



Declaration of the Management Board

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To the best of our knowledge and in accordance with the applicable reporting principles, the separate and consolidated financial statements give a true and fair view of the assets, liabilities, financial position, profit or loss for the year, and of the cash flow of the Company and the Group. The financial report gives a fair view of the development and performance of operations and the financial position, together with a description of the principal opportunities and risks associated with the expected development of the Company and the Group.«

Ljubljana, 29 March 2013



Zvonko Ivanušič Chairman of the Management Board

Jošt Dolničar *Member of the Management Board*

for Uh





Srečko ČebronMember of the Management Board

Mateja Treven *Member of the Management Board*

Member of the



Summary of key performance indicators

(EUR)	Sava Re Gro	up	Sava Reinsura	nce Company
	2012	2011	2012	2011
Gross premiums written	270,763,193	258,415,195	152,827,900	140,350,370
Year-on-year change	4.8%	-0.3%	8.9%	-1.8%
Gross premiums written - Slovenia	125,150,844	129,086,873	58,774,249	66,062,678
Gross premiums written - international	145,612,349	129,328,322	94,053,651	74,287,692
International premium as % of total GPW	53.8%	50.0%	61.5%	52.9%
Gross claims paid	136,277,305	128,376,839	78,400,272	70,685,269
Year-on-year change	6.2%	-2.2%	10.9%	-9.5%
Net incurred loss ratio	62.8%	58.1%	67.0%	61.5%
Operating expenses including reinsurance commission income	85,117,952	85,177,224	40,422,291	36,931,215
Year-on-year change	-0.1%	2.9%	9.5%	-0.6%
Net expense ratio	34.6%	36.2%	30.4%	30.2%
Net combined ratio (total expenses / total income, excl. investments)	98.7%	98.3%	97-3%	92.2%
Net investment income incl. finance costs	13,181,309	6,764,554	7,558,877	1,429,012
Annualised realised investment return including finance costs	3.3%	1.8%	2.3%	0.4%
Net investment income excl. finance costs	15,212,907	8,601,710	9,007,379	3,191,205
Annualised realised investment return excluding finance costs	3.9%	2.3%	2.7%	1.0%
Profit/loss, net of tax	11,788,457	4,066,402	9,604,981	8,637,292
Year-on-year change	189.9%	-26.3%	11.2%	20.1%
Comprehensive income	23,471,951	-6,605,376	16,335,282	2,316,198
Total assets	640,591,738	582,037,026	463,035,873	417,051,465
Year-on-year change	10.1%	0.6%	11.0%	-0.3%
Shareholders' equity	171,353,442	148,080,050	174,789,810	158,454,528
Year-on-year change	15.7%	-4.3%	10.3%	1.5%
Net technical provisions	349,759,210	322,940,184	184,400,328	166,275,281
Year-on-year change	8.3%	5.1%	10.9%	6.3%
Return on equity	7.4%	2.7%	5.8%	5.5%
Book value per share	18.30	15.82	18.67	16.92
Net earnings/loss per share	1.26	0.43	1.03	0.92
No. of employees at 31 Dec (full-time equivalent basis)	1,490	1,530	70	66

The net investment income and the annualised realised investment return do not include income and 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.

Contents

Business Report

1	To the Shareholders of Sava Reinsurance Company	11
2	Sava Reinsurance Company – Basic Details	14
2.1	Company Profile of Sava Reinsurance Company	14
2.2	Presentation of the Sava Re Group and its associate companies	15
2.3	Sava Re Group structure including associate companies	15
2.4	Activities of the Sava Re Group and its associates	16
2.5	Company profiles of Sava Re Group members and associates as at	16
	31 December 2012	
3	Significant Events in 2012	18
4	Significant Events after the Reporting Date	19
5	Shareholders and Share Trading	20
5.1	Developments in the capital markets and their influence on the	20
	Sava Reinsurance Company share price	
5.2	General information on the share	21
5.3	Investor relations	22
6	Report of the Supervisory Board	23
7	Statement on Company Management Pursuant to Article 70 of	26
	the Companies Act (ZGD-1)	
7.1	Corporate governance policy	26
7.2	Statement of compliance with the corporate governance code for public	26
	joint-stock companies	
7.3	Governance and supervision bodies of Sava Reinsurance Company	27
7.3.1	The general meeting of shareholders	27
8	Financial Reporting: Internal Controls and Risk Management	35
9	External Audit	36
10	Details Pursuant to Article 70 (6) of the Companies Act (ZGD-1)	36
11	Opinion of the Appointed Actuary to the Annual Report	39
12	Mission, Vision and Social Responsibility	40
12.1	Mission, vision and social responsibility	40
12.2	Strategic annual goals achieved by the Sava Re Group in 2012	40
12.3	Sava Re Group strategy highlights	42
12.4	Plans of the Sava Re Group for 2013	43
13	Business Environment	45
14	Performance and Business Results	54
14.1	Net premiums earned	55
14.2	Net claims incurred	58
14.3	Movements in technical provisions	63
14.4	Operating expenses	65
14.5	Financial investments	66
14.6	Other investments of Sava Reinsurance Company in the	71
	insurance industry	
15	Financial Position of the Group and the Company	72
15.1	Composition of assets and liabilities	72
15.2	Capital adequacy	75
15.3	Sources of finance and their maturities	75

Contents

15.4	Cash flow	/6
15.5	Receivables management	76
15.6	Credit rating	76
16	Risk Management	77
16.1	Risk management policies and goals	77
16.2	Organisational structure of risk management	78
16.3	Risk management process	79
16.4	Risks	80
17	Capital Adequacy	81
18	Internal Audit Function	82
19	Sustainable Development	82
20	Personnel	85
21	Business Processes and IT Support	86
22	Performance Indicators for Sava Reinsurance Company	88
	Consolidated Financial Statements with Notes	
23	Auditor's Report	96
24	Consolidated Financial Statements	97
24.1	Consolidated statement of financial position as at 31 December 2012	97
24.2	Consolidated income statement for the year ended 31 December 2012	98
24.3	Consolidated statement of comprehensive income for the year ended	99
	31 December 2012	
24.4	Consolidated cash flow statement for the year ended 31 December 2012	100
24.5	Consolidated statement of changes in equity for the year ended	102
	31 December 2012	
24.6	Consolidated statement of changes in equity for the year ended	103
	31 December 2011	
25	Notes to the Consolidated Financial Statements	104
25.1	Basic details	104
25.2	Group companies	104
25.3	Consolidation principles	107
25.4	Significant accounting policies	108
25.5	Changes in accounting policies and correction of errors	126
25.6	New standards and interpretations not yet effective	126
25.7	Risk management	128
25.8	Notes to the consolidated financial statements	146
	 statement of financial position 	
25.9	Notes to the consolidated financial statements	168
	– income statemen	
25.10	Notes to the consolidated financial statements – cash flow statement	178
25.11	Contingent receivables and liabilities	178
25.12	Related party disclosures	178
26	Significant Events after the Reporting Date	182
	Financial Statements of Sava Reinsurance	
	Company with Notes	
27	Auditor's Report	186
28	Financial Statements	187
28.1	Statement of financial position as at 31 December 2012	187

6 Annual Report 2012

28.2	Income statement for year ended 31 December 2012	188
28.3	Statement of comprehensive income for year ended 31 December 2012	188
28.4	Cash flow statement for year ended 31 December 2012	198
28.5	Statement of changes in equity for the year ended 31 December 2012	191
28.6	Statement of changes in equity for the year ended 31 December 2011	191
29	Notes to the Financial Statements	192
29.1	Basic details	192
29.2	Significant accounting policies	194
29.3	Changes in accounting policies and correction of errors	205
29.4	New standards and interpretations not yet effective	205
29.5	Risk management	207
29.6	Notes to the financial statements – statement of financial position	224
29.7	Notes to the financial statements – income statement	239
29.8	Notes to the financial statements – cash flow statement	248
29.9	Contingent receivables and liabilities	249
29.10	Related party disclosures	249
30	Significant Events after the Reporting Date	255
	Appendices	
А	Financial statements of Sava Reinsurance Company pursuant to	258
	requirements of the Insurance Supervision Agency	
В	Financial statements of the Sava Re Group pursuant to	264
	requirements of the Insurance Supervision Agency	
С	Financial statements of the Sava Re Group pursuant to SKL 2009	273
D	Glossary of selected terms and calculation methodologies	275
	for indicators	

Contents 7





Motivation comes from without, inspiration comes from within, only when united do they engender progress.«



To the Shareholders of Sava Reinsurance Company

Dear Shareholder,

The year 2012 was exceptional for Sava Reinsurance Company, as we came very close to achieving one of our key strategic objectives – the formation of a strong base in Slovenia. We signed a contract with Nova Kreditna banka Maribor in December 2012 to acquire shares of Zavarovalnica Maribor, a transaction financed through a capital increase, to be effected by mid-2013. The integration of Zavarovalnica Maribor should enhance stability of our Group and its recognisability, as well as its key performance indicators. There are great potential synergies in Slovenia's insurance market, and we intend to exploit this potential in the next three years, laying the groundwork in 2013.

In 2012, we achieved other important objectives and were successful in coping with the challenges of the unpredictable social and business environments. We made some important moves in certain priority areas, which did not go unnoticed in professional circles.

unfavourable loss year

Good results despite an In reinsurance, growth was strong in foreign-sourced premiums, but the overall results were affected by natural disasters. The domestic portfolio suffered losses from the autumn floods in Slovenia, while the foreign portfolio suffered losses from the floods in Thailand in 2011 (the relevant claims provision was additionally strengthened in 2013) and from hurricane Sandy. Gross incurred loss ratios grew, but the combined ratio was at the target 97.3 percent thanks to appropriate reinsurance cover.

> Our other business segments (non-life and life insurance) saw very modest growth rates, but the claims burden in the majority of Sava Re Group companies was also relatively small. This was the result of our selective underwriting policy, measures aimed at improved product performance, tailored IT solutions implemented in 2011–2012, and capped premium growth in the underperforming insurance classes. The group net combined ratio was 98.7 percent, which is satisfactory in view of the increased net combined ratio in Sava Reinsurance Company.

> The results achieved by the Group companies established outside Slovenia are encouraging: some of them still posted a loss, but all made big steps forward last year. Altogether, we achieved a better than expected return on equity in the Sava Re Group.

Managing costs The net expense ratio dropped by 1.6 percentage points compared to last year. This is explained by cost optimisation in Group insurers where cost effectiveness and savings are part of their regular activities.

Focused on investment In 2012 we pursued a conservative investment policy, with investment safety safety and liquidity having priority over investment return. We primarily invested in highly liquid, highly rated debt securities. Subsidiaries with access to developed capital markets reduced the share of deposits and increased the share of bonds in their portfolios, thus earning a better return compared to 2011. Strategic investments also yielded a better return and significantly contributed to the achieved results.

Credit rating Standard & Poor's downgraded Sava Reinsurance Company in August 2012 from A- with a negative mid-term outlook to BBB+, also with a negative midterm outlook. The credit rating agency re-confirmed its decision in November last year. The downgrading was exclusively related to the downgrading of Slovenia. In December last year. Standard and Poor's put Sava Reinsurance Company on a negative watch list in view of the envisaged capital increase and acquisition of Zavarovalnica Maribor. The rating significantly affects our ability to grow the reinsurance portfolio, and we are accordingly improving business segments and consolidating our market position. Group performance has visibly improved over the previous three years, and we believe that by making additional efforts we will meet the increasingly demanding criteria of rating agencies. The credit rating is usually the decisive factor when writing reinsurance business abroad and even more so with new clients. We therefore decided to obtain an additional rating from A.M. Best, an agency that specialises in insurance. They awarded us an A-rating with a stable mid-term outlook following an evaluation of both Sava Reinsurance Company and the Sava Re Group. This rating is less sensitive to the sovereign rating and reflects the financial stability of our company.

Public image We continued building our public image last year. This is a never-ending process, and we were happy to receive some confirmations that we are making the right choices. First, we received an invitation from the Ljubljana Stock Exchange to join their prime market, where our shares had been traded since April last year. This was followed by the award for the best annual report from the business daily Finance. Their committee gave us the highest number of points in three categories: for the overall 2011 annual report, for its risk management section and for its financial report section, all among financial institutions. The Ljubljana Stock Exchange, which awards issuers renowned for their quality and fair disclosure with the PORTAL prize, gave as a special prize for the big progress made in investor relations.

> Speaking of image, both Croatian Group companies adopted our corporate design and thus also visually became members of the Sava Re Group. The entire Group now has a uniform corporate design.

Part of our Sava Reinsurance Company bears the name of the longest Slovenian river, corporate culture which connects the region and its nations, including a major part of members of the Sava Re Group. Water is a symbol of life in all its aspects, and our core activity is to provide security, both social and economic, and to protect life. Recognising the connection, we decided to adopt the 22nd of March, World Water Day, as the day of the Sava Re Group. We celebrate this day by taking small but concrete action that improves the quality of life in our society. In 2012, the day was marked by environmental care in all Group companies. In Slovenia, we took part, together with Zavarovalnica Tilia, in the "Let's Clean Slovenia" project. We take care of life quality every day in the year in various ways, also by supporting organisations with a similar mission.

> The environment changes continuously and requires a high level of flexibility and transparency. Our business results, appreciated also by our internal and external stakeholders, confirm that we are moving in the right direction. Being aware that much remains to be done, we continue persistently on our way to achieving objectives.

Zvonko Ivanušič,

Chairman of the Management Board of Sava Reinsurance Company

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Sava Reinsurance Company – Basic Details

2.1 Company Profile of Sava Reinsurance Company

Company name: Pozavarovalnica Sava d.d. / Sava Reinsurance Company

Registered office: Dunajska 56, 1000 Ljubljana, Slovenia

Telephone

(switchboard): +386 (1) 47 50 200
Telefax: +386 (1) 47 50 264
E-mail: info@sava-re.si
Website: www.sava-re.si

Company ID

number: 5063825 Tax number: 17986141

Share capital: EUR 39,069,099

9,362,519 no-par-value shares

Governance and

supervision bodies: Management Board

Zvonko Ivanušič (Chairman)

Jošt Dolničar Srečko Čebron Mateja Treven

Supervisory Board

Branko Tomažič (Chairman)

Mateja Lovšin Herič (Deputy Chairperson)

Slaven Mićković Gregor Hudobivnik

Martin Albreht (employee representative) Samo Selan (employee representative)

Date of entry into

court register: 28 Dec 1990 Ljubljana District Court

Certified auditor: KPMG Slovenija,

podjetje za revidiranje, d.o.o.

Železna cesta 8a, 1000 Ljubljana, Slovenia

Largest shareholder

and holding: Slovenska odškodninska družba, d.d.

25.0% + one share (no-par-value shares: 2,340,631)

A.M. Best

credit rating: A-/stable/; October 2012

S&P credit rating: BBB+ /negative/; November 2012

The Company has no branches.

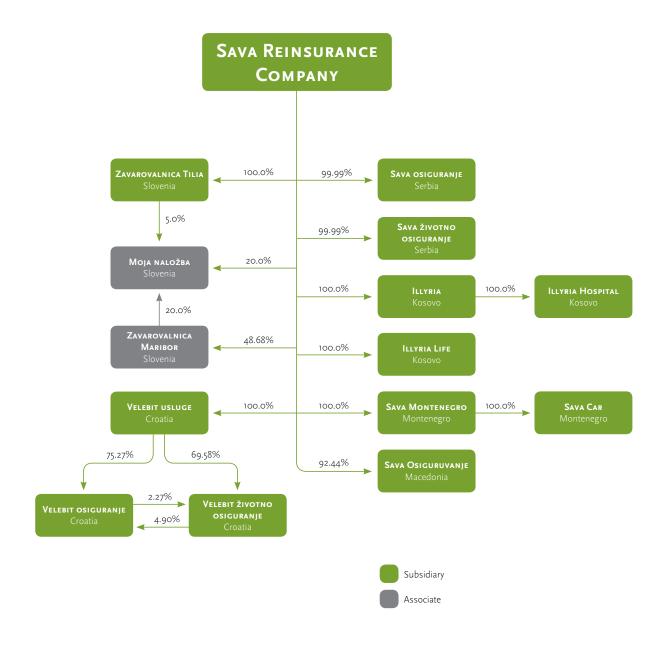
Annual Report 2012

2.2 Presentation of the Sava Re Group and its associate companies

In addition to Sava Reinsurance Company, the controlling company, the insurance part of the Sava Re Group comprises nine insurers based in Slovenia and other countries of the former Yugoslavia as well as two associate companies – an insurer and a pension company, both based in Slovenia.

2.3 Sava Re Group structure including associate companies

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



2.4 Activities of the Sava Re Group and its associates

Sava Reinsurance Company, the controlling company of the Group, transacts reinsurance business. The Group includes two composite insurers, the subsidiary Zavarovalnica Tilia and the associate company Zavarovalnica Maribor. The insurers Sava osiguranje (Belgrade), Sava osiguruvanje (Skopje), Illyria (Pristina), Sava Montenegro (Podgorica), and Velebit osiguranje (Zagreb) are non-life insurance companies. Sava životno osiguranje (Belgrade), Illyria Life (Pristina) and Velebit životno osiguranje (Zagreb) are life insurance companies; Sava Invest (Skopje) is a fund management company and the associate Moja naložba (Maribor) is a pension company. The indirect subsidiary Illyria Hospital is a special purpose vehicle for the foundation of a hospital in Kosovo (wholly-owned by the insurer Illyria), Sava Car (Podgorica) is a vehicle inspection company (wholly-owned by the insurer Sava Montenegro).

2.5 Company profiles of Sava Re Group members and associates as at 31 December 2012

At year-end 2012, the following companies were members of the Sava Re Group or associate companies:

Company name	Sava Reinsurance Company	Zavarovalnica Maribor d.d.	Zavarovalnica Tilia, d.d.	Moja naložba*	Sava osiguranje, a.d.o. Beograd
Registered office	Dunajska cesta 56, 1000 Ljubljana, Slovenia	Cankarjeva 3, 2507 Maribor, Slovenia	Seidlova cesta 5, 8000 Novo mesto, Slovenia	Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia	Bulevar vojvode Mišića 51, 11000 Beograd, Serbia
Company ID number	5063825	5063400	5063426	1550411	17407813
Business activity	reinsurer	composite insurer	composite insurer	pension company	non-life insurer
Share capital (EUR)	39,069,099	55,426,291	14,317,673	6,301,109	7,004,703
Book value of equity interest (EUR)		26,981,519	14,317,673	2,187,745	7,004,003
Equity interest (share of voting rights) held by Group members	Zavarovalnica Maribor: 4.45 %	Pozavarovalnica Sava: 48.68 %	Pozavarovalnica Sava: 100.00 %	Pozavarovalnica Sava: 20.0% Zavarovalnica Maribor: 20.0% Zavarovalnica Tilia: 5.0%	Pozavarovalnica Sava: 99.99 %
Governing bodies	Management Board	Management Board	Management Board	Management Board	Managing Director:
	Zvonko Ivanušič (Chair.), Jošt Dolničar, Srečko Čebron, Mateja Treven	Drago Cotar (Chair.), David Kastelic, Marko Planinšec, Srečko Čarni, Borut Celcer	Andrej Kavšek (Chair.), Tadej Avsec, Jaka Dolenc	Lojze Grobelnik (Chair.), Igor Pšunder	Duško Jovanović Executive Director: Edita Rituper
	Supervisory Board	Supervisory Board	Supervisory Board	Supervisory Board	Supervisory Board
	Branko Tomažič (Chair.), Mateja Lovšin Herič, Slaven Mićković, Gregor Hudobivnik, Martin Albreht, Samo Selan	Aleš Hauc (Chair.), Dušan Čeč, Janez Komelj, Miha Šlamberger, Edi Kosi, Robert Ciglarič	Zvonko Ivanušič (Chair.), Jošt Dolničar, Jože Razpotnik	Andrej Plos (Chair.), Uroš Lorenčič, Simon Hvalec, Marko Planinšec, Mojca Androjna, Hermina Kastelec, Igor Marinič, Dušan Šuligoj, Viljem Pozeb	Jošt Dolničar (Chair.), Mateja Treven, Goran Milićević
Position in the Group	parent, reinsurer	associate insurance company	subsidiary insurance company	associated company	subsidiary insurance company

^{*}Moja naložba pokojninska družba d.d. – Nova KBM Group (hereinafter "Moja naložba").

Company name	Illyria Sh.a.	Sava osiguruvanje, Skopje	Sava Montenegro AD	Sava životno osiguranje, a.d.o. Beograd	Illyria Life, Sh.a.
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Zagrebska br. 28 A, 1000 Skopje, Macedonia	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro	Bulevar vojvode Mišića 51, 11000 Beograd, Serbia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo
Company ID number	70152892	4778529	02303388	20482443	70520893
Business activity	non-life insurer	non-life insurer	non-life insurer	life insurer	life insurer
Share capital (EUR)	5,428,040	7,482,896	6,157,637	4,377,045	3,285,893
Book value of equity interest (EUR)	5,428,040	6,917,189	6,157,637	4,376,607	3,285,893
Equity interest (share of voting rights) held by Group members	Pozavarovalnica Sava: 100.0%	Pozavarovalnica Sava: 92.44%	Pozavarovalnica Sava: 100.0%	Pozavarovalnica Sava: 99.99%	Pozavarovalnica Sava: 100.0%
Governing bodies	Managing Director Uroš Lorenčič	Executive Director Peter Skvarča	Executive Director Nebojša Šćekić	Managing Director Matej Herlec	Managing Director Ramis Ahmetaj
		Chief Operating Director Ruse Drakulovski		Executive Director Gorica Drobnjak	
	Board of Directors	Board of Directors	Board of Directors	Supervisory Board	Board of Directors
	Primož Močivnik (pred.), Rok Moljk, Robert Sraka, Ramis Ahmetaj, Uroš Lorenčič	Rok Moljk (Chair.), Polona Pirš-Zupančič, David Kastelic, Milan Viršek	Milan Viršek (Chair.), Jošt Dolničar, Edita Rituper	Polona Pirš-Zupančič, Jaka Dolenc, Milan Viršek	Primož Močivnik (Chair.), Robert Sraka, Uroš Lorenčič, Rok Moljk
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company
Company name	Velebit usluge d.o.o.	Velebit osiguranje d.d.	Velebit životno osiguranje d.d.	Illyria Hospital	Sava Car d.o.o.
Company name Registered office	Velebit usluge d.o.o. Savska 144a, 10000 Zagreb, Croatia			Illyria Hospital Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Sava Car d.o.o. PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
, ,	Savska 144a, 10000	d.d. Savska 144a, 10000	osiguranje d.d. Savska 144a, 10000	Sheshi Nëna Terezë 33, 10000 Priština,	PC Kruševac, Rimski trg 70, 81000 Podgorica,
Registered office	Savska 144a, 10000 Zagreb, Croatia	d.d. Savska 144a, 10000 Zagreb, Croatia	osiguranje d.d. Savska 144a, 10000 Zagreb, Croatia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Registered office Company ID number	Savska 144a, 10000 Zagreb, Croatia 2146282	d.d. Savska 144a, 10000 Zagreb, Croatia 2269937	osiguranje d.d. Savska 144a, 10000 Zagreb, Croatia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo 70587513	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Registered office Company ID number Business activity	Savska 144a, 10000 Zagreb, Croatia 2146282 wholesale, retailer	d.d. Savska 144a, 10000 Zagreb, Croatia 2269937 non-life insurer	osiguranje d.d. Savska 144a, 10000 Zagreb, Croatia 2269929 life insurer	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo 70587513 hospital	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro 02806380 research and analysis
Registered office Company ID number Business activity Share capital (EUR) Book value of equity	Savska 144a, 10000 Zagreb, Croatia 2146282 wholesale, retailer 16,767,141	d.d. Savska 144a, 10000 Zagreb, Croatia 2269937 non-life insurer 3,874,625	osiguranje d.d. Savska 144a, 10000 Zagreb, Croatia 2269929 life insurer 8,936,429	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo 70587513 hospital 1,800,000	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro 02806380 research and analysis
Registered office Company ID number Business activity Share capital (EUR) Book value of equity interest (EUR) Equity interest (share of voting rights) held by Group members	Savska 144a, 10000 Zagreb, Croatia 2146282 wholesale, retailer 16,767,141 16,767,141 Pozavarovalnica Sava: 100,0 %	d.d. Savska 144a, 10000 Zagreb, Croatia 2269937 non-life insurer 3,874,625 3,052,042 Velebit usluge: 75.27% Velebit životno osiguranje: 4.90%	osiguranje d.d. Savska 144a, 10000 Zagreb, Croatia 2269929 life insurer 8,936,429 6,377,929 Velebit usluge: 69.58% Velebit osiguranje: 2.27%	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo 70587513 hospital 1,800,000 1,800,000 Illyria: 100.0%	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro 02806380 research and analysis 65,000 Sava Montenegro:
Registered office Company ID number Business activity Share capital (EUR) Book value of equity interest (EUR) Equity interest (share of voting rights) held	Savska 144a, 10000 Zagreb, Croatia 2146282 wholesale, retailer 16,767,141 16,767,141 Pozavarovalnica	d.d. Savska 144a, 10000 Zagreb, Croatia 2269937 non-life insurer 3.874,625 3,052,042 Velebit usluge: 75.27% Velebit životno	osiguranje d.d. Savska 144a, 10000 Zagreb, Croatia 2269929 life insurer 8,936,429 6,377,929 Velebit usluge: 69,58% Velebit osiguranje:	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo 70587513 hospital 1,800,000	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro 02806380 research and analysis 65,000 65,000 Sava Montenegro: 100.0%
Registered office Company ID number Business activity Share capital (EUR) Book value of equity interest (EUR) Equity interest (share of voting rights) held by Group members	Savska 144a, 10000 Zagreb, Croatia 2146282 wholesale, retailer 16,767,141 16,767,141 Pozavarovalnica Sava: 100,0 % Managing Director:	d.d. Savska 144a, 10000 Zagreb, Croatia 2269937 non-life insurer 3,874,625 3,052,042 Velebit usluge: 75.27% Velebit životno osiguranje: 4.90% Management Board Dražen Kulić (Chair.), Krešimir Vrbić, Primož Močivnik	osiguranje d.d. Savska 144a, 10000 Zagreb, Croatia 2269929 life insurer 8,936,429 6,377,929 Velebit usluge: 69.58% Velebit osiguranje: 2.27% Management Board Tibor Kralj (Chair.), Kristina Cvitanović	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo 70587513 hospital 1,800,000 1,800,000 Illyria: 100.0%	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro 02806380 research and analysis 65,000 65,000 Sava Montenegro: 100.0%
Registered office Company ID number Business activity Share capital (EUR) Book value of equity interest (EUR) Equity interest (share of voting rights) held by Group members	Savska 144a, 10000 Zagreb, Croatia 2146282 wholesale, retailer 16,767,141 16,767,141 Pozavarovalnica Sava: 100,0 % Managing Director:	d.d. Savska 144a, 10000 Zagreb, Croatia 2269937 non-life insurer 3,874,625 3,052,042 Velebit usluge: 75.27% Velebit životno osiguranje: 4.90% Management Board Dražen Kulić (Chair.), Krešimir Vrbić, Primož Močivnik (procurator)	osiguranje d.d. Savska 144a, 10000 Zagreb, Croatia 2269929 life insurer 8,936,429 6,377,929 Velebit usluge: 69.58% Velebit osiguranje: 2.27% Management Board Tibor Kralj (Chair.), Kristina Cvitanović - Zorić	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo 70587513 hospital 1,800,000 1,800,000 Illyria: 100.0%	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro 02806380 research and analysis 65,000 65,000 Sava Montenegro: 100.0%

Significant Events in 2012

January As announced at the end of 2011, in January 2012 Standard & Poor's (S&P) reviewed the sovereign credit ratings of euro zone members that had been placed on CreditWatch. Slovenia was downgraded from AA- to A+. Further to the sovereign downgrade of Slovenia, S&P reaffirmed Sava Reinsurance Company's then credit and financial strength rating of A-, but with a negative outlook.

February In February 2012, the Macedonian subsidiary Sava osiguruvanje sold all shares of Goldmak.

A pril On 2 April 2012, the POSR share of Sava Reinsurance Company was transferred to the prime market.

> In April 2012, the Management Board or Sava Reinsurance Company adopted the resolution to initiate liquidation proceedings in the Macedonian indirect subsidiary Bro-Dil.

May On 28 May 2012, the 25th General Meeting of Sava Reinsurance Company took place at the Horus Hall of the Austria Trend Hotel in Ljubljana.

|uly| On 10 July 2012, the General Meeting of Zavarovalnica Tilia took place. In the Meeting the resolution was passed to transfer all shares of minority shareholders of Zavarovalnica Tilia to majority shareholder Sava Reinsurance Company (99.71%) against adequate cash compensation.

August In August 2012, rating agency S&P downgraded Sava Reinsurance Company from A- with a negative outlook to BBB+ with a negative outlook. The downgrading was a result of the downgrading in Slovenia's sovereign rating and was not related to the performance or financial stability of the controlling company.

September In September, Sava Reinsurance Company acquired 3.8% of Sava osiguruvanje, Skopje, from minority shareholders, increasing its total shareholding of the company to 85.67%.

October In October 2012, rating agency A.M. Best Europe, London, awarded the controlling company a financial strength rating of A- (excellent) with a stable outlook.

November At the beginning of November 2012, Sava Reinsurance Company filed a binding bid for the acquisition of a 50.99% share of Zavarovalnica Maribor, and in

December December 2012 a share purchase and sale agreement was signed with NKBM. In its regular annual rating update, S&P reaffirmed its previous BBB+ rating on Sava Reinsurance Company d.d., retaining the negative outlook. At the end of 2012, S&P placed Sava Reinsurance Company on CreditWatch negative as a result of the announced acquisition of the remaining share of Zavarovalnica Maribor. In 2012, the controlling company recapitalised the following companies:

> Illyria: EUR 2.2m Sava životno osiguranje: EUR 0.7m Sava osiguranje: EUR o.2m

Sava osiguruvanje: EUR 2.0m Velebit usluge: EUR 4.2m

Annual Report 2012

Significant Events After the Reporting Date

January In January 2013, the 26th General Meeting of shareholders of Sava Reinsurance Company was held, in which a resolution was adopted to increase the share capital of the controlling company. The issue value (purchase price) for one newly-issued share is to be no less than EUR 7 and no more than EUR 9. It is to be determined by the Management Board of Sava Reinsurance Company subject to the consent of the Supervisory Board, while the total issue amount of all newly-issued shares pursuant to that resolution is not to exceed EUR 55,000,001, with the final number of newly-issued shares to be adjusted accordingly. Newly-issued shares are to be offered to the public, in accordance with regulations applicable to the financial instruments market, in several rounds, whereby in the first round newly-issued shares are to be offered to all existing shareholders. Existing shareholders are to have the right to subscribe and pay in newly-issued shares in proportion to their existing holdings in Sava Reinsurance Company. Newly-issued shares that are not subscribed and paid in in the first round are to be offered by the Management Board of Sava Reinsurance Company subject to the consent of the Supervisory Board for subscription and payment to all or part of the public or third parties in subsequent round(s).

February In February 2013, Sava Reinsurance Company received a decision of the Insurance Supervision Agency based on which the Company can directly acquire voting rights and shares of Zavarovalnica Maribor of 50 percent or more, within six months of service of such decision, whereafter such approval ceases to be effective. Furthermore, the Insurance Supervision Agency issued an approval for Sava Reinsurance Company and the Slovenian Restitution Fund to jointly and directly acquire, based on their agreement titled "Agreement on the rights associated with Zavarovalnica Maribor shares", voting rights and shares in the equity of Zavarovalnica Maribor of 50 percent or more, within six months of service of such decision, whereafter such approval ceases to be effective.

> In February 2013, Sava Reinsurance Company received a decision from the Slovenian Competition Protection Agency stating that the Agency does not object to the announced concentration of Sava Reinsurance Company and Zavarovalnica Maribor and that such concentration is in compliance with competition rules.

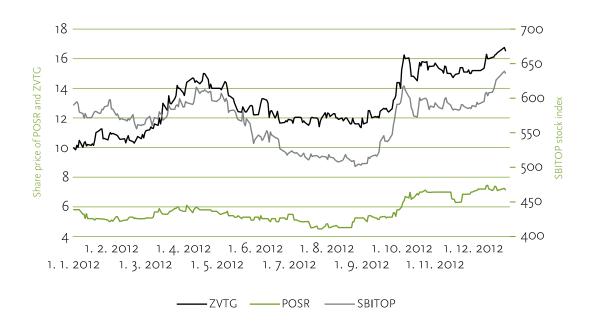
Shareholders and Share Trading

5.1 Developments in the capital markets and their influence on the Sava Reinsurance Company share price

The year 2012 was a positive one for global capital markets. Global stock prices made up for all losses incurred in 2011. The main source of optimism was the solution to the Greek crisis and the second round of the long term refinancing operation (LTRO) when the European Central Bank made loans of EUR 530bn at a rate of 1%. An additional impetus came from Mario Draghi, who promised the European Central Bank would do everything necessary to preserve the European monetary union (euro).

While the LTRO had a positive effect on international stock markets in the first half year, this cannot be said for the Slovenian stock market. A turnaround came in the second half of the year when the new government's reform and privatisation efforts resulted in increases in stock prices of major listed companies. Investor expectations were high, pushing up the SBITOP stock index by 22%. In the general euphoria, the POSR share price also went up. Stock index hikes reflected on trading volume as investors returned to the Ljubljana Stock Exchange who had been thought to have lost all confidence in the market. In 2012 the prime market generated a turnover volume of EUR 271m, of which EUR 3.2m was with the POSR share. In 2012 the POSR share gained 22.6%.

The movement in the POSR share price in 2012 compared to the share of Zavarovalnica Triglav and the SBITOP stock index



Basic details about the POSR share*

	31 Dec 2012	31 Dec 2011
Share capital	39,069,099	39,069,099
No. of shares	9,362,519	9,362,519
Ticker symbol	POSR	POSR
No. of shareholders	4,946	5,067
Type of share	ordinary	ordinary
Listing	Ljubljana Stock Exchange, prime market	Ljubljana Stock Exchange, standard market
Number of treasury shares	210	210
Net earnings/loss per share (EUR)	1.03	0.92
Consolidated net earnings/loss per share (EUR)	1.26	0.43
Book value per share (EUR)	18.67	16.92
Consolidated book value per share (EUR)	18.30	15.82
Share price at the year-end (EUR)	7.12	5.81
Average share price in reporting year (EUR)	5.66	6.82
Minimum share price in reporting year (EUR)	4.51	5.15
Maximum share price in reporting year (EUR)	7.44	8.30
Trade volume in the reporting year (EUR)	3,227,869	2,180,800

^{*} Net earnings/loss per share = net profit/loss for the period / no. of shares excl. treasury shares (9,362,309). Book value per share = equity at 31 December / no. of shares excluding treasury shares (9,362,309).

In 2012, the Company did not pay dividends and had no conditional equity.

As at 31 December 2012, 94.8% of shareholders were Slovenian and 5.2% foreign. The largest shareholder of the POSR share is the Slovenska odškodninska družba (Slovenian Restitution Fund), which holds 25% plus one share. A list of the ten largest shareholders is given in the section "Details according to Article 70 (6) of the Companies Act (ZGD-1)".

	Domestic investors (%)	Foreign investors (%)	
Other financial institutions	30.2	2.6	
Insurers and pension companies	17.8	0.0	
Natural persons	17.6	0.2	
Banks	14.5	2.0	
Investment funds and mutual funds	12.6	0.5	
Other commercial companies	2.1	0.0	
Total	94.8	5.2	

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.

Analyst coverage on the POSR share is regularly provided by Alta Invest d.d.; however, the company removed its recommendation on 29 November 2012 due to its involvement in preparing the prospectus for the increase in the share capital of Sava Reinsurance Company. The most recent analysis was issued on 3 September 2012, recommending buying POSR shares with a target price of EUR 11.60.

Share analyst	Date of recommendation	Type of recommendation	Target price
Alta Invest d.d.	3 Sep 2012	BUY	11,60

The public relations policy of Sava Reinsurance Company is in line with the Financial Instruments Market Act (ZTFI), the Company's Act (ZGD), notification recommendations of the LJSE to public companies, the Corporate Governance Code for Public Joint-Stock Companies and with the Rules of Procedure of the Supervisory Board. Announcements are made according to the Company's financial calendar and day-to-day requirements.

Current investors are the primary target group in investor communication as they have already put their trust in the company by buying shares. Therefore, Sava Reinsurance Company is committed to prompt, uniform and transparent communication with regular announcements through the LJSE website (SEOnet) and its own website www.sava-re.si.

General shareholder meetings are called annually. This year the Company also sent out letters to its shareholders, informing them of current issues and latest performance figures, and inviting them to attend the general meeting. The Company organises quarterly meetings with analysts and investors who monitor the Company's operations and publish reports on Sava Reinsurance Company. Analyst reports are also posted on the Company's official website. Interim and annual financial reports are published and are available unabridged from the Company's website. The Company regularly participates in conferences organised by stock exchanges and organises individual visits to current and potential investors, in Slovenia as well as abroad.

The Company uses prescribed and established means of communication, gradually enhancing transparency, quality and the scope of announcements for the interested financial public. This year, the Company's annual report has been recognised in this regard and was awarded "best annual report 2011" in the category of financial institutions, "best risk management section 2011" in the category of financial institutions and "best notes to the financial statements 2011". In addition to the above awards, Sava Reinsurance Company received an award from the Ljubljana Stock Exchange for the significant progress made in investor relations in 2012 with the following citation. "Over the past year Sava Reinsurance Company has made a gratifying improvement in its corporate governance and significantly improved its relations with analysts, asset managers and investors. The Company has made tremendous efforts in this regard, systematically implementing all required activities."

Current and potential investors are invited to e-mail any questions relating to the Company to <u>ir@sava-re.si</u>.

Report of the Supervisory Board

Supervisory Board

Composition of the The Supervisory Board, a 6-member body according to its rules of procedure, functioned fully manned in the financial year 2012, as follows: Branko Tomažič (Chairman), Mateja Lovšin Herič (Deputy Chairperson), Slaven Mićković (member), Samo Selan (member – employee representative) and Martin Albreht (member – employee representative).

Supervisory Board

Activities of the The Supervisory Board met 12 times in 2012 and once took decisions in a correspondence session. In the course of the year, the Supervisory Board, within its statutory mandate and within the terms of the Articles of Association, discussed all relevant aspects of the operations and activities of Sava Reinsurance Company and the Sava Re Group. Discussions about business-related matters were also attended by Management Board members; those about certain agenda items also by other professionals employed with the Company.

> Early in 2012, the Supervisory Board approved amendments to the Rules on the Management Board, approved the business strategy and financial plan for the Company and the Group for the financial year 2012 as well as the Sava Re Group strategic plan for the 2012–2016 period.

> In 2012, the Supervisory Board, within its statutory mandate, oversaw the Company's internal audit. It approved the medium-term plan of the Group Internal Audit for the period 2012-2014 and the annual internal audit plan for 2012. It also considered the internal audit reports for the period 31 October – 31 December 2011 and discussed the annual internal audit report for 2011. It considered quarterly internal audit reports for the three months to 31 March 2012, for the three months to 30 June 2012 and for the three months to 30 September 2012. All documents relating to internal auditing were presented by the Director of Group Internal Audit. The Supervisory Board considers that all internal audit reports were independent and objective, and that recommendations and findings of the internal auditor are being taken into consideration by the Management Board. It further notes that the internal audit found no significant or material irregularities in the operations of either the Company or the Group.

> In addition to the documents mentioned above, in 2012 the Supervisory Board considered the Unaudited Annual Report of the Sava Re Group and Sava Reinsurance Company 2011, quarterly reports of Sava Reinsurance Company for the period JanuaryMarch 2012 and January-September 2012, and the Unaudited Half-yearly Financial Report of the Sava Re Group and Sava Reinsurance Company for January-June 2012.

> In 2012, the Supervisory Board adopted the Annual Report of the Sava Re Group and Sava Reinsurance Company 2011, and presented it at the General Meeting together with the Report on Internal Audit 2011, the Supervisory Board's own report for 2011, and its own opinion on the Annual Report 2011.

> Together with the Management Board, it proposed resolutions to be adopted by the General Meeting, and pursuant to the Companies Act (ZGD-1), the Supervisory Board proposed to shareholders an external auditor for the 2012 financial year. In December 2012, the Supervisory Board together with the Management Board proposed to the General Meeting a resolution to increase the Company's share capital by issuing new shares. The General Meeting adopted the resolution on 11 January 2013.

> In addition to overseeing the operations of Sava Reinsurance Company as the controlling company, the Supervisory Board more actively monitored developments in the subsidiaries together with proposals of the Management Board to satisfy the capital requirements of the subsidiaries Sava osiguranje (Belgrade), Illyria (Pristina), Sava Life (Belgrade) and Velebit usluge (Zagreb).

The Supervisory Board was also informed of the squeeze-out of minority shareholders in the subsidiary Zavarovalnica Tilia.

The Supervisory Board received regular reports from the Management Board on reinsurance matters: on major loss events in global markets and potential losses to be born by the Company.

From May to year-end 2012, the Supervisory Board monitored on an on-going basis the procedure of acquiring the remaining share of Zavarovalnica Maribor on offer by Nova Kreditna banka Maribor. In addition to being regularly briefed on the acquisition of Zavarovalnica Maribor and the related finance issues, the Supervisory Board gained detailed information on the non-binding offer made by the Management Board to the seller, findings of the due-diligence audit carried out in Zavarovalnica Maribor, the details of the binding offer made as well as of the share purchase agreement with Zavarovalnica Maribor and the Agreement on the rights associated with Zavarovalnica Maribor shares.

The Supervisory Board noted that all reports required by it and its Audit Committee, as prepared by the Management Board, were sufficient and appropriate for it to examine various information and comply with the statutory requirements.

 $Audit\ Committee$ In 2012 the three-member Audit Committee, a mandatory committee of the Supervisory Board, was composed of Mateja Lovšin Herič (Chairperson), Slaven Mićković (member) and Blanka Vezjak (member).

Activities of the Audit Committee in 2012

The Audit Committee of the Supervisory Board met six times in 2012.

The Audit Committee was mostly concerned with whether materials for Supervisory Board meetings, which are the responsibility of the Audit Committee, comply with all professional recommendations, such as whether materials were being prepared observing the reporting principle of consistency. Based on a Supervisory Board resolution and taking into account the challenging conditions in capital markets, the Audit Committee promptly discussed quarterly reports on the investment policy of Sava Reinsurance Company and monitored activities of the Company relating to Solvency II projects.

The Chairperson of the Audit Committee reported on its activities and positions at Supervisory Board meetings. In addition, the Audit Committee prepared a written report on its activities in 2012.

The Supervisory Board believes that the Audit Committee considered all relevant issues within its terms of reference and offered the Supervisory Board professional assistance by giving opinions and preparing proposals.

Furthermore, the Supervisory Board believes that the composition of the Audit Committee is appropriate and that its members have such character traits that will ensure the quality and independence of its operations.

The Supervisory Board is also of the opinion that the composition of the Audit Committee is appropriate and that it had all prerequisites for working effectively.

Committee

The Nomination In accordance with the recommendations of the Corporate Governance Code for Public Joint-Stock Companies, in 2011 the Supervisory Board established a standing three-member Nominations Committee composed of Branko Tomažič (Chairman), Mateja Lovšin Herič (member) and Vesna Razpotnik (member).

Activities of the Nomination Committee in 2012

The Supervisory Board Nomination Committee did not meet in 2012.

 $Annual\ report\ 2012$ The Company's Management Board submitted the "Audited Annual Report of the Sava Re Group and Sava Reinsurance Company 2012" for approval to the Supervisory Board. Pursuant to its statutory mandate, in its meeting on 8 April 2013, the Supervisory Board examined the Annual Report 2012.

> The Audit Committee of the Supervisory Board discussed the Unaudited annual report and the Audited annual report of the Sava Re Group and Sava Reinsurance Company 2012 including the audit report and the audit letter addressed to management after conclusion of the preliminary audit, and issued its opinion and position thereon.

> The Supervisory Board was also presented with the opinion of the auditor KPMG Slovenija, podjetje za revidiranje, d.o.o., who audited the Annual Report of the Sava Re Group and Sava Reinsurance Company for 2012, and also carried out audits in Sava Re Group subsidiary companies.

> The Supervisory Board noted that the annual report for 2012 was clear and transparent, as well as fully compliant with contents and disclosure requirements under the Companies Act, International Accounting Standards and specific regulations (Insurance Act) and implementing regulations adopted on the basis of such specific regulations.

> Based on its examination of the annual report for 2012, as well as on the opinion of the external auditor and that of the Audit Committee, the Supervisory Board considers that the annual report for 2012 gives a true and fair view of assets and liabilities, the financial position, profit or loss and cash flows of Sava Reinsurance Company and the Sava Re Group.

> The Supervisory Board hereby approves the "Audited Annual Report of the Sava Re Group and Sava Reinsurance Company 2012" as submitted by the Management Board.

proposal for appropriation of distributable profit of Sava Reinsurance Company

Determination and The distributable profit for the year 2012 of EUR 12,717,998 shall remain undistributed.

Conclusion The Supervisory Board considers that Sava Reinsurance Company generated good results in 2012, with the performance of subsidiaries significantly improved, and continues to support the Group strategic policies in 2013.

> In addition to its day-to-day activities, the Supervisory Board will give special attention to overseeing the operations of the Sava Re Group, especially regarding taking control of Zavarovalnica Maribor, and implementation of strategic goals and will, within its means and powers, offer the Management Board its full support.

> This report of the Supervisory Board has been prepared in accordance with Article 282 of the Companies Act.

Branko Tomažič,

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Chairman of the Supervisory Board of Sava Reinsurance Company

Statement on Company Management Pursuant to Article 70 of the Companies Act (ZGD-1)

7.1 Corporate Governance Policy

> In its 45th regular session on 21 November 2011, the Management Board and the Supervisory Board of Sava Reinsurance Company, Dunajska 56, Ljubljana adopted the "Sava Re Group Control and Supervision Rules". The document sets out the main policies for the control and supervision of Sava Reinsurance Company and the Sava Re Group and represents a commitment for the future. The Sava Re Group Control and Supervision Rules are available through the Ljubljana Stock Exchange Seonet information system and from the Company's website www.sava-re.si.

7.2 Statement of compliance with the Corporate Governance Code for Public Joint-Stock Companies

> The Management Board and the Supervisory Board of Sava Reinsurance Company hereby confirm that they operate in compliance with the Corporate Governance Code for Public Joint-Stock Companies of 8 December 2009 as adopted by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia, which is available from the website of the Ljubljana Stock Exchange, Ljubljana (http://www.ljse.si) in Slovenian and English, except for the deviations given below.

Board

7.2.1 The Supervisory Recommendation 6.2: The Supervisory Board has two members who are employee representatives. They are employed with the Company and therefore have business ties with it.

> Recommendation 8.4: To distribute materials and convene meetings, the Supervisory Board makes use of the post and couriers. The policy in use so far has not impeded the functioning of the Supervisory Board. If need arises, the Supervisory Board will start using information technology for the said purpose, as recommended by the Code.

> Recommendation 8.8 and 8.9: The Company's Articles of Association or the Supervisory Board's resolutions do not stipulate requirements additional to those stipulated by the law for the position of a Management Board member. However, the Company as reinsurer is subject to special regulations, i.e. the Insurance Act, which stipulate additional requirements for the position of Management Board member. In addition, Management Board members must obtain a licence from the Insurance Supervision Agency before they can start their term of office. Such licence is being issued only in relation to carrying out the function of board member in a specific insurance or reinsurance company.

> Recommendation 13.1: In view of the fact that one member's four-year term of office expired prematurely in 2010, the Supervisory Board appointed, in April 2011, a standing five-member Nomination Committee as a special consulting body. This was tasked with selecting objectively and transparently candidate members of the Supervisory Board to be proposed to the General Meeting for election. However, the Supervisory Board has not appointed a standing personnel committee. Should need arise, the Nomination Committee can also be tasked with responsibilities of a

personnel committee. Any other duties within its terms of reference, the Supervisory Board carries out without a specific committee as this did not prove to be necessary.

operations

7.2.2 Transparency of Recommendation 20.2: The Company does not have a single document including a communication strategy for the prevention of situations leading towards insider trading. Recommendation 20.2 is partly included in internal acts and partly implemented based on day-to-day Management Board decisions.

> This statement relates to the period from adoption of the previous statement of compliance with the Corporate Governance Code for Public Joint-Stock Companies, i.e., 16 April 2012, up until 29 March 2013.

7.3 Governance and supervision bodies of Sava Reinsurance Company

Management system

Sava Reinsurance Company has a two-tier management system with a Management Board that manages and a Supervisory Board that oversees operations.

7.3.1 The General Terms of reference:

- Meeting of Shareholders

 The General Meeting decides the following:

 approval of the annual report, unless approved by the Supervisory Board or if the Management Board and Supervisory Board have left the decision about the Management Board and Supervisory Board have left the decision about the approval of the annual report to the General Meeting of Shareholders;
 - the appropriation of distributable profit, at the proposal of and based on a report by the Management Board;
 - appointment and removal of Supervisory Board members;
 - granting of discharges to Management and Supervisory Board members;
 - adoption of amendments to the Articles of Association;
 - measures to increase and reduce the capital;
 - dissolution of the Company and its transformation in terms of status;
 - appointment of the auditor, at the proposal of the Supervisory Board; and
 - other matters in compliance with the law and such Articles of Association.

Convening the General Meeting:

The General Meeting of Shareholders, through which the shareholders of Sava Reinsurance Company exercise their rights in the affairs of the company, is convened at least once a year, no later than August. The General Meeting may be convened in other cases as provided by law, the Company's Articles of Association and whenever this is in the interest of the Company. As a rule, the General Meeting is convened by the Management Board. In the cases as set out in the law, it may be convened by the Supervisory Board or shareholders.

The Company publishes General Meeting notices through the SEOnet system provided by the Ljubliana Stock Exchange and through its website, and in printed form in the daily newspaper Delo or Finance or Dnevnik or in the Official Gazette of the Republic of Slovenia.

Participation in the General Meeting:

To attend the General Meeting and exercise voting rights, shareholders must send the Company a registration form no later than by the end of the fourth day prior to the session of the General Meeting and must be registered holders of shares listed in the central register of book-entry securities at the end of the fourth day prior to the session of the General Meeting.

The conditions of participation or exercise of voting rights at the General Meeting must be set out in detail in the notice of General Meeting.

Adoption of resolutions by the General Meeting:

General Meeting resolutions are adopted by a majority of votes cast (simple major-

ity), unless a larger majority or other requirements are stipulated by law or the Articles of Association.

Exercise of voting rights in General Meeting:

Shareholders may exercise their voting rights in General Meeting based on their share of the Company's share capital. Each no-par-value share with voting rights carries one vote. Voting rights can be exercised by proxy based on a written proxy forms, or through financial organisations or shareholder associations.

General Meeting in 2012:

There has been only one General Meeting of Shareholders called in 2012. On 28 May 2012, the 25th General Meeting of Sava Reinsurance Company took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. On that day, the shareholders of the Company were presented the annual report for 2011 with the auditor's opinion and written report of the Supervisory Board to the annual report and the annual report on internal auditing for 2011 with the opinion of the Supervisory Board. The General Meeting passed a resolution on the appropriation of distributable profit and on granting a discharge to the Management Board and the Supervisory Board for 2011. The Auditor appointed for the 2012 financial year is KPMG Slovenija, podjetje za revidiranje d.o.o., Železna cesta 8a, Ljubljana.

In the Meeting, a challenging action was announced but was subsequently not filed.

As per the financial calendar 2013, the regular annual General Meeting of the Shareholders of Sava Reinsurance Company is scheduled to take place in June. The notice for the General Meeting together with proposed resolutions, venue and requirements for participation will be published through the SEOnet information system of the Ljubljana Stock Exchange, in the daily newspaper Delo and on the Company's website.

7.3.2 The Supervisory Roard

7.3.2 The Supervisory Activities of the Supervisory Board:

Board

The Supervisory Board supervises the operations of the Company. The Supervisory Board must comply with applicable regulations, especially the Companies Act (ZGD), the Insurance Act (ZZavar), the Company's Articles of Association and its rules of procedure. As a rule, it meets at least four times a year, normally after the end of each financial quarter.

Terms of reference:

Major responsibilities of the Supervisory Board:

- to approve the annual business strategy and budget of the Sava Reinsurance Company and the Sava Re Group as prepared by the Management Board;
- to approve the development strategy of the Sava Reinsurance Company and the Sava Re Group as prepared by the Management Board;
- to approve the internal control system designed by the Management Board;
- to approve the annual internal audit plan prepared by the Management Board;
- to oversee the adequacy of processes and the efficiency of internal audit;
- to prepare an opinion for the General Meeting on the internal audit annual report;
- to consider the findings of the Insurance Supervision Agency and other supervisory bodies made when exercising their supervisory competence over the Company;
- to examine the annual and interim reports of Sava Reinsurance Company and the Sava Re Group;
- to review the annual report submitted by the Management Board, adopt an opinion on the auditor's report, and prepare a qualified or approving report for the General Meeting;
- to review the proposal regarding appropriation of the distributable profit submitted by the Management Board, and prepare a written report for the General Meeting.

The Supervisory Board in 2012:

Pursuant to the Company's Articles of Association and the applicable legislation, the Supervisory Board is composed of six members, of which four (shareholder representatives) are elected by the Company's General Meeting, and two

(employee representatives) are elected by the Workers' Council, which informs the General Meeting of its decision. Supervisory Board members are appointed for a term of up to four years and may be re-elected.

Three Supervisory Board members (shareholder representatives) started their four-year term of office in July 2009. The fourth Supervisory Board member (employee representative) began his term of office in June 2011. The term of office of all four Supervisory Board members expires on 14 July 2013.

Pursuant to the Workers' Participation in Management Act, the Workers' Council of Sava Reinsurance Company elected its representatives to the Supervisory Board of Sava Reinsurance Company, Martin Albreht and Samo Selan, for a term of four years. They started their term of office on 10 June 2011.

Composition of the Supervisory Board at 31 December 2012:

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

Employment, qualifications, brief presentation, beginning of term of office, memberships of other management or supervisory bodies:

Representatives Branko Tomažič, Chairman of the Supervisory Board

of capital Employment: retiree.

Qualifications: University graduated economist.

Brief presentation: The Chairman of the Supervisory Board has extensive experience from the gambling and tourism industry gained when chairing the Management Board of Hit d.d. Retired since 2006.

Beginning of term of office: 14 July 2009.

Term of office: 4 years.

Memberships of other management or supervisory bodies:

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

Mateja Lovšin Herič, Deputy Chairperson of the Supervisory board

Employment: Slovenska odškodninska družba, d.d.

Qualifications: University graduated economist.

Brief presentation: The Deputy Chairperson of the Supervisory Board has extensive experience in asset management. She gained extensive experience through leading large and complex projects co-operating with the Slovenian Restitution Company, such as the privatisation of Slovenian insurance companies. As from 2006, Mateja is a senior executive for equity investments with the Slovenian Restitution Company. She holds a certificate issued by the Association of Supervisory Board Members certifying that she is a qualified member of supervisory and management bodies required by persons to be appointed to such bodies by the government of the Republic of Slovenia.

Beginning of term of office: 14 July 2009.

Term of office: 4 years.

Memberships of other management or supervisory bodies: -

Slaven Mićković, Member of the Supervisory Board

Employment: Ministry of Finance.

Qualifications: Master of science in mathematics, PhD in economics.

Brief presentation: The Supervisory Board member has experience in valuation of companies. Over the past 15 years of service for the Ministry of Finance,

he has been involved in projecting income and in calculating the impact of economic activities and of population aging on public finance. In recent years, he has been participating in various international projects on behalf of the Slovenian government.

Beginning of term of office: 14 July 2009.

Term of office: 4 years.

Memberships of other management or supervisory bodies:

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

Gregor Hudobivnik, Member of the Supervisory Board

Employment: Abanka Vipa d.d.

Qualifications: University graduated lawyer.

Brief presentation: The Supervisory Board member has extensive experience in banking. In 2005 appointed Member of the Management Board of Abanka Vipa d.d. and until 2012 responsible for finance, operational support, development & IT, and risk management. Since mid-2012, Gregor is consultant to the Management Board responsible for co-ordinating the subsidiaries in the Abanka Vipa Group and for key strategic projects.

Beginning of term of office: 29 June 2011.

Term of office: 14 July 2013

Memberships of other management or supervisory bodies:

Abanka, Pražakova ulica 8, Ljubljana – Chairman of the Supervisory Board.

Employee representatives Martin Albreht, Member of the Supervisory Board

Employment: Sava Reinsurance Company d.d.

Qualifications: Graduated economist.

Brief presentation: This Supervisory Board member has extensive experience in accounting and in the implementation of computer applications for accounting. Martin joined Sava Reinsurance Company in 2007. Since 2010 he is Executive Director of the Accounting Department.

Beginning of term of office: 10 June 2011.

Term of office: 4 years.

Memberships of other management or supervisory bodies: -

Samo Selan, Member of the Supervisory Board

Employment: Sava Reinsurance Company d.d.

Qualifications: University graduated electrical engineer.

Brief presentation: The Supervisory Board member has over ten years of experience in reinsurance underwriting. Since 2009, Samo is Director of Retrocession and Group Reinsurance in the Reinsurance Operations Department. His first mandate as employee representative in the Supervisory Board of Sava Reinsurance Company was in the period 2003–2007. He is successful in both his professional field as well as in the field of worker participation in management. Beginning of term of office: 10 June 2011.

Term of office: 4 years; on 15 January 2013 his term of office terminated because of his withdrawal.

Memberships of other management or supervisory bodies: -

Statement of independence:

The Supervisory Board members committed themselves, upon entering their office and again in 2012, to meeting the criteria of independence as set out in point C.3 of Annex C to the Corporate Governance Code for Public Joint-Stock Companies by signing a Statement on the independence of Supervisory Board members of Sava Reinsurance Company. These statements have been posted on the Company's website under Company/Supervisory Board.

Remunerations, compensations and other benefits:

Remuneration of Supervisory Board members is discussed in detail under section 29.10 Related party disclosures in the notes to the financial statements.

Shareholdings of Supervisory Board members:

POSR shares held by Supervisory Board members as at 31 December 2012

Total	1,192	0.013%
Gregor Hudobivnik	192	0.002%
Branko Tomažič	1,000	0.011%
Supervisory Board member	No. of shares	Holding (%)

More information on the activities of the Supervisory Board is provided in section 6 Report of the Supervisory Board

7.3.3 Supervisory Pursuant to legislation, the Corporate Governance Code for Public Joint-Stock Board Committees Companies and best practices, the Supervisory Board appoints one or more committees or commissions, and tasks them with specific areas, with the preparation of draft resolutions of the Supervisory Board, the implementation of resolutions of the Supervisory Board, thereby offering it professional support.

> The Supervisory Board of Sava Reinsurance Company established two Committees: the Audit Committee and the Nomination Committee.

The Audit Committee As early as 2008, the Supervisory Board, in accordance with the amended Companies Act (the obligation to set up an audit committee in any public joint-stock company), appointed a three-member Audit Committee.

> On 20 July 2009, the current Supervisory Board appointed an Audit Committee in the following composition:

- Mateja Treven, Chairperson (up until 15 December 2010),
- Mateja Lovšin Herič, Chairperson (as of 15 December 2010),
- Slaven Mićković, Member,
- Blanka Vezjak, Member.

Upon the resignation of Mateja Treven as Member and Chairperson of the Audit Committee on 15 December 2010, the Supervisory Board appointed Mateja Lovšin Herič.

Activities of the Audit Committee:

The duties and terms of reference of the Audit Committee of the Supervisory Board are set out in the Companies Act, the Company's Audit Committee charter and rules of procedure, the Supervisory Board's rules of procedure, and other autonomous legal acts (e.g., Recommendations for Audit Committees).

Terms of reference:

Major responsibilities of the Audit Committee:

- to monitor the efficiency of the Company's internal controls, internal audit and risk management systems;
- to monitor the financial reporting process;
- to monitor the mandatory audit of the annual separate and consolidated financial statements;
- to review and monitor the independency of the auditor of the Company's annual report, in particular if additional non-auditing services are provided by it;
- to nominate an auditor for the Company's annual report to be appointed by the Supervisory Board;
- to oversee the integrity of the financial information prepared by the Company;
- to assess the annual report and prepare a draft proposal for the Supervisory Board;
- to participate in determining the main areas of auditing;
- to participate in the drafting of the contract between the auditor and the Company;
- to co-operate with the auditor in auditing the Company's annual report, in particular by exchanging information on the most important matters regarding the audit.

 $The \ Audit$ In 2012 there were no changes in the composition of the Audit Committee. Committee in 2012

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

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

Committee

The Nomination Pursuant to the recommendations of the Corporate Governance Code for Public Joint-Stock Companies and in view of the fact that in 2011 a new member was to be nominated to the Supervisory Board, the Supervisory Board set up a standing Nomination Committee as a special consultation body for the Supervisory Board for the purpose of carrying out objective and transparent proceedings for the nomination of candidates to fill Supervisory Board vacancies and recommend to the Supervisory Board which candidates to propose to the General Meeting for election.

> On 20 April 2011, the Supervisory Board appointed a Nomination Committee in the following composition

- Branko Tomažič, Chairman,
- Mateja Lovšin Herič, member,
- Vesna Razpotnik, member.

Activities of the Nomination Committee:

The terms of reference of the Nomination Committee is governed by the Corporate Governance Code for Public Joint-Stock Companies.

Terms of reference:

Major responsibilities of the Nomination Committee of the Supervisory Board:

- to support the Supervisory Board in preparing proposals, defining selection criteria and candidates for new Supervisory Board members;
- to assist the Supervisory Board in other matters pertaining to the Supervisory Board where Supervisory Board members may experience conflicts of interest.

The Nomination Committee in 2012:

Since its appointment on 20 April 2011 there were no changes in the composition of the Audit Committee.

Members of the Nomination Committee as at 31 December 2012:

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

7.3.4 The Management The Role of the Management Board: Board

The Management Board represents the Company in its legal transactions. In this, it acts in accordance with the applicable legislation, particularly the Slovenian Companies Act and the Insurance Act, as well as with the Articles of Association and the Management Board's charter and rules of procedure.

Terms of reference:

Major responsibilities of the Management Board:

- to run and organise the operations of Sava Reinsurance Company and the Sava Re Group;
- to represent Sava Reinsurance Company;
- to bear responsibility for the legality of operations of Sava Reinsurance Company;
- to adopt the development strategy of Sava Reinsurance Company and the Sava Re Group, which is to be presented to the Supervisory Board for consent;
- to adopt the business strategy and budget of Sava Reinsurance Company and the Sava Re Group, which is presented to the Supervisory Board for consent;
- to adopt internal acts of Sava Reinsurance Company;
- to report to the Supervisory Board on operations of the Company and the Group;
- to prepare a draft annual report and submit it to the Supervisory Board for approval together with the auditor's report and a proposal regarding appropriation of distributable profit;

- to convene the General Meeting of Shareholders;
- to implement the resolutions adopted by the General Meeting and the Supervisory Board.

Powers of the Management Board (increase in share capital)

On 14 April 2008, the General Meeting of Sava Reinsurance Company passed a resolution on amending the Company's Articles of Associations to include a provision on authorised capital whereby the Management Board is authorised to (within a 5-year period after entering of resolution in the court register and subject to consent by the Supervisory Board but without an additional resolution of the General Meeting) increase the share capital of the Company to the amount of EUR 49,214,563.51, i.e. by a maximum of EUR 10,145,464.03 (authorised capital) by issuing up to a maximum of 2,431,259 new shares for contributions. The resolution of the General Meeting was entered in the court register on 16 April 2008. On this basis, the Management Board is authorised to increase the share capital of the Company, in the period up until 16 April 2013, with consent of the Supervisory Board but without an additional resolution of the General Meeting, up to the amount of EUR 49,214,563.51, i.e. by a maximum of EUR 10,145,464.03 (authorized capital) by issuing up to a maximum of 2,431,259 new shares for contributions. New shares carry rights and are issued under conditions and in a manner as decided by the Management Board while they must be ordinary shares and of the same class as existing shares and can only be issued against cash payments.

The Management Board has no other special powers.

in 2012

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

Members of the Management Board as at 31 December 2012:

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

Qualifications, brief presentation, beginning of term of office, area of responsibility and memberships of other management or supervisory bodies:

Zvonko Ivanušič, Chairman of the Management Board

Qualifications: University graduated economist, master of science in economics. Brief presentation: He was appointed Chairman of the Management Board in 2008. Prior to that, he was Deputy Chairman to the Management Board for four years. Zvonko joined the Company in 2002 as consultant to the Management Board. Prior to joining Sava Reinsurance Company, he was Minister of Finance of the Republic of Slovenia in 2000. Before that Zvonko held various top management positions, among others between 1997 and 2000 Chairman of the Management Board of Zavarovalnica Slovenica; from 1994 to 1997, Chairman of the Management Board of Kmečka družba and from 1993 to 1994, Managing Director of Belt-Livar Črnomelj. Beginning of term of office: 31 December 2008.

Term of office: five years.

Area of responsibility: The Chairman of the Management Board is responsible for managing Sava Reinsurance Company, co-ordinating the activities of the Management Board, controlling, general affairs, personnel, organisational and legal affairs, and public relations.

Memberships of other management or supervisory bodies:

• Zavarovalnica Tilia, d.d., Seidlova cesta 3, 8000 Novo mesto - Chairman of the

Supervisory Board;

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

Jošt Dolničar, Member of the Management Board

Qualifications: University graduated lawyer.

<u>Brief presentation</u>: He was appointed member of the Management Board in 2008. He joined Sava Reinsurance Company in 2006 as Senior Executive responsible for the management of subsidiaries. Before joining Sava Reinsurance Company, Jošt Dolničar worked for Zavarovalnica Triglav – in his last appointment as Executive Manager of Non-life Business. Through much of his life, he has been actively involved in sports, and is still a licensed rowing trainer, a member of the Legal Committee and an arbitrator with the arbitration court of the Slovenian Olympic Committee.

Beginning of term of office: 31 December 2008.

Term of office: five years.

<u>Area of responsibility</u>: Jošt is responsible for managing strategic investments in direct insurance subsidiaries, risk management, and process and information technology.

Memberships of other management or supervisory bodies:

- Zavarovalnica Tilia, d.d., Seidlova cesta 3, 8000 Novo mesto Member of the Supervisory Board;
- Sava osiguranje, a.d., Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia Member of the Board of Directors.
- Sava Montenegro, a.d., P.C Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro Member of the Board of Directors.

Srečko Čebron, Member of the Management Board

Qualifications: University graduated mining engineer.

<u>Brief presentation</u>: He was appointed member of the Management Board in 2009. Prior to that, he was member of the Management Board of Zavarovalnica Maribor since 2001. Srečko started his career with Generali in Trieste. He gained most of his predominantly international experience in insurance from Zavarovalnica Tilia (Slovenia), Unipol (Milano, Bologna and Moscow), ICMIF (Manchester) and Euresap (Lisbon). In his prolonged stays abroad, Srečko acquired extensive foreign language skills.

Beginning of term of office: 1 February 2009.

Term of office: five years.

<u>Area of responsibility</u>: Srečko Čebron is responsible for reinsurance operations. <u>Memberships of other management or supervisory bodies</u>: -

Mateja Treven, Member of the Management Board

Qualifications: University graduated economist, master of science in economics. Brief presentation: Mateja Treven was appointed member of the Management Board in 2010. She joined Sava Reinsurance Company at the beginning of 2011, first as authorised representative of the Management Board. Prior to that Mateja served on the Supervisory Board of Sava Reinsurance Company and chaired its Audit Committee. Mateja Treven started her carrier at Ljubljanska banka. In 2000, she headed the Securities Department at Zavarovalnica Triglav and between 2004 and 2006 was consultant to the Chairman of the Management Board responsible for Finance and Accounting. In 2006, Mateja Treven accepted the position of Member of the Management Board at the brokerage firm Publikum, investicijske storitve d.d., and from March 2010, was Consultant to its Management Board, responsible for finance and accounting. Mateja obtained a Master of Science in Investment Management Degree from the London City University Business School. In 2005, she was awarded a CFA (Chartered Financial Analyst) charter.

Beginning of term of office: 3 February 2011.

Term of office: five years.

<u>Area of responsibility</u>: Mateja Treven is responsible for finance, accounting, internal audit, investor relations, actuarial affairs and compliance.

Memberships of other management or supervisory bodies:

 Sava životno osiguranje, a.d., Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – Member of the Board of Directors.

Annual Report 2012

Remunerations, compensations and other benefits:

Remuneration of Management Board members is discussed in detail in section 29.10 Related party disclosures in the notes to the financial statements.

Shareholdings:

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

Management Board members	No. of shares	Holding (%)
Zvonko Ivanušič	1,826	0.020%
Srečko Čebron	1,000	0.011%
Jošt Dolničar	857	0.009%
Mateja Treven	4,003	0.043%
Total	7,686	0.082%

Source: Central securities register KDD d.d.

Financial Reporting: Internal Controls and Risk Management

Internal controls in the area of financial reporting comprise a system of guidelines and processes designed and implemented by Sava Reinsurance Company at all levels to manage risks associated, among other things, with financial reporting. These internal controls are to guarantee the efficiency and effectiveness of operations, the reliability of financial reporting and compliance with applicable regulations and internal acts.

In addition to the Companies Act (ZGD), Sava Reinsurance Company is governed by the Insurance Act (ZZavar), which provides that insurance companies must put in place and maintain an appropriate internal control and risk management system. Relevant implementing regulations, which the Company strictly follows, based on the Insurance Act are issued by the Insurance Supervision Agency.

Financial controls are tightly connected to the controls in the area of information technology, which are aimed among other things at restricting and controlling access to the network, information and applications, and at controlling the completeness and accuracy of data entry and processing.

Internal controls applying to financial reporting on the consolidated basis are set out in the internal accounting rules and in the Sava Re Group financial control manual. Members of the Sava Re Group submit the financial information required for the preparation of the consolidated financial statements in the form of reporting packages, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the controlling company's guidelines, within the time limits set out in the Company's financial calendar. Reporting packages have inbuilt cross controls that ensure information consistency, and are also reviewed by external auditors. In addition, Group members submit their separate financial statements, which constitutes an additional control measure. By unifying information systems and applications that support consolidation, planning and reporting, the exchange of financial data among Group companies is becoming ever more efficient. Whether necessary information system controls have been put in place and function adequately is verified, on an annual basis, by relevant experts as part of the regular annual auditing of financial statements.

In addition to the above mentioned control systems, Sava Reinsurance Company has put in place internal control systems for other vital work processes. Internal controls include procedures and acts ensuring compliance with the law and internal rules. All major business processes in Sava Reinsurance Company

have been specified including details on control points together with persons responsible for individual controls. Basic controls are carried out by reviewing documents received or by an automatic or manual control of processed data.

Sava Reinsurance Company complies with all rules and regulations on handling confidential data and inside information, on allocation of investments and on the prohibition of trading based on inside information. In addition, it regularly controls employee dealings in financial instruments for own account.

Other persons who Sava Reinsurance Company tasked, by authorisation, with the provision of individual services must carry out their tasks in compliance with the law, implementing acts, contracts for service, internal rules and job instructions that are applicable at Sava Reinsurance Company.

Pursuant to the Insurance Act, Sava Reinsurance Company set up an Internal Group Audit Department that is responsible to assess the adequacy and effectiveness of internal controls used, and their reliability in the Company's pursuance of objectives and management of risks. Group internal audit reports on its findings to the Management Board, the Audit Committee and the Company's Supervisory Board.

External Audit

9

The financial statements of the Sava Re Group and of Sava Reinsurance Company are audited by KPMG Slovenija, podjetje za revidiranje, d.o.o., Železna cesta 8a, Ljubljana, who have been tasked therewith for the fourth consecutive year. In 2012 the subsidiaries were audited by the local auditing staff of the KPMG Group, except for the subsidiaries Velebit životno osiguranje and Velebit osiguranje, which were audited by BDO Croatia d.o.o., Trg JF Kennedyja 6b, Zagreb.

The Company complies with the Companies Act provision on five-year rotation of auditors.

Details Pursuant to Article 70 (6) of the Companies Act ZGD-1 10

Ten largest shareholders of Sava Reinsurance Company as at 31 December 2012

Breakdown of share capital of the Company

36

?	Shareholder	No. of shares	Holding (%)
,	Slovenska odškodninska družba, d.d.	2,340,631	25.00
	Abanka d.d.	655,000	7.00
	Modra zavarovalnica d.d.	488,496	5.22
	Poteza Naložbe d.o.o. – in bankruptcy proceedings	468,125	5.00
	Pišljar Marjan	445,626	4.76
	NFD 1, delniški podsklad	437,007	4.67
	Nova KBM d.d.	435,925	4.66
5	Zavarovalnica Maribor d.d.	416,433	4.45
•	SOP Ljubljana	402,661	4.30
	KD Galileo, fleksibilna struktura naložb	250,754	2.68
	Total	6,340,658	67.72

Source: Central securities register KDD d.d.

Annual Report 2012

All shares are ordinary registered shares with no par value; all were issued in a dematerialised form and all pertain to the same class.

The shares give their holders the following rights:

- to participate in the Company's management, with one share carrying one vote in General Meeting;
- to participate on a proportional basis in the Company's distributable profits (dividends); and
- to participate on a proportional basis in the Company's estate in the event of liquidation or bankruptcy.

Pursuant to its Articles of Association and the applicable legislation, current Sava Re shareholders also hold pre-emptive rights entitling them to take up shares in proportion to their existing shareholding in any future stock offering; their pre-emptive rights can only be excluded under a resolution to increase share capital adopted by the General Meeting by a majority of at least three quarters of the share capital represented.

Share transfer restrictions

All Sava Re shares are freely transferable.

Qualifying shareholders under the Takeover Act (ZPre-1)

As at 31 December 2012, Sava Re's qualifying shareholders as per Article 77 of the Takeover Act were the following:

- Slovenska odškodninska družba, d.d.: 25.0% plus one share
- Abanka d.d.: 7.0%
- Modra Zavarovalnica d.d. 5.22%
- Poteza naložbe d.o.o. in bankruptcy proceedings: 5.0%

Holders of securities carrying special control rights

Sava Reinsurance Company issued no securities carrying special control rights.

Employee share schemes

The Company has no employee share scheme.

Restrictions of voting rights

The Company adopted no restrictions on voting rights.

Shareholders' agreements restricting share or voting right transferability

The Company is not aware of any such agreements between shareholders.

Rules on appointment/removal of members of management/supervisory bodies and on amendments to the Articles of Association

- Company rules on appointment/removal of Management Board members Pursuant to the Company's Articles of Association, the Chairman and members of the Management Board is appointed by the Supervisory Board for a period of five years. Such appointments are renewable without limitations. Natural persons with an unlimited legal capacity that meet the legally prescribed conditions may be appointed members of the Management Board. The Management Board as a whole or its individual members may be recalled by the Supervisory Board for reasons prescribed by law.
- Company rules on appointment/removal of Supervisory Board members Pursuant to the Company's Articles of Association, the Supervisory Board is composed of six members, of whom four members (shareholders representatives) are elected by the Company's General Meeting of Shareholders, and two members (employee representatives) are elected by the Company's workers council, which is to inform the General Meeting of Shareholders of its resolution. Shareholder representatives of the Supervisory Board are elected by the General Meeting, by a majority of votes present. The term of office of Supervisory Board members is four years, renewable. Natural persons with an unlimited legal capacity that meet the legally prescribed conditions may be appointed members of the Supervisory Board. Supervisory Board members who are shareholder representatives may be recalled

Business Report 37

by the General Meeting for reasons as prescribed by law.

• Company rules on amendments to the Articles of Association

The Company's Articles of Association do not contain special provisions governing their amendments. Pursuant to applicable legislation, they may be amended by the General Meeting if a majority of at least three quarters of the represented share capital votes in favour.

Powers of the Management Board, especially relating to treasury shares

The Management Board has no powers for acquiring own shares.

The Management Board is authorised by the Articles of Association to increase share capital (authorised capital), which is described in detail under the section on the Management Board.

Important agreements that apply, change or terminate after a public takeover bid results in a control change

The Company protects itself against the risk of losses by means of reinsurance of its own account (retrocession). Retrocession contracts usually contain provisions governing contract termination in cases involving significant changes in ownership or control of the counterparty. It follows that in the case of a successful takeover bid, retrocessionaires could terminate their relevant contracts.

Agreements between an entity and members of its management/supervisory bodies on compensation in case of (i) resignation, (ii) dismissal without cause or (iii)employment relationship termination due to any bid specified in the Takeover Act

Management Board members are not entitled to a severance benefit in case of resignation.

They are entitled to severance pay in case they are recalled or dismissed by the Supervisory Board without cause.

Ljubljana, 29 March 2013

Management Board of Sava Reinsurance Company

Supervisory Board of Sava Reinsurance Company

Branko Tomažič, Chairman

Zvonko Ivanušič, Chairman

Jošt Dolničar, member

Srečko Čebron, member

Mateja, Treven, member

Opinion of the Appointed Actuary to the Annual Report

I have performed an actuarial investigation of the amount of technical provisions set aside by Sava Reinsurance Company as at 31 December 2012. The actuarial investigation was performed pursuant to the Insurance Act (ZZavar) and relevant implementing regulations.

My task was to verify whether proper records have been kept by the Company for evaluating the liabilities of its reinsurance operations. Adequate technical provisions are the responsibility of the Company's Management Board; the appointed actuary has to express an opinion on the adequacy of technical provisions relative to the liabilities of the Company arising out of or in relation to reinsurance contracts, and to verify compliance with statutory regulations. In respect to reinsurance contracts entered into during the year, it was my duty to establish whether the premiums and income earned thereon are sufficient, on reasonable actuarial assumptions, and taking into account the other financial resources of the Company that are available for the purpose, to enable the Company to meet its commitments in respect of these contracts. It is also my duty to verify the adequacy of the liability fund; to determine the amount of the required solvency margin of the Company and the effect of the Company's business strategy on the amount of the required solvency margin and on the capital adequacy position.

I am convinced that the actuarial investigation carried out provides sufficient ground for my opinion below.

The records for the valuation of reinsurance liabilities of Sava Reinsurance Company are adequate. Technical provisions have been set aside in compliance with regulations and in adequate amounts regarding the liabilities arising out of or in relation to reinsurance contracts. Premiums for reinsurance contracts and other financial resources of the Company available for this purpose, on reasonable actuarial assumptions, enable Sava Reinsurance Company to continuously meet its commitments in respect of these contracts.

The value of the liability fund exceeds gross technical provisions. Liability funds are invested in compliance with regulations on limitations and diversification. By applicable law, the available solvency margin of Sava Reinsurance Company exceeds its required solvency margin.

Based on the above, I hereby give my unqualified opinion.

Ljubljana, 1 March 2013

Katja Vavpetič,

Navpeho

Appointed Actuary of Sava Reinsurance Company

12.1 Mission, vision and social responsibility

What are we here for?

Through commitment and constant progress, we ensure security and quality of life.

Who do we aspire to be?

An insurance group recognisable in emerging markets, providing insurance, reinsurance and ancillary services of the highest quality.

What are we like?

We grow relationships with our colleagues in a responsible, frank and respectful manner

We exceed client expectations by our on-going effort to make improvements and strengthen relationships.

We are active in relation to the environment (e.g., owners, social environment).

12.2 Strategic annual goals achieved by the Sava Re Group in 2012

A significant strategic goal achieved by Sava Reinsurance Company in 2012 was the signing of the share purchase agreement with NKBM for 50.99% of Zavarovalnica Maribor. Thereby, Sava Reinsurance Company made a large step towards firmly consolidating its position in the Slovenian insurance market. The joint market shares of Zavarovalnica Maribor and Zavarovalnica Tilia will rank second in the Slovenian insurance market in terms of premium volume, while the Sava Re Group will become a major player in the Western Balkans.

The Group increased the share of financial investments in the asset structure and reduced the share of receivables arising out of primary insurance business as a result of directed efforts towards improving the quality of the investment portfolio and enhanced business processes relating to premium collection.

The recapitalisations carried out in Group subsidiaries in 2012 are expected to be sufficient to ensure continued growth and development of the Sava Re Group companies. It is expected that in the future Group companies will be requiring only minor capital injunctions (for life insurance operations).

The financial results of the non-Slovenian Sava Re Group members also qualify as major achievements. While some companies still posted losses in 2012, it needs to be emphasised that their financial results have significantly improved from 2011. The Company anticipates similar trends for 2013.

The Sava Re Group achieved its targets as follows:

	Sava Reinsurance Company		Sava Re Gr	oup
	Plan 2012	Actual 2012	Plan 2012	Actual 2012
Growth of gross premiums written	> 2%	8.9%	> 4.6%	5.0%
Reinsurance premium growth	> 2%	8.9%	> 1.6%	10.8%
Non-life insurance premium growth	n/a	n/a	> 6.2%	-0.8%
Life insurance premium growth	n/a	n/a	> 16%	4.1%
Net expense ratio	< 29%	30.4%	< 33.3%	34.6%
Net incurred loss ratio	< 68.2%	67.0%	< 62.3%	62.8%
Investment return	> 2.5%	2.3%	3.4%	3.3%
Return on equity	> 5.7%	5.8%	> 6%	7.4%

- Gross premiums moved in line with plans as a result of premium growth in the reinsurance segment (especially in Asian markets).
- Non-life insurance business did not achieve the target growth rate. Premium
 growth was modest due to the cancellation of certain large insurance clients
 in two subsidiaries and due to limiting growth in motor TPL in certain nonSlovenian markets as such business is not profitable in current market
 conditions.
- Life insurance premium volume is directly correlated to purchasing power and employment rates. Both indicators have been declining in the Western Balkans in recent years. Nevertheless, in 2012 we have succeeded in launching an adapted life insurance product on the Croatian and Serbian market that seem to be interesting specifically in weak economic conditions. Non-Slovenian premium grew at a fairly high rate, while Slovenian premium decreased, yet by a lower rate than for the Slovenian market premium.
- The net expenses ratio is somewhat lower than the planned one, with a major impact from the expense ratio of the controlling company related to the acquisition of the 50.9% share in Zavarovalnica Maribor, where expenses were incurred that had not been planned.
- The net incurred loss ratio is within the planned range.
- The return on the investment portfolio was within the planned figures both for the Group and for Sava Reinsurance Company.
- Net profit on the Group level exceeded the target amount and was EUR 11.8m. The lion's share of profit was contributed by the controlling company, Zavarovalnica Tilia and Sava Montenegro, who performed better than projected, while the associate Zavarovalnica Maribor also had a positive effect on the result. Illyria (Pristina) and Sava osiguruvanje Skopje also posted a profit.
- The Group generated a return on equity of 7.4%, which is better than planned.

12.3 Sava Re Group strategy highlights

The Sava Re Group has a rolling 5-year plan. The strategy is taken from the 5-year plan for the period 2013–2017.

