



Translation of the

SAVARE GROUP

FINANCIAL STATEMENTS

WITH NOTES

1 AUDITOR'S REPORT



This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Pozavarovalnica Sava d.d.

Opinion

We have audited the consolidated financial statements of the Sava Re Group ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Sava Re Group as at 31 December 2016 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those rules are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimations concerning premium recognition, technical provisions, reinsurance assets and liabilities – reinsurance

Technical provisions of the Group include also provisions related to reinsurance business. Part of those provisions are related to estimates based on input data received from cedants, underwriters' assumptions and internal historical data developed internally by the Group. The Group estimates claims provision for business outside the Sava Re Group, taking into account expected premiums and expected combined ratios.

Those estimates also influence other significant areas within the consolidated financial statements, such as gross premium income, commission and premium receivables. Premium estimates are made based on expected premiums from reinsurance contracts which, according to due dates, are already in force,

We involved actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material or complex and/or requiring significant judgement in setting of assumptions.

We assessed the design and verified the operating effectiveness of internal controls over the estimation process including the initial input of the data in the model based on reinsurance contracts as well as the later update of assumptions based on current information from cedants.

We have reviewed the methodology and assumptions used by the Group to establish its IBNR provision and performed recalculation of Group IBNR provisions. We have reviewed the methodology used by the Group to

although the Group has yet to receive reinsurance accounts.

The Group prepares back testing analyses to assess correctness of previous period assumptions and builds projections on experience.

Additionally, incurred but not reported ("IBNR") provisions are calculated independently by the Group to confirm reasonability of ceded amounts, using development triangles of cumulative claim payments by underwriting year.

There is a risk that the estimates and judgements made by the underwriters and the actuary may result in a material misstatement in the consolidated financial statements. We determined this to be a significant item for our audit and a key audit matter.

calculate claim provisions established by estimation using actuarial methods.

We performed detailed analytical procedures on estimates relating to premiums, commissions and technical provisions and assessed the experience (back testing) analyses performed by the Group in their assumption setting processes. We tested, on a sample basis, whether the input data in the model for recalculation of estimates is accurate and complete. We assessed the adequacy of the disclosures included in notes 18.4.24 and 18.8.22 of the consolidated financial statements.

Estimates used in calculation of insurance liabilities, DAC and Liability Adequacy Test (LAT) – insurance

The measurement of insurance contract liabilities involves judgement over uncertain future outcomes, mainly the ultimate total settlement value of long-term liabilities, including any guarantees provided to policyholders. Various economic and non-economic assumptions are being used to estimate these long-term liabilities, both in the insurance contract liabilities as reported in the statement of financial position and in the provisions adequacy test. We determined this to be a significant item for our audit and a key audit matter.

We involved internal actuarial specialists to assist us in performing our audit procedures. Our audit focused on the models considered material and more complex and/or requiring significant judgement in setting of assumptions, particularly long-tail business in non-life operations and Liability Adequacy Test ("LAT") cash flows in life products. We assessed the design and verified the operating effectiveness of internal controls over the actuarial process including claim provisions calculation, process of setting economic and actuarial assumptions as well as cash flow derivation approach. We assessed the Group's approach and methodology for the actuarial analyses including estimated versus actual results and experience studies. Our assessments included evaluation, as necessary, of specified economic and actuarial assumptions considering management's rationale for the actuarial judgments applied, along with comparison to applicable industry experiences considering the appropriateness of actuarial judgements used in the models, which may vary depending on the product and/or the specifications of the product, and also the compliance of the models with the applicable accounting standards. We also performed audit procedures to determine the models and systems were calculating the insurance contracts liabilities accurately and completely, including sample recalculations of the results produced by the models. We tested the validity of management's liability adequacy testing, which is a test performed to evaluate whether the liabilities are adequate as compared to the expected future contractual obligations. Our work on the liability adequacy tests included assessment of the projected cash flows and assessment of the assumptions adopted in the context of both the Group and industry experience and specific product features.

We assessed the adequacy of the disclosures included in notes 18.4.24 and 18.8.22 of the consolidated financial statements.

Responsibilities of management, supervisory board and audit committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee and supervisory board are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with audit rules, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- ▶ evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the audit committee and supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ljubljana, 31 March 2017


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Primož Kovačič
Certified auditor

2 CONSOLIDATED FINANCIAL STATEMENTS

2.1 Consolidated statement of financial position

(€)	Notes	31/12/2016	31/12/2015
ASSETS		1,671,189,179	1,607,281,060
Intangible assets	1	25,508,583	30,465,315
Property and equipment	2	51,887,127	47,217,311
Deferred tax assets	3	2,326,063	2,371,857
Investment property	4	7,933,786	8,040,244
Financial investments:	5	1,030,235,239	1,015,056,805
- loans and deposits		31,605,347	57,721,961
- held to maturity		130,812,195	165,444,270
- available for sale		858,641,003	773,486,797
- at fair value through profit or loss		9,176,694	18,403,777
Funds for the benefit of policyholders who bear the investment risk	6	224,175,076	214,189,117
Reinsurers' share of technical provisions	7	28,444,628	23,877,277
Investment contract assets	8	121,366,122	111,418,244
Receivables	9	127,408,527	130,663,929
Receivables arising out of primary insurance business		51,340,821	51,510,767
Receivables arising out of reinsurance and co-insurance business		68,005,582	68,757,586
Current tax assets		124,720	1,734,294
Other receivables		7,937,404	8,661,282
Deferred acquisition costs	10	16,510,536	17,992,485
Other assets	11	1,366,844	1,173,159
Cash and cash equivalents	12	33,939,160	4,710,904
Non-current assets held for sale	13	87,488	104,413
EQUITY AND LIABILITIES		1,671,189,179	1,607,281,060
Equity		297,038,327	286,401,678
Share capital	14	71,856,376	71,856,376
Capital reserves	15	43,681,441	43,388,724
Profit reserves	16	145,893,612	122,954,429
Treasury shares	17	-24,938,709	-10,319,347
Fair value reserve	18	17,458,948	12,721,705
Reserve due to fair value revaluation		351,655	-37,472
Retained earnings		36,778,941	23,490,926
Net profit/loss for the period	19	9,049,238	24,849,678
Translation reserve		-3,854,182	-3,467,155
Equity attributable to owners of the controlling company		296,277,319	285,437,863
Non-controlling interest in equity	20	761,008	963,815
Subordinated liabilities	21	23,570,771	23,534,136
Technical provisions	22	911,221,323	887,068,500
Unearned premiums		157,678,496	156,039,680
Mathematical provisions		269,762,815	262,052,426
Provision for outstanding claims		475,157,985	459,012,655
Other technical provisions		8,622,027	9,963,739
Technical provision for the benefit of life insurance policyholders who bear the investment risk	22	226,994,200	207,590,086
Other provisions	23	8,080,877	7,389,695
Deferred tax liabilities	3	6,038,631	4,598,731
Investment contract liabilities	8	121,229,675	111,304,383
Other financial liabilities	24	393,996	206,047
Liabilities from operating activities	25	48,790,646	54,467,303
Liabilities from primary insurance business		11,910,253	10,968,865
Liabilities from reinsurance and co-insurance business		36,292,698	39,739,412
Current income tax liabilities		587,695	3,759,026
Other liabilities	26	27,830,733	24,720,501

The notes to the financial statements in sections 3.4–3.12 form an integral part of these financial statements.

2.2 Consolidated income statement

(€)	Notes	2016	2015
Net earned premiums	28	458,101,526	447,559,605
Gross premiums written		490,205,154	486,264,557
Written premiums ceded to reinsurers and co-insurers		-31,242,514	-30,314,747
Change in gross unearned premiums		-1,829,377	-7,972,818
Change in unearned premiums, reinsurers' and co-insurers' shares		968,263	-417,387
Income from investments in associates	29	0	942,560
Profit from investments in equity-accounted associate companies		0	165,067
Other income		0	777,493
Investment income	30	33,136,242	39,577,855
Interest income		21,233,656	22,637,172
Other investment income		11,902,586	16,940,683
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	30	17,958,678	26,631,788
Other technical income	31	18,237,409	19,318,601
Commission income		3,732,607	3,656,904
Other technical income		14,504,802	15,661,697
Other income	35	6,489,633	4,647,977
Net claims incurred	32	-268,393,776	-273,129,823
Gross claims payments, net of income from recourse receivables		-269,445,796	-271,503,134
Reinsurers' and co-insurers' shares		14,819,654	17,718,201
Change in the gross claims provision		-15,832,894	-5,373,020
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares		2,065,260	-13,971,870
Change in other technical provisions	33	-5,254,856	-1,282,026
Change in technical provisions for policyholders who bear the investment risk	33	-17,442,161	-11,036,450
Expenses for bonuses and rebates		-1,263,545	-580,091
Operating expenses	34	-159,563,486	-148,918,373
Acquisition costs		-51,882,550	-49,853,683
Change in deferred acquisition costs		-1,474,454	1,451,391
Other operating expenses		-106,206,482	-100,516,081
Expenses for investments in associates and impairment losses on goodwill	29	-1,693,699	-2,936,678
Impairment loss on goodwill		-1,693,699	-2,936,678
Expenses for financial assets and liabilities	30	-8,556,415	-13,005,902
Impairment losses on financial assets not at fair value through profit or loss		-594,025	-726,066
Interest expense		-842,126	-1,161,059
Other investment expenses		-7,120,264	-11,118,777
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	30	-11,256,348	-25,930,786
Other technical expenses	35	-17,310,937	-20,113,718
Other expenses	35	-2,518,278	-1,646,568
Profit/loss before tax		40,669,987	40,097,971
Income tax expense	36	-7,751,774	-6,732,520
Net profit/loss for the period		32,918,213	33,365,451
Net profit/loss attributable to owners of the controlling company		32,824,911	33,377,857
Net profit/loss attributable to non-controlling interests		93,302	-12,406
Earnings per share (basic and diluted)	19	2.08	2.02

The notes to the financial statements in sections 3.4–3.12 form an integral part of these financial statements.

2.3 Consolidated statement of comprehensive income

(€)	2016			2015		
	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total	Attributable to owners of the controlling company	Attributable to non-controlling interest	Total
PROFIT/LOSS FOR THE PERIOD, NET OF TAX	32,824,911	93,302	32,918,213	33,377,857	-12,406	33,365,451
OTHER COMPREHENSIVE INCOME, NET OF TAX	4,739,343	2,689	4,742,032	-5,742,230	-5,167	-5,747,397
a) Items that will not be reclassified subsequently to profit or loss	389,127	726	389,853	108,540	0	108,540
Other items that will not be reclassified subsequently to profit or loss	392,921	726	393,647	105,795	0	105,795
Tax on items that will not be reclassified subsequently to profit or loss	-3,794	0	-3,794	2,745	0	2,745
b) Items that may be reclassified subsequently to profit or loss	4,350,216	1,963	4,352,179	-5,850,770	-5,167	-5,855,937
Net gains/losses on remeasuring available-for-sale financial assets	6,216,376	3,994	6,220,370	-7,013,374	-4,835	-7,018,209
Net change recognised in the fair value reserve	5,245,968	1,017	5,246,985	-9,411,317	-4,835	-9,416,152
Net change transferred from fair value reserve to profit or loss	970,408	2,977	973,385	2,397,943	0	2,397,943
Net gains/losses attributable to the Group recognised in fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	0	0	0	-33,187	0	-33,187
Tax on items that may be reclassified subsequently to profit or loss	-1,479,133	0	-1,479,133	1,173,513	-2,881	1,170,632
Net gains/losses from translation of financial statements of non-domestic companies	-387,027	-2,031	-389,058	22,278	2,549	24,827
COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	37,564,254	95,991	37,660,245	27,635,627	-17,573	27,618,054
Attributable to owners of the controlling company	37,564,254	0	37,564,254	27,635,627	0	27,635,627
Attributable to non-controlling interest	0	95,991	95,991	0	-17,573	-17,573

The notes to the financial statements in sections 3.4–3.12 form an integral part of these financial statements.

2.4 Consolidated statement of cash flows

(€)	Notes	2016	2015
A. Cash flows from operating activities			
a) Items of the income statement	37	49,825,078	54,416,596
1. Net premiums written in the period	28	458,962,640	455,949,810
2. Investment income (other than financial income)	30	210,989	170,904
3. Other operating income (excl. revaluation income and releases from provisions) and financial income from operating receivables		24,727,042	23,909,835
4. Net claims payments in the period	32	-254,626,142	-253,784,934
5. Expenses for bonuses and rebates		-1,263,545	-580,091
6. Net operating expenses excl. depreciation/amortisation and change in deferred acquisition costs	34	-150,471,848	-142,784,022
7. Investment expenses (excluding amortisation and financial expenses)		-133,069	-28,843
8. Other operating expenses excl. depreciation/amortisation (other than for revaluation and excl. additions to provisions)	35	-19,829,215	-21,703,543
9. Tax on profit and other taxes not included in operating expenses	36	-7,751,774	-6,732,520
b) Changes in net operating assets (receivables for premium, other receivables, other assets and deferred tax assets/liabilities) of operating items of the income statement		-7,642,805	-9,205,052
1. Change in receivables from primary insurance	9	169,946	2,722,257
2. Change in receivables from reinsurance	9	752,004	-6,873,365
3. Change in other receivables from (re)insurance business	9	669,194	1,146,740
4. Change in other receivables and other assets	9	-4,301,734	-694,694
5. Change in deferred tax assets	3	45,794	-1,169,476
6. Change in inventories		4,428	-9,635
7. Change in liabilities arising out of primary insurance	25	941,388	10,968
8. Change in liabilities arising out of reinsurance business	25	-3,446,714	6,873,365
9. Change in other operating liabilities	26	-4,410,572	-7,861,875
10. Change in other liabilities (except unearned premiums)	26	493,561	-2,198,888
11. Change in deferred tax liabilities	3	1,439,900	-1,150,449
c) Net cash from/used in operating activities (a + b)		42,182,273	45,211,544
B. Cash flows from investing activities			
a) Cash receipts from investing activities		1,577,964,374	1,125,832,461
1. Interest received from investing activities		21,233,656	22,637,172
2. Cash receipts from dividends and participation in the profit of others		1,284,400	1,228,274
3. Proceeds from sale of intangible assets		5,664	1,745
4. Proceeds from sale of property and equipment		4,162,273	1,705,395
5. Proceeds from sale of financial investments		1,551,278,381	1,100,259,875
b) Cash disbursements in investing activities		-1,563,064,826	-1,154,141,693
1. Purchase of intangible assets		-1,022,400	-802,637
2. Purchase of property and equipment		-6,895,120	-2,522,994
3. Purchase of long-term financial investments		-1,555,147,306	-1,150,816,062
c) Net cash from/used in investing activities (a + b)		14,899,548	-28,309,232
C. Cash flows from financing activities			
b) Cash disbursements in financing activities		-27,853,565	-17,838,511
1. Interest paid		-842,126	-1,161,059
3. Repayment of long-term financial liabilities		0	-5,375,567
4. Repayment of short-term financial liabilities		6,080	-2,031,583
5. Dividends and other profit participations paid		-12,398,157	-9,065,978
6. Own share repurchases		-14,619,362	-204,324
c) Net cash from/used in financing activities (a + b)		-27,853,565	-17,838,511
C2. Closing balance of cash and cash equivalents		33,939,160	4,710,904
x) Net increase/decrease in cash and cash equivalents for the period (Ac + Bc + Cc)		29,228,256	-936,199
y) Opening balance of cash and cash equivalents		4,710,904	5,643,200
Opening balance of cash and cash equivalents – acquisition		0	3,902

The notes to the financial statements in sections 3.4–3.12 form an integral part of these financial statements.

