SAVA Re

#14 ANNUAL REPORT

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DECLARATION OF THE MANAGEMENT BOARD

Zvonko Ivanušič
chairman of the management board

Mateja Treven
member of the management board

Jošt Dolničar
member of the management board

Srečko Čebron
member 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. 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 2015

KEY FINANCIALS

(€)	Sava Re Group		Sava Reinsurance Company	
	2014	2013	2014	2013
Gross premiums written	**468,179,052**	**386,704,879**	**131,323,246**	**134,131,528**
Year-on-year change	21.1 %	42.8 %	-2.1 %	-12.2 %
Net premiums earned	437,572,337	379,148,165	113,847,068	124,682,116
Year-on-year change	15.4 %	54.0 %	-8.7 %	-6.1 %
Gross claims paid	**255,340,015**	**221,223,447**	**70,181,933**	**80,525,492**
Year-on-year change	15.4 %	62.3 %	-12.8 %	2.7 %
Net claims incurred	257,080,153	229,009,555	64,736,669	77,581,653
Year-on-year change	12.3 %	52.8 %	-16.6 %	-12.8 %
Net incurred loss ratio	**59.5 %**	**58.9 %**	**56.9 %**	**62.2 %**
Operating expenses, including reinsurance commission income	**143,656,574**	**127,260,707**	**36,937,817**	**38,881,679**
Year-on-year change	12.9 %	49.5 %	-5.0 %	-3.8 %
Net expense ratio	32.8 %	33.6 %	32.4 %	31.2 %
Net combined ratio	**95.5 %**	**96.8 %**	**89.9 %**	**94.4 %**
Net inv. income of the investment portfolio	**27,536,798**	**5,145,854**	**13,672,667**	**7,982,641**
Investment return	2.7 %	0.8 %	3.2 %	2.1 %
Net inv. income of the investment portfolio, excluding foreign exchange differences	25,191,419	6,140,293	11,535,975	9,103,499
Return on the investment portfolio, excluding foreign exchange differences	2.5 %	0.9 %	2.7 %	2.4 %
Profit/loss, net of tax	**30,538,150**	**15,621,924**	**22,358,419**	**14,764,052**
Year-on-year change	95.5 %	32.5 %	51.4 %	53.7 %
Comprehensive income	40,894,474	21,707,503	26,447,137	17,375,678
Return on equity	**11.9 %**	**7.6 %**	**8.9 %**	**7.0 %**
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Total assets	**1,454,374,935**	**1,378,300,387**	**547,413,684**	**530,636,968**
% change on 31 Dec. of prior year	5.5 %	115.2 %	3.2 %	14.6 %
Shareholders' equity	**271,528,623**	**240,099,321**	**258,135,674**	**246,188,770**
% change on 31 Dec. of prior year	13.1 %	40.1 %	4.9 %	40.8 %
Net technical provisions	**1,026,994,619**	**983,520,806**	**185,794,402**	**182,280,280**
% change on 31 Dec. of prior year	4.4 %	181.2 %	1.9 %	-1.1 %
Book value per share	16.46	14.23	15.65	14.59
Net earnings/loss per share	1.82	1.23	1.33	1.16
No. of employees (full-time equivalent basis)	2,442	2,411	79	67

Notes:

- For details on the calculation of ratios and the net investment income, see the appended glossary in Appendix E.
- The calculation method for the net combined ratio was changed in 2014. The new ratio is calculated for the reinsurance and non-life operating segments.
- The net investment income of the investment portfolio for 2013 includes the gain on the revaluation of Zavarovalnica Maribor to fair value of € 9.7 million and the net investment income of investment property of € -0.3 million. The net investment income of investment property in 2014 amounted to € 0.1 million.
- The net investment income of the investment portfolio does not include the net investment income from assets pertaining to policyholders who bear the investment risk since such assets do not affect the income statement. The mathematical provision of policyholders who bear the investment risk moves in line with this line item.
- The calculation of book value per share is explained in the appended glossary in Appendix E.
- Sava Reinsurance Company started consolidating Zavarovalnica Maribor as from 1 May 2013, which had a major impact on the Sava Re Group financial statements.

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SAVA RE GROUP

#1 BUSINESS REPORT

Both net profit of € 30.5 million and an 11.9 % return on equity were better than planned and the Group's best ever.

1.

LETTER FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

DEAR SHAREHOLDERS, BUSINESS PARTNERS AND EMPLOYEES

It is with particular satisfaction that I look upon the results achieved in 2014. This year revolved much around the integration of the Slovenian Group companies, which demanded great skill on the part of the management and huge efforts from our colleagues in back-office services, who were at the forefront of this process. Zavarovalnica Maribor carried out a number of activities related to cost optimization as well as many changes in processes and organization. As a result of these, we are now proud to announce that we have beaten our targets in terms of both realized cost synergies and underwriting results. Still, let us keep in mind that our plan is to realize the major part of the effects of the consolidation of Zavarovalnica Maribor on total Group profit within three years, so our job is not yet finished. We consider the Group's net profit for 2014 of € 30.5 million, which was better than budgeted, as very good and a solid basis for further growth.

The Group's profit for 2014 saw significant support in the form of profit from reinsurance operations that recorded an outstanding combined ratio. This is partly because there were no major catastrophic events on the international markets, but was largely the result of recent efforts to improve the portfolio through diversification and selective underwriting. In line with our strategy, our primary goal is profitability, to which premium growth is subordinated. Sava Reinsurance Company is gradually entering new reinsurance markets and is looking for growth opportunities in markets that major players ignore because of the lower premium volumes involved.

Another positive effect on the 2014 profit was the solid net investment income generated by the investment portfolio. In the low interest rate environment in which we are currently dealing, such investment returns are unlikely to be sustainable, so more profits will have to be generated by the technical account. We feel there is still some room for improvement in Slovenian non-life insurance business.

We are also pleased with the € 468 million in gross premiums written by the Group, an increase of 21 percent over 2013. In 2014 a major growth factor was, of course, the inclusion of Zavarovalnica Maribor into the Group, first included in the consolidated accounts on 1 May 2013. The Group exceeded its premium target mainly because Zavarovalnica Maribor managed to maintain its premium volume despite the optimization measures undertaken over the year. In the medium term, we would like to see some growth in premium income from Slovenia, but count on premium growth in the markets of the former Yugoslavia. In the past few years, premium income of our subsidiaries dropped a few times due to the loss of major clients. Such lost business was compensated through a larger number of smaller risks that will ensure steady premium income in the long run. We expect premiums to grow in these markets and believe we are well positioned to both join and take advantage of the trend.

Even though the integration of Slovenian Group companies is yet to be completed, we believe that the process has reached a level that enables us to turn towards further expansion of the Group, for which adequate conditions have been created. We will remain focused on servicing the markets of the former Yugoslavia and the Western Balkans as well as on increasing market share in the countries where market shares of our subsidiaries are still small but potential is large.

In 2014 Sava Reinsurance Company paid out dividends for the first time. In the future, the Company will seek to offer an attractive dividend yield, while investing part of its resources into further expansion of the Group.

We are pleased to have proven capable of achieving good results, and I am confident we will perform even better in the future. In closing, I would like to thank all of my colleagues who have contributed to writing the story of the year 2014.

Yours faithfully,

Zvonko Ivanušič,
Chairman of the management board of Sava Reinsurance Company

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

2.1. Company Profile of Sava Reinsurance Company

Company name	Pozavarovalnica Sava, d. d.
	Sava Reinsurance Company d.d.
Business address	Dunajska 56
	1000 Ljubljana
	Slovenia
Telephone (switchboard)	+386 1 47 50 200
Facsimile	+386 1 47 50 264
E-mail	info@sava-re.si
Website	www.sava-re.si
Company ID number	5063825
Tax number	17986141
Share capital	€ 71,856,376
Shares	17,219,662 no-par-value shares
Governance and supervision bodies	MANAGEMENT BOARD
	Zvonko Ivanušič (chairman)
	Srečko Čebron
	Jošt Dolničar
	Mateja Treven
	SUPERVISORY BOARD
	Branko Tomažič (chairman)
	Mateja Lovšin Herič (deputy chairperson)
	Slaven Mićković
	Keith Morris
	Martin Albreht (employee representative)
	Andrej Gorazd Kunstek (employee representative)
Date of entry into court register	28 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)
AM Best credit rating	A– /stable/ October 2014
Standard & Poor's credit rating	BBB+ /stable/ July 2014

The Company has no branches.

2.2. Significant events in 2014

FEBRUARY

- After the announcement that Sava Reinsurance Company would recognize impairment losses on its subordinated bonds of Slovenian banks in 2013, credit rating agency A.M. Best started a review of the Company's capitalization, as measured under the agency's model, to examine whether it still supported the Company's credit rating. Upon completion of the review in February 2014, A.M. Best announced that it affirmed Sava Reinsurance Company's A– rating with a stable outlook because the Company's capitalization remained at a high level.
- On 3 February 2014, Sava Reinsurance Company jointly with certain other insurance companies filed a complaint in the Administrative Court against the Bank of Slovenia, challenging the bank's decision on emergency measures leading to the expropriation of shareholders and subordinated bondholders of some banks. The claim amount of Sava Reinsurance Company was € 8,338,000 and € 15,975,000 in respect of Zavarovalnica Maribor. On the date of this report, proceedings have not been completed.
- In February 2014, Sava Reinsurance Company acquired the company Illyria Hospital from its subsidiary Illyria at a price of € 1.8 million, gaining 100 % direct ownership of the company. The acquisition had no impact on the consolidated financial statements.
- Based on loss surveys carried out then relating to the February ice damage, Sava Reinsurance Company estimated that the gross loss for the entire Sava Re Group before reinsurance recoveries, including Zavarovalnica Maribor and Zavarovalnica Tilia, would total about € 20 million. This event had an impact of € 6 million on the result of the Group for 2014. The lion's share of damage occurred on the railway infrastructure and electric power distribution lines.

APRIL

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

MAY

- On 13 May 2014, the subsidiary Sava Montenegro bought Montagent, an insurance brokerage company.

JUNE

- On 30 June 2014 the Sava Re Group insurers authorized to transact life insurance business (Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit životno osiguranje, Sava životno osiguranje and Illyria Life) registered with the U.S. tax authorities to obtain relevant FATCA status (see the appended glossary for further details).

JULY

- On 1 July 2014 the 29th general meeting of shareholders took place. Among other things, the general meeting was presented the annual report for 2013, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2013 with the opinion of the supervisory board thereto. The general meeting resolved that part of distributable profit be appropriated as dividends. The general meeting discharged both the management and the supervisory boards from their liability for the financial year 2013. The general meeting appointed the auditing firm Ernst & Young d.o.o., Dunajska 111, Ljubljana, as auditor for the 2014 financial year.
- On 22 July 2014 credit rating agency Standard & Poor's (S&P), in accordance with its criteria for insurers, reaffirmed the existing "BBB+" ratings with a stable outlook.

OCTOBER

- After its regular annual rating review in October 2014, rating agency A.M. Best reaffirmed the financial strength rating on Sava Reinsurance Company of A– (Excellent) and the issuer credit rating of a– (Excellent), both with a stable outlook.
- On 21 October 2014, the Belgrade companies register agency entered a capital increase in the subsidiary life insurer Sava životno osiguranje. In the recapitalization process of Sava životno osiguranje, which is 99.99 % owned by Sava Reinsurance Company, 128,300 new shares were subscribed and paid in with a value of RSD 47,607,152 (€ 401,402).
- From 1 January to 31 December 2014 Sava Reinsurance Company repurchased its own shares for a total value of € 10.1 million (acquisition of shares from Zavarovalnica Maribor in the amount of € 3.9 million; shares in the value of € 6 million were purchased in an own share repurchase programme in the OTC market; the rest were bought on the regulated market). The total number of own shares prior to these transactions was 346,643 (of which 346,433 were purchased by Sava Reinsurance Company from Zavarovalnica Maribor and had been considered own shares prior to the transaction). The total number of own shares at 31 December 2014 after the said purchases was 727,830, representing 4.2267 % of all issued shares.

2.3. Significant events after the reporting date

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.

From 1 January 2015 to 31 March 2015, Sava Reinsurance Company bought 8,236 own shares for a total amount of € 132,001 on the Ljubljana Stock Exchange. The total number of own shares at 31 March 2015 after the said purchases was 736,066, representing 4.2745 % of all issued shares.

2.4. Credit ratings of Sava Reinsurance Company

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

Credit ratings of Sava Reinsurance Company

Agency	Rating [1]	Outlook	Action
Standard & Poor's	BBB+	stable	July 2014: affirmed existing rating
A.M. Best	A–	stable	October 2014: affirmed existing rating

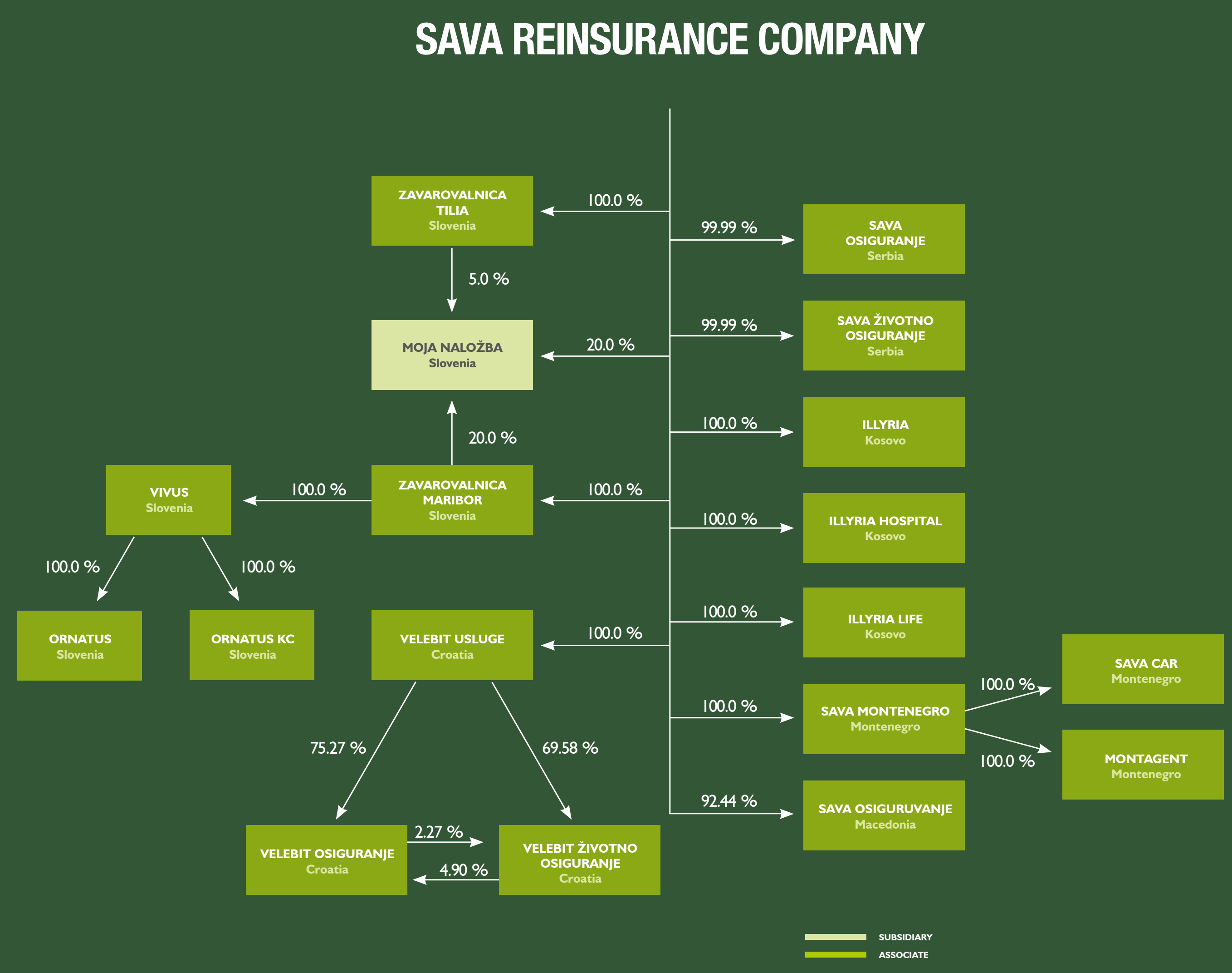
A summary of the two reports is posted on the Company's website: www.sava-re.si.

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

At 31 December 2014, in addition to the controlling company Sava Reinsurance Company, the insurance part of the Sava Re Group comprised ten insurers based in Slovenia and other Western Balkan countries as well as one associate company, a pension company based in Slovenia.

2.6. Sava Re Group structure, including associate companies

Sava Re Group structure, including associates, as at 31 December 2014



Company names of subsidiary and associate companies

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

2.7. Activities of the Sava Re Group and its associates

Sava Reinsurance Company, the controlling company of the Group, transacts reinsurance business. Zavarovalnica Tilia and Zavarovalnica Maribor are composite insurers based in Slovenia. The insurers Sava osiguranje Belgrade, Sava osiguruvanje Skopje, Illyria, Sava Montenegro, and Velebit osiguranje are non-life insurance companies. Sava životno osiguranje, Illyria Life and Velebit životno osiguranje are life insurers. In addition to these insurers, the Group consists of Illyria Hospital (special purpose vehicle for the establishment of a hospital in Kosovo; wholly-owned by Sava Reinsurance), Sava Car (vehicle inspection company; wholly-owned by the insurer Sava Montenegro) and Montagent (insurance agency; wholly-owned by the insurer Sava Montenegro), Vivus is a specialized agency for the marketing of life policies of Zavarovalnica Maribor (wholly-owned by Zavarovalnica Maribor). Vivus owns two companies, Ornatus and Ornatus KC. The Group also includes the Moja naložba pension company.

2.8. Company profiles of Sava Re Group members and associates as at 31 December 2014

At 31 December 2014, the following companies were members of the Sava Re Group or associate companies:

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
Business activity	reinsurer	composite insurer	composite insurer	pension company	non-life insurer
Share capital	€ 71,856,376	€ 55,426,292	€ 14,317,673	€ 6,301,109	€ 6,665,393
Book value of equity interest		€ 55,426,292	€ 14,317,673	€ 2,187,745	€ 6,664,726
Equity interests (voting rights) held by Group members		Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 100.00 %	Sava Reinsurance Company: 20.0 % Zavarovalnica Maribor: 20.0 % Zavarovalnica Tilia: 5.0 %	Sava Reinsurance Company: 99.99 %
Governing bodies	MANAGEMENT BOARD Zvonko Ivanušič (chair), Jošt Dolničar, Srečko Čebron, Mateja Treven SUPERVISORY BOARD Branko Tomažič (chair), Mateja Lovšin Herič, Slaven Mićković, Keith Morris, Martin Albreht, Andrej Gorazd Kunstek	MANAGEMENT BOARD David Kastelic (chair), Borut Celcer, Rok Moljk, Robert Ciglarič SUPERVISORY BOARD Jošt Dolničar (chair), Dušan Čeč, Polona Pirš Zupančič, Pavel Gojkovič, Aleš Perko, Branko Beranič	MANAGEMENT BOARD Andrej Kavšek (chair), Tadej Avsec, Jaka Dolenc SUPERVISORY BOARD Zvonko Ivanušič (chair), Jošt Dolničar, Jože Razpotnik	MANAGEMENT BOARD Lojze Grobelnik (chair), Igor Pšunder SUPERVISORY BOARD Aleš Hauc (chair), Katrca Rangus, Irena Šela, Irena Žnidaršič, Igor Marinič, Rok Moljk, Jure Korent, Robert Senica, Denis Stroligo	MANAGING DIRECTOR Duško Jovanović executive directors: Edita Rituper, Milorad Bosnić BOARD OF DIRECTORS Jost Dolničar (chair), Janez Komelj, Jure Korent
Position in the Group	parent, reinsurer	subsidiary insurance company	subsidiary insurance company	associate 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, Serbia

Company name	Illyria	Sava osiguruvanje Skopje	Sava Montenegro	Sava životno osiguranje	Illyria Life
Registered office	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	Zagrebska br. 28 A, 1000 Skopje, Macedonia	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro	Bulevar vojvode Mišića 51, 11000 Beograd, Serbia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo
Company ID number	70152892	4778529	02303388	20482443	70520893
Business activity	non-life insurer	non-life insurer	non-life insurer	life insurer	life insurer
Share capital	€ 5,428,040	€ 3,820,077	€ 4,033,303	€ 3,726,744	€ 3,285,893
Book value of equity interest	€ 5,428,040	€ 3,531,279	€ 4,033,303	€ 3,726,371	€ 3,285,893
Equity interests (voting rights) held by Group members	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 92.44 %	Sava Reinsurance Company: 100.0 %	Sava Reinsurance Company: 99.99 %	Sava Reinsurance Company: 100.0 %
Governing bodies	MANAGING DIRECTOR Gianni Sokolič BOARD OF DIRECTORS Primož Močivnik (chair), Rok Moljk, Robert Sraka, Ramis Ahmetaj, Gianni Sokolič	EXECUTIVE DIRECTOR Peter Skvarča CHIEF OPERATING DIRECTORS Ruse Drakulovski, Ilo Ristovski BOARD OF DIRECTORS Rok Moljk (chair), Polona Pirš Zupančič, Milan Viršek, Janez Jelnikar	EXECUTIVE DIRECTOR Nebojša Šćekić BOARD OF DIRECTORS Milan Viršek (chair), Jošt Dolničar, Edita Rituper	EXECUTIVE DIRECTOR Gorica Drobnjak BOARD OF DIRECTORS Polona Pirš Zupančič (chair), Pavel Gojkovič, Milan Viršek	MANAGING DIRECTOR Ramis Ahmetaj BOARD OF DIRECTORS Primož Močivnik (chair), Robert Sraka, Gianni Sokolič, Rok Moljk
Position in the Group	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company	subsidiary insurance company
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	Velebit osiguranje	Velebit životno osiguranje	Illyria Hospital	Sava Car
Registered office	Savska 144a, 10000 Zagreb, Croatia	Savska 144a, 10000 Zagreb, Croatia	Savska 144a, 10000 Zagreb, Croatia	Sheshi Nëna Terezë 33, 10000 Priština, Kosovo	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Company ID number	2146282	2269937	2269929	70587513	02806380
Business activity	wholesale, retailer	non-life insurer	life insurer	hospital	research and analysis
Share capital	€ 16,767,141	€ 6,235,281	€ 5,789,757	€ 1,800,000	€ 265,000
Book value of equity interest	€ 16,767,141	€ 4,911,531	€ 4,132,150	€ 1,800,000	€ 265,000
Equity interests (voting rights) held by Group members	Sava Reinsurance Company: 100.0 %	Velebit usluge: 75.27 % Velebit životno osiguranje: 4.90 %	Velebit usluge: 69.58 % Velebit osiguranje: 2.27 %	Sava Reinsurance Company: 100.0 %	Sava Montenegro: 100.0 %
Governing bodies	DIRECTOR Milan Viršek Polona Pirš Zupančič Pavel Gojkovič	MANAGEMENT BOARD Dražen Kulić (chair), Krešimir Vrbić (member), Primož Močivnik (holder of procuration) BOARD OF DIRECTORS Milan Viršek (chair), Dragutin Sokačić, Hermina Kastelec, Primož Močivnik, Josip Šeremet	MANAGEMENT BOARD Tibor Kralj (chair), Kristina Cvitanović - Zorić BOARD OF DIRECTORS Rok Moljk (chair), Pero Ćosić, Iris Vencelj, Uroš Lorenčič, Dino Braš	DIRECTOR Ilirijana Dželadini	EXECUTIVE DIRECTOR Radenko Damjanović BOARD OF DIRECTORS Edita Rituper (chair), Nebojša Šćekić, Zoran Savić
Position in the Group	subsidiary	indirect subsidiary insurance company	indirect 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	Vivus	Ornatus	Ornatus KC	Montagent
Registered office	Karantanska ulica 35, 2000 Maribor	Karantanska ulica 35, 2000 Maribor	Karantanska ulica 35, 2000 Maribor	PC Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro
Company ID number	2154170000	2238799000	6149065000	02699893
Business activity	insurance agency	insurance agency	call centre	insurance agent
Share capital	€ 188,763	€ 11,763	€ 11,000	€ 10,000
Book value of equity interest	€ 188,763	€ 11,763	€ 11,000	€ 10,000
Equity interests (voting rights) held by Group members	Zavarovalnica Maribor: 100.0 %	Vivus: 100.0 %	Vivus: 100.0 %	Sava Montenegro: 100.0 %
Governing bodies	MANAGING DIRECTOR Rebernik Darko	MANAGING DIRECTOR Rebernik Darko	MANAGING DIRECTOR Rebernik Darko	EXECUTIVE DIRECTOR Snežana Milović BOARD OF DIRECTORS /
Position in the Group	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

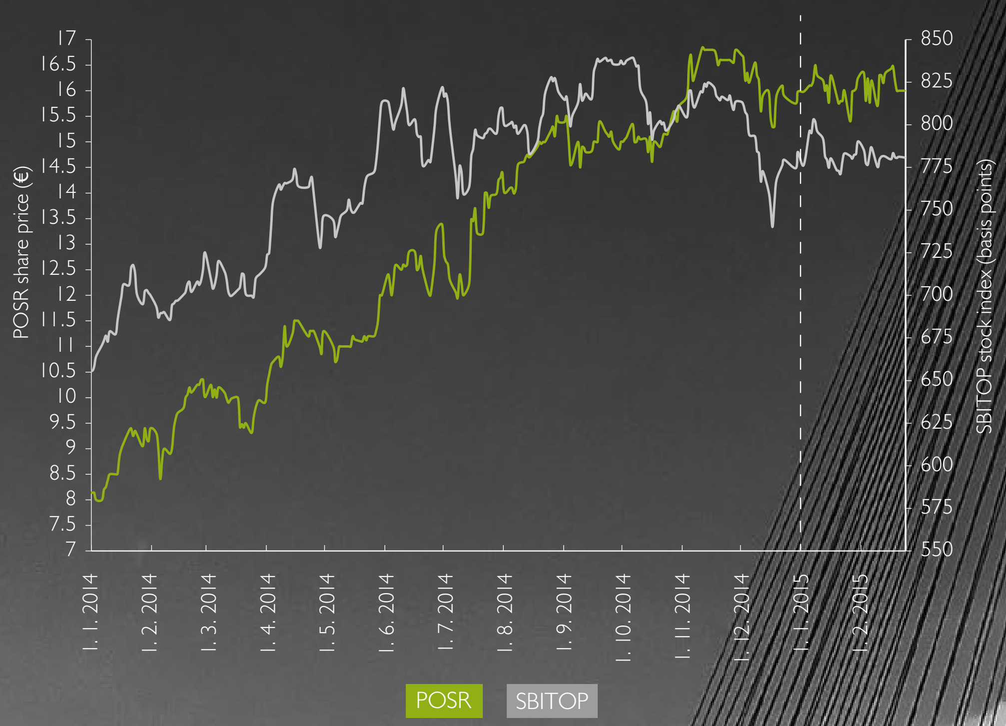
3. SHAREHOLDERS AND SHARE TRADING

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

In 2014, the Slovenian capital market (SBITOP) ended the year with a gain for the third year in a row. The SBITOP, the Ljubljana Stock Exchange blue-chip index, gained 19.6 % in 2014. The Slovenian stock market grew mainly in anticipation of the sale of majority state-owned companies.

2014 was also a very good year for the POSR share with a rising share price and record turnover. The POSR share gained 96.3 % in 2014, while the total annual turnover on the Ljubljana Stock Exchange amounted to € 22.0 million (2013: € 8.5 million). Sava Reinsurance Company started repurchasing its own shares in 2014, which also contributed to investor confidence.

Movement in the POSR share price in 2014 compared to the SBITOP stock index



The Company's share gained 96 % in 2014.

3.2. General information on the share

Basic details about the POSR share

	31/12/2014	31/12/2013
Share capital	71,856,376	71,856,376
No. of shares	17,219,662	17,219,662
Ticker symbol	POSR	POSR
No. of shareholders	5,134	4,959
Type of share		ordinary
Listing		Ljubljana Stock Exchange, prime market
Number of treasury shares	727,830	346,643
Net earnings/loss per share (€)*	1.33	1.16
Consolidated net earnings/loss per share (€)	1.82	1.23
Book value per share (€)	15.65	14.59
Consolidated book value per share (€)	16.46	14.23
Share price at end of period (€)	15.98	8.14
	1–12/2014	1–12/2013
Average share price in reporting period (€)	12.80	7.93
Minimum share price in reporting period (€)	8.00	7.00
Maximum share price in reporting period (€)	16.85	9.35
Trade volume in reporting period (€)	22,045,061	8,532,525

* The ratio is based on the weighted average number of shares outstanding, which was significantly higher in 2014 year-on-year, as in July 2013 the controlling company successfully completed a recapitalization and new shares were entered in the companies register on 11 July 2013.

In the third quarter of 2014, the Company paid out dividends. It held no conditional equity. The regular general meeting held on 1 July 2014 decided that € 4,386,984.94 of distributable profit be appropriated as dividends. Dividends of € 0.26 gross per share were paid to the shareholders entered in the shareholders' register two business days after the date of the general meeting.

At 31 December 2014, 70.4 % of shareholders were Slovenian and 29.6 % were foreign. The largest shareholder of the POSR share is the Slovenian Sovereign Holding (Slovenski državni holding) 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 2014

Type of Investor	Domestic investors	Foreign investors
Other financial institutions	25.1 %	0.0 %
Insurers and pension companies	14.4 %	0.1 %
Natural persons	9.4 %	1.1 %
Banks	6.9 %	25.9 %
Investment funds and mutual funds	8.5 %	2.4 %
Other commercial companies	6.1 %	0.0 %
TOTAL	70.4 %	29.6 %

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.

Treasury shares

From 1 January to 31 December 2014 Sava Reinsurance Company repurchased its own shares for a total value of € 10.1 million (acquisition of shares from Zavarovalnica Maribor in the amount of € 3.9 million; shares in the value of € 6 million were purchased in an own share repurchase procedure in the OTC market; the rest were bought on the regulated market). The total number of own shares prior to these transactions was 346,643 (of which 346,433 were purchased by Sava Reinsurance Company from Zavarovalnica Maribor and had been considered own shares prior to the transaction). The total number of own shares at 31 December 2014 after the said purchases was 727,830, representing 4.2267 % 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), notification recommendations of the Ljubljana Stock Exchange (LJSE) to public companies, the corporate governance code for public joint-stock companies, the rules of procedure of the supervisory board and with the internal rules for investor relations. Announcements are made according to the Company's financial calendar and day-to-day requirements.

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

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

In 2014, the Company regularly and with increased intensity communicated with existing and potential investors. In addition to the established quarterly meetings with the financial community organized by Sava Re, either live or via webcast, we also meet at events organized by the Ljubljana Stock Exchange. Furthermore, we participate in events organized by other stock exchanges and investment firms. In addition, there were also a number of meetings with individual interested investors.

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 introduced live online communication (webcast).

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 2014 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 six-member supervisory board did not change in 2014. During this term of office, the Company's shareholders are represented by Branko Tomažič (chairman), Mateja Lovšin Herič (deputy chair), Keith Morris and Slaven Mićković, while Martin Albrecht and Gorazd Kunstek serve 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 the year, 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 organized other supporting activities.

In 2014 the supervisory board met ten times (11 sessions had been planned), but held no correspondence session. Members attended sessions regularly. Apart from one member who was absent twice and one member who was absent once, all on justifiable grounds, members attended all of the sessions. 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. Twice the supervisory board was joined by the external member of the audit committee.

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 2014 to the following issues:

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

In early 2014, 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 2014 and the Strategic Plan of the Sava Re Group for the Period 2014–2018.

Financial reports – annual report

The supervisory board reviewed the unaudited consolidated and separate financial statements of the Sava Re Group and Sava Reinsurance Company 2013.

Furthermore, it adopted the Annual Report of the Sava Re Group and Sava Reinsurance Company d.d. 2013 and presented it to the general meeting together with both the opinion on the annual report on internal auditing for 2013 and the supervisory board's own report for 2013, including its own opinion on the annual report 2013.

Financial reports – interim reporting

In addition to the above-mentioned documents, the supervisory board considered the unaudited first-quarter, half-yearly and nine-month financial reports of the Sava Re Group and Sava Reinsurance Company for the periods January–March 2014, January–June 2014 and January–September 2014, 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. In addition, it discussed in detail the annual investment report 2013 and considered investment policies set for the period 2014–2018. Furthermore, it examined the document Comparison of Investment Portfolios and Returns of the Sava Re Group and Selected Insurance Companies.

Reinsurance operations and claims experience

In early 2014, the supervisory board was briefed on the annual renewal of reinsurance contracts for 2014 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 regularly briefed on activities relating to the acquisition and sale of Avtotest, the acquisition of Illyria Hospital, the indirect acquisition of Montagent and the issue of the indirect acquisition of a vehicle inspection centre in Macedonia.

Owing to deteriorated performance, the supervisory board paid special attention to the markets in Serbia and Croatia, and held a detailed discussion of operational efficiency and directions for further development of the Sava Re Group's subsidiaries in those markets.

Integration of Zavarovalnica Maribor into the Sava Re Group

The supervisory board monitored, on an ongoing basis, the integration of Zavarovalnica Maribor into the Sava Re Group after gaining 100 percent of the insurer in 2013. When deciding on the purchase of Zavarovalnica Maribor, the management board also assessed the potential opportunities involved in the transaction. Projections were very optimistic and expected effects significant. These were to be achieved mainly through joint processing of certain tasks, unifying information technology, standardizing and streamlining key business processes, making use of key staff, transferring good practices within the Group and aligning policies in individual markets.

When the acquisition was completed, the Company launched a special project designed to take advantage of the identified opportunities as fast and as efficiently as possible.

As supervisory board members, we are well aware of the complexity of the job and the obstacles that may arise in such a project. Reports on the progress of the project as a whole and of individual sub-projects were discussed at most meetings of the supervisory board. Some sub-projects were carried out quickly and efficiently but some have been running slower than planned. There is still work to do and obstacles to overcome to achieve the full benefits of the acquisition. The supervisory board will continue monitoring this project very closely.

Internal audit

In 2014, 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 2014. In addition, it considered the internal audit report for the period 31 October – 31 December 2013 and the annual report on internal auditing for 2013 and drew up an opinion on the annual report on internal auditing for 2013. It considered quarterly internal audit reports for the three months to 31 March 2014, 30 June 2014 and 30 September 2014. 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 complied with by the management board. We further note that the internal audit found no significant or material irregularities in the operations of either the Company or the Group.

External quality assessment of the internal audit

In 2014 the Company carried out an external assessment of the quality of internal auditing in accordance with international standards of internal auditing. The supervisory board was briefed on the findings of the external audit report from the report of the audit committee, which discussed in greater detail the final report of the external quality assessment of internal audit and the action plan of the internal audit service to implement the recommendations made in the final report of the external assessment. The final report of external assessment confirmed overall compliance of the internal audit with standards.

Convocation and holding of general meeting of shareholders

The supervisory board supported the management board proposal to call the general meeting of the company twice in 2014. 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 2014 financial year.

Risks

Periodically and based on the annual report and interim financial reports of the management on the operations of the Company and the Group, the supervisory board also oversaw risk management activities.

In the year, the Company was for the second consecutive year named the winner of the best risk management annual report for the year 2013 among financial institutions.

Furthermore, the supervisory board was presented the results of the EIOPA stress test carried out by the Company in July 2014.

Solvency II alignment

The supervisory board was briefed by the management board on the progress of implementation of Solvency II.

FATCA alignment

The supervisory board was briefed on the implementation of FATCA rules in the operations of the Sava Re Group.

Shares

In April 2014, the supervisory board together with the management board proposed that the general meeting pass a resolution authorizing the management board to acquire own shares. The purpose of acquiring and disposing of own shares as defined in the general meeting resolution are as follows: (1) to exchange for minority interests in subsidiaries of the Sava Re Group or (2) to exchange for equity interests in other companies within the scope of implementing the acquisition strategy or (3) to sell to any strategic partner or (4) to implement procedures for admission of the Company's shares to at least one developed regulated securities market. In November 2014, the supervisory board supported the management board in the publication of the document Share Repurchase Programme, which in accordance with the general meeting resolution provided the basis for acquiring own shares on the OTC market as well as the acquisition of own shares on the regulated market during closed window periods, except silent periods when the Company does not provide any information on the financial position of the Company or the Group.

The supervisory board was briefed through quarterly reports from the management board on the balance and change in the number of treasury shares.

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 2013.

Strengthening the good practices of the supervisory board

In 2014 the supervisory board conducted the second 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 2014.

The three-member audit committee comprised chairperson Mateja Lovšin Herič and the members Slaven Mićković and Ignac Dolenšek.

Activities of the audit committee in 2014

The audit committee of the supervisory board met eight times in 2014.

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

Based on a supervisory board resolution and in view of the challenging conditions in capital markets in recent years, in 2014 the audit committee also regularly considered quarterly reports on the investment policy of the Company and the Sava Re 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 2014.

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 the Company performed well in 2014, while the results of subsidiaries have also been improving from year to year, and continues to support the Group's governance policies in 2015.

The supervisory board also bases its findings on:

- the unqualified opinion of the Company's certified actuary,
- the annual report of internal audit on internal auditing in 2014.

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

In 2015, the supervisory board will give special attention to overseeing the operations of the Sava Re Group, in particular the integration of Zavarovalnica Maribor in the Sava Re Group.

It will also closely monitor the Company's and the Group's progress towards compliance with the Solvency II Directive. And it will regularly oversee risk management issues 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 2014

The Company's management board submitted the Audited Annual Report of the Sava Re Group and Pozavarovalnica Sava d.d. 2014 for approval to the supervisory board. In accordance with its powers, the supervisory board considered it in its session on 8 April 2015.

The audit committee of the supervisory board discussed the Unaudited Annual Report and the Audited Annual Report of the Sava Re Group and Pozavarovalnica Sava d.d. 2014, including the audit report and the audit letter addressed to management upon conclusion of the preliminary audit, and issued its opinion and position thereon.

The supervisory board was also presented with the opinion of the auditor Ernst & Young Slovenija, podjetje za revidiranje, d.o.o., who audited the annual report of the Sava Re Group and Sava Reinsurance Company 2014, and also carried out audit reviews in the Sava Re Group subsidiary companies.

The supervisory board noted that the 2014 annual report was clear and transparent, as well as fully compliant with contents and disclosure requirements under the Companies Act, International Accounting Standards and the Insurance Act, including implementing regulations adopted thereunder.

Based on its review of the 2014 annual report, as well as on the opinion of the external auditor and that of the audit committee, the supervisory board considers that the 2014 annual report 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. 2014 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 2014, 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 € 21,835,623.61 as at 31 December 2014 shall be appropriated as follows:

€ 9,065,977.80 shall be appropriated for dividends. The dividend shall be € 0.55 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 € 12,769,645.81 shall remain unallocated."

The supervisory board proposes that the general meeting discharge the management board from their liability for the financial year 2014.

Branko Tomažič
Chairman of the Supervisory Board, Sava Reinsurance Company

Ljubljana, 8 April 2015

5.

STATEMENT ON COMPANY MANAGEMENT PURSUANT TO ARTICLE 70 OF THE COMPANIES ACT (ZGD-1)

5.1. Corporate Governance Policy

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

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

The management and the supervisory 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 languages, with individual deviations that are disclosed and explained below.

5.2.1. 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.

Recommendations 8.8 and 8.9: The Company's articles of association or the supervisory board's resolutions currently do not stipulate requirements additional to those stipulated by the law for the position of a management board member. However, the Company as reinsurer is subject to special regulations (Insurance Act), which stipulate additional requirements for the position of management board member. In addition, management board members must obtain a licence from the Insurance Supervision Agency before they can start their term of office. Such licence is being issued only in relation to carrying out the function of board member in a specific insurance or reinsurance company. As part of its activities for alignment with Solvency II guidelines, in 2015 the Company will start preparing specific rules setting out the criteria and procedures for fit and proper assessment of members of management and supervisory bodies.

Recommendation 13.1: In April 2011 the supervisory board appointed a standing nomination committee as a special consulting body. This was tasked with selecting objectively and transparently candidate members of the supervisory board to be proposed to the general meeting for election. After expiry of its term of office in July 2013, the new supervisory board has not appointed a new nomination committee yet. However, the supervisory board has also yet to appoint a standing personnel committee. Should need arise, the supervisory board will appoint either committee. The supervisory board carries out other duties within its terms of reference without a specific committee as this has not proved to be necessary.

5.2.2. Transparency of operations

Recommendation 20.2: The Company does not have 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. In 2015, the Company will start preparing a single document to implement this recommendation.

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 31 March 2014 to 31 March 2015.

5.3. Governance and supervision bodies of Sava Reinsurance Company

Management system

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

5.3.1. General meeting of shareholders

Terms of reference

The general meeting decides the following:

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

Convening the general meeting

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

The Company publishes general meeting notices through the SEOnet system provided by the Ljubljana Stock Exchange and through its website (www.sava-re.si), 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 by the general meeting

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

Exercise of voting rights in general meeting

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

The general meeting in 2014

The general meeting of shareholders of Sava Reinsurance Company was convened twice in 2014.

On 23 April 2014, the 28th general meeting of Sava Reinsurance Company took place at the Horus Hall of the Austria Trend Hotel in Ljubljana in order to obtain authorization to establish a fund for treasury shares. The general meeting authorization allows the company to purchase own shares of up to 10 % of the share capital over a period of three years from the adoption of the resolution. No challenging actions were announced in the general meeting.

On 1 July 2014, the 29th general meeting of Sava Reinsurance Company took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. Among other things, the general meeting was presented the annual report for 2013, including the auditor's opinion and written report of the supervisory board to the annual report, and the annual report on internal auditing for 2013 with the opinion of the supervisory board thereto. The general meeting resolved that part of distributable profit in the amount of € 4,386,984.94 be appropriated for dividends, while the remaining amount of € 15,713,038.83 be left unallocated. The general meeting discharged both the management and the supervisory boards from their liability for the financial year 2013. The general meeting appointed the auditing firm Ernst & Young d.o.o., Dunajska 111, Ljubljana, as auditor for the 2014 financial year. No challenging actions were announced in the general meeting.

As per the 2015 financial calendar, the regular annual general meeting of the shareholders of Sava Reinsurance Company is scheduled to take place in late 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. Supervisory board

Operation of the supervisory board

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

Terms of reference

Major responsibilities of the supervisory board:

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

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

The supervisory board in 2014

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 2014, there were no changes in the composition of the supervisory board.

Composition of the supervisory board at 31/12/2014

Member	Title	Beginning of term of office	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	4 years
Andrej Gorazd Kunstek	member (employee representative)	23/01/2013	10/6/2015

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

Qualifications: University graduated economist.

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

Beginning of term of office: 15/07/2013

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)

Qualifications: University graduated economist.

Presentation: The deputy chairperson of the supervisory board has extensive experience in asset management. She gained extensive experience through leading large and complex projects co-operating with the Slovenian Sovereign Holding, such as the privatisation of Slovenian insurance companies. Since 2012 she has been heading the asset management department of Slovenski odškodninski holding d.d. This is her second term of office as member and deputy chairperson of the supervisory board and chairperson of the audit committee of Sava Reinsurance Company. She holds a certificate issued by the Association of supervisory board members certifying that she is a qualified member of supervisory and management bodies required by persons to be appointed to such bodies by the government of the Republic of Slovenia.

Beginning of term of office: 15/07/2013

Term of office: 4 years

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

Slaven Mićković | *member of the supervisory board*

Employment: Abanka Vipa d.d.

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

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

Beginning of term of office: 15/07/2013

Term of office: 4 years

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

Keith Morris | ***member of the supervisory board***

Employment: retiree

Qualifications: B.Sc. Management Sciences.

Presentation: Most of his career, he worked in finance and has extensive international experience both in banking and insurance. Keith Morris started his career in 1967 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.

Beginning of term of office: 15/07/2013

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.

Qualifications: Graduated economist.

Presentation: This supervisory board member has extensive experience in accounting and in the implementation of computer applications for accounting. He joined Sava Reinsurance Company in 2008 and has been working in the accounting department ever since.

Beginning of term of office: 10/06/2011

Term of office: 4 years

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

Andrej Gorazd Kunstek | ***member of the supervisory board***

Employment: Pozavarovalnica Sava, d. d.

Qualifications: University graduated economist, master of science in economics.

Presentation: This supervisory board member 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.

Beginning of term of office: 23/01/2013

Term of office: 10/06/2015

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

Statement of independence

The supervisory board members committed themselves, upon entering their office in 2013, to meeting the criteria of independence as set out in point C.3 of Annex C to the Corporate Governance Code for Public Joint-Stock Companies by signing a "Statement on the independence of supervisory board members of Sava Reinsurance Company". 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 24.10 "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 31/12/2014

Supervisory board member	No. of shares	Holding (%)
Andrej Gorazd Kunstek	2,148	0.012 %
TOTAL	**2,148**	**0.012 %**

Source: Central securities register KDD d.d.

More information on the activities of the supervisory board in 2014 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 only an audit committee.

Audit committee

Activities of the Audit Committee

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

Terms of reference

Major responsibilities of the audit committee:

- to monitor the efficiency of the Company's internal controls, internal audit and risk management systems;
- to monitor financial reporting processes;
- to monitor the mandatory audit of the annual separate and consolidated financial statements;
- to review and monitor the independency of the auditor of the Company's annual report, in particular if additional non-auditing services are provided by it;

- to nominate an auditor for the Company's annual report to be appointed by the supervisory board;
- to oversee the integrity of the financial information prepared by the Company;
- to assess the annual report and prepare a draft proposal for the supervisory board;
- to participate in determining the main areas of auditing;
- to participate in the drafting of the contract between the auditor and the Company;
- to co-operate with the auditor in auditing the Company's annual report, in particular by exchanging information on the most important matters regarding the audit.

The audit committee in 2014

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 2014 there were no changes in the composition of the audit committee.

Members of the audit committee at 31/12/2014

Member	Title	Beginning of term of office	Expiry 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

5.3.4. Management board

The role of the management board

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

Terms of reference

Major responsibilities of the management board:

- to run and organise the operations of Sava Reinsurance Company and the Sava Re Group;
- to represent Sava Reinsurance Company;
- to bear responsibility for the legality of operations of Sava Reinsurance Company;
- to adopt the development strategy of Sava Reinsurance Company and the Sava Re Group, which is to be presented to the supervisory board for consent;
- to adopt the business policy and financial plan of Sava Reinsurance Company and the Sava Re Group, which is presented to the supervisory board for consent;
- to adopt internal acts of Sava Reinsurance Company;
- to report to the supervisory board on operations of the Company and the Group;
- to prepare a draft annual report and submit it to the supervisory board for approval together with the auditor's report and a proposal regarding appropriation of distributable profit;
- to convene the general meeting of shareholders;
- to implement the resolutions adopted by the supervisory board.

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

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

The management board has an authorization 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 2014

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

In its meeting of 20 May 2013, the supervisory board of Sava Reinsurance Company reappointed the current four-member management board consisting of Zvonko Ivanušič (chairman), Srečko 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 2014 there were no changes in the composition of the management board.

Members of the management board as at 31/12/2014

Member	Title	Beginning of term of office	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*

Qualifications: University graduated economist, master of science in economics.

Presentation: He was appointed chairman of the management board for the first time in 2008. Prior to that, he was deputy chairman to the management board for four years. Zvonko joined the Company in 2002 as consultant to the management board. Prior to joining Sava Reinsurance Company, he was minister of finance of the Republic of Slovenia in 2000. Before that Zvonko held various top management positions, among others between 1997 and 2000 chairman of the management board of Zavarovalnica Slovenica; from 1994 to 1997, chairman of the management board of Kmečka družba and from 1993 to 1994, managing director of Belt-Livar Črnomelj.

Beginning of term of office: 01/06/2013

Term of office: five years.

Area of responsibility: The chairman of the management board is responsible for managing Sava Reinsurance Company, co-ordinating the activities of the management board, controlling, general affairs, HR, organisational and legal affairs, compliance and public relations.

Memberships of other management or supervisory bodies of Group companies:

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

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

Jošt Dolničar | *member of the management board*

Qualifications: University graduated lawyer.

Presentation: He was appointed member of the management board for the first time in 2008. He joined Sava Reinsurance Company in 2006 as senior executive responsible for the management of Group subsidiaries. Before joining Sava Reinsurance Company, Jošt Dolničar worked for Zavarovalnica Triglav – in his last appointment as executive manager of non-life business. Through much of his life, he has been actively involved in sports, and is still a licensed rowing trainer, a member of the legal committee and an arbitrator with the arbitration court of the Slovenian Olympic Committee.

Beginning of term of office: 01/06/2013

Term of office: five years.

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

Memberships of other management or supervisory bodies of Group companies:

- Zavarovalnica Maribor , Cankarjeva 3, 2000 Maribor – chairman of the supervisory board;
- Zavarovalnica Tilia, d.d., Seidlova cesta 3, 8000 Novo mesto – member of the supervisory board;
- Sava životno osiguranje, a.d., Bulevar vojvode Mišića 51, 11000 Belgrade, Serbia – member of the board of directors;
- Sava Montenegro, a.d., P.C Kruševac, Rimski trg 70, 81000 Podgorica, Montenegro – member of the board of directors.
- Velebit životno osiguranje, d.d., Savska 144a, 10000 Zagreb, Croatia – member of the supervisory board.

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

Srečko Čebron | *member of the management board*

Qualifications: University graduated mining engineer.

Presentation: He was appointed member of the management board for the first time in 2009. Prior to that, he was member of the management board of Zavarovalnica Maribor since 2001. Srečko Čebron started his career with Generali in Trieste. He gained most of his predominantly international experience in insurance from Zavarovalnica Tilia (Slovenia), Unipol (Milano, Bologna and Moscow), ICMIF (Manchester) and Euresap (Lisbon). In his extended stays abroad, Srečko acquired considerable foreign language skills.

Beginning of term of office: 01/06/2013

Term of office: five years.

Area of responsibility: Srečko Čebron is responsible for reinsurance operations and actuarial affairs.

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

Mateja Treven | *member of the management board*

Qualifications: University graduated economist, master of science in economics.

Presentation: Mateja Treven was appointed member of the management board for the first time in 2010. She joined Sava Reinsurance Company at the beginning of 2011, first as authorized representative of the management board. Prior to that Mateja served on the supervisory board of Sava Reinsurance Company and chaired its audit committee. Mateja Treven started her carrier at Ljubljanska banka. In 2000, she headed the securities department at Zavarovalnica Triglav and between 2004 and 2006 was consultant to the chairman of the management board responsible for finance and accounting. In 2006, Mateja Treven accepted the position of member of the management board at the brokerage firm Publikum, investicijske storitve d.d., and from March 2010, was consultant to its management board, responsible for finance and accounting. Mateja obtained a Master of Science in Investment Management Degree from the London City University Business School. In 2005, she obtained the Chartered Financial Analyst charter[1].

Beginning of term of office: 01/06/2013

Term of office: five years.

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

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

Remunerations, compensations and other benefits

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

Shareholdings

POSR shares held by Management Board members as at 31/12/2014

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

Source: Central securities register KDD d.d.

1 (CFA Chartered Financial Analyst).

5.4. Financial reporting: internal controls and risk management

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

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

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

Internal controls applying to financial reporting on the consolidated basis are set out in the internal accounting rules and in the Sava Re Group financial control manual. Members of the Sava Re Group submit the financial information required for the preparation of the consolidated financial statements in the form of reporting packages, prepared in accordance with International Financial Reporting Standards (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 authorization, 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 2014 for the second year in a row. In 2014 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 2014

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)	1,705,447	9.9 %
European Bank for Reconstruction and Development	1,071,429	6.2 %
Raiffeisen Bank Austria d.d. (fiduciary account)	764,606	4.4 %
Sava Reinsurance Company	727,830	4.2 %
Modra Zavarovalnica d.d.	714,285	4.1 %
Skandinaviska Enskilda Banken SA Luxemburg	661,821	3.8 %
Abanka, d.d.	655,000	3.8 %
Adriatic Slovenica d.d., liability fund	500,891	2.9 %
KD Galileo, flexible investment structure	430,073	2.5 %
TOTAL	11,536,299	67.0 %

Source: Central securities register KDD d.d.

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

The shares give their holders the following rights:

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

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

Share transfer restrictions

All shares of Sava Reinsurance Company are freely transferable.

Qualifying shareholders under the Takeover Act (ZPre-1)

At 31 December 2014 the following shareholders of Sava Reinsurance Company exceeded the five-percent share threshold (qualifying holding in accordance with Article 77 of the Takeover Act, ZPre-1):

- Slovenski državni holding, d.d. (Slovenian Sovereign Holding): 25.0 % plus one share
- Societe Generale – Splitska banka d.d. (fiduciary account): 9.9 %;
- European Bank for Reconstruction and Development: 6.2 %.

Holders of securities carrying special control rights

Sava Reinsurance Company issued no securities carrying special control rights.

Employee share schemes

Sava Reinsurance Company has no employee share scheme.

Restrictions of voting rights

Sava Reinsurance Company adopted no restrictions on voting rights.

Shareholders' agreements restricting share or voting right transferability

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

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

Company rules on appointment/removal of management board members

Pursuant to Sava Reinsurance Company's articles of association, the chairman and members of the management board are appointed by the supervisory board for a period of five years. Such appointments are renewable without limitations. Natural persons with an unlimited legal capacity that meet the legally prescribed conditions may be appointed members of the management board.

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

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

Pursuant to Sava Reinsurance Company's articles of association, the supervisory board is composed of six members, of which four (shareholder representatives) are elected by the Company's general meeting, and two (employee representatives) are elected by the workers' council, which subsequently informs the general meeting of its decision. Shareholder representatives of the supervisory board are elected by the general meeting, by a majority of votes present. The term of office of supervisory board members is four years, renewable. Natural persons with an unlimited legal capacity that meet the legally prescribed conditions may be appointed members of the supervisory board.

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

Rules of Sava Reinsurance Company on amending the articles of association

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

Powers of the management board, especially relating to treasury shares

In the 28th general meeting held on 23 April 2014, the management board was given authorization to acquire own shares. The authorization 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 authorization. In accordance with the general meeting authorization, 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 2015

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

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

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

6.2. Implementation of strategic objectives and targets set for 2014

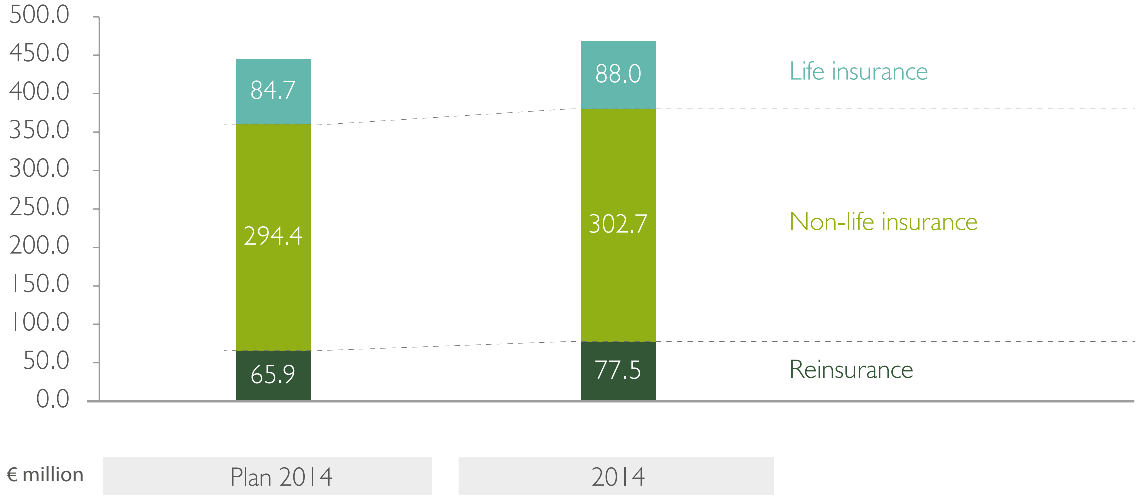
In 2014 the Sava Re Group achieved its targets as follows:

	Plan 2014	Actual 2014
Consolidated gross premiums written	> € 445 million	€ 468 million
Net profit for the year	> € 24 million	€ 30.5 million
Shareholders' equity	> € 250 million	€ 271 million
Return on equity	> 9.6 %	11.9 %

The Sava Re Group posted a record profit of € 30.5 million in the year. This profit exceeds the planned profit for 2014 by 27 %. The target profit was exceeded because of larger synergistic effects than planned, a good combined ratio for international inwards reinsurance business and a better-than-planned net investment income.

Return on equity was 12 %, which exceeds our long-term goal.

Realization of planned consolidated gross premiums written



Consolidated reinsurance premiums written exceeded planned premiums by 17.6 %. In 2014 Sava Reinsurance Company managed to write more premiums on the international reinsurance markets, which is why realized premiums were higher than planned. Foreign-sourced premiums exceeded planned premiums by as much as € 11 million.

Consolidated non-life insurance premiums exceeded our target by 2.8 %. Of our Slovenian Group insurers, it was Zavarovalnica Maribor whose premiums grew faster than planned. Higher premium income was primarily achieved in motor business thanks to a smaller-than-planned decline in average premiums, a larger number of policies written than expected and successful sales campaigns.

Consolidated life insurance premiums exceeded our target by 3.9 % as a result of more favourable economic conditions than expected and successfully implemented measures to maintain the premium volume of the life portfolio of Zavarovalnica Maribor.

6.3. Sava Re Group strategy highlights

The Sava Re Group has a rolling 5-year plan. The strategy is taken from the 5-year plan for the period 2015–2019.

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 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 under the SII regime.
- On the Slovenian insurance market, the Group will follow a two-brand strategy.
- The Sava Re Group will be integrating back-office functions in the companies based in Slovenia. Full integration of the Group, along with all perceivable effects, will be completed within three years of the ZM acquisition.
- 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 – 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 align operations to comply with the new regulatory requirements under the Solvency II regime (in all three SII pillars).
- The Group will support all business levels with efficient process and information technology, gradually centralizing IT infrastructure and unifying IT solutions.
- Sava Reinsurance Company will strive towards an A– level credit rating by S&P.
- The Group will develop a modern Group-specific corporate culture through high-quality corporate governance, continuous internal and external training, and implementation of the Group code of ethics.
- As regards intra-Group services, the Group will aim at transparency and will base its decisions on professional aspects.

Strategic directions by operating segment:

Non-life insurance business in Slovenia:

- strengthening the position of both insurance companies on the market;
- continued integration of back-office functions of Sava Re Group companies;
- further development of a knowledge centre for complex risks as part of Sava Reinsurance Company;
- improving results of non-life insurance segment other than motor insurance.

Life insurance business in Slovenia:

- maintaining premium volume and especially profitability of life business;
- taking advantage of cost synergies from unified development activities conducted from one knowledge centre.

Reinsurance business:

- profitable growth in international markets.

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;
- utilization of synergies among Group subsidiaries in individual markets;
- strengthening of the own sales network and productivity of agents and cooperation with external channels;
- development and focus both on selling products with a higher risk component and on more affordable products (life policies).

Major strategic targets and goals of the Sava Re Group until 2019:

(€ million)	Plan 2015	Plan 2019
Consolidated gross premiums written	476.5	> 520
Average growth rate 2015–2019		**> 2 %**
Net profit/loss for the year	30.1	> 42
Net expense ratio	32.4 %	< 30 %
Net combined ratio*	96.5 %	< 95 %
Investment return	2.3 %	> 1.5 %
Shareholders' equity	282.9	> 425
Return on equity	10.8 %	> 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.

6.4. Plans of the Sava Re Group for 2015

Key targets for 2015

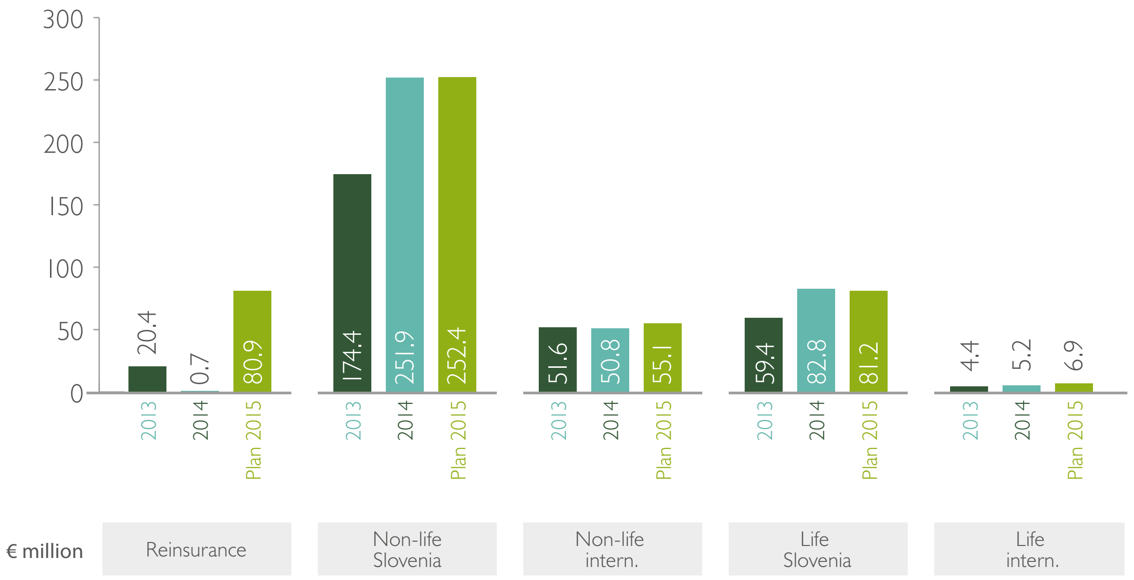
(€ million)	2013	2014	Plan 2015	Change P2015/2014
Gross premiums written	386.7	468.2	476.5	1.8 %
Growth/decline in premiums	42.8 %	21.1 %	1.8 %	
Net profit/loss for the year	15.6	30.5	30.1	-1.6 %
Net expense ratio	33.6 %	32.8 %	32.4 %	-1.2 p.p.
Net combined ratio*	96.8 %	95.5 %	96.5 %	+1.0 p.p.
Investment return	0.8 %	2.7 %	2.3 %	-0.4 p.p.
Shareholders' equity	240.1	271.5	282.9	5.2 %
Return on equity	7.6 %	11.9 %	10.8 %	-1.2 p.p.

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

The planned profit is the result of:

- planned movement in premiums: down 0.4 % in Slovenia; up 10 % in non-Slovenian markets; 4 % growth in international reinsurance markets;
- improved cost efficiency: further optimization of administrative costs and decrease in ratio due to premium growth;
- movement in combined ratio: in 2014 very benign development of the reinsurance segment; loss ratios are planned based on multiannual averages;
- decline in investment return: impact of low interest rates on capital markets.

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



Planned premium volume

Reinsurance business:

- Further growth is planned on international markets; Sava Reinsurance Company is gradually entering the markets of South America, Africa and emerging Asian markets, which account for about 27 %.

Non-life business:

- Slovenia: the plan is to maintain premium growth.
- 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: although Zavarovalnica Maribor maintained (even strengthened) its position in life insurance in Slovenia, market premiums have been shrinking over the last few years. Despite stronger marketing activities, we are planning a small premium decline.
- International: these premiums from non-Slovenian markets are still relatively low, but we are planning high growth rates – due to (i) marketing networks set up over the years, (ii) marketing activities, and (iii) overall market growth.

7.
BUSINESS ENVIRONMENT

Slovenia

Major economic indicators for Slovenia

	2010	2011	2012	2013	2014
Real change in GDP (%)	1.2	0.6	-2.6	-1.0	2.5
GDP (€ million)	36,220	36,868	36,006	36,144	37,111
Registered unemployment rate (%)	10.7	11.8	12.0	13.1	13.1
Average inflation (%)	1.8	1.8	2.6	1.8	0.2
Population (million)	2.0	2.0	2.0	2.1	2.1
GDP per capita (€)	18,110	18,434	18,003	17,546	17,672
Insurance premiums (€ million)	**2,094.3**	**2,092.2**	**2,036.4**	**1,977.1**	**1,937.6**
- growth/decline in insurance premiums		-0.1 %	-2.7 %	-2.9 %	-2.0 %
Insurance premiums – non-life (€ million)	1,438.3	1,454.2	1,457.1	1,424.5	1,402.7
- growth/decline in non-life insurance premiums		1.1 %	0.2 %	-2.2 %	-1.6 %
Insurance premiums – life (€ million)	656.0	638.1	579.3	552.6	535.4
- growth/decline in life insurance premiums		-2.7 %	-9.2 %	-4.6 %	-3.1 %
Insurance premiums per capita (€)	**1,047.2**	**1,046.1**	**1,018.2**	**960.9**	**922.5**
NON-LIFE INSURANCE PREMIUMS PER CAPITA (€)	719.2	727.1	728.6	692.7	667.5
LIFE INSURANCE PREMIUMS PER CAPITA (€)	328.0	319.0	289.7	268.3	255.0
Premium/GDP (%)	**5.8**	**5.7**	**5.7**	**5.5**	**5.2**
NON-LIFE PREMIUMS/GDP (%)	4.0	3.9	4.0	3.9	3.8
LIFE PREMIUMS/GDP (%)	1.8	1.7	1.6	1.5	1.4
Average monthly net salary (€)	967	987	991	997	1,005

- Slovenian economic growth is slowly improving, mainly due to growth in exports against a weaker growth in imports and supported by investment – financed by the EU. Economic growth is also reflected in the labour market. Unemployment has declined, but remains high, while real wages and salaries are higher than a year ago. Rating agency Moody's upgraded Slovenia's sovereign rating from Ba1 to Baa3, with a stable outlook. These positive economic trends are however not reflected in domestic inflation, which is at a very low level. The budget deficit was high in 2014 because of the increasing burden of interest payments and bank recapitalizations. A number of economic and fiscal reforms will have to be implemented and enforced before the pre-2008 level is reached again. Therefore, the risk that conditions deteriorate again is still high. Economic growth projections for 2015 are currently lower than for 2014.

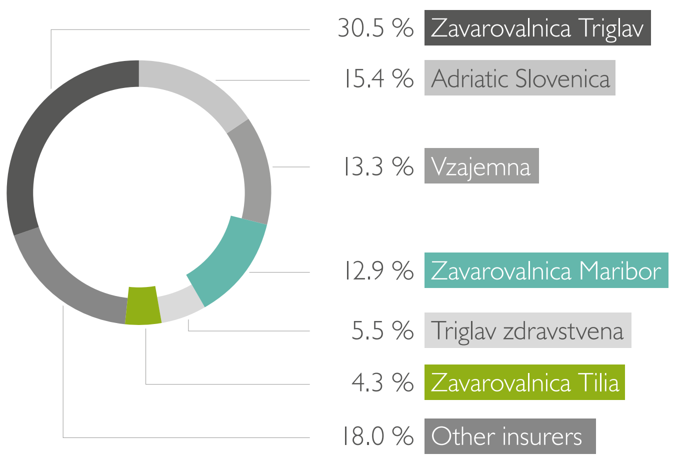
3 Source: UMAR, Economic Mirror, January 2015, Statistical Office of the Republic of Slovenia, Slovenian Chamber of Commerce, Tekoča ekonomska gibanja, February 2015, Slovenian Insurance Association.

- Consumer prices (ICP) in Slovenia decreased on average by 0.2 and 0.5 % in November and December 2014, respectively, compared to the previous month. In 2014 Slovenia's intra-annual (XII 2014/XII 2013) inflation rate stood at 0.2 %; accordingly, average consumer prices for 2014 were 0.2 % higher than in 2013. Inflation measured using the harmonized index of consumer price was estimated by Eurostat at –0.1 % in Slovenia, –0.1 % in the EU and in the euro area at –0.2 % in December 2014. Sixteen EU Member States reported a negative annual inflation rate in December 2014. The lowest rates were recorded in Greece (–2.5 %), Bulgaria (–2.0 %) and Spain (–1.1 %), the highest in Romania (1.0 %), Austria (0.8 %) and in Finland (0.6 %).
- The 6-month EURIBOR averaged 0.176 % in December 2014. The interest rate on new corporate loans for up to 1 year for an amount of up to € 1 million in Slovenia was 5.84 % in December 2011; in December 2014 it was 4.47 %, while in EMU countries it was only 3.2 % in November last year. In December 2011, the interest rate for loans in excess of € 1 million in Slovenia was 5.06 %, in December 2014 less (3.25 %), while in EMU countries it was only 1.8 % in November last year. Due to weak economic activity and declining inflation, key interest rates in individual developed economies remained low. In December the ECB did not change its key interest rate that had remained at 0.05 % since September, but it implemented announced extraordinary monetary policy measures. The Fed's key interest rate is 0.25 %. The required yield on 10-year government bonds is falling and stood at only 2.1 % in December.
- In December 2014, the average gross wage/salary per employee in Slovenia nominally decreased by 3.9 %, mainly due to extraordinary pay-outs (Christmas bonuses) in November. Prior to that, however, the monthly average gross wage/salary rose by 5.8 and 1.6 % in November and October, respectively. In 2014 the average monthly gross wage/salary totalled € 1,540.50 – up 1.1 % in nominal terms and up 0.8 % in real terms over 2013.
- The Slovenian registered unemployment rate was around 9.7 % in September 2014. In December 2014, the EU unemployment rate was 9.9 and 11.4 % in the euro area. It was lowest in Germany and Austria (4.8 and 4.9 %) and the highest in Greece (25.8 % in October) and Spain (23.7 %).
- Movements in market insurance premiums are closely correlated with movements in macroeconomic indicators. This is especially reflected in life insurance, where premiums written in the market have been falling for the fourth year in a row.

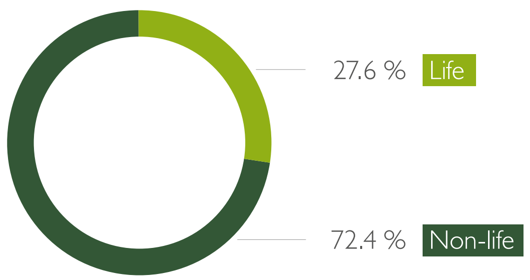
The Sava Re Group controls a 17 % share of the Slovenian insurance market.

Slovenian insurance market[4]

Slovenian insurance market 2014



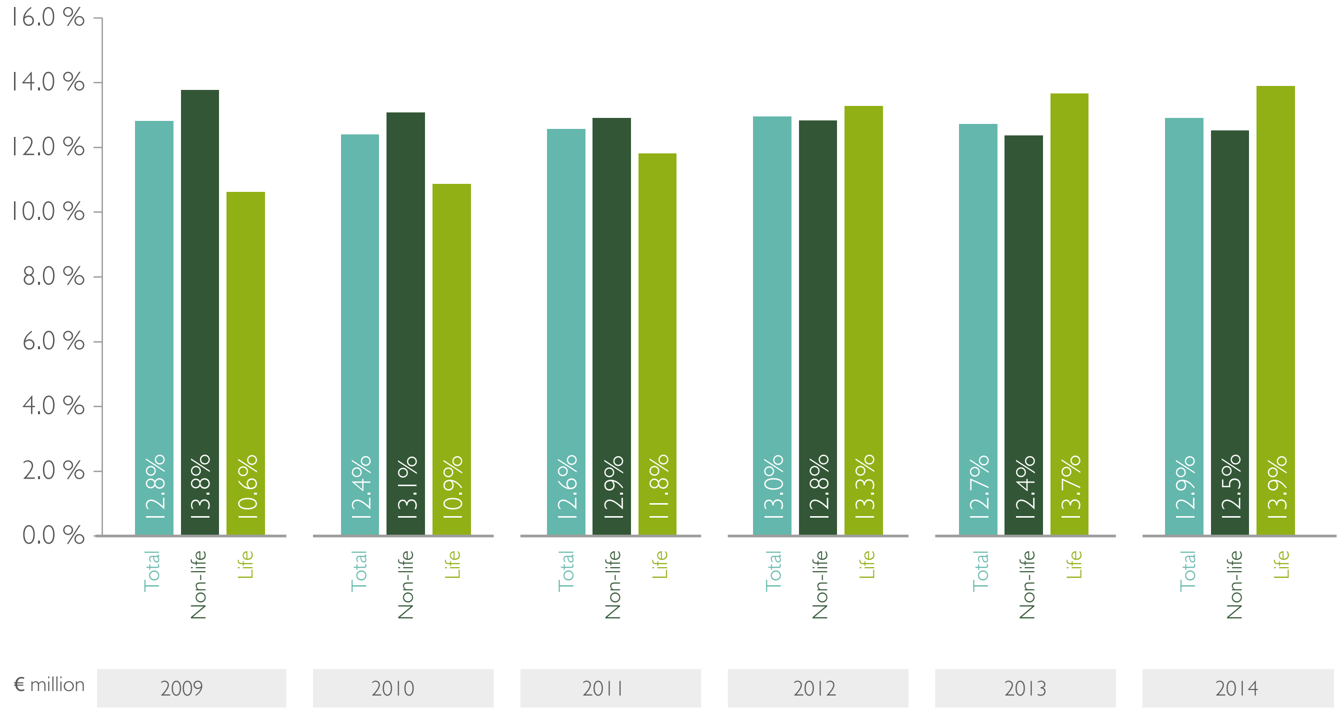
Breakdown of premiums in the Slovenian insurance market 2014



Market share of Zavarovalnica Tilia in the Slovenian insurance market[5]

4 Source: Slovenian Insurance Association
5 Source: Slovenian Insurance Association.

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



Premiums and market shares in the Slovenian reinsurance market[7]

(€)	2014		2013	
	Gross premiums written	Market share	Gross premiums written	Market share
Sava Reinsurance Company	131,323,246	55.5 %	134,131,527	56.1 %
Triglav Re	105,198,717	44.5 %	105,015,611	43.9 %
TOTAL	**236,521,963**	**100.0 %**	**239,147,138**	**100.0 %**

6 Source: Slovenian Insurance Association.
7 Source: internal data of Sava Reinsurance Company and Triglav Re.

Serbia[8]

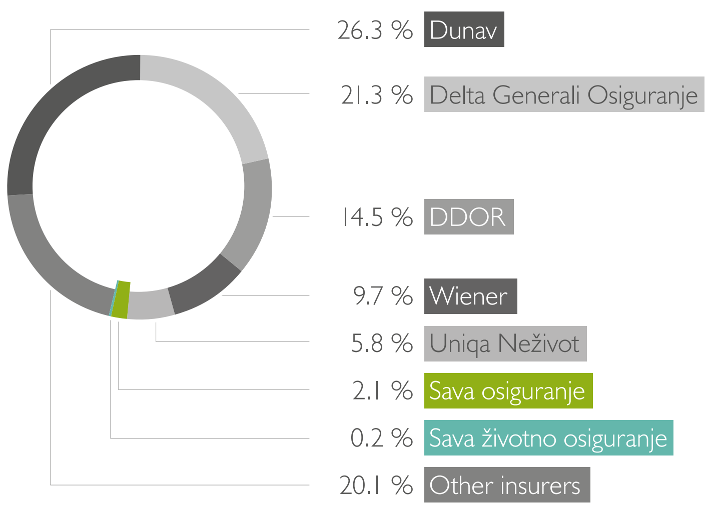
Major economic indicators for Serbia

	2010	2011	2012	2013	2014
Real change in GDP (%)	1.0	1.6	-1.5	2.1	1.3
GDP (RSD million)	2,881,891	3,208,620	3,348,689	3,618,167	3,685,457
GDP (€ million)	28,045	31,485	29,634	32,036	31,535
Registered unemployment rate – ILO (%)	19.2	23.0	23.1	21.0	21.6
Average inflation (%)	6.1	11.1	7.3	7.7	2.3
Population (million)	7.2	7.2	7.2	7.2	7.2
GDP per capita (€)	3,895	4,633	4,116	4,449	4,380
Insurance premiums (€ million)*	**550.0**	**562.4**	**543.9**	**567.0**	**615.0**
- growth/decline in insurance premiums	-3.6 %	2.3 %	-3.3 %	4.2 %	8.5 %
Insurance premiums – non-life (€ million)*	459.0	464.3	439.0	442.5	492.0
- growth/decline in non-life insurance premiums	-5.7 %	1.2 %	-5.4 %	0.8 %	11.2 %
Insurance premiums – life (€ million)*	91.0	98.1	104.9	124.5	123.0
- growth/decline in life insurance premiums	8.3 %	7.8 %	6.9 %	18.7 %	-1.2 %
Insurance premiums per capita (€)	**76.4**	**78.1**	**75.5**	**78.8**	**85.4**
NON-LIFE INSURANCE PREMIUMS PER CAPITA (€)	63.8	64.5	61.0	61.5	68.3
LIFE INSURANCE PREMIUMS PER CAPITA (€)	12.6	13.6	14.6	17.3	17.1
Premium/GDP (%)	**2.0**	**1.8**	**1.8**	**1.8**	**2.0**
NON-LIFE PREMIUMS/GDP (%)	1.6	1.5	1.5	1.4	1.6
LIFE PREMIUMS/GDP (%)	0.3	0.3	0.4	0.4	0.4
Average monthly salary, (RSD)	47,450	43,887	41,367	43,932	44,530
Average monthly salary, (€)	462	431	366	389	381
Exchange rate (GBP/€)	102.8	101.9	113.0	112.9	116.9

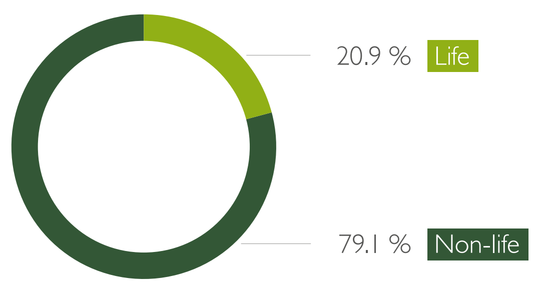
*Insurance premiums for 2014 are estimates.

