ANNUAL REPORT 2015

SAVA Re

ANNUAL REPORT

SAVA Re

15

Zvonko Ivanušič
Chairman of the management board

Jošt Dolničar
Member of the management board

DECLARATION OF THE MANAGEMENT BOARD

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

Ljubljana, 30 March 2016

Srečko Čebron
Member of the management board

Mateja Treven
Member of the management board




KEY FINANCIALS

Notes:

- For details on the calculation of ratios and the net investment income, see the appended glossary in Appendix E.
- In 2015 we changed the presentation of net investment income of the investment portfolio by excluding income and expenses relating to investments in associates, which are also disclosed separately in the income statement. This is the main reason that the net investment income of the investment portfolio does not correspond to the one published in the 2014 annual report.
- 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 Re Group		Sava Reinsurance Company	
	2015	2014	2015	2014
Gross premiums written	**486,264,557**	**468,179,052**	**151,982,421**	**131,323,246**
Year-on-year change (%)	3.9 %	21.1 %	15.7 %	-2.1 %
Net premiums earned	**447,559,605**	**437,572,337**	**125,479,297**	**113,847,068**
Year-on-year change (%)	2.3 %	15.4 %	10.2 %	-8.7 %
Gross claims paid	**271,503,134**	**255,340,015**	**89,689,537**	**70,181,933**
Year-on-year change (%)	6.3 %	15.4 %	27.8 %	-12.8 %
Net claims incurred	**273,129,823**	**257,080,153**	**86,680,582**	**64,736,669**
Year-on-year change (%)	6.2 %	12.3 %	33.9 %	-16.6 %
Net incurred loss ratio	**61.3 %**	**59.5 %**	**69.1 %**	**56.9 %**
Operating expenses, including reinsurance commission income	**145,261,469**	**143,656,574**	**37,623,325**	**36,937,815**
Year-on-year change (%)	1.1 %	12.9 %	1.9 %	-5.0 %
Net expense ratio	32.5 %	32.8 %	30.0 %	32.4 %
Net combined ratio	95.9 %	95.5 %	99.2 %	89.9 %
Net inv. income of the investment portfolio	**26,985,847**	**29,283,879**	**15,634,555**	**13,672,667**
Return on the investment portfolio	2.7 %	3.0 %	3.5 %	3.2 %
Net inv. income of the investment portfolio, excluding exchange differences	23,706,782	26,938,500	12,407,054	11,535,975
Return on the investment portfolio, excluding exchange differences	2.4 %	2.8 %	2.8 %	2.7 %
Profit/loss, net of tax	**33,365,451**	**30,538,150**	**16,191,902**	**22,358,419**
Year-on-year change (%)	9.3 %	95.5 %	-27.6 %	51.4 %
Comprehensive income	**27,618,054**	**40,894,474**	**14,814,031**	**26,447,137**
Return on equity	**12.0 %**	**11.9 %**	**6.2 %**	**8.9 %**
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Total assets	**1,607,281,060**	**1,454,374,935**	**570,886,710**	**547,413,684**
% change on 31 Dec. of prior year	10.5 %	5.5 %	4.3 %	3.2 %
Shareholders' equity	**286,401,678**	**271,528,623**	**263,679,403**	**258,135,674**
% change on 31 Dec. of prior year	5.5 %	13.1 %	2.1 %	4.9 %
Net technical provisions	**1,070,781,309**	**1,026,994,619**	**204,875,596**	**185,794,402**
% change on 31 Dec. of prior year	4.3 %	4.4 %	10.3 %	1.9 %
Book value per share	**17.38**	**16.46**	**16.00**	**15.65**
Net earnings/loss per share	2.02	1.82	0.98	1.33
No. of employees (full-time equivalent basis)	2,489	2,442	83	79

Sava Re Group Business Report 15

1. LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD 17

2. SAVA REINSURANCE COMPANY AND THE SAVA RE GROUP – BASIC DETAILS 19
2.1. Basic details about Sava Reinsurance Company 19
2.2. Significant events in 2015 20
2.3. Significant events after the reporting date 22
2.4. Credit ratings of Sava Reinsurance Company 22
2.5. Presentation of the Sava Re Group 23
2.6. Composition of the Sava Re Group 23
2.7. Activities transacted by the Sava Re Group 24
2.8. Data on Group companies as at 31 December 2015 25

3. SHAREHOLDERS AND SHARE TRADING 29
3.1. Developments in capital markets and impacts on the trend of the POSR share 29
3.2. General information on the share 30
3.3. Investor relations 31

4. REPORT OF THE SUPERVISORY BOARD 32

5. CORPORATE GOVERNANCE STATEMENT PURSUANT TO ARTICLE 70 OF THE COMPANIES ACT (ZGD-1) 38
5.1. Corporate Governance Policy 38
5.2. Statement of compliance with the Corporate Governance Code for Public Joint-Stock Companies 38
5.3. Bodies of Sava Reinsurance Company 39
5.4. Financial reporting: internal controls and risk management 52
5.5. External audit 53
5.6. Details pursuant to Article 70(6) of the Companies Act (ZGD-1) 54

6. MISSION, VISION, STRATEGIC FOCUS AND GOALS 58
6.1. Mission and vision 59
6.2. Goals achieved in 2015 60
6.3. Sava Re Group strategy highlights 61
6.4. Plans of the Sava Re Group for 2016 62

7. BUSINESS ENVIRONMENT 65

8. SAVA RE GROUP REVIEW OF OPERATIONS 78
8.1. Reinsurance business 86
8.2. Non-life insurance business 89
8.3. Life insurance business 95

9. FINANCIAL POSITION OF THE SAVA RE GROUP 100
9.1. Assets 100
9.2. Liabilities 103
9.3. Capital structure 105
9.4. Cash flow 105
9.5. Receivables management 105

10. HUMAN RESOURCES MANAGEMENT 106
10.1. Strategic guidelines for human resources management 106
10.2. Key activities in human resources management in 2015 106
10.3. Recruitment and staffing levels 106
10.4. Employee training and development 109
10.5. Management and motivation 110

11. RISK MANAGEMENT 111
11.1. Risk management system 111
11.2. Risk strategy and risk appetite 113
11.3. IMMMR process and ORSA 113
11.4. Risk profile 114

12. ADAPTATION TO THE SOLVENCY II REQUIREMENTS 116

13. OPERATION OF THE INTERNAL AUDIT 118

14. SUSTAINABLE DEVELOPMENT AT THE SAVA RE GROUP 119

15. BUSINESS PROCESSES AND IT SUPPORT TO OPERATIONS 123

Sava Re Group Financial Statements With Notes 126

16. AUDITOR'S REPORT 128

17. CONSOLIDATED FINANCIAL STATEMENTS 129
17.1. Consolidated statement of financial position 129
17.2. Consolidated income statement 130
17.3. Consolidated statement of comprehensive income 131
17.4. Consolidated statement of cash flows 132
17.5. Consolidated statement of changes in equity for the year ended 31 December 2015 134
17.6. Consolidated statement of changes in equity for the year ended 31 December 2014 136

18. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 138
18.1. Basic details 138
18.2. Business combinations and overview of Group companies 138
18.3. Consolidation principles 140
18.4. Significant accounting policies 141
18.5. Changes in accounting policies and correction of errors 160
18.6. Standards and interpretations issued but not yet effective and new standards and interpretations 160
18.7. Risk management 164
18.8. Notes to the consolidated financial statements – statement of financial position 179
18.9. Notes to the consolidated financial statements – income statement 204
18.10. Notes to the consolidated financial statements – cash flow statement 214
18.11. Contingent receivables and liabilities 214
18.12. Related party disclosures 215

19. SIGNIFICANT EVENTS AFTER THE REPORTING DATE 219

Business Report of Sava Reinsurance Company 221

20. GLOBAL (RE)INSURANCE MARKETS 222

21. SAVA REINSURANCE COMPANY REVIEW OF OPERATIONS 225
21.1. Results of operations 225
21.2. Financial position of Sava Reinsurance Company 231
21.3. Human resources management 236
21.4. Risk Management at Sava Reinsurance Company 242
21.5. Internal audit 242
21.6. Business processes and IT support 242
21.7. Performance indicators for Sava Reinsurance Company 243

22. OPINION OF THE APPOINTED ACTUARY TO THE ANNUAL REPORT OF SAVA REINSURANCE COMPANY 251

Financial Statements of Sava Reinsurance Company With Notes 253

23. AUDITOR'S REPORT 254

24. FINANCIAL STATEMENTS 255
24.1. Statement of financial position 255
24.2. Income statement 256
24.3. Statement of comprehensive income 257
24.4. Cash flow statement 258
24.5. Statement of changes in equity for the year ended 31 December 2015 260
24.6. Statement of changes in equity for the year ended 31 December 2014 260

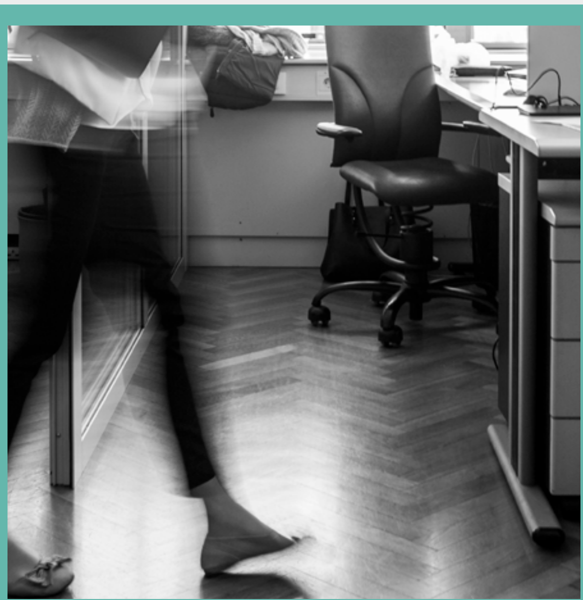
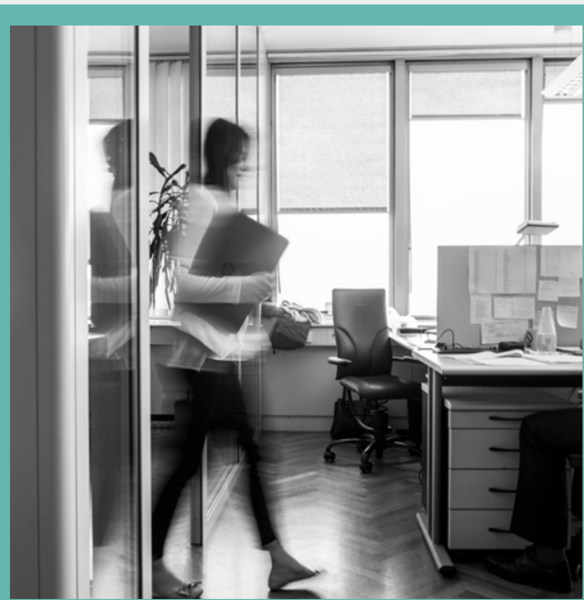
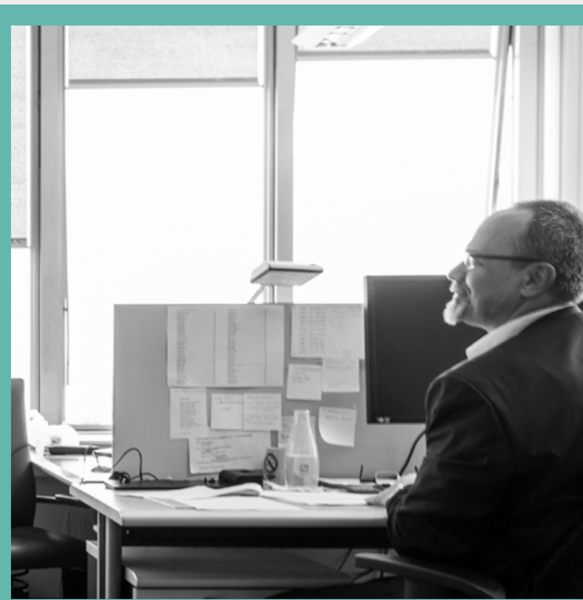
25. NOTES TO THE FINANCIAL STATEMENTS 262
25.1. Basic details 262
25.2. Significant accounting policies 264
25.3. Changes in accounting policies and correction of errors 273
25.4. Standards and interpretations issued but not yet effective and new standards and interpretations 273
25.5. Risk management 277
25.6. Notes to the financial statements – statement of financial position 292
25.7. Notes to the financial statements – income statement 309
25.8. Notes to the financial statements – cash flow statement 319
25.9. Contingent receivables and liabilities 319
25.10. Related party disclosures 319

26. SIGNIFICANT EVENTS AFTER THE REPORTING DATE 324

Appendices 327

Appendix A Financial statements of Sava Reinsurance Company pursuant to requirements of the Insurance Supervision Agency 328
Appendix B Financial statements of the Sava Re Group pursuant to requirements of the Insurance Supervision Agency 333
Appendix C Financial statements of the Sava Reinsurance Company pursuant to SKL 2009 345
Appendix D Financial statements of the Sava Re Group pursuant to SKL 2009 348
Appendix E Glossary of selected terms and calculation methodologies for indicators 353

SAVA RE GROUP


BUSINESS REPORT

net profit for the year

+ 9.3 % above prior year

+ 10.9 % above target

= € 33.4 m

1.

LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Employees, Business Partners and Shareholders,

In many ways, 2015 was another landmark year – a year of great importance for the further development of the Group and a very successful one.

The most significant impact on the Group's long-term development will come from the decision to combine all of the Group's insurers based in the European Union: Zavarovalnica Maribor, Zavarovalnica Tilia and the Croatian companies Velebit osiguranje and Velebit životno osiguranje. By combining these four insurance companies, we will come closer to realising our vision of building a strong and modern regional insurance company offering high-quality simple and transparent services with an efficient and prompt response in the event of a loss, when our clients need us most. It is also our goal to become the insurer of choice for technologically advanced clients. While the new company will be headquartered in Maribor, the insurer will cover the entire Slovenian and Croatian market. The combined insurer will continue to cover both areas that once represented regions covered by the combined efforts of individual insurers, as well as the broader area. Over the next three years, we expect to deliver synergy benefits from this business combination in the range of € 5 million to € 6 million of positive impact on Group profit.

Sava Reinsurance Company is proud that its insurer financial strength rating from rating agency Standard & Poor's has been upgraded to A- (strong), with a stable outlook. The improved rating will support further growth in international reinsurance markets and strengthen this operating segment in terms of premium income. In the last few years, we have experienced the positive effects of well-balanced operating segments at the Group level, and believe that the strategy of balancing operating segments will be appropriate for the medium term period as well.

Another important milestone that marks the year 2015 is the active entry into pension insurance business upon the acquisition of 100 percent of the Moja naložba pension company. We believe that pension funds will be increasingly restricted in the coming years due to demographic trends and government saving, so people will have to participate more actively in the provision of their pensions. In this segment, we see potential for the development of second-pillar pension products.

In addition to these key developments of the previous year, which are of strategic importance for the Group's long-term development, the Sava Re Group also posted excellent financial results in 2015. In my letter published in the annual report of 2014, I was confident that we would be able to improve on our results of the previous year. As it is, the Sava Re Group did end the year with better figures: net profit for the year grew by 9.3 percent, and gross premiums written by 3.9 percent, exceeding our targets for 2015.

The net profit for 2015 totalled € 33.4 million, exceeding the target by 10.9 percent. The increase in net profit was largely driven by Slovenian non-life insurance business, which recorded pre-tax profits of € 24 million. This improvement is mainly due to the excellent profit generated by Zavarovalnica Maribor, its best profit ever, which is partly the result of both of its various activities for advancing the insurer's effectiveness and its optimising the back office functions in the Slovenian Sava Re Group companies. There was also an improvement in the international non-life insurance segment, which we believe will be the Group's largest source of growth in the coming years. Last year, our reinsurance segment was hit by a major loss event (an explosion in the port of Tianjin in China), significantly impacting the profitability of this segment. It should be noted, however, that this operating segment is much more volatile in terms of profit, while in years without major events, it is more profitable. Additionally, this segment is still affected by the soft market phase in international reinsurance markets.

Return on equity for the Group was 12.0 percent in 2015, which is slightly above the Group's long-term goal. The profits earned will allow the Group to follow its dividend policy and the planned increase in dividend per share. Despite the challenging conditions in capital markets and low interest rates, we did not lower our long-term target return on equity, as we are actively looking for more efficient deployment of resources within the available options; one such avenue has been the decision to merge the EU-based Group insurers.

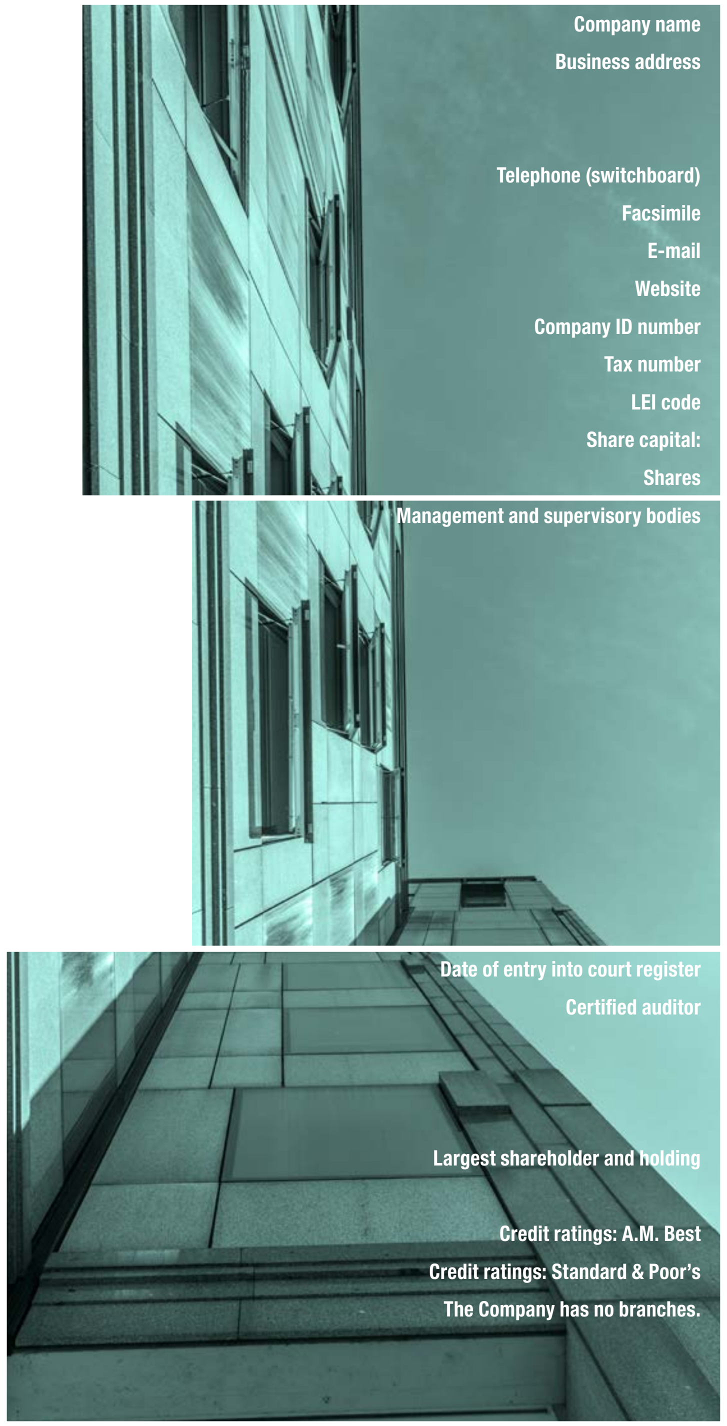
I would like to take this opportunity to thank all of my colleagues, who wholeheartedly and with tremendous effort contribute towards the building of this Slovenian insurance group – a group with international presence that is recognised both in the markets of the Western Balkans, where the Group's insurers are based, and in international reinsurance markets.

Sincerely,

Zvonko Ivanušič
Chairman of the management board of Sava Reinsurance Company

2. SAVA REINSURANCE COMPANY AND THE SAVA RE GROUP – BASIC DETAILS

1. Basic details about Sava Reinsurance Company



Company name	Pozavarovalnica Sava, 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
LEI code	549300P6F1BDSFSW5T72
Share capital:	€ 71,856,376
Shares	17,219,662 no-par-value shares
Management and supervisory bodies	MANAGEMENT BOARD Zvonko Ivanušič (chairman) Srečko Čebron Jošt Dolničar Mateja Treven SUPERVISORY BOARD Branko Tomažič (chairman) Mateja Lovšin Herič (deputy chairperson) Slaven Mićković Keith Morris Helena Dretnik (employee representative) Andrej Gorazd Kunstek (employee representative)
Date of entry into court register	28 December 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 (no. of no-par value shares: 4,304,917)
Credit ratings: A.M. Best	A- /stable/ October 2015
Credit ratings: Standard & Poor's	A- /stable/ July 2015
The Company has no branches.	

2.2. Significant events in 2015

2015

01

On 14 January 2015, Sava Reinsurance Company jointly with a consortium of companies filed an action against the Bank of Slovenia, challenging the decision on the extraordinary measures issued to Banka Celje. The claim amount of Sava Reinsurance Company under this claim was € 1,700,000, and € 6,982,200 in respect of Zavarovalnica Maribor. The total amount of claims against the Bank of Slovenia relating to emergency measures totals € 10,038,000 for Sava Reinsurance Company and € 22,957,200 for Zavarovalnica Maribor.

03

On 30 March 2015, Sava Reinsurance Company acquired 74,321 shares of Velebit osiguranje previously owned by Velebit životno osiguranje and 25,328 shares of Velebit životno osiguranje owned by Velebit osiguranje. In this way, Sava Reinsurance Company became the direct owner of these interests.

05

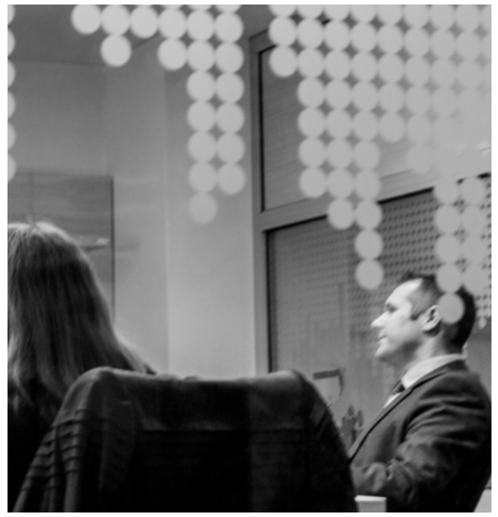
On 28 May 2015 the 30th general meeting of shareholders took place. No challenging actions were announced in the general meeting. The general meeting resolved that shareholders be paid a dividend of € 0.55 gross per share, representing a 112 % increase over the previous year's dividend per share (€ 0.26 gross per share).

07

In order to optimise the operations of the Sava Re Group, Sava Reinsurance Company decided to transfer the indirect ownership of both the Croatian insurance companies (Velebit osiguranje and Velebit životno osiguranje) to itself on a direct basis. Accordingly, on 7 July 2015 it initiated winding-up proceeding for Velebit usluge. Velebit usluge carried on no other activities apart from being the owner of the two insurers. Velebit usluge has been in liquidation proceedings since 17 July 2015.

Sava Reinsurance Company had been acquiring shares of its Croatian subsidiaries up until 31 December 2015. On 31 December 2015, the Company held 92.08 % of Velebit osiguranje and 88.71 % of Velebit životno osiguranje.

After its regular annual rating review, on 29 July 2015 rating agency Standard & Poor's (S&P) raised its long-term counterparty credit and insurer financial strength ratings on Sava Reinsurance Company to "A-" with a stable outlook.



09

In the third quarter of 2015, a large loss occurred in the China port of Tianjin, which had an impact on the Company's reinsurance portfolio in the amount of € 5 million. At the Sava Re Group level, one catastrophe event in the amount of € 5 million is included in each annual plan, so that the profit figure is comparable to the planned profit for 2015.

10

In October 2015, Sava Reinsurance Company announced its vision of its future development in the markets of the European Union. The vision includes the formation of a new insurance company encompassing all Sava Re Group insurers in Slovenia and Croatia in order to take advantage of further development opportunities in EU markets. The transformation of the Sava Re Group will provide the Group with a better competitive position in the two markets, both due to its greater cost-effectiveness and greater responsiveness to client needs. Furthermore, it is part of the Sava Re Group's long-term strategy to consolidate its position as the second largest insurance group in the region.

In October 2015, rating agency A.M. Best affirmed the financial strength rating and issuer credit rating of Sava Reinsurance Company of A- (Excellent) with a stable outlook. According to A.M. Best, the ratings reflect the Company's strong consolidated risk-adjusted capitalisation, good operating performance and a solid business profile in the Slovenian insurance market. The rating agency expects risk-adjusted capitalisation to remain strong, supported by solid earnings retention and a cautious growth strategy.

12

Based on a purchase contracts for shares of the Moja naložba pension company entered into with the insurer Merkur (for 10 %) on 22 September 2015, with Nova KBM (for 45 %) on 16 December 2015, and on 29 December 2015 with both Zavarovalnica Maribor (20 %) and Zavarovalnica Tilia (5 percent), Sava Reinsurance Company became sole owner of Moja naložba. On 29 December 2015, all suspensive conditions included in the Moja naložba purchase contracts had been discharged. All obligations under the contracts had been settled on 30 December 2015. Sava Reinsurance Company paid for the 80-percent interest (12,080 shares) an amount of € 7,078,880. Thereby Sava Reinsurance Company became the sole owner of Moja naložba.

2015

From 1 January 2015 to 31 December 2015, Sava Reinsurance Company acquired own shares for a total amount of € 0.2 million on the Ljubljana Stock Exchange. The total number of own shares at 31 December 2015 after the said purchases was 741,521, representing 4.3062 % of all issued shares.

2.3. Significant events after the reporting date

- From 1 January 2016 up to and including 16 March 2016, Sava Reinsurance Company bought 21,235 own shares for a total amount of € 0.3 million. After such purchases, the Company held a total of 762,756 own shares.
- In its session of 23 February 2016, the workers' council of Sava Reinsurance Company was presented with the notice of resignation of Helen Dretnik as member of the supervisory board representing employee interests, and accepted it. Helena Dretnik had handed in her notice of resignation on 19 February 2016 with effect from the same date. Until the appointment of a new member of the supervisory board representing employee interests, the supervisory board of Sava Reinsurance Company will operate as a five-member body.

2.4. Credit ratings of Sava Reinsurance Company

Sava Reinsurance Company is rated by two rating agencies, Standard & Poor's and A.M. Best.

Credit ratings of Sava Reinsurance Company

Agency		Outlook	Latest review
Standard & Poor's	A-	stable	July 2015: rating upgraded
A.M. Best	A-	stable	October 2015: existing rating affirmed

In July 2015, following their regular annual rating review, rating agency Standard & Poor's raised their long-term counterparty credit and insurer financial strength ratings on Sava Reinsurance Company to »A-« (strong), with a stable outlook.

Based on the rationale provided by the rating agency, the upgrade reflected Sava Re's improved capital strength and market position on the Slovenian insurance market following the acquisition of a majority stake in Zavarovalnica Maribor and the successful integration of this company into the Sava Re Group.

Of the basic elements supporting the ratings, there was an improvement from the prior period in capital adequacy, earnings and assessed liquidity of the company.

The stability of the credit rating is primarily subject to targets set with regard to profitability and capital adequacy, which however is related to a stable dividend policy and planned levels of share buybacks.

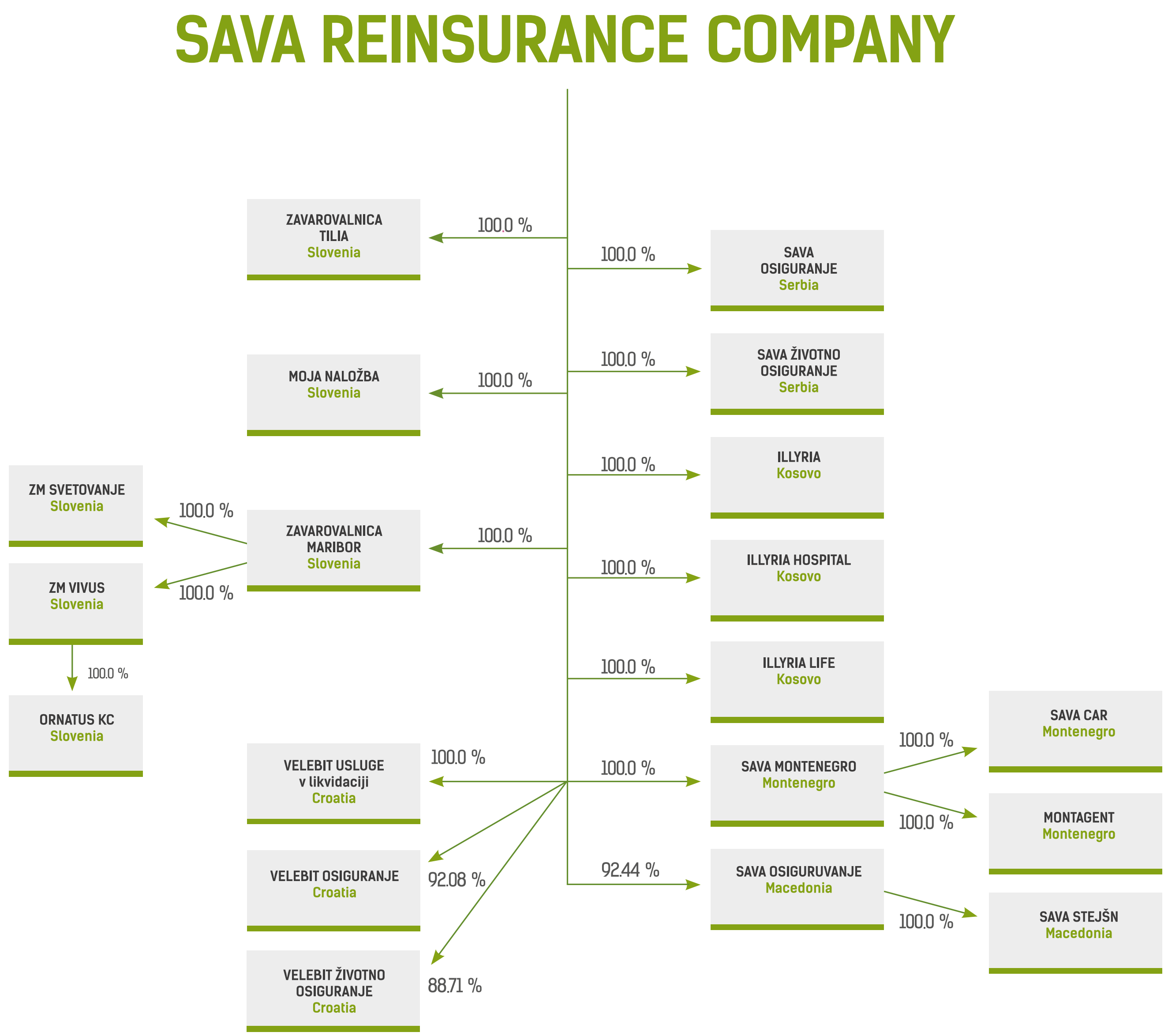
The Sava Re Group now holds the no. 2 position in the Slovenian direct insurance market and a significant position in the markets of South-eastern Europe. The financial stability and reputation of the Company in regional insurance markets and in international reinsurance markets are crucial for the further development of the Group. The upgrading will support the Group's growth strategy, especially in the reinsurance segment, where Sava Reinsurance Company through its forty years of operation established relations with over 300 partners in more than 90 countries around the world.

2.5. Presentation of the Sava Re Group

At 31 December 2015, 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 Western Balkan countries as well as a pension company based in Slovenia.

2.6. Composition of the Sava Re Group

Composition of the Sava Re Group at 31 December 2015



Company names of the Sava Re Group members

	Long 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, delniška zavarovalna družba s popolno odgovornostjo	Zavarovalnica Tilia
3	ZAVAROVALNICA MARIBOR delniška zavarovalna družba	Zavarovalnica Maribor or ZM
4	Moja naložba pokojninska družba d.d.	Moja naložba
5	SAVA OSIGURANJE AKCIONARSKO DRUŠTVO ZA OSIGURANJE BEOGRAD	Sava osiguranje Belgrade
6	»SAVA ŽIVOTNO OSIGURANJE« akcionarsko društvo za osiguranje, 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	Akcionarsko društvo za osiguranje SAVA MONTENEGRO Podgorica	Sava Montenegro
10	SAVA osiguruvanje a.d. Skopje	Sava osiguruvanje Skopje
11	VELEBIT USLUGE d.o.o.	Velebit usluge in liquidation
12	VELEBIT OSIGURANJE dioničko društvo za poslove neživotnog osiguranja	Velebit osiguranje
13	VELEBIT ŽIVOTNO OSIGURANJE dioničko društvo	Velebit životno osiguranje
14	» Illyria Hospital » SH.P.K.	Illyria Hospital
15	Društvo sa ograničenom odgovornošću – SAVA CAR – Podgorica	Sava Car
16	ZM VIVUS zavarovalno zastopniška družba d.o.o.	ZM Vivus
17	ZM Svetovanje, storitve zavarovalnega zastopanja, d.o.o.	ZM Svetovanje
18	ORNATUS KLICNI CENTER, podjetje za posredovanje telefonskih klicov, d.o.o.	Ornatus KC
19	Društvo za zastupanje u osiguranju Montagent DOO Podgorica Montagent	Montagent
20	Društvo za tehničko ispituvanje i analiza na motorni vozila SAVA STEJŠN DOOEL Skopje	Sava stejšn

2.7. Activities transacted by the Sava Re Group

Sava Reinsurance Company, the controlling company of the Group, transacts reinsurance business. Zavarovalnica Tilia and Zavarovalnica Maribor are composite insurers based in Slovenia. The insurers Sava osiguranje Belgrade, Sava osiguruvanje Skopje, Illyria, Sava Montenegro, and Velebit osiguranje are non-life insurance companies. Sava životno osiguranje, Illyria Life and Velebit životno osiguranje are life insurers. In addition to the above (re) insurers, the Group consists of:

- Illyria Hospital: special purpose vehicle for the establishment of a hospital in Kosovo to be wholly-owned by Sava Reinsurance Company,
- Sava Car: vehicle inspection company wholly-owned by the insurer Sava Montenegro,
- Montagent: insurance agency wholly-owned by the insurer Sava Montenegro,
- Sava stejšn: vehicle inspection company wholly-owned by the insurer Sava osiguruvanje Skopje,
- ZM Vivus: agency specialised for marketing life products of Zavarovalnica Maribor wholly-owned by Zavarovalnica Maribor. ZM Vivus also owns the company Ornatus KC,
- ZM Svetovanje: agency specialised for marketing life products of Zavarovalnica Maribor wholly-owned by Zavarovalnica Maribor,
- Moja naložba: pension company wholly-owned by Sava Reinsurance Company.

2.8. Data on Group companies as at 31 December 2015

At 31 December 2015, the following companies were members of the Sava Re Group:

Company name	Sava Reinsurance Company	Zavarovalnica Maribor	Zavarovalnica Tilia	Moja naložba	Sava osiguranje Belgrade
Registered office	Dunajska cesta 56, 1000 Ljubljana, Slovenia	Cankarjeva 3, 2507 Maribor, Slovenia	Seidlova cesta 5, 8000 Novo mesto, Slovenia	Ulica Vita Kraigherja 5, 2103 Maribor, Slovenia	Bulevar vojvode Mišića 51, 11000 Beograd, Serbia
Company ID number	5063825	5063400	5063426	1550411	17407813
Principle activity	reinsurer	composite insurer	composite insurer	pension company	non-life insurer
Share capital (€)	71,856,376	55,426,292	14,317,673	6,301,109	6,665,393
Book value of equity interest (€)		55,426,292	14,317,673	6,301,109	6,665,393
Equity interests (voting rights) held by Group members		Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 100.0 %
Bodies of the Company	management board	management board	management board	management board	managing director: Edita Rituper
	Zvonko Ivanušič (chair), Jošt Dolničar, Srečko Čebron, Mateja Treven	David Kastelic (chair), Borut Celcer, Rok Moljk, Robert Ciglarič	Tadej Avsec (chair), Jaka Dolenc	Lojze Grobelnik (chair), Igor Pšunder	executive director: Milorad Bosnić
	supervisory board	supervisory board	supervisory board	supervisory board	board of directors
	Branko Tomažič (chair), Mateja Lovšin Herič, Slaven Mićković, Keith Morris, Helena Dretnik, Andrej Gorazd Kunstek	Jošt Dolničar (chair), Dušan Čeč, Polona Pirš Zupančič, Pavel Gojkovič, Aleš Perko, Branko Beranič	Zvonko Ivanušič (chair), Jošt Dolničar, Jože Razpotnik	Katrca Rangus (vice chair), Irena Šela, Irena Žnidaršič, Igor Marinič, Rok Moljk, Jure Korent	Jost Dolničar (chair), Janez Komelj, Jure Korent
Position in the Group	parent, reinsurer	subsidiary insurance company	subsidiary insurance company	subsidiary pension company	subsidiary insurance company
Supervisory body	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Narodna banka Srbije, Nemanjina 17, 11000 Beograd, Srbija

Company name	Illyria	Sava osiguruvanje Skopje	Sava Montenegro	Sava životno osiguranje	Illyria Life
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Zagrebska br. 28 A, 1000 Skopje, Macedonia	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro	Bulevar vojvode Mišića 51, 11000 Beograd, Serbia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo
Company ID number	70152892	4778529	02303388	20482443	70520893
Principle activity	non-life insurer	non-life insurer	non-life insurer	life insurer	life insurer
Share capital (€)	5,428,040	3,820,077	4,033,303	4,871,012	3,285,893
Book value of equity interest (€)	5,428,040	3,531,279	4,033,303	4,871,012	3,285,893
Equity interests (voting rights) held by Group members	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 92.44 %	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 100.0 %
Bodies of the Company	managing director: Gianni Sokolič	executive director: Peter Skvarča	executive director: Nebojša Šćekić	executive director: Gorica Drobnjak	managing director: Ramis Ahmetaj
		chief operating directors: Ruse Drakulovski, Ilo Ristovski			
	board of directors	board of directors	board of directors	board of directors	board of directors
	Primož Močivnik (chair), Rok Moljk, Robert Sraka, Ramis Ahmetaj, Gianni Sokolič	Rok Moljk (chair), Polona Pirš Zupančič, Milan Viršek, Janez Jelnikar	Milan Viršek (chair), Jošt Dolničar, Edita Rituper	Polona Pirš Zupančič (chair), Pavel Gojkovič, Milan Viršek	Primož Močivnik (chair), Robert Sraka, Gianni Sokolič, Rok Moljk, Ramis Ahmetaj
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company
Supervisory body	Centralna Banka Kosova, Garibaldi str. no.33, Priština, Kosovo	Agencija za supervizija na osiguruvanje na Republika Makedonija, Ulica Vasil Glavinov br. 2, TCC Plaza kat 2, 1000 Skopje, Macedonia	Agencija za nadzor osiguranja Crna Gora, Ul. Moskovska bb, 81000 Podgorica, Montenegro	Narodna banka Srbije, Nemanjina 17, 11000 Beograd, Serbia	Centralna Banka Kosova, Garibaldi str. no.33, Priština, Kosovo

Company name	Velebit usluge in liquidation	Velebit osiguranje	Velebit životno osiguranje	Illyria Hospital	Sava Car
Registered office	Savska 144a, 10000 Zagreb, Croatia	Savska 144a, 10000 Zagreb, Croatia	Savska 144a, 10000 Zagreb, Croatia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Company ID number	2146282	2269937	2269929	70587513	02806380
Principle activity	wholesale, retailer	non-life insurer	life insurer	hospital	research and analysis
Share capital (€)	16,767,141	6,235,281	5,789,757	1,800,000	265,000
Book value of equity interest (€)	16,767,141	5,740,823	5,136,093	1,800,000	265,000
Equity interests (voting rights) held by Group members	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 92.08 %	Sava Reinsurance Company: 88.71 %	Sava Reinsurance Company: 100.0 %	Sava Montenegro: 100.0 %
Bodies of the Company	liquidator:	management board	management board	director:	executive director:
	Milan Viršek	Dražen Kulić (chair), Krešimir Vrbić (member), Primož Močivnik (holder of procuration)	Tibor Kralj (chair), Kristina Cvitanović - Zorić	Ilirijana Dželadini	Radenko Damjanović
		board of directors	board of directors		
		Milan Viršek (chair), Hermina Kastelec, Polona Pirš Zupančič	Pavel Gojkovič (chair), Pero Ćosić, Andreja Rahne		
Position in the Group	subsidiary	subsidiary insurance company	subsidiary insurance company	subsidiary	indirect subsidiary
Supervisory body	/	Hrvatska agencija za nadzor financijskih usluga, Miramarska 24b, Zagreb, Croatia		/	Agencija za nadzor osiguranja Crna Gora, Ul. Moskovska bb, 81000 Podgorica, Montenegro

Company name	ZM Vivus	ZM Svetovanje	Ornatus KC	Montagent	Sava stejšn
Registered office	Karantanska ulica 35, 2000 Maribor	Betnavska cesta 2, 2000 Maribor	Karantanska ulica 35, 2000 Maribor	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro	Zagrebska br. 28 A, 1000 Skopje, Macedonia
Company ID number	2154170000	2238799000	6149065000	02699893	7005350
Principle activity	insurance agency	insurance agency	call centre	insurance agent	research and analysis
Share capital (€)	188,763	83,363	11,000	10,000	199,821
Book value of equity interest (€)	188,763	83,363	11,000	10,000	199,821
Equity interests (voting rights) held by Group members	Zavarovalnica Maribor: 100.0 %	Zavarovalnica Maribor: 100.0 %	ZM Vivus: 100.0 %	Sava Montenegro: 100.0 %	Sava osiguruvanje Skopje: 100.0 %
Bodies of the Company	managing director:	managing director:	managing director:	executive director:	executive director:
	Rebernik Darko	Kislinger Jurij	Rebernik Darko	Snežana Milović	Melita Gugulovska
				board of directors	board of directors
				/	/
Position in the Group	indirect subsidiary	indirect subsidiary	indirect subsidiary	indirect subsidiary	indirect subsidiary
Supervisory body	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za zavarovalni nadzor, Trg republike 3, 1000 Ljubljana	Agencija za nadzor osiguranja Crna Gora, Ul. Moskovska bb, 81000 Podgorica, Montenegro	Ministry of Internal Affairs of the Republic of Macedonia

consolidated earnings per share

+ 11.0 %

consolidated book value per share

+ 5.6 %

dividend per share

+ 111.5 %

3.

SHAREHOLDERS AND SHARE TRADING

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

After three growth years, 2015 was the first in the Slovenian capital market (SBITOP) that ended with a loss. The SBITOP, the Ljubljana Stock Exchange blue-chip index, lost 11.2 % in 2015. In the first half of 2015, the market waited for the privatisation of certain companies (Cinkarna Celje, Telekom Slovenia) to start, while in the second half of the year, it became clear that the privatisation would be suspended. This had an impact on the entire Slovenian stock market.

The POSR share moved in line with the SBI TOP index. The POSR share lost 19.0 % in 2015, while the annual turnover on the Ljubljana Stock Exchange totalled € 8.9 million (2014: € 22.0 million). Sava Reinsurance Company in 2015 continued purchasing its own shares.

Movement in the POSR share price in 2015 compared to the SBITOP stock index.

3.2. General information on the share

Basic details about the POSR share

	31/12/2015	31/12/2014
Share capital	71,856,376	71,856,376
No. of shares	17,219,662	17,219,662
Ticker symbol	POSR	POSR
No. of shareholders	4,857	5,134
Type of share		ordinary
Listing		Ljubljana Stock Exchange, prime market
Number of treasury shares	741,521	727,830
Net earnings/loss per share (€)	0.98	1.33
Consolidated net earnings/loss per share (€)	2.02	1.82
Book value per share (€)	16.00	15.65
Consolidated book value per share (€)	17.38	16.46
Share price at end of period (€)	12.95	15.98
	1–12/2015	1–12/2014
Average share price in reporting period (€)	14.57	12.80
Minimum share price in reporting period (€)	11.69	8.00
Maximum share price in reporting period (€)	16.85	16.85
Trade volume in reporting period (€)	8,918,063	22,045,061

In the third quarter of 2015, the Company paid out dividends declared. It held no conditional equity. The regular general meeting held on 28 May 2015 decided that € 9,065,978 of distributable profit be appropriated as dividends. Dividends of € 0.55 gross per share were paid to the shareholders entered in the shareholders' register two business days after the date of the general meeting.

At 31 December 2015, 70.1 % of shareholders were Slovenian and 29.9 % were foreign. The largest shareholder of the POSR share is the Slovenian Sovereign Holding (Slovenski državni holding d.d.) with 25 % plus one share.

A list of the ten largest shareholders is given in section 5.6 »Details pursuant to Article 70(6) of the Companies Act (ZGD-1)«.

Shareholder structure of Sava Reinsurance Company at 31 December 2015

Type of Investor	Domestic investors	Foreign investors
Other financial institutions	25.1 %	0.0 %
Insurers and pension companies	14.4 %	0.2 %
Natural persons	9.3 %	0.2 %
Banks	3.9 %	22.2 %
Investment funds and mutual funds	8.3 %	6.4 %
Other commercial companies	6.3 %	0.9 %
Government	2.8 %	0.0 %
TOTAL	70.1 %	29.9 %

The other financial institutions item includes the Slovenian Sovereign Holding with a stake of 25 % plus one share.
Source: Central securities register KDD d.d. and own sources.

Own shares

From 1 January 2015 to 31 December 2015, Sava Reinsurance Company acquired own shares for a total amount of € 0.2 million on the Ljubljana Stock Exchange. The total number of treasury shares prior to these transactions was 727.830. The total number of own shares at 31 December 2015 after the said purchases was 741,521, representing 4.3062 % of all issued shares.

3.3. Investor relations

The public relations policy of Sava Reinsurance Company is in line with the Slovenian Financial Instruments Market Act (ZTFI), the Company's Act (ZGD), the notification recommendations of the Ljubljana Stock Exchange (LJSE) to public companies, the corporate governance code for public joint-stock companies, the rules of procedure of the supervisory board and with the internal rules for investor relations. Announcements are made according to the Company's financial calendar and day-to-day requirements.

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

General meetings of shareholders are called annually and shareholders are sent a letter to inform them of current issues and latest performance figures and invite them to attend the general meeting.

In 2015, the Company regularly and with increased intensity communicated with existing and potential investors. In addition to the established quarterly meetings with the financial community organised by Sava Re, either live or via webcast, we also meet at events organised by the Ljubljana Stock Exchange. Furthermore, we participate in events organised by other stock exchanges and investment firms. However, there were also a number of meetings with individual interested investors. Analyst reports are also posted on the Company's official website. Interim and annual financial reports are also published and are available unabridged from the Company's website.

Due to the changed ownership structure, which includes international legal entities, and to provide more information that is relevant to the financial community, the Company started to webcast its communications.

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

4.

REPORT OF THE SUPERVISORY BOARD

The supervisory board of Sava Reinsurance Company (hereinafter: Company) has prepared the following report in accordance with Article 282 of the Slovenian Companies Act (ZGD-1, Official Gazette of the Republic of Slovenia No. 42/2006, as amended).

In 2015 the supervisory board monitored the Company's operations on an ongoing basis and oversaw its management in a responsible manner. It regularly reviewed reports on various aspects of the business, passed resolutions and monitored their implementation. Individual issues were addressed in detail by the audit committee, and on the basis of its findings, the supervisory board adopted resolutions and recommendations.

The supervisory board operated in accordance with its powers and terms of reference under law, the Company's articles of association and the rules of procedure of the supervisory board.

COMPOSITION OF THE SUPERVISORY BOARD

The composition of the Company's supervisory board changed in 2015.

The term of office of the members representing the interest of employees, Martin Albrecht and Gorazd Andrej Kunstek, expired on 10 June 2015. Pursuant to the Workers' Participation in Management Act, the workers' council of Sava Reinsurance Company elected, in its session of 20 May 2015, as its representatives for the supervisory board of Sava Reinsurance Company Helena Dretnik and Gorazd Andrej Kunstek, for a term of four years. The members so appointed began their term of office on 11 June 2015.

The Company's supervisory board operated as a six-member body in 2015. During this term of office the Company's shareholders were represented by Branko Tomažič (chairman), Mateja Lovšin Herič (deputy chair), Keith Morris and Slaven Mićković, while Martin Albrecht and Gorazd Kunstek (until 10 June 2015) and Helena Dretnik and Gorazd Andrej Kunstek (from 11 June 2015) served as representatives of the employees.

The size and composition of the supervisory board facilitates effective discussion and adoption of sound resolutions based on the members' broad range of experience.

OPERATION OF THE SUPERVISORY BOARD

In its operation and decision-making, the supervisory board is guided by the goals of both the Company and the Sava Re Group as a whole. In the sessions, members express opinions and criticism, seeking to reconcile differences in positions in order to adopt resolutions unanimously. In 2015, all necessary data, reports and information were made available to the members. Meeting materials were provided in a timely manner, allowing members sufficient time to prepare themselves for the discussion of agenda items. The Company's professional staff assisted in carrying out sessions and organised other supporting activities.

In 2015 the supervisory board met ten times, but held no correspondence session. Members attended sessions regularly. In 2015, all members attended all meetings. Discussions were also attended by management board members and the supervisory board secretary; and certain agenda items were attended by other professionals employed with the Company.

In the course of the year, the supervisory board discussed, within its powers in accordance with law and the articles of association, all relevant aspects of the operations and activities of the Company and the Sava Re Group.

Supervisory board members dedicated most of our time in 2015 to the following issues:

Short-term and long-term plans of the Company and the Sava Re Group

In early 2015, the supervisory board reviewed and approved both the Business Policy and the Financial Plan of Sava Reinsurance Company d.d. and the Sava Re Group for 2015 and the Strategic Plan of the Sava Re Group for the Period 2015–2019.

Financial reports – annual report

The supervisory board reviewed the unaudited consolidated and separate financial statements of the Sava Re Group and Pozavarovalnica Sava d.d. 2014.

In 2015, the supervisory board adopted the annual report of the Sava Re Group and Sava Reinsurance Company 2014, and presented it at the general meeting together with the report on internal audit 2014, the supervisory board's own report for 2014, and its own opinion on the annual report 2014.

Financial reports – interim reporting

In addition to the above-mentioned documents, the supervisory board considered the unaudited three-month, six-month and nine-month financial reports of the Sava Re Group and Pozavarovalnica Sava d.d. for the periods January–March 2015, January–June 2015 and January–September 2015, respectively.

Investments

The supervisory board monitored the management of assets periodically and as part of reviewing the annual report and interim financial reports of the Company and the Group.

Furthermore, the supervisory board discussed in detail the annual investment report for 2014.

Reinsurance operations and claims experience

In early 2014, the supervisory board was briefed on the annual renewal of reinsurance contracts for 2015 and the Company's retrocession programme. Throughout the year, it was regularly informed by the management board on major loss events in the domestic as well as global markets and on potential losses that could impact the Company.

Supervision of subsidiaries

In addition to supervising Sava Reinsurance Company as the parent company, the supervisory board actively monitored the operations of its subsidiaries.

It considered the management board proposal regarding capital requirements of the subsidiary Sava životno osiguranje Belgrade.

The supervisory board was informed of a feasibility analysis on entering the Albanian market, briefed on options for entering the market of Bosnia and Herzegovina, on the purchase of a 10-percent stake of Moja naložba and the subsequent acquisition of a majority stake, it was briefed on the winding up of Velebit usluge and the proposal for the acquisition through absorption of Velebit osiguranje and Velebit životno osiguranje by Zavarovalnica Maribor.

The supervisory board was presented the vision of the Sava Re Group in the Slovenian insurance market and information relating to activities for merging EU-based Group insurers.

Internal audit

In 2015, the supervisory board, within its statutory powers, oversaw the Company's internal audit. It approved the annual work plan of the internal audit service for 2015. In addition, it considered the internal audit report for the period 31 October – 31 December 2014 and the annual report on internal auditing for 2014 and drew up an opinion on the annual report on internal auditing for 2014. It considered quarterly internal audit reports for the three months to 31 March 2015, for the three months to 30 June 2015 and for the three months to 30 September 2015. All internal audit reports were presented by the director of internal audit.

As part of the internal audit reports, the supervisory board was periodically briefed on non-routine correspondence with the Insurance Supervision Agency, the Securities Market Agency and other supervisory authorities.

The supervisory board considers all reports prepared by internal audit to have been independent and objective, and that the internal auditor's recommendations and findings are being taken into account by the management board. It notes that internal audit found no significant or material irregularities in the Company's operations. The supervisory board also notes that the IAS, on an ongoing basis, monitors the development of the internal audit services of Group subsidiaries, providing them all required professional assistance. In addition, it monitors the business operations of these companies but found no major irregularities.

Convocation and holding of general meeting of shareholders

The supervisory board supported the management board's proposal to call the regular annual general meeting of the Company's shareholders in 2015. Together with the management board, it proposed resolutions to be adopted by the general meeting, and in accordance with the Companies Act (ZGD-1), the supervisory board proposed to shareholders an external auditor to be appointed for the 2015 financial year.

Risks

The supervisory board monitored risk management periodically and as part of reviewing the annual report and interim financial reports of the company and the Group.

As part of the strategic plan of the Sava Re Group for the period 2015–2019, the supervisory board was briefed on the group's risk strategy. It was also presented risk report at 31 December 2014.

Solvency II alignment

The supervisory board was informed in detail about the role of the management board and the supervisory board in the Solvency II regime. The supervisory board members attended a regional conference on the introduction of the requirements of the insurance directives into national legislation »Solvency II – What can go wrong?«.

At the end of 2015, the supervisory board gave its consent to eleven Solvency II policies: the corporate governance policy of the Sava Re Group and the corporate governance policy of Pozavarovalnica Sava d.d., the internal control policy of the Sava Re Group and the internal control policy of Pozavarovalnica Sava d.d., the risk management policy of the Sava Re Group and the risk management policy of Pozavarovalnica Sava d.d., the outsourcing policy of the Sava Re Group and the outsourcing policy of Pozavarovalnica Sava d.d., the fit and proper policy for key persons of the Sava Re Group and the fit and proper policy for key persons of Pozavarovalnica Sava d.d., the actuarial function policy of the Sava Re Group and the actuarial function policy of Pozavarovalnica Sava d.d., the internal audit policy of the Sava Re Group and the internal audit policy of Pozavarovalnica Sava d.d., the compliance policy of the Sava Re Group and the compliance policy of Pozavarovalnica Sava d.d., the remuneration policy of the Sava Re Group and the remuneration policy of Pozavarovalnica Sava d.d., the own risk and solvency assessment policy of the Sava Re Group and the own risk and solvency assessment policy of Pozavarovalnica Sava d.d., the capital management policy of the Sava Re Group and of Pozavarovalnica Sava d.d.

At the end of 2015, the supervisory board gave its consent to granting authorisation to key function holders.

It was also briefed on the compliance report and on pending issues relating to the Solvency II project.

Remuneration of the management board

In accordance with employment contracts of the members of the management board, the supervisory board evaluated the performance of the management board and their entitlement to variable remuneration and also determined a performance-related bonus for 2014.

Strengthening the good practices of the supervisory board

In 2015 the supervisory board conducted the thrid regular annual self-assessment using the methodology of the Slovenian Directors' Association. In accordance with good practice, supervisors, upon taking office and then on an annual basis, complete a questionnaire, which includes a statement on the (non-)existence of any conflicts of interest. The Company is posting these statements on its website.

Concluding findings

The supervisory board notes that all reports prepared by the management board for its own use and that of the audit committee were sufficient and appropriate for a thorough review of issues and comply with both the law and internal regulations.

OPERATION OF SUPERVISORY BOARD COMMITTEES

In accordance with statutory regulations, the supervisory board of the Company set up the audit committee for the in-depth consideration of accounting, financial and audit issues.

In this composition, the supervisory board has not set up any other committees.

AUDIT COMMITTEE

Composition of the audit committee

The composition of the audit committee did not change in 2015.

The audit committee in 2015 was composed of three members: Mateja Lovšin Herič (chair), Slaven Mićković and Ignac Dolenšek.

Activities of the audit committee in 2015

The audit committee of the supervisory board met nine times in 2015.

The audit committee was mostly concerned with whether materials for supervisory board meetings, which are the responsibility of the audit committee, comply with all relevant professional standards, such as whether materials were being prepared observing the reporting principle of transparency and consistency.

Based on a supervisory board resolution and taking into account the challenging conditions in capital markets in recent years, the audit committee regularly considered quarterly reports on the investment policy of the Company and the Group and monitored the Company's risk management activities.

The chair of the audit committee regularly reported on the activities and positions of the audit committee at supervisory board sessions. In addition, the audit committee prepared a written report on its activities in 2015.

The supervisory board is of the opinion that the audit committee considered all relevant issues within its terms of reference and offered the supervisory board professional assistance by giving opinions and preparing proposals.

The supervisory board further believes that the composition of the audit committee is appropriate and that the members have such professional and personal qualities that ensure quality and independence of operation.

Furthermore, the supervisory board is of the opinion that the audit committee were provided all necessary support to effectively carry out their work.

CONCLUSION

The supervisory board believes that Pozavarovalnica Sava performed well in 2015, while the results of subsidiaries have improved, and continues to support the Group's governance policies in 2016.

The supervisory board also bases its findings on the:

- unqualified opinion of the Company's certified actuary,
- annual report of internal audit on internal auditing in 2015.

The supervisory board had no reservations with regard to these reports.

Also in 2016 the supervisory board will be vigilant in overseeing the operations of the Sava Re Group, especially the process of combining Zavarovalnica Tilia, Zavarovalnica Maribor, Velebit osiguranje and Velebit životno osiguranje into one insurer.

Special attention will also be given to monitoring the Company's and the Group's adjustment to the requirements of the new insurance legislation and the implementation of the policies adopted. And the supervisory board will regularly oversee risk management reports of the Company and the Sava Re Group.

Furthermore, the supervisory board will be particularly attentive to monitoring the progress towards strategic objectives, providing the management board, within its means and powers, with its maximum support.

ANNUAL REPORT 2015

The Company's management board submitted the Audited Annual Report of the Sava Re Group and Pozavarovalnica Sava d.d. 2015 for approval to the supervisory board. Within its statutory mandate, in its meeting on 6 April 2016, the supervisory board examined the annual report 2015.

The audit committee of the supervisory board discussed the unaudited annual report, the audited annual report of the Sava Re Group and Pozavarovalnica Sava d.d. 2015 including the audit report and the audit letter addressed to management after conclusion of the preliminary and year-end audit, and issued its opinion and position thereon.

The supervisory board was also presented with the opinion of the auditor Ernst & Young Slovenija, podjetje za revidiranje, d.o.o., who audited the annual report of the Sava Re Group and Sava Reinsurance Company 2015, and also carried out audit reviews in the Sava Re Group subsidiary companies.

The supervisory board noted that the annual report for 2015 was clear and transparent, as well as fully compliant with contents and disclosure requirements under the Companies Act, International Accounting Standards and specific regulations (Insurance Act) and implementing regulations adopted on the basis of such specific regulations.

Based on its review of the 2015 annual report, as well as on the opinion of the external auditor and that of the audit committee, the supervisory board considers that the annual report for 2015 gives a true and fair view of assets and liabilities, the financial position, profit or loss and cash flows of Sava Reinsurance Company and the Sava Re Group.

The supervisory board hereby approves the Audited Annual Report of the Sava Re Group and Pozavarovalnica Sava d.d. 2015 as submitted by the management board.

DETERMINATION AND PROPOSAL FOR APPROPRIATION OF THE DISTRIBUTABLE PROFIT OF SAVA REINSURANCE COMPANY

The supervisory board reviewed the proposal of the management board on the appropriation of distributable profit at 31 December 2015 to be decided by the general meeting of shareholders of Sava Reinsurance Company and agrees with the proposal of the management board that the following resolution on the appropriation of distributable profit be submitted for approval to the general meeting of Sava Reinsurance Company's shareholders:

Distributable profit of € 20,763,434.71 as at 31 December 2015 shall be appropriated as follows:

- € 13,114,793.60 shall be appropriated for dividends. The dividend shall be € 0.80 gross per share and shall be paid to the shareholders entered in the shareholders' register two business days after the date of the general meeting. Dividends shall be paid within 60 days of the date this resolution is passed.
- The remaining distributable profit of € 7,648,641.11 shall not be appropriated.

The proposal for appropriation of distributable profit is based on the number of own shares at 31 March 2016. On the date of the general meeting, the number of shares entitled to dividends may change as a result of additional purchases or disposals of own shares. Should the number of own shares change, the general meeting of shareholders will be proposed adjusted figures for appropriation of the distributable profit, while the amount of the dividend per share of € 0.80 shall remain unchanged.

The supervisory board proposes that the management board be discharged from their liability for the financial year 2015.

Branko Tomažič
Chairman of the supervisory board of Sava Reinsurance Company

Ljubljana, 6 April 2016

5.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO ARTICLE 70 OF THE COMPANIES ACT (ZGD-1)

5.1. Corporate Governance Policy

In its 55th meeting on 10 December 2015, the management board, with the consent of the supervisory board granted in its session of 18 December 2015, adopted the corporate governance policy of the Sava Re Group and the corporate governance policy of Sava Reinsurance Company. The documents set out the main subsidiary governance principles in the Sava Re Group, governance rules for Sava Reinsurance Company, taking into account the goals, mission, vision and values of the Sava Re Group. The corporate governance policy represents a commitment to the future.

The corporate governance policy of Sava Reinsurance Company is available through the Ljubljana Stock Exchange Seonet information system and from the Company's website www.sava-re.si.

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

The management and the supervisory boards of Sava Reinsurance Company hereby confirm that they operate in compliance with the Corporate Governance Code for Public Joint-Stock Companies as adopted on 8 December 2009 by the Ljubljana Stock Exchange, the Slovenian Directors' Association and the Managers' Association of Slovenia and available from the website of the Ljubljana Stock Exchange, Ljubljana http://www.ljse.si) in Slovenian and English, with individual deviations that are disclosed and explained below.

5.2.1. The supervisory board

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

Recommendation 13.1: In its current term of office, the supervisory board appointed no standing nomination committee nor any standing personnel committee. Should need arise, the supervisory board will appoint either committee. The supervisory board carries out other duties within its terms of reference without a specific committee as this has not proved to be necessary.

5.2.2. Transparency of operations

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

This statement relates to the period from the adoption of the previous statement of compliance with the Corporate Governance Code for Public Joint-Stock Companies, i.e., from 30 March 2015 to 30 March 2016.

5.3. Bodies of Sava Reinsurance Company

Management system

Sava Reinsurance Company has a two-tier management system with a management board that manages and a supervisory board that oversees operations. Governance bodies, the general meeting, the supervisory board and the management board, act in compliance with laws, regulations, the articles of association and internal rules. The Company's articles of association, the rules of procedure of both the general meeting and the supervisory board are posted on the Company's website www.sava-re.si.

The risk management system is a key building block of the governance system. The Company's management board ensures that an effective risk management system is in place. Rules of the risk management systems and own risk and solvency assessment rules are set out in detail in the Company's internal regulations.

The Company has certain functions integrated into the organisational structure and decision-making processes. These are the risk management function, internal audit function, actuarial function and compliance function, defined by applicable law as the key functions of the governance system (hereinafter: key functions). The key functions are integrated into the organisational structure and decision-making processes to strengthen the three-lines-of-defence framework in the Company's control system. Rules governing individual key functions are set out in detail in the Company's internal regulations.

5.3.1. General meeting of shareholders

Terms of reference

The general meeting decides on the following:

- approval of the annual report, unless approved by the supervisory board, or if the management board and supervisory board have left the decision about its approval to the general meeting of shareholders;
- the appropriation of distributable profit, at the proposal of and based on a report by the management board;
- appointment and removal of supervisory board members;
- granting of discharges to management and supervisory board members;
- adoption of amendments to the articles of association;
- measures to increase and reduce the capital;
- dissolution of the Company and its transformation in terms of status;
- appointment of the auditor, at the proposal of the supervisory board;
- other matters in compliance with the law and articles of association.

Convening the general meeting

The general meeting of shareholders, through which the shareholders of Sava Reinsurance Company exercise their rights in the affairs of the Company, is convened at least once a year, no later than August. The general meeting may be convened in other cases as provided by law, the Company's articles of association and whenever this is in the interest of the Company. As a rule, the general meeting is convened by the management board. In the cases stipulated by law, it may be convened by the supervisory board or shareholders.

The Company publishes general meeting notices through the SEOnet system provided by the Ljubljana Stock Exchange (www.ljse.si), on the AJPES website (www.ajpes.si) and on the Company's official website www.sava-re.si; in printed form in one daily newspaper as provided in the articles of association: Delo or Finance or Dnevnik, or in the Official Gazette of the Republic of Slovenia.

Participation in the general meeting

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

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

Adoption of resolutions

General meeting resolutions are adopted by a majority of votes cast (simple majority), unless a larger majority or other requirements are stipulated by law or the articles of association.

Exercise of voting rights

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

The general meeting in 2015

There has been only one General meeting of shareholders called in 2015.

On 28 May 2015 the 30th general meeting of shareholders took place. Among other things, the general meeting was presented the annual report for 2014, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2014 with the opinion of the supervisory board thereto. Furthermore, the general meeting was informed of the remuneration of the members of management and supervisory bodies and of the management report on own shares. The general meeting resolved that part of distributable profit in the amount of € 9,065,977.80 be appropriated for dividends, while the remaining part of distributable profit of € 12,769,645.81 be left unallocated. The general meeting discharged both the management and the supervisory boards from their liability for the financial year 2014. The general meeting appointed the auditing firm Ernst & Young d.o.o., Dunajska 111, Ljubljana, as auditor for the 2015 financial year.

In line with the 2015 financial calendar, the regular annual general meeting of the shareholders of Sava Reinsurance Company is scheduled to take place in the second half of May. The notice for the general meeting together with proposed resolutions, venue and requirements for participation will be published through the SEOnet information system of the Ljubljana Stock Exchange, on the AJPES website, in one daily newspaper as provided in the articles of association and on the Company's website.

5.3.2. The supervisory board

Operation of the supervisory board

The supervisory board oversees the operations of the Company. In doing so, it must comply with applicable regulations, especially the Slovenian Companies Act (ZGD), the Insurance Act (ZZavar), the Company's articles of association and the rules of procedure of the supervisory board. In accordance with the law, the supervisory board must be convened at least on a quarterly basis, generally after the end of each quarter. If necessary, the supervisory board may meet on a more frequent basis. The terms of reference of the supervisory board are determined in its rules of procedure. The rules of procedure of the supervisory board are posted on the Company's website www.sava-re.si.

Terms of reference

Major responsibilities of the supervisory board:

- to grant consent to the business policy and financial plan of the Sava Re Group and Sava Reinsurance Company as prepared by the management board;
- to grant consent to the development strategy of the Sava Re Group and Sava Reinsurance Company as prepared by the management board;
- to grant consent to the written rules of the system of governance, risk management, compliance, internal audit, the actuarial function, internal controls and outsourced business;
- to grant consent to the appointment of key function holders;
- to grant consent to the report on the solvency and financial condition of the Company;
- to grant consent to the framework annual internal audit plan as prepared by the management board;
- to oversee the adequacy of processes and the effectiveness of internal audit;
- to prepare an opinion for the general meeting on the internal audit annual report;
- to consider the findings of the Insurance Supervision Agency and other supervisory bodies made when exercising their supervisory competence over the Company;
- to review annual and interim financial reports of the Sava Re Group and Sava Reinsurance Company;
- to review the annual report submitted by the management board, adopt an opinion on the auditor's report, and prepare a qualified or approving report for the general meeting;
- to review the proposal regarding appropriation of the distributable profit submitted by the management board, and prepare a written report for the general meeting;
- other matters in compliance with the law and articles of association.

The supervisory board in 2015

Pursuant to the Company's articles of association and the applicable legislation, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which informs the general meeting of its decision. Supervisory board members are appointed for a term of up to four years and may be re-elected.

On 12 July 2013, the General Meeting of Sava Reinsurance Company elected, for a four-year term of office, four members of the Supervisory Board shareholder representatives to start their term of office on 15 July 2013. In this term of office, the members of the supervisory board representing the shareholders are Branko Tomažič (chair), Mateja Lovšin Herič (deputy chair), Keith Morris and Slaven Mićković.

Pursuant to the Workers' Participation in Management Act, the workers' council of Sava Reinsurance Company elected its representatives to the supervisory board of Sava Reinsurance Company, Martin Albreht, who started his term of office on 10 June 2011. In addition, the workers' council appointed Andrej Gorazd Kunstek new member of the supervisory board (employee representative) for the period 23 January 2013 – 10 June 2015.

In 2015, there were changes in the composition of the supervisory board.

After the expiry of the term of office of the supervisory board members employee representatives on 10 June 2015, the workers' council of Sava Reinsurance Company elected Andrej Gorazd Kunstek and Helena Dretnik as new employee representatives to the Supervisory Board for a term of four years. Andrej Gorazd Kunstek and Helena Dretnik began their term of office on 11 June 2015.

Composition of the supervisory board in 2015

Member	Title	Beginning of term of office	Duration of term of office
Branko Tomažič	chairman	15/07/2013	4 years
Mateja Lovšin Herič	deputy chairperson	15/07/2013	4 years
Slaven Mićković	member	15/07/2013	4 years
Keith Morris	member	15/07/2013	4 years
Martin Albreht	member (employee representative)	10/06/2011	up until 10/06/2015
Andrej Gorazd Kunstek	member (employee representative)	23/01/2013	up until 10/06/2015
Andrej Gorazd Kunstek	member (employee representative)	11/06/2015	4 years
Helena Dretnik	member (employee representative)	11/06/2015	4 years

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

Representatives of capital:

Branko Tomažič | *chairman of the supervisory board*

Employment: retiree

Educational background: University graduated economist.

Presentation: Branko Tomažič has extensive experience from the gambling and tourism industry gained when chairing the management board of Hit, d.d. Retired since 2006. This is his second term of office as member and chairman of the supervisory board of Sava Reinsurance Company (since 2009).

Beginning of term of office: 15 July 2013

Term of office: 4 years

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

Mateja Lovšin Herič | *deputy chairperson of the supervisory board*

Employment: Slovenski državni holding, d.d. (Slovenian Sovereign Holding)

Educational background: University graduated economist.

Presentation: Mateja Lovšin Herič has extensive experience in asset management. She gained extensive experience through leading large and complex projects co-operating with the Slovenian Sovereign Holding, such as the privatisation of Slovenian insurance companies. Since 2014 she has been heading the capital asset disposal department of the Slovenian Sovereign Holding.She holds a certificate issued by the association of supervisory board members certifying that she is a qualified member of supervisory and management bodies required by persons to be appointed to such bodies by the government of the Republic of Slovenia. This is her second term of office as member and deputy chairperson of the supervisory board (since 2009) and member of the audit committee of Sava Reinsurance Company (chairing it since 2011).

Beginning of term of office: 15 July 2013

Term of office: 4 years

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

Slaven Mićković | *member of the supervisory board*

Employment: Abanka Vipa d.d.

Educational background: Master of science in mathematics, PhD in economics.

Presentation: Slaven Mićković has experience in valuation of companies. He has been strategic consultant of risk management at Abanka Vipa, d.d. since March 2013. Prior to that, he had been involved in projecting income and in calculating the impact of economic activities and of population aging on public finance at the Ministry of Finance for 15 years. In recent years, he has been participating in various international projects on behalf of the Slovenian government. This is his second term of office as member of the supervisory board and member of the audit committee of Sava Reinsurance Company (since 2009).

Beginning of term of office: 15 July 2013

Term of office: 4 years

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

Keith Morris | *member of the supervisory board*

Employment: retiree

Educational background: B. Sc, Management Sciences

Presentation: Keith Morris studied management sciences, specialising in finance and marketing. Most of his career, he worked in finance and has extensive international experience both in banking and insurance. Keith Morris started his career with Midland Bank (HSBC Group). From 1969 to 1984, he was with Citibank NA, where he was promoted to vice president. Between 1984 and 1989, he worked for IBM UK LTD, towards the end of the period as senior consultant – finance industry. After 1989 and until his retirement, he worked mostly in insurance, mostly in large Groups, such as Eagle Star Group, American International Group (AIG), Allianz Group and RBS Insurance (Direct Line Group). From 2003 to 2008, he served as non-executive director of Standard Life Insurance Group. This is his first term of office as member of the supervisory board of Sava Reinsurance Company (since 2013).

Beginning of term of office: 15 July 2013

Term of office: 4 years

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

Employee representatives

Martin Albreht | *member of the supervisory board*

Employment: Pozavarovalnica Sava, d.d.

Educational background: Graduated economist.

Presentation: Martin Albreht has extensive experience in accounting and in the implementation of computer applications for accounting. He joined Sava Reinsurance Company in 2008 and has been working in the accounting department ever since. This is his first term of office as member of the supervisory board of Sava Reinsurance Company (since 2011).

Beginning of term of office: 10 June 2011

Term of office: up until 10 June 2015

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

Andrej Gorazd Kunstek | *member of the supervisory board*

Employment: Pozavarovalnica Sava, d.d.

Educational background: University graduated economist, master of science in economics.

Presentation: Andrej Gorazd Kunstek has over 15 years of experience in reinsurance underwriting and technical accounting of reinsurance business. Since 2007 he has been director of technical accounting in the reinsurance operations department. This is his second term of office as member of the supervisory board of Sava Reinsurance Company (since 2013).

Beginning of term of office: 23 January 2013

Term of office: up until 10 June 2015

Beginning of second term of office: 11 June 2015

Duration of second term of office: 4 years

Andrej Gorazd Kunstek does not serve on any other management or supervisory body neither in any Group company nor in any other legal entity.

Helena Dretnik | *member of the Supervisory Board*

Employment: Pozavarovalnica Sava, d.d.

Educational background: University graduated economist, master of science in economics.

Presentation: Helena Dretnik has worked for Sava Reinsurance Company for over ten years, three years in finance. Since 2008, she worked in Sava Re Group controlling with responsibilities for overseeing and monitoring subsidiary operations; she was involved in the valuation of subsidiaries, the preparation of valuation reports in quarterly and annual reports, budgeting, overseeing realisation of plans and drafting of action plans, the management of certain projects, the coordination of planning processes and training in Sava Re Group subsidiaries. In strategic finance, she has experience in acquisitions of strategic investments, potential capital injections, formulation of dividend policy and other related tasks.

Beginning of term of office: 11 June 2015

Term of office: 4 years

Early termination of term of office: 19 February 2016

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

Statement of independence

The supervisory board members committed themselves, upon entering their office in 2013 (employee representatives in 2015), to meeting the criteria of independence as set out in point C.3 of Annex C to the Corporate Governance Code for Public Joint-Stock Companies by signing a »Statement on the independence of supervisory board members of Sava Reinsurance Company«. Statements on the independence of supervisory board member are signed on an annual basis. These statements are posted on the Company's website at www.sava-re.si/en/o-druzbi/nadzorni-svet/.

Remunerations, compensations and other benefits

Remuneration of supervisory board members is discussed in detail in section 25.10 »Related party disclosures« in the notes to the financial statements.

POSR holdings of supervisory board member

POSR shares held by Supervisory Board members as at 31 December 2015

	No. of shares	Holding (%)
Supervisory board member		
Helena Dretnik	21	0.0001 %
Andrej Gorazd Kunstek	2,500	0.0152 %
TOTAL	2,521	0.0153 %

Source: Central securities register KDD d.d.

More information on the activities of the supervisory board in 2015 is provided in section 4 »Report of the supervisory board«.

5.3.3. Supervisory board committees

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

During this term of office, the supervisory board of Sava Reinsurance Company set up an audit committee.

The audit committee

Activities of the audit committee

The duties and terms of reference of the audit committee of the supervisory board are set out in the Companies Act, the audit committee's charter and rules of procedure, the supervisory board's rules of procedure, and other autonomous legal acts (e.g. recommendations for audit committees).

Terms of reference

Major responsibilities of the audit committee:

- to monitor financial reporting processes and prepare recommendations and proposals for ensuring its completeness;
- to monitor the efficiency and effectiveness of the Company's internal controls, of internal auditing, if set up, and of risk management systems;
- to monitor the statutory audit of the annual separate and consolidated financial statements, in particular the effectiveness of the statutory audit, taking into account all the findings and conclusions of the competent authority;
- to examine and monitor the independence of the auditor of the annual report of the company, especially the provision of additional non-auditing services;
- to oversee the auditor selection process and propose to the supervisory board candidates for the auditing of the Company's annual report;
- to monitor the integrity of financial information issued by the Company;
- to assess the composition of the annual report, including drafting the proposal for the supervisory board;
- to cooperate in determining focus areas for auditing;

- to participate in the preparation of the contract between the auditor and the Company, which must not include any provision that would restrict the general meeting's choice regarding the appointment of auditor. Any such provisions are null and void;
- to report to the supervisory board on the outcome of the statutory audit, including notes on how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in the process;
- to carry out other tasks as stipulated by articles of association or resolution of the supervisory board;
- to cooperate with the auditor in auditing the Company's annual report, in particular, the audit committee shall exchange information on main areas to be audited; and
- to cooperate with the internal auditor, in particular by exchanging information on key issues relating to internal audit.

The audit committee in 2015

In its constitutive meeting on 22 July 2013, the supervisory board appointed a three-member audit committee, composed of Mateja Lovšin Herič (chair), Slaven Mićković and Ignac Dolenšek (members).

In 2015 there were no changes in the composition of the audit committee.

Members of the audit committee at 31 December 2015

Member	Title	Beginning of term of office	Duration of term of office
Mateja Lovšin Herič	chairperson	22/07/2013	15/07/2017
Slaven Mićković	member	22/07/2013	15/07/2017
Ignac Dolenšek	external member	22/07/2013	15/07/2017

Fit & Proper Committee

Operation of the fit & proper committee

As part of its efforts to comply with Solvency II requirements, the management board of Sava Reinsurance Company adopted, with the consent of the supervisory board, a fit and proper policy for key persons of Sava Reinsurance Company (hereinafter: Fit and Proper Policy), which entered into force on 1 January 2016. In accordance with the requirements of applicable legislation and in accordance with the stated policy, Sava Reinsurance Company must ensure that persons who effectively run and oversee the company are properly qualified (fit) and suitable (proper) for managing and overseeing the company in a professional manner, not only upon appointment but throughout the performance of the function. In addition to the appropriate qualifications, experience and expertise (fit) that members of the management and the supervisory board as a collective body need to demonstrate, they must be of good repute and demonstrate through their actions high standards of integrity (proper).

In order to implement such fit and proper assessment of members of the management and supervisory boards, the supervisory board appointed a fit and proper committee on 10 February 2016.

Criteria and procedures for any fit and proper assessment of members of the management and supervisory boards, its committees, key function holders and other relevant personnel are detailed in the company's Fit and Proper Policy.

Terms of reference

The most important task of the fit & proper committee is:

- to assess the fitness and suitability of the management board, supervisory board and its committees.

Fit & Proper Committee in 2016

In order to implement such fit and proper assessment of members of the management and supervisory boards, the supervisory board appointed a fit and proper committee on 10 February 2016. It was composed of Branko Tomažič (chair), Mateja Lovšin Herič and Nika Matjan (members), and Keith Morris (alternate member).

Composition of the fit & proper committee at 31 March 2016

Member	Title	Beginning of term of office	Duration of term of office
Branko Tomažič	chairman	10/02/2016	15/07/2017
Mateja Lovšin Herič	member	10/02/2016	15/07/2017
Nika Matjan	member	10/02/2016	15/07/2017
Keith Morris	alternate member	10/02/2016	15/07/2017

5.3.4. The management board

Operation of the management board

The management board represents the Company in its legal transactions. In this, it acts in accordance with the applicable legislation, particularly the Slovenian Companies Act and the Insurance Act, as well as with the articles of association and the act on the management board and its rules of procedure.

Terms of reference

Major duties of the management board:

- to run and organise the operations of the Company;
- to represent the Company;
- to be responsible for the legality of the Company's operations;
- to adopt the development strategy of the Company and Group, which is to be presented to the supervisory board for consent;
- to adopt the business policy and financial plan of the Company and the Group, which is presented to the supervisory board for consent;
- to adopt internal acts of the Company;
- to approve and periodically review strategies and written rules on risk management, the internal control system, internal audit, the actuarial function and regarding outsourcing, and to ensure their implementation;
- to adopt the report on the solvency and financial condition and submit it to the supervisory board for consent;
- to grant authorisation to key function holders of the Company subject to the consent of the supervisory board;
- to report to the supervisory board on operations of the Company and the Group;

- to prepare a draft annual report, including a business report, and to submit it to the supervisory board together with the auditor's report and a proposal regarding appropriation of distributable profit for approval;
- to convene the general meeting of shareholders;
- to implement the resolutions adopted by the supervisory board.

Powers of the management board (increase in share capital, acquisition of own shares)

The management board has no authorisation to increase the share capital.

The management board has an authorisation to purchase own shares of up to 10 % of the share capital over a period of three years from the adoption of the general meeting resolution (i.e. until 23 April 2017).

The management board in 2015

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

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

In 2015 there were no changes in the composition of the management board.

Members of the management board as at 31 December 2015

Member	Title	Beginning of term of office	Duration of term of office
Zvonko Ivanušič	chairman	01/06/2013	5 years
Srečko Čebron	member	01/06/2013	5 years
Jošt Dolničar	member	01/06/2013	5 years
Mateja Treven	member	01/06/2013	5 years

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

Zvonko Ivanušič | *chairman of the management board*

Educational background: University graduated economist, master of science in economics.

Presentation: In his varied career path, Zvonko Ivanušič performed various leadership functions: from 1993 to 1994, he was managing director of the manufacturer Livar Belt, Slovenia; from 1994 to 1997, he was chairman of the management board of Kmečka družba and between 1997 and 2000 chairman of the management board of insurer Slovenica. From June to November 2000, he was minister of finance of the Republic of Slovenia. Zvonko joined Sava Reinsurance Company in 2002 as consultant to the management board. Between 2004 and 2008 he held the position of deputy chairman of the management board. This is his second term of office as chairman of the management board of Sava Reinsurance Company (since 2008).

Beginning of term of office: 1 June 2013

Term of office: five years.

Area of responsibility (management board): The chairman of the management board is responsible for managing Sava Reinsurance Company, coordinating the activities of the management board, controlling, general affairs, HR, organisational and legal affairs, compliance, public relations and for the insurer integration process.

Memberships of other management or supervisory bodies of Group companies:

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

Zavarovalnica Maribor , Cankarjeva 3, 2000 Maribor – chairman of the supervisory board (since 21 January 2016).

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

Jošt Dolničar | *member of the management board*

Educational background: University graduated lawyer.

Presentation: Jošt Dolničar gained his first work experience in Zavarovalnica Triglav, where he worked for nine years; his last position was executive director of non-life insurance operations. Through much of his life, he has been actively involved in sports, and is still a licensed rowing trainer, a member of the legal committee and an arbitrator with the arbitration court of the Slovenian Olympic Committee. He joined Sava Reinsurance Company in 2006 as senior executive responsible for the management of Group subsidiaries. This is his second term of office as member of the management board of Sava Reinsurance Company (since 2008).

Beginning of term of office: 1 June 2013

Term of office: five years.

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

Memberships of other management or supervisory bodies of Group companies:

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

Sava životno osiguranje, a.d., Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – member of the board of directors;

Sava Montenegro, a.d., P.C Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro – member of the board of directors.

Zavarovalnica Maribor , Cankarjeva 3, 2000 Maribor – chairman of the supervisory board (up until 21 January 2016);

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

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

Srečko Čebron | *member of the management board*

Educational background: University graduated mining engineer.

Presentation: Srečko Čebron started his career with Generali in Trieste. He gained most of his predominantly international experience in insurance from Zavarovalnica Tilia (Slovenia), Unipol (Milano, Bologna and Moscow), ICMIF (Manchester) and Euresap (Lisbon). In his extended stays abroad, Srečko acquired considerable foreign language skills. From 2001 to 2008, he was a member of the management board of the insurer Zavarovalnica Maribor. This is his second term of office as member of the management board of Sava Reinsurance Company (since 2009).

Beginning of term of office: 1 June 2013

Term of office: five years.

Area of responsibility (management board): Srečko Čebron is responsible for reinsurance operations and actuarial affairs.

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

Mateja Treven | *member of the management board*

Educational background: University graduated economist, master of science in economics.

Presentation: Mateja Treven started her carrier at Ljubljanska banka. In 2000, she headed the securities department at Zavarovalnica Triglav and between 2004 and 2006 was consultant to the chairman of the management board responsible for finance and accounting. In 2006, Mateja Treven accepted the position of member of the management board at the brokerage firm Publikum, investicijske storitve d.d., and from March 2010, was consultant to its management board, responsible for finance and accounting. Mateja obtained a Master of Science in Investment Management Degree from the London City University Business School. In 2005, she obtained the CFA charter[1]. Prior to her position of management board member, she served on the supervisory board of Sava Reinsurance Company and chaired its audit committee. She joined Sava Reinsurance Company at the beginning of

1 CFA *Chartered Financial Analyst*

2011, first as authorised representative of the management board. This is her second term of office as member of the management board of Sava Reinsurance Company (since 2011).

Beginning of term of office: 1 June 2013

Term of office: five years.

Area of responsibility (management board): Mateja Treven is responsible for finance, accounting, internal audit, investor relations, risk management and pension business.

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

Remunerations, compensations and other benefits

Remuneration of management board members is discussed in detail in section 25.10 »Related party disclosures« in the notes to the financial statements.

Shareholdings

POSR shares held by management board members as at 31 December 2015

	No. of shares	Holding (%)
Members of the management board		
Zvonko Ivanušič	5,358	0.0311 %
Srečko Čebron	2,500	0.0145 %
Jošt Dolničar	4,363	0.0253 %
Mateja Treven	8,722	0.0507 %
TOTAL	20,943	0.1216 %

Source: Central securities register KDD d.d.

5.4. Financial reporting: internal controls and risk management

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

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

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

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

In addition to the above mentioned control systems, Sava Reinsurance Company has put in place internal control systems for other vital work processes. Internal controls include procedures and acts ensuring compliance with the law and internal rules. All major business processes in Sava Reinsurance Company have been specified, including details on control points together with persons responsible for individual controls. Basic controls are carried out by reviewing documents received or by an automatic or manual control procedure of processed data.

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

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

Pursuant to the Insurance Act, Sava Reinsurance Company set up an internal audit service that is responsible for assessing the adequacy and effectiveness of internal controls employed, and their reliability in the Company's pursuance of objectives and management of risks. The internal audit service reports on its findings to the management board, the audit committee and the Company's supervisory board.

5.5. External audit

The financial statements of the controlling company have been audited by Ernst & Young d.o.o., Dunajska 111, Ljubljana, who have been tasked with the auditing of the financial statements of the Sava Re Group and Sava Reinsurance Company in 2015 for the third year in a row. In 2015 the Group's subsidiary companies were audited by the local auditing staff of the same auditing firm.

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

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

Composition of share capital of Sava Reinsurance Company

Ten largest shareholders of Sava Reinsurance Company as at 31 December 2015

Shareholder	No. of shares	Holding (%)
Slovenski državni holding, d.d. (Slovenian Sovereign Holding)	4,304,917	25.0 %
Societe Generale – Splitska banka d.d. (fiduciary account)	1,695,674	9.8 %
European Bank for Reconstruction and Development (EBRD)	1,071,429	6.2 %
Raiffeisen Bank Austria d.d. (fiduciary account)	765,839	4.4 %
Pozavarovalnica Sava, d.d. (own shares)*	740,842	4.3 %
Modra Zavarovalnica d.d.	714,285	4.1 %
Abanka, d.d.	655,000	3.8 %
Adriatic Slovenica d.d., liability fund	501,391	2.9 %
Balkan Fund	488,211	2.8 %
Republic of Slovenia	476,402	2.8 %
TOTAL	11,413,990	66.3 %

Source: Central securities register KDD d.d.

* Own shares carry no voting rights. The number of own shares in this table differs from the number disclosed in the financial statements because 679 own shares were purchased on 30 December 2015. This was entered into the KDD central registry only in January 2016.

** On 16 March 2016, Sava Reinsurance Company received notification from Croatia osiguranje d.d., Croatia, that its proportion of POSR voting rights was 14.81 % (On 8 December 2014, Sava Reinsurance Company received notification from Croatia osiguranje d.d., Croatia, that its proportion of POSR voting rights was 10.18 %.).

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

The shares give their holders the following rights:

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

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

Share transfer restrictions

All shares of Sava Reinsurance Company are freely transferable.

Qualifying shareholders under the Takeover Act (ZPre-1)

At 31 December 2015 the following shareholders of Sava Reinsurance Company[2] exceeded the five-percent share threshold (qualifying holding in accordance with Article 77 of the Takeover Act, ZPre-1):

- Slovenski državni holding, d.d. (Slovenian Sovereign Holding): 25.0 % plus one share
- Societe Generale – Splitska banka d.d. (fiduciary account): 9.8 %;
- European Bank for Reconstruction and Development (EBRD) 6.2 %.

Under the table »Ten largest shareholders of Sava Reinsurance Company at 31 December 2015« there is a note regarding the share of voting rights.

Holders of securities carrying special control rights

Sava Reinsurance Company issued no securities carrying special control rights.

Employee share schemes

Sava Reinsurance Company has no employee share scheme.

Restrictions of voting rights

Sava Reinsurance Company adopted no restrictions on voting rights.

Shareholders' agreements restricting share or voting right transferability

Sava Reinsurance Company is not aware of any such agreements between shareholders.

Rules on appointment/removal of members of management/supervisory bodies and on amendments to the articles of association

Company rules on appointment/removal of management board members

Pursuant to Sava Reinsurance Company's articles of association, the chairman and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. Natural persons with full legal capacity that meet the requirements set down by law and internal rules may be appointed members of the management board. The process and criteria for the selection of candidates for members of the management board as well as the process of periodic fit and proper assessments of individual members is transparently set out in the Company's fit and proper policy.

The management board, as a whole or its individual members, may be recalled by the supervisory board for reasons prescribed by law.

2 Source: Central securities register KDD d.d.

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

Pursuant to Sava Reinsurance Company's articles of association, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which subsequently informs the general meeting of its decision. Shareholder representatives of the supervisory board are elected by the general meeting, by a majority of votes present. The term of office of supervisory board members is four years, renewable. Natural persons with full legal capacity that meet the requirements set down by law and internal rules may be appointed members of the supervisory board. The process and criteria for the selection of candidates for members of the supervisory board and for drafting proposals for general meeting resolutions on the appointment of supervisory board members, including the process of periodic fit and proper assessments of individual members, is transparently set out in the Company's fit and proper policy.

Supervisory board members who are shareholder representatives may be recalled by the general meeting for reasons as prescribed by law based on a general meeting resolution adopted by a majority of at least three quarters of the share capital represented.

Rules of Sava Reinsurance Company on amending the articles of association

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

Powers of the management board, especially relating to treasury shares

In the 28th general meeting held on 23 April 2014, the management board was given authorisation to acquire own shares. The authorisation was for acquiring up to a total of 1,721,966 own shares, representing 10 % of the Company's share capital, including own shares that the Company already owned at the date of the general meeting authorisation. In accordance with the general meeting authorisation, the Company may acquire its own shares, either by transactions on the regulated financial instruments market or outside the regulated market.

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

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

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

Management board members of Sava Reinsurance Company are not entitled to a severance benefit in case of resignation.

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

Ljubljana, 30 March 2016

Management board of Sava Reinsurance Company	Supervisory board of Sava Reinsurance Company
Zvonko Ivanušič chairman	Branko Tomažič chairman
Srečko Čebron member	
Jošt Dolničar member	
Mateja Treven member	

6.

MISSION, VISION, STRATEGIC FOCUS AND GOALS

6.1. Mission and vision

What are we here for?

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

Who do we aspire to be?

An independent insurance group recognisable for providing insurance, reinsurance and ancillary services of the highest quality.

What are we like?

At Sava Reinsurance Company, we build relationships responsibly, sincerely and respectfully. We exceed client expectations by our ongoing effort to make improvements and strengthen relationships. We are active in relation to the environment (owners, social environment).

6.2. Goals achieved in 2015

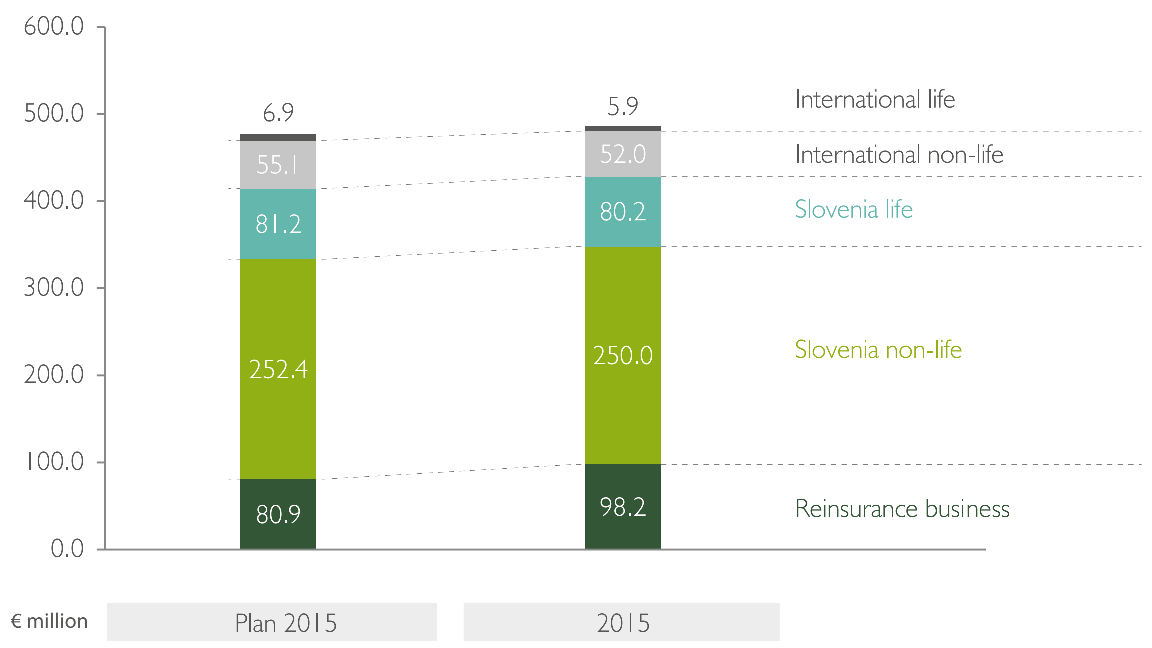
In 2015 the Sava Re Group achieved its targets as follows:

(€ million)	Plan 2015	Actual 2015	Index / difference in p.p.
Gross premiums written	476.5	486.3	102.0
Growth/decline in premiums	1.8 %	3.9 %	2.1 %
Net profit/loss for the period	30.1	33.4	110.9
Net expense ratio	32.4 %	32.5 %	0.1 p.p.
Net combined ratio	96.5 %	95.9 %	-0.6 p.p.
Investment return, excluding exchange differences	2.3 %	2.4 %	0.1 p.p.
Shareholders' equity	282.9	286.4	101.2
Return on equity	10.8 %	12.0 %	1.2 p.p.

* The net combined ratio is given for the reinsurance and non-life insurance operating segments.

The Sava Re Group posted a favourable profit of € 33.4 million in 2015. This profit exceeded the 2015 target profit by 11.0 %. The target profit was exceeded through both an improved net combined ratio and a better net investment income.

Realisation of planned consolidated gross premiums written



Consolidated gross premiums written were 2 % above plan, contributed by Sava Reinsurance Company's expansion in international markets.

Return on equity was 12.0 %, which exceeds the Group's long-term goal. Given the low-interest-rate environment, we consider this rate of return as good.