2.5 Consolidated statement of changes in equity for the year ended 31 December 2016

(€)	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Reserve due to fair value revaluation	VI. Retained earnings	VII. Net profit/loss for the period	VIII. Treasury shares	IX. Translation reserve	X. Equity attributable to owners of the controlling company	XI. Non-controlling interest in equity	Total (14 + 15)
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other									
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	
Closing balance in previous financial year	71,856,376	43,388,724	11,242,766	10,319,347	976,191	11,225,068	89,191,057	12,721,705	-37,472	23,490,926	24,849,678	-10,319,347	-3,467,155	285,437,863	963,815	286,401,678
Opening balance in the financial period	71,856,376	43,388,724	11,242,766	10,319,347	976,191	11,225,068	89,191,057	12,721,705	-37,472	23,490,926	24,849,678	-10,319,347	-3,467,155	285,437,863	963,815	286,401,678
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	4,737,243	389,127	0	32,824,911	0	-387,027	37,564,254	95,991	37,660,245
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	32,824,911	0	0	32,824,911	93,302	32,918,213
b) Other comprehensive income	0	0	0	0	0	0	0	4,737,243	389,127	0	0	0	-387,027	4,739,343	2,689	4,742,032
Net purchase/sale of treasury shares	0	0	0	14,619,362	0	0	0	0	0	0	-14,619,362	-14,619,362	0	-14,619,362	0	-14,619,362
Dividend payouts	0	0	0	0	0	0	0	0	0	-12,398,157	0	0	0	-12,398,157	0	-12,398,157
Allocation of net profit to profit reserve	0	0	168,784	0	0	0	9,127,228	0	0	-139,699	-9,156,313	0	0	0	0	0
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	-976,191	0	0	0	0	976,191	0	0	0	0	0	0
Merger of insurers (effect of exchange ratio and purchase of non-controlling interests)	0	292,717	0	0	0	0	0	0	0	0	0	0	0	292,717	-298,797	-6,080
Transfer of profit	0	0	0	0	0	0	0	0	0	24,849,678	-24,849,678	0	0	0	0	0
Closing balance in the financial period	71,856,376	43,681,441	11,411,550	24,938,709	0	11,225,068	98,318,285	17,458,948	351,655	36,778,941	9,049,238	-24,938,709	-3,854,182	296,277,319	761,008	297,038,327

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

€	I. Share capital	II. Capital reserves	III. Profit reserves					IV. Fair value reserve	V. Reserve due to fair value revaluation	VI. Retained earnings	VII. Net profit/loss for the period	VIII. Treasury shares	IX. Translation reserve	X. Equity attributable to owners of the controlling company	XI. Non-controlling interest in equity	Total (14 + 15)																	
			Legal reserves and reserves provided for in the articles of association	Reserve for treasury shares	Reserves for credit risks	Catastrophe equalisation reserve	Other									1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.		
Closing balance in previous financial year	71,856,376	44,638,799	11,140,269	10,115,023	876,938	11,744,474	81,269,632	18,594,753	-146,012	15,652,780	17,474,558	-10,115,023	-3,489,433	269,613,133	1,915,490	271,528,623																	
Prior-period adjustments	0	0	0	0	0	-822,582	0	0	0	-467,936	0	0	0	0	-1,290,518	0	-1,290,518																
Opening balance in the financial period	71,856,376	44,638,799	11,140,269	10,115,023	876,938	10,921,892	81,269,632	18,594,753	-146,012	15,184,844	17,474,558	-10,115,023	-3,489,433	268,322,615	1,915,490	270,238,105																	
Comprehensive income for the period, net of tax	0	0	0	0	0	0	0	-5,873,048	108,540	0	33,377,857	0	22,278	27,635,627	-17,573	27,618,054																	
a) Net profit/loss for the period	0	0	0	0	0	0	0	0	0	0	33,377,857	0	0	0	33,377,857	-12,406	33,365,451																
b) Other comprehensive income	0	0	0	0	0	0	0	-5,873,048	108,540	0	0	0	22,278	-5,742,230	-5,167	-5,747,397																	
Net purchase/sale of treasury shares	0	0	0	204,324	0	0	0	0	0	0	-204,324	-204,324	0	-204,324	0	-204,324	0	-204,324	0	-204,324	0	-204,324											
Dividend payouts	0	0	0	0	0	0	0	0	0	-9,065,978	0	0	0	-9,065,978	0	-9,065,978	0	-9,065,978	0	-9,065,978	0	-9,065,978											
Allocation of net profit to profit reserve	0	0	102,497	0	0	0	7,921,425	0	0	-102,497	-7,921,425	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Additions/uses of credit risk equalisation reserve and catastrophe equalisation reserve	0	0	0	0	99,253	303,176	0	0	0	0	-402,429	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0				
Acquisition of non-controlling interest	0	-1,250,075	0	0	0	0	0	0	0	0	0	0	0	0	-1,250,075	-934,102	-2,184,177																
Transfer of profit	0	0	0	0	0	0	0	0	0	17,474,558	-17,474,558	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0			
Closing balance in the financial period	71,856,376	43,388,724	11,242,766	10,319,347	976,191	11,225,068	89,191,057	12,721,705	-37,472	23,490,926	24,849,678	-10,319,347	-3,467,155	285,437,863	963,815	286,401,678																	

The notes to the financial statements in sections 3.4–3.12 form an integral part of these financial statements.

3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 General information

Reporting company

Sava, d.d. (hereinafter also "Sava Re" or "the Company") is the controlling company of the Sava Re Group (hereinafter also "the Group"). It was established under the Foundations of the Life and Non-Life Insurance System Act, and was entered in the company register kept by the Ljubljana Basic Court, Ljubljana Unit (now Ljubljana District Court), on 10 December 1990. Its legal predecessor, Pozavarovalna skupnost Sava, was established in 1977.

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

The Group transacts reinsurance business (19 % of gross premiums written), life insurance business (18 % of gross premiums written) and non-life insurance business (63 % of gross premiums written).

In 2016 the Group employed on average 2,465 people (2015: 2,491 employees). At 31/12/2016, the Group employed 2,488 people (31/12/2015: 2,540¹ employees) on a full-time equivalent basis. Statistics on employees in regular employment by various criteria are given in section 10.3. "Recruitment and staffing levels" of the full annual report.

Number of employees by degree of formal education

	31/12/2016	31/12/2015
Primary and lower secondary education	208	225
Secondary education	1,003	1,087
Higher education	272	270
University education	912	877
Master's degree and doctorate	93	81
Total	2,488	2,540

*The figure for 2015 differs from the one published in the 2015 annual report as it includes non-insurance companies of the Sava Re Group.

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

The largest shareholder of the controlling company is Slovenian Sovereign Holding (previously the Slovenian Restitution Fund, SOD), which holds 25 % plus one share. The second largest shareholder is Zagrebačka banka (fiduciary account) with a 14.34 % stake. The table "Ten largest shareholders of Sava Re as at 31 December 2016" is followed by a note regarding the share of voting rights (section 5.6 of the full annual report).

¹ The figure for 2015 differs from the one published in the 2015 annual report as it includes non-insurance companies of the Sava Re Group.

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

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

3.2 Business combinations and overview of Group companies

In November 2016, a merger was finalised, combining four of the Group's insurers (Zavarovalnica Maribor, Zavarovalnica Tilia, Velebit osiguranje and Velebit životno osiguranje) into Zavarovalnica Sava. In 2016, the controlling company recapitalised the life insurer Sava životno osiguranje (SRB) with € 0.25 million.

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 as at 31 December 2016

(€)	Activity	Registered office	Assets	Liabilities	Equity as at 31/12/2016	Profit/loss for 2016	Total income	Share of voting rights (%)
Zavarovalnica Sava	insurance	Slovenia	1,139,425,984	981,596,820	157,829,165	24,685,939	314,884,660	99.74 %
Sava neživotno osiguranje (SRB)	insurance	Serbia	25,387,084	20,316,459	5,070,625	116,929	15,379,795	100.00 %
Illyria	insurance	Kosovo	14,538,265	10,841,158	3,697,107	-171,970	7,300,855	100.00 %
Sava osiguranje (MKD)	insurance	Macedonia	21,377,413	16,348,215	5,029,198	465,490	11,850,287	92.44 %
Sava osiguranje (MNE)	insurance	Montenegro	22,112,854	16,725,274	5,387,580	1,204,218	11,889,234	100.00 %
Illyria Life	insurance	Kosovo	7,866,533	4,213,820	3,652,713	128,266	1,813,319	100.00 %
Sava životno osiguranje (SRB)	insurance	Serbia	5,834,828	2,389,128	3,445,700	-206,975	1,612,217	100.00 %
Illyria Hospital	currently, no activities are performed	Kosovo	1,800,772	4,495	1,796,277	-84	0	100.00 %
Sava Car	research and analysis	Montenegro	481,718	36,624	445,094	39,883	708,948	100.00 %
ZS Vivus	consulting and marketing of insurances of the person	Slovenia	267,008	54,548	212,460	-103,271	598,713	99.74 %
ZM Svetovanje	insurance agent	Slovenia	33,767	128,609	-94,842	-122,823	162,848	99.74 %
Ornatus KC	ZM call centre	Slovenia	46,896	25,166	21,730	7,494	216,000	99.74 %
Sava Agent	insurance agent	Montenegro	2,322,627	2,129,557	193,070	72,788	641,735	100.00 %
Sava Station	motor research and analysis	Macedonia	281,143	32291	248,852	38,537	171,424	92.44 %
Moja naložba	pension fund	Slovenia	134,444,848	126,401,679	8,043,169	581,695	3,210,125	100.00 %

Subsidiaries as at 31 December 2015

(€)	Activity	Registered office	Assets	Liabilities	Equity as at 31/12/2015	Profit/loss for 2015	Total income	Share of voting rights (%)
Zavarovalnica Maribor	insurance	Slovenia	908,898,300	790,328,325	118,569,975	23,968,366	248,119,066	100.00 %
Zavarovalnica Tilia	insurance	Slovenia	165,237,444	136,299,998	28,937,446	4,319,400	78,633,144	100.00 %
Sava neživotno osiguranje (SRB)	insurance	Serbia	23,857,347	18,990,278	4,867,069	-579,545	14,748,214	100.00 %
Illyria	insurance	Kosovo	14,679,093	10,822,466	3,856,627	40,997	7,919,776	100.00 %
Sava osiguranje (MKD)	insurance	Macedonia	21,060,203	16,406,655	4,653,548	452,959	11,025,527	92.44 %
Sava osiguranje (MNE)	insurance	Montenegro	22,274,653	16,313,528	5,961,125	1,991,841	11,697,891	100.00 %
Illyria Life	insurance	Kosovo	6,923,299	3,402,448	3,520,851	82,020	1,470,572	100.00 %
Sava životno osiguranje (SRB)	insurance	Serbia	5,399,994	1,956,335	3,443,659	-288,182	1,279,062	100.00 %
Velebit usluge in liquidation	wholesale, retailer	Croatia	12,324,595	577	12,324,018	-763	11,107	100.00 %
Velebit osiguranje	insurance	Croatia	17,462,301	13,180,789	4,281,512	4,477	6,791,189	92.08 %
Velebit životno osiguranje	insurance	Croatia	9,365,330	6,173,033	3,192,297	-420,647	3,253,363	88.71 %
Illyria Hospital	currently, no activities are performed	Kosovo	1,800,772	4,495	1,796,277	-30	0	100.00 %
Sava Car	research and analysis	Montenegro	396,944	31,633	365,311	49,011	663,824	100.00 %
ZS Vivus	consulting and marketing of insurances of the	Slovenia	405,873	74,894	330,979	123,966	1,099,289	100.00 %

person								
ZM Svetovanje	insurance agent	Slovenia	48,831	20,850	27,981	-49150	28565	100.00 %
Ornatus KC	ZM call centre	Slovenia	35,540	21,137	14,403	3,068	226,724	100.00 %
Sava Agent	insurance agent	Montenegro	2,478,916	2,352,786	126,130	92,907	656,955	100.00 %
Sava Station	motor research and analysis	Macedonia	227,010	15,740	211,270	11,436	108,352	92.44 %
Moja naložba	pension fund	Slovenia	122,707,805	115,412,757	7,295,048	366,815	2,653,260	100.00 %

3.3 Consolidation principles

The controlling company prepared both separate and consolidated financial statements for the year ended 31/12/2016. The consolidated financial statements include Sava Re as the controlling company and all its subsidiaries, i.e. companies in which Sava Re 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 (from the Insurance Supervision Agency and other supervisory institutions).

All subsidiaries were fully consolidated in the Sava Re Group.

The financial year of the Group is the same as the calendar year.

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

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

3.4 Significant accounting policies

Below is a presentation of significant accounting policies applied in the preparation of the consolidated financial statements. The Group applied the same accounting policies in 2016 as in 2015, except for minor changes as described in section 3.5 "Changes in accounting policies and correction of errors".

3.4.1 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).

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 Sava Re's website 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 31 March 2017.

3.4.2 Measurement bases

The financial statements have been prepared 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.

3.4.3 Presentation currency, translation of events and items

The financial statements are presented in euros (€), 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 the totals.

Assets and liabilities as at 31 December 2016 denominated in foreign currencies were translated into euros using the mid-rates of the European Central Bank (ECB) as at 31 December 2016. Amounts in the income statements were translated using the average exchange rate. As at 31 December 2015 and 31 December 2016, they were translated using the then applicable mid-rates of the ECB. Foreign exchange differences arising on settlement of transactions and on translation of monetary assets and liabilities are recognised in the income statement. Exchange rate differences associated with non-monetary items, such as equity securities carried at fair value through profit or loss, are also recognised in the income statement, while exchange rate differences associated with equity securities classified as available for sale are recognised in the fair value reserve. Since equity items in the statement of financial position at 31 December 2016 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.

3.4.4 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. Areas that involve major management judgement are presented below.

- S** The calculation of goodwill, its measurement and impairment is determined using the accounting policy under 18.4.8 and note 1.
- S** Deferred tax assets are recognised if Group entities plan to realise a profit in the medium-term projections.

- S** Receivables are impaired based on the accounting policy set out in section 3.4.18.2. Any recognised impairment loss is shown in note 9.
- S** Financial investments: Classification, recognition, measurement and derecognition, as well as investment impairment and fair value measurement are made based on the accounting policy set out in section 3.4.14. Movements in investments and their classification are shown in note 6, while the associated income and expenses, and impairment, are shown in note 30.
- S** Technical provisions – calculation and liability adequacy tests pertaining to insurance contracts are shown in sections 3.4.24–27. Movements in these provisions are shown in note 22.

3.4.5 Materiality

To serve as a starting point in determining a materiality threshold for the consolidated financial statements, the management used the equity of the Sava Re Group, specifically 2 % thereof as at 31 December 2016, which is € 5.9 million. The disclosures and notes required to meet regulatory or statutory requirements are presented, despite their being below the materiality threshold.

3.4.6 Cash flow statement

The cash flow statement has been prepared using the indirect method. The Group cash flow statement was prepared as the sum of all cash flows of all Group companies less any inter-Group cash flows. Cash flows from operating activities have been prepared based on data from the 2016 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.

3.4.7 Statement of changes in equity

The statement of changes in equity shows movements in individual components of equity in the period. Profit reserves also include the treasury share reserve and the catastrophe equalisation reserve. As at 31 December 2016, the Group dismantled its credit risk equalisation reserve.

3.4.8 Intangible assets

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

Intangible assets in the Group include computer software, licences pertaining to computer software (their useful life is assumed to be five years) and goodwill described in greater detail below. This item also includes the value of assumed liabilities upon the integration 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 five years.

3.4.9 Goodwill

Goodwill arises on the acquisition of subsidiaries. In acquisitions, goodwill relates to the excess of the cost of the business combination over the acquirer's interest in the fair value of the identifiable

assets, liabilities and contingent liabilities of the acquired company. If the excess is negative (badwill), it is recognised directly in the income statement. The recoverable amount of the cash-generating unit so calculated is compared against its carrying amount, including goodwill belonging to such unit. The recoverable amount is value in use.

For the purpose of impairment testing, an allocation to cash-generating units representing individual companies has been made. Movement in goodwill is discussed in detail in note 1 of section 3.8.

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

Section 3.8, note 1, sets out the main assumptions for cash flow projections used in the calculation of the value in use.

3.4.10 Property and equipment

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

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

Depreciation rates of property and equipment assets

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

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

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

3.4.11 Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, its sale must

be highly probable and it must be available for immediate sale in its present condition. The Group must be committed to the sale and must realise it within one year. Such assets are measured at the lower of the assets' carrying amount or fair value less costs to sell, and are not depreciated.