Serbian insurance market[9]

Serbian insurance market 1-9/2014



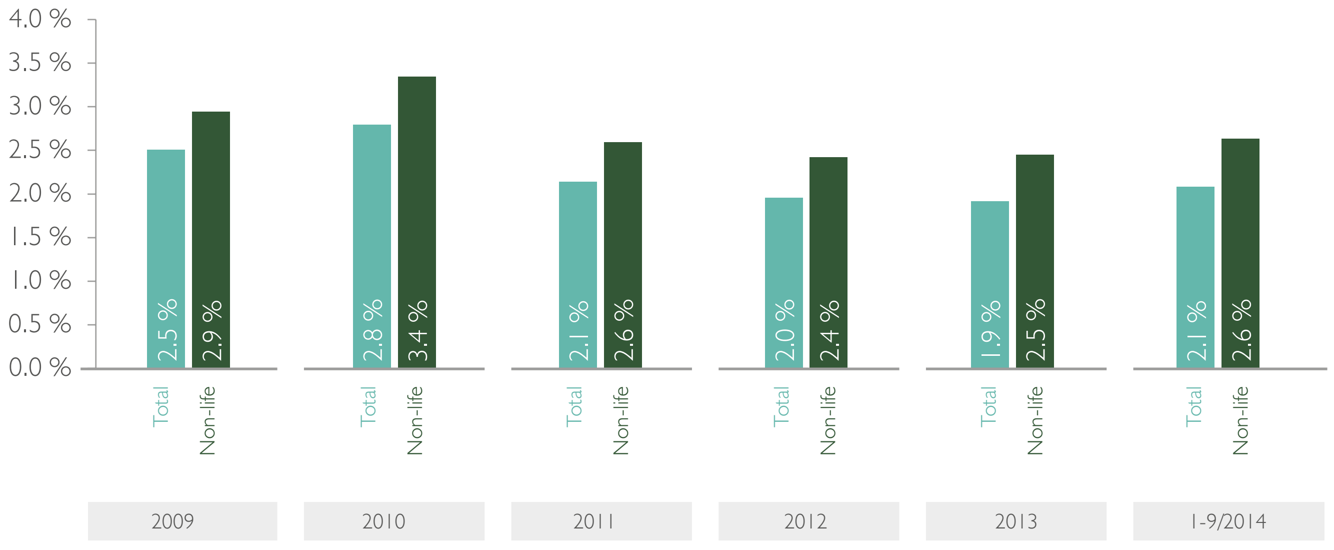
Breakdown of premiums in the Serbian insurance market 1-9/2014

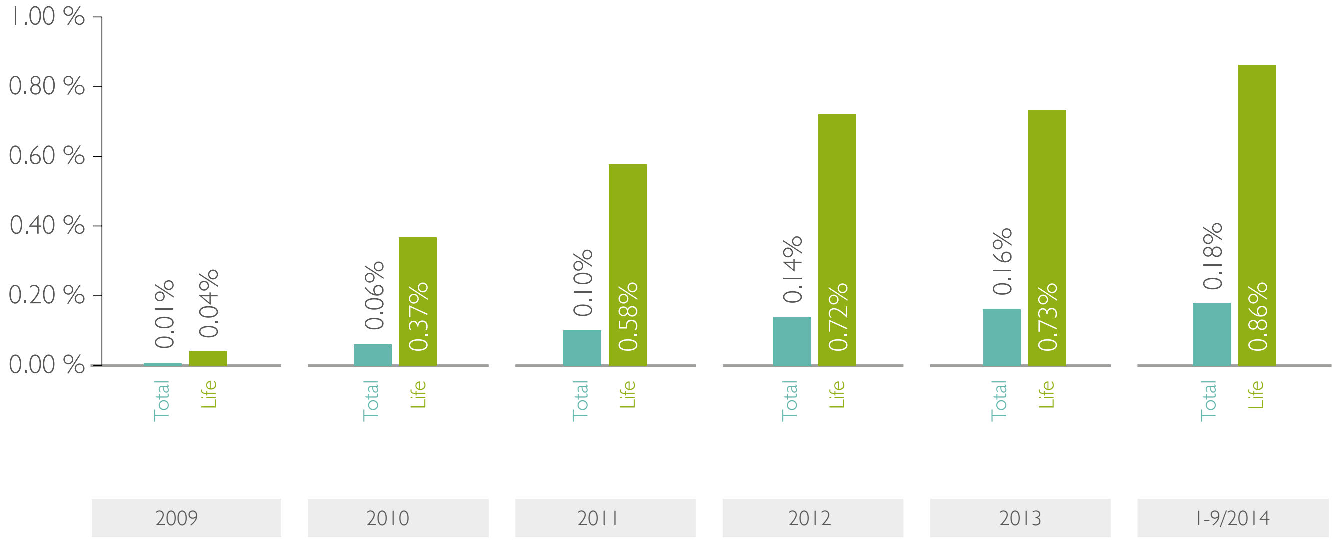


8 Source: IMF: World Economic Outlook, October 2014 European Commission: European Economic Forecast, Winter 2014, the National Bank of Serbia.

9 Source: Serbian National Bank.

Market shares of Sava osiguranje Belgrade and Sava životno osiguranje in the Serbian insurance market[10]





10 Source: Serbian National Bank.

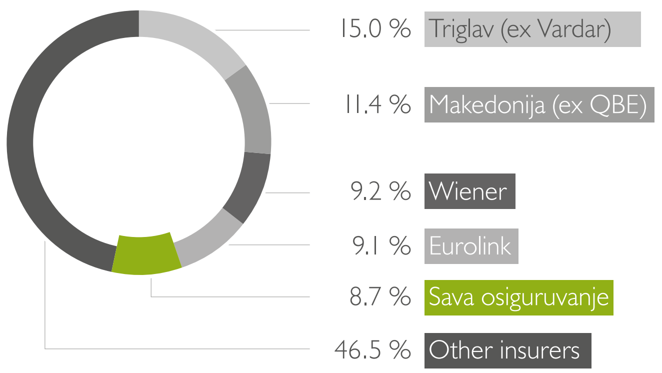
Macedonia[11]

Major economic indicators for Macedonia

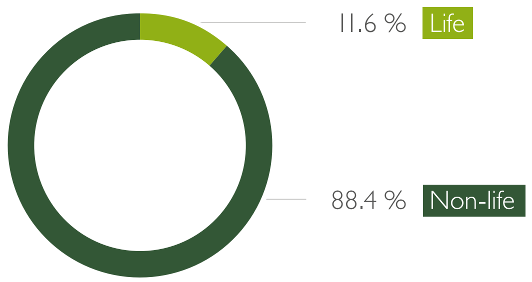
	2010	2011	2012	2013	2014
Real change in GDP (%)	3.4	2.3	-0.5	2.7	3.7
GDP (MKD million)	437,296	464,186	466,703	499,559	526,849
GDP (€ million)	7,116	7,515	7,573	8,066	8,558
Registered unemployment rate – ILO (%)	32.0	31.4	31.0	29.0	28.0
Average inflation (%)	1.6	3.9	3.3	2.8	-0.3
Population (million)	2.1	2.1	2.1	2.1	2.1
GDP per capita (€)	3,389	3,578	3,606	3,841	4,075
Insurance premiums (€ million)	**106.6**	**110.4**	**113.8**	**116.2**	**123.9**
- growth/decline in insurance premiums		3.5 %	3.1 %	2.1 %	6.7 %
Insurance premiums – non-life (€ million)	99.7	102.2	104.1	104.4	109.5
- growth/decline in non-life insurance premiums		2.5 %	1.9 %	0.3 %	4.9 %
Insurance premiums – life (€ million)	7.0	8.2	9.7	11.8	14.4
- growth/decline in life insurance premiums		17.8 %	18.4 %	21.4 %	22.6 %
Insurance premiums per capita (€)	**50.8**	**52.6**	**54.2**	**55.3**	**59.0**
NON-LIFE INSURANCE PREMIUMS PER CAPITA (€)	47.5	48.7	49.6	49.7	52.1
LIFE INSURANCE PREMIUMS PER CAPITA (€)	3.3	3.9	4.6	5.6	6.9
Premium/GDP (%)	**1.5**	**1.5**	**1.5**	**1.4**	**1.4**
NON-LIFE PREMIUMS/GDP (%)	1.4	1.4	1.4	1.3	1.3
LIFE PREMIUMS/GDP (%)	0.1	0.1	0.1	0.1	0.2
Average monthly salary, (€)	349	347	337	331	335
Exchange rate (MKD/€)	61.453	61.772	61.626	61.932	61.561

Macedonian insurance market[12]

Macedonian insurance market 2014

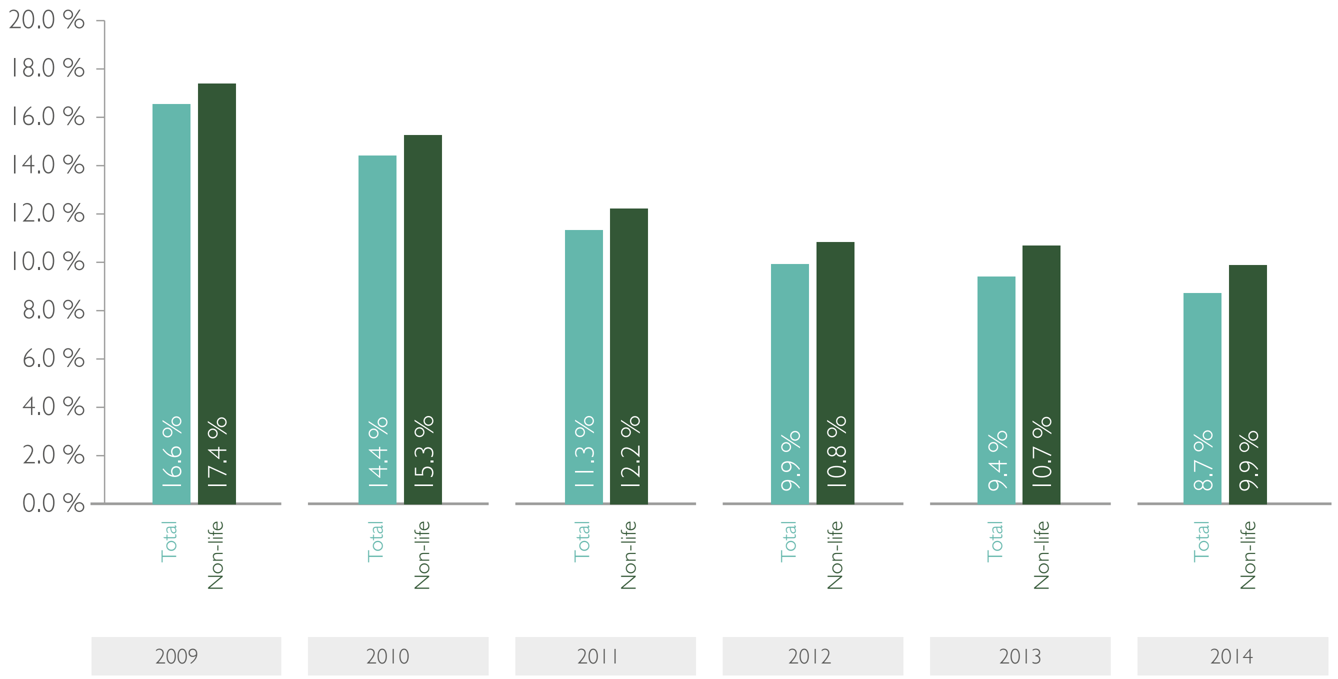


Breakdown of premiums in the Macedonian insurance market 2014



11 Source: Republic of Macedonia, Ministry of Finance: Indicators and projections 2 March 2015, National Bureau of Interview with the Republic of Macedonia.
12 Source: National Insurance Bureau of the Republic of Macedonia.

Market share of Sava osiguruvanje Skopje on the Macedonian insurance market[13]



Montenegro[14]

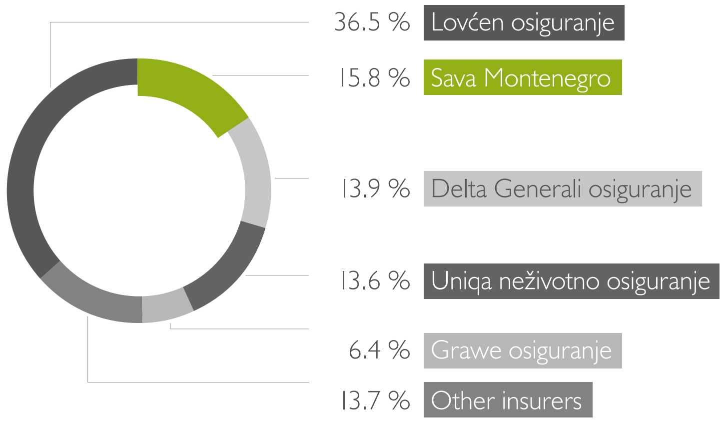
Major economic indicators for Montenegro

	2010	2011	2012	2013	2014
Real change in GDP (%)	2.5	3.2	-2.5	3.3	2.0
GDP (€ million)	3,104	3,234	3,149	3,327	3,393
Registered unemployment rate – ILO (%)	19.7	19.7	19.6	19.5	19.4
Average inflation (%)	0.5	3.0	4.4	0.4	-0.6
Population (million)	0.6	0.6	0.6	0.6	0.6
GDP per capita (€)	5,173	5,390	5,248	5,545	5,655
Insurance premiums (€ million)	**62.2**	**64.8**	**66.9**	**72.8**	**72.4**
- growth/decline in insurance premiums		4.2 %	3.3 %	8.7 %	-0.5 %
Insurance premiums – non-life (€ million)	53.8	55.7	57.4	61.9	59.9
- growth/decline in non-life insurance premiums		3.6 %	3.1 %	7.7 %	-3.3 %
Insurance premiums – life (€ million)	8.4	9.1	9.5	10.9	12.6
- growth/decline in life insurance premiums		8.2 %	4.6 %	14.8 %	15.5 %
Insurance premiums per capita (€)	**103.6**	**108.0**	**111.5**	**121.3**	**120.7**
NON-LIFE INSURANCE PREMIUMS PER CAPITA (€)	89.7	92.9	95.7	103.2	99.8
LIFE INSURANCE PREMIUMS PER CAPITA (€)	13.9	15.1	15.8	18.1	20.9
Premium/GDP (%)	**2.0**	**2.0**	**2.1**	**2.2**	**2.1**
NON-LIFE PREMIUMS/GDP (%)	1.7	1.7	1.8	1.9	1.8
LIFE PREMIUMS/GDP (%)	0.3	0.3	0.3	0.3	0.4
Average monthly salary, (€)	479	484	487	479	477

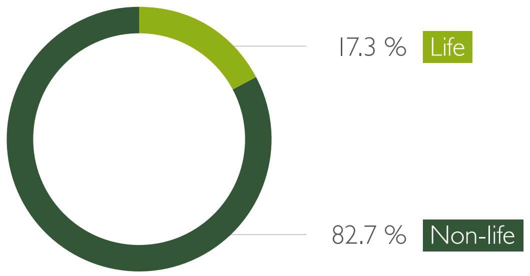
13 Source: National Insurance Bureau of the Republic of Macedonia.
14 Source: Government of Montenegro: Montenegro Economic Reform Programme 2015–2017, Institute of Statistics of Montenegro, Insurance Supervision Agency.

Montenegrin insurance market[15]

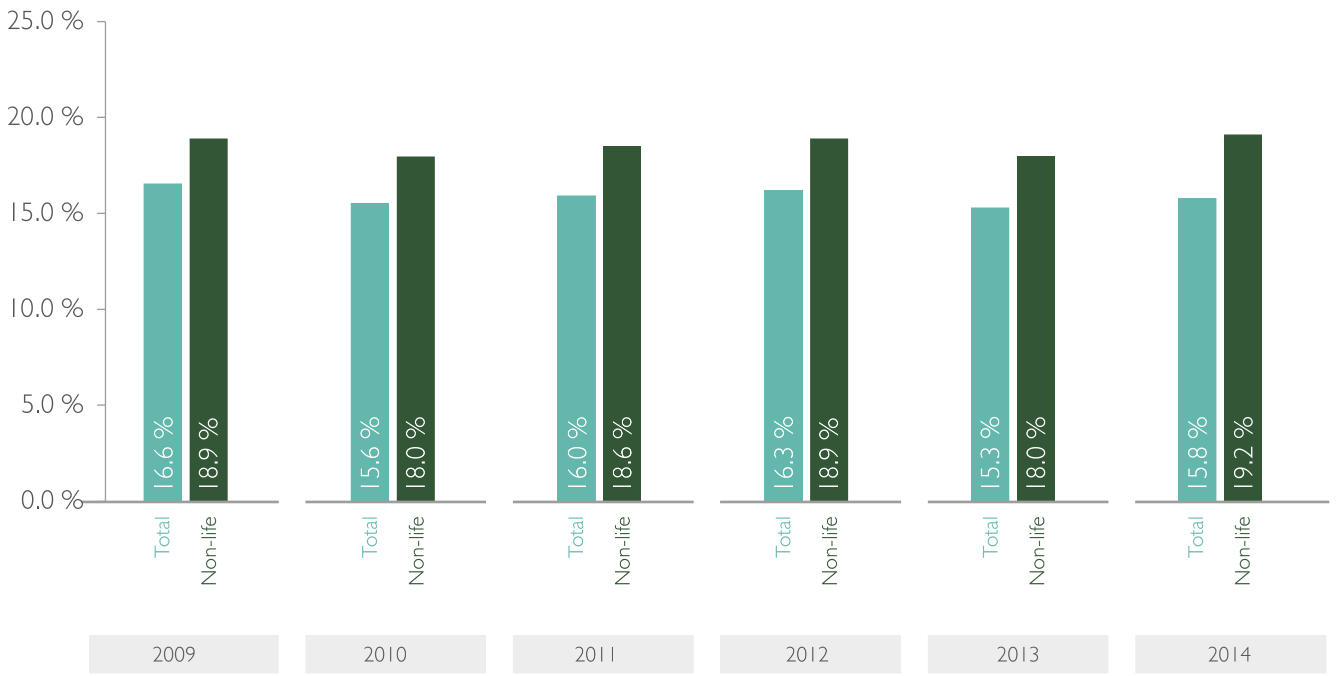
Montenegrin insurance market 2014



Breakdown of premiums in the Montenegrin insurance market 2014



Market share of Sava Montenegro on the Montenegrin insurance market[16]



15 Source: Insurance Supervisor of Montenegro.
16 Source: Insurance Supervisor of Montenegro.

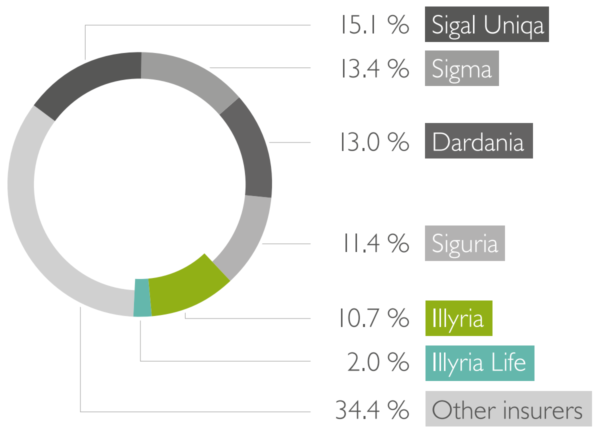
Kosovo[17]

Major economic indicators for Kosovo

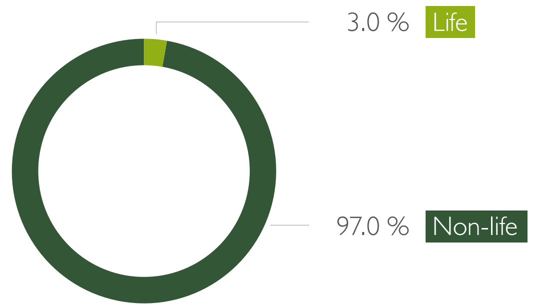
	2010	2011	2012	2013	2014
Real change in GDP (%)	3.9	5.3	4.4	4.9	5.6
GDP (€ million)	4,136	4,486	5,059	5,327	5,526
Registered unemployment rate – ILO (%)	45.1	44.8	30.9	30.0	30.0
Average inflation (%)	3.5	7.3	2.5	1.8	1.0
Population (million)	1.8	1.8	1.8	1.8	1.8
GDP per capita (€)	2,330	2,492	2,786	2,913	2,995
Insurance premiums (€ million)	**72.0**	**79.1**	**71.3**	**79.4**	**82.5**
- growth/decline in insurance premiums		9.8 %	-9.8 %	11.5 %	3.8 %
Insurance premiums – non-life (€ million)	71.3	78.0	69.8	77.4	80.1
- growth/decline in non-life insurance premiums		9.4 %	-10.5 %	10.9 %	3.5 %
Insurance premiums – life (€ million)	0.7	1.0	1.5	2.1	2.4
- growth/decline in life insurance premiums		46.9 %	43.2 %	38.9 %	16.5 %
Insurance premiums per capita (€)	32.7	43.9	39.2	43.4	44.7
Premium/GDP (%)	1.7	1.8	1.4	1.5	1.5
Average monthly salary, (€)	286	348	354	364	400

Kosovan insurance market[18]

Kosovan insurance market 2014

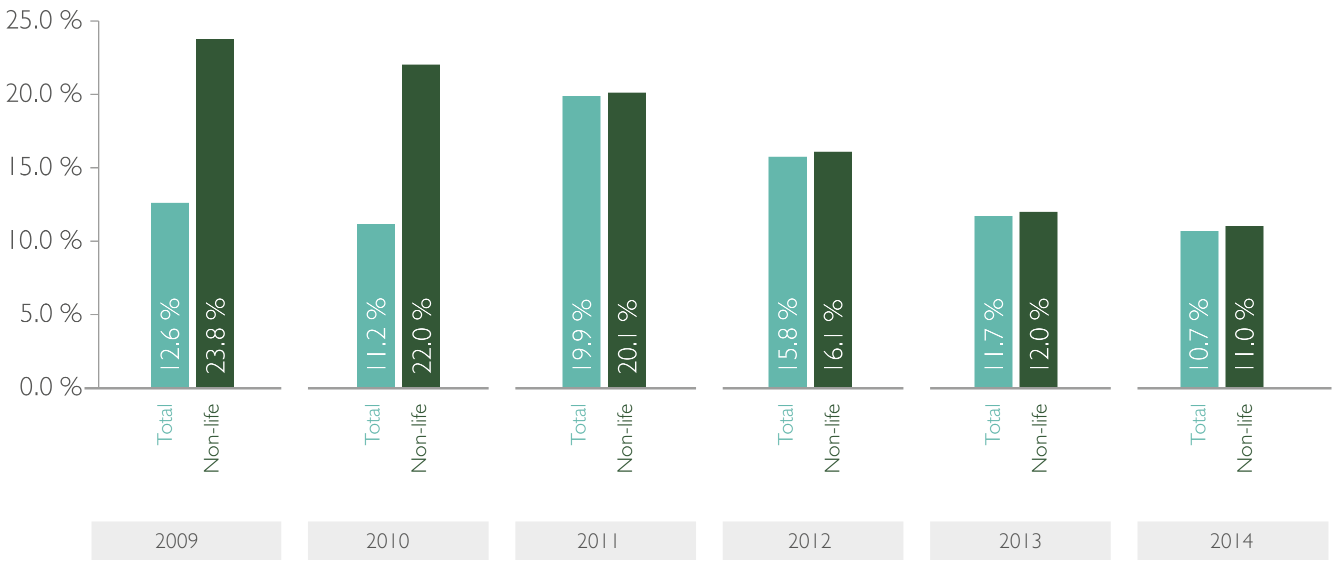


Breakdown of premiums in the Kosovan insurance market 2014



17 Source: Central Bank of the Republic of Kosovo, IMF: World Economic Outlook, October 2014.
18 Source: Central Bank of the Republic of Kosovo.

Market shares of Illyria and Illyria Life in the Kosovan insurance market[19]



19 Source: Central Bank of the Republic of Kosovo.

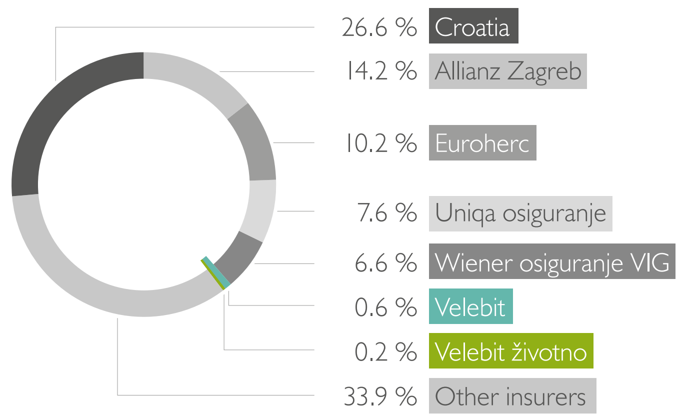
Croatia[20]

Major economic indicators for Croatia

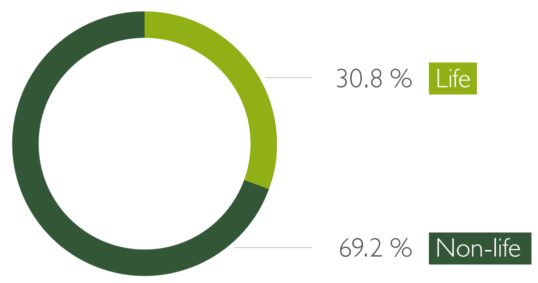
	2010	2011	2012	2013	2014
Real change in GDP (%)	-2.3	-0.2	-1.9	-1.0	-0.6
GDP (€ million)	44,423	44,191	43,682	43,313	40,281
Registered unemployment rate – ILO (%)	11.8	13.5	15.9	17.3	17.0
Average inflation (%)	1.1	2.3	3.4	2.2	-0.2
Population (million)	4.4	4.3	4.3	4.3	4.3
GDP per capita (€)	10,096	10,277	10,159	10,073	9,465
Insurance premiums (€ million)	**1,268.4**	**1,229.4**	**1,201.7**	**1,197.7**	**1,121.4**
- growth/decline in insurance premiums		-3.1 %	-2.3 %	-0.3 %	-6.4 %
Insurance premiums – non-life (€ million)	931.2	902.5	874.4	862.7	775.9
- growth/decline in non-life insurance premiums		-3.1 %	-3.1 %	-1.3 %	-10.1 %
Insurance premiums – life (€ million)	337.2	326.8	327.2	334.9	345.5
- growth/decline in life insurance premiums		-3.1 %	0.1 %	2.4 %	3.2 %
Insurance premiums per capita (€)	**288.3**	**285.9**	**279.5**	**278.5**	**263.5**
NON-LIFE INSURANCE PREMIUMS PER CAPITA (€)	211.6	209.9	203.4	200.6	182.3
LIFE INSURANCE PREMIUMS PER CAPITA (€)	76.6	76.0	76.1	77.9	81.2
Premium/GDP (%)	**2.9**	**2.8**	**2.8**	**2.8**	**2.8**
NON-LIFE PREMIUMS/GDP (%)	2.1	2.0	2.0	2.0	1.9
LIFE PREMIUMS/GDP (%)	0.8	0.7	0.7	0.8	0.9
Average monthly salary, (€)	733	731	728	728	728
Exchange rate (HRK/€)	7.289	7.439	7.522	7.579	7.634

Croatian insurance market[21]

Croatian insurance market 2014

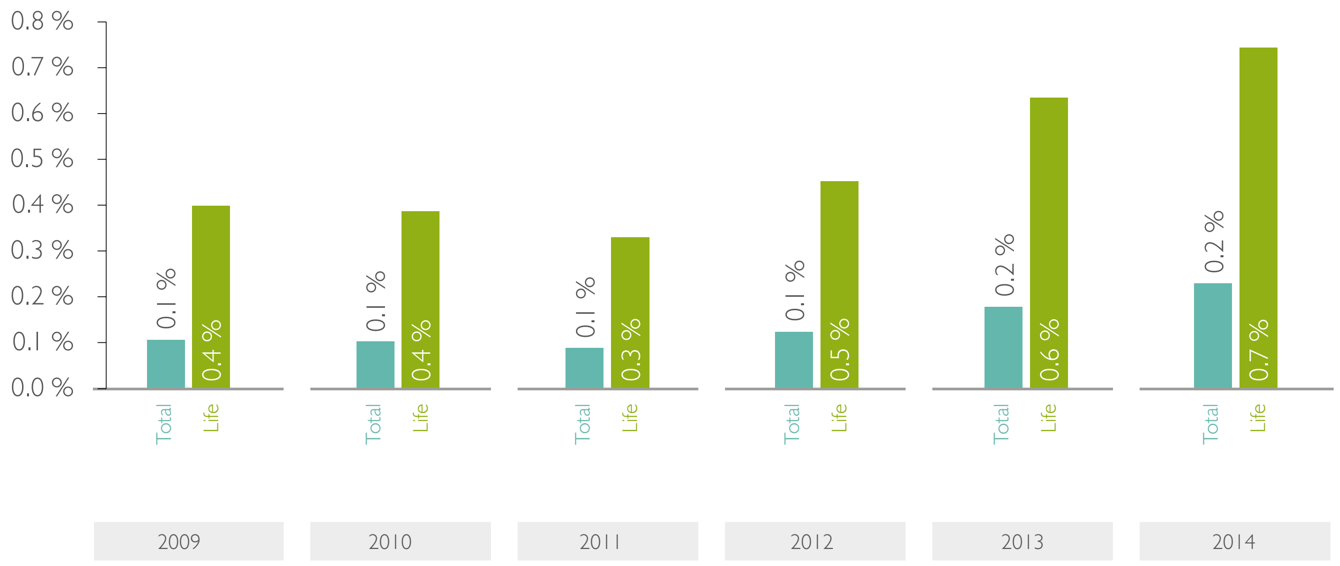


Breakdown of premiums in the Croatian insurance market 2014



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

Market shares of Velebit osiguranje and Velebit življenjsko osiguranje in the Croatian insurance market[22]



22 Source: Croatian Insurance Bureau.

8.

SAVA RE GROUP REVIEW OF OPERATIONS[23]

Given the size of the effect of the inclusion of Zavarovalnica Maribor[24] in the Sava Re Group, operating segments were also subsequently broken down geographically ("Slovenia" and "international"). "Slovenia" includes Zavarovalnica Maribor and Zavarovalnica Tilia, while "international" includes the other subsidiaries. The reinsurance segment was not broken down geographically, as – after the elimination of transactions with Zavarovalnica Maribor and Zavarovalnica Tilia (for the former in 2013 only for the period May–December 2013) – the majority of the remaining transactions relates to Sava Reinsurance Company's business in international reinsurance markets.

After the acquisition of Zavarovalnica Maribor, insurance premiums account for 83 % of total premium income.

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

- In the consolidation process, reinsurance effects were reallocated from the reinsurance segment to the non-life and life segments (Sava Reinsurance Company as the controlling company handles the reinsurance of most risks of the subsidiaries within the Sava Re Group): in the segment reporting information, reinsurance premiums received by the reinsurer from the subsidiaries were reallocated to the segment from where they arose (the same applied by analogy to reinsurance-related claims, commission income, change in unearned premiums, claims provisions and deferred acquisition costs). In the elimination process, the portion of business retroceded by Sava Reinsurance Company to foreign reinsurers was not allocated to the non-life and life segments. Retrocession-related expenses usually exceed income (except in the case of catastrophe claims). To provide a more adequate presentation of segment profitability, the result of the retroceded business was also allocated to the segment to which it related (non-life or life). All said items were 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 associates were reallocated to their source segments (attribution of profit earned by Zavarovalnica Maribor, accounted for using the equity method in the first five months of 2013, was partly allocated to the non-life segment and partly to the life segment). The same applied to the revaluation gain on the 48.68 % stake in the insurer held by Sava Reinsurance Company before gaining a majority stake, which had been allocated to the non-life and life segments in 2013. Said revaluation was an accounting adjustment to fair value recognized only in the consolidated financial statements.

23 A glossary of selected insurance terms and calculation methodologies for ratios in 2013 is given in the appendix to this annual report.
24 Sava Reinsurance Company started full consolidation of Zavarovalnica Maribor on 1 May 2013, which means that only eight months of operations of the insurer were included in the 2013 annual consolidated financial statements. Before 1 May 2013, the insurer was included in the consolidated financial statements using the equity method. Due to said non-comparability, information on the full-year consolidation effect on various performance aspects was included in this business report.

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

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

- Intangible assets – goodwill was allocated to the segment from which it arose (it was reallocated from the reinsurance segment to the non-life and life segments depending on which subsidiary it related to).
- Reinsurers' share of technical provisions (reinsurers' share of unearned premiums, claims provisions and other provisions) and deferred acquisition costs – the same reasoning was applied as described in point one of 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).

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

Below we first give a rough overview of key performance categories at the consolidated level and then discuss individual operating segments. Note that due to the consolidation of Zavarovalnica Maribor as from 1 May 2013, the years 2013 and 2014 are not directly comparable.

Summary of the consolidated income statement

(€)	2014	2013	Index
Net earned premiums	437,572,337	379,148,165	115.4
Income from investments in associates	154,294	12,105,991	1.3
Investment income	36,125,293	36,437,788	99.1
Net unrealized gains on investments of life insurance policyholders who bear the investment risk	19,146,081	9,222,416	207.6
Other technical income	10,079,252	9,729,613	103.6
Other income	4,237,625	3,268,321	129.7
Net claims incurred	-257,080,153	-229,009,555	112.3
Change in other technical provisions	-3,565,856	5,788,369	-61.6
Change in technical provisions for policyholders who bear the investment risk	-25,455,421	-12,127,890	209.9
Expenses for bonuses and rebates	-336,879	-369,808	91.1
Operating expenses	-146,621,433	-129,401,367	113.3
Expenses for investments in associates	-1,901,375	-1,072,502	177.3
Expenses for financial assets and liabilities	-6,896,944	-42,010,992	16.4
Net unrealized losses on investments of life insurance policyholders who bear the investment risk	-7,900,587	-9,519,437	83.0
Other technical expenses	-16,394,418	-13,998,151	117.1
Other expenses	-2,205,574	-2,416,920	91.3
Profit/loss before tax	**38,956,242**	**15,774,041**	**247.0**
Income tax expense	-8,418,092	-152,116	5,534.0
NET PROFIT/LOSS FOR THE PERIOD	30,538,151	15,621,925	195.5

Consolidated operating ratios

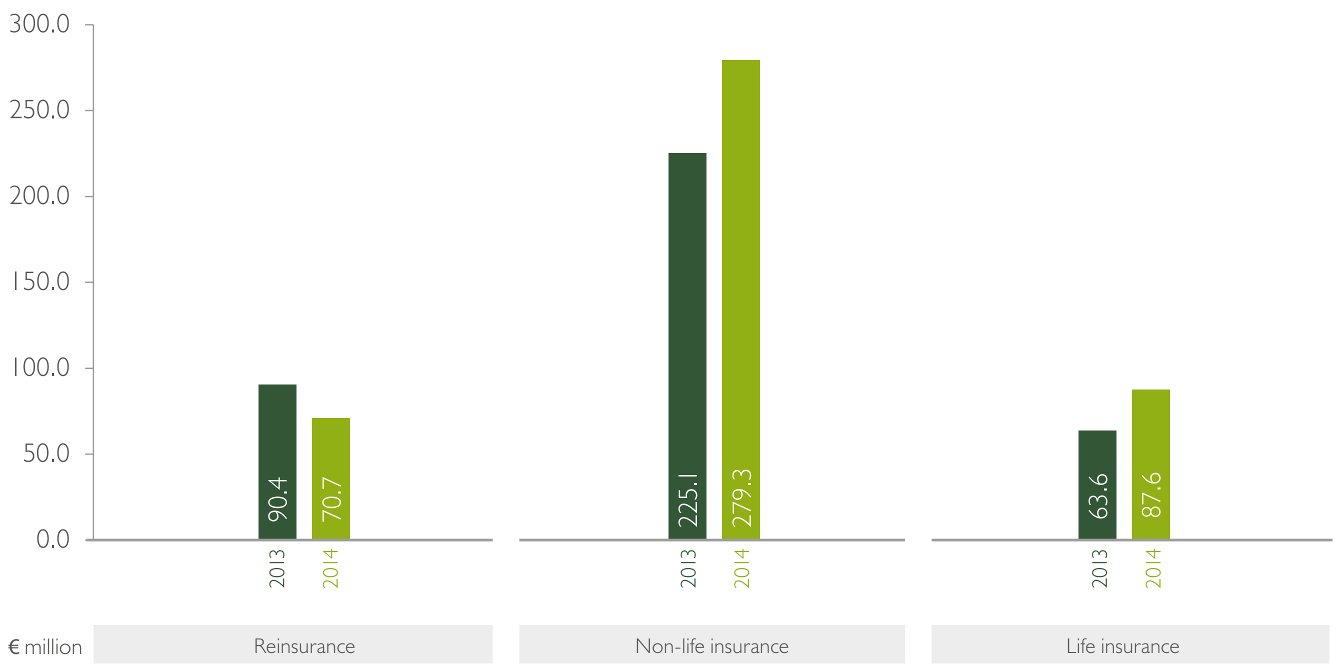
	2014	2013
Net incurred loss ratio	59.6 %	58.9 %
Net expense ratio	32.8 %	33.6 %
Investment return	2.7 %	0.8 %
Return on equity	11.9 %	7.6 %
Return on revenue (ROR)	7.0 %	4.1 %

Consolidated net earned premiums

Consolidated net earned premiums

(€)	2014	2013	Index
Gross premiums written	468,179,052	386,704,879	121.1
Net premiums written	440,777,354	364,072,185	121.1
Change in net unearned premiums	-3,205,017	15,075,980	-221.3
NET PREMIUMS EARNED	437,572,337	379,148,165	115.4

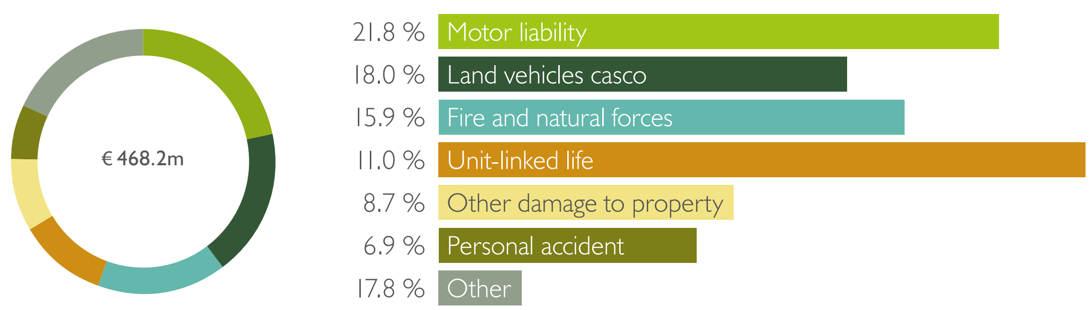
Net premiums earned by operating segment



Consolidated net earned premiums by class of business

(€)	2014	2013	Index
Personal accident	32,330,893	27,759,196	116.5
Health	1,841,050	3,094,270	59.5
Land vehicles casco	79,672,862	62,509,828	127.5
Railway rolling stock	2,980	7,957	37.5
Aircraft hull	397,513	577,528	68.8
Ships hull	4,140,284	4,329,336	95.6
Goods in transit	4,471,295	3,588,692	124.6
Fire and natural forces	63,667,503	68,152,489	93.4
Other damage to property	35,221,459	31,414,359	112.1
Motor liability	102,753,636	93,586,380	109.8
Aircraft liability	19,577	-103,391	-18.9
Liability for ships	490,629	383,054	128.1
General liability	15,796,082	13,185,609	119.8
Credit	2,604,637	1,589,598	163.9
Suretyship	323,377	299,088	108.1
Miscellaneous financial loss	1,271,654	833,047	152.7
Legal expenses	302,801	237,570	127.5
Assistance	4,100,945	2,902,819	141.3
Life insurance	37,158,810	27,530,994	135.0
Unit-linked life	50,989,291	37,269,742	136.8
Capital redemption	15,059	0	-
Total non-life	**349,409,177**	**314,347,429**	**111.2**
Total life	**88,163,160**	**64,800,736**	**136.1**
TOTAL	437,572,337	379,148,165	115.4

Consolidated gross premiums written in 2014 by class of business



Consolidated net claims incurred

Consolidated net claims incurred

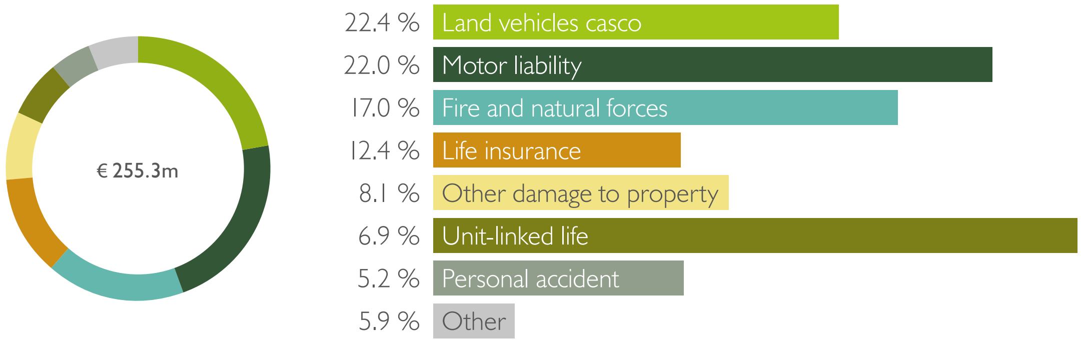
(€)	2014	2013	Index
Gross claims paid	255,340,015	221,223,447	115.4
Net claims paid	244,722,018	212,130,062	115.4
Change in the net provision for outstanding claims	12,358,135	16,879,493	73.2
NET CLAIMS INCURRED	257,080,153	229,009,555	112.3

Net claims incurred by operating segment

Consolidated net claims incurred by class of business

(€)	2014	2013	Index
Personal accident	15,529,366	13,656,978	113.7
Health	1,369,077	2,783,770	49.2
Land vehicles casco	55,827,764	49,440,234	112.9
Railway rolling stock	1,076	-7,502	-14.3
Aircraft hull	204,648	599,099	34.2
Ships hull	2,075,116	4,139,538	50.1
Goods in transit	1,716,465	1,203,463	142.6
Fire and natural forces	45,155,940	39,619,202	114.0
Other damage to property	16,656,634	17,394,079	95.8
Motor liability	61,400,630	56,699,404	108.3
Aircraft liability	95,193	-192,705	-49.4
Liability for ships	115,621	-87,421	-132.3
General liability	8,804,014	6,944,345	126.8
Credit	169,351	-100,419	-168.6
Suretyship	-61,998	176,823	-35.1
Miscellaneous financial loss	300,248	829,315	36.2
Legal expenses	1,255	958	131.0
Assistance	391,816	488,605	80.2
Life insurance	30,266,411	22,702,828	133.3
Unit-linked life	17,060,451	12,632,081	135.1
Capital redemption	1,075	86,880	1.2
Total non-life	**209,752,216**	**193,587,766**	**108.3**
Total life	**47,327,937**	**35,421,789**	**133.6**
TOTAL	257,080,153	229,009,555	112.3

Consolidated gross claims paid in 2013 by class of business

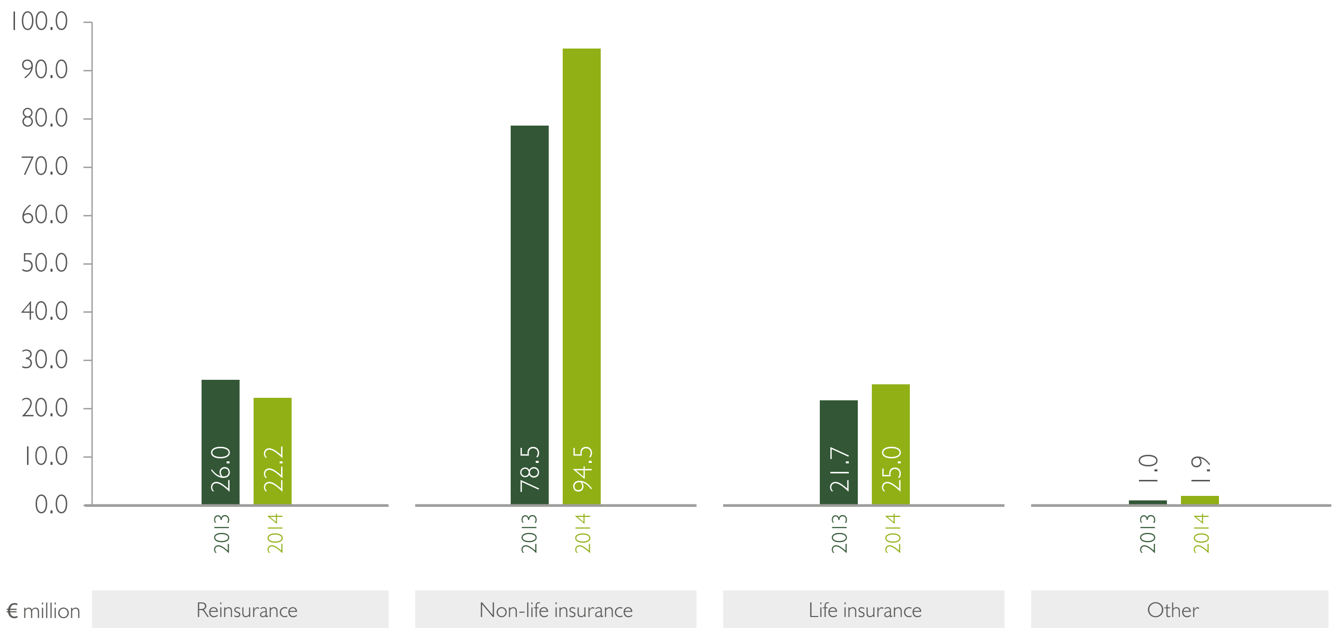


Consolidated operating expenses

Consolidated operating expenses

(€)	2014	2013	Index
Acquisition costs	47,511,857	46,871,452	101.4
Change in deferred acquisition costs (+/-)	489,499	-469,329	304.3
Other operating expenses	98,620,077	82,999,244	118.8
Gross operating expenses	**146,621,433**	**129,401,367**	**113.3**
Income from reinsurance commission	-2,964,859	-2,140,660	138.5
NET OPERATING EXPENSES	143,656,574	127,260,707	112.9

Net operating expenses by operating segment



Consolidated net investment income

Since Zavarovalnica Maribor was first fully consolidated in the Sava Re Group on 1 May 2013, the net investment income of the investment portfolio is not comparable between the years 2014 and 2013, because 2013 only includes the net investment income of Zavarovalnica Maribor for the period 5–12/2013. In addition, due to the mid-year consolidation, the 2013 financial income includes the one-off effect of the revaluation of the pre-acquisition stake of Zavarovalnica Maribor to market value (see table "Income, expenses and net investment income relating to the investment portfolio").

For better readability, we give additional information on movements of figures from 2013 to 2014 regarding how income, expenses and net investment income would have moved if the consolidation had been at 1 January 2013.

The realized net investment income also includes foreign exchange gains relating to investments used by the Group companies for asset-liability matching in foreign currencies. However, the effect of foreign 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 of the investment portfolio is also shown excluding exchange rate differences.

Consolidated net inv. income of the investment portfolio

(€)	2014	2013	Nominal change
Income from financial investments	36,100,854	36,437,788	-336,934
Expenses for financial investments	6,896,944	42,010,992	-35,114,048
NET INVESTMENT INCOME FROM FINANCIAL INVESTMENTS	29,203,910	-5,573,204	34,777,114
Net investment income from investments in associates	-1,747,081	11,033,488	-12,780,569
Net investment income from investment property and cash	79,969	-314,430	394,399
NET INV. INCOME OF THE INVESTMENT PORTFOLIO	27,536,798	5,145,854	22,390,944
NET INV. INCOME OF THE INVESTMENT PORTFOLIO, EXCLUDING FOREIGN EXCHANGE DIFFERENCES	25,191,419	6,140,293	19,051,126

Combined ratio down 1.3 p.p.

Consolidated income, expenses and the net investment income relating to the investment portfolio

(€)	2014	2013	Nominal change
Income			
Interest income	24,301,144	23,833,718	467,426
Change in fair value and gains on disposal of FVPL assets	1,314,866	918,722	396,144
Gains on disposal of other IFRS asset categories	4,006,993	8,592,556	-4,585,563
Income from associate companies	154,294	12,105,991	-11,951,697
Income from dividends and shares – other investments	944,403	682,943	261,460
Foreign exchange gains	5,271,528	2,312,895	2,958,633
Other income	734,763	263,810	470,953
TOTAL INCOME	36,727,991	48,710,635	-11,982,644
Net unrealized gains on investments of life insurance policyholders who bear the investment risk	19,146,081	9,222,416	9,923,665
Expenses			
Interest expenses	1,417,491	1,689,709	-272,218
Change in fair value and losses on disposal of FVPL assets	555,160	818,668	-263,508
Losses on disposal of other IFRS asset categories	227,370	26,965,080	-26,737,710
Expenses for associate companies	1,901,375	1,072,503	828,872
Impairment losses on investments	1,646,767	9,112,367	-7,465,600
Foreign exchange losses	2,926,149	3,307,334	-381,185
Other	516,881	599,120	-82,239
TOTAL EXPENSES	9,191,193	43,564,781	-34,373,588
Net unrealized losses on investments of life insurance policyholders who bear the investment risk	7,900,587	9,519,437	-1,618,850
Net investment income			
Net inv. income of the investment portfolio	27,536,798	5,145,854	22,390,944
Net inv. income of the investment portfolio, excluding foreign exchange differences	25,191,419	6,140,293	19,051,126
Net investment income from investments for the benefit of life-insurance policyholders who bear the investment risk	11,245,494	-297,021	11,542,515

The net investment income of the Group portfolio amounted to € 27.5 million in 2014 (2013: € 5.1 million). Had Zavarovalnica Maribor been consolidated with the Sava Re Group as of 1 January 2013, the 2013 net investment income of the investment portfolio would have totalled € 0.05 million, which means that the net investment income of the portfolio in 2014 increased by € 27.6 million.

Interest income in 2014 amounted to € 24.3 million (2013: € 23.8 million). Had Zavarovalnica Maribor been consolidated with the Sava Re Group as of 1 January 2013, interest income in 2013 would have amounted to € 30.6 million, which is € 6.3 million more than in 2014. The decline in interest income in 2014 was due to lower interest rates on capital markets.

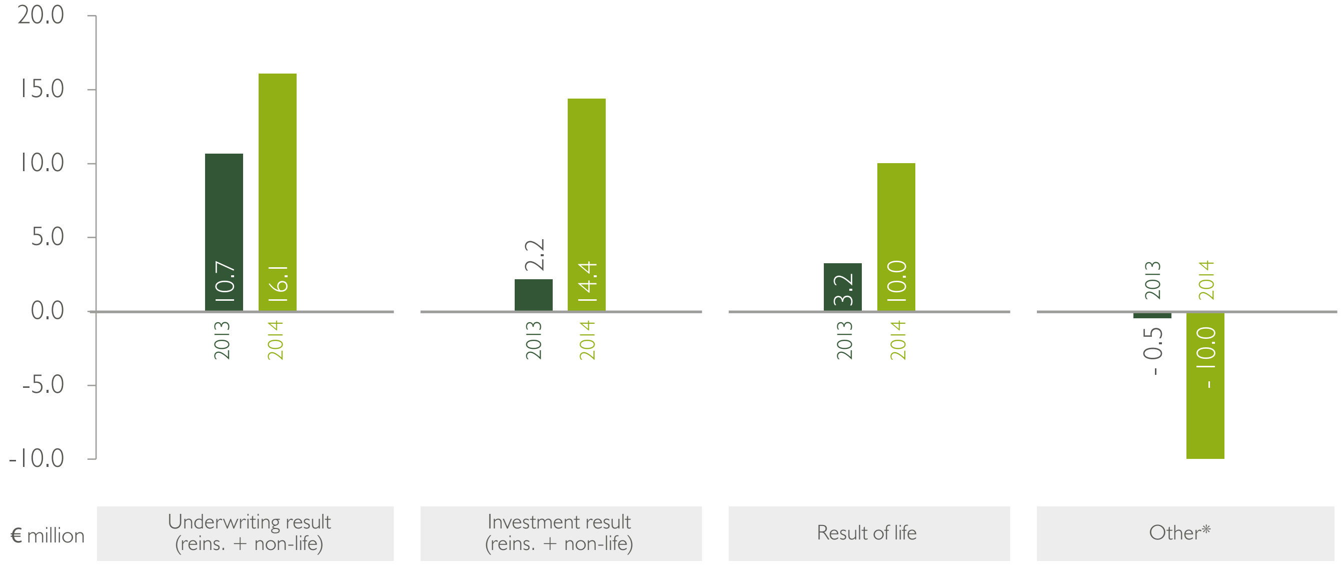
Income from associates totalled € 0.02 million in 2014, compared to € 12.1 in 2013. Realized income from associated companies was higher in 2013 because of the net investment income of the then associated company Zavarovalnica Maribor 1–4/2013 in the amount of € 2.2 million and € 9.7 million of income from the revaluation of the pre-acquisition stake of Zavarovalnica Maribor to market value upon its first consolidation.

In 2014, the Group realized € 34.4 million less expenses than in 2013, given that in 2013 the Group wrote down or impaired subordinated bonds and equities of Slovenian banks totalling € 34.3 million due to measures by the government and the Bank of Slovenia. If Zavarovalnica Maribor had been fully consolidated as of 1 January 2013, the expenses would have been € 35.6 million lower.

In 2014 positive foreign exchange differences of € 5.3 million were realized (2013: € 2.3 million) and foreign exchange losses of € 2.9 million (2013: € 3.3 million). Given that exchange rate differences mainly relate to Sava Reinsurance Company, the overall impact of foreign exchange differences on profit or loss is discussed in the notes to the financial statements of Sava Reinsurance Company, under the heading "Currency risk".

Consolidated net profit/loss

Composition of the consolidated gross profit/loss



* The "other" item includes the net profit/loss of the "other" operating segment and tax relating to all operating segments. In 2014, consolidated tax totalled € 8.4 million (2013: € 0.1 million). The 2013 tax was lower due to the impact of the acquisition of Zavarovalnica Maribor, who prior to the acquisition had a higher tax base than the one realized in the period when fully consolidated.

The Sava Re Group performed well in 2014, achieving a 95.5 % increase in net profit over 2013. The 2013 result was strongly impacted by impairment losses on subordinated bank bonds, while 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 realized.

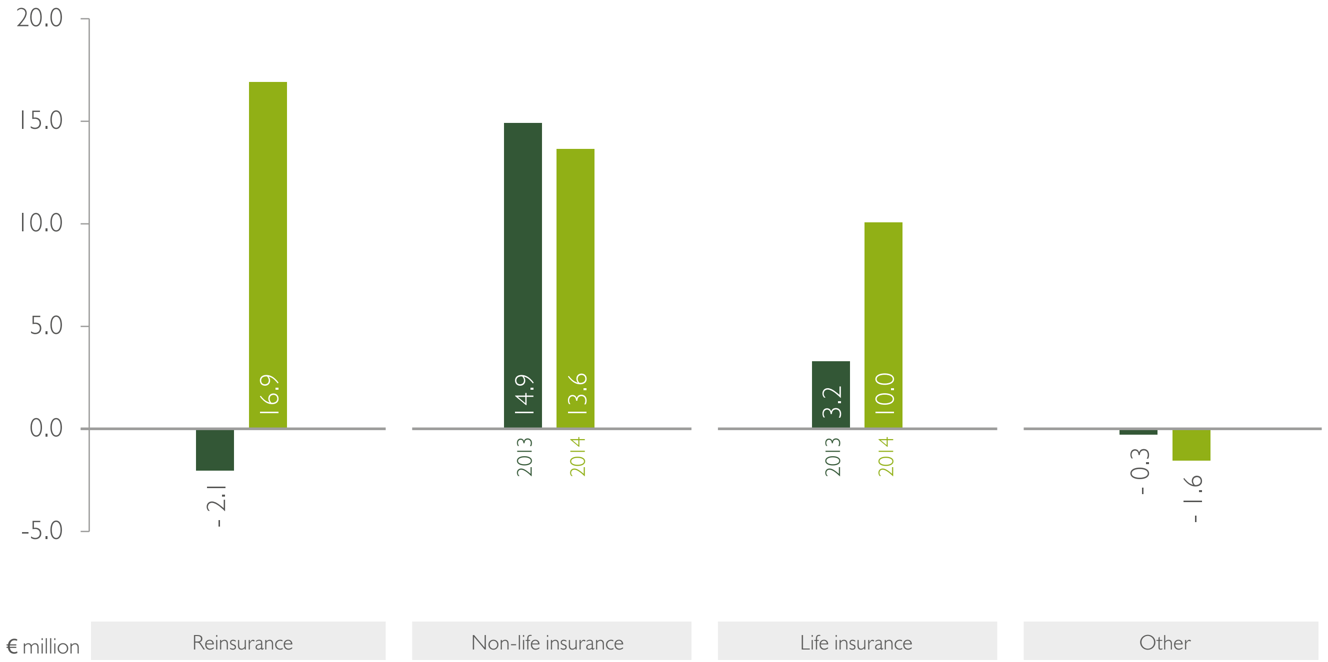
The improved underwriting result (reinsurance + non-life insurance) is a result of:

- solid performance of the reinsurance segment as a result of favourable claims development in recent years, absence of major catastrophic events in international reinsurance markets and the effects of more selective underwriting and diversification in recent years;
- positive synergistic effects on costs and cost optimization of products and claims handling at Zavarovalnica Maribor;
- a partial offset by an ice damage loss in 2014 in the amount of € 6 million (€ 5 million relating to non-life business; € 1 million relating to reinsurance). In 2013, this segment was not affected by any catastrophe event;
- improved underwriting results of non-Slovenian Group companies.

In 2013, the investment result relating to reinsurance and non-life insurance business was impacted by extraordinary events (cancellation and impairment of Slovenian subordinated bank bonds), while the 2014 result was not affected by major one-off events.

Negative investment effects in 2013 also impacted the result of life business. In 2014, this operating segment performed well. Beyond that, the net investment income from all operating segments is under pressure from low interest rates.

Composition of the consolidated gross profit/loss by operating segment



As already mentioned, the reinsurance segment generated a very good result in 2014, exceeding the prior year gross result by € 18.9 million thanks to a favourable claims development, cost reductions and a higher net investment income.

Non-life insurance business performed less well than in 2013 (total Slovenian and non-Slovenian insurers). Slovenian non-life insurer recorded a lower underwriting result due to ice damage losses that hit Slovenia in early 2014, non-Slovenian non-life insurers owing to market conditions.

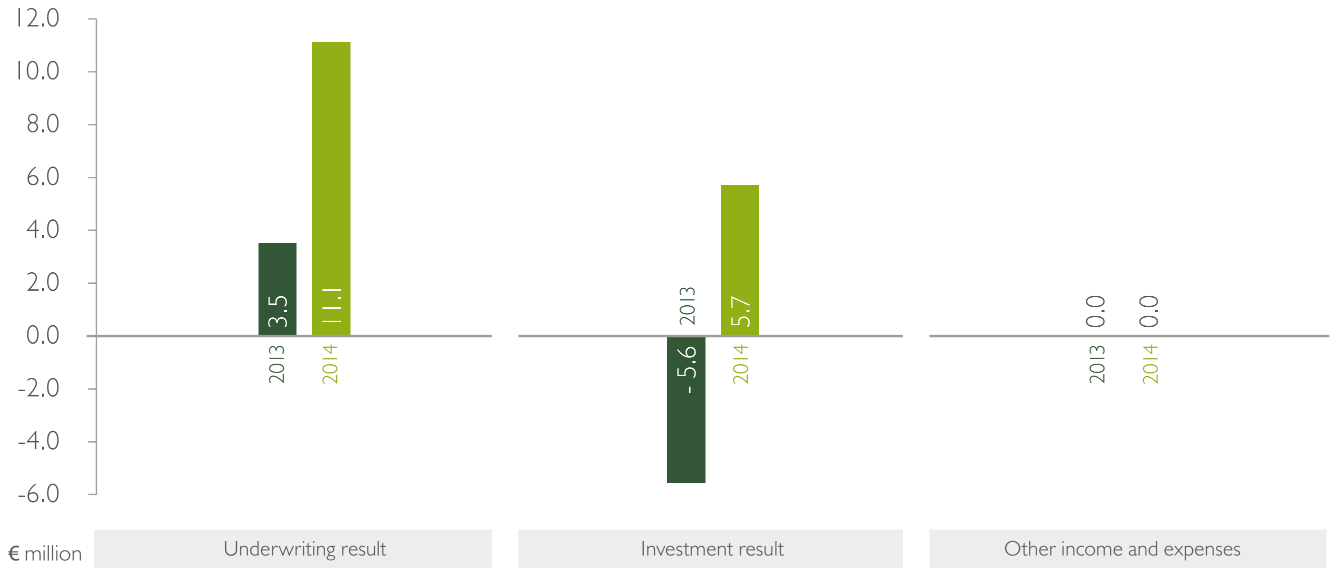
Life insurance business generated more profit mainly due to net investment income, as explained above.

8.1. Reinsurance business

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

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

Composition of the consolidated gross income statement; reinsurance business



The reinsurance operating segment performed well in 2014. Both the underwriting as well as the investment result improved. 2014 was a year of benign loss activity. Neither was the investment result affected by any adverse one-off events (in 2013 cancellation and impairment of subordinated bonds).

Gross premiums written

Consolidated gross premiums written by region; reinsurance

(€)	2014	2013	Index
Slovenia	690,150	20,367,447	3.4
International	76,796,743	76,497,482	100.4
GROSS PREMIUMS WRITTEN	77,486,892	96,864,929	80.0

The consolidation of Zavarovalnica Maribor had a significant impact on the movement of consolidated figures, as stated above in the introduction to this section.

Non-consolidated gross reinsurance premiums declined by 2.1 % in 2014 mainly due to reduced business from Slovenia (down 5.1 %) owing to reduced quota share participations in Zavarovalnica Maribor and Zavarovalnica Tilia. Gross premiums written from abroad dropped by 0.1 % (€ 0.1 million). The January 2014 renewals were impacted by the rating review announced in response to impairment losses on subordinated bank bonds in 2013. After the rating was reaffirmed, lost premium was successfully compensated in mid-year renewals. Another reason for the decline is the soft market (with falling reinsurance rates), which mostly resulted in less non-proportional premiums written abroad; reinstatement premiums (paid to reinstate coverage after major losses) were also down because of the relatively benign claims experience.

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

Gross claims paid

Consolidated gross claims paid by region; reinsurance

(€)	2014	2013	Index
Slovenia	661,933	9,330,605	7.1
International	40,693,472	46,537,212	87.4
GROSS PREMIUMS WRITTEN	41,355,405	55,867,817	74.0

The consolidation of Zavarovalnica Maribor had a significant impact on the movement of consolidated figures, as stated above in the introduction to this section.

Non-consolidated gross reinsurance claims fell by 12.8 % in 2014. Gross claims paid in Slovenia fell by 13.1 % in 2014 compared to 2013 owing to less premiums written (5.1 % premium decline) and a benign loss activity in 2014 (in 2013 the company still settled claims relating to the floods that hit Slovenia in November 2012). International gross claims decreased by 12.7 % compared to 2013, as in 2013 there were many losses settled relating to the 2012 Thai floods and a number of smaller claims that hit this part of the portfolio. In 2014 no major catastrophe events impacted the international portfolio.

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

Operating expenses

Consolidated operating expenses; reinsurance

(€)	2014	2013	Index
Acquisition costs	18,597,148	22,595,997	82.3
Change in deferred acquisition costs (+/-)	-261,960	-390,429	67.1
Other operating expenses	4,290,654	4,306,051	99.6
Gross operating expenses	**22,625,842**	**26,511,619**	**85.3**
Income from reinsurance commission	-422,012	-500,111	84.4
NET OPERATING EXPENSES	22,203,831	26,011,508	85.4

The consolidation of Zavarovalnica Maribor had a significant impact on the movement of consolidated figures, as stated above in the introduction to this section.

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

Net investment income

Income, expenses and the net inv. income relating to the investment portfolio; reinsurance (€ million)

The net investment income was higher in 2014 primarily because of the lower expenses for the investment portfolio in 2014. The high expenses for the investment portfolio in 2013 are due to impairments and cancellation of subordinated bonds and equities of Slovenian banks.

8.2. Non-life insurance business

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

- Zavarovalnica Maribor, non-life business (May–December 2013; January–December 2014)
- Zavarovalnica Tilia, non-life business (January–December)
- Sava Montenegro (January–December)
- Sava osiguranje Belgrade (January–December)
- Sava osiguruvanje Skopje (January–December)
- Velebit osiguranje (January–December)
- Illyria (January–December)

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

The non-life operating segment produced a somewhat lower result in 2014 than in 2013. This is mainly due to the underwriting result of the Slovenian insurance companies. In 2014 Zavarovalnica Maribor recorded € 5 million of net claims incurred due to ice damage. Also note that in 2013 only eight months of Zavarovalnica Maribor were included in the consolidated accounts.

Gross premiums written

Consolidated gross non-life premiums by region

(€)	2014	2013	Index
Slovenia	251,907,497	174,412,166	144.4
International	50,779,139	51,619,529	98.4
TOTAL	302,686,636	226,031,695	133.9

Non-life insurance premiums written in Slovenia grew mainly due to the full consolidation of Zavarovalnica Maribor. Gross premiums written by Zavarovalnica Maribor included in the consolidated statements for 2014 totalled € 176.2 million (2013: € 97.3 million).

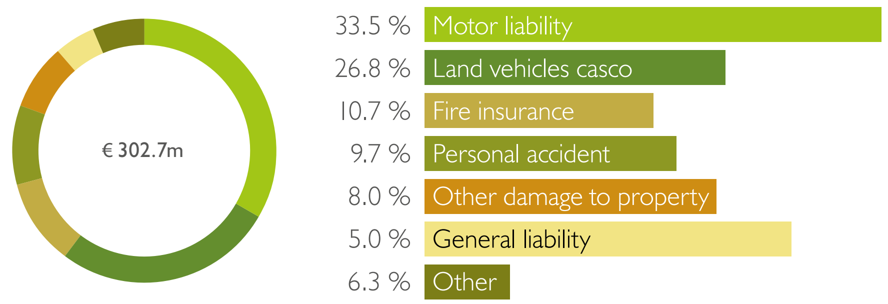
Unconsolidated gross non-life premiums of Sava Re Group companies

(€)	2014	2013	Index
Zavarovalnica Maribor (non-life)	176,242,829	176,500,344	99.9
Zavarovalnica Tilia (non-life)	76,007,719	77,359,003	98.3
Sava osiguranje Belgrade	12,398,564	10,787,712	114.9
Illyria	8,891,082	9,697,381	91.7
Sava osiguruvanje Skopje	10,784,452	10,964,816	98.4
Sava Montenegro	11,468,545	11,156,214	102.8
Velebit osiguranje	7,236,593	9,017,110	80.3
TOTAL	303,029,783	305,482,580	99.2

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

Total unconsolidated gross non-life insurance premiums decreased modestly year-on-year. The largest absolute decline in gross premiums written were recorded by the company Velebit osiguranje (motor third-party liability market liberalization) and Zavarovalnica Tilia (drop in the average motor policy amount and cancellation of certain coverages for companies). In 2014 non-life premiums in the Slovenian insurance market dropped by 1.8 %. The Serbian non-life insurer recorded the highest absolute premium growth due to increased motor third-party liability rates on the market, by 45 % in June 2014.

Gross non-life premiums written by class of business in 2014



Gross claims paid

Consolidated gross non-life claims by region

(€)	2014	2013	Index
Slovenia	146,227,123	110,945,247	131.8
International	19,498,566	21,360,058	91.3
TOTAL	165,725,689	132,305,305	125.3

As with gross premiums written, the growth in Slovenian gross claims paid is a result of the full consolidation of Zavarovalnica Maribor. Gross claims paid by Zavarovalnica Maribor included in the consolidated statements for 2014 totalled € 105.3 million (2013: € 69.0 million). Gross claims for foreign-sourced business declined, reflecting both continued favourable loss trends and a decline in the premium volume of some group companies.

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

(€)	2014	2013	Index
Zavarovalnica Maribor (non-life)	105,337,197	107,832,627	97.7
Zavarovalnica Tilia (non-life)	40,898,572	41,972,415	97.4
Sava osiguranje Belgrade	4,416,264	4,317,771	102.3
Illyria	3,524,232	4,916,866	71.7
Sava osiguruvanje Skopje	4,222,098	4,720,070	89.4
Sava Montenegro	3,497,406	3,758,473	93.1
Velebit osiguranje	3,843,001	3,654,626	105.2
TOTAL	165,738,770	171,172,848	96.8

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

Nearly all Group companies recorded a decline in gross non-life claims paid. The largest decline claims in absolute terms were recorded by:

- Zavarovalnica Maribor: benign claims environment and measures for reducing claims on the motor casco book as well as declined motor third-party liability claims as a result of claims-reduction measures; decline despite the € 8 million claims paid for ice damage; gross claims paid totalled € 18.4 million, but the difference was part of gross claims provisions at 31 December 2014;
- Illyria: fewer claims in health business due to the loss of two major clients and fewer claims in motor TPL due to the introduction of bonus-malus system;
- Zavarovalnica Tilia: the largest absolute decline was in fire business, while credit business shrank owing to higher subrogation recoveries compared to 2013.

All Group companies (except for Croatian non-life insurer) improved their gross paid loss ratios for non-life business.

