750,348	16,503,688
Provision for outstanding claims	149,093,291	142,394,053	88,094,190	85,190,619	230,959	198,246	0	0	-14,687,140	-13,952,043	222,731,300	213,830,875
Other technical provisions	607,618	599,578	2,628,780	2,757,422	0	0	0	0	-190,264	-146,690	3,046,134	3,210,310
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	25,296,847	23,673,423	0	0	0	0	25,296,847	23,673,423
Other provisions	143,730	143,730	552,393	573,772	77,323	77,323	787	781	0	0	774,233	795,606
Other financial liabilities	235	729	13,460,396	13,997,498	0	0	0	0	-8,317,324	-8,216,152	5,143,307	5,782,075
Liabilities from operating activities	47,654,842	42,059,351	15,202,096	9,309,278	379,484	372,080	13,700	13,700	-16,322,688	-10,268,384	46,927,435	41,486,025
Liabilities from primary insurance business	0	0	1,665,833	1,250,730	115,147	136,321	13,700	13,700	-567	-3,347	1,794,113	1,397,404
Liabilities from reinsurance and co-insurance business	45,910,135	40,374,262	12,174,589	7,375,999	99,024	135,958	0	0	-16,322,121	-10,265,037	41,861,628	37,621,182
Current income tax liabilities	1,744,707	1,685,089	1,361,674	682,549	165,313	99,801	0	0	0	0	3,271,694	2,467,439
Other liabilities	1,091,167	1,281,268	11,577,281	11,020,906	1,016,159	1,063,341	286,370	276,138	-4,631,386	-3,517,763	9,339,591	10,123,889

