SAVA Re
Pozavarovalnica Sava, d. d.

ANNUAL REPORT

2013

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REPORT

2013

Zvonko Ivanušič
CHAIRMAN OF THE MANAGEMENT BOARD

Srečko Čebron
MEMBER OF THE MANAGEMENT BOARD

Jošt Dolničar
MEMBER OF THE MANAGEMENT BOARD

Mateja Treven
MEMBER OF THE MANAGEMENT BOARD

DECLARATION OF THE MANAGEMENT BOARD

To the best of our knowledge and in accordance with the International Financial Reporting Standards, the consolidated and separate financial statements with notes have been prepared to give a true and fair view of the financial position and profit/loss of the Group and Pozavarovalnica Sava d.d. ("Sava Reinsurance Company"). The business report gives a fair view of the development and performance of the Group and the Company, and their financial position, including a description of the principal risks that the consolidated companies are exposed to.

Ljubljana, 31 March 2014

Summary of key figures

Group net profit for 2014 was up **33 percent over** the previous year, despite a large one-off investment impact on the final result.

- For details on the calculation of ratios and the net investment income, see the glossary in appendix D to this report.
- The net investment income of the investment portfolio for 2013 includes the gain on the revaluation of Zavarovalnica Maribor to fair value of € 9.7 million and the net investment income from investment property of € –0.3 million.
- The net investment income of the investment portfolio does not include the net investment income from assets pertaining to policyholders who bear the investment risk since such assets do not affect the income statement. The mathematical provision of policyholders who bear the investment risk moves in line with this line item.

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

(€)	Sava Re Group		Sava Reinsurance Company	
	2013	2012	2013	2012
Gross premiums written	386,704,879	270,763,193	134,131,527	152,827,900
Year-on-year change	42.8 %	4.8 %	-12.2 %	8.9 %
Net premiums earned	379,148,165	246,224,224	124,682,115	132,846,023
Year-on-year change	54.0 %	4.7 %	-6.1 %	8.5 %
Gross claims paid	221,223,447	136,277,305	80,525,492	78,400,271
Year-on-year change	62.3 %	6.2 %	2.7 %	10.9 %
Net claims incurred	229,009,555	149,887,499	77,581,652	88,946,176
Year-on-year change	52.8 %	10.1 %	-12.8 %	18.0 %
Net incurred loss ratio	58.9 %	61.6 %	62.2 %	66.7 %
Operating expenses, including reinsurance commission income	127,260,707	85,117,952	38,881,679	40,422,291
Year-on-year change	49.5 %	-0.1 %	-3.8 %	9.5 %
Net expense ratio	33.6 %	34.6 %	31.2 %	30.4 %
Net combined ratio	94.2 %	98.7 %	94.4 %	97.3 %
Net investment income of the investment portfolio, including expenses for financial liabilities	5,145,854	13,189,996	7,982,641	7,558,877
Return on the investment portfolio, including expenses for financial liabilities	0.8 %	3.3 %	2.1 %	2.2 %
Net investment income of the investment portfolio, excluding expenses for financial liabilities	6,862,601	14,819,642	9,239,091	9,007,379
Return on the investment portfolio, excluding expenses for financial liabilities	1.0 %	3.9 %	2.4 %	2.7 %
Profit/loss, net of tax	15,621,924	11,788,457	14,764,052	9,604,981
Year-on-year change	32.5 %	189.9 %	53.7 %	11.2 %
Comprehensive income	21,707,503	23,471,951	17,375,678	16,335,282
Return on equity	7.6 %	7.4 %	7.0 %	5.8 %
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Total assets	1,378,300,387	640,591,738	530,636,968	463,035,873
% change on 31 Dec. of prior year	115.2 %	10.1 %	14.6 %	11.0 %
Shareholders' equity	240,099,321	171,353,442	246,188,770	174,789,811
% change on 31 Dec. of prior year	40.1 %	15.7 %	40.8 %	10.3 %
Net technical provisions	983,520,806	349,759,210	182,280,280	184,400,328
% change on 31 Dec. of prior year	181.2 %	8.3 %	-1.1 %	10.9 %
Book value per share	14.23	18.30	14.59	18.67
Net earnings/loss per share	1.23	1.30	1.16	1.03
No. of employees (full-time equivalent basis)	2,411	1,534	67	70

The richness
I achieve comes
from nature,
the source of
my inspiration.

Claude Monet

1 SAVA RE GROUP BUSINESS REPORT

Birth of the second largest insurance group in SE Europe

1. Letter from the Chairman of the Management Board

Dear Shareholders, Business Partners and Employees

We have left behind a very dynamic year, full of accomplishments but also unpleasant surprises. By gaining 100-percent ownership of Zavarovalnica Maribor, the Sava Re Group became the second largest insurance group in the region. In addition, the Group gained a strong position in the Slovenian insurance market, one of the most developed markets in the region. In order to reach this goal, Sava Reinsurance Company successfully completed a € 55-million recapitalisation program. This, we believe, was a feat in itself considering the ongoing political and economic uncertainty and it demonstrated that investors recognised our long-term strategy to transform the Group as a good business opportunity.

Once Zavarovalnica Maribor was part of the Group, we started integrating the Slovenian companies, which will benefit business operations through reduced costs and improved quality in areas such as claims handling and products. We estimated the integration process might take some three years, and our first step was to streamline the processes that would yield positive effects fairly quickly. The first benefits will be noticeable already in 2014.

In addition, the Group achieved good underwriting results in 2013. The combined ratio improved by 4.5 percentage points to 94.2 percent, indicating that our decision to direct our efforts at stricter underwriting and at streamlining underwriting and claims handling processes was the right one. Providing quality services to our policyholders remains our top priority. This is the foundation on which we will continue to build our brand recognition. But we will also seek to offer such products and services that will ensure that results remain stable in the long term.

We are very proud of the progress of our non-Slovenian subsidiaries. Over the past three years, we worked hard on restructuring companies, redesigning their product ranges and refocusing on portfolio profitability. As a result, growth has been modest in these markets. Yet this is outweighed by better profitability and I am happy to announce that these companies are already past the break-even point. Moreover, our Montenegrin subsidiary was awarded "Best Company of the Year", which demonstrates that we are moving in the right direction.

Our after-tax profit target for 2013 was € 30 million. Had results not been impacted by cancellations of and impairment losses on subordinated bank bonds, the Group would have far exceeded this figure. However, the Group suffered significant investment losses from both the measures imposed by the Bank of Slovenia to rehabilitate major Slovenian banks and the cancellation of subordinated bank bonds of major banks. Investment expenses for write-offs and impairments of € 34 million constitute the main reason the Group did not reach its target.

Against this background, it is with no little pride that I report that the Sava Re Group still managed to generate a profit of € 16 million in 2013, an increase of 33 % over 2012. Also, we have demonstrated that we have sufficient resilience to withstand severe adversity. Sava Reinsurance Company posted a profit of € 15 million, just € 2 million below target. After a period of acquisitions, when capital was used to generate growth, long-term stability and shareholder value, we will now also deliver on our dividend commitments.

Our target is to generate a Group profit of € 24 million in 2014. We believe that this target is ambitious but achievable, since we expect to continue to successfully manage costs and produce good underwriting results. We also expect that the negative impacts on the investment portfolio that we suffered in 2013 will not be repeated.

While the Company's previous strategic plans focused on growth, the current plan focuses on streamlining Group operations in Slovenia, where growth is expected to remain subdued due to market conditions. We are looking to quality of services to strengthen our profile through the streamlining of services. As announced, the Group will continue to seek added value in the consolidation and optimisation of back-office functions in Slovenia. As regards reinsurance operations, we will pursue prudent growth in international markets by entering new markets and increasing our existing presences. However, we expect to see somewhat better growth in other Western Balkan markets in the plan period, as these companies have now established a (sufficiently) solid foundation for further growth.

We believe the Sava Re Group will succeed in meeting the expectations of its many stakeholders and will continue to enjoy its reputation as a trusted, long-term partner.

Yours faithfully,

Zvonko Ivanušič
chairman of the management board of Sava Reinsurance Company

2.
Sava Reinsurance Company and the Sava Re Group – Basic Details

2.1. Company profile of Sava Reinsurance Company[1]

Company name	Pozavarovalnica Sava, d. d. / Sava Reinsurance Company d.d.
Business address	Dunajska 56 1000 Ljubljana Slovenia
Telephone (switchboard)	+386 (1) 47 50 200
Facsimile	+386 (1) 47 50 264
E-mail	info@sava-re.si
Website	www.sava-re.si
Company ID number	5063825
Tax number	17986141
Share capital	€ 71,856,376
Shares	17,219,662 no-par-value shares
Governing and supervisory bodies	MANAGEMENT BOARD Zvonko Ivanušič (chairman) Srečko Čebron Jošt Dolničar Mateja Treven SUPERVISORY BOARD Branko Tomažič (chairman) Mateja Lovšin Herič (deputy chairperson) Slaven Mićković Keith Morris Martin Albreht (employee representative) Andrej Gorazd Kunstek (employee representative)
Date of entry into court register	28 Dec 1990 Ljubljana District Court
Certified auditor	Ernst & Young d.o.o., Dunajska 111 1000 Ljubljana Slovenia
Largest shareholder and holding	Slovenska odškodninska družba, d.d. 25 % + 1 share (4,304,917 no-par value shares)
Credit rating (AM Best)	A– /stable/; October 2013[1]
Credit rating (S&P)	BBB+ /stable/; July 2013

The Company has no branches.

1 After its rating review in February 2014, AM Best affirmed its A– rating with a stable outlook.

2.2. Significant events in 2013

The most significant events of 2013 were associated with the purchase of a majority stake in Zavarovalnica Maribor and the related recapitalisation of Sava Reinsurance Company.

On 11 January 2013

the 26th general meeting of shareholders of Sava Reinsurance Company was held. The resolution on the increase in share capital determined that the issue price (bid price) per new share was to be not less than € 7 and not more than € 9. The issue price for one newly issued share was to be determined by the management board of Sava Reinsurance Company, subject to consent of the supervisory board, while the total issue amount of all newly issued shares as per the resolution was not to exceed € 55,000,001, with regard to which the final number of newly issued shares was to be adjusted accordingly.

On 25 February 2013

Sava Reinsurance Company received a decision from the Slovenian Competition Protection Agency stating that the Agency did not object to the announced concentration of Sava Reinsurance Company and Zavarovalnica Maribor and that such concentration was in compliance with competition rules.

On 25 April 2013

all conditions of the Purchase and Sale Agreement were fulfilled for its implementation. This means that on that day Sava Reinsurance Company acquired 1,468,175 shares of Zavarovalnica Maribor. This triggered the enforcement of the Option Agreement.

On 11 February 2013

Sava Reinsurance Company received a decision of the Insurance Supervision Agency on the increase in the qualifying shareholding in Zavarovalnica Maribor based on which the Company could directly acquire voting rights and shares of Zavarovalnica Maribor of 50 percent or more. Furthermore, the Insurance Supervision Agency issued an approval for Sava Reinsurance Company and the Slovenian Restitution Fund so that they could jointly and directly acquire, based on their share purchase agreement titled "Agreement on rights associated with Zavarovalnica Maribor shares" voting rights and shares in the equity of Zavarovalnica Maribor of 50 percent or more.

On 9 April 2013

Sava Reinsurance Company received notice from the Slovenian Competition Protection Agency that the decision of the Competition Protection Agency dated 20 February 2013 had become final on 28 March 2013. The date 28 March 2013 marked the cumulative fulfilment of all suspensive conditions of the Purchase and Sale Agreement ("Agreement on the Purchase and Sale of Zavarovalnica Maribor Shares") signed by the Slovenian Restitution Fund d.d. and Sava Reinsurance Company as one party and Nova Kreditna banka Maribor as the other party on 11 December 2012.

On 26 April 2013

Sava Reinsurance Company announced, in accordance with the provisions of the Slovenian Takeovers Act (ZPre-1), its intention to take over all shares of Zavarovalnica Maribor neither owned by the Company itself nor by the Slovenian Restitution Fund.

> With the acquisition of Zavarovalnica Maribor, the Group undertook a large step towards consolidating its position in the Slovenian insurance market, where it has a 17 percent market share.

On 8 May 2013

Sava Reinsurance Company obtained a decision from the Slovenian Securities Market Agency on the approval of the Prospectus for the Offering of New Shares of Sava Reinsurance Company ("the Prospectus") and on 9 May 2013 a decision on the correction of the operative part of the decision dated 8 May 2013, for the offering of no more than 7,857,143 new shares of Sava Reinsurance Company (with ticker POSR) for a maximum total issue amount of € 50,000,001 in the Republic of Slovenia. On 9 May 2013, Sava Reinsurance Company published the Prospectus, thereby officially commencing the procedure for the public offering of new shares of Sava Reinsurance Company.

On 21 May 2013

Sava Reinsurance Company received a decision of the Slovenian Securities Market Agency, confirming the Takeover Bid and Prospectus for the acquisition of Zavarovalnica Maribor shares. On 22 May 2013, Sava Reinsurance Company publicly announced its Takeover Bid, which was valid from 24 May 2013 to 24 June 2013 noon.

12 July 2013

Pursuant to the Agreement on Rights Associated with Zavarovalnica Maribor Shares concluded with the Slovenian Restitution Fund d.d. (SOD), on 12 July 2013 Sava Reinsurance Company exercised its call option for 4,882,813 shares of Zavarovalnica Maribor at a price of € 10.4919 per share, in total € 51,229,98.71. Thus Sava Reinsurance Company increased its stake in Zavarovalnica Maribor to 99.87 %.

On 19 July 2013

Sava Reinsurance Company paid out the price difference on the bid price to the accepting parties in the takeover procedure for Zavarovalnica Maribor, in accordance with the Takeovers Act. In accordance with the takeover bid of 23 May 2013, the offered price of the offeror for one share of the offeree company was € 10.24.

On 20 May 2013

the management board of Sava Reinsurance Company, with the consent of the supervisory board, determined the price at which interested investors paid in newly issued share at € 7.

On 8 July 2013

the Company successfully concluded the procedure of increasing its share capital and published the results of its share offering. In the offering of new shares of Sava Reinsurance Company, carried out in accordance with the general meeting resolutions passed on 11 January 2013 and with the provisions of the Prospectus for the offering of new shares of the Company, all offered shares, i.e. 7,857,143 POSR shares, were subscribed and fully paid up at the price of € 7.00 per share, in the total issue amount of € 55,000,001.00. The new shares – new share capital of € 71,856,376.23 – were entered in the register of companies on 11 July 2013; on 17 July the shares were registered in the clearing and deposit corporation (KDD) and on 18 July, they were listed on the Ljubljana stock exchange. On 11 July 2013, an entry was made into the register of companies on the amendment to the articles of association of Sava Reinsurance Company, as adopted by the supervisory board as per the authorisation given in the 26th general meeting of shareholders to bring the wording in line with the capital increase carried out by the Company.

On 19 August 2013

the general meeting of Zavarovalnica Maribor passed a resolution to squeeze out minority shareholders. Following the entry of this resolution into the register of companies, all shares not owned by Sava Reinsurance Company were transferred to the Company against payment of compensation of € 10.4919 per share.

Other significant events in 2013:

3

On 28 March 2013, the Belgrade companies register agency entered the capital increase in the subsidiary life insurer Sava životno osiguranje, resulting in share capital of RSD 344,060,419. The recapitalisation of Sava životno osiguranje, owned 99.9 % by Sava Reinsurance Company, involved the subscription of 85,760 new shares for a total amount of RSD 47,201,446.

5

In its meeting of 20 May 2013, the supervisory board of Sava Reinsurance Company reappointed the current four-member management board – consisting of Zvonko Ivanušič (chairman) and the members Srečko Čebron, Jošt Dolničar and Mateja Treven. The term of office of the first three listed board members was to expire at year-end 2013, while that of Mateja Treven was to expire on 3 February 2016. The new term of office of the chairman and those of all three other board members will run for five years, beginning on 1 June 2013.

7

After the successful completion of the capital increase, the purchase of the remaining shares of Zavarovalnica Maribor and following the annual rating review, on 5 July 2013 Standard & Poor's (S&P), in accordance with its criteria for insurers, affirmed the existing "BBB+" ratings with stable outlook and removed the ratings from CreditWatch with negative implications.

On 12 July 2013, the 27th general meeting of Sava Reinsurance Company shareholders took place at the Horus hall of the Austria Trend Hotel. The general meeting appointed four members of the supervisory board representing shareholder interests for a four-year term of office, beginning 15 July 2013. The members of the supervisory board to represent shareholder interests in the new term of office were Branko Tomažič, Mateja Lovšin Herič, Keith Morris and Slaven Mićković. Among other things, the general meeting was presented the annual report for 2012, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2012 with the opinion of the supervisory board thereto. The general meeting resolved that distributable profit of € 12,717,998.16 should remain undistributed and discharged both the management and the supervisory board from their liability for the financial year 2012. The general meeting appointed the auditing firm Ernst & Young d.o.o., Dunajska 111, Ljubljana, as auditor for the 2013 financial year. The general meeting was also informed that Andrej Gorazd Kunstek replaced Samo Selan as supervisory board member representing employee interests as from January 2013. No challenging actions were announced in the general meeting.

7

In its meeting on 22 July 2013, the new supervisory board members met in a constitutive meeting and re-elected Branko Tomažič chairman of the supervisory board and Mateja Lovšin Herič deputy chairman. Furthermore, the supervisory board appointed from among its members two members to the audit committee: Mateja Lovšin Herič as chair and Slaven Mićković as member. Ignac Dolenšek was elected third, independent external member of the supervisory board audit committee.

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

9

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

10

After its regular annual rating review in October 2013, rating agency AM Best Europe, London, in accordance with its criteria for insurance companies, affirmed the financial strength rating of A- (Excellent) and the issuer credit rating of A- (Excellent) of Sava Reinsurance Company, both with a stable outlook.

12

In December 2013 after the announced impairment of subordinated bonds, AM Best initiated the process of examining whether the level of capitalisation that the rating agency assessed based on its own model still corresponded to the assigned rating. In this regard, AM Best also announced that it initiated a rating review of Sava Reinsurance Company with potentially negative implications.

On 16 December 2013, the Serbian register of companies entered a recapitalisation of Sava životno osiguranje to RSD 329,422,873.13. In the recapitalisation process of Sava životno osiguranje, which is 99.99 % owned by Sava Reinsurance Company, 86,200 new shares were subscribed and paid in with a nominal value of RSD 39,920,502.23.

In 2006 and 2007, Sava Reinsurance Company took out a subordinated debt in the total amount of € 32 million. The Company made an early repayment of part (€ 8 million) of its subordinated debt. In this regard, the Company realised capital gains in the fourth quarter of 2013. The Company thus reduced its debt and the related future financing costs. After this partial redemption of the subordinated debt, the total nominal value of the remaining subordinated debt of Sava Reinsurance Company amounted to € 24 million. This early redemption of subordinated debt does not affect the capital adequacy of the Company (under current legislation), as the amount of subordinated debt included in the capital adequacy statement is limited to 25 % of the Company's required solvency margin, i.e. € 5.8 million at 31 December 2013. The Company's capital adequacy thus remained at a high level.

2.3. Significant events after the reporting date

- After the announcement that Sava Reinsurance Company would recognise impairment losses on its subordinated bonds of Slovenian banks in 2013, credit rating agency AM Best started a review of the Company's capitalisation, as measured under the agency's model, to examine whether it still supported the Company's credit rating. Upon completion of the review in February 2014, AM Best announced that it affirmed Sava Reinsurance Company's A– rating with a stable outlook, as the Company's capitalisation remained at a high level.
- In February 2014, Sava Reinsurance Company acquired the company Illyria Hospital from its subsidiary Illyria at a price of € 1.8 million, gaining 100 % direct ownership of the company. The acquisition had no impact on the consolidated financial statements.
- On 3 February 2014, Sava Reinsurance Company jointly with certain other insurance companies filed a complaint in the Administrative Court against the Bank of Slovenia, challenging the bank's decision on emergency measures leading to the expropriation of shareholders and subordinated bondholders of certain banks. The claim of Sava Reinsurance Company totalled € 8,338,000, for Zavarovalnica Maribor € 15,975,000. The Administrative Court has yet to hear the case; however, the Bank of Slovenia, the defendant, filed an objection to the action and to the proposal for initiating proceedings for a constitutional review brought by certain other pension and insurance companies in response to the decisions on emergency measures.
- On 21 March 2014 Sava Reinsurance Company convened an extraordinary general meeting in order to obtain authorisation to establish a fund for treasury shares.

2.4. Credit rating of Sava Reinsurance Company

Sava Reinsurance Company has two credit ratings, from Standard & Poor's and AM Best.

Credit ratings of Sava Reinsurance Company

	Standard & Poor's		A.M. Best	
	Rating[2]	Outlook	Rating[3]	Outlook
Pozavarovalnica Sava	BBB+	stable	A–	stable

A summary of the two reports is posted on the Company's website: www.sava-re.si.

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

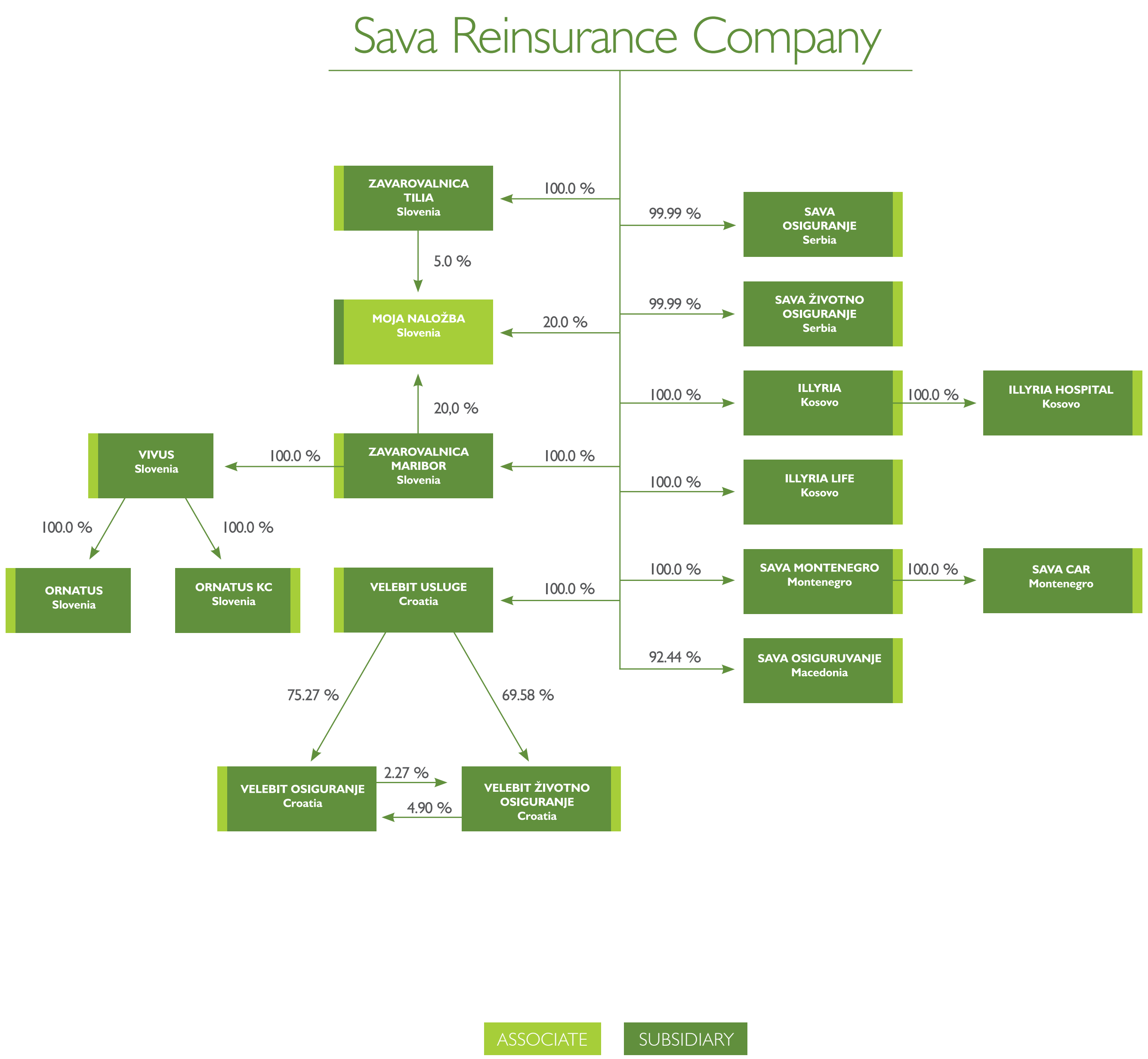
3 A.M. Best uses the following credit rating categories to evaluate the financial strength: A++, A+ (superior), A, A– (excellent), B++, B+ (good), B, B– (fair), C++, C+ (marginal), C, C– (weak), D (poor), E (under regulatory supervision), F (in liquidation), S (suspended).

2.5. Presentation of the Sava Re Group and its associate companies

At 31 December 2013, the Sava Re Group comprised the reinsurer Sava Reinsurance Company as parent of the Group, ten subsidiaries – insurers based in Slovenia and other countries of the former Yugoslavia – and one associate company, a pension company based in Slovenia.

2.6. Sava Re Group structure including associate companies

Sava Re Group structure including associates as at 31 December 2013



100 percent
ownership of Zavarovalnica Maribor

Company names of subsidiary and associate companies

Long name		Name in this report
Sava Re Group		Sava Re Group
Pozavarovalnica Sava, d. d.	1	Sava Reinsurance Company
Zavarovalnica Tilia, d.d., Novo mesto	2	Zavarovalnica Tilia
Zavarovalnica Maribor d.d.	3	Zavarovalnica Maribor or ZM
Moja naložba pokojninska družba d.d.	4	Moja naložba
Sava osiguranje, a.d.o. Beograd	5	Sava osiguranje Belgrade
Sava životno osiguranje, a.d.o. Beograd	6	Sava životno osiguranje
Kompania e Sigurimeve Illyria sh.a.	7	Illyria
Kompania për Sigurimin e Jetës Illyria Life sh.a.	8	Illyria Life
Sava Montenegro AD Podgorica	9	Sava Montenegro
SAVA osiguruvanje, a.d. Skopje	10	Sava osiguruvanje Skopje
VELEBIT USLUGE d.o.o.	11	Velebit usluge
VELEBIT OSIGURANJE d.d.	12	Velebit osiguranje
VELEBIT ŽIVOTNO OSIGURANJE d.d.	13	Velebit životno osiguranje
Illyria Hospital sh.p.k.	14	Illyria Hospital
Sava Car doo	15	Sava Car
Vivus d.o.o.	16	Vivus
Ornatus d.o.o.	17	Ornatus
Ornatus KC d.o.o.	18	Ornatus KC

2.7. Activities of the Sava Re Group and its associates

Sava Reinsurance Company, the controlling company of the Group, transacts reinsurance business. Zavarovalnica Tilia and Zavarovalnica Maribor are composite insurers based in Slovenia. The insurers Sava osiguranje Belgrade, Sava osiguruvanje Skopje, Illyria, Sava Montenegro, and Velebit osiguranje are non-life insurance companies. Sava životno osiguranje Belgrade, Illyria Life and Velebit životno osiguranje are life insurance companies, while the associate Moja naložba 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 is a vehicle inspection company (wholly-owned by the insurer Sava Montenegro) and Vivus (wholly-owned by Zavarovalnica Maribor) is a specialised agency for marketing life products of Zavarovalnica Maribor.

2.8. Company profiles of Sava Re Group members and associates as at 31 December 2013

At year-end 2013, the following companies were members of the Sava Re Group or associate companies:

Company name	Pozavarovalnica Sava	Zavarovalnica Maribor	Zavarovalnica Tilia	Moja naložba	Sava osiguranje Belgrade
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	€ 71,856,376	€ 55,426,292	€ 14,317,673	€ 6,301,109	€ 6,665,393
Book value of equity interest		€ 55,426,292	€ 14,317,673	€ 2,187,745	€ 6,664,726
Equity interests (voting rights) held by Group members	Zavarovalnica Maribor: 2.01 %	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 100.00 %	Sava Reinsurance Company: 20.0 % Zavarovalnica Maribor: 20.0 % Zavarovalnica Tilia: 5.0 %	Sava Reinsurance Company: 99.99 %
Governing bodies	MANAGEMENT BOARD	MANAGEMENT BOARD	MANAGEMENT BOARD	MANAGEMENT BOARD	MANAGING DIRECTOR
	Zvonko Ivanušič (chair), Jošt Dolničar, Srečko Čebron, Mateja Treven	David Kastelic (chair), Srečko Čarni, Borut Celcer	Andrej Kavšek (chair), Tadej Avsec, Jaka Dolenc	Lojze Grobelnik (chair), Igor Pšunder	Duško Jovanović executive director: Edita Rituper, Milorad Bosnić
	SUPERVISORY BOARD	SUPERVISORY BOARD	SUPERVISORY BOARD	SUPERVISORY BOARD	SUPERVISORY BOARD
	Branko Tomažič (chair), Mateja Lovšin Herič, Slaven Mićković, Keith Morris, Martin Albreht, Andrej Gorazd Kunstek	Jošt Dolničar (chair), Dušan Čeč, Polona Pirš Zupančič, Pavel Gojkovič, Aleš Perko, Robert Ciglarič	Zvonko Ivanušič (chair), Jošt Dolničar, Jože Razpotnik	Aleš Hauc (chair), Katrca Rangus, Uroš Lorenčič, Jure Korent, Mojca Androjna, Irena Šela, Irena Žnidaršič, Igor Marinič	Jošt Dolničar (chair), Janez Komelj, Goran Milićević
Position in the Group	parent, reinsurer	subsidiary insurance company	subsidiary insurance company	associate company	subsidiary insurance company
Regulator	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Narodna banka Srbije , Nemanjina 17, 11000 Beograd, Serbia

Company name	Illyria	Sava osiguruvanje Skopje	Sava Montenegro	Sava životno osiguranje	Illyria Life
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	€ 5,428,040	€ 3,820,077	€ 4,033,303	€ 3,868,291	€ 3,285,893
Book value of equity interest	€ 5,428,040	€ 3,531,279	€ 4,033,303	€ 3,867,904	€ 3,285,893
Equity interests (voting rights) held by Group members	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 92.44 %	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 99.99 %	Sava Reinsurance Company: 100.0 %
Governing bodies	MANAGING DIRECTOR	EXECUTIVE DIRECTOR	EXECUTIVE DIRECTOR	MANAGING DIRECTOR	MANAGING DIRECTOR
	Gianni Sokolič	Peter Skvarča chief operating directors: Ruse Drakulovski, Ilo Ristovski	Nebojša Šćekić	Matej Herlec executive director: Gorica Drobnjak	Ramis Ahmetaj
	BOARD OF DIRECTORS	BOARD OF DIRECTORS	BOARD OF DIRECTORS	SUPERVISORY BOARD	BOARD OF DIRECTORS
	Primož Močivnik (chair), Rok Moljk, Robert Sraka, Ramis Ahmetaj, Gianni Sokolič	Rok Moljk (chair), Polona Pirš Zupančič, Milan Viršek, Janez Jelnikar	Milan Viršek (chair), Jošt Dolničar, Edita Rituper	Polona Pirš Zupančič (chair), Pavel Gojkovič, Milan Viršek	Primož Močivnik (chair), Robert Sraka, Gianni Sokolič, Rok Moljk
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company
Regulator	Centralna Banka Kosova, Garibaldi str. no.33, Priština, Kosovo	Agencija za supervizija na osiguruvanje na Republika Makedonija, Ulica Vasil Glavinov br. 2, TCC Plaza kat 2, 1000 Skopje, Macedonia	Agencija za nadzor osiguranja Crna Gora, Ul. Moskovska bb, 81000 Podgorica, Montenegro	Narodna banka Srbije, Nemanjina 17, 11000 Beograd, Serbia	Centralna Banka Kosova, Garibaldi str. no.33, Priština, Kosovo

Company name	Velebit usluge	Velebit osiguranje	Velebit životno osiguranje	Illyria Hospital	Sava Car
Registered office	Savska 144a, 10000 Zagreb, Croatia	Savska 144a, 10000 Zagreb, Croatia	Savska 144a, 10000 Zagreb, Croatia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Company ID number	2146282	2269937	2269929	70587513	02806380
Business activity	wholesale, retailer	non-life insurer	life insurer	hospital	research and analysis
Share capital	€ 16,767,141	€ 6,235,281	€ 5,789,757	€ 1,800,000	€ 120,000
Book value of equity interest	€ 16,767,141	€ 4,911,531	€ 4,132,150	€ 1,800,000	€ 120,000
Equity interests (voting rights) held by Group members	Sava Reinsurance Company: 100.0 %	Velebit usluge: 75.27 % Velebit životno osiguranje: 4.90 %	Velebit usluge: 69.58 % Velebit osiguranje: 2.27 %	Illyria: 100.0 %	Sava Montenegro: 100.0 %
Governing bodies	MANAGING DIRECTOR Milan Viršek	MANAGEMENT BOARD Dražen Kulić (chair), Krešimir Vrbić (član), Primož Močivnik (prokurist)	MANAGEMENT BOARD Tibor Kralj (chair), Kristina Cvitanović - Zorić	MANAGING DIRECTOR Ilirijana Dželadini	EXECUTIVE DIRECTOR Radenko Damjanović
		SUPERVISORY BOARD Milan Viršek (chair), Dragutin Sokačić, Hermina Kastelec, Polona Pirš Zupančič, Josip Šeremet	SUPERVISORY BOARD Pavel Gojkovič (chair), Pero Ćosić, Iris Vencelj, Katrca Rangus, Dino Braš		BOARD OF DIRECTORS Edita Rituper (chair), Nebojša Šćekić, Zoran Savić
Position in the Group	subsidiary	indirect subsidiary insurance company	indirect subsidiary insurance company	indirect subsidiary	indirect subsidiary
Regulator	/	Hrvatska agencija za nadzor financijskih usluga, Miramarska 24b, Zagreb, Croatia		/	/

Company name	Vivus	Ornatus	Ornatus KC
Registered office	Karantanska ulica 35, 2000 Maribor	Karantanska ulica 35, 2000 Maribor	Karantanska ulica 35, 2000 Maribor
Company ID number	2154170000	2238799000	6149065000
Business activity	insurance agency	insurance agency	call centre
Share capital	€ 188,763	€ 8,763	€ 11,000
Book value of equity interest	€ 188,763	€ 8,763	€ 11,000
Equity interests (voting rights) held by Group members	Zavarovalnica Maribor: 100.0 %	Vivus: 100.0 %	Vivus: 100.0 %
Governing bodies	MANAGING DIREKTOR Rebernik Darko	MANAGING DIREKTOR Rebernik Darko	MANAGING DIREKTOR Rebernik Darko
Position in the Group	indirect subsidiary	indirect subsidiary	indirect subsidiary
Regulator	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	/

3.

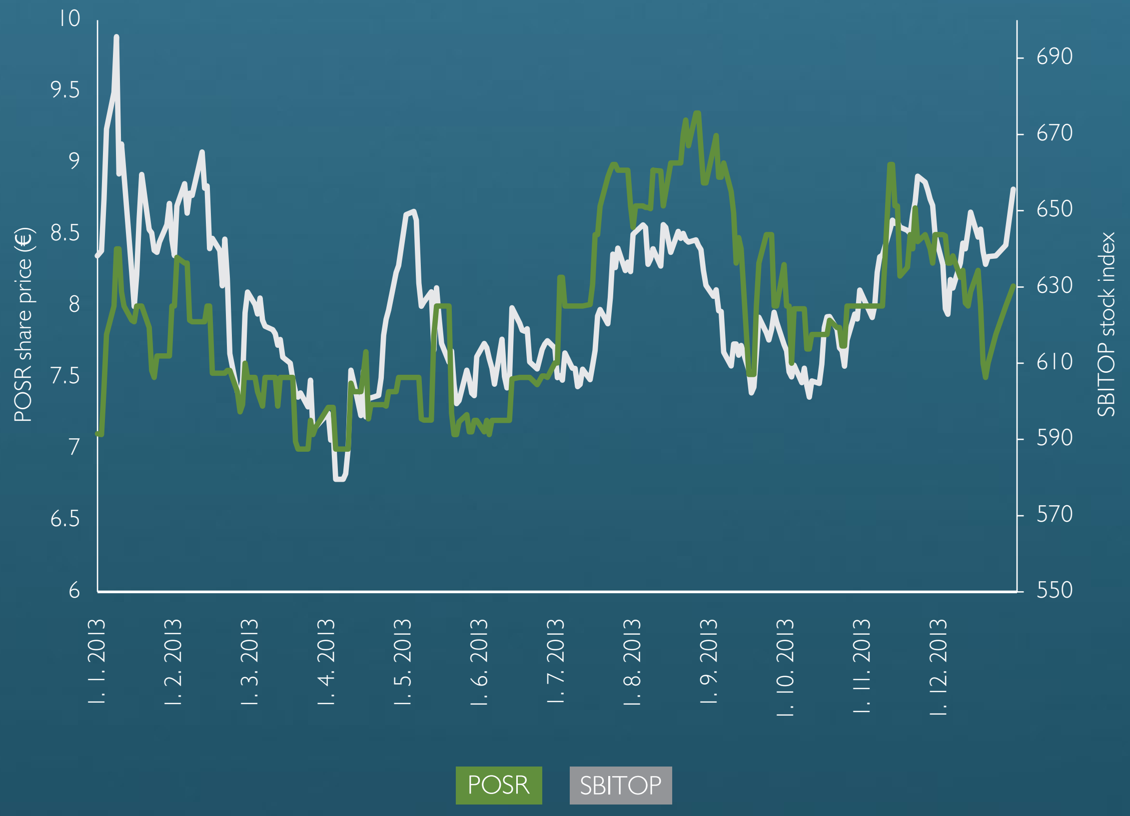
Shareholders and Share Trading

3.1. Developments in capital markets and impacts on the trend of the POSR share

In 2013, the Slovenian capital market (SBITOP) ended the year with a gain for the second year in a row. SBITOP, the Ljubljana Stock Exchange blue-chip index, gained 3.2 %. The Slovenian stock market grew mainly in anticipation of the sale of majority state-owned companies.

2013 was also a good year for the POSR share, with a rising share price and lively trading. Despite the financial turmoil in Cyprus leading to additional mistrust in the Slovenian banking and capital market, Sava Reinsurance Company announced and successfully completed a capital increase in 2013. The POSR share gained 14.3 % in 2013 and had an annual trade volume on the Ljubljana Stock Exchange of over € 8.5 million (2012: € 3.2 million).

Movement in the POSR share price in 2013 compared to the SBITOP stock index.



The POSR share gained 14.3 % in 2013

3.2. General information on the share

Basic details about the POSR share

	31.12.2013	31.12.2012
Share capital	71,856,376	39,069,099
No. of shares	17,219,662	9,362,519
Ticker symbol	POSR	POSR
No. of shareholders	4,959	4,946
Type of share	ordinary	ordinary
Listing	Ljubljana Stock Exchange, prime market	Ljubljana Stock Exchange, prime market
Number of treasury shares	346,643	210
Net earnings/loss per share (€)	1.16	1.03
Consolidated net earnings per share (€)	1.23	1.30
Book value of share (€)	14.59	18.67
Consolidated book value per share (€)	14.23	18.30
Share price at end of period (€)	8.14	7.12
	1.1.2013 –31.12.2013	1.1.2012 –31.12.2012
Average share price in reporting period (€)	7.93	5.66
Minimum share price in reporting period (€)	7.00	4.51
Maximum share price in reporting period (€)	9.35	7.44
Trade volume in reporting period (€)	8,532,525	3,227,869

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

In 2013, the Company did not pay dividends. In 2013, the Company did not have conditional equity.

In 2013, Sava Reinsurance Company carried out a € 55 million capital increase, increasing the number of shares from 9,362,519 to 17,219,662. As a result of the recapitalisation, the ownership structure changed since some shareholders did not exercise their pre-emption rights and other investors joined the Company. During the recapitalisation process, orders for € 93 million were received, an oversubscription of 69 %.

At 31 December 2013, 72.1 % of shareholders were Slovenian and 27.9 % 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 section 5.6 “Details pursuant to Article 70 (6) of the Companies Act (ZGD-1)”.

Shareholder structure of Sava Reinsurance Company at 31 December 2013

Type of investor	Domestic investors	Foreign investors
Other financial institutions	27.9%	2.6%
Insurers and pension companies	13.9%	0.1%
Natural persons	11.8%	0.2%
Banks	7.9%	24.1%
Investment funds and mutual funds	9.0%	1.0%
Other commercial companies	1.6%	0.0%
TOTAL	72.1%	27.9%

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.

3.3. Investor relations

The public relations policy of Sava Reinsurance Company is in line with the Slovenian Financial Instruments Market Act (ZTFI), the Company's Act (ZGD), notification recommendations of the Ljubljana Stock Exchange (LJSE) to public companies, the corporate governance code for public joint-stock companies, the rules of procedure of the supervisory board and with the internal rules for investor relations. 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 meetings of shareholders are called annually and shareholders are sent a letter to inform them of current issues and latest performance figures and invite 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.

In 2013 the Company frequently communicated with its existing and potential investors, as an additional general meeting was called and a capital increase was carried out to raise funds for the acquisition of the remaining stake of Zavarovalnica Maribor. In addition to the customary quarterly meetings with financial professionals and events organised by the LJSE, in the year the Company carried out six additional roadshow events, mostly abroad (New York, London, Vienna, Warsaw, Zagreb and Ljubljana), and numerous individual meetings with various interested investors. During the recapitalisation process, specifically in the subscription of new shares, the Company communicated with existing and new shareholders by sending out invitations and subsequently notifications on allocated new shares. Throughout the subscription process (during all three subscription rounds), the Company jointly with its consulting company in this project (Alta d.d.) had available contact numbers and addresses where shareholders could send questions and obtain necessary information and clarifications.

Due to the changed ownership structure, which includes international legal entities, and to further enhance the flow of information relevant to the financial community, the Company introduced live online communication (webcast).

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

4.

Report of the Supervisory Board

Composition of the Supervisory Board

The composition of the supervisory board changed in 2013. On 15 January 2013, Samo Selan resigned as supervisory board member representing employee interests. The workers' council appointed Andrej Gorazd Kunstek new member of the supervisory board (employee representative) for the period 23 January 2013 – 10 June 2015. 6. 2015.

On 14 July 2013, the term of office of all four supervisory board members shareholder representatives (Branko Tomažič, Mateja Lovšin Herič, Slaven Mićković and Gregor Hudobivnik) expired. On 12 July 2013, the general meeting appointed four members of the supervisory board representing shareholder interests for a four-year term of office, beginning 15 July 2013. On 22 July 2013, the supervisory board members met in a constitutive meeting and elected Branko Tomažič chairman of the supervisory board and Mateja Lovšin Herič deputy chair.

Activities of the Supervisory Board

The supervisory board met 17 times in 2013: the former supervisory board in eight regular and three correspondence sessions and the new supervisory board in six regular meetings. The correspondence sessions were held in accordance with the rules of procedure of the supervisory board and with the consent of all of its members. 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 were also attended by management board members, some agenda items also by other professionals employed with the Company.

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

In early 2013 the supervisory board gave its consent to the dividend policy of Sava Reinsurance Company, it approved the business policy and financial plan of Sava Reinsurance Company and the Sava Re Group for 2013 and the strategic plan of the Sava Re Group for the period 2013–2017.

In 2013, the supervisory board, within its statutory mandate, oversaw the activities of the Company's internal audit. It gave its consent to the work plan of the Group Internal Audit for 2013. With regard to internal auditing, the supervisory board considered the Internal Audit Report for the Period 31 October – 31 December 2012 and the Annual Internal Audit Report for 2012, and gave its written opinion on the Annual Internal Audit Report for 2012. It considered quarterly internal audit reports for the three months to 31 March 2013, for the three months to 30 June 2013 and for the three months to 30 September 2013. All internal audit reports were presented by the director of group internal audit. The supervisory board

considers that all internal audit reports were independent and impartial, and that recommendations and findings of the internal auditor were being taken into due 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. Regarding internal audit, at the end of the year the supervisory board, in accordance with its statutory mandate, gave its consent to the revised internal audit charter and in line with the new charter also gave its consent to the replacement of the head of internal audit and their remuneration.

In addition to the above-mentioned documents, in 2013 the supervisory board also discussed financial reports: the unaudited annual report of the Sava Re Group and Sava Reinsurance Company for 2012, the unaudited quarterly reports on the Sava Re Group and Sava Reinsurance Company for the periods January–March 2013 and January–September 2013 and the unaudited half-yearly report on the Sava Re Group and Sava Reinsurance Company for the period January–June 2013.

In addition, the supervisory board approved the annual report of the Sava Re Group and Sava Reinsurance Company for 2012, and presented it together with the opinion on the internal audit annual report 2012 and the report of the supervisory board of Sava Reinsurance Company 2012, including an opinion thereto, to the general meeting.

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 new (replacement) members of the supervisory board (shareholder representatives) and an external auditor for the 2013 financial year.

In 2013 the supervisory board oversaw the recapitalisation process in Sava Reinsurance Company. In accordance with the Prospectus, the supervisory board gave its consent to the issue price for newly issued shares in the recapitalisation procedure of the Company and gave its consent to the management board decision not to allocate new shares to shareholders in the third subscription round. In accordance with the mandate of the 26th general meeting, the supervisory board adopted amendments to the articles of association of Sava Reinsurance Company in order to align the wording with the implemented increase in the share capital of the Company.

In 2013 the supervisory board monitored the activities relating to the financing and the acquisition of the Zavarovalnica Maribor shares. The acquisition process was carried out in three distinct steps: on 25 April 2013 Sava Reinsurance Company acquired shares, increasing its interest in Zavarovalnica Maribor to 60.47 %. On 12 July 2013, the Company increased its stake in Zavarovalnica Maribor to 99.87 %. By completing the squeeze out procedure on 30 August 2013, Sava Reinsurance Company became the sole owner of Zavarovalnica Maribor.

Furthermore, the supervisory board reviewed progress reports of the management board on consolidating the Sava Re Group after the acquisition of Zavarovalnica Maribor.

In 2013 the supervisory board was briefed on the investment risks in connection with the situation in the global and domestic financial market, and in this regard, discussed in greater detail a report on the exposure of the Company and the Group to subordinated bonds of Slovenian banks.

Also 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 borne by the Company.

In addition to overseeing the operations of Sava Reinsurance Company as the controlling company, the supervisory board actively monitored developments in the subsidiaries together with proposals of the management board to satisfy the capital requirements of the subsidiary Sava osiguranje Belgrade.

Concerning the transposition of the insurance Solvency II Directive into Slovenian law, in 2013 the supervisory board took note of the results of the capital calculation with regard to the capital requirements of the Directive.

Relating to the adoption of planning documents for 2014 and the forthcoming five-year period, the supervisory board together with the management board conducted an all-day strategic workshop to discuss key strategic issues of Sava Reinsurance Company and the Sava Re Group, which was held in the second half of 2013.

The supervisory board noted that all reports prepared by the management board for its own use and that of the audit committee were sufficient and appropriate for a thorough review of issues and for compliance with statutory regulations and internal rules.

Audit committee

In the first part of 2013 the three-member audit committee, a mandatory committee of the supervisory board, operated in the composition: Mateja Lovšin Herič (chair), Slaven Mićković (member) and Blanka Vezjak (member). After the expiry of the supervisory board's term of office (and that of its committees), the new supervisory board, in its constitutive meeting on 22 July 2013, appointed a three-member audit committee, composed of Mateja Lovšin Herič (chair), Slaven Mićković (member) and Ignac Dolenšek (member).

Activities of the audit committee in 2013

The audit committee of the supervisory board met eight times in 2013.

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, whether materials were being prepared observing the reporting principles of transparency and consistency and such like. Based on a supervisory board resolution and taking into account the challenging conditions in capital markets, the audit committee regularly considered quarterly reports on the investment policy of Sava Reinsurance Company and monitored activities of the Company relating to risk management.

The audit committee chair regularly reported on the committee's activities and positions at supervisory board meetings. In addition, the audit committee prepared a written report on its activities in 2013.

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 issuing opinions and preparing proposals.

Furthermore, the supervisory board believes that the composition of the audit committee is appropriate and that its members have such professional and character traits that will ensure the quality and independence of its operations.

The supervisory board is also of the opinion that the audit committee had all prerequisites for working effectively.

Nomination committee

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 (chair), Mateja Lovšin Herič (member) and Vesna Razpotnik (member).

Upon the expiry of the former supervisory board's term of office on 14 July 2013, the term of office of its nomination committee also expired. As yet the supervisory board in its new composition has not formed a new nomination committee.

Activities of the Nomination Committee in 2013

The supervisory board nomination committee met twice in 2013.

In order to prepare for the supervisory board members' expiry of terms of office in 2013, the nomination committee, being an advisory body of the supervisory board, carried out a selection procedure for candidates for members of the supervisory board to be proposed to the general meeting for election.

Annual report 2013

The Company's management board submitted the "Audited Annual Report of the Sava Re Group and Pozavarovalnica Sava d.d. 2013" for approval to the supervisory board. Within its statutory mandate, in its meeting on 8 April 2014, the supervisory board examined the 2014 annual report.

The audit committee of the supervisory board discussed the unaudited annual report, the audited annual report of the Sava Re Group and Pozavarovalnica Sava d.d. 2013 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 Ernst & Young Slovenija, podjetje za revidiranje, d.o.o., who audited the annual report of the Sava Re Group and Sava Reinsurance Company 2013, and also carried out audit reviews in the Sava Re Group subsidiary companies.

The supervisory board noted that the annual report 2013 was clear and transparent, as well as fully compliant with contents and disclosure requirements under the Slovenian Companies Act, International Accounting Standards, specific regulations (Insurance Act) and implementing regulations adopted on the basis of such specific regulations.

Based on its review of the 2013 annual report, 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 2013 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 Pozavarovalnica Sava d.d. 2013" as submitted by the management board.

Determination of and proposal for appropriation of distributable profit

The supervisory board reviewed the proposal of the management board on the appropriation of distributable profit at 31 December 2013 to be decided by the general meeting of shareholders of Sava Reinsurance Company and agrees with the proposal of the management board that the following resolution on the appropriation of distributable profit be submitted for approval to the general meeting of Sava Reinsurance Company's shareholders:

"The distributable profit of € 20,100,023.77 as at 31 December 2013 shall be appropriated as follows:

- € 4,386,984.94 for dividends. The dividend shall be € 0.26 gross per share and shall be paid to the shareholders entered in the register of shareholders two business days after the date of the general meeting. Dividends shall be paid within 60 days of the date of this resolution.
- The remaining distributable profit of € 15,713,038.83 shall remain unallocated."

The supervisory board proposes that the management board be discharged from their liability for the financial year 2013.

Conclusion

The supervisory board believes that Sava Reinsurance Company performed well in 2013 in spite of adverse events in the economic environment and it notes that the results of subsidiaries have been improving from year to year. It continues to support the group governance policies in 2014.

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 the integration of Zavarovalnica Maribor into the Sava Re Group, and implementation of strategic goals and will, within its means and powers, offer the management board its full support.

This report has been prepared in accordance with Article 282 of the Companies Act (ZGD-1).

Ljubljana, 8 April 2014

Branko Tomažič
chairman of the supervisory board of Sava Reinsurance Company

5. Corporate Governance Statement Pursuant to Article 70 of the Companies Act (ZGD-1)

5.1. Corporate Governance Policy

In its 45th session on 21 November 2011, the management board of Sava Reinsurance Company d.d., Dunajska 56, Ljubljana, and the Company's supervisory board in its 29th session on 12 December 2011 adopted the Corporate Governance Policy of Sava Reinsurance Company and the Sava Re Group. The document sets out the main policies for corporate governance of Sava Reinsurance Company and the Sava Re Group and represents a commitment for the future. This corporate governance policy is available through the Ljubljana Stock Exchange Seonet information system and from the Company's website www.sava-re.si.

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

The management 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 as adopted on 8 December 2009 by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia and available from the website of the Ljubljana Stock Exchange, Ljubljana (www.ljse.si) in Slovenian and English, except for the deviations expressly set out below.

5.2.1. The supervisory board

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.

Recommendations 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 (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 April 2011 the supervisory board appointed a standing 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. After expiry of its term of office in July 2013, the new supervisory board has not appointed a new nomination committee yet. However, the supervisory board has also yet to appoint a standing personnel committee. Should need arise, the supervisory board will appoint either committee. The supervisory board carries out other duties within its terms of reference without a specific committee as this has not proved to be necessary.

5.2.2. Transparency of operations

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 the adoption of the previous statement of compliance with the Corporate Governance Code for Public Joint-Stock Companies, i.e., from 29 March 2013 to 31 March 2014.

5.3. 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. Governance bodies, the general meeting, the supervisory board and the management board, act in compliance with laws, regulations, the articles of association and internal rules. The Company's articles of association, the rules of procedure of both the general meeting and the supervisory board are posted on the Company's website www.sava-re.si.

5.3.1. General meeting of shareholders

Terms of reference:

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 its approval 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 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 stipulated 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 Ljubljana Stock Exchange and through its website www.sava-re.si, and in printed form in one daily newspaper as provided in the articles of association: 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 majority), 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 form, or through financial organisations or shareholder associations.

General meetings in 2013

The general meeting of Sava Reinsurance Company shareholders was convened twice in 2013.

On 11 January 2013, the 26th general meeting of Sava Reinsurance Company took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. The general meeting adopted a resolution to increase the share capital through cash contributions. In the meeting, a challenging action was announced but was subsequently not filed.

On 12 July 2013, the 27th general meeting of Sava Reinsurance Company shareholders took place at the Horus Hall of the Austria Trend Hotel. The general meeting appointed four members of the supervisory board representing shareholder interests for a four-year term of office, beginning 15 July 2013. The members of the supervisory board to represent shareholder interests in the new term of office were Branko Tomažič, Mateja Lovšin Herič, Keith Morris and Slaven Mićković. Among other things, the general meeting was presented the annual report for 2012, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2012 with the opinion of the supervisory board thereto. The general meeting resolved that distributable profit of € 12,717,998.16 should remain undistributed and discharged both the management and the supervisory board from their liability for the financial year 2012. The general meeting appointed the auditing firm Ernst & Young d.o.o., Dunajska 111, Ljubljana, as auditor for the 2013 financial year. The general meeting was also informed that Andrej Gorazd Kunstek replaced Samo Selan as supervisory board member representing employee interests as from January 2013. No challenging actions were announced in the general meeting.

As per the 2014 financial calendar, 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 one daily newspaper as provided in the articles of association and on the Company's website.

In addition to the regular annual general meeting, an extraordinary general meeting was convened for March 2014. The management board of Sava Reinsurance Company announced in the notice of general meeting the agenda item "Authorisation of the management board to acquire and dispose of treasury shares". Under such authorisation a fund for treasury shares is to be established, which is to include 346,643 treasury shares owned by Zavarovalnica Maribor. The notice for the general meeting together with the proposed resolution, venue and requirements for participation will also be published through the SEOnet information system of the Ljubljana Stock Exchange, in one daily newspaper as provided in the articles of association and on the Company's website.

5.3.2. Supervisory board

Activities of the supervisory board

The supervisory board supervises the operations of the Company. In doing so, it must comply with applicable regulations, especially the Slovenian Companies Act (ZGD), the Insurance Act (ZZavar), the Company's articles of association and the rules of procedure of the supervisory board. As a rule, it meets at least four times a year, normally after the end of each quarter of the financial year.

Terms of reference

Major responsibilities of the supervisory board:

- to approve the annual business policy and financial plan 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 work plan of the internal audit as 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 financial 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.

In accordance with the law, the supervisory board must be convened at least on a quarterly basis, generally after the end of each quarter. If necessary, the supervisory board may meet on a more frequent basis. The rules of procedure of the supervisory board are posted on the Company's website www.sava-re.si.

The supervisory board in 2013:

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 member of the supervisory board (shareholder representative) took office in June 2011. The term of office of all four members of the supervisory board (shareholder representatives) expired on 14 July 2013.

On 12 July 2013, the general meeting appointed four members of the supervisory board representing shareholder interests for a four-year term of office, beginning 15 July 2013. The members of the supervisory board to represent shareholder interests in the new term of office were Branko Tomažič, Mateja Lovšin Herič, Keith Morris and Slaven Mićković. On 22 July 2013, the supervisory board members met in a constitutive meeting and elected Branko Tomažič chairman of the supervisory board and Mateja Lovšin Herič deputy chair.

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 entered their term of office on 10 June 2011. On 15 January 2013, Samo Selan resigned as supervisory board member representing employee interests as a result of his termination of employment relationship. The workers' council appointed Andrej Gorazd Kunstek new member of the supervisory board (employee representative) for the period 23 January 2013 – 10 June 2015.

Composition of the supervisory board at 31 December 2013

Member	Title	Beginning of term of office	Term of office
Branko Tomažič	chairman	15. 7. 2013	4 years
Mateja Lovšin Herič	deputy chairperson	15. 7. 2013	4 years
Slaven Mićković	member	15. 7. 2013	4 years
Keith Morris	member	15. 7. 2013	4 years
Martin Albreht	member (employee representative)	10. 6. 2011	4 years
Andrej Gorazd Kunstek	member (employee representative)	23. 1. 2013	10. 6. 2015

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

Representatives of shareholders

Branko Tomažič | *chairman of the supervisory board*

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. This is his second term of office as member and chairman of the supervisory board of Sava Reinsurance Company.

Beginning of term of office: 15 July 2013.

Term of office: 4 years.

Branko Tomažič does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

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. Since 2012 she has been heading the asset management department of Slovenska odškodninska družba d.d. This is her second term of office as member and deputy chairperson of the supervisory board and chairperson of the audit committee of Sava Reinsurance 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	15 July 2013.
Term of office	4 years.
	Mateja Lovšin Herič does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

Slaven Mićković | *member of the supervisory board*

Employment	Abanka Vipa d.d.
Qualifications	Master of science in mathematics, PhD in economics.
Brief presentation	The supervisory board member has experience in valuation of companies. He has been assistant director of risk management at Abanki Vipa, d.d. since March 2013. Prior to that, he was involved in projecting income and in calculating the impact of economic activities and of population aging on public finance at the Ministry of Finance for 15 years. In recent years, he has been participating in various international projects on behalf of the Slovenian government. This is his second term of office as member of the supervisory board and member of the audit committee of Sava Reinsurance Company.
Beginning of term of office	15 July 2013.
Term of office	4 years.
	Slaven Mićković does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

Keith Morris | *member of the supervisory board*

Employment	retiree.
Qualifications	University graduated economist.
Brief presentation	Most of his career, he worked in finance and has extensive international experience both in banking and insurance.
Beginning of term of office	15 July 2013.
Term of office	4 years.
	Keith Morris does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

Employee representatives

Martin Albreht | *member of the supervisory board*

Employment	Sava Reinsurance Company
Qualifications	Graduated economist.
Brief presentation	This supervisory board member has extensive experience in accounting and in the implementation of computer applications for accounting. He joined Sava Reinsurance Company in 2008 and has been working in accounting.
Beginning of term of office	10 June 2011.
Term of office	4 years.
	Martin Albreht does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

Andrej Gorazd Kunstek | *member of the supervisory board*

Employment	Sava Reinsurance Company.
Qualifications	University graduated economist, master of science in economics.
Brief presentation	This supervisory board member has over ten years of experience in reinsurance underwriting and technical accounting of reinsurance business. Since 2007 he has been director of technical accounting in the reinsurance operations department.
Beginning of term of office	23 January 2013.
Term of office	10 June 2015.
	Andrej Gorazd Kunstek does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

Statement of independence

The supervisory board members committed themselves, upon entering their office and again in 2013, 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 can be found on the Company's website at www.sava-re.si/en/o-druzbi/nadzorni-svet/.

Remunerations, compensations and other benefits

Remuneration of supervisory board members is discussed in detail under section 24.10 "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 2013

	No. of shares	Holding (%)
Supervisory board member		
Andrej Gorazd Kunstek	1,000	0.006%
TOTAL	**1,000**	**0.006%**

Source: Central securities register KDD d.d.

More information on the activities of the supervisory board is provided in section 4 "Report of the supervisory board".

5.3.3. Supervisory board committees

Pursuant to legislation, the Corporate Governance Code for Public Joint-Stock 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

In accordance with the amended Companies Act, amending act B (requirement to establish audit committees in public companies), the supervisory board (term of office 2009–2013) already in 2008 set up a three-member audit committee.

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 audit committee's 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 financial reporting processes;
- 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 committee in 2013:

In 2013 the composition of the audit committee changed. The term of office of the audit committee (term of office 2009–2013) consisting of Mateja Lovšin Herič (chairperson), Slaven Mićković and Blanka Vezjak (member) ended upon expiry of the term of office of the supervisory board, i.e. on 14 July 2013. In its constitutive meeting on 22 July 2013, the new supervisory board appointed a three-member audit committee, composed of Mateja Lovšin Herič (chair), Slaven Mićković and Ignac Dolenšek (members).

Composition of the audit committee as at 31 December 2013

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

Nomination committee

In accordance with the recommendations of the Corporate Governance Code for Public Joint-Stock Companies and in response to the need to nominate to the general meeting a replacement candidate for supervisory board member, in April 2011 the supervisory board established a standing three-member Nominations Committee, as a special consulting body, composed of Branko Tomažič (chairman), Mateja Lovšin Herič (member) and Vesna Razpotnik (member). The nomination committee was set up 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.

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 2013

Upon the expiry of the former supervisory board's term of office on 14 July 2013, the term of office of its nomination committee also expired. The new supervisory board has not appointed a new nomination committee yet.

Composition of the nomination committee up until 14 July 2013

Member	Title
Branko Tomažič	chairman
Mateja Lovšin Herič	member
Vesna Razpotnik	external member

The role of the management 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 act on the management board and its 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 policy and financial plan 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)

The management board has no specific powers.

The management board in 2013

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.

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

Composition of the management board as at 31 December 2013

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

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 for the first time 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: 1 June 2013.

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, HR, organisational and legal affairs, compliance and public relations.

Memberships of other management or supervisory bodies of Group companies

– Zavarovalnica Tilia, d.d., Seidlova cesta 3, 8000 Novo mesto – chairman of the supervisory board.

Zvonko Ivanušič does not serve on any other management or supervisory body of any other legal entity.

Jošt Dolničar | *member of the management board*

Qualifications: University graduated lawyer.

Brief presentation: He was appointed member of the management board for the first time in 2008. He joined Sava Reinsurance Company in 2006 as senior executive responsible for the management of Group 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: 1 June 2013.

Term of office: Five years.

Area of responsibility: Jošt is responsible for managing strategic investments in direct insurance subsidiaries and process and information technology.

Memberships of other management or supervisory bodies of Group companies:

– Zavarovalnica Maribor , Cankarjeva 3, 2000 Maribor – chairman of the supervisory board;

– Zavarovalnica Tilia, d.d., Seidlova cesta 3, 8000 Novo mesto – member of the supervisory board;

– Sava životno 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.

Jošt Dolničar does not serve on any other management or supervisory body of any other legal entity.

Srečko Čebron | *member of the management board*

Qualifications	University graduated mining engineer.
Brief presentation	He was appointed member of the management board for the first time in 2009. Prior to that, he was member of the management board of Zavarovalnica Maribor since 2001. Srečko Čebron 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 extended stays abroad, Srečko acquired considerable foreign language skills.
Beginning of term of office	1 June 2013.
Term of office	Five years.
Area of responsibility	Srečko Čebron is responsible for reinsurance operations and actuarial affairs.

Srečko Čebron does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

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 for the first time 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 obtained the Chartered Financial Analyst charter.
Beginning of term of office	1 June 2013.
Term of office	Five years.
Area of responsibility	Mateja Treven is responsible for finance, accounting, internal audit, investor relations and risk management.

Mateja Treven does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

Remunerations, compensations and other benefits:

Remuneration of management board members is discussed in detail in section 24.10 “Related party disclosures” in the notes to the financial statements.

Shareholdings:

POSR shares held by management board members as at 31 December 2013

	No. of shares	Holding (%)
Members of the management board		
Zvonko Ivanušič	5,358	0.031%
Srečko Čebron	2,500	0.015%
Jošt Dolničar	3,718	0.022%
Mateja Treven	8,362	0.049%
Total	19,938	0.117%

Source: Central securities register KDD d.d.

5.4. Financial reporting: internal controls and risk management

Internal controls related to 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 work 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 controls related to 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 (IFRSs) 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 and control 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 procedure of processed data.

Sava Reinsurance Company complies with all rules and regulations on handling confidential data and inside information, on allocation of investments and 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 tasks, by authorisation, with the provision of individual services must carry out said 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 audit service that is responsible for assessing the adequacy and effectiveness of internal controls employed, and their reliability in the Company's pursuance of objectives and management of risks. The internal audit service reports on its findings to the management board, the audit committee and the Company's supervisory board.

5.5. External audit

The financial statements of the Sava Re Group and of Sava Reinsurance Company are audited by Ernst & Young d.o.o., Dunajska 111, Ljubljana, Slovenia, who have been tasked therewith in 2003 for the first year. In 2013 the Group's subsidiary companies were audited by the local auditing staff of the same auditing firm.

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

5.6. Details pursuant to Article 70 (6) of the Companies Act (ZGD-1)

Structure of the share capital of Sava Reinsurance Company

Ten largest shareholders of Sava Reinsurance Company as at 31 December 2013

Shareholder	No. of shares	Holding
Slovenska odškodninska družba, d.d.	4,304,917	25.0%
Societe Generale - Splitska banka, d.d. – trust account	1,695,887	9.8%
European Bank for Reconstruction and Development	1,071,429	6.2%
Raiffeisen Bank Austria, d.d. – trust account	764,606	4.4%
Modra zavarovalnica, d.d.	714,285	4.1%
Abanka, d.d.	655,000	3.8%
SOP Ljubljana	517,996	3.0%
Skandinaviska Enskilda Banken S.A. Luxembourg	475,211	2.8%
Poteza Naložbe, d.o.o. – in bankruptcy proceedings	468,125	2.7%
KD Galileo, fleksibilna struktura naložb	461,189	2.7%
TOTAL	11,128,645	64.6%

Source: Central securities register KDD d.d.

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

The shares give their holders the following rights:

- the right to participate in the Company's management, with one share carrying one vote in general meeting;
- the right to a proportionate part of the Company's profit (dividend);
- the right to a corresponding part of the remaining assets upon the liquidation or bankruptcy of the Company.

Pursuant to the articles of association of Sava Reinsurance Company 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 shares of Sava Reinsurance Company are freely transferable.

Qualifying shareholders under the Takeover Act (ZPre-1)

At 31 December 2013 the following shareholders of Sava Reinsurance Company exceeded the five-percent share threshold (qualifying holding in accordance with Article 77 of the Takeover Act, ZPre-1):

- Slovenska odškodninska družba, d.d.: 25.0 % plus one share;
- Societe Generale - Splitska Banka, d.d. - Fiduciarni račun, d.d.: 9.8 %;
- European Bank for Reconstruction and Development (EBRD): 6.2 %.

Holders of securities carrying special control rights

Sava Reinsurance Company issued no securities carrying special control rights.

Employee share schemes

Sava Reinsurance Company has no employee share scheme.

Restrictions of voting rights

Sava Reinsurance Company adopted no restrictions on voting rights.

Shareholders' agreements restricting share or voting right transferability

Sava Reinsurance 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 Sava Reinsurance Company's articles of association, the chairman and members of the management board are 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.

The rules of Sava Reinsurance Company on appointment/removal of supervisory board members

Pursuant to Sava Reinsurance Company's articles of association, 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 subsequently informs the general meeting of its decision. 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 by the general meeting for reasons as prescribed by law based on a general meeting resolution adopted by a majority of at least three quarters of the share capital represented.

Rules of Sava Reinsurance Company on amending the articles of association

Sava Reinsurance Company's articles of association do not contain special provisions governing their amendment. Pursuant to applicable legislation, they may be amended by resolution of the general meeting by a majority of at least three quarters of the share capital represented.

Powers of the management board, especially relating to treasury shares

The management board of Sava Reinsurance Company has no powers for acquiring own shares. On 21 March 2014 Sava Reinsurance Company convened an extraordinary general meeting in order to obtain authorisation to establish a fund for treasury shares.

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

Sava Reinsurance Company protects itself against the risk of losses by 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 of Sava Reinsurance Company are not entitled to a severance benefit in case of resignation.

They are entitled to severance pay if recalled or dismissed by the supervisory board without cause.

Ljubljana, 31 March 2014

The management board of Pozavarovalnica Sava, d.d.	The supervisory board of Pozavarovalnica Sava, d.d.
Zvonko Ivanušič chairman	**Branko Tomažič** chairman
Srečko Čebron member	
Jošt Dolničar member	
Mateja Treven member	

6.

Mission, Vision, Strategic Focus and Goals

6.1. Mission and vision

Through commitment and constant progress, we ensure security and quality of life.
We are active in relation to our environment. We grow relationships in a responsible, frank and respectful manner, and seek to exceed client expectations by our ongoing effort to make improvements and strengthen relationships.

Our goal is to be known in emerging markets as an insurance group providing insurance, reinsurance and ancillary services of the highest quality.

6.2. Implementation of strategic objectives and targets set for 2013

An important strategic objective achieved by the Sava Reinsurance Company in 2013 was the successful completion of the capital increase and the gaining of 100 % ownership of Zavarovalnica Maribor. In doing so, 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 ranked second in the Slovenian insurance market in terms of premium volume (over 17 %), while the Sava Re Group became a major player in the Western Balkans.

The Sava Re Group achieved the following targets in 2013:

	Sava Re Group		Sava Reinsurance Company	
	Plan 2013	Actual 2013	Plan 2013	Actual 2013
Gross premiums written	> € 418 million	€ 387 million	> € 134 million	€ 134 million
Net profit/loss for the period	> € 30 million	€ 16 million	> € 17 million	€ 15 million
Combined ratio	< 95 %	94 %	< 99 %	94 %
Return on equity	> 15 %	7.6 %	> 8 %	7.0 %

Consolidated gross premiums written were below target, as we planned that Zavarovalnica Maribor would be fully consolidated as from 1 April 2013, but the consolidation began only on 1 May 2013. Had the consolidation begun as originally planned, the resulting shortfall would have been minor. For this reason, actual premiums for both the non-life as well as for the life segments in Slovenia were below planned figures. However, Zavarovalnica Tilia exceeded planned non-life premiums, posting both premium growth and increased market share for the third year in a row. Zavarovalnica Maribor saw a drop in non-life premiums due to the loss of a major client and as a result of discontinued underwriting of crop business.

- For non-Slovenian based Group companies, non-life premiums shrank both due to the cancellation of certain large insurance clients in two subsidiaries as well as due to limiting growth in motor TPL in certain non-Slovenian markets as such business is not profitable in current market conditions.
- Life insurance premium volume is directly correlated to purchasing power and employment rates. When Zavarovalnica Maribor entered the Group, life business became an important segment, but the movement in life premiums in the Slovenian insurance market has been negative for several years in a row. Despite a small decline in life premiums, Zavarovalnica Maribor still gained market share. In the Western Balkans the premiums of subsidiaries grew at relatively high growth rates and premium targets were largely exceeded.
- Net profit on the Group level did not reach the target amount and was € 15.6 million. The target was not achieved due to unforeseen impairment losses and cancellation of subordinated bonds and shares that adversely affected the result by € 34.3 million. In the absence of these impairment losses, the Group would have exceeded the planned result and posted a profit of over € 40 million.
- The combined ratio is slightly below the target figure; however the combined ratio for the reinsurance segment is better than planned. This segment reflects improved results owing to both past stricter underwriting practices as well as a lower incidence of major catastrophe events.
- The Group realised a 7.6 % return on equity, which is below target due to the above-mentioned events.

6.3. Sava Re Group strategic focus

The Sava Re Group has a rolling 5-year plan. The strategic focus presented below is based on the 5-year plan for the period 2014–2018.

Major strategic directions are:

- The Sava Re Group will be known in its target markets as a provider of comprehensive insurance and reinsurance services, and as the most professional and flexible insurance group.
- The acquisition of Zavarovalnica Maribor completed, the Sava Re Group will integrate the company into its Group. A full integration of Zavarovalnica Maribor into the Group encompassing all perceptible effects on the Slovenian insurance market will be completed within three years of the acquisition. Key principles will be to retain two brands in the Slovenian insurance market and to centralise all back-office functions of Slovenian Group members.
- Premium growth in the Group will be, as a rule, above the industry average, while the growth of the industry will generally be stronger than GDP growth in individual markets (assuming that insurance penetration increases); however this being secondary to the targets mentioned earlier. The Group's primary objectives will therefore be quality, and profitability of the Group as a whole and of its individual members.
- The Group will be present in the insurance markets of South-East Europe depending on its ability to ensure high-quality management of the Group. Until 2016 Sava Reinsurance Company will not, as a rule, make new strategic investments, but will monitor opportunities to increase market shares in the region.
- The Group will support all business levels with efficient process and information technology, gradually centralising IT infrastructure and unifying IT solutions.
- Sava Reinsurance Company will strive towards an A-level credit rating by S&P.
- Sava Reinsurance Company will ensure its shareholders a stable dividend yield, in accordance with the approved dividend policy.

