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**TRANSLATION OF THE  
UNAUDITED FINANCIAL REPORT OF THE  
SAVA RE GROUP AND  
POZAVAROVARNICA SAVA D.D. FOR THE  
NINE MONTHS TO 30 SEPTEMBER 2013**

**Ljubljana, 18 November 2013**



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# INTRODUCTION



## 1 INTRODUCTION

In accordance with the Slovenian Financial Instruments Market Act and the rules of the Ljubljana Stock Exchange, Pozavarovalnica Sava d.d. ("Sava Reinsurance Company"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Financial Report of the Sava Re Group and Pozavarovalnica Sava d.d. for the Nine Months to 30 September 2013.

The Unaudited Financial Report of the Sava Re Group and Sava Reinsurance Company for the Nine Months to 30 September 2013 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](http://www.sava-re.si) as from 29 November 2013.





## 1.1 Summary of key figures

(€)	Sava Re Group		Sava Reinsurance Company	
	1–9/2013	1–9/2012	1–9/2013	1–9/2012
<b>Gross premiums written</b>	<b>291,793,236</b>	<b>215,852,845</b>	<b>111,043,028</b>	<b>124,390,521</b>
Year-on-year change	35.2 %	6.7 %	-10.7 %	12.1 %
<b>Net premiums earned</b>	<b>270,850,194</b>	<b>183,981,797</b>	<b>94,735,879</b>	<b>99,994,701</b>
Year-on-year change	47.2 %	3.9 %	-5.3 %	8.4 %
<b>Gross claims paid</b>	<b>149,832,966</b>	<b>95,728,819</b>	<b>57,243,893</b>	<b>53,636,419</b>
Year-on-year change	56.5 %	1.8 %	6.7 %	5.2 %
<b>Net claims incurred</b>	<b>161,106,921</b>	<b>112,029,869</b>	<b>58,117,066</b>	<b>67,378,924</b>
Year-on-year change	43.8 %	7.4 %	-13.7 %	16.4 %
<b>Net incurred loss ratio</b>	<b>60.2 %</b>	<b>61.4 %</b>	<b>61.3 %</b>	<b>67.4 %</b>
<b>Operating expenses including reinsurance commission income</b>	<b>89,513,780</b>	<b>62,133,027</b>	<b>30,068,050</b>	<b>29,744,901</b>
Year-on-year change	44.1 %	-1.3 %	1.1 %	5.6 %
Net expense ratio	33.0 %	33.8 %	31.7 %	29.7 %
<b>Net combined ratio</b>	<b>95.1 %</b>	<b>97.9 %</b>	<b>93.8 %</b>	<b>97.2 %</b>
<b>Net investment income incl. finance costs</b>	<b>21,099,621</b>	<b>12,925,395</b>	<b>15,836,468</b>	<b>6,264,574</b>
<b>Net investment income excl. finance costs</b>	<b>22,340,189</b>	<b>14,204,165</b>	<b>16,780,088</b>	<b>7,393,242</b>
<b>Profit/loss, net of tax</b>	<b>23,397,395</b>	<b>11,945,511</b>	<b>20,462,536</b>	<b>7,070,725</b>
Year-on-year change	95.9 %	411.9 %	189.4 %	-0.3 %
Comprehensive income	14,601,073	18,002,845	17,881,913	11,524,462
<b>Return on equity</b>	<b>11.6 %</b>	<b>7.6 %</b>	<b>9.7 %</b>	<b>4.3 %</b>
	30. 9. 2013	31. 12. 2012	30. 9. 2013	31. 12. 2012
<b>Total assets</b>	<b>1,390,555,517</b>	<b>640,591,738</b>	<b>548,515,159</b>	<b>463,035,873</b>
Change on 31 December	117.1 %	10.1 %	18.5 %	11.0 %
<b>Shareholders' equity</b>	<b>232,940,927</b>	<b>171,353,442</b>	<b>246,695,005</b>	<b>174,789,811</b>
Change on 31 December	35.9 %	15.7 %	41.1 %	10.3 %
<b>Net technical provisions</b>	<b>993,635,301</b>	<b>349,759,210</b>	<b>191,517,113</b>	<b>184,400,328</b>
Change on 31 December	184.1 %	8.3 %	3.9 %	10.9 %
No. of employees (full-time equivalent basis)	2,360	1,534	68	70

Notes:

The net investment income does not include income/expenses of assets pertaining to policyholders who bear the investment risk since such assets do not affect the income statement. The mathematical provision of policyholders who bear the investment risk moves in line with this line item.

The calculation of ratios is explained in the appended glossary.

Sava Reinsurance Company started consolidating Zavarovalnica Maribor as of 1 May 2013, which had a major impact on the Sava Re Group financial statements.

## 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
Facsimile	(01) 47 50 264
E-mail	<a href="mailto:info@sava-re.si">info@sava-re.si</a>
Website:	<a href="http://www.sava-re.si">www.sava-re.si</a>
Company ID number	5063825
Tax number	17986141
Share capital	€ 71,856,376
Number & type of shares	17,219,662 no-par-value shares
Governance and supervision bodies	<u>Management Board:</u> Zvonko Ivanušič (Chairman) Srečko Čebren Jošt Dolničar Mateja Treven <u>Supervisory Board</u> Branko Tomažič (Chairman) Mateja Lovšin Herič (Deputy Chairperson) Slaven Mičković Keith Morris Martin Albrecht (employee representative) Andrej Gorazd Kunstek (employee representative)
Date of entry into court register	28 Dec 1990 Ljubljana District Court
Certified auditor	Ernst & Young d.o.o., Dunajska 111 1000 Ljubljana Slovenia
Largest shareholder and holding	Slovenska odškodninska družba, d.d. 25.0 % + 1 share; (no. of no-par value shares: 4.304.917)
Credit rating (AM Best)	A– /stable/; October 2012 A– /stable/; October 2013
Credit rating (S&P)	BBB+ /stable/; July 2013
The Company has no branches.	

## 1.3 Bodies of the Company

### The management board

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


In its meeting of 20 May 2013, the supervisory board of Sava Reinsurance Company reappointed the current four-member management board consisting of Zvonko Ivanušič (chairman), Srečko Čebren, Jošt Dolničar and Mateja Treven. The new term of office of the chairman and all three other board members will run for five years, beginning on 1 June 2013.

#### *Members of the management board as at 30 September 2013:*

Member	Title	Term of office	Beginning of term of office
Zvonko Ivanušič	chairman	5 years	1. 6. 2013
Srečko Čebren	member	5 years	1. 6. 2013
Jošt Dolničar	member	5 years	1. 6. 2013
Mateja Treven	member	5 years	1. 6. 2013

#### Notes on membership of governance or supervisory bodies of third parties:

Zvonko Ivanušič:

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

Jošt Dolničar:

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

### The supervisory board

In the nine months to 30 September 2013, there was a change in the composition of the supervisory board. On 15 January 2013, Samo Selan resigned as supervisory board member representing employee interests. The workers' council appointed Andrej Gorazd Kunstek new member of the supervisory board (employee representative) for the period 23 January 2013 – 10 June 2015.

On 12 July 2013, the general meeting appointed four members of the supervisory board representing shareholder interests for a four-year term of office, beginning 15 July 2013. The members of the supervisory board representing shareholder interests in the new term of office are Branko Tomažič, Mateja Lovšin Herič, Keith Morris and Slaven Mićković. On 20 July 2009, the supervisory board members met in a constitutive meeting and elected Branko Tomažič chairman of the supervisory board and Mateja Lovšin Herič deputy chairman.

### *Composition of the supervisory board at 30 September 2013*

Member	Title
Branko Tomažič	chairman
Mateja Lovšin Herič	deputy chairperson
Slaven Mičković	member
Keith Morris	member
Martin Albreht	member (employee representative)
Andrej Gorazd Kunstek	member (employee representative)

## **Supervisory board committees**

### *The audit committee*

In the nine months to 30 September 2013, there were some changes in the composition of the supervisory board audit committee. In its constitutive meeting on 22 July 2013, the supervisory board appointed a three-member audit committee, composed of Mateja Lovšin Herič (chair), Slaven Mičković and Ignac Dolenšek (member).

### *Members of the supervisory board audit committee at 30 September 2013*

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

### *The nomination committee*

On 14 July 2013 the term of office of the previous supervisory board expired, including that of its nomination committee, which consisted of Branko Tomažič (chair), Mateja Lovšin Herič and Vesna Razpotnik (both members). As yet the supervisory board in its new composition has not formed a new nomination committee.

## **The general meeting of shareholders**

There were two general meetings of shareholders held in the nine months to 30 September 2013.

On 11 January 2013, the 26th general meeting of Sava Reinsurance Company took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. The General Meeting passed a resolution on increasing the Company's capital through monetary contributions. In the Meeting, a challenging action was announced but was subsequently not filed.

On 12 July 2013, the 27th general meeting of Sava Reinsurance Company shareholders took place at the Horus hall of the Austria Trend Hotel. The general meeting appointed four members of the supervisory board representing shareholder interests for a four-year term of office, beginning 15 July 2013. The members of the supervisory board representing shareholder interests in the new term of office are Branko Tomažič, Mateja Lovšin Herič, Keith Morris and Slaven Mičković. Among other things, the general meeting was presented

the annual report for 2012, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2012 with the opinion of the supervisory board thereto. The general meeting resolved that distributable profit of € 12,717,998.16 should remain undistributed and discharged both the management board and the supervisory board from their liability for the financial year 2012. The general meeting appointed the auditing firm Ernst & Young d.o.o., Dunajska 111, Ljubljana, as auditor for the 2013 financial year. The general meeting was also informed that Andrej Gorazd Kunstek replaced Samo Selan as supervisory board member representing employee interests as from January 2013. No challenging actions were announced in the general meeting.

## 1.4 Significant events in the nine months to 30 September 2013

### EVENTS FROM JANUARY TO JUNE 2013

- S On 11 January 2013, the 26th general meeting of shareholders of Sava Reinsurance Company was held. The resolution on the increase in share capital determined that the issue price (bid price) per new share was to be not less than € 7 and not more than € 9. The issue price for one newly issued share was to be determined by the management board of Sava Reinsurance Company, subject to consent of the supervisory board, while the total issue amount of all newly issued shares as per the resolution was not to exceed € 55,000,001, with regard to which the final number of newly issued shares was to be adjusted accordingly. Newly issued shares were offered to the public in several rounds, in accordance with regulations applicable to the financial instruments market, where in the first round shares were offered to all existing shareholders. Existing shareholders had the right to subscribe and pay in newly issued shares in proportion to their existing holdings in Sava Reinsurance Company. Newly issued shares not subscribed and paid in in the first round were offered by the management board of Sava Reinsurance Company, subject to consent by the supervisory board, for subscription to all the public or part of the public or third parties in subsequent round(s).
- S On 11 February 2013, Sava Reinsurance Company received a decision of the Insurance Supervision Agency on the increase in the qualifying shareholding in Zavarovalnica Maribor based on which the Company could directly acquire voting rights and shares of Zavarovalnica Maribor of 50 % or more. Furthermore, the Insurance Supervision Agency issued an approval for Sava Reinsurance Company and the Slovenian Restitution Fund so that they could jointly and directly acquire, based on their share purchase agreement titled "Agreement on rights associated with Zavarovalnica Maribor shares" voting rights and shares in the equity of Zavarovalnica Maribor of 50 percent or more.
- S On 25 February 2013, Sava Reinsurance Company received a decision from the Slovenian Competition Protection Agency stating that the Agency did not object to the announced concentration of Sava Reinsurance Company and Zavarovalnica Maribor and that such concentration was in compliance with competition rules.
- S On 28 March 2013, the Belgrade companies register agency registered the capital increase in the subsidiary life insurer Sava životno osiguranje, resulting in share capital of RSD 344,060,419. The recapitalisation of Sava životno osiguranje, owned 99.9 % by Sava Reinsurance Company, involved the subscription of 85,760 new shares for a total amount of RSD 47,201,446.
- S On 9 April 2013, Sava Reinsurance Company received notice from the Slovenian Competition Protection Agency that the decision of the Competition Protection Agency

dated 20 February 2013 had become final on 28 March 2013. The date 28 March 2013 marked the cumulative fulfilment of all suspensive conditions of the Purchase and Sale Agreement ("Agreement on the Purchase and Sale of Zavarovalnica Maribor Shares") signed by the Slovenian Restitution Fund d.d. and Sava Reinsurance Company as one party and Nova Kreditna banka Maribor as the other party on 11 December 2012. This date also marked the beginning of the 30-day time period within which the purchase price as set out in the Purchase and Sale Agreement was to be settled.

- S** On 25 April 2013, all conditions of the Purchase and Sale Agreement were fulfilled for its implementation. This means that on that day Sava Reinsurance Company acquired 1,468,175 shares of Zavarovalnica Maribor. This triggered the enforcement of the Option Agreement.
- S** On 26 April 2013, Sava Reinsurance Company announced, in accordance with the provisions of the Slovenian Takeovers Act (ZPre-1), its intention to take over all shares of Zavarovalnica Maribor neither owned by the Company itself nor by the Slovenian Restitution Fund.
- S** On 8 May 2013, Sava Reinsurance Company obtained a decision from the Slovenian Securities Market Agency on the approval of the Prospectus for the Offering of New Shares of Sava Reinsurance Company ("the Prospectus") and on 9 May 2013 a decision on the correction of the operative part of the decision dated 8 May 2013, for the offering of no more than 7,857,143 new shares of Sava Reinsurance Company (with ticker POSR) for a maximum total issue amount of € 50,000,001 in the Republic of Slovenia. On 9 May 2013, Sava Reinsurance Company published the Prospectus. Thereby the procedure for the public offering of new shares of Sava Reinsurance Company officially commenced. In the period up until 20 May 2013, Sava Reinsurance Company collected non-binding bids from invited Existing Shareholders, Large Investors, Institutional Investors and an Invited Investor. Existing shareholders were able to exercise their pre-emptive rights from 23 May 2013 to 6 June 2013. The second and third rounds of subscribing and paying-in new shares were held from 10 June 2013 to 17 June 2013 and 21 June 2013, respectively. More detailed information on the offering are set out in the Prospectus available from the Company's website [www.sava-re.si](http://www.sava-re.si).
- S** On 20 May 2015, the management board of Sava Reinsurance Company, with the consent of the supervisory board, determined the price at which interested investors paid in newly issued share at € 7.
- S** In its meeting of 20 May 2013, the supervisory board of Sava Reinsurance Company reappointed the current four-member management board consisting of Zvonko Ivanušič (chairman) and the members Srečko Čebtron, Jošt Dolničar and Mateja Treven. The term of office of the first three listed board members was to expire at the end of the year, while that of Mateja Treven was to expire on 3 February 2016. The new term of office of the chairman and all three other board members will run for five years, beginning on 1 June 2013.
- S** On 21 May 2013, Sava Reinsurance Company received a decision of the Slovenian Securities Market Agency, confirming the Takeover Bid and Prospectus for the acquisition of Zavarovalnica Maribor shares. On 22 May 2013, Sava Reinsurance Company publicly announced its Takeover Bid, which was valid from 24 May 2013 to 24 June 2013 noon.

#### EVENTS FROM JULY TO SEPTEMBER 2013

- S** After the successful completion of the capital increase, the purchase of the remaining shares of Zavarovalnica Maribor and following the annual rating review, on 5 July 2013

Standard & Poor's (S&P), in accordance with its criteria for insurers, affirmed the existing "BBB+" ratings with stable outlook and removed the ratings from CreditWatch with negative implications.

- S** On 12 July 2013, the 27th general meeting of Sava Reinsurance Company shareholders took place at the Horus hall of the Austria Trend Hotel. The general meeting appointed four members of the supervisory board representing shareholder interests for a four-year term of office, beginning 15 July 2013. The members of the supervisory board representing shareholder interests in the new term of office are Branko Tomažič, Mateja Lovšin Herič, Keith Morris and Slaven Mičković. Among other things, the general meeting was presented the annual report for 2012, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2012 with the opinion of the supervisory board thereto. The general meeting resolved that distributable profit of € 12,717,998.16 should remain undistributed and discharged both the management board and the supervisory board from their liability for the financial year 2012. The general meeting appointed the auditing firm Ernst & Young d.o.o., Dunajska 111, Ljubljana, as auditor for the 2013 financial year. The general meeting was also informed that Andrej Gorazd Kunstek replaced Samo Selan as supervisory board member representing employee interests as from January 2013. No challenging actions were announced in the general meeting.
- S** On 8 July 2013, the Company successfully concluded the procedure of increasing its share capital and published the results of its share offering. In the offering of new shares of Sava Reinsurance Company, carried out in accordance with the general meeting resolutions passed on 11 January 2013 and with the provisions of the Prospectus for the offering of new shares of the Company, all offered shares, i.e. 7,857,143 POSR shares, were subscribed and fully paid up at the price of € 7.00 per share, in the total issue amount of € 55,000,001.00. The new shares – new share capital of € 71,856,376.23 – were entered in the register of companies on 11 July 2013; on 17 July the shares were registered in the clearing and deposit corporation (KDD) and on 18 July, they were listed on the Ljubljana stock exchange. On 11 July 2013, an entry was made into the register of companies on the amendment to the articles of association of Sava Reinsurance Company, as adopted by the supervisory board as per the authorisation given in the 26th general meeting of shareholders to bring the wording in line with the capital increase carried out by the Company.
- S** Pursuant to the Agreement on Rights Associated with Zavarovalnica Maribor Shares concluded with the Slovenian Restitution Fund d.d. (SOD), on 12 July 2013 Sava Reinsurance Company exercised its call option for 4,882,813 shares of Zavarovalnica Maribor at a price of € 10,4919 per share, in total € 51,229,985.71. Thus Sava Reinsurance Company increased its stake in Zavarovalnica Maribor to 99.87 %.
- S** On 19 July 2013, Sava Reinsurance Company paid out the price difference on the bid price to the accepting parties in the takeover procedure for Zavarovalnica Maribor, in accordance with the Takeovers Act. In accordance with the Takeover Bid of 23 May 2013, the offered price of the offeror for one share of the offeree company was € 10.24. On 12 July 2013, Sava Reinsurance Company exercised its call option against the Slovenian Restitution fund (SOD) for Zavarovalnica Maribor shares at a price of € 10,4919 per share.
- S** In its meeting on 22 July 2013, the new supervisory board members met in a constitutive meeting and re-elected Branko Tomažič chairman of the supervisory board and Mateja Lovšin Herič deputy chairman. Furthermore, the supervisory board appointed from among its members two members to the audit committee: Mateja



Lovšin Herič as chair and Slaven Mičković as member. Ignac Dolenšek was elected third, independent external member of the supervisory board audit committee.

**S** The Zavarovalnica Maribor supervisory board in its session held on 22 July 2013 considered changes in its management board. The supervisory board passed a resolution to recall Drago Cotar from the position of chairman of the management board. Furthermore, the supervisory board was presented with the resignation of Marko Planinšec from the position of management board member. These changes became effective on 22 July 2013. Furthermore, a resolution was passed to decrease the number of Zavarovalnica Maribor management board members from five to four members, of which one member would be an employee representative (labour director). David Kastelic, former Zavarovalnica Maribor management board member, was appointed chairman of the Zavarovalnica Maribor management board, effective as from 22 July 2013. Borut Celcer and Srečko Čarni also remained on the management board, the former as deputy chairman, the latter as labour director. As new, fourth Zavarovalnica Maribor management board member, the supervisory board appointed Rok Moljk, to be responsible for general affairs, organisation and relationships with the parent and the Sava Re Group, effective as of 22 July 2013. He will assume his new position on the Zavarovalnica Maribor management board upon obtaining the relevant licence from the Insurance Supervision Agency.

**S** On 19 August 2013, the general meeting of Zavarovalnica Maribor passed a resolution to squeeze out minority interest. Based on the entry of this resolution into the register of companies, all shares not owned by Sava Reinsurance Company (the majority shareholder) were transferred to the majority shareholder against payment of compensation of € 10.4919 per share.

**S** In response to the announced liquidation of Probanka and Factor banka, on 9 September 2013 Sava Reinsurance Company published information about the Group's exposure to subordinated bonds of these banks. As a result of the above, at 30 September 2013 the Sava Re Group recorded impairment losses on subordinated financial instruments and shares in a total amount of € 4.8m. Of this, € 1.8m relate to subordinate bonds of Factor banka held by Sava Reinsurance Company, and € 2.9m to Probanka subordinated bonds held by Zavarovalnica Maribor.

## 1.5 Significant events after the reporting period

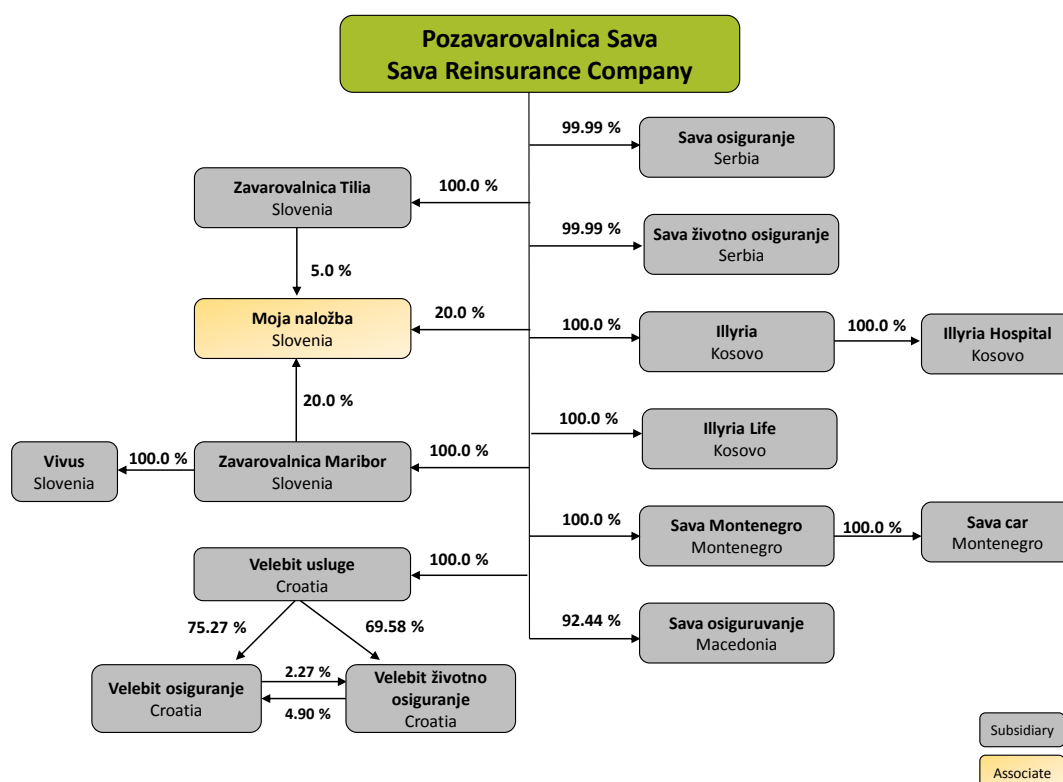
**S** After its regular annual rating review, rating agency AM Best Europe, London, in accordance with its criteria for insurance companies, affirmed the financial strength rating of A- (Excellent) and the issuer credit rating of A- (Excellent) of Sava Reinsurance Company, both with a stable outlook.