Income statement for the three months to 31 March 2012 by operating segment

(EUR)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Total	Consolidation adjustment		Total	
	1-3 2012	1-3 2011	1-3 2012	1-3 2011	1-3 2012	1-3 2011	1-3 2012	1-3 2011		1-3 2012	1-3 2011	1-3 2012	1-3 2011
Net earned premiums (1)	30,288,516	27,023,454	23,735,384	24,973,203	3,389,171	3,087,726	0	0	57,413,071	-21,231	-76,245	57,391,840	55,008,138
Gross premiums written	58,783,713	50,289,311	38,216,490	37,414,050	3,325,626	3,162,840	0	0	100,325,829	-7,947,826	-7,873,384	92,378,003	82,992,817
- of this third-party clients	50,872,306	42,454,315	38,180,071	37,375,662	3,325,626	3,162,840	0	0	92,378,003	0	0	92,378,003	82,992,817
Written premiums ceded to reinsurers and co-insurers	-10,235,728	-9,537,937	-9,298,071	-9,291,867	-15,994	-39,635	0	0	-19,549,793	7,825,367	7,806,708	-11,724,426	-11,062,731
Change in unearned premiums	-18,259,469	-13,727,920	-5,183,035	-3,148,980	79,539	-35,479	0	0	-23,362,965	101,228	-9,569	-23,261,737	-16,921,948
Net claims incurred (2)	-19,536,875	-16,706,460	-14,631,603	-14,409,561	-1,333,725	-1,153,742	0	0	-35,502,203	57,456	0	-35,444,747	-32,269,763
Gross claims paid less income from subrogation receivables liquidated	-15,351,362	-16,894,017	-14,507,974	-17,147,773	-1,362,098	-1,115,054	0	0	-31,221,434	2,180,432	3,556,125	-29,041,002	-31,600,719
Reinsurers' and co-insurers' shares	1,050,442	337,463	2,294,349	3,605,136	298	0	0	0	3,345,089	-2,107,872	-3,556,125	1,237,217	386,474
Change in the provision for outstanding claims	-5,235,955	-149,906	-2,417,978	-866,924	28,075	-38,688	0	0	-7,625,858	-15,104	0	-7,640,962	-1,055,518
Change in other technical provisions (3)	0	0	53,395	-309,280	-379,087	-375,002	0	0	-325,692	0	0	-325,692	-684,282
Change in the technical provision for policyholders who bear the investment risk (4)	0	0	0	0	-1,623,424	88,130	0	0	-1,623,424	0	0	-1,623,424	88,130
Operating expenses (5)	-10,023,115	-9,689,593	-9,795,067	-9,734,004	-1,530,745	-1,622,467	-66,145	-25,279	-21,348,927	2,402,788	1,451,855	-19,012,824	-19,619,488
Depreciation/amortisation	-50,376	-51,311	-337,816	-490,747	-42,661	-32,888	-4,142	-397	-430,853	0	0	-434,995	-575,343
Other technical income (6)	795,270	601,904	3,029,832	1,913,061	15,587	8,424	0	2,032	3,840,689	-2,485,373	-1,451,847	1,355,316	1,073,574
Other technical expenses (7)	-444,312	-567,199	-2,076,215	-2,251,430	-51,689	-3,663	0	0	-2,572,216	49,009	44,301	-2,523,207	-2,777,991
A) Technical result (1 + 2 + 3 + 4 + 5 + 6 + 7)	1,079,484	662,106	315,726	184,021	-1,513,912	29,406	-66,145	-23,247	-118,702	2,649	-31,936	-182,198	818,318
Income from investments in affiliates (8)	0	0	0	0	0	0	0	0	0	995,642	1,454,857	995,642	1,454,857
Shares in profit/loss of equity-accounted associates	0	0	0	0	0	0	0	0	0	995,642	1,454,857	995,642	1,454,857
Investment income (9)	2,483,942	1,845,030	1,748,439	1,123,230	1,896,359	616,801	381,417	1,643	6,128,740	-125,585	-63,897	6,384,572	3,522,807
- Interest income	1,933,450	1,636,774	1,314,979	1,053,116	255,702	266,919	2,184	1,643	3,504,131	-119,373	-57,082	3,386,942	2,901,370
Expenses for financial assets and liabilities (11)	-1,419,146	-1,424,973	-359,588	-224,231	-316,838	-998,920	0	0	-2,095,572	126,356	57,082	-1,969,216	-2,591,042
- Interest expense	-408,516	-407,444	-171,131	-85,051	-9,665	-9,077	0	0	-589,312	126,356	63,590	-462,956	-437,982
- impairment loss on goodwill	0	-386,392	0	0	0	0	0	0	0	0	0	0	-386,392
B) Net investment income (8 + 9 + 10 + 11)	1,064,796	420,057	1,388,851	898,999	1,579,521	-382,119	381,417	1,643	4,033,168	996,413	1,448,042	5,410,998	2,386,622
Other income (12)	1,718	251	124,704	170,892	2,318	0	11,665	5,358	128,740	-3,553	0	136,852	176,501
Expenses for bonuses and rebates (13)	-8,040	-10,932	-30,701	-206,491	0	0	0	0	-38,741	1	0	-38,740	-217,423
Other expenses (14)	0	0	-231,906	-584,216	-1,499	0	-1	-24,256	-233,405	-3	0	-233,409	-608,472
C) Result of other items (12 + 13 + 14)	-6,322	-10,681	-137,903	-619,815	819	0	11,664	-18,898	-143,406	-3,555	0	-135,297	-649,394
D) Profit/loss before tax (A + B + C)	2,137,957	1,071,482	1,566,674	463,205	66,428	-352,713	326,936	-40,502	3,771,059	995,507	1,416,106	5,093,503	2,555,546
E) Income tax expense	-430,199	-335,754	-959,940	-322,436	-12,890	-12,565	0	0	-1,403,029	0	0	-1,403,029	-670,754
F) Net profit/loss for the period (D+E)	1,707,758	735,728	606,734	140,769	53,538	-365,278	326,936	-40,502	2,368,030	995,507	1,416,106	3,690,474	1,884,792