Insurance business in Slovenia

- Integration of ZM into the Group – 3 years to full synergistic effects.
- Adaptation of business models at Zavarovalnica Maribor and Zavarovalnica Tilia to the new Group structure.
- Preservation of independent brands (strengthening of the two brands, each with its own identity and regional and product focus).
- Quality improvement: costs, IT, claims, underwriting.

Reinsurance business

- Profitable growth in international markets.
- Decline in business volume from Slovenia.

Non-Slovenian operations

- Premium growth, cost optimisation and increased brand awareness in the region.
- Improved premium collection and insurance fraud prevention.
- Transfer of products and best practices from the Group in these markets.
- Further enhancement of the underwriting process.

Major strategic targets and goals until 2018

	Plan 2014	Plan 2018
Consolidated gross premiums written (€)	> 445 million	> 500 million
Net combined ratio	< 98 %	< 95 %
Net expense ratio	< 33 %	< 30 %
Net incurred loss ratio	< 62 %	< 61 %
Investment return	> 2,3 %	> 2,5 %
Total assets (€)	> 1.4 billion	> 1.5 billion
Return on equity	> 9.6 %	> 11 %

The net combined ratio includes all items except those relating to investments; excluded is life business.

Assuming organic growth, we plan to achieve the following in the plan period:

- improved expense ratios and premium collection ratio,
- improved loss ratios in Slovenia,
- expected stable returns from investing activities.

6.4. Plans of the Sava Re Group for 2014

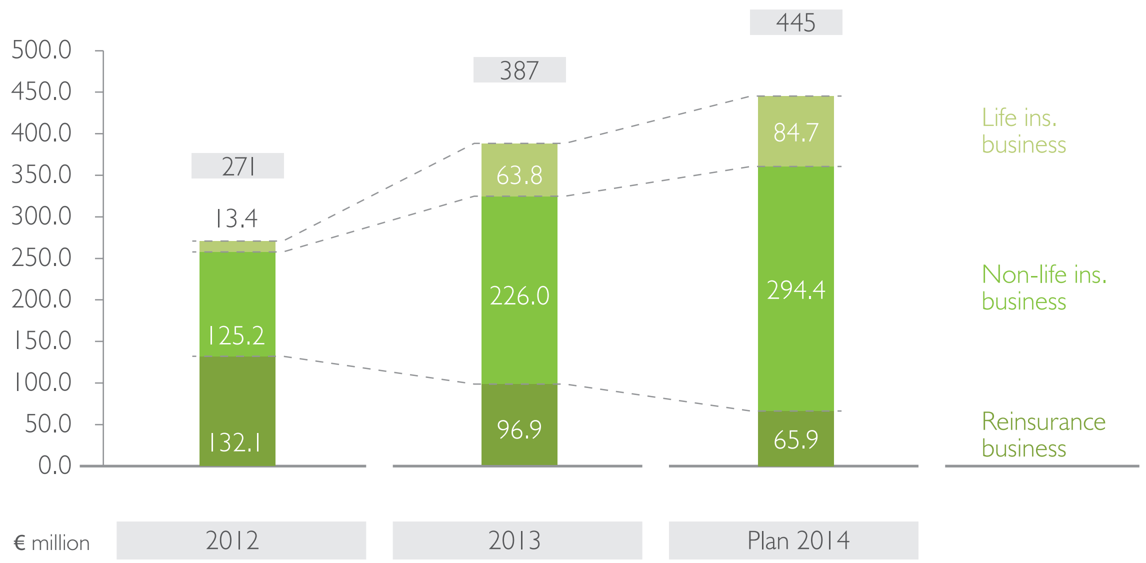
Key targets for 2014

	Actual 2013	Plan 2014
Consolidated gross premiums written (€)	386.7 million	> 445 million
Net profit/loss for the period (€)	15.6 million	> 24 million
Shareholders' equity (€)	240.1 million	> 250 million
Return on equity (%)	7.6	> 9.6

The planned profit is a result of:

- planned stable returns from investing activities,
- reduced operating costs in Slovenia and improved expense ratios abroad and
- improved loss ratios in Slovenia.
- The planned net profit for 2014 is lower than the one planned for 2013, since the latter included a revaluation effect of the previous share of Zavarovalnica Maribor of € 9.7 million, which was a one-off event in 2013.

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



Our profit target for 2014 is € 24 million, **a 54 percent increase** on the 2013 profit.

A 15 % growth in gross premiums written has been planned for 2014. This growth reflects the full-year consolidation of Zavarovalnica Maribor (only 8 months were included in 2013 – from 1 May). We expect a decline in gross premiums written by Zavarovalnica Maribor due to stricter underwriting and falling motor TPL rates in the market. In addition, we expect a minor decline in premiums in the Slovenian life insurance segment, as life premiums in the Slovenian market continue to shrink.

In non-Slovenian markets where we have already restructured insurance portfolios, we expect to see higher growth in 2014. We are planning growth especially in the life insurance segment outside Slovenia, as indicated already in 2013.

The reinsurance segment will be shrinking slightly on the consolidated level, which is mainly due to the consolidation of Zavarovalnica Maribor (full year 2014).

Group net profit for 2014 was up 33 percent over the previous year, despite a large one-off investment impact on the final result.

7. Business Environment

Slovenia[4]

Major economic indicators for Slovenia

	2010	2011	2012	2013
Real change in GDP (%)	1.3	0.7	-2.5	-2.4
GDP (€ million)	35,485	36,150	35,319	34,908
Registered unemployment rate (%)	10.7	11.8	12.0	13.3
Average inflation (%)	1.8	1.8	2.6	2.0
Population (million)	2.0	2.0	2.0	2.1
GDP per capita (EUR)	17,743	18,075	17,660	16,946
Insurance premiums (€ million)	**2,094.3**	**2,092.2**	**2,036.4**	**1,964.1**
- Change in insurance premiums		-0.1%	-2.7%	-3.6%
Insurance premiums – non-life (€ million)	1,438.3	1,454.2	1,457.1	1,428.1
- Change in non-life insurance premiums		1.1%	0.2%	-2.0%
Insurance premiums – life (€ million)	656.0	638.1	579.3	536.0
- Change in life insurance premiums		-2.7%	-9.2%	-7.5%
Insurance premiums per capita (€)	**1,047.2**	**1,046.1**	**1,018.2**	**953.4**
Non-life insurance premiums per capita (€)	719.2	727.1	728.6	693.2
Life insurance premiums per capita (€)	328.0	319.0	289.7	260.2
Premium/GDP (%)	**5.9**	**5.8**	**5.8**	**5.6**
Non-life premiums/GDP (%)	4.1	4.0	4.1	4.1
Life premiums/GDP (%)	1.8	1.8	1.6	1.5
Average monthly net salary (€)	967	987	991	997

- The labour market situation deteriorated at the end of 2013 and the beginning of 2014. Between April and November, the number of employed persons remained almost unchanged, but in the first eleven months of 2013 it was down 2.5 %, on average, on the same period of 2012. In December and January, unemployment rose significantly (in both months by 0.6 %. In January, the number approached 130 thousand, the highest since 1998. This was primarily a result of an increased inflow due to the termination of fixed-term contracts. The average gross earnings per employee remained unchanged in November. In the public sector, they fell substantially, mainly owing to a significant decline in public corporations, where 13th month payments and Christmas bonuses were down considerably relative to the previous year for the third year in a row. Extraordinary payments were otherwise up 4.7 % in the private sector and down 25.1 % in the public sector in comparison with a year earlier.
- The modest price growth in 2013 (0.7 % in December, year-on-year) was mainly marked by tax changes. The contribution of tax policy measures (increase in VAT, excise duties and other taxes) is estimated at 0.8 percentage points, which is slightly less than in 2012 (1.0 percentage points on account of the Slovenian Fiscal Balance Act). Despite a fairly similar contribution of tax changes, inflation was substantially lower than a year earlier (2.7 %) mainly due the persistently weak economic activity in the domestic and international environments. As measured by the harmonised index of consumer prices, inflation in Slovenia (0.9 %) was similar to that in the euro area (0.8 %). In addition to the food and energy prices that are higher than in the euro area, inflation in Slovenia was also marked by rises in services prices, while prices of non-energy industrial goods fell. Inflation also decreased in all other countries across the euro area compared to the prior year.

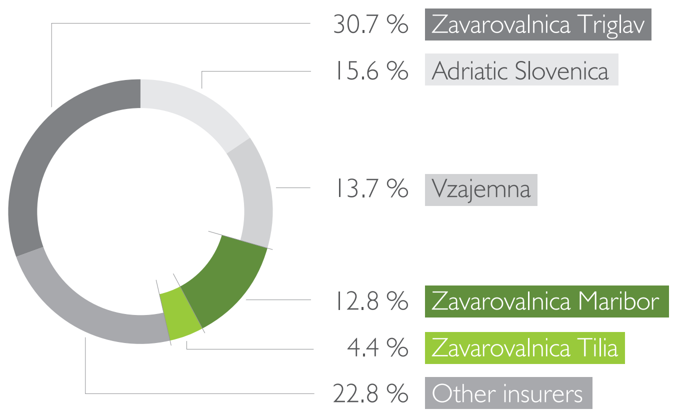
4 Source: UMAR, Economic Mirror, January 2014, Statistical Office of the Republic of Slovenia, Slovenian Insurance Association.

- The deterioration in cost competitiveness in Slovenia at the end of 2013 was one of the smallest, while the improvement in cost competitiveness in the third quarter was one of the largest in the euro area and the EU. In November price competitiveness continued to deteriorate due to the appreciation of the exchange rate of the euro, but owing to the structure of Slovenia's external trade the deterioration was among the smallest in the euro area. On the other hand, cost competitiveness increased again in the third quarter under the influence of a further drop in unit labour costs, despite the higher exchange rate of the euro. The relative position of the Slovenian economy in the euro area and the EU has improved for the third year in a row but is still less favourable than before the beginning of the crisis. The turnaround after 2010, mainly a result of lower wages and a decline in employment, has been mainly underpinned by industries in the tradable sector.
- Insolvency problems deepened further last year. On average, 16,053 legal and natural persons had liabilities past due for more than five consecutive days in a month (13 % more than a year before). The average monthly amount of outstanding liabilities recorded by legal entities was € 748 million, while the average monthly amount owed by natural persons totalled € 145 million (up 9.6 % and 20.8 % on a year earlier, respectively). The number of non-payers and the amounts of outstanding liabilities rose and payment periods lengthened. Among debtors, 2.4 times more legal entities had 7 times larger debt than in 2008. As a result of the new legislation, the number of bankruptcy proceedings initiated against legal entities doubled in the second half of the year.
- At the end of the year, measures were taken for the rehabilitation of the most critical banks in the Slovenian banking system. Consequently, the loan volume of the domestic non-banking sectors shrank by € 3.3 billion per month in December, with corporate and NFI loans dropping the most due to the transfer of the first package of bad bank loans to the Bank Assets Management Company (DUTB). The decline in household loans was also much stronger than in the previous months. Loans of domestic non-banking sectors thus fell by € 5.2 billion in 2013, approximately four times as much as in 2012. Last year's decline in household deposits was the largest thus far, while government deposits also dropped significantly due to the recapitalisation of the banking system. At the end of the year the banks continued to reduce liabilities abroad. The volume of non-performing loans rose by € 1.9 billion in the period to November, which is almost 50 % more than in the same period in 2012. In 2013, additional provisions and impairment losses increased by as much as € 3.7 billion, approximately 2.5 times the amount in 2012.
- The number of registered unemployed rose substantially at the end of 2013 and early this year. After the surge at the beginning of 2013, when the inflow of persons who had lost fixed-term employment was larger than ordinarily for this time of the year, the growth in registered unemployment slowed, only to increase more strongly again in December (by 0.6 %, seasonally adjusted). A total of 124,015 persons were unemployed at the end of December, the increase being a result of a small number of those who had found work and a further increase in the inflow due to the termination of fixed-term contracts (especially in construction). In 2013 unemployment averaged 119,827 persons, 8.8 % more than in 2012. The inflow into the unemployment register was up 1.4 % relative to 2012, mainly due to a larger number of first-time jobseekers (up 2,799 persons or 17.2 %). The total number of first-time job seekers was largest since 2005. The outflow from the unemployment register was also up slightly in 2013 (0.8 %) because more people had found work (6,730 or 11.5 %), mainly as a consequence of subsidised employment (3,518 or 30.8 %). On the other hand, there were fewer breaches of regulations and fewer transitions into inactivity.
- Inflation was substantially lower than a year earlier (2012: 2.6 %) mainly due the persistently weak economic activity in the domestic and international environments.

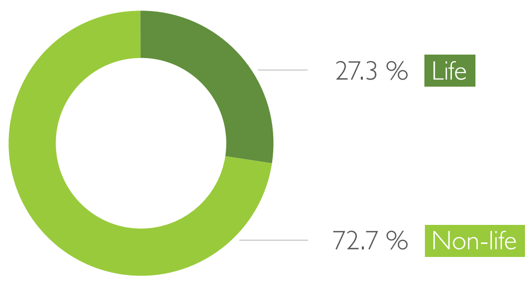
- Movements in market insurance premiums are closely correlated with movements in macroeconomic indicators. Over the past three years, this is especially reflected in life insurance, where premiums written in the market have been falling for the third year in a row.

Slovenian insurance market[5]

Slovenian insurance market 2013

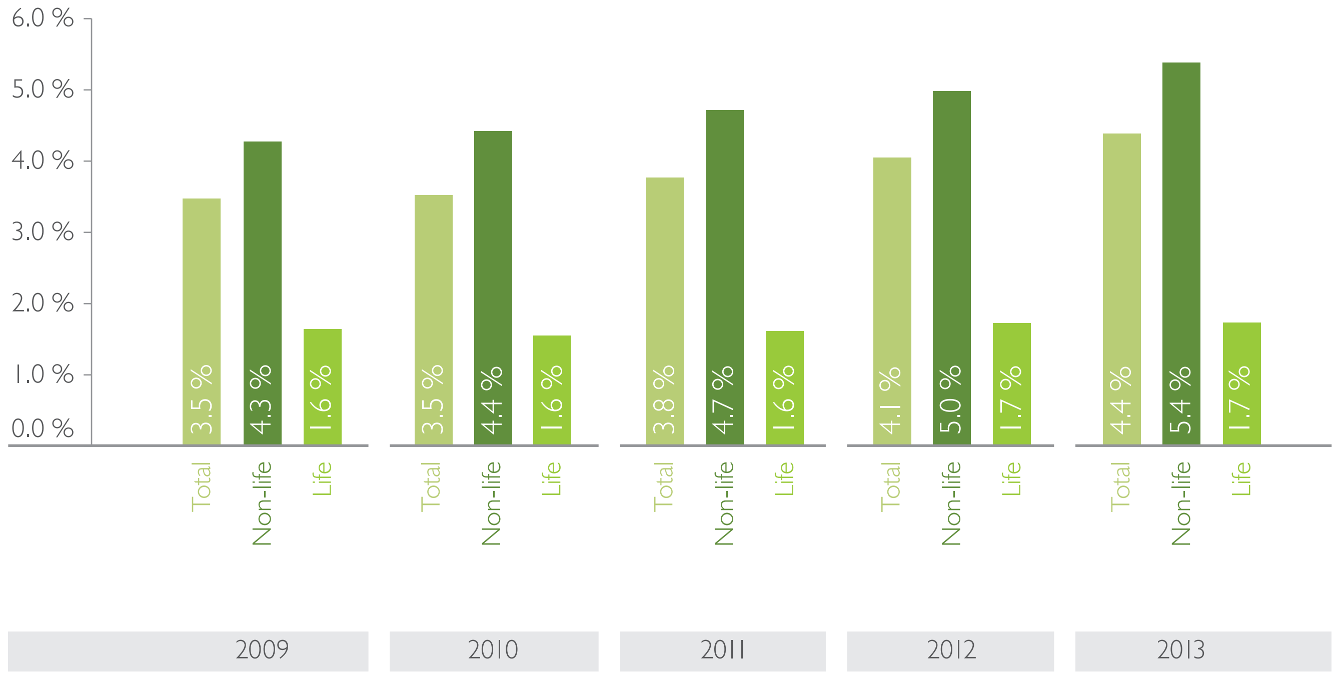


Breakdown of Slovenian insurance premiums 2013



5 Source: Slovenian Insurance Association.

Market share of Zavarovalnica Tilia in the Slovenian insurance market[6]



Market share of Zavarovalnica Maribor in the Slovenian insurance market[7]

6 Source: Slovenian Insurance Association.
7 Source: Slovenian Insurance Association.

Premiums and market shares in the Slovenian reinsurance market[8]

(€)	2013 Gross premiums written	2013 Market share	2012 Gross premiums written	2012 Market share
Sava Reinsurance Company	134,131,527	56.1%	152,827,900	56.8%
Triglav Re	105,015,611	43.9%	116,352,810	43.2%
TOTAL	239,147,138	100.0%	269,180,710	100.0%

Serbia[9]

Major economic indicators for Serbia

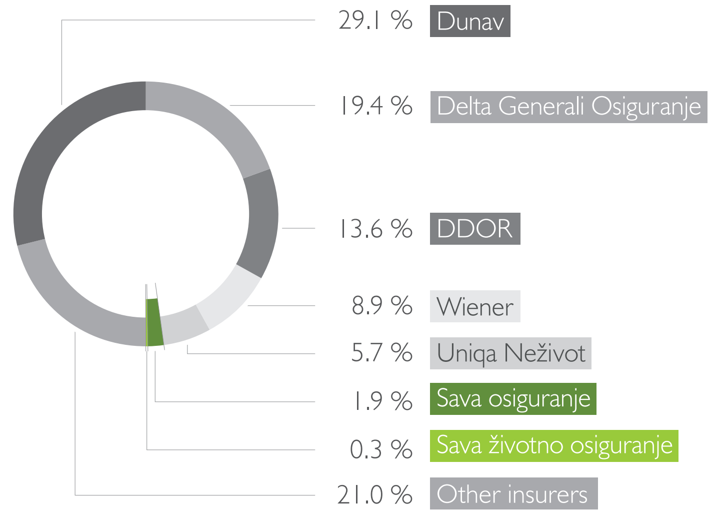
	2010	2011	2012	2013
Real change in GDP (%)	1.0	1.6	-1.7	2.0
GDP (RSD million)	2,881,900	3,208,600	3,398,800	3,746,698
GDP (€ million)	28,045	31,485	30,078	33,174
Registered unemployment rate – ILO (%)	19.2	23.7	22.4	21.3
Average inflation (%)	6.1	11.0	7.8	8.0
Population (million)	7.2	7.2	7.2	7.2
GDP per capita (€)	3,895	4,633	4,177	4,608
Insurance premiums (€ million)	**550.0**	**562.4**	**543.9**	**600.0**
- Change in insurance premiums		2.3%	-3.3%	10.3%
Insurance premiums – non-life (€ million)	459.0	464.3	439.0	480.0
- Change in non-life insurance premiums		1.2%	-5.4%	9.3%
Insurance premiums – life (€ million)	91.0	98.1	104.9	120.0
- Change in life insurance premiums		7.8%	6.9%	14.4%
Insurance premiums per capita (€)	**76.4**	**78.1**	**75.5**	**83.3**
Non-life insurance premiums per capita (€)	63.8	64.5	61.0	66.7
Life insurance premiums per capita (€)	12.6	13.6	14.6	16.7
Premium/GDP (%)	**2.0**	**1.8**	**1.8**	**1.8**
Non-life premiums/GDP (%)	1.6	1.5	1.5	1.4
Life premiums/GDP (%)	0.3	0.3	0.3	0.4
Average net monthly salary (€)	332	373	366	380
Exchange rate (RSD/EUR)	102.8	101.9	113.0	112.9

Insurance premiums for 2013 are estimates.

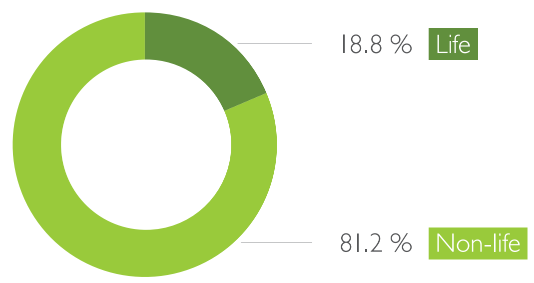
8 Source: Internal data of Sava Reinsurance Company and Triglav Re.
9 Source: National Bank of Serbia.

Serbian insurance market[10]

Serbian insurance market 1-9/2013

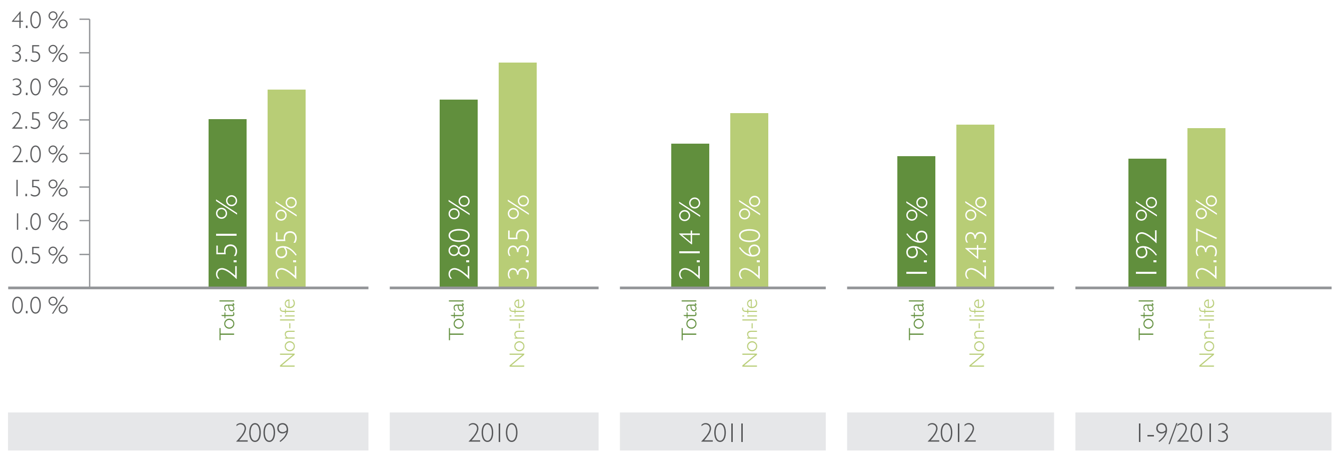


Breakdown of Serbian insurance premiums 1-9/2013

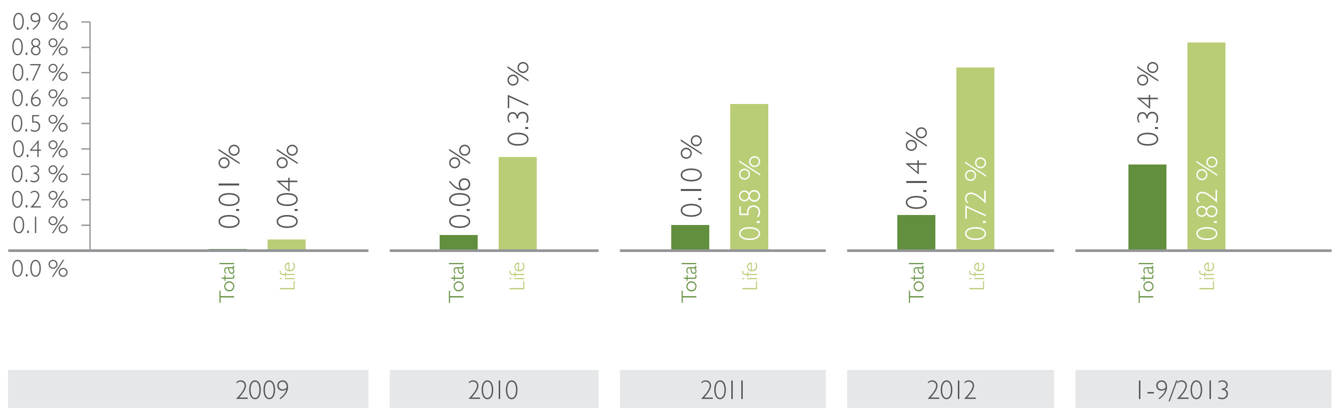


Market shares of Sava osiguranje Belgrade and Sava životno osiguranje in the Serbian insurance market[11]

Sava osiguranje market share



Sava životno osiguranje market share



10 Source: National Bank of Serbia.
11 Source: National Bank of Serbia.

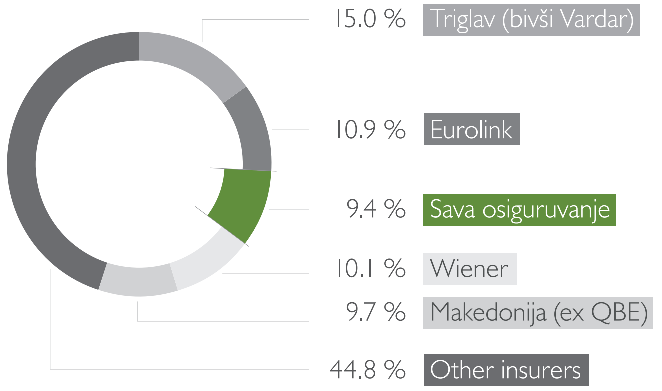
Macedonia[12]

Major economic indicators for Macedonia

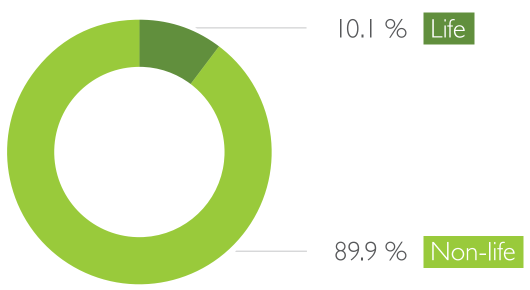
	2010	2011	2012	2013
Real change in GDP (%)	**2.9**	**2.8**	**-0.4**	**3.3**
GDP (MKD million)	434,112	459,789	458,621	494,127
GDP (€ million)	7,057	7,476	7,442	7,979
Registered unemployment rate – ILO (%)	32.0	31.4	31.0	29.1
Average inflation (%)	1.6	3.9	3.3	2.8
Population (million)	2.1	2.1	2.1	2.1
GDP per capita (€)	3,360	3,560	3,544	3,799
Insurance premiums (€ million)	**106.6**	**110.4**	**113.8**	**116.2**
- Change in insurance premiums		3.5%	3.1%	2.1%
Insurance premiums – non-life (€ million)	99.7	102.2	104.1	104.4
- Change in non-life insurance premiums		2.5%	1.9%	0.3%
Insurance premiums – life (€ million)	7.0	8.2	9.7	11.8
- Change in life insurance premiums		17.8%	18.4%	21.4%
Insurance premiums per capita (€)	**50.8**	**52.6**	**54.2**	**55.3**
Non-life insurance premiums per capita (€)	47.5	48.7	49.6	49.7
Life insurance premiums per capita (€)	3.3	3.9	4.6	5.6
Premium/GDP (%)	**1.5**	**1.5**	**1.5**	**1.5**
Non-life premiums/GDP (%)	1.4	1.4	1.4	1.3
Life premiums/GDP (%)	0.1	0.1	0.1	0.1
Average net monthly salary (€)	334	347	338	339
Exchange rate (MKD/EUR)	61.453	61.772	61.626	61.932

Macedonian insurance market[13]

Macedonian insurance market 2013



Breakdown of Macedonian insurance premiums 2013



12 Source: Ministry of Finance of the Republic Macedonia, Nacionalni biro za osiguranje Republike Makedonije.
13 Source: Nacionalni biro za osiguranje Republike Makedonije.

Market share of Sava osiguruvanje Skopje on the Macedonian insurance market[14]

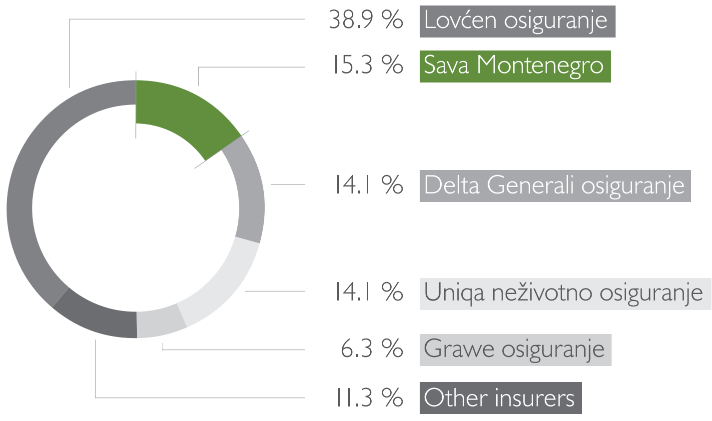
Montenegro[15]

Major economic indicators for Montenegro

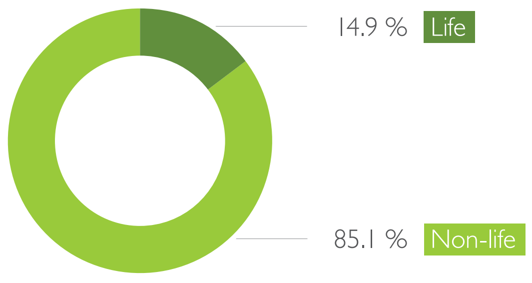
	2010	2011	2012	2013
Real change in GDP (%)	2.5	3.2	-0.5	2.5
GDP (€ million)	3,104	3,234	3,338	3,517
Registered unemployment rate – ILO (%)	19.7	19.7	19.9	19.7
Average inflation (%)	0.7	3.1	4.1	3.0
Population (million)	0.6	0.6	0.6	0.6
GDP per capita (€)	5,173	5,390	5,563	5,862
Insurance premiums (€ million)	**62.2**	**64.8**	**66.9**	**72.8**
- Change in insurance premiums		4.2%	3.3%	8.7%
Insurance premiums – non-life (€ million)	53.8	55.7	57.4	61.9
- Change in non-life insurance premiums		3.6%	3.1%	7.7%
Insurance premiums – life (€ million)	8.4	9.1	9.5	10.9
- Change in life insurance premiums		8.2%	4.6%	14.8%
Insurance premiums per capita (€)	**103.6**	**108.0**	**111.5**	**121.3**
Non-life insurance premiums per capita (€)	89.7	92.9	95.7	103.2
Life insurance premiums per capita (€)	13.9	15.1	15.8	18.1
Premium/GDP (%)	**2.0**	**2.0**	**2.0**	**2.1**
Non-life premiums/GDP (%)	1.7	1.7	1.7	1.8
Life premiums/GDP (%)	0.3	0.3	0.3	0.3
Average net monthly salary (€)	479	484	497	481

14 Source: Nacionalni biro za osiguranje Republike Makedonije
15 Source: Montenegrin Ministry of Finance, Agencija za nadzor osiguranja.

Montenegrin insurance market 2013



Breakdown of Montenegrin insurance premiums 2013



Market share of Sava Montenegro on the Montenegrin insurance market[17]

16 Source: Agencija za nadzor osiguranja.
17 Source: Agencija za nadzor osiguranja.

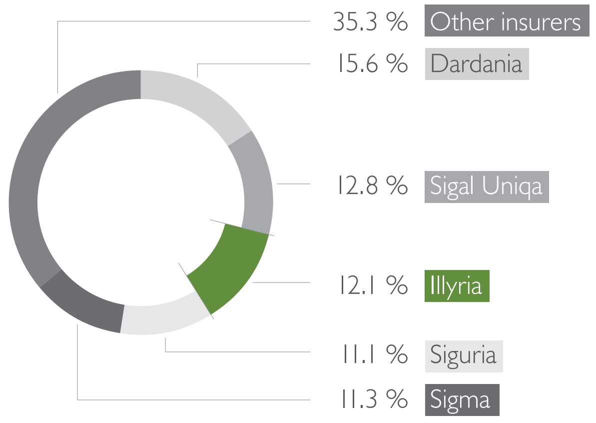
Kosovo[18]

Major economic indicators for Kosovo

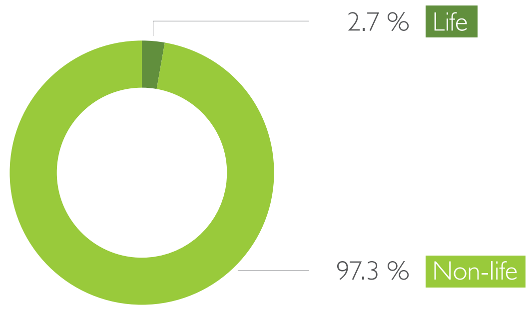
	2010	2011	2012	2013
Real change in GDP (%)	3.9	4.0	3.0	3.0
GDP (€ million)	4,136	4,486	4,855	5,176
Registered unemployment rate – ILO (%)	45.1	41.4	44.8	30.5
Average inflation (%)	3.5	7.3	2.5	2.0
Population (million)	1.8	1.8	1.8	1.8
GDP per capita (€)	2,363	2,520	2,712	2,860
Insurance premiums (€ million)	**72.0**	**79.1**	**83.0**	**76.3**
- Change in insurance premiums		9.8%	5.0%	-8.0%
Insurance premiums – non-life (€ million)	71.3	78.0	81.5	74.3
- Change in non-life insurance premiums		9.4%	4.5%	-8.9%
Insurance premiums – life (€ million)	0.7	1.0	1.5	2.1
- Change in life insurance premiums		46.9%	44.9%	37.3%
Insurance premiums per capita (€)	32.7	44.4	46.4	42.2
Premium/GDP (%)	1.7	1.8	1.7	1.5
Average net monthly salary (€)	286	348	353	357

Kosovan insurance market[19]

Kosovan insurance market 2013



Breakdown of Kosovan insurance premiums 2013



18 Source: Central Bank of the Republic of Kosovo, Reiffeisen Research.
19 Source: Central Bank of the Republic of Kosovo.

Market shares of Illyria and Illyria Life in the Kosovan insurance market[20]

Illyria market share

Illyria Life market share

20 Source: Central Bank of the Republic of Kosovo.

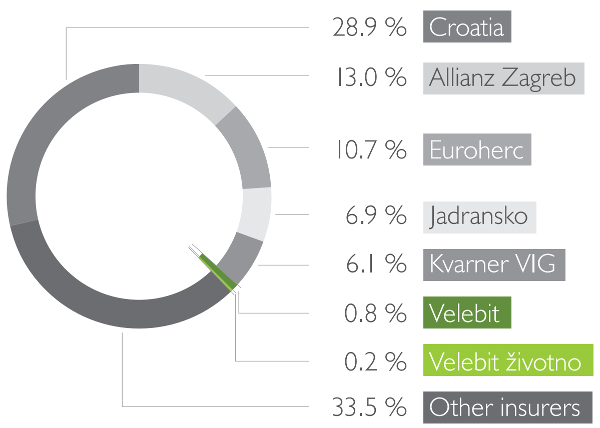
Croatia[21]

Major economic indicators for Croatia

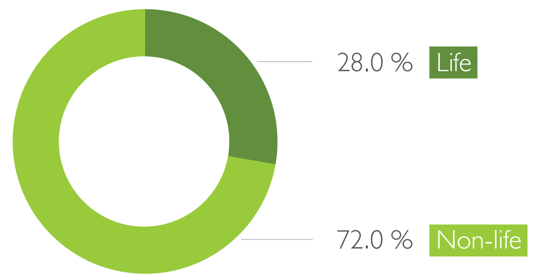
	2010	2011	2012	2013
Real change in GDP (%)	-2.3	-0.2	-1.9	-0.9
GDP (€ million)	44,423	44,191	43,682	43,857
Registered unemployment rate – ILO (%)	11.8	13.5	15.9	17.0
Average inflation (%)	1.1	2.3	3.4	2.4
Population (million)	4.4	4.3	4.3	4.3
GDP per capita (€)	10,096	10,277	10,159	10,199
Insurance premiums (€ million)	**1,268.4**	**1,229.4**	**1,201.7**	**1,197.7**
- Change in insurance premiums		-3.1%	-2.3%	-0.3%
Insurance premiums – non-life (€ million)	931.2	902.5	874.4	862.7
- Change in non-life insurance premiums		-3.1%	-3.1%	-1.3%
Insurance premiums – life (€ million)	337.2	326.8	327.2	334.9
- Change in life insurance premiums		-3.1%	0.1%	2.4%
Insurance premiums per capita (€)	**288.3**	**285.9**	**279.5**	**278.5**
Non-life insurance premiums per capita (€)	211.6	209.9	203.4	200.6
Life insurance premiums per capita (€)	76.6	76.0	76.1	77.9
Premium/GDP (%)	**2.9**	**2.8**	**2.8**	**2.7**
Non-life premiums/GDP (%)	2.1	2.0	2.0	2.0
Life premiums/GDP (%)	0.8	0.7	0.7	0.8
Average net monthly salary (€)	733	731	728	734
Exchange rate (HRK/EUR)	7.289	7.439	7.522	7.579

Croatian insurance market[22]

Croatian insurance market 2013



Breakdown of Croatian insurance premiums 2013

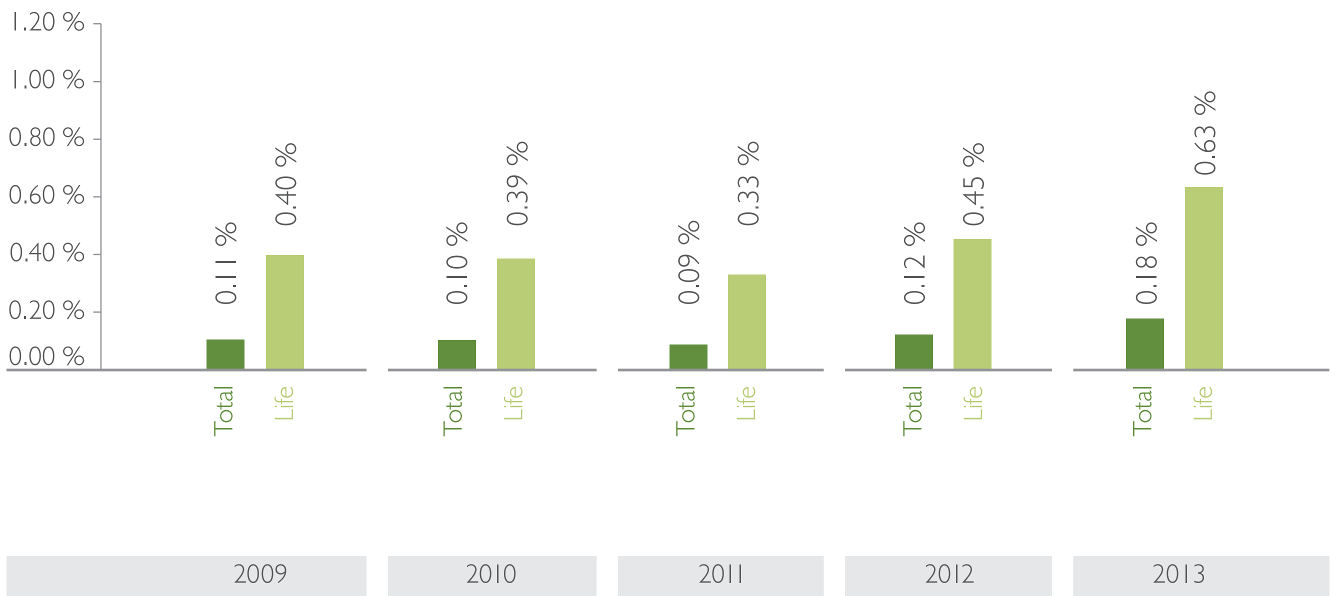


21 Source: Hrvatska gospodarska komora, Hrvatski ured za osiguranje.
22 Source: Hrvatski ured za osiguranje.

Market shares of Velebit osiguranje and Velebit životno osiguranje in the Croatian insurance market[23]

Velebit osiguranje market share

Velebit životno osiguranje market share



23 Source: Hrvatski ured za osiguranje.

8.

Sava Re Group Results of Operations[24]

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

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

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

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

24 A glossary of selected insurance terms and calculation methodologies for ratios in 2013 is given in the Appendix to this annual report.

- Other operating expenses of the reinsurance segment were reduced by the portion of expenses attributable to the administration of the Sava Re Group. Sava Reinsurance Company operates as a virtual holding company so part of its expenses relate to the administration of the Group. This portion was reallocated from the reinsurance segment to other segments depending on gross premiums written.

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

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

Reallocations as set out above have also been made to 2012 data, which is why they differ from those given in the 2012 annual report.

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

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

Summary of the consolidated income statement

(€)	2013	2012	Index
Net premiums earned	379,148,165	246,224,224	154.0
Income from investments in associates	12,105,991	3,809,245	317.8
Investment income	45,660,204	21,710,290	210.3
- Net unrealised gains on investments of life insurance policyholders who bear the investment risk	9,222,416	3,520,318	262.0
Other technical income	9,729,613	6,867,686	141.7
Other income	3,268,321	1,893,701	172.6
Net claims incurred	-229,009,555	-149,887,499	152.8
Change in other technical provisions	5,788,369	-1,686,594	543.2
Change in technical provisions for policyholders who bear the investment risk	-12,127,890	-3,475,311	349.0
Expenses for bonuses and rebates	-369,808	-79,740	463.8
Operating expenses	-129,401,367	-87,727,086	147.5
Expenses for investments in associates	-1,072,502	-340,254	315.2
Expenses for financial assets and liabilities	-51,530,429	-10,661,186	483.3
- Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-9,519,437	-2,272,956	418.8
Other technical expenses	-13,998,151	-11,555,996	121.1
Other expenses	-2,416,920	-794,576	304.2
PROFIT/LOSS BEFORE TAX	15,774,041	14,296,899	110.3
Underwriting result	21,887,266	2,154,995	1,015.7
Net investment income of the investment portfolio, including expenses for financial liabilities	5,145,854	13,189,996	39.0

Consolidated net earned premiums

(€)	2013	2012	Index
Gross premiums written	386,704,879	270,763,193	142.8
Net premiums written	364,072,185	250,135,793	145.5
Change in net unearned premiums	15,075,980	-3,911,569	585.4
NET PREMIUMS EARNED	379,148,165	246,224,224	154.0

Zavarovalnica Maribor contributed € 164.5 million to total net premiums earned in 2013.

Consolidated net claims incurred

(€)	2013	2012	Index
Gross claims paid	221,223,447	136,277,305	162.3
Net claims paid	212,130,062	130,868,322	162.1
Change in the net provision for outstanding claims	16,879,493	19,019,177	88.7
NET CLAIMS INCURRED	229,009,555	149,887,499	152.8

Zavarovalnica Maribor contributed € 103.1 million to total net claims incurred in 2013.

Consolidated net operating expenses and the expense ratio

(€)	2013	2012	Index
Acquisition costs	46,871,452	41,039,815	114.2
Change in deferred acquisition costs (+/-)	-469,329	-481,452	97.5
Other operating expenses	82,999,244	47,168,728	176.0
Gross operating expenses	129,401,367	87,727,091	147.5
Income from reinsurance commission	-2,140,660	-2,609,139	82.0
NET OPERATING EXPENSES	127,260,707	85,117,952	149.5
Gross expense ratio	33.5%	32.4%	
Net expense ratio	33.6%	34.6%	

Zavarovalnica Maribor contributed € 48.3 million to total net operating expenses in 2013.

Consolidated net investment income

The Group's investment income from its portfolio in 2013 totalled € 46.7 million, up € 24.6 million on 2012. The increase in investment income is due to the inclusion of Zavarovalnica Maribor into the Sava Re Group.

The Group's investment expenses for its portfolio in 2013 were € 43.6 million, up € 34.7 million on 2012. The rise in investment expenses is mainly a result of the write-offs and impairment losses on subordinated bonds and equity instruments of Slovenian banks totalling € 34.3 million.

As Zavarovalnica Maribor joined the Group on 1 May 2013, a comparison of the net investment income of the investment portfolio with a year earlier is not meaningful. Therefore, the following table shows the net investment income of the investment portfolio, excluding Zavarovalnica Maribor.

Income, expenses and the net investment income related to the investment portfolio

(€)	2013	2012
INCOME		
Interest income	23,833,718	13,954,023
Change in fair value and gains on disposal of FVPL assets	918,722	5,308
Gains on disposal of other IFRS asset categories	8,592,556	2,108,409
Income from associate companies	12,105,991	3,809,245
Income from dividends and shares – other investments	682,943	385,623
Foreign exchange gains	2,312,895	1,534,965
Other income	263,810	274,753
Total income	**48,710,635**	**22,072,326**
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,222,416	3,520,318
EXPENSES		
Interest expense*	1,689,709	1,812,771
Change in fair value and losses on disposal of FVPL assets	1,208,865	71,865
Losses on disposal of other IFRS asset categories	26,574,883	3,003,275
Expenses for associate companies	1,072,503	340,254
Impairment losses on investments	9,112,367	1,087,106
Foreign exchange losses	3,307,334	2,091,986
Other	599,120	475,073
Total expenses	**43,564,781**	**8,882,330**
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,519,437	2,272,956
Net investment income of the investment portfolio, including expenses for financial liabilities	**5,145,854**	**13,189,996**
Net investment income from investments for the benefit of life-insurance policyholders who bear the investment risk	**-297,021**	**1,247,362**

*Includes expenses for financial liabilities.

Net investment income, excluding Zavarovalnica Maribor

(€)	2013	2012
Consolidated financial income	48,710,635	21,999,217
Consolidated financial expenses, incl. expenses for financial liabilities	43,564,781	8,817,908
Consolidated net investment income, incl. expenses for financial liabilities	**5,145,854**	**13,181,309**
Revaluation of ZM share from equity-method value to market value	9,743,706	0
Net investment income of associates relating to ZM	2,177,749	3,729,240
Net investment income of ZM 5–12/2013 included in the consolidated net investment income	-5,848,392	0
NET INVESTMENT INCOME OF THE SAVA RE GROUP, EXCL. ZM AND INCL. EXPENSES FOR FINANCIAL LIABILITIES	-927,209	9,452,069

8.1. Reinsurance business

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

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

Summary of consolidated income statement; reinsurance business

(€)	2013	2012	Index
Net premiums earned	90,427,125	115,844,732	78.1
Investment income	10,312,211	9,988,708	103.2
Other technical income	1,959,161	3,830,241	51.1
Other income	29,900	26,298	113.7
Net claims incurred	-59,689,471	-78,480,812	76.1
Change in other technical provisions	-12,793	384,357	-203.3
Expenses for bonuses and rebates	-158,264	17,648	-896.8
Operating expenses	-26,511,619	-34,816,587	76.1
Expenses for financial assets and liabilities	-15,862,790	-6,741,010	235.3
Other technical expenses	-2,494,648	-2,595,621	96.1
Other expenses	-62,351	-5	1,247,020.0
PROFIT/LOSS BEFORE TAX	-2,063,539	7,457,949	-227.7
Underwriting result	**3,519,491**	**4,183,958**	**84.1**
Net investment income of the investment portfolio, including expenses for financial liabilities	**-5,552,403**	**3,246,715**	**-371.0**

Net premiums earned

Consolidated net premiums earned; reinsurance business

(€)	2013	2012	Index
Gross premiums written	96,864,929	132,119,123	73.3
Net premiums written	90,129,621	119,589,640	75.4
Change in net unearned premiums	297,504	-3,744,908	207.9
NET PREMIUMS EARNED	90,427,125	115,844,732	78.1

Gross premiums written dropped both due to the consolidation effect of Zavarovalnica Maribor as described above and because of the decline in foreign-sourced reinsurance premiums written by Sava Reinsurance Company. Premiums from abroad declined as a result of the impact of the S&P downgrade of Sava Reinsurance Company in 2012 triggered by the Slovenian sovereign rating downgrade.

More on the movement of unconsolidated data is set out in section 20.1 "Results of operations of Sava Reinsurance Company".

Net claims incurred

Consolidated net claims incurred; reinsurance business

(€)	2013	2012	Index
Gross claims paid	55,867,817	69,441,921	80.5
Net claims paid	54,233,950	65,560,636	82.7
Change in the net provision for outstanding claims	5,455,521	12,920,177	42.2
NET CLAIMS INCURRED	59,689,471	78,480,812	76.1

As stated in the introduction to this section, the movement of consolidated categories was significantly impacted by the consolidation of Zavarovalnica Maribor.

Unconsolidated figures are commented in section 20.1 "Results of operations of Sava Reinsurance Company".

Operating expenses

Consolidated operating expenses; reinsurance business

(€)	2013	2012	Index
Acquisition costs	22,595,997	30,355,622	74.4
Change in deferred acquisition costs (+/-)	-390,429	-526,341	74.2
Other operating expenses	4,306,051	4,987,306	86.3
Gross operating expenses	**26,511,619**	**34,816,587**	**76.1**
Income from reinsurance commission	-500,111	-1,652,776	30.3
NET OPERATING EXPENSES	26,011,508	33,163,811	78.4

As stated in the introduction to this section, the movement of consolidated categories was significantly impacted by the consolidation of Zavarovalnica Maribor. Unconsolidated figures are commented in section 20.1 "Results of operations of Sava Reinsurance Company".

Net investment income

Net investment income of the investment portfolio; reinsurance business

(€)	2013	2012	Index
Deposits and CDs	964,825	1,896,726	50.9
Government bonds	2,058,007	1,973,043	104.3
Corporate bonds	-8,903,940	2,235,816	-598.2
Shares	-69,126	-675,317	189.8
Mutual funds	-88,690	-850,634	189.6
Loans granted and other	1,595,823	0	0.0
Deposits with cedants	148,972	116,566	127.8
NET INVESTMENT INCOME FROM FINANCIAL INVESTMENTS	-4,294,129	4,696,200	-291.4
Investment property	-1,824	-983	14.4
NET INVESTMENT INCOME OF THE INVESTMENT PORTFOLIO	-4,295,953	4,695,217	-291.5
Expenses for financial liabilities	1,256,450	1,448,502	86.7
NET INVESTMENT INCOME OF THE INVESTMENT PORTFOLIO, INCLUDING EXPENSES FOR FINANCIAL LIABILITIES	-5,552,403	3,246,715	-371.0

The net investment income of the reinsurance portfolio amounted to € -5.6 million (2012: € 3.2 million). The negative net investment income was a result of:

- write-offs relating to subordinated bonds due to the measures of the Slovenian government and the Bank of Slovenia to stabilise the banking system (€ 8.7 million) and
- impairment losses on subordinated bonds following poor stress test results of banks (€ 1.7 million).

With the consolidation of Zavarovalnica Maribor, the reinsurance segment comprises only premiums from international reinsurance markets, where further growth is planned.

8.2. Non-life insurance business

The non-life insurance segment includes the following companies:

- Zavarovalnica Maribor, non-life (May–December 2013)
- Zavarovalnica Tilia, non-life (January–December)
- Sava Montenegro (January–December)
- Sava osiguranje Belgrade (January–December)
- Sava osiguruvanje Skopje (January–December)
- Velebit osiguranje (January–December)
- Illyria (January–December)

Summary consolidated income statement; non-life insurance business

(€)	Non-life business – Slovenia		Non-life business – intern.	
	2013	2012	2013	2012
Net premiums earned	176,740,407	68,346,896	48,369,831	48,565,063
Income from investments in associates	6,851,203	727,322	0	0
Investment income	10,123,394	2,387,489	3,308,839	4,354,767
Other technical income	4,426,486	1,543,626	1,620,569	1,394,949
Other income	1,714,471	0	1,157,407	1,644,719
Net claims incurred	-113,465,584	-40,912,402	-21,108,396	-24,280,805
Change in other technical provisions	1,156,578	-788,788	19,014	4,156
Expenses for bonuses and rebates	-23,339	27,209	-203,471	-124,597
Operating expenses	-57,412,206	-22,245,792	-22,729,227	-24,114,918
Expenses for investments in associates	0	0	-898,225	0
Expenses for financial assets and liabilities	-11,192,794	-513,769	-156,218	-730,682
Other technical expenses	-6,344,731	-2,950,683	-4,735,826	-5,721,597
Other expenses	-577,369	-4,834	-1,746,880	-774,665
PROFIT/LOSS BEFORE TAX	11,996,517	5,616,274	2,897,417	216,387
Underwriting result	5,077,612	3,020,067	1,232,494	-4,277,749
Net investment income of the investment portfolio, including expenses for financial liabilities	5,803,242	2,621,653	1,921,778	3,523,720

Net premiums earned

Consolidated net premiums earned; non-life insurance business

(€)	2013	2012	Index
Gross premiums written	226,031,695	125,229,575	180.5
Net premiums written	210,435,007	117,166,111	179.6
Change in net unearned premiums	14,675,232	-254,151	5974.2
NET PREMIUMS EARNED	225,110,238	116,911,959	192.5

Consolidated gross non-life premiums by region

(€)	2013	2012	Index
Slovenia	174,412,166	72,655,896	240.1
International	51,619,529	52,573,679	98.2
TOTAL	226,031,695	125,229,575	180.5

Non-life premiums from Slovenia grew mainly because of the inclusion of Zavarovalnica Maribor into the Sava Re Group from 1 May 2013. Gross premiums written of Zavarovalnica Maribor included in the consolidated statements totalled € 92.3 million.

Unconsolidated gross non-life premiums of Sava Re Group companies

(€)	2013	2012	Index
Zavarovalnica Maribor (non-life)	176,500,344	186,917,917	94.4
Zavarovalnica Tilia (non-life)	77,359,003	72,817,889	106.2
Sava Montenegro	11,156,214	10,875,447	102.6
Sava osiguruvanje Skopje	10,964,816	11,265,958	97.3
Sava osiguranje Belgrade	10,787,712	11,088,909	97.3
Illyria	9,697,381	10,700,873	90.6
Velebit osiguranje	9,017,110	8,648,589	104.3
TOTAL	305,482,580	312,315,582	97.8

Note: Zavarovalnica Maribor was included in the consolidated accounts only from 1 May 2013, while the table shows unconsolidated gross premiums for the full years 2013 and 2012. This is why aggregations in the table do not equal amounts shown in the financial statements by operating segment.

The total volume of unconsolidated non-life gross premiums written declined slightly year-on-year. The largest absolute decline in gross premiums written was recorded by Zavarovalnica Maribor, reflecting market conditions (decrease in average motor insurance premium, trend towards narrower coverage and loss of major client), and Illyria (loss of major client). Even though the Slovenian insurance market recorded an overall decline in non-life premiums, Zavarovalnica Tilia saw an increase in gross non-life premiums.

Net claims incurred

Consolidated net claims incurred; non-life insurance

(€)	2013	2012	Index
Gross claims paid	132,305,305	60,689,964	218.0
Net claims paid	124,944,638	59,162,266	211.2
Change in the net provision for outstanding claims	9,629,341	6,030,940	159.7
NET CLAIMS INCURRED	134,573,979	65,193,207	206.4

Consolidated gross non-life claims by region

(€)	2013	2012	Index
Slovenia	110,945,247	36,163,380	306.8
International	21,360,058	24,526,584	87.1
TOTAL	132,305,305	60,689,964	218.0

As with gross premiums written, the growth in Slovenian gross claims paid is a result of the inclusion of Zavarovalnica Maribor figures for eight months (€ 69.0 million). Gross claims paid for international business were lower, indicating improvements in both the underwriting as well as the claims handling process in the markets of the former Yugoslavia (the drop in claims was larger than the drop in premiums).

Unconsolidated gross non-life claims of Sava Re Group companies

(€)	2013	2012	Index
Zavarovalnica Maribor (non-life)	107,832,627	106,264,347	101.5
Zavarovalnica Tilia (non-life)	41,972,415	36,176,911	116.0
Illyria	4,916,866	5,621,802	87.5
Sava osiguruvanje Skopje	4,720,070	6,180,684	76.4
Sava osiguranje Belgrade	4,317,771	5,126,782	84.2
Sava Montenegro	3,758,473	4,187,468	89.8
Velebit osiguranje	3,654,626	3,418,412	106.9
TOTAL	171,172,848	166,976,406	102.5

Note: For Zavarovalnica Maribor, the figures relate to unconsolidated gross claims for the full year, not just for the eight months that the insurer was included in the consolidated accounts. This is why aggregations in the table do not equal amounts shown in the financial statements by operating segment.

In Zavarovalnica Maribor claim payments for the 2012 floods had a major effect on the increase in claims; however, these had already been included in the claims provisions at year-end 2012 and had no significant effect on profit and loss. In 2013 Zavarovalnica Tilia's claims rose by € 5.8 million, with claims growth exceeding premium growth. In 2013, both Slovenian insurers reported a negative trend in motor casco claims. All non-Slovenian subsidiaries (except the Croatian non-life insurer) reported a decline in gross non-life claims and improved loss ratios.

Operating expenses

Consolidated operating expenses; non-life insurance

(€)	2013	2012	Index
Acquisition costs	18,063,725	8,863,724	203.8
Change in deferred acquisition costs (+/-)	-683,486	118,817	-775.2
Other operating expenses	62,761,194	37,378,173	167.9
Gross operating expenses	80,141,433	46,360,714	172.9
Income from reinsurance commission	-1,595,387	-955,778	166.9
NET OPERATING EXPENSES	78,546,045	45,404,936	173.0

Acquisition costs attributable to Zavarovalnica Maribor totalled € 8.9 million. Group companies were successful in containing acquisition costs in 2013, maintaining them on the same level as in 2012.

Other operating expenses increased by € 25.4 million, almost entirely due to the consolidation of Zavarovalnica Maribor (€ 25.3 million).

Consolidated gross operating expenses (excluding the change in deferred acquisition costs) relating to non-life insurance business rose by 74.8 %, while gross premiums written increased by 80.5 %, resulting in an improved expenses to premiums ratio compared to 2012.

The non-life insurance segment has become the most important Group operating segment.

Net investment income

Net investment income of the investment portfolio; non-life business

(€)	2013	2012	Index
Deposits and CDs	3,102,274	3,263,483	95.1
Government bonds	6,245,177	1,975,742	316.1
Corporate bonds	-7,526,907	569,559	-1,521.5
Shares	83,846	79,840	95.0
Mutual funds	524,060	-91,150	774.9
Loans granted and other	85,683	-138,517	261.9
NET INVESTMENT INCOME FROM FINANCIAL INVESTMENTS	2,514,133	5,658,957	44.4
Financial investments in associates	5,952,978	727,322	818.5
Investment property	-311,179	-79,754	-190.2
NET INVESTMENT INCOME OF THE INVESTMENT PORTFOLIO	8,155,932	6,306,525	129.3
Expenses for financial liabilities	430,912	161,152	267.4
NET INVESTMENT INCOME OF THE INVESTMENT PORTFOLIO, INCLUDING EXPENSES FOR FINANCIAL LIABILITIES	7,725,020	6,145,373	125.7

The net investment income of the non-life insurance portfolio amounted to € 7.7 million (2012: € 6.1 million). As non-life insurance business of Zavarovalnica Maribor was consolidated from May onwards and Zavarovalnica Maribor figures for only May to December 2013 were included in the net investment income, the comparison of net investment income year-on-year is not meaningful. In addition, the consolidation required an attribution of a gain from the revaluation of the pre-acquisition share of Zavarovalnica Maribor from equity-method value to market value of € 5.8 million.

Therefore, the below simplified overview includes as-if data for the net investment income of the non-life investment portfolio as if Zavarovalnica Maribor had not been part of the Group (complete exclusion of the net investment income of Zavarovalnica Maribor for 2012 and 2013).

Net investment income from non-life insurance business, excluding Zavarovalnica Maribor

(€)	2013	2012
Consolidated financial income	20,449,022	7,541,337
Consolidated financial expenses, incl. expenses for financial liabilities	12,724,002	1,395,964
Consolidated net investment income, incl. expenses for financial liabilities	7,725,020	6,145,373
Revaluation of ZM share from equity-method value to market value	5,816,992	0
Net investment income of associates relating to ZM	849,675	1,455,008
Net investment income of ZM 5–12/2013 included in the consolidated net investment income	-2,441,655	0
Net investment income of the Sava Re Group, excl. ZM and incl. expenses for financial liabilities	3,500,008	4,690,365

The net investment income for 2013 was impacted by the following:

- write-offs relating to subordinated bonds of the Zavarovalnica Maribor liability fund due to measures of the Slovenian government and the Bank of Slovenia to stabilise the banking system (€ 8.9 million) and
- impairment losses on subordinated bonds of the Zavarovalnica Maribor liability fund following poor stress test results of banks (€ 1.0 million).

8.3. Life insurance business

The life insurance segment includes the following companies:

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

Summary consolidated income statement; life insurance business

(€)	Life insurance, Slovenia		Life insurance, intern.	
	2013	2012	2013	2012
Net premiums earned	59,229,961	10,010,755	4,380,840	3,456,778
Income from investments in associates	5,254,788	3,001,918	0	0
Investment income	21,155,405	4,201,744	759,101	777,582
- Net unrealised gains on investments of life insurance policyholders who bear the investment risk	9,222,161	3,520,261	255	57
Other technical income	805,103	8,362	65,715	90,508
Other income	277,079	0	74,881	76,806
Net claims incurred	-34,050,748	-5,485,835	-695,357	-727,645
Change in other technical provisions	6,213,415	-369,716	-1,587,845	-916,603
Change in technical provisions for policyholders who bear the investment risk	-12,122,598	-3,469,439	-5,292	-5,872
Change in liabilities under financial contracts	0	0	0	0
Expenses for bonuses and rebates	15,266	0	0	0
Operating expenses	-18,351,242	-3,063,844	-3,408,759	-3,259,268
Expenses for investments in associates	0	0	0	-340,254
Expenses for financial assets and liabilities	-24,336,371	-2,407,375	17,744	-268,082
- Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-9,516,000	-2,272,894	-3,437	-62
Other technical expenses	-221,569	-12,149	-201,309	-275,946
Other expenses	-12,838	0	-5,849	-11,262
PROFIT/LOSS BEFORE TAX	3,855,652	2,414,421	-606,130	-1,403,258
Underwriting result	13,640,187	1,087,573	-1,446,715	-1,632,176
Net investment income of the investment portfolio, including expenses for financial liabilities	2,366,767	3,548,920	779,493	169,251

Net premiums earned

Consolidated net premiums earned; life insurance business

(€)	2013	2012	Index
Gross premiums written	63,808,255	13,414,495	475.7
Net premiums written	63,507,557	13,380,043	474.6
Change in net unearned premiums	103,244	87,490	118.0
NET PREMIUMS EARNED	63,610,801	13,467,533	472.3

Consolidated gross life insurance premiums by region

(€)	2013	2012	Index
Slovenia	59,431,111	9,977,483	595.7
International	4,377,144	3,437,012	127.4
TOTAL	63,808,255	13,414,495	475.7

Life premiums from Slovenia grew because of the inclusion of Zavarovalnica Maribor into the Sava Re Group from 1 May 2013 onwards. Gross premiums written by Zavarovalnica Maribor included in the consolidated statements totalled € 50.1 million.

Unconsolidated gross life premiums of Sava Re Group companies

(€)	2013	2012	Index
Zavarovalnica Maribor (life)	75,500,697	76,992,250	98.1
Zavarovalnica Tilia (life)	9,286,982	9,977,483	93.1
Velebit životno osiguranje	2,119,974	1,474,673	143.8
Illyria Life	1,349,827	1,174,700	114.9
Sava životno osiguranje	907,343	787,639	115.2
TOTAL	89,164,823	90,406,745	98.6

Note: Zavarovalnica Maribor was included in the consolidated accounts only from 1 May 2013, while the table shows unconsolidated gross premiums for the full years 2013 and 2012. This is why aggregations in the table do not equal amounts shown in the financial statements by operating segment.

Gross life premiums written in 2013 increased in all non-Slovenian Group companies, while Zavarovalnica Maribor and Zavarovalnica Tilia wrote less premiums than the year before. Gross life premiums declined in both Zavarovalnica Maribor and Zavarovalnica Tilia; however, the decline was smaller than the drop in life premiums in the Slovenian insurance market, where life premiums fell by 7.5 % year-on-year.

Net claims incurred

Consolidated net claims incurred; life insurance business

(€)	2013	2012	Index
Gross claims paid	33,050,325	6,145,420	537.8
Net claims paid	32,951,474	6,145,420	536.2
Change in the net provision for outstanding claims	1,794,631	68,060	2636.8
NET CLAIMS INCURRED	34,746,105	6,213,480	559.2

Consolidated gross life insurance premiums by region

(€)	2013	2012	Index
Slovenia	32,355,130	5,480,160	590.4
International	695,195	665,260	104.5
TOTAL	33,050,325	6,145,420	537.8

As with gross premiums written, the growth in Slovenian gross claims paid is a result of the inclusion of Zavarovalnica Maribor figures for eight months (€ 26.3 million). Gross claims on foreign-sourced business also went up partly because Serbian and Kosovan life insurers saw an increase in surrenders and partly because policies written in 2008 and 2009 started to mature (5-year policies).

Unconsolidated gross life insurance claims of Sava Re Group companies

(€)	2013	2012	Index
Zavarovalnica Maribor (life)	40,741,453	38,267,524	106.5
Zavarovalnica Tilia (life)	5,997,613	5,480,160	109.4
Velebit životno osiguranje	373,464	510,781	73.1
Illyria Life	182,744	63,683	287.0
Sava životno osiguranje	138,987	90,796	153.1
TOTAL	47,434,261	44,412,944	106.8

*Zavarovalnica Maribor was included in the consolidated accounts only from 1 May 2013, while the table shows unconsolidated gross claims paid for the full years 2013 and 2012. This is why aggregations in the table do not equal amounts shown in the financial statements by operating segment.

Operating expenses

Consolidated operating expenses; life insurance business

(€)	2013	2012	Index
Acquisition costs	6,211,730	1,820,469	341.2
Change in deferred acquisition costs (+/-)	604,586	-73,928	1017.8
Other operating expenses	14,943,685	4,576,571	326.5
Gross operating expenses	21,760,001	6,323,112	344.1
Income from reinsurance commission	-45,161	-585	7719.9
NET OPERATING EXPENSES	21,714,839	6,322,527	343.5

Acquisition costs attributable to Zavarovalnica Maribor totalled € 4.6 million. If Zavarovalnica Maribor figures are excluded, the acquisition costs are lower than in 2012. In absolute terms, the largest decrease was recorded by Zavarovalnica Tilia, whose premiums are also falling.

Other operating expenses increased by € 10.4 million, almost entirely due to the consolidation of Zavarovalnica Maribor (€ 10.1 million).

The growth index of consolidated gross operating expenses relating to the life segment stood at 344.1; the index of consolidated gross life premiums written was 475.7. The ratio of expenses to premiums improved as a result of the consolidation of Zavarovalnica Maribor as the company has a mature and relatively large portfolio of life insurance policies compared to other non-Slovenian Group life insurers.

Zavarovalnica Maribor has a strong position in the Slovenian life insurance market.

Net investment income

Net investment income of the investment portfolio; life business

(€)	2013	2012	Index
Deposits and CDs	1,248,675	396,364	315.0
Government bonds	5,492,517	622,704	882.0
Corporate bonds	-11,474,472	85,103	-13,683.0
Shares	46,282	-54,175	285.4
Mutual funds	2,571,241	11,523	22,314.0
Loans granted and other	38,042	14,712	258.6
NET INVESTMENT INCOME FROM FINANCIAL INVESTMENTS	-2,077,715	1,076,231	-393.1
Financial investments in associates	5,254,788	2,661,664	197.4
Investment property	-1,428	0	-
NET INVESTMENT INCOME OF THE INVESTMENT PORTFOLIO	3,175,645	3,737,895	85.0
Expenses for financial liabilities	29,385	19,724	149.0
NET INVESTMENT INCOME OF THE INVESTMENT PORTFOLIO, INCLUDING EXPENSES FOR FINANCIAL LIABILITIES	3,146,260	3,718,171	84.6
Investments for the benefit of life-insurance policyholders who bear the investment risk	**-297,021**	**1,247,362**	**-223.8**

The net investment income of the life portfolio amounted to € 3.1 million (2012: € 3.7 million). A comparison of 2012 and 2013 life insurance figures is likewise not meaningful as the net investment income for 2013 was impacted by the consolidation of Zavarovalnica Maribor life business (net investment income was included only for May–December 2013). In addition, the consolidation required an attribution of a gain from the revaluation of the pre-acquisition share of Zavarovalnica Maribor life business from equity-method value to market value of € 3.9 million.

Therefore, the below simplified overview includes as-if data for the net investment income of the life investment portfolio as if Zavarovalnica Maribor had not been part of the Group (complete exclusion of the net investment income of Zavarovalnica Maribor for 2012 and 2013).

Net investment income from life insurance business, excluding Zavarovalnica Maribor

(€)	2013	2012
Consolidated financial income	17,947,639	4,460,926
Consolidated financial expenses, incl. expenses for financial liabilities	14,801,379	742,755
Consolidated net investment income, incl. expenses for financial liabilities	**3,146,260**	**3,718,171**
Revaluation of ZM share from equity-method value to market value	3,926,714	0
Net investment income of associates relating to ZM	1,328,074	2,274,232
Net investment income of ZM 5–12/2013 included in the consolidated net investment income	-3,406,737	0
NET INVESTMENT INCOME OF THE SAVA RE GROUP, EXCL. ZM AND INCL. EXPENSES FOR FINANCIAL LIABILITIES	1,298,209	1,443,939

The net investment income for 2013 was impacted by the following:

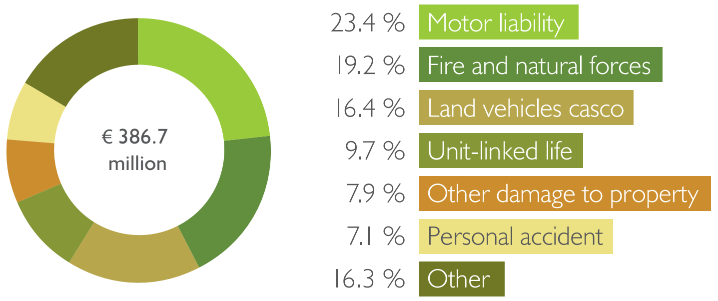
- write-offs relating to subordinated bonds of the Zavarovalnica Maribor life insurance liability fund due to the measures of the Slovenian government and the Bank of Slovenia to stabilise the banking system (€ 7.8 million) and
- impairment losses on subordinated bonds of the Zavarovalnica Maribor life insurance liability fund following poor stress test results of banks (€ 6.1 million).

8.4. Income and expenses by class of business

Consolidated net earned premiums by class of business

(€)	2013	2012
Personal accident	27,759,196	18,369,890
Health	3,094,270	3,519,131
Land vehicles casco	62,509,828	38,851,297
Railway rolling stock	7,957	14,889
Aircraft hull	577,528	164,044
Ships hull	4,329,336	3,110,465
Goods in transit	3,588,692	3,085,827
Fire and natural forces	68,152,489	63,952,208
Other damage to property	31,414,359	24,931,170
Motor liability	93,586,380	65,798,369
Aircraft liability	-103,391	13,080
Liability for ships	383,054	290,372
General liability	13,185,609	5,662,901
Credit insurance	1,589,598	1,164,309
Suretyship	299,088	645,373
Miscellaneous financial loss	833,047	243,178
Legal expenses	237,570	117,971
Assistance	2,902,819	1,876,072
Life business	27,530,994	6,611,322
Unit-linked life	37,269,742	7,802,356
Total non-life	**314,347,429**	**231,810,546**
Total life	**64,800,736**	**14,413,678**
TOTAL	379,148,165	246,224,224

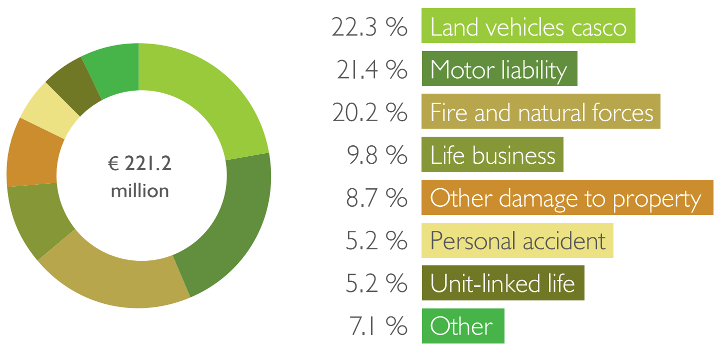
Consolidated gross premiums written in 2013 by class of business



Consolidated net claims incurred by class of business

(€)	2013	2012
Personal accident	13,656,978	9,805,856
Health	2,783,770	2,908,570
Land vehicles casco	49,440,234	28,260,178
Railway rolling stock	-7,502	12,874
Aircraft hull	599,099	-139,892
Ships hull	4,139,538	1,949,382
Goods in transit	1,203,463	2,991,166
Fire and natural forces	39,619,202	41,406,851
Other damage to property	17,394,079	22,881,548
Motor liability	56,699,404	32,556,919
Aircraft liability	-192,705	-123,895
Liability for ships	-87,421	-6,526
General liability	6,944,345	-529,292
Credit insurance	-100,419	159,128
Suretyship	176,823	239,493
Miscellaneous financial loss	829,315	188,819
Legal expenses	958	195
Assistance	488,605	395,700
Life business	22,702,828	3,664,227
Unit-linked life	12,632,081	3,266,191
Capital redemption	86,880	0
Total non-life	193,587,766	142,957,081
Total life	35,421,789	6,930,418
TOTAL	229,009,555	149,887,499

Consolidated gross claims paid in 2013 by class of business



9. Financial Position of the Sava Re Group

Sava Re Group's total assets doubled upon consolidation of Zavarovalnica Maribor.