Major strategic targets and goals until 2017

	Sava Reinsurance Company	Sava Re Group
Gross premiums written	over EUR 160m	over EUR 570m
Combined ratio	below 97%	below 95%
ROE	over 7%	over 11%

- In the three years after the acquisition of Zavarovalnica Maribor, Sava Reinsurance Company will focus on the consolidation of the Slovenian insurance market, on realising synergic effects and improve the level of performance of Group companies operating in Slovenia.
- In order to lower exposure, Sava Reinsurance Company will be reducing its participation on quota share treaties with subsidiaries down to the point of optimum capital allocation on the Group level.
- Sava Reinsurance Company will generate profitable growth in international reinsurance markets. The Company will facilitate the entering of foreign markets by providing consultancy services for product development and through advanced technology.
- In markets where the Sava Re Group is present, we will develop health insurance products and invest in medical facilities. In Slovenia we will consider possibilities of developing health insurance products in co-operation with a major health service provider.
- In life insurance, we will focus on products with a larger risk and a smaller savings component and on low-priced life products; however, during economic expansion, we will return to products that have proved successful during boom years.
- By upgrading our system of asset risk management and by optimising finance-related business processes, we seek to assure optimised asset management in terms of risks and rate of return as well as low volatility of the net investment return. At the end of the medium-term, the realized rate of return on investments of the Sava Re Group will be around 4%.
- Premium growth in the Sava Re Group will be, as a rule, above the industry average, while the growth of the industry will generally be stronger than GDP growth. Premium growth is a secondary target as the Sava Re Group will primarily focus on quality and profitability of the Group as a whole and of its individual members.
- Sava Reinsurance Company is planning to start paying out dividends in 2014 in the amount of 30% of net profit for 2013. The percentage of net profit to be paid out as dividends from 2014 onwards will be gradually increasing to 40%. The Company will not pay out dividends unless it meets minimum capital adequacy requirements: available capital must be at least 200% of required capital under Solvency I criteria including requirements under the S&P capital model for an A level insurer financial strength rating.

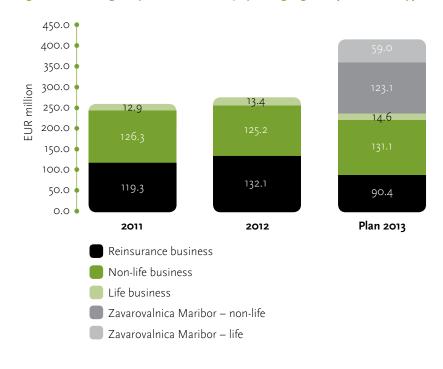
Key figures as planned for 2013

Carro	Reinsurance	Camanani	Carro	Do Cuarin
Sava	Reinsurance	Combany	Sava	Re Group

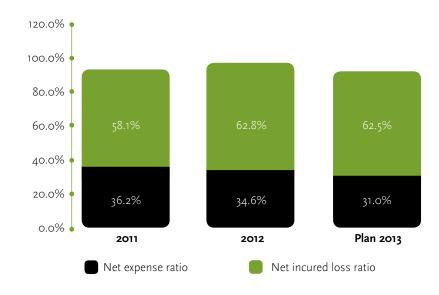
Gross premiums written	> EUR 134m	> EUR 418m
Net profit/loss for the year	> EUR 17m	> EUR 30m
Combined ratio	< 99%	< 95%
ROE	> 8%	> 15%

Sava Reinsurance Company will fully consolidate Zavarovalnica Maribor as per the second quarter 2013, which is why gross premiums written for the first quarter are lower. The changed status of Zavarovalnica Maribor (previously associate, from 2013 subsidiary) will impact net profit for the year through the fair value revaluation of the existing share of Zavarovalnica Maribor (48.64%), an estimated EUR 9m.

Target consolidated gross premium income by operating segment (Sava Re Group)



Target loss and expense ratios (Sava Re Group)



Plans for 2013 Reinsurance operations:

- by area to improve the quality of the reinsurance portfolio and the combined ratio, and to establish a portfolio diversified in terms of geography by focusing on non-European markets, especially Asia) and on emerging markets, where loss ratios are generally more favourable;
 - to continue decreasing the share of Slovenian business;
 - · decline in foreign-sourced premiums as a result of both more selective underwriting and the rating downgrade.

Primary insurance operations:

- to prepare and implement the integration of Zavarovalnica Maribor into the Sava Re Group;
- to launch new products, upgrade technologies and improve existing insurance products;
- to centralise the underwriting of complex risks and streamline reinsurance
- to seek opportunities for the development of health insurance products and services:
- to foster the efficiency of the Group's sales network and enhance the profitability of distribution channels;
- to improve cost efficiency of Sava Re Group companies;
- to unify and develop IT and process technologies in Sava Re Group companies;
- to set directions at a Group level for sustainable development;
- to formalise risk management in Sava Re Group companies.

Investments:

- to maintain the conservative investment policy with the main part focused on generating a firm investment portfolio with a stable return; for investments in debt securities focused on those with a maturity of up to 7 years;
- to achieve a positive investment return for most asset classes (except for shares and mutual funds); to achieve a total investment return of 3.9% for 2013.

Recapitalisations:

- to complete the recapitalisation of Sava Reinsurance Company;
- to complete the acquisition of Zavarovalnica Maribor.

Business Environment

Slovenia*

Major economic indicators for Slovenia			
	2010	2011	2012
Real change in GDP (%)	1.2	0.6	-2.0
GDP (EUR million)	35,607	36,172	35,700
Registered unemployment rate (%)	10.7	11.8	11.9
Average inflation (%)	1.8	1.8	2.8
Population (million)	2.0	2.0	2.0
GDP per capita (EUR)	17,804	18,086	17,850
Insurance premiums (EUR million)	2,094.3	2,092.2	2,036.4
Insurance premiums – non-life (EUR million)	1,438.3	1,454.2	1,457.1
Insurance premiums – life (EUR million)	656.0	638.1	579.3
Insurance premium per capita (EUR)	1,047	1,046	1,018
Premiums/GDP (%)	5.9	5.8	5.7
Average monthly net salary (EUR)	967	987	991

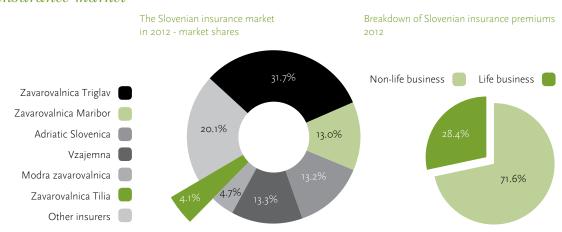
* Source: UMAR, Economic Mirror, January 2013, Statistical Office of the Republic of Slovenia, Slovenian Insurance Association.

- Most short-term indicators of economic activity deteriorated further in November last year, which indicates a further shrinkage of economic activity in the last quarter of 2012. Having grown modestly since mid-2012, production volume in manufacturing dropped sharply in November. While exports of goods rose somewhat in October and November, both months fell short of the third quarter level. Despite the November increase, construction activity also remained below third quarter figures. Real turnover in retail trade stayed at the lowest level since 2008, while nominal turnover in market services continued to decline.
- The labour market conditions were further tightened at the end of 2012; November's wage movements were marked by the disbursement of extraordinary payments, but they were at the lowest in eight years. Employment according to the statistical register declined again in November (seasonally adjusted) to its lowest level after 2000, while the registered unemployment rate, after changing little in the first three quarters, hit the highest level in that period. The average gross wage per employee remained flat year-on-year in the first eleven months. Having stagnated in the third quarter, it dropped significantly in November owing to subdued payment of the 13th wage and Christmas bonuses, in particular in public corporations, which made substantially lower extraordinary payments than at the end of 2011. Registered unemployment grew strongly in the last quarter of 2012. In the first half of last year it declined somewhat, then started rising steadily in the second. At the end of December the number of registered unemployed was highest since 1999. December's increase is attributable to a higher number of people who registered as unemployed, primarily permanently redundant workers and those who had lost work due to the bankruptcy of their employer.
- Consumer prices increased more in Slovenia than in the euro area last year.
 Much like in the euro area, the key drivers of inflation in Slovenia were higher
 energy prices (particularly prices of liquid fuels), and higher prices of food and
 services. Food prices in particular grew at a faster rate than in the euro area.
 Last year's price growth was also marked by tax changes, which contributed
 substantially to the consumer price increase, mainly due to higher excise duties
 on tobacco products, liquid fuels and alcoholic beverages, and, to a lesser extent,
 increases in certain environmental taxes.
- Slovenia's price and cost competitiveness continued to improve last year, but at a pace that was among the slowest in the euro area. Price competitiveness advanced for the third year in a row due to the lower euro exchange rate, but the improvement was more modest relative to the other euro area members owing to the structure of Slovenia's external trade. In the first nine months of 2012 the economy's cost competitiveness continued to rise year-on-year as a result of the

lower euro and relative unit labour costs. Despite more favourable trends in the past two years, Slovenia remains in the group of euro area countries which have experienced a more substantial deterioration of cost competitiveness during the crisis, owing to the pronounced dip in 2008–2009.

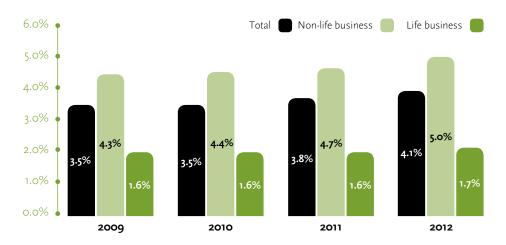
 Macroeconomic indicators are closely correlated with movements in market premium volume. This is particularly pronounced in life business, where premium income has been declining for the third year in a row.

The Slovenian insurance market*



*Modra zavarovalnica was founded in October 2011 (compulsory supplementary pension insurance funds were administered previously by Kapitalska družba).

Market shares of Zavarovalnica Tilia in the Slovenian insurance market



Premiums and market shares in the Slovenian reinsurance market

(EUR)	2012		2011	
	Gross premiums written	Market share	Gross premiums written	Market share
Sava Reinsurance Company	152,827,900	56.8%	140,350,370	53.5%
Triglav Re	116,352,810	43.2%	121,931,838	46.5%
Total	269,180,710	100.0%	262,282,208	100.0%

Serbia*

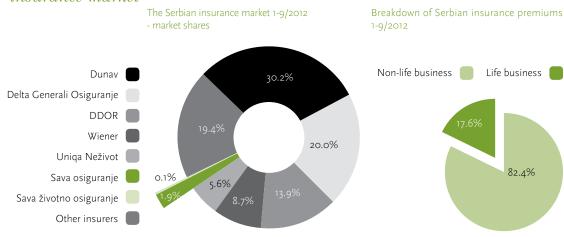
Major	economic	indicators	for Serbia
iviajoi	econonic	IIIUICALUIS	ioi servia

	2010	2011	2012
Real change in GDP (%)	1.0	1.6	-1.7
GDP (RSD million)	2,976,758	3,314,542	3,513,678
GDP (EUR million)	28,006	31,140	30,034
Registered unemployment rate – ILO (%)	19.2	23.0	22.4
Average inflation (%)	10.3	7.0	12.2
Population (million)	7.2	7.2	7.2
GDP per capita (EUR)	3,868	4,633	4,171
Insurance premiums (EUR million)	550.0	562.4	601.4
Insurance premiums – non-life (EUR million)	459.0	464.3	484.7
Insurance premiums – life (EUR million)	91.0	98.1	116.6
Insurance premiums per capita (EUR)	76	78	84
Premiums/GDP (%)	2.0	1.8	2.0
Average net monthly salary (EUR)	330	373	365

^{*} Source: Serbian National Bank.

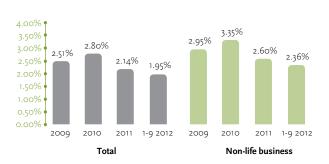
Insurance premiums for 2012 are calculated based on the (1-9/2012)/(1-9/2011) index.

The Serbian insurance market

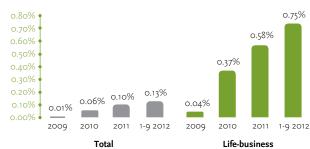


Market shares of Sava osiguranje and Sava životno osiguranje in the Serbian insurance market

Market share of Sava osiguranje



Market share of Sava životno osiguranje

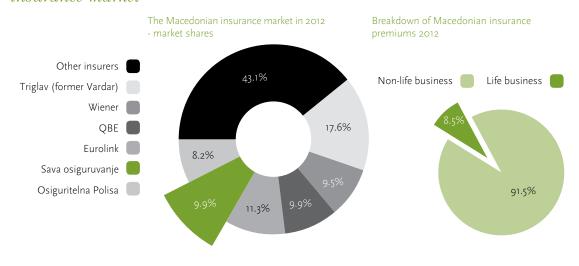


$Macedonia^*$

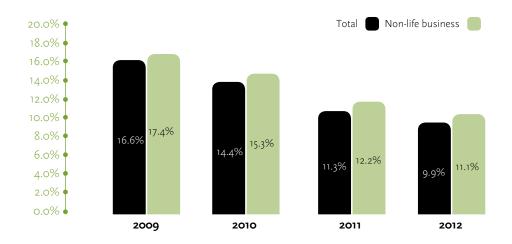
Major economic indicators for Macedonia			
	2010	2011	2012
Real change in GDP (%)	2.9	2.9	2.5
GDP (million MKD)	434,112	463,010	487,399
GDP (EUR million)	7,057	7,525	7,921
Registered unemployment rate – ILO (%)	32.0	31.4	30.9
Average inflation (%)	1.6	3.9	2.8
Population (million)	2.1	2.1	2.1
GDP per capita (EUR)	3,434	3,655	3,842
Insurance premiums (EUR million)	105.5	110.2	113.8
Insurance premiums – non-life (EUR million)	99.7	102.2	104.1
Insurance premiums – life (EUR million)	5.8	8.0	9.7
Insurance premiums per capita (EUR)	51	54	55
Premiums/GDP (%)	1.5	1.5	1.4
Average net monthly salary (EUR)	334	348	343

* Source: Ministry of Finance of the Republic of Macedonia, National Insurance Bureau of the Republic of Macedonia.

The Macedonian insurance market



Market share of Sava osiguruvanje (Skopje) on the Macedonian insurance market

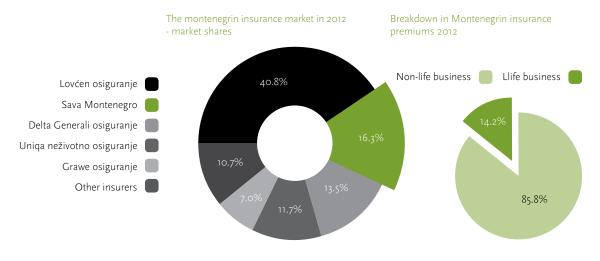


$Montenegro^*$

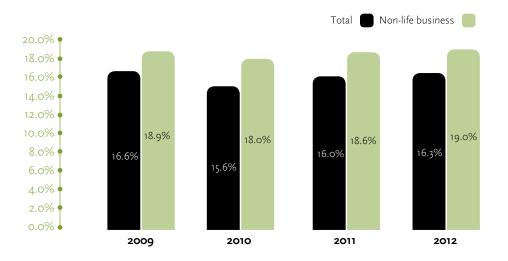
Major economic indicators for Montenegro			
	2010	2011	2012
Real change in GDP (%)	2.5	3.2	0.5
GDP (EUR million)	3,104	3,234	3,324
Registered unemployment rate – ILO (%)	11.7	11.5	11.3
Average inflation (%)	0.7	3.1	4.0
Population (million)	0.6	0.6	0.6
GDP per capita (EUR)	5,173	5,390	5,540
Insurance premiums (EUR million)	62.2	64.8	66.8
Insurance premiums – non-life (EUR million)	53.8	55.7	57.4
Insurance premiums – life (EUR million)	8.4	9.1	9.5
Insurance premiums per capita (EUR)	104	108	111
Premiums/GDP (%)	2.0	2.0	2.0
Average net monthly salary (EUR)	479	479	484

* Source: Ministry of Finance of Montenegro, Insurance Supervision Agency.

The Montenegrin insurance market



Market share of Sava Montenegro on the Montenegrin insurance market

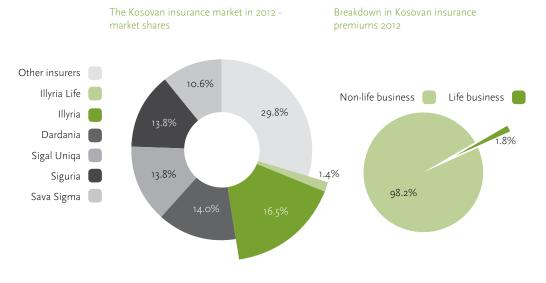


Major economic indicators for Kosovo

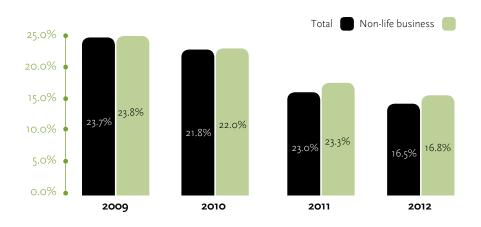
	2010	2011	2012
Real change in GDP (%)	3.9	5.0	3.8
GDP (EUR million)	4,137	4,486	4,700
Registered unemployment rate – ILO (%)	45.0	45.0	44.8
Average inflation (%)	3.5	7.3	0.6
Population (million)	2.2	2.2	2.2
GDP per capita (EUR)	1,880	2,039	2,136
Insurance premiums (EUR million)	72.0	79.1	83.0
Insurance premiums per capita (EUR)	33	36	38
Premiums/GDP (%)	1.7	1.8	1.8
Average net monthly salary (EUR)	286	348	353

* Source: Central Bank of the Republic of Kosovo, International Monetary Fund, Reiffeisen Research.

The Kosovan insurance market



Market shares of Illyria in the Kosovan insurance market

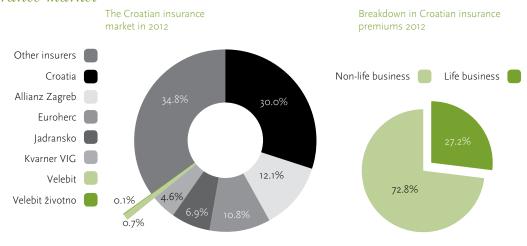


Major economic indicators for Croatia

	2010	2011	2012
Real change in GDP (%)	-1.4	0.0	-1.8
GDP (EUR million)	44,876	44,922	44,248
Registered unemployment rate – ILO (%)	17.4	17.9	21.1
Average inflation (%)	1.1	2.3	3.4
Population (million)	4.4	4.4	4.4
GDP per capita (EUR)	10,199	10,210	10,056
Insurance premiums (EUR million)	1,268.4	1,229.4	1,201.7
Insurance premiums – non-life (EUR million)	931.2	902.5	874.4
Insurance premiums – life (EUR million)	337.2	326.8	327.2
Insurance premiums per capita (EUR)	288	279	273
Premiums/GDP (%)	2.8	2.7	2.7
Average net monthly salary (EUR)	733	731	737

* Source: Croatian Chamber of Commerce and Industry, EMIS database, Croatian Insurance Supervision Agency.

The Croatian insurance market

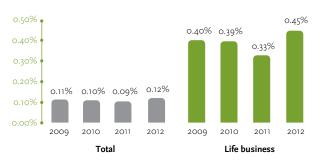


Market shares of Velebit osiguranje and Velebit životno osiguranje in the Croatian insurance market

Market share of Velebit osiguranje



Market share of Velebit životno osiguranje



International environment'

The IMF** finds that the conditions on the global financial markets improved somewhat in the last quarter of 2012. Regardless of some positive signs and expectations, the available short-term indicators have yet to show a more visible recovery of global trade and industrial production. Downside risks remain significant, and they are mainly related to progress in dealing with the crisis in the euro area.

January 2013

**International Monetary Fund.

Source: UMAR, Economic Mirror, The IMF therefore stresses that the EU should maintain the momentum in solving fiscal problems by pursuing greater fiscal integration and further steps towards a full banking union. Another great risk to growth is the US. So far it has managed to avoid the fiscal cliff, but it still has to resolve the debt ceiling issue and ensure a credible medium-term fiscal consolidation.

Global re/insurance markets*

Non-life re/insurance markets

Aside from the financial crisis and soft underwriting cycle, natural catastrophes are leaving the most substantial mark on earnings for the reinsurance sector. In the first three quarters of 2012, the global reinsurance industry enjoyed a good performance; however, the fourth quarter was significantly impacted by the multi-billion dollar Hurricane Sandy claim. According to Swiss Re forcasts, a combined ratio of between 103% and 105% and a ROE of 4% to 5% may be expected for the reinsurance industry in 2012.

Review 2012 and Outlook 2013/14.

Based on Swiss Re: Global Insurance Furthermore, Swiss Re estimates that non-life reinsurers have sufficient capital, but maintain no large excesses. Rating agencies also report of moderate excess capital globally. However, this capital is said to be unevenly distributed across a few large players. Capital requirements have increased due to hikes in risk charges associated with reserves, higher modelled exposures to natural catastrophes and riskier assets. Additional uncertainties relating to Solvency II will also raise capital requirements on average. The reinsurance industry is certainly sufficiently capitalised to meet the requirements of regulators. But there is no substantial excess capital.

> The 2012 renewals showed signs that the current soft market is firming as reinsurance rates have gradually started to harden. Even rates for long-tail lines of business have been firming after years of softening. Following the severe natural catastrophe losses in 2011, property catastrophe covers showed the most significant rate increases (between 5% and 10%).

> Like primary insurers, reinsurers posted relatively low investment returns as a result of the European debt crisis and low interest rates. In the first half of 2012, reinsurers showed a return of 3.4% (2011: 3.9%).

Real growth of non-life reinsurance premiums

	2010	2011	2012	Forecast 2013
Mature markets	-4.3%	5.9%	2.1%	3.8%
Emerging markets	-0.2%	15.5%	7.7%	8.5%
Global	-3.5%	8.0%	3.4%	4.9%

Overview of non-life insurance in emerging markets

Region	Performance 2012	Outlook 2013
	Growth in premiums slowed slightly due to moderating economic activity.	Further liberalisation of the motor insurance market in China, India and Malaysia will drive interest in the sector.
Asia	Premiums in China maintained strong growth due to state-backed car purchase incentives.	Insurance demand is expected to increase in 2013 alongside rising public investment in infrastructure construction.
	Profitability improved supported by lower natural catastrophe losses and more stable motor results.	
	Insurance performance differed according to the divergent economic recovery of individual markets. Poland and Russia reported the largest market growth.	Insurance growth will remain modest given the dire economic environment across the region.
Central and Eastern Europe	Many insurance markets suffered from premium contraction as a result of their close economic ties with Western Europe.	Market consolidation is expected to continue and could reduce price-cutting pressure.
	Profitability in most markets is supported by a favourable loss experience.	
Middle East	A slow-down is expected in key regional markets due to proximity to the Euro area and political instability in the region.	Increasing government expenditure and growth in compulsory lines is likely to support growth in the Gulf region.
	Price competition remains a challenge affecting insurer profitability.	The new mortgage law in Saudi Arabia is expected to be favourable to premium growth.

Performance and Business Results

A glossary of selected insurance terms and calculation methodologies for ratios in 2012 is given in the Appendix to this annual report.

Income statement by operating segment

	Reinsurance	business	Non-life insu	ırance business	Life insuran	ce business	Total consoli	dated
(EUR)	2012	2011	2012	2011	2012	2011	2012	2011
Net earned premiums	111,862,026	101,403,893	120,894,625	120,942,876	13,467,573	12,792,441	246,224,224	235,139,210
Other technical income	4,428,440	4,125,317	2,340,376	2,267,524	98,870	32,965	6,867,686	6,425,806
Net claims incurred	-79,226,568	-65,973,976	-64,447,451	-65,751,835	-6,213,480	-4,442,354	-149,887,499	-136,168,165
Change in other technical provisions	384,357	-263	-784,632	944,778	-1,286,319	-1,346,518	-1,686,594	-354,630
Expenses for bonuses and rebates	17,648	-5,974	-97,388	-261,897	0	0	-79,740	-267,871
Operating expenses	-37,426,091	-34,851,314	-44,003,692	-46,334,976	-6,070,631	-6,531,660	-87,727,091	-87,921,118
Other technical expenses	-2,595,621	-2,105,123	-8,672,280	-8,756,850	-288,095	-79,030	-11,555,996	-10,941,003
Net unrealised gains on investments of life insur- ance policyholders who bear the investment risk	0	0	0	0	3,520,318	2,469,885	3,520,318	2,469,885
Net unrealised losses on investments of life insur- ance policyholders who bear the investment risk	0	0	0	0	-2,272,956	-5,533,346	-2,272,956	-5,533,346
Change in technical pro- visions for policyholders who bear the investment risk	0	0	0	0	-3,475,311	23,660	-3,475,311	-23,713
Underwriting result	-2,555,809	2,592,560	5,229,558	3,049,620	-2,520,031	-2,613,957	-72,959	2,825,055
Income from invest- ments in associates	3,809,245	5,241,763	0	0	0	0	3,809,245	5,241,763
Investment income	9,988,708	8,100,267	6,742,256	5,972,070	1,459,008	1,264,011	18,189,972	15,310,639
Expenses for investments in associates			0	-5,156,439	-340,254	0	-340,254	-5,156,439
Expenses for financial assets and liabilities	-6,741,010	-6,414,169	-1,244,451	-1,662,270	-402,501	-554,971	-8,388,230	-8,631,410
Investment result	7,056,943	6,927,861	5,497,805	-846,639	716,253	709,040	13,270,733	6,764,553
Other income	26,298	6,091	1,644,719	569,903	76,806	13,378	1,893,701	762,087
Other expenses	-5	-908	-779,499	-2,557,820	-11,262	-67,721	-794,576	-2,626,451
Result of other items	26,293	5,183	865,220	-1,987,917	65,544	-54,343	1,099,125	-1,864,364
Profit/loss before tax	4,527,427	9,525,604	11,592,583	215,064	-1,738,234	-1,959,260	14,296,899	7,725,244
Income tax expense	-1,599,278	-2,645,030	-873,637	-946,315	-31,309	-67,500	-2,508,442	-3,658,845
Net profit for the period	2,928,149	6,880,574	10,718,946	-731,251	-1,769,543	-2,026,760	11,788,457	4,066,399

For the sake of clarity, the presentation above is exclusive of the "other" operating segment. A full presentation is given in the notes to the consolidated financial statements.

NAt	premiums	Aarnad
IACL	picilliuliis	carricu

	Sava Re Group			Sava Reinsurance Company		
(EUR)	2012	2011	Index	2012	2011	Index
Total gross premiums written	270,763,193	258,415,195	104.8	152,827,900	140,350,370	108.9
Total net premiums written	250,135,793	234,009,062	106.9	136,401,808	120,319,919	113.4
Change in net unearned premiums	-3,911,569	1,130,148	-546.1	-3,555,784	2,166,764	-364.1
Net premiums earned	246,224,224	235,139,210	104.7	132,846,024	122,486,683	108.5

$Sava \; Re \; Group \; \overline{ _{ m Gross \; premiums \; written \; of \; Sava \; Re \; Group \; entities }$

(EUR)	2012	2011	Index
Sava Reinsurance Company	152,827,900	140,350,370	108.9
Zavarovalnica Tilia	82,795,372	79,158,775	104.6
-Non-life insurance business	72,817,889	68,880,032	105.7
-Life insurance business	9,977,483	10,278,743	97.1
Sava osiguranje	11,088,909	11,645,335	95.2
Illyria	10,700,873	14,006,737	76.4
Sava osiguruvanje, Skopje	11,265,958	12,544,624	89.8
Sava Montenegro	10,875,447	10,340,373	105.2
Illyria Life	1,174,700	984,056	119.4
Sava životno osiguranje	787,639	546,050	144.2
Velebit osiguranje	8,648,589	8,994,055	96.2
Velebit životno osiguranje	1,474,673	1,073,377	137.4

Data for Sava Reinsurance Company is nonconsolidated.

The consolidated gross premiums written of the Sava Re Group grew by 4.8% in 2012. The largest growth in absolute terms was generated by the controlling company, followed by non-life premium growth in Zavarovalnica Tilia. Reinsurance premium growth was driven by growth in international reinsurance markets – mainly in Asian markets. The Kosovan and Macedonian non-life insurers suffered the largest drop in premiums written in absolute terms. This was due to the exclusion of large clients from portfolios that have long produced negative underwriting results, whereas in Serbia the premium loss is due to the limiting of growth in motor TPL, a line in which profitability is restrained.

Consolidated gross premiums written by region

(EUR)	2012	2011	Index	Structure 2012
Slovenia	125,150,844	129,086,873	97.0	46.2%
International	145,612,349	129,328,322	112.6	53.8%
Total	270,763,193	258,415,195	104.8	100.0%

Consolidated gross premiums written in Slovenia in 2012 were lower as a result of the mentioned premium drop in the controlling company (lower reinsurance premiums from Zavarovalnica Maribor), while Zavarovalnica Tilia grew its premiums by 4.6%. Foreign-sourced premiums increased mainly due to the larger premium volume of the controlling company. In 2012, the share of consolidated foreign-sourced premiums increased to 53.8% (2011: 50.0%).

Consolidated gross premiums written by operating segment

(EUR)	2012	2011	Index	Structure 2012
Reinsurance business	132,119,123	119,261,854	110.8	48.8%
Non-life insurance business	125,229,575	126,271,115	99.2	46.3%
Life insurance business	13,414,495	12,882,226	104.1	5.0%
Total	270,763,193	258,415,195	104.8	100.0%

The above figures broken down by operating segment do not include intra-group transactions.

The consolidated gross reinsurance premiums written in Slovenia fell by 15.2% due to reduced quota-share reinsurance business, while consolidated foreignsourced reinsurance premiums grew by 29.5%.

Gross non-life premiums written in 2012 were somewhat lower than one year earlier, mainly because of the drop in premiums in Kosovo and Macedonia. Non-life business includes health business that in 2012 was only provided by the Kosovan insurer Illyria. This business generated premiums of EUR 2.8m in 2012.

Consolidated life gross premiums written increased compared to the prior year, as a result of the joint increased contribution of all Group life insurers except Zavarovalnica Tilia.

Consolidated net premiums written grew in line with gross premiums; net premiums grew fastest in the reinsurance segment.

The change in net unearned premiums decreased earned premiums as net unearned premiums at 31 December 2012 were larger than at 31 December 2011. This growth is due to the growth in reinsurance gross premiums written.

Company

Sava Reinsurance In 2012 Sava Reinsurance Company wrote gross reinsurance premiums of EUR 152.8m, which was 8.9% more than in 2011 (2011: -1.8%).

> Premiums assumed from domestic cedants decreased by 11.0% compared to one year earlier (2011: -7.5%), which is in line with the Company's strategy of lowering its dependence on the Slovenian insurance market. In the domestic premium structure, the lion's share of reinsurance premium again relates to the cedants Zavarovalnica Maribor and Zavarovalnica Tilia (97.5% of total premiums sourced in Slovenia and 37.5% of total premiums).

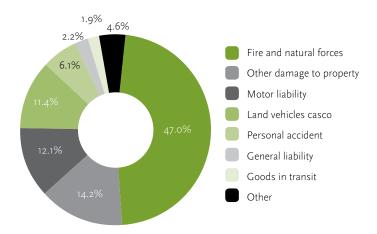
> Foreign-sourced reinsurance premiums increased 26.6% compared to 2011 (2011: 4.0%). In 2012 the largest part of foreign-sourced premium came from South Korea (11.6%), China (10.4%), Malaysia (8.9%) and Italy (8.2%). The largest volume increase in 2012 compared to 2011 was in premiums from Malaysia, South Korea and China; the largest drop with Austria, Turkey and Macedonia. Gross premiums written include premiums from subsidiaries in the markets of the former Yugoslavia. In 2011, premiums of these companies accounted for 4.6% (2011: 6.7%) of the total foreign-sourced premiums written.

> Compared to 2011, there was an increase in the share of foreign-sourced premiums, which accounted for 61.5% of total premiums written (2011: 52.9%).

> Net premiums written grew at the same pace as gross premiums written, while compared to 2011, the share of retained premiums increased by 3.6 percentage points to 89.3%.

> The change in net unearned premiums (1 January 2012 – 31 December 2012), which are used in the calculation of net premiums earned, was an increase of EUR 3.5m. The growth in net unearned premiums is in line with the increase in gross premiums written.

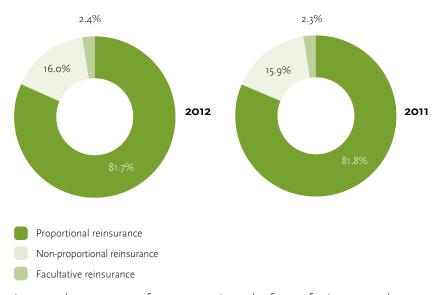
Gross premiums written in 2012 by class of business



The above chart demonstrates that in 2012, fire and natural forces accounted for the largest share of gross premiums written and increased by 22.2%. This increase is mainly attributable to the growth in premiums written abroad, where fire business dominates. The share of motor business decreased by 5.4 percentage points compared to the prior year as a result of a smaller volume of quota-share reinsurance business in Slovenia.

Absolute amounts of gross premiums written by class of business are shown in section 22 *Performance indicators for Sava Reinsurance Company*, together with their growth/contraction as compared to 2011.

Gross premiums written by form of reinsurance



In 2012 the structure of gross premiums by form of reinsurance has not changed significantly: proportional reinsurance continues to dominate while the relating gross premiums written increased by 8.7% compared to the prior year. Premiums from proportional reinsurance business from Slovenia fell by 9.6% as a result of a steady lowering in quota-share reinsurance business, while foreign-sourced proportional reinsurance premiums jumped 27.7%. Non-proportional reinsurance business recorded a 9.6% growth (growth in foreign-sourced non-proportional business) and facultative business grew by 10.7%.

Net earned premiums by class of business

	Sava Re Group		Sava Reinsurance Company		
(EUR)	2012	2011	2012	2011	
Personal accident	18,369,890	18,380,908	9,324,570	9,602,610	
Health	3,519,131	6,352,631	731,564	48,533	
Land vehicles casco	38,851,297	37,806,403	16,222,573	17,226,198	
Railway rolling stock	14,889	0	14,889	0	
Aircraft hull	164,044	434,783	325,101	427,544	
Ships hull	3,110,465	2,242,431	3,066,271	2,199,973	
Goods in transit	3,085,827	3,225,924	2,598,708	2,814,762	
Fire and natural forces	63,952,208	48,388,700	59,143,090	45,621,770	
Other damage to property	24,931,170	24,312,021	18,861,260	17,618,941	
Motor liability	65,798,369	69,835,958	17,459,929	20,649,386	
Aircraft liability	13,080	-6,349	-28,845	-5,501	
Liability for ships	290,372	342,054	255,555	303,134	
General liability	5,662,901	6,114,159	2,786,702	3,865,721	
Credit insurance	1,164,309	1,810,672	394,433	1,049,123	
Suretyship	645,373	414,964	592,868	350,534	
Miscellaneous financial loss	243,178	723,131	134,108	444,637	
Legal expenses	117,971	155,535	9,493	57,152	
Assistance	1,876,072	1,718,690	24,191	49,198	
Life business	6,611,322	4,894,838	758,036	101,198	
Unit-linked life	7,802,356	7,991,751	171,529	61,770	
Total non-life	231,810,546	222,252,620	131,916,459	122,323,715	
Total life	14,413,678	12,886,589	929,565	162,968	
Total	246,224,224	235,139,209	132,846,023	122,486,683	

14.2 Net claims Net claims incurred incurred

Sava Re Group			Sava Keins	surance Cor	npany
2012	2011	Index	2012	2011	Index
136,277,305	128,376,839	106.2	78,400,272	70,685,269	110.9
130,868,322	119,807,466	109.2	73,969,860	63,363,158	116.7
19,019,177	16,360,699	116.2	14,976,317	12,014,426	124.7
149,887,499	136,168,165	110.1	88,946,177	75,377,584	118.0
	2012 136,277,305 130,868,322 19,019,177	2012 2011 136,277,305 128,376,839 130,868,322 119,807,466 19,019,177 16,360,699	2012 2011 Index 136,277,305 128,376,839 106.2 130,868,322 119,807,466 109.2 19,019,177 16,360,699 116.2	2012 2011 Index 2012 136,277,305 128,376,839 106.2 78,400,272 130,868,322 119,807,466 109.2 73,969,860 19,019,177 16,360,699 116.2 14,976,317	2012 2011 Index 2012 2011 136,277,305 128,376,839 106.2 78,400,272 70,685,269 130,868,322 119,807,466 109.2 73,969,860 63,363,158 19,019,177 16,360,699 116.2 14,976,317 12,014,426

$Sava\ Re\ Group\$ Gross claims paid of Sava Re Group members

(EUR)	2012	2011	Index
Sava Reinsurance Company	78,400,272	70,685,269	110.9
Zavarovalnica Tilia	41,657,071	40,878,315	101.9
-Non-life insurance business	36,176,911	36,707,578	98.6
-Life insurance business	5,480,160	4,170,737	131.4
Sava osiguranje	5,126,782	6,039,945	84.9
Illyria	5,621,802	7,011,751	80.2
Sava osiguruvanje, Skopje	6,180,684	7,232,311	85.5
Sava Montenegro	4,187,468	3,880,747	107.9
Illyria Life	63,683	30,666	207.7
Sava životno osiguranje	90,796	11,677	777.6
Velebit osiguranje	3,418,412	3,358,494	101.8
Velebit životno osiguranje	510,781	114,251	447.1

The claims experience in the Group improved because the Group companies (i) were more selective in underwriting business, (ii) took actions to improve profitability of certain products and (iii) restricted premium growth in classes of business and products that did not yield adequate earnings. The growth in consolidated gross claims is a result of movements in the reinsurance segment, where claims increased by EUR 9.6m. Sava Reinsurance Company recorded high increases in claims due to natural catastrophes (earthquake in Japan in 2011, Thailand floods 2011, Korean typhoon in 2012) but also as a result of high premium growth. The largest fall in gross claims paid in absolute terms was recorded in the Kosovan, Macedonian and Serbian non-life insurers, also in response to a contracted premium volume.

Gross claims paid by region

(EUR)	2012	2011	Index	Structure 2012
Slovenia	66,098,157	68,710,751	96.2	48.5%
International	70,179,148	59,666,088	117.6	51.5%
Total	136,277,305	128,376,839	106.2	100.0%

Consolidated gross claims paid in Slovenia fell mainly due to a drop (12.2%) in the consolidated reinsurance claims paid for Slovenian business. Thus these claims as a percentage of total consolidated gross claims paid decreased from 53.5% in 2011 to 48.5% in 2012. Claims from abroad recorded growth, which is a result of the mentioned increase in consolidated reinsurance claims from abroad (40.6%). The share of foreign-sourced claims increased to 51.5% (2011: 46.5%) of the total consolidated claims paid.

Consolidated gross claims paid by Group operating segment

Total	136,277,305	128,376,839	106.2	100.0%
Life insurance business	6,145,420	4,327,331	142.0	4.5%
Non-life insurance business	60,689,964	64,217,563	94.5	44.5%
Reinsurance business	69,441,921	59,831,945	116.1	51.0%
(EUR)	2012	2011	Index	Structure 2012

The above figures broken down by operating segment do not include intra-group transactions.

The growth in consolidated gross claims paid in the reinsurance segment is explained above. The share of claims in this operating segment increased by 4.4 percentage points in relation to total consolidated gross claims paid.

Consolidated gross claims paid relating to non-life insurance business dropped by 5.5% in 2012 at 0.8% lower premiums, which indicates a favourable trend in loss ratios.

Gross claims paid relating to life business increased in 2012 as a result of growing portfolios in all Group companies that transact life business. In Zavarovalnica Tilia, the increase is due to an increased number of life insurance policy surrenders after expiry of the minimum policy period, increased number of prepayments and more policy survivals. The trend in the other companies is part of ordinary claim movements as three out of the four companies have been operating for less than ten years.

Gross paid loss ratios						
2012	2011					
52.6%	50.2%					
48.5%	50.9%					
45.8%	33.6%					
50.3%	49.7%					
	52.6% 48.5% 45.8%	52.6% 50.2% 48.5% 50.9% 45.8% 33.6%				

Consolidated net claims paid rose by 9.2% in 2012 (gross claims paid up 6.2%), which is in line with movements in gross claims paid.

The change in the consolidated net claims provision, which is used to calculate net claims incurred, was an increase of EUR 19.0m. This large increase in net claims provisions was mostly due to Sava Reinsurance Company (EUR 15.0m). Two Group companies that also had a large increase in net claims provisions were Zavarovalnica Tilia (EUR 3.9m) and Velebit osiguranje (EUR 1.0m). The increase in the controlling company is a result of the growth in international business, catastrophe claims in Asia and hurricane Sandy claims. The largest drop in net claims provisions were recorded in the Macedonian and Serbian non-life insurers.

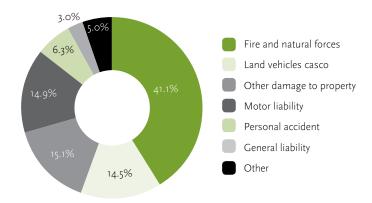
Company

Sava Reinsurance Gross reinsurance claims from Slovenia dropped by 14.4% compared to 2011, while gross reinsurance claims incurred abroad jumped by 39.2%. The reasons for the mentioned rise in claims on the foreign-sourced portfolio are an increased volume of business (foreign-sourced premium income rose by 26.6%) and certain major losses mentioned before.

> Net claims recorded a somewhat larger increase than gross claims, which is due to retroceded claims. These were down 39.5% in 2012 compared to the prior year. This drop is a result of the fact that due to unresolved claims settlements for the Thai floods covered mostly by the retrocession programme, the Company did not demand payment from retrocessionaires in 2012, and there were no other major claims in excess of the retention of Sava Reinsurance Company in 2011 and 2012.

> The change in the net claims provision is due to the expanded volume of foreign-sourced business, which is growing fast and was hit by some losses in 2012.

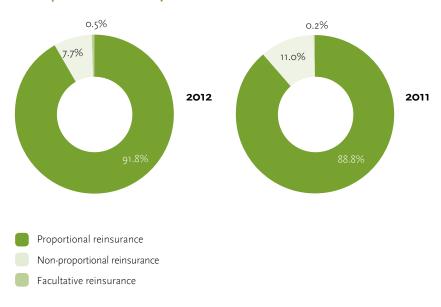
Gross claims paid in 2012 by class of business



In 2012 gross claims paid were dominated by fire and land vehicles casco (reflecting premium structure). The share of motor business dropped from 33.3% in 2011 to 29.4% in 2012 as a result of the decrease in quota share reinsurance business in Slovenia.

Gross claims paid by class of business are shown in section 22 *Performance indicators* together with their movements as compared to 2011.

Gross premiums written by form of reinsurance



The structure of gross claims paid by form of reinsurance did not change significantly in 2012 compared to the prior year. Gross claims paid on proportional reinsurance business jumped by 245.8% compared to the prior year, non-proportional claims fell by 22.6%, and facultative claims rose by 14.6%. The increase in claims on proportional business is a result of the increase in claims incurred by cedants abroad as the lion's share of major losses described hit proportional treaties.

Net claims incurred by class of business

	Sava Re Group		Sava Reinsurance Company		
(EUR)	2012	2011	2012	2011	
Personal accident	9,805,856	8,841,811	4,416,978	5,272,600	
Health	2,908,570	4,558,657	753,981	51,182	
Land vehicles casco	28,260,178	26,815,542	10,886,350	11,350,791	
Railway rolling stock	12,874	0	12,874	0	
Aircraft hull	-139,892	469,969	-139,892	469,968	
Ships hull	1,949,382	1,763,924	1,927,485	1,667,784	
Zavarovanje prevoza blaga	2,991,166	2,107,949	2,901,510	1,994,441	
Fire and natural forces	41,406,851	30,502,626	39,721,193	28,876,475	
Other damage to property	22,881,548	13,080,173	17,235,753	9,741,221	
Motor liability	32,556,919	36,270,915	8,985,913	10,820,812	
Aircraft liability	-123,895	25,659	-46,063	25,743	
Liability for ships	-6,526	81,011	-12,253	80,272	
General liability	-529,292	5,232,931	1,287,126	3,682,054	
Credit insurance	159,128	1,013,754	1,805	1,028,227	
Suretyship	239,493	308,596	120,817	108,714	
Miscellaneous financial	188,819	155,796	158,211	94,998	
loss					
Legal expenses	195	245	0	-3	
Assistance	395,700	413,127	17,453	45,607	
Life business	3,664,227	1,923,987	680,773	56,449	
Unit-linked life	3,266,191	2,601,492	36,163	10,248	
Total non-life	142,957,081	131,642,685	88,229,240	75,310,886	
Total life	6,930,418	4,525,479	716,937	66,697	
Total	149,887,499	136,168,164	88,946,176	75,377,584	

14.3 Movements in technical provisions

Movements in gross an	d net technical provisions
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(EUR)	Sava Re Gre	Sava Re Group			Sava Reinsurance Company			
	31 Dec 2012	31 Dec 2011	Index	31 Dec 2012	31 Dec 2011	Index		
Gross unearned premiums	90,691,880	87,330,269	103.8	44,050,792	40,897,411	107.7		
Gross mathematical provisions	17,767,312	16,503,688	107.7	0	0	-		
Gross provision for claims	248,200,797	213,830,875	116.1	172,250,806	142,394,053	121.0		
Gross provision for bonuses, rebates and cancellations	562,560	610,616	92.1	192,524	215,221	89.5		
Other gross technical provisions	2,925,667	2,599,694	112.5	0	384,357	0.0		
Gross technical provisions for the benefit of policyholders who bear the investment risk	27,040,864	23,673,423	114.2	0	0	-		
Total gross technical provisions	387,189,080	344,548,565	112.4	216,494,122	183,891,042	117.7		
Net unearned premiums	86,411,707	82,742,134	104.4	40,985,840	37,430,056	109.5		
Net mathematical provisions	17,767,137	16,503,451	107.7	0	0	-		
Net provision for outstanding claims	215,590,348	197,417,473	109.2	143,221,964	128,245,647	111.7		
Net provision for bonuses, rebates and cancellations	562,560	610,616	92.1	192,524	215,221	89.5		
Other net technical provisions	2,386,594	1,993,087	119.7	0	384,357	0.0		
Net technical provisions for the benefit of policyholders who bear the investment risk	27,040,864	23,673,423	114.2	0	0	-		
Total net technical provisions	349,759,210	322,940,184	108.3	184,400,328	166,275,281	110.9		

Movements in gross technical provisions by operating segment

	Reinsurance	e business	Non-life insur	ance business	Life insurance business	
(EUR)	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
Gross unearned premiums	36,718,702	33,290,100	53,567,417	53,660,457	405,761	379,712
Gross mathematical provisions	0	0	0	0	17,767,312	16,503,688
Gross provision for claims	157,537,505	128,442,010	90,403,112	85,190,619	260,180	198,246
Other gross technical provisions	50,884	452,888	3,437,343	2,757,422	0	0
Total gross technical provisions	194,307,091	162,184,998	147,407,872	141,608,498	18,433,253	17,081,646
Gross technical provisions for the benefit of policyholders who bear the investment risk	0	0	0	0	27,040,864	23,673,423

The above figures broken down by operating segment do not include intra-group transactions.

Sava Re Group The total consolidated gross technical provisions (hereinafter also "TP") increased by 12.4% in 2012. The largest increase in absolute terms were recorded in Sava Reinsurance Company (EUR 32.6m) and Zavarovalnica Tilia (EUR 9.7m).

> Gross unearned premiums rose by 3.8%: Sava Reinsurance Company posted an increase of EUR 3.1m, Zavarovalnica Tilia of EUR 0.4m and Sava osiguruvanje an increase of EUR 0.3m. In all the above companies (except in Sava osiguruvanje), gross premiums written also went up.

> Gross claims provisions grew by 16.1%. Almost all Group entities strengthened their claims provisions during 2012. The largest increases in claims provisions were with Sava Reinsurance Company (EUR 29.8m), Zavarovalnica Tilia (EUR 4.9m) and Velebit osiguranje (EUR 1.2m). Sava osiguranje posted a claims reserve decrease of EUR 0.1m.

> The gross mathematical provision grew by 7.7%; each of the four Group companies who carry on life business strengthened this provision by about EUR 0.4m.

> Other gross technical provisions (including the provision for bonuses, rebates and cancellations and the provision for unexpired risks) were strengthened by EUR 0.3m in 2012.

> The technical provision for the benefit of life insurance policyholders who bear the investment risk, set aside only by Zavarovalnica Tilia, increased by 14.2%.

The total consolidated net technical provisions increased by 8.3% in 2012.

Sava Reinsurance The rise in unearned premiums (7.7%) was in line with the growth in gross Company premiums written (8.9%) as a result of expanded business volume in international markets. Gross unearned premiums of the Slovenian portfolio dropped by 12.5% in 2012 (gross premiums written fell by 11.0%), but there was an increase on the international portfolio by 32.0% (gross premiums written grew by 26.6%).

> The gross provision for outstanding claims increased by 21.0% in 2012. The gross provision for outstanding claims relating to domestic business rose by 7.8%, while the claims provision for foreign-sourced business increased by 33.7%. With the Slovenian cedants, the movements in the claims provision is the result of two offsetting movements: the mentioned shrinkage of the Slovenian portfolio and the strengthening of the gross claims provision relating to the November floods in north-east Slovenia of EUR 7.6m. The large increase in the claims provision relating to foreign business moves in line with portfolio growth and reflects the impacts of major loss events: estimated gross claim payments for the Thai floods increased from EUR 7.0m at the end of 2011 to EUR 15.9m at the end of 2012; estimated claim payments for hurricane Sandy in the United States of America were EUR 2.om.

> Provisions for bonuses, rebates and cancellation remained relatively low in 2012; Sava Reinsurance Company participates through the quota share treaty of Slovenian cedants.

> Other technical provisions only comprise the provision for unexpired risks, which does not require strengthening at 31 December 2012 based on expected favourable combined ratios.

> The net unearned premiums and the provision for bonuses, rebates and cancellations move closely in line with gross figures. In 2012 net claims provisions rose substantially slower than gross claims provisions as the major part of the Slovenian flood losses and the entire increase in estimated losses for the Thai floods are covered through retrocession. Thus, net claims provisions in respect of Slovenian cedants shrank by 0.8% compared to 2011, while on the international portfolio, net claims provisions grew by 22.5% (at a 30.4% net premium growth).

Operating expenses

(EUR)	Sava Re G	roup		Sava Reinsurance Company		
	2012	2011	Index	2012	2011	Index
Acquisition costs	55,299,449	53,190,889	104.0	35,432,457	32,574,006	108.8
Change in deferred acquisition costs (+/-)	-481,452	291,125	-165.4	-436,710	-5,262	8299.3
Other operating expenses	32,909,094	34,439,104	95.6	7,677,519	6,720,089	114.2
Gross operating expenses	87,727,091	87,921,118	99.8	42,673,266	39,288,833	108.6
Income from reinsurance commission	-2,609,139	-2,743,893	95.1	-2,250,975	-2,357,617	95.5
Net operating expenses	85,117,952	85,177,225	99.9	40,422,291	36,931,216	109.5

Operating expenses by operating segment

	Reinsurance	e business	Non-life insurance business		Life insurance business	
(EUR)	2012	2011	2012	2011	2012	2011
Acquisition costs	30,355,622	28,159,467	21,879,534	21,535,713	3,064,293	3,495,709
Change in deferred acquisition costs (+/-)	-526,341	50,232	118,817	419,763	-73,928	-178,870
Other operating expenses	7,596,810	6,641,615	22,005,341	24,379,500	3,080,266	3,214,821
Gross operating expenses	37,426,091	34,851,314	44,003,692	46,334,976	6,070,631	6,531,660
Income from reinsurance commission	-2,250,975	-2,357,617	-357,579	-385,652	-585	-624
Net operating expenses	35,175,116	32,493,697	43,646,113	45,949,324	6,070,046	6,531,036

The above figures broken down by operating segment do not include intra-group transactions.

 $Sava \; Re \; Group \;$ Consolidated acquisition costs (including the change in deferred acquisition costs) increased by 2.5% compared to the prior year (against growth in gross premiums written of 4.8%).

> Other operating expenses decreased by 4.4%, which indicates that Group cost management has been effective. These expenses increased in the controlling company by 14.2%, especially due to expenses incurred in relation to the acquisition of the remaining share of Zavarovalnica Maribor. These expenses, however, decreased in both insurance operating segments, which is of significance especially for the life segment where due to market conditions in premium growth prospects, targets can only be reached through cost optimisation.

> Commission income, which is charged against operating expenses, remained on approximately the same level as in 2011.

Sava Reinsurance In 2012, acquisition costs (including the change in deferred acquisition costs) Company rose by 7.5%. This increase, which is due to the growth in gross premiums written, was 8.9%.

> Administrative expenses increased by 14.2% from 2011 mainly as a result of increased labour costs and other operating expenses. Labour costs rose as a result of an increased number of staff, while other operating expenses increased due to expenses incurred in the acquisition of Zavarovalnica Maribor shares.

> Reinsurance commission income, which is charged against gross operating expenses, dropped by 4.5% compared to 2011.

Expense ratios						
Sava Re	Group	Sava Rei	nsurance Company			
2012	2011	2012	2011			
32.6%	33.9%	28.2%	28.0%			
12.2%	13.3%	5.0%	4.8%			
34.6%	36.2%	30.4%	30.2%			
	2012 32.6% 12.2%	32.6% 33.9% 12.2% 13.3%	2012 2011 2012 32.6% 33.9% 28.2% 12.2% 13.3% 5.0%			

The trend of Sava Re Group expense ratios indicates that cost optimisation in the Group has been effective; expense ratios for Sava Reinsurance Company deteriorated somewhat due to expenses relating to the acquisition of Zavarovalnica Maribor.

14.5 Financial investments

 $Sava\ Re\ Group$ The Sava Re Group pursued a conservative investment policy in 2012. Security and liquidity had priority over profitability. In investment decisions priority was given to highly liquid investments in highly rated debt securities. In subsidiaries with access to developed capital markets, we decreased our investment allocation to deposits and increased our allocation to debt securities.

> At the end of 2012, the investment portfolio of the Sava Re Group totalled EUR 410.6m, an increase of EUR 30.3m or 8%. The main impact on the investment portfolio was positive cash flow from insurance business.

nvested assets of the Sava Re Group		
(EUR)	31 Dec 2012	31 Dec 2011
Deposits and money market instruments	99,972,270	104,217,801
Government bonds	126,476,092	103,952,548
Corporate bonds	100,105,773	85,742,610
Regular corporate bonds	66,720,367	71,375,839
Covered bonds	18,734,971	5,075,228
Government-guaranteed bonds	14,650,435	9,291,544
Shares (excluding strategic shares)	9,688,113	11,004,545
Mutual funds	4,102,975	10,497,447
Loans granted	824,605	1,143,197
Land and buildings	5,105,301	6,071,447
Other	59,801	53,469
Financial investments in associates	55,265,651	49,085,008
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	9,016,183	8,576,746
Total investments	410,616,765	380,344,817

The structure of the Group investment portfolio changed substantially during 2012, a move towards fixed income securities. There was an increased allocation to government and corporate bonds, 21.7% and 16.8%, respectively. The corporate bond portfolio has an increased weighting in covered bonds and government-guaranteed corporate bonds, while the weighting in regular corporate bonds decreased. In particular, there was a decrease in the share of non-rated bonds. These movements were driven by the Group's goal to increase the security and liquidity of the investment portfolio. Due to the increased allocation to bonds, deposits decreased by EUR 4.2m. Equity investments were reduced due to the volatility in capital markets. Investments in mutual funds declined by EUR 6.4m.

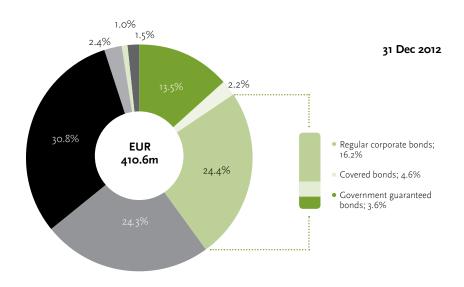
The increase in financial investments in associates (of 12.6% compared to 31 December 2011) is a result of the attribution of profits generated by both Zavarovalnica Maribor and Moja naložba using the equity method.