Operating expenses

Consolidated operating expenses; non-life insurance business

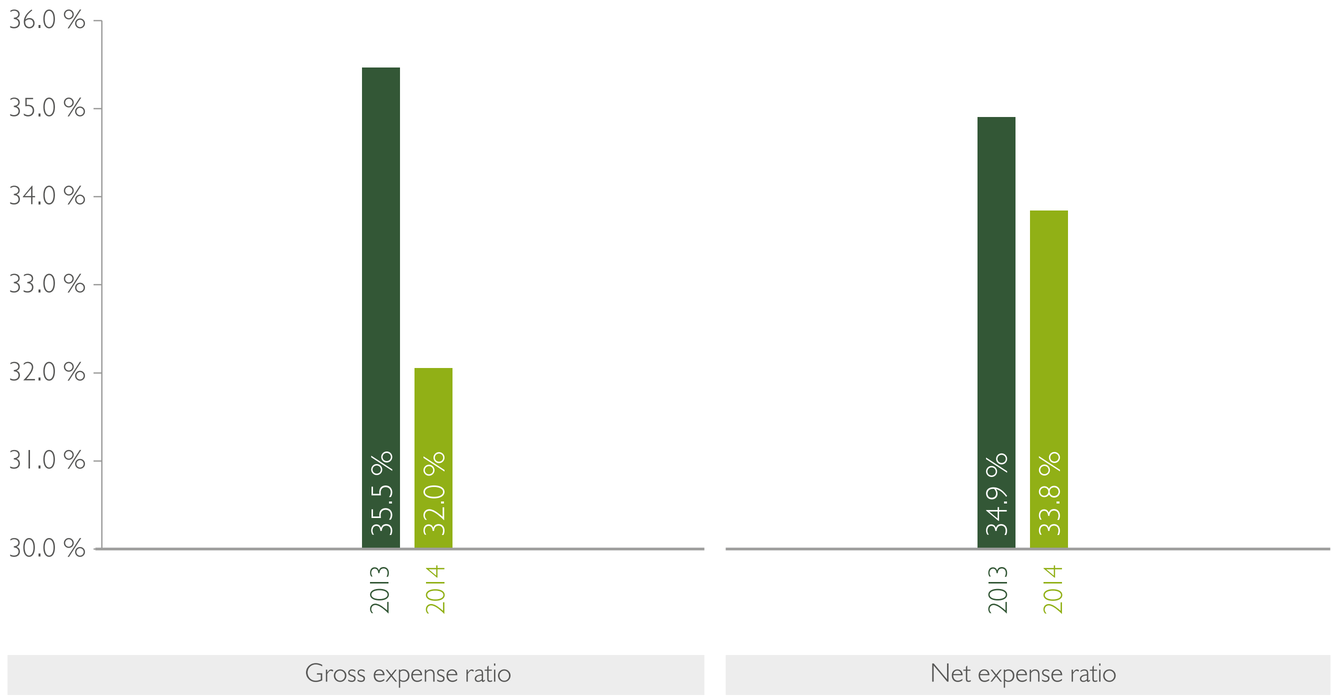
(€)	2014	2013	Index
Acquisition costs	22,017,454	18,063,725	121.9
Change in deferred acquisition costs (+/-)	154,510	-683,486	-222.6
Other operating expenses	74,820,858	62,761,194	119.2
Gross operating expenses	**96,992,822**	**80,141,433**	**121.0**
Income from reinsurance commission	-2,485,506	-1,595,387	155.8
NET OPERATING EXPENSES	94,507,316	78,546,045	120.3

The full consolidation of Zavarovalnica Maribor contributed € 4.2 million to acquisition costs. Policy acquisition costs declined in most Group companies in 2014 as a result of a reduced premium volume.

Other operating expenses increased by € 12.1 million, mainly due to the consolidation of Zavarovalnica Maribor (€ 10.7 million).

Consolidated gross operating expenses (excluding the change in deferred acquisition costs) relating to non-life insurance business rose by 21.0 %, while gross premiums written increased by 33.9 %, resulting in an improved expenses to premiums ratio compared to 2013.

Expense ratios; non-life insurance business

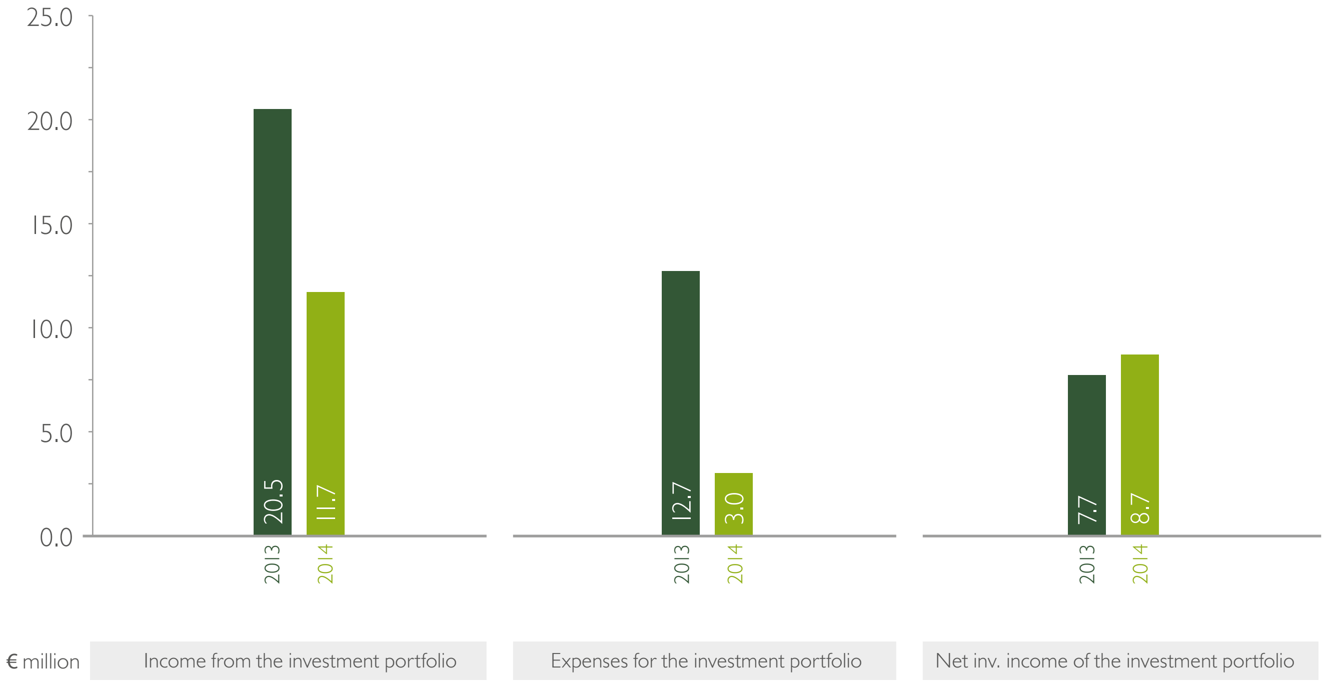


Unconsolidated gross non-life operating expenses of Sava Re Group companies

(€)	2014	2013	Index
Zavarovalnica Maribor (non-life)	47,414,503	49,341,955	96.1
Zavarovalnica Tilia (non-life)	22,450,531	22,334,407	100.5
Sava osiguranje Belgrade	5,989,479	5,032,210	119.0
Illyria	2,604,788	2,933,221	88.8
Sava osiguruvanje Skopje	4,496,235	4,341,018	103.6
Sava Montenegro	5,666,533	5,279,729	107.3
Velebit osiguranje	4,077,442	4,289,388	95.1
TOTAL	92,699,511	93,551,928	99.1

Net investment income

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



The net investment income of the investment portfolio in 2014 is not comparable to the one in 2013 due to the mid-year consolidation of Zavarovalnica Maribor in 2013. The 2013 income was higher because of the revaluation of the pre-acquisition stake in Zavarovalnica Maribor to market value upon the company's first consolidation and higher interest income on investments compared to 2014. The 2013 expenses were related to write-downs and impairments of subordinated bonds and equities of Slovenian banks.

8.3. Life insurance business

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

- Zavarovalnica Maribor, life business (May–December 2013, January–December 2014)
- Zavarovalnica Tilia, life business (January–December)
- Sava življenjsko osiguranje (January–December)
- Illyria Life (January–December)
- Velebit životno osiguranje (January–December)

Gross premiums written

Consolidated gross life insurance premiums by region

(€)	2014	2013	Index
Slovenia	82,832,530	59,431,111	139.4
International	5,172,994	4,377,144	118.2
TOTAL	88,005,524	63,808,255	137.9

Life insurance premiums written in Slovenia grew mainly due to the full consolidation of Zavarovalnica Maribor. Gross premiums written by Zavarovalnica Maribor included in the consolidated statements for 2014 totalled € 74.4 million (2013: € 50.1 million).

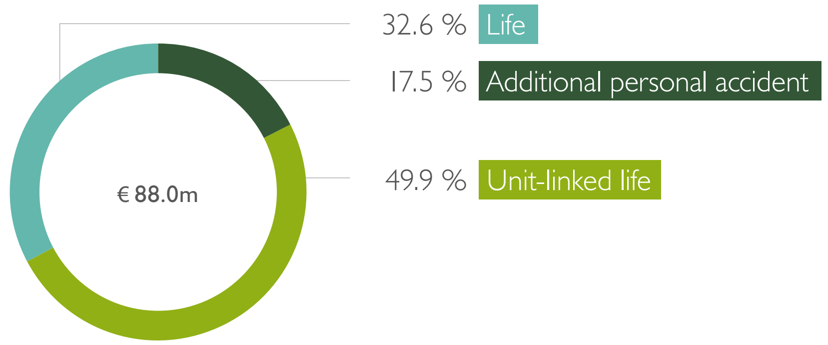
Unconsolidated gross life premiums written by Sava Re Group companies

(€)	2014	2013	Index
Zavarovalnica Maribor (life)	74,429,840	75,500,697	98.6
Zavarovalnica Tilia (life)	8,402,690	9,286,982	90.5
Sava životno osiguranje	1,062,099	907,343	117.1
Illyria Life	1,544,739	1,349,827	114.4
Velebit životno osiguranje	2,566,156	2,119,974	121.0
TOTAL	88,005,524	89,164,823	98.7

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

Gross life premiums written in 2014 increased in all non-Slovenian Group companies, while Zavarovalnica Maribor and Zavarovalnica Tilia wrote less premiums than the year before. Zavarovalnica Tilia suffered a larger premium decline than the Slovenian life insurance market, mainly due to the decline in unit-linked business (smaller number of policies written and more cancellations and surrenders).

Gross life premiums written by class of business in 2014



Gross claims paid

Consolidated gross life insurance premiums by region

(€)	2014	2013	Index
Slovenia	47,314,534	32,355,130	146.2
International	944,387	695,195	135.8
TOTAL	48,258,921	33,050,325	146.0

As with gross premiums written, the growth in Slovenian gross claims paid is a result of the inclusion of Zavarovalnica Maribor figures for eight months into the consolidated accounts. Gross claims paid by Zavarovalnica Maribor included in the consolidated statements for 2014 totalled € 41.2 million (2013: € 26.4 million). Gross claims paid for non-Slovenian business also increased, reflecting the increase in premium volume.

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

(€)	2014	2013	Index
Zavarovalnica Maribor (life)	41,184,331	40,741,453	101.1
Zavarovalnica Tilia (life)	6,130,203	5,997,613	102.2
Sava životno osiguranje	277,159	138,987	199.4
Illyria Life	174,995	182,744	95.8
Velebit životno osiguranje	492,233	373,464	131.8
TOTAL	48,258,921	47,434,261	101.7

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

The highest absolute growth in gross claims paid was recorded by Zavarovalnica Maribor (higher payments due to policy maturities), Sava životno osiguranje (more surrenders and large extraordinary claims) and Zavarovalnica Tilia (lapses and surrenders and increase in claims made).

Operating expenses

Consolidated operating expenses; life insurance business

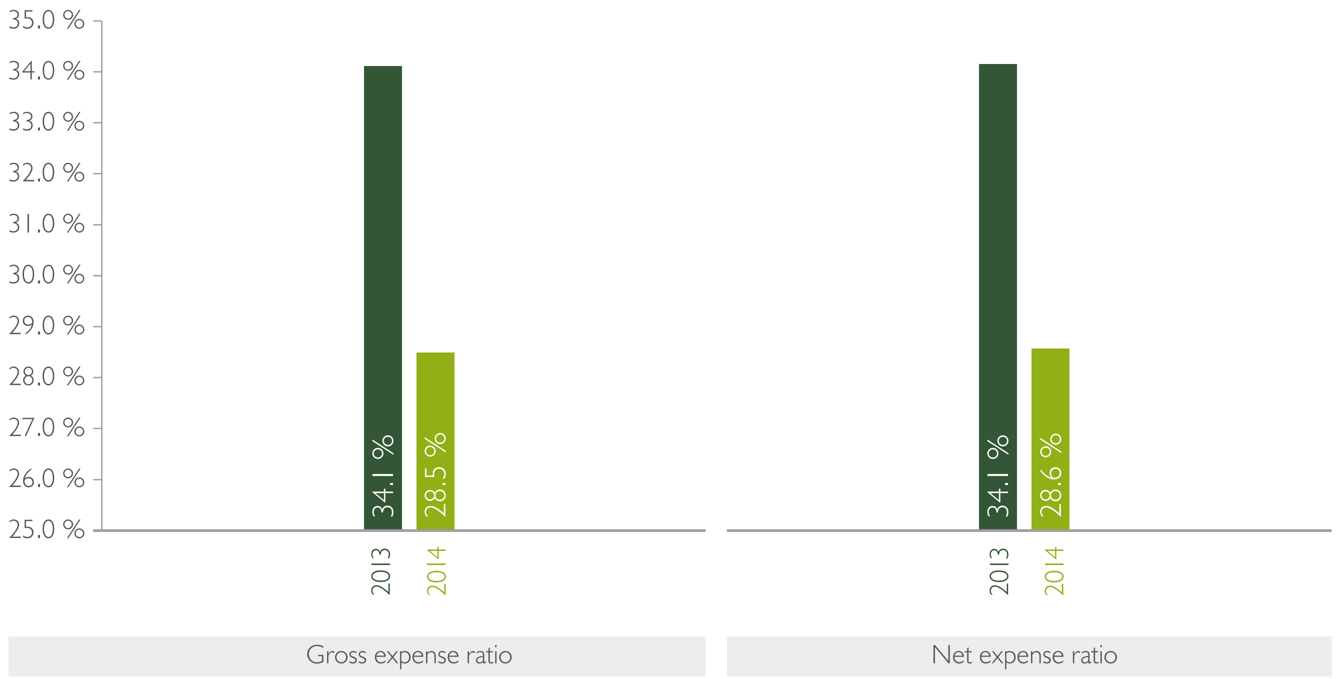
(€)	2014	2013	Index
Acquisition costs	6,897,255	6,211,730	111.0
Change in deferred acquisition costs (+/-)	596,949	604,586	101.3
Other operating expenses	17,570,289	14,943,685	117.6
Gross operating expenses	**25,064,493**	**21,760,001**	**115.2**
Income from reinsurance commission	-57,342	-45,161	127.0
NET OPERATING EXPENSES	25,007,152	21,714,840	115.2

Zavarovalnica Maribor contributed to increased acquisition costs in the amount of € 1.0 million. In absolute terms, the largest decrease was recorded by Zavarovalnica Tilia, whose premiums are also falling.

Other operating expenses increased by € 2.6 million, mainly due to the full consolidation of Zavarovalnica Maribor (€ 2.7 million).

The growth index of consolidated gross operating expenses relating to the life segment stood at 115.2; the index of consolidated gross life premiums written was 137.9. The ratio of expenses to premiums improved as a result of the consolidation of Zavarovalnica Maribor as the company has a mature and relatively large portfolio of life insurance policies compared to other non-Slovenian Group life insurers.

Expense ratios; life insurance business



Unconsolidated gross life operating expenses of Sava Re Group companies

(€)	2014	2013	Index
Zavarovalnica Maribor (life)	18,435,168	20,925,669	88.1
Zavarovalnica Tilia (life)	2,070,546	2,326,582	89.0
Sava životno osiguranje	876,195	1,051,863	83.3
Illyria Life	552,881	565,510	97.8
Velebit životno osiguranje	1,714,475	1,790,187	95.8
TOTAL	23,649,267	26,659,811	88.7

Net investment income

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

The net investment income of the investment portfolio in 2014 is not comparable to the one in 2013 due to the mid-year consolidation of Zavarovalnica Maribor in 2013. The 2013 income was higher because of the revaluation of the pre-acquisition stake in Zavarovalnica Maribor upon the company's first consolidation and higher interest income on investments compared to 2014. The 2013 expenses were related to write-downs and impairments of subordinated bonds and equities of Slovenian banks.

€ 6 million in losses related to ice damage posed no threat to the Group's capital adequacy.

9. FINANCIAL POSITION OF THE SAVA RE GROUP

At 31 December 2014, total assets of the Sava Re Group stood at € 1,454.4 million, an increase of 5.5 % over year-end 2013. Below we set out items of assets and liabilities in excess of 10 % of total assets/liabilities at 31 December 2014.

9.1. Assets

Consolidated total assets by type

(€)	31/12/2014	As % of total at 31/12/2014	31/12/2013	As % of total at 31/12/2013
ASSETS	1,454,374,935	100.0 %	1,378,300,387	100.0 %
Intangible assets	34,940,960	2.4 %	40,226,072	2.9 %
Property and equipment	44,473,638	3.1 %	46,042,572	3.3 %
Deferred tax assets	1,202,381	0.1 %	3,496,592	0.3 %
Investment property	5,103,325	0.4 %	5,567,006	0.4 %
Financial investments in associates	3,072,497	0.2 %	2,866,665	0.2 %
Financial investments	974,668,382	67.0 %	931,121,110	67.6 %
Funds for the benefit of policyholders who bear the investment risk	202,913,059	14.0 %	175,776,228	12.8 %
Reinsurers' share of technical provisions	38,672,645	2.7 %	33,490,712	2.4 %
Receivables	124,395,153	8.6 %	116,212,767	8.4 %
Deferred acquisition costs	17,489,101	1.2 %	17,752,316	1.3 %
Other assets	1,351,244	0.1 %	1,593,291	0.1 %
Cash and cash equivalents	5,643,200	0.4 %	3,432,720	0.2 %
Non-current assets held for sale	449,350	0.0 %	722,336	0.1 %

9.1.1. Financial investments and financial investments in associates

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

The Sava Re Group investment portfolio totalled € 988.5 million at 31 December 2014. Compared to 31 December 2013, the investment portfolio grew by € 45.5 million, primarily due to the positive cash flow from core insurance business.

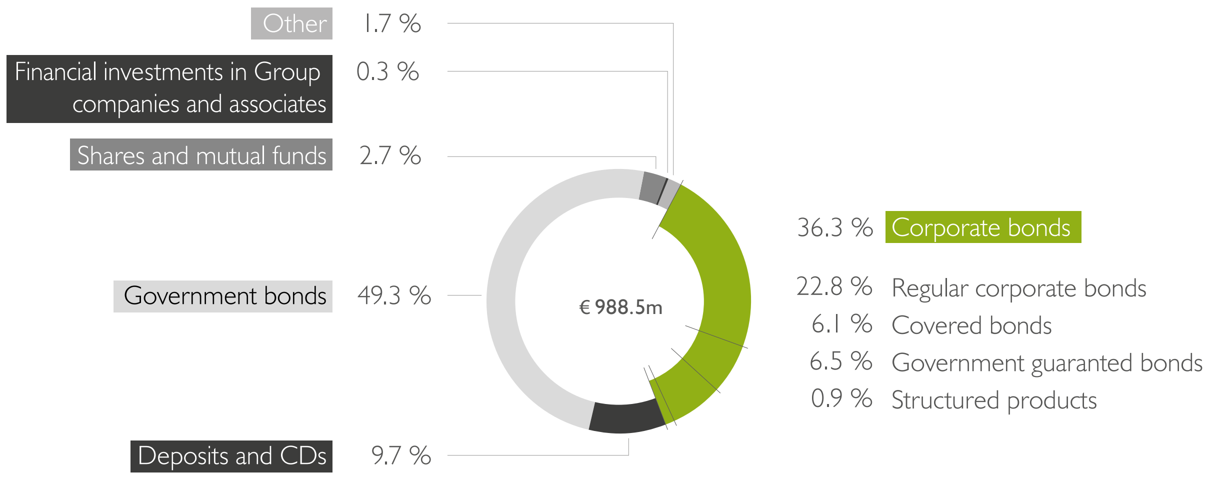
Sava Re Group investment portfolio by class of asset

(€)	31/12/2014	31/12/2013	Nominal change	Index
Deposits and CDs	95,569,619	113,256,253	-17,686,634	84.4
Government bonds	486,946,870	517,929,608	-30,982,738	94.0
Corporate bonds	358,991,267	259,635,233	99,356,034	138.3
Shares	21,030,349	19,632,282	1,398,067	107.1
Mutual funds	5,671,611	9,192,936	-3,521,325	61.7
Loans granted and other	871,156	1,283,781	-412,625	67.9
Deposits with cedants	5,587,510	10,191,017	-4,603,507	54.8
TOTAL FINANCIAL INVESTMENTS	974,668,382	931,121,110	43,547,272	104.7
Financial investments in associates	3,072,497	2,866,665	205,832	107.2
Investment property	5,103,325	5,567,007	-463,682	91.7
Cash and cash equivalents	5,643,200	3,432,720	2,210,480	164.4
TOTAL INVESTMENT PORTFOLIO	988,487,404	942,987,502	45,499,902	104.8
Investments for the benefit of life-insurance policyholders who bear the investment risk	202,913,059	175,776,228	27,136,831	115.4

Compared to 31 December 2013, the composition of the investment portfolio changed in line with the Group's investment policy. Accordingly, the Group reduced its exposure to government bonds and deposits in order to reduce its exposure to Slovenia (discussed in greater detail in the notes to the consolidated financial statements in section 17.7.2.3 "Credit risk"). By contrast, there was an increase in the proportion of corporate bonds due to purchases of covered bonds and foreign non-financial corporate bonds rated A or better.

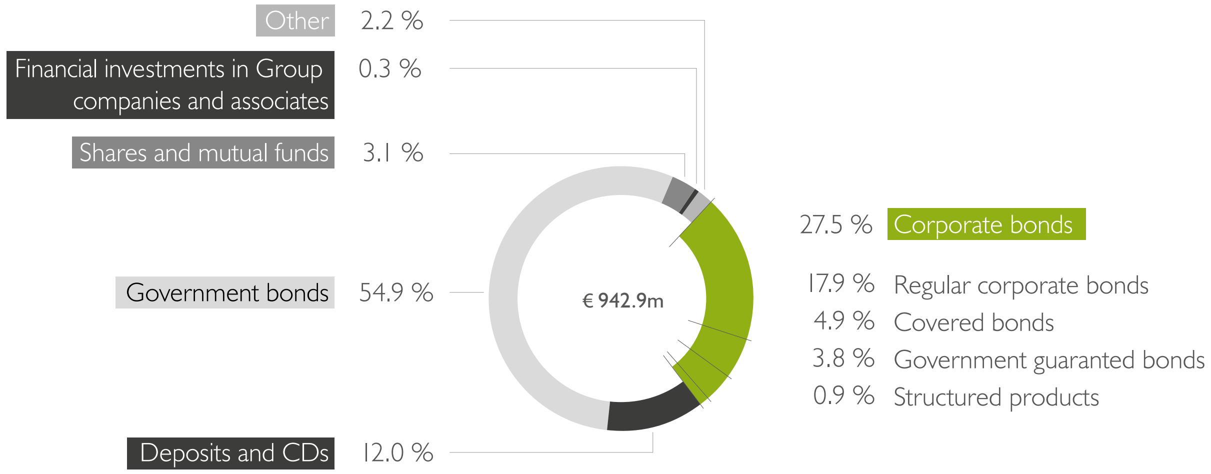
Breakdown of the investment portfolio at 31 December 2014

31/12/2014



Breakdown of the investment portfolio at 31 December 2013

31/12/2013



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 2013, these funds increased by 15.4 %, or € 27.1 million, to € 202.9 million at 31 December 2014. Three Group companies market life products where the investment risk is borne by policyholders: Zavarovalnica Maribor, Zavarovalnica Tilia and Velebit životno osiguranje. At 31 December 2014, funds for the benefit of policyholders who bear the investment risk relating to Zavarovalnica Maribor totalled € 169.8 million (31 December 2013: € 145.7 million), funds relating to Zavarovalnica Tilia € 33.1 million (31 December 2013: 30.1 million), while such funds relating to Velebit životno osiguranje are negligible.

Higher weighting in corporate bonds and lower weighting in government bonds.

9.2. Liabilities

Consolidated equity & liabilities by type

(€)	31/12/2014	As % of total at 31/12/2014	31/12/2013	As % of total at 31/12/2013
EQUITY AND LIABILITIES	**1,454,374,935**	**100.0 %**	**1,378,300,387**	**100.0 %**
Equity	271,528,623	18.7 %	240,099,321	17.4 %
Share capital	71,856,376	4.9 %	71,856,376	5.2 %
Capital reserves	44,638,799	3.1 %	42,423,360	3.1 %
Profit reserves	115,146,336	7.9 %	102,023,219	7.4 %
Treasury shares	-10,115,023	-0.7 %	-2,821,391	-0.2 %
Fair value reserve	18,448,741	1.3 %	7,739,714	0.6 %
Retained earnings	15,652,780	1.1 %	15,018,066	1.1 %
Net profit/loss for the period	17,474,558	1.2 %	5,023,423	0.4 %
Translation reserve	-3,489,433	-0.2 %	-3,128,947	-0.2 %
Equity attributable to owners of the controlling company	269,613,133	18.5 %	238,133,820	17.3 %
Non-controlling interest in equity	1,915,490	0.1 %	1,965,501	0.1 %
Subordinated liabilities	28,699,692	2.0 %	30,466,967	2.2 %
Technical provisions	869,982,633	59.8 %	846,224,719	61.4 %
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	195,684,631	13.5 %	170,786,799	12.4 %
Other provisions	6,940,650	0.5 %	5,878,803	0.4 %
Deferred tax liabilities	5,749,180	0.4 %	4,008,876	0.3 %
Other financial liabilities	78,870	0.0 %	5,006,946	0.4 %
Liabilities from operating activities	49,364,797	3.4 %	44,991,418	3.3 %
Other liabilities	26,345,859	1.8 %	30,836,538	2.2 %

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 figure at 31 December 2014 was an increase of 4.8 % or € 48.7 million compared to year-end 2013. Net technical provisions, including funds for the benefit of policyholders who bear the investment risk, grew by 22.1 % or € 185.8 million in the same period.

Gross provisions for the reinsurance segment declined by 1.7 % or € 2.2 million. There was an increase the provision for unearned premiums as a result of changes in unearned premiums for business from abroad, mainly written in mid-year renewals.

The gross technical provisions attributable to the non-life insurance segment recorded an increase of 3.8 % or € 17.2 million at year-end 2014. The increase was affected by claims provisions, as a result of additions made relating to claims arising out of ice damage.

Gross provisions of the life segment (including provisions for the benefit of policyholders who bear the investment risk) increased by 6.7 % or € 29.3 million at year-end 2014. The largest absolute growth was in mathematical provisions at Zavarovalnica Maribor (growth of funds and new premiums from the total portfolio, and attribution of profits to policyholders).

Movements in consolidated technical provisions

(€)	31/12/2014	31/12/2013	Index
Gross unearned premiums	148,169,690	144,611,911	102.5
Gross mathematical provisions	256,292,141	250,559,649	102.3
Gross provision for claims	454,759,004	437,267,628	104.0
Gross provision for bonuses, rebates and cancellations	854,819	832,938	102.6
Other gross technical provisions	9,906,979	12,952,593	76.5
TOTAL GROSS TECHNICAL PROVISIONS	869,982,633	846,224,719	102.8
Gross technical provisions for the benefit of policyholders who bear the investment risk	195,684,631	170,786,799	114.6
TOTAL GROSS TECHNICAL PROVISIONS	1,065,667,264	1,017,011,518	104.8

9.2.2. Equity

The second largest item on the liabilities side is equity (18.7 %), which increased by € 31.4 million from year-end 2013. The amount increased due to the following factors:

- consolidated net profit for 2014 amounted to € 30.5 million (recapitalization);
- Sava Reinsurance Company paid out dividends in the amount of € 4.4 million (decrease in capital);
- own shares were repurchased for € 7.3 million;
- fair value reserve increased by € 10.7 million as a result of positive trends in capital markets (increase in capital);
- impact of € 1.9 million from capital reserves (ZM profit excluded in the sale of the shares of Sava Reinsurance Company) and effect of translation reserve (increase in capital).

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 2014 grew by 14.6 % or € 24.9 million compared to year-end 2013. Zavarovalnica Maribor has a strong market position in life products. Most of this business comprises policies where policyholders bear the investment risk. As a result, these technical provisions are substantial: technical provisions for the benefit of policyholders who bear the investment risk relating to Zavarovalnica Maribor totalled € 163.6 million at 31 December 2014.

9.3. Capital structure

At 31 December 2014, the Sava Re Group's capital comprised € 271.5 million of equity, € 28.7 million of subordinated liabilities and € 0.1 million of other financial liabilities. Subordinated liabilities and other financial liabilities accounted for 10.6 % of capital.

Subordinated liabilities mainly relate to the subordinated debt of Sava Reinsurance Company taken out to expand to the Western Balkans, but Zavarovalnica Maribor also holds subordinated debt of € 5.2 million. In 2014 Zavarovalnica Maribor made an early repayment of € 1.8 million of its subordinated debt. Details relating to the subordinate debt are described in note 21 of section 17.8 "Notes to the financial statements – statement of financial position".

9.4. Cash flow

In 2014 net cash from operating activities at the Group level amounted to € 50.7 million mainly as a result of cash flows from core business (insurance, reinsurance), which largely reflects the difference between premium income and claim payments and costs. Net cash of Sava Reinsurance Company amounted to € 11.8 million, of Zavarovalnica Maribor € 29.0 million, and of Zavarovalnica Tilia € 6.3 million. Strong net cash-flow from operating activities provides sufficient funds for the development of key Group areas.

Net disbursements in financing activities of € 26.1 million were a result of:

- partial prepayment of subordinated debt of Sava Reinsurance Company (of the € 31.2 million, € 6.2 million was repaid early), and early redemption of subordinated debt of Zavarovalnica Maribor in the amount of € 1.8 million;
- Sava Reinsurance Company repurchased own shares for € 7.3 million (€ 2.8 million from Zavarovalnica Maribor, which is not evident from the consolidated statement of cash flows);
- negative cash flow of € 4.4 million relates to the dividend payout of Sava Reinsurance Company;
- in 2014, Sava Reinsurance Company and Zavarovalnica Maribor paid € 1.4 million of interest on subordinated debt issued;
- Zavarovalnica Tilia repaid € 5.0 million of a short-term loan in 2014.

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 2014, the total amount of receivables of the Sava Re Group was 7.0 % higher compared to the previous year.

Receivables arising out of primary insurance operations declined by € 2.6 million from year-end 2013, while receivables arising out of reinsurance business increased by € 11.2 million as a result of growth in gross premiums written in international reinsurance markets and transfer of released deposits to premium receivables.

Exposure to Slovenia down 6.4 p.p.

10. PERSONNEL

The Group started activities for a systematic building of human resources policies, including recruitment, training and development, leadership and motivation of personnel. Human resource management activities in 2014 were based on the Sava Re Group's mission, vision, strategic focus and goals as well as on requirements of individual companies.

10.1. Recruitment

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. The Group recruits in response to requirements of its key services and Solvency II alignment.

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

	31/12/2014	31/12/2013	Change
Zavarovalnica Maribor	767.18	822.37	-55.18
Zavarovalnica Tilia	368.62	362.14	6.48
Sava osiguranje Belgrade	293.50	273.13	20.38
Illyria	171.00	164.00	7.00
Sava osiguruvanje Skopje	162.00	126.00	36.00
Velebit osiguranje	146.13	151.01	-4.88
Illyria Life	137.00	120.00	17.00
Sava Montenegro	135.75	145.00	-9.25
Sava Reinsurance Company	78.63	67.30	11.33
Sava životno osiguranje	71.00	82.88	-11.88
Velebit životno osiguranje	65.01	73.88	-8.87
Sava Car	28.50	23.75	4.75
Montagent	18.00	0.00	18.00
TOTAL	2,442.32	2,411.45	30.87

The number of employees in the Sava Re Group increased by 31 in 2014. This major increase in the number of employees in individual Group companies primarily relates to fluctuations in agency networks.

The number of employees at Zavarovalnica Maribor declined as a result of the reorganisation of the insurer towards a modern and efficient operation, which is why certain business processes needed to be modified. Some reorganizations were also required to integrate back-office business functions in order to achieve synergistic effects.

10.2. Training and development

Employee training and development is vital to sharpen the strategic focus and realize 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 skills, leadership skills, soft skills, computer and foreign language skills. In some companies, we also offer additional formal education.

We strongly foster intra-Group transfer of knowledge. We organized joint training in controlling, accounting, finance and internal audit. Furthermore, training in life insurance products was organized, specifically on the development of life products and underwriting.

Traditionally, we organize two Group strategic conferences with the aim of transferring best practices among Group companies, setting strategic focus and to overview operations.

10.3. Leadership and motivation

Leadership is provided to staff through management by objectives, targeted development and annual interviews. We organize regular activities for health and safety at work. Individual companies offer employees additional financial (e.g. supplementary pension insurance, other insurance) and non-financial benefits (e.g. measures relating to ensuring better work-life balance).

Social events and gatherings for employees are organized throughout the year.

11. RISK MANAGEMENT

11.1. Risk management policies and goals

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

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

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

While there is an important external motivation to improve the existing risk management practices in the corporate reasoning of the Sava Re Group, the Group's management is well aware that apart from regulations, these changes are mainly dictated by the Group's internal requirements if it wants to achieve its strategic goal to ensure secure and successful operations in the long term.

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

The secondary goals of risk management are:

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

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

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

11.2. Organisational structure of risk management

In 2014, the Sava Re Group continued implementing systematic risk management both in Sava Reinsurance Company as well as at the Group level. To this end, we reorganized the existing risk management department to form three new organizational units:

- risk management service,
- actuarial and
- the Group development centre.

Each of these organizational units plays its part in the risk management system of Sava Reinsurance Company and the Sava Re Group. The organizational units have been set up to implement unified systematic risk management within the entire Group and to support risk management in small Group companies, particularly outside the European Union.

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

The main duties of the risk management service are:

- to integrate the risk management system into the organizational structure and decision-making processes,
- to promote activities for the covering of all risks that the company or group are or may be exposed to,
- to maintain a risk register and report on key risks,
- to cooperate with other organizational units of the company and its subsidiaries and to transfer best practices and knowledge to subsidiaries.

The actuarial service covers all actuarial business, with a focus on the establishment of technical provisions, and has a significant role in systematic risk management, including primarily the management of insurance and reinsurance risks as the key risks faced by the Company and the Group. To this end, the service closely collaborates with the risk management service and Group development centre. Another major duty is the transfer of best practices and knowledge within the Group.

Supervision of and support to Sava Re Group members is provided through business functions such as actuarial and risk management. In most Group members, the actuarial function is well organized and staffed. For risk management, one person has been appointed in each subsidiary to co-ordinate and implement risk management activities.

Relevant conditions and processes are being set up for the operation of the risk management function and the actuarial function for Sava Reinsurance Company and the Sava Re Group in accordance with the requirements of Solvency II. The functions will be organized within the risk management and actuarial services. The compliance and internal audit functions have already been set up within the Company and the Group.

The main tasks of the development centre directly supporting risk management are:

- development, testing and implementation of risk management models and methods for the entire Group,
- collaboration in the selection, development and maintenance of modelling software,
- support to users of models,
- implementation of technically complex risk management analyses and calculations for the Group,
- transfer of implemented methods and knowledge to other organizational units of the company and across the Group.

In the second half of the year, the risk committee started operating. In the first phase, it will mainly be involved in advancing systematic risk management within the Company and the Group and in the introduction of Solvency 2 requirements. The risk committee also covers asset-liability management issues.

The main goals of the Risk Committee are unifying risk management practices Company and Group-wide and providing professional risk management advice to the Company's management to ensure efficient management of Sava Reinsurance Company and the Group.

The main duties of the risk committee are:

- set up and review the functioning of the risk management system,
- regularly monitor key risks and the risk profile against the Company's risk appetite and risk strategy,
- prepare recommendations for the management board with respect to risk management,
- monitor quantitative risk assessment calculations and respond adequately,
- issue opinions relating to major business decisions with a significant impact on the risk profile;
- identify and monitor any emerging new risks.

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In addition to the above-mentioned organizational structure, risk management is present in all organisational units of Sava Reinsurance Company as well as in all business processes and is implemented by employees on all levels.

To engage all organizational units of the Company in risk management as actively as possible, a risk management working group has been set up at Sava Reinsurance Company composed of one representative from each department and service.

The main duties of the risk management working group are:

- systematically cultivate a risk management culture in the Company's organizational units that the working group's members are part of;
- establish conditions for integrating risk management processes into the Company's business processes,
- introduce selected risk management methodologies into daily company practice,
- systematically spread risk management culture to the Company's subsidiaries,
- maintain a risk register and report on risks.

Risk management is of such importance to the Company that the primary responsibility lies with the management board, who upon recommendation by the risk committee adopts risk mitigation measures, appoints risk owners and determines priorities.

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

Each staff member is responsible for operational performance of the duties they have been tasked with in a manner so as to either eliminate or reduce risks. Risk owners have special responsibilities for individual risks from the risk register.

Good practices from the risk management model and the organization of risk management are being transferred to subsidiaries.

11.3. Risk management processes

Sava Re Group carries out risk management processes both at the level of individual Group companies and at the Group level. The Group's aim is to have a systematic and uniform risk management system. The companies' management, the risk committee and the risk management service are responsible for setting up the risk management system and processes and for verifying their adequacy.

Risk management processes are inherently connected with and incorporated into the basic processes carried out in individual Group companies and the Group as a whole.

In order to achieve systematic risk management Sava Re Group carries out the following main processes:

- risk identification,
- risk assessment,
- risk monitoring,
- determining appropriate risk management measures,
- risk reporting.

All organisational units are involved in risk management and the risk component is taken into account when adopting business decisions.

The process of risk identification is aimed at identifying all the risks to which individual Group companies or the Group as a whole are exposed. When adopting important business decisions we also take into account the risks connected with individual decisions and their influence on the operations of individual Group companies or on the Group as a whole.

Risk evaluation is carried out on a regular basis regarding all risks to which individual Group companies are exposed. Both qualitative and quantitative methods are used for risk evaluation. Last year the Sava Re Group made a significant investment with the purchase of IT tools for risk evaluation support for the purpose of quantitative risk evaluation.

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. Monitoring and control are also carried out for risk management measures.

If new measures should be adopted to mitigate certain risks, they are analysed in terms of their economic and financial viability. Elimination or mitigation of individual risks must be more cost effective than the projected cost if the risk actually realizes, taking into full account the probability of such realization and all of its consequences.

With regard to the risks that Sava Re Group members deliberately assume from third parties in carrying on their business activities or that are inseparably tied therewith, the main element of risk management is appropriate risk selection. "Appropriate risk selection" is a process that ensures that risks remain within the limits that are acceptable for each Group company and that facilitate strategic, tactic and operational goals of both the company and the Group.

Examples of such risks in the Sava Re Group are especially underwriting risks, which are related to risk assumption by either insurers or reinsurers, market risks relating to investments covering the (life) liability fund, and credit risk arising out of default of retrocessionaires.

With regard to such risks that Sava Reinsurance Company deliberately assume from third parties in carrying on business activities or that are inseparably tied therewith, the goal of risk management as conducted in companies is adequate risk selection and:

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

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

Such risks are managed mainly through:

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

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

Each Group company monitors on a regular basis the risk management system and processes, making appropriate changes to enhance efficiency and striving to make it more systematic.

11.4. Risks

In the Sava Re Group and at Sava Reinsurance Company we classify risks into roughly the following groups:

- underwriting risks arising out of (re)insurance contracts. They are related to both risks covered under (re)insurance contracts and accompanying procedures.
- market risks related to volatile prices of financial instruments and market prices of other assets;
- credit risks related to non-performance and change in the credit rating of securities issuers related to the investment portfolio of (re)insurers and of reinsurers, intermediaries and other business partners who have outstanding liabilities to the (re)insurers;
- operating risk related to inappropriate or breakdowns in internal procedures, people and IT systems, and to external events;
- liquidity risks relating to loss resulting in insufficient liquid assets when liabilities become due or in increased costs on the realisation of less liquid assets;
- strategic risks associated with the achievement of the Company's strategic plans and the Company's reputation risk, including any implications.

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

12. INTERNAL AUDIT

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

Also in 2014, the IAS assisted the Sava Re Group in reaching the goals set by fostering planned, orderly risk evaluation, improving the effectiveness of risk management procedures, risk management and risk control, and the management of the organisation. The IAS further added value by providing independent and impartial assurance and by providing consulting services.

In 2014 the IAS fully completed 7 internal audit reviews of subsidiaries, which were carried out jointly with the IASs of these companies. Throughout 2014, there were two audit reviews running at Sava Reinsurance Company and have been continued in 2015 due to the high risk assessment.

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

The IAS reports regularly – on a quarterly basis – to the management board, the audit committee and the supervisory board on the results of auditing operations, on reviewing if internal control systems are effective and efficient, on breaches and irregularities found and on overseeing the implementation of recommendations. In addition, the IAS prepared an annual report on its activities in 2014, which is part of the materials for the general meeting of shareholders.

As part of developing the internal audit function, the IAS continued the transfer of internal auditing methodologies to internal audit services of other Sava Re Group members. In 2014, such transfer was implemented also through joint internal audits.

The IAS conducted a self-assessment in 2014. The results showed that the operations of the IAS complied with the definition of internal auditing, the standards and the code of ethics. The IAS has also been assessed through an external assessment, which established that it was generally compliant with the standards.

13. SUSTAINABLE DEVELOPMENT AT THE SAVA RE GROUP

The Sava Re Group's basic mission is to ensure security for both life and property. It manages risks to avoid uncertainty and for better quality of life. Building conditions that ensure a secure and carefree life as well as favourable business results is an investment for the future.

The Sava Re Group 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.

The Sava Re Group has yet to formulate an explicit social responsibility strategy or guidelines, as its members regulate this area each in their own way. There are, however, in place certain acts at the Group level (the Sava Re Control and Supervision Policy[25], the Compliance Policy, the Sava Re Group Accounting Manual, the Sava Re Group Code of Ethics) and recommendations that we strive to comply with, such as the Environmental and Social Policy of the EBRD, the recommendations developed by SOD as manager of capital assets held by the Republic of Slovenia, the recommendations developed by the Ljubljana Stock Exchange, and others.

Sava Reinsurance Company 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 2014

In 2014, Sava Reinsurance Company drew up and adopted a donations and sponsorships policy, setting out the areas that the Company wants to support.

The Sava Re Group members who transact life business registered with the U.S. tax authority (IRS) with FATCA (Foreign Account Tax Compliance Act) status. The purpose of FATCA is to prevent tax evasion of U.S. taxpayers who hold financial assets outside the U.S. through the introduction of a reporting regime for financial institutions with respect to such assets.

We acceded to the Slovenian Corporate Integrity Guidelines that provide a set of guidelines and best practices on what a company can do to promote lawful and ethical conduct of business. It is of key importance that institutions and companies, who jointly shape the Slovenian economic environment, actively promote compliance with the law and ethical conduct of business as a vital element of an ever larger number of business entities in Slovenia.

The Group defined a Group-wide sourcing policy that defines the sourcing process in detail. The basic objective is to optimize costs, quantity and quality of goods and services, with due consideration to our values and mission.

Responsibility towards stakeholders

We are committed to the cultivation of responsible and sincere relations with our employees, policyholders, business partners, shareholders, supervisory authorities, analysts, the media and other professional and general public. 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.

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

Personnel

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

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

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

We measure employee satisfaction through annual interviews. Last year the process and questionnaire were updated on the basis of experience and observations. The Company measures employee satisfaction considering criteria such as nature of work, opportunities that a position offers, training and remuneration, managing others, work conditions and staff relationships. Based on collected data, employees are primarily satisfied with staff relationships, work conditions and with their work. The data will also be used to make improvements.

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

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

This assessment is based on the number of complaints and disputes with employees: there are no complaints worth mentioning and the number of grievance procedures is low. In addition, we have developed a solid relationship with trade unions and companies are prompt and efficient in meeting contractual liabilities to employees, which contributes to employee satisfaction. The Group also seeks to establish a specific value system and code of conduct, emphasising mutual respect, effective communication and co-operation.

For more information, see section 20.3 "Personnel, organization and knowledge".

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, we base client relationships on internal underwriting regulations and internal rules for account managers. We maintain relationships with our existing business partners. Meetings are arranged during international conferences and individual meetings. 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 (including webcasts), through events organised by the Ljubljana Stock Exchange and other local and international road shows. We ensure prompt and uniform information also via our official website at www.sava-re.si, the SEOnet portal of the Ljubljana Stock exchange, via the media, press conferences and letters to shareholders sent to keep them updated and to invite them to the general meeting. In all our announcements, we comply with the standards applicable to the prime market of the Ljubljana Stock Exchange. More information about investor relations can be found in the share trading section.

Communication

The Company is aware that the credibility and reputation of a financial institution in the domestic as well as in the international market depends on the opinion formed by the public. Beside through fair and responsible dealings, a positive public image is built through impartial, transparent, accurate and timely communication. Pursuant to the 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 made by the media, in accordance with the recommendations issued by the Ljubljana Stock Exchange. Events that require registration in a public register (company register and such like) and the events of which legal consequences arise upon issuance of a decision by a government body (such as on a licence and other similarly related permit) are published when registered or received.

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

Sava Reinsurance Company publishes its business reports and financial statements in line with the standards set applicable to prime market issuers, observing the Financial Instruments Market Act (ZTFI) and the recommendations of the Ljubljana Stock Exchange. 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 2014. 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.

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

Investments

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

14. BUSINESS PROCESSES, IT SUPPORT AND ALIGNMENT TO SOLVENCY II REQUIREMENTS

The main activities of 2014 in the area of information technology were:

- connection of all Group networks and ensuring provision of shared services from both data centres,
- introduction of the MS Dynamics NAV 2013 application in Group companies, including unification of processes and integration of core business applications,
- unification of applications for payroll and personnel in Slovenia, and
- introduction of a single document management system in the Group.

It was vital to connect all networks to be able to provide shared services for the companies from both main Group data centres at Maribor and Novo mesto. This is in line with our strategy to set up a virtual Group data centre that would operate at the locations in Maribor and Novo mesto and provide services to all Group companies. As part of these activities, we included all companies into a single network, established trust between networks or active directories, avoiding overlapping of network addresses. The data centres in Maribor and Novo mesto were connected through a fast double connection, while the equipment from the recent secondary Group data centre was moved from Ljubljana to Maribor. All Group companies have adopted the common general conditions for the provision of IT and telecommunications services, setting out in detail the provision of services within the Group.

Established connections and equipment upgrades at the Novo mesto data centre (processor upgrade, memory system upgrade, introduction of virtual tape libraries and new backup software) allowed the establishment of a reserve data centre in Slovenia for Sava osiguranje Belgrade and Sava osiguruvanje Skopje. Now all important systems of these companies are mirrored into the data centre in Slovenia so in the event any local data centre is damaged, we can ensure business continuity. Thereby, we ensured compliance with the new legal requirements in Serbia and Macedonia. In 2015 we will continue with activities for setting up backup locations for the companies in Croatia and Montenegro, and for Zavarovalnica Maribor.

Regarding software, most activities in companies were associated with the introduction of the new version of MS Dynamics NAV (Navision). The introduction of this application supported the unification of processes in accounting and the implementation of integration as well as automatic data transfer from all insurance systems used in the Group. The transition ran in several phases – Zavarovalnica Tilia was the first to implement the new Navision version in July, including the integration to AdInsure; Tilia was followed by Sava osiguranje Belgrade, Sava osiguruvanje Skopje, Sava Montenegro and Illyria with integration to the ASP.ins system; the remaining Group companies started using the new Navision version in 2015.

In parallel, the Slovenian companies started using unified IT software for human resources, payroll, travel orders, tracking working time and approval of invoices. All these applications were integrated with Navision and, where necessary, with applications for managing (re)insurance operations. Except for the invoice approval software, applications started production use in early 2015 or in the first months of 2015. Zavarovalnica Tilia started using the new application for invoice approval as part of the mDocs document management system connected to Navision in July 2014, Sava Reinsurance Company and Zavarovalnica Maribor in early 2015. This application will be progressively introduced in all Group companies.

Furthermore, we continued the development of applications supporting insurance and reinsurance operations. Velebit osiguranje carried out a gap analysis before the introduction of the ASP.ins applications, while in December 2014 we began setting up a system for a new insurance product. The entire business will be transferred to ASP.ins by the end of 2015. We also proceeded with the gradual introduction of the REvolve application supporting reinsurance business at Sava Reinsurance Company.

Alignment to Solvency II requirements

In 2014, the Group continued its activities for the alignment of operations to Solvency II (SII) requirements.

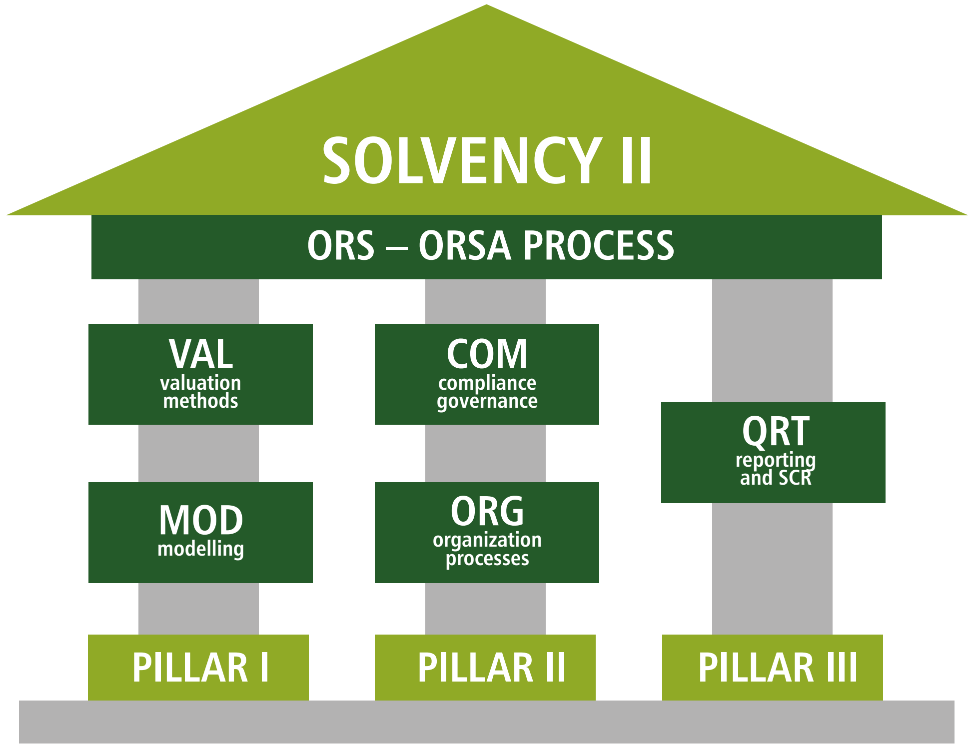
Organization of the SII programme

The Solvency II Directive contains comprehensive requirements that touch upon all of the areas of the activities of the Company and the Group. It was therefore decided that instead of having one single overriding project, the work would be organised in the form of several targeted projects that would be jointly managed under the SII scheme.

It should also be noted that the solutions developed for the needs of one company can often be applied directly or with minor changes to other companies. In order to prevent duplication or inconsistencies, all of the projects and the SII scheme are organised as Group projects. Each project therefore aims to reach the target goals within its domain for all of the Group companies.

In order to ensure coordinated work within such a heterogeneous scheme, we have introduced a two-way harmonisation scheme both in terms of the project and the organisation. Project teams are composed of members from several Group companies and project managers report to the scheme manager. In addition, all of the companies located within the EU have appointed persons responsible for SII charged with harmonising activities within the company and reporting to the company management.

All of the persons responsible for SII taken together comprise the scheme council, which meets regularly and ensures smooth and harmonised company operations and activities. The scheme council reports once monthly to the steering committee, which is composed of the members of the management boards of all EU companies.



The content of the SII Directive is often presented as a three-pillar system. Pillar 1 refers to quantitative calculation methods and related models. Pillar 2 covers the organisation, while Pillar 3 lays down reporting and disclosure requirements. This structure was closely followed in the organisation of our projects. One of the key projects that did not observe this structural procedure was ORSA, whose content relates to several pillars.

Pillar 1

Two key projects were based on this pillar. The val project aims to unify the valuation methods of the Group companies and have them comply with SII requirements. Most of the activities within this project were concluded in 2014. The mod project builds on the results of previous projects and aims to gradually establish a complete economic model of Sava Reinsurance Company and Sava Re Group. Within this project the Group's development centre was established and all the necessary IT tools were acquired.

Pillar 2

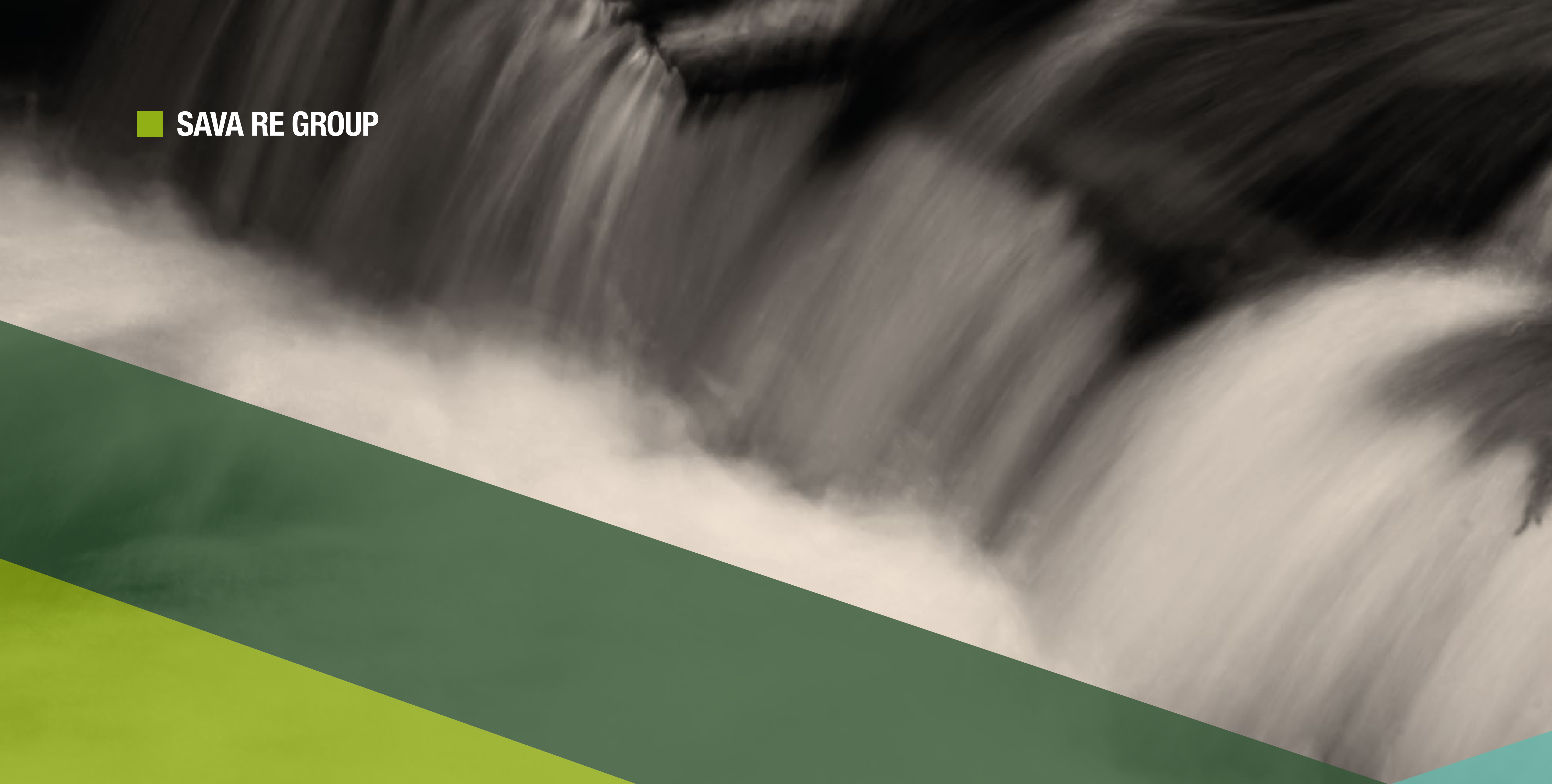
Within the com project activities are carried out for the preparation of organisational and structural changes required by the SII Directive. This mainly covers the setting up of four key SII functions: the risk-management function, the actuarial function, the compliance function and the internal audit function. The project also covers the preparation of certain political and management approaches.

The org project aims largely at setting up the risk management processes. It is managed by the risk management service and includes all areas of business operations.

Pillar 3

The key project under this pillar in 2014 was the implementation of a tool to calculate capital solvency requirements and to report in line with SII requirements. We selected the Risk Integrity tool supplied by Moodys Analytics (MA), with the aim of employing the same tool for the preparation of quantitative reports (Quantitative Reporting Templates, QRT) in all of the Group companies.

The first phase of the implementation project was focused on Zavarovalnica Maribor, while the preparatory tasks were also carried out for Sava Reinsurance Company and Zavarovalnica Tilia. Responsibility for this part of the project lies with the supplier Moodys Analytics, while responsibility for the next phases falls to Sava Re Group. The main part of the project will be carried out by mid-2015, when all of the Group companies will be integrated into the tool application. Subsequent improvements are expected to be carried out at least until year-end 2016.



#2 CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES

15. 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, 2014, 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, 2014, 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 preparing the appendices to the annual report in accordance with the Act issued by the Insurance Supervision Agency; SKL 2009. Our responsibility is to assess whether the business report and the appendices to the annual report are consistent with the audited consolidated financial statements. Our work regarding the business report and the appendices to the annual report is performed in accordance with ISA 720, and restricted to assessing whether the business report and the appendices to the annual report 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 appendices to the annual report are consistent with the audited consolidated financial statements.

Ljubljana, 31.3.2015

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

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

Primož Kovačič
Certified Auditor

Družba je članica Ernst & Young Global Limited.

16. CONSOLIDATED FINANCIAL STATEMENTS

16.1. Consolidated statement of financial position

(€)	Note	31/12/2014	31/12/2013
ASSETS		1,454,374,935	1,378,300,387
Intangible assets	**1**	**34,940,960**	**40,226,072**
Property and equipment	**2**	**44,473,638**	**46,042,572**
Deferred tax assets	**3**	**1,202,381**	**3,496,592**
Investment property	**4**	**5,103,325**	**5,567,006**
Financial investments in associates	**5**	**3,072,497**	**2,866,665**
Financial investments:	**6**	**974,668,382**	**931,121,110**
- loans and deposits		101,457,439	124,155,090
- held to maturity		164,317,392	164,086,323
- available for sale		692,418,016	608,760,093
- at fair value through profit or loss		16,475,535	34,119,604
Funds for the benefit of policyholders who bear the investment risk	**7**	**202,913,059**	**175,776,228**
Reinsurers' share of technical provisions	**8**	**38,672,645**	**33,490,712**
Receivables	**9**	**124,395,153**	**116,212,767**
Receivables arising out of primary insurance business		54,233,024	56,871,392
Receivables arising out of reinsurance and co-insurance business		59,502,227	48,273,297
Current tax assets		353,016	1,707,675
Other receivables		10,306,886	9,360,403
Deferred acquisition costs	**10**	**17,489,101**	**17,752,316**
Other assets	**11**	**1,351,244**	**1,593,291**
Cash and cash equivalents	**12**	**5,643,200**	**3,432,720**
Non-current assets held for sale	**13**	**449,350**	**722,336**
EQUITY AND LIABILITIES		1,454,374,935	1,378,300,387
Equity		**271,528,623**	**240,099,321**
Share capital	14	71,856,376	71,856,376
Capital reserves	15	44,638,799	42,423,360
Profit reserves	16	115,146,336	102,023,219
Treasury shares	17	-10,115,023	-2,821,391
Fair value reserve	18	18,448,741	7,739,714
Retained earnings		15,652,780	15,018,066
Net profit/loss for the period	19	17,474,558	5,023,423
Translation reserve		-3,489,433	-3,128,947
Equity attributable to owners of the controlling company		**269,613,133**	**238,133,820**
Non-controlling interest in equity	**20**	**1,915,490**	**1,965,501**
Subordinated liabilities	**21**	**28,699,692**	**30,466,967**
Technical provisions	**22**	**869,982,633**	**846,224,719**
Unearned premiums		148,169,690	144,611,911
Mathematical provisions		256,292,141	250,559,649
Provision for outstanding claims		454,759,004	437,267,628
Other technical provisions		10,761,798	13,785,531
Technical provision for the benefit of life insurance policyholders who bear the investment risk	**22**	**195,684,631**	**170,786,799**
Other provisions	**23**	**6,940,650**	**5,878,803**
Deferred tax liabilities	**3**	**5,749,180**	**4,008,876**
Other financial liabilities	**24**	**78,870**	**5,006,946**
Liabilities from operating activities	**25**	**49,364,797**	**44,991,418**
Liabilities from primary insurance business		11,728,377	12,951,255
Liabilities from reinsurance and co-insurance business		32,866,047	31,423,916
Current income tax liabilities		4,770,373	616,247
Other liabilities	**26**	**26,345,859**	**30,836,538**

The notes to the financial statements on pages 130–201 form an integral part of these financial statements.

16.2. Consolidated income statement

(€)	Note	2014	2013
Net earned premiums	**28**	**437,572,337**	**379,148,165**
Gross premiums written		468,179,052	386,704,879
Written premiums ceded to reinsurers and co-insurers		-27,401,698	-22,632,694
Change in gross unearned premiums		-4,154,987	15,607,474
Change in unearned premiums for the reinsurance and co-insurance part		949,970	-531,494
Income from investments in associates	**29**	**154,294**	**12,105,991**
Profit from investments in equity-accounted associate companies		154,294	2,177,749
Other income		0	9,928,242
Investment income	**30**	**36,125,293**	**36,437,788**
Interest income		24,301,144	23,833,718
Other investment income		11,824,149	12,604,070
Net unrealized gains on investments of life insurance policyholders who bear the investment risk		**19,146,081**	**9,222,416**
Other technical income	**31**	**10,079,252**	**9,729,613**
Commission income		2,964,859	2,140,660
Other technical income		7,114,393	7,588,953
Other income	**35**	**4,237,625**	**3,268,321**
Net claims incurred	**32**	**-257,080,153**	**-229,009,555**
Gross claims payments less income from recourse receivables		-255,340,015	-221,223,447
Reinsurers' and co-insurers' shares		10,617,997	9,093,385
Change in the gross claims provision		-16,937,425	-11,570,121
Change in the provision for outstanding claims for the reinsurance and co-insurance part		4,579,290	-5,309,372
Change in other technical provisions	**33**	**-3,565,856**	**5,788,369**
Change in technical provisions for policyholders who bear the investment risk	**33**	**-25,455,421**	**-12,127,890**
Change in liabilities under financial contracts			
Expenses for bonuses and rebates		**-336,879**	**-369,808**
Operating expenses	**34**	**-146,621,433**	**-129,401,367**
Acquisition costs		-47,511,857	-46,871,452
Change in deferred acquisition costs		-489,499	469,329
Other operating expenses		-98,620,077	-82,999,244
Expenses for investments in associates	**30**	**-1,901,375**	**-1,072,503**
Impairment loss on goodwill		-1,901,375	-898,226
Loss arising out of the investment in the equity-accounted associate company		0	-174,277
Expenses for financial assets and liabilities	**30**	**-6,896,944**	**-42,010,992**
Impairment losses on financial assets not at fair value through profit or loss		-1,646,767	-9,112,367
Interest expense		-1,417,491	-1,689,709
Other investment expenses		-3,832,686	-31,208,916
Net unrealized losses on investments of life insurance policyholders who bear the investment risk		**-7,900,587**	**-9,519,437**
Other technical expenses	**35**	**-16,394,418**	**-13,998,151**
Other expenses	**35**	**-2,205,574**	**-2,416,920**
Profit/loss before tax		**38,956,242**	**15,774,040**
Income tax expense	36	-8,418,092	-152,116
NET PROFIT/LOSS FOR THE PERIOD		30,538,150	15,621,924
Net profit/loss attributable to owners of the controlling company		30,595,945	15,660,308
Net profit/loss attributable to non-controlling interests		-57,795	-38,384
BASIC AND DILUTED EARNINGS PER SHARE	19	1.82	1.23

The notes to the financial statements on pages 130–201 form an integral part of these financial statements.

16.3. Consolidated statement of comprehensive income

(€)	2014 Attributable to owners of the controlling company	2014 Attributable to non-controlling interest	2014 Total	2013 Attributable to owners of the controlling company	2013 Attributable to non-controlling interest	2013 Total
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	**30,595,945**	**-57,795**	**30,538,150**	**15,660,308**	**-38,384**	**15,621,924**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**10,348,541**	**7,783**	**10,356,324**	**7,018,300**	**-932,721**	**6,085,579**
a) Items that will not be reclassified subsequently to profit or loss	**-664,785**	**0**	**-664,785**	**503,421**	**0**	**503,421**
Other items that will not be reclassified subsequently to profit or loss	-668,034	0	-668,034	606,919	0	606,919
Tax on items that will not be reclassified subsequently to profit or loss	3,249	0	3,249	-103,498	0	-103,498
b) Items that may be reclassified subsequently to profit or loss	**11,013,326**	**7,783**	**11,021,109**	**6,514,879**	**-932,721**	**5,582,158**
Net gains/losses on remeasuring available-for-sale financial assets	**13,518,626**	**15,309**	**13,533,935**	**12,001,042**	**-920,463**	**11,080,579**
Net change recognized in the fair value reserve	9,888,644	15,309	9,903,953	3,411,765	-920,463	2,491,302
Net change transferred from fair value reserve to profit or loss	3,629,982	0	3,629,982	8,589,277	0	8,589,277
Net gains/losses relating to investments in equity-accounted associate companies	**51,539**	**0**	**51,539**	**-3,358,131**	**0**	**-3,358,131**
Tax on items that may be reclassified subsequently to profit or loss	**-2,196,353**	**-3,262**	**-2,199,615**	**-2,013,562**	**0**	**-2,013,562**
Net gains/losses from translation of financial statements of non-domestic companies	**-360,486**	**-4,264**	**-364,750**	**-114,470**	**-12,258**	**-126,728**
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	40,944,486	-50,012	40,894,474	22,678,608	-971,105	21,707,503
Attributable to owners of the controlling company	**40,944,486**	**0**	**40,944,486**	**22,678,608**	**0**	**22,678,607**
Attributable to non-controlling interest	**0**	**-50,012**	**-50,012**	**0**	**-971,105**	**-971,105**

The notes to the financial statements on pages 130–201 form an integral part of these financial statements.

16.4. Consolidated statement of cash flows

(€)			Note	2014	2013
A.	CASH FLOWS FROM OPERATING ACTIVITIES				
	a.)	**Items of the income statement**	**37**	**44,634,995**	**25,092,970**
	1.	Net premiums written in the period	28	440,777,354	364,072,185
	2.	Investment income (other than financial income), financed from:	30	286,359	96,954
		- technical provisions		159,508	92,428
		- other sources		126,851	4,526
	3.	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables		14,316,877	12,997,934
	4.	Net claims payments in the period	32	-244,722,018	-212,130,062
	5.	Expenses for bonuses and rebates		-336,879	-369,808
	6.	Net operating expenses excl. depreciation/amortization and change in deferred acquisition costs	34	-138,535,125	-122,889,212
	7.	Investment expenses (excluding depreciation/amortization and financial expenses), financed from:		-124,007	-117,834
		- technical sources		-90,155	-94,645
		- other sources		-33,852	-23,189
	8.	Other operating expenses excl. depreciation/amortization (other than for revaluation and excl. additions to provisions)	35	-18,599,992	-16,415,071
	9.	Tax on profit and other taxes not included in operating expenses	36	-8,427,574	-152,116
	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**		**6,038,004**	**7,139,473**
	1.	Change in receivables from primary insurance	9	2,638,368	-31,184,009
	2.	Change in receivables from reinsurance	9	-9,068,388	6,206,007
	3.	Change in other receivables from (re)insurance business	9	-331,357	-562,895
	4.	Change in other receivables and other assets	9	1,999,779	9,517,656
	5.	Change in deferred tax assets	3	2,294,211	-1,567,456
	6.	Change in inventories		41,345	-72,652
	7.	Change in liabilities arising out of primary insurance	25	-1,222,878	11,444,492
	8.	Change in liabilities arising out of reinsurance business	25	1,922,127	-3,527,442
	9.	Change in other operating liabilities	26	4,234,774	4,563,145
	10.	Change in other liabilities (except unearned premiums)	26	1,789,719	8,310,253
	11.	Change in deferred tax liabilities	3	1,740,304	4,012,374
	c.)	**Net cash from/used in operating activities (a + b)**		**50,672,999**	**32,232,443**

			2014	2013
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
	a.)	**Cash receipts from investing activities**	**1,199,765,285**	**1,144,158,951**
	1.	Interest received from investing activities relating to:	24,301,144	23,833,718
		- investments financed from technical provisions	23,329,799	22,316,923
		- other investments	971,345	1,516,795
	2.	Proceeds from dividends and shares in the profit of others, relating to:	944,403	10,585,897
		- investments financed from technical provisions	644,419	381,777
		- other investments	299,984	10,204,120
	3.	Proceeds from sale of intangible assets, financed from:	6,937	985,985
		- other sources	6,937	985,985
	4.	Proceeds from sale of property and equipment, financed from:	1,748,354	746,163
		- technical provisions	0	41,122
		- other sources	1,748,354	705,041
	5.	Proceeds from sale of long-term financial investments, financed from:	245,322,072	375,394,189
		- technical provisions	224,013,026	343,062,823
		- other sources	21,309,046	32,331,366
	6.	Proceeds from sale of short-term financial investments, financed from:	927,442,375	732,612,999
		- technical provisions	795,415,721	630,274,639
		- other sources	132,026,654	102,338,360
	b.)	**Cash disbursements in investing activities**	**-1,222,101,794**	**-1,231,338,512**
	1.	Purchase of intangible assets	-1,290,181	-787,614
	2.	Purchase of property and equipment, financed from:	-2,789,038	-4,420,201
		- technical provisions	-213,454	-152,057
		- other sources	-2,575,584	-4,268,144
	3.	Purchase of long-term financial investments, financed from:	-312,248,949	-502,764,850
		- technical provisions	-282,121,196	-427,048,522
		- other sources	-30,127,753	-75,716,328
	4.	Purchase of short-term financial investments, financed from:	-905,773,626	-723,365,847
		- technical provisions	-784,894,550	-607,606,579
		- other sources	-120,879,076	-115,759,268
	c.)	**Net cash from/used in investing activities (a + b)**	**-22,336,509**	**-87,179,561**
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
	a.)	**Cash receipts from financing activities**	**0**	**71,909,731**
	1.	Proceeds from paid-in capital	0	54,023,282
	3.	Proceeds from short-term borrowing	0	17,886,449
	b.)	**Cash disbursements in financing activities**	**-26,126,010**	**-17,588,383**
	1.	Interest paid	-1,417,491	-1,689,709
	3.	Repayment of long-term financial liabilities	-8,020,956	-22,528
	4.	Repayment of short-term financial liabilities	-5,006,946	-15,876,146
	5.	Dividends and other profit participations paid	-4,386,985	0
	6.	Own share repurchases	-7,293,632	0
	c.)	**Net cash from/used in financing activities (a + b)**	**-26,126,010**	**54,321,348**
C2.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		5,643,200	3,432,720
		Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)	**2,210,480**	**-625,770**
	OPENING BALANCE OF CASH AND CASH EQUIVALENTS		3,432,720	4,058,488

The notes to the financial statements on pages 130–201 form an integral part of these financial statements.

16.5. Consolidated 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 in the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalization 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)
		1.	**2.**	**3.**	**4.**	**5.**	**6.**	**7.**	**8.**	**9.**	**10.**	**11.**	**12.**	**13.**	**14.**	**15**
Closing balance in the previous 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**
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 year	19	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	18	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	17	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
Payout of (accounting for) dividends		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	16	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 equalization reserve and catastrophe equalization reserve	16	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

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

				III. Profit reserves				
(€)	Note	I. Share capital	II. Capital reserves	Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalization reserve	Other
		1.	**2.**	**3.**	**4.**	**5.**	**6.**	**7.**
Opening balance in the financial period		**39,069,099**	**25,352,645**	**16,677,980**	**1,774**	**753,026**	**9,950,193**	**69,542,800**
Comprehensive income for the period, net of tax		0	0	0	0	0	0	0
a) Net profit/loss for the year	19							
b) Other comprehensive income	18							
Subscription (payment) of new equity capital		32,787,277	21,236,004	0	0	0	0	0
Allocation of net profit to profit reserve	16	0	0	3,190	0	0	0	5,649,693
Additions/uses of credit risk equalization reserve and catastrophe equalization reserve	16	0	0	0	0	47,049	2,120,526	0
Acquisition of non-controlling interests	20	0	-4,165,289	0	0	0	0	0
Transfer of profit		0	0	0	0	0	0	0
Own shares gained upon acquisition of Zavarovalnica Maribor and setting up of a reserve for treasury shares		0	0	0	2,819,617	0	0	0
Increase due to acquisition of Zavarovalnica Maribor		0	0	0	0	0	0	0
Transfer of reserves to retained earnings		0	0	-5,542,630	0	0	0	0
CLOSING 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

(€)	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)
	8.	**9.**	**10.**	**11.**	**12.**	**13.**	**14.**	**15**
Opening balance in the financial period	**1,527,689**	**4,016,817**	**5,461,807**	**-1,774**	**-3,014,477**	**169,337,580**	**2,015,862**	**171,353,442**
Comprehensive income for the period, net of tax	7,132,770	0	15,660,307	0	-114,470	22,678,607	-971,105	21,707,502
a) Net profit/loss for the year			15,660,307			15,660,307	-38,384	15,621,923
b) Other comprehensive income	7,132,770				-114,470	7,018,300	-932,721	6,085,579
Subscription (payment) of new equity capital	0	0	0	0	0	54,023,281	0	54,023,281
Allocation of net profit to profit reserve	0	-3,190	-5,649,693	0	0	0	0	0
Additions/uses of credit risk equalization reserve and catastrophe equalization reserve	0	0	-2,167,575	0	0	-74,132	0	-74,132
Acquisition of non-controlling interests	-920,745	0	0		0	-5,086,034	-46,522,614	-51,608,648
Transfer of profit	0	5,461,807	-5,461,807	0	0	0	0	0
Own shares gained upon acquisition of Zavarovalnica Maribor and setting up of a reserve for treasury shares	0	0	-2,819,617	-2,819,617	0	-2,819,617	0	-2,819,617
Increase due to acquisition of Zavarovalnica Maribor	0	0	0	0	0	0	47,443,359	47,443,359
Transfer of reserves to retained earnings	0	5,542,630	0	0	0	0	0	0
CLOSING BALANCE IN THE FINANCIAL PERIOD	7,739,714	15,018,066	5,023,423	-2,821,391	-3,128,947	238,133,820	1,965,501	240,099,321

The notes to the financial statements on pages 130–201 form an integral part of these financial statements.

17. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17.1. Basic details

Reporting company

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

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

The Group transacts reinsurance business (25 % of premium income), life insurance business (17 % of premium income) and non-life insurance business (58 % of premium income).

In 2014 the Group employed on average 2,427 people (2013: 1,973 employees). At 31 December 2014, the Group employed 2,442 people (31 December 2013: 2,411 employees) on a full-time equivalent basis.

Number of employees by degree of formal education

	31/12/2014	31/12/2013
Primary and lower secondary education	50	49
Secondary	1,223	1,238
Higher	298	277
University	795	787
Masters' degree and doctorate	76	62
TOTAL	2,442	2,411

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 with a 9.9 % stake.

It is the responsibility of the controlling company's management board to prepare the consolidated annual report and authorize 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 (authorization for issue) to the general meeting of shareholders, the general meeting decides on the approval (authorization for issue) of the annual report.

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

17.2. Business combinations and overview of Group companies

In 2014, the controlling company recapitalised the life insurer Sava životno osiguranje Belgrade with € 0.4 million. In May 2014, the subsidiary Sava Montenegro acquired the insurance agency Montagent for € 10,000. The controlling company acquired the company Illyria Hospital from its subsidiary Illyria at a price of € 1.8 million, gaining 100 % direct ownership of the company. There were no changes in the amount of the investment or stake in the other Group companies.

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 2014

(€)	Activity	Registered office	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 31/12/2014

(€)	Activity	Registered office	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 %

Subsidiaries at 31 December 2013

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31/12/2013	Profit/loss for 2013	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	835,312,558	739,542,777	95,769,781	4,845,1742[26]	242,548,983	100.00 %
Zavarovalnica Tilia	insurance	Slovenia	166,642,398	144,516,904	22,125,494	3,843,175	69,398,309	100.00 %
Sava osiguranje Belgrade	insurance	Serbia	22,418,021	16,552,175	5,865,846	196,352	11,643,846	99.99 %
Illyria	insurance	Kosovo	15,765,392	12,168,792	3,596,600	258,268	9,444,818	100.00 %
Sava osiguruvanje Skopje	insurance	Macedonia	20,954,314	17,146,172	3,808,142	5,598	10,447,932	92.44 %
Sava Montenegro	insurance	Montenegro	23,656,330	18,612,539	5,043,791	1,010,839	11,120,520	100.00 %
Illyria Life	insurance	Kosovo	5,474,108	1,825,200	3,648,908	165,618	1,533,453	100.00 %
Sava životno osiguranje	insurance	Serbia	3,633,087	1,312,530	2,320,557	-575,569	1,239,606	99.99 %
Velebit usluge	wholesale, retailer	Croatia	15,803,828	20,119	15,783,709	955	3,130	100.00 %
Velebit osiguranje	insurance	Croatia	19,534,916	15,319,255	4,215,661	7,130	8,303,844	78.77 %
Velebit životno osiguranje	insurance	Croatia	8,033,657	3,658,210	4,375,447	-254,919	2,453,216	71.37 %
Illyria Hospital	hospital	Kosovo	1,800,856	4,495	1,796,361	-9	0	100.00 %
Sava Car	research and analysis	Montenegro	396,684	246,810	149,874	23,303	365,799	100.00 %
Vivus	consulting and marketing of insurances of the person	Slovenia	227,791	100,910	126,881	3,152	11,178	100.00 %
Ornatus	insurance agent	Slovenia	1,094	3,001	-1,907	-595	0	100.00 %
Ornatus KC	ZM Call Centre	Slovenia	1,606	2	1,604	3,457	14,687	100.00 %

Associate company at 31 December 2013

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31/12/2013	Profit/loss for 2013	Total income	Share of voting rights (%)
Moja naložba	pension fund	Slovenia	110,023,694	103,451,527	6,572,167	-387,283	3,111,644	45.00 %

17.3. Consolidation principles

The controlling company prepared both separate and consolidated financial statements for the year ended 31/12/2014. 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. The associate company is accounted for in the consolidated statements using the equity method.

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

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

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

Profits earned and losses made by subsidiaries are included in the Group's income statement. 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 recognized in the consolidated income statement; the corresponding share of the associate's comprehensive income is recognized in the consolidated statement of comprehensive income.

17.4. Significant accounting policies

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

17.4.1. Statement of compliance

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

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

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

The management board of the controlling company approved the financial statements on 30/03/2015.

17.4.2. Measurement bases

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

17.4.3. Presentation currency, translation of events and items

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

Assets and liabilities as at 31 December 2014 denominated in foreign currencies were translated into euro using mid-rates of the European Central Bank ("ECB") as at 31 December 2014. Amounts in the income statements were translated using the average exchange rate. At 31 December 2013 and 31/12/2014, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognized 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 recognized in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognized in the fair value reserve. Since equity items in the statement of financial position at 31 December 2014 are translated using the exchange rates of the ECB on that day and since interim movements are translated using the average exchange rates of the ECB, any differences arising therefrom are disclosed in the equity item translation reserve.

17.4.4. Use of major accounting estimates and sources of uncertainty

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

- Calculation of goodwill, its measurement and impairment is determined using the accounting policy under 17.4.8 and note 1.

26 Given is the Zavarovalnica Maribor profit for the full year 2013.

- Deferred tax assets are recognized if Group entities plan to realize a profit in the medium-term.
- Receivables are impaired based on the accounting policy set out in section 17.4.16.2. Any impairment loss recognized 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 17.4.14. Movements of 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 section 17.4.23–26. Movements in these provisions are shown in note 22.

17.4.5. Cash flow statement

The cash flow statement has been prepared using the indirect method. The Group cash flow statement was prepared as the sum of all cash flows of all Group companies less any inter-Group cash flows. Cash flows from operating activities have been prepared based on data from the 2014 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

17.4.6. Statement of changes in equity

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

17.4.7. Intangible assets

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

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

17.4.8. Goodwill

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

For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. Movements in goodwill are discussed in detail in note 1 of section 17.8.

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

Section 17.8, note 1, sets out the main assumptions for cash flow projections used in the calculation of the value in use.

17.4.9. Property and equipment

Property and equipment assets are initially recognized 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	1.3–1.8 %
Transportation	15.5 %
Computer equipment	33.0 %
Office and other furniture	10-12.5 %
Other equipment	6.7-20 %

The Group assesses annually whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of 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 recognized in profit or loss as incurred. Investments in property and equipment assets that increase future economic benefits are recognized in their carrying amount.

17.4.10. Non-current assets held for sale

Non-current assets held for sale are assets the carrying amount of which will be recovered 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 realize it within one year. Such assets are measured at the lower of the assets' carrying amount or fair value less costs to sell, and are not depreciated.

17.4.11. Deferred tax assets and liabilities

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

The Group recognizes 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 recognized for the credit risk and catastrophe equalization 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.

Upon acquiring Zavarovalnica Maribor, the Group recognized 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 recognized 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 2014 no deferred tax assets of this kind have been recognized by the Group.

The Group did not recognize any deferred tax liabilities for deductible temporary differences associated with the financial investment in the associate company because it is unlikely that temporary differences can be utilised in the foreseeable future.

In 2014, 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 % (2013: the same).

17.4.12. Investment property

Investment property relates to assets that the Group does not use directly for carrying out its activities, but holds to earn rent or to realize capital gains at disposal. The Group uses the cost model and the straight-line depreciation method to account for investment property. Investment property is depreciated at the rate of 1.3 %. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Group acts as lessor are cancellable operating leases. Payments and/or rentals received are recognized 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.

17.4.13. Financial investments in associates

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

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

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

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

17.4.14.1. Classification

The Group classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

This category consists of the following two sub-categories:

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

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

Loans and receivables (deposits)

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

17.4.14.2. Recognition, measurement and derecognition

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

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

Gains and losses arising from fair value revaluation of financial assets available for sale are recognized 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 recognized directly in the income statement. Held-to-maturity financial assets are measured at amortized cost less any impairment losses.

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

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

17.4.14.3. 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 amortized cost. The fair value of investment property and land and buildings used in business operations and the fair value of financial instruments measured at amortized 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 fair value of financial assets held for trading and financial assets available for sale is generally determined by reference to the last quotation, i.e. the last reported bid price in an active securities market. The Group determines the fair value of financial instruments quoted in a regulated market based on quoted prices at the reporting date. For this end, stock market prices obtained in the Bloomberg system are used.

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.

- Level 1 assets and liabilities are those for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group companies can access at the measurement date.
- Level 2 assets and liabilities are those whose fair value is determined using data that are directly or indirectly observable other than the prices quoted within level 1. Level 2 inputs thus include:
  (a) quoted prices for similar assets or liabilities in active markets,
  (b) quoted prices for identical or a similar assets or liabilities in inactive markets or
  (c) inputs other than quoted prices for assets or liabilities.
- Level 3 assets are investments for which observed market data are unavailable. Therefore, the fair value is determined using valuation techniques.

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

17.4.14.4. Impairment of investments

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

17.4.14.4.1. Debt securities

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

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

If the first condition above is met, an impairment loss is recognized 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 recognized 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 recognized pursuant to indent one above (first condition) may be reversed. An impairment loss is reversed when the issuer's liability is settled. Impairment losses are reversed through profit or loss.

17.4.14.4.2. Equity securities

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

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

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

17.4.15. 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 17.7.1.7 "Risk management: Retrocession programme – non-life business)".

17.4.16. Receivables

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

17.4.16.1. Recognition of receivables

Receivables are initially recognized 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 recognized 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 recognized in line with policies outlined in sections 17.4.29 "Net premiums earned" and 3.4.30 "Net claims incurred".

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 of 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 recognized 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 recognized 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 recognize impairment losses on recourse receivables based on past experience.

No receivables have been pledged as security.

17.4.17. 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 recognized based on (re) insurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortization.

17.4.18. Other assets

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

17.4.19. Cash and cash equivalents

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

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

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

17.4.21. Subordinated liabilities

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

17.4.22. 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. The Group accordingly classified all the contracts it concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Non-proportional reinsurance contracts, which involve larger amounts in case of loss events, also qualify as insurance contracts.

17.4.23. 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 2.75 %. Calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortizing 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 zillmerized mathematical provision and the zillmerized mathematical provision.

Mathematical provisions for business where policyholders bear the investment risk are determined as the value of the underlying asset of all policies written. This also applies to guaranteed products where the fund administrator guaranties for the unit values in accordance with conditions of the product; therefore, no additional provisions are set aside in this respect. The two funds managed by us use appropriate investment policies to ensures that guaranteed returns are achieved, which is why the insurer does not establish additional provisions. The value of underlying assets for a policy is calculated as the sum of the value of underlying assets linked to a certain fund using the unit value at the statement of financial position date.

At the end of each calendar year, insurers carry out liability adequacy tests for mathematical provisions and if inadequate, any shortfall would be recognized as an additional liability in the statement of financial position through profit or loss. Reversionary bonuses, which are added to the sum assured of life with-profits policies, are recognized under mathematical provisions.

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

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

17.4.24. 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.

17.4.25. Liability adequacy test (LAT)

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

Liability adequacy testing for non-life business

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

Discounting is based on the yield curve for sovereign bonds of the euro area at the statement of financial position 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. 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 realized 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 recognized in profit or loss by establishing an additional provision.

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

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

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

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

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

17.4.26. 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", which came into force in 2013, actuarial gains and losses arising on remeasurement of net liabilities were recognized 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.

17.4.27. Other financial liabilities

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

17.4.28. Other liabilities

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

17.4.29. 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 recognized based on confirmed (re) insurance accounts or (re)insurance contracts.

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

17.4.30. 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.

17.4.31. Income from and expenses for investments in associates

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

17.4.32. 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,
- foreign 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,
- foreign 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 recognized in the income statement using the effective interest rate method. Interest income and expenses for investments at fair value through profit or loss are recognized in the income statement using the coupon interest rate. Dividend income is recognized in the income statement when payout is authorized. Gains and losses on the disposal of investments represent the difference between the carrying amount of a financial asset and its sale price, or between its cost less impairment, if any, and sale price in the case of investments available for sale.

17.4.33. Operating expenses

Operating expenses comprise:

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

17.4.34. Other technical income

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

17.4.35. 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 recognized 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 recognized 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 realized.

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

17.4.36. 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 view of the nature, scope and organisation of work, CODM[27] (Chief Operating Decision Maker) is a group composed of management board members, the directors of finance and accounting, controlling, and risk management. CODM can monitor quarterly the results of operations by segments. These results include technical results, net investment income and other aggregated performance indicators, as well as the amounts of assets, equity and technical provisions. All figures reviewed by CODM are included in the quarterly financial report submitted to the management board.

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

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

Asset items by operating segment at 31 December 2014

31/12/2014	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	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
- from unearned premiums	1,023,912	3,964,771	1,570,468	5,535,239	39,940	2,879	42,818	0	6,601,969
- from mathematical provisions	0	0	0	0	37	0	37	0	37
- from provisions for claims outstanding	9,382,075	19,098,701	3,519,160	22,617,861	274,686	0	274,686	0	32,274,622
- from other technical provisions	0	-203,983	0	-203,983	0	0	0	0	-203,983
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			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	286,400,598	514,731,657	109,848,537	624,580,194	523,709,364	19,366,599	543,075,963	318,182	1,454,374,935
Equity	96,766,084	75,336,895	39,405,516	114,742,411	49,296,533	10,613,323	59,909,856	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	49,296,533	9,316,521	58,613,054	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

Asset items by operating segment at 31 December 2013

31/12/2013	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	307,219,115	454,818,907	108,505,148	563,324,055	486,878,937	18,351,581	505,230,518	2,526,698	1,378,300,387
Intangible assets	112,212	18,413,841	13,570,233	31,984,074	5,835,160	2,080,868	7,916,028	213,757	40,226,072
Property and equipment	2,341,711	25,032,108	11,294,869	36,326,977	2,611,969	2,743,079	5,355,048	2,018,836	46,042,572
Deferred tax assets	1,833,254	1,189,104	728	1,189,832	472,982	524	473,506	0	3,496,592
Investment property	153,920	687,509	4,516,813	5,204,322	46,317	162,447	208,764	0	5,567,006
Financial investments in associates	1,325,488	1,240,728	0	1,240,728	300,449	0	300,449	0	2,866,665
Financial investments:	230,957,272	332,924,430	56,453,193	389,377,623	298,718,072	12,020,998	310,739,070	47,145	931,121,110
- loans and deposits	41,028,894	32,290,023	28,340,533	60,630,556	15,614,507	6,833,988	22,448,495	47,145	124,155,090
- held to maturity	2,073,728	63,369,954	5,763,238	69,133,192	91,206,086	1,673,317	92,879,403	0	164,086,323
- available for sale	174,820,862	226,344,198	21,280,331	247,624,529	183,764,440	2,550,262	186,314,702	0	608,760,093
- at fair value through profit or loss	13,033,788	10,920,255	1,069,091	11,989,346	8,133,039	963,431	9,096,470	0	34,119,604
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	175,765,101	11,127	175,776,228	0	175,776,228
Reinsurers' share of technical provisions	17,905,592	11,217,326	4,081,517	15,298,843	284,916	1,361	286,277	0	33,490,712
- from unearned premiums	1,238,978	3,387,942	986,926	4,374,868	58,678	1,361	60,039	0	5,673,885
- from mathematical provisions	0	0	0	0	100	0	100	0	100
- from provisions for claims outstanding	16,666,614	7,573,769	3,094,591	10,668,360	226,138	0	226,138	0	27,561,112
- from other technical provisions	0	255,615	0	255,615	0	0	0	0	255,615
Receivables	47,936,419	52,410,997	13,069,540	65,480,537	2,427,940	317,520	2,745,460	50,351	116,212,767
- Receivables arising out of primary insurance business	0	46,924,361	8,873,467	55,797,828	930,617	121,654	1,052,271	21,293	56,871,392
- Receivables arising out of reinsurance and co-insurance business	46,949,541	523,400	797,292	1,320,692	0	3,064	3,064	0	48,273,297
- Current tax assets	431,000	0	257,982	257,982	1,018,580	0	1,018,580	113	1,707,675
- Other receivables	555,878	4,963,236	3,140,799	8,104,035	478,743	192,802	671,545	28,945	9,360,403
Deferred acquisition costs	4,179,298	10,152,439	3,104,019	13,256,458	314,622	1,938	316,560	0	17,752,316
Other assets	345,684	838,029	289,516	1,127,545	28,807	34,742	63,549	56,513	1,593,291
Cash and cash equivalents	128,265	445,211	1,669,569	2,114,780	72,602	976,977	1,049,579	140,096	3,432,720
Non-current assets held for sale	0	267,185	455,151	722,336	0	0	0	0	722,336

Equity and liabilities items by operating segment at 31 December 2013

31/12/2013	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	260,834,230	507,480,238	108,327,363	615,807,601	481,598,548	18,154,801	499,753,349	1,905,207	1,378,300,387
Equity	70,740,259	80,590,876	38,469,914	119,060,790	37,149,992	11,405,724	48,555,716	1,742,556	240,099,321
Equity attributable to owners of the controlling company	70,740,259	80,590,876	37,912,076	118,502,952	37,149,992	9,998,061	47,148,053	1,742,556	238,133,820
Non-controlling interest in equity	0	0	557,838	557,838	0	1,407,663	1,407,663	0	1,965,501
Subordinated liabilities	23,466,967	7,000,000	0	7,000,000	0	0	0	0	30,466,967
Technical provisions	127,590,901	388,535,141	64,010,214	452,545,355	260,016,395	6,072,068	266,088,463	0	846,224,719
- Unearned premiums	19,202,208	102,130,353	22,385,018	124,515,371	778,571	115,761	894,332	0	144,611,911
- Mathematical provisions	0	0	0	0	244,771,550	5,788,099	250,559,649	0	250,559,649
- Provision for outstanding claims	108,370,854	273,123,094	41,139,198	314,262,292	14,466,274	168,208	14,634,482	0	437,267,628
- Other technical provisions	17,839	13,281,694	485,998	13,767,692	0	0	0	0	13,785,531
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	170,775,672	11,127	170,786,799	0	170,786,799
Other provisions	220,033	4,019,643	437,351	4,456,994	1,201,776	0	1,201,776	0	5,878,803
Deferred tax liabilities	0	3,956,962	42,692	3,999,654	7,075	1,697	8,772	450	4,008,876
Other financial liabilities	549	4,275,300	2,016	4,277,316	725,000	0	725,000	4,081	5,006,946
Liabilities from operating activities	29,617,675	5,482,486	1,757,124	7,239,610	7,966,143	165,312	8,131,455	2,678	44,991,418
- Liabilities from primary insurance business	0	3,910,666	1,090,204	5,000,870	7,830,569	119,816	7,950,385	0	12,951,255
- Liabilities from reinsurance and co-insurance business	29,617,675	1,248,947	554,088	1,803,035	0	3,206	3,206	0	31,423,916
- Current income tax liabilities	0	322,873	112,832	435,705	135,574	42,290	177,864	2,678	616,247
Other liabilities	9,197,846	13,619,830	3,608,052	17,227,882	3,756,495	498,873	4,255,368	155,442	30,836,538

2014	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	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
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 unrealized 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**	**-74,540,658**	**-22,452,164**	**-96,992,822**	**-21,915,805**	**-3,148,688**	**-25,064,493**	**-1,938,276**	**-146,621,433**
Acquisition costs	-18,597,148	-18,210,967	-3,806,487	-22,017,454	-5,881,701	-1,015,554	-6,897,255	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 subsidiary and associate companies	**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
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 unrealized 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**	**10,974,547**	**2,648,382**	**13,622,929**	**10,481,865**	**-458,318**	**10,023,547**	**-1,556,393**	**38,956,242**
Income tax expense	-3,270,408	-1,534,699	-538,300	-2,072,999	-3,048,256	50	-3,048,206	-26,479	-8,418,092
NET PROFIT/LOSS FOR THE PERIOD	13,595,751	9,439,848	2,110,082	11,549,930	7,433,609	-458,268	6,975,341	-1,582,872	30,538,150
Net profit/loss attributable to owners of the controlling company	13,595,751	9,439,848	2,065,004	11,504,852	7,433,609	-355,395	7,078,214	-1,582,872	30,595,945
Net profit/loss attributable to non-controlling interest	0	0	45,078	45,078	0	-102,873	-102,873	0	-57,795

Items of the income statement by operating segment 2013

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

Inter-segment business

(€)	Reinsurance business 2014	Reinsurance business 2013	Non-life insurance business 2014	Non-life insurance business 2013	Life insurance business 2014	Life insurance business 2013	Other 2014	Other 2013
Net earned premiums	53,836,354	37,266,599	343,149	260,197	0	0	0	0
Net claims incurred	-28,826,528	-24,657,675	-13,081	-34,599	0	0	0	0
Operating expenses	-12,507,039	-10,465,900	-419,531	-191,543	-45,712	-49,415	-52,914	-14,412
Investment income	191,831	320,523	7,129	3,508	0	0	0	0
Other income	18,764	95,190	83,928	144,460	239	162	1,939,239	179,412

Cost of intangible and property and equipment assets by operating segment

(€)	Reinsurance business 2014	Reinsurance business 2013	Non-life insurance business 2014	Non-life insurance business 2013	Life insurance business 2014	Life insurance business 2013	Other 2014	Other 2013	Total 2014	Total 2013
Investments in intangible assets	409,351	10,147	841,767	639,846	6,317	371,594	0	19,323	1,257,435	1,040,910
Investments in property and equipment	318,160	58,980	2,551,274	4,264,142	127,713	8,061	87,198	50,170	3,084,345	4,381,353

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.

17.5. Changes in accounting policies and correction of errors

In 2014, the Group introduced no material changes in accounting policies nor corrected any errors.

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

Newly adopted standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those used for the financial year ending 31 December 2013, except for the following amended IFRSs which have become effective as of 1 January 2014:

- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IFRS 32 Financial Instruments: Presentation (amended) – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 39 Financial Instruments (amended): Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IAS 36 Impairment of Assets (amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC – 21: Levies

The impact of newly adopted standards and interpretations on the Group's financial statements is described below.

IAS 28 Investments in Associate and Joint Ventures (revised)

As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures. The amendments of the standard have an effect on the Group's financial statements.

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

These amendments clarify the meaning of the expression "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous The amendments of the standard have no effect on the Group's financial statements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

This standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements of IAS 27. The changes introduced by the new standard does not affect the Group's financial statements because they are all controlled companies included in the consolidation.

IFRS 11 Joint Arrangements

The new standard replaces IAS 31: Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Thus the equity method is the only method of consolidation. The amendments introduced by the new standard do not affect the Group's financial statements because the Group does not have joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

This standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 28 and IAS 31. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. Additional disclosures in accordance with the requirements of the standard are presented in note 5 to the consolidated financial statements.

IFRS 39 Financial Instruments (amended): Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting

The amendments to the standard allow the continuation of hedge accounting in cases where a group of derivatives designated as an instrument for hedging is novated provided certain criteria are met. The amendment to the standard allowed an exception to the discontinuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendments introduced by the new standard do not affect the Group's financial statements because the Group does not hold derivative financial statements.

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

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. In accordance with the requirement of the revised standard, the Group's management does not disclose recoverable amounts of non-financial assets.

IFRIC Interpretation 21: Levies

The interpretations committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This interpretation clarifies the application of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, including the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation does not affect the Group's financial statements because it had always recognized its obligations in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets in accordance with the requirements of IFRIC 21.

New standards and interpretations not yet effective

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (amendment): Clarification of Acceptable Methods of Depreciation and Amortization

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets 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 use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendment has not yet been endorsed by the EU. The

Group's management does not expect that the amendments to the standard will have an impact on its financial statements.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (amendment): Bearer Plants

The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g. fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance rather than in accordance with IAS 41. The amendment to the standard has not yet been endorsed by the EU. The Group's management estimates that the amendment to the standard will have no impact on its financial statements as the Group has no assets valued in accordance with this standard.

IAS 19 Employee Benefits (amended) Employee Contributions

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group's management estimates that the amendment will not affect its financial statements as the Group does not have a defined benefit plan.

IFRS 9 Financial Instruments – Classification and measurement

The standard is effective for annual periods beginning on or after 1 January 2018. Early application of the standard is permitted. The amended standard reflects all phases of the standard's revision 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 standard has not yet been endorsed by the EU. The Group's management estimates that implementation of this standard will have an impact on the classification and measurement of financial instruments in the consolidated financial statements.

IFRS 11 Joint Arrangements (amendment): Accounting for Acquisitions of Interests in Joint Operations

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU. The Group's management estimates that the amendment will have no impact on the consolidated financial statements because there are no joint arrangements currently in the Group.

IFRS 14 Regulatory Deferral Accounts

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This category includes utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a discussion paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The new standard has not yet been endorsed by the EU. As the Group already presents IFRS financial statements, the new standard has no impact on the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers

The new standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The new standard has not yet been endorsed by the EU. The Group is reviewing the impact of the new standard on the Group's financial statements.

IAS 27: Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. 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 and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The new standard has not yet been endorsed by the EU. The Group's management estimates that the amendment to the standard will have no impact on its financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The new amendment has not yet been endorsed by the EU. The Group's management estimates that the amendments to the standard will have no impact on its financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle

The IASB has issued the Annual Improvements to IFRSs 2010–2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. The Group's management estimates that the listed amendments will have no impact on its financial statements.

- IFRS 2 Share-based Payment: This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- IFRS 3 – Business Combinations: This improvement clarifies that a contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- IFRS 8 Operating Segments: This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- IFRS 13 Fair Value Measurement: This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- IAS 16 Property Plant & Equipment: The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- IAS 24 Related Party Disclosures: The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- IAS 38 Intangible Assets: The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Annual Improvements to IFRSs 2011–2013 Cycle

The IASB has issued the Annual Improvements to IFRSs 2011–2013 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015. The Group's management estimates that the listed amendments will have no impact on its financial statements.

- IFRS 1 First-time Adoption of IFRSs: This improvement clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.
- IFRS 3 – Business Combinations: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- IFRS 13 Fair Value Measurement: The amendment clarifies that exemptions from the requirements of IFRS 13, as laid down in Article 52 of the IFRS 13 shall apply to all contracts falling within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- IAS 40 Investment Property: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

Annual Improvements to IFRSs 2012–2014 Cycle

The IASB has issued the Annual Improvements to IFRSs 2012-2014 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. The new amendments have not yet been endorsed by the EU. The Group's management estimates that the listed amendments will have no impact on its financial statements.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: 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 also clarifies that changing the disposal method does not change the date of classification.
- IFRS 7 Financial Instruments: Disclosures: 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.
- IAS 19 Employee Benefits: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 Interim Financial Reporting: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is deemed incomplete.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (amendments)

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. 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. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and 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. The new amendments have not yet been endorsed by the EU. The Group's management estimates that the amendment will have no impact on its financial statements.

IAS 1: Disclosure Initiative (amendment)

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The new amendments have not yet been endorsed by the EU. The Group's management estimates that the amendment will have no impact on its financial statements.

17.7. Risk management

The most important risks that the Group members are exposed to are underwriting risks (underwriting process risk, pricing risk, claims risk, net retention risk, reserving risk and risks associated with the retrocession programme and life insurance business), market risks (interest rate risk, equity risk, currency risk, concentration risk and asset-liability mismatch risk), insolvency risk, credit risk and operational risk. To illustrate concentration risk for insurance contracts, a table showing a breakdown of insurance premiums by region is provided in section 17.4.36 "Information on operating segments".

17.7.1. Insolvency risk

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

The Group is deemed to meet capital adequacy requirements if the available solvency margin is higher or equal to the sum of required solvency margins of the controlling company and the corresponding required solvency margin of subsidiaries. The Group met capital adequacy requirements through all of 2014, as it maintained a surplus of the available solvency margin over the required solvency margin.

As at 31 December 2014, its available solvency margin was € 196.9 million (31 December 2013: € 181.7 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).

17.7.1.1.1. 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 manifested in the main underwriting risks.

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

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

17.7.1.2. Underwriting process risk – non-life business

The underwriting process risk is the risk of incurring financial losses caused by an incorrect selection and approval of risks to be (re)insured. The Group mitigates this risk mainly by complying with established and 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 authorization system; having an appropriate pricing and reinsurance policy in place; and conducting actuarial reviews.

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

When significant risks are involved, underwriting experts of the controlling company collaborate with the underwriters of subsidiaries. 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.

Underwriting process risk relating to (re)insurance business increased in 2014 compared to 2013 due to a larger volume of business. This is because net non-life premiums written by the Group grew by 10.92 % or € 34 million compared to 2013.

17.7.1.3. Pricing risk – non-life business

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

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

Premium rates are 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 2014 and similar to that in 2013.

17.7.1.4. Claims risk – non-life business

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

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

Based on the realized 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.

17.7.1.5. Net retention risk – non-life business

Net retention risk is the risk that higher retention of insurance loss exposures will result in large aggregate losses due to catastrophic or concentrated claims experience. This risk may materialize if per risk net retention limits are set too high. This risk may also materialize 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 especially by setting appropriate net retention limits and designing appropriate reinsurance programmes. In managing this risk, we take into account that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event, and by the frequency of such events.

The Group considers the net retention risk to have remained essentially the same in both 2014 and 2013. Thanks to adequate retention limits and retrocession programmes in place, the Group did not face any significant net retention risk.

17.7.1.6. Reserving risk – non-life business

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

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

Some cash-generating units are yet to gain sufficient reliable multi-year historical data relating to the claims provision by accident year, especially for the IBNR provision. Moreover, portfolios in certain classes of insurance are so small that the calculation of claims provisions based on triangles does not reflect typical statistical trends. For this reason, at the end of 2014, 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.

Due to the difference in reserving methodologies used in reinsurance and primary insurance business, the run-off analysis was made separately for reinsurance and primary insurance business. Unlike for primary insurance business, the Group cannot use triangles of paid losses based on accident year data for actuarial estimations of loss reserves in respect of reinsurance business. This is because ceding companies report claims under quota share contracts by underwriting years. As claims under one-year policies written during the one year may occur either in the year the policy is written or in the year after, aggregated data for proportional reinsurance contracts are not broken down by accident year.

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

Owing to the above, the table below shows originally estimated gross or net liabilities with claims provisions included at any year-end plus unearned premiums less deferred commission, which is compared to subsequent estimates of these liabilities. Such testing or analysis of whether technical provisions are adequate can only be applied to past years — the further back in time, the more precise the results. As actuarial methods for reserving are applied consistently, we conclude, based on past discrepancies between originally estimated liabilities and subsequently established actual liabilities arising from claims at various statement of financial position dates, that the provisions as at 31 December 2014 are adequate.

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

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	2009	2010	2011	2012	2013	2014
As originally estimated	157,182	163,593	173,525	206,099	199,339	207,416
Reestimated as of 1 year later	141,917	148,272	169,377	179,501	170,890	
Reestimated as of 2 years later	134,336	143,881	155,552	169,305		
Reestimated as of 3 years later	130,827	136,062	155,334			
Reestimated as of 4 years later	125,479	134,014				
Reestimated as of 5 years later	123,350					
CUMULATIVE GROSS REDUNDANCY (LAST ESTIMATE – ORIGINAL ESTIMATE)	**33,832**	**29,579**	**18,191**	**36,794**	**28,449**	
Cumulative gross redundancy as % of original estimate	21.5 %	18.1 %	10.5 %	17.9 %	14.3 %	

The cumulative gross redundancies for underwriting years 2009–2012 increased compared to amounts at the end of the preceding year, which were 20.2 %, 16.8 %, 10.4 % and 12.9 % 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 by the very nature of the calculation method too large for the portion relating to the difference between 100 % and the subsequently known actual loss ratio. This is also the reason why the reestimate as of 1 year later is quickly decreasing compared to the original estimate, as unearned premiums relating to one-year insurance contracts are largely released in the following year when any redundancy is also released. Subsequent reestimates do not normally differ significantly from the second-year estimate; and only after a long time they stabilise.

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

Cash-generating units analyse data on claims provisions by accident year, which differs from the analysis of data by underwriting year. The table below shows an adequacy test/analysis of gross claims provisions established by the Group for liabilities under non-life insurance contracts. Amounts were translated from local currencies into euros using the exchange rate prevailing at the end of the year (provisions) or in the middle of the year (claims paid).

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

(€ thousand)	Year ended 31 December					
Gross provision for claims	2009	2010	2011	2012	2013	2014
As originally estimated	228,972	247,283	265,196	292,413	293,215	312,349
Reestimated as of 1 year later	210,149	227,494	233,352	248,180	249,904	
Reestimated as of 2 years later	207,163	217,862	213,486	231,493		
Reestimated as of 3 years later	201,437	203,985	202,701			
Reestimated as of 4 years later	192,455	195,816				
Reestimated as of 5 years later	186,247					
CUMULATIVE GROSS REDUNDANCY (ORIGINAL ESTIMATE – LATEST ESTIMATE)	42,725	51,467	62,495	60,920	43,311	
Cumulative gross redundancy as % of original estimate	18.7 %	20.8 %	23.6 %	20.8 %	14.8 %	

The cumulative gross redundancies for underwriting years 2009–2012 increased compared to amounts at the end of the preceding year, which were 15.9 %, 17.5 %, 19.5 % and 15.1 % of original estimates.

Unearned premiums are established by Group members on a pro rata basis at insurance policy level. In addition to unearned premiums, the Group establishes also provisions for unexpired risks for those classes of insurance with a combined ratio (loss ratio + expense ratio) of more than 100 %.

17.7.1.7. Retrocession programme – non-life business

To reduce the underwriting risks to which it is exposed, the Group must have 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 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 2014 and 2013.

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

An increase in realized 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 € 3.5 million (2013: € 3.2 million).

The net retention limit is set at € 3 million for the majority of non-life classes of insurance and a combined limit of € 3 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of € 2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at € 300,000. In principle, this enables Sava Re to cap any net claim arising out of any single loss event 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 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 undermine the Group's financial stability is deemed, according to our assessment, low and there are no significant differences between 2014 and 2013.

17.7.1.9. Underwriting risks in life insurance

Significant components of underwriting risk in life insurance are pricing risk and reserving risk. Pricing risk is the risk that expenses and incurred claims are higher than anticipated.

Reserving risk represents the risk that the absolute level of technical provisions is underestimated. Underwriting risk components of the life business include biometric risk (comprising mortality, longevity, morbidity and disability) and lapse risk. Lapse risk relates to unexpectedly higher or lower rate of policy lapses, terminations, changes to paid-up status (cessation of premium payment) and surrenders. The Group manages concentrated underwriting risks arising out of life policies through diversification, reinsurance and through underwriting and risk assessment procedures.

In order to manage underwriting risk, the Group regularly monitors mortality and morbidity rates, termination of life policies, looking for specific trends. In addition, it regularly conducts adequacy testing of provisions. The Group manages underwriting risk by employing underwriting procedures. Underwriting guidelines specify criteria and terms of risk acceptance. At given premium rates, risk assumption depends on the age at entry and the requested sum insured. The Group accepts risks if the insured's health, as a measure of risk quality, is in line with table data listing criteria for medical examinations. An additional factor in the assumption of risks is lifestyle, including leisure activities and occupation. The Group purchases appropriate reinsurance and retrocession programmes in order to limit the impact of underwriting risk; covers are generally on a proportional basis. The retention of insurers generally does not exceed € 50,000. Reinsurance for group life insurance in Slovenia is placed also on a pooling basis.

17.7.2. Financial risks

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

The 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.

17.7.2.1. Market risks

The table below shows the changes in own assessment of risk at year-end 2013 as a result of structural changes in financial investments discussed in greater detail below.

Financial investments exposed to market risks

Type of investment			Absolute difference 31.12.2014/ 31.12.2013	Market risk			Liquidity risk	Credit risk
	31/12/2014	31/12/2013		Interest rate risk	Equity risk	Currency risk		
Deposits and CDs	95.569.619	113.256.253	-17.686.634					
Government bonds	486.946.870	517.929.608	-30.982.738					
Corporate bonds	358.991.267	259.635.233	99.356.034					
Shares (excluding strategic shares)	21.030.349	19.632.282	1.398.067					
Mutual funds	5.671.611	9.192.936	-3.521.325					
bonds funds	2.267.493	3.589.821	-1.322.328					
equity funds	3.404.118	5.603.115	-2.198.997					
Loans granted and other	871.156	1.283.781	-412.625					
Deposits with cedants	5.587.510	10.191.017	-4.603.507					
TOTAL FINANCIAL INVESTMENTS	974.668.382	931.121.110	43.547.272					

Risk reduced Risk at the same level Risk increased

17.7.2.1.1. Interest rate risk

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

Given that according to the prescribed methodology for the calculation of technical provisions for the purposes of financial statements, the Group does not have interest-rate sensitive technical provisions on the non-life insurance account, on the liabilities' side only the life insurance segment (mathematical reserves) is exposed to interest rate risk. The Group does have temporary annuities and annuities for life among its life insurance liabilities, which have been provided as a result of liability insurance contracts, but the effect of a drop in interest rates on its liabilities due to the increased capitalised amounts of such annuities would be insignificant and is not dealt with herein.

Interest rate risk is measured through a sensitivity analysis, by observing the change in the value of investments in bonds or the value of mathematical provisions if interest rates change by two percentage points. The analysed investments do not include held-to-maturity bonds as they are measured at amortized cost.

The total value of bonds included in the calculation at 31 December 2014 was € 682.2 million (31 December 2013: € 620.3 million). Of this, € 468.1 million (31/12/2012: € 431.3 million) related to assets of non-life insurers (including Sava Reinsurance Company) and € 214.0 million (31 December 2013: € 206.0 million) to assets of life insurers.

The sensitivity analysis for the non-life segment at 31 December 2014 showed that in the event of an interest rate increase, the value of the interest rate sensitive investments would have dropped by € 21.7 million (31 December 2013: € 16.5 million) or 4.6 % (31 December 2013: 3.8 %). 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 for interest-rate sensitive non-life investments

(€)	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	221,836,277	3,708,680
Corporate bonds	250,007,686	237,973,214	-12,034,472	250,007,686	256,723,971	6,716,286
Bond mutual funds	654,759	624,457	-30,302	654,759	669,340	14,581
TOTAL	468,790,042	447,094,707	-21,695,335	468,790,042	479,229,588	10,439,546
Effect on equity			-21,492,143			10,355,236
Effect on the income statement			-203,192			84,311

(€)	31/12/2013					
	+200 bp			-200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	223,894,984	215,855,240	-8,039,743	223,894,984	229,645,378	5,750,395
Corporate bonds	205,735,480	197,341,748	-8,393,731	205,735,480	213,286,968	7,551,489
Bond mutual funds	1,661,092	1,597,555	-63,537	1,661,092	1,712,521	51,429
TOTAL	431,291,555	414,794,544	-16,497,011	431,291,555	444,644,868	13,353,313
Effect on equity			-15,982,943			13,338,717
Effect on the income statement			-514,068			14,596

A sensitivity analysis for interest-rate risk sensitive life insurance investments showed that in case of an increase in interest rates, the value would have decreased by € 12.8 million or 5.9 % (31 December 2013: € 10.4 million; 6.6 %). 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.

Results of the sensitivity analysis for interest-rate sensitive life investments

(€)	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	107,996,558	3,054,029
Corporate bonds	109,082,526	102,934,777	-6,147,749	109,082,526	112,660,971	3,578,446
Bond mutual funds	1,612,734	1,516,943	-95,791	1,612,734	1,662,712	49,977
TOTAL	215,637,789	202,829,596	-12,808,193	215,637,789	222,320,241	6,682,452
Effect on equity			-12,527,742			6,610,078
Effect on the income statement			-280,451			72,374

(€)	31/12/2013					
	+200 bp			-200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	97,400,402	92,844,757	-4,555,646	97,400,402	106,559,675	9,159,273
Corporate bonds	89,630,866	83,911,549	-5,719,317	89,630,866	95,109,456	5,478,591
Bond mutual funds	1,928,729	1,802,239	-126,490	1,928,729	2,059,055	130,326
TOTAL	188,959,997	178,558,544	-10,401,453	188,959,997	203,728,187	14,768,190
Effect on equity			-10,015,439			14,711,421
Effect on the income statement			-386,014			56,768

A sensitivity analysis for liabilities (mathematical provisions) shows that if the present value of mathematical provisions is calculated using an interest rate that is 2 percentage points higher, the mathematical provisions would have decreased by € 28.2 million, or 11.4 % (31 December 2013: € 33.5 million; 13.4 %). By contrast, if the provision was calculated using a 2 percentage points lower interest rate, mathematical provisions would have increased by € 38.4 million or 15.6 % (31 December 2013: € 41.0 million; 16.4 %).

Results of the sensitivity analysis for the life insurance liabilities

(€)

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

(€)

31/12/2013					
+200 bp			-200 bp		
Value of mathematical provision	**Post-stress value**	**Change in value**	**Value of mathematical provision**	**Post-stress value**	**Change in value**
249,573,746	216,050,323	-33,523,423	249,573,746	290,576,258	41,002,512

Compared to 2013, the interest rate risk for the assets side increased due to the increase in the amount of bonds sensitive to interest rate changes. On the liabilities side, the risk declined.

17.7.2.1.2. Equity risk

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

Equity risk is measured by the Sava Re Group through a stress test scenario assuming a 10 % 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 associates are excluded from stress tests as changes in their value are assessed through the equity method.

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 have resulted in a decrease in the value of investments by € 2.4 million (31 December 2013: € 2.5 million).

Sensitivity assessment of investments to equity risk

(€)	31/12/2014			31/12/2013		
Value decrease	**Value**	**Post-stress value**	**Change in value**	**Value**	**Post-stress value**	**Change in value**
by -10 %	24,434,467	21,991,020	-2,443,447	25,235,397	22,711,857	-2,523,540

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 € 4.9 million.

The Sava Re Group's exposure to equity risk did not change significantly in 2014.

17.7.2.1.3. Currency risk

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

The Sava Re Group does not manage currency risk on the Group level because currency risk management is the duty of each Group member.

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 24.5.3.1.3 "Currency risk".

Group companies whose local currency is the euro (companies based in Slovenia, Montenegro and Kosovo) have all liabilities and investments denominated in euro, meaning that these companies are not affected by currency risk. Other Group companies whose local currency is not the euro, transact most business in their respective local currencies, while due to Group relations, they are to a minor extent subject to euro-related currency risk.

We estimate that currency risk at Group level decreased in 2014 compared to 2013 since Sava Reinsurance Company is taking measures to reduce exposure to currency risk.

17.7.2.2. 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 Group minimizes 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.

Estimates of normal current liquidity are made based on an analysis of expected cash flows in the period up to one year in monthly and weekly plans that take into account the planned maturity dynamics of investments and other inflows and outflows from operating activities. To this end, the Company uses historical data from previous monthly and weekly liquidity plans and projections regarding future operations. The liquidity reserve is calculated on the basis of an assessment of the maximum weekly outflows based on historical data.

Exposure to liquidity risk is also measured by maturity-matching of 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 31/12/2014	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
Cas 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**

(€)	Carrying amount as at 31/12/2013	Callable	Up to 1 year	1-5 years	Over 5 years	No maturity	Total 31/12/2013
Financial investments	931,121,110	45,343,607	269,954,896	441,613,544	236,039,804	28,825,218	1,021,777,069
- at fair value through profit or loss	34,119,604	0	23,064,073	18,674,637	197,550	1,211,504	43,147,764
- held to maturity	164,086,323	0	9,101,525	114,889,799	81,455,906	0	205,447,230
- loans and deposits	124,155,090	45,343,607	40,939,619	22,649,335	3,979,126	0	112,911,687
- available-for-sale	608,760,093	0	196,849,679	285,399,774	150,407,222	27,613,714	660,270,388
Reinsurers' share of technical provisions	33,490,712	0	13,739,948	9,361,286	10,281,559	107,919	33,490,712
Cas and cash equivalents	3,432,720	0	3,432,720	0	0	0	3,432,720
TOTAL ASSETS	968,044,542	45,343,607	287,127,564	450,974,830	246,321,363	28,933,137	1,058,700,501
Subordinated liabilities	30,466,967	0	0	7,930,417	23,466,967	0	31,397,384
Technical provisions	846,224,719	0	325,516,386	246,541,071	331,321,829	1,661,445	905,040,731
TOTAL LIABILITIES	876,691,686	0	325,516,386	254,471,487	354,788,796	1,661,445	936,438,115
Difference	**91,352,856**	**45,343,607**	**-38,388,822**	**196,503,343**	**-108,467,433**	**27,271,692**	**122,262,386**

In terms of the liquidity of Group companies, the matching of the assets with the technical and mathematical provisions covered is very important. Each Group company is responsible for monitoring the matching of assets with liability funds for life and non-life business and for regularly reporting the status of both to the parent company and supervisory institutions.

The average maturity of bonds and deposits of non-life business was 2.57 years at year-end 2014 (31 December 2013: 2.36 years), while the expected maturity of non-life liabilities was 3.38 years (31 December 2013: 2.97 years).

The average maturity of bonds and deposits of life business was 3.33 years at year-end 2014 (31 December 2013: 3.67 years), while the expected maturity of life liabilities was 6.51 years (31 December 2013: 5.91 years).

17.7.2.3. Credit risk

Credit risk is the risk that issuers or other counterparties will fail to meet their obligations to the Company.

Assets exposed to credit risk include financial investments, reinsurers' share of technical provisions and receivables.

Exposure to credit risk

(€)	31/12/2014	31/12/2013
Type of asset	Amount	Amount
Fixed-income investments	947,095,266	901,012,111
Receivables due from reinsurers	42,581,369	37,674,513
Receivables	120,486,429	112,028,966
TOTAL EXPOSURE	1,067,581,695	1,050,715,590

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

(€)	31/12/2014		31/12/2013	
Rated by S&P/Moody's	**Amount**	**As % of total**	**Amount**	**As % of total**
AAA/Aaa	197,634,107	20.9 %	179,965,324	20.0 %
AA/Aa	102,820,618	10.9 %	83,814,136	9.3 %
A/A	161,095,434	17.0 %	121,099,832	13.4 %
BBB/Baa	294,160,584	31.1 %	329,507,751	36.6 %
Less than BBB/Baa	76,171,154	8.0 %	79,089,804	8.8 %
Not rated	115,213,369	12.2 %	107,535,264	11.9 %
TOTAL	947,095,266	100.0 %	901,012,111	100.0 %

At 31 December 2014, fixed-income investments rated "A" or better accounted for 48.7 % of the total fixed-income portfolio (31 December 2013: 42.7 %). These investments accounted for 47.4 % of in total financial investments of the Sava Re Group (31 December 2013: 41.3 %).

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 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 industry

(€)	31/12/2014		31/12/2013	
Industry	**Amount**	**As % of total**	**Amount**	**As % of total**
Banking	264,915,973	27.2 %	217,817,910	23.4 %
Government	488,065,464	50.1 %	518,188,096	55.7 %
Finance	17,830,737	1.8 %	23,766,577	2.6 %
Industry	82,369,678	8.5 %	67,404,622	7.2 %
Consumables	28,394,179	2.9 %	45,983,807	4.9 %
Utilities	79,669,137	8.2 %	42,526,282	4.6 %
Insurance	13,423,214	1.4 %	15,433,815	1.7 %
TOTAL	974,668,382	100.0 %	931,121,110	100.0 %

The Sava Re Group's largest exposure by industry was with the government (31/12/2014: 50.1 %; 31/12/2013: 55.7 %). Compared to the previous year, the Group's exposure to the banking sector increased due to purchases of covered bonds; its exposure to the government category was reduced as a result of a smaller exposure to Slovenian government bonds.

Diversification of financial investments by region

(€)	31/12/2014		31/12/2013	
Region	**Amount**	**As % of total**	**Amount**	**As % of total**
Slovenia	383,370,726	39.3 %	425,898,982	45.7 %
EU member states (excl. Slovenia)	451,418,273	46.3 %	392,898,464	42.2 %
Non-EU members	92,878,599	9.5 %	82,296,159	8.8 %
Russia and Asia	20,387,311	2.1 %	19,874,422	2.1 %
Africa and the Middle East	1,985,657	0.2 %	2,877,728	0.3 %
America and Australia	24,627,816	2.5 %	7,275,355	0.8 %
TOTAL	974,668,382	100.0 %	931,121,110	100.0 %

In terms of **regional exposure**, the largest proportion of Sava Re Group investments is invested in EU Member States. Compared to the previous year, this proportion increased as a result of the investment policy of reducing exposure to Slovenia.

Exposure to Slovenia

(€)	31/12/2014		31/12/2013	
Type of investment	**Amount**	**As % of total**	**Amount**	**As % of total**
Deposits and CDs	51,751,410	5.3 %	63,451,192	6.8 %
Government bonds	226,338,525	23.2 %	269,506,649	28.9 %
Corporate bonds	80,052,285	8.2 %	65,507,736	7.0 %
Shares	19,758,872	2.0 %	18,178,916	2.0 %
Mutual funds	5,016,851	0.5 %	8,558,310	0.9 %
Other	452,783	0.0 %	696,178	0.1 %
TOTAL	383,370,726	39.3 %	425,898,982	45.7 %

At 31 December 2014, exposure to the **ten largest issuers** was € 370.1 million, representing 37.9 % of financial investments (31 December 2013: € 421.9 million; 45.3 %). The largest single issuer of securities that the Group is exposed to is the Republic of Slovenia. At 31 December 2014, it totalled € 226.4 million, representing 23.2 % of financial investments (31 December 2013: € 269.1 million; 28.9 %). No other issuer exceeds the 2 % of financial assets threshold.

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 2014 the total exposure of the Group to credit risk relating to reinsurers was € 42.6 million (31 December 2013: € 37.7 million), of which € 38.7 million (31 December 2013: € 33.5 million) relate to reinsurers' share of technical provisions and € 3.9 million (31 December 2013: € 4.2 million) to receivables for reinsurers' and co-insurers' shares in claims. At 31 December 2014 the Group's total credit risk exposure relating to reinsurers represented 2.9 % of total assets (31 December 2013: 2.7 %).

Retrocession programmes are mostly placed with first-class reinsurers with an adequate rating (at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). Thus, at the end of 2014 and 2013, reinsurers rated A– or better accounted for over 70 % of the credit risk exposure relating to reinsurers.

Given the large diversification and the low probability of default by reinsurers rated BBB+ or better, this part of credit risk is deemed to be low and very similar to 2013.

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

Receivables ageing analysis

(€) 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

(€) 31/12/2013	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	35,897,225	11,405,333	5,759,067	53,061,625
Receivables due from insurance intermediaries	2,949,121	672,645	20,352	3,642,118
Other receivables arising out of primary insurance business	123,269	13,583	30,797	167,649
Receivables for premiums arising out of assumed reinsurance and co-insurance	34,901,541	5,116,991	3,516,431	43,534,963
Receivables for reinsurers' shares in claims	3,123,848	417,375	642,578	4,183,801
Other receivables from co-insurance and reinsurance	511,775	42,758	0	554,533
Other short-term receivables arising out of reinsurance business	3,543,668	246,969	344,846	4,135,483
Short-term receivables arising out of financing	731,746	100,812	128,549	961,107
Current tax assets	1,559,844		147,831	1,707,675
Other receivables	2,945,374	673,544	644,895	4,263,813
TOTAL	86,287,411	18,690,010	11,235,346	116,212,767

Receivables are discussed in greater detail in note 9.

17.7.3. Operational risk

Operational risk includes human capital risk, risk of business interruption and system errors, process control and implementation risk, compliance risk, legal risk and such like. We consider that the Group is mostly exposed to risks arising from failed or inadequate processes, internal controls and corporate governance. Management considers that an efficient and effective system of internal controls is vital for operational risk management. Operational risk generally arises together with other risks (e.g. underwriting risk, market risk and such like), having a tendency to compound them. Negligence in the underwriting process, for example, significantly increases underwriting risks.

For the purpose of operational risk management, the Group has put in place adequate IT-supported procedures and controls in the most important areas of its operation. In addition, such risks are managed through the internal audit function, through staff training and enhanced risk awareness.

The Group considers the operational risk to have remained in 2014 about the same as in 2013.

17.7.4. Implementing systematic risk management

The Group continues implementing risk management on a systematic basis, aware of the requirements brought about by the new Solvency II Directive, amongst them also risk-based capital calculation. Therefore, especially the EU-based Group companies have stepped up preparation for and alignment to the new legislation. In addition, the companies participate in quantitative impact studies.

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

1. Intangible assets

Movements in cost and accumulated amortization/impairment losses of intangible assets

(€)	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
Foreign exchange differences	-18,853	-1,670	0	0	-1,001	-21,524
31/12/2014	8,607,859	17,654,308	1,523,339	3,662,804	15,134,933	46,583,242
ACCUMULATED AMORTIZATION 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
Foreign 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 includes the value of assumed liabilities upon the inclusion of Zavarovalnica Maribor into the Sava Re Group of € 15 million, being the equivalent of the difference between the fair value of acquired contractual insurance rights and assumed insurance liabilities. This is the estimated present value of future profits from existing insurance contracts at the date of acquisition of Zavarovalnica Maribor. Since the estimated useful life of these assets is 5 years, the addition to the accumulated amortization in respect to this asset for 2014 is € 3 million. The impairment loss on goodwill relates to Velebit usluge, which is also evident from the note to the movement of goodwill.

(€)	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
COST						
01/01/2013	5,503,382	15,701,742	0	0	25,986	21,231,111
Additions – acquisition of subsidiary	1,438,742	4,761,733	1,480,780	4,884,878	15,082,822	27,648,955
Additions	662,975	0	49,496	292,380	36,059	1,040,910
Disposals	-144,787	0	0	-976,687	-16,394	-1,137,868
Impairments	0	-898,225	0	0	0	-898,225
Foreign exchange differences	-19,573	-10,615	0	0	-82	-30,270
31/12/2013	7,440,740	19,554,635	1,530,276	4,200,571	15,128,392	47,854,613
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES						
01/01/2013	3,463,167	0	0	0	0	3,463,167
Additions – acquisition of subsidiary	900,753	0	548,715	0	0	1,449,468
Additions	765,497	0	109,322	0	2,000,000	2,874,819
Disposals	-144,636	0	0	0	0	-144,636
Foreign exchange differences	-14,278	0	0	0	0	-14,278
31/12/2013	4,970,503	0	658,037	0	2,000,000	7,628,541
Carrying amount as at 01/01/2013	**2,040,216**	**15,701,742**	**0**	**0**	**25,986**	**17,767,943**
Carrying amount as at 31/12/2013	**2,470,235**	**19,554,635**	**872,239**	**4,200,571**	**13,128,392**	**40,226,072**

Movements in goodwill

Goodwill relates to the acquisition of the following companies: Sava osiguranje, Illyria, Sava osiguruvanje, Sava Montenegro, Velebit usluge (or indirectly to Velebit osiguranje and Velebit životno osiguranje) and Zavarovalnica Maribor. As at year-end 2014, goodwill totalled € 17.7 million (31 December 2013: € 19.6 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.

Movements 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**
Sava Car	2,718
Disposals in current year	**-1,903,045**
Velebit usluge	-1,901,375
Foreign exchange differences	-1,670
TOTAL AMOUNT CARRIED OVER AT 31/12/2014	17,654,308

Compared to year-end 2013, goodwill decreased by € 1.9 million mainly due to impairment of goodwill belonging to the companies Velebit usluge, sole owner of the companies Velebit osiguranje and Velebit životno osiguranje. Impairment losses directly relate to the company Velebit osiguranje.

Movements in goodwill in 2013

(€)	
Total amount carried over at 31/12/2012	15,701,742
Sava osiguranje Belgrade	5,047,588
Illyria	4,991,887
Sava osiguruvanje Skopje	94,907
Sava Montenegro	3,648,534
Velebit usluge	1,918,826
Additions in current year	**4,761,733**
Zavarovalnica Maribor	4,761,733
Disposals in current year	**-908,840**
Sava osiguranje Belgrade	-299,034
Illyria	-599,191
Foreign exchange differences	-10,615
TOTAL AMOUNT CARRIED OVER AT 31/12/2013	19,554,635

Method of calculating value in use

The value in use for each cash-generating unit is calculated using the discounted cash flow method (DCF method). The budget projections of the CGUs and their estimate of the long-term results achievable are used as the starting point. Value in use is determined through discounting of the future profits with 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	13.0 %	12.0 %
Serbia	16.5 %	15.5 %
Montenegro	15.5 %	14.5 %
Macedonia	15.5 %	14.5 %
Kosovo	16.0 %	15.0 %

Discount factors used in 2014 remained unchanged from 2013.

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 the markets where these insurers operate, 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 recognized in Velebit osiguranje (resulting in impairment losses on goodwill of the parent Velebit usluge).

Goodwill relates to the non-life operating segment.

2. Property and equipment

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
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
Foreign 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
Foreign 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**

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
01/01/2013	3,774,723	21,730,164	10,233,025	412,214	36,150,126
Additions – acquisition of subsidiary	3,366,177	22,856,789	12,499,225	26,983	38,749,174
Additions	44,484	2,147,177	2,184,531	5,161	4,381,353
Disposals	-3,432	-1,089,516	-1,275,187	0	-2,368,135
Impairment losses	0	-234,170	0	0	-234,170
Foreign exchange differences	-7,131	-65,965	-17,040	-2,175	-92,311
31/12/2013	7,174,821	45,344,479	23,624,554	442,183	76,586,037
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
01/01/2013	0	5,038,679	6,388,687	139,382	11,566,748
Additions – acquisition of subsidiary	0	8,593,982	9,220,171	26,545	17,840,698
Additions	0	815,603	2,177,076	1,689	2,994,368
Disposals	0	-614,765	-1,147,131	0	-1,761,896
Impairment losses	0	-116,077	5,044	34,369	-76,664
Foreign exchange differences	0	-8,684	-10,333	-770	-19,787
31/12/2013	0	13,708,737	16,633,514	201,215	30,543,467
Carrying amount as at 01/01/2013	**3,774,723**	**16,691,484**	**3,844,338**	**272,832**	**24,583,379**
Carrying amount as at 31/12/2013	**7,174,821**	**31,635,742**	**6,991,040**	**240,968**	**46,042,572**

No property or equipment assets have been pledged as collateral.

3. Deferred tax assets and liabilities

(€)	31/12/2014	31/12/2013
Deferred tax assets	1,202,381	3,496,592
Deferred tax liabilities	-5,749,180	-4,008,876
TOTAL NET DEFERRED TAX ASSETS/LIABILITIES	-4,546,799	-512,284

(€)	01/01/2014	Recognized in the IS	Recognized 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	52,483	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

(€)	01/01/2014	Recognized in the IS	Recognized in the SCI	31/12/2014
Long-term financial investments	-4,008,876	0	-1,740,304	-5,749,180

(€)	01/01/2013	Acquisition, subsidiary	Recognized in the IS	Recognized in the SCI	31/12/2013
Long-term financial investments	1,764,295	2,117,060	1,022,979	-2,117,060	2,787,274
Short-term operating receivables	136,833	0	28,973	0	165,806
Provisions for jubilee benefits and severance pay (retirement)	28,008	379,924	135,580	0	543,512
TOTAL	1,929,136		1,187,532	-2,117,060	3,496,592

(€)	01/01/2013	Acquisition, subsidiary	Recognized in the IS	Recognized in the SCI	31/12/2013
Long-term financial investments	-3,498	-4,005,378	0	0	-4,008,876

4. Investment property

Movements in cost and accumulated depreciation of investment property

(€)	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
Foreign exchange differences	-2,173	-173,741	-175,914
31/12/2014	764,588	5,454,079	6,218,667
ACCUMULATED DEPRECIATION			
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
Foreign 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**

(€)	Land	Buildings	Total
COST			
01/01/2013	604,901	4,791,832	5,396,732
Additions – acquisition of subsidiary	15,305	1,320,624	1,335,929
Additions	0	627,813	627,813
Disposals	-31,912	-279,857	-311,769
Impairment	-73,285	-201,062	-274,347
Foreign exchange differences	-4,538	-26,223	-30,761
31/12/2013	510,471	6,233,127	6,743,598
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES			
01/01/2013	0	291,431	291,431
Additions – acquisition of subsidiary	0	860,845	860,845
Additions	0	82,782	82,782
Disposals	0	-57,898	-57,898
Foreign exchange differences	0	-569	-569
31/12/2013	0	1,176,591	1,176,591
Carrying amount as at 01/01/2013	**604,901**	**4,500,401**	**5,105,302**
Carrying amount as at 31/12/2013	**510,471**	**5,056,536**	**5,567,006**

In 2014 the Group generated income of € 155,469 by leasing out its investment property (2013: € 127,607). Maintenance costs associated with investment property are either included in the rent or charged to the lessee.

5. Financial investments in associates

Financial investments in associates

(€)	1.1.2014		Attribution of	Addition of fair	31/12/2014		Share of voting
	Holding	Value	profits	value reserve	Holding	Value	rights (%)
Moja naložba	45.00 %	2,866,665	154,294	51,539	45.00 %	3,072,497	45.00 %

(€)	01/01/2013		Additions – acquisition of subsidiary		Attribution of profits	Addition of fair value reserve	Transfer to subsidiaries	31/12/2013		Share of voting rights (%)
	Holding	Value	Holding	Value				Holding	Value	
Zavarovalnica Maribor	48.68 %	53,529,752	0	0	2,177,749	-1,354,589	-54,352,912	0.00 %	0	0.00 %
Moja naložba	25.00 %	1,735,899	20.00 %	1,290,084	-174,277	14,959	0	45.00 %	2,866,665	45.00 %
TOTAL		55,265,651			2,003,472	-1,339,630	-54,352,912		2,866,665	

Data on the associate

(€)	31/12/2014	31/12/2013
Moja naložba		
Value of assets	115,241,723	110,023,694
Liabilities	108,212,151	103,451,527
Equity	7,029,572	6,572,167
Income	2,767,623	3,111,644
Net profit/loss for the period	342,873	-387,283
Profit/loss attributable to the Group	154,294	-174,277
Pension fund contributions	68,790	65,574

6. Financial investments

Financial investments in 2014

(€) 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

Financial investments in 2013

(€) 31/12/2013	Held-to-maturity	At fair value through P/L – Non-derivative – Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**164,086,323**	**32,908,100**	**581,094,736**	**113,850,488**	**891,939,647**
Deposits and CDs	524,318	0	0	112,731,935	113,256,253
Government bonds	163,562,005	22,901,806	331,465,797	0	517,929,608
Corporate bonds	0	10,006,294	249,628,939	0	259,635,233
Loans granted	0	0	0	1,118,553	1,118,553
Equity instruments	**0**	**1,211,504**	**27,613,714**	**0**	**28,825,218**
Shares	0	488,336	19,143,946	0	19,632,282
Mutual funds	0	723,168	8,469,768	0	9,192,936
Other investments	**0**	**0**	**51,643**	**113,585**	**165,228**
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	**0**	**0**	**0**	**10,191,017**	**10,191,017**
TOTAL	164,086,323	34,119,604	608,760,093	124,155,090	931,121,110
Investments for the benefit of life-insurance policyholders who bear the investment risk	10,137,733	155,301,893	133,934	10,202,668	175,776,228

Fair values of financial investments are shown in note 27.

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

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

8. Reinsurers' share of technical provisions

(€)	31/12/2014	31/12/2013
From unearned premiums	6,601,969	5,673,885
From mathematical provisions	37	100
From provisions for claims outstanding	32,274,622	27,561,112
From other technical provisions	-203,983	255,615
TOTAL	38,672,645	33,490,712

Reinsurers' share of technical provisions grew by 15.5 %, primarily due to growth in outstanding claims provisions.

The reinsurers' share of unearned premiums grew in line with the increase in premiums ceded to reinsurers and co-insurers. The reinsurers' share of claims provisions moves in line with the movement of large incurred claims and the schedule of their related claim payments. Provisions for the Thai floods of 2011 decreased in 2014 from € 9.4 million to € 2.8 million (due to reduced incurred claims and payments), while there was a new provision established for the 2014 ice damage in the amount of € 10.9 million. 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 lower than gross results, this provision for the reinsurance portfolio may be negative.

9. Receivables

There was a significant increase the amount of premium receivables arising out of reinsurance assumed. The main reason is the increase in business with East Asian partners, another is an increase in estimated international inwards business arising from reinsurance contracts that was already incurred according to payment due dates on contracts but for which the parent company has yet to receive reinsurance accounts.

Receivables of the controlling company under reinsurance contracts are not secured, while some receivables of subsidiaries are secured by blank bills of exchange. Receivables have been tested for impairment.

Receivables by type

(€)	31/12/2014			31/12/2013		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	84,237,018	-31,697,371	52,539,647	84,693,324	-31,631,699	53,061,625
Receivables from insurance brokers	2,103,339	-518,685	1,584,654	4,226,493	-584,375	3,642,118
Other receivables arising out of primary insurance business	236,250	-127,527	108,723	551,591	-383,942	167,649
Receivables arising out of primary insurance business	**86,576,607**	**-32,343,583**	**54,233,024**	**89,471,408**	**-32,600,016**	**56,871,392**
Receivables for premiums arising out of reinsurance and co-insurance	55,385,872	-537,862	54,848,010	44,062,745	-527,782	43,534,963
Receivables for shares in claims payments	3,994,006	-85,282	3,908,724	4,280,239	-96,438	4,183,801
Other receivables from co-insurance and reinsurance	745,493	0	745,493	554,533	0	554,533
Receivables arising out of reinsurance and co-insurance business	**60,125,371**	**-623,144**	**59,502,227**	**48,897,517**	**-624,220**	**48,273,297**
Current tax assets	**353,016**	**0**	**353,016**	**1,707,675**	**0**	**1,707,675**
Other short-term receivables arising out of insurance business	29,340,157	-24,873,317	4,466,840	30,239,794	-26,104,311	4,135,483
Receivables arising out of investments	1,880,911	-1,213,352	667,559	2,247,073	-1,285,966	961,107
Other receivables	6,651,116	-1,478,629	5,172,487	5,912,078	-1,648,265	4,263,813
Other receivables	**37,872,184**	**-27,565,298**	**10,306,886**	**38,398,945**	**-29,038,542**	**9,360,403**
TOTAL	184,927,178	-60,532,025	124,395,153	178,475,545	-62,262,778	116,212,767

Receivables ageing analysis

(€) 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

(€) 31/12/2013	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	35,897,226	11,405,332	5,759,067	53,061,625
Receivables from insurance brokers	2,949,121	672,645	20,352	3,642,118
Other receivables arising out of primary insurance business	123,269	13,583	30,797	167,649
Receivables for premiums arising out of assumed reinsurance and co-insurance	34,901,541	5,116,991	3,516,431	43,534,963
Receivables for reinsurers' shares in claims	3,123,849	417,374	642,578	4,183,801
Other receivables from co-insurance and reinsurance	511,775	42,758	0	554,533
Other short-term receivables arising out of insurance business	3,543,668	246,969	344,846	4,135,483
Short-term receivables arising out of financing	731,746	100,812	128,549	961,107
Current tax assets	1,559,844	0	147,831	1,707,675
Other short-term receivables	2,945,374	673,544	644,895	4,263,813
TOTAL	86,287,413	18,690,008	11,235,346	116,212,767

All receivables are current.

For all receivables that have already fallen due, allowances have been recognized relating to individual classes of similar risks into which receivables are classified. Major items of receivables have been tested individually and since only minor indications of impairment have been found, these are included in collective impairment.

Movements in allowances for receivables

(€) 31/12/2014	01/01/2014	Additions	Reversals	Write-offs	Foreign 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

(€) 31/12/2013	01/01/2013	Additions	Reversals	Write-offs	Additions – acquisition of subsidiary	Foreign exchange differences	31/12/2013
Receivables due from policyholders	-15,717,125	-1,805,315	2,805,337	631,602	-17,598,644	52,446	-31,631,699
Receivables from insurance brokers	-361,896	-186,996	94,300	6,522	-138,541	2,236	-584,375
Other receivables arising out of primary insurance business	-359,311	-25,033	0	0	0	402	-383,942
Receivables arising out of primary insurance business	**-16,438,332**	**-2,017,344**	**2,899,637**	**638,124**	**-17,737,185**	**55,084**	**-32,600,016**
Receivables for premiums arising out of reinsurance and co-insurance	-682,955	-22,424	177,597	0	0	0	-527,782
Receivables for shares in claims payments	-96,438	-50,000	0	50,000	0	0	-96,438
Receivables arising out of reinsurance and co-insurance business	**-779,393**	**-22,424**	**177,597**	**0**	**0**	**0**	**-624,220**
Other short-term receivables arising out of insurance business	-7,573,527	-1,367,244	740,410	166,572	-18,098,098	27,576	-26,104,311
Receivables arising out of investments	-1,543,942	-6,823	7,304	296,617	-47,999	8,877	-1,285,966
Other short-term receivables	-636,262	-978,645	26,391	4,974	-68,575	3,852	-1,648,265
Other receivables	**-9,753,731**	**-2,352,712**	**774,105**	**468,163**	**-18,214,672**	**40,305**	**-29,038,542**
TOTAL	-26,971,456	-4,392,480	3,851,339	1,106,287	-35,951,857	95,389	-62,262,778

10. Deferred acquisition costs

Deferred acquisition costs

(€)	31/12/2014	31/12/2013
Short-term deferred acquisition costs	12,733,473	13,258,646
Short-term deferred reinsurance acquisition costs	4,755,628	4,493,670
TOTAL	17,489,101	17,752,316

Deferred acquisition costs comprise short-term deferred policy acquisition costs that are gradually taken to acquisition costs in 2015.

11. Other assets

Other assets comprise other short-term accrued income and deferred expenses, accrued interest and rent and inventories.

Other assets

(€)	31/12/2014	31/12/2013
Inventories	43,679	85,024
Accrued interest and rent	43,071	211,295
Other short-term accrued income and deferred expenses	1,264,494	1,296,972
TOTAL	1,351,244	1,593,291

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.

(€)	31/12/2014	31/12/2013
Cash register	50,707	51,334
Cash in bank accounts	5,207,490	3,357,583
Overnight deposits	385,003	23,803
TOTAL	5,643,200	3,432,720

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 2014, the controlling company's share capital was divided into 17,219,662 shares (the same as at 31 December 2013). 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. In 2014, the controlling company acquired all shares owned by its associate Zavarovalnica Maribor, who held 346,433 shares or 2.01 % at 31 December 2013.

As at year-end 2014, the shareholders' register listed 5,134 shareholders (31 December 2013: 4,959 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 recapitalization 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.

16. Profit reserves

(€)	31/12/2014	31/12/2013	Distributable/ non-distributable
Legal reserves and reserves provided for in the articles of association	11,140,269	11,138,541	non-distributable
Reserve for treasury shares	10,115,023	2,821,391	non-distributable
Credit risk equalization reserve	876,938	800,075	non-distributable
Catastrophe equalization reserve	11,744,474	12,070,719	non-distributable
Other profit reserves	81,269,632	75,192,493	distributable
TOTAL	115,146,336	102,023,219	

Pursuant to the Insurance Act and statutory regulations of the individual countries where Group members operate, equalization 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 recognized in equity as a decrease/increase in net profit for the year. The same is true for catastrophe equalization reserves.

The credit risk equalization reserve increased modestly compared to 2013 due to the underwriting profit generated by credit business; by contrast, the catastrophe equalization reserve (earthquake) decreased slightly because one Group company cancelled its earthquake 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 2014 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 by the general meeting.

17. Treasury shares

At 31 December 2013, the Group held a total of 346,643 treasury shares. On 23 April 2014, the 28th general meeting was held, in which the controlling company was authorized to buy back own shares of up to 10 % of the share capital. The authorization is for acquiring up to a total of 1,721,966 shares is valid for three years. Based on this authorization, the controlling company bought back 381,187 shares by year-end 2014. At 31 December 2014, the Company held 727,830 POSR shares (or 4.226738 %) worth € 10,115,023.

Treasury shares are a contra account of equity.

18. Fair value reserve

The fair value reserve only comprises the change in fair value of available-for-sale financial assets.

(€)	2014	2013
As at 1 January	**7,739,714**	**1,527,689**
Change in fair value	9,888,644	3,177,733
Transfer of the negative fair value reserve to the IS due to impairment	-1,646,767	-9,112,367
Transfer from fair value reserve to the IS due to disposal	5,276,749	17,935,676
Net gains/losses attributable to the Group recognized in the fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	51,539	-3,358,131
Other net profits/losses	-668,034	606,919
Deferred tax	-2,193,104	-2,117,060
Increased share in Group	0	-920,745
TOTAL FAIR VALUE RESERVE	18,448,741	7,739,714

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

19. Net profit/loss for the year

The net profit for 2014 attributable to owners of the controlling company totalled € 30.6 million. The management board and supervisory board already allocated part of net profit of € 6 million to other profit reserves; in addition, reserves for own shares were established in the amount of € 7.3 million. In addition, there was a decrease in the catastrophe equalization reserve (€ 0.3 million) and an increase in the credit risk equalization reserve (€ 0.1 million). The remaining amount of € 17.5 million is recognized as net profit for the financial year in the statement of financial position.

Net earnings/loss per share

(€)	31/12/2014	31/12/2013
Net profit/loss for the period	30,538,150	15,621,924
Net profit/loss attributable to owners of the controlling company	30,595,945	15,660,308
Weighted average number of shares outstanding	16,814,657	12,770,109
NET EARNINGS/LOSS PER SHARE	1.82	1.23

Comprehensive income per share

(€)	31/12/2014	31/12/2013
Comprehensive income for the period	40,894,474	21,707,503
Comprehensive income for the owners of the controlling company	40,944,486	22,678,607
Weighted average number of shares outstanding	16,814,657	12,770,109
COMPREHENSIVE INCOME PER SHARE	2.44	1.78

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 16,814,657. Compared to 2013, the weighted average number of shares outstanding is significantly higher both due to the capital increase carried out in mid-2013 and own share buybacks throughout 2014. The controlling company does not have potentially dilutive capital instruments, which is why basic earnings per share equal diluted earnings per share.