At 31 December 2013, total assets of the Sava Re Group stood at € 1,378.3 million, an increase of 115.2 % over year-end 2012. Total assets more than doubled as a result of the inclusion of Zavarovalnica Maribor into the consolidated financial statements. Below we set out items of assets and liabilities in excess of 10 % of total assets/liabilities at 31 December 2013.

9.1. Assets

Consolidated total assets by type

(€)	31.12.2013	Structure 31.12.2013	31.12.2012	Structure 31.12.2012
ASSETS	1,378,300,387	100.0 %	640,591,738	100.0 %
Intangible assets	40,226,072	2.9 %	17,767,943	2.8 %
Property and equipment	46,042,571	3.3 %	24,583,379	3.8 %
Deferred tax assets	3,496,592	0.3 %	1,929,136	0.3 %
Investment property	5,567,007	0.4 %	5,105,302	0.8 %
Financial investments in associates	2,866,665	0.2 %	55,265,651	8.6 %
Financial investments	931,121,110	67.6 %	350,245,812	54.7 %
Funds for the benefit of policyholders who bear the investment risk	175,776,228	12.8 %	27,623,903	4.3 %
Reinsurers' share of technical provisions	33,490,712	2.4 %	37,429,870	5.8 %
Receivables	116,212,767	8.4 %	99,025,730	15.5 %
Deferred acquisition costs	17,752,315	1.3 %	16,058,701	2.5 %
Other assets	1,593,291	0.1 %	1,146,698	0.2 %
Cash and cash equivalents	3,432,720	0.2 %	4,058,488	0.6 %
Non-current assets held for sale	722,336	0.1 %	351,125	0.1 %

9.1.1. Financial investments and financial investments in associates

The Sava Re Group investment portfolio totalled € 943.0 million at year-end 2013 (31 December 2012: € 414.7 million). Total assets grew primarily due to the inclusion of Zavarovalnica Maribor into the Sava Re Group.

The Sava Re Group investment portfolio

(€)	31.12.2013	31.12.2012	Index
Deposits and CDs	113,256,253	99,972,270	113.3
Government bonds	517,929,608	126,476,092	409.5
Corporate bonds	259,635,233	100,105,773	259.4
Shares	19,632,282	9,688,113	202.6
Mutual funds	9,192,936	4,102,974	224.1
Loans granted and other	1,283,781	884,406	145.2
Deposits with cedants	10,191,017	9,016,183	113.0
Total financial investments	**931,121,110**	**350,245,811**	**265.8**
Financial investments in associates	2,866,665	55,265,651	5.2
Investment property	5,567,007	5,105,301	109.0
Cash and cash equivalents	3,432,720	4,058,488	84.6
Total investment portfolio	**942,987,502**	**414,675,251**	**227.4**
Investments for the benefit of life-insurance policyholders who bear the investment risk	175,776,228	27,623,903	636.3

The investment portfolio of the Sava Re Group, excluding Zavarovalnica Maribor

(€)	31.12.2013 Excl. ZM	31.12.2012	Index
Deposits and CDs	76,125,711	99,972,268	76.1
Government bonds	168,031,736	126,476,057	132.9
Corporate bonds	104,312,817	100,105,814	104.2
Shares	13,498,834	9,688,110	139.3
Mutual funds	5,974,002	4,102,974	145.6
Loans granted and other	594,205	884,406	67.2
Deposits with cedants	10,191,017	9,016,183	113.0
Total financial investments	**378,728,322**	**350,245,812**	**108.1**
Financial investments in associates	1,576,581	55,265,651	2.9
Investment property	5,127,890	5,105,302	100.4
Cash and cash equivalents	3,352,318	4,058,488	82.6
Total investment portfolio	**388,785,111**	**414,675,253**	**93.8**
Investments for the benefit of life-insurance policyholders who bear the investment risk	30,095,987	27,623,903	108.9

Reinsurance business

Invested assets from reinsurance business totalled € 232.6 million at year-end 2013 (31 December 2012: € 264.4 million). The decline in invested assets of this segment is due to the decline in financial investments in Group companies and associates after the consolidation of Zavarovalnica Maribor.

In 2013 the Group significantly reduced its exposure to the Slovenian banking system and invested mainly in highly-rated government bonds of EU countries.

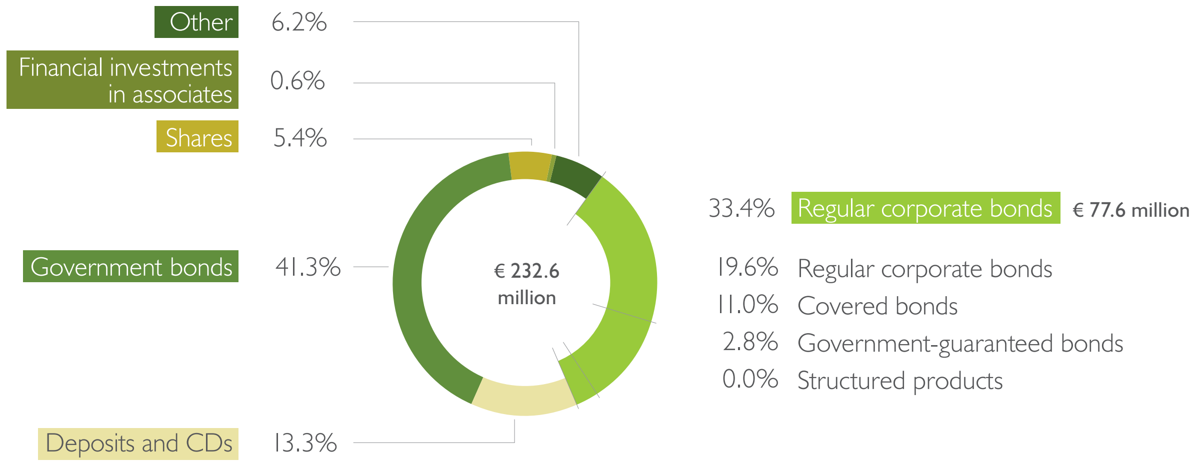
The investment portfolio; reinsurance business

(€)	31.12.2013	31.12.2012	Index
Deposits and CDs	30,837,544	39,461,664	78.1
Government bonds	95,968,151	71,009,095	135.1
Corporate bonds	77,567,167	76,652,324	101.2
Shares	12,537,924	9,054,028	138.5
Mutual funds	3,855,136	3,011,136	128.0
Loans granted and other	333	999	33.3
Deposits with cedants	10,191,017	9,016,183	113.0
Total financial investments	**230,957,272**	**208,205,429**	**110.9**
Financial investments in associates	1,325,488	55,014,558	2.4
Investment property	153,920	156,253	98.5
Cash and cash equivalents	128,265	1,012,672	12.7
Total investment portfolio	**232,564,945**	**264,388,912**	**88.0**

A comparison of the portfolio structure shows that compared to year-end 2012, there was a decline in the share of assets invested in associates (20.2 percentage points). This decrease is a result of gaining 100-percent ownership of Zavarovalnica Maribor. In addition, compared to year-end 2012, there was a decline in the share of deposits (1.7 percentage points) and rise in the share of bonds (18.8 percentage points). The change is the result of the change in the investment policy of Sava Reinsurance Company, under which free assets are invested in high-grade bonds (mainly of EU Member States) because of the unstable situation in the Slovenian banking system.

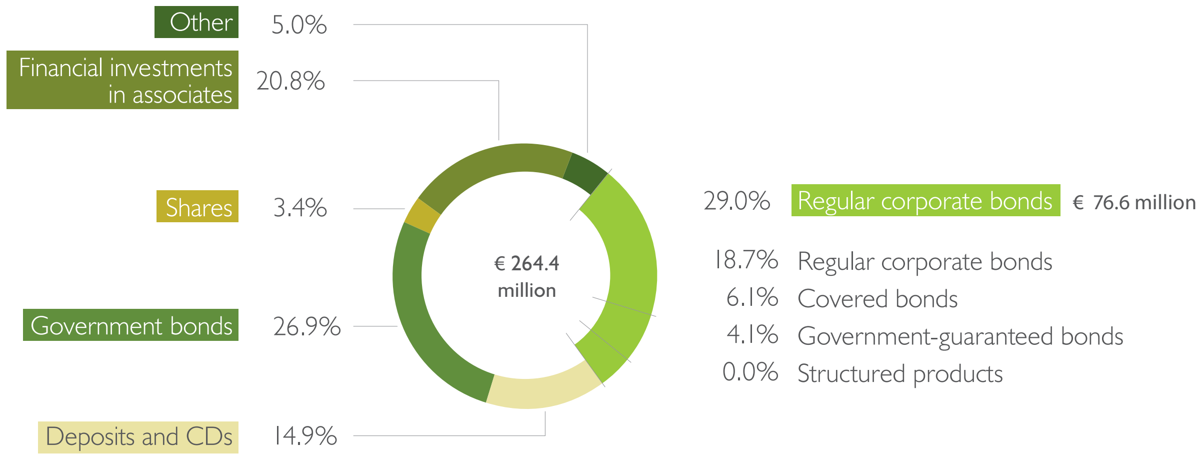
The investment portfolio by asset class; reinsurance business

31.12.2013



*The other item includes mutual funds, loans granted, investment property and other investments.

31.12.2012



*The other item includes mutual funds, loans granted, investment property and other investments.

Non-life insurance business

Invested assets from non-life insurance business totalled € 397.9 million (31 December 2012: € 123.7 million). Invested assets increased due to the inclusion of Zavarovalnica Maribor in the Sava Re Group.

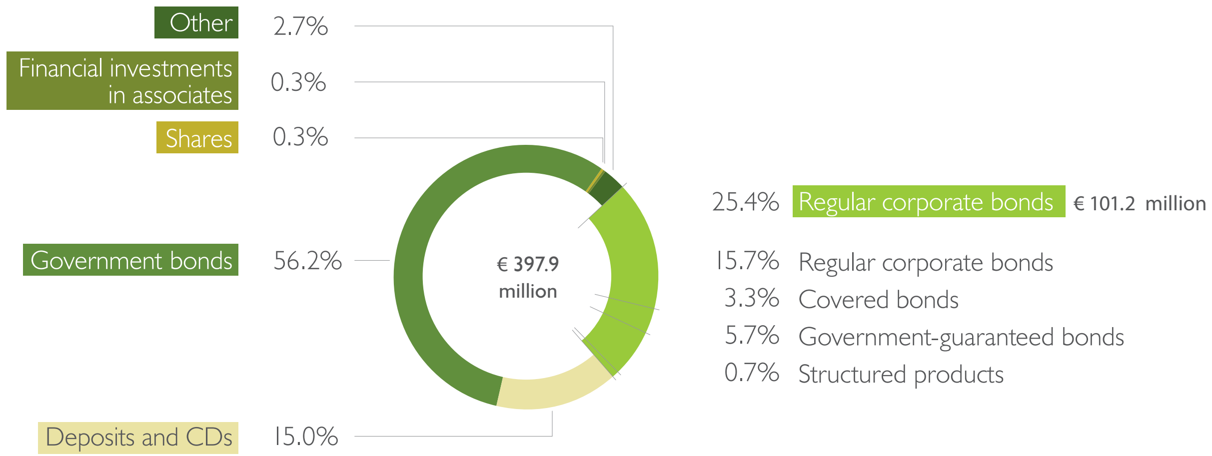
Breakdown of investment portfolio; non-life business

(€)	31.12.2013			31.12.2012			Index		
	Slovenia	International	Total	Slovenia	International	Total	Slovenia	International	Total
Deposits and CDs	31,645,823	28,110,622	59,756,445	19,479,228	31,907,484	51,386,712	162.5	88.1	116.3
Government bonds	195,874,283	27,611,977	223,486,260	21,742,684	21,545,565	43,288,249	900.9	128.2	516.3
Corporate bonds	101,129,931	25,404	101,155,335	18,214,806	1,986,483	20,201,289	555.2	1.3	500.7
Shares	1,137,451	262,156	1,399,607		402,464	402,464	0.0	65.1	347.8
Mutual funds	2,441,099	213,123	2,654,222	901,501	130,109	1,031,610	270.8	163.8	257.3
Loans granted and other	695,843	229,911	925,754	10,653	434,690	445,343	6,531.9	52.9	207.9
Total financial investments	**332,924,430**	**56,453,193**	**389,377,623**	**60,348,872**	**56,406,795**	**116,755,667**	**551.7**	**100.1**	**333.5**
Financial investments in associates	1,240,728	0	1,240,728	251,093	0	251,093	494.1	0.0	494.1
Investment property	687,509	4,516,814	5,204,323	348,391	4,437,367	4,785,758	197.3	101.8	108.7
Cash and cash equivalents	445,211	1,669,569	2,114,780	122,119	1,826,192	1,948,311	364.6	91.4	108.5
Total investment portfolio	**335,297,878**	**62,639,576**	**397,937,454**	**61,070,475**	**62,670,354**	**123,740,829**	**549.0**	**100.0**	**321.6**

In terms of the portfolio structure, there was a decline in the share of assets invested in deposits (26.5 percentage points), while the share of bonds increased (30.3 percentage points). The change is partly attributable to the fact that the majority of the Zavarovalnica Maribor portfolio consists of bonds, which increased the overall share of bonds after the consolidation. In addition, all Group companies lowered their exposure to deposits – the Slovenia-based companies due to the unstable situation in the banking system, non-Slovenian companies in order to decrease their exposure to individual issuers. All companies reinvested proceeds from maturing deposits in bonds.

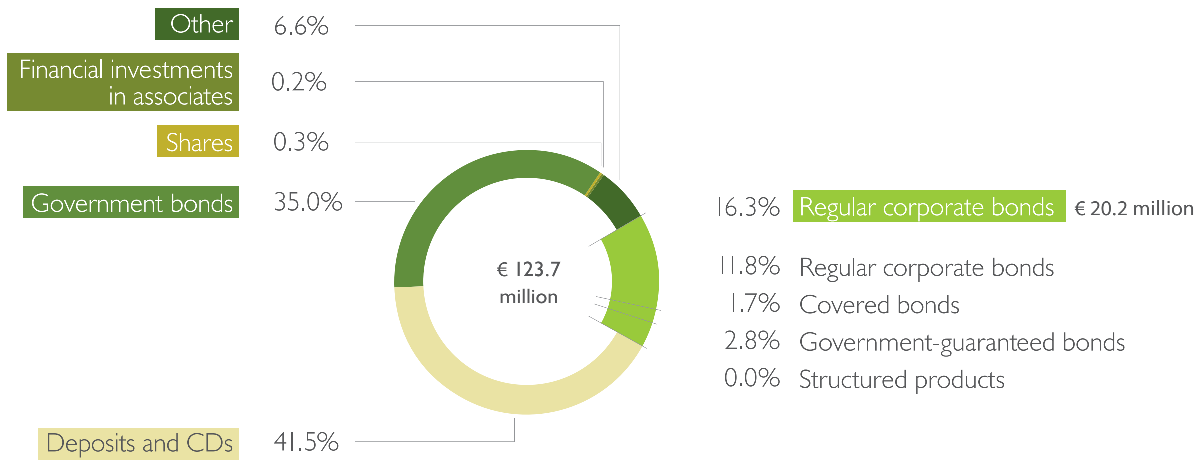
Breakdown of investment portfolio; non-life business

31.12.2013



*The other item includes mutual funds, loans granted, investment property and other investments.

31.12.2012



*The other item includes mutual funds, loans granted, investment property and other investments.

Life insurance business

Invested assets from life insurance business totalled € 312.3 million (31 December 2012: € 26.5 million). Invested assets increased due to the inclusion of Zavarovalnica Maribor in the Sava Re Group.

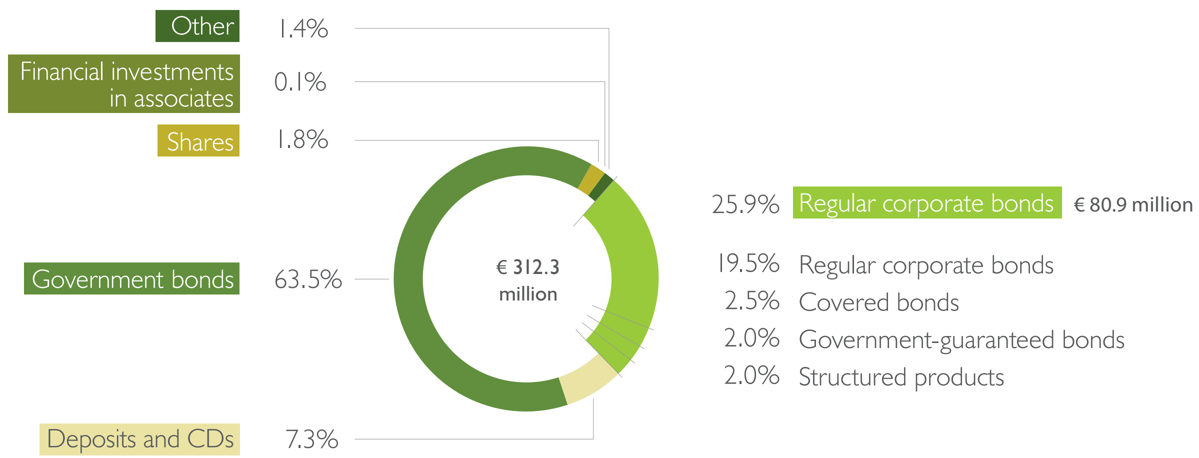
Breakdown of the investment portfolio; life insurance business

(€)	31.12.2013			31.12.2012			Index		
	Slovenia	International	Total	Slovenia	International	Total	Slovenia	International	Total
Deposits and CDs	16,138,825	6,523,439	22,662,264	3,531,174	5,592,718	9,123,892	457.0	116.6	248.4
Government bonds	193,463,501	5,011,696	198,475,197	8,085,638	4,093,075	12,178,713	2,392.7	122.4	1,629.7
Corporate bonds	80,912,731	0	80,912,731	3,057,533	194,668	3,252,201	2,646.3	0.0	2,487.9
Shares	5,519,437	175,314	5,694,751	0	231,618	231,618	0.0	75.7	2,458.7
Mutual funds	2,683,578	0	2,683,578	60,228	0	60,228	4,455.7	0.0	4,455.7
Loans granted and other	0	310,549	310,549	0	438,064	438,064	0.0	70.9	70.9
Total financial investments	**298,718,072**	**12,020,998**	**310,739,070**	**14,734,573**	**10,550,143**	**25,284,716**	**2,027.3**	**113.9**	**1,229.0**
Financial investments in associates	300,449	0	300,449	0	0	0	0.0	0.0	0.0
Investment property	46,317	162,447	208,764	0	163,291	163,291	0.0	99.5	127.8
Cash and cash equivalents	72,602	976,977	1,049,579	239,168	815,379	1,054,547	30.4	119.8	99.5
Total investment portfolio	**299,137,440**	**13,160,422**	**312,297,862**	**14,973,741**	**11,528,813**	**26,502,554**	**1,997.7**	**114.2**	**1,178.4**
Investments for the benefit of life-insurance policyholders who bear the investment risk	175,765,101	11,127	175,776,228	27,617,984	5,919	27,623,903	636.4	188.0	636.3

In terms of the portfolio structure, there was a decline in the share of assets invested in deposits (27.2 percentage points), while the share of bonds increased (31.2 percentage points). The change is attributable to the same factors referred to under the non-life insurance heading above.

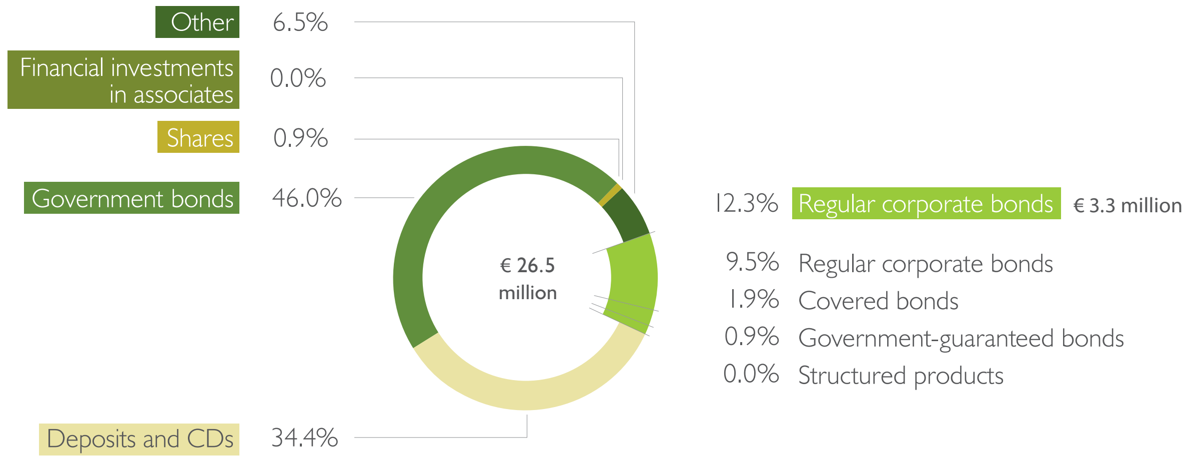
Breakdown of the investment portfolio; life insurance business

31.12.2013



Note: The other item includes mutual funds, loans granted, investment property and other investments.

31.12.2012



Note: The other item includes mutual funds, loans granted, investment property and other investments.

9.1.2. Funds for the benefit of policyholders who bear the investment risk

Funds for the benefit of policyholders who bear the investment risk is a major asset item. These funds increased by 536.3 % or € 148.2 million from year-end 2012. Zavarovalnica Maribor has a strong market position in life products. Most of this business comprises policies where policyholders bear the investment risk. As a results, related assets are significant. At year-end 2013, funds for the benefit of policyholders who bear the investment risk of Zavarovalnica Maribor totalled € 145.7 million, those of Zavarovalnica Tilia stood at € 30.1 million.

9.2. Liabilities

Consolidated equity & liabilities by type

(€)	31.12.2013	Structure 31.12.2013	31.12.2012	Structure 31.12.2012
EQUITY AND LIABILITIES	1,378,300,387	100.0 %	640,591,738	100.0 %
Equity	240,099,321	17.4 %	171,353,442	26.7 %
Share capital	71,856,376	5.2 %	39,069,098	6.1 %
Capital reserves	42,423,360	3.1 %	25,352,645	4.0 %
Profit reserves	102,023,219	7.4 %	96,925,773	15.1 %
Treasury shares	-2,821,391	-0.2 %	-1,774	0.0 %
Fair value reserve	7,739,714	0.6 %	1,527,689	0.2 %
Retained earnings	15,018,066	1.1 %	4,016,817	0.6 %
Net profit/loss for the period	5,023,423	0.4 %	5,461,807	0.9 %
Translation reserve	-3,128,947	-0.2 %	-3,014,477	-0.5 %
Equity attributable to owners of the controlling company	238,133,820	17.3 %	169,337,580	26.4 %
Non-controlling interest in equity	1,965,501	0.1 %	2,015,862	0.3 %
Subordinated liabilities	30,466,967	2.2 %	31,244,573	4.9 %
Technical provisions	846,224,719	61.4 %	360,148,216	56.2 %
Technical provision for the benefit of life insurance policyholders who bear the investment risk	170,786,799	12.4 %	27,040,864	4.2 %
Other provisions	5,878,803	0.4 %	1,350,999	0.2 %
Deferred tax liabilities	4,008,876	0.3 %	3,498	0.0 %
Other financial liabilities	5,006,946	0.4 %	3,038,565	0.5 %
Liabilities from operating activities	44,991,418	3.3 %	36,638,022	5.7 %
Other liabilities	**30,836,538**	**2.2 %**	**9,773,559**	**1.5 %**

The Sava Re Group has strengthened its stability, maintaining a high level of technical provisions.

9.2.1. Technical provisions

On the liabilities' side, the largest item is gross technical provisions, including provisions for the benefit of policyholders who bear the investment risk. These increased by 162.7 % from year-end 2012 to € 629.8 million on 31 December 2013. Net technical provisions, including funds for the benefit of policyholders who bear the investment risk, grew by 181.2 % or € 633.8 million in the same period. The increase in technical provisions is also a result of the inclusion of Zavarovalnica Maribor into the Group.

Gross provisions for the reinsurance segment declined by 34.3 % or € 66.7 million. The lower balance of technical provisions is a result of the inclusion of Zavarovalnica Maribor in the consolidated financial statements requiring the transfer of the gross provision for reinsurance business of Zavarovalnica Maribor, amounting to € 67.3 million, from the reinsurance segment to the non-life segment.

The gross technical provisions attributable to the non-life insurance segment recorded an increase by 207.0 % or € 305.1 million at year-end 2013. Gross provisions of Zavarovalnica Maribor included in the consolidated statements totalled € 303.2 million at year-end 2013.

Gross provisions of the life segment (including provisions for the benefit of policyholders who bear the investment risk) increased by 860.7% to € 391.4 million at year-end 2013. Gross provisions of Zavarovalnica Maribor included in the consolidated statements totalled € 417.9 million at year-end 2013.

Movements in consolidated technical provisions

(€)	31.12.2013	31.12.2012	Index
Gross unearned premiums	144,611,911	90,691,880	159.5
Gross mathematical provisions	250,559,649	17,767,312	1410.2
Gross provision for claims	437,267,628	248,200,797	176.2
Gross provision for bonuses, rebates and cancellations	832,938	562,560	148.1
Other gross technical provisions	12,952,593	2,925,667	442.7
Gross technical provisions for the benefit of policyholders who bear the investment risk	170,786,799	27,040,864	631.6
Total gross technical provisions	**1,017,011,518**	**387,189,080**	**262.7**

9.2.2. Equity

The second largest item on the liabilities side is equity, which increased by € 68.7 million from year-end 2012. In the third quarter 2013, Sava Reinsurance Company successfully completed a € 55 million capital increase to raise funds for the purchase of the remaining shares of Zavarovalnica Maribor. As a result, the share capital and capital reserves items increased.

There was also an increase in treasury shares. This is because at 31 December 2013, Zavarovalnica Maribor held 346,643 shares of Sava Reinsurance Company, which are accounted for as treasury shares since Sava Reinsurance Company controls Zavarovalnica Maribor. These shares will have to be sold by Zavarovalnica Maribor within one year of the acquisition or Sava Reinsurance Company will have to withdraw them or remedy their status in any other way to comply with the provisions of the Slovenian Companies Act (ZGD-1).

Fair value reserve, which is part of equity, amounted to € 7.7 million at 31 December 2013. The item increased by € 6.2 million as a result of the following movements:

- revaluation of investments (increase of € 9.6 million);
- net gains/losses attributable to the Group recognised in the fair value reserve relating to investments in equity-accounted associates (decrease of € 3.3 million);
- other net gains (increase of € 0.8 million);
- acquisition of non-controlling interests (decrease of € 0.9 million).

Compared to 31 December 2012, retained earnings changed in line with the below movements:

- transfer of profits from the previous year (increase of € 5.5 million);
- transfer of other profit reserves to retained earnings (increase of € 5.5 million).

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

Technical provisions for the benefit of policyholders who bear the investment risk at 31 December 2013 grew by 531.6 % or € 143.7 million compared to year-end 2012. Zavarovalnica Maribor has a strong market position in life products. Most of this business comprises policies where policyholders bear the investment risk. As a result, these technical provisions are substantial: technical provisions for the benefit of policyholders who bear the investment risk relating to Zavarovalnica Maribor totalled € 141.7 million at 31 December 2013.

9.3. Capital structure

At 31 December 2013, the Sava Re Group's capital comprised € 240.1 million of equity, € 30.5 million of subordinated liabilities and € 5.0 million of other financial liabilities. Thus debt accounted for 14.8 % of total equity and debt capital.

Subordinated liabilities mainly relate to the subordinated debt of Sava Reinsurance Company taken out to expand to the Western Balkans, but Zavarovalnica Maribor also holds subordinated debt of € 7.0 million. Sava Reinsurance Company made an early repayment of part (€ 8 million in nominal terms) of its subordinated debt. Details relating to the subordinate debt are described in note 21 of section 17.8 "Notes to the financial statements – statement of financial position".

9.4. Cash flow

In 2013 net cash from operating activities at the Group level totalled € 32.2 million, while net cash from financing activities of € 54.3 million was due to the recapitalisation of the controlling company. The movement in net cash used in investing activities is a result of both mentioned facts.

The inclusion of Zavarovalnica Maribor into the consolidated financial statements in the year had a large impact, so a comparison between movements in 2013 and 2012 does not reflect inherent trends. Below we give a description of cash flow movements in Zavarovalnica Maribor, Zavarovalnica Tilia and Sava Reinsurance Company.

Net cash from operating activities of Zavarovalnica Maribor in 2013 totalled € 17.2 million, while net cash used in financing activities was € 12.5 million. The company paid dividends of € 12.0 million in 2013.

Zavarovalnica Tilia recognised net cash from operating activities of € 8.7 million in 2013. Net cash from financing activities totalled € 0.4 million (2012: -8.2 million).

Sava Reinsurance Company recorded net cash from operating activities of € 11.1 million in 2013, while net cash from financing activities amounted to € 52.0 million. Net cash from financing activities was relatively high due to the recapitalisation of the Company.

Strong net cash-flow from operating activities provides sufficient funds for the development of key Group areas.

9.5. Receivables management

At the end of 2013, the total amount of receivables of the Sava Re Group was 17.4 % higher compared to the previous year.

Receivables arising out of primary insurance business exceeded the 2012 figure by € 31.2 million, mainly as a result of the inclusion of Zavarovalnica Maribor into the consolidated financial statements.

Receivables from reinsurance activities fell by € 6.2 million.

The other receivables item also decreased significantly due to the advance payment for the acquisition of Zavarovalnica Maribor (€ 10 million) by the controlling company in 2012. When the transaction was completed, this amount was transferred to the financial investments in Group companies and associates item of the separate financial statements of Sava Reinsurance Company, while the item was eliminated from consolidated financial statements through a consolidation adjustment.

The receivables ageing analysis shows a relative increase in overdue receivables: at the end of 2012, receivables past due for more than 180 days accounted for 5.4 % of total receivables; at the end of 2013, such receivables accounted for 9.7 % of total receivables.

10. Personnel

Employment figures for Group members

	31.12.2013	31.12.2012	Change
Zavarovalnica Maribor	822	-	822
Zavarovalnica Tilia	362	350	12
Sava osiguranje Belgrade	273	250	23
Illyria	164	140	24
Velebit osiguranje	151	165	-14
Sava Montenegro	145	159	-14
Sava osiguruvanje Skopje	126	124	2
Illyria Life	120	99	21
Sava životno osiguranje	83	77	6
Velebit životno osiguranje	74	86	-12
Sava Reinsurance Company	67	70	-3
Sava Car	24	14	10
TOTAL	2,411	1,534	877

The table above shows the number of employees calculated on a full-time equivalent basis.

In 2013 the number of Sava Re Group employees increased by 877, which is mainly due to the inclusion of Zavarovalnica Maribor into the Group. If Zavarovalnica Maribor had been excluded, the number would have increased by 55. 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.

11. Risk Management

11.1. 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, commonly named 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.

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 requirements 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 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.

11.2. Organisational structure of risk management

To date not all Sava Re Group members have 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 professionals with relevant expertise: actuaries, financial professionals, risk management specialists, etc.;
- small size of insurers, which entails excessive administrative expenses relative to premium income; in environments that do not require comprehensive risk management, additional hires would lead to higher expenses and reduced competitiveness.

Sava Re Group members are 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 viewed in the context of the (under) development of the economic environment and labour market. Regarding risk management, we have appointed one person in each subsidiary to co-ordinate and implement risk management activities.

Sava Reinsurance Company

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 five certified actuaries (including the executive director), who co-ordinate and carry out activities on the 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 other things, 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.

11.3. 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 Company objectives can be achieved with reasonable probability.

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.

Risks that do not meet the conditions from the preceding paragraph, are subject to the following measures:

- 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.

11.4. Risks

In the Sava Re Group and at Sava Reinsurance Company we 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.

Individual risks are described in detail in the notes to the financial statements of the Sava Re Group (section 17.7) and to the financial statements of Sava Reinsurance Company (section 24.5).

12.
Internal Audit

internal auditing at Sava Reinsurance Company is carried out by the Internal Audit Service (IAS) based on the Internal Audit Charter of the IAS. The IAS is an autonomous organisational unit, 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 2013, the IAS assisted the Sava Re Group in reaching the goals set by fostering planned, orderly risk evaluation, improving the effectiveness of risk management procedures, risk management and risk control, and the management of the organisation. The IAS further added value by providing independent and impartial assurance and by providing advisory services.

In 2013, the IAS carried out audit reviews and other activities in accordance with the 2013 IA work plan. There were 12 internal audit reviews carried out; of these 4 were carried out at Sava Reinsurance Company and 8 in subsidiary companies in co-operation with each company's internal audit function.

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 IAS 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 IAS prepared an annual report on its activities in 2013, which is part of the materials for the general meeting of shareholders.

As part of developing the internal audit function, the IAS continued the transfer of internal auditing methodologies to internal audit services of other Sava Re Group members. In 2013, such transfer was implemented through joint internal audits.

The IAS conducted a self-assessment in 2013. The results showed that the operations of the IAS comply with the definition of internal auditing, the standards and the code of ethics.

13.
Sustainable Development of the Sava Re Group

All Group members are socially responsible and dedicated to sustainable development.

Sava Reinsurance Company and its Group have common values that are reflected in our positive work environment, sound business culture and lasting relationships. Insurance business is about providing security. We therefore maintain a friendly and responsible attitude towards the environment and society at large.

The Sava Re Group has no explicit social responsibility strategy or guidelines, as its members regulate this area each in their own way. There are, however, in place certain acts at the Group level that promote social responsibility, for example the Corporate Governance Policy of Sava Reinsurance Company and the Sava Re Group[25], the Compliance Policy, the Sava Re Group Accounting Manual, the Sava Re Group Code of Ethics, and others. We also try to be up to various external standards, such as the Environmental and Social Policy of the EBRD, the recommendations developed by SOD as manager of capital assets held by the Republic of Slovenia, the recommendations developed by the Ljubljana Stock Exchange, and others.

Sava Reinsurance Company also applies the Corporate Governance Code adopted by the Ljubljana Stock Exchange, the Managers' Association of Slovenia and the Association of Supervisory Board Members on 8 December 2009.

Relations with stakeholders

Our stakeholders are, in addition to the employees, our clients, business partners, other insurance and reinsurance undertakings, agents, shareholders and potential investors, supervisory bodies, analysts, media, professional communities and the general public. We aim to communicate with each of these groups in a transparent and perceptive way. We usually communicate through our management boards, departments, including marketing and public relations, and of course directly at points of sale.

Employees

Our responsibility for our employees is also reflected in our efforts to build a work environment that respects the dignity and integrity of each employee.

Employees have access to the latest news about the Company and to the latest expertise. We foster good relationships and engage in two-way communication by means of regular all-staff meetings, idea collection, the intranet, the SavaReporter e-newsletter, email, man-

25 http://www.sava-re.si/media/pdf/vlagatelji/SavaRe_CorporateGovernancePolicyOfSavaReinsuranceCompany.pdf

agement meetings, personal meetings, internal training, informal staff meetings (including also retired staff), team training, meetings with trade union and workers' council representatives, annual interviews and regular strategic conferences.

We put in place internal rules and procedures to help young parents balance their professional and family life. Although the Company did not decide to obtain the "family-friendly company" certificate, we still comply with the majority of its requirements.

Using annual interviews, we measure employee satisfaction about work, the possibilities that a position offers, training and remuneration, managing others, work conditions and staff relationships. Based on collected data, employees are especially satisfied with staff relationships, work conditions and with their work. The data will also be used to make improvements.

We have also rules in place regarding prevention, elimination and management of cases of violence, mobbing, harassment and other forms of psycho-social risks at work. Last year, no one identified himself/herself or a colleague as a victim of such behaviour.

The Sava Re Group assesses employee satisfaction in various ways. The Group has not carried out an overall employee satisfaction assessment at the Group level; however, the controlling company conducts regular monitoring in each Group company. Based on a number of indicators, we consider that employees in Group subsidiaries are mainly satisfied.

This assessment is based on the number of complaints and disputes with employees: there are no complaints worth mentioning 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.

Our member, Sava Montenegro, received several awards last year in this area: best employer, best employer in terms of teamwork, most innovative company, and equal opportunities employer committed to fair play. The competition was organised by the Blue Coach Biznis Trener company of Podgorica, specialised in coaching, training and mentoring.

Recruitment policy

Sava Reinsurance Company has the policy of making a job vacancy available first to Slovenian Sava Re Group employees, and only then publishing it if there are no suitable internal candidates.

It is very important that new employees are quickly integrated in the new work environment. For this reason, they receive a letter when taking up employment, in which Sava Reinsurance Company first thanks them for placing their trust in the Company, and then introduces the prevailing life and work culture. There are also various formal and informal ways of integrating new employees during the probation period, when they work briefly in several organisational units getting acquainted above all with those aspects that concern their future work in the Company.

Absenteeism

Absenteeism in Sava Reinsurance Company is due to sickness of the employees in the first place and to sickness of their children in the second. We are pleased to note that there is no absenteeism of employees due to work-related conditions.

Training

Sava Reinsurance Company encourages its employees to maintain and broaden their expertise, and to join training programmes organised by its business partners or specialised training institutions.

As controlling company, Sava Reinsurance Company also offers training to all Group employees. To this end, joint conferences are organised covering various areas (accounting, finance, controlling, marketing). Training is designed to suit the needs of participants and that of the Group and/or individual Group member.

Business partners

Dedication to clients contributes to sales, a key element of our business. We believe in building lasting partnerships by providing good services. We believe that the satisfaction of our clients is the mirror of our success. In reinsurance, we base client relationships on internal underwriting regulations and internal rules for account managers. We maintain relationships with our existing business partners. Meetings are arranged during international conferences and individual meetings. To make them familiar with our activities and the characteristics of our business, we organise each year our traditional Sava Summer Seminar, offering training in reinsurance-related areas.

As regards their relationships with the insured, Group members follow the rules and procedures on complaints, which are compliant with the directives issued by the European Insurance and Occupational Pensions Authority (EIOPA).

Supervisory bodies

Sava Reinsurance Company regularly and upon request reports to the Insurance Supervision Agency, in accordance with the Slovenian Insurance Act (ZZavar) and implementing regulations.

We report also to the Securities Market Agency (ATVP) in accordance with the Financial Instruments Market Act (ZTFI) and the internal rules on trading with POSR shares.

Financial community

We dedicate special attention to our shareholders and prospective investors. We communicate with this group of stakeholders by organising regular quarterly webcasts for analysts and investors, by participating at the events organised by the Ljubljana Stock Exchange and by participating at other local and international road shows. We ensure prompt and uniform information also via our official website at www.sava-re.si, the SEOnet portal of the Ljubljana Stock exchange, via the media, press conferences and letters to shareholders sent to keep them updated and to invite them to the general meeting. In all its announcements, the Company follows the standards applicable to the prime market of the Ljubljana Stock Exchange. More information about investor relations can be found in the share trading section.

Communication

The Company is aware that the credibility and reputation of a financial institution in the domestic as well as in the international market depends on the opinion formed by the public. Beside through fair and responsible dealings, a positive public image is built through impartial, transparent, accurate and timely communication. Pursuant to the Market in Financial Instruments Act (ZTFI) and the inside information-related recommendations issued by the Ljubljana Stock Exchange, Sava Reinsurance Company discloses inside information as promptly as possible. In this, we also follow the activities set out in the applicable communications plan.

Sava Reinsurance Company publishes regularly and timely all relevant information that may affect the business decisions made by investors or the interested public. We also promptly answer any questions made by the media, in accordance with the recommendations issued by the Ljubljana Stock Exchange. Events that require registration in a public register (company register and such like) and the events of which legal consequences arise upon issuance of a decision by a government body (such as on a licence and other similarly related permit) are published when registered or received.

In the event of inaccurate or false press releases potentially harmful to the reputation of Sava Reinsurance Company or to its business results, Sava Reinsurance Company responds in line with the Media Act (ZMed) and good business practice.

Sava Reinsurance Company publishes its business reports and financial statements in line with the standards set applicable to prime market issuers, observing the Financial Instruments Market Act (ZTFI) and the recommendations of the Ljubljana Stock Exchange. The Company also publishes on its website a financial calendar with the publication dates of significant financial reports. All publications are made available in Slovenian and English.

Environmental care

Social responsibility

All members of the Sava Re Group also celebrated the traditional Sava Re Day in 2013. On that day, the employees are encouraged to take part in socially beneficial and humanitarian activities. Group members join forces with local non-profit organisations and help groups in need of assistance or the less privileged.

Certain members of our Group are among the co-founders of the Network for Social Responsibility of Slovenia, and are members of the Institute for the Development of Social Responsibility and of the Partnership for National Strategy and Social Responsibility. Our members, established in various countries, have nation-wide networks, which makes it easier to identify the needs and potentials of local communities. We firmly believe in co-operation, and therefore support team sports, efforts and projects that connect organisations with their communities, which allows us to become part of social developments.

Investments

Sava Reinsurance Company, being a financial sector entity, views environmental policy as a set of principles and practices aimed at protecting the environment, the landscape, as well as the natural and cultural heritage. It therefore pursues the environmental and social policy developed by the European Bank for Reconstruction and Development (EBRD). We avoid investing in securities with harmful effects of any kind on people and the environment. Part of our funds are invested in debt securities issued by international organisations such as the EBRD, the World Bank and the European Investment Bank, as we believe that these organisations invest in environment-friendly projects, in accordance with their environmental and social policies.

14. Business Processes and IT Support

We are working toward total integration of all information systems in the Group; full integration is expected within 3–5 years.

In 2013, the Group continued to consolidate IT support, and gradually centralise infrastructure. In January 2013, the ASP.ins insurance operations application for Illyria was put into operation in the Group data centre. The company thus became the fourth Group member to use the application and the first to use it without an own server infrastructure. The application runs in the Group data centre, which allows continuous operations in the case of a disaster, as the primary centre production servers are mirrored to a secondary centre. In order to ensure functioning of the ASP.ins application for Illyria, the main location of the company was connected to the MPLS uniform data network already connecting Sava Reinsurance Company and Zavarovalnica Tilia.

Other companies also continued preparing for business continuity. We did a test connection of the network pertaining to Sava osiguranje Belgrade to the secondary data centre, and started mirroring some of the most important servers. Production mirroring of all servers will start in 2014, which will allow Sava osiguranje Belgrade and Sava životno osiguranje to comply with all new legal requirements relating to the IT system safety. Sava Montenegro implemented a new server virtualisation infrastructure, which will also allow replication to a secondary data centre.

In autumn 2013, we started preparations for transition to the Navision application in Velebit osiguranje and Velebit životno osiguranje. The two insurers started using the Navision application in 2014. In the autumn of 2013, we also started preparing for the upgrade to a new version of Navision, to be implemented gradually in all Group companies throughout 2014. The preparations included a technical and architectural reference model for the future use of Navision in the Group.

Towards the end of 2013, we mapped the information systems and solutions in Zavarovalnica Maribor and other Group companies as part of the Radar project, and started preparing a new IT strategy. The strategy will be expanded to provide for the new situation after the integration of Zavarovalnica Maribor in the Group. Because of its size and different IT structure, this integration represents quite a challenge. The Group intends to have two separate primary insurers in Slovenia, gradually optimising their back offices and taking advantage of other synergies. We will start implementing the new IT strategy in 2014, first by connecting the primary data centre in Novo Mesto with the centre of Zavarovalnica Maribor in Maribor and then by connecting all active directories. This will be the basis for the provision of uniform IT services to all users in the Group.

Nature is, after all, the only book that offers important content on every page.

Johann Wolfgang von Goethe

2 CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES

15.
Auditor's Report

EY
Building a better working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of Pozavarovalnica Sava d.d.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Sava Re Group which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Consolidated Annual Report for year ended December 31, 2012 was audited by another auditor, who issued unqualified audit opinion on March 29, 2013.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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 consolidated 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial position of Sava Re Group as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ljubljana, 31.3.2014

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 3

Primož Kovačič
Certified Auditor

Družba je članica Ernst & Young Global Limited

16.
Consolidated Financial Statements

16.1. Consolidated statement of financial position

(€)	Note	31.12.2013	31.12.2012
ASSETS		1,378,300,387	640,591,738
Intangible assets	1	40,226,072	17,767,943
Property and equipment	2	46,042,572	24,583,379
Deferred tax assets	3	3,496,592	1,929,136
Investment property	4	5,567,006	5,105,302
Financial investments in associates	5	2,866,665	55,265,651
Financial investments:	6	931,121,110	350,245,812
- Loans and deposits		124,155,090	106,348,182
- Held to maturity		164,086,323	16,563,481
- Available for sale		608,760,093	224,279,160
- At fair value through profit or loss		34,119,604	3,054,989
Funds for the benefit of policyholders who bear the investment risk	7	175,776,228	27,623,903
Reinsurers' share of technical provisions	8	33,490,712	37,429,870
Receivables	9	116,212,767	99,025,730
Receivables arising out of primary insurance business		56,871,392	25,687,383
Receivables arising out of reinsurance and co-insurance business		48,273,297	54,479,304
Current tax assets		1,707,675	2,114,354
Other receivables		9,360,403	16,744,689
Deferred acquisition costs	10	17,752,316	16,058,701
Other assets	11	1,593,291	1,146,698
Cash and cash equivalents	12	3,432,720	4,058,488
Non-current assets held for sale	13	722,336	351,125
EQUITY AND LIABILITIES		1,378,300,387	640,591,738
Equity		240,099,321	171,353,442
Share capital	14	71,856,376	39,069,098
Capital reserves	15	42,423,360	25,352,645
Profit reserves	16	102,023,219	96,925,773
Treasury shares	17	-2,821,391	-1,774
Fair value reserve	18	7,739,714	1,527,689
Retained earnings		15,018,066	4,016,817
Net profit/loss for the period	19	5,023,423	5,461,807
Translation reserve		-3,128,947	-3,014,477
Equity attributable to owners of the controlling company		238,133,820	169,337,580
Non-controlling interest in equity	20	1,965,501	2,015,862
Subordinated liabilities	21	30,466,967	31,244,573
Technical provisions	22	846,224,719	360,148,216
Unearned premiums		144,611,911	90,691,880
Mathematical provisions		250,559,649	17,767,312
Provision for outstanding claims		437,267,628	248,200,797
Other technical provisions		13,785,531	3,488,227
Technical provision for the benefit of life insurance policyholders who bear the investment risk	22	170,786,799	27,040,864
Other provisions	23	5,878,803	1,350,999
Deferred tax liabilities	3	4,008,876	3,498
Other financial liabilities	24	5,006,946	3,038,565
Liabilities from operating activities	25	44,991,418	36,638,022
Liabilities from primary insurance business		12,951,255	1,506,763
Liabilities from reinsurance and co-insurance business		31,423,916	34,951,358
Current income tax liabilities		616,247	179,900
Other liabilities	26	30,836,538	9,773,559

The notes to the financial statements on pages 126-197 form an integral part of these financial statements.

16.2. Consolidated income statement

(€)	Note	2013	2012
Net premiums earned	27	379,148,165	246,224,224
Gross premiums written		386,704,879	270,763,193
Written premiums ceded to reinsurers and co-insurers		-22,632,694	-20,627,400
Change in net unearned premiums		15,075,980	-3,911,569
Income from investments in associates	28	12,105,991	3,809,245
Profit from investments in equity-accounted associate companies		2,177,749	3,809,245
Other income		9,928,242	0
Investment income	29	45,660,204	21,710,290
Interest income		23,833,718	13,637,159
Other investment income		12,604,070	4,552,813
Net unrealised gains on investments of life insurance policyholders who bear the investment risk		9,222,416	3,520,318
Other technical income	30	9,729,613	6,867,686
Commission income		2,140,660	2,609,139
Other technical income		7,588,953	4,258,547
Other income	34	3,268,321	1,893,701
Net claims incurred	31	-229,009,555	-149,887,499
Gross claims paid less income from recourse receivables		-221,223,447	-136,277,305
Reinsurers' and co-insurers' share of claims paid		9,093,385	5,408,983
Change in the net provision for outstanding claims		-16,879,493	-19,019,177
Change in other technical provisions	32	5,788,369	-1,686,594
Change in technical provisions for policyholders who bear the investment risk	32	-12,127,890	-3,475,311
Expenses for bonuses and rebates		-369,808	-79,740
Operating expenses	33	-129,401,367	-87,727,091
Acquisition costs		-46,402,123	-40,558,363
Other operating expenses		-82,999,244	-47,168,728
Expenses for investments in associates	29	-1,072,503	-340,254
Impairment loss on goodwill		-898,226	-340,254
Loss arising out of investments in equity-accounted associate companies		-174,277	0
Expenses for financial assets and liabilities	29	-51,530,429	-10,661,186
Impairment losses on financial assets not at fair value through profit or loss		-9,112,367	-1,087,106
Interest expense		-1,689,709	-1,629,646
Other investment expenses		-31,208,916	-5,671,478
Net unrealised losses on investments of life insurance policyholders who bear the investment risk		-9,519,437	-2,272,956
Other technical expenses	34	-13,998,151	-11,555,996
Other expenses	34	-2,416,920	-794,576
Profit/loss before tax		15,774,040	14,296,899
Income tax expense	35	-152,116	-2,508,442
NET PROFIT/LOSS FOR THE PERIOD		15,621,924	11,788,457
Net profit/loss attributable to owners of the controlling company		15,660,308	12,138,746
Net profit/loss attributable to non-controlling interests		-38,384	-350,289
NET DILUTED EARNINGS/LOSS PER SHARE	19	1.23	1.30

The notes to the financial statements on pages 126-197 form an integral part of these financial statements.

16.3. Consolidated statement of comprehensive income

	2013			2012		
(€)	Attributable to owners of the controlling company	Attribut-able to non-controlling interest	Total	Attributable to owners of the controlling company	Attribut-able to non-controlling interest	Total
Profit/loss for the period, net of tax	15,660,308	-38,384	15,621,924	12,138,746	-350,289	11,788,457
Other comprehensive income, net of tax	7,018,300	-932,721	6,085,579	11,665,628	17,867	11,683,495
Items that will not be reclassified to profit or loss	606,919	0	606,919	0	0	0
Other net gains/losses of other comprehensive income	606,919	0	606,919	0	0	0
Items that may be reclassified subsequently to profit or loss	6,411,381	-932,721	5,478,660	11,665,628	17,867	11,683,495
Net change in fair value of available-for-sale financial assets	12,001,042	-920,463	11,080,579	10,275,004	22,352	10,297,355
Gains/losses recognised in fair value reserve	3,411,765	-920,463	2,491,302	8,242,613	22,352	8,264,965
Net change transferred from fair value reserve to profit or loss	8,589,277	0	8,589,277	2,032,391	0	2,032,391
Net gains/losses attributable to the Group recognised in fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	-3,358,131	0	-3,358,131	4,311,339	0	4,311,339
Tax on other comprehensive income	-2,117,060	0	-2,117,060	-2,244,239	-3,397	-2,247,636
Net gains/losses from translation of financial statements of non-domestic companies	-114,470	-12,258	-126,728	-676,475	-1,088	-677,563
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	22,678,607	-971,105	21,707,503	23,804,373	-332,422	23,471,951
Attributable to owners of the controlling company	22,678,607	0	22,678,607	23,804,373		23,804,373
Attributable to non-controlling interest	0	-971,105	-971,105	0	-332,422	-332,422

The notes to the financial statements on pages 126-197 form an integral part of these financial statements.

16.4. Consolidated statement of cash flows

€			Note	2013	2012
A.	CASH FLOWS FROM OPERATING ACTIVITIES				
a.)	Items of the income statement		35	25,092,970	26,388,961
	1.	Net premiums written	27	364,072,185	250,135,793
	2.	Investment income (other than financial income), financed from:	29	96,954	7,650,239
		- technical provisions		92,428	6,993,296
		- other sources		4,526	656,943
	3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables		12,997,934	8,761,387
	4.	Net claims paid	31	-212,130,062	-130,868,322
	5.	Expenses for bonuses and rebates		-369,808	-79,740
	6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	33	-122,889,212	-86,406,948
	7.	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:		-117,834	-7,944,434
		- technical sources		-94,645	-7,252,696
		- other sources		-23,189	-691,738
	8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	34	-16,415,071	-12,350,572
	9.	Tax on profit and other taxes not included in operating expenses	35	-152,116	-2,508,442
b.)	Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the income statement			7,139,473	-4,535,146
	1.	Change in receivables from primary insurance	9	-31,184,009	655,223
	2.	Change in receivables from reinsurance	9	6,206,007	-1,780,384
	3.	Change in other receivables from re/insurance business	9	-562,895	-360,086
	4.	Change in receivables and assets	9	9,517,656	-893,696
	5.	Change in deferred tax assets	3	-1,567,456	2,598,277
	6.	Change in inventories		-72,652	74,469
	7.	Change in liabilities arising out of primary insurance	25	11,444,492	109,359
	8.	Change in liabilities arising out of reinsurance business	25	-3,527,442	-2,669,820
	9.	Change in other operating liabilities	26	4,563,145	-2,253,955
	10.	Change in other liabilities (except unearned premiums)	26	8,310,253	-18,031
	11.	Change in deferred tax liabilities	3	4,012,374	3,498
c.)	Net cash from/used in operating activities (a + b)			32,232,443	21,853,815

			2013	2012
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
a.)	Cash receipts from investing activities		1,144,158,951	469,357,442
	1.	Interest received from investing activities relating to:	23,833,718	13,646,048
		- investments financed from technical provisions	22,316,923	12,552,441
		- other investments	1,516,795	1,093,607
	2.	Cash receipts from dividends and from participation in the profit of others, relating to:	10,585,897	4,223,248
		- investments financed from technical provisions	381,777	251,001
		- other investments	10,204,120	3,972,247
	3.	Proceeds from sale of intangible assets, financed from:	985,985	15,908
		- technical provisions	0	15,908
		- other sources	985,985	0
	4.	Proceeds from sale of property and equipment, financed from:	746,163	789,222
		- technical provisions	41,122	774,653
		- other sources	705,041	14,569
	5.	Proceeds from sale of long-term financial investments, financed from:	375,394,189	108,318,007
		- technical provisions	343,062,823	85,503,802
		- other sources	32,331,366	22,814,205
	6.	Proceeds from sale of short-term financial investments, financed from:	732,612,999	342,365,009
		- technical provisions	630,274,639	291,158,131
		- other sources	102,338,360	51,206,878
b.)	Cash disbursements in investing activities		-1,231,338,512	-487,115,448
	1.	Purchase of intangible assets	-787,614	-443,992
	2.	Purchase of property and equipment, financed from:	-4,420,201	-953,530
		- technical provisions	-152,057	-153,480
		- other sources	-4,268,144	-800,050
	3.	Purchase of long-term financial investments, financed from:	-502,764,850	-139,267,700
		- technical provisions	-427,048,522	-104,974,449
		- other sources	-75,716,328	-34,293,251
	4.	Purchase of short-term financial investments, financed from:	-723,365,847	-346,450,226
		- technical provisions	-607,606,579	-294,532,929
		- other sources	-115,759,268	-51,917,297
c.)	Net cash from/used in investing activities (a + b)		-87,179,561	-17,758,006
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
a.)	Cash receipts from financing activities		71,909,731	0
	1.	Proceeds from paid-in capital	54,023,282	0
	2.	Proceeds from long-term borrowing		0
	3.	Proceeds from short-term borrowing	17,886,449	0
b.)	Cash disbursements in financing activities		-17,588,383	-4,747,773
	1.	Interest paid	-1,689,709	-1,629,646
	2.	Redemption of equity		0
	3.	Repayment of long-term financial liabilities	-22,528	-45,096
	4.	Repayment of short-term financial liabilities	-15,876,146	-3,064,297
	5.	Dividends and other profit participations paid	0	-8,734
c.)	Net cash from/used in financing activities (a + b)		54,321,348	-4,747,773
C2.	Closing balance of cash and cash equivalents		3,432,720	4,058,488
	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)		-625,770	-651,964
	Opening balance of cash and cash equivalents		4,058,488	4,710,455

The notes to the financial statements on pages 126-197 form an integral part of these financial statements.

16.5. Consolidated statement of changes in equity for the year ended 31 December 2013

(€)	I. Share capital	II. Capital reserves	III. Profit reserves						IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (14 + 15)
			Contingency reserve	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other								
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
Opening balance in the financial period	**39,069,099**	**25,352,645**	**0**	**16,677,980**	**1,774**	**753,026**	**9,950,193**	**69,542,800**	**1,527,689**	**4,016,817**	**5,461,807**	**-1,774**	**-3,014,477**	**169,337,580**	**2,015,862**	**171,353,442**
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	0	7,132,770	0	15,660,307	0	-114,470	22,678,607	-971,105	21,707,503
Subscription (payment) of new equity capital	32,787,277	21,236,004	0	0	0	0	0	0	0	0	0	0	0	54,023,281	0	54,023,281
Allocation of net profit to profit reserve	0	0	0	3,190	0	0	0	5,649,693	0	-3,190	-5,649,693	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	0	47,049	2,120,526	0	0	0	-2,167,575	0	0	-74,132	0	-74,132
Acquisition of non-controlling interests	0	-4,165,289	0	0	0	0	0	0	-920,745	0	0		0	-5,086,034	-46,522,614	-51,608,648
Transfer of profit	0	0	0	0	0	0	0	0	0	5,461,807	-5,461,807	0	0	0	0	0
Own shares gained upon acquisition of Zavarovalnica Maribor and setting up of a reserve for treasury shares	0	0	0	0	2,819,617	0	0	0	0	0	-2,819,617	-2,819,617	0	-2,819,617	0	-2,819,617
Increase due to acquisition of Zavarovalnica Maribor	0	0	0	0	0	0	0	0	0	0	0	0	0	0	47,443,359	47,443,359
Transfer of reserves to retained earnings	0	0	0	-5,542,630	0	0	0	0	0	5,542,630	0	0	0	0	0	0
Closing balance in the financial period	**71,856,376**	**42,423,360**	**0**	**11,138,541**	**2,821,391**	**800,075**	**12,070,719**	**75,192,493**	**7,739,714**	**15,018,066**	**5,023,423**	**-2,821,391**	**-3,128,947**	**238,133,820**	**1,965,501**	**240,099,321**

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

(€)	Note	I. Share capital	II. Capital reserves	III. Profit reserves: Contingency reserve	III. Profit reserves: Legal reserves and reserves provided for in the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Credit risk equalisation reserve	III. Profit reserves: Catastrophe equalisation reserve	III. Profit reserves: Other
		1.	2.	3.	4.	5.	6.	7.	8.
Opening balance in financial period		**39,069,099**	**25,417,396**	**0**	**16,673,828**	**1,774**	**745,290**	**7,996,935**	**64,825,254**
Comprehensive income for the year, net of tax		0	0	0	0	0	0	0	0
Subscription (payment) of new equity capital		0	0	0	0	0	0	0	0
Payout of (accounting for) dividends		0	0	0	0	0	0	0	0
Allocation of net profit to profit reserve	16	0	0	0	0		0	0	4,717,546
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	16	0	0	0	0	0	7,736	1,951,655	0
Increase in share	20	0	-64,752		4,152			1,603	
Transfer of profit/ loss		0	0	0	0	0	0	0	0
Closing balance in financial period		**39,069,099**	**25,352,645**	**0**	**16,677,980**	**1,774**	**753,026**	**9,950,193**	**69,542,800**

(€)	IV. Fair value reserve	V. Retained earnings	VI. Net profit/ loss for the year	VII. Treasury shares (contra account)	VIII. Translation reserve	IX. Total Group equity	XI. Non-controlling interest in equity	XII. Total (14+15)
	9.	10.	11.	12.	13.	14.	15.	16.
Opening balance in financial period	**-10,809,738**	**2,878,547**	**1,147,009**	**-1,774**	**-2,338,007**	**145,605,616**	**2,474,433**	**148,080,052**
Comprehensive income for the year, net of tax	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	3,576	3,576
Payout of (accounting for) dividends	0	-8,734	0	0	0	-8,734	0	-8,734
Allocation of net profit to profit reserve	0	0	-4,717,546	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	-1,959,391	0	0	0	0	0
Increase in share	-4,678	0		0	0	-63,675	-129,725	-193,400
Transfer of profit/ loss	0	1,147,009	-1,147,009	0	0	0	0	0
Closing balance in financial period	**1,527,689**	**4,016,817**	**5,461,810**	**-1,774**	**-3,014,482**	**169,337,580**	**2,015,862**	**171,353,442**

The notes to the financial statements on pages 126-197 form an integral part of these financial statements.

17. Notes to the Consolidated Financial Statements

17.1. Basic details

Reporting company

Pozavarovalnica Sava, d.d. (hereinafter "Sava Reinsurance Company" or "the 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 (25 % of premium income), life insurance business (17 % of premium income) and non-life insurance business (58 % of premium income).

The Sava Re Group had 1,973 employees on average in 2013 (2012: 1,510). At 31 December 2013, the Group employed 2,411 people (31 December 2012: 1,534), determined on a full-time equivalent basis.

Number of employees by degree of formal education

	31.12.2013	31.12.2012
Primary and lower secondary education	49	42
Secondary	1,238	786
Higher	277	148
University	787	522
Masters' degree and doctorate	62	36
TOTAL	2,411	1,534

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 Societe Generale – Splitska banka with a 9.8 % stake.

It is the responsibility of the controlling company to prepare the consolidated annual report and authorise it for issue. 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 authorisation for issue / approval to the General Meeting of Shareholders, the General Meeting shall decide thereon.

The owners have the right to amend the financial statements after they have been authorised for issue by the Company's management board.

17.2. Business combinations and an overview of group companies

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

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

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

Fair values of acquired assets and assumed liabilities

(€)	Zavarovalnica Maribor
ASSETS	
Property and equipment	8,099,959
Intangible assets	15,000,000
LIABILITIES	
Deferred tax liabilities	3,926,993

The fair value of the net assets of Zavarovalnica Maribor in the statement of financial position of the Sava Re Group at that day was € 120.0 million. The consideration for shares bought in the acquisition was € 15.0 million. The fair value of non-controlling interest in equity totalled € 47.4 million. The table below shows the calculation of goodwill arising in the acquisition of Zavarovalnica Maribor.

Calculation of goodwill resulting in the acquisition of Zavarovalnica Maribor

(€)	Zavarovalnica Maribor
Intangible assets	20,557,525
Property and equipment	21,844,322
Non-current assets held for sale	253,615
Deferred tax assets	1,104,625
Investment property	475,085
Financial investments	570,365,321
Funds for the benefit of policyholders who bear the investment risk	133,806,270
Reinsurers' share of technical provisions	69,454,992
Receivables	68,046,135
Cash and cash equivalents	214,022
Other assets	7,193,317
A. TOTAL ASSETS	893,315,229
Subordinated liabilities	7,000,000
Technical provisions	577,856,596
Technical provision for the benefit of life insurance policyholders who bear the investment risk	130,451,708
Other provisions	5,197,635
Deferred tax liabilities	3,926,993
Operating liabilities and other liabilities	48,909,295
B. TOTAL LIABILITIES	773,342,223
Fair value of net assets acquired (A – B)	119,973,006
Non-controlling interest in equity at 1 May 2013	47,443,359
Goodwill	4,582,581
Market value of the investment at 1 May 2013	77,112,228

Cash flow on acquisition of Zavarovalnica Maribor

(€)	Zavarovalnica Maribor
Purchase of the stake	-66,440,694
Net cash and cash equivalents acquired in the business combination	214,022
Net cash flow from the business combination	-66,226,672

Gains of € 7.7 million resulting from fair value re-measurement of the existing share prior to acquisition were recognised in the consolidated income statement under the item "other investment income".

By 30 September 2013, the controlling company acquired all minority interests from the Slovenian Restitution Fund and other minority shareholders and become sole owner of Zavarovalnica Maribor on 31 December 2013. It also held the same share of voting rights in the company. The acquisition cost of the investment in Zavarovalnica Maribor was € 94.8 million at 31 December 2013.

Pre-tax profit of Zavarovalnica Maribor for the period from the acquisition (1 May – 31 December 2013), as included in the consolidation, totalled € 1 million. For this period, the consolidated income statement showed income of € 175.8 million and expenses of € 176.8 million. Previously, Zavarovalnica Maribor was an associated company of the Sava Re Group; therefore, the consolidated income statement includes profit of € 2.2 million relating to this investment accounted using the equity method for the period 1 January – 30 April 2013. Had Zavarovalnica Maribor been fully consolidated as from 1 January 2013, Sava Re Group income would have been higher by € 81 million, while the net profit for the period would have been stronger by € 2.3 million.

At 31 December 2013 Zavarovalnica Maribor owned 346,433 shares of the controlling company. These shares were gained through the acquisition of Zavarovalnica Maribor and in the consolidated statement of changes in equity a reserve for treasury shares was set up for this amount. The value of treasury shares in the consolidated statement of financial position thus increased by € 2.820 million to € 2.821 million.

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

In 2013 Sava Reinsurance Company also recapitalised its subsidiary Sava životno osiguranje by € 775 thousand.

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 2013

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31.12.2013	Profit/loss for the year 2013	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	835,312,558	739,542,777	95,769,781	4,845,174[26]	242,548,983	100.00%
Zavarovalnica Tilia	insurance	Slovenia	166,642,398	144,516,904	22,125,494	3,843,175	69,398,309	100.00%
Sava osiguranje, Belgrade	insurance	Serbia	22,418,021	16,552,175	5,865,846	196,352	11,643,846	99.99%
Illyria	insurance	Kosovo	15,765,392	12,168,792	3,596,600	258,268	9,444,818	100.00%
Sava osiguruvanje, Skopje	insurance	Macedonia	20,954,314	17,146,172	3,808,142	5,598	10,447,932	92.44%
Sava Montenegro	insurance	Montenegro	23,656,330	18,612,539	5,043,791	1,010,839	11,120,520	100.00%
Illyria Life	insurance	Kosovo	5,474,108	1,825,200	3,648,908	165,618	1,533,453	100.00%
Sava životno osiguranje	insurance	Serbia	3,633,087	1,312,530	2,320,557	-575,569	1,239,606	99.99%
Velebit usluge	wholesale, retailer	Croatia	15,803,828	20,119	15,783,709	955	3,130	100.00%
Velebit osiguranje	insurance	Croatia	19,534,916	15,319,255	4,215,661	7,130	8,303,844	78.77%
Velebit životno osiguranje	insurance	Croatia	8,033,657	3,658,210	4,375,447	-254,919	2,453,216	71.37%
Illyria Hospital	hospital	Kosovo	1,800,856	4,495	1,796,361	-9	0	100.00%
Sava Car	research and analysis	Montenegro	396,684	246,810	149,874	23,303	365,799	100.00%
Vivus	consulting and marketing – insurance of the person	Slovenia	227,791	100,910	126,881	3,152	11,178	100.00%
Ornatus	insurance broker	Slovenia	1,094	3,001	-1,907	-595	0	100.00%
Ornatus KC	ZM call center	Slovenia	1,606	2	1,604	3,457	14,687	100.00%

Associate company at 31 December 2013

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31.12.2013	Profit/loss for the year 2013	Total income	Share of voting rights (%)
Moja naložba	pension fund	Slovenia	110.023.694	103.451.527	6.572.167	-387.283	3.111.644	45,00%

Compared to 2012, the value of the investment and the share of voting rights in the associate company changed due to the acquisition of Zavarovalnica Maribor, who owns 20 % of Moja naložba.

Subsidiaries at 31 December 2012

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31.12.2012	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, Belgrade	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, Skopje	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	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%

26 This profit of Zavarovalnica Maribor relates to the full year 2013.

Associate companies at 31 December 2012

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31.12.2012	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%

17.3. Consolidation principles

The controlling company prepared both separate and consolidated financial statements for the year ended 31 December 2013. 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 above 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. The associate company is 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 deconsolidated 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 attribute 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 intragroup transactions (receivables and liabilities, expenses and income between consolidated companies) shall be eliminated in full.

Associate companies

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 associate'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.

17.4. Significant accounting policies

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

17.4.1. Statement of compliance

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 were also 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 on 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 to provide 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 31 March 2014.

17.4.2. Measurement bases

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-for-sale 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.

17.4.3. Presentation currency, translation of events and items

The financial statements are presented in euro (€), 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 2013 denominated in foreign currencies were translated into euro using mid-rates of the European Central Bank ("ECB") as at year-end 2013. Amounts in the income statements were translated using the average exchange rate. At 31 December 2012 and 31 December 2013, 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. Since equity items in the statement of financial position at 31 December 2013 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.

17.4.4. Use of major accounting estimates and sources of uncertainty

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

- Calculation of goodwill, its measurement and impairment is determined using the accounting policy under section 3.4.8 and note 1.
- Deferred tax assets are recognised if Group entities plan to realise a profit in the medium-term projections.
- Receivables are impaired based on the accounting policy set out in section 3.4.17.2. 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 set out in section 3.4.14. 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 shown in section 3.4.24-26. Any change of these provisions is shown under note 22.

17.4.5. Cash flow statement

The cash flow statement has been prepared using the indirect method. The Group cash flow statement was 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 2013 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.

17.4.6. Statement of changes in equity

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

17.4.7. Intangible assets

Intangible assets, except goodwill, are stated at cost, including any expenses 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. This item also includes the value of assumed liabilities upon inclusion of Zavarovalnica Maribor into the Sava Re Group, being the equivalent of the difference between the fair value of acquired contractual insurance rights and assumed insurance liabilities. The useful life of intangible assets mentioned above is also 5 years.

17.4.8. 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 such unit. The recoverable amount is 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 3.8.

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 note 1 of section 3.8, there is a presentation of main assumptions for cash flow projections used in the calculation of the value in use.

17.4.9. Property and equipment

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.

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	10–12.5 %
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.

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 assets that increase future economic benefits are recognised in their carrying amount.

17.4.10. Non-current assets held for sale

Non-current assets held for sale are assets the carrying amount of which will be recovered principally through a sale 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 realise 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.

17.4.11. Deferred tax assets and liabilities

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.

Upon acquiring Zavarovalnica Maribor, the Group recognised deferred tax liabilities relating to property, equipment and intangible assets, representing the value of the assumed liabilities when Zavarovalnica Maribor joined the Group, being the difference between the fair value of the contractual insurance rights acquired and assumed insurance liabilities and the value of assets acquired. Details are set out in section 6.2.

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 2013 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 the financial investment in the associate company because it is unlikely that temporary differences can be utilised in the foreseeable future.

In 2013, deferred tax assets and liabilities were accounted for using tax rates that in the management's opinion will be used to actually tax the differences; these are from 9 to 17 % (2012: the same).

17.4.12. Investment property

Investment property relates to assets that the Group does not use directly for 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.

17.4.13. Financial investments in associates

Investments in associate companies are accounted for in the consolidated financial statements using the equity method. This means that the investment is initially recognised at cost and the carrying amount is increased or decreased 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 value of a company is assessed based on net profit.

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

17.4.14.1. 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.

17.4.14.2. Recognition, measurement and derecognition

Available-for-sale financial assets and held-to-maturity financial assets are initially measured at fair value plus any transaction costs. Financial assets at 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 from 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.

17.4.14.3. Determination of fair value

The fair value of financial assets held for trading and financial assets available 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 under section 3.4.15.

The Group measures financial instruments, such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 20.4. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group discloses and fully complies with its policy for determining when transfers between levels of the fair value hierarchy are deemed to have occurred. Policies for the timing of recognising transfers are the same for transfers into as for transfers out of any level. Examples of policies include: (a) the date of the event or change in circumstances that caused the transfer (b) the beginning of the reporting period (c) at the end of the reporting period.

17.4.14.4. Impairment of investments

A financial asset other than at fair value through profit or loss is impaired and 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).

17.4.14.4.1. Debt securities

Investments in debt securities are impaired 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.

17.4.14.4.2. 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;
- 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.

17.4.15. Classification of investments by source of data for revaluation (levels 1–3) according to IFRS 13

In accordance with IFRSs as adopted by the European Union, the Group classifies fair value measurements into a fair value hierarchy with the following three levels. Classification is by reference to the quality (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.

A model is used for the assessment whether any unquoted shares need to be impaired and to determine their fair value. The model uses the median P/B ratio[27]; and the median ratio of the enterprise value to earnings before deduction of interest, tax and amortisation (EV/EBITA)[28] for comparable companies.