3.4.12 Deferred tax assets and liabilities

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

The Group establishes deferred tax assets for temporary tax non-deductible impairments of portfolio investments and for Group companies in liquidation. Deferred tax assets are additionally established for impairment losses on receivables, unused tax losses and for provisions for employees. Deferred tax liabilities were recognised for the credit risk and catastrophe equalisation reserves transferred (as at 1 January 2007) from technical provisions to profit reserves, which used to be tax-deductible when set aside (prior to 1 January 2007).

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

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

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

A deferred tax asset is recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. In 2016, no deferred tax assets of this kind were recognised by the Group.

In 2016, 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 20 % (2015: the same).

3.4.13 Investment property

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

amount. The recoverable amount is the higher of the value in use and the net selling price less costs to sell. If the recoverable amount exceeds or is equal to the carrying amount, the asset is not impaired.

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

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

3.4.14.1 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:

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

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

Held-to-maturity financial assets

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

Available-for-sale financial assets

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

Loans and receivables (deposits)

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

3.4.14.2 Recognition, measurement and derecognition

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

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

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

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

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

3.4.14.3 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 (assuming that the carrying amount is a reasonable approximation of fair value) and financial instruments held to maturity, which are measured at amortised cost. The fair value of investment property and land and buildings used in business operations and the fair value of financial instruments measured at amortised cost are set out in note 27. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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

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

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

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

3.4.14.4 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).

3.4.14.4.1 Debt securities

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

- S** 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;
- S** the issuer is subject to a bankruptcy, liquidation or compulsory settlement procedure.

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

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

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

3.4.14.4.2 Equity securities

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

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

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

3.4.15 Reinsurers' share of technical provisions

The amount of the 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 3.7.3.6 "Risk management: Retrocession programme – non-life business)".

3.4.16 Investment contract assets and liabilities

Investment contract assets and liabilities only include the assets and liabilities from investment contracts of the company Moja naložba. Investment contracts asset comprise the assets supporting the liability funds "Moji skladi življenskega cikla" for the transaction of voluntary supplementary pension business. Investment contract liabilities comprise liabilities arising out of pension insurance business under group and individual plans for voluntary supplementary pension insurance, under which the administrator maintains personal accounts for pension plan members.

3.4.17 Receivables

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

3.4.17.1 Recognition of receivables

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

Receivables arising out of reinsurance business are recognised when inwards premiums or claims and commissions relating to retrocession business are invoiced to cedants or reinsurers, respectively. For

existing reinsurance contracts for which no confirmed invoices have been received from cedants or reinsurers, receivables are recognised in line with policies outlined in sections 3.4.30 "Net premiums earned" and 3.4.31 "Net claims incurred".

3.4.17.2 Impairment of receivables

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

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

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

No receivables have been pledged as security.

3.4.18 Deferred acquisition costs

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

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

3.4.19 Other assets

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

3.4.20 Cash and cash equivalents

The statement of financial position and cash flow item "cash and cash equivalents" comprises:

- S** cash, including cash in hand, cash in bank accounts of commercial banks or other financial institutions, overnight deposits, and
- S** cash equivalents, including demand deposits and deposits with an original maturity of up to three months.

3.4.21 Equity

Composition:

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

Reserves provided for by the articles of association are used:

- S** to cover the net loss that cannot be covered (in full) out of retained earnings or 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);
- S** to increase share capital;
- S** to regulate the dividend policy.

Profit reserves also include catastrophe equalisation reserves set aside pursuant to the rules on technical provisions and reserves as approved by appointed actuaries. These are tied-up reserves.

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

3.4.22 Subordinated liabilities

Subordinated liabilities represent a long-term liability of the Group in the form of a subordinated loan that was to be used by the Group for its expansion since 2006. The controlling company has applied with the supervisory agency for permission for the early repayment of the subordinated loan.

3.4.23 Classification of insurance contracts

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

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

3.4.24 Technical provisions

Technical provisions are shown gross in the statement of financial position. The share of gross technical provisions for the business ceded by the Group to non-Group reinsurers is shown in the statement of financial position under the asset item reinsurers' share of technical provisions. Technical provisions must be set at an amount that provides reasonable assurance that liabilities

from assumed (re)insurance contracts can be met. The main principles used in calculations are described below.

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

Mathematical provisions for life insurance contracts represent the actuarial value of obligations arising from policyholders' guaranteed entitlements. In most cases, they are calculated using the net Zillmer method with the same parameters as those used for premium calculation, except for the discount rate applied, which was a technical interest rate not exceeding 1.5 %. Other parameters are the same as those used in the premium calculation. Calculated negative liabilities arising out of mathematical provisions are set to nil. The Zillmer method was used for amortising acquisition costs. The calculation of mathematical provisions is based on the assumption that the full agent commission was paid at conclusion of the contract, while agents actually receive the commission within two to five years depending on the policy term. The mathematical provision includes all deferred commission. The insurance company set aside deferred acquisition costs, showing them under assets in the event of commission prepayments, or shows the difference between the positive Zillmerised mathematical provision and the Zillmerised mathematical provision.

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

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

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

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

Other technical provisions solely 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 inadequate, the unearned premium is also inadequate. Group companies carry out liability adequacy tests for unearned premiums at insurance class level. The calculation of the expected combined ratio in any class of insurance was based on premiums earned, claims incurred, commission expenses and other operating expenses. Where the expected combined ratio so calculated exceeds 100 %, thus revealing a deficiency in unearned premiums, a corresponding provision for unexpired risks within other technical provisions is set aside.

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

These are provisions for unit-linked life business. They comprise mathematical provisions, unearned premiums and provisions for outstanding claims. The bulk comprises mathematical provisions. Their value is the aggregate value of all units of funds under all policies, including all premiums not yet converted into units, 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.

3.4.26 Liability adequacy test (LAT)

The Group carries out adequacy testing of provisions set aside based on insurance contracts as at the financial statement date separately for non-life and life business. The liability adequacy test for non-life business is described in section 3.4.24 "Technical provisions".

Liability adequacy testing for life business

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

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

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

The liability adequacy test is performed on the policy or product level. If the test is performed on the policy level, the results are shown on the product-level, with products grouped by class of business. In addition, the segmentation in Croatia is done depending on the technical interest rate. Results of the test are then evaluated for each of the three groups separately. Each group is tested separately for liability adequacy. Liability inadequacies of individual groups are not offset against surpluses arising on other groups in determining any additional liabilities to be established. The net present

value of future cash flows calculated using the assumptions described below is compared with the insurance liabilities, for each group separately. If this comparison shows that the carrying amount of the insurance liabilities is inadequate in the light of the estimated cash flows, the entire deficiency is recognised in profit or loss by establishing an additional provision.

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

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

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

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

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

The Group estimated, for most of the life policies, the impact of changes in key variables that may have a material effect on the results of liability adequacy tests at the end of the year. Sensitivity analyses are prepared separately for traditional life business and investment-linked life business.

(€)	31/12/2016		31/12/2015	
	LAT test for traditional life policies	LAT test for unit-linked life policies	LAT test for traditional life policies	LAT test for unit-linked life policies
Base run	256,939,710	178,717,678	229,934,927	132,323,440
Investment return + 100 bp	245,369,854	175,187,656	227,492,710	227,793,500
Investment return - 100 bp	271,679,805	182,905,734	246,064,018	226,158,920
Mortality + 10 %	259,464,566	180,554,154	232,172,997	133,774,181
Policy maintenance expenses + 10 %	260,327,207	183,218,403	232,188,806	135,156,820

The base run is calculated using the same assumptions as for liability adequacy testing. Changes in variables represent reasonable possible changes which, had they occurred, would have led to significant changes in insurance liabilities at the statement of financial position date. The reasonable possible changes represent neither expected changes in variables nor worst case scenarios. A change in key variables would affect the corresponding component of the result in the same proportion.

The analysis has been prepared for a change in variable with all other assumptions remaining unchanged and ignores changes in values of the related assets. Sensitivity was calculated for an unfavourable direction of movement. The income statement and insurance liabilities (as show in the LAT test) are mostly impacted by changes in the investment return, while unit-linked business is also impacted by changes in operating expenses.

3.4.27 Other provisions

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

These provisions are calculated based on personal data of employees: date of birth, date of commencement of employment in the Group, anticipated retirement, and salary. Each Group company calculates the amounts of severance pay upon retirement and jubilee benefits 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.

3.4.28 Other financial liabilities

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

3.4.29 Liabilities from operating activities and other liabilities

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

3.4.30 Net premiums earned

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

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

3.4.31 Net claims incurred

Claims and benefits incurred are accounted for on an accrual basis, taking into account any decrease in economic benefits in the form of cash outflows or decreases in assets. Net claims incurred comprise gross claims paid net of recourse receivables and reinsurer's share of claims, i.e. amounts invoiced to retrocessionaires. The amount of gross claims paid includes 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.

3.4.32 Investment income and expenses

The Group records investment income and expenses separately by source of funds, maintaining three separate registers: the non-life insurance investment register, the life insurance investment register and own funds investment register. Own fund investments support the Group's shareholders' funds; non-life insurance investments support technical provisions, and the life insurance investments support mathematical provisions.

Investment income includes:

- S** dividend income (income from shares);
- S** interest income;
- S** exchange gains;
- S** income from changes in fair value and gains on disposal of investments designated at fair value through profit or loss;
- S** gains on the disposal of investments of other investment categories and
- S** other income.

Investment expenses include:

- S** interest expense;
- S** exchange losses;
- S** expenses due to changes in fair value and losses on disposal of investments designated at fair value through profit or loss;
- S** losses on disposal of investments of other investment categories; and
- S** other expenses.

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

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

3.4.33 Operating expenses

Operating expenses comprise:

- S** acquisition costs;
- S** change in deferred acquisition costs;
- S** other operating expenses classified by nature, as follows:
 - a. depreciation/amortisation 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.

3.4.34 Other technical income

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

3.4.35 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 recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The deferred tax amount is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using the tax rates that have been enacted by the date of the statement of financial position. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.4.36 Segment reporting

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).

Subject to the nature, scope and organisation of work, CODM (Chief Operating Decision Maker) is a group composed of the management board members, the executive director of finance, the executive director of accounting, and the executive director of corporate finance and controlling. CODM can monitor quarterly the results of operations by segments. These results include technical results, net investment income and other aggregated performance indicators, as well as the levels of

assets, equity and technical provisions. All figures reviewed by CODM are part of quarterly financial reports submitted to the management board.

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

Asset items by operating segment as at 31 December 2016

31/12/2016 (€)	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	267,386,560	558,344,159	108,616,807	666,960,966	708,777,140	22,980,335	731,757,476	5,084,177	1,671,189,179
Intangible assets	832,567	9,183,818	8,648,422	17,832,240	6,797,493	28,318	6,825,811	17,965	25,508,583
Property and equipment	7,753,202	26,624,935	10,572,398	37,197,333	2,253,664	2,501,372	4,755,036	2,181,556	51,887,127
Deferred tax assets	1,373,436	535,913	12,115	548,028	404,313	286	404,599	0	2,326,063
Investment property	3,122,076	262,150	4,507,268	4,769,418	42,292	0	42,292	0	7,933,786
Financial investments	163,850,914	445,217,876	66,510,447	511,728,322	335,671,470	18,958,899	354,630,369	25,634	1,030,235,239
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	224,175,076	0	224,175,076	0	224,175,076
Reinsurers' share of technical provisions	10,295,442	13,017,657	4,916,098	17,933,756	212,623	2,808	215,431	0	28,444,628
- from unearned premiums	1,366,908	4,761,288	1,046,476	5,807,764	27,343	1,561	28,904	0	7,203,576
- from provisions for claims outstanding	8,928,534	8,256,369	3,869,622	12,125,991	185,280	1,247	186,527	0	21,241,052
Investment contract assets	0	0	0	0	121,366,122	0	121,366,122	0	121,366,122
Receivables	66,558,578	48,584,561	8,404,380	56,988,941	1,245,694	218,518	1,464,212	2,396,796	127,408,527
Receivables arising out of primary insurance business	0	44,969,594	5,451,876	50,421,470	789,421	129,930	919,351	0	51,340,821
Receivables arising out of reinsurance and co-insurance business	66,410,191	753,335	840,606	1,593,941	7	1,443	1,450	0	68,005,582
Current tax assets	0	0	31,505	31,505	93,215	0	93,215	0	124,720
Other receivables	148,387	2,861,632	2,080,393	4,942,025	363,051	87,145	450,196	2,396,796	7,937,404
Deferred acquisition costs	5,061,269	8,844,174	2,339,855	11,184,028	263,283	1,956	265,239	0	16,510,536
Other assets	549,258	446,398	253,288	699,686	27,238	57,475	84,713	33,187	1,366,844
Cash and cash equivalents	7,989,819	5,542,937	2,452,537	7,995,474	16,317,873	1,206,955	17,524,828	429,039	33,939,160
Non-current assets held for sale	0	83,740	0	83,740	0	3,748	3,748	0	87,488

Equity and liabilities items by operating segment as at 31 December 2016

31/12/2016	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	337,751,922	507,092,478	113,868,354	620,960,833	683,829,982	23,878,746	707,708,728	4,767,694	1,671,189,179
Equity	124,184,574	72,461,354	38,107,048	110,568,403	46,629,669	11,101,256	57,730,925	4,554,423	297,038,327
Equity attributable to owners of the controlling company	124,184,574	72,176,574	37,821,766	109,998,341	46,442,467	11,101,256	57,543,723	4,550,679	296,277,319
Non-controlling interest in equity	0	284,780	285,282	570,062	187,202	0	187,202	3,744	761,008
Subordinated liabilities	23,570,771	0	0	0	0	0	0	0	23,570,771
Technical provisions	152,065,973	403,102,517	69,062,456	472,164,973	274,584,318	12,406,059	286,990,377	0	911,221,323
Unearned premiums	25,841,746	105,946,948	24,860,726	130,807,674	885,914	143,162	1,029,076	0	157,678,496
Mathematical provisions	0	0	0	0	257,767,552	11,995,263	269,762,815	0	269,762,815
Provision for outstanding claims	126,013,482	289,221,942	43,724,075	332,946,017	15,930,852	267,634	16,198,486	0	475,157,985
Other technical provisions	210,745	7,933,627	477,655	8,411,282	0	0	0	0	8,622,027
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	226,952,211	41,989	226,994,200	0	226,994,200
Other provisions	331,802	5,666,532	708,474	6,375,006	1,358,699	14,829	1,373,528	541	8,080,877
Deferred tax liabilities	0	2,917,207	135,462	3,052,669	2,957,570	21,709	2,979,279	6,683	6,038,631
Investment contract liabilities	0	0	0	0	121,229,675	0	121,229,675	0	121,229,675
Other financial liabilities	104,279	0	289,356	289,356	0	170	170	191	393,996
Liabilities from operating activities	33,715,381	6,740,767	1,618,373	8,359,140	6,540,362	156,598	6,696,960	19,165	48,790,646
Liabilities from primary insurance business	0	4,677,316	601,390	5,278,706	6,516,433	115,114	6,631,547	0	11,910,253
Liabilities from reinsurance and co-insurance business	33,641,254	1,838,071	784,281	2,622,352	23,929	5,163	29,092	0	36,292,698
Current income tax liabilities	74,127	225,380	232,702	458,082	0	36,321	36,321	19,165	587,695
Other liabilities	3,779,142	16,204,101	3,947,185	20,151,286	3,577,478	136,136	3,713,614	186,691	27,830,733

Asset items by operating segment as at 31 December 2015

31/12/2015 (€)	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
ASSETS	254,300,035	549,029,484	106,821,645	655,851,129	670,204,392	21,709,410	691,913,802	5,216,094	1,607,281,060
Intangible assets	666,490	12,420,044	10,392,378	22,812,422	6,909,849	59,058	6,968,907	17,496	30,465,315
Property and equipment	2,455,343	27,257,037	10,555,501	37,812,538	2,284,427	2,482,888	4,767,315	2,182,115	47,217,311
Deferred tax assets	2,285,448	47,144	29,669	76,813	0	9,596	9,596	0	2,371,857
Investment property	2,999,742	292,527	4,455,919	4,748,446	43,633	248,423	292,056	0	8,040,244
Financial investments*	158,985,077	442,401,446	62,846,801	505,248,246	333,096,197	17,674,216	350,770,413	53,069	1,015,056,805
Funds for the benefit of policyholders who bear the investment risk	0	0	0	0	214,153,769	35,348	214,189,117	0	214,189,117
Reinsurers' share of technical provisions	10,715,168	8,387,854	4,513,367	12,901,222	258,387	2,500	260,887	0	23,877,277
- from unearned premiums	1,155,150	3,897,296	1,087,966	4,985,262	34,025	1,730	35,755	0	6,176,167
- from provisions for claims outstanding	9,560,019	5,164,348	3,425,401	8,589,750	224,362	770	225,132	0	18,374,900
- from other technical provisions	0	-673,790	0	-673,790	0	0	0	0	-673,790
Investment contract assets	0	0	0	0	111,418,244	0	111,418,244	0	111,418,244
Receivables	69,471,292	48,160,043	8,884,189	57,044,232	1,447,432	205,633	1,653,065	2,495,340	130,663,929
Receivables arising out of primary insurance business	0	44,597,018	6,000,526	50,597,544	804,966	108,257	913,223	0	51,510,767
Receivables arising out of reinsurance and co-insurance business	67,730,863	502,027	522,877	1,024,904	4	1,815	1,819	0	68,757,586
Current tax assets	1,633,620	0	100,378	100,378	0	0	0	296	1,734,294
Other receivables	106,809	3,060,998	2,260,408	5,321,406	642,462	95,561	738,023	2,495,044	8,661,282
Deferred acquisition costs	6,054,860	9,278,328	2,285,249	11,563,578	372,199	1,848	374,047	0	17,992,485
Other assets	380,665	453,619	237,894	691,513	33,717	28,402	62,119	38,862	1,173,159
Cash and cash equivalents	285,950	227,028	2,620,678	2,847,706	186,538	961,498	1,148,036	429,212	4,710,904
Non-current assets held for sale	0	104,413	0	104,413	0	0	0	0	104,413

*The financial investments item has changed in terms of operating segments as from the annual report 2015 where Sava Re assets supporting the Group's technical provisions were apportioned between the non-life and life operating segments based on the apportionment of net technical provisions for the rolling year (average of the past four quarters).