6.3. Sava Re Group strategy highlights

The core strategic directions are:

- The Sava Re Group will be known in its target markets as a provider of comprehensive insurance and reinsurance services, and as the most professional and flexible insurance group. The further development of the Sava Re Group is based on the following strategic objectives:
  - providing transparent, understandable and efficient services that reflect actual customer needs;
  - proactive responding to technological progress;
  - optimal use of know-how in the Group;
  - development of a common, modern organisational culture.
- By year-end 2016, the Sava Re Group will complete the formal legal merger of all EU-based insurers to provide services through one insurance company, the second largest insurance company in the region, covering the markets of Slovenia and Croatia. The complete integration of all processes in the Group will be implemented within three years, after which the full effect of the integration will be measurable.
- The Group will provide for appropriate capital allocation to achieve its strategic objectives, utilising also debt capital. Capital allocation will be based on the calculation of capital requirements and ORSA calculations under the SII regime.
- The Group will primarily strive for quality and profitability (at Group and Group member level). Premium growth in the Group will be, as a rule, above the industry average in each of the markets covered, however this being secondary to the profitability target. All members of the Group are to aim both at attaining a positive underwriting result as well as a positive investment result.
- Sava Reinsurance Company will explore new opportunities for growth through acquisitions – primarily in the Western Balkans.
- The Group will look for opportunities to liaise with banks for the marketing of life policies (bancassurance).
- The Group will support all business levels with efficient process and information technology, gradually centralising IT infrastructure and unifying IT solutions.
- Where possible, Sava Reinsurance Company will centralise the management of investment portfolios of subsidiaries (depending on local legislation and available resources at Sava Reinsurance Company) in order to optimise group investment processes.
- Sava Reinsurance Company will strive to maintain and upgrade its credit ratings from rating agencies S&P and A.M. Best.

The Group's core strategic targets are:

	Strategic targets
Average growth rate	> 2 %
Net expense ratio	< 30 %
Net combined ratio*	< 95 %
Investment return	> 1.5 %
Return on equity	> 11 %

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

Assuming organic growth, we plan to achieve the following in the plan period:
- improved expense and premium collection ratios,
- improved loss ratios in Slovenia,
- lower but stable returns on investment.

Strategic directions by operating segment:
Non-life insurance business in Slovenia
- strengthening the position of the new combined insurer in the market;
- improving the results of the non-life insurance segment other than motor insurance;
- taking advantage of segment cost synergies.

Life insurance in Slovenia:
- strengthening the position of the new combined insurer in the market;
- maintaining premium volume and especially profitability of life business;
- taking advantage of segment cost synergies.

Reinsurance business:
- growth in international reinsurance markets;
- maintaining a high-quality reinsurance portfolio;
- good geographic diversification.

Non-Slovenian operations:
- making use of established platforms (in terms of processes and products) to increase growth in gross premiums written;
- decrease in expense ratios;
- seeking opportunities through investments in vehicle inspection;
- strengthening companies' brand recognition;
- increasing the productivity of the sales network and focus on premium and recourse collection;
- utilisation of synergies among Group subsidiaries in individual markets;
- development and focus both on selling products with a higher risk component and on more affordable products (life policies);

6.4. Plans of the Sava Re Group for 2016

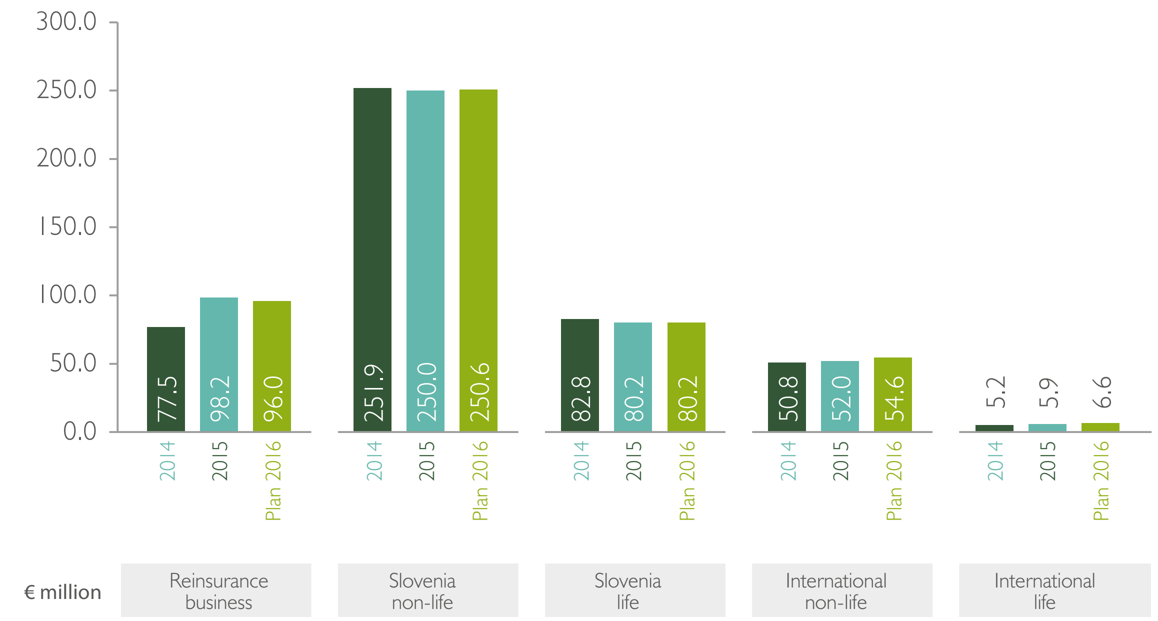
Key targets for 2016

(€ million)	2014	2015	Plan 2016	Change P2016/2015
Gross premiums written	468.2	486.3	487.9	0.3 %
Growth/decline in premiums	21.1 %	3.9 %	0.3 %	-
Net expense ratio	32.8 %	32.5 %	33.2 %	0.7 p.p.
Net incurred loss ratio	59.4 %	61.3 %	58.2 %	-3.1 p.p.
Net combined ratio	95.5 %	95.9 %	94.8 %	-1.1 p.p.
Profit/loss, net of tax	30.5	33.4	33.4	0.3 %
Investment return, excluding exchange differences	2.8 %	2.4 %	2.1 %	-0.3 p.p.
Return on equity	11.9 %	12.0 %	11.6 %	-0.4 p.p.

* The net incurred loss ratio and the net combined ratio are given for the reinsurance and non-life insurance operating segments.

Profit has been planned based on the following factors:
- premiums from Slovenia are planned to remain on the same level, non-life insurance business abroad will grow by 4.8 %, while life insurance abroad is planned to grow by 11.7 %;
- the expense ratio is planned to increase primarily due to the planned costs of Sava Reinsurance Company and Zavarovalnica Maribor relating to new premises – for setting up a new claims centre;
- the planned improvement in combined ratios is primarily due to optimising non-life portfolios of Slovenian companies;
- the decline in investment return is planned because of the low interest rates on capital markets.

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



* Premiums of Moja naložba are included in the segment Slovenian life insurance business.

Planned premium volume

Reinsurance business:
- We are planning a minor decline in premium income from international markets because of the soft market despite the growth in the number of contracts and partners. In 2015 about 4 % of gross premiums written related to reinstatements (such premiums are not included in the plan).

Non-life business:
- Slovenia: our plan is to maintain the current volume of gross premiums written.
- International: all non-Slovenian companies have a good basis for growth (in the past, premiums mainly declined because of loss of major clients). Planned growth is based on small risks (which are our target risks in the our risk structure). Growth is partly related to expected organic growth of these markets.

Life business:
- Slovenia: it is planned that premium volume be maintained although the maturing of a large number of policies will have a significant effect on the portfolio.

- International: these premiums from non-Slovenian markets are still relatively low, but we are planning growth – due to (i) marketing networks set up over the years, (ii) marketing activities, and (iii) overall market growth.
- Pensions: we are planning that pension business will grow as Moja naložba will start marketing life-cycle funds designed to allow policyholders to select their preferred investment policy. We are expecting to see positive premium effects from taking advantage of synergies in the Sava Re Group.

7. BUSINESS ENVIRONMENT

Slovenia[3]

Major economic indicators for Slovenia

	2011	2012	2013	2014	2015
Real change in GDP (%)	0.6	-2.7	-1.1	3.0	2.7
GDP (€ million)	36,896	35,988	35,907	37,303	38,520
Registered unemployment rate (%)	11.8	12.0	13.1	13.1	12.3
Average inflation (%)	1.8	2.6	1.8	0.2	-0.4
Population (million)	2.0	2.0	2.1	2.1	2.1
GDP per capita (€)	18,448	17,994	17,431	17,763	18,343
Insurance premiums (€ million)	**2,092.2**	**2,036.4**	**1,979.5**	**1,937.3**	**1,975.4**
- growth/decline in insurance premiums	-0.1 %	-2.7 %	-2.8 %	-2.1 %	2.0 %
Insurance premiums – non-life (€ million)	1,454.2	1,457.1	1,426.9	1,401.8	1,409.4
- growth/decline in non-life insurance premiums	1.1 %	0.2 %	-2.1 %	-1.8 %	0.5 %
Insurance premiums – life (€ million)	638.1	579.3	552.6	535.5	565.9
- growth/decline in life insurance premiums	-2.7 %	-9.2 %	-4.6 %	-3.1 %	5.7 %
Insurance premiums per capita (€)	**1,046.1**	**1,018.2**	**960.9**	**922.5**	**940.6**
Non-life insurance premiums per capita (€)	727.1	728.6	692.7	667.5	671.2
Life insurance premiums per capita (€)	319.0	289.7	268.3	255.0	269.5
Premium/GDP (%)	**5.7**	**5.7**	**5.5**	**5.2**	**5.1**
Non-life premiums/GDP (%)	3.9	4.0	4.0	3.8	3.7
Life premiums/GDP (%)	1.7	1.6	1.5	1.4	1.5
Average monthly net salary (€)	987	991	997	1,009	1,011

- Towards the end of the year, the number of employed persons continued to grow; in December and January, the decline in the number of registered unemployed came to a halt. Employment growth reflected the strengthening in manufacturing and market services, consistent with higher activity in these sectors. Having declined since April 2014, registered unemployment rose at the end of 2015 and remained at roughly the same level at the beginning of 2016, the main reason being a larger inflow into the unemployment register due to the termination of fixed-term contracts. The number of registered unemployed was nevertheless 4.9 % lower than one year earlier.

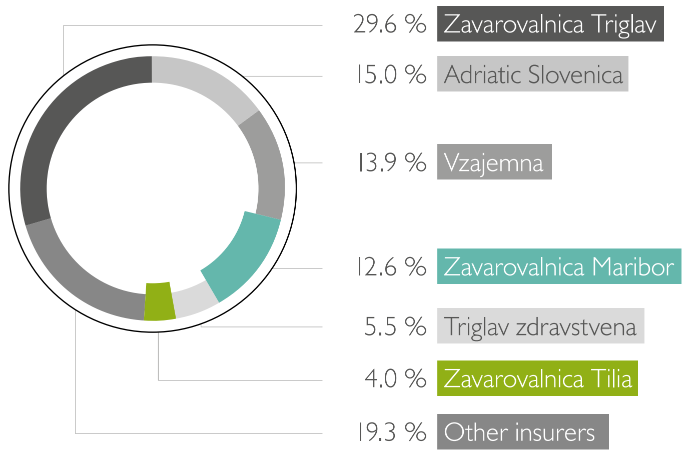
3 Source: UMAR, Economic Mirror, no. 1/2016, Statistical Office of the Republic of Slovenia, Slovenian Insurance Association.

- The growth of average gross earnings strengthened towards the end of last year. November's stronger growth in the private sector was a consequence of the highest extraordinary payments in seven years. In the eleven months to November, growth otherwise remained significantly lower than in the same period of 2014, which is attributable to the absence of price pressures and the rising share of low-wage earners amid companies' efforts to maintain competitiveness In the public sector, earnings increased further in the first eleven months of 2015, on account of the payments of suspended promotion raises in 2014 and further growth in public corporations.
- At the end of last year, the growth of average gross earnings strengthened, but in the eleven months to November, it was significantly lower than in the same period of 2014. With the highest 13th month payments and Christmas bonuses in seven years, earnings in the private sector and public corporations rose visibly with regard to the previous month. Earnings in the general government sector also continued to rise, in the last two months primarily on account of increased overtime and extraordinary payments, which can be attributed to increased workload due to the inflow of refugees. Although they rose strongly in November, private sector earnings recorded much lower year-on-year growth in the first eleven months of 2015 than in the same period of 2014, which is, besides companies' efforts to maintain competitiveness, mainly attributable to the absence of price pressures and changes in employment structure. In the public sector, earnings increased further in the first eleven months of 2015, on account of the payments of suspended promotion raises in 2014 and further growth in public corporations.
- Slovenia recorded deflation at the end of the year (-0.6 %), while prices at the level of the entire euro area rose slightly (0.2 %). Deflation was mainly due to lower energy prices. As a result of the larger share of energy consumption in total household consumption, their negative contribution was greater than on average in the euro area. With a slower recovery in household consumption, prices of non-energy goods were also lower year-on-year in Slovenia, which is the main reason for the considerably lower core inflation. Prices of food and services were up both in Slovenia and across the euro area. With a further decline of commodity prices on global markets, import prices remained down year-on-year at the end of 2015; the decline in industrial producer prices on the domestic marked deepened; prices on foreign markets also remained lower.
- The decline in the volume of loans by domestic nonbanking sectors in 2015 was smaller than in 2014[5]. Loan volume contracted by € 1.1 billion, by almost 30 % less than in 2014, which was a consequence of an increase in household loans and an approximately 15 % smaller decline in corporate and NFI loans. In the last quarter of 2015, the volume of corporate and NFI loans for other purposes otherwise also rose more noticeably, by more than € 90 million. Corporate and NFI net deleveraging abroad stabilised at an annual level of € 600–700 million in the second half of the year. This is more than a quarter less than in the same period of 2014[6] and entirely the result of net repayments of long-term loans. In November, the share of non-performing claims dropped slightly more because of a decline in non-performing claims against non-financial corporations, but is still relatively high, at € 3.7 billion, and accounts for 10.3 % of the banking system's total exposure.

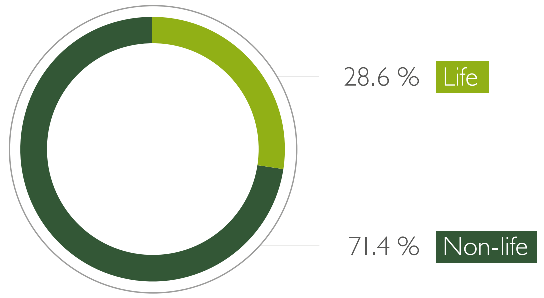
4 Excluded is the impact of the transfers of claims to the BAMC in September, October and December 2014 in the total amount of € 1.7 billion.
6 Data are available until November 2015.

The Slovenian insurance market[7]

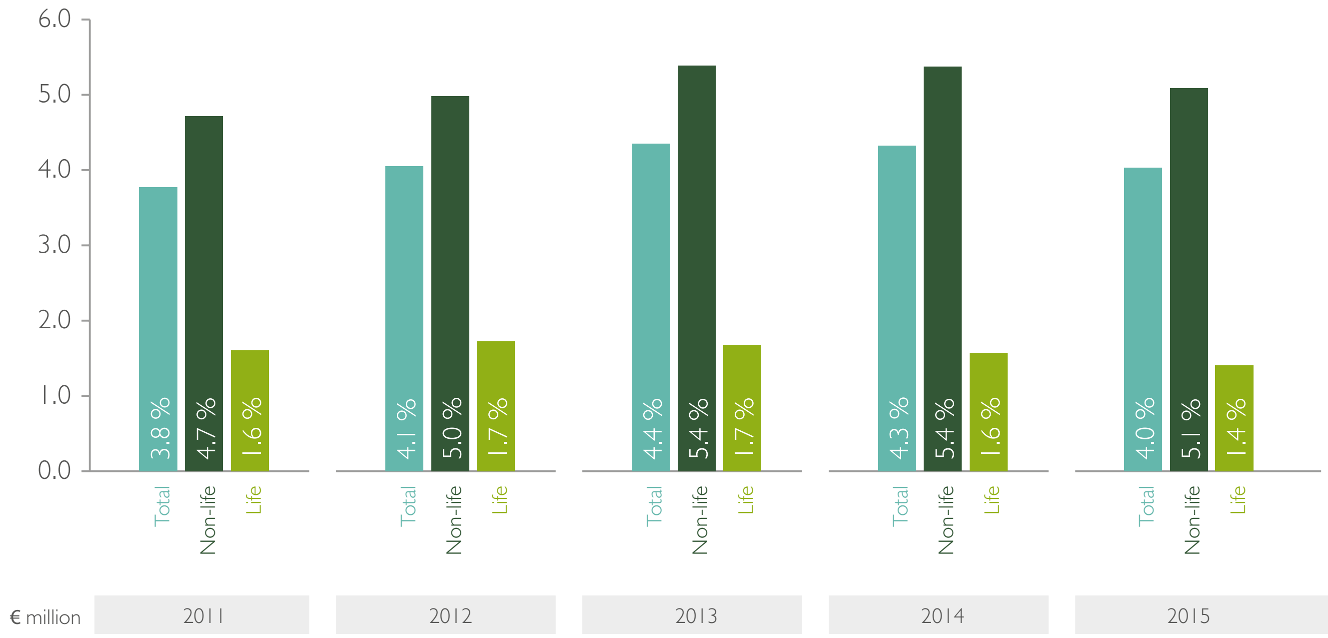
Slovenian insurance market 2015



Breakdown of premiums in the Slovenian insurance market 2015

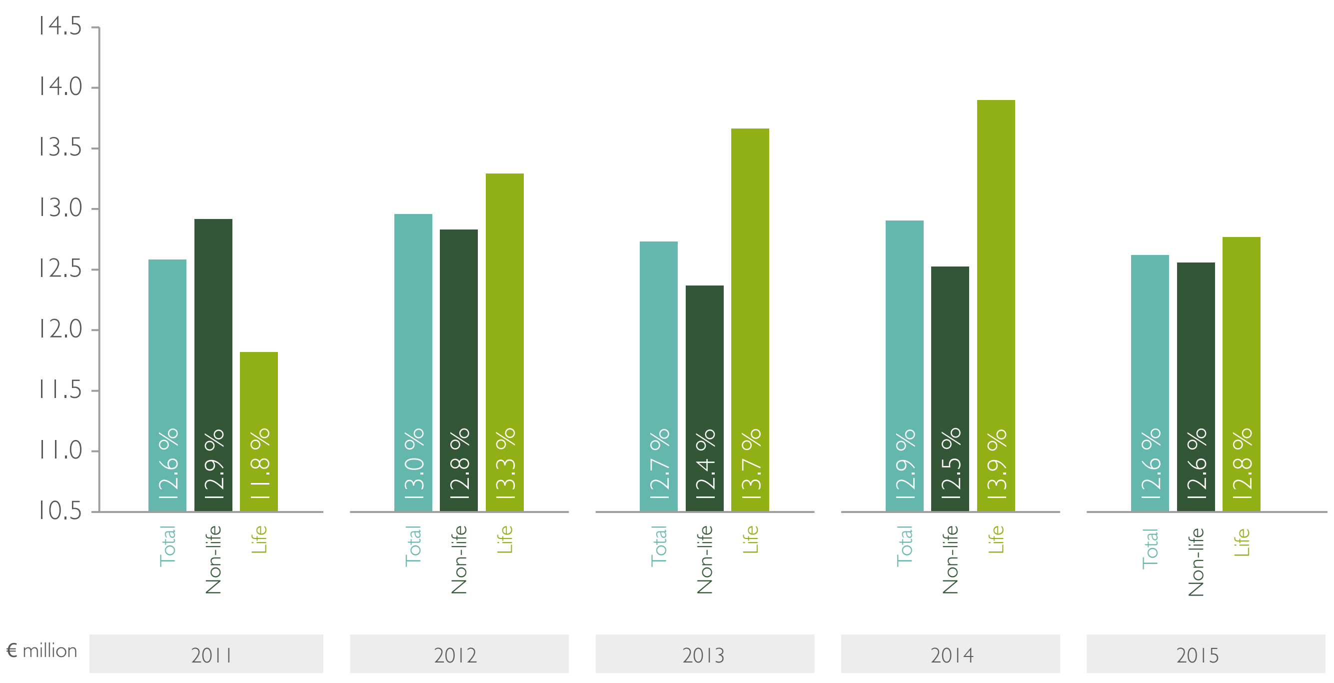


Market share of Zavarovalnica Tilia in the Slovenian insurance market[8]



7 Source: Slovenian Insurance Association.
8 Source: Slovenian Insurance Association.

Market share of Zavarovalnica Maribor in the Slovenian insurance market[9]



Premiums and market shares in the Slovenian reinsurance market[10]

(€)	2015 Gross premiums written	2015 Market share	2014 Gross premiums written	2014 Market share
Sava Reinsurance Company	151,982,421	56.5 %	131,323,246	55.5 %
Triglav Re	116,839,911	43.5 %	105,198,717	44.5 %
TOTAL	**268,822,332**	**100.0 %**	**236,521,963**	**100.0 %**

9 Source: Slovenian Insurance Association.
10 Source: internal data of Sava Reinsurance Company and Triglav Re.
11 Source: IMF: World Economic Outlook, October 2014, IMF, World Economic Outlook, National Bank of Serbia.

Serbia[11]

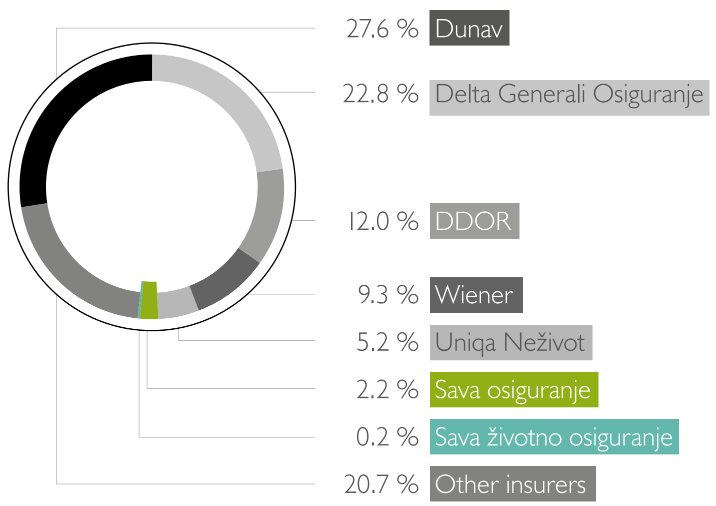
Major economic indicators for Serbia

	2011	2012	2013	2014	2015
Real change in GDP (%)	1.4	-1.0	2.6	-1.8	0.0
GDP (RSD million)	3,208,620	3,348,689	3,618,167	3,685,457	3,849,283
GDP (€ million)	31,485	29,634	32,036	31,535	32,936
Registered unemployment rate (%)	23.0	23.9	22.1	19.8	22.0
Average inflation (%)	11.3	7.8	7.8	2.9	1.4
Population (million)	7.2	7.2	7.2	7.2	7.2
GDP per capita (€)	4,633	4,116	4,449	4,380	4,575
Insurance premiums (€ million)	**562.4**	**543.9**	**567.0**	**593.9**	**644.0**
- growth/decline in insurance premiums	2.3 %	-3.3 %	4.2 %	4.7 %	8.4 %
Insurance premiums – non-life (€ million)	464.3	439.0	442.5	456.9	488.2
- growth/decline in non-life insurance premiums	1.2 %	-5.4 %	0.8 %	3.3 %	6.8 %
Insurance premiums – life (€ million)	98.1	104.9	124.5	136.9	155.8
- growth/decline in life insurance premiums	7.8 %	6.9 %	18.7 %	10.0 %	13.8 %
Insurance premiums per capita (€)	**78.1**	**75.5**	**78.8**	**82.5**	**89.4**
Non-life insurance premiums per capita (€)	64.5	61.0	61.5	63.5	67.8
Life insurance premiums per capita (€)	13.6	14.6	17.3	19.0	21.6
Premium/GDP (%)	**1.8**	**1.8**	**1.8**	**1.9**	**2.0**
Non-life premiums/GDP (%)	1.5	1.5	1.4	1.4	1.5
Life premiums/GDP (%)	0.3	0.4	0.4	0.4	0.5
Average monthly net salary (RSD)	43,887	41,367	43,932	44,530	46,757
Average monthly net salary (€)	431	366	389	381	386
Exchange rate (GBP/€)	101.9	113.0	112.9	116.9	121.0

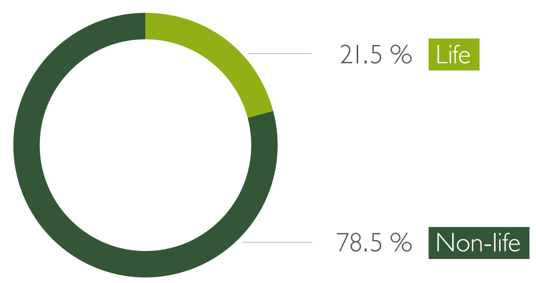
* Insurance premiums for 2015 are estimates.

The Serbian insurance market[12]

The Serbian insurance market 1-9/2015

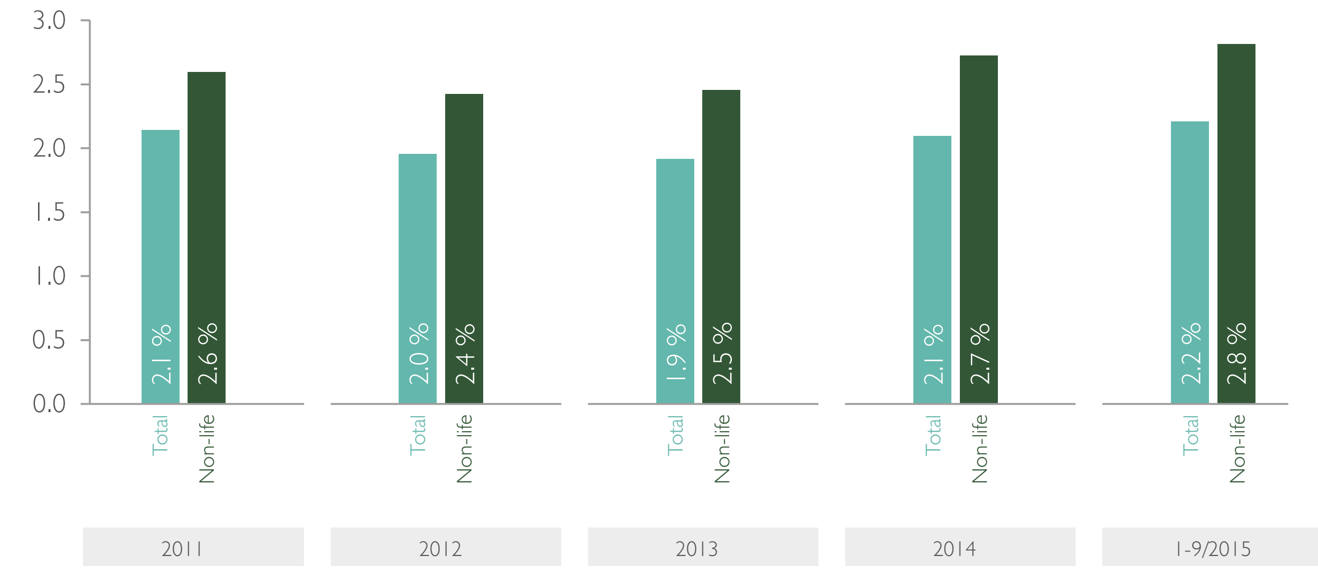


Breakdown of premiums in the Serbian insurance market 1-9/2015

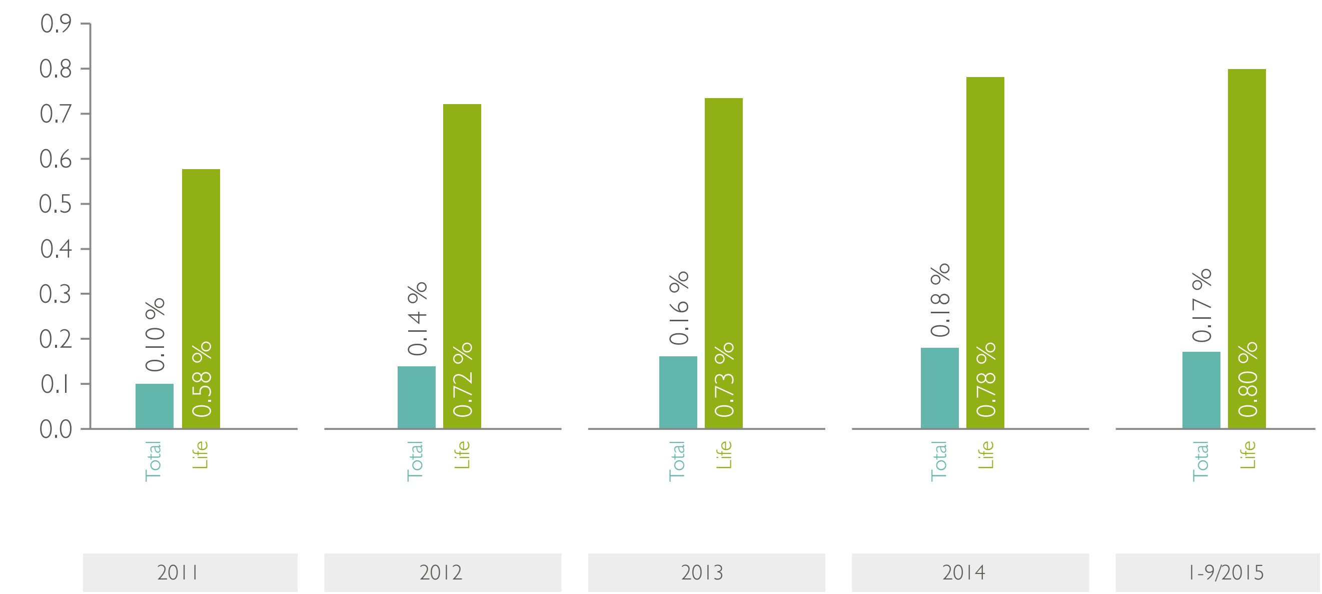


12 Source: Serbian National Bank.

Market shares of Sava osiguranje Belgrade in the Serbian insurance market[13]



Market shares of Sava životno osiguranje in the Serbian insurance market[13]



13 Source: Serbian National Bank.

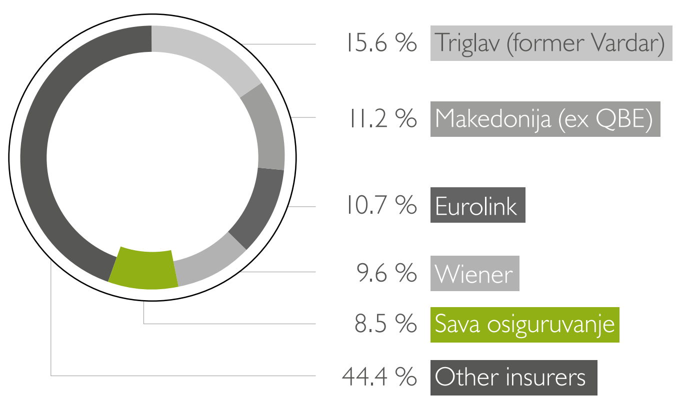
Macedonia[14]

Major economic indicators for Macedonia

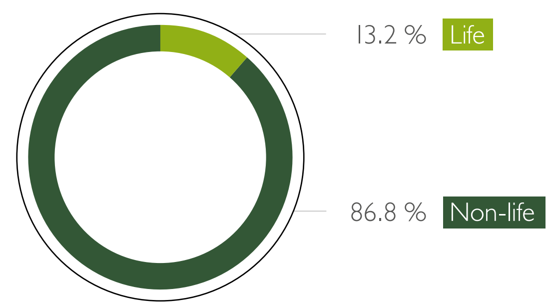
	2011	2012	2013	2014	2015
Real change in GDP (%)	2.3	-0.5	2.9	3.5	3.5
GDP (MKD million)	464,186	466,703	501,891	525,620	552,286
GDP (€ million)	7,515	7,573	8,104	8,538	8,979
Registered unemployment rate (%)	31.4	31.0	29.0	28.0	27.0
Average inflation (%)	3.9	3.3	2.8	-0.3	0.7
Population (million)	2.1	2.1	2.1	2.1	2.1
GDP per capita (€)	3,578	3,606	3,859	4,066	4,276
Insurance premiums (€ million)	**110.4**	**113.8**	**116.2**	**123.9**	**134.7**
- growth/decline in insurance premiums	3.5 %	3.1 %	2.1 %	6.7 %	8.7 %
Insurance premiums – non-life (€ million)	102.2	104.1	104.4	109.5	116.9
- growth/decline in non-life insurance premiums	2.5 %	1.9 %	0.3 %	4.9 %	6.8 %
Insurance premiums – life (€ million)	8.2	9.7	11.8	14.4	17.8
- growth/decline in life insurance premiums	17.8 %	18.4 %	21.4 %	22.6 %	23.4 %
Insurance premiums per capita (€)	**52.6**	**54.2**	**55.3**	**59.0**	**64.2**
Non-life insurance premiums per capita (€)	48.7	49.6	49.7	52.1	55.7
Life insurance premiums per capita (€)	3.9	4.6	5.6	6.9	8.5
Premium/GDP (%)	**1.5**	**1.5**	**1.4**	**1.5**	**1.5**
Non-life premiums/GDP (%)	1.4	1.4	1.3	1.3	1.3
Life premiums/GDP (%)	0.1	0.1	0.1	0.2	0.2
Average monthly net salary (€)	347	337	331	336	342
Exchange rate (MKD/€)	61.772	61.626	61.932	61.561	61.510

The Macedonian insurance market[15]

Macedonian insurance market 2015



Breakdown of premiums in the Macedonian insurance market 2015



14 Source: Republic of Macedonia, Ministry of Finance: Indicators and projections 02/03/2015, National Bureau of Interview with the Republic of Macedonia.
15 Source: National Insurance Bureau of the Republic of Macedonia.

Market share of Sava osiguruvanje Skopje on the Macedonian insurance market[16]

Montenegro[17]

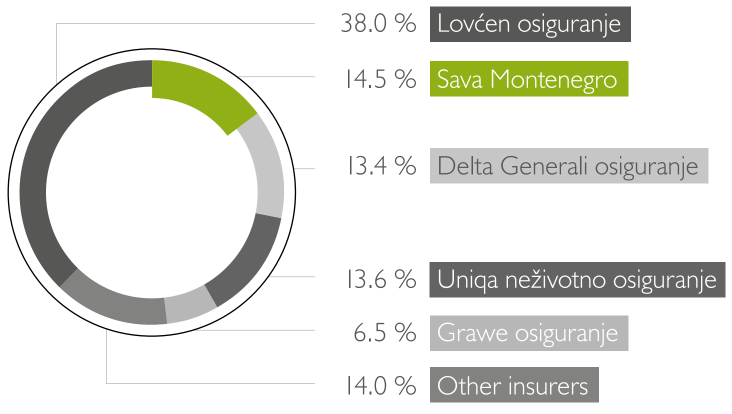
Major economic indicators for Montenegro

	2011	2012	2013	2014	2015
Real change in GDP (%)	3.2	-2.5	3.3	1.5	4.3
GDP (€ million)	3,234	3,149	3,327	3,425	3,626
Registered unemployment rate (%)	19.7	19.6	19.5	18.0	17.5
Average inflation (%)	3.3	4.0	1.8	-0.5	1.5
Population (million)	0.6	0.6	0.6	0.6	0.6
GDP per capita (€)	5,390	5,248	5,545	5,708	6,043
Insurance premiums (€ million)	**64.8**	**66.9**	**72.8**	**72.4**	**76.9**
- growth/decline in insurance premiums	4.2 %	3.3 %	8.7 %	-0.5 %	6.2 %
Insurance premiums – non-life (€ million)	55.7	57.4	61.9	59.9	64.0
- growth/decline in non-life insurance premiums	3.6 %	3.1 %	7.7 %	-3.3 %	7.0 %
Insurance premiums – life (€ million)	9.1	9.5	10.9	12.6	12.9
- growth/decline in life insurance premiums	8.2 %	4.6 %	14.8 %	15.5 %	2.7 %
Insurance premiums per capita (€)	**108.0**	**111.5**	**121.3**	**120.7**	**128.2**
Non-life insurance premiums per capita (€)	92.9	95.7	103.2	99.8	106.7
Life insurance premiums per capita (€)	15.1	15.8	18.1	20.9	21.5
Premium/GDP (%)	**2.0**	**2.1**	**2.2**	**2.1**	**2.1**
Non-life premiums/GDP (%)	1.7	1.8	1.9	1.7	1.8
Life premiums/GDP (%)	0.3	0.3	0.3	0.4	0.4
Average monthly net salary (€)	484	487	479	477	479

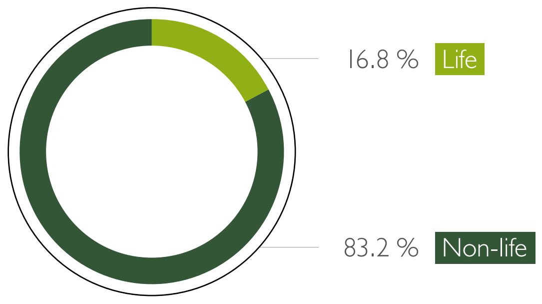
16 Source: National Insurance Bureau of the Republic of Macedonia.
17 Source: Government of Montenegro: Montenegro Economic Reform Programme 2015–2017, Institute of Statistics of Montenegro, Insurance Supervision Agency.

The Montenegrin insurance market[18]

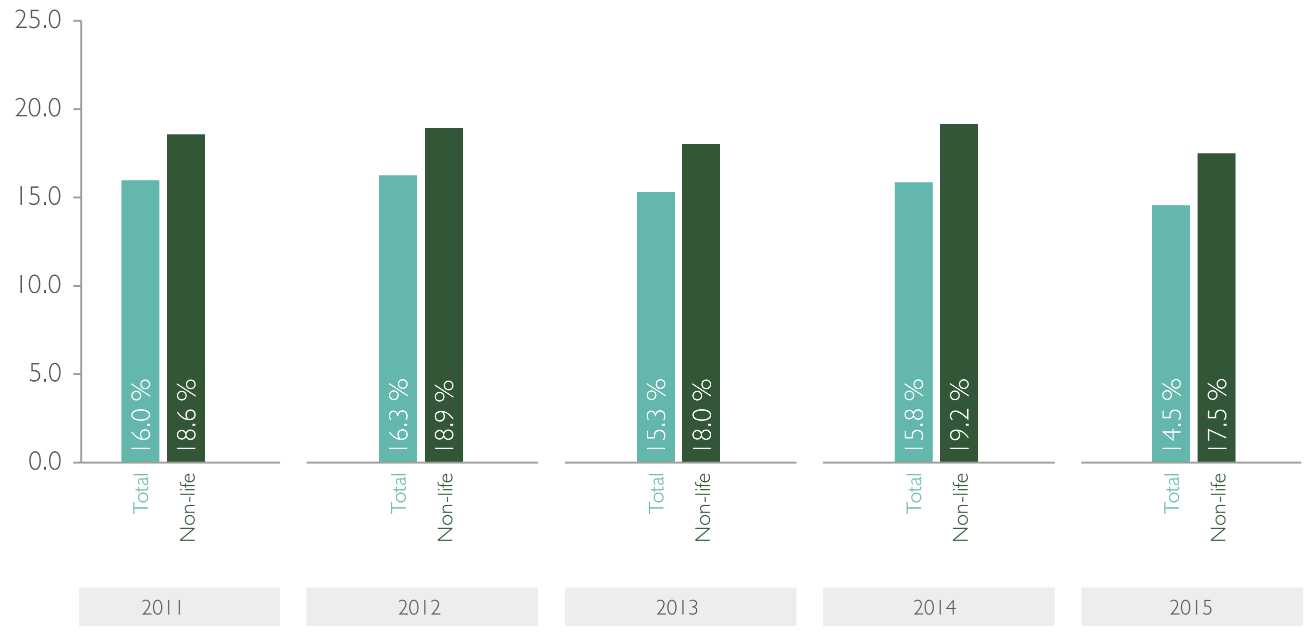
The Montenegrin insurance market 2015



Breakdown of premiums in the Montenegrin insurance market 2015



Market share of Sava Montenegro on the Montenegrin insurance market[19]



18 Source: Insurance Supervisor of Montenegro.
19 Source: Insurance Supervisor of Montenegro.

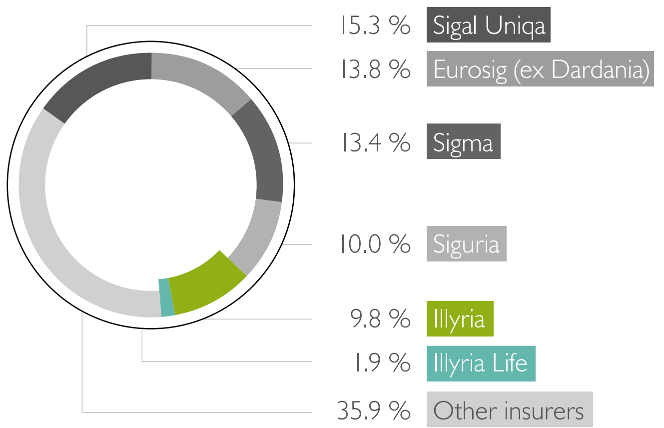
Kosovo[20]

Major economic indicators for Kosovo

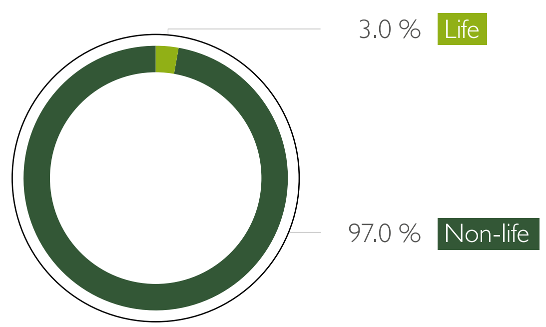
	2011	2012	2013	2014	2015
Real change in GDP (%)	4.4	2.8	3.4	1.2	3.3
GDP (€ million)	4,815	5,059	5,327	5,506	5,712
Registered unemployment rate (%)	n/a	30.9	30.0	n/a	n/a
Average inflation (%)	7.3	2.5	1.8	0.4	0.3
Population (million)	1.8	1.8	1.8	1.8	1.9
GDP per capita (€)	2,672	2,799	2,935	3,084	3,055
Insurance premiums (€ million)	**79.1**	**71.3**	**79.4**	**82.5**	**81.4**
- growth/decline in insurance premiums	9.8 %	-9.8 %	11.5 %	3.8 %	-1.3 %
Insurance premiums – non-life (€ million)	78.0	69.8	77.4	80.1	78.7
- growth/decline in non-life insurance premiums	9.4 %	-10.5 %	10.9 %	3.5 %	-1.7 %
Insurance premiums – life (€ million)	1.0	1.5	2.1	2.4	2.7
- growth/decline in life insurance premiums	46.9 %	43.2 %	38.9 %	16.5 %	12.5 %
Insurance premiums per capita (€)	**43.9**	**39.2**	**43.4**	**44.7**	**42.8**
Premium/GDP (%)	**1.6**	**1.4**	**1.5**	**1.5**	**1.4**
Average monthly net salary (€)	348	354	364	429	453

The Kosovan insurance market[21]

The Kosovan insurance market 2015

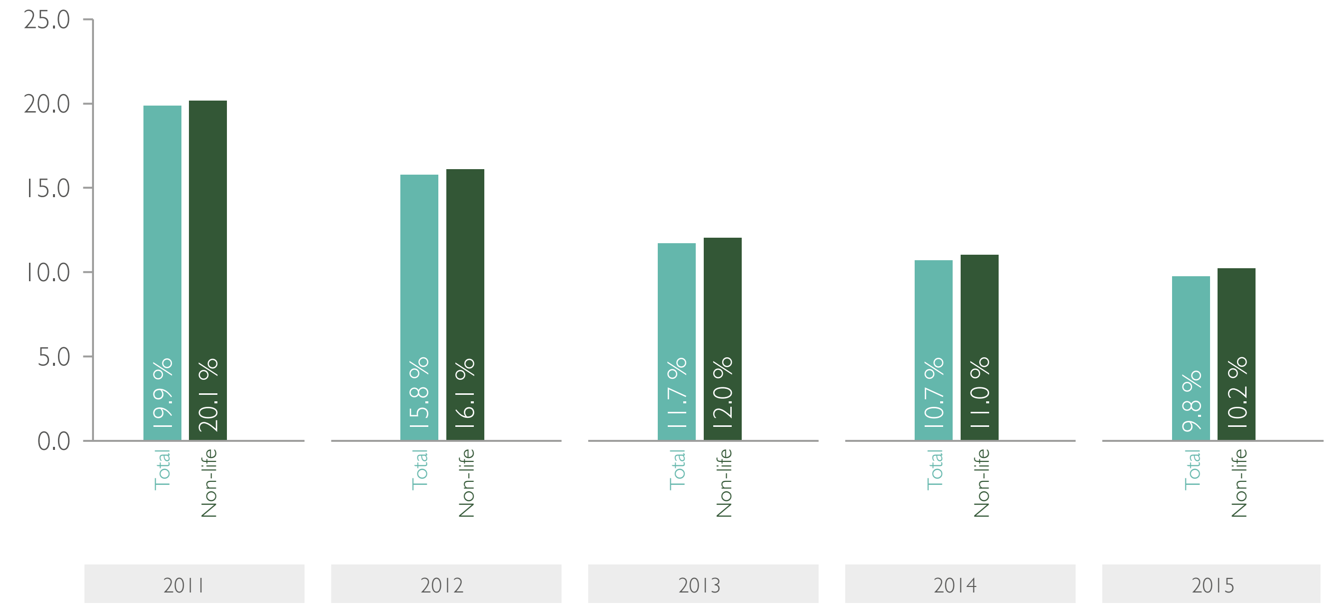


Breakdown of premiums in the Kosovan insurance market 2015



20 Source: Centralna Banka Republike Kosovo, IMF Country Report No. 15/131.
21 Source: Central Bank of the Republic of Kosovo.

Market shares of Illyria in the Kosovan insurance market[22]



Market shares of Illyria Life in the Kosovan insurance market[22]

22 Source: Central Bank of the Republic of Kosovo.

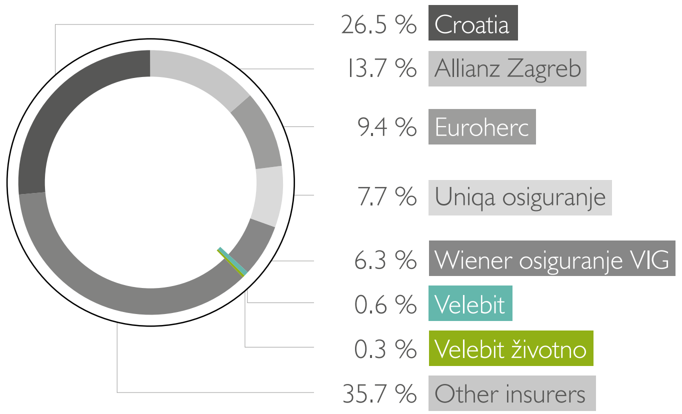
Croatia[23]

Major economic indicators for Croatia

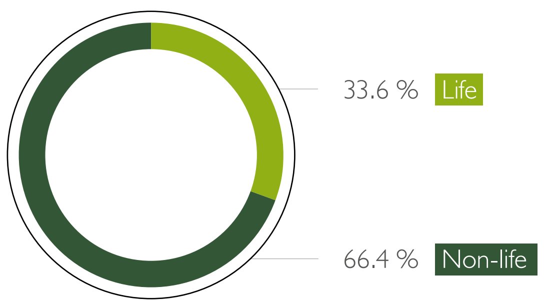
	2011	2012	2013	2014	2015
Real change in GDP (%)	-0.3	-2.2	-0.9	-0.4	0.8
GDP (€ million)	44,191	43,682	43,313	43,000	43,300
Registered unemployment rate (%)	13.7	15.9	17.3	17.3	16.5
Average inflation (%)	2.3	3.4	2.2	-0.2	-0.4
Population (million)	4.3	4.3	4.3	4.2	4.3
GDP per capita (€)	10,277	10,159	10,073	10,146	10,070
Insurance premiums (€ million)	**1,229.4**	**1,201.7**	**1,197.7**	**1,121.4**	**1,141.9**
- growth/decline in insurance premiums	-3.1 %	-2.3 %	-0.3 %	-6.4 %	1.8 %
Insurance premiums – non-life (€ million)	902.5	874.4	862.7	775.9	757.8
- growth/decline in non-life insurance premiums	-3.1 %	-3.1 %	-1.3 %	-10.1 %	-2.3 %
Insurance premiums – life (€ million)	326.8	327.2	334.9	345.5	384.1
- growth/decline in life insurance premiums	-3.1 %	0.1 %	2.4 %	3.2 %	11.2 %
Insurance premiums per capita (€)	**285.9**	**279.5**	**278.5**	**264.6**	**265.6**
Non-life insurance premiums per capita (€)	209.9	203.4	200.6	183.1	176.2
Life insurance premiums per capita (€)	76.0	76.1	77.9	81.5	89.3
Premium/GDP (%)	**2.8**	**2.8**	**2.8**	**2.6**	**2.6**
Non-life premiums/GDP (%)	2.0	2.0	2.0	1.8	1.8
Life premiums/GDP (%)	0.7	0.7	0.8	0.8	0.9
Average monthly net salary (€)	731	728	728	725	749
Exchange rate (HRK/€)	7.439	7.522	7.579	7.634	7.630

The Croatian insurance market[24]

The Croatian insurance market 2015

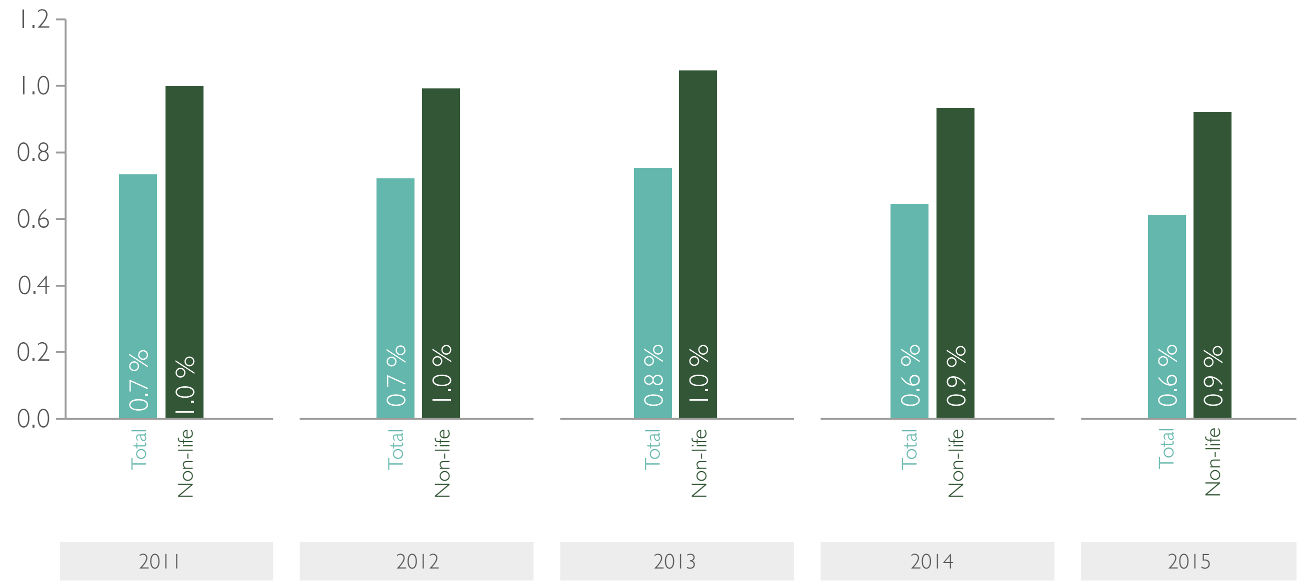


Breakdown of premiums in the Croatian insurance market 2015

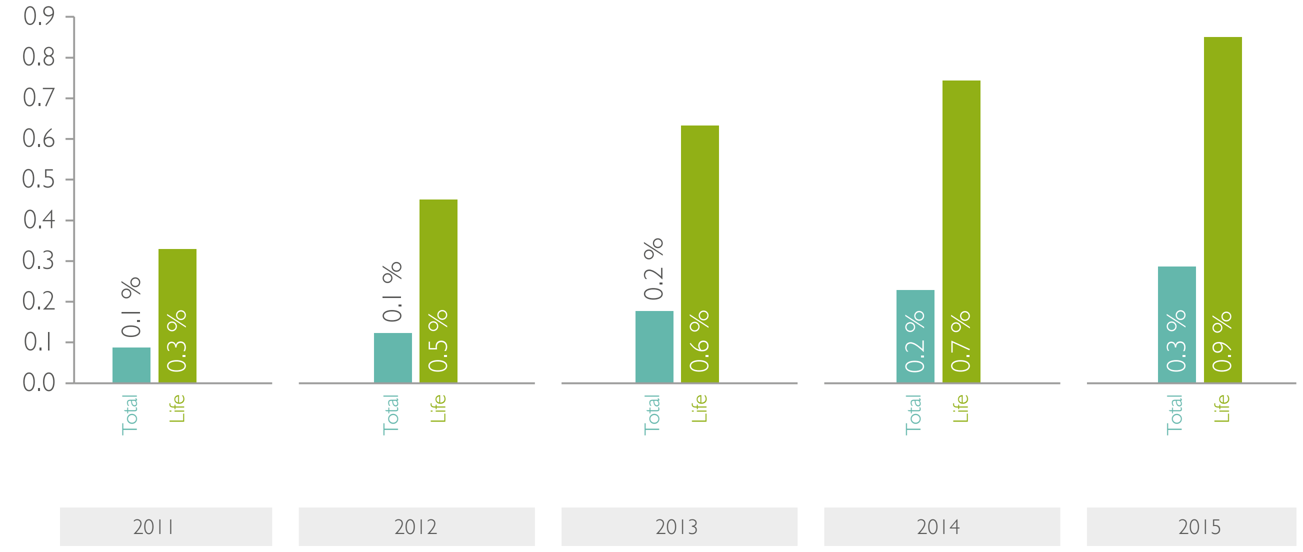


23 Source: Croatian Chamber of Commerce and Industry, EMIS database, Croatian Insurance Supervision Agency.
24 Source: Croatian Insurance Bureau.

Market shares of Velebit osiguranje and Velebit životno osiguranje in the Croatian insurance market[25]



Market shares of Velebit osiguranje and Velebit životno osiguranje in the Croatian insurance market[25]



25 Source: Croatian Insurance Bureau.

8.

SAVA RE GROUP REVIEW OF OPERATIONS[26]

Business is presented by operating segments (non-life insurance, life insurance, reinsurance business and the »other« segment) and by geography (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 relates to Sava Reinsurance Company's business in international reinsurance markets.

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

- In the consolidation process, reinsurance effects were reallocated from the reinsurance segment to the non-life and life segments (Sava Reinsurance Company as the controlling company handles the reinsurance of most risks of the subsidiaries within the Sava Re Group): in the segment reporting information, reinsurance premiums received by the reinsurer from the subsidiaries were reallocated to the segment from where they arose (the same applies 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 adjusted only in the part relating to the risks of subsidiaries retroceded by Sava Reinsurance Company to foreign reinsurers.
- Profits from investments in equity-accounted associate companies were reallocated to the "other" segment in 2014 and to the "life insurance business" segment in 2015.
- 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 a part of its expenses relates to the administration of the Group. Such expenses of the reinsurance segment were allocated to other segments based on gross premiums written. Other operating expenses include costs relating to the management of the Group. In the period 1–12/2015, Sava Reinsurance Company allocated 54.2 % of other operating expenses to operating segments as monitored (non-life and life insurance business) by premium structure (1–12/2014: 47.2 %).

Reallocation of group management expenses to business segments

(€)	Reinsurance business	Non-life business – Slovenia	Non-life, international	Life, Slovenia	Life, international
1–12/2015	-4,296,251	2,767,260	576,075	887,908	65,009
1–12/2014	-3,835,585	2,473,079	498,520	813,201	50,785

26 A glossary of selected insurance terms and calculation methodologies for ratios is appended to this annual report.

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

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

Following are commentaries to the results of each operating segment.

Summary of the consolidated income statement

(€)	2015	2014	Index
Net earned premiums	447,559,605	437,572,337	102.3
Income from investments in associates	942,560	154,295	610.9
Investment income	39,577,855	36,125,293	109.6
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	26,631,788	19,146,081	139.1
Other technical income	19,318,601	10,079,252	191.7
Other income	4,647,977	4,237,625	109.7
Net claims incurred	-273,129,823	-257,080,153	106.2
Change in other technical provisions	-1,282,026	-3,565,856	36.0
Change in technical provisions for policyholders who bear the investment risk	-11,036,450	-25,455,421	43.4
Expenses for bonuses and rebates	-580,091	-336,879	172.2
Operating expenses	-148,918,373	-146,621,433	101.6
Expenses for investments in associates and impairment losses on goodwill	-2,936,678	-1,901,375	154.5
Expenses for financial assets and liabilities	-13,005,902	-6,896,944	188.6
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-25,930,786	-7,900,587	328.2
Other technical expenses	-20,113,718	-16,394,418	122.7
Other expenses	-1,646,568	-2,205,574	74.7
Profit/loss before tax	**40,097,971**	**38,956,243**	**102.9**
Income tax expense	-6,732,520	-8,418,092	80.0
NET PROFIT/LOSS FOR THE PERIOD	33,365,451	30,538,151	109.3

Consolidated operating ratios

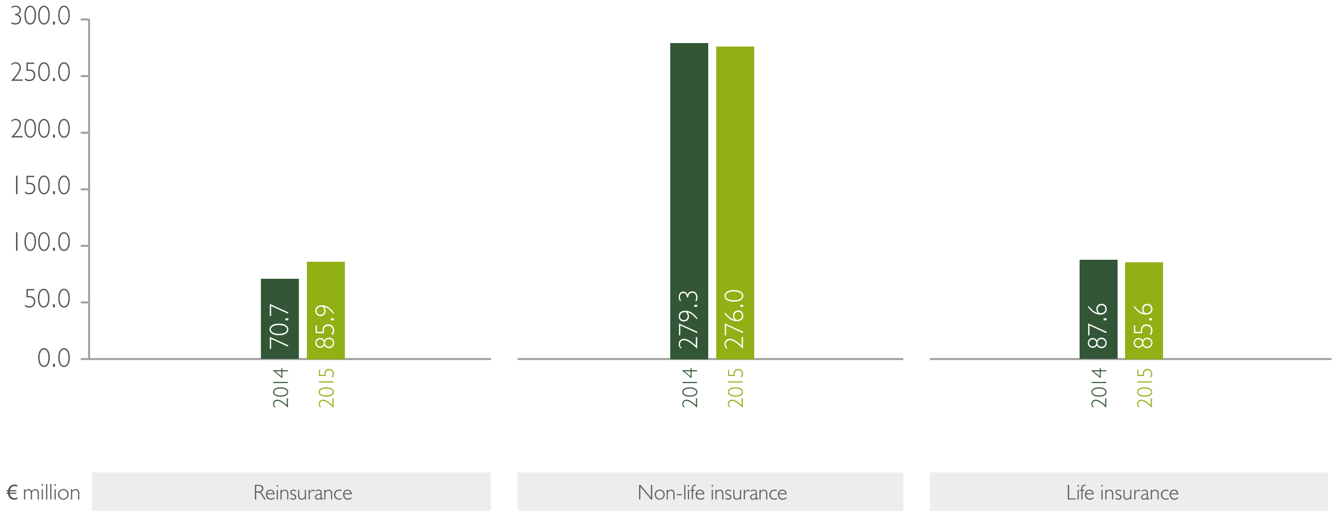
	2015	2014
Net incurred loss ratio	61.3 %	59.6 %
Net expense ratio	32.5 %	32.8 %
Return on revenue (ROR)	7.5 %	7.0 %
Investment return	2.7 %	3.0 %
Return on equity	12.0 %	11.9 %

Consolidated net earned premiums

Consolidated net earned premiums

(€)	2015	2014	Index
Gross premiums written	486,264,557	468,179,052	103.9
Net premiums written	455,949,810	440,777,354	103.4
Change in net unearned premiums	-8,390,205	-3,205,017	61.8
NET PREMIUMS EARNED	447,559,605	437,572,337	102.3

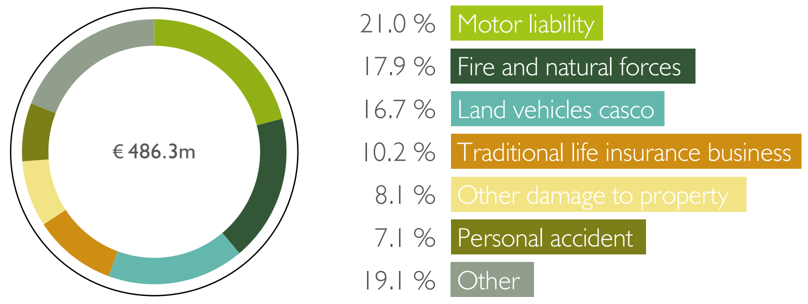
Net premiums earned by operating segment



Consolidated net earned premiums by class of business

(€)	2015	2014	Index
Personal accident	34,250,889	32,330,893	105.9
Health	3,636,019	1,841,050	197.5
Land vehicles casco	81,894,077	79,672,862	102.8
Railway rolling stock	88,979	2,980	2,985.9
Aircraft hull	620,238	397,513	156.0
Ships hull	3,697,646	4,140,284	89.3
Goods in transit	5,662,254	4,471,295	126.6
Fire and natural forces	69,468,424	63,667,503	109.1
Other damage to property	34,739,112	35,221,459	98.6
Motor liability	100,790,210	102,753,636	98.1
Aircraft liability	-11,782	19,577	-60.2
Liability for ships	473,420	490,629	96.5
General liability	15,179,047	15,796,082	96.1
Credit	2,588,482	2,604,637	99.4
Suretyship	347,168	323,377	107.4
Miscellaneous financial loss	3,563,895	1,271,654	280.3
Legal expenses	248,519	302,801	82.1
Assistance	4,750,431	4,100,945	115.8
Life insurance	36,389,300	37,158,810	97.9
Unit-linked life	49,166,195	50,989,291	96.4
Capital redemption	17,082	15,059	113.4
TOTAL	447,559,605	437,572,337	102.3

Consolidated gross premiums written in 2015 by class of business

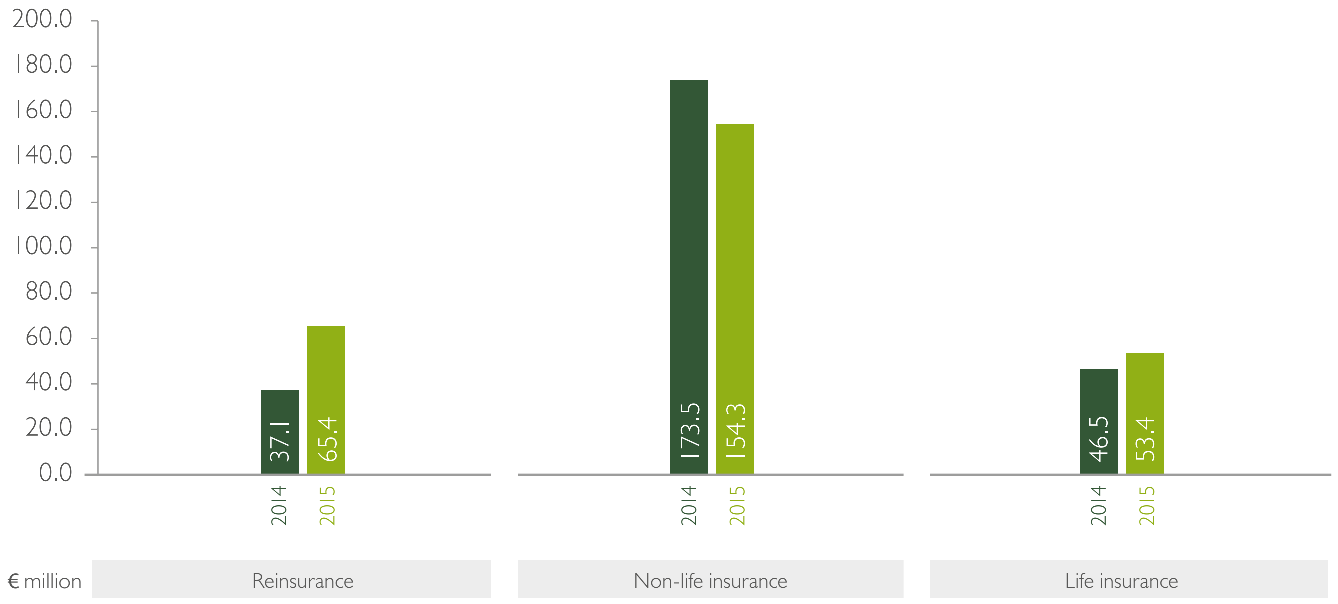


Consolidated net claims incurred

Consolidated net claims incurred

(€)	2015	2014	Index
Gross claims paid	271,503,134	255,340,015	106.3
Net claims paid	253,784,933	244,722,018	103.7
Change in the net provision for outstanding claims	19,344,890	12,358,135	156.5
NET CLAIMS INCURRED	273,129,823	257,080,153	106.2

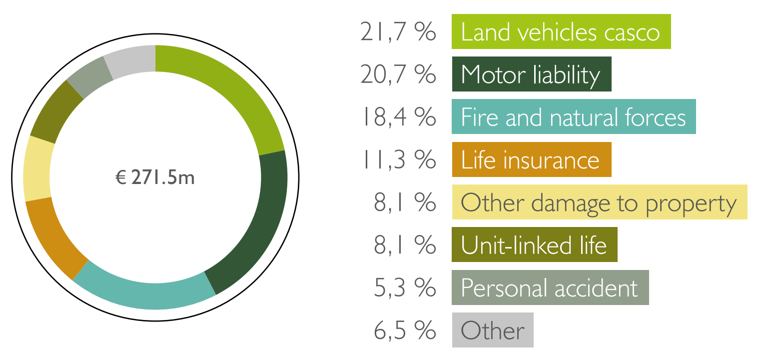
Net claims incurred by operating segment



Consolidated net claims incurred by class of business

(€)	2015	2014	Index
Personal accident	18,090,392	15,529,366	116.5
Health	2,463,431	1,369,077	179.9
Land vehicles casco	57,713,631	55,827,764	103.4
Railway rolling stock	2,529	1,076	235.0
Aircraft hull	620,059	204,648	303.0
Ships hull	2,969,432	2,075,116	143.1
Goods in transit	3,640,492	1,716,465	212.1
Fire and natural forces	46,230,409	45,155,940	102.4
Other damage to property	17,357,081	16,656,634	104.2
Motor liability	58,943,272	61,400,630	96.0
Aircraft liability	140,125	95,193	147.2
Liability for ships	80,187	115,621	69.4
General liability	8,965,512	8,804,014	101.8
Credit	-279,989	169,351	-165.3
Suretyship	360,978	-61,998	-582.2
Miscellaneous financial loss	2,048,323	300,248	682.2
Legal expenses	6,832	1,255	544.4
Assistance	654,160	391,816	167.0
Life insurance	30,101,883	30,266,411	99.5
Unit-linked life	23,021,084	17,060,451	134.9
Capital redemption	0	1,075	0.0
TOTAL	273,129,823	257,080,153	106.2

Consolidated gross claims paid in 2015 by class of business

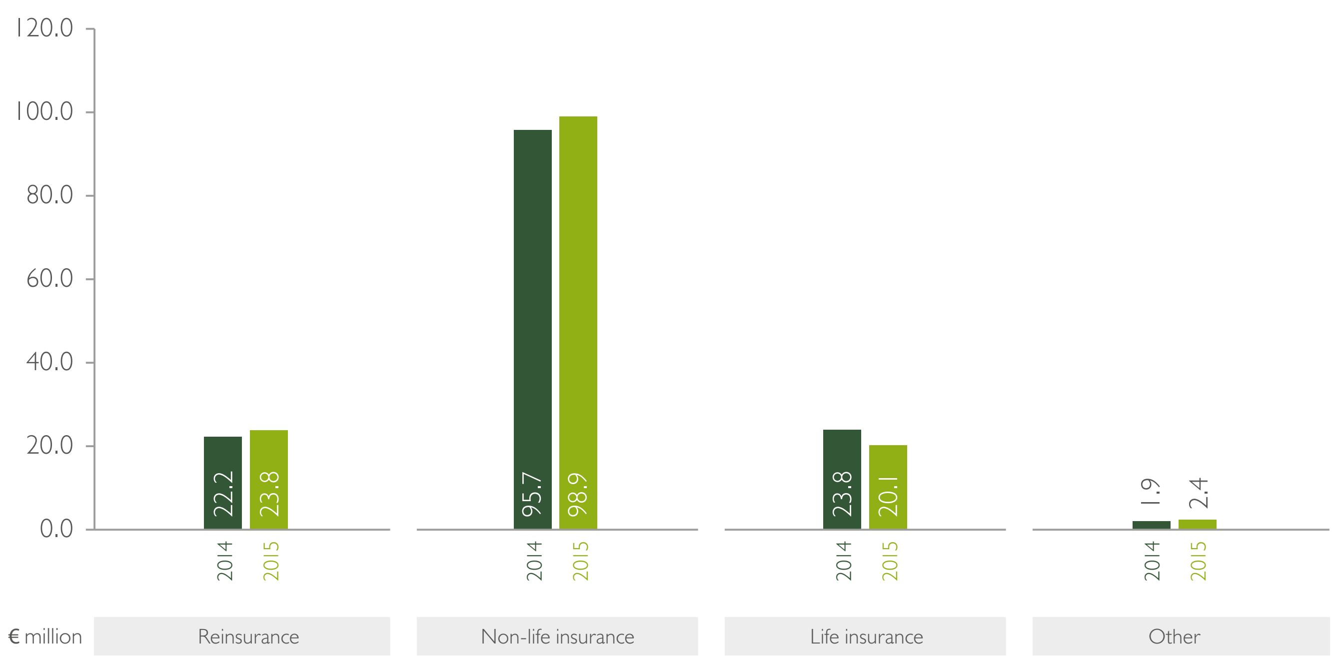


Consolidated operating expenses

Consolidated operating expenses

(€)	2015	2014	Index
Acquisition costs	49,853,683	47,511,857	104.9
Change in deferred acquisition costs (+/-)	-1,451,391	489,499	496.5
Other operating expenses	100,516,081	98,620,077	101.9
Gross operating expenses	**148,918,373**	**146,621,433**	**101.6**
Income from reinsurance commission	-3,656,904	-2,964,859	123.3
NET OPERATING EXPENSES	145,261,469	143,656,574	101.1

Net operating expenses by operating segment



* The "other" segment represents the expenses of the other segment (non-insurance companies).

Consolidated net investment income

Consolidated net inv. income of the investment portfolio

(€)	2015	2014	Nominal change
Net investment income of financial investments	26,571,953	29,228,349	-2,656,396
Net investment income of investment property	413,894	55,530	358,364
Net inv. income of the investment portfolio	26,985,847	29,283,879	-2,298,032
Net inv. income of the investment portfolio, excluding exchange differences	23,706,782	26,938,500	-3,231,718

* In 2015 we changed the presentation of net investment income of the investment portfolio by excluding income and expenses relating to investments in subsidiary and associate companies also disclosed separately in the income statement. This is the main reason that the net investment income of the investment portfolio does not correspond to the one published in the 2014 annual report. 2014 income in this regard totalled € 154,294, expenses were € 1,901,375. This change is consistently reported throughout the document.

The Group's net investment income from its portfolio in 2015 totalled € 27.0 million, down € 2.3 million on 2014. The Group's net investment income from its investment portfolio, excluding exchange differences, totalled € 23.7 million, down € 3.2 million on 2014.

Following is a detailed overview of income and expenses relating to the investment portfolio.

Consolidated income and expenses relating to the investment portfolio

(€)	2015	2014	Nominal change
Income			
Interest income	22,637,172	24,301,144	-1,663,972
Change in fair value and gains on disposal of FVPL assets	1,359,372	1,314,866	44,506
Gains on disposal of other IFRS asset categories	1,663,530	4,006,993	-2,343,463
Income from dividends and participating interests	1,228,274	944,403	283,871
Exchange gains	12,513,361	5,271,528	7,241,833
Other income	791,239	734,763	56,476
INCOME FROM THE INVESTMENT PORTFOLIO	40,192,948	36,573,697	3,619,251
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	26,631,788	19,146,081	7,485,707
Expenses			
Interest expenses	1,161,059	1,417,491	-256,432
Change in fair value and losses on disposal of FVPL assets	1,504,286	518,559	985,727
Losses on disposal of other IFRS asset categories	350,151	227,370	122,781
Impairment losses on investments	726,066	1,683,368	-957,302
Exchange losses	9,234,296	2,926,149	6,308,147
Other	231,243	516,881	-285,638
EXPENSES FOR THE INVESTMENT PORTFOLIO	13,207,101	7,289,818	5,917,283
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	25,930,786	7,900,587	18,030,199

The largest proportion of investment income is interest income, which totalled € 22.6 million in 2015, down € 1.6 million from 2014. The decline in interest income in 2015 is due to the low interest rates on capital markets. Exchange differences are also a significant item, amounting to € 12.5 million in 2015 (2014: € 5.3 million).

In 2015, the Group incurred € 5.9 million more expenses than in 2014. This difference is mostly related to higher exchange losses (2015: € 9.2 million, 2014: € 2.9 million).

However, the effect of exchange differences does not fully impact profit or loss since liabilities denominated in a foreign currency move in line with investments in that currency. Exchange differences mainly relate to the assets and liabilities of Sava Reinsurance Company.

The total impact of exchange differences on the result is presented in the notes to the financial statements of Sava Reinsurance Company, in section 25.5.3.1.3 »Currency risk«.

Consolidated net profit/loss

Composition of consolidated gross profit

* Other includes the gross profit of the "other" segment (non-insurance companies) and impairment losses on goodwill of € 2.9 million (2014: € 1.9 million).

The Sava Re Group performed well in 2015, achieving a 9.3 % increase in net profit over 2014. We consider the 2014 result as the basis for further growth, since full synergistic effects of the consolidation of Zavarovalnica Maribor are yet to be realised.

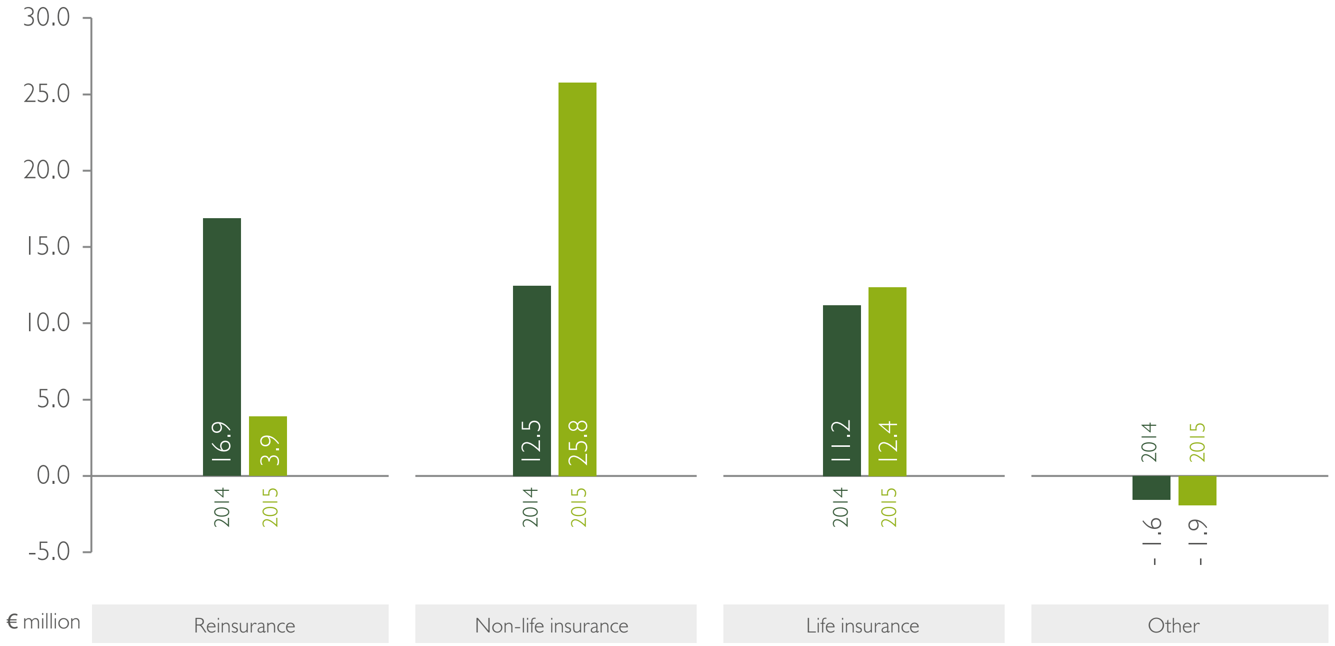
The moderately improved underwriting result (reinsurance + non-life insurance) is a result of the following factors:

- poorer performance of the reinsurance segment as a result of payments made for some international claims and a more benign claims environment in 2013 and 2014 compared to 2015;
- improved underwriting results of non-life insurers, especially Slovenian.

In 2015 investment performance was better in the reinsurance segment (higher interest and dividend income) and slightly lower in the non-life insurance segment (less interest income).

In 2015, the life insurance operating segment performed well. The 2015 pre-tax profit improved by 11.6 %. Beyond that, the net investment income from all operating segments is under pressure from low interest rates.

Composition of the consolidated gross income statement by operating segment



* Other includes gross profit of the "other" segment (non-insurance companies).

As mentioned above, the reinsurance segment performed poorer than in 2014. This is due to the underwriting result, which was impacted by high losses.

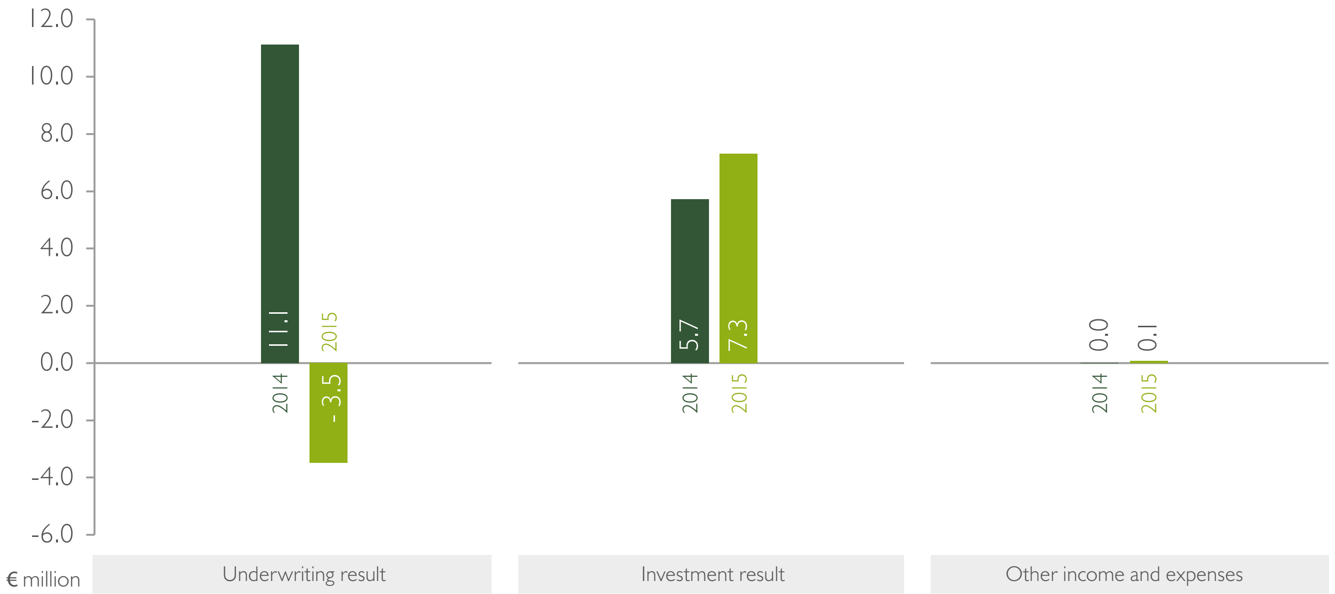
Non-life insurance business did better than in 2014, mainly thanks to the Slovenian insurers. Both Slovenian and non-Slovenian property insurers recorded a better underwriting result; in 2014, this part of the portfolio was hit by ice damage losses relating to an event in Slovenia in early 2014.

Life insurance business generated more profit mainly due to net investment income, as explained above.

8.1. Reinsurance business

This segment chiefly reflects developments of business written abroad.

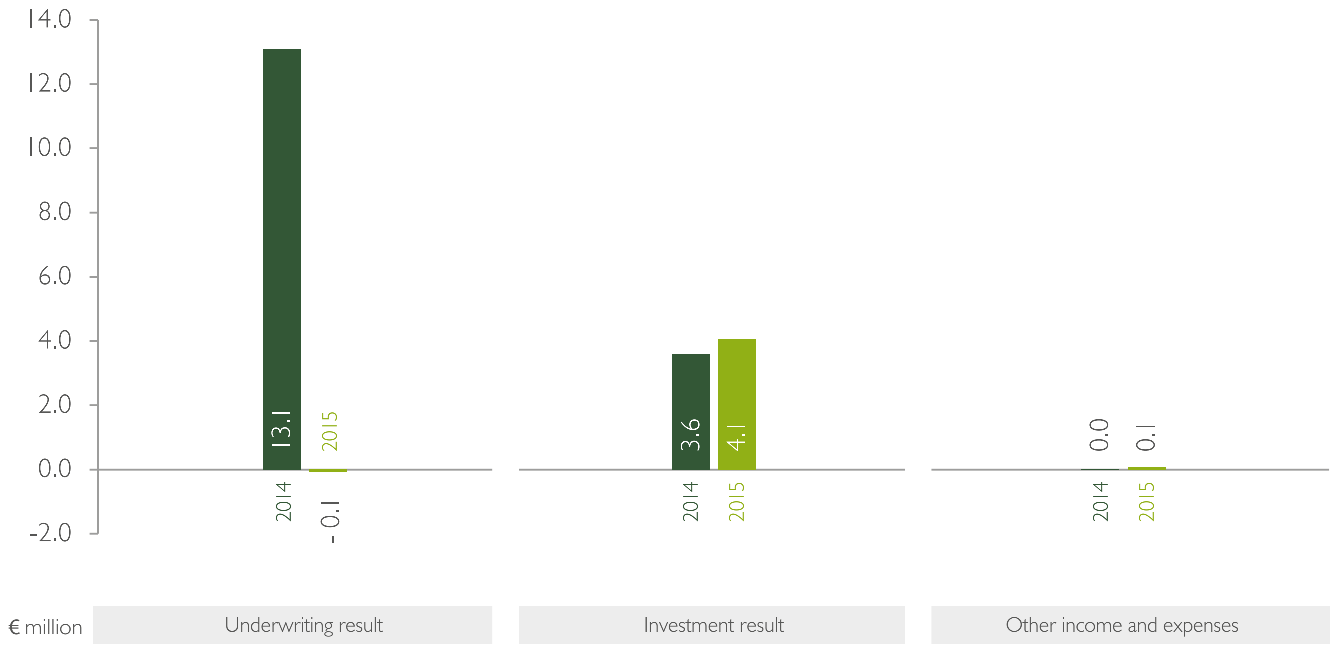
Composition of the consolidated gross income statement; reinsurance business



The reinsurance operations segment performed poorer in 2015 than in 2014. This is due to a deteriorated underwriting result as a result of significantly higher claims incurred. These increased by € 28.4 million, mainly because of the increase in claims and change in the provision for claims outstanding (described in the section »Net claims incurred«). The profits of the reinsurance segment were also affected by exchange differences, while the net effect on profit or loss is non-material as the Company follows a strict asset-liability currency management policy. The impact of exchange differences on the result by operating segment was as follows: underwriting categories were impacted by exchange losses of € 3.4 million (2014: € 1.9 million); investment activities by gains of € 3.2 million (2014: € 2.1 million).

The following table shows gross profits of the reinsurance segment, excluding the effect of exchange differences.

Composition of the gross consolidated profit (excluding the effect of exchange differences) reinsurance business



Net premiums earned

Net premiums earned; reinsurance business

(€)	2015	2014	Index
Gross premiums written	98,151,240	77,486,892	126.7
Net premiums written	93,566,364	73,298,470	127.7
Change in net unearned premiums	-7,664,647	-2,617,954	92.8
NET PREMIUMS EARNED	85,901,717	70,680,516	121.5

Gross premiums of the reinsurance segment increased by 26.7 % in 2015 due to growth in business from abroad. Also due to the growth in business from abroad, the change in net unearned premiums increased in 2015 year-on-year because reinsurance was largely arranged on a non-proportional basis, resulting in relatively low unearned premiums. The gross provision for unearned premiums rose by € 7.8 million, while those relating to reinsurance business increased by € 0.1 million.

More on the movement of unconsolidated data is set out in section 21.1 »Results of operations«.

Net claims incurred

Net claims incurred; reinsurance business

(€)	2015	2014	Index
Gross claims paid	55,743,871	41,355,405	134.8
Net claims paid	54,001,608	30,017,217	179.9
Change in the net provision for outstanding claims	11,427,453	7,040,439	162.3
NET CLAIMS INCURRED	65,429,062	37,057,656	176.6

Gross claims of the reinsurance segment increased by 34.8 % in 2015, which is also due to growth in international claim payments. Gross reinsurance claims increased by 36.2 % compared to 2014 (against premium growth of 27.0 %). In 2014 no major catastrophic losses impacted the international portfolio, but there were several large claims paid in 2015 relating to underwriting year 2014.

Net claims incurred rose by 76.6 % year-on-year. This high increase was also contributed to by the change in the net claims provision. Gross claims provisions increased by € 11.6 million because of the combined effect on provisions due to business growth, a large claims burden and unfavourable net exchange rate movements exceeded the effect of uses and releases relating to claim payments for prior underwriting years. Reinsurance provisions for outstanding claims remained at approximately the same level since foreign-sourced business is reinsured only for major catastrophe events.

More on the movement of unconsolidated data is set out in section 21.1 »Results of operations«.

Operating expenses

Consolidated operating expenses; reinsurance business

(€)	2015	2014	Index
Acquisition costs	21,132,677	18,597,148	113.6
Change in deferred acquisition costs (+/-)	-1,574,081	-261,960	600.9
Other operating expenses	4,883,773	4,290,654	113.8
Gross operating expenses	24,442,369	22,625,842	108.0
Income from reinsurance commission	-600,935	-422,012	142.4
NET OPERATING EXPENSES	23,841,434	22,203,831	107.4

Acquisition costs grew slower than gross premiums written, resulting in a more favourable ratio of acquisition costs to gross premiums written; an improvement of 2.5 p.p. Acquisition costs grew slower because of proportional business, where commission rates are lower. The increased change in deferred costs, charged against expenses, is a result of premium growth in this segment. The growth in other operating expenses was driven by the increase in personnel costs and costs of intellectual and personal services.

More on the movement of unconsolidated data is set out in section 21.1 »Results of operations«.

Net investment income

Income, expenses and the net inv. income relating to the investment portfolio; reinsurance business

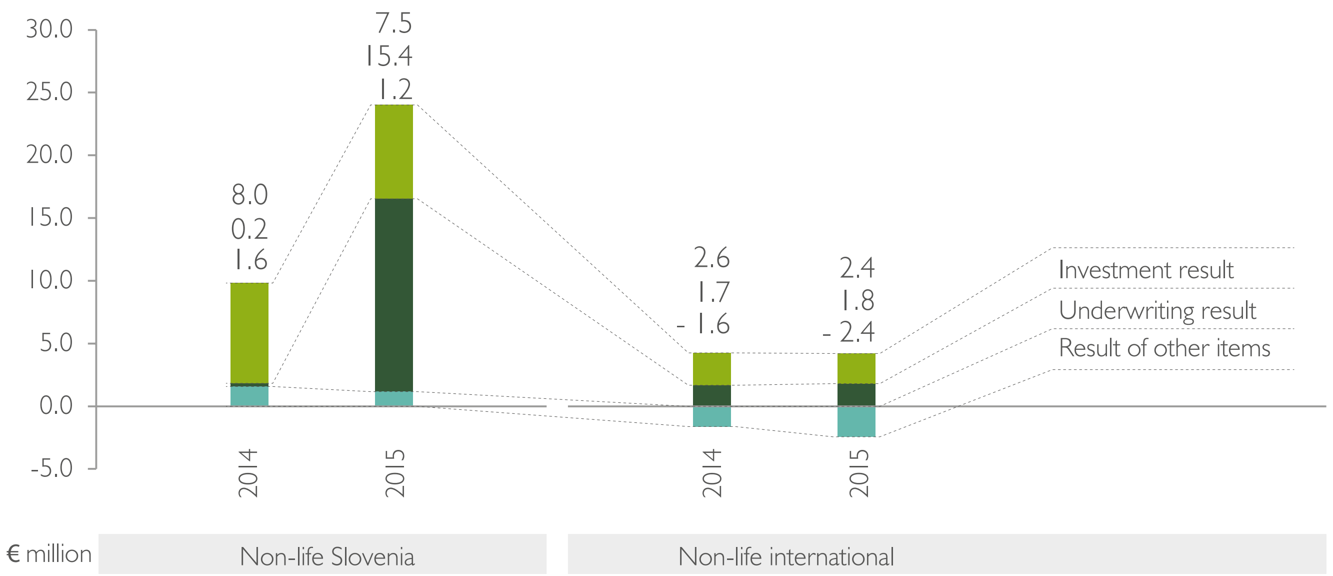
Given that the exchange differences mainly relate to the assets and liabilities of Sava Reinsurance Company and their impact does not fully affect profit or loss, the graph above shows the net investment income of the investment portfolio, excluding exchange differences (in 2014 the effect was a gain of € 2.1 million). The Group's reinsurance segment thus generated a net investment income of € 4.1 million, up € 0.5 million year-on-year. The modest increase in net investment income was driven by higher interest and dividend income from financial investments.

8.2. Non-life insurance business

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

- Zavarovalnica Maribor, non-life
- Zavarovalnica Tilia, non-life
- Sava Montenegro
- Sava osiguranje Belgrade
- Sava osiguruvanje Skopje
- Velebit osiguranje
- Illyria

Composition of the consolidated gross income statement; non-life insurance business



The non-life insurance segment profit in 2015 was higher than in 2014, mostly driven by a better underwriting result of Zavarovalnica Maribor. The improvement is mainly a result of a different level of catastrophe activity (ice damage losses in 2014 and floods in 2012 and 2014). A poor result of other items recorded by non-Slovenian insurers is due to impairment losses on goodwill of the Kosovan and Serbian insurers accounted for because results were below plans.

Net premiums earned

Net premiums earned; non-life insurance business

	Slovenia		International	
(€)	2015	2014	2015	2014
Gross premiums written	249,987,788	251,907,497	52,041,312	50,779,139
Net premiums written	227,974,948	232,128,668	48,766,119	47,809,264
Change in net unearned premiums	685,043	-630,372	-1,406,884	19,549
NET PREMIUMS EARNED	228,659,991	231,498,296	47,359,234	47,828,813

Gross non-life insurance premiums dropped by 0.2 % in 2015 as a result of the decline in gross non-life premiums in Slovenia due to a lower premium income of Tilia. Non-Slovenian gross premiums grew by 2.5 % as a result of growth in the Serbian and Macedonian insurance market. Gross premiums written of Group companies, including reasons for deviations, are given below.

Net non-life insurance premiums declined by 1.1 % in 2015 as a result of the drop in gross premiums written and increase in reinsurance premiums of Zavarovalnica Maribor.

The negative change in international net unearned premiums is due to the decline in reinsurance unearned premiums of the Macedonian insurer as a result of changes in the structure of gross premiums written (in the second half of 2015 less policies with high exposures were written than in the previous year; these policies were however replaced by a larger number of low exposure policies).

Overall, this led to a 1.2 % decline in net premiums earned.

Unconsolidated gross non-life premiums of Sava Re Group companies

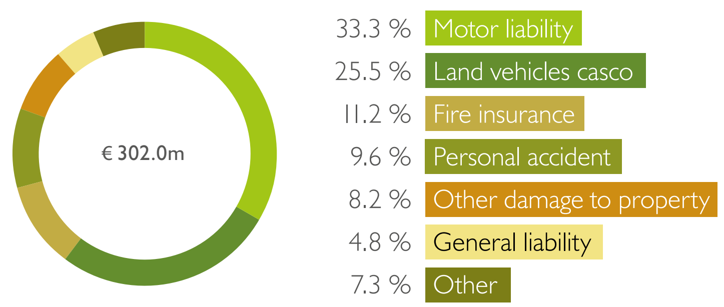
(€)	2015	2014	Index
Zavarovalnica Maribor (non-life)	177,774,037	176,242,829	100.9
Zavarovalnica Tilia (non-life)	72,531,762	76,007,719	95.4
Sava osiguranje Belgrade	14,401,839	12,398,564	116.2
Illyria	8,073,035	8,891,082	90.8
Sava osiguruvanje Skopje	11,406,863	10,784,452	105.8
Sava Montenegro	11,185,622	11,468,545	97.5
Velebit osiguranje	6,982,360	7,236,593	96.5
TOTAL	302,355,518	303,029,783	99.8

Zavarovalnica Maribor wrote 0.9 % more gross non-life premiums in 2015, mainly due to increased non-life premiums from a major policyholder and a larger premium income from private clients. Zavarovalnica Tilia recorded lower gross premiums written because of the combined effect of the following: certain policies renewable in January 2015 were renewed as early as December 2014, cooperation with its largest agency was terminated, loss of some major clients after acquisition by foreign owners or bankruptcy or cancellations and price cuts especially in MTPL.

Among the non-Slovenian insurers with year-on-year increases in gross premiums written were the Serbian insurer Sava osiguranje Belgrade (after a market-wide increase in motor liability premiums) and Macedonian insurer Sava osiguruvanje Skopje (launch of new product in other damage to property), while the remaining non-life insurers from abroad experienced a decline in gross premiums written.

The largest decline in gross premiums written was recorded by the Kosovan insurer Illyria, where the average border insurance premium fell by 50 % as a result of market-wide cuts. Fierce competition added pressure on motor premiums after two new players entered the market in 2015, both targeting predominantly motor business. The drop in gross premiums written of the Croatian insurer Velebit osiguranje in 2015 was mostly due to the liberalisation of MTPL premiums, while the decline in gross premiums written of Sava Montenegro is due to the changed presentation of income from the sale of green card policies. In 2015 these were no longer included in gross premiums written but recorded under other technical income.

Consolidated gross non-life premiums written by class of business in 2015



Net claims incurred

Net claims incurred; non-life insurance business

	Slovenia		International	
(€)	2015	2014	2015	2014
Gross claims paid	143,752,543	146,227,123	20,618,762	19,498,566
Net claims paid	129,037,732	147,072,118	19,490,922	19,252,159
Change in the net provision for outstanding claims	6,172,457	6,924,441	-416,787	267,466
NET CLAIMS INCURRED	135,210,189	153,996,559	19,074,134	19,519,624

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

(€)	2015	2014	Index
Zavarovalnica Maribor (non-life)	104,083,798	105,337,197	98.8
Zavarovalnica Tilia (non-life)	40,262,808	40,898,572	98.4
Sava osiguranje Belgrade	5,335,878	4,416,264	120.8
Illyria	3,191,168	3,524,232	90.5
Sava osiguruvanje Skopje	4,784,826	4,222,098	113.3
Sava Montenegro	3,727,792	3,497,406	106.6
Velebit osiguranje	3,564,014	3,843,001	92.7
TOTAL	164,950,284	165,738,770	99.5

The 0.8 % decline in non-life claims paid in 2015 was mainly due to the fact that the large amount of gross claims paid by Zavarovalnica Maribor in 2014 included a catastrophe event (ice damage). The Slovenian insurers paid less claims in 2015 than in 2014. The decline in gross claims paid by Zavarovalnica Maribor is a result of lower claim payments relating to ice damage and floods compared to the prior year; gross claims paid by Zavarovalnica Tilia dropped as a result of a smaller number of claims.

Among non-Slovenian Group insurers, gross claims paid reduced in Illyria (lower claims in health business due to fewer claims and a decrease in the average claim amount of private clients) and Velebit osiguranje (in 2014 the portfolio was hit by a few major motor claims; also the number of claims declined in 2015). There was a significant increase in gross claims paid of Sava osiguranje Belgrade and Sava osiguruvanje Skopje: in the former in motor business as a result of an increased number of claims and some major claims, in the latter because of a new product covering crops and animals, and some major losses in the »fire and other natural forces« class.