Inter-segment business

(EUR)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Consolidation adjustment		Total	
	1-3 2012	1-3 2011	1-3 2012	1-3 2011	1-3 2012	1-3 2011	1-3 2012	1-3 2011	1-3 2012	1-3 2011	1-3 2012	1-3 2011
Net earned premiums	7,911,407	7,834,996	36,419	38,388	0	0	0	0	-7,947,826	-7,873,384	0	0
Net claims incurred	-2,179,133	-3,556,125	-1,299	0	0	0	0	0	2,180,432	3,556,125	0	0
Operating expenses	-2,269,784	-1,439,726	-114,568	-5,940	-14,789	-3,008	-3,647	-3,181	2,402,788	1,451,855	0	0
Investment income	123,197	60,906	2,388	2,991	0	0	0	0	-125,585	-63,897	0	0
Other income	38,450	0	11,951	0	0	0	0	0	-50,401	0	0	0

8.7 Notes to significant changes in the statement of financial position

8.7.1 Financial investments in associate companies

In the consolidated financial statements, investments in associate companies are accounted for using the equity method. The increase in investments is mainly due to the addition of the quarterly profit of Zavarovalnica Maribor.

8.7.2 Financial investments

Financial investments increased by EUR 12.5m in the first quarter. There were some increases in loans and deposits, while held-to-maturity financial assets and assets at fair value through profit or loss shrank.

Pursuant to accounting policies, the Group recognised some impairment losses:

(EUR)	1–3 2012	1–3 2011
Shares (excluding strategic shares*)	133,406	889,359
Loans	2,692	0
Total impairment loss	136,098	889,359

*Strategic shares include shares in subsidiary and associate companies.

8.7.3 Receivables

The largest increase in receivables was recorded in receivables arising out of reinsurance and co-insurance. These are receivables of the controlling company who has increased its reinsurance business volume in the three months to 31 March 2012 compared to the last quarter of 2011. Receivables are discussed in greater detail in the section 4.1.

8.7.4 Technical provisions

Compared to year-end 2011, the largest increase in the first quarter 2012 was in gross unearned premiums, which is ordinary interim movement. Technical provisions are described in greater detail in sections 4.1 and 4.6.

8.7.5 Liabilities from operating activities

Liabilities from operating activities increased as a result of growth in reinsurance business.

9 BUSINESS COMBINATIONS

In the three months to 31 March 2012, the controlling company participated in the recapitalisation of two Group companies:

- S** Sava životno osiguranje in the amount of EUR 0.2m and
- S** Illyria in the amount of EUR 2.2m.

Subsequent to capital injections, ownership relations in the above companies remained unchanged.

10 RELATED-PARTY DISCLOSURES

Key management personnel

Fixed remunerations received by Members of the Management Board in the three months to 31 March 2012 amounted to EUR 147,149 (three months to 31 March 2011: EUR 134,000), while bonuses and other income were EUR 8,902 (three months to 31 March 2011: EUR 9,034). No variable remunerations were paid out.

Remunerations paid to Supervisory Board members and members of the Supervisory Board Audit Committee in the three months to 31 March 2012 totalled EUR 34,549 (three months to 31 March 2011: EUR 15,606).

Transactions with associates

Investments in and amounts due from associates

(EUR)		31.3.2012	31.12.2011
Debt securities and loans granted to Group companies	gross	1,512,040	1,512,404
	allowance	0	0
	net	1,512,040	1,512,404
Receivables for premiums arising out of reinsurance assumed	gross	21,296,586	13,010,377
	allowance	0	0
	net	21,296,586	13,010,377
Total		22,808,626	14,522,781

Liabilities to associates

(EUR)	31.3.2012	31.12.2011
Liabilities for shares in reinsurance claims	9,121,750	10,749,608
Other short-term liabilities	4,422,726	2,966,760

Operating Income from and expenses for associate companies

(EUR)	1–3 2012	1–3 2011
Gross premiums written	19,198,971	17,470,087
Gross claims paid	-5,966,139	-7,157,286
Income from recourse receivables	240,962	1,125,800
Interest income	28,386	28,079
Acquisition costs	3,625,474	3,317,203
Additional pension insurance premium	16,216	15,420

