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**Translation of the
UNAUDITED FINANCIAL REPORT OF THE
SAVA RE GROUP AND
OF POZAVAROVARNICA SAVA D.D.
FOR THE SIX MONTHS TO 30 JUNE 2014**

Ljubljana, 18 August 2014

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INTRODUCTION

1 INTRODUCTION

In accordance with the Financial Instruments Market Act and the Rules of the Ljubljana Stock Exchange, Pozavarovalnica Sava, d.d. ("Sava Reinsurance Company"), with registered office at Ljubljana, Dunajska 56, hereby publishes the Unaudited Financial Report of the Sava Re Group and Pozavarovalnica Sava d.d. for the Six Months to 30 June 2014.

The Unaudited Financial Report of the Sava Re Group and Pozavarovalnica Sava d.d. for the Six Months to 30 June 2014 will be available as a hardcopy for viewing at the registered office of Sava Reinsurance Company at Dunajska 56, 1000 Ljubljana on every workday between 9:00 and 15:00, and as a softcopy on the Company's website at www.sava-re.si as from 28 August 2014.

Declaration of the management board of Sava Reinsurance Company

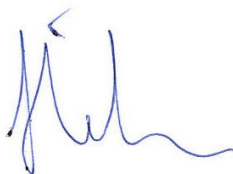
To the best of our knowledge, the summary financial statements of the Sava Re Group with notes have been prepared to give a true and fair view of the assets, liabilities, financial position and profit/loss of the Group. The interim financial statements for the Sava Re Group and the separate financial statements of Sava Reinsurance Company, which are both condensed, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", adopted by the European Union, and should be read together with the annual financial statements for the financial year ended 31 December 2013. The interim financial statements have not been audited.

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

Zvonko Ivanušič, chairman of the management board



Srečko Čebren, member of the management board



Jošt Dolničar, member of the management board



Mateja Treven, member of the management board



Ljubljana, 18 August 2014

1.1 Summary of key figures

(€)	Sava Re Group		Sava Reinsurance Company	
	1–6/2014	1–6/2013	1–6/2014	1–6/2013
Gross premiums written	268,499,823	190,099,377	82,121,227	87,091,111
Year-on-year change	41.2%	19.9%	-5.7%	-8.1%
Net premiums earned	218,826,650	154,820,763	56,860,672	62,607,269
Year-on-year change	41.3%	30.4%	-9.2%	-1.3%
Gross claims paid	129,271,312	86,505,849	36,602,271	37,531,327
Year-on-year change	49.4%	37.4%	-2.5%	10.5%
Net claims incurred	132,173,406	90,334,537	35,429,719	37,180,880
Year-on-year change	46.3%	32.0%	-4.7%	-1.0%
Net incurred loss ratio	62.5%	59.7%	62.3%	59.4%
Operating expenses, including reinsurance commission income	69,451,704	52,902,919	18,335,427	20,472,989
Year-on-year change	31.3%	24.7%	-10.4%	-7.6%
Net expense ratio	31.7%	34.2%	32.2%	32.7%
Net combined ratio	96.7%	96.1%	94.9%	92.6%
Net inv. income of the investment portfolio, including expenses for financial liabilities	15,994,115	18,143,556	12,899,963	5,814,099
Annualised return on the investment portfolio, including expenses for financial liabilities	3.4%	5.5%	6.3%	3.4%
Net inv. income of the investment portfolio, excluding expenses for financial liabilities	16,750,282	18,891,260	13,380,694	6,438,321
Annualised return on the investment portfolio, excluding expenses for financial liabilities	3.6%	5.8%	6.5%	3.8%
Net profit/loss (after tax)	12,773,659	19,228,480	14,755,773	9,170,038
Year-on-year change	-33.6%	86.6%	60.9%	100.1%
Comprehensive income	22,168,696	12,402,946	18,671,600	6,596,812
Return on equity (unannualised)	5.1%	9.6%	5.8%	5.1%
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Total assets	1,461,396,693	1,378,300,387	566,378,992	530,636,968
% change on 31 Dec. of prior year	6.0%	115.2%	6.7%	14.6%
Shareholders' equity	263,407,409	240,099,321	260,964,730	246,188,770
% change on 31 Dec. of prior year	9.7%	40.1%	6.0%	40.8%
Net technical provisions	1,041,049,342	983,520,806	197,545,510	182,280,279
% change on 31 Dec. of prior year	5.8%	181.2%	8.4%	-1.1%
No. of employees (full-time equivalent basis)	2,417	2,411	72	67

Notes:

-For details on the calculation of ratios and the net investment income, see the appended glossary.

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

Sava Reinsurance Company started consolidating Zavarovalnica Maribor as from 1 May 2013. The consolidated income statement for the four quarters of 2014 will not be directly comparable to 2013. However, the statement of financial position with figures at 30 June 2014 and 31 December 2013 is already comparable, since year-end 2013 figures of this statement already include Zavarovalnica Maribor as a subsidiary.

The table below gives realised 2014 figures together with full-year 2014 plan:

(€, except percentages)	1–6/2014	Plan 2014	As % of plan
Consolidated gross premiums written (€)	268,499,823	445,000,000	60.3%
Net profit/loss for the year	12,773,659	24,000,000	53.2%
Annualised return on equity	10.1%	> 9.6%	✓
Net combined ratio	96.7%	< 98%	✓
Net expense ratio	31.7%	< 33%	✓
Net incurred loss ratio	62.5%	< 62%	✗
Annualised investment return	3.4%	> 2.3%	✓

1.2 Company Profile of Sava Reinsurance Company

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
Governance and supervision bodies	<u>MANAGEMENT BOARD</u> Zvonko Ivanušič (chairman) Srečko Čebren Jošt Dolničar Mateja Treven <u>THE SUPERVISORY BOARD</u> Branko Tomažič (chairman) Mateja Lovšin Herič (deputy chairperson) Slaven Mičković 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	Slovenski državni holding, d.d. (Slovenian Sovereign Holding) 25% + 1 share (4,304,917 no-par value shares)
A.M. Best credit rating	A– /stable/ February 2014
S&P credit rating	BBB+ /stable/ July 2014
The Company has no branches.	

1.3 Bodies of the Company

The management board

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

In the six months to 30 June 2014, there were no changes in the composition of the management board.

Members of the management board as at 30 June 2014

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

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

Jošt Dolničar:

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

Supervisory board

Pursuant to the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council.

In the six months to 30 June 2014, there were no changes in the composition of the supervisory board.

Composition of the supervisory board at 30 June 2014

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 Mičković	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

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

The supervisory board members do not serve on any other management or supervisory body of any other legal entity.

Supervisory board committees

Audit committee

In the six months to 30 June 2014, there were no changes in the composition of the supervisory board audit committee.

Members of the supervisory board audit committee at 30.6.2014

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

General meeting of shareholders

There was one general meeting of shareholders held in the six months to 30 June 2014.

On 23 April 2014, the 28th general meeting was held in order to obtain authorisation to establish a fund for treasury shares. No challenging actions were announced in the general meeting. The general meeting authorisation allows the company to purchase own shares of up to 10% of the share capital over a period of three years.

1.4 Significant events in the first half of 2014

- S** After the announcement that Sava Reinsurance Company would recognise impairment losses on its subordinated bonds of Slovenian banks in 2013, credit rating agency A.M. 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, A.M. 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.
- S** In February 2014, Sava Reinsurance Company acquired the company Illyria Hospital from its subsidiary Illyria at a price of € 1.8 million, gaining 100 percent direct ownership of the company. The acquisition had no impact on the consolidated financial statements.
- S** 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 claim amount of Sava Reinsurance Company was € 8,338,000, and € 15,975,000 in respect of Zavarovalnica Maribor.
- S** Based on loss surveys carried out so far relating to the February ice damage, Sava Reinsurance Company estimated that the gross loss for the entire Sava Re Group, including Zavarovalnica Maribor and Zavarovalnica Tilia, would total about € 20 million. This event had an impact of € 6 million on the operating result of the Group for the first half of 2014. The lion's share of losses occurred on the railway infrastructure and electric power distribution lines.

- S** On 23 April 2014, the 28th general meeting was held in order to obtain authorisation to establish a fund for treasury shares. No challenging actions were announced in the general meeting. The general meeting authorisation allows the company to purchase own shares of up to 10% of the share capital over a period of three years. After the purchase of its own shares from Zavarovalnica Maribor, at 14 April 2014 Sava Reinsurance Company held 346,643 POSR shares. The transaction was executed at the closing rate of the Ljubljana Stock Exchange, i.e. at the price of € 11.245 per share. After the transaction, Zavarovalnica Maribor no longer held any POSR shares in its portfolio.
- S** On 13 May 2014, the subsidiary Sava Montenegro bought the company Montagent, an insurance brokerage company.
- S** On 30 June 2014 the Sava Re Group insurers authorised to transact life insurance business (Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit živотно osiguranje, Sava živотно osiguranje and Illyria Life) registered with the U.S. tax authorities to obtain relevant FATCA status (see glossary for further details).

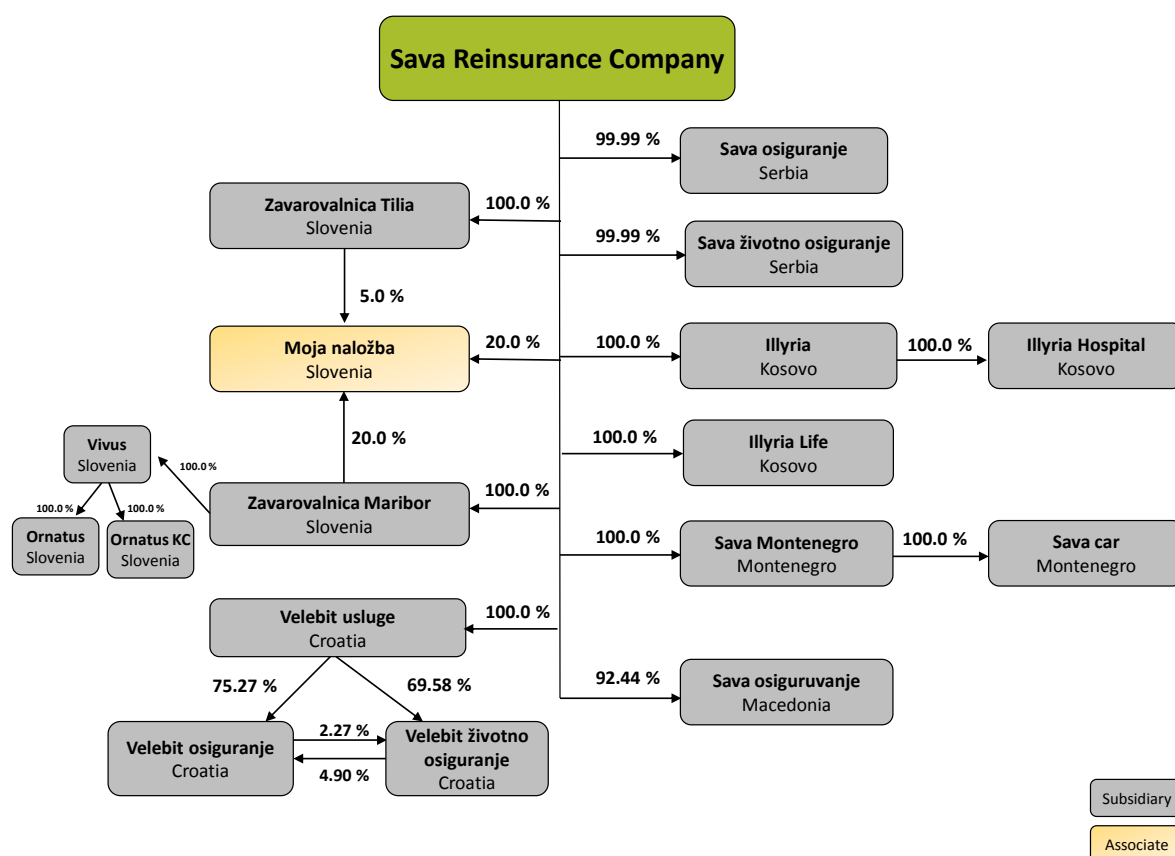
1.5 Significant events after the reporting period

- S** On 1 July 2014 the 29th general meeting of shareholders took place. Among other things, the general meeting was presented the annual report for 2013, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2013 with the opinion of the supervisory board thereto. The general meeting resolved that part of distributable profit in the amount of € 4,386,984.94 be appropriated for dividends, while the remaining amount of € 15,713,038.83 be left unallocated. The general meeting discharged both the management and the supervisory boards from their liability for the financial year 2013. The general meeting appointed the auditing firm Ernst & Young d.o.o., Dunajska 111, Ljubljana, as auditor for the 2014 financial year.
- S** On 22 July 2014 credit rating agency Standard & Poor's (S&P), in accordance with its criteria for insurers, reaffirmed the existing "BBB+" ratings with a stable outlook.
- S** In the period from 21 July 2014 to and including 25 July 2014 Sava Reinsurance Company bought 1,040 lots of its own shares for a total value of € 14,537.96 on the Ljubljana Stock Exchange. The total number of treasury shares prior to these transactions was 346,643. The total number of treasury shares after these purchases was 347,683, accounting for 0.002 percent of all shares issued.

1.6 Sava Re Group structure, including associate companies

At 30 June 2014, in addition to the controlling company Sava Reinsurance Company, the insurance part of the Sava Re Group comprised ten insurers based in Slovenia and other countries of the former Yugoslavia as well as one associate company, a pension company based in Slovenia.

Sava Re Group structure, including associates, as at 30 June 2014

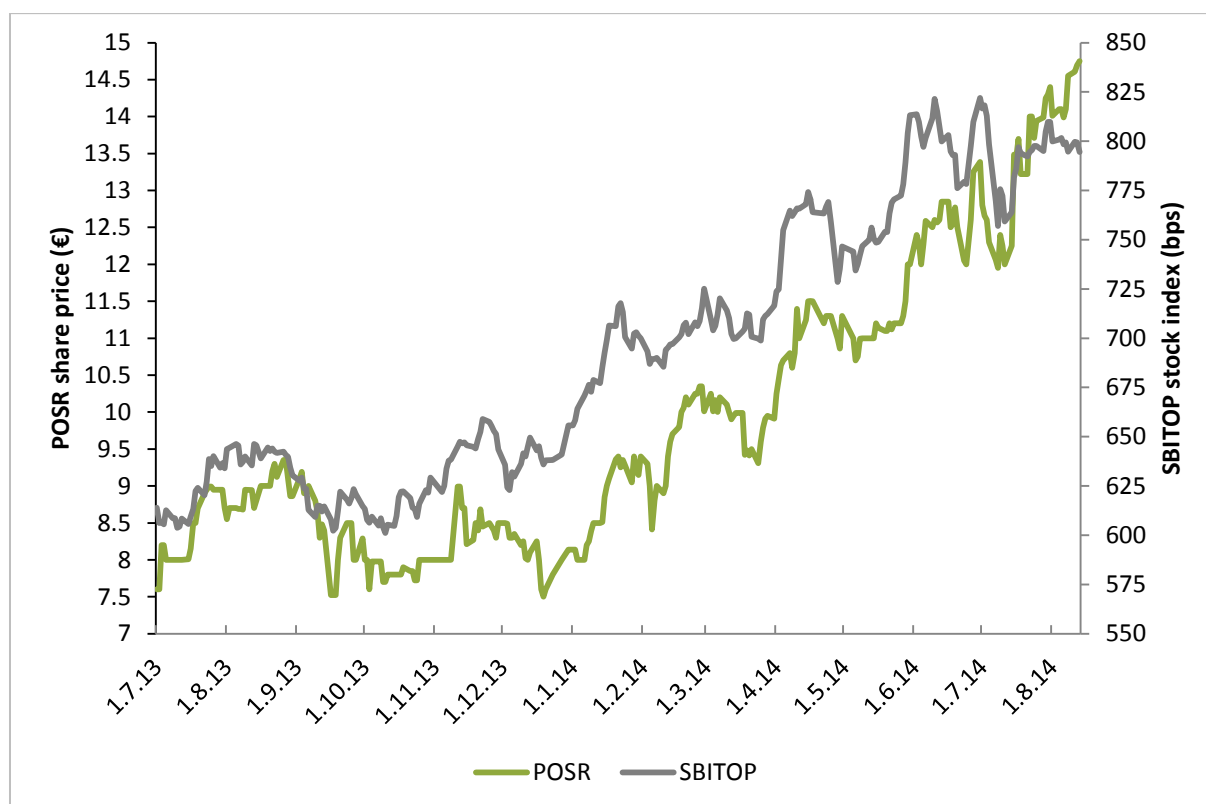


Company names of subsidiary and associate companies in this document

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

2 SHAREHOLDERS AND SHARE TRADING

Movements in the POSR share price in the period 1.7.2013 – 30.6.2014 compared to the SBITOP share index



Basic details about the POSR share

	30.6.2014	30.6.2013
Share capital	71,856,376	39,069,099
No. of shares	17,219,662	9,362,519
Ticker symbol	POSR	POSR
No. of shareholders	5,217	4,945
Type of share	ordinary	ordinary
Listing	Ljubljana Stock Exchange, prime market	
Number of treasury shares	346,643	416,643
Net earnings/loss per share (€)	0.87	1.00
Consolidated net earnings/loss per share (€)	0.76	2.06
Book value per share (€)	15.47	19.74
Consolidated book value per share (€)	15.61	24.86
Share price at end of period (€)	13.39	7.50
	1.7.2013–30.6.2014	1.7.2012–30.6.2013
Average share price in reporting period (€)	9.40	6.70
Minimum share price in reporting period (€)	7.50	4.51
Maximum share price in reporting period (€)	13.39	8.40
Trade volume in reporting period (€)	13,560,311	6,947,514

*In July 2013, Sava Reinsurance Company completed a € 55 million capital increase, thereby increasing the number of shares from 9,362,519 to 17,219,662, which is why some indicators are not fully comparable.

In the first half-year 2014, the Company did not pay dividends and it did not hold conditional equity. The regular general meeting held on 1 July 2014 decided that € 4,386,984.94 of distributable profit be appropriated as dividends. Dividends of € 0.26 gross per share will be paid to the shareholders entered in the register of shareholders two business days after the date of the general meeting. Dividends are payable within 60 days of the date of the general meeting resolution.

At 30 June 2014, 71.2 percent of shareholders were Slovenian and 28.8 percent foreign. The largest shareholder of the POSR share is the Slovenski državni holding (Slovenian Sovereign Holding) with 25 percent plus one share.