## 1.6 Sava Re Group structure including associate companies

At 30 September 2013, the Sava Re Group comprised the reinsurer Sava Reinsurance Company as parent of the Group, ten subsidiaries – insurers based in Slovenia and other countries of the former Yugoslavia – and one associate company, a pension company based in Slovenia.

*Sava Re Group structure including associate companies at 30 September 2013*

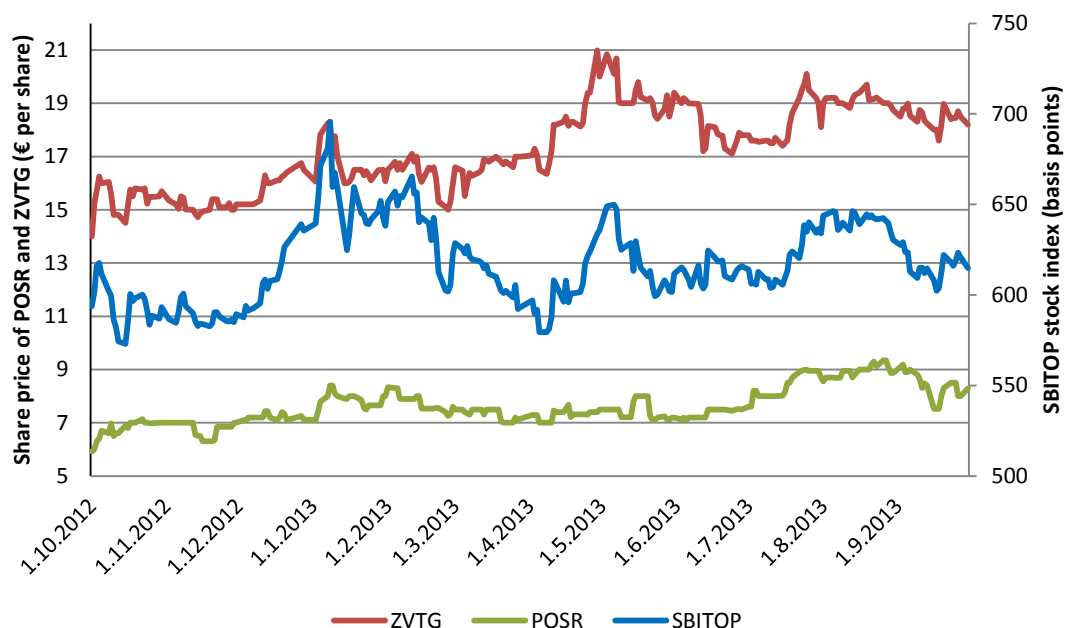


### Company names of subsidiary and associate companies

	Long name	Short name
	skupina Sava Re	Sava Re Group
1	Pozavarovalnica Sava, d. d.	Pozavarovalnica Sava
2	Zavarovalnica Tilia, d.d., Novo mesto	Zavarovalnica Tilia
3	Zavarovalnica Maribor d.d.	Zavarovalnica Maribor or ZM
4	Moja naložba pokojninska družba d.d.	Moja naložba
5	Sava osiguranje, a.d.o. Beograd	Sava osiguranje Beograd
6	Sava životno osiguranje, a.d.o. Beograd	Sava životno osiguranje
7	Kompania e Sigurimeve Illyria sh.a.	Illyria
8	Kompania për Sigurimin e Jetës Illyria Life sh.a.	Illyria Life
9	Sava Montenegro AD Podgorica	Sava Montenegro
10	SAVA osiguruvanje, a.d. Skopje	Sava osiguruvanje Skopje
11	VELEBIT USLUGE d.o.o.	Velebit usluge
12	VELEBIT OSIGURANJE d.d.	Velebit osiguranje
13	VELEBIT ŽIVOTNO OSIGURANJE d.d.	Velebit životno osiguranje
14	Illyria Hospital sh.p.k.	Illyria Hospital
15	Sava Car doo	Sava Car
16	Vivus d.o.o.	Vivus

## 2 SHAREHOLDERS AND SHARE TRADING

*Movements in the POSR share price in the period 1 October 2012 – 31 September 2013 compared to the Zavarovalnica Triglav share (ZVTG) and the SBITOP share index*



### *Basic details about the POSR share*

	30. 9. 2013	30. 9. 2012
Share capital	71,856,376	39,069,099
No. of shares	17,219,662	9,362,519
Ticker symbol	POSR	POSR
No. of shareholders	4,995	4,966
Type of share	ordinary	ordinary
Listing	Ljubljana Stock Exchange, prime market	Ljubljana Stock Exchange, prime market
No. of treasury shares held directly and indirectly*	346,643	210
Net earnings per share (€)**	1.56	0.76
Consolidated net earnings per share (€)	1.79	1.33
Book value per share (€)***	14.62	18.16
Consolidated book value per share (€)	13.81	17.72
Share price at end of period (€)	8.29	5.80
	1–9/2013	1–9/2012
Average share price in reporting period (€)	7.88	5.27
Minimum share price in reporting period (€)	7	4.51
Maximum share price in reporting period (€)	9.35	6.1
Trade volume in reporting period (€)	7,983,274	1,405,593

\*Sava Reinsurance Company owns 210 treasury shares directly, and indirectly via Zavarovalnica Maribor a further 346,433 shares.

\*\*Net earnings/loss per share = net profit/loss attributable to controlling interest for the period / weighted average no. of shares outstanding.

\*\*\*Book value per share = equity at 30 September / no. of shares outstanding.

In the first three quarters of 2013, the parent company paid no dividends. In this period, the controlling company held no conditional equity. At 30 September 2013, 72.2 % of shareholders were Slovenian and 27.8 % were foreign. The largest shareholder of POSR shares was the Slovenian Restitution Fund (SOD) with 25.0 % plus one share.

*Top ten shareholders of Sava Reinsurance Company at 30 September 2013*

Shareholder	No. of shares	Holding
Slovenska odškodninska družba, d.d.	4,304,917	25.00 %
Societe Generale - Splitska banka d.d.	1,682,513	9.77 %
European Bank for Reconstruction and Development	1,071,429	6.22 %
Raiffeisen Bank Austria d.d. - Fiduciary account	764,606	4.44 %
Modra Zavarovalnica d.d.	714,285	4.15 %
Abanka d.d.	655,000	3.80 %
SOP Ljubljana	527,344	3.06 %
East Capital Balkan Fund	475,211	2.76 %
Poteza naložbe d.o.o. - in bankruptcy proceedings	468,125	2.72 %
KD Galileo, flexible investment structure	461,189	2.68 %
<b>Total</b>	<b>11,124,619</b>	<b>64.60 %</b>

*Shareholder structure of Sava Reinsurance Company at 30 September 2013*

	Slovenian investors	Foreign investors
Other financial institutions	27.9 %	2.6 %
Insurers and pension companies	14.0 %	0.1 %
Natural persons	11.9 %	0.2 %
Banks	7.9 %	21.2 %
Investment funds and mutual funds	9.0 %	3.8 %
Other commercial companies	1.6 %	0.0 %
<b>Total</b>	<b>72.2 %</b>	<b>27.8 %</b>

The "Other financial institutions" item includes the Slovenian Restitution Company with a holding of 25 % plus one share.

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



# INTERIM BUSINESS REPORT OF THE SAVA RE GROUP



### 3 SAVA RE GROUP RESULTS OF OPERATIONS

Sava Reinsurance Company started full consolidation of Zavarovalnica Maribor on 1 May 2013, which means that only five months of operations of the insurer were included in the nine-month consolidated financial statements. The inclusion of Zavarovalnica Maribor also made the consolidated financial statements as at 30 September 2013 incomparable to those as at 31 December 2012. Before 1 May 2013, the insurer was accounted for using the equity method. Due to said non-comparability, information on the consolidation effect on various metrics was included in this interim business report.

Given the size of the effect of the inclusion of Zavarovalnica Maribor in the Sava Re Group, operating segments were subsequently broken down also geographically ("Slovenia" and "International"). "Slovenia" includes Zavarovalnica Maribor and Zavarovalnica Tilia, while "International" includes the other subsidiaries. The reinsurance segment was not broken down geographically, as – after the elimination of transactions with Zavarovalnica Maribor and Zavarovalnica Tilia (for the former only for the period May–September) – the vast majority of the remaining transactions related to Sava Reinsurance Company's business in international reinsurance markets.

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

- In the consolidation process, reinsurance effects were reallocated from the reinsurance segment to the non-life and life segments (Sava Reinsurance Company as the controlling company handles the reinsurance of most risks of the subsidiaries within the Sava Re Group): in the segment reporting information, reinsurance premiums received by the reinsurer from the subsidiaries were reallocated to the segment from where they arose (the same applied by analogy to reinsurance-related claims, commission income, change in unearned premiums, claims provisions and deferred acquisition costs). In the elimination process, the portion of business retroceded by Sava Reinsurance Company to foreign reinsurers was not allocated to the non-life and life segments. Retrocession-related expenses usually exceed income (except in the case of catastrophe claims). To provide a more adequate presentation of segment profitability, the result of the retroceded business was also allocated to the segment to which it related (non-life or life). All said items were corrected only in the part relating to the risks of subsidiaries retroceded by Sava Reinsurance Company to foreign reinsurers.
- Profit from investments in equity-accounted associates was reallocated to the segment from which it arose (attribution of profit earned by Zavarovalnica Maribor, accounted for using the equity method in the first five months of the year, was partly allocated to the non-life segment and partly to the life segment). The same applied to the income from revaluation of the 48.68 % stake of the insurer held by Sava Reinsurance Company before acquiring a majority stake, which was allocated to the non-life and life segments. Said revaluation was an accounting adjustment to fair value recognised only in the consolidated financial statements.
- Other operating expenses of the reinsurance segment were reduced by the portion of costs attributable to the administration of the Sava Re Group. Sava Reinsurance Company operates as a virtual holding company so part of its expenses relate to the administration of the Group. This portion was reallocated from the reinsurance segment to other segments depending on gross premiums written.

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

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

Reallocation of certain items will enhance transparency of profitability calculations for individual operating segments.

**In the text below, we provide comments to unconsolidated amounts of operating segments as these are comparable to last year's figures.**

### 3.1 Reinsurance business

To a large degree, this segment reflects developments of business written abroad.

With consolidated figures it needs to be noted that Sava Reinsurance Company started full consolidation of Zavarovalnica Maribor on 1 May 2013 and that Zavarovalnica Maribor income and expense figures for only May–September 2013 were included. Figures for the reinsurance segment are affected in such a way that reinsurance premiums received from Zavarovalnica Maribor for May–September were eliminated (while included for January–April).

#### *Summary consolidated income statement; reinsurance business*

(€)	1–9/2013	1–9/2012
Net premiums earned	72,700,508	87,341,062
Investment income	7,081,886	7,418,435
Other technical income	628,374	2,854,262
Other income	7,303	18,892
Net claims incurred	-45,888,538	-60,928,393
Expenses for bonuses and rebates	-55,654	21,228
Operating expenses	-21,504,421	-25,239,969
Expenses for financial assets and liabilities	-6,164,120	-4,705,309
Other technical expenses	-1,561,154	-1,737,107
Other expenses	-4,812	-5
<b>Profit/loss before tax</b>	<b>5,239,372</b>	<b>5,043,094</b>
Underwriting result	4,319,115	2,311,081
Investment result	917,766	2,713,126



## **Net premiums earned**

### *Consolidated net premiums earned; reinsurance business*

(€)	1–9/2013	1–9/2012	Index
Gross premiums written	82,978,401	106,859,294	77.7
Net premiums written	76,470,053	95,163,660	80.4
Change in net unearned premiums	-3,769,545	-7,822,598	48.2
Net premiums earned	72,700,508	87,341,062	83.2

### *Unconsolidated net premiums earned; reinsurance business*

(€)	1–9/2013	1–9/2012	Index
Gross premiums written	111,043,028	124,390,521	89.3
Net premiums written	96,962,350	109,022,365	88.9
Change in net unearned premiums	-2,226,471	-9,027,664	24.7
Net premiums earned	94,735,879	99,994,701	94.7

In the period January–September 2013, non-consolidated gross premiums written relating to the reinsurance segment decreased by 10.7 % compared to the same period in 2012. Gross premiums written sourced from Slovenian cedants fell by 9.4 % due to reduced quota share participation, while international gross premiums written shrank by 11.6 %. The largest drop in absolute terms was experienced in Malaysia, Italy and in the Czech Republic; the largest growth in China. The drop in foreign-sourced premiums is both a result of cancellation of treaties that did not meet profitability criteria and a result of a smaller amount of business offered due to the S&P rating downgrade.

Net premiums written moved in line with gross premiums written in January–September 2013. Due to the decline in premium volume, the increase in net unearned premiums during the period January–September 2013 was lower than in the comparable period last year; as a result, net premiums earned dropped year-on-year.

## **Net claims incurred**

### *Consolidated net claims incurred; reinsurance business*

(€)	1–9/2013	1–9/2012	Index
Gross claims paid	41,003,292	46,927,923	87.4
Net claims paid	40,512,177	43,945,158	92.2
Change in the net provision for outstanding claims	5,376,361	16,983,235	31.7
Net claims incurred	45,888,538	60,928,393	75.3

### *Unconsolidated net claims incurred; reinsurance business*

(€)	1–9/2013	1–9/2012	Index
Gross claims paid	57,243,893	53,636,419	106.7
Net claims paid	53,264,312	50,273,571	105.9
Change in the net provision for outstanding claims	4,852,754	17,105,353	28.4
Net claims incurred	58,117,066	67,378,924	86.3

Non-consolidated gross claims relating to the reinsurance segment for January–September 2013 increased by 6.7 % compared to the same period last year, reflecting growth in gross claims paid arising from reinsurance business of both Slovenian and foreign cedants. In November 2012, Slovenia was impacted by floods, while foreign-sourced business was hit by

the Thai floods and several smaller claims, which were settled in 2013 (and had already been included in the claims provisions at 31 December 2012).

The net incurred loss ratio was 61.3 % (1–9/2012: 67.4 %).

## **Operating expenses**

### *Consolidated operating expenses; reinsurance business*

(€)	1–9/2013	1–9/2012	Index
Acquisition costs	19,045,759	23,219,232	82.0
Change in deferred acquisition costs (+/-)	-597,113	-561,277	106.4
Other operating expenses	3,055,775	2,582,014	118.3
Gross operating expenses	21,504,421	25,239,969	85.2
Income from reinsurance commission	312,643	-1,248,311	-25.0
Net operating expenses	21,817,064	23,991,659	90.9

### *Unconsolidated operating expenses; reinsurance business*

(€)	1–9/2013	1–9/2012	Index
Acquisition costs	25,469,459	27,595,066	92.3
Change in deferred acquisition costs (+/-)	-75,947	-843,373	191.0
Other operating expenses	5,547,581	4,681,549	118.5
Gross operating expenses	30,941,093	31,433,241	98.4
Income from reinsurance commission	-873,043	-1,688,341	148.3
Net operating expenses	30,068,050	29,744,900	101.1

Unconsolidated acquisition costs decreased by 7.7 % year-on-year, which is in line with the trend of gross premiums written (10.7 % drop). The share of acquisition costs in premiums increased slightly compared to the same period last year as a result of measures for improving portfolios mentioned earlier; on the other hand due to poorer underwriting results, this part of the portfolio on average incurred lower commission expenses. The change in deferred acquisition costs in January–September 2013 compared to the same period last year was lower primarily due to the lower volume of business.

Other operating expenses increased somewhat year-on-year as a consequence of costs incurred relating to Zavarovalnica Maribor.

Reinsurance commission income was lower due to the refund of commissions to retrocessionaires of Sava Reinsurance Company that are supporting the reinsurance programme of Slovenian cedants. Commissions calculated based on preliminary rates deviated from those calculated under the sliding scale because these reinsurance programs were affected by the floods of November 2012. Consequently, the result of retrocessionaires deteriorated, which also lead to a lower commission income for Sava Reinsurance Company.

## **Investment income and expenses**

### *Consolidated investment income and expenses; reinsurance business*

(€)	1–9/2013	1–9/2012	Index
Investment income	7,081,886	7,418,435	95.5
Investment expenses	6,164,120	4,705,309	131.0
Net investment income	917,766	2,713,126	33.8

As the income from investments in equity-accounted associates and the revaluation effect of the share of Zavarovalnica Maribor held by Sava Reinsurance Company prior to the acquisition of the majority stake, is attributed partly to the non-life and partly to the life segment, investment income here only comprises income realised by the Sava Reinsurance Company investment portfolio, excluding investments in group companies and associates.

Compared to the same period last year, investment income decreased due to lower interest income as a result of the restructuring of the portfolio towards increasing foreign investments with a high credit rating and lower yield.

The increased investment expenses in the reinsurance segment are due to impairment losses on the bonds of Factor banka held by Sava Reinsurance Company in the amount of € 1.8m and a negative return on investments denominated in U.S. dollars in the amount of € 0.7m, which we hold for the purpose of currency matching. These do not affect profit or loss as technical provisions also fell due to a weaker exchange rate.

### **Technical provisions**

#### *Movements in consolidated gross technical provisions; reinsurance business*

(€)	30. 9. 2013	31. 12. 2012	Index
Gross unearned premiums	23,977,350	36,718,702	65.3
Gross provision for claims	109,750,450	157,537,505	69.7
Other gross technical provisions	6,129	50,884	12.0
Gross technical provisions	133,733,929	194,307,091	68.8

#### *Movements in unconsolidated gross technical provisions; reinsurance business*

(€)	30. 9. 2013	31. 12. 2012	Index
Gross unearned premiums	48,552,743	44,050,792	110.2
Gross provision for claims	173,575,507	172,250,806	100.8
Other gross technical provisions	230,083	192,524	119.5
Gross technical provisions	222,358,333	216,494,122	102.7

Unconsolidated gross unearned premiums at 30 September 2013 increased compared to year-end 2012 (gross premiums written were down by 10.7 %) as a result of normal interim movements as most reinsurance business is written/renewed on 1 January of the current year and unearned premiums are gradually reducing towards the year-end.

Unconsolidated gross technical provisions of Sava Reinsurance Company at 30 September 2013 increased by 0.8 % compared to year-end 2012 (against a 6.7 % increase in gross claims paid). Claims provisions for Slovenian business decreased due to lower quota share participations; the claims provision for the portfolio from abroad increased due to premium growth generated in recent years.

### **Financial investments and investments in associates**

Compared to 31 December 2012, the investment portfolio of the reinsurance segment shrank by € 34.7m. The decrease is due to the decline in financial investments of Group

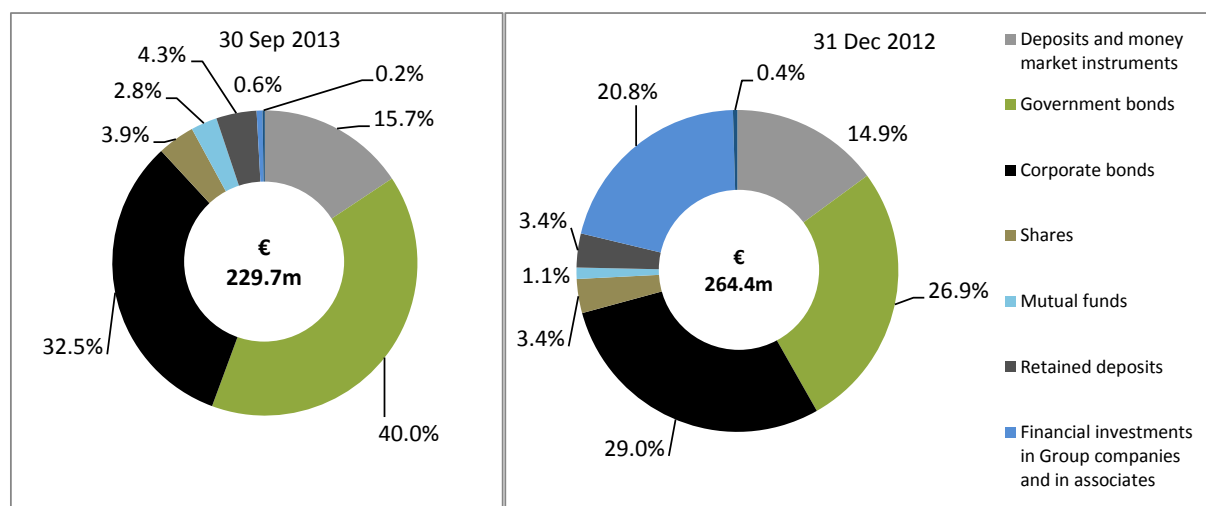
companies and associates as a result of the acquisition of Zavarovalnica Maribor, which Sava Reinsurance Company is now fully consolidating. Excluding the effect of Zavarovalnica Maribor, investments relating to this segment increased thanks to positive cash flow.