Under the model, **the fair value of unquoted shares (FV)** is calculated as follows:

$$FV = \left[\left(0.6 * (CA\ per\ share * median\ {}^{P}/_{B})\right) + (0.4 * \frac{\left((EBITDA\ Company * median\ {}^{EV}/_{EBITA}) - net\ debt\ of\ Company\right)}{no.\ of\ shares}) \right] * 0.9$$

where the CA represents the latest published carrying amount of an unquoted share, while 0.9 is a discount (of 10 %) because of the share being unquoted.

Companies pursuing the same or essentially the same activity are considered comparable.

17.4.16. Reinsurers' share of technical provisions

The amount of reinsurers' share of technical provisions represents the proportion of gross technical provisions and unearned premiums for transactions that Group ceded to reinsurers outside the Sava Re Group. The amount is determined in accordance with reinsurance (retrocession) contracts and in line with movements in the portfolio based on gross technical provisions for the business that is the object of these reinsurance (retrocession) contracts at the close of each accounting period.

27 Price-To-Book Ratio.

28 Enterprise Multiple: Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization. Enterprise value comprises the entire value fot he company, being the sum of its market capitalisation and net debt.

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 3.7.1.7 "Risk management: Retrocession programme – non-life business)".

17.4.17. Receivables

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

17.4.17.1. Recognition of receivables

Receivables are initially recognised based on issued policies, invoices or other 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 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 3.4.30 "Net premiums earned" and 3.4.31 "Net claims incurred".

17.4.17.2. Impairment of receivables

The Group classifies receivables into groups with similar credit risk. It assesses receivables in terms of recoverability or impairment, making allowances based on payment history. Individual assessments are carried for all material items of receivables.

In addition to age, the method for accounting for 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. Group companies recognise impairment losses on recourse receivables based on past experience.

No receivables have been pledged as security.

17.4.18. Deferred acquisition costs

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 re/insurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation.

17.4.19. 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.

17.4.20. Cash and cash equivalents

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

17.4.21. 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, 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 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.

17.4.22. Subordinated liabilities

Subordinated debt represents a long-term liability of the Group in the form of a subordinated loan and a subordinated bond issued to meet capital adequacy requirements.

17.4.23. Classification of insurance contracts

The Group transacts traditional and unit-linked life business, non-life business and reinsurance business, the basic purpose of which is the transfer of underwriting risk. Underwriting risk is considered significant, if the occurence 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.

17.4.24. Technical provisions

Technical provisions are shown gross in the statement of financial position. The share of gross technical provisions for the business ceded by the Group to non-Group reinsurers is shown in the statement of financial position under the asset item reinsurers' share of technical provisions. Technical provisions for each Group company are approved by each company's appointed certified actuary. They must be set at an amount that provides reasonable assurance that liabilities from assumed (re)insurance contracts can be met. 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, except for insurance contracts with time-dependant coverage (credit insurance). For reinsurance, there is sometimes insufficient data available for calculations on the insurance policy level; in such cases, nominal percentages are used at reinsurance account level for periods for which premiums are written.

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, except for the discount rate applied, which was 2.75 %. Calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortising acquisition costs. The calculation of mathematical 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. The insurance company set aside deferred acquisition costs, showing them under assets in the event of commission prepayments, or shows the difference between the positive Zillmerised mathematical provision and the Zillmerised mathematical provision.

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 would be 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 (claims provision) are established in the amount of expected liabilities for incurred but not settled claims, including loss adjustment expenses. These comprise provisions for both reported claims calculated based on case estimates and claims incurred by not reported (IBNR) calculated based on actuarial methods. 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 expected net present value of future liabilities.

Provisions for incurred but not reported claims are calculated for the major part of the portfolios of primary insurers using actuarial methods based on paid claims triangles; the result is the total claims provision, and IBNR provision is calculated as the difference between the result of the triangle method and the provision based on case reserves. In classes where the volume of business is not large enough for reliable results from the triangle methods, the calculation is made based on either (i) the product of the expected number of subsequently reported claims and the average amount of subsequently reported claims or (ii) methods based on expected loss ratios. The consolidated IBNR provision includes the IBNR provision for the part of business of Sava Reinsurance Company written outside the Sava Re Group. For this part of the portfolio, technical categories based on reinsurance accounts are not readily available; therefore, it is necessary to estimate items that are received untimely, including claims provisions, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance as well as development triangles for underwriting years succeeding accounted quarters; The IBNR provision is then established at the amount of the claims provision thus estimated.

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

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 aggregate value of all units of funds under all policies, including all premiums not yet converted into units. The value of funds is based on market value as at the statement of financial position date.

17.4.26. Liability adequacy test (LAT)

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

As described under provisions for outstanding claims, they are established based on actuarial estimates of expected liabilities; it, therefore, also constitutes a liability adequacy test. Liability adequacy testing for non-life business is carried out for unearned premiums. Unearned premiums are calculated based on the unexpired portion of the policy term (the pro rata temporis method). If based on such a calculation, the premium is deemed to be adequate, the unearned premium is also adequate. 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 a minimum 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 is based on the yield curve for sovereign bonds of the euro area at the statement of financial position, while in Slovenia the yield curve for sovereign bonds at the balance sheet date is used. Generally a loading for market development is added. Where reliable market data is available, assumptions (such as discount rate and investment return) are derived from observable market prices. 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 the policy or product level. If the test is performed on the policy level, the results are shown on the product level; products are classified by class of business. In addition, the segmentation in Croatia is carried out depending on 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 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.

Yield and the discount rate are based on the same yield curve; a loading for market development is added when discounting.

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.

17.4.27. Other provisions

Employee benefits include severance pay upon retirement and jubilee benefits. 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).

After the amendment to IAS 19 Employee benefits came into force in 2013, actuarial gains and losses arising on re-measurement of net liabilities were recognised in other comprehensive income. Prior to 2013, these effects had been recognised in profit and loss for the period. These provisions are calculated based on personal data of employees: date of birth, date of commencement of employment in the Group, anticipated retirement, and salary. For each Group company, the amounts of severance pay upon retirement and jubilee benefit are in accordance with local legislations, employment contracts and other applicable regulations. Expected pay-outs also include tax liabilities where payments exceed statutory non-taxable amounts.

The probability of an employee staying with the Group includes both the probability of death and the probability of employment relationship termination. Assumptions relating to future increases in salaries, severance pay upon retirement and jubilee benefits, as well as those relating to employee turnover depend on developments in individual markets and individual Group companies. The applied discount rate is based on the yield of long-term government bonds.

17.4.28. Other financial liabilities

Other financial liabilities include liabilities to banks regarding borrowings and are measured at amortised cost.

17.4.29. Other liabilities

Liabilities are initially recognised at amounts recorded in the relevant documents. 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.

17.4.30. Net premiums earned

Premiums earned are accounted for on an accrual basis, taking into account any increase in economic benefits in the form of cash inflows or increases in assets. The following are disclosed separately: gross re/insurance 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 re/insurance accounts or re/insurance 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.

17.4.31. Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, taking 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. These items are used to calculate net claims incurred in the income statement.

17.4.32. Income from and expenses for investments in associates

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

17.4.33. Investment income and expenses

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 includes:

- dividends (income from shares),
- interest income,
- foreign exchange gains,
- income due to reversal of value adjustments (impairment) in respect of debt instruments available-for-sale
- unrealised gains on investments designated as at fair value through profit or loss,
- gains on disposal of investments and
- Other income.

Investment expenses include:

- Interest expense,
- foreign exchange losses,
- unrealised losses on investments designated as at fair value through profit or loss,
- losses on disposal of investments,
- expenses due to impairment of available for sale investments and financial assets carried at cost or amortised cost
- other expenses.

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 deposits.

Interest income and investment expenses designated as held to maturity or available for sale are recognised in profit or loss using the effective interest rate method. Interest income and investment expenses designated at fair value through profit or loss are recognised in profit or loss at the coupon rate. Dividend income is recognised in the income statement when payout is authorised. 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.

17.4.34. Operating expenses

Operating expenses comprise:

- acquisition 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.

17.4.35. Other technical income

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.

17.4.36. Income tax expense

Income tax expense for the year comprises current and deferred tax. Current 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%.

17.4.37. Information on operating segments

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

In view of the nature, scope and organisation of work, CODM (Chief Operating Decision Maker) 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 insurance segments exceed the 10-percent threshold of total income, total assets and share in profit/loss, and are therefore presented separately. The life segment does not meet any recommended materiality threshold; however, life business is presented separately due to the nature of the business and its specific features that sets it apart from other business.

Asset items by operating segment at 31 December 2013

	Reinsurance business	Non-life insurance business			Life insurance business				
31.12.2013		Slovenia	International	Total	Slovenia	International	Total	Other	Total
ASSETS	307,219,115	454,818,907	108,505,148	563,324,055	486,878,937	18,351,581	505,230,518	2,526,698	1,378,300,387
Intangible assets	112,212	18,413,841	13,570,233	31,984,074	5,835,160	2,080,868	7,916,028	213,757	40,226,072
Property and equipment	2,341,711	25,032,108	11,294,869	36,326,977	2,611,969	2,743,079	5,355,048	2,018,836	46,042,572
Deferred tax assets	1,833,254	1,189,104	728	1,189,832	472,982	524	473,506	0	3,496,592
Investment property	153,920	687,509	4,516,813	5,204,322	46,317	162,447	208,764	0	5,567,006
Financial investments in associates	1,325,488	1,240,728	0	1,240,728	300,449	0	300,449	0	2,866,665
Financial investments:	230,957,272	332,924,430	56,453,193	389,377,623	298,718,072	12,020,998	310,739,070	47,145	931,121,110
- Loans and deposits	41,028,894	32,290,023	28,340,533	60,630,556	15,614,507	6,833,988	22,448,495	47,145	124,155,090
- Held to maturity	2,073,728	63,369,954	5,763,238	69,133,192	91,206,086	1,673,317	92,879,403	0	164,086,323
- Available for sale	174,820,862	226,344,198	21,280,331	247,624,529	183,764,440	2,550,262	186,314,702	0	608,760,093
- At fair value through profit or loss	13,033,788	10,920,255	1,069,091	11,989,346	8,133,039	963,431	9,096,470	0	34,119,604
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	175,765,101	11,127	175,776,228	0	175,776,228
Reinsurers' share of technical provisions	17,905,592	11,217,326	4,081,517	15,298,843	284,916	1,361	286,277	0	33,490,712
- From unearned premiums	1,238,978	3,387,942	986,926	4,374,868	58,678	1,361	60,039	0	5,673,885
- From mathematical provisions	0	0	0	0	100	0	100	0	100
- From provisions for claims outstanding	16,666,614	7,573,769	3,094,591	10,668,360	226,138	0	226,138	0	27,561,112
- From provisions for bonuses and rebates	0	0	0	0	0	0	0	0	0
- From other technical provisions	0	255,615	0	255,615	0	0	0	0	255,615
- From technical provisions for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	0	0	0	0	0
Assets from investment contracts	0	0	0	0	0	0	0	0	0
Receivables	47,936,419	52,410,997	13,069,540	65,480,537	2,427,940	317,520	2,745,460	50,351	116,212,767
- Receivables arising out of primary insurance business	0	46,924,361	8,873,467	55,797,828	930,617	121,654	1,052,271	21,293	56,871,392
- Receivables arising out of reinsurance and co-insurance business	46,949,541	523,400	797,292	1,320,692	0	3,064	3,064	0	48,273,297
- Current tax assets	431,000	0	257,982	257,982	1,018,580	0	1,018,580	113	1,707,675
- Other receivables	555,878	4,963,236	3,140,799	8,104,035	478,743	192,802	671,545	28,945	9,360,403
Deferred acquisition costs	4,179,298	10,152,439	3,104,019	13,256,458	314,622	1,938	316,560	0	17,752,316
Other assets	345,684	838,029	289,516	1,127,545	28,807	34,742	63,549	56,513	1,593,291
Cash and cash equivalents	128,265	445,211	1,669,569	2,114,780	72,602	976,977	1,049,579	140,096	3,432,720
Non-current assets held for sale	0	267,185	455,151	722,336	0	0	0	0	722,336

Equity and liabilities items by operating segment at 31 December 2013

31.12.2013	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	260,834,230	507,480,238	108,327,363	615,807,601	481,598,548	18,154,801	499,753,349	1,905,207	1,378,300,387
Equity	70,740,259	80,590,876	38,469,914	119,060,790	37,149,992	11,405,724	48,555,716	1,742,556	240,099,321
Equity attributable to owners of the controlling company	70,740,259	80,590,876	37,912,076	118,502,952	37,149,992	9,998,061	47,148,053	1,742,556	238,133,820
Non-controlling interest in equity	0	0	557,838	557,838	0	1,407,663	1,407,663	0	1,965,501
Subordinated liabilities	23,466,967	7,000,000	0	7,000,000	0	0	0	0	30,466,967
Technical provisions	127,590,901	388,535,141	64,010,214	452,545,355	260,016,395	6,072,068	266,088,463	0	846,224,719
- Unearned premiums	19,202,208	102,130,353	22,385,018	124,515,371	778,571	115,761	894,332	0	144,611,911
- Mathematical provisions	0	0	0	0	244,771,550	5,788,099	250,559,649	0	250,559,649
- Provision for outstanding claims	108,370,854	273,123,094	41,139,198	314,262,292	14,466,274	168,208	14,634,482	0	437,267,628
- Other technical provisions	17,839	13,281,694	485,998	13,767,692	0	0	0	0	13,785,531
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	170,775,672	11,127	170,786,799	0	170,786,799
Other provisions	220,033	4,019,643	437,351	4,456,994	1,201,776	0	1,201,776	0	5,878,803
Deferred tax liabilities	0	3,956,962	42,692	3,999,654	7,075	1,697	8,772	450	4,008,876
Other financial liabilities	549	4,275,300	2,016	4,277,316	725,000	0	725,000	4,081	5,006,946
Liabilities from operating activities	29,617,675	5,482,486	1,757,124	7,239,610	7,966,143	165,312	8,131,455	2,678	44,991,418
- Liabilities from primary insurance business	0	3,910,666	1,090,204	5,000,870	7,830,569	119,816	7,950,385	0	12,951,255
- Liabilities from reinsurance and co-insurance business	29,617,675	1,248,947	554,088	1,803,035	0	3,206	3,206	0	31,423,916
- Current income tax liabilities	0	322,873	112,832	435,705	135,574	42,290	177,864	2,678	616,247
Other liabilities	9,197,846	13,619,830	3,608,052	17,227,882	3,756,495	498,873	4,255,368	155,442	30,836,538

Asset items by operating segment at 31 December 2012

31.12.2012	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	373,644,281	93,483,909	110,400,037	203,883,947	44,919,348	14,891,267	59,810,615	3,252,893	640,591,738
Intangible assets	988,924	840,706	14,577,103	15,417,809	107,186	173,048	280,234	1,080,976	17,767,943
Property and equipment	2,454,001	3,836,992	12,001,850	15,838,842	1,495,738	2,835,360	4,331,098	1,959,438	24,583,379
Deferred tax assets	1,900,320	39,828	-43,283	-3,455	34,635	-2,364	32,271	0	1,929,136
Investment property	156,253	348,391	4,437,367	4,785,758	0	163,291	163,291	0	5,105,302
Financial investments in associates	55,014,558	251,093	0	251,093	0	0	0	0	55,265,651
Financial investments:	208,205,429	60,348,872	56,406,795	116,755,667	14,734,573	10,550,143	25,284,716	0	350,245,812
- Loans and deposits	45,478,509	19,489,881	32,342,174	51,832,055	3,006,836	6,030,782	9,037,618	0	106,348,182
- Held to maturity	5,118,283	1,996,598	5,325,599	7,322,197	1,925,979	2,197,022	4,123,001	0	16,563,481
- Available for sale	157,019,599	38,862,393	17,382,584	56,244,977	9,801,758	1,212,826	11,014,584	0	224,279,160
- At fair value through profit or loss	589,038	0	1,356,438	1,356,438	0	1,109,513	1,109,513	0	3,054,989
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	27,617,984	5,919	27,623,903	0	27,623,903
Reinsurers' share of technical provisions	29,563,434	3,572,180	4,282,327	7,854,507	11,091	838	11,929	0	37,429,870
- From unearned premiums	2,385,758	986,465	896,196	1,882,661	10,916	838	11,754	0	4,280,173
- From mathematical provisions	0	0	0	0	175	0	175	0	175
- From provisions for claims outstanding	27,177,676	2,046,642	3,386,131	5,432,773	0	0	0	0	32,610,449
- From other technical provisions	0	539,073	0	539,073	0	0	0	0	539,073
Receivables	66,337,124	19,261,937	12,565,526	31,827,463	488,475	232,194	720,669	140,474	99,025,730
- Receivables arising out of primary insurance business	0	16,096,410	9,259,876	25,356,286	221,022	108,798	329,820	1,277	25,687,383
- Receivables arising out of reinsurance and co-insurance business	53,767,568	190,468	520,708	711,176	0	560	560	0	54,479,304
- Current tax assets	1,840,414	0	273,940	273,940	0	0	0	0	2,114,354
- Other receivables	10,729,142	2,975,059	2,511,002	5,486,061	267,453	122,836	390,289	139,197	16,744,689
Deferred acquisition costs	7,747,252	4,594,294	3,525,496	8,119,791	189,568	2,090	191,658	0	16,058,701
Other assets	264,314	267,497	480,051	747,548	930	104,857	105,787	29,047	1,146,698
Cash and cash equivalents	1,012,672	122,119	1,826,192	1,948,311	239,168	815,379	1,054,547	42,958	4,058,488
Non-current assets held for sale	0	0	340,613	340,613	0	10,512	10,512	0	351,125

Equity and liabilities items by operating segment at 31 December 2012

31.12.2012	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	335,504,068	124,154,125	109,447,950	233,602,075	55,432,305	17,927,051	73,359,356	-1,873,761	640,591,738
Equity	73,415,200	34,226,639	39,428,970	73,655,609	13,531,488	12,669,404	26,200,892	-1,918,260	171,353,442
Share capital	-84,867,332	27,101,174	65,154,018	92,255,192	14,936,901	16,073,533	31,010,434	670,805	39,069,098
Capital reserves	25,689,938	0	0	0	0	4	4	-337,297	25,352,645
Profit reserves	92,359,341	3,006,635	1,223,306	4,229,941	336,491	0	336,491	0	96,925,773
Treasury shares	-1,774	0	0	0	0	0	0	0	-1,774
Fair value reserve	1,464,206	-12,827	220,836	208,009	-157,779	13,253	-144,526	0	1,527,689
Retained earnings	30,253,712	3,860,405	-24,015,976	-20,155,571	-1,096,472	-3,167,634	-4,264,106	-1,817,218	4,016,817
Net profit/loss for the period	8,501,917	271,252	-1,955,802	-1,684,550	-487,653	-881,376	-1,369,029	13,469	5,461,807
Translation reserve	15,192	0	-1,735,406	-1,735,406	0	-846,244	-846,244	-448,019	-3,014,477
Equity attributable to owners of the controlling company	73,415,200	34,226,639	38,890,976	73,117,615	13,531,488	11,191,536	24,723,024	-1,918,260	169,337,580
Non-controlling interest in equity	0	0	537,994	537,994	0	1,477,868	1,477,868	0	2,015,862
Subordinated liabilities	31,244,573	0	0	0	0	0	0	0	31,244,573
Technical provisions	194,307,091	83,882,154	63,525,718	147,407,872	13,920,775	4,512,478	18,433,253	0	360,148,216
- Unearned premiums	36,718,702	31,426,093	22,141,324	53,567,417	283,586	122,175	405,761	0	90,691,880
- Mathematical provisions	0	0	0	0	13,543,707	4,223,605	17,767,312	0	17,767,312
- Provision for outstanding claims	157,537,505	49,131,658	41,271,454	90,403,112	93,482	166,698	260,180	0	248,200,797
- Other technical provisions	50,884	3,324,403	112,940	3,437,343	0	0	0	0	3,488,227
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	27,034,945	5,919	27,040,864	0	27,040,864
Other provisions	324,745	332,896	586,394	919,290	81,480	25,484	106,964	0	1,350,999
Deferred tax liabilities	0	0	0	0	0	0	0	3,498	3,498
Other financial liabilities	205	2,000,309	367,919	2,368,228	670,000	0	670,000	132	3,038,565
Liabilities from operating activities	34,449,993	539,589	1,462,983	2,002,572	27,940	146,697	174,637	10,821	36,638,022
- Liabilities from primary insurance business	0	480,477	905,602	1,386,079	3,681	106,902	110,583	10,101	1,506,763
- Liabilities from reinsurance and co-insurance business	34,449,993	52,525	446,734	499,259	0	2,108	2,108	0	34,951,358
- Current income tax liabilities	0	6,587	110,647	117,234	24,259	37,687	61,946	720	179,900
Other liabilities	1,762,261	3,172,538	4,075,966	7,248,504	165,677	567,069	732,746	30,048	9,773,559

	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
2013	Total	Slovenia	International	Total	Slovenia	International	Total	Total	Total
Net premiums earned	**90,427,125**	**176,740,408**	**48,369,831**	**225,110,239**	**59,229,961**	**4,380,840**	**63,610,801**	**0**	**379,148,165**
- Gross premiums written	96,864,929	174,412,166	51,619,529	226,031,695	59,431,111	4,377,144	63,808,255	0	386,704,879
- Written premiums ceded to reinsurers and co-insurers	-6,735,308	-12,615,208	-2,981,480	-15,596,688	-298,016	-2,682	-300,698	0	-22,632,694
- Change in gross unearned premiums	-2,986,644	18,881,855	-360,288	18,521,567	66,173	6,378	72,551	0	15,607,474
- Change in unearned premiums for the reinsurance and co-insurance part	3,284,148	-3,938,405	92,070	-3,846,335	30,693	0	30,693	0	-531,494
Income from investments in associates	**0**	**6,851,203**	**0**	**6,851,203**	**5,254,788**	**0**	**5,254,788**	**0**	**12,105,991**
- Profit from investments in equity-accounted associate companies	0	849,675	0	849,675	1,328,074	0	1,328,074	0	2,177,749
- Dividend income from associate companies	0	0	0	0	0	0	0	0	0
- Other income	0	6,001,528	0	6,001,528	3,926,714	0	3,926,714	0	9,928,242
Investment income	**10,312,211**	**10,123,394**	**3,308,839**	**13,432,233**	**21,155,405**	**759,101**	**21,914,506**	**1,254**	**45,660,204**
- Interest income	5,360,113	6,879,382	3,086,261	9,965,643	7,988,197	518,511	8,506,708	1,254	23,833,718
- Other investment income	4,952,098	3,244,012	222,578	3,466,590	3,945,047	240,335	4,185,382	0	12,604,070
- Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	9,222,161	255	9,222,416	0	9,222,416
Other technical income	**1,959,161**	**4,426,486**	**1,620,569**	**6,047,055**	**805,103**	**65,715**	**870,818**	**852,579**	**9,729,613**
- Commission income	500,111	1,165,799	429,589	1,595,388	44,314	847	45,161	0	2,140,660
- Other technical income	1,459,050	3,260,687	1,190,980	4,451,667	760,789	64,868	825,657	852,579	7,588,953
Other income	**29,900**	**1,714,471**	**1,157,407**	**2,871,878**	**277,079**	**74,881**	**351,960**	**14,583**	**3,268,321**
Net claims incurred	**-59,689,471**	**-113,465,583**	**-21,108,396**	**-134,573,979**	**-34,050,748**	**-695,357**	**-34,746,105**	**0**	**-229,009,555**
- Gross claims paid less income from recourse receivables	-55,867,817	-110,945,247	-21,360,058	-132,305,305	-32,355,130	-695,195	-33,050,325	0	-221,223,447
- Reinsurers' and co-insurers' share of claims paid	1,633,867	6,494,327	866,340	7,360,667	96,624	2,227	98,851	0	9,093,385
- Change in the gross claims provision	-1,758,643	-7,308,741	-481,969	-7,790,710	-2,018,379	-2,389	-2,020,768	0	-11,570,121
- Change in the provision for outstanding claims for the reinsurance and co-insurance part	-3,696,878	-1,705,922	-132,709	-1,838,631	226,137	0	226,137	0	-5,309,372
Change in other technical provisions	**-12,793**	**1,156,578**	**19,014**	**1,175,592**	**6,213,415**	**-1,587,845**	**4,625,570**	**0**	**5,788,369**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-12,122,598**	**-5,292**	**-12,127,890**	**0**	**-12,127,890**
Change in liabilities under financial contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses for bonuses and rebates	**-158,264**	**-23,339**	**-203,471**	**-226,810**	**15,266**	**0**	**15,266**	**0**	**-369,808**
Operating expenses	**-26,511,619**	**-57,412,206**	**-22,729,227**	**-80,141,433**	**-18,351,242**	**-3,408,759**	**-21,760,001**	**-988,314**	**-129,401,367**
- Acquisition costs	-22,595,997	-13,896,873	-4,166,852	-18,063,725	-5,126,596	-1,085,134	-6,211,730	0	-46,871,452
- Change in deferred acquisition costs	390,429	1,108,811	-425,325	683,486	-604,434	-152	-604,586	0	469,329
- Other operating expenses	-4,306,051	-44,624,144	-18,137,050	-62,761,194	-12,620,212	-2,323,473	-14,943,685	-988,314	-82,999,244
Expenses for investments in associates	**0**	**0**	**-898,226**	**-898,226**	**0**	**0**	**0**	**-174,277**	**-1,072,503**
- Impairment loss on goodwill	0	0	-898,226	-898,226	0	0	0	0	-898,226
- Loss arising out of investments in equity-accounted associate companies	0	0	0	0	0	0	0	-174,277	-174,277
Expenses for financial assets and liabilities	**-15,862,790**	**-11,192,794**	**-156,218**	**-11,349,012**	**-24,336,371**	**17,744**	**-24,318,627**	**0**	**-51,530,429**
- Impairment losses on financial assets not at fair value through profit or loss	-2,238,929	-996,622	29,923	-966,699	-6,114,623	207,884	-5,906,739	0	-9,112,367
- Interest expense	-1,256,450	-389,422	-14,452	-403,874	-12,802	-16,583	-29,385	0	-1,689,709
- Other investment expenses	-12,367,411	-9,806,750	-171,689	-9,978,439	-8,692,946	-170,120	-8,863,066	0	-31,208,916
- Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-9,516,000	-3,437	-9,519,437	0	-9,519,437
Other technical expenses	**-2,494,648**	**-6,344,731**	**-4,735,826**	**-11,080,557**	**-221,569**	**-201,309**	**-422,878**	**-68**	**-13,998,151**
Other expenses	**-62,351**	**-577,369**	**-1,746,880**	**-2,324,249**	**-12,838**	**-5,849**	**-18,687**	**-11,633**	**-2,416,920**
PROFIT/LOSS BEFORE TAX	**-2,063,539**	**11,996,518**	**2,897,415**	**14,893,934**	**3,855,651**	**-606,130**	**3,249,521**	**-305,876**	**15,774,040**
Income tax expense	-408,954	-79,480	-496,479	-575,959	832,427	0	832,427	370	-152,116
NET PROFIT/LOSS FOR THE PERIOD	**-2,472,493**	**11,917,038**	**2,400,936**	**14,317,975**	**4,688,078**	**-606,130**	**4,081,948**	**-305,506**	**15,621,924**
Net profit/loss attributable to owners of the controlling company	-2,969,843	15,045,181	4,196,728	14,300,115	18,881	-499,410	4,138,192	-131,229	15,660,308
Net profit/loss attributable to non-controlling interest	0	0	17,860	17,860	0	-56,244	-56,244	0	-38,384

	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
2012	Total	Slovenia	International	Total	Slovenia	International	Total	Total	Total
Net premiums earned	**115,844,732**	**68,346,896**	**48,565,063**	**116,911,959**	**10,010,755**	**3,456,778**	**13,467,533**	**0**	**246,224,224**
- Gross premiums written	132,119,123	72,655,896	52,573,679	125,229,575	9,977,483	3,437,012	13,414,495	0	270,763,193
- Written premiums ceded to reinsurers and co-insurers	-12,529,483	-4,192,610	-3,870,855	-8,063,465	-32,316	-2,136	-34,452	0	-20,627,400
- Change in gross unearned premiums	-3,428,602	-317,408	-14,225	-331,633	65,588	21,902	87,490	0	-3,672,745
- Change in unearned premiums for the reinsurance and co-insurance part	-316,306	201,018	-123,536	77,482	0	0	0	0	-238,824
Income from investments in associates	**0**	**727,322**	**0**	**727,322**	**3,001,918**	**0**	**3,001,918**	**80,005**	**3,809,245**
- Profit from investments in equity-accounted associate companies	0	348,971	0	348,971	1,440,328	0	1,440,328	80,005	1,869,304
- Dividend income from associate companies	0	378,351	0	378,351	1,561,590	0	1,561,590	0	1,939,941
Investment income	**9,988,708**	**2,387,489**	**4,354,767**	**6,742,256**	**4,201,744**	**777,582**	**4,979,326**	**0**	**21,710,290**
- Interest income	7,264,510	2,266,316	3,036,306	5,302,622	642,890	427,137	1,070,027	0	13,637,159
- Other investment income	2,724,198	121,173	1,318,461	1,439,634	38,593	350,388	388,981	0	4,552,813
- Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	3,520,261	57	3,520,318	0	3,520,318
Other technical income	**3,830,241**	**1,543,626**	**1,394,949**	**2,938,575**	**8,362**	**90,508**	**98,870**	**0**	**6,867,686**
- Commission income	1,652,776	526,911	428,867	955,778	0	585	585	0	2,609,139
- Other technical income	2,177,465	1,016,715	966,082	1,982,797	8,362	89,923	98,285	0	4,258,547
Other income	26,298	0	1,644,719	1,644,719	0	76,806	76,806	145,878	1,893,701
Net claims incurred	**-78,480,813**	**-40,912,402**	**-24,280,804**	**-65,193,206**	**-5,485,835**	**-727,645**	**-6,213,480**	**0**	**-149,887,499**
- Gross claims paid less income from recourse receivables	-69,441,921	-36,163,380	-24,526,584	-60,689,964	-5,480,160	-665,260	-6,145,420	0	-136,277,305
- Reinsurers' and co-insurers' share of claims paid	3,881,285	565,136	962,562	1,527,698	0	0	0	0	5,408,983
- Change in the gross claims provision	-29,095,495	-4,913,471	-1,138,319	-6,051,790	-5,675	-62,385	-68,060	0	-35,215,345
- Change in the provision for outstanding claims for the reinsurance and co-insurance part	16,175,318	-400,687	421,537	20,850	0	0	0	0	16,196,168
Change in other technical provisions	**384,357**	**-788,788**	**4,156**	**-784,632**	**-369,716**	**-916,603**	**-1,286,319**	**0**	**-1,686,594**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-3,469,439**	**-5,872**	**-3,475,311**	**0**	**-3,475,311**
Expenses for bonuses and rebates	**17,648**	**27,209**	**-124,597**	**-97,388**	**0**	**0**	**0**	**0**	**-79,740**
Operating expenses	**-34,816,587**	**-22,245,792**	**-24,114,922**	**-46,360,714**	**-3,063,844**	**-3,259,269**	**-6,323,113**	**-226,677**	**-87,727,091**
- Acquisition costs	-30,355,622	-4,632,278	-4,231,446	-8,863,724	-803,914	-1,016,555	-1,820,469	0	-41,039,815
- Change in deferred acquisition costs	526,341	-144,003	25,186	-118,817	74,373	-445	73,928	0	481,452
- Other operating expenses	-4,987,306	-17,469,511	-19,908,662	-37,378,173	-2,334,303	-2,242,269	-4,576,572	-226,677	-47,168,728
Expenses for investments in associates	**0**	**0**	**0**	**0**	**0**	**-340,254**	**-340,254**	**0**	**-340,254**
Expenses for financial assets and liabilities	**-6,741,010**	**-513,769**	**-730,682**	**-1,244,451**	**-2,407,375**	**-268,082**	**-2,675,457**	**-268**	**-10,661,186**
- Impairment losses on financial assets not at fair value through profit or loss	-952,810	0	-99,742	-99,742	0	-34,554	-34,554	0	-1,087,106
- Interest expense	-1,448,502	-77,148	-84,004	-161,152	-290	-19,434	-19,724	-268	-1,629,646
- Other investment expenses	-4,339,698	-436,621	-546,936	-983,557	-134,191	-214,032	-348,223	0	-5,671,478
- Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-2,272,894	-62	-2,272,956	0	-2,272,956
Other technical expenses	**-2,595,621**	**-2,950,683**	**-5,721,597**	**-8,672,280**	**-12,149**	**-275,946**	**-288,095**	**0**	**-11,555,996**
Other expenses	**-5**	**-4,834**	**-774,665**	**-779,499**	**0**	**-11,262**	**-11,262**	**-3,810**	**-794,576**
PROFIT/LOSS BEFORE TAX	7,457,948	5,616,274	216,387	5,832,661	2,414,421	-1,403,259	1,011,162	-4,872	14,296,899
Income tax expense	-1,599,278	-876,131	2,494	-873,637	-31,860	551	-31,309	-4,218	-2,508,442
NET PROFIT/LOSS FOR THE PERIOD	5,858,670	4,740,143	218,881	4,959,024	2,382,561	-1,402,708	979,853	-9,090	11,788,457
Net profit/loss attributable to owners of the controlling company	5,858,670	4,740,143	361,675	5,101,818	2,382,561	-1,195,213	1,187,348	-9,090	12,138,746
Net profit/loss attributable to non-controlling interest	0	0	-142,794	-142,794	0	-207,495	-207,495	0	-350,289

Inter-segment business

	Reinsurance business		Non-life insurance business		Life insurance business		Other	
(€)	2013	2012	2013	2012	2013	2012	2013	2012
Net premiums earned	37,266,599	20,708,777	260,197	168,090	0	0	0	0
Net claims incurred	-24,657,675	-8,958,350	-34,599	-22,095	0	0	0	0
Operating expenses	-10,465,900	-5,247,175	-191,543	-136,364	-49,415	-44,519	-14,412	0
Investment income	320,523	411,353	3,508	-167,697	0	0	0	0
Other income	95,190	5,515	144,460	6,200	162	-795	179,412	102,564

Cost of property and equipment and intangible assets by operating segment

	Reinsurance business		Non-life insurance business		Life insurance business		Other		Total	
(€)	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Investments in intangible assets	10,147	41,113	639,846	499,458	371,594	118,964	19,323	0	1,040,910	659,535
Investments in property and equipment	58,980	246,823	4,264,142	1,752,637	8,061	10,296	50,170	349,018	4,381,353	2,358,774

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.

17.5. Changes in accounting policies and correction of errors

In 2013, the Group introduced no material changes in accounting policies nor corrected any errors.

17.6. New standards and interpretations and adopted standards and interpretations not yet effective

Newly adopted standards and interpretations

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items that will never be reclassified. The amendment does not change the nature of the items that were recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit and loss in future periods. The amendment affects presentation only and there is no impact on the Group's financial position or performance.

IAS 19 Employee benefits (revised)

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following: for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed.

There are new or revised disclosure requirements which include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption; termination benefits are recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37; the distinction between short-term and other long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement to the benefits.

The standard is effective for annual periods beginning on or after 1 January 2013. In previous reporting periods, the Group recognised actuarial gains or losses through profit or loss, while after this amendment, it recognises actuarial gains in the statement of comprehensive income for the current reporting period.

IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)

The amendment is effective for annual periods beginning on or after 1 January 2013. This amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. As no netting arrangements are used, the amendment has no impact on the Group's financial position or performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an "exit price"). "Fair value" as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:

- Concepts of "highest and best use" and "valuation premise" are relevant only for non-financial assets
- Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements
- A description of how to measure fair value when a market becomes less active

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

The standard has no impact on the Group's financial position or performance.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The cost of disposing of waste material generates two potential benefits: If the benefit from the stripping activity is realised in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognises these costs as a non-current asset, only if certain criteria are met. This is referred to as the "stripping activity asset". The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is effective for annual periods beginning on or after 1 January 2013. The Sava Re Group is not in the business of waste removal in the production phase of surface mining. The new interpretation has no impact on the Group's financial position or performance.

New IFRS Standards and Interpretations either not yet Effective or not yet Adopted by the EU

In compliance with the requirements of IFRSs and subject to the endorsement by the European Union, the Group will have to apply in future periods the following amended and revised standards and interpretations.

Sava Reinsurance Company is currently assessing the potential impacts of the new and revised standards and interpretations that will be effective or adopted by the EU from January 1, 2014 or later.

Sava Reinsurance Company is currently assessing the potential impacts of the new and revised standards and interpretations. At this moment has not yet assessed the impact of the new requirements. The Group will apply the new standards and interpretations in accordance with the requirements thereof in the event that they are adopted by the EU.

IAS 28 Investments in Associate and Joint Ventures (revised)

As a consequence of the new IFRS 11, IFRS 12 and IAS 28, the standard was amended and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment does not have a significant impact on the financial position or performance of the Group.

IFRS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, IASB issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after January 1, 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. Sava Reinsurance Company expects that the amendment will have an impact on its financial statements.

IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after January 1, 2014. The Group does not expect the amendment will have an impact on the Group's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after January 1, 2014. The Group does not expect the amendment will have an impact on the Group's financial statements.

IFRS 9 Financial Instruments – Classification and measurement

The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets

Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting

a new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The Group does not expect the standard will have a significant impact on current Group's interests in entities, but may affect the treatment of future acquisitions.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014.

The Group does not expect the standard will have a significant impact on current Group's interests in other entities, but may affect the treatment of future arrangements.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after January 1, 2013 and may affect the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014.

The standard affects presentation only and there is no impact on the Group's financial position or performance.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The Group is currently assessing the impact that this standard could have on the Group's financial position and performance.

IFRIC 21 Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after January 1, 2014. The Group is currently assessing the impact that this interpretation could have on the Group's financial position and performance.

17.7. 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 risk, currency risk, concentration risk and asset-liability mismatch risk), insolvency risk, credit risk and operational risk. To illustrate concentration risk for insurance contracts, a table showing a breakdown of insurance premiums by geographical segment is provided in section 3.4.37 "Information on operating segments".

17.7.1. 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 2013, as it maintained a surplus of the available solvency margin over the required solvency margin.

As at 31 December 2013, its available solvency margin was € 181.7 million (31 December 2012: € 142.8 million). The Group's available solvency margin highly exceeds the required solvency margin of € 73.0 million (31 December 2012: € 58.5 million), 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).

17.7.1.1. Underwriting risk

Underwriting risks are risks related to the main activity pursued by insurance 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.

17.7.1.2. Underwriting process risk – non-life business

The underwriting process risk is the risk of incurring financial losses caused 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.

Underwriting process risk relating to (re)insurance business increased in 2013 compared to 2012. More details are set out in the Financial Report of Sava Reinsurance Company (section Underwriting process risk – reinsurance business).

17.7.1.3. Pricing risk – non-life business

Pricing risk is the risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re) insurance 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 are facing a rising pricing risk due to competition, affecting non-Slovenian subsidiaries mainly through the amount of acquisition costs. The Group considers the aggregate pricing risk to have been moderate in 2013 and similar to that in 2012.

17.7.1.4. Claims risk – non-life business

Claims risk is the risk that the number of claims or the average claim amount 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 2013 and 2012 if we disregard the fact that there were fewer catastrophic losses due to natural disasters in 2013 than in 2012, which is closer related to the net retention risk than the claims risk.

17.7.1.5. Net retention risk – non-life business

Net retention risk is the risk that higher retention of insurance loss exposures will result 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 2013 essentially the same as in 2012 in terms of retention limits and the expected number of catastrophic losses. However, the number of natural catastrophe events in 2013 was smaller than in 2012. 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 3.7.1.8).

17.7.1.6. Reserving risk – non-life business

Reserving risk is the risk that technical provisions will be inadequate.

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

Some cash-generating units are yet to gain sufficient reliable multi-year historical data relating to the claims provision by accident year, especially 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 2013, 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 the one year, may occur either in the year the policy is written or in the year after, aggregated data for quota share reinsurance contracts are not broken down by accident year.

Hence, in line with reinsurance practice, the Group sorts data concerning 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 table below shows 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 2013 are adequate.

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

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
As originally estimated	148,075	157,182	163,593	173,525	206,099	199,339
Re-estimated as of 1 year later	141,395	141,917	148,272	169,377	179,501	
Re-estimated as of 2 years later	138,416	134,336	143,881	155,552		
Re-estimated as of 3 years later	135,549	130,827	136,062			
Re-estimated as of 4 years later	132,576	125,479				
Re-estimated as of 5 years later	128,755					
Cumulative gross redundancy (last estimate – original estimate)	**19,320**	**31,703**	**27,532**	**17,974**	**26,598**	
Cumulative gross redundancy as % of original estimate	13.0%	20.2%	16.8%	10.4%	12.9%	

The cumulative gross redundancies for underwriting years 2008–2011, increased if compared to amounts at the end of the preceding year, which were 10.5 %, 16.8 %, 12.0 % and 2.4 % of original estimates.

The cumulative gross 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 re-estimate 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 re-estimates 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 table below shows an adequacy test/analysis of gross 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).

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

(€ thousand)	Year ended 31 December					
Gross provision for claims	2008	2009	2010	2011	2012	2013
As originally estimated	202,296	228,858	247,172	265,043	292,239	293,046
Re-estimated as of 1 year later	206,495	210,104	227,413	233,246	248,074	
Re-estimated as of 2 years later	203,387	207,127	217,794	213,424		
Re-estimated as of 3 years later	202,272	201,407	203,949			
Re-estimated as of 4 years later	198,682	192,439				
Re-estimated as of 5 years later	193,242					
Cumulative gross redundancy (original estimate – latest estimate)	9,054	36,419	43,223	51,620	44,165	
Cumulative gross redundancy as % of original estimate	4.5%	15.9%	17.5%	19.5%	15.1%	

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%.

17.7.1.7. Retrocession programme – non-life business

To reduce the underwriting risks to which it is exposed, the Group must have an appropriate reinsurance programme (in particular a retrocession programme) 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 2013 and 2012.

17.7.1.8. Estimated exposure to underwriting risks – non-life business

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 € 4.0 million (2012: € 2.5 million).

The net retention limit is set at € 3 million for the majority of non-life classes of insurance and combined limit of € 3 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of € 2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at € 300,000. In principle, this enables Sava Re to cap any net claim arising out of any single loss event to a maximum of € 3 million. 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 € 5 million 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 2013 and 2012.

17.7.1.9. Underwriting risks in life insurance

Significant components of underwriting risk in life insurance are pricing risk 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.

In order to manage underwriting risk, the Group regularly monitors mortality and morbidity rates, termination of life policies, looking for specific trends. In addition, it regularly conducts adequacy testing of provisions. The Group manages underwriting risk 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. An additional factor in the assumption of risks is lifestyle, including leisure activities and occupation. 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 € 50,000. Reinsurance for group life insurance in Slovenia is placed also on a pooling basis.

17.7.2. Financial risks

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

The investment policy of the Sava Re Group must comply with local legal requirements governing investment diversification, limits and valuation, as well as asset-liability matching.

17.7.2.1. Market risks

Financial investments exposed to market risks

(€)	31.12.2013	31.12.2012
Type of investment		
Deposits and certificates of deposits	113,256,253	99,972,270
Government bonds	517,929,608	126,476,092
Corporate bonds	259,635,233	100,105,773
Shares (excluding strategic shares)	19,632,282	9,688,113
Mutual funds	9,192,936	4,102,975
Bond of money market mutual funds	3,589,821	681,710
Equity and mixed mutual funds	5,603,115	3,421,265
Loans granted and other financial investments	1,283,781	884,406
Deposits with cedants	10,191,017	9,016,183
TOTAL FINANCIAL INVESTMENTS SENSITIVE TO MARKET RISK	**931,121,110**	**350,245,812**
Investments for the benefit of life-insurance policyholders who bear the investment risk	175,776,228	27,623,903

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 as this risk is born by policyholders.

The table below shows our own estimates of the risks involved in each class of assets. The level of risk is determined according to the characteristics of the assets held by the Group and does not constitute a risk assessment of types of financial instruments.

Own risk assessment

	Market risk				
Type of investment	Interest rate risk	Equity risk	Currency risk	Liquidity risk	Credit risk
Deposits and CDs			🟢	🟠	🟠
Government bonds	🟠		🟢	🟢	🟠
Corporate bonds	🟠		🟢	🟢	🟠
Shares (excluding strategic shares)		🟠		🟠	
Mutual funds		🟢		🟢	
Bonds funds	🟢			🟢	
mixed funds					
Equity funds		🟢	🟠	🟢	🟢
Loans granted and other				🟠	🟠
Deposits with cedants			🟢	🟢	🟢
TOTAL FINANCIAL INVESTMENTS SENSITIVE TO MARKET RISK	🟠	🟠	🟢	🟢	🟠
	Low risk 🟢		Moderate risk 🟠		High risk 🔴

17.7.2.1.1. Interest rate risk

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

On the asset side, interest rate risk affects debt securities, bond mutual funds and partly mixed mutual funds. The sensitivity analysis covers neither bonds, designated as held to maturity as these are insensitive to market risks nor deposits and loans that are short-term and fixed-income investments.

The total amount of investments included in the calculation of interest rate risk exposure at 31 December 2013 totalled € 620.3 million (31 December 2012: € 227.3 million). Of this, € 431.3 million (31 December 2012: € 211.8 million) relating to assets of non-life insurers (including Sava Reinsurance Company) and € 206.0 million (31 December 2012: € 15.5 million) to assets of life insurers.

We made separate calculations for the impact of an interest rate change on the value of investments sensitive to interest-rate risk 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.

The sensitivity analysis for the non-life segment at 31 December 2013 showed that in the event of an interest rate increase, the value of the interest rate sensitive investments would drop by € 16.5 million (31 December 2012: € 9.6 million) or 3.8 % (31 December 2012: 4.7 %). 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. The average duration of the observed invested assets was 2.12 years as at 31 December 2013 (31 December 2012: 2.66 years).

Results of the sensitivity analysis for non-life insurance assets sensitive to interest-rate risk

(€)	31.12.2013					
	+200 bp			-200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	223,894,984	215,855,240	-8,039,743	223,894,984	229,645,378	5,750,395
Corporate bonds	205,735,480	197,341,748	-8,393,731	205,735,480	213,286,968	7,551,489
Bond mutual funds	1,661,092	1,597,555	-63,537	1,661,092	1,712,521	51,429
Mixed mutual funds	0	0	0	0	0	0
TOTAL	431,291,555	414,794,544	-16,497,011	431,291,555	444,644,868	13,353,313
Effect on equity			-15,982,943			13,338,717
Effect on the income statement			-514,068			14,596

(€)	31.12.2012					
	+200 bp			-200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	108,341,808	103,004,350	-5,337,458	108,341,808	113,293,446	4,951,638
Corporate bonds	96,956,929	92,728,164	-4,228,765	96,956,929	101,654,588	4,697,659
Bond mutual funds	681,709	649,944	-31,765	681,710	713,751	32,041
Mixed mutual funds	0	0	0	0	0	0
TOTAL	205,980,446	196,382,458	-9,597,988	205,980,447	215,661,785	9,681,338
Effect on equity			-9,517,824			9,598,945
Effect on the income statement			-80,164			82,394

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

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 sensitivity analysis to changes in market interest rates for life insurance companies are carried out for obligations under insurance contracts which include liabilities directly sensitive to changes in market interest rates. Thus, in the sensitivity analysis the Group only recalculated liabilities from the LAT test, while the calculation of liabilities arising from mathematical provisions remained unchanged.

The sensitivity analysis for the life segment showed that in the event of an interest rate increase, the value of the interest rate sensitive investments would drop by € 10.4 million (13 December 2012: € 0.7 million) or 6.6 % (31 December 2012: 6.2 %). 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. The average duration of the observed invested assets was 3.61 years as at 31 December 2013 (31 December 2012: 3.45 years).

Results of the sensitivity analysis for life insurance assets sensitive to interest-rate risk

(€)	31.12.2013					
	+200 bp			-200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress Value	Change in value
Government bonds	97,400,402	92,844,757	-4,555,646	97,400,402	106,559,675	9,159,273
Corporate bonds	89,630,866	83,911,549	-5,719,317	89,630,866	95,109,456	5,478,591
Bond mutual funds	1,928,729	1,802,239	-126,490	1,928,729	2,059,055	130,326
TOTAL	188,959,997	178,558,544	-10,401,453	188,959,997	203,728,187	14,768,190
Effect on equity			-10,015,439			14,711,421
Effect on the income statement			-386,014			56,768

(€)	31.12.2012					
	+200 bp			-200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress Value	Change in value
Government bonds	8,581,674	8,022,137	-559,537	8,581,674	9,203,588	621,914
Corporate bonds	2,251,638	2,080,709	-170,929	3,251,639	3,412,079	160,440
Bond mutual funds	60,228	56,510	-3,718	60,228	64,210	3,982
TOTAL	10,893,540	10,159,356	-734,184	11,893,541	12,679,877	786,336
Effect on equity			-687,188			734,516
Effect on the income statement			-46,996			51,820

Movements in the amounts shown in the 2013 sensitivity analysis are incomparable to 2012 as the amount of interest rate sensitive assets increased as a result of the consolidation of Zavarovalnica Maribor. To assess the change in risk level, it is therefore necessary to consider percentage changes. Based on the above results, we consider that interest rate risk for non-life insurance business on the Group level decreased in 2013 compared to 2012 (31 December 2013: 3.8 %; 31 December 2012: 4.7 %) if we take into account year-end figures and results of the sensitivity analyses. For life insurance business, the interest rate risk slightly increased (31 December 2013: 6.6 %; 31 December 2012: 6.2 %).

17.7.2.1.2. Equity risk

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

Equity risk is measured by the Sava Re Group through a stress test scenario assuming a 10- and 20-percent drop in equity prices. Equity risk affects equities, equity mutual funds (with a weight of 1) and mixed mutual funds (with a weight of

0.5). Investments in subsidiaries and associates are excluded from stress tests as changes in their value are assessed through goodwill testing.

To assess the sensitivity of investments to equity risk, we assume a 10% drop in the value of all equity securities. This would decrease the value of the portfolio by € 2.5 million (31 December 2012: € 1.3 million).

Sensitivity assessment of investments to equity risk

(€)	31.12.2013			31.12.2012		
Value decrease	Value	Post-stress Value	Change in value	Value	Post-stress Value	Change in value
By 10 %	25,235,397	22,711,857	2,523,540	13,109,378	11,798,440	1,310,938
By 20 %	25,235,397	20,188,318	5,047,079	13,109,378	10,487,502	2,621,876

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. Thus, a 20 % drop in equity prices would cause a drop in the value of investments of € 5.0 million.

We consider that in 2013 the Sava Re Group was more exposed to equity risk (excluding investments in subsidiary and associate companies) than in 2012. The rise in the risk level is a result of the increased portfolio after the Group's acquisition of Zavarovalnica Maribor and share purchases by Sava Reinsurance Company.

17.7.2.1.3. Currency risk

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

The Sava Re Group manages currency risk through the efforts of each Group member to optimise asset-liability currency matching.

Sava Reinsurance Company is the Sava Re Group member with the largest exposure to currency risk. Currency risk levels for Sava Reinsurance Company are explained in more detail in the Financial Report of Sava Reinsurance Company (section Currency risk).

Group companies whose local currency is the euro (companies based in Slovenia, Montenegro and Kosovo) have all liabilities and investments denominated in euro, meaning that these companies are not affected by currency risk.

Other Group companies whose local currency is not the euro, transact most business in their respective local currencies, while due to Group relations, they are to a minor extent subject to euro-related currency risk.

We estimate that currency risk at Group level decreased in 2013 compared to 2012 since the Sava Reinsurance Company took decisive measures to reduce exposure to currency risk.

17.7.2.2. 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 daily cash-flows plans. In addition, the Group mitigates 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 short-term bridge loans. In the event of large losses, so-called cash call provisions in reinsurance contracts are triggered and provide for immediate payments in the chain cedant–controlling company–retrocessionaire. For extraordinary liquidity situations, the controlling company has arranged a credit line with a commercial bank in the total amount of € 5 million. In addition, in 2013 a credit line of € 5 million was available to the subsidiary Zavarovalnica Tilia.

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 € 5 million. In both cases, financial investments can be liquidated pending final settlement of claims.

The table below shows assets and liabilities by term to maturity.

Maturity profile of financial assets and liabilities

(€)	Carrying amount as at 31.12.2013	Up to 1 year	1–5 years	Over 5 years	No maturity
Financial investments	931,121,110	304,259,621	442,244,603	157,015,801	27,601,085
Investment property	5,567,007	204,506	0	3,912,099	1,450,402
Investments for the benefit of life insurance policyholders who bear the investment risk	175,776,228	11,910,301	54,080,768	61,794,222	47,990,937
Reinsurers' share of technical provisions	33,490,712	11,069,075	10,839,247	11,582,389	0
Receivables	119,709,359	116,121,126	3,588,233	0	0
Cash and cash equivalents	3,432,720	2,553,822	0	0	878,898
TOTAL ASSETS	**1,269,097,136**	**448,789,324**	**509,274,890**	**233,003,681**	**78,029,241**
Subordinated liabilities	30,466,967	0	7,000,000	23,466,967	0
Technical provisions	846,224,719	316,148,235	248,544,666	281,531,818	0
Technical provisions for the benefit of life-insurance policyholders who bear the investment risk	170,786,799	6,854,868	57,322,859	106,272,737	336,335
Other provisions	5,878,803	7,569	41,115	5,830,119	0
Other financial liabilities	5,006,948	5,003,059	3,889	0	0
Liabilities from operating activities	49,000,294	45,516,844	3,483,450	0	0
Other liabilities	30,836,536	30,662,916	173,620	0	0
TOTAL EQUITY & LIABILITIES	**1,138,201,066**	**414,572,771**	**304,444,561**	**416,907,704**	**2,276,030**
Difference	**130,896,070**	**34,216,553**	**204,830,329**	**-183,904,023**	**75,753,211**

(€)	Carrying amount as at 31.12.2012	Up to 1 year	1–5 years	Over 5 years	No maturity
Financial investments	350,245,812	142,879,083	152,754,281	36,397,190	18,215,258
Investment property	5,105,302	407,783	0	0	4,697,519
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	0
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	**525,418,241**	**258,616,897**	**175,795,547**	**68,093,020**	**22,912,777**
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	27,040,863	621,462	7,777,703	18,641,698	0
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 EQUITY & LIABILITIES	**469,238,295**	**211,695,230**	**120,401,757**	**137,141,308**	**0**
Difference	**56,179,946**	**46,921,667**	**55,393,790**	**-69,048,288**	**22,912,777**

17.7.2.2.1. Asset-liability mismatch risk

Asset-liability mismatch risk is the risk that cash flows from investments will not occur when required or in the amount required to meet obligations.

The Sava Re Group manages the risk of asset-liability mismatch through the efforts of each Group member to optimise maturity-matching of assets and liabilities.

At year-end 2013, the average duration of assets supporting non-life business was 2.36 years (31 December 2012: 2.73 years), while the average duration of liabilities arising from non-life business was 2.97 years (31 December 2012: 3.37 years), representing the sum of claims provisions and unearned premiums.

At year-end 2013, the average duration of assets supporting life business was 3.67 years (31 December 2012: 3.45 years), while the average duration of liabilities arising out of life business was 5.91 years (31 December 2012: 7.74 years)

The maturities of assets and liabilities by year are shown in the table Maturity profile of financial assets and liabilities in section 3.7.2.2 Liquidity risk.

17.7.2.3. Credit risk

Credit risk is the risk that issuers or other counterparties will fail to meet their obligations to the Company. Credit risk includes concentration risk representing the risk of excessive concentration of investments in a geographic area, economic sector or issuer.

In accordance with local statutory regulations, implementing acts and internal rules, Group members invest surpluses only in (i) deposits with adequately performing banks, (ii) debt securities issued by entities with an adequate rating and (iii) adequately liquid equity securities of companies with sufficient market capitalisation. Credit risk is managed most effectively through a system of exposure limits. All Group companies have a defined maximum exposure limit for any single type of investment and any single issuer. Group companies based in Slovenia, whose investments represent over 90 % of total group investments, follow a joint investment policy, monitoring credit risk using relevant information technology on an ongoing basis.

The Sava Re Group aims at an optimally diversified credit portfolio with a target A-level rating. The Group regularly monitors both 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 2013, the Sava Re Group's total exposure to credit risk stood at € 1,050.7 million (31 December 2012: 472.0 million). Assets exposed to credit risk include fixed-income financial investments, receivables due from reinsurers and receivables arising out of insurance business.

Exposure to credit risk

(€)	31.12.2013	31.12.2012
Type of asset	Amount	Amount
Fixed-income investments	901,012,111	335,570,318
Receivables due from reinsurers	37,674,513	40,213,627
Receivables	112,028,966	96,241,974
TOTAL EXPOSURE	1,050,715,590	472,025,919

For fixed-income investments, credit risk is assessed and monitored through credit ratings.

Below we show an estimate of credit risk for fixed-income investments (included are debt securities, deposits and deposits with ceding companies).

Fixed-income Investments by issuer credit rating

(€)	31.12.2013		31.12.2012	
Rated by S&P/Moody's	Amount	As % of total	Amount	As % of total
AAA/Aaa	179,965,324	20.0%	29,171,624	8.7%
AA/Aa	83,814,136	9.3%	20,301,384	6.0%
A/A	121,099,832	13.4%	93,378,568	27.8%
BBB/Baa	329,507,751	36.6%	30,591,609	9.1%
Less than BBB/Baa	79,089,804	8.8%	60,208,074	17.9%
Not rated	107,535,264	11.9%	101,919,058	30.4%
TOTAL	901,012,111	100.0%	335,570,318	100.0%

At 31 December 2013, fixed-income investments with a credit rating of "A" of more accounted for 42.7 % of the fixed-income portfolio (31 December 2012: 42.6 %) and for 41.3 % (31 December 2012: 40.8 %) of all Sava Re Group investments.

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 2013, the Group's total credit exposure associated with reinsurers was € 37.7 million (31 December 2012: € 40.2 million); of this, the reinsurers' share of technical provisions was € 33.5 million (31 December 2012: € 37.4 million), and reinsurers' and co-insurer's share of claims was € 4.2 million (31 December 2012: € 2.8 million). At 31 December 2013 the total credit risk exposure of the Group arising from reinsurers represented 2.7% of total assets (31 December 2012: 6.3%).

Retrocession programmes are mostly placed with first-class reinsurers who have an appropriate 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 2013 and 2012, 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 2012.

The tables below show the ageing structure of receivables, including the above-mentioned receivables for reinsurers' shares of claims.

Receivables ageing analysis

(€) 31.12.2013	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	35,897,225	11,405,333	5,759,067	53,061,625
Receivables due from insurance intermediaries	2,949,121	672,645	20,352	3,642,118
Other receivables arising out of primary insurance business	123,269	13,583	30,797	167,649
Receivables for premiums arising out of assumed reinsurance and co-insurance	34,901,541	5,116,991	3,516,431	43,534,963
Receivables for reinsurers' shares in claims	3,123,848	417,375	642,578	4,183,801
Other receivables from co-insurance and reinsurance	511,775	42,758	0	554,533
Other short-term receivables arising out of reinsurance business	3,543,668	246,969	344,846	4,135,483
Short-term receivables arising out of investments	731,746	100,812	128,549	961,107
Current tax assets	1,559,844	0	147,831	1,707,675
Other receivables	2,945,374	673,544	644,895	4,263,813
TOTAL	86,287,411	18,690,010	11,235,346	116,212,767

(€) 31.12.2012	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	13,251,285	6,184,185	3,423,922	22,859,392
Receivables due from insurance intermediaries	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	51,037,237
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 reinsurance 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	99,025,732

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.

17.7.2.3.1. Concentration risk

The investment portfolio of the Sava Re Group is reasonably diversified in accordance with the insurance legislation and Group 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.

Due to the acquisition of Zavarovalnica Maribor by the Sava Re Group, the comparison of exposure figures is not meaningful as the Group's invested assets grew by € 580.9 million. Changes in the concentration of investments can, however, be compared through changes in the portfolio's composition.

The following table shows diversification of Sava Re Group investments by region.

Geographic diversification of investments

(€)	31.12.2013		31.12.2012	
Region	Amount	As % of total	Amount	As % of total
Slovenia	425,898,982	45.7%	185,325,596	52.9%
EU members	392,898,464	42.2%	70,553,863	20.1%
Non-EU members	82,296,159	8.8%	75,405,140	21.5%
Russia and Asia	19,874,422	2.1%	13,691,011	3.9%
Africa and Middle East	2,877,728	0.3%	2,714,258	0.8%
America and Australia	7,275,355	0.8%	2,555,943	0.7%
TOTAL	931,121,110	100.0%	350,245,812	100.0%

As can be seen from the data, the major share of investments are placed in Slovenia (31 December 2013: 45.7%; 31 December 2012: 52.9%). In the year, exposure to Slovenia rose significantly due to consolidation of investments from Zavarovalnica Maribor, exceeding 60 % of the portfolio at 30 June 2013. In the past two quarters, the Group invested surplus assets and proceeds from matured investments abroad (especially in EU countries) and thus managed to reduce the exposure to Slovenia to 45.7 %, which is 7.2 percentage points less than at year-end 2012.

Exposure to Slovenia-based issuers by class of asset

(€)	31.12.2013		31.12.2012	
Type of investment	Amount	As % of total	Amount	As % of total
Deposits and CDs	63,451,192	6.8%	62,472,067	17.8%
Government bonds	269,506,649	28.9%	60,126,905	17.2%
Commercial bonds	65,507,736	7.0%	51,492,850	14.7%
Shares	18,178,916	2.0%	7,740,632	2.2%
Mutual fund	8,558,310	0.9%	3,481,493	1.0%
Other	696,178	0.1%	11,652	0.0%
TOTAL	425,898,982	45.7%	185,325,599	52.9%

*The structure has been calculated based on the amount of financial investments

Diversification of investments by industry

(€)	31.12.2013		31.12.2012	
Industry	Amount	As % of total	Amount	As % of total
Banking	217,817,910	23.4%	170,455,302	48.7%
Government	518,188,096	55.7%	126,476,089	36.1%
Finance	39,120,958	4.2%	22,658,307	6.5%
Industry	67,404,622	7.2%	30,656,114	8.8%
Consumables	46,063,241	4.9%	0	0.0%
Utilities	42,526,282	4.6%	0	0.0%
TOTAL	931,121,110	100.0%	350,245,812	100.0%

The Sava Re Group's largest exposure by industry was in with the government (31 December 2013: 55.7 %; 31 December 2012: 36.1 %). Assets invested with governments increased as a result of purchases of government bonds from countries of the European Union and the OECD. In accordance with its revised investment policy, there was a significant decline in the Group's exposure to the banking sector in 2013 (31 December 2013: 23.4 %; 31 December 2012: 48.7 %), in part because all proceeds from matured deposits were reinvested abroad and partly because the value of investments in bank bonds fell due to write-offs and impairments.

Exposure to the ten largest issuers totalled € 421.9 million at 31 December 2013, accounting for 45.3 % of market-risk sensitive investments (31 December 2012: € 164.3 million; 46.9 %). The largest single issuer of securities that the Group is exposed to is the Republic of Slovenia. This totalled € 269.1 million at 31 December 2013 (31 December 2012: € 60.1 million), representing 28.9 % of financial investments (31 December 2012: 17.6 %). The increased exposure to the Republic of Slovenia is associated with the acquisition of Zavarovalnica Maribor. No other issuer exceeds the 5 % of financial assets threshold.

Exposure to government and corporate bonds issued in Greece, Ireland, Italy, Portugal or Spain totalled € 2.4 million (31 December 2012: € 1.0 million).

17.7.3. Operational risk

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 2013 about the same as in 2012.

17.7.4. Implementing systematic risk management

The Group continues implementing risk management on a systematic basis, aware of the requirements brought about by the adopted Solvency II Directive, amongst them also risk-based capital calculation. Therefore, the controlling company and the Group's largest insurer, both based in the EU, are monitoring the drafting of Solvency II implementing acts (making necessary preparations), as well as participating in quantitative impact studies.

17.8. Notes to the consolidated financial statements – statement of financial position

1. Intangible assets

Cost movement and accumulated amortisation/impairment losses of intangible assets

(€)	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
1.1.2013	5,503,382	15,701,742	0	0	25,986	21,231,111
Additions – acquisitions	1,438,742	4,761,733	1,480,780	4,884,878	15,082,822	27,648,955
Additions	662,975	0	49,496	292,380	36,059	1,040,910
Disposals	-144,787	0	0	-976,687	-16,394	-1,137,868
Impairments	0	-898,225	0	0	0	-898,225
Foreign exchange differences	-19,573	-10,615	0	0	-82	-30,270
31.12.2013	7,440,740	19,554,635	1,530,276	4,200,571	15,128,392	47,854,613
Accumulated amortisation and impairment losses						
1.1.2013	3,463,167	0	0	0	0	3,463,167
Additions – acquisitions	900,753	0	548,715	0	0	1,449,468
Additions	765,497	0	109,322	0	2,000,000	2,874,819
Disposals	-144,636	0	0	0	0	-144,636
Foreign exchange differences	-14,278	0	0	0	0	-14,278
31.12.2013	4,970,503	0	658,037	0	2,000,000	7,628,541
CARRYING AMOUNT AT 1 JAN 2013	2,040,216	15,701,742	0	0	25,986	17,767,943
CARRYING AMOUNT AT 31 DEC 2013	2,470,235	19,554,635	872,239	4,200,571	13,128,392	40,226,072

The Additions – acquisitions item includes the value of assumed liabilities upon inclusion of Zavarovalnica Maribor into the Sava Re Group, being the equivalent of the difference between the fair value of acquired contractual insurance rights and assumed insurance liabilities. This is the estimated present value of future profits from existing insurance contracts at the date of acquisition of Zavarovalnica Maribor. Since the estimated useful life of these assets is 5 years, the increase in accumulated amortisation for the period from the inclusion of Zavarovalnica Maribor into the Group (2/3 of 2013) totalled € 2 million.

(€)	Software	Goodwill	Other intangible assets	Total
Cost				
1.1.2012	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
31.12.2012	5,503,382	15,701,742	25,986	21,231,111
Accumulated amortisation and impairment losses				
1.1.2012	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
31.12.2012	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

Movement in goodwill

Goodwill relates to the acquisition of the following companies: Sava osiguranje, Illyria, Sava osiguruvanje, Sava Montenegro, Velebit usluge (or indirectly to Velebit osiguranje and Velebit životno osiguranje) and Zavarovalnica Maribor. As at year-end 2013, goodwill amounted to € 19.6 million (2012: € 15.7 million). 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.

Movement in goodwill in 2013

(€)	
Total transferred amount at 31 December 2012	**15,701,742**
Sava osiguranje, Belgrade	5,047,588
Illyria	4,991,887
Sava osiguruvanje, Skopje	94,907
Sava Montenegro	3,648,534
Velebit usluge	1,918,826
Additions in current year	**4,761,733**
Zavarovalnica Maribor	4,761,733
Disposals in current year	**-908,840**
Sava osiguranje, Belgrade	-299,034
Illyria	-599,191
Foreign exchange differences	-10,615
TOTAL TRANSFERRED AMOUNT AT 31 DECEMBER 2013	19,554,635

Compared to year-end 2012, goodwill was reduced by € 0.9 million as a result of impairment losses on goodwill relating to Illyria and Sava osiguranje where long-term projections had deteriorated slightly, and was increased by € 4.8 million due to acquisition Zavarovalnica Maribor and its subsidiaries.

Movements in goodwill in 2012

(€)	
Total transferred amount at 31 December 2011	**16,068,693**
Sava osiguranje, Belgrade	5,047,588
Illyria	4,991,887
Sava osiguruvanje, Skopje	94,484
Bro-Dil	24,266
Sava Montenegro	3,648,534
Velebit usluge	2,261,934
Disposals in current year	**-366,951**
Velebit usluge	-340,953
Bro-Dil	-24,266
Foreign exchange differences	-1,732
TOTAL TRANSFERRED AMOUNT AT 31 DECEMBER 2012	15,701,742

Method of calculating value in use

The value in use for each cash-generating unit is calculated using the discounted 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:

- the risk-free rate of return (based on the ten-year average interest rate on German ten-year government bonds adjusted for the long-term inflation rate in individual countries);
- tax rates 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 2013 remained unchanged from 2012.

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 to 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.

Goodwill impairment testing

In the impairment testing of goodwill arising out of the acquired companies listed at the beginning of this section, the recoverable amount of each cash-generating unit exceeded its carrying amount including goodwill belonging to the unit. Impairment testing indicated that impairment losses needed to be recognised in Illyria and Sava osiguranje (€ 0.9 million).

Goodwill relates to the non-life operating segment.

2. Property and equipment

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
1.1.2013	3,774,723	21,730,164	10,233,025	412,214	36,150,126
Additions, acquisition	3,366,177	22,856,789	12,499,225	26,983	38,749,174
Additions	44,484	2,147,177	2,184,531	5,161	4,381,353
Disposals	-3,432	-1,089,516	-1,275,187	0	-2,368,135
Impairment losses	0	-234,170	0	0	-234,170
Foreign exchange differences	-7,131	-65,965	-17,040	-2,175	-92,311
31.12.2013	7,174,821	45,344,479	23,624,554	442,183	76,586,037
Accumulated depreciation and impairment losses					
1.1.2013	0	5,038,679	6,388,687	139,382	11,566,748
Additions, acquisition	0	8,593,982	9,220,171	26,545	17,840,698
Additions	0	815,603	2,177,076	1,689	2,994,368
Disposals	0	-614,765	-1,147,131	0	-1,761,896
Impairment losses	0	-116,077	5,044	34,369	-76,664
Foreign exchange differences	0	-8,684	-10,333	-770	-19,787
31.12.2013	0	13,708,737	16,633,514	201,215	30,543,467
CARRYING AMOUNT AT 1 JAN 2013	3,774,723	16,691,484	3,844,338	272,832	24,583,379
CARRYING AMOUNT AT 31 DEC 2013	7,174,821	31,635,742	6,991,040	240,968	46,042,572

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
1.1.2012	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
31.12.2012	3,774,723	21,730,164	10,233,025	412,214	36,150,126
Accumulated depreciation and impairment losses					
1.1.2012	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
31.12.2012	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

No property or equipment assets have been pledged as collateral.

3. Deferred tax assets and liabilities

(€)	31.12.2013	31.12.2012
Deferred tax assets	3,496,592	1,929,136
Deferred tax liabilities	-4,008,876	-3,498
TOTAL NET DEFERRED TAX ASSETS/LIABILITIES	-512,284	1,925,638

Movements in net deferred tax assets/liabilities

(€)	1.1.2013	Acquisition, subsidiary	Recognized in the IS	Recognized in the SCI	31.12.2013
Long-term financial assets	1,764,295	2,117,060	1,022,979	-2,117,060	2,787,274
Short-term operating receivables	136,833	0	28,973	0	165,806
Provisions for jubilee benefits and severance pay (retirement)	28,008	379,924	135,580	0	543,512
Other	-3,498	-4,005,378	0	0	-4,008,876
TOTAL	1,925,638	-1,508,394	1,187,532	-2,117,060	-512,284

(€)	1.1.2012	Recognized in the IS	Recognized in the SCI	31.12.2012
Long-term financial assets	4,641,860	-629,929	-2,247,636	1,764,295
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

It is evident from the movement of deferred tax assets that the Group recognised an increase in deferred tax liabilities of € 4 million due to the acquisition of Zavarovalnica Maribor. Deferred tax liabilities were accounted for based on recognised fair values for major groups of assets acquired and liabilities assumed as set out in Section 3.2.

4. Investment property

Movements in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
Cost			
1.1.2013	604,901	4,791,832	5,396,732
Additions, acquisition	15,305	1,320,624	1,335,929
Additions	0	627,813	627,813
Disposals	-31,912	-279,857	-311,769
Impairment	-73,285	-201,062	-274,347
Foreign exchange differences	-4,538	-26,223	-30,761
31.12.2013	510,471	6,233,127	6,743,598
Accumulated depreciation and impairment losses			
1.1.2013	0	291,431	291,431
Additions, acquisition	0	860,845	860,845
Additions	0	82,782	82,782
Disposals	0	-57,898	-57,898
Foreign exchange differences	0	-569	-569
31.12.2013	0	1,176,591	1,176,591
CARRYING AMOUNT AT 1 JAN 2013	604,901	4,500,401	5,105,302
CARRYING AMOUNT AT 31 DEC 2013	510,471	5,056,536	5,567,006

(€)	Land	Buildings	Total
Cost			
1.1.2012	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
31.12.2012	604,901	4,791,832	5,396,732
Accumulated depreciation and impairment losses			
1.1.2012	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
31.12.2012	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**

The Group generated income of € 127,607 (2012: € 72,480) by leasing out its investment property in 2013. Maintenance costs associated with investment property are either included in the rent or charged to the lessee.

In accordance with IFRS 13, investment properties are classified to level 3. The fair value of property amounted to € 6 million (2012: € 6.1 million).