Shareholder structure of Sava Reinsurance Company at 30 June 2014

Type of Investor	Domestic investors	Foreign investors
Other financial institutions	25.1%	3.1%
Insurers and pension companies	14.6%	0.1%
Natural persons	12.1%	0.2%
Banks	7.1%	24.1%
Investment funds and mutual funds	8.9%	1.3%
Other commercial companies	3.4%	0.0%
Total	71.2%	28.8%

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

Bank investors also include fiduciary accounts the ultimate owners of which are not known.

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

Top ten shareholders of Sava Reinsurance Company at 30 June 2014.

Shareholder	No. of shares	Holding
SDH d.d.	4,304,917	25.0%
Societe Generale – Splitska banka d.d. (fiduciary account)	1,690,657	9.8%
European Bank for Reconstruction and Development	1,071,429	6.2%
Raiffeisen Bank Austria d.d. (fiduciary account)	764,606	4.4%
Modra Zavarovalnica d.d.	714,285	4.1%
Abanka d.d.	655,000	3.8%
Sakaropel Limited	539,709	3.1%
Adriatic Slovenica d.d., liability fund	500,291	2.9%
Skandinaviska Enskilda Banken SA Luxemburg	475,211	2.8%
SOP Ljubljana	474,006	2.8%
Total	11,190,111	65.0%

SAVA RE GROUP INTERIM BUSINESS REPORT

3 SAVA RE GROUP REVIEW OF OPERATIONS

The consolidated income statements will not be directly comparable in all the four quarters of 2014 with 2013, because Sava Reinsurance Company started consolidation of Zavarovalnica Maribor on 1 May 2013, meaning that the 2013 consolidated statements only include eight months of ZM operations. 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 – the majority of the remaining transactions relate to Sava Reinsurance Company's business in international reinsurance markets. The income statement for 1–6/2013 treated transactions with Zavarovalnica Maribor as non-group transactions, so figures are not comparable.

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

- S** In the consolidation process, reinsurance effects were reallocated from the reinsurance segment to the non-life and life segments (Sava 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.
- S** Profits from investments in equity-accounted associates were reallocated to their source segments (attribution of 2013 profits earned by Zavarovalnica Maribor in the first three months of the year, accounted for using the equity method, was partly allocated to the non-life segment and partly to the life segment). 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 based 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:

- S** 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).

- S** Financial investments in associates – the balance of the investment in the associate Moja naložba – were transferred to the "other" segment as from 1 April 2014. All items of this segment are shown in the notes to the financial statements.
- S** 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.
- S** Equity was reallocated from the reinsurance segment to the non-life and life segments based on the carrying amount of investments in subsidiaries (the sum total of carrying amounts of non-life insurers was reallocated to the non-life segment, and that of life insurers was reallocated to the life segment).

For the sake of comparability, we also applied the above adjustments to data for the period 1–6/2013.

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

Summary of the consolidated income statement

(€)	1–6/2014	1–6/2013	Index
Net earned premiums	218,826,650	154,820,763	141.3
Income from investments in associates	131,217	9,952,283	1.3
Investment income	18,084,051	11,695,701	154.6
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	10,325,409	2,278,491	453.2
Other technical income	3,828,251	2,815,063	136.0
- Of which investment property	40,471	8,182	494.6
Other income	1,883,852	828,899	227.3
- Of which investment property	79,275	38,486	206.0
Net claims incurred	-132,173,406	-90,334,537	146.3
Change in other technical provisions	-4,685,102	-2,020,425	231.9
Change in technical provisions for policyholders who bear the investment risk	-14,241,267	-474,414	3,001.9
Expenses for bonuses and rebates	-113,710	-315,045	36.1
Operating expenses	-70,933,827	-53,608,320	132.3
Expenses for financial assets and liabilities	-2,260,578	-3,489,576	64.8
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-3,081,708	-4,948,089	62.3
Other technical expenses	-8,479,686	-5,708,794	148.5
- Of which investment property	-38,771	-10,924	354.9
Other expenses	-675,998	-281,693	240.0
- Of which investment property	-41,550	-50,596	82.1
Profit/loss before tax	16,434,148	21,210,307	77.5
Underwriting result	6,267,470	5,651,447	110.9
Net inv. income of the investment portfolio, including expenses for financial liabilities	15,994,115	18,143,556	88.2

Consolidated net earned premiums

(€)	1–6/2014	1–6/2013	Index
Gross premiums written	268,499,823	190,099,377	141.2
Net premiums written	251,569,352	176,125,713	142.8
Change in net unearned premiums	-32,742,702	-21,304,950	153.7
Net earned premiums	218,826,650	154,820,763	141.3

In 1–6/2014, Zavarovalnica Maribor contributed € 145.9 million to the consolidated gross premiums written (1–6/2013: € 42.6 million).

Consolidated net claims incurred

(€)	1–6/2014	1–6/2013	Index
Gross claims paid	129,271,312	86,505,849	149.4
Net claims paid	126,069,407	82,283,076	153.2
Change in the net provision for outstanding claims	6,103,999	8,051,461	75.8
Net claims incurred	132,173,406	90,334,537	146.3

In 1–6/2014, Zavarovalnica Maribor contributed € 74.3 million to the consolidated gross claims paid (1–6/2013: € 24.5 million).

Consolidated net operating expenses and the expense ratio

(€)	1–6/2014	1–6/2013	Index
Acquisition costs	24,796,747	23,822,290	104.1
Change in deferred acquisition costs (+/-)	-1,821,062	-2,357,837	77.2
Other operating expenses	47,958,142	32,143,867	149.2
Gross operating expenses	70,933,827	53,608,320	132.3
Income from reinsurance commission	-1,482,123	-705,401	210.1
Net operating expenses	69,451,704	52,902,919	131.3
Gross expense ratio	26.4%	28.2%	
Net expense ratio	31.7%	34.2%	

Consolidated net investment income

Consolidated income and expenses related to the investment portfolio

(€)	1–6/2014	1–6/2013	Index
Income from the investment portfolio	18,335,014	21,694,652	84.5
Expenses for the investment portfolio	1,584,732	2,803,392	56.5
Net inv. income of the investment portfolio	16,750,282	18,891,260	88.7
Expenses for financial liabilities	756,167	747,704	101.1
Net inv. income of the investment portfolio, including expenses for financial liabilities	15,994,115	18,143,556	88.2
Income from funds of policyholders who bear the investment risk	10,325,409	2,278,491	453.2
Expenses for funds of policyholders who bear the investment risk	3,081,708	4,948,089	62.3
Net inv. income from funds of policyholders who bear the investment risk	7,243,701	-2,669,598	471.3

*The net investment income of the investment portfolio includes income and expenses related to financial investments, investments in associates and investment properties.

Realised financial income in the period 1–6/2014 comprises mainly interest income (€ 12.4 million), gains on sale of investments (€ 2.9 million), dividend income (€ 0.5 million) and foreign exchange gains (€ 1.3 million).

Realised financial expenses in the period 1–6/2014 relate to foreign exchange losses (€ 1.0 million), interest expense (€ 0.7 million) and other financial expenses (€ 0.6 million).

The net inv. income of the investment portfolio is not comparable for different years. This is because the net inv. income for the period 1–6/2014 includes income and expenses of investments held by Zavarovalnica Maribor. In 2013, the net investment income included that of Zavarovalnica Maribor for the period of 1 May 2013–30 June 2013, including gains resulting from fair value remeasurement of the existing ZM stake (€ 9.9 million).

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

3.1 Reinsurance business

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

In the comparative period of 2013, intercompany income and expenses of Zavarovalnica Maribor and Sava Re Group companies have only been eliminated from 1 May 2013, when Zavarovalnica Maribor started to be regarded as a subsidiary of the Sava Re Group.

Summary of the consolidated income statement; reinsurance business

(€)	1–6/2014	1–6/2013	Index
Net earned premiums	35,646,235	52,720,903	67.6
Investment income	4,461,471	5,189,919	86.0
Other technical income	742,929	293,539	253.1
- Of which investment property	0	0	-
Other income	10,537	5,968	176.6
- Of which investment property	526	509	103.3
Net claims incurred	-21,004,809	-31,798,711	66.1
Expenses for bonuses and rebates	4,643	9,804	47.4
Operating expenses	-11,379,051	-15,361,410	74.1
Expenses for financial assets and liabilities	-1,723,386	-2,253,173	76.5
Other technical expenses	-932,221	-980,732	95.1
- Of which investment property	-1,167	-1,167	100.0
Other expenses	-659	-4,812	13.7
- Of which investment property	0	0	-
Profit/loss before tax	5,825,689	7,821,295	74.5
Underwriting result	3,078,893	4,884,560	63.0
Net inv. income of the investment portfolio, including expenses for financial liabilities	2,737,444	2,936,088	93.2

Net premiums earned

Consolidated net earned premiums; reinsurance business

(€)	1–6/2014	1–6/2013	Index
Gross premiums written	46,220,148	68,941,365	67.0
Net premiums written	45,896,359	64,762,090	70.9
Change in net unearned premiums	-10,250,124	-12,041,187	85.1
Net earned premiums	35,646,235	52,720,903	67.6

Unconsolidated net earned premiums; reinsurance business

(€)	1–6/2014	1–6/2013	Index
Gross premiums written	82,121,227	87,091,111	94.3
Net premiums written	71,111,730	76,298,300	93.2
Change in net unearned premiums	-14,251,059	-13,691,031	104.1
Net earned premiums	56,860,672	62,607,269	90.8

Unconsolidated gross premiums of the reinsurance segment for the period 1–6/2014 dropped by 5.7 percent year-on-year. Gross premiums written in Slovenia fell by 4.8 percent due to reduced quota share participation, while international premium income shrank by 6.3 percent. The year-on-year decline in foreign-sourced premiums is due to (i) the cancellation

of several major contracts that did not meet our criteria of profitability, (ii) the drop in premium rates for non-proportional coverage in international reinsurance markets and (iii) less business offered because of the rating review by A.M. Best during the reinsurance renewals in December 2013 as a result of impairment losses incurred on subordinated bank bonds. After the reinsurance renewals, the credit rating was affirmed at the existing level of A – with a stable outlook.

Net premiums written moved in line with gross premiums written in the first half year 2014.

Net claims incurred

Consolidated net claims incurred; reinsurance business

(€)	1–6/2014	1–6/2013	Index
Gross claims paid	22,957,863	28,057,140	81.8
Net claims paid	19,605,155	27,660,604	70.9
Change in the net provision for outstanding claims	1,399,653	4,138,107	33.8
Net claims incurred	21,004,809	31,798,711	66.1

Unconsolidated net claims incurred; reinsurance business

(€)	1–6/2014	1–6/2013	Index
Gross claims paid	36,602,271	37,531,327	97.5
Net claims paid	34,342,972	34,207,508	100.4
Change in the net provision for outstanding claims	1,086,748	2,973,372	36.5
Net claims incurred	35,429,719	37,180,880	95.3

Unconsolidated gross claims paid of the reinsurance segment for the period 1–6/2014 dropped by 2.5 percent year-on-year. Gross claims paid of Slovenian cedants dropped by 20.5 percent (the major part of ice damage claims was still part of the claims provision at 30 June 2014). Gross claims paid of foreign cedants increased by 12.5 percent, mainly relating to underwriting year 2013, which saw a large number of small claims. Despite the high relative increase it needs to be noted that the related provisions had been set aside at the end of 2013, leaving the half year results unaffected.

The change in the unconsolidated net claims provision at 30 June 2014 compared to 31 December 2013 amounted to € 1.1 million (a negative effect on the financial statements). *The gross provision for outstanding claims* rose by € 8.7 million (an increase in the claims provision relating to Slovenian business of € 10.6 million, primarily due to ice damage claims; the gross claims provision relating to foreign-sourced business fell by € 2.0 million as a result of payments referred to in the preceding paragraph for the Thai flood claims and the decline in the volume of business that is predominantly short-tail). Despite the significant increase in the gross provision for outstanding claims relating to Slovenian cedants, the major part of the loss is reinsured abroad, which largely defines the movement of *the reinsurers' share of the provision for outstanding claims*. It increased by € 7.6 million in the period.

Operating expenses

Consolidated operating expenses; reinsurance business

(€)	1–6/2014	1–6/2013	Index
Acquisition costs	9,829,100	14,833,307	66.3
Change in deferred acquisition costs (+/-)	-492,526	-1,587,805	169.0
Other operating expenses	2,042,477	2,115,908	96.5
Gross operating expenses	11,379,051	15,361,410	74.1
Income from reinsurance commission	-77,197	353,755	-221.8
Net operating expenses	11,301,855	15,715,165	71.9

Unconsolidated operating expenses; reinsurance business

(€)	1–6/2014	1–6/2013	Index
Acquisition costs	17,107,847	18,952,434	90.3
Change in deferred acquisition costs (+/-)	-1,758,494	-1,922,174	108.5
Other operating expenses	3,882,358	3,838,464	101.1
Gross operating expenses	19,231,711	20,868,724	92.2
Income from reinsurance commission	-896,282	-395,735	226.5
Net operating expenses	18,335,429	20,472,989	89.6

Unconsolidated acquisition costs decreased by 9.7 percent year-on-year (gross premiums written dropped by 5.7 percent. Policy acquisition expenses as a percentage of premiums decreased year-on-year (mainly as a result a falling volume of quota share reinsurance premiums in Slovenia and an increasing share of non-proportional treaties in the structure of international premiums). The change in deferred acquisition costs in the period 1–6/2014 decreased year-on-year primarily due to the decline in gross premiums written.

Other operating expenses rose slightly compared with the period 1–6/2013, primarily due to costs associated with the Solvency II project and the increase in the number of employees in Sava Reinsurance Company.

Reinsurance commission income rose year-on-year because of profit commission payments by Sava Reinsurance Company's retrocessionaires participating in the reinsurance programmes of Slovenian cedants. In 2013 the Company had to return commission to its retrocessionaires due to a poorer loss development in 2012 in accordance with the commission sliding scale tied to claims.

Net investment income

Consolidated income and expenses related to the investment portfolio; reinsurance business

(€)	1–6/2014	1–6/2013	Index
Income from the investment portfolio	4,461,997	5,190,428	86.0
Expenses for the investment portfolio	1,243,821	1,630,118	76.3
Net inv. income of the investment portfolio	3,218,176	3,560,310	90.4
Expenses for financial liabilities	480,732	624,222	77.0
Net inv. income of the investment portfolio, including expenses for financial liabilities	2,737,444	2,936,088	93.2

*The net investment income of the investment portfolio includes income and expenses related to financial investments, investments in associates and investment properties.








The net investment income of the investment portfolio associated with the reinsurance segment comprises the net investment income of the investment portfolio of Sava Reinsurance Company, but at the consolidated level excludes net inv. income from investments in Group subsidiaries (dividends received by Sava Reinsurance Company from Group companies).

Realised income mainly relates to interest income (€ 2.1 million) and foreign exchange gains (€ 1.2 million). Investment income decreased by € 0.7 million year-on-year. The decrease is due to lower interest income (€ 0.6 million), due to the low level of interest rates in capital markets and the requirement of Sava Reinsurance Company to restructure the portfolio to one of foreign investments with high credit ratings (and a consequently lower return).

Investment expenses decreased by € 0.5 million year-on-year. The decline in expenses is associated with lower interest expenses (due to a lower subordinated debt) and lower foreign exchange losses.

3.2 Non-life insurance business

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

-  Zavarovalnica Maribor, non-life business (1–6/2013 from 1 May 2013)
-  Zavarovalnica Tilia, non-life
-  Sava Montenegro
-  Sava osiguranje, Belgrade
-  Sava osiguruvanje, Skopje
-  Velebit osiguranje
-  Illyria

Summary of the consolidated income statement; non-life insurance business

(€)	Non-life SLOVENIA		Non-life, international	
	1–6/2014	1–6/2013	1–6/2014	1–6/2013
Net earned premiums	116,096,779	59,440,312	22,834,615	23,440,543
Income from investments in associates	0	5,912,064	0	0
Investment income	4,480,381	2,673,178	1,407,586	1,728,821
Other technical income	1,913,279	1,383,372	640,832	666,010
- Of which investment property	40,471	8,182	0	0
Other income	1,172,302	399,612	376,028	387,942
- Of which investment property	50,971	22,038	27,699	15,532
Net claims incurred	-77,935,493	-38,431,154	-10,648,908	-10,353,070
Change in other technical provisions	415,515	-1,011,948	-6,789	0
Expenses for bonuses and rebates	22,241	-168,075	-140,594	-158,084
Operating expenses	-36,298,138	-19,392,342	-10,798,312	-11,246,372
Expenses for financial assets and liabilities	-325,473	-707,471	-42,993	-129,577
Other technical expenses	-4,684,063	-1,765,114	-2,543,133	-2,675,506
- Of which investment property	-18,312	-7,964	-18,346	-1,569
Other expenses	-493,997	-81,847	-177,916	-191,918
- Of which investment property	-28,595	-16,340	-12,955	-34,241
Profit/loss before tax	4,363,333	8,250,586	900,415	1,468,788
Underwriting result	-492,039	54,833	-643,944	-324,911
Net inv. income of the investment portfolio, including expenses for financial liabilities	4,199,443	7,883,687	1,360,991	1,578,966

Net premiums earned

Consolidated net earned premiums; non-life insurance business

(€)	1–6/2014	1–6/2013	Index
Gross premiums written	177,828,906	101,858,450	174.6
Net premiums written	161,441,146	92,206,037	175.1
Change in net unearned premiums	-22,509,752	-9,325,182	241.4
Net earned premiums	138,931,394	82,880,855	167.6

Consolidated gross non-life insurance premiums by region

(€)	1–6/2014	1–6/2013	Index
Slovenia	152,499,337	75,431,607	202.2
International	25,329,569	26,426,843	95.8
Total	177,828,906	101,858,450	174.6

Non-life premiums from Slovenia grew mainly because of the inclusion of Zavarovalnica Maribor into the Sava Re Group (in 1–6/2013 it was included from 1 May 2013). Gross premiums written by Zavarovalnica Maribor included in the consolidated statements at 1–6/2014 totalled € 108.3 million (1–6/2013: € 30.0 million).

Unconsolidated gross non-life premiums of Sava Re Group companies

(€)	1–6/2014	1–6/2013	Index
Zavarovalnica Maribor (non-life)	108,395,568	109,355,128	99.1
Zavarovalnica Tilia (non-life)	44,312,078	45,574,944	97.2
Sava osiguranje, Belgrade	5,813,776	5,524,365	105.2
Sava Montenegro	5,650,007	5,626,508	100.4
Sava osiguruvanje, Skopje	5,350,682	5,464,907	97.9
Illyria	4,304,465	4,815,333	89.4
Velebit osiguranje	4,212,245	4,997,765	84.3
Total	178,038,821	181,358,950	98.2

*Zavarovalnica Maribor was included in the consolidated accounts only from 1 May 2013, while the table shows non-consolidated gross premiums written for the 1–6/2014 and 1–6/2013. This is why aggregations in the table do not equal amounts shown in the financial statements by operating segment.