Net non-life claims paid declined by 10.7 % in 2015 as a result of a higher amount of reinsurance claims. This too is a result of ice damage losses, as reinsurance claims relating to ice damage losses were reserved in 2014 but paid during 2015.

The difference in the change in the net claims provision for international business is due to the decrease in the net claims provision of Sava Montenegro (increase in claims provision ceded to reinsurers in 2015 for aviation business; since there was no aviation business in 2014, net claims provisions were lower), Sava osiguranje Belgrade (faster claims settlement) and Velebit osiguranje (decline in claims provision due to smaller portfolio and improved quality of historic data allowing more precise calculations).

Operating expenses

Consolidated operating expenses; non-life insurance business

(€)	2015	2014	Index
Acquisition costs	23,087,514	23,177,335	99.6
Change in deferred acquisition costs (+/-)	85,962	154,510	-144.4
Other operating expenses	78,759,235	74,820,858	105.3
Gross operating expenses	**101,932,711**	**98,152,703**	**103.9**
Income from reinsurance commission	-3,015,182	-2,485,506	121.3
NET OPERATING EXPENSES	98,917,529	95,667,196	103.4

* Acquisition costs for 2014 differ from those published in the 2014 annual report. In the elimination process, the allocation of these costs (in the amount of € 1,159,881) to operating segments was corrected. As a result, this item increased in non-life insurance business and decreased in life insurance business. This change is consistently reported throughout the document.

Acquisition costs declined in line with a decline in gross non-life insurance.

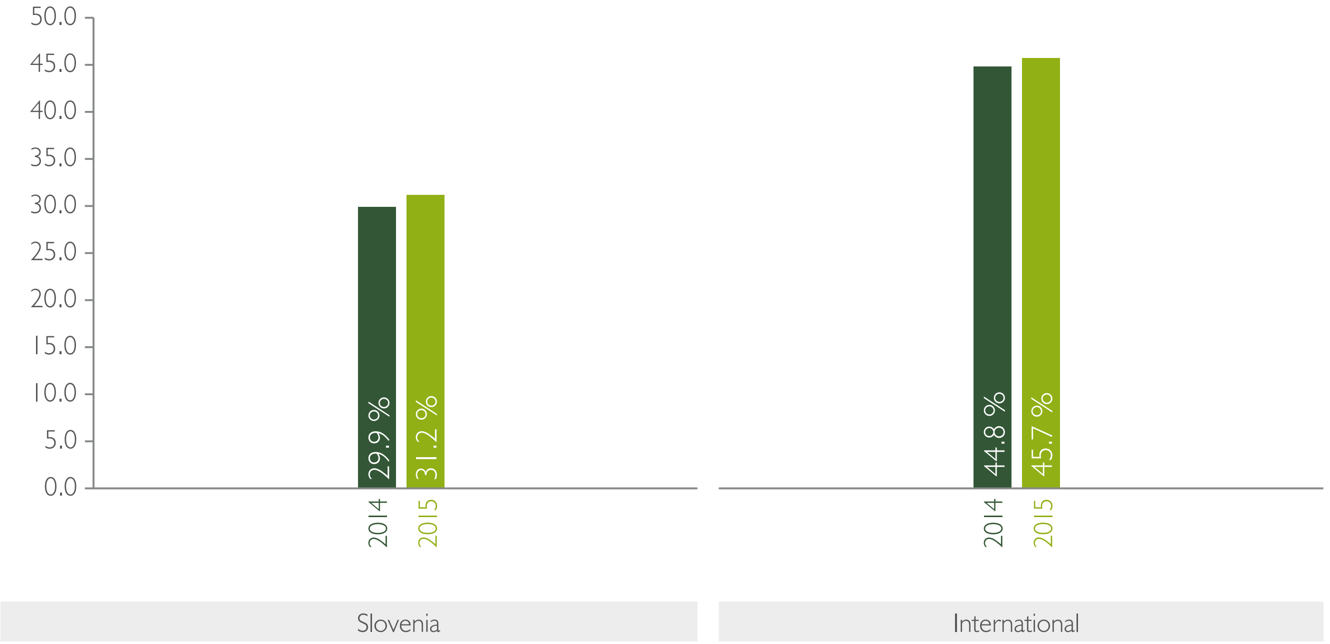
The rise in other operating expenses is mainly due to the increase in expenses of Zavarovalnica Maribor and Sava osiguranje Belgrade. The increase in the former is due to a partial change in activities of agents for insurances of the person from life business to business that is recorded under non-life business (e.g. health). Consequently, costs were also allocated to non-life insurance business. The increase in the other operating expenses of Sava osiguranje Belgrade is mainly due to the rise in personnel costs due to a new organisation of sales and an increase in the number of agents.

Consolidated gross expenses (net of changes in deferred acquisition costs) of non-life business grew by 3.9 %, while gross premiums written dropped by 0.2 % as a result of which the gross expense ratio increased.

Unconsolidated gross non-life operating expenses of Sava Re Group companies

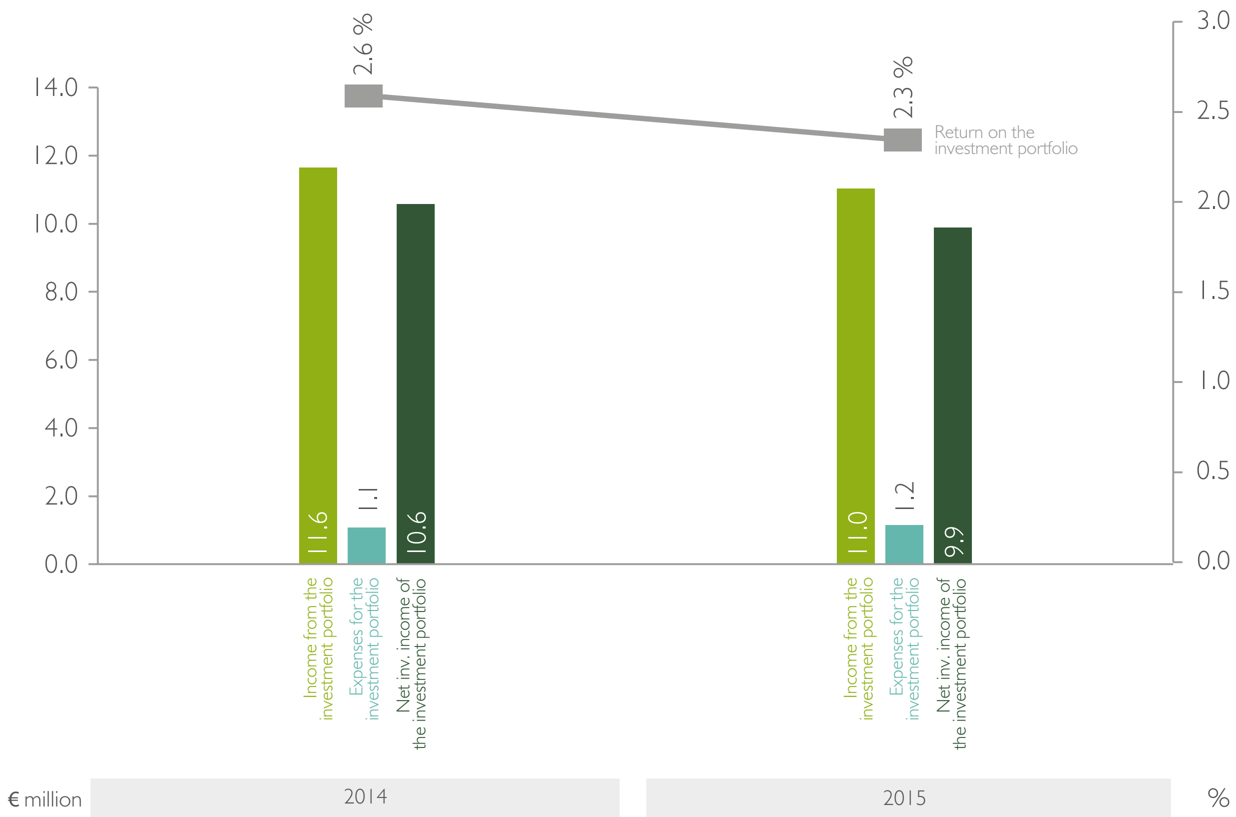
(€)	2015	2014	Index
Zavarovalnica Maribor (non-life)	49,949,397	47,414,503	105.3
Zavarovalnica Tilia (non-life)	22,563,982	22,450,531	100.5
Sava osiguranje Belgrade	7,415,417	5,989,479	123.8
Illyria	2,753,201	2,604,788	105.7
Sava osiguruvanje Skopje	4,519,888	4,496,235	100.5
Sava Montenegro	5,497,774	5,666,533	97.0
Velebit osiguranje	3,844,724	4,077,442	94.3
TOTAL	96,544,384	92,699,511	104.1

Gross expense ratio; non-life insurance business



Net investment income

Income, expenses and the net inv. income relating to the investment portfolio; non-life insurance business



The net investment income of non-life insurance business amounted to € 9.9 million in 2015, down by € 0.7 million from 2014. The net investment income was lower largely because of lower interest income (€ -1.1 million).

8.3. Life insurance business

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

- Zavarovalnica Maribor, life business
- Zavarovalnica Tilia, life business
- Sava životno osiguranje
- Illyria Life
- Velebit životno osiguranje
- Moja naložba became a subsidiary on 30 December 2015 and has, therefore, not been included in the consolidated income statement.

Net premiums earned

Net premiums earned; life insurance business

	Slovenia		International	
(€)	2015	2014	2015	2014
Gross premiums written	80,211,496	82,832,530	5,872,721	5,172,994
- of which unit-linked life business	49,389,655	51,244,968	17,082	15,059
Net premiums written	79,779,368	82,374,198	5,863,011	5,166,754
Change in net unearned premiums	1,537	20,307	-5,253	3,453
NET PREMIUMS EARNED	79,780,905	82,394,505	5,857,758	5,170,207

Both gross and net life premiums written decreased by 2.2 % in 2015. The deviation is mainly due to the drop in gross life premiums written in Slovenia, as new premiums were not sufficient to compensate for premiums lost because of policy maturities and surrenders. Owing to the challenging investment environment, the Group is focused on the marketing of risk products, the premiums of which are much lower than those of products with a higher savings component.

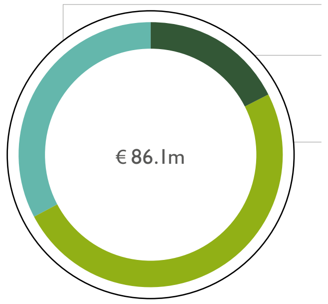
Gross premiums written of unit-linked life business declined as a result of lower premium income of both Slovenian insurers because of a large number of maturities.

Unconsolidated gross life premiums written by Sava Re Group companies

(€)	2015	2014	Index
Zavarovalnica Maribor (life)	72,258,458	74,429,840	97.1
Zavarovalnica Tilia (life)	7,953,039	8,402,690	94.6
Sava životno osiguranje	1,160,709	1,062,099	109.3
Illyria Life	1,450,685	1,544,739	93.9
Velebit životno osiguranje	3,261,327	2,566,156	127.1
TOTAL	86,084,217	88,005,524	97.8

In 2015 gross life premiums grew in Velebit životno osiguranje and Sava Life, while Illyria's gross life premiums written dropped due to an increased number of surrenders and a small number of new policies written. This is because of the difficult economic situation in Kosovo as a result of which consumers are reluctant to buy new life insurance and existing life policy-holders are led to take advantage of the option to surrender their policies.

Consolidated gross life premiums written by class of business in 2015



Net claims incurred

Net claims incurred; life insurance business

(€)	Slovenia 2015	Slovenia 2014	International 2015	International 2014
Gross claims paid	49,683,764	47,314,534	1,704,195	944,387
Net claims paid	49,551,433	47,437,171	1,703,239	943,354
Change in the net provision for outstanding claims	2,075,915	-1,893,889	85,852	19,678
NET CLAIMS INCURRED	51,627,346	45,543,281	1,789,091	963,032
Change in other net provisions*	34,238	3,717,021	1,993,277	2,028,082
NET CLAIMS INCURRED, INCLUDING CHANGE IN NET OTHER PROVISIONS	51,661,586	49,260,302	3,782,368	2,991,114

* The bulk of these provisions comprises mathematical provisions.

The growth in gross life claims paid is a result of the growth in gross life claims of all insurers, except Zavarovalnica Tilia. Among non-Slovenian insurers, the highest growth in claims was recorded by the Croatian insurer.

The difference in the change in the net claims provision mainly relates to the deviation in Zavarovalnica Maribor. In 2014 the net claims provision of unit-linked business of Zavarovalnica Maribor declined but increased in 2015.

The change in other net provisions differs from 2014 because in 2014 other provisions relating to traditional life business of Zavarovalnica Maribor required strengthening based on LAT tests; in 2015 no additional provisions were required.

Net claims incurred; unit-linked life business

(€)	Slovenia 2015	Slovenia 2014	International 2015	International 2014
Gross claims paid	21,928,265	17,654,438	0	1,075
Change in other net provisions	134,991	-18,972,076	-16,197	-8,012
CLAIMS INCURRED	22,063,257	-1,317,638	-16,197	-6,937

Gross claims paid of Slovenian unit-linked life business grew by 24.2 % compared to 2014, due to the increased amount of matured policies in Zavarovalnica Maribor.

The deviation in the change in net other provisions for unit-linked life business is likewise attributable to Zavarovalnica Maribor, which recorded a lower increase in provisions for unit-linked life business. In 2015, these provisions grew on account of new business rather than appreciation of investment funds like in 2014.

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

(€)	2015	2014	Index
Zavarovalnica Maribor (life)	43,592,774	41,184,332	105.8
Zavarovalnica Tilia (life)	6,090,990	6,130,203	99.4
Sava životno osiguranje	443,257	277,159	159.9
Illyria Life	238,938	174,995	136.5
Velebit životno osiguranje	1,022,000	492,233	207.6
TOTAL	51,387,958	48,258,921	106.5

The growth in gross claims paid for life business of Zavarovalnica Maribor was affected by the growth in claims relating to maturities of unit-linked life policies. Non-Slovenian life insurers reported increased claims because of a larger number and amount of surrenders and larger number of maturities; indices jumped because of the low base.

Operating expenses

Consolidated operating expenses; life insurance business

(€)	2015	2014	Index
Acquisition costs	5,633,492	5,737,374	98.2
Change in deferred acquisition costs (+/-)	36,728	596,949	193.8
Other operating expenses	14,513,738	17,570,289	82.6
Gross operating expenses	**20,183,958**	**23,904,612**	**84.4**
Income from reinsurance commission	-40,787	-57,342	71.1
NET OPERATING EXPENSES	20,143,171	23,847,271	84.5

Acquisition costs have declined, which is consistent with the reduction in gross premiums written. The largest decline in acquisition costs was recorded by Illyria Life, which also recorded the largest decline in new production.

Other operating expenses decreased by € 3.1 million, mainly due to the decrease in other operating expenses of Zavarovalnica Maribor due to the aforementioned partial change in activities from life insurance to business that is recorded under non-life insurance. In 2015 total operating expenses of Zavarovalnica Maribor declined as a result of cost optimisation activities.

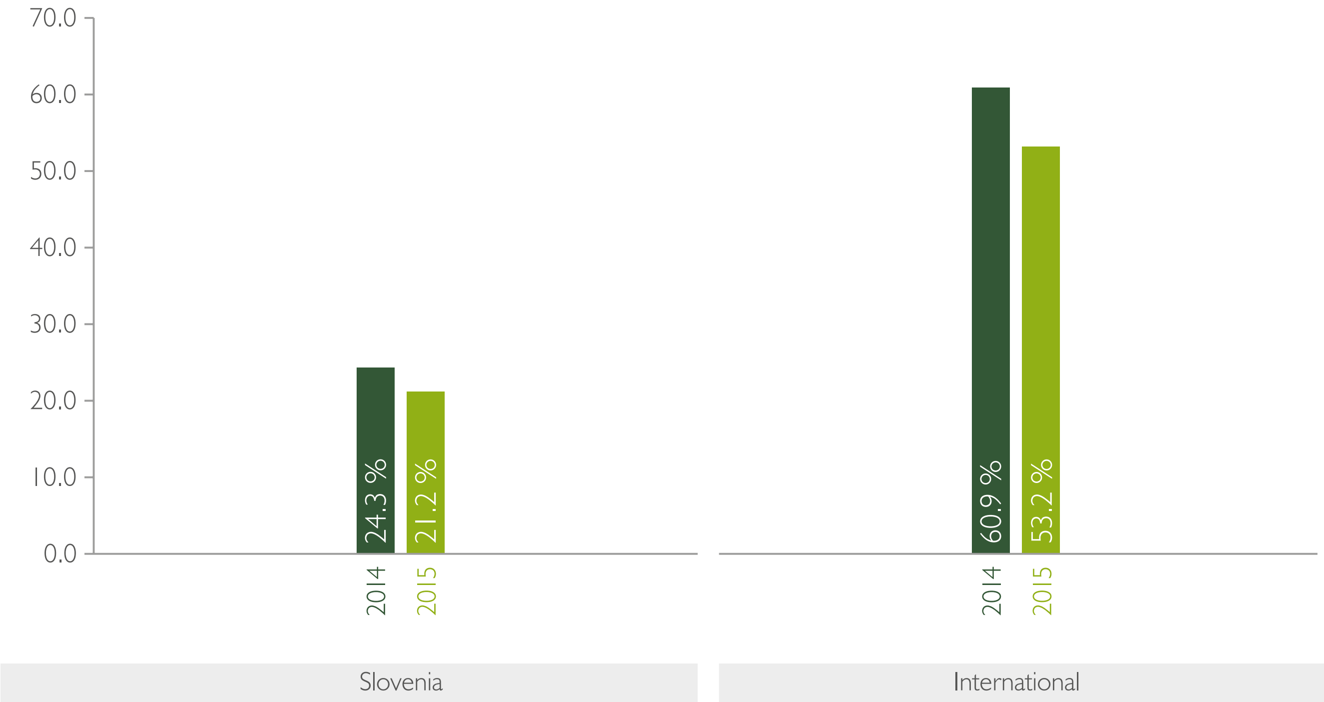
The difference in the change in deferred acquisition costs relates to the change in the method of deferring costs in Zavarovalnica Maribor, where costs increased that were deferred because of alignment with the Sava Re Group. In 2014, the unit-linked life segment utilised long-term deferred acquisition costs.

The index of consolidated gross operating expenses relating to the life segment was 84.4 in 2015; the index of consolidated gross life premiums written was 97.8. The reason for the decline in the ratio of expenses to premiums is the decline in gross operating expenses of Zavarovalnica Maribor in this segment.

Unconsolidated gross life operating expenses of Sava Re Group companies

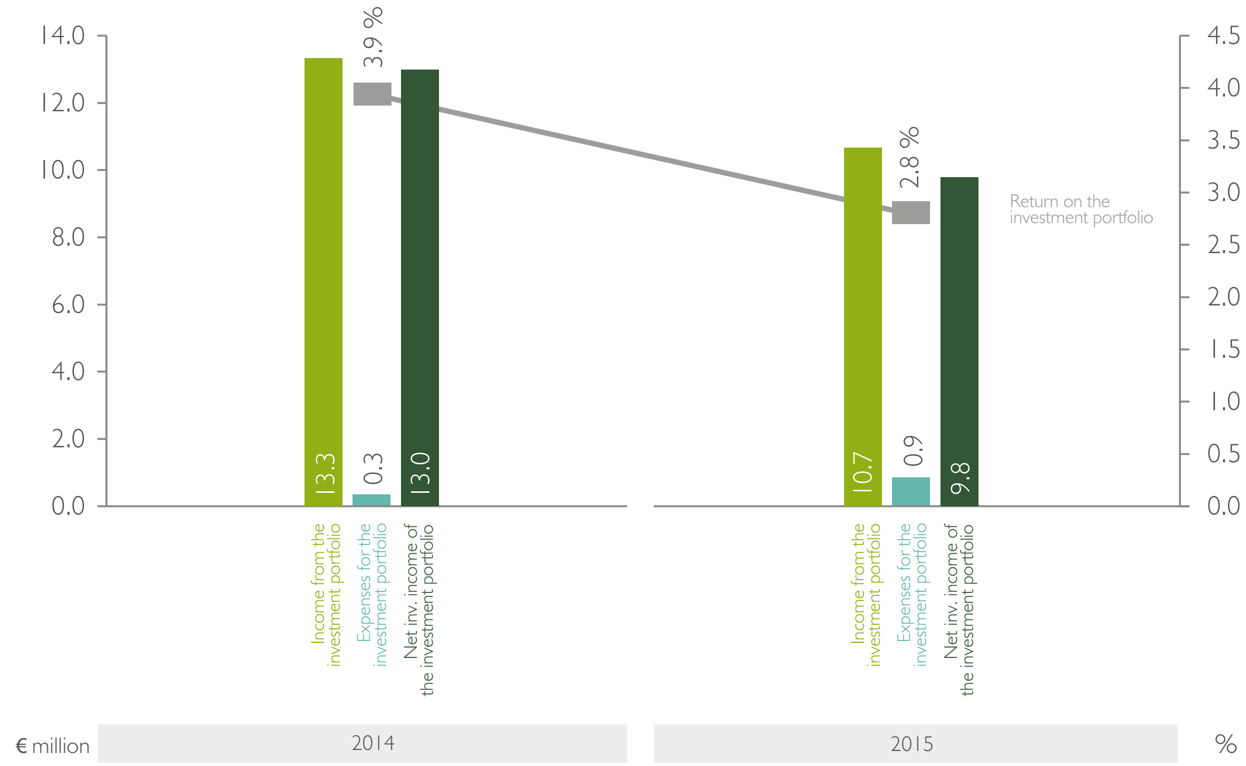
(€)	2015	2014	Index
Zavarovalnica Maribor (life)	15,061,716	18,435,168	81.7
Zavarovalnica Tilia (life)	2,172,112	2,070,546	104.9
Sava životno osiguranje	881,651	876,195	100.6
Illyria Life	502,797	552,881	90.9
Velebit životno osiguranje	1,720,525	1,714,475	100.4
TOTAL	20,338,802	23,649,267	86.0

Gross expense ratio; life insurance business



Net investment income

Income, expenses and the net inv. income relating to the investment portfolio; life insurance business



In 2015 the net investment income of the investment portfolio of life insurance business declined by € 3.2 million year-on-year. Given the difficult situation on the capital markets, the Group realised only € 0.1 million of gains on the sale of investments in the life insurance segment (2014: € 2.0 million). The net investment income declined compared to 2014 partly because of lower interest income (€ -0.7 million). Another effect on net investment income was the change in investments designated as at fair value through profit or loss with an impact of € -0.3 million (2014: € 0.3 million).

9.

FINANCIAL POSITION OF THE SAVA RE GROUP

At 31 December 2015, total assets of the Sava Re Group stood at € 1,607.3 million, an increase of 10.5 % over year-end 2014. Below we set out items of assets and liabilities in excess of 10 % of total assets/liabilities at 31 December 2015.

9.1. Assets

Consolidated total assets by type

(€)	31/12/2015	As % of total at 31/12/2015	31/12/2014	As % of total at 31/12/2014
ASSETS	**1,607,281,060**	**100.0 %**	**1,454,374,935**	**100.0 %**
Intangible assets	30,465,315	1.9 %	34,940,960	2.4 %
Property and equipment	47,217,311	2.9 %	44,473,638	3.1 %
Deferred tax assets	2,371,857	0.1 %	1,202,381	0.1 %
Investment property	8,040,244	0.5 %	5,103,325	0.4 %
Financial investments in associates	0	0.0 %	3,072,497	0.2 %
Financial investments	1,015,056,805	63.2 %	974,668,382	67.0 %
Funds for the benefit of policyholders who bear the investment risk	214,189,117	13.3 %	202,913,059	14.0 %
Reinsurers' share of technical provisions	23,877,277	1.5 %	38,672,645	2.7 %
Assets from investment contracts	111,418,244	6.9 %	0	0.0 %
Receivables	130,663,929	8.1 %	124,395,153	8.6 %
Deferred acquisition costs	17,992,485	1.1 %	17,489,101	1.2 %
Other assets	1,173,159	0.1 %	1,351,244	0.1 %
Cash and cash equivalents	4,710,904	0.3 %	5,643,200	0.4 %
Non-current assets held for sale	104,413	0.0 %	449,350	0.0 %

9.1.1. Financial investments and financial investments in associates

The investment portfolio consists of the following statement of financial position items: financial investments, investment property and cash.

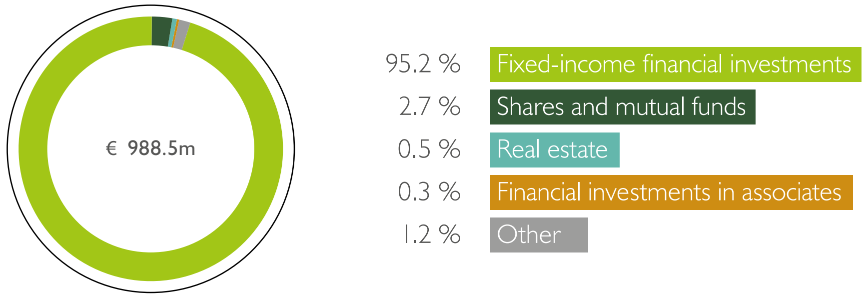
Sava Re Group investment portfolio by class of asset

(€)	31/12/2015	31/12/2014	Nominal change	Index
Deposits	53,052,297	95,569,619	-42,517,322	55.5
Government bonds	502,263,965	486,946,870	15,317,095	103.1
Corporate bonds	421,301,237	358,991,267	62,309,970	117.4
Shares	18,906,610	21,030,349	-2,123,739	89.9
Mutual funds	12,758,487	5,671,611	7,086,876	225.0
Loans granted and other investments	1,075,435	871,156	204,279	123.4
Deposits with cedants	5,698,774	5,587,510	111,264	102.0
TOTAL FINANCIAL INVESTMENTS	1,015,056,805	974,668,382	40,388,423	104.1
Financial investments in associates	0	3,072,497	-3,072,497	0.0
Investment property	8,040,244	5,103,325	2,936,919	157.5
Cash and cash equivalents	4,710,904	5,643,200	-932,296	83.5
TOTAL INVESTMENT PORTFOLIO	1,027,807,953	988,487,404	39,320,549	104.0
Funds for the benefit of policyholders who bear the investment risk	214,189,117	202,913,059	11,276,058	105.6

The Sava Re Group investment portfolio totalled € 1,027.8 million at 31 December 2015. Compared to 31 December 2014, the investment portfolio grew by € 39.3 million, primarily due to the positive cash flow from core insurance business.

Structure of the investment portfolio

31/12/2014



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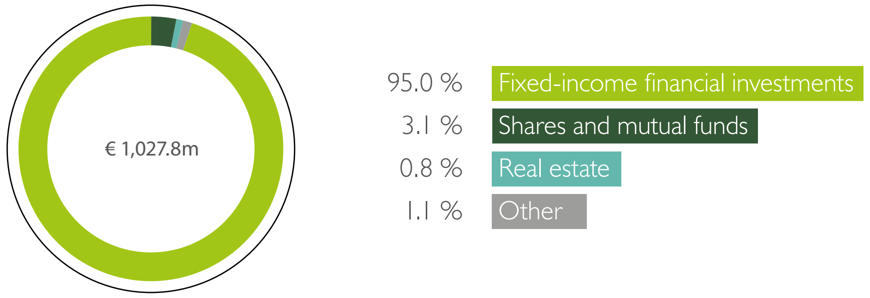
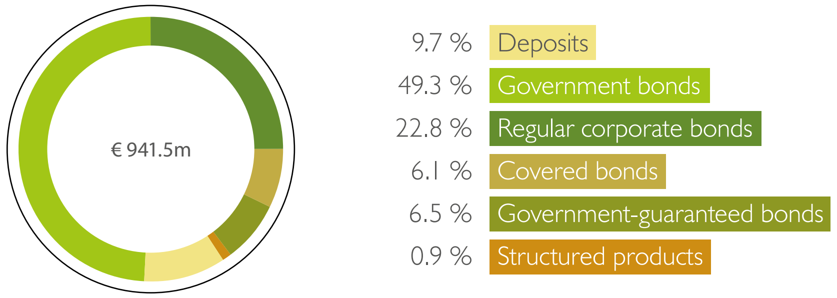


Fixed-income investments by asset type

31/12/2014



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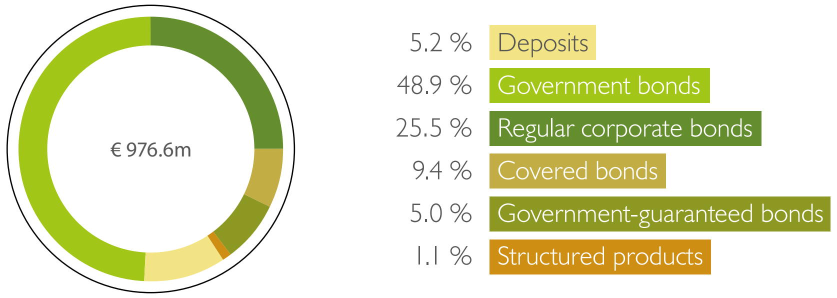


Compared to 31 December 2014, the composition of the investment portfolio changed in line with the Group's investment policy. Fixed-income investments, accounting for 95 % of the investment portfolio at 31 December 2015 (31 December 2014: 95.2 %), have a lower share of deposits at 31 December 2014 (to reduce exposure to Slovenia, which is described in detail in the notes to the consolidated financial statements in section 18.7.4.3 »Credit risk«), with an increase in the share of corporate bonds, mainly on account of purchases of covered bonds and foreign corporate bonds rated A or better. In line with its investment policy, there was a slight increase in the proportion of shares and mutual funds, representing 3.1 % (31 December 2014: 2.7 %).

In 2015, Sava Reinsurance Company increased its ownership interest in Moja naložba to 100 %, which is why it no longer reports on financial investments in associates.

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

Funds for the benefit of policyholders who bear the investment risk is a major asset item. Compared to 31 December 2014, these assets increased by 5.6 %, or € 11.3 million, to € 214.2 million at 31 December 2015. Investments further increased due to positive cash-flow amounting to € 17.2 million. On the other hand, the decline in unit values had a negative impact on the balance of the life insurance liability fund.

There are three Group companies marketing life products where the investment risk is borne by policyholders: Zavarovalnica Maribor, Zavarovalnica Tilia and Velebit životno osiguranje. At 31 December 2015, funds for the benefit of policyholders who bear the investment risk relating to Zavarovalnica Maribor totalled € 179.9 million (31/12/2014: € 169.8 million), funds relating to Zavarovalnica Tilia € 34.3 million (31/12/2014: € 33.1 million), while such funds of Velebit životno osiguranje are negligible.

9.1.3. Assets and liabilities from investment contracts

Assets and liabilities from financial contracts were included in the consolidated statement of financial position for the first time as a result of the consolidation of Moja naložba at year-end 2015.

The asset item includes liability fund assets relating to SVPI[27] managed by the company for the benefit of policyholders. At 31 December 2015, liability fund assets totalled € 111.4 million. Financial investments accounted for 97.2 % of total assets, the remaining amount relates to receivables and cash and cash equivalents.

Liabilities from investment contracts as at 31 December 2015 totalled € 111.3 million. Moja naložba eliminates internal relations of the joint balance sheet, thus liabilities to pension policyholders exceed liabilities from investment contracts. Eliminated from the statement of financial position were internal relations of the SVPI liability fund to the pension company for entry charges and management fee for the current month, which may be recognised upon conversion or when credited to personal accounts. Liabilities in the balance sheet of the SVPI life insurance liability fund are mostly long-term. These are liabilities of the SVPI life insurance liability fund for premiums paid, the guaranteed return and the return in excess of guaranteed return (provisions).

9.2. Liabilities

Consolidated equity & liabilities by type

(€)	31/12/2015	As % of total at 31/12/2015	31/12/2014	As % of total at 31/12/2014
EQUITY AND LIABILITIES	1,607,281,060	93.1 %	1,454,374,935	100.0 %
Equity	286,401,678	17.8 %	271,528,623	18.7 %
Share capital	71,856,376	4.5 %	71,856,376	4.9 %
Capital reserves	43,388,724	2.7 %	44,638,799	3.1 %
Profit reserves	122,954,429	7.6 %	115,146,336	7.9 %
Own shares	-10,319,347	-0.6 %	-10,115,023	-0.7 %
Fair value reserve	12,684,233	0.8 %	18,448,741	1.3 %
Retained earnings	23,490,926	1.5 %	15,652,780	1.1 %
Net profit/loss for the period	24,849,678	1.5 %	17,474,558	1.2 %
Translation reserve	-3,467,155	-0.2 %	-3,489,433	-0.2 %
Equity attributable to owners of the controlling company	285,437,863	17.8 %	269,613,133	18.5 %
Non-controlling interest in equity	963,815	0.1 %	1,915,490	0.1 %
Subordinated liabilities	23,534,136	1.5 %	28,699,692	2.0 %
Technical provisions	887,068,500	55.2 %	869,982,633	59.8 %
Technical provision for the benefit of life insurance policyholders who bear the investment risk	207,590,086	12.9 %	195,684,631	13.5 %
Other provisions	7,389,695	0.5 %	6,940,650	0.5 %
Deferred tax liabilities	4,598,731	0.3 %	5,749,180	0.4 %
Liabilities under investment contracts	111,304,383	6.9 %	0	0.0 %
Other financial liabilities	206,047	0.0 %	78,870	0.0 %
Liabilities from operating activities	54,467,303	3.4 %	49,364,797	3.4 %
OTHER LIABILITIES	**24,720,501**	**1.5 %**	**26,345,859**	**1.8 %**

27 SVPI = supplementary voluntary pension insurance

9.2.1. Technical provisions

On the liabilities' side, the largest item is gross technical provisions, including provisions for the benefit of policyholders who bear the investment risk. The balance at 31 December 2015 was 2.7 % or € 29.0 million larger than at year-end 2014.

Gross provisions for the reinsurance segment declined by 15.0 % or € 19.5 million. There was an increase in both the provisions for outstanding claims (described under net claims incurred) as well as unearned premiums (movement in unearned premiums for international business with mid-year renewal).

The gross technical provisions attributable to the non-life insurance segment recorded a decrease of 2.0 % or € 9.1 million at year-end 2015. This drop was due to claims provisions, as a result of uses and releases relating to ice damage claims.

Gross provisions of the life segment (including provisions for the benefit of policyholders who bear the investment risk) increased by 4.0 % or € 18.6 million at year-end 2015. The largest absolute growth was in mathematical provisions of Zavarovalnica Maribor (growth in new premiums from the total portfolio, and attribution of profits to policyholders) and due to the acquisition of Moja naložba.

Movements in consolidated technical provisions

(€)	31/12/2015	31/12/2014	Index
Gross unearned premiums	156,039,680	148,169,690	105.3
Gross mathematical provisions	262,052,426	256,292,141	102.2
Gross provision for claims	459,012,655	454,759,004	100.9
Gross provision for bonuses, rebates and cancellations	1,132,456	854,819	132.5
Other gross technical provisions	8,831,283	9,906,979	89.1
Gross technical provisions for the benefit of policyholders who bear the investment risk	207,590,086	195,684,631	106.1
TOTAL GROSS TECHNICAL PROVISIONS	1,094,658,586	1,065,667,264	102.7

9.2.2. Equity

The second largest item on the liabilities side is equity (17.8 %), which increased by € 14.9 million from year-end 2014. The change in equity is due to the following factors:

- net profit for the year of € 33.4 million (part of the profit in the amount of € 7.9 million was transferred to other profit reserves, profit of € 0.4 million to credit risk and catastrophic equalisation reserves);
- the dividend payout of € 9.1 million (charged against equity);
- decline in the fair value reserve of € 5.7 million (charged against equity);
- own share repurchases of € 0.2 million (charged against equity);
- decline in capital reserves of € 1.3 million due to the transfer of ownership stakes of both Croatian subsidiaries to Sava Reinsurance Company (formerly Velebit usluge) with a view to the winding up of Velebit usluge;
- adjustment of accounting policy relating to the establishment of deferred acquisition costs in Sava Montenegro (€ -1.1 million) and the change in the calculation of technical provisions (€ -0.2 million) in Sava osiguranje Belgrade;
- equity attributable to non-controlling interest decreased by € 1.0 million.

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

Technical provisions for the benefit of policyholders who bear the investment risk at 31 December 2015 grew by 6.1 % or € 11.9 million compared to year-end 2014. The growth was driven by Zavarovalnica Maribor (€ 10.8 million) and was mainly attributable to positive cash flow.

9.3. Capital structure

At 31 December 2015, the Sava Re Group's capital comprised € 286.4 million of equity, € 23.5 million of subordinated liabilities and € 0.2 million of other financial liabilities. Subordinated liabilities and other financial liabilities accounted for 8.3 % of capital.

Subordinated liabilities relate to the subordinated debt of Sava Reinsurance Company taken out to expand to the Western Balkans. Details relating to the subordinate debt are described in note 21 of section 18.8 »Notes to the consolidated financial statements – statement of financial position«.

9.4. Cash flow

In 2015 net cash from operating activities at the Group level amounted to € 45.2 million mainly as a result of cash flows from core business (insurance, reinsurance), which largely reflects the balance of premium income and claim payments including expenses. Net cash of Sava Reinsurance Company amounted to € 5.4 million, of Zavarovalnica Maribor € 31.1 million, and of Zavarovalnica Tilia € 5.4 million. Strong net cash-flow from operating activities provides sufficient funds for the development of key Group areas. The total net cash of other companies was positive and totalled € 3.3 million.

Net disbursements in financing activities of € 17.8 million were a result of:

- repayment of subordinated loan by Zavarovalnica Maribor in the amount of € 5.4 million.
- dividend payout by Sava Reinsurance Company of € 9.1 million;
- acquisition of non-controlling interests in Croatian insurers (€ 2.0 million);
- Sava Reinsurance Company repurchased own shares for € 0.2 million;
- interest expense relating to subordinated debt in the amount of € 1.1 million.

The movement in the net disbursement in financing activities is due to investing activities, however, the amount was also affected by the above factors.

9.5. Receivables management

At the end of 2015, the total amount of receivables of the Sava Re Group was 5.0 % higher compared to the previous year.

Receivables arising out of primary insurance operations declined by € 2.7 million from year-end 2014, while receivables arising out of reinsurance business increased by € 9.3 million as a result of growth in gross premiums written in international reinsurance markets, resulting in an increase in this item.

10. HUMAN RESOURCES MANAGEMENT

10.1. Strategic guidelines for human resources management

The Sava Re Group follows the below strategic guidelines for human resources management:

- recruitment and development of capable and responsible employees,
- identification and development of key personnel,
- training and development of employees at all levels,
- development of a common, modern organisational culture and
- development of the HRM function into a strategic partner.

10.2. Key activities in human resources management in 2015

In 2015, human resources activities in the Group centred on setting up and developing human resources functions in all Group companies and promoting cooperation between them. We organised the first Group HR conference, unified employee training and development policies and in some companies started implementing and using human resources information systems. Furthermore, we organised and carried out activities for analysing and developing Group companies' organisational culture.

10.3. Recruitment and staffing levels

Recruitment has been carefully planned and implemented in accordance with the objectives and requirements of each company. In line with the Group's strategic focus and goals, we encourage Group internal recruitment.

No. of staff by Sava Re Group company (regular employment)

	31/12/2015	31/12/2014	Change
Zavarovalnica Maribor	809	812	-3
Zavarovalnica Tilia	388	386	2
Sava osiguranje Belgrade	398	374	24
Illyria	228	174	54
Sava osiguruvanje Skopje	196	170	26
Velebit osiguranje	206	207	-1
Illyria Life	125	137	-12
Sava Montenegro	148	156	-8
Velebit životno osiguranje	131	130	1
Sava Reinsurance Company	97	89	8
Sava životno osiguranje	82	88	-6
Sava Car	44	42	2
Montagent	52	49	3
Moja naložba	14	-	14
Sava station	8	0	8
TOTAL	2,926	2,814	112

Number of employees by Sava Re Group company (full-time equivalent basis).

	31/12/2015	31/12/2014	Change
Zavarovalnica Maribor	762.9	767.2	-4.3
Zavarovalnica Tilia	371.0	368.6	2.4
Sava osiguranje Belgrade	327.5	293.5	34.0
Illyria	227.0	171.0	56.0
Sava osiguruvanje Skopje	185.5	162.0	23.5
Velebit osiguranje	155.8	146.1	9.6
Sava Montenegro	136.3	135.8	0.5
Sava Reinsurance Company	83.0	78.6	4.3
Sava životno osiguranje	74.6	71.0	3.6
Velebit životno osiguranje	59.6	65.0	-5.4
Illyria Life	35.4	137.0	-101.6
Sava Car	31.3	28.5	2.8
Montagent	20.5	18.0	2.5
Moja naložba	13.3	-	13.3
Sava station	5.0	0.0	5.0
TOTAL	2,488.5	2,442.3	46.2

Major changes in the number of employees in individual Group companies primarily reflect agent fluctuations and recruitment in sales.

The below tables give details on employees (under employment contracts) by various criteria.

Number of employees by employment type (part-time, full-time)

	31/12/2015		31/12/2014	
Type of employment by working hours	**Number**	**As % of total**	**Number**	**As % of total**
Part-time	615	21.0	656	23.3
Full-time	2,311	79.0	2,158	76.7
TOTAL	2,926	100.0	2,814	100.0

Most employees work on a full-time employment contract. Part-time employment is common with sales personnel.

Number of employees by level of education

	31/12/2015		31/12/2014	
Level of formal education	**Number**	**As % of total**	**Number**	**As % of total**
Primary and lower secondary education	360	12.3	349	12.4
Secondary education	1,187	40.6	1,140	40.5
Higher education	326	11.1	335	11.9
University education	961	32.8	907	32.2
Masters' degree and doctorate	92	3.1	83	2.9
TOTAL	2,926	100.0	2,814	100.0

The staffing levels by level of education have not changed significantly over the year. The largest group is staff with secondary school education. Group companies encourage employees to join formal education programmes. Employees of the Group are allocated to groups by level of education.

Employees by age group

	31/12/2015		31/12/2014	
Age groups	**Number**	**As % of total**	**Number**	**As % of total**
20–25	141	4.8	152	5.4
26-30	300	10.3	314	11.2
31-35	450	15.4	463	16.5
36-40	546	18.7	513	18.2
41-45	533	18.2	490	17.4
46-50	407	13.9	369	13.1
51-55	291	9.9	280	10.0
56 and more	258	8.8	233	8.3
TOTAL	2,926	100.0	2,814	100.0

The age structure shows that that the 36–50 group is the largest age group. The average age of employees has been increasing over years. Group staff is fairly evenly distributed among all age groups.

Employees by gender

	31/12/2015		31/12/2014	
Gender	**Number**	**As % of total**	**Number**	**As % of total**
Women	1,586	54.2	1,555	55.3
Men	1,340	45.8	1,259	44.7
TOTAL	2,926	100.0	2,814	100.0

The Group's employee structure by gender is balanced. Both men and women are represented at all levels of management and professional areas.

Number of employees by years of service

	31/12/2015		31/12/2014	
Years of service	**Number**	**As % of total**	**Number**	**As % of total**
0–5 years	1,287	44.0	1,313	46.7
5–10 years	681	23.3	603	21.4
10–15 years	353	12.1	315	11.2
15–20 years	212	7.2	209	7.4
20–30 years	281	9.6	276	9.8
Over 30 years	112	3.8	98	3.5
TOTAL	2,926	100.0	2,814	100.0

The largest years of service groups are the first two groups, reflecting recent recruitment and the low staff turnover among these employees.

10.4. Employee training and development

Employee training and development is vital to sharpen the strategic focus and realise the goals of the Group and its individual companies. We strive to provide all employees with training opportunities in either internal or external professional events to develop their business, leadership and other skills. In some companies, we also facilitate additional formal education.

Companies also foster the obtaining and retaining of licenses required by the sales personnel and other professional staff.

We strongly foster intra-Group transfer of knowledge and, therefore, maintain the good practice of joint Group training events. This year, we added a Group training event in human resources management to the standard set of training events (in sales, controlling, claims, life insurance, sourcing) regularly organised by Sava Reinsurance Company as the controlling company. The subject matter of the event was aligned with the strategic guidelines for the development of the human resource functions in all Group companies. Activities carried out by Sava Reinsurance Company were presented to transfer best practices across the Group. In this regard, Sava Reinsurance Company provides both professional as well as and technical support.

Traditionally, the Group organises two strategic conferences to encourage the Group-wide transfer of best practices in governance and management.

10.5. Management and motivation

HR management is provided through clear guidelines, management by objectives and involvement of employees in projects. Individual companies offer employees additional financial (e.g. supplementary pension insurance, other insurance) and non-financial benefits (e.g. flexitime).

Most companies implement or have started implementing annual performance appraisal interviews to manage employees by objectives and provide feedback about their work and performance.

All companies consider safety and health issues, carrying out all activities required by local legislation.

Social events and gatherings for employees are organised in the year. Slovenia-based companies participated in a sports event organised by Zavarovalnica Maribor. In addition, Group employees are involved in voluntary charitable activities on the Sava Re Day.

Company management closely cooperates with employee representatives, where employees are organised in any form.

Sava Re Group employees are regularly informed of developments through the Sava Re portal.

11. RISK MANAGEMENT

11.1. Risk management system

The Sava Re management board is aware that risk management is the key to achieving operational and strategic objectives and to ensuring long-term solvency of the Group. The Sava Re Group is therefore continuously upgrading both its own risk management system and the risk management system in all Group companies.

When the Solvency II legislation came into effect on 1 January 2016, it introduced a number of new requirements in risk management for which the Sava Re Group had been systematically preparing.

Risk management policies

In order to systematise risk management in 2015, Sava Re Group established and adopted, at Group level, policies that cover the entire framework of risk management, own risk and solvency assessments and risk management for each risk category. The policies provide guidance for all Group companies and serve as the basis on which they draw up, with consideration of local specifics, their own policies for individual risk management categories.

Risk management organisation

In the Save Re Group, we are aware that an appropriate organisational structure and a clear division of responsibilities are key to systematic risk management. This is also what guided us in the reorganisation of the risk management system based on the Solvency II principles.

Efficient functioning of the risk management system in the Sava Re Group and Sava Reinsurance Company is primarily the responsibility of the Sava Reinsurance Company's management board. To ensure efficient risk management, the Sava Re Group is introducing a three lines of defence model, which clearly divides the responsibilities and tasks among them:

- the first line of defence: operational activities (underwriting, sales, claim management, investments, accounting, controlling and other);
- the second line of defence: the risk management function, actuarial function, compliance function and the risk management committee;
- the third line of defence: internal audit.

The first line of defence involves all company employees responsible for operational performance of tasks working in a manner that reduces or eliminates risks. Additionally, risk owners are responsible for individual risks under the risk register. Departmental executive directors, line and service directors are obliged to ensure that the operational performance of the processes for which they are responsible is conducted in a manner that reduces or eliminates risks while taking into account the frameworks laid down in the risk strategy. The frameworks are outlined below in this section.

Four key functions that apply to both the Sava Re Group and Sava Reinsurance Company were defined in the context of the preparations for Solvency II in 2015. The persons responsible for each key function were appointed as well. The key functions are:
- actuarial function,
- risk management function,
- compliance function, and
- internal audit function.

The key functions at Pozavarovalnica Sava are organised as support services and are directly answerable to the controlling company's management board. Their roles and responsibilities are clearly defined in the policy of each key function or in the risk management policy that defines the risk management function.

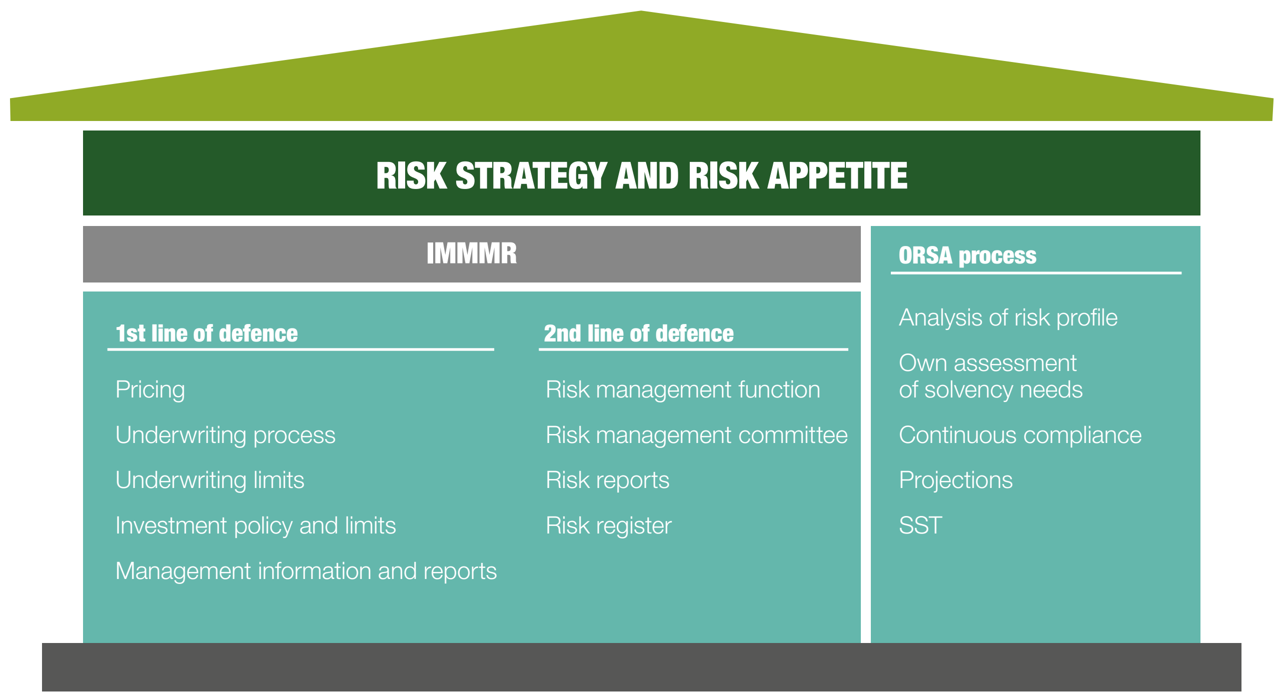
In addition to the key functions, the risk committee has also been set up in the framework of the second line of defence for Sava Reinsurance Company and the Group. The committee's activities extend to asset and liability management (ALM). In 2015 the committee was actively involved in the advancement of systematic risk management within both the Company and the Group, and in the introduction of Solvency II requirements.

Pozavarovalnica Sava applies good practices from the risk management model and the organisation of risk management also to its subsidiary companies.

Components of the risk management system

Risk management is integrated into all stages of business management and is composed of the following key elements:
- risk strategy,
- risk management processes within the first and second line of defence and
- own risk and solvency assessment (hereinafter ORSA).

The components of the risk management system are shown in the figure below.



11.2. Risk strategy and risk appetite

In order to establish a solid risk management framework the Sava Reinsurance Company management board approved the Sava Re Group risk strategy in 2015, which defines the Group's risk strategy based on the risk bearing capacity. The document specifies:
- the risk appetite,
- acceptability of the level of business indicators and
- risk tolerance.

The risk strategy thus defines the framework for the entire risk management system in the Sava Re Group. The basic principle of the Group is to pursue its business strategy and meet the key strategic objectives while maintaining an adequate capital level.

The Sava Re Group's risk appetite is based on four key areas:
- capital,
- liquidity,
- product profitability, and
- reputation.

In 2016 the risk strategy will apply to all subsidiary companies as well. Each Group company will, with consideration of the Group framework, define its own risk strategy or adopt the Group risk strategy. The companies will also align the operating limits and thresholds for individual business areas with the established risk strategy. This way, the risk appetite framework and risk tolerance limit will be integrated in all day-to-day risk taking.

11.3. IMMMR process and ORSA

In the Sava Re Group the IMMMR processes (identify, measure, mitigate, monitor and report risks) are conducted both at the level of individual Group companies and at the Group level. Risk management processes are inherently connected with and incorporated into the basic processes carried out in individual Group companies and in the Group as a whole. All organisational units are involved in risk management processes.

Sava Re Group carries out the following **risk management processes**:
- risk identification,
- risk assessment (measuring),
- risk monitoring,
- determining appropriate risk management measures, and
- risk reporting.

Risk management processes are incorporated into all three lines of defence. The roles of individual lines of defence within the risk management policy are clearly divided. The IMMMR process is integrated also in the decision-making system; all important business decisions are evaluated in view of the risks they might entail.

The risk **identification** process identifies all the risks to which an individual Group company or the Group as whole is exposed. The key risks to which an individual Group company or the Group as a whole is exposed are recorded in the risk register and constitute its risk profile.

Regular risk **assessment (measurement)** is conducted for all the risks to which an individual company or the Group is exposed. Both qualitative and quantitative methods are used for risk measurement. With a view to a quantitative risk assessment, the Sava Re Group intensively develops support risk assessment models.

Risk **monitoring** is carried out at several levels: at the level of individual organisational units, in the risk management service, at the level of the risk committee and at the top management (management board) level. Both risks and risk management measures are subject to monitoring and control. Monitoring of risks and measures serves as the basis for **risk reporting.**

Whenever the need arises to adopt a new measure to mitigate a risk, the Company conducts an analysis of the measure in terms of its economic and financial viability. Elimination or mitigation of individual risks must be more cost effective than mitigation of the potential impact should the risk materialise, taking into full account the probability of such an event and all of its implications.

Own risk and solvency assessment (ORSA)

ORSA is one of the requirements of the Solvency II legislation. ORSA is a process that ensures compliance of the business strategy with the risk strategy and capital requirements in the context of the general risk management framework. It aims to ensure that the insurer is fully aware of the relationship between its business strategy, the risks that the insurer is taking in the short term as well as in the medium to long term and the capital requirements arising from those risks.

In line with legislation, ORSA incorporates the following three key elements:

- the insurance company's assessment of overall solvency needs,
- the assessment of compliance, on a continuous basis, with the capital requirements and with the requirements regarding technical provisions, and
- the assessment of the significance of the deviation of the insurance company's risk profile from the assumptions underlying the Solvency Capital Requirement in accordance with the standard formula.

The Sava Re Group established the ORSA policy in 2015. In line with policy guidelines the EU-based Group companies introduced the ORSA process into their regular business operations. At the beginning of 2016, the EU-based companies carried out their first ORSA calculations and prepared the ORSA report.

In the first phase, the purpose of ORSA in the Sava Re Group is to understand the own risk profile and the standard formula and to analyse the impact of the changes in the risk profile in the business planning period on capital adequacy. In the next phase, we want ORSA to become an integral part of the decision-making process, which will allow for key decisions in the company to be adopted with consideration of risks and for the business strategy to be determined with full awareness of the risks and associated capital requirements.

11.4. Risk profile

The Sava Re Group and Group members are exposed to the following risks:

- Underwriting risks arising from (re)insurance contracts. These are associated with the risks covered under (re)insurance contracts and accompanying procedures.
- Market risks related to volatile prices of financial instruments and market prices of other assets.
- Credit risks[28] related to non-performance and change in the credit rating of securities issuers related to the investment portfolio of (re)insurers and of reinsurers, intermediaries and other business partners who have outstanding liabilities to (re)insurers.

28 In its risk register, the Sava Re Group classifies risks in the context of the standard formula risk classification: credit risks are partly covered under

- Operating risks related to inappropriate internal procedures or breakdowns in internal procedures, people and IT systems, and to external events.
- Liquidity risks related to loss resulting from insufficient liquid assets when liabilities become due or increased costs of realisation of less liquid assets.
- Strategic risks associated with achieving the Company's strategic plans and the Company's reputation risk, including any implications of such risk.

Individual risks are described in detail in the notes to the financial statements of the Sava Re Group (section 18.7) and the notes to the financial statements of Sava Reinsurance Company (section 25.5).

12.

ADAPTATION TO THE SOLVENCY II REQUIREMENTS

In 2015 the Sava Re Group made accelerated steps toward adapting to the changes in the legislation introduced by Solvency II that came into effect on 1 January 2016 in all three main areas of the legislation:

- **Quantitative requirements**: calculation of eligible own funds and the solvency capital requirement in line with the standard Solvency II formula;
- **Qualitative requirements**: enhanced governance, risk management and introduction of ORSA;
- **Disclosure**: additional requirements for public and regulatory reporting.

Preparations were underway throughout 2015 as part of the Solvency II programme and individual subprojects. Certain implementation stages involved a large number of Sava Re Group employees, especially those from EU-based companies. With a view to implementing a uniform Group-wide Solvency II programme, Group companies consistently consulted and coordinated with each other.

As part of **quantitative requirements (calculations)**, the EU-based Sava Re Group companies used the standard Solvency II formula to calculate eligible own funds and the solvency capital requirement as at 31 December 2014. These calculations were made also for the Sava Re Group. Unaudited results revealed that both the Sava Re Group as well as the EU-based Sava Re Group companies are well capitalised and have adequate capital also according to the Solvency II methodology. The solvency ratio at the Sava Re Group level as at 31 December 2014 was 192 %. We expect that the capital adequacy of the Group as at 31 December 2015 will remain at a comparable level.

At the end of 2015 and the beginning of 2016, the EU-based companies carried out projections of eligible own funds and solvency capital requirement for the entire strategic planning period. A Group-level calculation is underway.

An important component within this area is the introduction of IT support for the implementation of the calculations.

As part of the **qualitative requirements,** we conducted an upgrading of the governance system in the following areas:

- introduction of organisational and structural changes,
- the definition and confirmation of key functions (risk management function, actuarial function, compliance function and the internal audit function),
- upgrading of the internal control system,
- establishment of capital management frameworks,
- regulation of eliminated transactions, the remuneration system, and the fit and proper regulation for key company staff,
- preparation and confirmation of policies required by legislation,
- upgrading of the risk management system,
- introduction of the ORSA process.

As indicated in section 11.3 “IMMMR process and ORSA”, the first ORSA was conducted at the beginning of 2016 in the EU-based companies. ORSA includes the development of own models for quantifying risks with an emphasis on measuring underwriting and market risks, which are the key risks to which the Group is exposed.

As part of **disclosure requirements,** we conducted annual and quarterly quantitative reporting (on standardised templates) to the Insurance Supervision Agency as at 31 December 2015 for both the EU-based Sava Re Group companies and Sava Re Group. Annual templates include the relevant data for and the results of the calculation of eligible own funds and the solvency capital requirement. In view of the extensive scope of reporting, special emphasis in terms of disclosure requirements is given to establishing IT support for the quantitative reporting templates.

13.

OPERATION OF THE INTERNAL AUDIT

The aim of the internal audit is to provide an assurance function and to provide advice to the management board in order to add value as well as improve the effectiveness and efficiency of operations. Internal audit assists the Company in achieving its goals based on systematic, methodical assessment and improvement of the effectiveness and efficiency of governance, risk management and control procedures, and by giving recommendations for their improvement.

Internal auditing in the Company is carried out by an independent organisational unit, namely the Internal Audit Service (IAS), which reports to the management board and is functionally and organisationally separate from other organisational units of the Company. Its position in the Company ensures autonomy and independence of operation.

The IAS pursued audit engagements in line with the approved annual work plan for 2015, where 9 audit engagements were planned, of which 7.7 were completed. Throughout 2015, Sava Reinsurance Company conducted 2 audit engagements, for which interim reports were prepared. In addition, the IAS rendered several informal consulting services, in particular as part of the Solvency II alignment project.

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

The IAS reports regularly – on a quarterly basis – to the management board, the audit committee and the supervisory board on the results of completed auditing engagements, the effectiveness and efficiency of control systems, corporate governance, risk management, identified breaches and irregularities and on monitoring the implementation of recommendations. In addition, the IAS prepared an annual report on its activities in 2015, which is part of the materials for the general meeting of shareholders.

As part of developing the internal audit function, the IAS continued the transfer of internal auditing methodologies to internal audit services of other Sava Re Group members. We upgraded the internal audit methodology based on the action plan (external assessment), which confirmed the compliance of activities with internal audit standards. We have drawn up an internal audit policy for Sava Reinsurance Company and for the Sava Re Group, which superseded existing rules amending them with content to satisfy Solvency II requirements. In 2015 the internal audit methodology was transferred across the Group through audit engagements in which the auditors of subsidiaries participated.

The IAS also conducted a self-assessment in 2015. The results showed that the operations of the IAS complied with the definition of internal auditing, the standards and the code of ethics.

14.

SUSTAINABLE DEVELOPMENT AT THE SAVA RE GROUP

The Sava Re Group's basic mission is to ensure security for both life and property, to manage risks to avoid uncertainty and improve the quality of life. We are building and maintaining conditions that ensure a secure and carefree life as well as favourable business results, which is an investment for the future.

Sava Reinsurance Company nurtures common values that are reflected in our positive work environment, sound business culture and lasting relationships. These can be seen in the directions we set and follow, in our daily work, behaviour, communication, relationships and decisions.

This year, we started building a framework for the Group's sustainable development strategy and policies. This area will be more thoroughly and uniformly regulated next year as it largely depends on other strategic processes underway in the Sava Re Group. In 2017, we will have to comply with the EU directive on disclosure of non-financial and diversity information. Currently, this area is not regulated uniformly within the Group. There are, however, in place certain documents at the Group level that promote social responsibility, such as the corporate governance policy of the Sava Re Group, the compliance policy, the Sava Re Group financial control manual, the Sava Re Group code of ethics, and recommendations that the Group is seeking to comply with, such as the environmental and social policy of the European Bank for Reconstruction and Development (EBRD), the recommendations and expectation of the Slovenian Sovereign Holding, and recommendations of the Ljubljana Stock Exchange for listed companies.

Sava Reinsurance Company uses as its reference code the Corporate Governance Code adopted by the Ljubljana Stock Exchange, the Managers' Association of Slovenia and the Association of Supervisory Board Members on 8 December 2009.

New commitments entered in 2015

The year 2015 was largely devoted to harmonising internal rules with the new Solvency II regime.

Solvency II aims at harmonising insurance legislation and practices throughout the European Union, promoting fundamental concepts, such as financial statements based on market value, risk-based capital requirements, own risk and solvency assessment, accountability of the management board and other management. The purpose of the new requirements is to better protect policyholders, which is also in line with the principles of sustainability.

Accordingly, some implementing documents were revised this year, such as the reinsurance underwriting guidelines, strategy for managing equities and rules on procurement. Next year, the Group is planning to revise and align other implementing documents and guidelines that must be consistent with the adopted Solvency II policies and the principle of sustainable development.

Responsibility towards stakeholders

We are committed to the cultivation of responsible and sincere relations with our stakeholders. We foster a transparent and two-way communication. The controlling company complies with the recommendations and rules for public communication and we are looking for additional opportunities to facilitate access to information and exchange of views, making use of information technology, which is unconstrained by time and space.

In 2015 a new web platform for internal communication was set up in most Group companies.

We also redesigned the Company's web site www.sava-re.si, providing regular information to all stakeholders, with an emphasis on investors. Published information is automatically forwarded to email addresses of stakeholders who have signed up to receive news.

In accordance with EBRD guidelines for sustainable development in all business areas, the Company reports to EBRD, annually, on the implementation of and compliance with these guidelines, namely in human resources management, prevention of money laundering and terrorist financing, prevention of corruption, environmental protection and sustainable development in all business areas.

Personnel

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

Employees have access to the latest news about the Company and to the latest contents. We foster good relationships and engage in two-way communication by means of regular all-staff meetings, idea collection, the intranet, internal media, email, management meetings, personal meetings, internal training, informal staff meetings (including also retired staff), team training, meetings with union and workers' council representatives, annual interviews and regular strategic conferences.

Through adjusted organisation of work and flexitime, we help young parents balance their professional and private life.

Employee satisfaction in organisational units is measured through regular staff meetings and individual conversations. We find that employees are particularly satisfied with the conditions of work and interpersonal relationships.

The Company has appointed two persons for the prevention of mobbing, who are to provide assistance and support to employees who feel subject to aggression, bullying, harassment and other forms of psychosocial risks in the workplace that are dangerous to health. In the past year, no such cases were reported.

Group companies do not perceive specific complaints of employees and the number of labour relation disputes is low. In addition, we have developed a solid relationship with labour representatives, and companies are prompt and efficient in meeting contractual liabilities to employees, which contributes to employee satisfaction. The Group also seeks to establish a specific value system and code of conduct, emphasising mutual respect, effective communication and co-operation.

In 2015, we paid special attention to assessing corporate culture and laying the groundwork for a common modern organisational culture in the Group.

Business partners

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

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

Supervising the implementation of provisions

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

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

Financial community

We dedicate special attention to our shareholders and prospective investors. We communicate with this group of stakeholders by organising regular quarterly meetings with analysts and investors (direct or via webcasts), through events organised by the Ljubljana Stock Exchange and other organisers and participation in local and international road shows. We ensure prompt and uniform information also via our official website at www.sava-re.si, the SEOnet portal of the Ljubljana Stock exchange, via the media, press conferences and letters to shareholders sent to keep them updated and to invite them to the general meeting. In all our announcements, we comply with the standards applicable to the prime market of the Ljubljana Stock Exchange. More information about investor relations is provided in section 3.3 "Investor relations".

Communication

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

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

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

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

Social responsibility

All members of the Sava Re Group also celebrated the traditional Sava Re Day in 2015. On that day, employees are encouraged to take part in socially beneficial and humanitarian activities. Group members join forces with local non-profit organisations and help groups in need of assistance or the less privileged.

Individual Group companies provide financial support to organisations and individuals in accordance with the adopted policy on sponsorships and donations.

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

Investments

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

15. BUSINESS PROCESSES AND IT SUPPORT TO OPERATIONS

Key information technology activities in 2015 consisted in:

- ensuring the establishment of a backup data centre for the companies that had not previously had such a centre,
- introduction of the MS Dynamics NAV 2013 application in Sava Reinsurance Company and Zavarovalnica Maribor (as a continuation of the Group-wide unification),
- unification of payroll and personnel applications in Slovenia, and
- continued introduction of shared services: document management system, archival system, sharepoint, intranet, email, risk register and other.

In line with the IT strategy, most of the Group companies' IT services are provided by the virtual Group data centre that operates at locations in Maribor and Novo mesto. For systems that primarily operate in Novo mesto, we have already secured the required equipment for data and system mirroring to the data centre in Maribor in order to be able to provide all services, even in the event that the Novo mesto data centre goes down or is unavailable. In 2015 we worked to ensure equivalent solutions for systems that primarily operate in the Maribor data centre. Preparations for the latter were more complex due to the different technology employed at the Maribor centre. The equipment for the backup location was prepared and configured in 2015, while the transfer to the Novo mesto data centre will be carried out in the first quarter of 2016. This will ensure the functioning of all key systems should one of the data centres experience a failure. In 2015 we also provided for the mirroring of systems from other Group companies that had not yet employed this solution. We restored the local data centres in the Illyria and Velebit companies and integrated these two companies and Sava Montenegro into the ongoing mirroring of all systems into the data centres in Slovenia. In the event of a failure of any Group company centre, we can thus promptly ensure operation from the data centre in Slovenia.

In order to better utilise online connections, we connected Group companies through a virtual network, together with the data centre in Maribor, so that the data traffic (e.g. to the document management system) no longer runs through the Novo mesto data centre. We also established the AD LDS directory service that enables the single authentication of users from all companies, irrespective of whether each location has its own active directory. This allows us to introduce new AD-based shared services more efficiently. In order to allow for applications to be used in terminal mode for certain services or companies, we upgraded the shared terminal environment.

In terms of software the majority of activities in Group companies revolved around the introduction of the new version of MS Dynamics NAV in Pozavarovalnica Sava and Zavarovalnica Maribor, and with the introduction of unified shared support software for personnel, payroll, travel forms and employee time-tracking in Slovenia-based companies.

We introduced the shared risk register and employee time-tracking application for the companies based in Slovenia and continued with the provision of new services from the data centre in Slovenia for all Group companies. In 2015 we set up a shared portal, Sharepoint, as well as individual intranet sites for Group companies. We launched the introduction of the document management system for companies outside Slovenia (first for invoice approval), and began with email consolidation in the second half of the year. The latter allows us to provide email service to Sava osiguranje and Sava životno osiguranje from the data centre in Maribor.

We continued with the development of applications supporting insurance and reinsurance operations within the Group. In Velebit osiguranje, we introduced the ASP.ins application for the new Best Doctors product and actively upgraded the ASP.ins application. Mid-year the company Sava osiguranje adopted the ASP.ins 3 version, which significantly changed some of the business processes. The migration from version 2 to version 3 was conducted also in Sava Montenegro and concluded prior to this report. As a result of said migration, version 3 is used by all of the companies that use ASP.ins. This version saw a number of upgrades in 2015, all of which are the result of legislative changes in individual countries (adjustment of reporting in Serbia, integration of claims with regulator's records in Macedonia, introduction of on-line transacting and integration with the regulator as a result of the introduction of the bonus-malus system in car insurance in Montenegro...). We also continue with the gradual introduction of the REvolve application for the management of reinsurance business at Sava Reinsurance Company. In the framework of the objectives of the strategic IT plan, work began, at the end of 2015, on the selection of a new, Group-wide (single) information technology life insurance support system.

SAVA RE GROUP

FINANCIAL STATEMENTS WITH NOTES

16. AUDITOR'S REPORT

Building a better working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of Pozavarovalnica Sava d.d.

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of the Sava Re Group which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Sava Re Group as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements
Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act and the Appendix to annual report (hereafter referred to as "Appendix") on the basis of schemes defined by Regulatory Authority. Our responsibility is to assess whether the business report and the Appendix are consistent with the audited consolidated financial statements. Our work regarding the business report and the Appendix is performed in accordance with ISA 720, and restricted to assessing whether the business report and the Appendix are consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

The business report and the Appendix are consistent with the audited consolidated financial statements.

Ljubljana, 30.3.2016

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

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

Primož Kovačič
Certified Auditor

17. CONSOLIDATED FINANCIAL STATEMENTS

17.1. Consolidated statement of financial position

(€)	Note	31/12/2015	31/12/2014
ASSETS		1,607,281,060	1,454,374,935
Intangible assets	**1**	**30,465,315**	**34,940,960**
Property and equipment	**2**	**47,217,311**	**44,473,638**
Deferred tax assets	**3**	**2,371,857**	**1,202,381**
Investment property	**4**	**8,040,244**	**5,103,325**
Financial investments in associates	**5**	**0**	**3,072,497**
Financial investments:	**6**	**1,015,056,805**	**974,668,382**
- loans and deposits		57,721,961	101,457,439
- held to maturity		165,444,270	164,317,392
- available for sale		773,486,797	692,418,016
- at fair value through profit or loss		18,403,777	16,475,535
Funds for the benefit of policyholders who bear the investment risk	**6**	**214,189,117**	**202,913,059**
Reinsurers' share of technical provisions	**7**	**23,877,277**	**38,672,645**
Assets from investment contracts	**8**	**111,418,244**	**0**
Receivables	**9**	**130,663,929**	**124,395,153**
Receivables arising out of primary insurance business		51,510,767	54,233,024
Receivables arising out of reinsurance and co-insurance business		68,757,586	59,502,227
Current tax assets		1,734,294	353,016
Other receivables		8,661,282	10,306,886
Deferred acquisition costs	**10**	**17,992,485**	**17,489,101**
Other assets	**11**	**1,173,159**	**1,351,244**
Cash and cash equivalents	**12**	**4,710,904**	**5,643,200**
Non-current assets held for sale	**13**	**104,413**	**449,350**
EQUITY AND LIABILITIES		1,607,281,060	1,454,374,935
Equity		**286,401,678**	**271,528,623**
Share capital	14	71,856,376	71,856,376
Capital reserves	15	43,388,724	44,638,799
Profit reserves	16	122,954,429	115,146,336
Own shares	17	-10,319,347	-10,115,023
Fair value reserve	18	12,684,233	18,448,741
Retained earnings	19	23,490,926	15,652,780
Net profit/loss for the period	19	24,849,678	17,474,558
Translation reserve		-3,467,155	-3,489,433
Equity attributable to owners of the controlling company		**285,437,863**	**269,613,133**
Non-controlling interest in equity	**20**	**963,815**	**1,915,490**
Subordinated liabilities	**21**	**23,534,136**	**28,699,692**
Technical provisions	**22**	**887,068,500**	**869,982,633**
Unearned premiums		156,039,680	148,169,690
Mathematical provisions		262,052,426	256,292,141
Provision for outstanding claims		459,012,655	454,759,004
Other technical provisions		9,963,739	10,761,798
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**22**	**207,590,086**	**195,684,631**
Other provisions	**23**	**7,389,695**	**6,940,650**
Deferred tax liabilities	**3**	**4,598,731**	**5,749,180**
Liabilities under investment contracts	**8**	**111,304,383**	**0**
Other financial liabilities	**24**	**206,047**	**78,870**
Liabilities from operating activities	**25**	**54,467,303**	**49,364,797**
Liabilities from primary insurance business		10,968,865	11,728,377
Liabilities from reinsurance and co-insurance business		39,739,412	32,866,047
Current income tax liabilities		3,759,026	4,770,373
Other liabilities	**26**	**24,720,501**	**26,345,859**

The notes to the financial statements in sections 18.4–18.12 form an integral part of these financial statements.

17.2. Consolidated income statement

(€)	Note	2015	2014
Net earned premiums	**28**	**447,559,605**	**437,572,337**
Gross premiums written		486,264,557	468,179,052
Written premiums ceded to reinsurers and co-insurers		-30,314,747	-27,401,698
Change in gross unearned premiums		-7,972,818	-4,154,987
Change in unearned premiums for the reinsurance and co-insurance part		-417,387	949,970
Income from investments in associates	**29**	**942,560**	**154,294**
Profit from investments in equity-accounted associate companies		165,067	154,294
Other income		777,493	0
Investment income	**30**	**39,577,855**	**36,125,293**
Interest income		22,637,172	24,301,144
Other investment income		16,940,683	11,824,149
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**30**	**26,631,788**	**19,146,081**
Other technical income	**31**	**19,318,601**	**10,079,252**
Commission income		3,656,904	2,964,859
Other technical income		15,661,697	7,114,393
Other income	**35**	**4,647,977**	**4,237,625**
Net claims incurred	**32**	**-273,129,823**	**-257,080,153**
Gross claims payments less income from recourse receivables		-271,503,134	-255,340,015
Reinsurers' and co-insurers' shares		17,718,201	10,617,997
Change in the gross claims provision		-5,373,020	-16,937,425
Change in the provision for outstanding claims for the reinsurance and co-insurance part		-13,971,870	4,579,290
Change in other technical provisions	**33**	**-1,282,026**	**-3,565,856**
Change in technical provisions for policyholders who bear the investment risk	**33**	**-11,036,450**	**-25,455,421**
Expenses for bonuses and rebates		**-580,091**	**-336,879**
Operating expenses	**34**	**-148,918,373**	**-146,621,433**
Acquisition costs		-49,853,683	-47,511,857
Change in deferred acquisition costs		1,451,391	-489,499
Other operating expenses		-100,516,081	-98,620,077
Expenses for investments in associates and impairment losses on goodwill	**29**	**-2,936,678**	**-1,901,375**
Impairment loss on goodwill		-2,936,678	-1,901,375
Expenses for financial assets and liabilities	**30**	**-13,005,902**	**-6,896,944**
Impairment losses on financial assets not at fair value through profit or loss		-726,066	-1,646,767
Interest expense		-1,161,059	-1,417,491
Other investment expenses		-11,118,777	-3,832,686
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	**30**	**-25,930,786**	**-7,900,587**
Other technical expenses	**35**	**-20,113,718**	**-16,394,418**
Other expenses	**35**	**-1,646,568**	**-2,205,574**
Profit/loss before tax		**40,097,971**	**38,956,242**
Income tax expense	**36**	**-6,732,520**	**-8,418,092**
NET PROFIT/LOSS FOR THE PERIOD		33,365,451	30,538,150
Net profit/loss attributable to owners of the controlling company		**33,377,857**	**30,595,945**
Net profit/loss attributable to non-controlling interests		**-12,406**	**-57,795**
Basic and diluted earnings per share	**19**	**2.02**	**1.82**

The notes to the financial statements in sections 18.4–18.12 form an integral part of these financial statements.

17.3. Consolidated statement of comprehensive income

	2015			2014		
(€)	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	**33,377,857**	**-12,406**	**33,365,451**	**30,595,945**	**-57,795**	**30,538,150**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**-5,742,230**	**-5,167**	**-5,747,397**	**10,348,541**	**7,783**	**10,356,324**
a) Items that will not be reclassified subsequently to profit or loss	**108,540**	**0**	**108,540**	**-664,785**	**0**	**-664,785**
Other items that will not be reclassified subsequently to profit or loss	105,795	0	105,795	-668,034	0	-668,034
Tax on items that will not be reclassified subsequently to profit or loss	2,745	0	2,745	3,249	0	3,249
b) Items that may be reclassified subsequently to profit or loss	**-5,850,770**	**-5,167**	**-5,855,937**	**11,013,326**	**7,783**	**11,021,109**
Net gains/losses on remeasuring available-for-sale financial assets	**-7,013,374**	**-4,835**	**-7,018,209**	**13,518,626**	**15,309**	**13,533,935**
Net change recognised in the fair value reserve	-9,411,317	-4,835	-9,416,152	9,888,644	15,309	9,903,953
Net change transferred from fair value reserve to profit or loss	2,397,943	0	2,397,943	3,629,982	0	3,629,982
Net gains/losses attributable to the Group recognised in fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	**-33,187**	**0**	**-33,187**	**51,539**	**0**	**51,539**
Tax on items that may be reclassified subsequently to profit or loss	**1,173,513**	**-2,881**	**1,170,632**	**-2,196,353**	**-3,262**	**-2,199,615**
Net gains/losses from translation of financial statements of non-domestic companies	**22,278**	**2,549**	**24,827**	**-360,486**	**-4,264**	**-364,750**
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	27,635,627	-17,573	27,618,054	40,944,486	-50,012	40,894,474
Attributable to owners of the controlling company	**27,635,627**	**0**	**27,635,627**	**40,944,486**	**0**	**40,944,486**
Attributable to non-controlling interest	**0**	**-17,573**	**-17,573**	**0**	**-50,012**	**-50,012**

The notes to the financial statements in sections 18.4–18.12 form an integral part of these financial statements.

17.4. Consolidated statement of cash flows

(€)				Note	2015	2014
A.	CASH FLOWS FROM OPERATING ACTIVITIES					
	a.)		**Items of the income statement**	**37**	**54,416,596**	**44,634,995**
		1.	Net premiums written in the period	28	455,949,810	440,777,354
		2.	Investment income (other than financial income), financed from:	30	170,904	286,359
			- technical provisions		62,583	159,508
			- other sources		108,321	126,851
		3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables		23,909,835	14,316,877
		4.	Net claims payments in the period	32	-253,784,934	-244,722,018
		5.	Expenses for bonuses and rebates		-580,091	-336,879
		6.	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	34	-142,784,022	-138,535,125
		7.	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:		-28,843	-124,007
			- technical sources		-11,753	-90,155
			- other sources		-17,090	-33,852
		8.	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	35	-21,703,543	-18,599,992
		9.	Tax on profit and other taxes not included in operating expenses	36	-6,732,520	-8,427,574
	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**		**-9,205,052**	**6,038,004**
		1.	Change in receivables from primary insurance	9	2,722,257	2,638,368
		2.	Change in receivables from reinsurance	9	-6,873,365	-9,068,388
		3.	Change in other receivables from (re)insurance business	9	1,146,740	-331,357
		4.	Change in other receivables and other assets	9	-694,694	1,999,779
		5.	Change in deferred tax assets	3	-1,169,476	2,294,211
		6.	Change in inventories		-9,635	41,345
		7.	Change in liabilities arising out of primary insurance	25	10,968	-1,222,878
		8.	Change in liabilities arising out of reinsurance business	25	6,873,365	1,922,127
		9.	Change in other operating liabilities	26	-7,861,875	4,234,774
		10.	Change in other liabilities (except unearned premiums)	26	-2,198,888	1,789,719
		11.	Change in deferred tax liabilities	3	-1,150,449	1,740,304
	c.)		**Net cash from/used in operating activities (a + b)**		**45,211,544**	**50,672,999**

				2015	2014
B.	CASH FLOWS FROM INVESTING ACTIVITIES				
	a.)		**Cash receipts from investing activities**	**1,125,832,461**	**1,199,765,285**
		1.	Interest received from investing activities relating to:	22,637,172	24,301,144
			- investments financed from technical provisions	21,391,082	23,329,799
			- other investments	1,246,090	971,345
		2.	Proceeds from dividends and shares in the profit of others, relating to:	1,228,274	944,403
			- investments financed from technical provisions	856,060	644,419
			- other investments	372,214	299,984
		3.	Proceeds from sale of intangible assets, financed from:	1,745	6,937
			- technical provisions	1,745	
			- other sources	0	6,937
		4.	Proceeds from sale of property and equipment, financed from:	1,705,395	1,748,354
			- technical provisions	125,682	0
			- other sources	1,579,713	1,748,354
		5.	Proceeds from sale of long-term financial investments, financed from:	298,749,057	245,322,072
			- technical provisions	261,988,562	224,013,026
			- other sources	36,760,495	21,309,046
		6.	Proceeds from sale of short-term financial investments, financed from:	801,510,818	927,442,375
			- technical provisions	704,912,768	795,415,721
			- other sources	96,598,050	132,026,654
	b.)		**Cash disbursements in investing activities**	**-1,154,141,693**	**-1,222,101,794**
		1.	Purchase of intangible assets	-802,637	-1,290,181
		2.	Purchase of property and equipment, financed from:	-2,522,994	-2,789,038
			- technical provisions	-58,429	-213,454
			- other sources	-2,464,565	-2,575,584
		3.	Purchase of long-term financial investments, financed from:	-350,452,684	-312,248,949
			- technical provisions	-295,380,730	-282,121,196
			- other sources	-55,071,954	-30,127,753
		4.	Purchase of short-term financial investments, financed from:	-800,363,378	-905,773,626
			- technical provisions	-697,994,013	-784,894,550
			- other sources	-102,369,365	-120,879,076
	c.)		**Net cash from/used in investing activities (a + b)**	**-28,309,232**	**-22,336,509**
C.	CASH FLOWS FROM FINANCING ACTIVITIES				
	b.)		**Cash disbursements in financing activities**	**-17,838,511**	**-26,126,010**
		1.	Interest paid	-1,161,059	-1,417,491
		3.	Repayment of long-term financial liabilities	-5,375,567	-8,020,956
		4.	Repayment of short-term financial liabilities	-2,031,583	-5,006,946
		5.	Dividends and other profit participations paid	-9,065,978	-4,386,985
		6.	Own share repurchases	-204,324	-7,293,632
	c.)		**Net cash from/used in financing activities (a + b)**	**-17,838,511**	**-26,126,010**
C2.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS			4,710,904	5,643,200
	x)		**Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)**	**-936,199**	**2,210,480**
	y)		**Opening balance of cash and cash equivalents**	**5,643,200**	**3,432,720**
			Opening balance of cash and cash equivalents – acquisition	3,902	0

The notes to the financial statements in sections 18.4–18.12 form an integral part of these financial statements.

17.5. Consolidated statement of changes in equity for the year ended 31 December 2015

(€)	I. Share capital	II. Capital reserves	III. Profit reserves: Legal reserves and reserves provided for by the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalisation reserve	III. Profit reserves: Other	IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (14 + 15)
Note	**14**	**15**					**16**	**18**		**19**	**17**			**20**	
	1.	**2.**	**4.**	**5.**	**6.**	**7.**	**8.**	**9.**	**10.**	**11.**	**12.**	**13.**	**14.**	**15.**	**16.**
Closing balance in the previous financial year	**71,856,376**	**44,638,799**	**11,140,269**	**10,115,023**	**876,938**	**11,744,474**	**81,269,632**	**18,448,741**	**15,652,780**	**17,474,558**	**-10,115,023**	**-3,489,433**	**269,613,133**	**1,915,490**	**271,528,623**
Prior-period adjustments	0	0	0	0	0	-822,582	0	0	-467,936	0	0	0	-1,290,518	0	-1,290,518
Opening balance in the financial period	**71,856,376**	**44,638,799**	**11,140,269**	**10,115,023**	**876,938**	**10,921,892**	**81,269,632**	**18,448,741**	**15,184,844**	**17,474,558**	**-10,115,023**	**-3,489,433**	**268,322,615**	**1,915,490**	**270,238,105**
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-5,764,508**	**0**	**33,377,857**	**0**	**22,278**	**27,635,627**	**-17,573**	**27,618,054**
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	33,377,857	0		33,377,857	-12,406	33,365,451
b) Other comprehensive income	0	0	0	0	0	0	0	-5,764,508	0	0		22,278	-5,742,230	-5,167	-5,747,397
Net purchase/sale of treasury shares	0	0	0	204,324	0	0	0	0	0	-204,324	-204,324	0	-204,324	0	-204,324
Dividend payouts	0	0	0	0	0	0	0	0	-9,065,978	0	0	0	-9,065,978	0	-9,065,978
Allocation of net profit to profit reserve	0	0	102,497	0	0	0	7,921,425	0	-102,497	-7,921,425	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	99,253	303,176	0	0	0	-402,429	0	0	0	0	0
Transfer of profit	0	0	0	0	0	0	0	0	17,474,558	-17,474,558	0	0	0	0	0
Acquisition of non-controlling interest	0	-1,250,075	0	0	0	0	0	0	0	0	0	0	-1,250,075	-934,102	-2,184,177
CLOSING BALANCE IN THE FINANCIAL PERIOD	71,856,376	43,388,724	11,242,766	10,319,347	976,191	11,225,068	89,191,057	12,684,233	23,490,926	24,849,678	-10,319,347	-3,467,155	285,437,863	963,815	286,401,678

17.6. Consolidated statement of changes in equity for the year ended 31 December 2014

(€)	I. Share capital	II. Capital reserves	III. Profit reserves: Legal reserves and reserves provided for by the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalisation reserve	III. Profit reserves: Other	IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares	VIII. Translation reserve	IX. Equity attributable to owners of the controlling company	X. Non-controlling interest in equity	Total (13 + +14)
Note	14	15					16	18		19	17			20	
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15
Closing balance in the previous financial year	**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**
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**	**10,709,027**	**0**	**30,595,945**	**0**	**-360,486**	**40,944,486**	**-50,010**	**40,894,476**
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	30,595,945	0	0	30,595,945	-57,795	30,538,150
b) Other comprehensive income	0	0	0	0	0	0	0	10,709,027	0	0	0	-360,486	10,348,541	7,783	10,356,324
Net purchase/sale of treasury shares	**0**	**2,215,439**	**0**	**7,293,632**	**0**	**0**	**0**	**0**	**0**	**-7,293,632**	**-7,293,632**	**0**	**-5,078,193**	**0**	**-5,078,193**
Dividend payouts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-4,386,985**	**0**	**0**	**0**	**-4,386,985**	**0**	**-4,386,985**
Allocation of net profit to profit reserve	0	0	1,727	0	0	0	6,077,139	0	-1,727	-6,077,139	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	76,863	-326,245	0	0	0	249,382	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
CLOSING BALANCE IN THE FINANCIAL PERIOD	71,856,376	44,638,799	11,140,269	10,115,023	876,938	11,744,474	81,269,632	18,448,741	15,652,780	17,474,558	-10,115,023	-3,489,433	269,613,133	1,915,490	271,528,623

The notes to the financial statements in sections 18.4–18.12 form an integral part of these financial statements.

18. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18.1. Basic details

Reporting company

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

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

The Group transacts reinsurance business (20 % of premium income), life insurance business (18 % of premium income) and non-life insurance business (62 % of premium income).

In 2015 the Group employed on average 2,465 people (2014: 2,427). At 31 December 2015, the Group employed 2,488 people (31/12/2014: 2,442 employees) on a full-time equivalent basis. Statistics on employees in regular employment by various criteria are given in section 10.3 »Recruitment and staffing levels«.

Number of employees by degree of formal education

	31/12/2015	31/12/2014
Primary and lower secondary education	51	50
Secondary	1,226	1,223
Higher	290	298
University	840	795
Masters' degree and doctorate	81	76
TOTAL	2,488	2,442

The controlling company has the following governing bodies: the general meeting, the supervisory board and the management board.

The largest shareholder of the controlling company is the Slovenian Sovereign Holding (previously the Slovenian Restitution Fund, SOD), which holds 25 % plus one share. The second largest shareholder is Societe Generale – Splitska banka (escrow account) with a 9.8 % stake. Under the table »Ten largest shareholders of Sava Reinsurance Company at 31 December 2015« there is a note regarding the share of voting rights.

It is the responsibility of the controlling company's management board to prepare the consolidated annual report and authorise it for issue. The audited consolidated annual report is approved by the supervisory board of the controlling company. If the annual report is not approved by the supervisory board, or if the management board and supervisory board leave the decision about its approval (authorisation for issue) to the general meeting of shareholders, the general meeting decides on the approval (authorisation for issue) of the annual report.

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

18.2. Business combinations and overview of Group companies

In 2015, the controlling company recapitalised the life insurer Sava životno osiguranje Belgrade with € 1.4 million. In December 2015 the acquisition of the pension company Moja naložba has been finalised. The controlling company became the sole owner of the company. The following table shows the fair value of the net assets of Moja naložba acquired in the business combination and goodwill recognised.

(€)	Moja naložba
Intangible assets	38,428
Property and equipment	58,472
Financial investments	11,205,150
Assets from investment contracts	111,418,244
Receivables	1,708
Cash and cash equivalents	3,902
Other assets	5,636
A. TOTAL ASSETS	122,731,540
Technical provisions	3,745,778
Other provisions	46,046
Other financial liabilities	111,304,383
Operating liabilities and other liabilities	316,553
B. TOTAL LIABILITIES	115,412,760
Fair value of net assets acquired (A – B)	7,318,780
Goodwill	1,529,820
MARKET VALUE OF THE INVESTMENT AT 31/12/2015	8,848,600

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

Subsidiaries at 31 December 2015

(€)	Principle activity	Country of incorpora-tion	Assets	Liabilities	Equity at 31/12/2015	Profit/loss for 2015	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	908,898,300	790,328,325	118,569,975	23,968,366	248,119,066	100.00 %
Zavarovalnica Tilia	insurance	Slovenia	165,237,444	136,299,998	28,937,446	4,319,400	78,633,144	100.00 %
Sava osiguranje Belgrade	insurance	Serbia	23,857,347	18,990,278	4,867,069	-579,545	14,748,214	100.00 %
Illyria	insurance	Kosovo	14,679,093	10,822,466	3,856,627	40,997	7,919,776	100.00 %
Sava osiguruvanje Skopje	insurance	Macedonia	21,060,203	16,406,655	4,653,548	452,959	11,025,527	92.44 %
Sava Montenegro	insurance	Montenegro	22,274,653	16,313,528	5,961,125	1,991,841	11,697,891	100.00 %
Illyria Life	insurance	Kosovo	6,923,299	3,402,448	3,520,851	82,020	1,470,572	100.00 %
Sava životno osiguranje	insurance	Serbia	5,399,994	1,956,335	3,443,659	-288,182	1,279,062	100.00 %
Velebit usluge in liquidation	wholesale, retailer	Croatia	12,324,595	577	12,324,018	-763	11,107	100.00 %
Velebit osiguranje	insurance	Croatia	17,462,301	13,180,789	4,281,512	4,477	6,791,189	92.08 %
Velebit životno osiguranje	insurance	Croatia	9,365,330	6,173,033	3,192,297	-420,647	3,253,363	88.71 %
Illyria Hospital	hospital	Kosovo	1,800,772	4,495	1,796,277	-30	0	100.00 %
Sava Car	research and analysis	Montenegro	396,944	31,633	365,311	49,011	663,824	100.00 %
Vivus	consulting and marketing of insurances of the person	Slovenia	405,873	74,894	330,979	123,966	1,099,289	100.00 %
ZM svetovanje	insurance agent	Slovenia	48,831	20,850	27,981	-49,150	28,565	100.00 %
Ornatus KC	ZM call centre	Slovenia	35,540	21,137	14,403	3,068	226,724	100.00 %
Montagent	insurance agent	Montenegro	2,478,916	235,2786	126,130	92,907	656,955	100.00 %
Sava stejšn	motor research and analysis	Macedonia	227,010	15,740	211,270	11,436	108,352	92.44 %
Moja naložba	pension fund	Slovenia	122,707,805	115,412,757	7,295,048	366,815	2,653,260	100.00 %

The Group had no associates at 31 Dec 2015.

Subsidiaries at 31 December 2014

(€)	Principle activity	Country of incorpora-tion	Assets	Liabilities	Equity at 31/12/2014	Profit/loss for 2014	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	899,035,641	788,608,945	110,426,696	16,436,172	257,449,141	100.00 %
Zavarovalnica Tilia	insurance	Slovenia	163,846,831	138,893,450	24,953,381	4,108,934	77,275,516	100.00 %
Sava osiguranje Belgrade	insurance	Serbia	23,196,396	17,368,362	5,828,034	249,782	12,236,698	99.99 %
Illyria	insurance	Kosovo	13,860,878	10,032,636	3,828,242	231,665	8,628,022	100.00 %
Sava osiguruvanje Skopje	insurance	Macedonia	20,784,377	16,596,093	4,188,284	331,246	10,459,133	92.44 %
Sava Montenegro	insurance	Montenegro	24,230,984	18,235,005	5,995,979	1,509,523	11,400,747	100.00 %
Illyria Life	insurance	Kosovo	6,199,434	2,610,286	3,589,148	140,326	1,699,916	100.00 %
Sava životno osiguranje	insurance	Serbia	3,981,704	1,668,040	2,313,664	-279,600	1,473,234	99.99 %
Velebit usluge	wholesale, retailer	Croatia	12,300,734	12,638	12,288,096	-3,431,699	14,210	100.00 %
Velebit osiguranje	insurance	Croatia	18,296,960	13,983,798	4,313,162	59,776	8,058,495	78.77 %
Velebit životno osiguranje	insurance	Croatia	8,970,660	5,332,473	3,638,187	-709,984	2,900,669	71.37 %
Illyria Hospital	hospital	Kosovo	1,800,802	4,495	1,796,307	-54	0	100.00 %
Sava Car	research and analysis	Montenegro	489,401	173,102	316,299	21,425	560,388	100.00 %
Vivus	consulting and marketing of insurances of the person	Slovenia	315,627	108,614	207,013	80,132	1,167,281	100.00 %
Ornatus	insurance agent	Slovenia	5,532	1	5,531	4,438	7,662	100.00 %
Ornatus KC	ZM call centre	Slovenia	31,733	20,398	11,335	9,731	150,932	100.00 %
Montagent	insurance agent	Montenegro	2,670,693	2,635,303	35,390	26,358	354,120	100.00 %

Associate company at 31 December 2014

(€)	Principle activity	Country of incorpora-tion	Assets	Liabilities	Equity at 31/12/2014	Profit/loss for 2014	Total income	Share of voting rights (%)
Moja naložba	pension fund	Slovenia	115,241,723	108,212,151	7,029,572	342,873	2,767,623	45.00 %

18.3. Consolidation principles

The controlling company prepared both separate and consolidated financial statements for the year ended 31 December 2015. The consolidated financial statements include Sava Reinsurance Company as the controlling company and all subsidiaries, i.e. companies in which Sava Reinsurance Company holds, directly or indirectly, more than half of the voting rights and has the power to control the financial and operating policies so as to obtain benefits from its activities. It is also of key importance for the satisfaction of the conditions mentioned above that in the event of a takeover of the insurance company, the controlling company obtains all required approvals and consents (Insurance Supervision Agency and other supervisory institutions).

All subsidiaries were fully consolidated in the Sava Re Group. Up until 30 December 2015, the associate was accounted for in the consolidated statements using the equity method.

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

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

When acquiring a non-controlling interest in a subsidiary (when the Group already holds a controlling interest), the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests

in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid, and attributes it to the owners of the controlling company. The difference between cost and carrying amount of the non-controlling interest is accounted for in equity under capital reserves.

Profits earned and losses made by subsidiaries are included in the Group's income statement. Intra-group transactions (receivables and liabilities, expenses and income between the consolidated companies) have been eliminated.