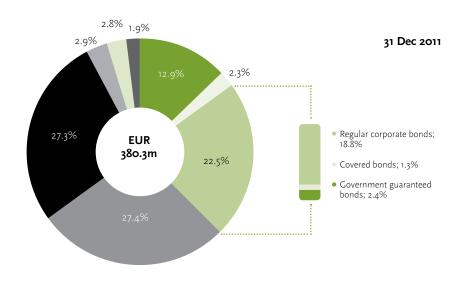
Invested	assets	bv	operating	segment
	~~~~	~,	Operating.	205

(%) 31 Dec 2012	Reinsurance business	Non-life insur- ance business	Life insurance business	Total
Deposits and money market instruments	15.0%	42.2%	35.9%	24.3%
Government bonds	27.0%	35.5%	47.9%	30.8%
Corporate bonds	29.1%	16.6%	12.8%	24.4%
Regular corporate bonds	18.8%	12.0%	9.8%	16.2%
Covered bonds	6.1%	1.7%	2.0%	4.6%
Government-guaranteed bonds	4.2%	2.8%	1.0%	3.6%
Shares (excluding strategic shares)	3.4%	0.3%	0.9%	2.4%
Mutual funds	1.1%	0.8%	0.2%	1.0%
Other	0.1%	4.3%	2.4%	1.5%
Financial investments in associates	20.9%	0.2%	0.0%	13.5%
Deposits with cedants	3.4%	0.0%	0.0%	2.2%
Total investments	100.0%	100.0%	100.0%	100.0%

	Reinsurance	Non-life insur-	Life insurance	
(%) 31 Dec 2011	business	ance business	business	Total
Deposits and money market instruments	16.8%	50.1%	31.8%	27.4%
Government bonds	26.0%	26.5%	46.4%	27.3%
Corporate bonds	27.5%	13.4%	13.5%	22.5%
Regular corporate bonds	22.5%	11.8%	12.3%	18.8%
Covered bonds	2.1%	0.0%	0.0%	1.3%
Government-guaranteed bonds	2.9%	1.6%	1.2%	2.4%
Shares (excluding strategic shares)	3.4%	2.0%	1.4%	2.9%
Mutual funds	3.0%	2.3%	2.8%	2.8%
Other	0.1%	5.5%	4.2%	1.9%
Financial investments in associates	19.8%	0.2%	0.0%	12.9%
Deposits with cedants	3.5%	0.0%	0.0%	2.3%
Total investments	100.0%	100.0%	100.0%	100.0%

#### Sava Re Group financial investments by operating segment







* The "other" item comprises loans, land and buildings, and other types of investment.

** Deposits with cedants comprise financial investments of reinsurers i.r.o. reinsurance contracts with cedants (retained premiums).

#### Net investment income of the Sava Re Group investment portfolio*

	Reinsurance	Non-life insurance	Life insurance	
(EUR) <b>31. 12 .2012</b>	business	business	business	Total
Deposits and money market instruments				
Government bonds	1,973,043	1,975,743	622,703	4,571,489
Corporate bonds	2,235,816	569,559	85,103	2,890,478
Shares (excluding strategic shares)	-675,317	-204,736	-233,389	-1,113,442
Mutual funds	-850,634	-91,150	11,524	-930,259
Loans granted	0	244,327	4,810	249,137
Other	0	19,108	9,902	29,010
Net investment income excluding income from land and buildings, strategic shares and shares/investments in associates	4,700,423	5,611,834	897,017	11,209,274
Land and buildings	-983	-79,754	0	-80,737

*The net investment income item does not include the net investment income in respect of reinsurance contracts with cedants of EUR+1.2m (2011: EUR-3.1m).

Net investment income excluding income from land and buildings, strategic shares and shares/investments in associates	4,700,423	5,611,834	897,017	11,209,274
Land and buildings	-983	-79,754	0	-80,737
Strategic shares and participating interests	-343,494	439,405	179,214	275,125
Investments in associates	3,809,245	0	0	3,809,245
Total net investment income excl. financing costs	8,165,191	5,971,485	1,076,231	15,212,907
Total net investment income incl. financing costs	6,716,689	5,408,112	1,056,507	13,181,309
mei. maneing costs				
(=,,=)	Reinsurance	Non-life insurance	Life insurance	
(EUR) <b>31 Dec 2011</b>	business	business	business	Total
Deposits and money market				

Total net investment income excl. financing costs	3,549,382	4,311,427	740,901	8,601,710
Investments in associates	5,242,234	0	0	5,242,234
Strategic shares and participating interests	-5,179,595	0	0	-5,179,595
Land and buildings	14,473	10,187	0	24,660
Net investment income excluding income from land and buildings, strategic shares and shares/investments in associates	3,472,270	4,301,240	740,901	8,514,411
Other	0	0	0	0
Loans granted	0	-106,373	59,132	-47,241
Mutual funds	-711,444	-377,552	30,616	-1,058,380
Shares (excluding strategic shares)	-1,951,643	468,043	-32,417	-1,516,018
Corporate bonds	3,155,594	663,115	175,575	3,994,284
Government bonds	1,010,363	1,301,907	482,779	2,795,049

The net investment income on the Sava Re Group investment portfolio including financing costs increased by EUR 6.4m compared to 2011. Net Investment income excluding financing costs was higher by EUR 6.6m.

In 2011 impairment losses deteriorated the net investment income from deposits, government bonds, mutual funds and equity securities due to the economic situation in Greece and the bankruptcy of one Croatian bank.

In 2012 the net investment income from strategic shares and interests exceeded the one in 2011 by EUR 5.4m. This was mainly because in 2012, impairment losses totalled only EUR 0.3m (Velebit usluge), whereas in 2011 impairment losses were EUR 5.2m (Sava osiguruvanje and Velebit osiguranje).

The net investment income in associates declined by EUR 1.4m compared to 2011 because of reduced income from these associates (profits of Zavarovalnica Maribor and Moja naložba attributed using the equity method). It totalled EUR 3.8m in 2012, compared to EUR 5.2 in 2011.

Business Report 69

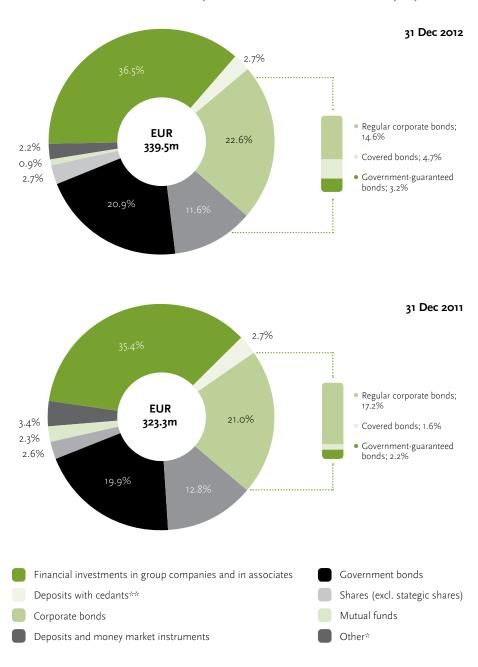
incl. financing costs

Sava Reinsurance In 2012 Sava Reinsurance Company pursued a conservative investment policy. With regard to Solvency II requirements and owing to unstable capital market conditions the Company's investment policy continues to seek investments with higher credit ratings at moderate rates of return and with maturities of up to five years.

> Given that the Company's aim is to minimise the volatility of return on its investment portfolio, most of the Company's portfolio was invested in fixed income securities. In order to reduce exposure to Republic of Slovenia government bonds we reduced the share of deposits in Slovenian banks and the share of investments in Slovenian government bonds; owing to unstable capital market conditions we also reduced our share of investments in mutual funds.

> In 2012, the investment portfolio of Sava Reinsurance Company increased by EUR 16.2m to EUR 339.5m. Growth of the investment portfolio was stimulated by positive cash flow from reinsurance activity amounting to EUR 11.9m and a positive change in the fair value reserve relating to investments.

#### Structure of the investment portfolio of Sava Reinsurance Company



^{*} The "other" item comprises loans, land and buildings, and other types of investment **Deposits with cedants comprise financial investments of reinsurers i.r.o. reinsurance contracts with cedants (retained premiums).

In 2012, the investment structure of Sava Reinsurance Company changed as the Company increased the volume of debt securities in its portfolio. By increasing the volume of government and corporate bonds the Company worked to create a stable returns investment portfolio. Consequently, the structure of corporate bonds shifted in favour of covered and government-guaranteed corporate bonds while the share of ordinary corporate bonds decreased. The share of covered bonds in the portfolio structure increased from 1.6% to 4.7%, while the share of government-guaranteed corporate bonds grew by one percent (from 2.2% to 3.2%).

With unstable capital market conditions the share of mutual funds decreased. The share of deposits decreased in order to reduce exposure to the banking system, which was necessary due to the current situation in Slovenian banks.

The proportion of strategic shares increased in line with the planned scope of recapitalisation actions. In 2012, Sava Reinsurance Company carried out recapitalisations in the amount of EUR 9.7m (EUR 4.6m for Velebit usluge, EUR 2.2m Illyria, EUR 2.0m Sava osiguruvanje, EUR 0.7m Sava životno osiguranje and EUR 0.2m Sava osiguranje). Strategic investments decreased by EUR 0.3m due to impairment losses on investments in Velebit usluge.

## Net investment income on the investment portfolio of Sava Reinsurance Company

(EUR)	31 Dec 2012	31 Dec 2011
Deposits and money market instruments	2,017,515	1,969,401
Government bonds	1,973,043	1,010,363
Corporate bonds	2,235,816	3,155,593
Shares (excluding strategic shares)	-675,317	-1,951,643
Mutual funds	-850,634	-711,443
Loans granted	396,057	322,155
Net investment income excluding income from land and buildings, strategic shares and interests	5,096,480	3,794,425
Land and buildings	14,313	14,473
Strategic shares and participating interests	3,896,586	-617,693
Total net investment income excl. financing costs	9,007,379	3,191,205
Total net investment income incl. financing costs	7,558,877	1,429,012

Compared to 2011, net investment income on the investment portfolio of Sava Reinsurance Company in 2012, including financing costs, increased by EUR 6.1m.

The realised net investment income from the fixed-income portfolio remained at the 2011 level. The total net investment income was better compared to 2011 largely due to lower financial expenses from impairment losses on financial investments (impairment losses on strategic shares and participating interests were EUR 4.5m lower than in 2011; impairment losses on other equity securities were EUR 1.3m lower).

14.6 Other investments of Sava Reinsurance Company in the insurance industry

In addition to its investments in subsidiaries and associates, at 31 December 2012, Sava Reinsurance Company held investments in other companies in the insurance industry.

#### Other investments of Sava Reinsurance Company in the insurance industry

	Holding (%) 31 Dec 2012
Slovenia	
Skupina prva, zavarovalniški holding, d.d.	4.04%
Zavarovalnica Triglav d.d.	0.14%
EU and other international	
Croatia Lloyd, d.d. za reosiguranje, Zagreb, Croatia	0.41%
Bosna reosiguranje, d.d., Sarajevo, Bosnia and Herzegovina	0.49%
Dunav Re, a.d.o., Belgrade, Serbia	1.12%

# Financial Position of the Group and the Company

# 15.1 Composition of assets and liabilities

As at 31 December 2012, total assets of the Sava Re Group stood at EUR 640.6m, an increase of 10.1% over year-end 2011.

#### $Sava \ Re \ Group \ \$ Consolidated total assets by type

		Structure		Structure
(EUR)	31 Dec 2012	2012	31 Dec 2011	2011
Assets	640,591,738	100.0%	582,037,026	100.0%
Intangible assets	17,767,943	2.8%	18,274,819	3.1%
Property and equipment	24,583,379	3.8%	24,503,335	4.2%
Deferred tax assets	1,929,136	0.3%	4,527,413	0.8%
Investment property	5,105,302	0.8%	6,071,447	1.0%
Financial investments in associates	55,265,651	8.6%	49,085,007	8.4%
Financial investments	350,245,812	54.7%	325,188,363	55.9%
Funds for the benefit of policyholders who bear the investment risk	27,623,903	4.3%	24,138,957	4.1%
Reinsurers' share of technical provisions	37,429,870	5.8%	21,608,381	3.7%
Assets from investment contracts	0	0.0%	0	0.0%
Receivables	99,025,730	15.5%	86,266,849	14.8%
Deferred acquisition costs	16,058,701	2.5%	15,938,449	2.7%
Other assets	1,146,698	0.2%	1,338,989	0.2%
Cash and cash equivalents	4,058,488	0.6%	4,710,455	0.8%
Non-current assets held for sale	351,125	0.1%	384,562	0.1%
Cash and cash equivalents	4,058,488	0.6%	4,710,455	0.8%
Non-current assets held for sale	351,125	0.1%	384,562	0.1%

Financial investments, which rose by 7.7% or EUR 25.1m compared to year-end 2011, constitute the largest part of the assets structure. The largest part of this growth was driven by the controlling company and Zavarovalnica Tilia. Net cash from operating activities at the Group level was EUR 21.9m (mainly from Sava Reinsurance Company and Zavarovalnica Tilia).

Growth in financial investments in associates is the result of the attribution of profit from Zavarovalnica Maribor and Moja naložba, consolidated by Sava Reinsurance Company using the equity method. The increase of EUR 6,180,642 comes from profit (EUR 1,869,304) and attribution of gain on the remeasurement of investment in Zavarovalnica Maribor (EUR 4,311,338).

The second largest asset item is receivables, which increased both in absolute terms – by 14.8% over 31 December 2011 – and as an asset type. This increase comes from the other receivables item, as Sava Reinsurance Company paid an advance of EUR 10,000,000 for the acquisition of a share in Zavarovalnica Maribor. Receivables from primary insurance business fell by 2.5%, the result of a number of measures undertaken by the Group in the period 2010–2012 to reduce receivables, especially those from insurance business.

Reinsurers' share of technical provisions should also be mentioned among the items whose value changed by more than EUR 5m; this was higher due to the increase in that category in the controlling company, namely as a result of major loss events in 2012 that were covered by retrocession contracts.

Consolidate	d liabilities	by type
-------------	---------------	---------

(EUR)	31 Dec 2012	Structure 2012	31 Dec 2011	Structure 2011
Equity and liabilities	640,591,738	100.0%	582,037,026	100.0%
Equity	171,353,442	26.7%	148,080,050	25.4%
Share capital	39,069,099	6.1%	39,069,099	6.7%
Capital reserves	25,352,645	4.0%	25,417,397	4.4%
Profit reserves	96,925,773	15.1%	90,243,081	15.5%
Treasury shares	-1,774	0.0%	-1,774	0.0%
Fair value reserve	1,527,689	0.2%	-10,809,738	-1.9%
Retained earnings	4,016,817	0.6%	2,878,547	0.5%
Net profit/loss for the period	5,461,807	0.9%	1,147,011	0.2%
Translation reserve	-3,014,477	-0.5%	-2,338,002	-0.4%
Subordinated liabilities	31,244,573	4.9%	31,220,817	5.4%
Technical provisions	360,148,216	56.2%	320,875,142	55.1%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	27,040,864	4.2%	23,673,423	4.1%
Other provisions	1,350,999	0.2%	795,606	0.1%
Deferred tax liabilities	3,498	0.0%	0	0.0%
Other financial liabilities	3,038,565	0.5%	5,782,075	1.0%
Liabilities from operating activities	36,638,022	5.7%	41,486,025	7.1%
Other liabilities	9,773,559	1.5%	10,123,890	1.7%

The technical provisions item is the largest item of equity and liabilities. By end-2012 gross technical provisions had increased by 12.2%. This growth is attributable to a rise in these provisions in the controlling company and in Zavarovalnica Tilia, and to portfolio growth of subsidiaries. This trend was largely affected by provisions for outstanding claims as well as by the increase in unearned premiums of the controlling company.

The next largest item is equity, at 26.7%. The 15.7% or EUR 23.3.m increase in equity is mainly the result of movements in its components as follows:

- reduced negative fair value reserve (by EUR 12.3m), which has the biggest impact on capital movement and is the result of positive trends in capital markets; most of this impact arises from the controlling company;
- net profit reported under equity increased by EUR 4.3m from 2011 (part of the 2012 profit had already been allocated to profit reserves);
- increased profit reserves, with a part of net profit already allocated to this category in the amount of EUR 6.7m.

Liabilities from operating activities, which represent 5.7% of liabilities, shrank by 11.7%.

73

Sava Reinsurance As at 31 December 2012, total assets of Sava Reinsurance Company stood at EUR Company 463.0m, an increase of 11.0% over year-end 2011.

#### Total assets by type

(EUR)	31 Dec 2012	Structure 2012	31 Dec 2011	Structure 2011
Assets	463,035,873	100.0%	417,051,465	100.0%
Intangible assets	149,315	0.0%	175,779	0.0%
Property and equipment	2,454,001	0.5%	2,367,170	0.6%
Deferred tax assets	1,900,320	0.4%	4,064,272	1.0%
Investment property	156,253	0.0%	158,587	0.0%
Financial investments in Group companies and in associates	123,936,431	26.8%	114,423,243	27.4%
Financial investments	215,395,429	46.5%	208,748,194	50.1%
Reinsurers' share of technical provisions	32,093,794	6.9%	17,615,761	4.2%
Receivables	75,945,114	16.4%	59,848,463	14.4%
Deferred acquisition costs	9,728,230	2.1%	9,305,676	2.2%
Other assets	264,314	0.1%	190,409	0.0%
Cash and cash equivalents	1,012,672	0.2%	153,913	0.0%

Financial investments, which represent the largest asset category, increased by 3.2% compared to 2011. This growth is the result of positive cash flow from operating activities, which was EUR 11.9m in 2012.

The next largest item is financial investments in Group companies and associates, which rose by 8.3% or EUR 9.5m as a result of recapitalisations of subsidiaries (EUR 9.6m), acquisitions of additional shares in some subsidiaries (EUR 0.2m) and impairment of the investment in the Croatian subsidiary (EUR o.3m).

Reinsurers' share of technical provisions increased by 82.2%, due to major loss events that impacted retrocession contracts concluded by Sava Reinsurance Company for such events. These include damage from floods in Thailand and floods in Slovenia, a major part of which was transferred to Sava Reinsurance Company's retrocessionaires. With good reinsurance protection the Company succeeded in maintaining the combined ratio below 100% despite major losses.

A high, 26.9% increase was recorded also in receivables. The increase of EUR 16.1m comes mainly from the other receivables item that increased due to the advance of EUR 10m paid for the acquisition of Zavarovalnica Maribor. Other increase is associated with increased international business activity.

#### Equity and liabilities by type

(EUR)	31 Dec 2012	Structure	31 Dec 2011	Structure 2011
Equity and liabilities	463,035,873	100.0%	417,051,465	100.0%
Equity	174,789,810	37.7%	158,454,528	38.0%
Share capital	39,069,099	8.4%	39,069,099	9.4%
Capital reserves	33,003,753	7.1%	33,003,753	7.9%
Profit reserves	92,359,341	20.0%	87,556,850	21.0%
Treasury shares	-1,774	0.0%	-1,774	0.0%
Fair value reserve	-2,358,606	-0.5%	-9,088,908	-2.2%
Retained earnings	7,915,508	1.7%	3,596,862	0.9%
Net profit/loss for the period	4,802,490	1.0%	4,318,647	1.0%
Subordinated liabilities	31,244,573	6.7%	31,220,817	7.5%
Technical provisions	216,494,122	46.8%	183,891,042	44.1%
Other provisions	324,745	0.1%	143,730	0.0%
Other financial liabilities	212	0.0%	729	0.0%
Liabilities from operating activities	38,418,488	8.3%	42,059,351	10.1%
Other liabilities	1,763,923	0.4%	1,281,268	0.3%

Technical provisions, the largest item in equity and liabilities, increased by 17.7% compared to 31 December 2011. This increase is largely due to the floods in Thailand and Slovenia.

The second largest item is equity, at 37.7%, which increased by 10.3% or EUR 16.3m compared to 31 December 2011 due to the following movements:

- a decline in the fair value reserve (of EUR 6.7m), which has the strongest impact on capital movement and is the result of positive trends in capital markets;
- net profit was EUR 9.6m, of which 50% was transferred to profit reserves and 50% reported under net profit/loss for the year

### 15.2 Capital adequacy

At 31 December 2012, the Sava Re Group recorded a EUR 58.5m surplus of available solvency margin over the required solvency margin, with the solvency ratio at 169.4%. The surplus increased by EUR 1.7m compared to 31 December 2011.

At 31 December 2012, Sava Reinsurance Company recorded a EUR 19.7m surplus of available solvency margin over the required solvency margin, with the solvency ratio at 185.0%. The ratio compares favourably with the ratios of other European reinsurers and ensures stable operations.

Sava Reinsurance Company regularly tests capital adequacy by using the Standard & Poor's model as part of the annual rating review. The model is more complex than under Solvency I and to a certain extent already considers various risks (not only premium volumes) when calculating required capital. Even under this model, capital adequacy of Sava Reinsurance Company in 2012 remained stable with an A-level rating.

## 15.3 Sources of finance and their maturities

As at 31 December 2012, the Sava Re Group had EUR 171.3m of equity, EUR 31.2m subordinated liabilities and EUR 3.0m of other financial liabilities. Debt therefore accounts for 20% of equity.

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

Financial liabilities to banks were EUR 3.0m and were short-term in nature.

At year-end 2012, the controlling company's loans granted to its subsidiaries totalled EUR 7.2m.

#### 15.4 Cash flow

Sava Reinsurance Company recorded a positive cash flow from operations of EUR 18.1m, while receivables increased by EUR 6.2m. Net cash from operating activities in 2012 was EUR 11.9m. Net cash from financing activities was EUR 11.3m and were largely due to the recapitalisation of subsidiaries in 2012, as well as to the cost of subordinated debt.

On the Group level, the main contribution to net cash flows came from the controlling company and Zavarovalnica Tilia. Zavarovalnica Tilia generated a positive cash flow from operating activities of EUR 11.8m and increased receivables by EUR 0.8m. Net cash from operating activities in 2012 was therefore EUR 12.5m. Cash receipts from financing activities including borrowing were recorded at EUR 10.7m; the loan and other financial liabilities were settled. The total amount of debts settled was EUR 16.5m and Tilia also paid EUR 2.2m in dividends. Net disbursements in financing activities in Tilia totalled EUR 8.2m. With net disbursements in investing activities totalling EUR 4.3m, a part of debt repayment was financed from investments.

The large positive cash flow ensures sufficient funds for the development of key Group functions – the development of an own sales network, i.e., a network of sales points, and the implementation of a uniform Group information system.

Net cash flow from operating activities at the Group level was positive, totalling EUR 21.8m.

# 15.5 Receivables management

At the end of 2012, the total amount of receivables of the Sava Re Group was 14.8% higher compared to the previous year.

The other receivables item increased due to the advance payment for the acquisition of Zavarovalnica Maribor (EUR 10m) by the controlling company. After the closing of the transaction, this amount will be transferred to the item financial investments in Group companies and in associates of individual financial statements of Sava Reinsurance Company and will be eliminated from consolidated financial statements through a consolidation adjustment. Without this effect the increase in receivables would be 3.2%.

Receivables from primary insurance business were EUR 0.7m lower than at year-end 2011, reflecting a positive trend in terms of insurance premium recovery.

Receivables from reinsurance activities rose by EUR 1.8m due to increased international business activity of the controlling company. This increase has no impact on higher unpaid premiums as Sava Reinsurance Company operates in cooperation with other insurance and reinsurance companies and the effect of unpaid premiums is thus negligible.

Age distribution of receivables has improved – at end-2011 only 8.8% of receivables exceeded 180 days past due, with the figure down to only 5.4% at end-2012.

## 15.6 Credit rating

In August 2012, rating agency Standard & Poor's downgraded Sava Reinsurance Company's credit rating from A– (negative outlook for the medium-term) to BBB+ (negative outlook for the medium-term). The downgrade is the consequence of Standard & Poor's lowering of Slovenia's credit rating from A+

to A and the related negative outlook for the country. This credit rating was reaffirmed in November 2012. In December 2012, Standard & Poor's added Sava Reinsurance Company to the negative watch list, which was motivated by the company's recapitalisation and its takeover of Zavarovalnica Maribor. In the case of major transactions the rating agency closely examines their execution and placement on the watch list is limited to not more than six months. After the expiry of this period the agency will assess the viability of the transaction and recapitalisation procedure and reassess the credit rating.

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

In 2012, Sava Reinsurance Company resolved to obtain another credit rating, namely from the international rating agency AM Best, which specializes in rating insurance companies. Having examined Sava Reinsurance Company and Save Re Group operations, the agency assigned Sava Reinsurance Company a credit rating of A- with stable outlook.

# Risk Management

16.1 Risk management policies and goals

The basic activity of every insurance company is to assume risks from policyholders (individuals and legal entities) against payment of insurance premiums. In this way, a known loss is incurred in order to avoid the uncertain financial consequences of a potential loss event, especially uncertainty regarding the amount of the financial loss. The same reasoning underlies the dealings between insurance companies who reinsure with reinsurers and reinsurers who reinsure with other reinsurers, so-called retrocessionaires. Each participant in this chain only retains as much risk as they are capable of bearing and the end result of these prudent dealings is a wide diversification of insured risks.

Insurance companies have always been strongly involved in risk management due to the very nature of their business, albeit under different labels, while the insurance premium is practically a verified risk measure since times when neither the notion of "risk measure" nor relevant theories existed.

Because it is very important for the economy and private individuals that insurance companies operate safely, developed countries have had for a very long time in place regulations ensuring the solvency of insurance companies, mainly by stipulating the calculation of the insurer's minimum capital. However, under the current Solvency I regime for insurance companies, the minimum capital of non-life insurers is related practically only to underwriting risks that insurers are exposed to, while the minimum capital of life insurers is also related to market risks. Yet there are a number of other risks besides underwriting and market risks, as a result of which insurers may get into trouble or even become insolvent. This shortcoming is to be remedied with the introduction of the Solvency II regime. The implementation of the new regime has been delayed and is, according to current information, scheduled for 1 January 2016 or possibly later.

While there is an important external motivation to improve risk management and integrate current risk management principles into the corporate reasoning of the Sava Re Group, the Group's management is well aware that apart from regulations, these changes are mainly dictated by the Group's internal require-

ments if it wants to achieve its strategic goal to ensure secure and successful operations in the long term.

The primary goal of risk management is to increase the probability of secure operations aligned with regulations, allowing the Group and each of its members to attain its business goals.

The secondary goals of risk management are:

- setting up a Group-wide risk management system;
- gradually preparing to meet future requirements brought on by the new insurance Solvency II regime and relevant implementing regulations;
- establishing conditions for optimal capital allocation with regard to the risks that the Group is exposed to:
- integrating risk management into all Group business processes.

In order to attain the above goals, it is necessary to continuously develop a risk management culture so that it becomes an integral part of all Group business processes.

The building of a risk management culture is actually part of a larger context of establishing an internal environment, which requires a very wide horizon. It relates to the development of an appropriate risk management philosophy and policy, governance philosophy and management style, human resources policy and practices, attitude towards risks, organisational structure, system of authorisations and responsibilities and much more, while not forgetting integrity and ethical values.

## 16.2 Organisational structure of risk management

 $Sava \ Re \ Group$  To date Sava Re Group members (except Sava Reinsurance Company) have not set up units primarily responsible for comprehensive risk management. There are a number of reasons:

- low awareness of the importance of comprehensive risk management in the countries of former Yugoslavia, except in Slovenia and Croatia;
- shortage of staff with relevant expertise: actuaries, financial professionals, risk management specialists, etc.;
- small size of insurers, which entails excessive administrative expenses compared to insurance premiums; in environments that do not require comprehensive risk management, additional hires would lead to higher expenses and reduced competitiveness.

Sava Re Group members are also monitored through business functions such as actuarial affairs and risk management. In most Group companies, the actuarial function is adequately implemented regarding organisational matters and staffing if compared to competitors and in the context of the under/ development of the environment and possibilities for hiring, but it does not meet Slovenian standards. Regarding risk management, we have appointed one person in each subsidiary to co-ordinate and implement risk management activities.

# Company

 $Sava\;Reinsurance\;$  Risk management is a process that is present in all organisational units of Sava Reinsurance Company as well as in all business processes and is supported by employees on all levels. The basic organisational unit of the company responsible for risk management is the risk management department, comprising the actuarial function and risk management.

> The primary medium-term goal of the risk management department is the continuous improving and enhancing of business processes to achieve a level where risk management is fully integrated into business processes.

The main duties of the department directly or indirectly related to risk management are:

- performing the duties of certified actuary and other actuarial duties;
- identifying the risks that the Company is exposed to;
- assessing and measuring risks;
- maintaining a risk register;
- determining, carrying out and monitoring measures for risk mitigation;
- developing a risk management culture;
- developing and optimising business processes.

The actuarial function and risk management are staffed by four certified actuaries (including the Executive Director), who co-ordinate and carry out activities on a Group level, and the Solvency II project leader.

In order to involve all departments of the Company in risk management activities as early and as actively as possible, the Management Board appointed a working group for risk management composed of one member from each department.

The tasks of the risk management working group are:

- to systematically spread a risk management culture to each Group member's organisational unit of the company;
- to establish conditions for integrating risk management into all Group business processes.
- to introduce the selected risk management methodology into daily company practice;
- to systematically spread risk management culture to the Company's subsidiaries;
- to report to the Management Board; while specific tasks are mainly related to specific risks or the risk register.

Risk management is of such importance to the Company that the primary responsibility lies with the Management Board, who upon recommendation by the risk management working group adopt risk mitigation measures, appoint risk administrators and determine priorities for major risks from its risk register.

The Executive Director of the risk management department is responsible, among others, for strategic, tactic and operational planning of risk management, whereas executive directors of other departments and units at various levels are responsible for operating performance of processes for which they are responsible in a manner so as to either eliminate or reduce risks.

All Company employees are responsible for operational performance of the duties they have been tasked with in a manner so as to either eliminate or reduce risks. Risk administrators are given special responsibilities for specific risks from the risk register.

# 16.3 Risk management process

Risk management is a process that allows for the identification of events that may potentially impact the goals of the Company, assists in keeping risks within certain limits and provides assurance that reasonable Company objectives can be achieved.

For risks that Sava Re Group members, due to the nature of their business, knowingly assume from others or are inseparably tied to, the goal of risk management is adequate risk selection. Adequate risk selection is deemed to be a process that is to keep risks within certain limits:

- allowing to achieve strategic, tactic and operational objectives of the Company or Group;
- while not jeopardising strategic, tactic and operational goals of the Company or Group with a probability that is below the probability limit that is still acceptable;
- while meeting all statutory and other external requirements.

Examples of such risks are especially underwriting risks, which are related to risk assumption by either insurers or reinsurers, market risks, relating to investments supporting the liability fund, and credit risk because of default of retrocessionaires.

With risks that Sava Re Group members neither assume knowingly due to the nature of the activity nor assume because they are inseparably tied to deliberately assumed risks, the goal of risk management is to eliminate or reduce risks that may impact the achievement of strategic, tactic or operational goals of the Company or Group.

When managing risks, especially those mentioned in the preceding paragraph, the economic aspect needs to be considered. The elimination or reduction of individual risks must be more cost-effective than the reduction of expected consequences in case the risk materialises, taking into account loss probability and consequences.

The risk management process, among other things, requires:

- risk identification;
- risk assessment;
- nomination and adoption of risk administrators;
- proposing and setting priorities;
- proposing and determining measures;

and especially, carrying out and monitoring measures for risk elimination and mitigation;

For risks that Sava Reinsurance Company, due to the nature of its business, knowingly assumes from others or for risks inseparably tied to the former, the main goal of risk management is adequate risk selection and:

- assumption and maintenance of risks within acceptable limits;
- transfer of risk portions to other financially capable and independent counterparties, e.g., reinsurance companies;
- risk diversification.

To risks that do not meet the conditions from the preceding paragraph, the following measures are mainly applied:

- risk avoidance or risk removal in order to prevent exposure to potential future adverse events;
- risk reduction based on risk control and other procedures.

Which of the measures are to be applied to specific risks is set out in the risk register together with detailed descriptions of measures.

#### 16.4 Risks

The Sava Re Group and Sava Reinsurance Company classify risks into roughly the following groups:

- underwriting risks, arising out of re/insurance contracts. They are related to both risks covered under re/insurance contracts and accompanying procedures.
- market risks related to volatile prices of financial instruments and market prices of other assets;
- credit risks related to non-performance and change in the credit rating of securities issuers related to the investment portfolio of the re/insurer, of reinsurers, intermediaries and other business partners who have outstanding liabilities with the re/insurance company.
- operating risk comprising inappropriate and failed internal procedures, personnel, information systems and external events;
- liquidity risks relating to loss resulting in insufficient liquid assets when liabilities become due or in increased costs on the realisation of less liquid assets.

For more details see the notes to the financial statements of the Sava Re Group (section 25.7) and to those of Sava Reinsurance Company (29.5).

# Capital Adequacy

 $Sava \ Re \ Group$  The Sava Re Group must have, in accordance with the law, adequate capital in view of the amount and type of re/insurance businesses carried out. The capital of each Group member must be at all times at least equal to capital adequacy requirements calculated using the higher of the premium ratio or loss ratio, or must be at least equal to the minimum prescribed amount if the result based on the premium or loss ratio is smaller.

> The Group is deemed to meet capital adequacy requirements if the available solvency margin is larger or equal to the required solvency margin. The Group met capital adequacy requirements through all of 2012, as it maintained a surplus of available solvency margin over the required solvency margin.

> As at 31 December 2012, its available solvency margin was EUR 142.8m (31 December 2011: EUR 136.2m). The Group's available solvency margin highly exceeds the required solvency margin of EUR 58.5m (31 December 2011: EUR 56.8m), despite the fact that when calculating its adjusted solvency, the Group deducts from the available solvency margin the required solvency margin of the controlling company and the proportionate shares of the required solvency margins of subsidiaries (but not the equity investments in subsidiaries).

## Company

Sava Reinsurance By law Sava Reinsurance Company must maintain adequate capital with regard to the amount and type of reinsurance business carried out. The capital must be at all times at least equal to capital adequacy requirements calculated using the higher of the premium basis calculation or claims basis calculation. As at 31 December 2012, the Company's required solvency margin was EUR 23.2m (31 December 2011: EUR 21.6m), while its available solvency margin was EUR 42.9m (31 December 2010: EUR 41.2m).

> Sava Reinsurance Company meets capital adequacy requirements if the available solvency margin is larger or equal to the required solvency margin. Sava Reinsurance Company met capital adequacy requirements through all of 2012, as it maintained a surplus of available solvency margin over the required solvency margin. As at 31 December 2012, the surplus totalled EUR 19.7m (31 December 2011: EUR 19.6m).

> The insolvency risk that Sava Reinsurance Company is exposed to is small. The above calculations are based on current insurance regulations under Solvency I. The new Solvency II regime, which is expected to come into force on 1 January 2016, will fundamentally change the calculation of solvency capital as well as the measurement of assets and liabilities. Based on qualitative impact studies, we estimate that under the new regime, Sava Reinsurance Company will require a much larger solvency margin than the present required solvency margin. The difference will be at least partially offset by decreased liabilities, for which the Directive provides less stringent reserving rules. Similar changes are also expected for the Sava Re Group. While the Solvency II Directive has already been adopted, relevant implementing regulations are yet to be issued to define the parameters for the calculation of solvency capital requirement. The Company is actively preparing for the changeover to the new regime.

## Internal Audit Function

Internal auditing in Sava Reinsurance Company ("the Company") is carried out by the Group Internal Audit ("GIA") based on the Internal Audit Charter of the GIA. The GIA is an autonomous organisational part, functionally and organisationally separate from other parts of Sava Reinsurance Company and reports directly to the Management Board. Its position in the Company ensures autonomy and independence of operation.

Also in 2012, the GIA assisted the Sava Re Group in reaching the goals set by fostering planned, orderly risk evaluation, improving the effectiveness of risk management procedures and risk management in general, thus adding value by giving independent and impartial assurance and by providing consulting services.

In 2012 the GIA carried out audits and other activities in line with its annual plan 2012. There were 14 internal audit reviews carried out; of these, seven were carried out at Sava Reinsurance Company and seven in subsidiary companies in co-operation with each company's internal audit function. One internal audit was delayed until 2013.

Regular reviews have also been targeted to establishing the probability of fraud, and exposure and vulnerability to IT risks. In fields subject to internal auditing, internal control systems have been set up and are operating so as to prevent fraud.

The GIA reports regularly – on a quarterly basis – to the Management Board, the Audit Committee and the Supervisory Board on the results of auditing operations, on reviewing if internal control systems are appropriate and effective, on breaches and irregularities found and on overseeing the implementation of recommendations. In addition, the GIA prepared an annual report on its activities in 2012, which is part of the materials for the General Meeting of Shareholders.

As part of developing the internal audit function, the GIA continued the transfer of internal auditing methodologies to internal audit services of other Sava Re Group members. In 2012, such transfer was implemented through joint internal audits. The rules on the GIA were amended in the year.

The GIA conducted a self-assessment in 2012. The results showed that the operations of the GIA comply with the definition of internal auditing, the Standards and the Code of Ethics.

## Sustainable Development

The Sava Re Group pursues a policy of continuous improvement in the quality of services, performance, communications and work conditions, thus improving its corporate culture as such. In this, the Group acts in compliance with the stipulated standards, internal acts and strategic guidelines of the Company.

Environmental care The Sava Re Group celebrated its day by contributing to the environment and the society: the employees of Sava Re and Tilia thoroughly cleaned 13 locations across Slovenia within the project "Let's Clean Slovenia 2012". This was organised by the Ecologists Without Borders association and featured Tilia as its main sponsor.

 $Relations \ and$  The Company further enhanced its communication channels and contents in communications with 2012. Recognising the importance of two-way communications and dialogue, it enables its employees to express their opinions, ask questions, give proposstakeholders als and be informed of the latest developments at regular meetings with the Management Board.

> The general public and the interested public are regularly informed of all important matters, from performance results to other price-sensitive events that affect stakeholders.

> In 2012 the Company paid special attention to its existing and potential shareholders. It held regular quarterly meetings with analysts and investors, participated at events organised by the Ljubljana Stock Exchange, published information for the media, held press conferences and published information on its own and Ljubljana Stock Exchange websites. The Company also launched a Letter to the Shareholders to keep them updated, invite them to the General Meeting and similar. In all its announcements, the Company follows the standards applying to the prime market of the Ljubljana Stock Exchange. More information about investor relations can be found in the share trading section.

 $Relations\ with$  We maintain regular contacts with our existing business partners. Meetings are business partners arranged during international conferences and individual meetings. We wish to give our partners a close look at our operations and familiarise them with the nature of our business through our regular annual Sava Summer Seminar, a seminar on reinsurance business.

Social Sava Reinsurance Company is committed to providing security, quality of life responsibility and a profitable future to its clients, employees and other stakeholders. Our mission includes fostering respect and responsibility for the environment in which we live and work. Here we communicate through actions: once a year on the Sava Re Day, all Sava Re Group employees participate in local community services. In addition, we make donations to causes that foster knowledge, sports and culture.

# region's economy

 $Impact\ on\ the$  As a major insurance group in the Western Balkans, we have an important economic role in every country where we operate. Our operations generate value in local economic systems and offer employment to over 1,500 people in six countries.

Family-friendly Our responsibility for our employees is also reflected in our efforts to build a company work environment that respects the dignity and integrity of each employee. We set out internal rules and procedures in a way that will allow young parents to better balance their professional and family life.

Training We encourage all employees to join education/training programs both to improve qualifications and skills required for the position held as well as to improve general competencies. We strive to design education and training programs to provide opportunities for employee's personal and career development. Employees are involved in developing their expertise both through specialised professional training programs as well is through programs promoting general skills.

> Sava Reinsurance Company builds and strengthens its own organisational culture by organising training for all of its employees aimed at acquiring social and professional skills.

> Sava Re Group companies offer its employees to join various forms of training programmes. Some are organised and implemented by the controlling company; others run locally in individual target markets. In addition, companies organise both internal training programmes run by in-house professionals

and external training programmes with external professionals. The content of training programmes is tailored to suit target markets, relevant legislation, requirements of the work process and linguistic competence. Internal training is organised mainly for new insurance products and technical accounting matters. External professionals are hired to discuss sales techniques and skills. The controlling company organises internal seminars, working visits with consultations and regular annual conferences covering a number of professional areas (sales conference, development conference and such like). These Group training events are organised on an on-going basis throughout the year as well as depending on needs.

*Employee* Employee satisfaction is measured through questionnaires as part of the satisfaction annual interview form. The Company measures employee satisfaction in respect of the following: nature of work, work opportunities, training and remuneration, management, work conditions and staff relationships.

> Based on collected data, employees are satisfied with staff relationships, work conditions and with their work.

> The Sava Re Group assesses employee satisfaction in a number of ways. The Group has not carried out an overall employee satisfaction assessment; however, the controlling company conducts regular monitoring in each Group company. Based on a number of indicators, we consider that employees in Group companies are mainly satisfied. This assessment is given based on the number of complaints and disputes with employees: there are no major complaints and the number of grievance procedures is low. In addition, we have developed a solid relationship with trade unions and companies are prompt and efficient in meeting contractual liabilities to employees, which contributes to employee satisfaction. The Group also seeks to establish a specific value system and code of conduct, emphasising mutual respect, effective communication and co-operation. We encourage various forms of socialising for employees and foster an environmentalfriendly attitude (Sava Re Day).

# prevention

Safety at work Sava Reinsurance Company regularly refers employees to preliminary health and healthcare — checks upon entering employment and periodic health checks in line with applicable law and internal rules.

> All employees regularly take required training courses regarding safety at work and fire safety.

> Sava Re Group companies implement all necessary preventive activities to ensure a safe and healthy work environment. This is done in compliance with applicable legislation of each country where companies operate, and to the highest standards.

# Personnel C

#### **Employment figures for Group members**

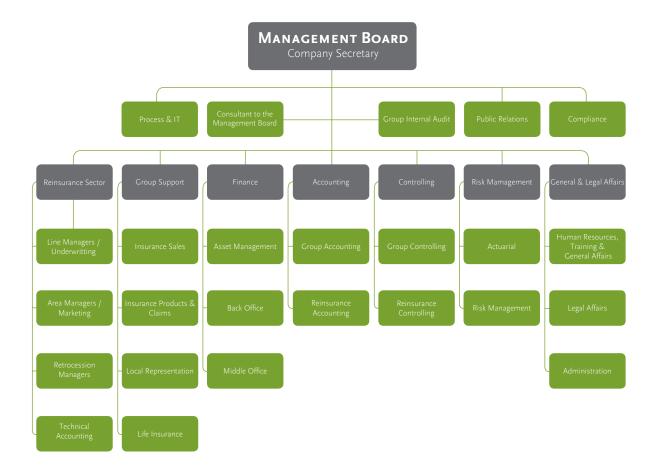
	31 Dec 2012	31 Dec 2011	Change
Zavarovalnica Tilia, Slovenia	350	378	-28
Sava osiguranje, Serbia	250	266	-16
Velebit osiguranje, Croatia	165	147	18
Sava Montenegro, Montenegro	159	140	19
Sava osiguruvanje, Macedonia	124	120	4
Illyria Life, Kosovo	99	98	1
Illyria, Kosovo	96	141	-45
Velebit životno osiguranje, Croatia	87	79	8
Sava životno osiguranje, Serbia	78	84	-6
Sava Reinsurance Company, Slovenia	70	66	4
Sava Car, Montenegro	14	9	5
Bro-Dil, Macedonia	0	2	-2
Total	1,490	1,530	-40

Employment figures are shown on a full-time equivalent basis.

 $Sava \ Re \ Group$  The number of employees in the Sava Re Group decreased again by 40, in 2012. In the course of reorganising almost all Group companies, we streamlined the number of employees, cutting back-office staff but hiring additional sales agents in order to develop own sales networks.

Sava Reinsurance In 2012, Sava Reinsurance Company employed nine new staff members: two in Company Group support (local representation), one in the general & legal department as department director (replacement), one in risk management as senior risk manager and two part-time staff-members in the finance department. Two persons were employed on fixed-term contracts in the reinsurance operations department. In 2012 the employment relationships of two staff members ceased.

> The difference in the number of employees according to full-time equivalent and the comment to the table is a result of part-time employment and parental leave.



# Business Processes and IT Support

 $Sava\ Re\ Group$  In 2012 the Company made a big step towards ensuring business continuity in the case of an emergency. It moved server infrastructure from the old data centre, which could no longer meet the modern security requirements with its location and equipment, to a new data centre of the Sava Re Group, which is located at the Tilia premises in Novo mesto. Moreover, a new backup (DRC) site in Ljubljana along with a computer rack housing networking infrastructure was rented from Telekom Slovenije. The primary and backup data centres feature modernised server, communication, disc and software equipment that allows switching between the two centres within a couple of minutes, as proved with a switch-over test on 7 December 2012. In addition to the primary and backup centres, the Company also prepared a business recovery plan for the case of an emergency.

> Building the primary data centre of the Group, the Company also laid ground for a gradual standardisation of the IT environment across the Group. A new domain name system was built with sub-domain names for all Group companies. Sava Re was the first to transfer user and computer accounts to this system and common servers. A new email server was also installed that has sufficient capacity to allow gradual integration of all Group companies.

As regards IT support for investment management, the Taurus databases of Sava Re and Tilia were combined into one, thus optimising investments and reducing management costs. This also laid solid ground for the integration of other Group companies into the Taurus application.

Further, Adacta of Ljubljana was selected through a tendering process early in 2012 as the new provider of maintenance of the Navision accounting system and its implementation in all Group companies. There were other demanding upgrades made to the Navision system during 2012, as well as basic user training and preparations for its implementation in other Group companies envisaged for early 2013.

# Company

Sava Reinsurance "Pozavarovalna pogodba", the application supporting reinsurance contract management, was upgraded with a register of major losses and with an audit tracking feature last year, while the completely revised user permission system improved security and operational risk management.

> Relying on its own expertise and resources, the Company also developed and updated two applications for the registers of risks and contracts. Both applications are already in operation and it is very likely that relevant know-how and technology will be transferred to the subsidiaries in the near future.

> Sava Re also implemented "Oproda" for human resource management, an application long used by its subsidiary Zavarovalnica Tilia. Based on the relevant licence agreement signed by Tilia, the costs of establishment of a new company for the needs of Sava Re and of another user access were favourable and the whole process smooth.

#### Development of gross premiums written

(EUR)	2012	2011	Index
	1	2	1/2
Personal accident	9,342,901	9,391,375	99.5
Health	727,492	52,605	1,382.9
Land vehicles casco	17,377,791	19,719,827	88.1
Aircraft hull	665,111	351,469	189.2
Ships hull	3,462,657	2,379,682	145.5
Railway rolling stock	14,889		0.0
Goods in transit	2,953,108	3,379,699	87.4
Fire and natural forces	71,778,215	53,731,017	133.6
Motor liability	18,430,346	20,631,083	89.3
Other damage to property	21,737,802	22,805,981	95.3
Aircraft liability	41,410	44,632	92.8
Liability for ships	261,549	314,592	83.1
General liability	3,416,673	5,103,364	66.9
Credit insurance	64,468	833,733	7.7
Suretyship	625,324	360,278	173.6
Miscellaneous financial loss	628,993	672,757	93.5
Legal expenses	9,179	7,515	122.1
Assistance	19,833	29,081	68.2
Life business	920,413	328,867	279.9
Unit-linked life	349,746	212,815	164.3
Total non-life	151,557,741	139,808,690	108.4
Total life	1,270,159	541,682	234.5
Total	152,827,900	140,350,372	108.9

^{*}Performance indicators are given pursuant to the Decision on the annual report and quarterly financial statements of insurance companies – SKL 2009 (Official Gazette of the Republic of Slovenia, no. 47/09).

## Net premiums written as a percentage of gross premiums written

(EUR, except percentages)	Gross premiums written	Net premiums written	2012	2011
(1000)	1	2	2/1	
Personal accident	9,342,901	9,242,815	98.9%	98.8%
Health	727,492	727,492	100.0%	100.0%
Land vehicles casco	17,377,791	15,418,752	88.7%	85.0%
Railway rolling stock	14,889	14,889	100.0%	0.0%
Aircraft hull	665,111	506,986	76.2%	100.0%
Ships hull	3,462,657	3,356,982	96.9%	94.9%
Goods in transit	2,953,108	2,722,409	92.2%	93.5%
Fire and natural forces	71,778,215	63,661,658	88.7%	82.9%
Other damage to property	21,737,802	18,212,698	83.8%	77.8%
Motor liability	18,430,346	17,675,642	95.9%	95.7%
Aircraft liability	41,410	-25,842	-62.4%	-13.2%
Liability for ships	261,549	250,444	95.8%	98.2%
General liability	3,416,673	2,829,122	82.8%	86.0%
Credit insurance	64,468	64,468	100.0%	100.0%
Suretyship	625,324	625,324	100.0%	99.9%
Miscellaneous financial loss	628,993	207,843	33.0%	41.8%
Legal expenses	9,179	9,179	100.0%	100.0%
Assistance	19,833	19,833	100.0%	100.0%
Total non-life	151,557,741	135,520,694	89.4%	85.9%
Life business	920,413	734,742	79.8%	42.5%
Unit-linked life	349,746	146,373	41.9%	43.7%
Total life	1,270,159	881,115	69.4%	43.0%
Total	152,827,900	136,401,809	89.3%	85.7%

## Development of gross claims paid

(EUR)	2012	2011	Index
	1	2	1/2
Personal accident	4,937,570	4,857,957	101.6
Health	39,828	676	5,891.7
Land vehicles casco	11,364,179	12,372,646	91.8
Aircraft hull	198,721	94,596	210.1
Ships hull	1,620,511	869,885	186.3
Railway rolling stock	2,660		0.0
Goods in transit	1,139,187	1,237,890	92.0
Fire and natural forces	32,257,045	24,466,344	131.8
Motor liability	11,699,587	11,200,539	104.5
Other damage to property	11,862,476	12,281,515	96.6
Aircraft liability	-2,531	47,638	-5.3
Liability for ships	14,407	36,208	39.8
General liability	2,342,150	1,773,979	132.0
Credit insurance	459,118	774,457	59.3
Suretyship	66,936	104,665	64.0
Miscellaneous financial loss	181,448	294,565	61.6
Assistance	21,071	23,027	91.5
Life business	75,362	189,365	39.8
Unit-linked life	120,545	59,318	203.2
Total non-life	78,204,363	70,436,587	111.0
Total life	195,907	248,683	78.8
Total	78,400,270	70,685,270	110.9

#### **Loss ratios**

Gross	Cross claims		
written	paid	2012	2011
1	2	2/1	
9,342,901	4,937,570	52.8%	51.7%
727,492	39,828	5.5%	1.3%
17,377,791	11,364,179	65.4%	62.7%
14,889	2,660	17.9%	0.0%
665,111	198,721	29.9%	26.9%
3,462,657	1,620,511	46.8%	36.6%
2,953,108	1,139,187	38.6%	36.6%
71,778,215	32,257,045	44.9%	45.5%
21,737,802	11,862,476	54.6%	53.9%
18,430,346	11,699,587	63.5%	54.3%
41,410	-2,531	-6.1%	106.7%
261,549	14,407	5.5%	11.5%
3,416,673	2,342,150	68.6%	34.8%
64,468	459,118	712.2%	92.9%
625,324	66,936	10.7%	29.1%
628,993	181,448	28.8%	43.8%
9,179		0.0%	0.0%
19,833	21,071	106.2%	79.2%
151,557,741	78,204,363	51.6%	50.4%
920,413	75,362	8.2%	57.6%
349,746	120,545	34.5%	27.9%
1,270,159	195,907	15.4%	45.9%
152,827,900	78,400,270	51.3%	50.4%
	premiums written  1  9,342,901  727,492  17,377,791  14,889  665,111  3,462,657  2,953,108  71,778,215  21,737,802  18,430,346  41,410  261,549  3,416,673  64,468  625,324  628,993  9,179  19,833  151,557,741  920,413  349,746  1,270,159	premiums written         Cross claims paid           1         2           9,342,901         4,937,570           727,492         39,828           17,377,791         11,364,179           14,889         2,660           665,111         198,721           3,462,657         1,620,511           2,953,108         1,139,187           71,778,215         32,257,045           21,737,802         11,862,476           18,430,346         11,699,587           41,410         -2,531           261,549         14,407           3,416,673         2,342,150           64,468         459,118           625,324         66,936           628,993         181,448           9,179         19,833         21,071           19,833         21,071           15,557,741         78,204,363           920,413         75,362           349,746         120,545	premiums written         Gross claims paid         2012           1         2         2/1           9,342,901         4,937,570         52.8%           727,492         39,828         5.5%           17,377,791         11,364,179         65.4%           14,889         2,660         17.9%           665,111         198,721         29.9%           3,462,657         1,620,511         46.8%           2,953,108         1,139,187         38.6%           71,778,215         32,257,045         44.9%           21,737,802         11,862,476         54.6%           18,430,346         11,699,587         63.5%           41,410         -2,531         -6.1%           261,549         14,407         5.5%           3,416,673         2,342,150         68.6%           64,468         459,118         712,2%           628,993         181,448         28.8%           9,179         0.0%           19,833         21,071         106.2%           151,557,741         78,204,363         51.6%           920,413         75,362         8.2%           349,746         120,545         34.5%

### Administrative expenses as percentage of gross premiums written (EUR)

Gross premiums written	Administrative expenses	2012	2011
1	2	2/1	
152,827,900	7,677,519	5.0%	4.8%

### Acquisition costs as percentage of gross premiums written (EUR)

Gross premiums written	Acquisition costs	2012	2011
1	2	2/1	
152,827,900	34,995,747	22.9%	23.2%

### Net investment income as percentage of average investments

	Average invested assets	Investment income	Investment expenses	Net investment income	Net investment income
(EUR)				1-12/2012	1-12/2011
Liability fund	173,101,361	8,216,803	4,303,938	2.3%	2.7%
Capital fund	163,883,609	6,423,338	2,777,326	2.2%	-1.4%
Total	336,984,970	14,640,141	7,081,264	2.2%	0.4%

#### Net provisions for outstanding claims as percentage of net earned premiums

	Net provision for outstand-	Net premiums		
(EUR, except percentages)	ing claims	earned	2012	2011
	1	2	1/2	
Personal accident	7,417,502	9,324,570	79.5%	82.6%
Health	764,659	731,564	104.5%	104.1%
Land vehicles casco	6,940,526	16,222,573	42.8%	40.2%
Railway rolling stock	10,214	14,889	68.6%	-
Aircraft hull	306,591	325,101	94.3%	150.8%
Ships hull	3,067,693	3,066,271	100.0%	125.4%
Goods in transit	4,632,338	2,598,708	178.3%	101.9%
Fire and natural forces	47,732,732	59,143,090	80.7%	83.1%
Other damage to property	23,763,488	18,861,260	126.0%	98.9%
Motor liability	34,244,907	17,459,929	196.1%	177.8%
Aircraft liability	250,314	-28,845	-867.8%	-5304.4%
Liability for ships	450,587	255,555	176.3%	157.4%
General liability	12,004,243	2,786,702	430.8%	331.3%
Credit insurance	524,424	394,433	133.0%	93.6%
Suretyship	175,153	592,868	29.5%	34.6%
Miscellaneous financial loss	214,407	134,107	159.9%	53.4%
Legal expenses	0	9,493	-	-
Assistance	24,365	24,191	100.7%	56.9%
Life business	691,822	758,036	91.3%	38.6%
Unit-linked life	5,999	171,529	3.5%	9.7%
Total non-life	142,524,143	131,916,459	108.0%	104.8%
Total life	697,821	929,565	75.1%	27.7%
Total	143,221,964	132,846,023	107.8%	104.7%

#### Gross profit/loss for the period as percentage of net premiums written (EUR)

Gross profit/loss	Net premiums written	2012	2011
1	2	1/2	
11,204,259	136,401,808	8.2%	9.4%

#### Gross profit/loss for the year as percentage of average equity (EUR)

Gross profit/loss	Average equity	2012	2011
1	2	1/2	
11,204,259	166,622,169	6.7%	7.2%

### Gross profit/loss for the period as percentage of average assets (EUR)

Gross profit/loss	Average assets	2012	2011
1	2	1/2	
11,204,259	440,043,669	2.5%	2.7%

#### Gross profit/loss for the period per share (EUR)

Gross profit/loss	No. of shares	2012	2011
1	2	1/2	
11,204,259	9,362,519	1.20	1.21

#### Net profit/loss for the period as percentage of average equity (EUR)

Net profit/loss	Average equity	2012	2011
1	2	1/2	
9,604,981	166,622,169	5.8%	5.5%

### Available solvency margin as percentage of net premiums written (EUR)

Available solvency margin	Net premiums written	2012	2011
1	2	1/2	
42,871,522	136,401,808	31.4%	34.3%

#### Available solvency margin as percentage of required solvency margin (EUR)

Available solvency margin	Required solvency margin	2012	2011
1	2	1/2	
42,871,522	23,175,031	185.0%	190.9%

#### Available solvency margin as percentage of technical provisions (EUR)

Available solvency margin	Technical provisions	2012	2011
1	2	1/2	
42,871,522	216,494,122	19.8%	22.4%

## Available solvency margin as percentage of reinsurance receivables plus reinsurers' share of technical provisions (EUR)

Available solvency margin	Reinsurance receivables plus reinsurers' share of technical provisions	2012	2011
1	2	1/2	
42,871,522	95,210,462	45.0%	53.9%

## Net premiums written as percentage of average equity and average technical provisions (EUR)

Net premiums written	Average equity	Average technical provisions	2012	2011
1	2	3	1/(2+3)	
136,401,808	166,622,169	200,192,582	37.2%	35.8%

#### Net premiums written as percentage of average equity (EUR)

Net premiums written	Average equity	2012	2011
1	2	1/2	
136,401,808	166,622,169	81.9%	76.5%

#### Average technical provisions as percentage of net earned premiums (EUR)

Average net technical provisions	Net premiums earned	2012	2011
1	2	1/2	
175,337,805	132,846,023	132.0%	131.7%

### Equity as percentage of net unearned premiums (EUR)

Equity	Net unearned premiums	2012	2011
1	2	1/2	
174,789,810	40,985,840	426.5%	423.3%

#### Equity as percentage of liabilities and equity (EUR)

Equity	Liabilities and equity	2012	2011
1	2	1/2	
174,789,810	463,035,873	37.7%	38.0%

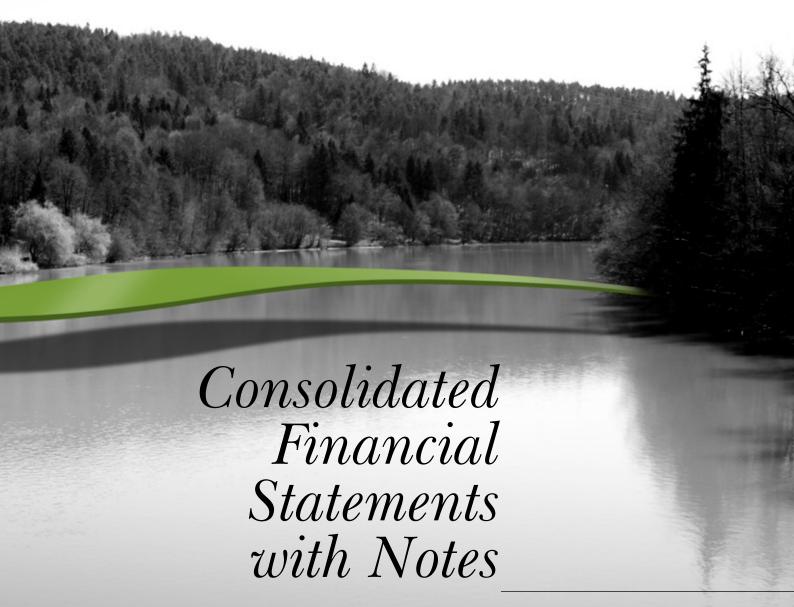
#### Net technical provisions as percentage of liabilities and equity (EUR)

Net technical provisions	Liabilities and equity	2012	2011
1	2	1/2	
184,400,328	463,035,873	39.8%	39.9%

#### Gross premiums written per employee in regular employment (EUR)

Gross premiums written	Number of employees in regular employment	2012	2011
1	2	1/2	
152,827,900	70	2,183,256	2,126,521







The sign of serious intent is not to be found in big decisions but in small everyday choices.«

# Auditor's Report 23



#### Independent Auditor's Report

To the Shareholders of Pozavarovalnica Sava, d.d.

#### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the company Pozavarovalnica Sava, d.d. and its subsidiaries (the Sava Re Group), which comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Sava Re Group as at 31 December 2012, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

#### Report on Other Legal and Regulatory Requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

Without qualifying our opinion we draw attention to the Note 16 (Revenue reserves) to the financial statements referring to inconsistency of requirements in the Insurance Act with the International Financial Reporting Standards as adopted by the European Union. The Group forms and discloses equalisation provisions within equity in accordance with the International Financial Reporting Standards as adopted by the EU. If these financial statements would be prepared according to provisions of the Insurance Act, these equalisation provisions would have been formed and charged against the operating profit or loss and disclosed among technical provisions.

KPMG SLOVENIJA,

podjetje za revidiranje, d.o.o.

Simona Korošec Lavrič, M.Sc.Ec.

Certified Auditor

Katarina Sitar Šuštar

Partner

Ljubljana, 29 March 2013

KPMG Slovenija, d.o.o.

# Consolidated Financial Statements

24.1 Consolidated statement of financial position as at 31 December 2012

(EUR)	Note	31 Dec 2012	31 Dec 2011
ASSETS		640,591,738	582,037,026
Intangible assets	1	17,767,943	18,274,819
Property and equipment	2	24,583,379	24,503,335
Deferred tax assets	3	1,929,136	4,527,413
Investment property	4	5,105,302	6,071,447
Financial investments in associates	5	55,265,651	49,085,007
Financial investments:	6	350,245,812	325,188,363
Loans and deposits		106,348,182	107,037,143
Held to maturity		16,563,481	15,420,514
Available for sale		224,279,160	198,012,939
At fair value through profit or loss		3,054,989	4,717,767
Funds for the benefit of policyholders who bear the investment risk	7	27,623,903	24,138,957
Reinsurers' share of technical provisions	8	37,429,870	21,608,381
Receivables	9	99,025,730	86,266,849
Receivables arising out of primary insurance business	7	25,687,383	26,342,606
Receivables arising out of primary insurance business     Receivables arising out of reinsurance and co-insurance business		54,479,304	52,698,920
Tax receivables			295,638
Other receivables		16,744,689	6,929,685
	10	_	
Deferred acquisition costs Other assets	10	16,058,701	15,938,449
	11	1,146,698	1,338,989
Cash and cash equivalents	12	4,058,488	4,710,455
Non-current assets held for sale	13	351,125	384,562
EQUITY AND LIABILITIES		640,591,738	582,037,026
Equity		171,353,442	148,080,050
Share capital	14	39,069,098	39,069,098
Capital reserves	15	25,352,645	25,417,397
Profit reserves	16	96,925,773	90,243,081
Treasury shares	17	-1,774	-1,774
Fair value reserve	18	1,527,689	-10,809,738
Retained earnings		4,016,817	2,878,547
Net profit/loss for the period	19	5,461,807	1,147,011
Translation reserve		-3,014,477	-2,338,002
Equity attributable to owners of the controlling company		169,337,580	145,605,620
Non-controlling interest in equity	20	2,015,862	2,474,430
Subordinated liabilities	21	31,244,573	31,220,817
Technical provisions	22	360,148,216	320,875,142
Unearned premiums		90,691,880	87,330,269
Mathematical provisions		17,767,312	16,503,688
Provision for outstanding claims		248,200,797	213,830,875
Other technical provisions		3,488,227	3,210,310
Technical provision for the benefit of life insurance policyholders	22	27,040,864	23,673,423
who bear the investment risk			
Other provisions	23	1,350,999	795,606
Deferred tax liabilities	3	3,498	0
Other financial liabilities	24	3,038,565	5,782,075
	25	36,638,022	41,486,025
Liabilities from operating activities	25		
Liabilities from operating activities  Liabilities from primary insurance business	2)	1,506,763	1,397,404
	2)	1,506,763 34,951,358	1,397,404 37,621,182
Liabilities from primary insurance business	2)		

The notes to the financial statements on pages
104-178 form an integral part of these financial statements.

Current incord Other liabilities

Other liabilities

# 24.2 Consolidated income statement for the year ended 31 December 2012

(EUR)	Note	2012	2011
Net earned premiums	27	246,224,224	235,139,209
Gross premiums written		270,763,193	258,415,194
Written premiums ceded to reinsurers and coinsurers		-20,627,400	-24,406,133
Change in net unearned premiums		-3,911,569	1,130,148
Income from investments in associates	28	3,809,245	5,241,763
Profit from investments in equity-accounted associate companies		3,809,245	5,241,763
Investment income	29	21,710,290	17,780,524
Interest income		13,637,159	12,712,017
Other investment income		4,552,813	2,598,622
Net unrealised gains on investments of life insurance policyholders who bear the investment risk		3,520,318	2,469,885
Other technical income	30	6,867,686	6,425,806
Commission income		2,609,139	2,743,893
Other technical income		4,258,547	3,681,913
Other income	34	1,893,701	762,087
Net claims incurred	31	-149,887,499	-136,168,165
Gross claims paid less income from recourse receivables		-136,277,305	-128,376,839
Reinsurers' and co-insurers' share of claims paid		5,408,983	8,569,373
Change in the net provision for outstanding claims		-19,019,177	-16,360,699
Change in other technical provisions	32	-1,686,594	-354,630
Change in technical provisions for policyholders who bear the investment risk	32	-3,475,311	-23,713
Expenses for bonuses and rebates		-79,740	-267,870
Operating expenses	33	-87,727,091	-87,921,117
Acquisition costs		-54,817,997	-53,482,014
Other operating expenses		-32,909,094	-34,439,103
Expenses for investments in associates	29	-340,254	-5,156,439
Impairment loss on goodwill		-340,254	-5,156,439
Expenses for financial assets and liabilities	29	-10,661,186	-14,164,756
Impairment losses on financial assets not at fair value through profit or loss		-1,087,106	-4,386,288
Interest expense		-1,629,646	-2,069,373
Other investment expenses		-5,671,478	-2,175,749
Net unrealised losses on investments of life insurance policyholders who bear the investment risk		-2,272,956	-5,533,346
Other technical expenses	34	-11,555,996	-10,941,003
Other expenses	34	-794,576	-2,626,450
Profit/loss before tax		14,296,899	7,725,247
Income tax expense	35	-2,508,442	-3,658,845
Net profit/loss for the period		11,788,457	4,066,402
Net profit/loss attributable to owners of the controlling company		12,138,746	5,994,002
Net profit/loss attributable to non-controlling interest		-350,289	-1,927,600
Net diluted earnings per share	19	1.30	0.64

The notes to the financial statements on pages 104-178 form an integral part of these financial statements.

98

24.3 Consolidated statement of comprehensive income for the year ended 31 December 2012

(EUR)	2012			2011		
	Attributable to owners of the controlling company	Attributable to non-congtrolling interest <b>Total</b>	Total	Attributable to owners of the controlling company	Attributable to non- congtrolling interest	Total
Profit/loss for the period, net of tax	12,138,746	-350,289	11,788,457	5,994,002	-1,927,600	4,066,402
Other comprehensive income, net of tax	11,665,628	17,867	11,683,495	-10,613,822	-57,953	-10,671,776
Net change in fair value of available-for-sale financial assets	10,275,004	22,352	10,297,355	-10,326,851	7,557	-10,334,409
Gains/losses recognised in fair value reserve	8,242,613	22,352	8,264,965	-13,856,025	7.557	-13,863,582
Net change transferred from fair value reserve to profit or loss	2,032,391	0	2,032,391	3,529,174	0	3,529,173
Net gains/losses attributable to the Group recognised in the fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	4,311,339	0	4,311,339	-2,388,070	0	-2,388,070
Tax on other comprehensive income	-2,244,239	-3,397	-2,247,636	2,025,147	1,293	2,026,440
Net gains/losses from translation of financial statements of non-domestic companies	-676,475	۰۱,088	-677,563	75,952	-51,689	24,263
Comprehensive income for the year, net of tax	23,804,373	-332,422	23,471,951	-4,619,820	-1,985,553	-6,605,374
Attributable to the owners of the controlling company			23,804,373			-4,619,821
Attributable to non-controlling interest			-332,422			-1,985,553

## 24.4 Consolidated cash flow statement for the year ended 31 December 2012

₹			Note	2012	2011
Cas	h flow	rs from operating activities			
a.)	Item	ns of the income statement	35	26,388,961	15,311,332
	1.	Net premiums written	27	250,135,793	234,009,061
	2.	Investment income (other than financial income), financed from:	29	7,650,239	4,842,732
		technical provisions		6,993,296	4,178,466
		other sources		656,943	664,266
	3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables		8,761,387	7,187,893
	4.	Net claims paid	31	-130,868,322	-119,807,466
	5.	Expenses for bonuses and rebates		-79,740	-267,870
	6.	Net operating expenses excl. depreciation/ amortisation and change in deferred acquisition costs	33	-86,406,948	-85,717,624
	7.	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:		-7,944,434	-7,709,096
		• technical sources		-7,252,696	-6,909,568
		• other sources		-691,738	-799,528
	8.	Other operating expenses excl. depreciation/ amortisation (other than for revaluation and excl. additions to provisions)	34	-12,350,572	-13,567,453
	9.	Tax on profit and other taxes not included in operating expenses	35	-2,508,442	-3,658,845
b.)	prer defe	nges in net operating assets (receivables for nium, other receivables, other assets and rred tax assets/liabilities) of operating items ne statement of financial position		-4,535,146	5,640,449
	1.	Change in receivables from primary insurance	9	655,223	5,710,368
	2.	Change in receivables from reinsurance	9	-1,780,384	-1,808,493
	3.	Change in other receivables from re/insurance business	9	-360,086	88,419
	4.	Change in receivables and assets	9	-893,696	9,526,127
	5.	Change in deferred tax assets	3	2,598,277	-2,291,332
	6.	Change in inventories		74,469	10,738
	7.	Change in liabilities arising out of primary insurance	25	109,359	-3,059,322
	8.	Change in liabilities arising out of reinsurance business	25	-2,669,820	11,107,062
	9.	Change in other operating liabilities	26	-2,253,955	-9,791,080
	10.	Change in other liabilities (except unearned premiums)	26	-18,031	-3,665,428
	11.	Change in deferred tax liabilities	3	3,498	-186,610
c.)	Net + b)	cash from/used in operating activities (a		21,853,815	20,951,781
Cas	h flow	rs from investing activities			
a.)	Cas	n receipts from investing activities		469,357,442	579,105,875
	1.	Interest received from investing activities relating to:		13,646,048	12,712,017
		investments financed from technical provisions		12,552,441	10,670,904
		• other investments		1,093,607	2,041,113
	2.	Cash receipts from dividends and from participation in the profit of others, relating to:		4,223,248	5,467,538
		investments financed from technical provisions		251,001	107,586

	Clos	ing b	alance of cash and cash equivalents increase/decrease in cash and cash	4,058,488	4,710,455 683,852
_	c.)		cash from/used in financing activities (a + b)	-4,747,773	16,515
		5.	Dividends and other profit participations paid	-8,734	-14,112
		4.	Repayment of short-term financial liabilities	-3,064,297	-2,900,000
		3.	Repayment of long-term financial liabilities	-45,096	0
		1.	Interest paid	-1,629,646	-2,069,373
	b.)	Cas	h disbursements in financing activities	-4,747,773	-4,983,485
		3.	Proceeds from short-term borrowing	0	5,000,000
	a.)	Cas	h receipts from financing activities	0	5,000,000
c.			s from financing activities		
_	c.)	Net	cash from/used in investing activities (a + b)	-17,758,006	-20,284,445
			• other sources	-51,917,297	-110,098,266
			technical provisions	-294,532,929	-362,655,334
		4.	Purchase of short-term financial investments, financed from:	-346,450,226	-472,753,600
			other sources	-34,293,251	-26,792,334
			financed from:  • technical provisions	-104,974,449	-97,983,824
		3.	Purchase of long-term financial investments,	-139,267,700	-124,776,158
			• other sources	-800,050	-980,432
			financed from:  • technical provisions	-153,480	-283,050
		2.	Purchase of property and equipment,	-953,530	-1,263,482
_	- 1	1.	Purchase of intangible assets	-443,992	-597,079
	b.)	Cas	h disbursements in investing activities	-487,115,448	-599,390,319
_			other sources	291,158,131	366,206,634
		· · · · · · · · · · · · · · · · · · ·	investments, financed from:  • technical provisions		
		6.	other sources  Proceeds from sale of short-term financial	22,814,205 342,365,009	38,396,222 492,236,573
			• technical provisions	85,503,802	29,960,931
		5.	Proceeds from sale of long-term financial investments, financed from:	108,318,007	68,357,153
			• other sources	14,569	21,116
			technical provisions	774,653	311,478
		4.	Proceeds from sale of property and equipment, financed from:	789,222	332,594
			• technical provisions	15,908	0
		3.	Proceeds from sale of intangible assets, financed from:	15,908	0

24.5 Consolidated statement of changes in equity for the year ended 31 December 2012

	PION	I. Share	II. Capital	III. Profit reserves	rves					IV. Fair value			-	ΛIII.	IX. Total	X. Non-	Total
		capital	reserves	Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Credit risk equalisation reserve	Catastrophe equalisation reserve	Other	reserve	earnings	profit/loss for the year	Treasury shares (contra account)	Translation reserve	Group equity	controlling interest in equity	(14 + 15)
			2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
Opening balance in financial period	-le	39,069,099	39,069,099 25,417,396	0	16,673,828	1,774	745,290	7,996,935	64,825,254	-10,809,738	2,878,547	1,147,009	-1,774	-2,338,007	145,605,616 2,474,433	2,474,433	148,080,052
Comprehensive income for the year, net of tax		0	0	0	0	0	0	0	0	12,342,105		12,138,745	0	-676,475	23,804,374	-332,422	23,471,951
Subscription (payment) of new equity capital		0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,576	3,576
Payout of (accounting for) dividends		0	0	0	0	0	0	0	0	0	-8,734	0	0	0	-8,734	0	-8,734
Allocation of net profit to profit reserves	91	0	0	0	0		0	0	4,717,546	0	0	-4,717,546	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	91	0	0	0	0	0	7,736	1,951,655	0	0	0	1,959,391	0	0	0	0	0
Increase in shareholding	20	0	-64,752		4,152			1,603		-4,678	0		0	0	-63,675	-129,725	-193,400
Transfer of profit/loss		0	0	0	0	0	0	0	0	0	1,147,009	-1,147,009	0	0	0	0	0
Closing balance in financial period	_	39,069,099	39,069,099 25,352,645	0	16,677,980	1,774	753,026	9,950,193	69,542,800 1,527,689	1,527,689	4,016,817	5,461,810	٠٦,774	-3,014,482	169,337,580 2,015,862	2,015,862	171,353,442

24.6 Consolidated statement of changes in equity for the year ended 31 December 2011

(EUR)	Note	I. Share	II. Capital	III. Profit reserves	rves					IV. Fair value	V. Retained					X. Non-	Total
		capital	reserves	Contingency	Legal reserves Reserve and reserves for provided for treasury in the articles shares of association	Reserve for treasury shares	Reserve for credit risks	Catastrophe equalisation reserve	Other	reserve	earnings	profit/loss for the year	Treasury shares	Translation reserve	Group equity	controlling interest in equity	(12 + 13)
			2.	÷	.4	5.	6.	7.	∞.	6.	10.	1.	12.	13.	14.	15.	16.
Opening balance in financial period		39,069,099	39,069,099 25,417,397	o	16,660,613	١,774	1,261,187	1,261,187 6,576,060	60,862,385	-121,459	557,800	2,370,698	٠٦,774	-2,412,023	150,241,758	4,442,851	154,684,609
Comprehensive income for the year, net of tax		0	0	0	0	0	0	0	0	-10,689,775	0	5,994,005	0	75,952	-4,619,819	-1,985,553	-6,605,373
Payout of (accounting for) dividends		0	0	0	0	0	0	0	0	0	0	0	0	0	0	-863	-863
Allocation of net profit to profit reserves	91	0	0	0	13,215	0	0	0	3,962,869	0	-13,215	-3,962,869	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	91	0	0	0	0	0	-515,897 1,420,875	1,420,875	0	0	-20,849	-884,129	0	0	0	0	0
Increase in shareholding	20	0	0	0	0	0	0	0	0	1,498	-17,826	0	0	0	-16,328	17,998	1,672
Transfer of profit/loss		0	0	0	0	0	0	0	0	0	2,372,634	-2,370,698	0	-1,936	0	0	0
Closing balance in financial period		39,069,099 25,417,397	25,417,397	0	16,673,828	1,774	745,290	745,290 7,996,935	64,825,254 -10,809,736	-10,809,736	2,878,544	2,878,544 1,147,009 -1,774	-1,774	-2,338,007	-2,338,007 145,605,616	2,474,433	148,080,052

#### 25.1 Basic details

#### **Reporting company**

Pozavarovalnica Sava, d.d. ("Sava Reinsurance Company d.d." or "Sava Reinsurance Company") is the controlling company of the Sava Re Group (hereinafter also the "Group"). It was established under the Foundations of the Life and Non-life Insurance System Act, and was entered in the company register kept by the Ljubljana Basic Court, Ljubljana Unit, on 28 December 1990. Its legal predecessor, Pozavarovalna skupnost Sava, was established in 1977.

The controlling company has its registered office at Dunajska cesta 56, Ljubljana, Slovenia.

The Group transacts reinsurance business (49% of premium income), life insurance business (5% of premium income) and non-life insurance business (46% of premium income).

In 2012 the Sava Re Group had on average 1,510 employees (2011: 1,555). At 31 December 2012, the Group employed 1,490 people (31 December 2011: 1,530), determined on a full-time equivalent basis.

## Number of employees by degree of formal education at 31 December (full-time equivalent basis)

	31 Dec 2012	31 Dec 2011
Primary and lower secondary	42	53
Secondary	742	795
Higher	148	213
University	522	434
Masters' degree and doctorates	36	36
Total	1,490	1,530

The controlling company has the following governing bodies: the General Meeting, the Supervisory Board and the Management Board.

The largest shareholder of the controlling company is the Slovenian Restitution Fund (SOD), which holds 25% plus one share. The second largest shareholder is Abanka with a 7% shareholding.

It is the responsibility of the controlling company to prepare and approve the consolidated annual report. The audited consolidated annual report is approved by the Supervisory Board of the controlling company. If the annual report is not approved by the Supervisory Board, or if the Management Board and Supervisory Board leave the decision about its approval to the General Meeting of Shareholders, the General Meeting decides on the approval of the annual report.

## 25.2 Group companies

Sava Reinsurance Company is the controlling company of the Sava Re Group and in 2012 increased its shareholding in Group companies by EUR 9.9m through recapitalisations and acquisitions. In the recapitalisation of Sava osiguruvanje (Macedonia) in the amount of EUR 2.1m and acquisition of shares in the amount of EUR 0.1m, the Company increased its holding from 81.8% to 92.4%. Recapitalisa-

tions with no change in the controlling company's shareholding were carried out in Velebit usluge (Croatia) in the amount of EUR 4.5m, Illyria (Kosovo) in the amount of EUR 2.2m and in the companies Sava osiguranje (Serbia) in the amount of EUR 0.2m and Sava životno osiguranje (Serbia) in the amount of EUR 0.7m.

Furthermore, in 2012 the controlling company purchased the remaining 0.3% of Zavarovalnica Tilia from minority shareholders (for EUR 121 thousand) and is now sole owner of the insurer. The holding in Velebit osiguranje and Velebit životno osiguranje changed because the recapitalisation was supported only by the Group.

Below are presented individual items of the statement of financial position and the income statement based on the separate financial statements of subsidiaries and associates, as prepared in line with IFRSs, together with the controlling company's share of voting rights.

#### Subsidiaries at 31 December 2012

(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31 Dec 2012	Profit/loss for the year 2012	Total income	Share of voting rights (%)
Zavarovalnica Tilia	insurance	Slovenia	159,521,288	139,706,571	19,814,717	3,542,403	76,697,911	100.00%
Sava osiguranje	insurance	Serbia	22,563,984	16,791,533	5,772,451	114,326	12,296,171	99.99%
Illyria	insurance	Kosovo	15,438,504	12,100,169	3,338,335	230,995	10,361,079	100.00%
Sava osiguruvanje	insurance	Macedonia	21,153,128	17,336,552	3,816,576	10,382	10,769,645	92.44%
Sava Montenegro	insurance	Montenegro	24,012,196	19,224,475	4,787,721	753,169	11,544,472	100.00%
Illyria Life	insurance	Kosovo	4,813,953	1,330,667	3,483,286	138,239	1,342,217	100.00%
Sava životno osiguranje	insurance	Serbia	3,006,238	864,292	2,141,946	-502,793	1,246,038	99.99%
Velebit usluge	wholesale, retailer	Croatia	15,941,433	1,892	15,939,541	-221,745	2,742	100.00%
Velebit osiguranje	insurance	Croatia	20,169,944	15,922,345	4,247,599	-810,184	-8,368,028	78.77%
Velebit životno osiguranje	insurance	Croatia	7,791,436	3,111,629	4,679,807	-904,326	1,764,397	71.37%
Illyria Hospital	hospital activities	Kosovo	2,016,471	10,101	2,006,370	45	45	100.00%
Sava Car	research and analysis	Montenegro	373,378	301,807	71,571	14,492	245,700	100.00%

#### Associate companies at 31 December 2012

(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31 Dec 2012	Profit/loss for the year 2012	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	830,355,491	731,246,415	99,109,076	7,717,014	263,316,052	48.68%
Moja naložba	pension fund	Slovenia	136,496,108	129,629,125	6,866,983	320,022	3,571,080	25.00%

The amounts invested and the shares of voting rights in associates did not change compared to 2011.

Under the share sale agreement relating to Zavarovalnica Maribor shares dated 11 December 2012 ("Purchase and Sale Agreement"), the Parties to the Purchase and Sale Agreement agreed that Sava Reinsurance Company d.d. and the Slovenian Restitution Fund ("SRF") would buy from Nova KBM, subject to certain suspensive conditions contained in the Purchase and Sale Agreement, 6,350,988 ordinary registered freely transferable no-par-value shares of Zavarovalnica Maribor, being the equivalent of 50.996% of all outstanding shares of Zavarovalnica Maribor; Sava Reinsurance Company would buy 1,468,175 shares and the SRF would buy 4,882,813 shares of Zavarovalnica Maribor.

Sava Reinsurance Company and the SRF are to pay to Novi KBM as consideration for the transfer of such shares a total of EUR 65,034,117.12, of which Sava Reinsurance Company is to pay an amount of EUR 15,034,112.00 and the SRF EUR 50,000,005.12. The parties to the Purchase and Sale Agreement agreed that the stated consideration may increase if during the period beginning on the day of signing the Purchase and Sale Agreement and ending six months after the conclusion of the compulsory takeover bid procedure, Sava Reinsurance Company and the SRF or any related party thereto acquires or sells directly or indirectly or agrees to directly or indirectly acquire or sell Zavarovalnica Maribor shares or any benefits from or in relation to ordinary shares from any person for a price that is more than 10% higher than the per share price agreed in the Purchase and Sale Agreement. Subject to the suspensive conditions, the acquirers are liable to pay Nova KBM the excess over the consideration, being equivalent to the number of shares multiplied by the increased price and less the total amount of all previous payments from Sava Reinsurance Company and the SRF to Nova KBM.

The consideration is payable on the Effective Date (as defined under the Purchase and Sale Agreement) against transfer of the said shares of Zavarovalnica Maribor, except for the advance payment of EUR 15,000,000 (of which Sava Reinsurance Company has paid EUR 10,000,000 and the SRF EUR 5,000,000).

As at 31 December 2012, the controlling company had neither obtained all required approvals and consents (Insurance Supervision Agency and the Slovenian Competition Protection Agency) nor had all conditions stated in the Purchase and Sale Agreement been met for the controlling company to complete the full consolidation of Zavarovalnica Maribor in 2012. The required conditions will be met in the second quarter 2013.

#### Subsidiaries at 31 December 2011

(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31 Dec 2012	Profit/loss for the year 2012	Total income	Share of voting rights (%)
Zavarovalnica Tilia	insurance	Slovenia	149,154,232	132,121,757	17,032,475	2,323,379	69,269,434	99.71%
Sava osiguranje	insurance	Serbia	24,165,464	19,011,954	5,153,510	86,626	13,894,974	99.99%
Illyria	insurance	Kosovo	12,975,992	12,062,966	913,026	-2,433,853	13,017,621	100.00%
Sava osiguruvanje	insurance	Macedonia	18,507,389	16,856,778	1,650,611	-2,687,431	11,637,186	81.84%
Bro-Dil	securities broker	Macedonia	286,809	4,742	282,067	-60,036	16,226	81.84%
Sava Montenegro	insurance	Montenegro	23,215,922	18,912,195	4,303,727	1,884,254	10,985,552	100.00%
Illyria Life	insurance	Kosovo	4,219,482	874,432	3,345,050	109,087	1,075,674	100.00%
Sava Life	insurance	Serbia	2,615,821	498,980	2,116,841	-919,968	703,843	99.99%
Velebit usluge	wholesale, retailer	Croatia	11,681,966	493	11,681,473	1,965	6,014	100.00%
Velebit osiguranje	insurance	Croatia	18,056,703	15,477,580	2,579,123	-2,453,819	7,802,651	63.13%
Velebit životno osiguranje	insurance	Croatia	6,446,868	2,988,153	3,458,715	-1,293,569	1,336,396	53.41%
Illyria Hospital	hospital activities	Kosovo	1,810,025	13,700	1,796,325	-3,520	0	100.00%
Sava Car	research and analysis	Montenegro	328,763	271,684	57,079	307	129,460	100.00%

In 2011, the controlling company increased its stake in Sava osiguruvanje (Macedonia) from 66.7% to 81.84%. A recapitalisation was also carried out in Velebit usluge (Croatia) in order to increase the capital of the Groups indirect subsidiaries Velebit osiguranje and Velebit životno osiguranje by EUR 2m. Furthermore, Sava životno osiguranje (Serbia) was recapitalised with EUR 0.7m.

#### Associate companies at 31 December 2011

(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31 Dec 2012	Profit/loss for the year 2012	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	760,989,148	673,449,534	87,539,613	10,557,075	248,712,324	48.68%
Moja naložba	pension fund	Slovenia	125,484,976	119,225,805	6,259,172	410,318	2,818,149	25.00%

In 2011, Sava Reinsurance Company contributed EUR 8.15m to the recapitalisation of Zavarovalnica Maribor to increase its stake in Zavarovalnica Maribor by 2.9 percentage points.

# 25.3 Consolidation principles

The controlling company has prepared both separate and consolidated financial statements for the year ended 31 December 2012. The consolidated financial statements include Sava Reinsurance Company as the controlling company and all subsidiaries, i.e. companies in which Sava Reinsurance Company holds, directly or indirectly, more than half of the voting rights and has the power to control the financial and operating policies so as to obtain benefits from its activities. It is also of key importance for the satisfaction of the conditions mentioned earlier that in the event of a takeover of the insurance company, the controlling company obtains all required approvals and consents (Insurance Supervision Agency and other supervisory institutions).

All subsidiaries were fully consolidated. Associate companies are accounted for in the consolidated statements using the equity method.

The financial year of the Group is equal to the calendar year.

Business acquisitions are accounted for by applying the purchase method. Subsidiaries are fully consolidated as from the date of obtaining control and they are deconsolidation as from the date such control ceases. At the time of an entity's first consolidation, the acquiree's (subsidiary's) assets and liabilities are measured at fair value. Any excess of the market value over the share of the fair value of the acquired identifiable assets, liabilities and contingent liabilities is capitalised as goodwill.

When acquiring a non-controlling interest in a subsidiary (when the Group already holds a controlling interest), the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid, and attributes it to the owners of the controlling company. The difference between cost and carrying amount of the non-controlling interest is accounted for in equity under capital reserves.

Profits earned and losses made by subsidiaries are included in the Group's income statement. Amounts relating to intra-Group transactions (receivables and liabilities, expenses and income between consolidated companies) are eliminated in full.

#### **Associates**

Associates are companies in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another company. Investments in associate companies are accounted for using the equity method. The corresponding share of the as-

sociate's profit/loss is recognised in the consolidated income statement; the corresponding share of the associate's comprehensive income is recognised in the consolidated statement of comprehensive income.

## 25.4 Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the consolidated financial statements.

# compliance

25.4.1 Statement of The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee's ("IFRIC"), as adopted by the European Union. They have also been prepared in accordance with applicable Slovenian legislation (the Companies Act, "ZGD-1"), the Insurance Act and implementing regulations). The Insurance Act's treatment of equalisation provisions and earthquake provisions is not compliant with IFRSs; therefore, the Group shows these liabilities in equity, which is discussed in greater detail in note 16 "Profit reserves". Interested parties can obtain information on the results of operations of the Sava Re Group by consulting the annual report. Annual reports are available at the website of Sava Reinsurance Company and at its registered office.