Total unconsolidated gross non-life insurance premiums decreased year-on-year. The largest absolute decline in gross premiums written were recorded by the two Slovenian companies. The drop in premiums of Zavarovalnica Maribor is due to current market conditions (decline in average motor insurance premium) and portfolio restructuring for unprofitable classes of business; in Zavarovalnica Tilia, the decline is a result of the termination of some business with legal entities. In 1–6/2014 non-life premiums in the Slovenian insurance market dropped by 1.6%. In Croatia the decline is a result of the liberalisation of the motor third-party liability market. In Kosovo, the largest problem is the pending change in health insurance and the financial hardship of ever more people.

Net claims incurred

Consolidated net claims incurred; non-life insurance business

(€)	1–6/2014	1–6/2013	Index
Gross claims paid	82,649,403	49,563,259	166.8
Net claims paid	82,749,120	45,789,417	180.7
Change in the net provision for outstanding claims	5,835,281	2,994,808	194.8
Net claims incurred	88,584,401	48,784,225	181.6

Consolidated gross non-life claims paid by region

(€)	1–6/2014	1–6/2013	Index
Slovenia	73,645,887	39,303,412	187.4
International	9,003,516	10,259,847	87.8
Total	82,649,403	49,563,259	166.8

As with gross premiums written, the growth in Slovenian gross claims paid is a result of the inclusion of Zavarovalnica Maribor figures. Gross claims paid of Zavarovalnica Maribor included in the consolidated statements for 1–6/2014 totalled € 54.3 million (1–6/2013: € 17.4 million). Gross claims for foreign-sourced business declined, reflecting both continued favourable loss trends and a decline in the premium volume of some group companies.

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

(€)	1–6/2014	1–6/2013	Index
Zavarovalnica Maribor (non-life)	54,281,580	57,196,666	94.9
Zavarovalnica Tilia (non-life)	19,372,563	20,959,622	92.4
Sava osiguranje, Belgrade	2,165,744	2,037,730	106.3
Sava osiguruvanje, Skopje	2,033,552	2,506,859	81.1
Illyria	1,864,753	2,415,899	77.2
Velebit osiguranje	1,557,157	1,673,547	93.0
Sava Montenegro	1,386,199	1,629,051	85.1
Total	82,661,548	88,419,374	93.5

*Zavarovalnica Maribor was included in the consolidated accounts only from 1 May 2013, while the table shows non-consolidated gross claims paid in the periods 1–6/2014 and 1–6/2013. This is why aggregations in the table do not equal amounts shown in the financial statements by operating segment.

Nearly all Group companies recorded a decline in gross non-life claims paid. The largest absolute decline in gross claims paid was recorded by the two Slovenian insurers. In the first half of 2014, Zavarovalnica Maribor recorded a decline in gross claims paid in all major non-life insurance classes of business, except in fire business, where the increase was a result of claim payments relating to ice damage in the amount of € 5.3 million (at 30 June 2014 provisions for most of the loss relating to ice damage had been made). While Zavarovalnica Tilia recorded an increase in gross motor claims, it was more than offset by a drop in the fire and other damage to property class (mainly due to subrogation recoveries).

Operating expenses

Consolidated operating expenses; non-life insurance business

(€)	1–6/2014	1–6/2013	Index
Acquisition costs	11,272,939	6,927,077	162.7
Change in deferred acquisition costs (+/-)	-1,676,463	-1,128,342	148.6
Other operating expenses	37,499,975	24,839,980	151.0
Gross operating expenses	47,096,451	30,638,715	153.7
Income from reinsurance commission	-1,400,132	-1,059,156	132.2
Net operating expenses	45,696,319	29,579,558	154.5

Acquisition costs attributable to Zavarovalnica Maribor totalled € 6.6 million (1–6/2013: € 2.3 million). Almost all Group companies had lower acquisition costs year-on-year.

Other operating expenses increased by € 12.6 million, almost entirely due to the consolidation of Zavarovalnica Maribor. Expenses of Zavarovalnica Maribor included in the consolidated statements for 1–6/2014 totalled € 18.8 million (1–6/2013: € 6.4 million). All other Group companies also recorded increased expenses.

Total consolidated gross expenses for non-life business rose by 53.7%, while gross premiums written increased by 74.6%, resulting in an improved ratio of expenses to premiums year-on-year.

Net investment income

Consolidated income and expenses related to the investment portfolio; non-life insurance business

(€)	1–6/2014	1–6/2013	Index
Income from the investment portfolio	6,007,108	10,359,815	58.0
Expenses for the investment portfolio	182,492	787,137	23.2
Net inv. income of the investment portfolio	5,824,616	9,572,678	60.8
Expenses for financial liabilities	264,182	110,025	240.1
Net inv. income of the investment portfolio, including expenses for financial liabilities	5,560,434	9,462,653	58.8






*The net investment income of the investment portfolio includes income and expenses related to financial investments, investments in associates and investment properties.

As already mentioned, a year-on-year comparison of the net investment income in the non-life segment is not meaningful due to the consolidation of Zavarovalnica Maribor from 1 May 2013 onwards.

Most of the income of the investment portfolio in the first half of 2014 comprised interest income (€ 4.9 million) and gains on sale of investments (€ 0.7 million). Expenses include chiefly interest expenses (€ 0.3 million), most of which are interest on subordinated debt of Zavarovalnica Maribor.

3.3 Life insurance business

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

-  Zavarovalnica Maribor, life business (1–6/2013 from 1 May 2013)
-  Zavarovalnica Tilia, life business
-  Sava životno osiguranje
-  Illyria Life
-  Velebit životno osiguranje

Summary of the consolidated income statement; life insurance business

(€)	Life insurance, Slovenia		Life insurance, international	
	1–6/2014	1–6/2013	1–6/2014	1–6/2013
Net earned premiums	41,667,169	17,249,208	2,581,852	1,969,797
Income from investments in associates	0	3,990,890	0	0
Investment income	7,420,601	1,736,710	313,395	366,413
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	10,325,350	2,278,458	59	33
Other technical income	516,509	164,387	14,703	48,406
- Of which investment property	0	0	0	0
Other income	159,557	-3,938	47,428	37,749
- Of which investment property	0	0	79	407
Net claims incurred	-22,172,758	-9,493,844	-411,438	-257,757
Change in other technical provisions	-4,077,669	-375,011	-1,016,159	-633,466
Change in technical provisions for policyholders who bear the investment risk	-14,235,431	-472,119	-5,836	-2,295
Expenses for bonuses and rebates	0	1,310	0	0
Operating expenses	-10,049,655	-5,585,087	-1,585,027	-1,691,080
Expenses for financial assets and liabilities	-71,535	-202,401	-97,191	-196,805
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-3,081,513	-4,947,856	-195	-233
Other technical expenses	-191,338	-164,837	-128,717	-122,605
- Of which investment property	-671	-224	-275	0
Other expenses	-40	-1	-2,949	-1,713
- Of which investment property	0	0	0	-15
Profit/loss before tax	6,209,246	4,175,869	-290,075	-483,556
Underwriting result	5,692,928	1,796,350	-544,511	-686,705
Net inv. income of the investment portfolio, including expenses for financial liabilities	7,348,395	5,524,975	216,008	170,000

Net premiums earned

Consolidated net earned premiums; life insurance business

(€)	1–6/2014	1–6/2013	Index
Gross premiums written	44,450,769	19,299,562	230.3
Net premiums written	44,231,847	19,157,586	230.9
Change in net unearned premiums	17,174	61,419	28.0
Net earned premiums	44,249,021	19,219,005	230.2

Consolidated gross life insurance premiums by region

(€)	1–6/2014	1–6/2013	Index
Slovenia	41,852,380	17,335,817	241.4
International	2,598,389	1,963,745	132.3
Total	44,450,769	19,299,562	230.3

Life premiums from Slovenia grew substantially because of the inclusion of Zavarovalnica Maribor into the Sava Re Group. Gross premiums written by Zavarovalnica Maribor included in the consolidated statements of 1–6/2014 totalled € 37.6 million (1–6/2013: € 12.6 million).

Unconsolidated gross life premiums written by Sava Re Group companies

(€)	1–6/2014	1–6/2013	Index
Zavarovalnica Maribor (life)	37,595,663	37,938,359	99.1
Zavarovalnica Tilia (life)	4,256,717	4,754,026	89.5
Velebit životno osiguranje	1,246,848	882,568	141.3
Illyria Life	806,274	647,733	124.5
Sava životno osiguranje	545,267	433,444	125.8
Total	44,450,769	44,656,130	99.5

*Zavarovalnica Maribor was included in the consolidated accounts only from 1 May 2013, while the table shows non-consolidated gross premiums written for the 1–6/2014 and 1–6/2013. This is why aggregations in the table do not equal amounts shown in the financial statements by operating segment.

Gross life premiums written in 1–6/2014 increased in all non-Slovenian Group companies, while Zavarovalnica Maribor and Zavarovalnica Tilia wrote less premiums than the year before. In 1–6/2014 life premiums in the Slovenian insurance market dropped by 4.4 percent year-on-year.

Net claims incurred and change in provisions related to life insurance

Consolidated net claims incurred and change in provisions related to life business; life insurance business

(€)	1–6/2014	1–6/2013	Index
Gross claims paid	23,664,046	8,885,450	266.3
Net claims paid	23,715,132	8,833,055	268.5
Change in the net provision for outstanding claims	-1,130,936	918,546	-323.1
Net claims incurred	22,584,196	9,751,601	231.6
Change in other technical provisions*	5,093,828	1,008,477	505.1
Change in technical provisions for policyholders who bear the investment risk	14,241,267	474,414	3001.9
Net claims incurred, including the change in the mathematical and UL provisions	41,919,291	11,234,492	373.1

*The bulk of these provisions comprises mathematical provisions.

Consolidated gross life insurance premiums by region

(€)	1–6/2014	1–6/2013	Index
Slovenia	23,253,544	8,653,982	268.7
International	410,502	231,468	177.3
Total	23,664,046	8,885,450	266.3

As with gross premiums written, the growth in Slovenian gross claims paid is a result of the inclusion of Zavarovalnica Maribor figures. Gross claims paid of Zavarovalnica Maribor included in the consolidated statements for 1–6/2014 totalled € 20.0 million (1–6/2013: € 6.1 million). Gross claims on foreign-sourced business also went up, partly because Croatian and Serbian life insurers saw an increase in surrenders and partly because policies written in the insurers' initial years started to mature.

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

(€)	1–6/2014	1–6/2013	Index
Zavarovalnica Maribor (life)	19,979,058	20,493,798	97.5
Zavarovalnica Tilia (life)	3,274,486	2,544,120	128.7
Velebit živотно osiguranje	201,949	114,124	177.0
Sava živотно osiguranje	130,541	64,007	203.9
Illyria Life	78,012	53,337	146.3
Total	23,664,046	23,269,386	101.7

*Zavarovalnica Maribor was included in the consolidated accounts only from 1 May 2013, while the table shows non-consolidated gross claims paid in the periods 1–6/2014 and 1–6/2013. This is why aggregations in the table do not equal amounts shown in the financial statements by operating segment.

In 1–6/2014 gross life insurance claims increased in all Group companies, except in Zavarovalnica Maribor, where the decline is partly the result of the measures taken to contain the number of surrenders and partly because of the fall in the average claim paid.

Operating expenses

Consolidated operating expenses; life insurance business

(€)	1–6/2014	1–6/2013	Index
Acquisition costs	3,694,708	2,061,906	179.2
Change in deferred acquisition costs (+/-)	347,927	358,310	97.1
Other operating expenses	7,592,047	4,855,951	156.3
Gross operating expenses	11,634,682	7,276,167	159.9
Income from reinsurance commission	-4,795	0	-
Net operating expenses	11,629,887	7,276,167	159.8

Acquisition costs attributable to Zavarovalnica Maribor totalled € 3.0 million (1–6/2013: € 1.2 million). The decline in these costs in other companies is due to the portfolio development, especially in Tilia, where there is less new business.

Other operating expenses increased by € 2.7 million, almost entirely due to the contribution of Zavarovalnica Maribor of € 5.3 million (1–6/2013: € 2.5 million).

The growth index of consolidated gross expenses relating to the life segment stood at 159.9; the index of consolidated gross life premiums written was 230.3. 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.

Net investment income

Consolidated income and expenses related to the investment portfolio; life insurance business

(€)	1–6/2014	1–6/2013	Index
Income from the investment portfolio	7,734,075	6,094,420	126.9
Expenses for the investment portfolio	158,419	386,137	41.0
Net inv. income of the investment portfolio	7,575,656	5,708,283	132.7
Expenses for financial liabilities	11,253	13,308	84.6
Net inv. income of the investment portfolio, including expenses for financial liabilities	7,564,403	5,694,975	132.8
Income from funds of policyholders who bear the investment risk	10,325,409	2,278,491	453.2
Expenses for funds of policyholders who bear the investment risk	3,081,708	4,948,089	62.3
Net inv. income from funds of policyholders who bear the investment risk	7,243,701	-2,669,598	471.3

*The net investment income of the investment portfolio includes income and expenses related to financial investments, investments in associates and investment properties.

Comparison of the net investment income in the life segments is likewise not meaningful because of the consolidation of Zavarovalnica Maribor in 2013.

Most of the income of the investment portfolio in the first half of 2014 comprised interest income (€ 5.3 million) and gains on sale of investments (€ 2.0 million). Expenses are negligible as they only totalled € 0.2 million.

3.4 Realisation of the 2014 budget/plan

Implementation of Sava Re Group plans in the first half of 2014

	1–6/2014	Plan 2014	%
Consolidated gross premiums written	€ 268.5 million	> € 445 million	60.3%
Net profit/loss for the year	€ 12.8 million	> € 24 million	53.3%
Shareholders' equity	€ 263.4 million	> € 250 million	105.4%
Return on equity*	5.1%	> 9.6%	✓
Net combined ratio	96.7%	< 98%	✓
Net expense ratio	31.7%	< 33%	✓
Net incurred loss ratio	62.5%	< 62%	✗
Annualised investment return	3.4%	> 2.3%	✓
Total assets	€ 1,461.4 million	> € 1,400 million	✓

*Unannualised figure; the annualised return on equity is 10.1%.

In 1–6/2014, the Group realised 60.3% of the budgeted annual consolidated gross premiums written. Sava Reinsurance Company considers that the Group premium volume target will be achieved by the end of the year. Likewise, consolidated net profit reached 53.3% of the planned full-year profit target.

In the first half of 2014, most operating ratios were on the level of planned ratios, some were better than planned. Especially the trend of the net expense ratio is favourable, reflecting both integration activities of the Slovenian Group companies and higher commission income by Sava Reinsurance Company on retroceded business. In 2013, the Company had to refund commission to retrocessionaires due to a poor claims development

in 2012. After six months, the net incurred loss ratio only slightly deviated from its target value (the ratio was less favourable after the first quarter due to the ice damage, which impacted the first quarter result in the amount of € 6 million).

4 FINANCIAL POSITION OF THE SAVA RE GROUP

At 30 June 2014, total assets of the Sava Re Group stood at € 1,461.4 million, an increase of 6.0% over year-end 2013. Below we set out items of assets and liabilities in excess of 10% of total assets/liabilities at 30 June 2014.

4.1 Assets

Consolidated total assets by type

(€)	30.6.2014	Structure 30.6.2014	31.12.2013	Structure 31.12.2013
ASSETS	1,461,396,693	100.0%	1,378,300,387	100.0%
Intangible assets	38,168,720	2.6%	40,226,072	2.9%
Property and equipment	45,552,965	3.1%	46,042,572	3.3%
Deferred tax assets	3,039,635	0.2%	3,496,592	0.3%
Investment property	5,344,956	0.4%	5,567,006	0.4%
Financial investments in associates	2,952,610	0.2%	2,866,665	0.2%
Financial investments	952,743,637	65.2%	931,121,110	67.6%
Funds for the benefit of policyholders who bear the investment risk	194,145,770	13.3%	175,776,228	12.8%
Reinsurers' share of technical provisions	45,872,726	3.1%	33,490,712	2.4%
Receivables	146,842,611	10.0%	116,212,767	8.4%
Deferred acquisition costs	19,587,812	1.3%	17,752,316	1.3%
Other assets	2,252,903	0.2%	1,593,291	0.1%
Cash and cash equivalents	4,152,515	0.3%	3,432,720	0.2%
Non-current assets held for sale	739,833	0.1%	722,336	0.1%

4.1.1 Financial investments and financial investments in associates

The amount of financial investments increased by € 21.6 million compared to 31 December 2013. The investment portfolio grew by € 22.2 million compared to 31 December 2013. The increase is due to positive cash flow from core activities of the group, totalling € 23.6 million in the first half of 2014.

Structure of the investment portfolio

(€)	30.6.2014	31.12.2013	Index
Deposits and CDs	106,564,271	113,256,253	94.1
Government bonds	493,918,532	517,929,608	95.4
Corporate bonds	315,717,745	259,635,233	121.6
Shares	23,060,002	19,632,282	117.5
Mutual funds	7,375,426	9,192,936	80.2
Loans granted and other	1,175,349	1,283,781	91.6
Deposits with cedants	4,932,312	10,191,017	48.4
Total financial investments	952,743,637	931,121,110	102.3
Financial investments in associates	2,952,610	2,866,665	103.0
Investment property	5,344,956	5,567,007	96.0
Cash and cash equivalents	4,152,515	3,432,720	121.0
Total investment portfolio	965,193,718	942,987,502	102.4
Investments for the benefit of life-insurance policyholders who bear the investment risk	194,145,770	175,776,228	110.5

Reinsurance business

The investment portfolio associated with the reinsurance segment grew by € 3.1 million compared to 31 December 2013. The increase is due to the positive cash flow from reinsurance operations in the first half of 2014 in the amount of € 3.1 million.