Associate companies

Associates are companies in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another company. Investments in associate companies are accounted for using the equity method. The corresponding share of the associate's profit/loss is recognised in the consolidated income statement; the corresponding share of the associate's comprehensive income is recognised in the consolidated statement of comprehensive income.

18.4. Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the consolidated financial statements. The Group applied the same accounting policies in 2015 as in 2014, except for minor changes as described in section 18.5 »Changes in accounting policies and correction of errors«.

18.4.1. Statement of compliance

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

In selecting and applying accounting policies, as well as in preparing the financial statements, the management board of the controlling company aims to provide understandable, relevant, reliable and comparable accounting information.

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

The management board of the controlling company approved the financial statements on 30 March 2016.

18.4.2. Measurement bases

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

18.4.3. Presentation currency, translation of events and items

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

Assets and liabilities as at 31 December 2015 denominated in foreign currencies were translated into euro using mid-rates of the European Central Bank (ECB) as at 31 December 2015. Amounts in the income statements were translated using the average exchange rate. At 31 December 2014 and 31 December 2015, they were translated using the then applicable mid-rates of the ECB. Exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-cash items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve. Since equity items in the statement of financial position at 31 December 2015 are translated using the exchange rates of the ECB on that day and since interim movements are translated using the average exchange rates of the ECB, any differences arising therefrom are disclosed in the equity item translation reserve.

18.4.4. Use of major accounting estimates and sources of uncertainty

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

- Calculation of goodwill, its measurement and impairment is determined using the accounting policy under section 18.4.8 and note 1.
- Deferred tax assets are recognised if Group entities plan to realise a profit in the medium-term projections.
- Receivables are impaired based on the accounting policy set out in section 18.4.18.2. Any impairment loss recognised is shown in note 9.
- Financial investments: Classification, recognition, measurement and derecognition, as well as investment impairment and fair value measurement are made based on the accounting policy set out in section 18.4.15. Movements in investments and their classification is shown in note 6, while the associated income and expenses, and impairment are shown in note 30.
- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in sections 18.4.24–27. Movements in these provisions are shown in note 22. In 2015, the Group started harmonising methodologies for adequacy testing of life insurance liabilities regarding parameters and the method of determining the risk-free discount curve. The Group has introduced adjustments to the risk-free interest rate curve in order to improve the accuracy of projected future cash flows from investment income and consequently projected future cash flows from profit participations. Unification of the LAT methodology does not alter the reliability of LAT results presented by the Group.

18.4.5. Materiality

To serve as a starting point in determining a materiality threshold for the consolidated financial statements, the management used the equity of the Sava Re Group, specifically 2 % thereof at 31 December 2015, which is € 5.7 million. Disclosures and notes required to meet regulatory or statutory requirements are presented, despite their being below the materiality threshold.

18.4.6. Cash flow statement

The cash flow statement has been prepared using the indirect method. The Group cash flow statement was prepared as the sum of all cash flows of all Group companies less any inter-Group cash flows. Cash flows from operating activities have been prepared based on data from the 2015 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

18.4.7. Statement of changes in equity

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

18.4.8. Intangible assets

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

Intangible assets in the Group include computer software, licences pertaining to computer software (their useful life is assumed to be 5 years) and goodwill described in greater detail below. This item also includes the value of assumed liabilities upon inclusion of Zavarovalnica Maribor into the Sava Re Group, being the equivalent of the difference between the fair value of acquired contractual insurance rights and assumed insurance liabilities. The useful life of intangible assets mentioned above is also 5 years.

18.4.9. Goodwill

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

For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. Movement in goodwill is discussed in detail in note 1 of section 18.8.

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

Section 18.8, note 1, sets out the main assumptions for cash flow projections used in calculating value in use.

18.4.10. Property and equipment

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

Property and equipment assets are first depreciated upon their availability for use. Depreciation is calculated for each item separately, on a straight-line basis. Depreciation rates are determined so as to allow writing off the cost of property and equipment assets over their estimated useful life.

Depreciation rates of property and equipment assets

Depreciation group	Rate
Land	0 %
Buildings	1.3–2 %
Transportation	15.5–20 %
Computer equipment	33.0 %
Office and other furniture	10–12.5 %
Other equipment	6.7–20 %

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

Gains and losses on the disposal of items of property and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property and equipment assets that increase future economic benefits are recognised in their carrying amount.

18.4.11. Non-current assets held for sale

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

18.4.12. Deferred tax assets and liabilities

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

The Group establishes deferred tax assets for temporary tax non-deductible impairments of portfolio investments and for Group companies in liquidation. Deferred tax assets are additionally established for impairment losses on receivables, unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for the credit risk and catastrophe equalisation reserves transferred (on 01/01/2007) from technical provisions to profit reserves, which used to be tax-deductible when set aside (prior to 01/01/2007).

In addition, the Group establishes deferred tax assets and liabilities for that part of value adjustments recorded under negative fair value reserve. Deferred tax assets and liabilities are also accounted for actuarial gains/losses when calculating provisions for severance pay upon retirement. This is because actuarial gains/losses affect comprehensive income as well as the related deferred tax assets/liabilities.

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

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

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In 2015 no deferred tax assets of this kind have been recognised by the Group.

In 2015, deferred tax assets and liabilities were accounted for using tax rates that in the management's opinion will be used to actually tax the differences; these are from 9 to 17 % (2014: the same).

18.4.13. Investment property

Investment property relates to assets that the Group does not use directly for carrying out its activities, but holds to earn rent or to realise capital gains at disposal. The Group uses the cost model and the straight-line depreciation method to account for investment property. Investment property is depreciated at the rate of 1.3–2 %. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Group acts as lessor are cancellable operating leases. Payments and/or rentals received are recognised as income on a straight-line basis over the term of the lease. For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. The Group assesses annually whether there is an indication of impairment of investment property. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the net selling price less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Group measures the fair value of investment property using fair value models. The fair values of investment property in Slovenia were verified based on appraisals made by certified property appraisers.

18.4.14. Financial investments in associates

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

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

Indications of impairment losses on investments in associates are determined based on financial results in individual financial years. The value of a company is assessed based on net profit.

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

18.4.15.1. Classification

The Group classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

This category consists of the following two sub-categories:

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

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

Loans and receivables (deposits)

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

18.4.15.2. Recognition, measurement and derecognition

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

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

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

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

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

18.4.15.3. Determination of fair values

The Group measures all financial instruments at fair value, except for deposits, shares not quoted in any regulated market, loans and subordinated debt (assumed that the carrying amount is a reasonable approximation of fair value) and financial instruments held to maturity, which are measured at amortised cost. The fair value of investment property and land and buildings used in business operations and the fair value of financial instruments measured at amortised cost are set out in note 27. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group determines the fair value of a financial asset on the valuation date by determining the price on the principal market based on:

- for stock exchanges: the quoted closing price on the stock exchange on the measurement date or on the last day of operation of the exchange on which the investment is quoted;
- for the OTC market: quoted closing bid CBBT price or, if unavailable, the Bloomberg bid BVAL on the valuation date or on the last day of operation of the OTC market;
- the price is calculated on the basis of an internal valuation model.

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and presented in accordance with the IFRS 13 fair-value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.

Assets and liabilities are classified in accordance with IFRS 13 especially based on the availability of market information, which is determined by the relative levels of trading identical or similar instruments in the market, with a focus on information that represents actual market activity or binding quotations of brokers or dealers.

Investments measured or disclosed at fair value, are presented in accordance with the levels of fair value under IFRS 13, which categorises the inputs to measure fair value into the following three levels of the fair value hierarchy:

- Level 1 financial investments are those for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical financial assets that the Company can access at the measurement date.
- Level 2 financial investments are those whose fair value is determined using data that are directly or indirectly observable other than the prices quoted within level 1.
- Level 3 comprise financial investments for which observed market data are unavailable. Thus the fair value is determined based on valuation techniques using inputs that are not directly or indirectly observable in the market.

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

18.4.15.4. Impairment of investments

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

18.4.15.4.1. Debt securities

Investments in debt securities are impaired if one of the following conditions is met:

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

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

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

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

18.4.15.4.2. Equity securities

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

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

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

18.4.16. Reinsurers' share of technical provisions

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

The Group tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For an estimation of retrocession risks, see section 18.7.3.6 »Risk management: Retrocession programme – non-life business)«.

18.4.17. Assets and liabilities from investment contracts

Assets and liabilities from investment contracts only include the assets and liabilities from investment contracts of the company Moja naložba. Assets from investment contracts comprise liability fund assets relating to voluntary supplementary pension insurance business. Liabilities from investment contracts comprise liabilities arising out of pension insurance business under group and individual plans for voluntary supplementary pension insurance, for which the administrator maintains personal accounts for pension plan members.

18.4.18. Receivables

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

18.4.18.1. Recognition of receivables

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

Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections 18.4.31 »Net premiums earned« and 18.4.32 »Net claims incurred«.

18.4.18.2. Impairment of receivables

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

In addition to age, the method for accounting for allowances takes into account the phase of the collection procedure, historical data on the percentage of write-offs made and the ratio of recoverability. Assumptions are reviewed annually.

Recourse receivables are recognised as assets only if, on the basis of a recourse claim, an appropriate legal basis exists (a final order of attachment, a written agreement with or payments by the policyholder or debtor, or subrogation for credit risk insurance). Even if subrogation is applicable, recourse receivables are recognised only after the debtor's existence and contactability have been verified. Recognition of principal amounts to which recourse receivables relate decreases claims paid. Group companies recognise impairment losses on recourse receivables based on past experience.

No receivables have been pledged as security.

18.4.19. Deferred acquisition costs

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

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

18.4.20. Other assets

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

18.4.21. Cash and cash equivalents

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

18.4.22. Equity

Composition:

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

Reserves provided for by the articles of association are used:

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

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

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

18.4.23. Subordinated liabilities

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

18.4.24. Classification of insurance contracts

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

At the end of 2015, the controlling company acquired the Moja naložba pension company. As a result, the Group has assets and liabilities from investment contracts relating to this company.

18.4.25. Technical provisions

Technical provisions are shown gross in the statement of financial position. The share of gross technical provisions for the business ceded by the Group to non-Group reinsurers is shown in the statement of financial position under the asset item reinsurers' share of technical provisions. Technical provisions for each Group company are approved by each company's appointed certified actuary. They must be set at an amount that provides reasonable assurance that liabilities from assumed (re)insurance contracts can be met. The main principles used in calculations are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. Unearned premiums for primary insurance are calculated on a pro rata temporis basis at insurance policy level, except for decreasing term contracts (credit life). For reinsurance, data may be unavailable for calculation on insurance policy level; in such cases, nominal percentages are used at reinsurance account level for periods for which premiums are written.

Mathematical provisions for life insurance contracts represent the actuarial value of obligations arising from policyholders' guaranteed entitlements. In most cases, they are calculated using the net Zillmer method with the same parameters as those used for premium calculation, except for the discount rate applied, which was a technical interest rate not exceeding 2.75 %. Other parameters are the same as those used in the premium calculation. Calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortising acquisition costs. The calculation of mathematical provisions is based on the assumption that the full agent commission was paid at conclusion of the contract, while agents actually receive the commission within two to five years depending on the policy term. The mathematical provision includes all deferred commission. The insurance company set aside deferred acquisition costs, showing them under assets in the event of commission prepayments, or shows the difference between the positive Zillmerised mathematical provision and the Zillmerised mathematical provision.

Provisions for outstanding claims (claims provision) are established in the amount of expected liabilities for incurred but not settled claims, including loss adjustment expenses. These comprise provisions for both reported claims calculated based on case estimates and claims incurred by not reported (IBNR) calculated using actuarial methods. Future liabilities are generally not discounted, with the exception of a relatively small part relating to annuities under certain liability insurance contracts. In such cases, the related provisions are established based on the expected net present value of future liabilities.

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

The outstanding claims provision is thus established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums.

Other technical provisions only include the provision for unexpired risks derived from a liability adequacy test of unearned premiums, as described below.

Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation, the premium is deemed to be adequate, the unearned premium is also adequate. Group companies carry out liability adequacy tests for unearned premiums at insurance class level. The calculation of the expected combined ratio in any class of insurance was based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100 %, thus revealing a deficiency in the unearned premium, a corresponding provision for unexpired risks within other technical provisions is set aside, in accordance with the Insurance Act (ZZavar).

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

These are provisions for unit-linked life business. They comprise mathematical provisions, unearned premiums and provisions for outstanding claims. The bulk comprises mathematical provisions. Their value is the aggregate value of all units of funds under all policies, including all premiums not yet converted into units, plus the discretionary bonuses of guaranteed funds managed by us. The value of funds is based on market value as at the statement of financial position date.

18.4.27. Liability adequacy test (LAT)

The Group carries out adequacy testing of provisions set aside based on insurance contracts as at the financial statement date separately for non-life and life business. The liability adequacy test for non-life business is described in section 18.4.25 »Technical provisions«.

Liability adequacy testing for life business

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

Discounting is based on the yield curve for euro area sovereign bonds at the statement of financial position date, but for EU Member States the risk-free yield curve of government bonds at the statement of financial position date, including a loading for market development and the investment mix. Where reliable market data is available, assumptions (such as discount rate and investment return) are derived from observable market prices. Assumptions that cannot be reliably derived from market values are based on current estimates calculated by reference to the Group's own internal models (lapse rates, actual mortality) and publicly available resources (demographic information published by the local statistical bureau). For mortality, higher rates are anticipated than realised due to uncertainty.

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

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

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

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

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

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

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

18.4.28. Other provisions

Employee benefits include severance pay upon retirement and jubilee benefits. Provisions for employee benefits are the net present value of the Group's future liabilities (calculated based on the above assumptions) proportionate to the years of service in the Group (the projected unit credit method). Pursuant to IAS 19 »Employee benefits« came into force in 2013, actuarial gains and losses arising on re-measurement of net liabilities were recognised in other comprehensive income.

These provisions are calculated based on personal data of employees: date of birth, date of commencement of employment in the Group, anticipated retirement, and salary. For each Group company, the amounts of severance pay upon retirement and jubilee benefit are in accordance with local legislations, employment contracts and other applicable regulations. Expected pay-outs also include tax liabilities where payments exceed statutory non-taxable amounts.

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

18.4.29. Other financial liabilities

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

18.4.30. Other liabilities

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

18.4.31. Net premiums earned

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

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

18.4.32. Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, taking into account any decrease in economic benefits in the form of cash outflows or decreases in assets. Net claims incurred comprise gross claims paid net of recourse receivables and reinsured claims, i.e. amounts invoiced to retrocessionaires. The amount of gross claims paid is affected by the change in the claims provision, taking into account estimated claims and provisions for outstanding claims. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Group has yet to receive reinsurance accounts. Claims incurred are estimated based on estimated premiums and combined ratios for individual reinsurance contracts. These items are used to calculate net claims incurred in the income statement.

18.4.33. Income and expenses relating to investments in associates

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

18.4.34. Investment income and expenses

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

Investment income includes:

- dividend income (income from shares),
- interest income,
- exchange gains,
- income from changes in fair value and gains on disposal of investments designated at fair value through profit or loss,
- gains on disposal of investments of other investment categories and
- other income.
- Investment expenses include:
- interest expense,
- exchange losses,
- expenses due to changes in fair value and losses on disposal of investments designated at fair value through profit or loss,
- losses on disposal of investments of other investment categories,
- other expenses.

The mentioned income and expenses are disclosed depending on how the underlying investments are classified, i.e. investments held to maturity, at fair value through profit or loss, available for sale, loans and receivables, or deposits.

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

18.4.35. Operating expenses

Operating expenses comprise:

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

18.4.36. Other technical income

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

18.4.37. Income tax expense

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

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

18.4.38. Information on 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 terms of the nature, scope and organisation of work, CODM (Chief Operating Decision Maker) is a group composed of management board members, director of finance and accounting and director of controlling. CODM can monitor quarterly the results of operations by segments. These results include technical results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions. All figures reviewed by CODM are included in the quarterly financial report submitted to the management board.

Operating segments include reinsurance business, non-life insurance business, life insurance business, and the "other" segment. 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.

Asset items by operating segment at 31 December 2015

(€) 31/12/2015	Reinsurance business	Non-life insurance business Slovenia	Non-life insurance business International	Non-life insurance business Total	Life insurance business Slovenia	Life insurance business International	Life insurance business Total	Other	Total
ASSETS	335,113,208	471,097,412	104,110,885	575,208,297	670,046,218	21,697,243	691,743,461	5,216,094	1,607,281,060
Intangible assets	**666,490**	**12,420,044**	**10,392,378**	**22,812,422**	**5,449,379**	**59,058**	**6,968,907**	**17,496**	**30,465,315**
Property and equipment	**2,455,343**	**27,257,037**	**10,555,501**	**37,812,538**	**2,284,427**	**2,482,888**	**4,767,315**	**2,182,115**	**47,217,311**
Deferred tax assets	**2,285,448**	**47,144**	**29,669**	**76,813**	**0**	**9,596**	**9,596**	**0**	**2,371,857**
Investment property	**2,999,742**	**292,527**	**4,455,919**	**4,748,446**	**43,633**	**248,423**	**292,056**	**0**	**8,040,244**
Financial investments in associates	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Financial investments:	**239,798,250**	**364,469,374**	**60,136,040**	**424,605,414**	**332,938,023**	**17,662,049**	**350,600,072**	**53,069**	**1,015,056,805**
- loans and deposits	10,622,047	18,420,623	18,257,288	36,677,911	6,245,235	4,125,531	10,370,766	51,237	57,721,961
- held to maturity	2,074,258	61,090,644	4,645,070	65,735,714	94,148,976	3,485,322	97,634,298	0	165,444,270
- available for sale	223,973,704	282,608,171	36,499,745	319,107,916	220,701,045	9,702,300	230,403,345	1,832	773,486,797
- at fair value through profit or loss	3,128,241	2,349,936	733,937	3,083,873	11,842,767	348,896	12,191,663	0	18,403,777
Funds for the benefit of policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**214,153,769**	**35,348**	**214,189,117**	**0**	**214,189,117**
Reinsurers' share of technical provisions	**10,715,168**	**8,387,854**	**4,513,367**	**12,901,222**	**258,387**	**2,500**	**260,887**	**0**	**23,877,277**
Assets from investment contracts	**0**	**0**	**0**	**0**	**111,418,244**	**0**	**111,418,244**	**0**	**111,418,244**
Receivables	**69,471,292**	**48,160,043**	**8,884,189**	**57,044,232**	**1,447,432**	**205,633**	**1,653,065**	**2,495,340**	**130,663,929**
- Receivables arising out of primary insurance business	0	44,597,018	6,000,526	50,597,544	804,966	108,257	913,223	0	51,510,767
- Receivables arising out of reinsurance and co-insurance business	67,730,863	502,027	522,877	1,024,904	4	1,815	1,819	0	68,757,586
- Current tax assets	1,633,620	0	100,378	100,378	0	0	0	296	1,734,294
- Other receivables	106,809	3,060,998	2,260,408	5,321,406	642,462	95,561	738,023	2,495,044	8,661,282
Deferred acquisition costs	**6,054,860**	**9,278,328**	**2,285,249**	**11,563,578**	**372,199**	**1,848**	**374,047**	**0**	**17,992,485**
Other assets	**380,665**	**453,619**	**237,894**	**691,513**	**33,717**	**28,402**	**62,119**	**38,862**	**1,173,159**
Cash and cash equivalents	**285,950**	**227,028**	**2,620,678**	**2,847,706**	**186,538**	**961,498**	**1,148,036**	**429,212**	**4,710,904**
Non-current assets held for sale	**0**	**104,413**	**0**	**104,413**	**0**	**0**	**0**	**0**	104,413

Equity and liabilities items by operating segment at 31 December 2015

(€) 31/12/2015	Reinsurance business	Non-life insurance business Slovenia	Non-life insurance business International	Non-life insurance business Total	Life insurance business Slovenia	Life insurance business International	Life insurance business Total	Other	Total
EQUITY AND LIABILITIES	319,043,959	508,862,351	108,192,139	617,054,490	653,391,027	17,657,935	671.198.962	133,650	1,607,281,060
Equity	**106,575,645**	**83,959,570**	**36,329,811**	**120,289,381**	**52,620,232**	**6,997,920**	**59,618,152**	**-81,499**	**286,401,678**
Equity attributable to owners of the controlling company	106,575,645	83,959,570	35,758,746	119,718,316	52,620,232	6,606,036	59,226,268	-82,365	285,437,863
Non-controlling interest in equity	0	0	571,065	571,065	0	391,884	391,884	866	963,815
Subordinated liabilities	**23,534,136**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**23,534,136**
Technical provisions	**149,301,490**	**395,062,053**	**65,487,744**	**460,549,797**	**267,016,594**	**10,200,619**	**277,217,213**	**0**	**887,068,500**
- Unearned premiums	29,416,771	102,286,783	23,467,843	125,754,626	750,713	117,570	868,283	0	156,039,680
- Mathematical provisions	0	0	0	0	252,244,030	9,808,396	262,052,426	0	262,052,426
- Provision for outstanding claims	119,762,737	283,785,036	41,168,951	324,953,987	14,021,851	274,080	14,295,931	0	459,012,655
- Other technical provisions	121,982	8,990,234	850,950	9,841,184	0	573	573	0	9,963,739
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**207,554,738**	**35,348**	**207,590,086**	**0**	**207,590,086**
Other provisions	**347,277**	**5,233,222**	**565,043**	**5,798,265**	**1,232,293**	**10,704**	**1,242,997**	**1,156**	**7,389,695**
Deferred tax liabilities	**0**	**2,558,159**	**77,210**	**2,635,369**	**1,957,641**	**0**	**1,957,641**	**5,721**	**4,598,731**
Liabilities under investment contracts	**0**	**0**	**0**	**0**	**111,304,383**	**0**	**111,304,383**	**0**	**111,304,383**
Other financial liabilities	**91,896**	**3**	**114,148**	**114,151**	**0**	**0**	**0**	**0**	**206,047**
Liabilities from operating activities	**37,058,444**	**7,525,440**	**1,779,680**	**9,305,120**	**7,939,771**	**143,842**	**8,083,613**	**20,126**	**54,467,303**
- Liabilities from primary insurance business	0	3,533,129	443,609	3,976,738	6,879,987	112,140	6,992,127	0	10,968,865
- Liabilities from reinsurance and co-insurance business	37,058,444	1,651,833	1,000,059	2,651,892	25,610	3,466	29,076	0	39,739,412
- Current income tax liabilities	0	2,340,478	336,012	2,676,490	1,034,174	28,236	1,062,410	20,126	3,759,026
Other liabilities	**2,135,071**	**14,523,904**	**3,838,503**	**18,362,407**	**3,765,375**	**269,502**	**4,034,877**	**188,146**	**24,720,501**

Asset items by operating segment at 31 December 2014

(€) 31/12/2014	Reinsurance business	Non-life insurance business Slovenia	Non-life International	Non-life Total	Life insurance business Slovenia	Life International	Life Total	Other	Total
ASSETS	315,226,711	471,344,023	107,757,557	579,101,580	532,978,818	18,825,817	551,804,635	8,242,009	1,454,374,935
Intangible assets	**467,423**	**15,474,302**	**13,403,760**	**28,878,062**	**5,449,379**	**116,541**	**5,565,920**	**29,555**	**34,940,960**
Property and equipment	**2,462,813**	**24,139,087**	**10,593,841**	**34,732,928**	**2,606,806**	**2,615,377**	**5,222,183**	**2,055,714**	**44,473,638**
Deferred tax assets	**1,040,592**	**142,166**	**18,515**	**160,681**	**0**	**1,108**	**1,108**	**0**	**1,202,381**
Investment property	**115,492**	**538,071**	**4,139,365**	**4,677,436**	**44,975**	**265,422**	**310,397**	**0**	**5,103,325**
Financial investments in associates	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**3,072,497**	**3,072,497**
Financial investments:	**237,189,580**	**345,680,388**	**57,068,958**	**402,749,346**	**319,824,701**	**14,800,409**	**334,625,110**	**104,346**	**974,668,382**
- loans and deposits	21,251,512	32,879,774	27,911,080	60,790,854	13,679,571	5,635,156	19,314,727	100,346	101,457,439
- held to maturity	2,074,001	63,512,066	5,519,950	69,032,016	91,058,297	2,153,078	93,211,375	0	164,317,392
- available for sale	208,238,543	246,022,338	22,825,513	268,847,851	209,155,376	6,172,246	215,327,622	4,000	692,418,016
- at fair value through profit or loss	5,625,524	3,266,210	812,415	4,078,625	5,931,457	839,929	6,771,386	0	16,475,535
Funds for the benefit of policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**202,893,989**	**19,070**	**202,913,059**	**0**	**202,913,059**
Reinsurers' share of technical provisions	**10,405,986**	**22,859,490**	**5,089,628**	**27,949,117**	**314,662**	**2,879**	**317,541**	**0**	**38,672,645**
Receivables	**58,432,637**	**52,197,255**	**9,284,927**	**61,482,182**	**1,478,226**	**347,814**	**1,826,040**	**2,654,294**	**124,395,153**
- Receivables arising out of primary insurance business	0	47,328,159	5,865,068	53,193,227	912,633	127,164	1,039,797	0	54,233,024
- Receivables arising out of reinsurance and co-insurance business	58,267,223	532,986	700,190	1,233,176	0	1,828	1,828	0	59,502,227
- Current tax assets	0	0	208,669	208,669	144,240	0	144,240	107	353,016
- Other receivables	165,414	4,336,110	2,511,000	6,847,110	421,353	218,822	640,175	2,654,187	10,306,886
Deferred acquisition costs	**4,303,162**	**9,442,826**	**3,482,919**	**12,925,746**	**258,227**	**1,966**	**260,194**	**0**	**17,489,101**
Other assets	**296,684**	**675,884**	**257,135**	**933,019**	**30,333**	**44,959**	**75,292**	**46,249**	**1,351,244**
Cash and cash equivalents	**512,342**	**183,214**	**3,980,499**	**4,163,713**	**77,519**	**610,272**	**687,791**	**279,354**	**5,643,200**
Non-current assets held for sale	**0**	**11,340**	**438,010**	**449,350**	**0**	**0**	**0**	**0**	**449,350**

Equity and liabilities items by operating segment at 31 December 2014

(€) 31/12/2014	Reinsurance business	Non-life insurance business Slovenia	Non-life International	Non-life Total	Life insurance business Slovenia	Life International	Life Total	Other	Total
EQUITY AND LIABILITIES	286,400,598	514,731,657	109,848,537	624,580,194	523,709,363	19,366,598	543,075,961	318,182	1,454,374,935
Equity	**96,766,084**	**75,336,895**	**39,405,516**	**114,742,411**	**49,296,532**	**10,613,322**	**59,909,854**	**110,274**	**271,528,623**
Equity attributable to owners of the controlling company	96,766,084	75,336,895	38,786,828	114,123,723	49,296,532	9,316,520	58,613,052	110,274	269,613,133
Non-controlling interest in equity	0	0	618,688	618,688	0	1,296,802	1,296,802	0	1,915,490
Subordinated liabilities	**23,499,692**	**5,200,000**	**0**	**5,200,000**	**0**	**0**	**0**	**0**	**28,699,692**
Technical provisions	**129,778,575**	**405,021,647**	**64,687,629**	**469,709,276**	**262,393,907**	**8,100,875**	**270,494,782**	**0**	**869,982,633**
- Unearned premiums	21,620,884	103,039,301	22,661,027	125,700,328	734,654	113,824	848,478	0	148,169,690
- Mathematical provisions	0	0	0	0	248,492,273	7,799,868	256,292,141	0	256,292,141
- Provision for outstanding claims	108,157,341	291,546,926	41,700,574	333,247,500	13,166,980	187,183	13,354,163	0	454,759,004
- Other technical provisions	350	10,435,420	326,028	10,761,448	0	0	0	0	10,761,798
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**195,665,561**	**19,070**	**195,684,631**	**0**	**195,684,631**
Other provisions	**273,590**	**4,513,409**	**822,704**	**5,336,113**	**1,314,805**	**16,142**	**1,330,947**	**0**	**6,940,650**
Deferred tax liabilities	**0**	**3,229,826**	**37,696**	**3,267,522**	**2,476,455**	**0**	**2,476,455**	**5,203**	**5,749,180**
Other financial liabilities	**74,430**	**299**	**616**	**915**	**0**	**3,525**	**3,525**	**0**	**78,870**
Liabilities from operating activities	**33,420,922**	**5,399,884**	**1,466,190**	**6,866,074**	**8,912,581**	**150,331**	**9,062,912**	**14,889**	**49,364,797**
- Liabilities from primary insurance business	0	3,156,998	643,422	3,800,420	7,827,480	100,477	7,927,957	0	11,728,377
- Liabilities from reinsurance and co-insurance business	30,954,760	1,252,976	626,892	1,879,868	28,289	3,130	31,419	0	32,866,047
- Current income tax liabilities	2,466,162	989,910	195,876	1,185,786	1,056,812	46,724	1,103,536	14,889	4,770,373
Other liabilities	**2,587,305**	**16,029,697**	**3,428,186**	**19,457,883**	**3,649,522**	**463,333**	**4,112,855**	**187,816**	**26,345,859**

(€) 2015	Reinsurance business	Non-life insurance business			Life insurance business				
		Slovenia	International	Total	Slovenia	International	Total	Other	Total
Net earned premiums	**85,901,717**	**228,659,991**	**47,359,234**	**276,019,225**	**79,780,905**	**5,857,758**	**85,638,663**	**0**	**447,559,605**
- Gross premiums written	98,151,240	249,987,788	52,041,312	302,029,100	80,211,496	5,872,721	86,084,217	0	486,264,557
- Written premiums ceded to reinsurers and co-insurers	-4,584,876	-22,012,840	-3,275,193	-25,288,033	-432,128	-9,710	-441,838	0	-30,314,747
- Change in gross unearned premiums	-7,795,885	772,694	-952,989	-180,295	7,451	-4,089	3,362	0	-7,972,818
- Change in unearned premiums for the reinsurance and co-insurance part	131,238	-87,651	-453,895	-541,547	-5,914	-1,164	-7,078	0	-417,387
Income from investments in subsidiary and associate companies	**0**	**0**	**0**	**0**	**942,560**	**0**	**942,560**	**0**	**942,560**
- Profit from investments in equity-accounted associate companies	0	0	0	0	165,067	0	165,067	0	165,067
- Dividend income from associate companies	0	0	0	0	0	0	0	0	0
- Other income	0	0	0	0	777,493	0	777,493	0	777,493
Investment income	**18,492,285**	**7,924,812**	**2,501,137**	**10,425,949**	**9,972,731**	**686,890**	**10,659,621**	**0**	**39,577,855**
- Interest income	4,527,822	6,248,252	2,323,059	8,571,311	8,998,176	539,863	9,538,039	0	22,637,172
- Other investment income	13,964,463	1,676,560	178,078	1,854,638	974,555	147,027	1,121,582	0	16,940,683
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**26,631,437**	**351**	**26,631,788**	**0**	**26,631,788**
Other technical income	**7,779,194**	**7,502,721**	**2,591,968**	**10,094,689**	**1,126,786**	**155,658**	**1,282,444**	**162,274**	**19,318,601**
- Commission income	600,935	2,376,486	638,696	3,015,182	39,235	1,552	40,787	0	3,656,904
- Other technical income	7,178,259	5,126,235	1,953,272	7,079,507	1,087,551	154,106	1,241,657	162,274	15,661,697
Other income	**78,092**	**2,063,800**	**1,152,361**	**3,216,161**	**975,205**	**42,857**	**1,018,062**	**335,662**	**4,647,977**
Net claims incurred	**-65,429,062**	**-135,210,189**	**-19,074,134**	**-154,284,322**	**-51,627,348**	**-1,789,091**	**-53,416,439**	**0**	**-273,129,823**
- Gross claims payments less income from recourse receivables	-55,743,871	-143,752,543	-20,618,761	-164,371,304	-49,683,764	-1,704,195	-51,387,959	0	-271,503,134
- Reinsurers' and co-insurers' shares	1,742,263	14,714,811	1,127,840	15,842,651	132,331	956	133,287	0	17,718,201
- Change in the gross claims provision	-11,605,397	7,686,753	657,836	8,344,589	-2,025,591	-86,621	-2,112,212	0	-5,373,020
- Change in the provision for outstanding claims for the reinsurance and co-insurance part	177,944	-13,859,210	-241,049	-14,100,259	-50,324	769	-49,555	0	-13,971,870
Change in other technical provisions	**-121,984**	**1,228,463**	**-360,990**	**867,473**	**-34,238**	**-1,993,277**	**-2,027,515**	**0**	**-1,282,026**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-11,020,253**	**-16,197**	**-11,036,450**	**0**	**-11,036,450**
Change in liabilities under financial contracts	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Expenses for bonuses and rebates	**353**	**-522,609**	**-57,835**	**-580,444**	**0**	**0**	**0**	**0**	**-580,091**
Operating expenses	**-24,442,369**	**-78,212,139**	**-23,720,572**	**-101,932,711**	**-17,062,420**	**-3,121,539**	**-20,183,958**	**-2,359,335**	**-148,918,373**
- Acquisition costs	-21,132,677	-19,498,258	-3,589,256	-23,087,514	-4,699,305	-934,187	-5,633,492	0	-49,853,683
- Change in deferred acquisition costs	1,574,081	-123,564	37,602	-85,962	-36,699	-29	-36,728	0	1,451,391
- Other operating expenses	-4,883,773	-58,590,317	-20,168,918	-78,759,235	-12,326,416	-2,187,323	-14,513,738	-2,359,335	-100,516,081
Expenses for investments in associates and impairment losses on goodwill	**0**	**0**	**-2,936,678**	**-2,936,678**	**0**	**0**	**0**	**0**	**-2,936,678**
- Impairment loss on goodwill	0	0	-2,936,678	-2,936,678	0	0	0	0	-2,936,678
- Loss arising out of investment in equity-accounted associates	0	0	0	0	0	0	0	0	0
Expenses for financial assets and liabilities	**-11,187,465**	**-831,640**	**-144,112**	**-975,752**	**-720,375**	**-122,310**	**-842,685**	**0**	**-13,005,902**
- Impairment losses on financial assets not at fair value through profit or loss	-713,284	0	-183	-183	0	-12,599	-12,599	0	-726,066
- Interest expense	-896,145	-256,755	-4,912	-261,667	0	-3,247	-3,247	0	-1,161,059
- Other investment expenses	-9,578,036	-574,885	-139,017	-713,902	-720,375	-106,464	-826,839	0	-11,118,777
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-25,930,062**	**-724**	**-25,930,786**	**0**	**-25,930,786**
Other technical expenses	**-7,179,853**	**-7,686,681**	**-4,901,632**	**-12,588,313**	**-142,553**	**-202,997**	**-345,550**	**-2**	**-20,113,718**
Other expenses	**-2**	**-900,164**	**-655,804**	**-1,555,968**	**-595**	**-29,238**	**-29,833**	**-60,765**	**-1,646,568**
PROFIT/LOSS BEFORE TAX	3,890,907	24,016,366	1,752,943	25,769,309	12,891,781	-531,859	12,359,922	-1,922,166	40,097,971
Income tax expense									-6,732,520
NET PROFIT/LOSS FOR THE PERIOD									33,365,451
Net profit/loss attributable to owners of the controlling company									33,377,857
Net profit/loss attributable to non-controlling interest									-12,406

(€) 2014	Reinsurance business	Non-life insurance business Slovenia	Non-life insurance business International	Non-life insurance business Total	Life insurance business Slovenia	Life insurance business International	Life insurance business Total	Other	Total
Net earned premiums	**70,680,516**	**231,498,296**	**47,828,813**	**279,327,109**	**82,394,505**	**5,170,207**	**87,564,712**	**0**	**437,572,337**
- Gross premiums written	77,486,892	251,907,497	50,779,139	302,686,636	82,832,530	5,172,994	88,005,524	0	468,179,052
- Written premiums ceded to reinsurers and co-insurers	-4,188,422	-19,778,829	-2,969,875	-22,748,704	-458,332	-6,240	-464,572	0	-27,401,698
- Change in gross unearned premiums	-2,418,674	-1,224,622	-536,438	-1,761,060	22,823	1,924	24,747	0	-4,154,987
- Change in unearned premiums for the reinsurance and co-insurance part	-199,280	594,250	555,987	1,150,237	-2,516	1,529	-987	0	949,970
Income from investments in subsidiary and associate companies	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**154,294**	**154,294**
- Profit from investments in equity-accounted associate companies	0	0	0	0	0	0	0	154,294	154,294
- Dividend income from associate companies	0	0	0	0	0	0	0	0	0
- Other income	0	0	0	0	0	0	0	0	0
Investment income	**11,592,353**	**8,278,121**	**2,923,433**	**11,201,554**	**12,591,990**	**737,964**	**13,329,954**	**1,432**	**36,125,293**
- Interest income	4,415,909	7,001,814	2,622,824	9,624,638	9,745,141	514,024	10,259,165	1,432	24,301,144
- Other investment income	7,176,444	1,276,307	300,609	1,576,916	2,846,849	223,940	3,070,789	0	11,824,149
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**19,145,778**	**303**	**19,146,081**	**0**	**19,146,081**
Other technical income	**3,057,089**	**4,284,776**	**1,278,702**	**5,563,478**	**1,052,897**	**113,342**	**1,166,239**	**292,447**	**10,079,252**
- Commission income	422,012	2,179,513	305,993	2,485,506	56,406	936	57,342	0	2,964,859
- Other technical income	2,635,077	2,105,263	972,709	3,077,972	996,491	112,406	1,108,897	292,447	7,114,393
Other income	**13,699**	**2,807,281**	**1,164,891**	**3,972,172**	**159,780**	**98,919**	**258,699**	**-6,945**	**4,237,625**
Net claims incurred	**-37,057,656**	**-153,996,559**	**-19,519,624**	**-173,516,184**	**-45,543,281**	**-963,032**	**-46,506,313**	**0**	**-257,080,153**
- Gross claims payments less income from recourse receivables	-41,355,405	-146,227,123	-19,498,566	-165,725,689	-47,314,534	-944,387	-48,258,921	0	-255,340,015
- Reinsurers' and co-insurers' shares	11,338,188	-844,995	246,407	-598,587	-122,637	1,033	-121,604	0	10,617,997
- Change in the gross claims provision	213,515	-18,286,122	-690,481	-18,976,603	1,845,341	-19,678	1,825,663	0	-16,937,425
- Change in the provision for outstanding claims for the reinsurance and co-insurance part	-7,253,954	11,361,681	423,015	11,784,696	48,548	0	48,548	0	4,579,290
Change in other technical provisions	**12,793**	**2,409,459**	**-243,005**	**2,166,454**	**-3,717,021**	**-2,028,082**	**-5,745,103**	**0**	**-3,565,856**
Change in technical provisions for policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-25,447,409**	**-8,012**	**-25,455,421**	**0**	**-25,455,421**
Expenses for bonuses and rebates	**4,691**	**-193,891**	**-147,679**	**-341,570**	**0**	**0**	**0**	**0**	**-336,879**
Operating expenses	**-22,625,842**	**-75,700,539**	**-22,452,164**	**-98,152,703**	**-20,755,924**	**-3,148,688**	**-23,904,612**	**-1,938,276**	**-146,621,433**
- Acquisition costs	-18,597,148	-19,370,848	-3,806,487	-23,177,335	-4,721,820	-1,015,554	-5,737,374	0	-47,511,857
- Change in deferred acquisition costs	261,960	-444,546	290,036	-154,510	-596,888	-61	-596,949	0	-489,499
- Other operating expenses	-4,290,654	-55,885,145	-18,935,713	-74,820,858	-15,437,216	-2,133,073	-17,570,289	-1,938,276	-98,620,077
Expenses for investments in associates and impairment losses on goodwill	**0**	**0**	**-1,901,375**	**-1,901,375**	**0**	**0**	**0**	**0**	**-1,901,375**
- Impairment loss on goodwill	0	0	-1,901,375	-1,901,375	0	0	0	0	-1,901,375
- Loss arising out of investment in equity-accounted associates	0	0	0	0	0	0	0	0	0
Expenses for financial assets and liabilities	**-5,875,516**	**-572,450**	**-158,076**	**-730,526**	**-163,202**	**-127,145**	**-290,347**	**-555**	**-6,896,944**
- Impairment losses on financial assets not at fair value through profit or loss	-1,634,412	-1,967	-277	-2,244	-2,042	-8,069	-10,111	0	-1,646,767
- Interest expense	-949,274	-429,811	-19,715	-449,526	-3,650	-14,486	-18,136	-555	-1,417,491
- Other investment expenses	-3,291,830	-140,672	-138,084	-278,756	-157,510	-104,590	-262,100	0	-3,832,686
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	**0**	**0**	**0**	**0**	**-7,900,352**	**-235**	**-7,900,587**	**0**	**-7,900,587**
Other technical expenses	**-2,935,196**	**-7,765,047**	**-5,252,296**	**-13,017,343**	**-161,881**	**-250,862**	**-412,743**	**-29,136**	**-16,394,418**
Other expenses	**-771**	**-1,234,780**	**-873,239**	**-2,108,019**	**-14,134**	**-52,996**	**-67,130**	**-29,654**	**-2,205,574**
PROFIT/LOSS BEFORE TAX	16,866,159	9,814,666	2,648,382	12,463,048	11,641,746	-458,318	11,183,428	-1,556,393	38,956,242
Income tax expense									**-8,418,092**
NET PROFIT/LOSS FOR THE PERIOD									30,538,150
Net profit/loss attributable to owners of the controlling company									30,595,945
Net profit/loss attributable to non-controlling interest									-57,795

* Allocation of acquisition costs for 2014 differs from the one presented in the annual report 2014. To improve consistency of presentation of allocated acquisition costs, the 2014 was revised so that in 2014 the amount of € 1,159,881 was moved from non-life insurance business to life insurance business. As a result, this item increased in non-life insurance business and decreased in life insurance business. This change is consistently reported throughout the document.

Inter-segment business

(€)	Reinsurance business 2015	Reinsurance business 2014	Non-life insurance business 2015	Non-life insurance business 2014	Life insurance business 2015	Life insurance business 2014	Other 2015	Other 2014
Net earned premiums	53,831,181	53,836,354	326,417	343,149	0	0	0	0
Net claims incurred	-33,945,666	-28,826,528	-68,428	-13,081	0	0	0	0
Operating expenses	-11,490,606	-12,507,039	-1,144,537	-419,531	-1,144,487	-45,712	-121,342	-52,914
Investment income	854,097	191,831	2,759	7,129	0	0	0	0
Other income	29,789	18,764	124,738	83,928	114	239	2,296,880	1,939,239

Cost of intangible and property and equipment assets by operating segment

(€)	Reinsurance business 31/12/2015	Reinsurance business 31/12/2014	Non-life insurance business 31/12/2015	Non-life insurance business 31/12/2014	Life insurance business 31/12/2015	Life insurance business 31/12/2014	Other 31/12/2015	Other 31/12/2014	Total 31/12/2015	Total 31/12/2014
Investments in intangible assets	287,039	409,351	892,544	841,767	267,323	6,317	6,191	0	1,453,097	1,257,435
Investments in property and equipment	223,830	318,160	6,604,888	2,551,274	38,567	127,713	177,411	87,198	7,044,696	3,084,345

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

18.5. Changes in accounting policies and correction of errors

In 2015 the Group unified the LAT methodology across the Group, as described in section 18.4.4 »Use of major accounting estimates and sources of uncertainty«. This had a significant effect on the Group's financial statements for 2015. Furthermore, accounting policies were adjusted relating to (i) the setting of deferred acquisition costs in the Montenegrin subsidiary and (ii) the calculation of technical provisions in the Serbian non-life insurer. The cumulative effect of these adjustments was € 1.3 million and had an impact on retained earnings.

18.6. Standards and interpretations issued but not yet effective and new standards and interpretations

New standards and interpretations not yet effective

The standards and interpretations presented below have not become effective by the date of the consolidated financial statements. The Group intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which includes the requirements of all phases of the IFRS 9 improvement project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The amended standard introduces new requirements for classification and measurement of financial assets and liabilities, recognition of impairment and hedge accounting. The revised IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Changes to the standard must be applied retrospectively, while the presentation of the comparative data is not obligatory. Early use of previous versions of IFRS 9 published in 2009, 2010 and 2013 is subject to the condition that the company had undergone the transition to IFRS by 1 February 2015. The standard has not yet been endorsed by the European Union.

The Group does not expect the amendments to have a material impact on the financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity to continue applying most of its existing generally accepted accounting principles to accounting for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The standard has not yet been endorsed by the European Union.

The Group does not expect the amendments to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board issued IFRS 15, which establishes a new five-step model for the recognition of revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early application permitted. The standard has not yet been endorsed by the European Union.

The Group is assessing the impact of the new standard and plans to adopt it on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exception has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. They are effective for annual periods beginning on or after 1 January 2016 with early application permitted. The amendments to the standard have not yet been endorsed by the European Union.

The Group does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The amendments to the standards have not yet been endorsed by the European Union.

The Group does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. Following initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity).

The amendments to IAS 16 and IAS 41 also require that produce that grows on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The amendments to the standards have not yet been endorsed by the European Union.

The Group does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted. These amendments will not have an impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted.

The Group does not expect the amendments to have a material impact on the financial statements.

Annual Improvements 2012–2014 Cycle

In the period 2012–2014, the IASB issued a set of amendments to below standards effective for annual periods beginning on or after 1 January 2016. Early application of the amendments is permitted.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Changes in methods of disposal

The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment applies for annual periods beginning on or after 1 January 2016.

The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:

- such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and
- assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.

The Group does not expect the amendments to have a material impact on the financial statements.

Amendment to IFRS 7 Financial Instruments: Disclosures (relating to service contracts and the use of supplements in the separate financial statements of the company, with consequential amendments to IFRS 1)

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. Paragraph 42C(c) of IFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements.

Applicability of the amendments to IFRS 7 offsetting disclosure to condensed interim financial statements.

The amendment clarifies the application of amendments to IFRS 7 in the disclosure of the offsetting of financial assets and liabilities in the condensed interim financial statements.

Amendments to IFRS 7 were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (Introduced on December 2011 and effective for periods beginning on or after 1 January 2013) should be included in condensed interim financial statements, and if so, whether in all interim financial statements after 1 January 2013 or only in the first year.

Amendments to the standard apply prospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Group does not expect the amendments to have a material impact on the financial statements.

IAS 19 Employee Benefits: (discount rate – regional market issue)

The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. Thus, the depth of the market for high quality corporate bonds should be assessed at currency level.

The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period. The amendment applies for annual periods beginning on or after 1 January 2016.

The Group does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 34 Interim Financial Reporting: disclosure of information "elsewhere in the interim financial report"

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report. In addition, the Company must ensure that interim reports are available to users on the same terms and at the same time as the interim financial statements.

Amendments to the standard apply prospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Group does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted.

The Group does not expect the amendments to have a material impact on the financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted.

The Group does not expect the amendments to have a material impact on the financial statements.

New standards

The accounting policies applied in the compilation of the consolidated financial statements are the same as those used in the preparation of (consolidated) financial statements for the year ended 31 December 2014, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2015 and which are presented below.

New and amended standards and interpretations effective as of 1 January 2015

Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions

The amendment addresses contributions from employees or third parties to defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. This amendment clarifies that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

The amended standard did not have a material impact on the Group's financial statements.

Annual Improvements 2010-2012 Cycle

Amendments to IFRS 2 Share-based Payment

This improvement must be applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

The amended standard did not have a material impact on the Group's financial statements.

Amendments to IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 Financial Instruments.

The amended standard did not have a material impact on the Group's financial statements.

Amendments to IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amended standard did not have a material impact on the Group's reporting.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the amendment clarifies that the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

The amended standard did not have a material impact on the Group's financial statements since the Group's assets are not measured using the revaluation model.

Amendments to IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

The amended standard did not have a material impact on the Group's reporting.

Annual Improvements 2011–2013 - Cycle

Amendments to IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amended standard did not have a material impact on the Group's reporting.

Amendment to IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*.

The amended standard did not have a material impact on the Group's reporting.

Amendments to IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

The amended standard did not have a material impact on the Group's reporting.

18.7. Risk management

The most important risks that the Group members are exposed to are underwriting risks (underwriting process risk, pricing risk, claims risk, net retention risk, reserving risk and risks associated with the retrocession programme and life insurance business), market risks (interest rate risk, equity risk, currency risk, concentration risk and asset-liability mismatch risk), insolvency risk, credit risk and operational risk. To illustrate concentration risk for insurance contracts, a table showing a breakdown of insurance premiums by region is provided in section 18.4.38 »Information on operating segments«.

The changes in the Group's risk profile in 2015 compared to 2014.

	2014-2015
Operational risks	↑
Strategic risks	↑
Financial risks	
Interest rate risk	→
Equity risk	→
Currency risk	→
Liquidity risk	→
Credit risk	↓
Life underwriting risks	→
Non-life underwriting risks	
Underwriting process risk	↑
Pricing risk	→
Claims risk	→
Net retention risk	→
Reserving risk	→
Retrocession programme	→
Estimated exposure to underwriting risks	→

18.7.1. Insolvency risk

The Group must have, in accordance with the law, adequate capital in view of the amount and type of (re)insurance businesses carried out. The capital must be at all times at least equal to capital requirements calculated on the basis of applicable law. At 31 December 2015, the group disclosed capital adequacy under Solvency I for the last time.

The Group is deemed to meet capital adequacy requirements if the available solvency margin is higher or equal to the sum of required solvency margins of the controlling company and the corresponding required solvency margin of subsidiaries. The Group met capital adequacy requirements through all of 2015, as it maintained a surplus of the available solvency margin over the required solvency margin.

As at 31 December 2015, its available solvency margin was € 215.4 million (31/12/2014: € 196.9 million). The available solvency margin highly exceeded the required solvency margin, despite the fact that when calculating its adjusted capital adequacy, the Group deducts from the amount of the available solvency margin, the controlling company's amount of the required solvency margin and the amount of the subsidiaries' proportionate shares of required solvency margins (but not equity investments in subsidiaries).

The Solvency II regime entered into force on 1 January 2016. It prescribes a new method of calculating the solvency capital requirement and eligible own funds to cover capital requirements. Already during its preparation for the new regime, the Sava Re Group performed the calculation of the solvency capital requirement several times in line with Solvency II. Based on the current risk profile and the calculation carried out on 31 December 2014, the Sava Re Group does not expect any difficulties in meeting the solvency capital requirement under Solvency II on the day of entry into force of the new regime.

When setting the risk appetite range as part of its risk strategy, the Sava Re Group determined the appropriate level of the solvency ratio as one of the key elements in line with Solvency II. Section 11 »Risk management« of the business report sets out the risk management mechanisms set up by the Sava Re Group for the purpose of risk management within the limits of its risk appetite.

18.7.2. Risks arising from investment contracts

The Group classifies as investment contracts its supplementary voluntary pension insurance (SVPI) business of the pension insurer Moja naložba during the accumulation phase, as part of the company's SVPI liability fund. Liabilities from investment contracts are not included in the consolidated technical provisions item, and are, therefore, not included in the presentation of underwriting risk. Assets from investment contracts are not included in the consolidated financial investments item, and are, therefore, not included in the presentation of market risks. Assets and liabilities from investment contracts are exposed to the risk of failing to realise the guaranteed return, as described below.

SVPI policyholders (members) bear the investment risk in excess of the guaranteed return of the liability fund with guaranteed return. The two pension plans of Moja naložba provide a guaranteed return of 60 % of the average annual interest rate on government securities with a maturity of over one year. Liabilities from investment contracts include liabilities for guaranteed funds (net contributions plus guaranteed return) and additional liabilities to cover any deficit resulting from the difference between the actual and the required rate of return (liability to exceed the return). For each member, the administrator keeps a personal account with accumulating net contributions, guaranteed returns and assets to exceed the guaranteed return (provisions). In years when the return in excess of guaranteed return is realised, liabilities for return in excess of guaranteed return are increased; if, however, the realised return is below the guaranteed level, this part of liabilities decreases until the provision is fully exhausted. The described control of guaranteed return is carried out at the level of individual personal accounts. In the event that individual provisions of any account are not sufficient to cover the guaranteed return, the difference is covered from the pension company's own funds (in 2015: € 5,878).

The risk of failing to realise guaranteed returns is managed primarily through appropriate management of policyholder assets and liabilities, an appropriate investment strategy and provisioning.

Therefore, we estimate that the risk of failure to realise guaranteed rates of return is relatively small.

18.7.3. Underwriting risks

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

The basic purpose of both non-life and life insurance is the assumption of risk from policyholders. In addition to the risks assumed directly by Group insurance companies, the Group also assumes risks indirectly from cedants. The Group retains a portion of the assumed risks and retrocedes the portion that exceeds its capacity. The Group classifies its insurance and reinsurance contracts as insurance and investment contracts within the meaning of IFRS 4. Below is a detailed outline of the risks arising out of insurance contracts, as required under IFRS 4.

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

18.7.3.1. Underwriting process risk – non-life business

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

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

Where significant risks are involved, underwriting experts of the controlling company collaborate with the underwriters of subsidiaries (and risks are mainly reinsured with the controlling company). Additionally in respect of risks exceeding the limits set out in the reinsurance treaties, it is vital that adequate facultative reinsurance cover is obtained to upgrade the basic reinsurance programme.

Underwriting risks in excess of the Group's capacity are also reduced through retrocession contracts.

We estimate that underwriting process risk relating to (re) insurance business is well managed, although it moderately increased in 2015 compared to 2014 due to an increase in premium volume. This is because net non-life premiums written by the Group grew by 3.4 % or € 12 million compared to 2014.

18.7.3.2. Pricing risk – non-life business

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

In proportional reinsurance contracts, reinsurance premiums depend on insurance premiums, mostly set by ceding companies, while the risk premium also depends on the commission recognised by the reinsurer. Therefore, the Group manages this risk by having an appropriate underwriting process in place and by adjusting applicable commission rates. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Expected results of reinsurance contracts entered into on the basis of available information and set prices must be line with target combined ratios; the adequacy of prices is verified based on the results by form and class of reinsurance.

Premium rates are adequate assuming reasonable actuarial expectations of claims movements or loss ratios and expenses or expense ratios as well as rational behaviour of all market participants. However, subsidiaries are facing a rising pricing risk due to competition, affecting non-Slovenian subsidiaries mainly through the amount of acquisition costs. The Group considers the aggregate pricing risk to have been moderate in 2015 and similar to that in 2014.

18.7.3.3. Claims risk – non-life business

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

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

Based on the realised loss events and their small impact on the Group's profit, we believe that the risk management measures set out are adequate and we estimate that the claims risk remained on a similar level as in the previous period.

18.7.3.4. Net retention risk – non-life business

Net retention risk is the risk that higher retention of insurance loss exposures will result in large aggregate losses due to catastrophic or concentrated claims experience. This risk may also materialise in the event of »shock losses«, where a large number of insured properties are impacted. This may occur especially through losses caused by natural peril events, which are generally covered by a basic or an additional fire policy or by a policy attached to an underlying fire policy (e.g. business interruption policy or earthquake policy).

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

The Group considers the net retention risk to have remained essentially the same in both 2015 and 2014.

18.7.3.5. Reserve risk – non-life business

Reserve risk is the risk that technical provisions are not sufficient to cover the commitments of the (re)insurance business assumed.

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

Unearned premiums are established by Group members on a pro rata basis at insurance policy level. In addition to unearned premiums, the Group establishes also provisions for unexpired risks for those classes of insurance with a combined ratio (loss ratio + expense ratio) of more than 100 %.

Due to the difference in reserving (set out later in the report) methodologies used in reinsurance and primary insurance business, the run-off analysis was made separately for reinsurance and primary insurance business.

Some cash-generating units are yet to gain sufficient reliable multi-year historical data relating to the claims provision by accident year, especially for the IBNR provision. Moreover, portfolios in certain classes of insurance are so small that the calculation of claims provisions based on triangles does not reflect typical statistical trends. For this reason, at year-end, data on previous years' claims provisions were compiled (partly estimated) and aligned with subsequent estimates of claims provisions for the same (original) future liabilities.

Cash-generating units analyse data on claims provisions by accident year, which differs from the analysis of data by underwriting year used by reinsurance companies. The table below shows an adequacy test/analysis of gross claims provisions established by the Group for liabilities under non-life insurance contracts. Amounts were translated from local currencies into euros using the exchange rate prevailing at the end of the year (provisions) or in the middle of the year (claims paid).

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

(€ thousand)					Year ended 31 December	
Estimate of gross liabilities	2010	2011	2012	2013	2014	2015
As originally estimated	247,283	265,196	292,413	293,215	312,349	303,471
Reestimated as of 1 year later	227,504	233,297	248,178	249,904	253,143	
Reestimated as of 2 years later	217,818	213,430	231,491	219,232		
Reestimated as of 3 years later	203,940	202,626	208,207			
Reestimated as of 4 years later	195,771	185,272				
Reestimated as of 5 years later	183,531					
Cumulative gross redundancy (last estimate – original estimate)	**63,752**	**79,925**	**84,206**	**73,983**	**59,207**	
Cumulative gross redundancy as % of original estimate	25.8 %	30.1 %	28.8 %	25.2 %	19.0 %	

The cumulative gross redundancies for underwriting years 2010–2013 increased compared to amounts at the end of the preceding year, which were 20.8 %, 23.6 %, 20.8 % and 14.8 % of original estimates.

Unlike for primary insurance business, the Group cannot use triangles of paid losses based on accident year data for actuarial estimations of loss reserves in respect of reinsurance business. This is because ceding companies report claims under quota share contracts by underwriting years. As claims under one-year policies written during any one year may occur either in the year the policy is written or in the year after, aggregated data for proportional reinsurance contracts are not broken down by accident year. Furthermore, some markets renew treaty business during the year, resulting in additional discrepancies between the underwriting year and the accident year. Due to these specifics, the Group provides data on reinsurance claims paid by underwriting year. The estimated liabilities relate to claims that have already been incurred (reported and not reported) the settlement of which is provided for within the claims provision, and claims that have not yet been incurred the settlement of which is covered by unearned premiums, net of deferred commission.

The table below therefore shows originally estimated gross or net liabilities with claims provisions included at any year-end plus unearned premiums less deferred commission, which is compared to subsequent estimates of these liabilities. Such testing or analysis of whether technical provisions are adequate can only be applied to past years — the further back in time, the more precise the results. As actuarial methods for reserving are applied consistently, we conclude, based on past discrepancies between originally estimated liabilities and subsequently established actual liabilities arising from claims at various statement of financial position dates, that the provisions as at 31 December 2015 are adequate.

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

(€ thousand)					Year ended 31 December	
Estimate of gross liabilities	2010	2011	2012	2013	2014	2015
As originally estimated	163,593	173,525	206,099	199,339	207,416	209,963
Reestimated as of 1 year later	148,272	169,377	179,501	170,890	183,590	
Reestimated as of 2 years later	143,881	155,552	169,305	160,099		
Reestimated as of 3 years later	136,062	155,334	158,182			
Reestimated as of 4 years later	134,014	145,246				
Reestimated as of 5 years later	127,821					
Cumulative gross redundancy (latest estimate – original estimate)	**35,772**	**28,279**	**47,916**	**39,240**	**23,826**	
Cumulative gross redundancy as % of original estimate	21.9 %	16.3 %	23.2 %	19.7 %	11.5 %	

The cumulative gross redundancies for underwriting years 2010–2013 increased compared to amounts at the end of the preceding year, which were 18.1 %, 10.5 %, 17.9 % and 14.3 % of original estimates.

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

Due to the high cumulative redundancies of both the gross claims provision for non-life business and the gross technical provision for reinsurance business, we estimate that reserving risk at the end of 2015 is relatively small and similar to that at year-end 2014.

18.7.3.6. Retrocession programme – non-life business

To reduce the underwriting risks to which it is exposed, the Group must have in place an appropriate reinsurance programme (in particular a retrocession programme). These are designed so as to reduce exposure to possible single large losses or the effect of a large number of single losses arising from the same loss event. The Group considers its reinsurance programme (including proportional and non-proportional reinsurance) to be appropriate in view of the risks it is exposed to. Net retention limits as determined by the Group are only rarely used. The Group also concludes co-insurance and reciprocal contracts with other reinsurers to further disperse risks. The Group's net retained portfolio, relating to both domestic and foreign cedants, is further covered for potentially large losses through prudently selected non-proportional reinsurance programmes.

We believe that the reinsurance programme (and in particular the retrocession programme) is appropriate and similar in 2015 and 2014.

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

An increase in realised underwriting risk would essentially result in an increase in net claims. As the Group has in place an adequate retrocession programme, it is not exposed to the risk of a sharp increase in net claims, not even in case of catastrophic losses. A more likely scenario to which the Group is exposed to is the deterioration of the net combined ratio as a result of an increase in claims or expenses along with a decrease in premiums. If the Group's net combined ratio increased/decreased by 1 percentage point, its net profit before taxes would decrease/increase by € 3.6 million (2014: € 3.5 million).

The net retention limit per risk is set at € 3 million for the majority of non-life classes of insurance and a combined limit of € 3 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of € 2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at € 300,000. In principle, this caps any net claim arising out of any single loss event at a maximum of € 3 million. In case of any catastrophe event, e.g. flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is € 5 million for Group business as well as non-Group business. These amounts represent the maximum net claim on the Group level for a single catastrophe event based on reasonable actuarial expectations. In case of multiple catastrophic events in any single year, the non-proportional treaties include reinstatement provisions. Hence, the probability that a large number of catastrophe events could threaten the Group's solvency position is negligible. As the number of catastrophic events randomly fluctuates, an increase in net claims must always be expected. This may negatively impact business results, but will not force the Group into insolvency.

The risk that the underwriting risk may seriously compromise the Group's financial stability is deemed, according to our assessment, low and there are no significant differences between 2015 and 2014.

18.7.3.8. Underwriting risks in life insurance

Significant components of underwriting risk in life insurance are pricing risk and reserving risk. Pricing risk is the risk that expenses and incurred claims are higher than anticipated. Reserving risk represents the risk that the absolute level of technical provisions is underestimated. Underwriting risk components of the life business include biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unexpectedly higher or lower rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The Group manages concentrated underwriting risks arising out of life policies through diversification, reinsurance and through underwriting and risk assessment procedures.

In order to manage underwriting risk, the Group regularly monitors mortality and morbidity rates, termination of life policies, looking for specific trends. In addition, it regularly conducts adequacy testing of provisions. The Group manages underwriting risk by employing underwriting procedures. Underwriting guidelines specify criteria and terms of risk acceptance. At given premium rates, risk assumption depends on the age at entry and the requested sum insured. The Group accepts risks if the insured's health, as a measure of risk quality, is in line with table data listing criteria for medical examinations. An additional factor in the assumption of risks is lifestyle, including leisure activities and occupation. The Group has in place an appropriate reinsurance programme in order to limit the impact of underwriting risk; covers are generally on a proportional basis. The retention of insurers generally does not exceed € 50,000. Reinsurance for group life insurance in Slovenia is placed also on a pooling basis.

We estimate that the exposure to underwriting risk relating to life insurance business remained at the same level as in 2014.

18.7.4. 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 insurer is not exposed to investment risk relating to the life insurance business fund for which policyholders define the investment policy and also fully assume any financial risks. For this reason, these assets are excluded from the below discussion of financial risks.

Assets and liabilities from investment contracts are included in the consolidated statement of financial position for the first time following the consolidation of Moja naložba and are related to the liability fund of the SVPI (supplementary voluntary pension insurance, Slovenian: VSPI) fund managed by the company for the benefit of policyholders. Risks arising out of investment contracts are described in section 18.7.2 »Risks relating to investment contracts«.

18.7.4.1. Market risks

Financial investments exposed to market risks

(€) Type of investment	31/12/2015	In % at 31/12/2015	31/12/2014	In % at 31/12/2014	Absolute difference 31/12/2015 / 31/12/2014	Change in structure 31/12/2015 / 31/12/2014
Deposits	53,052,297	5.2 %	95,569,619	9.8 %	-42,517,322	-4.6 %
Government bonds	502,263,965	49.5 %	486,946,870	50.0 %	15,317,095	-0.5 %
Corporate bonds	421,301,237	41.5 %	358,991,267	36.8 %	62,309,970	4.7 %
Shares (excluding strategic shares)	18,906,610	1.9 %	21,030,349	2.2 %	-2,123,739	-0.3 %
Mutual funds	12,758,487	1.3 %	5,671,611	0.6 %	7,086,876	0.7 %
bond and money market	341,158	0.0 %	2,267,493	0.2 %	-1,926,335	-0.2 %
mixed funds	1,730,327	0.2 %	0	0.0 %	1,730,327	0.2 %
equity funds	10,020,709	1.0 %	3,404,118	0.3 %	6,616,591	0.6 %
other	666,292	0.1 %	0	0.0 %	666,292	0.1 %
Loans granted and other investments	1,075,435	0.1 %	871,156	0.1 %	204,279	0.0 %
Deposits with cedants	5,698,774	0.6 %	5,587,510	0.6 %	111,264	0.0 %
FINANCIAL INVESTMENTS	1,015,056,805	100.0 %	974,668,382	100.0 %	40,388,423	0.0 %

18.7.4.1.1. Interest rate risk

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

Interest rate risk on the liabilities side only affects life business (mathematical provisions). Based on the prescribed methodology for the calculation of technical provisions for the purposes of preparing financial statements, on the non-life business side only temporary and life annuities arising out of liability policies are interest-rate sensitive; however, any change in liabilities due to changes in the capitalised value of annuities as a result of a decline in interest rates is negligible and has therefore not been considered in those calculations.

Interest rate risk is measured through a sensitivity analysis[29], by observing the change in the value of investments in bonds or the value of mathematical provisions in case of an interest rate change by two percentage points. The analysed investments do not include held-to-maturity bonds as they are measured at amortised cost and thus are not sensitive to changes in market interest rates.

The total value of bonds included in the calculation at 31 December 2015 was € 760.2 million[30] (31/12/2014: € 682.2 million). Of this, € 524.3 million (31/12/2014: € 468.1 million) relates to assets of non-life insurers (including Sava Reinsurance Company) and € 235.9 million (31/12/2014: € 214.0 million) to assets of life insurers.

The sensitivity analysis for the non-life segment at 31 December 2015 showed that in the event of an interest rate increase by two percentage points, the value of the interest rate sensitive investments would drop € 26.3 million (31/12/2014: € 21.7 million) or 5.0 % (31/12/2014: 4.6 %). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale investments and the impact on profit or loss a result of investments classified as at fair value through profit or loss.

29 In 2015 we changed the methodology of calculating the sensitivity analysis, which is why the results of the sensitivity analysis for 2014 differ from those published in the annual report 2014.
30 The sensitivity analysis also covers assets included in the other investments item of the statement of financial position totalling € 313.7 thousand.

Results of the sensitivity analysis on interest-rate sensitive non-life investments

						31/12/2015
(€)			+200 bp			-200 bp
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	235,977,472	224,881,321	-11,096,151	235,977,472	255,802,754	19,825,282
Corporate bonds	288,343,496	273,106,389	-15,237,107	288,343,496	305,393,968	17,050,472
TOTAL	524,320,968	497,987,710	-26,333,258	524,320,968	561,196,722	36,875,754
Effect on equity		-26,223,734			36,754,755	
Effect on the income statement		-109,524			120,999	

						31/12/2014
(€)			+200 bp			-200 bp
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	218,127,597	208,497,036	-9,630,561	218,127,597	228,858,969	10,731,372
Corporate bonds	250,007,686	237,916,256	-12,091,430	250,007,686	263,815,367	13,807,681
Bond mutual funds	654,759	624,419	-30,340	654,759	690,788	36,029
TOTAL	468,790,042	447,037,712	-21,752,330	468,790,042	493,365,125	24,575,082
Effect on equity		-21,490,320			24,349,196	
Effect on the income statement		-203,192			218,336	

A sensitivity analysis on interest-rate sensitive life insurance investments showed that in case of an increase in interest rates by two percentage points, the value would decrease by € 17.7 million or 7.5 % (31/12/2014: € 12.8 million; 5.9 %). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale investments and the impact on profit or loss a result of investments classified as at fair value through profit or loss.

Results of the sensitivity analysis on interest-rate sensitive life investments

						31/12/2015
(€)			+200 bp			-200 bp
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	102,984,704	94,472,672	-8,512,032	102,984,704	112,932,032	9,947,328
Corporate bonds	132,874,383	123,710,517	-9,163,866	132,874,383	143,437,936	10,563,554
Bond mutual funds	0	0	0	0	0	0
TOTAL	235,859,087	218,183,188	-17,675,898	235,859,087	256,369,968	20,510,881
Effect on equity		-17,153,331			19,976,685	
Effect on the income statement		-522,567			534,197	

(€)						31/12/2014
		+200 bp				-200 bp
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	104,942,529	98,377,876	-6,564,653	104,942,529	112,305,848	7,363,319
Corporate bonds	109,082,526	102,934,777	-6,147,749	109,082,526	116,008,677	6,926,151
Bond mutual funds	1,612,734	1,516,943	-95,791	1,612,734	1,727,209	114,474
TOTAL	215,637,789	202,829,596	-12,808,193	215,637,789	230,041,734	14,403,944
Effect on equity		-12,431,951			13,988,284	
Effect on the income statement		-280,451			301,186	

The value of the mathematical provision included in the sensitivity analysis on the liabilities side amounted to € 252.7 million at 31 December 2015 (31/12/2014: € 246.9 million) and did not include the part of mathematical provision that is not interest-sensitive (31/12/2015: € 9.3 million, 2014: € 9.4 million). A sensitivity analysis on liabilities (mathematical provisions) showed that if the present value of mathematical provisions is calculated using an interest rate that is 2 percentage points higher, the mathematical provisions would decrease by € 25.4 million, or 10.2 % (31/12/2014: € 28.2 million; 11.4 %). By contrast, if the provision is calculated using a 2 percentage points lower interest rate, mathematical provisions would increase by € 33.5 million or 13.5 % (31/12/2014: € 38.4 million; 15.6 %).

Results of the sensitivity analysis on life insurance liabilities

(€)					31/12/2015
		+200 bp			-200 bp
Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
252,714,686	223,535,575	-25,433,332	252,714,686	282,476,006	33,507,098

(€)					31/12/2014
		+200 bp			-200 bp
Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
246,884,033	218,667,983	-28,216,049	246,884,033	285,284,620	38,400,588

The results of the sensitivity analysis on the assets and liabilities side show that assets are moderately more sensitive to changes in interest rates compared to 2014, while mathematical provisions are marginally less sensitive. In the year, the Company continued matching the maturity of assets and liabilities to minimise the net impact of changes in interest rates on the Group's financial statements. As a result, the maturity of assets increased in line with the increase in the maturity of liabilities. The difference between the average maturity of assets and liabilities separately for life and non-life business is presented below.

The average maturity of bonds and deposits of non-life business was 3.23 years at year-end 2015 (31/12/2014: 2.55 years), while the expected maturity of non-life liabilities was 3.16 years (31/12/2014: 3.38 years).

The average maturity of bonds and deposits of life business was 3.85 years at year-end 2015 (31/12/2014: 3.47 years), while the expected maturity of life liabilities was 7.0 years (31/12/2014: 6.51 years).

Based on the above, we estimate that the interest rate risk at the Group and individual company level is well managed and that compared to the end of 2014 there have been no significant changes in this regard. It is, however, important to note that due to the low interest rate environment, the companies are primarily exposed to reinvestment risk and this is particularly important for the life insurance segment, which must meet its commitments regarding guaranteed returns at the level of technical interest rates.

18.7.4.1.2. Equity risk

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

Equity risk affects equities, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

To assess the Group's sensitivity of investments to equity risk, we can assume a 10 % drop in the value of all equity securities, which would result in a decrease in the value of investments by € 3.0 million (31/12/2014: € 2.4 million).

Sensitivity assessment on investments to equity risk

(€)			31/12/2015			31/12/2014
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
by -10 %	29,792,483	26,813,234	-2,979,248	24,434,467	21,991,020	-2,443,447

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. Thus, a 20 % drop in equity prices would cause a drop in the value of investments of € 6.0 million.

The Sava Re Group's exposure to equity risk did not change significantly in 2015 compared to 2014.

18.7.4.1.3. Currency risk

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

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

Sava Reinsurance Company is the Sava Re Group member with the largest exposure to currency risk. Currency risk levels for Sava Reinsurance Company are explained in more detail in the notes to the financial statements section 25.5.3.1.3 »Currency risk« of the Group's business report.

Group companies whose local currency is the euro (companies based in Slovenia, Montenegro and Kosovo) have all liabilities and investments denominated in euro, meaning that these companies are not affected by currency risk. Other Group companies whose local currency is not the euro, transact most business in their respective local currencies, while due to Group relations, they are to a minor extent subject to euro-related currency risk.

We estimate that currency risk at the Group level remained the same in 2015 compared to 2014 since the Sava Reinsurance Company is taking measures to reduce exposure to currency risk.

18.7.4.2. Liquidity risk

Liquidity risk is the risk that because of unexpected or unexpectedly high obligations, the Company will suffer a loss when ensuring liquid assets.

Individual Group members manage liquidity risk in line with the guidelines laid down in the liquidity risk management policy of the Sava Re Group. Each Group member carefully plans and monitors the realisation of cash flows (cash inflows and outflows), and in the case of liquidity problems, informs the controlling company, which assesses the situation and provides the necessary funds to ensure liquidity.

Liquidity risk assumed by individual Group members is also reduced by regular measurement and monitoring based on selected indicators. An indicator of liquidity risk is the level of maturity matching of financial assets and liabilities.

The table below shows the value of financial investments and technical provisions covering life policies by year based on undiscounted cash flows, while the value of technical provisions covering non-life business is shown by year and expected maturity based on triangular development.

Maturity profile of financial assets and liabilities

(€)	Carrying amount as at 31/12/2015	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2015
Financial investments	1,015,056,805	14,845,838	237,052,267	576,856,069	210,858,084	31,711,575	1,071,323,832
- at fair value through profit or loss	18,403,777	0	4,334,194	10,713,772	1,014,006	1,728,772	17,790,744
- held to maturity	165,444,270	0	43,813,618	128,708,662	12,199,667	0	184,721,948
- loans and deposits	57,721,961	14,845,838	37,381,911	7,442,889	944,000	0	60,614,638
- available-for-sale	773,486,797	0	151,522,543	429,990,746	196,700,410	29,982,802	808,196,502
Reinsurers' share of technical provisions	23,877,277	0	8,711,127	8,186,851	6,979,298	0	23,877,276
Cash and cash equivalents	4,710,904	0	4,710,904	0	0	0	4,710,904
TOTAL ASSETS	1,043,644,986	14,845,838	250,474,298	585,042,920	217,837,382	31,711,575	1,099,912,012
Subordinated liabilities	0	0	11,767,068	11,767,068	0	0	23,534,136
Technical provisions	887,068,500	0	323,806,107	345,890,474	217,371,918	0	887,068,499
TOTAL LIABILITIES	887,068,500		335,573,175	357,657,542	217,371,918	0	910,602,635
Difference	**156,576,486**	**14,845,838**	**-85,098,877**	**227,385,378**	**465,464**	**31,711,575**	**189,309,377**

(€)	Carrying amount as at 31/12/2014	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2014
Financial investments	974,668,382	25,142,618	287,456,853	534,016,545	172,526,470	26,701,958	1,045,844,445
- at fair value through profit or loss	16,475,535	0	5,180,255	9,467,898	185,850	1,803,753	16,637,757
- held to maturity	164,317,392	0	10,332,719	142,504,484	36,760,882	0	189,598,084
- loans and deposits	101,457,439	25,142,618	73,972,667	19,047,161	1,562,814	0	119,725,260
- available-for-sale	692,418,016	0	197,971,211	362,997,002	134,016,924	24,898,205	719,883,343
Reinsurers' share of technical provisions	38,672,645	0	15,856,822	11,396,466	11,419,357	0	38,672,645
Cash and cash equivalents	5,643,200	0	5,643,200	0	0	0	5,643,200
TOTAL ASSETS	1,018,984,227	25,142,618	308,956,875	545,413,011	183,945,827	26,701,958	1,090,160,290
Subordinated liabilities	28,699,692	0	5,495,750	23,499,692	0	0	28,995,442
Technical provisions	869,982,633	0	303,358,652	295,179,333	291,339,480	7,235,648	897,113,113
TOTAL LIABILITIES	898,682,325	0	308,854,402	318,679,025	291,339,480	7,235,648	926,108,555
Difference	**120,301,902**	**25,142,618**	**102,473**	**226,733,986**	**-107,393,653**	**19,466,310**	**164,051,735**

In terms of a company's liquidity, it is very important that the company's liability fund assets are sufficient to cover the company's liabilities. Each Group company is responsible for monitoring the coverage of liabilities by liability fund assets in accordance with local regulations. Group companies regularly report on the results of such monitoring of coverage to both the controlling company and regulators.

Based on the above, we estimate that liquidity risk is well managed both at the Group and individual company level and did not change significantly compared to year-end 2014.

18.7.4.3. Credit risk

Credit risk is the risk that issuers or other counterparties will fail to meet their obligations to the Company.

Assets exposed to credit risk include financial investments, reinsurers' share of technical provisions and receivables.

Exposure to credit risk

(€)	31/12/2015	31/12/2014
Type of asset	**Amount**	**Amount**
Fixed-income investments	982,629,998	947,095,266
Receivables due from reinsurers	28,509,096	42,581,369
Receivables	126,032,110	120,486,429
TOTAL EXPOSURE	1,137,171,204	1,067,581,695

Credit risk due to issuer default

Credit risk for investments is estimated based on two factors:

- credit ratings used in determining credit risk for fixed-income investments and
- performance indicators for other investments.

Below we set out an estimation of credit risk for fixed-income investments (included are debt securities, bank deposits and deposits with cedants).

Fixed-income investments by issuer credit rating

(€)	31/12/2015		31/12/2014[31]	
Rated by S&P/Moody's	**Amount**	**As % of total**	**Amount**	**As % of total**
AAA/Aaa	205,415,060	20.9 %	197,634,107	20.9 %
AA/Aa	108,688,082	11.1 %	102,820,618	10.9 %
A/A	153,827,334	15.7 %	161,095,434	17.0 %
BBB/Baa	347,915,378	35.4 %	299,897,056	31.7 %
Less than BBB/Baa	99,527,769	10.1 %	101,312,192	10.7 %
Not rated	67,256,374	6.8 %	84,335,858	8.9 %
TOTAL	982,629,998	100.0 %	947,095,266	100.0 %

31 The composition of fixed-income investments in 2014 differs from the one shown in the 2014 annual report due to a subsequent supplement to deposit ratings as at 31 December 2014 not considered in the 2014 annual report.

At 31 December 2015, fixed-income investments rated »A« or better accounted for 47.6 % of the total fixed-income portfolio (31/12/2014: 48.7 %). The share of the best-rated investments did not change significantly in 2015 compared with the previous year and is in line with the investment policy, which requires that best-rated investments account to at least 45 %.

Credit risk due to issuer default includes concentration risk representing the risk of excessive concentration in a geographic area, economic sector or issuer.

The investment portfolio of the Sava Re Group is reasonably diversified in accordance with local law and Group internal rules in order to avoid large concentration in a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

Diversification of financial investments by industry

(€)	31/12/2015		31/12/2014	
Industry	**Amount**	**As % of total**	**Amount**	**As % of total**
Banking	245,998,322	24.2 %	264,915,973	27.2 %
Government	505,721,930	49.8 %	488,065,464	50.1 %
Finance	35,903,638	3.5 %	17,830,737	1.8 %
Industry	81,306,392	8.0 %	82,369,678	8.5 %
Consumables	43,416,055	4.3 %	28,394,179	2.9 %
Utilities	86,484,668	8.5 %	79,669,137	8.2 %
Insurance	16,225,801	1.6 %	13,423,214	1.4 %
TOTAL	1,015,056,805	100.0 %	974,668,382	100.0 %

The Sava Re Group's largest exposure by industry was to the government (31/12/2015: 49.8 %; 31/12/2014: 50.1 %). Compared to the prior year, the group increased exposure to the financial sector, due to investments in investment grade corporate bonds of foreign issuers. Exposure to the banking sector has not changed significantly compared to the prior year: assets previously invested in deposits were reinvested in covered bonds, the proportion of which increased by 3.3 %.

Diversification of financial investments by region

(€)	31/12/2015		31/12/2014	
Region	**Amount**	**As % of total**	**Amount**	**As % of total**
Slovenia	350,065,580	34.5 %	383,370,726	39.3 %
EU members	488,658,717	48.1 %	451,418,273	46.3 %
Non-EU members	94,358,392	9.3 %	92,878,599	9.5 %
Russia and Asia	17,822,752	1.8 %	20,387,311	2.1 %
Africa and the Middle East	1,813,076	0.2 %	1,985,657	0.2 %
America and Australia	62,338,275	6.1 %	24,627,816	2.5 %
TOTAL	1,015,056,805	100.0 %	974,668,382	100.0 %

In terms of **geography**, the Sava Re Group's exposure is mostly to EU Member States. Compared to the previous year, this proportion increased marginally as a result of the investment policy of reducing exposure to Slovenia. Exposure to Slovenia decreased by 4.8 percentage points and is in line with the strategy of reducing exposure to Slovenia-based issuers (a detailed overview is presented in the table below). Exposure to America and Australia increased compared with the previous year due to currency matching of the assets and liabilities of the controlling company.

Exposure to Slovenia

(€)	31/12/2015		31/12/2014	
Type of investment	**Amount**	**As % of total**	**Amount**	**As % of total**
Deposits	16,909,575	1.7 %	51,751,410	5.3 %
Government bonds	232,526,464	22.9 %	226,338,525	23.2 %
Corporate bonds	78,187,360	7.7 %	80,052,285	8.2 %
Shares	18,213,225	1.8 %	19,758,872	2.0 %
Mutual funds	3,737,791	0.4 %	5,016,851	0.5 %
Other	491,166	0.0 %	452,783	0.0 %
TOTAL	350,065,580	34.5 %	383,370,726	39.3 %

At 31 December 2015, exposure to the ten largest issuers was € 379.5 million, representing 37.4 % of financial investments (31/12/2014: € 370.1 million; 37.9 %). The largest single issuer of securities that the Group is exposed to is the Republic of Slovenia. At 31 December 2015, it totalled € 232.5 million, representing 22.9 % of financial investments (31/12/2014: € 226.4 million; 23.2 %). No other issuer exceeds the 2.9 % of financial assets threshold.

Based on the above, we estimate that particularly through reducing their exposure to Slovenia and additional diversification by issuer, region and industry, the Sava Re Group companies managed their exposure to credit risk well in 2015 and reduced it compared to 2014.

Counterparty default risk

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. except for subsidiaries' reinsurance contracts with providers of assistance services and reinsurance with local reinsurers where required by local regulations. Even if subject to such requirements, local reinsurers transfer risks to the controlling company, thus reducing the effective credit risk exposure relating to reinsurers below the one correctly shown according to accounting rules.

At 31 December 2015 the total exposure of the Group to credit risk relating to reinsurers was € 28.5 million (31/12/2014: € 42.6 million), of which € 23.9 million (31/12/2014: € 38.7 million) relate to reinsurers' share of technical provisions and € 4.6 million (31/12/2014: € 3.9 million) to receivables for reinsurers' and co-insurers' shares in claims. At 31 December 2015 the Group's total credit risk exposure relating to reinsurers represented 1.8 % of total assets (31/12/2014: 2.9 %).

Retrocession programmes are mostly placed with first-class reinsurers with an appropriate rating (at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). Thus, at the end of 2015 and 2014, reinsurers rated A– or better accounted for over 60 % of the credit risk exposure relating to reinsurers. When classifying reinsurers by credit rating group, we considered the credit rating of each individual reinsurer, also where the reinsurer was part of a group. Often such reinsurers are unrated subsidiaries, while the parent company has a credit rating. We consider such a treatment conservative, as ordinarily a parent takes action if a subsidiary gets into troubles.

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

Receivables ageing analysis

(€) 31/12/2015	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	37,098,068	9,065,428	3,781,876	49,945,372
Receivables from insurance brokers	769,415	611,082	23,787	1,404,284
Other receivables arising out of primary insurance business	114,592	9,498	37,021	161,111
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,218,164	9,610,038	2,535,256	63,363,458
Receivables for reinsurers' shares in claims	3,633,779	363,779	634,261	4,631,819
Other receivables from co-insurance and reinsurance	644,654	104,306	13,349	762,309
Other short-term receivables arising out of insurance business	2,149,062	1,088,551	82,487	3,320,100
Short-term receivables arising out of financing	689,965	70,247	53,103	813,315
Current tax assets	1,734,294	0	0	1,734,294
Other short-term receivables	3,711,991	266,571	549,305	4,527,867
TOTAL	101,763,984	21,189,500	7,710,445	130,663,929

(€) 31/12/2014	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	38,035,871	9,828,382	4,675,394	52,539,647
Receivables from insurance brokers	752,682	810,838	21,134	1,584,654
Other receivables arising out of primary insurance business	72,838	15,006	20,879	108,723
Receivables for premiums arising out of assumed reinsurance and co-insurance	40,341,414	11,564,008	2,942,588	54,848,010
Receivables for reinsurers' shares in claims	2,900,774	425,536	582,414	3,908,724
Other receivables from co-insurance and reinsurance	744,391	822	280	745,493
Other short-term receivables arising out of insurance business	3,056,030	1,165,276	245,534	4,466,840
Short-term receivables arising out of financing	442,100	98,728	126,731	667,559
Current tax assets	284,844	0	68,172	353,016
Other short-term receivables	3,575,638	1,205,705	391,144	5,172,487
TOTAL	90,206,582	25,114,301	9,074,270	124,395,153

Receivables are discussed in greater detail in note 9.

18.7.5. Operational risk

In 2015, the Sava Re Group took a more systematic approach and adopted an operational risk policy. The policy lays down the processes and accountability in the management of such risks. The main risk groups to which the Group companies and the Group are exposed are:

- risk of internal and external fraud,
- employment practices and workplace safety,
- risks associated with clients, products and business practice,
- risk of damage to physical assets,
- risk of business disruption and system failures,
- risk of process management and execution and
- compliance risk (laws and regulations).

Operational risk generally arises together with other risks (e.g. underwriting risk, market risk), having a tendency to compound them. Inconsistencies in the underwriting process, for example, may significantly increase underwriting risks.

For effective management of operational risks, Group companies – in line with the risk management policy – establish processes for identifying, measuring, monitoring, managing and reporting of operational risks.

Identification of operational risks is carried out regularly and in all organisational units of individual Group companies, especially in the introduction of new products, new regulatory requirements, changes in operations and the transformation of other internal and external factors that could affect the amount of operational risk. Each risk is assigned a risk owner, who is responsible for regular monitoring and reporting. The risk management department regularly informs the risk management committee and the management board of any new risks. The risk management department and risk management committee may propose measures for managing individual risks. In the event that a new risk has a significant impact on a company's risk profile, the company's risk management service immediately informs the company's risk management committee, the management board and the Group's risk management service.

Group companies measure (assessment) operational risk using primarily assessments in the risk catalogue and the analysis of scenarios. Regular risk assessments provide individual Group companies with an overview of their exposure to operational risk. Assessments are aggregated by the risk management service into an overall assessment and results are regularly reported to the risk management committee, the management board and the Group's risk management service.

The risk management service regularly monitors the identified risks and their assessments. In 2016, Group companies will start monitoring their operational risk using key risk indicators, which will be regularly reported by risks owners or organisational units to the risk management service. Based on the data so obtained, each company will be monitoring changes in its operational risk profile.

The risk management service regularly prepares a report on operational risks, which is presented to the risk management committee, the management board and the Group's risk management service. In the event of significant changes in the operational risk profile, the risk management service reports thereon immediately.

To manage operational risk, the Group companies have in place an effective internal control system and a business process management system.

Significant operational risks are managed by Group companies as follows:

- Each Group company has in place procedures (set down in writing) for detecting and preventing insurance fraud. Relevant findings are regular reported to the risk management service.
- To manage IT risks, companies have adopted security policies in accordance with the ISO 27001 standard. Documentation related to information security management encompasses three levels: the rules of procedure regarding information security, security policies, and systemic procedures and instructions.
- As part of operational risk management, Group companies have drawn up business continuity plans for all critical processes in case of incidents or external events. In this way, the Group mitigates the risk of unpreparedness for incidents and external events and any resulting business interruption.
- For the purpose of operational risk management, the Sava Re Group has put in place adequate IT-supported procedures and controls in the most important areas of operation. In addition, such risks are managed through the internal audit function, through staff training and enhanced risk awareness.

We estimate that in 2015, the Group's exposure to operational risk has somewhat increased because of the insurer integration project.

18.7.6. Strategic risks

The Sava Re Group and its Group members are also exposed to internal and external strategic risk. Strategic risks at the company and Group level are regularly identified and assessed; such data being recorded in the risk catalogue. The risk management service monitors and regularly reports on strategic risks to the risk management committee and the management board. Strategic risk management is carried out mainly through the governance system of a company and the Group as well as through systematic risk management at both the individual company and Group levels.

We estimate that the Group is particularly exposed to risks associated with the merger of its EU-based insurers, which may have a long-term impact on the Group and its individual members. The combination of insurers is run as a project with defined risks related to the process. Project risks will be regularly monitored by the controlling company in order to identify and resolve difficulties as early as possible.

Another major source of risk is related to capital adequacy and capital allocation – this is further aggravated by the fact that the Solvency II regime, which completely changed the concept of required capital and eligible own funds, only just entered into force.

As part of its risk strategy, the Sava Re Group identified reputation risk as a key risk. For this reason, the Group has established criteria as to which practices are unacceptable in the Sava Re Group.

Strategic risk increased in 2015 compared to 2014 because of certain major projects that are running in the Group, especially the project of combining four EU-based insurers.

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

1. Intangible assets

Movement in cost and accumulated amortisation/impairment losses of intangible assets

(€)	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
01/01/2015	8,607,859	17,654,308	1,523,339	3,662,804	15,134,933	46,583,242
Additions – acquisition of subsidiary	95,818	1,529,820	0	0	0	1,625,638
Additions	1,128,839	0	0	271,276	52,982	1,453,097
Disposals	-61,438	0	0	-424,676	-59,647	-545,761
Impairments	0	-2,936,678	0	0	0	-2,936,678
Exchange differences	2,983	-5,166	0	0	-89	-2,272
31/12/2015	9,774,061	16,242,284	1,523,339	3,509,404	15,128,179	46,177,266
Accumulated amortisation and impairment losses						
01/01/2015	5,822,257	0	820,024	0	5,000,000	11,642,282
Additions – acquisition of subsidiary	57,390	0	0	0	0	57,390
Additions	952,557	0	163,951	0	3,000,000	4,116,508
Disposals	-107,060	0	0	0	0	-107,060
Exchange differences	2,831	0	0	0	0	2,831
31/12/2015	6,727,975	0	983,975	0	8,000,000	15,711,951
Carrying amount as at 01/01/2015	**2,785,602**	**17,654,308**	**703,315**	**3,662,804**	**10,134,933**	**34,940,960**
Carrying amount as at 31/12/2015	**3,046,086**	**16,242,284**	**539,364**	**3,509,404**	**7,128,179**	**30,465,315**

(€)	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
01/01/2014	7,440,740	19,554,635	1,530,276	4,200,571	15,128,392	47,854,613
Additions – acquisition of subsidiary	0	2,718	0	0	0	2,718
Additions	1,187,329	0	0	0	70,106	1,257,435
Disposals	-1,357	0	-6,937	-537,767	-62,564	-608,625
Impairments	0	-1,901,375	0	0	0	-1,901,375
Exchange differences	-18,853	-1,670	0	0	-1001	-21,524
31/12/2014	8,607,859	17,654,308	1,523,339	3,662,804	15,134,933	46,583,242
Accumulated amortisation and impairment losses						
01/01/2014	4,970,503	0	658,037	0	2,000,000	7,628,541
Additions	865,504	0	165,224	0	3,000,000	4,030,728
Disposals	-1,357	0	-3,237	0	0	-4,594
Exchange differences	-12,393	0	0	0	0	-12,393
31/12/2014	5,822,257	0	820,024	0	5,000,000	11,642,282
Carrying amount as at 01/01/2014	**2,470,235**	**19,554,635**	**872,239**	**4,200,571**	**13,128,392**	**40,226,072**
Carrying amount as at 31/12/2014	**2,785,600**	**17,654,308**	**703,315**	**3,662,804**	**10,134,933**	**34,940,960**

The other intangible assets item in the table above also includes goodwill acquired in the business combination of Moja naložba. The impairment loss on goodwill relates to Sava osiguranje Belgrade and Illyria, which is also evident from the note on the movement in goodwill.

Movement in goodwill

Goodwill relates to the acquisition of the following companies: Sava osiguranje Beograd, Illyria, Sava osiguruvanje Skopje, Sava Montenegro, Zavarovalnica Maribor, Montagent and Moja naložba. As at year-end 2014, goodwill totalled € 16.2 million (31/12/2014: € 17.7 million). Each of the listed companies is treated as a cash-generating unit. The table below shows the value of goodwill for each cash-generating unit.

Movement in goodwill in 2015

(€)	
Total amount carried over at 31/12/2014	17,654,308
Additions in current year	**1,529,820**
Moja naložba	1,529,820
Disposals in current year	**-2,941,844**
Sava osiguranje Belgrade	-237,681
Illyria	-2,698,997
Exchange differences	-5,166
BALANCE AT 31/12/2015	16,242,284
Sava osiguranje Belgrade	4,510,873
Illyria	1,693,699
Sava osiguruvanje Skopje	94,907
Sava Montenegro	3,648,534
Zavarovalnica Maribor	4,761,733
Montagent Podgorica	2,718
Moja naložba	1,529,820

Movement in goodwill in 2014

(€)	
Total amount carried over at 31/12/2013	19,554,635
Sava osiguranje Belgrade	4,748,554
Illyria	4,392,696
Sava osiguruvanje Skopje	94,907
Sava Montenegro	3,648,534
Velebit usluge	1,908,211
Zavarovalnica Maribor	4,761,733
Additions in current year	**2,718**
Montagent	2,718
Disposals in current year	**-1,903,045**
Velebit usluge	-1,901,375
Exchange differences	-1,670
TOTAL 31/12/2014	17,654,308

Compared to year-end 2014, goodwill decreased by € 1.4 million mainly due to impairment losses on goodwill belonging to Sava osiguranje Belgrade and Illyria.

Method of calculating value in use

Value in use for each cash-generating unit is calculated using the discounted cash flow method (DCF method). The budget projections of the CGUs and their estimate of the long-term results achievable are used as a starting point. Value in use is determined through discounting future profits using an appropriate discount rate.

The discount rate is determined as cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the interest rate applying to risk-free securities and equity premium, as well as insurance business prospects. Added is a country risk premium and, for some companies, a smallness factor.

The discount rate is made up of the following:

- the risk-free rate of return (based on the ten-year average interest rate on German ten-year government bonds adjusted for the long-term inflation rate in individual countries);
- tax rates included in the discount rate are the applicable tax rates in individual countries where companies operate; the beta factor for industry according to Damodaran;
- national risk premium according to Damodaran.

Discount rates used in goodwill testing:

	Discount factor	Discount factor perpetuity
Croatia	12.00 %	11.00 %
Serbia	15.50 %	14.50 %
Montenegro	14.00 %	13.00 %
Macedonia	14.00 %	13.00 %
Kosovo	15.50 %	14.50 %

The discount rates used in 2015 are lower than those of 2014 primarily due to a lower risk-free rate of return.

The bases for the testing of value in use are prepared in several phases. In phase one, the Company obtains five-year projections of results for each company within the regular planning process unified Group-wide. These strategic plans are approved by the controlling company as well as by relevant governing bodies. In phase two, projections are extended to five years in order to avoid giving too much weight and influence to the perpetuity and to projections that towards the end of the projected period show normalised operations of the companies subject to goodwill testing.

In all their markets, insurance penetration is relatively low. However, insurance penetration is expected to increase significantly due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Western Balkan markets, which have a relatively low penetration level, are expected to see a faster growth of gross premiums compared to the expected growth in GDP.

Goodwill impairment testing

In the impairment testing of goodwill arising out of the acquired companies listed at the beginning of this section, the recoverable amount of each cash-generating unit exceeded its carrying amount including goodwill belonging to the unit. Impairment testing indicated that impairment losses needed to be recognised in Illyria and Sava osiguranje. Impairment losses on goodwill relate to the non-life operating segment.