> In selecting and applying accounting policies, as well as in preparing the financial statements, the Management Board of the controlling company aims at providing understandable, relevant, reliable and comparable accounting information.

> The financial statements have been prepared based on the going-concern assumption.

> The Management Board of the controlling company approved the financial statements on 8 March 2013.

25.4.2 Measurement The financial statements have been prepared based on the historic cost basis, except for financial assets at fair value through profit or loss and available-forsale financial assets, which are measured at fair value. Assets of policyholders who bear the investment risk are also measured at fair value. Investments in associate companies are accounted for using the equity method.

## currency, translation of events and items

25.4.3 Presentation The financial statements are presented in euro (EUR), rounded to the nearest euro. The euro is the functional and presentation currency of the Group. Due to rounding, figures in tables may not add up to totals.

> Assets and liabilities as at 31 December 2012 denominated in foreign currencies were translated into euro using mid-rates of the European Central Bank ("ECB") as at year-end 2012. Amounts in the income statements were translated using the average exchange rate. At 31 December 2011 and 31 December 2012, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-monetary items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve. Since equity items in the statement of financial position at 31 December 2012 are translated using the exchange rates of the ECB on that day and since interim movements are translated using the average exchange rates of the ECB, any differences arising therefrom are disclosed in the equity item translation reserve.

# uncertainty

25.4.4 Use of major Assumptions and other sources of uncertainty relate to estimates that require accounting estimates management to make difficult, subjective and complex judgements. Below are given major areas that involve management judgement.

- and sources of Calculation of goodwill, its measurement and impairment is determined using the accounting policy under 25.4.8 and note 1.
  - Deferred tax assets are recognised if Group entities plan to realise a profit in the medium term.
  - · Receivables are impaired based on the accounting policy set out in section 25.4.17.2. Any impairment loss recognised is shown under note 9.
  - Financial investments:
  - Classification, recognition, measurement and derecognition, as well as investment impairment and fair value measurement are made based on the accounting policy as set out in section 25.4.14. Movements in investments and their classification are shown under note 6; while the associated income and expenses, and impairment are shown under note 29.
  - Technical provisions calculation and liability adequacy tests pertaining to insurance contracts are described under sections 25.4.24, 25.4.25 and 25.4.26. Any change of these provisions is shown under note 22.

25.4.5 Cash flow The cash flow statement has been prepared using the indirect method. The statement Group cash flow statement has been prepared as the sum of all cash flows of all Group companies less any inter-Group cash flows. Cash flows from operating activities have been prepared based on data from the 2012 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

# changes in equity

25.4.6 Statement of The statement of changes in equity shows movements in individual components of equity in the period. Profit reserves also include the credit risk equalisation and the catastrophe equalisation reserves.

25.4.7 Intangible Intangible assets, except goodwill, are stated at cost, including any expenses assets directly attributable to preparing them for their intended use, less accumulated amortisation and any impairment losses. Amortisation is calculated for each item other than goodwill separately, on a straight-line basis. Intangible assets are first amortised upon their availability for use.

> Intangible assets in the Group include computer software, licences pertaining to computer software (their useful life is assumed to be 5 years) and goodwill described in greater detail below.

25.4.8 Goodwill Goodwill arises on the acquisition of subsidiaries. In acquisitions, goodwill relates to the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired company. If the excess is negative (badwill), it is recognised directly in the income statement. The recoverable amount of the cash-generating unit so calculated is compared against its carrying amount, including goodwill belonging to the unit. The recoverable amount is the value in use.

> For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. Movements in goodwill are discussed in detail in section 25.8.

> Goodwill of associate companies is included in the carrying amount of associate companies. Any impairment losses on goodwill of associate companies are treated as impairment losses on investments in associate companies.

> Under section 25.8, note 1, there is a presentation of main assumptions for cash flow projections used in the calculation of the value in use.

# equipment

25.4.9 Property and Property and equipment assets are initially recognised at cost, including cost directly attributable to acquisition of the asset. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses. For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made.

> Depreciation of property and equipment assets begins when they are available for use. Depreciation is calculated for each item separately, on a straight-line basis. Depreciation rates are determined so as to allow writing off the cost of property and equipment assets over their estimated useful lives.

## Depreciation rates of property and equipment assets

Depreciation group	Rate
Land	0%
Buildings	1.3–1.8%
Transportation	15.5%
Computer hardware	33.0%
Office and other furniture	10–12.5%
Other equipment	6.7–20%

The Group assesses annually whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

 $25.4.10\ Non-current$  Non-current assets held for sale are assets the carrying amount of which will assets held for sale be recovered through a sales transaction rather than through continuing use. A non-current asset is classified as held for sale when its sale is highly probable and when it is available for immediate sale in its present condition. The Group must be committed to the sale and must make it within one year. Such assets are measured at the lower of the assets' carrying amount or fair value less costs to sell, and are not depreciated.

# assets and liabilities

25.4.11 Deferred tax Deferred tax assets and liabilities are amounts of income taxes expected to be recoverable or payable, respectively, in future periods depending on taxable temporary differences. Temporary differences are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

> The Group recognises deferred tax assets for temporary non-deductible impairments of portfolio securities and allowances for receivables, any unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for the credit risk and catastrophe equalisation reserves transferred (on 1 January 2007) from technical provisions to profit reserves, which used to be tax-deductible when set aside (prior to 1 January 2007).

> In addition, the Group establishes deferred tax assets and liabilities for that part of value adjustments recorded under negative fair value reserve.

The Group does not set off deferred tax assets and liabilities.

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In 2012 no deferred tax assets of this kind have been recognised.

The Group did not recognise any deferred tax liabilities for deductible temporary differences associated with financial investments in both associate companies because it is improbable that temporary differences can be utilised in the foreseeable future, particularly as the Group is in activities for the takeover of the larger of the two associate companies (Zavarovalnica Maribor) in 2013.

In 2012, deferred tax assets and liabilities were accounted using tax rates that in the management's opinion will be used to actually tax the differences; these range from 9 to 17% (2011: 9 to 20%).

25.4.12 Investment Investment property relates to assets that the Group does not use directly for property carrying out its activities, but holds to earn rent or to realise capital gains at disposal. The Group uses the cost model and the straight-line depreciation method to account for investment property. Investment property is depreciated at the rate of 1.3%. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Group acts as lessor are cancellable operating leases. Payments and/or rentals received are recognised as income on a straight-line basis over the term of the lease. For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. The Group assesses annually whether there is an indication of impairment of investment property. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the net selling price less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

> The Group measures the fair value of investment property using fair value models; in Slovenia it is also measured based on average property prices published by the Surveying and Mapping Authority of the Republic of Slovenia.

25.4.13 Financial Investments in associate companies are accounted for in the consolidated *investments in* financial statements using the equity method. This means that the investment is initially recognised at cost and the carrying amount is increased or decreased associates to recognise the investor's share of the profit or loss of the associate after the date when the financial investment was last valued. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the financial investment. Adjustments to the carrying amount are also necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's other comprehensive income. Such changes include those arising from the revaluation of financial assets and from foreign exchange translation differences. The investor's share of those changes is recognised in the investor's other comprehensive income.

Impairment testing in associate companies is carried out at least on an annual basis.

Indications of impairment losses on investments in associates are determined based on financial results in individual financial years. The criteria for determining the value of a company is net profit and whether business results are in line with local market trends.

25.4.14 Financial investments and funds for the benefit of policyholders who bear the investment risk

25.4.14.1 Classification The Group classifies its financial assets into the following categories:

# Financial assets at fair value through profit or loss

This category consists of the following two sub-categories:

- financial assets held for trading, and
- financial assets designated as at fair value through profit or loss.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realising gains in the short term. Financial assets at fair value through profit or loss also comprise funds for the benefit of policyholders who bear the investment risk.

## Held-to-maturity financial assets

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturity that the Group can, and intends to, hold to maturity.

## Available-for-sale financial assets

Available-for-sale financial assets are assets that the Group intends to hold for an indefinite period and are not classified as financial assets at fair value through profit or loss or held to maturity financial assets.

## Loans and receivables (deposits)

This category includes loans and bank deposits with fixed or determinable payments that are not traded in any active market, and deposits with cedants. Under some reinsurance contracts, part of the reinsurance premium is retained by cedants as guarantee for payment of future claims, and generally released after one year. These deposits bear contractually agreed interest.

25.4.14.2 Recognition, Available-for-sale financial assets and held-to-maturity financial assets are measurement and initially measured at fair value plus any transaction costs. Financial assets at derecognition fair value through profit or loss are initially measured at fair value, with any transaction costs recognised as investment expenses.

> Acquisitions and disposals of financial assets, loans and deposits are recognised on the trade date.

> Gains and losses arising from fair value revaluation of financial assets available for sale are recognised in the statement of comprehensive income, and transferred to the income statement upon disposal or impairment. Gains and losses arising from fair value revaluation of financial assets at fair value through profit or loss are recognised directly in the income statement. Held-to-maturity financial assets are measured at amortised cost less any impairment losses.

> Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the assets are transferred and the transfer qualifies for derecognition in accordance with IAS 39.

> Loans and receivables (deposits), and held-to-maturity financial assets are measured at amortised cost.

25.4.14.3 Determination The fair value of financial assets held for trading and financial assets available of fair value for sale is generally determined by reference to the last quotation, i.e. the last reported bid price in an active securities market.

25.4.14.4 Impairment of A financial asset other than at fair value through profit or loss is impaired and *investments* an impairment loss incurred provided there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and that such events have an impact on future cash flows that can be reliably estimated. The Group assesses whether there is any objective evidence that individual financial assets are impaired on a three-month basis (when preparing interim and annual reports).

# securities is met:

25.4.14.4.1 Debt Investments in debt securities are impaired if one of the following conditions

- the issuer fails to make a coupon or principal payment, and it is likely that such liabilities will not be settled in the short term;
- the issuer is subject to a bankruptcy, liquidation or compulsory settlement procedure.

If the first condition above is met, an impairment loss is recognised in the income statement in the amount of the difference between the fair value and carrying amount of the debt security (if the carrying amount exceeds the fair value).

If the second condition above is met, an impairment loss is recognised in profit or loss, being the difference between the potential payment out of the bankruptcy or liquidation estate and the cost of the investment. The potential payment out of the bankruptcy or liquidation estate is estimated based on information concerning the bankruptcy, liquidation or compulsory settlement proceedings, or, if such information is not available, based on experience or estimates made by credit rating or other financial institutions.

In respect of debt securities, only impairment losses recognised pursuant to indent one above (first condition) may be reversed. An impairment loss is reversed when the issuer's liability is settled. Impairment losses are reversed through profit or loss.

25.4.14.4.2 Equity Investments in equity securities are impaired if on the statement of financial securities position date:

- their market price is more than 40% below cost;
- their market price has remained below cost for more than one year;
- the model based on which the Group assesses the need for impairment of unquoted securities indicates that the asset needs to be impaired.

An impairment loss is recognised in the amount of the difference between market price and cost of financial assets.

# revaluation technique (levels 1-3)

25.4.15 Classification In accordance with IFRSs as adopted by the European Union, the Group classiof investments fies fair value measurements into a fair value hierarchy with the following three by input used in levels. The classification is by reference to the observability and significance of the inputs used in making the measurements.

Level 1	quoted prices (unadjusted) in active markets for identical assets;
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
Level 3	inputs for assets that are not based on observable market data.

25.4.16 Reinsurers' Reinsurers' share of technical provisions comprises the reinsurers' share of share of technical unearned premiums and of technical provisions. The amount is determined in accordance with reinsurance (retrocession) contracts and in line with moveprovisions ments in the retroceded portfolio based on gross reinsurance provisions for the business that is the object of these reinsurance (retrocession) contracts at the close of each accounting period.

> The Group tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For an estimation of retrocession risks, see section 25.7.2.6 "Risk management: Retrocession programme - non-life business".

> Med terjatvami izkazujemo terjatve za premijo do zavarovalcev oziroma zavarovalnic ter terjatve za škode in provizije do pozavarovateljev.

> Začetno pripoznavanje terjatev skupina izvede na osnovi izstavljene police, računa ali druge verodostojne liste (kot je npr. potrjen pozavarovalni ali sozavarovalni obračun). V izkazu finančnega položaja so terjatve prikazane v neto vrednosti, kar pomeni, da so zmanjšane za oblikovane popravke vrednosti.

25.4.17 Receivables Receivables include receivables for premiums from policyholders or insurers as well as receivables for claims and commissions due from reinsurers.

25.4.17.1 Recognition of Receivables are initially recognised based on issued policies, invoices or other receivables authentic documents (e.g. confirmed reinsurance or co-insurance accounts). In financial statements, receivables are reported in net amounts, i.e. net of any allowances made.

> Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commission relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections 25.4.30 "Net premiums earned" and 25.4.31 "Net claims incurred".

25.4.17.2 Impairment of The Group classifies receivables into groups with similar credit risk. It assesses receivables receivables in terms of recoverability or impairment, making allowances based on payment history.

> In addition to age, the method for making allowances takes into account the phase of the collection procedure, historical data on the percentage of write-offs made and the ratio of recoverability. Assumptions are reviewed annually. Recourse receivables are recognised as assets only if, on the basis of a recourse claim, an appropriate legal basis exists (a final order of attachment, a written agreement with or payments by the policyholder or debtor, or subrogation for credit risk insurance). Even if subrogation is applicable, recourse receivables are recognised only after the debtor's existence and contactability have been verified. Recognition of principal amounts to which recourse receivables relate decreases claims paid.

No receivables have been pledged as security.

# acquisition costs

25.4.18 Deferred Acquisition costs that are deferred include the part of operating expenses associated with policy underwriting.

> The Group discloses under deferred acquisition costs, mostly deferred commissions. These are booked commissions relating to the next financial year and are recognised based on insurance and reinsurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation.

> In respect of life insurance business, the Group recognises deferred acquisition costs in the amount of prepaid acquisition costs.

25.4.19 Other assets Other assets include capitalised short-term deferred costs and short-term accrued income. Short-term deferred costs comprise stamps and prepayments of unearned commissions to counterparties.

# cash equivalents

25.4.20 Cash and This item of the statement of financial position and the cash flow statement comprises balances in bank accounts and overnight deposits.

# 25.4.21 Equity Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euro;
- capital reserves comprise amounts in excess of the par value of shares;
- profit reserves comprise reserves provided for by the Articles of Association, legal reserves, reserves for treasury shares, credit risk and catastrophe equalisation reserves and other profit reserves;
- treasury shares;
- fair value reserve;
- retained earnings;
- net profit/loss for the year;
- translation reserve;
- non-controlling interest.

Reserves provided for by the Articles of Association are used:

- to cover the net loss that cannot be covered (in full) out of retained earnings and other profit reserves (an instrument of additional protection of tied-up capital);
- to increase share capital;
- to regulate the dividend policy.

Profit reserves include credit risk equalisation reserves established pursuant to statutory regulations for equalisation provisions, and catastrophe equalisation reserves set aside pursuant to the rules on technical provisions and reserves as approved by appointed actuaries. These are tied-up reserves.

Pursuant to the Companies Act, the Management Board has the power to allocate up to half of the net profit to other reserves.

25.4.22 Subordinated Subordinated debt represents a long-term liability of the controlling company liabilities issued to meet capital adequacy requirements as defined by Standard and Poor's, which affects the insurer credit rating and is intended for the expansion of operations. Subordinated liabilities are measured at amortised cost on a monthly basis, using the effective interest method.

# of insurance contracts

25.4.23 Classification The Group only transacts traditional and unit-linked insurance and reinsurance business, the basic purpose of which is the transfer of underwriting risk. Underwriting risk is considered significant, if the happening of an insured event would result in significant additional payouts. The Group accordingly classified all the contracts it concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Non-proportional reinsurance contracts, which involve larger amounts in case of loss events, also qualify as insurance contracts.

25.4.24 Technical Technical provisions are shown gross in the statement of financial posiprovisions tion. The share of gross technical provisions for the business ceded by the Company is shown in the statement of financial position under item reinsurers' share of technical provisions. The reinsurers' share is calculated at reinsurance contract level based on actuarial calculations for the reinsured portfolios. Technical provisions for each Group company are approved by each company's appointed certified actuary. The main principles used in calculations are described below.

> Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. Unearned premiums for primary insurance are calculated on a pro rata temporis basis at insurance policy level. For reinsurance, there is sometimes insufficient data available for this method; in such cases, nominal percentages are used at reinsurance account level for periods for which premiums are written.

> Unearned premiums represent short-term provisions for the unexpired portions of insurance contracts. The amount set aside at the end of the prior financial year relates to contracts concluded prior to the beginning of the financial year, while their cover is effective also during the current financial year. Unearned premiums from the end of the prior financial year are mostly used during the current financial year, except for insurance contracts where cover extends into the succeeding accounting period as a result of which unearned premiums need to be set aside also at the end of the period.

> Mathematical provisions for life insurance contracts represent the actuarial value of obligations arising from policyholders' guaranteed entitlements. In most cases, they are calculated using the net Zillmer method with the same parameters as those used for premium calculation. The Zillmer method was used for amortising acquisition costs. The calculation of mathemati

cal provisions is based on the assumption that the full agent commission was paid at conclusion of the contract, while agents actually receive the commission within two to five years depending on the policy term. The mathematical provision includes all deferred commission. Only in case of prepaid commission, deferred acquisition costs are set aside and shown under assets. Calculated negative liabilities arising out of mathematical provisions are set to nil. For annuity insurance products with an agreed premium payment period, mathematical provisions are calculated using the prospective method with a 4% interest rate and Slovenian annuity tables for 2010 for payments made after age 78; other annuity products also use the Slovenian annuity tables 2010. Mathematical provisions for business where policyholders bear the investment risk are determined as the value of the underlying asset of all policies written. This also applies to guaranteed products where the fund administrator guaranties for the unit values in accordance with conditions of the product; insurers, therefore, do not set aside any additional provisions in this respect. The value of underlying assets for a policy is calculated as the sum of the value of underlying assets linked to a certain fund using the unit value at the statement of financial position date. At the end of each calendar year, insurers carry out liability adequacy tests for mathematical provisions and if inadequate, any shortfall is recognised as an additional liability in the statement of financial position through profit or loss. Reversionary bonuses, which are added to the sum assured of life with-profits policies, are recognised under mathematical provisions.

Provisions for outstanding claims are established for incurred but not settled claims under primary insurance contracts and reinsurance contracts. The part relating to incurred and reported claims is calculated based on case estimates; the other part relating to incurred but not reported claims is calculated based on actuarial projection methods, mainly using development triangles. Future liabilities are generally not discounted, with the exception of a relatively small part relating to annuities under certain liability insurance contracts. In such cases, the related provisions are established based on the net present value of future liabilities.

(IBNR)

25.4.24.1 Incurred but The IBNR provision for the reinsurer's share is established in three procedures. not reported provision In the first procedure, a share of the IBNR provision is identified as calculated by cedants based on relevant reinsurance contract's provisions. This relates to portfolio segments were invoices are received timely. With the introduction of premium and claims estimates for portfolio segments where invoices are not received timely, in the second procedure the claims provision is estimated relating to the estimated reinsurance premium or the insufficiently established claims provision prior to the estimation procedure. It is then added to the IBNR provision, since it has not been reported. As the triangular method is used in making estimates, such estimation also represents a liability adequacy test for portfolio segments for which estimates are made, that is for international business excluding subsidiaries and for retrocession business. In the third procedure, the IBNR provision is calculated as part of the liability adequacy test for portfolio segments where reinsurance accounts are received timely and for which thus no estimates are made using triangular methods at portfolio data level. Using loss development triangles of cumulative claim payments by underwriting year and cumulative development factors (their weighted average), the ultimate liability for losses is estimated by insurance classes. Such estimated ultimate liabilities less paid claims and unearned premiums (net of deferred commission), which is also available for covering liabilities at the underwriting year level, comprises the estimated provision for outstanding claims. If this provision for outstanding claims exceeds the one already set aside (and calculated based on reinsurance accounts), a reinsurance IBNR provision is set aside. The described process shows that the outstanding claims provision is established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test. IBNR provisions for insurance contracts are calculated using actuarial methods based on triangles of paid claims provided that the business volume is sufficiently large. For classes of business with insufficient premium volume to ensure reliable results from the triangle method, methods are used that are based on loss ratios.

Annual Report 2012 116

provision for the policyholders who bear statement of financial position date. the investment risk

25.4.25 Technical These are provisions for unit-linked life business. They comprise mathematical provisions, unearned premiums and provisions for outstanding claims. The bulk comprises mathematical provisions. Their value is the value of units of benefit of life insurance funds of all policies. The value of funds is based on market value as at the

# adequacy test (LAT)

25.4.26 Liability The Group carries out adequacy testing of provisions set aside based on insurance contracts as at the financial statement date separately for non-life and life business.

## Liability adequacy testing for non-life business

Liability adequacy testing for provisions is regularly carried out for unearned premiums. Unearned premiums are calculated based on the unexpired portion of the policy term (the pro rata temporis method). Therefore, if the premium is adequate, the unearned premium is also adequate, and vice versa. The Group carried out the liability adequacy test separately for gross unearned premiums and for the retroceded portion of unearned premiums at the cash generating unit level where adequacy is tested individually for each class of business. If the expected combined ratio exceeds 100%, the unearned premium is not sufficient. The combined ratio in excess of 100% is multiplied by the unearned premium to result in the expected shortage. The sum of all shortages for all classes of insurance on the level of a cash generating unit is recognised as a provision for unexpired risks as part of other technical provisions.

## Liability adequacy testing for life business

The liability adequacy test for life policies is carried out at each reporting date against a calculation of future cash flows using explicit and consistent assumptions of all factors – future premiums, mortality, morbidity, investment returns, lapses, surrenders, guarantees, policyholder bonuses and expenses. For this purpose, the present value of future cash flows is used.

Discounting of traditional life products except annuities is based on the yield curve for AAA rated sovereign bonds of the euro area at the statement of financial position date including a loading for market development. Where reliable market data is available, assumptions (such as discount rate and investment return) are derived from observable market prices. Due to the levels of uncertainty in the future development of insurance markets and the Group portfolio, it uses interest rates ranging from 2.75% to 4% for annuities and 4% for investmentlinked life. Assumptions that cannot be reliably derived from market values are based on current estimates calculated by reference to the Group's own internal models (lapse rates, actual mortality) and publicly available resources (demographic information published by the local statistical bureau). For mortality, higher rates are anticipated than realised due to uncertainty.

Input assumptions are updated annually based on recent experience. Correlations between risk factors are not taken into account. The principal assumptions used are described below.

The liability adequacy test is performed on product level. The products are then grouped into three groups according to the main product types: traditional, unit-linked and annuities. In addition, the segmentation in Croatia is done in respect of the guaranteed interest rate. Results of the test are then evaluated for each of the three groups separately. Each group is tested separately for liability adequacy. Liability inadequacies of individual groups are not offset against surpluses arising on other groups in determining any additional liabilities to be established. The net present value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities, for each group separately. If this comparison shows that the carrying amount of the insurance liabilities is inadequate in the light of the estimated cash flows, the entire deficiency is recognised in profit or loss by establishing an additional provision.

Mortality and morbidity are usually based on data supplied by the local statistical bureau and amended by the Group based on a statistical investigation of its mortality experience. Assumptions for mortality and morbidity are adjusted by a margin for risk and uncertainty and are higher than actual.

Future contractual premiums are included and for most business also premium indexation is taken into consideration. Estimates for lapses and surrenders are estimated based on past experience with insurance policies (split by type and policy duration). Actual persistency rates by product type and duration are regularly investigated, and assumptions amended accordingly. The actual persistency rates are slightly adjusted by a margin for risk and uncertainty.

Estimates for future maintenance expenses included in the liability adequacy test are derived from current experience. For future periods, cash flows for expenses have been increased by a factor equal to the estimated annual inflation (between 2% and 3%) or have remained on the present level, taking into account the portfolio development.

The rate of return and discount rate are equal and vary depending on the type of insurance (4% for investment-linked, 2.75% to 4% for annuities, in line with selected yield curves for traditional life except annuities). The actual average rate of return exceeds 4%.

The liability adequacy test partly takes into account future discretionary bonuses due to the method of determining bonuses. The share of discretionary bonuses complies with internal rules and is treated as a discounted liability.

# provisions other benefits.

25.4.27~Other~ Employee benefits include severance pay upon retirement, jubilee benefits and

These provisions are calculated based on personal data of employees: date of birth, date of commencement of employment, anticipated retirement, and salary. For each Group company, the amounts of severance pay (retirement) and jubilee benefit are in accordance with local legislations and other applicable regulations.

The probability of an employee staying with the Group includes both the probability of death and the probability of employment relationship termination.

Provisions for employee benefits are the net present value of the Group's future liabilities (calculated based on the above assumptions) proportionate to the years of service in the Group (the projected unit credit method). The applied discount rate is based on the yield of long-term government bonds of individual countries where Group members are domiciled.

Assumptions relating to future increases in salaries, severance pay (retirement) and jubilee benefits, as well as those relating to employee turnover depend on developments in Group companies and in markets where such companies operate. Employee benefits are only calculated for the Group companies where this is required under local legislation or internal regulations.

# financial liabilities are measured at amortised cost.

 $25.4.28 \; Other$  Other financial liabilities include liabilities to banks regarding borrowings and

25.4.29 Other Liabilities are initially recognised at amounts recorded in the relevant doculiabilities ments. Subsequently, they are increased or decreased in line with documents or decreased through payments. Other liabilities comprise: liabilities for claims and outwards retrocession premiums, liabilities for claims arising out of inwards reinsurance contracts, liabilities for retained deposits, amounts due to employees, amounts due to clients and other short-term liabilities.

25.4.30 Net premiums Premiums earned are accounted for on an accrual basis, taking into account earned any increase in economic benefits in the form of cash inflows or increases in assets. The following are disclosed separately: gross insurance and reinsurance premiums, co-insurance and retrocession premiums, and unearned premiums. These items are used to calculate net premiums written in the income statement. Revenues are recognised based on confirmed insurance and reinsurance accounts or insurance and reinsurance contracts.

> Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Group has yet to receive reinsurance accounts. Net premiums earned are calculated based on invoiced gross reinsurance premiums less invoiced premiums retroceded, both adjusted for the movement in gross unearned premiums and the change in reinsurers' share of unearned premiums. Premiums earned are estimated based on individual reinsurance contracts.

25.4.31 Net claims Claims and benefits incurred are accounted for on an accrual basis, taking incurred into account any decrease in economic benefits in the form of cash outflows or decreases in assets. Net claims incurred comprise gross claims paid net of recourse receivables and reinsured claims, i.e., amounts invoiced to retrocessionaires. The amount of gross claims paid includes any change in the claims provision. Also included are estimated gross claims, retrocession claims and (gross and retroceded) claims provisions; claims estimates are made on the basis of reinsurance contracts so that, according to due dates, such claims have already been incurred although the Group has yet to receive reinsurance accounts. Claims incurred are estimated based on estimated premiums and combined ratios for individual reinsurance contracts concluded. These items are used to calculate net claims incurred in the income statement.

# investments in associate

25.4.32 Income from Income from investments in associates comprises the share of profits of associand expenses for ates calculated using the equity method. Expenses for investments in associates comprise the share of loss of the associates calculated using the equity method.

# income and expenses

25.4.33 Investment The Group records investment income and expenses separately by source of funds, that is separately for the capital fund, the liability fund and the life insurance liability fund. The capital fund comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions; and the life insurance liability fund comprises assets supporting mathematical provisions.

> Investment income comprises dividends (income from shares), income from land and buildings (investment property), interest income, income arising from changes in fair value, income arising from reversals of value adjustments (impairment) on debt instruments available-for-sale, and gains on the disposals of investments.

> Investment expenses comprise interest expenses, losses on disposals of investments and expenses due to impairments of available for sale investments and financial assets carried at cost or amortised cost and expenses due to change in fair value.

> The mentioned income and expenses are disclosed depending on how the underlying investments are classified, i.e., investments held to maturity, at fair

value through profit or loss, available for sale, loans and receivables, or investment property.

Interest income and expenses are recognised in the income statement using the effective interest rate method. Dividend income is recognised in the income statement when payout is authorised. Income and expenses arising from changes in fair value relate to unrealised gains and losses on financial assets classified as at fair value through profit or loss and financial assets classified as held for trading. Gains and losses on the disposal of investments represent the difference between the carrying amount of a financial asset and its sale price, or between its cost less impairment, if any, and sale price in the case of investments available for sale.

# 25.4.34 Operating Operating expenses comprise:

- expensesacquisition costs;change in deferred acquisition costs;
  - other operating expenses classified by nature are as follows:
    - a. depreciation of operating assets,
    - b. labour costs including employee salaries, social and pension insurance costs and other labour costs,
    - c. remuneration of the supervisory board and audit committee; and payments under contracts for services,
    - d. other operating expenses relating to services and materials.

25.4.35 Other Other technical income comprises income from reinsurance commission less technical income the change in deferred acquisition costs relating to reinsurers, and is recognised based on confirmed reinsurance accounts and estimated commission income taking into account straight-line amortisation.

25.4.36 Income tax Income tax expense for the year comprises current and deferred tax. Current expense income tax is presented in the income statement, except for the portion relating to the items presented in equity. The same applies to deferred tax. Current tax is payable on the taxable profit for the year using the tax rates enacted by the date of the statement of financial position, as well as on any adjustments to tax liabilities of prior periods. Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax amount is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates that have been enacted by the date of the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

> The Group income tax expense has been determined in accordance with the requirements of each member's local legislation. Statutory tax rates in various countries range from 9% to 20%.

# on operating segments

25.4.37 Information 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) is a group composed of management board members, director of finance and accounting, director of controlling, and director of risk management. CODM can monitor quarterly the results of operations by segments. These results include technical results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions. 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 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.

* 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.

Asset items by operating segment

	Reinsurance business	siness	Non-life insurance business	nce business	Life insurance business	business	Other		Total	
(EUR)	2012	2011	2012	2011	2012	102	2012	102	2012	2011
Assets	367,940,913	324,390,658	209,558,843	199,403,883	59,839,087	54,393,766	3,252,893	3,848,719	640,591,738	582,037,026
Intangible assets	14,771,840	14,798,304	1,634,893	1,818,388	280,234	233,455	1,080,976	1,424,672	17,767,943	18,274,819
Property and equipment	2,454,001	2,367,170	15,838,842	15,434,217	4,331,098	4,774,256	1,959,438	1,927,692	24,583,379	24,503,335
Deferred tax assets	1,900,320	4,064,272	0	342,089	28,816	121,052	0	0	1,929,136	4,527,413
Investment property	156,253	158,586	4,785,758	5,749,289	163,291	163,571	0	0	5,105,302	6,071,446
Financial investments in associates	55,014,558	48,833,915	251,093	251,093	0	0	0	0	55,265,651	49,085,007
Financial investments:	208,205,429	197,848,194	116,755,667	105,254,648	25,284,716	11,807,711	0	277,810	350,245,812	325,188,363
<ul> <li>Loans and deposits</li> </ul>	45,478,509	46,959,936	51,832,055	52,715,874	9,037,618	7,212,843	0	148,490	106,348,182	107,037,143
Held to maturity	5,118,283	7,513,050	7,322,197	5,012,364	4,123,001	2,895,100	0	0	16,563,481	15,420,514
Available for sale	157,019,599	143,375,208	56,244,977	44,238,494	11,014,584	10,269,917	0	129,320	224,279,160	198,012,939
<ul> <li>At fair value through profit or loss</li> </ul>	589,038	0	1,356,438	3,287,916	1,109,513	1,429,851	0	0	3,054,989	4,717,767
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	27,623,903	24,138,957	0	0	27,623,903	24,138,957
Reinsurers' share of technical provisions	9,906,763	-4,090,283	27,479,251	25,645,091	43,856	53,573	0	0	37,429,870	21,608,381
Receivables	66,337,124	52,660,725	31,827,463	31,889,275	720,669	1,612,427	140,474	104,422	99,025,730	86,266,849
Receivables arising out of primary insurance business	0	0	25,357,563	26,008,992	329,820	333,614	0	0	25,687,383	26,342,606
• Receivables arising out of reinsurance and co-insurance business 53,767,568	53,767,568	51,933,491	9/1,11/	764,793	560	636	0	0	54,479,304	52,698,920
Tax receivables	1,840,414	0	273,940	294,490	0	0	0	1,148	2,114,354	295,638
Other receivables	10,729,142	727,234	5,484,784	4,821,000	390,289	7,278,177	140,474	103,274	16,744,689	6,929,685
Deferred acquisition costs	7,917,639	7,405,455	7,949,404	8,154,835	191,658	378,159	0	0	16,058,701	15,938,449
Other assets	264,314	190,408	747,548	1,094,523	105,787	54,058	29,047	0	1,146,696	1,338,989
Cash and cash equivalents	1,012,672	153,912	1,948,311	3,385,873	1,054,547	1,056,547	42,958	114,123	4,058,488	4,710,455
Non-current assets held for sale	0	0	340,613	384,562	215,01	0	0	0	351,125	384,562

122 Annual Report 2012

Equity and liabilities items by operating segment

	Reinsurance business	usiness	Non-life insurance business	nce business	Life insurance business	business	Other		Total	
(EUR)	2012	2011	2012	102	2012	2011	2012	2011	2012	2011
Equity and liabilities	455,303,441	406,401,486	145,476,989	139,528,400	42,345,774	38,775,342	-2,534,464	-2,668,201	640,591,737	582,037,026
Equity	193,214,573	172,773,508	-14,459,376	-18,643,303	-4,812,690	-3,350,301	-2,589,064	-2,699,852	171,353,442	148,080,050
Share capital	39,069,099	39,069,099	0	0	0	0	0	0	39,069,098	39,069,098
Capital reserves	25,689,938	25,754,690	0	0	4	4	-337,297	-337,297	25,352,645	25,417,397
Profit reserves	92,359,341	87,556,850	4,229,941	2,350,716	336,491	335,515	0	0	96,925,773	90,243,081
Treasury shares	-1,774	-1,774	0	0	0	0	0	0	-1,774	-1,774
Fair value reserve	1,464,206	-9,577,435	208,009	-786,623	-144,526	-453,733	0	8,053	1,527,689	-10,809,738
Retained earnings	30,253,712	22,756,694	-20,155,571	-17,274,100	-4,264,106	-2,673,080	-1,817,218	69,035	4,016,817	2,878,547
Net profit/loss for the period	4,371,655	7,200,192	2,445,672	-2,277,158	-1,368,989	-1,591,020	13,469	-2,185,007	5,461,807	1,147,011
Translation reserve	15,192	15,192	-1,735,406	511,312,115	-846,244	-664,521	-448,019	-376,558	-3,014,477	-2,338,002
Equity attributable to owners of the controlling company	193,221,369	172,773,508	-15,007,355	-19,299,280	-6,287,370	-5,046,835	-2,589,065	-2,821,774	169,337,580	145,605,620
Non-controlling interest in equity	0	0	537,994	655,977	1,477,868	1,696,535	0	121,921	2,015,862	2,474,430
Subordinated liabilities	31,244,573	31,220,817	0	0	0	0	0	0	31,244,573	31,220,817
Technical provisions	194,307,091	162,184,998	147,407,872	141,608,498	18,433,253	17,081,646	0	0	360,148,216	320,875,142
<ul> <li>Unearned premiums</li> </ul>	36,718,702	33,290,100	53,567,417	53,660,457	405,761	379,712	0	0	90,691,880	87,330,269
<ul> <li>Mathematical provisions</li> </ul>	0	0	0	0	17,767,312	16,503,688	0	0	17,767,312	16,503,688
<ul> <li>Provision for outstanding claims</li> </ul>	157,537,505	128,442,010	90,403,112	85,190,619	260,180	198,246	0	0	248,200,797	213,830,875
<ul> <li>Other technical provisions</li> </ul>	50,884	452,888	3,437,343	2,757,422	0	0	0	0	3,488,227	3,210,310
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	27,040,864	23,673,423	0	0	27,040,864	23,673,423
Other provisions	324,745	143,730	919,290	573,772	106,964	77,323	0	781	1,350,999	795,606
Deferred tax liabilities	0	0	0	0	0	0	3,498	0	3,498	0
Other financial liabilities	205	731	2,368,228	5,781,344	670,000	0	132	0	3,038,565	5,782,075
Liabilities from operating activities	34,449,993	38,805,108	2,002,572	2,428,776	174,637	238,440	10,821	13,700	36,638,022	41,486,025
<ul> <li>Liabilities from primary insurance business</li> </ul>	0	0	1,396,180	1,261,083	110,583	136,321	0	0	1,506,763	1,397,404
Liabilities from reinsurance and co-insurance business	34,449,993	37,120,019	499,259	498,844	2,108	2,318	0	0	34,951,358	37,621,182
<ul> <li>Current income tax liabilities</li> </ul>	0	1,685,089	17,234	682,549	61,946	108,86	720	0	179,900	2,467,439
Other liabilities	1,762,261	1,272,594	7,238,403	7,779,313	732,746	1,054,811	40,149	0/1,71	9,773,559	10,123,890

Fig.   Part			2012 120,894625 125,229,575 125,229,575 4,166,896 -168,054	2011 120,942,876 126,271,106	2012	2011	2012	0	2012	2011
111,862,026         101,463,893         120,894,657         120,944,876           and colnisurers         192,119,123         119,261,863         125,229,575         126,271,106           and colnisurers         -16,426,092         20,020,451         4,166,896         -4,344,976           and colnisurers         -16,426,092         20,020,451         -166,094         -6,434,976           course receivables         -69,441,921         -16,049,96         -4,344,976         -4,444,976           course receivables         -69,441,921         -7,17,481         -16,049,96         -4,444,976           course receivables         -69,441,921         -7,17,481         -16,04,96         -4,444,976           policyholders who bear the investment risk (4)         0         0         0         -0,63,96,96         -4,447,471         -4,475,63         -4,477,63           policyholders who bear the investment risk (4)         0         0         0         0         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63         -4,477,63			125,229,575 125,229,575 125,229,575 -4,166,896	<b>120,942,876</b> 126,271,106		12,792,441	c	0		
and co-insurers 192119,123 119,261,859 112,229,575 126,271,106 and co-insurers 16,426,092 2-0,09,451 4,166,896 175,210,67 175,449 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,491 175,		119,261 119,261 20,030 2,172,48 <b>-65,973</b> 159,831,11 7,322,11 7,322,11 13,464,	125,229,575 125,229,575 -4,166,896 -168,054	126,271,106	15,407,575		,		246,224,224	235,139,209
and coinsurers 1924,092 20,090,451 4,166,896 4,344,976 16,426,092 20,090,451 4,166,896 4,344,976 17,6426,092 20,090,451 4,166,896 4,344,976 18,381,005 21,724,81 16,80,54 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382,34 19,382		119,26i 2,172,48 65,973 65,973 7,322,11 13,464 0	125,229,575 -4,166,896 -168,054		13,414,495	12,882,226	0	0	270,763,193	258,415,194
and coinsurers			-4,166,896	126,271,106	13,414,495	12,882,226	0	0	270,763,193	258,415,194
course receivables         -3,831.00y         2,172.481         -168.094         -9,83.54           course receivables         -69,441.921         -59,831.945         -66,689.964         -64,217,563           reduce cereivables         -69,441.921         -59,831.945         -66,689.964         -64,217,563           reduce cereivables         -4,430.412         7322.111         978,771         1,247,262           policyholders who bear the investment risk (4)         o         o         o         0         -4,360.58         -4,316.53         944,778           policyholders who bear the investment risk (4)         o         o         o         0         -4,326.05         -1,247.26         944,778           policyholders who bear the investment risk (4)         o         o         o         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0		SO _	-168,054	-4,344,976	-34,412	-30,706	0	0	-20,627,400	-24,406,133
course receivables         -59,239,96         -64,447,451         -65,573,835           rounse receivables         -69,441,921         -59,831,945         -60,689,964         -64,217,563           roding claims         -14,215,059         -13,464,142         -4736,058         -1,247,262           policyholders who bear the investment risk (4)         o         o         o         o           211,664         -207,816         -1,384,071         -1,548,494           211,664         -207,816         -1,384,071         -1,548,494           211,664         -207,816         -1,384,071         -1,548,494           211,664         -207,816         -1,384,071         -1,548,494           21,664         -207,816         -1,384,071         -1,548,494           21,664         -21,051,31         -3,403,76         -1,548,494           21,664         -21,051,32         -3,451,394         -1,548,494           21,664         -21,051,32         -3,451,396         -3,541,397           22,595,621         -21,051,32         -3,561,32         -3,541,397           22,595,621         -2,105,123         -3,694,67         -1,458,497           22,595,621         -2,105,123         -3,105,124         -1,105,124		∞		-983,254	87,490	-59,079	0	0	-3,911,569	1,130,148
rounse receivables 44904192 7,322,111 978,571 1,247,262  44904192 7,324,111 978,771 1,247,262  moling claims 14,25,039 1,3464,142 1,4736,098 2,781,534  policyholders who bear the investment risk (4) 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		7.322,17 7.322,17 13,464 -263 0 0	-64,447,451	-65,751,835	-6,213,480	-4,442,354	0	0	-149,887,499	-136,168,165
adding claims         4490412         7,322,111         998,571         1,247,262           (3)         384,357         -263         -4,4652         2-781,534           policyholders who bear the investment risk (4)         o         o         o         o           policyholders who bear the investment risk (4)         o         o         o         o           policyholders who bear the investment risk (4)         o         o         o         o         o           collection         -21,664         -207,816         -1,384,071         -1,548,494         -1,548,494           collection         -21,664         -207,816         -1,384,071         -1,548,494         -1,548,494           collection         -21,664         -207,816         -1,384,071         -1,548,494         -1,548,494           collection         -21,658,534         5,241,763         0         0         0         0           cd associates         3,809,245         5,241,763         0         5,246,580         5,241,763         0         0         5,156,439           ed associates         3,809,245         5,241,763         0         0         5,156,439         0         0         5,156,439         0         1,1662,700         0 <td></td> <td>7,322,1'</td> <td>-60,689,964</td> <td>-64,217,563</td> <td>-6,145,420</td> <td>-4,327,331</td> <td>0</td> <td>0</td> <td>-136,277,305</td> <td>-128,376,839</td>		7,322,1'	-60,689,964	-64,217,563	-6,145,420	-4,327,331	0	0	-136,277,305	-128,376,839
134,315,059         13,464,142         4,736,058         2,781,534           130 moling claims         384,337         -263         784,632         944,778           policyholders who bear the investment risk (4)         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o         o		-263 0 0 -34,851	978,571	1,247,262	0	0	0	0	5,408,983	8,569,373
(3)         384,357         -263         784,632         944,778           policyholders who bear the investment risk (4)         o         o         o         o           211,664         -20,816         -1,384,071         -1,548,494         -1,384,071         -1,548,494           4428,440         4,125,317         -340,376         2,267,544         -1,384,071         -1,548,494           4428,440         4,125,317         -340,376         2,267,524         -3,56,494         -1,384,071         -1,548,494           4428,440         4,125,317         -3,40,376         2,267,524         -3,56,494         -1,548,494         -1,548,494           4428,440         4,125,317         -3,40,376         2,56,580         -8,756,890         -8,756,890         -8,756,890         -8,756,890         -8,756,890         -8,756,890         -8,756,890         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8,756,439         -8	0		-4,736,058	-2,781,534	-68,060	-115,023	0	0	7/1,610,61-	-16,360,699
o o o o  y 1,426,091	384,357		-784,632	944,778	-1,286,319	-1,299,145	0	0	-1,686,594	-354,630
37,426,091         34,831,314         44,003,692         46334,976           211,664         -207,816         -1,384,071         -1,548,494           4,428,440         4,125,317         2,340,376         2,267,524           5,46+7)         -2,595,621         -2,105,123         8,572,280         8,756,890           5,64+7)         -2,573,457         2,598,534         5,326,946         3,311,517           5,645,10         3,809,245         5,241,763         0         0           5,10,00         3,809,245         5,241,763         0         0           5,10,0         0         0         0         0         0           5,10,0         0         0         0         4,137,035         0           5,10,0         0         0         0         5,156,439         0           5,10,0         0         0         0         5,156,439         0         0         5,156,439         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0         0			0	0	-3,475,311	-23,713	0	0	-3,475,311	-23,713
-3.1,5644 -207,816 1,384,071 1,548,494  4,428,440 4,125,317 2,340,376 2,265,524  -5+6+7) -2,553,621 2,105,123 8,672,280 3,756,820  es (8) 3,809,245 5,241,763 0 0 0  ed associates 3,809,245 5,241,763 0 0 0  ed associates 3,809,245 5,241,763 0 0 0  es (10) 0 0 0 0 0  7,264,510 0 0 0 5,136,439  es (10) 0 0 0 0 0 5,136,439  es (10) 0 0 0 0 0 0 5,136,439  es (10) 0 0 0 0 0 0 0 0 0 0 0  1,244,451 0 0 0 0 0 0 0 0 0 0 0  1,244,451 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	-37,426,0	2.9 500	-44,003,692	-46,334,976	-6,070,631	-6,531,660	-226,677	-203,168	-87,727,091	-87,921,117
4428,440       4,125,317       2,340,376       2,267,524         5+6+7)       -2,595,621       -2,105,123       -8,672,280       -8,756,850         5+6+7)       -2,595,621       -2,105,123       -8,672,280       -8,756,850         5es (8)       3,809,245       5,241,763       0       0         ed associates       3,809,245       5,241,763       0       0         following       5,241,763       0       0       0         following       6,888,256       5,302,622       4,737,035         es (10)       0       0       0       -5,156,439         illities (11)       -6,741,010       -6,414,169       -1,244,451       -1,662,270         illities (11)       -6,741,010       -6,414,169       -1,244,451       -2,593,68         s (10)       -1,485,02       -1,762,193       -16,113       603,771         s (10)       -1,762,193       -1,644,719       603,771         s (10)       -5,974       -5,974       -5,974         s (10)       -5,974       -7,794,999       -2,575,819         s (10)       -5,974       -7,949,99       -2,575,819	-211,664	20/,010	-1,384,071	-1,548,494	-185,643	-147,549	-20,217	-8,509	-1,801,595	-1,912,368
2-595,621         2-105,123         %,672,280         %,725,89         %,725,89         %,725,89         %,725,89         %,725,89         %,725,84         %,725,84         %,725,84         %,725,84         %,725,84         %,725,84         %,725,94         %,725,94         %,725,94         %,725,94         %,725,94         %,725,94         %,725,94         %,725,94         %,725,94         %,725,94         %,725,93         %,725,93         %,725,93         %,725,93         %,725,93         %,725,93         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193         %,725,193 <t< td=""><td>4,428,44</td><td></td><td>2,340,376</td><td>2,267,524</td><td>98,870</td><td>32,965</td><td>0</td><td>0</td><td>6,867,686</td><td>6,425,806</td></t<>	4,428,44		2,340,376	2,267,524	98,870	32,965	0	0	6,867,686	6,425,806
es (8)         2.573,477         2.598,534         5,326,946         3,311,517           es (8)         3,809,245         5,241,763         o         o           ed associates         3,809,245         5,241,763         o         o           ed associates         3,809,245         5,241,763         o         o           p.988,708         8,100,267         6,742,56         5,938,202           es (10)         o         0         5,156,439           es (10)         o         0         5,156,439           eithies (11)         -6,741,010         -6,441,69         -1,244,431         -1,662,270           elitries (11)         -6,741,010         -6,441,41         -1,662,270         -259,368           elitries (11)         -6,744,502         -1,762,193         -16,11,52         -259,368           elitries (11)         -6,744,502         -1,762,193         -16,11,152         -259,368           elitries (11)         -1,448,502         -1,762,193         -16,11,152         -259,368           elitries (11)         -1,748,502         -1,762,193         -16,11,152         -259,368           elitries (11)         -1,762,193         -16,11,152         -259,368         -259,368	-2,595,62		-8,672,280	-8,756,850	-288,095	-79,030	0	0	966'555'11-	-10,941,003
es (8) es (8) es (8) es (8) es (8) es (10) es		2,598,534	5,326,946	3,311,517	-3,767,393	449,504	-226,677	-203,168	1,240,581	6,156,387
ed associates 3,809,245 5,241,763 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	3,809,24		0	0	0	0	0	0	3,809,245	5,241,763
es (10)         8,100,267         6,742,36         5,938,202           es (10)         0         6,888,256         5,302,622         4,737,035           es (10)         0         0         5,136,439           illities (11)         6,741,010         -6,441,69         -1,244,451         -1,662,270           r.1,48,502         -1,762,193         -16,1152         -259,368           r.1,648,502         -1,762,193         -16,1152         -259,368           r.1,648,502         -1,762,193         -16,44,19         603,771           r.1,648         -5,974         -97,388         -261,897           r.1,648         -5,974         -97,388         -21,57,819           r.1,648         -5,974         -791         761,832         -2,57,819		5,241,763	0	0	0	0	0	0	3,809,245	5,241,763
es (10)	9,988,70		6,742,256	5,938,202	4,979,326	3,733,896	0	8,159	062,017,12	17,780,524
1,156,439   0	7,264,510	6,888,256	5,302,622	4,737,035	1,070,027	1,078,567	0	8,159	13,637,159	12,712,017
ilities (11)  -6,741,010  -6,414,169  -1,244,451  -1,448,502  -1,762,193  -1,144,451  -1,662,270  -1,448,502  -1,762,193  -1,162,270  -259,368  -259,368  -269,27,861  -26,298  -26,298  -26,298  -26,298  -26,298  -26,298  -26,298  -24,571  -26,298  -26,298  -26,298  -26,298  -26,298  -26,298  -26,298  -26,298  -26,298	0	0	0	-5,156,439	-340,254	0	0	0	-340,254	-5,156,439
ilities (11)         -6,44,161         -1,244,451         -1,662,270           -1,448,502         -1,762,193         -16,152         -259,368           7,056,943         6,927,861         5,497,805         -880,507           26,298         6,091         1,644,719         603,771           1)         17,648         -5,974         -97,388         -261,897           -5         -908         -779,499         -2,557,819           43,941         -791         767,832         -2,257,819	0	0	0	-5,156,439	-340,254	0	0	0	-340,254	-5,156,439
1,448,502       -1,762,193       -161,152       -259,368         7,056,943       6,927,861       5,497,805       -880,507         26,298       6,091       1,644,719       603,771         17,648       -5,974       -97,388       -261,897         5       -908       -779,499       -2,557,819         43,941       -791       767,832       -2,215,945		-6,414,1	-1,244,451	-1,662,270	-2,675,457	-6,088,317	-268	0	-10,661,186	-14,164,756
7,056,943 6,927,861 5,497,805 -880,507 26,298 6,091 1,644,719 603,771 17,648 -5,974 -97,388 -261,897 -5 -908 779,499 -2,557,819	.1,448,50		-161,152	-259,368	-19,724	-47,812	-268	0	-1,629,646	-2,069,373
26,298       6,091       1,644,719       603,771         17,648       -5,974       -97,388       -261,897         -5       -908       -779,499       -2,557,819         43,941       -791       767,832       -2,215,945	7,056,94	6,927,8	5,497,805	-880,507	1,963,615	-2,354,421	-268	8,159	14,518,095	3,701,092
17,648 -5,974 -97,388 -261,897 -5 -908 -779,499 -2,557,819 43,941 -791 767,832 -2,215,945	26,298	6,091	1,644,719	172,609	76,806	13,378	145,878	138,850	1,893,701	762,087
-5 -908 -779.499 -2.557,819 43.941 -791 767,832 -2.215,945	17,648	-5,974	-97,388	-261,897	0	0	0	o	-79,740	-267,870
43,941 -791 767,832 -2,215,945	-5	806-	-779,499	-2,557,819	-11,262	-67,722	-3,810	-5	-794,576	-2,626,450
	43,941	167-	767,832	-2,215,945	65,544	-54,344	142,068	138,848	1,019,385	-2,132,233
D) Profit/loss before tax (A + B + C) 4,527,427 9,525,604 11,592,583 215,065 -1,738,234	4,527,427	9,525,604	11,592,583	215,065	-1,738,234	-1,959,261	-84,877	-56,161	14,296,899	7,725,247
E) Income tax expense -1,599,278 -2,645,030 -873,637 -946,315 -31,309	372,995,1-		-873,637	-946,315	-31,309	-67,500	-4,218	0	-2,508,442	-3,658,845
F) Net profit/loss for the period (D+E) -1,769,543 6,880,574 10,718,946 -731,250 -1,769,543	2,928,149		10,718,946	-731,250	-1,769,543	-2,026,761	-89,095	-56,161	11,788,457	4,066,402

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	Reinsurance business	business	Non-life ins	Non-life insurance business	Life insura	Life insurance business	Other		Consolidation		Total	
(EUR)	2012	102	2012	102	2012	2011	2012	102	2012	102	2012	102
Net earned premiums	20,708,777	20,708,777 21,088,507	168,090	140,052	0	0	0	0	-20,876,867	-21,228,559	0	0
Net claims incurred	-8,958,350	-8,958,350 -10,853,324	-22,095	-13,263	0	0	0	0	8,980,445	10,866,587	0	0
Operating expenses	-5,247,175	-4,438,165	-136,364	-73,130	-44,519	-39,720	0	-9,573	5,428,058	4,560,588	0	0
Investment income	411,353	580,563	-167,697	0	0	0	0	0	-243,656	-580,563	0	0
Other income	5,515	82,029	6,200	18,007	-795	263	102,564	0	-113,484	-100,299	0	0

# Cost of intangible and property and equipment assets by operating segment

	Reinsuran	Reinsurance business	Non-life in:	Non-life insurance business	Life insura	Life insurance business	Other		Total	
(EUR)	2012	2011	2012	2011	2012	2011	2012	1102	2012	2011
Investments in intangible assets	41,113	72,943	499,458	1,007,747	118,964	141,413	0	301	659,535	1,222,404
Investments in property and equipment	246,823	67,598	1,752,637	2,036,066	10,296	325,028	349,018	33,341	2,358,774	2,462,033

Group insurance operations are focused on Slovenia and the Western Balkans (Serbia, Croatia, Montenegro, Macedonia and Kosovo), while its reinsurance operations are expanded to Asia.

## Reporting by geographic segment 2012

(EUR)	Gross premit	ums written	Long-term as	sets
	2012	2011	31 Dec 2012	31 Dec 2011
Slovenia	124,988,851	134,331,179	7,195,668	7,351,161
Europe	97,982,321	97,503,810	36,143,786	37,321,683
• Austria	4,097,739	4,962,670	0	0
Czech Republic	3,815,011	2,159,557	0	0
Montenegro	10,904,882	10,349,186	0	0
• Croatia	11,429,610	11,182,215	0	0
• Italy	7,720,397	5,951,384	0	0
• Kosovo	11,994,141	15,087,751	0	0
Macedonia	11,266,746	12,556,720	0	0
Russian Federation	4,221,511	3,121,396	0	0
• Serbia	12,876,570	13,515,861	0	0
• Sweden	4,095,451	2,227,971	0	0
Other Europe	15,560,263	16,389,100	0	0
Asia	43,454,100	23,806,654	0	o
• Israel	3,197,780	3,016,992	0	0
• Japan	4,323,865	2,272,442	0	0
South Korea	10,865,071	6,691,962	0	0
• China	9,827,088	5,687,685	0	0
• Malaysia	8,361,934	3,690,129	0	0
Other Asia	6,878,362	2,447,443	0	0
Africa	2,435,745	2,317,761	0	0
Americas and Australia	1,902,177	455,791	0	0
Total	270,763,193	258,415,194	43,339,454	44,672,844

# 25.5 Changes in accounting policies and correction of errors

In 2012, the Group introduced no material changes in accounting policies nor corrected any errors.

# 25.6 New standards and interpretations not yet effective

The following new standards and interpretations as adopted by the European Union were not yet effective at 31 December 2012 and have not been applied in preparing these financial statements:

# Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

(Effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Earlier application is permitted.) The Group does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities.

# IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements

(Effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.) This Standard is to be applied retrospectively when there is a change in control conclusion.

The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

## **IFRS 11 Joint Arrangements**

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted if IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.) The Group does not expect IFRS 11 to have a material impact on the financial statements since it is not a party to any joint arrangements.

### IFRS 12 Disclosure of Interests in Other Entities

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted.)

The Group does not expect the new Standard will have a material impact on the financial statements.

## IFRS 13 Fair Value Measurement

(Effective prospectively for annual periods beginning on or after 1 January 2013. Earlier application is permitted.)

The Group does not expect IFRS 13 to have a material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

# Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

(Effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively. Earlier application is permitted.)

The impact of the initial application of the amendments will depend on the specific items of other comprehensive income at the date of initial application.

## Amendments to IAS 12: Income Tax: Recovery of Underlying Assets

(Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Earlier application is permitted.)

The Group does not expect the amendments to have any impact on the financial statements, since they do not result in a change in the Group's accounting policy.

## IAS 19 (2011) Employee Benefits

(Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply. Earlier application is permitted.) The amendments are not relevant to the Group's financial statements, since the Group does not have any defined benefit plans.

## IAS 28 (2011) Investments in Associates and Joint Ventures

(Amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.)

The entity does not expect the amendments to the Standard to have a material

impact on the financial statements since after the takeover of the larger of the two associate companies in 2013, it will have only one associate company (much smaller in size).

## Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted; however, the additional disclosures required by Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities must also be made.)

The Group does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

# 25.7 Risk management

The most important risks that the Group members are exposed to are underwriting risks (underwriting process risk, pricing risk, claims risk, net retention risk, reserving risk and risks associated with the retrocession programme and life insurance business), market risks (interest rate risk, equity securities risk, currency risk, concentration risk and asset-liability mismatch risk), insolvency risk, liquidity risk, credit risk and operational risk. To illustrate concentration risk for insurance contracts, a table showing a breakdown of insurance premium by geographical segments is provided in section 25.4.37 "Information on operating segments".

25.7.1 Insolvency risk The Group must have, in accordance with the law, adequate capital in view of the amount and type of (re)insurance businesses carried out. The capital of each cash-generating unit must be at all times at least equal to capital adequacy requirements calculated using the higher of the premium ratio or loss ratio, or must be at least equal to the minimum prescribed amount if the result based on the premium or loss ratio is smaller.

> The Group is deemed to meet capital adequacy requirements if the available solvency margin is higher or equal to the sum of required solvency margins of the controlling company and the corresponding required solvency margin of subsidiaries. The Group met capital adequacy requirements through all of 2012, as it maintained a surplus of available solvency margin over required solvency margin.

> As at 31 December 2012, its available solvency margin was EUR 142.8m (31 December 2011: EUR 136.2m). The Group's available solvency margin highly exceeds the required solvency margin of EUR 58.5m (31 December 2011: EUR 56.8m), despite the fact that when calculating its adjusted solvency, the Group deducts from the available solvency margin the required solvency margin of the controlling company and the proportionate shares of the required solvency margins of subsidiaries (but not the equity investments in subsidiaries).

# inadequacy associated with the recapitalisation Company

25.7.1.1 Risk of capital There is a risk that Sava Reinsurance Company's recapitalisation may not be successful. Public offerings of new shares are subject to a number of factors that are out of Sava Reinsurance Company's control. Among other factors, the demand for shares largely depends on investors' expectations from the of Sava Reinsurance industry, the Republic of Slovenia and other markets where the issuer operates, as well as on legal and financial conditions that form the basis of its operation. Should the recapitalisation of Sava Reinsurance Company be unsuccessful, its investment in Zavarovalnica Maribor would become subject to the provisions of the contract signed between Sava Reinsurance Company and the Slovenian Restitution Fund (hereinafter "SRF").

The management considers that the recapitalisation will be successful.

On 10 December 2012 Sava Reinsurance Company and SRF signed the "Agreement on the rights associated with Zavarovalnica Maribor shares" ("the Sava Re and SRF contract"), with which SRF granted Sava Reinsurance Company the right to purchase all SRF shares in Zavarovalnica Maribor (i.e., 4,882,813 Zavarovalnica Maribor shares) ("call option"), and Sava Reinsurance Company granted SRF the entitlement to sell all SRF shares in Zavarovalnica Maribor ("put option").

Sava Reinsurance Company's call option is exercisable for five years from the day the contract concluded between Sava Re and SRF entered into force; consideration for one call option is EUR 10.24 (i.e. the same as the price per Zavarovalnica Maribor share under the purchase and sale agreement) plus 10% annual interest rate from the day of execution under the purchase and sale agreement until the day of payment of exercised call option less Zavarovalnica Maribor dividends with interest received in the intermediary period.

SRF can exercise its put option after the expiry of 30 days from Sava Reinsurance Company's successful increase in share capital for the issue price totalling not more than EUR 55m, but not later than on 30 September 2013. Consideration for one put option is EUR 10.24, i.e. the same as the price per Zavarovalnica Maribor share under the purchase and sale agreement, plus 9% annual interest rate from the day of execution under the purchase and sale agreement until the day of payment of exercised put option less Zavarovalnica Maribor dividends with interest received in the intermediary period. The options associated with the acquisition of shares of Zavarovalnica Maribor have a value of nil as at 31 December 2012.

The Sava Re and SRF contract provides for several safety nets to ensure that SRF does not remain a Zavarovalnica Maribor shareholder if the increase in Sava Reinsurance Company's share capital is not successful. The first safety measure is the joint sale of all Zavarovalnica Maribor shares, and the second one (if such a procedure is not successful) is another put option for SRF.

If (a) the increase in Sava Reinsurance Company's share capital has not been successfully carried out by 1 October 2013, or if neither Sava Reinsurance Company nor a third party buys from SRF a part or all of Zavarovalnica Maribor shares despite SRF having exercised the above-mentioned put option, and (b) on this day SRF still owns option shares, SRF shall be entitled to request from Sava Reinsurance Company and Sava Reinsurance Company shall agree to sell together all Zavarovalnica Maribor shares owned by Sava Reinsurance Company and SRF on 1 October 2013. In this case the sales procedure will be performed in accordance with the contract concluded between Sava Reinsurance Company and SRF with Sava Reinsurance Company retaining the call option for the entire duration of the sales procedure.

If Sava Reinsurance Company or a third party does not buy from SRF all its Zavarovalnica Maribor shares by 31 May 2014 in the joint sale procedure under the contract concluded between Sava Reinsurance Company and SRF, and SRF does not obtain consideration for its Zavarovalnica Maribor shares in any other way, SRF shall have the right to exercise the second put option. SRF shall not be entitled to exercise this put option only if (and to the extent in which) upon the exercise or upon each partial exercise of this put option Sava Reinsurance Company fails to meet at least 160% of the required solvency margin according to the applicable legislation. In this case, a suitable debt financing scheme as defined in the contract concluded between Sava Reinsurance Company and SRF shall be agreed for the period until Sava Reinsurance Company meets the necessary 160% of the required solvency margin.

Sava Reinsurance Company plans to exercise its call option under the contract concluded between Sava Reinsurance Company and SRF immediately after successful share capital increase, as described below, if SRF does not immediately exercise its put option under the contract concluded between Sava Reinsurance Company and SRF.

25.7.2 Underwriting Underwriting risks are risks related to the main activity pursued by insurance risk companies, i.e., the assumption of risks from policyholders. Underwriting risks mainly comprise underwriting process risk (insurance and reinsurance), pricing risk, claims risk, retention risk and reserving risk. Some other underwriting risks, e.g. product design risk, economic environment risk and policyholder behaviour risk, may be relevant. However, these risks are not described in detail in this report as we believe that their effects are indirectly manifested in the main underwriting risks.

> The basic purpose of both non-life and life insurance is the assumption of risk from policyholders. In addition to the risks assumed directly by Group insurance companies, the Group also assumes risks indirectly from cedants. The Group retains a portion of the assumed risks and retrocedes the portion that exceeds its capacity. The Group classifies its insurance and reinsurance contracts as insurance contracts within the meaning of IFRS 4. As it has no contracts that qualify as financial contracts, we give below a detailed description of the risks arising from insurance contracts, as required under IFRS 4.

> Below, we first discuss the underwriting risks associated with non-life insurance and then the underwriting risks associated with life insurance.

# business

25.7.2.1 Underwriting The underwriting process risk is the risk of incurring financial losses caused  $process\ risk-non-life$  by an incorrect selection and approval of risks to be (re)insured. The Group mitigates this risk mainly by complying with established and/or prescribed underwriting procedures (especially with large risks); correctly determining the probable maximum loss (PML) for each risk; complying with internal underwriting guidelines and instructions; complying with the authorisation system; having an appropriate pricing and reinsurance policy in place; and conducting actuarial reviews.

> Most non-life insurance contracts are renewed annually. This allows insurers to amend the conditions and rates to take into account any deterioration in the underwriting results of entire classes of business, and for major policyholders in a timely manner.

> When significant risks are involved, underwriting experts of the controlling company participate in the underwriting process of its subsidiaries. Additionally in respect of risks exceeding the limits set out in the reinsurance treaties, it is vital that adequate facultative reinsurance upgrading the basic reinsurance programme is obtained.

> The Group reduces the underwriting process risk also by ceding it on to retrocessionaires by means of outwards reinsurance contracts.

> The underwriting process risk did not change substantially from 2011 to 2012.

# non-life business

25.7.2.2 Pricing risk - Pricing risk is the risk that insurance and reinsurance premiums charged will be insufficient to cover future obligations arising from insurance and reinsurance contracts. The pricing risk within the Group is mainly monitored by conducting actuarial analyses of loss ratios and identifying their trends and by making appropriate corrections. When premium rates are determined for new products, the pricing risk can be monitored by prudently modelling loss experience, by comparing against others' experience, and by comparing the actual loss experience against the anticipated one.

> With proportional reinsurance contracts, reinsurance premiums depend on insurance premiums that are, as a rule, fixed by cedants. Therefore, the Group manages this risk by having an appropriate underwriting process in place and by adjusting applicable commission rates. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Rates are determined based on target combined ratios; their adequacy is tested by comparing results by form of reinsurance and line of business.

Premium rates are currently still adequate assuming reasonable actuarial expectations of claims movements or loss ratios and expenses or expense ratios as well as rational behaviour of all market participants. However, subsidiaries established outside Slovenia are facing a rising pricing risk due to competition (affecting mainly acquisition costs) and due to state-regulated premiums for compulsory motor third party liability insurance. Therefore, the Group considers the pricing risk to have been moderate in 2012 and similar to that in 2011.

25.7.2.3 Claims risk - Claims risk is the risk that the number of claims or the average claim amount non-life business will be higher than expected. This risk may materialise due to incorrect assessments in the underwriting process, changes in court practice, new types of losses, new human and animal diseases, increased claims awareness, changes in macroeconomic conditions and such like.

> The claims risk is managed through designing appropriate policy conditions and tariffs, appropriate underwriting, controlling risk concentration by site or geographical area and especially through adequate reinsurance and retrocession programmes.

> We consider that there have been no significant changes in the claims risk of 2012 and 2011 if we disregard the fact that there were fewer catastrophic losses due to natural disasters in 2012 than in 2011, which is closer related to the net retention risk than the claims risk.

# risk – non-life business

25.7.2.4 Net retention Net retention risk is the risk that higher retention of insurance loss exposures results in large aggregate losses due to catastrophic or concentrated claims experience. This risk may realise if the limits for the maximum net retention per risk are set at a too high level. This risk may also realise in the event of "shock losses", where a number of insured properties are damaged. This may occur especially through losses caused by natural peril events, which are generally covered by basic or additional fire policies or by a policy attached to an underlying fire insurance policy (e.g., business interruption insurance cover or earthquake policy).

> The Group manages this risk by way of adequate professional underwriting of the risks to be insured, partly by measuring the exposure (by aggregating sums insured) to natural peril events by geographical area, and especially by setting appropriate net retention limits and designing appropriate reinsurance programmes. In managing this risk, we take into account that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event, and by the frequency of such events.

> We consider the net retention risk to have remained in 2012 essentially the same as in 2011 in terms of retention limits and the expected number of catastrophic losses. However, the number of natural catastrophe events in 2012 was smaller than in 2011. Nevertheless, the Group was not seriously impacted by net retention risk thanks to its appropriate net retention limits and retrocession programme, as described under the section on estimated exposure to underwriting risks – non-life business (section 25.7.2.7).

# 25.7.2.5 Reserving risk non-life business

Reserving risk is the risk that technical provisions are inadequate.

When establishing technical provisions, the Group takes into account any underreserved technical provisions identified on the cash-generating unit level.

Therefore, the majority of cash-generating units do not keep reliable multi-year historical data relating to the claims provision by accident year and no split between gross and net amounts is available, especially not for the IBNR provision. Moreover, portfolios in certain classes of insurance are so small that the calculation of claims provisions based on triangles does not reflect statistically typical trends. For this reason, at the end of 2012, year-end data on previous years' claims provisions were collected (partly estimated), and aligned with subsequent estimates of claims provisions for the same (original) future liabilities. Due to the difference in reserving methodologies used in reinsurance and primary insurance business, the run-off analysis was made separately for reinsurance and primary insurance business. Unlike for primary insurance business, the Group cannot use triangles of paid losses based on accident year data for actuarial estimations of loss reserves in respect of reinsurance business. This is because ceding companies report claims under quota share contracts by underwriting years. As claims under one-year policies written during any one year, may occur either in the year the policy is written or in the year after, aggregated data for quota share reinsurance contracts cannot be broken down by accident year. Ceding companies would normally be able to produce this information for other types of reinsurance. However, for quota shares, this would involve a significant increase in the administrative work-load for the ceding companies.

Hence, in line with reinsurance practice, the Group sorts data about claims paid by underwriting year and estimates its liabilities for future underwriting years by using the "chain ladder" method. The estimated liabilities relate to claims that have already been incurred (reported and not reported) the settlement of which is provided for within the claims provision, and claims that have not yet been incurred, the settlement of which is covered by unearned premiums. The claims provision is derived by deducting the unearned premium (calculated separately) from the estimated future liabilities.

Owing to the above, the two tables below show originally estimated gross or net liabilities with claims provisions included at any year-end plus unearned premiums less deferred commission, which is compared to subsequent estimates of these liabilities. Such testing or analysis of whether technical provisions are adequate can only be applied to past years — the further back in time, the more precise the results. As actuarial methods for reserving are applied consistently, we conclude, based on past discrepancies between originally estimated liabilities and subsequently established actual liabilities arising from claims at various statement of financial position dates, that the provisions as at 31 December 2012 are adequate.

# Adequacy analysis of gross technical provisions for past years – reinsurance business

(EUR thousand)	Year end	led 31 Dec	ember			
Estimate of gross liabilities	2007	2008	2009	2010	2011	2012
As originally estimated	119,777	148,075	157,182	163,593	173,525	206,099
Reestimated as of 1 year later	112,684	141,395	141,917	148,272	169,377	
Reestimated as of 2 years later	115,393	138,416	134,336	143,882		
Reestimated as of 3 years later	113,161	135,549	130,827			
Reestimated as of 4 years later	110,972	132,576				
Reestimated as of 5 years later	108,811					
Cumulative gross redundancy	10,967	15,499	26,355	19,711	4,148	
(last estimate – original estimate)						
Cumulative gross redundancy as % of original estimate	9.2%	10.5%	16.8%	12.0%	2.4%	

132 Annual Report 2012

# Adequacy analysis of net technical provisions for past years – reinsurance business

(EUR thousand)	Year end	led 31 Dece	ember			
Estimate of net liabilities	2007	2008	2009	2010	2011	2012
As originally estimated	98,878	111,120	132,543	146,636	156,370	174,480
Reestimated as of 1 year later	93,767	107,719	122,908	133,984	144,939	
Reestimated as of 2 years later	96,301	105,045	114,811	128,919		
Reestimated as of 3 years later	94,514	101,164	110,217			
Reestimated as of 4 years later	91,403	97,054				
Reestimated as of 5 years later	87,892					
Cumulative net redundancy	10,986	14,066	22,327	17,717	11,431	
(last estimate – original estimate)						
Cumulative net redundancy as % of original estimate	11.1%	12.7%	16.8%	12.1%	7.3%	

The cumulative gross redundancy for underwriting year 2011 is relatively small due to an increase in estimated claims relating to the Thai floods by approximately EUR 8.9m on the original estimate, the full increase being covered through retrocession. The cumulative net redundancies for underwriting years 2007–2010, however, increased if compared to amounts at the end of the preceding year, which were 7.6%, 9.0%, 13.4% and 8.6% of original estimates.

The cumulative gross and net redundancy is a result of prudent estimation of liabilities. It is also partly because unearned premiums calculated based on the pro rata temporis rule, less deferred commission, for those classes of business where loss ratios are significantly below 100% are by the very nature of the calculation method too large for the portion relating to the difference between 100% and the subsequently known actual loss ratio. This is also the reason why the reestimate as of 1 year later is quickly decreasing compared to the original estimate, as unearned premiums relating to one-year insurance contracts are largely released in the following year when any redundancy is also released. Subsequent reestimates then remain essentially the same as the second-year estimate; and only after a long time they stabilise.

The adequacy of provisions is established on the cash-generating unit level and any insufficiency is accounted for at the Group level.

Cash-generating units analyse data on claims provisions by accident year, which differs from the analysis of data by underwriting year. The two tables below show an adequacy test/analysis of gross and net claims provisions established by the Group for liabilities under non-life insurance contracts. Amounts were translated from local currencies into euros using the exchange rate prevailing at the end of the year (provisions) or in the middle of the year (claims paid). Net amounts were estimated based on gross amounts considering retention rates, while IBNR provisions were allocated to different years based on the current structure of such provisions by accident years, i.e. based on lag patterns characteristic of the last year included.

## Adequacy analysis of gross claims provisions for past years - non-life insurance business

(EUR thousand)	Year ended	d 31 December				
Gross provision for claims	2007	2008	2009	2010	2011	2012
As originally estimated	53,430	61,552	71,891	77,480	81,003	84,695
Reestimated as of 1 year later	53,849	60,530	64,564	70,462	71,168	
Reestimated as of 2 years later	52,513	58,875	63,101	68,333		
Reestimated as of 3 years later	51,853	58,675	63,396			
Reestimated as of 4 years later	51,761	59,458				
Reestimated as of 5 years later	51,932					
Cumulative gross redundancy	1,498	2,094	8,495	9,147	9,835	
(original estimate – latest estimate)						
Cumulative gross redundancy as % of original estimate	2.8%	3.4%	11.8%	11.8%	12.1%	

## Adequacy analysis of net claims provisions for past years - non-life insurance business

(EUR thousand)	Year ended 31 December						
Net provision for outstanding claims	2007	2008	2009	2010	2011	2012	
As originally estimated	40,252	46,371	56,317	63,174	66,172	68,309	
Reestimated as of 1 year later	41,780	47,106	51,327	57,564	57,100		
Reestimated as of 2 years later	41,559	45,815	50,014	54,166			
Reestimated as of 3 years later	41,190	45,601	49,064				
Reestimated as of 4 years later	41,096	46,148					
Reestimated as of 5 years later	41,033						
Cumulative net redundancy	-782	223	7,252	9,009	9,072		
(original estimate – latest estimate)							
Cumulative net redundancy as % of original estimate	-1.9%	0.5%	12.9%	14.3%	13.7%		

Unearned premiums are established by Group members on a pro rata basis at insurance policy level. In addition to unearned premiums, the Group establishes also provisions for unexpired risks for those classes of insurance with a combined ratio (loss ratio + expense ratio) of more than 100%.