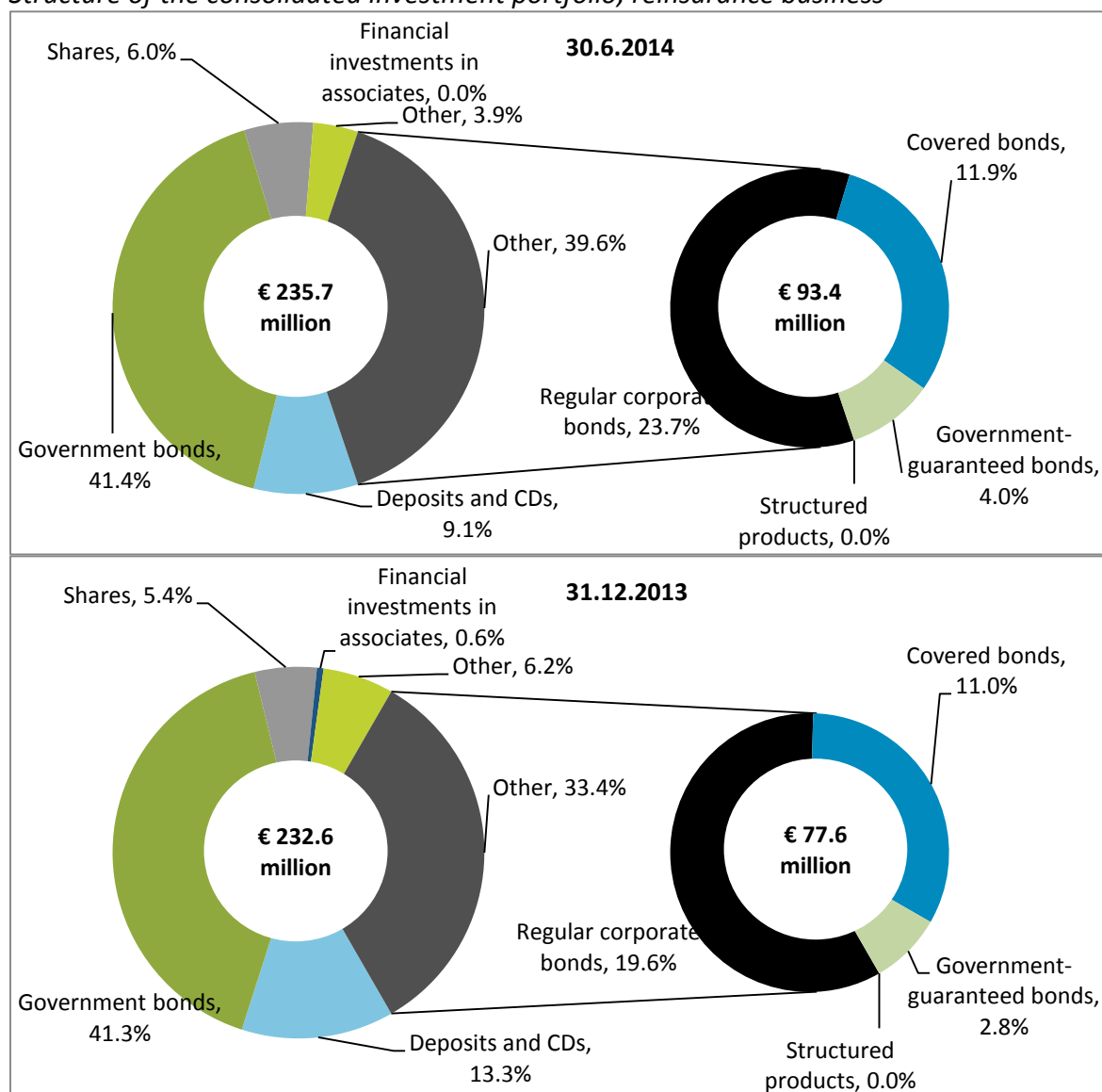
The consolidated investment portfolio by asset class reinsurance business

(€)	30.6.2014	31.12.2013	Index
Deposits and CDs	21,370,468	30,837,544	69.3
Government bonds	97,542,365	95,968,151	101.6
Corporate bonds	93,427,334	77,567,167	120.4
Shares	14,135,131	12,537,924	112.7
Mutual funds	3,872,412	3,855,136	100.4
Loans granted and other	0	333	0.0
Deposits with cedants	4,932,312	10,191,017	48.4
Total financial investments	235,280,022	230,957,272	101.9
Financial investments in associates	0	1,325,488	0.0
Investment property	152,754	153,920	99.2
Cash and cash equivalents	242,916	128,265	189.4
Total investment portfolio	235,675,692	232,564,945	101.3

The breakdown of the investment portfolio compared to 31 December 2013 changed mainly for the following asset classes:

- deposits and certificates of deposit (down 4.2 percentage points) due to both early redemption of subordinated debt and reinvestment of assets in other types of investments to reduce dependence on the Slovenian banking system,
- corporate bonds (up 6.2 percentage points) due to (i) the need for currency matching of assets and liabilities (ii) additional purchase of covered bonds and (iii) purchase of highly rated corporate bonds, and
- "other" asset class (down 2.3 percentage points) due to a decline in deposits with cedants, which is due to the reallocation of part of this item to receivables arising out of reinsurance business.

Structure of the consolidated investment portfolio; reinsurance business



*The other item includes mutual funds, deposits with cedants, loans granted, investment property and cash.

Non-life insurance business

The balance on the investment portfolio associated to non-life insurance business increased by € 2.6 million compared to 31 December 2013. In the first half of 2014 the non-life segment generated a positive cash flow of € 11.1 million, but the change in the balance of investments decreased due to dividend pay-outs in Zavarovalnica Maribor, Zavarovalnica Tilia and Sava Montenegro totalling € 8.2 million.

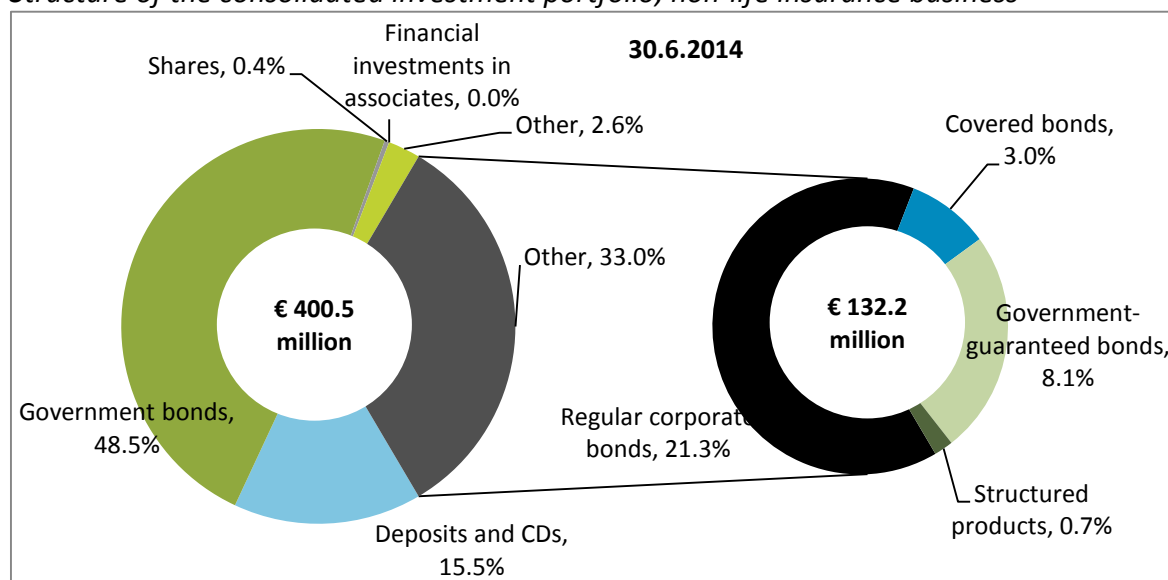
The consolidated investment portfolio by asset class; non-life insurance business

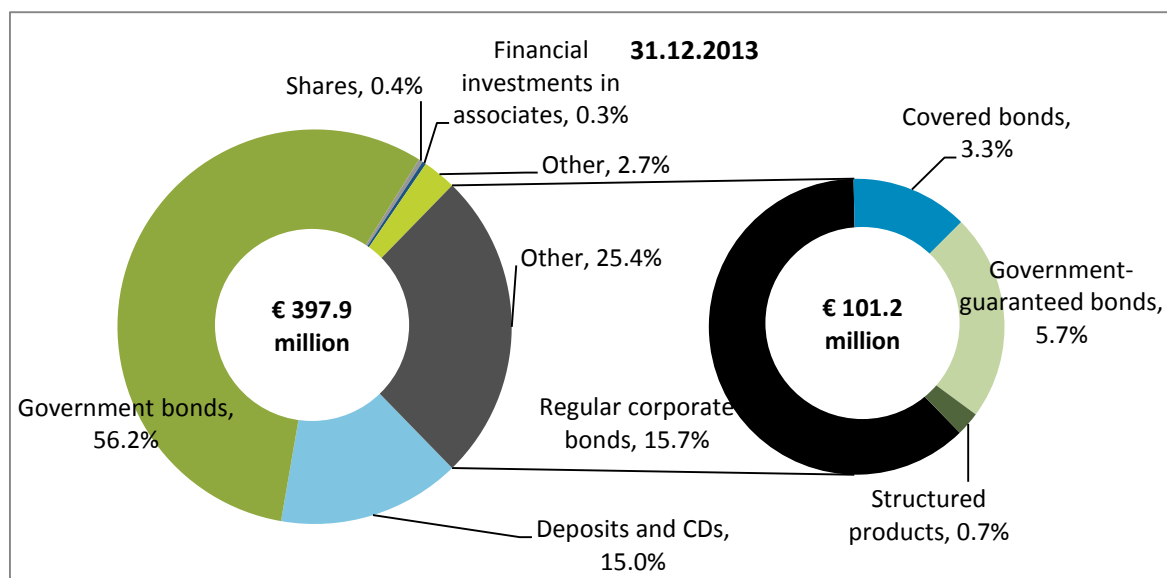
(€)	30.6.2014			31.12.2013			Index		
	Slovenia	International	Total	Slovenia	International	Total	Slovenia	International	Total
Deposits and CDs	35,103,395	26,777,288	61,880,683	31,645,823	28,110,622	59,756,445	110.9	95.3	103.6
Government bonds	165,312,997	29,014,199	194,327,196	195,874,283	27,611,977	223,486,260	84.4	105.1	87.0
Corporate bonds	132,153,784	25,481	132,179,265	101,129,931	25,404	101,155,335	130.7	100.3	130.7
Shares	1,224,691	299,507	1,524,198	1,137,451	262,156	1,399,607	107.7	114.2	108.9
Mutual funds	1,691,271	243,566	1,934,837	2,441,099	213,123	2,654,222	69.3	114.3	72.9
Loans granted and other	511,213	237,666	748,879	695,843	229,911	925,754	73.5	103.4	80.9
Deposits with cedants	0	0	0	0	0	0	0.0	0.0	0.0
Total financial investments	335,997,351	56,597,707	392,595,058	332,924,430	56,453,193	389,377,623	100.9	100.3	100.8
Financial investments in associates	0	0	0	1,240,728	0	1,240,728	0.0	0.0	0.0
Investment property	691,333	4,291,936	4,983,269	687,509	4,516,814	5,204,323	100.6	95.0	95.8
Cash and cash equivalents	318,553	2,608,739	2,927,292	445,211	1,669,569	2,114,780	71.6	156.3	138.4
Total investment portfolio	337,007,237	63,498,382	400,505,619	335,297,878	62,639,576	397,937,454	100.5	101.4	100.6

Compared to 31 December 2013, the structure of the investment portfolio associated with non-life business changed for:

- government bonds (down 7.7 percentage points) due to maturing investments and
- corporate bonds (up 7.6 percentage points) due to the purchases of highly rated corporate bonds and government-guaranteed corporate bonds as an alternative to government bonds.

Structure of the consolidated investment portfolio; non-life insurance business





*The other item includes mutual funds, deposits with cedants, loans granted, investment property and cash.

Life insurance business

The balance on the investment portfolio associated to life insurance business increased by € 13.3 million compared to 31 December 2013. In the first half of 2014, the life segment generated a positive cash flow from core business of € 9.7 million. Investments further increased due to fair-value gains on investments of € 3.9 million.

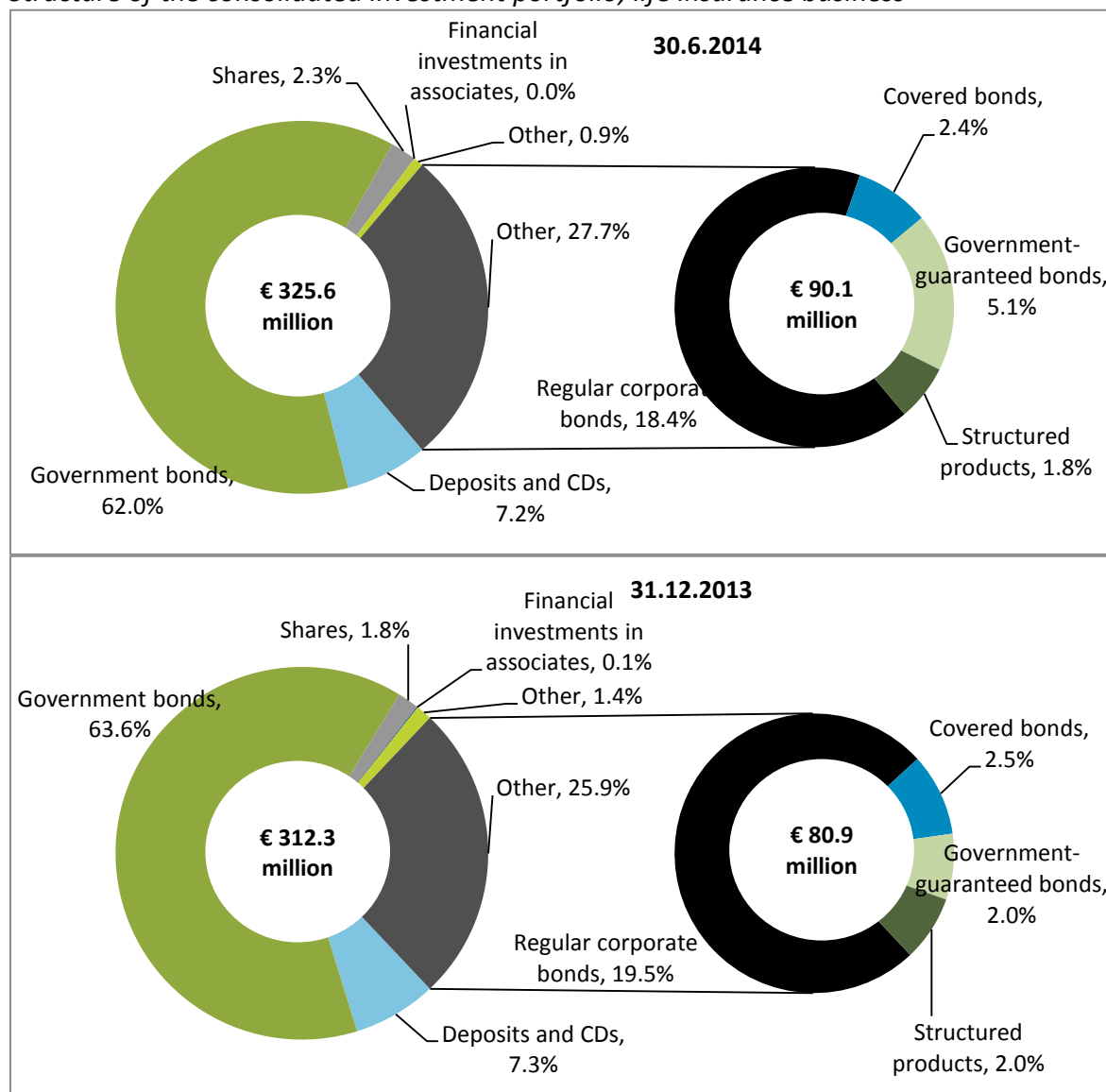
The consolidated investment portfolio by asset class; life insurance business

(€)	30.6.2014			31.12.2013			Index		
	Slovenia	International	Total	Slovenia	International	Total	Slovenia	International	Total
Deposits and CDs	17,208,897	6,104,223	23,313,120	16,138,825	6,523,439	22,662,264	106.6	93.6	102.9
Government bonds	195,846,641	6,202,330	202,048,971	193,463,501	5,011,696	198,475,197	101.2	123.8	101.8
Corporate bonds	89,726,719	384,427	90,111,146	80,912,731	0	80,912,731	110.9	0.0	111.4
Shares	7,243,625	154,798	7,398,423	5,519,437	175,314	5,694,751	131.2	88.3	129.9
Mutual funds	1,568,177	0	1,568,177	2,683,578	0	2,683,578	58.4	0.0	58.4
Loans granted and other	0	319,325	319,325	0	310,549	310,549	0.0	102.8	102.8
Deposits with cedants	0	0	0	0	0	0	0.0	0.0	0.0
Total financial investments	311,594,059	13,165,103	324,759,162	298,718,072	12,020,998	310,739,070	104.3	109.5	104.5
Financial investments in associates	0	0	0	300,449	0	300,449	0.0	0.0	0.0
Investment property	45,646	163,287	208,933	46,317	162,447	208,764	98.6	100.5	100.1
Cash and cash equivalents	126,987	549,052	676,039	72,602	976,977	1,049,579	174.9	56.2	64.4
Total investment portfolio	311,766,692	13,877,442	325,644,134	299,137,440	13,160,422	312,297,862	104.2	105.4	104.3
Investments for the benefit of life-insurance policyholders who bear the investment risk	194,128,710	17,060	194,145,770	175,765,101	11,127	175,776,228	110.4	153.3	110.5

Compared to 31 December 2013, the structure of the investment portfolio associated with life business changed for:

- government bonds (down 1.4 percentage points) due to maturing investments,
- corporate bonds (up 1.8 percentage points) due to the purchases of government-guaranteed corporate bonds and
- shares (up 0.5 percentage points) due to fair value gains on investments.

Structure of the consolidated investment portfolio; life insurance business



*The other item includes mutual funds, deposits with cedants, loans granted, investment property and cash.

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

The second largest asset item is funds for the benefit of policyholders who bear the investment risk. At 30 June 2014, these funds totalled € 194.1 million and increased by € 18.4 million compared to the 31 December 2013. The following Sava Re Group companies market life products where policyholders bear the investment risk: Zavarovalnica Maribor, Zavarovalnica Tilia and Velebit živотно osiguranje. The lion's share of this business is held by Zavarovalnica Maribor with € 162.5 million at 30 June 2014 (which increased by € 16.8 million compared to year-end 2013). The growth of these funds is related to the size of the portfolio and the growth in the value of the funds to which assets are linked.