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

Transactions with Group companies

Investments in and amounts due from Group companies

(EUR)		31.3.2012	31.12.2011
Debt securities and loans granted to Group companies	gross	11,000,000	10,900,000
	allowance	0	0
	net	11,000,000	10,900,000
Receivables for premiums arising out of reinsurance assumed	gross	10,694,702	7,015,448
	allowance	0	0
	net	10,694,702	7,015,448
Short-term receivables arising out of investments	gross	211,821	170,550
	allowance	0	0
	net	211,821	170,550
Other short-term receivables	gross	0	1,739
	allowance	0	0
	net	0	1,739
Short-term deferred acquisition costs	gross	2,315,694	1,900,221
	allowance	0	0
	net	2,315,694	1,900,221
Total		24,222,217	19,987,958

Liabilities to Group companies

(EUR)	31.3.2012	31.12.2011
Liabilities for shares in reinsurance claims due to Group companies	2,912,109	2,329,272
Other liabilities due from co-insurance and reinsurance	2,696,188	924,970
Other short-term liabilities	0	8,673
Total (excl. provisions)	5,608,297	3,262,915

Intra-group transactions

(EUR)	1-3 2012	1-3 2011
Gross premiums written	7,911,406	7,878,899
Gross claims paid	-2,279,337	-3,556,125
Income from recourse receivables	100,204	107,051
Other operating expenses	-15,378	0
Other investment income	3,824	3,824
Interest income	119,373	57,082
Acquisition costs	-2,254,406	-1,439,726
Other non-life income	37,042	0

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



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

11 UNAUDITED SEPARATE FINANCIAL STATEMENTS

11.1 Unaudited statement of financial position as at 31 March 2012

(EUR)	31. 3. 2012	31. 12. 2011
ASSETS	458,481,420	417,051,466
Intangible assets	156,214	175,779
Property and equipment	2,421,635	2,367,170
Deferred tax assets	2,928,973	4,064,272
Investment property	158,003	158,587
Financial investments in Group companies and in associates	116,860,800	114,423,243
Financial investments:	215,039,212	208,748,194
- Loans and deposits	73,266,507	57,859,936
- Held to maturity	6,573,046	7,513,050
- Available for sale	135,199,659	143,375,208
Reinsurers' share of technical provisions	23,780,051	17,615,761
Receivables	85,406,470	59,848,463
Receivables arising out of reinsurance and co-insurance business	84,623,936	59,880,259
Other receivables	782,533	-31,796
Deferred acquisition costs	11,444,346	9,305,676
Other assets	127,608	190,409
Cash and cash equivalents	158,108	153,913
EQUITY AND LIABILITIES	458,481,420	417,051,466
Equity	164,809,973	158,454,528
Share capital	39,069,099	39,069,099
Capital reserves	33,003,752	33,003,752
Profit reserves	87,384,090	87,556,850
Treasury shares	-1,774	-1,774
Fair value reserves	-4,441,222	-9,088,908
Retained earnings	7,915,508	3,596,862
Net profit/loss for the period	1,880,519	4,318,646
Subordinated liabilities	31,222,675	31,220,817
Technical provisions	213,558,796	183,891,042
Unearned premiums	63,857,888	40,897,411
Provision for outstanding claims	149,093,291	142,394,053
Other technical provisions	607,618	599,578
Other provisions	143,730	143,730
Other financial liabilities	235	729
Liabilities from operating activities	47,654,842	54,397,993
Liabilities from reinsurance and co-insurance business	45,910,135	52,712,904
Current income tax liabilities	1,744,707	1,685,089
Other liabilities	1,091,167	-11,057,374