5. Financial investments in associates

Financial investments in shares of associates

(€)	1.1.2013		Additions – acquisitions					31.12.2013		
	As % of total	Value	As % of total	Value	Attribution of profits	Addition of fair value reserve	Transfer to subsidiaries	As % of total	Value	Share of voting rights (%)
Zavarovalnica Maribor	48.68%	53,529,752	0	0	2,177,749	-1,354,589	-54,352,912	0.00%	0	0.00%
Moja naložba	25.00%	1,735,899	20.00%	1,290,084	-174,277	14,959	0	45.00%	2,866,665	45.00%
TOTAL		**55,265,651**			**2,003,472**	**-1,339,630**	**-54,352,912**		**2,866,665**	

(€)	1.1.2012						31.12.2012		
	As % of total	Value	Attribution of profits	Dividend payout	Addition of fair value reserve	As % of total	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**	

Financial details on associates

(€)	31.12.2013	31.12.2012
Zavarovalnica Maribor		
Value of assets	0	830,361,653
Liabilities	0	731,252,576
Equity	0	99,109,077
Income	0	263,316,052
Net profit/loss for the period	0	7,717,014
Profit/loss attributable to the Group	0	3,756,642
Moja naložba		
Value of assets	110,023,694	136,496,108
Liabilities	103,451,527	129,629,125
Equity	6,572,167	6,866,983
Income	3,111,644	3,571,080
Net profit/loss for the period	-387,283	320,022
Profit/loss attributable to the Group	-174,277	80,006
Pension fund contributions	65,574	64,902

6. Financial investments

Financial investments in 2013

(€)		At fair value through P/L				
		Non-derivative				
31.12.2013	Held-to-maturity	Held for trading	Designated to this category	Available-for-sale	Loans and receivables	Total
Long-term financial assets	**162,270,901**	**1,272,277**	**11,225,654**	**580,210,969**	**42,403,596**	**797,383,397**
Equity and other variable income securities and mutual funds	0	0	0	18,620,506	0	18,620,506
Debt securities and other fixed income securities	161,746,583	1,272,277	11,225,654	555,187,918	0	729,432,432
Shares in investment funds	0	0	0	6,350,902	0	6,350,902
Mortgage loans	0	0	0	0	556,681	556,681
Other financial investments	0	0	0	51,643	113,585	165,228
Other loans granted	0	0	0	0	202,584	202,584
Bank deposits	524,318	0	0	0	41,530,746	42,055,064
Short-term financial investments	**1,815,422**	**8,404,819**	**13,216,854**	**28,549,124**	**81,751,494**	**133,737,713**
Held-for-trading shares and interests	0	176,915	1,034,589	2,642,306	0	3,853,810
Held-for-trading securities or securities with a remaining maturity of less than one year	1,815,422	8,227,904	12,182,265	25,906,818	0	48,132,409
Short-term loans granted	0	0	0	0	359,288	359,288
Bank deposits	0	0	0	0	71,201,189	71,201,189
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	0	10,191,017	10,191,017
TOTAL	**164,086,323**	**9,677,096**	**24,442,508**	**608,760,093**	**124,155,090**	**931,121,110**
Funds for the benefit of policyholders who bear the investment risk	10,137,733	11,127	155,290,766	133,934	10,202,668	175,776,228

Financial investments in 2012

(€) 31.12.2012	Held-to-maturity	At fair value through P/L – Non-derivative – Held for trading	At fair value through P/L – Non-derivative – Designated to this category	Available-for-sale	Loans and receivables	Total
Long-term financial assets	**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

Financial investments

(€)	At fair value through P/L						
	Non-derivative			Available-for-sale			
31. 12. 2013	Level 1	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-term financial assets	**12,497,931**	**0**	**12,497,931**	**575,004,755**	**0**	**5,206,215**	**580,210,970**
Equity and other variable income securities and mutual funds	0	0	0	13,414,291	0	5,206,215	18,620,506
Debt securities and other fixed income securities	12,497,931	0	12,497,931	555,187,919	0	0	555,187,919
Shares in investment funds			0	6,350,902	0	0	6,350,902
Other financial investments			0	51,643	0	0	51,643
Short-term financial investments	**21,621,673**	**0**	**21,621,673**	**28,549,123**	**0**	**0**	**28,549,123**
Held-for-trading shares and interests	1,211,504		1,211,504	2,642,306	0	0	2,642,306
Held-for-trading securities or securities with a remaining maturity of less than one year	20,410,169	0	20,410,169	25,906,817	0	0	25,906,817
TOTAL	34,119,604	0	34,119,604	603,553,878	0	5,206,215	608,760,093
Investments for the benefit of life-insurance policyholders who bear the investment risk	155,301,893	0	155,301,893	133,934	0	0	133,934

Change in available for sale investments – level 3

(€) 31.12.2013	Available-for-sale – level 3: Opening balance	Acquisitions	Disposals	Maturity	Impairment losses	Revaluation	Foreign exchange differences	Closing balance
Long-term financial assets	**8,960,533**	**0**	**-613,657**	**-3,000,337**	**-140,324**	**0**	**0**	**5,206,215**
Equity and other variable income securities and mutual funds	5,460,196	0	-113,657	0	-140,324	0		5,206,215
Debt securities and other fixed income securities	3,500,337	0	-500,000	-3,000,337	0	0		0
TOTAL	8,960,533	0	-613,657	-3,000,337	-140,324	0	0	5,206,215

In 2013, there were no reclassifications between levels of financial assets carried out.

Financial investments

(€)	At fair value through P/L						
	Non-derivative			Available-for-sale			
31.12.2012	Level 1	Level 3	Total	Level 1	Level 2	Level 3	Total
Long-term financial assets	**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	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

(€) 31.12.2012	Available-for-sale – level 3: Opening balance	Acquisitions	Disposals	Maturity	Impairment losses	Revaluation	Foreign exchange differences	Closing balance
Long-term financial assets	**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 non-quoted bank bonds.

Comparison between carrying amounts and fair values of held-to-maturity investments

(€) 31.12.2013	Carrying amount	Fair value
Total held-to-maturity financial investments	174,224,056	178,206,392

(€) 31.12.2012	Carrying amount	Fair value
Total held-to-maturity financial investments	16,563,481	16,255,790

The fair value of the Group's held-to-maturity bonds is determined on the basis of market prices.

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 totalled € 2.4m (2012: € 10.9m). Financial investments of the Group have not been pledged as collateral.

Additional disclosure to notes 5 and 6 in accordance with IFRS 13 – Description of significant assumptions for the valuation of level 3 assets

Valuation methods for all items described below are defined in accounting policies. For investment property, the method is set out in section 3.4.12 Investment property, for financial investments in subsidiaries and associates in section 3.4.3 Financial investments in associates, and for financial investments in section 3.4.14 Financial investments and funds for the benefit of policyholders who bear the investment risk.

Fair value measurements categorised within level 3	Valuation technique	Significant assumptions	Sensitivity of the valuation model to changes in inputs and the effect on the fair value measurement
Available-for-sale financial assets – level 3	NOTE: The category of financial assets only comprises non-marketable shares of energy and gaming sector companies. These two sectors are defined in detail below.		
Energy sector	The model uses the median value for the price to book value ratio (P/B) and the median value for the enterprise value to EBITA ratio (EV/EBITA) for comparable companies.	Inputs for energy sector companies are based on the last published performance data (2012 annual reports).	
		An increase in the marketability discount from 10 % to 20 %.	All other things being equal, an increase in the marketability discount from 10 % to 20 % would decrease the fair value of the investments by € 425,000.
		A change in prices or valuation of comparable companies and the resulting change in the EV/EBITDA and P/B ratios.	All other things being equal, a decrease/increase in stock markets/prices of 10% and the resulting decrease/increase in said ratios would decrease/increase fair value of the investments by € 417,000 and € 411,000 respectively.
Gaming sector	The model uses the median value for the price to book value ratio (P/B) and the median value for the enterprise value to EBITA ratio (EV/EBITA) for comparable companies.	Inputs for gaming sector companies are based on the last published performance data (2012 annual report).	
		An increase in the marketability discount from 10 % to 20 %.	All other things being equal, an increase in the marketability discount from 10 % to 20 % would decrease fair value of the investment by € 78,000.
		A change in prices or valuation of comparable companies and the resulting change in the EV/EBITDA and P/B ratios.	All other things being equal, a decrease/increase in stock markets/prices of 10 % and the resulting decrease/increase in said ratios would decrease/increase fair value of the investment by € 107,000.

7. Funds for the benefit of policyholders who bear the investment risk

These are investments placed by the insurer in accordance with requests of policyholders who have taken out life policies.

8. Reinsurers' share of technical provisions

(€)	31.12.2013	31.12.2012
From unearned premiums	5,673,885	4,280,173
From mathematical provisions	100	175
From provisions for claims outstanding	27,561,112	32,610,449
From other technical provisions	255,615	539,073
TOTAL	33,490,712	37,429,870

The reinsurers' share of unearned premiums usually moves in line with premiums under the largest proportional retrocession contracts. The Group's increase in 2013, however, is due to unearned premiums arising from reinsurance covers for assistance of Zavarovalnica Maribor written outside the Group. The reinsurers' share of claims provisions moves depending on the movement of expected large losses protected by the reinsurance program; accordingly, in 2013 there was a reduction in the expected loss relating to the 2011 Thai floods covered under a CAT cover, a reduction in the expected loss relating to the floods in North-east Slovenia in 2012 protected under a XL cover, and there was a partial settlement of flood losses.

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 (re)insurance contracts invoiced in the fourth quarter of 2013 but falling due only in 2014.

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

(€)	31.12.2013			31.12.2012		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	84,693,324	-31,631,699	53,061,625	38,576,517	-15,717,125	22,859,392
Receivables from insurance brokers	4,226,493	-584,375	3,642,118	2,932,931	-361,896	2,571,035
Other receivables arising out of primary insurance business	551,591	-383,942	167,649	616,267	-359,311	256,956
Receivables arising out of primary insurance business	**89,471,408**	**-32,600,016**	**56,871,392**	**42,125,715**	**-16,438,332**	**25,687,383**
Receivables for premiums arising out of reinsurance and co-insurance	44,062,745	-527,782	43,534,963	51,720,195	-682,955	51,037,240
Receivables for shares in claims	4,280,239	-96,438	4,183,801	2,880,193	-96,438	2,783,755
Other receivables from co-insurance and reinsurance	554,533	0	554,533	658,309	0	658,309
Receivables arising out of reinsurance and co-insurance business	**48,897,517**	**-624,220**	**48,273,297**	**55,258,697**	**-779,393**	**54,479,304**
Current tax assets	**1,707,675**	**0**	**1,707,675**	**2,114,354**	**0**	**2,114,354**
Other short-term receivables arising out of insurance business	30,239,794	-26,104,311	4,135,483	11,146,115	-7,573,527	3,572,588
Receivables arising out of investments	2,247,073	-1,285,966	961,107	2,481,647	-1,543,942	937,705
Other receivables	5,912,078	-1,648,265	4,263,813	12,870,658	-636,262	12,234,396
Other receivables	**38,398,945**	**-29,038,542**	**9,360,403**	**26,498,420**	**-9,753,731**	**16,744,689**
TOTAL	178,475,545	-62,262,778	116,212,767	125,997,186	-26,971,456	99,025,730

Ageing structure of net receivables

(€) 2013	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	35,897,226	11,405,332	5,759,067	53,061,625
Receivables from insurance brokers	2,949,121	672,645	20,352	3,642,118
Other receivables arising out of primary insurance business	123,269	13,583	30,797	167,649
Receivables for premiums arising out of assumed reinsurance and co-insurance	34,901,541	5,116,991	3,516,431	43,534,963
Receivables for reinsurers' shares in claims	3,123,849	417,374	642,578	4,183,801
Other receivables from co-insurance and reinsurance	511,775	42,758	0	554,533
Other short-term receivables arising out of insurance business	3,543,668	246,969	344,846	4,135,483
Short-term receivables arising out of investments	731,746	100,812	128,549	961,107
Current tax assets	1,559,844	0	147,831	1,707,675
Other short-term receivables	2,945,374	673,544	644,895	4,263,813
TOTAL	86,287,413	18,690,008	11,235,346	116,212,767

(€) 2012	Not past due	Past due up to 180 days	Past due more than 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 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

All receivables are current.

Receivables arising out of primary insurance business more than doubled due to the acquisition of Zavarovalnica Maribor. The decrease in other receivables is related to a transaction in 2012, when the controlling company made an advance payment for the purchase of Zavarovalnica Maribor shares.

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

(€) 31.12.2013	1.1.2013	Additions	Use	Write-offs	Additions – acquisitions	Foreign exchange differences	31.12.2013
Receivables due from policyholders	-15,717,125	-1,805,315	2,805,337	631,602	-17,598,644	52,446	-31,631,699
Receivables from insurance brokers	-361,896	-186,996	94,300	6,522	-138,541	2,236	-584,375
Other receivables arising out of primary insurance business	-359,311	-25,033	0	0	0	402	-383,942
Receivables arising out of primary insurance business	**-16,438,332**	**-2,017,344**	**2,899,637**	**638,124**	**-17,737,185**	**55,084**	**-32,600,016**
Receivables for premiums arising out of reinsurance and co-insurance	-682,955	-22,424	177,597	0	0	0	-527,782
Receivables for shares in claims	-96,438	-50,000	0	50,000	0	0	-96,438
Receivables arising out of reinsurance and co-insurance business	**-779,393**	**-22,424**	**177,597**	**0**	**0**	**0**	**-624,220**
Other short-term receivables arising out of insurance business	-7,573,527	-1,367,244	740,410	166,572	-18,098,098	27,576	-26,104,311
Receivables arising out of investments	-1,543,942	-6,823	7,304	296,617	-47,999	8,877	-1,285,966
Other short-term receivables	-636,262	-978,645	26,391	4,974	-68,575	3,852	-1,648,265
Other receivables	**-9,753,731**	**-2,352,712**	**774,105**	**468,163**	**-18,214,672**	**40,305**	**-29,038,542**
TOTAL	-26,971,456	-4,392,480	3,851,339	1,106,287	-35,951,857	95,389	-62,262,778

(€) 31.12.2012	1.1.2012	Additions	Use	Write-offs	Foreign exchange differences	31.12.2012
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

10. Deferred acquisition costs

(€)	31.12.2013	31.12.2012
Short-term deferred acquisition costs	13,258,646	7,951,494
Short-term deferred reinsurance acquisition costs	4,493,670	8,107,207
TOTAL	17,752,316	16,058,701

Deferred acquisition costs comprise short-term deferred policy acquisition costs. Expenses are gradually taken to policy acquisition costs in 2014. Changes in short-term deferred policy acquisition costs are primarily due to the inclusion of Zavarovalnica Maribor into the Group.

11. Other assets

Other assets comprise other short-term accrued income and deferred expenses, accrued interest and rent and inventories. The increase in other assets is primarily as result of the inclusion of Zavarovalnica Maribor into the group.

Other assets

(€)	31. 12. 2013	31. 12. 2012
Inventories	85,024	12,372
Accrued interest and rent	211,295	303,314
Other short-term accrued income and deferred expenses	1,296,972	831,012
TOTAL	1,593,291	1,146,698

12. Cash and cash equivalents

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

13. Non-current assets held for sale

The amount of non-current assets held for sale has not changed substantially 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

Having successfully completed a recapitalisation, the controlling company's share capital was divided into 17,219,662 shares as at 31 December 2013 (31 December 2012: 9,362,519 shares). 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. The subsidiary Zavarovalnica Maribor holds 346,433 shares of the controlling company, accounting for a 2.01 % stake.

As at year-end 2013, the shareholders' register showed 4,959 shareholders (31 December 2012: 4,946). 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 controlling company did not pay dividends in 2013.

15. Capital reserves

After successfully completing a recapitalisation of the controlling company in July 2013, the Group increased capital reserves by € 22.2 million. From the added amount, expenses directly attributable to the initial public offering of € 0.98 million were subtracted, reducing capital reserves.

A contra account of capital reserves includes the difference between market and book value of acquired non-controlling interests.

16. Profit reserves

(€)	31.12.2013	31.12.2012	Distributable / non-distributable
Legal reserves and reserves provided for in the Articles of Association	11,138,541	16,677,980	non-distributable
Reserve for treasury shares	2,821,391	1,774	non-distributable
Credit risk equalisation reserve	800,075	753,026	non-distributable
Catastrophe equalisation reserve	12,070,719	9,950,193	non-distributable
Other profit reserves	75,192,493	69,542,800	distributable
TOTAL	102,023,219	96,925,773	

Legal reserves and reserves provided for by the articles of association decreased 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.

Reserves for credit risks remained at the same level as in 2012 (€ 0.8 million); the catastrophe equalisation reserve (earthquake), on the other hand, increased from € 10 million at year-end 2012 to € 12 million at year-end 2013 as a result of both a positive result of earthquake business and because of the acquisition of Zavarovalnica Maribor.

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; however, up to half the amount of net profit for the period. In 2013 other profit reserves also increased based on the same reasons. 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 subsequently submitted for approval to the General Meeting.

17. Treasury shares

In 2013, the Group increased the balance of treasury shares through the acquisition of Zavarovalnica Maribor. At 31 December 2013, it held 346,643 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-for-sale financial assets.

(€)	2013	2012
As at 1. 1.	1,527,689	-10,809,738
Change in fair value	3,177,733	8,242,613
Transfer from fair value reserve to the IS due to impairment	-9,112,367	-1,087,106
Transfer from fair value reserve to the IS due to disposal	17,935,676	3,119,497
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	-3,358,131	4,311,339
Other net profit/loss	606,919	0
Deferred tax	-2,117,060	-2,244,239
Increase in Group interest	-920,745	-4,678
TOTAL FAIR VALUE RESERVE	7,739,714	1,527,689

The table shows the net change in the fair value reserve, which is an equity component.

19. Net profit/loss for the period

The net profit for 2013 attributable to owners of the controlling company totalled € 15.7 million. The Group already allocated part of net profit of € 5.6 million to other profit reserves; amounts were set aside for credit and catastrophe risks. The remaining amount of € 5.8 million is recognised as net profit for the financial year in the statement of financial position.

Net earnings/loss per share

(€)	31.12.2013	31.12.2012
Net profit/loss for the period	15,621,924	11,788,457
Net profit/loss for the period attributable to owners of the controlling company	15,660,308	12,138,746
Weighted average number of shares outstanding	12,770,109	9,362,309
BASIC EARNINGS/LOSS PER SHARE	1.23	1.30

Comprehensive income per share

(€)	31.12.2013	31.12.2012
Comprehensive income for the period, net of tax	21,707,503	23,471,951
Comprehensive income for the period attributable to owners of the controlling company, net of tax	22,678,607	23,804,373
Weighted average number of shares outstanding	12,770,109	9,362,309
DILUTED EARNINGS/LOSSES PER SHARE	1.78	2.54

In 2013, the number of treasury shares changed significantly as a result of the recapitalisation that had been carried out. In mid-2013, the number of shares increased by 7,857,143 shares; therefore, the calculation of the weighted number of shares takes into account the annual average calculated on the basis of monthly averages of the number of ordinary shares less the number of treasury shares. The weighted average number of shares outstanding in the financial period was 12,770,109. As the Group does not have potentially dilutive capital instruments, its net earnings per share equal diluted earnings per share.

20. Non-controlling interest in equity

Non-controlling interest in equity

(€)	31.12.2013	31.12.2012
Sava osiguranje, Belgrade	8	8
Sava osiguruvanje, Skopje	193,261	186,069
Sava životno osiguranje	22	80
Velebit osiguranje	364,569	351,917
Velebit životno osiguranje	1,407,641	1,477,788
TOTAL	1,965,501	2,015,862

21. Subordinated liabilities

The controlling company raised a subordinated loan in the amount of € 32 million 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. At the end of 2013, the controlling company made an early repayment of subordinated debt in the total nominal amount of € 8 million, reducing the debt's total nominal value to € 24 million at 31 December 2013.

By acquiring Zavarovalnica Maribor, the Group's subordinated liabilities increased by € 7 million.

Subordinated debt

Outstanding debt at effective interest rate as at 31.12.2013	30,466,967
Debt currency	EUR
Maturity date	27 Dec 2026 and 25 Aug 2015
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

Outstanding debt at effective interest rate as at 31.12.2012	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

In 2013, the controlling Company paid € 1.4 million in interest on subordinated debt (2012: € 1.4 million) and € 60,702 in withholding tax on interest paid (2012: € 71,125).

The subsidiary paid € 357,301 in interest on the subordinated debt issued.

22. Technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

Movements in gross technical provisions and the technical provision for the benefit of life insurance policyholders who bear the investment risk

(€)	1.1.2013	Additions	Uses and releases	Additions, acquisition	Foreign exchange differences	31.12.2013
Gross unearned premiums	90,691,880	114,783,178	-130,768,247	70,387,766	-482,665	144,611,911
Mathematical provisions	17,767,312	17,736,837	-29,592,243	244,682,345	-34,602	250,559,649
Gross provision for claims	248,200,797	121,776,981	-107,536,413	178,365,447	-3,539,183	437,267,628
Gross provision for bonuses, rebates and cancellations	562,560	696,521	-493,979	68,103	-267	832,938
Other gross technical provisions	2,925,667	4,887,421	-5,928,360	11,068,290	-425	12,952,593
TOTAL	**360,148,216**	**259,880,938**	**-274,319,243**	**504,571,951**	**-4,057,143**	**846,224,719**
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	27,040,864	25,107,241	-11,812,930	130,451,708	-84	170,786,799

(€)	1.1.2012	Additions	Uses and releases	Foreign exchange differences	31.12.2012
Gross unearned premiums	87,330,269	76,575,242	-72,790,676	-422,955	90,691,880
Mathematical provisions	16,503,688	3,416,939	-2,097,698	-55,617	17,767,312
Gross provision for claims	213,830,875	116,904,762	-81,689,468	-845,373	248,200,797
Gross provision for bonuses, rebates and cancellations	610,616	662,491	-710,963	416	562,560
Other gross technical provisions	2,599,694	2,880,229	-2,568,995	14,739	2,925,667
TOTAL	**320,875,142**	**200,439,663**	**-159,857,800**	**-1,308,790**	**360,148,216**
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	23,673,423	6,089,096	-2,721,650	-5	27,040,864

Movements in technical provisions

Consolidated gross technical provisions increased significantly in 2013 due to the acquisition of Zavarovalnica Maribor; upon exclusion of this effect, the Group's gross technical provisions decreased by 5.1 %. Below we give details on the movement excluding the effect of the acquisition of Zavarovalnica Maribor shown in column "Increase, acquisition":

- Gross unearned premiums decreased by 18.2 % as a result of the decline in gross premiums written by Sava Reinsurance Company and Zavarovalnica Maribor. This decline is also due to the normal movements of unearned premiums, which are higher in mid-year (at the time of the acquisition of Zavarovalnica Maribor) than at the year-end.
- Mathematical provisions decreased by 66.9 % as a result of a reclassification of the fair value surplus relating to mathematical provisions to equity and payments made from provisions in Zavarovalnica Maribor.
- The gross provision for outstanding claims increased by 4.3 %, with no significant increases or decreases in any of the Group companies; the largest absolute increase was recorded by Zavarovalnica Maribor.
- Gross provisions for bonuses, rebates and cancellations grew by 36.0 % with the largest growth recorded in Zavarovalnica Maribor due to increased entitlements for bonuses and rebates.
- Gross provision for unexpired risks declined by 35.6 %, which is largely a result of the annual dynamics described under unearned premiums, since this provision is calculated based on unearned premiums, as described in section 3.4.26 Liability adequacy testing for non-life business. The table below shows calculations by classes of business.
- Provisions for the benefit of policyholders who bear the investment risk increased by 49.2 % mainly due to favourable developments in capital markets. These are set aside only in Zavarovalnica Tilia and Zavarovalnica Maribor.

Calculation of the gross provision for unexpired risks by class of insurance

(€)	Primary insurance	Reinsurance business	
2013	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	874,320	77.9%	0
Health	6,312	133.7%	12,793
Land vehicles casco	3,592,106	80.8%	0
Railway rolling stock	0	31.8%	0
Aircraft hull	20,344	80.7%	0
Ships hull	113,171	99.3%	0
Goods in transit	4,585	98.3%	0
Fire and natural forces	2,544,641	93.7%	0
Other damage to property	1,863,494	85.6%	0
Motor liability	139,532	81.0%	0
Aircraft liability	0	94.5%	0
Liability for ships	0	3.0%	0
General liability	1,614,390	71.8%	0
Credit insurance	1,382,783	84.3%	0
Suretyship	148,702	44.1%	0
Miscellaneous financial loss	243,686	85.6%	0
Legal expenses	0	6.3%	0
Assistance	0	110.8%	0
Life business	0	72.1%	0
Unit-linked life	0	80.9%	0
TOTAL	**12,548,066**	**87.9%**	**12,793**

(€)	Primary insurance	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

Combined ratios for primary insurance are not given as amounts relate to several Group members.

23. Other provisions

Other provisions mainly comprise provisions for long-term employee benefits, as set out in section 3.4.27 Other provisions.

In 2012, most Group companies set aside provisions for unexpended employee leave for the first time, but in 2013 these were reclassified to accrued costs since employees can use unexpended leave of the prior year until 30 June of the following year.

Movements in other provisions

(€)	1.1.2013	Additions	Uses	Releases	Additions, acquisition	Foreign exchange differences	31.12.2013
Provision for severance pay upon retirement	596,051	481,467	-136,889	-618,966	3,495,358	-628	3,816,395
Provision for jubilee benefits	222,311	394,182	-198,474	-11,028	1,487,090	-288	1,893,793
Total provisions for employees	**818,362**	**875,649**	**-335,363**	**-629,994**	**4,982,448**	**-916**	**5,710,188**
Other provisions	**532,637**	**95,000**	**-371,435**	**-87,181**	**0**	**-406**	**168,615**
TOTAL	1,350,999	970,649	-706,798	-717,175	4,982,448	-1,322	5,878,803

(€)	1.1.2012	Additions	Uses	Releases	Foreign exchange differences	31.12.2012
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 provisions	**21,200**	**513,750**	**0**	**0**	**-2,313**	**532,637**
TOTAL	795,606	633,223	-28,666	-40,943	-8,221	1,350,999

Provisions for severance pay upon retirement and jubilee benefits have been calculated in accordance with the requirements of the revised IAS 19. The Group does not defer recognition of actuarial gains and losses (i.e. the corridor approach) for defined benefit plans; therefore, the main change in this revision is a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions, which are now recognised in equity and not in profit and loss.

Movements in provisions for severance pay upon retirement	31.12.2013	31.12.2012
Opening balance	596,051	572,932
Increase due to acquisition of subsidiary	3,495,358	0
Interest expense	41,401	23,014
Cost of service	427,551	13,117
Payouts	-136,889	-9,100
Effect of changes in actuarial assumptions	-607,076	-3,912
CLOSING BALANCE	3,816,395	596,051

24. Other financial liabilities

Other financial liabilities comprise the Group's liabilities for bank loans. Nearly for 90 % of liabilities, security is provided in the form of blank bills of exchange.

25. Liabilities from operating activities

Liabilities from operating activities

(€)	Maturity		
2013	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	2,098,594	2,098,594
Liabilities due to insurance intermediaries	0	1,832,785	1,832,785
Other liabilities from primary insurance business	5,343	9,014,533	9,019,876
Liabilities from primary insurance business	**5,343**	**12,945,912**	**12,951,255**
Liabilities for reinsurance and co-insurance premiums	**0**	**4,648,902**	**4,648,902**
Liabilities for shares in reinsurance claims	0	15,969,447	15,969,447
Other liabilities due from co-insurance and reinsurance	0	10,805,567	10,805,567
Liabilities from reinsurance and co-insurance business	**0**	**31,423,916**	**31,423,916**
Current tax liabilities	0	616,247	616,247
TOTAL	5,343	44,986,075	44,991,418

(€)	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**	**34,951,358**
Current tax liabilities	0	179,900	179,900
TOTAL	9,648	36,628,375	36,638,022

In 2013, most liabilities were current.

26. OTHER LIABILITIES

Other liabilities by maturity

(€)	Maturity		
2013	Over 1 year	Up to 1 year	Total
Other liabilities	207,945	18,765,651	18,973,596
Deferred income and accrued expenses	0	11,862,942	11,862,942
TOTAL	207,945	30,628,593	30,836,538

(€)	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

Other liabilities by security

(€) 2013	Liabilities pledged as collateral	Liabilities not pledged as collateral	Total
Other liabilities	0	18,973,596	18,973,596
Deferred income and accrued expenses	0	11,862,942	11,862,942
TOTAL	0	30,836,538	30,836,538

(€) 2012	Liabilities pledged as collateral	Liabilities not pledged as collateral	Total
Other liabilities	227,444	6,360,528	6,587,972
Deferred income and accrued expenses	0	3,185,587	3,185,587
TOTAL	227,444	9,546,115	9,773,559

Change in short-term provisions

(€)	1.1.2013	Additions	Uses	Releases	Additions, acquisition	Foreign exchange differences	31.12.2013
Short-term accrued costs	1,414,750	2,490,721	-1,702,831	-178,942	1,462,955	-4,515	3,482,138
Other accruals and deferrals	1,770,838	9,925,159	-9,457,036	0	6,147,067	-5,222	8,380,804
TOTAL	3,185,588	12,415,880	-11,159,867	-178,942	7,610,022	-9,737	11,862,942

(€)	1.1.2012	Additions	Uses	Releases		Foreign exchange differences	31.12.2012
Short-term accrued costs	1,640,282	1,236,082	-1,460,914	0		-700	1,414,750
Other accruals and deferrals	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

Other liabilities include contractual cash-flows.

17.9. Notes to the consolidated financial statements – income statement

27. NET PREMIUMS EARNED

Net premiums earned

(€) 2013	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	27,395,190	19,046	-139,412	499,451	-15,079	27,759,196
Health	3,052,421	0	0	41,849	0	3,094,270
Land vehicles casco	63,483,366	664	-2,355,732	1,493,303	-111,768	62,509,828
Railway rolling stock	7,957	0	0	0	0	7,957
Aircraft hull	467,350	0	-11,021	126,193	-4,994	577,528
Ships hull	4,626,600	0	-111,875	-179,237	-6,152	4,329,336
Goods in transit	4,011,346	45,296	-536,477	56,534	11,993	3,588,692
Fire and natural forces	73,704,582	641,912	-9,377,096	3,395,508	-212,417	68,152,489
Other damage to property	30,073,999	415,000	-3,686,476	4,877,305	-265,469	31,414,359
Motor liability	90,592,924	0	-1,136,294	4,186,091	-56,341	93,586,380
Aircraft liability	77,073	0	-151,884	21,654	-50,234	-103,391
Liability for ships	460,854	0	-7,515	-70,130	-155	383,054
General liability	12,158,047	134,571	-1,042,518	1,880,526	54,983	13,185,609
Credit insurance	2,031,925	0	0	-437,404	-4,923	1,589,598
Suretyship	285,519	0	-1	11,314	2,256	299,088
Miscellaneous financial loss	1,053,302	18,045	-478,253	243,372	-3,419	833,047
Legal expenses	594,810	17,909	-363,213	-1,879	-10,057	237,570
Assistance	5,836,495	4,854	-2,820,393	-240,470	122,333	2,902,819
Life business	28,031,188	0	-189,292	-328,851	17,949	27,530,994
Unit-linked life	37,462,636	0	-225,241	32,347	0	37,269,742
Total non-life	319,913,760	1,297,297	-22,218,160	15,903,980	-549,443	314,347,429
Total life	65,493,824	0	-414,533	-296,504	17,949	64,800,736
TOTAL	385,407,583	1,297,296	-22,632,694	15,607,475	-531,495	379,148,165

2012 (€)	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

28. Income from investments in associates

In 2013 the Group accounted for its share of profits in its associate companies using the equity method for the period up until 1 May 2013, when Zavarovalnica was still an associate company. Upon acquisition of Zavarovalnica Maribor, the Group made a fair value revaluation of the existing share when the company was still accounted for as an associate company, which had an effected on investment income of € 7.7 million recognised in other income.

(€)	2013	2012
Profit from investments in equity-accounted associate companies	2,177,749	3,809,245
Revaluation of the pre-acquisition share of Zavarovalnica Maribor from equity-method value to market value	7,725,205	0
Reclassification of fair value reserve of associate company ZM at 30.4.2013	2,018,501	0
Other	184,536	0
TOTAL	12,105,991	3,809,245

29. Investment income and expenses

Investment income by IFRS categories

(€)		At fair value through P/L							
		Non-derivative							
2013	Held-to-maturity	Held for trading	Designated to this category	Derivatives	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	13,212	17,177	0	468,018	0	0	0	498,407
Interest income	5,582,587	85,021	17,450	0	13,388,889	4,759,771	0	0	23,833,718
Change in fair value and foreign exchange differences	60,487	28,146	21,082	0	1,851,253	351,927	0	0	2,312,895
Other financial income	0	3,692	0	0	92,619	643	0	0	96,954
Gains on disposal of investments	0	431,282	487,440	0	7,181,240	0	0	1,595,852	9,695,814
TOTAL INVESTMENT PORTFOLIO INCOME	5,643,074	561,353	543,149	0	22,982,019	5,112,341	0	1,595,852	36,437,788
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	231,212	255	8,938,441	0	13	52,495	0	0	9,222,416
TOTAL INVESTMENT INCOME	5,874,286	561,608	9,481,590	0	22,982,032	5,164,836	0	1,595,852	45,660,204

Investment expenses by IFRS categories

(€)		At fair value through P/L							
		Non-derivative							
2013	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	79,163	0	1,610,546	1,689,709
Other financial expenses	4,786	0	0	897	73,382	38,769	0	0	117,834
Impairment losses on financial assets and liabilities	0	73,964	0	0	9,350,174	-311,771	0	0	9,112,367
Revaluation of financial assets and liabilities	37,151	33,254	0	0	2,859,137	377,792	0	0	3,307,334
Losses on disposal of investments	0	30,230	0	788,438	26,965,081	0	0	0	27,783,749
TOTAL EXPENSES FOR THE INVESTMENT PORTFOLIO	41,937	137,448	0	789,335	39,247,774	183,953	0	1,610,546	42,010,993
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	260	0	9,423,999	95,177	0	0	0	9,519,436
TOTAL INVESTMENT EXPENSES	41,937	137,708	0	10,213,334	39,342,951	183,953	0	1,610,546	51,530,429

Net investment income

(€) 2013	Held-to-maturity	At fair value through P/L – Non-derivative – Held for trading	At fair value through P/L – Non-derivative – Designated to this category	At fair value through P/L – Derivatives	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	13,212	17,177	0	468,018	0	0	0	498,407
Interest income/expense	5,582,587	85,021	17,450	0	13,388,889	4,680,608	0	-1,610,546	22,144,009
Change in fair value and foreign exchange differences	60,487	-45,818	21,082	0	-7,498,921	663,698	0	0	-6,799,472
Impairment losses on financial assets and liabilities	-37,151	-33,254	0	0	-2,859,137	-377,792	0	0	-3,307,334
Other financial income/expenses	-4,786	3,692	0	-897	19,237	-38,126	0	0	-20,880
Gains/losses on disposal of investments	0	401,052	487,440	-788,438	-19,783,841	0	0	1,595,852	-18,087,935
TOTAL NET INCOME FROM THE TOTAL INVESTMENT PORTFOLIO	5,601,137	423,905	543,149	-789,335	-16,265,755	4,928,388	0	-14,694	-5,573,205
Net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk	231,212	-5	8,938,441	-9,423,999	-95,164	52,495	0	0	-297,020
TOTAL NET INVESTMENT INCOME	5,832,349	423,900	9,481,590	-10,213,334	-16,360,919	4,980,883	0	-14,694	-5,870,225

Investment income by IFRS categories

(€) 2012	Held-to-maturity	At fair value through P/L – Non-derivative – Held for trading	At fair value through P/L – Non-derivative – Designated to this category	At fair value through P/L – Derivatives	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
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
TOTAL INVESTMENT PORTFOLIO INCOME	875,650	89,180	310,065	0	11,072,183	5,769,785	73,109	0	18,189,972
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 INVESTMENT INCOME	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

(€) 2012	Held-to-maturity	At fair value through P/L – Non-derivative – Held for trading	At fair value through P/L – Non-derivative – Designated to this category	At fair value through P/L – Derivatives	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 losses on 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
TOTAL EXPENSES FOR THE INVESTMENT PORTFOLIO	412,984	198,878	2,396	0	5,472,050	791,248	64,421	1,446,253	8,388,230
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 INVESTMENT EXPENSES	412,984	199,155	2,275,075	0	5,472,050	791,248	64,421	1,446,253	10,661,186

Net investment income

(€) 2012	Held-to-maturity	At fair value through P/L – Non-derivative – Held for trading	At fair value through P/L – Non-derivative – Designated to this category	At fair value through P/L – Derivatives	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	18,490	0	0	385,623	0	0	0	404,113
Interest income/expense	833,504	18,458	63,412	0	7,812,051	4,726,341	0	-1,446,253	12,007,513
Change in fair value and foreign exchange differences	17,332	-77,775	235,238	0	-768,964	321,558	0	0	-272,611
Impairment losses on financial assets and liabilities	0	0	0	0	-1,022,899	-64,207	0	0	-1,087,106
Other financial income/expenses	5,935	-2,314	9,019	0	-32,367	-5,155	-5,276	0	-30,158
Gains/losses on disposal of investments	-394,105	-66,557	0	0	-773,311	0	13,964	0	-1,220,009
TOTAL NET INCOME FROM THE TOTAL INVESTMENT PORTFOLIO	462,666	-109,698	307,669	0	5,600,133	4,978,537	8,688	-1,446,253	9,801,742
Net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk	0	-277	1,247,639	0	0	0	0	0	1,247,362
TOTAL NET INVESTMENT INCOME	462,666	-109,975	1,555,308	0	5,600,133	4,978,537	8,688	-1,446,253	11,049,104

Financial assets and liabilities are tested for impairment individually. Nearly 90 % of loans and receivables mature within one year.

In addition to the impairments of financial assets and liabilities shown in the table, the Group recognised impairment losses on goodwill of € 0.9 million (2012: € 0.34 million).

There was no interest income from impaired investments in 2013 (2012: € 30,490).

Income from investment classified to level 3 totalled € 66,115.09 in 2013 (2012: € 266,058), while expenses amounted to € 140,324 (2012: € 453,946).

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 2013	Liability fund 2012
Income from shares	272,208	226,967
Interest income	14,677,376	11,512,026
Change in fair value and foreign exchange differences	2,088,689	1,546,803
Other financial income	9,491	92,312
Gains on disposal of investments	4,155,049	1,596,419
Total investment income – liability fund	**21,202,813**	**14,974,527**

	Capital fund 2013	Capital fund 2012
Income from shares	205.017	163.002
Interest income	642,200	1,055,106
Change in fair value and foreign exchange differences	0	26
Other financial income	3,430	8,174
Gains on disposal of investments	1,876,774	530,129
Total investment income - capital fund	**2,727,421**	**1,756,437**
TOTAL INVESTMENT INCOME	**23,930,234**	**16,730,964**

Investment income – life business

(€)	Liability fund – life 2013	Liability fund – life 2012
Income from shares	21,182	14,144
Interest income	7,629,066	1,031,526
Change in fair value and foreign exchange differences	177,730	153,932
Other financial income	84,033	101,158
Gains on disposal of investments	2,990,035	1,133
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	9,222,416	3,520,318
Total investment income – life insurance liability fund	**20,124,462**	**4,822,211**

	Capital fund 2013	Capital fund 2012
Interest income	874,595	38,501
Change in fair value and foreign exchange differences	46,476	118,614
Gains on disposal of investments	684,437	0
Total investment income - capital fund	**1,605,508**	**157,115**
TOTAL INVESTMENT INCOME	**21,729,970**	**4,979,326**
TOTAL INVESTMENT INCOME (LIFE & NON-LIFE)	**45,660,204**	**21,710,290**

Expenses for financial assets and liabilities – non-life business

(€)	Liability fund 2013	Liability fund 2012
Interest expenses	43,791	162,023
Asset management expenses and other financial expenses	70,803	137,642
Change in fair value and foreign exchange differences	3,149,332	1,920,579
Impairment losses on financial assets and liabilities	2,854,099	977,563
Losses on disposal of investments	18,554,581	2,659,832
Total investment expenses – liability fund	**24,672,606**	**5,857,639**

	Capital fund 2013	Capital fund 2012
Interest expenses	1,616,533	1,447,899
Asset management expenses and other financial expenses	23,175	46,804
Change in fair value and foreign exchange differences	11,738	0
Impairment losses on financial assets and liabilities	351,529	74,989
Losses on disposal of investments	536,221	558,398
Total investment expenses – capital fund	**2,539,196**	**2,128,090**
TOTAL INVESTMENT EXPENSES	**27,211,802**	**7,985,729**

Expenses for financial assets and liabilities – life business

(€)	Liability fund – life 2013	Liability fund – life 2012
Interest expenses	29,385	19,724
Asset management expenses and other financial expenses	23,842	46,803
Change in fair value and foreign exchange differences	102,057	85,425
Impairment losses on financial assets and liabilities	5,906,741	34,554
Losses on disposal of investments	8,692,946	129,460
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	9,516,260	2,272,956
Total investment expenses – life insurance liability fund	**24,271,231**	**2,588,922**

	Capital fund 2013	Capital fund 2012
Asset management expenses and other financial expenses	14	554
Change in fair value and foreign exchange differences	44,206	85,982
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	3,176	0
Total investment expenses – capital fund	**47,396**	**86,536**
TOTAL INVESTMENT EXPENSES	**24,318,627**	**2,675,458**
TOTAL INVESTMENT EXPENSES (LIFE & NON-LIFE)	**51,530,429**	**10,661,186**

Impairment losses on investments

(€)	31.12.2013	31.12.2012
Bonds and loans	8,511,028	84,514
Shares	601,339	1,002,592
TOTAL	9,112,367	1,087,106

Net investment income from non-life and life business

(€)	2013	2012
Non-life insurance business	-3,281,568	8,745,235
Life insurance business	-2,588,657	2,303,868
TOTAL	-5,870,225	11,049,103

The largest impact on the 2013 net investment income were losses of € 25.4 million due to write-offs of subordinated bonds and equity instruments of Slovenian banks.

The largest negative impact on the net income from financial investments were losses of € 25.5 million due to write-offs of subordinated bonds and equity instruments of Slovenian banks and impairment losses of € 9.1 million.

30. Other technical income

Reinsurance commissions constitute a major part of other technical income. The following tables show reinsurance commission income by class of business.

Income from reinsurance commission

(€)	2013	2012
Personal accident	31,894	32,910
Land vehicles casco	119,430	53,662
Aircraft hull	759	
Ships hull	3,047	3,303
Goods in transit	77,166	20,426
Fire and natural forces	1,229,483	1,367,064
Other damage to property	455,420	855,603
Motor liability	0	9,637
Aircraft liability	12,871	6,091
Liability for ships	417	267
General liability	74,947	86,381
Miscellaneous financial loss	51,434	75,329
Legal expenses	20,176	25,358
Life business	42,226	55,613
Unit-linked life	21,390	17,494
Total non-life	2,077,044	2,536,031
Total life	63,616	73,107
TOTAL	2,140,660	2,609,139

Other technical income included income from impaired receivables (€ 2.9 million), income from other insurance services (€ 1.8 million), foreign exchange gains (€ 1.3 million), income from exit and management fees (€ 0.8 million), income from other services (€ 0.7 million) and income from investment property (€ 0.1 million).

31. Net claims incurred

Net claims incurred

(€) 2013	Gross amount Claims	Recourse receivables	Reinsurers' share (–)	Coinsurers' share of claims (-)	Change in gross claims provision (+/-)	Change in the provision for outstanding claims for the reinsurance and co-insurance part (+/–)	Net claims incurred
Personal accident	11,512,254	-1,377	-30,338	10,205	2,150,979	15,255	13,656,978
Health	2,772,589	0	0	0	11,181	0	2,783,770
Land vehicles casco	50,492,041	-1,082,803	-319,912	-15,151	304,357	61,702	49,440,234
Railway rolling stock	2,712	0	0	0	-10,214	0	-7,502
Aircraft hull	478,820	0	-6,187	0	138,980	-12,514	599,099
Ships hull	3,098,672	0	-4,422	-5,078	1,052,799	-2,433	4,139,538
Goods in transit	1,932,074	-46,663	-189,446	6,332	-494,311	-4,523	1,203,463
Fire and natural forces	44,742,339	-30,919	-4,496,061	-54,354	-3,284,207	2,742,404	39,619,202
Other damage to property	19,355,091	-35,226	-1,982,471	-126,032	-3,445,435	3,628,152	17,394,079
Motor liability	49,698,452	-2,441,440	-316,617	-10,341	10,072,705	-303,355	56,699,404
Aircraft liability	20,330	0	-4,306	0	-198,244	-10,485	-192,705
Liability for ships	12,761	0	-255	0	-108,057	8,130	-87,421
General liability	4,905,573	-22,640	-220,575	-5,489	2,529,589	-242,113	6,944,345
Credit insurance	3,186,552	-2,781,573	0	0	-505,398	0	-100,419
Suretyship	153,701	-8,325	0	0	31,447	0	176,823
Miscellaneous financial loss	502,428	0	-69,313	-1,690	632,933	-235,043	829,315
Legal expenses	0	0	0	958	0	0	958
Assistance	1,450,875	0	-1,026,943	0	250,639	-185,966	488,605
Life business	21,761,905	0	-129,275	0	993,899	76,299	22,702,828
Unit-linked life	11,508,364	0	-96,624	0	1,446,479	-226,138	12,632,081
Capital redemption	86,880	0	0	0	0	0	86,880
Total non-life	194,317,264	-6,450,966	-8,666,846	-200,640	9,129,743	5,459,211	193,587,766
Total life	33,357,149	0	-225,899	0	2,440,378	-149,839	35,421,789
TOTAL	227,674,413	-6,450,966	-8,892,745	-200,640	11,570,121	5,309,372	229,009,555

(€) 2012	Gross amount Claims	Recourse receivables	Reinsurers' share (–)	Coinsurers' share of claims (-)	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**

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 € 19.0 million.

32. Change in other technical provisions and change in the technical provision for policyholders who bear the investment risk

Change in other technical provisions relates to the increase in net provisions for unexpired risks, which increased primarily due to the acquisition of Zavarovalnica Maribor. The change in gross technical provisions is described in note 22.

33. Operating expenses

The Group classifies operating expenses by nature. Compared to 2012, operating expenses increased by 47.5 %, mainly due to the acquisition of Zavarovalnica Maribor.

Operating expenses by nature

(€)	2013	2012
Acquisition costs (commissions)	46,871,452	41,039,815
Change in deferred acquisition costs	-469,329	-481,452
Depreciation of operating assets	6,043,226	2,180,530
Labour costs	48,536,433	25,907,623
Costs of services by natural persons not performing business, incl. of contributions	1,058,361	623,987
Other operating expenses	27,361,224	18,456,588
TOTAL	**129,401,367**	**87,727,091**

Audit expenses

(€)	2013	2012
Audit of annual report	292,800	241,200
Other assurance services	0	4,080
Tax consulting	10,094	0
Other non-audit services	87,371	47,858
TOTAL	**390,265**	**293,138**

34. Other technical expenses and other expenses

Other technical expenses comprise fees payable to the Insurance Supervision Agency and the Slovenian Insurance Association, allowances for receivables arising out of re/insurance 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 € 4.4 million (2012: € 4.7 million).

Other expenses also include fines and other expenses not directly related to insurance business.

35. Income tax expense

Tax rate reconciliation

(€)	2013	2012
Profit/loss before tax	15,774,040	14,296,899
Income tax expenses at statutory tax rate (17 %)	2,681,587	2,430,473
Adjustment to the actual rates	1,047,878	122,953
Tax effect of income that is deducted for tax purposes	-5,099,614	-984,586
Tax effect of expenses not deducted for tax purposes	398,291	723,755
Tax effect of income that is added for tax purposes	14,842	89
Income from or expenses for tax relief	989,683	-131,410
Changes in temporary differences	119,449	347,168
TOTAL INCOME TAX EXPENSE IN THE INCOME STATEMENT	**152,116**	**2,508,442**
Effective tax rate	0.96%	17.55%

17.10. Notes to the consolidated financial statements – cash flow statement

36. Notes to the cash flow statement, which has been prepared using the indirect method.

The cash flow statement shown in section 2.4 has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

Net cash from operating activities of € 32.2 million in 2013 refers mostly to the inclusion of Zavarovalnica Maribor into the Sava Re Group. A major part of net cash from investing activities relates to the payment of the consideration for Zavarovalnica Maribor of € 51.6 million (€ 15 million was paid by the controlling company as an advance payment for Zavarovalnica Maribor at the end of 2012). The recapitalisation of the controlling company in mid-2013 of € 54 million is the main reason for the positive cash flow from financing activities.

In section 3.2, more details are given on cash flows relating to the acquisition of Zavarovalnica Maribor.

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).

(€)	2013	2012
Net profit/loss for the period	**15,621,924**	**11,788,457**
Non-cash items of the income statement not included in the cash flow statement:	**42,261,016**	**30,840,154**
- Change in unearned premiums	-15,075,980	3,911,569
- Change in the provision for outstanding claims	16,879,493	19,019,177
- Change in other technical provisions	-5,788,369	1,686,594
- Change in technical provisions for policyholders who bear the investment risk	12,127,890	3,475,311
- Operating expenses – amortisation/depreciation and change in deferred acquisition cost	6,512,155	1,320,143
- Revaluation of financial assets	27,605,828	1,427,360
Eliminated investment income items	**-34,419,616**	**-17,869,296**
- Interest received disclosed under B. a.) 1.	-23,833,718	-13,646,048
- Receipts from dividends and shares in profit of others disclosed under B. a.) 2.	-10,585,897	-4,223,248
Eliminated investment expense items	**1,629,646**	**1,629,646**
- Interest paid disclosed under C. b.) 1.	1,629,646	1,629,646
CASH FLOWS FROM OPERATING ACTIVITIES – INCOME STATEMENT ITEMS	**25,092,970**	**26,388,961**

17.11. 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 due from the non-controlling interest in both subsidiaries in relation to the transfer of the lien on shares. The contingent liability in this regard totalled € 0.5 million.

17.12. Related party disclosures

The Group 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 enterprises

The Group's largest shareholder is the Slovenian Restitution Fund, holding 25% plus one share.

Management and supervisory board members and employees not subject to the tariff section of the collective agreement

Remuneration of management and supervisory board members, and of employees not subject to the tariff section of the collective agreement

(€)	2013	2012
The management board	663,544	722,962
Payments to employees not subject to the tariff section of the Collective Agreement	1,965,812	1,946,583
The supervisory board	120,904	106,621
Audit committee and nomination committee	19,277	16,377
TOTAL	2,769,539	2,792,544

Remuneration paid to management board members in 2013

(€)	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	160,144	31,872	6,259	3,770	202,045
Srečko Čebron	144,184	21,510	5,241	1,674	172,608
Jošt Dolničar	144,184	21,510	5,195	4,168	175,057
Mateja Treven	88,779	21,510	3,545	0	113,834
TOTAL	537,290	96,402	20,240	9,612	663,544

Remuneration paid to management board members in 2012

(€) 2012	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	159,882	31,872	6,245	4,731	202,730
Srečko Čebron	144,163	21,510	5,588	1,564	172,826
Jošt Dolničar	144,163	21,510	5,211	5,128	176,012
Mateja Treven	144,896	21,312	5,186	0	171,394
TOTAL	433,222	64,332	15,986	6,692	722,962

Liabilities to management board members

(€)	31.12.2013	31.12.2012
Zvonko Ivanušič	6,427	6,094
Srečko Čebron	6,019	5,799
Jošt Dolničar	5,483	5,446
Mateja Treven	0	5,662
TOTAL	17,930	23,000

At 31 December 2013, 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 2013

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
SUPERVISORY BOARD MEMBERS					
Branko Tomažič	chairman of the SB	4,510	19,500	3,503	27,513
Mateja Lovšin Herič	deputy chair of the SB	4,235	14,300	0	18,535
Slaven Mićković	member of the SB	4,510	13,000	30	17,540
Martin Albreht	member of the SB	3,960	13,000	0	16,960
Gorazd Andrej Kunstek	member of the SB (since 23.1.2013)	4,235	12,231	0	16,466
Keith William Morris	member of the SB (since 15.7.2013)	1,650	6,011	5,771	13,432
Gregor Hudobivnik	member of the SB (until 14.7.2013)	2,640	6,989	30	9,659
Samo Selan	member of the SB (until 15.1.2013)	275	524		799
TOTAL SUPERVISORY BOARD MEMBERS		26,015	85,555	9,334	120,904
Auditing committee members					
Mateja Lovšin Herič	chair of the AC	1,760	4,875	0	6,635
Slaven Mićković	member of the AC	1,760	3,250	0	5,010
Ignac Dolenšek	AC member (since 22.7.2013)		3,263	73	3,335
Blanka Vezjak	AC member (until 21.7.2013)		2,625	352	2,977
TOTAL AUDITING COMMITTEE MEMBERS		3,520	14,012	425	17,957
Nomination committee members					
Mateja Lovšin Herič	member	440	0	0	440
Branko Tomažič	member	440	0	0	440
Vesna Razpotnik	member	440	0	0	440
TOTAL – NOMINATION COMMITTEE MEMBERS		1,320	0	0	1,320

Remuneration paid to members of the Supervisory Board and the Auditing Committee in 2012

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
SUPERVISORY BOARD MEMBERS					
Branko Tomažič	chairman of the SB	3,245	19,500	2,146	24,892
Mateja Lovšin Herič	deputy chair of the SB	2,695	14,300	30	17,025
Slaven Mićković	member of the SB	3,245	13,000	0	16,245
Gregor Hudobivnik	member of the SB	2,970	13,000	0	15,970
Samo Selan	member of the SB	3,520	13,000	0	16,520
Martin Albreht	member of the SB	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	chair of the AC	1,320	4,875	0	6,195
Slaven Mićković	member of the AC	1,320	3,250	0	4,570
Blanka Vezjak	member of the AC	5,025		587	5,612
TOTAL AUDITING COMMITTEE MEMBERS		7,665	8,125	587	16,377

As at 31 December 2013, the Company had liabilities to the members of the supervisory board and audit committee of € 7,284 (31 December 2012: € 8,658).

Employees' remuneration not subject to the tariff section of the Collective Agreement in 2013

(€)	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	1,700,619	169,859	95,335	1,965,812

Employees' remuneration not subject to the tariff section of the Collective Agreement in 2012

(€)	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	1,607,922	245,584	93,078	1,946,583

Associate companies

Investments in and amounts due from associates

(€)		31.12.2013	31.12.2012
Debt securities and loans granted to associates	gross	0	0
	allowance	0	0
	net	0	0
Receivables for premiums arising out of reinsurance assumed	gross	0	9,765,715
	allowance	0	0
	net	0	9,765,715
TOTAL		0	9,765,715

Liabilities to associates

(€)	31.12.2013	31.12.2012
Liabilities for shares in reinsurance claims	0	8,981,556
Other short-term liabilities	0	2,518,631
TOTAL	0	11,500,187

Income and expenses relating to associates

(€)	2013	2012
Gross premiums written	19,781,346	40,902,101
Gross claims paid	-8,065,244	-23,641,249
Income from gross recourse receivables	165,326	862,687
Income from dividends	2,256,962	1,939,941
Interest income	0	83,904
Gains on disposal of securities	0	19,130
Acquisition costs	-3,054,894	-9,012,542
Additional pension insurance premium	65,574	-64,902
TOTAL	11,149,071	11,089,070

Receivables due from the state and majority state-owned companies

(€)	31.12.2013	31.12.2012
Interests in companies	6,081,823	5,925,163
Debt securities and loans	44,809,389	54,692,991
TOTAL	50,891,212	60,618,154

Income and expenses related to majority state-owned companies

(€)	2013	2012
Dividend income	221,477	173,858
Interest income	2,114,585	2,434,252
TOTAL	2,336,062	2,608,110

Loans granted to associates and subsidiaries

Borrower	Principal	Type of loan	Maturity	Interest rate range
Sava osiguranje, Belgrade	1,300,000	ordinary	2014 and 2015	4%-4.5%
Sava Montenegro	2,500,000	ordinary	2015	3.75%
Velebit osiguranje	734,953	subordinated	no maturity	7.00%
Illyria	1,100,000	ordinary	2014	4.00%

18. Significant Events After the Reporting Date

- After the announcement that Sava Reinsurance Company would recognise impairment losses on its subordinated bonds of Slovenian banks in 2013, credit rating agency AM Best started a review of the Company's capitalisation, as measured under the agency's model, to examine whether it still supported the Company's credit rating. Upon completion of the review in February 2014, AM Best announced that it affirmed Sava Reinsurance Company's A– rating with a stable outlook, as the Company's capitalisation remained at a high level.
- On 3 February 2014, Sava Reinsurance Company jointly with certain other insurance companies filed a complaint in the Administrative Court against the Bank of Slovenia, challenging the bank's decision on emergency measures leading to the expropriation of shareholders and subordinated bondholders of some banks. The amount challenged by Sava Reinsurance Company totalled € 8,338,000 and by Zavarovalnica Maribor € 15,975,000. The Administrative Court has not processed the complaints yet; the Bank of Slovenia, the defendant, filed an objection to the proposal for initiating proceedings for a constitutional review filed by certain other pension and insurance companies in response to the decisions on emergency measures.
- On 21 March 2014 Sava Reinsurance Company convened an extraordinary general meeting in order to obtain authorisation to establish a fund of treasury shares.

The poetry of the earth
is never dead.

John Keats

3 BUSINESS REPORT OF POZAVAROVALNICA SAVA D.D.

Pozavarovalnica Sava d.d. ("Sava Reinsurance Company") transacts reinsurance business and is the parent of the Sava Re Group. The first sections of the annual report of the Sava Re Group cover: presentation of the Group, the POSR share and share trading, the report of the supervisory board, corporate governance statement pursuant to Article 70 of the Companies Act, a description of the internal control systems, external audit, mission, vision and policies of the Company and the Group, and the business environment. All the above parts relate both to Sava Reinsurance Company and the Sava Re Group. The following business report of Sava Reinsurance Company sets out the characteristics of the Company in terms of its core business with a focus on the notes to its separate financial statements.

19. International (Re)insurance Markets[29]

The non-life (re)insurance market

The most debated topic in non-life reinsurance in 2013 was not, for once, large catastrophes. Instead, it has been the emergence of alternative capital, which now accounts for USD 45 billion of global catastrophe limits, and which had a significant impact on the US renewals in July.

In Europe, most business is renewed in January and the industry is currently trying to assess the impact alternative capacity will have on the pricing of European natural catastrophe cover (mostly wind storm). Given that alternative capacity has been less widespread in Europe than in the US, and also that natural catastrophe losses have been high in Europe this year, which would lead to an increase of rates instead, there will likely be less pressure on property catastrophe rates. For the non-cat segment, which still makes up the bulk of the non-life reinsurance business, the outlook is generally stable, with deviations in both directions according to the underwriting experience in the respective segment.

Global reinsurance is likely to report average profitability in 2013

It is estimated that the global reinsurance sector will report a good but not necessarily strong performance in 2013. The single incident with the highest impact on reinsurer's balance sheets was Bernanke's speech on 22 May, when he announced a possible tapering of the US Fed's bond-buying program in the following months. Interest rates went up in the US and also in other markets, and the value of fixed-income securities went down. A Swiss Re defined sample of 15 global reinsurers lost about 6 % of their equity.

Good underwriting results for the reinsurance industry

The reinsurance industry posted mixed underwriting results during the first nine months of 2013: a very good first quarter supported by a low incidence of large losses and significant reserve releases, followed by a second quarter with high catastrophe losses due to tornadoes in the US and floods in Germany, the Czech Republic and Canada. The third quarter, which is most exposed to North American hurricanes losses, was generally benign. Most prominent was the hail storm in Germany which generated multi-billion dollar insurance losses. Meanwhile, the hurricanes Ingrid and Manuel that battered Mexico as well as the cyclone Phailin on India's east coast were not very severe in terms of reinsurance claims.

Also, Typhoon Haiyan which hit the Philippines in November and has led to wide-spread devastation in the affected areas with thousands of victims and hundred thousands of homeless, is not expected to trigger high (re)insurance losses, due to low insurance penetration.

Based on preliminary data, a combined ratio of around 90 % for the financial year 2013 can be expected, reflecting a comparable benign nat cat burden slightly below average and still significant releases from loss reserves in prior years. The currently reported underwriting results are still supported by reserves releases due to the low claims increases of recent years, helping to improve underwriting results by two-to-three percentage points.

29 Based on Swiss Re: Global Insurance Review 2013 and Outlook 2014/15.

Investment returns remain weak, despite the recent interest rate hike

Despite the interest rate hikes in the second quarter, the investment environment remains challenging for the reinsurance industry. On average the industry achieved only a 3 % annualised investment yield for the first half year of 2013, compared to 3.7 % during 2011 and 2012. This was partially driven by mark-to-market losses. For the full-year 2013, a ROE of around 10 % for non-life reinsurance is expected, down from 14 % in 2012.

Real growth of non-life reinsurance premiums

	2011	2012	2013	E2014
Mature markets	6.7%	2.4%	2.7%	2.4%
Emerging markets	20.8%	6.7%	3.7%	7.7%
World	9.6%	3.4%	3.0%	3.8%

The life (re)insurance market

The top seven life reinsurers increased their net premiums by about 9 % in the first half of 2013 (in USD). Consolidation continued, with SCOR acquiring Generali's US life reinsurance operations. Block transactions, longevity risk reinsurance, enhanced annuities and the accident & health business have supported premium growth and have helped reinsurers in the US and UK diversify away from traditional mortality business.

Premiums from traditional life reinsurance consisting of mortality and morbidity are estimated to have stagnated globally in 2013. In advanced markets, premiums fell 0.4 %, while in emerging markets they increased by almost 6.1 %, based on strong protection sales. The decline in advanced markets was driven by the ongoing contraction in the US (which accounts for 45 % of global cessions). Life reinsurance premiums in the US have fallen by 3.5 % in real terms in 2013, mainly due to declining cession rates as a result of receding regulatory arbitrage opportunities and regulatory changes.

Real premium income growth for traditional life reinsurance

	2011	2012	2013	E2014
Mature markets	-0.9%	0.6%	-0.4%	-0.4%
Emerging markets	27.2%	6.3%	6.1%	6.5%
World	0.6%	1.0%	0.1%	0.2%

20. Sava Reinsurance Company Review of Operations

20.1. Results of operations of Sava Reinsurance Company

Net premiums earned

Net premiums earned

(€)	2013	2012	Index
Gross premiums written	134,131,527	152,827,900	87.8
Net premiums written	118,933,109	136,401,807	87.2
Change in net unearned premiums	5,749,006	-3,555,784	-161.7
NET PREMIUMS EARNED	124,682,115	132,846,023	93.9

Gross premiums written of Sava Reinsurance Company decreased by 12.2 %, while net unearned premiums declined by 14.0 %.

The following table shows the movement in gross premiums written from Slovenia and abroad. Gross premiums written from Slovenia decreased by 8.4 % due to a reduced volume of quota share reinsurance coverage, whereas foreign-sourced gross premiums written shrank by 14.6 % as a result of a smaller volume of business from Malaysia and Italy (totalling € 14.4 million). The 2013 foreign-sourced premium volume shrank in part because of the rating downgrade of Slovenia in mid-2012, which led to a downgrading also for Sava Reinsurance Company.

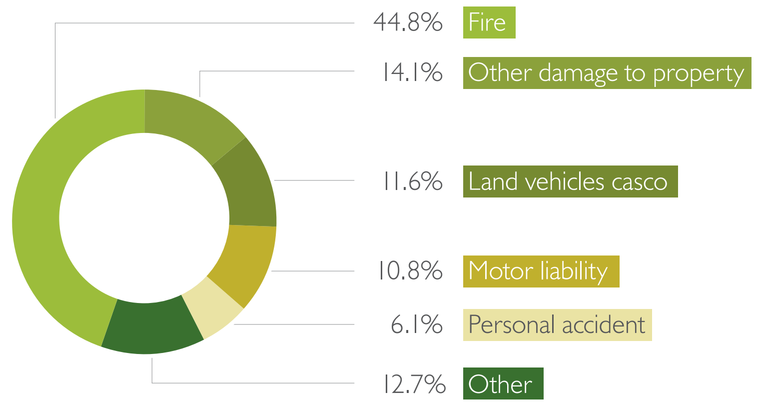
The January 2013 renewal was therefore under pressure, a renewal season in which the majority of the annual reinsurance business is written. In spite of this, the Company achieved growth in some markets. However, the largest premium growth in absolute terms came from China and South Korea (€ 2.6 million).

Gross premiums written by region

(€)	2013	2012	Index
Slovenia	53,853,099	58,774,249	91.6
International	80,278,428	94,053,651	85.4
TOTAL	134,131,527	152,827,900	87.8

The largest share of premiums in 2013 was still fire business, although its share shrank by 2.2 percentage points compared to 2012. The share of motor liability decreased by 1.3 percentage points.

Gross premiums written in 2013 by class of business



In terms of form of reinsurance, there was a significant reduction in proportional reinsurance business and increase in non-proportional business. This was due to the cancellation of certain major contracts from abroad (Malaysia, Italy, Czech Republic), which did not meet our profitability criteria.

Gross premiums written by form of reinsurance

The largest part of foreign-sourced reinsurance premiums is derived from Asia.

Net earned premiums by class of business

(€)	2013	2012
Personal accident	8,317,944	9,324,570
Health	605,881	731,564
Land vehicles casco	14,341,106	16,222,573
Railway rolling stock	7,957	14,889
Aircraft hull	530,210	325,101
Ships hull	4,146,878	3,066,271
Goods in transit	2,363,463	2,598,708
Fire and natural forces	53,829,240	59,143,090
Other damage to property	17,714,634	18,861,260
Motor liability	15,618,103	17,459,929
Aircraft liability	-61,860	-28,845
Liability for ships	267,197	255,555
General liability	4,715,442	2,786,702
Credit insurance	492,298	394,433
Suretyship	209,402	592,868
Miscellaneous financial loss	109,655	134,107
Legal expenses	2,873	9,493
Assistance	9,554	24,191
Life business	1,307,415	758,036
Unit-linked life	154,725	171,529
Total non-life	123,219,976	131,916,459
Total life	1,462,139	929,565
TOTAL	124,682,116	132,846,023

Net claims incurred

Net claims incurred

(€)	2013	2012	Index
Gross claims paid	80,525,492	78,400,271	102.7
Net claims paid	74,032,444	73,969,859	100.1
Change in the net provision for outstanding claims	3,549,208	14,976,317	23.7
Net claims incurred	77,581,652	88,946,176	87.2

Gross claims paid by Sava Reinsurance Company rose by 2.7 %. Compared to year-end 2012, the net provision for outstanding claims increased by € 3.5 million, but it increased by € 15.0 million one year earlier, which means that the change in 2013 was significantly smaller than in 2012, and so were net claims incurred. The movement in technical provisions is commented in the notes to the financial statements, section 24.6, note 19.

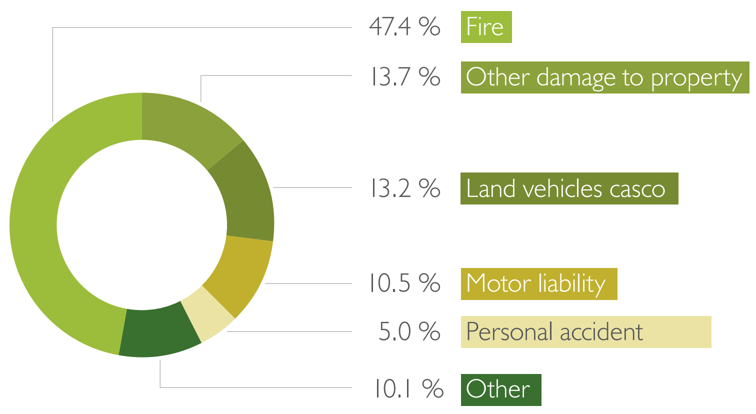
The following table shows the movement in gross claims paid from Slovenia and abroad. Gross claims paid from Slovenia in 2013 increased by 2.7 % compared to 2012, the same as gross claims from abroad. In November 2012, Slovenia was impacted by floods, while foreign-sourced business was hit by the Thai floods and several smaller claims, which were settled in 2013 (and had already been included in the claims provisions at 31 December 2012).

Gross claims paid by region

(€)	2013	2012	Index
Slovenia	32,789,144	31,919,736	102.7
International	47,736,348	46,480,535	102.7
TOTAL	80,525,492	78,400,271	102.7

In terms of class of business, 2013 claims were still dominated by fire claims. Compared with 2012, their share increased by 6.3 percentage points. This class is followed by other damage to property, the share of which fell by 1.4 percentage points, and motor reinsurance, which together account for 23.8 % of all claims.

Gross claims paid in 2013 by class of business



The structure of reinsurance claims by form of reinsurance in 2013 remained fairly constant. There was a slight increase in non-proportional claims (Thai floods of 2012).

Gross claims paid by form of reinsurance

Net claims incurred by class of business

(€)	2013	2012
Personal accident	4,764,714	4,416,978
Health	671,296	753,981
Land vehicles casco	9,922,415	10,886,350
Railway rolling stock	-7,502	12,874
Aircraft hull	597,988	-139,892
Ships hull	3,954,273	1,927,485
Goods in transit	1,235,444	2,901,510
Fire and natural forces	32,780,782	39,721,193
Other damage to property	10,411,761	17,235,753
Motor liability	10,238,260	8,985,913
Aircraft liability	-193,109	-46,063
Liability for ships	-79,476	-12,253
General liability	1,904,661	1,287,126
Credit insurance	221,981	1,805
Suretyship	120,225	120,817
Miscellaneous financial loss	447,127	158,211
Assistance	7,118	17,453
Life business	451,366	680,773
Unit-linked life	132,327	36,163
Total non-life	**76,997,959**	**88,229,240**
Total life	**583,693**	**716,937**
TOTAL	77,581,652	88,946,176

Operating expenses

Operating expenses

(€)	2013	2012	Index
Acquisition costs	31,383,318	35,432,456	88.6
Change in deferred acquisition costs (+/-)	1,190,532	-436,709	472.6
Other operating expenses	7,746,022	7,677,519	100.9
Gross operating expenses	**40,319,872**	**42,673,266**	**94.5**
Income from reinsurance commission	-1,438,192	-2,250,975	136.1
NET OPERATING EXPENSES	38,881,680	40,422,291	96.2

Acquisition costs decreased by 11.4 % year-on-year, which is in line with the trend of gross premiums written (12.2 % drop). The share of acquisition costs as % of premiums increased slightly compared to the same period last year as a result of measures for improving portfolios mentioned earlier; on the other hand due to poorer underwriting results, this part of the portfolio on average incurred lower commission expenses. Deferred commissions at year-end 2013 were lower than at year-end 2012, resulting in an increase of the total expenses of € 1.2 million (in 2012 the change in deferred commissions compared to year-end 2011 had a positive effect of € 0.4 million on profits, due to portfolio growth).

Other operating expenses were slightly higher compared to 2012 partly because of expenses associated with the Zavarovalnica Maribor transaction and partly because of alignment to the Solvency II Directive.

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

Net investment income

Net investment income of the investment portfolio of Sava Reinsurance Company

(€)	2013	2012	Index
Deposits and CDs	981,245	1,900,949	51.6
Government bonds	2,201,141	1,973,043	111.6
Corporate bonds	-9,047,073	2,235,816	-604.6
Shares	-69,126	-675,317	189.8
Mutual funds	-88,690	-850,634	189.6
Other	1,916,345	396,057	483.9
Deposits with cedants	148,972	116,566	127.8
NET INCOME FROM FINANCIAL INVESTMENTS	-3,957,186	5,096,480	-277.6
Financial investments in subsidiaries and associates	13,182,804	3,896,586	338.3
Investment property	13,473	14,313	94.1
NET INCOME FROM THE INVESTMENT PORTFOLIO	9,239,091	9,007,379	102.6
Expenses for financial liabilities	1,256,450	1,448,502	86.7
NET INVESTMENT INCOME OF THE INVESTMENT PORTFOLIO, INCLUDING EXPENSES FOR FINANCIAL LIABILITIES	7,982,641	7,558,877	105.6

The net investment income of the investment portfolio of Sava Reinsurance Company totalled € 8.0 million (2012: € 7.6 million). The net investment income from financial investments was € -4.0 million (2012: € 5.1 million).

The most significant movements in net investment income by class of asset as compared to 2012 are detailed below:

- decline in net investment income from deposits of € 0.9 million (due to lower investments in deposits and lower interest rates),
- decline in net investment income of corporate bonds of € 11.3 million (in consequence of restructuring measures relating to the banking system adopted by the Slovenian government and the Bank of Slovenia, Sava Reinsurance Company wrote off and recognised impairment losses on subordinated bonds and equities of Slovenian banks, thereby realising expenses in the amount of € 10.4 million),
- increase in net investment income in the "other" category of € 1.5 million (as a result of the early redemption of subordinated debt) and
- net investment income from financial investments in subsidiaries and associates relates to dividends received in the amount of € 14.7 million and impairment losses relating to goodwill of € 1.5 million. The net investment income rose by € 9.3 million compared to 2012.