4.1.3 Receivables

Receivables, a major assets item, increased by 26.4% or € 30.6 million compared to year-end 2013. Accordingly, the share of total assets increased slightly. An rise in receivables at the beginning of the year and a gradual downward movement during the year are ordinary annual trends of this item in most Group insurance companies. In the second quarter of 2014, receivables decreased by € 15.9 million compared to 31 March 2014.

This increase in receivables was a result of both an increase in receivables arising out of primary insurance business as well as an increase in receivables arising out of reinsurance and coinsurance business. Receivables arising out of primary insurance business increased by € 14.5 million due to the annual renewal of insurance contracts with legal entities (the majority renews in the first half-year or at the beginning of the year). There was also an increase of € 14.3 million in receivables arising out of reinsurance and co-insurance business, which is likewise a result of the annual renewal of reinsurance contracts with cedants and the timing of estimates made for reinsurance business.

4.2 Liabilities

Consolidated equity & liabilities by type

(€)	30.6.2014	Structure 30.6.2014	31.12.2013	Structure 31.12.2013
EQUITY AND LIABILITIES	1,461,396,693	100.0%	1,378,300,387	100.0%
Equity	263,407,409	18.0%	240,099,321	17.4%
Share capital	71,856,376	4.9%	71,856,376	5.2%
Capital reserves	43,562,777	3.0%	42,423,360	3.1%
Profit reserves	101,725,089	7.0%	102,023,219	7.4%
Treasury shares	-2,821,391	-0.2%	-2,821,391	-0.2%
Fair value reserve	17,100,577	1.2%	7,739,714	0.6%
Retained earnings	20,039,734	1.4%	15,018,066	1.1%
Net profit/loss for the period	13,150,027	0.9%	5,023,423	0.4%
Translation reserve	-3,113,342	-0.2%	-3,128,947	-0.2%
Equity attributable to owners of the controlling company	261,499,847	17.9%	238,133,820	17.3%
Non-controlling interest in equity	1,907,562	0.1%	1,965,501	0.1%
Subordinated liabilities	28,681,344	2.0%	30,466,967	2.2%
Technical provisions	901,868,558	61.7%	846,224,719	61.4%
Technical provision for the benefit of life insurance policyholders who bear the investment risk	185,053,510	12.7%	170,786,799	12.4%
Other provisions	6,058,228	0.4%	5,878,803	0.4%
Deferred tax liabilities	6,718,422	0.5%	4,008,876	0.3%
Other financial liabilities	4,843	0.0%	5,006,946	0.4%
Liabilities from operating activities	47,364,219	3.2%	44,991,418	3.3%
Other liabilities	22,240,161	1.5%	30,836,538	2.2%

4.2.1 Technical provisions

Gross technical provisions are the largest item of liabilities. These increased by 6.6% from year-end 2013 to € 55.6 million at 30 June 2014. The largest increase was in unearned

premiums (€ 36.7 million) as a result of the underwriting dynamics in the year (higher volume of commercial business written in the first half of the year).

The gross provision of the reinsurance segment increased by 5.0% year-on-year. The rise in provisions compared to year-end 2013 is a result of both movements in unearned premiums and the dynamics of writing reinsurance contracts. Sava Reinsurance Company writes ever more business in reinsurance markets where treaty renewals are in the second or the third quarters.

The gross provision of the non-life insurance segment increased by 10.0% compared with year-end 2013. The largest increase was with unearned premiums, while provisions for outstanding claims also rose (ice damage).




The gross provision of the life insurance segment increased by 1.6% compared with year-end 2013. The largest increase was with the mathematical provision.

Movements in consolidated gross technical provisions

(€)	30.6.2014	31.12.2013	Index
Gross unearned premiums	181,350,347	144,611,911	125.4
Gross mathematical provisions	255,829,826	250,559,649	102.1
Gross provision for claims	451,912,130	437,267,628	103.3
Other gross technical provisions	12,776,255	13,785,531	92.7
Total gross technical provisions	901,868,558	846,224,719	106.6

4.2.2 Equity

The second largest item on the liabilities side is equity, which increased by 9.7% or € 23.3 million from year-end 2013. The increase in equity is mainly due to the movements in the following equity components:

-  fair value reserve increased by € 9.4 million to € 17.1 million at 30 June 2014 (due to the positive trends in capital markets);
-  net profit for the year was € 13.1 million;
-  profit reserves decreased by € 0.3 million due to the movements in the credit risk and the catastrophe equalisation reserves.

4.2.3 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 30 June 2014 grew by 8.4% or € 14.3 million compared to year-end 2013. Zavarovalnica Maribor has a strong market position in life products. Most of this business comprises policies where policyholders bear the investment risk.

4.3 Insolvency risk

Sava Reinsurance Company meets capital adequacy requirements and so do all its subsidiary companies under local regulations. At 30 June 2014 the available solvency margin exceeded the required solvency margin by € 23.0 million. Sava Reinsurance Company's surplus of available solvency margin over the required solvency margin increased by € 7.0 million compared to 31 December 2013.

The solvency ratio stood at 168.8% at year-end 2013 and at 199.5% at 30 June 2014.

Statement of capital adequacy for Sava Reinsurance Company

(€)		30.6.2014	31.12.2013
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	71,856,376
Capital reserves, other than capital reserves arising from cumulative preference shares	2	54,239,757	54,239,757
Profit reserves, other than the reserve for treasury shares and the reserves for credit and catastrophe risk equalisation	3	88,939,518	88,939,518
Net profit brought forward from previous years	4	20,100,024	12,717,998
Fair value reserve relating to assets not financed from technical provisions	5	1,394,352	755,747
Treasury shares and own interests	6	3,897,413	2,821,391
Intangible assets	7	83,480	134,952
Core capital (1 + 2 + 3 + 4 + 5 – 6 – 7)	8	232,549,134	225,553,053
Guarantee fund	9	7,705,848	7,725,010
Compliance with Article 106 (4) of the ZZavar (8 – 9)	10	224,843,286	217,828,043
ADDITIONAL CAPITAL (Article 107 of the ZZavar)			
Subordinated debt instruments	11	5,779,386	5,793,757
Additional capital (15), however not more than 50% of the lower of core capital and required solvency margin	12	5,779,386	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	238,328,520	231,346,810
Participations within the meaning of Article 108(1), point 1 of the ZZavar	14	191,481,452	191,481,452
Participations within the meaning of Article 108(1), point 2 of the ZZavar	15	734,952	734,952
Available solvency margin of insurer (13 – 14 – 15)	16	46,112,116	39,130,406
Required solvency margin	17	23,117,544	23,175,031
Surplus/deficit of available solvency margin (16 – 17)	18	22,994,572	15,955,375

4.4 Capital structure

At 30 June 2014, the Sava Re Group's capital comprised € 263.4 million of equity, € 28.7 million of subordinated liabilities and € 4,843 of other financial liabilities. Thus debt accounted for 9.8% 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. Zavarovalnica Maribor also holds subordinated debt, in the amount of € 5.2 million (in the first quarter 2014 ZM redeemed € 1.8 million of its subordinated debt).

4.5 Cash flow

Net receipts from operating activities of the Sava Re Group in the period 1–6/2014 totalled € 23.6 million (1–6/2013: € 6.0 million).

Net disbursements in financing activities during the period 1–6/2014 amounted to € 12.0 million (1–6/2013: net receipts of € 3.2 million). At the end of 2013, Sava Reinsurance Company enters a contract in respect of the repayment of part of its subordinated debt (the relating cash flow occurred in the first quarter of 2014). In addition, Zavarovalnica Maribor repaid part of its subordinated debt, while Zavarovalnica Tilia redeemed its short-term loan of € 4.7 million.

4.6 Credit rating

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

Credit ratings of Sava Reinsurance Company

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

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

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

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

5 PERSONNEL

Employment figures for Group members

	30.6.2014	31.12.2013	Change
Zavarovalnica Maribor	791	822	-31
Zavarovalnica Tilia	367	362	5
Sava osiguranje, Belgrade	285	273	12
Sava osiguruvanje, Skopje	163	126	37
Illyria	161	164	-3
Velebit osiguranje	150	151	-1
Sava Montenegro	130	145	-15
Illyria Life	128	120	8
Sava životno osiguranje	75	83	-8
Sava Reinsurance Company	72	67	5
Velebit životno osiguranje	67	74	-7
Sava Car	28	24	4
Total	2,417	2,411	6

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

Some non-Slovenia based companies hired more sales staff in order to achieve planned premium growth.

6 RISK MANAGEMENT

6.1 Underwriting risks

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

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

In the Sava Re Group, pricing risk is mainly controlled by using actuarial analyses of loss ratios, monitoring their trends and by making adequate adjustments.

Claims risk is managed by appropriate insurance conditions and pricing, adequate underwriting, controlling risk concentration, and especially adequate reinsurance programmes for subsidiaries and an adequate retrocession programme for Sava Reinsurance Company.

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

Sava Re Group members manage reserving risk by comparing historic reserving figures with actual amounts, by applying the latest actuarial methods and by adopting a prudent approach in setting the levels of technical provisions.

6.2 Financial risks

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

The Sava Re Group complies with local legal requirements governing investment diversification, limits and valuation, as well as asset-liability matching as well as internal rules for mitigating financial risk.

At 30 June 2014, the value of assets exposed to financial risks was € 952.7 million (31 December 2013: € 931.1 million).

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 Sava Re Group and does not constitute a risk assessment of types of financial instruments.

Own risk assessment

Type of investment	Market risk			Liquidity risk	Credit risk
	Interest rate risk	Equity risk	Currency 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	

6.2.1 Market risks

The market risks heading includes assessments of interest rate risk, equity risk and currency risk.

6.2.1.1 Interest rate risk

Interest rate risk sensitivity is monitored by the Group through calculating the loss in the bond portfolio if interest rates rose by two percentage points. The bond portfolio includes government and corporate bonds, bond mutual funds with a weight of 1 and mixed mutual funds with a weight of 0.5. The analysis does not include bonds classified by the Group as held-to-maturity.

A sensitivity analysis for non-life insurance investments (including the reinsurance segment) showed that if interest rates had increased by two percentage points, the value of the investment portfolio sensitive to interest rate risk would have decreased by € 17.5 million or by 3.9% (31 December 2013: € 16.5 million or 3.8%).

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

A sensitivity analysis for life insurance investments (including the reinsurance segment) showed that if interest rates increased by two percentage points, the value of the investment portfolio sensitive to interest rate risk would have decreased by € 10.9 million or by 5.4% (31 December 2013: € 12.4 million or 6.6%).

Given that the share of debt securities in the investment portfolio and the average time-to-maturity of investments relating to the two segments did not change significantly, we consider that the interest rate risk did not change significantly compared to year-end 2013.

6.2.1.2 Equity risk

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

To assess the Group's sensitivity of investments to equity risk, we assume a 10% drop in the value of all equity securities. At 30 June 2014, this would have decreased the value of Group investments by € 2.9 million (31 December 2013: € 2.6 million).

With equity risk, linearity may be used for decreases in the value of investments. Accordingly, the larger the drop in prices, the larger the negative change in the value of investments sensitive to equity risk.

We estimate that compared to year-end 2013, equity risk slightly increased because there was a slight increase in the amount of investments sensitive to equity risk.

6.2.1.3 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. Due to the increased business volume from abroad (and the increasing number of foreign currencies), in 2013 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.

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 consider that currency risk on the Group level did not change significantly in the first half of 2014 compared to year-end 2013.

6.2.2 Liquidity risk

The Group manages liquidity risk by having Group companies draw up annual liquidity plans with daily planned cash-flows (investments, reinsurance, expenses). In addition, the Group mitigates liquidity risk by diversifying the maturities of deposits that serve to meet day-to-day liquidity needs. The bond portfolio consists mainly of highly liquid and listed bonds.

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.

Sudden liquidity needs arising in any Group subsidiary could be met by the controlling company through short-term bridge loans.

In view of the above measures, we estimate that liquidity risk is well managed.

6.2.3 Credit risk

We estimate credit risk for the investment portfolio based on issuer credit ratings for deposits, bonds and financial investments of reinsurers with cedants based on reinsurance contracts. At 30 June 2014, in this part of the investment portfolio 47.9% of the portfolio exposed to market risks is invested in investments with a minimum credit rating of A– by Standard & Poor's (31 December 2013: 42.7%). As much as 79.3% of the portfolio exposed to

market risks is invested in investments with a minimum credit rating of BBB by Standard & Poor's (31 December 2013: 79.3%).

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 subject to such requirements, the subsidiary would still transfer at least part of its risk exposure to the controlling company, thus reducing the effective credit risk exposure relating to reinsurers below the one correctly shown according to accounting rules.

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

6.2.3.1 Concentration risk

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

Regionally, the Group's largest exposure is to the EU members (30 June 2014: 43.7%; 31 December 2013: 42.2%), followed by exposure to Slovenia (30 June 2014: 42.7%; 31 December 2013: 45.7%). In terms of industry, the Group's largest exposure is to the government (30 June 2014: 52.0%; 31 December 2013: 55.7%) and banking sector (30 June 2014: 26.0%; 31 December 2013: 23.4%). The concentration by region and industry reflects the Group's investment policy of maximising diversification of investments and reducing exposure to Slovenia.

We consider that concentration risk did not change significantly in the first half of 2014 compared with year-end 2013.

6.3 Operational risks

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

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

6.4 Exposure to risk up until year-end 2014

We expect that in the remaining six months of the year, the exposure of Sava Reinsurance Company and the Sava Re Group to risks will not change significantly. Due to the nature of its business, the main risks that the Group is exposed to are underwriting risks followed by financial risks. The realisation of underwriting risks is fortuitous and only for certain classes of insurance seasonal. A major increase in realised risks could be expected as a result of an increased frequency of storms with massive losses or as a result of unfavourable trends in financial markets.

SUMMARY OF SAVA RE GROUP FINANCIAL STATEMENTS WITH NOTES

7 UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7.1 Unaudited consolidated statement of financial position

(€)	30.6.2014	31.12.2013
ASSETS	1,461,396,693	1,378,300,387
Intangible assets	38,168,720	40,226,072
Property and equipment	45,552,965	46,042,572
Deferred tax assets	3,039,635	3,496,592
Investment property	5,344,956	5,567,006
Financial investments in associates	2,952,610	2,866,665
Financial investments:	952,743,637	931,121,110
- loans and deposits	112,113,521	124,155,090
- held to maturity	161,630,851	164,086,323
- available for sale	642,823,489	608,760,093
- at fair value through profit or loss	36,175,776	34,119,604
Funds for the benefit of policyholders who bear the investment risk	194,145,770	175,776,228
Reinsurers' share of technical provisions	45,872,726	33,490,712
Receivables	146,842,611	116,212,767
Receivables arising out of primary insurance business	71,363,739	56,871,392
Receivables arising out of reinsurance and co-insurance business	62,610,862	48,273,297
Current tax assets	326,019	1,707,675
Other receivables	12,541,991	9,360,403
Deferred acquisition costs	19,587,812	17,752,316
Other assets	2,252,903	1,593,291
Cash and cash equivalents	4,152,515	3,432,720
Non-current assets held for sale	739,833	722,336
EQUITY AND LIABILITIES	1,461,396,693	1,378,300,387
Equity	263,407,409	240,099,321
Share capital	71,856,376	71,856,376
Capital reserves	43,562,777	42,423,360
Profit reserves	101,725,089	102,023,219
Treasury shares	-2,821,391	-2,821,391
Fair value reserve	17,100,577	7,739,714
Retained earnings	20,039,734	15,018,066
Net profit/loss for the period	13,150,027	5,023,423
Translation reserve	-3,113,342	-3,128,947
Equity attributable to owners of the controlling company	261,499,847	238,133,820
Non-controlling interest in equity	1,907,562	1,965,501
Subordinated liabilities	28,681,344	30,466,967
Technical provisions	901,868,558	846,224,719
Unearned premiums	181,350,347	144,611,911
Mathematical provisions	255,829,826	250,559,649
Provision for outstanding claims	451,912,130	437,267,628
Other technical provisions	12,776,255	13,785,531
Technical provision for the benefit of life insurance policyholders who bear the investment risk	185,053,510	170,786,799
Other provisions	6,058,228	5,878,803
Deferred tax liabilities	6,718,422	4,008,876
Other financial liabilities	4,843	5,006,946
Liabilities from operating activities	47,364,219	44,991,418
Liabilities from primary insurance business	13,445,390	12,951,255
Liabilities from reinsurance and co-insurance business	32,193,757	31,423,916
Current income tax liabilities	1,725,072	616,247
Other liabilities	22,240,161	30,836,538

7.2 Unaudited consolidated income statement

(€)	1–6/2014	1–6/2013
Net earned premiums	218,826,650	154,820,763
Gross premiums written	268,499,823	190,099,377
Written premiums ceded to reinsurers and co-insurers	-16,930,471	-13,973,664
Change in gross unearned premiums	-36,847,117	-24,540,309
Change in unearned premiums for the reinsurance and co-insurance part	4,104,415	3,235,359
Income from investments in associates	131,217	9,952,283
Profit from investments in equity-accounted associate companies	131,216	2,227,078
Other income	0	7,725,205
Investment income	18,084,051	11,695,701
Interest income	12,408,059	8,673,086
Other investment income	5,675,992	3,022,615
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	10,325,409	2,278,491
Other technical income	3,828,251	2,815,063
Commission income	1,482,123	705,401
Other technical income	2,346,128	2,109,662
Other income	1,883,852	828,899
Net claims incurred	-132,173,406	-90,334,537
Gross claims payments less income from recourse receivables	-129,271,312	-86,505,849
Reinsurers' and co-insurers' shares	3,201,905	4,222,773
Change in the gross claims provision	-14,232,165	-4,548,696
Change in the provision for outstanding claims for the reinsurance and co-insurance part	8,128,166	-3,502,765
Change in other technical provisions	-4,685,102	-2,020,425
Change in technical provisions for policyholders who bear the investment risk	-14,241,267	-474,414
Change in liabilities under financial contracts		
Expenses for bonuses and rebates	-113,710	-315,045
Operating expenses	-70,933,827	-53,608,320
Acquisition costs	-24,796,747	-23,822,291
Change in deferred acquisition costs	1,821,062	2,357,837
Other operating expenses	-47,958,142	-32,143,866
Expenses for financial assets and liabilities	-2,260,578	-3,489,576
Impairment losses on financial assets not at fair value through profit or loss	-36,887	-239,130
Interest expense	-743,228	-747,704
Other investment expenses	-1,480,463	-2,502,742
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-3,081,708	-4,948,089
Other technical expenses	-8,479,686	-5,708,794
Other expenses	-675,998	-281,693
Profit/loss before tax	16,434,148	21,210,307
Income tax expense	-3,660,489	-1,981,827
Net profit/loss for the period	12,773,659	19,228,480
Net profit/loss attributable to owners of the controlling company	12,850,166	18,932,130
Net profit/loss attributable to non-controlling interests	-76,507	296,350
Basic and diluted earnings per share	0.76	2.06