11.2 Unaudited income statement for the three months to 31 March 2012

(EUR)	1-3 2012	1-3 2011
Net earned premiums	30,288,515	27,023,454
Gross premiums written	58,783,712	50,289,311
Written premiums ceded to reinsurers and co-insurers	-10,235,728	-9,537,937
Change in net unearned premiums	-18,259,469	-13,727,920
Investment income	2,483,944	1,845,030
Interest income	1,933,451	1,636,774
Other investment income	550,493	208,255
Other technical income	795,271	601,904
- Commission income	503,115	355,807
- Other income	292,156	246,097
Other income	1,718	251
Net claims incurred	-19,536,875	-16,706,460
Gross claims paid less income from recourse receivables	-15,351,362	-16,894,016
Reinsurers' and co-insurers' share of claims paid	1,050,442	337,463
Change in the net provision for outstanding claims	-5,235,955	-149,906
Expenses for bonuses and rebates	-8,040	-10,931
Operating expenses	-10,023,115	-9,689,595
Acquisition costs	-8,442,819	-8,226,430
Other operating expenses	-1,580,296	-1,463,164
Expenses for investments in affiliates	0	0
Expenses for financial assets and liabilities	-1,419,147	-1,424,973
Impairment losses on financial assets not measured at fair value through profit or loss	-133,113	-889,359
Interest expenses	-409,604	-407,444
Other expenses	-876,431	-128,171
Other technical expenses	-444,313	-567,199
Other expenses	0	0
Profit/loss before tax	2,137,958	1,071,482
Income tax expense	-430,199	-335,754
Net profit for the period	1,707,759	735,728
Net diluted earnings/losses per share	0.18	0.08

11.3 Unaudited statement of comprehensive income for the three months to 31 March 2012

(EUR)	1-3 2012	1-3 2011
NET PROFIT/LOSS FOR THE YEAR, NET OF TAX	1,707,759	735,728
OTHER COMPREHENSIVE INCOME, NET OF TAX	4,647,688	33,826
Net change in fair value of available-for-sale financial assets	5,809,610	42,283
Net change recognised in the fair value reserve	5,287,688	286,560
Net change transferred from fair value reserve to profit or loss	521,922	-244,277
Income tax on other comprehensive income	-1,161,921	-8,457
COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	6,355,447	769,554

11.4 Unaudited statement of changes in equity for the three months to 31 March 2012

(EUR)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	Total (1–11)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other					
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
As at 1 January 2012	39,069,099	33,003,752	14,986,525	1,774	745,290	6,998,007	64,825,254	-9,088,910	3,596,862	4,318,646	-1,774	158,454,526
Comprehensive income for the year, net of tax	0	0	0	0	0	0	0	4,647,688	0	1,707,759	0	6,355,447
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-172,760	0	0	0	0	172,760	0	0
Transfer of profit/loss	0	0	0	0	0	0	0	0	4,318,646	-4,318,646	0	0
As at 31 March 2012	39,069,099	33,003,752	14,986,525	1,774	572,530	6,998,007	64,825,254	-4,441,222	7,915,508	1,880,519	-1,774	164,809,973
Distributable profit	0	0	0	0	0	0	0	0	7,915,508	1,880,519	0	9,796,027

11.5 Unaudited statement of changes in equity for the three months to 31 March 2011

(EUR)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Net profit/loss for the period	VI. Treasury shares (contra account)	Total (1–10)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other				
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
As at 1 January 2011	39,069,099	33,003,752	14,986,525	1,774	1,261,187	6,126,333	60,862,385	-2,767,816	3,596,862	-1,774	156,138,328
Comprehensive income for the year, net of tax	0	0	0	0	0	0	0	33,826	735,728	0	769,554
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-307,775	0	0	0	307,775	0	0
As at 31 March 2011	39,069,099	33,003,752	14,986,525	1,774	953,412	6,126,333	60,862,385	-2,733,990	4,640,365	-1,774	156,907,882
Distributable profit	0	0	0	0	0	0	0	0	4,640,365	0	4,640,365