25.7.2.6 Retrocession To reduce the underwriting risks to which it is exposed, the Group must have an *programme* – *non-life* appropriate reinsurance programme (in particular a retrocession programme) business in place. These are designed so as to reduce exposure to possible single large losses or the effect of a large number of single losses arising from the same loss event. The Group considers its reinsurance programme (including proportional and non-proportional reinsurance) to be appropriate in view of the risks it is exposed to. Net retention limits as determined by the Group are only rarely used. The Group also concludes reciprocal contracts with other reinsurers to further disperse risks. The Group's net retained portfolio, relating to both domestic and foreign cedants, is further covered for potentially large losses through prudently selected non-proportional reinsurance programmes.

> The reinsurance programme (and retrocession programme in particular) is considered appropriate, and comparable between 2012 and 2011.

# exposure to underwriting risks – non-life business

25.7.2.7 Estimated An increase in realised underwriting risk would essentially result in an increase in net claims. Due to adequate retrocession programmes, the Group as a whole is not exposed to the risk of a sharp increase in net claims, even in the event of losses arising from catastrophic loss events. A more likely scenario to which the Group is exposed to is the deterioration of the net combined ratio as a result of an increase in claims or expenses along with a decrease in premiums. If the Group's net combined ratio increased/decreased by 1 percentage point, its net

profit before taxes would decrease/increase by EUR 2.5m (2011: EUR 2.4m).

The net retention limit is set at EUR 3m for the majority of non-life classes of insurance and combined limit of EUR 3m is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of EUR 2m is set for motor liability and for marine; for life policies net retention limits are uniformly set at EUR 300,000. In principle, this enables Sava Re to cap any net claim arising out of any single loss event to a maximum of EUR 3m. In case of any catastrophe event, e.g., flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is EUR 5m for Slovenia and other countries. These amounts represent the maximum net claim for a single catastrophe event based on reasonable actuarial expectations. While it is possible that several catastrophe events occur in the same year, the likelihood is negligible of their number being such as to trigger the Group's insolvency. Due to the random fluctuation in the number of catastrophic events, an increase in the net claims must always be expected. This would negatively impact business results, but would definitely not lead to the insolvency of the Group.

The risk that the underwriting risk may seriously undermine the Group's financial stability is deemed, according to our assessment, low and there are no significant differences between 2012 and 2011.

25.7.2. Underwriting risks Significant components of underwriting risk in life insurance are pricing risk in life insurance and reserving risk. Pricing risk is the risk that expenses and incurred claims are higher than anticipated. Reserving risk represents the risk that the absolute level of technical provisions is underestimated. Underwriting risk components of the life business include biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unexpectedly higher or lower rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The Group manages concentrated underwriting risks arising out of life policies through diversification, reinsurance and through underwriting and risk assessment procedures.

> The Group manages underwriting risk by employing underwriting procedures. Underwriting guidelines specify criteria and terms of risk acceptance. At given premium rates, risk assumption depends on the age at entry and the requested sum insured. The Group accepts risks if the insured's health, as a measure of risk quality, is in line with table data listing criteria for medical examinations. The Group purchases appropriate reinsurance and retrocession programmes in order to limit the impact of underwriting risk; covers are generally on a proportional basis. The retention of insurers generally does not exceed EUR 30,000; only some facultative policies have a larger retention. Reinsurance for group life insurance in Slovenia is placed also on a pooling basis.

25.7.3 Financial risks In the course of their financial operations, individual Group companies are exposed to financial risks, especially market risks, liquidity risks and credit risks.

## 25.7.3.1 Market risks Financial investments of the Group exposed to market risk

(EUR)	31 Dec 2012	31 Dec 2011
Type of investment		
Deposits and money market instruments	99,972,270	104,217,801
Government bonds	126,476,092	103,952,548
Corporate bonds	100,105,773	85,742,610
Shares (excluding strategic shares)	9,688,113	11,004,545
Mutual funds	4,102,975	10,497,447
bonds funds	681,710	3,776,869
mixed funds	0	3,508,780
equity funds	3,421,265	3,211,798
Loans granted and other	884,406	1,196,666
Total market risk sensitive financial investments	341,229,629	316,611,617
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	9,016,183	8,576,746
Investments for the benefit of life-insurance policyholders who bear the investment risk	27,623,903	24,138,957
Total financial investments	377,869,715	349,327,319

Changes in the value of investments for the benefit of policyholders who bear the investment risk, resulting from changes in market risk parameters affect neither the Group's results nor equity.

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

> On the asset side, interest rate risk affects debt securities, bond mutual funds and partly mixed mutual funds. The sensitivity analysis does not include investments in deposits and loans as these are fixed-income investments.

> The total amount of investments included in the calculation of interest rate risk exposure at 31 December 2012 totalled EUR 227.3m (31 December 2011: EUR 195.2m). Of this, EUR 211.8m (31 December 2011: EUR 181.6m) related to assets of non-life insurance companies; and EUR 15.5m (31 December 2011: 13.6m) to assets of life insurance companies. Investments are shown in the table "Financial investments of the Group exposed to market risk" in section 25.7.3.1.

> We made separate calculations for the impact of an interest rate change on the value of the bond portfolio for the non-life and for the life segment. In both cases, interest rate sensitivity of investments was assessed by shifting the yield curve for all maturities by two percentage points up or down and calculating the change in the value of the bond portfolio. As long as interest rate changes are small, we can approximate changes in bond prices quite well: we have to know the first and second derivative of the change in a bond price resulting from such interest rate changes, or else we have to know both duration and convexity of the bond.

*Included are debt securities, bond mutual funds and half the amount of mixed mutual funds.

controlling company transacting reinsurance business and the portfolios of subsidiaries transacting non-life

136

The sensitivity analysis for the non-life segment showed that in the event of an interest rate increase, the value of the interest rate sensitive investments would drop by EUR 9.6m (2011: EUR 9.6m) or 4.7% (31 December 2011: 4.7%). The table below shows in greater detail how the value of investments changes **Included are the portfolio of the due to a change in interest rates and the impact on financial statements. The average duration of the observed Group bond portfolio was 2.66 years as at 31 December 2012 (31 December 2011: 3.30 years). In 2012 the Group gradually business. lowered the duration of the portfolio and prepared for increasing interest rates.

## Results of a sensitivity analysis for the non-life insurance bond portfolio

Type of security	31 Dec 2012				31 Dec 2011			
	+20	+200 bp -200 bp		+20	oo bp	-200 bp		
	Value	Change in value						
Government bonds	103,004,350	-5,337,458	113,293,446	4,951,638	77,282,109	-5,054,948	87,958,780	5,621,723
Corporate bonds	92,728,164	-4,228,765	101,654,588	4,697,659	74,251,398	-4,304,030	83,685,680	5,130,253
Bond mutual funds	649,944	-31,765	713,751	32,041	3,317,862	-204,917	3,758,196	235,417
Mixed mutual funds	0	0	0	0	1,479,511	-91,377	1,675,867	104,978
Total	196,382,458	-9,597,988	215,661,785	9,681,338	156,330,881	-9,655,272	177,078,523	11,092,370
Effect on equity	-9,51	7,824	9,598,945		-9.6	19.739	11.05	51.549
Effect on the income statement	-80	,164	82	,394	-3!	5-533	40	.821

The major part of the Group's portfolio exposed to interest rate risk comprise fixed-interest investments (94.7% of investments included in the sensitivity analysis are fixed-interest investments). The Group's variable-interest investments tied to the Euribor amounted to EUR 10.9m (31 December 2011: EUR 15.1m).

As the Group sells traditional life insurance products, it is exposed to interest rate risk in relation to its liabilities (mathematical provisions). The Group does have temporary annuities and annuities for life among its liabilities, which are provided as a result of liability insurance contracts, but the effect of a drop in interest rates on its liabilities due to the increased capitalised amounts of such annuities would be insignificant and is not dealt with herein.

The Group life insurance segment includes four companies; the largest is Zavarovalnica Tilia.

## Exposure to interest rate risk - liabilities

(EUR)	31 Dec 2012	31 Dec 2011
Liabilities	Amount	Amount
Mathematical provisions	17,022,851	16,503,688

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

The sensitivity analysis on the liabilities side (mathematical provisions) showed that in the event of an interest rate increase, the value of the mathematical provision would drop by EUR 2.5m (2011: EUR 2.0m) or 14.9% (31 December 2011: 15.8%). A sensitivity analysis of investments supporting the mathematical provision showed that in case of an increase in interest rates, the value of interest rate sensitive investments would drop by EUR 0.7m (31 December 2011: EUR 0.7m) or 6.2% (31 December 2011: 6.1%). The table below gives more details on the sensitivity analysis for the bond portfolio.

## Results of a sensitivity analysis for the life insurance bond portfolio

Type of security	31 Dec 2012	<u>.</u>			31 Dec 2011			
	+20	+200 bp -200 bp		+2	oo bp	-200 bp		
	Value	Change in value	Value	Change in value	Value	Change in value	Value	Change in value
Government bonds	8,022,137	-559,537	9,203,588	621,914	9,458,049	-550,314	10,648,209	639,846
Corporate bonds	3,080,709	-170,929	3,412,079	160,440	2,834,745	-124,458	3,094,602	135,389
Bond mutual funds	56,510	-3,718	64,210	3,982	0	0	0	0
Mixed mutual funds	0	0	0	0	169,287	-12,940	197,423	15,195
Total	11,159,356	-734,184	12,679,876	786,336	12,462,081	-687,712	13,940,233	790,430
Effect on equity	-68	37,188	734,516		734,516 -675,249		777,040	
Effect on the income statement	-46	5,996	51	,820	-1	2,463	13	,391

We consider that interest rate risk for non-life insurance business on the Group level decreased somewhat in 2012 compared to 2011 as based on year-end figures and results of the sensitivity analyses. For life insurance business, the interest rate risk slightly increased.

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

> Equity securities risk is measured through a stress test assuming a 10- and 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). The value of assets is shown in the table "Financial investments of the *Group exposed to market risk"* in section 25.7.3.1.

> To assess the Group's sensitivity of investments to equity securities risk, we assume a 10% drop in the value of all equity securities. This would decrease the value of the Group portfolio by EUR 1.3m (31 December 2011: EUR 1.6m). Of this, EUR 1.28m (31 December 2011: EUR 1.5m) relate to the change in equity and EUR 0.03m (31 December 2011: EUR 0.1m) to the change in the income statement.

## Sensitivity assessment of investments to equity securities risk

(EUR)	31 Dec 2012		31 Dec 2011		
Value decrease	Value	Change in value	Value	Change in value	
Ву 10%	11,798,440	1,310,938	14,373,660	1,597,073	
By 20%	10,487,502	2,621,876	12,776,586	3,194,147	

Unlike the bond portfolio, which moves inversely to interest rates, the value of the equities and mutual fund portfolio changes linearly with stock prices.

We consider that equity securities risk decreased compared to 2011. The Group sold some investments in mixed mutual funds in 2012. It needs however to be noted that these estimates relate strictly to year-end figures for 2012 and 2011.

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

> As is evident from the below table, the major part of assets and liabilities of the Group is denominated in euro where the Group has a deficit of assets of EUR

5.6m (31 December 2011: deficit of EUR 9.4m). In 2012 the Group continued investing in US dollar-denominated investments and held a surplus of EUR 0.6m by the year-end 2012 (31 December 2011: deficit of EUR 13.1m) The largest deficit is with KRW-denominated investments (31 December 2012: deficit of EUR 9.3m; 31 December 2011: deficit of EUR 4.8m). Relatively large is also the deficit with "other" currencies (various different currencies), which totalled EUR 17.9m at year-end 2012 (31 December 2011: EUR 12.5m).

The controlling company had a surplus of assets over liabilities denominated in the currencies HRK, RSD and MKD. The surplus is a result of eliminating intra-group transactions, investments and equity. Investments and capital of individual subsidiaries are eliminated in the consolidated financial statements, resulting in negative capital with such currencies. The surplus is partly due to the fact that subsidiaries invest recapitalisation funds predominately in local currencies.

Currency (	mis	Imatcl	h

(EUR)	Carrying amount at 31 Dec 2012	EUR	USD	HRK	RSD	MKD	KRW	Other currencies
Intangible assets	17,767,943	17,015,718	0	206,703	166,226	379,296	0	0
Property and equipment	24,583,379	15,246,086	0	3,107,327	3,263,852	2,966,114	0	0
Financial investments	350,245,812	304,075,878	18,739,507	11,335,078	8,237,000	7,855,579	0	2,770
At fair value through profit or loss	3,054,989	2,142,850	0	912,139	0	0	0	0
Held to maturity	16,563,481	13,286,446	0	3,277,035	0	0	0	0
Loans and deposits	106,348,182	94,891,891	251,873	3,888,575	3,912,355	3,403,488	0	0
Available-for-sale	224,279,160	193,754,691	18,487,634	3,257,329	4,324,645	4,452,091	0	2,770
Investment property	5,105,302	938,313	0	881,364	2,877,842	407,783	0	0
Financial investments in Group companies and in associates	55,265,651	55,265,651	0	0	0	0	0	0
Investments for the benefit of life-insurance policyholders who bear the investment risk	27,623,903	26,843,934	779,969	0	0	0	0	0
Reinsurers' share of technical provisions	37,429,870	23,945,539	7,951,868	2,032,284	615,372	34,998	0	2,849,809
Receivables	100,954,866	80,798,068	4,522,128	3,184,728	1,980,488	3,103,517	2,067,114	5,298,823
Cash and cash equivalents	4,058,488	2,777,301	236,771	325,307	74,470	158,429	0	486,210
Non-current assets held for sale	351,125	0	0	10,512	340,613	0	0	0
Other assets	17,205,399	15,071,235	0	674,655	1,007,973	451,536	0	0
Total assets	640,591,738	541,977,723	32,230,243	21,757,958	18,563,836	15,357,252	2,067,114	8,637,612
Equity	171,353,442	193,011,417	0	-7,263,622	-7,930,869	-6,463,484	0	0
Subordinated liabilities	31,244,573	31,244,573	0	0	0	0	0	0
Technical provisions	360,148,216	259,569,228	28,207,574	13,582,082	14,859,956	13,118,552	7,424,224	23,386,600
Technical provisions for the benefit of life-insurance policyholders who bear the investment risk	27,040,864	26,263,786	777,078	0	0	0	0	o
Other provisions	1,350,999	1,106,352	0	0	126,016	118,631	0	0
Other financial liabilities	3,038,574	3,038,574	0	0	0	0	0	0
Liabilities from operating activities	36,638,023	25,732,191	2,494,848	481,296	252,628	684,557	3,948,812	3,043,691
Other liabilities	9,777,047	7,647,781	103,874	1,013,101	379,721	533,980	0	98,590
Total equity & liabilities	640,591,738	547,613,902	31,583,374	7,812,857	7,687,452	7,992,236	11,373,036	26,528,881
Balance	0	-5,636,179	646,869	13,945,101	10,876,384	7,365,016	-9,305,922	-17,891,269

(EUR)	Carrying amount at 31 Dec 2011	EUR	USD	HRK	RSD	MKD	KRW	Other
Intangible assets	18,274,819	17,478,172	0	121,089	226,273	449,285	0	0
Property and equipment	24,503,335	15,054,208	0	2,712,142	3,739,981	2,997,004	0	0
Financial investments	325,188,363	299,014,911	1,296,458	9,704,982	6,838,082	8,333,930	0	0
<ul> <li>At fair value through profit or loss</li> </ul>	4,717,767	2,075,132	0	2,642,635	0	0	0	0
Held to maturity	15,420,514	13,439,662	0	1,980,852	0	0	0	0
<ul> <li>Loans and deposits</li> </ul>	107,037,143	93,245,934	1,159	4,787,801	3,003,683	5,998,566	0	0
Available-for-sale	198,012,939	190,254,183	1,295,299	293,694	3,834,399	2,335,364	0	0
Investment property	6,071,446	942,379	0	863,844	3,768,729	496,494	0	0
Financial investments in Group companies and in associates	49,085,007	49,085,007	0	0	0	0	0	0
Investments for the benefit of life-insurance policyholders who bear the investment risk	24,138,957	23,524,934	614,023	0	0	0	0	0
Reinsurers' share of technical provisions	21,608,381	18,938,806	0	0	775,206	1,894,369	0	0
Receivables	90,794,262	68,713,278	5,200,990	3,502,809	1,689,138	3,416,694	2,064,467	6,206,886
Deferred acquisition costs	15,938,449	14,250,834	0	387,132	1,086,366	214,117	0	0
Other assets	1,338,989	913,816	0	121,948	78,056	225,169	0	0
Cash and cash equivalents	4,710,455	4,015,370	88,532	238,968	119,622	176,337	0	71,626
Non-current assets held for sale	384,562		0	0	384,562	0	0	0
Total assets	582,037,026	511,931,715	7,200,003	17,652,914	18,706,015	18,203,399	2,064,467	6,278,512
Equity	148,080,050	166,556,658	0	-5,813,759	-6,001,959	-6,660,890	0	0
Subordinated liabilities	31,220,817	31,220,817	0	0	0	0	0	0
Technical provisions	320,875,142	251,551,812	18,813,377	264,220	16,039,224	12,720,391	4,236,425	17,249,693
Technical provisions for the benefit of life-insurance policyholders who bear the investment risk	23,673,423	23,673,423	0	0	0	0	0	0
Other provisions	795,606	662,776	0	0	75,060	57,770	0	0
Other financial liabilities	5,782,073	5,782,073	0	0	0	0	0	0
Liabilities from operating activities	41,486,025	34,646,746	1,390,646	362,905	358,532	664,586	2,593,386	1,469,224
Other liabilities	10,123,890	7,230,423	119,601	1,514,130	276,146	869,182	0	114,408
Total equity & liabilities	582,037,026	521,324,728	20,323,624	-3,672,504	10,747,003	7,651,039	6,829,811	18,833,325
Balance	0	-9,393,013	-13,123,621		7,959,012	10,552,360	-4,765,344	-12,554,813

Based on exchange rates for USD, HRK, RSD, MKD and KRW for the past six years and the corresponding EUR equivalent surpluses of assets/liabilities at 31 December 2012, we made a stochastic analysis, which projected that after one year, the average surplus of assets over liabilities will be EUR 0.5m (2011: EUR -0.1m), with a 5-percent probability that the deficit of assets will exceed EUR 4.8m (2011: EUR 3.8m).

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

> The Group mitigates liquidity risk by having Group companies draw up annual liquidity plans with daily planned cash-flows (investments, reinsurance, expenses). In addition, the Group avoids liquidity risk by diversifying the maturities of deposit, 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 shortterm bridge loans. In the event of large losses, so-called cash call provisions in reinsurance contracts are triggered and provide for immediate payments in the chain cedant-controlling company-retrocessionaire. For extraordinary liquidity situations, the controlling company has arranged a credit line with a commercial bank in the total amount of EUR 5m. The interest rate on the credit

line is a 3-month Euribor plus 2.25%. The subsidiary Zavarovalnica Tilia also maintained a credit line in 2012 of EUR 5m at a 6-month Euribor plus 2.00%.

Exposure to liquidity risk can be measured by comparing the maximum liability arising as a result of a single extraordinary net claim to the liquidity capacity of the Group; however, it needs to be considered that for large claims the claims handling period is substantially longer. The same applies to a large number of small claims arising from a natural disaster. In a worst-case scenario, such liabilities cannot exceed EUR 5m. In both cases, there is sufficient time during claims handling to sell equity or debt securities.

## Assets and liabilities by term to maturity

(EUR)	Carrying amount at 31 Dec 2012	Up to 1 year	1–5 years	Over 5 years	No maturity given
Financial investments	350,245,812	142,879,083	152,754,281	36,397,191	18,215,258
At fair value through profit or loss	3,054,988	405,771	1,618,453	204,182	826,583
Held to maturity	16,563,483	3,955,398	5,750,830	6,857,255	0
Loans and deposits	106,348,179	95,297,595	10,765,889	284,695	0
Available-for-sale	224,279,162	43,220,319	134,619,109	29,051,059	17,388,675
Investment property	5,105,302	407,783	0	0	4,697,519
Financial investments in Group companies and in associates	55,265,651	0	0	0	55,265,651
Investments for the benefit of life- insurance policyholders who bear the investment risk	27,623,903	1,456,532	7,703,544	18,463,827	o
Reinsurers' share of technical provisions	37,429,870	11,638,286	12,628,613	13,162,971	0
Receivables*	100,954,866	98,176,725	2,709,109	69,032	0
Cash and cash equivalents	4,058,488	4,058,488	0	0	0
Total assets	580,683,892	258,616,897	175,795,547	68,093,021	78,178,428
Subordinated liabilities	31,244,573	0	0	31,244,573	0
Technical provisions	360,148,216	162,652,764	110,822,387	86,673,065	0
Technical provisions for the benefit of life-insurance policyholders who bear the investment risk	27,040,864	621,462	7,777,703	18,641,698	o
Other provisions	1,350,999	420,319	367,219	563,461	0
Other financial liabilities	3,038,565	3,038,565	0	0	0
Liabilities from operating activities	36,638,023	36,609,864	9,648	18,511	0
Other liabilities	9,777,056	8,352,256	1,424,800	0	0
Total liabilities	469,238,296	211,695,230	120,401,758	137,141,308	0

^{*}Including deferred tax assets.

Carrying amount at 31 Dec 2011	Up to 1 year	1–5 years	Over 5 years	No maturity given
325,188,364	122,867,491	128,600,697	42,416,068	31,304,109
4,717,767	2,672,524	1,763,127	282,116	0
15,420,514	1,414,705	7,055,116	6,950,693	0
107,037,143	97,470,844	9,553,992	12,307	0
198,012,940	21,309,418	110,228,462	35,170,952	31,304,109
6,071,446	0	0	0	6,071,446
49,085,007	0	0	0	49,085,007
24,138,957	889,344	5,111,900	18,137,713	0
21,608,380	16,031,125	4,936,105	641,150	0
90,794,262	86,192,340	4,517,280	84,642	0
4,710,455	4,710,455	0	0	0
521,596,871	230,690,755	143,165,982	61,279,573	86,460,562
31,220,817	0	0	31,220,817	0
320,875,142	147,534,052	98,141,210	75,199,880	0
23,673,423	423,864	5,111,900	18,137,659	0
795,606	526,635	10,935	258,036	0
5,782,116	5,782,116	0	0	0
41,486,025	41,465,830	20,195	0	0
10,123,890	9,547,227	576,663	0	0
433,957,019	205,279,724	103,860,903	124,816,392	0
	31 Dec 2011 325,188,364 4,717,767 15,420,514 107,037,143 198,012,940 6,071,446 49,085,007 24,138,957 21,608,380 90,794,262 4,710,455 521,596,871 31,220,817 320,875,142 23,673,423 795,606 5,782,116 41,486,025 10,123,890	31 Dec 2011  325,188,364  4,717,767  2,672,524  15,420,514  1,414,705  107,037,143  97,470,844  198,012,940  21,309,418  6,071,446  0  24,138,957  889,344  21,608,380  16,031,125  90,794,262  86,192,340  4,710,455  521,596,871  320,875,142  147,534,052  23,673,423  10,123,890  9,547,227	31 Dec 2011         Up to 1 year         1-5 years           325,188,364         122,867,491         128,600,697           4,717,767         2,672,524         1,763,127           15,420,514         1,414,705         7,055,116           107,037,143         97,470,844         9,553,992           198,012,940         21,309,418         110,228,462           6,071,446         0         0           49,085,007         0         0           24,138,957         889,344         5,111,900           21,608,380         16,031,125         4,936,105           90,794,262         86,192,340         4,517,280           4,710,455         4,710,455         0           521,596,871         230,690,755         143,165,982           31,220,817         0         0           320,875,142         147,534,052         98,141,210           23,673,423         423,864         5,111,900           795,606         526,635         10,935           5,782,116         5,782,116         0           41,486,025         41,465,830         20,195           10,123,890         9,547,227         576,663	31 Dec 2011         Up to 1 year         1-5 years         Over 5 years           325,188,364         122,867,491         128,600,697         42,416,068           4,717,767         2,672,524         1,763,127         282,116           15,420,514         1,414,705         7,055,116         6,950,693           107,037,143         97,470,844         9,553,992         12,307           198,012,940         21,309,418         110,228,462         35,170,952           6,071,446         0         0         0           49,085,007         0         0         0           24,138,957         889,344         5,111,900         18,137,713           21,608,380         16,031,125         4,936,105         641,150           90,794,262         86,192,340         4,517,280         84,642           4,710,455         0         0         0           521,596,871         230,690,755         143,165,982         61,279,573           31,220,817         0         0         31,220,817           320,875,142         147,534,052         98,141,210         75,199,880           23,673,423         423,864         5,111,900         18,137,659           795,606         526,635

^{*}Including deferred tax assets.

25.7.3.3 Asset-liability Asset-liability mismatch risk is the risk that cash flows from investments will not mismatch risk occur when required or in the amount required to meet obligations. The duration of investments and liabilities is shown in greater detail in the tables in section 25.7.3.2.

> The below table shows the maturities of financial investments shown in the table "Financial investments of the Group exposed to market risk" in section 25.7.3.1.

## Maturity profile of financial investments

(EUR)	31 Dec 2012		31 Dec 2011	
Maturity	Amount	As % of total	Amount	As % of total
o−1 year	142,316,013	41.7%	129,931,391	41.0%
1-5 years	158,092,255	46.3%	134,986,824	42.6%
Over 5 years	40,821,361	12.0%	51,693,404	16.3%
Total	341,229,629	100.0 %	316,611,619	100.0 %

# Maturity profile of Investments for the benefit of life-insurance policyholders who bear the investment risk

Note: Percentages are calculated based on the value of financial investments shown in the table "Financial investments of the Group exposed to market risk" in section 25.7.3.1.

(EUR)	31 Dec 2012		31 Dec 2011	
Maturity	Amount	As % of total	Amount	As % of total
o−1 year	1,456,532	5.3%	889,344	3.7%
1-5 years	7,703,544	27.9%	5,111,900	21.2%
Over 5 years	18,463,827	66.9%	18,137,713	75.1%
Total	27,623,903	100.0 %	24,138,957	100.0 %

Non-life assets are adequately matched with corresponding liabilities in terms of duration. At 31 December 2012, the average duration of bond investments was 2.73 years (31 December 2011: 3.42 years), while the average duration of the majority of liabilities (gross claims provision plus unearned premiums) was 3.37 years (31 December 2011: 3.33 years).

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

## **Exposure to credit risk**

(EUR)	31 Dec 2012	31 Dec 2011
Type of asset	Amount	Amount
Fixed-income investments	336,454,724	314,183,817
Reinsurers' share of technical provisions	37,429,870	21,610,381
Receivables	99,025,732	90,794,262
Total exposure	472,910,326	426,588,460

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

The Group aims at achieving optimal diversification of the credit portfolio and attaining an optimal credit rating. At 31 December 2012, the Group has an exposure to credit risk of EUR 472.9m. Assets exposed to credit risk include financial investments (other than equity securities and mutual funds), reinsurers' share of technical provisions, receivables and cash and cash equivalents.

Credit risk with investments is best measured by the credit rating of issuers or securities. Below we show credit risk for debt securities and deposits where credit rating is directly related to credit risk.

## Debt securities and deposits by issuer credit rating

(EUR)	31 Dec 2012		31 Dec 2011	
Rated by Moody's/S&P	Amount	As % of total	Amount	As % of total
Aaa/AAA	29,171,624	8.9%	8,755,953	3.0%
Aa/AA	20,301,384	6.2%	78,993,591	26.9%
A/A	91,228,989	27.9%	33,384,548	11.4%
Baa/BBB	26,726,280	8.2%	19,141,043	6.5%
Less than Baa/BBB	59,514,934	18.2%	48,926,185	16.6%
Not rated	99,610,929	30.5%	104,711,641	35.6%
Total	326,554,140	100.0%	293,912,961	100.0%

At 31 December 2012, debt securities and deposits rated A or better accounted for 43.0% of total debt securities and deposits (31 December 2011: 41.3%). Debt securities and deposits rated A or better represented 41.2% of the total Group investment portfolio that is sensitive to market risk (31 December 2011: 38.3%). Based on these two criteria, the exposure to credit risk relating to investments was slightly lower than in 2011.

The Group's investment portfolio is reasonably diversified in order to avoid large concentration of a certain type of investment, large concentration of a certain counterparty or industry or other potential forms of concentration. The Group's investments are thus diversified by type of investment (deposits, bonds, equity securities, mutual fund units, etc.), by maturity and by currency. Likewise, the investment portfolio is diversified by geographic region and industry.

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

The table below shows the Group's investment structure by region. The table shows that the lion's share of investments is placed in Slovenia (31 December 2012: 54.3%; 31 December 2011: 66.5%). Exposure to Slovenia was significantly reduced in 2012 as part of the portfolio was invested in non-Slovenian government and covered bonds.

## Investment portfolio by geographic area

(EUR)	31 Dec 2012		31 Dec 2011	
Market	Amount	As % of total	Amount	As % of total
Slovenia	185,325,594	54.3%	210,465,484	66.5%
EU	65,897,794	19.3%	41,646,088	13.2%
OECD	15,966,728	4.7%	6,857,163	2.2%
Other countries*	74,039,513	21.7%	57,642,884	18.2%
Total	341,229,629	100.0%	316,611,619	100.0%

^{*}Other countries comprise non-EU and non-OECD members.

In addition to diversification by region, the Group seeks to maximise diversification by industry. The Group's largest exposure by industry is in the category banks and savings banks (31 December 2012: 50.0%; 31 December 2011: 50.0%). This large exposure is due to the large share of deposits and newly acquired covered bonds issued by banks. The Group invested in AAA-rated covered bonds. Increased investments in governments and central banks are a result of investments in government bonds of EU, OECD and other countries where Sava Reinsurance Company writes reinsurance business.

## Investment portfolio by issuer

(EUR)	31 Dec 2012		31 Dec 2011	
Market	Amount	As % of total	Amount	As % of total
Banks and savings banks	170,455,297	50.0%	158,214,670	50.0%
Government and central bank	126,476,094	37.1%	103,952,549	32.8%
Other financial institutions	7,571,391	2.2%	11,426,473	3.6%
Industry & commerce	30,656,114	9.0%	28,623,722	9.0%
Mutual funds	3,972,866	1.2%	10,497,447	3.3%
Insurance companies	2,097,867	0.6%	3,896,758	1.2%
Total	341,229,629	100.0%	316,611,619	100.0%

The largest single issuer of securities that the Group is exposed to is the Republic of Slovenia. At 31 December 2012, the exposure to Republic of Slovenia bonds totalled EUR 60.1m (31 December 2011: EUR 73.6m), accounting for 17.6% of investments exposed to market risk (31 December 2011: EUR 22.5m). Exposure to the other ten largest issuers amounted to EUR 104.2m (31 December 2011: EUR 158.3m), representing 30.5% of investments (31 December 2011: 50.0%). Exposure to no issuer exceeds 5% of the investment portfolio, except exposure to the Republic of Slovenia.

Exposure to government and corporate bonds issued in Greece, Portugal, Spain, Ireland, Hungary and Cyprus totalled EUR 3.1m (31 December 2011: EUR 8.3m).

Concentration risk in respect of investments decreased in 2012, especially as a result of better diversified investment portfolios across the Group.

144 Annual Report 2012

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.

At 31 December 2012, the Group's total credit exposure associated with reinsurers was EUR 40.2m (31 December 2011: EUR 26.2m); of this, the reinsurers' share of technical provisions was EUR 37.4m (31 December 2011: EUR 21.6m), and reinsurers' share of claims was EUR 2.8m (31 December 2011: EUR 4.8m). At 31 December 2012 the total credit risk exposure of the Group arising from reinsurers represented 6.3% of total assets (31 December 2011: 4.5%).

Retrocession programmes are mostly placed with first-class reinsurers with an adequate rating (at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). Thus, at the end of 2012 and 2011, reinsurers rated A– or better accounted for over 80% of the credit risk exposure relating to reinsurers.

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

The tables below show the ageing structure of receivables, including the above-mentioned receivables for reinsurers' shares of claims.

#### Ageing structure of receivables

(EUR)		Past due up	Past due more than	
31 Dec 2012	Not past due	to 180 days	180 days	Total
Receivables due from policyholders	13,251,285	6,184,185	3,423,922	22,859,391
Receivables from insurance brokers	2,154,322	339,567	77,146	2,571,035
Other receivables arising out of primary insurance business	42,275	146,685	67,996	256,956
Receivables for premiums arising out of assumed reinsurance and co-insurance	37,758,044	12,745,486	533,707	51,037,236
Receivables for reinsurers' shares in claims	1,699,792	531,510	552,456	2,783,758
Other receivables arising out of co-insurance and reinsurance business	554,583	98,922	4,804	658,309
Other short-term receivables arising out of insurance business	3,187,711	98,676	286,201	3,572,588
Short-term receivables arising out of investments	86,271	667,296	184,138	937,705
Current tax assets	1,935,280	110,764	68,310	2,114,354
Other receivables	11,447,350	633,681	153,367	12,234,398
Total	72,116,913	21,556,772	5,352,047	99,025,730

(EUR)		Past due up	Past due more than	
31 Dec 2011	Not past due	to 180 days	180 days	Total
Receivables due from policyholders	13,643,530	6,523,248	3,989,632	24,156,410
Receivables from insurance brokers	1,724,107	11	0	1,724,118
Other receivables arising out of primary insurance business	268,823	68,622	124,634	462,079
Receivables for premiums arising out of assumed reinsurance and co-insurance	39,326,155	6,305,598	1,960,185	47,591,938
Receivables for reinsurers' shares in claims	3,432,375	174,893	832,047	4,439,315
Other short-term receivables arising out of insurance business	447,254	220,414	0	667,668
Short-term receivables arising out of investments	204,595	300,653	133,382	638,630
Current tax assets	95,533	56,816	143,289	295,638
Other receivables	8,450,252	1,937,851	430,363	10,818,466
Total	67,592,624	15,588,106	7,613,532	90,794,262

The Group tested receivables for impairment. Where receivables needed to be impaired, allowances were made accordingly. Receivables are discussed in greater detail in note 9.

25.7.4 Operational Operational risk includes human capital risk, management control risk, system risk, process risk and legal risk and such like. We consider that the Group is mostly exposed to risks arising from failed or inadequate processes, internal controls and corporate governance. Management considers that an efficient and effective system of internal controls is vital for operational risk management. Operational risk is generally associated with other risks (e.g., underwriting risk, market risk and such like); it tends to compound other risks. Negligence in the underwriting process, for example, significantly increases underwriting risks.

> For the purpose of operational risk management, the Group has put in place adequate IT-supported procedures and controls in the most important areas of its operation. In addition, this risk is managed through the internal audit function and through staff training.

> The Group considers the operational risk to have remained in 2012 about the same as in 2011.

25.7.5 Implementing The Group continues implementing risk management on a systematic basis, systematic risk aware of the requirements brought about by the adopted Solvency II Directive, amongst them also risk-based capital calculation. For this reason, particularly management the controlling company and the largest insurer in the Group, who are domiciled in the European Union, are monitoring the preparations of regulations relating to Solvency II, preparing themselves for the changes and taking part in quantitative impact studies.

### 25.8 Notes to the consolidated financial statements - statement of financial position

#### 1) Intangible assets Movements in cost and accumulated amortisation/impairment losses of intangible assets

(EUR)	Software	Goodwill	Other intangible assets	Total
Cost				
1 Jan 2012	5,045,011	16,067,994	20,785	21,133,790
Additions	653,210	0	6,324	659,535
Disposals	-174,818	-24,266	-670	-199,754
Impairments	0	-340,254	0	-340,254
Foreign exchange differences	-20,022	-1,732	-453	-22,206
31 Dec 2012	5,503,382	15,701,742	25,986	21,231,111
Accumulated amortisation and	impairment loss	es		
1 Jan 2012	2,858,971	0	0	2,858,972
Additions	641,432	0	0	641,432
Disposals	-30,849	0	0	-30,849
Foreign exchange differences	-6,386	0	0	-6,386
31 Dec 2012	3,463,167	0	0	3,463,169
Carrying amount at 1 Jan 2012	2,186,041	16,067,994	20,785	18,274,819
Carrying amount at 31 Dec 2012	2,040,216	15,701,742	25,986	17,767,943

			Other intangible	
(EUR)	Software	Goodwill	assets	Total
Cost				
1 Jan 2011	5,045,011	16,067,994	20,785	25,343,766
Additions	1,217,291	0	5,112	1,222,404
Disposals	-183,994	0	0	-183,994
Impairments	0	-5,156,441	0	-5,156,441
Foreign exchange differences	-19,053	-72,931	38	-91,945
31 Dec 2011	5,045,011	16,067,994	20,785	21,133,790
Accumulated amortisation and i	mpairment los	ses		
1 Jan 2011	2,053,920	0	0	2,053,920
Additions	844,511	0	0	844,511
Disposals	-22,657	0	0	-22,657
Foreign exchange differences	-16,802	0	0	-16,802
31 Dec 2011	2,858,971	0	0	2,858,972
Carrying amount at 1 Jan 2011	1,976,846	21,297,366	15,635	23,289,847
Carrying amount at 31 Dec 2011	2,186,041	16,067,994	20,785	18,274,819

Movements in goodwill Goodwill relates to the acquisition of the following companies: Sava osiguranje, Illyria, Sava osiguruvanje, Sava Montenegro, Velebit usluge (or indirectly Velebit osiguranje and Velebit životno osiguranje). As at year-end 2012, goodwill totalled EUR 15.7m. Each of the listed companies is treated as a cash-generating unit. The table below shows the value of goodwill for each cash-generating unit.

Movements in goodwill in 2012		
(EUR)		
Carrying amount at 31 December 2011 – total		
Sava osiguranje	5,047,588	
Illyria	4,991,887	
Sava osiguruvanje	94,484	
Bro-Dil	24,266	
Sava Montenegro	3,648,534	
Velebit usluge	2,261,934	
Disposals in current year		
Velebit usluge	-340,953	
Bro-Dil	-24,266	
Foreign exchange differences	-1,732	
Carrying amount at 31 December 2012 - total	15,701,742	

Compared to the prior year, goodwill decreased by EUR 0.4m due to impairment of goodwill belonging to Velebit usluge, Zagreb (relating to Velebit životno osiguranje, Zagreb) which saw its long-term projections corrected slightly downwards. Bro-dil was liquidated in 2012.

#### Movements in goodwill in 2011

Carrying amount at 31 December 2010 – total	
Sava osiguranje	5,047,588
Illyria	4,991,887
Sava osiguruvanje	2,643,983
Bro-Dil	24,266
Sava Montenegro	3,648,534
Velebit usluge	4,941,108
Disposals in current year	
Impairment loss – Sava osiguruvanje	-2,549,076
Velebit usluge	-2,607,363
Foreign exchange differences	-72,931
Carrying amount at 31 December 2011 – total	16,067,994

Method of calculating The value in use for each cash-generating unit is calculated using the disvalue in use counted cash flow method (DCF method). The budget projections of the CGUs and their estimate of the long-term results achievable are used as the starting point. Value in use is determined through discounting of the future profits with a suitable discount rate.

> The discount rate is determined as cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the interest rate applying to risk-free securities and equity premium, as well as insurance business prospects. Added is a country risk premium and, for some companies, a smallness factor. The discount rate is made up of the following:

- risk-free rate of return (based on ten-year average interest rate on German ten-year government bonds adjusted for long-term inflation rate in individual country);
- tax rates that are included in the discount rate are the applicable tax rates in individual countries where companies operate; beta factor for industry according to Damodaran;
- national risk premium according to Damodaran.

#### Discount rates used in goodwill testing

	Discount factor	Discount factor perpetuity
Croatia	13.0%	12.0%
Serbia	16.5%	15.5%
Montenegro	15.5%	14.5%
Macedonia	15.5%	14.5%
Kosovo	16.0%	15.0%

Discount factors used in 2012 remained unchanged from 2011.

The bases for the testing of value in use are prepared in several phases. In phase one, the Company obtains five-year projections of results for each company within the regular planning process unified Group-wide. These strategic plans are approved by the controlling company as well as by relevant governing bodies. In phase two, projections are extended by five years in order to avoid giving too much weight and influence to the perpetuity and to projections that towards the end of the projected period show normalised operations of the companies subject to goodwill testing.

In all their markets, insurance penetration is relatively low. However, insurance penetration is expected to increase significantly due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Western

Balkan markets, which have a relatively low penetration level, are expected to see a faster growth of gross premiums compared to the expected growth of GDP.

#### Gross premiums to gross domestic product (insurance penetration) in Western Balkan markets

	2011	2012	
Slovenia	5.78%	5.70%	
Croatia	2.74%	2.71%	
Serbia	1.73%	1.76%	
Macedonia	1.47%	1.50%	
Montenegro	1.69%	1.66%	
Kosovo	1.76%	1.79%	

The ratio of gross premiums written in the market to GDP indicates how developed the market is. In Slovenia, this ratio of 5.7% is relatively large also compared to other EU countries. Insurance penetration rates of the markets listed in the above table are relatively low and indicate that there is a large premium growth potential.

#### Nominal GDP growth forecast in the markets of the Group

	Plan 2013	Plan 2014	Plan 2015	Plan 2016	Plan 2017
Croatia	4.8%	4.2%	6.0%	6.0%	6.0%
Serbia	9.9%	8.4%	8.7%	9.0%	9.0%
Macedonia	8.4%	8.4%	6.7%	6.1%	6.0%
Montenegro	5.7%	5.4%	7.7%	7.1%	7.0%
Kosovo	6.4%	8.0%	8.0%	8.0%	8.0%

Source: Business Monitor 4Q 2012

Goodwill In the impairment testing of goodwill arising out of the acquired companies impairment testing listed at the beginning of this section, the recoverable amount of each cashgenerating unit exceeded its carrying amount including goodwill belonging to the unit. Impairment testing indicated that impairment losses needed to be recognised only in Velebit životno osiguranje (EUR 0.4m).

> Goodwill relates primarily to the non-life insurance segment and, to a lesser extent, to the life insurance segment.

Sensitivity of goodwill Should performance projections based on which the value in use is calculated impairment testing worsen by 1% of premiums earned by each of the companies included in the calculation, this would result in a decrease of goodwill by 3.3% or EUR 0.5m.

> The table below shows the sensitivity of value in use of all companies subject to goodwill testing. It shows by how much the excess of value in use over the carrying amount changes if the growth rate in perpetuity and discount rate change.

#### Sensitivity of values in goodwill testing

	ds-1	ds	ds+1	
3.0%	38,678,752	24,363,041	12,794,631	
3.5%	43,130,366	27,683,371	15,330,151	
4.0%	48,147,020	31,373,976	18,118,322	
4.5%	53,848,608	35,502,554	21,199,855	

The columns show how the value responds to an increase or decrease in the discount rate by one percentage point (depending on the discount rate used for each country); the lines relate to changes in value depending on the growth rate in perpetuity used.

#### Impact on goodwill testing

	df-1	df	df+1
3.0%	0	0	-567,592
3.5%	0	0	-340,254
4.0%	0	0	-84,499
4.5%	0	0	0

The table below shows by how many percentages it would be necessary to decrease premium growth in projections in the second five-year period in order for the carrying amount of the cash-generating unit to be lower than the value in use. This simulation includes the following variables: premiums, unearned premiums, claims and acquisition costs. Provisions for outstanding claims and other operating expenses remain unchanged compared to the starting point, which lends the calculation an additional measure of prudence.

## Decrease in premium growth rate in the period 2017–2022, where goodwill impairment testing does not indicate necessity for impairment

%	Change in premium growth rate
Illyria, Kosovo	3%
Sava osiguranje, Serbia	5%
Sava osiguruvanje, Macedonia	12%
Sava Montenegro, Montenegro	3%
Velebit usluge, Croatia	2%

## $2) \ Property \ and \ \ {\bf Movements \ in \ cost \ and \ accumulated \ depreciation/impairment \ losses \ of} \\ equipment \ \ property \ and \ equipment$

(EUR)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
1 Jan 2012	3,766,165	21,409,263	9,385,986	449,711	35,011,125
Additions	21,143	652,362	1,673,302	11,967	2,358,774
Disposals	-11,390	0	-733,946	-19,913	-765,249
Impairment losses	0	0	0	0	0
Foreign exchange differences	-1,195	-331,461	-92,317	-29,551	-454,524
31 Dec 2012	3,774,723	21,730,164	10,233,025	412,214	36,150,126
Accumulated depreciation and im	pairment losses				
1 Jan 2012	0	4,848,850	5,531,255	127,686	10,507,791
Additions	0	255,292	1,241,989	35,613	1,532,894
Disposals	0	36,290	-331,771	-16,257	-311,738
Impairment losses	0	0	0		0
Foreign exchange differences	0	-101,753	-52,786	-7,660	-162,199
31 Dec 2012	0	5,038,679	6,388,687	139,382	11,566,748
Carrying amount at 1 Jan 2012	3,766,165	16,560,414	3,854,731	322,025	24,503,336
Carrying amount at 31 Dec 2012	3,774,723	16,691,484	3,844,338	272,832	24,583,379

(EUR)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
1 Jan 2011	3,829,199	21,820,197	9,034,286	510,193	35,193,876
Additions	152,542	1,217,924	1,067,124	24,443	2,462,033
Disposals	-102,634	-1,047,523	-733,963	-96,030	-1,980,150
Impairment losses	-99,480	-627,867	0	0	-727,347
Foreign exchange differences	-13,462	46,532	18,539	11,105	62,714
31 Dec 2011	3,766,165	21,409,263	9,385,986	449,711	35,011,125
Accumulated depreciation and imp	airment losses				
1 Jan 2011	0	3,494,263	4,904,807	83,207	8,482,277
Additions	0	292,944	1,100,032	52,152	1,445,128
Disposals	0	-322,810	-482,619	-9,454	-562,919
Impairment losses	0	1,356,012			0
Foreign exchange differences	0	28,441	9,035	1,781	39,257
31 Dec 2011	0	4,848,850	5,531,255	127,686	10,507,791
Carrying amount at 1 Jan 2011	3,829,199	18,325,934	4,129,478	426,986	26,711,597
Carrying amount at 31 Dec 2011	3,766,165	16,560,414	3,854,731	322,025	24,503,336

No property or equipment assets have been pledged as collateral.

## 3) Deferred tax assets and liabilities

(EUR)	31 Dec 2012	31 Dec 2011
Deferred tax assets	1,929,136	4,527,413
Deferred tax liabilities	-3,498	0
Total net deferred tax assets	1,925,638	4,527,413

(EUR)  Long-term financial assets	1 Jan 2012 4,641,860	Recognized in the IS -629,929	Recognized in the SCI -2,247,636	31 Dec 2012
Short-term operating receivables	195,461	-58,628	0	136,833
Provisions for jubilee benefits and severance pay (retirement)	14,373	13,635	0	28,008
Other	-324,281	320,783	0	-3,498
Total	4,527,413	-354,139	-2,247,636	1,925,638

(EUR)	1 Jan 2011	Recognized in the IS	Recognized in the SCI	31 Dec 2011
Long-term financial assets	2,062,471	552,949	2,026,440	4,641,860
Short-term operating receivables	162,394	33,067	0	195,461
Provisions for jubilee benefits and severance pay (retirement)	11,216	3,157	0	14,373
Other	-186,610	-164,608	26,937	-324,281
Total	2,049,471	424,565	2,053,377	4,527,413

As can be seen from the movements in deferred tax assets, the Group realised part of deferred tax assets in the statement of financial position due to a sale of long-term financial investments, while the other (larger) share of the decrease of EUR 2.2m relates to positive revaluation of long-term financial investments available-for-sale in 2012.

If the Group had recognised deferred tax assets from unutilised tax losses, deferred tax assets would have been larger by up to EUR 0.4m (2011: by EUR 0.8m).

#### 4) Investment property Movements in cost and accumulated depreciation/impairment losses of investment property

(EUR)	Land	Buildings	Total
Cost			
1 Jan 2012	601,469	5,699,020	6,300,488
Additions	66,792	167,081	233,873
Disposals	-62,791	-776,583	-839,374
Foreign exchange differences	-569	-297,686	-298,255
31 Dec 2012	604,901	4,791,832	5,396,732
Accumulated depreciation and imp	pairment losses		
1 Jan 2012	0	229,042	229,042
Additions	0	7,959	7,959
Disposals	0	56,460	56,460
Foreign exchange differences	0	-2,030	-2,030
31 Dec 2012	0	291,431	291,431
Carrying amount at 1 Jan 2012	601,469	5,469,978	6,071,447
Carrying amount at 31 Dec 2012	604,901	4,500,401	5,105,302
(EUR)	Land	Buildings	Total
Cost			
1 Jan 2011	436,595	4,774,094	5,210,688
	12 .222	41//41034	3,210,000
Additions	173,376	920,954	1,094,330
Disposals	173,376	920,954	1,094,330
Disposals Foreign exchange differences	173,376 0	920,954 -115,011	1,094,330
Disposals Foreign exchange differences 31 Dec 2011	173,376 0 -8,502 601,469	920,954 -115,011 118,983	1,094,330 -115,011 110,481
Disposals Foreign exchange differences 31 Dec 2011 Accumulated depreciation and imp	173,376 0 -8,502 601,469	920,954 -115,011 118,983	1,094,330 -115,011 110,481
Disposals Foreign exchange differences 31 Dec 2011 Accumulated depreciation and imp 1 Jan 2011	173,376 0 -8,502 601,469 pairment losses	920,954 -115,011 118,983 5,699,020	1,094,330 -115,011 110,481 6,300,488
Disposals Foreign exchange differences 31 Dec 2011 Accumulated depreciation and imp 1 Jan 2011 Additions	173,376 0 -8,502 601,469 pairment losses 0	920,954 -115,011 118,983 5,699,020	1,094,330 -115,011 110,481 6,300,488
Disposals Foreign exchange differences 31 Dec 2011 Accumulated depreciation and imp 1 Jan 2011 Additions Disposals	173,376 0 -8,502 601,469 <b>Dairment losses</b> 0	920,954 -115,011 118,983 5,699,020 303,770 8,008	1,094,330 -115,011 110,481 6,300,488 303,770 8,008
Disposals Foreign exchange differences 31 Dec 2011 Accumulated depreciation and imp 1 Jan 2011 Additions Disposals Foreign exchange differences	173,376 0 -8,502 601,469 pairment losses 0 0	920,954 -115,011 118,983 5,699,020 303,770 8,008 -83,994	1,094,330 -115,011 110,481 6,300,488 303,770 8,008 -83,994
Additions Disposals Foreign exchange differences 31 Dec 2011 Accumulated depreciation and imp 1 Jan 2011 Additions Disposals Foreign exchange differences 31 Dec 2011 Carrying amount at 1 Jan 2011	173,376 0 -8,502 601,469 <b>Dairment losses</b> 0 0	920,954 -115,011 118,983 5,699,020 303,770 8,008 -83,994 1,258	1,094,330 -115,011 110,481 6,300,488 303,770 8,008 -83,994 1,258

The Group generated income of EUR 59,145 (2011: EUR 72,480) by leasing out its investment property in 2012. Maintenance costs associated with investment property are either included in the rent or charged to the lessee.

The fair value of investment property totalled EUR 6.1m.

### 5) Financial investments Financial investments in associates in associates

(EUR)	1 Jan 201	2				31 Dec 20	012	
	Holding	Value	Attribution of profits	Dividend payout	Addition of fair value reserve	Holding	Value	Share of voting rights
Zavarovalnica Maribor	48.68%	47,458,106	3,729,240	-1,939,941	4,282,346	48.68%	53,529,752	48.68%
Moja naložba	25.00%	1,626,901	80,006	0	28,992	25.00%	1,735,899	25.00%
Total		49,085,007	3,809,246	-1,939,941	4,311,338		55,265,651	

(EUR) 1 Jan 2011		Addition	ıs				31 Dec 2011			
	Holding	Value	Share	Value		Dividend payout	Addition of fair value reserve	Holding	Value	Share of voting rights
Zavarovalnica Maribor	45.79%	40,738,420	2.89%	8,152,569	5,139,184	-4,243,621	-2,328,446	48.68%	47,458,106	48.68%
Moja naložba	25.00%	1,583,945	0.00%	0	102,579	0	-59,624	25.00%	1,626,901	25.00%
Total		42,322,365		8,152,569	5,241,763	-4,243,621	-2,388,070		49,085,007	

-					
10	)ata	On	2550	CIS	ITAS

(EUR)	31 Dec 2012	31 Dec 2011
Zavarovalnica Maribor		
Total assets	830,361,653	760,989,148
Liabilities	731,252,576	673,449,535
Equity	99,109,077	87,539,613
Income	263,316,052	248,712,324
Net profit/loss for the period	7,717,014	10,557,075
Profit/loss attributable to the Group	3,756,642	5,139,184
Moja naložba		
Total assets	136,496,108	135,038,073
Liabilities	129,629,125	128,607,079
Equity	6,866,983	6,430,994
Income	3,571,080	2,818,149
Net profit/loss for the period	320,022	410,318
Profit/loss attributable to the Group	80,006	102,579
Pension fund contributions	64,902	62,785

On 23 October 2009, the controlling company concluded a put option contract with Zavarovalnica Maribor on the shares acquired by the controlling company in the recapitalisation effective at 30 October 2009.

The subject of the put option contract was the right of the controlling company to sell Zavarovalnica Maribor shares, up to the number of shares acquired in the recapitalisation, i.e., 1,558,048 shares. The consideration per share based on the put option was EUR 4.1729 (the stock offering price) plus 10.5% per annum, starting to accrue as of the date of entering the capital increase in the court register.

The controlling company has had the right to exercise from 1 April 2010 up until three years after the registering of ownership on the shares. Based on the price, the probability of realising this option equals o and consequently the value of the option is close to o, which is why it is valued at o. This is also endorsed by the fact that while preparing this report, the controlling company has received the decision of the Insurance Supervision Agency based on which it is permitted to acquire shares in voting rights and shares in the equity of Zavarovalnica Maribor of 50 percent or more. Furthermore, the Insurance Supervision Agency issued an approval for the controlling company and the Slovenian Restitution Fund to jointly and directly acquire, based on their share purchase agreement titled "Agreement on the rights associated with Zavarovalnica Maribor shares", voting rights and shares in the equity of Zavarovalnica Maribor of 50 percent or more, within six months of service of such decision, whereafter such approval ceases to be effective. At the end of 2012, the controlling company made an advance payment of EUR 10m to Nova Kreditna banka Maribor to acquire a share of Zavarovalnica Maribor.

### 6) Financial investments Financial investments in 2012

		At fair value	through P/L				
(EUR)		Non-derivat	ive	-			
31 Dec 2012	Held-to-maturity	Held for Designated trading this category		Available-for- sale	Loans and receivables	Total	
Long-term financial investments	14,615,728	0	1,636,783	165,252,047	34,461,175	215,965,733	
Equity and other variable income securities and mutual funds	0	0	0	9,352,900	0	9,352,900	
Debt securities and other fixed income securities	14,091,390	0	1,636,783	150,379,048	0	166,107,221	
Shares in investment funds	0	0	0	2,519,762	0	2,519,762	
Other financial investments	0	0	0	0	59,801	59,801	
Other loans granted	0	0	0	0	215,896	215,896	
Bank deposits	524,338	0	0	3,000,337	34,185,478	37,710,153	
Short-term financial investments	1,947,753	1,115,845	302,361	59,027,113	71,887,007	134,280,079	
Held-for-trading shares and interests	0	826,584	0	1,091,838	0	1,918,422	
Held-for-trading securities or securities with a remaining maturity of less than one year	1,947,753	289,261	302,361	57,935,275	0	60,474,650	
Short-term loans granted	0	0	0	0	608,709	608,709	
Bank deposits	0	0	0	0	62,262,115	62,262,115	
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	0	9,016,183	9,016,183	
Total	16,563,481	1,115,845	1,939,144	224,279,160	106,348,182	350,245,812	
Funds for the benefit of policyholders who bear the investment risk	0	0	26,782,903	0	841,000	27,623,903	

### Hierarchical classification of financial investments according to IFRS 7.27

(EUR)	At fair value through P/L						
	Non-derivative			Available-for-sale			
31 Dec 2012	Level 1	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-term financial investments	2,157,662	0	2,157,662	156,950,110	23,666	8,960,533	165,934,309
Equity and other variable income securities and mutual funds	231,618	0	231,618	3,892,216	488	5,460,196	9,352,900
Debt securities and other fixed income securities	1,926,044	0	1,926,044	150,408,023	23,178	3,500,337	153,931,538
Shares in investment funds	0	0	0	2,649,871	0	0	2,649,871
Other financial investments	0	0	0		0	0	0
Short-term financial investments	893,213	4,114	897,327	58,344,851	0	0	58,344,851
Held-for-trading shares and interests	590,852	4,114	594,966	5,273,236	0	0	5,273,236
Held-for-trading securities or securities with a remaining maturity of less than one year	302,361	0	302,361	53,071,615	0	0	53,071,615
Total	3,050,875	4,114	3,054,989	215,294,961	23,666	8,960,533	224,279,160
Investments for the benefit of life- insurance policyholders who bear the investment risk	27,623,903	0	27,623,903	0	0	0	0

### Change in available for sale investments – level 3

(EUR)	Available-fo	r-sale – level 3						
31 Dec 2012	Opening balance	Acquisitions	Disposals	Maturity	Impairment losses	Revaluation	Foreign exchange differences	Closing balance
Long-term financial investments	9,543,799	0	-130,525	0	-453,946	0	1,205	8,960,533
Equity and other variable income securities and mutual funds	6,043,462	0	-130,525	0	-453,946	0	1,205	5,460,196
Debt securities and other fixed income securities	3,500,337	0	0	0	0	0	0	3,500,337
Short-term financial investments	2,048,289	0	0	-2,083,367	0	35,078	0	0
Held-for-trading securities or securities with a remaining maturity of less than one year	2,048,289	0	0	-2,083,367	0	35,078	0	0
Total	11,592,088	0	-130,525	-2,083,367	-453,946	35,078	1,205	8,960,533

Debt securities and other fixed income securities of level 3 include money market instruments with banks and a non-quoted bank bond.

#### Financial investments in 2011

		At fair value t	:hrough P/L			
(EUR)		Non-derivat	ve	_		
31 Dec 2011	Held-to-maturity	Held for trading	Designated to this category	Available-for- sale	Loans and receivables	Total
Long-term financial investments	14,005,809	1,784,233	0	124,714,275	7,343,285	147,847,602
Equity and other variable income securities and mutual funds	0	0	0	7,453,482	0	7,453,482
Debt securities and other fixed income securities	13,481,584	1,780,764	0	116,971,151	0	132,233,499
Mortgage loans	0	0	0	0	0	0
Other financial investments	0	3,469	0	289,642	0	293,111
Other loans granted	0	0	0	0	215,587	215,587
Bank deposits	524,225	0	0	0	7,127,698	7,651,923
Short-term financial investments	1,414,705	2,933,534	0	73,298,664	99,693,858	177,340,761
Held-for-trading shares and interests	0	2,290,727	0	11,804,314	3,469	14,098,510
Held-for-trading securities or securities with a remaining maturity of less than one year	373,130	642,807	0	59,446,061	0	60,461,998
Short-term loans granted	0	0	0		927,609	927,609
Bank deposits	1,041,575	0	0	2,048,289	90,186,034	93,275,898
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	0	8,576,746	8,576,746
Total	15,420,514	4,717,767	0	198,012,939	107,037,143	325,188,363
Funds for the benefit of policyholders who bear the investment risk	0	52	23,253,666	0	885,239	24,138,957

Funds for the benefit of policyholders who bear the investment risk comprise short-term financial investments and are discussed in detail under note 7 below.

#### Hierarchical classification of financial investments according to IFRS 7.27

At fair value through P/L

(EUR)	Non-derivativ	e	Available-for-s	Available-for-sale			
31 Dec 2011	Level 1	Total	Level 1	Level 2	Level 3	Total	
Long-term financial investments	3,814,425	3,814,425	118,505,853	684,780	9,543,800	128,734,433	
Equity and other variable income securities and mutual funds	2,260,203	2,260,203	484,988	684,780	6,043,462	7,213,230	
Debt securities and other fixed income securities	1,550,753	1,550,753	117,731,223	0	3,500,338	121,231,561	
Other financial investments	3,469	3,469	289,642	0	0	289,642	
Short-term financial investments	903,394	903,394	67,230,216	0	2,048,289	69,278,505	
Held-for-trading shares and interests	559,388	559,388	9,982,039	0	0	9,982,039	
Held-for-trading securities or securities with a remaining maturity of less than one year	344,006	344,006	57,248,177	0	2,048,289	59,296,466	
Total	4,717,819	4,717,819	185,736,069	684,780	11,592,089	198,012,938	
Investments for the benefit of life- insurance policyholders who bear the investment risk	23,253,666	23,253,666	0	0	0	0	

In 2011 there were no reclassifications of investments from level 1 to level 3.

### Change in available for sale investments – level 3

(EUR) Available-for-sale – level 3

Total	12.418.980	5.098.289	-2.290.293	-2.883.789	-749.139	338	-2.297	11.592.089
Held-for-trading securities or securities with a remaining maturity of less than one year	3,318,560	2,048,289	-434,771	-2,883,789	0	0	0	2,048,289
Short-term financial investments	3,318,560	2,048,289	-434,771	-2,883,789	0	0	0	2,048,289
Debt securities and other fixed income securities	2,355,522	3,000,000	-1,855,522	0	0	338	0	3,500,338
Equity and other variable income securities and mutual funds	6,744,898	50,000	0	0	-749,139	0	-2,297	6,043,462
Long-term financial investments	9,100,420	3,050,000	-1,855,522	0	-749,139	338	-2,297	9,543,800
31 Dec 2011	Opening balance	Acquisitions	Disposals	Maturity	Impairment losses	Revaluation	Foreign exchange differences	Closing balance

## Comparison of carrying amounts and fair values of held-to-maturity investments, and loans and receivables

(EUR)

31 Dec 2012	Category of financial asset	Carrying amount	Fair value	
Debt securities and other fixed income securities	Held-to-maturity	14,091,390	13,765,571	
Bank deposits	Held-to-maturity	524,338	524,338	
Other loans granted	Loans and receivables	215,896	215,896	
Bank deposits	Loans and receivables	96,447,593	96,447,593	
Short-term loans granted	Loans and receivables	608,709	608,709	
Total		111,887,926	111,562,107	

#### (EUR)

,			
31 Dec 2011	Category of financial asset	Carrying amount	Fair value
Debt securities and other fixed income securities	Held-to-maturity	13,481,584	12,639,258
Bank deposits	Held-to-maturity	1,565,800	1,565,800
Other loans granted	Loans and receivables	215,587	215,587
Bank deposits	Loans and receivables	7,127,698	7,127,698
Short-term loans granted	Loans and receivables	927,609	927,609
Total		23,318,278	22,475,952

Pursuant to reinsurance contracts, part of reinsurance premiums are retained by some reinsurers as interest-earning deposits and generally released after one year. Receivables so arising amounted to EUR 9m in 2012 (2011: EUR 8.6m) and were included under the loans and receivables category of financial investments.

Funds for the benefit of policyholders who bear the investment risk comprise short-term financial investments and are discussed in detail under note 7 below.

Financial investments in subordinated debt instruments

Financial investments in subordinated debt instruments totalled EUR 10.9m (2011: EUR 16.9m). Financial investments of the Group have not been pledged as collateral.

# investment risk

7) Funds for the benefit of These funds relate to a subsidiary who is a composite insurer based in Slovenia. policyholders who bear the Funds are measured at fair value through profit or loss.

> These are investments in mutual fund units realised by the insurer at the discretion of policyholders of unit-linked policies. Unit-linked life business realised EUR 2.3m of financial expenses from revaluation in 2012 (2011: EUR 5.4m), while financial income from revaluation increased by EUR 3.5m (2011: EUR 2.7m) due to such investments.

### 8) Reinsurers' share of technical provisions

(EUR)	31 Dec 2012	31 Dec 2011
From unearned premiums	4,280,173	4,588,135
From mathematical provisions	175	237
From provisions for claims outstanding	32,610,449	16,413,402
From other technical provisions	539,073	606,607
Total	37,429,870	21,608,381

The reinsurers' share of unearned premiums usually moves in line with premiums from the largest proportional retrocession treaties. The reinsurers' share of other technical provisions comprises provisions for unexpired risks at the retroceded portfolio level.

9) Receivables The majority were receivables arising out of insurance and reinsurance contracts invoiced in the fourth quarter of 2012 but falling due only in 2013.

> Receivables of the controlling company under reinsurance contracts are not secured, while some receivables of subsidiaries are secured by blank bills of exchange. Receivables have been tested for impairment.

### **Receivables by type**

(EUR)	31 Dec 2012			31 Dec 2011		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	38,576,517	-15,717,125	22,859,392	39,055,594	-14,899,185	24,156,409
Receivables from insurance brokers	2,932,931	-361,896	2,571,035	1,991,703	-267,585	1,724,118
Other receivables arising out of primary insurance business	616,267	-359,311	256,956	790,871	-328,792	462,079
Receivables arising out of primary insurance business	42,125,715	-16,438,332	25,687,383	41,838,168	-15,495,562	26,342,606
Receivables for premiums arising out of reinsurance and co-insurance	51,720,195	-682,955	51,037,240	48,284,545	-692,607	47,591,938
Receivables for shares in claims	2,880,193	-96,438	2,783,755	4,821,358	-35,282	4,786,076
Other receivables from co-insurance and reinsurance	658,309		658,309	320,906		320,906
Receivables arising out of reinsurance and co-insurance business	55,258,697	-779,393	54,479,304	53,426,809	-727,889	52,698,920
Current tax assets	2,114,354	0	2,114,354	295,638	0	295,638
Other short-term receivables arising out of insurance business	11,146,115	-7,573,527	3,572,588	7,149,381	-3,936,879	3,212,502
Receivables arising out of investments	2,481,647	-1,543,942	937,705	2,183,535	-1,544,903	638,632
Other receivables	12,870,658	-636,262	12,234,396	7,302,439	-4,223,888	3,078,551
Other receivables	26,498,420	-9,753,731	16,744,689	16,635,355	-9,705,670	6,929,685
Total	125,997,186	-26,971,456	99,025,730	112,195,970	-25,929,121	86,266,849

### Ageing structure of net receivables

(EUR)	_		Past due more than	
2012	Not past due	Past due up to 180 days	180 days	Total
Receivables due from policyholders	13,251,285	6,184,185	3,423,922	22,859,391
Receivables from insurance brokers	2,154,322	339,567	77,146	2,571,035
Other receivables arising out of primary insurance business	42,275	146,685	67,996	256,956
Receivables for premiums arising out of assumed reinsurance and coinsurance	37,758,044	12,745,486	533,707	51,037,236
Receivables for reinsurers' shares in claims	1,699,792	531,510	552,456	2,783,758
Other receivables from co-insurance and reinsurance	554,583	98,922	4,804	658,309
Other short-term receivables arising out of insurance business	3,187,711	98,676	286,201	3,572,588
Short-term receivables arising out of investments	86,271	667,296	184,138	937,705
Current tax assets	1,935,280	110,764	68,310	2,114,354
Other short-term receivables	11,447,350	633,681	153,367	12,234,398
Total	72,116,913	21,556,772	5,352,047	99,025,730

(EUR)			Past due more than	
2011	Not past due	Past due up to 180 days	180 days	Total
Receivables due from policyholders	13,643,530	6,523,248	3,989,632	24,156,409
Receivables from insurance brokers	1,724,107	11	0	1,724,118
Other receivables arising out of primary insurance business	268,823	68,622	124,634	462,079
Receivables for premiums arising out of assumed reinsurance and coinsurance	39,326,155	6,305,598	1,960,185	47,591,937
Receivables for reinsurers' shares in claims	3,607,605	346,424	832,047	4,786,076
Other receivables from co-insurance and reinsurance	272,024	48,883		320,907
Other short-term receivables arising out of insurance business	2,040,348	934,561	237,593	3,212,502
Short-term receivables arising out of investments	204,595	300,653	133,382	638,630
Current tax assets	95,533	56,816	143,289	295,638
Other short-term receivables	1,882,491	1,003,292	192,770	3,078,553
Total	63,065,211	15,588,108	7,613,532	86,266,849

All receivables are current.

Other receivables increased due to the advance payment in respect of the acquisition of Zavarovalnica Maribor shares in the amount of EUR 10m.

For all receivables that have already fallen due, allowances have been recognised relating to individual classes of similar risks into which receivables are classified. Major items of receivables have been tested individually and since only minor indications of impairment have been found, these are included in collective impairment.

### Movements in allowances for receivables

(EUR)	_				Foreign	
31 Dec 2012	1 Jan 2012	Additions	Reversals	Write-offs	exchange differences	31 Dec 2012
Receivables due from policyholders	-14,899,185	-2,895,643	1,489,745	453,159	134,799	-15,717,125
Receivables from insurance brokers	-267,585	-266,254	0	156,343	15,600	-361,896
Other receivables arising out of primary insurance business	-328,792	-30,262	0	-1	-256	-359,311
Receivables arising out of primary insurance business	-15,495,562	-3,192,159	1,489,745	609,501	150,143	-16,438,332
Receivables for premiums arising out of reinsurance and co-insurance	-692,607	0	9,652	0	0	-682,955
Receivables for shares in claims	-35,282	-81,249	0	20,093	0	-96,438
Receivables arising out of reinsurance and co-insurance business	-727,889	-81,249	9,652	20,093	0	-779,393
Other short-term receivables arising out of insurance business	-3,936,879	-4,657,990	954,144	66,084	1,114	-7,573,527
Receivables arising out of investments	-1,544,903	-193,087	50,504	21,017	122,527	-1,543,942
Other short-term receivables	-4,223,888	3,469,936	33,497	75,175	9,018	-636,262
Other receivables	-9,705,670	-1,381,141	1,038,145	162,276	132,659	-9,753,731
Total	-25,929,121	-4,654,549	2,537,542	791,870	282,802	-26,971,456

(EUR)	_				Foreign exchange	
31 Dec 2011	1 Jan 2011	Additions	Reversals	Write-offs	differences	31 Dec 2011
Receivables due from policyholders	-12,001,169	-3,250,201	131,167	205,662	15,356	-14,899,185
Receivables from insurance brokers	-205,021	-55,930	0	0	-6,634	-267,585
Other receivables arising out of primary insurance business	-289,456	-328,900	0	286,908	2,656	-328,792
Receivables arising out of primary insurance business	-12,495,646	-3,635,031	131,167	492,570	11,378	-15,495,562
Receivables for premiums arising out of reinsurance and co-insurance	-327,781	-364,826	0	0	0	-692,607
Receivables for shares in claims	-35,115	-167	0	0	0	-35,282
Receivables arising out of reinsurance and co-insurance business	-362,896	-364,993	0	0	0	-727,889
Other short-term receivables arising out of insurance business	-3,179,887	-1,462,783	621,604	88,564	-4,377	-3,936,879
Receivables arising out of investments	-1,499,427	7,554	294	0	-53,324	-1,544,903
Other short-term receivables	-4,002,634	-520,583	151,426	91,746	56,157	-4,223,888
Other receivables	-8,681,948	-1,975,812	773,324	180,310	-1,544	-9,705,670
Total	-21,540,490	-5,975,836	904,491	672,880	9,834	-25,929,121

### 10) Deferred acquisition

costs

(EUR)	31 Dec 2012	31 Dec 2011
Short-term deferred acquisition costs	7,951,494	8,532,994
Short-term deferred reinsurance acquisition costs	8,107,207	7,405,455
Total	16,058,701	15,938,449

Deferred acquisition costs comprise short-term deferred policy acquisition costs. Expenses are gradually allocated to policy acquisition costs in 2012.

#### 11) Other assets

(EUR)	31 Dec 2012	31 Dec 2011
Inventories	12,372	86,841
Accrued interest and rent	303,314	105,650
Other short-term accrued income and deferred expenses	831,012	1,146,498
Total	1,146,698	1,338,989

Other assets comprise inventories, accrued interest and rent, prepaid subscriptions, insurance premiums for property and equipment, and other short-term accrued income and deferred expenses.

12)  $Cash \ and \ cash$  This item of the statement of financial position and the cash flow statement equivalents comprises balances in bank accounts and overnight deposits.

13) Non-current assets held The amount of non-current assets held for sale has not changed substantially for sale compared to the prior year. Land and buildings held for sale are being actively offered for sale and are available for immediate sale in their present condition.

14) Share capital At 31 December 2012, the controlling company's share capital was divided into 9,362,519 shares (the same as at 31 December 2011). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the controlling company's control and profits (dividends). Each share carries one vote in General Meeting and entitles the bearer to a proportionate share of the dividend payout.

> At 31 December 2012, the controlling company still had EUR 10.1m of authorised capital available for subscription until 4 June 2013.

> As at year-end 2012, the register of shareholders listed 4,946 shareholders (31 December 2011: 5,067). On 11 June 2008, the controlling company listed in the standard equity market of the Ljubljana Stock Exchange. On 2 April 2012, the POSR share was transferred to the prime market of the Ljubljana Stock Exchange.

Pursuant to a resolution of the General Meeting, the controlling company did not pay dividends in 2012.

15) Capital reserves Capital reserves decreased slightly due to the acquisition of shares of non-controlling shareholders in a subsidiary. Capital reserves include as contra account goodwill resulting from the acquisition of non-controlling shares (for more details see section 25.3.).

#### 16) Profit reserves

(EUR)	31 Dec 2012	31 Dec 2011	distributable/ non-distributable
Legal reserves and reserves provided for in the articles of association	16,677,980	16,673,828	non-distributable
Reserve for treasury shares	1,774	1,774	non-distributable
Credit risk equalisation reserve	753,026	745,290	non-distributable
Catastrophe equalisation reserve	9,950,193	7,996,935	non-distributable
Other profit reserves	69,542,800	64,825,254	distributable
Total	96,925,773	90,243,081	

Legal reserves and reserves provided for by the Articles of Association increased based on allocation of net profit pursuant to the Slovenian Companies Act ZGD-1.

Pursuant to the Insurance Act and statutory regulations of the individual countries where Group members operate, equalisation provisions are defined as technical provisions, and their establishing and releasing is taken to profit or loss. As this is not IFRS-compliant, the Group carries these provisions within profit reserves, which is in line with IFRSs. All movements in these reserves are recognised in equity as a decrease/increase in net profit for the year. The same is true for catastrophe equalisation reserves.

If the consolidated financial statements had been in compliance with the Insurance Act and the local legislation of subsidiary companies, the Group gross profit for 2012 would have been smaller by EUR 365 thousand (2011: smaller by EUR 0.4m).

The credit risk equalisation reserve remained at the 2011 level (EUR 0.7m); the catastrophe equalisation reserve (earthquake) grew from EUR 8m to EUR 10m in 2012 owing to the positive result of earthquake business.

In line with regulations, the Management Board or the Supervisory Board may, when adopting the annual report, allocate a part of net profit to other profit reserves, up to half the amount of net profit for the period. In 2012 other profit reserves were increased in this manner. Other reserves are distributable. The Management Board has the power to propose the appropriation of reserves as part of distribution of distributable profit; the proposal is subject to approval by the General Meeting.

17) Treasury shares In the years 2012 and 2011, the Group did not make any transactions with treasury shares. As at 31 December 2012, it held 210 treasury shares.

Treasury shares are a contra account of equity.

18)  $Fair\ value\ reserve\$  The fair value reserve only comprises the change in fair value of available-forsale financial assets.

(EUR)	2012	2011
At 1 Jan	-10,809,738	-121,460
Change in fair value	8,242,613	-13,856,025
Transfer from fair value reserve to the IS due to impairment	-1,087,106	-4,386,288
Transfer from fair value reserve to the IS due to disposal	3,119,497	7,915,462
Net gains/losses attributable to the Group recognised in the fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	4,311,339	-2,388,070
Deferred tax	-2,244,239	2,025,147
Increase in shareholding	-4,678	1,498
Total fair value reserve	1,527,689	-10,809,738

The table shows the net change in the fair value reserve, which is an equity component.

19) Net profit/loss The net profit for 2012 attributable to owners of the controlling company for the period totalled EUR 12.1m. Of this, the Group allocated EUR 4.7m to other profit reserves, EUR 8 thousand to the credit risk equalisation reserve, and EUR 2.0m to the catastrophe equalisation reserve, thus reducing net profit for the year by EUR 2m. The remaining EUR 5.4m is recognised as net profit for the period in the statement of financial position.

#### Net earnings per share

(EUR)	31 Dec 2012	31 Dec 2011
Net profit for the period	11,788,457	4,066,402
Net profit/loss for the period attributable to owners of the controlling company	12,138,746	5,994,002
Weighted number of shares	9,362,309	9,362,309
Net earnings/loss per share	1.30	0.64

#### Diluted earnings per share

(EUR)	31 Dec 2012	31 Dec 2011
Net profit for the period	11,788,457	4,066,402
Net profit/loss for the period attributable to owners of the controlling company	12,138,746	5,994,002
Weighted number of shares	9,362,309	9,362,309
Diluted earnings/losses per share	1.30	0.64

## 20) Non-controlling

#### interest in equity Non-controlling interest in equity

(EUR)	31 Dec 2012	31 Dec 2011
Zavarovalnica Tilia	0	49,394
Sava osiguranje	8	10
Sava osiguruvanje	186,069	260,611
Sava životno osiguranje	80	142
Velebit osiguranje	351,917	479,920
Velebit životno osiguranje	1,477,788	1,684,353
Total	2,015,862	2,474,430

Note to the statement of In 2012 non-controlling interest in equity in Velebit životno osiguranje and changes in equity: Velebit osiguruvanje decreased because not all shareholders participated in the recapitalisation. Sava Osiguruvanje liquidated its subsidiary Bro-Dil, which resulted in a decrease in non-controlling interest in equity from EUR 260,611 to EUR 186,069.

21) Subordinated The controlling company raised a subordinated loan in the amount of EUR liabilities 32m based on two contracts: one for a drawdown in 2006 and one for 2007, in total 97% of the principal amount. Maturity of the loan is 20 years, with the possibility of early repayment after 10 years. The principal is due at maturity. The applicable interest rate is a 3-month Euribor + 3.35%, with interest payable on a quarterly basis. The loan is carried at amortised cost.

Subordinated liabilities	
Outstanding debt at effective interest rate at 31 December 2012	31,244,573
Debt currency	EUR
Maturity date	27 Dec 2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable
Outstanding debt at effective interest rate at 31 December 2011	31,220,817
Debt currency	EUR
Maturity date	27 Dec 2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

In 2012 the controlling company paid EUR 1.4m in interest on the subordinated debt (2011: EUR 1.5m), and EUR 71,125 in withholding taxes on the interest paid (2011: EUR 79,410).

22) Technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

At 1 Jan 2012

Consolidated prior to

insurance policyholders who Movements in gross technical provisions and the technical provision for bear the investment risk the benefit of life insurance policyholders who bear the investment risk

Uses and

Foreign

currency

At 31 Dec 2012

prior to

Consolidated

(EUR)	1 Jan 2	:012	elimi	nation	Additions	releases	differences	elimination	31 Dec 2012
	1		2		3	4	5	6 = 2+3+4+5	7
Gross unearned premiums	87,330	,269	94,93	1,863	76,575,242	-72,790,676	-422,955	98,293,474	90,691,880
Mathematical provisions	16,503	,688	16,50	3,689	3,416,939	-2,097,698	-55,617	17,767,313	17,767,312
Gross provision for claims	213,830	0,875	229,2	32,635	116,904,762	-81,689,468	-845,373	263,602,556	248,200,797
Gross provision for bonuses, rebates and cancellations	610,61	6	751,59	97	662,491	-710,963	416	703,541	562,560
Other gross technical provisions	2,599,	694	2,599	,694	2,880,229	-2,568,995	14,739	2,925,667	2,925,667
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	23,673	,423	23,67	3,423	6,089,096	-2,721,650	-5	27,040,864	27,040,864
Total	344,54	8,565	367,6	92,901	206,528,759	-162,579,450	-1,308,795	410,333,415	387,189,080
(EUR)		Consol		At 1 Jan 20° prior to elimination		Uses and releases	Foreign currency difference	At 31 Dec 2011 prior to s elimination	Consolidated
		1		2	3	4	5	6 = 2+3+4+5	7
Gross unearned premiu	ms	87,101,2	137	94,703,031	72,540,94	2 -72,355,301	43,191	94,931,863	87,330,269
Mathematical provisions	S	15,228,	730	15,228,731	3,188,195	-1,874,075	-39,162	16,503,689	16,503,688
Gross provision for clair	ns	197,489	,172	212,890,93	3 92,890,92	9 -76,640,738	91,511	229,232,635	213,830,875
Gross provision for bon- rebates and cancellation		544,113		685,094	752,005	-685,094	-408	751,597	610,616
Other gross technical provisions		2,923,7	97	2,923,797	2,555,811	-2,881,006	1,092	2,599,694	2,599,694
Net technical provisions the benefit of life insurar policyholders who bear t investment risk	nce	23,626,	363	23,626,363	2,475,629	-2,428,568	-1	23,673,423	23,673,423
					9 174,403,5	11 -156,864,78	2 96,223	367,692,901	344,548,565

Movements in technical Consolidated gross technical provisions increased by 12.4% in 2012. The largest provisions increases in absolute terms were recorded in Sava Reinsurance Company (EUR 32.6m) and Zavarovalnica Tilia (EUR 9.7m).

Gross unearned premiums grew by 3.8% driven by gross premiums written.

The gross mathematical provision grew by 7.7%, each of the four Group companies that transact life business having strengthened this provision by about EUR o.4m.

Gross claims provisions grew by 16.1%. Almost all Group entities strengthened their claims provisions during 2012. The largest increase in claims provisions was recorded by Sava Reinsurance Company (EUR 29.8m), with a 7.8% increase for claims provisions for Slovenian business and a 33.7% rise for claims provisions for foreign-sourced business. The increase in Slovenia-related claims provisions is a result of reserve strengthening for the floods in north-eastern Slovenia in November 2012 of EUR 7.6m. The large increase in the foreign business claims provision is in line with premium growth but also due to major loss events (increase in estimate for claim payments relating to the Thailand floods in 2011 to EUR 15.9m, estimated loss for US hurricane Sandy of EUR 2.0m). Zavarovalnica Tilia strengthened its claims provisions by EUR 4.9m.

The technical provision for the benefit of life insurance policyholders who bear the investment risk, set aside only by Zavarovalnica Tilia, increased by 14.2%.

Other technical provisions comprise the provision for unexpired risks. This is set aside in addition to unearned premiums for the case that unearned premiums are insufficient for the coverage of expected future claims and expenses for written insurance business. This is why the provision is similar to unearned premiums: it is used during the year and additions are made at the end of the year for insurance contracts concluded during the year. The tables below give a summary of the calculation of the gross provision for unexpired risks by class of insurance for 2012 and 2011.

#### Calculation of the gross provision for unexpired risks by class of insurance

Primary insurance

(EUR)	business	Reinsurance business		
2012	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks	
Personal accident	1,868	66.7%	0	
Health	0	130.1%	0	
Land vehicles casco	403,512	80.5%	0	
Aircraft hull	0	83.3%	0	
Ships hull	5,288	84.4%	0	
Goods in transit	0	97.8%	0	
Fire and natural forces	0	96.0%	0	
Other damage to property	512,125	82.4%	0	
Motor liability	20,012	73.6%	0	
Aircraft liability	0	74.9%	0	
Liability for ships	0	82.4%	0	
General liability	0	88.4%	0	
Credit insurance	1,788,778	88.2%	0	
Suretyship	124,295	62.5%	0	
Miscellaneous financial loss	0	39.2%	0	
Legal expenses	0	6.4%	0	
Assistance	0	109.4%	0	
Life business	0	82.0%	0	
Unit-linked life	0	40.4%	0	
Total	2,855,879	86.9%	0	

In addition to the provision for unexpired risks, the Group has other technical provisions of EUR 69,788.

(EUR)	Primary insurance business	Reinsurance busine	SS
2011	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	0	67.1%	0
Health	0	133.3%	1,017
Land vehicles casco	442,178	93.7%	0
Aircraft hull	0	83.3%	0
Ships hull	3,457	111.5%	51,698
Goods in transit	0	79.5%	0
Fire and natural forces	0	87.8%	0
Other damage to property	223,983	89.7%	0
Motor liability	0	75.2%	0
Aircraft liability	0	74.9%	0
Liability for ships	490	82.4%	0
General liability	0	98.3%	0
Credit insurance	1,454,147	125.3%	296,092
Suretyship	91,080	165.7%	35,550
Miscellaneous financial loss	0	50.8%	0
Legal expenses	0	6.0%	0
Assistance	0	78.6%	0
Life business	0	42.7%	0
Unit-linked life	0	40.3%	0
Total	2,215,337	86.4%	384,357

Combined ratios for primary insurance are not given as amounts relate to several Group members.

#### Incurred but not reported provision (IBNR)

The table below shows the sum total of the IBNR provision for claims as reported by cedants, estimated claims provisions and IBNR as calculated using triangles.

(EUR)	Reported but not settled provision	Incurred but not reported provision	Provision for outstanding	IBNR as % of total claims
2012	(RBNS)	(IBNR)	claims	provisions
Consolidated	146,352,669	101,848,128	248,200,797	41.0%
Total prior to elimination	156,050,041	106,449,552	262,499,593	40.6%
Total primary insurers	41,209,957	49,038,830	90,248,787	54.3%
Total reinsurers	114,840,084	57,410,722	172,250,806	33.3%
(EUR)	Reported but not settled	Incurred but not reported	Provision for	IBNR as % of total
2011	provision (RBNS)	provision (IBNR)	outstanding claims	claims provisions
Consolidated	116,768,755	97,062,120	213,830,875	45.4%
Total prior to elimination	130,720,798	97,062,120	227,782,918	42.6%
Total primary insurers	41,815,898	43,572,967	85,388,865	51.0%
Total reinsurers	88,904,900	53,489,153	142,394,053	37.6%

The gross provision for outstanding claims is reported under liabilities; reinsurers' shares are reported under assets.

23) Other provisions Other provisions comprise mainly provisions for long-term employee benefits. Assumptions for these provisions are given in section 25.4.27 "Other provisions".

## provisions leave.

Movements in other Other provisions increased as a result of additions in respect of unused annual

(EUR)	1 Jan 2012	Additions	Uses	Releases	Foreign exchange differences	31 Dec 2012
Provision for severance pay upon retirement	572,932	81,720	-17,630	-34,696	-6,275	596,051
Provision for jubilee benefits	201,474	37,753	-11,036	-6,247	367	222,311
Total provisions for employees	774,406	119,473	-28,666	-40,943	-5,908	818,362
Other long-term deferred income	21,200	513,750	0	0	-2,313	532,637
Total	795,606	633,223	-28,666	-40,943	-8,221	1,350,999
(EUR)	1 Jan 2011	Additions	Uses	Releases	Foreign exchange differences	31 Dec 2011
Provision for severance pay upon retirement	585,506	56,180	-14,068	-57,813	3,127	572,932
Provision for jubilee benefits	182,496	36,976	-10,108	-7,199	-691	201,474
Total provisions for employees	768,002	93,156	-24,176	-65,012	2,436	774,406
Other long-term deferred income	852	21,200	-852	0	0	21,200
Total	768,854	114,356	-25,028	-65,012	2,436	795,606

24) Other financial Other financial liabilities comprise the Group's liabilities for bank loans. Security liabilities in the form of blank bills of exchange is provided for nearly 90% of liabilities.

## operating activities

### 25) Liabilities from Liabilities from operating activities

(EUR)	Maturity		
2012	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	751,291	751,291
Liabilities due to insurance intermediaries	0	105,064	105,064
Other liabilities from primary insurance business	9,648	640,760	650,408
Liabilities from primary insurance business	9,648	1,497,115	1,506,763
Liabilities for reinsurance and co-insurance premiums	0	4,141,681	4,141,681
Liabilities for shares in reinsurance claims	0	18,579,168	18,579,168
Other liabilities due from co-insurance and reinsurance	0	12,230,511	12,230,511
Liabilities from reinsurance and co- insurance business	0	34,951,360	34,951,359
Current tax liabilities	0	179,900	179,900
Total	9,648	36,628,375	36,638,022

(EUR)	Maturity		
2011	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	803,993	803,993
Liabilities due to insurance intermediaries	0	71,766	71,766
Other liabilities from primary insurance business	20,195	501,450	521,645
Liabilities from primary insurance business	20,195	1,377,209	1,397,404
Liabilities for reinsurance and co-insurance premiums	0	2,772,786	2,772,786
Liabilities for shares in reinsurance claims	0	22,399,070	22,399,070
Other liabilities due from co-insurance and reinsurance	0	12,449,325	12,449,325
Liabilities from reinsurance and co-insurance business	0	37,621,182	37,621,182
Current tax liabilities	0	2,467,439	2,467,439
Total	20,195	41,465,830	41,486,025

In 2012 liabilities were mainly short-term in nature.

### 26) Other liabilities Other liabilities by maturity

(EUR)	Maturity		
2012	Over 1 year	Up to 1 year	Total
Other liabilities	247,333	6,340,639	6,587,972
Deferred income and accrued expenses	0	3,185,587	3,185,587
Total	247,333	9,526,226	9,773,559
(EUR)	Maturity		
2011	Over 1 year	Up to 1 year	Total
Other liabilities	776,850	6,143,422	6,920,272
Deferred income and accrued expenses	0	3,203,618	3,203,618
Total	776,850	9,347,040	10,123,890

### Other liabilities by security

(EUR)		
	Liabilities with	Liabilities w
2012	collateral	no collatera

Total	227,444	9,546,115	9,773,559
Deferred income and accrued expenses	0	3,185,587	3,185,587
Other liabilities	227,444	6,360,528	6,587,972
2012	collateral	no collateral	Total

(	E	U	R)	

Total	1,148,829	8,975,061	10,123,890
Deferred income and accrued expenses	0	3,203,618	3,203,618
Other liabilities	1,148,829	5,771,443	6,920,272
2011	<ul> <li>Liabilities with collateral</li> </ul>	Liabilities with no collateral	Total

### Change in accruals and deferrals

(EUR)	1 Jan 2012	Additions	Uses	Releases	Foreign exchange differences	31 Dec 2012
Short-term accrued costs	1,640,282	1,236,082	-1,460,914	0	-700	1,414,750
Other accrued expenses and deferred income	1,563,336	7,637,514	-7,088,141	-260,259	-81,612	1,770,838
Total	3,203,618	8,873,596	-8,549,055	-260,259	-82,312	3,185,588
(EUR)	1 Jan 2011	Additions	Uses	Releases	Foreign exchange differences	31 Dec 2011
(EUR) Short-term accrued costs	1 Jan 2011 1,124,650	Additions 1,378,693	Uses -853,398	Releases	exchange	31 Dec 2011 1,640,282
Short-term accrued	<b>·</b>				exchange differences	

Other liabilities include contractual cash-flows.

25.9 Notes to the consolidated financial statements – income statement

### 27) Net earned premiums

	Net earned premiums					
(EUR)	Gross premiums written	Premiums written for assumed co- insurance	Reinsurers' and co- insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	Net premiums earned
Personal accident	18,559,814	21,040	-129,613	27,957	-109,308	18,369,890
Health	3,620,231	0	-72,738	-28,362	0	3,519,131
Land vehicles casco	40,498,600	5,185	-2,316,354	733,207	-69,336	38,851,297
Railway rolling stock	14,889	0	0	0	0	14,889
Aircraft hull	504,591	0	-158,125	-182,422	0	164,044
Ships hull	3,508,855	226	-106,328	-277,525	-14,763	3,110,465
Goods in transit	3,493,169	0	-284,248	-110,677	-12,417	3,085,827
Fire and natural forces	78,242,367	239,555	-9,399,435	-4,908,961	-221,318	63,952,208
Other damage to property	28,291,610	139,755	-4,373,424	809,443	63,786	24,931,170
Motor liability	67,380,965	12,692	-1,179,922	-479,956	64,590	65,798,369
Aircraft liability	164,678	0	-147,894	-13,745	10,041	13,080
Liability for ships	296,392	0	-11,105	4,282	803	290,372
General liability	6,671,044	83,248	-929,977	-133,351	-28,063	5,662,901
Credit insurance	403,248	0	0	761,061	0	1,164,309
Suretyship	678,663	0	-835	-32,455	0	645,373
Miscellaneous financial loss	786,480	0	-463,416	-895	-78,991	243,178
Legal expenses	234,698	6,281	-123,212	882	-678	117,971
Assistance	2,301,808	0	-507,317	-75,251	156,832	1,876,072
Life business	6,800,085	0	-220,083	31,320	0	6,611,322
Unit-linked life	7,803,026	0	-203,373	202,703	0	7,802,356
Total non-life	255,652,102	507,982	-20,203,943	-3,906,768	-238,822	231,810,546
Total life	14,603,111	0	-423,456	234,023	0	14,413,678
Total	270,255,212	507,981	-20,627,400	-3,672,746	-238,823	246,224,224