*The consolidated investment portfolio; reinsurance business*

(€)	30.9.2013	31.12.2012	Index
Deposits and money market instruments	35,977,523	39,461,664	91.2
Government bonds	91,795,662	71,009,095	129.3
Corporate bonds	74,634,805	76,652,324	97.4
Shares	9,065,820	9,054,028	100.1
Mutual funds	6,401,212	3,011,136	212.6
Other	500	999	50.1
Retained deposits	9,823,612	9,016,183	109.0
<b>Total financial investments</b>	<b>227,699,134</b>	<b>208,205,429</b>	<b>109.4</b>
Financial investments in Group companies and in associates	1,422,159	55,014,558	2.6
Investment property	154,503	156,253	98.9
Cash and cash equivalents	418,706	1,012,672	41.3
<b>Total investment portfolio</b>	<b>229,694,502</b>	<b>264,388,912</b>	<b>86.9</b>

In addition to a smaller share of financial investments in Group companies and in associates, the investment structure also changed for deposits and bonds. This change is a result of the changed investment policy in response to the unstable situation in Slovenia: investments are increasingly placed abroad.

*The consolidated investment portfolio; reinsurance business*



## 3.2 Non-life insurance business

The non-life insurance segment includes the following companies:

- S** Zavarovalnica Maribor, non-life (May–September 2013)
- S** Zavarovalnica Tilia, non-life (January–September)
- S** Sava Montenegro (January–September)
- S** Sava osiguranje Beograd (January–September)
- S** Sava osiguruvanje Skopje (January–September)
- S** Velebit osiguranje (January–September)
- S** Illyria (January–September)

### *Summary consolidated income statement; non-life insurance business*

(€)	Non-life business – Slovenia		Non-life business – intern.	
	1–9/2013	1–9/2012	1–9/2013	1–9/2012
Net premiums earned	120,144,271	50,770,953	36,513,711	35,880,301
Income from investments in associates	5,646,158	2,851,632	0	0
Investment income	6,437,744	1,921,163	2,541,051	2,935,072
Other technical income	2,295,273	1,117,003	993,207	711,991
Other income	2,080,907	13,964	450,072	452,684
Net claims incurred	-78,232,893	-29,128,887	-15,408,706	-17,605,883
Change in other technical provisions	-1,145,334	-245,497	-14,625	3,651
Expenses for bonuses and rebates	-113,969	-15,879	-192,271	-113,322
Operating expenses	-37,474,962	-16,335,850	-16,777,564	-17,697,102
Expenses for financial assets and liabilities	-2,166,864	-194,430	-131,487	-498,937
Other technical expenses	-3,665,725	-1,923,282	-4,216,412	-3,170,944
Other expenses	-431,842	-4,837	-250,437	-974,745
<b>Profit/loss before tax</b>	<b>13,372,765</b>	<b>8,826,053</b>	<b>3,506,538</b>	<b>-77,234</b>
Underwriting result	1,806,662	4,238,561	897,339	-1,991,308
Investment result	9,917,038	4,578,365	2,409,564	2,436,135

### ***Net premiums earned***

#### *Consolidated net premiums earned; non-life insurance business*

(€)	1–9/2013	1–9/2012	Index
Gross premiums written	167,306,897	99,143,276	168.8
Net premiums written	154,934,284	91,932,203	168.5
Change in net unearned premiums	1,723,697	-5,280,949	-32.6
<b>Net premiums earned</b>	<b>156,657,982</b>	<b>86,651,254</b>	<b>180.8</b>

#### *Consolidated non-life premiums by region*

(€)	1–9/2013	1–9/2012	Index
Slovenia	126,963,920	57,813,134	219.6
International	40,342,977	41,330,142	97.6
<b>Total</b>	<b>167,306,897</b>	<b>99,143,276</b>	<b>168.8</b>

Non-life premiums from Slovenia grew mainly because of the inclusion of Zavarovalnica Maribor into the Sava Re Group as from 1 May 2013. Gross premiums written of Zavarovalnica Maribor included in the consolidated statements totalled € 65.3m.

*Gross unconsolidated non-life premiums of Sava Re Group companies*

(€)	1–9/2013	1–9/2012	Index
Zavarovalnica Maribor (non-life)	144,614,738	153,069,912	94.5
Zavarovalnica Tilia (non-life)	61,866,076	57,934,167	106.8
Sava osiguranje Belgrade	8,250,884	8,333,941	99.0
Illyria	7,676,830	8,642,730	88.8
Sava osiguruvanje Skopje	8,656,154	8,888,864	97.4
Sava Montenegro	8,654,557	8,503,431	101.8
Velebit osiguranje	7,107,425	6,970,905	102.0
<b>Total</b>	<b>246,826,664</b>	<b>252,343,950</b>	<b>97.8</b>

The total volume of unconsolidated non-life gross premiums written declined year-on-year. The largest absolute decline in gross premiums written was recorded in Zavarovalnica Maribor (as a result of market conditions: decrease in average motor insurance premium as policyholders opt for lower coverages and loss of major client) followed by Sava osiguranje Belgrade (due to restricted marketing of MTPL policies as acquisition costs in the market are too high) and Illyria (loss of major policyholder). Even though the Slovenian non-life insurance market shrank, Tilia recorded a growth in gross premiums written.

**Net claims incurred**

*Consolidated net claims incurred; non-life insurance*

(€)	1–9/2013	1–9/2012	Index
Gross claims paid	88,925,204	44,480,840	199.9
Net claims paid	84,009,135	43,320,601	193.9
Change in the net provision for outstanding claims	9,632,464	3,414,169	282.1
<b>Net claims incurred</b>	<b>93,641,599</b>	<b>46,734,770</b>	<b>200.4</b>

*Consolidated non-life insurance claims by region*

(€)	1–9/2013	1–9/2012	Index
Slovenia	73,527,013	26,728,904	275.1
International	15,398,191	17,751,936	86.7
<b>Total</b>	<b>88,925,204</b>	<b>44,480,840</b>	<b>199.9</b>

As with gross premiums written, the growth in Slovenian gross claims paid is a result of the inclusion of Zavarovalnica Maribor figures for five months (€ 42.5m). Gross claims paid for international business were lower, indicating improvements in both the underwriting as well as the claims handling process in the markets of the former Yugoslavia (the drop in claims was larger than the drop in premiums).

*Gross unconsolidated non-life claims of Sava Re Group companies*

(€)	1–9/2013	1–9/2012	Index
Zavarovalnica Maribor (non-life)	81,305,473	75,389,414	107.8
Zavarovalnica Tilia (non-life)	31,078,817	26,739,627	116.2
Sava osiguranje, Belgrade	3,071,169	3,335,537	92.1
Illyria	3,674,822	4,292,795	85.6
Sava osiguruvanje, Skopje	3,526,017	4,743,555	74.3
Sava Montenegro	2,559,749	2,876,016	89.0
Velebit osiguranje	2,577,210	2,508,588	102.7
<b>Total</b>	<b>127,793,257</b>	<b>119,885,532</b>	<b>106.6</b>

In Zavarovalnica Maribor claim payments for the 2012 floods had a major effect on the increase in claims; however, these had already been included in the claims provisions at year-end 2012 and had no significant effect on profit and loss. In 2013, both Slovenian insurers reported a negative trend in motor casco claims. All non-Slovenia Group companies recorded a decline in gross non-life claims paid. The largest drop in absolute terms was recorded by the Macedonian non-life insurer, the largest increase by the two Slovenian insurers.

## **Operating expenses**

### *Consolidated operating expenses; non-life insurance*

(€)	1–9/2013	1–9/2012	Index
Acquisition costs	21,365,992	15,858,342	134.7
Change in deferred acquisition costs (+/-)	-124,798	-493,211	25.3
Other operating expenses	33,011,332	18,667,821	176.8
<b>Gross operating expenses</b>	<b>54,252,526</b>	<b>34,032,952</b>	<b>159.4</b>
Income from reinsurance commission	-1,707,386	-951,179	179.5
<b>Net operating expenses</b>	<b>52,545,139</b>	<b>33,081,773</b>	<b>158.8</b>

Acquisition costs relating to Zavarovalnica Maribor totalled € 5.6m. Excluding the effect of Zavarovalnica Maribor, the level of acquisition costs decreased year-on-year. Group companies were successful in containing acquisition costs in the first nine months of 2013, maintaining them on the same level as in the first nine months of 2012.

Other operating expenses increased by € 14.3m, mainly due to the consolidation of Zavarovalnica Maribor (€ 14.4m).

Total consolidated gross non-life operating expenses rose by 59.4 % against a 68.8 % increase in gross premiums written, yielding a more favourable expense ratio.

## **Investment income and expenses**

### *Consolidated investment income and expenses; non-life insurance business*

(€)	1–9/2013	1–9/2012	Index
<b>Investment income</b>	<b>14,624,953</b>	<b>7,707,867</b>	<b>189.7</b>
Income from financial investments	8,978,795	4,856,235	184.9
Income from financial investments in Group companies and in associates	5,646,158	2,851,632	198.0
<b>Investment expenses</b>	<b>2,298,351</b>	<b>693,367</b>	<b>331.5</b>
<b>Net investment income</b>	<b>12,326,602</b>	<b>7,014,500</b>	<b>175.7</b>

Investment income and expenses relating to non-life business significantly increased due to the consolidation of non-life investment income of Zavarovalnica Maribor as from May 2013, which makes year-on-year data incomparable.

Income from financial investments in Group companies and in associates increased due to the investment income from equity-accounted associates (non-life: € 0.8m; life: € 1.3m) and the revaluation effect of the Zavarovalnica Maribor share held by Sava Reinsurance

Company prior to the acquisition of the majority stake, which was partly attributed to the non-life segment (€ 4.6m) and partly to the life segment (€ 3.1m).

The increase in non-life investment expenses was due to the sale of and impairment losses on Probanka bonds.

### ***Technical provisions***

#### *Movements in consolidated gross technical provisions; non-life business*

(€)	30. 9. 2013	31. 12. 2012	Index
Gross unearned premiums	141,299,698	53,567,417	263.8
Gross provision for claims	300,505,604	90,403,112	332.4
Other gross technical provisions	16,109,246	3,437,343	468.7
Gross technical provisions	457,914,548	147,407,872	310.6

Gross unearned premiums relating to non-life insurance business increased significantly from the beginning of the year due to consolidation of Zavarovalnica Maribor. A major change in gross unearned premiums was also recorded by Zavarovalnica Tilja, where the balance increased by € 6.1m due to normal interim movements and premium growth. Gross unearned premiums of Zavarovalnica Maribor at 30 September 2013 amounted to € 79.9m.

Consolidated claims provisions grew primarily because of the inclusion of Zavarovalnica Maribor claims provisions, amounting to € 207.5m at 30 September 2013. The gross claims provisions of other group companies grew by 2.9 % compared to year-end 2012.



## Financial investments

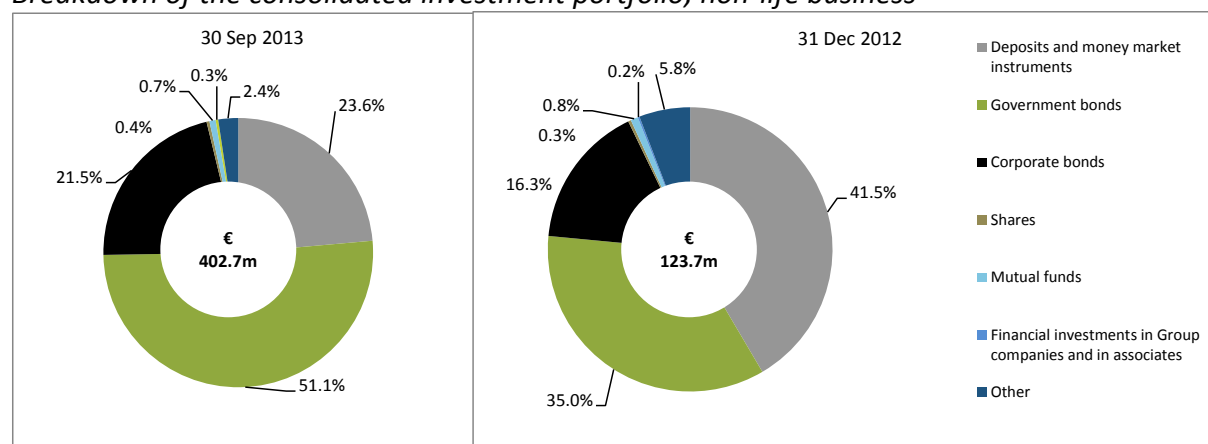
The balance on the investment portfolio increased by € 279m compared to 31 December 2012. The increase is mostly due to the acquisition of Zavarovalnica Maribor, resulting in increased investment portfolio relating to non-life business of € 273.2m.

### Breakdown of the consolidated investment portfolio; non-life business

(€)	30.9.2013			31.12.2012			Index		
	Slovenia	International	Total	Slovenia	International	Total	Slovenia	International	Total
Deposits and money market instruments	66,365,293	28,480,348	94,845,641	19,479,228	30,346,882	49,826,110	340.7	93.8	190.4
Government bonds	180,414,524	25,515,509	205,930,033	21,742,684	21,545,565	43,288,249	829.8	118.4	475.7
Corporate bonds	85,795,649	744,547	86,540,196	18,214,806	1,986,483	20,201,289	471.0	37.5	428.4
Shares	1,095,929	317,069	1,412,998	0	402,464	402,464	0.0	78.8	351.1
Mutual funds	2,401,636	601,861	3,003,497	901,501	130,109	1,031,610	266.4	462.6	291.1
Other	618,380	402,142	1,020,522	10,653	434,690	445,343	5,804.7	92.5	229.2
Retained deposits	0	0	0	0	0	0	0.0	0.0	0.0
<b>Total financial investments</b>	<b>336,691,411</b>	<b>56,061,476</b>	<b>392,752,887</b>	<b>60,348,872</b>	<b>54,846,193</b>	<b>115,195,065</b>	<b>557.9</b>	<b>102.2</b>	<b>340.9</b>
Financial investments in Group companies and in associates	1,240,728	0	1,240,728	0	0	0	0.0	0.0	0.0
Investment property	696,773	4,590,178	5,286,951	348,391	4,437,367	4,785,758	200.0	103.4	110.5
Cash and cash equivalents	574,825	2,695,417	3,270,242	122,119	1,557,273	1,679,392	470.7	173.1	194.7
<b>Total investment portfolio</b>	<b>339,203,737</b>	<b>63,347,071</b>	<b>402,550,808</b>	<b>60,819,382</b>	<b>60,840,833</b>	<b>121,660,215</b>	<b>557.7</b>	<b>104.1</b>	<b>330.9</b>

The breakdown of the investment portfolio compared to 31 December 2012 changed mainly relating to deposits and bonds. The change is partly due to the acquisition of Zavarovalnica Maribor and partly due to the fact that because of an unstable banking system, both Zavarovalnica Maribor and Zavarovalnica Tilja lowered their holdings in bank deposits and reinvested funds in foreign debt instruments.

### Breakdown of the consolidated investment portfolio; non-life business



### 3.3 Life insurance business

The life insurance segment includes the following companies:

- S** Zavarovalnica Maribor, life (May–September 2013)
- S** Zavarovalnica Tilia, life (January–September)
- S** Sava životno osiguranje (January–September)
- S** Illyria Life (January–September)
- S** Velebit životno osiguranje (January–September)

#### *Summary consolidated income statement; life insurance business*

(€)	Life Slovenia		Life intern.	
	1–9/2013	1–9/2012	1–9/2013	1–9/2012
Net premiums earned	38,388,640	7,560,200	3,103,064	2,429,281
Income from investments in associates	4,441,332	1,752,661	0	0
Investment income	11,821,000	3,591,203	585,323	592,615
- of this net unrealised gains on investments of life insurance policyholders who bear the investment risk	6,004,849	3,069,064	219	4
Other technical income	409,690	1,272	60,971	63,148
Other income	12,044	0	57,808	41,139
Net claims incurred	-21,120,798	-4,017,957	-455,986	-348,749
Change in other technical provisions	343,006	112,971	-1,011,630	-824,071
Change in technical provisions for policyholders who bear the investment risk	-6,431,731	-3,064,968	-3,780	-3,875
Operating expenses	-11,971,135	-2,504,292	-2,526,687	-2,335,995
Expenses for financial assets and liabilities	-10,694,475	-1,766,760	-233,283	-210,543
- of this net unrealised losses on investments of life insurance policyholders who bear the investment risk	-7,822,763	-1,762,437	-3,402	-41
Other technical expenses	-203,507	-17,743	-154,336	-161,940
Other expenses	-12,812	1	-4,585	-1,340
<b>Profit/loss before tax</b>	<b>4,986,086</b>	<b>1,646,588</b>	<b>-583,121</b>	<b>-760,330</b>
Underwriting result	-2,398,917	-623,890	-991,567	-1,182,238
Investment result	7,385,771	2,270,477	355,223	382,109

#### ***Net premiums earned***

#### *Consolidated net premiums earned; life insurance business*

(€)	1–9/2013	1–9/2012	Index
Gross premiums written	41,507,938	9,850,275	421.4
Net premiums written	41,301,812	9,817,221	420.7
Change in net unearned premiums	189,892	172,260	110.2
<b>Net premiums earned</b>	<b>41,491,704</b>	<b>9,989,481</b>	<b>415.4</b>

#### *Consolidated life premiums by region*

(€)	1–9/2013	1–9/2012	Index
Slovenia	38,427,685	7,507,771	511.8
International	3,080,253	2,342,504	131.5
<b>Total</b>	<b>41,507,938</b>	<b>9,850,275</b>	<b>421.4</b>

Life premiums from Slovenia grew significantly because of the inclusion of Zavarovalnica Maribor into the Sava Re Group from 1 May 2013 onwards. Gross premiums written of Zavarovalnica Maribor included in the consolidated statements totalled € 31.4m.

*Gross unconsolidated life premiums of Sava Re Group companies*

(€)	1–9/2013	1–9/2012	Index
Zavarovalnica Maribor (life)	56,759,950	57,788,779	98.2
Zavarovalnica Tilia (life)	7,024,304	7,507,771	93.6
Sava životno osiguranje	659,198	562,634	117.2
Illyria Life	968,373	727,776	133.1
Velebit životno osiguranje	1,452,682	1,052,094	138.1
Total	66,864,507	67,639,054	98.9

Gross life premiums written in January–September 2013 increased in all group companies outside Slovenia, while Zavarovalnica Maribor and Zavarovalnica Tilia wrote less premiums. Gross life premiums declined in both Zavarovalnica Maribor and Zavarovalnica Tilia; however, the decline was smaller than the drop in life premiums in the Slovenian insurance market, where life premiums fell by 6.6 % year-on-year.

**Net claims incurred***Consolidated net claims incurred; life insurance business*

(€)	1–9/2013	1–9/2012	Index
Gross claims paid	19,904,470	4,320,056	460.7
Net claims paid	19,723,759	4,320,056	456.6
Change in the net provision for outstanding claims	1,853,025	46,650	3972.2
Net claims incurred	21,576,784	4,366,706	494.1

*Consolidated life insurance claims by region*

(€)	1–9/2013	1–9/2012	Index
Slovenia	19,467,723	4,004,298	486.2
International	436,747	315,758	138.3
Total	19,904,470	4,320,056	460.7

As with gross premiums written, the growth in Slovenian gross claims paid is a result of the inclusion of Zavarovalnica Maribor figures for five months (€ 14.9m). Gross claims on foreign-sourced business also went up partly because Serbian and Kosovan life insurers saw an increase in surrenders and partly because policies written in 2008 and 2009 started to mature (5-year policies).

*Gross unconsolidated life insurance claims of Sava Re Group companies*

(€)	1–9/2013	1–9/2012	Index
Zavarovalnica Maribor (life)	29,282,810	25,946,638	112.9
Zavarovalnica Tilia (life)	4,568,849	4,004,298	114.1
Sava životno osiguranje	93,971	56,373	166.7
Illyria Life	94,340	34,171	276.1
Velebit životno osiguranje	248,436	225,214	110.3
Total	34,288,406	30,266,694	113.3

## **Operating expenses**

### *Consolidated operating expenses; life insurance business*

(€)	1–9/2013	1–9/2012	Index
Acquisition costs	4,799,752	2,403,795	199.7
Change in deferred acquisition costs (+/-)	759,048	68,772	1103.7
Other operating expenses	8,939,023	2,367,720	377.5
Gross operating expenses	14,497,823	4,840,287	299.5
Income from reinsurance commission	0	0	
Net operating expenses	14,497,823	4,840,287	299.5

Acquisition costs relating to Zavarovalnica Maribor totalled € 2.8m. Reduction in these costs in the other companies is related to portfolios development, especially in Tilia, where there were fewer new policies written.

Other operating expenses increased by about € 6.6m, mainly due to the consolidation of Zavarovalnica Maribor (€ 6.2m). Once this effect is eliminated, it can be seen how successful companies were in controlling costs.

The growth index of consolidated gross operating expenses relating to the life segment stood at 299.5; the index of consolidated gross life premiums written was 421.4. The ratio of expenses to premiums improved as a result of the consolidation of Zavarovalnica Maribor as the company has a mature and relatively large portfolio of life insurance policies compared to other Group life insurers outside Slovenia.

## **Investment income and expenses**

### *Consolidated investment income and expenses; life insurance business*

(€)	1–9/2013	1–9/2012	Index
<b>Investment income</b>	<b>10,842,587</b>	<b>2,867,411</b>	<b>378.1</b>
Income from financial investments	6,401,255	1,114,750	574.2
Income from financial investments in Group companies and in associates	4,441,332	1,752,661	253.4
<b>Investment expenses</b>	<b>3,101,593</b>	<b>214,825</b>	<b>1,443.8</b>
Net investment income	7,740,994	2,652,586	291.8

Investment income and expenses relating to life business was significantly impacted by the consolidation of life investment income of Zavarovalnica Maribor as from May 2013, which makes year-on-year data incomparable.

Income from financial investments in Group companies and in associates increased due to the investment income from equity-accounted associates (non-life: € 0.8m; life: € 1.3m) and the revaluation effect of the Zavarovalnica Maribor share held by Sava Reinsurance Company prior to the acquisition of the majority stake, which was partly attributed to the non-life segment (€ 4.6m) and partly to the life segment (€ 3.1m).