11.6 Unaudited statement of cash flows for the three months to 31 March 2012

(EUR)		1-3 2012	1-3 2011
A. Cash flows from operating activities			
a.)	Items of the income statement	22,900,824	6,584,871
	Net premiums written	48,547,984	35,153,367
	Investment income (other than financial income), financed from:	550,493	207,332
	- technical provisions	541,764	44,888
	- other sources	8,729	162,444
	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	796,988	602,155
	Net claims paid	-14,300,920	-16,556,553
	Expenses for bonuses and rebates	-8,040	-10,931
	Net operating expenses excl. depreciation and change in deferred acquisition costs	-12,820,713	-10,890,018
	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	1,009,543	-1,017,529
	- technical sources	881,344	-52,596
	- other sources	128,199	-964,933
	Other operating expenses excl. depreciation (other than for revaluation and excl. additions to provisions)	-444,313	-567,199
	Tax on profit and other taxes not included in operating expenses	-430,199	-335,754
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	-20,864,109	-3,525,817
	Change in receivables from reinsurance	-25,445,427	-1,368,780
	Change in other receivables from re/insurance business	0	-110,838
	Change in receivables and assets	-1,958,879	3,902,489
	Change in deferred tax assets	1,135,299	-80,074
	Change in liabilities arising out of reinsurance business	5,535,872	-9,465,680
	Change in other operating liabilities	-208,796	3,463,756
	Change in other liabilities (except unearned premiums)	77,820	314,700
	Change in deferred tax liabilities	0	-181,388
c.)	Net cash from/used in operating activities (a + b)	2,036,715	3,059,054
B. Cash flows from investing activities			
a.)	Cash receipts from investing activities	87,750,996	104,912,482
	Interest received from investing activities relating to:	1,933,451	1,636,774
	- investments financed from technical provisions	1,512,807	1,199,330
	- other investments	420,644	437,444
	Cash receipts from dividends and from participation in the profit of others, relating to:	0	923
	- investments financed from technical provisions	0	923
	Proceeds from sale of long-term financial investments, financed from:	38,399,340	11,662,944
	- technical provisions	31,830,859	3,829,042
	- other sources	6,568,481	7,833,902
	Proceeds from sale of short-term financial investments, financed from:	47,418,205	91,611,841
	- technical provisions	40,919,661	48,718,696
	- other sources	6,498,544	42,893,145
b.)	Cash disbursements in investing activities	-86,936,355	-105,628,917
	Purchase of property and equipment, financed from:	-96,215	0
	- other sources	-96,215	0
	Purchase of long-term financial investments, financed from:	-35,264,237	-30,701,157
	- technical provisions	-33,071,631	-23,312,398
	- other sources	-2,192,606	-7,388,759
	Purchase of short-term financial investments, financed from:	-51,575,903	-74,927,760
	- technical provisions	-43,779,270	-40,246,145
	- other sources	-7,796,633	-34,681,615
c.)	Net cash from/used in investing activities (a + b)	814,641	-716,436
C. Cash flows from financing activities			
b.)	Cash disbursements in financing activities	-2,847,161	-2,218,028
	Interest paid	-409,604	-407,444
	Repayment of short-term financial liabilities	-2,437,557	-1,810,584
c.)	Net cash from/used in financing activities (a + b)	-2,847,161	-2,218,028
C2.	Closing balance of cash and cash equivalents	158,108	293,783
x.)	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	4,195	124,590
D.	Opening balance of cash and cash equivalents	153,913	169,193

11.7 Net earnings/loss per share

The weighted average number of shares outstanding was 9,362,309.

Net earnings/loss per share

(EUR)	31.3.2012	31.3.2011
Net earnings/losses	1,707,759	735,728
Weighted number of shares	9,362,309	9,362,309
Net earnings/loss per share	0.18	0.08

Comprehensive income per share

(EUR)	31.3.2012	31.3.2011
Comprehensive income	6,355,447	769,554
Weighted number of shares	9,362,309	9,362,309
Comprehensive income per share	0.68	0.08



APPENDIX

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

Administrative expenses ratio = $\text{operating expenses} - \text{acquisition costs} / \text{gross premiums written}$

Affiliate

An entity in which the investor has significant influence (through ownership of 20–100 percent of voting rights).