Cancellations of and impairment losses on subordinated bank bonds of € 10.4 million had a major impact on profits for 2013.

20.2. Financial position of Sava Reinsurance Company

At 31 December 2013, the total assets of Sava Reinsurance Company amounted to € 530.6 million, an increase of 14.6 % over 2012.

20.2.1. Assets

Total assets by type

(€)	31.12.2013	Structure 31.12.2013	31.12.2012	Structure 31.12.2012
ASSETS	530,636,968	100.0%	463,035,873	100.0%
Intangible assets	112,212	0.0%	149,315	0.0%
Property and equipment	2,341,711	0.4%	2,454,001	0.5%
Deferred tax assets	1,833,254	0.3%	1,900,320	0.4%
Investment property	153,920	0.0%	156,253	0.0%
Financial investments in subsidiaries and associates	189,940,275	35.8%	123,936,431	26.8%
Financial investments	236,592,225	44.6%	215,395,429	46.5%
Reinsurers' share of technical provisions	26,342,964	5.0%	32,093,794	6.9%
Receivables	63,834,070	12.0%	75,945,114	16.4%
Deferred acquisition costs	9,012,388	1.7%	9,728,230	2.1%
Other assets	345,684	0.1%	264,313	0.1%
Cash and cash equivalents	128,265	0.0%	1,012,672	0.2%

20.2.1.1. Financial investments in subsidiaries and associates and other financial investments

The investment portfolio of Sava Reinsurance Company totalled € 426.8 million at year-end 2013 (31 December 2012: € 340.5 million).

The increase in the investment portfolio of € 86.3 million was a combined result of the capital increase of € 55.0 million, positive operating cash flows of € 10.5 million and dividend income from Group companies totalling € 14.7 million.

The investment portfolio of Sava Reinsurance Company

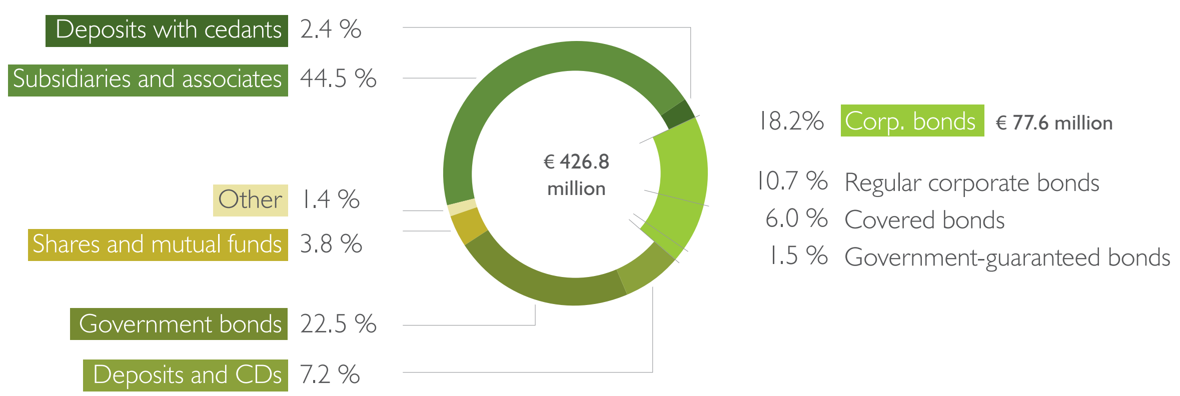
(€)	31.12.2013	31.12.2012	Index
Deposits and CDs	30,837,544	39,461,664	78.1
Government bonds	95,968,152	71,009,095	135.1
Corporate bonds	77,567,167	76,652,324	101.2
Shares	12,537,924	9,054,028	138.5
Mutual funds	3,855,136	3,011,136	128.0
Loans granted	5,635,286	7,190,999	78.4
Deposits with cedants	10,191,017	9,016,183	113.0
TOTAL FINANCIAL INVESTMENTS	236,592,226	215,395,429	109.8
Financial investments in Group companies and associates	189,940,275	123,936,431	153.3
Investment property	153,920	156,253	98.5
Cash and cash equivalents	128,264	1,012,672	12.7
TOTAL INVESTMENT PORTFOLIO	426,814,685	340,500,785	125.3

The composition of the investment portfolio changed in 2013 due to the following factors:

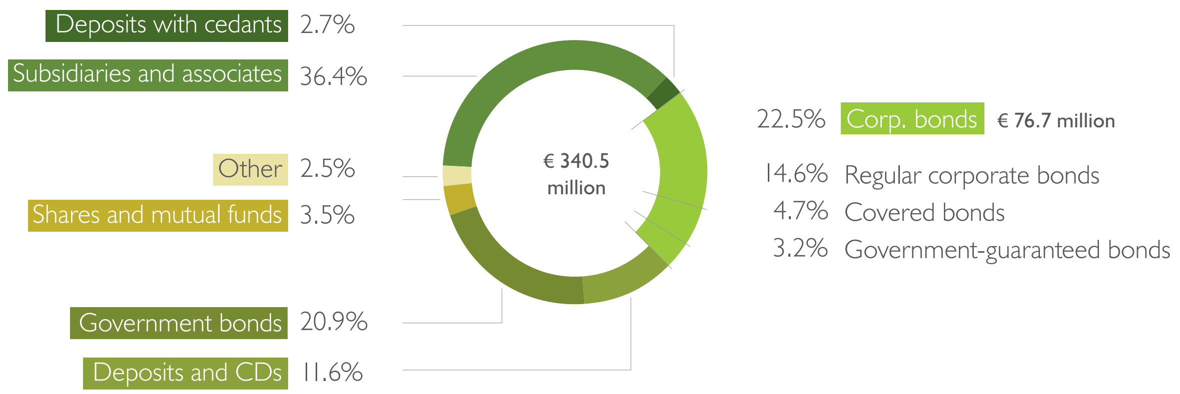
- a revised investment policy: due to the unstable situation in the Slovenian banking system, the Company reduced its exposure to banks (reducing investments in deposits) and increased its investments abroad (mainly government bonds of EU member states and covered bonds[30]); the revised investment policy resulted in reduced deposit investments and increased investments in government bonds;
- write-offs and impairment losses on subordinated bonds of € 10.4 million: despite further investments made in 2013, the amount of corporate bonds did not change significantly compared to 31 December 2012; however, there was a decline in the share of corporate bonds in relation to the investment portfolio;
- acquisition of the remaining share in Zavarovalnica Maribor for € 78.6 million, resulting in 100 % ownership by Sava Reinsurance Company, which is reflected in increased financial investments in subsidiaries and associates.

Structure of the investment portfolio of Sava Reinsurance Company

31.12.2013



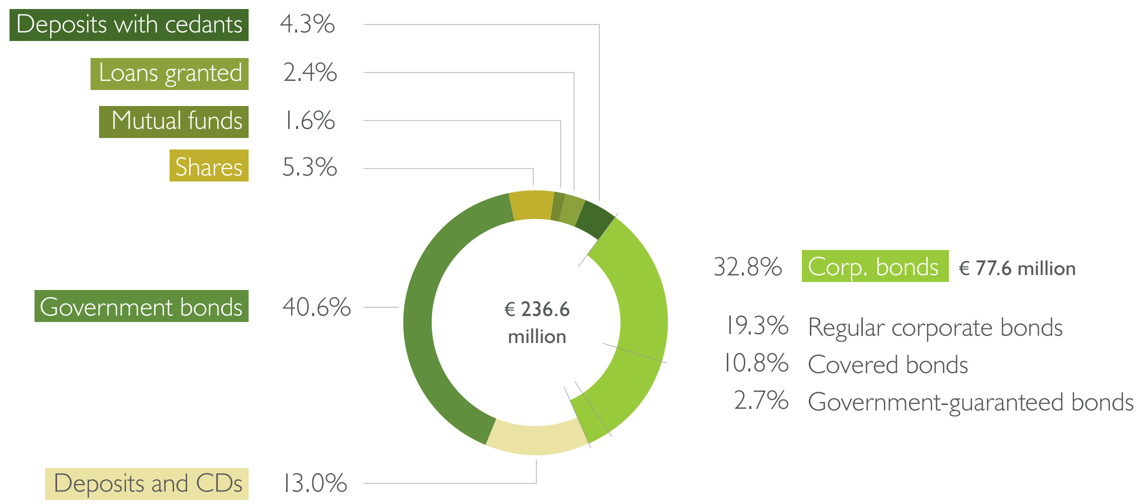
31.12.2012



30 Covered bonds are bonds issued by banks and secured by a pool of assets known as "cover pool". Conditions that must be met by assets of the cover pool and insolvency procedures of the issuer are regulated by laws that differ from country to country. If the issuing bank becomes insolvent or bankruptcy proceedings are initiated, the assets of the cover pool are separated from other assets of the issuer so the holders of covered bonds have pre-emptive rights to repayment from the cover pool.

Structure of financial investments of Sava Reinsurance Company

31.12.2013



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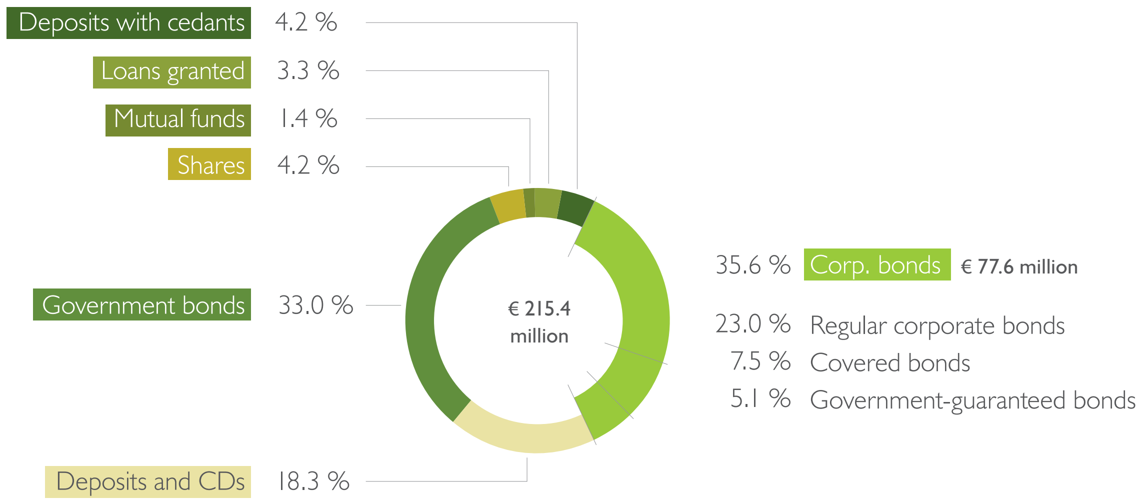


20.2.1.2. Receivables

Receivables recorded a 16.0 % decline. The drop of € 12.1 million mainly relates to the other short-term receivables item. In 2012, this item included the advance payment for Zavarovalnica Maribor of € 10 million.

20.2.1.3. Technical provisions ceded to reinsurers

At year-end 2013 the amount of technical provisions ceded to reinsurers was 17.9 % lower than at year-end 2012 due to the decline in provisions for outstanding claims. In 2012 more loss events impacted retrocession treaties that Sava Reinsurance Company entered into to protect against major losses (Thai floods and Slovenian floods losses, the majority of which were born by the retrocessionaires of Sava Reinsurance Company). Claim payments under these claims gradually reduced the claims provisions set aside for that purpose.

20.2.2. Liabilities

Equity and liabilities by type

(€)	31.12.2013	Structure 31.12.2013	31.12.2012	Structure 31.12.2012
EQUITY AND LIABILITIES	530,636,968	100.0%	463,035,873	100.0%
Equity	246,188,770	46.4%	174,789,811	37.7%
Share capital	71,856,376	13.5%	39,069,099	8.4%
Capital reserves	54,239,757	10.2%	33,003,753	7.1%
Profit reserves	99,741,367	18.8%	92,359,341	19.9%
Treasury shares	-1,774	0.0%	-1,774	0.0%
Fair value reserve	253,020	0.0%	-2,358,606	-0.5%
Retained earnings	12,717,998	2.4%	7,915,508	1.7%
Net profit/loss for the period	7,382,026	1.4%	4,802,490	1.0%
Subordinated liabilities	23,466,967	4.4%	31,244,573	6.7%
Technical provisions	208,623,243	39.3%	216,494,122	46.8%
Other provisions	220,033	0.0%	324,745	0.1%
Other financial liabilities	550	0.0%	212	0.0%
Liabilities from operating activities	42,933,488	8.1%	38,418,488	8.3%
Other liabilities	9,203,917	1.7%	1,763,922	0.4%

20.2.2.1. Equity

- share capital increased by € 32.8 million as a result of the recapitalisation;
- capital reserves increased by € 21.2 million, also mainly due to the recapitalisation;
- profit reserves grew by € 7.4 million as a result of setting aside provisions for catastrophe and credit risks equalisation;
- the fair value reserve increased from negative € 2.3 million to a positive € 253,020 as a result of positive trends in capital markets;
- net profit totalled € 14.8 million, of which 50 % were transferred to profit reserves and 50 % reported under net profit/loss for the year.

20.2.2.2. Technical provisions

Technical provisions, the second largest item on the liabilities side, decreased by 3.6 % compared to 31 December 2012. The drop was mainly due to unearned premiums (14.1 % drop), which followed the downward movement in gross premiums written (12.2 %).

20.2.3. Capital adequacy of Sava Reinsurance Company

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. The required solvency margin of the Company at 31 December 2013 was € 23.2 million (31 December 2012: € 23.2 million), while the Company's available solvency margin was € 39.1 million (31 December 2012: € 42.9 million).

(€)		31.12.2013	31.12.2012
CORE CAPITAL (Article 106 of the Slovenian Insurance Act ("ZZavar"))			
Paid-up share capital, other than paid-up share capital arising from cumulative preference shares, or initial capital	1	71,856,376	39,069,099
Capital reserves, other than capital reserves arising from cumulative preference shares	2	54,239,757	33,003,752
Profit reserves, other than the reserve for treasury shares and the reserves for credit and catastrophe risk equalisation	3	88,939,518	83,289,825
Net profit brought forward from previous years	4	12,717,998	7,915,508
Fair value reserve relating to assets not financed from technical provisions	5	755,747	156,206
Treasury shares and own interests	6	2,821,391	1,774
Intangible assets	7	134,952	149,315
Core capital (1+2+3+4+5-6-7)	8	225,553,053	163,283,301
Guarantee fund	9	7,725,010	7,725,010
Compliance with Article 106 (4) of the ZZavar (8 - 9)	10	217,828,043	155,558,291
ADDITIONAL CAPITAL (Article 107 of the ZZavar)			
Subordinated debt instruments	11	5,793,757	5,793,757
Additional capital (11), however not more than 50% of the lower of core capital and required solvency margin	12	5,793,757	5,793,757
AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (Article 108 of the ZZavar)			
Total of core and additional capital (8 + 12)	13	231,346,810	169,077,058
Participations within the meaning of Article 108(1), point 1 of the ZZavar	14	191,481,452	124,815,536
Participations within the meaning of Article 108 (1), point 2 of the ZZavar	15	734,952	1,390,000
Available solvency margin of insurer (13 – 14 – 15)	**16**	**39,130,406**	**42,871,522**
Required solvency margin ASSUMED THE SAME AS IN THE PREVIOUS PERIOD	**17**	**23,175,031**	**23,175,031**
Surplus/deficit of available solvency margin (16 – 17)	**18**	**15,955,375**	**19,696,491**

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 2013, as it maintained a surplus of available solvency margin over the required solvency margin. At 31 December 2013, the surplus totalled € 16.0 million (31 December 2012: € 19.7 million). The decrease is the result of the additional stake in Zavarovalnica Maribor.

The insolvency risk that Sava Reinsurance Company is exposed to 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 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.

20.2.4. Other investments of Sava Reinsurance Company in the insurance industry

In addition to its investments in subsidiaries and associates at 31 December 2013, Sava Reinsurance Company held investments in other companies in the insurance industry.

Other investments of Sava Reinsurance Company in the insurance industry

	Holding 31.12.2013
Slovenia	
Skupina prva, zavarovalniški holding, d.d.	4.04%
Zavarovalnica Triglav d.d.	0.87%
EU and other international	
Bosna reosiguranje, d.d., Sarajevo, Bosnia and Herzegovina	0.49%
Dunav Re, a.d.o., Belgrade, Serbia	1.12%

20.2.5. Sources of finance and their maturities

At 31 December 2013 Sava Reinsurance Company had € 246.2 million of equity capital and € 23.5 million of subordinated liabilities. Thus liabilities accounted for 9.5 % of total equity and debt capital.

For more details on the subordinate debt, see the notes to the financial statements in sections 24.2.17 and 24.6 in note 18.

20.2.6. Cash flow

Net cash from operating activities in 2013 was € 11.1 million, while net cash from financing activities was € 52.0 million. Net cash from financing activities was relatively high due to the recapitalisation of the Company. The movement in net cash from investing activities is a result of both mentioned facts.

20.2.7. Receivables management

At the end of 2013, total receivables of Sava Reinsurance Company were 15.9 % below the amount one year earlier.

In 2012, the other receivables item had increased due to the advance payment for the consideration for Zavarovalnica Maribor (€ 10 million); after the completion of the transaction, this amount was transferred to the investments in group companies item.

Receivables arising out of reinsurance and co-insurance business decreased by € 0.3 million compared to year-end 2012, reflecting a decline in foreign-sourced premiums.

20.3. Employees, organisation and know-how

Number of employees by department

	31.12.2013	31.12.2012	Change
Management board	4	4	0
Sales – underwriting	12	12	0
Public relations	1	1	0
Technical accounting	9.0	11.0	-2.0
IT and business processes	4	4	0
Finance, accounting and controlling	15.3	15.0	0.3
General affairs and human resources	6	5	1
Internal audit	1.5	2.0	-0.5
Actuarial, development centre, ERM	5	5	0
Group support	8.9	11.0	-2.1
TOTAL	**67**	**70**	**-3.4**

Three new staff members were hired in 2013. In January, two new members joined the team: one as senior internal auditor and one as senior manager in group support. Both entered part-time employment contracts

and are employed with Zavarovalnica Tilia for the remaining time up to full-time employment.

In July, a staff member was hired for the general and legal affairs department. This was in consequence of an internal reallocation to the reinsurance department.

In 2013, three employment contracts were terminated consensually. In January, the employment contract with a director for retrocession business was terminated, in May with a staff member from the reinsurance department, and in October with an executive director of Group support.

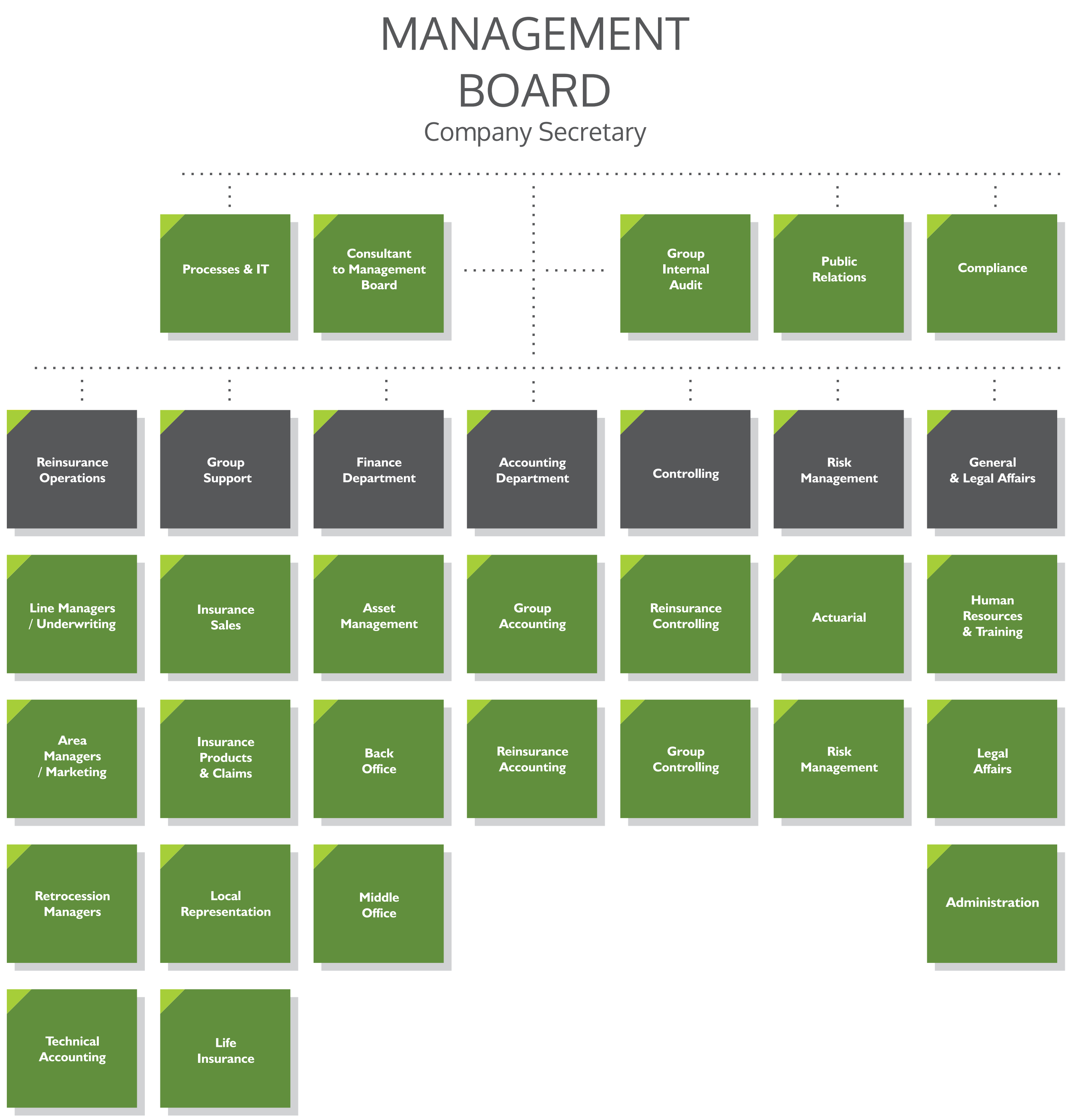
The difference in the number of employees given in the FTE figure and the one in the notes to the table is due to part-time employment and absence because of parental leave.

In 2013, 39 % of employees took part in some kind of training. The lion's share of training sessions in 2013 related to Solvency II. These sessions were attended by employees from finance, controlling and the actuarial department. Employees also received training in other areas, chiefly in reinsurance, internal auditing and accounting.

Sava Reinsurance Company organised for the employees of its subsidiaries training in controlling, accounting, finance, claims and internal auditing.

In 2013 the Company spent € 40,567 on training, representing 53.5 % of funds earmarked for training of employees at Sava Reinsurance Company.

Organisational chart of Sava Reinsurance Company at 31 December 2013



20.4. Risk management at Sava Reinsurance Company

The organisation, process and the risk management policy of Sava Reinsurance Company is described in the Sava Re Group business report, section 11 "Risk management".

20.5. Internal audit

The organisation of internal auditing in 2013 is described in the business report of the Sava Re Group, section 12 "Internal audit".

20.6. Business processes and IT support

The Sava Reinsurance Company IT infrastructure that had been transferred to the primary data centre in 2012 was stabilised in 2013. There were no other major changes in IT support in this part.

However, activities were underway on the REvolve project, the new IT system to support reinsurance operations. In June the functional specifications for the new program were completed and companies that we were already co-operating with in IT support for insurance operations were invited to participate in a tender for the provision of an IT solution. ASP from Belgrade was selected as the most suitable bidder. The develop of the new software started in September 2013, in accordance with the project plan. Under the plan, the new software is to be completed and implemented by the end of 2014.

20.7. Performance indicators for Sava Reinsurance Company[31]

Development of gross premiums written

(€)	2013	2012	Index
	1	2	1/2
Personal accident	8,144,859	9,342,901	87.2
Health	655,179	727,492	90.1
Land vehicles casco	15,556,144	17,377,791	89.5
Railway rolling stock	7,957	14,889	53.4
Aircraft hull	419,141	665,111	63.0
Ships hull	4,424,248	3,462,657	127.8
Goods in transit	2,563,263	2,953,109	86.8
Fire insurance	60,146,957	71,778,215	83.8
Other damage to property	18,866,001	21,737,802	86.8
Motor liability	14,449,608	18,430,346	78.4
Aircraft liability	-2,189	41,410	-5.3
Liability for ships	289,516	261,550	110.7
General liability	5,326,497	3,416,673	155.9
Credit insurance	392,077	64,468	608.2
Suretyship	181,568	625,323	29.0
Miscellaneous financial loss	495,024	628,994	78.7
Legal expenses	0	9,179	-
Assistance	8,452	19,832	42.6
Life business	1,833,362	920,412	199.2
Unit-linked life	373,864	349,746	106.9
Total non-life	**131,924,302**	**151,557,742**	**87.0**
Total life	**2,207,226**	**1,270,158**	**173.8**
TOTAL	134,131,527	152,827,900	87.8

31 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, as amended).

Net premiums written as a percentage of gross premiums written

	Gross premiums written	Net premiums written	2013	2012
(€, except percentages)	1	2	2/1	
Personal accident	8,144,859	8,077,054	99.2%	98.9%
Health	655,179	655,179	100.0%	100.0%
Land vehicles casco	15,556,144	13,652,848	87.8%	88.7%
Railway rolling stock	7,957	7,957	100.0%	100.0%
Aircraft hull	419,141	419,141	100.0%	76.2%
Ships hull	4,424,248	4,317,506	97.6%	96.9%
Goods in transit	2,563,263	2,338,337	91.2%	92.2%
Fire insurance	60,146,957	51,892,597	86.3%	88.7%
Other damage to property	18,866,001	16,116,233	85.4%	83.8%
Motor liability	14,449,608	13,911,057	96.3%	95.9%
Aircraft liability	-2,189	-63,192	2886.1%	-62.4%
Liability for ships	289,516	282,883	97.7%	95.8%
General liability	5,326,497	4,856,047	91.2%	82.8%
Credit insurance	392,077	392,077	100.0%	100.0%
Suretyship	181,568	181,568	100.0%	100.0%
Miscellaneous financial loss	495,024	91,992	18.6%	33.0%
Assistance	8,452	8,452	100.0%	100.0%
Life business	1,833,362	1,646,752	89.8%	79.8%
Unit-linked life	373,864	148,623	39.8%	41.9%
Total non-life	**131,924,302**	**117,137,734**	**88.8%**	**89.4%**
Total life	**2,207,226**	**1,795,375**	**81.3%**	**69.4%**
TOTAL	134,131,527	118,933,109	88.7%	89.3%

Development of gross claims paid

(€)	2013	2012	Index
	1	2	1/2
Personal accident	4,034,557	4,937,571	81.7
Health	700,498	39,828	1,758.8
Land vehicles casco	10,669,488	11,364,178	93.9
Railway rolling stock	2,712	2,660	101.9
Aircraft hull	470,120	198,721	236.6
Ships hull	2,655,217	1,620,510	163.9
Goods in transit	1,460,821	1,139,187	128.2
Fire insurance	38,161,931	32,257,045	118.3
Other damage to property	11,037,961	11,862,477	93.0
Motor liability	8,487,556	11,699,589	72.5
Aircraft liability	20,660	-2,531	-816.2
Liability for ships	8,438	14,407	58.6
General liability	1,638,091	2,342,150	69.9
Credit insurance	355,606	459,118	77.5
Suretyship	150,158	66,936	224.3
Miscellaneous financial loss	180,524	181,448	99.5
Assistance	17,242	21,071	81.8
Life business	335,877	75,362	445.7
Unit-linked life	138,034	120,545	114.5
Total non-life	**80,051,581**	**78,204,364**	**102.4**
Total life	**473,911**	**195,907**	**241.9**
TOTAL	80,525,492	78,400,271	102.7

Loss ratios

(€, except percentages)	Gross premiums written	Gross claims paid	2013	2012
	1	2	2/1	
Personal accident	8,144,859	4,034,557	49.5%	52.8%
Health	655,179	700,498	106.9%	5.5%
Land vehicles casco	15,556,144	10,669,488	68.6%	65.4%
Railway rolling stock	7,957	2,712	34.1%	17.9%
Aircraft hull	419,141	470,120	112.2%	29.9%
Ships hull	4,424,248	2,655,217	60.0%	46.8%
Goods in transit	2,563,263	1,460,821	57.0%	38.6%
Fire insurance	60,146,957	38,161,931	63.4%	44.9%
Other damage to property	18,866,001	11,037,961	58.5%	54.6%
Motor liability	14,449,608	8,487,556	58.7%	63.5%
Aircraft liability	-2,189	20,660	-943.6%	-6.1%
Liability for ships	289,516	8,438	2.9%	5.5%
General liability	5,326,497	1,638,091	30.8%	68.6%
Credit insurance	392,077	355,606	90.7%	712.2%
Suretyship	181,568	150,158	82.7%	10.7%
Miscellaneous financial loss	495,024	180,524	36.5%	28.8%
Assistance	8,452	17,242	204.0%	106.2%
Life business	1,833,362	335,877	18.3%	8.2%
Unit-linked life	373,864	138,034	36.9%	34.5%
Total non-life	131,924,302	80,051,581	60.7%	51.6%
Total life	2,207,226	473,911	21.5%	15.4%
TOTAL	134,131,527	80,525,492	60.0%	51.3%

Administrative expenses as percentage of gross premiums written (€)

Gross premiums written	Administrative expenses	2013	2012
1	2	2/1	
134,131,527	7,746,022	5.8%	5.0%

Acquisition costs as percentage of gross premiums written (€)

Gross premiums written	Acquisition costs	2013	2012
1	2	2/1	
134,131,527	32,573,850	24.3%	22.9%

Net investment income as percentage of average investments

(€)	Average invested assets	Investment income	Investment expenses	Net investment income 1–12 2013	Net investment income 1–12 2012
Liability fund	186,391,277	7,938,622	14,178,485	-3.3%	2.3%
Capital fund	196,695,990	17,353,834	3,144,802	7.2%	2.2%
TOTAL	383,087,267	25,292,456	17,323,287	2.1%	2.2%

Net provisions for outstanding claims as percentage of net earned premiums

(€, except percentages)	Net provision for outstanding claims	Net premiums earned	2013	2012
	1	2	1/2	
Personal accident	8,153,359	8,317,944	98.0%	79.5%
Health	735,456	605,881	121.4%	104.5%
Land vehicles casco	6,273,588	14,341,106	43.7%	42.8%
Railway rolling stock	0	7,957	-	68.6%
Aircraft hull	434,556	530,210	82.0%	94.3%
Ships hull	4,371,171	4,146,878	105.4%	100.0%
Goods in transit	4,409,381	2,363,463	186.6%	178.3%
Fire insurance	46,522,406	53,829,240	86.4%	80.7%
Other damage to property	24,824,916	17,714,634	140.1%	126.0%
Motor liability	36,237,216	15,618,103	232.0%	196.1%
Aircraft liability	40,851	-61,860	-66.0%	-867.8%
Liability for ships	362,929	267,197	135.8%	176.3%
General liability	12,283,893	4,715,442	260.5%	430.8%
Credit insurance	390,800	492,298	79.4%	133.0%
Suretyship	145,219	209,402	69.3%	29.5%
Miscellaneous financial loss	539,915	109,655	492.4%	159.9%
Legal expenses	0	2,873	-	-
Assistance	14,241	9,554	149.1%	100.7%
Life business	934,359	1,307,415	71.5%	91.3%
Unit-linked life	96,916	154,725	62.6%	3.5%
Total non-life	145,739,896	123,219,976	118.3%	108.0%
Total life	1,031,275	1,462,139	70.5%	75.1%
TOTAL	146,771,172	124,682,115	117.7%	107.8%

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

Gross profit/loss	Net premiums written	2013	2012
1	2	1/2	
15,173,006	118,933,109	12.8%	8.2%

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

Gross profit/loss	Average equity	2013	2012
1	2	1/2	
15,173,006	210,489,291	7.2%	6.7%

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

Gross profit/loss	Average assets	2013	2012
1	2	1/2	
15,173,006	496,836,421	3.1%	2.5%

Gross profit/loss for the period per share (€)

Gross profit/loss	No. of shares	2013	2012
1	2	1/2	
15,173,006	17,219,662	0.88	1.20

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

Net profit/loss	Average equity	2013	2012
1	2	1/2	
14,764,052	210,489,291	7.0%	5.8%

Available solvency margin as percentage of net premiums written (€)

Available solvency margin	Net premiums written	2013	2012
1	2	1/2	
39,130,406	118,933,109	32.9%	31.4%

Available solvency margin as percentage of required solvency margin (€)

Available solvency margin	Required solvency margin	2013	2012
1	2	1/2	
39,130,406	23,175,031	168.8%	185.0%

Available solvency margin as percentage of technical provisions (€)

Available solvency margin	Technical provisions	2013	2012
1	2	1/2	
39,130,406	208,623,244	18.8%	19.8%

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

Available solvency margin	Reinsurance receivables plus reinsurers' share of technical provisions	2013	2012
1	2	1/2	
39,130,406	89,154,727	43.9%	45.0%

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

Net premiums written	Average equity	Average technical provisions	2013	2012
1	2	3	1/(2+3)	
118,933,109	210,489,291	212,558,683	28.1%	37.2%

Net premiums written as percentage of average equity (€)

Net premiums written	Average equity	2013	2012
1	2	1/2	
118,933,109	210,489,291	56.5%	81.9%

Average technical provisions as percentage of net earned premiums (€)

Average net technical provisions	Net premiums earned	2013	2012
1	2	1/2	
183,340,304	124,682,115	147.0%	132.0%

Equity as percentage of net unearned premiums (€)

Equity	Net unearned premiums	2013	2012
1	2	1/2	
246,188,770	35,236,834	698.7%	426.5%

Equity as percentage of liabilities and equity (€)

Equity	Liabilities and equity	2013	2012
1	2	1/2	
246,188,770	530,636,968	46.4%	37.7%

Net technical provisions as percentage of liabilities and equity (€)

Net technical provisions	Liabilities and equity	2013	2012
1	2	1/2	
182,280,280	530,636,968	34.4%	39.8%

Gross premiums written per employee in regular employment (€)

Gross premiums written	Number of employees in regular employment	2013	2012
1	2	1/2	
134,131,527	67	2,001,963	2,183,256

21.

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 2013. 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. The Company's available solvency margin greatly exceeds the required solvency margin.

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

Ljubljana, 13 March 2014

Katja Vavpetič,
appointed actuary of Sava Reinsurance Company

One of the first conditions
of happiness is that the link
between Man and Nature
shall not be broken.

Lev Nikolajevič Tolstoj

4 FINANCIAL STATEMENTS OF POZAVAROVALNICA SAVA D.D. WITH NOTES

22. Auditor's Report

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of Pozavarovalnica Sava d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Pozavarovalnica Sava d.d. which comprise the statement of financial position as at December 31, 2013, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Annual Report for year ended December 31, 2012 was audited by another auditor, who issued an unqualified audit opinion on March 29, 2013.

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 European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, 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 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 of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, 31.3.2014

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Primož Kovačič
Certified Auditor

Družba je članica Ernst & Young Global Limited

23. Financial Statements

23.1. Statement of financial position as at 31 December 2013

(€)	Note	31.12.2013	31.12.2012
ASSETS		530,636,968	463,035,873
Intangible assets	1	112,212	149,315
Property and equipment	2	2,341,711	2,454,001
Deferred tax assets	3	1,833,254	1,900,320
Investment property	4	153,920	156,253
Financial investments in subsidiaries and associates	5	189,940,275	123,936,431
Financial investments:	6	236,592,225	215,395,429
- Loans and deposits		46,663,847	52,668,509
- Held to maturity		2,073,728	5,118,283
- Available for sale		174,820,862	157,019,599
- At fair value through profit or loss		13,033,788	589,038
Reinsurers' share of technical provisions	7	26,342,964	32,093,794
Receivables	8	63,834,070	75,945,114
Receivables arising out of reinsurance and co-insurance business		62,811,763	63,116,668
Current tax assets		431,000	1,840,414
Other receivables		591,307	10,988,032
Deferred acquisition costs	9	9,012,388	9,728,230
Other assets	10	345,684	264,313
Cash and cash equivalents	11	128,265	1,012,672
EQUITY AND LIABILITIES		530,636,968	463,035,873
Equity		246,188,770	174,789,811
Share capital	12	71,856,376	39,069,099
Capital reserves	13	54,239,757	33,003,753
Profit reserves	14	99,741,367	92,359,341
Treasury shares	15	-1,774	-1,774
Fair value reserve	16	253,020	-2,358,606
Retained earnings	17	12,717,998	7,915,508
Net profit/loss for the period	17	7,382,026	4,802,490
Subordinated liabilities	18	23,466,967	31,244,573
Technical provisions	19	208,623,243	216,494,122
Unearned premiums		37,825,792	44,050,792
Provision for outstanding claims		170,525,177	172,250,806
Other technical provisions		272,274	192,524
Other provisions	20	220,033	324,745
Other financial liabilities	10	550	212
Liabilities from operating activities		42,933,488	38,418,488
Liabilities from reinsurance and co-insurance business	21	42,933,488	38,418,488
Other liabilities	22	9,203,917	1,763,922

The notes to the financial statements on pages 240-297 form an integral part of these financial statements.

23.2. Income statement for year ended 31 December 2013

(€)	Note	2013	2012
Net premiums earned	23	124,682,116	132,846,023
Gross premiums written		134,131,528	152,827,900
Written premiums ceded to reinsurers and co-insurers		-15,198,418	-16,426,092
Change in net unearned premiums		5,749,006	-3,555,785
Income from investments in subsidiaries and associates	24	14,659,724	4,240,080
Investment income	25	10,632,733	10,400,061
Interest income		5,680,636	7,660,567
Other investment income		4,952,097	2,739,494
Other technical income	26	2,987,555	4,575,559
Commission income		1,438,192	2,250,975
Other income		1,549,363	2,324,584
Other income	27	34,778	31,813
Net claims incurred	28	-77,581,652	-88,946,176
Gross claims paid less income from recourse receivables		-80,525,492	-78,400,271
Reinsurers' and co-insurers' share of claims paid		6,493,047	4,430,412
Change in the net provision for outstanding claims		-3,549,208	-14,976,317
Change in other technical provisions	29	-12,793	384,357
Expenses for bonuses and rebates	29	-66,957	22,698
Operating expenses	30	-40,319,873	-42,673,266
Acquisition costs		-32,573,850	-34,995,747
Other operating expenses		-7,746,022	-7,677,519
Expenses for investments in subsidiaries and associates	24	-1,460,497	-340,254
Expenses for financial assets and liabilities	25	-15,862,790	-6,741,010
Impairment losses on financial assets not measured at fair value through profit or loss		-2,238,929	-952,810
Interest expenses		-1,256,450	-1,448,502
Diverse other expenses		-12,367,411	-4,339,698
Other technical expenses	31	-2,456,986	-2,595,621
Other expenses	27	-62,351	-5
Profit/loss before tax		15,173,006	11,204,259
Income tax expense	32	-408,954	-1,599,278
NET PROFIT/LOSS FOR THE PERIOD		14,764,052	9,604,981
NET DILUTED EARNINGS/LOSS PER SHARE	17	1.16	1.03

The notes to the financial statements on pages 240–297 form an integral part of these financial statements.

23.3. Statement of comprehensive income for year ended 31 December 2013

(€)	Note	2013	2012
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	17	14,764,052	9,604,981
OTHER COMPREHENSIVE INCOME, NET OF TAX	16	2,611,626	6,730,301
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		768	0
Other net gains/losses of other comprehensive income		768	0
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		2,610,858	6,730,302
Net change in fair value of available-for-sale financial assets		3,068,989	8,596,064
Gains/losses recognised in fair value reserve		-518,329	6,565,280
Net change transferred from fair value reserve to profit or loss		3,587,318	2,030,784
Tax on other comprehensive income		-458,131	-1,865,762
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		17,375,678	16,335,282

The notes to the financial statements on pages 240–297 form an integral part of these financial statements.

23.4. Cash flow statement for year ended 31 December 2013

(€)			2013	2012
A.	Cash flows from operating activities			
	a.)	Items of the income statement	5,948,147	18,103,257
		Net premiums written	118,933,109	136,401,808
		Investment income (other than financial income), financed from:	9,137	2,474,152
		- technical provisions	5,897	1,925,491
		- other sources	3,240	548,661
		Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	3,022,333	4,607,372
		Net claims paid	-74,032,444	-73,969,859
		Expenses for bonuses and rebates	-66,957	22,698
		Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-38,914,717	-42,898,312
		Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-74,023	-4,339,698
		- technical sources	-50,849	-3,765,499
		- other sources	-23,174	-574,199
		Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-2,519,337	-2,595,626
		Tax on profit and other taxes not included in operating expenses	-408,954	-1,599,278
	b.)	Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position	5,178,292	-6,236,129
		Change in receivables from reinsurance	304,905	-3,819,934
		Change in other receivables from (re)insurance business	396,725	-347,795
		Change in receivables and assets	117,540	-722,750
		Change in deferred tax assets	67,066	2,163,952
		Change in liabilities arising out of reinsurance business	4,515,001	-1,955,774
		Change in other operating liabilities	-223,283	-1,712,695
		Change in other liabilities (except unearned premiums)	338	158,867
	c.)	Net cash from/used in operating activities (a + b)	11,126,440	11,867,128

B.	Cash flows from investing activities			
	a.)	Cash receipts from investing activities	241,579,790	249,513,983
		Interest received from investing activities relating to:	5,680,636	7,660,567
		- investments financed from technical provisions	4,845,664	6,209,404
		- other investments	834,972	1,451,163
		Cash receipts from dividends and from participation in the profit of others, relating to:	15,026,568	4,505,422
		- investments financed from technical provisions	209,966	172,977
		- other investments	14,816,602	4,332,445
		Proceeds from sale of property and equipment, financed from:	1,232	7,112
		- other sources	1,232	7,112
		Proceeds from sale of long-term financial investments, financed from:	73,780,230	106,692,518
		- technical provisions	55,395,133	85,107,090
		- other sources	18,385,097	21,585,428
		Proceeds from sale of short-term financial investments, financed from:	147,091,124	130,648,364
		- technical provisions	72,485,422	87,044,832
		- other sources	74,605,702	43,603,532
	b.)	Cash disbursements in investing activities	-305,582,920	-249,220,407
		Purchase of intangible assets	-71,506	-41,113
		Purchase of property and equipment, financed from:	-47,495	-246,823
		- other sources	-47,495	-246,823
		Purchase of long-term financial investments, financed from:	-139,630,580	-125,387,083
		- technical provisions	-79,602,989	-96,344,838
		- other sources	-60,027,591	-29,042,245
		Purchase of short-term financial investments, financed from:	-165,833,339	-123,545,388
		- technical provisions	-73,709,044	-82,114,288
		- other sources	-92,124,295	-41,431,100
	c.)	Net cash from/used in investing activities (a + b)	-64,003,130	293,576
C.	Cash flows from financing activities			
	a.)	Cash receipts from financing activities	54,023,282	0
		Proceeds from paid-in capital	54,023,282	0
	b.)	Cash disbursements in financing activities	-2,030,999	-11,301,944
		Interest paid	-1,256,450	-1,448,502
		Redemption of equity	0	0
		Repayment of long-term financial liabilities	-774,549	-9,853,442
	c.)	Net cash from/used in financing activities (a + b)	51,992,283	-11,301,944
C2.	**Closing balance of cash and cash equivalents**		**128,265**	**1,012,672**
		Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	-884,407	858,759
C2.	**Opening balance of cash and cash equivalents**		**1,012,672**	**153,913**

The notes to the financial statements on pages 240–297 form an integral part of these financial statements.

23.5. Statement of changes in equity for year ended 31 December 2013

(€)	Note	I. Share capital	II. Capital reserves	III. Profit reserves: Contingency reserve	III. Profit reserves: Legal reserves and reserves provided for in the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalisation reserve	III. Profit reserves: Other	IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	Total (1–12)
		1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
OPENING BALANCE IN THE FINANCIAL PERIOD		39,069,099	33,003,752	0	14,986,525	1,774	753,026	8,314,716	68,303,300	-2,358,606	7,915,508	4,802,490	-1,774	174,789,811
Comprehensive income for the period, net of tax	16. 17	0	0	0	0	0	0	0	0	2,611,625	0	14,764,052	0	17,375,678
Subscription (payment) of new equity capital		32,787,277	21,236,004	0	0	0	0	0	0	0	0	0	0	54,023,282
Allocation of net profit to profit reserve	14	0	0	0	0	0	0	0	5,649,693	0	0	-5,649,693	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	14	0	0	0	0	0	47,049	1,685,284	0	0	0	-1,732,333	0	0
Transfer of profit		0	0	0	0	0	0	0	0	0	4,802,490	-4,802,490	0	0
CLOSING BALANCE IN THE FINANCIAL PERIOD		71,856,376	54,239,757	0	14,986,525	1,774	800,075	10,000,000	73,952,993	253,020	12,717,998	7,382,026	-1,774	246,188,770
Distributable profit		0	0	0	0	0	0	0	0	0	12,717,998	7,382,026	0	20,100,024

23.6. Statement of changes in equity for year ended 31 December 2012

(€)	Note	I. Share capital	II. Capital reserves	III. Profit reserves: Legal reserves and reserves provided for in the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalisation reserve	III. Profit reserves: Other	IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the year	VII. Treasury shares (contra account)	Total (1–12)
		1.	2.	3.	4.	5.	6.	7.	8.	9.	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	-9,088,908	3,596,862	4,318,646	-1,774	158,454,528
Comprehensive income for the period, net of tax	16. 17	0	0	0	0	0	0	0	6,730,302	0	9,604,981	0	16,335,282
Allocation of net profit to profit reserve	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	14	0	0	0	0	7,736	1,316,709	0	0	0	-1,324,445	0	0
Transfer of profit		0	0	0	0	0	0	0	0	4,318,646	-4,318,646	0	0
CLOSING BALANCE IN THE FINANCIAL PERIOD		39,069,099	33,003,752	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

The notes to the financial statements on pages 240–297 form an integral part of these financial statements.

24.

Notes to the Financial Statements

24.1. 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 (ZGD), it is classified as a large company.

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

In 2013 Sava Reinsurance Company employed on average 75 people (2012: 73). At 31 December 2013, the Company employed 67 people (31 December 2012: 70), determined on a full-time equivalent basis.

No. of employees by degree of education (full-time equivalent basis)

	31.12.2013	31.12.2012
Secondary	13	14
Higher	4	5
University	38	38
Masters' degree and doctorate	12	13
TOTAL	67	70

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) with 25 % plus one share. The second largest shareholder is Societe Generale – Splitska banka with a 9.85 % stake.

It is the responsibility of the Company's management board to prepare and authorise the annual report for issue. 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 (authorisation for issue) to the general meeting of shareholders, the general meeting decides on the approval (authorisation for issue) of the annual report.

The owners have the right to amend the financial statements after they have been authorised for issue by the Company's management board.

The Company is the controlling company of the Sava Re Group, which apart from the controlling company comprises the following companies:

Subsidiaries as at 31 December 2013

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31.12.2013	Profit/loss for the year 2013	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	835,312,558	739,542,777	95,769,781	4,845,174	242,548,983	100.00%
Zavarovalnica Tilia	insurance	Slovenia	166,642,398	144,516,904	22,125,494	3,843,175	69,398,309	100.00%
Sava osiguranje	insurance	Serbia	22,418,021	16,552,175	5,865,846	196,352	11,643,846	99.99%
Illyria	insurance	Kosovo	15,765,392	12,168,792	3,596,600	258,268	9,444,818	100.00%
Sava osiguruvanje	insurance	Macedonia	20,954,314	17,146,172	3,808,142	5,598	10,447,932	92.44%
Sava Montenegro	insurance	Montenegro	23,656,330	18,612,539	5,043,791	1,010,839	11,120,520	100.00%
Illyria Life	insurance	Kosovo	5,474,108	1,825,200	3,648,908	165,618	1,533,453	100.00%
Sava životno osiguranje	insurance	Serbia	3,633,087	1,312,530	2,320,557	-575,569	1,239,606	99.99%
Velebit usluge	wholesale, retailer	Croatia	15,803,828	20,119	15,783,709	955	3,130	100.00%
Velebit osiguranje	insurance	Croatia	19,534,916	15,319,255	4,215,661	7,130	8,303,844	78.77%
Velebit životno osiguranje	insurance	Croatia	8,033,657	3,658,210	4,375,447	-254,919	2,453,216	71.37%
Illyria Hospital	hospital	Kosovo	1,800,856	4,495	1,796,361	-9	0	100.00%
Sava Car	research and analysis	Montenegro	396,684	246,810	149,874	23,303	365,799	100.00%
Vivus	consulting and marketing – insurance of the person	Slovenia	227,791	100,910	126,881	3,152	11,178	100.00%
Ornatus	insurance broker	Slovenia	1,094	3,001	-1,907	-595	0	100.00%
Ornatus KC	ZM call center	Slovenia	1,606	2	1,604	3,457	14,687	100.00%

Associate companies at 31 December 2013

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31.12.2013	Profit/loss for the year 2013	Total income	Share of voting rights (%)
Moja naložba	pension fund	Slovenia	110,023,694	103,451,527	6,572,167	-387,283	3,111,644	20.00%

Subsidiaries at 31 December 2012

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31.12.2012	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	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

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31.12.2012	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%

24.2. Significant accounting policies

Below we set out significant accounting policies used in preparing the financial statements.

24.2.1. Statement of compliance

Sava Reinsurance Company prepared both separate and consolidated financial statements for the year ended 31 December 2013. The consolidated financial statements are part of this annual report. Annual reports are available on 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 to provide 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 authorised the financial statements for issue on 31 March 2014.

24.2.2. Measurement bases

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-for-sale financial assets, which are measured at fair value.

24.2.3. Functional and presentation currency

The financial statements are presented in euro (€), rounded to the nearest euro. Due to rounding, figures in tables may not add up to totals.

Assets and liabilities as at 31 December 2013 denominated in foreign currencies were translated into euro using mid-rates of the European Central Bank ("ECB") as at year-end 2013. Amounts in the income statement have been translated using the exchange rate on the day of the transaction. At 31 December 2013 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-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.

24.2.4. Use of major accounting estimates and sources of uncertainty

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

- Criteria for impairment of investments in subsidiaries and associates are determined using the accounting policy in section 24.2.11 as discussed under 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 24.2.14. 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 24.2.12. 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 24.2.18. 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.

24.2.5. Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows from operating activities have been prepared based on data from the 2013 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.

24.2.6. Statement of changes in equity

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.

24.2.7. Intangible assets

Intangible assets are stated at cost, plus any expenses directly attributable to 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.

24.2.8. Property and equipment

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 value in use and 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 life.

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	10–12.5%
Other equipment	6.7–20%

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 assets that increase future economic benefits are recognised in their carrying amount.

24.2.9. Deferred tax assets and liabilities

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 reserve.

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; 16 % on the 2014 tax base and from 2015 onwards, the tax base was to remain 15 %. In October 2013, an amendment was enacted, stipulating that from 2013 onwards the tax rate was to remain unchanged at 17 %.

Due to the above amendment to the Corporate Income Tax Act, a 17 % tax rate was applied to deferred tax assets/liabilities in 2013 (the same as in 2012).

24.2.10. Investment property

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.

24.2.11. Financial investments in subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at fair value. Subsequently, the Company measures them using the cost model less any impairment losses.

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 2018, 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 2014–2018 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 Group published its target return on equity of 11 % for the period up until 2018.

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 2013 ranged from 13 to 16.5 % and did not change significantly from 2012.

Subsidiaries have been valued using internal models with a long-term growth rate of 3.5 %. This rate is based on 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 17.4.8 of the consolidated financial statements with notes.

24.2.12. Financial investments

24.2.12.1. 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.

24.2.12.2. Recognition, measurement and derecognition

Available-for-sale financial assets and held-to-maturity financial assets are initially measured at fair value plus any transaction costs. Financial assets at 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 from 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.

24.2.12.3. Determination of fair values

The fair value of financial assets held for trading and financial assets available 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 in section 24.2.12.5.

24.2.12.4. Impairment of investments

A financial asset other than at fair value through profit or loss is impaired and 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).

24.2.12.4.1. 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.

24.2.12.4.2. 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.

24.2.12.5. Categorising inputs to revaluation techniques (levels 1–3) according to IFRSs as adopted by the EU

The Company categorises fair value measurements into a fair value hierarchy with three levels. The hierarchy categorises the inputs used in making measurements according to their quality (observability and significance).

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.

A model is used for the assessment whether any unquoted shares need to be impaired and to determine their fair value. The model uses the median P/B ratio[32]; and the median ratio of the enterprise value to earnings before deduction of interest, tax and amortisation (EV/EBITA)[33] for comparable companies.

Under the model, **the fair value of unquoted shares (FV)** is calculated as follows:

$$FV = \left[\left(0.6 * (CA\ per\ share * median\ {}^{P}/_{B})\right) + \left(0.4 * \frac{\left((EBITDA\ Company * median\ {}^{EV}/_{EBITA}) - net\ debt\ of\ Company\right)}{no.\ of\ shares}\right) \right] * 0.9$$

where the CA represents the latest published carrying amount of an unquoted share, while 0.9 is a discount (of 10 %) because of the share being unquoted.

Companies pursuing the same or essentially the same activity are considered comparable.

24.2.13. Reinsurers' share of technical provisions

Reinsurers' share of technical provisions comprises the reinsurers' share of unearned premiums and of technical provisions. The amount is determined in accordance with reinsurance (retrocession) contracts and in line with movements 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 24.5.2.6 "Retrocession programme".

24.2.14. Receivables

Receivables include receivables for inwards reinsurance business and receivables for claims and commission relating to retrocession business.

24.2.14.1. Recognition of receivables

Receivables arising out of reinsurance business are recognised when inwards 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 24.2.23 "Net premiums earned" and 24.2.24 "Net claims incurred".

24.2.14.2. Impairment of receivables arising out of reinsurance business

As regards its core activity of reinsurance, the Company transacts business exclusively with legal entities. Before entering a business relationship with a 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, accounting for 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.

24.2.14.3. Deferred acquisition costs

The Company discloses deferred commissions under deferred acquisition costs. 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.

24.2.14.4. 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.

24.2.15. Cash and cash equivalents

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

32 Price-to-book ratio.
33 Enterprise Multiple: Enterprise Value / Earnings Before Interest, Taxes, Depreciation and Amortization. Enterprise value comprises the entire value fot he company, being the sum of its market capitalisation and net debt.

24.2.16. 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 and they are set aside 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.

24.2.17. Subordinated liabilities

Subordinated debt represents a long-term liability of the Company issued to meet capital adequacy requirements as defined by Standard and Poor's; funds were intended for the expansion of Group operations. Subordinated liabilities are measured at amortised cost on a monthly basis.

24.2.18. Technical provisions

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 the 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 (also claims provisions) 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. In the second procedure, it is necessary to estimate the claims provision for business outside the Sava Re Group for which reinsurance accounts are not received timely to estimate technical categories, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance. This estimated claims provision is also added to the IBNR provision. As the triangular method is used in making estimates, the procedure also represents a liability adequacy test for the reinsurance portfolio outside the Sava Re Group. 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 development triangles of cumulative claim payments by underwriting year. If the 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 procedures show 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 pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums. The Company establishes these provisions on the basis of reinsurance accounts for quota share reinsurance treaties with subsidiaries.

Other technical provisions only include the provision for unexpired risks derived from a liability adequacy test of unearned premiums, as described below.

Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation, the premium is deemed to be adequate, the unearned premium is also adequate. 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. The 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).

24.2.19. Other provisions

Other provisions comprise the net present value of employee benefits including severance pay upon retirement and jubilee benefits. They are calculated by the appointed actuary in accordance with IAS 19 based on the ratio of accrued service time in the Company to the entire expected service time in the Company (projected unit credit method).

Provisions are calculated based on personal data of employees: date of birth, date of commencement of employment, anticipated retirement, and salary. Entitlement to severance pay on retirement and jubilee benefits are based on provisions of the collective bargaining agreement or the employee's employment contract. Expected pay-outs also include tax liabilities where payments exceed statutory non-taxable amounts. The probability of an employee staying with the Company includes both the probability of death (under tables SLO 2007 M/F) and the probability of employment relationship termination based on internal data. Accordingly, the assumed annual real growth of salaries is based on internal data and the consumer price index. The assumed nominal annual growth of jubilee benefits (inflation rate) is 80 % of the discount rate calculated as 80 % of the average long-term interest rate under the convergence criterion since 2004.

24.2.20. Pension insurance

The Company is required by law to pay pension insurance contributions on 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.

24.2.21. Other liabilities

Liabilities are initially recognised at amounts recorded in the relevant documents. 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.

The Company established provisions for unexpended annual leave recognised under accrued expenses. Unexpended leave may be used by no later than 30 June of the succeeding year.

24.2.22. Classification of insurance contracts

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 pay-outs.

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 pay-outs in case of loss events, they also qualify as insurance contracts.

24.2.23. Net premiums earned

Premiums earned are accounted for on an accrual basis, taking into account any increase in economic benefits in the form of cash inflows or increases in assets. The Company separately discloses gross (re)insurance 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.

24.2.24. Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, taking 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.

24.2.25. Income and expenses relating to investments in subsidiaries and associates

Income from investments in subsidiaries and associates also includes dividends. Expenses for investments in subsidiaries and associates include impairment losses on investments. Dividend income is recognised when payout is authorised in accordance with the relevant general meeting resolution of any subsidiary or associate.

24.2.26. Investment income and expenses

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 includes:

- dividends (income from shares),
- interest income,
- foreign exchange gains,
- income due to reversal of value adjustments (impairment) in respect of debt instruments available-for-sale,
- unrealised gains on investments designated as at fair value through profit or loss,
- gains on disposal of investments and
- other income.

Investment expenses include:

- interest expense,
- foreign exchange losses,
- unrealised losses on investments designated as at fair value through profit or loss,
- losses on disposal of investments,
- expenses due to impairment of available for sale investments and financial assets carried at cost or amortised cost
- other expenses.

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 deposits.

Interest income and expenses for investments classified as held to maturity or available for sale are recognised in the income statement using the effective interest rate method. Interest income and expenses for investments at fair value through profit or loss are recognised in the income statement using the coupon interest rate. Dividend income is recognised in the income statement when payout is authorised. 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.

24.2.27. Operating expenses

Operating expenses comprise:

- 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.

24.2.28. Other technical income

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.

24.2.29. Income tax expense

Income tax expense for the year comprises current and deferred tax. 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.

In the second half of 2013, an amendment to the Slovenian Corporate Income Tax Act was adopted stipulating that the tax rate should remain at 17 %. Deferred tax assets and liabilities in 2013 were accounted for at the rate of 17%.

24.3. Changes in accounting policies and correction of errors

In 2013, the Company introduced no material changes in accounting policies nor corrected any errors.

24.4. New standards and interpretations not yet effective

Newly adopted standards and interpretations

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendment to IAS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items that will never be reclassified. The amendment does not change the nature of the items that were recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit and loss in future periods. The amendment affects presentation only and there is no impact on the Company's financial position or performance.

IAS 19 Employee benefits (revised)

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following: for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. There are new or revised disclosure requirements which include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption; termination benefits are recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37; the distinction between short-term and other long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement to the benefits. The standard is effective for annual periods beginning on or after 1 January 2013. In previous reporting periods, the Company recognised actuarial gains or losses through profit or loss, while after this amendment, it recognised actuarial gains in the statement of comprehensive income for the current reporting period.

IFRS 7 Financial Instruments: Disclosures (Offsetting Financial Assets and Financial Liabilities)

The amendment is effective for annual periods beginning on or after 1 January 2013. This amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with IAS 32. The amendment does not affect the financial position or performance of the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. an "exit price"). "Fair value" as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:

- Concepts of "highest and best use" and "valuation premise" are relevant only for non-financial assets
- Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements

- A description of how to measure fair value when a market becomes less active

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

The standard has no significant impact on the Company's financial position or performance.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The cost of disposing of waste material generates two potential benefits: If the benefit from the stripping activity is realised in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognises these costs as a non-current asset, only if certain criteria are met. This is referred to as the "stripping activity asset". The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is effective for annual periods beginning on or after 1 January 2013. The Company does not carry out any activities related to stripping in the production phase of a surface mine. The new interpretation has no impact on the Company's financial position or performance.

New Standards and Interpretations Either not yet Effective or not yet Adopted by the EU

In compliance with the requirements of IFRSs and subject to the endorsement by the European Union, the Company will have to apply in future periods the following amended and revised standards and interpretations.

The Company will apply the new standards and interpretations in accordance with the requirements thereof in the event that they are adopted by the EU.

IAS 28 Investments in Associates and Joint Ventures (revised)

As a consequence of the new IFRS 11, IFRS 12 and IAS 28, the standard was amended and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment does not have a significant impact on the financial position or performance of the Company.

IFRS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

In December 2011, IASB issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for financial statements beginning on or after January 1, 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. Sava Reinsurance Company expects that the amendment will have an impact on its financial statements.

IAS 36 Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after January 1, 2014. The Company does not expect the amendment will have an impact on the Group's financial statements.

IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after January 1, 2014. The Company does not expect the amendment will have an impact on the its financial statements.

IFRS 9 Financial Instruments – Classification and measurement

The IFRS 9 was originally issued in November 2009 and is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognized at fair value plus transaction costs.

Financial assets

Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting

a new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Control exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014. The Company does not expect the standard will have a significant impact on current Group's interests in entities, but may affect the treatment of future acquisitions.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary Contributions by Venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after January 1, 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014.

The Company does not expect the standard will have a significant impact on current Group's interests in other entities, but may affect the treatment of future arrangements.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after January 1, 2013 and may affect the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after January 1, 2014.

The standard affects presentation only and there is no impact on the Company's financial position or performance.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value. Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The Group is currently assessing the impact that this standard could have on the Company's financial position and performance.

IFRIC 21 Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g., IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognized before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognizing a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after January 1, 2014. The Company is currently assessing the impact that this interpretation could have on the Group's financial position and performance.

24.5. Risk management

24.5.1. Insolvency risk

By law Sava Reinsurance Company must maintain adequate capital with regard to the amount and type of reinsurance business carried on. 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. The required solvency margin of the Company at 31 December 2013 was € 23.2 million (31 December 2012: € 23.2 million), while the Company's available solvency margin was € 39.1 million (31 December 2012: € 42.9 million). The structure of the available solvency margin is presented in the following table.

Statement of capital adequacy

(€)		2013	2012
CORE CAPITAL (Article 106 of the Slovenian Insurance Act ("ZZavar"))			
Paid-up share capital, other than paid-up share capital arising from cumulative preference shares, or initial capital	1	71,856,376	39,069,099
Capital reserves, other than capital reserves arising from cumulative preference shares	2	54,239,757	33,003,752
Profit reserves, other than the reserve for treasury shares and the reserves for credit and catastrophe risk equalisation	3	88,939,518	83,289,825
Net profit brought forward from previous years	4	12,717,998	7,915,508
Fair value reserve relating to assets not financed from technical provisions	5	755,747	156,206
Treasury shares and own interests	6	2,821,391	1,774
Intangible assets	7	134,952	149,315
Core capital (1+2+3+4+5-6-7)	**8**	**225,553,053**	**163,283,301**
Guarantee fund	**9**	**7,725,010**	**7,725,010**
Compliance with Article 106 (4) of the ZZavar (8 – 9)	**10**	**217,828,043**	**155,558,291**
ADDITIONAL CAPITAL (ARTICLE 107 OF THE ZZAVAR)			
Subordinated debt instruments	11	5,793,757	5,793,757
Additional capital (11), however not more than 50 % of the lower of core capital and required solvency margin	**12**	**5,793,757**	**5,793,757**
AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (ARTICLE 108 OF THE ZZAVAR)			
Total of core and additional capital (8 + 12)	13	231,346,810	169,077,058
Participations within the meaning of Article 108 (1), point 1 of the ZZavar	14	191,481,452	124,815,536
Participations within the meaning of Article 108(1), point 2 of the ZZavar	15	734,952	1,390,000
Available solvency margin of insurer (13 – 14 – 15)	**16**	**39,130,406**	**42,871,522**
Required solvency margin	**17**	**23,175,031**	**23,175,031**
Surplus/deficit of available solvency margin (16 – 17)	**18**	**15,955,375**	**19,696,491**

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 2013, as it maintained a surplus of available solvency margin over the required solvency margin. At 31 December 2013, this surplus amounted to € 16.0 million (31 December 2012: € 19.7 million); 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 attitude of the new regime. While the Solvency II Directive has already been adopted, relevant implementing regulations are yet to be finalised to define the parameters for the calculation of solvency capital requirement.

24.5.2. Underwriting risk

Underwriting risks are risks related to the main activity pursued by insurance 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 reinsurance treaty arrangements. 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 give no 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 qualify as financial contracts, we give below a detailed description of the risks arising from insurance contracts, as required under IFRS 4.

24.5.2.1. Underwriting process risk

The underwriting process risk is the risk of incurring financial losses caused by 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 review the 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 results. In addition, they 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 assist in the underwriting of large risks assumed by the Company's 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

(€)		U/W year 2013		U/W year 2012
Form of contract	No. of contracts	Aggregate limit	No. of contracts	Aggregate limit
Treaty business	559	1,073,228,425	542	1,062,099,383
Facultative business	157	765,841,029	132	600,748,081
TOTAL	**716**	**1,839,069,454**	**674**	**1,662,847,464**

If measured on the basis of aggregate limits, the exposure to underwriting risk has increased in 2013 compared to 2012. Sava Reinsurance Company reduces underwriting risk by transferring part or all of it to retrocessionaires.

Underwriting process risk relating to reinsurance business increased in 2013 compared to 2012.

24.5.2.2. 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 the 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 2013 and 2012 is deemed moderate.

24.5.2.3. 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 has been no significant change in the claims risk of 2013 and 2012 if we disregard the fact that there were fewer catastrophic losses due to natural disasters in 2013 than in 2012, which, however, is more closely associated with net retention risk rather than claims risk.

24.5.2.4. Net retention risk

Net retention risk is the risk that higher retention of insurance loss exposures will result 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 large number of insured properties are impacted. This may occur especially through losses caused by natural peril events, which are generally covered by a basic or an additional fire policy or by a policy attached to an underlying fire policy (e.g., business interruption policy 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.

Earthquake aggregates by region

(€)	31.12.2013	31.12.2012
EU members	540,585,594	515,507,330
Non-EU members	120,155,022	156,918,372
Russia and CIS	30,940,445	30,574,324
Africa	36,651,434	34,788,917
Middle East	68,686,712	27,635,154
Asia	110,183,863	117,515,837
Latin America	34,745,224	24,455,034
USA and Canada	9,725,065	11,597,515
Caribbean Islands	16,768,348	11,387,390
Oceania	8,774,789	5,582,762
TOTAL	977,216,497	935,962,635

Flood aggregates by region

(€)	31.12.2013	31.12.2012
EU members	394,280,350	350,301,372
Non-EU members	95,175,143	88,977,463
Russia and CIS	30,932,945	31,679,014
Africa	35,112,973	34,586,994
Middle East	54,477,183	2,609,312
Asia	108,782,755	92,997,333
Latin America	34,745,224	24,455,034
USA and Canada	9,725,065	11,597,515
Caribbean Islands	15,209,813	11,387,390
Oceania	8,774,789	5,582,762
TOTAL	787,216,240	654,174,189

Storm aggregates by region

(€)	31.12.2013	31.12.2012
EU members	471,963,590	391,579,857
Non-EU members	95,160,893	80,615,809
Russia and CIS	30,932,945	29,601,554
Africa	35,112,973	28,219,602
Middle East	54,477,183	2,609,312
Asia	111,067,195	106,328,298
Latin America	34,745,224	24,455,034
USA and Canada	9,725,065	11,597,515
Caribbean Islands	15,209,813	11,387,390
Oceania	8,774,789	5,582,762
TOTAL	867,169,670	691,977,134

We consider the net retention risk to have remained in 2013 essentially the same as in 2012 in terms of retention limits and the expected number of catastrophic losses. However, the number of natural catastrophe events in 2013 was smaller than in 2012. Yet Sava Reinsurance Company was not seriously impacted due to its adequate retention limits and adequate retrocession programme, as shown in the section on estimated exposure to underwriting risks.

24.5.2.5. Reserving risk

Reserving risk is the risk that technical provisions will be inadequate. This may occur because of inaccurate actuarial estimates or an unexpected unfavourable loss development. It may be a result of new types of losses that have not been excluded in cedants' insurance conditions and for which no claims provisions have been established, which is common with liability insurance contracts but can also happen 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 recognised 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 proportional treaties by underwriting years. As claims under one-year policies written during the one year may occur either in the year the policy is written or in the year after, aggregated data for proportional reinsurance contracts are not broken down by accident year.

In line with reinsurance practice, Sava Reinsurance Company analyses data concerning 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 2013 are adequate.

Adequacy analysis of gross technical provisions for past years

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	2008	2009	2010	2011	2012	2013
As originally estimated	148,075	157,182	163,593	173,525	206,099	199,339
Reestimated as of 1 year later	141,395	141,917	148,272	169,377	179,501	
Reestimated as of 2 years later	138,416	134,336	143,881	155,552		
Reestimated as of 3 years later	135,549	130,827	136,062			
Reestimated as of 4 years later	132,576	125,479				
Reestimated as of 5 years later	128,755					
CUMULATIVE GROSS REDUNDANCY (LAST ESTIMATE – ORIGINAL ESTIMATE)	19,320	31,703	27,532	17,974	26,598	
Cumulative gross redundancy as % of original estimate	13.0%	20.2%	16.8%	10.4%	12.9%	

Adequacy analysis of net technical provisions for past years

(€ thousand)	Year ended 31 December					
Estimate of net liabilities	2008	2009	2010	2011	2012	2013
As originally estimated	111,120	132,543	146,636	156,370	174,480	173,344
Reestimated as of 1 year later	107,719	122,908	133,984	144,939	153,138	
Reestimated as of 2 years later	105,045	114,811	128,919	132,255		
Reestimated as of 3 years later	101,164	110,217	120,170			
Reestimated as of 4 years later	97,054	104,079				
Reestimated as of 5 years later	92,751					
CUMULATIVE NET REDUNDANCY (LAST ESTIMATE – ORIGINAL ESTIMATE)	18,369	28,464	26,466	24,115	21,342	
Cumulative net redundancy as % of original estimate	16.5%	21.5%	18.0%	15.4%	12.2%	

The cumulative gross redundancies for underwriting years 2008–2011 increased if compared to amounts at the end of the preceding year, which were 10.5 %, 16.8 %, 12.0 % and 2.4 % of original estimates. The cumulative net redundancies for underwriting years 2008–2011 also increased if compared to amounts at the end of the preceding year, which were 12.7 %, 16.8 %, 12.1 % and 7.3 % 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 2013 is similar to that at year-end 2012.

24.5.2.6. Retrocession programme

An adequate retrocession programme is fundamental for managing the underwriting 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 2013 retrocession programme of Sava Reinsurance Company is comparable with that of 2012.

24.5.2.7. Estimated exposure to underwriting risks

Sava Reinsurance Company's maximum net retentions and its retrocession programmes are of key importance to estimate the exposure to underwriting risks. The net retention limit is set at € 3 million for the majority of non-life classes of insurance and a combined limit of € 3 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of € 2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at € 300,000. In principle, this enables Sava Re to cap any net claim arising out of any single loss event to a maximum of € 3 million. 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 € 5 million 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 net claims must always be expected. This would negatively impact business results, but would certainly pose no threat to the solvency of Sava Reinsurance Company.

If the net combined ratio had changed due to higher/lower underwriting risks by one percentage point, net profit before tax would have changed by € 1.3 million (2012: € 1.3 million). In 2013 an additional maximum net claim of € 5 million would have deteriorated the combined ratio by 4.0 % (2012: 3.8 %), 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 2013 and 2012.

24.5.3. 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.