2011	Gross premiums written	Premiums written for assumed co- insurance	Reinsurers' and co- insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	Net premiums earned
Personal accident	18,318,946	8,187	-143,403	197,413	-235	18,380,908
Health	6,262,412	0	0	90,219	0	6,352,631
Land vehicles casco	42,079,922	10,766	-3,412,618	-705,472	-166,195	37,806,403
Aircraft hull	359,487	0	89	75,207	0	434,783
Ships hull	2,420,345	1,493	-120,918	-115,581	57,092	2,242,431
Goods in transit	3,797,802	8,499	-238,329	-398,016	55,968	3,225,924
Fire and natural forces	57,887,135	196,734	-10,230,181	-521,707	1,056,719	48,388,700
Other damage to property	30,923,453	104,809	-6,594,868	-300,477	179,104	24,312,021
Motor liability	69,510,408	17,638	-1,352,095	1,857,952	-197,945	69,835,958
Aircraft liability	44,400	0	-50,523	-1,423	1,197	-6,349
Liability for ships	351,175	0	-5,749	-3,427	55	342,054
General liability	7,773,095	107,759	-1,032,682	-757,032	23,019	6,114,159
Credit insurance	1,170,007	0	-11	640,676	0	1,810,672
Suretyship	414,515	0	-433	882	0	414,964
Miscellaneous financial loss	961,969	0	-399,845	22,772	138,235	723,132
Legal expenses	235,548	6,610	-129,647	38,278	4,746	155,535
Assistance	2,092,993	0	-355,353	-71,343	52,393	1,718,690
Life business	5,207,093	0	-219,780	-149,203	56,728	4,894,838
Unit-linked life	8,141,996	0	-119,787	-94,447	63,989	7,991,751
Total non-life	244,603,612	462,495	-24,066,566	48,924	1,204,156	222,252,620
Total life	13,349,089	0	-339,567	-243,650	120,718	12,886,589
Total	257,952,700	462,494	-24,406,133	-194,726	1,324,874	235,139,209

In 2012, gross premiums written increased by 4.8% compared to 2011, while reinsurers' and co-insurers' share of premiums written decreased by 15.5%. Unearned premiums increased by EUR 3.9m in 2012 (2011: decrease of EUR 1.1m).

## investments in associates the equity method.

28) Income from In 2012, the Group accounted for the shares of profits of its associates using

(EUR)	2012	2011
Profits from investments in equity-accounted associate companies	3,809,245	5,241,763
·		

## 29) Investment income

#### and expenses Investment income by IFRS categories

(EUR)		At fair valu	e through P/L						
	_	Non-deriv	ative		Available-for- sale	Loans and receivables		Subordinated liabilities	Total
2012	Held-to- maturity	Held for trading	Designated to this category	Derivatives			Other		
Dividend income	0	18,490	0	0	385,623	0	0	0	404,113
Interest income	833,504	18,458	63,412	0	7,812,051	4,909,734	0	0	13,637,159
Change in fair value and foreign exchange differences	17,332	46,794	237,634	0	702,711	814,904	0	0	1,819,375
Other financial income	24,814	130	9,019	0	63,389	45,147	59,145	0	201,644
Gains on disposal of investments	0	5,308	0	0	2,108,409	0	13,964	0	2,127,681
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	3,520,318	0	0	0	0	0	3,520,318
Total	875,650	89,180	3,830,383	0	11,072,183	5,769,785	73,109	0	21,710,290

### Investment expenses by IFRS categories

(EUR)		At fair valu	e through P/L						
	Non-derivative	tive							
Held-to- 2012 maturity		Held for trading	Designated to this category		Available-for- sale	Loans and receivables	Other	Subordinated liabilities	Total
Interest expenses	0	0	0	0	0	183,393	0	1,446,253	1,629,646
Other financial expenses	18,879	2,444	0	0	95,756	50,302	64,421	0	231,802
Change in fair value and foreign exchange differences	0	124,569	2,396	0	1,471,675	493,346	0	0	2,091,986
Impairment of financial assets and liabilities	0	0	0	0	1,022,899	64,207	0	0	1,087,106
Losses on disposal of investments	394,105	71,865	0	0	2,881,720	0	0	0	3,347,690
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	277	2,272,679	0	0	0	0	0	2,272,956
Total	412,984	199,155	2,275,075	0	5,472,050	791,248	64,421	1,446,253	10,661,186

### Net investment income

	At fair value t	through P/L						
_	Non-derivative			_				
Held-to- maturity	Held for trading	Designated to this category	Derivatives	Available-for- sale	Loans and receivables	Other	Subordinated liabilities	Total
0	18,490	0	0	385,623	0	0	0	404,113
833,504	18,458	63,412	0	7,812,051	4,726,341	0	-1,446,253	12,007,513
17,332	-77,775	235,238	0	-768,964	321,558	0	0	-272,611
0	0	0	0	-1,022,899	-64,207	0	0	-1,087,106
5,935	-2,314	9,019	0	-32,367	-5,155	-5,276	0	-30,158
-394,105	-66,557	0	0	-773,311	0	13,964	0	-1,220,009
0	-277	1,247,639	0	0	0	0	0	1,247,362
462,666	-109,975	1,555,308	0	5,600,133	4,978,537	8,688	-1,446,253	11,049,104
	maturity 0 833,504 17,332 0 5,935 -394,105 0	Non-derivation Held-to-maturity trading  o	Held-tomaturity         Held for trading         Designated to this category           0         18,490         0           833,504         18,458         63,412           17,332         -77,775         235,238           0         0         0           5,935         -2,314         9,019           -394,105         -66,557         0           0         -277         1,247,639	Non-derivative   Held-to-maturity   Held-for trading   Designated to this category   Derivatives     0	Non-derivative	Non-derivative	Non-derivative   Held-for maturity   Held-for maturity   Held-for maturity   Held-for maturity   Held-for maturity   Designated to this category   Derivatives   Sale   Receivables   Other receivables   Other	Non-derivative   Held-for maturity   Held-for maturity   Held-for maturity   Held-for maturity   Held-for maturity   Held-for trading   Designated to this category   Derivatives   Sale   Held-for sale   Held-for sale   Privatives   Sale   Held-for receivables   Other   Subordinated liabilities

### Investment income by IFRS categories

(EUR)		At fair valu	e through P/L						
	_	Non-derivative			_				
2011	Held-to- maturity	Held for trading	Designated to this category	Derivatives	Available-for- sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	15,833	0	0	209,942	0	0	0	225,775
Interest income	760,132	559,434	0	0	6,440,093	4,952,358	0	0	12,712,017
Change in fair value and foreign exchange differences	4,731	67,878	0	0	249,751	245,588	0	0	567,948
Other financial income	20,327	19,825	0	0	63,703	9,298	33,868	0	147,021
Gains on disposal of investments	0	94,628	0	0	1,563,250	0	0	0	1,657,878
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	2,469,885	0	0	0	0	0	2,469,885
Total	785,190	757,598	2,469,885	0	8,526,739	5,207,244	33,868	0	17,780,524

#### Investment expenses by IFRS categories

(EUR)		At fair value	through P/L						
		Non-derivative							
2011	Held-to- maturity	Held for trading	Designated to this category	Derivatives	Available-for- sale	Loans and receivables	Other	Subordinated liabilities	Total
Interest expenses	0	0	0	0	0	438,052	0	1,631,321	2,069,373
Other financial expenses	12,240	3,381	0	0	46,453	36,800	9,208	0	108,082
Change in fair value and foreign exchange differences	3,807	149,141	0	0	57,134	309,179		0	519,261
Impairment of financial assets and liabilities	1,173,032	0	0	0	3,213,256	0	0	0	4,386,288
Losses on disposal of investments	0	21,285	92,025	0	1,435,096	0	0	0	6,989,727
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	92,025	5,441,321	0	0	0	0	0	5,533,346
Total	1,189,079	173,807	5,533,346	0	4,751,939	784,031	9,208	1,631,321	14,072,731

#### Net investment income

(EUR)		At fair value t	through P/L						
		Non-derivati	ve		_				
2011	Held-to- maturity	Held for trading	Designated to this category	Derivatives	Available-for- sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	15,833	0	0	209,942	0	0	0	225,775
Interest income/expense	760,132	559,434	0	0	6,440,093	4,514,306	0	-1,631,321	10,642,644
Change in fair value and foreign exchange differences	924	-81,263	0	0	192,617	-63,591	0	0	48,687
Change in fair value	-1,173,032	0	0	0	-3,213,256	0	0	0	-4,386,288
Other financial income/ expenses	8,087	16,444	0	0	17,250	-27,502	24,660	0	38,939
Gains/losses on disposal of investments	0	73,343	-92,025	0	128,154	0	0	0	109,472
Net unrealised gains/ losses on investments of life insurance policyholders who bear the investment risk	0	-92,025	-2,971,436	0	0	0	0	0	-3,063,461
Total	-403,889	491,766	-3,063,461	0	3,774,800	4,423,213	24,660	-1,631,321	3,615,768

Financial assets and liabilities are tested for impairment item-by-item. Nearly 90% of loans and receivables are short-term.

In addition to the impairment losses on financial assets and liabilities shown in the table, the Group recognised impairment losses on goodwill of EUR 0.34m (2011: EUR 5.16m).

In 2012, interest income on impaired investments totalled EUR 30,490 (2011: EUR 123,854).

Investment income classified as level 3 totalled EUR 266,058 in 2012 (2011: EUR 186.177), while investment expenses totalled EUR 453,946 (2011: EUR 696.662).

#### Investment income and expenses by source of funds

The Group records investment income and expenses separately by source of funds, that is separately for the capital fund, the liability fund and the life insurance liability fund. The capital fund comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions; and the life insurance liability fund, which is part of the liability fund, comprises assets supporting mathematical provisions.

#### Investment income – non-life business

	Liability fund	Liability fund
_(EUR)	2012	2011
Income from shares	226,967	92,886
Interest income	11,512,026	9,643,574
Change in fair value and foreign exchange differences	1,546,803	480,608
Other financial income	92,312	41,531
Gains on disposal of investments	1,596,419	1,083,927
Total investment income – liability fund	14,974,527	11,342,526
	Capital fund	Capital fund
	2012	2011
Income from shares	163,002	118,189
Interest income	1,055,106	1,989,876
Change in fair value and foreign exchange differences	26	0
Other financial income	8,174	22,804
Gains on disposal of investments	530,129	573,233
Total investment income – capital fund	1,756,437	2,704,102
Total investment income	16,730,964	14,046,628

### Investment income – life business

	Liability fund	
	– life	Liability fund – life
(EUR)	2012	2011
Income from shares	14,144	14,700
Interest income	1,031,526	1,027,330
Change in fair value and foreign exchange differences	153,932	19,111
Other financial income	101,158	82,686
Gains on disposal of investments	1,133	718
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	3,520,318	2,469,885
Total investment income – life insurance liability fund	4,822,211	3,614,430
	Capital fund	Capital fund
	2012	2011
Interest income	38,501	51,238
Change in fair value and foreign exchange differences	118,614	68,228
Total investment income – capital fund	157,115	119,466
Total investment income	4,979,326	3,733,896
Total investment income (life & non-life)	21,710,290	17,780,524

### Expenses for financial assets and liabilities – non-life business

	Liability fund	Liability fund
(EUR)	2012	2011
Interest expenses	162,023	0
Asset management expenses and other financial expenses	137,642	265,669
Change in fair value and foreign exchange differences	1,920,579	424,256
Impairment of financial assets and liabilities	977,563	2,022,123
Losses on disposal of investments	2,659,832	780,261
Total investment expenses – liability fund	5,857,639	3,492,309
	Capital fund	Capital fund
	2012	2011
Interest expenses	1,447,899	1,760,693
Asset management expenses and other financial expenses	46,804	95,597
Change in fair value and foreign exchange differences	0	21,455
Impairment of financial assets and liabilities	74,989	2,043,580
Losses on disposal of investments	558,398	662,805
Total investment expenses – capital fund	2,128,090	4,584,130
Total investment expenses	7,985,729	8,076,439

### Expenses for financial assets and liabilities – life business

	Liability fund – life	Liability fund – life
(EUR)	2012	2011
Interest expenses	19,724	47,812
Asset management expenses and other financial expenses	46,803	7,865
Change in fair value and foreign exchange differences	85,425	84,103
Impairment of financial assets and liabilities	34,554	320,585
Losses on disposal of investments	129,460	13,315
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	2,272,956	5,533,346
Total investment expenses – life insurance liability fund	2,588,922	6,007,026
	Capital fund	Capital fund
	2012	2011
Asset management expenses and other financial expenses	554	0
Change in fair value and foreign exchange differences	85,982	81,291
Total investment expenses – capital fund	86,536	81,291
Total investment expenses	2,675,458	6,088,317
Total investment expenses (life & non-life)	10,661,186	14,164,756

#### Net investment income from non-life and life business

(EUR)	2012	2011
Non-life insurance business	8,745,235	5,970,189
Life insurance business	2,303,868	-2,354,421
Total	11,049,104	3,615,768

### Impairment of investments

(EUR)	31 Dec 2012	31 Dec 2011
Bonds	20,307	1,173,032
Shares	1,002,592	2,216,755
Mutual funds	0	227,565
Loans	64,207	768,936
Total	1,087,106	4,386,288

*30) Other technical* Reinsurance commissions constitute a major part of other technical income. *income* The following tables show reinsurance commission income by class of business.

#### Income from reinsurance commissions

(EUR)	2012	2011
Personal accident	32,910	29,368
Land vehicles casco	53,662	117,092
Aircraft hull	0	-18
Ships hull	3,303	3,829
Goods in transit	20,426	8,620
Fire and natural forces	1,367,064	1,437,947
Other damage to property	855,603	869,137
Motor liability	9,637	75,727
Aircraft liability	6,091	5,166
Liability for ships	267	0
General liability	86,381	83,410
Miscellaneous financial loss	75,329	31,807
Legal expenses	25,358	30,075
Life business	55,613	40,258
Unit-linked life	17,494	11,475
Total non-life	2,536,031	2,692,160
Total life	73,107	51,733
Total	2,609,138	2,743,893

### Other technical income

(EUR)	2012	2011
Other income from insurance (foreign exchange differences, other services, etc.)	3,410,163	2,792,299
Income from other insurance business	848,384	889,614
Total	4,258,547	3,681,913

## 31) Net claims incurred Net claims incurred

(EUR)	Gross amour	nt					
2012			Change in gross claims provision (+/-)	Change in the provision for outstanding claims for the reinsurance and co-insurance part (+/-)	Net claims incurred		
Personal accident	8,435,717	0	-3,670	17,477	1,357,837	-1,505	9,805,856
Health	2,443,529	0	0	0	465,041	0	2,908,570
Land vehicles casco	28,720,433	-948,930	-380,900	-9,299	761,301	117,573	28,260,178
Railway rolling stock	2,660	0	0	0	10,214	0	12,874
Aircraft hull	198,721	0	-274	0	-301,406	-36,933	-139,892
Ships hull	1,648,918	-106	-2,436	0	300,900	2,106	1,949,382
Goods in transit	1,185,599	-15,570	-2,861	14,178	1,810,374	-554	2,991,166
Fire and natural forces	33,961,488	-65,427	-2,455,098	-47,965	22,858,714	-12,844,861	41,406,851
Other damage to property	16,158,427	-22,909	-1,213,138	-93,477	10,079,676	-2,027,031	22,881,548
Motor liability	35,075,721	-1,424,141	-712,885	-6,213	-162,075	-213,488	32,556,919
Aircraft liability	-2,510	0	-2,037	0	-44,245	-75,103	-123,895
Liability for ships	16,197	0	-26	0	-22,697	0	-6,526
General liability	3,333,844	-2,343	-338,287	-21,862	-2,420,755	-1,079,889	-529,292
Credit insurance	2,830,501	-2,288,026	0	0	-383,347	0	159,128
Suretyship	101,160	-2,768	0	0	141,101	0	239,493
Miscellaneous financial loss	209,644	0	-386	0	22,937	-43,376	188,819
Legal expenses	0	0	0	195	0	0	195
Assistance	386,147	0	-18,315	0	40,180	-12,312	395,700
Life business	2,996,451	0	-47,325	0	695,897	19,204	3,664,227
Unit-linked life	3,344,876	0	-84,381	0	5,696		3,266,191
Total non-life	134,706,197	-4,770,220	-5,130,313	-146,965	34,513,750	-16,215,373	142,957,081
Total life	6,341,327	0	-131,706	0	701,593	19,204	6,930,418
Total	141,047,524	-4,770,220	-5,262,019	-146,965	35,215,345	-16,196,168	149,887,499

(	(EUR)	Gross amount
١	LON	GIO33 allioulit

Total	134,650,671	-6,273,832	-8,336,362	-233,011	16,257,949	102,750	136,168,164
Total life	4,566,014	0	-103,053	0	62,518	0	4,525,479
Total non-life	130,084,657	-6,273,832	-8,233,309	-233,011	16,195,431	102,750	131,642,685
Unit-linked life	2,578,058	0	-41,522	0	64,956	0	2,601,492
Life business	1,987,956	0	-61,531	0	-2,438	0	1,923,987
Assistance	322,337	0	0	0	104,071	-13,281	413,127
Legal expenses		0	0	248	-3		245
Miscellaneous financial loss	356,138	-2,461	4,959	-1,838	-189,134	-11,868	155,796
Suretyship	315,551	-9,092	0	0	2,137		308,596
Credit insurance	3,470,926	-2,686,023	0	0	228,851		1,013,754
General liability	2,737,218	-79,073	-26,297	-3,982	3,164,167	-559,102	5,232,931
Liability for ships	36,330	0	0	0	46,916	-2,235	81,011
Aircraft liability	47,685	0	-14,405	0	-13,119	5,498	25,659
Motor liability	35,864,505	-1,383,052	-979,684	-3,744	3,620,411	-847,521	36,270,915
Other damage to property	16,978,185	-895,154	-2,392,532	-57,727	-1,474,914	922,315	13,080,173
Fire and natural forces	26,119,912	-44,848	-3,690,039	-38,503	8,301,017	-144,913	30,502,626
Goods in transit	1,392,720	-25,631	-1,934	8,504	666,341	67,949	2,107,949
Ships hull	910,372	0	-401	0	859,694	-5,741	1,763,924
Aircraft hull	94,596	0	74	0	363,722	11,577	469,969
Land vehicles casco	28,832,758	-1,147,875	-1,116,541	-149,385	-278,441	675,026	26,815,542
Health	4,114,041	0	0	0	444,616	0	4,558,657
Personal accident	8,491,383	-623	-16,509	13,415	349,099	5,046	8,841,811
2011	Claims	Recourse receivables	Reinsurers' share (–)	Coinsurers' share of claims (-)	Change in gross claims provision (+/-)	outstanding claims for the reinsurance and co-insurance part (+/-)	Net claims incurred

The above tables show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). Net claims incurred additionally include movements in the net claims provision; it resulted in an increase of EUR 19.0m.

Change in the

Gross claims paid increased by 4.8% in 2012, while the reinsurers' share of claims dropped by as much as 36.8% compared to 2011. Movements in the net claims provision increased by 11.8%; this also affects net claims incurred.

32) Change in other technical provisions and change in the technical provision for policyholders who bear the investment risk

32) Change in other The change in other technical provisions relates to the increase in the provitechnical provisions sion for unexpired risks of EUR 0.3m. Net technical provisions comprise gross technical provisions net of the reinsurers' share of technical provisions note 8. The change in gross technical provisions is described in note 22.

33) Operating expenses The Group classifies operating expenses by nature. Compared to 2011, operating expenses increased by 3.0%.

#### Breakdown of operating expenses

(EUR)	2012	2011
Acquisition costs (commissions)	55,299,449	53,190,889
Change in deferred acquisition costs	-481,452	291,125
Depreciation of operating assets	1,801,595	1,912,368
Labour costs	16,981,769	18,153,357
Remuneration of the supervisory board and audit committee and payments under contracts for services	399,023	506,394
Other operating expenses	13,726,707	13,866,985
Total	87,727,091	87,921,118

In 2012, other operating expenses, net of acquisition costs (commissions) and change in deferred acquisition costs (commissions), represented 12.2% of gross premium written (2011: 13.3%).

The total costs relating to auditing as charged against the 2012 result were EUR 289,058 (2011: EUR 329,718). Other expenses for auditing services were EUR 4,080.

*34) Other technical* Other technical expenses comprise fees payable to the Insurance Supervision expenses and other Agency and the Slovenian Insurance Association, allowances for receivables expenses arising out of insurance and reinsurance contracts and other technical expenses. These mainly comprise contributions for covering claims related to uninsured and unidentified vehicles, and fire brigade charges. The lion's share of other technical expenses comprises allowances for receivables of EUR 4.7m (2011: EUR 6m).

35) Income tax expense Other expenses also include fines and other expenses not directly related to insurance business.

	2012		2011	
(FLID)		^ .		Δ .
(EUR)	%	Amount	%	Amount
Net profit/loss for the period	0	11,788,457	0	4,066,402
Income tax expense	0	2,508,442	0	3,658,845
Profit/loss before tax	0	14,296,899	0	7,725,247
Income tax expenses at statutory tax rate	17.86%	2,553,426	19.01%	1,468,569
Non-deductible expenses	5.06%	723,755	49.96%	3,859,506
Tax exempt income	-6.89%	-984,586	-15.29%	-1,181,033
Income increasing the tax base	0.00%	89	0.00%	0
Tax incentives	-0.92%	-131,410	-0.82%	-63,444
Change in temporary differences	-0.01%	-964	0.00%	0
Balance of expense for (income from) deferred tax due to change in tax rate	1.68%	239,942	0.00%	0
Income from deferred tax arising from a previously unrecognised tax loss	-0.02%	-2,832	0.00%	0
Income from deferred tax arising from a previously unrecognised tax credit	0.41%	58,248	0.00%	0
Deferred tax income arising from a previously unrecognised temporary difference from previous periods	0.00%	0	-6.97%	-538,317
Deferred tax expense arising from the write- down of previously recognised deferred tax assets	0.37%	52,774	1.46%	112,474
Other	0.00%	0	0.01%	1,090
Total income tax expense in the income statement	17.55%	2,508,441	47.36%	3,658,845

### 25.10 Notes to the consolidated financial statements - cash flow statement

# the indirect method.

36) Notes to the cash flow The cash flow statement shown in section 24.4 has been prepared in compliance with statement prepared using statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

> The positive cash flow from operating activities in 2012 is a result of an increased premium volume and larger investment income. There has also been an increase in net claims paid. In addition, the collection of receivables from primary insurance and of other receivables had a positive effect on the cash-flow.

> The table below presents items of the income statement not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flows from operating activities).

(EUR)	2012	2011	
Net profit/loss for the period	11,788,457	4,066,402	
Non-cash items of the income statement not included in the cash flow statement:	30,840,153	27,355,113	
Change in unearned premiums	3,911,569	-1,130,148	
Change in the provision for outstanding claims	19,019,177	16,360,699	
Change in other technical provisions	1,686,594	354,630	
Change in technical provisions for policyholders who bear the investment risk	3,475,311	23,713	
Operating expenses – amortisation/depreciation and change in deferred acquisition cost	1,320,143	2,203,493	
Impairment loss on goodwill	340,254	5,156,439	
Impairment losses on financial assets not at fair value through profit or loss	1,087,106	4,386,288	
Eliminated investment income items	-17,869,297	-18,179,556	
Interest received disclosed under B. a.) 1.	-13,646,048	-12,712,017	
Receipts from dividends and shares of profits of others disclosed under B. a.) 2.	-4,223,248	-5,467,538	
Eliminated investment expense items	1,629,646	2,069,373	
Interest paid disclosed under C. b.) 1.	1,629,646	2,069,373	
Cash flows from operating activities – income statement items	26,388,959	15,311,332	

In the cash flow statement, dividend income includes dividend income from an associate company of EUR 1.9m.

### 25.11 Contingent receivables and liabilities

Based on a contract with the former owner of Velebit osiguranje and Velebit životno osiguranje, the Group has a contingent liability due to the former owner of both companies but also a contingent receivable to the non-controlling interest in both subsidiaries in relation to the transfer of the lien on shares. The contingent liability in this regard totalled EUR 0.5m.

### 25.12 Related party disclosures

The Company separately discloses its relationships with the following groups of related parties:

owners and related enterprises;

- Management and Supervisory Board members and employees not subject to the tariff section of the collective agreement,
- subsidiary companies; and
- associates.

Owners and related The Group's largest shareholder is the Slovenian Restitution Fund, holding enterprises 25% plus one share.

Business relationship with On 11 December 2012, Sava Reinsurance Company and the Slovenian Restitution the largest shareholder Fund (SRF) signed a share purchase agreement with Nova kreditna banka Maribor (NKBM) for the acquisition of 50.9% of Zavarovalnica Maribor. Based on this contract, an advance payment of EUR 10m was made at the end of 2012.

> On 10 December 2012 Sava Reinsurance Company and SRF signed the "Agreement on the rights associated with Zavarovalnica Maribor shares" ("the Sava Re and SRF contract"), with which SRF granted Sava Reinsurance Company the right to purchase all SRF shares in Zavarovalnica Maribor (i.e., 4,882,813 Zavarovalnica Maribor shares) ("call option"), and Sava Reinsurance Company granted SRF the entitlement to sell all SRF shares in Zavarovalnica Maribor ("put option").

> Sava Reinsurance Company's call option is exercisable for five years from the day the contract concluded between Sava Re and SRF entered into force; consideration for one call option is EUR 10.24 (i.e. the same as the price per Zavarovalnica Maribor share under the purchase and sale agreement) plus 10% annual interest rate from the day of execution under the purchase and sale agreement until the day of payment of exercised call option less Zavarovalnica Maribor dividends with interest received in the intermediary period.

> SRF can exercise its put option after the expiry of 30 days from Sava Reinsurance Company's successful increase in share capital for the issue price totalling not more than EUR 55m, but not later than on 30 September 2013. Consideration for one put option is EUR 10.24, i.e. the same as the price per Zavarovalnica Maribor share under the purchase and sale agreement, plus 9% annual interest rate from the day of execution under the purchase and sale agreement until the day of payment of exercised put option less Zavarovalnica Maribor dividends with interest received in the intermediary period.

## members and employees not subject to the tariff section of the collective agreement

### Management and Remuneration of Management and Supervisory Board members, and of $Supervisory\ Board\$ employees not subject to the tariff section of the collective agreement

2012	2011
722,962	687,862
106,621	72,538
5,103,158	4,295,723
16,377	20,583
0	45,751
5,949,118	5,122,459
	722,962 106,621 5,103,158 16,377

#### Remuneration paid to Management Board members in 2012

Total	593,104	96,204	22,231	11,423	722,962
Mateja Treven	144,896	21,312	5,186	0	171,394
Srečko Čebron	144,163	21,510	5,588	1,564	172,826
Jošt Dolničar	144,163	21,510	5,211	5,128	176,012
Zvonko Ivanušič	159,882	31,872	6,245	4,731	202,730
(EUR)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total

#### **Liabilities to Management Board members**

(EUR)	31 Dec 2012	31 Dec 2011
Zvonko Ivanušič	6,094	6,831
Jošt Dolničar	5,446	5,665
Srečko Čebron	5,799	6,728
Mateja Treven	5,662	5,977
Total	23,000	25,202

At 31 December 2012, the Group had no receivables due from the Management Board members. Management Board members are not remunerated for their functions in subsidiary companies.

## Remuneration paid to members of the Supervisory Board and the Auditing Committee in 2012

		Attendance	Remuneration for performing	Expenses	
(EUR)		fees	the function	reimbursed	Total
Supervisory Board members					
Branko Tomažič	Chairman	3,245	19,500	2,146	24,891
Mateja Lovšin Herič	Deputy Chairperson	2,695	14,300	30	17,025
Slaven Mićković	member	3,245	13,000	0	16,245
Gregor Hudobivnik	member	2,970	13,000	0	15,970
Samo Selan	member	3,520	13,000	0	16,520
Martin Albreht	member	2,970	13,000	0	15,970
Total Supervisory Board members		18,645	85,800	2,176	106,621
Auditing Committee members					
Mateja Lovšin Herič	Chairperson	1,320	4,875	0	6,195
Slaven Mićković	member	1,320	3,250	0	4,570
Blanka Vezjak	member	5,025	0	587	5,612
Total Auditing Committee members		7,665	8,125	587	16,377

At 31 December 2012, the Group's liabilities to members of the Supervisory Board and Audit Committee totalled EUR 8,658.

#### Associates Investments in and amounts due from associates

(EUR)		31 Dec 2012	31 Dec 2011
Debt securities and loans granted to	gross	0	1,512,404
Group companies	allowance	0	0
	net	0	1,512,404
Receivables for premiums arising out	gross	9,765,715	13,010,377
of reinsurance assumed	allowance	0	0
	net	9,765,715	13,010,377
Total		9,765,715	14,522,781

#### **Liabilities to associates**

(EUR)	31 Dec 2012	31 Dec 2011
Liabilities for shares in reinsurance claims	8,981,556	10,749,608
Other short-term liabilities	2,518,631	2,966,760
Total (excl. provisions)	11,500,187	13,716,368

## Income from and expenses for associates

(EUR)	2012	2011
Gross premiums written	40,902,101	47,311,832
Gross claims paid	-23,641,249	-27,328,337
Income from recourse receivables	862,687	1,896,322
Income from dividends	1,939,941	4,243,621
Interest income	83,904	113,856
Gains on disposal of securities	19,130	0
Acquisition costs	-9,012,542	-9,670,183
Income from shares of profits in associates	1,869,304	998,142
Additional pension insurance premiums	-64,902	-62,785
Total	12,958,374	17,502,468

## Receivables due from the state and from companies that are majority state-owned

(EUR)	31 Dec 2012	31 Dec 2011
Debt securities	60,618,154	71,892,920
Receivables for premiums arising out of reinsurance assumed from associate company	9,765,715	13,010,377
Total	70,383,869	84,903,297

## Liabilities to the state and to companies that are majority state-owned

(EUR)	31 Dec 2012	31 Dec 2011
Liabilities for shares in reinsurance claims due to an associate	8,981,556	10,749,608
Other short-term liabilities to an associate company	2,518,631	2,966,760
Total	11,500,187	13,716,368

## Income from and expenses for companies that are majority state-owned

(EUR)	2012	2011
Gross premiums written	40,902,101	47,311,832
Gross claims paid	-23,641,249	-27,328,337
Income from recourse receivables	862,687	1,896,322
Income from dividends	2,113,799	4,243,621
Interest income	2,518,156	113,856
Gains on disposal of securities	19,130	0
Acquisition costs	-9,012,542	-9,670,183
Additional pension insurance premiums	-64,902	-62,785
Total	13,697,180	16,504,326

Receivables, liabilities, income and expenses in respect of majority state-owned companies include relations with Zavarovalnica Maribor.

# Significant events after the reporting date

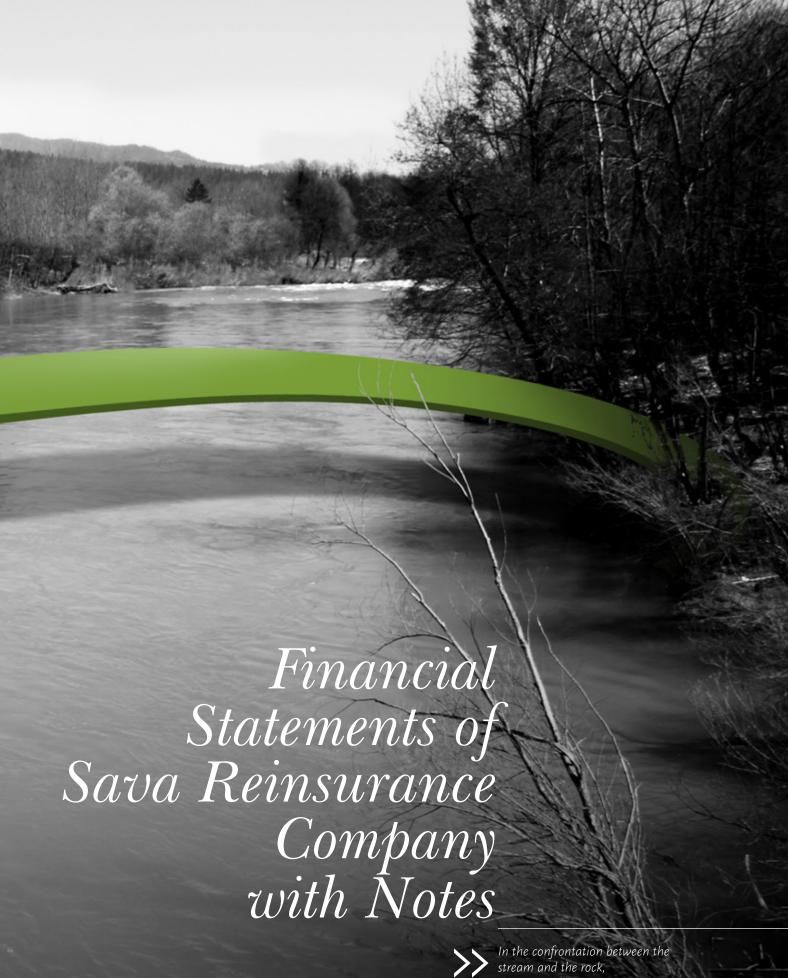
January In January 2013, the 26th General Meeting of shareholders of Sava Reinsurance Company was held, in which a resolution was adopted to increase the share capital of the controlling company. The issue value (purchase price) for one newly-issued share is to be no less than EUR 7 and no more than EUR 9. It is to be determined by the Management Board of Sava Reinsurance Company subject to the consent of the Supervisory Board, while the total issue amount of all newly-issued shares pursuant to that resolution is not to exceed EUR 55,000,001, with the final number of newly-issued shares to be adjusted accordingly. Newly-issued shares are to be offered to the public, in accordance with regulations applicable to the financial instruments market, in several rounds, whereby in the first round newly-issued shares are to be offered to all existing shareholders. Existing shareholders are to have the right to subscribe and pay in newly-issued shares in proportion to their existing holdings in Sava Reinsurance Company. Newly-issued shares that are not subscribed and paid in in the first round are to be offered by the Management Board of Sava Reinsurance Company subject to the consent of the Supervisory Board for subscription and payment to all or part of the public or third parties in subsequent round(s).

*February* In February 2013, Sava Reinsurance Company received a decision of the Insurance Supervision Agency based on which the Company can directly acquire voting rights and shares of Zavarovalnica Maribor of 50 percent or more, within six months of service of such decision, whereafter such approval ceases to be effective. Furthermore, the Insurance Supervision Agency issued an approval for Sava Reinsurance Company and the Slovenian Restitution Fund to jointly and directly acquire, based on their agreement titled "Agreement on the rights associated with Zavarovalnica Maribor shares", voting rights and shares in the equity of Zavarovalnica Maribor of 50 percent or more, within six months of service of such decision, whereafter such approval ceases to be effective.

> In February 2013, Sava Reinsurance Company received a decision from the Slovenian Competition Protection Agency stating that the Agency does not object to the announced concentration of Sava Reinsurance Company and Zavarovalnica Maribor and that such concentration is in compliance with competition rules.







In the confrontation betweer stream and the rock, the stream always wins; not through strength, but through perseverance.«

– H. Jackson Brown

# Auditor's Report 27



## Independent Auditor's Report

To the Shareholders of Pozavarovalnica Sava, d.d.

## Report on the Financial Statements

We have audited the accompanying financial statements of the company Pozavarovalnica Sava, d.d., which comprise the statement of financial position as at 31 December 2012, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pozavarovalnica Sava, d.d. as at 31 December 2012, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

## Report on Other Legal and Regulatory Requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

Without qualifying our opinion we draw attention to the Note 14 (Revenue reserves) to the financial statements referring to inconsistency of requirements in the Insurance Act with the International Financial Reporting Standards as adopted by the European Union. The Company forms and discloses equalisation provisions within equity in accordance with the International Financial Reporting Standards as adopted by the EU. If these financial statements would be prepared according to provisions of the Insurance Act, these equalisation provisions would have been formed and charged against the operating profit or loss and disclosed among technical provisions.

KPMG SLOVENIJA,

podjetje za revidiranje, d.o.o.

Simona Korošec Lavrič, M.Sc.Ec.

d Auditor

Certified Auditor

Katarina Sitar Šuštar

Partner

KPMG Slovenija, d.o.o.

Ljubljana, 29 March 2013

# Financial Statements 28

# 28.1 Statement of financial position as at 31 December 2012

(EUR)	Note	31 Dec 2012	31 Dec 2011
Assets		463,035,873	417,051,465
Intangible assets	1	149,315	175,779
Property and equipment	2	2,454,001	2,367,170
Deferred tax assets	3	1,900,320	4,064,272
Investment property	4	156,253	158,587
Financial investments in Group companies and in associates	5	123,936,431	114,423,243
Financial investments:	6	215,395,429	208,748,194
• Loans and deposits		52,668,509	57,859,936
Held to maturity		5,118,283	7,513,050
Available for sale		157,019,599	143,375,208
At fair value through profit or loss		589,038	0
Reinsurers' share of technical provisions	7	32,093,794	17,615,761
Receivables	8	75,945,114	59,848,463
Receivables arising out of reinsurance and co-insurance business		63,116,668	58,948,939
Tax receivables		1,840,414	0
Other receivables		10,988,032	899,524
Deferred acquisition costs	9	9,728,230	9,305,676
Other assets	10	264,313	190,409
Cash and cash equivalents	11	1,012,672	153,913
Equity and liabilities		463,035,873	417,051,465
Equity		174,789,811	158,454,528
Share capital	12	39,069,099	39,069,099
Capital reserves	13	33,003,753	33,003,752
Profit reserves	14	92,359,341	87,556,850
Treasury shares	15	-1,774	-1,774
Fair value reserve	16	-2,358,606	-9,088,908
Retained earnings	17	7,915,508	3,596,862
Net profit for the period	17	4,802,490	4,318,646
Subordinated liabilities	18	31,244,573	31,220,817
Technical provisions	19	216,494,122	183,891,042
Unearned premiums		44,050,792	40,897,411
Provision for outstanding claims		172,250,806	142,394,053
Other technical provisions		192,524	599,578
Other provisions	20	324,745	143,730
Other financial liabilities	10	212	729
Liabilities from operating activities		38,418,488	42,059,351
Liabilities from reinsurance and coinsurance business	21	38,418,488	40,374,262
Current income tax liabilities		0	1,685,089
Other liabilities	22	1,763,922	1,281,268

The notes to the financial statements on pages 192-249 form an integral part of these financial statements.

## 28.2 Income statement for year ended 31 December 2012

(EUR)	Note	2012	2011
Net earned premiums	23	132,846,023	122,486,683
Gross premiums written		152,827,900	140,350,370
Written premiums ceded to reinsurers and coinsurers		-16,426,092	-20,030,451
Change in net unearned premiums		-3,555,785	2,166,764
Income from investments in affiliates	24	4,240,080	4,540,448
Investment income	25	10,400,061	8,437,718
Interest income		7,660,567	7,210,410
Other investment income		2,739,494	1,227,308
Other technical income	26	4,575,559	4,140,287
Commission income		2,250,975	2,357,617
Other income		2,324,584	1,782,670
Other income	27	31,813	10,733
Net claims incurred	28	-88,946,176	-75,377,584
Gross claims paid less income from recourse receivables		-78,400,271	-70,685,269
Reinsurers' and co-insurers' share of claims paid		4,430,412	7,322,111
Change in the net provision for outstanding claims		-14,976,317	-12,014,426
Change in other technical provisions	29	384,357	-263
Expenses for bonuses and rebates	29	22,698	-11,682
Operating expenses	30	-42,673,266	-39,288,832
Acquisition costs		-34,995,747	-32,568,744
Other operating expenses		-7,677,519	-6,720,088
Expenses for investments in affiliates	25	-340,254	-5,156,439
Expenses for financial assets and liabilities	25	-6,741,010	-6,392,715
Impairment losses on financial assets not measured at fair value through profit or loss		-952,810	-3,568,064
Interest expenses		-1,448,502	-1,762,193
Diverse other expenses		-4,339,698	-1,062,458
Other technical expenses	31	-2,595,621	-2,105,123
Other expenses	27	-5	-908
Profit/loss before tax		11,204,259	11,282,322
Income tax expense	32	-1,599,278	-2,645,030
Net profit/loss for the period		9,604,981	8,637,292
Net diluted earnings/losses per share	17	1.03	0.92

The notes to the financial statements on pages

192-249 form an integral part of these financial statements.

Profit/loss before tax

Income tax expense

Net profit/loss for the period

Net diluted earnings/losses per share

## 28.3 Statement of comprehensive income for year ended 31 December 2012

(EUR)	Note	2012	2011
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	17	9,604,981	8,637,292
OTHER COMPREHENSIVE INCOME, NET OF TAX	16	6,730,301	-6,321,094
Net change in fair value of available-for-sale financial assets		8,596,064	-7,901,367
Gains/losses recognised in fair value reserve		6,565,280	-11,430,539
Net change transferred from fair value reserve to profit or loss		2,030,784	3,529,173
Tax on other comprehensive income		-1,865,762	1,580,273
Comprehensive income for the period, net of tax		16,335,282	2,316,198

The notes to the financial statements on pages 192-249 form an integral part of these financial statements.

## 28.4 Cash flow statement for year ended 31 December 2012

R)		Note	2012	2011
Cash flow	ws from operating activities			
a.) Items	of the income statement	33	18,103,257	17,235,610
	Net premiums written	23	136,401,808	120,319,919
	Investment income (other than financial income), financed from:	25	2,474,152	1,039,308
	<ul> <li>technical provisions</li> </ul>		1,925,491	426,465
	• other sources		548,661	612,843
	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	26.27	4,607,372	4,151,020
	Net claims paid	28	-73,969,859	-63,363,158
	Expenses for bonuses and rebates		22,698	-11,682
	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	30	-42,898,312	-39,086,278
	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	25	-4,339,698	-1,062,458
	technical sources		-3,765,499	-372,733
	<ul><li>other sources</li></ul>		-574,199	-689,725
	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	31	-2,595,626	-2,106,031
	Tax on profit and other taxes not included in operating expenses	32	-1,599,278	-2,645,030
1 1 2				
for premi	ges in net operating assets (receivables ium, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position		-6,236,129	-1,791,043
for premi	ium, other receivables, other assets rred tax assets/liabilities) of operating		-6,236,129 O	-1,791,043 ·
for premi	ium, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position Change in receivables from	8		
for premi	tum, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from		0	0
for premi	tum, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from		-3,819,934	o -507,396
for premi	ium, other receivables, other assets reed tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business	8	o -3,819,934 -347,795	o -507,396 -667,203
for premi	tum, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets	8	o -3,819,934 -347,795 -722,750	0 -507,396 -667,203 -128,985
for premi	ium, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out	8 8 3	o -3,819,934 -347,795 -722,750 2,163,952	o -507,396 -667,203 -128,985 -1,990,585
for premi	tum, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in lother operating	8 8 3 21 22	o -3,819,934 -347,795 -722,750 2,163,952 -1,955,774	o -507,396 -667,203 -128,985 -1,990,585 -2,373,329
for premi	tum, other receivables, other assets reed tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except	8 8 3 21 22	0 -3,819,934 -347.795 -722,750 2,163,952 -1,955,774 -1,712,695	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782
for premi and defei items of	tum, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except unearned premiums)	8 3 21 22	0 -3,819,934 -347,795 -722,750 2,163,952 -1,955,774 -1,712,695	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782 -158,167
c.) Net ca (a + b)	tum, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except unearned premiums)  Change in deferred tax liabilities	8 3 21 22	0 -3,819,934 -347,795 -722,750 2,163,952 -1,955,774 -1,712,695 158,867 0	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782 -158,167 -86,161
c.) Net ca (a + b)	tum, other receivables, other assets rred tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except unearned premiums)  Change in deferred tax liabilities	8 3 21 22	0 -3,819,934 -347,795 -722,750 2,163,952 -1,955,774 -1,712,695 158,867 0	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782 -158,167 -86,161
c.) Net ca (a + b)	tum, other receivables, other assets reed tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except unearned premiums)  Change in deferred tax liabilities ash from/used in operating activities	8 3 21 22	o -3,819,934 -347,795 -722,750 2,163,952 -1,955,774 -1,712,695 158,867 0 11,867,128	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782 -158,167 -86,161 15,444,566
c.) Net ca (a + b)	tum, other receivables, other assets reed tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in liabilities arising out of reinsurance business  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except unearned premiums)  Change in deferred tax liabilities  ash from/used in operating activities  ws from investing activities  receipts from investing activities  Interest received from investing	8 8 3 21 22 22 3	o -3,819,934 -347,795 -722,750 2,163,952 -1,955,774 -1,712,695 158,867 0 11,867,128	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782 -158,167 -86,161 15,444,566
c.) Net ca (a + b)	tum, other receivables, other assets reed tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except unearned premiums)  Change in deferred tax liabilities  ash from/used in operating activities  ves from investing activities  receipts from investing activities  Interest received from investing activities relating to:  • investments financed from	8 8 3 21 22 22 3	0 -3,819,934 -347,795 -722,750 2,163,952 -1,955,774 -1,712,695 158,867 0 11,867,128 249,513,983 7,660,567	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782 -158,167 -86,161 15,444,566 389,547,763 7,210,411
c.) Net ca (a + b)	tum, other receivables, other assets reed tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in receivables and assets  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except unearned premiums)  Change in deferred tax liabilities ash from/used in operating activities  ash from/used in operating activities  receipts from investing activities  Interest received from investing activities relating to:  • investments financed from technical provisions	8 8 3 21 22 22 3	0 -3,819,934 -347,795 -722,750 2,163,952 -1,955,774 -1,712,695 158,867 0 11,867,128 249,513,983 7,660,567 6,209,404	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782 -158,167 -86,161 15,444,566 389,547,763 7,210,411 5,229,344
c.) Net ca (a + b)	tum, other receivables, other assets reed tax assets/liabilities) of operating the statement of financial position  Change in receivables from primary insurance  Change in receivables from reinsurance  Change in other receivables from (re)insurance business  Change in deferred tax assets  Change in liabilities arising out of reinsurance business  Change in other operating liabilities  Change in other liabilities (except unearned premiums)  Change in deferred tax liabilities  ash from/used in operating activities  ws from investing activities  receipts from investing activities  Interest received from investing activities relating to:  investments financed from technical provisions  other investments  Cash receipts from dividends and from participation in the	8 8 3 21 22 22 22 3	o -3,819,934 -347,795 -722,750 2,163,952 -1,955,774 -1,712,695 158,867 o 11,867,128  249,513,983 7,660,567 6,209,404 1,451,163	0 -507,396 -667,203 -128,985 -1,990,585 -2,373,329 4,120,782 -158,167 -86,161 15,444,566 389,547,763 7,210,411 5,229,344 1,981,067

(EUF	R) Note	2012	2011
	Proceeds from sale of property and equipment, financed from:	7,112	864
	• other sources	7,112	864
	Proceeds from sale of long-term financial investments, financed from:	106,692,518	65,618,646
	technical provisions	85,107,090	27,230,728
	• other sources	21,585,428	38,387,918
	Proceeds from sale of short-term financial investments, financed from:	130,648,364	311,989,395
	technical provisions	87,044,832	187,069,285
	<ul><li>other sources</li></ul>	43,603,532	124,920,110
	b.) Cash disbursements in investing activities	-249,220,407	-395,154,660
	Purchase of intangible assets	-41,113	-69,888
	Purchase of property and equipment, financed from:	-246,823	-64,958
	• other sources	-246,823	-64,958
	Purchase of long-term financial investments, financed from:	-125,387,083	-122,644,280
	<ul> <li>technical provisions</li> </ul>	-96,344,838	-93,891,549
	<ul><li>other sources</li></ul>	-29,042,245	-28,752,731
	Purchase of short-term financial investments, financed from:	-123,545,388	-272,375,534
	technical provisions	-82,114,288	-163,659,888
	• other sources	-41,431,100	-108,715,646
	c.) Net cash from/used in investing activities (a + b)	293,575	-5,606,897
c.	Cash flows from financing activities		
	b.) Cash disbursements in financing activities	-11,301,944	-9,852,950
	Interest paid	-1,448,502	-1,762,193
	Redemption of equity	0	0
	Repayment of long-term financial liabilities	-9,853,442	-5,190,757
	Repayment of short-term financial liabilities	0	-2,900,000
	c.) Net cash from/used in financing activities (a + b)	-11,301,944	-9,852,950
C2.	Closing balance of cash and cash equivalents	1,012,672	153,913
	x.) Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	858,759	-15,281
D.	Opening balance of cash and cash equivalents	153,913	169,193

The notes to the financial statements on pages 192-249 form an integral part of these financial statements.

28.5 Statement of changes in equity for the year ended 31 December 2012

The notes to the financial statements on pages

192-249 form an integral part of these financial statements.

				III. Profit reserves									
(EUR)	Note	II. Capita I. Share capital reserves	II. Capital Il reserves	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other	IV. Fair value reserve	IV. Fair value V. Retained reserve earnings	VI. Net profit/ loss for the year	VI. Net profit/ VII. Treasury loss for the shares (contra year account)	Total (1–11)
			2.	ÿ	4	5.	6.	7.	∞i	6	10.	11.	12.
Opening balance in the financial period		39,069,099	33,003,752	14,986,525	1,774	745,290	6,998,007	64,825,254	806,880,6-	3,596,862	4,318,646	-1,774	158,454,528
Comprehensive income for the period, net of tax	16, 17	o	o	o	o	0	o	0	6,730,302	0	9,604,981	o	16,335,282
Allocation of net profit to profit reserves	14	0	0	0	0	0	0	3,478,046	0	0	-3,478,046	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	41	0	0	0	0	7,736	1,316,709	0	0	0	-1,324,445	0	0
Profit carryforward		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	39,069,099 33,003,752	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
Distributable profit		0	0	0	0	0	0	0	0	7,915,508	4,802,490	0	12,717,998

28.6 Statement of changes in equity for the year ended 31 December 2011

				III. Profit reserves									
(EUR)	Note	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Catastrophe Reserves for equalisation credit risks reserve	Catastrophe equalisation reserve	Other	IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the year	VII. Treasury shares (contra account)	Total (1-1)
		÷	2.	ÿ	4	5.	6.	7.	.∞	.6	10.	η.	12.
Opening balance in the financial period		39,069,099	39,069,099 33,003,752 14,986,525	14,986,525	1,774	1,261,187	6,126,333	60,862,385 -2,767,816	-2,767,816	0	3,596,862	-1,774	156,138,328
Comprehensive income for the year, net of tax	16, 17	0	0	0	0	0	0	0	-6,321,094	0	8,637,292	0	2,316,198
Allocation of net profit to profit reserves	14	0	0	0	0	0	0	3,962,869	0	0	-3,962,869	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	۲ _۲	0	0	0	0	-515,897	871,674	0	0	0	-355,777	0	0
Profit carryforward		0	0	0	0	0	0	0	0	3,596,862	-3,596,862	0	0
Closing balance in the financial period		39,069,099	33,003,752	14,986,525	1,774	745,290	6,998,007	6,998,007 64,825,254 -9,088,909	606,880,6-	3,596,862	4,318,646	-1,774	158,454,528
Distributable profit		0	0	0	0	0	0	0	0	3,596,862	4,318,646	0	7,915,508

# Notes to the Financial Statements

## 29.1 Basic details

Pozavarovalnica Sava, d.d. (hereinafter also: "Sava Reinsurance Company" or "the Company") was established under the Foundations of the Life and Non-life Insurance System Act, and was entered in the company register kept by the Ljubljana Basic Court, Ljubljana Unit, on 28 December 1990. Its legal predecessor, Pozavarovalna skupnost Sava, was established in 1977.

Sava Reinsurance Company transacts reinsurance business both in the domestic and in the international market. Under the Standard Classification of Activities, its subclass code is 65.200. Under the Slovenian Companies Act (Zakon o gospodarskih družbah, "ZGD"), it is classified as a large company.

The Company has its registered office at Dunajska cesta 56, Ljubljana, Slovenia.

In 2012 Sava Reinsurance Company employed on average 73 people (2011: 69). At 31 December 2012, the Company employed 70 people (31 December 2011: 66), determined on a full-time equivalent basis.

## No. of employees by degree of education (full-time equivalent basis)

	31 Dec 2012	31 Dec 2011
Secondary	14	12
Higher	5	11
University	38	29
Masters' degree and doctorate	13	14
Total	70	66

The Company has the following governing bodies: the General Meeting, the Supervisory Board and the Management Board.

The Company's largest shareholder is the Slovenian Restitution Fund (SOD), which holds 25% plus one share. The second largest shareholder is Abanka with a 7% shareholding.

It is the responsibility of the Company's Management Board to prepare and approve the annual report. The audited annual report is approved by the Company's Supervisory Board. If the annual report is not approved by the Supervisory Board, or if the Management Board and Supervisory Board leave the decision about its approval to the General Meeting of Shareholders, the General Meeting decides on the approval of the annual report.

The Company is the controlling company of the Sava Re Group, which apart from the controlling company comprises the following companies:

Subsidiaries	00 ot 01	December 2012	
Subsidiaries	as at 31	December 2012	

(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31 Dec 2012	Profit/loss for the year 2012	Total income	Share of voting rights (%)
Zavarovalnica Tilia	insurance	Slovenia	159,521,288	139,706,571	19,814,717	3,542,403	76,697,911	100.00%
Sava osiguranje	insurance	Serbia	22,563,984	16,791,533	5,772,451	114,326	12,296,171	99.99%
Illyria	insurance	Kosovo	15,438,504	12,100,169	3,338,335	230,995	10,361,079	100.00%
Sava osiguruvanje	insurance	Macedonia	21,153,128	17,336,552	3,816,576	10,382	10,769,645	92.44%
Sava Montenegro	insurance	Montenegro	24,012,196	19,224,475	4,787,721	753,169	11,544,472	100.00%
Illyria Life	insurance	Kosovo	4,813,953	1,330,667	3,483,286	138,239	1,342,217	100.00%
Sava životno osiguranje	insurance	Serbia	3,006,238	864,292	2,141,946	-502,793	1,246,038	99.99%
Velebit usluge	wholesale, retailer	Croatia	15,941,433	1,892	15,939,541	-221,745	2,742	100.00%
Velebit osiguranje	insurance	Croatia	20,169,944	15,922,345	4,247,599	-810,184	-8,368,028	78.77%
Velebit životno osiguranje	insurance	Croatia	7,791,436	3,111,629	4,679,807	-904,326	1,764,397	71.37%
Illyria Hospital	hospital activities	Kosovo	2,016,471	10,101	2,006,370	45	45	100.00%
Sava Car	research and analysis	Montenegro	373,378	301,807	71,571	14,492	245,700	100.00%

## Associates at 31 December 2012

(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31 Dec 2012	Profit/loss for the year 2012	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	830,355,491	731,246,415	99,109,076	7,717,014	263,316,052	48.68%
Moja naložba	pension fund	Slovenia	136,496,108	129,629,125	6,866,983	320,022	3,571,080	20.00%

		Subsidiaries as at 31 December 2011							
(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31 Dec 2011	Profit/loss for the year 2011	Total income	Share of voting rights (%)	
Zavarovalnica Tilia	insurance	Slovenia	149,154,232	132,121,757	17,032,475	2,323,379	69,269,434	99.71%	
Sava osiguranje	insurance	Serbia	24,165,464	19,011,954	5,153,510	86,626	13,894,974	99.99%	
Illyria	insurance	Kosovo	12,975,992	12,062,966	913,026	-2,433,853	13,017,621	100.00%	
Sava osiguruvanje	insurance	Macedonia	18,507,389	16,856,778	1,650,611	-2,687,431	11,637,186	81.84%	
Bro-Dil	securities broker	Macedonia	286,809	4,742	282,067	-60,036	16,226	81.84%	
Sava Montenegro	insurance	Montenegro	23,215,922	18,912,195	4,303,727	1,884,254	10,985,552	100.00%	
Illyria Life	insurance	Kosovo	4,219,482	874,432	3,345,050	109,087	1,075,674	100.00%	
Sava Life	insurance	Serbia	2,615,821	498,980	2,116,841	-919,968	703,843	99.99%	
Velebit usluge	wholesale, retailer	Croatia	11,681,966	493	11,681,473	1,965	6,014	100.00%	
Velebit osiguranje	insurance	Croatia	18,056,703	15,477,580	2,579,123	-2,453,819	7,802,651	63.13%	
Velebit životno osiguranje	insurance	Croatia	6,446,868	2,988,153	3,458,715	-1,293,569	1,336,396	53.41%	
Illyria Hospital	hospital activities	Kosovo	1,810,025	13,700	1,796,325	-3,520	0	100.00%	
Sava Car	research and analysis	Montenegro	328,763	271,684	57,079	307	129,460	100.00%	

## Associates at 31 December 2011

(EUR)	Activity	Registered office	Assets	Liabilities	Equity at 31 Dec 2011	Profit/loss for the year 2011	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	760,989,148	673,449,534	87,539,613	10,557,075	248,712,324	48.68%
Moja naložba	pension fund	Slovenia	125,484,976	119,225,805	6,259,172	410,318	2,818,149	20.00%

## 29.2 Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the financial statements.

 $29.2.1\ Statement\ of\$ Sava Reinsurance Company prepared both separate and consolidated financial compliance statements for the year ended 31 December 2012. The consolidated financial statements are part of this annual report. Annual reports are available from the website of Sava Reinsurance Company and at the Company's registered office.

> The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee's ("IFRIC"), as adopted by the European Union. They have also been prepared in accordance with applicable Slovenian legislation (the Companies Act, "ZGD-1"), the Insurance Act and implementing regulations).

> In selecting and applying accounting policies, as well as in preparing the financial statements, the Management Board aims at providing understandable, relevant, reliable and comparable accounting information.

> The financial statements have been prepared based on the going-concern assumption.

> The Management Board of the Company approved the financial statements on 8 March 2013.

29.2.2 Measurement The financial statements have been prepared based on the historic cost basis, bases except for financial assets at fair value through profit or loss and available-forsale financial assets, which are measured at fair value.

# and presentation

194

 $29.2.3\ Functional$  The financial statements are presented in euro (EUR), rounded to the nearest euro. Due to rounding, figures in tables may not add up to totals.

> currency Assets and liabilities as at 31 December 2012 denominated in foreign currencies were translated into euro using mid-rates of the European Central Bank ("ECB") as at year-end 2012. Amounts in the income statement have been translated using the exchange rate on the day of the transaction. At 31 December 2012 and 31 December 2011, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-cash items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve.

29.2.4~Use~of~major~ Assumptions and other sources of uncertainty relate to estimates that require accounting estimates management to make difficult, subjective and complex judgements. Below are given major areas that involve management judgement.

and sources of

- $uncertaint_{V}$  Criteria for impairment of investments in affiliates are determined using the accounting policy set out in section 29.2.11 and note 5.
  - Deferred tax assets are recognised if the Company plans to realise a profit in the medium-term. Receivables are impaired item-by-item based on the accounting policy set out in section 29.2.14. The impairment loss recognised is shown under note 8.
  - · Financial investments:
    - Classification, recognition, measurement and derecognition, as well as investment impairment and fair value measurement are made based on the accounting policy set out in section 29.2.12. Movements of investments and their classification is shown under note 6, while the associated income and expenses, and impairment are shown under note 25.
  - Technical provisions calculation and liability adequacy tests pertaining to insurance contracts are shown in section 29.2.18. Movements in these provisions are shown under note 19.

The Company recognises estimates of technical items because it does not receive reinsurance accounts in time. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. These items include: premiums, claims, commissions, unearned premiums, claims provisions and deferred acquisition costs. Estimates are made both for the retained as well as for the retroceded portions.

29.2.5 Cash flow The cash flow statement has been prepared using the indirect method. Cash statement flows from operating activities have been prepared based on data from the 2012 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

# changes in equity

 $29.2.6\ Statement\ of$  The statement of changes in equity shows movements in individual components of equity in the period. Pursuant to a decision of the Insurance Supervision Agency, profit reserves are shown to include technical provisions, which are inherently provisions for future risks and not liabilities according to IFRSs, i.e., the credit risk equalisation and catastrophe equalisation reserves.

 $29.2.7\ Intangible$  Intangible assets are stated at cost, plus any expenses directly attributable to assets preparing them for their intended use, less accumulated amortisation and any impairment losses. Amortisation is calculated for each item separately, on a straight-line basis. Intangible assets are first amortised upon their availability for use.

> Intangible assets include computer software, and licences pertaining to computer software. Their useful life is 5 years.

## equipment

29.2.8~Property~and Property and equipment assets are initially recognised at cost plus directly attributable costs. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses. The Company assesses annually whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

> Property and equipment assets are first depreciated upon their availability for use. Depreciation is calculated for each item separately, on a straight-line basis.

Depreciation rates are determined so as to allow writing off the cost of property and equipment assets over their estimated useful lives.

## Depreciation rates of property and equipment assets

Depreciation group	Rate
Land	0%
Buildings	1.3 – 1.8%
Transportation	15.5%
Computer equipment	33.0%
Office and other furniture	10.0 – 12.5%
Other equipment	6.7 – 20.0%

Gains and losses on the disposal of items of property and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property and equipment that increase future economic benefits are recognised in their carrying amount.

## assets and liabilities

29.2.9 Deferred tax Based on mid-term business projections, the Company expects to make a profit and therefore meets the requirement for recognising deferred tax assets.

> The Company recognises deferred tax assets for temporary non-deductible impairments of portfolio securities and allowances for receivables, any unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for the credit risk and catastrophe equalisation reserves transferred (on 1 January 2007) from technical provisions to profit reserves, which used to be tax-deductible when set aside (prior to 1 January 2007). The Company does not have deferred tax assets associated with impairment losses on investments in subsidiaries.

> In addition, the Company establishes deferred tax assets/liabilities for that part of value adjustments which is recorded under the negative/positive fair value

> In 2012 an amendment to the Slovenian Corporate Income Tax Act was adopted stipulating lower tax rates: 18% on the tax base for 2012; 17% on the 2013 tax base and 16% on the 2014 tax base. The tax rate for 2015 and later will be 15%.

> Due to the above amendment to the Corporate Income Tax, a 17% tax rate was applied to deferred tax assests/liabilities in 2012, while a 20% tax rate was applied for 2011.

29.2.10 Investment Investment property is property that the Company does not use directly in carrying out its activities, but holds to earn rentals. Investment property is accounted for using the cost model and straight-line depreciation. Investment property is depreciated at the rate of 1.3%. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Company acts as lessor are operating leases. Payments received, i.e., rental income, are recognised as income on a straight-line basis over the term of the lease. The Company assesses annually whether there is any indication of impairment of investment property. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the net selling price. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

> The Company has investment property leased out under a cancellable operating lease contract.

As all of the Company's investment property is situated in Slovenia, its fair value is also measured based on the report on average prices of real estate in the Slovenian market published by the Surveying and Mapping Authority of the Republic of Slovenia.

# investments in Group companies and in

29.2.11 Financial Investments in Group companies and in associates are initially measured at fair value. Subsequently, the Company measures them using the cost model less any impairment losses.

> associates Subsidiaries are entities in which the Company holds more than 50% of the voting rights, entities the Company controls and over which the Company thus has the power to control the financial and operating policies so as to obtain benefits from its activities. Associates are entities in which the Company holds between 20% and 50% of voting rights or over which the Company has significant influence.

> > Impairment testing in Group companies and associates is carried out at least on an annual basis. Pursuant to IAS 36, the controlling company when reviewing whether there are indications that an asset may be impaired, considers external (changes in market or legal environment; interest rates; elements of the discount rate, market capitalisation) as well as internal sources of information (business volume; manner of use of asset; actual versus budgeted performance results; decline in budgeted cash flows and such like).

> > For the purpose of impairment testing of the cost of subsidiaries, pursuant to IAS 36, the controlling company reviews on an annual basis whether there are indications that assets are impaired. If impairment is necessary, an impairment test is carried out so that the recoverable amount of the cash-generating unit is calculated for each individual investment based on the value in use. Cash flow projections used in these calculations were based on the business plans approved by the management for the period until and including 2017, as well as on extrapolations of growth rates for an additional 5-year period. Projections are for more than five years because we consider that the markets where Group insurers operate are still underdeveloped and operations of subsidiaries have not normalised yet. The discount rate used is based on market rates adjusted to reflect each insurance company-specific risk. The recoverable amount of each cash-generating unit so calculated was compared against its carrying amount.

### Key assumptions used in cash flow projections with calculations of the value in use

Discounted cash flow projections were based on the Group's business plans covering a 10-year period (strategic business plans for individual companies for the period 2013–2017 with a further 5-year extrapolation of results). Only 10-year normalised cash flows are appropriate for extrapolation into perpetuity.

The growth in premiums earned in the companies set out in the previous table reflects the growth expected in their insurance markets, as well as the characteristics of their portfolios (low share of non-motor business). In all their markets, insurance penetration is relatively low. However, insurance penetration is expected to increase due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Social inflation is also expected to increase, i.e., claims made against insurance companies are expected to become more frequent and higher. Costs are expected to lag slightly behind premiums owing to business process optimisation in subsidiaries. Business process optimisation will thus contribute to the growth in net profits. The Company published its target return on equity of 11% for the period up until 2017.

The discount rate is determined as cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the interest rate applying for risk-free securities and equity premium as well as insurance business prospects. Added is a country risk premium and, for some companies, a smallness factor.

Discount rates for 2012 range from 13 to 16.5% and did not change significantly

Subsidiaries have been valued using internal models with a long-term growth rate of 3.5%. This rate is based the long-term consumer price index for non-Slovenian markets used also for the discount rate for non-Slovenian markets where the Group operates.

In assessing whether there is any indication of impairment of its investments in subsidiaries, the Company uses the same model as with goodwill. For more information on the assumptions, see section 25.4.8 of the consolidated financial statements with notes.

## 29.2.12 Financial investments

29.2.12.1 Classification The Company classifies its financial assets into the following categories:

## Financial assets at fair value through profit or loss

These assets comprise financial assets held for trading.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e., realising gains in the short term.

## Held-to-maturity financial assets

Held-to-maturity financial assets are assets with fixed or determinable payments and fixed maturity that the Company can, and intends to, hold to maturity.

## Available-for-sale financial assets

Available-for-sale financial assets are assets that the Company intends to hold for an indefinite period and are not classified as financial assets at fair value through profit or loss or held-to-maturity financial assets.

## Loans and receivables (deposits)

This category includes loans and bank deposits with fixed or determinable payments that are not traded in any active market, and deposits with cedants. Under some reinsurance contracts, part of the reinsurance premium is retained by cedants as guarantee for payment of future claims, and generally released after one year. These deposits bear contractually agreed interest.

29.2.12.2 Recognition, Available-for-sale financial assets and held-to-maturity financial assets are measurement and initially measured at fair value plus any transaction costs. Financial assets at derecognition fair value through profit or loss are initially measured at fair value, with any transaction costs recognised as investment expenses.

> Acquisitions and disposals of financial assets, loans and deposits are recognised on the trade date.

> Gains and losses arising from fair value revaluation of financial assets available for sale are recognised in the statement of comprehensive income, and transferred to the income statement upon disposal or impairment. Gains and losses arising from fair value revaluation of financial assets at fair value through profit or loss are recognised directly in the income statement. Held-to-maturity financial assets are measured at amortised cost less any impairment losses.

> Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the assets are transferred and the transfer qualifies for derecognition in accordance with IAS 39.

> If their fair value cannot be reliably measured, investments are valued at cost.

Loans and receivables (deposits) are measured at amortised cost less any impairment losses.

29.2.12.3 Determination The fair value of financial assets held for trading and financial assets available of fair value for sale is generally determined by reference to the last quotation, i.e. the last reported bid price in an active securities market. Classification of investments by source of data for revaluation is shown is section 29.2.12.5.

29.2.12.4 Impairment of A financial asset other than at fair value through profit or loss is impaired and *investments* an impairment loss incurred provided there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and that such events have an impact on future cash flows that can be reliably estimated.

> The Company assesses whether there is any objective evidence that individual financial assets are impaired on a three-month basis (when preparing interim and annual reports).

29.2.12.4.1 Debt securities Investments in debt securities are impaired only if one of the following conditions is met

- the issuer fails to make a coupon or principal payment, and it is likely that such liabilities will not be settled in the short term;
- the issuer is subject to a bankruptcy, liquidation or compulsory settlement procedure.

If the first condition above is met, an impairment loss is recognised in the income statement in the amount of the difference between the fair value and carrying amount of the debt security (if the carrying amount exceeds the fair value).

If the second condition above is met, an impairment loss is recognised in profit or loss, being the difference between the potential payment out of the bankruptcy or liquidation estate and the cost of the investment. The potential payment out of the bankruptcy or liquidation estate is estimated based on information concerning the bankruptcy, liquidation or compulsory settlement proceedings, or, if such information is not available, based on experience or estimates made by credit rating or other financial institutions.

In respect of debt securities, only impairment losses recognised pursuant to indent one above (first condition) may be reversed. An impairment loss is reversed when the issuer's liability is settled. Impairment losses are reversed through profit or loss.

29.2.12.4.2 Equity securities Investments in equity securities are impaired if on the statement of financial position date:

- their market price is more than 40% below cost; or
- their market price has remained below cost for more than one year;
- the model based on which the Company assesses the need for impairment of unquoted securities indicates that the asset needs to be impaired.

An impairment loss is recognised in the amount of the difference between market price and cost of financial assets.

revaluation technique (levels 1-3) in line with IFRSs as adopted by the EU

29.2.12.5 Classification of The Company classifies fair value measurements into a fair value hierarchy investments by input used in with three levels. The classification is by reference to the observability and significance of the inputs used in making the measurements.

Level 1	quoted prices (unadjusted) in active markets for identical assets;
Level 2	inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
Level 3	inputs for assets that are not based on observable market data.

29.2.13 Reinsurers' Reinsurers' share of technical provisions comprises the reinsurers' share of share of technical unearned premiums and of technical provisions. The amount is determined in accordance with reinsurance (retrocession) contracts and in line with moveprovisions ments in the retroceded portfolio based on gross reinsurance provisions for the business that is the object of these reinsurance (retrocession) contracts at the close of each accounting period.

> The Company tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For retrocession risks, see section 29.5.26 Retrocession programme.

29.2.14 Receivables Receivables include receivables for inwards reinsurance business and receivables for claims and commission relating to retrocession business.

29.2.14.1 Recognition of Receivables arising out of reinsurance business are recognised when inwards receivables premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections "Net premiums earned" and "Net claims incurred".

29.2.14.2 Impairment of As regards its core activity of reinsurance, the Company transacts business receivables arising out of exclusively with legal entities. Before entering a business relationship with a reinsurance business prospective client, especially if foreign, the Company either carefully reviews its credit rating or relies on recommendations by its long-standing business partners. The Company individually assesses receivables in terms of their recoverability or impairment, making allowances based on payment history of individual cedants and retrocessionaires.

> The Company nevertheless periodically reviews its reinsurance receivables on a client-by-client basis, at least once a year.

No receivables have been pledged as security.

29.2.14.3 Deferred The Company discloses under deferred acquisition costs, deferred commisacquisition costs sions. These are booked commissions relating to the next financial year recognised based on reinsurance accounts and estimated amounts derived from estimated commissions taking into account straight-line amortisation.

29.2.14.4 Other assets Other assets include capitalised short-term deferred costs and short-term accrued income. Short-term deferred costs comprise stamps and prepayments of unearned commissions to counterparties.

 $29.2.15\ Cash\ and$  This item of the statement of financial position and the cash flow statement cash equivalents comprises cash balances in bank accounts and overnight deposits.

## 29.2.16 Equity Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euro;
- capital reserves comprise amounts in excess of the par value of shares;
- profit reserves comprise reserves provided for by the Articles of Association, legal reserves, reserves for treasury shares, credit risk and catastrophe equalisation reserves and other profit reserves;
- treasury shares;
- fair value reserve;
- retained earnings.

Reserves provided for by the Articles of Association are used:

- to cover the net loss that cannot be covered (in full) out of retained earnings and other profit reserves, or if these two sources of funds are insufficient to cover the net loss in full (an instrument of additional protection of tied-up capital);
- to increase share capital;
- to regulate the dividend policy.

Profit reserves include credit risk equalisation reserves established pursuant to the Insurance Act (ZZavar) and relevant implementing acts, and catastrophe equalisation reserves set aside pursuant to the rules on technical provisions and reserves as approved by appointed actuaries. The distribution of these reserves cannot be decided in General Meeting as they are non-distributable as shown in note 14.

Pursuant to the Companies Act, the Management Board has the power to allocate up to half of net profit to other reserves.

 $29.2.17\ Subordinated$  Subordinated debt represents a long-term liability of the Company issued to liabilities meet capital adequacy requirements as defined by Standard and Poor's, which affects the insurer credit rating and is intended for the expansion of operations. Subordinated liabilities are measured at amortised cost on a monthly basis.

## provisions

 $29.2.18 \; Technical$  Technical provisions are approved by the appointed actuary of the Company.

Technical provisions are shown gross in the statement of financial position. The share of gross technical provisions for the business retroceded by the Company is shown in the statement of financial position under item reinsurers' share of technical provisions. The main principles used in the calculation of gross technical provisions are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. They are accounted for on the basis of received reinsurance accounts for unearned premiums, following the cedant's method, predominantly a pro rata temporis basis at insurance policy level. In cases where the Company does not receive timely accounts for unearned premiums on reinsurance business, nominal percentages are used at reinsurance account level for periods for which premiums are written.

Provisions for outstanding claims are established for incurred but not settled claims. These comprise provisions for incurred claims, both reported and unreported (IBNR). They are accounted for on the basis of received reinsurance accounts for provisions for outstanding claims and on the basis of received loss advices for non-proportional reinsurance business. Sava Reinsurance Company establishes the IBNR provision following three procedures. In the first procedure, the Company assumes a portion of the IBNR provision as calculated by cedants based on relevant reinsurance contract's provisions. This relates to business were invoices are received timely. In the second procedure, the claims provision is estimated relating to the estimated reinsurance premium or the insufficiently established claims provision prior to the estimation procedure. This claims provision is also added to the IBNR provision. As the triangular method is used in making estimates, such estimation also represents a liability adequacy test for reinsurance portfolio segments for which estimates are made, that is for international business excluding subsidiaries and for retrocession business. In the third procedure, the IBNR provision is calculated as part of the liability adequacy test for portfolio segments where reinsurance accounts are received timely and for which no estimates are made. This calculation is made for gross data of Slovenian cedants and subsidiaries at insurance class level. Using loss development triangles of cumulative claim payments by underwriting year and cumulative development factors (their weighted average), the ultimate liability for losses is estimated by insurance classes. Such estimated ultimate liabilities less paid claims and unearned premiums (net of deferred commission), which is also available for covering liabilities at the underwriting year level, comprises the estimated provision for outstanding claims. If this provision for outstanding claims exceeds the one already set aside (and calculated based on reinsurance accounts), a reinsurance IBNR provision is set aside. The described process shows that the outstanding claims provision is established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected payouts due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums.

Other technical provisions include the provision for unexpired risks derived from a liability adequacy test of unearned premiums.

Liability adequacy testing of unearned premiums

## Liability adequacy testing of unearned premiums

Unearned premiums are calculated based on the unexpired portion of the policy term (the pro rata temporis method). Therefore, if the premium is adequate, the unearned premium is also adequate, and vice versa. The Company carries out liability adequacy tests separately for gross unearned premiums and for the retroceded portion of unearned premiums at the insurance class level. Calculation of the expected combined ratio at insurance class level was based on the weighted average of the combined ratios realised in the last three years, which were also trend-adjusted. Calculation of the realised combined ratios was based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100%, thus revealing a deficiency in the unearned premium, a corresponding provision for unexpired risks within other technical provisions is set aside, in accordance with the Insurance Act (ZZavar).

 $29.2.19 \; Other$  Other provisions comprise employee benefits including severance pay upon provisions retirement, jubilee benefits and other benefits. Provisions for these benefits are calculated by a certified actuary.

> Provisions are calculated based on personal data of employees: date of birth, date of commencement of employment, anticipated retirement, and salary. Severance pay upon retirement is accounted for as the higher of twice the last salary received and twice the average salary in the country. Currently, the non-taxable portion of severance pay is EUR 4,063.

> Employees are entitled to a jubilee benefit for every 10 years of service with the Company. The jubilee benefit for 10, 20 and 30 years of service is equal to one salary, one salary and a half and two salaries of the first tariff class, respectively, (currently EUR 628-EUR 1,256). Currently, the non-taxable portion of jubilee benefits is around 74%.

The probability of an employee staying with the Company includes both the probability of death and the probability of employment relationship termination. Slovenian mortality tables 2007 M/F are used. The annual employee turnover rate based on internal data since 1998 is 2.1%, 3.8% and 2.4% in the "less than 35", "35–45" and "over 45" age brackets, respectively. The assumed annual real growth of salaries is 2.0% (based on internal data and the consumer price index), while the assumed annual nominal growth of jubilee benefits is 3.6% (80% of the harmonised long-term interest rate, mentioned below).

Provisions for employee benefits are the net present value of future liabilities based on the above-mentioned assumptions. The discount rate is 3.66% (Source: Bank of Slovenia, long-term interest rate for convergence assessment purposes, 80% of the 2004–2012 average).

The Company also established provisions for unused annual leave, which employees may use by no later than 30 June of the succeeding year.

29.2.20 Pension The Company is required by law to pay pension insurance contributions on insurance gross salaries at the rate of 8.85%. In addition, in 2001 the Company concluded a contract setting up a pension insurance scheme as part of the voluntary pension system, and has been making monthly contributions to it since then.

29.2.21 Other Liabilities are initially recognised at amounts recorded in the relevant doculiabilities ments. Subsequently, they are increased in line with documents or decreased on the same basis or through payments. Other liabilities comprise: liabilities for claims and outwards retrocession premiums, liabilities for claims arising out of inwards reinsurance contracts, liabilities for retained deposits, amounts due to employees, amounts due to clients and other short-term liabilities.

# of insurance contracts

29.2.22 Classification The Company classifies contracts as insurance contracts if they are concluded to transfer a considerable portion of risk; otherwise, they are classified as financial contracts. Whether there has been a considerable transfer of risk may be established either (i) directly when the Company assumes risks from contracts on a proportional basis that have been classified as insurance contracts by their cedants, or (ii) indirectly by determining that a reinsured event would result in significant additional payouts.

> The Company only transacts reinsurance business the basic purpose of which is the transfer of underwriting risk. Thus the Company classified all the reinsurance contracts it concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Since non-proportional reinsurance contracts provide for the payment of significant additional payouts in case of loss events, they also qualify as insurance contracts.

 $29.2.23 \ Net \ premiums$  Premiums earned are accounted for on an accrual basis, taking into account earned any increase in economic benefits in the form of cash inflows or increases in assets. The Company separately discloses gross insurance and reinsurance premiums written, co-insurance premiums and reinsurers' shares, and unearned premiums. These items are used to calculate earned premiums in the income statement. Premiums earned are recognised based on confirmed reinsurance accounts and estimated gross premiums written, premiums ceded to reinsurers and (gross and retroceded) unearned premiums; premium estimates are made based on reinsurance contracts which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. Net premiums earned are calculated based on invoiced gross premiums written less invoiced premiums retroceded, both adjusted for the change in gross unearned premiums and the change in reinsurers' share of unearned premiums. Premiums earned are estimated based on individual reinsurance contracts.

29.2.24 Net claims Claims and benefits incurred are accounted for on an accrual basis, taking incurred into account any decrease in economic benefits in the form of cash outflows or decreases in assets. Net claims incurred comprise gross claims paid net of recourse receivables and reinsured claims, i.e., amounts invoiced to retrocessionaires. The amount of gross claims paid includes any change in the claims provision. Also included are estimated gross claims, retrocession claims and (gross and retroceded) claims provisions; claims estimates are made on the basis of reinsurance contracts so that, according to due dates, such claims have already been incurred although the Company has yet to receive reinsurance accounts. These items are used to calculate net claims incurred in the income statement. Claims incurred are estimated based on estimated premiums and combined ratios for individual reinsurance contracts.

 $29.2.25\ Income\ from$  Income from investments in affiliates (subsidiaries and associates) also inand expenses for cludes dividends. Expenses for investments in affiliates comprise impairment losses on investments. Dividend income is recognised when payout is author*investments in affiliates* ised in accordance with the relevant general meeting resolution of any affiliate.

# income and expenses

 $29.2.26\ Investment$  The Company records investment income and expenses separate depending on whether they relate to the capital fund or the liability fund. The capital fund comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions.

> Investment income comprises dividends (income from shares), income from land and buildings (investment property), interest income, income arising from changes in fair value, income arising from reversals of value adjustments (impairment) on debt instruments available for sale, and gains on the disposal of investments.

> Investment expenses comprise interest expense, losses on the disposal of investments and impairment losses.

> The mentioned income and expenses are disclosed depending on how the underlying investments are classified, i.e., investments held to maturity, at fair value through profit or loss, available for sale, loans and receivables, or investment property.

> Interest income and expenses are recognised in the income statement using the effective interest rate method. Dividend income is recognised in the income statement when payout is authorised. Income and expenses arising from changes in fair value relate to unrealised gains and losses on financial assets classified as at fair value through profit or loss and financial assets classified as held for trading. Gains and losses on the disposal of investments represent the difference between the carrying amount of a financial asset and its sale price, or between its cost and sale price in the case of investments available for sale.

# 29.2.27 *Operating* Operating expenses comprise:

- expenses acquisition costs: reinsurance commission expenses recognised based on reinsurance accounts and estimates derived from estimated premium and contractually agreed commission rates;
  - change in deferred acquisition costs: these comprise reinsurance commission expenses. These are booked commissions relating to the next financial year. They are recognised based on reinsurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation;
  - other operating expenses classified by nature are as follows.
    - a) depreciation of operating assets,
    - b) labour costs including employee salaries, social and pension insurance costs and other labour costs,
    - c) remuneration of the supervisory board and audit committee; and payments under contracts for services,
    - d) other operating expenses relating to services and materials.

## technical income

29.2.28 Other Other technical income comprises income from reinsurance commission less the change in deferred acquisition costs relating to reinsurers, and is recognised based on confirmed reinsurance accounts and estimated commission income taking into account straight-line amortisation.

 $29.2.29\ Income\ tax$  Income tax expense for the year comprises current and deferred tax. Income expense tax is presented in the income statement, except for the portion relating to the items presented in equity. The same applies to deferred tax. Current tax is payable on the taxable profit for the year using the tax rates enacted by the date of the statement of financial position, as well as on any adjustments to tax liabilities of prior periods. Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax amount is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates that have been enacted by the date of the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

> In 2012 an amendment to the Slovenian Corporate Income Tax Act was adopted stipulating lower tax rates. The statutory tax rate for the 2012 current tax was 18% (2011: 20%). The 2013 tax rate will be 17%, and 16% for 2014. The tax rate for 2015 and later will be 15%. Deferred tax assets and liabilities in 2012 were accounted for at the rate of 17%.

## 29.3 Changes in accounting policies and correction of errors

In 2012, the Company introduced no material changes in accounting policies nor corrected any errors.

## 29.4 New standards and interpretations not yet effective

The following new standards and interpretations as adopted by the European Union were not yet effective at 31 December 2012 and have not been applied in preparing these financial statements:

## Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and **Financial Liabilities**

(Effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Earlier application is permitted.)

The Company does not expect the Amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities

## IAS 27 (2011) Separate Financial Statements

(Effective for annual periods beginning on or after 1 January 2014; earlier application is permitted if IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are also applied early.) This Standard is to be applied retrospectively when there is a change in control conclusion.

The impact of the initial application of the amendment will depend on the specific facts and circumstances of the investees of the Group held at the date of initial application. Therefore, the Company is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

## IFRS 12 Disclosure of Interests in Other Entities

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively subject to transitional provisions. Earlier application is permitted.) The Company does not expect the new Standard will have a material impact on the financial statements.

## IFRS 13 Fair Value Measurement

(Effective prospectively for annual periods beginning on or after 1 January 2013. Earlier application is permitted.)

The Company does not expect IFRS 13 to have a material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

## Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

(Effective for annual periods beginning on or after 1 July 2012; to be applied retrospectively. Earlier application is permitted.)