2. PROPERTY AND EQUIPMENT

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
01/01/2015	7,135,178	45,765,537	22,938,110	421,329	76,260,154
Additions – acquisition of subsidiary	0	0	267,953	0	267,953
Additions	884,573	3,668,575	2,446,916	44,632	7,044,696
Disposals	-2,293	-501,509	-1,675,548	0	-2,179,350
Impairment losses	0	-41,278	-12,214	-2,094	-55,586
Exchange differences	2,199	-5,018	-2,751	-1,610	-7,180
31/12/2015	8,019,657	48,886,307	23,962,466	462,257	81,330,687
Accumulated depreciation and impairment losses					
01/01/2015	0	14,795,679	16,765,604	225,234	31,786,517
Additions – acquisition of subsidiary	0	0	209,481	0	209,481
Additions	0	1,199,065	2,275,076	31,850	3,505,991
Disposals	0	-98,305	-1,437,332	0	-1,535,637
Impairment losses	0	167,460	-11,865	-1,964	153,631
Exchange differences	0	-3,882	-1,841	-883	-6,606
31/12/2015	0	16,060,017	17,799,123	254,237	34,113,377
Carrying amount as at 01/01/2015	**7,135,178**	**30,969,858**	**6,172,506**	**196,095**	**44,473,638**
Carrying amount as at 31/12/2015	**8,019,657**	**32,826,290**	**6,163,343**	**208,020**	**47,217,311**

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
01/01/2014	7,174,821	45,344,479	23,624,554	442,183	76,586,037
Additions	5,036	1,188,824	1,887,972	2,513	3,084,345
Disposals	-41,316	-222,975	-2,512,051	-5,732	-2,782,074
Impairment losses	0	-356,889	0	0	-356,889
Exchange differences	-3,363	-187,902	-62,365	-17,635	-271,265
31/12/2014	7,135,178	45,765,537	22,938,110	421,329	76,260,154
Accumulated depreciation and impairment losses					
01/01/2014	0	13,708,737	16,633,514	201,215	30,543,467
Additions	0	1,204,003	2,369,667	35,590	3,609,260
Disposals	0	-61,255	-2,197,006	-3,607	-2,261,868
Impairment losses	0	-1,695	0	0	-1,695
Exchange differences	0	-54,111	-40,571	-7,964	-102,646
31/12/2014	0	14,795,679	16,765,604	225,234	31,786,517
Carrying amount as at 01/01/2014	**7,174,821**	**31,635,742**	**6,991,040**	**240,968**	**46,042,572**
Carrying amount as at 31/12/2014	**7,135,178**	**30,969,858**	**6,172,506**	**196,095**	**44,473,638**

No property or equipment assets have been pledged as collateral.

3. DEFERRED TAX ASSETS AND LIABILITIES

(€)	31/12/2015	31/12/2014
Deferred tax assets	2,371,857	1,202,381
Deferred tax liabilities	-4,598,731	-5,749,180
TOTAL NET DEFERRED TAX ASSETS/LIABILITIES	-2,226,874	-4,546,799

Movement in deferred tax assets

(€)	At 01/01/2015	Recognised in the IS	Recognised in the SCI	31/12/2015
Long-term financial investments	947,568	298,772	881,471	2,127,811
Short-term operating receivables	218,289	-14,245	0	204,044
Provisions for jubilee benefits and severance pay (retirement)	36,524	43,809	-40,331	40,002
TOTAL	1,202,381	328,336	841,140	2,371,857

(€)	01/01/2014	Recognised in the IS	Recognised in the SCI	31/12/2014
Long-term financial investments	2,787,274	-1,383,644	-456,062	947,568
Short-term operating receivables	165,806	52483	0	218,289
Provisions for jubilee benefits and severance pay (retirement)	543,512	-506,988	0	36,524
TOTAL	3,496,592	-1,838,149	-456,062	1,202,381

Movement in deferred tax liabilities

(€)	At 01/01/2015	Recognised in the IS	Recognised in the SCI	31/12/2015
Long-term financial investments	-5,749,180	818,212	333,047	-4,597,921
Provisions for jubilee benefits and severance pay (retirement)	0	0	-810	-810
TOTAL	-5,749,180	818,212	332,237	-4,598,731

(€)	01/01/2014	Recognised in the IS	Recognised in the SCI	31/12/2014
Long-term financial investments	-4,008,876	0	-1,740,304	-5,749,180

4. Investment property

Movement in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
Cost			
01/01/2015	764,588	5,454,079	6,218,667
Additions	0	3,657,275	3,657,275
Disposals	-25,482	-834,595	-860,077
Impairment	-38,809	-241,210	-280,019
Exchange differences	1,861	-15,657	-13,796
31/12/2015	702,158	8,019,892	8,722,050
Accumulated depreciation and impairment losses			
01/01/2015	28,566	1,086,775	1,115,341
Additions		81,910	81,910
Disposals		-514,834	-514,834
Exchange differences	65	-677	-612
31/12/2015	28,631	653,175	681,805
Carrying amount as at 01/01/2015	**736,022**	**4,367,304**	**5,103,325**
Carrying amount as at 31/12/2015	**673,527**	**7,366,717**	**8,040,244**

(€)	Land	Buildings	Total
Cost			
01/01/2014	510,471	6,233,127	6,743,598
Additions	327,075	165,442	492,517
Disposals	-5,037	-768,673	-773,710
Impairment	-65,748	-2,076	-67,824
Exchange differences	-2,173	-173,741	-175,914
31/12/2014	764,588	5,454,079	6,218,667
Accumulated depreciation and impairment losses			
01/01/2014	0	1,176,591	1,176,591
Additions	0	109,658	109,658
Disposals	0	-338,748	-338,748
Impairment	28,510	145,179	173,689
Exchange differences	56	-5,905	-5,849
31/12/2014	28,566	1,086,776	1,115,341
Carrying amount as at 01/01/2014	**510,471**	**5,056,536**	**5,567,006**
Carrying amount as at 31/12/2014	**736,022**	**4,367,303**	**5,103,325**

In 2015 the Group generated income of € 191,766 by leasing out its investment property (2014: € 155,469). Maintenance costs associated with investment property are either included in the rent or charged to the lessee, in 2015 a total of € 60,880 (2014: € 64,583).

5. Financial investments in associates

Financial investments in associates

(€)	01/01/2015 Holding	01/01/2015 Value	Attribution of profits	Addition of fair value reserve	Transfer to subsidiaries	31/12/2015 Holding	31/12/2015 Value	31/12/2015 Share of voting rights (%)
Moja naložba	45.00 %	3,072,497	165,067	-45,603	3,191,961	0.00 %	0	0.00 %

(€)	01/01/2014 Holding	01/01/2014 Value	Attribution of profits	Addition of fair value reserve	31/12/2014 Holding	31/12/2014 Value	31/12/2014 Share of voting rights (%)
Moja naložba	45.00 %	2,866,665	154,294	51,539	45.00 %	3,072,497	45.00 %

At the end of 2015, Moja naložba became a Group subsidiary. Data on the Company's operations are given in section 18.2 "Business combinations and overview of Group companies".

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

(€) 31/12/2015	Held-to -maturity	At fair value through P/L – Non-derivative – Designated to this category	Available -for-sale	Loans and receivables	Total
Debt instruments	**165,444,270**	**16,488,823**	**743,376,443**	**52,023,187**	**977,332,723**
Deposits and CDs	1,744,334	0	0	51,307,963	53,052,297
Government bonds	163,402,183	3,481,001	335,380,781	0	502,263,965
Corporate bonds	297,753	13,007,822	407,995,662	0	421,301,237
Loans granted	0		0	715,224	715,224
Equity instruments	**0**	**1,728,773**	**29,936,324**	**0**	**31,665,097**
Shares	0	595,678	18,310,932	0	18,906,610
Mutual funds	0	1,133,095	11,625,392	0	12,758,487
Other investments	**0**	**186,181**	**174,030**	**0**	**360,211**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**5,698,774**	**5,698,774**
TOTAL	165,444,270	18,403,777	773,486,797	57,721,961	1,015,056,805
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,985,587	182,609,105	15,963,694	5,630,731	214,189,117

(€) 31/12/2014	Held-to -maturity	At fair value through P/L — Non-derivative — Designated to this category	Available-for--sale	Loans and receivables	Total
Debt instruments	**164,317,392**	**14,671,781**	**667,473,331**	**95,718,258**	**942,180,762**
Deposits and CDs	524,367	0	0	95,045,252	95,569,619
Government bonds	163,793,025	4,284,914	318,868,931	0	486,946,870
Corporate bonds	0	10,386,867	348,604,400	0	358,991,267
Loans granted	0	0	0	673,006	673,006
Equity instruments	**0**	**1,803,754**	**24,898,206**	**0**	**26,701,960**
Shares	0	580,913	20,449,436	0	21,030,349
Mutual funds	**0**	**1,222,841**	**4,448,770**	**0**	**5,671,611**
Other investments	**0**	**0**	**46,479**	**151,671**	**198,150**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**5,587,510**	**5,587,510**
TOTAL	164,317,392	16,475,535	692,418,016	101,457,439	974,668,382
Investments for the benefit of life-insurance policyholders who bear the investment risk	10,096,564	178,717,684	3,815,356	10,283,455	202,913,059

Investments for the benefit of life-insurance policyholders who bear the investment risk are investments placed by the insurer in line with requests of policyholders who have taken out life policies.

Fair values of financial investments are shown in note 27.

7. Reinsurers' share of technical provisions

(€)	31/12/2015	31/12/2014
From unearned premiums	6,176,167	6,601,969
From mathematical provisions	0	37
From provisions for claims outstanding	18,374,900	32,274,622
From other technical provisions	-673,790	-203,983
TOTAL	23,877,277	38,672,645

The reinsurers' and coinsurers' share of technical provisions fell by 38.3 %, primarily due to the decline in outstanding claims provisions.

The reinsurers' share of unearned premiums largely moves in line with retroceded premiums; the decline in 2015, however, was due to a coverage of some major policyholders in the second half of the year that was not renewed and for which at year-end 2014, a large amount was established for retroceded unearned premiums regarding a surplus treaty. The reinsurers' share of claims provisions moves in line with the movement of large incurred claims and the schedule of their related claim payments. In 2015 payments from retrocessionaires for the retroceded claims provision (established in 2014 for the ice damage catastrophe loss in Slovenia) were accounted and retroceded claims provisions decreased accordingly. The reinsurers' share of other technical provisions comprises provisions for unexpired risks, which pursuant to IFRS must be established separately for the gross and the reinsurance portfolio, where expected net results are poorer than gross results, this provision for the reinsurance portfolio may be negative.

8. Assets and liabilities from investment contracts

At the end of 2015, the controlling company acquired the pension company Moja naložba, previously accounted for as an associate. In this respect, the Group discloses € 111.4 million in assets and € 111.3 million in liabilities from investment contracts.

Assets from investment contracts

(€)	31/12/2015
Financial investments	108,316,390
Receivables	10,142
Cash and cash equivalents	3,091,712
TOTAL	111,418,244

(€) 31/12/2015	Held-to -maturity	At fair value through P/L — Non-derivative — Designated to this category	Available -for-sale	Loans and receivables	Total
Debt instruments	**54,977,861**	**40,802,879**	**0**	**6,637,397**	**102,418,137**
Deposits and CDs	0	0	0	6,637,397	6,637,397
Bonds	54,977,861	40,802,879	0	0	95,780,740
Equity instruments	**0**	**5,898,253**	**0**	**0**	**5,898,253**
TOTAL FINANCIAL INVESTMENTS	54,977,861	46,701,132	0	6,637,397	108,316,390
Cash and receivables	**0**	**0**	**0**	**3,101,854**	**3,101,854**
TOTAL ASSETS FROM INVESTMENT CONTRACTS	54,977,861	46,701,132	0	9,739,251	111,418,244

Assets from investment contracts by level of the fair value hierarchy

(€) 31/12/2015	Carrying amount (CA)	Fair value — Level 1	Level 2	Level 3	Total fair value	Difference between FV and CA
ASSETS FROM INVESTMENT CONTRACTS MEASURED AT FAIR VALUE	46,701,132	38,523,522	0	8,177,610	46,701,132	0
At fair value through P/L	46,701,132	38,523,522	0	8,177,610	46,701,132	0
Designated to this category	46,701,132	38,523,522	0	8,177,610	46,701,132	0
Debt instruments	40,802,879	32,647,328	0	8,155,551	40,802,879	0
Equity instruments	5,898,253	5,876,194	0	22,059	5,898,253	0
ASSETS FROM INVESTMENT CONTRACTS NOT MEASURED AT FAIR VALUE	64,717,112	65,622,808	6,647,539	0	72,270,347	7,553,235
Held-to-maturity assets	54,977,861	62,531,096	0	0	62,531,096	7,553,235
Debt instruments	54,977,861	62,531,096	0	0	62,531,096	7,553,235
Loans and receivables	6,637,397	0	6,637,397	0	6,637,397	0
Deposits	6,637,397	0	6,637,397	0	6,637,397	0
Cash and receivables	3,101,854	3,091,712	10,142	0	3,101,854	0
TOTAL ASSETS FROM INVESTMENT CONTRACTS	111,418,244	104,146,330	6,647,539	8,177,610	118,971,479	7,553,235

Liabilities under investment contracts

(€)	31/12/2015
Net liabilities to pension policyholders	110,711,674
Other liabilities	712,449
TOTAL IN VSPI LIABILITY FUND BALANCE SHEET	111,424,123
Internal relations between the company and life ins. liability fund	-119,740
TOTAL IN BALANCE SHEET	111,304,383

The pension company eliminates internal relations of the joint balance sheet, thus liabilities to pension policyholders exceed liabilities from investment contracts. Eliminated from the balance sheet were internal relations of the VSPI liability fund to the pension company for entry charges and management fee for the current month, which may be recognised upon conversion or when credited to personal accounts. The difference between liabilities to pension policyholders and liabilities from investment contracts comprises liabilities to the pension company from entry charges of € 23,937, exit charges of € 2,976 and management fees in the amount of € 92,827.

Liabilities in the balance sheet of the long-term liability fund of the voluntary supplementary pension insurance are mostly long-term. These are liabilities relating to the voluntary supplementary pension life liability fund for premiums paid, guaranteed return and the return in excess of guaranteed return (provisions).

9. Receivables

Receivables arising out of primary insurance business decreased year-on-year. Collection statistics and the composition of receivables have been improving over the years with ever younger receivables being subject to collection procedures.

There was an increase in the amount of premium receivables arising out of reinsurance assumed. This is mainly due to the increase in gross premiums written.

Receivables of the controlling company arising out of reinsurance contracts are not specially secured. Receivables have been tested for impairment.

Receivables by type

			31/12/2015			31/12/2014
(€)	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	78,920,875	-28,975,503	49,945,372	84,237,018	-31,697,371	52,539,647
Receivables from insurance brokers	1,871,270	-466,986	1,404,284	2,103,339	-518,685	1,584,654
Other receivables arising out of primary insurance business	301,787	-140,676	161,111	236,250	-127,527	108,723
Receivables arising out of primary insurance business	**81,093,932**	**-29,583,165**	**51,510,767**	**86,576,607**	**-32,343,583**	**54,233,024**
Receivables for premiums arising out of reinsurance and co-insurance	63,733,597	-370,139	63,363,458	55,385,872	-537,862	54,848,010
Receivables for shares in claims payments	4,706,823	-75,004	4,631,819	3,994,006	-85,282	3,908,724
Other receivables from co-insurance and reinsurance	762,309	0	762,309	745,493	0	745,493
Receivables arising out of reinsurance and co-insurance business	**69,202,729**	**-445,143**	**68,757,586**	**60,125,371**	**-623,144**	**59,502,227**
Current tax assets	**1,734,294**	**0**	**1,734,294**	**353,016**	**0**	**353,016**
Other short-term receivables arising out of insurance business	26,727,874	-23,407,774	3,320,100	29,340,157	-24,873,317	4,466,840
Receivables arising out of investments	2,016,806	-1,203,491	813,315	1,880,911	-1,213,352	667,559
Other receivables	6,015,464	-1,487,597	4,527,867	6,651,116	-1,478,629	5,172,487
Other receivables	**34,760,144**	**-26,098,862**	**8,661,282**	**37,872,184**	**-27,565,298**	**10,306,886**
TOTAL	186,791,099	-56,127,170	130,663,929	184,927,178	-60,532,025	124,395,153

Net receivables ageing analysis

(€) 31/12/2015	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	37,098,068	9,065,428	3,781,876	49,945,372
Receivables from insurance brokers	769,415	611,082	23,787	1,404,284
Other receivables arising out of primary insurance business	114,592	9,498	37,021	161,111
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,218,164	9,610,038	2,535,256	63,363,458
Receivables for reinsurers' shares in claims	3,633,779	363,779	634,261	4,631,819
Other receivables from co-insurance and reinsurance	644,654	104,306	13,349	762,309
Other short-term receivables arising out of insurance business	2,149,062	1,088,551	82,487	3,320,100
Short-term receivables arising out of financing	689,965	70,247	53,103	813,315
Current tax assets	1,734,294	0	0	1,734,294
Other short-term receivables	3,711,991	266,571	549,305	4,527,867
TOTAL	101,763,984	21,189,500	7,710,445	130,663,929

(€) 31/12/2014	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	38,035,871	9,828,382	4,675,394	52,539,647
Receivables from insurance brokers	752,682	810,838	21,134	1,584,654
Other receivables arising out of primary insurance business	72,838	15,006	20,879	108,723
Receivables for premiums arising out of assumed reinsurance and co-insurance	40,341,414	11,564,008	2,942,588	54,848,010
Receivables for reinsurers' shares in claims	2,900,774	425,536	582,414	3,908,724
Other receivables from co-insurance and reinsurance	744,391	822	280	745,493
Other short-term receivables arising out of insurance business	3,056,030	1,165,276	245,534	4,466,840
Short-term receivables arising out of financing	442,100	98,728	126,731	667,559
Current tax assets	284,844	0	68,172	353,016
Other short-term receivables	3,575,638	1,205,705	391,144	5,172,487
TOTAL	90,206,582	25,114,301	9,074,270	124,395,153

All receivables are current.

For all receivables that have already fallen due, allowances have been recognised relating to individual classes of similar risks into which receivables are classified. Major items of receivables have been tested individually and since only minor indications of impairment have been found, these are included in collective impairment.

Movement in allowance for receivables

(€) 31/12/2015	At 01/01/2015	Additions	Reversals	Write-offs	Exchange differences	31/12/2015
Receivables due from policyholders	-31,697,371	-1,015,028	1,742,671	1,998,133	-3,908	-28,975,503
Receivables from insurance brokers	-518,685	-21,410	72,681	0	428	-466,986
Other receivables arising out of primary insurance business	-127,527	-12,844	0	0	-305	-140,676
Receivables arising out of primary insurance business	**-32,343,583**	**-1,049,282**	**1,815,352**	**1,998,133**	**-3,785**	**-29,583,165**
Receivables for premiums arising out of reinsurance and co-insurance	-537,862	-127,133	198,198	100,323	-3,665	-370,139
Receivables for shares in claims payments	-85,282	0	0	10,278	0	-75,004
Receivables arising out of reinsurance and co-insurance business	**-623,144**	**-127,133**	**198,198**	**110601**	**-3,665**	**-445,143**
Other short-term receivables arising out of insurance business	-24,873,317	-1,254,121	769,115	1,952,646	-2,097	-23,407,774
Receivables arising out of investments	-1,213,352	-3,614	9,073	0	4,402	-1,203,491
Other short-term receivables	-1,478,629	-272,463	190,287	72,004	1,204	-1,487,597
Other receivables	**-27,565,298**	**-1,530,198**	**968,475**	**2,024,650**	**3,509**	**-26,098,862**
TOTAL	-60,532,025	-2,706,613	2,982,025	4,133,384	-3,941	-56,127,170

(€) 31/12/2014	01/01/2014	Additions	Reversals	Write-offs	Exchange differences	31/12/2014
Receivables due from policyholders	-31,631,699	-1,975,568	578,195	1,241,089	90,612	-31,697,371
Receivables from insurance brokers	-584,375	-29,946	34,286	52,593	8,757	-518,685
Other receivables arising out of primary insurance business	-383,942	-63,360	3,645	316,511	-381	-127,527
Receivables arising out of primary insurance business	**-32,600,016**	**-2,068,874**	**616,126**	**1,610,193**	**98,988**	**-32,343,583**
Receivables for premiums arising out of reinsurance and co-insurance	-527,782	-12,093	2,013	0	0	-537,862
Receivables for shares in claims payments	-96,438	0	11,156	0	0	-85,282
Receivables arising out of reinsurance and co-insurance business	**-624,220**	**-12,093**	**13,169**	**0**	**0**	**-623,144**
Other short-term receivables arising out of insurance business	-26,104,311	-840,522	74,626	1,982,257	14,633	-24,873,317
Receivables arising out of investments	-1,285,966	0	20,242	0	52,372	-1,213,352
Other short-term receivables	-1,648,265	-308,188	103,366	347,350	27,108	-1,478,629
Other receivables	**-29,038,542**	**-1,148,710**	**198,234**	**2,329,607**	**94,113**	**-27,565,298**
TOTAL	-62,262,778	-3,229,677	827,529	3,939,800	193,101	-60,532,025

10. Deferred acquisition costs

Deferred acquisition costs

(€)	31/12/2015	31/12/2014
Short-term deferred acquisition costs	11,662,776	12,733,473
Short-term deferred reinsurance acquisition costs	6,329,709	4,755,628
TOTAL	17,992,485	17,489,101

Deferred acquisition costs comprise short-term deferred policy acquisition costs that are gradually taken to acquisition costs in 2016.

11. Other assets

Other assets comprise other short-term accrued income and deferred expenses, accrued interest and rent and inventories.

Other assets

(€)	31/12/2015	31/12/2014
Inventories	53,314	43,679
Accrued interest and rent	40,750	43,071
Other short-term accrued income and deferred expenses	1,079,095	1,264,494
TOTAL	1,173,159	1,351,244

12. Cash and cash equivalents

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

(€)	31/12/2015	31/12/2014
Cash register	46,946	50,707
Cash in bank accounts	4,587,530	5,207,490
Overnight deposits	76,428	385,003
TOTAL	4,710,904	5,643,200

13. Non-current assets held for sale

The amount of non-current assets held for sale has not changed substantially compared to the prior year. Land and buildings held for sale are being actively offered for sale and are available for immediate sale in their present condition.

14. Share capital

At 31 December 2015, the controlling company's share capital was divided into 17,219,662 shares (the same as at 31 December 2014). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company's control and profits (dividends). Each share carries one vote in general meeting and entitles the bearer to a proportionate share of the dividend payout.

Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol.

As at year-end 2015, the shareholders' register listed 4,857 shareholders (31/12/2014: 5,134 shareholders). On 11 June 2008, Sava Reinsurance Company listed in the standard equity market of the Ljubljana Stock Exchange. On 2 April 2012, the Company's shares were transferred to the prime market.

15. Capital reserves

After successfully completing a recapitalisation of the controlling company in July 2013, the Group increased capital reserves to € 22.2 million. Expenses directly attributable to the initial public offering of € 0.98 million were deducted from the added amount.

A contra account of capital reserves includes the difference between market and book value of acquired non-controlling interests. As can be seen in the table below, in 2015 the Group acquired non-controlling interests mainly in Croatian subsidiaries.

Change in capital reserves

(€)	
Balance at 01/01/2015	**44,638,799**
Acquisition of non-controlling interests by company	-1,250,075
Velebit osiguranje	-480,746
Velebit životno osiguranje	-769,305
Sava osiguranje	-18
Sava životno osiguranje	-6
BALANCE AT 31/12/2015	43,388,724

16. Profit reserves

(€)	31/12/2015	31/12/2014	Distributable/ non-distributable
Legal reserves and reserves provided for by the articles of association	11,242,766	11,140,269	non-distributable
Reserve for treasury shares	10,319,347	10,115,023	non-distributable
Credit risk equalisation reserve	976,191	876,938	non-distributable
Catastrophe equalisation reserve	11,225,068	11,744,474	non-distributable
Other profit reserves	89,191,057	81,269,632	distributable
TOTAL	122,954,429	115,146,336	

Pursuant to the Insurance Act and statutory regulations of the individual countries where Group members operate, equalisation provisions are defined as technical provisions, and their establishing and releasing is taken to profit or loss. As this is not IFRS-compliant, the Group carries these provisions within profit reserves, which is in line with IFRSs. All movements in these reserves are recognised in equity as a decrease/increase in net profit for the year. The same is true for catastrophe equalisation reserves.

The credit risk equalisation reserve increased modestly compared to 2014 due to the underwriting profit generated by credit business; by contrast, the catastrophe equalisation reserve (earthquake) decreased slightly because one Group company cancelled its reserves.

In line with regulations, the management board or the supervisory board may, when adopting the annual report, allocate a part of net profit to other profit reserves; however, not more than half of the net profit for the period. In 2015 other profit reserves increased on this basis. Other reserves are distributable. The management board has the power to propose the appropriation of reserves as part of distribution of distributable profit, which is subject to approval of the general meeting.

17. Own shares

At 31 December 2015, the Group held a total of 741,521 own shares (2014: 727,830) with ticker POSR (accounting for 4.3062 % of shares issued) for a value of € 10,319,347 (2014: € 10,115,023).

On 23 April 2014, the 28th general meeting was held, in which the controlling company was authorised to buy back own shares of up to 10 % of the share capital. The authorisation for acquiring up to a total of 1,721,966 shares is valid for three years. Based on this authorisation, the controlling company bought back 13,691 shares by year-end 2015.

Own shares are a contra account of equity.

18. Fair value reserve

The fair value reserve consists of the fair value revaluation effects of financial assets available for sale and from actuarial gains or losses due to changes in the present value of provisions for severance pay due to changes in actuarial assumptions (other net gains/losses).

(€)	2015	2014
As at 1 January	**18,448,741**	**7,739,714**
Change in fair value	-9,405,691	9,888,644
Transfer of the negative fair value reserve to the IS due to impairment	-726,066	-1,646,767
Transfer from fair value reserve to the IS due to disposal	3,124,009	5,276,749
Net gains/losses attributable to the Group recognised in the fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	-33,187	51,539
Other net profits/losses	105,795	-668,034
Deferred tax	1,170,632	-2,193,104
TOTAL FAIR VALUE RESERVE	12,684,233	18,448,741

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

19. Net profit/loss and retained earnings

The net profit for 2015 attributable to owners of the controlling company totalled € 33.4 million (2014: € 30.6 million). The management board and supervisory board already allocated part of net profit of € 7.9 million to other profit reserves; in addition, reserves for own shares were established in the amount of € 0.2 million. In addition, there was a change in the catastrophe and credit risk equalisation reserves of € 0.4 million (+€ 0.8 million release from the catastrophe equalisation reserve due to the amendments to local legislation of the Serbian subsidiary less € 0.4 million relating to uses of the catastrophe and credit risk equalisation reserve). The remaining amount of € 24.8 million is recognised as net profit for the financial year in the statement of financial position.

Net earnings/loss per share

(€)	31/12/2015	31/12/2014
Net profit/loss for the period	33,365,451	30,538,150
Net profit/loss attributable to owners of the controlling company	33,377,857	30,595,945
Weighted average number of shares outstanding	16,483,852	16,814,657
NET EARNINGS/LOSS PER SHARE	2.02	1.82

Comprehensive income per share

(€)	31/12/2015	31/12/2014
Comprehensive income for the period	27,618,054	40,894,474
Comprehensive income for the owners of the controlling company	27,635,627	40,944,486
Weighted average number of shares outstanding	16,483,852	16,814,657
Comprehensive income per share	1.68	2.44

The weighted number of shares takes into account the annual average calculated on the basis of monthly averages of ordinary shares less the number of treasury shares. The weighted average number of shares outstanding in the financial period was 16,483,852. Compared to 2014, the weighted average number of shares outstanding decreased because of own-share repurchases carried out in 2014 and 2015. The controlling company does not have potentially dilutive capital instruments, which is why basic earnings per share equal diluted earnings per share.

Retained earnings at 31 December 2014 decreased by € 0.5 million. The decrease in retained earnings was partly due to a change in an accounting policy regarding deferring policy acquisition costs (€ -1.1 million) and partly due to the legal requirements of a subsidiary regarding the calculation of the provision for unexpired risks (€ -0.3 million). The increase in retained earnings was also affected by a change in local legal requirements for a subsidiary in respect of provisions for catastrophic claims (€ +0.9 million).

Retained earnings increased due to the transfer of net profit for the previous year of € 17.5 million less € 9.1 million for dividend payout and € 0.1 million additions to legal reserves.

20. Non-controlling interest in equity

Non-controlling interest in equity

(€)	31/12/2015	31/12/2014
Sava osiguranje Belgrade	0	9
Sava osiguruvanje Skopje	256,281	221,432
Sava životno osiguranje	0	-6
Velebit osiguranje	314,784	397,247
Velebit životno osiguranje	391,884	1,296,808
Sava stejšn	866	0
TOTAL	963,815	1,915,490

21. Subordinated liabilities

The controlling company raised a subordinated loan in the amount of € 32 million based on two contracts: one for a drawdown in 2006 and one in 2007, in total 97 % of the principal amount. Maturity of the loan is 20 years, with a prepayment option after 10 years. The principal is due at maturity. The applicable interest rate is a 3-month Euribor + 3.35 %, with interest payable on a quarterly basis. The loan is carried at amortised cost. In mid-2015 a subordinated debt of a subsidiary matured, which is why subordinated liabilities as at 31 December 2015 were about € 5 million lower than on 31 December 2014. The amortised cost of the subordinated debt totals € 23.5 million.

Subordinated liabilities

Outstanding debt at effective interest rate as at 31/12/2015	23,534,136
Debt currency	€
Maturity date	27/12/2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

Outstanding debt at effective interest rate as at 31/12/2014	28,699,692
Debt currency	€
Maturity date	27/12/2026 and 25/08/2015
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

In 2015, the controlling company paid € 0.85 million in interest on subordinated debt (2014: € 0.9 million) and € 43,085 in withholding tax on interest paid (2014: € 46,785).

One subsidiary paid € 0.26 million in interest expense on subordinated bonds issued in 2015 (2014: € 0.4 million).

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

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

(€)	At 01/01/2015	Additions	Uses and releases	Additions, acquisition	Exchange differences	31/12/2015
Gross unearned premiums	148,169,690	131,109,459	-123,076,458	0	-163,011	156,039,680
Mathematical provisions	256,292,141	30,366,501	-28,356,927	3,745,778	4,933	262,052,426
Gross provision for claims	454,759,004	127,640,245	-127,475,979	0	4,089,385	459,012,655
Gross provision for bonuses, rebates and cancellations	854,819	888,063	-610,505	0	79	1,132,456
Other gross technical provisions	9,906,979	2,117,791	-3,192,082	0	-1,405	8,831,283
TOTAL	869,982,633	292,122,059	-282,711,951	3,745,778	3,929,981	887,068,500
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	195,684,631	33,798,922	-21,893,548	0	81	207,590,086

(€)	01/01/2014	Additions	Uses and releases	Exchange differences	31/12/2014
Gross unearned premiums	144,611,911	125,789,313	-122,338,813	107,279	148,169,690
Mathematical provisions	250,559,649	32,251,854	-26,429,786	-89,576	256,292,141
Gross provision for claims	437,267,628	126,847,139	-111,608,729	2,252,966	454,759,004
Gross provision for bonuses, rebates and cancellations	832,938	590,483	-568,727	125	854,819
Other gross technical provisions	12,952,593	3,195,835	-6,236,716	-4,733	9,906,979
TOTAL	846,224,719	288,674,624	-267,182,771	2,266,061	869,982,633
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	170,786,799	38,172,279	-13,274,379	-68	195,684,631

Movement in technical provisions

- Consolidated gross technical provisions increased by 2.0 % in 2015, with the largest nominal increase in unearned premiums.
- Unearned premiums increased by 5.3 %, with the largest increase stemming from the controlling company as a result of portfolio growth outside the Group and the increasing proportion of the portfolio with interim-renewal, which required higher unearned premiums.
- Mathematical provisions increased by 2.2 %, which is in line with portfolio movements, but mostly the result of the acquisition of the pension company Moja naložba, which carries mathematical provisions for pension annuities.
- Provisions for outstanding claims increased by 0.9 % with the largest increase recorded by the controlling company for non-Group business as a result of both portfolio growth and unfavourable movements in exchange rates, which is managed through adequate diversification of the liability fund in terms of currencies. Subsidiaries' provisions for outstanding claims decreased following the settlement of significant ice damage claims relating to 2014.
- The provision for bonuses, rebates and cancellations is a small part of technical provisions; they increased in the Slovenian Group members.
- The provision for unexpired risks decreased by 10.9 % thanks to better results projected for Slovenian non-life insurance business.
- Provisions for the benefit of life insurance policyholders who bear the investment risk increased by 6.1 % as a result of business growth in Slovenia.

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

(€)	Primary insurance	Reinsurance business	
31/12/2015	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	959,441	89.8 %	0
Health	677,306	143.3 %	121,984
Land vehicles casco	251,271	88.5 %	0
Railway rolling stock	0	15.9 %	0
Aircraft hull	287,936	80.4 %	0
Ships hull	204,372	99.1 %	0
Goods in transit	33,289	86.5 %	0
Fire and natural forces	2,825,302	87.3 %	0
Other damage to property	1,084,804	78.2 %	0
Motor liability	207,667	90.2 %	0
Aircraft liability	29,004	77.0 %	0
Liability for ships	218,344	9.8 %	0
General liability	1,510,369	57.4 %	0
Credit	102,835	59.3 %	0
Suretyship	171,220	96.7 %	0
Miscellaneous financial loss	70,607	64.0 %	0
Legal expenses	0	42.8 %	0
Assistance	75,533	79.9 %	0
Life	0	66.7 %	0
Unit-linked life	0	92.8 %	0
TOTAL	8,709,300	85.6 %	121,984

(€)	Primary insurance	Reinsurance business	
2014	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	1,111,783	76.5 %	0
Health	109,854	142.5 %	0
Land vehicles casco	657,211	85.7 %	0
Railway rolling stock	0	35.9 %	0
Aircraft hull	35,250	54.5 %	0
Ships hull	101,928	90.6 %	0
Goods in transit	2,935	87.0 %	0
Fire and natural forces	3,391,077	94.7 %	0
Other damage to property	1,743,573	84.3 %	0
Motor liability	236,616	87.9 %	0
Aircraft liability	27,338	77.0 %	0
Liability for ships	293	19.5 %	0
General liability	1,684,014	62.5 %	0
Credit	584,975	42.2 %	0
Suretyship	172,238	62.0 %	0
Miscellaneous financial loss	47,895	44.3 %	0
Legal expenses	0	6.7 %	0
Assistance	0	110.8 %	0
Life	0	88.2 %	0
Unit-linked life	0	70.9 %	0
TOTAL	9,906,981	87.9 %	0

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

23. Other provisions

Other provisions mainly comprise provisions for long-term employee benefits, as set out in section 18.4.28 »Other provisions«. The provisions increased mainly because of additions for additional year of service in line with the method stipulated under IAS 19. The Group does not defer recognition of actuarial gains and losses (i.e. the corridor approach) for defined benefit plans. Following is a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions that are recognised in equity.

Movement in the provision for severance pay upon retirement and jubilee benefits

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance at 01/01/2015	**4,140,347**	**1,875,438**	**6,015,785**
Interest expense (IS)	13,669	5,737	19,406
Expense of current service (IS)	343,296	189,731	533,027
Expense of past service (IS)	-106,226	36,823	-69,403
Payout of benefits (-)	-74,318	-177,275	-251,593
Actuarial losses (IS)	0	392,904	392,904
Actuarial losses (SFP)	-132,659	0	-132,659
BALANCE AT 31/12/2015	4,184,108	2,323,358	6,507,466

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance at 01/01/2014	**3,819,890**	**1,910,575**	**5,730,465**
Interest expense (IS)	-8,696	7,611	-1,085
Expense of current service (IS)	-260,691	120,944	-139,747
Expense of past service (IS)	0	14,743	14,743
Payout of benefits (-)	-165,003	-205,074	-370,076
Actuarial losses (IS)	0	26,639	26,639
Actuarial losses (SFP)	754,846	0	754,846
BALANCE AT 31/12/2014	4,140,347	1,875,438	6,015,785

In accordance with the standard, we present a sensitivity analysis for severance pay upon retirement.

Impact on the amount of provision for severance pay upon retirement (€)	31/12/2015	31/12/2014
Reduction in the discount rate of 1 %	592,373	594,254
Increase in the discount rate of 1 %	-495,699	-498,923
Reduction in real income growth of 0.5 %	-269,461	-273,920
Increase in real income growth of 0.5 %	289,699	297,567
Reduction of staff turnover of 10 %	100,209	132,439
Increase in staff turnover of 10 %	-100,625	-125,680
Decrease in mortality of 10 %	25,068	28,369
Increase in mortality of 10 %	-29,724	-28,307

In addition to provisions for employees, other provisions include remaining provisions of € 0.9 million (2014; € 0.9 million) relating to provisions for litigation and the amounts recognised in accordance with the Vocational Rehabilitation and Employment of Persons with Disabilities Act from bonuses for exceeding the quota and amounts exempt from pension and disability insurance contributions. These may be used exclusively for disabled employees of the insurance company for the purpose set down by law.

(€)	01/01/2015	Additions	Uses and releases	Exchange differences	31/12/2015
Other provisions	925,114	295,534	-338,327	-92	882,229

(€)	01/01/2014	Additions	Uses and releases	Exchange differences	31/12/2014
Other provisions	208,074	821,938	-103,535	-1,363	925,114

24. Other financial liabilities

Other financial liabilities comprise minor interest liabilities and liabilities for unpaid dividends of the controlling company for 2013 and 2014.

25. Liabilities from operating activities

Liabilities from operating activities

(€)			Maturity
31/12/2015	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	1,299,114	1,299,114
Liabilities to insurance intermediaries	6,151	2,010,073	2,016,224
Other liabilities from primary insurance business	1,323	7,652,204	7,653,527
Liabilities from primary insurance business	**7,474**	**10,961,391**	**10,968,865**
Liabilities for reinsurance and co-insurance premiums	17,423	7,185,115	7,202,538
Liabilities for shares in reinsurance claims	0	19,523,660	19,523,660
Other liabilities from co-insurance and reinsurance business	95,821	12,917,393	13,013,214
Liabilities from reinsurance and co-insurance business	**113,244**	**39,626,168**	**39,739,412**
Current tax liabilities	**0**	**3,759,026**	**3,759,026**
TOTAL	120,718	54,346,585	54,467,303

(€)			Maturity
31/12/2014	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	1,413,992	1,413,992
Liabilities to insurance intermediaries	0	1,870,402	1,870,402
Other liabilities from primary insurance business	301	8,443,682	8,443,983
Liabilities from primary insurance business	**301**	**11,728,076**	**11,728,377**
Liabilities for reinsurance and co-insurance premiums	0	5,254,890	5,254,890
Liabilities for shares in reinsurance claims	0	14,920,396	14,920,396
Other liabilities from co-insurance and reinsurance business	0	12,690,761	12,690,761
Liabilities from reinsurance and co-insurance business	**0**	**32,866,047**	**32,866,047**
Current tax liabilities	**0**	**4,770,373**	**4,770,373**
TOTAL	301	49,364,496	49,364,797

There has been an increase in liabilities from reinsurance and co-insurance business. In 2015, most liabilities were current.

26. Other liabilities

Other liabilities by maturity

(€)			Maturity
31/12/2015	Over 1 year	Up to 1 year	Total
Other liabilities	282	13,266,446	13,266,728
Deferred income and accrued expenses	0	11,453,773	11,453,773
TOTAL	282	24,720,219	24,720,501

(€)			Maturity
31/12/2014	Over 1 year	Up to 1 year	Total
Other liabilities	143,741	12,549,457	12,693,198
Deferred income and accrued expenses	0	13,652,661	13,652,661
TOTAL	143,741	26,202,118	26,345,859

Other liabilities and deferred income and accrued expenses are unsecured.

Other liabilities

(€)	31/12/2015	31/12/2014
Short-term liabilities due to employees	3,077,519	2,922,543
Other short-term liabilities for insurance business	3,663,440	3,768,342
Short-term trade liabilities	3,279,775	2,984,748
Diverse other short-term liabilities	3,130,919	2,754,421
Other long-term liabilities	115,075	263,145
TOTAL	13,266,728	12,693,198

Change in short-term provisions

(€)	01/01/2015	Additions	Uses	Releases	Additions – acquisition of non-controlling interest	Exchange differences	31/12/2015
Short-term accrued expenses	3,523,549	1,859,451	-1,793,973	-36,318	16,756	1,239	3,570,704
Other accrued expenses and deferred income	10,129,112	45,837,669	-48,079,856	0	0	-3,856	7,883,069
TOTAL	13,652,661	47,697,120	-49,873,829	-36,318	16,756	-2,617	11,453,773

(€)	01/01/2014	Additions	Uses	Releases	Exchange differences	31/12/2014
Short-term accrued expenses	3,482,138	2,697,533	-2,597,122	-57,025	-1,975	3,523,549
Other accrued expenses and deferred income	8,380,804	45,197,238	-43,409,512	0	-39,418	10,129,112
TOTAL	11,862,942	47,894,771	-46,006,634	-57,025	-41,393	13,652,661

27. Fair values of assets and liabilities

Determination of fair values

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on the CBBT price in an active market.	Debt securities measured based on the CBBT price in an inactive market. Debt securities measured at the BVAL price if the CBBT price is unavailable. Debt securities are measured using an internal model based on level 2 inputs.	Debt securities are measured using an internal model that does not consider level 2 inputs.
Stock Exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market. Debt securities measured at the BVAL price when the stock exchange price is unavailable. Debt securities are measured using an internal model based on level 2 inputs.	Debt securities are measured using an internal model that does not consider level 2 inputs.
Shares			
Stock Exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market. Shares for which there is no stock exchange price and that are measured using an internal model based on level 2 inputs.	Shares are measured using an internal model that does not consider level 2 inputs.
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
Deposits and loans			
-with maturity		Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model using level 2 inputs.	Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model not using level 2 inputs.
-demand deposits (contractually agreed daily recall option)	Demand deposits measured at the contract value, which represents the fair value.		

The Group measures the fair value of each financial instrument based on the methods shown above in line with its accounting policies.

Financial assets by level of the fair value hierarchy

(€) 31/12/2015	Carrying amount (CA)	Level 1	Level 2	Level 3	Fair value Total fair value	Difference between FV and CA
FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE	791,890,574	609,121,776	170,264,955	12,503,843	791,890,574	0
At fair value through P/L	**18,403,775**	**4,659,094**	**13,744,681**	**0**	**18,403,775**	**0**
Designated to this category	18,403,775	4,659,094	13,744,681	0	18,403,775	0
Debt instruments	16,488,821	3,394,741	13,094,080	0	16,488,821	0
Equity instruments	1,728,773	1,264,353	464,420	0	1,728,773	0
Other investments	186,181	0	186,181	0	186,181	0
Available-for-sale	**773,486,798**	**604,462,682**	**156,520,273**	**12,503,843**	**773,486,798**	**0**
Debt instruments	743,376,444	592,835,458	142,648,726	7,892,260	743,376,444	0
Equity instruments	29,936,324	11,627,224	13,743,996	4,565,104	29,936,324	0
Other investments	174,030	0	127,551	46,479	174,030	0
INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK MEASURED AT FAIR VALUE	198,572,799	189,496,895	9,075,904	0	198,572,799	0
FINANCIAL INVESTMENTS NOT MEASURED AT FAIR VALUE	223,166,231	166,653,085	71,779,708	1,096,225	239,529,018	16,362,787
Held-to-maturity assets	**165,444,270**	**123,671,948**	**56,613,888**	**600,301**	**180,886,137**	**15,441,867**
Debt instruments	165,444,270	123,671,948	56,613,888	600,301	180,886,137	15,441,867
Loans and receivables	**57,721,961**	**42,981,138**	**15,165,820**	**495,924**	**58,642,882**	**920,921**
Deposits	52,023,187	37,196,717	15,165,820	495,924	52,858,461	835,274
Deposits with cedants	5,698,774	0	0	5,698,774	5,698,774	0
INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK NOT MEASURED AT FAIR VALUE	15,616,318	16,642,392	217,136	0	16,859,528	1,243,210

(€) 31/12/2014	Carrying amount	Level 1	Level 2	Level 3	Fair value Total fair value	Difference between FV and CA
INVESTMENTS MEASURED AT FAIR VALUE	704,255,302	375,869,834	328,385,468	0	704,255,302	0
At fair value through P/L	**16,475,535**	**6,088,668**	**10,386,867**	**0**	**16,475,535**	**0**
Designated to this category	16,475,535	6,088,668	10,386,867	0	16,475,535	0
Debt instruments	14,671,781	4,284,914	10,386,867	0	14,671,781	0
Equity instruments	1,803,754	1,803,754	0	0	1,803,754	0
Available-for-sale	687,779,767	369,781,166	317,998,601	0	687,779,767	0
Debt instruments	667,473,331	350,627,830	316,845,501	0	667,473,331	0
Equity instruments	20,259,957	19,153,336	1,106,621	0	20,259,957	0
Other investments	46,479	0	46,479	0	46,479	0
Investments for the benefit of policyholders who bear the investment risk	**182,533,040**	**178,717,684**	**3,815,356**	**0**	**182,533,040**	**0**
INVESTMENTS NOT MEASURED AT FAIR VALUE	265,774,831	105,967,728	181,791,187	0	287,758,915	21,984,084
Held-to-maturity assets	**164,317,392**	**0**	**181,791,187**	**0**	**181,791,187**	**17,473,795**
Debt instruments	164,317,392	0	181,791,187	0	181,791,187	17,473,795
Loans and receivables	**101,457,439**	**105,967,728**	**0**	**0**	**105,967,728**	**4,510,289**
Deposits	94,998,773	99,509,062	0	0	99,509,062	4,510,289
Loans granted	719,485	719,485	0	0	719,485	0
Deposits with cedants	5,587,510	5,587,510	0	0	5,587,510	0
Other investments	151,671	151,671	0	0	151,671	0

Movements in investments, income and expenses measured at fair value – Level 3

(€)	Debt instruments 2015	2014	Equity instruments 2015	2014	Other investments 2015	2014
Balance at 01/01	**0**	**0**	**4,638,249**	**5,206,215**	**0**	**0**
Additions	7,892,260	0	0	0	0	0
Impairment losses	0	0	-686,472	-567,966	0	0
Reclassification into other levels	0	0	-2,770	0	0	0
Reclassification into level	0	0	616,097	0	46,479	0
BALANCE AT 31/12	7,892,260	0	4,565,104	4,638,249	46,479	0
Income	124,567	0	174,877	134,070	0	0
Expenses	774	0	686,472	567,966	0	5,164

Reclassification of assets and financial liabilities between levels

(€) 31/12/2015	Level 1	Level 2	Level 3
At fair value through P/L	**0**	**0**	**0**
Held for trading	0	0	0
Designated to this category	0	0	0
Debt instruments	0	0	0
Available-for-sale	**129,248,003**	**-129,245,233**	**-2,770**
Debt instruments	143,105,919	-143,105,919	0
Equity instruments	-13,857,916	13,860,686	-2,770
Other investments	0	0	0
TOTAL	129,248,003	-129,245,233	-2,770

As the effect on the financial statements is non-material, there are no additional disclosures given relating to the reclassification of the value of an investment in the amount of € 2,770 out of level 3.

(€) 31/12/2014	Level 1	Level 2	Level 3
At fair value through P/L	**-10,386,867**	**10,386,867**	**0**
Held for trading	0	0	0
Debt instruments	0	0	0
Equity instruments	0	0	0
Other investments	0	0	0
Designated to this category	-10,386,867	10,386,867	0
Debt instruments	-10,386,867	10,386,867	0
Equity instruments	0	0	0
Other investments	0	0	0
Derivatives	0	0	0
Available-for-sale	**-317,998,601**	**317,998,601**	**0**
Debt instruments	-316,845,501	316,845,501	0
Equity instruments	-1,106,621	1,106,621	0
Other investments	-46,479	46,479	0
Total financial investments	**-328,385,468**	**328,385,468**	**0**
Investments for the benefit of policyholders who bear the investment risk	**-3,815,356**	**3,815,356**	**0**

In 2014 the Group primarily measured its OTC assets based on BID BVAL prices, which while unquoted are prices calculated on the basis of directly and indirectly observable market inputs. In accordance with IFRS 13, such assets were classified into level 2. In 2015, the Company primarily measured its OTC assets based on BID CBBT prices representing unadjusted quoted prices, thus meeting the criteria for classification into level 1.

Since in 2015, a significant proportion of OTC assets were measured based on closing BID CBBT prices, the proportion of level 1 assets at 31 December 2015 was larger than at year-end 2014. At 31 December 2015, level 1 investments represented 76.9 % (31/12/2014: 53.4 %) of financial investments measured at fair value.

When testing one market of quoted financial instruments in terms of its being active, we found that the active market criterion was not met. Therefore, financial instruments were valued at 31 December 2015 using an internal model. The valuation model applied used directly and indirectly observable market inputs such as: risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

Disclosure of the fair value of non-financial assets measured in the statement of financial position at amortised cost or at cost

(€)	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2015	40,845,948	37,048,744	market approach and income approach (weighted 50: 50), new purchases at cost
Investment property	31/12/2015	8,040,244	8,443,933	
TOTAL		48,886,192	45,492,677	

(€)	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2014	38,105,037	32,548,415	market approach and income approach (weighted 50: 50), new purchases at cost
Investment property	31/12/2014	5,103,325	6,420,680	
TOTAL		43,208,362	38,969,095	

Movements in fair values of owner-occupied and investment property

(€)	01/01/2015	Acquisitions	Disposals	Change in fair value	Exchange differences	31/12/2015
Owner-occupied property	32,548,415	4,568,437	-503,802	451,619	-15,925	37,048,744
Investment property	6,420,680	3,289,801	-739,793	-409,401	-117,354	8,443,933
TOTAL	38,969,095	7,858,238	-1,243,595	42,218	-133,279	45,492,677

(€)	01/01/2014	Acquisitions	Disposals	Change in fair value	Exchange differences	31/12/2014
Owner-occupied property	34,045,202	460,037	-195,516	-1,766,440	5,132	32,548,415
Investment property	6,457,928	208,173	-447,286	201,466	399	6,420,680
TOTAL	40,503,130	668,210	-642,802	-1,564,974	5,531	38,969,095

Valuation techniques for all items described above are defined in accounting policies. For investment property, the method is set out in section 18.4.13 »Investment property«, for financial investments in associates in section 18.4.14 »Financial investments in associates«, and for financial investments in section 18.4.15 »Financial investments and funds for the benefit of policyholders who bear the investment risk«.

18.9. Notes to the consolidated financial statements – income statement

28. Net earned premiums

Net earned premiums

(€) 2015	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	Net premiums earned
Personal accident	34,317,218	102,780	-131,803	-51,215	13,909	34,250,889
Health	4,610,624	0	-446,091	-610,048	81,535	3,636,020
Land vehicles casco	81,389,983	3,386	-1,052,049	1,580,395	-27,638	81,894,077
Railway rolling stock	103,257	0	0	-14,278	0	88,979
Aircraft hull	684,227	35,375	-44,506	-34,007	-20,851	620,238
Ships hull	3,999,951	3,214	-73,074	-231,411	-1,034	3,697,646
Goods in transit	5,806,272	306,373	-236,026	-213,653	-712	5,662,254
Fire and natural forces	86,068,192	911,116	-12,533,886	-4,407,989	-569,008	69,468,425
Other damage to property	38,855,654	437,290	-3,907,393	-581,175	-65,264	34,739,112
Motor liability	102,022,421	18,623	-1,598,941	291,331	56,773	100,790,207
Aircraft liability	349,963	7,985	-218,489	-150,536	-705	-11,782
Liability for ships	569,872	0	-5,466	-89,203	-1,783	473,420
General liability	16,265,059	198,990	-1,497,622	202,968	9,652	15,179,047
Credit	4,225,549	0	-8,803	-1,628,264	0	2,588,482
Suretyship	320,958	711	-2,178	27,519	158	347,168
Miscellaneous financial loss	6,082,476	38,928	-468,933	-2,095,848	7,272	3,563,895
Legal expenses	740,544	11,785	-497,229	-5,017	-1,564	248,519
Assistance	10,248,794	0	-5,371,448	-230,879	103,965	4,750,432
Life	38,113,167	0	-1,945,306	244,982	-2,074	36,410,769
Unit-linked life	49,413,805	15	-275,504	23,510	-18	49,161,808
Total non-life	**396,661,014**	**2,076,556**	**-28,093,937**	**-8,241,310**	**-415,295**	**361,987,028**
Total life	**87,526,972**	**15**	**-2,220,810**	**268,492**	**-2,092**	**85,572,577**
TOTAL	484,187,986	2,076,571	-30,314,747	-7,972,818	-417,387	447,559,605

(€) 2014	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	Net premiums earned
Personal accident	32,429,799	81,600	-146,442	-23,574	-10,490	32,330,893
Health	2,156,507	0	-138,349	-177,108	0	1,841,050
Land vehicles casco	84,055,400	3,697	-2,068,447	-2,343,565	25,777	79,672,862
Railway rolling stock	2,980	0	0	0	0	2,980
Aircraft hull	421,817	0	-7,970	-8,892	-7,442	397,513
Ships hull	4,230,268	0	-70,937	-11,031	-8,016	4,140,284
Goods in transit	4,371,591	183,237	-203,290	145,371	-25,614	4,471,295
Fire and natural forces	73,575,761	896,259	-10,946,708	-298,442	440,631	63,667,501
Other damage to property	40,032,487	534,610	-3,748,440	-1,647,005	49,807	35,221,459
Motor liability	102,182,922	2,904	-999,166	1,538,069	28,910	102,753,639
Aircraft liability	174,392	0	-143,109	6,027	-17,733	19,577
Liability for ships	506,218	0	-5,238	-10,853	502	490,629
General liability	17,305,021	219,091	-1,176,481	-571,142	19,593	15,796,082
Credit	2,324,081	0	-18,265	298,377	444	2,604,637
Suretyship	389,106	4,314	-918	-69,171	46	323,377
Miscellaneous financial loss	1,718,414	41,139	-414,977	-19,254	-53,668	1,271,654
Legal expenses	795,093	7,640	-501,082	6,137	-4,987	302,801
Assistance	9,307,407	0	-5,039,449	-686,860	519,847	4,100,945
Life	38,937,596	0	-1,509,585	-261,546	-7,655	37,158,810
Unit-linked life	51,272,642	0	-262,845	-20,525	18	50,989,290
Capital redemption	15,059	0	0	0	0	15,059
Total non-life	**375,979,264**	**1,974,491**	**-25,629,268**	**-3,872,916**	**957,607**	**349,409,178**
Total life	**90,225,297**	**0**	**-1,772,430**	**-282,071**	**-7,637**	**88,163,159**
TOTAL	466,204,561	1,974,491	-27,401,698	-4,154,987	949,970	437,572,337

29. Income and expenses relating to investments in associates and impairment losses on goodwill

The Group became sole owner of the pension company Moja naložba at the end of 2015. Previously, Moja naložba was an associate, therefore, this item includes both equity-accounted profit as well as gains from revaluation of the pre-acquisition share of Moja naložba to market value.

(€)	2015	2014
Profit from investments in equity-accounted associate companies	165,067	154,294
Gain from revaluation of the pre-acquisition share of Moja naložba to market value.	777,493	0
TOTAL	942,560	154,294

At the end of 2015, the value of goodwill decreased by € 2.9 million (2014: € 1.9 million), mainly due to impairment of goodwill belonging to Sava osiguranje Belgrade and Illyria.

30. Investment income and expenses

Investment income by IFRS categories

2015 (€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised gains on investments of life policyholders
Held to maturity	**7,047,108**	**0**	**0**	**0**	**23,200**	**5,242**	**7,075,550**	**351,248**
Debt instruments	7,047,108	0	0	0	23,200	5,242	7,075,550	351,248
At fair value through P/L	**81,063**	**1,359,372**	**0**	**22,281**	**8,210**	**2,357**	**1,473,283**	**26,145,350**
Designated to this category	81,063	1,359,372	0	22,281	8,210	2,357	1,473,283	26,145,350
Debt instruments	81,063	1,024,860	0	0	1,746	2,357	1,110,026	2,196,334
Equity instruments	0	334,512	0	22,281	6,464	0	363,257	23,949,016
Available-for-sale	**13,494,973**	**0**	**1,663,428**	**1,205,993**	**11,975,452**	**115,474**	**28,455,320**	**113,783**
Debt instruments	13,494,973	0	1,310,542	0	11,967,042	2,475	26,775,032	113,783
Equity instruments	0	0	352,886	1,205,993	8,410	4,510	1,571,799	0
Other investments	0	0	0	0	0	108,489	108,489	0
Loans and receivables	**1,941,154**	**0**	**102**	**0**	**506,499**	**53,073**	**2,500,828**	**21,407**
Debt instruments	1,926,801	0	102	0	506,499	53,073	2,486,475	21,407
Other investments	14,353	0	0	0	0	0	14,353	0
Deposits with cedants	**72,874**	**0**	**0**	**0**	**0**	**0**	**72,874**	**0**
TOTAL	22,637,172	1,359,372	1,663,530	1,228,274	12,513,361	176,146	39,577,855	26,631,788

Investment expenses by IFRS categories

2015 (€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised losses on life insurance assets
Held to maturity	**0**	**0**	**0**	**0**	**15,835**	**5,023**	**20,858**	**0**
Debt instruments	0	0	0	0	15,835	5,023	20,858	0
Other investments	0	0	0	0	0	0	0	
At fair value through P/L	**0**	**1,504,286**	**0**	**0**	**36,262**	**659**	**1,541,207**	**25,930,786**
Designated to this category	0	1,504,286	0	0	36,262	659	1,541,207	25,930,786
Debt instruments	0	1,283,045	0	0	36,262	0	1,319,307	2,271,770
Equity instruments	0	221,241	0	0	0	659	221,900	23,659,016
Available-for-sale	**0**	**0**	**350,151**	**726,066**	**8,860,814**	**9,380**	**9,946,411**	**0**
Debt instruments	0	0	299,320	0	8,860,452	2,987	9,162,759	0
Equity instruments	0	0	50,831	713,284	362	5,939	783,198	0
Other investments	0	0	0	12,782	0	454	454	0
Loans and receivables	**8,159**	**0**	**0**	**0**	**321,385**	**14,982**	**344,526**	**0**
Debt instruments	0	0	0	0	321,385	14,982	336,367	0
Other investments	8,159	0	0	0	0	0	8,159	0
Subordinated liabilities	**1,152,900**	**0**	**0**	**0**	**0**	**0**	**1,152,900**	**0**
TOTAL	1,161,059	1,504,286	350,151	726,066	9,234,296	30,044	13,005,902	25,930,786

Net investment income

2015 (€)	Income/expense for interest	Change in fair value and gains/losses on disposal of FVPL assets	Profit/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Exchange gains/exchange losses	Other income/expenses	Total	Net unrealised gains/losses on life insurance assets
Held to maturity	**7,047,108**	**0**	**0**	**0**	**0**	**7,365**	**219**	**7,054,692**	**351,248**
Debt instruments	7,047,108	0	0	0	0	7,365	219	7,054,692	351,248
At fair value through P/L	**81,063**	**-144,914**	**0**	**22,281**	**0**	**-28,052**	**1,698**	**-67,924**	**214,564**
Designated to this category	81,063	-144,914	0	22,281	0	-28,052	1,698	-67,924	214,564
Debt instruments	81,063	-258,185	0	0	0	-34,516	2,357	-209,281	-75,436
Equity instruments	0	113,271	0	22,281	0	6,464	-659	141,357	290,000
Available-for-sale	**13,494,973**	**0**	**1,313,277**	**1,205,993**	**-726,066**	**3,114,638**	**106,094**	**18,508,909**	**113,783**
Debt instruments	13,494,973	0	1,011,222	0	0	3,106,590	-512	17,612,273	113,783
Equity instruments	0	0	302,055	1,205,993	-713,284	8,048	-1,429	788,601	0
Other investments	0	0	0	0	-12,782	0	108,035	108,035	0
Loans and receivables	**1,932,995**	**0**	**102**	**0**	**0**	**185,114**	**38,091**	**2,156,302**	**21,407**
Debt instruments	1,926,801	0	102	0	0	185,114	38,091	2,150,108	21,407
Other investments	6,194	0	0	0	0	0	0	6,194	0
Deposits with cedants	**72,874**	**0**	**0**	**0**	**0**	**0**	**0**	**72,874**	**0**
Subordinated liabilities	**-1,152,900**	**0**	**0**	**0**	**0**	**0**	**0**	**-1,152,900**	**0**
TOTAL	21,476,113	-144,914	1,313,379	1,228,274	-726,066	3,279,065	146,102	26,571,953	701,002

Investment income by IFRS categories

2014 (€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised gains on investments of life policyholders
Held to maturity	**7,143,775**	**0**	**0**	**0**	**20,952**	**0**	**7,164,727**	**354,473**
Debt instruments	7,143,775	0	0	0	20,952	0	7,164,727	354,473
At fair value through P/L	**168,861**	**1,314,866**	**0**	**30,777**	**54,306**	**13,254**	**1,582,064**	**18,687,985**
Designated to this category	168,861	1,314,866	0	30,777	54,306	13,254	1,582,064	18,687,985
Debt instruments	168,861	1,025,907	0	0	31,140	13,254	1,239,162	1,532,480
Equity instruments	0	288,959	0	30,777	23,166	0	342,902	17,155,505
Available-for-sale	**13,588,704**	**0**	**4,006,993**	**913,626**	**4,762,856**	**178,411**	**23,450,590**	**2,506**
Debt instruments	13,588,305	0	2,865,799	0	4,762,856	37,910	21,254,870	2,506
Equity instruments	0	0	1,141,194	913,626	0	52,057	2,106,877	0
Other investments	399	0	0	0	0	88,444	88,843	0
Loans and receivables	**3,313,027**	**0**	**0**	**0**	**433,414**	**94,694**	**3,841,135**	**101,117**
Debt instruments	3,288,588	0	0	0	431,373	94,694	3,814,655	101,117
Other investments	24,439	0	0	0	2,041	0	26,480	0
Deposits with cedants	**86,777**	**0**	**0**	**0**	**0**	**0**	**86,777**	**0**
TOTAL	24,301,144	1,314,866	4,006,993	944,403	5,271,528	286,359	36,125,293	19,146,081

Investment expenses by IFRS categories

2014 (€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised losses on life insurance assets
Held to maturity	**0**	**0**	**0**	**0**	**12,607**	**4,719**	**17,326**	**0**
Debt instruments	0	0	0	0	12,607	4,719	17,326	0
At fair value through P/L	**0**	**555,160**	**0**	**0**	**12,483**	**721**	**568,364**	**7,900,587**
Designated to this category	0	555,160	0	0	12,483	721	568,364	7,900,587
Debt instruments	0	336,291	0	0	12,483	0	348,774	500,686
Equity instruments	0	218,869	0	0	0	721	219,590	7,399,901
Available-for-sale	**0**	**0**	**227,370**	**1,646,767**	**2,584,612**	**86,514**	**4,545,263**	**0**
Debt instruments	0	0	20,742	1,033,455	2,584,536	55,391	3,694,124	0
Equity instruments	0	0	201,464	613,312	76	31,123	845,975	0
Other investments	0	0	5,164	0	0	0	5,164	0
Loans and receivables	**53,438**	**0**	**0**	**0**	**316,447**	**32,053**	**401,938**	**0**
Debt instruments	0	0	0	0	316,447	32,053	348,500	0
Other investments	53,438	0	0	0	0	0	53,438	0
Subordinated liabilities	**1,364,053**	**0**	**0**	**0**	**0**	**0**	**1,364,053**	**0**
TOTAL	1,417,491	555,160	227,370	1,646,767	2,926,149	124,007	6,896,944	7,900,587

Net investment income

2014 (€)	Income/ expense for interest	Change in fair value and gains/ losses on disposal of FVPL assets	Profit/ losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Exchange gains/ exchange losses	Other income/ expenses	Total	Net unrealised gains/ losses on life insurance assets
Held to maturity	**7,143,775**	**0**	**0**	**0**	**0**	**8,345**	**-4,719**	**7,147,401**	**354,473**
Debt instruments	7,143,775	0	0	0	0	8,345	-4,719	7,147,401	354,473
At fair value through P/L	**168,861**	**759,706**	**0**	**30,777**	**0**	**41,823**	**12,533**	**1,013,700**	**10,787,398**
Designated to this category	168,861	759,706	0	30,777	0	41,823	12,533	1,013,700	10,787,398
Debt instruments	168,861	689,616	0	0	0	18,657	13,254	890,388	1,031,794
Equity instruments	0	70,090	0	30,777	0	23,166	-721	123,312	9,755,604
Available-for-sale	**13,588,704**	**0**	**3,779,623**	**913,626**	**-1,646,767**	**2,178,244**	**91,897**	**18,905,327**	**2,506**
Debt instruments	13,588,305	0	2,845,057	0	-1,033,455	2,178,320	-17,481	17,560,746	2,506
Equity instruments	0	0	939,730	913,626	-613,312	-76	20,934	1,260,902	0
Other investments	399	0	-5,164	0	0	0	88,444	83,679	0
Loans and receivables	**3,259,589**	**0**	**0**	**0**	**0**	**116,967**	**62,641**	**3,439,197**	**101,117**
Debt instruments	3,288,588	0	0	0	0	114,926	62,641	3,466,155	101,117
Other investments	-28,999	0	0	0	0	2,041	0	-26,958	0
Deposits with cedants	**86,777**	**0**	**0**	**0**	**0**	**0**	**0**	**86,777**	**0**
Subordinated liabilities	**-1,364,053**	**0**	**0**	**0**	**0**	**0**	**0**	**-1,364,053**	**0**
TOTAL	22,883,653	759,706	3,779,623	944,403	-1,646,767	2,345,379	162,352	29,228,349	11,245,494

Financial assets and liabilities are tested for impairment on an individual basis.

In 2014, interest income on impaired investments totalled € 340,656; no such income was generated in 2015.

Investment income and expenses by source of funds

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

Investment income – non-life business

(€)	Liability fund 2015	Liability fund 2014
Interest income	12,449,305	13,586,810
Change in fair value and gains on disposal of FVPL assets	383,530	452,243
Gains on disposal of other IFRS asset categories	1,488,358	1,946,202
Income from dividends and shares – other investments	548,730	405,396
Exchange gains	12,418,572	5,115,881
Other income	21,463	58,980
Total investment income – liability fund	**27,309,958**	**21,565,512**
	Capital fund 2015	Capital fund 2014
Interest income	649,828	455,169
Change in fair value and gains on disposal of FVPL assets	505,671	407,927
Gains on disposal of other IFRS asset categories	80,563	28,340
Income from dividends and shares – other investments	372,214	299,984
Other income	0	38,407
Total investment income - capital fund	**1,608,276**	**1,229,827**
TOTAL INVESTMENT INCOME – NON-LIFE BUSINESS	28,918,234	22,795,339

Investment income – life business

(€)	Liability fund – life 2015	Liability fund – life 2014
Interest income	8,941,777	9,742,988
Change in fair value and gains on disposal of FVPL assets	52,543	90,390
Gains on disposal of other IFRS asset categories	57,073	1,778,863
Income from dividends and shares – other investments	307,330	239,023
Exchange gains	76,734	98,540
Other income	41,120	100,528
Total investment income – liability fund	**9,476,577**	**12,050,332**
	Capital fund 2015	Capital fund 2014
Interest income	596,262	516,177
Change in fair value and gains on disposal of FVPL assets	417,628	364,306
Gains on disposal of other IFRS asset categories	37,536	253,588
Exchange gains	18,055	57,107
Other income	113,563	88,444
Total investment income - capital fund	**1,183,044**	**1,279,622**
TOTAL INVESTMENT INCOME – LIFE BUSINESS	10,659,621	13,329,954
TOTAL INVESTMENT INCOME	39,577,855	36,125,293

Expenses for financial assets and liabilities – non-life business

(€)	Liability fund 2015	Liability fund 2014
Interest expenses	4,912	32,930
Change in fair value and losses on disposal of FVPL assets	238,268	245,160
Losses on disposal of other IFRS asset categories	349,153	213,275
Impairment losses on investments	495,757	1,483,181
Exchange losses	9,152,858	2,868,842
Other	7,878	68,740
Total investment expenses – liability fund	**10,248,826**	**4,912,127**
	Capital fund 2015	Capital fund 2014
Interest expenses	1,152,900	1,366,425
Change in fair value and losses on disposal of FVPL assets	534,885	135,643
Losses on disposal of other IFRS asset categories	998	5,164
Impairment losses on investments	217,710	153,475
Other	7,898	33,762
Total investment expenses – capital fund	**1,914,391**	**1,694,469**
TOTAL INVESTMENT EXPENSES – NON-LIFE BUSINESS	12,163,217	6,606,596

Expenses for financial assets and liabilities – life business

(€)	Liability fund – life 2015	Liability fund – life 2014
Interest expenses	3,247	18,136
Change in fair value and losses on disposal of FVPL assets	60,658	42,728
Losses on disposal of other IFRS asset categories	0	8,931
Impairment losses on investments	12,599	10,111
Exchange losses	77,550	51,131
Other	3,875	21,415
Total investment expenses – liability fund	**157,929**	**152,452**
	Capital fund 2015	Capital fund 2014
Change in fair value and losses on disposal of FVPL assets	670,475	131,629
Exchange losses	3,888	6,176
Other	10,393	90
Total investment expenses – capital fund	**684,756**	**137,895**
TOTAL INVESTMENT EXPENSES – LIFE BUSINESS	842,685	290,347
TOTAL INVESTMENT EXPENSES	13,005,902	6,896,944
NET INVESTMENT INCOME	26,571,953	29,228,349

(€)	Liability fund – life 2015	Liability fund – life 2014
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	26,631,788	19,146,081

(€)	Liability fund – life 2015	Liability fund – life 2014
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	25,930,786	7,900,587
NET INVESTMENT INCOME	701,002	11,245,494

Impairment losses on investments

(€)	31/12/2015	31/12/2014
Bonds and loans	12,782	1,033,455
Shares	713,284	613,312
TOTAL	726,066	1,646,767

Net investment income from non-life and life business

(€)	2015	2014
Non-life insurance business	16,755,017	16,188,743
Life insurance business	9,816,936	13,039,607
TOTAL	26,571,953	29,228,350

The 2015 net investment income totalled € 26.7 million, a drop from the 2015 figure of € 29.2 million due to deteriorated conditions in capital markets.

31. Other technical income

(€)	2015	2014
Income from reinsurance commission	3,656,904	2,964,859
Income on the realisation impaired receivables	4,459,099	973,838
Income from other insurance business	1,650,548	1,259,583
Exchange gains	7,197,384	2,710,673
Income from exit charges and management fees	990,874	921,383
Income from other services	1,172,026	1,093,447
Income from investment property	191,766	155,469
TOTAL	19,318,601	10,079,252

In 2015 the Group experienced strong growth in both exchange gains and losses, primarily arising from reinsurance business.

Reinsurance commission income is a major part of other technical income. The following tables show reinsurance commission income by class of business.

Income from reinsurance commission

(€)	2015	2014
Personal accident	20,598	32,095
Land vehicles casco	165,637	122,899
Aircraft hull	3,921	234
Ships hull	1,308	956
Goods in transit	31,219	13,078
Fire and natural forces	1,778,517	1,489,019
Other damage to property	664,735	530,099
Motor liability	6,593	15,931
Aircraft liability	16,223	14,068
Liability for ships	600	115
General liability	174,810	124,962
Credit	4	0
Suretyship	3	0
Miscellaneous financial loss	69,223	64,006
Legal expenses	23,009	204,151
Assistance	199,612	0
Life	473,969	304,375
Unit-linked life	26,923	48,872
Total non-life	**3,156,012**	**2,611,611**
Total life	**500,892**	**353,247**
TOTAL	3,656,904	2,964,859

32. Net claims incurred

Net claims incurred

(€)	Gross amounts						
2015	Claims	Recourse receivables	Reinsurers' share of claims (–)	Coinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
Personal accident	14,437,167	-4,657	-34,832	67,182	3,617,446	8086	18,090,392
Health	2,477,490	0	0	0	67,716	-81775	2,463,431
Land vehicles casco	60,158,247	-1,284,947	-104,305	-8,751	-1,259,996	213,383	57,713,631
Railway rolling stock	2,529	0	0	0	0	0	2,529
Aircraft hull	418,754	0	-65082	0	601,386	-334,999	620,059
Ships hull	2,392,120	-2,002	-867	0	575,272	4,909	2,969,432
Goods in transit	1,531,187	-631	-1,049	234,470	1,938,757	-62,242	3,640,492
Fire and natural forces	50,002,813	-32,985	-11,749,863	-84,160	-5,888,889	13,983,493	46,230,409
Other damage to property	22,059,296	-138,159	-673,850	-52,922	-3,700,463	-136,821	17,357,081
Motor liability	58,860,747	-2,623,114	-961,205	-49	3,508,437	158,456	58,943,272
Aircraft liability	23,660	0	-17,417	0	147,510	-13,628	140,125
Liability for ships	136,357	0	-13	0	-57,792	1,635	80,187
General liability	6,634,349	-38,213	-340,653	-26,845	2,349,101	387,773	8,965,512
Credit	2,208,303	-2,670,618	0	0	182,326	0	-279,989
Suretyship	387,171	-67,825	-763	0	42,325	70	360,978
Miscellaneous financial loss	652,101	0	-2,264	149	1,379,855	18,482	2,048,323
Legal expenses	821	0	0	1,066	4,945	0	6832
Assistance	3,456,451	-361	-2,837,412	0	267,735	-232,253	654,160
Life	30,598,817	0	-968,424	0	426,259	45,231	30,101,883
Unit-linked life	21,928,266	0	-90,342	0	1,171,090	12,070	23,021,084
Total non-life	**225,839,563**	**-6,863,512**	**-16,789,575**	**130,140**	**3,775,671**	**13,914,569**	**220,006,856**
Total life	**52,527,083**	**0**	**-1,058,766**	**0**	**1,597,349**	**57,301**	**53,122,967**
TOTAL	278,366,646	-6,863,512	-17,848,341	130,140	5,373,020	13,971,870	273,129,823

(€)	Gross amounts						
2014	Claims	Recourse receivables	Reinsurers' share of claims (–)	Coinsurers' share of claims (–)	Change in the gross claims provision (+/–)	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	Net claims incurred
Personal accident	13,246,254	-1,238	-22,185	22,276	2,284,696	-437	15,529,366
Health	2,184,022	-154404	0	0	-660,541	0	1,369,077
Land vehicles casco	58,389,099	-1,120,919	-249,802	-55,707	-1,040,214	-94,693	55,827,764
Railway rolling stock	1,076	0	0	0	0	0	1,076
Aircraft hull	147,441	0	-353	0	38,632	18,928	204,648
Ships hull	2,311,054	0	-2,237	-62	-235,775	2,136	2,075,116
Goods in transit	1,071,148	-19,804	-2,814	163,486	421,003	83,446	1,716,465
Fire and natural forces	44,798,520	-1,352,156	-6,077,399	13,832	12,131,529	-4,358,386	45,155,940
Other damage to property	20,862,518	-52,765	-643,380	89,790	-3,472,009	-127,520	16,656,634
Motor liability	59,146,902	-2,981,469	-1,692,480	-13,321	6,704,071	236,928	61,400,630
Aircraft liability	30,243	0	-20,159	0	70,114	14,995	95,193
Liability for ships	95,692	0	-6,414	0	27,455	-1,112	115,621
General liability	7,109,700	-4,790	-188,263	14,056	2,168,331	-295,020	8,804,014
Credit	3,113,234	-3,063,965	0	0	120,083	-1	169,351
Suretyship	277,374	-396,963	0	0	57,591	0	-61,998
Miscellaneous financial loss	624,501	-331,500	260,602	1,389	-231,936	-22,808	300,248
Legal expenses	0	0	0	1,255	0	0	1,255
Assistance	2,063,960	-3,448	-1,672,744	2	-6,952	10,998	391,816
Life	31,694,442	0	-437,563	0	-892,172	-98,296	30,266,411
Unit-linked life	17,655,181	0	-99,802	0	-546,480	51,552	17,060,451
Capital redemption	1,075	0	0	0	0	0	1,075
Total non-life	**215,472,738**	**-9,483,421**	**-10,317,628**	**236,996**	**18,376,078**	**-4,532,546**	**209,752,216**
Total life	**49,350,698**	**0**	**-537,365**	**0**	**-1,438,652**	**-46,744**	**47,327,937**
TOTAL	264,823,436	-9,483,421	-10,854,993	236,996	16,937,426	-4,579,290	257,080,153

The above tables show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). Net claims incurred additionally include movements in the net claims provision; it increased net claims incurred by € 19.2 million (2014: increase of € 12.3 million).

33. Change in other technical provisions and change in the technical provision for policyholders who bear the investment risk

The change in other technical provisions relates to changes in the net provision for unexpired risks. The change in gross technical provisions is described in note 22.

34. Operating expenses

The Group classifies operating expenses by nature. Compared to 2014, operating expenses increased by more than 1.5 %.

Operating expenses by nature

(€)	2015	2014
Acquisition costs (commissions)	49,853,683	47,511,857
Change in deferred acquisition costs	-1,451,391	489,499
Depreciation of operating assets	7,585,742	7,596,809
Personnel costs	59,557,283	58,487,467
Costs under contracts for services, incl. contributions	493,489	675,970
Other operating expenses	32,879,567	31,859,831
TOTAL	148,918,373	146,621,433

Audit fees

(€)	2015	2014
Audit of annual report	287,160	300,771
Other audit services	63,827	165,396
TOTAL	350,987	466,167

35. Other technical expenses and other expenses

(€)	2015	2014
Expenses for loss prevention activities and fire brigade charge	2,950,578	2,978,309
Contribution for covering claims of uninsured and unidentified vehicles and vessels	2,051,831	2,218,739
Operating expenses from revaluation	12,560,738	8,746,832
Diverse other expenses	2,550,571	2,450,538
TOTAL	20,113,718	16,394,418

Other expenses include contributions relating to the costs of the supervisory authority, allowance for other receivables, health protection contributions and fees for access to electronic police records.

36. Tax on profit

Tax rate reconciliation

(€)	2015	2014
Profit/loss before tax	40,097,971	38,956,242
Income tax expenses at statutory tax rate (17 %)	6,816,655	6,622,561
Adjustment to the actual rates	2,685,736	2,737,722
Tax effect of income that is deducted for tax purposes	-2,806,256	-3,552,709
Tax effect of expenses not deducted for tax purposes	1,615,356	1,245,356
Tax effect of income that is added for tax purposes	4,421	10,621
Income or expenses relating to tax relief	-436,844	-397,869
Changes in temporary differences	-1,146,548	1,752,410
TOTAL INCOME TAX EXPENSE IN THE INCOME STATEMENT	6,732,520	8,418,092
Effective tax rate	16.79 %	21.61 %

18.10. Notes to the consolidated financial statements – cash flow statement

37. Notes to the cash flow statement, which has been prepared using the indirect method.

The cash flow statement shown in section 17.4 »Consolidated statement of cash flows« has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

The table below presents income statement items not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

(€)	2015	2014
Net profit/loss for the period	**33,365,451**	**30,608,470**
Non-cash items of the income statement not included in the cash flow statement:	**43,755,533**	**37,854,581**
- change in unearned premiums	8,390,205	3,205,017
- change in the provision for outstanding claims	19,344,890	12,358,135
- change in other technical provisions	1,282,026	3.4865054
- change in technical provisions for policyholders who bear the investment risk	11,036,450	25,455,421
- operating expenses – amortisation/depreciation and change in deferred acquisition cost	6,134,351	8,086,308
- impairment losses on financial assets	-2,432,389	-14,736,354
Eliminated investment income items	**-23,865,446**	**-25,245,547**
- interest received disclosed under B. a.) 1.	-22,637,172	-24,301,144
- receipts from dividends and shares in profit of others disclosed under B. a.) 2.	-1,228,274	-944,403
Eliminated investment expense items	**1,161,059**	**1,417,491**
- interest paid disclosed under C. b.) 1.	1,161,059	1,417,491
CASH FLOWS FROM OPERATING ACTIVITIES – INCOME STATEMENT ITEMS	54,416,596	44,634,995

18.11. Contingent receivables and liabilities

Based on a contract with the former owner of Velebit osiguranje and Velebit životno osiguranje, the Group has a contingent liability due to the former owner of both companies but also a contingent receivable due from the non-controlling interest in both subsidiaries in relation to the transfer of a lien on shares. At 31 December 2015, the contingent liability in this regard totalled € 0.2 million.

18.12. Related party disclosures

The Group separately discloses its relationships with the following groups of related parties:

- owners and related enterprises;
- management and supervisory board members and employees not subject to the tariff section of the collective agreement;
- subsidiary companies;
- associates.

Owners and related enterprises

The Group's largest shareholder is the Slovenian Sovereign Holding (formerly the Slovenian Restitution Fund), holding 25 % plus one share.

The members of the management and supervisory boards, the audit committee and employees not subject to the tariff section of the collective agreement

Remuneration of management and supervisory board members, the audit committee and of employees not subject to the tariff section of the collective agreement

(€)	2015	2014
Management board	746,643	658,736
Payments to employees not subject to the tariff section of the collective agreement	4,683,037	4,505,004
Supervisory board	119,963	108,999
Audit committee and nomination committee	26,473	20,744
TOTAL	5,576,116	5,293,484

Remuneration of management board members relating to the year 2015

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	168,143	31,872	6,203	10,272	216,490
Srečko Čebron	152,183	28,680	5,269	2,603	188,734
Jošt Dolničar	144,191	28,680	5,112	2,668	180,651
Mateja Treven	144,191	11,428	5,149	0	160,768
TOTAL	608,707	100,660	21,732	15,543	746,643

Remuneration of management board members relating to the year 2014

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	168,141	31,872	6,248	4,353	210,614
Srečko Čebron	152,181	28,680	5,246	3,191	189,299
Jošt Dolničar	144,189	28,680	5,135	3,312	181,317
Mateja Treven	57,694	17,599	2,213	0	77,506
TOTAL	522,206	106,831	18,843	10,856	658,736

Liabilities to management board members relating to gross remuneration

(€)	31/12/2015	31/12/2014
Zvonko Ivanušič	13,946	13,946
Srečko Čebron	12,616	12,616
Jošt Dolničar	11,950	11,950
Mateja Treven	11,950	11,950
TOTAL	50,462	50,462

At 31 December 2015, the Group had no receivables due from the management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration of members of the supervisory board and the audit committee relating to 2015

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	2,750	19,500	2,747	24,997
Mateja Lovšin Herič	deputy chair of the SB	2,750	14,300	0	17,050
Slaven Mićković	member of the SB	2,750	13,000	0	15,750
Martin Albreht	member of the SB	1,375	5,778	0	7,153
Gorazd Andrej Kunstek	member of the SB	2,750	13,000	0	15,750
Keith William Morris	member of the SB	2,750	13,000	14,916	30,666
Helena Dretnik	member of the SB	1,375	7,222	0	8,597
TOTAL SUPERVISORY BOARD MEMBERS		16,500	85,800	17,664	119,963
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,980	4,875	0	6,855
Slaven Mićković	member of the AC	1,980	3,250	0	5,230
Ignac Dolenšek	member of the AC	0	14,175	213	14,388
TOTAL AUDIT COMMITTEE MEMBERS		3,960	22,300	213	26,473

Remuneration of members of the supervisory board and the audit committee relating to 2014

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	2,750	19,500	3,538	25,788
Mateja Lovšin Herič	deputy chair of the SB	2,750	14,300	127	17,177
Slaven Mićković	member of the SB	2,750	13,000	0	15,750
Martin Albreht	member of the SB	2,475	13,000	0	15,475
Gorazd Andrej Kunstek	member of the SB	2,200	13,000	0	15,200
Keith William Morris	member of the SB	2,750	13,000	3,860	19,609
TOTAL SUPERVISORY BOARD MEMBERS		15,675	85,800	7,524	108,999
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,760	4,875	0	6,635
Slaven Mićković	member of the AC	1,760	3,250	0	5,010
Ignac Dolenšek	member of the AC	0	8,925	174	9,099
TOTAL AUDIT COMMITTEE MEMBERS		3,520	17,050	174	20,744

Liabilities to supervisory board members and members of the supervisory board audit committee relating to gross remuneration

(€)	31/12/2015	31/12/2014
Branko Tomažič	2,230	2,140
Mateja Lovšin Herič	2,093	1,873
Slaven Mićković	1,849	1,629
Gorazd Andrej Kunstek	1,358	1,358
Martin Albreht	0	1,358
Keith William Morris	13,621	4,075
Helena Dretnik	1,358	0
Ignac Dolenšek	4,332	0
TOTAL	26,841	12,434

Remuneration of employees not subject to the tariff section of the collective agreement relating to 2015

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	4,455,591	298,296	103,504	4,857,391

Remuneration of employees not subject to the tariff section of the collective agreement relating to 2014

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	4,302,760	76,377	125,867	4,505,004

Associate companies

The Company pays voluntary supplementary pension contributions on behalf of its employees. In 2015, the total amount of contributions paid was € 74,992 (2014: € 68,790). The Company paid pension contributions on behalf of employees to the bank account of the supplementary voluntary pension insurance fund provided for all contributions made by employers and employees.

Receivables due from the state and majority state-owned companies

(€)	31/12/2015	31/12/2014
Interests in companies	8,770,698	11,927,070
Debt securities and loans	311,386,506	321,587,815
Receivables due from policyholders	358,169	83,729
TOTAL	320,515,374	333,598,614

Liabilities to the state and majority state-owned companies

(€)	31/12/2015	31/12/2014
Liabilities for shares in claims	80,548	72,282

Income and expenses relating to majority state-owned companies

(€)	2015	2014
Dividend income	471,565	609,100
Interest income	11,937,362	12,662,855
Gross premiums written	12,032,671	8,401,027
Gross claims payments	-10,502,788	-10,703,078
TOTAL	13,938,809	10,969,904

Characteristics of loans granted to subsidiaries

Borrower	Principal	Type of loan	Maturity	Interest rate
Sava osiguranje Belgrade	500,000	ordinary	30/06/2017	3.60 %
Sava osiguranje Belgrade	800,000	ordinary	30/06/2016	3.60 %
Velebit osiguranje	734,953	subordinated	no maturity	7.00 %
Velebit životno osiguranje	800,000	subordinated	no maturity	7.50 %
TOTAL	2,834,953			

19. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- From 1 January 2016 up to and including 16 March 2016, Sava Reinsurance Company bought 21,235 own shares for a total amount of € 0.3 million. After such purchases, the Company held a total of 762,756 own shares.
- In its session of 23 February 2016, the workers' council of Sava Reinsurance Company was presented with the notice of resignation of Helen Dretnik as member of the supervisory board representing employee interests, and accepted it. Helena Dretnik had handed in her notice of resignation on 19 February 2016 with effect from the same date. Until the appointment of a new member of the supervisory board representing employee interests, the supervisory board of Sava Reinsurance Company will operate as a five-member body.

SAVA REINSURANCE COMPANY





BUSINESS REPORT

Sava Reinsurance Company transacts reinsurance business and is the parent of the Sava Re Group. The first sections of the annual report of the Sava Re Group cover: the presentation of the Group, the POSR share and share trading, the report of the supervisory board, corporate governance statement pursuant to Article 70 of the Companies Act, a description of the internal control systems, external audit, mission, vision and policies of the Company and the Group, and the business environment. All the above parts relate both to Sava Reinsurance Company and the Sava Re Group. The following business report of Sava Reinsurance Company sets out the characteristics of the Company in terms of its core business with a focus on the notes to its separate financial statements.

20.
GLOBAL (RE)INSURANCE MARKETS[32]

The non-life reinsurance market

Non-life reinsurance business: challenging years for profits

The non-life reinsurance industry is caught between a fair present and cloudy future. The industry entered a fourth year of strong underwriting results in 2016. The combined ratio for 2015 was around 90 %, bolstered by reserve releases and below average natural catastrophe losses.

However, reinsurance prices have been softening since US property catastrophe rates started to weaken in mid-2013. The trend towards softening has since spilled over into other lines of business. In general, rates in casualty have been more stable than in property.

Capital development in non-life reinsurance stalled in 2015

There is still an abundance of reinsurance capital, with strong supply in both traditional and alternative capacity (AC). However, the quick expansion of AC in 2013–2014 that generated the supply/demand imbalance in property catastrophe reinsurance has moderated. AC has maintained its share (16 %) of global capacity, estimated to be USD 65 billion by mid-2015, up marginally from year-end 2014.

The capital position of global reinsurers, the traditional source of capital, weakened by 6 % in the first half of 2015. The main reasons were currency fluctuations, which contributed to a decline in USD-denominated reinsurance capital, continued strong capital management, which returned almost all of the industry's net income to the shareholders, and unrealised capital losses on bond and equity portfolios. Comparing capital and premium developments in reinsurance shows that premiums – as a proxy for insured exposures – have roughly traced capital development since 2009. In recent years, capital growth has more and more been managed through dividend payments and share buy-back programmes.

Strong underwriting results in non-life reinsurance

The reinsurance industry reported a combined ratio of around 90 % for the financial year 2015, the fourth successive year with a ratio of 90 % or lower. However, this does not properly reflect underlying underwriting profitability, because natural catastrophe losses have been lower than anticipated and the claims ratio has been reduced by positive reserve releases from redundant reserves for prior years' claims.[33] Excluding these two impacts, the underlying combined ratio would instead be around 100 % in 2015.

32 Based on Swiss Re: Global Insurance Review 2015 and Outlook 2016/17.
33 With regard to the P&L account of insurers, claims reserve releases lower the amount of claims incurred which are booked in a certain financial year, thus positively impacting the underwriting result and net income. Claims reserve additions add to the accounted claims burden in a financial year, with the opposite effect on the income statement. For an in-depth discussion, see also Sigma 4/2014: Liability claims trends – emerging risks and rebounding economic drivers, Swiss Re.

Investment returns still weak, windfall gains on underwriting result boost RoE

The investment environment for reinsurers is the same as it is for insurers: challenging. The industry achieved a mere average 3.4 % annualised investment yield in the first half of 2015, unchanged from 2014. At year-end 2015, the investment yield was 2.7 %, and capital gains were at 0.7 %. The total annual return on equity for 2015 was around 13 %. Adjusted for the special factors that boost the underwriting result, the average RoE would be lower around 6–7 %.

Outlook for 2016 and 2017

Real premium growth in the non-life reinsurance sector is expected to weaken in 2016 and 2017. Advanced markets will be impacted by the current rate softening, which is slowing. In the emerging markets (with the exception of China), premium growth will improve on the back of macroeconomic recovery, particularly in Latin America. In China, reinsurance demand is expected to drop following the introduction of the new solvency regime C-ROSS. For 2017, a recovery of the growth trend is expected, driven by stronger sales in primary insurance in all regions. Given the strong erosion of profit margins over the last two years, property catastrophe reinsurance rates are close to bottoming out. Across lines of business, the softening of average rates is expected to moderate or come to a standstill. For casualty and specialty lines, significant differences in pricing developments by market and line of business are expected. Assuming average catastrophe losses, moderating rates, a less-benign claims environment than in the last three years and declining reserve releases, the combined ratio in non-life reinsurance is forecast to be at around 100 % in 2016, the same as in 2015 after adjustments. Underwriting profitability is expected to remain below the average of recent years. Also, though interest rates in the advanced markets are expected to rise in 2015 and 2016, they will still be low by historical standards, and investment returns will remain below pre-financial crisis levels. The overall profitability outlook for next year is therefore expected to be moderate, with RoE of around 7 %, assuming average losses arising from natural catastrophes.

Real growth of non-life reinsurance premiums

	2013	2014	2015	2016F	2017F
Mature markets	1.1 %	-2.7 %	0.8 %	0.7 %	1.7 %
Emerging markets	8.8 %	0.4 %	1.6 %	-4.0 %	6.3 %
Global markets	3.0 %	-1.9 %	1.0 %	-0.5 %	2.9 %

The life reinsurance market

For the seven reinsurers among the Top 10 with available data[34], net premiums were down in nominal USD terms in the first half of 2015 from the same period in 2014. Individual company performance within the group varied and was impacted by currency moves. The accident & health business supported premium growth at some firms, as did large annuity and longevity contracts. Meanwhile, other business lines had weak organic growth and some treaties were cancelled. Health and annuity transactions are expected to continue to drive growth in the coming years and also help reinsurers in the UK and North America diversify away from traditional mortality business. Global premiums in traditional life reinsurance, consisting of mortality and morbidity, are estimated to have grown by 1.6 % in real terms in 2015.

34 These seven companies (Munich Re, Swiss Re, RGA, SCOR, Hannover Re, Berkshire Hathaway and Partner Re) accounted for about 85 % of the total life reinsurance market net premiums earned in 2014.

The 0.8 percent premium growth in mature markets was driven by positive developments in the UK and in the large markets of continental Europe, while premiums in the US continued to decline as a result of lower cession rates and weak sales of covers. In the emerging markets, premiums grew by 8.4 %; growth in Asia (particularly China) and Latin America was strong, mirroring the primary market.

Real growth in premium income for traditional life reinsurance

	2013	2014	2015	2016F	2017F
Mature markets	-0.3 %	1.17 %	0.8 %	-0.1 %	-0.2 %
Emerging markets	2.5 %	5.1 %	8.4 %	7.50 %	7.6 %
Global markets	0.0 %	1.5 %	1.6 %	0.8 %	0.7 %

Prospects for 2016 and 2017

World premiums in traditional life reinsurance are expected to increase only marginally over the next two years. Growth will be driven by emerging markets while the advanced markets will see a slight decline. In the US, regulatory changes – including increased scrutiny of the use of captive reinsurance and an expected move towards principles-based reserving – will impact business opportunities. In other advanced markets, where cession rates are usually much lower than in the US and the UK, traditional reinsurance will continue to record low, single-digit growth in line with the protection business on the primary side. In emerging markets, life reinsurance premiums are expected to increase by about 7.5 % annually in the next two years. In these markets, life reinsurers' main value proposition will be to support primary insurance in product development, underwriting and claims management.

Life reinsurers will continue to seek non-traditional or less-developed areas of growth. In the next few years, many primary insurers will need solutions to manage the capital strain that the macroeconomic environment and changes in regulation will inflict. Some primary insurers will shed unprofitable or non-core business while others will look to grow through M&A, thus creating opportunities for transferring blocks of in-force business to reinsurers and specialised consolidators. The need for these transactions is likely to remain strong, providing a growth opportunity for life reinsurers.

Life reinsurers are increasingly developing solutions to take longevity risk from primary firms with annuity business, and from private and public pension plans. A record high amount of longevity liabilities were transferred or protected via publicly-disclosed longevity reinsurance and swap transactions in 2014, and momentum in risk transfer remained strong in 2015. The market is traditionally most active in the UK. There have also been transactions with Australian, Canadian and French insurers. Longevity reinsurance activity is expected to develop in other markets as well, including in the Netherlands, Switzerland and the US, where there is significant demand potential, particularly from pension funds. The US has an active market for pension buy-outs, and several large deals have been completed there in recent years.

21. SAVA REINSURANCE COMPANY REVIEW OF OPERATIONS

21.1. Results of operations

Net premiums earned

Net premiums earned

(€)	2015	2014	Index
Gross premiums written	151,982,421	131,323,246	115.7
Net premiums written	133,613,496	114,667,703	116.5
Change in net unearned premiums	-8,134,199	-820,635	991.2
NET PREMIUMS EARNED	125,479,297	113,847,068	110.2

The following table shows the movement in gross premiums written from Slovenia and abroad. Gross premiums written in Slovenia dropped by 0.2 % (premiums written by Zavarovalnica Tilia by less), while foreign-sourced premiums grew by 25.9 %. The largest premium growth was achieved in South Korea.

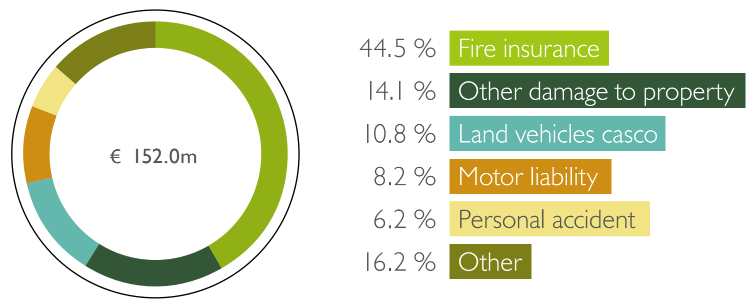
The change in net unearned premiums at the end of 2015 was larger than the one at the end of 2014, with a negative impact on net earned premiums. The rise in net unearned premiums is a result of the growth in international premiums; gross unearned premiums for international business rose by € 7.6 million while those relating to reinsurance business dropped by € 0.6 million.