Associate

In accordance with IAS 28, associates are entities in which the investor has significant influence on the financial and operating policy decisions and which is not a subsidiary. If a shareholding corresponds to 20–50% of the voting rights, the entity is deemed to be an associate.

Capital fund

Assets representing the capital of the Company.

Cedant, cede, cession

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

Claims incurred

Claims paid in that period including loss adjustment expenses plus the change in the provision for outstanding claims and less recourse receivables during that period. Gross/net – before/after deduction of reinsurance.

Claims paid

Claims and benefits liquidated during a given period for claims resolved either fully or in part including loss adjustment expenses. Gross/net – before/after deduction of reinsurance.

Combined ratio

the aggregation of the loss ratio and the expense ratio.

Net (incurred) combined ratio = $\text{net claims incurred} + \text{operating expenses} - (\text{reinsurance}) \text{ commission income} / \text{net premiums earned}$.

Composite insurer

Insurer that writes both life and non-life business.

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 that specified currency amount or "retention."

Expense ratio

(Net) expense ratio = $\text{operating expenses} - \text{commission income} / (\text{net}) \text{ earned premiums}$

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.

Gross expense ratio = $\text{operating expenses} / \text{gross premiums written}$

Gross/net

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

IBNR – provision for claims that are **Incurred But Not Reported**

IBNER – provision for claims that are **Incurred But Not Enough Reported**

RBNS – provision for claims that are **Reported But Not Settled**

IBNS – provision for claims that are **Incurred But Not Settled**

IBNS = **RBNS** + **IBNR**

Insurance density = gross premiums written / number of inhabitants

Insurance penetration = gross premiums written / gross domestic product

Liability fund

Assets supporting technical provisions.

Life insurance liability fund

Assets supporting mathematical provisions.

Loss ratio (Incurred loss ratio)

Gross (incurred) loss ratio = gross claims incurred / gross premiums earned

Net (incurred) loss ratio = net claims incurred / net premiums earned

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.

Paid loss ratio

Gross paid loss ratio = gross claims paid / gross premiums written

Net paid loss ratio = net claims paid / net premiums written

Premiums earned

The portion of premiums written that relates to the expired portion of the policy period for a given period adjusted for change in unearned premiums. Gross/net – before/after deduction of reinsurance.

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.

Primary insurer

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

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.

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.

Retention ratio = net premiums written / 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.

Return on equity (ROE) = net profit for the period / average equity in the period

Retrocession

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

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.

Subsidiary entity

An entity that is controlled by an investor (through ownership of more than 50 percent of voting shares).

Technical result

The aggregation of underwriting result and insurance investment income.

Underwriting result

Profit or loss realised from insurance operations as opposed to that realised from investments. The excess of premiums over claims (losses) and expenses, calculated as

Underwriting result = net earned premiums – net claims incurred – net operating expenses

Unearned premium

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.

DECLARATION OF THE MANAGEMENT BOARD

"To the best of our knowledge, and in accordance with the International Financial Reporting Standards, the summary financial report gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group, and the business report includes a fair review of transactions with related parties for the three months to 31 March 2012."«

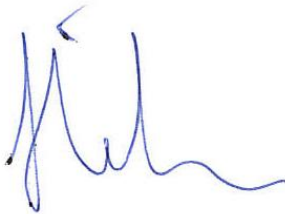
Zvonko Ivanušič, Chairman of the Management Board



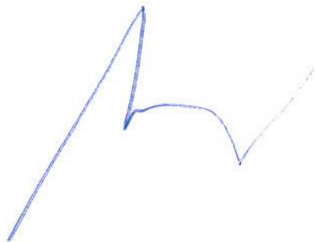
Jošt Dolničar, Member of the Management Board



Srečko Čebren, Member of the Management Board



Mateja Treven, Member of the Management Board



Ljubljana, 30 May 2012