20. Non-controlling interest in equity

Non-controlling interest in equity

(€)	31/12/2014	31/12/2013
Sava osiguranje Belgrade	9	8
Sava osiguruvanje, Skopje	221,432	193,261
Sava životno osiguranje	-6	22
Velebit osiguranje	397,247	364,569
Velebit životno osiguranje	1,296,808	1,407,641
TOTAL	1,915,490	1,965,501

21. Subordinated liabilities

The controlling company raised a subordinated loan in the amount of € 32 million based on two contracts: one for a drawdown in 2006 and one for 2007, in total 97 % of the principal amount. Maturity of the loan is 20 years, with the possibility of early repayment after 10 years. The principal is due at maturity. The applicable interest rate is a 3-month Euribor + 3.35 %, with interest payable on a quarterly basis. The loan is carried at amortized cost. At the end of 2013, the controlling company made an early repayment of subordinated debt in the total nominal amount of € 8 million. At 31 December 2014 the amortized cost of the subordinated debt of the controlling company € 23.5 million, while the subordinated debt of Zavarovalnica Maribor shrank to € 5.2 million because of an early repayment of € 1.8 million.

Subordinated liabilities

Outstanding debt at effective interest rate as at 31/12/2014	28,699,692
Debt currency	euro
Maturity date	27/12/2026 and 25/08/2015
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

Outstanding debt at effective interest rate as at 31/12/2013	30,466,967
Debt currency	euro
Maturity date	27/12/2026 and 25/08/2015
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

In 2014, the controlling company paid € 0.9 million in interest on subordinated debt (2013: € 1.4 million) and € 46,785 in withholding tax on interest paid (2013: € 60,702).

One subsidiary paid € 0.4 million in interest expense on subordinated bonds issued in 2014 (2013: € 0.4 million).

22. TECHNICAL PROVISIONS AND THE TECHNICAL PROVISION FOR THE BENEFIT OF LIFE INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK

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

(€)	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	-4733	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

(€)	01/01/2013	Additions	Uses and releases	Additions, acquisition	Exchange differences	31/12/2013
Gross unearned premiums	90,691,880	114,783,178	-130,768,247	70,387,766	-482,665	144,611,911
Mathematical provisions	17,767,312	17,736,837	-29,592,243	244,682,345	-34,602	250,559,649
Gross provision for claims	248,200,797	121,776,981	-107,536,413	178,365,447	-3,539,183	437,267,628
Gross provision for bonuses, rebates and cancellations	562,560	696,521	-493,979	68,103	-267	832,938
Other gross technical provisions	2,925,667	4,887,421	-5,928,360	11,068,290	-425	12,952,593
TOTAL	360,148,216	259,880,938	-274,319,243	504,571,951	-4,057,143	846,224,719
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	27,040,864	25,107,241	-11,812,930	130,451,708	-84	170,786,799

Movements in technical provisions

- Consolidated gross technical provisions increased by 2.8 % in 2014, mainly as a result of the increase in the provision for claims outstanding.
- Unearned premiums increased by 2.5 %, with the largest increase in the controlling company due to a higher proportion of premiums for which more unearned premiums need to be accounted (proportional covers, mid-year renewals).
- Mathematical provisions increased by 2.3 %, mainly due to the attribution of profits to policyholders and provisioning based on liability adequacy testing of life insurance liabilities in Slovenia.
- Claims provisions increased largely because of the ice damage sustained in February 2014, for which the Group holds provisions of € 10.1 million; aside from that, the provision for outstanding claims moves in line with portfolio exposure. Mention should be made of the increase in the controlling company's provision for currency risks managed through adequate diversification of the liability fund.
- Provisions for bonuses, rebates and cancellations remained at approximately the same level as the previous year.
- The provision for unexpired risks has decreased by 23.5 % 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 14.6 % as a result of growth in Slovenia.

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

(€)	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	27338	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 insurance	0	88.2 %	0
Unit-linked life	0	70.9 %	0
TOTAL	9,906,981	87.9 %	0

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

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 17.4.26 "Other provisions". Provisions increased mainly due to the larger number of employees in the Group.

Change in other provisions

(€)	01/01/2014	Additions	Uses	Releases	Foreign exchange differences	31/12/2014
Provision for severance pay upon retirement	3,816,395	520,832	-174,816	-22,661	-3,036	4,136,714
Provision for jubilee benefits	1,893,793	178,317	-204,958	-29	154	1,867,277
Total provisions for employees	**5,710,188**	**699,149**	**-379,774**	**-22,690**	**-2,882**	**6,003,991**
Other provisions	**168,615**	**872,942**	**-103,535**	**0**	**-1,363**	**936,659**
TOTAL	5,878,803	1,572,091	-483,309	-22,690	-4,245	6,940,650

(€)	01/01/2013	Additions	Uses	Releases	Additions, acquisition	Foreign exchange differences	31/12/2013
Provision for severance pay upon retirement	596,051	481,467	-136,889	-618,966	3,495,358	-628	3,816,395
Provision for jubilee benefits	222,311	394,182	-198,474	-11,028	1,487,090	-288	1,893,793
Total provisions for employees	**818,362**	**875,649**	**-335,363**	**-629,994**	**4,982,448**	**-916**	**5,710,188**
Other provisions	**532,637**	**95,000**	**-371,435**	**-87,181**	**0**	**-406**	**168,615**
TOTAL	1,350,999	970,649	-706,798	-717,175	4,982,448	-1,322	5,878,803

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. Below we, therefore, give a separate presentation of changes in provisions for severance pay upon retirement arising from changes in actuarial assumptions that are recognized equity. In accordance with the standard, we give below detailed disclosures on provisions for severance pay upon retirement.

Movement in the provision for severance pay upon retirement	31/12/2014	31/12/2013
Opening balance	3,816,395	596,051
Additions due to acquisition of subsidiary	0	3,495,358
Interest costs	-8,696	41,401
Cost of service	-260,829	427,551
Payments	-165,003	-136,889
Impact of changes in actuarial assumptions	754,846	-607,076
CLOSING BALANCE	4,136,714	3,816,395

Impact on the amount of provision for severance pay upon retirement (€)	31/12/2014	31/12/2013
Reduction in the discount rate of 1 %	594,254	346,823
Increase in the discount rate of 1 %	-498,923	-224,144
Reduction in real income growth of 0.5 %	-273,920	-216,096
Increase in real income growth of 0.5 %	297,567	234,560
Reduction of staff turnover of 10 %	132,439	84,829
Increase in staff turnover of 10 %	-125,680	-81,436
Decrease in mortality of 10 %	28,369	21,694
Increase in mortality of 10 %	-28,307	-21,560

24. Other financial liabilities

Other financial liabilities decreased by € 5 million due to the repayment of bank loans by subsidiaries.

25. Liabilities from operating activities

Liabilities from operating activities

(€)	Maturity		
31/12/2014	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	1,413,992	1,413,992
Liabilities due 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 due from co-insurance and reinsurance	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

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

In 2014, most liabilities were current.

26. Other liabilities

Other liabilities by maturity

(€)	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

(€)		Maturity	
31/12/2013	Over 1 year	Up to 1 year	Total
Other liabilities	207,945	18,765,651	18,973,596
Deferred income and accrued expenses	0	11,862,942	11,862,942
TOTAL	207,945	30,628,593	30,836,538

Other liabilities by security

(€) 31/12/2014	Amount of secured liabilities	Amount of unsecured liabilities	Total
Other liabilities	0	12,693,198	12,693,198
Deferred income and accrued expenses	0	13,652,661	13,652,661
TOTAL	0	26,345,859	26,345,859

(€) 31/12/2013	Amount of secured liabilities	Amount of unsecured liabilities	Total
Other liabilities	0	18,973,596	18,973,596
Deferred income and accrued expenses	0	11,862,942	11,862,942
TOTAL	0	30,836,538	30,836,538

Other liabilities

(€)	31/12/2014	31/12/2013
Short-term liabilities due to employees	2,922,543	3,101,649
Diverse other short-term liabilities for insurance business	3,768,342	3,194,804
Short-term trade liabilities	2,984,748	3,349,781
Diverse other short-term liabilities	2,754,421	9,070,864
Other long-term liabilities	263,145	256,497
TOTAL	12,693,198	18,973,596

Change in short-term provisions

(€)	01/01/2014	Additions	Uses	Releases	Exchange differences	31/12/2014
Short-term accrued costs	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

(€)	01/01/2013	Additions	Uses	Releases	Additions, acquisition	Exchange differences	31/12/2013
Short-term accrued costs	1,414,750	1,236,082	-1,702,831	-178,942	1,462,955	-4,515	3,482,138
Other accrued expenses and deferred income	1,770,838	9,925,159	-9,457,036	0	6,147,067	-5,222	8,380,804
TOTAL	3,185,588	12,415,880	-11,159,867	-178,942	7,610,022	-9,737	11,862,942

27. Fair values of assets and liabilities

Financial assets measured at fair value by hierarchy level

(€) 31/12/2014	Level 1	Level 2	Level 3
At fair value through P/L	**6,088,668**	**10,386,867**	**0**
Designated to this category	6,088,668	10,386,867	0
Debt instruments	4,284,914	10,386,867	0
Equity instruments	1,803,754	0	0
Available-for-sale	**369,781,166**	**317,998,601**	**4,638,249**
Debt instruments	350,627,830	316,845,501	0
Equity instruments	19,153,336	1,106,621	4,638,249
Other investments	0	46,479	0
TOTAL	375,869,834	328,385,468	4,638,249
Investments for the benefit of life-insurance policyholders who bear the investment risk	178,717,684	3,815,356	0

(€) 31/12/2013	Level 1	Level 2	Level 3
At fair value through P/L	**34,119,604**	**0**	**0**
Designated to this category	34,119,604	0	0
Debt instruments	32,908,100	0	0
Equity instruments	1,211,504	0	0
Available-for-sale	**603,553,878**	**0**	**5,206,215**
Debt instruments	581,094,736	0	0
Equity instruments	22,407,499	0	5,206,215
Other investments	51,643	0	0
TOTAL	637,673,482	0	5,206,215
Investments for the benefit of life-insurance policyholders who bear the investment risk	155,435,827		

Movements in available-for-sale investments – level 3

(€) 2014	Opening balance	Impairment losses	Closing balance
Available-for-sale	**5,206,215**		**4,638,248**
Equity instruments	5,206,215	-567,966	4,638,248
TOTAL	5,206,215	-567,966	4,638,248

(€) 2013	Opening balance	Impairment losses	Disposals	Maturity	Closing balance
Available-for-sale	**8,960,533**		**-613,656**	**-3,000,337**	**5,206,215**
Debt instruments	3,500,337		-500,000	-3,000,337	0
Equity instruments	5,460,196	-140,324	-113,656	0	5,206,215
TOTAL	8,960,533	-140,324	-613,656	-3,000,337	5,206,215

Income and losses on financial assets measured at fair value by fair-value hierarchy – level 3

(€) 01/01/–31/12/2014	Income	Expenses	Level 3 Unrealized gains/losses
Available-for-sale	**134,070**	**573,130**	**0**
Equity instruments	134,070	567,966	0
Other investments	0	5,164	0
TOTAL	134,070	573,130	0

(€) 01/01/–31/12/2013	Income	Expenses	Level 3 Unrealized gains/losses
At fair value through P/L	**0**	**0**	**0**
Other investments	10	0	0
Available-for-sale	**66,452**	**140,324**	**0**
Debt instruments	337	0	0
Equity instruments	66,115	140,324	0
TOTAL	66,452	140,324	0

Movements in level 3 financial assets in the period 1 January to 31 December 2014

(€)	Opening balance	Impairment losses	Disposals	Maturity	Closing balance
Available-for-sale	**5,206,215**		**0**	**0**	**4,638,248**
Equity instruments	5,206,215	-567,966	0	0	4,638,248
TOTAL	5,206,215	-567,966	0	0	4,638,248

Movements in level 3 financial assets in the period 1 January to 31 December 2013

(€)	Opening balance	Impairment losses	Disposals	Maturity	Closing balance
Available-for-sale	**8,960,533**	**0**	**-613,656**	**-3,000,337**	**5,206,215**
Debt instruments	3,500,337	0	-500,000	-3,000,337	0
Equity instruments	5,460,196	-140,324	-113,656	0	5,206,215
TOTAL	8,960,533	-140,324	-613,656	-3,000,337	5,206,215

Disclosure of the fair value of assets shown in the statement of financial position at amortized cost or at cost

(€) 31/12/2014	Date fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Held-to-maturity assets		**164,317,392**	**181,791,187**	
Debt instruments	31/12/2014	164,317,392	181,791,187	market price
Loans and receivables		**101,457,439**	**105,967,728**	
Debt instruments	31/12/2014	95,718,258	100,228,547	carrying amount is a good approximation of the market value because assets are short-term
Deposits with cedants	31/12/2014	5,587,510	5,587,510	carrying amount is a good approximation of the market value because assets are short-term
Other investments	31/12/2014	151,671	151,671	
Real estate		**43,208,362**	**38,969,095**	
Land and buildings used in insurance operations	31/12/2014	38,105,037	32,548,415	DCF / comparable sales
Investment property	31/12/2014	5,103,325	6,420,680	DCF / comparable sales
TOTAL		308,983,193	326,728,010	

(€) 31/12/2013	Date fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Held-to-maturity assets		**164,086,323**	**167,579,681**	
Debt instruments	31/12/2013	164,086,323	167,579,681	market price
Loans and receivables		**124,155,090**	**129,790,043**	
Debt instruments	31/12/2013	113,850,488	119,485,441	carrying amount is a good approximation of the market value because assets are short-term
Deposits with cedants	31/12/2013	10,191,017	10,191,017	carrying amount is a good approximation of the market value because assets are short-term
Other investments	31/12/2013	113,585	113,585	
Real estate		**44,377,570**	**40,503,130**	
Land and buildings used in insurance operations	31/12/2013	38,810,564	34,045,202	DCF / comparable sales
Investment property	31/12/2013	5,567,006	6,457,928	DCF / comparable sales
TOTAL	-	332,618,983	337,872,853	0

Movements in the fair value of land and buildings

(€) 31/12/2014	Opening balance	Acquisitions	Disposals	Change in fair value	Foreign exchange differences	Closing balance
Land and buildings used in insurance operations	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

(€) 31/12/2013	Opening balance	Acquisitions	Disposals	Change in fair value	Additions – acquisition of non-controlling interest	Foreign exchange differences	Closing balance
Land and buildings used in insurance operations	21,416,606	2,757,647	-1,477,905	-691,164	12,099,657	-59,639	34,045,202
Investment property	6,102,326	353,321	-253,259	-62,320	354,029	-36,169	6,457,928
TOTAL	27,518,932	3,110,968	-1,731,164	-753,484	12,453,686	-95,808	40,503,130

Reclassification of assets and financial liabilities between levels

(€)	Level 1	Level 2	Level 3
At fair value through P/L	**0**	**10,386,867**	**0**
Designated to this category	0	10,386,867	0
Debt instruments	0	10,386,867	0
Available-for-sale	**0**	**317,998,601**	**0**
Debt instruments	0	316,845,501	0
Equity instruments	0	1,106,621	0
Other investments	0	46,479	0
TOTAL	0	328,385,468	0
Investments for the benefit of life-insurance policyholders who bear the investment risk	0	3,815,356	0

In accordance with the recommendation of the IFRS Interpretations Committee, the Group reclassified some securities from level 1 to level 2 at the end of 2014. These were assets revalued based on "consensus prices". In these cases, assets were transferred to level 2. In 2014 the Group reclassified about half of its assets for which the fair value is determined on the basis of "consensus prices" to level 2. Since the source of prices remained the same, there were no effects from this reclassification. There were no reclassifications between level 2 and level 3 in 2014.

Valuation techniques for all items described below are defined in accounting policies. For investment property, the method is set out in section 17.4.12 "Investment property", for financial investments in associates in section 17.4.13 "Financial investments in subsidiaries and associates", and for financial investments in section 17.4.14 "Financial investments".

17.9. Notes to the consolidated financial statements – income statement

28. Net earned premiums

Net earned premiums

(€) 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	-138349	-177,108	0	1,841,050
Land vehicles casco	84,055,400	3697	-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	2904	-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	-18265	298,377	444	2,604,637
Suretyship	389,106	4314	-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 insurance	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

(€) 2013	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	Net premiums earned
Personal accident	27,395,190	19,046	-139,412	499,451	-15,079	27,759,196
Health	3,052,421	0	0	41,849	0	3,094,270
Land vehicles casco	63,483,366	664	-2,355,732	1,493,303	-111,768	62,509,828
Railway rolling stock	7,957	0	0	0	0	7,957
Aircraft hull	467,350	0	-11,021	126,193	-4,994	577,528
Ships hull	4,626,600	0	-111,875	-179,237	-6,152	4,329,336
Goods in transit	4,011,346	45,296	-536,477	56,534	11,993	3,588,692
Fire and natural forces	73,704,582	641,912	-9,377,096	3,395,508	-212,417	68,152,489
Other damage to property	30,073,999	415,000	-3,686,476	4,877,305	-265,469	31,414,359
Motor liability	90,592,924	0	-1,136,294	4,186,091	-56,341	93,586,380
Aircraft liability	77,073	0	-151,884	21,654	-50,234	-103,391
Liability for ships	460,854	0	-7,515	-70,130	-155	383,054
General liability	12,158,047	134,571	-1,042,518	1,880,526	54,983	13,185,609
Credit	2,031,925	0	0	-437,404	-4,923	1,589,598
Suretyship	285,519	0	-1	11,314	2,256	299,088
Miscellaneous financial loss	1,053,302	18,045	-478,253	243,372	-3,419	833,047
Legal expenses	594,810	17,909	-363,213	-1,879	-10,057	237,570
Assistance	5,836,495	4,854	-2,820,393	-240,470	122,333	2,902,819
Life insurance	28,031,188	0	-189,292	-328,851	17,949	27,530,994
Unit-linked life	37,462,636	0	-225,241	32,347	0	37,269,742
Total non-life	**319,913,760**	**1,297,297**	**-22,218,160**	**15,903,980**	**-549,443**	**314,347,429**
Total life	**65,493,824**	**0**	**-414,533**	**-296,504**	**17,949**	**64,800,736**
TOTAL	385,407,583	1,297,296	-22,632,694	15,607,475	-531,495	379,148,165

29. Income from investments in associates

In 2013 the Group accounted for its share of profits in its associate companies using the equity method for the period up until 1 May 2013, when Zavarovalnica was still an associate company. Upon acquisition of Zavarovalnica Maribor, the Group made a fair value revaluation of the pre-acquisition share when the company was still accounted for as an associate company, which had an effected on the 2013 investment income of € 7.7 million recognized in other income. In 2014 the income from investments in associates comprises only the profit accounted for using the equity method relating to the Moja naložba pension company.

(€)	2014	2013
Profit from investments in equity-accounted associate companies	154,294	2,177,749
Gain from revaluation of the pre-acquisition stake in Zavarovalnica Maribor to market value.	0	7,725,205
Reclassification of fair value reserve of associate company ZM at 30/04/2013	0	2,018,501
Other	0	184,536
TOTAL	154,294	12,105,991

30. Investment income and expenses

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	Foreign exchange gains	Other income	Total	Net unrealized 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
Financial investments of reinsurers i.r.o. reinsurance contracts 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	Foreign exchange losses	Other	Total	Net unrealized 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	
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	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	Foreign exchange gains/losses	Other income/ expenses	Total	Net unrealized 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

Investment income by IFRS categories

(€) 2013	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	Foreign exchange gains	Other income	Total	Net unrealized gains on life insurance assets
Held to maturity	**5,582,587**	**0**	**0**	**0**	**60,487**	**0**	**5,643,074**	**231,212**
Debt instruments	5,582,587	0	0	0	60,487	0	5,643,074	231,212
At fair value through P/L	**102,471**	**161,863**	**756,859**	**30,389**	**49,228**	**3,692**	**1,104,502**	**8,938,696**
Designated to this category	102,471	161,863	756,859	30,389	49,228	3,692	1,104,502	8,938,696
Debt instruments	102,471	0	756,859	0	49,228	3,103	911,661	689,182
Equity instruments	0	161,863	0	30,389	0	589	192,841	8,249,514
Available-for-sale	**13,388,889**	**0**	**7,181,240**	**468,018**	**1,851,253**	**92,619**	**22,982,019**	**13**
Debt instruments	13,388,145	0	3,651,997	0	1,851,253	2,106	18,893,501	13
Equity instruments	0	0	3,529,243	468,018	0	90,513	4,087,774	0
Other investments	744	0	0	0	0	0	744	0
Loans and receivables	**4,610,799**	**0**	**0**	**0**	**351,927**	**643**	**4,963,369**	**52,495**
Debt instruments	4,594,438	0	0	0	348,840	0	4,943,278	52,495
Other investments	16,361	0	0	0	3,087	643	20,091	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	148,972	0	0	0	0	0	148,972	0
Subordinated liabilities	0	0	1,595,852	0	0	0	1,595,852	0
TOTAL	23,833,718	161,863	9,533,951	498,407	2,312,895	96,954	36,437,788	9,222,416

Investment expenses by IFRS categories

(€) 2013	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	Foreign exchange losses	Other	Total	Net unrealized losses on life insurance assets
Held to maturity	**0**	**0**	**0**	**0**	**37,151**	**4,786**	**41,937**	**0**
Debt instruments	0	0	0	0	37,151	4,786	41,937	0
At fair value through P/L	**0**	**892,632**	**0**	**0**	**33,254**	**897**	**926,783**	**9,424,260**
Designated to this category	0	892,632	0	0	33,254	897	926,783	9,424,260
Debt instruments	0	596,147	0	0	33,254	0	629,401	1,040,460
Equity instruments	0	296,485	0	0	0	897	297,382	8,383,800
Available-for-sale	**0**	**0**	**26,965,080**	**9,350,175**	**2,859,137**	**73,382**	**39,247,774**	**95,177**
Debt instruments	0	0	26,599,792	8,839,392	2,859,137	53,322	38,351,643	95,177
Equity instruments	0	0	365,288	510,783	0	19,906	895,977	0
Other investments	0	0	0	0	0	154	154	0
Loans and receivables	**79,163**	**0**	**0**	**-311,771**	**377,792**	**38,769**	**183,953**	**0**
Debt instruments	0	0	0	-311,771	377,792	38,769	104,790	0
Other investments	79,163	0	0	0	0	0	79,163	0
Subordinated liabilities	1,610,546	0	0	0	0	0	1,610,546	0
TOTAL	1,689,709	892,632	26,965,080	9,038,404	3,307,334	117,834	42,010,993	9,519,437

Net investment income

(€) 2013	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	Foreign exchange gains/losses	Other income/ expenses	Total	Net unrealized gains/losses on life insurance assets
Held to maturity	**5,582,587**	**0**	**0**	**0**	**0**	**23,336**	**-4,786**	**5,601,137**	**231,212**
Debt instruments	5,582,587	0	0	0	0	23,336	-4,786	5,601,137	231,212
At fair value through P/L	**102,471**	**-730,769**	**756,859**	**30,389**	**0**	**15,974**	**2,795**	**177,719**	**-485,564**
Designated to this category	102,471	-730,769	756,859	30,389	0	15,974	2,795	177,719	-485,564
Debt instruments	102,471	-596,147	756,859	0	0	15,974	3,103	282,260	-351,278
Equity instruments	0	-134,622	0	30,389	0	0	-308	-104,541	-134,286
Available-for-sale	**13,388,889**	**0**	**-19,783,840**	**468,018**	**-9,350,175**	**-1,007,884**	**19,237**	**-16,265,755**	**-95,164**
Debt instruments	13,388,145	0	-22,947,795	0	-8,839,392	-1,007,884	-51,216	-19,458,142	-95,164
Equity instruments	0	0	3,163,955	468,018	-510,783	0	70,607	3,191,797	0
Other investments	744	0	0	0	0	0	-154	590	0
Loans and receivables	**4,531,636**	**0**	**0**	**0**	**311,771**	**-25,865**	**-38,126**	**4,779,416**	**52,495**
Debt instruments	4,594,438	0	0	0	311,771	-28,952	-38,769	4,838,488	52,495
Other investments	-62,802	0	0	0	0	3,087	643	-59,072	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	148,972	0	0	0	0	0	0	148,972	0
Subordinated liabilities	-1,610,546	0	1,595,852	0	0	0	0	-14,694	0
TOTAL	22,144,009	-730,769	-17,431,129	498,407	-9,038,404	-994,439	-20,880	-5,573,205	-297,020

Financial assets and liabilities are tested for impairment on an individual basis. Nearly 90 % of loans and receivables mature within one year.

In addition to the impairments of financial assets and liabilities shown in the table, the Group recognized impairment losses on goodwill of the subsidiary Velebit usluge of € 1.9 million (2013: € 0.9 million).

In 2014, interest income on impaired investments totalled € 340,656; no such income was generated in 2013.

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 2014	Liability fund 2013
Interest income	13,586,810	14,684,810
Change in fair value and gains on disposal of FVPL assets	452,243	144,107
Gains on disposal of other IFRS asset categories	1,946,202	4,003,508
Income from dividends and shares – other investments	405,396	272,208
Foreign exchange gains	5,115,881	2,088,689
Other income	58,980	9,491
Total investment income – liability fund	**21,565,512**	**21,202,813**
	Capital fund 2014	Capital fund 2013
Interest income	455,169	642,200
Change in fair value and gains on disposal of FVPL assets	407,927	0
Gains on disposal of other IFRS asset categories	28340	1876774
Income from dividends and shares – other investments	299,984	205,017
Other income	38,407	3,430
Total investment income - capital fund	**1,229,827**	**2,727,421**
TOTAL INVESTMENT INCOME – NON-LIFE BUSINESS	22,795,339	23,930,234

Investment income – life business

(€)	Liability fund – life 2014	Liability fund – life 2013
Interest income	9,742,988	7,632,113
Change in fair value and gains on disposal of FVPL assets	90,390	17,756
Gains on disposal of other IFRS asset categories	1,778,863	2,969,232
Income from dividends and shares – other investments	239,023	21,182
Foreign exchange gains	98,540	177,730
Other income	100,528	84,033
Total investment income – liability fund	**12,050,332**	**10,902,046**
	Capital fund 2014	Capital fund 2013
Interest income	516,177	874,595
Change in fair value and gains on disposal of FVPL assets	364,306	0
Gains on disposal of other IFRS asset categories	253,588	684,437
Foreign exchange gains	57,107	46,476
Other income	88,444	0
Total investment income - capital fund	**1,279,622**	**1,605,508**
TOTAL INVESTMENT INCOME – LIFE BUSINESS	13,329,954	12,507,554
TOTAL INVESTMENT INCOME (LIFE & NON-LIFE)	36,125,293	36,437,788

Expenses for financial assets and liabilities – non-life business

(€)	Liability fund 2014	Liability fund 2013
Interest expenses	32,930	43,791
Change in fair value and losses on disposal of FVPL assets	245,160	536,966
Losses on disposal of other IFRS asset categories	213,275	18,025,877
Impairment losses on investments	1,483,181	2,845,837
Foreign exchange losses	2,868,842	3,149,332
Other	68,740	70,803
Total investment expenses – liability fund	**4,912,128**	**24,672,606**
	Capital fund 2014	Capital fund 2013
Interest expenses	1,366,425	1,616,533
Change in fair value and losses on disposal of FVPL assets	135,643	0
Losses on disposal of other IFRS asset categories	5,164	536,221
Impairment losses on investments	153,475	351,529
Foreign exchange losses	0	11,738
Other	33,762	23,175
Total investment expenses – capital fund	**1,694,469**	**2,539,196**
TOTAL INVESTMENT EXPENSES – NON-LIFE BUSINESS	6,606,597	27,211,802

Expenses for financial assets and liabilities – life business

(€)	Liability fund – life 2014	Liability fund – life 2013
Interest expenses	18,136	29,385
Change in fair value and losses on disposal of FVPL assets	42,728	355,666
Losses on disposal of other IFRS asset categories	8,931	8,402,982
Impairment losses on investments	10,111	5,841,037
Foreign exchange losses	51,131	102,058
Other	21,415	23,842
Total investment expenses – liability fund	**152,452**	**14,754,970**
	Capital fund 2014	Capital fund 2013
Change in fair value and losses on disposal of FVPL assets	131,629	0
Foreign exchange losses	6,176	44,206
Other	90	14
Total investment expenses – capital fund	**137,895**	**44,220**
TOTAL INVESTMENT EXPENSES – LIFE BUSINESS	290,347	14,799,190
TOTAL INVESTMENT EXPENSES (LIFE & NON-LIFE)	6,896,944	42,010,992

(€)	2014	2013
Net unrealized gains on investments of life insurance policyholders who bear the investment risk (life liability fund)	19,146,081	9,222,416
Net unrealized losses on investments of life insurance policyholders who bear the investment risk (life liability fund)	7,900,587	9,516,260
Net unrealized losses on investments of life insurance policyholders who bear the investment risk (capital fund)	0	3,176
NET INVESTMENT INCOME	11,245,494	-297,020

Impairment losses on investments

(€)	2014	2013
Bonds and loans	1,033,455	8,511,028
Shares	613,312	601,339
TOTAL	1,646,767	9,112,367

Net investment income from non-life and life business

(€)	2014	2013
Non-life insurance business	16,188,742	-3,281,568
Life insurance business	13,039,607	-2,588,657
TOTAL	29,228,349	-5,870,225

The 2014 net investment income of € 29.2 million is incomparable to the one in 2013, when the total negative net investment income was a result of extraordinary impairment losses on subordinated bonds and shares of Slovenian banks (€ 25.5 million).

31. Other technical income

Reinsurance commissions constitute a major part of other technical income. The following tables show reinsurance commission income by class of business.

Income from reinsurance commission

(€)	2014	2013
Personal accident	32,095	31,894
Land vehicles casco	122,899	119,430
Aircraft hull	234	759
Ships hull	956	3,047
Goods in transit	13,078	77,166
Fire and natural forces	1,489,019	1,229,560
Other damage to property	530,099	455,420
Motor liability	15,931	-77
Aircraft liability	14,068	12,871
Liability for ships	115	417
General liability	124,962	74,947
Miscellaneous financial loss	64,006	51,434
Legal expenses	204,151	20,176
Life insurance	304,375	42,226
Unit-linked life	48,872	21,390
Total non-life	**2,611,611**	**2,077,044**
Total life	**353,247**	**63,616**
TOTAL	2,964,859	2,140,660

Other technical income comprises gains on the realization of impaired receivables in the amount of € 1.0 million (2013: € 2.9 million), income from other insurance services of € 1.3 million (2013: € 1.8 million), foreign exchange gains of € 2.7 million (2013: € 1.3 million), income from exit and management fees of € 0.9 million (2013: € 0.6 million), income from other services of € 1.1 million (2013: € 0.9 million) and income from investment property 0.1 million, the same as in 2013.

32. Net claims incurred

Net claims incurred

(€) 2014	Gross amounts 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	-6414	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	-331500	260,602	1,389	-231,936	-22,808	300,248
Legal expenses	0	0	0	1255	0	0	1255
Assistance	2,063,960	-3448	-1,672,744	2	-6,952	10,998	391,816
Life insurance	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

(€) 2013	Gross amounts 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	11,512,254	-1,377	-30,338	10,205	2,150,979	15,255	13,656,978
Health	2,772,589	0	0	0	11,181	0	2,783,770
Land vehicles casco	50,492,041	-1,082,803	-319,912	-15,151	304,357	61,702	49,440,234
Railway rolling stock	2,712	0	0	0	-10,214	0	-7,502
Aircraft hull	478,820	0	-6,187	0	138,980	-12,514	599,099
Ships hull	3,098,672	0	-4,422	-5,078	1,052,799	-2,433	4,139,538
Goods in transit	1,932,074	-46,663	-189,446	6,332	-494,311	-4,523	1,203,463
Fire and natural forces	44,742,339	-30,919	-4,496,061	-54,354	-3,284,207	2,742,404	39,619,202
Other damage to property	19,355,091	-35,226	-1,982,471	-126,032	-3,445,435	3,628,152	17,394,079
Motor liability	49,698,452	-2,441,440	-316,617	-10,341	10,072,705	-303,355	56,699,404
Aircraft liability	20,330	0	-4,306	0	-198,244	-10,485	-192,705
Liability for ships	12,761	0	-255	0	-108,057	8,130	-87,421
General liability	4,905,573	-22,640	-220,575	-5,489	2,529,589	-242,113	6,944,345
Credit	3,186,552	-2,781,573	0	0	-505,398	0	-100,419
Suretyship	153,701	-8,325	0	0	31,447	0	176,823
Miscellaneous financial loss	502,428	0	-69,313	-1,690	632,933	-235,043	829,315
Legal expenses	0	0	0	958	0	0	958
Assistance	1,450,875	0	-1,026,943	0	250,639	-185,966	488,605
Life insurance	21,761,905	0	-129,275	0	993,899	76,299	22,702,828
Unit-linked life	11,508,364	0	-96,624	0	1,446,479	-226,138	12,632,081
Capital redemption	86,880	0	0	0	0	0	86,880
Total non-life	**194,317,264**	**-6,450,966**	**-8,666,846**	**-200,640**	**9,129,743**	**5,459,211**	**193,587,766**
Total life	**33,357,149**	**0**	**-225,899**	**0**	**2,440,378**	**-149,839**	**35,421,789**
TOTAL	227,674,413	-6,450,966	-8,892,745	-200,640	11,570,121	5,309,372	229,009,555

The above tables show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). Net claims incurred additionally include movements in the net claims provision; it resulted in an increase of € 12.3 million (2013: increase of € 16.9 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 the increase in net provisions for unexpired risks, which increased primarily due to the acquisition of Zavarovalnica Maribor. The change in gross technical provisions is described in note 22.

34. Operating expenses

The Group classifies operating expenses by nature. Compared to 2013, operating expenses increased by 13.3 %. This increase is a result of the fact that in 2014 Zavarovalnica Maribor contributed to the Group operating expenses throughout the year, while in 2013 only from 01/05/2013 onwards.

Operating expenses by nature

(€)	2014	2013
Acquisition costs (commissions)	47,511,857	46,871,452
Change in deferred acquisition costs	489,499	-469,329
Depreciation of operating assets	7,596,809	6,043,226
Personnel costs	58,487,467	48,536,433
Costs under contracts for services, incl. contributions	675,970	1,058,361
Other operating expenses	31,859,831	27,361,224
TOTAL	146,621,433	129,401,367

Audit expenses

(€)	2014	2013
Audit of annual report	284,763	292,800
Tax consulting	0	10,094
Other non-audit services	181,404	87,371
TOTAL	466,167	390,265

35. Other technical expenses and other expenses

(€)	2014	2013
Expenses for loss prevention activities and fire brigade charge	2,978,309	2,263,749
Contribution for covering claims of uninsured and unidentified vehicles and vessels	2,218,739	2,100,587
Operating expenses from revaluation	8,746,832	7,416,702
Diverse other expenses	2,450,538	2,217,113
TOTAL	16,394,418	13,998,151

Other expenses also include fines and other expenses not directly related to insurance business.

36.

37. Income tax expense

Tax rate reconciliation

(€)	2014	2013
Profit/loss before tax	38,956,242	15,774,040
Income tax expenses at statutory tax rate (17 %)	6,622,561	2,681,587
Adjustment to the actual rates	2,737,722	1,047,878
Tax effect of income that is deducted for tax purposes	-3,552,709	-5,099,614
Tax effect of expenses not deducted for tax purposes	1,245,356	398,291
Tax effect of income that is added for tax purposes	10,621	14,842
Income from or expenses for tax relief	-397,869	989,683
Changes in temporary differences	1,752,410	119,449
TOTAL INCOME TAX EXPENSE IN THE INCOME STATEMENT	8,418,092	152,116
Effective tax rate	21.61 %	0.96 %

17.10. Notes to the consolidated financial statements – cash flow statement

38. Notes to the cash flow statement, which has been prepared using the indirect method.

The cash flow statement shown in section 16.4 has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

The table below presents income statement items not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

(€)	2014	2013
Net profit/loss for the period	**30,608,470**	**15,621,924**
Non-cash items of the income statement not included in the cash flow statement:	**37,854,581**	**42,261,016**
- change in unearned premiums	3,205,017	-15,075,980
- change in the provision for outstanding claims	12,358,135	16,879,493
- change in other technical provisions	3,486,054	-5,788,369
- change in technical provisions for policyholders who bear the investment risk	25,455,421	12,127,890
- operating expenses – amortization/depreciation and change in deferred acquisition cost	8,086,308	6,512,155
- impairment losses on financial assets	-14,736,354	27,605,828
Eliminated investment income items	**-25,245,547**	**-34,419,616**
- interest received disclosed under B. a.) 1.	-24,301,144	-23,833,718
- receipts from dividends and shares in profit of others disclosed under B. a.) 2.	-944,403	-10,585,897
Eliminated investment expense items	**1,417,491**	**1,629,646**
- interest paid disclosed under C. b.) 1.	1,417,491	1,629,646
CASH FLOWS FROM OPERATING ACTIVITIES – INCOME STATEMENT ITEMS	44,634,995	25,092,970

17.11. Contingent receivables and liabilities

Based on a contract with the former owner of Velebit osiguranje and Velebit životno osiguranje, the Group has a contingent liability due to the former owner of both companies but also a contingent receivable due from the non-controlling interest in both subsidiaries in relation to the transfer of a lien on shares. At 31 December 2014, the contingent liability in this regard totalled € 0.4 million.

17.12. Related party disclosures

The Group separately discloses its relationships with the following groups of related parties:

- owners and related enterprises;
- management and supervisory board members and employees not subject to the tariff section of the collective agreement;
- subsidiary companies;
- 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

(€)	2014	2013
Management board	658,736	663,544
Payments to employees not subject to the tariff section of the collective agreement	4,505,004	4,109,630
Supervisory board	108,999	120,904
Audit committee and nomination committee	20,744	19,277
TOTAL	5,293,483	4,913,356

Remuneration paid to management board members in 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

Remuneration paid to management board members in 2013

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	160,144	31,872	6,259	3,770	202,045
Srečko Čebron	144,184	21,510	5,241	1,674	172,608
Jošt Dolničar	144,184	21,510	5,195	4,168	175,057
Mateja Treven	88,779	21,510	3,545	0	113,834
TOTAL	537,290	96,402	20,240	9,612	663,544

Liabilities to management board members

(€)	31/12/2014	31/12/2013
Zvonko Ivanušič	6,087	6,427
Srečko Čebron	6,052	6,019
Jošt Dolničar	5,570	5,483
Mateja Treven	5,699	0
TOTAL	23,408	17,930

At 31 December 2014, the Group had no receivables due from the management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration paid to members of the supervisory board and the audit committee in 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		15,475
Gorazd Andrej Kunstek	member of the SB	2,200	13,000		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		6,635
Slaven Mićković	member of the AC	1,760	3,250		5,010
Ignac Dolenšek	member of the AC		8,925	174	9,099
TOTAL AUDIT COMMITTEE MEMBERS		3,520	17,050	174	20,744

Remuneration paid to members of the supervisory board and the audit committee in 2013

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	4,510	19,500	3,503	27,513
Mateja Lovšin Herič	deputy chair of the SB	4,235	14,300	0	18,535
Slaven Mićković	member of the SB	4,510	13,000	30	17,540
Martin Albreht	member of the SB	3,960	13,000	0	16,960
Gorazd Andrej Kunstek	SB member since 23/01/2013	4,235	12,231	0	16,466
Keith William Morris	SB member since 15/07/2013	1,650	6,011	5,771	13,432
Gregor Hudobivnik	SB member until 14/07/2013	2,640	6,989	30	9,659
Samo Selan	member of the SB (until 15/01/2013)	275	524		799
TOTAL SUPERVISORY BOARD MEMBERS		26,015	85,555	9,334	120,904
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,760	4,875	0	6,635
Slaven Mićković	member of the AC	1,760	3,250	0	5,010
Ignac Dolenšek	AC member since 22/07/2013		3,263	73	3,335
Blanka Vezjak	AC member until 21/07/2013		2,625	352	2,977
TOTAL AUDIT COMMITTEE MEMBERS		3,520	14,012	425	17,957
Nomination committee members					
Mateja Lovšin Herič	member	440	0	0	440
Branko Tomažič	member	440	0	0	440
Vesna Razpotnik	member	440	0	0	440
TOTAL NOMINATION COMMITTEE MEMBERS		1,320	0	0	1,320

At 31 December 2014, the Group had liabilities to members of the supervisory board and audit committee of € 9,238 (31 December 2013: € 7,284).

Remuneration of employees not subject to the tariff section of the collective agreement in 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

Remuneration of employees not subject to the tariff section of the collective agreement in 2013

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	3,844,436	169,859	95,335	4,109,630

Associate companies

Income and expenses relating to associates

(€)	2014	2013
Gross premiums written	0	19,781,346
Gross claims payments	0	-8,065,244
Income from gross recourse receivables	0	165,326
Income from dividends	0	2,256,962
Acquisition costs	0	-3,054,894
Additional pension insurance premium	68,790	65,574
TOTAL	68,790	11,149,071

Receivables due from the state and majority state-owned companies

(€)	31/12/2014	31/12/2013
Interests in companies	11,927,070	11,574,508
Debt securities and loans	321,587,815	336,474,242
TOTAL	333,514,885	348,048,750

Income and expenses relating to majority state-owned companies

(€)	2014	2013
Dividend income	609,100	410,632
Interest income	12,662,855	16,776,738
TOTAL	13,271,955	17,187,369

Characteristics of loans granted to associate and subsidiary companies

Borrower	Principal	Type of loan	Maturity	Interest rate
Sava osiguranje Belgrade	500,000	ordinary	01/06/2015	4.5 %
Sava osiguranje Belgrade	800,000	ordinary	30/06/2016	4.0 %
Sava Montenegro	1,500,000	ordinary	31/03/2015	3.8 %
Velebit osiguranje	734,953	subordinated	no maturity	7.0 %
Velebit životno osiguranje	800,000	subordinated	no maturity	7.5 %
TOTAL	4,334,953			

18. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- On 14/01/2015, 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 claim amount against the Bank of Slovenia relating to emergency measures totals € 10,038,000 for Sava Reinsurance Company and € 22,957,200 for Zavarovalnica Maribor.
- From 1 January 2015 to 31 March 2015, Sava Reinsurance Company bought 8,236 own shares for a total amount of € 132,001 on the Ljubljana Stock Exchange. The total number of own shares at 31 March 2015 after the said purchases was 736,066, representing 4.2745 % of all issued shares.

SAVA REINSURANCE COMPANY

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.

#3 BUSINESS REPORT

19. GLOBAL (RE)INSURANCE MARKETS[28]

Non-life (re)insurance markets

The non-life reinsurance industry is caught between a bright present and cloudy future. The industry is currently heading for a third year of very strong underwriting results. As there have been no major catastrophes in 2014, the combined ratio is likely to be around 90 %, and RoE will remain double-digit at 12 %.

However, reinsurance prices are softening. US property cat rates started to weaken in mid-2013 and the trend towards softening continued in 2014 and in the January 2015 renewals. In addition to the price cuts in property catastrophe reinsurance, rates for non-catastrophe covers in P&C lines of businesses have also softened markedly. In general, rates in casualty have been less soft than in property lines. The trend of softening of prices is expected to decelerate as demand increases and the pressure for profits grows.

Capital development in non-life reinsurance: alternative and traditional capital

Due to falling property catastrophe rates, there is currently much talk about excess capacity in the reinsurance market. It was primarily the quick expansion of alternative capital (AC) in 2013–2014 that generated the supply/demand imbalance in property cat reinsurance. AC has become a standard form of (re)insurance capital supply in certain peak risk areas. After a rally in the mid 2000s, which was interrupted by the outbreak of the financial crisis, AC stagnated for a few years before beginning to rise strongly again in 2013. By mid-2014 the reinsurance capacity provided by AC was estimated at USD 59 billion, up from USD 50 billion by end of 2013, according to Aon Benfield. AC has now a 14 % market share in the global property catastrophe reinsurance market.

The capital position of global reinsurers, the traditional capital, has improved since 2011 along with rising premium income. The "hard" capital of reinsurers (i.e. capital which excludes elusive unrealized capital gains), developed strongly between the end of 2011 and end 2013, growing by 22 %.

Essentially four factors have impacted capital development in recent years:

- benign natural catastrophe activity,
- reserve releases from prior years' claims,
- interest rate movements and
- capital management activities, including dividend payments, capital raising and share buy-backs.

V In 2011, large natural catastrophe losses (major earthquakes in New Zealand and Japan) curbed reinsurers' capital growth. Underwriting losses were offset by unrealized capital gains from falling interest rates and reserve releases. In the following two and a half years, natural catastrophe losses were lower and underwriting results were strong.

28 Based on Swiss Re: Global Insurance Review 2014 and Outlook 2015/16.

Reserve releases from prior years' claims of liability lines, which have been significant since 2009, have also contributed to capital developments recently. Losses from liability lines have simply been lower than expected, which allows reserves to be released, contributing to profits and capital developments.

Changes in interest rates cause mark-to-market swings in the values of invested fixed income securities, the most important asset class of reinsurers, impacting the GAAP accounting capital of reinsurers. Unrealized capital gains, which were between 4–5 % of industry capital in 2009 and 2010, had risen to 10 % by the end of June 2014. These unrealized gains are temporary in nature.

Because pricing has been softening and traditional capital has been growing rapidly, reinsurers have begun to more actively manage their capital. They have stepped up their capital management efforts by increasing dividend payments and intensifying share buy-back programmes. This will decrease capital and help to stabilize property natural catastrophe prices.

Strong underwriting results in non-life reinsurance

The non-life reinsurance industry posted strong underwriting results during the first three quarters of 2014, amidst an absence of large natural catastrophe losses. Based on preliminary data, the reinsurance industry is expected to report a combined ratio of around 90 % for the financial year 2014. This figure, however, does not properly reflect the underlying underwriting profitability, because large natural catastrophe losses have been lower than anticipated and the claims ratio has been reduced by positive reserve releases derived from redundant reserves for prior years' claims. Excluding these two major impacts, the underlying underwriting result would instead be around 98 % and RoE about 8 %.

Investment returns still weak

The investment environment for reinsurers is the same as it is for insurers: challenging. The industry achieved a mere average 3.6 % annualized investment yield in the first half of 2014. Current investment returns have fallen below 3 %, while capital gains are at 0.9 %. Nevertheless, for the full-year 2014, an overall RoE of around 12 % is expected for non-life reinsurance due to the windfall gains in the underwriting result.

Outlook for 2015 and 2016

Real premium growth in the non-life reinsurance sector is expected to be weak in 2015 and 2016. Advanced markets will be impacted by the current softening of rates, leading to stagnating premiums in 2015 and only a slight increase of 1.3 % in 2016. Premium growth in the emerging markets overall is heavily influenced by ups and downs in China. After this year's increase of cessions due to large motor quota share reinsurance transactions, premium volumes in China are expected to drop back in 2015 and 2016. Excluding China, emerging markets are expected to have improving real growth rates of 5 % in 2015 and 6 % in 2016.

Assuming average catastrophe losses, somewhat softer reinsurance 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 2015. Also, though interest rates will be rising in the advanced markets in 2015 and 2016, they will still be low by historical standards, so investment returns will remain below pre-financial crisis levels. The overall profitability outlook is therefore expected to be a RoE of around 7 % in 2015 and 2016.

Real growth of non-life reinsurance premiums

	2012	2013	2014	P 2015	P 2016
Mature markets	4.3 %	0.3 %	-0.5 %	0.3 %	1.3 %
Emerging markets	-1.0 %	6.6 %	15.9 %	-4.6 %	0.5 %
Global markets	3.1 %	1.7 %	3.5 %	-1.0 %	1.1 %

LIFE REINSURANCE MARKETS

The life reinsurance market generated a modest growth in 2014, about 1.3 % (according to major global reinsurers).

Premiums in traditional life reinsurance consisting of mortality and morbidity are estimated to have grown 0.8 % globally in 2014. Trends were worst in the US but more positive in the UK and the large continental European markets.

Real growth in premium income for traditional life reinsurance

	2012	2013	2014	P 2015	P 2016
Mature markets	0.6 %	-0.7 %	0.8 %	-0.2 %	-0.1 %
Emerging markets	-3.8 %	5.0 %	0.3 %	6.7 %	6.8 %
Global markets	0.3 %	-0.3 %	0.8 %	0.3 %	0.4 %

Outlook for 2015 and 2016

Traditional life reinsurance is expected to stagnate in the next two years, with advanced markets even seeing a slight decline in premiums. In 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 is expected to grow by about 6 to 7 % annually. In these markets, life reinsurers' main value proposition will be to support primary insurance in product development, underwriting and claims management.

However, life reinsurers will seek non-traditional or less-developed areas of growth. In the next few years, many primary insurance firms will need solutions to manage the capital strain that the macro 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, creating opportunities for transferring blocks of in-force business to reinsurers and specialised consolidators.

Life reinsurers are increasingly providing solutions to take longevity risk from primary companies with annuity business, and from private and public pension plans. Momentum in the market for longevity risk transfer remains strong, with a record high amount of longevity liabilities transferred or protected via longevity reinsurance and swap transactions in 2014. 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.

20. SAVA REINSURANCE COMPANY REVIEW OF OPERATIONS

20.1. Performance of Sava Reinsurance Company

Net premiums earned

Net premiums earned

(€)	2014	2013	Index
Gross premiums written	131,323,246	134,131,528	97.9
Net premiums written	114,667,703	118,933,110	96.4
Change in net unearned premiums	-820,635	5,749,006	-214.3
NET PREMIUMS EARNED	113,847,068	124,682,116	91.3

The following table shows the movement in gross premiums written from Slovenia and abroad. Gross premiums written in Slovenia decreased by 5.1 % as a result of reduced quota share reinsurance participation in Zavarovalnica Maribor and Zavarovalnica Tilia. Gross premiums written from abroad dropped by 0.1 % (€ 0.1 million). The January 2014 renewals were impacted by the rating review announced in response to impairment losses on subordinated bank bonds in 2013. After the rating was reaffirmed, lost premiums were successfully compensated in mid-year renewals. Another reason for the decline is the soft market (with falling reinsurance rates), which mostly resulted in less non-proportional premiums written abroad; reinstatement premiums (paid to reinstate coverage after major losses) were also down because of the relatively benign claims experience.

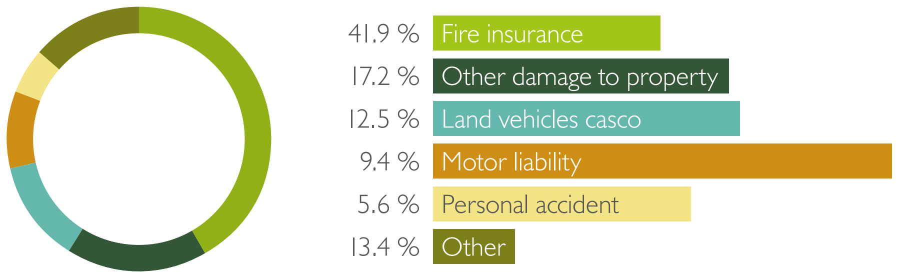
Favourable loss ratio developments on international reinsurance markets.

Gross premiums written by geographical area

(€)	2014	2013	Index
Slovenia	51,124,459	53,853,099	94.9
International	80,198,787	80,278,428	99.9
TOTAL	131,323,246	134,131,527	97.9

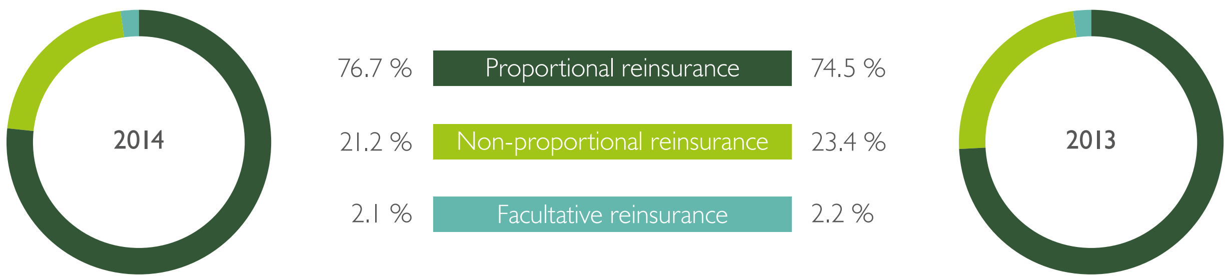
The largest share of premiums in 2014 was still fire business, although its share shrank by 2.9 percentage points compared to 2013. The share of motor liability decreased by 1.4 percentage points. Other major classes of insurance that have grown in relative terms were other damage to property (up 3.1 p.p.) and reinsurance land motor vehicles (up 0.9 .p.p.).

Gross premiums written in 2014 by class of business



Despite the decline in the percentage of quota share reinsurance participation in Zavarovalnica Maribor and Zavarovalnica Tilia, the share of proportional reinsurance premiums of total premiums has grown slightly. Reinsurance premiums of proportional business have grown slightly (up € 0.9 million), while non-proportional reinsurance business recorded a significant drop (down € 3.5 million). As a result, the share of non-proportional reinsurance business declined. The decline in non-proportional reinsurance business is due to the above mentioned developments in reinsurance markets (soft market and less reinstatement premium income).

Gross premiums written by form of reinsurance



Net earned premiums by class of business

(€)	2014	2013	Index
Personal accident	7,297,817	8,317,943	87.7
Health	99,263	605,881	16.4
Land vehicles casco	14,006,584	14,341,105	97.7
Railway rolling stock	447	7,957	5.6
Aircraft hull	341,383	530,210	64.4
Ships hull	3,891,714	4,146,877	93.8
Goods in transit	3,462,419	2,363,462	146.5
Fire and natural forces	46,728,622	53,829,240	86.8
Other damage to property	18,499,820	17,714,635	104.4
Motor liability	12,647,944	15,618,101	81.0
Aircraft liability	-4,114	-61,859	6.7
Liability for ships	267,819	267,196	100.2
General liability	4,915,141	4,715,442	104.2
Credit	504,750	492,298	102.5
Suretyship	215,923	209,402	103.1
Miscellaneous financial loss	166,534	109,656	151.9
Legal expenses	0	2,873	0.0
Assistance	-2,778	9,554	-29.1
Life insurance	670,213	1,307,415	51.3
Unit-linked life	137,568	154,725	88.9
Total non-life	**113,039,288**	**123,219,976**	**91.7**
Total life	**807,781**	**1,462,139**	**55.2**
TOTAL	113,847,069	124,682,116	91.3

Net claims incurred

Net claims incurred

(€)	2014	2013	Index
Gross claims paid	70,181,933	80,525,492	87.2
Net claims paid	62,008,708	74,032,445	83.8
Change in the net provision for outstanding claims	2,727,962	3,549,208	76.9
NET CLAIMS INCURRED	64,736,669	77,581,653	83.4

Gross claims paid of Sava Reinsurance Company decreased by 12.8 % in 2014. Compared to year-end 2013, the net provision for outstanding claims increased by € 2.7 million, but it increased by € 3.5 million one year earlier, which means that the change in 2014 was smaller than in 2013. Gross provisions for outstanding claims grew by € 6.8 million. Despite the smaller business volume from Slovenia, the claims provision for this business increased by € 7.4 million because a claims provision for ice damage of € 9.7 million had been made. This loss is mainly reinsured abroad, resulting in no material impact on net claims incurred. The movement in technical provisions is commented in the notes to the financial statements, section 24.6, notes 7 and 19.

The following table shows the movement in gross claims paid from Slovenia and abroad. Gross claims paid in Slovenia fell by 13.1 % in 2014 compared to 2013 owing to less premiums written (5.1 % premium decline) and a benign loss activity in 2014 (in 2013 the company still settled claims relating to the floods that hit Slovenia in November 2012).

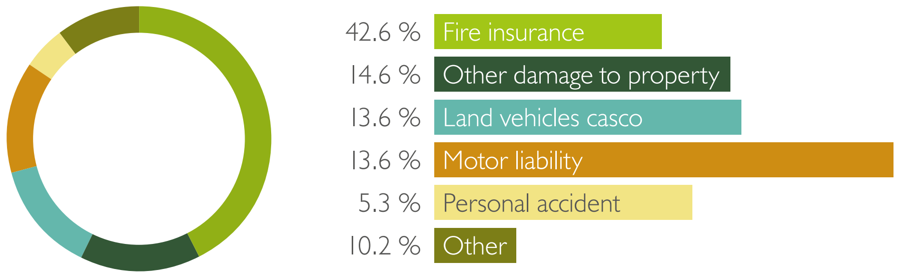
International gross claims decreased by 12.7 % compared to 2013, as in 2013 there were many losses settled relating to the 2012 Thai floods and a number of smaller claims that hit this part of the portfolio. In 2014 no major catastrophe events impacted the international portfolio.

Gross claims paid by geographical area

(€)	2014	2013	Index
Slovenia	28,497,692	32,789,144	86.9
International	41,684,241	47,736,348	87.3
TOTAL	70,181,933	80,525,492	87.2

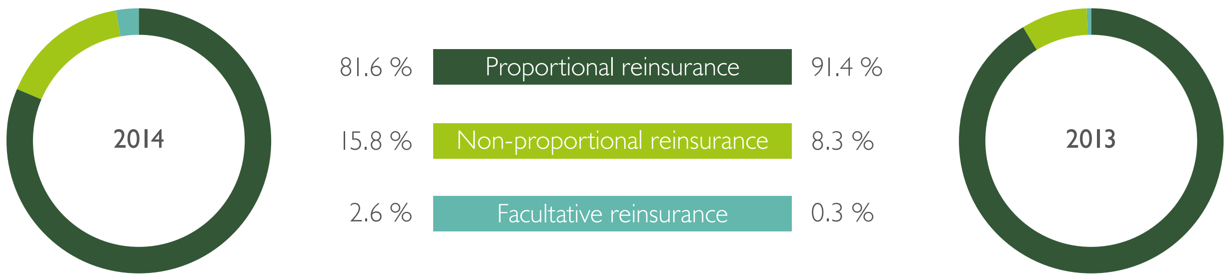
In terms of class of business, 2014 claims were still dominated by fire claims. Compared with 2013, their share decreased by 4.8 percentage points. This class is followed by other damage to property, the share of which fell by 0.9 percentage points, and motor reinsurance, which together account for 27.2 % of all claims (2013: 23.8 %).

Gross claims paid in 2014 by class of business



The composition of claims by type changed slightly in 2014. There was a decline in the share of claims on proportional reinsurance business in favour of non-proportional reinsurance business. Proportional claims decreased by € 16.3 million (in 2013 payment of claims relating to the 2012 Thai floods and 2012 floods in Slovenia), while non-proportional claims increased by € 4.4 million in line with increasing non-proportional business over previous years.

Gross claims paid by form of reinsurance



Net claims incurred by class of business

(€)	2014	2013	Index
Personal accident	3,541,052	4,764,714	74.3
Health	203,536	671,295	30.3
Land vehicles casco	9,157,050	9,922,415	92.3
Railway rolling stock	1,076	-7,502	-14.3
Aircraft hull	86,048	597,989	14.4
Ships hull	1,805,179	3,954,273	45.7
Goods in transit	1,506,401	1,235,444	121.9
Fire and natural forces	29,900,857	32,780,782	91.2
Other damage to property	7,262,292	10,411,762	69.8
Motor liability	6,929,300	10,238,260	67.7
Aircraft liability	40,620	-193,109	-21.0
Liability for ships	166,523	-79,475	-209.5
General liability	2,933,045	1,904,660	154.0
Credit	160,581	221,981	72.3
Suretyship	111,172	120,224	92.5
Miscellaneous financial loss	-208,758	447,127	-46.7
Assistance	-6,163	7,118	-86.6
Life insurance	1,121,326	451,367	248.4
Unit-linked life	25,533	132,326	19.3
Total non-life	**63,589,811**	**76,997,958**	**82.6**
Total life	**1,146,859**	**583,693**	**196.5**
TOTAL	64,736,669	77,581,653	83.4

Operating expenses

Operating expenses

(€)	2014	2013	Index
Acquisition costs	30,723,796	31,383,319	97.9
Change in deferred acquisition costs (+/-)	8,390	1,190,532	0.7
Other operating expenses	8,236,282	7,746,021	106.3
Gross operating expenses	**38,968,467**	**40,319,872**	**96.6**
Income from reinsurance commission	-2,030,651	-1,438,193	141.2
NET OPERATING EXPENSES	36,937,816	38,881,680	95.0

In 2014 acquisition costs decreased by 2.1 % compared to 2013, which is in line with the trend of gross premiums written (2.1 % drop). Acquisition costs as a percentage of premiums are on the same level as last year. At year-end 2014, deferred commission was slightly higher than in 2013 (but in 2013 lower compared to 2012 by € 1.2 million). Changes in this item is related to the movement in unearned premiums.

Other operating expenses were slightly higher compared to 2013 partly because of increased personnel costs after recruiting 11 new staff members.

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 € 13.7 million in 2014 (2013: € 8.0 million), of which € 6.9 million relate to financial investments and € 7.7 million to investments in subsidiaries and associates.

The realized net investment income also includes foreign exchange gains relating to investments used by the Company for asset-liability matching in foreign currencies. However, the effect of foreign 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 foreign exchange differences. The total impact of foreign exchange differences on the result is presented in the notes to the financial statements of the annual report, in the section on currency risk.

Return on the investment portfolio of Sava Reinsurance Company

(€)	2014	2013	Nominal change
Income from financial investments	11,784,187	10,632,732	1,151,455
Expenses for financial investments	4,898,922	14,589,917	-9,690,995
Net investment income of financial investments	**6,885,265**	**-3,957,185**	**10,842,450**
Net investment income of financial investments in subsidiaries and associates	7,723,555	13,182,804	-5,459,248
Net investment income of investment property	13,120	13,473	-353
Net inv. income of the investment portfolio	**14,621,940**	**9,239,091**	**5,382,849**
Expenses for financial liabilities	949,274	1,256,450	-307,176
Net inv. income of the investment portfolio	**13,672,666**	**7,982,641**	**5,690,025**
Net inv. income of the investment portfolio, excluding foreign exchange differences	**11,535,975**	**9,103,499**	**2,432,477**

After eliminating foreign exchange differences that do not fully affect profit, the net investment income of the investment portfolio totalled € 11.5 million, up € 2.4 million from 2013.

The largest impact on the improved net investment income in 2014 (despite lower dividend income from subsidiaries) were the lower expenses for financial investments. Detailed data are shown below with investment income and investment expenses.

Income, expenses and the net inv. income relating to the investment portfolio of Sava Reinsurance Company

(€)	2014	2013	Nominal change
Income			
Interest income	4,607,741	5,680,635	-1,072,894
Change in fair value and losses on disposal of FVPL assets[29]	453,846	253,417	200,429
Gains on disposal of other IFRS asset categories	1,173,117	2,434,212	-1,261,095
Income of subsidiary and associate companies	10,250,880	14,659,724	-4,408,844
Income from dividends and shares – other investments	605,699	366,844	238,855
Foreign exchange gains	4,893,730	1,888,486	3,005,244
Other income	65,349	24,943	40,406
TOTAL INCOME FROM THE INVESTMENT PORTFOLIO	22,050,362	25,308,261	-3,257,899
Expenses			
Expenses for interest on financial liabilities	949,274	1,256,450	-307,176
Change in fair value and losses on disposal of FVPL assets	246,283	211,666	34,617
Losses on disposal of other IFRS asset categories	201,464	9,072,377	-8,870,913
Expenses of subsidiary and associate companies	2,500,000	1,460,497	1,039,503
Impairment losses on investments	1,634,413	2,238,929	-604,517
Foreign exchange losses	2,757,040	3,009,344	-252,304
Other	89,223	76,357	12,865
TOTAL EXPENSES FOR THE INVESTMENT PORTFOLIO	8,377,696	17,325,620	-8,947,925
Net inv. income of the investment portfolio	**13,672,667**	**7,982,641**	**5,690,026**
Net inv. income of the investment portfolio, excluding foreign exchange differences	**11,535,975**	**9,103,499**	**2,432,477**
Investment return	**3.2 %**	**2.1 %**	**1.1 %**
Return on the investment portfolio, excluding foreign exchange differences	**2.7 %**	**2.4 %**	**0.3 %**

29 These are investments designated as at fair value through profit or loss.

The largest contribution to total 2014 income related to dividends received from subsidiaries and associates totalling € 10.3 million, a decline of € 4.4 million from one year earlier. Compared with 2013, less interest income was realized in 2014 as a result of lower interest rates in securities markets. In 2014 positive foreign exchange differences of € 4.9 million were realized (2013: € 1.9 million).

The main elements constituting total 2014 investment expenses were impairment losses on the investment portfolio of € 4.1 million (impairment of goodwill of Velebit osiguranje of € 2.5 million and impairment losses on other financial investments of € 1.6 million) and foreign exchange losses of € 2.8 million. Compared with 2013, investment expenses fell by € 8.9 million because in 2013 the portfolio was impacted by the cancellations of subordinated bonds and equities of Slovenian banks as a result of the restructuring of the banking system imposed by the Slovenian government and the Bank of Slovenia.

20.2. Financial position of Sava Reinsurance Company

At 31 December 2014, the balance sheet total of Sava Reinsurance Company amounted to € 547.4 million, an increase of 3.2 % over 2013. Below are notes to items in excess of 5 % of assets/liabilities.

Net profit up 51.4 %.

20.2.1. Assets

Total assets by type

(€)	31/12/2014	As % of total at 31/12/2014	31/12/2013	As % of total at 31/12/2013
ASSETS	547,413,684	100.0 %	530,636,968	100.0 %
Intangible assets	467,423	0.1 %	112,212	0.0 %
Property and equipment	2,462,814	0.4 %	2,341,711	0.4 %
Deferred tax assets	1,040,593	0.2 %	1,833,254	0.3 %
Investment property	115,492	0.0 %	153,920	0.0 %
Financial investments in Group companies and associates	189,641,994	34.6 %	189,940,275	35.8 %
Financial investments	241,524,533	44.1 %	236,592,225	44.6 %
Reinsurers' share of technical provisions	30,863,647	5.6 %	26,342,964	5.0 %
Receivables	71,484,165	13.1 %	63,834,070	12.0 %
Deferred acquisition costs	9,003,998	1.6 %	9,012,388	1.7 %
Other assets	296,684	0.1 %	345,684	0.1 %
Cash and cash equivalents	512,342	0.1 %	128,265	0.0 %

20.2.1.1. Financial investments in subsidiaries and associates and other financial investments

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

The investment portfolio of Sava Reinsurance Company totalled € 431.8 million at 31 December 2014 (31 December 2013: € 426.8 million).

Investment portfolio of Sava Reinsurance Company by class of asset

(€)	31/12/2014	31/12/2013	Nominal change	Index
Deposits and CDs	15,664,002	30,837,544	-15,173,542	50.8
Government bonds	95,493,956	95,968,152	-474,196	99.5
Corporate bonds	105,513,193	77,567,167	27,946,026	136.0
Shares	12,670,272	12,537,924	132,348	101.1
Mutual funds	2,260,648	3,855,136	-1,594,488	58.6
Loans granted and other	4,334,953	5,635,286	-1,300,333	76.9
Deposits with cedants	5,587,510	10,191,017	-4,603,507	54.8
TOTAL FINANCIAL INVESTMENTS	241,524,533	236,592,226	4,932,307	102.1
Financial investments in subsidiaries and associates	189,641,994	189,940,275	-298,281	99.8
Investment property	115,492	153,920	-38,428	75.0
Cash and cash equivalents	512,342	128,264	384,078	399.4
TOTAL INVESTMENT PORTFOLIO	431,794,361	426,814,685	4,979,675	101.2

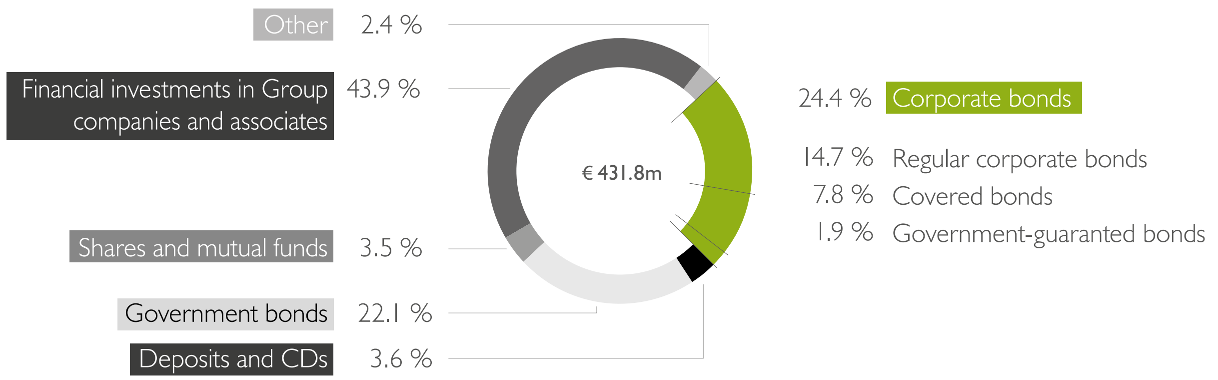
The investment portfolio grew by € 5.0 million compared to the prior year. The growth of the investment portfolio was mainly a result of the following factors:

+ positive cash flow from core business (€ 11.8 million),
+ dividends received from subsidiaries (€ 10.3 million),
+ foreign exchange differences (€ 2.1 million),
– own share repurchases (€ 10.1 million),
– reduction in deposit amounts with cedants due to changed recording of accounting data (€ 4.6 million). Released deposits are shown as premium receivables,
– prepayment of subordinated loan[30] (€ 6.2 million).

At 31 December 2014, the investment portfolio predominantly consisted of fixed-income investments (deposits, government bonds, corporate bonds), which accounted for 50.2 % of the portfolio. Shares and mutual funds represented 3.5 %, while investments in subsidiaries and associates accounted for 43.9 %. The other category comprising loans granted, deposits with cedants, investment property and cash constituted 2.4 % at 31 December 2014.

Breakdown of the investment portfolio at 31 December 2014

31/12/2014



* Covered bonds are bonds issued by financial institutions and secured by a pool of assets known as "cover pool". Conditions that must be met by assets of the cover pool and insolvency procedures of the issuer are regulated by laws that differ from country to country. If the issuer becomes insolvent or bankruptcy proceedings are initiated, the assets of the cover pool are separated from other assets of the issuer so the holders of covered bonds have pre-emptive rights to repayment from the cover pool.

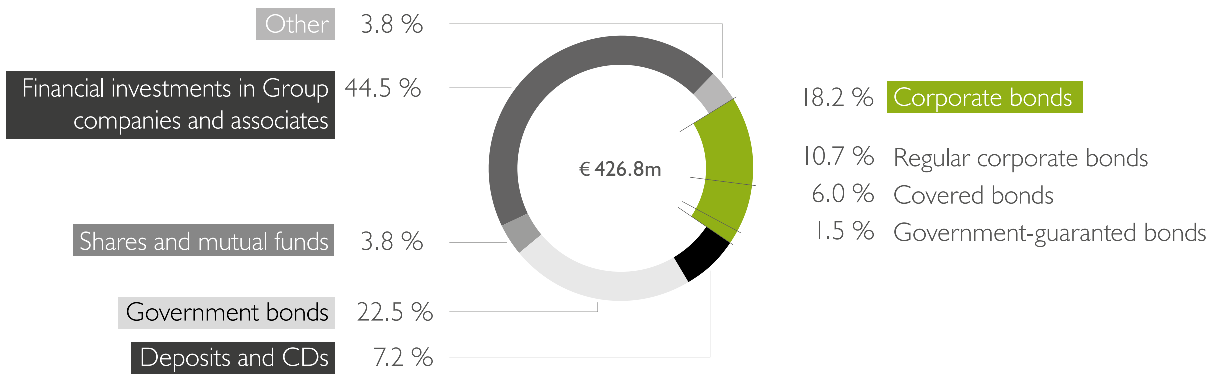
The following shifts occurred in the composition of the investment portfolio compared to 31 December 2013:

- The share of deposits declined (-3.6 percentage points) mainly due to reduced funds invested in call deposits.
- The proportion of corporate bonds increased by 6.2 percentage points, in line with the investment policy. The increase in the proportion of corporate bonds is a result of purchases of covered bonds and foreign non-financial corporate bonds rated A or better.
- The proportion of the other category declined in 2014 primarily due to the decline in the share of deposits with cedants, as part of this item is recognized in reinsurance receivables.

30 This was relating to a prepayment of a subordinated loan, for which the contract was signed in December 2013 but the settlement was made in January 2014.

Breakdown of the investment portfolio 31 December 2013

31/12/2013



20.2.1.2. Receivables

Receivables recorded an increase of 12.0 % or € 7.6 million at year-end 2014. The increase mainly relates to the receivables arising out of the coinsurance and reinsurance item. The percentage of non-past-due receivables was 75.9 %, together with past-due receivables up to 180 days, they accounted for 92.7 %. Sava Reinsurance Company almost exclusively does business with highly rated insurers and reinsurers, which is why impairment losses on operating receivables are small.

20.2.1.3. Technical provisions ceded to reinsurers

At year-end 2014 the amount of technical provisions ceded to reinsurers was 17.2 % higher than at year-end 2013 due to the increase in provisions for outstanding claims ceded to reinsurers. While provisions for the Thai floods decreased from € 9.4 million to € 2.8 million (due to reduced incurred claims and payments), there was a new provision established for the 2014 ice damage in the amount of € 10.9 million.

20.2.2. Liabilities

Equity and liabilities by type

(€)	31/12/2014	As % of total at 31/12/2014	31/12/2013	As % of total at 31/12/2013
EQUITY AND LIABILITIES	547,413,684	100.0 %	530,636,968	100.0 %
Equity	258,135,674	47.2 %	246,188,770	46.4 %
Share capital	71,856,376	13.1 %	71,856,376	13.5 %
Capital reserves	54,239,757	9.9 %	54,239,757	10.2 %
Profit reserves	115,977,201	21.2 %	99,741,367	18.8 %
Treasury shares	-10,115,023	-1.8 %	-1,774	0.0 %
Fair value reserve	4,341,739	0.8 %	253,020	0.0 %
Retained earnings	15,713,039	2.9 %	12,717,998	2.4 %
Net profit/loss for the period	6,122,585	1.1 %	7,382,026	1.4 %
Subordinated liabilities	23,499,692	4.3 %	23,466,967	4.4 %
Technical provisions	216,658,049	39.6 %	208,623,243	39.3 %
Other provisions	273,590	0.0 %	220,033	0.0 %
Other financial liabilities	74,429	0.0 %	550	0.0 %
Liabilities from operating activities	46,148,390	8.4 %	42,933,488	8.1 %
Other liabilities	2,623,860	0.5 %	9,203,917	1.7 %

20.2.2.1. Equity

Equity is the largest item on the liabilities side, representing 47.2 % of liabilities and equity. Compared to 31 December 2013, equity increased by 4.9 % or € 11.9 million due to the following movements:

- net profit for 2014 amounted to € 22.3 million (increase in equity);
- Sava Reinsurance Company paid out dividends in the amount of € 4.4 million (decrease in equity);
- own shares were repurchased for € 10.1 million (decrease in equity);
- fair value reserve increased by € 4.1 million as a result of positive trends in capital markets (increase in equity).