The amendment requires that the Company presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The amendments are not relevant to the Company's financial statements, since the entity does not have other comprehensive income items that would never be reclassified to profit or loss.

## Amendments to IAS 12: Income Tax: Recovery of Underlying Assets

(Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Earlier application is permitted.)

The amendments are not relevant to the Company's financial statements, since the Company does not have any investment properties measured using the fair value model in IAS 40.

### IAS 19 (2011) Employee Benefits

(Effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply. Earlier application is permitted.)

The amendments are not relevant to the financial statements, since the Company does not have any defined benefit plans.

## IAS 27 (2011) Separate Financial Statements

(Effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted if IFRS 10, IFRS 11, IFRS 12 and IAS 28 (2011) are also applied early.)

The Company does not expect MRS 27 (2011) to have any impact on the financial statements, since they do not result in a change in the Company's accounting policy.

## Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

(Effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted; however, the additional disclosures required by Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities must also be made.)

The Company expects that the Amendments may have an impact on the financial statements if the Company starts applying offsetting to any of its financial assets and financial liabilities and if it enters into master netting arrangements.

29.5.1 Insolvency risk By law Sava Reinsurance Company must maintain adequate capital with regard to the amount and type of reinsurance business carried out. The capital must be at all times at least equal to capital adequacy requirements calculated using the higher of the premium basis calculation and claims basis calculation. As at 31 December 2012, the Company's required solvency margin was EUR 23.2m (31 December 2011: EUR 21.6m), while its available solvency margin was EUR 42.9m (31 December 2011: EUR 41.2m). The structure of the available solvency margin is presented in the following table.

## Statement of capital adequacy

(EUR)		2012	2011
Core capital (Article 106 of the Insurance Act ("ZZavar"))			
Subscribed capital other than share capital subscribed based on cumulative preference shares, or founding capital	1	39,069,099	39,069,099
Capital reserves other than capital reserves related to cumulative preference shares	2	33,003,752	33,003,752
Profit reserves other than reserve for treasury shares and credit risk equalisation & catastrophe equalisation reserves	3	83,289,825	79,811,779
Retained earnings	4	7,915,508	3,596,862
Fair value reserve relating to assets not financed by technical provisions	5	156,206	-875,393
Treasury shares and own interests	6	1,774	1,774
Intangible assets	7	149,315	175,779
Core capital (1+2+3+4+5-6-7)	8	163,283,301	154,428,546
Minimum guarantee fund	9	7,725,010	7,200,911
Meeting the requirement under paragraph 4 of Article 106 of the ZZavar (8 $-$ 9)	10	155,558,291	147,227,635
Additional core capital (Article 107 of the ZZavar)			
Subordinated debt	11	5,793,757	5,400,683
<b>Additional core capital (11)</b> , however not more than 50% of the lower of core capital and required solvency margin	12	5,793,757	5,400,683
Available solvency margin and statement of capital adequa	acy (A	rticle 108 of t	he ZZavar)
Total of core and additional core capital (8 + 12)	13	169,077,058	159,829,229
Participation under Article 108, item one of paragraph one of the ZZavar	14	124,815,536	115,686,979
Participation under Article 108, item two of paragraph one of the ZZavar	15	1,390,000	2,902,404
Available solvency margin of insurer (13 - 14 - 15)	16	42,871,522	41,239,846
Required solvency margin	17	23,175,031	21,602,732
Surplus/deficit of available solvency margin (16 – 17)	18	19,696,491	19,637,114

Sava Reinsurance Company is deemed to meet capital adequacy requirements if the available solvency margin is larger or equal to the required solvency margin. Sava Reinsurance Company met capital adequacy requirements through all of 2012, as it maintained a surplus of available solvency margin over required solvency margin. At 31 December 2012, this surplus amounted to EUR 19.7m (31 December 2011: EUR 19.6m); therefore, the insolvency risk is small.

The above calculations are based on applicable insurance regulations under the Solvency I regime. The new Solvency II regime, which is expected to come into force on 1 January 2016, will fundamentally change the calculation of solvency capital as well as the measurement of assets and liabilities. Based on quantitative studies of the effects that the new regime will have, we expect that Sava Reinsurance Company will require significantly more capital than the current required solvency margin. This increase will be at least partly set off by a decrease in liabilities due to a less prudent attituted of the new regime. While the Solvency II Directive has already been adopted, relevant implementing regulations are yet to be issued to define the parameters for the calculation of solvency capital requirement.

29.5.2 Underwriting Underwriting risks are risks related to the main activity pursued by insurrisk ance companies, i.e., the assumption of risks from policyholders. Insurance companies transfer any excess of risk to reinsurance companies, which is why reinsurance companies are exposed to underwriting risk. Underwriting risks that are important for reinsurers comprise mainly underwriting process risk, pricing risk, claims risk, net retention risk and reserving risk. Some other underwriting risks, such as product design risk, economic environment risk and policyholder behaviour risk are important mainly for insurers, but are transferred to reinsurance companies especially through proportional treaty reinsurance. The Company has no direct mitigating measures in place for such risks as these can only be managed through appropriate underwriting, additional requirements or clauses in reinsurance contracts and through an appropriate retrocession programme. Therefore, we will not give a separate discussion of product design risk, economic environment risk and policyholder behaviour risk.

> Sava Reinsurance Company assumes from its subsidiaries and other cedants only underwriting risk. Part of the assumed risk is retained, any excess over its capacity is retroceded. Sava Reinsurance Company classifies all reinsurance contracts as insurance contracts within the meaning of IFRS 4. As Sava Reinsurance Company has no reinsurance contracts that would qualify as financial contracts, we give below a detailed description of the risks arising from insurance contracts, as required under IFRS 4.

 $29.5.2.1\ Underwriting$  The underwriting process risk is the risk of incurring financial losses caused by process risk an incorrect selection and approval of risks to be reinsured. In respect of reinsurance treaties, Sava Reinsurance Company follows the fortune of its ceding companies, while in respect of facultative contracts, the decision on assuming a risk is on Sava Reinsurance Company.

> It follows from the above that in order to manage this risk, it is essential to check practices of existing and future ceding companies and to analyse developments on the relevant markets and in the relevant classes of insurance. Consequently, coverage may only be granted by taking into account internal underwriting guidelines. These guidelines define requirements for customers, minimum required level of information on the business and the framework of the expected business result. At the same time, they also lay down the coverage procedure and levels of authority so that an appropriate number of controls is included in the process. Sava Reinsurance Company's underwriting experts are involved also in underwriting of large risks relating to the subsidiaries.

> The table below shows exposure measured by the number of contracts and aggregated limits of contracts. The sums do not include covers that are fully retroceded and mainly relate to unlimited excess of loss motor liability reinsurance covers.

## Breakdown of reinsurance contracts and limits

(EUR)	U/W year 2012		U/W year 2011	
Form of contract	No. of contracts	Aggregate limit	No. of contracts	Aggregate limit
Treaty business	561	1,062,099,383	458	992,696,279
Facultative business	132	600,748,081	135	466,514,403
Total	693	1,662,847,464	593	1,459,210,682

If measured on the basis of aggregate limits as in the table above, the exposure to underwriting risk has increased in 2012 from 2011, in line with the increase in gross reinsurance premiums. Sava Reinsurance Company reduces underwriting risk also by transferring part or all of it to retrocessionaires.

Underwriting process risk relating to reinsurance business increased in 2012 compared to 2011.

29.5.2.2 Pricing risk Pricing risk is the risk that the reinsurance premiums charged will be insufficient to cover liabilities under reinsurance contracts.

> With proportional reinsurance contracts, reinsurance premiums depend on insurance premiums that are, as a rule, fixed by cedants. Therefore, this risk is managed by appropriate underwriting of risks to be reinsured and relevant adjustments to commission policy. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Rates are determined based on target combined ratios; their adequacy is tested by comparing results by form of reinsurance and line of business.

Pricing risk in both 2012 and 2011 is deemed moderate.

29.5.2.3 Claims risk Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. In respect of proportional reinsurance, this risk is closely connected with the same risk in relation to ceding companies, which may arise due to incorrect assessments made in the course of underwriting, changes in court practice, new types of losses, increased public awareness of the rights attached to insurance contracts, new human and animal diseases, macroeconomic changes and such like.

> With non-proportional reinsurance contracts, especially in higher layers, a major excess over the expected small number of losses is less likely, but still possible.

> This risk is managed by appropriate underwriting, controlling risk concentration in a particular location or geographical area, and especially by adequate reinsurance and retrocession programmes.

> Although the Company is changing the structure of its contracts in order to increase profitability, we consider that there have been no significant changes in the claims risk of 2012 and 2011 if we disregard the fact that there were fewer catastrophic losses due to natural disasters in 2012 than in 2011, which is closer related to the net retention risk than the claims risk.

29.5.2.4 Net retention Net retention risk is the risk that higher retention of insurance loss exposures results *risk* in large aggregate losses due to catastrophic or concentrated claims experience. This risk may realise if the limits for the maximum net retention per risk are set at a too high level. This risk may also realise in the event of "shock losses", where a number of insured properties are damaged. This may occur especially through losses caused by natural peril events, which are generally covered by basic or additional fire policies or by a policy attached to an underlying fire insurance policy (e.g., business interruption insurance cover or earthquake policy).

> Sava Reinsurance Company manages net retention risk by way of (i) appropriate professional underwriting of the risks to be insured, (ii) measuring the exposure (by aggregating sums insured) by geographical area for individual natural perils and especially by (iii) appropriately defining the maximum net retention limits and (iv) designing appropriate reinsurance programmes. In managing this risk, we take into account that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event, and by the frequency of such events.

> The table below shows exposure to natural perils and/or diversification by region.

31 Dec 2012	31 Dec 2011
515,507,330	547,128,690
156,918,372	121,797,514
30,574,324	53,510,067
34,788,917	32,572,174
27,635,154	17,017,885
117,515,837	82,311,077
24,455,034	16,311,095
11,597,515	0
11,387,390	0
5,582,762	0
935,962,635	870,648,502
	515,507,330 156,918,372 30,574,324 34,788,917 27,635,154 117,515,837 24,455,034 11,597,515 11,387,390 5,582,762

Flood aggregates by region		
(EUR)	31 Dec 2012	31 Dec 2011
EU members	350,301,372	343,810,048
Non-EU members	88,977,463	78,757,171
Russia and CIS	31,679,014	53,495,067
Africa	34,586,994	30,749,952
Middle East	2,609,312	0
Asia	92,997,333	74,508,985
Latin America	24,455,034	16,311,095
JSA and Canada	11,597,515	0
Caribbean Islands	11,387,390	0
Oceania	5,582,762	0
Total	654,174,189	597,632,317
		The state of the s

Storm aggregates by region				
(EUR)	31 Dec 2012	31 Dec 2011		
EU members	391,579,857	394,413,985		
Non-EU members	80,615,809	75,973,421		
Russia and CIS	29,601,554	53,495,067		
Africa	28,219,602	29,599,712		
Middle East	2,609,312	0		
Asia	106,328,298	81,398,985		
Latin America	24,455,034	12,088,877		
USA and Canada	11,597,515	0		
Caribbean Islands	11,387,390	0		
Oceania	5,582,762	0		
Total	691,977,134	646,970,046		

We consider the net retention risk to have remained in 2012 essentially the same as in 2011 in terms of retention limits and the expected number of catastrophic losses. However, the number of natural catastrophe events in 2012 was smaller than in 2011. Yet Sava Reinsurance Company was not seriously impacted due to its adequate retention limits and adequate retrocession programme, which is also shown in the section on estimated exposure to underwriting risks.

29.5.2.5 Reserving risk Reserving risk is the risk that technical provisions are inadequate. This may occur because of deficient actuarial estimates or an unexpected unfavourable loss development. This may be a result of the occurrence of new types of losses, which are not excluded in ceding companies' insurance conditions and for which claims provisions have not yet been established, which could occur mainly in respect of liability insurance contracts, but also due to changed court practices. We consider that this risk does exist, mainly in respect of the claims provision, however, it is minor.

> Sava Reinsurance Company manages reserving risk by strict adherence to the law and regulations on technical provisions, by applying recognized actuarial methods, critical observation of information, received from ceding companies on reinsurers' shares of their claims provisions and, especially, by adopting a conservative approach in setting the level of technical provisions, which is described in the notes to technical provisions.

> Contrary to the practice of insurance companies, Sava Reinsurance Company cannot use triangles of paid losses based on accident year data for actuarial estimations. This is because ceding companies report claims under quota share contracts by underwriting years. In respect of one-year policies written during any one year, claims may occur either in the year in which the policy is written or in the year after. As a result, ceding companies are not able to produce aggregate data for quota share reinsurance broken down by accident years. Ceding companies would normally be able to produce this information for other types of reinsurance. However, for quota shares, this would involve a significant increase in the administrative work-load of the ceding companies.

> In line with reinsurance practice, Sava Reinsurance Company analyses data about claims paid by underwriting year and estimates its future liabilities with respect to individual underwriting years by using appropriate actuarial methods. The estimated liabilities relate to claims that have already been incurred (reported and not reported) the settlement of which is provided for within the claims provision, and claims that have not yet been incurred, the settlement of which is covered by unearned premiums. The claims provision is derived by deducting the unearned premium from the estimated future liabilities. The unearned premium is calculated separately as described in the notes to technical provisions.

> Owing to the mentioned feature, the two tables below include as originally estimated gross or net liabilities. At any year-end claims provisions are included plus unearned premiums less deferred commission, which are compared to subsequent estimates of these liabilities. Such testing or analysis of whether technical provisions are adequate can only be applied to past years — the further back in time, the more precise the results. Given that the claims provision is calculated using the same actuarial method as in previous years, we conclude based on past discrepancies between originally estimated liabilities and subsequently established actual liabilities arising from claims at individual dates of the statement of financial position, that the provisions as at 31 December 2012 are adequate.

## Adequacy analysis of gross technical provisions for past years

(EUR thousand)	Year ended 31 December					
Estimate of gross liabilities	2007	2008	2009	2010	2011	2012
As originally estimated	119,777	148,075	157,182	163,593	173,525	206,099
Reestimated as of 1 year later	112,684	141,395	141,917	148,272	169,377	0
Reestimated as of 2 years later	115,393	138,416	134,336	143,882	0	0
Reestimated as of 3 years later	113,161	135,549	130,827	0	0	0
Reestimated as of 4 years later	110,972	132,576	0	0	0	0
Reestimated as of 5 years later	108,811	0	0	0	0	0
Cumulative gross redundancy (last estimate – original estimate)	10.967	15.499	26.355	19.711	4.148	0
Cumulative gross redundancy as % of original estimate	9,2 %	10,5 %	16,8 %	12,0 %	2,4 %	0

## Adequacy analysis of net technical provisions for past years

(EUR thousand)	Year ended 31 December					
Estimate of net liabilities	2007	2008	2009	2010	2011	2012
As originally estimated	98,878	111,120	132,543	146,636	156,370	174,480
Reestimated as of 1 year later	93,767	107,719	122,908	133,984	144,939	0
Reestimated as of 2 years later	96,301	105,045	114,811	128,919	0	0
Reestimated as of 3 years later	94,514	101,164	110,217	0	0	0
Reestimated as of 4 years later	91,403	97,054	0	0	0	0
Reestimated as of 5 years later	87,892	0	0	0	0	0
Cumulative net redundancy (last estimate – original estimate)	10,986	14,066	22,327	17,717	11,431	0
Cumulative net redundancy as % of original estimate	11.1%	12.7%	16.8%	12.1%	7.3%	0

The cumulative gross redundancy for underwriting year 2011 is relatively small due to an increase in estimated claims relating to the Thai floods of approximately EUR 8.9m on the original estimate, the full increase being covered through retrocession. The cumulative net redundancies for underwriting years 2007–2010, however, increased if compared to amounts at the end of the preceding year, which were 7.6%, 9.0%, 13.4% and 8.6% of original estimates.

The cumulative gross and net redundancy is a result of prudent estimation of liabilities. It is also partly because unearned premiums calculated based on the pro rata temporis rule, less deferred commission, for those classes of business where loss ratios are significantly below 100% are by the very nature of the calculation method too large for the portion relating to the difference between 100% and the subsequently known actual loss ratio. This is also the reason why the reestimate as of 1 year later is quickly decreasing compared to the original estimate, as unearned premiums relating to one-year insurance contracts are largely released in the following year when any redundancy is also released. Subsequent reestimates then remain essentially the same as the second-year estimate; and only after a long time they stabilise.

In respect of those classes of insurance where the sum of the claims and the expense ratio exceeds 100%, Sava Reinsurance Company sets aside provisions for unexpired risks in addition to unearned premiums, as described in the notes to technical provisions.

We consider that reserving risk at the end of 2012 is similar to that at year-end 2011.

29.5.2.6 Retrocession An adequate retrocession programme is fundamental for managing the under**programme** writing risks to which Sava Reinsurance Company is exposed. The programmes are designed to reduce potentially large risk exposures as largest amounts set out in the tables of maximum retentions are used only exceptionally with best risks. Sava Reinsurance Company uses reciprocal treaties to diversify risk. Sava Reinsurance Company's net retained insurance portfolio (relating to both Slovenian and foreign ceding companies) is further covered for potentially large losses through prudently selected non-proportional reinsurance programmes.

> We consider that the 2012 retrocession programme of Sava Reinsurance Company is comparable with that of 2011.

29.5.2.7 Estimated Sava Reinsurance Company's maximum net retentions and its retrocession exposure to underwriting programmes are of key importance to estimate the exposure to underwriting risks. The net retention limit is set at EUR 3m for the majority of non-life classes of insurance and combined limit of EUR 3m is used for the class fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of EUR 2m is set for motor liability and for marine; for life policies net retention limits are uniformly set at EUR 300,000. In principle, this enables Sava Re to cap any net claim arising out of any single loss event to a maximum of EUR 3m. In case of any catastrophe event, e.g., flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is EUR 5m for Slovenia and other countries. These amounts represent the maximum net claim for a single catastrophe event based on reasonable actuarial expectations. While it is possible that several events of a catastrophe occur in the same year, the probability is negligible that so many events should occur as to trigger the insolvency of Sava Reinsurance Company. Due to the random fluctuation in the number of catastrophic events, an increase in the net claims must always be expected. This would negatively impact business results, but would definitely not lead to the insolvency of Sava Reinsurance Company.

> If the net combined ratio increased due to higher/lower underwriting risks by one percentage point, net profit before tax would decrease (or net loss increase) by EUR 1.3m (2011: EUR 1.2m). In 2012 an additional maximum net claim of EUR 5m would have deteriorated the combined ratio by 3.8% (2011: 4.1%), which is still acceptable.

> The probability that the underwriting risk may seriously undermine the Company's financial stability is deemed, according to our assessment, to have been low in both 2012 and 2011.

29.5.3 Financial risks In its financial operations, Sava Reinsurance Company is exposed to financial risks including market risk, liquidity risk and credit risk.

> The investment policy of Sava Reinsurance Company must be in compliance with local legal requirements governing investment diversification, limits and valuation, as well as asset-liability matching. In addition to ensuring liquidity, the Company's investment policy is focused on currency-matching of investments and requirements relating to the structure of investments covering the liability fund.

## 29.5.3.1 Market risks Financial investments exposed to market risks

(EUR)	31 Dec 2012	31 Dec 2011
Type of investment		
Deposits and money market instruments	39,461,665	41,381,864
Government bonds	71,009,131	64,214,972
Corporate bonds	76,652,289	67,826,766
Shares (excluding strategic shares)	9,054,028	8,489,835
Mutual funds	3,011,135	7,356,347
bonds funds	491,374	2,460,591
mixed funds	0	1,683,958
equity funds	2,519,762	3,211,798
Loans granted	7,190,999	10,901,665
Total market risk sensitive financial investments	206,379,247	200,171,448
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	9,016,183	8,576,746
Total financial investments	215,395,430	208,748,194

Interest rate risk Interest rate risk is the risk of exposure to losses resulting from fluctuations in interest rates. These can cause a decrease in investments or an increase in liabilities. As Sava Reinsurance Company does not guarantee returns on its liabilities, which do not include interest-rate sensitive mathematical provisions, it is not exposed to conventional interest rate risk relating to its assets and liabilities. However, the Company does try to mitigate the risk of change in interest rates, which affect the value of its assets and rate of return on its investment portfolio.

> On the asset side, interest rate risk affects debt securities, bond mutual funds and partly mixed mutual funds. The sensitivity analysis does not include investments in deposits and loans as these are fixed-income investments.

> The sensitivity to changes in interest rates can be assessed by moving the yield curve for all maturities by two percentage points upwards or downwards, and then calculating how much the value of investments in bonds changes. As long as interest rate changes are small, we can approximate changes in bond prices quite well: we have to know the first and second derivative of the change in a bond price resulting from such interest rate changes, or else we have to know both duration and convexity of the bond.

> The average duration of Sava Reinsurance Company's bond portfolio was 2.96 years as at year-end 2012 (31 December 2011: 3.47 years). In 2012 the Company continued lowering the duration of its portfolio and prepared for increasing interest rates.

> The sensitivity analysis showed that in the event of an interest rate increase. the value of the interest rate sensitive investments would drop by EUR 7.6m (31 December 2011: EUR 7.6m) or 4.8% (31 December 2011: 5.9%). The table below shows in greater detail how the value of investments changes due to a change in interest rates and the impact on financial statements.

## Results of sensitivity analysis

Type of	31 Dec 2012				31 Dec 2011			
security	+20	o bp	-20	o bp	+20	oo bp	-20	o bp
	Value	Change in value						
Government bonds	69,248,754	-4,098,643	77,106,661	3,759,264	59,835,882	-3,981,975	67,952,428	4,272,866
Corporate bonds	77,309,178	-3,429,358	84,619,223	3,880,686	65,000,463	-3,448,281	72,929,460	4,342,421
Bond mutual funds	466,289	-25,085	517,077	25,703	2,312,546	-148,045	2,635,165	174,574
Mixed mutual funds	0	0	0	0	791,320	-50,659	901,716	59,737
Total	147,024,221	-7,553,086	162,242,961	7,665,654	127,940,211	-7,628,960	144,418,769	8,849,598
Effect on equity	-7,52	8,001	7,63	19,951	-7,62	28,960	8,84	9,598
Effect on the income statement	-25,	085	25	,703		0	,	0

The major part of the Sava Reinsurance Company's portfolio exposed to interest rate risk comprise fixed-interest investments (92.9% of investments included in the sensitivity analysis are fixed-interest investments). The Company's variableinterest investments tied to the Euribor totalled EUR 10.9m (31 December 2011: 11.5%; EUR 15.1m).

We consider that in 2012 Sava Reinsurance Company decreased its exposure to interest rate risk compared to 2011, particularly by lowering the duration of debt securities.

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

> The Company has reduced its investments in this asset type in recent years because of the high volatility of equity securities.

> Equity securities risk is measured through a stress test assuming a 10- and 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). Investments in affiliates are excluded from stress tests as changes in their value are assessed through goodwill testing. The value of assets is shown in the table Financial investments exposed to market risks.

> To assess the sensitivity of investments to equity securities risk, we assume a 10% drop in the value of all equity securities. This would decrease the value of the portfolio by EUR 1.2m (31 December 2011: EUR 1.3m).

## Sensitivity assessment of investments to equity securities risk

(EUR)	31 Dec 2012	2	31 Dec 2011	
Value decrease	Value	Change in value	Value	Change in value
Ву 10%	10,416,411	1,157,379	11,289,250	1,254,361
By 20%	9,259,032	2,314,758	10,034,889	2,508,722

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices.

A 20-percent drop in equity securities prices would result in impairment losses on some investments, which would have an adverse effect on the income statement.

We consider that in 2012 Sava Reinsurance Company was less exposed to equity securities risk (excluding investments in affiliated companies) than in 2011. In 2012 the Company sold some equity mutual funds thereby reducing its exposure. It needs however to be noted that these estimates relate strictly to year-end figures for 2012 and 2011.

At the end of 2012, the Company held EUR 124.3m (31 December 2011: EUR 114.4m) in shares of affiliates.

Sava Reinsurance Company seeks to maintain or increase the value of its strategic investments in affiliates mainly by actively controlling subsidiaries and by participating in the control of associate companies. Sava Reinsurance Company assesses the value of affiliates through goodwill testing.

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

> In 2012 Sava Reinsurance Company continued to expand its foreign-sourced business volume. This affected the structure of its liabilities by currencies. Nevertheless, at 31 December 2012 euro-denominated liabilities still represented 73.6% (31 December 2011: 78.7%). The Company also revised its investment policy applying to USD-denominated investments.

> The table below shows the currency (mis) match. As shown, Sava Re's currency mismatch in 2011 was 12.3% (31 December 2011: 16.9%) of the sum of gross technical provisions and reserves (profit reserves for equalising credit risks and catastrophe risks). The Company's euro-denominated liability fund exceeded the related liabilities by EUR 28.3m (31 December 2011: EUR 61.0m), whereas all other currencies produced a total asset-liability mismatch (deficit) of EUR 27.9m (2011: EUR 36.5m).

> Sava Reinsurance Company managed to reduce its mismatch in USD to EUR 0.7m in 2012 (31 December 2011: EUR 16.5m). The largest deficits were in KRW, JPY, HKD and "other" currencies. The "other" item includes all currencies for which technical provisions and reserves of Sava Reinsurance Company were less than EUR 1m at year-end 2012. The deficit was calculated separately for each currency and then added up.

## Currency (mis)match as at 31 December 2012 (all amounts translated to EUR)

Currency	Liability fund (LF)*	Gross technical provisions and reserves (GTP)	Mismatch Max (GTP-LF, o)
EUR	194,214,924	165,934,364	0
USD	27,521,883	28,207,574	685,691
KRW	90,503	7,424,224	7,333,721
JPY	2,224,854	6,027,846	3,802,992
HKD	363,194	2,671,012	2,307,818
INR	524,294	1,237,133	712,839
TRY	0	799,672	799,672
Other	1,015,882	13,260,040	12,244,158
Total	225,955,534	225,561,865	27,886,891

*Assets supporting technical provisions.

### Currency (mis)match as at 31 December 2011 (all amounts translated to EUR)

Total	216,148,768	191,634,339	36,503,660
Other	1,000,244	7,642,173	6,641,929
TRY	77,015	1,499,494	1,422,479
INR	31,566	1,082,992	1,051,426
HKD	49	2,223,442	2,223,392
JPY	177,859	5,251,988	5,074,129
KRW	634,999	4,236,425	3,601,426
USD	2,324,498	18,813,377	16,488,879
EUR	211,902,537	150,884,448	0
Currency	Liability fund (LF)	Gross technical provisions and reserves (GTP)	Mismatch Max (GTP-LF, o)

Based on exchange rates for USD, HRK, RSD, MKD and KRW for the past six years and the corresponding EUR equivalent surpluses of assets/liabilities at 31 December 2012, we made a stochastic analysis, which projected that after one year the average surplus of assets over liabilities will be EUR 0.1m, with a 5-percent probability that the deficit of assets will exceed EUR 3.7m.

Investments of the capital fund are not exposed to currency risk.

We estimate that currency risk decreased in 2012 compared to 2011, mainly due to better matching of USD-denominated investments and liabilities.

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

> The Company calculates its liquidity ratio, which in 2012 never fell below 1, the statutory minimum, on a weekly basis within its liquidity risk management activities. In addition, the Company annually prepares a daily liquidity plan with planned cash-flows (from investments, reinsurance, expenses). Throughout 2012, the Company did not have any liquidity problems.

> In addition, the Company avoids liquidity risk by diversifying the maturities of deposits in order to meet day-to-day liquidity needs. Furthermore, the Company's bond portfolio consists mainly of highly liquid listed bonds. For extraordinary liquidity situations, the company has arranged a credit line with a commercial bank in the total amount of EUR 5m. The interest rate on the credit line is a 3-month Euribor plus 2.25%.

> Exposure to liquidity risk, being any surplus over regular liquidity funds, can be estimated as the maximum liability arising as a result of a single extraordinary net claim (EUR 5m) necessitating the use of credit lines. In the event of a large single (gross) claim or many small claims arising from a natural disaster, the claims handling period would be substantially longer and there would be sufficient time to liquidate equity or debt securities to meet any sudden liquidity requirement.

> Exposure to liquidity risk is also measured by maturity-matching of assets and liabilities.

## Maturity of financial assets and liabilities

(FLID)	Carrying amount at	Un to 1 year	3 Events	Over E veers	No maturity
(EUR)	31 Dec 2012	Up to 1 year	1–5 years	Over 5 years	given
Financial investments	215,395,430	60,940,073	113,789,038	24,176,986	16,489,334
At fair value through profit or loss	589,037	0	0	0	589,037
Held to maturity	5,118,284	2,007,645	1,037,252	2,073,386	0
<ul> <li>Loans and deposits</li> </ul>	52,668,509	37,524,694	15,143,815	0	0
Available-for-sale	157,019,600	21,407,734	97,607,971	22,103,599	15,900,297
Investment property	156,253	0	0	0	156,253
Financial investments in Group companies and in associates	123,936,431	0	0	0	123,936,431
Reinsurers' share of technical provisions	32,093,794	9,979,109	10,828,253	11,286,432	0
Receivables*	77,845,434	77,232,502	612,932	0	0
Cash and cash equivalents	1,012,672	1,012,672	0	0	0
Total assets	450,440,014	149,164,356	125,230,223	35,463,418	140,582,018
Subordinated liabilities	31,244,573	0	0	31,244,573	0
Technical provisions	216,494,122	67,448,430	72,978,859	76,066,833	0
Other provisions	324,745	177,574	17,950	129,221	0
Liabilities from operating activities	38,418,488	38,418,488	0	0	0
Other liabilities	1,763,922	1,763,922	0	0	0
Total liabilities	288,245,850	107,808,414	72,996,809	107,440,627	0

	Carrying amount at				No maturity
(EUR)	31 Dec 2011	Up to 1 year	1–5 years	Over 5 years	given
Financial investments	208,748,193	64,893,545	88,713,224	37,305,903	17,835,521
At fair value through profit or loss	0	0	0	0	0
Held to maturity	7,513,050	0	5,439,839	2,073,211	0
<ul> <li>Loans and deposits</li> </ul>	57,859,936	52,948,062	3,521,873	1,390,000	0
Available-for-sale	143,375,208	11,945,483	79,751,511	33,842,692	17,835,521
Investment property	158,587	0	0	0	158,587
Financial investments in Group companies and in associates	114,423,243	0	0	0	114,423,243
Reinsurers' share of technical provisions	17,615,761	5,189,642	5,846,668	6,579,451	0
Receivables*	63,912,735	59,848,463	4,064,272	0	0
Cash and cash equivalents	153,912	153,912	0	0	0
Total assets	405,012,430	130,085,562	98,624,164	43,885,354	132,417,351
Subordinated liabilities	31,220,817	0	0	31,220,817	0
Technical provisions	183,891,042	54,597,645	60,834,403	68,458,994	0
Other provisions	143,730	7,971	10,935	124,824	0
Liabilities from operating activities	42,060,080	42,060,080	0	0	0
Other liabilities	1,281,268	1,281,268	0	0	0
Total liabilities	258,596,937	97,946,965	60,845,338	99,804,634	0

^{*} Including deferred tax assets.

For liquidity it is vital that investments of the liability fund match relevant liabilities. The structure of liability fund investments is compliant with the Insurance Act (ZZavar), except for the provision on localisation of the liability fund designated to cover the liabilities from foreign inwards reinsurance business (in accordance with a decision by the Insurance Supervision Agency).

## The risk of asset-liability mismatch of the liability fund

As at 31 December 2012 the Company's liability fund exceeded its gross technical provisions and reserves by EUR 0.4m or 0.2% (31 December 2011: EUR 24.5m or 12.8%). This surplus decreased due to the newly adopted Decision on detailed rules of assets covering technical provisions and assets covering mathematical provisions, and rules of investments not financed form technical provisions (Official Gazette of the RS, no. 99-3801/2012). The Decision requires that receivables are included in the liability fund net of liabilities to the same counterparty. This explains the decrease in receivables and in the liability fund over gross technical provisions and reserves. Had receivables been accounted for in the old way, said excess would have been EUR 22.5m. Capital funds of Sava Reinsurance Company include assets eligible for the liability fund, which could be transferred if necessary to ensure coverage.

## Coverage of gross technical provisions and reserves by liability fund (investments, cash and receivables)

(EUR)	31 Dec 2012		31 Dec 2011	
Type of investment	Value of investments	As % of technical provisions	Value of investments	As % of technical provisions
Deposits and money market instruments	35,560,088	15.8%	36,440,836	19.0%
Debt securities	127,788,172	56.7%	109,031,075	56.9%
Shares (excluding strategic shares)	2,611,717	1.2%	2,557,754	1.3%
Mutual funds	1,911,635	0.8%	4,722,055	2.5%
Total financial investments of the liability fund	167,871,612	74.4%	152,751,719	79.7%
Reinsurers' share of technical provisions	32,093,794	14.2%	17,615,761	9.2%
Receivables and cash	25,990,127	11.5%	45,781,288	23.9%
Total liability fund	225,955,533	100.2%	216,148,768	112.8%
Technical provisions plus reserves*	225,561,865	100.0%	191,634,339	100.0%
Coverage of technical provisions in %	100.2%		112.8%	
Surplus of the liability fund	393,668	0.2%	24,514,430	12.8%

^{*} Reserves include profit reserves for credit risk and catastrophe equalisation.

At the end of 2012, the average maturity of bonds and deposits in the liability fund was 3.13 years (31 December 2011: 2.94 years), while the average maturity of liabilities (claims provisions and unearned premiums) was 4.36 years (31 December 2011: 4.51 years). Maturity matching of liability fund assets and liabilities is appropriate, as liabilities have an average maturity that is 1.23 years longer than the average maturity of liability fund assets.

The below table shows the maturities of investments shown in the table *Financial investments exposed to market risks* in section 29.5.3.1 *Market risks*.

### Maturity profile of financial investments

(EUR)	31 Dec 2012		31 Dec 2011	
Maturity	Amount	As % of total	Amount	As % of total
o−1 year	67,595,041	32.8%	66,298,839	33.1%
1–5 years	110,183,051	53.4%	94,577,366	47.2%
Over 5 years	28,601,156	13.9%	39,295,243	19.6%
Total	206,379,247	100.0%	200,171,448	100.0%

## Maturity profile of gross technical provisions and reserves

(EUR)	31 Dec 2012		31 Dec 2011	
Maturity	Amount	As % of total	Amount	As % of total
o−1 year	70,267,916	31.2%	56,878,838	29.7%
1–5 years	76,038,261	33.7%	63,404,401	33.1%
Over 5 years	79,255,688	35.1%	71,351,100	37.2%
Total	225,561,865	100.0%	191,634,339	100.0%

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

> In accordance with the Insurance Act (ZZavar), implementing regulations and internal acts, the Company invests its cash surpluses only in (i) deposits with adequately performing banks and (ii) debt securities issued by entities with an appropriate credit rating. We are aiming at an optimally diversified credit portfolio and a target A-level rating. We are regularly monitoring both our exposure to individual issuers and any changes in credit rating in order to be able to prepare for a timely response to any adverse developments in financial markets. At 31 December 2012 the Company's total credit exposure was EUR 314.3m (31 December 2011: EUR 274.6m). Assets exposed to credit risk include financial investments (other than equity securities and mutual funds), reinsurers' share of technical provisions, receivables and cash and cash equivalents.

> Below we show credit risk for debt securities and deposits where credit rating is directly related to credit risk.

### Debt securities and deposits by issuer credit rating

(EUR)	31 Dec 2012		31 Dec 2011	
Rated by S&P/Moody's	Amount	As % of total	Amount	As % of total
AAA/Aaa	23,399,179	12.5%	8,755,953	5.0%
AA/Aa	19,227,137	10.3%	51,467,605	29.7%
A/A	63,005,697	33.7%	28,686,545	16.5%
BBB/Baa	17,183,094	9.2%	9,945,914	5.7%
Less than BBB/Baa	25,625,102	13.7%	30,625,419	17.7%
Not rated	38,682,875	20.7%	43,942,165	25.3%
Total	187,123,084	100.0%	173,423,601	100.0%

At 31 December 2012, 56.5% of the Company's portfolio of debt securities and deposits were rated "A" or better (31 December 2011: 51.3%). Debt securities and deposits rated "A" or better represented 51.2% of the total market-risksensitive investment portfolio of Sava Reinsurance Company (31 December 2011: 44.4%).

The Company's investment portfolio is reasonably diversified (except for a considerable exposure to Slovenia) in accordance with the Insurance Act, implementing regulations and internal rules in order to avoid large concentration of a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

The table below shows diversification of Sava Reinsurance Company investments by geography.

## Investment portfolio by region

(EUR)	Region				
Country	EU	OECD (non-EU)	Other countries	Slovenia	Total
Australia	0	2,132,144	0	0	2,132,144
Austria	8,970,453	0	0	0	8,970,453
Belgium	5,770,158	0	0	0	5,770,158
Bosnia and Herzegovina	0	0	2,770	0	2,770
Cyprus	2,077,688	0	0	0	2,077,688
Czech Republic	4,809,022	0	0	0	4,809,022
Montenegro	0	0	3,000,000	0	3,000,000
Danmark	2,095,495	0	0	0	2,095,495
Estonia	1,698,312	0	0	0	1,698,312
France	6,249,099	0	0	0	6,249,099
Croatia	0	0	1,941,786	0	1,941,786
Italy	1,047,825	0	0	0	1,047,825
South Korea	0	5,200,741	0	0	5,200,741
China	0	0	5,249,190	0	5,249,190
Kosovo	0	0	1,500,000	0	1,500,000
Lithuania	2,195,418	0	0	0	2,195,418
Luxembourg	2,206,721	0	0	0	2,206,721
Germany	3,166,671	0	0	0	3,166,671
The Netherlands	1,146,098	0	0	0	1,146,098
Norway	0	4,257,648	0	0	4,257,648
Poland	3,363,461	0	0	0	3,363,461
Russia	0	0	1,629,882	0	1,629,882
Slovakia	5,991,122	0	0	0	5,991,122
Slovenia	0	0	0	121,710,662	121,710,662
Serbia	0	0	1,914,286	0	1,914,286
Sweden	1,533,451	0	0	0	1,533,451
Switzerland	0	3,605,928	0	0	3,605,928
Turkey	0	376,807	0	0	376,807
Great Britain	1,142,950	0	0	0	1,142,950
USA	0	393,459	0	0	393,459
Total	53,463,944	15,966,728	15,237,913	121,710,662	206,379,247
As % of total	25.9%	7.7%	7.4%	59.0%	

Other countries comprise non-EU and non-OECD members.

As can be seen from the details, the major share of investments are place in Slovenia (31 December 2012: 59.0%; 31 December 2011: 72.7%). Exposure to Slovenia was reduced in 2012 by EUR 24.4m as part of the portfolio was invested in non-Slovenian government and covered bonds.

## **Exposure to Slovenia by asset type**

Type of investment	Amount	As % of total*
Deposits and money market instruments	39,461,665	19.10%
Shares	7,740,630	3.80%
Corporate bonds	35,632,381	17.30%
Government bonds	36,355,226	17.60%
Loans granted	999	0.00%
Mutual funds	2,519,762	1.20%
Total	121,710,662	59.00%

^{*} The structure is calculated based on the amount of market-risk sensitive investments.

The Company's largest exposure by industry is in the category banks and savings banks (31 December 2012: 45.9%; 31 December 2011: 41.8%). This large exposure is due to the large share of deposits and newly acquired covered bonds issued by banks. We invested only in AAA-rated covered bonds. Increased investments in governments and central banks are a result of investments in government bonds of EU, OECD and other countries where Sava Reinsurance Company writes reinsurance business.

## Investment portfolio by industry

(EUR)	31 Dec 2012		31 Dec 2011	
Market	Amount	As % of total	Amount	As % of total
Banks and savings banks	94,710,292	45.9%	83,578,099	41.8%
Government and central bank	71,009,131	34.4%	64,214,972	32.1%
Other financial institutions	4,519,015	2.2%	8,126,085	4.1%
Industry & commerce	24,465,523	11.9%	23,131,254	11.6%
Mutual funds	3,011,135	1.5%	7,356,347	3.7%
Insurance companies	8,664,151	4.2%	13,764,691	6.9%
Total	206,379,247	100.0%	200,171,448	100.0%

The largest single issuer of debt or equity securities (excluding affiliates) that Sava Reinsurance Company is exposed to is the Republic of Slovenia. At 31 December 2012, the exposure to Republic of Slovenia bonds totalled EUR 36.4m (31 December 2011: EUR 45.5m), accounting for 17.6% of investments exposed to market risk. Exposure to the other ten largest issuers amounted to EUR 56.4m (31 December 2011: EUR 60.2m), representing 27.3% of investments (31 December 2011: 30.1%). Exposure to no issuer exceeds 4% of the investment portfolio, except exposure to the Republic of Slovenia.

Exposure to government and corporate bonds issued in Greece, Portugal, Spain, Ireland, Hungary and Cyprus totalled EUR 3.1m (31 December 2011: EUR 8.3m).

Total exposure to retrocessionaires at 31 December 2012 was EUR 34.5m (31 December 2011: EUR 22.0m). Of this, EUR 32m (31 December 2011: EUR 17.6m) relates to the retroceded part of gross technical provisions (EUR 3.1m relates to unearned premiums and EUR 29.0m to claims provisions) and EUR 2.4m relates to receivables for reinsurers' shares in claims (31 December 2011: EUR 4.4m).

The total credit risk exposure of the Company arising from retrocessionaires represented 7.5% of total assets in 2012 (31 December 2011: 5.3%). Retrocession programmes are mostly placed with first-class reinsurers with an adequate rating (at least A— according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). We consider this risk as low, particularly as the investment portfolio is adequately diversified. See the table below for details.

## Receivables due from reinsurers by reinsurer credit rating

(EUR)	31 Dec 2012		31 Dec 2011	
Rated by Moody's/S&P	Amount	As % of total	Amount	As % of total
Aaa/AAA	19,671	0.1%	178,063	0.8%
Aa/AA	6,970,569	20.2%	7,827,438	35.6%
A/A	24,147,665	69.9%	10,366,041	47.1%
Baa/BBB	1,273,898	3.7%	714,805	3.2%
Less than Baa/BBB	132,304	0.4%	388,123	1.8%
Not rated	1,979,503	5.7%	2,521,924	11.5%
Total	34,523,610	100.0%	21,996,394	100.0%

The tables below show the ageing structure of receivables, including the abovementioned receivables for reinsurers' shares of claims.

Ageing analysis of receivables

(EUR)	_	B l	Past due	
31 Dec 2012	Not past due	Past due up to 180 days	more than 180 days	Total
Receivables for premiums arising out of assumed reinsurance and co-insurance	43,481,843	13,087,012	3,521,555	60,090,410
Receivables for reinsurers' shares in claims	1,472,554	404,806	552,456	2,429,816
Other receivables from co- insurance and reinsurance	531,908	59,730	4,804	596,442
Short-term receivables arising out of investments	69,729	91,953	109,813	271,495
Other receivables	12,554,660	540	1,751	12,556,951
Total	58,110,694	13,644,041	4,190,379	75,945,115
(EUR)	_	Past due up	Past due more than	
31 Dec 2011	Not past due	to 180 days	180 days	Total
Receivables for premiums arising out of assumed reinsurance and co-insurance	43,485,567	7,105,850	3,728,242	54,319,659
Receivables for reinsurers' shares in claims	3,373,693	174,893	832,047	4,380,633
Other receivables from co- insurance and reinsurance	248,647	0	0	248,647
Short-term receivables arising out of investments	67,748	26,785	109,917	204,450
Other receivables	174,748	519,673	652	695,073
Total	47,350,403	7,827,201	4,670,858	59,848,462

The Company tested receivables for impairment. Where receivables needed to be impaired, allowances were made accordingly. Receivables are discussed in greater detail in note 8.

29.5.4 Operational risk Operational risk includes human capital risk, management control risk, system risk, process risk and legal risk and such like. Sava Reinsurance Company is primarily exposed to risks arising from disruptions or inappropriate conduct of prescribed procedures and internal controls and disruptions in the management of the Company. Management considers that an efficient and effective system of internal controls is vital for operational risk management. Operational risk is generally associated with other risks (e.g., underwriting risk, market risk and such like); it tends to compound other risks. Negligence in the underwriting process, for example, significantly increases underwriting risks.

> For the purpose of operational risk management, the Company has put in place adequate IT-supported procedures and controls in the most important areas of its operation. In addition, such risks are managed through the internal audit function, through staff training and enhanced risk awareness.

> If broadly defined, operational risk includes political risks. We consider the exposure of Sava Reinsurance Company to political risk to be medium. However, due to the increasing desire of former Yugoslav countries to become members of the EU, we consider that the exposure to this risk, associated mainly with investments in subsidiaries, is decreasing.

> We consider that the Company's overall exposure to operational risk in 2012 remained on essentially the same level as in 2011.

29.5.5 Implementing Sava Reinsurance Company continues implementing risk management on a systematic risk systematic basis, aware of the requirements brought about by the adopted Solvency II Directive, amongst them also risk-based capital calculation. For this management reason, Sava Reinsurance Company is monitoring the drafting of implementing acts relating to Solvency II and taking part in quantitative impact studies (QIS2 - QIS5).

## 29.6 Notes to the financial statements - statement of financial position

## 1) Intangible assets Movements in cost and accumulated amortisation of intangible assets

(EUR)	Software	Other intangible assets	Total
Cost			
At 1 Jan 2012	485,673	18,690	504,363
Additions	41,113	0	41,113
Disposals	0	-670	-670
At 31 Dec 2012	526,786	18,020	544,806
Accumulated amortis	ation		
At 1 Jan 2012	328,584	0	328,584
Additions	66,907	0	66,907
At 31 Dec 2012	395,491	0	395,491
Carrying amount at 1 Jan 2012	157,089	18,690	175,779
Carrying amount at 31 Dec 2012	131,295	18,020	149,315

(EUR)	Software	Other intangible assets	Total
Cost			
At 1 Jan 2011	415,785	15,635	431,420
Additions	69,888	3,055	72,943
At 31 Dec 2011	485,673	18,690	504,363
Accumulated amortis	ation		
At 1 Jan 2011	252,806	0	252,805
Additions	75,779	0	75,779
At 31 Dec 2011	328,584	0	328,584
Carrying amount at 1 Jan 2011	162,980	15,635	178,615
Carrying amount at 31 Dec 2011	157,089	18,690	175,779

## $\begin{array}{c} \textit{ 2) Property and } \\ \textit{ equipment } \end{array} \\ \mathbf{\overset{O}{\text{Movements in cost and accumulated depreciation of property and equipment}}$

Other

(EUR)	Land	Buildings	Equipment	property and equipment	Total
Cost				1 1	
At 1 Jan 2012	141,580	2,244,145	1,051,791	84,291	3,521,808
Additions	0	0	246,823	0	246,823
Disposals	0	0	-77,119	0	-77,119
At 31 Dec 2012	141,580	2,244,145	1,221,495	84,291	3,691,511
Accumulated depreciat	ion				
At 1 Jan 2012	0	445,325	671,456	37,857	1,154,638
Additions	0	29,174	114,014	1,568	144,756
Disposals	0	0	-61,883	0	-61,883
At 31 Dec 2012	0	474,499	723,587	39,425	1,154,638
Carrying amount at 1 Jan 2012	141,580	1,798,820	380,335	46,434	2,367,169
Carrying amount at 31 Dec 2012	141,580	1,769,646	497,908	44,866	2,454,001
(EUR)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
At 1 Jan 2011	141,580	2,244,145	1,049,113	84,291	3,519,129
Additions	0	0	67,598	0	67,598
Disposals	0	0	-64,920	0	-64,920
At 31 Dec 2011	141,580	2,244,145	1,051,791	84,291	3,521,808
Accumulated depreciat	ion				
At 1 Jan 2011	0	416,149	615,522	36,289	1,067,960
Additions	0	29,176	101,293	1,568	132,037
Disposals	0	0	-45,360	0	45,360
At 31 Dec 2011	0	445,325	671,456	37,857	1,154,638
Carrying amount at	141,580	1,827,996	433,590	48,002	2,451,169
Carrying amount at 31 Dec 2011	141,580	1,798,821	380,335	46,434	2,367,170

Property and equipment assets have neither been acquired under financial lease arrangements nor have they been pledged.

## 3) Deferred tax assets and liabilities

(EUR)	31 Dec 2012	31 Dec 2011
Deferred tax assets	1,900,320	4,064,272
Deferred tax liabilities	0	0
Total	1,900,320	4,064,272

		Recognized	Recognized	
(EUR)	1 Jan 2012	in the IS	in the SCI	31 Dec 2012
Long-term financial assets	4,101,072	-311,762	-1,865,762	1,923,548
Short-term operating receivables	169,462	-32,629	0	136,833
Provisions for jubilee benefits and severance pay (retirement)	14,373	13,107	0	27,480
Other	-220,634	33,095	0	-187,539
Total	4,064,273	-298,190	-1,865,762	1,900,321

(EUR)	1 Jan 2011	Recognized in the IS	Recognized in the SCI	31 Dec 2011
Long-term financial assets	1,921,879	598,920	1,580,273	4,101,072
Short-term operating receivables	136,395	33,067	0	169,462
Tax loss	0			0
Provisions for jubilee benefits and severance pay (retirement)	11,216	3,157	0	14,373
Other	-81,963	-138,671	0	-220,634
Total	1,987,527	496,472	1,580,273	4,064,271

In 2011 the Company recognised new deferred tax assets in respect of longterm financial investments due to impairment of these investments. In 2012 deferred tax liabilities decreased due to the decrease in the applicable tax rate from 20% to 17%.

## 4) Investment property Movements in cost and accumulated depreciation of investment property

(EUR)	Land	Buildings	Total
Cost			
At 1 Jan 2012	15,064	179,468	194,532
At 31 Dec 2012	15,064	179,468	194,532
Accumulated depreciation			
At 1 Jan 2012	0	35,946	35,946
Additions	0	2,333	2,333
At 31 Dec 2012	0	38,279	38,279
Carrying amount at 1 Jan 2012	15,064	143,522	158,586
Carrying amount at 31 Dec 2012	15,064	141,189	156,253
(EUR)	Land	Buildings	Total
Cost			
At 1 Jan 2011	15,064	179,468	194,532
At 31 Dec 2011	15,064	179,468	194,532
Accumulated depreciation			
At 1 Jan 2011	0	33,612	33,612
Additions	0	2,334	2,334
At 31 Dec 2011	0	35,946	35,946
Carrying amount at 1 Jan 2011	15,064	145,856	160,920
Carrying amount at 31 Dec 2011	15,064	143,522	158,587

Investment property assets comprise offices in the Bežigrajski dvor building at Dunajska 56 in Ljubljana, which the Company has leased out for an indefinite period of time.

All investment property assets yield rent. In 2011 payments received by the Company for the investment properties leased out totalled EUR 16,646, of which EUR 15,296 were from affiliates and EUR 1,350 from third parties. Maintenance costs associated with investment property are either included in rent or charged to the lessees in a proportionate amount. These recovered costs amounted to EUR 5,515 in 2012. The fair value of investment property was EUR 169,540.

## 5) Financial investments in Group companies and in associates

2012	2011
94,854,379	85,341,191
29,082,052	29,082,052
123,936,431	114,423,243
	94,854,379

Financial investments in subsidiary and associate companies are recognised at cost in accordance with IAS 27 "Consolidated and separate financial statements".

## Financial investments in shares of Group companies

			Acquisition /		Impairment		
(EUR)	1 Jan 2012		Recapitalisation	Disposal	loss (-)	31 Dec 2012	
	Holding	Value	Value	Value	Value	Holding	Value
Zavarovalnica Tilia	99.71%	13,845,473	121,609	0	0	100.00%	13,967,082
Sava osiguranje	99.99%	13,783,834	210,000	0	0	99.99%	13,993,834
Illyria	100.00%	14,731,591	2,200,126	0	0	100.00%	16,931,717
Sava osiguruvanje	81.84%	8,217,289	2,061,609	0	0	92.44%	10,278,898
Sava Montenegro	100.00%	15,373,019	0	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,893	0	0	0	100.00%	4,035,893
Sava Life	99.99%	4,550,832	706,143	0	0	99.99%	5,256,975
Velebit usluge	100.00%	10,803,260	4,553,956	0	-340,254	100.00%	15,016,962
Total	-	85,341,191	9,853,443	0	-340,254	-	94,854,379

(EUR)	1 Jan 2011		Acquisition / Recapitalisation	Disposal	Impairment loss (-)	31 Dec 201	1
	Holding	Value	Value	Value	Value	Holding	Value
Zavarovalnica Tilia	99.71%	13,845,473	0	0	0	99.71%	13,845,473
Sava osiguranje	99.99%	13,783,834	0	0	0	99.99%	13,783,834
Illyria	100.00%	14,731,591	0	0	0	100.00%	14,731,591
Sava osiguruvanje	66.70%	8,266,230	2,500,135	0	-2,549,076	81.84%	8,217,289
Sava Montenegro	100.00%	15,373,019	0	0	0	100.00%	15,373,019
Illyria Life	100.00%	4,035,893	0	0	0	100.00%	4,035,893
Sava Life	99.99%	3,851,411	699,421	0	0	99.99%	4,550,832
Velebit usluge	100.00%	11,419,421	1,991,202	0	-2,607,363	100.00%	10,803,260
Total	-	85,306,872	5,190,758	0	-5,156,439	-	85,341,191

The Company increased its holdings in Group companies by EUR 9.51m in 2012 on account of recapitalisation and acquisition of additional holdings and including impairment losses on Velebit usluge of EUR 340,254 (2011: EUR 34,319, of which EUR 5.19m recapitalisation and EUR 5.16m impairment losses). The Company recapitalised Sava osiguruvanje (Macedonia) and accordingly increased its holding in it from 81.84% to 92.44%. Furthermore, in 2012 the controlling company purchased the remaining 0.3% of Zavarovalnica Tilia from minority shareholders and is now its sole owner.

## Financial investments in shares of associates

(EUR)	1 Jan 2012		Additions	31 Dec 2012	
	Holding	Value	Value	Holding	Value
Zavarovalnica Maribor	48.68%	28,070,993	0	48.68%	28,070,993
Moja naložba	20.00%	1,011,059	0	20.00%	1,011,059
Total		29,082,052	0		29,082,052
(EUR)	1 Jan 2011		Additions	31 Dec 2011	
	Holding	Value	Value	Holding	Value
Zavarovalnica Maribor	45.79%	19,918,424	8,152,569	48.68%	28,070,993
Moja naložba	20.00%	1,011,059	0	20.00%	1,011,059
Total		20,929,483	8,152,569		29,082,052

For an overview of financial statement data of associates see section 29.1.

On 23 October 2009 Sava Reinsurance Company concluded a put option contract with Zavarovalnica Maribor applying to the shares acquired by Sava Reinsurance Company in the recapitalisation effected on 30 October 2009.

The subject of the put option contract is the right of Sava Reinsurance Company to sell Zavarovalnica Maribor shares, however, up to the number of shares acquired in the recapitalisation, i.e., 1,558,048 shares. The per share consideration of the put option was EUR 4.1729 (share price in the latest recapitalisation of Zavarovalnica Maribor) plus 10.5% per annum, starting to accrue as of the date of registration of the capital increase. Sava Reinsurance Company has the right to sell from 1 April 2010 up until three years after the registering of ownership on the shares. Based on the exercise price, the probability of realising this option equals o and consequently the value of the option is close to o, which is why it is valued at o.

The intention of Sava Reinsurance Company to acquire a majority interest in Zavarovalnica Maribor is described in section "Significant events after the reporting date". At the end of 2012, the Company made an advance payment of EUR 10m to Nova Kreditna banka Maribor to acquire an additional share of Zavarovalnica Maribor, which is also discussed under note 8 "Receivables".

6) Financial investments Pursuant to reinsurance contracts, part of the reinsurance premium is retained by reinsurers as an interest-earning deposit and generally released after one year. Receivables so arising amounted to EUR 9m and were included under the loans and receivables category of financial investments.

	Financial investments					
		At fair value through P/L		_		
(EUR)	_ Held-to-	Non-deriva	tive		Loans and	
31 Dec 2012	maturity	Held for tra	ding	Available-for-sale	receivables	Total
Long-term financial assets	5,118,283	0	0		35,549,746	197,687,628
Equity and other variable income securities and mutual funds	0	0		8,956,364	0	8,956,364
Debt securities and other fixed income securities	5,118,283	0		145,543,473	0	150,661,756
Shares in investment funds	0	0		2,519,762	0	2,519,762
Other loans granted	0	0		0	7,190,999	7,190,999
Bank deposits	0	0		0	28,358,747	28,358,747
Short-term financial investments	0	589,038		0	17,118,763	17,707,801
Held-for-trading shares and interests	0	589,038		0	0	589,038
Short-term deposits	0	0		0	8,102,580	8,102,580
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0		0	9,016,183	9,016,183
Total	5,118,283	589,038		157,019,599	52,668,509	215,395,429
(EUR)				Available-for-	Loans and	
31 Dec 2011			Held-to-maturity		receivables	Total
Long-term financial assets			7,513,050	121,447,685	4,911,873	133,872,608
Equity and other variable income secur	ities and muti	ual funds	0	5,864,142	0	5,864,142
Debt securities and other fixed income	securities		7,513,050	115,583,543	0	123,096,593
Other loans granted			0	0	2,891,665	2,891,665
Bank deposits			0	0	2,020,208	2,020,208
Short-term financial investments			0	21,927,523	52,948,063	74,875,586
Held-for-trading shares and interests			0	9,982,040	0	9,982,040
Held-for-trading securities or securities with a remaining maturity of less than one year			0	11,945,483	0	11,945,483
Short-term loans granted			0	0	8,010,000	8,010,000
Short-term deposits			0	0	36,361,317	36,361,317
Financial investments of reinsurers i.r.c cedants	o. reinsurance	contracts with	0	0	8,576,746	8,576,746
Total			7.513.050	143.375.208	57.859.936	208.748.194

## Hierarchical classification of financial investments according to IFRS 7.27

Total	589,037	589,037	148,609,066	8,410,533	157,019,599
Held-for-trading shares and interests	589,037	589,037	0	0	0
Short-term financial investments	589,037	589,037	0	0	0
Shares in investment funds	0	0	2,519,762	0	2,519,762
Debt securities and other fixed income securities	0	0	142,543,136	3,000,337	145,543,473
Equity and other variable income securities and mutual funds	0	0	3,546,168	5,410,196	8,956,364
Long-term financial assets	0	0	148,609,066	8,410,533	157,019,599
31 Dec 2012			Level 1	Level 3	Total
(EUR)	At fair valu P/L		Available-for-sale		

(EUR)	Available-for-sale			
31 Dec 2011	Level 1	Level 3	Total	
Long-term financial assets	112,583,205	8,864,480	121,447,685	
Equity and other variable income securities and mutual funds	0	5,864,142	5,864,142	
Debt securities and other fixed income securities	112,583,205	3,000,338	115,583,543	
Short-term financial investments	21,927,522	0	21,927,522	
Held-for-trading shares and interests	9,982,039	0	9,982,039	
Held-for-trading securities or securities with a remaining maturity of less than one year	11,945,483	0	11,945,483	
Total	134,510,727	8,864,480	143,375,208	

## Change in available-for-sale investments – level 3

(EUR)	Available-for-sale -	Available-for-sale – level 3					
31 Dec 2012	Opening balance	Disposals	Maturity	Impairment losses	Closing balance		
Long-term financial assets	8,864,480	0	0	-453,946	8,410,534		
Equity and other variable income securities and mutual funds	5,864,142	0	0	-453,946	5,410,196		
Debt securities and other fixed income securities	3,000,338	0	0	0	3,000,338		
Short-term financial investments	1,802,536	-434,771	-1,367,765	0	0		
Held-for-trading securities or securities with a remaining maturity of less than one year	1,802,536	-434,771	-1,367,765	0	0		
Total	10,667,016	-434,771	-1,367,765	-453,946	8,410,534		

(EUR)	Available-for-sale	– level 3					
31 Dec 2011	Opening balance	Acquisitions	Disposals	Maturity	Impairment losses	Revaluation	Closing balance
Long-term financial assets	8,468,803	3,000,000	-1,855,522	0	-749,139	338	8,864,480
Equity and other variable income securities and mutual funds	6,613,281	0	0	0	-749,139	0	5,864,142
Debt securities and other fixed income securities	1,855,522	3,000,000	-1,855,522	0	0	338	3,000,338
Short-term financial investments	1,802,536	0	-434,771	-1,367,765	0	0	0
Held-for-trading securities or securities with a remaining maturity of less than one year	1,802,536		-434,771	-1,367,765	0	0	0
Total	10,271,339	3,000,000	-2,290,293	-1,367,765	-749,139	338	8,864,480

## Comparison of carrying amounts and fair values of held-to-maturity investments, loans and receivables

(EUR)	Category of financial	Carrying	
31 Dec 2012	assets	amount	Fair value
Debt securities and other fixed income securities	Held-to-maturity	5,118,283	4,685,480
Other loans granted	Loans and receivables	7,190,999	7,190,999
Bank deposits	Loans and receivables	36,461,327	36,461,327
Total		48,770,609	48,337,806
(EUR) 31 Dec 2011	Category of financial assets	Carrying amount	Fair value
Debt securities and other fixed income securities	Held-to-maturity	7,513,050	6,755,553
Other loans granted	Loans and receivables	2,891,665	2,891,665
Bank deposits	Loans and receivables	38,381,525	38,381,525
Chart tarm lang granted	Loans and receivables	8,010,000	8,010,000
Short-term loans granted	Loans and receivables	0,0.0,000	0,0.0,000

Financial investments in subordinated debt instruments totalled EUR 10.9m (2011: EUR 16.9m). The share of these investments shrank from 2011 and accounted for 5.3% of the Sava Reinsurance Company's total investments at year-end 2012 (2011: 8.5%).

## **Loans granted to Group companies**

(EUR)	Type of debt instrument	31 Dec 2012	31 Dec 2011
Zavarovalnica Tilia	loan	0	3,500,000
Sava osiguranje	loan	1,300,000	1,510,000
Illyria	loan	1,500,000	1,000,000
Sava Montenegro	loan	3,000,000	3,500,000
Velebit osiguranje	subordinated loan	1,390,000	1,390,000
Total		7,190,000	10,900,000

No securities have been pledged as security.

## 7) Reinsurers' share of technical provisions

(EUR)	31 Dec 2012	31 Dec 2011
From unearned premiums	3,064,952	3,467,355
From provisions for claims outstanding	29,028,842	14,148,406
Total	32,093,794	17,615,761

Reinsures' share of unearned premiums decreased in accordance with the decrease in retroceded premiums. The significant increase in reinsurers' share of the claims provision is mainly a result of the increase in the estimated losses due to the floods in Thailand of EUR 8.9m, an increase wholly covered by reinsurers, and of the estimated losses due to floods in north-eastern Slovenia (in November 2012) of EUR 6.1m, also retroceded.

8) Receivables The majority of not-past-due receivables were receivables arising out of reinsurance contracts, invoiced in the fourth quarter of 2012 but falling due only in 2013.

> Receivables arising out of reinsurance contracts are not specifically secured. As explained in section 29.5.6 Credit risks, the Company is not exposed to significant risks as regards these receivables. Receivables were tested for impairment. No receivables were impaired on an individual basis in 2012.

### Receivables by type

(EUR)	31 Dec 2012			31 Dec 2011		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables for premiums arising out of reinsurance and co-insurance	60,773,365	-682,955	60,090,410	55,012,266	-692,607	54,319,659
Receivables for shares in claims	2,465,098	-35,282	2,429,816	4,415,915	-35,282	4,380,633
Receivables for commission	596,442	0	596,442	248,647	0	248,647
Receivables arising out of reinsurance and co-insurance business	63,834,905	-718,237	63,116,668	59,676,828	-727,889	58,948,939
Current tax assets	1,840,414	0	1,840,414	0	0	0
Receivables arising out of investments	271,583	-88	271,495	204,538	-88	204,450
Other short-term receivables	10,803,397	-86,860	10,716,537	781,933	-86,860	695,073
Other receivables	11,074,980	-86,948	10,988,032	986,471	-86,948	899,524
Total	76,750,299	-805,185	75,945,114	60,663,299	-814,837	59,848,463

Receivables increased significantly in 2012. The main reason is the increase in short-term receivables relating to receivables for the advance payment made to Nova Kreditna banka Maribor for the acquisition of an additional share in Zavarovalnica Maribor of EUR 10m.

The table gives an ageing analysis of receivables; amounts are net of any allowances.

## Ageing analysis of receivables

(EUR)			Past due	
31 Dec 2012	Not past due	Past due up to 180 days	more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	43,481,843	13,087,012	3,521,555	60,090,410
Receivables for reinsurers' shares in claims	1,472,554	404,806	552,456	2,429,816
Receivables for commission	531,908	59,730	4,804	596,442
Receivables arising out of reinsurance and co-insurance business	45,486,305	13,551,548	4,078,815	63,116,668
Current tax assets	1,840,414	0	0	1,840,414
Short-term receivables arising out of investments	69,729	91,953	109,813	271,495
Other short-term receivables	10,714,246	540	1,751	10,716,537
Other receivables	10,783,975	92,493	111,564	10,988,032
Total	58,110,694	13,644,041	4,190,379	75,945,114

In 2012 there were EUR 18.6m of gross past-due receivables, of these EUR 0.8m were impairment losses.

(EUR)			Past due	
31 Dec 2011	Not past due	Past due up to 180 days	more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	43,485,567	7,105,850	3,728,242	54,319,659
Receivables for reinsurers' shares in claims	3,373,693	174,893	832,047	4,380,633
Receivables for commission	248,647	0	0	248,647
Receivables arising out of reinsurance and co-insurance business	47,107,907	7,280,743	4,560,289	58,948,939
Short-term receivables arising out of investments	67,748	26,785	109,917	204,450
Other short-term receivables	174,748	519,673	652	695,073
Other receivables	242,496	546,458	110,569	899,524
Total	47,350,403	7,827,201	4,670,858	59,848,463

In 2011 there were EUR 13.3m of gross past-due receivables, of these EUR 0.8m were impairment losses.

All receivables are current.

## Movements in allowances for receivables

(EUR)				Write-	
31 Dec 2012	1 Jan 2012	Additions	Reversals	offs	31 Dec 2012
Receivables for premiums arising out of reinsurance assumed	-692,607	0	9,652	0	-682,955
Receivables for reinsurers' shares in claims	-35,282	0	0	0	-35,282
Receivables arising out of reinsurance and co-insurance business	-727,889	0	9,652	0	-718,237
Short-term receivables arising out of investments	-88	0	0	0	-88
Other short-term receivables	-86,860	0	0	0	-86,860
Other receivables	-86,948	0	0	0	-86,948
Total	-814,837	0	9,652	0	-805,185

(EUR)				Write-	
31 Dec 2011	1 Jan 2011	Additions	Reversals	offs	31 Dec 2011
Receivables for premiums arising out of reinsurance assumed	-327,781	-364,826	0	0	-692,607
Receivables for reinsurers' shares in claims	-35,115	-167	0	0	-35,282
Receivables arising out of reinsurance and co-insurance business	-362,896	-364,993	0	0	-727,889
Short-term receivables arising out of investments	-88	0	0	0	-88
Other short-term receivables	-86,860	0	0	0	-86,860
Other receivables	-86,948	0	0	0	-86,948
Total	-449,844	-364,993	0	0	-814,837

## 9) Deferred acquisition

costs

(EUR)	31 Dec 2012	31 Dec 2011
Deferred commission from inwards reinsurance in Slovenia and abroad	10,202,920	9,766,210
Deferred commission from outwards reinsurance in Slovenia and abroad	-474,690	-460,534
Total	9,728,230	9,305,676

This item comprises exclusively accounted commission relating to the next financial year recognised taking into account straight-line amortisation.

All deferred acquisition costs are current.

## financial liabilities

10) Other assets and other Other assets mainly include prepaid subscriptions and insurance premiums.

11) Cash and cash This item of the statement of financial position and the cash flow statement equivalents comprises cash balances in bank accounts and overnight deposits.

12) Share capital The Company's share capital as at 31 December 2012 was divided into 9,362,519 shares (the same as at 31 December 2011). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company's control and profits (dividends). Each share carries one vote in General Meeting and entitles the bearer to a proportionate share of the dividend payout.

> Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol. One of its affiliates also holds Sava Reinsurance Company shares (Zavarovalnica Maribor held 416,433, accounting for a 4.45%

> At 31 December 2012, the Company still had EUR 10.1m of authorised capital available for subscription until 4 June 2013.

> As at year-end 2012, the register of shareholders showed 4,946 shareholders (31 December 2011: 5,067). On 11 June 2008, Sava Reinsurance Company listed in the standard equity market of the Ljubljana Stock Exchange. On 2 April 2012, the Company's shares were transferred to the prime market.

> Pursuant to a resolution of the General Meeting, the Company did not pay dividends in 2012.

13) Capital reserves Upon completion of the initial public offering in June 2008, the Company increased its capital reserves by EUR 35.7m. The increase in capital reserves was recognised net of costs directly attributable to the initial public offering of EUR 2.8m. At 31 December 2012, capital reserves thus stood at EUR 33.0m.

14) Profit reserves Reserves provided for by the Articles of Association totalled EUR 11.5m and reached the statutory prescribed amount already in 2006, while legal reserves totalled EUR 3.5m and likewise were not strengthened in 2012.

## **Profit reserves**

			distributable/
(EUR)	31 Dec 2012	31 Dec 2011	non-distributable
Legal reserves and reserves provided for in the Articles of Association	14,986,525	14,986,525	non-distributable
Reserve for treasury shares	1,774	1,774	non-distributable
Credit risk equalisation reserve	753,026	745,290	non-distributable
Catastrophe equalisation reserve	8,314,716	6,998,007	non-distributable
Other profit reserves	68,303,300	64,825,254	distributable
Total	92,359,341	87,556,850	

Reserves provided for by the Articles of Association are used:

- to cover the net loss which cannot be covered (in full) out of retained earnings and other profit reserves (an instrument of additional protection of the Company's tied-up capital);
- to increase the share capital from the Company's own funds; and
- to regulate the Company's dividend policy.

In accordance with IFRSs, credit risk equalisation reserves and catastrophe equalisation reserves are shown under profit reserves.

These reserves are established pursuant to the Insurance Act (ZZavar). Thereunder, these reserves are treated as technical provisions established and used through profit and loss. As this is not IFRS-compliant, Sava Reinsurance Company carries credit risk and catastrophe equalisation provisions within profit reserves. These provisions are set aside from net profit for the period as shown in the statement of changes in equity. Had the financial statements been prepared in accordance with the Insurance Act, the 2012 gross and net profits would have been lower by EUR 1.3m and EUR 1.06m, respectively (2011: gross profit would have been lower by EUR 356 thousand).

The credit risk equalisation reserve remained at the 2011 level, while the catastrophe equalisation reserve (earthquake) grew from EUR 7m to EUR 8.3m in 2012 owing to the positive result of the earthquake business.

In line with the Slovenian Companies Act, the Company's Management Board or the Supervisory Board may, when adopting the annual report, allocate a part of net profit to other profit reserves, however, up to half of net profit for the period. Based on a Management Board decision, profit reserves were increased in 2012.

15) Treasury shares As at 31 December 2012, the Company held 210 treasury shares, which constitute a contra-equity account. In 2012, Sava Reinsurance Company did not make any transactions with treasury shares.

16) Fair value reserve The fair value reserve only comprises the change in fair value of available-forsale financial assets.

(EUR)	2012	2011
At 1 January	-9,088,908	-2,767,816
Change in fair value	6,565,280	-11,430,539
Transfer from fair value reserve to the IS due to impairment	952,810	3,568,064
Transfer from fair value reserve to the IS due to disposal	1,077,974	-38,891
Deferred tax	-1,865,762	1,580,273
At 31 December	-2,358,606	-9,088,908

The table shows the net change in the fair value reserve, which is an equity component. The fair value reserve changed significantly in 2012 compared to year-end 2011 due to a favourable movement of exchange rates relating to available-for-sale investments.

## 17) Net profit/loss for the year and retained earnings

(EUR)	31 Dec 2012	31 Dec 2011
Net profit/loss for the period	9,604,981	8,637,292
Weighted number of shares	9,362,309	9,362,309
Net earnings/loss per share	1.03	0.92
(EUR)	31 Dec 2012	31 Dec 2011
Net profit/losses for the period	9,604,981	8,637,292
Weighted number of shares	9,362,309	9,362,309
Diluted earnings/losses per share	1.03	0.92

As there were no changes in the number of shares and treasury shares in 2012, the weighted number of shares was calculated by subtracting the number of treasury shares from the number of ordinary shares. The weighted average number of shares outstanding in the financial period was 9,362,309. As the Company does not have potentially dilutive capital instruments, its net earnings per share equal diluted earnings per share.

## Statement of distributable profit/loss for 2012

(EUR)	2012	2011
Unallocated profit of the previous year	7,915,508	3,596,862
Net profit/loss for the period	9,604,981	8,637,292
Release from profit reserve	0	0
Additions to other reserves under a decision of the Management and Supervisory Boards	-4,802,491	-4,318,646
Distributable profit to be allocated by the General Meeting	12,717,998	7,915,508

18) Subordinated At the end of 2006 and at the beginning of 2007, Sava Reinsurance Company liabilities raised a subordinated loan in the amount of EUR 32m, and drew down 97% of the principal amount. Maturity of the loan is 20 years, with the possibility of early repayment after 10 years. The principal is due at maturity. The applicable interest rate is a 3-month Euribor + 3.35%, with interest payable on a quarterly basis. The loan is carried at amortised cost.

### **Subordinated liabilities**

Outstanding debt at effective interest rate at 31 December 2012	31,244,573
Debt currency	EUR
Maturity date	27 Dec 2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

Outstanding debt at effective interest rate at 31 December 2011	31,220,817
Debt currency	EUR
Maturity date	27 Dec 2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

In 2012 the Company paid EUR 1.4m in interest on the subordinated debt (2011: EUR 1.5m), and EUR 71,125 in withholding tax on interest (2011: EUR 79,410).

## 19) Technical provisions Movements in gross technical provisions

(EUR)	1 Jan 2012	Additions	Uses	31 Dec 2012
Gross unearned premiums	40,897,411	41,895,674	-38,742,293	44,050,792
Gross provision for claims	142,394,053	90,348,637	-60,491,884	172,250,806
Gross provision for bonuses, rebates and cancellations	215,221	192,524	-215,221	192,524
Other gross technical provisions	384,357	0	-384,357	0
Total	183,891,044	132,436,835	-99,833,755	216,494,122

(EUR)	1 Jan 2011	Additions	Uses	31 Dec 2011
Gross unearned premiums	41,861,443	39,057,168	-40,021,200	40,897,411
Gross provision for claims	131,492,897	64,914,685	-54,013,529	142,394,053
Gross provision for bonuses, rebates and cancellations	203,540	215,221	-203,540	215,221
Other gross technical provisions	384,092	384,359	-384,094	384,357
Total	173,941,974	104,571,433	-94,622,363	183,891,042

The rise in unearned premiums (7.7%) was in line with the growth in gross premiums written (8.9%) as a result of expanded business volume in international markets. Gross unearned premiums of the Slovenian portfolio dropped by 12.5% in 2012 (gross premiums written fell by 11.0%), but there was an increase on the international portfolio by 32.0% (gross premiums written grew by 26.6%). Provisions for bonuses, rebates and cancellations also followed the movements in premiums of the Slovenian portfolio.

The gross provision for outstanding claims increased by 21.0% in 2012. The gross provision for outstanding claims relating to domestic business rose by 7.8%, while the claims provision for foreign-sourced business increased by 33.7%. With the Slovenian cedants, the movements in the claims provision is the result of two offsetting developments: the mentioned shrinkage of the Slovenian portfolio and the strengthening of the gross claims provision relating to the November floods in north-east Slovenia of EUR 7.6m. The large increase in the claims provision relating to foreign business moves in line with portfolio growth and reflects the impacts of major loss events: estimated gross claim payments for the Thai floods increased from EUR 7.0m at the end of 2011 to EUR 15.9m at the end of 2012; estimated claim payments for hurricane Sandy in the United States was EUR 2.0m.

## Structure of the claims provision

(EUR)	31 Dec 2012	31 Dec 2011
Net IBNR	50,574,739	51,578,425
• gross provision	57,410,722	53,534,789
• reinsurers' share (–)	-6,835,983	-1,956,363
Net RBNS	92,647,225	76,667,221
• gross provision	114,840,084	88,859,264
• reinsurers' share (–)	-22,192,859	-12,192,043
Net provision for outstanding claims	143,221,964	128,245,646
Total gross provision for outstanding claims	172,250,806	142,394,053
Total reinsurers' share (-)	-29,028,842	-14,148,406
IBNR as % of gross provision for outstanding claims	33.3%	37.6%
IBNR as % of net provision for outstanding claims	35.3%	40.2%

The decrease in the share of IBNR is a result of changes in the portfolio structure, i.e., an increase in the share of fire and other damage to property business and a shrinking of liability business; with the former there is a shorter time lag from the loss event to the loss report; therefore, a smaller IBNR provision needs to be set aside.

The gross provision for outstanding claims is reported under liabilities; reinsurers' shares are reported under assets.

Other technical provisions comprise only the provision for unexpired risks, which was not required as at 31 December 2012. Claims experience was relatively favourable in the last three years and the expected combined ratio exceeded 100% only with two insurance classes with a small premium volume and without unearned premiums as the basis for the provision for unexpired risks.

## Calculation of the gross provision for unexpired risks by class of insurance

(EUR)	31 Dec 2012		31 Dec 2011	
	Expected combined ratio	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	66.7%	0	67.1%	0
Health	130.1%	0	133.3%	1,017
Land vehicles casco	80.5%	0	93.7%	0
Railway rolling stock	93.1%	0		
Aircraft hull	83.3%	0	83.3%	0
Ships hull	84.4%	0	111.5%	51,698
Goods in transit	97.8%	0	79.5%	0
Fire and natural forces	96.0%	0	87.8%	0
Other damage to property	82.4%	0	89.7%	0
Motor liability	73.6%	0	75.2%	0
Aircraft liability	74.9%	0	74.9%	0
Liability for ships	82.4%	0	82.4%	0
General liability	88.4%	0	98.3%	0
Credit insurance	88.2%	0	125.3%	296,092
Suretyship	62.5%	0	165.7%	35,550
Miscellaneous financial loss	39.2%	0	50.8%	0
Legal expenses	6.4%	0	6.0%	0
Assistance	109.4%	0	78.6%	0
Life business	82.0%	0	42.6%	0
Unit-linked life	40.4%	0	40.3%	0
Total	86.9%	0	86.4%	384,357

20) Other provisions Other provisions comprise provisions for long-term employee benefits. Assumptions for these provisions are given in section 29.2.19 Other provisions. Other provisions include also provisions for unused annual leave, calculated for the first time in 2012.

## Movements in other provisions

(EUR)	1 Jan 2012	Additions	Uses	Releases	31 Dec 2012
Provision for severance pay upon retirement	87,886	28,735	0	-17,201	99,420
Provision for jubilee benefits	55,844	6,441	-1,936	-5,519	54,830
Other provisions	0	170,495	0	0	170,495
Total	143,730	205,671	-1,936	-22,720	324,745
(EUR)	1 Jan 2011	Additions		Releases	31 Dec 2011
Provision for severance pay upon retirement	80,020	8,811		-945	87,886
Provision for jubilee benefits	32,145	25,026		-1,327	55,844
Total	112,165	33,837		-2,272	143,730

21) Liabilities from Liabilities from operating activities comprise liabilities relating to premiums operating activities from outwards retrocession business and claims from inwards reinsurance business. Liabilities relate to amounts invoiced in the fourth quarter but falling due only in 2013.

### Liabilities from reinsurance and co-insurance business

(EUR)	Maturity	
31 Dec 2012	Up to 1 year	Total
Liabilities for reinsurance premiums	3,658,756	3,658,756
Liabilities for shares in reinsurance claims	20,988,556	20,988,556
Other liabilities due from co-insurance and reinsurance	13,771,176	13,771,176
Total	38,418,488	38,418,488
(EUR)	Maturity	
31 Dec 2011	Up to 1 year	Total
Liabilities for reinsurance premiums	2,280,267	2,280,267
Liabilities for shares in reinsurance claims	24,728,342	24,728,342
Other liabilities due from co-insurance and reinsurance	13,365,653	13,365,653
Total	40,374,262	40,374,262

All liabilities are current.

The Company does not have liabilities arising out of co-insurance. The item "other liabilities due from co-insurance and reinsurance" comprises liabilities for commissions and reinsurance.

22) Other liabilities Other liabilities include liabilities for retained deposits, amounts due to employees and clients, and other payables.

Maturity	
Up to 1 year	Total
741,640	741,640
1,022,282	1,022,282
1,763,922	1,763,922
Maturity	
Up to 1 year	Total
564,235	564,235
717,033	717,033
1,281,268	1,281,268
	Up to 1 year 741,640 1,022,282 1,763,922  Maturity Up to 1 year 564,235 717,033

## **Change in short-term provisions**

(EUR)	1 Jan 2012	Additions	Uses	31 Dec 2012
Short-term accrued costs	242,654	266,065	-266,654	242,065
Auditing costs	38,160	60,000	-62,160	36,000
Accrued labour cost	204,494	206,065	-204,494	206,065
Other accruals and deferrals	474,379	2,679,581	-2,373,743	780,217
Liabilities for retained deposits	474,379	2,417,789	-2,373,743	518,425
Liabilities for tax on profit	0	261,792	0	261,792
Total	717,033	2,945,646	-2,640,397	1,022,282

(EUR)	1 Jan 2011	Additions	Uses	31 Dec 2011
Short-term accrued costs	293,692	268,094	-319,132	242,654
Auditing costs	41,472	63,600	-66,912	38,160
Accrued labour cost	252,220	204,494	-252,220	204,494
Other accruals and deferrals	377,013	1,361,771	-1,264,405	474,379
Liabilities for retained deposits	377,013	1,361,771	-1,264,405	474,379
Total	670,705	1,629,865	-1,583,537	717,033

# 29.7 Notes to the financial statements – income statement

## 23) Net earned premiums Net earned premiums

(EUR)				Change in unearned	
	Gross premiums	Reinsurers' and co-insurers' shares	Change in gross unearned	premiums for the reinsurance and	Net premiums
2012	written	(-)	premiums (+/-)	co-insurance part (+/-)	earned
Personal accident	9,342,901	-100,086	91,683	-9,929	9,324,570
Health	727,492	0	4,072	0	731,564
Land vehicles casco	17,377,791	-1,959,039	842,254	-38,433	16,222,573
Railway rolling stock	14,889	0	0	0	14,889
Aircraft hull	665,111	-158,125	-181,885	0	325,101
Ships hull	3,462,657	-105,675	-274,678	-16,032	3,066,271
Goods in transit	2,953,109	-230,699	-108,838	-14,864	2,598,708
Fire and natural forces	71,778,215	-8,116,557	-4,336,939	-181,629	59,143,090
Other damage to property	21,737,802	-3,525,104	581,001	67,562	18,861,260
Motor liability	18,430,346	-754,704	-215,711	-2	17,459,929
Aircraft liability	41,410	-67,252	-9,744	6,741	-28,845
Liability for ships	261,550	-11,105	4,307	803	255,555
General liability	3,416,673	-587,551	-5,793	-36,627	2,786,702
Credit insurance	64,468	0	329,964	0	394,433
Suretyship	625,323	0	-32,456	0	592,868
Miscellaneous financial loss	628,994	-421,150	7,026	-80,762	134,108
Legal expenses	9,179	0	314	0	9,493
Assistance	19,832	0	4,358	0	24,191
Life business	920,412	-185,671	58,535	-35,240	758,036
Unit-linked life	349,746	-203,373	89,145	-63,989	171,529
Total non-life	151,557,742	-16,037,048	-3,301,061	-303,174	131,916,459
Total life	1,270,158	-389,044	147,680	-99,229	929,565
Total	152,827,900	-16,426,092	-3,153,382	-402,403	132,846,023

(EUR)		D :	Cl.	Change in unearned	N
2011	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	premiums for the reinsur- ance and co-insurance part (+/-)	net premiums earned
Personal accident	9,391,375	-115,677	327,147	-235	9,602,610
Health	52,605	0	-4,072	0	48,533
Land vehicles casco	19,719,827	-2,963,157	587,762	-118,234	17,226,198
Aircraft hull	351,468	89	75,987	0	427,544
Ships hull	2,379,682	-120,918	-115,883	57,092	2,199,973
Goods in transit	3,379,699	-218,518	-402,387	55,968	2,814,762
Fire and natural forces	53,731,017	-9,183,859	39,119	1,035,494	45,621,770
Other damage to property	22,805,980	-5,069,156	-223,895	106,012	17,618,941
Motor liability	20,631,083	-887,971	1,123,519	-217,245	20,649,386
Aircraft liability	44,632	-50,523	-808	1,197	-5,501
Liability for ships	314,592	-5,749	-5,765	55	303,134
General liability	5,103,364	-714,448	-546,870	23,675	3,865,721
Credit insurance	833,732	-11	215,402	0	1,049,123
Suretyship	360,277	-433	-9,310	0	350,534
Miscellaneous financial loss	672,757	-391,258	24,904	138,235	444,637
Legal expenses	7,515	0	49,636	0	57,152
Assistance	29,082	0	20,117	0	49,198
Life business	328,867	-189,074	-95,323	56,728	101,198
Unit-linked life	212,815	-119,787	-95,247	63,989	61,770
Total non-life	139,808,689	-19,721,590	1,154,601	1,082,015	122,323,715
Total life	541,682	-308,862	-190,569	120,717	162,968
Total	140,350,370	-20,030,451	964,032	1,202,732	122,486,683

The above table shows net insurance and reinsurance premiums earned by class of insurance. They are affected by the change in net unearned premiums, which in 2012 decreased them by EUR 5.5m, while in 2011 it increased them by EUR 2.2m. The Company's premium volume expanded again: gross premiums earned grew by 9% compared to 2011. Retroceded reinsurance premiums decreased by 18% compared to 2011.

## in affiliates

24) Income from and In 2012 the Company received dividends from subsidiaries and an associate of expenses for investments EUR 2,300,139 and EUR 1,939,941, respectively.

## and expenses

25) Investment income Investment income, expenses and net investment income by IFRS categories.

## Income from financial assets and liabilities

At fair value through P/L

(EUR)	— Held-to-	Non-derivative	Available-for-	Loans and		Subordinated	
2012	maturity	Held for trading	sale	receivables	Other	liabilities	Total
Dividend income	0	4,143	4,501,279	0	0	0	4,505,422
Interest income	312,169	0	5,073,400	2,274,998	0	0	7,660,567
Change in fair value and foreign exchange differences	0	0	591,224	201,132	0	0	792,356
Other financial income	0	0	8,273	0	16,646	0	24,919
Gains on disposal of investments	0	964	1,655,913	0	0	0	1,656,877
Total	312,169	5,107	11,830,089	2,476,130	16,646	0	14,640,141

## Expenses for financial assets and liabilities

At fair value through P/L

(EUR)	_ Held-to-	eld-to- Non-derivative Available-for-	Loans and		Subordinated		
2012	maturity	Held for trading	sale	receivables	Other	liabilities	Total
Interest expenses	0	0	0	2,249	0	1,446,253	1,448,502
Other financial expenses	0	653	59,428	1,648	2,333	0	64,062
Impairment of financial assets and liabilities	0	0	1,293,064	0	0	0	1,293,064
Change in fair value and foreign exchange differences	0	0	1,434,876	184,765	0	0	1,619,641
Losses on disposal of investments	394,105	18,485	2,243,405	0	0	0	2,655,995
Total	394,105	19,138	5,030,773	188,662	2,333	1,446,253	7,081,264

## Net investment income

At fair value through P/L

Total	-81,936	-14,031	6,799,316	2,287,468	14,313	-1,446,253	7,558,877
Gains/losses on disposal of investments	-394,105	-17,521	-587,492	0	0	0	-999,118
Other financial income/expenses	0	-653	-51,155	-1,648	14,313	0	-39,143
Impairment of financial assets and liabilities	0	0	-1,293,064	0	0	0	-1,293,064
Change in fair value and foreign exchange differences	0	0	-843,652	16,367	0	0	-827,285
Interest income/expense	312,169	0	5,073,400	2,272,749	0	-1,446,253	6,212,065
Dividend income	0	4,143	4,501,279	0	0	0	4,505,422
2012	maturity	Held for trading	sale	receivables	Other	liabilities	Total
(EUR)	_ Held-to-	Non-derivative	Available-for-	Loans and		Subordinated	ľ
		P/L					

## Income from financial assets and liabilities

At fair value through P/L

(EUR)	Held-to-	Non-derivative	Available-for-	Loans and		Subordinated	
2011	maturity	Held for trading	sale	receivables	Other	liabilities	Total
Dividend income	0	923	4,727,524	0	0	0	4,728,447
Interest income	418,463	2,749	4,642,951	2,146,248	0	0	7,210,411
Change in fair value and foreign exchange differences	0	0	34,134	8,665	0	0	42,799
Other financial income	0	0	42,053	0	16,806	0	58,859
Gains on disposal of investments	0	83,322	854,328	0	0	0	937,650
Total	418,463	86,994	10,300,990	2,154,913	16,806	0	12,978,166

## **Expenses for financial assets and liabilities**

At fair value through P/L

(EUR)	Held-to-	Non-derivative	Available-for-	Loans and		Subordinated	
2011	maturity	Held for trading	sale	receivables	Other	liabilities	Total
Interest expenses	0	0	0	130,937	0	1,631,256	1,762,193
Other financial expenses	0	350	67,725	0	2,333	0	70,408
Change in fair value and foreign exchange differences	0	0	4,890	0	0	0	4,890
Impairment of financial assets and liabilities	1,173,032	0	7,551,471	0	0	0	8,724,503
Losses on disposal of investments	0	20,230	966,930	0	0	0	987,160
Total	1,173,032	20,580	8,591,016	130,937	2,333	1,631,256	11,549,154

### Net investment income

At fair value through P/L

Total	-754,569	66,414	1,709,974	2,023,976	14,473	-1,631,256	1,429,012
Gains/losses on disposal of investments	0	63,092	-112,602	0	0	0	-49,510
Other financial income/expenses	0	-350	-25,672	0	14,473	0	-11,549
Change in fair value	-1,173,032	0	-7,551,471	0	0	0	-8,724,503
Change in fair value and foreign exchange differences	0	0	29,244	8,665	0	0	37,909
Interest income/expense	418,463	2,749	4,642,951	2,015,311	0	-1,631,256	5,448,218
Dividend income	0	923	4,727,524	0	0	0	4,728,447
2011	maturity	Held for trading	sale	receivables	Other	liabilities	Total