24.5.3.1. Market risks

Financial investments exposed to market risks

(€)	31.12.2013	31.12.2012
Type of investment		
Deposits and CDs	30,837,544	39,461,664
Government bonds	95,968,152	71,009,095
Corporate bonds	77,567,167	76,652,324
Shares (excluding strategic shares)	12,537,924	9,054,028
Mutual funds	3,855,136	3,011,136
Bonds funds	421,503	491,374
Equity funds	3,433,633	2,519,762
Loans granted	5,635,286	7,190,999
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	10,191,017	9,016,183
TOTAL FINANCIAL INVESTMENTS SENSITIVE TO MARKET RISK	236,592,225	215,395,429

Own risk assessment

	Market risk				
Type of investment	Interest rate risk	Equity risk	Currency risk	Liquidity risk	Credit risk
Deposits and CDs			Low risk	Moderate risk	Moderate risk
Government bonds	Low risk		Moderate risk	Low risk	Moderate risk
Corporate bonds	Low risk		Moderate risk	Low risk	Moderate risk
Shares (excluding strategic shares)		Moderate risk		Moderate risk	
Mutual funds		Low risk		Low risk	
Bond funds	Low risk			Low risk	
Mixed funds					
Equity funds		Low risk	Moderate risk	Low risk	
Loans granted and other financial investments				Low risk	Low risk
Deposits with cedants			Low risk	Low risk	Low risk
TOTAL FINANCIAL INVESTMENTS SENSITIVE TO MARKET RISK	Low risk	Moderate risk	Moderate risk	Low risk	Moderate risk

Low risk | Moderate risk | High risk

24.5.3.1.1. Interest rate risk

Interest rate risk is the risk of exposure to losses resulting from fluctuations in interest rates. These can cause a decrease in investments or an increase in liabilities. 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 that affect the value of its assets and investment return on its financial investments.

On the asset side, interest rate risk affects deposits, debt securities, loans, bond mutual funds and partly mixed mutual funds. However, the sensitivity analysis does not include investments in deposits and loans as these are relatively short-term and fixed-income investments. Neither does it include held-to-maturity bonds as they are measured at amortised cost.

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 the bond portfolio was 2.41 years as at year-end 2013 (31 December 2012: 2.96 years). Due to the low interest rates in capital markets in 2013, the Company further decreased the duration of the bond portfolio.

The sensitivity analysis showed that in the event of an interest rate increase, the value of the interest-rate sensitive investments would have dropped by € 6.2 million (31 December 2012: € 7.5 million) or 3.6 % (31 December 2012: 4.8 %). 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 the sensitivity analysis

(€)	31.12.2013					
	+200 bp			-200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	93,894,460	90,528,432	-3,366,027	93,894,460	96,541,183	2,646,723
Corporate bonds	77,567,167	74,796,630	-2,799,668	77,567,167	80,805,906	3,209,608
Bond mutual funds	421,503	406,348	-15,155	421,503	435,897	14,394
TOTAL	171,883,130	165,731,410	-6,180,850	171,883,130	177,782,986	5,870,725
Effect on equity			-6,023,249			5,811,920
Effect on the income statement			-157,601			58,805

(€)	31.12.2012					
	+200 bp			-200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	70,522,692	66,571,465	-3,951,227	70,522,692	74,094,664	3,571,972
Corporate bonds	77,936,194	74,506,836	-3,429,358	77,936,194	81,816,880	3,880,686
Bond mutual funds	491,374	466,289	-25,085	491,374	517,077	25,703
TOTAL	148,950,259	141,544,590	-7,405,670	148,950,259	156,428,621	7,478,362
Effect on equity			-7,380,585			7,452,659
Effect on the income statement			-25,085			25,703

The major part of the Sava Reinsurance Company's portfolio exposed to interest rate risk comprise fixed-interest investments. At 31 December 2013, these totalled € 163.7 million, i.e. 95.5 % of the amount included in the sensitivity analysis (31 December 2012: € 143.2 million, 92.9 %). Variable-interest investments tied to the Euribor totalled € 7.8 million or 4.5 % (31 December 2012: 10.9 %; 7.1 %).

We consider that in 2013 Sava Reinsurance Company decreased its exposure to interest rate risk compared to 2012, particularly by lowering the duration of debt securities.

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24.5.3.1.2. Equity risk

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

Equity risk is measured by Sava Reinsurance Company through a stress test scenario 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 subsidiaries and associates are excluded from stress tests as changes in their value are assessed through goodwill testing. The value of assets considered in this risk is shown in the table "Financial investments exposed to market risks".

To assess the sensitivity of investments to equity risk, we assumed a 10 % drop in the value of all equity securities. This would have decreased the value of the portfolio by € 1.6 million (31 December 2012: € 1.2 million).

Sensitivity assessment of investments to equity risk

(€)	31.12.2013			31.12.2012		
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
By 10 %	15,971,557	14,374,401	1,597,156	11,573,790	10,416,411	1,157,379
By 20 %	15,971,557	12,777,246	3,194,311	11,573,790	9,259,032	2,314,758

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. Thus, a 20 % drop in equity prices would have caused a drop in the value of investments of € 3.2 million.

We consider that in 2013 Sava Reinsurance Company had a higher exposure to equity risk (excluding investments in subsidiaries and associates) than in 2012.

At the end of 2013, the Company held € 189.9 million (31 December 2012: € 123.9 million) in shares of subsidiaries and associates. Sava Reinsurance Company seeks to maintain or increase the value of its investments in subsidiaries and associates mainly by actively controlling subsidiaries and by participating in the control of associate companies. Sava Reinsurance Company assesses the value of subsidiaries and associates through goodwill testing.

24.5.3.1.3. Currency risk

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

In 2013 Sava Reinsurance Company continued to expand its share of foreign-sourced business. This affected the structure of its liabilities by currencies. Nevertheless, euro-denominated liabilities accounted for 86.3 % of the balance sheet total at 31 December 2013 (31 December 2012: 85.0 %).

Due to the increased business volume from abroad (and the increasing number of foreign currencies), Sava Reinsurance Company adopted a currency matching policy introducing a co-ordinated approach to the currency matching of assets and liabilities in order to reduce currency risk.

Under the adopted currency matching policy, matching activities in respect of any accounting currency[34] are to start as soon as the currency mismatch with that currency exceeds € 2 million. If the financial market allows for the purchase and settlement of investments in the accounting currency, the Company starts investing in the accounting currency. If the financial market does not allow for the purchase and settlement of investments in the accounting currency and the transaction currency[35] is a global currency, the currency mismatch may be reduced through placements in the transaction currency. This requires a correlation between the accounting currency and the transaction currency of at least 90 %. The correlation is the average of a one-, two-, three-, four- and five-year correlation between the accounting currency and the transaction currency calculated at the end of each quarter of the current year.

In accordance with the currency matching policy, the Company monitors any currency (mis)match both by accounting currency as well as by transaction currency (from the ALM point of view).

These overviews of currency (mis)matches are presented in the tables below, with all foreign currency exposures translated to euros.

34 The accounting currency is a local currency used in the accounting documentation. Reinsurance contracts may be accounted for in various accounting currencies. Generally, this is the currency of liabilities and receivables in relation to the cedant, and hence also the reinsurer.

35 The transaction currency is the currency in which reinsurance contract transactions are processed. Global currencies include EUR, USD, JPY, AUD, CAD, GBP, CHF.

Accounting currency (mis)match at 31 December 2013

Currency	Assets	Liabilities	Mismatch (liab. - assets)	% of matched liabilities
Euro (€)	477.801.907	458.207.834	19.594.073	104,3
Foreign currencies	52.835.062	72.429.134	-19.594.073	72,9
US dollar (USD)	36,111,372	27,889,400	8,221,972	129.5
Korean won (KRW)	4,533,287	10,621,165	-6,087,878	42.7
Japanese yen (JPY)	1,485,001	5,274,320	-3,789,319	28.2
Chinese yuan (CNY)	1,759,352	4,979,202	-3,219,850	35.3
Russian ruble (RUB)	3,034,729	4,509,060	-1,474,331	67.3
Other	5,911,320	19,155,988	-13,244,667	30.9
TOTAL	530,636,968	530,636,968	0	
% of currency matched liabilities			96.3%	

Accounting currency (mis)match at 31 December 2012

Currency	Assets	Liabilities	Mismatch (liab. - assets)	% of matched liabilities
Euro (€)	419,812,598	393,417,575	26,395,023	106.7
Foreign currencies	43,223,275	69,618,298	-26,395,023	62.1
US dollar (USD)	31,450,274	30,806,296	643,978	102.1
Korean won (KRW)	2,067,114	11,373,036	-9,305,922	18.2
Other	9,705,887	27,438,966	-17,733,079	35.4
TOTAL	463,035,873	463,035,873		
% of currency matched liabilities			94.3%	

ALM currency (mis)match at 31 December 2013

Currency	Assets	Liabilities	Mismatch (liab. - assets)	% of matched liabilities
Euro (€)	478,378,959	459,091,984	19,286,975	104.2
Foreign currencies	52,258,009	71,544,984	-19,286,975	73.0
US dollar (USD)	38,652,079	36,956,884	1,695,195	104.6
Korean won (KRW)	4,533,287	10,621,165	-6,087,878	42.7
Japanese yen (JPY)	1,485,001	5,274,320	-3,789,319	28.2
Chinese yuan (CNY)	0	0	0	
Russian ruble (RUB)	3,034,729	4,509,060	-1,474,331	67.3
Other	4,552,913	14,183,555	-9,630,643	32.1
TOTAL	530,636,968	530,636,968		
% of currency matched liabilities			96.4%	

As can be seen in the tables of accounting and ALM currency (mis)match at 31 December 2013, the company succeeded in improving the currency matching of assets and liabilities through active management of currencies. At 31 December 2013, 73.0 % of the company's liabilities denominated in foreign currencies were matched with assets denominated in the same currencies (31 December 2012: 62.1 %). The amount of currency mismatch of assets and liabilities dropped from € 26.4 million to € 19.6 million, representing a mismatch of just 3.7 %.

The largest deficit in terms of ALM is with the Korean won (KRW), Japanese yen (JPY) and the Russian ruble (RUB). There was also a considerable mismatch with miscellaneous currencies (over 40), amounting to € 9.6 million at 31 December 2013.

By using the above method of currency hedging, we mainly managed to protect the portfolio against the currency risk related to the Chinese yuan and the Hong Kong dollar. The data in the above tables show that the surplus of U.S. dollars covered liabilities in correlated currencies in the amount of € 6.5 million, which significantly assisted in reducing currency exposure.

The table below provides an overview of accounting currencies that were matched through transaction currencies, in accordance with the described policy.

Overview of currencies matched through transaction currencies

Transaction currency	Accounting currency
Euro (€)	Bulgarian lev (BGN)
	Euro (€)
	CFA frank BCEAO (XOF)
U.S. dollar (USD)	Dirham (AED)
	Chinese yuan (CNY)
	Dominican peso (DOP)
	Guatemalan quetzal (GTQ)
	Hong Kong dollar (HKD)
	Honduran lempira (HNL)
	Oman rial (OMR)
	Saudi riyal (SAR)
	Trinidad and Tobago dollar (TTD)
	Ukrainian hryvnia (UAH)
	U.S. dollar (USD)
	Vietnamese dong (VND)
	East Caribbean dollar (XCD)

The Company uses a stochastic analysis to measure currency risk and to predict the average surplus funds as well as the 5th percentile of surplus funds after one year from the risk valuation date.

Based on exchange rates to which Sava Reinsurance Company has been exposed to over the past six years and the corresponding euro equivalent surpluses of assets/liabilities at 31 December 2013, we made a stochastic analysis that projected that after one year the average surplus of assets over liabilities would be € 0.4 million (31 December 2012[36]: € 0.1 million), but with a 5-percent probability that the deficit of assets will exceed € 3.5 million (31 December 2012: € 3.7 million).

Currency mismatch also affects profit or loss through accounting for exchange rate differences due to the impact of exchange rate changes on various statement of financial position items. When assets and liabilities are 100 % matched in terms of foreign currencies, changes in foreign exchange rates have no impact on profit or loss. This is because any change in the value of assets denominated in any foreign currency due to any change in any foreign exchange rate is neutralised by the change in the value of liabilities denominated in that foreign currency. As Sava Reinsurance Company's assets and liabilities are not 100 % currency matched, changes in exchange rates do affect profit or loss.

36 In 2012, the analysis was made based on exchange rates for USD, MKD, RSD, HRK and KRW.

In 2013 foreign exchange losses exceeded gains, resulting in a decline in both invested assets as well as technical provisions. Foreign exchange losses are reflected in profit or loss as:

- financial expenses for financial investments (2013: € 1.1 million),
- other expenses relating to other receivables and liabilities (2013: € 0.8 million) and
- as a positive change in technical provisions (2013: € 4.5 million).

The positive impact of changes in exchange rates on 2013 profit or loss totalled € 2.6 million. Unless the Company mitigated currency risk by investing in foreign currencies, the impact would have been even more favourable due to the strengthening of the euro against other currencies in 2013. Had exchange rates moved the other way, currency hedging would have contributed to a reduced negative impact on profit or loss.

Since the Company is aware of the unpredictability of changes in foreign exchange rates, it aims to maximise currency matching, albeit at the expenses of eliminating any positive effects of movements. Complete matching is difficult to achieve, since technical provisions fluctuate and their final value is known only after the reporting date.

Based on all the above, we estimate that the currency risk decreased in 2013 compared to 2012 since the company took targeted measures towards better currency matching both directly through accounting currencies and indirectly through transaction currencies.

24.5.3.2. 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 2013 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 2013, 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 € 5 million.

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 (€ 5 million) 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 allow for sufficient time to dispose of financial investments.

Exposure to liquidity risk is also measured by maturity-matching of assets and liabilities.

Maturity profile of financial assets and liabilities

(€)	Carrying amount as at 31.12.2013	Up to 1 year	1–5 years	Over 5 years	No maturity
Financial investments	236,592,225	97,554,754	98,797,150	22,043,261	18,197,060
Investment property	153,920	0	0	0	153,920
Reinsurers' share of technical provisions	26,342,964	8,706,660	8,525,883	9,110,420	0
Receivables	65,667,324	63,836,494	1,830,830	0	0
Cash and cash equivalents	128,264	128,264	0	0	0
TOTAL ASSETS	**328,884,697**	**170,226,173**	**109,153,863**	**31,153,681**	**18,350,980**
Subordinated liabilities	23,466,967	0	0	23,466,967	0
Technical provisions	208,623,243	69,134,728	67,432,656	72,055,859	0
Other provisions	220,033	7,569	41,115	171,349	0
Liabilities from operating activities	42,934,038	42,934,038	0	0	0
Other liabilities	9,203,917	9,203,917	0	0	0
TOTAL LIABILITIES	**284,448,198**	**121,280,252**	**67,473,770**	**95,694,176**	**0**
Difference	44,436,499	48,945,921	41,680,093	-64,540,495	18,350,980

(€)	Carrying amount as at 31.12.2012	Up to 1 year	1–5 years	Over 5 years	No maturity
Financial investments	215,395,430	60,940,073	113,789,038	24,176,986	16,489,334
Investment property	156,253	0	0	0	156,253
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	**326,503,583**	**149,164,356**	**125,230,223**	**35,463,418**	**16,645,587**
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	38,418,700	38,418,700	0	0	0
Other liabilities	1,763,922	1,763,922	0	0	0
TOTAL LIABILITIES	**288,246,062**	**107,808,626**	**72,996,809**	**107,440,627**	**0**
Difference	38,257,521	41,355,730	52,233,414	-71,977,209	16,645,587

24.5.3.2.1. Asset-liability mismatch risk - liability fund

In terms of 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).

As at 31 December 2013 the Company's liability fund exceeded gross technical provisions and reserves by € 27.8 million (31 December 2012: € 0.4 million). As at 31 December 2013, the liability fund exceeded gross technical provisions and reserves by 12.7 % (31 December 2012: 0.2 %). The surplus increased as a result of both the reclassification of € 10.5 million of capital funds to liability funds carried out on 31 March 2013 and the admission of deposits with cedants as liability funds in accordance with the decision of the ISA dated 5 August 2013.

Coverage of gross technical provisions and reserves by liability fund (investments, cash and receivables)

(€)	31.12.2013		31.12.2012	
Type of investment	Liability funds	As % of technical provisions	Liability funds	As % of technical provisions
Deposits and CDs	16,062,544	7.3%	35,560,088	15.8%
Debt securities	157,144,431	71.6%	127,788,171	56.7%
Shares (excluding strategic shares)	8,641,633	3.9%	2,611,717	1.2%
Mutual funds	3,855,136	1.8%	1,911,635	0.8%
Deposits with cedants	10,191,017	4.6%	n/a	n/a
Total financial investments of the liability fund	**195,894,761**	**89.3%**	**167,871,611**	**74.4%**
Reinsurers' share of technical provisions	26,342,963	12.0%	32,093,794	14.2%
Receivables and cash	24,982,706	11.4%	25,990,128	11.5%
Total liability fund	**247,220,430**	**112.7%**	**225,955,534**	**100.2%**
Technical provisions plus reserves	**219,423,318**	**100.0%**	**225,561,865**	**100.0%**
Coverage of technical provisions in %	**112.7%**		**100.2%**	
Surplus of the liability fund	**27,797,112**	**12.7%**	**393,669**	**0.2%**

*Reserves include profit reserves for credit risk and catastrophe equalisation.

At the end of 2013, the average maturity of bonds and deposits in the liability fund was 2.25 years (31 December 2012: 3.13 years), while the average maturity of liabilities (claims provisions and unearned premiums) was 4.47 years (31 December 2012: 4.36 years). Maturity matching of liability fund assets and liabilities is at an adequate level as liabilities have an average maturity that is 2.22 years longer than the average maturity of liability fund assets.

The tables below detail the maturities of credit-risk sensitive investments and gross technical provisions and reserves.

Maturity profile of financial investments

(€)	31.12.2013		31.12.2012	
Maturity	Amount	As % of total	Amount	As % of total
Up to 1 year	99,454,756	42.0%	60,940,071	28.3%
1–5 years	96,162,197	40.6%	113,789,038	52.8%
Over 5 years	22,043,261	9.3%	24,176,986	11.2%
No maturity	18,932,012	8.0%	16,489,334	7.7%
TOTAL	**236,592,225**	**100.0%**	**215,395,429**	**100.0%**

Maturity profile of gross technical provisions and reserves

(€)	31.12.2013		31.12.2012	
Maturity	Amount	As % of total	Amount	As % of total
0–1 year	72,704,280	33.1%	70,267,916	31.2%
1–5 years	70,928,093	32.3%	76,038,261	33.7%
Over 5 years	75,790,945	34.5%	79,255,688	35.1%
TOTAL	**219,423,318**	**100.0%**	**225,561,865**	**100.0%**

24.5.3.3. Credit risk

Credit risk is the risk that issuers or other counterparties will fail to meet their obligations to the Company. Credit risk includes concentration risk representing the risk of excessive concentration of investments in a geographic area, economic sector or issuer.

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 with an appropriate credit rating. The Company seeks to optimally diversify its credit portfolio, targeting an A-level credit 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 2013 Sava Reinsurance Company's exposure to credit risk was € 308.2 million (31 December 2012: € 306.6 million). Assets exposed to credit risk include financial investments, reinsurers' share of technical provisions and receivables.

Exposure to credit risk

(€)	31.12.2013	31.12.2012
Type of asset	Amount	Amount
Fixed-income investments	214,563,880	196,139,266
Receivables due from reinsurers	29,761,203	34,523,610
Receivables	63,834,070	75,945,114
TOTAL EXPOSURE	308,159,153	306,607,990

For fixed-income investments, credit risk is assessed based on credit ratings.

Below we show an estimate of credit risk for fixed-income investments (included are debt securities, bank deposits and deposits with cedants).

Fixed-income investments by issuer credit rating

(€)	31.12.2013		31.12.2012	
Rated by S&P/Moody's	Amount	As % of total	Amount	As % of total
AAA/Aaa	52,560,378	24.5%	23,399,179	11.9%
AA/Aa	24,676,751	11.5%	19,227,137	9.8%
A/A	27,567,775	12.8%	65,155,275	33.2%
BBB/Baa	63,506,207	29.6%	21,048,424	10.7%
Less than BBB/Baa	10,672,760	5.0%	26,318,242	13.4%
Not rated	35,580,009	16.6%	40,991,009	20.9%
TOTAL	214,563,880	100.0%	196,139,266	100.0%

At 31 December 2013 fixed-income investments rated at least "A" accounted for 48.8 % of the fixed-income investment portfolio (31 December 2012: 55.0 %) and 44.3 % (31 December 2012: 50.0 %) of the total investments of Sava Reinsurance Company exposed to market risk. The credit risk profile deteriorated mainly because the Republic of Slovenia was downgraded from A to BBB in 2013.

Total exposure to retrocessionaires at 31 December 2013 was € 29.8 million (31 December 2012: € 34.5 million). Of this, € 26.4 million (31 December 2012: € 32.1 million) relates to retroceded gross technical provisions (€ 2.6 million to unearned premiums and € 23.8 million to provisions for outstanding claims) and € 3.4 million (31 December 2012: € 2.4 million) to receivables for reinsurers' share of claims.

The total credit risk exposure of the Company arising from retrocessionaires represented 5.6 % of total assets in 2013 (31 December 2012: 7.5 %). Retrocession programmes are mostly placed with first-class reinsurers with an appropriate credit 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.

Rating profile of exposure to retrocessionaires

(€)	31.12.2013		31.12.2012	
Rating S&P/AM Best	Amount	As % of total	Amount	As % of total
AAA/A++	779,930	2.60%	19,671	0.10%
AA/A+	7,421,140	24.90%	6,970,569	20.20%
A/(A or A-)	17,254,162	58.00%	24,147,665	69.90%
BBB / (B++ or B+)	1,466,650	4.90%	1,273,898	3.70%
Less than BBB / less than B+	0	0.00%	132,304	0.40%
Not rated	2,839,322	9.50%	1,979,503	5.70%
TOTAL	29,761,203	100.0%	34,523,610	100.0%

The tables below show the ageing structure of receivables, including the above-mentioned receivables for reinsurers' shares of claims.

Receivables ageing analysis

(€) 31.12.2013	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of assumed reinsurance and co-insurance	46,513,595	5,696,867	6,702,195	58,912,657
Receivables for reinsurers' shares in claims	2,690,515	210,735	530,668	3,431,918
Other receivables from co-insurance and reinsurance	467,188	0	0	467,188
Short-term receivables arising out of investments	4,288	25,747	34,669	64,704
Other receivables	548,545	0	409,058	957,603
TOTAL	50,224,131	5,933,349	7,676,590	63,834,070

(€) 31.12.2012	Not past due	Past due up to 180 days	Past due 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	75,945,114

The Company assessed its receivables for impairment. Allowances were established for receivables that needed to be impaired. Receivables are discussed in greater detail in note 8.

24.5.3.3.1. Concentration risk

Sava Reinsurance Company's investment portfolio is reasonably diversified in accordance with the ZZavar, implementing regulations and Company 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 tables below show diversification of Sava Reinsurance Company investments by geography.

Geographic diversification of investments

(€)	31.12.2013		31.12.2012	
Region	Amount	As % of total	Amount	As % of total
Slovenia	97,756,816	41.3%	120,809,662	56.1%
EU members	94,550,078	40.0%	59,021,015	27.4%
Non-EU members	17,987,369	7.6%	16,603,540	7.7%
Russia and Asia	18,762,644	7.9%	13,637,389	6.3%
Africa and Middle East	2,877,728	1.2%	2,767,879	1.3%
America and Australia	4,657,591	2.0%	2,555,943	1.2%
TOTAL	236,592,225	100.0%	215,395,429	100.0%

As can be seen from the data, the major share of investments were placed in Slovenia (31 December 2013: 41.3 %; 31 December 2012: 56.1 %). Exposure to Slovenia decreased by € 23.0 million in 2013 as the Company invested its free funds and proceeds from matured investments abroad (especially in EU countries).

Exposure to Slovenia-based issuers by class of asset

(€)	31.12.2013		31.12.2012	
Type of investment	Amount	As % of total	Amount	As % of total
Deposits and CDs	23,817,544	10.1%	38,560,665	17.9%
Government bonds	41,374,665	17.5%	36,355,226	16.9%
Corporate bonds	17,608,612	7.4%	35,632,381	16.5%
Shares	11,522,028	4.9%	7,740,630	3.6%
Mutual funds	3,433,633	1.5%	2,519,762	1.2%
Loans granted	333	0.0%	999	0.0%
TOTAL	97,756,816	41.3%	120,809,662	56.1%

*The structure is calculated based on the amount of market-risk sensitive investments.

At year-end 2013 the Company's largest exposure by industry is in the category government (31 December 2013: 40.6 %; 31 December 2012: 33.0 %). Increased investment in governments is a result of investments in government bonds of EU, OECD and other countries where Sava Reinsurance Company writes reinsurance business. In 2013, the Company significantly reduced its exposure to the banking sector, principally owing to the unstable situation in the Slovenian banking sector.

Diversification of investments by industry

(€)	31.12.2013		31.12.2012	
Industry	Amount	As % of total	Amount	As % of total
Banking	74,047,188	31.3%	93,697,620	43.5%
Government	95,968,188	40.6%	71,009,130	33.0%
Finance	29,989,859	12.7%	27,260,742	12.7%
Industry	13,686,956	5.8%	10,578,958	4.9%
Consumables	6,488,003	2.7%	3,208,982	1.5%
Utilities	16,412,032	6.9%	9,639,997	4.5%
TOTAL	236,592,225	100.0%	215,395,429	100.0%

Exposure to the ten largest issuers totalled € 95.6 million at 31 December 2013, accounting for 40.4 % of market-risk sensitive investments (31 December 2012: € 92.8 million; 44.9 %). The largest single issuer of securities that Sava Reinsurance Company is exposed to is the Republic of Slovenia. At 31 December 2013 it totalled € 41.4 million (31 December 2012: € 36.4 million), representing 17.5 % of market-risk sensitive investments (31 December 2012: 17.6 %). No other issuer exceeded the 5 % of financial investments threshold.

Exposure to government and corporate bonds issued in Greece, Portugal, Spain, Ireland and Italy was € 0.0 million (31 December 2012: € 1.0 million).

24.5.4. Operational risk

Operational risk includes human capital risk, management control risk, system risk, process risk, legal risk and such like. Sava Reinsurance Company is primarily exposed to risks arising from failed or inadequate processes and internal controls and failures 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 generally arises together with other risks (e.g. underwriting risk, market risk and such like), tending 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 2013 remained on essentially the same level as in 2012.

24.5.5. Implementing systematic risk management

Sava Reinsurance Company continues implementing risk management on a systematic basis, aware of the requirements brought about by the adopted Solvency II Directive, amongst them also risk-based capital calculation. For this reason, Sava Reinsurance Company is monitoring the drafting of implementing acts relating to Solvency II and taking part in quantitative impact studies (QIS2 – QIS5).

24.6. Notes to the financial statements – statement of financial position

1. Intangible assets

Movements in cost and accumulated amortisation of intangible assets

(€)	Software	Other intangible assets	Total
COST			
At 31 Dec 2013	526,786	18,020	544,806
Additions	9,274	873	10,147
Disposals	-58,042	0	-58,042
At 31 Dec 2013	478,018	18,893	496,911
ACCUMULATED AMORTISATION			
At 31 Dec 2013	395,491	0	395,491
Additions	47,099	0	47,099
Disposals	-57,891	0	-57,891
At 31 Dec 2013	384,699	0	384,699
Carrying amount at 1 Jan 2013	**131,295**	**18,020**	**149,315**
Carrying amount at 31 Dec 2013	**93,319**	**18,893**	**112,212**

(€)	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 AMORTISATION			
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**

2. Property and equipment

Movements in cost and accumulated depreciation of property and equipment assets

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
At 31 Dec 2013	141,580	2,244,145	1,221,495	84,291	3,691,511
Additions	0	0	58,980	0	58,980
Disposals	0	0	-106,475	0	-106,475
At 31 Dec 2013	141,580	2,244,145	1,174,000	84,291	3,644,016
ACCUMULATED DEPRECIATION					
At 31 Dec 2013	0	474,499	723,587	39,425	1,237,511
Additions	0	29,175	136,782	1,568	167,525
Disposals	0	0	-102,730	0	-102,730
At 31 Dec 2013	0	503,674	757,639	40,993	1,302,306
Carrying amount at 1 Jan 2013	**141,580**	**1,769,646**	**497,908**	**44,866**	**2,454,000**
Carrying amount at 31 Dec 2013	**141,580**	**1,740,471**	**416,361**	**43,298**	**2,341,711**

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
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 DEPRECIATION					
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	1,237,511
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**

Property and equipment assets have neither been acquired under financial lease arrangements nor have they been pledged.

3. Deferred tax assets and liabilities

(€)	31.12.2013	31.12.2012
Deferred tax assets	1,833,254	1,900,320
Deferred tax liabilities	0	0
TOTAL NET DEFERRED TAX ASSETS/LIABILITIES	1,833,254	1,900,320

(€)	1.1.2013	Recognized in the IS	Recognized in the SCI	31.12.2013
Long-term financial assets	1,923,548	366,420	-458,131	1,831,837
Short-term operating receivables	136,833	19,085	0	155,918
Provisions for jubilee benefits and severance pay (retirement)	27,480	5,715	0	33,195
Other	-187,541	0	-155	-187,696
TOTAL	1,900,320	391,220	-458,286	1,833,254

(€)	1.1.2012	Recognized in the IS	Recognized in the SCI	31.12.2012
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	1,900,320

In 2013 deferred tax assets were not affected by changes in tax rates.

4. Investment property

Movements in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
COST			
At 31 Dec 2013	15,064	179,468	194,532
At 31 Dec 2013	15,064	179,468	194,532
ACCUMULATED DEPRECIATION			
At 31 Dec 2013	0	38,279	38,279
Additions	0	2,333	2,333
At 31 Dec 2013	0	40,612	40,612
Carrying amount at 1 Jan 2013	**15,064**	**141,189**	**156,253**
Carrying amount at 31 Dec 2013	**15,064**	**138,856**	**153,920**

(€)	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**

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 2013 the Company realised income of € 15,805 from investment properties leased out, of which € 15,296 was paid by subsidiaries and associates and € 509 by third parties. In 2012, such income totalled € 16,646 (€ 15,296 from subsidiaries and associates and € 1,350 from other companies). Maintenance costs associated with investment property are either included in rent or charged to the lessees in a proportionate amount. These reimbursed costs amounted to € 5.345 in 2013 (2012: € 5,515).

In accordance with IFRS 13, investment properties are classified to level 3. The fair value of investment property assets was € 130,441 (31 December 2012: € 169,540).

5. Financial investments in subsidiaries and associates

(€)	2013	2012
Financial investments in Group companies	188,929,216	94,854,379
Financial investments in associates	1,011,059	29,082,052
TOTAL	189,940,275	123,936,431

Financial investments in subsidiary and associates are recognised at cost in accordance with IAS 27 "Consolidated and separate financial statements".

Financial investments in Group companies

	1.1.2013		Acquisition/ recapitalisation	Disposal	Impairment loss (-)	31.12.2013	
(€)	Holding	Value	Value	Value	Value	Holding	Value
Zavarovalnica Maribor	48.68%	28,070,993	66,689,792	0	0	100.00%	94,760,785
Zavarovalnica Tilia	100.00%	13,967,082	0	0	0	100.00%	13,967,082
Sava osiguranje	99.99%	13,993,834	0	0	299,034	99.99%	13,694,800
Illyria	100.00%	16,931,717	0	0	599,191	100.00%	16,332,526
Sava osiguruvanje	92.44%	10,278,898	0	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 životno osiguranje	99.99%	5,256,975	774,549	0	562,272	99.99%	5,469,252
Velebit usluge	100.00%	15,016,962	0	0	0	100.00%	15,016,962
TOTAL	-	122,925,373	67,464,341	0	1,460,497	-	188,929,217

	1.1.2012		Acquisition/ recapitalisation	Disposal	Impairment loss (-)	31.12.2012	
(€)	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 životno osiguranje	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	-	94,854,380

In 2013, the Company increased investments in Group companies by € 67.5 million. The most important acquisition completed in 2013 was that of Zavarovalnica Maribor, resulting in 100-percent ownership at 31 December 2013. The Serbian life insurer Sava životno osiguranje was recapitalised by € 0.8 million. In respect of three Group insurers, the Company recognised impairment losses in a total amount of € 1.46 million. There were no changes in the amount of the investments or stake in the other Group companies.

Financial investments in associates

	1.1.2013		31.12.2013	
(€)	Holding	Value	Holding	Value
Moja naložba	20.00%	1,011,059	20.00%	1,011,059
TOTAL		1,011,059		1,011,059

	1.1.2012		31.12.2012	
(€)	Holding	Value	Holding	Value
Zavarovalnica Maribor	48.68%	28,070,993	48.68%	28,070,993
Moja naložba	20.00%	1,011,059	20.00%	1,011,059
TOTAL		29,082,052		29,082,052

Aggregated data from the financial statements of associates are shown in section 24.1 "Basic details".

6. Financial investments

Financial investments

(€)		At fair value through P/L – Non-derivative			
31.12.2013	Held-to-maturity	Designated to this category	Available-for-sale	Loans and receivables	Total
Long-term financial assets	**2,073,728**	**2,060,349**	**173,823,112**	**19,594,591**	**197,551,780**
Shares and other variable income securities and mutual funds	0	0	12,226,503	0	12,226,503
Debt securities and other fixed income securities	2,073,728	2,060,349	158,464,641	0	162,598,718
Shares in investment funds	0	0	3,131,968	0	3,131,968
Other loans granted	0	0	0	5,635,286	5,635,286
Bank deposits	0	0	0	13,959,306	13,959,306
Short-term financial investments	**0**	**10,973,439**	**997,750**	**16,878,238**	**28,849,427**
Held-for-trading shares and interests	0	1,034,589	0	0	1,034,589
Held-for-trading securities or securities with a remaining maturity of less than one year	0	9,938,850	997,750	0	10,936,600
Short-term deposits	0	0	0	16,878,238	16,878,238
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**10,191,017**	**10,191,017**
TOTAL	2,073,728	13,033,788	174,820,862	46,663,847	236,592,225

(€) 31.12.2012	Held-to-maturity	At fair value through P/L Non-derivative Held for trading	Available-for-sale	Loans and receivables	Total
Long-term financial assets	**5,118,283**	**0**	**157,019,599**	**35,549,746**	**197,687,628**
Shares 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

Hierarchical classification of financial investments

(€) 31.12.2013	At fair value through P/L Level 1	 Total	Available-for-sale Level 1	 Level 3	 Total
Long-term financial assets	**2,060,349**	**2,060,349**	**168,666,898**	**5,156,215**	**173,823,113**
Shares and other variable income securities and mutual funds	0	0	7,070,288	5,156,215	12,226,503
Debt securities and other fixed income securities	2,060,349	2,060,349	158,464,642	0	158,464,642
Shares in investment funds	0	0	3,131,968	0	3,131,968
Short-term financial investments	**10,973,439**	**10,973,439**	**997,750**	**0**	**997,750**
Held-for-trading shares and interests	1,034,589	1,034,589	0	0	0
Held-for-trading securities or securities with a remaining maturity of less than one year	**9,938,850**	**9,938,850**	**997,750**	**0**	**997,750**
TOTAL	13,033,788	13,033,788	169,664,648	5,156,215	174,820,863

(€) 31.12.2012	At fair value through P/L Level 1	 Total	Available-for-sale Level 1	 Level 3	 Total
Long-term financial assets	**0**	**0**	**148,609,066**	**8,410,533**	**157,019,599**
Shares and other variable income securities and mutual funds	0	0	3,546,168	5,410,196	8,956,364
Debt securities and other fixed income securities	0	0	142,543,136	3,000,337	145,543,473
Shares in investment funds	0	0	2,519,762	0	2,519,762
Short-term financial investments	**589,037**	**589,037**	**0**	**0**	**0**
Held-for-trading shares and interests	589,037	589,037	0	0	0
TOTAL	589,037	589,037	148,609,066	8,410,533	157,019,599

Change in available for sale investments – level 3

(€) 31.12.2013	Available-for-sale – level 3 Opening balance	 Disposals	 Maturity	 Impairment losses	 Closing balance
Long-term financial assets	**8,410,533**	**-113,656**	**-3,000,337**	**-140,324**	**5,156,216**
Shares and other variable income securities and mutual funds	5,410,196	-113,656	0	-140,324	5,156,216
Debt securities and other fixed income securities	3,000,337	0	-3,000,337	0	0
TOTAL	8,410,533	-113,656	-3,000,337	-140,324	5,156,216

(€) 31.12.2012	Available-for-sale – level 3 Opening balance	 Disposals	 Maturity	 Impairment losses	 Closing balance
Long-term financial assets	**8,864,480**	**0**	**0**	**-453,946**	**8,410,534**
Shares 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

In 2013, there were no reclassifications between levels of financial assets carried out.

Comparison between carrying amounts and fair values of held-to-maturity investments

(€) 31.12.2013	Carrying amount	Fair value
Total held-to-maturity	2,073,728	2,063,149

(€) 31.12.2012	Carrying amount	Fair value
Total held-to-maturity	5,118,283	4,685,480

The fair value of the Group's held-to-maturity bonds is determined on the basis of market prices.

Financial investments in subordinated debt instruments totalled € 2.4 million (2012: € 10.9 million). The share of financial investments of Sava Reinsurance Company invested in subordinated debt instruments declined significantly compared to 2012 primarily due to write-offs and impairment of subordinated bonds of Slovenian banks, accounting to 1 % of total investments of Sava Reinsurance Company at 31 December 2013 (31 December 2012: 5.3 %).

Loans granted to Group companies

(€)	Type of debt instrument	31.12.2013	31.12.2012
Sava osiguranje, Belgrade	loan	1,300,000	1,300,000
Illyria	loan	1,100,000	1,500,000
Sava Montenegro	loan	2,500,000	3,000,000
Velebit osiguranje	subordinated loan	734,953	1,390,000
TOTAL		5.634.953	7.190.000

No securities have been pledged as security.

Additional disclosure to notes 5 and 6 in accordance with IFRS 13 – Description of significant assumptions for the valuation of level 3 assets.

Valuation techniques for all items described below are defined in accounting policies. For investment property, the method is set out in section 24.2.10 "Investment property", for financial investments in subsidiaries and associates in section 24.2.11 "Financial investments in subsidiaries and associates", and for financial investments in section 24.2.12 "Financial investments".

Fair value measurements categorised within level 3	Valuation technique	Significant assumptions	Sensitivity of the valuation model to changes in inputs and the effect on the fair value measurement
Financial investments in subsidiaries and associates	Discounted cash flow method	CAPM, long-term growth rate (g)	In the case of a reduction in the long-term growth rate of 0.5 percentage points (to 3 %) and an increase in discount rate of 1 percentage point (in the models for each of the subsidiaries for which the value is tested by using a model; note: in 2013 the value of ZM was not tested in this way), the value of the equity investment is reduced below the book value of € 1.6 million.
Available for sale financial investments – level 3	NOTE: The only unquoted shares included in financial investments are those from the energy and gaming sector, which is why these two sectors are detailed below.		
Energy sector	The model uses the median value for the price to book value ratio (P/B) and the median value for the enterprise value to EBITA ratio (EV/EBITA) for comparable companies.	Inputs for energy sector companies are based on the last published performance data (2012 annual reports).	
		An increase in the marketability discount from 10 % to 20 %.	All other assumptions being equal, an increase in the marketability discount from 10 % to 20 % would decrease the fair value of the investments by € 425,000.
		A change in prices or valuation of comparable companies and the resulting change in the EV/EBITDA and P/B ratios.	All other assumptions being equal, a decrease/increase in stock markets/prices of 10 % and the resulting decrease/increase in said ratios would decrease/increase fair value of the investments by € 417,000 and € 411,000 respectively.
Gaming sector	The model uses the median value for the price to book value ratio (P/B) and the median value for the enterprise value to EBITA ratio (EV/EBITA) for comparable companies.	Inputs for gaming sector companies are based on the last published performance data (2012 annual report).	
		An increase in the marketability discount from 10 % to 20 %.	All other assumptions being equal, an increase in the marketability discount from 10 % to 20 % would decrease the fair value of the investments by € 78,000.
		A change in prices or valuation of comparable companies and the resulting change in the EV/EBITDA and P/B ratios.	All other assumptions being equal, a decrease/increase in stock markets/prices of 10 % and the resulting decrease/increase in said ratios would decrease/increase fair value of the investments by € 107,000.

7. Reinsurers' share of technical provisions

(€)	31.12.2013	31.12.2012
From unearned premiums	2,588,958	3,064,952
From provisions for claims outstanding	23,754,006	29,028,842
TOTAL	26,342,964	32,093,794

Reinsures' share of unearned premiums decreased in accordance with the decrease in retroceded premiums. The reinsurers' share of claims provisions moves depending on the movement of expected large losses protected by the reinsurance programme; accordingly, in 2013 there were reduced expected losses relating to the 2011 Thai floods covered under a CAT cover, reduced expected losses relating to the floods in North-east Slovenia in 2012 protected under an XL cover, and additionally there was a partial settlement of flood losses. Therefore, the retroceded technical provision shrank considerably in 2013.

8. Receivables

The majority of not-past-due receivables were receivables arising out of reinsurance contracts, invoiced in the fourth quarter of 2013 but falling due only in 2014.

Receivables arising out of reinsurance contracts are not specifically secured. As explained in section 24.5.2.3 "Credit risk", the Company is not exposed to significant risks as regards these receivables. Receivables were tested for impairment. In 2013, an allowance for impairment of € 72,424 was recognised relating to individual receivables arising out of reinsurance business. The impairment loss relating to other receivables totalled € 151,151.

Receivables by type

(€)	31.12.2013			31.12.2012		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables for premiums arising out of reinsurance and co-insurance	59,440,438	-527,782	58,912,657	60,773,365	-682,955	60,090,410
Receivables for shares in claims	3,517,201	-85,282	3,431,919	2,465,098	-35,282	2,429,816
Receivables for commission	467,188	0	467,188	596,442	0	596,442
Receivables arising out of reinsurance and co-insurance business	**63,424,827**	**-613,064**	**62,811,763**	**63,834,905**	**-718,237**	**63,116,668**
Current tax assets	**431,000**	**0**	**431,000**	**1,840,414**	**0**	**1,840,414**
Receivables arising out of investments	64,792	-88	64,704	271,583	-88	271,495
Other short-term receivables	764,614	-238,011	526,603	10,803,397	-86,860	10,716,537
Other receivables	**829,406**	**-238,099**	**591,307**	**11,074,980**	**-86,948**	**10,988,032**
TOTAL	64,685,233	-851,163	63,834,070	76,750,299	-805,185	75,945,114

Receivables dropped significantly in 2013. The main reason is the extraordinary event at the end of 2012 when other short-term receivables increased significantly due to the advance payment to Nova Kreditna Banka Maribor of € 10 million for a stake in Zavarovalnica Maribor.

The table gives a receivables ageing analysis. Amounts are net of any allowances.

Receivables ageing analysis

(€) 31.12.2013	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	46,513,595	5,696,867	6,702,195	58,912,657
Receivables for reinsurers' shares in claims	2,720,276	210,735	500,908	3,431,919
Receivables for commission	**457,823**	**9,365**	**0**	**467,188**
Receivables arising out of reinsurance and co-insurance business	**49,691,693**	**5,916,967**	**7,203,103**	**62,811,763**
Current tax assets	**431,000**	**0**	**0**	**431,000**
Short-term receivables arising out of investments	4,288	25,747	34,669	64,704
Other short-term receivables	117,546	0	409,058	526,604
Other receivables	**121,833**	**25,747**	**443,727**	**591,308**
TOTAL	50,244,526	5,942,714	7,646,830	63,834,070

At 31 December 2013, there were € 10.4 million past due receivables; of these € 0.85 million were impairment losses.

(€) 31.12.2012	Not past due	Past due up to 180 days	Past due 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

At 31 December 2012, there were € 18.6 million past due receivables; of these € 0.8 million were impairment losses. All receivables are current.

Movements in allowances for receivables

(€)	1.1.2013	Additions	Use	31.12.2013
Receivables for premiums arising out of reinsurance assumed	-682,955	-22,424	177,597	-527,781
Receivables for reinsurers' shares in claims	-35,282	-50,000	0	-85,282
Receivables arising out of reinsurance and co-insurance business	**-718,237**	**-72,424**	**177,597**	**-613,063**
Short-term receivables arising out of investments	-88	0	0	-88
Other short-term receivables	-86,860	-151,151	0	-238,011
Other receivables	**-86,948**	**-151,151**	**0**	**-238,099**
TOTAL	-805,185	-223,575	177,597	-851,162

(€)	1.1.2012	Use	31.12.2012
Receivables for premiums arising out of reinsurance assumed	-692,607	9,652	-682,955
Receivables for reinsurers' shares in claims	-35,282	0	-35,282
Receivables arising out of reinsurance and co-insurance business	**-727,889**	**9,652**	**-718,237**
Short-term receivables arising out of investments	-88	0	-88
Other short-term receivables	-86,860	0	-86,860
Other receivables	**-86,948**	**0**	**-86,948**
TOTAL	-814,837	9,652	-805,185

9. Deferred acquisition costs

(€)	31.12.2013	31.12.2012
Deferred commission from inwards reinsurance in Slovenia and abroad	9,012,388	9,728,230

This item comprises exclusively booked commission relating to the next financial year recognised taking into account straight-line amortisation.

All deferred acquisition costs are current.

10. Other assets

Other assets mainly include prepaid subscriptions and insurance premiums.

11. Cash and cash equivalents

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

12. Share capital

Having successfully completed a recapitalisation, the Company's share capital was divided into 17,219,662 shares as at 31 December 2013 (31 December 2012: 9,362,519 shares). 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. The Company's subsidiary Zavarovalnica Maribor held 346,433 POSR shares, accounting for a 2.01 % stake.

As at year-end 2013, the shareholders' register recorded 4,959 shareholders (31 December 2012: 4,946). 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 2013.

13. Capital reserves

After successfully completing the recapitalisation in July 2013, the Company increased capital reserves by € 22.2 million. Expenses directly attributable to the initial public offering of € 0.98 million were deducted from the added amount. Thus at 31 December 2013, capital reserves totalled € 54.2 million.

14. Profit reserves

Reserves provided for by the articles of association totalled € 11.5 million and reached the statutory prescribed amount already in 2006, while legal reserves totalled € 3.5 million in 2009 and also were not strengthened in the year.

Profit reserves

(€)	31.12.2013	31.12.2012	Distributable / 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	800,075	753,026	non-distributable
Catastrophe equalisation reserve	10,000,000	8,314,716	non-distributable
Other profit reserves	73,952,993	68,303,300	distributable
TOTAL	99,741,367	92,359,341	

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 ZZavar, the 2013 gross and net profits would have been lower by € 1.7 million and € 1.4 million, respectively (2012: gross profit would have been lower by € 1.3 million).

The credit risk equalisation reserve remained at the prior-year level, while the catastrophe equalisation reserve (earthquake) grew from € 8.3 million to € 10 million at year-end 2013 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 approving 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 by € 5.6 million in 2013.

15. Treasury shares

As at 31 December 2013, the Company held 210 treasury shares, which constitute a contra-equity account. In 2013, 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-for-sale financial assets.

(€)	2013	2012
As at 1 January	-2,358,606	-9,088,908
Change in fair value	-518,329	6,565,280
Transfer from fair value reserve to the IS due to impairment	-2,238,929	-952,810
Transfer from fair value reserve to the IS due to disposal	5,827,015	2,983,594
Deferred tax	-458,131	-1,865,762
As at 31 December	253,020	-2,358,606

The table shows the net change in the fair value reserve, which is an equity component. The fair value reserve changed significantly in 2013 compared to year-end 2012 due to a favourable movement of exchange rates relating to available-for-sale investments.

17. Net profit/loss for the year and retained earnings

In 2013, the number of treasury shares changed significantly as a result of the recapitalisation that had been carried out. In mid-2013, the number of shares increased by 7,857,143 shares; therefore, the calculation of the weighted number of shares takes into account the annual average calculated on the basis of monthly averages of the number of ordinary shares less the number of treasury shares. The weighted average number of shares outstanding in the financial period was 12,770,109. As the Company does not have potentially dilutive capital instruments, which is why basic earnings per share equal diluted earnings per share.

Basic earnings per share

(€)	31.12.2013	31.12.2012
Net profit/losses for the period	14,764,052	9,604,981
Weighted average number of shares	12,770,109	9,362,309
BASIC EARNINGS/LOSS PER SHARE	1.16	1.03

Diluted earnings per share

(€)	31.12.2013	31.12.2012
Net profit/losses for the period	14,764,052	9,604,981
Weighted average number of shares	12,770,109	9,362,309
DILUTED EARNINGS/LOSSES PER SHARE	1.16	1.03

Statement of distributable profit/loss

(€)	2013	2012
Unallocated profit of the previous year	12,717,998	7,915,508
Net profit/loss for the period	14,764,052	9,604,981
Additions to other reserves under a decision of the management and the supervisory boards	-7,382,026	-4,802,491
DISTRIBUTABLE PROFIT TO BE ALLOCATED BY THE GENERAL MEETING	20,100,024	12,717,998

18. Subordinated liabilities

At the end of 2006 and at the beginning of 2007, Sava Reinsurance Company raised a subordinated loan in the amount of € 32 million, 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. At the end of 2013, the Company made an early repayment of subordinated debt in the total nominal amount of € 8 million, reducing the debt's total nominal value to € 24 million at 31 December 2013.

Subordinated debt

Outstanding debt at effective interest rate as at 31.12.2013	23,466,967
Debt currency	€
Maturity date	27 December 2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

Outstanding debt at effective interest rate as at 31.12.2012	31,244,573
Debt currency	€
Maturity date	27 December 2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

In 2013, the Company paid € 1.4 million in interest on subordinated debt (2012: € 1.4 million) and € 60,702 in withholding tax on interest paid (2012: € 71,125).

19. Technical provisions

Movements in gross technical provisions

(€)	1.1.2013	Additions	Uses	Foreign exchange differences	31.12.2013
Gross unearned premiums	44,050,792	36,072,411	-41,924,556	-372,854	37,825,792
Gross provision for claims	172,250,806	67,299,248	-65,695,137	-3,329,740	170,525,177
Gross provision for bonuses, rebates and cancellations	192,524	259,481	-192,524	0	259,481
Other gross technical provisions	0	12,793	0	0	12,793
TOTAL	216,494,122	103,643,933	-107,812,217	-3,702,594	208,623,243

(€)	1.1.2012	Additions	Uses	31.12.2012
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

The drop in gross unearned premiums (14.1 %) in 2013 was in line with the decrease in gross premiums written (12.2 %) as a result of a smaller volume of business written in international markets and Slovenia. The gross provision for unearned premiums relating to the portfolio of Slovenian cedants, with who the Company has been reducing quota share reinsurance business in recent years, decreased by 9.8 % in 2013 against a 8.4 % drop in gross premiums written. On the international portfolio, gross unearned premiums decreased by 17.6 % against a 14.6 % decrease in gross premiums written.

The gross provision for outstanding claims decreased by 1.0 % in 2013. The gross provision for outstanding claims relating to domestic business decreased by 10.4 %, while the claims provision for foreign-sourced business increased by 6.3 %. With Slovenian cedants, claims provisions shrank both due to a decline in the portfolio and payments made out of claims provisions for the floods in north-east Slovenia in 2012. The rise in the provision for claims outstanding relating to the international portfolio reflects a higher estimated incurred loss ratio for underwriting year 2013 compared to underwriting year 2012, which is due to an increase in the frequency of large losses in 2013, such as the floods in Central Europe (€ 1.8 million) and India (€ 2.1 million), industrial fire losses in the Ukraine (€ 1.8 million) and in China (€ 1.7 million), a power plant loss in Russia (€ 1.4 million) and riots in Bangladesh (€ 2.5 million).

Structure of the claims provision

(€)	31.12.2013	31.12.2012
Net IBNR	64,264,502	50,574,739
- gross provision	62,718,687	57,410,722
- reinsurers' share (–)	1,545,815	-6,835,983
Net RBNS	82,654,203	92,647,225
- gross provision	107,954,024	114,840,084
- reinsurers' share (–)	-25,299,821	-22,192,859
Net provision for expected recourse liabilities	-147,533	0
Gross provision for claims	-147,533	0
Reinsurers' share	0	0
Net provision for outstanding claims	146,771,172	143,221,964
Total gross provision for outstanding claims	170,525,177	172,250,806
Total reinsurers' share (-)	-23,754,005	-29,028,842
IBNR as % of gross provision for outstanding claims	36.8%	33.3%
IBNR as % of net provision for outstanding claims	43.8%	35.3%

The increased share of the IBNR provision compared to previous year's provision is due to the increased share of the estimated provision for outstanding claims for the international portfolio as a result of the increased incidence of large losses in the recent underwriting year, which represents the bulk of the estimated part.

The increase in the provisions for bonuses, rebates and cancellations is due to the favourable claims experience of major policyholders with bonus and rebate arrangements.

Other technical provisions comprise provisions for bonuses, rebates and cancellations, and provisions for unexpired risks.

Due to the relatively benign claims experience in the last three years, there were only two classes of business, with a small premium volume, where the expected combined ratio exceeded 100 %; for these, unearned premiums were established as part of health business for which a provision for unexpired risks of € 12,793 was established.

Calculation of the gross provision for unexpired risks by class of insurance

(€)	31.12.2013		31.12.2012	
	Expected combined ratio	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	85.73%	0	66.70%	0
Health	75.80%	12,793	130.10%	0
Land vehicles casco	133.70%	0	80.50%	0
Railway rolling stock	78.80%	0	93.10%	0
Aircraft hull	78.24%	0	83.30%	0
Ships hull	97.40%	0	84.40%	0
Goods in transit	99.09%	0	97.80%	0
Fire and natural forces	91.33%	0	96.00%	0
Other damage to property	83.55%	0	82.40%	0
Motor liability	79.00%	0	73.60%	0
Aircraft liability	94.55%	0	74.90%	0
Liability for ships	0.89%	0	82.40%	0
General liability	69.09%	0	88.40%	0
Credit insurance	82.81%	0	88.20%	0
Suretyship	42.90%	0	62.50%	0
Miscellaneous financial loss	83.71%	0	39.20%	0
Legal expenses	5.99%	0	6.40%	0
Assistance	110.07%	0	109.40%	0
Life business	68.27%	0	82.00%	0
Unit-linked life	78.10%	0	40.40%	0
TOTAL	85.73%	12,793	86.90%	0

20. Other provisions

In 2012, most Company set aside provisions for unexpended employee leave for the first time, but in 2013 these were reclassified to accrued costs since employees can use unexpended leave of the prior year until 30 June of the following year.

Provisions for severance pay upon retirement and jubilee benefits have been calculated in accordance with the requirements of the revised IAS 19. The Company does not defer recognition of actuarial gains and losses (i.e. the corridor approach) for defined benefit plans; therefore, the main change in this revision is a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions, which are now recognised in equity and not in profit and loss.

Movements in other provisions

(€)	1.1.2013	Interest expense	Cost of service	Pay-outs	Effect of changes in actuarial assumptions	Transfer to accrued costs / deferred income	31.12.2013
Provision for severance pay upon retirement	115,251	4,213	58,334	0	-925	0	176,871
Provision for jubilee benefits	38,999	1,462	4,709	-2,009	0	0	43,161
Provision for unexpended employee leave	170,495	0		0	0	-170,495	0
TOTAL	324,745	5,675	63,043	-2,009	-925	-170,495	220,033

(€)	1.1.2012	Interest expense	Cost of service	Pay-outs	Effect of changes in actuarial assumptions	Transfer to accrued costs / deferred income	31.12.2012
Provision for severance pay upon retirement	103,717	4,627	10,265	0	-3,358	0	115,251
Provision for jubilee benefits	40,013	1,829	1,403	-1,965	-2,281	0	38,999
Provision for unexpended employee leave	0	170,495	0	0	0	0	170,495
TOTAL	143,730	176,951	11,668	-1,965	-5,639	0	324,745

The revised standard requires the disclosure of quantitative information of the sensitivity of provisions for severance pay upon retirement (defined benefit plan) to a reasonably possible change in each significant actuarial assumption. The (principal) assumptions used were: a discount rate of 3.76 %, real income growth 1.51 %, inflation and growth in jubilee benefits 3.01 %, staff turnover up to age 35 – 1.9 %, between ages 35 and 45 – 4.9 %, after age 45 – 2.1 %, mortality tables SLO 2007 (m/f).

Impact on the amount of provision for severance pay upon retirement (€)	31.12.2013	31.12.2012
Reduction in the discount rate of 0.5 % *	2,298	1,598
Increase in the discount rate of 0.5 % *	-2,238	-1,557
Reduction in real income growth of 0.5 %	-11,444	-7,919
Increase in real income growth of 0.5 %	12,469	8,665
Reduction of staff turnover of 10 %	6,214	4,648
Increase in staff turnover of 10 %	-5,916	-4,400
Decrease in mortality of 10 %	857	535
Increase in mortality of 10 %	-892	-610

*Also affects nominal income growth because the inflation assumption is affected by interest rates.

21. Liabilities from operating activities

Liabilities relate to amounts invoiced in the fourth quarter but falling due only in 2014. The major part of the increase in liabilities for claims relates to liabilities to the cedant Best Re for the 2011 Thai flood claims, where loss settlement has been delayed due to insufficient documents submitted by the cedant.

Liabilities from reinsurance and co-insurance business

(€)	Maturity	
31.12.2013	Up to 1 year	Total
Liabilities for reinsurance premiums	2,847,915	2,847,915
Liabilities for shares in reinsurance claims	26,009,818	26,009,818
Other liabilities due from co-insurance and reinsurance	14,075,755	14,075,755
TOTAL	42,933,488	42,933,488

(€)	Maturity	
31.12.2012	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

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.

Other liabilities

(€)	Maturity	
31.12.2013	Up to 1 year	Total
Other short-term liabilities	6,811,590	6,811,590
Accruals and deferrals	2,392,326	2,392,326
TOTAL	9,203,916	9,203,916

(€)	Maturity	
31.12.2012	Up to 1 year	Total
Other short-term liabilities	741,640	741,640
Accruals and deferrals	1,022,282	1,022,282
TOTAL	1,763,922	1,763,922

Change in short-term provisions

(€)	1.1.2013	Additions – repostings	Uses	31.12.2013
Short-term accrued costs	242,065	866,310	-269,514	838,861
- Auditing costs	36,000	61,000	-63,449	33,551
- Accrued labour cost	206,065	452,887	-206,065	452,887
- Deferred reinsurance commission	0	348,863	0	348,863
- Deferred interest income	0	3,560	0	3,560
Other accruals and deferrals	780,217	4,136,241	-3,362,993	1,553,465
- Liabilities for retained deposits	518,425	3,881,510	-3,101,201	1,298,734
- Liabilities for tax on profit	261,792	102,400	-261,792	102,400
- Provision for unexpended employee leave	0	152,331	0	152,331
TOTAL	1,022,282	5,002,551	-3,632,507	2,392,326

(€)	1.1.2012	Additions	Uses	31.12.2012
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

24.7. Notes to the financial statements – income statement

23. Net premiums earned

Net premiums earned

(€) 2013	Gross premiums written	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	8,144,859	-67,805	245,009	-4,120	8,317,943
Health	655,179	0	-49,298	0	605,881
Land vehicles casco	15,556,144	-1,903,297	702,913	-14,655	14,341,106
Railway rolling stock	7,957	0	0	0	7,957
Aircraft hull	419,141	0	111,069	0	530,210
Ships hull	4,424,248	-106,742	-163,329	-7,299	4,146,878
Goods in transit	2,563,263	-224,926	25,237	-111	2,363,462
Fire and natural forces	60,146,958	-8,254,360	2,144,410	-207,766	53,829,242
Other damage to property	18,866,001	-2,749,768	1,836,571	-238,170	17,714,634
Motor liability	14,449,608	-538,552	1,707,303	-258	15,618,102
Aircraft liability	-2,189	-61,002	1,899	-567	-61,860
Liability for ships	289,516	-6,634	-15,225	-461	267,197
General liability	5,326,497	-470,450	-136,650	-3,955	4,715,442
Credit insurance	392,077	0	100,221	0	492,298
Suretyship	181,568	0	27,834	0	209,402
Miscellaneous financial loss	495,024	-403,032	34,245	-16,581	109,656
Legal expenses	0	0	2,873	0	2,873
Assistance	8,452	0	1,102	0	9,554
Life business	1,833,362	-186,610	-357,286	17,949	1,307,415
Unit-linked life	373,864	-225,241	6,102	0	154,725
Total non-life	131,924,303	-14,786,568	6,576,184	-493,943	123,219,977
Total life	2,207,226	-411,851	-351,184	17,949	1,462,140
TOTAL	134,131,528	-15,198,418	6,225,000	-475,994	124,682,116

2012 (€)	Gross premiums written	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	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

The above table shows net (re)insurance premiums earned by class of insurance. Net (re)insurance premiums earned are affected by the change in net unearned premiums, which in 2013 resulted in an increase of € 5.7 million, while in 2012 net unearned premiums caused a decrease of € 3.6 million.

24. Income and expenses relating to investments in subsidiaries and associates

In 2013 the Company received dividends from its subsidiaries amounting to € 14.6 million. Impairment losses of investments in subsidiaries were recognised in a total amount of € 1.5 million in 2013. Impairment losses were recognised based on a model for testing the recoverable amount of investments in subsidiaries.

25. Investment income and expenses

Investment income, expenses and net investment income by IFRS categories

Income from financial assets and liabilities

2013 (€)	Held-to-maturity	At fair value through P/L – Non-derivative – Designated as at fair value through P/L	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	17,177	349,667	0	0	0	366,844
Interest income	150,585	17,466	4,005,830	1,506,754	0	0	5,680,636
Change in fair value and foreign exchange differences	0	0	1,735,235	153,252	0	0	1,888,486
Other financial income	0	0	9,138	0	0	0	9,138
Gains on disposal of investments	0	253,417	838,360	0	0	1,595,852	2,687,629
TOTAL	150,585	288,060	6,938,230	1,660,006	0	1,595,852	10,632,733

Expenses for financial assets and liabilities

2013 (€)	Held-to-maturity	At fair value through P/L – Non-derivative – Designated to this category	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
Interest expenses	0	0	0	3,205	0	1,253,245	1,256,450
Other financial expenses	0	897	73,127	0	0	0	74,024
Impairment losses on financial assets and liabilities	0	0	2,238,929	0	0	0	2,238,929
Change in fair value and foreign exchange differences	0	0	2,790,350	218,994	0	0	3,009,344
Losses on disposal of investments	0	211,666	9,072,377	0	0	0	9,284,043
TOTAL	0	212,563	14,174,783	222,199	0	1,253,245	15,862,790

Net investment income

2013 (€)	Held-to-maturity	At fair value through P/L – Non-derivative – Held for trading	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	17,177	349,667	0	0	0	366,844
Interest income/expense	150,585	17,466	4,005,830	1,503,549	0	-1,253,245	4,424,185
Change in fair value and foreign exchange differences	0	0	-1,055,115	-65,742	0	0	-1,120,857
Impairment losses on financial assets and liabilities	0	0	-2,238,929	0	0	0	-2,238,929
Other financial income/ expenses	0	-897	-63,989	0	0	0	-64,886
Gains/losses on disposal of investments	0	41,751	-8,234,017	0	0	1,595,852	-6,596,414
TOTAL	150,585	75,497	-7,236,553	1,437,807	0	342,607	-5,230,057

Income from financial assets and liabilities

(€)		At fair value through P/L					
		Non-derivative					
2012	Held-to-maturity	Held for trading	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	4,143	261,199	0	0	0	265,342
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	10,400,061

Expenses for financial assets and liabilities

(€)		At fair value through P/L					
		Non-derivative					
2012	Held-to-maturity	Held for trading	Available-for-sale	Loans and receivables	Other	Subordinated 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 losses on financial assets and liabilities	0	0	952,810	0	0	0	952,810
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	4,690,519	188,662	2,333	1,446,253	6,741,010

Net investment income

(€)		At fair value through P/L					
		Non-derivative					
2012	Held-to-maturity	Held for trading	Available-for-sale	Loans and receivables	Other	Subordinated liabilities	Total
Dividend income	0	4,143	261,199	0	0	0	265,342
Interest income/expense	312,169	0	5,073,400	2,272,749	0	-1,446,253	6,212,065
Change in fair value and foreign exchange differences	0	0	-843,652	16,367	0	0	-827,285
Impairment losses on financial assets and liabilities	0	0	-952,810	0	0	0	-952,810
Other financial income/ expenses	0	-653	-51,155	-1,648	14,313	0	-39,143
Gains/losses on disposal of investments	-394,105	-17,521	-587,492	0	0	0	-999,118
TOTAL	-81,936	-14,031	2,899,490	2,287,468	14,313	-1,446,253	3,659,051

Investment income in 2013 totalled € 10.6 million, an increase of € 0.2 million over 2012.

2013 investment expenses amounted to € 15.9 million, up € 9.2 million from 2012. The increase in expenses was mainly due to the cancellation of subordinated bonds of Slovenian banks.

There was no interest income from impaired investments in 2013.

Income from level 3 investments totalled € 66,115.09 in 2013 (2012: € 197,474), while expenses amounted to € 140,324 (2012: € 453,946).

Investment income and expenses by source of funds

The Company records investment income and expenses separately 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 – non-life business

	Liability fund	Liability fund
(€)	2013	2012
Dividend income	209,966	172,977
Interest income	4,845,664	6,209,404
Change in fair value and foreign exchange differences	1,888,487	792,356
Other financial income	5,897	5,140
Gains on disposal of investments	988,610	1,127,995
Total investment income – liability fund	7,938,624	8,307,872
	Capital fund	Capital fund
	2013	2012
Dividend income	156,878	92,365
Interest income	834,972	1,451,163
Other income	3,240	19,779
Gains on disposal of investments	1,699,020	528,882
Total investment income - capital fund	2,694,110	2,092,189
TOTAL INVESTMENT INCOME	10,632,733	10,400,061

Investment expenses – non-life business

	Liability fund	Liability fund
(€)	2013	2012
Interest expenses	3,205	871
Other financial expenses	50,849	48,261
Change in fair value and foreign exchange differences	3,009,344	1,619,641
Impairment losses on financial assets and liabilities	1,887,400	537,567
Losses on disposal of investments	9,227,686	2,097,597
Total investment expenses – liability fund	14,178,484	4,303,937
	Capital fund	Capital fund
	2013	2012
Interest expenses	1,253,245	1,447,631
Other financial expenses	23,175	15,801
Impairment losses on financial assets and liabilities	351,529	415,243
Losses on disposal of investments	56,357	558,398
Total investment expenses – capital fund	1,684,305	2,437,072
TOTAL INVESTMENT EXPENSES	15,862,790	6,741,010
NET INVESTMENT INCOME	-5,230,057	3,659,051

Impairment losses on investments

Impairment losses on investments were mainly related to the impairment of subordinated bonds in the amount of € 1.7 million. Impairment losses were recognised because of the poor results of capital adequacy tests carried out in December 2013 by the Bank of Slovenia.

(€)	31.12.2013	31.12.2012
Bonds	1,696,059	0
Shares	542,870	952,810
TOTAL	2,238,929	952,810

26. Other technical income

This item includes reinsurance commission income.

Commission income, net of deferred acquisition costs attributable to reinsurers

(€)	2013	2012
Personal accident	26,688	30,228
Land vehicles casco	22,032	6,767
Ships hull	2,590	3,304
Goods in transit	17,543	20,426
Fire and natural forces	915,533	1,190,314
Other damage to property	317,649	781,608
Motor liability	80	6,894
Aircraft liability	9,790	6,091
Liability for ships	417	267
General liability	30,641	58,319
Miscellaneous financial loss	32,460	74,236
Life business	41,379	55,028
Unit-linked life	21,390	17,494
Total non-life	1,375,423	2,178,453
Total life	62,769	72,522
TOTAL	1,438,192	2,250,975

In addition to reinsurance commission, this item also includes diverse other technical income of € 1.5 million (2012: € 2.3 million), resulting in total other technical income of € 3.0 million (2012: € 4.6 million).

27. Other income and expenses

In 2013 other income included income from releases from provisions for jubilee benefits and severance pay upon retirement, provisions for unexpended employee leave and income from holiday facilities.

Other expenses comprise expenses that cannot be classified as technical expenses. Their amount was small in 2013.

28. Net claims incurred

Net claims incurred

(€)	Gross amount				Change in the provision for outstanding claims for the reinsurance and co-insurance part (+/–)	
2013	Claims	Recourse receivables	Reinsurers' share (–)	Change in gross claims provision (+/-)		Net claims incurred
Personal accident	4,034,557	0	-5,699	725,785	10,072	4,764,714
Health	700,498	0	0	-29,203	0	671,296
Land vehicles casco	10,903,777	-234,290	-80,135	-717,718	50,779	9,922,413
Railway rolling stock	2,712	0	0	-10,214	0	-7,502
Aircraft hull	470,120	0	-97	147,264	-19,298	597,989
Ships hull	2,655,217	0	-4,422	1,304,765	-1,287	3,954,273
Goods in transit	1,473,328	-12,507	-2,420	-224,188	1,231	1,235,444
Fire and natural forces	38,170,933	-9,002	-4,170,823	-3,830,227	2,619,901	32,780,782
Other damage to property	11,046,045	-8,083	-1,687,628	-2,231,094	3,292,522	10,411,762
Motor liability	8,857,173	-369,616	-241,605	2,397,234	-404,924	10,238,261
Aircraft liability	20,660	0	-4,306	-198,978	-10,485	-193,109
Liability for ships	8,438	0	-255	-95,865	8,207	-79,476
General liability	1,638,883	-791	-13,080	166,647	113,002	1,904,661
Credit insurance	898,801	-543,195	0	-133,624	0	221,981
Suretyship	151,946	-1,787	0	-29,934	0	120,225
Miscellaneous financial loss	180,524	0	-58,905	560,551	-235,043	447,127
Assistance	17,242	0	0	-10,124	0	7,118
Life business	335,877	0	-127,048	166,239	76,299	451,366
Unit-linked life	138,034	0	-96,624	317,054	-226,138	132,327
Total non-life	81,230,852	-1,179,272	-6,269,375	-2,208,921	5,424,676	76,997,960
Total life	473,911	0	-223,672	483,293	-149,839	583,693
TOTAL	81,704,764	-1,179,272	-6,493,047	-1,725,628	5,274,837	77,581,652

(€) 2012	Gross amount Claims	Recourse receivables	Reinsurers' share (–)	Change in gross claims provision (+/-)	Change in the 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
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

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 3 % compared to 2012. Reinsurers' shares in claims increased by 47 % and the change in the provision for outstanding claims rose by 3.5 million, which also had a significant impact on the amount of net claims incurred, which dropped by 13 % compared to 2012.

29. Change in other technical provisions and expenses for bonuses and rebates

In 2013 other net technical provisions increased by € 12,793 (2012: decreased by € 384,357). The figures for both years relate to changes in the net provision for unexpired risks.

In 2013, the change in the provision for bonuses and rebates was an increase of € 66,957 (in 2012: a decrease of € 22,698).

30. Operating expenses

The Company classifies operating expenses by nature. Compared to 2012, operating expenses decreased primarily due to lower acquisition costs. Labour costs increased slightly mainly as a result of an increase in the number of employees.

Breakdown of operating expenses

(€)	2013	2012
Acquisition costs (commissions)	**31,383,318**	**35,432,457**
Change in deferred acquisition costs	**1,190,532**	**-436,710**
Depreciation of operating assets	**214,624**	**211,664**
Labour costs	**5,216,387**	**5,140,555**
Salaries and wages	4,114,115	4,051,936
Social and pension insurance costs	690,672	681,300
Other labour costs	411,600	407,319
Costs under contracts for services, incl. contributions	**162,987**	**101,017**
Other operating expenses	**2,152,025**	**2,224,283**
TOTAL	40,319,873	42,673,266

Other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), increased in relation to gross premiums written and represented 5.8 % of gross premiums written (2012: 5 %).

Audit costs

(€)	2013	2012
Audit of annual report	61,000	60,255
Other assurance services	0	4,080
Tax consulting	10,094	0
Other non-audit services	87,371	0
TOTAL	158,465	64,335

The cost of auditing the annual report includes audit costs for both Sava Reinsurance Company and the consolidated annual report of the Sava Re Group for 2013.

Acquisition costs

(€)	2013	2012
Personal accident	2,114,546	2,668,467
Health	113,200	119,858
Land vehicles casco	3,357,661	3,909,180
Aircraft hull	50,561	49,438
Ships hull	782,134	658,063
Goods in transit	568,195	741,807
Fire and natural forces	14,173,477	16,871,426
Other damage to property	5,474,834	4,660,299
Motor liability	2,922,421	4,501,561
Aircraft liability	2,994	20,217
Liability for ships	64,255	43,888
General liability	1,056,984	566,743
Credit insurance	87,215	-4,829
Suretyship	65,827	232,216
Miscellaneous financial loss	128,402	138,545
Legal expenses	-26	2,240
Assistance	2,942	7,367
Life business	380,629	212,261
Unit-linked life	37,069	33,710
Total non-life	**30,965,619**	**35,186,486**
Total life	**417,699**	**245,971**
TOTAL	31,383,318	35,432,457

Change in deferred acquisition costs

(€)	2013	2012
Personal accident	110,756	-22,596
Health	-11,339	1,018
Land vehicles casco	114,386	242,050
Aircraft hull	1,661	-15,762
Ships hull	-39,195	-76,456
Goods in transit	36,594	-60,272
Fire and natural forces	286,521	-618,702
Other damage to property	350,395	158,500
Motor liability	401,548	-109,920
Aircraft liability	295	-1,232
Liability for ships	-5,811	794
General liability	-27,658	-2,387
Credit insurance	15,776	79,568
Suretyship	12,010	-15,141
Miscellaneous financial loss	9,955	3,299
Legal expenses	692	41
Assistance	-299	1,111
Life business	-67,502	549
Unit-linked life	1,747	-1,172
Total non-life	1,256,287	-436,087
Total life	-65,755	-623
TOTAL	1,190,532	-436,710

31. Other technical expenses

Other technical expenses comprise fees payable to the Insurance Supervision Agency and the Slovenian Insurance Association and other technical expenses relating to non-life business.