20.2.2.2. Technical provisions

Technical provisions, the second largest item on the liabilities side, increased by 3.9 % or € 8.0 million compared to 31 December 2013. The increase is largely due to an ice damage loss in Slovenia, which mostly impacted the reinsurance programme of Zavarovalnica Maribor.

20.2.2.3. 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 depends on amounts in fourth quarter reinsurance accounts received, to be settled at a later date like receivables.

20.2.3. 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 2014, the Company's required solvency margin was € 23.2 million (31 December 2013: € 23.2 million), while the Company's available solvency margin was € 52.6 million (31 December 2013: € 39.1 million).

Statement of capital adequacy for Sava Reinsurance Company

(€)		31/12/2014	31/12/2013
CORE CAPITAL (Article 106 of the Slovenian Insurance Act ("ZZavar"))			
Paid-up share capital, other than paid-up share capital arising from cumulative preference shares, or initial capital	1	71,856,376	71,856,376
Capital reserves, other than capital reserves arising from cumulative preference shares	2	54,239,757	54,239,757
Profit reserves, other than the reserves for credit and catastrophe risk equalisation	3	105,131,679	88,939,518
Net profit brought forward from previous years	4	15,713,039	12,717,998
Fair value reserve relating to assets not financed from technical provisions	5	1,332,577	755,748
Treasury shares and own interests	6	10,115,024	2,821,391
Intangible assets	7	467,422	134,952
Core capital (1 + 2 + 3 + 4 + 5 – 6 – 7)	**8**	**237,690,982**	**225,553,054**
Guarantee fund	**9**	**7,725,010**	**7,725,011**
Compliance with Article 106 (4) of the ZZavar (8 – 9)	**10**	**229,965,972**	**217,828,043**
ADDITIONAL CAPITAL (Article 107 of the ZZavar)			
Subordinated debt instruments	11	5,793,758	5,793,758
Additional capital (11), however not more than 50 % of the lower of core capital and required solvency margin	12	5,793,758	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	243,484,740	231,346,812
Participations within the meaning of Article 108(1), point 1 of the ZZavar	14	189,382,854	191,481,452
Participations within the meaning of Article 108(2), point 1 of the ZZavar	15	1,534,952	734,952
Available solvency margin of insurer (13 – 14 – 15)	**16**	**52,566,934**	**39,130,408**
Required solvency margin	**17**	**23,175,032**	**23,175,032**
SURPLUS/DEFICIT OF AVAILABLE SOLVENCY MARGIN (16 – 17)	18	29,391,902	15,955,376

Sava Reinsurance Company met capital adequacy requirements through all of 2014, as it maintained a surplus of available solvency margin over the required solvency margin.

At 31 December 2014 the solvency ratio stood at 226.8 %. Therefore, the insolvency risk that Sava Reinsurance Company is exposed to is small. The above calculations are based on applicable insurance regulations under the Solvency I regime. The new Solvency II regime, which will come into force on 1 January 2016, will fundamentally change the calculation of solvency capital as well as the measurement of assets and liabilities. The solvency ratio estimated according to Solvency II at 31 December 2014 also exceeded the 200 % limit.

20.2.4. Other investments of Sava Reinsurance Company in the insurance industry

In addition to its investments in subsidiaries and associates at 31 December 2014, 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 31/12/2014
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 %

20.2.5. Capital structure

At 31 December 2014 Sava Reinsurance Company had € 258.1 million of equity capital and € 23.5 million of subordinated liabilities. Subordinated liabilities and other financial liabilities accounted for 9.1 % of capital.

For more details on the subordinate debt, see the notes to the financial statements in sections 24.2.17 and 24.6 note 18.

20.2.6. Cash flow

In 2014 net cash from operating activities at the Company level amounted to € 11.8 million, which was attributable to the positive cash flow from core reinsurance business.

Net disbursements in financing activities totalled € 22.1 million. The amount of net disbursements in financing activities was affected by the prepayment of subordinated debt (prepayment of € 6.2 million of the total € 31.2 million), own share buybacks of € 10.1 million, while the negative cash flow of € 4.4 million relates to the dividend payout. In 2014 the Company paid € 1 million in interest on the subordinated debt issued, and repaid € 0.4 million of short-term financial liabilities.

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

20.3. Personnel, organisation and know-how

Number of employees by department (FTE)

	31/12/2014	31/12/2013	Change
Management board	5	4	1
Sales – underwriting	10	12	-2
Public relations	1	1	0
Technical accounting	11	9	2
IT and business processes	5	4	1
Finance, accounting and controlling	18.3	15.3	3
General affairs and human resources	8	6	2
Internal audit	1	1.5	-0.5
Actuarial, development centre, ERM	9	5	4
Group support	10.3	8.9	1.4
TOTAL	79	67	12

* The management board includes the compliance officer.

In 2013, Sava Reinsurance Company approached the transformation of its organisational culture, which is related to the optimisation of operations following the acquisition of Zavarovalnica Maribor. The new organisational structure became applicable in 2014. Recruitment activities proceeded in line with the recruitment plan and the strategic guidelines of the Company. The recruitment policy is based on company values and prudent selection of the best human resources. With their knowledge, expertise, motivation and loyalty, employees build the culture of Sava Reinsurance Company.

Under the new organisational structure, the Company has six new services. Strategic sourcing, HR & general affairs and Group general law were established upon the dissolution of the general and legal affairs department. The risk management department was also broken down into two services: risk management and actuarial. The Group development centre was established anew, while the Group internal audit centre was renamed internal audit service. All these services are directly subordinate to the Company's management board.

The Company has six departments. The new IT & processes department was reorganised from the former process and IT service. In strategic finance & controlling, a new unit of strategic finance was formed alongside the existing two services. The unit for managing investments within the finance department was renamed asset management (AM) and two new services were organised: corporate AM and Group AM.

In 2014, the Company recruited 14 new staff. Some of these new recruitments are related to the transformed organisational structure presented above. In January, a new colleague joined the team as executive director of the IT & processes department. In the same month, a colleague was hired part time to work in internal audit. In March, three colleagues were hired, i.e. one in the Group development centre, another in strategic finance & controlling and, lastly, the director of the strategic sourcing service. In May, the director of the risk management service was recruited and a new actuary for the actuarial service. In September, three new part-time employment contracts were concluded. All three jobs were in the finance department. In October, we hired a new director of HR & general affairs. In November, three colleagues joined as actuaries: two joined the Group development centre and one the actuarial Service. In December, a new colleague was employed in the accounting sector as a substitution for planned parental leave. Furthermore, a new director of asset management within the finance department was employed in the same month.

In 2014, one employment contract was terminated by mutual agreement with the employee.

The discrepancy between the number of employees and full-time equivalents is the result of part-time employment and the absence of workers on paternal leave.

Employee training is important for realizing the Company's strategic guidelines. We wish to include our employees in at least one form of training this year.

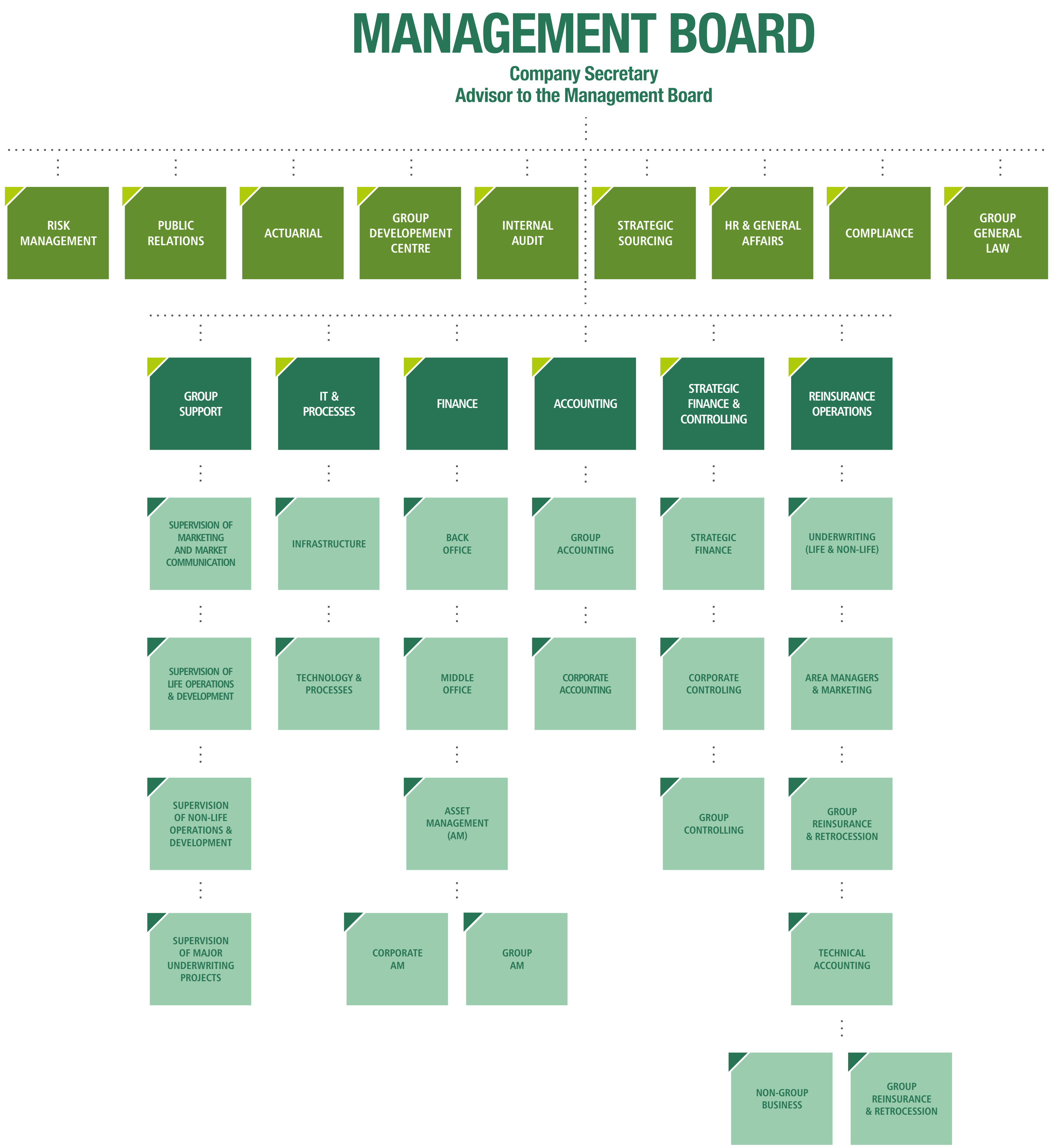
In 2014, 51 out of 89 employees were included in training, or 57 % (2013: 39 %).

Employees attended different forms of training and topics. The major part of the training involved professional insurance-related topics. In cooperation with foreign and domestic lecturers, we organised numerous training courses in reinsurance, insurance and actuarial calculations. There were requirements to learn about the solvency regime in all areas, which is why all the employees working in finance, accounting, internal audit, controlling and actuarial were included in training courses. Furthermore, team workshops and seminars in soft skills, i.e. communications and management, were organised. Computer and foreign language courses were carried out.

Two strategic conferences were organised with internal experts as lecturers, which focused primarily on transferring best practices within the Group, setting up strategic guidelines and reviewing operations.

For its employees in subsidiaries, Pozavarovalnica Sava organised training courses in controlling, accounting, finance and internal auditing. Furthermore, a course in life insurance was organised, focusing on product development and underwriting processes.

Organisational chart of Sava Reinsurance Company at 31 December 2014



20.4. 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 12 "Risk management".

20.5. Internal audit

The organisation of internal auditing in 2014 is described in the business report of the Sava Re Group, section 11 "Internal audit".

20.6. Business processes and IT support

In 2014, Pozavarovalnica Sava carried out two major projects involving information technology. These were the REvolve project for the preparation and introduction of a new information system to support reinsurance transactions and the project to introduce a new version of the Navision application and related software for HR management, payroll, electronic invoice approval, electronic travel orders and the integration of all these systems with other systems. In the REvolve project, we started keeping a register of reinsurance contracts in the new IT system in 2014, while the support for the management of reinsurance accounts was prepared for the testing stage. The project is being continued in 2015, i.e. most of the functionalities of the new system will be in production use in the first half of 2015. Upon preparing the support for reinsurance accounts, we introduced a system for the capture and paperless preparation of reinsurance accounts. Within the scope of the Navision project, we prepared a reference model for both the content and for integration with all the back-office systems. In doing so, we used the synergies of the common "virtual" data centre, which comprises the data centres in Novo mesto and Maribor.

In terms of infrastructure, we continued to consolidate systems. We upgraded the key parts of the infrastructure in the Novo mesto data centre and in the secondary data centre for that infrastructure, which was moved from Ljubljana to Maribor in November 2014. The data centres in Novo mesto and Maribor were connected using a fast fibre optic link, which now allows us to carry out services for Sava Reinsurance Company from both data centres.

Adjustments to meet the Solvency II requirements are described in the Group's business report, Section 14 "Business processes, IT support and alignment to Solvency II requirements".

20.7. Performance indicators for Sava Reinsurance Company[31]

Development of gross premiums written

(€)	2014	2013	Index
	1	2	1/2
Personal accident	7,307,845	8,144,859	89.7
Health	49,965	655,179	7.6
Land vehicles casco	16,379,589	15,556,144	105.3
Railway rolling stock	447	7,957	5.6
Aircraft hull	358,873	419,141	85.6
Ships hull	3,987,802	4,424,248	90.1
Goods in transit	3,501,048	2,563,263	136.6
Fire insurance	55,067,401	60,146,957	91.6
Other damage to property	22,646,983	18,866,001	120.0
Motor liability	12,336,797	14,449,608	85.4
Aircraft liability	56,959	-2,189	-2,601.5
Liability for ships	267,803	289,516	92.5
General liability	5,456,687	5,326,497	102.4
Credit	378,718	392,077	96.6
Suretyship	203,302	181,568	112.0
Miscellaneous financial loss	582,123	495,024	117.6
Assistance	-2,332	8,452	-27.6
Life insurance	2,396,858	1,833,362	130.7
Unit-linked life	346,376	373,864	92.6
Total non-life	**128,580,011**	**131,924,302**	**97.5**
Total life	**2,743,235**	**2,207,226**	**124.3**
TOTAL	131,323,246	134,131,527	97.9

31 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).

Net premiums written as a percentage of gross premiums written

(€, except percentages)	Gross premiums written	Net premiums written	2014	2013
	1	**2**	**2/1**	
Personal accident	7,307,845	7,247,635	99.2 %	99.2 %
Health	49,965	49,965	100.0 %	100.0 %
Land vehicles casco	16,379,589	14,747,124	90.0 %	87.8 %
Railway rolling stock	447	447	100.0 %	100.0 %
Aircraft hull	358,873	358,873	100.0 %	100.0 %
Ships hull	3,987,802	3,921,181	98.3 %	97.6 %
Goods in transit	3,501,048	3,359,222	95.9 %	91.2 %
Fire insurance	55,067,401	46,054,151	83.6 %	86.3 %
Other damage to property	22,646,983	20,034,023	88.5 %	85.4 %
Motor liability	12,336,797	11,791,291	95.6 %	96.3 %
Aircraft liability	56,959	-3,994	-7.0 %	2886.1 %
Liability for ships	267,803	263,047	98.2 %	97.7 %
General liability	5,456,687	4,913,788	90.1 %	91.2 %
Credit	378,718	378,718	100.0 %	100.0 %
Suretyship	203,302	203,302	100.0 %	100.0 %
Miscellaneous financial loss	582,123	212,714	36.5 %	18.6 %
Assistance	-2,332	-2,332	100.0 %	100.0 %
Life insurance	2,396,858	1,000,995	41.8 %	89.8 %
Unit-linked life	346,376	137,550	39.7 %	39.8 %
Total non-life	**128,580,011**	**113,529,157**	**88.3 %**	**88.8 %**
Total life	**2,743,235**	**1,138,546**	**41.5 %**	**81.3 %**
TOTAL	131,323,246	114,667,703	87.3 %	88.7 %

Development of gross claims paid

(€)	2014	2013	Index
	1	**2**	**1/2**
Personal accident	3,742,332	4,034,557	92.8
Health	687,523	700,498	98.1
Land vehicles casco	9,579,505	10,669,488	89.8
Railway rolling stock	1,076	2,712	39.7
Aircraft hull	124,603	470,120	26.5
Ships hull	1,931,552	2,655,217	72.7
Goods in transit	908,594	1,460,821	62.2
Fire insurance	29,897,748	38,161,931	78.3
Other damage to property	10,268,448	11,037,961	93.0
Motor liability	9,543,771	8,487,556	112.4
Aircraft liability	26,939	20,660	130.4
Liability for ships	119,426	8,438	1,415.4
General liability	1,926,965	1,638,091	117.6
Credit	180,640	355,606	50.8
Suretyship	169,318	150,158	112.8
Miscellaneous financial loss	-201,675	180,524	-111.7
Assistance	1,600	17,242	9.3
Life insurance	1,126,140	335,877	335.3
Unit-linked life	147,428	138,034	106.8
Total non-life	**68,908,364**	**80,051,581**	**86.1**
Total life	**1,273,569**	**473,911**	**268.7**
TOTAL	70,181,933	80,525,492	87.2

Loss ratios

(€, except percentages)	Gross premiums written	Gross claims paid	2014	2013
	1	2	2/1	
Personal accident	7,307,845	3,742,332	51.2 %	49.5 %
Health	49,965	687,523	1376.0 %	106.9 %
Land vehicles casco	16,379,589	9,579,505	58.5 %	68.6 %
Railway rolling stock	447	1,076	240.6 %	34.1 %
Aircraft hull	358,873	124,603	34.7 %	112.2 %
Ships hull	3,987,802	1,931,552	48.4 %	60.0 %
Goods in transit	3,501,048	908,594	26.0 %	57.0 %
Fire insurance	55,067,401	29,897,748	54.3 %	63.4 %
Other damage to property	22,646,983	10,268,448	45.3 %	58.5 %
Motor liability	12,336,797	9,543,771	77.4 %	58.7 %
Aircraft liability	56,959	26,939	47.3 %	-943.6 %
Liability for ships	267,803	119,426	44.6 %	2.9 %
General liability	5,456,687	1,926,965	35.3 %	30.8 %
Credit	378,718	180,640	47.7 %	90.7 %
Suretyship	203,302	169,318	83.3 %	82.7 %
Miscellaneous financial loss	582,123	-201,675	-34.6 %	36.5 %
Assistance	-2,332	1,600	-68.6 %	204.0 %
Life insurance	2,396,858	1,126,140	47.0 %	18.3 %
Unit-linked life	346,376	147,428	42.6 %	36.9 %
Total non-life	**128,580,011**	**68,908,364**	**53.6 %**	**60.7 %**
Total life	**2,743,235**	**1,273,569**	**46.4 %**	**21.5 %**
TOTAL	131,323,246	70,181,933	53.4 %	60.0 %

Administrative expenses as percentage of gross premiums written (€)

Gross premiums written	Administrative expenses	2014	2013
1	**2**	**2/1**	
131,323,246	8,236,282	6.3 %	5.8 %

Acquisition costs as percentage of gross premiums written (EUR)

Gross premiums written	Acquisition costs	2014	2013
1	**2**	**2/1**	
131,323,246	30,732,186	23.4 %	24.3 %

Net investment income as percentage of average investments

(€)	Average investments	Investment income	Investment expenses	Investment return 1-12/2014	Investment return 1-12/2013
Liability fund	204,688,644	10,886,011	4,687,314	3.0 %	-3.3 %
Capital fund	224,295,576	11,149,055	3,688,206	3.3 %	7.2 %
TOTAL	428,984,220	22,035,067	8,375,520	3.2 %	2.1 %

Net provisions for outstanding claims as percentage of net earned premiums

(€, except percentages)	Net provision for outstanding claims	Net premiums earned	2014	2013
	1	2	1/2	
Personal accident	7,953,218	7,297,816	109.0 %	98.0 %
Health	251,469	99,263	253.3 %	121.4 %
Land vehicles casco	5,910,916	14,006,584	42.2 %	43.7 %
Railway rolling stock	0	447	-	-
Aircraft hull	396,290	341,383	116.1 %	82.0 %
Ships hull	4,247,034	3,891,715	109.1 %	105.4 %
Goods in transit	5,009,282	3,462,420	144.7 %	186.6 %
Fire insurance	52,336,795	46,728,621	112.0 %	86.4 %
Other damage to property	22,167,310	18,499,820	119.8 %	140.1 %
Motor liability	35,264,135	12,647,945	278.8 %	232.0 %
Aircraft liability	74,691	-4,114	-1815.8 %	-66.0 %
Liability for ships	416,441	267,819	155.5 %	135.8 %
General liability	13,294,134	4,915,140	270.5 %	260.5 %
Credit	370,741	504,751	73.5 %	79.4 %
Suretyship	87,073	215,922	40.3 %	69.3 %
Miscellaneous financial loss	272,229	166,532	163.5 %	492.4 %
Assistance	6,478	-2,779	-233.1 %	149.1 %
Life insurance	1,366,074	670,213	203.8 %	71.5 %
Unit-linked life	74,823	137,568	54.4 %	62.6 %
Total non-life	**148,058,236**	**113,039,287**	**131.0 %**	**118.3 %**
Total life	**1,440,897**	**807,781**	**178.4 %**	**70.5 %**
TOTAL	149,499,133	113,847,068	131.3 %	117.7 %

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

Gross profit/loss	Net premiums written	2014	2013
1	**2**	**1/2**	
25,628,828	114,667,703	22.4 %	12.8 %

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

Gross profit/loss	Average equity	2014	2013
1	**2**	**1/2**	
25,628,828	252,162,222	10.2 %	7.2 %

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

Gross profit/loss	Average assets	2014	2013
1	**2**	**1/2**	
25,628,828	539,025,326	4.8 %	3.1 %

Gross profit/loss for the period per share (€)

Gross profit/loss	No. of shares	2014	2013
1	**2**	**1/2**	
25,628,828	17,219,662	1.49	0.88

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

Net profit/loss	Average equity	2014	2013
1	**2**	**1/2**	
22,358,419	252,162,222	8.9 %	7.0 %

Available solvency margin as percentage of net premiums written (€)

Available solvency margin	Net premiums written	2014	2013
1	**2**	**1/2**	
52,566,934	114,667,703	45.8 %	32.9 %

Available solvency margin as percentage of required solvency margin (€)

Available solvency margin	Required solvency margin	2014	2013
1	**2**	**1/2**	
52,566,934	23,175,032	226.8 %	168.8 %

Available solvency margin as percentage of technical provisions (€)

Available solvency margin	Technical provisions	2014	2013
1	**2**	**1/2**	
52,566,934	216,658,049	24.3 %	18.8 %

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

Available solvency margin	Reinsurance receivables plus reinsurers' share of technical provisions	2014	2013
1	**2**	**1/2**	
52,566,934	102,162,044	51.5 %	43.9 %

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

Net premiums written	Average equity	Average technical provisions	2014	2013
1	**2**	**3**	**1/(2+3)**	
114,667,703	252,162,222	212,640,646	24.7 %	28.1 %

Net premiums written as percentage of average equity (€)

Net premiums written	Average equity	2014	2013
1	**2**	**1/2**	
114,667,703	252,162,222	45.5 %	56.5 %

Average technical provisions as percentage of net earned premiums (€)

Average net technical provisions	Net premiums earned	2014	2013
1	**2**	**1/2**	
184,037,341	113,847,068	161.7 %	147.0 %

Equity as percentage of net unearned premiums (€)

Equity	Net unearned premiums	2014	2013
1	**2**	**1/2**	
258,135,674	36,057,469	715.9 %	698.7 %

Equity as percentage of liabilities and equity (€)

Equity	Liabilities and equity	2014	2013
1	**2**	**1/2**	
258,135,674	547,413,684	47.2 %	46.4 %

Net technical provisions as percentage of liabilities and equity (€)

Net technical provisions	Liabilities and equity	2014	2013
1	**2**	**1/2**	
185,794,402	547,413,684	33.9 %	34.4 %

Gross premiums written per employee (€)

Gross premiums written	Number of employees in regular employment	2014	2013
1	**2**	**1/2**	
131,323,246	78.6	1,670,248	2,001,963

21.

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 2014. 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, 10 March 2015

Katja Vavpetič, univ. dipl. mat.
Appointed Actuary of Sava Reinsurance Company

SAVA REINSURANCE COMPANY

#4 FINANCIAL STATEMENTS WITH NOTES

22. AUDITOR'S REPORT

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This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the owners of Pozavarovalnica Sava d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Pozavarovalnica Sava d.d. which comprise the statement of financial position as at December 31, 2014, 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, 2014, 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 preparing the appendices to the annual report in accordance with the Act issued by the Insurance Supervision Agency; SKL 2009. Our responsibility is to assess whether the business report and the appendices to the annual report are consistent with the audited financial statements. Our work regarding the business report and the appendices to the annual report is performed in accordance with ISA 720, and restricted to assessing whether the business report and the appendices to the annual report are consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report and the appendices to the annual report are consistent with the audited financial statements.

Ljubljana, 31.3.2015

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

23. FINANCIAL STATEMENTS

23.1. Statement of financial position as at 31 December 2014

(€)	Note	31/12/2014	31/12/2013
ASSETS		547,413,684	530,636,968
Intangible assets	**1**	**467,423**	**112,212**
Property and equipment	**2**	**2,462,814**	**2,341,711**
Deferred tax assets	**3**	**1,040,593**	**1,833,254**
Investment property	**4**	**115,492**	**153,920**
Financial investments in subsidiaries and associates	**5**	**189,641,994**	**189,940,275**
Financial investments:	**6**	**241,524,533**	**236,592,225**
- loans and deposits		25,586,465	46,663,847
- held to maturity		2,074,001	2,073,728
- available for sale		208,238,543	174,820,862
- at fair value through profit or loss		5,625,524	13,033,788
Reinsurers' share of technical provisions	**7**	**30,863,647**	**26,342,964**
Receivables	**8**	**71,484,165**	**63,834,070**
Receivables arising out of reinsurance and co-insurance business		71,298,397	62,811,763
Current tax assets		0	431,000
Other receivables		185,768	591,307
Deferred acquisition costs	**9**	**9,003,998**	**9,012,388**
Other assets	**10**	**296,684**	**345,684**
Cash and cash equivalents	**11**	**512,342**	**128,265**
EQUITY AND LIABILITIES		547,413,684	530,636,968
Equity		**258,135,674**	**246,188,770**
Share capital	12	71,856,376	71,856,376
Capital reserves	13	54,239,757	54,239,757
Profit reserves	14	115,977,201	99,741,367
Treasury shares	15	-10,115,023	-1,774
Fair value reserve	16	4,341,739	253,020
Retained earnings	17	15,713,039	12,717,998
Net profit/loss for the period	17	6,122,585	7,382,026
Subordinated liabilities	**18**	**23,499,692**	**23,466,967**
Technical provisions	**19**	**216,658,049**	**208,623,243**
Unearned premiums		39,088,756	37,825,792
Provision for outstanding claims		177,331,493	170,525,177
Other technical provisions		237,800	272,274
Other provisions	**20**	**273,590**	**220,033**
Other financial liabilities	**10**	**74,429**	**550**
Liabilities from operating activities		**46,148,390**	**42,933,488**
Liabilities from reinsurance and co-insurance business	21	43,682,228	42,933,488
Current income tax liabilities		2,466,162	0
Other liabilities	**22**	**2,623,860**	**9,203,917**

The notes to the financial statements on pages 246–302 form an integral part of these financial statements.

23.2. Income statement for the year ended 31 December 2014

(€)	Note	2014	2013
Net earned premiums	**24**	**113,847,068**	**124,682,116**
Gross premiums written		131,323,246	134,131,528
Written premiums ceded to reinsurers and co-insurers		-16,655,543	-15,198,418
Change in gross unearned premiums		-1,262,964	6,225,000
Change in unearned premiums for the reinsurance and co-insurance part		442,329	-475,994
Income from investments in subsidiaries and associates	**25**	**10,250,880**	**14,659,724**
Investment income	**26**	**11,784,187**	**10,632,734**
Interest income		4,607,741	5,680,636
Other investment income		7,176,446	4,952,098
Other technical income	**27**	**4,679,785**	**2,987,555**
Commission income		2,030,651	1,438,193
Other income		2,649,133	1,549,362
Other income	**28**	**18,407**	**34,778**
Net claims incurred	**29**	**-64,736,669**	**-77,581,653**
Gross claims payments less income from recourse receivables		-70,181,933	-80,525,492
Reinsurers' and co-insurers' shares		8,173,225	6,493,047
Change in the gross claims provision		-6,806,316	1,725,629
Change in the provision for outstanding claims for the reinsurance and co-insurance part		4,078,354	-5,274,837
Change in other technical provisions	**30**	**12,793**	**-12,793**
Expenses for bonuses and rebates	**30**	**21,680**	**-66,957**
Operating expenses	**31**	**-38,968,467**	**-40,319,872**
Acquisition costs		-30,723,796	-31,383,319
Change in deferred acquisition costs		-8,390	-1,190,532
Other operating expenses		-8,236,282	-7,746,021
Expenses for investments in subsidiaries and associates		**-2,500,000**	**-1,460,497**
Expenses for financial assets and liabilities	**26**	**-5,875,520**	**-15,862,790**
Impairment losses on financial assets not measured at fair value through profit or loss		-1,634,412	-2,238,929
Interest expenses		-949,274	-1,256,450
Diverse other expenses		-3,291,834	-12,367,411
Other technical expenses	**32**	**-2,904,867**	**-2,456,986**
Other expenses	**28**	**-448**	**-62,353**
Profit/loss before tax		**25,628,828**	**15,173,006**
Income tax expense	**33**	**-3,270,409**	**-408,954**
NET PROFIT/LOSS FOR THE PERIOD		22,358,419	14,764,052
NET DILUTED EARNINGS/LOSS PER SHARE	17	1.33	1.16

The notes to the financial statements on pages 246–302 form an integral part of these financial statements.

23.3. Statement of comprehensive income for the year ended 31 December 2014

(€)	Note	2014	2013
NET PROFIT/LOSS FOR THE YEAR	**17**	**22,358,419**	**14,764,052**
OTHER COMPREHENSIVE INCOME, NET OF TAX	**16**	**4,088,718**	**2,611,626**
a) Items that will not be reclassified subsequently to profit or loss		**-16,629**	**768**
Other items that will not be reclassified subsequently to profit or loss		-20,034	925
Tax on items that will not be reclassified subsequently to profit or loss		3,406	-157
b) Items that may be reclassified subsequently to profit or loss		**4,105,347**	**2,610,858**
Net gains/losses on remeasuring available-for-sale financial assets		**4,946,202**	**3,068,989**
Net change recognized in the fair value reserve		5,988,724	-518,329
Net change transferred from fair value reserve to profit or loss		-1,042,522	3,587,318
Tax on items that may be reclassified subsequently to profit or loss		**-840,854**	**-458,131**
COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		26,447,137	17,375,678

The notes to the financial statements on pages 246–302 form an integral part of these financial statements.

23.4. Cash flow statement for the year ended 31 December 2014

(€)		Note	2014	2013
A.	CASH FLOWS FROM OPERATING ACTIVITIES			
a.)	**Items of the income statement**	**33**	**12,430,596**	**5,948,147**
	Net premiums written in the period	23	114,667,703	118,933,109
	Investment income (other than financial income), financed from:	25	50,054	9,137
	- technical provisions		12,079	5,897
	- other sources		37,975	3,240
	Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables	26.27	4,698,191	3,022,333
	Net claims payments in the period	28	-62,008,708	-74,032,444
	Expenses for bonuses and rebates		21,680	-66,957
	Net operating expenses excl. depreciation/amortization and change in deferred acquisition costs	30	-38,735,555	-38,914,717
	Investment expenses (excluding depreciation/amortization and financial expenses), financed from:	25	-87,047	-74,023
	- technical sources		-53,285	-50,849
	- other sources		-33,762	-23,174
	Other operating expenses excl. depreciation/amortization (other than for revaluation and excl. additions to provisions)	31	-2,905,315	-2,519,337
	Tax on profit and other taxes not included in operating expenses	32	-3,270,409	-408,954
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**		**-634,168**	**5,178,292**
	Change in receivables from reinsurance	8	-8,486,634	304,905
	Change in other receivables and other assets	8	927,768	117,540
	Change in deferred tax assets	3	792,661	67,066
	Change in liabilities arising out of reinsurance business	21	748,740	4,515,001
	Change in other operating liabilities	22	5,886,326	-223,283
	Change in other liabilities (except unearned premiums)	22	-503,029	338
c.)	**Net cash from/used in operating activities (a + b)**		**11,796,427**	**11,126,440**

		Note	2014	2013
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
a.)	**Cash receipts from investing activities**		**417,546,034**	**241,579,790**
	Interest received from investing activities relating to:	25	4,607,741	5,680,636
	- investments financed from technical provisions		4,064,862	4,845,664
	- other investments		542,879	834,972
	Proceeds from dividends and shares in the profit of others, relating to:	25	10,856,579	15,026,568
	- investments financed from technical provisions		358,650	209,966
	- other investments		10,497,929	14,816,602
	Proceeds from sale of property and equipment, financed from:		7,605	1,232
	- other sources		7,605	1,232
	Proceeds from sale of long-term financial investments, financed from:		72,110,180	73,780,230
	- technical provisions		64,438,517	55,395,133
	- other sources		7,671,663	18,385,097
	Proceeds from sale of short-term financial investments, financed from:		329,963,929	147,091,124
	- technical provisions		237,104,570	72,485,422
	- other sources		92,859,360	74,605,702
b.)	**Cash disbursements in investing activities**		**-406,886,517**	**-305,582,920**
	Purchase of intangible assets		-409,350	-71,506
	Purchase of property and equipment, financed from:		-271,369	-47,495
	- other sources		-271,369	-47,495
	Purchase of long-term financial investments, financed from:		-94,010,007	-139,630,580
	- technical provisions		-80,807,681	-79,602,989
	- other sources		-13,202,326	-60,027,591
	Purchase of short-term financial investments, financed from:		-312,195,791	-165,833,339
	- technical provisions		-232,800,047	-73,709,044
	- other sources		-79,395,744	-92,124,295
c.)	**Net cash from/used in investing activities (a + b)**		**10,659,516**	**-64,003,130**
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
a.)	**Cash receipts from financing activities**		**0**	**54,023,282**
	Proceeds from paid-in capital		0	54,023,282
b.)	**Cash disbursements in financing activities**		**-22,071,866**	**-2,030,999**
	Interest paid		-949,274	-1,256,450
	Repayment of long-term financial liabilities		-6,220,956	-774,549
	Repayment of short-term financial liabilities		-401,402	0
	Dividends and other profit participations paid		-4,386,985	0
	Own share repurchases		-10,113,249	0
c.)	**Net cash from/used in financing activities (a + b)**		**-22,071,866**	**51,992,283**
C2.	CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		512,342	128,265
	Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)		384,078	-884,407
C2.	OPENING BALANCE OF CASH AND CASH EQUIVALENTS		128,265	1,012,672

The notes to the financial statements on pages 246–302 form an integral part of these financial statements.

23.5. 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 in the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalization 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 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**
Opening balance in 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 year, 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 year		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
Payout of (accounting for) dividends		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	-6,077,139	0	0
Additions/uses of credit risk equalization reserve and catastrophe equalization 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

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

(€)	Note	I. Share capital	II. Capital reserves	III. Profit reserves: Contingency reserve	III. Profit reserves: Legal reserves and reserves provided for in the articles of association	III. Profit reserves: Reserve for treasury shares	III. Profit reserves: Reserves for credit risks	III. Profit reserves: Catastrophe equalization 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.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
Opening balance in the financial period		**39,069,099**	**33,003,752**	**0**	**14,986,525**	**1,774**	**753,026**	**8,314,716**	**68,303,300**	**-2,358,606**	**7,915,508**	**4,802,490**	**-1,774**	**174,789,811**
Comprehensive income for the period, net of tax	16, 17	0	0	0	0	0	0	0	0	2,611,625	0	14,764,052	0	17,375,678
Subscription (payment) of new equity capital		32,787,277	21,236,004	0	0	0	0	0	0	0	0	0	0	54,023,282
Allocation of net profit to profit reserve	14	0	0	0	0	0	0	0	5,649,693	0	0	-5,649,693	0	0
Additions/uses of credit risk equalization reserve and catastrophe equalization reserve	14	0	0	0	0	0	47,049	1,685,284	0	0	0	-1,732,333	0	0
Transfer of profit		0	0	0	0	0	0	0	0	0	4,802,490	-4,802,490	0	0
CLOSING BALANCE IN THE FINANCIAL PERIOD		71,856,376	54,239,757	0	14,986,525	1,774	800,075	10,000,000	73,952,993	253,020	12,717,998	7,382,026	-1,774	246,188,770

The notes to the financial statements on pages 246–302 form an integral part of these financial statements.

24. NOTES TO THE FINANCIAL STATEMENTS

24.1. 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 2014 Sava Reinsurance Company employed on average 81.7 people (2013: 75). At 31 December 2014, the Group employed 79 people (31 December 2013: 67) on a full-time equivalent basis.

No. of employees by degree of education (full-time equivalent basis)

	31/12/2014	31/12/2013
Secondary	12	13
Higher	5	4
University	45	38
Masters' degree and doctorate	17	12
TOTAL	79	67

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

The largest shareholder of the 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 with a 9.9 % stake.

It is the responsibility of the Company's management board to prepare and authorize 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 (authorization for issue) to the general meeting of shareholders, the general meeting decides on the approval (authorization for issue) of the annual report.

The owners have the right to amend the financial statements after they have been authorized 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 2014

(€)	Activity	Registered office	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

(€)	Activity	Registered office	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 %

Subsidiaries at 31 December 2013

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31/12/2013	Profit/loss for 2013	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	835,312,558	739,542,777	95,769,781	4,845,174	242,548,983	100.00 %
Zavarovalnica Tilia	insurance	Slovenia	166,642,398	144,516,904	22,125,494	3,843,175	69,398,309	100.00 %
Sava osiguranje	insurance	Serbia	22,418,021	16,552,175	5,865,846	196,352	11,643,846	99.99 %
Illyria	insurance	Kosovo	15,765,392	12,168,792	3,596,600	258,268	9,444,818	100.00 %
Sava osiguruvanje	insurance	Macedonia	20,954,314	17,146,172	3,808,142	5,598	10,447,932	92.44 %
Sava Montenegro	insurance	Montenegro	23,656,330	18,612,539	5,043,791	1,010,839	11,120,520	100.00 %
Illyria Life	insurance	Kosovo	5,474,108	1,825,200	3,648,908	165,618	1,533,453	100.00 %
Sava životno osiguranje	insurance	Serbia	3,633,087	1,312,530	2,320,557	-575,569	1,239,606	99.99 %
Velebit usluge	wholesale, retailer	Croatia	15,803,828	20,119	15,783,709	955	3,130	100.00 %
Velebit osiguranje	insurance	Croatia	19,534,916	15,319,255	4,215,661	7,130	8,303,844	78.77 %
Velebit životno osiguranje	insurance	Croatia	8,033,657	3,658,210	4,375,447	-254,919	2,453,216	71.37 %
Illyria Hospital	hospital	Kosovo	1,800,856	4,495	1,796,361	-9	0	100.00 %
Sava Car	research and analysis	Montenegro	396,684	246,810	149,874	23,303	365,799	100.00 %
Vivus	consulting and marketing of insurances of the person	Slovenia	227,791	100,910	126,881	3,152	11,178	100.00 %
Ornatus	insurance agent	Slovenia	1,094	3,001	-1,907	-595	0	100.00 %
Ornatus KC	ZM Call Centre	Slovenia	1,606	2	1,604	3,457	14,687	100.00 %

Associate company at 31 December 2013

(€)	Activity	Registered office	Assets	Liabilities	Equity at 31/12/2013	Profit/loss for 2013	Total income	Share of voting rights (%)
Moja naložba	pension fund	Slovenia	110,023,694	103,451,527	6,572,167	-387,283	3,111,644	20.00 %

24.2. Significant accounting policies

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

24.2.1. Statement of compliance

Sava Reinsurance Company prepared both separate and consolidated financial statements for the year ended 31 December 2014. The consolidated financial statements are part of this annual report. Annual reports are available from the website of Sava Reinsurance Company and at the Company's registered office.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee's ("IFRIC"), as adopted by the European Union. They have also been prepared in accordance with applicable Slovenian legislation (the Companies Act, "ZGD-1"), the Insurance Act and implementing regulations).

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

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

Management board of the Company approved the financial statements on 30 March 2015.

24.2.2. Measurement bases

The financial statements have been prepared based on the historic cost basis, except for financial assets at fair value through profit or loss and available-for-sale financial assets, which are measured at fair value.

24.2.3. Functional and presentation currency

The financial statements are presented in euro (€), rounded to the nearest euro. Due to rounding, figures in tables may not add up to totals.

Assets and liabilities as at 31 December 2014 denominated in foreign currencies were translated into euro using mid-rates of the European Central Bank ("ECB") as at 31 December 2014. Amounts in the income statement have been translated using the exchange rate on the day of the transaction. At 31 December 2014 and 31 December 2013, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognized 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 recognized in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognized in the fair value reserve.

24.2.4. Use of major accounting estimates and sources of uncertainty

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

- Criteria for impairment of investments in subsidiaries and associates are determined using the accounting policy under section 24.2.11 as discussed in note 5.
- Deferred tax assets are recognized if the Company plans to realize a profit in the medium-term.
- Receivables are impaired item-by-item based on the accounting policy set out in section 24.2.14. Any impairment loss recognized 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 24.2.12. 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 24.2.18. Movements in these provisions are shown in note 19.

The Company recognizes estimates of technical items because it does not receive reinsurance accounts in time. Estimates are made on the basis of amounts in reinsurance contracts, which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. These items include: premiums, claims, commissions, unearned premiums, claims provisions and deferred acquisition costs. Estimates are made both for the retained as well as for the retroceded portions.

24.2.5. Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows from operating activities have been prepared based on data from the 2014 statement of financial position and income statement, with appropriate adjustments for items that do not constitute cash flows. Cash flows from financing activities have been disclosed based on actual disbursements. Items relating to changes in net operating assets are disclosed in net amounts.

24.2.6. Statement of changes in equity

The statement of changes in equity shows movements in individual components of equity in the period. Pursuant to a decision of the Insurance Supervision Agency, profit reserves are shown to include technical provisions, which are inherently provisions for future risks and not liabilities according to IFRSs, i.e. the credit risk equalization and catastrophe equalization reserves.

24.2.7. Intangible assets

Intangible assets are stated at cost, plus any expenses directly attributable to preparing them for their intended use, less accumulated amortization and any impairment losses. Depreciation is calculated for each item separately, on a straight-line basis. Intangible assets are first amortized upon their availability for use.

Intangible assets include computer software, and licences pertaining to computer software. Their useful life is 5 years.

24.2.8. Property and equipment

Property and equipment assets are initially recognized at cost plus directly attributable costs. Subsequently, the cost model is applied: assets are carried at cost, less any accumulated depreciation and any impairment losses. The Company assesses annually whether there is any indication of impairment. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

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

Depreciation rates of property and equipment assets

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

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

In 2014 the Company commissioned an independent appraisal of the fair value of property for use in operations with a certified property appraiser. The amount of the assessed fair value of property for use in operations (less costs to sell) is disclosed in note 23.

24.2.9. 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 recognizes 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 recognized for the credit risk and catastrophe equalization 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.

The rate of corporate income tax is 17 % (the same as in 2013). In 2014, deferred tax assets and liabilities were accounted for at a rate of 17 % (the same as in 2013).

24.2.10. Investment property

Investment property is property that the Company does not use directly in carrying out its activities, but holds to earn rentals. Investment property is accounted for using the cost model and straight-line depreciation. Investment property is depreciated at the rate of 1.3 %. The basis for calculating the depreciation rate is the estimated useful life. All leases where the Company acts as lessor are operating leases. Payments received, i.e. rental income, are recognized as income on a straight-line basis over the term of the lease. The Company assesses annually whether there is any indication of impairment of investment property. If there is, it starts the process of estimating the recoverable amount. The recoverable amount is the higher of the value in use and the net selling price. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

The Company has investment property leased out under a cancellable operating lease contract.

In 2014 the Company commissioned an independent appraisal of the fair value of investment property with a certified property appraiser. The amount of the appraised fair value of investment property (less costs to sell) is disclosed in note 23.

24.2.11. Financial investments in subsidiaries and associates

Investments in subsidiaries and associates are initially recognized 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 capitalization) 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 2019, 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 2015–2019 with a further 5-year extrapolation of results). Only 10-year normalised cash flows are appropriate for extrapolation into perpetuity.

The growth in premiums earned in the companies set out in the previous table reflects the growth expected in their insurance markets, as well as the characteristics of their portfolios (low share of non-motor business). In all their markets, insurance penetration is relatively low. However, insurance penetration is expected to increase due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Social inflation is also expected to increase, i.e. claims made against insurance companies are expected to become more frequent and higher. Costs are expected to lag slightly behind premiums owing to business process optimization in subsidiaries. Business process optimization 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 for 2014 ranged from 13 to 16.5 % and did not change significantly from 2013.

Subsidiaries have been valued using internal models with a long-term growth rate of 3.5 %. This rate is based on the long-term consumer price index for non-Slovenian markets used also for the discount rate for non-Slovenian markets where the Group operates.

In assessing whether there is any indication of impairment of its investments in subsidiaries, the Company uses the same model as with goodwill. For more information on the assumptions, see section 17.4.8 of the consolidated financial statements with notes.

24.2.12. Financial investments

24.2.12.1. Classification

The Company classifies its financial assets into the following categories:

Financial assets at fair value through profit or loss

These assets comprise financial assets held for trading.

Financial assets held for trading comprise instruments that have been acquired exclusively for the purpose of trading, i.e. realizing gains in the short term.

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

Loans and receivables (deposits)

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

24.2.12.2. Recognition, measurement and derecognition

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

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

Gains and losses arising from fair value revaluation of financial assets available for sale are recognized 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 recognized directly in the income statement. Held-to-maturity financial assets are measured at amortized cost less any impairment losses.

Financial assets are derecognized 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 amortized cost less any impairment losses.

24.2.12.3. Determination of fair values

The fair value of financial assets held for trading and financial assets available for sale is generally determined by reference to the last quotation, i.e. the last reported bid price in an active securities market. Classification of investments by source of data for revaluation is shown under section 24.2.12.5.

24.2.12.4. Impairment of investments

A financial asset other than at fair value through profit or loss is impaired and an impairment loss incurred provided there is objective evidence of impairment as a result of events that occurred after the initial recognition of the asset and that such events have an impact on future cash flows that can be reliably estimated.

The Company assesses whether there is any objective evidence that individual financial assets are impaired on a three-month basis (when preparing interim and annual reports).

24.2.12.4.1. Debt securities

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

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

If the first condition above is met, an impairment loss is recognized 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 recognized 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 recognized pursuant to indent one above (first condition) may be reversed. An impairment loss is reversed when the issuer's liability is settled. Impairment losses are reversed through profit or loss.

24.2.12.4.2. Equity securities

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

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

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

24.2.12.5. 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 amortized cost. The fair value of investment property and land and buildings used in business operations and the fair value of financial instruments measured at amortized 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 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 fair value of financial assets held for trading and financial assets available for sale is generally determined by reference to the last quotation, i.e. the last reported bid price in an active securities market. The Company determines the fair values of financial instruments quoted in a regulated market based on quoted prices at the reporting date. For this end, stock market prices obtained in the Bloomberg system are used.

Assets and liabilities measured or disclosed at fair value in the Company's 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.

- Level 1 assets and liabilities are those for which the fair value is determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date.
- Level 2 assets and liabilities are those whose fair value is determined using data that are directly or indirectly observable other than the prices quoted within level 1. Level 2 inputs thus include:
  (a) quoted prices for similar assets or liabilities in active markets,
  (b) quoted prices for identical or a similar assets or liabilities in inactive markets or
  (c) inputs other than quoted prices for assets or liabilities.
- Level 3 assets are investments for which observed market data are unavailable. Therefore, the fair value is determined using valuation techniques.

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

24.2.13. Reinsurers' share of technical provisions

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

The Company tests these assets for impairment on the reporting date. Assets retroceded to counterparties are tested strictly individually. For retrocession risks, see section 24.5.2.6 "Retrocession programme".

24.2.14. Receivables

Receivables include receivables for gross premiums written and receivables for claims and commission relating to retrocession business.

24.2.14.1. Recognition of receivables

Receivables arising out of reinsurance business are recognized 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 recognized in line with policies outlined in sections 24/02/2023 "Net premiums earned" and 24/02/2024 "Net claims incurred".

24.2.14.2. Impairment of receivables arising out of reinsurance business

As regards its core activity of reinsurance, the Company transacts business exclusively with legal entities. Before entering a business relationship with a prospective client, especially if foreign, the Company either carefully reviews its credit rating or relies on recommendations by its long-standing business partners. The Company individually assesses receivables in terms of their recoverability or impairment, accounting for allowances based on payment history of individual cedants and retrocessionaires.

The Company nevertheless periodically reviews its reinsurance receivables on a client-by-client basis, at least once a year.

No receivables have been pledged as security.

24.2.14.3. Deferred acquisition costs

The Company discloses deferred commissions under deferred acquisition costs. These are booked commissions relating to the next financial year recognized based on reinsurance accounts and estimated amounts derived from estimated commissions taking into account straight-line amortization.

24.2.14.4. Other assets

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

24.2.15. Cash and cash equivalents

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

24.2.16. Equity

Composition:

- share capital comprises the par value of paid-up ordinary shares, expressed in euro;
- capital reserves comprise amounts in excess of the par value of shares;
- profit reserves comprise reserves provided for by the articles of association, legal reserves, reserves for treasury shares, credit risk and catastrophe equalization 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 equalization reserves established pursuant to the Insurance Act (ZZavar) and relevant implementing acts, and catastrophe equalization 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.

24.2.17. 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.

24.2.18. Technical provisions

Technical provisions are approved by the appointed actuary of the Company.

Technical provisions are shown gross in the statement of financial position. The share of gross technical provisions for the business retroceded by the Company is shown in the statement of financial position under the item reinsurers' share of technical provisions. The main principles used in the calculation of gross technical provisions are described below.

Unearned premiums are the portions of premiums written pertaining to periods after the accounting period. They are accounted for on the basis of received reinsurance accounts for unearned premiums, following the cedant's method, predominantly a pro rata temporis basis at insurance policy level. In cases where the Company does not receive timely accounts for unearned premiums on reinsurance business, nominal percentages are used at reinsurance account level for periods for which premiums are written.

Provisions for outstanding claims (also claims provisions) are established for incurred but not settled claims. These comprise provisions for incurred claims, both reported and unreported (IBNR). They are accounted for on the basis of received reinsurance accounts for provisions for outstanding claims and on the basis of received loss advices for non-proportional reinsurance business. Sava Reinsurance Company establishes the IBNR provision following three procedures. In the first procedure, the Company assumes a portion of the IBNR provision as calculated by cedants based on relevant reinsurance contract's provisions. In the second procedure, it is necessary to estimate the claims provision for business outside the Sava Re Group for which reinsurance accounts are not received timely to estimate technical categories, taking into account expected premiums and expected combined ratios for each underwriting year, class of business and form of reinsurance. This estimated claims provision is also added to the IBNR provision. As the triangular method is used in making estimates, the procedure also represents a liability adequacy test for the reinsurance portfolio outside the Sava Re Group. In the third procedure, the IBNR provision is calculated as part of the liability adequacy test for portfolio segments where reinsurance accounts are received timely and for which no estimates are made. This calculation is made for gross data of Slovenian cedants and subsidiaries at insurance class level, using development triangles of cumulative claim payments by underwriting year. If the provision for outstanding claims exceeds the one already set aside (and calculated based on reinsurance accounts), a reinsurance IBNR provision is set aside. The described procedures show that the outstanding claims provision is established based on statistical data and using actuarial methods; therefore, its calculation also constitutes a liability adequacy test.

The provision for bonuses, rebates and cancellations is intended for agreed and expected pay-outs due to good results of insurance contracts and expected payment due to cancellations in excess of unearned premiums. The Company establishes these provisions on the basis of reinsurance accounts for quota share reinsurance treaties with subsidiaries.

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

Unearned premiums are deferred premiums based on coverage periods. If based on such a calculation, the premium is deemed to be adequate, the unearned premium is also adequate. The Company carries out liability adequacy tests separately for gross unearned premiums and for the retroceded portion of unearned premiums at the insurance class level. Calculation of the expected combined ratio at insurance class level was based on the weighted average of the combined ratios realized in the last three years, which were also trend-adjusted. The calculation of the realized combined ratios was based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100 %, thus revealing a deficiency in the unearned premium, a corresponding provision for unexpired risks within other technical provisions is set aside, in accordance with the Insurance Act (ZZavar).

24.2.19. Other provisions

Other provisions comprise the net present value of employee benefits including severance pay upon retirement and jubilee benefits. They are calculated by the appointed actuary in accordance with IAS 19 based on the ratio of accrued service time in the Company to the entire expected service time in the Company (projected unit credit method).

Provisions are calculated based on personal data of employees: date of birth, date of commencement of employment, anticipated retirement, and salary. Entitlement to severance pay on retirement and jubilee benefits are based on provisions of the collective bargaining agreement or the employee's employment contract. Expected payouts also include tax liabilities where payments exceed statutory non-taxable amounts. The probability of an employee staying with the Company includes both the probability of death (under tables SLO 2007 M/F) and the probability of employment relationship termination based on internal data. Accordingly, the assumed annual real growth of salaries is based on internal data and the consumer price index. The assumed nominal annual growth of jubilee benefits (inflation rate) is 80 % of the discount rate calculated based on the long-term interest rate under the convergence criterion in the current year.

24.2.20. Pension insurance

The Company is required by law to pay pension insurance contributions on gross salaries at the rate of 8.85 %. In addition, in 2001 the Company concluded a contract setting up a pension insurance scheme as part of the voluntary pension system, and has been making monthly contributions to it since then.

24.2.21. Other liabilities

Liabilities are initially recognized 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 recognized under accrued expenses. Unexpended leave may be used by no later than 30 June of the succeeding year.

24.2.22. Classification of insurance contracts

The Company classifies contracts as insurance contracts if they are concluded to transfer a considerable portion of risk; otherwise, they are classified as financial contracts. Whether there has been a considerable transfer of risk may be established either (i) directly when the Company assumes risks from contracts on a proportional basis that have been classified as insurance contracts by their cedants, or (ii) indirectly by determining that a reinsured event would result in significant additional payouts.

The Company only transacts reinsurance business the basic purpose of which is the transfer of underwriting risk. Thus the Company classified all the reinsurance contracts it concluded as insurance contracts. Proportional reinsurance contracts represent an identical risk as the underlying insurance policies, which are insurance contracts. Since non-proportional reinsurance contracts provide for the payment of significant additional payouts in case of loss events, they also qualify as insurance contracts.

24.2.23. Net premiums earned

Premiums earned are accounted for on an accrual basis, taking into account any increase in economic benefits in the form of cash inflows or increases in assets. The Company separately discloses gross (re)insurance premiums written, co-insurance premiums and reinsurers' shares, and unearned premiums. These items are used to calculate earned premiums in the income statement. Premiums earned are recognized based on confirmed reinsurance accounts and estimated gross premiums written, premiums ceded to reinsurers and (gross and retroceded) unearned premiums; premium estimates are made based on reinsurance contracts which, according to due dates, have already accrued although the Company has yet to receive reinsurance accounts. Net premiums earned are calculated based on invoiced gross premiums written less invoiced premiums retroceded, both adjusted for the change in gross unearned premiums and the change in reinsurers' share of unearned premiums. Premiums earned are estimated based on individual reinsurance contracts.

24.2.24. Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, taking into account any decrease in economic benefits in the form of cash outflows or decreases in assets. Net claims incurred comprise gross claims paid net of recourse receivables and reinsured claims, i.e. amounts invoiced to retrocessionaires. The amount of gross claims paid 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.

24.2.25. Income and expenses relating to investments in subsidiaries and associates

Income from investments in subsidiaries and associates also includes dividends. Expenses for investments in subsidiaries and associates include impairment losses on investments. Dividend income is recognized when payout is authorized in accordance with the relevant general meeting resolution of any subsidiary or associate.

24.2.26. Investment income and expenses

The Company records investment income and expenses separate depending on whether they relate to the capital fund or the liability fund. The capital fund comprises assets representing shareholders' funds; the liability fund comprises assets supporting technical provisions.

Investment income includes:
- dividend income (income from shares),
- interest income,
- foreign 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,
- foreign 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 recognized in the income statement using the effective interest rate method. Interest income and expenses for investments at fair value through profit or loss are recognized in the income statement using the coupon interest rate. Dividend income is recognized in the income statement when payout is authorized. Gains and losses on the disposal of investments represent the difference between the carrying amount of a financial asset and its sale price, or between its cost less impairment, if any, and sale price in the case of investments available for sale.

24.2.27. Operating expenses

Operating expenses comprise:
- acquisition costs; reinsurance commission expenses recognized 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 recognized based on reinsurance accounts and estimated amounts obtained based on estimated commissions taking into account straight-line amortization;
- other operating expenses classified by nature are as follows:
  (a) depreciation of operating assets,
  (b) personnel costs including employee salaries, social and pension insurance costs and other personnel costs,
  (c) remuneration of the supervisory board and audit committee; and payments under contracts for services,
  (d) other operating expenses relating to services and materials.

24.2.28. Other technical income

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

24.2.29. Income tax expense

Income tax expense for the year comprises current and deferred tax. Income tax is presented in the income statement, except for the portion relating to the items presented in equity. The same applies to deferred tax. Current tax is payable on the taxable profit for the year using the tax rates enacted by the date of the statement of financial position, as well as on any adjustments to tax liabilities of prior periods. Deferred tax is recognized 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 recognized 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 realized.

The rate of corporate income tax is 17 % (the same as in 2013). In 2014, deferred tax assets and liabilities were accounted for at a rate of 17 % (the same as in 2013).

24.3. Changes in accounting policies and correction of errors

In 2014, the Company introduced no material changes in accounting policies nor corrected any errors.

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

Newly adopted standards and interpretations

The accounting policies adopted in the preparation of the Company's financial statements are consistent with those used for the financial year ending 31 December 2013, except for the following amended IFRSs which have become effective as of 1 January 2014:

- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IFRS 32 Financial Instruments: Presentation (amended) – Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 39 Financial Instruments (amended): Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
- IAS 36 Impairment of Assets (amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC Interpretation 21: Levies

The impact of newly adopted standards and interpretations on the Company's financial statements is described below.

IAS 28 Investments in Associate and Joint Ventures (revised)

As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures. The amendments of the standard have an effect on the Company's financial statements.

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

These amendments clarify the meaning of the expression "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous The amendments of the standard have no effect on the Company's financial statements.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

This standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements of IAS 27. The amendments introduced by the new standard do not affect the Company's financial statements.

IFRS 11 Joint Arrangements

The new standard replaces IAS 31: Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Thus the equity method is the only method of consolidation. The amendments introduced by the new standard do not affect the Company's financial statements.

IFRS 12 Disclosure of Interests in Other Entities

This standard includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 28 and IAS 31. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The amendments introduced by the new standard do not affect the Company's financial statements.

IFRS 39 Financial Instruments (amended): Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting

The amendments to the standard allow the continuation of hedge accounting in cases where a group of derivatives designated as an instrument for hedging is novated provided certain criteria are met. The amendment to the standard allowed an exception to the discontinuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendments introduced by the new standard do not affect the Company's financial statements because the Company does not hold derivative financial statements.

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

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. In accordance with the requirement of the revised standard, the Company's management does not disclose recoverable amounts of non-financial assets.

IFRIC Interpretation 21: Levies

The interpretations committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This interpretation clarifies the application of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, including the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation does not affect the Company's financial statements because it had always recognized its obligations in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets in accordance with the requirements of IFRIC 21.

New standards and interpretations not yet effective

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (amendment): Clarification of Acceptable Methods of Depreciation and Amortization

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets 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 use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendment has not yet been endorsed by the EU. The Company's management does not expect that the amendments to the standard will have an impact on its financial statements.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (amendment): Bearer Plants

The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g. fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance rather than in accordance with IAS 41. The amendment to the standard has not yet been endorsed by the EU. The Company's management estimates that the amendment to the standard will have no impact on its financial statements as the Company has no assets valued in accordance with this standard.

IAS 19 Employee Benefits (amended) Employee Contributions

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Company's management estimates that the amendment will not affect its financial statements as the Company does not have a defined benefit plan.

IFRS 9 Financial Instruments – Classification and measurement

The standard is effective for annual periods beginning on or after 1 January 2018. Early application of the standard is permitted. The amended standard reflects all phases of the standard's revision 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 standard has not yet been endorsed by the EU. The Company's management estimates that implementation of this standard will have an impact on the classification and measurement of financial instruments in the consolidated financial statements.

IFRS 11 Joint Arrangements (amendment): Accounting for Acquisitions of Interests in Joint Operations

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU. The Company's management estimates that the amendment will have no impact on its financial statements.

IFRS 14 Regulatory Deferral Accounts

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This category includes utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a discussion paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The new standard has not yet been endorsed by the EU. As the Company already presents IFRS financial statements, the new standard has no impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers

The new standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The new standard has not yet been endorsed by the EU. The Company is reviewing the impact of the new standard on the Company's financial statements.

IAS 27: Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. 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 and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The new standard has not yet been endorsed by the EU. The Company's management estimates that the amendment to the standard will have no impact on its financial statements.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The new amendment has not yet been endorsed by the EU. The Company's management estimates that the amendments to the standard will have no impact on its financial statements.

Annual Improvements to IFRSs 2010–2012 Cycle

The IASB has issued the Annual Improvements to IFRSs 2010–2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. The Company's management estimates that the listed amendments will have no impact on its financial statements.

- IFRS 2 Share-based Payment: This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- IFRS 3 – Business Combinations: This improvement clarifies that a contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- IFRS 8 Operating Segments: This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- IFRS 13 Fair Value Measurement: This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- IAS 16 Property Plant & Equipment: The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- IAS 24 Related Party Disclosures: The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- IAS 38 Intangible Assets: The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Annual Improvements to IFRSs 2011–2013 Cycle

The IASB has issued the Annual Improvements to IFRSs 2011–2013 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015. The Company's management estimates that the listed amendments will have no impact on its financial statements.

- IFRS 1 First-time Adoption of IFRSs: This improvement clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.
- IFRS 3 – Business Combinations: This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 Fair Value Measurement: The amendment clarifies that exemptions from the requirements of IFRS 13, as laid down in Article 52 of the IFRS 13 shall apply to all contracts falling within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- IAS 40 Investment Property: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

Annual Improvements to IFRSs 2012–2014 Cycle

The IASB has issued the Annual Improvements to IFRSs 2012-2014 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. The new amendments have not yet been endorsed by the EU. The Company's management estimates that the listed amendments will have no impact on its financial statements.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: 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 also clarifies that changing the disposal method does not change the date of classification.
- IFRS 7 Financial Instruments: Disclosures: 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.
- IAS 19 Employee Benefits: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- IAS 34 Interim Financial Reporting: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is deemed incomplete.

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (amendments)

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. 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. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and 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. The new amendments have not yet been endorsed by the EU. The Company's management estimates that the amendment will have no impact on its financial statements.

IAS 1: Disclosure Initiative (amendment)

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The new amendments have not yet been endorsed by the EU. The Company's management estimates that the amendment will have no impact on its financial statements.

24.5. Risk management

24.5.1. Insolvency risk

The solvency ratio of Sava Reinsurance Company at 31 December 2014 stood at 226.8 % (31 December 2013: 168.8 %), which represents low insolvency risk.

The capital adequacy statement of Sava Reinsurance Company is presented in the business report, in section 20.2.3 "Capital adequacy of Sava Reinsurance Company".

24.5.2. Underwriting risks

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 and policyholder behaviour risk.

Sava Reinsurance Company assumes from its subsidiaries and other cedants only underwriting risk. Part of the assumed risk is retained, any excess over its capacity is retroceded. Sava Reinsurance Company classifies all reinsurance contracts as insurance contracts within the meaning of IFRS 4. As Sava Reinsurance Company has no reinsurance contracts that qualify as financial contracts, we give below a detailed description of the risks arising from insurance contracts, as required under IFRS 4.

24.5.2.1. Underwriting process risk

The underwriting process risk is the risk of incurring financial losses caused by an incorrect selection and approval of risks to be reinsured. In respect of reinsurance treaties, Sava Reinsurance Company follows the fortune of its ceding companies, while in respect of facultative contracts, the decision on assuming a risk is on Sava Reinsurance Company.

It follows from the above that in order to manage this risk, it is essential to review the practices of existing and future ceding companies and to analyse developments on the relevant markets and in the relevant classes of insurance. Consequently, coverage may only be granted by taking into account internal underwriting guidelines. These guidelines define requirements for customers, minimum required level of information on the business and the framework of the expected business results. In addition, they lay down the coverage procedure and levels of authority so that appropriate controls are included in the process. Sava Reinsurance Company's underwriting experts assist in the underwriting of large risks assumed by the Company's subsidiaries.

The table below shows exposure measured by the number of contracts and aggregated limits of contracts. The sums do not include covers that are fully retroceded and mainly relate to unlimited excess of loss motor liability reinsurance covers.

Breakdown of reinsurance contracts and limits (before retrocession)

(€)	U/W year 2014		U/W year 2013	
Form of contract	**No. of contracts**	**Aggregate limit**	**No. of contracts**	**Aggregate limit**
Treaty business	611	1,291,325,339	559	1,073,228,425
Facultative business	170	698,733,794	157	765,841,029
TOTAL	781	1,990,059,133	716	1,839,069,454

If measured on the basis of aggregate limits, the exposure to underwriting risk has increased in 2014 compared to 2013. Sava Reinsurance Company reduces underwriting risk by transferring part or all of it to retrocessionaires.

24.5.2.2. Pricing risk

Pricing risk is the risk that the reinsurance premiums charged will be insufficient to cover liabilities under reinsurance contracts.

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

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 2014 and 2013.

24.5.2.3. Claims risk

Claims risk is the risk that the number of claims or the average claim amount will be higher than expected. In respect of proportional reinsurance, this risk is closely connected with the same risk in relation to ceding companies, which may arise due to incorrect assessments made in the course of underwriting, changes in court practice, new types of losses, increased public awareness of the rights attached to insurance contracts, new human and animal diseases, macroeconomic changes and such like.

With non-proportional reinsurance contracts, especially in higher layers, a major excess over the expected small number of losses is less likely, but still possible.

This risk is managed by appropriate underwriting, controlling risk concentration in a particular location or geographical area, and especially by adequate reinsurance and retrocession programmes.

Although we are altering the composition of the portfolio to maximize profitability, we assess that there was no significant difference between the claims risk of 2014 and 2013.

24.5.2.4. Net retention risk

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

Sava Reinsurance Company manages net retention risk by way of (i) appropriate professional underwriting of the risks to be insured, (ii) measuring the exposure (by aggregating sums insured) by geographical area for individual natural perils and especially by (iii) appropriately defining the maximum net retention limits and (iv) designing appropriate reinsurance programmes. In managing this risk, we take into account that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophe event and by the frequency of such events.

The table below shows exposure to natural perils and/or diversification by region.

Earthquake aggregates by region

(€)	31/12/2014	31/12/2013
EU members	665,608,058	540,585,594
Non-EU members	124,527,397	120,155,022
Russia and CIS	30,324,108	30,940,445
Africa	24,101,686	36,651,434
Middle East	29,193,080	68,686,712
Asia	126,679,970	110,183,863
Latin America	36,581,999	34,745,224
USA and Canada	13,550,921	9,725,065
Caribbean Islands	14,671,283	16,768,348
Oceania	33,837,636	8,774,789
TOTAL	1,099,076,137	977,216,497

Flood aggregates by region

(€)	31/12/2014	31/12/2013
EU members	389,906,854	394,280,350
Non-EU members	93,584,596	95,175,143
Russia and CIS	30,316,608	30,932,945
Africa	24,101,686	35,112,973
Middle East	21,099,338	54,477,183
Asia	124,717,528	108,782,755
Latin America	36,581,999	34,745,224
USA and Canada	13,550,921	9,725,065
Caribbean Islands	13,356,958	15,209,813
Oceania	33,837,636	8,774,789
TOTAL	781,054,124	787,216,240

Storm aggregates by region

(€)	31/12/2014	31/12/2013
EU members	470,178,410	471,963,590
Non-EU members	93,570,346	95,160,893
Russia and CIS	30,316,608	30,932,945
Africa	24,101,686	35,112,973
Middle East	21,099,338	54,477,183
Asia	126,247,168	111,067,195
Latin America	36,581,999	34,745,224
USA and Canada	13,550,921	9,725,065
Caribbean Islands	13,356,958	15,209,813
Oceania	33,837,636	8,774,789
TOTAL	862,841,070	867,169,670

We consider the net retention risk to have remained in 2014 essentially the same as in 2013 in terms of retention limits and the expected number of catastrophic losses. Yet Sava Reinsurance Company was not seriously impacted due to its adequate retention limits and adequate retrocession programme, as shown in the section on estimated exposure to underwriting risks.

24.5.2.5. Reserving risk

Reserving risk is the risk that technical provisions will be inadequate. This may occur because of inaccurate actuarial estimates or an unexpected unfavourable loss development. It may be a result of new types of losses that have not been excluded in cedants' insurance conditions and for which no claims provisions have been established, which is common with liability insurance contracts but can also happen due to changed court practices. We consider that this risk does exist, mainly in respect of the claims provision; however, it is minor.

Sava Reinsurance Company manages reserving risk by strict adherence to the law and regulations on technical provisions, by applying recognized 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.

In line with reinsurance practice, Sava Reinsurance Company analyses data concerning claims paid by underwriting year and estimates its future liabilities with respect to individual underwriting years by using appropriate actuarial methods. The estimated liabilities relate to claims that have already been incurred (reported and not reported) the settlement of which is provided for within the claims provision, and claims that have not yet been incurred the settlement of which is covered by unearned premiums. The claims provision is derived by deducting the unearned premium from the estimated future liabilities. The unearned premium is calculated separately as described in the notes to technical provisions.

Owing to the mentioned feature, the two tables below include as originally estimated gross or net liabilities. At any year-end claims provisions are included plus unearned premiums less deferred commission, which are compared to subsequent estimates of these liabilities. Such testing or analysis of whether technical provisions are adequate can only be applied to past years — the further back in time, the more precise the results. Given that the claims provision is calculated using the same actuarial method as in previous years, we conclude based on past discrepancies between originally estimated liabilities and subsequently established actual liabilities arising from claims at individual dates of the statement of financial position, that the provisions as at 31 December 2014 are adequate.

Adequacy analysis of gross technical provisions for past years

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	2009	2010	2011	2012	2013	2014
As originally estimated	157,182	163,593	173,525	206,099	199,339	207,416
Reestimated as of 1 year later	141,917	148,272	169,377	179,501	170,890	
Reestimated as of 2 years later	134,336	143,881	155,552	169,305		
Reestimated as of 3 years later	130,827	136,062	155,334			
Reestimated as of 4 years later	125,479	134,014				
Reestimated as of 5 years later	123,350					
CUMULATIVE GROSS REDUNDANCY (LAST ESTIMATE – ORIGINAL ESTIMATE)	33,832	29,579	18,191	36,794	28,449	
Cumulative gross redundancy as % of original estimate	21.5 %	18.1 %	10.5 %	17.9 %	14.3 %	

Adequacy analysis of net technical provisions for past years

(€ thousand)	Year ended 31 December					
Estimate of net liabilities	2009	2010	2011	2012	2013	2014
As originally estimated	132,543	146,636	156,370	174,480	173,344	177,031
Reestimated as of 1 year later	122,908	133,984	144,939	153,138	153,578	
Reestimated as of 2 years later	114,811	128,919	132,255	147,656		
Reestimated as of 3 years later	110,217	120,170	136,571			
Reestimated as of 4 years later	104,079	118,514				
Reestimated as of 5 years later	102,476					
CUMULATIVE NET REDUNDANCY (LAST ESTIMATE – ORIGINAL ESTIMATE)	30,067	28,122	19,799	26,823	19,767	
Cumulative net redundancy as % of original estimate	22.7 %	19.2 %	12.7 %	15.4 %	11.4 %	

The cumulative gross redundancies for underwriting years 2009–2012 increased compared to amounts at the end of the preceding year, which were 20.2 %, 16.8 %, 10.4 % and 12.9 % of original estimates. The cumulative net redundancies for underwriting years 2009–2012 also similar to amounts at the end of the preceding year, which were 21.5 %, 18.0 %, 15.4 % and 12.2 % of original estimates.

The cumulative gross and net 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 by the very nature of the calculation method too large for the portion relating to the difference between 100 % and the subsequently known actual loss ratio. This is also the reason why the reestimate as of 1 year later is quickly decreasing compared to the original estimate, as unearned premiums relating to one-year insurance contracts are largely released in the following year when any redundancy is also released. Subsequent reestimates do not normally differ significantly from the second-year estimate; and only after a long time they stabilise.

In respect of those classes of insurance where the sum of the claims and the expense ratio exceeds 100 %, Sava Reinsurance Company sets aside provisions for unexpired risks in addition to unearned premiums, as described in the notes to technical provisions.

We estimate that reserving risk at the end of 2014 is similar to that at year-end 2013.