The increase in life investment expenses was due to the sale of and impairment losses on Probanka bonds.

## **Technical provisions**

### *Movements in gross technical provisions; life insurance business*

(€)	30. 9. 2013	31. 12. 2012	Index
Gross unearned premiums	809,964	405,761	199.6
Gross mathematical provisions	260,806,905	17,767,312	1467.9
Gross provision for claims	22,025,124	260,180	8465.3
Gross technical provisions for the benefit of policyholders who bear the investment risk	157,557,373	27,040,864	582.7
Gross technical provisions	441,199,366	45,474,117	970.2

The contribution of Zavarovalnica Maribor to the increased consolidated unearned premiums was € 0.4m.

The contribution of Zavarovalnica Maribor to the increased consolidated mathematical provisions was € 242.9m. In other group companies, the mathematical provision moved in line with gross premiums written.

The contribution of Zavarovalnica Maribor to the increased consolidated claims provisions was € 21.7m.

Consolidated provisions for the benefit of life insurance policyholders who bear the investment risk increased by € 130.5m in the first nine months of 2013, of this Zavarovalnica Maribor contributed € 129.1m. Zavarovalnica Tilia increased these provisions by € 1.3m.

## **Financial investments**

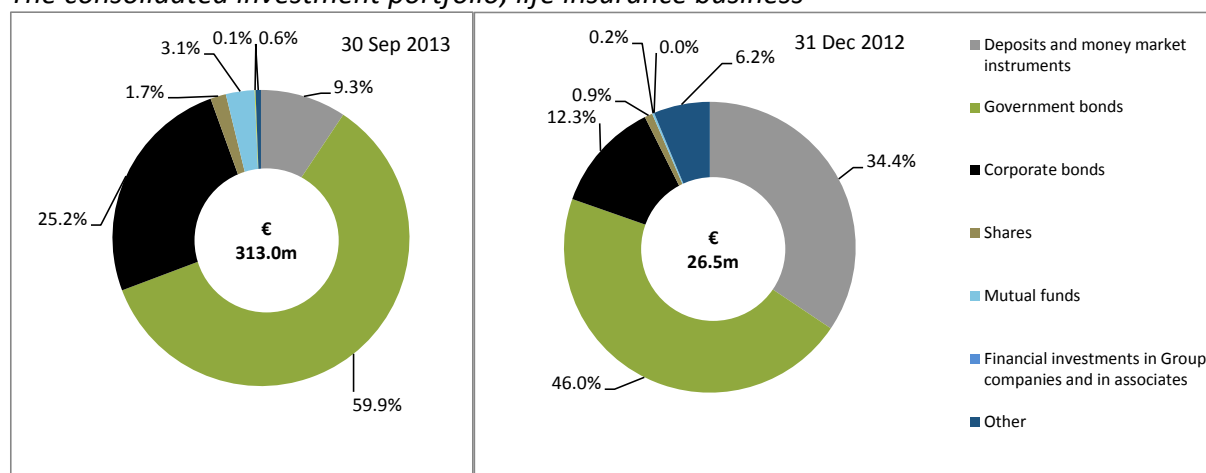
The balance on the investment portfolio relating to life insurance business increased by € 286.4m compared to 31 December 2012. This increase relates to the acquisition of Zavarovalnica Maribor.

### The consolidated investment portfolio; life insurance business

(€)	30. 9. 2013			31. 12. 2012			Index		
	Slovenia	International	Total	Slovenia	International	Total	Slovenia	International	Total
Deposits and money market instruments	23,670,364	5,583,608	29,253,972	3,531,174	5,592,718	9,123,892	670.3	99.8	320.6
Government bonds	182,699,280	4,797,231	187,496,511	8,085,638	4,093,075	12,178,713	2,259.6	117.2	1,539.5
Corporate bonds	79,012,675	0	79,012,675	3,057,533	194,668	3,252,201	2,584.2	0.0	2,429.5
Shares	5,146,834	168,348	5,315,182	0	231,618	231,618	0.0	72.7	2,294.8
Mutual funds	9,798,502	0	9,798,502	60,228	0	60,228	16,269.0	0.0	16,269.0
Other	0	329,375	329,375	0	438,064	438,064	0.0	75.2	75.2
Retained deposits	0	0	0	0	0	0	0.0	0.0	0.0
<b>Total financial investments</b>	<b>300,327,655</b>	<b>10,878,562</b>	<b>311,206,217</b>	<b>14,734,573</b>	<b>10,550,143</b>	<b>25,284,716</b>	<b>2,038.3</b>	<b>103.1</b>	<b>1,230.8</b>
Financial investments in Group companies and in associates	300,449	0	300,449	0	0	0	0.0	0.0	0.0
Investment property	46,652	163,203	209,855	0	163,291	163,291	0.0	99.9	128.5
Cash and cash equivalents	103,604	1,188,122	1,291,726	239,168	815,379	1,054,547	43.3	145.7	122.5
<b>Total investment portfolio</b>	<b>300,778,360</b>	<b>12,229,887</b>	<b>313,008,247</b>	<b>14,973,741</b>	<b>11,528,813</b>	<b>26,502,554</b>	<b>2,008.7</b>	<b>106.1</b>	<b>1,181.0</b>
Funds for the benefit of policyholders who bear the investment risk	168,612,752	9,632	168,622,384	27,617,984	5,919	27,623,903	610.5	162.7	610.4

The inclusion of the investment portfolio of Zavarovalnica Maribor in the Group resulted in a significant change in the Group portfolio structure. As Zavarovalnica Maribor held 87.0 % of its investments in government and corporate bonds, bond holdings increased by 26.9 % on the consolidated level.

### The consolidated investment portfolio; life insurance business



## 4 FINANCIAL POSITION OF THE SAVA RE GROUP

At 30 September 2013, total assets of the Sava Re Group stood at € 1,390.5m, an increase of 117.1 % over year-end 2012. Total assets more than doubled as a result of the inclusion of Zavarovalnica Maribor into the consolidated financial statements. Below we set out items of assets and liabilities in excess of 10 % of total assets/liabilities at 30 September 2013.

### 4.1 Assets

#### *Consolidated total assets by type*

(€)	30. 9. 2013	Structure 30. 9. 2013	31. 12. 2012	Structure 31. 12. 2012
ASSETS	1,390,555,517	100.0 %	640,591,738	100.0 %
Intangible assets	28,328,971	2.0 %	17,767,943	2.8 %
Property and equipment	44,950,582	3.2 %	24,583,379	3.8 %
Deferred tax assets	5,298,028	0.4 %	1,929,136	0.3 %
Investment property	5,651,309	0.4 %	5,105,302	0.8 %
Financial investments in associates	2,963,337	0.2 %	55,265,651	8.6 %
Financial investments	931,865,923	67.0 %	350,245,812	54.7 %
Funds for the benefit of policyholders who bear the investment risk	168,622,384	12.1 %	27,623,903	4.3 %
Reinsurers' share of technical provisions	39,212,542	2.8 %	37,429,870	5.8 %
Receivables	137,513,517	9.9 %	99,025,730	15.5 %
Deferred acquisition costs	18,604,441	1.3 %	16,058,701	2.5 %
Other assets	1,854,853	0.1 %	1,146,698	0.2 %
Cash and cash equivalents	5,082,656	0.4 %	4,058,488	0.6 %
Non-current assets held for sale	606,974	0.0 %	351,125	0.1 %

#### **4.1.1 Financial investments and financial investments in associates**

Total assets increased by € 581.6m compared to 31 December 2012. This change was largely due to the acquisition of Zavarovalnica Maribor, which contributed € 563.3m to consolidated financial investments.

The amount of financial investments in Group companies and in associates decreased by € 52.3m. This decrease was again a result of the acquisition of Zavarovalnica Maribor, which had been accounted for by the controlling company as an equity-accounted associate up until 1 May 2013. On 1 May 2013, Zavarovalnica Maribor became a subsidiary and Moja naložba is now the only Group associate. The equity investment in Moja naložba on the consolidated level increased by € 1.3m as Zavarovalnica Maribor holds a 20 % stake in the company.

Thus the investment portfolio increased by € 530.9m compared to 31 December 2012.

*Group investment portfolio by asset class*

(€)	30.9.2013	31.12.2012	Index
Deposits and money market instruments	160,237,676	99,972,268	160.3
Government bonds	485,222,206	126,476,057	383.6
Corporate bonds	240,187,676	100,105,814	239.9
Shares	15,794,000	9,688,110	163.0
Mutual funds	19,203,211	4,102,974	468.0
Other	1,397,542	884,406	158.0
Retained deposits	9,823,612	9,016,183	109.0
<b>Total financial investments</b>	<b>931,865,923</b>	<b>350,245,812</b>	<b>266.1</b>
Financial investments in Group companies and in associates	2,963,336	55,265,651	5.4
Investment property	5,651,309	5,105,302	110.7
Cash and cash equivalents	5,082,656	4,058,488	125.2
<b>Total investment portfolio</b>	<b>945,563,224</b>	<b>414,675,253</b>	<b>228.0</b>
Funds for the benefit of policyholders who bear the investment risk	168,622,384	27,623,903	410.4

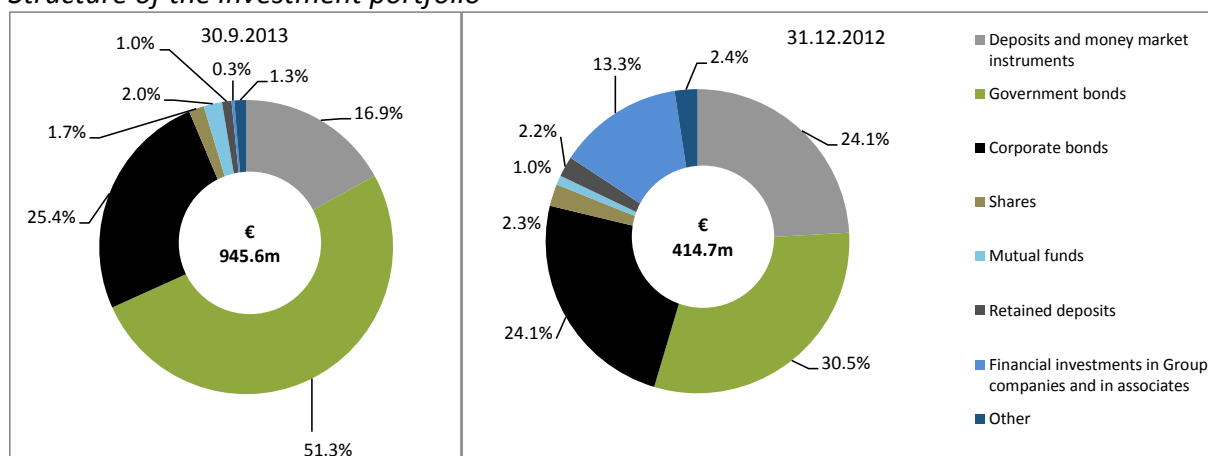
*Group investment portfolio by asset class excluding Zavarovalnica Maribor*

(€)	30.9.2013	31.12.2012	Index
	Excl. ZM	Total	Excl. ZM
Deposits and money market instruments	88,733,049	99,972,268	88.8
Government bonds	158,150,269	126,476,057	125.0
Corporate bonds	97,365,844	100,105,814	97.3
Shares	10,030,621	9,688,110	103.5
Mutual funds	8,828,610	4,102,974	215.2
Other	786,196	884,406	88.9
Retained deposits	9,823,612	9,016,183	109.0
<b>Total financial investments</b>	<b>373,718,201</b>	<b>350,245,812</b>	<b>106.7</b>
Financial investments in Group companies and in associates	1,673,252	55,265,651	3.0
Investment property	5,203,543	5,105,302	101.9
Cash and cash equivalents	4,772,210	4,058,488	117.6
<b>Total investment portfolio</b>	<b>385,367,206</b>	<b>414,675,253</b>	<b>92.9</b>
Funds for the benefit of policyholders who bear the investment risk	29,251,761	27,623,903	105.9

The largest relative change in portfolio holdings was with deposits and bonds (in addition to the change in financial investments in associates). This is partly because Zavarovalnica Maribor holds most investments in bonds and partly because Sava Reinsurance Company and Zavarovalnica Tilia lowered their exposure to deposits due to the increased risk involved in the Slovenian banking system. This part of the portfolio was reinvested mostly in highly rated foreign government and corporate bonds.



### Structure of the investment portfolio



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

The second largest asset item is funds for the benefit of policyholders who bear the investment risk, which grew 510.4 % or by € 141.0m compared to 31 December 2012. Zavarovalnica Maribor has a strong market position in life products. Most of this business comprises policies where policyholders bear the investment risk. As a result, these funds are substantial: funds for the benefit of policyholders who bear the investment risk relating to Zavarovalnica Maribor totalled € 139.4m at 30 September 2013.

## 4.2 Equity and liabilities

### *Consolidated equity & liabilities by type*

(€)	30. 9. 2013	Structure 30. 9. 2013	31. 12. 2012	Structure 31. 12. 2012
EQUITY AND LIABILITIES	1,390,555,517	100.0 %	640,591,738	100.0 %
Equity	232,940,924	16.8 %	171,353,442	26.7 %
Share capital	71,856,371	5.2 %	39,069,098	6.1 %
Capital reserves	42,423,361	3.1 %	25,352,645	4.0 %
Profit reserves	96,949,470	7.0 %	96,925,773	15.1 %
Treasury shares	-2,873,356	-0.2 %	-1,774	0.0 %
Fair value reserve	-9,206,410	-0.7 %	1,527,689	0.2 %
Retained earnings	11,493,913	0.8 %	4,016,817	0.6 %
Net profit/loss for the period	23,488,437	1.7 %	5,461,807	0.9 %
Translation reserve	-3,085,935	-0.2 %	-3,014,477	-0.5 %
Equity attributable to owners of the controlling company	231,045,853	16.6 %	169,337,580	26.4 %
Non-controlling interest in equity	1,895,072	0.1 %	2,015,862	0.3 %
Subordinated liabilities	38,275,258	2.8 %	31,244,573	4.9 %
Technical provisions	875,290,470	62.9 %	360,148,216	56.2 %
Technical provision for the benefit of life insurance policyholders who bear the investment risk	157,557,373	11.3 %	27,040,864	4.2 %
Other provisions	6,799,851	0.5 %	1,350,999	0.2 %
Deferred tax liabilities	3,979,876	0.3 %	3,498	0.0 %
Other financial liabilities	5,023,310	0.4 %	3,038,565	0.5 %
Liabilities from operating activities	49,876,159	3.6 %	36,638,022	5.7 %
Other liabilities	20,812,293	1.5 %	9,773,559	1.5 %

### 4.2.1 Equity of the Sava Re Group

The second largest item on the liabilities side is equity, which increased by € 61.6m from year-end 2012. In the third quarter 2013, Sava Reinsurance Company successfully completed a € 55m recapitalisation aimed at raising funds for the purchase of the outstanding shares of Zavarovalnica Maribor. At 30 September 2013, financial statements already included increased share capital and capital reserves from funds raised in the recapitalisation. On that date, Sava Reinsurance Company already held 100 % of Zavarovalnica Maribor.

The equity item treasury shares increased. This is because at 30 September 2013, Zavarovalnica Maribor held 346,643 shares of Sava Reinsurance Company, which are accounted for as treasury shares as Sava Reinsurance Company controls Zavarovalnica Maribor. These shares will have to be sold by Zavarovalnica Maribor within one year of acquisition or Sava Reinsurance Company will have to remove them or rearrange their status in any other way to comply with the provisions of the Slovenian Companies Act (ZGD-1).

The fair value reserve within equity amounted to € 9.2m at 30 September 2013, primarily resulting from the fair value revaluation of investments of the controlling company.

Retained earnings increased by € 7.5m from 31 December 2012 as a result of both the transfer of profits from the previous year to this item and the attribution of € 2m from the fair value revaluation adjustment of the Zavarovalnica Maribor stake (previously accounted for using the equity method).

#### 4.2.2 Technical provisions of the Sava Re Group

Gross technical provisions are the largest item of liabilities. These increased by 143.0 % from year-end 2012 to € 515.1m on 30 September 2013. In the same period, net technical provisions rose by € 513.3m or 159.1 %. The increase in technical provisions is also due to the inclusion of Zavarovalnica Maribor into the Group; trends by operating segment are described in greater detail in preceding sections.

##### *Movements in consolidated technical provisions*

(€)	30. 9. 2013	31. 12. 2012
Gross unearned premiums	166,087,012	90,691,880
Gross mathematical provisions	260,806,905	17,767,312
Gross provision for claims	432,281,178	248,200,797
Provision for bonuses, rebates and cancellations	781,202	562,560
Other gross technical provisions	15,334,173	2,925,667
Total gross technical provisions	875,290,470	360,148,216

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

Technical provisions for the benefit of policyholders who bear the investment risk at 30 September 2013 grew by 482.7 % or € 130.5m compared to year-end 2012. Zavarovalnica Maribor has a strong market position in life products. Most of this business comprises policies where policyholders bear the investment risk. As a result, these technical provisions are substantial: technical provisions for the benefit of policyholders who bear the investment risk relating to Zavarovalnica Maribor totalled € 129.1m at 30 September 2013.

### 4.3 Capital adequacy of the Sava Re Group

The available solvency margin of Sava Reinsurance Company at 30 September 2013 totalled € 31.5m, while the required solvency margin stood at € 23.6m. The surplus of the available solvency margin over the required margin compared to 30 September 2012 shrank mainly due to the increased ownership interest of Sava Reinsurance Company in Zavarovalnica Maribor.

All other Sava Re Group companies also complied with capital adequacy requirements at 30 September 2013.

#### *Statement of capital adequacy for Sava Reinsurance Company*

(€)		30. 9. 2013	30. 9. 2012
<b>CORE CAPITAL (Article 106 of the Slovenian Insurance Act ("ZZavar"))</b>			
Paid-up share capital, other than paid-up share capital arising from cumulative preference shares, or initial capital	1	71,856,376	39,069,099
Capital reserves, other than capital reserves arising from cumulative preference shares	2	54,239,757	33,003,752
Profit reserves, other than the reserve for treasury shares and the reserves for credit and catastrophe risk equalisation	3	83,289,825	79,810,005
Net profit brought forward from previous years	4	12,717,998	7,915,508
Fair value reserve relating to assets not financed from technical provisions	5	462,448	-26,276
Treasury shares and own interests	6	2,873,356	1,774
Intangible assets	7	118,584	159,355
<b>Core capital (1+2+3+4+5-6-7)</b>	8	219,574,464	159,610,959
<b>Guarantee fund</b>	9	7,860,997	7,860,997
<b>Compliance with Article 106(4) of the ZZavar (8 - 9)</b>	10	211,713,467	151,749,962
<b>ADDITIONAL CAPITAL (Article 107 of the ZZavar)</b>			
Subordinated debt instruments	11	5,895,748	5,895,748
<b>Additional capital (11), however not more than 50 % of the lower of core capital and required solvency margin</b>	12	5,895,748	5,895,748
<b>AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (Article 108 of the ZZavar)</b>			
Total of core and additional capital (8 + 12)	13	225,470,212	165,506,707
Participations within the meaning of Article 108(1), point 1 of the ZZavar	14	192,591,731	121,122,422
Participations within the meaning of Article 108(1), point 2 of the ZZavar	15	1,390,000	1,390,000
<b>Available solvency margin of insurer (13 – 14 – 15)</b>	16	31,488,481	42,994,285
<b>Required solvency margin</b>	17	23,582,992	23,582,992
<b>Surplus/deficit of available solvency margin (16 – 17)</b>	18	7,905,489	19,411,293

### 4.4 Sources of finance and their maturities

At 30 September 2013, the Sava Re Group held € 232.9m of equity, € 38.3m of subordinated liabilities and € 5m of other financial liabilities. Thus liabilities accounted for 15.7 % of total equity and debt capital.

Subordinated liabilities mainly relate to the subordinated debt of Sava Reinsurance Company taken out to expand into the Western Balkans, while Zavarovalnica Maribor also holds subordinated liabilities amounting to € 7m.

## 4.5 Credit rating

### *Credit ratings of Sava Reinsurance Company*

	Standard & Poor's		A.M. Best	
	Rating <sup>1</sup>	Outlook	Rating <sup>2</sup>	Outlook
Sava Reinsurance Company	BBB+	stable	A–	stable

## 4.6 Realisation of the 2013 plan

### *Realisation of target consolidated gross premiums written by operating segment*

(€ million)	1–9/2013	Plan 2013	%
Reinsurance business	83.0	90.4	91.8 %
Non-life insurance business	167.3	254.2	65.8 %
Life insurance business	41.5	73.6	56.4 %
Total	291.8	418.2	69.8 %

In the first half of 2013, the Group realised 69.8 % of the planned annual consolidated gross premiums written. Sava Reinsurance Company estimates that by the end of the year, the planned premium volume in the reinsurance segment will be reached, whereas the non-life and life insurance segments will generate somewhat less premium income as planned.

### *Realisation of target ratios*

	1–9/2013	Plan 2013	%
Net profit/loss for the period	€ 23,4m	over € 30m	78.0 %
Net expense ratio	33.0 %	31.0 %	106.6
Net incurred loss ratio	60.2 %	62.5 %	96.3
Net combined ratio	95.1 %	below 95 %	-
Return on equity	11.6 %	over 15 %	-

Results achieved in the period January–September 2013 are within the planned amounts. Before the year-end, results may be significantly impacted by developments relating to subordinated bonds of Slovenian banks. For more information on the exposure to subordinated bonds, please see the section "Exposure to risks up until the end of 2013".

<sup>1</sup>Standard & Poor's credit rating agency uses the following ratings to evaluate financial strength: AAA (extremely strong), AA (very strong), A (strong), BBB (adequate), BB (less vulnerable), B (more vulnerable), CCC (currently vulnerable), CC (highly vulnerable), R (under regulatory supervision), SD (selectively defaulted), D (defaulted), NR (not rated). Plus (+) or minus (-) following the credit rating from AA to CCC indicates the relative ranking within the major credit categories.

<sup>2</sup>A.M. Best uses the following credit rating categories to evaluate the financial strength: A++, A+ (superior), A, A– (excellent), B++, B+ (Good), B, B– (fair), C++, C+ (marginal), C, C– (weak), D (poor), E (under regulatory supervision), F (in liquidation), S (suspended).