Gross premiums written by geographical area

(€)	2015	2014	Index
Slovenia	51,033,032	51,124,459	99.8
International	100,949,389	80,198,787	125.9
GROSS PREMIUMS WRITTEN	151,982,421	131,323,246	115.7

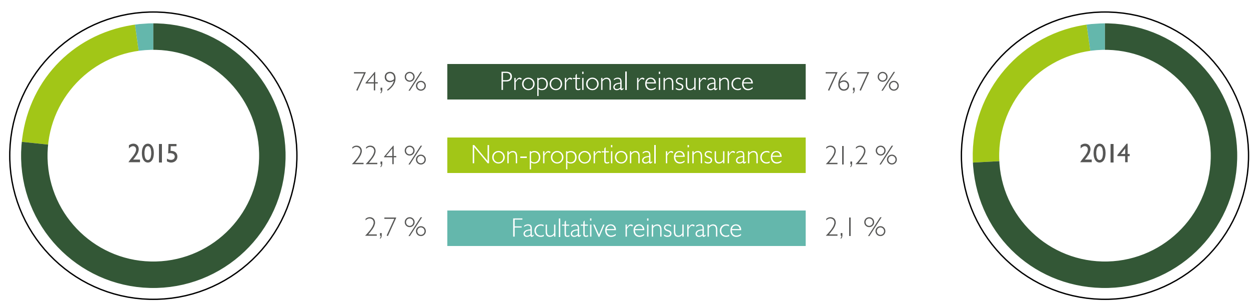
In 2015 the largest class of business in terms of premiums was still fire, which increased by 2.6 percentage points compared to 2014. The share of motor liability premiums decreased by 1.2 percentage points.

Gross premiums written in 2015 by class of business



Reinsurance premiums of proportional business grew by € 13.1 million, non-proportional reinsurance premiums by € 6.2 million and facultative premiums by € 1.4 million. The share of proportional reinsurance premiums fell by 1.8 percentage points despite nominal premium growth, while the share of non-proportional premiums grew by 1.2 percentage points.

Gross premiums written by form of reinsurance



Net earned premiums by class of business

(€)	2015	2014	Index
Personal accident	8,884,659	7,297,817	121.7
Health	1,854,428	99,263	1,868.2
Land vehicles casco	15,963,270	14,006,584	114.0
Railway rolling stock	88,765	447	19,858.0
Aircraft hull	579,596	341,383	169.8
Ships hull	3,463,323	3,891,714	89.0
Goods in transit	4,557,322	3,462,419	131.6
Fire and natural forces	52,353,695	46,728,622	112.0
Other damage to property	18,052,219	18,499,820	97.6
Motor liability	12,093,769	12,647,944	95.6
Aircraft liability	-33,434	-4,114	812.7
Liability for ships	238,797	267,819	89.2
General liability	4,126,930	4,915,141	84.0
Credit	446,433	504,750	88.4
Suretyship	167,629	215,923	77.6
Miscellaneous financial loss	2,481,708	166,534	1,490.2
Legal expenses	3,580	0	-
Assistance	-2,348	-2,778	84.5
Life insurance	32,848	670,213	4.9
Unit-linked life	126,107	137,568	91.7
TOTAL	125,479,297	113,847,069	110.2

Net claims incurred

Net claims incurred

(€)	2015	2014	Index
Gross claims paid	89,689,537	70,181,933	127.8
Net claims paid	75,938,766	62,008,708	122.5
Change in the net provision for outstanding claims	10,741,816	2,727,961	393.8
NET CLAIMS INCURRED	86,680,582	64,736,669	133.9

Gross claims paid of Sava Reinsurance Company increased by 27.8 % in 2015. The following table shows the movement in gross claims paid from Slovenia and abroad. Gross claims from Slovenian business increased by 16.5 % in 2015 year-on-year as a result of the settlement of claims relating to ice damage losses in 2014 (paid from provisions). International gross claims rose by 35.5 % compared to 2014, partly as a result of business growth (25.9 % growth in gross premiums written), partly due to the settlement of certain claims and because of a more favourable claims experience in both 2013 and 2014 compared to 2015.

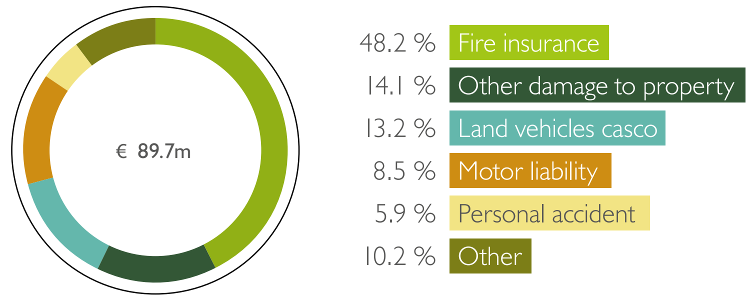
Compared to year-end 2014, the net provision for outstanding claims increased by € 10.7 million, but it increased by € 2.7 million one year earlier, which means that the change in 2015 was larger than in 2014, increasing net claims incurred. The gross claims provision decreased by € 3.4 million while the reinsurer's share fell by € 14.2 million. The gross claims provision of Slovenian business decreased by € 15.0 million primarily due to the settlement of claims relating to ice damage losses out of provisions; the claims provision for international business, on the other hand, increased by € 11.6 million because the combined effect of business growth, an unfavourable claims experience and exchange losses exceeded the effect of uses and releases relating to claim payments for prior underwriting years. Reinsurance claims provisions decreased mainly because the Slovenian part of the portfolio affected by the mentioned settlement of ice damage losses was mostly reinsured in international markets. The movement in technical provisions is discussed in detail in the notes to the financial statements, section 25.6, notes 7 and 19.

Gross claims paid by geographical area

(€)	2015	2014	Index
Slovenia	33,203,760	28,497,692	116.5
International	56,485,777	41,684,241	135.5
TOTAL	89,689,537	70,181,933	127.8

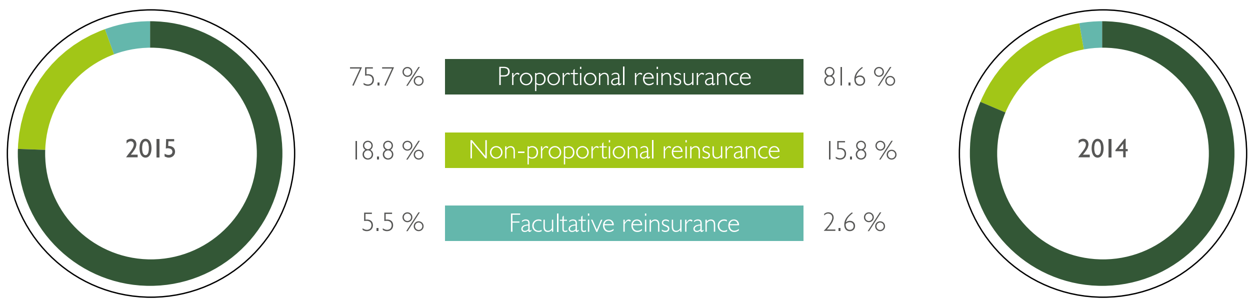
In terms of class of business, 2015 continued to be dominated by fire claims. Compared with 2014, their share increased by 5.6 percentage points. This class is followed by other damage to property, the share of which fell by 0.5 percentage points, and motor reinsurance, which together account for 21.7 % of all claims (2014: 27.2 %).

Gross claims paid in 2015 by class of business



Claims by form of reinsurance: the structure of claims changed in line with the change in the premium structure, with a reduced share of proportional reinsurance claims and an increased share of non-proportional claims. Proportional claims rose by € 10.6 million, non-proportional claims by € 5.8 million and facultative claims by € 3.1 million.

Gross claims paid by form of reinsurance



Net claims incurred by class of business

(€)	2015	2014	Index
Personal accident	6,286,414	3,541,052	177.5
Health	1,505,486	203,536	739.7
Land vehicles casco	11,311,767	9,157,050	123.5
Railway rolling stock	2,529	1,076	235.0
Aircraft hull	452,533	86,048	525.9
Ships hull	2,707,318	1,805,179	150.0
Goods in transit	3,343,385	1,506,401	221.9
Fire and natural forces	41,517,950	29,900,857	138.9
Other damage to property	10,213,560	7,262,292	140.6
Motor liability	6,334,720	6,929,300	91.4
Aircraft liability	113,410	40,620	279.2
Liability for ships	31,596	166,523	19.0
General liability	1,457,390	2,933,045	49.7
Credit	-149,223	160,581	-92.9
Suretyship	532,874	111,172	479.3
Miscellaneous financial loss	1,266,246	-208,758	-606.6
Legal expenses	1,610	0	-
Assistance	-3,391	-6,163	55.0
Life insurance	-279,137	1,121,326	-24.9
Unit-linked life	33,545	25,533	131.4
TOTAL	86,680,582	64,736,669	133.9

Operating expenses

Operating expenses

(€)	2015	2014	Index
Acquisition costs	32,445,281	30,723,796	105.6
Change in deferred acquisition costs (+/-)	-1,492,043	8,390	17,984.1
Other operating expenses	9,275,988	8,236,282	112.6
Gross operating expenses	**40,229,226**	**38,968,467**	**103.2**
Income from reinsurance commission	-2,605,901	-2,030,651	71.7
NET OPERATING EXPENSES	37,623,325	36,937,816	101.9

In 2015 acquisition costs increased by 5.6 % compared to 2014, which is just below the growth in gross premiums written (15.7 % growth). Acquisition costs as a percentage of premiums dropped by 2.1 p.p. year-on-year. Deferred commission at year-end 2015 exceeded the figure at year-end 2014 (decreasing gross operating expenses). Changes in this item are related to the movement in unearned premiums.

Other operating expenses rose by 12.6 % compared to 2014, due to the increase in personnel costs as a result of 8 recruitments and costs of intellectual and personal services. Expenses by nature are shown in note 31 of the notes to the financial statements.

The larger reinsurance commission income is primarily the result of increased commission income generated by Sava Reinsurance Company on retrocessions relating to reinsurance programmes of Slovenian cedants as a result of good loss ratios over recent years for retroceded business.

Net investment income

The net investment income of the investment portfolio of Sava Reinsurance Company totalled € 15.6 million in 2015 (2014: € 13.7 million), of which € 8.4 million relate to financial investments and € 8.1 million to investments in subsidiaries.

The realised net investment income also includes exchange gains relating to investments used by the Company for asset-liability matching in foreign currencies. However, the effect of exchange differences does not fully impact profit or loss since liabilities denominated in a foreign currency move in line with investments in that currency. For this reason, the net investment income and the investment return are also shown excluding exchange differences. The total impact of exchange differences on the result is set out in the notes to the financial statements of the annual report, note 25.5.3.1.3 »Currency risk«.

Return on the investment portfolio of Sava Reinsurance Company

(€)	2015	2014	Nominal change	Index
Income from financial investments	18,675,409	11,784,187	6,891,220	41.5
Expenses for financial investments	10,291,320	4,898,922	5,392,398	210.1
NET INVESTMENT INCOME OF FINANCIAL INVESTMENTS	8,384,089	6,885,265	1,498,822	321.8
Net investment income of financial investments in subsidiaries and associates	8,134,170	7,723,555	410,615	105.3
Net investment income of investment property	12,443	13,120	-677	105.2
NET INV. INCOME OF THE INVESTMENT PORTFOLIO	16,530,702	14,621,940	1,908,760	113.1
Expenses for financial liabilities	896,145	949,274	-53,129	94.4
NET INV. INCOME OF THE INVESTMENT PORTFOLIO	15,634,555	13,672,666	1,961,889	114.3
NET INV. INCOME OF THE INVESTMENT PORTFOLIO, EXCLUDING EXCHANGE DIFFERENCES	12,407,054	11,535,975	871,079	107.6

After eliminating exchange differences that do not fully affect profit, the net investment income of the investment portfolio totalled € 12.4 million, up € 0.9 million from 2014. The increase in the net investment income is mostly due to the higher dividends paid by subsidiaries. Detailed data are shown in the following table.

Income, expenses and the net inv. income relating to the investment portfolio of Sava Reinsurance Company

(€)	2015	2014	Nominal change
INCOME			
Interest income	4,710,946	4,607,741	103,205
Change in fair value and gains on disposal of FVPL assets	365,320	453,846	-88,526
Gains on disposal of other IFRS asset categories	603,182	1,173,117	-569,935
Income of subsidiary and associate companies	13,004,219	10,250,880	2,753,339
Income from dividends and shares – other investments	725,813	605,699	120,113
Exchange gains	12,264,857	4,893,730	7,371,126
Other income	19,524	65,349	-45,825
Total income from the investment portfolio	**31,693,859**	**22,050,362**	**9,643,497**
EXPENSES			
Interest expenses	896,145	949,274	-53,129
Change in fair value and losses on disposal of FVPL assets	218,498	246,283	-27,786
Losses on disposal of other IFRS asset categories	313,525	201,464	112,061
Expenses of subsidiary and associate companies	4,870,049	2,500,000	2,370,049
Impairment losses on investments	713,284	1,634,413	-921,129
Exchange losses	9,037,355	2,757,040	6,280,315
Other	10,448	89,223	-78,775
Total expenses for the investment portfolio	**16,059,304**	**8,377,696**	**7,681,608**
NET INV. INCOME OF THE INVESTMENT PORTFOLIO	15,634,555	13,672,667	1,961,889
NET INV. INCOME OF THE INVESTMENT PORTFOLIO, EXCLUDING EXCHANGE DIFFERENCES	12,407,054	11,535,975	871,079
RETURN ON THE INVESTMENT PORTFOLIO	3.5 %	3.2 %	0.3 p.p.
RETURN ON THE INVESTMENT PORTFOLIO, EXCLUDING EXCHANGE DIFFERENCES	2.8 %	2.7 %	0.1 p.p.

The largest contribution to total 2015 income related to dividends received from subsidiaries totalling € 13.0 million, up € 2.8 million year-on-year. Compared to 2014, slightly more interest income was realised (despite the still very low interest rates in capital markets) as well as more dividend income from other investments. In 2015 positive exchange differences of € 12.3 million were realised (2014: € 4.9 million).

The main elements constituting total 2015 investment expenses were impairment losses on the investment portfolio of € 5.6 million (impairment losses on subsidiaries of € 4.8 million and impairment losses on other financial investments of € 0.7 million) and exchange losses of € 9.0 million.

21.2. Financial position of Sava Reinsurance Company

At 31 December 2015, the balance sheet total of Sava Reinsurance Company amounted to € 570.9 million, an increase of 4.3 % over 2014. Below are notes to items in excess of 5 % of assets.

21.2.1. Assets

Total assets by type

(€)	31/12/2015	As % of total at 31/12/2015	31/12/2014	As % of total at 31/12/2014
ASSETS	**570,886,710**	**100.0 %**	**547,413,684**	**100.0 %**
Intangible assets	666,490	0.1 %	467,423	0.1 %
Property and equipment	2,455,343	0.4 %	2,462,814	0.4 %
Deferred tax assets	2,285,448	0.4 %	1,040,593	0.2 %
Investment property	2,999,742	0.5 %	115,492	0.0 %
Financial investments in Group companies and associates	208,231,721	36.5 %	189,641,994	34.6 %
Financial investments	242,633,203	42.5 %	241,524,533	44.1 %
Reinsurers' share of technical provisions	16,026,358	2.8 %	30,863,647	5.6 %
Receivables	84,425,749	14.8 %	71,484,165	13.1 %
Deferred acquisition costs	10,496,041	1.8 %	9,003,998	1.6 %
Other assets	380,665	0.1 %	296,684	0.1 %
Cash and cash equivalents	285,950	0.1 %	512,342	0.1 %

21.2.1.1. Financial investments in subsidiaries, associates and other financial investments

The investment portfolio consists of the following statement of financial position items: financial investments, financial investments in subsidiaries, investment property and cash.

The investment portfolio of Sava Reinsurance Company totalled € 454.2 million at 31 December 2015 (31/12/2014: € 431.8 million).

Investment portfolio of Sava Reinsurance Company by class of asset

(€)	31/12/2015	31/12/2014	Nominal change	Index
Deposits	4,923,273	15,664,002	-10,740,729	31.4
Government bonds	102,191,734	95,493,956	6,697,778	107.0
Corporate bonds	112,016,284	105,513,193	6,503,092	106.2
Shares	10,892,491	12,670,272	-1,777,780	86.0
Mutual funds	4,075,691	2,260,648	1,815,044	180.3
Loans granted and other investments	2,834,953	4,334,953	-1,500,000	65.4
Deposits with cedants	5,698,774	5,587,510	111,264	102.0
TOTAL FINANCIAL INVESTMENTS	242,633,203	241,524,533	1,108,667	100.5
Financial investments in subsidiaries	208,231,721	189,641,994	18,589,727	109.8
Investment property	2,999,742	115,492	2,884,249	2,597.4
Cash and cash equivalents	285,950	512,342	-226,392	55.8
TOTAL INVESTMENT PORTFOLIO	454,150,613	431,794,361	22,356,252	105.2

The investment portfolio grew by € 22.4 million compared to the prior year. The growth of the investment portfolio was mainly a result of the following factors:

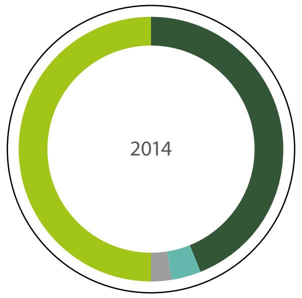
- + dividends received from subsidiaries (€ 13.0 million),
- + positive cash flow from core business (€ 7.6 million),
- + change in accrued interest (€ 5.0 million);
- + change in exchange differences (€ 3.3 million);
- + purchase of interests in Velebit osiguranje and Velebit životno osiguranje from Velebit usluge - in liquidation (€ 12,3 million),
- - dividend payouts to shareholders (€ 9.1 million),
- - impairment losses on investments in subsidiaries in Croatia and Kosovo (€ 4.9 million),
- - other factors affecting the level of investments totalling € 4.8 million (payment of tax liabilities, purchase of own shares, interest relating to financing).

At 31 December 2015, fixed-income investments (deposits, government bonds, corporate bonds) accounted for 48.3 % of the investment portfolio. The proportion of these in the structure of the investment portfolio dropped by 1.9 percentage points. Financial investments in subsidiaries accounted for 45.9 %. The proportion of investments in subsidiaries increased by 2.0 percentage points year-on-year. The Company increased its ownership interest in Moja naložba, Velebit osiguranje and Velebit životno osiguranje[35]. In addition, Sava življenjsko osiguranje was recapitalised. The Company increased the proportion of investment property by 0.7 percentage points, in line with the investment strategy for 2015.

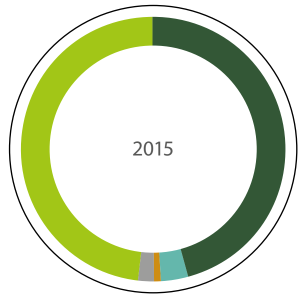
Following is an overview of the structure of the investment portfolio.

35 Purchase of interests in Velebit osiguranje and Velebit životno osiguranje from Velebit usluge – in liquidation. This resulted on the one hand in an increase in the balance of investments in subsidiaries and associates (€ 12.3 million), on the other hand, liabilities were established relating to Velebit usluge - in liquidation for the purchase price of Velebit osiguranje and Velebit životno osiguranje.

Structure of the investment portfolio

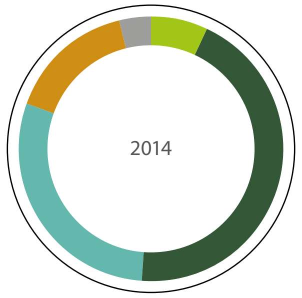


2014		2015
50.2 %	Fixed-income financial investments	48.3 %
43.9 %	Financial investments in subsidiaries	45.9 %
3.5 %	Shares and mutual funds	3.3 %
0.0 %	Real estate	0.7 %
2.4 %	Other	1.9 %

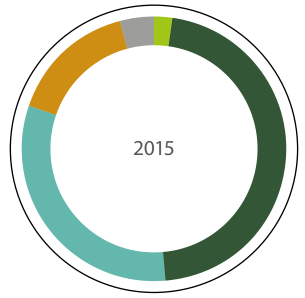


Following is a graph showing the structure of fixed-income investments.

Fixed-income investments by asset type



2014		2015
3.6 %	Deposits	1.1 %
22.1 %	Government bonds	22.5 %
14.7 %	Regular corporate bonds	15.2 %
7.8 %	Covered bonds	7.5 %
1.9 %	Government-guaranteed bonds	2.0 %



In the structure of fixed-income investments, there was a decline in the proportion of deposits (2.5 percentage points) compared to 2014. The decrease was a result of the purchase of investment property and the increased investment in Group companies.

21.2.1.2. Receivables

Receivables recorded an increase of 18.1 % or € 12.9 million at year-end 2015. The increase mainly relates to receivables arising out of coinsurance and reinsurance business as a result of the growth in international business, especially South Korea. The percentage of non-past-due receivables was 82.9 %, together with past-due receivables up to 180 days, they accounted for 95.0 %. Sava Reinsurance Company almost exclusively transacts business with highly rated insurers and reinsurers, which is why impairment losses on operating receivables are small.

21.2.1.3. Technical provisions ceded to reinsurers

At year-end 2015 the amount of technical provisions ceded to reinsurers was 48.1 % lower than at year-end 2014 due to the decrease in the reinsurers' share of the claims provision. This is because at year-end 2014, a provision was established for ice damage losses in the amount of € 10.9 million, which had been settled by the end of 2015, resulting in a large decline in the provision. The amount of the reinsurers' share of technical provisions is explained in note 7 of the notes to the financial statements.

21.2.2. Liabilities

Equity and liabilities by type

(€)	31/12/2015	As % of total at 31/12/2015	31/12/2014	As % of total at 31/12/2014
EQUITY AND LIABILITIES	**570,886,710**	**100.0 %**	**547,413,684**	**100.0 %**
Equity	263,679,403	46.2 %	258,135,674	47.2 %
Share capital	71,856,376	12.6 %	71,856,376	13.1 %
Capital reserves	54,239,757	9.5 %	54,239,757	9.9 %
Profit reserves	124,175,314	21.8 %	115,977,201	21.2 %
Own shares	-10,319,347	-1.8 %	-10,115,023	-1.8 %
Fair value reserve	2,963,868	0.5 %	4,341,739	0.8 %
Retained earnings	12,769,646	2.2 %	15,713,039	2.9 %
Net profit/loss for the period	7,993,789	1.4 %	6,122,585	1.1 %
Subordinated liabilities	23,534,136	4.1 %	23,499,692	4.3 %
Technical provisions	220,901,954	38.7 %	216,658,049	39.6 %
Other provisions	347,277	0.1 %	273,590	0.0 %
Other financial liabilities	91,896	0.0 %	74,429	0.0 %
Liabilities from operating activities	47,871,910	8.4 %	46,148,390	8.4 %
Other liabilities*	14,460,133	2.5 %	2,623,860	0.5 %

* There was a material increase in other liabilities at year-end 2015 compared to year-end 2014 because of liabilities to Velebit usluge - in liquidation for the payment of the purchase price of shares in Velebit osiguranje and Velebit životno osiguranje in the amount of € 12.3 million.

21.2.2.1. Equity

Equity is the largest item on the liabilities side, representing 46.2 % of liabilities and equity. Compared to 31 December 2014, equity increased by 2.1 % or € 5.5 million due to the following movements:

- net profit for 2015 amounted to € 16.2 million (increase in equity);
- Sava Reinsurance Company paid out dividends in the amount of € 9.1 million (decrease in equity);
- own share repurchases of € 0.2 million (decrease in equity);
- fair value reserve decreased by € 1.4 million as a result of trends in capital markets (decrease in equity).

21.2.2.2. Technical provisions

Technical provisions, the second largest item on the liabilities side, increased by 2.0 % or € 4.2 million compared to 31 December 2014. The increase is a result of the 33.6 % growth in gross unearned premiums relating to international business (international gross premiums written grew by 25.9 %). The gross provision for outstanding claims decreased, down from a relatively high level in 2014 that included provisions for Slovenian ice damage claims. The movement in technical provisions is also explained in detail in note 19 of the notes to the financial statements.

21.2.2.3. Liabilities from operating activities

Liabilities from operating activities mainly comprise liabilities for claims and commissions relating to core business and liabilities for reinsurance premiums. Their payment dynamics depend on amounts in fourth quarter reinsurance accounts received, to be settled at a later date similar to receivables.

21.2.3. Capital adequacy of Sava Reinsurance Company

By law Sava Reinsurance Company must maintain adequate capital levels with regard to the amount and type of reinsurance business carried out. The capital must be at all times at least equal to capital adequacy requirements calculated using the higher of the premium basis calculation and claims basis calculation. As at 31 December 2015, the Company's required solvency margin was € 24.2 million (31/12/2014: € 23.2 million), while the Company's available solvency margin stood at € 52.3 million (31/12/2014: € 52.6 million).

Statement of capital adequacy for Sava Reinsurance Company

(€)		31/12/2015	31/12/2014
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 reserves for credit and catastrophe risk equalisation	3	113,257,429	105,131,679
Net profit brought forward from previous years	4	12,769,646	15,713,039
Fair value reserve relating to assets not financed from technical provisions	5	601,782	1,332,577
Treasury shares and own interests	6	10,319,347	10,115,024
Intangible assets	7	666,490	467,422
Core capital (1 + 2 + 3 + 4 + 5 – 6 – 7)	**8**	**241,739,153**	**237,690,982**
Guarantee fund	**9**	**8,065,373**	**7,725,010**
Compliance with Article 106 (4) of the ZZavar (8 – 9)	**10**	**233,673,780**	**229,965,972**
ADDITIONAL CAPITAL (Article 107 of the ZZavar)			
Subordinated debt instruments	11	6,049,029	5,793,758
Additional capital (11), however not more than 50 % of the lower of core capital and required solvency margin	12	6,049,029	5,793,758
AVAILABLE SOLVENCY MARGIN AND STATEMENT OF CAPITAL ADEQUACY (Article 108 of the ZZavar)			
Total of core and additional capital (8 + 12)	13	247,788,182	243,484,740
Participations within the meaning of Article 108(1), point 1, of the ZZavar	14	193,914,443	189,382,854
Participations within the meaning of Article 108(2), point 1, of the ZZavar	15	1,534,952	1,534,952
Available solvency margin of insurer (13 – 14 – 15)	**16**	**52,338,787**	**52,566,934**
Required solvency margin	**17**	**24,196,119**	**23,175,032**
SURPLUS/DEFICIT OF AVAILABLE SOLVENCY MARGIN (16 – 17)	18	28,142,668	29,391,902

Sava Reinsurance Company met capital adequacy requirements through all of 2015, as it maintained a surplus of available solvency margin over the required solvency margin.

At 31 December 2015 the solvency ratio stood at 216.3 % (31/12/2014: 226.8 %). Therefore, the insolvency risk that Sava Reinsurance Company is exposed to is small. This assessment has been made based on the Solvency I regime, which had been in force up until the reporting date. The new Solvency II regime, which came into force on 1 January 2016, has fundamentally changed the calculation of solvency capital as well as the measurement of assets and liabilities. Based on an unaudited assessment, the solvency ratio calculated according to Solvency II at 31 December 2015 also exceeds the 200 % limit.

21.2.4. Other investments of Sava Reinsurance Company in the insurance industry

In addition to its investments in subsidiaries at 31 December 2015, Sava Reinsurance Company held investments in other companies in the insurance industry.

Other investments of Sava Reinsurance Company in the insurance industry

	Holding (%) as at 31/12/2015
Slovenia	
Skupina prva, zavarovalniški holding, d.d.	4.04 %
Zavarovalnica Triglav d.d.	0.73 %
EU and other international	
Bosna reosiguranje, d.d., Sarajevo, Bosnia and Herzegovina	0.49 %
Dunav Re, a.d.o., Belgrade, Serbia	1.12 %

21.2.5. Capital structure

At 31 December 2015 Sava Reinsurance Company had € 263.7 million of equity capital and € 23.5 million of subordinated liabilities. Subordinated liabilities and other financial liabilities accounted for 9.0 % of capital.

For more details on the subordinate debt, see sections 25.2.18 and 25.8 (note 8) in the notes to the financial statements.

21.2.6. Cash flow

In 2015 net cash from operating activities at the Company level amounted to € 5.4 million, which was attributable to the positive cash flow from core reinsurance business.

Net disbursements in financing activities totalled € 14.1 million. The amount of net disbursements in financing activities was affected by the following: repayment of short-term financial liabilities in the amount of € 3.9 million (recapitalisation of Sava životno osiguranje and own share repurchases from minority shareholders of Croatian subsidiaries), dividend payouts in the amount of € 9.1 million, payment of interest on subordinated debt in the amount of € 0.9 million and own share repurchases of € 0.2 million.

The movement in the net disbursement in financing activities is due to investing activities, however, the amount was also affected by the above factors.

21.3. Human resources management

21.3.1. Strategic HR management guidelines

The following strategic HR management guidelines reflect the Company's corporate strategic guidelines:

- recruitment and development of competent and responsible employees;
- efficient management and motivation of employees;
- maintaining personnel stability with low fluctuation;
- promoting a positive working environment, and
- developing a modern organisational culture.

21.3.2. Key activities in the field of HR management

In 2015, our activities were focused on education, improving the process of annual performance interviews, and the implementation and basic use of the IT system in support of HR processes.

The Sava Re Group employee training and development policy was adopted, which lay the foundations for planning and carrying out various forms of training and education: traineeship, work introduction, mentorship, formal education, training and other development programmes.

With the implementation and use of the basic personnel information system, human resources received a tool that enables efficient management of data and documents related to employees. In the future, this tool will also serve to support certain HR processes.

21.3.3. Recruitment and the structure of employees

New employees are hired based on the adopted employment plan.

The company builds its recruitment practices on:

- attracting and hiring the most suitable personnel;
- proper induction and integration into the work environment, and
- further HR development in accordance with the requirements of the Company and the Group.

Headcount

	31 Dec. 2015	31 Dec. 2014	Difference 31 Dec. 2015 & 31 Dec. 2014
Headcount based on FTE	82.95	78.63	4.33
Number of regularly employed staff	97	89	8

Below are explanations related to regularly employed staff according to different criteria.

In 2015, 9 new employees joined us, while one employee was relocated within the Group. Out of those, 3 employees came from our subsidiaries, i.e. one from strategic purchasing and two from internal audit. New employees will cover: strategic investment management; the expansion of reinsurance to the African market; conclusion of facultative reinsurance; technical support for the reinsurance business due to the replacement of a colleague currently on maternity leave; and lastly, risk management and the project of merging EU-based Group insurers.

Headcount based on working time

	31 Dec. 2015		31 Dec. 2014	
	Number	**Share (%)**	**Number**	**Share (%)**
Part-time work	16	16.5	14	15.7
Full-time work	81	83.5	75	84.3
TOTAL	97	100.0	89	100.0

Employment contracts for full-time work have been concluded with most employees. Part-time employment refers to those colleagues who work for several employers, i.e. for other Group companies in the Republic of Slovenia. Work on a part-time basis is also offered to employees based on their rights as parents to childcare leave.

Headcount based on the level of education

	31 Dec. 2015		31 Dec. 2014	
	Number	Share (%)	Number	Share (%)
Primary education	0	-	0	-
Secondary education	14	14.4	13	14.6
Higher education	5	5.2	5	5.6
University education	58	59.8	52	58.4
Master's and doctoral degrees	20	20.6	19	21.3
TOTAL	97	100.0	89	100.0

The educational structure of employees remains constant. Employees with higher and university education make up the largest share. An increase in the number of this group may be attributed to new recruitments of highly qualified personnel, as required by the nature of our business. The Company encourages employees to take up various kinds of formal education.

Headcount based on age

	31 Dec. 2015		31 Dec. 2014	
Age groups	Number	Share (%)	Number	Share (%)
20-25	2	2.1	3	3.4
26-30	7	7.2	7	7.9
31-35	17	17.5	15	16.9
36-40	24	24.7	24	27.0
41-45	19	19.6	18	20.2
46-50	14	14.4	12	13.5
51-55	6	6.2	3	3.4
56 and over	8	8.2	7	7.9
TOTAL	97	100.0	89	100.0

The average age of employees in the Company increased compared to the previous year and was 41.92 years (40.95 years in 2014), which is also the result of employing new, highly qualified personnel with many years of experience.

Headcount based on gender

	31 Dec. 2015		31 Dec. 2014	
Gender	Number	Share (%)	Number	Share (%)
Female	61	62.9	58	65.2
Male	36	37.1	31	34.8
TOTAL	97	100.0	89	100.0

The Company employs more women than men. Women are represented on all levels of management and in all professional areas. In 2015, the share of men increased owing to new recruitments.

Headcount based on years of service with the Company

	31 Dec. 2015		31 Dec. 2014	
Years of service with the Company	Number	Share (%)	Number	Share (%)
From 0 to 5 years	39	40.2	38	42.7
From 5 to 10 years	32	33.0	26	29.2
From 10 to 15 years	8	8.2	9	10.1
From 15 to 20 years	12	12.4	13	14.6
From 20 to 30 years	3	3.1	1	1.1
More than 30 years	3	3.1	2	2.2
TOTAL	97	100.0	89	100.0

A high rate of employees in the first two groups based on years of service with the Company may be attributed to intensive employment practices in place since 2009. Fewer employees in the groups with over 20 years of service can be traced to retirements, which resulted in fewer employees with a long period of employment.

21.3.4. Absenteeism

Absence from work is determined by measuring the number of lost working days compared to the average number of employees and the number of all working days in a year. In 2015, the rate of absenteeism fell by 1.61 percentage points to 2.39 % compared to the previous year. We see the lower absenteeism rate in 2015 as consistent with good working conditions and the various activities related to health and fitness offered by the Company.

21.3.5. Fluctuation

In 2015, we hired 9 employees, of which 3 came from subsidiaries and 6 were new recruitments. One employee left due to relocation to a subsidiary.

The rate of fluctuation in 2015 was 1.03 %, which is 0.09 percentage points lower than in the previous year (1.12 % in 2014). Such low fluctuation rates help us maintain an important degree of stability in personnel.

Year	New employees*	Leaving employees**	Difference
2013	3	6	-3
2014	16	1	15
2015	9	1	8

* New employees = number of employees who joined the Company.

** Leaving employees = number of employees who left the Company.

21.3.6. Training and development of employees

In order to develop competent and responsible employees, we encourage our employees to take part in education and training schemes in accordance with the requirements of the workplace as well as personal and career development.

Our employees take part in business and professional conferences and other training schemes in Slovenia and abroad. In 2015, we held several courses for foreign languages, computer program fluency and courses aimed at developing soft skills.

Internal seminars intended for the actuarial department, risk management, life underwriting and reinsurance were also organised.

The Company encourages hiring young, promising staff. In order to induct new employees into the work quickly and efficiently, we have prepared traineeship and probationary work programmes for them. During this period, the mentor and superior are in charge of overseeing the work of newly hired staff.

We also ensure that knowledge is shared among the employees in the Sava Re Group. Internal distance learning is facilitated via a variety of contemporary channels (Webex, videophone conferences, etc.) and in different fields of work (accounting, controlling, finance, risk management, etc.)

In 2015, we organised conferences related to sales controlling, claims handling and purchasing. And for the first time ever a HR management conference was organised.

Traditionally, two Group strategic conferences were organised with the aim of transferring best working practices between Group companies in the field of corporate management.

21.3.7. Management and motivation of employees

We promote a positive working environment through effective management and motivation of employees, efficient organisation of work, and inclusion of employees in different projects.

21.3.7.1. Regular annual performance assessment interviews

Regular performance assessment interviews are conducted each year with all employees of the Company. During these interviews, the manager discusses with the employee the realisation and planning of activities and targets, completed or required education and training schemes, and other plans.

21.3.7.2. Health and safety at work

Our good health and safety at work programme includes activities in which all employees take part – the management, human resources management, approved medical practitioners and authorised external services. In 2015, no occupational injuries were reported.

Our employees are regularly referred for periodic medical check-ups. We also provide regular training in the field of safety at work, in accordance with the applicable legislation and internal acts.

In 2015, as in previous years, we organised team-building activities for all employees, which the Company holds with the purpose of fostering and maintaining good relations and promoting health at work.

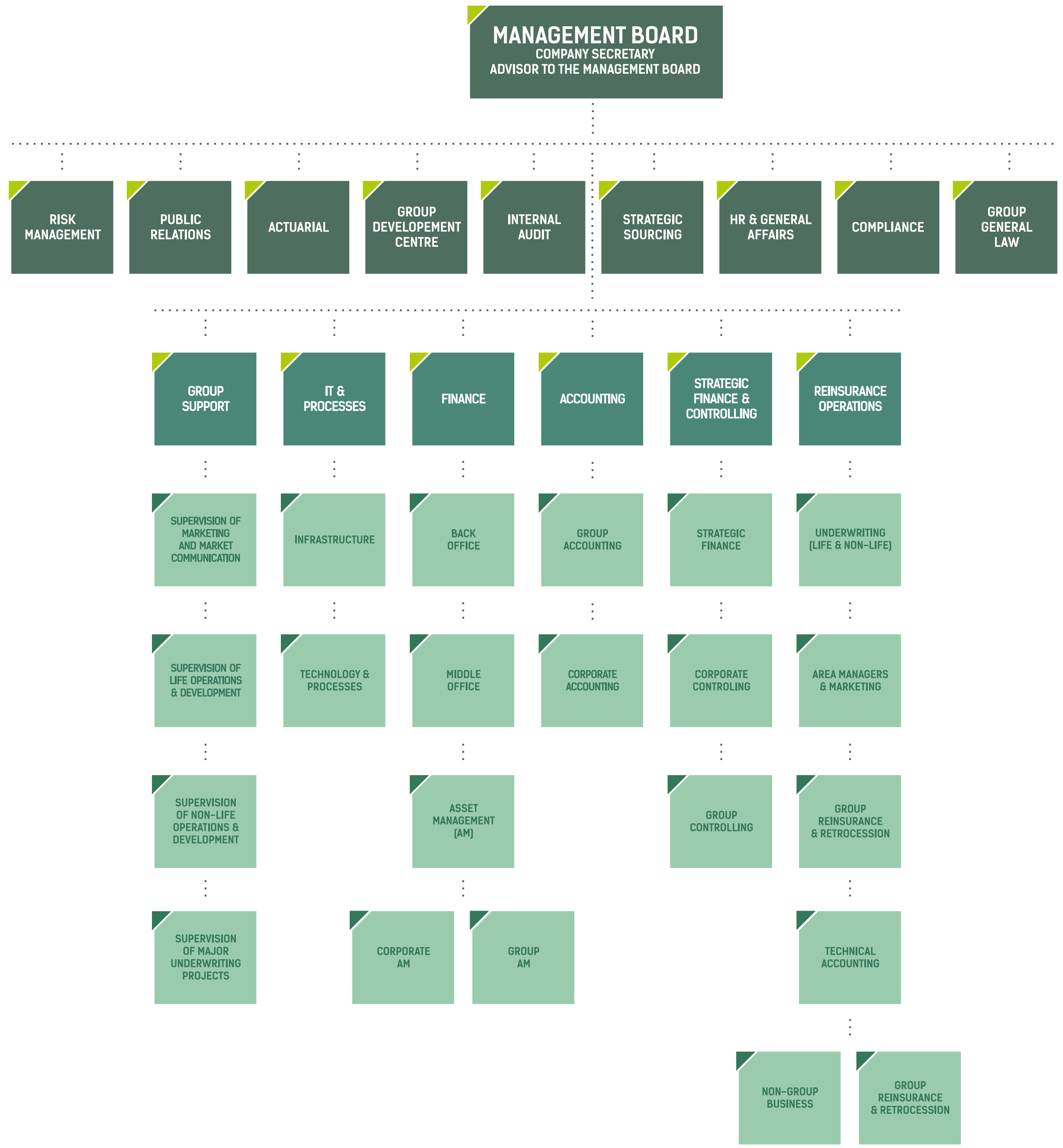
Moreover, an in-company course on basic reanimation techniques using an Automated External Defibrillator (AED) was organised. To this end, the Company bought one AED, which is mounted in the reception room, as recommended.

21.3.7.3. Other activities

Sava Reinsurance Company works in close cooperation with both workers' representation bodies in the Company – the workers council and the union. In 2015, our common cooperation was required in the process of amending internal company acts.

Workers' meetings are an important source of information for employees, where the management board presents the operating results, plans for the current period and the development strategy of both the Company and the Group.

We strengthen our culture of cooperation and integration by organising joint meetings, trainings and social events. The Sava Re Day, which already enjoys a tradition going back several years, has become a popular, well-established event aimed at promoting voluntary work among employees in different humanitarian organisations.



21.4. Risk Management at Sava Reinsurance Company

The organisation, process and the risk management policy of Sava Reinsurance Company are described in the business report of the Sava Re Group, section 11 »Risk management«.

21.5. Internal audit

The organisation of internal auditing in 2015 is described in the business report of the Sava Re Group, section 13 »Operation of the internal audit«.

21.6. Business processes and IT support

In 2015 Sava Reinsurance Company continued implementing the REvolve application for the support of reinsurance operations and at the beginning of 2015, the new Navision version was ready for production use, along with related systems, such as electronic invoice approval, travel orders, and software for human resources management and payroll. In the first half of the year, a TIS system for the digitalising and processing paper invoices was integrated with the REvolve application. After extensive testing, the new system was put into production use in July and all inward reinsurance invoices of the second half of the year were captured with the new application. In the second half of the year, we provided IT support for the preparation of outward reinsurance invoices from pre-invoices and added the functionalities of closing and payment specifications. Outward reinsurance invoices were prepared for production use applying the new software for the fourth quarter 2015, while the closing and payment specifications, which facilitate the closing of subsidiary records, were ready for production use at the beginning of 2016. The implementation of software to support reinsurance operations is thus nearing completion and is expected to be completed in the second quarter of 2016. After that, we will continue developing upgrades to meet the needs of the business process.

In 2015, we introduced several small but equally important applications. We developed and introduced the first phase of the risk register, an application for the tracking of working time, revamped the website of Sava Reinsurance Company technologically and otherwise, and introduced a new intranet system for all Group companies and a joint intranet for the Group.

In terms of infrastructure, we continued consolidating systems. We upgraded infrastructure components in the Novo mesto data centre and set up a small server in Ljubljana for the purpose of testing and integration with other applications that require a low latency network. We increased the number of servers that are mirrored to the secondary site as well as those overseeing outsourcing.

36 Performance indicators are given pursuant to the Decision on annual report and quarterly financial statements of insurance companies – SKL 2009 (Official Gazette of the Republic of Slovenia, nos. 47/09, as amended).

21.7. Performance indicators for Sava Reinsurance Company[36]

Development of gross premiums written

(€)	2015	2014	Index
	1	**2**	**1/2**
Personal accident	9,411,698	7,307,845	128.8
Health	2,150,843	49,965	4,304.7
Land vehicles casco	16,432,253	16,379,589	100.3
Railway rolling stock	102,650	447	22,961.2
Aircraft hull	616,442	358,873	171.8
Ships hull	3,772,148	3,987,802	94.6
Goods in transit	4,975,663	3,501,048	142.1
Fire insurance	67,676,509	55,067,401	122.9
Other damage to property	21,362,766	22,646,983	94.3
Motor liability	12,536,166	12,336,797	101.6
Aircraft liability	174,181	56,959	305.8
Liability for ships	334,736	267,803	125.0
General liability	4,783,141	5,456,687	87.7
Credit	603,027	378,718	159.2
Suretyship	142,740	203,302	70.2
Miscellaneous financial loss	4,930,798	582,123	847.0
Legal expenses	6,228	0	-
Assistance	-2,469	-2,332	105.8
Life insurance	1,674,409	2,396,858	69.9
Unit-linked life	298,491	346,376	86.2
Total non-life	**150,009,522**	**128,580,011**	**116.7**
Total life	**1,972,899**	**2,743,235**	**71.9**
TOTAL	151,982,421	131,323,246	115.7

Net premiums written as a percentage of gross premiums written

(€, except percentages)	Gross premiums written	Net premiums written	2015	2014
	1	**2**	**2/1**	
Personal accident	9,411,698	9,352,316	99.4 %	99.2 %
Health	2,150,843	2,150,843	100.0 %	100.0 %
Land vehicles casco	16,432,253	15,466,211	94.1 %	90.0 %
Railway rolling stock	102,650	102,650	100.0 %	100.0 %
Aircraft hull	616,442	616,442	100.0 %	100.0 %
Ships hull	3,772,148	3,699,921	98.1 %	98.3 %
Goods in transit	4,975,663	4,760,121	95.7 %	95.9 %
Fire insurance	67,676,509	56,930,750	84.1 %	83.6 %
Other damage to property	21,362,766	18,550,752	86.8 %	88.5 %
Motor liability	12,536,166	12,078,525	96.3 %	95.6 %
Aircraft liability	174,181	123,341	70.8 %	-7.0 %
Liability for ships	334,736	329,295	98.4 %	98.2 %
General liability	4,783,141	4,245,507	88.8 %	90.1 %
Credit	603,027	603,027	100.0 %	100.0 %
Suretyship	142,740	142,740	100.0 %	100.0 %
Miscellaneous financial loss	4,930,798	4,550,962	92.3 %	36.5 %
Legal expenses	6,228	6,228	100.0 %	-
Assistance	-2,469	-2,469	100.0 %	100.0 %
Life insurance	1,674,409	-219,791	-13.1 %	41.8 %
Unit-linked life	298,491	126,125	42.3 %	39.7 %
Total non-life	**150,009,522**	**133,707,162**	**89.1 %**	**88.3 %**
Total life	**1,972,899**	**-93,666**	**-4.7 %**	**41.5 %**
TOTAL	151,982,421	133,613,496	87.9 %	87.3 %

Development of gross claims paid

(€)	2015	2014	Index
	1	**2**	**1/2**
Personal accident	5,279,619	3,742,332	141.1
Health	1,476,957	687,523	214.8
Land vehicles casco	11,810,796	9,579,505	123.3
Railway rolling stock	2,529	1,076	235.1
Aircraft hull	339,744	124,603	272.7
Ships hull	2,068,469	1,931,552	107.1
Goods in transit	1,337,086	908,594	147.2
Fire insurance	43,200,550	29,897,748	144.5
Other damage to property	12,634,203	10,268,448	123.0
Motor liability	7,625,754	9,543,771	79.9
Aircraft liability	4,718	26,939	17.5
Liability for ships	132,005	119,426	110.5
General liability	2,023,580	1,926,965	105.0
Credit	-150,180	180,640	-83.1
Suretyship	338,049	169,318	199.7
Miscellaneous financial loss	223,207	-201,675	-110.7
Legal expenses	821	0	-
Assistance	728	1,600	45.5
Life insurance	1,211,842	1,126,140	107.6
Unit-linked life	129,060	147,428	87.5
Total non-life	**88,348,635**	**68,908,364**	**128.2**
Total life	**1,340,902**	**1,273,569**	**105.3**
TOTAL	89,689,537	70,181,933	127.8

Loss ratios

(€, except percentages)	Gross premiums written	Gross claims paid	2015	2014
	1	2	2/1	
Personal accident	9,411,698	5,279,619	56.1 %	51.2 %
Health	2,150,843	1,476,957	68.7 %	1376.0 %
Land vehicles casco	16,432,253	11,810,796	71.9 %	58.5 %
Railway rolling stock	102,650	2,529	2.5 %	240.6 %
Aircraft hull	616,442	339,744	55.1 %	34.7 %
Ships hull	3,772,148	2,068,469	54.8 %	48.4 %
Goods in transit	4,975,663	1,337,086	26.9 %	26.0 %
Fire insurance	67,676,509	43,200,550	63.8 %	54.3 %
Other damage to property	21,362,766	12,634,203	59.1 %	45.3 %
Motor liability	12,536,166	7,625,754	60.8 %	77.4 %
Aircraft liability	174,181	4,718	2.7 %	47.3 %
Liability for ships	334,736	132,005	39.4 %	44.6 %
General liability	4,783,141	2,023,580	42.3 %	35.3 %
Credit	603,027	-150,180	-24.9 %	47.7 %
Suretyship	142,740	338,049	236.8 %	83.3 %
Miscellaneous financial loss	4,930,798	223,207	4.5 %	-34.6 %
Legal expenses	6,228	821	13.2 %	-
Assistance	-2,469	728	-29.5 %	-68.6 %
Life insurance	1,674,409	1,211,842	72.4 %	47.0 %
Unit-linked life	298,491	129,060	43.2 %	42.6 %
Total non-life	**150,009,522**	**88,348,635**	**58.9 %**	**53.6 %**
Total life	**1,972,899**	**1,340,902**	**68.0 %**	**46.4 %**
TOTAL	151,982,421	89,689,537	59.0 %	53.4 %

Administrative expenses as percentage of gross premiums written (€)

Gross premiums written	Administrative expenses	2015	2014
1	2	2/1	
151,982,421	9,275,988	6.1 %	6.3 %

Acquisition costs as percentage of gross premiums written (€)

Gross premiums written	Acquisition costs	2015	2014
1	2	2/1	
151,982,421	30,953,238	20.4 %	23.4 %

Net investment income as percentage of average investments

(€)	Average investments	Investment income	Investment expenses	Investment return 2015	Net investment income 2014
Liability fund	212,362,298	17,548,984	10,064,461	3.5 %	3.0 %
Capital fund	230,211,043	14,130,644	5,993,052	3.5 %	3.3 %
TOTAL	442,573,341	31,679,628	16,057,513	3.5 %	3.2 %

Net provisions for outstanding claims as percentage of net earned premiums

(€, except percentages)	Net provision for outstanding claims	Net premiums earned	2015	2014
	1	2	1/2	
Personal accident	8,964,378	8,884,659	100.9 %	109.0 %
Health	279,998	1,854,428	15.1 %	253.3 %
Land vehicles casco	5,470,342	15,963,270	34.3 %	42.2 %
Railway rolling stock	0	88,765	-	-
Aircraft hull	509,078	579,596	87.8 %	116.1 %
Ships hull	4,886,294	3,463,323	141.1 %	109.1 %
Goods in transit	7,015,631	4,557,322	153.9 %	144.7 %
Fire insurance	62,205,808	52,353,695	118.8 %	112.0 %
Other damage to property	20,262,068	18,052,219	112.2 %	119.8 %
Motor liability	34,531,711	12,093,769	285.5 %	278.8 %
Aircraft liability	183,383	-33,434	-548.5 %	-1815.8 %
Liability for ships	316,031	238,797	132.3 %	155.5 %
General liability	12,729,993	4,126,930	308.5 %	270.5 %
Credit	371,700	446,433	83.3 %	73.5 %
Suretyship	281,897	167,629	168.2 %	40.3 %
Miscellaneous financial loss	1,317,275	2,481,708	53.1 %	163.5 %
Legal expenses	789	3,580	22.0 %	-
Assistance	2,359	-2,348	-100.5 %	-233.1 %
Life insurance	842,563	32,848	2565.0 %	203.8 %
Unit-linked life	69,650	126,107	55.2 %	54.4 %
Total non-life	**159,328,736**	**125,320,341**	**127.1 %**	**131.0 %**
Total life	**912,212**	**158,956**	**573.9 %**	**178.4 %**
TOTAL	160,240,948	125,479,297	127.7 %	131.3 %

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

Gross profit/loss	Net premiums written	2015	2014
1	2	1/2	
16,739,349	133,613,496	12.5 %	22.4 %

Gross profit/loss for the period as percentage of average equity (€)

Gross profit/loss	Average equity	2015	2014
1	2	1/2	
16,739,349	260,907,538	6.4 %	10.2 %

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

Gross profit/loss	Average assets	2015	2014
1	2	1/2	
16,739,349	559,150,197	3.0 %	4.8 %

Gross profit/loss for the period per share (€)

Gross profit/loss	No. of shares	2015	2014
1	2	1/2	
16,739,349	17,219,662	0.97	1.49

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

Net profit/loss	Average equity	2015	2014
1	2	1/2	
16,191,902	260,907,538	6.2 %	8.9 %

Available solvency margin as percentage of net premiums written (€)

Available solvency margin	Net premiums written	2015	2014
1	2	1/2	
52,338,787	133,613,496	39.2 %	45.8 %

Available solvency margin as percentage of required solvency margin (€)

Available solvency margin	Required solvency margin	2015	2014
1	2	1/2	
52,338,787	24,196,119	216.3 %	226.8 %

Available solvency margin as percentage of technical provisions (€)

Available solvency margin	Technical provisions	2015	2014
1	2	1/2	
52,338,787	220,901,954	23.7 %	24.3 %

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

Available solvency margin	Reinsurance receivables plus reinsurers' share of technical provisions	2015	2014
1	2	1/2	
52,338,787	98,479,364	53.1 %	51.5 %

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

Net premiums written	Average equity	Average technical provisions	2015	2014
1	2	3	1/(2+3)	
133,613,496	260,907,538	218,780,002	27.9 %	24.7 %

Net premiums written as percentage of average equity (€)

Net premiums written	Average equity	2015	2014
1	2	1/2	
133,613,496	260,907,538	51.2 %	45.5 %

Average technical provisions as percentage of net earned premiums (€)

Average net technical provisions	Net premiums earned	2015	2014
1	2	1/2	
195,334,999	125,479,297	155.7 %	161.7 %

Equity as percentage of net unearned premiums (€)

Equity	Net unearned premiums	2015	2014
1	2	1/2	
263,679,403	44,191,669	596.7 %	715.9 %

Equity as percentage of liabilities and equity (€)

Equity	Liabilities and equity	2015	2014
1	2	1/2	
263,679,403	570,886,710	46.2 %	47.2 %

Net technical provisions as percentage of liabilities and equity (€)

Net technical provisions	Liabilities and equity	2015	2014
1	**2**	**1/2**	
204,875,596	570,886,710	35.9 %	33.9 %

Gross premiums written per employee (€)

Gross premiums written	Number of employees in regular employment	2015	2014
1	**2**	**1/2**	
151,982,421	82.95	1,832,217	1,670,248

22.

OPINION OF THE APPOINTED ACTUARY TO THE ANNUAL REPORT OF SAVA REINSURANCE COMPANY

I have performed an actuarial investigation of the amount of technical provisions set aside by Sava Reinsurance Company as at 31 December 2015. The actuarial investigation was performed pursuant to the Insurance Act (ZZavar) and relevant implementing regulations.

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

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

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

The value of the liability fund exceeds gross technical provisions. Liability funds are invested in compliance with regulations on limitations and diversification. The Company's available solvency margin greatly exceeds the required solvency margin.

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

Ljubljana, 2 March 2016

Katja Vavpetič, univ. dipl. mat.
Appointed actuary of Sava Reinsurance Company

SAVA REINSURANCE COMPANY

FINANCIAL STATEMENTS WITH NOTES

23. AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the owners of Pozavarovalnica Sava d.d.

Report on the Financial Statements
We have audited the accompanying financial statements of Pozavarovalnica Sava d.d. which comprise the statement of financial position as at December 31, 2015, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Pozavarovalnica Sava d.d. as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements
Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act and for Appendix to annual report (hereafter referred to as "Appendix") on the basis of schemes defined by Regulatory Authority. Our responsibility is to assess whether the business report and Appendix are consistent with the audited financial statements. Our work regarding the business report and Appendix is performed in accordance with ISA 720, and restricted to assessing whether the business report and Appendix are consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report and the Appendix are consistent with the audited financial statements.

Ljubljana, 30.3.2016

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

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Primož Kovačič
Certified Auditor

24. FINANCIAL STATEMENTS

24.1. Statement of financial position

(€)	Note	31/12/2015	31/12/2014
ASSETS		570,886,710	547,413,684
Intangible assets	**1**	**666,490**	**467,423**
Property and equipment	**2**	**2,455,343**	**2,462,814**
Deferred tax assets	**3**	**2,285,448**	**1,040,593**
Investment property	**4**	**2,999,742**	**115,492**
Financial investments in subsidiaries and associates	**5**	**208,231,721**	**189,641,994**
Financial investments:	**6**	**242,633,203**	**241,524,533**
- loans and deposits		13,457,000	25,586,465
- held to maturity		2,074,258	2,074,001
- available for sale		223,973,704	208,238,543
- at fair value through profit or loss		3,128,241	5,625,524
Reinsurers' share of technical provisions	**7**	**16,026,358**	**30,863,647**
Receivables	**8**	**84,425,749**	**71,484,165**
Receivables arising out of reinsurance and co-insurance business		82,453,006	71,298,397
Current tax assets		1,633,620	0
Other receivables		339,123	185,768
Deferred acquisition costs	**9**	**10,496,041**	**9,003,998**
Other assets	**10**	**380,665**	**296,684**
Cash and cash equivalents	**11**	**285,950**	**512,342**
EQUITY AND LIABILITIES		570,886,710	547,413,684
Equity		**263,679,403**	**258,135,674**
Share capital	12	71,856,376	71,856,376
Capital reserves	13	54,239,757	54,239,757
Profit reserves	14	124,175,314	115,977,201
Own shares	15	-10,319,347	-10,115,023
Fair value reserve	16	2,963,868	4,341,739
Retained earnings	17	12,769,646	15,713,039
Net profit/loss for the period	17	7,993,789	6,122,585
Subordinated liabilities	**18**	**23,534,136**	**23,499,692**
Technical provisions	**19**	**220,901,954**	**216,658,049**
Unearned premiums		46,546,065	39,088,756
Provision for outstanding claims		173,912,911	177,331,493
Other technical provisions		442,978	237,800
Other provisions	**20**	**347,277**	**273,590**
Other financial liabilities	**10**	**91,897**	**74,429**
Liabilities from operating activities		**47,871,910**	**46,148,390**
Liabilities from reinsurance and co-insurance business	21	47,871,910	43,682,228
Current income tax liabilities	21	0	2,466,162
Other liabilities	**22**	**14,460,133**	**2,623,860**

The notes to the financial statements in sections 25.2–25.10 form an integral part of these financial statements.

24.2. Income statement

(€)	Note	2015	2014
Net earned premiums	**24**	**125,479,297**	**113,847,068**
Gross premiums written		151,982,421	131,323,246
Written premiums ceded to reinsurers and co-insurers		-18,368,925	-16,655,543
Change in gross unearned premiums		-7,457,308	-1,262,964
Change in unearned premiums for the reinsurance and co-insurance part		-676,891	442,329
Income from investments in subsidiaries and associates	**25**	**13,004,219**	**10,250,880**
Investment income	**26**	**18,675,409**	**11,784,187**
Interest income		4,710,946	4,607,741
Other investment income		13,964,463	7,176,446
Other technical income	**27**	**9,809,545**	**4,679,785**
Commission income		2,605,901	2,030,651
Other income		7,203,644	2,649,133
Other income	**28**	**82,496**	**18,407**
Net claims incurred	**29**	**-86,680,582**	**-64,736,669**
Gross claims payments less income from recourse receivables		-89,689,537	-70,181,933
Reinsurers' and co-insurers' shares		13,750,771	8,173,225
Change in the gross claims provision		3,418,581	-6,806,316
Change in the provision for outstanding claims for the reinsurance and co-insurance part		-14,160,397	4,078,354
Change in other technical provisions	**30**	**-121,984**	**12,793**
Expenses for bonuses and rebates	**30**	**-83,193**	**21,680**
Operating expenses	**31**	**-40,229,226**	**-38,968,467**
Acquisition costs		-32,445,281	-30,723,796
Change in deferred acquisition costs		1,492,043	-8,390
Other operating expenses		-9,275,988	-8,236,282
Expenses for investments in subsidiaries and associates	**5**	**-4,870,049**	**-2,500,000**
Expenses for financial assets and liabilities	**26**	**-11,187,465**	**-5,875,520**
Impairment losses on financial assets not measured at fair value through profit or loss		-713,284	-1,634,412
Interest expenses		-896,145	-949,274
Diverse other expenses		-9,578,036	-3,291,834
Other technical expenses	**32**	**-7,139,116**	**-2,904,867**
Other expenses	**28**	**-2**	**-448**
Profit/loss before tax		**16,739,349**	**25,628,828**
Income tax expense	**33**	**-547,447**	**-3,270,409**
NET PROFIT/LOSS FOR THE PERIOD		16,191,902	22,358,419
Net diluted earnings/loss per share	**17**	**0.98**	**1.33**

The notes to the financial statements in sections 25.2–25.10 form an integral part of these financial statements.

24.3. Statement of comprehensive income

(€)	Note	2015	2014
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	**17**	**16,191,902**	**22,358,419**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**16**	**-1,377,871**	**4,088,718**
a) Items that will not be reclassified subsequently to profit or loss		**-26,975**	**-16,629**
Other items that will not be reclassified subsequently to profit or loss		-27,705	-20,034
Tax on items that will not be reclassified subsequently to profit or loss		730	3,406
b) Items that may be reclassified subsequently to profit or loss		**-1,350,896**	**4,105,347**
Net gains/losses on remeasuring available-for-sale financial assets		**-1,627,587**	**4,946,202**
Net change recognised in the fair value reserve		-2,843,226	5,988,724
Net change transferred from fair value reserve to profit or loss		1,215,639	-1,042,522
Tax on items that may be reclassified subsequently to profit or loss		276,691	-840,854
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		14,814,031	26,447,137

The notes to the financial statements in sections 25.2–25.10 form an integral part of these financial statements.

24.4. Cash flow statement

(€)		1-12/2015	1-12/2014
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
a.)	**Items of the income statement**	**18,361,573**	**12,430,596**
	Net premiums written in the period	133,613,496	114,667,703
	Investment income (other than financial income), financed from:	5,291	50,054
	- technical provisions	5,291	12,079
	- other sources	0	37,975
	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	9,892,041	4,698,191
	Net claims payments in the period	-75,938,766	-62,008,708
	Expenses for bonuses and rebates	-83,193	21,680
	Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	-41,432,073	-38,735,555
	Investment expenses (excluding depreciation/amortisation and financial expenses), financed from:	-8,658	-87,047
	- technical sources	-760	-53,285
	- other sources	-7,898	-33,762
	Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	-7,139,118	-2,905,315
	Tax on profit and other taxes not included in operating expenses	-547,447	-3,270,409
b.)	**Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the statement of financial position**	**-12,991,806**	**-634,168**
	Change in receivables from reinsurance	-11,154,609	-8,486,634
	Change in other receivables and other assets	-1,901,300	927,768
	Change in deferred tax assets	-1,244,856	792,661
	Change in liabilities arising out of reinsurance business	4,189,682	748,740
	Change in other operating liabilities	-2,180,466	5,886,326
	Change in other liabilities (except unearned premiums)	-700,257	-503,029
c.)	**Net cash from/used in operating activities (a + b)**	**5,369,767**	**11,796,427**
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
a.)	**Cash receipts from investing activities**	**394,488,992**	**417,546,034**
	Interest received from investing activities relating to:	4,710,946	4,607,741
	- investments financed from technical provisions	3,971,993	4,064,862
	- other investments	738,953	542,879
	Proceeds from dividends and shares in the profit of others, relating to:	13,730,032	10,856,579
	- investments financed from technical provisions	423,847	358,650
	- other investments	13,306,185	10,497,929
	Proceeds from sale of property and equipment, financed from:	2,516	7,605
	- other sources	2,516	7,605
	Proceeds from sale of long-term financial investments, financed from:	107,853,744	72,110,180
	- technical provisions	85,457,294	64,438,517
	- other sources	22,396,450	7,671,663
	Proceeds from sale of short-term financial investments, financed from:	268,191,754	329,963,929
	- technical provisions	198,356,306	237,104,570
	- other sources	69,835,448	92,859,360
b.)	**Cash disbursements in investing activities**	**-385,976,038**	**-406,886,517**
	Purchase of intangible assets	-283,742	-409,350
	Purchase of property and equipment, financed from:	-223,828	-271,369
	- other sources	-223,828	-271,369
	Purchase of long-term financial investments, financed from:	-116,581,024	-94,010,007
	- technical provisions	-76,310,881	-80,807,681
	- other sources	-40,270,143	-13,202,326
	Purchase of short-term financial investments, financed from:	-268,887,444	-312,195,791
	- technical provisions	-197,613,600	-232,800,047
	- other sources	-71,273,844	-79,395,744
c.)	**Net cash from/used in investing activities (a + b)**	**8,512,954**	**10,659,516**
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
b.)	**Cash disbursements in financing activities**	**-14,109,112**	**-22,071,866**
	Interest paid	-896,145	-949,274
	Repayment of long-term financial liabilities	0	-6,220,956
	Repayment of short-term financial liabilities	-3,942,665	-401,402
	Dividends and other profit participations paid	-9,065,978	-4,386,985
	Own share repurchases	-204,324	-10,113,249
c.)	**Net cash from/used in financing activities (a + b)**	**-14,109,112**	**-22,071,866**
C2.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	285,950	512,342
x)	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	-226,392	384,078
y)	Opening balance of cash and cash equivalents	512,342	128,265

The notes to the financial statements in sections 25.2–25.10 form an integral part of these financial statements.

24.5. Statement of changes in equity for the year ended 31 December 2015

(€)	I. Share capital	II. Capital reserves	III. Profit reserves: Legal reserves and reserves provided for by the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalisation reserve	III. Profit reserves: Other	IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	Total (I–12)
	1.	**2.**	**4.**	**5.**	**6.**	**7.**	**8.**	**9.**	**10.**	**11.**	**12.**	**13.**
Closing balance in the previous financial year	**71,856,376**	**54,239,757**	**14,986,525**	**10,115,023**	**845,522**	**10,000,000**	**80,030,132**	**4,341,739**	**15,713,039**	**6,122,585**	**-10,115,023**	**258,135,674**
Opening balance in the financial period	**71,856,376**	**54,239,757**	**14,986,525**	**10,115,023**	**845,522**	**10,000,000**	**80,030,132**	**4,341,739**	**15,713,039**	**6,122,585**	**-10,115,023**	**258,135,674**
Comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-1,377,871**	**0**	**16,191,902**	**0**	**14,814,031**
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	16,191,902	0	16,191,902
b) Other comprehensive income	0	0	0	0	0	0	0	-1,377,871	0	0	0	-1,377,871
Net purchase/sale of treasury shares	0	0	0	204,324	0	0	0	0	0	-204,324	-204,324	-204,324
Dividend payouts	0	0	0	0	0	0	0	0	-9,065,978	0	0	-9,065,978
Allocation of net profit to profit reserve	0	0	0	0	0	0	7,921,426	0	0	-7,921,426	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	72,363	0	0	0	0	-72,363	0	0
Transfer of profit	0	0	0	0	0	0	0	0	6,122,585	-6,122,585	0	0
CLOSING BALANCE IN THE FINANCIAL PERIOD	71,856,376	54,239,757	14,986,525	10,319,347	917,885	10,000,000	87,951,558	2,963,868	12,769,646	7,993,789	-10,319,347	263,679,403

24.6. Statement of changes in equity for the year ended 31 December 2014

(€)	Note	I. Share capital	II. Capital reserves	III. Profit reserves: Legal reserves and reserves provided for by the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalisation reserve	III. Profit reserves: Other	IV. Fair value reserve	V. Retained earnings	VI. Net profit/loss for the period	VII. Treasury shares (contra account)	Total (I–12)
		1.	**2.**	**4.**	**5.**	**6.**	**7.**	**8.**	**9.**	**10.**	**11.**	**12.**	**13.**
Closing balance in the previous financial year		**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**
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	**16, 17**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4,088,718**	**0**	**22,358,419**	**0**	**26,447,137**
a) Net profit/loss for the period		0	0	0	0	0	0	0	0	0	22,358,419	0	22,358,419
b) Other comprehensive income		0	0	0	0	0	0	0	4,088,718	0	0	0	4,088,718
Net purchase/sale of treasury shares		0	0	0	10,113,249	0	0	0	0	0	-10,113,249	-10,113,249	-10,113,249
Dividend payouts		0	0	0	0	0	0	0	0	-4,386,985	0	0	-4,386,985
Allocation of net profit to profit reserve	14	0	0	0	0	0	0	6,077,139	0	0	-6,077,138	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	14	0	0	0	0	45,447	0	0	0	0	-45,447	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	10,115,023	845,522	10,000,000	80,030,132	4,341,739	15,713,039	6,122,585	-10,115,023	258,135,674

The notes to the financial statements in sections 25.2–25.10 form an integral part of these financial statements.

25. NOTES TO THE FINANCIAL STATEMENTS

25.1. Basic details

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

Sava Reinsurance Company transacts reinsurance business both in the domestic and in the international market. Under the Standard Classification of Activities, its subclass code is 65.200. In accordance with the Slovenian Companies Act (hereinafter: ZGD), the Company is classified as a large company.

Sava Reinsurance Company has its registered office at Dunajska cesta 56, Ljubljana, Slovenia.

In 2015 Sava Reinsurance Company employed on average 80.8 people (2014: 81.7). At 31 December 2015, the Group employed 83 people (31/12/2014: 79) on a full-time equivalent basis. Statistics on employees in regular employment by various criteria are given in section 21.3.3 »Recruitment and staffing levels«.

No. of employees by degree of education (full-time equivalent basis)

	31/12/2015	31/12/2014
Secondary education	11	12
Higher education	5	5
University education	50	45
Masters' degree and doctorate	17	17
TOTAL	83	79

The bodies of the Company are the general meeting, the supervisory board and the management board.

At 31 December 2015, the largest shareholder of the Company was the Slovenian Sovereign Holding (former Slovenian Restitution Fund, SOD), which holds 25 % plus one share. The second largest shareholder is Societe Generale – Splitska banka (escrow account) with a 9.8 % stake. Under the table »Ten largest shareholders of Sava Reinsurance Company at 31 December 2015« there is a note regarding the share of voting rights.

It is the responsibility of the Company's management board to prepare and authorise the annual report for issue. The audited annual report is subject to approval by the Company's supervisory board. If the annual report is not approved by the supervisory board, or if the management board and supervisory board leave the decision about its approval (authorisation for issue) to the general meeting of shareholders, the general meeting decides on the approval (authorisation for issue) of the annual report.

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

The Company is the controlling company of the Sava Re Group, which apart from the controlling company comprises the following companies:

Subsidiaries at 31 December 2015

(€)	Principle activity	Country of incorporation	Assets	Liabilities	Equity at 31/12/2015	Profit/loss for 2015	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	908,898,300	790,328,325	118,569,975	23,968,366	248,119,066	100.00 %
Zavarovalnica Tilia	insurance	Slovenia	165,237,444	136,299,998	28,937,446	4,319,400	78,633,144	100.00 %
Sava osiguranje Belgrade	insurance	Serbia	23,857,347	18,990,278	4,867,069	-579,545	14,748,214	100.00 %
Illyria	insurance	Kosovo	14,679,093	10,822,466	3,856,627	40,997	7,919,776	100.00 %
Sava osiguruvanje Skopje	insurance	Macedonia	21,060,203	16,406,655	4,653,548	452,959	11,025,527	92.44 %
Sava Montenegro	insurance	Montenegro	22,274,653	16,313,528	5,961,125	1,991,841	11,697,891	100.00 %
Illyria Life	insurance	Kosovo	6,923,299	3,402,448	3,520,851	82,020	1,470,572	100.00 %
Sava životno osiguranje	insurance	Serbia	5,399,994	1,956,335	3,443,659	-288,182	1,279,062	100.00 %
Velebit usluge in liquidation	wholesale, retailer	Croatia	12,324,595	577	12,324,018	-763	11,107	100.00 %
Velebit osiguranje	insurance	Croatia	17,462,301	13,180,789	4,281,512	4,477	6,791,189	92.08 %
Velebit životno osiguranje	insurance	Croatia	9,365,330	6,173,033	3,192,297	-420,647	3,253,363	88.71 %
Illyria Hospital	hospital	Kosovo	1,800,772	4,495	1,796,277	-30	0	100.00 %
Sava Car	research and analysis	Montenegro	396,944	31,633	365,311	49,011	663,824	100.00 %
ZM Vivus	consulting and marketing of insurances of the person	Slovenia	405,873	74,894	330,979	123,966	1,099,289	100.00 %
ZM Svetovanje	insurance agent	Slovenia	48,831	20,850	27,981	-49150	28565	100.00 %
Ornatus KC	ZM call centre	Slovenia	35,540	21137	14,403	3,068	226,724	100.00 %
Montagent	insurance agent	Montenegro	2,478,916	2352786	126,130	92,907	656,955	100.00 %
Sava stejšn	motor research and analysis	Macedonia	227,010	15740	211,270	11,436	108,352	92.44 %
Moja naložba	pension fund	Slovenia	122,707,805	115,412,757	7,295,048	366,815	2,653,260	100.00 %

After the acquisition of Moja naložba, the Company no longer has any associate companies.

Subsidiaries at 31 December 2014

(€)	Principle activity	Country of incorporation	Assets	Liabilities	Equity at 31/12/2014	Profit/loss for 2014	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	899,035,641	788,608,945	110,426,696	16,436,172	257,449,141	100.00 %
Zavarovalnica Tilia	insurance	Slovenia	163,846,831	138,893,450	24,953,381	4,108,934	77,275,516	100.00 %
Sava osiguranje Belgrade	insurance	Serbia	23,196,396	17,368,362	5,828,034	249,782	12,236,698	99.99 %
Illyria	insurance	Kosovo	13,860,878	10,032,636	3,828,242	231,665	8,628,022	100.00 %
Sava osiguruvanje Skopje	insurance	Macedonia	20,784,377	16,596,093	4,188,284	331,246	10,459,133	92.44 %
Sava Montenegro	insurance	Montenegro	24,230,984	18,235,005	5,995,979	1,509,523	11,400,747	100.00 %
Illyria Life	insurance	Kosovo	6,199,434	2,610,286	3,589,148	140,326	1,699,916	100.00 %
Sava životno osiguranje	insurance	Serbia	3,981,704	1,668,040	2,313,664	-279,600	1,473,234	99.99 %
Velebit usluge	wholesale, retailer	Croatia	12,300,734	12,638	12,288,096	-3,431,699	14,210	100.00 %
Velebit osiguranje	insurance	Croatia	18,296,960	13,983,798	4,313,162	59,776	8,058,495	78.77 %
Velebit životno osiguranje	insurance	Croatia	8,970,660	5,332,473	3,638,187	-709,984	2,900,669	71.37 %
Illyria Hospital	hospital	Kosovo	1,800,802	4,495	1,796,307	-54	0	100.00 %
Sava Car	research and analysis	Montenegro	489,401	173,102	316,299	21,425	560,388	100.00 %
Vivus	consulting and marketing of insurances of the person	Slovenia	315,627	108,614	207,013	80,132	1,167,281	100.00 %
Ornatus	insurance agent	Slovenia	5,532	1	5,531	4,438	7,662	100.00 %
Ornatus KC	ZM call centre	Slovenia	31,733	20,398	11,335	9,731	150,932	100.00 %
Montagent	insurance agent	Montenegro	2,670,693	2,635,303	35,390	26,358	354,120	100.00 %

Associate company at 31 December 2014

(€)	Principle activity	Country of incorporation	Assets	Liabilities	Equity at 31/12/2014	Profit/loss for 2014	Total income	Share of voting rights (%)
Moja naložba	pension fund	Slovenia	115,241,723	108,212,151	7,029,572	342,873	2,767,623	20.00 %

25.2. Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the financial statements. In 2015, the Company applied the same accounting principles as in 2014.

25.2.1. Statement of compliance

Sava Reinsurance Company prepared both separate and consolidated financial statements for the year ended 31 December 2015. The consolidated financial statements are part of this annual report. Annual reports are available on the website of Sava Reinsurance Company and at the Company's registered office.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), and interpretations of the International Financial Reporting Interpretations Committee's (IFRIC), as endorsed by the European Union. They have also been prepared in accordance with applicable Slovenian legislation (the Companies Act, ZGD-1), the Insurance Act and implementing regulations).

In selecting and applying accounting policies, as well as in preparing the financial statements, the management board aims to provide understandable, relevant, reliable and comparable accounting information.

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

The management board of the Company approved the financial statements on 30 March 2016.

25.2.2. Measurement bases

The financial statements have been prepared based on the historic cost basis, except for financial assets at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value.

25.2.3. Functional and presentation currency

The financial statements are presented in euro (€), rounded to the nearest euro. Due to rounding, figures in tables may not add up to totals.

Assets and liabilities as at 31 December 2015 denominated in foreign currencies were translated into euro using mid-rates of the European Central Bank (ECB) as at 31 December 2015. Amounts in the income statement have been translated using the exchange rate on the day of the transaction. At 31 December 2015 and 31 December 2014, they were translated using the then applicable mid-rates of the ECB. Exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-cash items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve.

25.2.4. Use of major accounting estimates and sources of uncertainty

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

- Criteria for impairment of investments in subsidiaries and associates are determined using the accounting policy under section 25.2.12 as discussed under note 5.
- Deferred tax assets are recognised if the Company plans to realise a profit in the medium-term.
- Receivables are impaired item-by-item based on the accounting policy set out in section 25.2.15. Any impairment loss recognised is shown in note 8.
- Financial investments.

Classification, recognition, measurement and derecognition, as well as investment impairment and fair value measurement are made based on the accounting policy set out in section 25.2.13. Movements of investments and their classification is shown in note 6, while the associated income and expenses, and impairment are shown in note 26.

- Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in section 25.2.19. Movements in these provisions are shown in note 19.

The Company recognises estimates of technical items because it does not receive reinsurance accounts in time. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. These items include: premiums, claims, commission, unearned premiums, claim provisions and accruals and prepayments relating to deferred acquisition costs.

25.2.5. Materiality

To serve as a starting point in determining a materiality threshold for the financial statements, the Company's management used the equity of the Company, specifically 2 % thereof at 31 December 2015, which is € 5.3 million. Disclosures and notes required under regulatory or statutory requirements are presented, even if below the materiality threshold.

25.2.6. Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows from operating activities have been prepared based on data from the 2015 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

25.2.7. Statement of changes in equity

The statement of changes in equity shows movements in individual components of equity in the period. Pursuant to a decision of the Insurance Supervision Agency, profit reserves are shown to include certain technical provisions that are inherently provisions for future risks and not liabilities according to IFRSs, i.e. the credit risk equalisation and catastrophe equalisation reserves.

25.2.8. Intangible assets

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

Intangible assets include computer software, and licences pertaining to computer software. Their useful life is 5 years.

25.2.9. Property and equipment

Property and equipment assets are initially recognised at cost plus directly attributable costs. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses. The Company assesses annually whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

Property and equipment assets are first depreciated upon their availability for use. Depreciation is calculated for each item separately, on a straight-line basis. Depreciation rates are determined so as to allow that the cost of property and equipment assets is amortised over their estimated useful life.

Depreciation rates of property and equipment assets

Depreciation group	Rate
Land	0 %
Buildings	1.3–2 %
Transportation	15.5–20 %
Computer equipment	33.0 %
Office and other furniture	10–12.5 %
Other equipment	6.7–20 %

Gains and losses on the disposal of items of property and equipment, calculated as the difference between sales proceeds and carrying amounts, are included in profit or loss. The costs of property and equipment maintenance and repairs are recognised in profit or loss as incurred. Investments in property and equipment assets that increase future economic benefits are recognised in their carrying amount.

25.2.10. Deferred tax assets and liabilities

Based on medium-term business projections, the Company expects to make a profit and therefore meets the requirement for recognising deferred tax assets.

The Company recognises deferred tax assets for temporary non-deductible impairments of portfolio securities and allowances for receivables, any unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for the credit risk and catastrophe equalisation reserves transferred (on 1 January 2007) from technical provisions to profit reserves, which used to be tax-deductible when set aside (prior to 1 January 2007). The Company does not have deferred tax assets associated with impairment losses on investments in subsidiaries.

In addition, the Company establishes deferred tax assets/liabilities for that part of value adjustments which is recorded under the negative/positive fair value reserve. Deferred tax assets and liabilities are also accounted for actuarial gains/losses when calculating provisions for severance pay upon retirement. This is because actuarial gains/losses affect comprehensive income as well as the related deferred tax assets/liabilities.

The rate of corporate income tax is 17 % (the same as in 2014). In 2015, deferred tax assets and liabilities were accounted for at a rate of 17 % (the same as in 2014).

25.2.11. Investment property

Investment property is property that the Company does not use directly in carrying out its activities, but holds to earn rentals. Investment property is accounted for using the cost model and straight-line depreciation. Investment property is depreciated at the rate of 1.3–2 %. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Company acts as lessor are operating leases. Payments received, i.e. rental income, are recognised as income on a straight-line basis over the term of the lease. The Company assesses annually whether there is any indication of impairment of investment property. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the net selling price. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Company has investment property leased out under cancellable operating lease contracts.

25.2.12. Financial investments in subsidiaries and associates

Investments in subsidiaries and associates are initially recognised at fair value. Subsequently, the Company measures them using the cost model less any impairment losses.

Subsidiaries are entities in which the Company holds more than 50 % of the voting rights, entities the Company controls and over which the Company thus has the power to control the financial and operating policies so as to obtain benefits from its activities. Associates are entities in which the Company holds between 20 % and 50 % of voting rights or over which the Company has significant influence.

Impairment testing in Group companies and associates is carried out at least on an annual basis. Pursuant to IAS 36, the controlling company when reviewing whether there are indications that an asset may be impaired, considers external (changes in market or legal environment; interest rates; elements of the discount rate, market capitalisation) as well as internal sources of information (business volume; manner of use of asset; actual versus budgeted performance results; decline in expected cash flows and such like).

For the purpose of impairment testing of the cost of subsidiaries, pursuant to IAS 36, the controlling company reviews on an annual basis whether there are indications that assets are impaired. If impairment is necessary, an impairment test is carried out so that the recoverable amount of the cash-generating unit is calculated for each individual investment based on the value in use. Cash flow projections used in these calculations were based on the business plans approved by the management for the period until and including 2020, as well as on extrapolations of growth rates for an additional 5-year period. Projections are for more than five years because we consider that the markets where Group insurers operate are still underdeveloped and operations of subsidiaries have not normalised yet. The discount rate used is based on market rates adjusted to reflect each insurance company-specific risk. The recoverable amount of each cash-generating unit so calculated was compared against its carrying amount.

Key assumptions used in cash flow projections with calculations of the value in use

Discounted cash flow projections were based on the Group's business plans covering a 10-year period (strategic business plans for individual companies for the period 2016–2020 with a further 5-year extrapolation of results). Only 10-year normalised cash flows are appropriate for extrapolation into perpetuity.

The growth in premiums earned in the companies set out in the previous table reflects the growth expected in companies' insurance markets, as well as the characteristics of their portfolios (low share of non-motor business). In all the markets, insurance penetration is relatively low. However, insurance penetration is expected to increase due to the expected convergence of the countries' macroeconomic indicators towards EU levels. Social inflation is also expected to increase, i.e. claims made against insurance companies are expected to become more frequent and higher. Costs are expected to lag slightly behind premiums owing to business process optimisation in subsidiaries. Business process optimisation will thus contribute to the growth in net profits.

The discount rate is determined as cost of equity (COE), using the capital asset pricing model (CAPM). It is based on the interest rate applying for risk-free securities and equity premium as well as insurance business prospects. Added is a country risk premium and, for some companies, a smallness factor.

Discount rates used in 2015 ranged from 12 % to 15.5 % and are marginally lower than those in 2014 due to a decrease in the risk-free rate of return.

Subsidiaries have been valued using internal models with a long-term growth rate of 3.5 %. This rate is based on the long-term consumer price index for non-Slovenian markets used also for the discount rate for non-Slovenian markets where the Group operates.

In assessing whether there is any indication of impairment of its investments in subsidiaries, the Company uses the same model as with goodwill. For more information on the assumptions, see section 18.4.9 of the consolidated financial statements with notes.

25.2.13. Financial investments

25.2.13.1. Classification

The Company classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

These assets comprise financial assets held for trading.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realising gains in the short term.

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

Loans and receivables (deposits)

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

25.2.13.2. Recognition, measurement and derecognition

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

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

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

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

If their fair value cannot be reliably measured, investments are valued at cost.

Loans and receivables (deposits) are measured at amortised cost less any impairment losses.

25.2.13.3. Impairment of investments

A financial asset other than at fair value through profit or loss is impaired and an impairment loss incurred provided there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and that such events have an impact on future cash flows that can be reliably estimated.

The Company assesses whether there is any objective evidence that individual financial assets are impaired on a three-month basis (when preparing interim and annual reports).

25.2.13.3.1. Debt securities

Investments in debt securities are impaired only if one of the following conditions is met:

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

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

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

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

25.2.13.3.2. Equity securities

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

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

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

25.2.13.4. Measurement of fair values

The Company measures all financial instruments at fair value, except for deposits, shares not quoted in any regulated market, loans and subordinated debt (assumed that the carrying amount is a reasonable approximation of fair value) and financial instruments held to maturity, which are measured at amortised cost. The fair value of investment property and land and buildings used in business operations and the fair value of financial instruments measured at amortised cost are set out in note 23. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The company shall use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Company determines the fair value of a financial asset on the valuation date by determining the price on the principal market based on:

- for stock exchanges: the quoted closing price on the stock exchange on the measurement date or on the last day of operation of the exchange on which the investment is quoted;
- for the OTC market: quoted closing bid CBBT price or, if unavailable, the Bloomberg bid BVAL on the valuation date or on the last day of operation of the OTC market;
- the price is calculated on the basis of an internal valuation model.

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and presented in accordance with the IFRS 13 fair-value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value.

Assets and liabilities are classified in accordance with IFRS 13 especially based on the availability of market information, which is determined by the relative levels of trading identical or similar instruments in the market, with a focus on information that represents actual market activity or binding quotations of brokers or dealers.

Investments measured or disclosed at fair value, are presented in accordance with the levels of fair value under IFRS 13, which categorises the inputs to measure fair value into the following three levels of the fair value hierarchy:

- Level 1 financial investments are those for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical financial assets that the Company can access at the measurement date.
- Level 2 financial investments are those whose fair value is determined using data that are directly or indirectly observable other than the prices quoted within level 1.
- Level 3 comprise financial investments for which observed market data are unavailable. Thus the fair value is determined based on valuation techniques using inputs that are not directly or indirectly observable in the market.

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

25.2.14. Reinsurers' share of technical provisions

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

The Company tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For retrocession risks, see section 25.5.2.6 »Retrocession programme«.

25.2.15. Receivables

Receivables include receivables for gross premiums written and receivables for claims and commission relating to retrocession business.

25.2.15.1. Recognition of receivables

Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections 25.2.23 »Net premiums earned« and 25.2.24 »Net claims incurred«.

25.2.15.2. Impairment of receivables arising out of reinsurance business

As regards its core activity of reinsurance, the Company transacts business exclusively with legal entities. Before entering a business relationship with a prospective client, especially if foreign, the Company either carefully reviews its credit rating or relies on recommendations by its long-standing business partners. The Company individually assesses receivables in terms of their recoverability or impairment, accounting for allowances based on payment history of individual cedants and retrocessionaires.

The Company nevertheless periodically reviews its reinsurance receivables on a client-by-client basis, at least once a year.

No receivables have been pledged as security.

25.2.15.3. Deferred acquisition costs

The Company discloses deferred commissions under deferred acquisition costs. These are booked commissions relating to the next financial year recognised based on reinsurance accounts and estimated amounts derived from estimated commissions taking into account straight-line amortisation.

25.2.15.4. Other assets

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

25.2.16. Cash and cash equivalents

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

25.2.17. Equity

Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euro;
- capital reserves comprise amounts in excess of the par value of shares;
- profit reserves comprise reserves provided for by the articles of association, legal reserves, reserves for treasury shares, credit risk and catastrophe equalisation reserves and other profit reserves;
- treasury shares;
- fair value reserve;
- retained earnings.

Reserves provided for by the articles of association are used:

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

Profit reserves include credit risk equalisation reserves established pursuant to the Insurance Act (ZZavar) and relevant implementing acts, and catastrophe equalisation reserves set aside pursuant to the rules on technical provisions and reserves as approved by appointed actuaries. The distribution of these reserves cannot be decided in general meeting and they are set aside as set out in note 14.

Pursuant to the Companies Act, the management board or the supervisory board have the power to allocate up to half of net profit to other reserves.

25.2.18. Subordinated liabilities

Subordinated debt represents the Company's long-term liabilities, which was issued in 2006 and 2007 for the expansion of Group operations. Subordinated liabilities are measured at amortised cost on a monthly basis.

25.2.19. Technical provisions

Technical provisions are approved by the appointed actuary of the Company.

Technical provisions are shown gross in the statement of financial position. The share of gross technical provisions for the business retroceded by the Company is shown in the statement of financial position under the item reinsurers' share of technical provisions. The main principles used in the calculation of gross technical provisions are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. They are accounted for on the basis of received reinsurance accounts for unearned premiums, following the cedant's method, predominantly a pro rata temporis basis at insurance policy level. In cases where the Company does not receive timely accounts for unearned premiums on reinsurance business, nominal percentages are used at reinsurance account level for periods for which premiums are written.

Provisions for outstanding claims (also claims provisions) are established for incurred but not settled claims. These comprise provisions for incurred claims, both reported and unreported (IBNR). They are accounted for on the basis of received reinsurance accounts for provisions for outstanding claims and on the basis of received loss advices for non-proportional reinsurance business. Sava Reinsurance Company establishes the IBNR provision following three procedures. In the first procedure, the Company assumes a portion of the IBNR provision as calculated by cedants based on relevant reinsurance contract's provisions. In the second procedure, it is necessary to estimate the claims provision for business outside the Sava Re Group for which reinsurance accounts are not received timely to estimate technical categories, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance. This estimated claims provision is also added to the IBNR provision. As the triangular method is used in making estimates, the procedure also represents a liability adequacy test for the reinsurance portfolio outside the Sava Re Group. In the third procedure, the IBNR provision is calculated as part of the liability adequacy test for portfolio segments where reinsurance accounts are received timely and for which no estimates are made. This calculation is made for gross data of Slovenian cedants and subsidiaries at insurance class level, using development triangles of cumulative claim payments by underwriting year. If the provision for outstanding claims exceeds the one already set aside (and calculated based on reinsurance accounts), a reinsurance IBNR provision is set aside. The described procedures show that the outstanding claims provision is established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums. The Company establishes these provisions on the basis of reinsurance accounts for quota share reinsurance treaties with subsidiaries.

Other technical provisions only include the provision for unexpired risks derived from a liability adequacy test of unearned premiums, as described below.

Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation, the premium is deemed to be adequate, the unearned premium is also adequate. The Company carries out liability adequacy tests separately for gross unearned premiums and for the retroceded portion of unearned premiums at the insurance class level. Calculation of the expected combined ratio at insurance class level was based on the weighted average of the combined ratios realised in the last three years, which were also trend-adjusted. The calculation of the realised combined ratios was based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100 %, thus revealing a deficiency in the unearned premium, a corresponding provision for unexpired risks within other technical provisions is set aside, in accordance with the Insurance Act (ZZavar).

25.2.20. Other provisions

Other provisions comprise the net present value of employee benefits including severance pay upon retirement and jubilee benefits. They are calculated by the appointed actuary in accordance with IAS 19 based on the ratio of accrued service time in the Company to the entire expected service time in the Company (projected unit credit method).

Provisions are calculated based on personal data of employees: date of birth, date of commencement of employment, anticipated retirement, and salary. Entitlement to severance pay on retirement and jubilee benefits are based on provisions of the collective bargaining agreement or the employee's employment contract. Expected pay-outs also include tax liabilities where payments exceed statutory non-taxable amounts. The probability of an employee staying with the Company includes both the probability of death (under tables SLO 2007 M/F) and the probability of employment relationship termination based on internal data. Accordingly, the assumed annual real growth of salaries is based on internal data and the consumer price index. The assumed nominal growth in jubilee benefits equals expected inflation determined based on the ECB's long-term inflation target. The same term structure of risk-free interest rates is used for discounting as in the capital adequacy calculation under the Solvency II regime.

Pension insurance

The Company is required by law to pay pension insurance contributions on gross salaries at the rate of 8.85 %. In addition, in 2001 the Company concluded a contract setting up a pension insurance scheme as part of the voluntary pension system, and has been making monthly contributions to it since then.

25.2.21. Other liabilities

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

The Company established provisions for unexpended annual leave recognised under accrued expenses. Unexpended leave may be used by no later than 30 June of the succeeding year.

25.2.22. Classification of insurance contracts

The Company classifies contracts as insurance contracts if they are concluded to transfer a considerable portion of risk; otherwise, they are classified as financial contracts. Whether there has been a considerable transfer of risk may be established either (i) directly when the Company assumes risks from contracts on a proportional basis that have been classified as insurance contracts by their cedants, or (ii) indirectly by determining that a reinsured event would result in significant additional pay-outs.

The Company only transacts reinsurance business the basic purpose of which is the transfer of underwriting risk. Thus the Company classified all the reinsurance contracts it concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Since non-proportional reinsurance contracts provide for the payment of significant additional pay-outs in case of loss events, they also qualify as insurance contracts.

25.2.23. Net premiums earned

Premiums earned are accounted for on an accrual basis, taking into account any increase in economic benefits in the form of cash inflows or increases in assets. The Company separately discloses gross (re)insurance premiums written, co-insurance premiums and reinsurers' shares, and unearned premiums. These items are used to calculate earned premiums in the income statement. Premiums earned are recognised based on confirmed reinsurance accounts and estimated gross premiums written, premiums ceded to reinsurers and (gross and retroceded) unearned premiums; premium estimates are made based on reinsurance contracts which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. Net premiums earned are calculated based on invoiced gross premiums written less invoiced premiums retroceded, both adjusted for the change in gross unearned premiums and the change in reinsurers' share of unearned premiums. Premiums earned are estimated based on individual reinsurance contracts.

25.2.24. Net claims incurred

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

25.2.25. Income and expenses relating to investments in subsidiaries and associates

Income from investments in subsidiaries and associates also includes dividends. Expenses for investments in subsidiaries and associates include impairment losses on investments. Dividend income is recognised when pay-out is authorised in accordance with the relevant general meeting resolution of any subsidiary or associate.

25.2.26. Investment income and expenses

The Company records investment income and expenses separate depending on whether they relate to the capital fund or the liability fund. The capital fund comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions.

Investment income includes:

- dividend income (income from shares),
- interest income,
- exchange gains,
- income from changes in fair value and gains on disposal of investments designated at fair value through profit or loss,
- gains on disposal of investments of other investment categories and
- other income.

Investment expenses include:

- interest expense,
- exchange losses,
- expenses due to changes in fair value and losses on disposal of investments designated at fair value through profit or loss,
- losses on disposal of investments of other investment categories,
- other expenses.

The mentioned income and expenses are disclosed depending on how the underlying investments are classified, i.e. investments held to maturity, at fair value through profit or loss, available for sale, loans and receivables, or deposits.

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

25.2.27. Operating expenses

Operating expenses comprise:

- acquisition costs; reinsurance commission expenses recognised based on reinsurance accounts and estimates derived from estimated premium and contractually agreed commission rates;
- change in deferred acquisition costs; deferred costs comprise deferred reinsurance commission expenses. These are booked commissions relating to the next financial year. They are recognised based on reinsurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortisation;
- other operating expenses classified by nature are as follows:
  - depreciation of operating assets,
  - personnel costs including employee salaries, social and pension insurance costs and other personnel costs,
  - remuneration of the supervisory board and audit committee; and payments under contracts for services,
  - other operating expenses relating to services and materials.

25.2.28. Other technical income

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

25.2.29. Income tax expense

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

The rate of corporate income tax is 17 % (the same as in 2014). In 2015, deferred tax assets and liabilities were accounted for at a rate of 17 % (the same as in 2014).

25.3. Changes in accounting policies and correction of errors

In 2015, the Company introduced no material changes in accounting policies compared to 2014 nor corrected any errors.

25.4. Standards and interpretations issued but not yet effective and new standards and interpretations

New standards and interpretations not yet effective

The standards and interpretations presented below have not become effective by the date of the separate financial statements. The Company intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which includes the requirements of all phases of the IFRS 9 improvement project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The amended standard introduces new requirements for classification and measurement of financial assets and liabilities, recognition of impairment and hedge accounting. The revised IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Changes to the standard must be applied retrospectively, while the presentation of the comparative data is not obligatory. Early use of previous versions of IFRS 9 published in 2009, 2010 and 2013 is subject to the condition that the company had undergone the transition to IFRS by 1 February 2015. The standard has not yet been endorsed by the European Union.