Equity and liabilities items by operating segment as at 31 December 2015

31/12/2015	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
		Slovenia	International	Total	Slovenia	International	Total		
EQUITY AND LIABILITIES	319,248,239	509,097,555	107,846,455	616,944,010	653,172,141	17,783,022	670,955,163	133,649	1,607,281,060
Equity	106,779,925	84,194,774	35,984,127	120,178,901	52,401,346	7,123,007	59,524,353	-81,500	286,401,678
Equity attributable to owners of the controlling company	106,779,925	84,194,774	35,413,062	119,607,836	52,401,346	6,731,123	59,132,469	-82,366	285,437,863
Non-controlling interest in equity	0	0	571,065	571,065	0	391,884	391,884	866	963,815
Subordinated liabilities	23,534,136	0	0	0	0	0	0	0	23,534,136
Technical provisions	149,301,490	395,062,053	65,487,744	460,549,797	267,016,594	10,200,619	277,217,213	0	887,068,500
Unearned premiums	29,416,771	102,286,783	23,467,843	125,754,626	750,713	117,570	868,283	0	156,039,680
Mathematical provisions	0	0	0	0	252,244,030	9,808,396	262,052,426	0	262,052,426
Provision for outstanding claims	119,762,737	283,785,036	41,168,951	324,953,987	14,021,851	274,080	14,295,931	0	459,012,655
Other technical provisions	121,982	8,990,234	850,950	9,841,184	0	573	573	0	9,963,739
Technical provision for the benefit of life insurance policyholders who bear the investment risk	0	0	0	0	207,554,738	35,348	207,590,086	0	207,590,086
Other provisions	347,277	5,233,222	565,043	5,798,265	1,232,293	10,704	1,242,997	1,156	7,389,695
Deferred tax liabilities	0	2,558,159	77,210	2,635,369	1,957,641	0	1,957,641	5,721	4,598,731
Liabilities under investment contracts	0	0	0	0	111,304,383	0	111,304,383	0	111,304,383
Other financial liabilities	91,896	3	114,148	114,151	0	0	0	0	206,047
Liabilities from operating activities	37,058,444	7,525,440	1,779,680	9,305,120	7,939,771	143,842	8,083,613	20,126	54,467,303
Liabilities from primary insurance business	0	3,533,129	443,609	3,976,738	6,879,987	112,140	6,992,127	0	10,968,865
Liabilities from reinsurance and co-insurance business	37,058,444	1,651,833	1,000,059	2,651,892	25,610	3,466	29,076	0	39,739,412
Current income tax liabilities	0	2,340,478	336,012	2,676,490	1,034,174	28,236	1,062,410	20,126	3,759,026
Other liabilities	2,135,071	14,523,904	3,838,503	18,362,407	3,765,375	269,502	4,034,877	188,146	24,720,501

Income statement items by operating segment 2016

(€) 2016	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	
Net earned premiums	92,407,367	230,028,165	49,514,238	279,542,403	79,688,726	6,463,030	86,151,756	0	458,101,526
Gross premiums written	92,683,719	255,823,534	55,114,138	310,937,672	80,073,263	6,510,500	86,583,763	0	490,205,154
Written premiums ceded to reinsurers and co-insurers	-4,063,134	-22,802,334	-3,979,661	-26,781,995	-375,776	-21,609	-397,385	0	-31,242,514
Change in gross unearned premiums	3,575,023	-3,826,722	-1,551,542	-5,378,264	-572	-25,564	-26,136	0	-1,829,377
Change in unearned premiums, reinsurers' and co-insurers' shares	211,758	833,687	-68,697	764,990	-8,189	-297	-8,486	0	968,263
Income from investments in subsidiary and associate companies	0	0	0	0	0	0	0	0	0
Profit from investments in equity-accounted associate companies	0	0	0	0	0	0	0	0	0
Dividend income from associate companies	0	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0	0
Investment income	10,770,164	8,653,388	2,544,594	11,197,982	10,340,841	827,256	11,168,096	0	33,136,242
Interest income	2,832,268	6,644,398	2,289,392	8,933,790	8,862,935	604,663	9,467,598	0	21,233,656
Other investment income	7,937,895	2,008,989	255,202	2,264,192	1,477,906	222,593	1,700,499	0	11,902,586
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	17,958,458	220	17,958,678	0	17,958,678
Other technical income	5,876,767	6,408,183	3,334,000	9,742,184	2,363,657	63,588	2,427,245	191,213	18,237,409
Commission income	350,140	2,714,525	599,350	3,313,876	64,131	4,460	68,591	0	3,732,607
Other technical income	5,526,627	3,693,658	2,734,650	6,428,308	2,299,526	59,128	2,358,654	191,213	14,504,802
Other income	30,249	3,493,200	1,565,425	5,058,625	998,517	28,851	1,027,368	373,391	6,489,633
Net claims incurred	-60,612,921	-138,468,083	-21,750,251	-160,218,335	-45,803,940	-1,758,579	-47,562,520	0	-268,393,776
Gross claims payments less income from recourse receivables	-58,010,218	-143,614,923	-22,536,325	-166,151,248	-43,515,230	-1,769,100	-45,284,330	0	-269,445,796
Reinsurers' and co-insurers' shares	4,279,527	8,838,638	1,573,734	10,412,371	125,479	2,277	127,755	0	14,819,654
Change in the gross claims provision	-6,250,745	-6,642,428	-572,203	-7,214,631	-2,375,108	7,590	-2,367,518	0	-15,832,894
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	-631,486	2,950,630	-215,456	2,735,173	-39,081	654	-38,427	0	2,065,260
Change in other technical provisions	-88,760	2,444,546	357,264	2,801,810	-5,821,095	-2,146,811	-7,967,906	0	-5,254,856
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-17,435,867	-6,294	-17,442,161	0	-17,442,161
Change in liabilities under financial contracts	0	0	0	0	0	0	0	0	0
Expenses for bonuses and rebates	0	-1,226,639	-36,906	-1,263,545	0	0	0	0	-1,263,545
Operating expenses	-26,641,702	-82,202,884	-25,815,663	-108,018,548	-19,296,654	-3,263,771	-22,560,425	-2,342,811	-159,563,486
Acquisition costs	-21,919,227	-19,640,452	-4,450,848	-24,091,300	-4,918,605	-953,418	-5,872,023	0	-51,882,550
Change in deferred acquisition costs	-937,593	-460,361	117,050	-343,311	-193,658	108	-193,550	0	-1,474,454
Other operating expenses	-3,784,882	-62,102,071	-21,481,865	-83,583,937	-14,184,391	-2,310,461	-16,494,852	-2,342,811	-106,206,482
Expenses for investments in subsidiary and associate companies	0	0	-1,693,699	-1,693,699	0	0	0	0	-1,693,699
Impairment loss on goodwill	0	0	-1,693,699	-1,693,699	0	0	0	0	-1,693,699
Loss arising out of investments in equity-accounted associate companies	0	0	0	0	0	0	0	0	0
Expenses for financial assets and liabilities	-6,888,294	-568,251	-143,553	-711,804	-582,311	-374,006	-956,317	0	-8,556,415
Impairment losses on financial assets not at fair value through profit or loss	-219,300	-168,831	-3,338	-172,169	-232	-202,324	-202,556	0	-594,025
Interest expense	-841,834	0	-292	-292	0	0	0	0	-842,126
Other investment expenses	-5,827,161	-399,420	-139,923	-539,343	-582,079	-171,682	-753,761	0	-7,120,264
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-11,255,208	-1,140	-11,256,348	0	-11,256,348
Other technical expenses	-6,132,612	-5,966,147	-4,600,550	-10,566,697	-495,023	-116,508	-611,531	-97	-17,310,937
Other expenses	-118,286	-1,328,997	-933,443	-2,262,440	-4,535	-42,652	-47,187	-90,365	-2,518,278
Profit/loss before tax	8,601,970	21,266,481	2,341,457	23,607,937	10,655,565	-326,816	10,328,748	-1,868,669	40,669,987
Income tax expense									-7,751,774
Net profit/loss for the period									32,918,213
Net profit/loss attributable to owners of the controlling company									32,824,911
Net profit/loss attributable to non-controlling interest									93,302

Income statement items by operating segment 2015

(€) 2015	Reinsurance business	Non-life insurance business			Life insurance business			Other	Total
	Total	Slovenia	International	Total	Slovenia	International	Total	Total	
Net earned premiums	85,901,717	228,659,991	47,359,234	276,019,225	79,780,905	5,857,758	85,638,663	0	447,559,605
Gross premiums written	98,151,240	249,987,788	52,041,312	302,029,100	80,211,496	5,872,721	86,084,217	0	486,264,557
Written premiums ceded to reinsurers and co-insurers	-4,584,876	-22,012,840	-3,275,193	-25,288,033	-432,128	-9,710	-441,838	0	-30,314,747
Change in gross unearned premiums	-7,795,885	772,694	-952,989	-180,295	7,451	-4,089	3,362	0	-7,972,818
Change in unearned premiums, reinsurers' and co-insurers' shares	131,238	-87,651	-453,895	-541,547	-5,914	-1,164	-7,078	0	-417,387
Income from investments in subsidiary and associate companies*	0	0	0	0	942,560	0	942,560	0	942,560
Profit from investments in equity-accounted associate companies	0	0	0	0	165,067	0	165,067	0	165,067
Investment income*	16,619,732	9,633,056	2,541,442	12,174,498	10,096,554	687,071	10,783,625	0	39,577,855
Interest income	3,001,924	7,719,750	2,374,243	10,093,993	9,001,163	540,093	9,541,255	0	22,637,172
Other investment income	13,617,808	1,913,306	167,199	2,080,505	1,095,391	146,978	1,242,369	0	16,940,683
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	0	0	0	26,631,437	351	26,631,788	0	26,631,788
Other technical income	7,779,194	7,502,721	2,591,968	10,094,689	1,126,786	155,658	1,282,444	162,274	19,318,601
Commission income	600,935	2,376,486	638,696	3,015,182	39,235	1,552	40,787	0	3,656,904
Other technical income	7,178,259	5,126,235	1,953,272	7,079,507	1,087,551	154,106	1,241,657	162,274	15,661,697
Other income	78,092	2,063,800	1,152,361	3,216,161	975,205	42,857	1,018,062	335,662	4,647,977
Net claims incurred	-65,429,062	-135,210,189	-19,074,134	-154,284,322	-51,627,348	-1,789,091	-53,416,439	0	-273,129,823
Gross claims payments, net of income from recourse receivables	-55,743,871	-143,752,543	-20,618,761	-164,371,304	-49,683,764	-1,704,195	-51,387,959	0	-271,503,134
Reinsurers' and co-insurers' shares	1,742,263	14,714,811	1,127,840	15,842,651	132,331	956	133,287	0	17,718,201
Change in the gross claims provision	-11,605,397	7,686,753	657,836	8,344,589	-2,025,591	-86,621	-2,112,212	0	-5,373,020
Change in the provision for outstanding claims, reinsurers' and co-insurers' shares	177,944	-13,859,210	-241,049	-14,100,259	-50,324	769	-49,555	0	-13,971,870
Change in other technical provisions	-121,984	1,228,463	-360,990	867,473	-34,238	-1,993,277	-2,027,515	0	-1,282,026
Change in technical provisions for policyholders who bear the investment risk	0	0	0	0	-11,020,253	-16,197	-11,036,450	0	-11,036,450
Expenses for bonuses and rebates	353	-522,609	-57,835	-580,444	0	0	0	0	-580,091
Operating expenses	-22,788,128	-79,277,652	-23,942,386	-103,220,038	-17,404,302	-3,146,570	-20,550,872	-2,359,335	-148,918,373
Acquisition costs	-21,132,677	-19,498,258	-3,589,256	-23,087,514	-4,699,305	-934,187	-5,633,492	0	-49,853,683
Change in deferred acquisition costs	1,574,081	-123,564	37,602	-85,962	-36,699	-29	-36,728	0	1,451,391
Other operating expenses	-3,229,532	-59,655,830	-20,390,732	-80,046,562	-12,668,298	-2,212,354	-14,880,652	-2,359,335	-100,516,081
Expenses relating to financial assets and liabilities	-10,764,873	-1,239,166	-158,287	-1,397,454	-721,202	-122,374	-843,576	0	-13,005,902
Impairment losses on financial assets not at fair value through profit or loss	-472,904	-231,810	-8,246	-240,056	-470	-12,635	-13,106	0	-726,066
Interest expense	-896,145	-256,755	-4,912	-261,667	0	-3,247	-3,247	0	-1,161,059
Other investment expenses	-9,395,824	-750,601	-145,129	-895,730	-720,732	-106,491	-827,223	0	-11,118,777
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	0	0	0	0	-25,930,062	-724	-25,930,786	0	-25,930,786
Other technical expenses	-7,179,853	-7,686,681	-4,901,632	-12,588,313	-142,553	-202,997	-345,550	-2	-20,113,718
Other expenses	-2	-900,164	-655,804	-1,555,968	-595	-29,238	-29,833	-60,765	-1,646,568
Profit/loss before tax	4,095,187	24,251,570	1,557,259	25,808,829	12,672,894	-556,773	12,116,121	-1,922,167	40,097,971
Income tax expense									-6,732,520
Net profit/loss for the period									33,365,451
Net profit/loss attributable to owners of the controlling company									33,377,857
Net profit/loss attributable to non-controlling interest									-12,406

*The investment income and expenses items have changed in terms of operating segments as from the annual report 2015 where Sava Re investment income and expenses relating to the assets supporting the Group's technical provisions were apportioned between the non-life and life operating segments based on the apportionment of net technical provisions for the rolling year (average of the past four quarters).