## 5 PERSONNEL

### *No. of employees in the Sava Re Group*

	30. 9. 2013	31. 12. 2012	Change
Zavarovalnica Maribor	836	-	836
Zavarovalnica Tilia	369	350	19
Sava osiguranje, Belgrade	271	250	21
Velebit osiguranje	156	165	-9
Sava Montenegro	145	159	-14
Sava osiguruvanje, Skopje	127	124	3
Illyria Life	114	99	15
Illyria	102	140	-38
Sava životno osiguranje	82	77	45
Velebit životno osiguranje	71	86	-15
Sava Reinsurance Company:	68	70	-2
Sava Car	19	14	5
<b>Total</b>	<b>2,360</b>	<b>1,534</b>	<b>826</b>

\*No. of employees on a full-time equivalent basis.

Excluding Zavarovalnica Maribor, the Group employed 10 staff members less.

## 6 RISK MANAGEMENT

### 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.

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 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.

Sava Re Group members mitigate net retention risk by setting appropriate maximum net retention limits and by designing adequate reinsurance or retrocession programmes.

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 Financial risks

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

### 6.2.1 Market risks

As the investment portfolio exposed to market risks increased from € 350.2m at 31 December 2012 to € 931.6m at 30 September 2013, we do not provide comparative prior-year data as we do not have sufficient data from Zavarovalnica Maribor at 31 December 2012.

#### 6.2.1.1 Interest rate risk

Interest rate risk sensitivity is monitored by the Group 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 analysis does not include bonds classified by the Group as held-to-maturity.

A sensitivity analysis for non-life insurance investments (including the reinsurance segment) showed that if interest rates had increased by two percentage points, the value of the investment portfolio sensitive to interest rate risk would have decreased by € 17.0m or by 4.4 %.

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

A sensitivity analysis for life insurance investments showed that if the interest rate had been increased by two percentage points, the value of the investment portfolio sensitive to interest rate risk would have decreased by € 12.8m or by 7.3 %.

#### 6.2.1.2 Equity securities risk

Equity securities risk is measured through a stress test assuming a 20-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 20 % drop in the value of all equity securities. At 30 September 2013, this would have decreased the value of the Group portfolio by € 5.2m.

### 6.2.1.3 Currency risk

The controlling company is the Group company with the largest exposure to currency risk. Through its international business, its liabilities have exposure to over 50 different currencies. At 30 September 2013, the highest exposures were with the U.S. dollar (USD), South Korean won (KRW), Hong Kong dollar (HKD), Japanese yen (JPY) and with the Russian rouble (RUB). The controlling company took measures towards improved currency matching for U.S. dollar and on 30 September 2013 succeeded in matching USD-denominated assets and liabilities and even providing for a partial excess of U.S. dollar assets over U.S. dollar liabilities. Currency matching for other currencies is challenging as these do not allow for secure and liquid investments. Therefore, the company is preparing a currency matching policy aimed at tying certain illiquid currencies to the U.S. dollar.

Other Slovenia-based companies have assets and liabilities denominated only in the euro. Non-Slovenian group companies have assets and liabilities denominated in local currencies, except for euro-denominated equity, which is supported by euro-denominated investments.

### 6.2.2 Liquidity risk

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 € 5m.

### 6.2.3 Credit risk

We estimate credit risk for the investment portfolio based on issuer credit ratings for deposits, bonds and financial investments of reinsurers with cedants based on reinsurance contracts. Of this part of the investment portfolio, 35.3 % is invested in investments with a minimum credit rating of A– by Standard & Poor's. As much as 73.4 % of the investment portfolio is "investment grade" (i.e. investments with a minimum credit rating of BBB by Standard & Poor's). The remaining portfolio is rated less than BBB or is unrated (related to the high exposure to banks through deposits).

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 credit rating. This is at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business. Reinsurers rated A– or better accounted for over 80 % of the credit risk exposure relating to reinsurers.

#### 6.2.3.1 Concentration risk

The Group's investment portfolio is reasonably diversified in order to avoid heavy concentration in any one asset class, counterparty, industry or in any other category. Assets are diversified by asset class (e.g. time deposits, debt and equity securities, structured products, mutual funds), maturity and currency.

In terms of geography, the Group is heavily exposed to Slovenia (52.6 %) followed by the EU (36.1 %). In terms of industry, the Group is highly exposed to the government (51.6 %) and the finance sector (34.3 %). Concentration by geography and industry is related to asset classes as the bulk of the investment portfolio consists of bank deposits and government bonds.

While the Group 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 Operational risks

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

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

### 6.4 Exposure to risks up until the end of 2013

In the third quarter, there was an increase in the credit risk relating to subordinated bonds of Slovenian banks. On 30 September 2013, the Sava Re Group held nominally € 28.2m in subordinated bonds of Slovenian banks with a market value of € 15.8m; the difference is recognised as negative fair value reserve since these bonds are classified as available for sale. In addition, business performance may be impacted by adverse developments in financial markets. In the event of further impairment losses in this regard, the Group profit will be significantly lower than planned, while the profit of Sava Reinsurance Company will be impacted to a lesser degree. Nevertheless, the Company still expects to pay out dividends in 2014 out of 2013 profits.

We expect that in the remaining three months of the year, the exposure of Sava Reinsurance Company and the Sava Re Group to other 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 could be expected as a result of an increased frequency of storms with massive losses.

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



## 7 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 7.1 Unaudited consolidated statement of financial position

(€)	30. 9. 2013	31. 12. 2012
<b>ASSETS</b>	<b>1,390,555,517</b>	<b>640,591,738</b>
Intangible assets	28,328,971	17,767,943
Property and equipment	44,950,582	24,583,379
Deferred tax assets	5,298,028	1,929,136
Investment property	5,651,309	5,105,302
Financial investments in associates	2,963,337	55,265,651
<b>Financial investments:</b>	<b>931,865,923</b>	<b>350,245,812</b>
- Loans and deposits	170,889,123	106,348,182
- Held to maturity	161,222,881	16,563,481
- Available for sale	565,127,703	224,279,160
- At fair value through profit or loss	34,626,216	3,054,989
<b>Funds for the benefit of policyholders who bear the investment risk</b>	<b>168,622,384</b>	<b>27,623,903</b>
<b>Reinsurers' share of technical provisions</b>	<b>39,212,542</b>	<b>37,429,870</b>
<b>Receivables</b>	<b>137,513,517</b>	<b>99,025,730</b>
Receivables arising out of primary insurance business	66,705,063	25,687,383
Receivables arising out of reinsurance and co-insurance business	59,017,541	54,479,304
Current tax assets	1,045,906	2,114,354
Other receivables	10,745,007	16,744,689
<b>Deferred acquisition costs</b>	<b>18,604,441</b>	<b>16,058,701</b>
<b>Other assets</b>	<b>1,854,853</b>	<b>1,146,698</b>
<b>Cash and cash equivalents</b>	<b>5,082,656</b>	<b>4,058,488</b>
<b>Non-current assets held for sale</b>	<b>606,974</b>	<b>351,125</b>
<b>EQUITY AND LIABILITIES</b>	<b>1,390,555,517</b>	<b>640,591,738</b>
<b>Equity</b>	<b>232,940,927</b>	<b>171,353,442</b>
Share capital	71,856,376	39,069,098
Capital reserves	42,423,360	25,352,645
Profit reserves	96,949,470	96,925,773
Treasury shares	-2,873,356	-1,774
Fair value reserve	-9,206,410	1,527,689
Retained earnings	11,493,913	4,016,817
Net profit/loss for the period	23,488,437	5,461,807
Translation reserve	-3,085,935	-3,014,477
<b>Equity attributable to owners of the controlling company</b>	<b>231,045,855</b>	<b>169,337,580</b>
<b>Non-controlling interest in equity</b>	<b>1,895,072</b>	<b>2,015,862</b>
<b>Subordinated liabilities</b>	<b>38,275,258</b>	<b>31,244,573</b>
<b>Technical provisions</b>	<b>875,290,470</b>	<b>360,148,216</b>
Unearned premiums	166,087,012	90,691,880
Mathematical provisions	260,806,905	17,767,312
Provision for outstanding claims	432,281,178	248,200,797
Other technical provisions	16,115,375	3,488,227
<b>Technical provision for the benefit of life insurance policyholders who bear the investment risk</b>	<b>157,557,373</b>	<b>27,040,864</b>
<b>Other provisions</b>	<b>6,799,851</b>	<b>1,350,999</b>
<b>Deferred tax liabilities</b>	<b>3,979,876</b>	<b>3,498</b>
<b>Other financial liabilities</b>	<b>5,023,310</b>	<b>3,038,565</b>
<b>Liabilities from operating activities</b>	<b>49,876,159</b>	<b>36,638,022</b>
Liabilities from primary insurance business	13,106,182	1,506,763
Liabilities from reinsurance and co-insurance business	33,806,103	34,951,358
Current income tax liabilities	2,963,874	179,900
<b>Other liabilities</b>	<b>20,812,293</b>	<b>9,773,559</b>

## 7.2 Unaudited consolidated income statement

(€)	1–9/2013	1–9/2012
<b>Net premiums earned</b>	<b>270,850,194</b>	<b>183,981,797</b>
Gross premiums written	291,793,236	215,852,845
Written premiums ceded to reinsurers and co-insurers	-19,087,087	-18,939,761
Change in net unearned premiums	-1,855,955	-12,931,287
<b>Income from investments in associates</b>	<b>10,166,703</b>	<b>4,772,235</b>
Profit from investments in equity-accounted associate companies	2,256,962	2,832,294
Dividend income from associate companies	0	1,939,941
Other income	7,909,741	0
<b>Investment income</b>	<b>28,467,969</b>	<b>16,845,260</b>
Interest income	17,052,740	10,316,780
Other investment income	5,410,161	3,459,412
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	6,005,068	3,069,068
<b>Other technical income</b>	<b>4,909,604</b>	<b>4,747,675</b>
Commission income	1,394,743	2,199,490
Other technical income	3,514,861	2,548,185
<b>Other income</b>	<b>2,610,034</b>	<b>595,133</b>
<b>Net claims incurred</b>	<b>-161,106,921</b>	<b>-112,029,869</b>
Gross claims paid less income from recourse receivables	-149,832,966	-95,728,819
Reinsurers' and co-insurers' share of claims paid	5,587,895	4,143,004
Change in the net provision for outstanding claims	-16,861,850	-20,444,054
<b>Change in other technical provisions</b>	<b>-1,828,583</b>	<b>-952,946</b>
<b>Change in technical provisions for policyholders who bear the investment risk</b>	<b>-6,435,511</b>	<b>-3,068,843</b>
<b>Expenses for bonuses and rebates</b>	<b>-357,063</b>	<b>-107,974</b>
<b>Operating expenses</b>	<b>-90,908,523</b>	<b>-64,332,516</b>
Acquisition costs	-45,248,640	-40,495,653
Other operating expenses	-45,659,883	-23,836,863
<b>Expenses for financial assets and liabilities</b>	<b>-19,390,229</b>	<b>-7,375,979</b>
Impairment losses on financial assets not at fair value through profit or loss	-5,442,525	-935,770
Interest expense	-1,228,408	-1,278,770
Other investment expenses	-4,893,131	-3,398,961
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-7,826,165	-1,762,478
<b>Other technical expenses</b>	<b>-9,801,134</b>	<b>-7,011,016</b>
<b>Other expenses</b>	<b>-706,640</b>	<b>-983,872</b>
Profit/loss before tax	26,469,900	15,079,085
<b>Income tax expense</b>	<b>-3,072,505</b>	<b>-3,133,574</b>
<b>Net profit/loss for the period</b>	<b>23,397,395</b>	<b>11,945,511</b>
<b>Net profit/loss attributable to owners of the controlling company</b>	<b>23,508,920</b>	<b>12,466,462</b>
<b>Net profit/loss attributable to non-controlling interests</b>	<b>-111,525</b>	<b>-520,951</b>
<b>Net diluted earnings/loss per share</b>	<b>1.79</b>	<b>1.33</b>

### 7.3 Unaudited consolidated statement of comprehensive income

(€)	1–9/2013			1–9/2012		
	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total
<b>PROFIT/LOSS FOR THE PERIOD, NET OF TAX</b>	<b>23,508,920</b>	<b>-111,525</b>	<b>23,397,395</b>	<b>12,466,462</b>	<b>-520,951</b>	<b>11,945,511</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>-7,866,311</b>	<b>-930,011</b>	<b>-8,796,322</b>	<b>6,012,585</b>	<b>44,748</b>	<b>6,057,335</b>
<b>Net change in fair value of available-for-sale financial assets</b>	<b>-7,722,284</b>	<b>-919,730</b>	<b>-8,642,014</b>	<b>6,038,766</b>	<b>29,300</b>	<b>6,068,066</b>
Gains/losses recognised in fair value reserve	-7,166,475	-919,730	-8,086,205	5,095,581	30,159	5,125,740
Net change transferred from fair value reserve to profit or loss	-555,809	0	-555,809	943,186	-859	942,327
<b>Net gains/losses attributable to the Group recognised in fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies</b>	<b>-1,496,449</b>	<b>0</b>	<b>-1,496,449</b>	<b>2,180,083</b>	<b>0</b>	<b>2,180,083</b>
<b>Tax on other comprehensive income</b>	<b>1,423,880</b>	<b>-791</b>	<b>1,423,089</b>	<b>-1,255,066</b>	<b>0</b>	<b>-1,255,066</b>
<b>Net gains/losses from translation of financial statements of non-domestic companies</b>	<b>-71,458</b>	<b>-9,490</b>	<b>-80,948</b>	<b>-951,198</b>	<b>15,448</b>	<b>-935,748</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>15,642,608</b>	<b>-1,041,536</b>	<b>14,601,073</b>	<b>18,479,048</b>	<b>-476,203</b>	<b>18,002,845</b>
Attributable to owners of the controlling company	15,642,608	0	15,642,608	18,479,048	0	19,044,381
Attributable to non-controlling interest	0	-1,041,536	-1,041,536	0	-476,203	-1,041,536

## 7.4 Unaudited consolidated statement of cash flows

(€)		1-9/2013	1-9/2012
<b>A</b>	<b>Cash flows from operating activities</b>		
a.)	Items of the income statement	<b>32,513,252</b>	<b>29,776,393</b>
1.	Net premiums written	272,706,149	215,852,845
2.	Investment income (other than financial income), financed from:	9,021,652	2,546,323
	- technical provisions	8,618,805	2,251,627
	- other sources	402,847	294,696
3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	7,519,638	4,747,675
4.	Net claims paid	-144,245,071	-112,029,869
5.	Expenses for bonuses and rebates	-357,063	-7,011,016
6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-88,313,667	-64,114,910
7.	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-10,238,107	-6,097,209
	- technical sources	-9,781,932	-5,221,282
	- other sources	-456,175	-875,927
8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-10,507,774	-983,872
9.	Tax on profit and other taxes not included in operating expenses	-3,072,505	-3,133,574
b.)	<b>Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the income statement</b>	<b>-22,503,538</b>	<b>-20,411,571</b>
1.	Change in receivables from primary insurance	-41,017,680	-3,415,552
2.	Change in receivables from reinsurance	-4,538,237	-7,197,501
3.	Change in other receivables from re/insurance business	-574,960	40,072
4.	Change in receivables and assets	-3,101,443	-2,228,914
5.	Change in deferred tax assets	-3,368,892	1,667,237
6.	Change in inventories	-140,319	53,355
7.	Change in liabilities arising out of primary insurance	11,599,419	485,570
8.	Change in liabilities arising out of reinsurance business	-1,145,257	-6,572,098
9.	Change in other operating liabilities	9,845,569	-2,416,262
10.	Change in other liabilities (except unearned premiums)	5,961,884	-827,478
11.	Change in deferred tax liabilities	3,976,378	0
c.)	<b>Net cash from/used in operating activities (a + b)</b>	<b>10,009,714</b>	<b>9,364,822</b>
<b>B</b>	<b>Cash flows from investing activities</b>		
a.)	<b>Cash receipts from investing activities</b>	<b>661,634,480</b>	<b>369,951,795</b>
1.	Interest received from investing activities relating to:	17,052,740	10,316,780
	- investments financed from technical provisions	16,053,533	8,376,839
	- other investments	999,207	1,939,941
2.	Cash receipts from dividends and from participation in the profit of others, relating to:	10,645,503	3,629,907
	- investments financed from technical provisions	453,931	218,319
	- other investments	10,191,572	3,411,588
3.	Proceeds from sale of intangible assets, financed from:	506,495	0
	- other sources	506,495	0
4.	Proceeds from sale of property and equipment, financed from:	50,770	111,154
	- technical provisions	0	101,243
	- other sources	50,770	9,911
5.	Proceeds from sale of long-term financial investments, financed from:	198,332,292	83,120,188
	- technical provisions	186,949,645	71,125,214
	- other sources	11,382,647	11,994,974
6.	Proceeds from sale of short-term financial investments, financed from:	435,046,680	272,773,766
	- technical provisions	413,325,071	236,085,485
	- other sources	21,721,609	36,688,281
b.)	<b>Cash disbursements in investing activities</b>	<b>-726,034,026</b>	<b>-373,928,468</b>
1.	Purchase of intangible assets	-370,423	-89,956
2.	Purchase of property and equipment, financed from:	-3,491,886	-830,942
	- technical provisions	-529,335	-57,995
	- other sources	-2,962,551	-772,947
3.	Purchase of long-term financial investments, financed from:	-301,745,730	-250,472,343
	- technical provisions	-203,937,827	-235,428,006
	- other sources	-97,807,903	-15,044,337
4.	Purchase of short-term financial investments, financed from:	-420,425,987	-122,535,226
	- technical provisions	-402,747,791	-82,759,578
	- other sources	-17,678,196	-39,775,648
c.)	<b>Net cash from/used in investing activities (a + b)</b>	<b>-64,399,546</b>	<b>-3,976,674</b>
<b>C</b>	<b>Cash flows from financing activities</b>		
a.)	<b>Cash receipts from financing activities</b>	<b>56,353,282</b>	<b>8,000,000</b>
1.	Proceeds from paid-in capital	54,023,282	0
3.	Proceeds from short-term borrowing	2,330,000	8,000,000
b.)	<b>Cash disbursements in financing activities</b>	<b>-1,228,408</b>	<b>-14,787,500</b>
1.	Interest paid	-1,228,408	-1,278,770
4.	Repayment of short-term financial liabilities	0	-13,500,000
5.	Dividends and other profit participations paid	0	-8,730
c.)	<b>Net cash from/used in financing activities (a + b)</b>	<b>55,124,874</b>	<b>-6,787,500</b>
<b>D</b>	<b>Closing balance of cash and cash equivalents</b>	<b>5,082,656</b>	<b>3,311,100</b>
	<b>Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)</b>	<b>735,042</b>	<b>-1,399,352</b>
	<b>Opening balance of cash and cash equivalents</b>	<b>4,058,490</b>	<b>4,710,452</b>
	<b>Opening balance of cash and cash equivalents – acquisition</b>	<b>289,124</b>	<b>0</b>



## 7.5 Unaudited consolidated statement of changes in equity

### Unaudited consolidated statement of changes in equity for the nine months to 30 September 2013

(€)	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	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (14 + 15)
			Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other								
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
<b>Opening balance in the financial period</b>	<b>39,069,099</b>	<b>25,352,645</b>	<b>0</b>	<b>16,677,980</b>	<b>1,774</b>	<b>753,026</b>	<b>9,950,193</b>	<b>69,542,800</b>	<b>1,527,689</b>	<b>4,016,817</b>	<b>5,461,807</b>	<b>-1,774</b>	<b>-3,014,477</b>	<b>169,337,580</b>	<b>2,015,862</b>	<b>171,353,442</b>
<b>Comprehensive income for the period, net of tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-9,813,353</b>	<b>2,018,501</b>	<b>23,508,920</b>	<b>0</b>	<b>-71,458</b>	<b>15,642,610</b>	<b>-1,041,536</b>	<b>14,601,073</b>
Subscription (payment) of new equity capital	32,787,276	21,236,004	0	0	0	0	0	0	0	0	0	0	0	54,023,280	0	54,023,280
Allocation of net profit to profit reserve	0	0	0	3,214		0	0	0	0	-3,214	0	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	0	-69,254	89,737	0	0	0	-20,483	0	0	0	0	0
Acquisition of non-controlling interests		-4,165,289		0			0		-920,745	0				-5,086,034	-46,320,548	-51,406,582
Transfer of profit	0	0	0	0	0	0	0	0	0	5,461,807	-5,461,807	0	0	0	0	0
Increase due to acquisition of subsidiary	0	0	0	0	0	0	0	0	0	0	0	-2,871,582	0	-2,871,582	47,241,292	44,369,710
<b>Closing balance in the financial period</b>	<b>71,856,376</b>	<b>42,423,360</b>	<b>0</b>	<b>16,681,194</b>	<b>1,774</b>	<b>683,772</b>	<b>10,039,930</b>	<b>69,542,800</b>	<b>-9,206,410</b>	<b>11,493,913</b>	<b>23,488,437</b>	<b>-2,873,356</b>	<b>-3,085,935</b>	<b>231,045,855</b>	<b>1,895,072</b>	<b>232,940,927</b>

*Unaudited consolidated statement of changes in equity for the nine months to 30 September 2012*

(€)	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	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (12 + 13)
			Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other								
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
<b>Opening balance in the financial period</b>	<b>39,069,099</b>	<b>25,417,397</b>	<b>0</b>	<b>16,673,828</b>	<b>1,774</b>	<b>745,290</b>	<b>7,996,935</b>	<b>64,825,254</b>	<b>-10,809,738</b>	<b>2,878,547</b>	<b>1,147,009</b>	<b>-1,774</b>	<b>-2,338,007</b>	<b>145,605,616</b>	<b>2,474,433</b>	<b>148,080,052</b>
<b>Comprehensive income for the period, net of tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,963,784</b>	<b>0</b>	<b>12,466,462</b>	<b>0</b>	<b>-951,196</b>	<b>18,479,049</b>	<b>-1,041,536</b>	<b>17,437,512</b>
Payout of (accounting for) dividends	0	0	0	0	0	0	0	0	0	-8,731	0	0	0	-8,731	0	-8,731
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	0	-9,260	92,327	0	0	0	-83,067	0	0	0	0	0
Acquisition of non-controlling interests	0	-49,284	0	4,152	0	0	1,603	0	4,113	-8,014	0	0	0	-47,430	-106,191	-153,621
Transfer of profit	0	0	0	0	0	0	0	0	0	1,147,009	-1,147,009	0	0	0	0	0
<b>Closing balance in the financial period</b>	<b>39,069,099</b>	<b>25,368,112</b>	<b>0</b>	<b>16,677,980</b>	<b>1,774</b>	<b>736,030</b>	<b>8,090,865</b>	<b>64,825,254</b>	<b>-3,841,842</b>	<b>4,008,814</b>	<b>12,383,397</b>	<b>-1,774</b>	<b>-3,289,203</b>	<b>164,028,509</b>	<b>1,326,706</b>	<b>165,355,218</b>

## 8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The selected notes to the financial statements for the nine months to 30 September 2013 are significant to an understanding of the changes in financial position and performance of the Group in the first nine months of 2013 as compared to both the first nine months of 2012 and end-of-year 2012.