32. Income tax expense

Tax rate reconciliation

(€)	2013	2012
Profit/loss before tax	15,173,006	11,204,259
Income tax expenses at statutory tax rate	2,579,411	2,016,767
Tax effect of income that is deducted for tax purposes	-2,472,130	-982,806
Tax effect of expenses not deducted for tax purposes	711,869	284,611
Income from or expenses for tax relief	-18,975	-17,484
Changes in temporary differences	-391,221	298,190
TOTAL INCOME TAX EXPENSE IN THE INCOME STATEMENT	408,954	1,599,278
Effective tax rate	2.70%	14.27%

24.8. Notes to the financial statements – cash flow statement

33. Notes to the cash flow statement prepared using the indirect method

The cash flow statement shown in section 23.4 has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

The table below presents income statement items not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

(€)	2013	2012
Net profit/loss for the period	14,764,052	9,945,235
Non-cash items of the income statement not included in the cash flow statement	10,634,849	18,875,509
- Change in unearned premiums	-5,749,006	3,555,785
- Change in the provision for outstanding claims	3,549,208	14,976,317
- Change in other technical provisions	12,793	-384,357
- Operating expenses – amortisation/depreciation and change in deferred acquisition cost	1,405,156	-225,046
- Revaluation of financial assets	11,416,698	952,810
Eliminated investment income items	-20,707,204	-12,165,989
- Interest received disclosed under B. a.) 1.	-5,680,636	-7,660,567
- Receipts from dividends and shares in profit of others disclosed under B. a.) 2.	-15,026,568	-4,505,422
Eliminated investment expense items	1,256,450	1,448,502
- Interest paid disclosed under C. b.) 1.	1,256,450	1,448,502
CASH FLOWS FROM OPERATING ACTIVITIES – INCOME STATEMENT ITEMS	5.948.147	18.103.257

24.9. 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 estimated contingent liability in this regard is € 0.5 million.

24.10. 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 enterprises

The Group's largest shareholder is the Slovenian Restitution Fund, holding 25 % plus one share.

Business relationship with the largest shareholder

On 11 December 2012, Sava Reinsurance Company and the Slovenian Restitution Fund (SRF) signed a share purchase agreement with Nova kreditna banka Maribor (NKBM) for the acquisition of 50.9 % of Zavarovalnica Maribor (ZM).

Based on this contract, an advance payment of € 10,000,000 was made at the end of 2012.

On 10 December 2012 Sava Reinsurance Company and the SRF signed the agreement on the rights associated with ZM shares ("the Sava Reinsurance Company and SRF contract"), with which the 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 contract concluded between Sava Reinsurance Company and the SRF entered into force; consideration for one call option is € 10.24 (i.e. the same as the price per ZM share under the purchase contract) plus 10 % annual interest rate from the day of execution under the purchase contract until the day of payment of exercised call option less ZM dividends with interest received in the intermediary period.

Pursuant to the agreement on rights associated with ZM shares concluded with the SRF, Sava Reinsurance Company exercised its call option in the process of its recapitalisation completed in July 2013. Consideration for one put option was € 10.24, the same as the price per ZM share under the purchase contract, plus 9 % annual interest rate from the day of execution under the purchase contract 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

Remuneration of management and supervisory board members, and of employees not subject to the tariff section of the collective agreement

(€)	2013	2012
Management board	663,544	722,962
Payments to employees not subject to the tariff section of the collective agreement	1,965,812	1,946,583
Supervisory board	120,904	106,621
Audit committee and nomination committee	19,277	16,377
TOTAL	2,769,539	2,792,544

Remuneration paid to management board members in 2013

(€)	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	160,144	31,872	6,259	3,770	202,045
Srečko Čebron	144,184	21,510	5,241	1,674	172,608
Jošt Dolničar	144,184	21,510	5,195	4,168	175,057
Mateja Treven	88,779	21,510	3,545	0	113,834
TOTAL	537,290	96,402	20,240	9,612	663,544

Liabilities to management board members

(€)	31.12.2013	31.12.2012
Zvonko Ivanušič	6,427	6,094
Srečko Čebron	6,019	5,799
Jošt Dolničar	5,483	5,446
Mateja Treven	0	5,662
TOTAL	17,930	23,000

Remuneration paid to management board members in 2012

(€)	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	159,882	31,872	6,245	4,731	202,730
Srečko Čebron	144,163	21,510	5,588	1,564	172,826
Jošt Dolničar	144,163	21,510	5,211	5,128	176,012
Mateja Treven	144,896	21,312	5,186	0	171,394
TOTAL	539,104	96,204	22,230	11,423	722,962

At 31 December 2013, 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 audit committee in 2013

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	4,510	19,500	3,503	27,513
Mateja Lovšin Herič	deputy chair of the SB	4,235	14,300	0	18,535
Slaven Mićković	member of the SB	4,510	13,000	30	17,540
Martin Albreht	member of the SB	3,960	13,000	0	16,960
Gorazd Andrej Kunstek	member of the SB (since 23.1.2013)	4,235	12,231	0	16,466
Keith William Morris	member of the SB (since 15.7.2013)	1,650	6,011	5,771	13,432
Gregor Hudobivnik	member of the SB (until 14.7.2013)	2,640	6,989	30	9,659
Samo Selan	member of the SB (until 15.1.2013)	275	524	0	799
TOTAL SUPERVISORY BOARD MEMBERS		26,015	85,555	9,334	120,904
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,760	4,875	0	6,635
Slaven Mićković	member of the AC	1,760	3,250	0	5,010
Ignac Dolenšek	AC member (since 22.7.2013)	0	3,263	73	3,335
Blanka Vezjak	AC member (until 21.7.2013)	0	2,625	352	2,977
TOTAL AUDIT COMMITTEE MEMBERS		3,520	14,012	425	17,957
Nomination committee members					
Mateja Lovšin Herič	member	440	0	0	440
Branko Tomažič	member	440	0	0	440
Vesna Razpotnik	member	440	0	0	440
TOTAL – NOMINATION COMMITTEE MEMBERS		1,320	0	0	1,320

Remuneration paid to members of the supervisory board and the audit committee in 2012

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	3,245	19,500	2,146	24,892
Mateja Lovšin Herič	deputy chair of the SB	2,695	14,300	30	17,025
Slaven Mićković	member of the SB	3,245	13,000	0	16,245
Gregor Hudobivnik	member of the SB	2,970	13,000	0	15,970
Samo Selan	member of the SB	3,520	13,000	0	16,520
Martin Albreht	member of the SB	2,970	13,000	0	15,970
TOTAL SUPERVISORY BOARD MEMBERS		18,645	85,800	2,176	106,621
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,320	4,875	0	6,195
Slaven Mićković	member of the AC	1,320	3,250	0	4,570
Blanka Vezjak	member of the AC	5,025		587	5,612
TOTAL AUDIT COMMITTEE MEMBERS		7,665	8,125	587	16,377

As at 31 December 2013, the Company had liabilities to the members of the supervisory board and audit committee of € 7,284 (31 December 2012: € 8,658).

(€)	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	1,700,619	169,859	95,335	1,965,812

Subsidiary companies

Investments in and amounts due from Group companies

(€)		31.12.2013	31.12.2012
Debt securities and loans granted to Group companies	gross	5,634,953	7,190,000
	allowance	0	0
	net	5,634,953	7,190,000
Receivables for premiums arising out of reinsurance assumed	gross	15,862,222	9,349,100
	allowance	0	0
	net	15,862,222	9,349,100
Short-term receivables arising out of investments	gross	34,070	256,494
	allowance	0	0
	net	34,070	256,494
Other short-term receivables	gross	1,359	2,396
	allowance	0	0
	net	1,359	2,396
Short-term deferred acquisition costs	gross	4,518,719	1,810,591
	allowance	0	0
	net	4,518,719	1,810,591
TOTAL		26,051,323	18,608,581

Liabilities to Group companies

Liabilities to Group companies

(€)	31.12.2013	31.12.2012
Liabilities for shares in reinsurance claims due to Group companies	10,041,333	2,409,388
Other liabilities due from co-insurance and reinsurance	3,274,481	1,559,107
Other short-term liabilities	6,070	1,662
TOTAL (EXCL. PROVISIONS)	13,321,883	3,970,157

Liabilities to Group companies by maturity

(€)	Maturity	
31.12.2013	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	10,041,333	10,041,333
Other short-term liabilities to Group companies	3,274,481	3,274,481
Other short-term liabilities	6,070	6,070
TOTAL (EXCL. PROVISIONS)	13,321,883	13,321,883

(€)	Maturity	
31.12.2012	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

Income and expenses relating to Group companies

(€)	2013	2012
Gross premiums written	37,266,599	20,708,777
Gross claims paid	-25,639,614	-9,366,465
Income from gross recourse receivables	981,939	408,115
Other operating expenses	-97,619	-80,697
Dividend income	14,659,724	2,300,139
Other investment income	15,296	15,296
Interest income	320,523	396,057
Acquisition costs	-8,787,322	-5,076,835
Other non-life income	79,893	152,634
TOTAL	18,799,420	9,457,021

Associate companies

Investments in and amounts due from associates

(€)		31.12.2013	31.12.2012
Debt securities and loans granted to associates	gross	0	0
	allowance	0	0
	net	0	0
Receivables for premiums arising out of reinsurance assumed	gross	0	9,765,715
	allowance	0	0
	net	0	9,765,715
TOTAL		0	9,765,715

Liabilities to associates

(€)	31.12.2013	31.12.2012
Liabilities for shares in reinsurance claims	0	8,981,556
Other short-term liabilities	0	2,518,631
TOTAL	0	11,500,187

Income and expenses relating to associates

(€)	2013	2012
Gross premiums written	19,781,346	40,902,101
Gross claims paid	-8,065,244	-23,641,249
Income from gross recourse receivables	165,326	862,687
Income from dividends	2,256,962	1,939,941
Interest income	0	83,904
Gains on disposal of securities	0	19,130
Acquisition costs	-3,054,894	-9,012,542
Additional pension insurance premium	65,574	-64,902
TOTAL	11,149,071	11,089,070

Receivables due from the state and majority state-owned companies

(€)	31.12.2013	31.12.2012
Interests in companies	6,081,823	5,925,163
Debt securities and loans	44,809,389	54,692,991
TOTAL	50,891,212	60,618,154

Income and expenses relating to majority state-owned companies

(€)	2013	2012
Dividend income	221,477	173,858
Interest income	2,114,585	2,434,252
TOTAL	2,336,062	2,608,110

Characteristics of debt instruments of associate and subsidiary companies

Borrower	Principal	Maturity	Interest rate range
Sava osiguranje, Belgrade	1,300,000	2014 and 2015	4 %–4.5%
Sava Montenegro	2,500,000	2015	3.75%
Velebit osiguranje	734,953	no maturity	7.00%
Illyria	1,100,000	2014	4.00%

25. Significant Events After the Reporting Date

Upon completion of the review in February 2014, AM Best announced that it affirmed Sava Reinsurance Company's A– rating with a stable outlook, as the Company's capitalisation remained at a high level.

In February 2014, Sava Reinsurance acquired the company Illyria Hospital from its subsidiary Illyria at a price of € 1.8 million, gaining 100 % direct ownership of the company.

On 3 February 2014, Sava Reinsurance Company jointly with certain other insurance companies filed a complaint in the Administrative Court against the Bank of Slovenia, challenging the bank's decision on emergency measures leading to the expropriation of shareholders and subordinated bondholders of certain banks. The amount challenged by Sava Reinsurance Company totalled € 8,338,000. The Administrative Court has yet to hear the case; however, the Bank of Slovenia, the defendant, filed an objection to the action and to the proposal for initiating proceedings for a constitutional review filed by certain other pension and insurance companies in response to the decisions on emergency measures.

On 21 March 2014 Sava Reinsurance Company convened an extraordinary general meeting in order to obtain authorisation to establish a fund for treasury shares.

5 APPENDICES

Appendix A - Financial statements of Sava Reinsurance Company pursuant to requirements of the Insurance Supervision Agency

Statement of financial position – assets

(€)				31.12.2013	31.12.2012	Index
ASSETS (A–F)				530,636,968	463,035,873	114.6
A.	INTANGIBLE ASSETS, DEFERRED COSTS AND ACCRUED INCOME			112,213	149,315	75.2
	1.	Intangible assets		93,320	131,295	71.1
	4.	Other long-term deferred expenses and accrued income		18,893	18,020	104.9
B.	LAND AND BUILDINGS AND FINANCIAL INVESTMENTS			454,911,436	373,493,134	121.8
I.	LAND AND BUILDINGS			2,035,972	2,067,480	98.5
	a.)	directly used in insurance activities		1,882,052	1,911,227	98.5
		1.	Land directly used in insurance activities	141,580	141,580	100.0
		2.	Buildings directly used in insurance activities	1,740,472	1,769,647	98.4
	b.)	Land and buildings not directly used in insurance activities		153,920	156,253	98.5
		1.	Land	15,065	15,065	100.0
		2.	Buildings	138,856	141,188	98.4
II.	FINANCIAL INVESTMENTS IN GROUP COMPANIES AND IN ASSOCIATES			195,575,228	131,126,431	149.2
	1.	Shares and participating interests in Group companies		188,929,216	94,854,379	199.2
	2.	Debt securities and loans granted to Group companies		5,634,953	7,190,000	78.4
	3.	Shares and interests in associates		1,011,059	29,082,052	3.5
III.	OTHER FINANCIAL INVESTMENTS			220,766,256	199,189,246	110.8
	1.	Long-term financial assets		191,916,829	190,497,628	100.7
		1.1.	Shares and other variable income securities and mutual funds	15,358,471	11,476,126	133.8
		1.2.	Debt securities and other fixed income securities	162,598,719	147,661,419	110.1
		1.5.	Other loans granted	333	999	33.4
		1.6.	Bank deposits	13,959,306	31,359,084	44.5
	2.	Short-term financial investments		28,849,427	8,691,618	331.9
		2.1.	Held-for-trading shares and interests	1,034,589	589,038	175.6
		2.2.	Held-for-trading securities or securities with a remaining maturity of less than one year	10,936,600	0	-
		2.4.	Short-term deposits with banks	16,878,238	8,102,580	208.3
IV.	FINANCIAL INVESTMENTS OF REINSURERS I.R.O. REINSURANCE CONTRACTS WITH CEDANTS			10,191,017	9,016,183	113.0
VI.	TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS AND CO-INSURERS (separate item for co-insurance)			26,342,964	32,093,794	82.1
		a.	From unearned premiums	2,588,958	3,064,952	84.5
		c.	From provisions for claims outstanding	23,754,005	29,028,842	81.8

(€)				31.12.2013	31.12.2012	Index
D.	RECEIVABLES			65,667,323	77,845,434	84.4
II.	RECEIVABLES ARISING OUT OF CO-INSURANCE AND REINSURANCE BUSINESS			62,811,763	63,116,668	99.5
	2.	Receivables for premiums arising out of reinsurance assumed		58,912,657	60,090,410	98.0
		2.1	Receivables due from Group companies	15,862,222	9,349,100	169.7
		2.2	Receivables due from associates	0	9,765,715	0.0
		2.3	Receivables due from others	43,050,434	40,975,595	105.1
	4.	Receivables for reinsurers' shares in claims		3,431,919	2,429,816	141.2
		4.3	Receivables due from others	3,431,919	2,429,816	141.2
	5.	Other receivables from co-insurance and reinsurance		467,188	596,442	78.3
		5.3	Receivables due from others	467,188	596,442	78.3
III.	OTHER RECEIVABLES AND DEFERRED TAX ASSETS			2,855,560	14,728,766	19.4
	3.	Short-term receivables arising out of investments		98,774	271,495	36.4
		3.1	Receivables due from Group companies	34,070	256,494	13.3
		3.3	Receivables due from others	64,704	15,001	431.3
	4.	Other short-term receivables		469,794	10,716,537	4.4
		4.1	Receivables due from Group companies	1,359	2,396	56.7
		4.3	Receivables due from others	468,435	10,714,141	4.4
	6.	Tax assets (income tax)		431,000	1,840,414	23.4
	7.	Deferred tax assets		1,833,253	1,900,320	96.5
E.	SUNDRY ASSETS			587,923	1,555,446	37.8
I.	PROPERTY AND EQUIPMENT OTHER THAN LAND AND BUILDINGS			459,659	542,774	84.7
	1.	Equipment		416,361	497,908	83.6
	2.	Other property and equipment		43,298	44,866	96.5
II.	CASH AND CASH EQUIVALENTS			128,264	1,012,672	12.7
F.	SHORT-TERM ACCRUED INCOME AND DEFERRED EXPENSES			9,358,072	9,992,543	93.7
	2.	Short-term deferred acquisition costs		9,012,388	9,728,230	92.6
		2.1	Short-term deferred costs due to Group companies	5,720,558	1,810,591	316.0
		2.2	Short-term deferred costs due to associates	0	3,107,058	0.0
		2.3	Short-term deferred costs due to others	3,291,830	4,810,581	68.4
	3.	Other short-term accrued income and deferred expenses		345,684	264,313	130.8
H.	OFF BALANCE SHEET ITEMS			10,689,763	4,425,897	241.5

Statement of financial position – liabilities

(€)			31.12.2013	31.12.2012	Index
EQUITY AND LIABILITIES (A–H)			530,636,968	463,035,873	114.6
A.	EQUITY		246,188,770	174,789,811	140.9
I.	CALLED-UP CAPITAL		71,856,376	39,069,099	183.9
	1.	Share capital	71,856,376	39,069,099	183.9
II.	CAPITAL RESERVES		54,239,757	33,003,753	164.3
III.	PROFIT RESERVES		99,739,593	92,357,567	108.0
	2.	Legal reserves and reserves provided for in the Articles 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	800,075	753,026	106.3
	6.	Catastrophe equalisation reserve	10,000,000	8,314,716	120.3
	7.	Other profit reserves	73,952,993	68,303,300	108.3
IV.	FAIR VALUE RESERVE		253,019	-2,358,606	-10.7
	2.	Fair value reserve relating to long-term financial investments	252,251	-2,358,606	-10.7
V.	RETAINED EARNINGS		12,717,998	7,915,508	160.7
VI.	NET PROFIT/LOSS FOR THE YEAR		7,382,026	4,802,490	153.7
B.	SUBORDINATED LIABILITIES		23,466,967	31,244,573	75.1

				2013	2012	Index
C.	GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUMS EARNED			208,623,243	216,494,122	96.4
I.	GROSS UNEARNED PREMIUMS			37,825,792	44,050,792	85.9
III.	GROSS PROVISION FOR OUTSTANDING CLAIMS			170,525,177	172,250,806	99.0
IV.	GROSS PROVISION FOR BONUSES AND REBATES			259,481	192,524	134.8
V.	OTHER GROSS TECHNICAL PROVISIONS			12,793	0	-
E.	PROVISIONS FOR OTHER RISKS AND CHARGES			220,033	324,745	67.8
	1.	Provisions for pensions		220,033	154,250	142.7
	2.	Other provisions		0	170,495	
		2.3	Other provisions from relations with other companies	0	170,495	
G.	OTHER LIABILITIES			49,745,629	39,160,340	127.0
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE BUSINESS			42,933,488	38,418,488	111.8
	2.	Liabilities for reinsurance premiums		2,847,915	3,658,756	77.8
		2.3	Liabilities due to other companies	2,847,915	3,658,756	77.8
	4.	Liabilities for shares in reinsurance claims		26,009,818	20,988,556	123.9
		4.1	Liabilities to Group companies	10,041,333	2,409,388	416.8
		4.2	Liabilities to associates	0	8,981,556	
		4.3	Liabilities due to other companies	15,968,486	9,597,612	166.4
	5.	Other liabilities due from co-insurance and reinsurance		14,075,755	13,771,176	102.2
		5.1	Liabilities to Group companies	3,274,481	1,559,107	210.0
		5.2	Liabilities to associates	0	2,518,631	
		5.3	Liabilities due to other companies	10,801,274	9,693,438	111.4
VI.	OTHER LIABILITIES			6,812,140	741,852	918.3
	b.)	Other short-term liabilities		6,812,140	741,852	918.3
		1.	Short-term liabilities due to employees	306,298	328,276	93.3
		3.	Short-term liabilities to others arising out of financing	550	212	259.4
			3.3 Short-term liabilities to others arising out of financing	550	212	259.4
		5.	Other short-term liabilities	6,505,293	413,364	1573.7
			5.3 Other short-term liabilities to others	6,505,293	413,364	1573.7
H.	ACCRUED EXPENSES AND DEFERRED INCOME			2,392,326	1,022,282	234.0
	1.	Accrued costs and expenses		838,861	242,065	346.5
	2.	Other accruals and deferrals		1,553,465	780,217	199.1
J.	OFF BALANCE SHEET ITEMS			10,689,763	4,425,897	241.5

Statement of comprehensive income

(€)				2013	2012	Index
A	TECHNICAL ACCOUNT – NON-LIFE BUSINESS OTHER THAN HEALTH BUSINESS					
I.	Net premiums earned			124,682,116	132,846,023	93.9
	1.	Gross premiums written		134,131,528	152,827,900	87.8
		1.1	Gross written premiums from Group companies	37,266,599	20,708,777	180.0
		1.2	Gross written premiums from associated companies	19,781,355	40,902,101	48.4
		1.3	Gross written premiums from other companies	28,349,641	91,217,022	31.1
	4.	Gross reinsurance premiums written (–)		-15,198,418	-16,426,092	92.5
		4.3	Gross reinsurance premiums written from other companies	-15,198,418	-16,426,092	92.5
	5.	Change in gross unearned premiums (+/-)		6,225,000	-3,153,382	-197.4
	6.	Change in unearned premiums for the reinsurance and co-insurance part (+/-)		-475,994	-402,403	118.3
II.	Allocated investment return transferred from the non-technical account (item D VIII)			-6,239,861	3,912,233	-159.5
IV.	Net claims incurred			77,581,652	88,946,177	87.2
	1.	Gross claims paid		81,704,764	79,755,094	102.4
		1.1	Gross claims paid for Group companies	25,639,614	9,366,465	273.7
		1.2	Gross claims paid for associates	5,929,363	23,641,249	25.1
		1.3	Gross claims paid for other companies	50,135,786	46,747,379	107.3
	2.	Income from gross recourse receivables (-)		-1,179,272	-1,354,822	87.0
	4.	Reinsurers' share (-)		-6,493,047	-4,430,412	146.6
		4.3	Reinsurers' share for other companies	-6,493,047	-4,430,412	146.6
	5.	Change in gross claims provision (+/-)		-1,725,629	29,856,753	-5.8
	6.	Change in the provision for outstanding claims for the reinsurance and co-insurance part (+/–)		5,274,837	-14,880,436	-35.5
V.	Change in other net technical provisions (+/-)			12,793	-384,357	-3.3
VI.	Net expenses for bonuses and rebates			66,957	-22,698	-295.0
	1.1	Net expenses for bonuses and rebates for other group companies		-91,307	-5,050	1808.1
	1.3	Net expenses for bonuses and rebates for other companies		158,264	-17,648	-896.8
VII.	Net operating expenses			38,881,681	40,422,287	96.2
	1.	Acquisition costs		31,383,318	35,432,457	88.6
	2.	Change in deferred acquisition costs (+/-)		1,190,532	-436,710	-272.6
	3.	Other operating expenses		7,746,023	7,677,515	100.9
		3.1.	Depreciation/amortisation of operating assets	214,624	211,664	101.4
		3.2.	Labour costs	5,216,387	5,140,555	101.5
			- salaries and wages	2,836,515	4,051,936	70.0
			- social and pension insurance costs	478,750	681,300	70.3
			- other labour costs	309,914	407,319	76.1
		3.3.	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	162,987	130,697	124.7
		3.4.	Other operating expenses	2,152,025	2,194,600	98.1
			3.4.1 Other operating expenses for group companies	97,620	81,592	119.6
			3.4.1 Other operating expenses for other companies	2,054,405	2,113,008	97.2
	4.	Income from reinsurance commission and share in the balance on the reinsurance account (-)		-1,438,192	-2,250,975	63.9
		4.3	Income from reinsurance commission for other companies	-1,438,192	-2,250,975	63.9
VIII.	Other net technical expenses			156,444	157,307	99.5
	1.	Expenses for loss prevention activities		29	52	54.3
	3.	Other net technical expenses		156,415	157,254	99.5
IX.	Balance on the technical account - non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)			1,742,728	7,639,540	22.8

(€)		2013	2012	Index
D.	NON-TECHNICAL ACCOUNT			
I.	Balance on the technical account – non-life business other than health business (A X)	1,742,728	7,639,540	22.8
IV.	Investment income	25,308,261	14,640,141	172.9
	1. Income from participating interests	15,026,568	4,505,422	0.0
	1.1. Income from participating interests in Group companies	14,659,724	2,300,139	0.0
	1.3. Income from participating interests in other companies	366,844	265,342	0.0
	2. Income from other investments	7,594,064	8,477,842	89.6
	2.1. Income from land and buildings	15,806	16,646	95.0
	- in Group companies	15,296	15,296	100.0
	- in other companies	509	1,350	37.7
	2.2. Interest income	5,680,635	7,660,567	74.2
	- in Group companies	469,495	396,057	118.5
	- in associate companies	0	83,904	
	- in other companies	5,211,140	7,180,606	72.6
	2.3. Other investment income	1,897,624	800,629	237.0
	2.3.1. Financial income from revaluation	1,888,486	792,356	238.3
	- in other companies	1,888,486	792,356	238.3
	2.3.2. Other financial income	9,138	8,273	110.5
	- in other companies	9,138	8,273	110.5
	4. Gains on disposal of investments	2,687,629	1,656,877	162.2
VII.	Investment expenses	17,325,620	7,081,265	244.7
	1. Depreciation of investments not necessary for operations	2,333	2,333	100.0
	2. Asset management expenses, interest expenses and other financial expenses	1,330,474	1,510,233	88.1
	2.3 Asset management expenses, interest expenses and other financial expenses for other companies	1,330,474	1,510,233	88.1
	3. Financial expenses from revaluation	6,708,770	2,912,704	230.3
	4. Losses on disposal of investments	9,284,043	2,655,996	349.6
VIII.	Allocated investment return transferred to the technical account for non-life business other than health business (A II)	-6,239,861	3,912,233	-159.5
IX.	Other technical income	1,533,557	2,320,031	66.1
	1. Other income from non-life business other than health business	1,533,557	2,320,031	66.1
	1.1. Other income from non-life business from Group companies	75,016	147,119	0.0
	1.3. Other income from non-life business from other companies	1,458,542	2,172,912	0.0
X.	Other technical expenses	2,298,209	2,438,315	94.3
	1. Other expenses for non-life business other than health business	2,298,209	2,438,315	94.3
	1.3. Other expenses for non-life business from other companies	2,298,209	2,438,315	94.3
XI.	Other income	34,778	36,366	0.0
	1. Other non-life income	34,778	36,366	0.0
	1.1. Other income from non-life business from Group companies	4,878	0	0.0
	1.3. Other income from non-life business from other companies	29,900	36,366	0.0
XII.	Other expenses	62,351	5	0.0
	1. Other non-life expenses	62,351	5	0.0
	1.3. Other expenses for non-life business from other companies	62,349	5	0.0
XIII.	Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)	15,173,006	11,204,259	135.4
	1. Profit/loss for the period for non-life business	15,173,006	11,204,259	135.4
XIV.	Tax on profit	800,175	1,301,088	0.0
	1.1. Tax on profit from non-life business	800,175	1,301,088	0.0
XV.	Deferred tax	-391,221	298,190	-131.2
	1.1. Deferred tax for non-life business	-391,221	298,190	-131.2
XVI.	Net profit/loss for the period (XIII-XIV+XV)	14,764,052	9,604,981	153.7
	Breakdown of profit/loss			0.0
	- From non-life business	14,764,052	9,604,981	153.7
E.	CALCULATION OF COMPREHENSIVE INCOME			
I.	Profit/loss for the year, net of tax	14,764,052	9,604,981	153.7
II.	Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+)	2,611,626	6,730,302	38.8
	4. Net change in fair value of available-for-sale financial assets	3,068,989	8,596,064	35.7
	8. Other net gains/losses of other comprehensive income	768	0	
	9. Tax on other comprehensive income	-458,131	-1,865,762	24.6
III.	Total comprehensive income (I + II)	17,375,678	16,335,282	106.4

Appendix B - Financial statements of the Sava Re Group pursuant to requirements of the Insurance Supervision Agency

Consolidated statement of financial position – assets

(€)		31.12.2013	31.12.2012	Index
	ASSETS (A–F)	1,378,300,387	640,591,738	215.2
A.	INTANGIBLE ASSETS, DEFERRED COSTS AND ACCRUED INCOME	40,226,072	17,767,943	226.4
	1. Intangible assets	2,470,235	2,040,214	121.1
	2. Goodwill	19,554,635	15,701,742	124.5
	3. Long-term deferred acquisition costs	4,200,571	0	
	4. Other long-term deferred expenses and accrued income	14,000,631	25,987	
B.	LAND AND BUILDINGS AND FINANCIAL INVESTMENTS	1,011,856,057	468,512,844	216.0
I.	LAND AND BUILDINGS	44,377,570	25,571,511	173.5
	a.) directly used in insurance activities	38,810,563	20,466,209	189.6
	1. Land directly used in insurance activities	7,174,821	3,774,723	190.1
	2. Buildings directly used in insurance activities	31,635,742	16,691,486	189.5
	b.) Land and buildings not directly used in insurance activities	5,567,007	5,105,302	109.0
	1. Land	510,471	604,901	84.4
	2. Buildings	5,056,536	4,500,401	112.4
II.	FINANCIAL INVESTMENTS IN GROUP COMPANIES AND IN ASSOCIATES	2,866,665	55,265,650	5.2
	3. Shares and interests in associates	2,866,665	55,265,650	5.2
III.	OTHER FINANCIAL INVESTMENTS	920,930,093	341,229,629	269.9
	1. Long-term financial assets	797,383,397	215,965,733	369.2
	1.1. Shares and other variable income securities and mutual funds	24,971,408	11,872,662	210.3
	1.2. Debt securities and other fixed income securities	729,432,432	166,107,221	439.1
	1.4. Mortgage loans	556,681	0	
	1.5. Other loans granted	202,584	215,896	93.8
	1.6. Bank deposits	42,055,064	37,710,153	111.5
	1.7. Other financial investments	165,228	59,801	276.3
	2. Short-term financial investments	123,546,696	125,263,896	98.6
	2.1. Held-for-trading shares and interests	3,853,810	1,918,422	200.9
	2.2. Held-for-trading securities or securities with a remaining maturity of less than one year	48,132,409	60,474,650	79.6
	2.3. Short-term loans granted	359,288	608,709	59.0
	2.4. Short-term deposits with banks	71,201,189	62,262,115	114.4
IV.	FINANCIAL INVESTMENTS OF REINSURERS I.R.O. REINSURANCE CONTRACTS WITH CEDANTS	10,191,017	9,016,183	113.0
VI.	TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS AND CO-INSURERS (separate item for co-insurance)	33,490,712	37,429,870	89.5
	a. From unearned premiums	5,673,885	4,280,173	132.6
	b. From mathematical provisions	100	175	57.1
	c. From provisions for claims outstanding	27,561,112	32,610,449	84.5
	e. From other technical provisions	255,615	539,073	47.4

C. INVESTMENTS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	175,776,228	27,623,903	636.3
D. RECEIVABLES	119,709,359	100,954,866	118.6
I. RECEIVABLES ARISING OUT OF PRIMARY INSURANCE BUSINESS	56,871,392	25,687,383	221.4
1. Receivables due from policyholders	53,061,625	22,859,392	232.1
1.3 Receivables due from others	53,061,625	22,859,392	232.1
2. Receivables due from insurance intermediaries	3,642,118	2,571,035	141.7
2.3 Receivables due from others	3,642,118	2,571,035	141.7
3. Other receivables arising out of primary insurance business	167,649	256,956	65.2
3.3 Receivables due from others	167,649	256,956	65.2
II. RECEIVABLES ARISING OUT OF CO-INSURANCE AND REINSURANCE BUSINESS	48,273,297	54,479,304	88.6
1. Receivables for premiums arising out of assumed co-insurance	359,347	295,927	121.4
1.3 Receivables due from others	359,347	295,927	121.4
2. Receivables for premiums arising out of reinsurance assumed	43,175,616	50,741,310	85.1
2.2 Receivables due from associates	0	9,765,715	
2.3 Receivables due from others	43,175,616	40,975,595	105.4
3. Receivables for shares in co-insurance claims	221,985	198,929	111.6
3.3 Receivables due from others	221,985	198,929	111.6
4. Receivables for reinsurers' shares in claims	3,961,816	2,584,828	153.3
4.2 Receivables due from associates	0	38,980	
4.3 Receivables due from others	3,961,816	2,545,848	155.6
5. Other receivables from co-insurance and reinsurance	554,533	658,310	84.2
5.2 Receivables due from associates	0	20,876	
5.3 Receivables due from others	554,533	637,434	87.0
III. OTHER RECEIVABLES AND DEFERRED TAX ASSETS	14,564,670	20,788,179	70.1
1. Receivables for advances for intangible assets	527,191	247,339	213.2
1.3 Receivables due from others	527,191	247,339	213.2
2. Other short-term receivables arising out of insurance business	4,135,483	3,572,588	115.8
2.2 Receivables due from associates	0	105,803	-
2.3 Receivables due from others	4,135,483	3,466,785	119.3
3. Short-term receivables arising out of investments	961,107	937,705	102.5
3.3 Receivables due from others	961,107	937,705	102.5
4. Other short-term receivables	3,698,898	11,909,198	31.1
4.3 Receivables due from others	3,698,898	11,909,198	31.1
5. Long-term receivables	37,724	77,859	48.5
5.3 Receivables due from others	37,724	77,859	48.5
6. Tax assets (income tax)	1,707,675	2,114,354	80.8
7. Deferred tax assets	3,496,592	1,929,136	181.3
E. SUNDRY ASSETS	10,749,752	8,188,030	131.3
I. PROPERTY AND EQUIPMENT OTHER THAN LAND AND BUILDINGS	7,232,008	4,117,170	175.7
1. Equipment	6,991,040	3,844,338	181.9
2. Other property and equipment	240,968	272,832	88.3
II. CASH AND CASH EQUIVALENTS	3,432,720	4,058,488	84.6
III. INVENTORIES AND OTHER ASSETS	85,024	12,372	687.2
1. Inventories	85,024	12,372	687.2
F. SHORT-TERM ACCRUED INCOME AND DEFERRED EXPENSES	19,260,583	17,193,025	112.0
1. Accrued interest and rent	211,295	303,313	69.7
2. Short-term deferred acquisition costs	17,752,316	16,058,701	110.6
2.2 Short-term deferred costs due to associates	0	3,107,058	
2.3 Short-term deferred costs due to others	17,752,316	12,951,643	137.1
3. Other short-term accrued income and deferred expenses	1,296,972	831,011	156.1
G. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	722,336	351,125	205.7
H. OFF BALANCE SHEET ITEMS	50,908,202	16,491,850	308.7

Consolidated statement of financial position – equity & liabilities

(€)	31.12.2013	31.12.2012	Index
EQUITY AND LIABILITIES (A–H)	1,378,300,387	640,591,738	215.2
A. EQUITY	240,099,321	171,353,442	140.1
I. CALLED-UP CAPITAL	71,856,376	39,069,099	183.9
1. Share capital	71,856,376	39,069,099	183.9
II. CAPITAL RESERVES	42,423,360	25,352,645	167.3
III. PROFIT RESERVES	99,201,828	96,923,999	102.4
2. Legal reserves and reserves provided for in the Articles of Association	11,138,541	16,677,980	66.8
3. Reserves for treasury shares and own interests	2,821,391	1,774	
4. Treasury shares and own interests (contra account)	-2,821,391	-1,774	
5. Credit risk equalisation reserve	800,075	753,026	106.3
6. Catastrophe equalisation reserve	12,070,719	9,950,193	121.3
7. Other profit reserves	75,192,493	69,542,800	108.1
IV. FAIR VALUE RESERVE	4,610,765	-1,486,790	-310.1
2. Fair value reserve relating to long-term financial investments	6,955,513	1,700,570	409.0
3. Fair value reserve relating to short-term financial investments	280,778	-172,883	-162.4
4. Other fair value reserve	-2,625,526	-3,014,477	87.1
V. RETAINED EARNINGS	15,018,066	4,016,817	373.9
VI. NET PROFIT/LOSS FOR THE YEAR	5,023,423	5,461,807	92.0
VII. NON-CONTROLLING INTEREST IN EQUITY	1,965,501	2,015,862	97.5
B. SUBORDINATED LIABILITIES	30,466,967	31,244,573	97.5
C. GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUMS EARNED	846,224,719	360,148,216	235.0
I. GROSS UNEARNED PREMIUMS	144,611,911	90,691,880	159.5
II. GROSS MATHEMATICAL PROVISIONS	250,559,649	17,767,312	1410.2
III. GROSS PROVISION FOR OUTSTANDING CLAIMS	437,267,628	248,200,797	176.2
IV. GROSS PROVISION FOR BONUSES AND REBATES	832,938	562,560	148.1
V. OTHER GROSS TECHNICAL PROVISIONS	12,952,593	2,925,667	442.7
D. GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	170,786,799	27,040,864	631.6
E. E. PROVISIONS FOR OTHER RISKS AND CHARGES	5,878,803	1,350,999	435.1
1. Provisions for pensions	5,710,188	818,362	697.8
2. Other provisions	168,615	532,637	31.7
2.3 Other provisions from relations with other companies	168,615	532,637	31.7
G. OTHER LIABILITIES	72,980,836	46,268,058	157.7
I. LIABILITIES FROM PRIMARY INSURANCE BUSINESS	12,951,255	1,506,763	859.5
1. Liabilities to policyholders	2,098,594	751,291	279.3
1.3 Liabilities due to other companies	2,098,594	751,291	279.3
2. Liabilities due to insurance intermediaries	1,832,785	105,064	1744.5
2.3 Liabilities due to other companies	1,832,785	105,064	1744.5
3. Other liabilities from primary insurance business	9,019,876	650,408	1386.8
3.3 Liabilities due to other companies	9,019,876	650,408	1386.8
II. LIABILITIES FROM CO-INSURANCE AND REINSURANCE BUSINESS	31,423,916	34,951,360	89.9
1. Liabilities for co-insurance premiums	155,014	73,323	211.4
1.3 Liabilities due to other companies	155,014	73,323	211.4
2. Liabilities for reinsurance premiums	4,493,888	4,068,358	110.5
2.2 Liabilities to associates	0	31,960	0.0
2.3 Liabilities due to other companies	4,493,888	4,036,398	111.3
3. Liabilities for shares in co-insurance claims	961	0	0.0
3.3 Liabilities due to other companies	961	0	0.0

4. Liabilities for shares in reinsurance claims	15,968,486	18,579,168	86.0
4.2 Liabilities to associates	0	8,981,556	0.0
4.3 Liabilities due to other companies	15,968,486	9,597,612	166.4
5. Other liabilities due from co-insurance and reinsurance	10,805,567	12,230,511	88.4
5.2 Liabilities to associates	0	2,518,631	0.0
5.3 Liabilities due to other companies	10,805,567	9,711,880	111.3
IV. LIABILITIES TO BANKS	5,000,000	2,670,000	187.3
VI. OTHER LIABILITIES	23,605,665	7,139,935	330.6
a.) Other long-term liabilities	4,265,373	232,503	1834.6
1. Long-term liabilities from financial lease contracts	256,497	229,005	112.0
3. Deferred tax liabilities	4,008,876	3,498	
b.) Other short-term liabilities	19,340,292	6,907,432	280.0
1. Short-term liabilities due to employees	3,101,649	1,640,299	189.1
2. Other short-term liabilities for insurance business	3,194,804	1,301,513	245.5
2.3 Other short-term liabilities to others	3,194,804	1,301,513	245.5
3. Short-term liabilities to others arising out of financing	6,946	368,565	1.9
3.3 Short-term liabilities to others arising out of financing	6,946	368,565	1.9
4. Tax liabilities (income tax)	616,247	179,900	342.6
5. Other short-term liabilities	12,420,646	3,417,155	363.5
5.3 Other short-term liabilities to others	12,420,646	3,417,155	363.5
H. ACCRUED EXPENSES AND DEFERRED INCOME	11,862,942	3,185,587	372.4
1. Accrued costs and expenses	3,482,138	1,414,751	246.1
2. Other accruals and deferrals	8,380,804	1,770,836	473.3
J. OFF BALANCE SHEET ITEMS	50,908,202	16,491,850	308.7

Consolidated statement of comprehensive income

(€)	2013	2012	Index
A TECHNICAL ACCOUNT – NON-LIFE BUSINESS OTHER THAN HEALTH BUSINESS			
I. Net premiums earned	**312,993,043**	**229,965,412**	**136.1**
1. Gross premiums written	319,291,018	254,049,880	125.7
1.2 Gross written premiums from associated companies	19,781,355	40,902,101	48.4
1.3 Gross written premiums from other companies	299,509,663	213,147,779	140.5
2. Premiums written for assumed co-insurance (+)	1,297,299	507,579	255.6
2.3 Premiums written for assumed co-insurance for other companies	1,297,299	507,579	255.6
3. Premiums written for ceded co-insurance (-)	-1,797,740	-1,135,814	158.3
3.3 Premiums written for ceded co-insurance for other companies	-1,797,740	-1,135,814	158.3
4. Gross reinsurance premiums written (–)	-20,832,272	-19,457,174	107.1
4.3 Gross reinsurance premiums written from other companies	-20,832,272	-19,368,043	107.6
5. Change in gross unearned premiums (+/-)	15,566,232	-3,760,235	-414.0
6. Change in unearned premiums for the reinsurance and co-insurance part (+/-)	-531,494	-238,824	222.5
II. Allocated investment return transferred from the non-technical account (item D VIII)	**-1,994,892**	**8,902,582**	**-22.4**
III. Other net technical income	**1,048,506**	**845,798**	**124.0**
1.3 Other net technical income for other companies	1,048,506	845,798	124.0
IV. Net claims incurred	**191,911,106**	**141,459,117**	**135.7**
1. Gross claims paid	192,557,880	132,687,203	145.1
1.2 Gross claims paid for associates	5,929,363	23,642,028	25.1
1.3 Gross claims paid for other companies	186,628,517	109,045,175	171.2
2. Income from gross recourse receivables (-)	-6,450,965	-4,770,220	135.2
3. Co-insurers' share (+/-)	-200,641	-146,965	136.5
3.3 Co-insurers' share for other companies	-200,641	-146,965	136.5
4. Reinsurers' share (-)	-8,890,517	-5,262,018	169.0
4.2 Reinsurers' share for associates	-	-26,612	0.0
4.3 Reinsurers' share for other companies	-8,890,517	-5,235,406	169.8
5. Change in gross claims provision (+/-)	9,585,977	35,147,285	27.3
6. Change in the provision for outstanding claims for the reinsurance and co-insurance part (+/–)	5,309,372	-16,196,168	-32.8
V. Change in other net technical provisions (+/-)	**-1,162,799**	**400,275**	**-290.5**
VI. Net expenses for bonuses and rebates	**385,074**	**79,740**	**482.9**
1.3 Net expenses for bonuses and rebates for other companies	385,074	79,740	482.9
VII. Net operating expenses	**105,360,878**	**78,543,935**	**134.1**
1. Acquisition costs	40,431,304	52,143,883	77.5
2. Change in deferred acquisition costs (+/-)	-1,073,915	-407,524	263.5
3. Other operating expenses	68,143,302	29,416,130	231.7
3.1. Depreciation/amortisation of operating assets	5,781,001	1,615,952	357.8
3.2. Labour costs	40,254,138	15,179,468	265.2
- salaries and wages	31,207,048	12,178,358	256.3
- social and pension insurance costs	5,107,063	1,878,454	271.9
- other labour costs	3,940,027	1,122,656	351.0
3.3. Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	876,108	379,019	231.2
3.4. Other operating expenses	21,232,055	12,241,691	173.4
3.4.1 Other operating expenses for other companies	21,232,055	12,241,691	173.4
4. Income from reinsurance commission and share in the balance on the reinsurance account (-)	-2,139,813	-2,608,554	82.0
4.2 Income from reinsurance commission for associates	0	-9,904	0.0
4.3 Income from reinsurance commission for other companies	-2,139,813	-2,598,650	82.3

VIII.	Other net technical expenses	5,960,658	4,245,575	140.4
	1. Expenses for loss prevention activities	2,262,147	551,639	410.1
	2. Contributions for covering claims of uninsured and unidentified vehicles	2,100,587	1,661,913	126.4
	3. Other net technical expenses	1,597,924	2,032,023	78.6
IX.	Balance on the technical account - non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)	9,591,740	14,985,150	64.0

(€)		2013	2012	Index
B	TECHNICAL ACCOUNT – LIFE BUSINESS			
I.	Net premiums earned	63,878,124	13,467,573	474.3
	1. Gross premiums written	63,808,255	13,414,495	475.7
	4. Gross reinsurance premiums written (–)	-2,682	-34,412	7.8
	4.3 Gross reinsurance premiums written from other companies	-2,682	-34,412	7.8
	5. Change in gross unearned premiums (+/-)	72,551	87,490	82.9
II.	Investment income	12,692,851	1,459,008	870.0
	1. Income from participating interests	205,718	14,144	0.0
	1.3. Income from participating interests in other companies	205,718	14,144	0.0
	2. Income from other investments	8,815,708	1,443,731	610.6
	2.1. Income from land and buildings	761	0	0.0
	- in other companies	761	0	0.0
	2.2. Interest income	8,506,708	1,070,027	795.0
	- in other companies	8,506,708	1,070,027	795.0
	2.3. Other investment income	308,239	373,704	82.5
	2.3.1. Financial income from revaluation	224,206	272,546	82.3
	- in other companies	224,206	272,546	0.0
	2.3.2. Other financial income	84,033	101,158	83.1
	- in other companies	84,033	101,158	83.1
	4. Gains on disposal of investments	3,671,425	1,133	
III.	Net unrealised gains on investments of life insurance policyholders who bear the investment risk	9,222,416	3,520,318	262.0
IV.	Other net technical income	1,274,007	2,586	0.0
V.	Net claims incurred	35,068,866	6,213,480	564.4
	1. Gross claims paid	33,050,325	6,145,420	537.8
	3. Reinsurers' share (-)	-2,227	0	0.0
	3.3 Reinsurers' share for other companies	-2,227	0	0.0
	4. Change in gross claims provision (+/-)	2,020,768	68,060	2969.1
VI.	Change in diverse other net technical provisions (+/-)	7,487,054	4,761,630	157.2
	1. Change in the mathematical provision	7,502,320	4,761,630	157.6
	1.1. Change in the gross mathematical provision (+/-)	7,502,245	4,761,568	157.6
	1.2. Change in the reinsurers' share (+/-)	75	62	0.0
	2. Change in other net technical provisions (+/-)	-15,266	0	0.0
	2.1. Change in gross other technical provisions (+/-)	-15,266	0	0.0
VIII.	Net operating expenses	21,668,138	6,070,046	357.0
	1. Acquisition costs	6,211,730	3,064,293	202.7
	2. Change in deferred acquisition costs (+/-)	604,586	-73,928	-817.8
	3. Other operating expenses	14,852,669	3,080,266	482.2
	3.1. Depreciation/amortisation of operating assets	261,825	185,643	0.0
	3.2. Labour costs	8,282,173	1,802,301	459.5
	- salaries and wages	6,286,506	1,450,786	433.3
	- social and pension insurance costs	1,008,851	214,667	470.0
	- other labour costs	986,816	136,848	721.1
	3.3. Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	181,951	20,004	909.6
	3.4. Other operating expenses	6,126,720	1,072,318	571.4
	3.4.1 Other operating expenses for other companies	6,126,720	1,072,318	571.4
	4. Income from reinsurance commission and share in the balance on the reinsurance account (-)	-847	-585	144.8
	4.3 Income from reinsurance commission for other companies	-847	-585	144.8

IX.	Investment expenses	14,800,635	402,501	3677.2
	1. Depreciation of investments not necessary for operations	1,445	0	0.0
	2. Asset management expenses, interest expenses and other financial expenses	53,241	67,080	79.4
	2.3 Asset management expenses, interest expenses and other financial expenses for other companies	53,241	67,080	79.4
	3. Financial expenses from revaluation	6,053,003	205,961	0.0
	4. Losses on disposal of investments	8,692,946	129,460	0.0
X.	Net unrealised losses on investments of life insurance policyholders who bear the investment risk	9,519,437	2,272,956	418.8
XI.	Other net technical expenses	81,413	29,557	275.4
	2. Other net technical expenses	81,413	29,557	275.4
XII.	Allocated investment return transferred to the non-technical account (item D V) (-)	-192,483	-167,684	0.0
XIII.	Balance on the technical account - life business (I+II+III+IV-V+VI-VII-VIII-IX-X-XI-XII)	-1,365,662	-1,133,001	120.5
C	TECHNICAL ACCOUNT – HEALTH BUSINESS			
I.	Net premiums earned	2,276,998	2,791,239	81.6
	1. Gross premiums written	2,308,307	2,791,239	82.7
	2. Gross reinsurance premiums written (–)	-31,309	0	0.0
	4.3 Gross reinsurance premiums written from other companies	-31,309	0	0.0
IV.	Net claims incurred	2,029,583	2,214,902	91.6
	1. Gross claims paid	2,066,207	2,214,902	93.3
	4. Change in gross claims provision (+/-)	-36,624	0	0.0
VII.	Net operating expenses	231,691	503,971	0.0
	1. Acquisition costs	228,418	91,273	0.0
	3. Other operating expenses	3,273	412,698	0.0
	3.2. Labour costs	122	0	0.0
	- salaries and wages	122	0	0.0
	3.3. Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	302	0	0.0
	3.4. Other operating expenses	2,849	412,698	0.0
	3.4.1 Other operating expenses for other companies	2,849	412,698	0.0
IX.	Other net technical expenses	0	37,918	0.0
	2. Other net technical expenses	0	37,918	0.0
XI.	Balance on the technical account - health business (I+II+III-IV+V-VI-VII-VIII-IX-X)	15,724	34,448	45.7
XIII.	Balance on the technical account - health business (XI - XII)	15,724	34,448	45.7

(€)		2013	2012	Index
D.	NON-TECHNICAL ACCOUNT			
I.	Balance on the technical account – non-life business other than health business (A X)	9,591,740	14,985,150	64.0
II.	Balance on the technical account – life business (B XIII)	-1,365,662	-1,133,001	120.5
III.	Balance on the technical account – health business (C XIII)	15,724	34,448	0.0
IV.	Investment income	35,978,536	20,540,209	175.2
	1. Income from participating interests	12,398,680	4,199,214	295.3
	1.2. Income from shares of profits of associates	11,921,455	3,809,245	313.0
	1.3. Income from participating interests in other companies	477,225	389,969	122.4
	2. Income from other investments	17,555,467	14,214,447	123.5
	2.1. Income from land and buildings	126,847	59,145	214.5
	- in other companies	126,847	59,145	214.5
	2.2. Interest income	15,327,010	12,567,132	122.0
	- in Group companies	148,972	0	0.0
	- in other companies	15,178,038	12,483,228	121.6
	2.3. Other investment income	2,101,610	1,588,170	132.3
	2.3.1. Financial income from revaluation	2,088,689	1,546,829	135.0
	- in other companies	2,088,689	1,546,829	135.0
	2.3.2. Other financial income	12,921	41,341	31.3
	- in other companies	12,921	41,341	31.3
	4. Gains on disposal of investments	6,024,389	2,126,548	283.3
V.	Allocated investment return transferred to the technical account – life business (B XII)	-192,483	167,684	0.0
VII.	Investment expenses	28,365,640	8,325,983	340.7
	1. Depreciation of investments not necessary for operations	81,335	64,421	126.3
	2. Asset management expenses, interest expenses and other financial expenses	1,754,302	1,729,947	101.4
	2.3 Asset management expenses, interest expenses and other financial expenses for other companies	1,754,302	1,729,947	101.4
	3. Financial expenses from revaluation	7,439,201	3,313,385	224.5
	4. Losses on disposal of investments	19,090,802	3,218,230	593.2
VIII.	Allocated investment return transferred to the technical account for non-life business other than health business (A II)	-1,994,892	8,902,582	-22.4
IX.	Other technical income	5,138,832	3,410,163	150.7
	1. Other income from non-life business other than health business	4,934,909	3,314,464	148.9
	1.3. Other income from non-life business from other companies	4,934,909	3,314,464	148.9
	2. Other income from life business	203,923	95,699	0.0
	2.3 Other income from life business from other companies	203,923	95,699	0.0
X.	Other technical expenses	7,873,300	7,242,946	108.7
	1. Other expenses for non-life business other than health business	7,533,280	6,984,408	107.9
	1.3. Other expenses for non-life business from other companies	7,533,280	6,984,408	107.9
	2. Other expenses for life business	340,020	258,538	0.0
	2.3 Other expenses for life business from other companies	340,020	258,538	0.0
XI.	Other income	3,268,321	1,893,701	172.6
	1. Other non-life income	2,905,183	1,816,895	159.9
	1.3. Other income from non-life business from other companies	2,905,183	1,816,895	159.9
	2. Other expenses for life business	363,138	76,806	0.0
	2.3 Other expenses for life business from other companies	363,138	76,806	0.0
XII.	Other expenses	2,416,921	794,577	304.2
	1. Other non-life expenses	2,397,754	783,315	306.1
	1.3. Other expenses for non-life business from other companies	2,397,754	783,315	306.1
	2. Other expenses for life business	19,167	11,262	0.0
	2.3 Other expenses for life business from other companies	19,167	11,262	0.0

XIII.	**Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)**	**15,774,040**	**14,296,899**	**110.3**
	1. Profit/loss for the period for non-life business	17,108,586	15,660,431	109.3
	2. Profit/loss for the period for life business	-1,350,271	-1,397,980	96.6
	3. Profit/loss for the period for health business	15,725	34,448	0.0
XIV.	**Tax on profit**	**1,339,648**	**2,160,310**	**62.0**
	1.1. Tax on profit from non-life business	1,728,523	2,136,051	80.9
	1.2. Tax on profit for life business	-388,875	24,259	0.0
	1.3. Tax on profit for health business	0	0	-
XV.	**Deferred tax**	**-1,187,532**	**348,132**	**-341.1**
	1.1. Deferred tax for non-life business	-745,345	341,082	-218.5
	1.2. Deferred tax for life business	-442,187	7,050	0.0
	1.3. Deferred tax for health business	0	0	0.0
XVI.	**Net profit/loss for the period (XIII-XIV+XV)**	**15,621,924**	**11,788,457**	**132.5**
	Breakdown of profit/loss			0.0
	- From non-life business	16,125,408	13,183,297	122.3
	- From life business	-519,209	-1,429,289	36.3
	- From health business	15,725	34,449	45.6
E.	CALCULATION OF COMPREHENSIVE INCOME			
I.	**Profit/loss for the year, net of tax**	**15,621,924**	**11,788,457**	**132.5**
II.	**Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+10)**	**6,085,579**	**11,683,495**	**52.1**
	1. Net gains/losses recognised in the fair value reserve relating to property and equipment	0	0	0.0
	2. Net gains/losses recognised in the fair value reserve relating to intangible assets	0	0	0.0
	3. Actuarial net gains/losses for pension programs	0	0	0.0
	4. Net change in fair value of available-for-sale financial assets	11,080,579	10,297,355	107.6
	7. 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 jointly-controlled companies	-3,358,131	4,311,339	0.0
	8. Other net gains/losses of other comprehensive income	606,919	0	0.0
	9. Tax on other comprehensive income	-2,117,060	-2,247,636	94.2
	10. Net gains/losses from translation of financial statements	-126,728	-677,563	18.7
III.	**Total comprehensive income (I + II)**	**21,707,503**	**23,471,951**	**92.5**

Appendix C - Financial statements of the Sava Re Group pursuant to SKL 2009

Statement of financial position

	31.12.2013						31.12.2012					
(€)	Non-life business	Life business	Health business	Group total	Consolidation	Total	Non-life business	Life business	Health business	Group total	Consolidation	Total
ASSETS	1,184,186,803	504,236,763	2,091,751	1,690,515,317	-312,214,930	1,378,300,387	693,212,255	61,534,589	4,067,269	758,814,113	-118,222,377	640,591,738
Intangible assets	16,204,003	4,467,434	0	20,671,437	19,554,635	40,226,072	1,785,967	280,234	0	2,066,201	15,701,742	17,767,943
Property and equipment	39,556,836	5,379,464	1,106,272	46,042,572	0	46,042,572	19,122,281	4,331,098	1,130,000	24,583,379	0	24,583,379
Deferred tax assets	3,023,086	473,506	0	3,496,592	0	3,496,592	1,896,865	32,271	0	1,929,136	0	1,929,136
Investment property	5,358,242	208,764	0	5,567,006	0	5,567,006	4,942,011	163,291	0	5,105,302	0	5,105,302
Financial investments in associates	208,980,957	1,224,994	900,000	211,105,951	-208,239,286	2,866,665	141,531,310	678,536	900,000	143,109,846	-87,844,195	55,265,651
Financial investments:	626,141,351	310,739,070	85,327	936,965,748	-5,844,638	931,121,110	330,859,796	25,284,716	1,560,602	357,705,114	-7,459,302	350,245,812
- Loans and deposits	107,465,906	22,448,495	85,327	129,999,728	-5,844,638	124,155,090	103,209,264	9,037,618	1,560,602	113,807,484	-7,459,302	106,348,182
- Held to maturity	71,206,920	92,879,403	0	164,086,323	0	164,086,323	12,440,480	4,123,001	0	16,563,481	0	16,563,481
- Available for sale	422,445,391	186,314,702	0	608,760,093	0	608,760,093	213,264,576	11,014,584	0	224,279,160	0	224,279,160
- At fair value through profit or loss	25,023,134	9,096,470	0	34,119,604	0	34,119,604	1,945,476	1,109,513	0	3,054,989	0	3,054,989
Funds for the benefit of policyholders who bear the investment risk	0	175,776,228	0	175,776,228	0	175,776,228	0	27,623,903	0	27,623,903	0	27,623,903
Reinsurers' share of technical provisions	114,232,223	443,480	0	114,675,703	-81,184,991	33,490,712	59,573,045	43,856	0	59,616,901	-22,187,031	37,429,870
Receivables	144,187,523	4,006,572	152	148,194,247	-31,981,480	116,212,767	111,910,511	1,734,180	4,039	113,648,730	-14,623,000	99,025,730
- Receivables arising out of primary insurance business	55,841,820	1,052,271	0	56,894,091	-22,699	56,871,392	25,378,620	334,265	0	25,712,885	-25,502	25,687,383
- Receivables arising out of reinsurance and co-insurance business	77,385,540	146,998	0	77,532,538	-29,259,241	48,273,297	67,783,251	9,626	0	67,792,877	-13,313,573	54,479,304
- Current tax assets	688,982	1,018,693	0	1,707,675	0	1,707,675	2,114,354		0	2,114,354		2,114,354
- Other receivables	10,271,181	1,788,610	152	12,059,943	-2,699,540	9,360,403	16,634,286	1,390,289	4,039	18,028,614	-1,283,925	16,744,689
Deferred acquisition costs	21,954,926	316,560	0	22,271,486	-4,519,170	17,752,316	17,473,925	191,658	203,709	17,869,292	-1,810,591	16,058,701
Other assets	1,528,537	64,754	0	1,593,291	0	1,593,291	1,040,909	105,787		1,146,696	0	1,146,698
Cash and cash equivalents	2,296,783	1,135,937	0	3,432,720	0	3,432,720	2,735,022	1,054,547	268,919	4,058,488	0	4,058,488
Non-current assets held for sale	722,336	0	0	722,336	0	722,336	340,613	10,512	0	351,125	0	351,125

	31.12.2013						31.12.2012					
(€)	Non-life business	Life business	Health business	Group total	Consolidation	Total	Non-life business	Life business	Health business	Group total	Consolidation	Total
EQUITY AND LIABILITIES	1,184,186,803	504,236,763	2,091,751	1,690,515,317	-312,214,930	1,378,300,387	693,212,255	61,534,589	4,067,269	758,814,113	-118,222,377	640,591,738
Equity	376,450,694	51,165,250	1,180,174	428,796,118	-188,696,797	240,099,321	228,118,887	14,264,211	1,164,449	243,547,547	-72,194,105	171,353,441
Share capital	168,329,957	38,357,868	1,130,000	207,817,825	-135,961,449	71,856,376	95,469,312	21,966,869	1,130,000	118,566,181	-79,497,081	39,069,098
Capital reserves	57,363,515	4,191,516	0	61,555,031	-19,131,671	42,423,360	35,387,859	2,119,262	0	37,507,121	-12,154,476	25,352,645
Profit reserves	111,622,637	3,955,419	0	115,578,056	-13,554,837	102,023,219	96,349,342	336,491	0	96,685,833	239,940	96,925,773
Treasury shares	-745,231	-2,076,160	0	-2,821,391	0	-2,821,391	-1,774	0	0	-1,774	0	-1,774
Fair value reserve	3,430,374	9,194,552	0	12,624,926	-4,885,212	7,739,714	-1,005,461	-86,520	0	-1,091,981	2,619,670	1,527,689
Retained earnings	28,406,079	1,344,417	34,449	29,784,945	-14,766,879	15,018,066	-2,436,697	-7,403,917	0	-9,840,614	13,857,431	4,016,817
Net profit/loss for the period	10,741,893	-2,822,372	15,725	7,935,246	-2,911,823	5,023,423	6,799,949	-1,756,493	34,449	5,077,905	383,902	5,461,807
Translation reserve	-2,698,530	-979,990	0	-3,678,520	549,573	-3,128,947	-2,443,643	-911,481	0	-3,355,124	340,647	-3,014,477
Equity attributable to owners of the controlling company	376,450,694	51,165,250	1,180,174	428,796,118	-190,662,298	238,133,820	228,118,887	14,264,211	1,164,449	243,547,547	-74,209,967	169,337,576
Non-controlling interest in equity	0	0	0	0	1,965,501	1,965,501	0	0	0	0	2,015,862	2,015,862
Subordinated liabilities	31,203,138	0	0	31,203,138	-736,171	30,466,967	31,244,573	0	0	31,244,573	0	31,244,573
Technical provisions	660,951,625	266,088,463	369,006	927,409,094	-81,184,375	846,224,719	361,441,392	18,433,253	2,460,602	382,335,247	-22,187,031	360,148,216
Unearned premiums	162,327,634	894,332	43,198	163,265,164	-18,653,253	144,611,911	96,057,607	405,761	1,560,602	98,023,970	-7,332,090	90,691,880
Mathematical provisions	0	250,559,649	0	250,559,649	0	250,559,649	0	17,767,312	0	17,767,312	0	17,767,312
Provision for outstanding claims	484,584,024	14,634,482	325,808	499,544,314	-62,276,686	437,267,628	261,753,918	260,180	900,000	262,914,098	-14,713,301	248,200,797
Other technical provisions	14,039,967	0	0	14,039,967	-254,436	13,785,531	3,629,867	0	0	3,629,867	-141,640	3,488,227
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	170,786,799	0	170,786,799	0	170,786,799	0	27,040,864	0	27,040,864	0	27,040,864
Other provisions	4,677,027	1,201,776	0	5,878,803	0	5,878,803	1,244,035	106,964	0	1,350,999	0	1,350,999
Liabilities related to non-current assets held for sale	0	0	0	0	0	0			0	0	0	0
Deferred tax liabilities	4,000,104	8,772	0	4,008,876	0	4,008,876	3,498	0	0	3,498	0	3,498
Liabilities under financial contracts	0	0	0	0	0	0			0	0	0	0
Other financial liabilities	9,430,377	729,081	0	10,159,458	-5,152,512	5,006,946	9,924,737	670,000	0	10,594,737	-7,556,172	3,038,565
Liabilities from operating activities	65,887,867	8,378,758	0	74,266,625	-29,275,207	44,991,418	49,646,319	280,416	0	49,926,735	-13,288,712	36,638,023
Liabilities from primary insurance business	5,003,680	7,950,385	0	12,954,065	-2,810	12,951,255	1,403,033	110,583	0	1,513,616	-6,853	1,506,763
Liabilities from reinsurance and co-insurance business	60,447,169	249,144	0	60,696,313	-29,272,397	31,423,916	48,125,332	107,887	0	48,233,219	-13,281,859	34,951,360
Current income tax liabilities	437,018	179,229	0	616,247	0	616,247	117,954	61,946	0	179,900	0	179,900
Other liabilities	31,585,971	5,877,864	542,571	38,006,406	-7,169,868	30,836,538	11,588,814	738,881	442,218	12,769,913	-2,996,354	9,773,559

€	2013						2012					
	Non-life business	Life business	Health business	Group total	Consolidation	Total	Non-life business	Life business	Health business	Group total	Consolidation	Total
Net premiums earned	313,584,010	63,393,733	2,276,998	379,254,741	-106,576	379,148,165	230,203,749	13,346,087	2,791,239	246,341,075	-116,851	246,224,224
- Gross premiums written	358,115,113	63,808,255	2,308,307	424,231,675	-37,526,796	386,704,879	275,434,326	13,414,495	2,791,239	291,640,060	-20,876,867	270,763,193
- Written premiums ceded to reinsurers and co-insurers	-59,496,598	-561,806	0	-60,058,404	37,425,710	-22,632,694	-41,197,640	-145,277	0	-41,342,917	20,715,517	-20,627,400
- Change in gross unearned premiums	14,965,495	147,284	-31,309	15,081,470	-5,490	15,075,980	-4,032,937	76,869		-3,956,068	44,499	-3,911,569
Income from investments in subsidiary and associate companies	184,536	0	0	0	12,105,991	12,105,991	0	0	0	0	3,809,245	3,809,245
- Profit from investments in equity-accounted associate companies	0	0	0	0	2,177,749	2,177,749	0	0	0	0	3,809,245	3,809,245
- Other investment income	184,536	0	0	0	9,928,242	9,928,242	0	0	0	0	0	0
Investment income	24,069,729	21,914,506	0	45,984,235	-324,031	45,660,204	16,974,620	4,979,326	0	21,953,946	-243,656	21,710,290
- Interest income	15,651,041	8,506,708	0	24,157,749	-324,031	23,833,718	12,963,189	1,070,027	0	14,033,216	-396,057	13,637,159
- Other investment income	8,418,688	4,185,382	0	12,604,070	0	12,604,070	4,011,431	388,981	0	4,400,412	152,401	4,552,813
- Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	9,222,416	0	9,222,416	0	9,222,416	0	3,520,318	0	3,520,318	0	3,520,318
Other technical income	18,964,418	1,557,921	0	20,522,339	-10,792,726	9,729,613	12,136,217	116,041	0	12,252,258	-5,384,572	6,867,686
- Commission income	12,442,195	79,068	0	12,521,263	-10,380,603	2,140,660	7,759,067	17,755	0	7,776,822	-5,167,683	2,609,139
- Other technical income	6,522,223	1,478,853	0	8,001,076	-412,123	7,588,953	4,377,150	98,286	0	4,475,436	-216,889	4,258,547
Other income	2,912,284	363,138	0	3,275,422	-7,101	3,268,321	1,931,174	76,011	0	2,007,185	-113,484	1,893,701
Net claims incurred	-192,154,912	-34,825,473	-2,029,583	-229,009,968	413	-229,009,555	-141,471,587	-6,211,604	-2,214,902	-149,898,093	10,594	-149,887,499
- Gross claims paid less income from recourse receivables	-210,799,189	-33,050,325	-2,066,207	-245,915,721	24,692,274	-221,223,447	-136,897,428	-6,145,420	-2,214,902	-145,257,750	8,980,445	-136,277,305
- Reinsurers' and co-insurers' share of claims paid	33,590,785	180,318	0	33,771,103	-24,677,718	9,093,385	14,374,809	926	0	14,375,735	-8,966,752	5,408,983
- Change in the gross claims provision	-14,946,508	-1,955,466	36,624	-16,865,350	-14,143	-16,879,493	-18,948,968	-67,110	0	-19,016,078	-3,099	-19,019,177
Change in other technical provisions	1,162,799	4,625,570	0	5,788,369	0	5,788,369	-400,275	-1,286,319	0	-1,686,594	0	-1,686,594
Change in technical provisions for policyholders who bear the investment risk	0	-12,127,890	0	-12,127,890	0	-12,127,890		-3,475,311		-3,475,311	0	-3,475,311
Expenses for bonuses and rebates	-385,074	15,266	0	-369,808	0	-369,808	-79,743	0	0	-79,743	0	-79,740
Operating expenses	-118,158,134	-21,732,812	-231,691	-140,122,637	10,721,270	-129,401,367	-86,536,028	-6,115,150	-503,971	-93,155,149	5,428,058	-87,727,091
- Acquisition costs	-49,735,365	-6,816,316	-228,418	-56,780,099	10,377,976	-46,402,123	-56,902,825	-2,990,365	-91,273	-59,984,463	5,166,466	-54,817,997
- Other operating expenses	-68,422,769	-14,916,496	-3,273	-83,342,538	343,294	-82,999,244	-29,633,203	-3,124,785	-412,698	-33,170,686	261,592	-32,909,094
Expenses for investments in subsidiary and associate companies	-898,226	0	0	-898,226	-174,277	-1,072,503	-340,254	0	0	-340,254	0	-340,254
- Loss arising out of investments in equity-accounted associate companies	0	0	0	0	-174,277	-174,277	0	0	0	0	0	0
Expenses for financial assets and liabilities	-27,543,537	-24,318,627	0	-51,862,164	331,735	-51,530,429	-8,504,559	-2,854,671	0	-11,359,230	698,044	-10,661,186
- Impairment losses on financial assets not at fair value through profit or loss	-3,205,628	-5,906,739	0	-9,112,367	0	-9,112,367	-1,169,430	-34,554	0	-1,203,984	116,878	-1,087,106
- Interest expense	-1,992,059	-29,385	0	-2,021,444	331,735	-1,689,709	-2,011,874	-19,724	0	-2,031,598	401,952	-1,629,646
- Other investment expenses	-22,345,850	-8,863,066	0	-31,208,916	0	-31,208,916	-5,323,255	-527,437	0	-5,850,692	179,214	-5,671,478
- Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	-9,519,437	0	-9,519,437	0	-9,519,437	0	-2,272,956	0	-2,272,956	0	-2,272,956
Other technical expenses	-13,751,726	-423,439	0	-14,175,165	177,014	-13,998,151	-11,416,059	-288,332	-37,918	-11,742,309	186,313	-11,555,996
Other expenses	-2,397,756	-19,167	1	-2,416,922	2	-2,416,920	-783,315	-11,262	1	-794,576	0	-794,576
Profit/loss before tax	5,588,411	-1,577,274	15,725	3,842,326	11,931,714	15,774,040	11,713,940	-1,725,184	34,449	10,023,205	4,273,691	14,296,899
Income tax expense	-983,178	831,062	0	-152,116	0	-152,116	-2,477,133	-31,309		-2,508,442	0	-2,508,442
Net profit/loss for the period	4,605,233	-746,212	15,725	3,690,210	11,931,714	15,621,924	9,236,807	-1,756,493	34,449	7,514,763	4,273,691	11,788,457

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

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

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

Capital fund. Assets representing the capital of the Company.

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

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

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

Claims paid. Claims and benefits liquidated during a given period for claims resolved either fully or in part including loss adjustment expenses. Gross/net – before/after deduction of reinsurance.
Gross claims paid referred to in the business report are net of recourse receivables.

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

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

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

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

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

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

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

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

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

Expense ratio (net). The ratio of operating expenses, net of commission income, as a percentage of (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/net. In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.

Guarantee fund. One third of the required solvency margin.

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

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

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

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

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

Liability fund. Assets covering technical provisions.

Life insurance liability fund. Assets covering mathematical provisions.

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

Loss ratio, incurred / "Loss ratio". The net incurred loss ratiois calculated as net claims incurred gross of change in other technical provisions as a percentage of net premiums earned
Gross incurred loss ratio = gross claims incurred / gross premiums earned

Loss ratio, paid. The ratio of (gross/net) claims paid as a percentage of (gross/net) premiums written.

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

Net investment income. Investment income less investment expenses of the portfolio, including expenses for financial liabilities.

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

Return on investments. The ratio of net investment income to annualised average invested assets. The average invested assets are calculated based on monthly figures.

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

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

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

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

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