Inter-segment business – inter-segment consolidation eliminations

(\euro)	Reinsurance business		Non-life insurance business		Life insurance business		Other	
	2016	2015	2016	2015	2016	2015	2016	2015
Net earned premiums	54,743,174	53,831,181	-429,653	326,417	0	0	0	0
Net claims incurred	-27,155,374	-33,945,666	327,231	-68,428	0	0	0	0
Operating expenses	-13,906,899	-11,490,606	-1,059,346	-1,144,537	-650,470	-1,144,487	-145,742	-121,342
Investment income	156,454	854,097	1,494	2,759	0	0	0	0
Other income	26,349	29,789	69,382	124,738	76	114	1,935,064	2,296,880

Cost of intangible and property and equipment assets by operating segment

(\euro)	Reinsurance business		Non-life insurance business		Life insurance business		Other		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Investments in intangible assets	287,714	287,039	1,006,107	892,544	32,941	267,323	1,916	6,191	1,328,678	1,453,097
Investments in property and equipment	5,656,548	223,830	4,368,242	6,604,888	651,604	38,567	63,841	177,411	10,740,234	7,044,696

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

3.5 Changes in accounting policies and correction of errors

In 2015, the Group's cash and cash equivalents item in the statement of financial position and the cash flow statement comprised cash balances in bank accounts and overnight deposits. As of 1 January 2016, the Group changed the disclosure of cash assets to include cash equivalents. Cash equivalents were recognised as financial investments in the statement of financial position as at 31 December 2015. Thus, the cash and cash equivalents item in the statement of financial position and cash flow statement now comprises:

- S** **cash**, including cash in hand, cash in bank accounts of commercial banks or other financial institutions and overnight deposits, and
- S** **cash equivalents**, including demand deposits and deposits with an original maturity of up to three months.

Had this classification been used as at 31 December 2015, the level of cash and cash equivalents would have been higher by € 22 million and would have totalled € 26.7 million.

3.6 Standards and interpretations issued but not yet effective and new standards and interpretations

New and amended standards and interpretations

The accounting policies applied in the compilation of consolidated financial statements are the same as those used in the preparation of consolidated financial statements for the year ended 31 December 2015, except for adoption of new or amended standards that came into effect for annual periods beginning on or after 1 January 2016 and which are presented below.

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

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively.

These amendments do not have any impact on the consolidated financial statements. In the reporting period, the Group completed a merger of four of its subsidiaries into one company but made no acquisitions of interests in joint operations.

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

The amendments clarify the accounting policies 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 the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively and do not have any impact on the Group's financial statements, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.

The amendments are applied retrospectively and do not have any impact on the consolidated financial statements as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments will not have an impact on the Group's financial statements.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- S** the materiality requirements in IAS 1;
- S** that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- S** that entities have flexibility as to the order in which they present the notes to financial statements;
- S** that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI.

These amendments will not have an impact on the Group's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments are applied retrospectively and do not have any impact on the Group's financial statements as the Group does not apply the consolidation exception.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Generally, the Company disposes assets (or disposal groups) either by sale or distribution between the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered 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. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

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. This amendment is applied prospectively.

New IFRS Standards and Interpretations adopted by the EU but not yet Effective

The standards and interpretations disclosed below have been issued and adopted by the EU; but are not yet effective up to the date of issuance of the consolidated financial statements. The Group intends to adopt these standards and interpretations, if applicable, in the preparation of its financial statements when they become effective. The Group did not early adopt any of the below standards.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which includes the requirements of all phases of the IFRS 9 improvement project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The revised standard introduces new requirements for the classification and measurement of financial assets and liabilities, the recognition of their impairment, and hedge accounting. The revised IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

The adoption of the revised IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of its financial liabilities.

Regarding the implementation of IFRS 9, the Group will opt to apply the temporary exemption from this standard until the coming into force of IFRS 17 Insurance Contracts. The Group company carrying on pension insurance business will adopt the standard on 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 in May 2014. It establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early application is permitted.

The Group is currently assessing the impact of the new standard and plans to adopt it on the required effective date. As the Group's core business is insurance, we do not expect any significant impacts from this new standard.

New IFRS Standards and Interpretations not yet Adopted by the European Union

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease

term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, if the Group already reports in line with the requirements of IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2017, the Group plans to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue

applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The Group estimates that the amendment will not have a significant impact on the consolidated financial statements.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017. Early application is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Group estimates that the amendment will not have a significant impact on its consolidated financial statements.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

These amendments are effective for annual periods beginning on or after 1 January 2017. Early application is permitted.

Application of amendments will result in additional disclosure provided by the Group.

Clarifications to IFRS 15 –Revenue from Contracts with Customers

In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition.

The amendments clarify:

- S** when a promised good or service is distinct within the context of the contract;
- S** how to apply the principal versus agent application guidance, including the unit of account for the assessment, how to apply the control principle in service transactions and reframe the indicators;
- S** when an entity's activities significantly affect the intellectual property (IP) to which the customer has rights, which is a factor in determining whether the entity recognises revenue for licences over time or at a point in time;
- S** the scope of the exception for sales-based and usage-based royalties related to licences of IP (the royalty constraint) when there are other promised goods or services in the contract.
- S** Furthermore, they add two practical expedients to the transition requirements of IFRS 15 for:
 - (a) completed contracts under the full retrospective transition approach; and
 - (b) contract modifications at transition.

The amendments have an effective date of 1 January 2018, which is the effective date of IFRS 15. The amendments are intended to clarify the requirements in IFRS 15, not to change the standard.

The Group is required to apply these amendments retrospectively. Early application is permitted and must be disclosed.

The Group is currently assessing the impact of the clarification and plans to adopt it on the required effective date. As the Group's core business is insurance, we do not expect any significant impacts from these clarifications.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas:

- S** the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- S** the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- S** accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRS 17 – Applying IFRS 9 Financial Instruments with IFRS 17 Insurance Contracts – Amendments to IFRS 17

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

The amendments are effective for periods beginning on or after 1 January 2018. The Group will opt to apply the temporary exemption from the application of IFRS 9 until the enforcement of IFRS 17.

Annual Improvements to IFRS Standards 2014–2016 Cycle

Include amendments to three Standards:

- S** IFRS 12 Disclosure of Interests in Other Entities: The standard is effective for annual periods beginning on or after 1 January 2018. The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.
- S** IFRS 1 First-time Adoption of International Financial Reporting Standards. The standard is effective for annual periods beginning on or after 1 January 2018. The amendments deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

S IAS 28 Investments in Associates and Joint Ventures. The standard is effective for annual periods beginning on or after 1 January 2018. The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition,

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency.

The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IFRIC 22 is effective for annual periods beginning on or after 1 January 2018. Early application is permitted. The interpretation can be applied either prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period an entity first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

Amendments to IAS 40: Transfers of Investment Property

The amendments clarify the requirements on transfers to, or from, investment property.

The amendments are effective for periods beginning on or after 1 January 2018. Early application is permitted.

Amendments are applied to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

3.7 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 3.4.36 "Segment reporting".

The following table shows the changes in the Group's risk profile in 2016 compared to 2015.

Change in the Group's risk profile compared to the previous year

		Risk described in section
Operational risks	↑	3.7.5
Strategic risks	↑	3.7.6
Financial risks		3.7.4
Interest rate risk	↑	3.7.4.1.1
Equity risk	↓	3.7.4.1.2
Currency risk	⇒	3.7.4.1.4
Liquidity risk	⇒	3.7.4.2
Credit risk	↓	3.7.4.3
Life underwriting risks		3.7.3.8
Non-life underwriting risks		
Underwriting process risk	↑	3.7.3.1
Pricing risk	⇒	3.7.3.2
Claims risk	⇒	3.7.3.3
Net retention risk	⇒	3.7.3.4
Reserving risk	⇒	3.7.3.5
Retrocession programme	⇒	3.7.3.6
Estimated exposure to underwriting risks	⇒	3.7.3.7
Key		
↑	The risk increased in 2016 compared to 2015.	
⇒	The risk remained broadly flat in 2016 compared to 2015.	
↓	The risk decreased in 2016 compared to 2015.	

3.7.1 Capital adequacy and capital management of the Sava Re Group

On 1 January 2016², the Solvency II regime came into force. This new regime requires that a risk-based approach be used in the calculation of capital adequacy. For calculating its capital requirements under Solvency II, the Group uses the standard formula. The solvency capital requirement is calculated annually, while eligible own funds supporting solvency requirements are calculated on a quarterly basis.

Pursuant to regulations, the Group calculated its capital adequacy position as at 1 January 2016.

Capital adequacy of the Sava Re Group

(€)	As at 1 January 2016 (unaudited)
Eligible own funds	402,631,227
Minimum capital requirement	108,404,852
Solvency capital requirement (SCR)	200,083,726
Solvency ratio	201.2 %

The Group's eligible own funds as at 30 September 2016 totalled € 415.6 million and were slightly higher than as at 1 January 2016. It needs to be noted that dividend payments for 2016 are not

² During the preparation of the audited annual report, the Sava Re Group is yet to obtain audited Solvency II data for 2016.

considered in quarterly calculated eligible own funds, while eligible own funds as at 31 December 2016 are net of the expected dividends. We assume that the level of eligible own funds at the end of the year is slightly above the level as at 1 January 2016.

We also expect that the solvency ratio as at 31 December 2016 is broadly on the same level as at 1 January 2016.

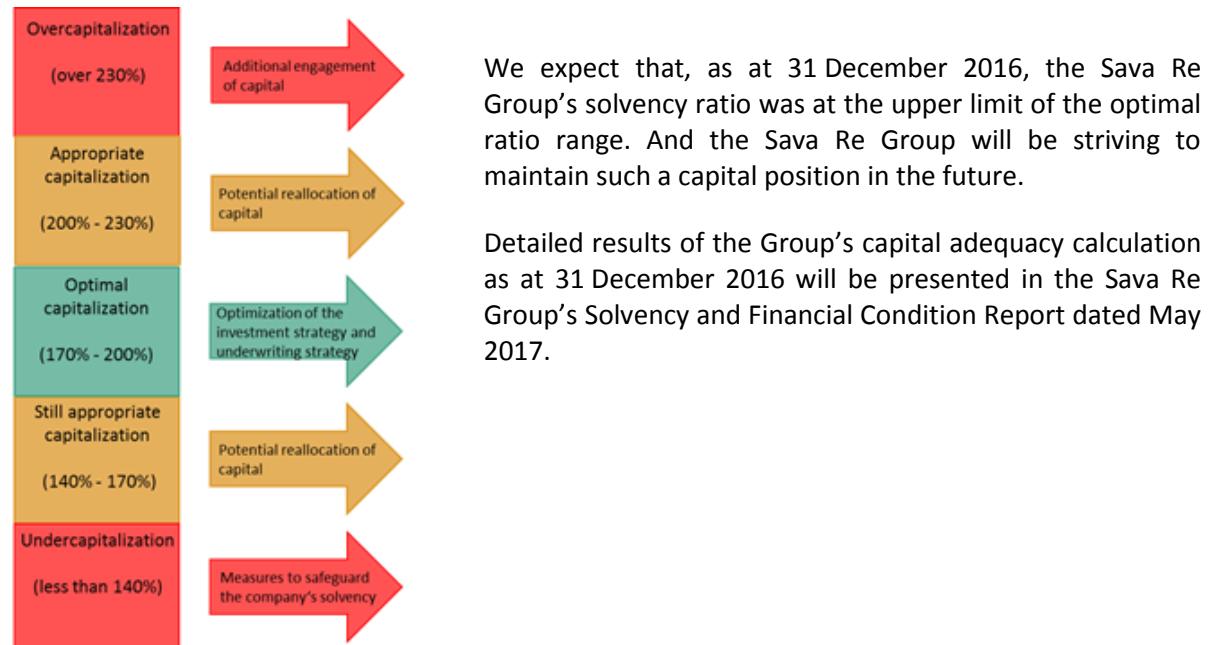
In addition to the regulatory solvency capital requirement, there are other criteria that impact the capital requirements of the Sava Re Group, of which the following are the most important:

- S** credit rating,
- S** properties of the standard formula (primarily structure and dependence on current market conditions) and
- S** resilience of capital adequacy to stress tests and scenarios.

With a view to establishing a framework for capital management, the Sava Re Group, as part of its risk strategy, set down criteria for the required level of the solvency ratio in accordance with the Solvency II regime. Thus, required solvency ratios are calculated in accordance with the standard formula for each Group company and the Group as a whole. The Group's capital management policy sets down its main capital management objectives and related key activities, the classification of eligible own funds, a description of the procedures to ensure an adequate capital structure and of the process of preparing a medium-term plan.

Here the Group's fundamental direction is optimal capital allocation and avoidance of over- and undercapitalisation of individual Group companies. We want to ensure that each Group company has a sufficient level of surplus over the solvency capital requirement to be able to absorb minor unexpected deviations and deviations related to the structure of the standard formula. We plan to regulate any major unexpected deviations using the surplus of eligible own funds of Sava Re.

The level of the solvency ratio required by the Sava Re Group as set down in the Group's risk strategy are the following:



3.7.2 Risks arising from investment contracts

The Group's investment contracts include a group of life cycle funds called *MOJI skladi življenjskega cikla* (MY Lifecycle Funds), relating to supplementary pension business of Moja naložba during the accumulation phase. The company started managing the group of long-term business funds MOJI skladi življenjskega cikla on 01/01/2016. They comprise three funds: *MOJ dinamični sklad* (MY Dynamic Fund, MDF), and *MOJ uravnoteženi sklad* (MY Balanced Fund, MBF), and *MOJ zajamčeni sklad* (MY Guaranteed Fund, MGF). Investment contract liabilities are not included in the consolidated technical provisions item, and are, therefore, not included in the presentation of underwriting risk. Investment contract assets are not included in the consolidated financial investments item, and are, therefore, not included in the presentation of financial risks. In addition, there is a risk of failing to achieve the guaranteed return associated with investment contract assets and liabilities for the long-term business fund with a guaranteed return (MGF).

The members of the supplementary pension insurance scheme thus bear the entire investment risk arising out of the two funds MDF and MBF, while with the MGF, they bear the investment risk above the guaranteed return. The guaranteed return of the MGF is 60 % of the average annual interest rate on government securities with a maturity of over one year. Investment contract liabilities of MGF include liabilities for guaranteed funds (net contributions plus guaranteed return) and additional liabilities to cover any deficit resulting from the difference between the actual and the required rate of return (liability to exceed the return). For each member, the fund administrator keeps a personal account with accumulating net contributions and assets to exceed the guaranteed return (provisions); for MGF, additionally the guaranteed return is maintained. Liabilities to the members of the MDF and MBF move in line with the value of investments; members fully bear the investment risk. In years when the return in excess of the guaranteed return is realised, liabilities to the members of the MGF for assets in excess of the guaranteed levels of assets are increased; if, however, the realised return is below the guaranteed level, this part of liabilities decreases until the provision is fully exhausted. The described control of guaranteed return is carried out at the level of individual members' accounts. In the event that individual provisions of any account are not sufficient to cover the guaranteed assets, the company is required to make provisions for the difference, which may exceed 20 % of the capital. Any excess must be covered by the company's own funds (no such payments were required in 2016).

The risk of failing to realise guaranteed returns is managed primarily through the appropriate management of policyholder assets and liabilities, an appropriate investment strategy, an adequate level of the company's capital and through provisioning.

3.7.3 Underwriting risk

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

The basic purpose of both non-life and life insurance is the assumption of risk from policyholders. In addition to the risks assumed directly by the Group's primary insurance companies, the controlling company also indirectly assumes reinsurance risks from cedants outside the Group. The Group retains a portion of the assumed risks, retroceding any portions that exceeds its capacity. The Group classifies its insurance and reinsurance contracts as insurance and investment contracts within the

meaning of IFRS 4. Below is a detailed outline of the risks arising out of insurance contracts, as required under IFRS 4.

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

3.7.3.1 Underwriting process risk – non-life business

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

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

Where significant risks are involved, underwriting experts of the controlling company collaborate with the underwriters of subsidiaries (and risks are mainly reinsured with the controlling company). Additionally, in respect of risks exceeding the limits set out in the reinsurance treaties, it is vital that adequate facultative reinsurance cover is obtained to upgrade the basic reinsurance programme.