24.5.2.6. Retrocession programme

An adequate retrocession programme is fundamental for managing the underwriting risks to which Sava Reinsurance Company is exposed. The programmes are designed to reduce potentially large risk exposures as largest amounts set out in the tables of maximum retentions are used only exceptionally with best risks. Sava Reinsurance Company uses 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 2014 retrocession programme of Sava Reinsurance Company is comparable with that of 2013.

24.5.2.7. Estimated exposure to underwriting risks

Sava Reinsurance Company's maximum net retentions and its retrocession programmes are of key importance to estimate the exposure to underwriting risks. The net retention limit is set at € 3 million for the majority of non-life classes of insurance and a combined limit of € 3 million is used for the classes fire and natural forces, other damage to property and miscellaneous financial loss; a net retention limit of € 2 million is set for motor liability and for marine; for life policies net retention limits are uniformly set at € 300,000. In principle, this 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 threatens 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 had changed due to higher/lower underwriting risks by one percentage point, net profit before tax would have changed by € 1.1 million (2013: € 1.3 million). In 2014 an additional maximum net claim of € 5 million would have deteriorated the combined ratio by 4.4 % (2013: 4.0 %), 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 2014 and 2013.

24.5.3. Financial risks

In its financial operations, Sava Reinsurance Company is exposed to financial risks, including market risk, liquidity risk and credit risk.

24.5.3.1. Market risks

The table below shows the changes in own assessment of risk compared to year-end 2013 as a result of changes in the composition of the portfolio of financial investments discussed in greater detail later in the report.

Financial investments exposed to market risks

Asset class	31/12/2014	31/12/2013	Absolute difference 31.12.2014/ 31.12.2013	Market risk: Interest rate risk	Market risk: Equity risk	Market risk: Currency risk	Liquidity risk	Credit risk
Deposits and CDs	15,664,002	30,837,544	-15,173,542			Risk reduced	Risk at the same level	Risk reduced
Government bonds	95,493,956	95,968,152	-474,196	Risk at the same level		Risk reduced	Risk at the same level	Risk reduced
Corporate bonds	105,513,193	77,567,167	27,946,026	Risk increased		Risk reduced	Risk at the same level	Risk reduced
Shares (excluding strategic shares)	12,670,272	12,537,924	132,348		Risk at the same level		Risk at the same level	
Mutual funds	2,260,648	3.855,136	-1,594,488					
bonds funds	314,375	421,503	-107,128	Risk at the same level			Risk at the same level	
equity funds	1,946,273	3,433,633	-1,487,360		Risk reduced	Risk reduced	Risk at the same level	
Loans granted and other	4,334,953	5,635,286	-1,300,333				Risk at the same level	Risk at the same level
Deposits with cedants	5,587,510	10,191,017	-4,603,507			Risk reduced	Risk at the same level	Risk at the same level
TOTAL FINANCIAL INVESTMENTS	**241,524,533**	**236,592,226**	**4,932,307**	Risk increased	Risk reduced	Risk reduced	Risk at the same level	Risk reduced

Risk reduced — Risk at the same level — Risk increased

24.5.3.1.1. 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 amortized cost. These amount to € 2.1 million.

Results of the sensitivity analysis

(€)	31/12/2014 +200 bp			31/12/2014 -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

(€)	31/12/2013 +200 bp			31/12/2013 -200 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	93,894,460	90,528,432	-3,366,027	93,894,460	96,541,183	2,646,723
Corporate bonds	77,596,298	74,796,630	-2,799,668	77,596,298	80,805,906	3,209,608
Bond mutual funds	421,503	406,348	-15,155	421,503	435,897	14,394
TOTAL	**171,912,260**	**165,731,410**	**-6,180,850**	**171,912,260**	**177,782,986**	**5,870,725**
Effect on equity			-6,023,249			5,811,920
Effect on the income statement			-157,601			58,805

A sensitivity analysis showed that in case of an increase in interest rates, the value of bonds included in the analysis would have decreased by € 9.2 million (31 December 2013: € 6.1 million) or 4.6 % (31 December 2013: 3.6 %).

Compared to 2013, the interest rate risk increased due to the increase in the proportion of bonds, which are sensitive to interest rate changes.

24.5.3.1.2. Equity risk

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

Equity risk is measured by Sava Reinsurance Company through a stress test scenario assuming a 10 % 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 and associates are excluded from stress tests as the Company assesses their value in accordance with the policy described in section 24.2.11 "Investments in subsidiaries and associates". At year-end 2014, investments in subsidiaries and associates totalled € 189.6 million (31 December 2013: € 189.9 million). Sava Reinsurance Company seeks to maintain or increase the value of its investments in subsidiaries and associates mainly by actively controlling subsidiaries and by participating in the control of associate companies.

Sensitivity assessment of investments to equity risk

(€)	31/12/2014			31/12/2013		
Value decrease	**Value**	**Post-stress value**	**Change in value**	**Value**	**Post-stress value**	**Change in value**
by -10 %	14,616,544	13,154,890	-1,461,654	15,971,557	14,374,401	-1,597,156

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 € 1.5 million (31 December 2013: € 1.6 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 € 2.9 million.

The exposure of Sava Reinsurance Company to equity risk did not change significantly in 2014.

24.5.3.1.3. Currency risk

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

Liabilities of Sava Reinsurance Company denominated in foreign currencies at 31 December 2014 accounted for 16.2 % 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[32] 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[33] 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 2014, we made a stochastic analysis that projected that after one year the average surplus of assets over liabilities would be € 0.3 million (31 December 2013: € 0.4 million), but with a 5-percent probability that the deficit of assets would exceed € 1.5 million (31 December 2013: € 3.5 million).

Currency mismatch of assets and liabilities is monitored by individual accounting currency. The table below shows the currency (mis)match for most common currencies.

32 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.
33 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)

Currency 2014	Assets	Liabilities	Mismatch (liab. - assets)	% of matched liabilities
Euro (€)	471,177,731	458,906,072	12,271,659	102.7
Foreign currencies	76,235,953	88,507,612	-12,271,658	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	0	
% of currency matched liabilities			97.8 %	

Currency (mis)match as at 31 December 2013 (all amounts translated to euro)

Currency 2013	Assets	Liabilities	Mismatch (liab. - assets)	% of matched liabilities
Euro (€)	477,801,907	458,207,834	19,594,073	104.3
Foreign currencies	52,835,062	72,429,134	-19,594,073	72.9
US dollar (USD)	36,111,372	27,889,400	8,221,972	129.5
Korean won (KRW)	4,533,287	10,621,165	-6,087,878	42.7
Japanese yen (JPY)	1,485,001	5,274,320	-3,789,319	28.2
Chinese yuan (CNY)	1,759,352	4,979,202	-3,219,850	35.3
Russian ruble (RUB)	3,034,729	4,509,060	-1,474,331	67.3
Other	5,911,320	19,155,988	-13,244,667	30.9
TOTAL	530,636,968	530,636,968	0	
% of currency matched liabilities			96.3 %	

The Company has improved currency matching compared to 2013, as it managed to directly match assets and liabilities in most foreign currencies with a mismatch over € 2 million. At 31 December 2014, the Company has a surplus of assets over liabilities in US dollar. This surplus was due to asset-liability management practices where the company ties to the US dollars a number of foreign currencies that are at least 90 % correlated with the US dollar. When this correlation is taken into account, the surplus of assets over liabilities in US dollar is reduced to € 0.3 million.

Effect of foreign currency differences on the income statement

Currency mismatch also affects profit or loss through accounting for exchange rate differences due to the impact of exchange rate changes on various statement of financial position items.

When assets and liabilities are 100 % matched in terms of foreign currencies, changes in foreign exchange rates have no impact on profit or loss. This is because any change in the value of assets denominated in any foreign currency due to any change in any foreign exchange rate is neutralized 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 table below shows the impact of foreign currency differences.

Effect of foreign exchange differences on the income statement

Statement of financial position item	Foreign exchange differences	
Euro (€)	2014	2013
Investments	2,136,691	-1,120,858
Technical provisions and deferred commissions	-2,084,979	4,530,762
Receivables and liabilities	135,572	-788,353
TOTAL EFFECT ON THE INCOME STATEMENT	187,283	2,621,551

We estimate that the currency risk decreased in 2014 compared to 2013 since the company took targeted measures towards better currency matching of assets and liabilities both directly through accounting currencies and indirectly through transaction currencies.

24.5.3.2. 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 minimizes 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.

Estimates of normal current liquidity are made based on an analysis of expected cash flows in the period up to one year in monthly and weekly plans that take into account the planned maturity dynamics of investments and other inflows and outflows from operating activities. To this end, the Company uses historical data from previous monthly and weekly liquidity plans and projections regarding future operations. 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 in 2014 never fell below 1, the statutory minimum.

Exposure to liquidity risk is also measured by maturity-matching of assets and liabilities. The table below 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 31/12/2014	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		3,200,000	819,058		1,647,372	5,666,430
- held to maturity	2,074,001		102,500	410,000	2,717,500		3,230,000
- loans and deposits	25,586,465	2,592,836	18,916,744	3,292,912	1,562,814		26,365,306
- available-for-sale	208,238,542		47,125,236	129,325,287	29,526,631	13,283,548	219,260,702
Reinsurers' share of technical provisions	30,863,647		9,885,016	10,223,440	10,755,191		30,863,647
Cash and cash equivalents	512,342		512,342				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			23,499,692			23,499,692
Technical provisions	216,658,049		69,552,926	71,688,203	75,416,920		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**

(€)	Carrying amount as at 31/12/2013	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2013
Financial investments	236,592,225	16,878,238	89,591,880	102,510,107	26,578,684	16,393,060	251,951,969
- at fair value through profit or loss	13,033,788		12,062,500			1,034,589	13,097,089
- held to maturity	2,073,728		102,500	410,000	2,820,000		3,332,500
- loans and deposits	46,663,847	16,878,238	25,306,587	4,250,974	2,342,662		48,778,461
- available-for-sale	174,820,862		52,120,293	97,849,133	21,416,022	15,358,471	186,743,919
Reinsurers' share of technical provisions	26,342,963		8,706,660	8,525,883	9,110,420		26,342,963
Cash and cash equivalents	128,264		128,264				128,264
TOTAL ASSETS	263,063,452	16,878,238	98,426,804	111,035,990	35,689,104	16,393,060	278,423,196
Subordinated liabilities	23,466,967				23,466,967		23,466,967
Technical provisions	208,623,243		69,134,728	67,432,656	72,055,859		208,623,243
TOTAL LIABILITIES	232,090,210	0	69,134,728	67,432,656	95,522,826	0	232,090,210
Difference	**30,973,242**	**16,878,238**	**29,292,076**	**43,603,334**	**-59,833,722**	**16,393,060**	**46,332,986**

In terms of the Company's liquidity, the matching of liability fund assets and the Company's liabilities is very important.

As at 31 December 2014 the Company's liability fund exceeded gross technical provisions and reserves by € 45.5 million (31 December 2013: € 27.8 million). As at 31 December 2014, the liability fund exceeded gross technical provisions and reserves by 20.0 % (31 December 2013: 12.7 %).

Coverage of gross technical provisions and reserves by the liability fund

(€)	31/12/2014		31/12/2013	
Type of investment	Liability funds	As % of technical provisions	Liability funds	As % of technical provisions
Financial investments of the liability fund	213,482,527	97.3 %	195,894,761	89.3 %
Reinsurers' share of technical provisions	30,863,647	14.1 %	26,342,963	12.0 %
Receivables and cash	28,628,208	13.0 %	24,982,706	11.4 %
Total liability fund	**272,974,382**	**124.4 %**	**247,220,430**	**112.7 %**
Technical provisions plus reserves	**227,503,571**		**219,423,318**	
Coverage of technical provisions (%)	**120.0 %**		**112.7 %**	
Surplus of the liability fund	**45,470,811**	**20.0 %**	**27,797,112**	**12.7 %**

* Reserves include profit reserves for credit risk and catastrophe equalization.

The average maturity of bonds and deposits of the liability fund was 2.46 years at year-end 2014 (31 December 2013: 2.25 years), while the expected maturity of liabilities was 4.44 years (31 December 2013: 4.47 years). The mismatch between the maturities of assets and liabilities decreased in 2014.

24.5.3.3. Credit risk

Credit risk is the risk that issuers or other counterparties will fail to meet their obligations to the Company.

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

(€)	31/12/2014	31/12/2013
Type of asset	Amount	Amount
Fixed-income investments	222,258,661	214,563,880
Receivables due from reinsurers	34,095,262	29,761,204
Receivables, excluding receivables arising out of reinsurance business	68,252,549	60,402,151
TOTAL EXPOSURE	324,606,472	304,727,235

Receivables, excluding receivables arising out of reinsurance business, comprise premium receivables in the amount of € 67.4 million (2013: € 58.9 million), receivables for commission of € 0.6 million (2013: € 0.5 million) and other receivables of € 0.2 million (2013: € 1.0 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

(€)	31/12/2014		31/12/2013	
Rated by S&P/Moody's	Amount	As % of total	Amount	As % of total
AAA/Aaa	68,414,060	30.8 %	52,560,378	24.5 %
AA/Aa	29,173,097	13.1 %	24,676,751	11.5 %
A/A	38,654,597	17.4 %	27,567,775	12.8 %
BBB/Baa	48,741,437	21.9 %	63,506,207	29.6 %
Less than BBB/Baa	21,026,192	9.5 %	10,672,760	5.0 %
Not rated	16,249,277	7.3 %	35,580,009	16.6 %
TOTAL	222,258,661	100.0 %	214,563,880	100.0 %

Fixed-income investments rated A or better at 31 December 2014 accounted for 61.3 %, an increase of 12.5 percentage points over 2013. 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

(€)	31/12/2014		31/12/2013	
Region	Amount	As % of total	Amount	As % of total
Slovenia	79,188,827	32.8 %	97,756,816	41.3 %
EU member states (excl. Slovenia)	117,135,071	48.5 %	94,550,078	40.0 %
Non-EU members	14,657,544	6.1 %	17,987,369	7.6 %
Russia and Asia	18,686,489	7.7 %	18,762,644	7.9 %
Africa and the Middle East	2,654,823	1.1 %	2,877,728	1.2 %
America and Australia	9,201,778	3.8 %	4,657,591	2.0 %
TOTAL	241,524,533	100.0 %	236,592,225	100.0 %

Financial investments are chiefly exposed to EU Member States (31 December 2014: 48.5 %, 31 December 2013: 41.3 %), with exposure spread between 23 countries. The second largest exposure is to Slovenian-based issuers (31 December 2014: 32.8 %; 31 December 2013: 41.3 %). Exposure to Slovenia in 2014 decreased by € 18.6 million or 8.5 percentage points.

Exposure to Slovenia by asset type

(€)	31/12/2014		31/12/2013	
Type of investment	Amount	As % of total	Amount	As % of total
Deposits and CDs	13,647,002	5.7 %	23,817,544	10.1 %
Government bonds	31,066,623	12.9 %	41,374,665	17.5 %
Corporate bonds	20,715,946	8.6 %	17,608,612	7.4 %
Shares	11,812,983	4.9 %	11,522,028	4.9 %
Mutual funds	1,946,273	0.8 %	3,433,633	1.5 %
Other	0	0.0 %	333	0.0 %
TOTAL	79,188,827	32.8 %	97,756,816	41.3 %

* The % of total is calculated based on the amount of market-risk sensitive investments.

Diversification of financial investments by industry

(€)	31/12/2014		31/12/2013	
Industry	Amount	As % of total	Amount	As % of total
Banking	72,332,639	29.9 %	74,047,188	31.3 %
Government	96,484,731	39.9 %	95,968,188	40.6 %
Finance	5,296,795	2.2 %	9,613,905	4.1 %
Industry	16,579,881	6.9 %	13,686,956	5.8 %
Consumables	11,573,037	4.8 %	6,488,003	2.7 %
Utilities	23,481,474	9.7 %	16,412,032	6.9 %
Insurance	15,775,976	6.5 %	20,375,954	8.6 %
TOTAL	241,524,533	100.0 %	236,592,225	100.0 %

The Company's largest exposure in terms of industry at 31 December 2014 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 2014, exposure to the ten largest issuers was € 77.2 million, representing 32.0 % of financial investments (31 December 2013: € 95.6 million; 40.4 %). The largest single issuer of securities that Sava Reinsurance Company is exposed to is the Republic of Slovenia. At 31 December 2014, it totalled € 31.1 million or 12.9 % of financial investments (31 December 2013: € 41.4 million; 17.4 %). No other issuer exceeds the 3 % of financial assets threshold.

Counterparty default risk

Total exposure to retrocessionaires at 31 December 2014 was € 34.1 million (31 December 2013: € 29.8 million). Of this, € 30.9 million (31 December 2013: € 26.4 million) relate to retroceded gross technical provisions (€ 3.0 million to unearned premiums and € 27.8 million to provisions for outstanding claims) and € 3.2 million (31 December 2013: € 3.4 million) to receivables for reinsurers' shares in claims.

The total credit risk exposure of the Company arising from retrocessionaires represented 6.2 % of total assets in 2014 (31 December 2013: 5.6 %). Retrocession programmes are mostly placed with first-class reinsurers with an appropriate credit rating (at least A– according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). We consider this risk as low, particularly as the investment portfolio is adequately diversified. See the table below for details.

Receivables due from reinsurers by reinsurer credit rating

(€)	31/12/2014		31/12/2013	
Rated by S&P / A.M. Best	Amount	As % of total	Amount	As % of total
AAA/A++	930,134	2.7 %	779,930	2.6 %
AA/A+	9,900,708	29.0 %	7,421,140	24.9 %
A/(A or A-)	17,405,425	51.0 %	17,254,162	58.0 %
BBB / (B++ or B+)	1,521,034	4.5 %	1,466,650	4.9 %
Less than BBB / less than B+	0	0.0 %	0	0.0 %
Not rated	4,337,961	12.7 %	2,839,322	9.5 %
TOTAL	34,095,262	100.0 %	29,761,204	100.0 %

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

Receivables ageing analysis

(€) 31/12/2014	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

(€) 31/12/2013	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of assumed reinsurance and co-insurance	46,513,595	5,696,867	6,702,195	58,912,657
Other receivables from co-insurance and reinsurance	467,188	0	0	467,188
Short-term receivables arising out of financing	4,288	25,747	34,669	64,704
Other receivables	548,545	0	409,058	957,603
TOTAL	47,533,616	5,722,614	7,145,922	60,402,152

The Company assessed its receivables for impairment. Allowances were established for receivables that needed to be impaired. Receivables are discussed in greater detail in note 8.

24.5.4. Operational risk

Operational risk includes human capital risk, risk of business interruption and system errors, process control and implementation risk, compliance risk, legal risk and such like. We estimate that Sava Reinsurance Company is primarily exposed to risks arising from failed or inadequate processes and internal controls and failures in the management of the Company. Management considers that an efficient and effective system of internal controls is vital for operational risk management. Operational risk generally arises together with other risks (e.g. underwriting risk, market risk and such like), having a tendency to compound them. Negligence in the underwriting process, for example, significantly increases underwriting risks.

For the purpose of operational risk management, the Company has put in place adequate IT-supported procedures and controls in the most important areas of its operation. In addition, such risks are managed through the internal audit function, through staff training and enhanced risk awareness.

If broadly defined, operational risk includes political risks. We consider the exposure of Sava Reinsurance Company to political risk to be medium. However, due to the increasing desire of former Yugoslav countries to become members of the EU, we consider that the exposure to this risk, associated mainly with investments in subsidiaries, is decreasing.

We consider that the Company's overall exposure to operational risk in 2014 remained on essentially the same level as in 2013.

24.5.5. Implementing systematic risk management

Sava Reinsurance Company continues implementing risk management on a systematic basis, aware of the requirements brought about by the new Solvency II Directive, amongst them also risk-based capital calculation. Therefore, the Company stepped up preparations for and alignment to the new legislation. Sava Reinsurance Company also participated in quantitative impact studies.

24.6. Notes to the financial statements – statement of financial position

1. Intangible assets

Movements in cost and accumulated amortization/impairment losses of intangible assets

(€)	Software	Other intangible assets	Total
COST			
As at 01/01/2014	478,018	18,893	496,911
Additions	409,351	0	409,351
Disposals	0	-10,031	-10,031
As at 31/12/2014	887,369	8,862	896,231
ACCUMULATED AMORTIZATION			
As at 01/01/2014	384,699	0	384,699
Additions	44,109	0	44,109
Disposals	0	0	0
As 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**

(€)	Software	Other intangible assets	Total
COST			
As at 01/01/2013	526,786	18,020	544,806
Additions	9,274	873	10,147
Disposals	-58,042	0	-58,042
As at 31/12/2013	478,018	18,893	496,911
ACCUMULATED AMORTIZATION			
As at 01/01/2013	395,491	0	395,491
Additions	47,099	0	47,099
Disposals	-57,891	0	-57,891
As at 31/12/2013	384,699	0	384,699
Carrying amount as at 01/01/2013	**131,295**	**18,020**	**149,315**
Carrying amount as at 31/12/2013	**93,319**	**18,893**	**112,212**

2. Property and equipment

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
As 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
As at 31/12/2014	146,616	2,285,900	1,369,753	84,291	3,886,561
ACCUMULATED DEPRECIATION					
As 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
As 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**	**2,462,813**

(€)	Land	Buildings	Equipment	Other property and equipment	Total
COST					
As at 01/01/2013	141,580	2,244,145	1,221,495	84,291	3,691,511
Additions	0	0	58,980	0	58,980
Disposals	0	0	-106,475	0	-106,475
As at 31/12/2013	141,580	2,244,145	1,174,000	84,291	3,644,016
ACCUMULATED DEPRECIATION					
As at 01/01/2013	0	474,499	723,587	39,425	1,237,511
Additions	0	29,175	136,782	1,568	167,525
Disposals	0	0	-102,730	0	-102,730
As at 31/12/2013	0	503,674	757,639	40,993	1,302,306
Carrying amount as at 01/01/2013	**141,580**	**1,769,646**	**497,908**	**44,866**	**2,454,000**
Carrying amount as at 31/12/2013	**141,580**	**1,740,471**	**416,361**	**43,298**	**2,341,711**

Property and equipment assets have neither been acquired under financial lease arrangements nor have they been pledged.

3. Deferred tax assets and liabilities

(€)	31/12/2014	31/12/2013
Deferred tax assets	1,040,593	1,833,254
Deferred tax liabilities	0	0
TOTAL NET DEFERRED TAX ASSETS/LIABILITIES	1,040,593	1,833,254

(€)	01/01/2014	Recognized in the IS	Recognized 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

(€)	01/01/2013	Recognized in the IS	Recognized in the SCI	31/12/2013
Long-term financial investments	1,923,548	366,420	-458,131	1,831,837
Short-term operating receivables	136,833	19,085	0	155,918
Provisions for jubilee benefits and severance pay (retirement)	27,480	5,715	0	33,195
Other	-187,541	0	-155	-187,696
TOTAL	1,900,320	391,220	-458,286	1,833,254

In 2014 deferred tax assets were not affected by changes in tax rates.

4. Investment property

Movements in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
COST			
As at 01/01/2014	15,064	179,468	194,532
Transfer to property and equipment	-5,037	-41,755	-46,792
As at 31/12/2014	10,027	137,713	147,740
ACCUMULATED DEPRECIATION			
As 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
As 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**

(€)	Land	Buildings	Total
COST			
As at 01/01/2013	15,064	179,468	194,532
As at 31/12/2013	15,064	179,468	194,532
ACCUMULATED DEPRECIATION			
As at 01/01/2013	0	38,279	38,279
Additions	0	2,333	2,333
As at 31/12/2013	0	40,612	40,612
Carrying amount as at 01/01/2013	**15,064**	**141,189**	**156,253**
Carrying amount as at 31/12/2013	**15,064**	**138,856**	**153,920**

Investment property assets comprise offices in the Bežigrajski dvor building at Dunajska 56 in Ljubljana, which the Company has leased out for an indefinite period of time.

All investment property assets yield rent. In 2014 the Company realized income of € 15,296 from investment properties leased out, of which € 14,770 was paid by subsidiaries and associates and € 526 by third parties. In 2013, such income totalled € 15,805 (€ 15,296 from subsidiaries and associates and € 509 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 € 5,171 in 2014 (2013: € 5,345).

5. Financial investments in subsidiaries and associates

(€)	2014	2013
Financial investments in Group companies	188,630,935	188,929,217
Financial investments in associates	1,011,059	1,011,059
TOTAL	189,641,994	189,940,275

Financial investments in subsidiaries and associates are recognized at cost in accordance with IAS 27 "Consolidated and Separate Financial Statements".

Financial investments in Group companies

(€)	01/01/2014		Acquisition/ recapitalization	Impairment (-)	31/12/2014	
	Holding	**Value**	**Value**	**Value**	**Holding**	**Value**
Zavarovalnica Maribor	100.00 %	94,760,785			100.00 %	94,760,785
Zavarovalnica Tilia	100.00 %	13,967,082			100.00 %	13,967,082
Sava osiguranje Belgrade	99.99 %	13,694,800			99.99 %	13,694,800
Illyria	100.00 %	16,332,526			100.00 %	16,332,526
Sava osiguruvanje Skopje	92.44 %	10,278,898			92.44 %	10,278,898
Sava Montenegro	100.00 %	15,373,019			100.00 %	15,373,019
Illyria Life	100.00 %	4,035,893			100.00 %	4,035,893
Sava životno osiguranje	99.99 %	5,469,252	401,402		99.99 %	5,870,654
Velebit usluge	100.00 %	15,016,962		-2,500,000	100.00 %	12,516,961
Illyria Hospital	0.00 %	0	1,800,317		100.00 %	1,800,317
TOTAL		188,929,217	2,201,719	-2,500,000		188,630,935

In 2014, the Company increased its investments in Group companies by € 2.2 million. In 2013, Illyria Hospital was still owned by the subsidiary Illyria; in 2014 Sava Reinsurance Company became its direct owner. The Serbian life insurer Sava životno osiguranje was recapitalized by € 0.4 million. In Velebit usluge, the Company recognized impairment losses in a total amount of € 2.5 million. There were no changes in the amount of the investment or stake in the other Group companies.

Financial investments in associates

(€)	01/01/2014		Additions	Additions	31/12/2014	
	Holding	Value	Value	Value	Holding	Value
Moja naložba	20.00 %	1,011,059	0	0	20.00 %	1,011,059
TOTAL		1,011,059	0	0		1,011,059

Aggregated data from the financial statements of associates are shown in section 24.1 "Basic details".

6. Financial investments

Financial investments

(€) 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	**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

(€) 31/12/2013	Held-to-maturity	At fair value through P/L – Non-derivative – Designated to this category	Available-for-sale	Loans and receivables	Total
Debt instruments	**2,073,728**	**11,999,199**	**159,462,391**	**36,472,830**	**210,008,149**
Deposits and CDs	0	0	0	30,837,544	30,837,544
Government bonds	2,073,728	11,016,099	82,878,324	0	95,968,152
Corporate bonds	0	983,100	76,584,067	0	77,567,167
Loans granted	0	0	0	5,635,286	5,635,286
Equity instruments	**0**	**1,034,589**	**15,358,471**	**0**	**16,393,059**
Shares	0	311,421	12,226,503	0	12,537,924
Mutual funds	0	723,168	3,131,968	0	3,855,136
Deposits with cedants	**0**	**0**	**0**	**10,191,017**	**10,191,017**
TOTAL	2,073,728	13,033,788	174,820,862	46,663,847	236,592,225

Loans granted to Group companies

(€)	Type of debt instrument	31/12/2014	31/12/2013
Sava osiguranje Belgrade	loan	1,300,000	1,300,000
Illyria	loan	0	1,100,000
Sava Montenegro	loan	1,500,000	2,500,000
Velebit osiguranje	subordinated loan	734,953	734,953
Velebit životno osiguranje	subordinated loan	800,000	0
TOTAL		4,334,953	5,634,953

No securities have been pledged as security.

7. Reinsurers' share of technical provisions

(€)	31/12/2014	31/12/2013
From unearned premiums	3,031,287	2,588,958
From provisions for claims outstanding	27,832,360	23,754,006
TOTAL	30,863,647	26,342,964

Reinsures' share of unearned premiums increased in line with the growth in retroceded premiums. The reinsurers' share of claims provisions moves in line with the movement of large incurred claims, covered by the reinsurance programme, and the schedule of their related claim payments. Retroceded provisions for the Thai floods of 2011 decreased in 2014 from € 9.4 million to € 2.8 million (due to reduced incurred claims and payments), while there was a new provision established for the 2014 ice damage in the amount of € 10.9 million.

8. Receivables

The majority of not-past-due receivables were receivables arising out of reinsurance contracts, invoiced in the fourth quarter of 2014 but falling due only in 2015.

Receivables arising out of reinsurance contracts are not specifically secured. As explained in section 24.5.3.3 "Credit risks", the Company is not exposed to significant risks as regards these receivables. Receivables were tested for impairment. In 2014, an allowance for impairment of € 12,093 was recognized relating to individual receivables arising out of reinsurance business (2013: € 72,424). The impairment loss relating to other receivables totalled € 216,196 (2013: € 151,151).

Receivables by type

(€)	31/12/2014 Gross amount	31/12/2014 Allowance	31/12/2014 Receivables	31/12/2013 Gross amount	31/12/2013 Allowance	31/12/2013 Receivables
Receivables for premiums arising out of reinsurance and co-insurance	67,984,847	-537,862	67,446,985	59,440,438	-527,782	58,912,657
Receivables for shares in claims payments	3,316,897	-85,282	3,231,615	3,517,201	-85,282	3,431,919
Receivables for commission	619,797		619,797	467,188	0	467,188
Receivables arising out of reinsurance and co-insurance business	**71,921,542**	**-623,144**	**71,298,398**	**63,424,827**	**-613,064**	**62,811,763**
Current tax assets	**0**	**0**	**0**	**431,000**	**0**	**431,000**
Receivables arising out of investments	35,782	-88	35,694	64,792	-88	64,704
Other short-term receivables	586,358	-436,284	150,074	764,614	-238,011	526,603
Other receivables	**622,140**	**-436,373**	**185,768**	**829,406**	**-238,099**	**591,307**
TOTAL	72,543,682	-1,059,516	71,484,165	64,685,233	-851,163	63,834,070

There was a significant increase the amount of gross premium receivables arising out of reinsurance assumed. The main reason is the increased volume of business with East Asian partners. Another reason is the increase in estimated international premiums arising from reinsurance contracts written. According to contract dates, these receivables have already been incurred even though the Company has yet to receive reinsurance accounts.

The table gives a receivables ageing analysis. Amounts are net of any allowances.

Receivables ageing analysis

(€) 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	67,446,983
Receivables for reinsurers' shares in claims	2,312,763	351,027	567,825	3,231,615
Receivables for commission	619,518	0	280	619,798
Receivables arising out of reinsurance and co-insurance business	**54,217,874**	**11,965,757**	**5,114,765**	**71,298,396**
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**	**15,915**	**108,175**	**185,768**
TOTAL	54,279,552	11,981,672	5,222,940	71,484,165

At 31 December 2014, there were € 18.2 million past due receivables; of these € 1 million were impairment losses.

(€) 31/12/2013	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables for premiums arising out of reinsurance assumed	46,513,595	5,696,867	6,702,195	58,912,657
Receivables for reinsurers' shares in claims	2,720,276	210,735	500,908	3,431,919
Receivables for commission	457,823	9,365	0	467,188
Receivables arising out of reinsurance and co-insurance business	**49,691,693**	**5,916,967**	**7,203,103**	**62,811,763**
Current tax assets	**431,000**	**0**	**0**	**431,000**
Short-term receivables arising out of financing	4,288	25,747	34,669	64,704
Other short-term receivables	117,546	0	409,058	526,603
Other receivables	**121,833**	**25,747**	**443,727**	**591,307**
TOTAL	50,244,526	5,942,714	7,646,830	63,834,070

At 31 December 2013, there were € 14.5 million past due receivables; of these € 0.85 million were impairment losses.

All receivables are current.

Movements in allowances for receivables

(€)	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	17923	-436,284
Other receivables	**-238,099**	**-216,196**	**17,923**	**-436,372**
TOTAL	-851,162	-228,289	19,935	-1,059,516

(€)	01/01/2013	Additions	Reversals	31/12/2013
Receivables for premiums arising out of reinsurance assumed	-682,955	-22,424	177,597	-527,781
Receivables for reinsurers' shares in claims	-35,282	-50,000	0	-85,282
Receivables arising out of reinsurance and co-insurance business	**-718,237**	**-72,424**	**177,597**	**-613,063**
Short-term receivables arising out of financing	-88	0	0	-88
Other short-term receivables	-86,860	-151,151	0	-238,011
Other receivables	**-86,948**	**-151,151**	**0**	**-238,099**
TOTAL	-805,185	-223,575	177,597	-851,162

9. Deferred acquisition costs

(€)	31/12/2014	31/12/2013
Deferred commission from inwards reinsurance in Slovenia and abroad	9,003,998	9,012,388

This item comprises exclusively accounted commission relating to the next financial year recognized taking into account straight-line amortization.

All deferred acquisition costs are current.

10. Other assets and other financial liabilities

Other assets mainly include prepaid subscriptions and insurance premiums.

Other financial liabilities include liabilities arising out of exchange rate differences and short-term liabilities arising out of not fully paid out dividends of Sava Reinsurance Company in respect of 2013, which were being paid out in 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.

(€)	31/12/2014	31/12/2013
Cash in bank accounts	218,858	114,799
Overnight deposits	293,484	13,466
TOTAL	512,342	128,265

12. Share capital

At 31 December 2014, the Company's share capital was divided into 17,219,662 shares (the same as at 31 December 2013). 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. In 2014, Sava Reinsurance Company acquired all shares owned by its associate Zavarovalnica Maribor, who held 346,433 shares or 2.01 % at 31 December 2013.

As at year-end 2014, the Company's shareholders' register listed 5,134 shareholders (31 December 2013: 4,959 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 recapitalization 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 2014 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 2014 and were not strengthened either in the year.

Profit reserves

(€)	31/12/2014	31/12/2013	Distributable/non-distributable
Legal reserves and reserves provided for in the Articles of Association	14,986,525	14,986,525	non-distributable
Reserve for treasury shares	10,115,023	1,774	non-distributable
Credit risk equalization reserve	845,522	800,075	non-distributable
Catastrophe equalization reserve	10,000,000	10,000,000	non-distributable
Other profit reserves	80,030,132	73,952,993	distributable
TOTAL	115,977,201	99,741,367	

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 equalization reserves and catastrophe equalization 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 equalization 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 2014 gross and net profits would have been lower by € 45,446.18 million (2013: gross profit lower by € 1.7 million).

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 € 6.1 million in 2014.

15. Treasury shares

At 31 December 2013, the Company held a total of 210 treasury shares. After the purchase of its own shares from Zavarovalnica Maribor, at 14 April 2014 Sava Reinsurance Company held 346,643 POSR shares. The transaction was executed at the closing rate of the Ljubljana Stock Exchange, i.e. at the price of € 11.245 per share.

On 23 April 2014, the 28th general meeting was held, in which the Company was authorized to buy back own shares of up to 10 % of the share capital. The authorization was for acquiring up to a total of 1,721,966 shares is valid for three years. Based on this authorization, the Company bought back 381,187 shares by year-end 2014. At 31 December 2014, the Company held 727,830 POSR shares (or 4.226738 %) worth € 10,115,023.

16. Fair value reserve

The fair value reserve only comprises the change in fair value of available-for-sale financial assets.

(€)	2014	2013
As at 1 January	**253,020**	**-2,358,606**
Change in fair value	5,988,724	-518,329
Transfer from fair value reserve to the IS due to impairment	-1,634,412	-2,238,929
Transfer from fair value reserve to the IS due to disposal	591,890	5,826,090
Other net profits/losses	-20,034	925
Deferred tax	-837,449	-458,131
AS AT 31 DECEMBER	4,341,739	253,020

The table shows the net change in the fair value reserve, which is an equity component. The fair value reserve changed significantly in 2014 compared to year-end 2013 due to a favourable movement of exchange rates relating to 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 16,814,657. Compared to 2013, the weighted average number of shares outstanding is significantly higher because the capital increase was carried out in mid-2013. 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

(€)	31/12/2014	31/12/2013
Net profit/loss for the period	22,358,419	14,764,052
Weighted average number of shares outstanding	16,814,657	12,770,109
NET EARNINGS/LOSS PER SHARE	1.33	1.16

In line with the general meeting resolution dated 1 July 2014, the Company allocated € 4,386,985 to dividend payouts. From 25 August to 31 December 2014, an amount of € 4,312,840 was paid out in dividends based on shareholder information provided.

Statement of distributable profit/loss

(€)	2014	2013
Net profit/loss for the period	22,358,419	14,764,052
Retained profit / retained loss	15,713,039	12,717,998
- profit/loss for the current year under applicable standards	15,713,039	12,717,998
Additions to profit reserve as per resolution of the management board	10,113,249	0
- additions to reserves for treasury shares and own interests	10,113,249	0
- additions to other reserves	0	0
Additions to other reserves as per resolution of the management and the supervisory boards	6,122,585	7,382,026
Distributable profit (a+b+c-c2-d) to be allocated by the general meeting:	**21,835,624**	**20,100,024**
- to shareholders	0	4,386,985
- to be carried forward to the next year	0	15,713,039

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 amortized cost.

Subordinated liabilities

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

Outstanding debt at effective interest rate as at 31/12/2013	23,466,967
Debt currency	€
Maturity date	27/12/2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

In 2014, the Company paid € 0.9 million in interest on subordinated debt (2013: € 1.4 million) and € 46,785 in withholding tax on interest paid (2013: € 60,702).

19. Technical provisions

Movements in gross technical provisions

(€)	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

(€)	01/01/2013	Additions	Uses	Exchange differences	31/12/2013
Gross unearned premiums	44,050,792	36,072,411	-41,924,556	-372,854	37,825,792
Gross provision for claims	172,250,806	67,299,248	-65,695,137	-3,329,740	170,525,177
Gross provision for bonuses, rebates and cancellations	192,524	259,481	-192,524	0	259,481
Other gross technical provisions	0	12,793	0	0	12,793
TOTAL	216,494,122	103,643,933	-107,812,217	-3,702,594	208,623,243

The minor 3.3 % increase in gross unearned premiums despite the 2.1 % decline in gross premiums is due to the growth in gross unearned premiums in international markets outside the Group. This business is subject to cyclic trends. Currently, the international reinsurance market is in a soft market phase, which puts pressure primarily on non-proportional reinsurance rates. This is why there was a decline in the proportion of premiums of this business, where unearned premiums are lower than for proportional business. In parallel, the proportion of business that renews in mid-year is increasing (renewed from April onwards), increasing unearned premiums at year-end.

The gross provision for outstanding claims increased by 4.0 % in 2014. The gross provision for outstanding claims relating to domestic business increased by 10.9 %, while the claims provision for foreign-sourced business decreased by 0.1 %. Slovenian cedants' provisions for outstanding claims increased – even though this part of the portfolio shrank (quota share reinsurance in the Group) – mainly because of the catastrophic losses caused by the February 2014 ice damage, for which € 9.7 million was still reserved at year-end (the bulk was retroceded). Claims provisions for foreign-sourced business outside the Group remained – in line with portfolio premiums – at about the same level as in the previous year. Even though this business was hit by several major loss events, such as the floods in India, the portfolio is well diversified and made up of mostly short-tail business. Therefore, the growth in claims provisions was offset by claim payment relating to previous underwriting years. 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

(€)	31/12/2014	31/12/2013
Net IBNR	**54,656,041**	**64,264,502**
- gross provision	54,756,562	62,718,687
- reinsurers' share	-100,521	1,545,815
Net RBNS	**94,990,809**	**82,654,203**
- gross provision	122,722,647	107,954,024
- reinsurers' share	-27,731,838	-25,299,821
Net provision for expected recourse liabilities	**-147,716**	**-147,533**
Gross provision for claims	-147,716	-147,533
Reinsurers' share	0	0
Net provision for outstanding claims	**149,499,134**	**146,771,172**
Total gross provision for outstanding claims	**177,331,493**	**170,525,177**
Total reinsurers' share (–)	**-27,832,359**	**-23,754,005**
IBNR as % of gross provision for outstanding claims	30.9 %	36.8 %
IBNR as % of net provision for outstanding claims	36.6 %	43.8 %

The decline in the proportion of the IBNR provision compared to the previous year is due to increased proportion of the claims provision based on received accounts, mainly due to the ice damage loss mentioned before.

The decrease in the provisions for bonuses, rebates and cancellations is due to the deteriorated 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. Thanks to a relatively benign claims activity over the last three years, the expected combined ratio exceeded 100 % only in health and assistance reinsurance business, for which unearned premiums were not set aside as the Company did not write any new business in these lines in the past year.

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

(€)	31/12/2014 Expected combined ratio	31/12/2014 Provision for unexpired risks	31/12/2013 Expected combined ratio	31/12/2013 Provision for unexpired risks
Personal accident	76.50 %	0	85.73 %	0
Health	142.48 %	0	75.80 %	12,793
Land vehicles casco	85.70 %	0	133.70 %	0
Railway rolling stock	35.94 %	0	78.80 %	0
Aircraft hull	54.48 %	0	78.24 %	0
Ships hull	90.62 %	0	97.40 %	0
Goods in transit	86.96 %	0	99.09 %	0
Fire and natural forces	94.70 %	0	91.33 %	0
Other damage to property	84.31 %	0	83.55 %	0
Motor liability	87.94 %	0	79.00 %	0
Aircraft liability	77.00 %	0	94.55 %	0
Liability for ships	19.47 %	0	0.89 %	0
General liability	62.46 %	0	69.09 %	0
Credit	42.16 %	0	82.81 %	0
Suretyship	61.97 %	0	42.90 %	0
Miscellaneous financial loss	44.29 %	0	83.71 %	0
Legal expenses	6.71 %	0	5.99 %	0
Assistance	110.78 %	0	110.07 %	0
Life insurance	88.16 %	0	68.27 %	0
Unit-linked life	70.86 %	0	78.10 %	0
TOTAL	87.94 %	0	85.73 %	12,793

20. Other provisions

Other provisions comprise 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 recognized in comprehensive income.

Change in other provisions

(€)	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

(€)	01/01/2013	Interest costs	Cost of service	Payments	Impact of changes in actuarial assumptions	Transfer to accrued costs / deferred income	31/12/2013
Provision for severance pay upon retirement	115,251	4,213	58,334	0	-925	0	176,871
Provision for jubilee benefits	38,999	1,462	4,709	-2,009	0	0	43,161
Provision for unexpended employee leave	170,495	0	0	0	0	-170,495	0
TOTAL	324,745	5,675	63,043	-2,009	-925	-170,495	220,033

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: discount rate of 2.11 % (2013: 3.76 %), real income growth of 1.39 % (2013: 1.51 %), inflation and growth in jubilee benefits 1.69 % (2013: 3.01 %), staff turnover up to age 35 1.8 % (2013: 1.9 %), in the age bracket 35–45 4.3 % (2013: 4.9 %), after age 45 1.8 % (2013: 2.1 %), mortality as per SLO 2007 (m/f) tables.

Impact on the amount of provision for severance pay upon retirement (€)	31/12/2014	31/12/2013
Reduction in the discount rate of 1 % *	6,012	4,656
Increase in the discount rate of 1 % *	-5,700	-4,421
Reduction in real income growth of 0.5 %	-14,356	-11,444
Increase in real income growth of 0.5 %	15,650	12,469
Reduction of staff turnover of 10 %	5,994	6,214
Increase in staff turnover of 10 %	-6,338	-5,916
Decrease in mortality of 10 %	1,961	857
Increase in mortality of 10 %	-2,134	-892

*Also affects nominal income growth because the inflation assumption is affected by interest rates.

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 2015. Compared to the previous year, liabilities for claims decreased as a result of the extraordinary increase in liabilities for claims in 2013 when the bulk of the increase in liabilities for claims related to liabilities due to the cedant Best Re relating to claim payments for the 2011 Thai floods. The settlement was then withheld due to insufficient claim information from the cedant.

Liabilities from reinsurance and co-insurance business

(€)	Maturity	
31/12/2014	Up to 1 year	Total
Liabilities for reinsurance premiums	3,451,173	3,451,173
Liabilities for shares in reinsurance claims	24,355,884	24,355,884
Other liabilities due from co-insurance and reinsurance	15,875,171	15,875,171
TOTAL	43,682,228	43,682,228

(€)	Maturity	
31/12/2013	Up to 1 year	Total
Liabilities for reinsurance premiums	2,847,915	2,847,915
Liabilities for shares in reinsurance claims	26,009,818	26,009,818
Other liabilities due from co-insurance and reinsurance	14,075,755	14,075,755
TOTAL	42,933,488	42,933,488

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.

This item also includes current income tax liabilities of € 2.5 million. Tax instalments paid in 2014 were lower than the final tax expense accounted for 2014, amounting to € 3.3 million (note 33).

22. Other liabilities

Other current liabilities include amounts due to employees, amounts due to clients and other current liabilities. Compared to 2013, other current liabilities decreased significantly. In early 2014, the controlling company made a prepayment of subordinated debt in the total nominal amount of € 6.3 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

(€) 31/12/2014	Maturity Up to 1 year	Total
Other short-term liabilities	734,563	734,563
Accruals and deferrals	1,889,297	1,889,297
TOTAL	2,623,860	2,623,860

(€) 31/12/2013	Maturity Up to 1 year	Total
Other short-term liabilities	6,811,590	6,811,590
Accruals and deferrals	2,392,326	2,392,326
TOTAL	9,203,916	9,203,916

Change in short-term provisions

(€)	01/01/2014	Additions	Uses	31/12/2014
Short-term accrued costs	**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

(€)	01/01/2013	Additions - reclassification	Uses	31/12/2013
Short-term accrued costs	**242,065**	**866,310**	**-269,514**	**838,861**
- auditing costs	36,000	61,000	-63,449	33,551
- accrued personnel cost	206,065	452,887	-206,065	452,887
- deferred reinsurance commission	0	348,863	0	348,863
- deferred interest income	0	3,560	0	3,560
Other accrued expenses and deferred income	**780,217**	**4,136,241**	**-3,362,993**	**1,553,465**
- liabilities for retained deposits	518,425	3,881,510	-3,101,201	1,298,734
- liabilities for tax on profit	261,792	102,400	-261,792	102,400
- provision for unexpended employee leave	0	152,331	0	152,331
TOTAL	1,022,282	5,002,551	-3,632,507	2,392,326

23. Fair values of assets and liabilities

Financial assets measured at fair value by hierarchy level

(€) 31/12/2014	Level 1	Level 2	Level 3
At fair value through P/L	**4,436,324**	**1,189,200**	**0**
Held for trading	0	0	0
Designated to this category	4,436,324	1,189,200	0
Debt instruments	2,788,952	1,189,200	0
Equity instruments	1,647,372	0	0
Available-for-sale	**85,943,147**	**117,707,146**	**4,588,249**
Debt instruments	77,738,372	117,216,622	0
Equity instruments	8,204,775	490,524	4,588,249
TOTAL	90,379,471	118,896,346	4,588,249

(€) 31/12/2013	Level 1	Level 2	Level 3
At fair value through P/L	**13,033,788**	**0**	**0**
Held for trading	0	0	0
Designated to this category	13,033,788	0	0
Debt instruments	11,999,199	0	0
Equity instruments	1,034,589	0	0
Available-for-sale	**169,664,647**	**0**	**5,156,215**
Debt instruments	159,462,391	0	0
Equity instruments	10,202,256	0	5,156,215
TOTAL	182,698,435	0	5,156,215

Income and expenses relating to financial assets measured at fair value according to the fair-value hierarchy

(€)	Level 3		
2014	Income	Expenses	Unrealized gains/losses
Available-for-sale	**52,790**	**567,966**	**0**
Debt instruments	0	0	0
Equity instruments	52,790	567,966	0
Other investments	0	0	0
TOTAL	52,790	567,966	0

(€)	Level 3		
2013	Income	Expenses	Unrealized gains/losses
At fair value through P/L	**0**	**0**	**0**
Held for trading	0	0	0
Designated to this category	0	0	0
Available-for-sale	**66,452**	**140,324**	**0**
Debt instruments	337	0	0
Equity instruments	66,115	140,324	0
Other investments	0	0	0
TOTAL	66,452	140,324	0

Movements in level 3 financial assets

Movements in level 3 financial assets in the period 1 January to 31 December 2014

(€)	Opening balance	Impairment losses	Closing balance
Available-for-sale	**5,156,216**	**-567,966**	**4,588,250**
Debt instruments	0	0	0
Equity instruments	5,156,216	-567,966	4,588,250
Other investments	0	0	0
TOTAL	5,156,216	-567,966	4,588,250

Movements in level 3 financial assets in the period 1 January to 31 December 2013

(€)	Opening balance	Impairment losses	Disposals	Maturity	Closing balance
Available-for-sale	**5,410,196**	**-140,324**	**-113,656**	**0**	**5,156,216**
Debt instruments	3,000,337	0	0	-3,000,337	0
Equity instruments	5,410,196	-140,324	-113,656	0	5,156,216
Other investments	0	0	0	0	0
TOTAL	5,410,196	-140,324	-113,656	0	5,156,216

Disclosure of the fair value of assets shown in the statement of financial position at amortized cost or at cost

(€) 31/12/2014	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Held-to-maturity assets		**2,074,001**	**2,606,473**	
Debt instruments	31/12/2014	2,074,001	2,606,473	market price
Other investments				
Loans and receivables		**25,586,465**	**25,586,465**	
Debt instruments	31/12/2014	19,998,955	19,998,955	carrying amount is a good approximation of the market value because assets are short-term
Deposits with cedants	31/12/2014	5,587,510	5,587,510	carrying amount is a good approximation of the market value because assets are short-term
Other investments				
Real estate		**2,004,465**	**2,092,850**	
Land and buildings used in insurance operations	31/12/2014	1,888,972	1,968,712	market approach and income approach (50: 50 weighting)
Investment property	31/12/2014	115,492	124,138	
TOTAL		29,664,931	30,285,788	

(€) 31/12/2013	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Held-to-maturity assets		**2,073,728**	**2,063,149**	
Debt instruments	31/12/2013	2,073,728	2,063,149	market price
Other investments				
Loans and receivables		**46,663,847**	**46,663,847**	
Debt instruments	31/12/2013	36,472,830	36,472,830	carrying amount is a good approximation of the market value because assets are short-term
Deposits with cedants	31/12/2013	10,191,017	10,191,017	carrying amount is a good approximation of the market value because assets are short-term
Other investments				
Real estate		**2,035,972**	**2,219,956**	
Land and buildings used in insurance operations	31/12/2013	1,882,052	2,089,515	market approach income approach (50 : 50 weighting)
Investment property	31/12/2013	153,920	130,441	
TOTAL		50,773,547	50,946,952	0

Movements in the fair value of land and buildings

(€)	01/01/2014	Change in fair value	31/12/2014
Land and buildings used in insurance operations	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

(€)	01/01/2013	Change in fair value	31/12/2013
Land and buildings used in insurance operations	2,864,114	-774,599	2,089,515
Investment property	169,540	-39,099	130,441
TOTAL	3,033,654	-813,698	2,219,956

Reclassification of assets and financial liabilities between levels

(€) 31/12/2014	Level 1	Level 2
At fair value through P/L	**-1,189,200**	**1,189,200**
Held for trading	0	0
Designated to this category	-1,189,200	1,189,200
Debt instruments	-1,189,200	1,189,200
Available-for-sale	**-117,707,146**	**117,707,146**
Debt instruments	-117,216,622	117,216,622
Equity instruments	-490,524	490,524
Other investments	0	0
TOTAL	-118,896,346	118,896,346

In accordance with the recommendation of the IFRS Interpretations Committee, the Company reclassified some securities from level 1 to level 2 at the end of 2014. These were assets revalued based on "consensus prices". In these cases, assets were mostly transferred to level 2. In 2014 the company reclassified about half of its assets for which the fair value is determined on the basis of "consensus prices" to level 2. There were no reclassifications between level 2 and level 3 in 2014.

Valuation techniques for all items described below are defined in accounting policies. For investment property, the method is set out in section 24.2.10 "Investment property", for financial investments in subsidiaries and associates in section 24.2.11 "Financial investments in subsidiaries and associates", and for financial investments in section 24.2.12 "Financial investments".

24.7. Notes to the financial statements – income statement

24. Net earned premiums

Net earned premiums

(€) 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

(€) 2013	Gross premiums written	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	Net premiums earned
Personal accident	8,144,859	-67,805	245,009	-4,120	8,317,943
Health	655,179	0	-49,298	0	605,881
Land vehicles casco	15,556,144	-1,903,297	702,913	-14,655	14,341,106
Railway rolling stock	7,957	0	0	0	7,957
Aircraft hull	419,141	0	111,069	0	530,210
Ships hull	4,424,248	-106,742	-163,329	-7,299	4,146,878
Goods in transit	2,563,263	-224,926	25,237	-111	2,363,462
Fire and natural forces	60,146,958	-8,254,360	2,144,410	-207,766	53,829,242
Other damage to property	18,866,001	-2,749,768	1,836,571	-238,170	17,714,634
Motor liability	14,449,608	-538,552	1,707,303	-258	15,618,102
Aircraft liability	-2,189	-61,002	1,899	-567	-61,860
Liability for ships	289,516	-6,634	-15,225	-461	267,197
General liability	5,326,497	-470,450	-136,650	-3,955	4,715,442
Credit	392,077	0	100,221	0	492,298
Suretyship	181,568	0	27,834	0	209,402
Miscellaneous financial loss	495,024	-403,032	34,245	-16,581	109,656
Legal expenses	0	0	2,873	0	2,873
Assistance	8,452	0	1,102	0	9,554
Life insurance	1,833,362	-186,610	-357,286	17,949	1,307,415
Unit-linked life	373,864	-225,241	6,102	0	154,725
Total non-life	**131,924,303**	**-14,786,568**	**6,576,184**	**-493,943**	**123,219,977**
Total life	**2,207,226**	**-411,851**	**-351,184**	**17,949**	**1,462,140**
TOTAL	134,131,528	-15,198,418	6,225,000	-475,994	124,682,116

The above table shows net (re)insurance premiums earned by class of insurance. The decline in gross premiums written is due to reduced quota share reinsurance business. Net (re) insurance premiums earned are also affected by the change in net unearned premiums, which in 2014 resulted in an decrease of € 0.8 million, while in 2013 net unearned premiums caused an increase of € 5.7 million.

25. Income and expenses relating to investments in subsidiaries and associates

In 2014 the Company received dividends from its subsidiaries amounting to € 10.3 million (2013: € 14.6 million). In 2014 impairment losses of investments in subsidiaries were € 2.5 million (2013: € 1.5 million). Impairment losses were recognized 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 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	Foreign exchange gains	Other income	Total
Held to maturity	**102,773**	**0**	**0**	**0**	**0**	**0**	**102,773**
Debt instruments	102,773						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					208,037
Equity instruments		288,959		25,021	23,166		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		302,988		4,657,472		8,663,070
Equity instruments			870,130	580,678		50,054	1,500,862
Loans and receivables	**672,429**	**0**	**0**	**0**	**213,092**	**0**	**885,522**
Debt instruments	672,429				213,092		885,522
Deposits with cedants	**86,777**						**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	Foreign 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		59,077					59,077
Equity instruments		187,206				722	187,928
Available-for-sale	**0**	**0**	**201,464**	**1,634,413**	**2,541,683**	**86,325**	**4,463,885**
Debt instruments				1,029,446	2,541,607	55,201	3,626,254
Equity instruments			201,464	604,966	76	31,124	837,631
Loans and receivables	**1,645**	**0**	**0**	**0**	**215,356**	**0**	**217,001**
Debt instruments					215,356		215,356
Other investments	1,645						1,645
Subordinated liabilities	**947,629**						**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	Foreign 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

Income from financial assets and liabilities from 1 January to 31 December 2013

(€)	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	Foreign exchange gains	Other income	Total
Held to maturity	**150,585**	**0**	**0**	**0**	**0**	**0**	**150,585**
Debt instruments	150,585						150,585
At fair value through P/L	**17,466**	**144,000**	**109,417**	**17,177**	**0**	**0**	**288,060**
Designated to this category	**17,466**	**144,000**	**109,417**	**17,177**	**0**	**0**	**288,060**
Debt instruments	17,466		109,417				126,883
Equity instruments		144,000		17,177			161,177
Available-for-sale	**4,005,830**	**0**	**838,360**	**349,667**	**1,735,235**	**9,138**	**6,938,230**
Debt instruments	4,005,830		747,903		1,735,235	537	6,489,505
Equity instruments			90,457	349,667		8,600	448,725
Loans and receivables	**1,357,783**	**0**	**0**	**0**	**153,252**	**0**	**1,511,034**
Debt instruments	1,357,783				153,252		1,511,034
Deposits with cedants	**148,972**						**148,972**
Subordinated liabilities			**1,595,852**				**1,595,852**
TOTAL	5,680,635	144,000	2,543,630	366,844	1,888,486	9,138	10,632,733

Expenses for financial assets and liabilities from 1 January to 31 December 2013

(€)	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	Foreign exchange losses	Other	Total
At fair value through P/L	**0**	**211,666**	**0**	**0**	**0**	**897**	**212,563**
Designated to this category	**0**	**211,666**	**0**	**0**	**0**	**897**	**212,563**
Debt instruments		32,474					32,474
Equity instruments		179,192				897	180,089
Available-for-sale	**0**	**0**	**9,072,377**	**2,238,929**	**2,790,350**	**73,127**	**14,174,783**
Debt instruments			9,031,101	1,696,059	2,790,350	53,192	13,570,702
Equity instruments			41,276	542,870		19,906	604,052
Other investments						29	29
Loans and receivables	**3,205**	**0**	**0**	**0**	**218,994**	**0**	**222,200**
Debt instruments					218,994		218,994
Other investments	3,205						3,205
Subordinated liabilities	**1,253,245**						**1,253,245**
TOTAL	1,256,450	211,666	9,072,377	2,238,929	3,009,344	74,024	15,862,791

Net inv. income of financial assets and liabilities from 1 January to 31 December 2013

(€)	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	Foreign exchange gains/losses	Other income/ expenses	Total
Held to maturity	**150,585**	**0**	**0**	**0**	**0**	**0**	**0**	**150,585**
Debt instruments	150,585	0	0	0	0	0	0	150,585
At fair value through P/L	**17,466**	**-67,666**	**109,417**	**17,177**	**0**	**0**	**-897**	**75,497**
Designated to this category	**17,466**	**-67,666**	**109,417**	**17,177**	**0**	**0**	**-897**	**75,497**
Debt instruments	17,466	-32,474	109,417	0	0	0	0	94,409
Equity instruments	0	-35,192	0	17,177	0	0	-897	-18,912
Available-for-sale	**4,005,830**	**0**	**-8,234,017**	**349,667**	**-2,238,929**	**-1,055,115**	**-63,990**	**-7,236,553**
Debt instruments	4,005,830	0	-8,283,198	0	-1,696,059	-1,055,115	-52,655	-7,081,197
Equity instruments	0	0	49,181	349,667	-542,870	0	-11,306	-155,327
Other investments	0	0	0	0	0	0	-29	-29
Loans and receivables	**1,354,577**	**0**	**0**	**0**	**0**	**-65,743**	**0**	**1,288,835**
Debt instruments	1,357,783	0	0	0	0	-65,743	0	1,292,040
Other investments	-3,205	0	0	0	0	0	0	-3,205
Deposits with cedants	**148,972**	**0**	**0**	**0**	**0**	**0**	**0**	**148,972**
Subordinated liabilities	**-1,253,245**	**0**	**1,595,852**	**0**	**0**	**0**	**0**	**342,607**
TOTAL	4,424,185	-67,666	-6,528,747	366,844	-2,238,929	-1,120,858	-64,887	-5,230,058

Investment income in 2014 totalled € 11.8 million, an increase of € 1.2 million over 2013.

2014 investment expenses amounted to € 5.9 million, down € 10 million from 2013. The decrease in expenses is largely attributable to the fact that in 2013 the Company incurred an expense of € 10.4 million due to the cancellation of subordinated bonds of Slovenian banks.

In 2014, the Company recognized € 19,908 interest income on impaired investments; no such income was recognized in 2013.

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 2014	Liability fund 2013
Interest income	4,064,862	4,845,664
Change in fair value and gains on disposal of FVPL assets	383,573	144,000
Gains on disposal of other IFRS asset categories	1,173,117	844,610
Income from dividends and shares – other investments	358,650	209,966
Foreign exchange gains	4,893,730	1,888,486
Other income	12,079	5,897
Total investment income – liability fund	**10,886,011**	**7,938,624**
	Capital fund 2014	**Capital fund 2013**
Interest income	542,879	834,972
Change in fair value and gains on disposal of FVPL assets	70,273	
Gains on disposal of other IFRS asset categories		1,699,020
Income from dividends and shares – other investments	247,049	156,878
Other income	37,975	3,240
Total investment income - capital fund	**898,176**	**2,694,110**
TOTAL INVESTMENT INCOME	11,784,187	10,632,733

Investment expenses – non-life business

(€)	Liability fund 2014	Liability fund 2013
Interest expenses		3,205
Change in fair value and losses on disposal of FVPL assets	194,587	211,666
Losses on disposal of other IFRS asset categories	201,464	9,016,020
Impairment losses on investments	1,480,938	1,887,400
Foreign exchange losses	2,757,040	3,009,344
Other	53,285	50,849
Total investment expenses – liability fund	**4,687,314**	**14,178,484**
	Capital fund 2014	**Capital fund 2013**
Interest expenses	949,274	1,253,245
Change in fair value and losses on disposal of FVPL assets	51,696	
Losses on disposal of other IFRS asset categories		56,357
Impairment losses on investments	153,475	351,529
Other	33,762	23,175
Total investment expenses – capital fund	**1,188,207**	**1,684,305**
TOTAL INVESTMENT EXPENSES	5,875,520	15,862,789
NET INVESTMENT INCOME	5,908,666	-5,230,057

Impairment losses on investments

(€)	31/12/2014	31/12/2013
Bonds	1,029,446	1,696,059
Shares	604,966	542,870
TOTAL	1,634,413	2,238,929

27. Other technical income

This item includes reinsurance commission income.

Commission income, net of change in deferred acquisition costs attributable to reinsurers

(€)	2014	2013
Personal accident	26,912	26,688
Land vehicles casco	8,436	22,032
Ships hull	956	2,590
Goods in transit	3,305	17,543
Fire and natural forces	1,124,229	915,533
Other damage to property	407,574	317,649
Motor liability	8,430	80
Aircraft liability	10,058	9,790
Liability for ships	115	417
General liability	27,134	30,641
Miscellaneous financial loss	61,103	32,460
Life insurance	303,529	41,379
Unit-linked life	48,872	21,390
Total non-life	**1,678,250**	**1,375,423**
Total life	**352,401**	**62,769**
TOTAL	2,030,651	1,438,192

In addition to reinsurance commission, this item includes diverse other technical income of € 2.6 million (2013: € 1.5 million) mainly comprising foreign exchange differences arising from reinsurance operations so that other technical income totalled € 4.7 million (2013: € 3.0 million).

28. Other income and expenses

In 2014 other income included income from releases from provisions for jubilee benefits and severance pay upon retirement, provisions for unexpended employee leave and income from holiday facilities.

Other expenses comprise expenses that cannot be classified as technical expenses. Their amount was small in 2014.

29. Net claims incurred

Net claims incurred

(€) 2014	Gross amounts: Claims	Gross amounts: Recourse receivables	Reinsurers' 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	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	1,830	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	40,620
Liability for ships	120,549	-1,123	-6,414	54,521	-1,010	166,524
General liability	1,927,092	-127	-4,161	887,776	122,466	2,933,046
Credit	705,570	-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	-436,530	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

(€) 2013	Gross amounts Claims	Recourse receivables	Reinsurers' 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	4,034,557	0	-5,699	725,785	10,072	4,764,714
Health	700,498	0	0	-29,203	0	671,296
Land vehicles casco	10,903,777	-234,290	-80,135	-717,718	50,779	9,922,413
Railway rolling stock	2,712	0	0	-10,214	0	-7,502
Aircraft hull	470,120	0	-97	147,264	-19,298	597,989
Ships hull	2,655,217	0	-4,422	1,304,765	-1,287	3,954,273
Goods in transit	1,473,328	-12,507	-2,420	-224,188	1,231	1,235,444
Fire and natural forces	38,170,933	-9,002	-4,170,823	-3,830,227	2,619,901	32,780,782
Other damage to property	11,046,045	-8,083	-1,687,628	-2,231,094	3,292,522	10,411,762
Motor liability	8,857,173	-369,616	-241,605	2,397,234	-404,924	10,238,261
Aircraft liability	20,660	0	-4,306	-198,978	-10,485	-193,109
Liability for ships	8,438	0	-255	-95,865	8,207	-79,476
General liability	1,638,883	-791	-13,080	166,647	113,002	1,904,661
Credit	898,801	-543,195	0	-133,624	0	221,981
Suretyship	151,946	-1,787	0	-29,934	0	120,225
Miscellaneous financial loss	180,524	0	-58,905	560,551	-235,043	447,127
Assistance	17,242	0	0	-10,124	0	7,118
Life insurance	335,877	0	-127,048	166,239	76,299	451,366
Unit-linked life	138,034	0	-96,624	317,054	-226,138	132,327
Total non-life	**81,230,852**	**-1,179,272**	**-6,269,375**	**-2,208,921**	**5,424,676**	**76,997,960**
Total life	**473,911**	**0**	**-223,672**	**483,293**	**-149,839**	**583,693**
TOTAL	81,704,764	-1,179,272	-6,493,047	-1,725,628	5,274,837	77,581,652

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 were 12.8 % below the 2014 figure. Compared to year-end 2013, the net provision for outstanding claims increased by € 2.7 million, but it increased by € 3.5 million one year earlier, which means that the change in 2014 was smaller than in 2013. Gross provisions increased by € 6.8 million, mainly because provisions were set aside relating to the ice damage loss in the amount of € 9.7 million.

30. Change in other technical provisions and expenses for bonuses and rebates

In 2014 other net technical provisions decreased by €12,793 (2013: increase 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 a decrease of € 21,680 in 2014 (2013: increase of € 66,957).

31. Operating expenses

The Company classifies operating expenses by nature. Compared to 2013, operating expenses decreased primarily due to a decline in acquisition costs, including the change in deferred acquisition costs, which move in line with unearned premiums. Personnel costs increased slightly mainly as a result of an increase in the number of employees.

Breakdown of operating expenses

(€)	2014	2013
Acquisition costs (commissions)	**30,723,796**	**31,383,318**
Change in deferred acquisition costs	**8,390**	**1,190,532**
Depreciation of operating assets	**224,523**	**214,624**
Personnel costs	**5,541,462**	**5,216,387**
Salaries and wages	4,380,223	4,114,115
Social and pension insurance costs	735,457	690,672
Other personnel costs	425,782	411,600
Costs under contracts for services, incl. contributions	153,223	162,987
Other operating expenses	2,317,073	2,152,025
TOTAL	38,968,467	40,319,873

In 2014 other operating expenses, net of acquisition costs (commissions) and changes in deferred acquisition costs (commissions), increased in relation to gross premiums written and represented 6.3 % of gross premiums written (2013: 5.8 %).

Audit costs

(€)	2014	2013
Audit of annual report	61,000	61,000
Tax consulting	0	10,094
Other non-audit services	165,396	87,371
TOTAL	226,396	158,465

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 2014. Other auditing services increased mainly due to consulting on the implementation of Solvency II requirements.

Acquisition costs

(€)	2014	2013
Personal accident	1,852,160	2,114,546
Health	9,240	113,200
Land vehicles casco	4,097,377	3,357,661
Aircraft hull	34,772	50,561
Ships hull	830,312	782,134
Goods in transit	761,563	568,195
Fire and natural forces	11,984,619	14,173,477
Other damage to property	5,951,444	5,474,834
Motor liability	3,157,988	2,922,421
Aircraft liability	-11,581	2,994
Liability for ships	69,267	64,255
General liability	1,135,656	1,056,984
Credit	98,979	87,215
Suretyship	67,484	65,827
Miscellaneous financial loss	117,685	128,402
Legal expenses	84	-26
Assistance	-729	2,942
Life insurance	491,757	380,629
Unit-linked life	75,719	37,069
Total non-life	**30,156,321**	**30,965,619**
Total life	**567,475**	**417,699**
TOTAL	30,723,796	31,383,318

Change in deferred acquisition costs

(€)	2014	2013
Personal accident	20,634	110,756
Health	11,339	-11,339
Land vehicles casco	-196,309	114,386
Aircraft hull	9,591	1,661
Ships hull	-24,645	-39,195
Goods in transit	20,542	36,594
Fire and natural forces	410,281	286,521
Other damage to property	-452,766	350,395
Motor liability	208,319	401,548
Aircraft liability	-240	295
Liability for ships	2,325	-5,811
General liability	33,284	-27,658
Credit	25,745	15,776
Suretyship	7,437	12,010
Miscellaneous financial loss	-2,221	9,955
Legal expenses	0	692
Assistance	299	-299
Life insurance	-65,227	-67,502
Unit-linked life	0	1,747
Total non-life	**73,617**	**1,256,287**
Total life	**-65,227**	**-65,755**
TOTAL	8,390	1,190,532

32. Other technical expenses

Other technical expenses comprise fees payable to the Insurance Supervision Agency and the Slovenian Insurance Association, as well as other technical expenses relating to non-life reinsurance business.

33. Income tax expense

Tax rate reconciliation

(€)	2014	2013
Profit/loss before tax	25,628,828	15,173,006
Income tax expenses at statutory tax rate	4,356,901	2,579,411
Tax effect of income that is deducted for tax purposes	-1,755,844	-2,472,130
Tax effect of expenses not deducted for tax purposes	808,074	711,869
Income from or expenses for tax relief	-44,919	-18,975
Changes in temporary differences	-93,804	-391,221
TOTAL INCOME TAX EXPENSE IN THE INCOME STATEMENT	3,270,409	408,954
Effective tax rate	12.76 %	2.70 %

24.8. 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 23.4 has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit and cash flows from operating activities.

The table below presents income statement items not included in cash flow nor presented in other parts of the cash flow statement (other than in cash flow from operating activities).

(€)	2014	2013
Net profit/loss for the period	**22,358,419**	**14,764,052**
Non-cash items of the income statement not included in the cash flow statement	**4,587,222**	**10,634,849**
- change in unearned premiums	820,635	-5,749,006
- change in the provision for outstanding claims	2,727,962	3,549,208
- change in other technical provisions	-12,793	12,793
- operating expenses – amortization/ depreciation and change in deferred acquisition cost	232,913	1,405,156
- impairment losses on financial assets	818,505	11,416,698
Eliminated investment income items	-15,464,319	-20,707,204
- interest received disclosed under B. a.) 1.	-4,607,741	-5,680,636
- receipts from dividends and shares in profit of others disclosed under B. a.) 2.	-10,856,579	-15,026,568
Eliminated investment expense items	**949,274**	**1,256,450**
- interest paid disclosed under C. b.) 1.	949,274	1,256,450
CASH FLOWS FROM OPERATING ACTIVITIES – INCOME STATEMENT ITEMS	12,430,596	5,948,147

24.9. Contingent receivables and liabilities

Based on a contract with the former owner of Velebit osiguranje and Velebit životno osiguranje, the Company discloses a contingent liability due to the former owner of both companies but also a contingent receivable due from the non-controlling interest in both subsidiaries for the transfer of the lien on shares. The estimated contingent liability in this regard is € 0.4 million.

24.10. Related party disclosures

The Company separately discloses its relationships with the following groups of related parties:

- owners and related enterprises;
- management and supervisory board members and employees not subject to the tariff section of the collective agreement;
- subsidiary companies;
- 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 (formerly the Slovenian Restitution Fund), holding 25 % plus one share.

Business relationship with the largest shareholder

In 2014 the Company had no business transactions with its largest shareholders.

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, audit committee and of employees not subject to the tariff section of the collective agreement

(€)	2014	2013
Management board	658,736	663,544
Payments to employees not subject to the tariff section of the collective agreement	2,213,957	1,965,812
Supervisory board	108,999	120,904
Audit committee and nomination committee	20,744	19,277
TOTAL	3,002,437	2,769,539

Remuneration paid to management board members in 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

Remuneration paid to management board members in 2013

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	160,144	31,872	6,259	3,770	202,045
Srečko Čebron	144,184	21,510	5,241	1,674	172,608
Jošt Dolničar	144,184	21,510	5,195	4,168	175,057
Mateja Treven	88,779	21,510	3,545	0	113,834
TOTAL	537,290	96,402	20,240	9,612	663,544

Liabilities to management board members

(€)	31/12/2014	31/12/2013
Zvonko Ivanušič	6,087	6,427
Srečko Čebron	6,052	6,019
Jošt Dolničar	5,570	5,483
Mateja Treven	5,699	0
TOTAL	23,408	17,930

At 31 December 2014, the Company had no receivables due from its management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration paid to members of the supervisory board and the audit committee in 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		8,925	174	9,099
TOTAL AUDIT COMMITTEE MEMBERS		3,520	17,050	174	20,744

Remuneration paid to members of the supervisory board and the audit committee in 2013

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	4,510	19,500	3,503	27,513
Mateja Lovšin Herič	deputy chair of the SB	4,235	14,300	0	18,535
Slaven Mićković	member of the SB	4,510	13,000	30	17,540
Martin Albreht	member of the SB	3,960	13,000	0	16,960
Gorazd Andrej Kunstek	SB member since 23/01/2013	4,235	12,231	0	16,466
Keith William Morris	SB member since 15/07/2013	1,650	6,011	5,771	13,432
Gregor Hudobivnik	SB member until 14/07/2013	2,640	6,989	30	9,659
Samo Selan	member of the SB (until 15/01/2013)	275	524	0	799
TOTAL SUPERVISORY BOARD MEMBERS		26,015	85,555	9,334	120,904
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,760	4,875	0	6,635
Slaven Mićković	member of the AC	1,760	3,250	0	5,010
Ignac Dolenšek	AC member since 22/07/2013	0	3,263	73	3,335
Blanka Vezjak	AC member until 21/07/2013	0	2,625	352	2,977
TOTAL AUDIT COMMITTEE MEMBERS		3,520	14,012	425	17,957
Nomination committee members					
Mateja Lovšin Herič	member	440	0	0	440
Branko Tomažič	member	440	0	0	440
Vesna Razpotnik	member	440	0	0	440
TOTAL NOMINATION COMMITTEE MEMBERS		1,320	0	0	1,320

At 31 December 2014, the Company had liabilities to members of the supervisory board and audit committee of € 9,238 (31 December 2013: € 7,284).