The Company does not expect the amendments to have a material impact on the financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity to continue applying most of its existing generally accepted accounting principles to accounting for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statements of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. The standard has not yet been endorsed by the European Union.

The Company does not expect the amendments to have a material impact on the financial statements.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board issued IFRS 15, which establishes a new five-step model for the recognition of revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new standard is applicable to all entities and supersedes all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017. with early application permitted. The standard has not yet been endorsed by the European Union.

The Company is assessing the impact of the new standard and plans to adopt it on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exception has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. They are effective for annual periods beginning on or after 1 January 2016 with early application permitted. The amendments to the standard have not yet been endorsed by the European Union.

The Company does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted. The amendments to the standards have not yet been endorsed by the European Union.

The Company does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 27: Equity Method in Separate Financial Statements

This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted. These amendments will not have an impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted.

The Company does not expect the amendments to have a material impact on the financial statements.

Annual Improvements 2012–2014 Cycle

In the period 2012–2014, the IASB issued a set of amendments to below standards effective for annual periods beginning on or after 1 January 2016. Early application of the amendments is permitted.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Changes in methods of disposal

The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment applies for annual periods beginning on or after 1 January 2016.

The amendments introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments state that:

- such reclassifications should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied; and
- assets that no longer meet the criteria for held for distribution to owners (and do not meet the criteria for held for sale) should be treated in the same way as assets that cease to be classified as held for sale.

The Company does not expect the amendments to have a material impact on the financial statements.

Amendment to IFRS 7 Financial Instruments: Disclosures (relating to service contracts and the use of supplements in the separate financial statements of the company, with consequential amendments to IFRS 1)

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

The amendments provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. Paragraph 42C(c) of IFRS 7 states that a pass through arrangement under a servicing contract does not, in itself, constitute a continuing involvement for the purposes of the transfer disclosure requirements.

Applicability of the amendments to IFRS 7 offsetting disclosure to condensed interim financial statements.

The amendment clarifies the application of amendments to IFRS 7 in the disclosure of the offsetting of financial assets and liabilities in the condensed interim financial statements.

Amendments to IFRS 7 were made to remove uncertainty as to whether the disclosure requirements on offsetting financial assets and financial liabilities (Introduced on December 2011 and effective for periods beginning on or after 1 January 2013) should be included in condensed interim financial statements, and if so, whether in all interim financial statements after 1 January 2013 or only in the first year.

Amendments to the standard apply prospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Company does not expect the amendments to have a material impact on the financial statements.

IAS 19 Employee Benefits: (discount rate – regional market issue)

The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. Thus, the depth of the market for high quality corporate bonds should be assessed at currency level.

The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period. The amendment applies for annual periods beginning on or after 1 January 2016.

The Company does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 34 Interim Financial Reporting: disclosure of information "elsewhere in the interim financial report"

The amendments clarify the requirements relating to information required by IAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report. In addition, the Company must ensure that interim reports are available to users on the same terms and at the same time as the interim financial statements.

Amendments to the standard apply prospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The Company does not expect the amendments to have a material impact on the financial statements.

Amendments to IAS 1: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted.

The Company does not expect the amendments to have a material impact on the financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted.

The Company does not expect the amendments to have a material impact on the financial statements.

New standards

The accounting policies applied in the compilation of the consolidated financial statements are the same as those used in the preparation of consolidated financial statements for the year ended 31 December 2014, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2015 and which are presented below.

New and amended standards and interpretations effective as of 1 January 2015

Amendments to IAS 19 Employee Benefits – Defined Benefit Plans: Employee Contributions

The amendment addresses contributions from employees or third parties to defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. This amendment clarifies that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014.

The amended standard did not have a material impact on the Company's financial statements.

Annual Improvements 2010-2012 Cycle

Amendments to IFRS 2 Share-based Payment

This improvement must be applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

The amended standard did not have a material impact on the Company's financial statements.

Amendments to IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 Financial Instruments.

The amended standard did not have a material impact on the Company's financial statements.

Amendments to IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The amended standard did not have a material impact on the Company's reporting.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the amendment clarifies that the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

The amended standard did not have a material impact on the Company's financial statements since the Company's assets are not measured using the revaluation model.

Amendments to IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

The amended standard did not have a material impact on the Company's reporting.

Annual Improvements 2011–2013 - Cycle

Amendments to IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The amended standard did not have a material impact on the Company's reporting.

Amendment to IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*.

The amended standard did not have a material impact on the Company's reporting.

Amendments to IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

The amended standard did not have a material impact on the Company's reporting.

25.5. Risk management

The following table shows the changes in the risk profile in 2015 compared to 2014.

	2014-2015
Operational risks	↑
Strategic risks	↑
Financial risks	
Interest rate risk	→
Equity risk	→
Currency risk	→
Liquidity risk	→
Credit risk	↓
Non-life underwriting risks	
Underwriting process risk	↑
Pricing risk	→
Claims risk	→
Net retention risk	→
Reserving risk	→
Retrocession programme	→
Estimated exposure to underwriting risks	→

25.5.1. Insolvency risk

The solvency ratio of Sava Reinsurance Company at 31 December 2015 stood at 216.3 % (31/12/2014: 226.8 %), which represents low insolvency risk.

The capital adequacy statement of Sava Reinsurance Company is presented in the business report, in section 21.2.3 »Capital adequacy of Sava Reinsurance Company«.

25.5.2. Underwriting risk

Underwriting risks are risks related to the main activity pursued by insurance companies, i.e. the assumption of risks from policyholders. Insurance companies transfer any excess of risk to reinsurance companies, which is why reinsurance companies are exposed to underwriting risk. Underwriting risks that are important for reinsurers comprise mainly underwriting process risk, pricing risk, claims risk, net retention risk and reserving risk. Some other underwriting risks, such as product design risk, economic environment risk and policyholder behaviour risk are important mainly for insurers, but are transferred to reinsurance companies especially through proportional reinsurance treaty arrangements. Such risks can only be managed through appropriate underwriting, additional requirements or clauses in reinsurance contracts and through an appropriate retrocession programme. Therefore, below we will give no separate discussion of product design risk, economic environment risk nor policyholder behaviour risk.

Sava Reinsurance Company assumes from its subsidiaries and other cedants only underwriting risk. Part of the assumed risk is retained, any excess over its capacity is retroceded. Sava Reinsurance Company classifies all reinsurance contracts as insurance contracts within the meaning of IFRS 4. As Sava Reinsurance Company has no reinsurance contracts that qualify as financial contracts, we give below a detailed description of the risks arising from insurance contracts, as required under IFRS 4.

25.5.2.1. Underwriting process risk

The underwriting process risk is the risk of incurring financial losses caused by an incorrect selection and approval of risks to be reinsured. In respect of reinsurance treaties, Sava Reinsurance Company follows the fortune of its ceding companies, while in respect of facultative contracts, the decision on assuming a risk is on Sava Reinsurance Company.

It follows from the above that in order to manage this risk, it is essential to review the practices of existing and future ceding companies and to analyse developments on the relevant markets and in the relevant classes of insurance. Consequently, coverage may only be granted by taking into account internal underwriting guidelines. These guidelines define requirements for customers, minimum required level of information on the business and the framework of the expected business results. In addition, they lay down the coverage procedure and levels of authority so that appropriate controls are included in the process. Sava Reinsurance Company's adequately qualified professionals assist in the underwriting of large risks assumed by the Company's subsidiaries (and subsequently reinsured with the controlling company).

The following table shows exposure measured by the number of contracts and aggregated limits of contracts. The sums do not include covers that are fully retroceded and mainly relate to unlimited excess of loss motor liability reinsurance covers.

Breakdown of reinsurance contracts and limits (before retrocession)

(€)	U/W year 2015		U/W year 2014	
Form of contract	**No. of contracts**	**Aggregate limit**	**No. of contracts**	**Aggregate limit**
Treaty business	666	1,439,567,940	611	1,291,325,339
Facultative business	187	693,166,901	170	698,733,794
TOTAL	853	2,132,734,841	781	1,990,059,133

We estimate that underwriting process risk relating to (re)insurance business is well managed, although it increased moderately in 2015 compared to 2014 due to an increase in the aggregate limit. This conclusion is further supported by the fact that there was also an increase in premium income and technical provisions in 2015. Sava Reinsurance Company reduces underwriting risk by transferring part or all of it to retrocessionaires (retrocession).

25.5.2.2. Pricing risk

Pricing risk is the risk that the reinsurance premiums charged will be insufficient to cover liabilities under reinsurance contracts.

In proportional reinsurance contracts, reinsurance premiums depend on insurance premiums, mostly set by ceding companies, while the risk premium also depends on the commission recognised by the reinsurer. Therefore, this risk is managed by appropriate underwriting of risks to be reinsured and relevant adjustments to the commission policy. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Expected results of reinsurance contracts entered into on the basis of available information and set prices must be in line with target combined ratios; the adequacy of prices is verified based on the results by form and class of reinsurance.

The international reinsurance market is currently experiencing a soft market phase, but as reinsurance underwriting is adequately managed, pricing risk for Sava Reinsurance Company is assessed as moderate in both 2015 and 2014.

25.5.2.3. Claims risk

Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. In proportional reinsurance business, this risk is closely connected with the same risk in relation to ceding companies, which may arise due to incorrect assessments made in the course of underwriting, changes in court practice, new types of losses, increased public awareness of the rights attached to insurance contracts, macroeconomic changes and such like. In non-proportional reinsurance business, the reinsurer has greater control over the

expected claims risk through direct control on pricing; however, since this business is more volatile, the risk is managed mainly through portfolio diversification. A treaty may be either very profitable for the reinsurer (if there are no losses in excess of a predetermined amount, the priority) or very unprofitable, if a loss exceeds the priority.

This risk is managed by appropriate underwriting, controlling risk concentration in a particular location or geographical area, and especially by adequate reinsurance and retrocession programmes.

Although we are altering the composition of the portfolio to maximise profitability, we assess that there was no significant difference between the claims risk of 2015 and 2014.

25.5.2.4. Net retention risk

Net retention risk is the risk that higher retention of insurance loss exposures will result in large aggregate losses due to catastrophic or concentrated claims experience. This risk may also materialise in the event of »shock losses«, where a large number of insured properties are impacted. This may occur especially through losses caused by natural peril events, which are generally covered by a basic or an additional fire policy or by a policy attached to an underlying fire policy (e.g. business interruption policy or earthquake policy).

Sava Reinsurance Company manages net retention risk by way of (i) appropriate professional underwriting of the risks to be insured, (ii) measuring the exposure (by aggregating sums insured) by geographical area for individual natural perils and especially by (iii) designing an appropriate reinsurance programme. In managing this risk, we take into account that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event and by the frequency of such events.

The following tables show exposure to natural perils and/or diversification by region.

Earthquake aggregates by region

(€)	31/12/2015	31/12/2014
EU members	743,394,132	665,608,058
Non-EU members	167,276,871	124,527,397
Russia and CIS	34,840,926	30,324,108
Africa	33,942,271	24,101,686
Middle East	48,264,175	29,193,080
Asia	196,364,656	126,679,970
Latin America	35,358,886	36,581,999
USA and Canada	29,536,584	13,550,921
Caribbean Islands	22,588,484	14,671,283
Oceania	20,153,611	33,837,636
TOTAL	1,331,720,596	1,099,076,137

Flood aggregates by region

(€)	31/12/2015	31/12/2014
EU members	421,543,714	389,906,854
Non-EU members	90,686,329	93,584,596
Russia and CIS	34,833,426	30,316,608
Africa	33,942,271	24,101,686
Middle East	33,494,159	21,099,338
Asia	185,128,414	124,717,528
Latin America	35,501,743	36,581,999
USA and Canada	29,536,584	13,550,921
Caribbean Islands	22,588,484	13,356,958
Oceania	20,153,611	33,837,636
TOTAL	907,408,735	781,054,124

Storm aggregates by region

(€)	31/12/2015	31/12/2014
EU members	424,083,689	470,178,410
Non-EU members	90,660,079	93,570,346
Russia and CIS	34,833,426	30,316,608
Africa	33,942,271	24,101,686
Middle East	33,494,159	21,099,338
Asia	187,111,747	126,247,168
Latin America	32,547,157	36,581,999
USA and Canada	29,536,584	13,550,921
Caribbean Islands	22,588,484	13,356,958
Oceania	20,153,611	33,837,636
TOTAL	908,951,208	862,841,070

The Group considers the net retention risk to have remained essentially the same in both 2015 and 2014. Yet Sava Reinsurance Company was not seriously impacted due to its adequate retention limits and adequate retrocession programme, as shown in the section on estimated exposure to underwriting risks.

25.5.2.5. Reserving risk

Reserve risk is the risk that technical provisions are not sufficient to cover the commitments of the (re)insurance business assumed. This may occur because of inaccurate actuarial estimates or an unexpected unfavourable loss development. It may be a result of new types of losses that have not been excluded in cedants' insurance conditions and for which no claims provisions have been established, which is common with liability insurance contracts but can also happen due to changed court practices. We consider that this risk does exist, mainly in respect of the claims provision; however, it is minor.

Sava Reinsurance Company manages reserving risk by strict adherence to the law and regulations on technical provisions, by applying recognised actuarial methods, critical observation of information received from ceding companies on reinsurers' shares of their claims provisions and, especially, by adopting a sufficiently prudent approach in setting the level of technical provisions, which is described in the notes to technical provisions.

Contrary to the practice of insurance companies, Sava Reinsurance Company cannot use triangles of paid losses based on accident year data for actuarial estimations. This is because ceding companies report claims under proportional treaties by underwriting years. As claims under one-year policies written during any one year may occur either in the year the policy is written or in the year after, aggregated data for proportional reinsurance contracts are not broken down by accident year. Furthermore, some markets renew treaty business during the year, resulting in additional discrepancies between the underwriting year and the accident year.

In line with reinsurance practice, Sava Reinsurance Company analyses data concerning claims paid by underwriting year and estimates its future liabilities with respect to individual underwriting years by using appropriate actuarial methods. The estimated liabilities relate to claims that have already been incurred (reported and not reported) the settlement of which is provided for within the claims provision, and claims that have not yet been incurred the settlement of which is covered by unearned premiums, net of deferred commission.

Owing to the mentioned feature, the following two tables include as originally estimated gross or net liabilities. At any year-end claims provisions are included plus unearned premiums less deferred commission, which are compared to subsequent estimates of these liabilities. Such testing or analysis of whether technical provisions are adequate can only be applied to past years — the further back in time, the more precise the results. Given that the claims provision is calculated using the same actuarial method as in previous years, we conclude based on past discrepancies between originally estimated liabilities and subsequently established actual liabilities arising from claims at individual dates of the statement of financial position, that the provisions as at 31 December 2015 are adequate.

Adequacy analysis of gross technical provisions for past years

(€ thousand)					Year ended 31 December	
Estimate of gross liabilities	2010	2011	2012	2013	2014	2015
As originally estimated	163,593	173,525	206,099	199,339	207,416	209,963
Reestimated as of 1 year later	148,272	169,377	179,501	170,890	183,590	
Reestimated as of 2 years later	143,881	155,552	169,305	160,099		
Reestimated as of 3 years later	136,062	155,334	158,182			
Reestimated as of 4 years later	134,014	145,246				
Reestimated as of 5 years later	127,821					
Cumulative gross redundancy (latest estimate – original estimate)	**35,772**	**28,279**	**47,916**	**39,240**	**23,826**	
Cumulative gross redundancy as % of original estimate	21.9 %	16.3 %	23.2 %	19.7 %	11.5 %	

Adequacy analysis of net technical provisions for past years

(€ thousand)					Year ended 31 December	
Estimate of net liabilities	2010	2011	2012	2013	2014	2015
As originally estimated	146,636	156,370	174,480	173,344	177,031	194,262
Reestimated as of 1 year later	133,984	144,939	153,138	153,577	161,973	
Reestimated as of 2 years later	128,919	132,255	147,656	142,529		
Reestimated as of 3 years later	120,170	136,571	136,272			
Reestimated as of 4 years later	118,514	125,973				
Reestimated as of 5 years later	111,778					
Cumulative gross redundancy (latest estimate – original estimate)	**34,858**	**30,397**	**38,208**	**30,815**	**15,058**	
Cumulative net redundancy as % of original estimate	23.8 %	19.4 %	21.9 %	17.8 %	8.5 %	

The cumulative gross redundancies for underwriting years 2010–2013 increased compared to amounts at the end of the preceding year, which were 18.1 %, 10.5 %, 17.9 % and 14.3 % of original estimates. The cumulative net redundancies for underwriting years 2010–2013 are also larger than the amounts at the end of the preceding year, which were 19.2 %, 12.7 %, 15.4 % and 11.4 % of original estimates.

The cumulative gross and net redundancies are a result of prudent estimation of liabilities. They are also partly due to the fact that unearned premiums calculated based on the pro rata temporis rule, less deferred commission, for those classes of business where loss ratios are significantly below 100 % are too large by the very nature of the calculation method. This is also the reason why the reestimate as of 1 year later is quickly decreasing compared to the original estimate, as unearned premiums relating to one-year insurance contracts are largely released in the following year when any redundancy is also released. Subsequent reestimates are slowly decreasing; and only after a long time do they stabilise.

In respect of those classes of insurance where the sum of the claims and the expense ratio exceeds 100 %, Sava Reinsurance Company sets aside provisions for unexpired risks in addition to unearned premiums, as described in the notes to technical provisions.

Due to the high cumulative redundancies of both gross and net technical provisions, we estimate that reserving risk at the end of 2015 is relatively small and similar to that at year-end 2014.

25.5.2.6. Retrocession programme

An adequate retrocession programme is fundamental for managing the underwriting risk that Sava Reinsurance Company is exposed to. The programmes are designed to reduce potentially large risk exposures as largest amounts set out in the tables of maximum retentions are used only exceptionally with best risks. Sava Reinsurance Company uses retrocession treaties to diversify risk. Sava Reinsurance Company's net retained insurance portfolio (relating to both Slovenian and foreign ceding companies) is further covered for potentially large losses through prudently selected non-proportional reinsurance programmes.

We consider that the 2015 retrocession programme of Sava Reinsurance Company is comparable with that of 2014.

25.5.2.7. Estimated exposure to underwriting risks

Sava Reinsurance Company's maximum net retentions and its retrocession programmes are of key importance to estimating the exposure to underwriting risks. The net retention limit is set at € 3 million for the majority of non-life classes of insurance and a combined limit of € 3 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of € 2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at € 300,000. In principle, this caps any net claim arising out of any single loss event at a maximum of € 3 million. In case of any catastrophe event, e.g. flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is € 5 million for Group business as well as extra Group business. These amounts represent the maximum net claim for a single catastrophe event based on reasonable actuarial expectations. In case of multiple catastrophic events in any single year, the non-proportional treaties include reinstatement provisions. Hence, the probability that a large number of catastrophe events would compromise the solvency position of Sava Reinsurance Company is negligible. Due to the random fluctuation in the number of catastrophic events, an increase in net claims must always be expected. This would negatively impact business results, but would certainly pose no threat to the solvency of Sava Reinsurance Company.

If the net combined ratio changed due to higher/lower underwriting risks by one percentage point, net profit before tax would change by € 1.3 million (2014: € 1.1 million). In 2015 an additional maximum net claim of € 5 million would have deteriorated the combined ratio by 4.0 % (2014: 4.4 %), which is still acceptable.

The probability that the underwriting risk may seriously undermine the Company's financial stability is deemed, according to our assessment, to have been low in both 2015 and 2014.

25.5.3. Financial risks

In its financial operations, Sava Reinsurance Company is exposed to financial risks, including market risk, liquidity risk and credit risk.

25.5.3.1. Market risks

Financial investments exposed to market risks

Type of investment	31/12/2015	In % at 31/12/2015	31/12/2014	In % at 31/12/2014	Absolute difference 31/12/2015 / 31/12/2014	Change in structure 31/12/2015 / 31/12/2014
Deposits and CDs	4,923,273	2.0 %	15,664,002	6.5 %	-10,740,729	-4.5 %
Government bonds	102,191,734	42.1 %	95,493,956	39.5 %	6,697,778	-4.5 %
Corporate bonds	112,016,285	46.2 %	105,513,193	43.7 %	6,503,092	2.6 %
Shares (excluding strategic shares)	10,892,492	4.5 %	12,670,272	5.2 %	-1,777,780	2.5 %
Mutual funds	4,075,692	1.7 %	2,260,648	0.9 %	1,815,044	-0.8 %
bonds funds	0	0.0 %	314,375	0.1 %	-314,375	0.7 %
mixed funds	1,631,125	0.7 %	0	0.0 %	1,631,125	-0.1 %
equity funds	1,778,274	0.7 %	1,946,273	0.8 %	-167,999	0.7 %
other	666,292	0.3 %	0	0.0 %	666,292	-0.1 %
Loans granted and other investments	2,834,953	1.2 %	4,334,953	1.8 %	-1,500,000	0.3 %
Deposits with cedants	5,698,774	2.3 %	5,587,510	2.3 %	111,264	-0.6 %
TOTAL FINANCIAL INVESTMENTS	242,633,203	100.0 %	241,524,533	100.0 %	1,108,667	0.0 %

The value of financial investments exposed to market risk rose by € 1.1 million in 2015 compared to year-end 2014. The increase is explained in the business report in section 21.2.1.1.

25.5.3.1.1. Interest rate risk

Interest rate risk is the risk that the Company will suffer a loss as a result of fluctuations in interest rates, resulting in a decrease in the value of assets or an increase in liabilities. Given that according to the prescribed methodology for the calculation of technical provisions for the purpose of financial statements, Sava Reinsurance Company does not have interest-rate sensitive technical provisions, changes in market interest rates are only reflected in the value of the investment portfolio.

Interest rate risk is measured through a sensitivity analysis, by observing the change in the value of investments in bonds if interest rates rise by two percentage points. The analysed investments do not include held-to-maturity bonds as they are measured at amortised cost for the purpose of preparing financial statements and thus are not sensitive to changes in market interest rates. These amount to € 2.1 million.

Results of the sensitivity analysis

(€)			31/12/2015			
			+200 bp			-200 bp
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	100,117,476	95,120,520	-4,996,956	100,117,476	105,784,278	5,666,803
Corporate bonds	112,016,285	106,909,407	-5,106,877	112,016,284	117,630,123	5,613,838
TOTAL	212,133,761	202,029,926	-10,103,834	212,133,760	223,414,401	11,280,641
Effect on equity			-10,082,456			11,266,348
Effect on the income statement			-21,377			14,293

(€)			31/12/2014			
			+200 bp			-200 bp
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	93,419,954	89,574,773	-3,845,181	93,419,954	95,406,440	1,986,486
Corporate bonds	105,513,193	100,216,253	-5,296,939	105,513,193	109,040,294	3,527,101
Bond mutual funds	314,375	299,928	-14,447	314,375	323,088	8,713
TOTAL	199,247,522	190,090,954	-9,156,568	199,247,522	204,769,822	5,522,300
Effect on equity			-9,100,931			5,488,106
Effect on the income statement			-41,190			25,481

The sensitivity analysis showed that in case of an increase in interest rates, the value of bonds included in the analysis would decrease by € 10.1 million (31/12/2014: € 9.2 million) or 4.8 % (31/12/2014: 4.6 %).

Based on the results of the sensitivity analysis, the interest rate risk did not change significantly compared to 2014.

25.5.3.1.2. Equity risk

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

Equity risk is measured by Sava Reinsurance Company through a stress test scenario assuming a 10 % drop in equity prices. Equity risk affects equities, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

Investments in subsidiaries are excluded from stress tests as the Company assesses their value in accordance with the policy described in section 25.2.12 »Financial investments in subsidiaries and associates«. At year-end 2015, investments in subsidiaries totalled € 208.2 million (31/12/2014: € 189.6 million). Sava Reinsurance Company maintains and increases the value of its investments in subsidiaries through their active management.

Sensitivity assessment of investments to equity risk

(€)		31/12/2015				31/12/2014
Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
by -10 %	13,486,328	12,137,695	-1,348,633	14,616,544	13,154,890	-1,461,654

To assess the Group's sensitivity of investments to equity risk, we assume a 10 % drop in the value of all equity securities, which would have resulted in a decrease in the value of investments of € 1.3 million (31/12/2014: € 1.5 million).

Unlike the bond portfolio, which moves inversely to interest rates, the value of equities and mutual funds changes linearly with stock prices. Thus, a 20 % drop in equity prices would have caused a drop in the value of investments of € 2.7 million.

The exposure of Sava Reinsurance Company to equity risk did not change significantly in 2015.

25.5.3.1.3. Currency risk

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

Liabilities of Sava Reinsurance Company denominated in foreign currencies at 31 December 2015 accounted for 20.9 % of the Company's total liabilities. As the proportion of international business is rising (and so is the number of different currencies), Sava Reinsurance Company has in place currency matching policies. It took measures for the matching of assets and liabilities in foreign currencies aimed at decreasing currency risk.

Under the adopted currency matching policy, matching activities in respect of any accounting currency[37] are to start as soon as the currency mismatch with that currency exceeds € 2 million. If the financial market allows for the purchase and settlement of investments in the accounting currency, the Company starts investing in the accounting currency of the liability. If the financial market does not allow for the purchase and settlement of investments in the accounting currency and the transaction currency[38] is a global currency, the currency mismatch may be reduced through placements in the transaction currency. This requires a correlation between the accounting currency and the transaction currency of at least 90 %. The correlation is the average of a one-, two-, three-, four- and five-year correlation between the accounting currency and the transaction currency calculated at the end of each quarter of the current year.

Measurement of currency risk

The Company uses a stochastic analysis to measure currency risk and to predict the average surplus funds as well as the 5th percentile of surplus funds after one year from the risk valuation date.

Based on exchange rates to which Sava Reinsurance Company has been exposed to over the past six years and the corresponding euro equivalent surpluses of assets/liabilities at 31 December 2015, we made a stochastic analysis that projected that assuming an unaltered currency structure, after one year the average surplus of assets over liabilities would be € 0.8 million (31/12/2014: € -0.3 million), but with a 5-percent probability that the deficit of assets would exceed € 3.4 million (31/12/2014: € 1.5 million).

Currency mismatch of assets and liabilities is monitored by individual accounting currency. The following table includes the currency mismatch for the five currencies that account for the largest share of liabilities.

Currency (mis)match as at 31 December 2015 (all amounts translated to euro)

Currency 2015	Assets	Liabilities	Mismatch	% of matched liabilities
(€)	**458,352,974**	**451,433,270**		
Foreign currencies	**112,533,736**	**119,453,440**	**24,210,485**	**94.2**
US dollar (USD)	43,593,750	34,948,360	8,645,390	124.7
Korean won (KRW)	18,390,624	19,152,860	762,236	96.0
Chinese yuan (CNY)	8,876,770	9,884,339	1,007,569	89.8
Indian rupee (INR).	6,507,058	6,550,900	43,842	99.3
Taka (BDT)	2,403,781	4,696,390	2,292,609	51.2
Other	32,761,753	44,220,591	11,458,838	74.1
TOTAL	570,886,710	570,886,710		
% of currency matched liabilities			95.8 %	

37 The accounting currency is a local currency used in the accounting documentation. Reinsurance contracts may be accounted for in various accounting currencies. Generally, this is the currency of liabilities and receivables in relation to the cedant, and hence also the reinsurer.
38 The transaction currency is the currency in which reinsurance contract transactions are processed.

Currency (mis)match as at 31 December 2014 (all amounts translated to euro)[39]

Currency 2014	Assets	Liabilities	Mismatch	% of matched liabilities
(€)	**471,177,731**	**458,906,072**		
Foreign currencies	**76,235,953**	**88,507,612**	**19,695,549**	**86.1**
US dollar (USD)	40,150,772	37,830,350	2,320,422	106.1
Korean won (KRW)	8,022,185	10,358,712	2,336,528	77.4
Japanese yen (JPY)	2,320,467	2,676,559	356,092	86.7
Chinese yuan (CNY)	7,641,396	6,249,872	1,391,524	122.3
Russian ruble (RUB)	3,081,963	3,200,515	118,552	96.3
Other	15,019,171	28,191,603	13,172,432	53.3
TOTAL	547,413,684	547,413,684		
% of currency matched liabilities			96.4 %	

The Company has set itself the target of matching assets and liabilities at least 90 %. In 2015 assets and liabilities were 95.8 % matched (2014: 96.4 %), indicating that the management of currency risk is on a high level.

Since many accounting currencies are at least 90 % correlated to the US dollar, the surplus of assets over liabilities in US dollars is reduced to € 3.8 million (from € 8.6 million). This would further increase the currency matching percentage to 97.6 % (2014: 97.1 %).

Effect of exchange differences on the income statement

A currency mismatch also affects profit or loss through accounting for exchange rate differences due to the impact of exchange rate changes on various statement of financial position items.

When assets and liabilities are 100 % matched in terms of foreign currencies, changes in foreign exchange rates have no impact on profit or loss. This is because any change in the value of assets denominated in a foreign currency due to a change in the exchange rate is offset by the change in the value of liabilities denominated in that foreign currency. As Sava Reinsurance Company's assets and liabilities are not 100 % currency matched, changes in exchange rates do affect profit or loss. The following table shows the impact of currency differences.

Effect of exchange differences on the income statement

Statement of financial position item	Exchange differences	
(€)	**31/12/2015**	**31/12/2014**
Investments	3,227,501	2,136,691
Technical provisions and deferred commissions	-3,635,776	-2,084,979
Receivables and liabilities	230,791	135,572
TOTAL EFFECT ON THE INCOME STATEMENT	-177,485	187,283

We estimate that currency risk did not change significantly in 2015 compared to 2014. In 2015 the Company continued active currency matching of assets and liabilities both directly through accounting currencies and indirectly through transaction currencies.

25.5.3.2. Liquidity risk

Liquidity risk is the risk that because of unexpected or unexpectedly high obligations, the Company will suffer a loss when ensuring liquid assets.

The Company minimises liquidity risk through ensuring funds in the amount of the estimated liquidity requirement. This comprises estimated ordinary current liquidity needs and liquidity reserves, which are ensured through the allocation of funds in money market instruments and through setting minimum percentages of portfolios that must be invested in highly liquid assets readily available to provide liquidity in case of emergency needs.

The normal current liquidity assessment is made based on the projected cash flow analysis in the period of up to one year included in the monthly and weekly plans that take into account the planned investment maturity dynamics as well as other inflows and outflows from operating activity. To this end, the Company uses historical data from previous monthly and weekly liquidity plans and projections regarding future operations.

39 In 2015 we changed the presentation of mismatches between assets and liabilities so that now mismatches are shown as the absolute difference between assets and liabilities. This change was also applied to the presentation of 2014 data; therefore, the mismatch for 2014 differs from the one published in the 2014 annual report (€ 12,271,659 or 97.8 % matched).

The liquidity reserve is calculated on the basis of an assessment of the maximum weekly outflows based on historical data.

For the purpose of managing liquidity risk, the Company is required by law to calculate, on a weekly basis, its liquidity ratio, which remained well above 1, the statutory minimum, throughout 2015.

Exposure to liquidity risk is also measured by maturity-matching of assets and liabilities. The following table shows the value of financial investments by year based on undiscounted cash flows, while the value of technical provisions is shown by year and expected maturity based on triangular development.

Maturity profile of financial assets and liabilities

(€)	Carrying amount as at 31/12/2015	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2015
Financial investments	242,633,203	908,109	68,891,773	133,298,937	35,170,665	14,968,183	253,237,666
- at fair value through profit or loss	3,128,241	0	1,736,880	0	0	1,396,185	3,133,065
- held to maturity	2,074,258	0	102,500	410,000	2,615,000	0	3,127,500
- loans and deposits	13,457,000	908,109	8,813,621	2,722,787	2,472,399	0	14,916,915
- available-for-sale	223,973,704	0	58,238,772	130,166,151	30,083,266	13,571,997	232,060,186
Reinsurers' share of technical provisions	16,026,358	0	5,846,883	5,494,991	4,684,484	0	16,026,358
Cash and cash equivalents	285,950	0	285,950	0	0	0	285,950
TOTAL ASSETS	258,945,511	908,109	75,024,606	138,793,928	39,855,149	14,968,183	269,549,974
Subordinated liabilities	23,534,136	0	11,767,068	11,767,068	0	0	23,534,136
Technical provisions	220,901,954	0	80,872,847	75,589,234	64,439,873	0	220,901,954
TOTAL LIABILITIES	244,436,090	0	92,639,915	87,356,302	64,439,873	0	244,436,090
Difference	**14,509,421**	**908,109**	**-17,615,309**	**51,437,626**	**-24,584,724**	**14,968,183**	**25,113,884**

(€)	Carrying amount as at 31/12/2014	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2014
Financial investments	241,524,533	2,592,836	69,344,480	133,847,257	33,806,945	14,930,919	254,522,438
- at fair value through profit or loss	5,625,524	0	3,200,000	819,058	0	1,647,372	5,666,430
- held to maturity	2,074,001	0	102,500	410,000	2,717,500	0	3,230,000
- loans and deposits	25,586,465	2,592,836	18,916,744	3,292,912	1,562,814	0	26,365,306
- available-for-sale	208,238,542	0	47,125,236	129,325,287	29,526,631	13,283,548	219,260,702
Reinsurers' share of technical provisions	30,863,647	0	9,885,016	10,223,440	10,755,191	0	30,863,647
Cash and cash equivalents	512,342	0	512,342		0	0	512,342
TOTAL ASSETS	272,900,521	2,592,836	79,741,838	144,070,697	44,562,136	14,930,919	285,898,426
Subordinated liabilities	23,499,692	0		23,499,692	0	0	23,499,692
Technical provisions	216,658,049	0	69,552,926	71,688,203	75,416,920	0	216,658,049
TOTAL LIABILITIES	240,157,741	0	69,552,926	95,187,895	75,416,920	0	240,157,741
Difference	**32,742,780**	**2,592,836**	**10,188,911**	**48,882,803**	**-30,854,784**	**14,930,919**	**45,740,686**

In terms of the Company's liquidity, it is also very important that gross technical provisions and reserves are covered by the liability fund.

As at 31 December 2015 the Company's liability fund exceeded gross technical provisions and reserves by € 31.4 million (31/12/2014: € 45.5 million). As at 31 December 2015, the liability fund exceeded gross technical provisions and reserves by 13.5 % (31/12/2014: 20.0 %).

Coverage of gross technical provisions and reserves by the liability fund

(€)	31/12/2015		31/12/2014	
Type of investment	**Liability funds**	**As % of technical provisions**	**Liability funds**	**As % of technical provisions**
Financial investments of the liability fund	211,242,068	92.9 %	213,482,527	93.8 %
Reinsurers' share of technical provisions	18,032,508	7.9 %	30,863,647	13.6 %
Receivables and cash	33,897,689	14.9 %	28,628,208	12.6 %
TOTAL LIABILITY FUND	263,172,265	115.7 %	272,974,382	120.0 %
Technical provisions plus reserves	**231,819,838**		**227,503,571**	
COVERAGE OF TECHNICAL PROVISIONS IN %	113.5 %		120.0 %	
SURPLUS OF THE LIABILITY FUND	31,352,427	13.5 %	45,470,811	20.0 %

* Reserves include profit reserves for credit risk and catastrophe equalisation.

In addition to the coverage, the Company's liquidity also relies on the average maturity of assets and liabilities. The average maturity of bonds and deposits of the liability fund was 2.51 years at year-end 2015 (31/12/2014: 2.46 years), while the expected maturity of liabilities was 3.86 years (31/12/2014: 4.44 years).

Based on the above, we estimate that liquidity risk is well managed and did not change significantly compared to year-end 2014.

25.5.3.3. Credit risk

Credit risk is the risk that issuers or other counterparties will fail to meet their obligations to the Company.

Assets exposed to credit risk include financial investments (bank deposits, bonds and deposits with cedants), reinsurers' share of technical provisions and receivables.

Exposure to credit risk

(€)	31/12/2015	31/12/2014
Type of asset	**Amount**	**Amount**
Fixed-income investments	224,830,065	222,258,661
Receivables due from reinsurers	20,028,888	34,095,262
Receivables, excluding receivables arising out of reinsurance business	78,789,599	68,252,549
TOTAL EXPOSURE	323,648,552	324,606,472

Receivables, excluding receivables arising out of reinsurance business, comprise premium receivables in the amount of € 77.7 million (2014: € 67.4 million), receivables for commission of € 0.7 million (2014: € 0.6 million) and other receivables of € 0.3 million (2014: € 0.2 million).

Credit risk due to issuer default

Credit risk for investments is estimated based on two factors:

- credit ratings used in determining credit risk for fixed-income investments and
- performance indicators for other investments.

Below we set out an estimation of credit risk for fixed-income investments (included are debt securities, bank deposits and deposits with cedants).

Fixed-income investments by issuer credit rating

(€)	31/12/2015		31/12/2014	
Rated by S&P/Moody's	Amount	As % of total	Amount	As % of total
AAA/Aaa	77,353,316	34.4 %	68,414,060	30.8 %
AA/Aa	34,821,557	15.5 %	29,173,097	13.1 %
A/A	37,506,767	16.7 %	38,654,597	17.4 %
BBB/Baa	51,435,605	22.9 %	48,741,437	21.9 %
Less than BBB/Baa	10,113,425	4.5 %	21,026,192	9.5 %
Not rated	13,599,394	6.0 %	16,249,277	7.3 %
TOTAL	224,830,065	100.0 %	222,258,661	100.0 %

Fixed-income investments rated A or better at 31 December 2015 accounted for 66.6 %, an increase of 5.3 percentage points over 2014. The improved credit profile is primarily the result of investments of matured and new investments in higher grade securities.

Sava Reinsurance Company mitigates credit risk with other investments through a high degree of diversification and by investing in liquid securities.

Credit risk due to issuer default includes concentration risk representing the risk of excessive concentration in a geographic area, economic sector or issuer.

Sava Reinsurance Company's investment portfolio is reasonably diversified in accordance with the ZZavar, implementing regulations and Company internal rules in order to avoid large concentration of a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

Diversification of financial investments by region

(€)	31/12/2015		31/12/2014	
Region	Amount	As % of total	Amount	As % of total
Slovenia	60,220,262	24.8 %	79,188,827	32.8 %
EU members	123,071,267	50.7 %	117,135,071	48.5 %
Non-EU members	11,836,152	4.9 %	14,657,544	6.1 %
Russia and Asia	17,822,752	7.3 %	18,686,489	7.7 %
Africa and the Middle East	1,813,076	0.7 %	2,654,823	1.1 %
America and Australia	27,869,690	11.5 %	9,201,778	3.8 %
TOTAL	242,633,203	100.0 %	241,524,533	100.0 %

Financial investments are chiefly exposed to EU Member States (31/12/2014: 50.7 %, 31/12/2014: 48.5 %), with exposure spread between 24 countries. The second largest exposure is to Slovenian-based issuers (31/12/2015: 24.8 %; 31/12/2014: 32.8 %). In 2015, exposure to Slovenia decreased by € 19.0 million or 8.0 percentage points, especially since deposits were reinvested in other asset classes.

Exposure to Slovenia by asset type

(€)	31/12/2015		31/12/2014	
Type of investment	Amount	As % of total	Amount	As % of total
Deposits and CDs	2,849,069	1.2 %	13,647,002	5.7 %
Government bonds	30,259,040	12.5 %	31,066,623	12.9 %
Corporate bonds	14,982,375	6.2 %	20,715,946	8.6 %
Shares	10,498,654	4.3 %	11,812,983	4.9 %
Mutual funds	1,631,125	0.7 %	1,946,273	0.8 %
TOTAL	60,220,262	24.8 %	79,188,827	32.8 %

* The % of total is calculated based on the amount of market-risk sensitive investments.

Diversification of financial investments by industry

(€)	31/12/2015		31/12/2014	
Industry	Amount	As % of total	Amount	As % of total
Banking	53,240,932	21.9 %	72,332,639	29.9 %
Government	103,265,283	42.6 %	96,484,731	39.9 %
Finance	9,858,826	4.1 %	5,296,795	2.2 %
Industry	22,907,231	9.4 %	16,579,881	6.9 %
Consumables	14,980,401	6.2 %	11,573,037	4.8 %
Utilities	23,508,941	9.7 %	23,481,474	9.7 %
Insurance	14,871,585	6.1 %	15,775,976	6.5 %
TOTAL	242,633,203	100.0 %	241,524,533	100.0 %

The Company's largest exposure in terms of industry at 31 December 2015 is to governments, albeit with a high degree of diversification by issuers. Compared with the end of last year, the diversification by industry has not changed significantly.

At 31 December 2015, exposure to the ten largest securities issuers was € 82.4 million, representing 33.9 % of market-risk sensitive financial investments (31/12/2014: € 77.2 million; 32.0 %). The largest single issuer of securities that Sava Reinsurance Company is exposed to is the exposure to the Republic of Slovenia. At 31 December 2015, it totalled € 30.3 million or 12.3 % of market-risk sensitive financial investments (31/12/2014: € 31.1 million; 12.9 %). No other issuer exceeds the 3.9 % of financial assets threshold.

Based on the above, we estimate that by reducing its exposure to Slovenia and additional diversification by issuer, region and industry, the Company managed its credit risk well in 2015, and reduced it compared to 2014.

Counterparty default risk

Total exposure to retrocessionaires at 31 December 2015 was € 20.0 million (31/12/2014: € 34.1 million). Of this, € 16.0 million (31/12/2014: € 30.9 million) relate to retroceded gross technical provisions (€ 2.4 million to unearned premiums and € 13.7 million to provisions for outstanding claims) and € 4.0 million (31/12/2014: € 3.2 million) to receivables for reinsurers' shares in claims.

The total credit risk exposure of the Company arising from retrocessionaires represented 3.5 % of total assets in 2015 (31/12/2014: 6.2 %). Retrocession programmes are mostly placed with first-class reinsurers with an appropriate credit rating (at least A- according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). We consider this risk as low, particularly as the investment portfolio is adequately diversified. See details in the following table.

Receivables due from reinsurers by reinsurer credit rating

(€)	31/12/2015		31/12/2014	
Rated by S&P / A.M. Best	**Amount**	**As % of total**	**Amount**	**As % of total**
AAA/A++	1,025,134	5.1 %	930,134	2.7 %
AA/A+	5,197,443	25.9 %	9,900,708	29.0 %
A/(A or A-)	9,029,912	45.1 %	17,405,425	51.0 %
BBB / (B++ or B+)	527,945	2.6 %	1,521,034	4.5 %
Less than BBB / less than B+	404,190	2.0 %	0	0.0 %
Not rated	3,844,264	19.2 %	4,337,961	12.7 %
TOTAL	20,028,888	100.0 %	34,095,262	100.0 %

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

Receivables ageing analysis

(€) 31/12/2015	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of assumed reinsurance and co-insurance	64,379,115	9,807,918	3,557,618	77,744,651
Other receivables from co-insurance and reinsurance	635,156	57,320	13,349	705,825
Short-term receivables arising out of financing	55,518	0	0	55,518
Other receivables	283,605	0	0	283,605
TOTAL	65,353,394	9,865,238	3,570,967	78,789,599

(€) 31/12/2014	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,285,592	11,614,730	4,546,661	67,446,983
Other receivables from co-insurance and reinsurance	619,518	0	280	619,798
Short-term receivables arising out of financing	6,516	14,635	14,543	35,694
Other receivables	55,162	1,280	93,632	150,074
TOTAL	51,966,788	11,630,645	4,655,116	68,252,549

The Company assessed its receivables for impairment. Allowances were established for receivables that needed to be impaired. Receivables are discussed in greater detail in note 8.

25.5.4. Operational risk

In 2015, Sava Reinsurance Company adopted an operational risk policy. The policy lays down the processes and accountability in the management of such risks. The main risk categories that the reinsurer is exposed to include:

- risk of internal and external fraud,
- employment practices and workplace safety,
- risks associated with clients, products and business practice,
- risk of damage to physical assets,
- risk of business disruption and system failures,
- risk of process management and execution and
- compliance risk (laws and regulations).

Operational risk categories are not among the most important risk types that Sava Reinsurance Company is exposed to. Nevertheless, some of them are quite important.

Operational risk generally arises together with other risks (e.g. underwriting risk, market risk), having a tendency to compound them. Inconsistencies in the underwriting process, for example, may significantly increase underwriting risks.

For effective management of operational risks, Sava Reinsurance Company has – in line with its risk management policy – established processes for identifying, measuring, monitoring, managing and reporting of operational risks.

Identification of operational risk is carried out regularly and in all organisational units of the Company, especially after new regulatory requirements become effective, upon the introduction of new products, changes in operations and the transformation of other internal and external factors that could affect the level of operational risk. Each risk is assigned a risk owner, who is responsible for regular monitoring and reporting. The risk management department regularly informs the risk management committee and the management board of any new risks. The risk management department and risk management committee may propose measures for managing individual risks. In the event that a new risk has a significant impact on a Company's risk profile, the Company's risk management service immediately informs the Company's risk management committee and the management board.

Sava Reinsurance Company measures (assesses) operational risk using primarily assessments in the risk catalogue and scenario analysis. The Company makes regular risk assessments to obtain insight into the level of its exposure to operational risk. Assessments are aggregated by the risk management service into an overall assessment and results are regularly reported to the risk management committee and the management board of the Company.

The risk management service regularly monitors the identified risks and their assessments. In 2016, the Company will start monitoring operational risk using key risk indicators, which will be regularly reported by risk owners or organisational units to the risk management service. Based on the data so obtained, the Company will be monitoring changes in its operational risk profile.

The risk management service regularly prepares a report on operational risks, presenting it to the Company's risk management committee and the management board. In the event of significant changes in the operational risk profile, the risk management service reports thereon immediately.

To manage operational risk, the Sava Reinsurance Company has in place an effective business process management system and an internal control system.

Significant operational risks are managed by Group companies as follows:

- To manage IT risks, Sava Reinsurance Company has adopted security policies in accordance with the ISO 27001 standard. Documentation related to information security management encompasses three levels: the rules of procedure regarding information security, security policies, and systemic procedures and instructions.
- In order to ensure business continuity also in the event of incidents or external events, Sava Reinsurance Company has in place business continuity procedures set out in its business continuity plan. In this way, Sava Reinsurance Company mitigates the risk of unpreparedness for incidents and external events and any resulting business interruption.
- For the purpose of operational risk management in the Company's most vital business areas, Sava Reinsurance Company has put in place adequate IT-supported procedures and controls. In addition, such risks are managed through the internal audit function, through staff training and enhanced risk awareness.

We estimate that in 2015, exposure to operational risks has somewhat increased because of the insurer integration project.

25.5.5. Strategic risks

Sava Reinsurance Company is exposed to internal and external strategic risk. Strategic risks are regularly identified and assessed, such data being recorded in the risk catalogue. The risk management service monitors and regularly reports on strategic risks to the risk management committee and the management board. Strategic risk management is carried out mainly using the established governance system and through systematic risk management.

A major source of risk is related to capital adequacy and capital allocation – this is further aggravated by the fact that the Solvency II regime, which completely changed the concept of required capital and eligible own funds, only just entered into force.

As part of its risk strategy, Sava Reinsurance Company identified reputation risk as a key risk. For this reason, the Company has established criteria as to which practices are unacceptable to the Company.

We estimate that in 2015, the Company's exposure to strategic risks has somewhat increased because of the enforcement of new legislation.

25.6. Notes to the financial statements – statement of financial position

1. Intangible assets

Movement in cost and accumulated amortisation/impairment losses of intangible assets

(€)	Software	Other intangible assets	Total
COST			
Balance at 01/01/2015	887,369	8,862	896,231
Additions	283,742	3,297	287,039
Balance at 31/12/2015	1,171,111	12,159	1,183,270
ACCUMULATED AMORTISATION			
Balance at 01/01/2015	428,808	0	428,808
Additions	87,972	0	87,972
Balance at 31/12/2015	516,780	0	516,780
Carrying amount as at 01/01/2015	**458,561**	**8,862**	**467,423**
Carrying amount as at 31/12/2015	**654,331**	**12,159**	**666,490**

(€)	Software	Other intangible assets	Total
COST			
Balance at 01/01/2014	478,018	18,893	496,911
Additions	409,351	0	409,351
Disposals	0	-10,031	-10,031
Balance at 31/12/2014	887,369	8,862	896,231
ACCUMULATED AMORTISATION			
Balance at 01/01/2014	384,699	0	384,699
Additions	44,109	0	44,109
Balance at 31/12/2014	428,808	0	428,808
Carrying amount as at 01/01/2014	**93,319**	**18,893**	**112,212**
Carrying amount as at 31/12/2014	**458,561**	**8,862**	**467,423**

2. Property and equipment

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
Balance at 01/01/2015	146,616	2,285,900	1,369,753	84,291	3,886,561
Additions	0	0	181,569	42,261	223,830
Disposals	0	0	-86,552	0	-86,552
Balance at 31/12/2015	146,616	2,285,900	1,464,770	126,552	4,023,839
ACCUMULATED DEPRECIATION					
Balance at 01/01/2015	0	543,546	837,641	42,561	1,423,748
Additions	0	29,717	169,953	1,555	201,225
Disposals	0	0	-56,477	0	-56,477
Balance at 31/12/2015	0	573,263	951,117	44,116	1,568,496
Carrying amount as at 01/01/2015	**146,616**	**1,742,355**	**532,112**	**41,730**	**2,462,814**
Carrying amount as at 31/12/2015	**146,616**	**1,712,638**	**513,653**	**82,436**	**2,455,343**

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
Balance at 01/01/2014	141,580	2,244,145	1,174,000	84,291	3,644,016
Additions	5,036	41,755	271,369	0	318,161
Disposals	0	0	-75,616	0	-75,616
Balance at 31/12/2014	146,616	2,285,900	1,369,753	84,291	3,886,561
ACCUMULATED DEPRECIATION					
Balance at 01/01/2014	0	503,674	757,639	40,993	1,302,306
Additions	0	39,872	149,513	1,568	190,953
Disposals	0	0	-69,511	0	-69,511
Balance at 31/12/2014	0	543,546	837,641	42,561	1,423,748
Carrying amount as at 01/01/2014	**141,580**	**1,740,471**	**416,361**	**43,298**	**2,341,710**
Carrying amount as at 31/12/2014	**146,616**	**1,742,355**	**532,112**	**41,730**	**2,462,814**

Property and equipment assets have neither been acquired under financial lease arrangements nor have they been pledged.

3. Deferred tax assets and liabilities

(€)	31/12/2015	31/12/2014
Deferred tax assets	2,285,448	1,040,593
Deferred tax liabilities	0	0
TOTAL NET DEFERRED TAX ASSETS/LIABILITIES	2,285,448	1,040,593

(€)	01/01/2015	Recognised in the IS	Recognised in the SCI	31/12/2015
Long-term financial investments	980,502	990,142	276,690	2,247,334
Short-term operating receivables	208,402	-26,568	0	181,834
Provisions for jubilee benefits and severance pay (retirement)	35,979	3,861	0	39,840
Other	-184,290	0	730	-183,560
TOTAL	1,040,593	967,435	277,420	2,285,448

(€)	01/01/2014	Recognised in the IS	Recognised in the SCI	31/12/2014
Long-term financial investments	1,831,837	-10,480	-840,855	980,502
Short-term operating receivables	155,918	52,484	0	208,402
Provisions for jubilee benefits and severance pay (retirement)	33,195	2,784	0	35,979
Other	-187,696	0	3,406	-184,290
TOTAL	1,833,254	44,788	-837,449	1,040,593

In 2015 deferred tax assets were not affected by changes in tax rates.

4. INVESTMENT PROPERTY

Movement in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
COST			
Balance at 01/01/2015	10,027	137,713	147,740
Additions	0	2,886,040	2,886,040
Balance at 31/12/2015	10,027	3,023,753	3,033,780
ACCUMULATED DEPRECIATION			
Balance at 01/01/2015	0	32,248	32,248
Additions	0	1,790	1,790
Balance at 31/12/2015	0	34,038	34,038
Carrying amount as at 01/01/2015	**10,027**	**105,465**	**115,492**
Carrying amount as at 31/12/2015	**10,027**	**2,989,715**	**2,999,742**

(€)	Land	Buildings	Total
COST			
Balance at 01/01/2014	15,064	179,468	194,532
Transfer to property and equipment	-5,037	-41,755	-46,792
Balance at 31/12/2014	10,027	137,713	147,740
ACCUMULATED DEPRECIATION			
Balance at 01/01/2014	0	40,612	40,612
Additions	0	1,568	1,568
Transfer to property and equipment	0	-9,933	-9,933
Balance at 31/12/2014	0	32,248	32,248
Carrying amount as at 01/01/2014	**15,064**	**138,856**	**153,920**
Carrying amount as at 31/12/2014	**10,027**	**105,465**	**115,492**

Investment property assets comprise offices in the Bežigrajski dvor building at Dunajska 56 in Ljubljana, which the Company has leased out for an indefinite period of time. At the end of 2015, the Company purchased part of the building at Tivolska 48, which will be offered for long-term rent.

All investment property assets yield rent. In 2015 the Company generated income of € 14,233 by leasing out its investment property (all to subsidiaries and associates). In 2014, such income totalled € 15,296 (€ 14,770 from subsidiaries and associates and € 526 from other companies). Maintenance costs associated with investment property are either included in rent or charged to the lessees in a proportionate amount. These recovered costs amounted to € 4,404 in 2015 (2014: € 5,171).

5. FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Financial investments in subsidiaries and associates are recognised at cost in accordance with IAS 27 »Separate Financial Statements«.

Financial investments in the equity of Group companies

(€)		01/01/2015	Acquisition/ recapitalisation	Impairment (-)		31/12/2015
	As % of total	Value	Value	Value	Holding	Value
Zavarovalnica Maribor	100.00 %	94,760,785	0	0	100.00 %	94,760,785
Zavarovalnica Tilia	100.00 %	13,967,082	0	0	100.00 %	13,967,082
Sava osiguranje Belgrade	99.99 %	13,694,800	25	-237,681	100.00 %	13,457,144
Illyria	100.00 %	16,332,526	0	-2,698,997	100.00 %	13,633,529
Sava osiguruvanje Skopje	92.44 %	10,278,898	0	0	92.44 %	10,278,898
Sava Montenegro	100.00 %	15,373,019	0	0	100.00 %	15,373,019
Illyria Life	100.00 %	4,035,892	0	0	100.00 %	4,035,892
Sava životno osiguranje	99.99 %	5,870,654	1,414,917	-545,932	100.00 %	6,739,639
Velebit usluge in liquidation	100.00 %	12,516,962	0	0	100.00 %	12,516,962
Illyria Hospital	100.00 %	1,800,317	0		100.00 %	1,800,317
Velebit osiguranje		0	7,185,784	-75,126	92.08 %	7,110,658
Velebit životno osiguranje		0	7,780,171	-1,312,313	88.71 %	6,467,858
Moja naložba	20.00 %	1,011,059	7,078,880	0	100.00 %	8,089,939
TOTAL		189,641,994	23,459,777	-4,870,049		208,231,721

In 2015, the Company increased its investments in Group companies by € 23.5 million. The Serbian life insurer Sava životno osiguranje was recapitalised with an injection of € 1.4 million. The Company became the direct owner of shares in Velebit osiguranje and Velebit životno osiguranje after their transfer from its subsidiary Velebit usluge – in liquidation. Pursuant to this, the Company discloses a liability for the purchase price in the amount of € 12.3 million as detailed in note 22. The Company recognised impairment losses on five investments: two Serbian, two Croatian and one in Kosovo in a total amount of € 4.9 million.

At year-end 2015, the Company became sole owner of the pension company Moja naložba.

Financial investments in associates

(€)	01/01/2015		31/12/2015	
	As % of total	Value	Holding	Value
Moja naložba	20.00 %	1,011,059	0.00 %	0
TOTAL				

Aggregated data from the financial statements of associates are shown in section 25.1 »Basic details«.

6. FINANCIAL INVESTMENTS

(€)		At fair value through P/L Non-derivative			
31/12/2015	Held-to-maturity	Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**2,074,258**	**1,732,055**	**210,401,706**	**7,758,226**	**221,966,245**
Deposits and CDs	0	0	0	4,923,273	4,923,273
Government bonds	2,074,258	1,732,055	98,385,421	0	102,191,734
Corporate bonds	0	0	112,016,285	0	112,016,285
Loans granted	0	0	0	2,834,953	2,834,953
Equity instruments	**0**	**1,396,186**	**13,571,998**	**0**	**14,968,184**
Shares	0	464,420	10,428,072	0	10,892,492
Mutual funds	0	931,766	3,143,926	0	4,075,692
Deposits with cedants	**0**	**0**	**0**	**5,698,774**	**5,698,774**
TOTAL	2,074,258	3,128,241	223,973,704	13,457,000	242,633,203

(€)		At fair value through P/L			
		Non-derivative			
31/12/2014	Held-to-maturity	Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**2,074,001**	**3,978,152**	**194,954,995**	**19,998,955**	**221,006,103**
Deposits and CDs	0	0	0	15,664,002	15,664,002
Government bonds	2,074,001	2,788,952	90,631,002	0	95,493,956
Corporate bonds	0	1,189,200	104,323,993	0	105,513,193
Loans granted	0	0	0	4,334,953	4,334,953
Equity instruments	**0**	**1,647,372**	**13,283,548**	**0**	**14,930,919**
Shares	0	424,531	12,245,741	0	12,670,272
Mutual funds	0	1,222,841	1,037,807	0	2,260,648
Deposits with cedants	**0**	**0**	**0**	**5,587,510**	**5,587,510**
TOTAL	2,074,001	5,625,524	208,238,543	25,586,465	241,524,533

Loans granted to Group companies

(€)	Type of debt instrument	31/12/2015	31/12/2014
Sava osiguranje Belgrade	loan	1,300,000	1,300,000
Sava Montenegro	loan	0	1,500,000
Velebit osiguranje	subordinated loan	734,953	734,953
Velebit životno osiguranje	subordinated loan	800,000	800,000
TOTAL		2,834,953	4,334,953

No securities have been pledged as security.

7. Reinsurers' share of technical provisions

(€)	31/12/2015	31/12/2014
From unearned premiums	2,354,396	3,031,287
From provisions for claims outstanding	13,671,962	27,832,360
TOTAL	16,026,358	30,863,647

The reinsurers' share of unearned premiums largely moves in line with retroceded premiums; the decline in 2015, however, was due to non-renewal of policies of several major policyholders in the second half of the year for which at year-end 2014, a large amount was established for retroceded unearned premiums relating to a surplus cover for Sava Re Group companies. The reinsurers' share of claims provisions depends on the movement of large incurred claims, covered by the reinsurance programme, and the schedule of their related claim payments. In 2015 payments from retrocessionaires for the retroceded claims provision (established in 2014 for the ice damage catastrophe loss in Slovenia) were accounted, and retroceded claims provisions decreased accordingly.

8. Receivables

The majority of not-past-due receivables were receivables arising out of reinsurance contracts, invoiced in the fourth quarter of 2015 but to fall due only in 2016.

Receivables arising out of reinsurance contracts are not specifically secured. As explained in section 25.5.3.3 »Credit risks«, the Company is not exposed to significant risks as regards these receivables. Receivables were tested for impairment. In 2015, an allowance for impairment of € 64,369 was recognised relating to individual receivables arising out of reinsurance business (2014: € 12,093). The impairment loss relating to other receivables totalled € 173,406 (2014: € 216,196).

Receivables by type

	31/12/2015			31/12/2014		
(€)	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables for premiums arising out of reinsurance and co-insurance	78,048,361	-303,710	77,744,651	67,984,847	-537,862	67,446,985
Receivables for shares in claims payments	4,077,534	-75,004	4,002,530	3,316,897	-85,282	3,231,615
Receivables for commission	705,825	0	705,825	619,797	0	619,797
Receivables arising out of reinsurance and co-insurance business	**82,831,720**	**-378,714**	**82,453,006**	**71,921,542**	**-623,144**	**71,298,397**
Current tax assets	**1,633,620**	**0**	**1,633,620**	**0**	**0**	**0**
Receivables arising out of investments	55,606	-88	55,518	35,782	-88	35,694
Other short-term receivables	820,662	-537,057	283,605	586,358	-436,284	150,074
Other receivables	**876,268**	**-537,145**	**339,123**	**622,140**	**-436,372**	**185,768**
TOTAL	85,341,608	-915,859	84,425,749	72,543,682	-1,059,516	71,484,165

There was a significant increase in the amount of gross receivables for premiums arising out of reinsurance assumed in line with premium growth, which increased by 15.7 % compared to 2014.

The following tables give a receivables ageing analysis. Amounts are net of any allowances.

Receivables ageing analysis

(€) 31/12/2015	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	64,379,115	9,807,918	3,557,618	77,744,651
Receivables for reinsurers' shares in claims	3,010,675	361,161	630,694	4,002,530
Receivables for commission	635,156	57,320	13,349	705,825
Receivables arising out of reinsurance and co-insurance business	**68,024,946**	**10,226,399**	**4,201,661**	**82,453,006**
Current tax assets	**1,633,620**	**0**	**0**	**1,633,620**
Short-term receivables arising out of financing	55,518	0	0	55,518
Other short-term receivables	283,605	0	0	283,605
Other receivables	**339,123**	**0**	**0**	**339,123**
TOTAL	69,997,689	10,226,399	4,201,661	84,425,749

(€) 31/12/2014	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	51,285,592	11,614,730	4,546,661	67,446,985
Receivables for reinsurers' shares in claims	2,312,763	351,027	567,825	3,231,615
Receivables for commission	619,518	0	280	619,797
Receivables arising out of reinsurance and co-insurance business	**54,217,873**	**11,965,757**	**5,114,766**	**71,298,397**
Short-term receivables arising out of financing	6,516	14,635	14,543	35,694
Other short-term receivables	55,162	1,280	93,632	150,074
Other receivables	**61,678**	**15915**	**108,175**	**185,768**
TOTAL	54,279,551	11,981,672	5,222,941	71,484,165

All receivables are current.

Movement in allowance for receivables

(€)	01/01/2015	Additions	Reversals	Write-offs	31/12/2015
Receivables for premiums arising out of reinsurance assumed	-537,862	-64,369	198,198	100,323	-303,710
Receivables for reinsurers' shares in claims	-85,282	0	0	10,278	-75,004
Receivables arising out of reinsurance and co-insurance business	**-623,144**	**-64,369**	**198,198**	**110,601**	**-378,714**
Short-term receivables arising out of financing	-88	0	0	0	-88
Other short-term receivables	-436,284	-173,406	72,633	0	-537,057
Other receivables	**-436,372**	**-173,406**	**72,633**	**0**	**-537,145**
TOTAL	-1,059,516	-237,775	270,831	110,601	-915,859

(€)	01/01/2014	Additions	Reversals	31/12/2014
Receivables for premiums arising out of reinsurance assumed	-527,781	-12,093	2,012	-537,862
Receivables for reinsurers' shares in claims	-85,282	0	0	-85,282
Receivables arising out of reinsurance and co-insurance business	**-613,063**	**-12,093**	**2,012**	**-623,144**
Short-term receivables arising out of financing	-88	0	0	-88
Other short-term receivables	-238,011	-216,196	17,923	-436,284
Other receivables	**-238,099**	**-216,196**	**17,923**	**-436,372**
TOTAL	-851,162	-228,289	19,935	-1,059,516

9. Deferred acquisition costs

(€)	31/12/2015	31/12/2014
Deferred commission from inwards reinsurance in Slovenia and abroad	10,496,041	9,003,998

This item comprises exclusively commission relating to the next financial year recognised taking into account straight-line amortisation. All deferred acquisition costs are current.

10. Other assets and other financial liabilities

Other assets mainly include prepaid licence fees and insurance premiums.

Other financial liabilities include short-term liabilities arising out of as yet unpaid dividends of Sava Reinsurance Company for 2013 and 2014.

11. Cash and cash equivalents

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

(€)	31/12/2015	31/12/2014
Cash in bank accounts	209,658	218,858
Overnight deposits	76,292	293,484
TOTAL	285,950	512,342

12. Share capital

At 31 December 2015, the Company's share capital was divided into 17,219,662 shares (the same as at 31 December 2014). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company's control and profits (dividends). Each share carries one vote in general meeting and entitles the bearer to a proportionate share of the dividend payout.

Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol.

As at year-end 2015, the Company's shareholders' register listed 4,857 shareholders (31/12/2014: 5,134 shareholders). On 11 June 2008, Sava Reinsurance Company listed in the standard equity market of the Ljubljana Stock Exchange. On 2 April 2012, the Company's shares were transferred to the prime market.

13. Capital reserves

After successfully completing the recapitalisation in July 2013, the Company increased capital reserves by € 22.2 million. Expenses directly attributable to the initial public offering of € 0.98 million were deducted from the added amount. At 31 December 2015 capital reserves totalled € 54.2 million.

14. Profit reserves

Reserves provided for by the articles of association totalled € 11.5 million, having reached the statutory prescribed amount already in 2006, while legal reserves totalled € 3.5 million in 2015 and were also not strengthened in the year.

Profit reserves

(€)	31/12/2015	31/12/2014	Distributable / non-distributable
Legal reserves and reserves provided for by the articles of association	14,986,525	14,986,525	non-distributable
Reserve for treasury shares	10,319,347	10,115,023	non-distributable
Credit risk equalisation reserve	917,885	845,522	non-distributable
Catastrophe equalisation reserve	10,000,000	10,000,000	non-distributable
Other profit reserves	87,951,558	80,030,132	distributable
TOTAL	124,175,314	115,977,201	

Reserves provided for by the articles of association are used:

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

In accordance with IFRSs, credit risk equalisation reserves and catastrophe equalisation reserves are shown under profit reserves.

These reserves are established pursuant to the Insurance Act (ZZavar). Thereunder, these reserves are treated as provisions, which are established and used through profit and loss. As this is not IFRS-compliant, Sava Reinsurance Company carries credit risk and catastrophe equalisation provisions within profit reserves. These provisions are set aside from net profit for the period as shown in the statement of changes in equity. Had the financial statements been prepared in accordance with the ZZavar, the 2015 gross and net profits would have been lower by € 72,363 (2014: gross profit lower by € 45,446).

In line with the Slovenian Companies Act, the Company's management board or the supervisory board may, when approving the annual report, allocate a part of net profit to other profit reserves, however, up to half of net profit for the period. Based on a management board decision approved by the supervisory board, profit reserves were strengthened by € 8 million in 2015.

15. Own shares

At 31 December 2015, the Company held 741,521 POSR shares (or 4.306 % of all shares) worth € 10,319,347.

The Company received authorisation to buy back own shares of up to 10 % of the share capital in the 28th general meeting of shareholders held on 23 April 2014. The authorisation is for acquiring up to a total of 1,721,966 shares and is valid for three years. Based on this authorisation, the Company bought back 13,691 shares by year-end 2015.

16. Fair value reserve

The fair value reserve consists of the fair value revaluation effects of financial assets available for sale and from actuarial gains or losses due to changes in the present value of provisions for severance pay due to changes in actuarial assumptions (other losses).

(€)	2015	2014
As at 1 January	**4,341,739**	**253,020**
Change in fair value	-2,723,740	5,988,724
Transfer of the negative fair value reserve to the IS due to impairment	0	-1,634,412
Transfer from fair value reserve to the IS due to disposal	1,096,154	591,890
Other net profits/losses	-27,705	-20,034
Deferred tax	277,421	-837,449
AS AT 31 DECEMBER	2,963,868	4,341,739

The table shows the net change in the fair value reserve, which is an equity component. The fair value reserve shrank significantly in 2015 compared to year-end 2014 partly due to an unfavourable movement in exchange rates relating to available-for-sale investments and partly because of the disposal of some available for sale investments.

17. Net profit/loss for the year and retained earnings

The weighted number of shares takes into account the annual average calculated on the basis of monthly averages of ordinary shares less the number of treasury shares. The weighted average number of shares outstanding in the financial period was 16,483,852. As the Company does not have potentially dilutive capital instruments, its net earnings per share equal diluted earnings per share.

Basic/diluted earnings/loss per share

(€)	31/12/2015	31/12/2014
Net profit/loss for the period	16,191,902	22,358,419
Weighted average number of shares outstanding	16,483,852	16,814,657
NET EARNINGS/LOSS PER SHARE	0.98	1.33

Comprehensive income per share

(€)	31/12/2015	31/12/2014
Comprehensive income for the period	14,814,031	26,447,137
Weighted average number of shares outstanding	16,483,852	16,814,657
COMPREHENSIVE INCOME PER SHARE	0.90	1.57

In line with the general meeting resolution of 28 May 2015, the Company allocated € 9,065,978 to dividend pay-outs.

Statement of distributable profit/loss

(€)	2015	2014
Net profit/loss for the period	16,191,902	22,358,419
- profit/loss for the year under applicable standards	16,191,902	22,358,419
Retained earnings/losses	12,769,646	15,713,039
Additions to profit reserve as per resolution of the management board	204,324	10,113,249
- Additions to reserves for own shares	204,324	10,113,249
Additions to other reserves as per resolution of the management and the supervisory boards	7,993,789	6,122,585
DISTRIBUTABLE PROFIT TO BE ALLOCATED BY THE GENERAL MEETING	20,763,435	21,835,624
- to shareholders	0	9,065,978
- to be carried forward to the next year	0	12,769,646

18. Subordinated liabilities

At the end of 2006 and at the beginning of 2007, Sava Reinsurance Company raised a subordinated loan in the amount of € 32 million, and drew down 97 % of the principal amount. Maturity of the loan is 20 years, with the possibility of early repayment after 10 years. The principal is due at maturity. The applicable interest rate is a 3-month Euribor + 3.35 %, with interest payable on a quarterly basis. The loan is carried at amortised cost.

Subordinated liabilities

Outstanding debt at effective interest rate as at 31/12/2015	23,534,136
Debt currency	€
Maturity date	27/12/2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

Outstanding debt at effective interest rate as at 31/12/2014	23,499,692
Debt currency	€
Maturity date	27/12/2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

In 2015, the Company paid € 0.85 million in interest on subordinated debt (2014: € 0.9 million) and € 43,085 in withholding tax on interest paid (2014: € 46,785).

19. Technical provisions

Movements in gross technical provisions

(€)	01/01/2015	Additions	Uses	Exchange differences	31/12/2015
Gross unearned premiums	39,088,756	44,703,764	-37,094,132	-152,323	46,546,065
Gross provision for claims	177,331,493	61,755,218	-69,266,932	4,093,132	173,912,911
Gross provision for bonuses, rebates and cancellations	237,800	320,994	-237,800	0	320,994
Other gross technical provisions	0	121,984	0	0	121,984
TOTAL	216,658,049	106,901,960	-106,598,864	3,940,809	220,901,954

(€)	01/01/2014	Additions	Uses	Exchange differences	31/12/2014
Gross unearned premiums	37,825,792	37,510,073	-36,650,851	403,743	39,088,757
Gross provision for claims	170,525,177	55,038,815	-51,042,208	2,809,708	177,331,492
Gross provision for bonuses, rebates and cancellations	259,481	237,800	-259,481	0	237,800
Other gross technical provisions	12,793	0	-12,793	0	0
TOTAL	208,623,243	92,786,688	-87,965,333	3,213,451	216,658,049

The 19.1 % jump in gross unearned premiums is a result of growth in the premium volume and in gross unearned premiums in international markets other than Group business. The relatively large increase in unearned premiums for international business (33.6 %) compared to premium growth (25.9 %) is a result of the larger volume of business with mid-year renewal (renewable from April onwards), which affects the unearned premiums relating to this business at year-end.

The gross provision for outstanding claims decreased by 1.9 % in 2015. The gross provision for outstanding claims relating to domestic business decreased by 20,0 %, while the claims provision for foreign-sourced business increased by 11,3 %. The decline in the provision for outstanding claims for Slovenian cedants is partly due to a smaller portfolio of this business (quota share reinsurance of Group companies) and partly due to large claim payments relating to the ice damage loss at the end of 2014. The claims provision for non-Group international business grew by slightly less than corresponding premium volume, the growth of which has not been fully transferred to the claims provision due to the yet unexpired coverage. Even though this business was hit by several major loss events, such as the explosion in the China port of Tianjin, the portfolio is well diversified and made up of mostly short-tail business. Therefore, the growth in the claims provision from new business and claims was offset by claim payment relating to previous underwriting years and a positive run-off. Mention should be made of the increase in the Company's provision for exchange rate risks managed through adequate diversification of the liability fund.

Structure of the claims provision

(€)	31/12/2015	31/12/2014
Net IBNR	**56,439,566**	**54,656,041**
- gross provision	56,439,566	54,756,562
- reinsurers' share	0	-100,521
Net RBNS	**103,917,467**	**94,990,809**
- gross provision	117,589,429	122,722,647
- reinsurers' share	-13,671,962	-27,731,838
Net provision for expected recourse liabilities	**-116,084**	**-147,716**
Gross provision for claims	-116,084	-147,716
Reinsurers' share		0
Net provision for outstanding claims	**160,240,949**	**149,499,134**
Total gross provision for outstanding claims	**173,912,911**	**177,331,493**
Total reinsurers' share (–)	**-13,671,962**	**-27,832,359**
IBNR as % of gross provision for outstanding claims	32.5 %	30.9 %
IBNR as % of net provision for outstanding claims	35.2 %	36.6 %

In the structure of the net claims provision, the most noticeable change is the reduction in the share of retrocessionaires as a result of the a large claim payment relating to ice damage, which was almost entirely retroceded. As a result, the net claims provision increased despite the decrease in the gross claims provision. The level and share of IBNR remained largely unchanged from the previous year.

The increase in the provision for bonuses, rebates and cancellations is due to the improved claims experience of major policyholders with bonus and rebate arrangements.

Other technical provisions comprise provisions for bonuses, rebates and cancellations, and provisions for unexpired risks.

Due to a relatively favourable claims development over the last three years, the only class of business where the expected combined ratio exceeded the 100 % mark is health reinsurance.

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

(€)	31/12/2015		31/12/2014	
	Expected combined ratio	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks
Personal accident	89.8 %	0	76.50 %	0
Health	143.3 %	121,984	142.48 %	0
Land vehicles casco	88.5 %	0	85.70 %	0
Railway rolling stock	15.9 %	0	35.94 %	0
Aircraft hull	80.4 %	0	54.48 %	0
Ships hull	99.1 %	0	90.62 %	0
Goods in transit	86.5 %	0	86.96 %	0
Fire and natural forces	87.3 %	0	94.70 %	0
Other damage to property	78.2 %	0	84.31 %	0
Motor liability	90.2 %	0	87.94 %	0
Aircraft liability	77.0 %	0	77.00 %	0
Liability for ships	9.8 %	0	19.47 %	0
General liability	57.4 %	0	62.46 %	0
Credit	59.3 %	0	42.16 %	0
Suretyship	96.7 %	0	61.97 %	0
Miscellaneous financial loss	64.0 %	0	44.29 %	0
Legal expenses	42.8 %	0	6.71 %	0
Assistance	79.9 %	0	110.78 %	0
Life insurance	66.7 %	0	88.16 %	0
Unit-linked life	92.8 %	0	70.86 %	0
TOTAL	85.6 %	121,984	87.94 %	0

20. Other provisions

Other provisions comprise mainly provisions for long-term employee benefits.

Provisions for severance pay upon retirement and jubilee benefits have been calculated in accordance with the requirements of the revised IAS 19. The Company does not defer recognition of actuarial gains and losses (i.e. the corridor approach) for defined benefit plans. There is a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions that are recognised in comprehensive income.

Change in other provisions

(€)	01/01/2015	Interest costs	Cost of service	Payments	Impact of changes in actuarial assumptions (SFP)	Impact of changes in actuarial assumptions (IS)	Other changes	31/12/2015
Provision for severance pay upon retirement	221,765	4,679	38,018	0	27,705		0	292,168
Provision for jubilee benefits	51,058	1,130	7,786	-5,023	0	-341	0	54,610
Other provisions for costs	767	0	0	0	0		-268	499
TOTAL	273,590	5,809	45,804	-5,023	27,705	-341	-268	347,277

(€)	01/01/2014	Interest costs	Cost of service	Payments	Impact of changes in actuarial assumptions	Other changes	31/12/2014
Provision for severance pay upon retirement	176,871	6,650	18,209	0	20,035	0	221,765
Provision for jubilee benefits	43,161	1,661	8,246	-2,009	0	0	51,058
Other provisions for costs	0	0		0	0	767	767
TOTAL	220,032	8,311	26,455	-2,009	20,035	767	273,590

The standard requires the disclosure of quantitative information of the sensitivity of provisions for severance pay upon retirement (defined benefit plan) to a reasonably possible change in each significant actuarial assumption. The (principal) assumptions used were: term structure of risk-free interest rates for the euro at 31 Dec 2015 published by EIOPA, without any adjustments for volatility (2014: uniform interest rate of 2.11 %), real income growth of 1.46 % (2014: 1.39 %), inflation and growth in jubilee benefits 1.5 % (2014: 1.69 %), staff turnover up to age 35 1.7 % (2014: 1.8 %), in the age bracket 35–45 4.0 % (2014: 4.3 %), after age 45 1.6 % (2014: 1.8 %), mortality as per SLO 2007 (m/f) tables.

Impact on the amount of provision for severance pay upon retirement (€)	31/12/2015	31/12/2014
Reduction in the discount rate of 1 %	42,934	19,988
Increase in the discount rate of 1 %	-35,425	-16,311
Reduction in real income growth of 0.5 %	-19,169	-8,599
Increase in real income growth of 0.5 %	20,936	9,425
Reduction of staff turnover of 10 %	7,649	5,710
Increase in staff turnover of 10 %	-7,372	-5,384
Decrease in mortality of 10 %	2,802	1,185
Increase in mortality of 10 %	-2,770	-1,170

21. Liabilities from operating activities

Liabilities from reinsurance and co-insurance business comprise liabilities relating to premiums from outwards retrocession business and claims from inwards reinsurance business. Liabilities relate to amounts invoiced in the fourth quarter but falling due only in 2016. Compared to the previous year, liabilities for claims increased by nearly 10 %.

Liabilities from reinsurance and co-insurance business

(€)	31/12/2015	31/12/2014
Liabilities for reinsurance premiums	4,771,408	3,451,173
Liabilities for shares in reinsurance claims	27,347,245	24,355,884
Other liabilities due from co-insurance and reinsurance	15,753,257	15,875,171
TOTAL	47,871,910	43,682,228

All liabilities are current.

The Company does not have liabilities arising out of co-insurance. The item »other liabilities due from co-insurance and reinsurance« comprises liabilities for commissions and reinsurance.

In 2015 the Company had no current tax liabilities other than receivables. This is because the interim corporate income tax instalment exceeded the actual liability for 2015.

22. Other liabilities

There was a significant increase in other liabilities compared to 2014. In 2015, the Company entered a sales contract with its subsidiary Velebit usluge - in liquidation for the purchase of interests in Velebit osiguranje and Velebit životno osiguranje to obtain direct ownership of the companies, resulting in a liability for the payment of the purchase price in the amount of € 12.3 million.

Accrued expenses and deferred income include accruals/deferrals relating to retained deposits from international inwards reinsurance business, provisions for unexpended annual leave of employees, personnel costs, commission of retroceded business and other accrued expenses and deferred income.

Other liabilities

(€)	Maturity	
2015	Up to 1 year	Total
Short-term liabilities from the purchase of securities	12,327,909	12,327,909
Short-term liabilities due to employees	391,613	391,613
Other short-term liabilities	551,571	551,571
Accruals and deferrals	1,189,040	1,189,040
TOTAL	14,460,133	14,460,133

(€)	Maturity	
2014	Up to 1 year	Total
Short-term liabilities due to employees	379,026	379,026
Other short-term liabilities	355,537	355,537
Accruals and deferrals	1,889,297	1,889,297
TOTAL	2,623,860	2,623,860

Movements in accrued expenses and deferred income

(€)	01/01/2015	Additions - reclassification	Uses	31/12/2015
Short-term accrued expenses	**805,875**	**257,267**	**-509,427**	**553,715**
- auditing costs	33,551	61,000	-61,000	33,551
- accrued personnel cost	288,511	137,852	-288,511	137,852
- deferred reinsurance commission	478,412	0	-152,875	325,537
- deferred interest income	2,882	7,877	-4,508	6,251
- other short-term accrued expenses	2,520	50,538	-2,533	50,525
Other accrued expenses and deferred income	**1,083,422**	**2,816,081**	**-3,264,179**	**635,325**
- liabilities for retained deposits	823,745	2,814,250	-3,264,179	373,817
- liabilities for tax on profit	102,400	0	0	102,400
- provision for unexpended employee leave	157,277	1,831	0	159,108
TOTAL	1,889,297	3,073,348	-3,773,606	1,189,040

(€)	01/01/2014	Additions	Uses	31/12/2014
Short-term accrued expenses	**838,861**	**506,446**	**-539,432**	**805,875**
- auditing costs	33,551	61,000	-61,000	33,551
- accrued personnel cost	452,887	288,511	-452,887	288,511
- deferred reinsurance commission	348,863	130,218	-669	478,412
- deferred interest income	3,560	4,317	-4,995	2,881
- accrued other expenses	0	22,400	-19,880	2,520
Other accrued expenses and deferred income	**1,553,465**	**2,231,417**	**-2,701,460**	**1,083,422**
- liabilities for retained deposits	1,298,734	2,129,017	-2,604,006	823,745
- liabilities for tax on profit	102,400	102,400	-102,400	102,400
- provision for unexpended employee leave	152,331	0	4,946	157,277
TOTAL	2,392,326	2,737,862	-3,240,891	1,889,297

23. Fair values of assets and liabilities

Methodology for the measurement of financial investments

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on the CBBT price in an active market	Debt securities measured based on the CBBT price in an inactive market. Debt securities measured at the BVAL price if the CBBT price is unavailable. Debt securities measured using an internal model based on level 2 inputs.	Debt securities measured using an internal model that does not consider level 2 inputs.
Stock Exchange	Debt securities measured based on stock exchange prices in an active market	Debt securities measured based on stock exchange prices in an inactive market. Debt securities measured at the BVAL price when the stock exchange price is unavailable. Debt securities measured using an internal model based on level 2 inputs.	Debt securities measured using an internal model that does not consider level 2 inputs.
Shares			
Stock Exchange	Shares measured based on stock exchange prices in an active market	Shares measured based on stock exchange prices in an inactive market. Shares for which there is no stock exchange price and that are measured using an internal model based on level 2 inputs.	Shares measured using an internal model that does not consider level 2 inputs.
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
Deposits and loans			
-with maturity		Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model using level 2 inputs.	Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model not using level 2 inputs.
-demand deposits (contractually agreed daily recall option)	Demand deposits measured at the contract value, which represents the fair value.		

Financial assets by level of the fair value hierarchy

(€) 31/12/2015	Carrying amount (CA)	Level 1	Level 2	Level 3	Fair value Total fair value	Difference between FV and CA
FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE	227,101,945	177,075,987	46,126,951	3,899,007	227,101,945	0
At fair value through P/L	**3,128,241**	**2,663,821**	**464,420**	**0**	**3,128,241**	**0**
Designated to this category	3,128,241	2,663,821	464,420	0	3,128,241	0
Debt instruments	1,732,055	1,732,055	0	0	1,732,055	0
Equity instruments	1,396,186	931,766	464,420	0	1,396,186	0
Available-for-sale	**223,973,704**	**174,412,166**	**45,662,531**	**3,899,007**	**223,973,704**	**0**
Debt instruments	210,401,706	171,268,240	39,133,466	0	210,401,706	0
Equity instruments	13,571,998	3,143,926	6,529,065	3,899,007	13,571,998	0
FINANCIAL INVESTMENTS NOT MEASURED AT FAIR VALUE	15,531,257	9,326,418	4,611,971	2,834,953	16,773,342	1,242,085
Held-to-maturity assets	**2,074,258**	**2,719,536**	**0**	**0**	**2,719,536**	**645,278**
Debt instruments	2,074,258	2,719,536	0	0	2,719,536	645,278
Loans and receivables	**13,457,000**	**6,606,883**	**4,611,971**	**2,834,953**	**14,053,807**	**596,807**
Deposits	4,923,273	908,109	4,611,971	0	5,520,080	596,807
Loans granted	2,834,953	0	0	2,834,953	2,834,953	0
Deposits with cedants	5,698,774	0	0	5,698,774	5,698,774	0

(€) 31/12/2014	Carrying amount (CA)	Level 1	Level 2	Level 3	Fair value Total fair value	Difference between FV and CA
INVESTMENTS MEASURED AT FAIR VALUE	213,864,066	90,379,471	118,896,346	4,588,249	213,864,066	0
At fair value through P/L	**5,625,524**	**4,436,324**	**1,189,200**	**0**	**5,625,524**	**0**
Designated to this category	5,625,524	4,436,324	1,189,200	0	5,625,524	0
Debt instruments	3,978,152	2,788,952	1,189,200	0	3,978,152	0
Equity instruments	1,647,372	1,647,372	0	0	1,647,372	0
Available-for-sale	**208,238,542**	**85,943,147**	**117,707,146**	**4,588,249**	**208,238,542**	**0**
Debt instruments	194,954,994	77,738,372	117,216,622	0	194,954,994	0
Equity instruments	13,283,548	8,204,775	490,524	4,588,249	13,283,548	0
INVESTMENTS NOT MEASURED AT FAIR VALUE	27,660,466	25,586,465	2,606,473	0	28,192,938	532,472
Held-to-maturity assets	**2,074,001**	**0**	**2,606,473**	**0**	**2,606,473**	**532,472**
Debt instruments	2,074,001	0	2,606,473	0	2,606,473	532,472
Loans and receivables	**25,586,465**	**25,586,465**	**0**	**0**	**25,586,465**	**0**
Deposits	15,664,002	15,664,002	0	0	15,664,002	0
Loans granted	4,334,953	4,334,953	0	0	4,334,953	0
Deposits with cedants	5,587,510	5,587,510	0	0	5,587,510	0

Gains and losses on level 3 financial assets

(€)	Equity instruments 31/12/2015	31/12/2014
Income	72,874	52,790
Expenses	686,472	567,966

Movements in level 3 financial assets

(€)	Equity instruments 31/12/2015	31/12/2014
01/01/2015	**4,588,249**	**5,156,215**
Impairment losses	-686,472	-567,966
Reclassification into other levels	-2,770	0
31/12/2015	3,899,007	4,588,249

As the effect on the financial statements is non-material, there are no additional disclosures given relating to the reclassification of the value of an investment in the amount of € 2,770 out of level 3.

Disclosure of the fair value of non-financial assets measured in the statement of financial position at amortised cost or at cost

(€) Property at 31/12/2015	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Owner-occupied property	31/12/2015	1,859,254	1,968,712	market approach and income approach (weighted 50 : 50), new purchases at cost
Investment property	31/12/2015	2,999,742	3,010,178	
TOTAL		4,858,996	4,978,890	

(€) Property at 31/12/2014	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Owner-occupied property	31/12/2014	1,888,972	1,968,712	market approach and the income approach (weighted 50: 50)
Investment property	31/12/2014	115,492	124,138	
TOTAL		2,004,464	2,092,850	

Movements in the fair value of land and buildings

(€)	01/01/2015	Acquisitions	31/12/2015
Owner-occupied property	1,968,712	0	1,968,712
Investment property	124,138	2,886,040	3,010,178
TOTAL	2,092,850	2,886,040	4,978,890

(€)	01/01/2014	Change in fair value	31/12/2014
Owner-occupied property	2,089,515	-120,803	1,968,712
Investment property	130,441	-6,303	124,138
TOTAL	2,219,956	-127,106	2,092,850

Reclassification of financial assets between levels

(€) 31/12/2015	Level 1	Level 2	Level 3
Available-for-sale	**47,135,122**	**-47,132,352**	**0**
Debt instruments	53,907,865	-53,907,865	0
Equity instruments	-6,772,744	6,775,514	-2,770
TOTAL	47,135,122	-47,132,352	-2,770

(€) 31/12/2014	Level 1	Level 2	Level 3
Available-for-sale	**-117,707,146**	**117,707,146**	**0**
Debt instruments	-117,216,622	117,216,622	0
Equity instruments	-490,524	490,524	0
TOTAL	-118,896,346	118,896,346	0

In 2014 the Company primarily measured its OTC assets based on BID BVAL prices, which are unquoted prices but prices calculated on the basis of directly and indirectly observable market inputs. In accordance with IFRS 13, such assets are classified into level 2. In 2015, the Company primarily measured its OTC assets based on BID CBBT prices representing unadjusted quoted prices, thus meeting the criteria for classification into level 1.

Since in 2015, a significant proportion of OTC assets were measured based on closing BID CBBT prices, the proportion of level 1 assets at 31 December 2015 was larger than at year-end 2014. At 31 December 2015, level 1 investments represented 78 % (31/12/2014: 42.3 %) of financial investments measured at fair value.

When testing one market of quoted financial instruments in terms of its being active, we found that the active market criterion was not met. Therefore, financial instruments were valued at 31 December 2015 using an internal model. The valuation model applied used directly and indirectly observable market inputs such as: the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

Valuation methods for the above-mentioned items are described at the beginning of these notes under accounting policies. For investment property, the method is set out in section 25.2.11 »Investment property«, for financial investments in subsidiaries and associates in section 25.2.13 »Financial investments in subsidiaries and associates«, and for financial investments in section 25.2.13 »Financial investments«.

25.7. Notes to the financial statements – income statement

24. Net earned premiums

Net earned premiums

(€) 2015	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	Net premiums earned
Personal accident	9,411,698	-59,382	-478,162	10,505	8,884,659
Health	2,150,843	0	-296,415	0	1,854,428
Land vehicles casco	16,432,253	-966,043	532,204	-35,145	15,963,270
Railway rolling stock	102,650	0	-13,885	0	88,765
Aircraft hull	616,442	0	-36,846	0	579,596
Ships hull	3,772,148	-72,227	-235,696	-902	3,463,323
Goods in transit	4,975,663	-215,542	-200,921	-1,878	4,557,322
Fire and natural forces	67,676,509	-10,745,759	-4,003,701	-573,354	52,353,695
Other damage to property	21,362,766	-2,812,014	-440,424	-58,109	18,052,219
Motor liability	12,536,166	-457,642	15,245	0	12,093,769
Aircraft liability	174,181	-50,840	-150,835	-5,940	-33,434
Liability for ships	334,736	-5,441	-88,852	-1,646	238,797
General liability	4,783,141	-537,634	-110,547	-8,030	4,126,930
Credit	603,027	0	-156,594	0	446,433
Suretyship	142,740	0	24,890	0	167,629
Miscellaneous financial loss	4,930,798	-379,837	-2,069,319	65	2,481,708
Legal expenses	6,228	0	-2,648	0	3,580
Assistance	-2,469	0	121	0	-2,348
Life insurance	1,674,409	-1,894,200	255,079	-2,439	32,848
Unit-linked life	298,491	-172,366	0	-18	126,107
Total non-life	**150,009,522**	**-16,302,360**	**-7,712,387**	**-674,434**	**125,320,341**
Total life	**1,972,899**	**-2,066,565**	**255,079**	**-2,457**	**158,956**
TOTAL	151,982,421	-18,368,925	-7,457,308	-676,891	125,479,297

2014 (€)	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	Net premiums earned
Personal accident	7,307,845	-60,209	65,528	-15,347	7,297,816
Health	49,965	0	49,298	0	99,263
Land vehicles casco	16,379,589	-1,632,465	-740,001	-539	14,006,584
Railway rolling stock	447	0	0	0	447
Aircraft hull	358,873	0	-17,490	0	341,383
Ships hull	3,987,802	-66,621	-20,926	-8,541	3,891,715
Goods in transit	3,501,048	-141,826	112,919	-9,721	3,462,420
Fire and natural forces	55,067,401	-9,013,250	250,596	423,875	46,728,621
Other damage to property	22,646,983	-2,612,961	-1,594,667	60,465	18,499,820
Motor liability	12,336,797	-545,506	856,705	-51	12,647,945
Aircraft liability	56,959	-60,953	-2,400	2,280	-4,114
Liability for ships	267,803	-4,756	3,843	928	267,819
General liability	5,456,687	-542,898	-32,891	34,243	4,915,140
Credit	378,718	0	126,033	0	504,751
Suretyship	203,302	0	12,620	0	215,922
Miscellaneous financial loss	582,123	-369,409	-8,555	-37,626	166,532
Assistance	-2,332	0	-446	0	-2,779
Life insurance	2,396,858	-1,395,863	-323,128	-7,655	670,213
Unit-linked life	346,376	-208,826	0	18	137,568
Total non-life	**128,580,011**	**-15,050,854**	**-939,836**	**449,966**	**113,039,287**
Total life	**2,743,235**	**-1,604,689**	**-323,128**	**-7,637**	**807,781**
TOTAL	131,323,246	-16,655,543	-1,262,964	442,329	113,847,068

The above table shows the movement in gross premiums written. Gross premiums written grew by 15.8 %. Gross premiums written in Slovenia dropped by 0.2 %, while foreign-sourced premiums grew by 25.9 %. The largest premium growth was achieved in Asia.

The change in net unearned premiums at the end of 2015 was larger than the one at the end of 2014, with a negative impact on net earned premiums. The rise in net unearned premiums is a result of the growth in international premiums; gross unearned premiums for international business rose by € 7.5 million while those relating to reinsurance business dropped by € 0.6 million.

25. Income and expenses relating to investments in subsidiaries and associates

In 2015 the Company received dividends from its subsidiaries amounting to € 13 million (2014: € 10.3 million). In 2015 impairment losses of investments in subsidiaries were € 4.9 million (2014: € 2.5 million). Impairment losses were recognised based on a model for testing the recoverable amount of investments in subsidiaries.