Underwriting risks in excess of the Group's capacity are reduced through retrocession contracts.

We estimate that underwriting process risk relating to (re)insurance business is well managed, although it moderately increased in 2016 compared to 2015 due to an increase in premium volume. This is because net non-life premiums written by the Group grew by 2.8 % or € 10.0 million compared to 2015.

3.7.3.2 Pricing risk – non-life business

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

In proportional reinsurance contracts, reinsurance premiums depend on insurance premiums, mostly set by ceding companies, while the risk premium also depends on the commission recognised by the reinsurer. Therefore, the Group manages this risk by having an appropriate underwriting process in place and by adjusting applicable commission rates. Likewise in respect of non-proportional reinsurance treaties, the pricing risk is managed by properly underwriting the risks to be reinsured and by determining adequate reinsurance premiums. Expected results of reinsurance contracts entered into on the basis of available information and set prices must be in line with target combined ratios; the adequacy of prices is verified based on the results by form and class of reinsurance.

Based on reasonable actuarial expectations of claims movements or loss ratios and expenses or expense ratios and assuming rational behaviour of all market participants, premium rates are adequate. However, subsidiaries are facing rising pricing risk mainly as a result of increasing

discounts on motor policies. The Group considers the overall pricing risk to have been moderate in 2016 and similar to that in 2015.

3.7.3.3 Claims risk – non-life business

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

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

Based on the realised loss events and their small impact on the Group's profit, we believe that the risk management measures set out are adequate and we estimate that the claims risk remained on a similar level as in the previous period.

3.7.3.4 Net retention risk – non-life business

Net retention risk is the risk that higher retention of insurance loss exposures will result in large aggregate losses due to catastrophic or concentrated claims experience. This risk may also materialise in the event of "shock losses", where a large number of insured properties are impacted. This may occur especially through losses caused by natural peril events, which are generally covered by a basic or an additional fire policy or by a policy attached to an underlying fire policy (e.g. business interruption policy or earthquake policy).

The Group manages this risk by way of adequate professional underwriting of the risks to be insured, partly by measuring the exposure to natural peril events by geographical area and designing appropriate reinsurance programmes. In managing these risks, due consideration is given to the fact that maximum net aggregate losses in any one year are affected both by the maximum net claim arising from a single catastrophic event as well as by the frequency of such events.

The Group considers the net retention risk to have remained essentially the same in both 2016 and 2015.

3.7.3.5 Reserve risk – non-life business

Reserve risk is the risk that technical provisions are not sufficient to cover the commitments of the (re)insurance business assumed.

When establishing technical provisions, the Group takes into account any underreserved technical provisions identified on the subsidiary company level, recognising any identified deficiencies at the Group level.

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

Due to the difference in reserving (set out later in the report) methodologies used in reinsurance and primary insurance business, the run-off analysis was made separately for primary insurance and reinsurance business.

Subsidiaries analyse claims provision data by accident year, unlike reinsurers, who analyse 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 primary insurance contracts. Amounts were translated from local currencies into euros using the exchange rate prevailing at the end of the year (provisions) or in the middle of the year (claims paid).

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

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	2011	2012	2013	2014	2015	2016
As originally estimated	263,714	290,548	292,573	311,615	302,652	312,718
Reestimated as of 1 year later	231,678	247,049	248,887	252,018	254,956	
Reestimated as of 2 years later	212,319	230,393	218,114	231,911		
Reestimated as of 3 years later	201,584	206,999	207,598			
Reestimated as of 4 years later	184,152	200,190				
Reestimated as of 5 years later	179,010					
Cumulative gross redundancy (latest estimate – original estimate)	84,704	90,357	84,975	79,703	47,696	
Cumulative gross redundancy as % of original estimate	32.1 %	31.1 %	29.0 %	25.6 %	15.8 %	

The cumulative gross redundancies for underwriting years from 2011 to 2014 increased compared to amounts at the end of the preceding year, which were 30.2 %, 28.8 %, 25.4 % and 19.1 % of original estimates.

Unlike for primary insurance business, the Group cannot use triangles based on accident year data for actuarial estimations of loss reserves in respect of reinsurance business. This is because ceding companies report claims under quota share contracts by underwriting years. As claims under one-year policies written during any one year may occur either in the year the policy is written or in the year after, aggregated data for proportional reinsurance contracts are not broken down by accident year. Furthermore, some markets renew treaty business during the year, resulting in additional discrepancies between the underwriting year and the accident year. Due to these specifics, the Group provides data on reinsurance claims paid by underwriting year. The estimated liabilities relate to claims that have already been incurred (reported and not reported) the settlement of which is provided for within the claims provision, and claims that have not yet been incurred the settlement of which is covered by unearned premiums, net of deferred commission.

The table below therefore shows originally estimated gross or net liabilities with claims provisions included at any year-end plus unearned premiums less deferred commission, which is compared to subsequent estimates of these liabilities.

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

(€ thousand)	Year ended 31 December					
Estimate of gross liabilities	2011	2012	2013	2014	2015	2016
As originally estimated	173,525	206,099	199,339	207,416	209,963	218,615
Reestimated as of 1 year later	169,377	179,499	170,890	183,590	191,260	
Reestimated as of 2 years later	155,552	169,304	160,099	174,579		
Reestimated as of 3 years later	155,334	158,181	156,865			
Reestimated as of 4 years later	145,246	155,634				
Reestimated as of 5 years later	143,162					
Cumulative gross redundancy (latest estimate – original estimate)	30,363	50,464	42,473	32,838	18,703	
Cumulative gross redundancy as % of original estimate	17.5 %	24.5 %	21.3 %	15.8 %	8.9 %	

The cumulative gross redundancies for underwriting years from 2011 to 2014 increased compared to amounts at the end of the preceding year, which were 16.3 %, 23.2 %, 19.7 % and 11.5 % of original estimates.

Due to the high cumulative redundancies of both the gross claims provision for non-life business and the gross technical provision for reinsurance business, we estimate that reserving risk at the end of 2015 is relatively small and similar to that at year-end 2015.

3.7.3.6 Retrocession programme – non-life business

To reduce the underwriting risks to which it is exposed, the Group must have in place an appropriate reinsurance programme (in particular a retrocession programme). These are designed so as to reduce exposure to possible single large losses or the effect of a large number of single losses arising from the same loss event. The Group considers its reinsurance programme (including proportional and non-proportional reinsurance) to be appropriate in view of the risks it is exposed to. Net retention limits as determined by the Group are only rarely used. The Group also concludes co-insurance and reciprocal contracts with other reinsurers to further disperse risks. The Group's net retained portfolio, relating to both domestic and foreign cedants, is further covered for potentially large losses through prudently selected non-proportional reinsurance programmes.

We believe that the reinsurance programme (and in particular the retrocession programme) is appropriate and similar in 2016 and 2015.

3.7.3.7 Estimated exposure to underwriting risks – non-life business

An increase in realised underwriting risk would essentially result in an increase in net claims. As the Group has in place an adequate retrocession programme, it is not exposed to the risk of a sharp increase in net claims, not even in case of catastrophic losses. A more likely scenario to which the Group is exposed to is the deterioration of the net combined ratio as a result of an increase in claims or expenses along with a decrease in premiums. If the Group's net combined ratio increased/decreased by 1 percentage point, its net profit before taxes would decrease/increase by € 3.7 million (2015: € 3.6 million).

The net retention limit per risk is set at € 4 million for the majority of non-life classes of insurance and a combined limit of € 4 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 € 4 million. In case of any catastrophic event, e.g. flood, hail, storm or even earthquake, the maximum net claim payable is limited by the priority of the non-proportional reinsurance programme (protection of net retention), which is € 5 million for Group business as well as non-Group business. These amounts represent the maximum net claim on the Group level for a single catastrophic 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 catastrophic events would compromise the solvency position of the Group is negligible. As the number of catastrophic events randomly fluctuates, an increase in net claims must always be expected. This may negatively impact business results, but will not force the Group into insolvency.

The risk that the underwriting risk may seriously compromise the Group's financial stability is deemed, according to our assessment, low and there are no significant differences between 2016 and 2015.

3.7.3.8 Underwriting risks in life insurance

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

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

We estimate that the exposure to underwriting risk relating to life insurance business remained at the same level as in 2015.

3.7.4 Financial risks

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

Insurers are not exposed to the investment risk relating to the life insurance business fund for which policyholders define the investment policy and also fully assume any financial risks. The exception is the ZS Varnost fund, for which Zavarovalnica Sava provides the guarantee for assets. For this reason, these assets are excluded from the below discussion of financial risks.

The investment contract assets and liabilities are linked with liability fund assets relating to SVPI managed by the Company for the benefit of policyholders. Risks arising out of investment contracts are described in section 3.7.2 "Risks relating to investment contracts".

3.7.4.1 Market risks

Financial investments exposed to market risks

(€) Type of investment	31/12/2016	In % at 31/12/2016	31/12/2015*	In % at 31/12/2015	Absolute difference 31/12/2016 / 31/12/2015	Change in structure 31/12/2016 / 31/12/2015
Deposits	24,737,308	2.3 %	53,052,297	5.2 %	-28,314,989	-2.8 %
Government bonds	595,132,601	56.2 %	502,263,965	48.9 %	92,868,636	7.3 %
Corporate bonds*	368,357,333	34.8 %	421,301,237	41.0 %	-52,943,904	-6.2 %
Shares	16,980,847	1.6 %	18,906,610	1.8 %	-1,925,763	-0.2 %
Mutual funds	16,531,807	1.6 %	12,758,487	1.2 %	3,773,320	0.3 %
bond and money market	9,565,440	0.9 %	341,158	0.0 %	9,224,282	0.9 %
mixed funds	1,703,918	0.2 %	1,730,327	0.2 %	-26,409	0.0 %
equity funds	5,262,449	0.5 %	10,020,709	1.0 %	-4,758,260	-0.5 %
other		0.0 %	666,292	0.1 %	-666,292	-0.1 %
Loans granted and other investments	659,484	0.1 %	1,075,435	0.1 %	-415,951	0.0 %
Deposits with cedants	7,835,859	0.7 %	5,698,774	0.6 %	2,137,085	0.2 %
Financial investments	1,030,235,239	97.2 %	1,015,056,805	98.8 %	15,178,434	-1.5 %
Investment property	7,933,786	0.7 %	8,040,244	0.8 %	-106,458	0.0 %
Cash and cash equivalents**	21,481,381	2.0 %	4,598,802	0.4 %	16,882,579	1.6 %
Investment portfolio	1,059,650,406	100.0 %	1,027,695,851	100.0 %	31,954,555	

*In 2015 corporate bonds did not include government guaranteed corporate bonds (€ 51.9 million); these were classified as government bonds.

**Fixed-income investments do not include cash and cash equivalents of policyholders who bear the investment risk (2016: € 12.5 million; 2015: € 0.1 million).

3.7.4.1.1 Interest rate risk

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

Interest rate risk on the liabilities side only affects life business (mathematical provisions). Based on the prescribed methodology for the calculation of technical provisions for the purposes of preparing financial statements, on the non-life business side only temporary and life annuities arising out of liability policies are interest-rate sensitive; however, any change in liabilities due to changes in the capitalised value of annuities as a result of a decline in interest rates is negligible and has therefore not been considered in those calculations.

Interest rate risk is measured through a sensitivity analysis³, by observing the change in the value of investments in bonds or the value of mathematical provisions in case of a change in interest rates by one percentage point. The analysed investments do not include held-to-maturity bonds as they are measured at amortised cost and thus are not sensitive to changes in market interest rates.

The total value of investments included in the calculation as at 31 December 2016 was € 841.7 million (31/12/2015: € 760.2 million⁴). Of this, € 582.7 million (31/12/2015: € 524.3 million) relates to assets of non-life insurers (including Sava Re) and € 259.0 million (31/12/2014: € 235.9 million) to assets of life insurers.

³ In 2016 we changed the methodology of calculating the sensitivity analysis (change in interest rate by 100 bp, change by 200 bp in 2015), which is why the results of the sensitivity analysis for 2015 differ from those published in the annual report 2015.

⁴ The sensitivity analysis also covers assets included in the other investments item of the statement of financial position totalling € 0.3 million.

The sensitivity analysis on the non-life segment at 31 December 2016 showed that in the event of an interest rate increase by one percentage point, the value of the interest rate sensitive investments would drop by € 22.0 million (31/12/2015: € 15.1 million) or 3.8 % (31/12/2015: 2.8 %). 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 on interest-rate sensitive non-life investments

(€)	31/12/2016					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	318,233,611	305,537,548	-12,696,063	318,233,611	332,153,233	13,919,622
Corporate bonds	257,788,563	248,745,357	-9,043,206	257,788,563	267,563,232	9,774,669
Bond mutual funds	6,641,937	6,391,268	-250,669	6,641,937	6,915,149	273,212
Total	582,664,111	560,674,173	-21,989,938	582,664,111	606,631,614	23,967,503
Effect on equity	-21,988,831			23,966,383		
Effect on the income statement	-1,107			1,120		

(€)	31/12/2015					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	270,591,097	262,661,412	-7,929,685	270,591,097	278,981,430	8,390,334
Corporate bonds	253,729,871	246,542,793	-7,187,078	253,729,871	261,336,722	7,606,851
Bond mutual funds	0	0	0	0	0	0
Total	524,320,968	509,204,205	-15,116,762	524,320,968	540,318,152	15,997,185
Effect on equity	-15,062,203			15,936,565		
Effect on the income statement	-54,559			60,620		

The sensitivity analysis on interest-rate sensitive life insurance investments showed that in case of an increase in interest rates of one percentage point, the value would decrease by € 11.8 million or 4.6 % (31/12/2015: € 9.2 million; 5.0 %). The table below shows in greater detail how the value of investments changes in response to a change in interest rates and the impact on the financial statements, where the impact on equity is a result of available-for-sale investments and the impact on profit or loss a result of investments classified as at fair value through profit or loss.

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

€)	31/12/2016					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	144,665,631	137,373,425	-7,292,206	144,665,631	152,771,794	8,106,163
Corporate bonds	111,894,083	107,514,441	-4,379,642	111,894,083	116,583,394	4,689,311
Bond mutual funds	2,449,680	2,338,235	-111,445	2,449,680	2,571,854	122,174
Total	259,009,394	247,226,101	-11,783,293	259,009,394	271,927,041	12,917,647
Effect on equity		-11,643,534			12,763,133	
Effect on the income statement		-139,759			154,514	

€)	31/12/2015					
	+100 bp			-100 bp		
Type of security	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
Government bonds	102,984,704	98,561,324	-4,423,380	102,984,704	107,748,180	4,763,477
Corporate bonds	132,874,383	128,140,060	-4,734,322	132,874,383	137,970,229	5,095,846
Bond mutual funds	0	0	0	0	0	0
Total	235,859,087	226,701,384	-9,157,703	235,859,087	245,718,409	9,859,323
Effect on equity		-8,880,436			9,609,241	
Effect on the income statement		-277,267			250,082	

The value of the mathematical provision included in the sensitivity analysis on the liabilities side amounted to € 262.7 million as at 31 December 2016 (31/12/2015: € 252.7 million) and did not include the part of mathematical provisions that is not interest-sensitive (31/12/2016: € 7.0 million, 31/12/2015: € 9.3 million). A sensitivity analysis for liabilities (mathematical provisions) showed that if the present value of mathematical provisions is calculated using an interest rate that is one percentage point higher, the mathematical provisions would decrease by € 17.3 million, or 6.6 % (31/12/2015: € 25.2 million; 10.0 %). By contrast, if the provision is calculated using a 1 percentage point lower interest rate, mathematical provisions would increase by € 9.0 million or 3.4 % (31/12/2015: € 6.7 million; 2.6 %).

Results of the sensitivity analysis on life insurance liabilities

31/12/2016					
+100 bp			-100 bp		
Value of mathematical provisions	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
262,716,953	245,369,854	-17,347,099	262,716,953	271,679,805	8,962,853

31/12/2015					
+100 bp			-100 bp		
Value of mathematical provision	Post-stress value	Change in value	Value of mathematical provision	Post-stress value	Change in value
252,714,686	227,492,710	-25,221,976	252,714,686	246,064,018	-6,650,668

The results of the sensitivity analysis on the assets and liabilities side show that assets are moderately more sensitive to changes in interest rates compared to 2015, while mathematical provisions are marginally less sensitive. In 2016, the Company continued matching the maturity of

assets and liabilities to minimise the net impact of changes in interest rates on the Group's financial statements. The difference between the average maturity of assets and liabilities separately for life and non-life business is presented below.