7.3 Unaudited consolidated statement of comprehensive income

(€)	1–6/2014			1–6/2013		
	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	12,850,166	-76,507	12,773,659	18,932,130	296,350	19,228,480
OTHER COMPREHENSIVE INCOME, NET OF TAX	9,376,468	18,569	9,395,037	-5,910,994	-914,540	-6,825,533
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	9,376,468	18,569	9,395,037	-5,910,994	-914,540	-6,825,533
Net gain/loss from revaluation of financial assets available-for-sale	11,735,801	10,410	11,746,211	-5,311,035	-928,930	-6,239,966
Net change recognised in the fair value reserve	9,586,609	10,410	9,597,019	-5,088,825	-1,020,917	-6,109,742
Net change transferred from fair value reserve to profit or loss	2,149,192	0	2,149,192	-222,210	91,987	-130,223
Net gains/losses attributable to the Group recognised in fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	-45,271	0	-45,271	-1,379,659	0	-1,379,659
Tax on other comprehensive income	-2,329,667	0	-2,329,667	680,208	1,699	681,907
Net gains/losses from translation of financial statements of non-domestic companies	15,605	8,159	23,764	99,493	12,691	112,184
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	22,226,633	-57,938	22,168,696	13,021,135	-618,190	12,402,946
Attributable to owners of the controlling company	22,226,633	0	22,226,633	13,021,135	0	13,021,135
Attributable to non-controlling interest	0	-57,938	-57,938	0	-618,190	-618,190

7.4 Unaudited consolidated statement of cash flows

(€)	1-6/2014	1-6/2013
A. Cash flows from operating activities		
a.) Items of the income statement	49,429,769	41,772,100
1. Net premiums written in the period	251,569,352	176,125,713
2. Investment income (other than financial income), financed from:	96,740	12,874,366
- technical provisions	16,918	5,033,432
- other sources	79,822	7,840,934
3. Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	5,712,103	3,643,962
4. Net claims payments in the period	-126,069,407	-82,283,076
5. Expenses for bonuses and rebates	-113,710	-315,045
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-68,889,519	-52,611,545
7. Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-59,617	-7,689,961
- technical sources	-45,560	-7,373,242
- other sources	-14,057	-316,719
8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-9,155,684	-5,990,487
9. Tax on profit and other taxes not included in operating expenses	-3,660,489	-1,981,827
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	-25,838,065	-35,736,714
1. Change in receivables from primary insurance	-14,492,347	-53,630,594
2. Change in receivables from reinsurance	-14,337,565	-16,775,292
3. Change in other receivables from (re)insurance business	-342,579	-680,858
4. Change in other receivables and other assets	3,971,679	7,352,058
5. Change in deferred tax assets	456,957	-3,811,478
6. Change in inventories	-75,291	-113,191
7. Change in liabilities arising out of primary insurance	494,135	11,950,251
8. Change in liabilities arising out of reinsurance business	769,840	5,444,481
9. Change in other operating liabilities	-787,524	3,750,865
10. Change in other liabilities (except unearned premiums)	-1,743,915	5,765,738
11. Change in deferred tax liabilities	248,545	5,011,306
c.) Net cash from/used in operating activities (a + b)	23,591,704	6,035,386
B. Cash flows from investing activities		
a.) Cash receipts from investing activities	494,365,399	510,708,709
1. Interest received from investing activities relating to:	12,408,059	8,673,086
- investments financed from technical provisions	11,919,856	8,249,169
- other investments	488,203	423,917
2. Proceeds from dividends and shares in the profit of others, relating to:	622,177	151,945
- investments financed from technical provisions	10,130	103,050
- other investments	612,047	48,895
3. Proceeds from sale of intangible assets, financed from:	110,125	290,066
- other sources	110,125	290,066
4. Proceeds from sale of property and equipment, financed from:	158,605	76,858
- other sources	158,605	76,858
5. Proceeds from sale of long-term financial investments, financed from:	183,753,589	185,404,166
- technical provisions	168,363,406	158,602,256
- other sources	15,390,183	26,801,910
6. Proceeds from sale of short-term financial investments, financed from:	297,312,844	316,112,588
- technical provisions	231,416,695	189,785,402
- other sources	65,896,149	126,327,186
b.) Cash disbursements in investing activities	-505,273,124	-519,836,970
1. Purchase of intangible assets	-225,868	-409,410
2. Purchase of property and equipment, financed from:	-1,592,401	-2,055,004
- technical provisions	-217,974	-1,219,474
- other sources	-1,374,427	-835,530
3. Purchase of long-term financial investments, financed from:	-196,998,224	-168,486,034
- technical provisions	-181,773,280	-158,504,841
- other sources	-15,224,944	-9,981,193
4. Purchase of short-term financial investments, financed from:	-306,456,631	-348,886,522
- technical provisions	-243,196,429	-317,452,675
- other sources	-63,260,202	-31,433,847
c.) Net cash from/used in investing activities (a + b)	-10,907,725	-9,128,261
C. Cash flows from financing activities		
a.) Cash receipts from financing activities	0	3,956,996
3. Proceeds from short-term borrowing	0	3,956,996
b.) Cash disbursements in financing activities	-11,964,184	-747,704
1. Interest paid	-743,228	-747,704
3. Repayment of long-term financial liabilities	-6,220,956	0
4. Repayment of short-term financial liabilities	-5,000,000	0
c.) Net cash from/used in financing activities (a + b)	-11,964,184	3,209,292
C2. Closing balance of cash and cash equivalents	4,152,515	4,174,907
Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	719,795	116,417
Opening balance of cash and cash equivalents	3,432,720	4,058,488

7.5 Unaudited consolidated statement of changes in equity

Unaudited consolidated statement of changes in equity for the six months to 30 June 2014

(€)	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)
	I. Share capital	II. Capital reserves	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.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
Opening balance in the financial period	71,856,376	42,423,360	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
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	9,360,863	0	12,850,166	0	15,605	22,226,634	-57,938	22,168,696
Net purchase/sale of treasury shares	0	1,139,417	0	0	0	0	0	0	0	0	0	0	1,139,417	0	1,139,417
Allocation of net profit to profit reserve	0	0	1,729	0	0	0	0	0	-1,729	0	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	35,558	-335,418	0	0	299,860	0	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	5,023,423	-5,023,423	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	-23	0	0	0	-23	0	-23
Closing balance in the financial period	71,856,376	43,562,777	11,140,271	2,821,391	835,633	11,735,301	75,192,493	17,100,577	20,039,734	13,150,027	-2,821,391	-3,113,342	261,499,847	1,907,562	263,407,409

Unaudited consolidated statement of changes in equity for the six months to 30 June 2013

(€)	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)
	I. Share capital	II. Capital reserves	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.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.
Opening balance in the financial period	39,069,100	25,352,645	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	-8,028,987	2,018,501	18,932,130	0	99,493	13,021,137	-618,191	12,402,945
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-206,602	61,613	0	0	0	144,989	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	5,461,807	-5,461,807	0	0	0	0	0
Additions, acquisition	0	0	0	0	0	0	0	0	0	0	-2,598,246	0	-2,598,246	47,241,292	44,643,046
Closing balance in the financial period	39,069,100	25,352,646	16,677,980	1,774	546,424	10,011,806	69,542,800	-6,501,298	11,497,126	19,077,121	-2,600,020	-2,914,984	179,760,475	48,638,965	228,399,440

8 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The selected notes to the half-yearly financial statements are significant to an understanding of the changes in financial position and performance of the Group in the first half-year 2014 as compared to both the first half-year 2013 and end-of-year 2013.

8.1 Overview of major accounting policies

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

Pursuant to IAS 34, notes are provided in relation to major business events that are required to understand the financial position and performance of the Group compared to the previous annual financial report prepared for 2013.

The financial statements with notes as at and for the six months to 30 June 2014 have not been audited.

The interim financial statements at 30 June 2014 have been prepared following the same accounting policies and computation methods as the annual financial statements for 2013.

8.2 Seasonality and cyclicity of interim operations

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

8.3 The nature and amount of unusual items

There were no items unusual because of their nature, size or incidence that would affect assets, liabilities, equity, net profit or cash flows in the six months to 30 June 2014.

8.4 Materiality

To serve as a starting point in determining a materiality threshold for the consolidated financial statements we used the equity of the Sava Re Group, specifically 2% at 30 June 2014, which is € 5.3 million. Changes in the balance of statement of financial position items that did not exceed the set materiality threshold have not been presented in detail in interim financial statements. Disclosures and notes that the Group is required to present under IAS 34 or statutory requirements are given in the report, even though they may not exceed the materiality threshold.

8.5 Issues, repurchases, and repayments of debt and equity securities

The Group did not issue any new debt securities, while one Group member repaid subordinated debt in the amount of € 1.8 million.

8.6 Key accounting estimates and judgements

The Group is predominately composed of financial companies that invest their assets (those supporting liabilities as well as capital funds) in financial instruments. If the fair value of any financial instrument falls below its cost, the Group – pursuant to applicable accounting rules – considers whether the decrease is a significant and long-term one, in the event of which the financial instrument is impaired.

8.7 Analysis of operating segments

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

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, 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 part of 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.

Statement of financial position by operating segment – assets at 30 June 2014

30.6.2014	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	319,794,912	487,851,857	108,546,962	596,398,819	517,758,792	19,048,346	536,807,138	8,395,824	1,461,396,693
Intangible assets	83,480	16,766,241	13,522,190	30,288,431	5,702,102	2,052,911	7,755,013	41,796	38,168,720
Property and equipment	2,438,158	24,680,278	11,083,081	35,763,359	2,617,228	2,697,709	5,314,937	2,036,511	45,552,965
Deferred tax assets	1,058,179	587,870	0	587,870	1,392,293	1,293	1,393,586	0	3,039,635
Investment property	152,754	691,333	4,291,936	4,983,269	45,646	163,287	208,933	0	5,344,956
Financial investments in associates	0	0	0	0	0	0	0	2,952,610	2,952,610
Financial investments:	235,280,022	335,997,351	56,597,707	392,595,058	311,594,059	13,165,103	324,759,162	109,395	952,743,637
- loans and deposits	26,302,780	35,568,129	27,014,954	62,583,083	16,696,965	6,423,548	23,120,513	107,145	112,113,521
- held to maturity	2,022,149	62,151,450	6,027,578	68,179,028	89,136,820	2,292,854	91,429,674	0	161,630,851
- available for sale	186,365,024	230,562,420	22,734,881	253,297,301	199,554,593	3,606,571	203,161,164	0	642,823,489
- at fair value through profit or loss	20,590,069	7,715,352	820,294	8,535,646	6,205,681	842,130	7,047,811	2,250	36,175,776
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	194,128,710	17,060	194,145,770	0	194,145,770
Reinsurers' share of technical provisions	12,620,694	28,416,675	4,502,268	32,918,943	332,780	309	333,089	0	45,872,726
Receivables	63,309,545	66,974,041	11,802,322	78,776,363	1,519,117	365,161	1,884,278	2,872,425	146,842,611
- Receivables arising out of primary insurance business	0	62,325,415	7,845,226	70,170,641	1,043,427	149,671	1,193,098	0	71,363,739
- Receivables arising out of reinsurance and co-insurance business	61,333,533	475,233	802,096	1,277,329	0	0	0	0	62,610,862
- Current tax assets	6,321	0	253,453	253,453	65,563	0	65,563	682	326,019
- Other receivables	1,969,691	4,173,393	2,901,547	7,074,940	410,127	215,490	625,617	2,871,743	12,541,991
Deferred acquisition costs	4,193,791	11,891,200	3,235,563	15,126,763	265,058	2,200	267,258	0	19,587,812
Other assets	415,373	1,271,256	420,382	1,691,638	34,812	34,261	69,073	76,819	2,252,903
Cash and cash equivalents	242,916	318,553	2,608,739	2,927,292	126,987	549,052	676,039	306,268	4,152,515
Non-current assets held for sale	0	257,059	482,774	739,833	0	0	0	0	739,833

Statement of financial position by operating segment – equity and liabilities at 30 June 2014

30.6.2014	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	286,897,726	533,843,180	109,899,867	643,743,047	509,762,878	18,775,308	528,538,186	2,217,735	1,461,396,693
Equity	95,050,716	72,247,510	37,189,056	109,436,566	45,899,281	11,003,933	56,903,214	2,016,913	263,407,409
Equity attributable to owners of the controlling company	95,050,716	72,247,510	36,636,840	108,884,350	45,899,281	9,648,587	55,547,868	2,016,913	261,499,847
Non-controlling interest in equity	0	0	552,216	552,216	0	1,355,346	1,355,346	0	1,907,562
Subordinated liabilities	23,481,344	5,200,000	0	5,200,000	0	0	0	0	28,681,344
Technical provisions	133,981,376	430,815,618	66,827,050	497,642,668	263,120,348	7,124,166	270,244,514	0	901,868,558
- Unearned premiums	28,334,983	128,768,990	23,350,394	152,119,384	764,707	131,273	895,980	0	181,350,347
- Mathematical provisions	0	0	0	0	249,006,388	6,823,438	255,829,826	0	255,829,826
- Provision for outstanding claims	105,633,201	289,376,015	43,384,206	332,760,221	13,349,253	169,455	13,518,708	0	451,912,130
- Other technical provisions	13,192	12,670,613	92,450	12,763,063	0	0	0	0	12,776,255
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	185,036,450	17,060	185,053,510	0	185,053,510
Other provisions	230,659	4,121,720	387,217	4,508,937	1,321,432	0	1,321,432	-2,800	6,058,228
Deferred tax liabilities	0	3,987,814	56,012	4,043,826	2,672,917	0	2,672,917	1,679	6,718,422
Other financial liabilities	246	301	731	1,032	0	3,565	3,565	0	4,843
Liabilities from operating activities	30,868,490	6,131,917	2,152,071	8,283,988	8,045,760	165,981	8,211,741	0	47,364,219
- Liabilities from primary insurance business	0	5,049,387	740,530	5,789,917	7,531,432	124,041	7,655,473	0	13,445,390
- Liabilities from reinsurance and co-insurance business	30,188,180	709,284	1,296,293	2,005,577	0	0	0	0	32,193,757
- Current income tax liabilities	680,310	373,246	115,248	488,494	514,328	41,940	556,268	0	1,725,072
Other liabilities	3,284,895	11,338,300	3,287,730	14,626,030	3,666,690	460,603	4,127,293	201,943	22,240,161

Statement of financial position by operating segment – assets at 31 December 2013

31.12.2013	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	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
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

Statement of financial position by operating segment – equity and liabilities 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

Income statement by operating segment 1–6/2014

(€)	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	Total
Net earned premiums	35,646,235	116,096,779	22,834,615	138,931,394	41,667,169	2,581,852	44,249,021	0	218,826,650
Gross premiums written	46,220,148	152,499,337	25,329,569	177,828,906	41,852,380	2,598,389	44,450,769	0	268,499,823
Written premiums ceded to reinsurers and co-insurers	-323,789	-14,749,489	-1,638,271	-16,387,760	-217,869	-1,053	-218,922	0	-16,930,471
Change in gross unearned premiums	-9,132,775	-26,799,728	-921,666	-27,721,394	22,536	-15,484	7,052	0	-36,847,117
Change in unearned premiums for the reinsurance and co-insurance part	-1,117,349	5,146,659	64,983	5,211,642	10,122	0	10,122	0	4,104,415
Income from investments in subsidiary and associate companies	0	0	0	0	0	0	0	131,217	131,217
Profit from investments in equity-accounted associate companies	0	0	0	0	0	0	0	131,217	131,217
Investment income	4,461,471	4,480,381	1,407,586	5,887,967	7,420,601	313,395	7,733,996	617	18,084,051
Interest income	2,121,695	3,592,918	1,345,661	4,938,579	5,094,780	252,388	5,347,168	617	12,408,059
Other investment income	2,339,776	887,463	61,925	949,388	2,325,821	61,007	2,386,828	0	5,675,992
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	10,325,350	59	10,325,409	0	10,325,409
Other technical income	742,929	1,913,279	640,832	2,554,111	516,509	14,703	531,212	0	3,828,251
Commission income	77,197	1,174,062	226,070	1,400,132	4,795	0	4,795	0	1,482,123
Other technical income	665,732	739,217	414,762	1,153,979	511,714	14,703	526,417	0	2,346,128
Other income	10,537	1,172,302	376,028	1,548,330	159,557	47,428	206,985	118,000	1,883,852
Net claims incurred	-21,004,809	-77,935,493	-10,648,908	-88,584,401	-22,172,758	-411,438	-22,584,196	0	-132,173,406
Gross claims payments less income from recourse receivables	-22,957,863	-73,645,887	-9,003,516	-82,649,403	-23,253,544	-410,502	-23,664,046	0	-129,271,312
Reinsurers' and co-insurers' shares	3,352,708	-95,031	-4,686	-99,717	-51,086	0	-51,086	0	3,201,905
Change in the gross claims provision	2,737,652	-16,190,292	-1,856,433	-18,046,725	1,077,844	-936	1,076,908	0	-14,232,165
Change in the provision for outstanding claims for the reinsurance and co-insurance part	-4,137,305	11,995,717	215,727	12,211,444	54,028	0	54,028	0	8,128,166
Change in other technical provisions	0	415,515	-6,789	408,726	-4,077,669	-1,016,159	-5,093,828	0	-4,685,102
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-14,235,431	-5,836	-14,241,267	0	-14,241,267
Expenses for bonuses and rebates	4,643	22,241	-140,594	-118,353	0	0	0	0	-113,710
Operating expenses	-11,379,051	-36,298,138	-10,798,312	-47,096,451	-10,049,655	-1,585,027	-11,634,682	-823,643	-70,933,827
Acquisition costs	-9,829,100	-9,266,832	-2,006,107	-11,272,939	-3,154,119	-540,589	-3,694,708	0	-24,796,747
Change in deferred acquisition costs	492,526	1,546,982	129,481	1,676,463	-348,189	262	-347,927	0	1,821,062
Other operating expenses	-2,042,477	-28,578,288	-8,921,686	-37,499,975	-6,547,347	-1,044,700	-7,592,047	-823,643	-47,958,142
Expenses for financial assets and liabilities	-1,723,386	-325,473	-42,993	-368,466	-71,535	-97,191	-168,726	0	-2,260,578
Impairment losses on financial assets not at fair value through profit or loss	-11,384	-1,171	-1,466	-2,637	-1,215	-21,651	-22,866	0	-36,887
Interest expense	-480,732	-243,974	-7,269	-251,243	-3,650	-7,603	-11,253	0	-743,228
Other investment expenses	-1,231,270	-80,328	-34,258	-114,586	-66,670	-67,937	-134,607	0	-1,480,463
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-3,081,513	-195	-3,081,708	0	-3,081,708
Other technical expenses	-932,221	-4,684,063	-2,543,133	-7,227,196	-191,338	-128,717	-320,055	-214	-8,479,686
Other expenses	-659	-493,997	-177,916	-671,913	-40	-2,949	-2,989	-437	-675,998
Profit/loss before tax	5,825,689	4,363,333	900,415	5,263,748	6,209,246	-290,075	5,919,171	-574,460	16,434,148
Income tax expense	-1,089,143	-936,807	-215,223	-1,152,030	-1,419,316	0	-1,419,316	0	-3,660,489
Net profit/loss for the period	4,736,546	3,426,526	685,192	4,111,718	4,789,930	-290,075	4,499,855	-574,460	12,773,659
Net profit/loss attributable to owners of the controlling company	4,736,546	3,426,526	703,900	4,130,426	4,789,930	-232,276	4,557,654	-574,460	12,850,166
Net profit/loss attributable to non-controlling interest	0	0	-18,708	-18,708	0	-57,799	-57,799	0	-76,507