### 8.1 Overview of major accounting policies

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

Pursuant to IAS 34, notes are provided in relation to major business events that are required to understand the financial position and performance of the Group compared to the previous annual financial report prepared for 2012.

The financial statements with notes as at and for the nine months to 30 September 2013 have not been audited.

The interim financial statements at 30 September 2013 have been prepared following the same accounting policies and computation methods as the annual financial statements for 2012.

### 8.2 Seasonality and cyclicity of interim operations

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

### 8.3 The nature and amount of unusual items

There were no items unusual because of their nature, size or incidence that would affect assets, liabilities, equity, net profit or cash flows in the nine months to 30 September 2013.

### 8.4 Issues, repurchases, and repayments of debt and equity securities

The Group neither issued new debt securities nor repaid the existing subordinate debt. On 8 July 2013, the controlling company successfully completed the capital increase and 7,857,143 new shares were entered in the central securities depository on 17 July 2013. Thus a total of 17,219,662 new shares were subscribed.

### 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 first nine months of 2013, the Group recognized impairment losses on investments of € 5,442,525. The bulk relates to the impairment losses on subordinated bonds of Slovenian banks in liquidation.

## 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, CODM (Chief Operating Decision Maker; see appended glossary) is a group composed of management board members, director of finance, 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. All figures reviewed by CODM are included in the quarterly financial report submitted to the management board.

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

The reinsurance and non-life insurance 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.

With the inclusion of Zavarovalnica Maribor in the Sava Re Group, we have started presenting operating segments by region, so that there is a separate presentation of life and non-life insurance business in Slovenia and international markets. Also provided are now comparisons with prior-year segment results.

*Statement of financial position by operating segment – assets; 30 September 2013*

30. 9. 2013	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
<b>ASSETS</b>	<b>317,627,954</b>	<b>457,961,864</b>	<b>113,532,123</b>	<b>571,493,986</b>	<b>482,083,852</b>	<b>16,917,217</b>	<b>499,001,069</b>	<b>2,432,507</b>	<b>1,390,555,517</b>
Intangible assets	118,584	5,463,719	14,947,790	20,411,509	6,036,280	1,582,122	7,618,402	180,476	28,328,971
Property and equipment	2,376,855	23,270,620	11,747,962	35,018,582	2,798,517	2,764,687	5,563,204	1,991,941	44,950,582
Deferred tax assets	2,855,392	1,475,005	0	1,475,005	967,108	523	967,631	0	5,298,028
Investment property	154,503	696,773	4,590,178	5,286,951	46,652	163,203	209,855	0	5,651,309
Financial investments in associates	1,422,160	1,240,728	0	1,240,728	300,449	0	300,449	0	2,963,337
Financial investments:	227,699,134	336,691,411	56,222,016	392,913,427	300,327,655	10,878,562	311,206,217	47,145	931,865,923
- Loans and deposits	45,801,635	66,932,030	29,043,030	95,975,060	23,152,300	5,912,983	29,065,283	47,145	170,889,123
- Held to maturity	2,047,694	62,687,736	4,592,364	67,280,100	90,238,757	1,656,330	91,895,087	0	161,222,881
- Available for sale	164,189,044	196,118,256	21,523,339	217,641,595	180,934,234	2,362,830	183,297,064	0	565,127,703
- At fair value through profit or loss	15,660,761	10,953,389	1,063,283	12,016,672	6,002,364	946,419	6,948,783	0	34,626,216
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	168,612,752	9,632	168,622,384	0	168,622,384
Reinsurers' share of technical provisions	20,072,443	14,058,059	4,755,762	18,813,822	326,264	13	326,277	0	39,212,542
Receivables	57,967,820	62,396,498	14,567,191	76,963,689	2,242,483	293,961	2,536,444	45,564	137,513,517
- Receivables arising out of primary insurance business	0	54,727,163	10,820,959	65,548,122	1,047,337	109,604	1,156,941	0	66,705,063
- Receivables arising out of reinsurance and co-insurance business	57,243,060	902,398	872,083	1,774,481	0	0	0	0	59,017,541
- Current tax assets	0	0	261,951	261,951	783,955	0	783,955	0	1,045,906
- Other receivables	724,760	6,766,937	2,612,198	9,379,135	411,191	184,357	595,548	45,564	10,745,007
Deferred acquisition costs	4,091,521	11,028,232	3,190,483	14,218,715	292,717	1,488	294,205	0	18,604,441
Other assets	450,836	796,507	477,836	1,274,343	29,371	34,904	64,275	65,399	1,854,853
Cash and cash equivalents	418,706	574,825	2,695,417	3,270,242	103,604	1,188,122	1,291,726	101,982	5,082,656
Non-current assets held for sale	0	269,486	337,488	606,974	0	0	0	0	606,974

*Statement of financial position by operating segment – assets; 30 September 2012*

31. 12. 2012	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
<b>ASSETS</b>	<b>373,644,281</b>	<b>93,483,909</b>	<b>110,400,037</b>	<b>203,883,947</b>	<b>44,919,348</b>	<b>14,891,267</b>	<b>59,810,615</b>	<b>3,252,893</b>	<b>640,591,738</b>
Intangible assets	988,924	840,706	14,577,103	15,417,809	107,186	173,048	280,234	1,080,976	17,767,943
Property and equipment	2,454,001	3,836,992	12,001,850	15,838,842	1,495,738	2,835,360	4,331,098	1,959,438	24,583,379
Deferred tax assets	1,900,320	39,828	-43,283	-3,455	34,635	-2,364	32,271	0	1,929,136
Investment property	156,253	348,391	4,437,367	4,785,758	0	163,291	163,291	0	5,105,302
Financial investments in associates	55,014,558	251,093	0	251,093	0	0	0	0	55,265,651
Financial investments:	208,205,429	60,348,872	56,406,795	116,755,667	14,734,573	10,550,143	25,284,716	0	350,245,812
- Loans and deposits	45,478,509	19,489,881	32,342,174	51,832,055	3,006,836	6,030,782	9,037,618	0	106,348,182
- Held to maturity	5,118,283	1,996,598	5,325,599	7,322,197	1,925,979	2,197,022	4,123,001	0	16,563,481
- Available for sale	157,019,599	38,862,393	17,382,584	56,244,977	9,801,758	1,212,826	11,014,584	0	224,279,160
- At fair value through profit or loss	589,038	0	1,356,438	1,356,438	0	1,109,513	1,109,513	0	3,054,989
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	27,617,984	5,919	27,623,903	0	27,623,903
Reinsurers' share of technical provisions	29,563,434	3,572,180	4,282,327	7,854,507	11,091	838	11,929	0	37,429,870
- From unearned premiums	2,385,758	986,465	896,196	1,882,661	10,916	838	11,754	0	4,280,172
- From mathematical provisions	0	0	0	0	175	0	175	0	175
- From provisions for claims outstanding	27,177,676	2,046,642	3,386,131	5,432,773	0	0	0	0	32,610,449
- From other technical provisions	0	539,073	0	539,073	0	0	0	0	539,073
Receivables	66,337,124	19,261,937	12,565,526	31,827,463	488,475	232,194	720,669	140,474	99,025,730
- Receivables arising out of primary insurance business	0	16,096,410	9,259,876	25,356,286	221,022	108,798	329,820	1,277	25,687,383
- Receivables arising out of reinsurance and co-insurance business	53,767,568	190,468	520,708	711,176	0	560	560	0	54,479,304
- Current tax assets	1,840,414	0	273,940	273,940	0	0	0	0	2,114,354
- Other receivables	10,729,142	2,975,059	2,511,002	5,486,061	267,453	122,836	390,289	139,197	16,744,689
Deferred acquisition costs	7,747,252	4,594,294	3,525,496	8,119,791	189,568	2,090	191,658	0	16,058,701
Other assets	264,314	267,497	480,051	747,548	930	104,857	105,787	29,047	1,146,698
Cash and cash equivalents	1,012,672	122,119	1,826,192	1,948,311	239,168	815,379	1,054,547	42,958	4,058,488
Non-current assets held for sale	0	0	340,613	340,613	0	10,512	10,512	0	351,125

*Statement of financial position by operating segment – equity and liabilities; 30 September 2013*

30. 9. 2013	Reinsurance business			Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total				
<b>EQUITY AND LIABILITIES</b>	<b>265,232,637</b>	<b>517,899,610</b>	<b>114,114,854</b>	<b>632,014,464</b>	<b>476,561,206</b>	<b>18,221,191</b>	<b>494,782,396</b>	<b>-1,473,980</b>	<b>1,390,555,520</b>		
Equity	64,333,051	90,137,863	41,660,643	131,798,506	26,358,417	12,082,183	38,440,599	-1,631,230	232,940,927		
Equity attributable to owners of the controlling company	64,333,051	90,137,863	41,129,129	131,266,992	26,358,417	10,718,625	37,077,041	-1,631,230	231,045,855		
Non-controlling interest in equity	0	0	531,514	531,514	0	1,363,558	1,363,558	0	1,895,072		
Subordinated liabilities	31,275,258	7,000,000	0	7,000,000	0	0	0	0	38,275,258		
Technical provisions	133,733,929	392,051,821	65,862,727	457,914,548	278,144,342	5,497,651	283,641,993	0	875,290,470		
- Unearned premiums	23,977,350	117,427,204	23,872,494	141,299,698	711,449	98,515	809,964	0	166,087,012		
- Mathematical provisions	0	0	0	0	255,592,866	5,214,039	260,806,905	0	260,806,905		
- Provision for outstanding claims	109,750,450	259,033,693	41,471,911	300,505,604	21,840,027	185,097	22,025,124	0	432,281,178		
- Other technical provisions	6,129	15,590,924	518,322	16,109,246	0	0	0	0	16,115,375		
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	157,547,741	9,632	157,557,373	0	157,557,373		
Other provisions	341,800	4,561,906	501,892	5,063,798	1,369,003	25,250	1,394,253	0	6,799,851		
Deferred tax liabilities	0	3,926,993	45,571	3,972,564	0	3,814	3,814	3,498	3,979,876		
Other financial liabilities	418	4,290,301	22,591	4,312,892	710,000	0	710,000	0	5,023,310		
Liabilities from operating activities	33,003,180	6,137,673	1,957,696	8,095,369	8,626,528	151,082	8,777,610	0	49,876,159		
- Liabilities from primary insurance business	0	4,081,191	1,016,058	5,097,249	7,894,221	114,712	8,008,933	0	13,106,182		
- Liabilities from reinsurance and co-insurance business	32,123,125	843,046	839,932	1,682,978	0	0	0	0	33,806,102		
- Current income tax liabilities	880,055	1,213,436	101,706	1,315,142	732,307	36,370	768,677	0	2,963,874		
Other liabilities	2,545,001	9,793,053	4,063,734	13,856,787	3,805,175	451,579	4,256,754	153,752	20,812,293		

*Statement of financial position by operating segment – equity and liabilities; 30 September 2012*

31. 12. 2012	Reinsurance business			Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total				
<b>EQUITY AND LIABILITIES</b>	<b>335,504,068</b>	<b>124,154,125</b>	<b>109,447,950</b>	<b>233,602,075</b>	<b>55,432,305</b>	<b>17,927,051</b>	<b>73,359,356</b>	<b>-1,873,761</b>	<b>640,591,738</b>		
Equity	73,415,200	34,226,639	39,428,970	73,655,609	13,531,488	12,669,404	26,200,892	-1,918,260	171,353,442		
Equity attributable to owners of the controlling company	73,415,200	34,226,639	38,890,976	73,117,615	13,531,488	11,191,536	24,723,024	-1,918,260	169,337,580		
Non-controlling interest in equity	0	0	537,994	537,994	0	1,477,868	1,477,868	0	2,015,862		
Subordinated liabilities	31,244,573	0	0	0	0	0	0	0	31,244,573		
Technical provisions	194,307,091	83,882,154	63,525,718	147,407,872	13,920,775	4,512,478	18,433,253	0	360,148,216		
- Unearned premiums	36,718,702	31,426,093	22,141,324	53,567,417	283,586	122,175	405,761	0	90,691,880		
- Mathematical provisions	0	0	0	0	13,543,707	4,223,605	17,767,312	0	17,767,312		
- Provision for outstanding claims	157,537,505	49,131,658	41,271,454	90,403,112	93,482	166,698	260,180	0	248,200,797		
- Other technical provisions	50,884	3,324,403	112,940	3,437,343	0	0	0	0	3,488,227		
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	27,034,945	5,919	27,040,864	0	27,040,864		
Other provisions	324,745	332,896	586,394	919,290	81,480	25,484	106,964	0	1,350,999		
Deferred tax liabilities	0	0	0	0	0	0	0	3,498	3,498		
Other financial liabilities	205	2,000,309	367,919	2,368,228	670,000	0	670,000	132	3,038,565		
Liabilities from operating activities	34,449,993	539,589	1,462,983	2,002,572	27,940	146,697	174,637	10,821	36,638,022		
- Liabilities from primary insurance business	0	480,477	905,602	1,386,079	3,681	106,902	110,583	10,101	1,506,763		
- Liabilities from reinsurance and co-insurance business	34,449,993	52,525	446,734	499,259	0	2,108	2,108	0	34,951,358		
- Current income tax liabilities	0	6,587	110,647	117,234	24,259	37,687	61,946	720	179,900		
Other liabilities	1,762,261	3,172,538	4,075,966	7,248,504	165,677	567,069	732,746	30,048	9,773,559		



# Income statement by operating segment; 1–9/2013

1–9/2013	Reinsurance bus.	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	Total
<b>Net premiums earned</b>	<b>72,700,508</b>	<b>120,144,271</b>	<b>36,513,711</b>	<b>156,657,982</b>	<b>38,388,640</b>	<b>3,103,064</b>	<b>41,491,704</b>	<b>0</b>	<b>270,850,194</b>
- Gross premiums written	82,978,401	126,963,920	40,342,977	167,306,897	38,427,685	3,080,253	41,507,938	0	291,793,236
- Written premiums ceded to reinsurers and co-insurers	-6,508,348	-9,912,937	-2,459,676	-12,372,613	-205,310	-816	-206,126	0	-19,087,087
- Change in gross unearned premiums	-7,761,790	4,890,052	-1,791,868	3,098,184	157,058	23,627	180,685	0	-4,482,921
- Change in unearned premiums for the reinsurance and co-insurance part	3,992,245	-1,796,764	422,278	-1,374,487	9,207	0	9,207	0	2,626,966
<b>Income from investments in subsidiary and associate companies</b>	<b>0</b>	<b>5,646,158</b>	<b>0</b>	<b>5,646,158</b>	<b>4,441,332</b>	<b>0</b>	<b>4,441,332</b>	<b>79,213</b>	<b>10,166,703</b>
- Profit from investments in equity-accounted associate companies	0	849,675	0	849,675	1,328,074	0	1,328,074	79,213	2,256,962
- Dividend income from associate companies	0	0	0	0	0	0	0	0	0
- Other income	0	4,796,483	0	4,796,483	3,113,258	0	3,113,258	0	7,909,741
<b>Investment income</b>	<b>7,081,886</b>	<b>6,437,744</b>	<b>2,541,051</b>	<b>8,978,795</b>	<b>11,821,000</b>	<b>585,323</b>	<b>12,406,323</b>	<b>965</b>	<b>28,467,969</b>
- Interest income	4,166,882	4,927,352	2,322,479	7,249,831	5,253,427	381,635	5,635,062	965	17,052,740
- Other investment income	2,915,004	1,510,392	218,572	1,728,964	562,724	203,469	766,193	0	5,410,161
- Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	6,004,849	219	6,005,068	0	6,005,068
<b>Other technical income</b>	<b>628,374</b>	<b>2,295,273</b>	<b>993,207</b>	<b>3,288,480</b>	<b>409,690</b>	<b>60,971</b>	<b>470,661</b>	<b>522,089</b>	<b>4,909,604</b>
- Commission income	-312,643	1,397,118	310,268	1,707,386	0	0	0	0	1,394,743
- Other technical income	941,017	898,155	682,939	1,581,094	409,690	60,971	470,661	522,089	3,514,861
- Other income	7,303	2,080,907	450,072	2,530,979	12,044	57,808	69,852	1,900	2,610,034
<b>Net claims incurred</b>	<b>-45,888,538</b>	<b>-78,232,893</b>	<b>-15,408,706</b>	<b>-93,641,599</b>	<b>-21,120,798</b>	<b>-455,986</b>	<b>-21,576,784</b>	<b>0</b>	<b>-161,106,921</b>
- Gross claims paid less income from recourse receivables	-41,003,292	-73,527,013	-15,398,191	-88,925,204	-19,467,723	-436,747	-19,904,470	0	-149,832,966
- Reinsurers' and co-insurers' share of claims paid	491,115	4,358,919	557,150	4,916,069	180,711	0	180,711	0	5,587,895
- Change in the gross claims provision	-3,138,238	-8,172,665	-765,877	-8,938,542	-1,879,611	-19,239	-1,898,850	0	-13,975,630
- Change in the provision for outstanding claims for the reinsurance and co-insurance part	-2,238,123	-892,134	198,212	-693,922	45,825	0	45,825	0	-2,886,220
<b>Change in other technical provisions</b>	<b>0</b>	<b>-1,145,334</b>	<b>-14,625</b>	<b>-1,159,959</b>	<b>343,006</b>	<b>-1,011,630</b>	<b>-668,624</b>	<b>0</b>	<b>-1,828,583</b>
<b>Change in technical provisions for policyholders who bear the investment risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6,431,731</b>	<b>-3,780</b>	<b>-6,435,511</b>	<b>0</b>	<b>-6,435,511</b>
<b>Expenses for bonuses and rebates</b>	<b>-55,654</b>	<b>-113,969</b>	<b>-192,271</b>	<b>-306,240</b>	<b>4,831</b>	<b>0</b>	<b>4,831</b>	<b>0</b>	<b>-357,063</b>
<b>Operating expenses</b>	<b>-21,504,421</b>	<b>-37,474,962</b>	<b>-16,777,564</b>	<b>-54,252,526</b>	<b>-11,971,135</b>	<b>-2,526,687</b>	<b>-14,497,823</b>	<b>-653,754</b>	<b>-90,908,523</b>
- Acquisition costs	-19,045,759	-14,211,075	-7,154,917	-21,365,992	-3,639,490	-1,160,262	-4,799,752	0	-45,211,503
- Change in deferred acquisition costs	597,113	488,658	-363,860	124,798	-758,445	-603	-759,048	0	-37,137
- Other operating expenses	-3,055,775	-23,752,545	-9,258,787	-33,011,332	-7,573,200	-1,365,822	-8,939,023	-653,754	-45,659,883
<b>Expenses for financial assets and liabilities</b>	<b>-6,164,120</b>	<b>-2,166,864</b>	<b>-131,487</b>	<b>-2,298,351</b>	<b>-10,694,475</b>	<b>-233,283</b>	<b>-10,927,758</b>	<b>0</b>	<b>-19,390,229</b>
- Impairment losses on financial assets not at fair value through profit or loss	-2,366,394	-1,012,024	17,538	-994,486	-2,016,962	-64,683	-2,081,645	0	-5,442,525
- Interest expense	-943,620	-242,598	-20,821	-263,419	-8,765	-12,604	-21,369	0	-1,228,408
- Other investment expenses	-2,854,106	-912,242	-128,204	-1,040,446	-845,985	-152,594	-998,579	0	-4,893,131
- Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-7,822,763	-3,402	-7,826,165	0	-7,826,165
<b>Other technical expenses</b>	<b>-1,561,154</b>	<b>-3,665,725</b>	<b>-4,216,412</b>	<b>-7,882,137</b>	<b>-203,507</b>	<b>-154,336</b>	<b>-357,843</b>	<b>0</b>	<b>-9,801,134</b>
<b>Other expenses</b>	<b>-4,812</b>	<b>-431,842</b>	<b>-250,437</b>	<b>-682,279</b>	<b>-12,812</b>	<b>-4,585</b>	<b>-17,397</b>	<b>-2,152</b>	<b>-706,640</b>
<b>Profit/loss before tax</b>	<b>5,239,372</b>	<b>13,372,765</b>	<b>3,506,538</b>	<b>16,879,303</b>	<b>4,986,086</b>	<b>-583,121</b>	<b>4,402,964</b>	<b>-51,739</b>	<b>26,469,900</b>
Income tax expense	-1,349,371	-1,196,670	-385,698	-1,582,368	-140,766	0	-140,766	0	-3,072,505
<b>Net profit/loss for the period</b>	<b>3,890,001</b>	<b>12,176,095</b>	<b>3,120,840</b>	<b>15,296,935</b>	<b>4,845,320</b>	<b>-583,121</b>	<b>4,262,198</b>	<b>-51,739</b>	<b>23,397,395</b>
Net profit/loss attributable to owners of the controlling company	3,890,001	12,176,095	3,130,492	15,306,587	4,845,320	-481,248	4,364,071	-51,739	23,508,920
Net profit/loss attributable to non-controlling interest	0	0	-9,652	-9,652	0	-101,873	-101,873	0	-111,525