Employees remuneration not subject to the tariff section of the collective agreement in 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

Employees remuneration not subject to the tariff section of the collective agreement in 2013

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	1,700,619	169,859	95,335	1,965,812

Subsidiary companies

Investments in and amounts due from Group companies

(€)		31/12/2014	31/12/2013
Debt securities and loans granted to Group companies	gross	4,334,953	5,634,953
	allowance		0
	net	4,334,953	5,634,953
Receivables for premiums arising out of reinsurance assumed	gross	13,031,175	15,862,222
	allowance		0
	net	13,031,175	15,862,222
Short-term receivables arising out of financing	gross	15,985	34,070
	allowance		0
	net	15,985	34,070
Other short-term receivables	gross	4,369	1,359
	allowance		0
	net	4,369	1,359
Short-term deferred acquisition costs	gross	4,248,370	4,518,719
	allowance		0
	net	4,248,370	4,518,719
TOTAL		21,634,851	26,051,323

Liabilities to Group companies

(€)	31/12/2014	31/12/2013
Liabilities for shares in reinsurance claims due to Group companies	9,435,525	10,041,333
Other liabilities due from co-insurance and reinsurance	3,291,946	3,274,481
Other short-term liabilities	36,553	6,070
TOTAL (EXCL. PROVISIONS)	12,764,023	13,321,883

Liabilities to Group companies by maturity

(€) 31/12/2014	Maturity 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

(€) 31/12/2013	Maturity Up to 1 year	Total
Liabilities for shares in reinsurance claims due to Group companies	10,041,333	10,041,333
Other short-term liabilities to Group companies	3,274,481	3,274,481
Other short-term liabilities	6,070	6,070
TOTAL (EXCL. PROVISIONS)	13,321,883	13,321,883

Income and expenses relating to Group companies

(€)	2014	2013
Gross premiums written	53,836,356	37,266,599
Gross claims payments	-31,521,303	-25,639,614
Income from gross recourse receivables	2,694,774	981,939
Other operating expenses	-110,041	-97,619
Dividend income	10,250,880	14,659,724
Other investment income	11,472	15,296
Interest income	191,830	320,523
Acquisition costs	-12,126,648	-8,787,322
Other non-life income	7,292	79,893
TOTAL	23,234,613	18,799,420

Associate companies

Investments in and amounts due from associates

In 2014 and 2013, there were neither investments in any nor amounts due from the associate company.

Liabilities to associates

(€)	31/12/2014	31/12/2013
Other short-term liabilities	5,856	0

Income and expenses relating to associates

(€)	2014	2013
Gross premiums written	0	19,781,346
Gross claims payments	0	-8,065,244
Income from gross recourse receivables	0	165,326
Income from dividends	0	2,256,962
Acquisition costs	0	-3,054,894
Additional pension insurance premium	68,790	65,574
TOTAL	68,790	11,149,071

Receivables due from the state and majority state-owned companies

(€)	31/12/2014	31/12/2013
Interests in companies	9,191,485	6,081,823
Debt securities and loans	52,290,026	44,809,389
TOTAL	61,481,511	50,891,212

Income and expenses relating to majority state-owned companies

(€)	2014	2013
Dividend income	501,752	283,099
Interest income	2,009,939	2,540,131
Foreign exchange gains	126,631	59,112
Gains on disposal of investments	734,762	245,051
Other income	0	537
TOTAL	3,373,083	3,127,930

Characteristics of debt instruments of associate and subsidiary companies

Borrower	Principal	Maturity	Interest rate
Sava osiguranje Belgrade	500,000	01/06/2015	4.5 %
Sava osiguranje Belgrade	800,000	30/06/2016	4.0 %
Sava Montenegro	1,500,000	31/03/2015	3.8 %
Velebit osiguranje	734,953	no maturity	7.0 %
Velebit životno osiguranje	800,000	no maturity	7.5 %
TOTAL	4,334,953		

25. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On 14 January 2015, Sava Reinsurance Company jointly with a consortium of companies filed a lawsuit 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. The total amount of claims against the Bank of Slovenia relating to emergency measures totals € 10,038,000.

From 1 January 2015 to 31 March 2015, Sava Reinsurance Company bought 8,236 own shares for a total amount of € 132,001 on the Ljubljana Stock Exchange. The total number of own shares at 31 March 2015 after the said purchases was 736,066, representing 4.2745 % of all issued shares.

#5 APPENDICES

Appendix A – Financial statements of Sava Reinsurance Company pursuant to requirements of the Insurance Supervision Agency

Statement of financial position – assets

(€)			31/12/2014	31/12/2013	Index
ASSETS (A–F)			547,413,684	530,636,968	103.2
A.	**INTANGIBLE ASSETS, DEFERRED COSTS AND ACCRUED INCOME**		**467,422**	**112,213**	**416.6**
	1.	Intangible assets	458,561	93,320	491.4
	4.	Other long-term deferred expenses and accrued income	8,862	18,893	46.9
B.	**LAND AND BUILDINGS AND FINANCIAL INVESTMENTS**		**464,034,638**	**454,911,436**	**102.0**
I.	LAND AND BUILDINGS		2,004,465	2,035,972	98.5
	a.)	directly used in insurance activities	1,888,972	1,882,052	100.4
		1. Land directly used in insurance activities	146,616	141,580	103.6
		2. Buildings directly used in insurance activities	1,742,356	1,740,472	100.1
	b.)	Land and buildings not directly used in insurance activities	115,492	153,920	75.0
		1. Land	10,028	15,065	66.6
		2. Buildings	105,464	138,856	76.0
II.	FINANCIAL INVESTMENTS IN GROUP COMPANIES AND IN ASSOCIATES		193,976,947	195,575,228	99.2
	1.	Shares and participating interests in Group companies	188,630,935	188,929,216	99.8
	2.	Debt securities and loans granted to Group companies	4,334,953	5,634,953	76.9
	3.	Shares and interests in associates	1,011,059	1,011,059	100.0
III.	OTHER FINANCIAL INVESTMENTS		231,602,070	220,766,256	104.9
	1.	Long-term financial investments	224,172,982	191,916,829	116.8
		1.1. Shares and other variable income securities and mutual funds	13,283,548	15,358,471	86.5
		1.2. Debt securities and other fixed income securities	197,818,268	162,598,719	121.7
		1.5. Other loans granted	0	333	0.0
		1.6. Bank deposits	13,071,166	13,959,306	93.6
	2.	Short-term financial investments	7,429,088	28,849,427	25.8
		2.1. Held-for-trading shares and interests	1,647,372	1,034,589	159.2
		2.2. Held-for-trading securities or securities with a remaining maturity of less than one year	3,188,880	10,936,600	0.0
		2.4. Short-term deposits with banks	2,592,836	16,878,238	15.4
IV.	FINANCIAL INVESTMENTS OF REINSURERS I.R.O. REINSURANCE CONTRACTS WITH CEDANTS		5,587,510	10,191,017	54.8
VI.	TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS AND CO-INSURERS (separate item for co-insurance)		30,863,647	26,342,964	117.2
		a. From unearned premiums	3,031,287	2,588,958	117.1
		c. From provisions for claims outstanding	27,832,360	23,754,005	117.2
D.	**RECEIVABLES**		**72,524,758**	**65,667,323**	**110.4**
II.	RECEIVABLES ARISING OUT OF CO-INSURANCE AND REINSURANCE BUSINESS		71,298,398	62,811,763	113.5
	2.	Receivables for premiums arising out of reinsurance assumed	67,446,985	58,912,657	114.5
		2.1 Receivables due from Group companies	13,031,175	15,862,222	82.2
		2.3 Receivables due from others	54,415,810	43,050,434	126.4
	4.	Receivables for reinsurers' shares in claims	3,231,615	3,431,919	94.2
		4.3 Receivables due from others	3,231,615	3,431,919	94.2
	5.	Other receivables from co-insurance and reinsurance	619,797	467,188	132.7
		5.3 Receivables due from others	619,797	467,188	132.7
III.	OTHER RECEIVABLES AND DEFERRED TAX ASSETS		1,226,360	2,855,560	43.0
	1.	Receivables for advances for intangible assets	0	22,739	0.0
		1.3 Receivables due from others	0	22,739	0.0
	3.	Short-term receivables arising out of financing	35,694	98,774	36.1
		3.1 Receivables due from Group companies	15,985	34,070	46.9
		3.3 Receivables due from others	19,709	64,704	30.5
	4.	Other short-term receivables	150,074	469,794	31.9
		4.1 Receivables due from Group companies	4,369	1,359	321.5
		4.3 Receivables due from others	145,705	468,435	31.1
	6.	Tax assets (income tax)	0	431,000	0.0
	7.	Deferred tax assets	1,040,593	1,833,253	56.8
E.	**SUNDRY ASSETS**		**1,086,184**	**587,923**	**184.8**
I.	PROPERTY AND EQUIPMENT OTHER THAN LAND AND BUILDINGS		573,842	459,659	124.8
	1.	Equipment	532,112	416,361	127.8
	2.	Other property and equipment	41,730	43,298	96.4
II.	CASH AND CASH EQUIVALENTS		512,342	128,264	399.4
F.	**SHORT-TERM ACCRUED INCOME AND DEFERRED EXPENSES**		**9,300,682**	**9,358,072**	**99.4**
	2.	Short-term deferred acquisition costs	9,003,998	9,012,388	99.9
		2.1 Short-term deferred costs due to Group companies	5,720,558	5,720,558	100.0
		2.3 Short-term deferred costs due to others	3,283,440	3,291,830	99.8
	3.	Other short-term accrued income and deferred expenses	296,684	345,684	85.8
H.	**OFF BALANCE SHEET ITEMS**		**10,689,763**	**10,689,763**	**100.0**

(€)				31/12/2014	31/12/2013	Index
EQUITY AND LIABILITIES (A–H)				547,413,684	530,636,968	103.2
A.	**EQUITY**			**258,135,674**	**246,188,770**	**104.9**
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			105,862,178	99,739,593	106.1
	2.	Legal reserves and reserves provided for in the Articles of Association		14,986,525	14,986,525	100.0
	3.	Reserves for treasury shares and own interests		10,115,023	1,774	570220.3
	4.	Treasury shares and own interests (contra account)		-10,115,023	-1,774	570220.3
	5.	Credit risk equalization reserve		845,522	800,075	105.7
	6.	Catastrophe equalization reserve		10,000,000	10,000,000	100.0
	7.	Other profit reserves		80,030,132	73,952,993	108.2
IV.	FAIR VALUE RESERVE			4,341,739	253,019	1716.0
	2.	Fair value reserve relating to long-term financial investments		4,357,600	252,251	1727.5
	4.	Other fair value reserve		-15,860	768	-2064.7
V.	RETAINED EARNINGS			15,713,039	12,717,998	123.6
VI.	NET PROFIT/LOSS FOR THE YEAR			6,122,585	7,382,026	82.9
B.	**SUBORDINATED LIABILITIES**			**23,499,692**	**23,466,967**	**100.1**
C.	**GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUMS EARNED**			**216,658,049**	**208,623,243**	**103.9**
I.	GROSS UNEARNED PREMIUMS			39,088,756	37,825,792	103.3
III.	GROSS PROVISION FOR OUTSTANDING CLAIMS			177,331,493	170,525,177	104.0
IV.	GROSS PROVISION FOR BONUSES AND REBATES			237,800	259,481	91.6
V.	OTHER GROSS TECHNICAL PROVISIONS			0	12,793	0.0
E.	**E. PROVISIONS FOR OTHER RISKS AND CHARGES**			**273,590**	**220,033**	**124.3**
	1.	Provisions for pensions		272,823	220,033	124.0
	2.	Other provisions		767	0	0.0
		2.3	Other provisions from relations with other companies	767	0	0.0
G.	**OTHER LIABILITIES**			**46,957,381**	**49,745,629**	**94.4**
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE BUSINESS			43,682,228	42,933,488	101.7
	2.	Liabilities for reinsurance premiums		3,451,173	2,847,915	121.2
		2.3	Liabilities due to other companies	3,451,173	2,847,915	121.2
	4.	Liabilities for shares in reinsurance claims		24,355,884	26,009,818	93.6
		4.1	Liabilities to Group companies	9,435,525	10,041,333	94.0
		4.3	Liabilities due to other companies	14,920,359	15,968,486	93.4
	5.	Other liabilities due from co-insurance and reinsurance		15,875,171	14,075,755	112.8
		5.1	Liabilities to Group companies	3,291,946	3,274,481	100.5
		5.3	Liabilities due to other companies	12,583,226	10,801,274	116.5
VI.	OTHER LIABILITIES			3,275,153	6,812,140	48.1
	b.)	Other short-term liabilities		3,275,153	6,812,140	48.1
		1.	Short-term liabilities due to employees	379,026	306,298	123.7
		3.	Short-term liabilities arising out of financing	74,429	550	13534.8
			3.3 Short-term liabilities to others arising out of financing	74,429	550	13534.8
		4.	Tax liabilities (income tax)	2,466,162	0	-
		5.	Other short-term liabilities	355,536	6,505,293	5.5
			5.3 Other short-term liabilities to others	355,536	6,505,293	5.5
H.	**ACCRUED EXPENSES AND DEFERRED INCOME**			**1,889,297**	**2,392,326**	**79.0**
	1.	Accrued costs and expenses		805,874	838,861	96.1
	2.	Other accrued expenses and deferred income		1,083,423	1,553,465	69.7
J.	**OFF BALANCE SHEET ITEMS**			**10,689,763**	**10,689,763**	**100.0**

(€)				2014	2013	Index
A	Technical account – non-life business other than health business					
I.	**Net earned premiums**			**113,847,068**	**124,682,116**	**91.3**
	1.	Gross premiums written		131,323,246	134,131,528	97.9
	4.	Gross reinsurance premiums written (-)		-16,655,543	-15,198,418	109.6
		4.3	Gross reinsurance premiums written from other companies	-16,655,543	-15,198,418	109.6
	5.	Change in gross unearned premiums (+/-)		-1,262,964	6,225,000	-20.3
	6.	Change in unearned premiums for the reinsurance and co-insurance part (+/-)		442,329	-475,994	-92.9
II.	**Allocated investment return transferred from the non-technical account (item D VIII)**			**6,198,698**	**-6,239,861**	**-99.3**
IV.	**Net claims incurred**			**64,736,670**	**77,581,652**	**83.4**
	1.	Gross claims payments		72,887,226	81,704,764	89.2
	2.	Income from realized gross recourse receivables (-)		-2,705,293	-1,179,272	229.4
	4.	Reinsurers' shares paid (-)		-8,173,225	-6,493,047	125.9
		4.3	Reinsurers' share for other companies	-8,173,225	-6,493,047	125.9
	5.	Change in the gross claims provision (+/–)		6,806,316	-1,725,629	-394.4
	6.	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)		-4,078,354	5,274,837	-77.3
VI.	**Net expenses for bonuses and rebates**			**-21,680**	**66,957**	**-32.4**
VII.	**Net operating expenses**			**36,937,817**	**38,881,681**	**95.0**
	1.	Acquisition costs		30,723,796	31,383,318	97.9
	2.	Change in deferred acquisition costs (+/-)		8,390	1,190,532	0.7
	3.	Other operating expenses		8,236,283	7,746,023	106.3
		3.1.	Depreciation/amortization of operating assets	224,523	214,624	104.6
		3.2.	Personnel costs	5,541,462	5,216,387	106.2
			- salaries and wages	2,972,603	4,114,115	72.3
			- social and pension insurance costs	502,183	690,672	72.7
			- other personnel costs	315,325	411,600	76.6
		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	153,223	162,987	94.0
		3.4.	Other operating expenses	2,317,074	2,152,025	107.7
			3.4.1 Other operating expenses for group companies	110,042	97,620	112.7
			3.4.1 Other operating expenses for other companies	2,207,033	2,054,405	107.4
	4.	Income from reinsurance commission and reinsurance contract profit participation (-)		-2,030,651	-1,438,192	141.2
VIII.	**Other net technical expenses**			**148,814**	**156,444**	**95.1**
	1.	Expenses for loss prevention activities		23	29	82.4
	3.	Other net technical expenses		148,791	156,415	95.1
IX.	**Balance on the technical account - non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)**			**18,256,937**	**1,742,728**	**1047.6**

(€)		2014	2013	Index
D.	Non-technical account			
I.	**Balance on the technical account – non-life business other than health business (A X)**	**18,256,937**	**1,742,728**	**1047.6**
IV.	**Investment income**	**22,050,363**	**25,308,261**	**87.1**
	1. Income from participating interests	10,856,579	15,026,568	72.3
	1.1. Income from participating interests in Group companies	10,250,880	14,659,724	69.9
	1.3. Income from participating interests in other companies	605,699	366,844	165.1
	2. Income from other investments	9,566,822	7,594,064	126.0
	2.1. Income from land and buildings	15,296	15,806	96.8
	- in Group companies	11,472	15,296	75.0
	- in other companies	3,824	509	750.7
	2.2. Interest income	4,607,741	5,680,635	81.1
	- in Group companies	278,607	469,495	59.3
	- in other companies	4,329,133	5,211,140	83.1
	2.3. Other investment income	4,943,786	1,897,624	260.5
	2.3.1 Financial income from revaluation	4,893,732	1,888,486	259.1
	- in other companies	4,893,732	1,888,486	259.1
	2.3.2 Other financial income	50,054	9,138	547.8
	- in other companies	50,054	9,138	547.8
	4. Gains on disposal of investments	1,626,963	2,687,629	60.5
VII.	**Investment expenses**	**8,377,696**	**17,325,620**	**48.4**
	1. Depreciation of investments not necessary for operations	2,176	2,333	93.3
	2. Asset management expenses, interest expenses and other financial expenses	1,036,321	1,330,474	77.9
	3. Financial expenses from revaluation	6,891,452	6,708,770	102.7
	4. Losses on disposal of investments	447,747	9,284,043	4.8
VIII.	**Allocated investment return transferred to the technical account for non-life business other than health business (A II)**	**6,198,698**	**-6,239,861**	**-99.3**
IX.	**Other technical income**	**2,633,838**	**1,533,557**	**171.8**
	1. Other income from non-life business other than health business	2,633,838	1,533,557	171.8
X.	**Other technical expenses**	**2,753,876**	**2,298,209**	**119.8**
	1. Other expenses for non-life business other than health business	2,753,876	2,298,209	119.8
XI.	**Other income**	**18,407**	**34,778**	**52.9**
	1. Other non-life income	18,407	34,778	52.9
XII.	**Other expenses**	**446**	**62,351**	**0.7**
	1. Other non-life expenses	446	62,351	0.7
XIII.	**Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)**	**25,628,827**	**15,173,006**	**168.9**
	1. Profit/loss for the period for non-life business	25,628,828	15,173,006	168.9
XIV.	**Tax on profit**	**3,315,196**	**800,175**	**414.3**
	1.1. Tax on profit from non-life business	3,315,196	800,175	414.3
XV.	**Deferred tax**	**-44,788**	**-391,221**	**11.5**
	1.1. Deferred tax for non-life business	-44,788	-391,221	11.5
XVI.	**Net profit/loss for the period (XIII-XIV+XV)**	**22,358,419**	**14,764,052**	**151.4**
	Breakdown of profit/loss			
	- From non-life insurance business	22,358,419	14,764,052	151.4

E.	Calculation of comprehensive income			
I.	**Profit/loss for the year, net of tax**	**22,358,419**	**14,764,052**	**151.4**
II.	**Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+)**	**4,085,313**	**2,611,626**	**156.4**
	4. Net gains/losses on remeasuring available-for-sale financial assets	4,946,202	3,068,989	161.2
	9. Tax on other comprehensive income	-840,854	-458,131	183.5
III.	**Total comprehensive income (I + II)**	**26,443,731**	**17,375,678**	**152.2**

Appendix B – Financial statements of the Sava Re Group pursuant to requirements of the Insurance Supervision Agency

Consolidated statement of financial position – assets

(€)				31/12/2014	31/12/2013	Index
ASSETS (A–F)				1,454,374,935	1,378,300,387	105.5
A.	**INTANGIBLE ASSETS, DEFERRED COSTS AND ACCRUED INCOME**			**34,940,960**	**40,226,072**	**86.9**
	1.	Intangible assets		2,785,600	2,470,235	112.8
	2.	Goodwill		17,654,308	19,554,635	90.3
	3.	Long-term deferred acquisition costs		3,662,804	4,200,571	87.2
	4.	Other long-term deferred expenses and accrued income		10,838,248	14,000,631	77.4
B.	**LAND AND BUILDINGS AND FINANCIAL INVESTMENTS**			**1,059,621,886**	**1,011,856,057**	**104.7**
I.	LAND AND BUILDINGS			43,208,362	44,377,570	97.4
	a.)	directly used in insurance activities		38,105,037	38,810,564	98.2
		1.	Land directly used in insurance activities	7,135,178	7,174,821	99.5
		2.	Buildings directly used in insurance activities	30,969,859	31,635,743	97.9
	b.)	Land and buildings not directly used in insurance activities		5,103,325	5,567,006	91.7
		1.	Land	736,022	510,471	144.2
		2.	Buildings	4,367,303	5,056,535	86.4
II.	FINANCIAL INVESTMENTS IN GROUP COMPANIES AND IN ASSOCIATES			3,072,497	2,866,665	107.2
	3.	Shares and interests in associates		3,072,497	2,866,665	107.2
III.	OTHER FINANCIAL INVESTMENTS			969,080,872	920,930,093	105.2
	1.	Long-term financial investments		876,743,269	797,383,397	110.0
		1.1.	Shares and other variable income securities and mutual funds	22,445,143	24,971,408	89.9
		1.2.	Debt securities and other fixed income securities	812,648,232	729,432,432	111.4
		1.4.	Mortgage loans	271,369	556,681	0.0
		1.5.	Other loans granted	323,850	202,584	159.9
		1.6.	Bank deposits	40,856,525	42,055,064	97.2
		1.7.	Other financial investments	198,150	165,228	119.9
	2.	Short-term financial investments		92,337,603	123,546,696	74.7
		2.1.	Held-for-trading shares and interests	4,256,817	3,853,810	110.5
		2.2.	Held-for-trading securities or securities with a remaining maturity of less than one year	33,289,905	48,132,409	69.2
		2.3.	Short-term loans granted	77,787	359,288	21.7
		2.4.	Short-term deposits with banks	54,713,094	71,201,189	76.8
IV.	FINANCIAL INVESTMENTS OF REINSURERS I.R.O. REINSURANCE CONTRACTS WITH CEDANTS			5,587,510	10,191,017	54.8
VI.	TECHNICAL PROVISIONS TRANSFERRED TO REINSURERS AND CO-INSURERS (separate item for co-insurance)			38,672,645	33,490,712	115.5
		a.	From unearned premiums	6,601,969	5,673,885	116.4
		b.	From mathematical provisions	37	100	37.0
		c.	From provisions for claims outstanding	32,274,622	27,561,112	117.1
		e.	From other technical provisions	-203,983	255,615	-79.8
C.	**INVESTMENTS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK**			**202,913,059**	**175,776,228**	**115.4**
D.	**RECEIVABLES**			**125,597,534**	**119,709,359**	**104.9**
I.	RECEIVABLES ARISING OUT OF PRIMARY INSURANCE BUSINESS			54,233,024	56,871,392	95.4
	1.	Receivables due from policyholders		52,539,647	53,061,625	99.0
		1.3	Receivables due from others	52,539,647	53,061,625	99.0
	2.	Receivables due from insurance intermediaries		1,584,654	3,642,118	43.5
		2.3	Receivables due from others	1,584,654	3,642,118	43.5
	3.	Other receivables arising out of primary insurance business		108,723	167,649	64.9
		3.3	Receivables due from others	108,723	167,649	64.9
II.	RECEIVABLES ARISING OUT OF CO-INSURANCE AND REINSURANCE BUSINESS			59,502,227	48,273,297	123.3
	1.	Receivables for premiums arising out of assumed co-insurance		356,366	359,347	99.2
		1.3	Receivables due from others	356,366	359,347	99.2
	2.	Receivables for premiums arising out of reinsurance assumed		54,491,644	43,175,616	126.2
		2.3	Receivables due from others	54,491,643	43,175,616	126.2
	3.	Receivables for shares in co-insurance claims		217,978	221,985	98.2
		3.3	Receivables due from others	217,978	221,985	98.2
	4.	Receivables for reinsurers' shares in claims		3,690,746	3,961,816	93.2
		4.3	Receivables due from others	3,690,746	3,961,816	93.2
	5.	Other receivables from co-insurance and reinsurance		745,493	554,533	134.4
		5.3	Receivables due from others	745,493	554,533	134.4

(€)				31/12/2014	31/12/2013	Index
III.	OTHER RECEIVABLES AND DEFERRED TAX ASSETS			11,862,283	14,564,670	81.5
	1.	Receivables for advances for intangible assets		450,845	527,191	85.5
		1.3	Receivables due from others	450,845	527,191	85.5
	2.	Other short-term receivables arising out of insurance business		4,466,840	4,135,483	108.0
		2.3	Receivables due from others	4,466,840	4,135,483	108.0
	3.	Short-term receivables arising out of financing		667,559	961,107	69.5
		3.3	Receivables due from others	667,559	961,107	69.5
	4.	Other short-term receivables		4,690,838	3,698,898	126.8
		4.3	Receivables due from others	4,690,837	3,698,898	126.8
	5.	Long-term receivables		30,804	37,724	81.7
		5.3	Receivables due from others	30,804	37,724	81.7
	6.	Tax assets (income tax)		353,016	1,707,675	20.7
	7.	Deferred tax assets		1,202,381	3,496,592	34.4
E.	**SUNDRY ASSETS**			**12,055,480**	**10,749,752**	**112.2**
I.	PROPERTY AND EQUIPMENT OTHER THAN LAND AND BUILDINGS			6,368,601	7,232,008	88.1
	1.	Equipment		6,172,506	6,991,040	88.3
	2.	Other property and equipment		196,095	240,968	81.4
II.	CASH AND CASH EQUIVALENTS			5,643,200	3,432,720	164.4
III.	INVENTORIES AND OTHER ASSETS			43,679	85,024	51.4
	1.	Inventories		43,679	85,024	51.4
F.	**SHORT-TERM ACCRUED INCOME AND DEFERRED EXPENSES**			**18,796,666**	**19,260,583**	**97.6**
	1.	Accrued interest and rent		43,071	211,295	20.4
	2.	Short-term deferred acquisition costs		17,489,101	17,752,316	98.5
		2.3	Short-term deferred costs due to others	17,489,101	17,752,316	98.5
	3.	Other short-term accrued income and deferred expenses		1,264,494	1,296,972	97.5
G.	**NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**			**449,350**	**722,336**	**62.2**
H.	**OFF BALANCE SHEET ITEMS**			**44,441,340**	**50,908,202**	**87.3**

(€)				31/12/2014	31/12/2013	Index
EQUITY AND LIABILITIES (A–H)				1,454,374,935	1,378,300,387	105.5
A.	**EQUITY**			**271,528,623**	**240,099,321**	**113.1**
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			44,638,799	42,423,360	105.2
III.	PROFIT RESERVES			105,031,313	99,201,828	105.9
	2.	Legal reserves and reserves provided for in the Articles of Association		11,140,269	11,138,541	100.0
	3.	Reserves for treasury shares and own interests		10,115,023	2,821,391	358.5
	4.	Treasury shares and own interests (contra account)		-10,115,023	-2,821,391	358.5
	5.	Credit risk equalization reserve		876,938	800,075	109.6
	6.	Catastrophe equalization reserve		11,744,474	12,070,719	97.3
	7.	Other profit reserves		81,269,632	75,192,493	108.1
IV.	FAIR VALUE RESERVE			14,959,305	4,610,765	324.4
	2.	Fair value reserve relating to long-term financial investments		17,060,663	6,955,513	245.3
	3.	Fair value reserve relating to short-term financial investments		1,534,090	280,778	546.4
	4.	Other fair value reserve		-3,635,447	-2,625,526	138.5
V.	RETAINED EARNINGS			15,652,780	15,018,066	104.2
VI.	NET PROFIT/LOSS FOR THE YEAR			17,474,558	5,023,423	347.9
VII.	NON-CONTROLLING INTEREST IN EQUITY			1,915,490	1,965,501	97.5
B.	**SUBORDINATED LIABILITIES**			**28,699,692**	**30,466,967**	**94.2**
C.	**GROSS TECHNICAL PROVISIONS AND DEFERRED PREMIUMS EARNED**			**869,982,633**	**846,224,719**	**102.8**
I.	GROSS UNEARNED PREMIUMS			148,169,690	144,611,911	102.5
II.	GROSS MATHEMATICAL PROVISIONS			256,292,141	250,559,649	102.3
III.	GROSS PROVISION FOR OUTSTANDING CLAIMS			454,759,004	437,267,628	104.0
IV.	GROSS PROVISION FOR BONUSES AND REBATES			854,819	832,938	102.6
V.	OTHER GROSS TECHNICAL PROVISIONS			9,906,979	12,952,593	76.5
D.	**GROSS TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK**			**195,684,631**	**170,786,799**	**114.6**
E.	**PROVISIONS FOR OTHER RISKS AND CHARGES**			**6,940,650**	**5,878,803**	**118.1**
	1.	Provisions for pensions		6,003,991	5,710,188	105.2
	2.	Other provisions		936,659	168,615	555.5
		2.3	Other provisions from relations with other companies	936,659	168,615	555.5

G.	**OTHER LIABILITIES**	**67,886,045**	**72,980,836**	**93.0**
I.	LIABILITIES FROM PRIMARY INSURANCE BUSINESS	11,728,377	12,951,255	90.6
1.	Liabilities to policyholders	1,413,992	2,098,594	67.4
1.3	Liabilities due to other companies	1,413,992	2,098,594	67.4
2.	Liabilities due to insurance intermediaries	1,870,402	1,832,785	102.1
2.3	Liabilities due to other companies	1,870,402	1,832,785	102.1
3.	Other liabilities from primary insurance business	8,443,983	9,019,876	93.6
3.3	Liabilities due to other companies	8,443,983	9,019,876	93.6
II.	LIABILITIES FROM CO-INSURANCE AND REINSURANCE BUSINESS	32,866,047	31,423,916	104.6
1.	Liabilities for co-insurance premiums	256,282	155,014	165.3
1.3	Liabilities due to other companies	256,282	155,014	165.3
2.	Liabilities for reinsurance premiums	4,998,608	4,493,888	111.2
2.3	Liabilities due to other companies	4,998,608	4,493,888	111.2
3.	Liabilities for shares in co-insurance claims	37	961	3.9
3.3	Liabilities due to other companies	37	961	3.9
4.	Liabilities for shares in reinsurance claims	14,920,359	15,968,486	93.4
4.3	Liabilities due to other companies	14,920,359	15,968,486	93.4
5.	Other liabilities due from co-insurance and reinsurance	12,690,761	10,805,567	117.5
5.3	Liabilities due to other companies	12,690,759	10,805,567	117.5
IV.	LIABILITIES TO BANKS	0	5,000,000	0.0
VI.	OTHER LIABILITIES	23,291,621	23,605,665	98.7
a.)	Other long-term liabilities	6,012,325	4,265,373	141.0
1.	Long-term liabilities from financial lease contracts	175,305	256,497	68.4
3.	Deferred tax liabilities	5,749,180	4,008,876	143.4
b.)	Other short-term liabilities	17,279,296	19,340,292	89.3
1.	Short-term liabilities due to employees	2,922,543	3,101,649	94.2
2.	Other short-term liabilities for insurance business	3,768,342	3,194,804	118.0
2.3	Other short-term liabilities to others	3,768,342	3,194,804	118.0
3.	Short-term liabilities arising out of financing	78,870	6,946	1135.5
3.3	Short-term liabilities to others arising out of financing	78,870	6,946	1135.5
4.	Tax liabilities (income tax)	4,770,373	616,247	774.1
5.	Other short-term liabilities	5,739,168	12,420,646	46.2
5.3	Other short-term liabilities to others	5,739,168	12,420,646	46.2
H.	**ACCRUED EXPENSES AND DEFERRED INCOME**	**13,652,661**	**11,862,942**	**115.1**
1.	Accrued costs and expenses	3,523,549	3,482,138	101.2
2.	Other accrued expenses and deferred income	10,129,112	8,380,804	120.9
J.	**OFF BALANCE SHEET ITEMS**	**44,441,340**	**50,908,202**	**87.3**

(€)		2014	2013	Index
A	Technical account – non-life business other than health business			
I.	**Net earned premiums**	**347,994,269**	**312,993,043**	**111.2**
1.	Gross premiums written	376,121,401	319,291,018	117.8
1.2	Gross written premiums from associated companies	0	19,781,355	0.0
1.3	Gross written premiums from other companies	376,121,401	299,509,663	125.6
2.	Premiums written for assumed co-insurance (+)	1,974,491	1,297,299	152.2
2.3	Assumed co-insurance premiums written from other companies	1,974,491	1,297,299	152.2
3.	Assumed co-insurance premiums written	-1,744,422	-1,797,740	97.0
3.3	Premiums written for ceded co-insurance for other companies	-1,744,422	-1,797,740	97.0
4.	Gross reinsurance premiums written (-)	-25,351,186	-20,832,272	121.7
4.3	Gross reinsurance premiums written from other companies	-25,351,186	-20,832,272	121.7
5.	Change in gross unearned premiums (+/-)	-3,955,985	15,566,232	-25.4
6.	Change in unearned premiums for the reinsurance and co-insurance part (+/-)	949,970	-531,494	-178.7
II.	**Allocated investment return transferred from the non-technical account (item D VIII)**	**8,767,460**	**-1,994,892**	**-439.5**
III.	**Other net technical income**	**1,162,345**	**1,048,506**	**110.9**
1.3	Other net technical income for other companies	1,162,345	1,048,506	110.9
IV.	**Net claims incurred**	**209,363,523**	**191,911,106**	**109.1**
1.	Gross claims payments	215,073,558	192,557,880	111.7
1.2	Gross claims paid for associates	0	5,929,363	0.0
1.3	Gross claims paid for other companies	215,073,558	186,628,517	115.2
2.	Income from realized gross recourse receivables (-)	-9,452,508	-6,450,965	146.5
3.	Co-insurers' shares paid (+/-)	236,996	-200,641	-118.1
3.3	Co-insurers' share for other companies	236,996	-200,641	-118.1
4.	Reinsurers' shares paid (-)	-10,853,960	-8,890,517	122.1
4.3	Reinsurers' share for other companies	-10,853,960	-8,890,517	122.1
5.	Change in the gross claims provision (+/–)	18,938,727	9,585,977	197.6
6.	Change in the reinsurers' and co-insurers' share of the claims provision (+/–)	-4,579,290	5,309,372	-86.2
V.	**Change in other net technical provisions (+/-)**	**-2,289,101**	**-1,162,799**	**196.9**
VI.	**Net expenses for bonuses and rebates**	**336,879**	**385,074**	**87.5**
1.3	Net expenses for bonuses and rebates for other companies	336,879	385,074	87.5
VII.	**Net operating expenses**	**117,830,412**	**105,360,878**	**111.8**
1.	Acquisition costs	40,421,464	40,431,304	100.0
2.	Change in deferred acquisition costs (+/-)	-110,192	-1,073,915	10.3
3.	Other operating expenses	80,483,153	68,143,302	118.1
3.1.	Depreciation/amortization of operating assets	7,313,689	5,781,001	126.5
3.2.	Personnel costs	47,658,603	40,254,138	118.4
	- salaries and wages	39,553,491	31,207,048	126.8
	- social and pension insurance costs	4,432,443	5,107,063	86.8
	- other personnel costs	3,672,669	3,940,027	93.2
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	561,060	876,108	64.0
3.4.	Other operating expenses	24,949,801	21,232,055	117.5
3.4.1	Other operating expenses for other companies	24,949,801	21,232,055	117.5
4.	Income from reinsurance commission and reinsurance contract profit participation (-)	-2,964,013	-2,139,813	138.5
4.3	Income from reinsurance commission for other companies	-2,964,013	-2,139,813	138.5
VIII.	**Other net technical expenses**	**6,886,750**	**5,960,658**	**115.5**
1.	Expenses for loss prevention activities	2,978,237	2,262,147	131.7
2.	Contributions for covering claims of uninsured and unidentified vehicles	2,218,739	2,100,587	105.6
3.	Other net technical expenses	1,689,774	1,597,924	105.8
IX.	**Balance on the technical account - non-life business other than health business (I+II+III-IV-V-VI-VII-VIII)**	**25,795,611**	**9,591,740**	**268.9**

(€)		2014	2013	Index
B	Technical account – life business			
I.	**Net earned premiums**	**87,862,530**	**63,878,124**	**137.6**
	1. Gross premiums written	88,005,524	63,808,255	137.9
	4. Gross reinsurance premiums written (-)	-167,741	-2,682	6254.3
	4.3 Gross reinsurance premiums written from other companies	-167,741	-2,682	6254.3
	5. Change in gross unearned premiums (+/-)	24,747	72,551	34.1
II.	**Investment income**	**13,330,032**	**12,692,851**	**105.0**
	1. Income from participating interests	239,023	205,718	116.2
	1.3. Income from participating interests in other companies	239,023	205,718	116.2
	2. Income from other investments	10,603,862	8,815,708	120.3
	2.1. Income from land and buildings	78	761	10.3
	- in other companies	78	761	10.3
	2.2. Interest income	10,259,165	8,506,708	120.6
	- in other companies	10,259,165	8,506,708	120.6
	2.3. Other investment income	344,619	308,239	111.8
	2.3.1 Financial income from revaluation	242,921	224,206	108.4
	- in other companies	242,921	224,206	108.4
	2.3.2 Other financial income	101,698	84,033	121.0
	- in other companies	101,698	84,033	121.0
	4. Gains on disposal of investments	2,487,147	3,671,425	67.7
III.	**Net unrealized gains on investments of life insurance policyholders who bear the investment risk**	**19,146,081**	**9,222,416**	**207.6**
IV.	**Other net technical income**	**1,018,490**	**1,274,007**	**79.9**
V.	**Net claims incurred**	**46,432,225**	**35,068,866**	**132.4**
	1. Gross claims payments	48,258,921	33,050,325	146.0
	4. Change in the gross claims provision (+/–)	-1,825,663	2,020,768	-90.4
VI.	**Change in diverse other net technical provisions (+/-)**	**31,200,524**	**7,487,054**	**416.7**
	1. Change in the mathematical provision	31,200,524	7,502,320	415.9
	1.1. Change in the gross mathematical provision (+/-)	31,200,461	7,502,245	415.9
	1.2. Change in the reinsurers' share (+/-)	63	75	84.0
	2. Change in other net technical provisions (+/-)	0	-15,266	0.0
	2.1. Change in gross other technical provisions (+/-)	0	-15,266	0.0
VIII.	**Net operating expenses**	**25,278,186**	**21,668,138**	**116.7**
	1. Acquisition costs	6,897,255	6,211,730	111.0
	2. Change in deferred acquisition costs (+/-)	596,949	604,586	98.7
	3. Other operating expenses	17,784,828	14,852,669	119.7
	3.1. Depreciation/amortization of operating assets	283,120	261,825	108.1
	3.2. Personnel costs	10,540,965	8,282,173	127.3
	- salaries and wages	8,533,415	6,286,506	135.7
	- social and pension insurance costs	925,196	1,008,851	91.7
	- other personnel costs	1,082,354	986,816	109.7
	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	113,256	181,951	62.3
	3.4. Other operating expenses	6,847,487	6,126,720	111.8
	3.4.1 Other operating expenses for other companies	6,847,487	6,126,720	111.8

IX.	**Investment expenses**	**292,262**	**14,800,635**	**2.0**
	1. Depreciation of investments not necessary for operations	1,915	1,445	132.5
	2. Asset management expenses, interest expenses and other financial expenses	39,641	53,241	74.5
	2.3 Asset management expenses, interest expenses and other financial expenses for other companies	39,641	53,241	74.5
	3. Financial expenses from revaluation	93,196	6,053,003	1.5
	4. Losses on disposal of investments	157,510	8,692,946	1.8
X.	**Net unrealized losses on investments of life insurance policyholders who bear the investment risk**	**7,900,587**	**9,519,437**	**83.0**
XI.	**Other net technical expenses**	**120,404**	**81,413**	**147.9**
	2. Other net technical expenses	120,404	81,413	147.9
XII.	**Allocated investment return transferred to the non-technical account (item D V) (-)**	**-2,003**	**-192,483**	**0.0**
XIII.	**Balance on the technical account - life business (I+II+III+IV-V+VI-VII-VIII-IX-X-XI-XII)**	**10,134,948**	**-1,365,662**	**-742.1**
C	Technical account – health business			
I.	**Net earned premiums**	**1,715,538**	**2,276,998**	**75.3**
	1. Gross premiums written	2,077,636	2,308,307	90.0
	2. Gross reinsurance premiums written (-)	-362,098	-31,309	1156.5
	4.3 Gross reinsurance premiums written from other companies	-362,098	-31,309	1156.5
II.	**Investment income**	**5,357**	**0**	**-**
	2. Income from other investments	5,357	0	-
	2.2. Interest income	5,357	0	-
	- in other companies	5,357	0	-
III.	**Other net technical income**	**131**	**0**	**-**
IV.	**Net claims incurred**	**1,284,405**	**2,029,583**	**63.3**
	1. Gross claims payments	1,490,957	2,066,207	72.2
	2. Income from realized gross recourse receivables (-)	-30,913	0	-
	4. Change in the gross claims provision (+/–)	-175,639	-36,624	479.6
V.	**Change in diverse other net technical provisions (+/-)**	**109,854**	**0**	**-**
	2. Change in other net technical provisions (+/-)	109,854	0	-
	2.1. Change in gross other technical provisions (+/-)	109,854	0	-
VII.	**Net operating expenses**	**547,976**	**231,691**	**236.5**
	1. Acquisition costs	193,138	228,418	84.6
	2. Change in deferred acquisition costs (+/-)	2,742	0	-
	3. Other operating expenses	352,096	3,273	10757.6
	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	1,654	302	547.7
	3.4. Other operating expenses	62,543	2,849	2195.3
	3.4.1 Other operating expenses for other companies	62,543	2,849	2195.3
VIII.	**Investment expenses**	**176**	**0**	**-**
	2. Asset management expenses, interest expenses and other financial expenses	176	0	-
IX.	**Other net technical expenses**	**20,866**	**0**	**-**
	2. Other net technical expenses	20,866	0	-
XI.	**Balance on the technical account - health business (I+II+III-IV+V-VI-VII-VIII-IX-X)**	**-242,251**	**15,724**	**-1540.6**
XIII.	**Balance on the technical account - health business (XI - XII)**	**-242,251**	**15,724**	**-1540.6**

D.	Non-technical account			
I.	**Balance on the technical account – non-life business other than health business (A X)**	**25,795,611**	**9,591,740**	**268.9**
II.	**Balance on the technical account – life business (B XIII)**	**10,134,948**	**-1,365,662**	**-742.1**
III.	**Balance on the technical account – health business (C XIII)**	**-242,251**	**15,724**	**-1540.6**
IV.	**Investment income**	**23,099,667**	**35,978,536**	**64.2**
	1. Income from participating interests	859,674	12,398,680	6.9
	1.2. Income from shares of profits of associates	154,293	11,921,455	1.3
	1.3. Income from participating interests in other companies	705,380	477,225	147.8
	2. Income from other investments	19,405,281	17,555,467	110.5
	2.1. Income from land and buildings	155,391	126,847	122.5
	- in other companies	155,391	126,847	122.5
	2.2. Interest income	14,036,622	15,327,010	91.6
	- in other companies	14,098,818	15,327,010	92.0
	2.3. Other investment income	5,213,268	2,101,610	248.1
	2.3.1 Financial income from revaluation	5,161,211	2,088,689	247.1
	- in other companies	5,161,211	2,088,689	247.1
	2.3.2 Other financial income	52,057	12,921	402.9
	- in other companies	52,057	12,921	402.9
	4. Gains on disposal of investments	2,834,712	6,024,389	47.1
V.	**Allocated investment return transferred to the technical account – life business (B XII)**	**-2,003**	**-192,483**	**1.0**
VII.	**Investment expenses**	**8,601,488**	**28,365,640**	**30.3**
	1. Depreciation of investments not necessary for operations	93,692	81,335	115.2
	2. Asset management expenses, interest expenses and other financial expenses	1,501,681	1,754,302	85.6
	2.3 Asset management expenses, interest expenses and other financial expenses for other companies	1,501,681	1,754,302	85.6
	3. Financial expenses from revaluation	6,417,696	7,439,201	86.3
	4. Losses on disposal of investments	588,419	19,090,802	3.1
VIII.	**Allocated investment return transferred to the technical account for non-life business other than health business (A II)**	**8,767,460**	**-1,994,892**	**-439.5**
IX.	**Other technical income**	**4,777,958**	**5,138,832**	**93.0**
	1. Other income from non-life business other than health business	4,687,494	4,934,909	95.0
	1.3. Other income from non-life business from other companies	4,687,494	4,934,909	95.0
	2. Other income from life business	90,464	203,923	44.4
	2.3 Other income from life business from other companies	90,464	203,923	44.4
X.	**Other technical expenses**	**9,270,791**	**7,873,300**	**117.8**
	1. Other expenses for non-life business other than health business	8,980,367	7,533,280	119.2
	1.3. Other expenses for non-life business from other companies	8,980,367	7,533,280	119.2
	2. Other expenses for life business	290,424	340,020	85.4
	2.3 Other expenses for life business from other companies	290,424	340,020	85.4
XI.	**Other income**	**4,237,625**	**3,268,321**	**129.7**
	1. Other non-life income	3,971,657	2,905,183	136.7
	1.3. Other income from non-life business from other companies	3,971,657	2,905,183	136.7
	2. Other expenses for life business	265,964	363,138	73.2
	2.3 Other expenses for life business from other companies	265,964	363,138	73.2
XII.	**Other expenses**	**2,205,575**	**2,416,921**	**91.3**
	1. Other non-life expenses	2,132,423	2,397,754	88.9
	1.3. Other expenses for non-life business from other companies	2,132,423	2,397,754	88.9
	2. Other expenses for life business	68,917	19,167	0.0
	2.3 Other expenses for life business from other companies	68,917	19,167	0.0

Consolidated statement of comprehensive income (continued)

(€)		2014	2013	Index
XIII.	**Profit/loss for the year before tax (I+II+III+IV+V+VI-VII-VIII+IX-X+XI-XII)**	**38,956,242**	**15,774,040**	**247.0**
	1. Profit/loss for the period for non-life business	29,072,691	17,108,586	169.9
	2. Profit/loss for the period for life business	10,130,032	-1,350,271	-750.2
	3. Profit/loss for the period for health business	-246,481	15,725	-1567.5
XIV.	**Tax on profit**	**6,579,943**	**1,339,648**	**491.2**
	1.1. Tax on profit from non-life business	5,516,293	1,728,523	319.1
	1.2. Tax on profit for life business	1,063,650	-388,875	-273.5
XV.	**Deferred tax**	**1,838,149**	**-1,187,532**	**-154.8**
	1.1. Deferred tax for non-life business	-153,244	-745,345	20.6
	1.2. Deferred tax for life business	1,991,393	-442,187	0.0
XVI.	**Net profit/loss for the period (XIII-XIV+XV)**	**30,538,150**	**15,621,924**	**195.5**
	Breakdown of profit/loss			
	- From non-life insurance business	23,709,642	16,125,408	147.0
	- From life business	7,074,989	-519,209	-1362.6
	- From health business	-246,481	15,725	-1567.4
E.	Calculation of comprehensive income			
I.	**Profit/loss for the year, net of tax**	**30,538,150**	**15,621,924**	**195.5**
II.	**Other comprehensive gain, net of tax (1+2+3+4+5+6+7+8+9+10)**	**10,356,324**	**6,085,579**	**170.2**
a)	**Items that will not be reclassified subsequently to profit or loss**	**-664,785**	**503,421**	**-132.1**
	5. Other items that will not be reclassified subsequently to profit or loss	-668,034	606,919	-110.1
	6. Tax on items that will not be reclassified subsequently to profit or loss	3,249	-103,498	-3.1
b)	**Items that may be reclassified subsequently to profit or loss**	**11,021,109**	**5,582,158**	**197.4**
	1. Net gains/losses on remeasuring available-for-sale financial assets	13,533,935	11,080,579	122.1
	3. Net gains/losses attributable to the Group recognized in the fair value reserve and retained profit/loss relating to investments in equity-accounted associated and jointly-controlled companies	51,539	-3,358,131	-1.5
	5. Tax on items that may be reclassified subsequently to profit or loss	-2,199,615	-2,013,562	109.2
	6. Net gains/losses from translation of financial statements	-364,750	-126,728	287.8
III.	**Total comprehensive income (I + II)**	**40,894,474**	**21,707,503**	**188.4**

Appendix C – Financial statements of the Sava Re Group pursuant to SKL 2009

Statement of financial position

(€)		31/12/2014	31/12/2013
	ASSETS	547,413,684	530,636,968
A.	**INTANGIBLE ASSETS**	**467,423**	**112,212**
B.	**PROPERTY AND EQUIPMENT**	**2,462,814**	**2,341,711**
D.	**DEFERRED TAX ASSETS**	**1,040,593**	**1,833,254**
E.	**INVESTMENT PROPERTY**	**115,492**	**153,920**
F.	**FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**	**189,641,994**	**189,940,275**
G.	**FINANCIAL INVESTMENTS:**	**241,524,533**	**236,592,225**
	- loans and deposits	25,586,465	46,663,847
	- held to maturity	2,074,001	2,073,728
	- available for sale	208,238,543	174,820,862
	- at fair value through profit or loss	5,625,524	13,033,788
I.	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**30,863,647**	**26,342,964**
K.	**RECEIVABLES**	**71,484,165**	**63,834,070**
2.	Receivables arising out of reinsurance and co-insurance business	71,298,397	62,811,763
3.	Current tax assets	0	431,000
4.	Other receivables	185,768	591,307
L.	**DEFERRED ACQUISITION COSTS**	**9,003,998**	**9,012,388**
L.	**OTHER ASSETS**	**296,684**	**345,684**
M.	**CASH AND CASH EQUIVALENTS**	**512,342**	**128,265**
	EQUITY AND LIABILITIES	547,413,684	530,636,968
A.	**EQUITY**	**258,135,674**	**246,188,770**
1.	Share capital	71,856,376	71,856,376
2.	Capital reserves	54,239,757	54,239,757
3.	Profit reserves	115,977,201	99,741,367
4.	Treasury shares	-10,115,023	-1,774
5.	Fair value reserve	4,341,739	253,020
6.	Retained earnings	15,713,039	12,717,998
7.	Net profit/loss for the period	6,122,585	7,382,026
B.	**SUBORDINATED LIABILITIES**	**23,499,692**	**23,466,967**
C.	**TECHNICAL PROVISIONS**	**216,658,049**	**208,623,243**
1.	Unearned premiums	39,088,756	37,825,792
3.	Provision for outstanding claims	177,331,493	170,525,177
4.	Other technical provisions	237,800	272,274
E.	**OTHER PROVISIONS**	**273,590**	**220,033**
I.	**OTHER FINANCIAL LIABILITIES**	**74,429**	**550**
J.	**LIABILITIES FROM OPERATING ACTIVITIES**	**46,148,390**	**42,933,488**
2.	Liabilities from co-insurance and reinsurance business	43,682,228	42,933,488
3.	Current income tax liabilities	2,466,162	0
K.	**OTHER LIABILITIES**	**2,623,860**	**9,203,917**

At 31 December 2014 the maximum total investment of Sava Reinsurance Company in any financial organization amounted to € 94,760,785.

Income statement

(€)		2014	2013
I.	**NET EARNED PREMIUMS**	**113,847,068**	**124,682,116**
	- Gross premiums written	131,323,246	134,131,528
	- Written premiums ceded to reinsurers and co-insurers	-16,655,543	-15,198,418
	- Change in net unearned premiums	-820,635	5,749,006
II.	**INCOME FROM INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES**	**10,250,880**	**14,659,724**
III	**INVESTMENT INCOME**	**11,784,187**	**10,632,733**
	- Interest income	4,607,741	5,680,636
	- Other investment income	7,176,446	4,952,097
IV	**OTHER TECHNICAL INCOME**	**4,679,785**	**2,987,554**
	- Commission income	2,030,651	1,438,192
	- Other technical income	2,649,133	1,549,363
V	**OTHER INCOME**	**18,407**	**34,778**
VI	**NET CLAIMS INCURRED**	**-64,736,669**	**-77,581,652**
	- Gross claims payments less income from recourse receivables	-70,181,933	-80,525,492
	- Reinsurers' and co-insurers' shares	8,173,225	6,493,047
	- Change in the net provision for outstanding claims	-2,727,961	-3,549,208
VII	**CHANGE IN OTHER TECHNICAL PROVISIONS**	**12,793**	**-12,793**
	CHANGE IN TECHNICAL PROVISIONS FOR POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	**0**	**0**
IX	**EXPENSES FOR BONUSES AND REBATES**	**21,680**	**-66,957**
X	**OPERATING EXPENSES**	**-38,968,467**	**-40,319,873**
	- Acquisition costs	-30,732,185	-32,573,850
	- Other operating expenses	-8,236,282	-7,746,022
XI	**EXPENSES FOR INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES**	**-2,500,000**	**-1,460,497**
XII	**EXPENSES FOR FINANCIAL ASSETS AND LIABILITIES**	**-5,875,520**	**-15,862,790**
	- Impairment of financial assets not measured at fair value through profit or loss	-1,634,412	-2,238,929
	- Interest expense	-949,274	-1,256,450
	- Diverse other expenses	-3,291,834	-12,367,411
XIII	**OTHER TECHNICAL EXPENSES**	**-2,904,867**	**-2,456,986**
XIV	**OTHER EXPENSES**	**-448**	**-62,351**
XV	**PROFIT/LOSS BEFORE TAX**	**25,628,828**	**15,173,006**
XVI	**INCOME TAX EXPENSE**	**-3,270,409**	**-408,954**
XVIII	NET PROFIT/LOSS FOR THE PERIOD	22,358,419	14,764,052
	BASIC AND DILUTED EARNINGS PER SHARE	1.33	1.16

Statement of comprehensive income

(€)		2014	2013
I.	**NET PROFIT/LOSS FOR THE YEAR, NET OF TAX**	**22,358,419**	**14,764,052**
II.	**OTHER COMPREHENSIVE INCOME, NET OF TAX**	**4,088,718**	**2,611,626**
a)	**Items that will not be reclassified subsequently to profit or loss**	**-16,629**	**768**
5.	Other items that will not be reclassified subsequently to profit or loss	-20,034	925
6.	Tax on items that will not be reclassified subsequently to profit or loss	3,406	-157
b)	**Items that may be reclassified subsequently to profit or loss**	**4,105,347**	**2,610,858**
1.	**Net gains/losses on remeasuring available-for-sale financial assets**	**4,946,202**	**3,068,989**
	Net change recognized in the fair value reserve	5,988,724	-518,329
	Net change transferred from fair value reserve to profit or loss	-1,042,522	3,587,318
3.	**Net gains/losses relating to investments in equity-accounted associate companies**	**0**	**0**
5.	**Tax on items that may be reclassified subsequently to profit or loss**	**-840,854**	**-458,131**
6.	**Net gains/losses from translation of financial statements of non-domestic companies**	**0**	**0**
III.	COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	26,447,137	17,375,678

Presentation of distributable profit

(€)		2014	2013
A.	NET PROFIT/LOSS FOR THE YEAR	22,358,419	14,764,052
B.	RETAINED EARNINGS	15,713,039	12,717,998
C.	RELEASE FROM PROFIT RESERVE	0	0
C2.	ADDITIONS TO PROFIT RESERVE BY DECISION OF THE MANAGEMENT BOARD	10,113,249	0
D.	ADDITIONS TO OTHER RESERVES BY DECISION OF THE MANAGEMENT AND THE SUPERVISORY BOARDS	6,122,585	7,382,026
E.	DISTRIBUTABLE PROFIT (A + B + C - C2 - D) TO BE ALLOCATED BY THE GENERAL MEETING	21,835,624	20,100,024
	- to shareholders	0	4,386,985
	- to be carried forward to the next year	0	15,713,039

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 17.4.36 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.

(€)	31/12/2014	31/12/2013
Balance sheet total – no offsetting	1,457,368,930	1,383,025,973
Intra-company receivables and liabilities	-1,964,216	-2,533,955
Deferred tax assets and liabilities	-1,029,779	-2,191,631
BALANCE SHEET TOTAL – WITH OFFSETTING	1,454,374,935	1,378,300,387

	Non-life insurance business		Life insurance business	
(€)	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Receivables	1,952,686	1,519,905	11,530	1,014,049
Liabilities	-11,530	-1,014,049	-1,952,686	-1,519,905

(€)		31/12/2014			31/12/2013		
		Non-life business	Life business	Total	Non-life business	Life business	Total
	ASSETS	905,209,348	552,159,582	1,457,368,930	874,919,526	508,106,445	1,383,025,972
A.	**INTANGIBLE ASSETS**	**29,375,040**	**5,565,920**	**34,940,960**	**32,310,043**	**7,916,028**	**40,226,072**
B.	**PROPERTY AND EQUIPMENT**	**39,251,455**	**5,222,183**	**44,473,638**	**40,687,524**	**5,355,048**	**46,042,572**
D.	**DEFERRED TAX ASSETS**	**1,887,635**	**344,525**	**2,232,160**	**3,352,839**	**2,335,384**	**5,688,223**
E.	**INVESTMENT PROPERTY**	**4,792,928**	**310,397**	**5,103,325**	**5,358,242**	**208,764**	**5,567,006**
F.	**FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**	**3,072,497**	**0**	**3,072,497**	**2,566,216**	**300,449**	**2,866,665**
G.	**FINANCIAL INVESTMENTS:**	**640,043,272**	**334,625,110**	**974,668,382**	**620,382,040**	**310,739,070**	**931,121,110**
	- loans and deposits	82,142,712	19,314,727	101,457,439	101,706,595	22,448,495	124,155,090
	- held to maturity	71,106,017	93,211,375	164,317,392	71,206,920	92,879,403	164,086,323
	- available for sale	477,090,394	215,327,622	692,418,016	422,445,391	186,314,702	608,760,093
	- at fair value through profit or loss	9,704,149	6,771,386	16,475,535	25,023,134	9,096,470	34,119,604
H.	**FUNDS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE INVESTMENT RISK**	**0**	**202,913,059**	**202,913,059**	**0**	**175,776,228**	**175,776,228**
I.	**REINSURERS' SHARE OF TECHNICAL PROVISIONS**	**38,355,104**	**317,541**	**38,672,645**	**33,204,435**	**286,277**	**33,490,712**
K.	**RECEIVABLES**	**122,569,113**	**1,826,040**	**124,395,153**	**113,467,307**	**3,745,460**	**117,212,767**
1.	Receivables arising out of primary insurance business	53,193,227	1,039,797	54,233,024	55,819,121	1,052,271	56,871,392
2.	Receivables arising out of reinsurance and co-insurance business	59,500,399	1,828	59,502,227	48,270,233	3,064	48,273,297
3.	Current tax assets	208,776	144,240	353,016	689,095	1,018,580	1,707,675
4.	Other receivables	9,666,711	640,175	10,306,886	8,688,858	1,671,545	10,360,403
L.	**DEFERRED ACQUISITION COSTS**	**17,228,907**	**260,194**	**17,489,101**	**17,435,756**	**316,560**	**17,752,316**
L.	**OTHER ASSETS**	**3,228,638**	**86,822**	**3,315,460**	**3,049,647**	**77,598**	**3,127,245**
M.	**CASH AND CASH EQUIVALENTS**	**4,955,409**	**687,791**	**5,643,200**	**2,383,141**	**1,049,579**	**3,432,720**
C.	**NON-CURRENT ASSETS HELD FOR SALE**	**449,350**	**0**	**449,350**	**722,336**	**0**	**722,336**
	EQUITY AND LIABILITIES	911,996,867	545,372,064	1,457,368,930	879,890,840	503,135,132	1,383,025,972
A.	**EQUITY**	**211,618,770**	**59,909,854**	**271,528,623**	**191,543,605**	**48,555,716**	**240,099,321**
1.	Share capital	33,097,107	38,759,269	71,856,376	33,097,107	38,759,269	71,856,376
2.	Capital reserves	42,958,836	1,679,963	44,638,799	42,374,685	48,675	42,423,360
3.	Profit reserves	114,276,453	869,883	115,146,336	101,153,337	869,882	102,023,219
4.	Treasury shares	-10,115,023	0	-10,115,023	-745,231	-2,076,160	-2,821,391
5.	Fair value reserve	3,132,303	15,316,438	18,448,741	824,146	6,915,568	7,739,714
6.	Retained earnings	19,778,079	-4,125,299	15,652,780	12,572,164	2,445,902	15,018,066
7.	Net profit/loss for the period	10,396,343	7,078,215	17,474,558	3,987,437	1,035,986	5,023,423
8.	Translation reserve	-2,524,016	-965,417	-3,489,433	-2,277,878	-851,069	-3,128,947
	EQUITY ATTRIBUTABLE TO OWNERS OF THE CONTROLLING COMPANY	**211,000,082**	**58,613,052**	**269,613,133**	**190,985,767**	**47,148,053**	**238,133,820**
	NON-CONTROLLING INTEREST IN EQUITY	**618,688**	**1,296,802**	**1,915,490**	**557,838**	**1,407,663**	**1,965,501**
B.	**SUBORDINATED LIABILITIES**	**28,699,692**	**0**	**28,699,692**	**30,466,967**	**0**	**30,466,967**
C.	**TECHNICAL PROVISIONS**	**599,487,851**	**270,494,782**	**869,982,633**	**580,136,256**	**266,088,463**	**846,224,719**
1.	Unearned premiums	147,321,212	848,478	148,169,690	143,717,579	894,332	144,611,911
2.	Mathematical provisions	0	256,292,141	256,292,141	0	250,559,649	250,559,649
3.	Provision for outstanding claims	441,404,841	13,354,163	454,759,004	422,633,146	14,634,482	437,267,628
4.	Other technical provisions	10,761,798	0	10,761,798	13,785,531	0	13,785,531
D.	**TECHNICAL PROVISIONS FOR THE BENEFIT OF LIFE-INSURANCE POLICYHOLDERS WHO BEAR THE INVESTMENT RISK**	**0**	**195,684,631**	**195,684,631**	**0**	**170,786,799**	**170,786,799**
E.	**OTHER PROVISIONS**	**5,609,703**	**1,330,947**	**6,940,650**	**4,677,027**	**1,201,776**	**5,878,803**
F.	**LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE**			**0**			**0**
G.	**DEFERRED TAX LIABILITIES**	**3,959,087**	**2,819,872**	**6,778,959**	**4,329,857**	**1,870,650**	**6,200,507**
H.	**LIABILITIES UNDER INVESTMENT CONTRACTS**			**0**			**0**
I.	**OTHER FINANCIAL LIABILITIES**	**75,345**	**3,525**	**78,870**	**4,281,946**	**725,000**	**5,006,946**
J.	**LIABILITIES FROM OPERATING ACTIVITIES**	**40,301,885**	**9,062,912**	**49,364,797**	**36,859,963**	**8,131,455**	**44,991,418**
1.	Liabilities from primary insurance business	3,800,420	7,927,957	11,728,377	5,000,870	7,950,385	12,951,255
2.	Liabilities from co-insurance and reinsurance business	32,834,628	31,419	32,866,047	31,420,710	3,206	31,423,916
3.	Current income tax liabilities	3,666,837	1,103,536	4,770,373	438,383	177,864	616,247
K.	**OTHER LIABILITIES**	**22,244,534**	**6,065,541**	**28,310,075**	**27,595,219**	**5,775,273**	**33,370,492**

At 31 December 2014 the maximum total investment of the Sava Re Group in any financial organization amounted to € 18,015,403 for the non-life operating segment and € 6,546,043 for the life operating segment.

(€)		2014			2013		
		Non-life business	Life business	Total	Non-life business	Life business	Total
I.	**NET EARNED PREMIUMS**	**350,007,625**	**87,564,712**	**437,572,337**	**315,537,364**	**63,610,801**	**379,148,165**
	- Gross premiums written	380,173,528	88,005,524	468,179,052	322,896,624	63,808,255	386,704,879
	- Written premiums ceded to reinsurers and co-insurers	-26,937,126	-464,572	-27,401,698	-22,331,996	-300,698	-22,632,694
	- Change in net unearned premiums	-3,228,777	23,760	-3,205,017	14,972,736	103,244	15,075,980
II.	**INCOME FROM INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES**	**154,294**	**0**	**154,294**	**6,851,203**	**5,254,788**	**12,105,991**
	- Profit from investments in equity-accounted associate companies	154,294	0	154,294	849,675	1,328,074	2,177,749
	- Other income	0	0	0	6,001,528	3,926,714	9,928,242
III	**INVESTMENT INCOME**	**22,795,339**	**32,476,035**	**55,271,374**	**23,745,698**	**21,914,506**	**45,660,204**
	- Interest income	14,041,979	10,259,165	24,301,144	15,327,010	8,506,708	23,833,718
	- Other investment income	8,753,360	22,216,870	30,970,230	8,418,688	13,407,798	21,826,486
IV	**OTHER TECHNICAL INCOME**	**8,913,013**	**1,166,239**	**10,079,252**	**8,858,795**	**870,818**	**9,729,613**
	- Commission income	2,907,517	57,342	2,964,859	2,095,499	45,161	2,140,660
	- Other technical income	6,005,496	1,108,897	7,114,393	6,763,296	825,657	7,588,953
V	**OTHER INCOME**	**3,978,926**	**258,699**	**4,237,625**	**2,916,361**	**351,960**	**3,268,321**
VI	**NET CLAIMS INCURRED**	**-210,573,840**	**-46,506,313**	**-257,080,153**	**-194,263,450**	**-34,746,105**	**-229,009,555**
	- Gross claims payments less income from recourse receivables	-207,081,094	-48,258,921	-255,340,015	-188,173,122	-33,050,325	-221,223,447
	- Reinsurers' and co-insurers' shares	10,739,601	-121,604	10,617,997	8,994,534	98,851	9,093,385
	- Change in the net provision for outstanding claims	-14,232,346	1,874,211	-12,358,135	-15,084,862	-1,794,631	-16,879,493
VII	**CHANGE IN OTHER TECHNICAL PROVISIONS**	**2,179,247**	**-5,745,103**	**-3,565,856**	**1,162,799**	**4,625,570**	**5,788,369**
	CHANGE IN TECHNICAL PROVISIONS FOR POLICYHOLDERS WHO BEAR THE INVESTMENT RISK	0	-25,455,421	-25,455,421	0	-12,127,890	-12,127,890
IX	**EXPENSES FOR BONUSES AND REBATES**	**-336,879**	**0**	**-336,879**	**-385,074**	**15,266**	**-369,808**
X	**OPERATING EXPENSES**	**-121,556,940**	**-25,064,493**	**-146,621,433**	**-107,641,366**	**-21,760,001**	**-129,401,367**
	- Acquisition costs	-40,507,152	-7,494,204	-48,001,356	-39,585,807	-6,816,316	-46,402,123
	- Other operating expenses	-81,049,788	-17,570,289	-98,620,077	-68,055,559	-14,943,685	-82,999,244
XI	**EXPENSES FOR INVESTMENTS IN SUBSIDIARY AND ASSOCIATE COMPANIES**	**-1,901,375**	**0**	**-1,901,375**	**-1,072,503**	**0**	**-1,072,503**
	- Loss arising out of the investment in the equity-accounted associate company	0	0	0	-174,277	0	-174,277
	- Impairment loss on goodwill	-1,901,375	0	-1,901,375	-898,226	0	-898,226
XII	**EXPENSES FOR FINANCIAL ASSETS AND LIABILITIES**	**-6,606,597**	**-8,190,934**	**-14,797,531**	**-27,211,802**	**-24,318,627**	**-51,530,429**
	- Impairment of financial assets not measured at fair value through profit or loss	-1,636,656	-10,111	-1,646,767	-3,205,628	-5,906,739	-9,112,367
	- Interest expense	-1,399,355	-18,136	-1,417,491	-1,660,324	-29,385	-1,689,709
	- Diverse other expenses	-3,570,586	-8,162,687	-11,733,273	-22,345,850	-18,382,503	-40,728,353
XIII	**OTHER TECHNICAL EXPENSES**	**-15,981,675**	**-412,743**	**-16,394,418**	**-13,575,273**	**-422,878**	**-13,998,151**
XIV	**OTHER EXPENSES**	**-2,138,444**	**-67,130**	**-2,205,574**	**-2,398,233**	**-18,687**	**-2,416,920**
XV	**PROFIT/LOSS BEFORE TAX**	**28,932,695**	**10,023,547**	**38,956,242**	**12,524,519**	**3,249,521**	**15,774,040**
XVI	**INCOME TAX EXPENSE**	**-5,369,886**	**-3,048,206**	**-8,418,092**	**-984,543**	**832,427**	**-152,116**
XVIII	NET PROFIT/LOSS FOR THE PERIOD	23,562,809	6,975,341	30,538,150	11,539,976	4,081,948	15,621,924
	BASIC AND DILUTED EARNINGS PER SHARE	1.40	0.42	1.82	0.90	0.33	1.23
	NET PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF THE CONTROLLING COMPANY	**23,517,731**	**7,078,214**	**30,595,945**	**11,522,116**	**4,138,192**	**15,660,308**
	NET PROFIT/LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**45,078**	**-102,873**	**-57,795**	**17,860**	**-56,244**	**-38,384**

Statement of comprehensive income

(€)		2014			2013		
		Non-life business	Life business	Total	Non-life business	Life business	Total
I.	**NET PROFIT/LOSS FOR THE YEAR, NET OF TAX**	**23,562,809**	**6,975,341**	**30,538,150**	**11,539,976**	**4,081,948**	**15,621,924**
II.	**OTHER COMPREHENSIVE INCOME, NET OF TAX**	**5,882,958**	**4,473,366**	**10,356,324**	**-955,630**	**7,041,209**	**6,085,579**
a)	**Items that will not be reclassified subsequently to profit or loss**	**-511,525**	**-153,260**	**-664,785**	**361,331**	**142,090**	**503,421**
5.	Other items that will not be reclassified subsequently to profit or loss	-514,774	-153,260	-668,034	440,674	166,245	606,919
6.	Tax on items that will not be reclassified subsequently to profit or loss	3,249		3,249	-79,343	-24,155	-103,498
b)	**Items that may be reclassified subsequently to profit or loss**	**6,394,483**	**4,626,626**	**11,021,109**	**-1,316,961**	**6,899,119**	**5,582,158**
1.	**Net gains/losses on remeasuring available-for-sale financial assets**	**7,835,914**	**5,698,021**	**13,533,935**	**2,628,339**	**8,452,240**	**11,080,579**
	Net change recognized in the fair value reserve	7,854,130	2,049,823	9,903,953	-2,836,414	5,327,716	2,491,302
	Net change transferred from fair value reserve to profit or loss	-18,216	3,648,198	3,629,982	5,464,753	3,124,524	8,589,277
3.	**Net gains/losses relating to investments in equity-accounted associate companies**	**51,539**	**0**	**51,539**	**-3,358,131**	**0**	**-3,358,131**
5.	**Tax on items that may be reclassified subsequently to profit or loss**	**-1,247,876**	**-951,739**	**-2,199,615**	**-477,991**	**-1,535,571**	**-2,013,562**
6.	**Net gains/losses from translation of financial statements of non-domestic companies**	**-245,094**	**-119,656**	**-364,750**	**-109,178**	**-17,550**	**-126,728**
III.	COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	29,445,767	11,448,707	40,894,474	10,584,346	11,123,157	21,707,503
	ATTRIBUTABLE TO THE OWNERS OF THE CONTROLLING COMPANY	**29,384,916**	**11,559,570**	**40,944,486**	**11,121,869**	**11,556,739**	**22,678,607**
	ATTRIBUTABLE TO NON-CONTROLLING INTEREST	**60,851**	**-110,863**	**-50,012**	**-537,523**	**-433,582**	**-971,105**

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.

Earnings per share. Ratio of net profit/loss as a percentage of the weighted average number of shares outstanding.

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

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

Facultative reinsurance. A type of reinsurance under which the ceding company has the option to cede and the reinsurer has the option to accept or decline individual risks of the underlying policy. Typically used to reinsure large individual risks or for amounts in excess of limits on risks already reinsured elsewhere.

FATCA. Foreign Account Tax Compliance Act; for details see http://www.sava-re.si/en/o-druzbi/FATCA/

Financial investments. Financial investments do not include financial investments in associates, investment property nor cash and cash equivalents.

Gross claims paid. Claims and benefits booked during a given period for claims resolved either fully or in part, including loss adjustment expenses, and net of recourse receivables. Gross claims paid are claims before deduction of reinsurance.

Gross expense ratio. The ratio of operating expenses as a percentage of gross premiums written.

Gross incurred loss ratio. Gross claims paid, including the change in the gross provision for outstanding claims, as a percentage of gross premiums written gross of the change in gross unearned premiums.

Gross operating expenses. Operating expenses, excluding commission income.

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

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

Guarantee fund. One third of the required solvency margin.

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

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

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

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

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

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

Liability fund. Assets covering technical provisions.

Life insurance liability fund. Assets covering mathematical provisions.

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

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

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

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

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

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

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

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

Net operating expenses. Operating expenses net of commission income.

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

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

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

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

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

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

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

Pricing risk. The risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.

Primary insurer. Insurance company that has a direct contractual relationship with the holder of the insurance policy (private individual, firm or organization).

Proportional reinsurance. A reinsurance arrangement whereby the reinsurer indemnifies a ceding company for a pre-agreed proportion of premiums and losses of each policy that the ceding company has underwritten. It can be subdivided into two main types: quota-share reinsurance and surplus reinsurance.

RBNS. Provision for claims that are **Reported But Not Settled.**

Recourse receivables. Amount of recourse claims which were recognized 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 recognized in the income statement that affect equity, mainly through the fair value reserve.

Underwriting result. Profit or loss realized from insurance operations as opposed to that realized 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 recognized as income in future years.

This document is a translation of the Slovenian original "Letno poročilo skupine Sava Re in Pozavarovalnice Sava, d.d., za poslovno leto 2014", which has been prepared by:

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