26. Investment income and expenses

Investment income, expenses and net investment income by IFRS categories

Income from financial assets and liabilities from 1 January to 31 December 2015

(€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total
Held to maturity	**102,756**	**0**	**0**	**0**	**0**	**0**	**102,756**
Debt instruments	102,756	0	0	0	0	0	102,756
At fair value through P/L	**0**	**365,320**	**0**	**17,808**	**6,464**	**0**	**389,592**
Designated to this category	0	365,320	0	17,808	6,464	0	389,592
Debt instruments	0	32,304	0	0	0	0	32,304
Equity instruments	0	333,016	0	17,808	6,464	0	357,288
Available-for-sale	**4,157,817**	**0**	**603,182**	**708,005**	**11,873,527**	**5,291**	**17,347,822**
Debt instruments	4,157,817	0	425,003		11,865,117	1,725	16,449,662
Equity instruments	0	0	178,179	708,005	8,410	3,566	898,160
Loans and receivables	**377,499**	**0**	**0**	**0**	**384,866**	**0**	**762,365**
Debt instruments	377,499	0	0	0	384,866	0	762,365
Deposits with cedants	**72,874**	**0**	**0**	**0**	**0**	**0**	**72,874**
TOTAL	4,710,946	365,320	603,182	725,813	12,264,857	5,291	18,675,409

Expenses for financial assets and liabilities from 1 January to 31 December 2015

(€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total
At fair value through P/L	**0**	**218,498**	**0**	**0**	**0**	**659**	**219,157**
Designated to this category	0	218,498	0	0	0	659	219,157
Debt instruments	0	1,629	0	0	0	0	1,629
Equity instruments	0	216,869	0	0	0	659	217,528
Available-for-sale	**0**	**0**	**313,525**	**713,284**	**8,825,471**	**7,898**	**9,860,178**
Debt instruments	0	0	288,094		8,825,109	1,959	9,115,162
Equity instruments	0	0	25,431	713,284	362	5,939	745,016
Loans and receivables	**0**	**0**	**0**	**0**	**211,884**	**101**	**211,985**
Debt instruments	0	0	0	0	211,884	101	211,985
Subordinated liabilities	**896,145**	**0**	**0**	**0**	**0**	**0**	**896,145**
TOTAL	896,145	218,498	313,525	713,284	9,037,355	8,658	11,187,465

Net inv. income of financial assets and liabilities from 1 January to 31 December 2015

(€)	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Exchange gains/losses	Other income/ expenses	Total
Held to maturity	**102,756**	**0**	**0**	**0**	**0**	**0**	**0**	**102,756**
Debt instruments	102,756	0	0	0	0	0	0	102,756
At fair value through P/L	**0**	**146,822**	**0**	**17,808**	**0**	**6,464**	**-659**	**170,435**
Designated to this category	0	146,822	0	17,808	0	6,464	-659	170,435
Debt instruments	0	30,675	0	0	0	0	0	30,675
Equity instruments	0	116,147	0	17,808	0	6,464	-659	139,760
Available-for-sale	**4,157,817**	**0**	**289,657**	**708,005**	**-713,284**	**3,048,056**	**-2,607**	**7,487,644**
Debt instruments	4,157,817	0	136,909	0	0	3,040,008	-234	7,334,500
Equity instruments	0	0	152,748	708,005	-713,284	8,048	-2,373	153,144
Loans and receivables	**377,499**	**0**	**0**	**0**	**0**	**172,982**	**-101**	**550,380**
Debt instruments	377,499	0	0	0	0	172,982	-101	550,380
Deposits with cedants	**72,874**	**0**	**0**	**0**	**0**	**0**	**0**	**72,874**
Subordinated liabilities	**-896,145**	**0**	**0**	**0**	**0**	**0**	**0**	**-896,145**
TOTAL	3,814,801	146,822	289,657	725,813	-713,284	3,227,502	-3,367	7,487,944

Income from financial assets and liabilities from 1 January to 31 December 2014

(€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total
Held to maturity	**102,773**	**0**	**0**	**0**	**0**	**0**	**102,773**
Debt instruments	102,773	0	0	0	0	0	102,773
At fair value through P/L	**43,151**	**453,846**	**0**	**25,021**	**23,166**	**0**	**545,183**
Designated to this category	43,151	453,846	0	25,021	23,166	0	545,183
Debt instruments	43,151	164,887	0	0	0	0	208,037
Equity instruments	0	288,959	0	25,021	23,166	0	337,146
Available-for-sale	**3,702,610**	**0**	**1,173,117**	**580,678**	**4,657,472**	**50,054**	**10,163,932**
Debt instruments	3,702,610	0	302,988	0	4,657,472	0	8,663,070
Equity instruments	0	0	870,130	580,678	0	50,054	1,500,862
Loans and receivables	**672,429**	**0**	**0**	**0**	**213,092**	**0**	**885,522**
Debt instruments	672,429	0	0	0	213,092	0	885,522
Deposits with cedants	**86,777**	**0**	**0**	**0**	**0**	**0**	**86,777**
TOTAL	4,607,741	453,846	1,173,117	605,699	4,893,730	50,054	11,784,187

Expenses for financial assets and liabilities from 1 January to 31 December 2014

(€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total
At fair value through P/L	**0**	**246,283**	**0**	**0**	**0**	**722**	**247,005**
Held for trading	0	0	0	0	0	0	0
Designated to this category	0	246,283	0	0	0	722	247,005
Debt instruments	0	59,077	0	0	0	0	59,077
Equity instruments	0	187,206	0	0	0	722	187,928
Available-for-sale	**0**	**0**	**201,464**	**1,634,413**	**2,541,683**	**86,325**	**4,463,885**
Debt instruments	0	0	0	1,029,446	2,541,607	55,201	3,626,254
Equity instruments	0	0	201,464	604,966	76	31,124	837,631
Loans and receivables	**1,645**	**0**	**0**	**0**	**215,356**	**0**	**217,001**
Debt instruments	0	0	0	0	215,356	0	215,356
Other investments	1,645	0	0	0	0	0	1,645
Subordinated liabilities	**947,629**	**0**	**0**	**0**	**0**	**0**	**947,629**
TOTAL	949,274	246,283	201,464	1,634,413	2,757,040	87,047	5,875,520

Net inv. income of financial assets and liabilities from 1 January to 31 December 2014

(€)	Interest income/ expenses	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Exchange gains/losses	Other income/ expenses	Total
Held to maturity	**102,773**	**0**	**0**	**0**	**0**	**0**	**0**	**102,773**
Debt instruments	102,773	0	0	0	0	0	0	102,773
Other investments	0	0	0	0	0	0	0	0
At fair value through P/L	**43,151**	**207,562**	**0**	**25,021**	**0**	**23,166**	**-722**	**298,178**
Designated to this category	43,151	207,562	0	25,021	0	23,166	-722	298,178
Debt instruments	43,151	105,809	0	0	0	0	0	148,960
Equity instruments	0	101,753	0	25,021	0	23,166	-722	149,218
Available-for-sale	**3,702,610**	**0**	**971,653**	**580,678**	**-1,634,413**	**2,115,789**	**-36,271**	**5,700,047**
Debt instruments	3,702,610	0	302,988	0	-1,029,446	2,115,865	-55,201	5,036,816
Equity instruments	0	0	668,666	580,678	-604,966	-76	18,930	663,231
Loans and receivables	**670,785**	**0**	**0**	**0**	**0**	**-2,264**	**0**	**668,520**
Debt instruments	672,429	0	0	0	0	-2,264	0	670,165
Other investments	-1,645	0	0	0	0	0	0	-1,645
Deposits with cedants	**86,777**	**0**	**0**	**0**	**0**	**0**	**0**	**86,777**
Subordinated liabilities	**-947,629**	**0**	**0**	**0**	**0**	**0**	**0**	**-947,629**
TOTAL	3,658,467	207,562	971,653	605,699	-1,634,413	2,136,691	-36,993	5,908,667

Investment income in 2015 totalled € 18.7 million, an increase of € 6.9 million over 2014. Exchange gains also increased significantly to € 12.3 million in 2015 (2014: € 4.9 million)

2015 investment expenses amounted to € 11.2 million, up € 5.3 million from 2014. Exchange losses also increased significantly, to € 9 million in 2015 (2014: € 2.8 million). The net amount of exchange differences is still a gain of € 3.2 million (2014: € 2.1 million).

In 2015, the Company earned no interest income on impaired investments; these totalled € 19,908 in 2014.

Investment income and expenses by source of funds

The Company records investment income and expenses separately depending on whether they relate to the capital fund or the liability fund. The capital fund comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions.

Investment income – non-life business

(€)	Liability fund 2015	Liability fund 2014
Interest income	3,971,993	4,064,862
Change in fair value and gains on disposal of FVPL assets	358,380	383,573
Gains on disposal of other IFRS asset categories	524,616	1,173,117
Income from dividends and shares – other investments	423,847	358,650
Exchange gains	12,264,857	4,893,730
Other income	5,291	12,079
Total investment income – liability fund	**17,548,984**	**10,886,011**
	Capital fund 2015	Capital fund 2014
Interest income	738,953	542,879
Change in fair value and gains on disposal of FVPL assets	6,940	70,273
Gains on disposal of other IFRS asset categories	78,566	0
Income from dividends and shares – other investments	301,966	247,049
Other income	0	37,975
Total investment income – capital fund	**1,126,425**	**898,176**
TOTAL INVESTMENT INCOME	18,675,409	11,784,187

Investment expenses – non-life business

(€)	Liability fund 2015	Liability fund 2014
Change in fair value and losses on disposal of FVPL assets	217,968	194,587
Losses on disposal of other IFRS asset categories	312,805	201,464
Impairment losses on investments	495,574	1,480,938
Exchange losses	9,037,355	2,757,040
Other	760	53,285
Total investment expenses – liability fund	**10,064,462**	**4,687,314**
	Capital fund 2015	Capital fund 2014
Interest expenses	896,145	949,274
Change in fair value and losses on disposal of FVPL assets	530	51,696
Losses on disposal of other IFRS asset categories	720	0
Impairment losses on investments	217,710	153,475
Other	7,898	33,762
Total investment expenses – capital fund	**1,123,003**	**1,188,207**
TOTAL INVESTMENT EXPENSES	11,187,465	5,875,520
NET INVESTMENT INCOME	7,487,944	5,908,667

Impairment losses on investments

(€)	31/12/2015	31/12/2014
Bonds	0	1,029,446
Shares	713,284	604,966
TOTAL	713,284	1,634,412

27. Other technical income

(€)	2015	2014
Commission income	2,605,901	2,030,651
Exchange gains from reinsurance business	6,974,459	2,574,670
Miscellaneous technical income	229,185	74,464
TOTAL	9,809,545	4,679,785

In 2015, the Company recorded high exchange gains arising out of reinsurance business, but also high exchange losses arising out of reinsurance business, as set out in note 32. Pursuant to our investment policy, we use currency hedging; therefore, the Company's net exposure to currency fluctuations is minimal.

Commission income, net of change in deferred acquisition costs attributable to reinsurers

(€)	2015	2014
Personal accident	16,597	26,912
Land vehicles casco	2,918	8,436
Ships hull	1,308	955
Goods in transit	29,563	3,305
Fire and natural forces	1,445,794	1,124,229
Other damage to property	491,232	407,574
Motor liability	143	8,430
Aircraft liability	10,810	10,057
Liability for ships	600	115
General liability	50,357	27,133
Miscellaneous financial loss	56,550	61,103
Life insurance	473,105	303,529
Unit-linked life	26,923	48,872
Total non-life	**2,105,873**	**1,678,250**
Total life	**500,028**	**352,401**
TOTAL	2,605,901	2,030,651

28. Other income and expenses

Other income and expenses mainly include collected bad debt relating to other receivables that had been written-off, gains on the disposal of fixed assets and income from the use of holiday facilities.

Other expenses comprise expenses that cannot be classified as technical expenses. The amount was small in both 2015 and 2014.

29. Net claims incurred

(€)	Gross amounts				Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	
2015	Claims	Recourse receivables	Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)		Net claims incurred
Personal accident	5,279,619	0	-4,366	1,005,692	5,469	6,286,414
Health	1,476,957	0	0	28,529	0	1,505,486
Land vehicles casco	12,020,056	-209,26	-58,455	-604,265	163,691	11,311,767
Railway rolling stock	2,529	0	0	0	0	2,529
Aircraft hull	339,744	0	0	112,789	0	452,533
Ships hull	2,068,869	-400	-410	634,858	4,402	2,707,318
Goods in transit	1,337,188	-102	-50	2,005,817	532	3,343,385
Fire and natural forces	43,204,975	-4,425	-11,551,614	-3,985,082	13,854,095	41,517,950
Other damage to property	12,652,126	-17,923	-515,4	-1,745,483	-159,76	10,213,560
Motor liability	8,015,094	-389,34	-558,61	-945,495	213,071	6,334,719
Aircraft liability	4,718	0	0	108,692	0	113,41
Liability for ships	132,125	-120	0	-101,78	1,371	31,596
General liability	2,025,543	-1,963	-2,048	-564,892	750	1,457,390
Credit	458,915	-609,095	0	960	0	-149,221
Suretyship	368,324	-30,275	0	194,825	0	532,874
Miscellaneous financial loss	223,207	0	-2,007	1,026,341	18,705	1,266,246
Legal expenses	821	0	0	789	0	1,61
Assistance	728	0	0	-4,119	0	-3,391
Life insurance	1,211,842	0	-967,468	-569,511	46	-279,137
Unit-linked life	129,06	0	-90,342	-17,243	12,07	33,545
Total non-life	**89,611,538**	**-1,262,903**	**-12,692,961**	**-2,831,827**	**14,102,327**	**86,926,174**
Total life	**1,340,902**	**0**	**-1,057,810**	**-586,754**	**58,07**	**-245,592**
TOTAL	90,952,440	-1,262,903	-13,750,771	-3,418,581	14,160,397	86,680,582

(€)	Gross amounts				Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	
2014	Claims	Recourse receivables	Reinsurers' share of claims (–)	Change in the gross claims provision (+/–)		Net claims incurred
Personal accident	3,742,377	-46	-1,137	-202,935	2,793	3,541,054
Health	687,523	0	0	-483,987	0	203,536
Land vehicles casco	9,746,966	-167,462	-59,783	-234,768	-127,904	9,157,050
Railway rolling stock	1,076	0	0	0	0	1,076
Aircraft hull	124,603	0	-289	-57,195	18,929	86,048
Ships hull	1,931,552	0	-2,237	-125,967	1,83	1,805,179
Goods in transit	912,189	-3,595	-2,095	598,335	1,567	1,506,401
Fire and natural forces	31,162,767	-1,265,019	-5,811,280	10,141,456	-4,327,067	29,900,858
Other damage to property	10,270,110	-1,662	-348,551	-2,638,234	-19,371	7,262,291
Motor liability	9,947,656	-403,885	-1,641,390	-1,277,054	303,973	6,929,299
Aircraft liability	26,939	0	-20,159	18,849	14,991	40,62
Liability for ships	120,549	-1,123	-6,414	54,521	-1,01	166,524
General liability	1,927,092	-127	-4,161	887,776	122,466	2,933,046
Credit	705,57	-524,929	0	-20,059	0	160,581
Suretyship	194,683	-25,365	0	-58,146	0	111,172
Miscellaneous financial loss	109,802	-311,476	260,603	-244,879	-22,808	-208,758
Assistance	2,203	-603	0	-7,763	0	-6,163
Life insurance	1,126,140	0	-436,53	530,011	-98,296	1,121,325
Unit-linked life	147,428	0	-99,802	-73,645	51,552	25,532
Total non-life	**71,613,657**	**-2,705,293**	**-7,636,893**	**6,349,949**	**-4,031,610**	**63,589,812**
Total life	**1,273,569**	**0**	**-536,333**	**456,366**	**-46,744**	**1,146,857**
TOTAL	72,887,226	-2,705,293	-8,173,225	6,806,316	-4,078,354	64,736,669

The above tables show (columns from left to right) gross claims paid net of recourse receivables. This column is followed by claims recovered from retrocessionaires. In addition, net claims incurred include the change in the claims provision (both retained and retroceded).

Gross claims paid grew by 27.8 % in 2015. Compared to year-end 2014, the net provision for outstanding claims increased by € 10.7 million, but it increased by € 2.7 million one year earlier, which means that the change in 2015 was larger than in 2014.

30. Change in other technical provisions and expenses for bonuses and rebates

In 2015 other net technical provisions increased by € 121,984 (2014: decrease of € 12,793). The figures for both years relate to changes in the net provision for unexpired risks.

The change in the provision for bonuses and rebates was an increase of € 83,193 in 2015 (2014: decrease of € 21,680).

31. Operating expenses

The Company classifies operating expenses by nature. Compared to 2014, operating expenses increased by 3.2 %, mainly due to the increase in other operating expenses. Personnel costs increased mainly due to the increase in the number of employees. There was also an increase in the cost of legal services.

Breakdown of operating expenses

(€)	2015	2014
Acquisition costs (commissions)	32,445,281	30,723,796
Change in deferred acquisition costs	-1,492,043	8,390
Depreciation of operating assets	289,196	224,523
Personnel costs	6,073,065	5,541,462
- salaries and wages	4,816,551	4,380,223
- social and pension insurance costs	797,704	735,457
- other personnel costs	458,810	425,782
Costs of serices by natural persons not performing business, incl. of contributions	168,909	153,223
Other operating expenses	2,744,818	2,317,073
TOTAL	40,229,226	38,968,467

In 2015 other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), decreased slightly in relation to gross premiums written and represented 6.1 % of gross premiums written (2014: 6.3 %).

Audit costs

(€)	2015	2014
Audit of annual report	61,000	61,000
Other audit services	63,827	165,396
TOTAL	124,827	226,396

The cost of auditing the annual report includes audit costs for both Sava Reinsurance Company and the consolidated annual report of the Sava Re Group for 2015. Other auditing services, mainly relating to consulting for the implementation of Solvency II requirements, decreased.

Acquisition costs

(€)	2015	2014
Personal accident	2,285,071	1,852,160
Health	748,594	9,240
Land vehicles casco	3,348,947	4,097,377
Railway rolling stock	9,153	0
Aircraft hull	78,732	34,772
Ships hull	869,642	830,312
Goods in transit	691,852	761,563
Fire and natural forces	14,081,712	11,984,619
Other damage to property	5,383,181	5,951,444
Motor liability	2,777,957	3,157,988
Aircraft liability	47,304	-11,581
Liability for ships	88,419	69,267
General liability	1,031,734	1,135,656
Credit	139,149	98,979
Suretyship	42,697	67,484
Miscellaneous financial loss	319,820	117,685
Legal expenses	1,747	84
Assistance	-624	-729
Life insurance	455,653	491,757
Unit-linked life	44,540	75,719
Total non-life	**31,945,088**	**30,156,321**
Total life	**500,193**	**567,475**
TOTAL	32,445,281	30,723,796

Change in deferred acquisition costs

(€)	2015	2014
Personal accident	-134,179	20,634
Health	-14,821	11,339
Land vehicles casco	175,123	-196,309
Railway rolling stock	-1,025	0
Aircraft hull	-26,236	9,591
Ships hull	-28,614	-24,645
Goods in transit	1,443	20,542
Fire and natural forces	-1,202,005	410,281
Other damage to property	-142,976	-452,766
Motor liability	-665	208,319
Aircraft liability	-11,166	-240
Liability for ships	-15,971	2,325
General liability	-31,272	33,284
Credit	-44,561	25,745
Suretyship	10,009	7,437
Miscellaneous financial loss	-84,778	-2,221
Legal expenses	-718	0
Assistance	0	299
Life insurance	60,369	-65,227
Total non-life	**-1,552,413**	**73,617**
Total life	**60,369**	**-65,227**
TOTAL	-1,492,043	8,390

32. Other technical expenses

(€)	2015	2014
Expenses for exchange losses	6,743,669	2,442,776
Value adjustments	225,155	310,760
Regulator fees	164,136	148,258
Other technical expenses	6,156	3,073
TOTAL	7,139,116	2,904,867

33. Income tax expense

Tax rate reconciliation

(€)	2015	2014
Profit/loss before tax	16,739,349	25,628,828
Income tax expenses at statutory tax rate	2,845,689	4,356,901
Tax effect of income that is deducted for tax purposes	-2,263,441	-1,755,844
Tax effect of expenses not deducted for tax purposes	971,494	808,074
Income from or expenses for tax relief	-38,859	-44,919
Changes in temporary differences	-967,436	-93,804
TOTAL INCOME TAX EXPENSE IN THE INCOME STATEMENT	547,447	3,270,409
Effective tax rate	3.27 %	12.76 %

25.8. Notes to the financial statements – cash flow statement

34. Notes to the cash flow statement, which has been prepared using the indirect method.

The cash flow statement shown in section 24.4 »Cash flow statement« has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

The table below presents income statement items not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

(€)	2015	2014
Net profit/loss for the period	**16,191,902**	**22,358,419**
Non-cash items of the income statement not included in the cash flow statement	**19,714,504**	**4,587,222**
- change in unearned premiums	8,134,199	820,635
- change in the provision for outstanding claims	10,741,816	2,727,962
- change in other technical provisions	121,984	-12,793
- operating expenses – amortisation/ depreciation and change in deferred acquisition cost	-1,202,847	232,913
- impairment losses on financial assets	1,919,352	818,505
Eliminated investment income items	**-18,440,978**	**-15,464,319**
- interest received disclosed under B. a.) 1.	-4,710,946	-4,607,741
- receipts from dividends and shares in profit of others disclosed under B. a.) 2.	-13,730,032	-10,856,579
Eliminated investment expense items	**896,145**	**949,274**
- interest paid disclosed under C. b.) 1.	896,145	949,274
CASH FLOWS FROM OPERATING ACTIVITIES – INCOME STATEMENT ITEMS	18,361,573	12,430,596

25.9. Contingent receivables and liabilities

Based on a contract with the former owner of Velebit osiguranje and Velebit životno osiguranje, the Company discloses a contingent liability due to the former owner of both companies but also a contingent receivable due from the non-controlling interest in both subsidiaries for the transfer of the lien on shares. The estimated contingent liability in this regard is € 0.1 million.

25.10. Related party disclosures

The Company separately discloses its relationships with the following groups of related parties:

- owners and related enterprises;
- management and supervisory board members and employees not subject to the tariff section of the collective agreement;
- subsidiary companies;
- associates.

The Company is a party to a contract with the Moja naložba pension company on the participation in a supplementary pension scheme.

Owners and related enterprises

The Group's largest shareholder is the Slovenian Sovereign Holding, holding 25 % plus one share.

Business relationship with the largest shareholder

In 2015 the Company had no business transactions with its largest shareholder.

The members of the management and supervisory boards, the audit committee and employees not subject to the tariff section of the collective agreement

Remuneration of management and supervisory board members, and of employees not subject to the tariff section of the collective agreement

(€)	2015	2014
Management board	746,643	658,736
Payments to employees not subject to the tariff section of the collective agreement	2,558,363	2,213,957
Supervisory board	119,963	108,999
Audit committee and nomination committee	26,473	20,744
TOTAL	3,451,442	3,002,437

Remuneration of management board members relating to 2015

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	168,143	31,872	6,203	10,272	216,490
Srečko Čebron	152,183	28,680	5,269	2,603	188,734
Jošt Dolničar	144,191	28,680	5,112	2,668	180,651
Mateja Treven	144,191	11,428	5,149	0	160,768
TOTAL	608,707	100,660	21,732	15,543	746,643

Remuneration of management board members relating to 2014

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	168,141	31,872	6,248	4,353	210,614
Srečko Čebron	152,181	28,680	5,246	3,191	189,299
Jošt Dolničar	144,189	28,680	5,135	3,312	181,317
Mateja Treven	57,694	17,599	2,213	0	77,506
TOTAL	522,206	106,831	18,843	10,856	658,736

Liabilities to management board members relating to gross remuneration

(€)	31/12/2015	31/12/2014
Zvonko Ivanušič	13,946	13,946
Srečko Čebron	12,616	12,616
Jošt Dolničar	11,950	11,950
Mateja Treven	11,950	11,950
TOTAL	50,462	50,462

At 31 December 2015, the Company had no receivables due from its management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration of members of the supervisory board and the audit committee relating to 2015

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	2,750	19,500	2,747	24,997
Mateja Lovšin Herič	deputy chair of the SB	2,750	14,300	0	17,050
Slaven Mićković	member of the SB	2,750	13,000	0	15,750
Martin Albreht	member of the SB	1,375	5,778	0	7,153
Gorazd Andrej Kunstek	member of the SB	2,750	13,000	0	15,750
Keith William Morris	member of the SB	2,750	13,000	14,916	30,666
Helena Dretnik	member of the SB	1,375	7,222	0	8,597
TOTAL SUPERVISORY BOARD MEMBERS		16,500	85,800	17,664	119,963
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,980	4,875	0	6,855
Slaven Mićković	member of the AC	1,980	3,250	0	5,230
Ignac Dolenšek	member of the AC	0	14,175	213	14,388
TOTAL AUDIT COMMITTEE MEMBERS		3,960	22,300	213	26,473

Remuneration of members of the supervisory board and the audit committee relating to 2014

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	2,750	19,500	3,538	25,788
Mateja Lovšin Herič	deputy chair of the SB	2,750	14,300	127	17,177
Slaven Mićković	member of the SB	2,750	13,000	0	15,750
Martin Albreht	member of the SB	2,475	13,000	0	15,475
Gorazd Andrej Kunstek	member of the SB	2,200	13,000	0	15,200
Keith William Morris	member of the SB	2,750	13,000	3,860	19,609
TOTAL SUPERVISORY BOARD MEMBERS		15,675	85,800	7,524	108,999
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,760	4,875	0	6,635
Slaven Mićković	member of the AC	1,760	3,250	0	5,010
Ignac Dolenšek	member of the AC	0	8,925	174	9,099
TOTAL AUDIT COMMITTEE MEMBERS		3,520	17,050	174	20,744

Liabilities to members of the supervisory board and the supervisory board audit committee relating to gross remuneration

(€))	31/12/2015	31/12/2014
Branko Tomažič	2,230	2,140
Mateja Lovšin Herič	2,093	1,873
Slaven Mićković	1,849	1,629
Gorazd Andrej Kunstek	1,358	1,358
Martin Albreht	0	1,358
Keith William Morris	13,621	4,075
Helena Dretnik	1,358	0
Ignac Dolenšek	4,332	0
TOTAL	26,841	12,434

Employee remuneration not subject to the tariff section of the collective agreement relating to 2015

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	2,156,563	298,296	103,504	2,558,363

Employee remuneration not subject to the tariff section of the collective agreement relating to 2014

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	2,011,713	76,377	125,867	2,213,957

Subsidiary companies

Investments in and amounts due from Group companies

(€)		31/12/2015	31/12/2014
Debt securities and loans granted to Group companies	gross	2,834,953	4,334,953
	allowance	0	0
	net	2,834,953	4,334,953
Receivables for premiums arising out of reinsurance assumed	gross	14,722,143	13,031,175
	allowance	0	0
	net	14,722,143	13,031,175
Short-term receivables arising out of financing	gross	28,091	15,985
	allowance	0	0
	net	28,091	15,985
Other short-term receivables	gross	204,223	4,369
	allowance	0	0
	net	204,223	4,369
Short-term deferred acquisition costs	gross	4,166,332	4,248,370
	allowance	0	0
	net	4,166,332	4,248,370
TOTAL		21,955,742	21,634,851

Liabilities to Group companies

(€)	31/12/2015	31/12/2014
Liabilities for shares in reinsurance claims due to Group companies	7,892,615	9,435,525
Other liabilities from co-insurance and reinsurance	2,920,851	3,291,946
Other short-term liabilities	12,325,063	36,553
TOTAL (EXCL. PROVISIONS)	23,138,529	12,764,024

Liabilities to Group companies by maturity

(€)	Maturity	
31/12/2015	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	7,892,615	7,892,615
Other short-term liabilities to Group companies	2,920,851	2,920,851
Other short-term liabilities	12,325,063	12,325,063
TOTAL (EXCL. PROVISIONS)	23,138,529	23,138,529

(€)	Maturity	
31/12/2014	Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	9,435,525	9,435,525
Other short-term liabilities to Group companies	3,291,946	3,291,946
Other short-term liabilities	36,553	36,553
TOTAL (EXCL. PROVISIONS)	12,764,023	12,764,023

Income and expenses relating to Group companies

(€)	2015	2014
Gross premiums written	53,831,181	53,836,356
Gross claims payments	-35,186,171	-31,521,303
Income from gross recourse receivables	1,240,505	2,694,774
Other operating expenses	-95,964	-110,041
Dividend income	13,004,219	10,250,880
Other investment income	14,233	11,472
Interest income	183,124	191,830
Acquisition costs	-11,312,604	-12,126,648
Other non-life income	11,152	7,292
TOTAL	21,689,675	23,234,612

Associate companies

Investments in and amounts due from associates

In 2015 and 2014, there were neither investments in any nor amounts due from the associate company.

Liabilities to associates

(€)	31/12/2015	31/12/2014
Other short-term liabilities	0	5,856

Income and expenses relating to associates

(€)	2015	2014
Additional pension insurance premium	74,992	65,574

Receivables due from the state and majority state-owned compani

(€)	31/12/2015	31/12/2014
Interests in companies	8,055,200	9,191,485
Debt securities and loans	45,005,799	52,290,026
TOTAL	53,060,999	61,481,511

Income and expenses relating to majority state-owned companies

(€)	2015	2014
Dividend income	318,644	501,752
Interest income	1,476,119	2,009,939
Exchange gains	617,108	126,631
Other income	291,951	734,762
TOTAL	2,703,822	3,373,083

Characteristics of loans granted to subsidiaries

Borrower	Principal	Type of loan	Maturity	Interest rate
Sava osiguranje Belgrade	500,000	ordinary	30/06/2017	3.60 %
Sava osiguranje Belgrade	800,000	ordinary	30/06/2016	3.60 %
Velebit osiguranje	734,953	subordinated	no maturity	7.00 %
Velebit životno osiguranje	800,000	subordinated	no maturity	7.50 %
TOTAL	2,834,953			

26. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- From 1 January 2016 up to and including 16 March 2016, Sava Reinsurance Company bought 21,235 own shares for a total amount of € 0.3 million. After such purchases, the Company held a total of 762,756 own shares.
- In its session of 23 February 2016, the workers' council of Sava Reinsurance Company was presented with the notice of resignation of Helen Dretnik as member of the supervisory board representing employee interests, and accepted it. Helena Dretnik had handed in her notice of resignation on 19 February 2016 with effect from the same date. Until the appointment of a new member of the supervisory board representing employee interests, the supervisory board of Sava Reinsurance Company will operate as a five-member body.

APPENDICES

Appendix A – Financial statements of Sava Reinsurance Company pursuant to requirements of the Insurance Supervision Agency

Statement of financial position – assets

(€)				31/12/2015	31/12/2014	Index
ASSETS (A–F)				570,886,710	547,413,684	104.3
A.	**INTANGIBLE ASSETS, DEFERRED COSTS AND ACCRUED INCOME**			**666,490**	**467,422**	**142.6**
	1.	Intangible assets		654,331	458,561	142.7
	4.	Other long-term deferred expenses and accrued income		12,159	8,862	137.2
B.	**LAND AND BUILDINGS AND FINANCIAL INVESTMENTS**			**471,750,278**	**464,034,638**	**101.7**
I.	LAND AND BUILDINGS			4,858,996	2,004,465	242.4
	a.)	directly used in insurance activities		1,859,254	1,888,972	98.4
		1.	Land directly used in insurance activities	146,616	146,616	100.0
		2.	Buildings directly used in insurance activities	1,712,638	1,742,356	98.3
	b.)	Land and buildings not directly used in insurance activities		2,999,742	115,492	2597.4
		1.	Land	10,028	10,028	100.0
		2.	Buildings	2,989,714	105,464	2834.8
II.	FINANCIAL INVESTMENTS IN GROUP COMPANIES AND IN ASSOCIATES			211,066,674	193,976,947	108.8
	1.	Shares and participating interests in Group companies		208,231,721	188,630,935	110.4
	2.	Debt securities and loans granted to Group companies		2,834,953	4,334,953	65.4
	3.	Shares and interests in associates		0	1,011,059	-
III.	OTHER FINANCIAL INVESTMENTS			234,099,476	231,602,070	101.1
	1.	Long-term financial investments		229,422,608	224,172,982	102.3
		1.1.	Shares and other variable income securities and mutual funds	13,571,998	13,283,548	102.2
		1.2.	Debt securities and other fixed income securities	211,835,446	197,818,268	107.1
		1.6.	Bank deposits	4,015,164	13,071,166	30.7
	2.	Short-term financial investments		4,676,868	7,429,088	63.0
		2.1.	Held-for-trading shares and interests	1,396,186	1,647,372	84.8
		2.2.	Held-for-trading securities or securities with a remaining maturity of less than one year	2,372,573	3,188,880	74.4
		2.4.	Short-term deposits with banks	908,109	2,592,836	35.0
IV.	FINANCIAL INVESTMENTS OF REINSURERS I.R.O. REINSURANCE CONTRACTS WITH CEDANTS			5,698,774	5,587,510	102.0
VI.	TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS AND CO-INSURERS (separate item for co-insurance)			16,026,358	30,863,647	51.9
		a.	From unearned premiums	2,354,396	3,031,287	77.7
		c.	From provisions for claims outstanding	13,671,962	27,832,360	49.1
D.	**RECEIVABLES**			**86,711,197**	**72,524,758**	**119.6**
II.	RECEIVABLES ARISING OUT OF CO-INSURANCE AND REINSURANCE BUSINESS			82,453,006	71,298,398	115.6
	2.	Receivables for premiums arising out of reinsurance assumed		77,744,651	67,446,985	115.3
		2.1	Receivables due from Group companies	14,722,143	13,031,175	113.0
		2.3	Receivables due from others	63,022,508	54,415,810	115.8
	4.	Receivables for reinsurers' shares in claims		4,002,530	3,231,615	123.9
		4.3	Receivables due from others	4,002,530	3,231,615	123.9
	5.	Other receivables from co-insurance and reinsurance		705,825	619,797	113.9
		5.3	Receivables due from others	705,825	619,797	113.9
III.	OTHER RECEIVABLES AND DEFERRED TAX ASSETS			4,258,191	1,226,360	347.2
	3.	Short-term receivables arising out of financing		55,518	35,694	155.5
		3.1	Receivables due from Group companies	28,091	15,985	175.7
		3.3	Receivables due from others	27,427	19,709	139.2
	4.	Other short-term receivables		283,605	150,074	189.0
		4.1	Receivables due from Group companies	204,223	4,369	4674.2
		4.3	Receivables due from others	79,382	145,705	54.5
	6.	Tax assets (income tax)		1,633,620	0	-
	7.	Deferred tax assets		2,285,448	1,040,593	219.6
E.	**SUNDRY ASSETS**			**882,039**	**1,086,184**	**81.2**
I.	PROPERTY AND EQUIPMENT OTHER THAN LAND AND BUILDINGS			596,089	573,842	103.9
	1.	Equipment		513,653	532,112	96.5
	2.	Other property and equipment		82,436	41,730	197.6
II.	CASH AND CASH EQUIVALENTS			285,950	512,342	55.8
F.	**SHORT-TERM ACCRUED INCOME AND DEFERRED EXPENSES**			**10,876,706**	**9,300,682**	**117.0**
	2.	Short-term deferred acquisition costs		10,496,041	9,003,998	116.6
		2.1	Short-term deferred costs due to Group companies	4,166,332	5,720,558	72.8
		2.3	Short-term deferred costs due to others	6,329,709	3,283,440	192.8
	3.	Other short-term accrued income and deferred expenses		380,665	296,684	128.3
H.	**OFF BALANCE SHEET ITEMS**			**10,419,172**	**10,689,763**	**97.5**

(€)			31/12/2015	31/12/2014	Index
EQUITY AND LIABILITIES (A–H)			570,886,710	547,413,684	104.3
A.	**EQUITY**		**263,679,403**	**258,135,674**	**102.2**
I.	CALLED-UP CAPITAL		71,856,376	71,856,376	100.0
	1.	Share capital	71,856,376	71,856,376	100.0
II.	CAPITAL RESERVES		54,239,757	54,239,757	100.0
III.	PROFIT RESERVES		113,855,967	105,862,178	107.6
	2.	Legal reserves and reserves provided for by the articles of association	14,986,525	14,986,525	100.0
	3.	Reserves for treasury shares and own interests	10,319,347	10,115,023	102.0
	4.	Treasury shares and own interests (contra account)	-10,319,347	-10,115,023	102.0
	5.	Credit risk equalisation reserve	917,885	845,522	108.6
	6.	Catastrophe equalisation reserve	10,000,000	10,000,000	100.0
	7.	Other profit reserves	87,951,557	80,030,132	109.9
IV.	FAIR VALUE RESERVE		2,963,868	4,341,739	68.3
	2.	Fair value reserve relating to long-term financial investments	3,006,703	4,357,600	69.0
	4.	Other fair value reserve	-42,835	-15,860	270.1
V.	RETAINED EARNINGS		12,769,646	15,713,039	81.3
VI.	NET PROFIT/LOSS FOR THE YEAR		7,993,789	6,122,585	130.6
B.	**SUBORDINATED LIABILITIES**		**23,534,136**	**23,499,692**	**100.2**
C.	**GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUMS EARNED**		**220,901,954**	**216,658,049**	**102.0**
I.	GROSS UNEARNED PREMIUMS		46,546,065	39,088,756	119.1
III.	GROSS PROVISION FOR OUTSTANDING CLAIMS		173,912,911	177,331,493	98.1
IV.	GROSS PROVISION FOR BONUSES AND REBATES		320,994	237,800	135.0
E.	**E. PROVISIONS FOR OTHER RISKS AND CHARGES**		**347,277**	**273,590**	**126.9**
	1.	Provisions for pensions	346,778	272,823	127.1
	2.	Other provisions	499	767	65.0
		2.3 Other provisions from relations with other companies	499	767	65.0
G.	**OTHER LIABILITIES**		**61,234,900**	**46,957,381**	**130.4**
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE BUSINESS		47,871,910	43,682,228	109.6
	2.	Liabilities for reinsurance premiums	4,771,408	3,451,173	138.3
		2.3 Liabilities due to other companies	4,771,408	3,451,173	138.3
	4.	Liabilities for shares in reinsurance claims	27,347,245	24,355,884	112.3
		4.1 Liabilities to Group companies	7,892,615	9,435,525	83.7
		4.3 Liabilities due to other companies	19,454,630	14,920,359	130.4
	5.	Other liabilities due from co-insurance and reinsurance	15,753,257	15,875,171	99.2
		5.1 Liabilities to Group companies	2,920,851	3,291,946	88.7
		5.3 Liabilities due to other companies	12,832,406	12,583,226	102.0
VI.	OTHER LIABILITIES		13,362,990	3,275,153	408.0
	b.)	Other short-term liabilities	13,362,990	3,275,153	408.0
		1. Short-term liabilities due to employees	391,613	379,026	103.3
		3. Short-term liabilities arising out of financing	91,897	74,429	123.5
		3.3 Short-term liabilities to others arising out of financing	91,897	74,429	123.5
		4. Tax liabilities (income tax)	0	2,466,162	-
		5. Other short-term liabilities	12,879,480	355,536	3622.6
		5.1 Other short-term liabilities to Group companies	12,325,063	0	-
		5.3 Other short-term liabilities to others	554,417	355,536	155.9
H.	**ACCRUED EXPENSES AND DEFERRED INCOME**		**1,189,040**	**1,889,297**	**62.9**
	1.	Accrued costs and expenses	553,715	805,874	68.7
	2.	Other accrued expenses and deferred income	635,325	1,083,423	58.6
J.	**OFF BALANCE SHEET ITEMS**		**10,419,172**	**10,689,763**	**97.5**

(€)			2015	2014	Index
A	TECHNICAL ACCOUNT – NON-LIFE BUSINESS OTHER THAN HEALTH BUSINESS				
I.	**Net earned premiums**		**125,479,297**	**113,847,068**	**110.2**
	1.	Gross premiums written	151,982,421	131,323,246	115.7
	4.	Gross reinsurance premiums written (-)	-18,368,925	-16,655,543	110.3
		4.3 Gross reinsurance premiums written from other companies	-18,368,925	-16,655,543	110.3
	5.	Change in gross unearned premiums (+/-)	-7,457,308	-1,262,964	590.5
	6.	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	-676,891	442,329	-153.0
II.	**Allocated investment return transferred from the non-technical account (item D VIII)**		**7,484,521**	**6,198,698**	**120.7**
IV.	**Net claims incurred**		**86,680,582**	**64,736,670**	**133.9**
	1.	Gross claims payments	90,952,440	72,887,226	124.8
	2.	Income from realised gross recourse receivables (-)	-1,262,903	-2,705,293	46.7
	4.	Reinsurers' shares paid (-)	-13,750,771	-8,173,225	168.2
		4.3 Reinsurers' share for other companies	-13,750,771	-8,173,225	168.2
	5.	Change in the gross claims provision (+/–)	-3,418,581	6,806,316	-50.2
	6.	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	14,160,397	-4,078,354	-347.2
VI.	**Net expenses for bonuses and rebates**		**83,193**	**-21,680**	**-383.7**
VII.	**Net operating expenses**		**37,623,325**	**36,937,817**	**101.9**
	1.	Acquisition costs	32,445,281	30,723,796	105.6
	2.	Change in deferred acquisition costs (+/-)	-1,492,043	8,390	-17784.1
	3.	Other operating expenses	9,275,988	8,236,283	112.6
		3.1. Depreciation/amortisation of operating assets	289,196	224,523	128.8
		3.2. Personnel costs	6,073,065	5,541,462	109.6
		- salaries and wages	4,816,551	4,380,223	110.0
		- social and pension insurance costs	797,704	735,457	108.5
		- other personnel costs	458,810	425,782	107.8
		3.3. Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	168,909	153,223	110.2
		3.4. Other operating expenses	2,744,818	2,317,074	118.5
		3.4.1 Other operating expenses for group companies	95,891	110,042	87.1
		3.4.1 Other operating expenses for other companies	2,648,927	2,207,033	120.0
	4.	Income from reinsurance commission and reinsurance contract profit participation (-)	-2,605,901	-2,030,651	128.3
VIII.	**Other net technical expenses**		**164,145**	**148,814**	**110.3**
	1.	Expenses for loss prevention activities	9	23	37.5
	3.	Other net technical expenses	164,136	148,791	110.3
IX.	**Balance on the technical account - non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)**		**8,290,589**	**18,256,937**	**45.4**

Statement of comprehensive income

(€)				2015	2014	Index
D.	NON-TECHNICAL ACCOUNT					
I.	**Balance on the technical account – non-life business other than health business (A X)**			**8,290,589**	**18,256,937**	**45.4**
IV.	**Investment income**			**31,693,861**	**22,050,363**	**143.7**
	1.	Income from participating interests		13,730,032	10,856,579	126.5
		1.1.	Income from participating interests in Group companies	13,004,219	10,250,880	126.9
		1.3.	Income from participating interests in other companies	725,813	605,699	119.8
	2.	Income from other investments		16,995,327	9,566,822	177.7
		2.1.	Income from land and buildings	14,233	15,296	93.1
			- in Group companies	14,233	11,472	124.1
		2.2.	Interest income	4,710,946	4,607,741	102.2
			- in Group companies	255,998	278,607	91.9
			- in other companies	4,454,948	4,329,133	102.9
		2.3.	Other investment income	12,270,148	4,943,786	248.2
			2.3.1 Financial income from revaluation	12,264,857	4,893,732	250.6
			- in other companies	12,264,857	4,893,732	250.6
			2.3.2 Other financial income	5,291	50,054	10.6
			- in other companies	5,291	50,054	10.6
	4.	Gains on disposal of investments		968,502	1,626,963	59.5
VII.	**Investment expenses**			**16,059,304**	**8,377,696**	**191.7**
	1.	Depreciation of investments not necessary for operations		1,790	2,176	82.3
	2.	Asset management expenses, interest expenses and other financial expenses		904,803	1,036,321	87.3
	3.	Financial expenses from revaluation		14,620,688	6,891,452	212.2
	4.	Losses on disposal of investments		532,023	447,747	118.8
VIII.	**Allocated investment return transferred to the technical account for non-life business other than health business (A II)**			**7,484,521**	**6,198,698**	**120.7**
IX.	**Other technical income**			**7,189,411**	**2,633,838**	**273.0**
	1.	Other income from non-life business other than health business		7,189,411	2,633,838	273.0
X.	**Other technical expenses**			**6,973,181**	**2,753,876**	**253.2**
	1.	Other expenses for non-life business other than health business		6,973,181	2,753,876	253.2
XI.	**Other income**			**82,496**	**18,407**	**448.2**
	1.	Other non-life income		82,496	18,407	448.2
XII.	**Other expenses**			**2**	**446**	**0.5**
	1.	Other non-life expenses		2	446	0.5
XIII.	**Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)**			**16,739,349**	**25,628,827**	**65.3**
	1.	Profit/loss for the period for non-life business		16,739,349	25,628,828	65.3
XIV.	**Tax on profit**			**1,514,883**	**3,315,196**	**45.7**
	1.1.	Tax on profit from non-life business		1,514,883	3,315,196	45.7
XV.	**Deferred tax**			**-967,436**	**-44,788**	**2160.0**
	1.1.	Deferred tax for non-life business		-967,436	-44,788	2160.0
XVI.	**Net profit/loss for the period (XIII-XIV+XV)**			**16,191,902**	**22,358,419**	**72.4**
	Breakdown of profit/loss					
	- From non-life insurance business			16,191,902	22,358,419	72.4
E.	CALCULATION OF COMPREHENSIVE INCOME					
I.	**Profit/loss for the year, net of tax**			**16,191,902**	**22,358,419**	**72.4**
II.	**Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+)**			**-1,377,871**	**4,088,718**	**-33.7**
	a)	Items that will not be reclassified subsequently to profit or loss		-26,975	-16,629	162.2
		5.	Other items that will not be reclassified subsequently to profit or loss	-27,705	-20,034	138.3
		6.	Tax on items that will not be reclassified subsequently to profit or loss	730	3,406	21.4
	b)	Items that may be reclassified subsequently to profit or loss		-1,350,896	4,105,347	-32.9
		1.	Net gains/losses on remeasuring available-for-sale financial assets	-1,627,587	4,946,202	-32.9
		5.	Tax on items that may be reclassified subsequently to profit or loss	276,691	-840,854	-32.9
III.	**Total comprehensive income (I + II)**			**14,814,031**	**26,447,137**	**56.0**

Appendix B – Financial statements of the Sava Re Group pursuant to requirements of the Insurance Supervision Agency

Consolidated statement of financial position – assets

(€)				31/12/2015	31/12/2014	Index
ASSETS (A–F)				1,607,281,060	1,454,374,935	110.5
A.	**INTANGIBLE ASSETS, DEFERRED COSTS AND ACCRUED INCOME**			**30,465,315**	**34,940,960**	**87.2**
	1.	Intangible assets		3,046,084	2,785,600	109.4
	2.	Goodwill		16,242,284	17,654,308	92.0
	3.	Long-term deferred acquisition costs		3,509,404	3,662,804	95.8
	4.	Other long-term deferred expenses and accrued income		7,667,543	10,838,248	70.8
B.	**LAND AND BUILDINGS AND FINANCIAL INVESTMENTS**			**1,199,238,518**	**1,059,621,886**	**113.2**
I.	**LAND AND BUILDINGS**			**48,886,192**	**43,208,362**	**113.1**
	a.)	directly used in insurance activities		40,845,948	38,105,037	107.2
		1.	Land directly used in insurance activities	8,019,657	7,135,178	112.4
		2.	Buildings directly used in insurance activities	32,826,291	30,969,859	106.0
	b.)	Land and buildings not directly used in insurance activities		8,040,244	5,103,325	157.6
		1.	Land	673,527	736,022	91.5
		2.	Buildings	7,366,717	4,367,303	168.7
II.	**FINANCIAL INVESTMENTS IN GROUP COMPANIES AND IN ASSOCIATES**			**0**	**3,072,497**	**-**
	3.	Shares and interests in associates		0	3,072,497	-
III.	**OTHER FINANCIAL INVESTMENTS**			**1,009,358,031**	**969,080,872**	**104.2**
	1.	Long-term financial investments		869,904,982	876,743,269	99.2
		1.1.	Shares and other variable income securities and mutual funds	27,773,356	22,445,143	123.7
		1.2.	Debt securities and other fixed income securities	822,586,386	812,648,232	101.2
		1.4.	Mortgage loans	196,892	271,369	72.6
		1.5.	Other loans granted	200,875	323,850	62.0
		1.6.	Bank deposits	19,100,994	40,856,525	46.8
		1.7.	Other financial investments	46,479	198,150	23.5
	2.	Short-term financial investments		139,453,049	92,337,603	151.0
		2.1.	Held-for-trading shares and interests	3,891,741	4,256,817	91.4
		2.2.	Held-for-trading securities or securities with a remaining maturity of less than one year	100,978,816	33,289,905	303.3
		2.3.	Short-term loans granted	317,457	77,787	408.1
		2.4.	Short-term deposits with banks	33,951,303	54,713,094	62.1
IV.	**FINANCIAL INVESTMENTS OF REINSURERS I.R.O. REINSURANCE CONTRACTS WITH CEDANTS**			**5,698,774**	**5,587,510**	**102.0**
V.	**ASSETS FROM INVESTMENT CONTRACTS**			**111,418,244**	**0**	**-**
VI.	**TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS AND CO-INSURERS (separate item for co-insurance)**			**23,877,277**	**38,672,645**	**61.7**
		a.	From unearned premiums	6,176,167	6,601,969	93.6
		b.	From mathematical provisions	0	37	-
		c.	From provisions for claims outstanding	18,374,900	32,274,622	56.9
		e.	From other technical provisions	-673,790	-203,983	330.3

C.	INVESTMENTS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	214,189,117	202,913,059	105.6
D.	RECEIVABLES	133,035,786	125,597,534	105.9
I.	RECEIVABLES ARISING OUT OF PRIMARY INSURANCE BUSINESS	51,510,767	54,233,024	95.0
	1. Receivables due from policyholders	49,945,372	52,539,647	95.1
	1.3 Receivables due from others	49,945,372	52,539,647	95.1
	2. Receivables due from insurance intermediaries	1,404,284	1,584,654	88.6
	2.3 Receivables due from others	1,404,284	1,584,654	88.6
	3. Other receivables arising out of primary insurance business	161,111	108,723	148.2
	3.3 Receivables due from others	161,111	108,723	148.2
II.	RECEIVABLES ARISING OUT OF CO-INSURANCE AND REINSURANCE BUSINESS	68,757,586	59,502,227	115.6
	1. Receivables for premiums arising out of assumed co-insurance	252,562	356,366	70.9
	1.3 Receivables due from others	252,562	356,366	70.9
	2. Receivables for premiums arising out of reinsurance assumed	63,110,896	54,491,644	115.8
	2.3 Receivables due from others	63,110,896	54,491,643	115.8
	3. Receivables for shares in co-insurance claims	120,307	217,978	55.2
	3.3 Receivables due from others	120,307	217,978	55.2
	4. Receivables for reinsurers' shares in claims	4,511,512	3,690,746	122.2
	4.3 Receivables due from others	4,511,512	3,690,746	122.2
	5. Other receivables from co-insurance and reinsurance	762,309	745,493	102.3
	5.3 Receivables due from others	762,309	745,493	102.3

(€)		31/12/2015	31/12/2014	Index
III.	OTHER RECEIVABLES AND DEFERRED TAX ASSETS	12,767,433	11,862,283	107.6
	1. Receivables for advances for intangible assets	313,154	450,845	69.5
	1.3 Receivables due from others	313,154	450,845	69.5
	2. Other short-term receivables arising out of insurance business	3,320,100	4,466,840	74.3
	2.3 Receivables due from others	3,320,100	4,466,840	74.3
	3. Short-term receivables arising out of financing	813,315	667,559	121.8
	3.3 Receivables due from others	813,315	667,559	121.8
	4. Other short-term receivables	4,176,204	4,690,838	89.0
	4.3 Receivables due from others	4,176,204	4,690,837	89.0
	5. Long-term receivables	38,509	30,804	125.0
	5.3 Receivables due from others	38,509	30,804	125.0
	6. Tax assets (income tax)	1,734,294	353,016	491.3
	7. Deferred tax assets	2,371,857	1,202,381	197.3
E.	SUNDRY ASSETS	11,135,581	12,055,480	92.4
I.	PROPERTY AND EQUIPMENT OTHER THAN LAND AND BUILDINGS	6,371,363	6,368,601	100.0
	1. Equipment	6,163,343	6,172,506	99.9
	2. Other property and equipment	208,020	196,095	106.1
II.	CASH AND CASH EQUIVALENTS	4,710,904	5,643,200	83.5
III.	INVENTORIES AND OTHER ASSETS	53,314	43,679	122.1
	1. Inventories	53,314	43,679	122.1
F.	SHORT-TERM ACCRUED INCOME AND DEFERRED EXPENSES	19,112,330	18,796,666	101.7
	1. Accrued interest and rent	40,750	43,071	94.6
	2. Short-term deferred acquisition costs	17,992,485	17,489,101	102.9
	2.3 Short-term deferred costs due to others	17,992,485	17,489,101	102.9
	3. Other short-term accrued income and deferred expenses	1,079,095	1,264,494	85.3
G.	NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	104,413	449,350	23.2
H.	OFF BALANCE SHEET ITEMS	45,585,271	44,441,340	102.6

(€)		31/12/2015	31/12/2014	Index
EQUITY AND LIABILITIES (A–H)		1,607,281,060	1,454,374,935	110.5
A.	**EQUITY**	**286,401,678**	**271,528,623**	**105.5**
I.	CALLED-UP CAPITAL	71,856,376	71,856,376	100.0
	1. Share capital	71,856,376	71,856,376	100.0
II.	CAPITAL RESERVES	43,388,724	44,638,799	97.2
III.	PROFIT RESERVES	112,635,082	105,031,313	107.2
	2. Legal reserves and reserves provided for by the articles of association	11,242,766	11,140,269	100.9
	3. Reserves for treasury shares and own interests	10,319,347	10,115,023	102.0
	4. Treasury shares and own interests (contra account)	-10,319,347	-10,115,023	102.0
	5. Credit risk equalisation reserve	976,191	876,938	111.3
	6. Catastrophe equalisation reserve	11,225,068	11,744,474	95.6
	7. Other profit reserves	89,191,057	81,269,632	109.8
IV.	FAIR VALUE RESERVE	9,217,078	14,959,305	61.6
	2. Fair value reserve relating to long-term financial investments	11,562,371	17,060,663	67.8
	3. Fair value reserve relating to short-term financial investments	1,159,336	1,534,090	75.6
	4. Other fair value reserve	-3,504,629	-3,635,447	96.4
V.	RETAINED EARNINGS	23,490,926	15,652,780	150.1
VI.	NET PROFIT/LOSS FOR THE YEAR	24,849,678	17,474,558	142.2
VII.	NON-CONTROLLING INTEREST IN EQUITY	963,815	1,915,490	50.3
B.	**SUBORDINATED LIABILITIES**	**23,534,136**	**28,699,692**	**82.0**
C.	**GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUMS EARNED**	**887,068,500**	**869,982,633**	**102.0**
I.	GROSS UNEARNED PREMIUMS	156,039,680	148,169,690	105.3
II.	GROSS MATHEMATICAL PROVISIONS	262,052,426	256,292,141	102.3
III.	GROSS PROVISION FOR OUTSTANDING CLAIMS	459,012,655	454,759,004	100.9
IV.	GROSS PROVISION FOR BONUSES AND REBATES	1,132,456	854,819	132.5
V.	OTHER GROSS TECHNICAL PROVISIONS	8,831,283	9,906,979	89.1
D.	**GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK**	**207,590,086**	**195,684,631**	**106.1**
E.	**E. PROVISIONS FOR OTHER RISKS AND CHARGES**	**7,389,695**	**6,940,650**	**106.5**
	1. Provisions for pensions	6,492,080	6,003,991	108.1
	2. Other provisions	897,615	936,659	95.8
G.	**OTHER LIABILITIES**	**183,843,192**	**67,886,045**	**270.8**
I.	LIABILITIES FROM PRIMARY INSURANCE BUSINESS	10,968,865	11,728,377	93.5
	1. Liabilities to policyholders	1,299,114	1,413,992	91.9
	1.3 Liabilities due to other companies	1,299,114	1,413,992	91.9
	2. Liabilities to insurance intermediaries	2,016,224	1,870,402	107.8
	2.3 Liabilities due to other companies	2,016,224	1,870,402	107.8
	3. Other liabilities from primary insurance business	7,653,527	8,443,983	90.6
	3.3 Liabilities due to other companies	7,653,527	8,443,983	90.6
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE BUSINESS	39,739,412	32,866,047	120.9
	1. Liabilities for co-insurance premiums	285,379	256,282	111.4
	1.3 Liabilities due to other companies	285,379	256,282	111.4
	2. Liabilities for reinsurance premiums	6,917,159	4,998,608	138.4
	2.3 Liabilities due to other companies	6,917,159	4,998,608	138.4
	3. Liabilities for shares in co-insurance claims	69,030	37	186567.6
	3.3 Liabilities due to other companies	69,030	37	186567.6
	4. Liabilities for shares in reinsurance claims	19,454,630	14,920,359	130.4
	4.3 Liabilities due to other companies	19,454,630	14,920,359	130.4
	5. Other liabilities due from co-insurance and reinsurance	13,013,214	12,690,761	102.5
	5.3 Liabilities due to other companies	13,013,214	12,690,759	102.5
V.	LIABILITIES UNDER INVESTMENT CONTRACTS	111,304,383	0	-
VI.	OTHER LIABILITIES	21,830,532	23,291,621	93.7
	a.) Other long-term liabilities	4,713,806	6,012,325	78.4
	1. Long-term liabilities from financial lease contracts	0	175,305	-
	3. Deferred tax liabilities	4,598,731	5,749,180	80.0
	b.) Other short-term liabilities	17,116,726	17,279,296	99.1
	1. Short-term liabilities due to employees	3,077,519	2,922,543	105.3
	2. Other short-term liabilities for insurance business	3,663,440	3,768,342	97.2
	2.3 Other short-term liabilities to others	3,663,440	3,768,342	97.2
	3. Short-term liabilities arising out of financing	206,047	78,870	261.3
	3.3 Short-term liabilities to others arising out of financing	206,047	78,870	261.3
	4. Tax liabilities (income tax)	3,759,026	4,770,373	78.8
	5. Other short-term liabilities	6,410,694	5,739,168	111.7
	5.3 Other short-term liabilities to others	6,410,694	5,739,168	111.7
H.	**ACCRUED EXPENSES AND DEFERRED INCOME**	**11,453,773**	**13,652,661**	**83.9**
1.	Accrued costs and expenses	3,570,704	3,523,549	101.3
2.	Other accrued expenses and deferred income	7,883,069	10,129,112	77.8
J.	**OFF BALANCE SHEET ITEMS**	**45,585,271**	**44,441,340**	**102.6**

(€)				2015	2014	Index
A	TECHNICAL ACCOUNT – NON-LIFE BUSINESS OTHER THAN HEALTH BUSINESS					
I.	**Net earned premiums**			**359,897,795**	**347,994,269**	**103.4**
	1.	Gross premiums written		395,868,650	376,121,401	105.3
		1.3	Gross written premiums from other companies	395,868,650	376,121,401	105.3
	2.	Premiums written for assumed co-insurance (+)		2,076,556	1,974,491	105.2
		2.3	Assumed co-insurance premiums written from other companies	2,076,556	1,974,491	105.2
	3.	Assumed co-insurance premiums written		-1,741,826	-1,744,422	99.9
		3.3	Premiums written for ceded co-insurance for other companies	-1,741,826	-1,744,422	99.9
	4.	Gross reinsurance premiums written (-)		-28,099,549	-25,351,186	110.8
		4.3	Gross reinsurance premiums written from other companies	-28,099,549	-25,351,186	110.8
	5.	Change in gross unearned premiums (+/-)		-7,788,284	-3,955,985	196.9
	6.	Change in unearned premiums for the reinsurance and co-insurance part (+/-)		-417,752	949,970	-44.0
II.	**Allocated investment return transferred from the non-technical account (item D VIII)**			**10,189,248**	**8,767,460**	**116.2**
III.	**Other net technical income**			**1,806,304**	**1,162,345**	**155.4**
	1.3	Other net technical income for other companies		1,806,304	1,162,345	155.4
IV.	**Net claims incurred**			**218,682,047**	**209,363,523**	**104.5**
	1.	Gross claims payments		225,983,569	215,073,558	105.1
		1.3	Gross claims paid for other companies	225,983,569	215,073,558	105.1
	2.	Income from realised gross recourse receivables (-)		-6,863,512	-9,452,508	72.6
	3.	Co-insurers' shares paid (+/-)		130,140	236,996	54.9
		3.3	Co-insurers' share for other companies	130,140	236,996	54.9
	4.	Reinsurers' shares paid (-)		-17,847,385	-10,853,960	164.4
		4.3	Reinsurers' share for other companies	-17,847,385	-10,853,960	164.4
	5.	Change in the gross claims provision (+/–)		3,306,596	18,938,727	17.5
	6.	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)		13,972,639	-4,579,290	-305.1
V.	**Change in other net technical provisions (+/-)**			**-1,312,941**	**-2,289,101**	**57.4**
VI.	**Net expenses for bonuses and rebates**			**580,091**	**336,879**	**172.2**
	1.3	Net expenses for bonuses and rebates for other companies		580,091	336,879	172.2
VII.	**Net operating expenses**			**123,968,339**	**117,830,412**	**105.2**
	1.	Acquisition costs		43,982,578	40,421,464	108.8
	2.	Change in deferred acquisition costs (+/-)		-1,384,924	-110,192	1,256.8
	3.	Other operating expenses		85,026,725	80,483,153	105.7
		3.1.	Depreciation/amortisation of operating assets	7,262,643	7,313,689	99.3
		3.2.	Personnel costs	49,800,762	47,658,603	104.5
			- salaries and wages	38,038,788	39,553,491	96.2
			- social and pension insurance costs	6,256,826	4,432,443	141.2
			- other personnel costs	5,505,148	3,672,669	149.9
		3.3.	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	436,125	561,060	77.7
		3.4.	Other operating expenses	27,527,195	24,949,801	110.3
			3.4.1 Other operating expenses for other companies	27,527,195	24,949,801	110.3
	4.	Income from reinsurance commission and reinsurance contract profit participation (-)		-3,656,040	-2,964,013	123.4
		4.3	Income from reinsurance commission for other companies	-3,656,040	-2,964,013	123.4
VIII.	**Other net technical expenses**			**6,820,479**	**6,886,750**	**99.0**
	1.	Expenses for loss prevention activities		2,948,168	2,978,237	99.0
	2.	Contributions for covering claims of uninsured and unidentified vehicles		2,051,831	2,218,739	92.5
	3.	Other net technical expenses		1,820,480	1,689,774	107.7
IX.	**Balance on the technical account - non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)**			**23,155,332**	**25,795,611**	**89.8**

(€)				2015	2014	Index
B	TECHNICAL ACCOUNT – LIFE BUSINESS					
I.	**Net earned premiums**			**85,933,700**	**87,862,530**	**97.8**
	1.	Gross premiums written		86,084,202	88,005,524	97.8
	2.	Premiums written for assumed co-insurance (+)		15	0	-
	3.	Assumed co-insurance premiums written		-1,516	0	-
	4.	Gross reinsurance premiums written (-)		-152,728	-167,741	91.1
		4.3	Gross reinsurance premiums written from other companies	-152,728	-167,741	91.1
	5.	Change in gross unearned premiums (+/-)		3,362	24,747	13.6
	6.	Change in unearned premiums for the reinsurance part (+/-)		365	0	-
II.	**Investment income**			**10,781,353**	**13,330,032**	**80.9**
	2.	Income from other investments		9,782,530	10,603,862	92.3
		2.1.	Income from land and buildings	261	78	334.6
			- in other companies	261	78	334.6
		2.2.	Interest income	9,538,039	10,259,165	93.0
			- in other companies	9,538,039	10,259,165	93.0
		2.3.	Other investment income	244,230	344,619	70.9
			2.3.1 Financial income from revaluation	133,522	242,921	55.0
			- in other companies	133,522	242,921	55.0
			2.3.2 Other financial income	110,708	101,698	108.9
			- in other companies	110,708	101,698	108.9
	4.	Gains on disposal of investments		691,493	2,487,147	27.8
III.	**Net unrealised gains on investments of life insurance policyholders who bear the investment risk**			**26,631,788**	**19,146,081**	**139.1**
IV.	**Other net technical income**			**1,064,289**	**1,018,490**	**104.5**
V.	**Net claims incurred**			**53,498,446**	**46,432,225**	**115.2**
	1.	Gross claims payments		51,387,959	48,258,921	106.5
	3.	Reinsurers' shares paid (-)		-956	-1,033	92.6
		3.3	Reinsurers' share for other companies	-956	-1,033	92.6
	4.	Change in the gross claims provision (+/–)		2,112,212	-1,825,663	-115.7
	5.	Change in the provision for outstanding claims for reinsurance (+/-)		-769	0	-
VI.	**Change in diverse other net technical provisions (+/-)**			**13,063,965**	**31,200,524**	**41.9**
	1.	Change in the mathematical provision		13,063,391	31,200,524	41.9
		1.1.	Change in the gross mathematical provision (+/-)	13,063,354	31,200,461	41.9
		1.2.	Change in the reinsurers' share (+/-)	37	63	58.7
	2.	Change in other net technical provisions (+/-)		574	0	-
		2.1.	Change in gross other technical provisions (+/-)	574	0	-

VIII.	**Net operating expenses**	**20,204,091**	**25,278,186**	**79.9**
1.	Acquisition costs	5,633,492	6,897,255	81.7
2.	Change in deferred acquisition costs (+/-)	36,728	596,949	6.2
3.	Other operating expenses	14,534,735	17,784,828	81.7
3.1.	Depreciation/amortisation of operating assets	285,036	283,120	100.7
3.2.	Personnel costs	9,098,584	10,540,965	86.3
	- salaries and wages	6,714,486	8,533,415	78.7
	- social and pension insurance costs	1,088,131	925,196	117.6
	- other personnel costs	1,295,967	1,082,354	119.7
3.3.	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	57,352	113,256	50.6
3.4.	Other operating expenses	5,093,763	6,847,487	74.4
3.4.1	Other operating expenses for other companies	5,093,763	6,847,487	74.4
4.	Income from reinsurance commission and reinsurance contract profit participation (-)	-864	-846	102.1
4.3	Income from reinsurance commission for other companies	-864	-846	102.1
IX.	**Investment expenses**	**844,509**	**292,262**	**289.0**
1.	Depreciation of investments not necessary for operations	1,824	1,915	95.3
2.	Asset management expenses, interest expenses and other financial expenses	16,314	39,641	41.2
2.3	Asset management expenses, interest expenses and other financial expenses for other companies	16,314	39,641	41.2
3.	Financial expenses from revaluation	98,347	93,196	105.5
4.	Losses on disposal of investments	728,024	157,510	462.2
X.	**Net unrealised losses on investments of life insurance policyholders who bear the investment risk**	**25,930,786**	**7,900,587**	**328.2**
XI.	**Other net technical expenses**	**155,741**	**120,404**	**129.4**
2.	Other net technical expenses	155,741	120,404	129.4
XII.	**Allocated investment return transferred to the non-technical account (item D V) (-)**	**63,123**	**-2,003**	**-3,151.4**
XIII.	**Balance on the technical account - life business (I+II+III+IV-V+VI-VII-VIII-IX-X-XI-XII)**	**10,650,469**	**10,134,948**	**105.1**

Consolidated statement of comprehensive income

(€)		2015	2014	Index
C	TECHNICAL ACCOUNT – HEALTH BUSINESS			
I.	**Net earned premiums**	**1,728,110**	**1,715,538**	**100.7**
1.	Gross premiums written	2,235,134	2,077,636	107.6
2.	Gross reinsurance premiums written (-)	-507,024	-362,098	140.0
4.3	Gross reinsurance premiums written from other companies	-507,024	-362,098	140.0
II.	**Investment income**	**38,469**	**5,357**	**718.1**
2.	Income from other investments	38,469	5,357	718.1
2.2.	Interest income	38,469	5,357	718.1
	- in other companies	38,469	5,357	718.1
III.	**Other net technical income**	**792**	**131**	**604.6**
IV.	**Net claims incurred**	**949,330**	**1,284,405**	**73.9**
1.	Gross claims payments	995,118	1,490,957	66.7
2.	Income from realised gross recourse receivables (-)	0	-30,913	0.0
4.	Change in the gross claims provision (+/–)	-45,788	-175,639	26.1
V.	**Change in diverse other net technical provisions (+/-)**	**567,452**	**109,854**	**516.6**
2.	Change in other net technical provisions (+/-)	567,452	109,854	516.6
2.1.	Change in gross other technical provisions (+/-)	567,452	109,854	516.6
VII.	**Net operating expenses**	**1,089,039**	**547,976**	**198.7**
1.	Acquisition costs	237,613	193,138	123.0
2.	Change in deferred acquisition costs (+/-)	-103,195	2,742	-3,763.5
3.	Other operating expenses	954,621	352,096	271.1
3.1.	Depreciation/amortisation of operating assets	38,063	0	-
3.2.	Personnel costs	657,937	287,899	228.5
	- salaries and wages	518,406	287,899	180.1
	- social and pension insurance costs	61,621	0	-
	- other personnel costs	77,910	0	-
3.3.	Costs of services by natural persons not performing business (costs relating to contracts for services, copyright contracts and relating to other legal relationships), incl. of contributions	12	1,654	0.7
3.4.	Other operating expenses	258,609	62,543	413.5
3.4.1	Other operating expenses for other companies	258,609	62,543	413.5
VIII.	**Investment expenses**	**3,038**	**176**	**1,726.1**
2.	Asset management expenses, interest expenses and other financial expenses	3,038	176	1,726.1
IX.	**Other net technical expenses**	**61,346**	**20,866**	**294.0**
2.	Other net technical expenses	61,346	20,866	294.0
XI.	**Balance on the technical account - health business (I+II+III-IV+V-VI-VII-VIII-IX-X)**	**-902,834**	**-242,251**	**372.7**
XIII.	**Balance on the technical account - health business (XI - XII)**	**-902,834**	**-242,251**	**372.7**

Consolidated statement of comprehensive income

(€)		2015	2014	Index
D.	NON-TECHNICAL ACCOUNT			
I.	**Balance on the technical account – non-life business other than health business (A X)**	**23,155,332**	**25,795,611**	**89.8**
II.	**Balance on the technical account – life business (B XIII)**	**10,650,469**	**10,134,948**	**105.1**
III.	**Balance on the technical account – health business (C XIII)**	**-902,834**	**-242,251**	**372.7**
IV.	**Investment income**	**29,892,359**	**23,099,667**	**129.4**
	1. Income from participating interests	1,863,504	859,674	216.8
	1.2. Income from shares of profits of associates	942,560	154,293	610.9
	1.3. Income from participating interests in other companies	920,944	705,380	130.6
	2. Income from other investments	25,692,204	19,405,281	132.4
	2.1. Income from land and buildings	191,505	155,391	123.2
	- in other companies	191,505	155,391	123.2
	2.2. Interest income	13,060,664	14,036,622	93.1
	- in other companies	13,060,664	14,036,622	93.1
	2.3. Other investment income	12,440,035	5,213,268	238.6
	2.3.1 Financial income from revaluation	12,432,912	5,161,211	240.9
	- in other companies	12,432,912	5,161,211	240.9
	2.3.2 Other financial income	7,123	52,057	13.7
	- in other companies	7,123	52,057	13.7
	4. Gains on disposal of investments	2,336,651	2,834,712	82.4
V.	**Allocated investment return transferred to the technical account – life business (B XII)**	**63,123**	**-2,003**	**-3,151.4**
VII.	**Investment expenses**	**15,177,999**	**8,601,488**	**176.5**
	1. Depreciation of investments not necessary for operations	81,142	93,692	86.6
	2. Asset management expenses, interest expenses and other financial expenses	1,170,550	1,501,681	78.0
	2.3 Asset management expenses, interest expenses and other financial expenses for other companies	1,170,550	1,501,681	78.0
	3. Financial expenses from revaluation	12,819,853	6,417,696	199.8
	4. Losses on disposal of investments	1,106,454	588,419	188.0
VIII.	**Allocated investment return transferred to the technical account for non-life business other than health business (A II)**	**10,189,248**	**8,767,460**	**116.2**
IX.	**Other technical income**	**12,598,546**	**4,777,958**	**263.7**
	1. Other income from non-life business other than health business	12,418,208	4,687,494	264.9
	1.3. Other income from non-life business from other companies	12,418,208	4,687,494	264.9
	2. Other income from life business	180,338	90,464	199.4
	2.3 Other income from life business from other companies	180,338	90,464	199.4
X.	**Other technical expenses**	**12,993,186**	**9,270,791**	**140.2**
	1. Other expenses for non-life business other than health business	12,805,194	8,980,367	142.6
	1.3. Other expenses for non-life business from other companies	12,805,194	8,980,367	142.6
	2. Other expenses for life business	187,985	290,424	64.7
	2.3 Other expenses for life business from other companies	187,985	290,424	64.7
XI.	**Other income**	**4,647,977**	**4,237,625**	**109.7**
	1. Other non-life income	3,618,452	3,971,657	91.1
	1.3. Other income from non-life business from other companies	3,618,452	3,971,657	91.1
	2. Other expenses for life business	1,018,062	265,964	382.8
	2.3 Other expenses for life business from other companies	1,018,062	265,964	382.8
	3. Other income from health business	11,463	4	286,575.0
	2.3 Other income from health business from other companies	11,463	4	286,575.0
XII.	**Other expenses**	**1,646,569**	**2,205,575**	**74.7**
	1. Other non-life expenses	1,609,351	2,132,423	75.5
	1.3. Other expenses for non-life business from other companies	1,609,351	2,132,423	75.5
	2. Other expenses for life business	31,243	68,917	45.3
	2.3 Other expenses for life business from other companies	31,243	68,917	45.3
	3. Other expenses for health business	5,975	4,235	141.1
	2.3 Other expenses for health business from other companies	5,975	4,235	141.1
XIII.	**Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)**	**40,097,971**	**38,956,242**	**102.9**
	1. Profit/loss for the period for non-life business	29,302,559	29,072,691	100.8
	2. Profit/loss for the period for life business	11,692,764	10,130,032	115.4
	3. Profit/loss for the period for health business	-897,352	-246,481	364.1
XIV.	**Tax on profit**	**7,879,068**	**6,579,943**	**119.7**
	1.1. Tax on profit from non-life business	5,937,785	5,516,293	107.6
	1.2. Tax on profit for life business	1,941,283	1,063,650	182.5
XV.	**Deferred tax**	**-1,146,548**	**1,838,149**	**-62.4**
	1.1. Deferred tax for non-life business	-1,145,571	-153,244	747.6
	1.2. Deferred tax for life business	-977	1,991,393	-0.1
XVI.	**Net profit/loss for the period (XIII-XIV+XV)**	**33,365,451**	**30,538,150**	**109.3**
	Breakdown of profit/loss			
	- From non-life insurance business	24,510,345	23,709,642	103.4
	- From life business	9,752,458	7,074,989	137.8
	- From health business	-897,352	-246,481	364.1

(€)		2015	2014	Index
E.	CALCULATION OF COMPREHENSIVE INCOME			
I.	**Profit/loss for the year, net of tax**	**33,365,451**	**30,538,150**	**109.3**
II.	**Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+10)**	**-5,747,397**	**10,356,324**	**-55.5**
a)	Items that will not be reclassified subsequently to profit or loss	108,540	-664,785	-16.3
5.	Other items that will not be reclassified subsequently to profit or loss	105,795	-668,034	-15.8
6.	Tax on items that will not be reclassified subsequently to profit or loss	2,745	3,249	84.5
b)	Items that may be reclassified subsequently to profit or loss	-5,855,937	11,021,109	-53.1
1.	Net gains/losses on remeasuring available-for-sale financial assets	-7,018,209	13,533,935	-51.9
3.	Net gains/losses attributable to the Group recognised in the fair value reserve and retained profit/loss relating to investments in equity-accounted associated and jointly-controlled companies	-33,187	51,539	-64.4
5.	Tax on items that may be reclassified subsequently to profit or loss	1,170,632	-2,199,615	-53.2
6.	Net gains/losses from translation of financial statements	24,827	-364,750	-6.8
III.	**Total comprehensive income (I + II)**	**27,618,054**	**40,894,474**	**67.5**

Appendix C – Financial statements of the Sava Reinsurance Company pursuant to SKL 2009

Statement of financial position

(€)		31/12/2015	31/12/2014
	ASSETS	570,886,710	547,413,684
A.	**INTANGIBLE ASSETS**	**666,490**	**467,423**
B.	**PROPERTY AND EQUIPMENT**	**2,455,343**	**2,462,814**
D.	**DEFERRED TAX ASSETS**	**2,285,448**	**1,040,593**
E.	**INVESTMENT PROPERTY**	**2,999,742**	**115,492**
F.	**FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**	**208,231,721**	**189,641,994**
G.	**FINANCIAL INVESTMENTS:**	**242,633,203**	**241,524,533**
	- loans and deposits	13,457,000	25,586,465
	- held to maturity	2,074,258	2,074,001
	- available for sale	223,973,704	208,238,543
	- at fair value through profit or loss	3,128,241	5,625,524
I.	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**16,026,358**	**30,863,647**
K.	**RECEIVABLES**	**84,425,749**	**71,484,165**
2.	Receivables arising out of reinsurance and co-insurance business	82,453,006	71,298,397
3.	Current tax assets	1,633,620	0
4.	Other receivables	339,123	185,768
L.	**DEFERRED ACQUISITION COSTS**	**10,496,041**	**9,003,998**
L.	**OTHER ASSETS**	**380,665**	**296,684**
M.	**CASH AND CASH EQUIVALENTS**	**285,950**	**512,342**
	LIABILITIES	570,886,710	547,413,684
A.	**EQUITY**	**263,679,403**	**258,135,674**
1.	Share capital	71,856,376	71,856,376
2.	Capital reserves	54,239,757	54,239,757
3.	Profit reserves	124,175,314	115,977,201
4.	Own shares	-10,319,347	-10,115,023
5.	Fair value reserve	2,963,868	4,341,739
6.	Retained earnings	12,769,646	15,713,039
7.	Net profit/loss for the period	7,993,789	6,122,585
B.	**SUBORDINATED LIABILITIES**	**23,534,136**	**23,499,692**
C.	**TECHNICAL PROVISIONS**	**220,901,954**	**216,658,049**
1.	Unearned premiums	46,546,065	39,088,756
3.	Provision for outstanding claims	173,912,911	177,331,493
4.	Other technical provisions	442,978	237,800
E.	**OTHER PROVISIONS**	**347,277**	**273,590**
I.	**OTHER FINANCIAL LIABILITIES**	**91,897**	**74,429**
J.	**LIABILITIES FROM OPERATING ACTIVITIES**	**47,871,910**	**46,148,390**
2.	Liabilities from co-insurance and reinsurance business	47,871,910	43,682,228
3.	Current income tax liabilities	0	2,466,162
K.	**OTHER LIABILITIES**	**14,460,133**	**2,623,860**

At 31 December 2015 the maximum total investment of Sava Reinsurance Company in any financial organisation amounted to € 94,760,785.

(€)		2015	2014
I.	**NET EARNED PREMIUMS**	**125,479,297**	**113,847,068**
	- Gross premiums written	151,982,421	131,323,246
	- Written premiums ceded to reinsurers and co-insurers	-18,368,925	-16,655,543
	- Change in net unearned premiums	-8,134,199	-820,635
II.	**INCOME FROM INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES**	**13,004,219**	**10,250,880**
III	**INVESTMENT INCOME**	**18,675,409**	**11,784,187**
	- Interest income	4,710,946	4,607,741
	- Other investment income	13,964,463	7,176,446
IV	**OTHER TECHNICAL INCOME**	**9,809,545**	**4,679,784**
	- Commission income	2,605,901	2,030,651
	- Other technical income	7,203,644	2,649,133
V	**OTHER INCOME**	**82,496**	**18,407**
VI	**NET CLAIMS INCURRED**	**-86,680,582**	**-64,736,669**
	- Gross claims payments less income from recourse receivables	-89,689,537	-70,181,933
	- Reinsurers' and co-insurers' shares	13,750,771	8,173,225
	- Change in the net provision for outstanding claims	-10,741,816	-2,727,961
VII	**CHANGE IN OTHER TECHNICAL PROVISIONS**	**-121,984**	**12,793**
IX	**EXPENSES FOR BONUSES AND REBATES**	**-83,193**	**21,680**
X	**OPERATING EXPENSES**	**-40,229,226**	**-38,968,467**
	- Acquisition costs	-30,953,238	-30,732,185
	- Other operating expenses	-9,275,988	-8,236,282
XI	**EXPENSES FOR INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES**	**-4,870,049**	**-2,500,000**
XII	**EXPENSES FOR FINANCIAL ASSETS AND LIABILITIES**	**-11,187,465**	**-5,875,520**
	- Impairment of financial assets not measured at fair value through profit or loss	-713,284	-1,634,412
	- Interest expense	-896,145	-949,274
	- Diverse other expenses	-9,578,036	-3,291,834
XIII	**OTHER TECHNICAL EXPENSES**	**-7,139,116**	**-2,904,867**
XIV	**OTHER EXPENSES**	**-2**	**-448**
XV	**PROFIT/LOSS BEFORE TAX**	**16,739,349**	**25,628,828**
XVI	**INCOME TAX EXPENSE**	**-547,447**	**-3,270,409**
XVIII	NET PROFIT/LOSS FOR THE PERIOD	16,191,902	22,358,419
	BASIC AND DILUTED EARNINGS PER SHARE	0.98	1.33

(€)		2015	2014
I.	**NET PROFIT/LOSS FOR THE YEAR, NET OF TAX**	**16,191,902**	**22,358,419**
II.	**OTHER COMPREHENSIVE INCOME, NET OF TAX**	**-1,377,871**	**4,088,718**
a)	Items that will not be reclassified subsequently to profit or loss	-26,975	-16,629
5.	Other items that will not be reclassified subsequently to profit or loss	-27,705	-20,034
6.	Tax on items that will not be reclassified subsequently to profit or loss	730	3,406
b)	Items that may be reclassified subsequently to profit or loss	-1,350,896	4,105,347
1.	**Net gains/losses on remeasuring available-for-sale financial assets**	**-1,627,587**	**4,946,202**
	Net change recognised in the fair value reserve	-2,843,226	5,988,724
	Net change transferred from fair value reserve to profit or loss	1,215,639	-1,042,522
5.	Tax on items that may be reclassified subsequently to profit or loss	276,691	-840,854
III.	COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	14,814,031	26,447,137

Presentation of distributable profit

		2015	2014
A.	NET PROFIT/LOSS FOR THE YEAR	16,191,902	22,358,419
B.	RETAINED EARNINGS	12,769,646	22,358,419
C2.	ADDITIONS TO PROFIT RESERVE BY DECISION OF THE MANAGEMENT BOARD	204,324	10,113,249
D.	ADDITIONS TO OTHER RESERVES BY DECISION OF THE MANAGEMENT AND THE SUPERVISORY BOARDS	7,993,789	6,122,585
E.	DISTRIBUTABLE PROFIT (A + B + C - D - E) TO BE ALLOCATED BY THE GENERAL MEETING	20,763,435	21,835,624
	- to shareholders	0	9,065,978
	- to be carried forward to the next year	0	12,769,646

Appendix D – Financial statements of the Sava Re Group pursuant to SKL 2009

The financial statements of the Sava Re Group presented in Annex D have been prepared in accordance with the requirements of SKL 2009 with no offsetting. However, in the financial statement by operating segment presented in section 18.4.38 and prepared in accordance with the requirements of international accounting standards, intra-company receivables and liabilities between non-life and life business and assets and deferred tax liabilities have been offset, as shown below.

(€)	31/12/2015	31/12/2014
Balance sheet total – no offsetting	1,609,689,715	1,457,368,930
Intra-company receivables and liabilities	-1,664,145	-1,964,216
Deferred tax assets and liabilities	-744,510	-1,029,779
BALANCE SHEET TOTAL – WITH OFFSETTING	1,607,281,060	1,454,374,935

	Non-life insurance business		Life insurance business	
(€)	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Receivables	1,150,502	1,952,686	513,643	11,530
Liabilities	-13,643	-11,530	-1,650,502	-1,952,686

	Non-life insurance business		Life insurance business		Net balance of receivables and liabilities	
(€)	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Deferred tax assets	397,275	686,362	347,235	343,417	744,510	1,029,779
Deferred tax liabilities	-331,448	-591,339	-2,169,241	-2,693,788	-2,500,690	-3,285,127
Net balance of receivables and liabilities	65,826	95,023	-1,822,007	-2,350,371	-1,756,180	-2,255,348

Statement of financial position

	2015			2014		
(€)	Non-life insurance business	Life insurance business	Total	Non-life insurance business	Life insurance business	Total
ASSETS	917,085,376	692,604,339	1,609,689,715	905,209,348	552,159,582	1,457,368,930
Intangible assets	**23,496,408**	**6,968,907**	**30,465,315**	**29,375,040**	**5,565,920**	**34,940,960**
Property and equipment	**42,449,996**	**4,767,315**	**47,217,311**	**39,251,455**	**5,222,183**	**44,473,638**
Deferred tax assets	**2,759,536**	**356,831**	**3,116,367**	**1,887,635**	**344,525**	**2,232,160**
Investment property	**7,748,188**	**292,056**	**8,040,244**	**4,792,928**	**310,397**	**5,103,325**
Financial investments in associates	**0**	**0**	**0**	**3,072,497**	**0**	**3,072,497**
Financial investments:	**664,456,733**	**350,600,072**	**1,015,056,805**	**640,043,272**	**334,625,110**	**974,668,382**
- loans and deposits	47,351,195	10,370,766	57,721,961	82,142,712	19,314,727	101,457,439
- held to maturity	67,809,972	97,634,298	165,444,270	71,106,017	93,211,375	164,317,392
- available for sale	543,083,452	230,403,345	773,486,797	477,090,394	215,327,622	692,418,016
- at fair value through profit or loss	6,212,114	12,191,663	18,403,777	9,704,149	6,771,386	16,475,535
Funds for the benefit of policyholders who bear the investment risk	**0**	**214,189,117**	**214,189,117**	**0**	**202,913,059**	**202,913,059**
Reinsurers' share of technical provisions	**23,616,390**	**260,887**	**23,877,277**	**38,355,104**	**317,541**	**38,672,645**
Assets from investment contracts	**0**	**111,418,244**	**111,418,244**	**0**	**0**	**0**
Receivables	**130,161,366**	**2,166,708**	**132,328,074**	**122,569,113**	**1,826,040**	**124,395,153**
- Receivables arising out of primary insurance business	50,597,544	913,223	51,510,767	53,193,227	1,039,797	54,233,024
- Receivables arising out of reinsurance and co-insurance business	68,755,767	1,819	68,757,586	59,500,399	1,828	59,502,227
- Current tax assets	1,734,294	0	1,734,294	208,776	144,240	353,016
- Other receivables	9,073,761	1,251,666	10,325,427	9,666,711	640,175	10,306,886
Deferred acquisition costs	**17,618,438**	**374,047**	**17,992,485**	**17,228,907**	**260,194**	**17,489,101**
Other assets	**1,111,040**	**62,119**	**1,173,159**	**3,228,638**	**86,822**	**3,315,460**
Cash and cash equivalents	**3,562,868**	**1,148,036**	**4,710,904**	**4,955,409**	**687,791**	**5,643,200**
Non-current assets held for sale	**104,413**	**0**	**104,413**	**449,350**	**0**	**449,350**

(€)	2015 Non-life insurance business	2015 Life insurance business	2015 Total	2014 Non-life insurance business	2014 Life insurance business	2014 Total
EQUITY AND LIABILITIES	937,779,876	671,909,840	1,609,689,715	911,996,867	545,372,064	1,457,368,930
Equity	**226,783,527**	**59,618,152**	**286,401,678**	**211,618,770**	**59,909,854**	**271,528,623**
Share capital	33,097,107	38,759,269	71,856,376	33,097,108	38,759,267	71,856,376
Capital reserves	43,673,555	-284,831	43,388,724	42,958,836	1,679,963	44,638,799
Profit reserves	122,084,546	869,883	122,954,429	114,276,453	869,883	115,146,336
Own shares	-10,319,347	0	-10,319,347	-10,115,023	0	-10,115,023
Fair value reserve	-135,241	12,819,474	12,684,233	3,132,303	15,316,438	18,448,741
Retained earnings	25,911,083	-2,420,157	23,490,926	19,778,079	-4,125,299	15,652,780
Net profit/loss for the period	14,382,519	10,467,159	24,849,678	10,396,343	7,078,215	17,474,558
Translation reserve	-2,482,626	-984,529	-3,467,155	-2,524,016	-965,417	-3,489,433
Equity attributable to owners of the controlling company	226,211,596	59,226,268	285,437,863	211,000,082	58,613,052	269,613,133
Non-controlling interest in equity	571,931	391,884	963,815	618,688	1,296,802	1,915,490
Subordinated liabilities	**23,534,136**	**0**	**23,534,136**	**28,699,692**	**0**	**28,699,692**
Technical provisions	**609,851,287**	**277,217,213**	**887,068,500**	**599,487,851**	**270,494,782**	**869,982,633**
- Unearned premiums	155,171,397	868,283	156,039,680	147,321,212	848,478	148,169,690
- Mathematical provisions	0	262,052,426	262,052,426	0	256,292,141	256,292,141
- Provision for outstanding claims	444,716,724	14,295,931	459,012,655	441,404,841	13,354,163	454,759,004
- Other technical provisions	9,963,166	573	9,963,739	10,761,798	0	10,761,798
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**0**	**207,590,086**	**207,590,086**	**0**	**195,684,631**	**195,684,631**
Other provisions	**6,146,698**	**1,242,997**	**7,389,695**	**5,609,703**	**1,330,947**	**6,940,650**
Deferred tax liabilities	**3,038,365**	**2,304,876**	**5,343,241**	**3,959,087**	**2,819,872**	**6,778,959**
Liabilities under investment contracts	**0**	**111,304,383**	**111,304,383**	**0**	**0**	**0**
Other financial liabilities	**206,047**	**0**	**206,047**	**75,345**	**3,525**	**78,870**
Liabilities from operating activities	**46,383,690**	**8,083,613**	**54,467,303**	**40,301,885**	**9,062,912**	**49,364,797**
- Liabilities from primary insurance business	3,976,738	6,992,127	10,968,865	3,800,420	7,927,957	11,728,377
- Liabilities from reinsurance and co-insurance business	39,710,336	29,076	39,739,412	32,834,628	31,419	32,866,047
- Current income tax liabilities	2,696,616	1,062,410	3,759,026	3,666,837	1,103,536	4,770,373
Other liabilities	**21,836,126**	**4,548,520**	**26,384,646**	**22,244,534**	**6,065,541**	**28,310,075**

At 31 December 2015 the maximum total investment of the Sava Re Group in any financial organisation amounted to € 15,317,004 for the non-life operating segment and € 96,445,356 for the life operating segment.

(€)	2015 Non-life insurance business	2015 Life insurance business	2015 Total	2014 Non-life insurance business	2014 Life insurance business	2014 Total
Net earned premiums	**361,920,942**	**85,638,663**	**447,559,605**	**350,007,625**	**87,564,712**	**437,572,337**
Gross premiums written	400,180,340	86,084,217	486,264,557	380,173,528	88,005,524	468,179,052
Written premiums ceded to reinsurers and co-insurers	-29,872,909	-441,838	-30,314,747	-26,937,126	-464,572	-27,401,698
Change in gross unearned premiums	-8,386,489	-3,716	-8,390,205	-3,228,777	23,760	-3,205,017
Income from investments in subsidiary and associate companies	**0**	**942,560**	**942,560**	**154,294**	**0**	**154,294**
Profit from investments in equity-accounted associate companies	0	165,067	165,067	154,294	0	154,294
Other income	0	777,493	777,493	0	0	0
Investment income	**28,918,234**	**37,291,409**	**66,209,643**	**22,795,339**	**32,476,035**	**55,271,374**
Interest income	13,099,133	9,538,039	22,637,172	14,041,979	10,259,165	24,301,144
Other investment income	15,819,101	27,753,370	43,572,471	8,753,360	22,216,870	30,970,230
Other technical income	**18,036,157**	**1,282,444**	**19,318,601**	**8,913,013**	**1,166,239**	**10,079,252**
Commission income	3,616,117	40,787	3,656,904	2,907,517	57,342	2,964,859
Other technical income	14,420,040	1,241,657	15,661,697	6,005,496	1,108,897	7,114,393
Other income	**3,629,915**	**1,018,062**	**4,647,977**	**3,978,926**	**258,699**	**4,237,625**
Net claims incurred	**-219,713,384**	**-53,416,439**	**-273,129,823**	**-210,573,840**	**-46,506,313**	**-257,080,153**
Gross claims payments less income from recourse receivables	-220,115,175	-51,387,959	-271,503,134	-207,081,094	-48,258,921	-255,340,015
Reinsurers' and co-insurers' shares	17,584,914	133,287	17,718,201	10,739,601	-121,604	10,617,997
Change in the gross claims provision	-17,183,123	-2,161,767	-19,344,890	-14,232,346	1,874,211	-12,358,135
Change in other technical provisions	**745,489**	**-2,027,515**	**-1,282,026**	**2,179,247**	**-5,745,103**	**-3,565,856**
Change in technical provisions for policyholders who bear the investment risk	**0**	**-11,036,450**	**-11,036,450**	**0**	**-25,455,421**	**-25,455,421**
Expenses for bonuses and rebates	**-580,091**	**0**	**-580,091**	**-336,879**	**0**	**-336,879**
Operating expenses	**-128,734,415**	**-20,183,958**	**-148,918,373**	**-121,556,940**	**-25,064,493**	**-146,621,433**
Acquisition costs	-42,732,072	-5,670,220	-48,402,292	-40,507,152	-7,494,204	-48,001,356
Other operating expenses	-86,002,343	-14,513,738	-100,516,081	-81,049,788	-17,570,289	-98,620,077
Expenses for investments in subsidiary and associate companies	**-2,936,678**	**0**	**-2,936,678**	**-1,901,375**	**0**	**-1,901,375**
Impairment loss on goodwill	-2,936,678	0	-2,936,678	-1,901,375	0	-1,901,375
Expenses for financial assets and liabilities	**-12,163,217**	**-26,773,471**	**-38,936,688**	**-6,606,597**	**-8,190,934**	**-14,797,531**
Impairment losses on financial assets not at fair value through profit or loss	-713,467	-12,599	-726,066	-1,636,656	-10,111	-1,646,767
Interest expense	-1,157,812	-3,247	-1,161,059	-1,399,355	-18,136	-1,417,491
Other investment expenses	-10,291,938	-26,757,625	-37,049,563	-3,570,586	-8,162,687	-11,733,273
Other technical expenses	**-19,768,168**	**-345,550**	**-20,113,718**	**-15,981,675**	**-412,743**	**-16,394,418**
Other expenses	**-1,616,735**	**-29,833**	**-1,646,568**	**-2,138,444**	**-67,130**	**-2,205,574**
PROFIT/LOSS BEFORE TAX	27,738,049	12,359,922	40,097,971	28,932,695	10,023,547	38,956,242
Income tax expense	**-4,792,214**	**-1,940,306**	**-6,732,520**	**-5,369,886**	**-3,048,206**	**-8,418,092**
NET PROFIT/LOSS FOR THE PERIOD	22,945,835	10,419,616	33,365,451	23,562,809	6,975,341	30,538,150
Net profit/loss attributable to owners of the controlling company	22,910,697	10,467,160	33,377,857	23,517,731	7,078,214	30,595,945
Net profit/loss attributable to non-controlling interest	35,138	-47,544	-12,406	45,078	-102,873	-57,795

(€)	2015 Non-life insurance business	2015 Life insurance business	2015 Total	2014 Non-life insurance business	2014 Life insurance business	2014 Total
NET PROFIT/LOSS FOR THE YEAR	**22,945,835**	**10,419,616**	**33,365,451**	**23,562,809**	**6,975,341**	**30,538,150**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**-3,227,074**	**-2,520,323**	**-5,747,397**	**5,882,958**	**4,473,366**	**10,356,324**
Items that will not be reclassified subsequently to profit or loss	**79,600**	**28,940**	**108,540**	**-511,525**	**-153,260**	**-664,785**
Other items that will not be reclassified subsequently to profit or loss	76,855	28,940	105,795	-514,774	-153,260	-668,034
Tax on items that will not be reclassified subsequently to profit or loss	2,745	0	2,745	3,249	0	3,249
Items that may be reclassified subsequently to profit or loss	**-3,306,674**	**-2,549,263**	**-5,855,937**	**6,394,483**	**4,626,626**	**11,021,109**
Net gains/losses on remeasuring available-for-sale financial assets	**-3,995,924**	**-3,022,285**	**-7,018,209**	**7,835,914**	**5,698,021**	**13,533,935**
Net change recognised in the fair value reserve	-6,188,510	-3,227,642	-9,416,152	7,854,130	2,049,823	9,903,953
Net change transferred from fair value reserve to profit or loss	2,192,586	205,357	2,397,943	-18,216	3,648,198	3,629,982
Net gains/losses relating to investments in equity-accounted associate companies	**0**	**-33,187**	**-33,187**	**51,539**	**0**	**51,539**
Tax on items that may be reclassified subsequently to profit or loss	**645,311**	**525,321**	**1,170,632**	**-1,247,876**	**-951,739**	**-2,199,615**
Net gains/losses from translation of financial statements of non-domestic companies	**43,939**	**-19,112**	**24,827**	**-245,094**	**-119,656**	**-364,750**
COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	19,718,761	7,899,293	27,618,054	29,445,767	11,448,707	40,894,474
ATTRIBUTABLE TO THE OWNERS OF THE CONTROLLING COMPANY	19,733,529	7,902,098	27,635,627	29,384,916	11,559,570	40,944,486
ATTRIBUTABLE TO NON-CONTROLLING INTEREST	-14,768	-2,805	-17,573	60,851	-110,863	-50,012

Appendix E – 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 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.

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 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.

Dividend yield. Ratio of dividend per share to the price per share two days after the general meeting.

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. The ratio relating to the group is calculated based on the reinsurance and non-life insurance operating segments.

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. The ratio relating to the group is calculated based on the reinsurance and non-life insurance operating segments.

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 and expenses relating to 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.

ORSA. Own risk and solvency assessment: an own assessment of the risks associated with an insurer's business and strategic plan, and the sufficiency of own funds to support those risks

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 organisation).

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.

Total comprehensive income, net of tax. The sum of net profit for the period and other comprehensive income for the period, net of tax. The latter comprises the effects of other gains and losses not recognised in the income statement that affect equity, mainly through the fair value reserve.

Underwriting result. Profit or loss realised from insurance operations as opposed to that realised from investments or other items.

Unearned premiums. The portion of premiums written that applies to the unexpired portion of the policy period and is attributable to and recognised as income in future years.

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