*Income statement by operating segment; 1–9/2012*

1–9/2012	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	Total
<b>Net premiums earned</b>	<b>87,341,062</b>	<b>50,770,953</b>	<b>35,880,301</b>	<b>86,651,254</b>	<b>7,560,200</b>	<b>2,429,281</b>	<b>9,989,481</b>	<b>0</b>	<b>183,981,797</b>
- Gross premiums written	106,859,294	57,813,134	41,330,142	99,143,276	7,507,771	2,342,504	9,850,275	0	215,852,845
- Written premiums ceded to reinsurers and co-insurers	-11,695,634	-3,828,562	-3,382,510	-7,211,073	-32,276	-778	-33,054	0	-18,939,761
- Change in gross unearned premiums	-9,765,569	-4,045,354	-2,547,527	-6,592,881	84,705	87,555	172,260	0	-16,186,190
- Change in unearned premiums for the reinsurance and co-insurance part	1,942,971	831,736	480,196	1,311,932	0	0	0	0	3,254,903
<b>Income from investments in subsidiary and associate companies</b>	<b>0</b>	<b>2,851,632</b>	<b>0</b>	<b>2,851,632</b>	<b>1,752,661</b>	<b>0</b>	<b>1,752,661</b>	<b>167,942</b>	<b>4,772,235</b>
- Profit from investments in equity-accounted associate companies	0	1,650,146	0	1,650,146	1,014,206	0	1,014,206	167,942	2,832,294
- Dividend income from associate companies	0	1,201,486	0	1,201,486	738,455	0	738,455	0	1,939,941
<b>Investment income</b>	<b>7,418,435</b>	<b>1,921,163</b>	<b>2,935,072</b>	<b>4,856,235</b>	<b>3,591,203</b>	<b>592,615</b>	<b>4,183,818</b>	<b>386,772</b>	<b>16,845,260</b>
- Interest income	5,645,850	1,755,032	2,119,266	3,874,298	487,468	301,208	788,676	7,956	10,316,780
- Other investment income	1,772,585	166,131	815,806	981,937	34,671	291,403	326,074	378,816	3,459,412
- Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	3,069,064	4	3,069,068	0	3,069,068
<b>Other technical income</b>	<b>2,854,262</b>	<b>1,117,003</b>	<b>711,991</b>	<b>1,828,993</b>	<b>1,272</b>	<b>63,148</b>	<b>64,420</b>	<b>0</b>	<b>4,747,675</b>
- Commission income	1,248,311	376,799	574,381	951,179	0	0	0	0	2,199,490
- Other technical income	1,605,951	740,204	137,610	877,814	1,272	63,148	64,420	0	2,548,185
<b>- Other income</b>	<b>18,892</b>	<b>13,964</b>	<b>452,684</b>	<b>466,648</b>	<b>0</b>	<b>41,139</b>	<b>41,139</b>	<b>68,454</b>	<b>595,133</b>
<b>Net claims incurred</b>	<b>-60,928,393</b>	<b>-29,128,887</b>	<b>-17,605,883</b>	<b>-46,734,770</b>	<b>-4,017,957</b>	<b>-348,749</b>	<b>-4,366,706</b>	<b>0</b>	<b>-112,029,869</b>
- Gross claims paid less income from recourse receivables	-46,927,923	-26,728,904	-17,751,936	-44,480,840	-4,004,298	-315,758	-4,320,056	0	-95,728,819
- Reinsurers' and co-insurers' share of claims paid	2,982,765	338,018	822,221	1,160,239	0	0	0	0	4,143,004
- Change in the gross claims provision	-22,404,564	-3,785,495	-1,205,229	-4,990,724	-13,659	-32,991	-46,650	0	-27,441,938
- Change in the provision for outstanding claims for the reinsurance and co-insurance part	5,421,329	1,047,494	529,061	1,576,555	0	0	0	0	6,997,884
<b>Change in other technical provisions</b>	<b>0</b>	<b>-245,497</b>	<b>3,651</b>	<b>-241,846</b>	<b>112,971</b>	<b>-824,071</b>	<b>-711,100</b>	<b>0</b>	<b>-952,946</b>
<b>Change in technical provisions for policyholders who bear the investment risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,064,968</b>	<b>-3,875</b>	<b>-3,068,843</b>	<b>0</b>	<b>-3,068,843</b>
<b>Expenses for bonuses and rebates</b>	<b>21,228</b>	<b>-15,879</b>	<b>-113,322</b>	<b>-129,201</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-107,974</b>
<b>Operating expenses</b>	<b>-25,239,969</b>	<b>-16,335,850</b>	<b>-17,697,102</b>	<b>-34,032,952</b>	<b>-2,504,292</b>	<b>-2,335,995</b>	<b>-4,840,287</b>	<b>-219,308</b>	<b>-64,332,516</b>
- Acquisition costs	-23,219,232	-8,227,427	-7,630,915	-15,858,342	-1,329,772	-1,074,023	-2,403,795	0	-41,481,369
- Change in deferred acquisition costs	561,277	113,233	379,978	493,211	-66,422	-2,350	-68,772	0	985,716
- Other operating expenses	-2,582,014	-8,221,656	-10,446,165	-18,667,821	-1,108,098	-1,259,622	-2,367,720	-219,308	-23,836,864
<b>Expenses for financial assets and liabilities</b>	<b>-4,705,309</b>	<b>-194,430</b>	<b>-498,937</b>	<b>-693,367</b>	<b>-1,766,760</b>	<b>-210,543</b>	<b>-1,977,303</b>	<b>0</b>	<b>-7,375,979</b>
- Impairment losses on financial assets not at fair value through profit or loss	-843,018	0	-57,479	-57,479	0	-35,273	-35,273	0	-935,770
- Interest expense	-1,128,668	-70,631	-64,379	-135,010	0	-15,092	-15,092	0	-1,278,770
- Other investment expenses	-2,733,623	-123,799	-377,079	-500,878	-4,323	-160,137	-164,460	0	-3,398,961
- Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-1,762,437	-41	-1,762,478	0	-1,762,478
<b>Other technical expenses</b>	<b>-1,737,107</b>	<b>-1,923,282</b>	<b>-3,170,944</b>	<b>-5,094,226</b>	<b>-17,743</b>	<b>-161,940</b>	<b>-179,683</b>	<b>0</b>	<b>-7,011,016</b>
<b>Other expenses</b>	<b>-5</b>	<b>-4,837</b>	<b>-974,745</b>	<b>-979,582</b>	<b>1</b>	<b>-1,340</b>	<b>-1,339</b>	<b>-2,946</b>	<b>-983,872</b>
<b>Profit/loss before tax</b>	<b>5,043,094</b>	<b>8,826,053</b>	<b>-77,234</b>	<b>8,748,819</b>	<b>1,646,588</b>	<b>-760,330</b>	<b>886,258</b>	<b>400,914</b>	<b>15,079,085</b>
Income tax expense	-2,065,931	-1,039,304	0	-1,039,304	-28,339	0	-28,339	0	-3,133,574
<b>Net profit/loss for the period</b>	<b>2,977,163</b>	<b>7,786,749</b>	<b>-77,234</b>	<b>7,709,515</b>	<b>1,618,249</b>	<b>-760,330</b>	<b>857,919</b>	<b>400,914</b>	<b>11,945,511</b>
Net profit/loss attributable to owners of the controlling company	2,977,163	7,786,749	202,596	7,989,345	1,618,249	-467,734	1,150,515	349,439	12,466,462
Net profit/loss attributable to non-controlling interest	0	0	-279,830	-279,830	0	-292,596	-292,596	51,475	-520,951

*Inter-segment business*

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Consolidation		Total	
	1–9/2013	1–9/2012	1–9/2013	1–9/2012	1–9/2013	1–9/2012	1–9/2013	1–9/2012	1–9/2013	1–9/2012	1–9/2013	1–9/2012
Net premiums earned	28,064,627	17,531,227	210,516	130,762	0	0	0	0	-28,275,143	-17,661,989	0	0
Net claims incurred	-16,240,601	-6,708,497	-35,107	-15,278	0	0	0	0	16,275,708	6,723,775	0	0
Operating expenses	-7,016,148	-4,148,022	-137,528	-183,788	-36,915	-41,889	0	-5,461	7,190,591	4,379,160	0	0
Investment income	248,752	321,093	2,384	4,769	0	0	0	0	-251,136	-325,862	0	0
Other income	3,620	112,865	8,397	4,401,261	0	7,995	0	129,564	-12,017	-4,651,685	0	0

## 8.7 Business combinations

In February 2013, the controlling company obtained authorisation from the Insurance Supervision Agency to increase its qualifying holding in Zavarovalnica Maribor. On 25 April 2013, Sava Reinsurance Company acquired 1,468,175 shares of Zavarovalnica Maribor and on the following day announced its intention to take over the remaining shares not in its ownership or owned by the Slovenian Restitution Fund, with who a shareholder agreement had been signed. The contract price was set at € 10.24 per share.

The main reasons for taking over Zavarovalnica Maribor were to streamline Group insurance operations and to acquire a company with a high development potential for the Sava Re Group in the area of modern insurance products targeted at the Slovenian and other Sava Re Group markets. The new Group company greatly enhanced the Group's financial strength, thereby contributing to improved security for insureds.

The first consolidation after Zavarovalnica Maribor joined the Group was carried out on 30 April 2013. The table below shows recognised fair values for major items of acquired assets and assumed liabilities.

### *Fair values of acquired assets and assumed liabilities*

(€)	Zavarovalnica Maribor
<b>ASSETS</b>	
Property and equipment	8,099,959
<b>LIABILITIES</b>	
Gross technical provisions	-15,000,000
Deferred tax liabilities	3,926,993

The carrying amount of the net assets of Zavarovalnica Maribor in the statement of financial position of the Sava Re Group at that day was € 119.9m. The purchase price for shares acquired upon the acquisition was € 15.0m. The fair value of non-controlling interest in equity totalled € 47.4m. The table below shows the calculation of goodwill arising in the acquisition of Zavarovalnica Maribor.

### *Calculation of goodwill resulting in the acquisition of Zavarovalnica Maribor*

(€)	Zavarovalnica Maribor
Equity-accounted book value of the stake	54,352,911
Fair value revaluation of existing stake	7,725,205
Purchase of the stake	15,034,112
<b>Market value of the investment</b>	<b>77,112,228</b>
Fair value of net assets acquired	-119,973,006
Non-controlling interest in equity	47,443,359
<b>Goodwill</b>	<b>4,582,581</b>

Gains of 7.7m resulting from fair value remeasurement of the existing share prior to acquisition were recognised in the consolidated income statement under item "other investment income".

At 30 September 2013, the controlling company held 100 % of Zavarovalnica Maribor. It also held the same share of voting rights in the company. The value of the investment in Zavarovalnica Maribor was € 94.8m at 30 September 2013.

Pre-tax profit of Zavarovalnica Maribor for the period from the acquisition (1 May – 30 September 2013) of € 5.2m was included in the consolidation. For this period, the consolidated statement of financial position recognised income of € 140.9m and expenses of € 135.7m. Previously, Zavarovalnica Maribor was an associated company of the Sava Re Group; therefore, the consolidated statement of financial position includes profit of € 2.2m relating to this investment accounted using the equity method for the period 1 January – 30 April 2013. Had Zavarovalnica Maribor been fully consolidated as from 1 January 2013, Sava Re Group income would have been higher by € 81m, while the net profit for the period would have been stronger by € 2.3m.

At 30 September 2013, Zavarovalnica Maribor held 346,433 shares of the controlling company, which is why the value of treasury shares in the consolidated statements increased by € 2,872k to € 2,873k.

Zavarovalnica Maribor is sole owner of the Vivus d.o.o. insurance agency specialised in consulting and marketing insurances of the person and is itself sole owner of two companies: Ornatus d.o.o. and Ornatus KC d.o.o. The former is an insurance agency, the latter is a call centre for Zavarovalnica Maribor.

## 8.8 Notes to significant changes in the statement of financial position

### 8.8.1 Property and equipment

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
<b>Cost</b>					
1. 1. 2013	3,774,723	21,730,164	10,233,025	412,214	36,150,126
Increase due to acquisition of subsidiary	3,366,177	22,856,789	12,493,560	26,983	38,743,509
Additions	49,557	194,867	1,531,805	14,007	1,790,236
Disposals	0	-144,138	-405,713	-11,116	-560,967
Foreign exchange differences	-6,218	-53,142	-13,933	-2,969	-76,262
30. 9. 2013	7,184,239	44,584,540	23,838,744	439,119	76,046,642
<b>Accumulated depreciation</b>					
1. 1. 2013	0	5,038,678	6,388,687	139,382	11,566,747
Increase due to acquisition of subsidiary	0	8,593,982	9,214,506	26,545	17,835,033
Additions	0	507,275	1,503,307	26,490	2,037,072
Disposals	0	0	-322,316	0	-322,316
Foreign exchange differences	0	-10,954	-8,491	-1,033	-20,478
30. 9. 2013	0	14,128,981	16,775,693	191,384	31,096,058
Carrying amount at 1. 1. 2013	3,774,723	16,691,486	3,844,338	272,832	24,583,379
Carrying amount at 30. 9. 2013	7,184,239	30,455,559	7,063,051	247,735	44,950,584

In the acquisition of Zavarovalnica Maribor, the Sava Re Group increased the carrying amount of property and equipment assets by € 20.9m, with the bulk relating to land and buildings of € 17.6m.

### 8.8.2 Financial investments in associates

In the consolidated financial statements, investments in equity-accounted associates decreased significantly. This is because former associate company Zavarovalnica Maribor became a subsidiary company on acquisition by the Sava Re Group. Zavarovalnica Maribor holds a 20 % interest in the Moja naložba pension company, combined with former Sava Re Group holdings this resulted in a total holding of 45 %. Accordingly, financial investments in associate companies increased by € 1.3m.

### 8.8.3 Financial investments

In the first nine months of 2012 and following the acquisition of Zavarovalnica Maribor, financial investments, including investments for the benefit of life insurance policyholders who bear the investment risk, increased by € 723m. The largest growth was in fixed income financial investments (of € 321m) in the available-for-sale financial investments category. There was also a very significant increase in investments for the benefit of life insurance policyholders who bear the investment risk, of € 140.7m.

#### *Financial investments at 30 September 2013*

(€)	Held-to-maturity	At fair value through P/L			Available-for-sale	Loans and receivables	Total
		Non-derivative		Derivatives			
		Held for trading	Designated to this category				
30. 9. 2013							
Long-term financial assets	159,573,115	0	12,349,752	0	499,588,059	47,761,976	719,272,902
Equity and other variable income securities and mutual funds	0	0	0	0	14,851,817	0	14,851,817
Debt securities and other fixed income securities	159,055,051	0	12,349,752	0	471,308,530	0	642,713,333
Shares in investment funds	0	0	0	0	13,376,069	0	13,376,069
Mortgage loans	0	0	0	0	0	642,672	642,672
Other financial investments	0	0	0	0	51,643	103,822	155,465
Other loans granted	0	0	0	0	0	238,743	238,743
Deposits	518,064	0	0	0	0	46,776,739	47,294,803
Short-term financial investments	7,472,082	8,261,163	14,015,300	0	65,539,644	117,304,831	212,593,020
Held-for-trading shares and interests	0	2,928	3,859,615	0	2,906,782	0	6,769,325
Held-for-trading securities or securities with a remaining maturity of less than one year	1,649,766	8,258,235	10,155,685	0	62,632,862	0	82,696,548
Short-term loans granted	0	0	0	0	0	360,662	360,662
Bank deposits	5,822,316	0	0	0	0	107,120,557	112,942,873
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	0		9,823,612	9,823,612
Total	167,045,197	8,261,163	26,365,052	0	565,127,703	165,066,807	931,865,922
Funds for the benefit of policyholders who bear the investment risk	9,924,737	0	150,326,947	273,487	0	8,097,213	168,622,384

## 8.8.4 Receivables

Receivables increased by € 38.5m. The Group's largest increase was in receivables arising out of primary insurance business of € 38m due to the acquisition of Zavarovalnica Maribor.

### *Receivables by type*

(€)	30. 9. 2013			31. 12. 2012		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	95,398,320	-33,264,741	62,133,579	38,576,517	-15,717,125	22,859,392
Receivables from insurance brokers	4,919,699	-621,339	4,298,360	2,932,931	-361,896	2,571,035
Other receivables arising out of primary insurance business	656,894	-383,770	273,124	616,267	-359,311	256,956
Receivables arising out of primary insurance business	100,974,913	-34,269,850	66,705,063	42,125,715	-16,438,332	25,687,383
Receivables for premiums arising out of reinsurance and co-insurance	55,588,360	-663,909	54,924,451	51,720,195	-682,955	51,037,240
Receivables for shares in claims	3,475,828	-46,438	3,429,390	2,880,193	-96,438	2,783,755
Other receivables from co-insurance and reinsurance	663,700		663,700	658,309		658,309
Receivables arising out of reinsurance and co-insurance business	59,727,888	-710,347	59,017,541	55,258,697	-779,393	54,479,304
Current tax assets	1,045,906	0	1,045,906	2,114,354	0	2,114,354
Other short-term receivables arising out of insurance business	30,329,701	-26,182,153	4,147,548	11,146,115	-7,573,527	3,572,588
Receivables arising out of investments	2,773,040	-1,584,420	1,188,620	2,481,647	-1,543,942	937,705
Other receivables	6,856,823	-1,447,984	5,408,839	12,870,658	-636,262	12,234,396
Other receivables	39,959,564	-29,214,557	10,745,007	26,498,420	-9,753,731	16,744,689
<b>Total</b>	<b>201,708,271</b>	<b>-64,194,754</b>	<b>137,513,517</b>	<b>125,997,186</b>	<b>-26,971,456</b>	<b>99,025,730</b>

Impairment losses on receivables do not include the potential effects of adjustments of Zavarovalnica Maribor accounting policies to those of the Sava Re Group. These will be shown in later financial reports.

## 8.8.5 Subordinated liabilities

Subordinated liabilities increased as a result of the consolidation of Zavarovalnica Maribor, which on 25 August 2008 issued subordinated bonds for a nominal amount of € 7m and at a 7.5 % annual coupon interest rate. The principal amount and final coupon are payable on 25 August 2015. These bonds are non-negotiable and irredeemable.

## 8.8.6 Technical provisions

Technical provisions grew by € 515.1m compared to 31 December 2012. The lion's share of this increase relates to the acquisition and consolidation of Zavarovalnica Maribor. Technical provisions for the benefit of life-insurance policyholders who bear the investment risk grew by € 130.5m for the same reason.

### *Movements in gross technical provisions*

(€)	1.1.2013 consolidated	1.1.2013 prior to elimination	Additions	Increase subsidiary - acquisition	Use and release	Currency differences	30.9.2013 prior to elimination	30.9.2013 consolidated
	1	2	3	4	5	6	7 = 2+3+4+5+6	8
Gross unearned premiums	90,691,880	98,293,474	68,618,126	91,640,389	-84,779,484	-83,900	173,688,605	166,087,011
Mathematical provisions	17,767,312	17,767,313	7,495,999	244,682,347	-9,107,049	-31,704	260,806,906	260,806,905
Gross provision for claims	248,200,797	263,602,556	37,860,605	230,372,035	-83,987,994	-164,268	447,682,934	432,281,175
Gross provision for bonuses, rebates and cancellations	562,560	703,541	796,729	93,534	-671,627	7	7	781,203
Other gross technical provisions	2,925,667	2,925,667	3,794,770	11,068,290	-2,453,848	-703	15,334,176	15,334,176
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	27,040,864	27,040,864	7,066,658	130,451,708	-7,001,790	-67	157,557,373	157,557,373
<b>Total</b>	<b>387,189,080</b>	<b>410,333,415</b>	<b>125,632,887</b>	<b>708,308,303</b>	<b>-188,001,792</b>	<b>-280,635</b>	<b>1,055,070,001</b>	<b>1,032,847,843</b>

## 8.8.7 Liabilities from operating activities

### *Other liabilities from operating activities*

(€)	Maturity		
30. 9. 2013	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	2,625,543	2,625,543
Liabilities due to insurance intermediaries	0	1,601,522	1,601,522
Other liabilities from primary insurance business	10,655	8,868,462	8,879,117
Liabilities from primary insurance business	10,655	13,095,527	13,106,182
Liabilities for reinsurance and co-insurance premiums	0	5,268,899	5,268,899
Liabilities for shares in reinsurance claims	270,090	14,795,229	15,065,319
Other liabilities due from co-insurance and reinsurance	68,750	13,403,135	13,471,885
Liabilities from reinsurance and co-insurance business	338,840	33,467,263	33,806,103
Current tax liabilities	0	2,963,874	2,963,874
<b>Total</b>	<b>349,495</b>	<b>49,526,664</b>	<b>49,876,159</b>

Liabilities from operating activities increased in the first half of 2013 compared to 31 December 2012 by € 13.3m largely because of liabilities to policyholders of Zavarovalnica Maribor.



### 8.8.8 Earnings per share

The weighted average number of shares outstanding in the financial period was 13,117,664. The number of shares increased by 7,857,143 shares in July when the recapitalisation of the controlling company was officially entered in the register of companies. At 30 September 2013, Zavarovalnica Maribor still owned 346,433 POSR shares; these are subtracted (in addition to the 210 treasury shares held by the controlling company) when calculating the weighted average number of shares outstanding.

#### *Net earnings/loss per share*

(€)	30. 9. 2013	30. 9. 2012
Net profit/loss for the period	23,397,395	11,945,511
Net profit/loss for the period attributable to owners of the controlling company	23,508,920	12,466,462
Weighted average number of shares outstanding	13,117,664	9,362,309
<b>Net earnings/loss per share</b>	<b>1.79</b>	<b>1.33</b>

#### *Comprehensive income per share*

(€)	30. 9. 2013	30. 9. 2012
Comprehensive income for the period, net of tax	14,601,073	18,002,845
Comprehensive income for the period attributable to owners of the controlling company, net of tax	15,642,608	19,044,381
Weighted average number of shares outstanding	13,117,664	9,362,309
<b>Diluted earnings/losses per share</b>	<b>1.19</b>	<b>2.03</b>

## 9 RELATED-PARTY DISCLOSURES

### Key management personnel

Fixed remuneration for the performance of the function of management board members for the nine months of 2013 totalled € 425,750 (1–9/2012: € 451,708), while variable portions were paid out in June at the same levels as at year-end 2012. Fringe benefits amounted to € 23,278 (1–9/2012: € 25,731).