The average maturity of bonds and deposits of non-life business was 3.74 years at year-end 2016 (31/12/2015: 3.23 years), while the expected maturity of non-life liabilities was 3.27 years (31/12/2014: 3.16 years).

The average maturity of bonds and deposits of life business was 4.03 years at year-end 2016 (31/12/2015: 3.85 years), while the expected maturity of life liabilities was 6.45 years (31/12/2014: 7.0 years).

Based on the above, we estimate that the interest rate risk at the Group and individual company level is well managed. Compared to 2015, interest rate risk increased due to the increase in bond investments, which are sensitive to change in interest rates. It is important to note that due to the low-interest-rate environment, the companies are primarily exposed to reinvestment risk, and this is particularly important for the life insurance segment, which must meet its commitments regarding guaranteed returns.

3.7.4.1.2 Equity risk

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

Equity risk affects shares, equity mutual funds and mixed mutual funds (in stress tests, we include half of the amount).

To assess the Group's sensitivity of investments to equity risk, we can assume a 10 % drop in the value of all equity securities, which would result in a decrease in the value of investments by € 2.3 million (31/12/2015: € 3.0 million).

Sensitivity assessment of investments to equity risk

(€)	31/12/2016			31/12/2015			
	Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
by -10 %		23,095,255	20,785,730	-2,309,526	29,792,483	26,813,234	-2,979,248

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 % fall in equity prices would reduce the value of investments by € 4.6 million (31/12/2015: € 6.0 million).

The Sava Re Group's exposure to equity risk slightly declined in 2016 compared to 2015.

3.7.4.1.3 Property risk

Exposure to property risk is monitored through a stress test assuming a 25 % drop in prices. The basis for the calculation is the balance of investment property.

Sensitivity assessment of investments to changes in real estate prices

(€)	31/12/2016			31/12/2015			
	Value decrease	Value	Post-stress value	Change in value	Value	Post-stress value	Change in value
by -25 %		7,933,786	5,950,340	-1,983,447	8,040,244	6,030,183	-2,010,061

Property risk did not change significantly from year-end 2015.

3.7.4.1.4 Currency risk

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

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

Sava Re is the Sava Re Group member with the largest exposure to currency risk. Currency risk levels for Sava Re are explained in more detail in the notes to the financial statements of Sava Re in section 24.5.3.1.4 "Currency risk" of the full annual report.

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

We estimate that currency risk at the Group level remained the same in 2016 compared to 2015 since Sava Re is taking measures to reduce exposure to currency risk.

3.7.4.2 Liquidity risk

Liquidity risk is the risk that because of unexpected or unexpectedly high obligations, the Company will suffer a loss when ensuring liquid assets.

Individual Group members manage liquidity risk in line with the guidelines laid down in the Sava Re Group liquidity risk management policy. Each Group member carefully plans and monitors the realisation of cash flows (cash inflows and outflows), and in the case of liquidity problems, informs the parent company, which assesses the situation and provides the necessary funds to ensure liquidity.

Liquidity risk assumed by individual Group members is also reduced by regular measurement and monitoring based on selected indicators. An indicator of liquidity risk is the level of maturity matching of financial assets and liabilities.

The table below shows the value of financial investments and technical provisions covering life policies by year based on undiscounted cash flows, while the value of technical provisions covering non-life business is shown by year and expected maturity based on triangular development.

Maturity profile of financial assets and liabilities

(€)	Carrying amount as at 31/12/2016	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2016
Financial investments	1,030,235,239	0	177,341,485	577,592,915	287,214,735	35,801,964	1,077,951,099
- at fair value through profit or loss	9,176,694	0	3,330,220	2,794,152	1,607,755	1,737,641	9,469,768
- held to maturity	130,812,195	0	29,964,659	102,833,329	11,917,206	0	144,715,195
- loans and deposits	31,605,347	0	24,027,212	7,968,379	979,770	0	32,975,361
- available-for-sale	858,641,003	0	120,019,394	463,997,055	272,710,003	34,064,323	890,790,775
Reinsurers' share of technical provisions	28,444,628	0	10,377,430	9,752,870	8,314,328		28,444,628
Cash and cash equivalents	21,481,381	15,765,619	5,715,762				21,481,381
TOTAL ASSETS	1,080,161,248	15,765,619	193,434,677	587,345,785	295,529,063	35,801,964	1,127,877,108
Subordinated liabilities	23,570,771	0	23,570,771	0	0	0	23,570,771
Technical provisions	911,221,323	0	343,478,085	358,860,297	208,882,941	0	911,221,323
TOTAL LIABILITIES	934,792,094	0	367,048,856	358,860,297	208,882,941	0	934,792,094
Difference assets – liabilities	145,369,154	15,765,619	-173,614,179	228,485,488	86,646,122	35,801,964	193,085,014

(€)	Carrying amount as at 31/12/2015	Callable	Up to 1 year	1–5 years	Over 5 years	No maturity	Total 31/12/2015
Financial investments	1,015,056,805	14,845,838	237,052,266	576,856,069	210,858,083	31,711,574	1,071,323,830
- at fair value through profit or loss	18,403,777	0	4,334,194	10,713,772	1,014,006	1,728,772	17,790,744
- held to maturity	165,444,270	0	43,813,618	128,708,662	12,199,667	0	184,721,947
- loans and deposits	57,721,961	14,845,838	37,381,911	7,442,889	944,000	0	60,614,638
- available-for-sale	773,486,797	0	151,522,543	429,990,746	196,700,410	29,982,802	808,196,501
Reinsurers' share of technical provisions	23,877,277	0	8,711,127	8,186,851	6,979,298	0	23,877,276
Cash and cash equivalents	4,598,802	0	4,598,802	0	0	0	4,710,904
TOTAL ASSETS	1,043,644,986	14,845,838	250,474,297	585,042,920	217,837,381	31,711,574	1,099,912,010
Subordinated liabilities	23,534,136	0	11,767,068	11,767,068	0	0	23,534,136
Technical provisions	887,068,500	0	323,806,107	345,890,474	217,371,918	0	887,068,499
TOTAL LIABILITIES	910,602,636	0	335,573,175	357,657,542	217,371,918	0	910,602,635
Difference assets – liabilities	133,042,350	14,845,838	-85,098,878	227,385,378	465,463	31,711,574	189,309,375

Liquidity requirements are met by allocating funds to money market instruments in the percentage consistent with the estimated normal current liquidity requirement. In this regard, each EU-based Group company maintains a liquidity buffer of highly liquid assets accounting for at least 15 % of its investment portfolio. Highly liquid assets are intended to provide liquidity to meet any extraordinary liquidity requirements and are available on an ongoing basis. The other Group members manage their short-term liquidity requirements through cash in bank accounts and short-term deposits.

An additional liquidity cushion is provided by a credit line of € 10 million arranged by Sava Re with two commercial banks for the purpose of covering the liquidity needs of its Group members.

Based on the above, we estimate that liquidity risk is well managed both at the Group and individual company level and did not change significantly compared to year-end 2015.

3.7.4.3 Credit risk

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

Assets exposed to credit risk include fixed-income investments (deposit investments, bonds, deposits with cedants, and cash and cash equivalents), receivables due from reinsurers and other receivables.

Exposure to credit risk

(€)	31/12/2016	31/12/2015
Type of asset	Amount	Amount
Fixed-income investments*	1,017,544,482	987,228,800
Debt instruments	988,227,242	976,931,224
Deposits with cedants	7,835,859	5,698,774
Cash and cash equivalents*	21,481,381	4,598,802
Receivables due from reinsurers	32,775,804	28,509,096
Reinsurers' share of technical provisions	28,444,628	23,877,277
Receivables for shares in claims payments	4,331,176	4,631,819
Other receivables	123,077,351	126,032,110
Receivables arising out of primary insurance business	51,340,821	51,510,767
Receivables arising out of co-insurance and reinsurance business (excluding receivables for shares in claims)	63,674,406	64,125,767
Current tax assets	124,720	1,734,294
Other receivables	7,937,404	8,661,282
Total exposure	1,173,397,637	1,141,770,006

*Fixed-income investments do not include cash and cash equivalents of policyholders who bear the investment risk (2016: € 12.5 million; 2015: € 0.1 million) and loans granted.

**The total exposure as at 31 December 2015 differs from the one disclosed in the 2015 annual report due to the inclusion of cash and cash equivalents in fixed-income investments. Fixed-income investments also include assets included in the other investments item of the statement of financial position, totalling € 0.3 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 investments⁵ and cash assets⁶;
- performance indicators for other investments.

Below we set out an assessment of credit risk for fixed-income investments (including debt securities, bank deposits, deposits with cedants, and cash and cash equivalents).

Fixed-income investments by issuer credit rating

(€)	31/12/2016		31/12/2015*		Change
	Amount	As % of total	Amount	As % of total	
AAA/Aaa	236,493,008	23.2 %	205,415,055	20.8 %	2.4 p.p.
AA/Aa	119,352,552	11.7 %	108,688,082	11.0 %	0.7 p.p.
A/A	393,031,864	38.6 %	153,827,334	15.6 %	23.0 p.p.
BBB/Baa	110,749,691	10.9 %	347,917,158	35.2 %	-24.4 p.p.
Less than BBB/Baa	91,343,721	9.0 %	99,527,769	10.1 %	-1.1 p.p.
Not rated	66,573,646	6.5 %	71,853,402	7.3 %	-0.7 p.p.
Total	1,017,544,482	100.0 %	987,228,800	100.0 %	

*Fixed-income investments as at 31 December 2015 also include cash and cash equivalents, which is why the value of fixed-income investments differs from the one published in the 2015 annual report.

As at 31 December 2016, fixed-income investments rated "A" or better accounted for 73.5 % of the total fixed-income portfolio (31/12/2015: 47.4 %). The share of the best rated investments improved in 2016 compared with the previous year. This is mostly due to the upgrading of the sovereign rating on the Republic of Slovenia from BBB/Baa to grade A/A and aligns with the investment policy, which requires that best-rated investments account to at least 45 % of the portfolio.

⁵ It includes bonds, corporate bonds, deposits and deposits with cedants.

⁶ It includes cash and demand deposits.

Credit risk due to issuer default includes concentration risk representing the risk of excessive concentration in a geographic area, economic sector or issuer.

The investment portfolio of the Sava Re Group is reasonably diversified in accordance with local law and Group internal rules in order to avoid large concentration in a certain type of investment, large concentration with any counterparty or economic sector or other potential forms of concentration.

Diversification of financial investments by industry

(€)	31/12/2016		31/12/2015		Change
Industry	Amount	As % of total	Amount	As % of total	As % of total
Banking	210,315,960	19.8 %	250,557,708	24.4 %	-4.5 p.p.
Government	595,184,920	56.2 %	505,721,930	49.2 %	7.0 p.p.
Finance & insurance	65,503,264	6.2 %	60,209,098	5.9 %	0.3 p.p.
Industry	62,439,993	5.9 %	81,306,392	7.9 %	-2.0 p.p.
Consumables	48,636,399	4.6 %	43,416,055	4.2 %	0.4 p.p.
Utilities	77,569,871	7.3 %	86,484,668	8.4 %	-1.1 p.p.
Total	1,059,650,406	100.0 %	1,027,695,851	100.0 %	

*Data as at 31 December 2015 also include cash and cash equivalents, and investment property, which is why figures differ from those published in the 2015 annual report.

The Sava Re Group's largest exposure by industry was to the government (31/12/2016: 56.2 %; 31/12/2015: 49.2 %). Exposure to the banking sector decreased by 4.5 percentage points year on year. Despite the decline in deposit investments, the Company invested them in covered bonds, thus increasing the weighting in this asset class.

Diversification of financial investments by region

(€)	31/12/2016		31/12/2015		Change
Region	Amount	As % of total	Amount	As % of total	As % of total
Slovenia	329,122,108	31.1 %	354,285,779	34.5 %	-3.4 p.p.
EU members	548,247,185	51.7 %	490,117,513	47.7 %	4.0 p.p.
Non-EU members	94,328,566	8.9 %	101,318,439	9.9 %	-1.0 p.p.
Russia and Asia	18,915,979	1.8 %	17,822,752	1.7 %	0.1 p.p.
Africa and the Middle East	2,619,478	0.2 %	1,813,076	0.2 %	0.1 p.p.
America and Australia	66,417,090	6.3 %	62,338,279	6.1 %	0.2 p.p.
Total	1,059,650,406	100.0 %	1,027,695,851	100.0 %	

*Data as at 31 December 2015 also include cash and cash equivalents, and investment property, which is why figures differ from those published in the 2015 annual report.

In terms of **geography**, the Sava Re Group is mostly exposed to EU Member States. Compared to the previous year, this proportion increased marginally as a result of the investment policy of reducing exposure to Slovenia. Exposure to Slovenia decreased by 3.4 percentage points and is in line with the strategy of reducing exposure to Slovenia-based issuers (a detailed overview is presented in the table below). Exposure to other regions remained broadly unchanged year on year.

Exposure to Slovenia

(€) Type of investment	31/12/2016		31/12/2015		Change As % of total
	Amount	As % of total	Amount	As % of total	
Deposits	3,102,766	0.3 %	14,748,737	1.4 %	-1.1 p.p.
Government bonds	256,793,600	24.2 %	253,521,143	24.7 %	-0.4 p.p.
Corporate bonds	34,225,105	3.2 %	57,192,680	5.6 %	-2.3 p.p.
Shares	16,269,334	1.5 %	18,213,225	1.8 %	-0.2 p.p.
Mutual funds	3,483,276	0.3 %	3,737,791	0.4 %	0.0 p.p.
Cash and cash equivalents	11,378,637	1.1 %	3,045,135	0.3 %	0.8 p.p.
Other	3,869,391	0.4 %	3,827,068	0.4 %	0.0 p.p.
Sum total	329,122,108	31.1 %	354,285,779	34.5 %	-3.4 p.p.

*Data as at 31 December 2015 also include cash and cash equivalents, and investment property, which is why figures differ from those published in the 2015 annual report.

As at 31 December 2016, exposure to the **ten largest issuers** was € 416.8 million, representing 39.3 % of financial investments (31/12/2015: € 370.1 million; 37.4 %). The largest single issuer of securities that the Group is exposed to is the Republic of Slovenia. As at 31 December 2016, the exposure to the ten largest issuers totalled € 235.2 million, representing 22.2 % of financial investments (31/12/2015: € 232.5 million; 22.9 %). No other corporate issuer exceeded the 1.3 % of financial assets threshold.

Based on the above, we estimate that, particularly through reducing their exposure to Slovenia and additional diversification by issuer, region and industry, the Sava Re Group companies managed their exposure to credit risk well in 2016, reducing it compared to 2015.

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. In such cases, local reinsurers transfer the risks to Sava Re, thus reducing the effective credit risk exposure relating to reinsurers below the one correctly shown according to accounting rules.

As at 31 December 2016 the total exposure of the Group to credit risk relating to reinsurers was € 32.8 million (31/12/2015: € 28.5 million), of which € 28.4 million (31/12/2015: € 23.9 million) relate to reinsurers' share of technical provisions and € 4.3 million (31/12/2015: € 4.6 million) to receivables for reinsurers' and co-insurers' shares in claims. As at 31 December 2016, the Group's total credit risk exposure relating to retrocessionaires represented 2.0 % of total assets (31/12/2015: 1.8 %).

Retrocession programmes are mostly placed with first-class reinsurers which have an appropriate rating (at least A- according to Standard & Poor's for long-term business, and at least BBB+ for short-term business). Thus, at the end of 2016 and 2015, reinsurers rated A- or better accounted for over 60 % of the credit risk exposure relating to reinsurers. When classifying reinsurers by credit rating group, we considered the credit rating of each individual reinsurer, also where the reinsurer is part of a group. Often such reinsurers are unrated subsidiaries, while the parent company has a credit rating. We consider such a treatment conservative, as ordinarily a controlling company takes action if a subsidiary gets into trouble.