Income statement by operating segment 1–6/2013

(€)	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	Total
Net earned premiums	52,720,903	59,440,312	23,440,543	82,880,855	17,249,208	1,969,797	19,219,005	0	154,820,763
Gross premiums written	68,941,365	75,431,607	26,426,843	101,858,450	17,335,817	1,963,745	19,299,562	0	190,099,377
Written premiums ceded to reinsurers and co-insurers	-4,179,275	-8,042,447	-1,609,966	-9,652,413	-141,265	-711	-141,976	0	-13,973,664
Change in gross unearned premiums	-14,596,877	-8,398,713	-1,598,080	-9,996,793	46,598	6,763	53,361	0	-24,540,309
Change in unearned premiums for the reinsurance and co-insurance part	2,555,690	449,865	221,746	671,611	8,058	0	8,058	0	3,235,359
Income from investments in subsidiary and associate companies	0	5,912,064	0	5,912,064	3,990,890	0	3,990,890	49,329	9,952,283
Profit from investments in equity-accounted associate companies	0	1,300,117	0	1,300,117	877,632	0	877,632	49,329	2,227,078
Other income	0	4,611,947	0	4,611,947	3,113,258	0	3,113,258	0	7,725,205
Investment income	5,189,919	2,673,178	1,728,821	4,401,999	1,736,710	366,413	2,103,123	660	11,695,701
Interest income	2,818,508	2,438,508	1,557,481	3,995,989	1,601,542	256,387	1,857,929	660	8,673,086
Other investment income	2,371,411	234,670	171,340	406,010	135,168	110,026	245,194	0	3,022,615
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	2,278,458	33	2,278,491	0	2,278,491
Other technical income	293,539	1,383,372	666,010	2,049,382	164,387	48,406	212,793	259,349	2,815,063
Commission income	-353,755	836,917	222,239	1,059,156	0	0	0	0	705,401
Other technical income	647,294	546,455	443,771	990,226	164,387	48,406	212,793	259,349	2,109,662
Other income	5,968	399,612	387,942	787,554	-3,938	37,749	33,811	1,566	828,899
Net claims incurred	-31,798,711	-38,431,155	-10,353,070	-48,784,225	-9,493,844	-257,757	-9,751,601	0	-90,334,537
Gross claims payments less income from recourse receivables	-28,057,140	-39,303,412	-10,259,847	-49,563,259	-8,653,982	-231,468	-8,885,450	0	-86,505,849
Reinsurers' and co-insurers' shares	396,536	3,352,928	420,914	3,773,842	52,395	0	52,395	0	4,222,773
Change in the gross claims provision	-2,005,051	-652,531	-958,132	-1,610,663	-906,693	-26,289	-932,982	0	-4,548,696
Change in the provision for outstanding claims for the reinsurance and co-insurance part	-2,133,056	-1,828,140	443,995	-1,384,145	14,436	0	14,436	0	-3,502,765
Change in other technical provisions	0	-1,011,948	0	-1,011,948	-375,011	-633,466	-1,008,477	0	-2,020,425
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-472,119	-2,295	-474,414	0	-474,414
Expenses for bonuses and rebates	9,804	-168,075	-158,084	-326,159	1,310	0	1,310	0	-315,045
Operating expenses	-15,361,410	-19,392,342	-11,246,372	-30,638,714	-5,585,087	-1,691,080	-7,276,167	-332,029	-53,608,320
Acquisition costs	-14,833,307	-4,876,816	-2,050,262	-6,927,078	-1,521,676	-540,230	-2,061,906	0	-23,822,291
Change in deferred acquisition costs	1,587,805	1,476,586	-348,244	1,128,342	-358,133	-177	-358,310	0	2,357,837
Other operating expenses	-2,115,908	-15,992,112	-8,847,866	-24,839,978	-3,705,278	-1,150,673	-4,855,951	-332,029	-32,143,866
Expenses for financial assets and liabilities	-2,253,173	-707,471	-129,577	-837,048	-202,401	-196,805	-399,206	-149	-3,489,576
Impairment losses on financial assets not at fair value through profit or loss	-175,326	-1,003	5,735	4,732	-23,918	-44,618	-68,536	0	-239,130
Interest expense	-624,222	-100,788	-9,237	-110,025	-4,726	-8,582	-13,308	-149	-747,704
Other investment expenses	-1,453,625	-605,680	-126,075	-731,755	-173,757	-143,605	-317,362	0	-2,502,742
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-4,947,856	-233	-4,948,089	0	-4,948,089
Other technical expenses	-980,732	-1,765,114	-2,675,506	-4,440,620	-164,837	-122,605	-287,442	0	-5,708,794
Other expenses	-4,812	-81,847	-191,918	-273,765	-1	-1,713	-1,714	-1,402	-281,693
Profit/loss before tax	7,821,295	8,250,586	1,468,789	9,719,375	4,175,869	-483,557	3,692,313	-22,677	21,210,307
Income tax expense	-1,340,427	-518,573	0	-518,573	-122,827	0	-122,827	0	-1,981,827
Net profit/loss for the period	6,480,868	7,732,013	1,468,789	9,200,802	4,053,042	-483,557	3,569,486	-22,677	19,228,480
Net profit/loss attributable to owners of the controlling company	6,480,868	7,422,685	1,528,260	8,950,945	3,908,078	-389,856	3,518,223	-17,907	18,932,130
Net profit/loss attributable to non-controlling interest	0	-309,328	59,471	-249,857	-144,964	93,701	-51,263	4,770	-296,350

Inter-segment business

(€)	Reinsurance business		Non-life insurance business		Life insurance business		Other	
	1–6/2014	1–6/2013	1–6/2014	1–6/2013	1–6/2014	1–6/2013	1–6/2014	1–6/2013
Net earned premiums	35,901,080	18,149,746	209,915	154,786	0	0	0	0
Net claims incurred	-13,644,408	-9,474,187	-12,145	-23,170	0	0	0	0
Operating expenses	-6,070,271	-3,831,273	-781,563	-87,081	-22,207	-24,595	0	0
Investment income	103,993	166,317	3,910	1,174	0	0	-3,910	0
Other income	9,827	2,277	53,323	800	396	0	759,588	0

8.8 Notes to significant changes in the statement of financial position

8.8.1 Property and equipment

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
1.1.2014	7,174,821	45,344,479	23,624,554	442,183	76,586,037
Additions	0	774,098	905,561	584	1,680,243
Disposals	-21,416	-103,889	-703,253	0	-828,558
Foreign exchange differences	5,083	-11,486	-6,678	-4,097	-17,178
30.6.2014	7,158,488	46,003,202	23,820,184	438,670	77,420,544
Accumulated depreciation and impairment losses					
1.1.2014	0	13,708,736	16,633,514	201,215	30,543,465
Additions	0	560,680	1,280,541	18,097	1,859,318
Disposals	0	-14,661	-503,829	0	-518,490
Impairment losses	0	0	0	0	0
Foreign exchange differences	0	-10,558	-4,397	-1,759	-16,714
30.6.2014	0	14,244,197	17,405,829	217,553	31,867,579
Carrying amount as at 1.1.2014	7,174,821	31,635,743	6,991,040	240,968	46,042,572
Carrying amount as at 30.6.2014	7,158,488	31,759,005	6,414,355	221,117	45,552,965

8.8.2 Financial investments

Financial investments in the first half of 2014 increased by € 21.6 million compared to year-end 2013, mainly due to positive cash flow from core operations.

Financial investments at 30.6.2014

(€)	Held-to-maturity	At fair value through P/L		Available-for-sale	Loans and receivables	Total
		Non-derivative				
		Held for trading	Designated to this category			
30.6.2014						
Long-term financial investments	160,097,392	2,250	12,108,534	614,084,555	47,743,032	834,035,763
Shares and other variable income securities and mutual funds		2,250		21,651,525		21,653,775
Debt securities and other fixed income securities	160,097,392		12,108,534	587,910,436		760,116,362
Shares in investment funds				4,476,115		4,476,115
Mortgage loans					521,224	521,224
Other financial investments				46,479	110,158	156,637
Other loans granted					189,497	189,497
Bank deposits					46,922,153	46,922,153
Short-term financial investments	1,533,459	3,109,624	20,955,368	28,738,934	64,370,489	118,707,874
Held-for-trading shares and interests			1,653,948	2,651,590		4,305,538
Held-for-trading securities or securities with a remaining maturity of less than one year	1,021,527	3,109,624	19,301,420	26,087,344		49,519,915
Short-term loans granted					307,991	307,991
Bank deposits	511,932				59,130,186	59,642,118
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants					4,932,312	4,932,312
Total	161,630,851	3,111,874	33,063,902	642,823,489	112,113,521	952,743,637
Funds for the benefit of policyholders who bear the investment risk	10,012,241		169,585,015	134,096	14,414,418	194,145,770

Financial investments at 31.12.2013

(€)	Held-to-maturity	At fair value through P/L		Available-for-sale	Loans and receivables	Total
		Non-derivative				
		Held for trading	Designated to this category			
31.12.2013						
Long-term financial investments	162,270,901	1,272,277	11,225,654	580,210,969	42,403,596	797,383,397
Shares 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

8.8.3 Technical provisions ceded to reinsurers

Technical provisions ceded to reinsurers

(€)	30.6.2014	31.12.2013
From unearned premiums	9,944,566	5,673,885
From mathematical provisions	37	100
From provisions for claims outstanding	35,304,574	27,561,112
From other technical provisions	623,549	255,615
Total	45,872,726	33,490,712

Unearned premiums relating to technical provisions ceded to reinsurers are higher than at year-end 2013, which is normal unearned premium development. This is due to new business written and renewals of retrocession contracts with foreign reinsurers, which mostly take place in the first half of the year.

The Slovenian ice damage caused an increase in the provision for outstanding claims ceded to reinsurers. This is because the major part of this loss is reinsured in international markets.

8.8.4 Receivables

Receivables increased by € 30.6 million compared to year-end 2013. Receivables arising out of primary insurance business increased by € 14.5 million due to the annual renewal of insurance contracts with legal entities. There was also an increase of € 14.3 million in receivables arising out of reinsurance and co-insurance business, which is likewise a result of the annual renewal of reinsurance contracts with cedants and the timing of estimates made for reinsurance business.

Receivables by type

(€)	30.6.2014			31.12.2013		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	102,779,071	-33,366,206	69,412,865	84,693,324	-31,631,699	53,061,625
Receivables from insurance brokers	2,369,730	-544,787	1,824,943	4,226,493	-584,375	3,642,118
Other receivables arising out of primary insurance business	583,987	-458,056	125,931	551,591	-383,942	167,649
Receivables arising out of primary insurance business	105,732,788	-34,369,049	71,363,739	89,471,408	-32,600,016	56,871,392
Receivables for premiums arising out of reinsurance and co-insurance	58,858,161	-547,258	58,310,903	44,062,745	-527,782	43,534,963
Receivables for shares in claims payments	3,521,426	-85,282	3,436,144	4,280,239	-96,438	4,183,801
Other receivables from co-insurance and reinsurance	863,815	0	863,815	554,533	0	554,533
Receivables arising out of reinsurance and co-insurance business	63,243,402	-632,540	62,610,862	48,897,517	-624,220	48,273,297
Current tax assets	326,019	0	326,019	1,707,675	0	1,707,675
Other short-term receivables arising out of insurance business	31,041,176	-26,563,114	4,478,062	30,239,794	-26,104,311	4,135,483
Receivables arising out of investments	3,176,201	-1,275,681	1,900,520	2,247,073	-1,285,966	961,107
Other receivables	8,106,922	-1,943,513	6,163,409	5,912,078	-1,648,265	4,263,813
Other receivables	42,324,299	-29,782,308	12,541,991	38,398,945	-29,038,542	9,360,403
Total	211,626,508	-64,783,897	146,842,611	178,475,545	-62,262,778	116,212,767

Movements in allowances for receivables

(€)	1.1.2014	Additions	Reversals	Write-offs	Foreign exchange differences	30.6.2014
30.6.2014						
Receivables due from policyholders	-31,631,699	-1,901,145	172,501	0	-5,863	-33,366,206
Receivables from insurance brokers	-584,375	-11,136	49,796	0	928	-544,787
Other receivables arising out of primary insurance business	-383,942	-73,552		0	-562	-458,056
Receivables arising out of primary insurance business	-32,600,016	-1,985,833	222,297	0	-5,497	-34,369,049
Receivables for premiums arising out of reinsurance and co-insurance	-527,782	-19,476	0	0	0	-547,258
Receivables for shares in claims payments	-96,438	0	0	11,156	0	-85,282
Other receivables from co-insurance and reinsurance	0	0	0	0	0	0
Receivables arising out of reinsurance and co-insurance business	-624,220	-19,476	0	11,156	0	-632,540
Other short-term receivables arising out of insurance business	-26,104,311	-696,206	232,483	20,731	-15,811	-26,563,114
Receivables arising out of investments	-1,285,966	-995	0	0	11,280	-1,275,681
Other short-term receivables	-1,648,265	-338,771	28,386	8,104	7,033	-1,943,513
Other receivables	-29,038,542	-1,035,972	260,869	28,835	2,502	-29,782,308
Total	-62,262,778	-3,041,281	483,166	39,991	-2,995	-64,783,897

Ageing structure of receivables

(€)	Not past due	Past due up to 180 days	Past due more than 180 days	Total
30.6.2014				
Receivables due from policyholders	51,062,232	12,530,637	5,819,996	69,412,865
Receivables from insurance brokers	1,346,009	466,629	12,305	1,824,943
Other receivables arising out of primary insurance business	93,981	20,085	11,865	125,931
Receivables for premiums arising out of assumed reinsurance and co-insurance	45,713,759	11,057,896	1,539,248	58,310,903
Receivables for reinsurers' shares in claims	2,180,010	741,591	514,543	3,436,144
Other receivables from co-insurance and reinsurance	722,039	140,081	1,695	863,815
Other short-term receivables arising out of insurance business	3,903,939	287,026	287,097	4,478,062
Short-term receivables arising out of financing	1,721,092	69,386	110,042	1,900,520
Current tax assets	326,019	0	0	326,019
Other short-term receivables	4,139,742	915,043	1,108,624	6,163,409
Total	111,208,822	26,228,374	9,405,415	146,842,611

8.8.5 Technical provisions

Receivables increased by € 55.7 million compared to 31 December 2013. The largest increase was recorded in gross unearned premiums (€ 36.8 million) as a result of the dynamics of underwriting during the year (commercial lines are mainly written in the first half of the year) and due to the fact that the controlling company writes more business in reinsurance markets where treaty renewals are in the second or the third quarters.

Movements in gross technical provisions

(€)	1.1.2014	Additions	Uses and releases	Foreign exchange differences	30.6.2014
Gross unearned premiums	144,611,911	149,763,079	-113,140,593	115,950	181,350,347
Mathematical provisions	250,559,649	18,204,944	-12,942,594	7,827	255,829,826
Gross provision for claims	437,267,628	75,150,825	-59,371,928	-1,134,395	451,912,130
Gross provision for bonuses, rebates and cancellations	832,938	641,878	-747,789	179	727,206
Other gross technical provisions	12,952,593	3,981,385	-4,884,497	-431	12,049,049
Total	846,224,719	247,742,111	-191,087,401	-1,010,870	901,868,558
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	170,786,799	25,522,465	-11,255,850	96	185,053,510

8.8.6 Other liabilities

Types of liabilities

(€)	30.6.2014	31.12.2013
Other liabilities	12,121,134	18,973,596
Deferred income and accrued expenses	10,119,027	11,862,942
Total	22,240,161	30,836,538

These liabilities are not secured and are mainly short-term. They decreased by € 8.6 million compared to year-end 2013, mainly because the controlling company redeemed € 6.5 million of its subordinated debt in early 2014.

8.8.7 Net earnings/loss per share

The weighted average number of shares outstanding in the financial period was 16,873,019. At 30 June 2014, the controlling company owned 346,643 treasury shares, which are deducted in the calculation of the weighted average number of shares. The weighted average number of shares was significantly higher in the period 1–6/2014 year-on-year, as in July 2013 the controlling company successfully completed a recapitalisation and new shares were entered in the companies register on 11 July 2013.

Net earnings/loss per share

(€)	1–6/2014	1–6/2013
Net profit/loss for the period	12,773,659	19,228,480
Net profit/loss attributable to owners of the controlling company	12,850,166	18,932,130
Weighted average number of shares outstanding	16,873,019	9,189,093
Net earnings/loss per share	0.76	2.06

Comprehensive income per share

(€)	1–6/2014	1–6/2013
Comprehensive income for the period	22,168,696	12,402,946
Comprehensive income for the owners of the controlling company	22,226,633	13,021,135
Weighted average number of shares outstanding	16,873,019	9,189,093
Comprehensive income per share	1.32	1.42

9 RELATED-PARTY DISCLOSURES

Key management personnel

Fixed salaries of management board members for performing their function for the first six months of 2014 totalled € 234,229 (1–6/2013: € 297,915). Variable remuneration amounted to € 106,831 (1–6/2013: € 96,402). Fringe benefits were € 13,455 (1–6/2013: € 15,983).