(EUR)	Held-to-	Non-derivative	Available-for-	Loans and		Subordinated	

Investment income was EUR 14.6m in 2012, up by EUR 1.7m from 2011. The increase reflects higher interest income, higher income from fair value changes and gains on disposals.

Expenses for investments were EUR 6.7m in 2012, down by 4.8m from 2011. The decrease reflects lower impairment losses on financial assets.

There was no interest income from impaired investments, which in 2011 was EUR 85,445.

Income and expenses from level 3 investments were EUR 197,747 and EUR 453,946, respectively, in 2012 (2011: EUR 186,177 and EUR 696,662 respectively).

*Investment income* The Company records investment income and expenses separately depending and expenses by on whether they relate to the capital fund or the liability fund. The capital fund source of funds comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions.

### Investment income - non-life business

	Liability fund	Liability fund
(EUR)	2012	2011
Dividend income	172,977	69,810
Interest income	6,209,404	5,229,344
Change in fair value and foreign exchange differences	792,356	42,799
Other financial income	5,140	19,249
Gains on disposal of investments	1,127,995	364,417
Total investment income – liability fund	8,307,872	5,725,619
	Capital fund	Capital fund
	2012	2011
Dividend income	4,332,445	4,658,637
Interest income	1,451,163	1,981,067
Other income	19,779	39,610
Gains on disposal of investments	528,882	573,233
Total investment income – capital fund	6,332,269	7,252,547
Total investment income	14,640,141	12,978,166

## Investment expenses - non-life business

	Liability fund	Liability fund
(EUR)	2012	2011
Interest expenses	871	1,500
Other financial expenses	48,261	43,488
Change in fair value and foreign exchange differences	1,619,641	4,890
Impairment losses on financial assets and liabilities	537,567	1,524,484
Losses on disposal of investments	2,097,597	324,355
Total investment expenses – liability fund	4,303,937	1,898,717
	Capital fund	Capital fund
	2012	2011
Interest expenses	1,447,631	1,760,693
Other financial expenses	15,801	26,920
Foreign exchange differences	0	0
Impairment losses on financial assets and liabilities	755,497	7,200,019
Losses on disposal of investments	558,398	662,805
Total investment expenses – capital fund	2,777,327	9,650,437
Total investment expenses	7,081,264	11,549,154
Net investment income	7,558,877	1,429,012

Impairment losses on Impairment losses on investments decreased significantly in 2012. The investments Company recognised impairment losses on its investment in Velebit usluge.

(EUR)	31 Dec 2012	31 Dec 2011
Bonds	0	1,173,032
Shares	1,293,064	7,323,905
Mutual funds	0	227,566
Total	1,293,064	8,724,503

## 26) Other technical V tej postavki družba izkazuje prihodke od pozavarovalnih provizij. income

## Commission income, net of deferred acquisition costs attributable to reinsurers

(EUR)	2012	2011
Personal accident	30,228	30,348
Land vehicles casco	6,767	54,426
Aircraft hull	0	-18
Ships hull	3,304	3,829
Goods in transit	20,426	5,436
Fire and natural forces	1,190,314	1,197,196
Other damage to property	781,608	867,514
Motor liability	6,894	55,393
Aircraft liability	6,091	5,166
Liability for ships	267	0
General liability	58,319	56,441
Miscellaneous financial loss	74,236	30,777
Life business	55,028	39,634
Unit-linked life	17,494	11,475
Total non-life	2,178,453	2,306,508
Total life	72,522	51,109
Total	2,250,975	2,357,617

In addition to reinsurance commission income, this item also includes »other« other technical income of EUR 2.3m (2011: EUR 1.8m), so that total other technical income was EUR 4.6m (2011: EUR 4.1m).

27) Other income and In 2012 other income included income from releases from provisions for jubilee expenses benefits and severance pay upon retirement and income from holiday facilities.

> Other expenses comprise expenses that cannot be classified as technical expenses. Their amount was very small in 2012.

## 28) Net claims incurred Net claims incurred

(EUR)	Gross amount	t			Change in the provision	
2012	Claims	Recourse receivables	Reinsurers' share (–)	Change in gross claims provision (+/-)	for outstanding claims for the reinsurance and co-insurance part (+/-)	Net claims incurred
Personal accident	4,942,156	-4,585	-3,670	-520,917	3,993	4,416,978
Health	39,828	0	0	714,153	0	753,981
Land vehicles casco	11,601,246	-237,067	-125,388	-444,801	92,361	10,886,350
Railway rolling stock	2,660	0	0	10,214	0	12,874
Aircraft hull	198,721	0	-274	-301,406	-36,933	-139,892
Ships hull	1,620,616	-106	-2,436	307,305	2,106	1,927,485
Goods in transit	1,154,757	-15,570	-2,861	1,765,738	-554	2,901,510
Fire and natural forces	32,319,157	-62,112	-2,344,660	22,499,774	-12,690,966	39,721,193
Other damage to property	11,871,481	-9,003	-964,007	8,238,341	-1,901,058	17,235,753
Motor liability	12,140,275	-440,686	-602,618	-1,729,540	-381,518	8,985,913
Aircraft liability	-2,531	0	-2,037	-44,245	2,750	-46,063
Liability for ships	14,407	0	-26	-26,633	0	-12,253
General liability	2,344,493	-2,343	-250,343	-858,235	53,554	1,287,126
Credit insurance	1,039,699	-580,581	0	-457,314	0	1,805
Suretyship	69,704	-2,768	0	53,881	0	120,817
Miscellaneous financial loss	181,448	0	-386	20,525	-43,376	158,211
Legal expenses	0	0	0	0	0	0
Assistance	21,071	0	0	-3,619	0	17,453
Life business	75,362	0	-47,325	633,532	19,204	680,773
Unit-linked life	120,545		-84,381	0	0	36,163
Total non-life	79,559,186	-1,354,822	-4,298,705	29,223,221	-14,899,640	88,229,240
Total life	195,907	0	-131,707	633,532	19,204	716,937
Total	79,755,094	-1,354,822	-4,430,412	29,856,753	-14,880,436	88,946,176

(EUR)	Gross amount				Change in the provision	
2011	Claims	Recourse receivables	Reinsurers' share (–)	Change in gross claims provision (+/-)	for outstanding claims for the reinsurance and co-insurance part (+/-)	Net claims incurred
Personal accident	4,857,958		-16,509	426,212	4,940	5,272,600
Health	676			50,506		51,182
Land vehicles casco	12,717,434	-344,789	-731,305	-954,889	664,340	11,350,791
Aircraft hull	94,596		74	363,722	11,577	469,968
Ships hull	869,885		-401	804,040	-5,741	1,667,784
Goods in transit	1,244,968	-7,078	-1,934	690,535	67,949	1,994,441
Fire and natural forces	24,498,146	-31,802	-3,690,039	8,192,545	-92,375	28,876,475
Other damage to property	13,175,861	-894,346	-1,915,761	-1,877,750	1,253,216	9,741,221
Motor liability	11,679,899	-479,360	-827,440	1,136,584	-688,870	10,820,812
Aircraft liability	47,637		-14,405	-12,987	5,498	25,743
Liability for ships	36,208			46,299	-2,235	80,272
General liability	1,797,495	-23,515	-26,297	2,001,104	-66,732	3,682,054
Credit insurance	1,519,781	-745,324		253,770		1,028,227
Suretyship	113,757	-9,092		4,049		108,714
Miscellaneous financial loss	297,026	-2,461	4,959	-192,657	-11,868	94,998
Legal expenses				-3		-3
Assistance	23,028			22,580		45,607
Life business	189,365		-61,531	-44,958	-26,426	56,449
Unit-linked life	59,318		-41,522	-7,547		10,248
Total non-life	72,974,355	-2,537,768	-7,219,057	10,953,660	1,139,697	75,310,886
Total life	248,682	0	-103,054	-52,505	-26,426	66,697
Total	73,223,038	-2,537,768	-7,322,111	10,901,155	1,113,271	75,377,584

The above tables show (columns from left to right) gross claims paid net of recourse receivables. This column is followed by claims recovered from retrocessionaires. In addition, net claims incurred include the change in the claims provision (both retained and retroceded).

Gross claims paid increased by 8.9% compared to 2011. Reinsurers' share of claims paid decreased by 40%, while the change in the claims provision of EUR 14m significantly impacted net claims incurred.

## expenses for bonuses and rebates

29) Change in other In 2012 other net technical provisions decreased by EUR 384,357 (2011: technical provisions and increased by EUR 263). The figures for both years relate to changes in the net provision for unexpired risks.

> The change in the provision for bonuses and rebates was a decrease of EUR 22,698 in 2012, while in 2011 the provision increased by EUR 11,682.

30) Operating expenses The Company classifies operating expenses by nature. Compared to 2011, operating expenses increased. Labour costs rose as a result of an increased number of staff, while other operating expenses increased due to expenses incurred in the acquisition of Zavarovalnica Maribor shares.

### Breakdown of operating expenses

(EUR)	2012	2011
Acquisition costs (commissions)	35,432,457	32,574,006
Change in deferred acquisition costs	-436,710	-5,262
Depreciation of operating assets	211,664	207,816
Labour costs	5,140,555	4,956,748
Salaries and wages	4,051,936	3,712,474
Social and pension insurance costs	681,300	647,303
Other labour costs	407,319	596,971
Costs with contributions under contracts for services	101,017	101,017
Other operating expenses	2,224,283	1,454,507
Total	42,673,266	39,288,832

Other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), increased in relation to gross premiums written and represented 5.0% of gross premiums written in 2012 (2011: 4.8%).

In 2012 auditing costs totalled EUR 60,255 (2011: EUR 82,113). Other expenses for auditing services were EUR 4,080.

## **Acquisition costs**

(EUR)	2012	2011
Personal accident	2,668,467	2,541,341
Health	119,858	9,290
Land vehicles casco	3,909,180	3,794,226
Aircraft hull	49,438	33,869
Ships hull	658,063	363,173
Goods in transit	741,807	765,627
Fire and natural forces	16,871,426	13,237,851
Other damage to property	4,660,299	5,560,363
Motor liability	4,501,561	4,453,734
Aircraft liability	20,217	29,510
Liability for ships	43,888	54,920
General liability	566,743	1,161,061
Credit insurance	-4,829	180,104
Suretyship	232,216	141,472
Miscellaneous financial loss	138,545	152,406
Legal expenses	2,240	1,729
Assistance	7,367	6,443
Life business	212,261	65,818
Unit-linked life	33,710	21,070
Total non-life	35,186,486	32,487,118
Total life	245,971	86,888
Total	35,432,457	32,574,006

## Change in deferred acquisition costs

(EUR)	2012	2011
Personal accident	-22,596	101,380
Health	1,018	-1,018
Land vehicles casco	242,050	162,685
Aircraft hull	-15,762	20,413
Ships hull	-76,456	-30,710
Goods in transit	-60,272	-97,166
Fire and natural forces	-618,702	-214,292
Other damage to property	158,500	-170,450
Motor liability	-109,920	323,035
Aircraft liability	-1,232	92
Liability for ships	794	-3,285
General liability	-2,387	-145,120
Credit insurance	79,568	43,626
Suretyship	-15,141	-9,808
Miscellaneous financial loss	3,299	5,728
Legal expenses	41	11,945
Assistance	1,111	-1,111
Life business	549	-1,206
Unit-linked life	-1,172	0
Total non-life	-436,087	-4,057
Total life	-623	-1,206
Total	-436,710	-5,262

31) Other technical Other technical expenses comprise fees payable to the Insurance Supervision expenses Agency and the Slovenian Insurance Association, as well as other technical expenses relating to non-life business.

## 32) Income tax expense Reconciliation of tax rate

Reconciliation of tax rate				
	2012		2011	
(EUR)	%	Amount	%	Amount
Net profit/loss for the period	0	9,604,981	0	8,637,293
Income tax expense	0	1,599,278	0	-2,645,030
Profit/loss before tax	0	11,204,259	0	11,282,323
Income tax expenses at statutory tax rate	18.00%	2,016,767	20.00%	2,256,465
Non-deductible expenses	2.54%	284,611	17.83%	2,011,731
Tax exempt income	-8.77%	-982,806	-9.81%	-1,107,287
Income increasing the tax base	0.00%	0	0.00%	0
Tax incentives	-0.15%	-17,484	-0.17%	-19,407
Balance of expense for (income from) deferred tax due to change in tax rate	2.14%	239,942	0.00%	0
Income from deferred tax arising from a previously unrecognised tax credit	0.52%	58,248	-4.40%	-496,472
Total income tax expense in the income statement	14.27%	1,599,278	23.44%	2,645,030

## 29.8 Notes to the financial statements cash flow statement

indirect method.

33) Notes to the cash The cash flow statement shown in section 28.4 has been prepared in compliflow statement, which has ance with statutory regulations. This note gives a reconciliation of net profit been prepared using the and cash flows from operating activities.

> The table below presents items of the income statement not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

2012	2011
9,945,235	8,637,292
18,875,509	18,774,982
3,555,785	-2,166,764
14,976,317	12,014,426
-384,357	263
-225,046	202,554
952,810	8,724,503
-12,165,989	-11,938,858
-7,660,567	-7,210,410
-4,505,422	-4,728,448
1,448,502	1,762,193
1,448,502	1,762,193
18,103,257	17,235,610
	9,945,235 18,875,509 3,555,785 14,976,317 -384,357 -225,046 952,810 -12,165,989 -7,660,567 -4,505,422 1,448,502 1,448,502

## 29.9 Contingent receivables and liabilities

Based on a contract with the former owner of Velebit osiguranje and Velebit životno osiguranje, the Company discloses a contingent liability due to the former owner of both companies but also a contingent receivable due from the non-controlling interest in both subsidiaries for the transfer of the lien on shares. The contingent liability in this regard is estimated at EUR 0.5m.

## 29.10 Related party disclosures

The Company separately discloses its relationships with the following groups of related parties:

- owners and related enterprises;
- Management and Supervisory Board members and employees not subject to the tariff section of the collective agreement;
- subsidiary companies; and
- associates.

The Company is a party to a contract with the Moja naložba pension company on the participation in a supplementary pension scheme.

Owners and related The Group's largest shareholder is the Slovenian Restitution Fund, holding enterprises 25% plus one share.

Business relationship with On 11 December 2012, Sava Reinsurance Company and the Slovenian Restituthe largest shareholder tion Fund (SRF) signed a purchase and sale agreement with Nova kreditna banka Maribor (NKBM) for the acquisition of 50.9% of ZM.

> Based on this agreement, an advance payment of EUR 10,000,000 was made at the end of 2012.

> On 10 December 2012 Sava Reinsurance Company and SRF signed an agreement on the rights associated with ZM shares ("Option Agreement"), with which SRF granted Sava Reinsurance Company the right to purchase all SRF shares in ZM (i.e., 4,882,813 ZM shares) ("call option"), and Sava Reinsurance Company granted SRF the entitlement to sell all SRF shares in ZM ("put option").

> Sava Reinsurance Company's call option is exercisable for five years from the day the Option Agreement entered into force; consideration for one call option is EUR 10.24 (i.e. the same as the price per ZM share under the purchase and sale agreement) plus 10% annual interest rate from the day of execution under the purchase and sale agreement until the day of payment of exercised call option less ZM dividends with interest received in the intermediary period.

> SRF can exercise its put option after the expiry of 30 days from Sava Reinsurance Company's successful increase in share capital for the issue price totalling not more than EUR 55m, but not later than on 30 September 2013. Consideration for one put option is EUR 10.24, i.e. the same as the price per ZM share under the purchase and sale agreement, plus 9% annual interest rate from the day of execution under the purchase and sale agreement until the day of payment of exercised put option less ZM dividends with interest received in the intermediary period.

## Management and Supervisory Board members and employees not subject to the tariff section of the collective agreement

## $\label{eq:management} \begin{array}{ll} \textit{Management and Supervisory Board members, and of} \\ \textit{Supervisory Board} \\ \text{ employees not subject to the tariff section of the collective agreement} \end{array}$

2012	2011
722,962	687,862
106,621	72,538
1,946,583	1,851,638
16,377	20,583
2,792,544	2,632,621
	722,962 106,621 1,946,583

## Remuneration paid to Management Board members in 2012

(EUR)	Gross salary - fixed amount	Gross salary - variable amount	Fringe benefits – insurance premium	Fringe benefits – use of company car	Total
Zvonko Ivanušič	159,882	31,872	6,245	4,731	202,730
Jošt Dolničar	144,163	21,510	5,211	5,128	176,012
Srečko Čebron	144,163	21,510	5,588	1,564	172,826
Mateja Treven	144,896	21,312	5,186	0	171,394
Total	593,104	96,204	22,230	11,423	722,962

## **Liabilities to Management Board members**

(EUR)	31 Dec 2012	31 Dec 2011
Zvonko Ivanušič	6,094	6,831
Jošt Dolničar	5,446	5,665
Srečko Čebron	5,799	6,728
Mateja Treven	5,662	5,977
Total	23,000	25,202

At 31 December 2012 the Company had no receivables due from its Management Board members. Management Board members are not remunerated for their functions in subsidiary companies.

## Remuneration paid to members of the Supervisory Board and the Auditing Committee in 2012

(5115)		Attendance	Remuneration for performing		
(EUR)		fees	the function	reimbursed	Total
Supervisory Board members					
Branko Tomažič	Chairman	3,245	19,500	2,146	24,891
Mateja Lovšin Herič	Deputy Chairperson	2,695	14,300	30	17,025
Slaven Mićković	Member	3,245	13,000	0	16,245
Gregor Hudobivnik	Member	2,970	13,000	0	15,970
Samo Selan	Member	3,520	13,000	0	16,520
Martin Albreht	Member	2,970	13,000	0	15,970
Total Supervisory Board members		18,645	85,800	2,176	106,621
Auditing Committee members					
Mateja Lovšin Herič	Chairperson	1,320	4,875	0	6,195
Slaven Mićković	Member	1,320	3,250	0	4,570
Blanka Vezjak	Member	5,025	0	587	5,612
Total Auditing Committee members		7,665	8,125	587	16,377

As at 31 December 2012 the Company had liabilities to the members of the Supervisory Board and Audit Committee of EUR 8,658.

(EUR)	,	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	1,607,922	245,584	93,078	1,946,584

## Subsidiary companies

## Investments in and amounts due from Group companies

(EUR)		31 Dec 2012	31 Dec 2011
Debt securities and loans granted	gross	7,190,000	10,900,000
to Group companies	allowance	0	0
	net	7,190,000	10,900,000
Receivables for premiums arising	gross	9,349,100	7,015,448
out of reinsurance assumed	allowance	0	0
	net	9,349,100	7,015,448
Short-term receivables arising out	gross	256,494	170,550
of investments	allowance	0	0
	net	256,494	170,550
Other short-term receivables	gross	2,396	0
	allowance	0	1,739
	net	2,396	1,739
Short-term deferred acquisition	gross	1,810,591	1,900,221
costs	allowance	0	0
	net	1,810,591	1,900,221
Total		18,608,581	19,987,958

## Liabilities to Group companies

## **Liabilities to Group companies**

31 Dec 2012	31 Dec 2011
2,409,388	2,329,272
1,559,107	924,970
1,662	8,673
3,970,157	3,262,915
1	,559,107

## Liabilities to Group companies by maturity

(EUR)	Maturity	
31 Dec 2012	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	2,409,388	2,409,388
Other short-term liabilities to Group companies	1,559,107	1,559,107
Other short-term liabilities	1,662	1,662
Total (excl. provisions)	3,970,157	3,970,157
(EUR)	Maturity	
31 Dec 2011	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	2,329,272	2,329,272
Other short-term liabilities to Group companies	924,970	924,970
Other short-term liabilities	8,673	8,673
		3,262,915

## Income from and expenses for transactions with Group companies

(EUR)	2012	2011
Gross premiums written	20,708,777	21,088,507
Gross claims paid	-9,366,465	-11,354,440
Income from recourse receivables	408,115	505,488
Other operating expenses	-80,697	-79,120
Dividend income	2,300,139	296,827
Other investment income	15,296	15,296
Interest income	396,057	322,155
Acquisition costs	-5,076,835	-4,414,539
Other non-life income	152,634	82,029
Total	9,457,021	6,462,203

## $Associate \ companies \ \ \textbf{Investments in and amounts due from associates}$

(EUR)		31 Dec 2012	31 Dec 2011
Debt securities and loans granted to	gross	0	1,512,404
Group companies	allowance	0	0
	net	0	1,512,404
Receivables for premiums arising out	gross	9,765,715	13,010,377
of reinsurance assumed	allowance	0	0
	net	9,765,715	13,010,377
Total		9,765,715	14,522,781

## **Liabilities to associates**

(EUR)	31 Dec 2012	31 Dec 2011
Liabilities for shares in reinsurance claims	8,981,556	10,749,608
Other short-term liabilities	2,518,631	2,966,760
Total	11,500,187	13,716,368

## Income from and expenses for associates

(EUR)	2012	2011
Gross premiums written	40,902,101	47,311,832
Gross claims paid	-23,641,249	-27,328,337
Income from recourse receivables	862,687	1,896,322
Income from dividends	1,939,941	4,243,621
Interest income	83,904	113,856
Gains on disposal of securities	19,130	0
Acquisition costs	-9,012,542	-9,670,183
Additional pension insurance premium	-64,902	-62,785
Total	11,089,070	16,504,326

## Receivables due from the state and majority state-owned companies

_(EUR)	31 Dec 2012	31 Dec 2011
Debt securities	60,618,154	71,892,920
Receivables for premiums arising out of reinsurance assumed from an associate company	9,765,715	13,010,377
Total	70,383,869	84,903,297

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

(EUR)	31 Dec 2012	31 Dec 2011
Liabilities for shares in reinsurance claims due to an associate	8,981,556	10,749,608
Other short-term liabilities to an associate company	2,518,631	2,966,760
Total	11,500,187	13,716,368

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

(EUR)	2012	2011
Gross premiums written	40,902,101	47,311,832
Gross claims paid	-23,641,249	-27,328,337
Income from recourse receivables	862,687	1,896,322
Income from dividends	2,113,799	4,243,621
Interest income	2,518,156	113,856
Gains on disposal of securities	19,130	0
Acquisition costs	-9,012,542	-9,670,183
Additional pension insurance premium	-64,902	-62,785
Total	13,697,180	16,504,326

Receivables, liabilities, income and expenses in respect of majority state-owned companies include relations with Zavarovalnica Maribor.

# debt instruments of 1. Loan in the amount of EUR 500,000: • principal repayment: on maturity;

### Characteristics of Loans granted to Sava osiguranje::

- associate and subsidiary interest rate: 6-month Euribor + 105bp, interest calculation act/36o, interest companies rate changed to fixed rate of 4.5% based on annex dated 31 December 2011;
  - loan draw-down date: 21 May 2007;
  - interest payable on 1 June and 1 December; based on annex dated 31 December 2011, interest payable quarterly;
  - maturity: 1 June 2015;
  - the debtor has the right to partial or full early repayment by giving two days' notice to the creditor.
  - 2. Loan in the amount of EUR 1,010,000:
  - principal repayment: on maturity, principal of EUR 210,000 converted to equity on 18 September 2012, remaining principal EUR 800,000;
  - interest rate: 4.5%, interest calculation act/360, interest rate changed to 4.0% based on annex dated 30 November 2012;
  - loan draw-down date: 30 December 2011;
  - interest payable monthly;
  - maturity: 30 June 2013;
  - the debtor has the right to partial or full early repayment by giving three days' notice to the creditor.

### Loans granted to Illyria::

- 1. Loan in the amount of EUR 1,000,000::
- principal repayment: on maturity;
- interest rate: 5.5%, interest rate changed to 4.5% based on annex dated 15 November 2012;
- loan draw-down date: 16 December 2011;
- interest payable at maturity;
- maturity: 30 September 2013;
- the debtor has the right to partial or full early repayment by giving five days' notice to the creditor.

- 2. Loan in the amount of EUR 100,000:
- principal repayment: on maturity;
- interest rate: 4.5%;
- loan draw-down date: 25 January 2012;
- interest payable at maturity;
- maturity: 31 March 2013;
- the debtor has the right to partial or full early repayment by giving five days' notice to the creditor.
- 3. Loan in the amount of EUR 400,000:
- principal repayment: on maturity;
- interest rate: 2.5%;
- loan draw-down date: 24 December 2012;
- interest payable at maturity;
- maturity: 9 January 2013;

### Loans granted to Sava Montenegro:

- 1. Loan in the amount of EUR 2,900,000:
- principal repayment on maturity; partial repayment of principal of EUR 400,000 on 7 November 2011 and of EUR 500,000 on 29 May 2012; remaining principal EUR 2,000,000;
- interest rate: 4.5%;
- loan draw-down date: 4 August 2009;
- interest payable quarterly;
- maturity: 3 June 2013;
- the debtor has the right to partial or full early repayment by giving five days' notice to the creditor.
- 2. Loan in the amount of EUR 1,000,000:
- principal repayment: on maturity;
- interest rate: 4%;
- loan draw-down date: 1 December 2010;
- interest payable quarterly;
- maturity: 1 December 2013;
- the debtor has the right to partial or full early repayment by giving five days' notice to the creditor.

### Loan granted to Velebit osiguranje::

subordinated loan in the amount of EUR 1,390,000:

- principal repayment: on maturity;
- interest rate: 7.0%, interest calculation act/360;
- loan draw-down date: 23 December 2011;
- interest payable quarterly;
- no maturity;
- option to convert to equity.

# Significant events after the reporting date (

anuary In January 2013, the 26th General Meeting of shareholders of Sava Reinsurance Company was held, in which a resolution was adopted to increase the share capital of the controlling company. The issue value (purchase price) for one newly-issued share is to be no less than EUR 7 and no more than EUR 9. It is to be determined by the Management Board of Sava Reinsurance Company subject to the consent of the Supervisory Board, while the total issue amount of all newly-issued shares pursuant to that resolution is not to exceed EUR 55,000,001, with the final number of newly-issued shares to be adjusted accordingly. Newly-issued shares are to be offered to the public, in accordance with regulations applicable to the financial instruments market, in several rounds, whereby in the first round newly-issued shares are to be offered to all existing shareholders. Existing shareholders are to have the right to subscribe and pay in newly-issued shares in proportion to their existing holdings in Sava Reinsurance Company. Newly-issued shares that are not subscribed and paid in in the first round are to be offered by the Management Board of Sava Reinsurance Company subject to the consent of the Supervisory Board for subscription and payment to all or part of the public or third parties in subsequent round(s).

February In February 2013, Sava Reinsurance Company received a decision of the Insurance Supervision Agency based on which the Company can directly acquire voting rights and shares of Zavarovalnica Maribor of 50 percent or more, within six months of service of such decision, whereafter such approval ceases to be effective. Furthermore, the Insurance Supervision Agency issued an approval for Sava Reinsurance Company and the Slovenian Restitution Fund to jointly and directly acquire, based on their agreement titled "Agreement on the rights associated with Zavarovalnica Maribor shares", voting rights and shares in the equity of Zavarovalnica Maribor of 50 percent or more, within six months of service of such decision, whereafter such approval ceases to be effective.

> In February 2013, Sava Reinsurance Company received a decision from the Slovenian Competition Protection Agency stating that the Agency does not object to the announced concentration of Sava Reinsurance Company and Zavarovalnica Maribor and that such concentration is in compliance with competition rules.





Financial statements of Sava Reinsurance Company pursuant to requirements of the Insurance Supervision Agency

# **Statement of financial position** – assets

(EUI	R)	31 Dec 2012	31 Dec 2011	Index	
Ass	ets (A F)	463,035,873	417,051,465	111.0	
A.	Intangible assets, deferred costs and accrued income	149,315	175,779	84.9	
	1. Intangible assets	131,295	157,089	83.6	
	Other long-term deferred expenses and accrued 4. income	18,020	18,690	96.4	
В.	Land, buildings and financial investments	373,493,134	342,886,186	108.9	
I.	Land and buildings	2,067,480	2,098,988	98.5	
	a.) Directly used in insurance activities	1,911,227	1,940,401	98.5	
	Land directly used in insurance activities	141,580	141,580	100.0	
	Buildings directly used in insurance activities	1,769,647	1,798,822	98.4	
	Land and buildings not directly used in insurance	1,709,047	1,790,022	90.4	
	b.) activities	156,253	158,587	98.5	
	1. Land	15,065	15,065	100.0	
	2. Buildings	141,188	143,522	98.4	
II.	Financial investments in group companies and in associates	131,126,431	126,835,647	103.4	
	Shares and participating interests in Group companies	94,854,379	85,341,191	111.1	
	2. Debt securities and loans granted to Group companies	7,190,000	10,900,000	66.o	
	3. Shares and interests in associates	29,082,052	29,082,052	100.0	
	Debt securities and loans granted to associates	0	1,512,404	_	
111.	Other financial investments	199,189,246	187,759,045	106.1	
	Long-term financial assets	190,497,628	172,405,548	110.5	
	Equity and other variable income securities and 1.1. mutual funds	11,476,126	15,846,182	72.4	
	1.2. Debt securities and other fixed income securities	147,661,419	130,529,334	113.1	
	1.5. Other loans granted	999	1,665	60.0	
	1.6. Bank deposits	31,359,084	26,028,367	120.5	
	2. Short-term financial investments	8,691,618	15,353,497	56.6	
	2.1. Held-for-trading shares and interests	589,038	0	-	
	Chartenan decarie with hands	0 0 -		0	
	2.4. Short-term deposits with banks Financial investments of reinsurers i.r.o. reinsurance	8,102,580	15,353,497	52.8	
IV.		9,016,183	8,576,746	105.1	
./!	TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS AND CO-INSURERS (separate item for co-		17 615 761	190.0	
VI.	insurance)	32,093,794	17,615,761	182.2	
	A. From unearned premiums	3,064,952	3,467,355	88.4	
	C. From provisions for claims outstanding	29,028,842	14,148,406	205.2	
D.	Receivables	77,845,434	63,912,735	121.8	
II.	Receivables arising out of co-insurance and reinsurance business	63,116,668	58,948,939	107.1	
	Receivables for premiums arising out of reinsurance 2. assumed	60,090,410	54,319,659	110.6	

(EUF	₹)		31 Dec 2012	31 Dec 2011	Index
		2.1 Receivables due from Group companies	9,349,100	7,015,448	133.3
		2.2 Receivables due from associates	9,765,715	13,010,377	75.1
		2.3 Receivables due from others	40,975,595	34,293,834	119.5
	4.	Receivables for reinsurers' shares in claims	2,429,816	4,380,633	55.5
		4.3 Receivables due from others	2,429,816	4,380,633	55.5
	5.	Other receivables from co-insurance and reinsurance	596,442	248,647	239.9
		5.3 Receivables due from others	596,442	248,647	239.9
III.	Oth	ner receivables and deferred tax assets	14,728,766	4,963,796	296.7
	3.	Short-term receivables arising out of investments	271,495	204,450	132.8
		3.1 Receivables due from Group companies	256,494	170,550	150.4
		3.3 Receivables due from others	15,001	33,900	44.3
	4.	Other short-term receivables	10,716,537	695,073	1541.8
		4.1 Receivables due from Group companies	2,396	1,739	137.8
		4.3 Receivables due from others	10,714,141	693,334	1545.3
	6.	Tax assets (income tax)	1,840,414	0	-
	7.	Deferred tax assets	1,900,320	4,064,272	46.8
Ε.	Sun	dry assets	1,555,446	580,681	267.9
I.	Prop	perty and equipment other than land and buildings	542,774	426,769	127.2
	1.	Equipment	497,908	380,334	130.9
	2.	Other property and equipment	44,866	46,434	96.6
II.	Casl	n and cash equivalents	1,012,672	153,913	658.o
F.	Sho	rt-term accrued income and deferred expenses	9,992,543	9,496,084	105.2
	2.	Short-term deferred acquisition costs	9,728,230	9,305,676	104.5
		Short-term deferred costs due to Group companies	1,810,591	1,900,221	95.3
		Short-term deferred costs due to associated companies	3,107,058	3,505,250	88.6
		2.3 Short-term deferred costs due to others	4,810,581	3,900,205	123.3
	3.	Other short-term accrued income and deferred expenses	264,313	190,408	138.8
		balance sheet items	4,425,897		

# Statement of financial position – equity and liabilities

			_	
(EU	<u>'</u>	31 Dec 2012	31 Dec 2011	Index
	uity and liabilities ( A – H)	463,035,873	417,051,465	111.0
Α.	Equity	174,789,811	158,454,528	110.3
I.	Called-up capital	39,069,099	39,069,099	100.0
	Share capital	39,069,099	39,069,099	100.0
II.	Capital reserves	33,003,753	33,003,752	100.0
III.	Profit reserves	92,357,567	87,555,076	105.5
	Legal reserves and reserves provided for in the Articles 2. of Association	14,986,525	14,986,525	100.0
	3. Reserves for treasury shares and own interests	1,774	1,774	100.0
	4. Treasury shares and own interests (contra account)	-1,774	-1,774	100.0
	5. Credit risk equalisation reserve	753,026	745,290	101.0
	6. Catastrophe equalisation reserve	8,314,716	6,998,007	118.8
	7. Other profit reserves	68,303,300	64,825,254	105.4
IV.	Fair value reserve	-2,358,606	-9,088,908	26.0
	Fair value reserve relating to long-term financial 2. investments	-2,358,606	-9,088,908	26.0
٧.	Retained earnings	7,915,508	3,596,862	220.1
v. VI.	Net profit/loss for the year	4,802,490	4,318,646	111.2
v і. В.	Subordinated liabilities	31,244,573	31,220,817	100.1
С.	Gross technical provisions and deferred premiums earned	216,494,122	183,891,042	117.7
l.	Gross unearned premiums	44,050,792	40,897,411	107.7
III.	Gross provision for outstanding claims	172,250,806	142,394,053	121.0
IV.	Gross provision for bonuses and rebates	192,524	215,221	89.5
٧.	Other gross technical provisions	0		0.0
F.	Provisions for other risks and charges		384,357	225.9
	Provisions for pensions	324,745	143,730	
		154,250	143,730	107.3
		170,495	0	-
	Other provisions from relations with other 2.3 companies	170,495	0	-
G.	Other provisions from relations with other			91.4
<b>G.</b> II.	Other provisions from relations with other companies	170,495	0	- 91.4 95.2
	Other provisions from relations with other 2.3 companies  Other liabilities	170,495 <b>39,160,340</b>	0 42,828,810	
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business	170,495 <b>39,160,340</b> 38,418,488	0 <b>42,828,810</b> 40,374,262	95.2
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums	170,495 <b>39,160,340</b> 38,418,488 3,658,756	0 <b>42,828,810</b> 40,374,262 2,280,267	95.2 160.5
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies	170,495 <b>39,160,340</b> 38,418,488 3,658,756 3,658,756	0 <b>42,828,810</b> 40,374,262 2,280,267 2,280,267	95.2 160.5 160.5
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities for shares in reinsurance claims	170,495 <b>39,160,340</b> 38,418,488 3,658,756 3,658,756 20,988,556	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343	95.2 160.5 160.5 84.9
	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities due to other companies  Liabilities for shares in reinsurance claims  Liabilities to Group companies	39,160,340 38,418,488 3,658,756 3,658,756 20,988,556 2,409,388	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272	95.2 160.5 160.5 84.9 103.4
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities for shares in reinsurance claims  4.1 Liabilities to Group companies  4.2 Liabilities to associates  4.3 Liabilities to other companies  Other liabilities due from co-insurance and	170,495 39,160,340 38,418,488 3,658,756 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612	0 <b>42,828,810</b> 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462	95.2 160.5 160.5 84.9 103.4 83.6 82.4
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities for shares in reinsurance claims  4.1 Liabilities to Group companies  4.2 Liabilities to associates  4.3 Liabilities to other companies  Other liabilities due from co-insurance and reinsurance	170,495 39,160,340 38,418,488 3,658,756 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653	95.2 160.5 160.5 84.9 103.4 83.6 82.4
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities for shares in reinsurance claims  4.1 Liabilities to Group companies  4.2 Liabilities to associates  4.3 Liabilities to other companies  Other liabilities due from co-insurance and  5. reinsurance  5.1 Liabilities to Group companies	170,495 39,160,340 38,418,488 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612 13,771,176 1,559,107	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970	95.2 160.5 160.5 84.9 103.4 83.6 82.4
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities for shares in reinsurance claims  Liabilities for shares in reinsurance claims  Liabilities to Group companies  Liabilities to associates  Liabilities to other companies  Other liabilities due from co-insurance and reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to associates	170,495 39,160,340 38,418,488 3,658,756 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612 13,771,176 1,559,107 2,518,631	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9
	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities for shares in reinsurance claims  Liabilities for shares in reinsurance claims  Liabilities to Group companies  Liabilities to associates  Liabilities due from co-insurance and reinsurance  Stablities due from co-insurance and reinsurance  Liabilities to Group companies  Liabilities due from co-insurance and reinsurance  Liabilities to Group companies  Liabilities to droup companies  Liabilities to associates  Liabilities to associates	170,495 39,160,340 38,418,488 3,658,756 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612 13,771,176 1,559,107 2,518,631 9,693,438	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9
	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities for shares in reinsurance claims  Liabilities for shares in reinsurance claims  Liabilities to Group companies  Liabilities to associates  Liabilities due from co-insurance and  Cother liabilities due from co-insurance and  Liabilities to Group companies  Liabilities to Group companies  Liabilities due from co-insurance and  Liabilities to Group companies  Liabilities to Group companies  Liabilities due to other companies  Cother liabilities	170,495 39,160,340 38,418,488 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612 13,771,176 1,559,107 2,518,631 9,693,438 741,852	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities for shares in reinsurance claims  4.1 Liabilities to Group companies  4.2 Liabilities to associates  4.3 Liabilities to other companies  Other liabilities due from co-insurance and reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to Group companies  5.3 Liabilities to associates  Other liabilities due to other companies  Other liabilities due to other companies  Other liabilities	170,495 39,160,340 38,418,488 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612 13,771,176 1,559,107 2,518,631 9,693,438 741,852 741,852	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547 2,454,547	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2
11.	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities for shares in reinsurance claims  Liabilities for shares in reinsurance claims  Liabilities to Group companies  Liabilities to associates  Liabilities to other companies  Other liabilities due from co-insurance and reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to Group companies  5.3 Liabilities to associates  5.3 Liabilities to associates  Other liabilities  B.) other short-term liabilities  1. Short-term liabilities due to employees	170,495 39,160,340 38,418,488 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612 13,771,176 1,559,107 2,518,631 9,693,438 741,852	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2
	Other provisions from relations with other 2.3 companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities for shares in reinsurance claims  4.1 Liabilities to Group companies  4.2 Liabilities to associates  4.3 Liabilities to other companies  Other liabilities due from co-insurance and reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to Group companies  5.3 Liabilities to associates  Other liabilities due to other companies  Other liabilities due to other companies  Other liabilities	170,495 39,160,340 38,418,488 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612 13,771,176 1,559,107 2,518,631 9,693,438 741,852 741,852	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547 2,454,547	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2
11.	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities for shares in reinsurance claims  Liabilities for shares in reinsurance claims  Liabilities to Group companies  Liabilities to associates  Liabilities to other companies  Other liabilities due from co-insurance and reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to Group companies  Other liabilities to droup companies  Other liabilities to Group companies  5.2 Liabilities to associates  S.3 Liabilities due to other companies  Other liabilities  B.) other short-term liabilities  1. Short-term liabilities due to employees  Short-term liabilities to others arising out of	170,495  39,160,340  38,418,488 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612  13,771,176 1,559,107 2,518,631 9,693,438 741,852 741,852 328,276	0 42,828,810 40,374,262 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547 2,454,547 514,233	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2 30.2 63.8
	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities for shares in reinsurance claims  Liabilities for shares in reinsurance claims  Liabilities to Group companies  Liabilities to associates  Liabilities to other companies  Other liabilities due from co-insurance and reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to Group companies  5.3 Liabilities to Group companies  Other liabilities to associates  5.3 Liabilities to associates  5.3 Liabilities due to other companies  Other liabilities  B.) other short-term liabilities  1. Short-term liabilities due to employees  Short-term liabilities to others arising out of financing  3.3 Short-term liabilities to others arising out of	170,495  39,160,340  38,418,488  3,658,756  20,988,556  2,409,388  8,981,556  9,597,612  13,771,176  1,559,107  2,518,631  9,693,438  741,852  741,852  741,852  328,276	0 42,828,810 40,374,262 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547 2,454,547 514,233	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2 63.8
	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities for shares in reinsurance claims  Liabilities for shares in reinsurance claims  Liabilities to Group companies  Liabilities to associates  Liabilities due from co-insurance and reinsurance  5.1 Liabilities due from co-insurance and reinsurance  5.2 Liabilities to Group companies  5.3 Liabilities to associates  5.3 Liabilities to droup companies  Other liabilities  B.) other short-term liabilities  1. Short-term liabilities due to employees  Short-term liabilities to others arising out of financing  3.3 Short-term liabilities to others arising out of financing	170,495  39,160,340  38,418,488  3,658,756  20,988,556  2,409,388  8,981,556  9,597,612  13,771,176  1,559,107  2,518,631  9,693,438  741,852  741,852  328,276  212	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547 2,454,547 514,233 729	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2 30.2 63.8 29.1
11.	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities for shares in reinsurance claims  4.1 Liabilities to Group companies  4.2 Liabilities to associates  4.3 Liabilities due from co-insurance and  5. reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to Group companies  5.3 Liabilities to associates  5.3 Liabilities to droup companies  Other liabilities  B.) other short-term liabilities  1. Short-term liabilities  1. Short-term liabilities due to employees  Short-term liabilities to others arising out of financing  3.3 Short-term liabilities to others arising out of financing  4. Tax liabilities (income tax)	170,495  39,160,340  38,418,488  3,658,756  20,988,556  2,409,388  8,981,556  9,597,612  13,771,176  1,559,107  2,518,631  9,693,438  741,852  741,852  328,276  212  212  0	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547 514,233 729 729 1,685,089	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2 63.8 29.1
	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities for shares in reinsurance claims  4.1 Liabilities to Group companies  4.2 Liabilities to associates  4.3 Liabilities due from co-insurance and  5. reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to Group companies  5.3 Liabilities to Group companies  5.4 Liabilities to Group companies  5.5 Liabilities to associates  5.3 Liabilities due to other companies  Other liabilities  B.) other short-term liabilities  1. Short-term liabilities  1. Short-term liabilities due to employees  Short-term liabilities to others arising out of financing  4. Tax liabilities (income tax)  5. Other short-term liabilities	170,495  39,160,340  38,418,488  3,658,756  20,988,556  2,409,388  8,981,556  9,597,612  13,771,176  1,559,107  2,518,631  9,693,438  741,852  741,852  328,276  212  212  0  413,364	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547 514,233 729 729 1,685,089 254,497	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2 30.2 63.8 29.1 29.1 0.0
VI.	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  2. Liabilities for shares in reinsurance premiums  2.3 Liabilities due to other companies  4. Liabilities to Group companies  4.1 Liabilities to associates  4.2 Liabilities to other companies  Other liabilities due from co-insurance and  5. reinsurance  5.1 Liabilities to Group companies  5.2 Liabilities to Group companies  5.3 Liabilities to associates  5.3 Liabilities to associates  5.3 Liabilities to associates  5.3 Liabilities due to other companies  Other liabilities  B.) other short-term liabilities  1. Short-term liabilities  3. Short-term liabilities due to employees  Short-term liabilities to others arising out of financing  4. Tax liabilities (income tax)  5. Other short-term liabilities  5.3 Other short-term liabilities to others	170,495  39,160,340  38,418,488  3,658,756  20,988,556  2,409,388  8,981,556  9,597,612  13,771,176  1,559,107  2,518,631  9,693,438  741,852  328,276  212  212  0  413,364  413,364	0 42,828,810 40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462 13,365,653 924,970 2,966,760 9,473,922 2,454,547 2,454,547 514,233 729 1,685,089 254,497	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2 63.8 29.1 29.1 0.0 162.4
VI.	Other provisions from relations with other companies  Other liabilities  Liabilities from co-insurance and reinsurance business  Liabilities for shares in reinsurance premiums  Liabilities for shares in reinsurance claims  Liabilities for shares in reinsurance claims  Liabilities to Group companies  Liabilities to associates  Liabilities due from co-insurance and  Cother liabilities due from co-insurance and  Liabilities to Group companies  Liabilities due from co-insurance and  Liabilities due from co-insurance and  Liabilities to associates  Liabilities to associates  Liabilities to associates  Short-term liabilities  B.) other short-term liabilities  Short-term liabilities due to employees  Short-term liabilities due to others arising out of financing  Jay Short-term liabilities to others arising out of financing  Liabilities (income tax)  Other short-term liabilities  Jay Other short-term liabilities to others  Accrued expenses and deferred income	170.495 39,160,340 38,418,488 3,658,756 20,988,556 2,409,388 8,981,556 9,597,612 13,771,176 1,559,107 2,518,631 9,693,438 741,852 741,852 328,276 212 212 0 413,364 413,364 1,022,282	0  42,828,810  40,374,262 2,280,267 2,280,267 24,728,343 2,329,272 10,749,608 11,649,462  13,365,653 924,970 2,966,760 9,473,922 2,454,547 514,233 729 729 1,685,089 254,497 254,497	95.2 160.5 160.5 84.9 103.4 83.6 82.4 103.0 168.6 84.9 102.3 30.2 63.8 29.1 29.1 0.0 162.4 162.4

# Statement of comprehensive income

(EUR	)	2012	2011	Index
A	Technical account – non-life business other than health business			
I.	Net earned premiums	132,846,023	122,486,683	108.5
	Gross premiums written	152,827,900	140,350,370	108.9
	Gross written premiums from Group 1.1 companies	20,708,777	21,088,507	98.2
	Gross written premiums from associated companies	40,902,101	47,311,832	86.5
	Gross written premiums from other companies	91,217,022	71,950,031	126.8
	4. Gross reinsurance premiums written (–)	-16,426,092	-20,030,451	82.0
	Gross reinsurance premiums written from 4.3 other companies	-16,426,092	-20,030,451	82.0
	5. Change in gross unearned premiums (+/-)	-3,153,382	964,032	-327.1
	Change in unearned premiums for the reinsurance 6. and co-insurance part (+/-)	-402,403	1,202,732	-33.5
II.	Allocated investment return transferred from the non-technical account (item D VIII)	3,912,233	4,135,905	94.6
IV.	Net claims incurred	88,946,177	75,377,584	118.0
	1. Gross claims paid	79,755,094	73,223,038	108.9
	1.1 Gross claims paid for Group companies	9,366,465	11,354,440	82.5
	1.2 Gross claims paid for associates	23,641,249	27,328,337	86.5
	1.3 Gross claims paid for other companies	46,747,379	34,540,260	135.3
	2. Income from gross recourse receivables (-)	-1,354,822	-2,537,768	53-4
	4. Reinsurers' share (-)	-4,430,412	-7,322,111	60.5
	4.3 Reinsurers' share for other companies	-4,430,412	-7,322,111	60.5
	5. Change in gross claims provision (+/-)	29,856,753	10,901,155	273.9
	Change in the provision for outstanding claims for 6. the reinsurance and co-insurance part (+/-)	-14,880,436	1,113,271	-1336.6
٧.	Change in other net technical provisions (+/-)	-384,357	263	-146093.2
VI.	Net expenses for bonuses and rebates	-22,698	11,682	-194.3
	Net expenses for bonuses and rebates for other group companies	-5,050	0	-
	Net expenses for bonuses and rebates for other companies	-17,648	11,682	-151.1
VII.	Net operating expenses	40,422,287	36,931,215	109.5
	1. Acquisition costs	35,432,457	32,574,006	108.8
	2. Change in deferred acquisition costs (+/-)	-436,710	-5,262	8299.4
	3. Other operating expenses	7,677,515	6,720,088	114.2
	Depreciation/amortisation of operating 3.1. assets	211,664	207,816	101.9
	3.2. Labour costs	5,140,555	4,956,747	103.7
	- salaries and wages	4,051,936	3,712,474	109.1
	- social and pension insurance costs	681,300	647,303	105.3
	- other labour costs	407,319	596,971	68.2
	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships),  3.3. incl. of contributions	100 607	101.017	200.4
		130,697	101,017	129.4
	3.4. Other operating expenses  3.4.1 Other operating expenses for group companies	2,194,600 81.592	79.120	150.9
	3.4.2 Ostali obratovalni stroški za druge družbe	2.113.008	1.375.388	153,6
	Income from reinsurance commission and share 4. in the balance on the reinsurance account (-)	-2.250.975	-2.357.617	95,5
	Income from reinsurance commission for 4.3 other companies	-2.250.975	-2.357.617	95,5
VIII.	Other net technical expenses	157.307	200.784	78,3

(EUR)	)		2012	2011	Index
	1. Exp	enses for loss prevention activities	52	53	99.3
	3. Oth	ner net technical expenses	157,254	200,731	78.3
X.		on the technical account - non-life business n health business (I+II+III-IV-V-VI-VII-VIII)	7,639,540	14,101,060	54.2
D.	Non-tech	nical account			
l.		on the technical account – non-life business n health business (A X)	7,639,540	14,101,060	54.2
IV.	Investme	nt income	14,640,141	12,978,166	112.8
	1. Inc	ome from participating interests	4,505,422	4,728,448	95.3
	1.3.	Income from participating interests in other companies	265,342	187,999	141.1
	2. Inc	ome from other investments	8,477,842	7,312,068	115.9
	2.1.	Income from land and buildings	16,646	16,806	99.0
		- in Group companies	15,296	15,296	100.0
		- in other companies	1,350	1,510	89.4
	2.2	Interest income	7,660,567	7,210,410	106.2
		- in Group companies	396,057	322,155	122.9
		- in associate companies		113,856	73.7
		- in other companies	7,180,606	6,774,399	106.0
	2.3.	Other investment income	800,629	84,852	943.6
		2.3.1. Financial income from revaluation		42,799	1851.3
		- in other companies	792,356	42,799	1851.3
		2.3.2. Other financial income		42,053	19.7
		- in other companies	8,273	42,053	19.7
	4. Gai	ns on disposal of investments	1,656,877	937,650	176.7
/II.	Investme	nt expenses	7,081,265	11,549,155	61.3
		preciation of investments not necessary for erations	2,333	2,333	100.0
		et management expenses, interest expenses I other financial expenses	1,510,233	1,830,269	82.5
		Asset management expenses, interest expenses and other financial expenses for			
	2.3	other companies	1,510,233	1,830,269	82.5
		ancial expenses from revaluation	2,912,704	8,729,393	33.4
		ses on disposal of investments	2,655,996	987,160	269.1
/111.		investment return transferred to the technical or non-life business other than health business	3,912,233	4,135,905	94.6
Χ.		hnical income	2,320,031	1,782,670	130.1
		ner income from non-life business other than	., , ,		
	1. hea	Other income from non-life business from	2,320,031	1,782,670	130.1
	1.1.	Group companies	147,119	82,029	179.3
	1.3.	<u>'</u>	2,172,912	1,700,641	127.8
Χ.		hnical expenses	2,438,315	1,904,339	128.0
		ner expenses for non-life business other than	2,438,315	1,904,339	128.0

(EUR	)	2012	2011	Index
	Other expenses for non-life business from other companies	2,438,315	1,904,339	128.0
XI.	Other income	36,366	10,733	338.8
	Other non-life income	36,366	10,733	338.8
	Other income from non-life business from 1.3. other companies	36,366	10,733	338.8
XII.	Other expenses	5	908	0.5
	Other non-life expenses	5	908	0.5
	Other expenses for non-life business from 1.3. other companies	5	908	0.5
XIII.	Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	11,204,259	11,282,323	99.3
	1. Profit/loss for the period for non-life business	11,204,259	11,282,323	99-3
XIV.	Tax on profit	1,301,088	3,141,502	41.4
	1.1. Tax on profit from non-life business	1,301,088	3,141,502	41.4
XV.	Deferred tax	298,190	-496,472	-60.1
	1.1. Deferred tax for non-life business	298,190	-496,472	-60.1
XVI.	Net profit/loss for the period (XIII-XIV+XV)	9,604,981	8,637,292	111.2
	- From non-life business	9,604,981	8,637,292	111.2
E.	Calculation of comprehensive income			
1.	Profit/loss for the year, net of tax	9,604,981	8,637,292	111.2
II.	Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+)	6,730,302	-6,321,093	-106.5
	Net change in fair value of available-for-sale 4. financial assets	8,596,064	-7,901,366	-108.8
	9. Tax on other comprehensive income	-1,865,762	1,580,273	-118.1
III.	Total comprehensive income (I + II)	16,335,282	2,316,199	705.3



Financial statements of the Sava Re Group pursuant to requirements of the Insurance Supervision Agency

### **Consolidated statement of financial position – assets**

(EUF	₹)		2012	2011	Index
Ass	ets (A – F)		640,591,738	582,037,026	110.1
A.	Intangible a	assets, deferred costs and accrued income	17,767,943	18,274,819	97.2
	1. Intangi	ble assets	2,040,214	2,186,040	93.3
	2. Goodw	ill	15,701,742	16,067,994	97.7
	Other 4. income	long-term deferred expenses and accrued	25,987	20,785	125.0
В.	Land and b	uildings and financial investments	468,512,844	422,279,776	110.9
l.	Land and b	uildings	25,571,511	26,398,025	96.9
	A.) Directly	y used in insurance activities	20,466,209	20,326,579	100.7
	1.	Land directly used in insurance activities	3,774,723	3,766,165	100.2
	2.	Buildings directly used in insurance activities	16,691,486	16,560,414	100.8
	Land a	nd buildings not directly used in insurance	5,105,302	6,071,446	84.1
	1.	Land	604,901	601,469	100.6
	2.	Buildings	4,500,401	5,469,977	82.3
II.		ovestments in group companies and in asso-	55,265,650	50,597,411	109.2
	3. Shares	and interests in associates	55,265,650	49,085,007	112.6
	4. Debt se	ecurities and loans granted to associates	0	1,512,404	0.0
III.		cial investments	341,229,629	315,099,213	108.3
	1. Long-te	erm financial assets	215,965,733	146,335,198	147.6
	1.1.	Equity and other variable income securities and mutual funds	11,872,662	7,453,482	159.3
	1.2.	Debt securities and other fixed income securities	166,107,221	130,721,095	127.1
	1.5.	Other loans granted	215,896	215,587	100.1
	1.6.	Bank deposits	37,710,153	7,651,923	492.8
	1.7.	Other financial investments	59,801	293,111	20.4
	2. Short-t	erm financial investments	125,263,896	168,764,015	74.2
	2.1.	Held-for-trading shares and interests	1,918,422	14,098,510	13.6
	2.2.	Held-for-trading securities or securities with a remaining maturity of less than one year	60,474,650	60,461,998	100.0
	2.3.	Short-term loans granted	608,709	927,609	65.6
	2.4.	Short-term deposits with banks	62,262,115	93,275,898	66.8
	Financial inv	vestments of reinsurers i.r.o. Reinsurance con-			
IV.	tracts with c		9,016,183	8,576,746	105.1
/1.		ovisions transferred to reinsurers and co-insute item for co-insurance)	37,429,870	21,608,381	173.2
	Α.	From unearned premiums	4,280,173	4,588,135	93.3
	В.	From mathematical provisions	175	237	73.8
	C.	From provisions for claims outstanding	32,610,449	16,413,402	198.7
	E.	From other technical provisions	539,073	606,607	88.9
Ξ.		s for the benefit of life-insurance policyholders e investment risk	27,623,903	24,138,957	114.4
<b>)</b> .	Receivables	·	100,954,866	90,794,263	111.2
I.	Receivables	arising out of primary insurance business	25,687,383	26,342,606	97.5
	1. Receiva	ables due from policyholders	22,859,392	24,156,409	94.6
	1.3	Receivables due from others	22,859,392	24,156,409	94.6
	2. Receiva	ables due from insurance intermediaries	2,571,035	1,724,118	149.1

(EUF	₹)		2012	2011	Index
		2.3 Receivables due from others	2,571,035	1,724,118	149.1
	3.	Other receivables arising out of primary insurance business	256,956	462,079	55.6
		3.3 Receivables due from others	256,956	462,079	55.6
	Re	ceivables arising out of co-insurance and reinsurance	230,930	402,079	33.0
II.		iness	54,479,304	52,698,920	103.4
	1.	Receivables for premiums arising out of assumed co-insurance	295,927	287,727	102.8
		1.3 Receivables due from others	295,927	287,727	102.8
	2.	Receivables for premiums arising out of reinsurance assumed	50,741,310	47,304,211	107.3
		2.2 Receivables due from associates	9,765,715	13,010,377	75.1
		2.3 Receivables due from others	40,975,595	34,293,834	119.5
	3.	Receivables for shares in co-insurance claims	198,929	346,761	0.0
		3.3 Receivables due from others	198,929	346,761	0.0
	4.	Receivables for reinsurers' shares in claims	2,584,828	4,439,315	58.2
		4.2 Receivables due from associates	38,980	16,583	0.0
		4.3 Receivables due from others	2,545,848	4,422,732	57.6
	5.	Other receivables from co-insurance and reinsurance	658,310	320,906	0.0
	٠.	5.2 Receivables due from associates	20,876	2,861	0.0
		5.3 Receivables due from others	637,434	318,045	0.0
III.	Oth	ner receivables and deferred tax assets	20,788,179		176.9
1111.	1.	Receivables for advances for intangible assets		11,752,737	0.0
	1.		247,339	257,721	0.0
		1.3 Receivables due from others  Other short-term receivables arising out of insurance	247,339	257,721	0.0
	2.	business	3,572,588	3,212,502	111.2
		2.2 Receivables due from associates	105,803	130,511	0.0
		2.3 Receivables due from others	3,466,785	3,081,991	112.5
	3.	Short-term receivables arising out of investments	937,705	638,632	146.8
		3.3 Receivables due from others	937,705	638,632	146.8
	4.	Other short-term receivables	11,909,198	2,811,797	423.5
		4.3 Receivables due from others	11,909,198	2,811,797	423.5
	5.	Long-term receivables	77,859	9,034	861.8
		5.3 Receivables due from others	77,859	9,034	861.8
	6.	Tax assets (income tax)	2,114,354	295,638	715.2
	7.	Deferred tax assets	1,929,136	4,527,413	42.6
E.	Sun	dry assets	8,188,030	8,974,052	91.2
I.	Prop	perty and equipment other than land and buildings	4,117,170	4,176,756	98.6
	1.	Equipment	3,844,338	3,854,731	99.7
	2.	Other property and equipment	272,832	322,025	84.7
II.	Casl	n and cash equivalents	4,058,488	4,710,455	86.2
Ш.	Inve	ntories and other assets	12,372	86,841	14.2
	1.	Inventories	12,372	86,841	14.2
F.	Sho	rt-term accrued income and deferred expenses	17,193,025	17,190,597	100.0
	1.	Accrued interest and rent	303,313	105,650	287.1
	2.	Short-term deferred acquisition costs	16,058,701	15,938,449	100.8
		Short-term deferred costs due to associated companies	0	3,505,250	0.0
		2.3 Short-term deferred costs due to others	16,058,701	12,433,199	129.2
	3.	Other short-term accrued income and deferred expenses	831,011	1,146,498	72.5
		n-current assets held for sale and discontinued ope-	5 ,	, 1-7 <del>1</del> 2-	7 - 9
G.	ratio	ons	351,125	384,562	91.3
H.	Off	balance sheet items	16,491,850	16,230,528	101.6

# Consolidated statement of financial position – equity & liabilities

(EU	R)	2012	2011	Index
Equ	ity and liabilities (A –H)	640,591,738	582,037,026	110.1
Α.	Equity	171,353,442	148,080,051	115.7
I.	Called-up capital	39,069,099	39,069,099	100.0
	1. Share capital	39,069,099	39,069,099	100.0
II.	Capital reserves	25,352,645	25,417,397	99.7
III.	Profit reserves	96,923,999	90,241,307	107.4
	Legal reserves and reserves provided for in the articles of association	16 677 080	16 672 929	100.0
		16,677,980	16,673,828	100.0
	Reserves for treasury shares and own interests     Treasury shares and own interests (contra account)	1,774	1,774	100.0
		-1,774	-1,774	100.0
	Credit risk equalisation reserve     Catastrophe equalisation reserve	753,026	745,290	
		9,950,193	7,996,935	124.4
IV.	7. Other profit reserves Fair value reserve	69,542,800	64,825,254	107.3
۷.		-1,486,790	-13,147,741	11.3
	Fair value reserve relating to long-term financial 2. investments	1,700,570	-9,199,192	-18.5
	Fair value reserve relating to short-term financial 3. investments	-172,883	-1,610,547	10.7
	4. Other fair value reserve	-3,014,477	-2,338,002	128.9
V.	Retained earnings	4,016,817	2,878,547	139.5
VI.	Net profit/loss for the year	5,461,807	1,147,009	476.2
VII.	Non-controlling interest in equity	2,015,862	2,474,433	81.5
В.	Subordinated liabilities	31,244,573	31,220,817	100.1
C.	Gross technical provisions and deferred premiums earned	360,148,216	320,875,142	112.2
I.	Gross unearned premiums	90,691,880	87,330,269	103.9
II.	Gross mathematical provisions	17,767,312	16,503,688	107.7
III.	Gross provision for outstanding claims	248,200,797	213,830,875	116.1
IV.	Gross provision for bonuses and rebates	562,560	610,616	92.1
٧.	Other gross technical provisions	2,925,667	2,599,694	112.5
D.	Gross technical provisions for the benefit of life-insurance policyholders who bear the investment risk	27,040,864	23,673,423	114.2
E.	Provisions for other risks and charges	1,350,999	795,606	169.8
	1. Provisions for pensions	818,362	774,406	105.7
	2. Other provisions	532,637	21,200	2512.4
	Other provisions from relations with other companies	532,637	21,200	2512.4
G.	Other liabilities	46,268,058	54,188,369	85.4
I.	Liabilities from primary insurance business	1,506,763	1,397,404	107.8
	Liabilities to policyholders	751,291	803,993	93.4
	1.3 Liabilities due to other companies	751,291	803,993	93.4
	Liabilities due to insurance intermediaries	105,064	71,766	146.4
	2.3 Liabilities due to other companies	105,064	71,766	146.4
	Other liabilities from primary insurance business	650,408	521,645	124.7
	3.3 Liabilities due to other companies	650,408	521,645	124.7
II.	Liabilities from co-insurance and reinsurance business	34,951,360	37,621,180	92.9
-	Liabilities for co-insurance premiums	73,323	34,245	214.1
	1.3 Liabilities due to other companies	73,323	34,245	214.1
	Liabilities for reinsurance premiums	4,068,358	2,738,541	148.6
	2.2 Liabilities to associates	31,960	35,863	0.0
	2.3 Liabilities due to other companies	4,036,398	2,702,678	149.4
	Liabilities for shares in reinsurance claims	18,579,168	22,399,070	83.0
	4.2 Liabilities to associates	8,981,556	10,749,608	83.6
	4.3 Liabilities due to other companies	9,597,612	11,649,462	82.4
		12,230,511		0.0
	5. Other liabilities due from co-insurance and reinsurance		12,449,324	
_	F.a. Liabilities to associates	2 518 623	2066760	~ ~
	<ul><li>5.2 Liabilities to associates</li><li>5.3 Liabilities due to other companies</li></ul>	2,518,631 9,711,880	2,966,760 9,482,564	0.0

(EUI	R)			2012	2011	Index
IV.		oilities to	banks	2,670,000	5,779,393	0.0
VI.	Oth	er liabiliti	es	7,139,935	9,390,392	76.0
	A.)	A.) Other long-term liabilities 2  Long-term liabilities from financial lease		232,503	252,021	92.3
				229,005	252,021	90.9
		3.	Deferred tax liabilities	3,498	0	0.0
	В.)	Other s	hort-term liabilities	6,907,432	9,138,371	75.6
		1.	Short-term liabilities due to employees	1,640,299	1,349,163	121.6
		2.	Other short-term liabilities for insurance business	1,301,513	1,928,318	67.5
			2.3 Other short-term liabilities to others	1.301.513	1.928.318	67,5
		3.	Short-term liabilities to others arising out of financing	368,565	2,683	13737.1
			3.3 Short-term liabilities to others arising out Of financing	368,565	2,683	13737.1
		4.	Tax liabilities (income tax)	179,900	2,467,439	7.3
		5.	Other short-term liabilities	3,417,155	3,390,768	100.8
			5.3 Other short-term liabilities to others	3,417,155	3,390,768	100.8
н.	Acc	rued exp	penses and deferred income	3,185,587	3,203,618	99-4
	Accrued costs and expenses		1,414,751	1,640,282	86.3	
	2.	Other a	ccruals and deferred income	1,770,836	1,563,336	113.3
J.	Off	balance s	sheet items	16,491,850	16,230,528	101.6

# Consolidated statement of comprehensive income

(EUF	2)		2012	2011	Index
A		l account – non-life business n health business			
I.	Net earne	ed premiums	229,965,412	216,329,957	106.3
	1. Gro	ss premiums written	254,049,880	239,053,663	106.3
		Gross written premiums from associated			
	1.2	companies	40,902,101	47,311,832	86.5
	1.3	Gross written premiums from other companies	213,147,779	191,741,831	111.2
	2. Prei	miums written for assumed co-insurance (+)	507,579	462,494	109.7
	2.2	Premiums written for assumed co-insurance for	507 570	160.101	100.7
	2.3 2. Droi	other companies miums written for ceded co-insurance (-)	507,579	462,494	109.7
	3. Prei	Premiums written for ceded co-insurance (-)	-1,135,814	-1,146,972	99.0
	3.3	other companies	-1,135,814	-1,146,972	99.0
	4. Gro	ss reinsurance premiums written (–)	-19,457,174	-23,228,455	83.8
	4.2	Gross reinsurance premiums written for associates	-89,131	-65,539	0.0
	1.	Gross reinsurance premiums written from other	-515	- 5/555	
	4.3	companies	-19,368,043	-23,162,916	83.6
	5. Cha	nge in gross unearned premiums (+/-)	-3,760,235	-135,645	2772.1
		nge in unearned premiums for the reinsurance and nsurance part (+/-)	-238,824	1,324,872	-18.0
II.		investment return transferred from the non-technint (item D VIII)	8,902,582	8,251,556	107.9
III.		t technical income	845,798	1,019,000	83.0
	1.2 Oth	er net technical income for associates	0	29,780	0.0
	1.3 Oth	er net technical income for other companies	845,798	989,220	85.5
IV.		ns incurred	141,459,117	127,645,773	110.8
		ss claims paid	132,687,203	126,243,303	105.1
	1.2	Gross claims paid for associates	23,642,028	27,328,337	86.5
	1.3	Gross claims paid for other companies	109,045,175	98,914,966	110.2
		ome from gross recourse receivables (-)	-4,770,220	-6,273,833	76.0
		insurers' share (+/-)	-146,965	-233,013	63.1
	3.3	Co-insurers' share for other companies	-146,965	-233,013	63.1
		nsurers' share (-)	-5,262,018	-8,336,360	63.1
	4.2	Reinsurers' share for associates	-26,612	-932	2855.4
	4.3		-5,235,406	-8,335,428	62.8
		inge in gross claims provision (+/-)	35,147,285	16,169,354	217.4
	Cha	inge in the provision for outstanding claims for the			
		surance and co-insurance part (+/–)	-16,196,168	76,322	-21220
۷.		n other net technical provisions (+/-)	400,275	-944,515	-42.4
VI.	· · · ·	nses for bonuses and rebates	79,740	267,871	29.8
		expenses for bonuses and rebates for other appanies	79,740	267,871	29.8
VII.		ating expenses	78,543,935	76,752,796	102.3
		uisition costs	52,143,883	49,242,529	105.9
		ange in deferred acquisition costs (+/-)	-407,524	469,995	-86.7
		er operating expenses	29,416,130	29,783,541	98.8
	3.1.	Depreciation/amortisation of operating assets	1,615,952	1,764,819	91.6
	3.2.	Labour costs	15,179,468	16,092,072	94.3
		- salaries and wages	12,178,358	12,530,129	97.2
		- social and pension insurance costs	1,878,454	2,012,254	93.4
		- other labour costs	1,122,656	1,549,689	72.4
		Costs of services by natural persons not	, -,-,-	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	,
		performing business (costs relating to contracts for services, copyright contracts and relating to			
	3.3.	other legal relationships), incl. of contributions	379,019	410,150	92.4
	3.4.	Other operating expenses	12,241,691	11,516,500	106.3
		3.4.1 Other operating expenses for other companies	12,241,691	11,516,500	106.3

(EUR			2012	2011	Index
		come from reinsurance commission and share in the alance on the reinsurance account (-)	-2,608,554	-2,743,269	95.1
	4.	Income from reinsurance commission for associates	-9,904	-570	1737.5
	4.	Income from reinsurance commission for other companies	-2,598,650	-2,742,699	94.8
/111.	Other r	net technical expenses	4,245,575	3,346,808	126.9
	1. Ex	spenses for loss prevention activities	551,639	971,412	56.8
	C	ontributions for covering claims of uninsured and			
	2. UI	nidentified vehicles	1,661,913	1,109,910	149.7
	3. O	ther net technical expenses	2,032,023	1,265,486	160.6
Χ.		e on the technical account - non-life business other ealth business (I+II+III-IV-V-VI-VII-VIII)	14,985,150	18,531,779	80.9
3	Technic	cal account - life business			
	Net ear	ned premiums	13,467,573	12,792,441	105.3
	1. G	ross premiums written	13,414,495	12,882,226	104.1
	4. G	ross reinsurance premiums written (–)	-34,412	-30,706	112.1
	4.	Gross reinsurance premiums written from other companies	-34,412	-30,706	112.1
	5. Cl	hange in gross unearned premiums (+/-)	87,490	-59,079	-148.1
l.	Investn	nent income	1,459,008	1,264,011	115.4
	ı. In	come from participating interests	14,144	14,700	0.0
		Income from participating interests in other			
	1.	-	14,144	14,700	0.0
		come from other investments	1,443,731	1,248,593	115.6
	2.	2. Interest income	1,070,027	1,078,567	99.2
		- in other companies	1,070,027	1,078,567	99.2
	2.	3. Other investment income	373,704	170,026	219.8
		2.3.1. Financial inco- me from revaluation	272,546	87,340	312.1
		- in other companies	272,546	87,340	0.0
		2.3.2. Other financial income	101,158	82,686	122.3
		- in other companies	101,158	82,686	122.3
	4. G	ains on disposal of investments	1,133	718	157.8
II.		realised gains on investments of life insurance olders who bear the investment risk	3,520,318	2,469,885	142.5
V.	Other r	net technical income	2,586	53	0.0
/.	Net cla	ims incurred	6,213,480	4,442,354	139.9
	1. G	ross claims paid	6,145,420	4,327,331	142.0
	4. Cl	hange in gross claims provision (+/-)	68,060	115,023	59.2
/I.	Change	e in diverse other net technical provisions (+/-)	4,761,630	1,322,858	360.0
	1. C	hange in the mathematical provision	4,761,630	1,322,789	360.0
	1.	.1. Change in the gross mathematical provision (+/-)	4,761,568	1,322,789	360.0
	1,:	<ol> <li>Change in the reinsurers' share (+/-)</li> </ol>	62	0	0.0
		hange in other net technical provisions (+/-)	0	69	0.0
	2.	Change in gross other technical provisions (+/-)	0	69	0.0
/111.	Net op	erating expenses	6,070,046	6,531,036	92.9
		cquisition costs	3,064,293	3,495,709	87.7
		hange in deferred acquisition costs (+/-)	-73,928	-178,870	41.3
		ther operating expenses	3,080,266	3,214,821	95.8
	3.		185,643	147,549	0.0
		2. Labour costs	1,802,301	1,913,808	94.2
		- salaries and wages	1,450,786	1,562,414	92.9
		- social and pension insurance costs	214,667	234,949	91.4
				ーノサ・フサブ	211 <del>4</del>

(EUR	)	2012	2011	Index
	- other labour costs	136,848	116,445	117.5
	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to 3.3. other legal relationships), incl. of contributions	20,004	35,597	56.2
	3.4. Other operating expenses	1,072,318	1,117,867	95.9
	3.4.1 Other operating expenses for other companies	1.072.318	1.117.867	95,9
	Income from reinsurance commission and share in the 4. balance on the reinsurance account (-)	-585	-624	93.8
	Income from reinsurance commission for other	-0-	6	0
Χ.	4.3 companies Investment expenses	-585	-624	93.8
Λ.	Depreciation of investments not necessary for	402,501	554,971	72.5
	1. operations	0	0	0.0
	Asset management expenses, interest expenses and 2. other financial expenses	67,080	55,496	120.9
	Asset management expenses, interest expenses and other financial expenses for other companies	67,080	55,496	120.9
	3. Financial expenses from revaluation	205,961	486,160	0.0
	Losses on disposal of investments	129,460	13,315	0.0
X.	Net unrealised losses on investments of life insurance policyholders who bear the investment risk	2,272,956	5,533,346	41.1
XI.	Other net technical expenses	29,557	29,113	101.5
-	Other net technical expenses	29,557	29,113	101.5
XII.	Allocated investment return transferred to the non-technical account (item D V) (-)	-167,684	0	
XIII.	Balance on the technical account - life business (I+II+III+IVV+VI-VII-III-IX-X-XI-XII)	-1,133,001	-1,887,288	60.0
С	Technical account – health business			
l.	Net earned premiums	2,791,239	6,016,811	46.4
	Gross premiums written	2,791,239	6,016,811	46.4
IV.	Net claims incurred	2,214,902	4,080,038	54.3
	1. Gross claims paid	2,214,902	4,080,038	54.3
VII.	Net operating expenses	503,971	1,893,391	26.6
	Acquisition costs	91,273	452,651	20.2
	3. Other operating expenses	412,698	1,440,740	28.6
	3.2. Labour costs	0	147,477	0.0
	- salaries and wages	0	111,084	0.0
	- social and pension insurance costs	0	5,554	0.0
	- other labour costs	0	30,839	0.0
	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to		60617	
	<ul><li>3.3. other legal relationships), incl. of contributions</li><li>3.4. Other operating expenses</li></ul>	412,698	1,232,616	0.0
	3.4.1 Other operating expenses for other companies	412,698	1,232,616	33.5
IX.	Other net technical expenses	37,918	190,684	0.0
	Other net technical expenses     Other net technical expenses	37,918	190,684	0.0
XI.	Balance on the technical account - health business (I+II+IIIIV+V-VI-VII-VIII-IX-X)	34,448	-147,302	-23.4
XIII.	Balance on the technical account - health business (XI - XII)	34,448	-147,302	-23.4
D.	Non-technical account			
	Balance on the technical account – non-life business other			
l.	than health business (A X)	14,985,150	18,531,779	80.9
II.	Balance on the technical account – life business (B XIII)	-1,133,001	-1,887,288	60.0
III.	Balance on the technical account – health business (C. XIII)	34,448	-147,302	0.0
IV.	Investment income	20,540,209	19,322,259	106.3
	Income from participating interests	4,199,214	5,452,838	77.0
	1.2. Income from shares of profits of associates	3,809,245	5,241,763	72.7
	Income from participating interests in other 1.3. companies	389,969	211,075	184.8
	2. Income from other investments	14,214,447	12,212,261	116.4

(EUR	)		2012	2011	Indeks
		- in other companies	59,145	33,868	174.6
		2.2. Interest income	12,567,132	11,633,450	108.0
		- in associate companies	83,904	113,877	0.0
		- in other companies	12,483,228	11,519,573	108.4
		2.3. Other investment income	1,588,170	544,943	291.4
	-	2.3.1. Financial income from revaluation	1,546,829	480,608	321.9
		- in other companies	1,546,829	480,608	321.9
		2.3.2. Other financial income	41,341	64,335	64.3
		- in other companies	41,341	64,335	64.3
	4.	Gains on disposal of investments	2,126,548	1,657,160	128.3
V.		ated investment return transferred to the technical int – life business (B XII)	167,684	0	0.0
VII.	Inves	tment expenses	8,325,983	13,232,878	62.9
	1.	Depreciation of investments not necessary for operations	64,421	9,390	686.1
		Asset management expenses, interest expenses and other financial expenses	1,729,947	2,112,569	81.9
		Asset management expenses, interest expenses and other financial expenses for other companies	1,729,947	2,112,569	81.9
	3.	Financial expenses from revaluation	3,313,385	9,667,853	34.3
	4.	Losses on disposal of investments	3,218,230	1,443,066	223.0
VIII.		ated investment return transferred to the technical ant for non-life business other than health business	8,902,582	8,251,556	107.9
IX.	Othe	technical income	3,410,163	2,792,299	122.1
		Other income from non-life business other than health business	3,314,464	2,760,011	120.1
		Other income from non-life business from other companies	3,314,464	2,760,011	120.1
	2.	Other income from life business	95,699	32,288	0.0
		Other income from life business from other companies	95,699	32,288	0.0
X.	Othe	technical expenses	7,242,946	7,374,398	98.2
		Other expenses for non-life business other than health business	6,984,408	7,214,451	96.8
		Other expenses for non-life business from other companies	6,984,408	7,214,451	96.8
	2.	Other expenses for life business	258,538	49,917	0.0
		Other expenses for life business from other companies	258,538	49,917	0.0
	3.	Other expenses for health business	0	110,030	0.0
		Other expenses for health business from other companies	0	110,030	0.0
XI.	Othe	rincome	1,893,701	598,783	316.3
	1.	Other non-life income	1,816,895	585,405	310.4
	_	Other income from non-life business from other 1.3. companies	1,816,895	585,405	310.4
	2.	Other expenses for life business	76,806	13,378	0.0
		Other expenses for life business from other companies	76,806	13,378	0.0
XII.	Othe	expenses	794,577	2,626,451	30.3
	1.	Other non-life expenses	783,315	2,558,730	30.6
		Other expenses for non-life business from other 1.3. companies	783,315	2,558,730	30.6
	2.	Other expenses for life business	11,262	67,721	0.0
		Other expenses for life business from other companies	11,262	67,721	0.0
XIII.		/loss for the year before tax (I+II+III+IV+V+VI-VII-IX-X+XI-XII)	14,296,899	7,657,747	186.7
	1.	Profit/loss for the period for non-life business	15,660,431	9,941,839	157.5
	2.	Profit/loss for the period for life business	-1,397,980	-2,026,760	69.0
	3.	Profit/loss for the period for health business	34,448	-257,332	0.0

(EUR		2012	2011	Indeks
XIV.	Tax on profit	2,160,310	4,083,410	52.9
	1.1. Tax on profit from non-life business	2,136,051	4,015,910	53.2
	1.2. Tax on profit for life business	24,259	67,500	35.9
XV.	Deferred tax	348,132	-424,565	-82.0
	1.1. Deferred tax for non-life business	341,082	-424,565	-80.3
	1.2. Deferred tax for life business	7,050	0	0.0
XVI.	Net profit/loss for the period (XIII-XIV+XV)	11,788,457	4,066,402	289.9
	- From non-life business	13,183,297	6,350,494	207.6
	- From life business	-1,429,289	-2,026,760	70.5
	- From health business	34,449	-257,332	-13.4
E.	Calculation of comprehensive income			
1.	Profit/loss for the year, net of tax	11,788,457	4,066,402	289.9
II.	Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+10)	11,683,495	-10,671,777	-109.5
	Net change in fair value of available-for-sale financial 4. assets	10,297,355	-10,334,410	-99.6
	Net gains/losses attributable to the Group recognised in the fair value reserve and retained profit/loss relating to investments in equity-accounted associated and 7. jointly-controlled companies	4,311,339	-2,388,070	0.0
	g. Tax on other comprehensive income	-2,247,636	2,026,440	-110.9
	Net gains/losses from translation of financial 10. statements	-677,563	24,263	-2792.6
III.	Total comprehensive income (I + II)	23,471,951	-6,605,376	-355-4

# Appendix $\bigcap$ Financial statements of the Sava Re Group pursuant to SKL 2009 Statement of financial position

	2012						102					
(EUR)	Non-life insurar business	Non-life insurance Life insurance business	Health business	Group total	Consolidation	Total	Non-life insur- ance business	Life insurance Health business busines	e Health business	Group total	Consolidation	Total
ASSETS	693,212,255	61,534,589	4,067,269	758,814,113	-118,222,377	640,591,738	631,556,764	55,339,001	3,594,106	690,489,872	-108,452,846	582,037,026
Intangible assets	1,785,967	280,234	0	2,066,201	15,701,742	17,767,943	1,973,370	233,455	0	2,206,825	16,067,994	18,274,819
Property and equipment	19,122,281	4,331,098	000,051,1	24,583,379	0	24,583,379	18,709,669	4,774,256	014,610,1	24,503,335	0	24,503,335
Deferred tax assets	1,896,865	32,271	0	1,929,136	0	1,929,136	4,406,361	121,052	0	4,527,413	0	4,527,413
Investment property	4,942,011	163,291	0	5,105,302	0	5,105,302	5,907,875	163,571	0	6,071,447	0	6,071,447
Financial investments in associates	141,531,310	678,536	000'006	143,109,846	-87,844,195	55,265,651	128,130,259	859,074	000,006	129,889,333	-80,804,326	49,085,007
Financial investments:	330,859,796	25,284,716	1,560,602	357,705,114	-7,459,302	350,245,812	313,229,759	11,807,711	1,322,393	336,359,863	-11,171,500	325,188,363
- Loans and deposits	103,209,264	9,037,618	1,560,602	113,807,484	-7,459,302	106,348,182	109,673,407	7,212,843	1,322,393	118,208,643	-11,171,500	107,037,143
- Held to maturity	12,440,480	4,123,001	0	16,563,481	0	16,563,481	12,525,414	2,895,100	0	15,420,514	0	15,420,514
- Available for sale	213,264,576	11,014,584	0	224,279,160	0	224,279,160	187,743,022	10,269,917	0	198,012,939	0	198,012,939
- At fair value through profit or loss	1,945,476	1,109,513	0	3,054,989	0	3,054,989	3,287,916	1,429,851	0	4,717,767	0	4,717,767
Funds for the benefit of policyholders who bear the investment risk		27,623,903	0	27,623,903	0	27,623,903	0	24,138,957	0	24,138,957	0	24,138,957
Reinsurers' share of technical provisions	59,573,045	43,856	0	106,919,65	-22,187,031	37,429,870	43,260,852	53,573	0	43,314,425	-21,706,044	21,608,381
Receivables	ווק,016,111	1,734,180	4,039	113,648,730	-14,623,000	99,025,730	94,744,060	1,699,095	352,303	96,795,458	-10,528,609	86,266,849
- Receivables arising out of primary insurance business	25,378,620	334,265	0	25,712,885	-25,502	25,687,383	25,684,622	349,718	352,303	26,386,643	-44,037	26,342,606
- Receivables arising out of reinsurance and co-insurance business		9,626	0	67,792,877	-13,313,573	54,479,304	62,936,645	18,230	0	62,954,875	-10,255,955	52,698,920
- Tax receivables	2,114,354		0	2,114,354	0	2,114,354	295,638	0	0	295,638	0	295,638
- Other receivables	16,634,286	1,390,289	4,039	18,028,614	-1,283,925	16,744,689	5,827,155	1,331,147	0	7,158,302	-228,617	6,929,685
Deferred acquisition costs	17,473,925	191,658	203,709	17,869,292	1,810,591	16,058,701	15,871,158	377,652	0	16,248,810	-310,361	15,938,449
Other assets	1,040,909	105,787	0	1,146,696	0	1,146,698	1,284,931	54,058	0	1,338,989	0	1,338,989
Cash and cash equivalents	2,735,022	1,054,547	268,919	4,058,488	0	4,058,488	3,653,908	1,056,547	0	4,710,455	0	4,710,455
Non-current assets held for sale	340,613	10,512	0	351,125	0	351,125	384,562	0	0	384,562	0	384,562
EQUITY AND LIABILITIES	693,212,255	61,534,589	4,067,269	758,814,113	-118,222,377	640,591,738	631,556,761	55,338,998	3,594,103	690,489,871	-108,452,846	582,037,026
Equity	228,118,887	14,264,211	1,164,449	243,547,547	-72,194,105	171,353,441	197,118,490	13,071,188	2,634,873	212,824,551	-64,744,504	148,080,047
Share capital	95,469,312	21,966,869	1,130,000	118,566,181	-79,497,081	39,069,098	94,843,482	22,086,990	1,130,000	118,060,472	-78,991,373	39,069,098
Capital reserves	35,387,859	2,119,262	0	37,507,121	-12,154,476	25,352,645	33,003,753	57	0	33,003,810	-7,586,413	25,417,397
Profit reserves	96,349,342	336,491	0	96,685,833	239,940	96,925,773	89,762,593	336,491	0	90,060,084	143,997	90,243,081
Treasury shares	-1,774	0	0	-1,774	0	-1,774	-1,774		0	-1,774	0	-1,774
Fair value reserve	-1,005,461	-86,520	0	1,091,981	2,619,670	1,527,689	-8,448,592	-400,356	0	-8,848,948	-1,960,790	-10,809,738
Retained earnings	-2,436,697	-7,403,917	0	-9,840,614	13,857,431	4,016,817	-10,929,894	-5,969,149	1,762,205	-15,136,838	اذا	2,878,547
Net profit/loss for the period	6,799,949	-1,756,493	34,449	5,077,905	383,902	5,461,807	861,782	-2,261,027	-257,332	-1,656,577	2,803,584	1,147,011
Translation reserve	-2,443,643	184,116-		-3,355,124	340,647	-3,014,477	-1,972,860	-721,818	0	-2,694,678	356,676	-2,338,002
Equity attributable to owners of the controlling company	228,118,887	14,264,211	1,164,449	243,547,547	-74,209,967	169,337,576	197,18,490	13,071,188	2,634,873	212,824,551	-67,218,932	145,605,620
Non-controlling interest in equity	0	0	0	0	2,015,862	2,015,862		0	0	0	2,474,430	2,474,430
Subordinated liabilities	31,244,573	0	0	31,244,573	0	31,244,573	31,220,817	0	0	31,220,817	0	31,220,817
Technical provisions	361,441,392	18,433,253	2,460,602	382,335,247	-22,187,031	360,148,216	324,853,532	17,081,646	646,008	342,581,186	-21,706,044	320,875,142
- Unearned premiums	96,057,607	405,761	1,560,602	98,023,970	-7,332,090	90,691,880	94,456,030	379,712	101,838	94,937,580	-7,607,311	87,330,269
- Mathematical provisions	0	17,767,312		17,767,312		17,767,312		16,503,688		16,503,688		16,503,688
- Provision for outstanding claims	261,753,918	260,180	000'006	262,914,098	-14,713,301	248,200,797	227,040,502	198,246	544,170	227,782,918	-13,952,043	213,830,875
- Other technical provisions	3,629,867	0	0	3,629,867	-141,640	3,488,227	3,357,000	0	0	3,357,000	-146,690	3,210,310
Technical provision for the benefit of life insurance policyholders	C	27 040 864	c	27.040.864	c	27 040 864	c	22 672 423	c	22 672 422	C	22 672 422
Other provisions	1.244.035	106.964	0	1,350,999	0	1,350,999	718.283	77,323	0	795,606	0	795,606
Liabilities related to non-current assets held for sale	0	0	0	0	0	000-00	0	0	0	0	0	0
Deferred tax liabilities	3,498	0	0	3.498	0	3,498	0	0	0	0	0	0
Liabilities under financial contracts	0	0	0	0	0		0	0	0	0	0	0
Other financial liabilities	9,924,737	670,000	0	10,594,737	-7,556,172	3,038,565	17,163,391	0	0	17,163,391	915,186,11-	5,782,075
Liabilities from operating activities	49,646,319	280,416	0	49,926,735	-13,288,712	36,638,023	51,124,208	372,080	258,120	51,754,408	-10,268,384	41,486,025
- Liabilities from primary insurance business	1,403,033	110,583	0	3,513,616	-6,853	1,506,763	1,219,747	136,321	44,683	1,400,751	-3,347	1,397,404
- Liabilities from reinsurance and co-insurance business	48,125,332	107,887	0	48,233,219	-13,281,859	34,951,360	47,750,260	135,958		47,886,218	-10,265,037	37,621,182
- Current income tax liabilities	117,954	61,946	0	179,900	0	179,900	2,154,201	108,66	213,437	2,467,439	0	2,467,439
Other liabilities	11,588,814	738,881	442,218	12,769,913	-2,996,354	9,773,559	9,358,043	1,063,341	55,105	10,476,489	-352,601	10,123,890

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	Non-life insur- ance business	Life insurance business	Health business	Group total	Consolidation	Total	Non-life insurance business	Life insurance business	Health business	Group total	Consolidation	Total
Net earned premiums	230,203,749	13,346,087	2,791,239	246,341,075	-116,851	246,224,224	216,540,389	12,690,308	6,016,811	235,247,508	-108,298	235,139,209
- Gross premiums written	275,434,326	13,414,495	2,791,239	291,640,060	-20,876,867	270,763,193	260,744,716	12,882,226	6,016,811	279,643,753	-21,228,558	258,415,194
- Written premiums ceded to reinsurers and co-insurers	-41,197,640	-145,277	0	-41,342,917	20,715,517	-20,627,400	-45,410,022	-141,557	0	-45,551,579	21,145,446	-24,406,133
- Change in gross unearned premiums	-4,032,937	76,869	0	-3,956,068	44,499	-3,911,569	1,205,695	-50,361	0	1,155,334	-25,186	1,130,148
Income from investments in associates	0	0	0	0	3,809,245	3,809,245	4,540,448	0	0	4,540,448	701,315	5,241,763
<ul> <li>Profit from investments in equity-accounted associate companies</li> </ul>	0	0	0	0	3,809,245	3,809,245	0	0	0	0	998,142	998,142
- Other investment income	0	0	0	0	0	0	4,540,448	0	0	4,540,448	-296,827	4,243,621
Investment income	16,974,620	4,979,326	0	21,953,946	-243,656	21,710,290	14,330,835	3,733,425	0	18,064,260	-283,736	17,780,524
- Interest income	12,963,189	1,070,027	0	14,033,216	-396,057	13,637,159	11,955,605	1,078,567	0	13,034,172	-283,736	12,750,436
- Other investment income	4,011,431	388,981	0	4,400,412	152,401	4,552,813	2,375,230	184,973	0	2,560,203	0	2,560,203
<ul> <li>Net unrealised gains on investments of life insurance policyholders who bear the investment risk</li> </ul>	0	3,520,318	0	3,520,318	0	3,520,318	0	2,469,885	0	2,469,885	0	2,469,885
Other technical income	712,136,217	116,041	0	12,252,258	-5,384,572	6,867,686	10,843,783	48,552	0	10,892,335	-4,466,529	6,425,806
- Commission income	7,759,067	17,755	0	7,776,822	-5,167,683	2,609,139	7,135,750	16,069	0	918,151,7	-4,407,926	2,743,893
- Other technical income	4,377,150	98,286	0	4,475,436	-216,889	4,258,547	3,708,033	32,483	0	3,740,516	-58,603	3,681,913
Other income	1,931,174	76,011	0	2,007,185	-113,484	1,893,701	732,851	13,499	0	746,350	15,737	762,087
Net claims incurred	-141,471,587	-6,211,604	-2,214,902	-149,898,093	10,594	-149,887,499	-127,652,193	-4,421,221	-4,080,038	-136,153,452	-14,713	-136,168,165
- Gross daims paid less income from recourse receivables	-136,897,428	-6,145,420	-2,214,902	-145,257,750	8,980,445	-136,277,305	-130,836,057	-4,327,331	-4,080,038	-139,243,426	10,866,587	-128,376,839
- Reinsurers' and co-insurers' share of claims paid	14,374,809	956	0	14,375,735	-8,966,752	5,408,983	19,413,291	15,357	0	19,428,648	-10,859,275	8,569,373
- Change in the gross claims provision	-18,948,968	-67,110	0	-19,016,078	-3,099	-19,019,177	-16,229,427	-109,247	0	-16,338,674	-22,025	-16,360,699
Change in other technical provisions	-400,275	-1,286,319	0	-1,686,594	0	-1,686,594	944,515	-1,299,145	0	-354,630	0	-354,630
Change in technical provisions for policyholders who bear the investment risk	0	-3,475,311	0	-3,475,311	0	-3,475,311	0	-23,713	0	-23,713	0	-23,713
Expenses for bonuses and rebates	-79,743	0	0	-79,743	0	-79,740	-267,870		0	-267,870	0	-267,870
Operating expenses	-86,536,028	-6,115,150	-503,971	-93,155,149	5,428,058	-87,727,091	-84,016,935	-6,571,380	-1,893,391	-92,481,706	4,560,588	-87,921,117
- Acquisition costs	-56,902,825	-2,990,365	-91,273	-59,984,463	5,166,466	-54,817,997	-54,120,833	-3,316,839	-452,651	-57,890,323	4,408,309	-53,482,014
- Other operating expenses	-29,633,203	-3,124,785	-412,698	-33,170,686	261,592	-32,909,094	-29,896,102	-3,254,541	-1,440,740	-34,591,383	152,279	-34,439,104
Expenses for investments in associates	-340,254	0	0	-340,254	0	-340,254	-5,156,439	0	0	-5,156,439	0	-5,156,439
- Loss arising out of investments in equity-accounted associate companies	0	0	0	0	0	0	0	0	0	0	0	0
Expenses for financial assets and liabilities	-8,504,559	-2,854,671	0	-11,359,230	698,044	-10,661,186	-8,311,970	-6,216,614	0	-14,528,584	363,828	-14,164,756
- Impairment losses on financial assets not at fair value through profit or loss	-1,169,430	-34,554	0	-1,203,984	116,878	-1,087,106	-4,065,702	-320,586	0	-4,386,288	0	-4,386,288
- Interest expense	-2,011,874	-19,724	0	-2,031,598	401,952	-1,629,646	-2,278,546	-47,812	0	-2,326,358	363,828	-1,962,530
- Other investment expenses	-5,323,255	-527,437	0	-5,850,692	179,214	-5,671,478	-1,967,722	-314,870	0	-2,282,592	0	-2,282,592
<ul> <li>Net unrealised losses on investments of life insurance policyholders who bear the investment risk</li> </ul>	0	-2,272,956	0	-2,272,956	0	-2,272,956	0	-5,533,346	0	-5,533,346	0	-5,533,346
Other technical expenses	-11,416,059	-288,332	-37,918	-11,742,309	186,313	966'555'11-	-10,668,267	915'62-	-300,714	-11,048,497	107,494	-10,941,003
Other expenses	-783,315	-11,262	-	-794,576	0	-794,576	-2,558,728	-67,722		-2,626,450	0	-2,626,450
Profit/loss before tax	11,713,940	-1,725,184	34,449	10,023,205	4,273,691	14,296,899	9,300,420	-2,193,527	-257,332	6,849,561	875,686	7,725,247
Income tax expense	-2,477,133	-31,309	0	-2,508,442		-2,508,442	-3,591,345	-67,500		-3,658,845	0	-3,658,845
Net profit/loss for the period	9,236,807	-1,756,493	34,449	7,514,763	4,273,691	11,788,457	5,709,075	-2,261,027	-257,332	3,190,715	875,686	4,066,402



Glossary of selected terms and calculation methodologies for indicators

Administrative expenses ratio = operating expenses – acquisition costs / gross premiums written

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

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

Capital fund Assets representing the capital of the Company.

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

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

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

Combined ratio the aggregation of the loss ratio and the expense ratio.

Net (incurred) combined ratio = net claims incurred + operating expenses – (reinsurance) commission income / net premiums earned.

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

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

Expense ratio (Net) expense ratio = operating expenses – commission income / (net) earned premiums

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

*Gross expense ratio* = operating expenses / gross premiums written

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

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

IBNER provision for claims that are Incurred But Not Enough Reported

**RBNS** provision for claims that are Reported But Not Settled **IBNS** provision for claims that are Incurred But Not Settled

IBNS = RBNS + IBNR

*Insurance density* = gross premiums written / number of inhabitants

*Insurance penetration* = gross premiums written / gross domestic product

*Liability fund* Assets supporting technical provisions.

*Life insurance liability fund* Assets supporting mathematical provisions.

Loss ratio (Incurred loss ratio) Gross (incurred) loss ratio = gross claims incurred / gross premiums earned Net (incurred) loss ratio = net claims incurred / net premiums earned

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

> *Paid loss ratio* Gross paid loss ratio = gross claims paid / gross premiums written Net paid loss ratio = net claims paid / net premiums written

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

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

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

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

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

*Retention ratio* = net premiums written / gross premiums written

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

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

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

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

Strategic shares Shares of subsidiary and associate companies.

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

Technical result The aggregation of underwriting result and insurance investment income.

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

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

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