Remunerations paid to supervisory board members and members of the supervisory board audit committee in the nine months of 2013 amounted to € 100,590 (1–9/2012: € 95,683).

#### *Remuneration paid to management board members in 1–9/2013*

(€)	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	120,304	31,872	4,704	2,936	159,815
Jošt Dolničar	108,334	21,510	3,902	3,286	137,032
Srečko Čebren	108,334	21,510	3,940	965	134,748
Mateja Treven	88,779	21,510	3,545	0	113,834
<b>Total</b>	<b>425,750</b>	<b>96,402</b>	<b>16,091</b>	<b>7,187</b>	<b>545,431</b>

### *Liabilities to management board members*

(€)	30. 9. 2013	31. 12. 2012
Zvonko Ivanušič	6,468	6,094
Jošt Dolničar	5,521	5,446
Srečko Čebren	6,070	5,799
Mateja Treven	0	5,662
<b>Total</b>	<b>18,059</b>	<b>23,000</b>

### *Remuneration paid to members of the supervisory board and the auditing committee in 1–9/2013*

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
<b>Supervisory board members</b>					
Branko Tomažič	chairman of the SB	3,850	14,625	2,578	21,053
Mateja Lovšin Herič	deputy chairman of the SB	3,410	10,725	0	14,135
Keith William Morris	member of the SB	550	2,761	0	3,311
Slaven Mičković	member of the SB	3,410	9,750	30	13,190
Gregor Hudobivnik	member of the SB (until 14.4.2013)	2,640	6,989	30	9,659
Samo Selan	member of the SB (until 15.1.2013)	275	524	0	799
Martin Albreht	member of the SB	3,135	9,750	0	12,885
Gorazd Andrej Kunstek	member of the SB	3,135	8,981	0	12,116
<b>Total supervisory board members</b>		<b>20,405</b>	<b>64,105</b>	<b>2,637</b>	<b>87,147</b>
<b>Auditing committee members</b>					
Mateja Lovšin Herič	chairman of the AC	1,540	3,656	0	5,196
Slaven Mičković	member of the AC	1,100	2,437	0	3,537
Blanka Vezjak	AC member (until 14.7.2013)	0	2,625	352	2,977
Ignac Dolenšek	member of the AC	0	1,275	18	1,293
<b>Total auditing committee members</b>		<b>2,640</b>	<b>9,993</b>	<b>370</b>	<b>13,003</b>
<b>External member of the nomination committee</b>					
Vesna Razpotnik	committee member	440	0	0	440

### *Liabilities to member of the supervisory board and audit committee*

	30. 9. 2013
Branko Tomažič	1,259
Mateja Lovšin Herič	1,238
Slaven Mičković	1,049
Keith William Morris	2,566
Martin Albreht	840
Gorazd Andrej Kunstek	840
<b>Total</b>	<b>7,792</b>

## Transactions with subsidiaries

### *Investments in and amounts due from Group companies*

(€)		30. 9. 2013	31. 12. 2012
Debt securities and loans granted to Group companies	gross	6,290,000	7,190,000
	allowance	0	0
	net	6,290,000	7,190,000
Receivables for premiums arising out of reinsurance assumed	gross	17,871,397	9,349,100
	allowance	0	0
	net	17,871,397	9,349,100
Total		24,161,397	16,539,100

### *Liabilities to Group companies*

(€)	30. 9. 2013	31. 12. 2012
Liabilities for shares in reinsurance claims	8,718,919	2,409,388
Other short-term liabilities	3,576,679	1,559,107
Total	12,295,598	11,500,187

### *Income from and expenses for transactions with Group companies*

(€)	1–9/2013	1–9/2012
Gross premiums written	28,064,627	17,531,227
Gross claims paid	-16,949,285	-7,017,515
Income from gross recourse receivables	708,684	309,018
Income from dividends	14,659,724	1,288,008
Interest income	248,752	219,303
Acquisition costs	-6,423,700	-4,093,737
Total	20,308,802	8,236,304

## Transactions with associates

### *Receivables due from associates*

(€)		30. 9. 2013	31. 12. 2012
Receivables for premiums arising out of reinsurance assumed	gross	0	9,765,715
	allowance	0	0
	net	0	9,765,715
Total		0	9,765,715

### *Liabilities to associates*

(€)	30. 9. 2013	31. 12. 2012
Liabilities for shares in reinsurance claims	0	8,981,556
Other short-term liabilities	5,306	2,518,631
Total	5,306	11,500,187

*Operating income from and expenses for associate companies*

(€)	1–9/2013	1–9/2012
Gross premiums written	19,781,346	15,722,952
Gross claims paid	-8,065,244	-8,636,708
Income from gross recourse receivables	165,326	465,442
Interest income	0	56,799
Acquisition costs	-3,054,894	-5,666,508
Income from shares in associates	2,256,962	2,832,294
Additional pension insurance premium	49,107	48,508
<b>Total</b>	<b>11,132,604</b>	<b>4,822,779</b>

**Transactions with the state and majority state-owned entities***Investments in and receivables due from the state and companies that are majority state-owned*

(€)	30. 9. 2013	31. 12. 2012
Debt securities	345,881,506	60,618,154

*Liabilities to the state and majority state-owned companies*

(€)	30. 9. 2013	31. 12. 2012
Liabilities for shares in claims	0	8,981,556
Other short-term liabilities to an associate company	0	2,518,631
<b>Total</b>	<b>0</b>	<b>11,500,187</b>

*Income from and expenses for majority state-owned companies*

(€)	1–9/2013	1–9/2012
Gross premiums written	23,651,955	15,722,952
Gross claims paid	-9,662,406	-8,636,708
Income from dividends	2,098,298	142,358
Interest income	11,976,446	1,256,437
Acquisition costs	3,054,894	5,666,508
<b>Total</b>	<b>31,119,187</b>	<b>14,151,547</b>

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

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



## 10 UNAUDITED CONDENSED SEPARATE FINANCIAL STATEMENTS

### 10.1 Unaudited statement of financial position

(€)	30. 9. 2013	31. 12. 2012
<b>ASSETS</b>	<b>548,515,159</b>	<b>463,035,873</b>
<b>Intangible assets</b>	<b>118,584</b>	<b>149,315</b>
<b>Property and equipment</b>	<b>2,376,855</b>	<b>2,454,001</b>
<b>Deferred tax assets</b>	<b>2,855,392</b>	<b>1,900,320</b>
<b>Investment property</b>	<b>154,503</b>	<b>156,253</b>
<b>Financial investments in subsidiaries and associates</b>	<b>191,050,554</b>	<b>123,936,431</b>
<b>Financial investments:</b>	<b>233,989,134</b>	<b>215,395,429</b>
- Loans and deposits	52,091,635	52,668,509
- Held to maturity	2,047,694	5,118,283
- Available for sale	164,189,044	157,019,599
- At fair value through profit or loss	15,660,761	589,038
<b>Reinsurers' share of technical provisions</b>	<b>30,841,220</b>	<b>32,093,794</b>
<b>Receivables</b>	<b>75,980,508</b>	<b>75,945,114</b>
Receivables arising out of reinsurance and co-insurance business	75,114,457	63,116,668
Current tax assets	0	1,840,414
Other receivables	866,051	10,988,032
<b>Deferred acquisition costs</b>	<b>10,278,867</b>	<b>9,728,230</b>
<b>Other assets</b>	<b>450,836</b>	<b>264,313</b>
<b>Cash and cash equivalents</b>	<b>418,706</b>	<b>1,012,672</b>
<b>EQUITY AND LIABILITIES</b>	<b>548,515,159</b>	<b>463,035,873</b>
<b>Equity</b>	<b>246,695,005</b>	<b>174,789,811</b>
Share capital	71,856,376	39,069,099
Capital reserves	54,239,757	33,003,753
Profit reserves	92,290,087	92,359,341
Treasury shares	-1,774	-1,774
Fair value reserve	-4,939,229	-2,358,606
Retained earnings	12,717,998	7,915,508
Net profit/loss for the period	20,531,790	4,802,490
<b>Subordinated liabilities</b>	<b>31,275,258</b>	<b>31,244,573</b>
<b>Technical provisions</b>	<b>222,358,333</b>	<b>216,494,122</b>
Unearned premiums	48,552,743	44,050,792
Provision for outstanding claims	173,575,507	172,250,806
Other technical provisions	230,083	192,524
<b>Other provisions</b>	<b>341,800</b>	<b>324,745</b>
<b>Other financial liabilities</b>	<b>420</b>	<b>212</b>
<b>Liabilities from operating activities</b>	<b>45,298,778</b>	<b>38,418,488</b>
Liabilities from reinsurance and co-insurance business	44,418,723	38,418,488
Current income tax liabilities	880,055	0
<b>Other liabilities</b>	<b>2,545,565</b>	<b>1,763,922</b>

## 10.2 Unaudited income statement

(€)	1–9/2013	1–9/2012
<b>Net premiums earned</b>	<b>94,735,879</b>	<b>99,994,701</b>
Gross premiums written	111,043,028	124,390,521
Written premiums ceded to reinsurers and co-insurers	-14,080,678	-15,368,156
Change in net unearned premiums	-2,226,471	-9,027,664
<b>Income from investments in subsidiaries and associates</b>	<b>14,659,724</b>	<b>3,227,949</b>
<b>Investment income</b>	<b>7,330,638</b>	<b>7,740,799</b>
Interest income	4,415,634	5,955,471
Other investment income	2,915,004	1,785,328
<b>Other technical income</b>	<b>1,900,548</b>	<b>3,402,294</b>
Commission income	873,043	1,688,341
Other income	1,027,505	1,713,952
<b>Other income</b>	<b>10,923</b>	<b>22,485</b>
<b>Net claims incurred</b>	<b>-58,117,066</b>	<b>-67,378,924</b>
Gross claims paid less income from recourse receivables	-57,243,893	-53,636,419
Reinsurers' and co-insurers' share of claims paid	3,979,581	3,362,848
Change in the net provision for outstanding claims	-4,852,754	-17,105,353
<b>Expenses for bonuses and rebates</b>	<b>-37,560</b>	<b>3,013</b>
<b>Operating expenses</b>	<b>-30,941,093</b>	<b>-31,433,241</b>
Acquisition costs	-25,393,512	-26,751,692
Other operating expenses	-5,547,581	-4,681,549
<b>Expenses for financial assets and liabilities</b>	<b>-6,164,120</b>	<b>-4,705,309</b>
Impairment losses on financial assets not measured at fair value through profit or loss	-2,366,394	-843,018
Interest expenses	-943,620	-1,128,668
Diverse other expenses	-2,854,106	-2,733,623
<b>Other technical expenses</b>	<b>-1,561,154</b>	<b>-1,737,107</b>
<b>Other expenses</b>	<b>-4,812</b>	<b>-5</b>
<b>Profit/loss before tax</b>	<b>21,811,907</b>	<b>9,136,656</b>
<b>Income tax expense</b>	<b>-1,349,371</b>	<b>-2,065,931</b>
<b>Net profit/loss for the period</b>	<b>20,462,536</b>	<b>7,070,725</b>
<b>Net diluted earnings/loss per share</b>	<b>1.56</b>	<b>0.76</b>



### 10.3 Unaudited statement of comprehensive income

(€)	1–9/2013	1–9/2012
<b>PROFIT/LOSS FOR THE PERIOD, NET OF TAX</b>	<b>20,462,536</b>	<b>7,070,725</b>
<b>OTHER COMPREHENSIVE INCOME, NET OF TAX</b>	<b>-2,580,623</b>	<b>4,453,737</b>
<b>Net change in fair value of available-for-sale financial assets</b>	<b>-3,185,805</b>	<b>5,708,489</b>
Gains/losses recognised in fair value reserve	-2,629,996	4,765,546
Net change transferred from fair value reserve to profit or loss	-555,809	942,943
<b>Tax on other comprehensive income</b>	<b>605,182</b>	<b>-1,254,751</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>17,881,913</b>	<b>11,524,462</b>

## 10.4 Unaudited statement of changes in equity

### Unaudited statement of changes in equity for the nine months to 30 September 2013

(€)	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 (1–12)
			Contingency reserve	legal reserves and reserves provided for in the articles of association	reserve for treasury shares	Reserves for credit risks	catastrophe equalisation reserve	other					
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Opening balance in the financial period	39,069,099	33,003,752	0	14,986,525	1,774	753,026	8,314,716	68,303,300	-2,358,606	7,915,508	4,802,490	-1,774	174,789,811
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	0	-2,580,623	0	20,462,536	0	17,881,912
Subscription (payment) of new equity capital	32,787,277	21,236,004	0	0	0	0	0	0	0	0	0	0	54,023,281
Additions/uses of credit risk and catastrophe equalisation reserves	0	0	0	0	0	-69,254	0	0	0	0	69,254	0	0
Transfer of profit	0	0	0	0	0	0	0	0	0	4,802,490	-4,802,490	0	0
Closing balance in the financial period	71,856,376	54,239,757	0	14,986,525	1,774	683,772	8,314,716	68,303,300	-4,939,229	12,717,998	20,531,790	-1,774	246,695,005
Distributable profit	0	0	0	0	0	0	0	0	0	12,717,998	20,531,790	0	33,249,788

### Unaudited statement of changes in equity for the nine months to 30 September 2012

(€)	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 (1–12)
			Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other					
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Opening balance in the financial period	39,069,099	33,003,752	0	14,986,525	1,774	745,290	6,998,007	64,825,254	-9,088,908	3,596,862	4,318,646	-1,774	158,454,527
Comprehensive income for the year, net of tax	0	0	0	0	0	0	0	0	4,453,737	0	7,070,725	0	11,524,462
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	0	-9,260	0	0	0	0	9,260	0	0
Transfer of profit	0	0	0	0	0	0	0	0	0	4,318,646	-4,318,646	0	0
Closing balance in the financial period	39,069,099	33,003,752	0	14,986,525	1,774	736,030	6,998,007	64,825,254	-4,635,171	7,915,508	7,079,985	-1,774	169,978,990
Distributable profit	0	0	0	0	0	0	0	0	0	7,915,508	7,079,985	0	14,995,493

## 10.5 Unaudited statement of cash flows

(€)	1 - 9 / 2013	1 - 9 / 2012
<b>A. Cash flows from operating activities</b>		
<b>a.) Items of the income statement</b>	<b>11,497,658</b>	<b>24,192,235</b>
Net premiums written	96,962,350	109,022,365
Investment income (other than financial income), financed from:	2,548,160	1,519,985
- technical provisions	2,455,834	1,477,025
- other sources	92,326	42,960
Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	1,911,471	3,424,779
Net claims paid	-53,264,312	-50,273,571
Expenses for bonuses and rebates	-37,560	3,013
Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-30,853,008	-32,124,652
Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-2,854,106	-3,576,641
- technical sources	-2,802,460	-2,700,715
- other sources	-51,646	-875,927
Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-1,565,966	-1,737,112
Tax on profit and other taxes not included in operating expenses	-1,349,371	-2,065,931
<b>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</b>	<b>-3,396,083</b>	<b>-16,809,194</b>
Change in receivables from reinsurance	-11,997,789	-9,917,287
Change in receivables and assets	1,894,845	-938,194
Change in deferred tax assets	-955,072	1,493,358
Change in liabilities arising out of reinsurance business	6,000,235	-5,710,645
Change in other operating liabilities	880,055	-1,793,270
Change in other liabilities (except unearned premiums)	781,643	56,843
Change in deferred tax liabilities	0	0
<b>c.) Net cash from/used in operating activities (a + b)</b>	<b>8,101,576</b>	<b>7,383,040</b>
<b>B. Cash flows from investing activities</b>		
<b>a.) Cash receipts from investing activities</b>	<b>203,830,418</b>	<b>193,452,919</b>
Interest received from investing activities relating to:	4,415,634	5,955,471
- investments financed from technical provisions	3,783,729	4,849,238
- other investments	631,905	1,106,233
Cash receipts from dividends and from participation in the profit of others, relating to:	15,026,568	3,493,291
- investments financed from technical provisions	209,966	81,908
- other investments	14,816,602	3,411,384
Proceeds from sale of property and equipment, financed from:	320	1,010
- other sources	320	1,010
Proceeds from sale of long-term financial investments, financed from:	62,230,081	81,384,460
- technical provisions	45,000,031	69,944,491
- other sources	17,230,050	11,439,969
Proceeds from sale of short-term financial investments, financed from:	122,157,815	102,618,686
- technical provisions	53,281,815	72,908,643
- other sources	68,876,000	29,710,043
<b>b.) Cash disbursements in investing activities</b>	<b>-210,171,058</b>	<b>-193,670,739</b>
Purchase of intangible assets	-4,589	-34,844
Purchase of property and equipment, financed from:	-53,009	-214,370
- other sources	-53,009	-214,370
Purchase of long-term financial investments, financed from:	-66,044,877	-93,354,828
- technical provisions	-63,986,297	-78,310,606
- other sources	-2,058,580	-15,044,222
Purchase of short-term financial investments, financed from:	-144,068,583	-100,066,697
- technical provisions	-56,106,733	-69,564,597
- other sources	-87,961,850	-30,502,100
<b>c.) Net cash from/used in investing activities (a + b)</b>	<b>-6,340,640</b>	<b>-217,820</b>
<b>C. Cash flows from financing activities</b>		
<b>b.) Cash disbursements in financing activities</b>	<b>-1,367,951</b>	<b>-6,948,742</b>
Interest paid	-943,620	-1,128,668
Repayment of short-term financial liabilities	-424,331	-5,820,074
<b>c.) Net cash from/used in financing activities (a + b)</b>	<b>-1,367,951</b>	<b>-6,948,742</b>
<b>C2 Closing balance of cash and cash equivalents</b>	<b>1,405,657</b>	<b>370,391</b>
<b>Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)</b>	<b>392,985</b>	<b>216,478</b>
<b>Opening balance of cash and cash equivalents</b>	<b>1,012,672</b>	<b>153,913</b>



# APPENDIX



## Glossary of selected terms and calculation methodologies for indicators

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

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

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**Capital fund.** Assets representing the capital of the Company.

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**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.

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

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**Claims incurred.** Claims paid in the period (including loss adjustment expenses) gross of the change in the provision for outstanding claims and net of recourse receivables in the period. Gross/net – before/after deduction of reinsurance.

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**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. Gross claims paid referred to in the business report are net of recourse receivables.

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

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**Combined ratio.** Calculated using the S&P computation method: ratio of total expenses net of investment expenses as a percentage of total income net of investment income.

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

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

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

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

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

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

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**Expense ratio (gross).** The ratio of operating expenses as a percentage of (gross) premiums written.

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**Expense ratio (net).** The ratio of operating expenses, net of commission income, as a percentage of (net) earned premiums

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**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.

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

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**Guarantee fund.** One third of the required solvency margin.

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

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

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

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

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

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**Liability fund.** Assets covering technical provisions.

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**Life insurance liability fund.** Assets covering mathematical provisions.

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

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<b>Loss ratio, incurred / "Loss ratio".</b> The net incurred loss ratio is calculated as net claims incurred gross of change in other technical provisions as a percentage of net premiums earned. Gross incurred loss ratio = gross claims incurred / gross premiums earned.
<b>Loss ratio, paid.</b> The ratio of (gross/net) claims paid as a percentage of (gross/net) premiums written.
<b>Market risks.</b> Include interest rate risk, equity securities risk and currency risk.
<b>Net retention risk.</b> The risk that higher retention of insurance loss exposures results in large losses due to catastrophic or concentrated claims experience.
<b>Non-proportional reinsurance (excess reinsurance).</b> 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.
<b>Premiums earned.</b> 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.
<b>Premiums written.</b> 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.
<b>Pricing risk.</b> The risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.
<b>Primary insurer.</b> Insurance company that has a direct contractual relationship with the holder of the insurance policy (private individual, firm or organization).
<b>Proportional reinsurance.</b> 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.
<b>RBNS.</b> Provision for claims that are <b>Reported But Not Settled</b> .
<b>Recourse receivables.</b> 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.
<b>Required solvency margin.</b> The minimum solvency margin capital requirement calculated in accordance with Solvency I rules. The capital level representing the first threshold that triggers measures related to the Insurance Supervision Agency in the event that it is breached.
<b>Reserving risk.</b> The risk that technical provisions will be inadequate.
<b>Retention ratio.</b> Ratio of net premiums written as a percentage of gross premiums written.
<b>Retention.</b> 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.
<b>Retrocession.</b> The reinsurance bought by reinsurers; a transaction by which a reinsurer cedes risks to another reinsurer.
<b>Return on equity (ROE).</b> The ratio of net profit for the period as a percentage of average equity in the period.
<b>Solvency ratio.</b> The ratio of the available solvency margin as a percentage of the required solvency margin.
<b>Subsidiary entity.</b> An entity that is controlled by another entity.
<b>Underwriting result.</b> Profit or loss realised from insurance operations as opposed to that realised from investments or other items.
<b>Unearned premiums.</b> 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.



### *Statement of Compliance of the Sava Reinsurance Company management board*

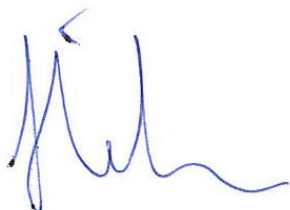
To the best of our knowledge, the summary financial statements of the Sava Re Group with notes give a true and fair view of the assets, liabilities, financial position and profit/loss of the Group. The interim financial statements for the Sava Re Group and the interim separate financial statements of Sava Reinsurance Company, which are both in a condensed format, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" adopted by the European Union and should be read together with the annual financial statements for the financial year ended 31 December 2012. The interim financial statements have not been audited.

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

Zvonko Ivanušič, Chairman of the Management Board



Srečko Čebren, Member of the Management Board



Jošt Dolničar, Member of the Management Board



Ljubljana, 18 November 2013