Remunerations paid to supervisory board members and members of the supervisory board audit committee in the six months of 2014 amounted to € 65,104 (1–6/2013: € 68,818).

Remuneration paid to management board members in 1–6/2014

(€)	Gross salary – fixed amount	Gross salary - variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	84,465	31,872	3,142	1,668	121,148
Jošt Dolničar	72,489	28,680	2,616	1,764	105,549
Srečko Čebren	76,485	28,680	2,644	1,620	109,430
Mateja Treven	789	17,599	0	0	18,388
Total	234,229	106,831	8,403	5,052	354,515

Liabilities to management board members

(€)	30.6.2014	31.12.2013
Zvonko Ivanušič	6,485	6,094
Srečko Čebren	6,066	5,799
Jošt Dolničar	5,475	5,446
Mateja Treven	0	5,662
Total	18,026	23,000

Remuneration paid to members of the Supervisory Board and the Auditing Committee in 1 January–30 June 2014

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	2,508	9,750	1,375	13,633
Mateja Lovšin Herič	deputy chair of the SB	1,375	7,150	127	8,652
Slaven Mičković	member of the SB	1,375	6,500	0	7,875
Martin Albreht	member of the SB	1,375	6,500	0	7,875
Gorazd Andrej Kunstek	member of the SB	1,100	6,500	0	7,600
Keith William Morris	member of the SB	825	3,250	3,859	7,934
Total supervisory board members		8,558	39,650	5,362	53,570
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,100	2,438	0	3,538
Slaven Mičković	member of the AC	1,100	1,625	0	2,725
Ignac Dolenšek	external member		5,175	97	5,272
Total audit committee members		2,200	9,237	97	11,534

Liabilities to members of the supervisory board and the audit committee

As at 30 June 2014 we had liabilities to members of the supervisory board and audit committee of € 6,263 (31 December 2013: € 7,284).

Transactions with subsidiaries

Investments in and amounts due from Group companies

(€)		30.6.2014	31.12.2013
Debt securities and loans granted to Group companies	gross	4,534,953	5,634,953
	allowance	0	0
	net	4,534,953	5,634,953
Receivables for premiums arising out of reinsurance assumed	gross	19,371,107	15,862,222
	allowance	0	0
	net	19,371,107	15,862,222
Short-term receivables arising out of financing	gross	21,154	34,070
	allowance	0	0
	net	21,154	34,070
Other short-term receivables	gross	391	1,359
	allowance	0	0
	net	391	1,359
Short-term deferred acquisition costs	gross	5,784,686	4,518,719
	allowance	0	0
	net	5,784,686	4,518,719
Total		29,712,290	26,051,323

Liabilities to Group companies

(€)	30.6.2014	31.12.2013
Liabilities for shares in reinsurance claims due to Group companies	8,997,789	10,041,333
Other liabilities due from co-insurance and reinsurance	3,998,389	3,274,481
Other short-term liabilities	47,058	6,070
Total (excl. provisions)	13,043,236	13,321,883

Income and expenses relating to Group companies

(€)	1–6/2014	1–6/2013
Gross premiums written	35,901,081	18,149,746
Gross claims payments	-15,735,794	-9,924,679
Income from gross recourse receivables	2,091,386	450,492
Other operating expenses	-57,495	0
Dividend income	10,050,880	2,704,046
Other investment income	7,648	0
Interest income	103,993	166,317
Acquisition costs	-7,278,747	-3,784,758
Other non-life income	2,179	0
Income from shares in associates	0	2,227,078

Transactions with associates

Operating income and expenses relating to associate companies

(€)	1–6/2014	1–6/2013
Gross premiums written	0	19,781,346
Gross claims payments	0	-165,326
Income from shares in associates	0	2,227,078
Acquisition costs	0	-3,054,894
Additional pension insurance premium	-34,111	-32,562
Total	-34,111	18,755,642

Transactions with the state and majority state-owned entities

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

(€)	30.6.2014	31.12.2013
Interests in companies	16,653,948	6,631,027
Debt securities and loans	80,366,577	128,824,612
Receivables due from policyholders	454,347	233,663
Total	97,474,873	135,689,302

(€)	30.6.2014	31.12.2013
Liabilities for shares in claims	1,107,903	238,210

Liabilities to the state and majority state-owned companies

(€)	30.6.2014	31.12.2013
Liabilities for shares in claims	1,107,903	0

Income and expenses relating to majority state-owned companies

(€)	1–6/2014	1–6/2013
Gross premiums written	7,138,937	23,651,955
Gross claims payments	-7,631,350	-9,662,406
Dividend income	130,100	2,098,298
Interest income	1,859,963	2,278,270
Income from shares in associates	0	2,227,078
Acquisition costs	0	-3,054,894
Total	1,497,650	17,538,301

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

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

10 UNAUDITED CONDENSED SEPARATE FINANCIAL STATEMENTS

10.1 Unaudited statement of financial position

(€)	30.6.2014	31.12.2013
ASSETS	566,378,992	530,636,968
Intangible assets	83,480	112,212
Property and equipment	2,438,158	2,341,711
Deferred tax assets	1,058,179	1,833,254
Investment property	152,754	153,920
Financial investments in subsidiaries and associates	191,740,592	189,940,275
Financial investments:	239,814,975	236,592,225
- loans and deposits	30,837,733	46,663,847
- held to maturity	2,022,149	2,073,728
- available for sale	186,365,024	174,820,862
- at fair value through profit or loss	20,590,069	13,033,788
Reinsurers' share of technical provisions	36,959,487	26,342,964
Receivables	82,702,196	63,834,070
Receivables arising out of reinsurance and co-insurance business	80,704,639	62,811,763
Current tax assets	6,321	431,000
Other receivables	1,991,236	591,307
Deferred acquisition costs	10,770,882	9,012,388
Other assets	415,373	345,684
Cash and cash equivalents	242,916	128,265
EQUITY AND LIABILITIES	566,378,992	530,636,968
Equity	260,964,730	246,188,770
Share capital	71,856,376	71,856,376
Capital reserves	54,239,757	54,239,757
Profit reserves	103,657,469	99,741,367
Treasury shares	-3,897,413	-1,774
Fair value reserve	4,168,846	253,020
Retained earnings	20,100,024	12,717,998
Net profit/loss for the period	10,839,671	7,382,026
Subordinated liabilities	23,481,344	23,466,967
Technical provisions	234,504,997	208,623,243
Unearned premiums	55,095,198	37,825,792
Provision for outstanding claims	179,210,100	170,525,177
Other technical provisions	199,699	272,274
Other provisions	230,659	220,033
Other financial liabilities	247	550
Liabilities from operating activities	43,864,667	42,933,488
Liabilities from reinsurance and co-insurance business	43,184,357	42,933,488
Current income tax liabilities	680,310	0
Other liabilities	3,332,348	9,203,917

10.2 Unaudited income statement

(€)	1–6/2014	1–6/2013
Net earned premiums	56,860,672	62,607,269
Gross premiums written	82,121,227	87,091,111
Written premiums ceded to reinsurers and co-insurers	-11,009,497	-10,792,811
Change in gross unearned premiums	-17,269,406	-16,343,316
Change in unearned premiums for the reinsurance and co-insurance part	3,018,348	2,652,285
Income from investments in subsidiaries and associates	10,050,880	2,704,046
Investment income	4,565,462	5,356,236
Interest income	2,225,687	2,984,825
Other investment income	2,339,775	2,371,411
Other technical income	1,569,662	1,125,692
Commission income	896,282	395,735
Other income	673,379	729,957
Other income	12,716	8,245
Net claims incurred	-35,429,719	-37,180,880
Gross claims payments less income from recourse receivables	-36,602,271	-37,531,327
Reinsurers' and co-insurers' shares	2,259,300	3,323,819
Change in the gross claims provision	-8,684,923	1,093,298
Change in the provision for outstanding claims for the reinsurance and co-insurance part	7,598,176	-4,066,670
Expenses for bonuses and rebates	72,575	-2,702
Operating expenses	-19,231,711	-20,868,724
Acquisition costs	-17,107,847	-18,952,434
Change in deferred acquisition costs	1,758,494	1,922,174
Other operating expenses	-3,882,358	-3,838,464
Expenses for financial assets and liabilities	-1,723,386	-2,253,173
Impairment losses on financial assets not measured at fair value through profit or loss	-11,384	-175,326
Interest expenses	-480,732	-624,222
Diverse other expenses	-1,231,270	-1,453,625
Other technical expenses	-901,898	-980,732
Other expenses	-335	-4,812
Profit/loss before tax	15,844,916	10,510,465
Income tax expense	-1,089,143	-1,340,427
Net profit/loss for the period	14,755,773	9,170,038
Basic and diluted earnings/loss per share	0.87	1.00

10.3 Unaudited statement of comprehensive income

(€)	1–6/2014	1–6/2013
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	14,755,773	9,170,038
OTHER COMPREHENSIVE INCOME, NET OF TAX	3,915,827	-2,573,226
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS	3,915,827	-2,573,226
Net gain/loss from revaluation of financial assets available-for-sale	4,717,874	-3,176,891
Tax on other comprehensive income	-802,047	603,665
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	18,671,600	6,596,812

10.4 Unaudited statement of changes in equity

Unaudited statement of changes in equity for the six months to 30 June 2014

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	Total (1–12)
			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.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Opening balance in the financial period	71,856,376	54,239,757	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
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	3,915,827	0	14,755,773	0	18,671,600
Net purchase/sale of treasury shares	0	0	0	0	0	0	0	0	0	0	-3,895,639	-3,895,639
Allocation of net profit to profit reserve	0	0	0	3,895,639	0	0	0	0	0	-3,895,639	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	20,463	0	0	0	0	-20,463	0	0
Transfer of profit	0	0	0	0	0	0	0	0	7,382,026	-7,382,026	0	0
Closing balance in the financial period	71,856,376	54,239,757	14,986,525	3,897,413	820,538	10,000,000	73,952,993	4,168,847	20,100,024	10,839,671	-3,897,413	260,964,732
Distributable profit	0	0	0	0	0	0	0	0	20,100,024	10,839,671	0	30,939,696

Unaudited statement of changes in equity for the six months to 30 June 2013

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	Total (1–12)
			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.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Opening 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
Comprehensive income for the year, net of tax	0	0	0	0	0	0	0	-2,573,226	0	9,170,038	0	6,596,811
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-206,602	0	0	0	0	206,602	0	0
Transfer of profit	0	0	0	0	0	0	0	0	4,802,490	-4,802,490	0	0
Closing balance in the financial period	39,069,099	33,003,752	14,986,525	1,774	546,424	8,314,716	68,303,300	-4,931,832	12,717,998	9,376,640	-1,774	181,386,623
Distributable profit	0	0	0	0	0	0	0	0	12,717,998	9,376,640	0	22,094,638

10.5 Unaudited statement of cash flows

(€)	1–6/2014	1–6/2013
A. Cash flows from operating activities		
a.) Items of the income statement	15,548,844	18,821,815
Net premiums written in the period	71,111,730	76,298,300
Investment income (other than financial income), financed from:	41,177	2,245,811
- technical provisions	3,201	2,147,196
- other sources	37,975	98,615
Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	1,582,378	1,125,780
Net claims payments in the period	-34,342,971	-34,207,508
Expenses for bonuses and rebates	72,575	-2,702
Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-20,886,336	-22,682,944
Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-38,333	-1,630,118
- technical sources	-24,283	-1,616,169
- other sources	-14,050	-13,949
Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-902,233	-984,377
Tax on profit and other taxes not included in operating expenses	-1,089,143	-1,340,427
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	-11,455,367	-12,022,496
b.)		
Change in receivables from reinsurance	-17,892,876	-23,295,671
Change in other receivables and other assets	-2,803,432	-78,102
Change in deferred tax assets	775,074	-634,529
Change in liabilities arising out of reinsurance business	7,436,478	9,862,030
Change in other operating liabilities	707,028	859,285
Change in other liabilities (except unearned premiums)	322,361	1,264,491
c.) Net cash from/used in operating activities (a + b)	4,093,477	6,799,320
B. Cash flows from investing activities		
a.) Cash receipts from investing activities	208,323,243	109,949,987
Interest received from investing activities relating to:	2,225,687	2,984,825
- investments financed from technical provisions	1,950,203	2,551,444
- other investments	275,483	433,381
Proceeds from dividends and shares in the profit of others, relating to:	10,531,711	2,837,803
- investments financed from technical provisions	233,783	84,862
- other investments	10,297,929	2,752,941
Proceeds from sale of property and equipment, financed from:	6,260	280
- other sources	6,260	280
Proceeds from sale of long-term financial investments, financed from:	33,054,730	52,498,390
- technical provisions	28,432,059	35,249,359
- other sources	4,622,672	17,249,031
Proceeds from sale of short-term financial investments, financed from:	162,504,854	51,628,689
- technical provisions	99,515,032	43,887,689
- other sources	62,989,822	7,741,000
b.) Cash disbursements in investing activities	-205,600,380	-116,400,890
Purchase of intangible assets	-1,773	-2,640
Purchase of property and equipment, financed from:	-179,250	-314,709
- other sources	-179,250	-314,709
Purchase of long-term financial investments, financed from:	-47,125,903	-61,498,311
- technical provisions	-36,927,874	-53,393,989
- other sources	-10,198,029	-8,104,322
Purchase of short-term financial investments, financed from:	-158,293,454	-54,585,230
- technical provisions	-101,177,207	-43,795,230
- other sources	-57,116,247	-10,790,000
c.) Net cash from/used in investing activities (a + b)	2,722,863	-6,450,903
C. Cash flows from financing activities		
b.) Cash disbursements in financing activities	-6,701,688	-1,048,553
Interest paid	-480,732	-624,222
Repayment of long-term financial liabilities	-6,220,956	0
Repayment of short-term financial liabilities	0	-424,331
c.) Net cash from/used in financing activities (a + b)	-6,701,688	-1,048,553
C2 Closing balance of cash and cash equivalents	242,916	312,535
Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	114,652	-700,137
C2 Opening balance of cash and cash equivalents	128,265	1,012,672

Appendix - Glossary of selected terms and calculation methodologies for indicators

Appendix – 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.
Book value per share. Ratio of total equity to weighted average number of shares outstanding.
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 payments. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses. Gross/net – before/after deduction of reinsurance. Gross claims paid are gross claims payments less subrogation receivables. Net claims paid is short for net claims payments.
Claims risk. The risk that the number of claims or the average claim amount will be higher than expected.
Composite insurer. Insurer that writes both life and non-life business.
Comprehensive income. It is made up of two parts. The first part consists of the net profit for the year as shown in the income statement. The second part, other comprehensive income, comprises net changes in other income and expense items not included in the income statement but affecting shareholders' equity, primarily through the fair value reserve.
Concentration risk. The risk that due to excessive concentration of investments in a geographic area, economic sector or issuer, unfavourable movements could result in a concurrent decrease in the value of investments.
Consolidated book value per share. Ratio of consolidated total equity to weighted average number of shares outstanding.
Consolidated earnings per share. Ratio of net profit/loss attributable to equity holders of the controlling company as a percentage of the weighted average number of shares outstanding.
Credit risk. The risk 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.
Earnings per share. Ratio of net profit/loss as a percentage of the weighted average number of shares outstanding.
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".
Facultative reinsurance. A type of reinsurance under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks of the underlying policy. Typically used to reinsure large individual risks or for amounts in excess of limits on risks already reinsured elsewhere.
FATCA. Foreign Account Tax Compliance Act; for details see http://www.sava-re.si/en/o-druzbi/FATCA/
Financial investments. Financial investments do not include financial investments in associates, investment property nor cash and cash equivalents.
Gross claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables. Gross claims paid are claims before deduction of reinsurance.
Gross expense ratio. The ratio of operating expenses as a percentage of gross premiums written.
Gross incurred loss ratio. Gross claims paid, including the change in the gross provision for outstanding claims, as a percentage of gross premiums written gross of the change in gross unearned premiums.
Gross operating expenses. Operating expenses, excluding commission income.

Gross premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross premiums written are premiums before deduction of reinsurance.

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

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.

Investment portfolio. The investment portfolio includes financial investments in associates, investment property, and cash and cash equivalents.

Liability fund. Assets covering technical provisions.

Life insurance liability fund. Assets covering mathematical provisions.

Liquidity risk. The risk that 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.

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

Net claims incurred. Net claims payments (short: net claims paid) in the period gross of the change in the net provision for outstanding claims.

Net claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables and reinsurers' and co-insurers' share of claims paid. **Gross claims paid are gross claims payments less subrogation receivables.**

Net combined ratio. Ratio of total expenses net of investment expenses as a percentage of total income net of investment income.

Net expense ratio. The ratio of operating expenses, net of commission income, as a percentage of net earned premiums.

Net incurred loss ratio. Net claims incurred gross of the change in other technical provisions as a percentage of net premiums earned.

Net investment income of the investment portfolio. Calculated from income statements items: income from investments in subsidiaries and associates + investment income + income from investment property – expenses for investments in subsidiaries and associates – expenses for financial assets and liabilities – expenses for investment property. Income from and expenses for investment property are included in the other income / other expenses item. Net investment income of the investment portfolio does not include net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk as these do not affect the income statement. These items move in line with the mathematical provision of policyholders who bear the investment risk.

Net operating expenses. Operating expenses net of commission income.

Net premiums earned. Net premiums written for a given period adjusted for the change in net unearned premiums.

Net premiums written. The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Net premiums written are premiums after deduction of reinsurance.

Net retention risk. The risk that higher retention of insurance loss exposures results in large losses due to catastrophic or concentrated claims experience.

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

Non-proportional reinsurance (excess reinsurance). A reinsurance arrangement whereby the reinsurer indemnifies a ceding company above a specified level (usually a monetary amount) of losses that the ceding company has underwritten. A deductible amount is set and any loss exceeding that amount is paid by the reinsurer.

Paid loss ratio. The ratio of gross claims paid as a percentage of gross premiums written.

Premiums written.	The total premiums on all policies written or renewed during a given period regardless of what portions have been earned. Gross/net – before/after deduction of reinsurance.
Pricing risk.	The risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.
Primary insurer.	Insurance company that has a direct contractual relationship with the holder of the insurance policy (private individual, firm or 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 the investment portfolio.	The ratio of net investment income of the investment portfolio to average invested assets. It includes the following statement of financial position items: investment property, financial investments in subsidiaries and associates, financial investments and cash and cash equivalents. The average amount is calculated based on figures at the financial statement date and at the end of the prior year.
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.