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

Receivables ageing analysis

(€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	36,688,644	9,345,376	3,085,627	49,119,647
Receivables due from insurance intermediaries	1,146,175	939,073	37,458	2,122,706
Other receivables arising out of primary insurance business	86,029	6,013	6,426	98,468
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,162,568	9,624,769	2,450,504	63,237,841
Receivables for reinsurers' shares in claims	3,158,284	606,406	566,486	4,331,176
Other receivables from co-insurance and reinsurance	429,134	7,431	0	436,565
Other short-term receivables arising out of insurance business	1,810,502	823,955	16,449	2,650,906
Short-term receivables arising out of financing	777,099	68,724	71,995	917,818
Current tax assets	124,720	0	0	124,720
Other short-term receivables	3,830,310	439,853	98,517	4,368,680
Total	99,213,465	21,861,600	6,333,462	127,408,527

(€) 31/12/2015	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	37,098,068	9,065,428	3,781,876	49,945,372
Receivables due from insurance intermediaries	769,415	611,082	23,787	1,404,284
Other receivables arising out of primary insurance business	114,592	9,498	37,021	161,111
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,218,164	9,610,038	2,535,256	63,363,458
Receivables for reinsurers' shares in claims	3,633,779	363,779	634,261	4,631,819
Other receivables from co-insurance and reinsurance	644,654	104,306	13,349	762,309
Other short-term receivables arising out of insurance business	2,149,062	1,088,551	82,487	3,320,100
Short-term receivables arising out of financing	689,965	70,247	53,103	813,315
Current tax assets	1,734,294	0	0	1,734,294
Other short-term receivables	3,711,991	266,571	549,305	4,527,867
Total	101,763,984	21,189,500	7,710,445	130,663,929

Receivables are discussed in greater detail in note 9.

3.7.5 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.

For effective management of operational risk, Sava Re Group companies have established processes for identifying, measuring, monitoring, managing and reporting of such risks. Operational risk management processes have been set up also at the group level and are defined in the operational risk management policy.

Identification of operational risks is carried out regularly and in all organisational units of individual Group companies, especially in the introduction of new products, new regulatory requirements, changes in operations and the transformation of other internal and external factors that could affect the amount of operational risk. Each risk is assigned a risk owner, who is responsible for regular monitoring and reporting. The risk management department (if set up in the Group company) regularly informs the risk management committee and the management board of any new risks. The risk management department and risk management committee may propose measures for managing individual risks.

The Group measures (assesses) operational risks primarily in terms of qualitative assessment of the probability of loss and financial impact of risks listed in the risk register, while the EU-based companies additionally use scenario analysis (also as part of the ORSA). Risks of the risk register are individually assessed in terms of frequency and financial impact. Through regular risk assessments, the Group companies obtain insight into the level of their exposure to such risks.

Risk registers are maintained both at the company and Group level, where risks are assessed that either occur only at the Group level or are compounded at the level of the Group. Risk assessment is conducted in the same manner as at the individual company level.

Capital requirements for operational risk under the Solvency II standard formula are calculated by Group companies and the Group at least annually. This calculation of operational risk, however, has only limited practical value as the formula is not based on the actual exposure of the Group to operational risk, but on an approximation calculated mainly based on consolidated premiums, provisions and expenses.

Group companies regularly report on operational risks to the risk management committee, each company's management board and the Group's risk management service. Significant changes in the operational risk profile must be reported immediately.

To manage operational risk, the Group companies have in place an effective internal control system and a business process management system.

Operational risk generally arises together with other risks (e.g. underwriting risk, market risk), having a tendency to compound them. Inconsistencies in the underwriting process, for example, may significantly increase underwriting risks.

The main measures of operational risk management on the individual company and the Group level include:

- S** maintaining an effective business processes management system and system of internal controls;
- S** awareness-raising and training of all staff on their role in the implementation of the internal control system and management of operational risks;
- S** implementing security policies regarding information security;
- S** having in place a business continuity plan for all critical processes in order to minimise the risk of unpreparedness for incidents and external events and any resulting business interruption;
- S** having in place IT-supported processes and controls in the key areas of business of every Group company;
- S** internal audit reviews.

Operational risk categories are not among the most important risk types that the Group is exposed to. Nevertheless, some of them are quite important, such as:

- S** risk associated with supervision and reporting,
- S** risk of internal and external fraud,
- S** risk of loss of key, professional and high-potential staff,
- S** risk of physical loss of assets due to natural disaster or fire,
- S** risk of loss relating to information technology.

We estimate that in 2016, the Group's exposure to operational risk slightly increased compared to 2015 mainly because of its complex project of merging four of its EU-based insurers and the setting up of business processes at Zavarovalnica Sava.

3.7.6 Strategic risk

Strategic risk is the risk of an unexpected decrease in a Group's value due to the adverse effects of management decisions, changes in business and legal environment and market developments. Such adverse events could impact the Group's income and capital adequacy.

The Sava Re Group is exposed to a variety of internal and external strategic risks. The main strategic risks include as below:

- S** risks associated with the merger of the Group's insurers in 2016,
- S** strategic investment risk,
- S** political risk,
- S** risk of strategic direction regarding the Company's business,
- S** reputation risk,
- S** regulatory risk.

Such risks are identified by individual organisational units of Group companies, management boards, risk management committees and risk management functions. Strategic risks are additionally identified by the Group's risk management committee.

Strategic risks are by their nature very diverse, they are difficult to quantify and are heavily dependent on diverse (external) factors.

Strategic risks are not included in the calculation of the solvency capital requirement in accordance with the Solvency II standard formula. The Group's strategic risks are assessed qualitatively in the risk register by assessing the frequency and potential financial impact of each event. In addition, key strategic risks are evaluated using qualitative scenario analysis (also as part of the own risk and solvency assessment). Based on the combination of both analyses, the Group obtains an overview of the extent and change in the exposure to this type of risk.

The management of strategic risks is mainly through prevention. Individual strategic risks are mitigated through preventive activities. Strategic risks are also managed through on-going monitoring of the realisation of short- and long-term goals, by monitoring regulatory changes and market development.

3.7.6.1 Reputation risk

The Group is aware of the importance of its reputation for the realising of its business goals and achieving strategic plans in the long term. Therefore, the risk strategy identifies reputation risk as one of the Group's key risks. Group companies must constantly seek to minimise the possibility of actions that could have a major impact on the reputation of an individual company or the Group.

In addition, Group companies introduce activities that mitigate reputation risk, such as: setting up fit & proper procedures for staff in key positions, a systematic functioning of the compliance function, business continuity plans, stress tests and scenarios, and planning appropriate activities and responses to events.

Reputation risk is also managed through seeking to improve services, timely and accurate reporting to supervisory bodies and well-planned publicity. A crucial factor in ensuring good reputation and successful performance is the quality of services; therefore, each and every employee is responsible for improving the quality of services and customer satisfaction.

3.7.6.2 Regulatory risk

The Group mitigates and manages regulatory risk through ongoing monitoring of legal changes and assessing such potential effects on operations in the short and longer term. All Group companies have established compliance functions to monitor and assess the adequacy and effectiveness of regular procedures and measures taken to remedy any deficiencies in the Group's compliance with the law and regarding other commitments.

We estimate that in 2016 the Group was particularly exposed to the risks associated with the merger of its EU-based insurers, which could have a long-term impact on the Group and its individual members. The merger of insurers was conducted as a project with defined risks related to the process. Project risks were regularly monitored by the Group's risk management function and risk management committee in order to ensure timely identification and resolving of difficulties that arose during the project.

Strategic risk increased compared to 2015 because of certain major projects that were running in the Group, especially the project of combining four EU-based insurers.

3.8 Notes to the consolidated financial statements – statement of financial position

1) Intangible assets

Movement in cost and accumulated amortisation/impairment losses of intangible assets

(€)	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
01/01/2016	9,774,061	16,242,284	1,523,339	3,509,404	15,128,179	46,177,266
Additions	1,100,681	0	0	0	227,997	1,328,678
Disposals	-374,356	0	-1,523,339	-84,741	0	-1,982,436
Impairments	0	-1,693,699	0	0	-15,232	-1,708,931
Exchange differences	-18,356	0	0	0	-236	-18,592
31/12/2016	10,482,029	14,548,585	0	3,424,663	15,340,708	43,795,985
Accumulated amortisation and impairment losses						
01/01/2016	6,727,975	0	983,975	0	8,000,000	15,711,950
Additions	940,998	0	0	0	3,000,000	3,940,998
Disposals	-365,582	0	-983,975	0	0	-1,349,557
Exchange differences	-15,990	0	0	0	0	-15,990
31/12/2016	7,287,402	0	0	0	11,000,000	18,287,402
Carrying amount as at 01/01/2016	3,046,084	16,242,284	539,364	3,509,404	7,128,179	30,465,315
Carrying amount as at 31/12/2016	3,194,627	14,548,585	0	3,424,663	4,340,708	25,508,583

(€)	Software	Goodwill	Property rights	Deferred acquisition costs	Other intangible assets	Total
Cost						
01/01/2015	8,607,859	17,654,308	1,523,339	3,662,804	15,134,933	46,583,242
Additions – acquisition of subsidiary	95,818	1,529,820	0	0	0	1,625,638
Additions	1,128,839	0	0	271,276	52,982	1,453,097
Disposals	-61,438	0	0	-424,676	-59,647	-545,761
Impairments	0	-2,936,678	0	0	0	-2,936,678
Exchange differences	2,983	-5,166	0	0	-89	-2,272
31/12/2015	9,774,061	16,242,284	1,523,339	3,509,404	15,128,179	46,177,266
Accumulated amortisation and impairment losses						
01/01/2015	5,822,257	0	820,024	0	5,000,000	11,642,282
Additions – acquisition of subsidiary	57,390	0	0	0	0	57,390
Additions	952,557	0	163,951	0	3,000,000	4,116,508
Disposals	-107,060	0	0	0	0	-107,060
Exchange differences	2,831	0	0	0	0	2,831
31/12/2015	6,727,975	0	983,975	0	8,000,000	15,711,950
Carrying amount as at 01/01/2015	2,785,602	17,654,308	703,315	3,662,804	10,134,933	34,940,960
Carrying amount as at 31/12/2015	3,046,086	16,242,284	539,364	3,509,404	7,128,179	30,465,315

The 2016 impairment loss on goodwill relates to Illyria (in 2015 to Illyria and Sava životno osiguranje (SRB)), which is also evident from the note on the movement in goodwill.

Movement in goodwill

Goodwill relates to the acquisition of the following companies: Sava neživotno osiguranje (SRB), Illyria, Sava osiguravanje (MKD), Sava osiguranje (MNE), Zavarovalnica Maribor, Sava Agent, and Moja naložba. As at year-end 2016, goodwill totalled € 14.5 million (31/12/2015: € 16.2 million). Each of the listed companies is treated as a cash-generating unit. The table below shows the value of goodwill for each cash-generating unit.

Movement in goodwill in 2016

(€)	
Total amount carried over at 31/12/2015	16,242,284
Disposals in current year	-1,693,699
Illyria	-1,693,699
Balance at 31/12/2016	14,548,585
Sava neživotno osiguranje (SRB)	4,510,873
Sava osiguruvanje (MKD)	94,907
Sava osiguranje (MNE)	3,648,534
Zavarovalnica Sava	4,761,733
Sava Agent	2,718
Moja naložba	1,529,820

Movement in goodwill in 2015

(€)	
Total amount carried over at 31/12/2014	17,654,308
Additions in current year	1,529,820
Moja naložba	1,529,820
Disposals in current year	-2,941,844
Sava neživotno osiguranje (SRB)	-237,681
Illyria	-2,698,997
Exchange differences	-5,166
Balance at 31/12/2015	16,242,284
Sava neživotno osiguranje (SRB)	4,510,873
Illyria	1,693,699
Sava osiguruvanje (MKD)	94,907
Sava osiguranje (MNE)	3,648,534
Zavarovalnica Maribor	4,761,733
Sava Agent	2,718
Moja naložba	1,529,820

Compared to year-end 2015, goodwill decreased by € 1.7 million due to impairment losses on goodwill belonging to Illyria.

Method of calculating value in use

Value in use for each cash-generating unit is calculated using the discounted cash flow method (DCF method). The budget projections of the CGUs and their estimate of the long-term results achievable are used as a starting point. Value in use is determined by reference to free cash flows discounted at an appropriate 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 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.

The discount rate is made up of the following:

- S** 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);
- S** 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;
- S** national risk premium according to Damodaran.

Discount rates used in goodwill testing:

	Discount factor	Discount factor perpetuity
Serbia	15.0 %	14.0 %
Montenegro	14.0 %	13.0 %
Macedonia	14.0 %	13.0 %
Kosovo	15.0 %	14.0 %

The discount rates used in 2016 are lower than those of 2015 primarily due to a lower risk-free rate of return.

The bases for the testing of value in use are prepared in several phases. In phase one, the Company obtains five-year projections of results for each company within the regular planning process unified Group-wide. These strategic plans are approved by the controlling company and relevant management body. In phase two, projections are extended to five years in order to avoid giving too much weight and influence to the perpetuity and to projections that, towards the end of the projected period, show normalised operations of the companies subject to goodwill testing.

In all their markets, insurance penetration is relatively low. However, insurance penetration is expected to increase significantly due to the expected convergence of their countries' macroeconomic indicators towards EU levels. Western Balkan markets, which have a relatively low penetration level, are expected to see a faster growth of gross premiums compared to the expected growth in GDP.

Goodwill impairment testing

In the impairment testing of goodwill arising out of the acquired companies listed at the beginning of this section, the recoverable amount of each cash-generating unit exceeded its carrying amount including goodwill belonging to the unit. Impairment testing indicated that impairment losses needed to be recognised in Illyria. Impairment losses on goodwill relate to the non-life operating segment.

2) Property and equipment

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

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
01/01/2016	8,019,657	48,886,307	23,962,466	462,257	81,330,687
Additions	10,817	6,450,192	4,279,225	0	10,740,234
Disposals	0	-635,118	-3,941,727	-239,705	-4,816,550
Exchange differences	0	-76,311	-27,836	-4,548	-108,695
31/12/2016	8,030,475	54,625,070	24,272,128	218,004	87,145,677
Accumulated depreciation and impairment losses					
01/01/2016	0	16,060,017	17,799,123	254,237	34,113,377
Additions	0	1,243,869	3,873,342	8,074	5,125,285
Disposals	0	-175,993	-3,580,289	-181,393	-3,937,675
Exchange differences	0	-20,551	-19,550	-2,335	-42,436
31/12/2016	0	17,107,342	18,072,626	78,583	35,258,551
Carrying amount as at 01/01/2016	8,019,657	32,826,290	6,163,343	208,020	47,217,311
Carrying amount as at 31/12/2016	8,030,475	37,517,728	6,199,502	139,421	51,887,127

(€)	Land	Buildings	Equipment	Other property and equipment	Total
Cost					
01/01/2015	7,135,178	45,765,537	22,938,110	421,329	76,260,154
Additions – acquisition of subsidiary	0	0	267,953	0	267,953
Additions	884,573	3,668,575	2,446,916	44,632	7,044,696
Disposals	-2,293	-501,509	-1,675,548	0	-2,179,350
Impairment losses	0	-41,278	-12,214	-2,094	-55,586
Exchange differences	2,199	-5,018	-2,751	-1,610	-7,180
31/12/2015	8,019,657	48,886,307	23,962,466	462,257	81,330,687
Accumulated depreciation and impairment losses					
01/01/2015	0	14,795,679	16,765,604	225,234	31,786,517
Additions – acquisition of subsidiary	0	0	209,481	0	209,481
Additions	0	1,199,065	2,275,076	31,850	3,505,991
Disposals	0	-98,305	-1,437,332	0	-1,535,637
Impairment losses	0	167,460	-11,865	-1,964	153,631
Exchange differences	0	-3,882	-1,841	-883	-6,606
31/12/2015	0	16,060,017	17,799,123	254,237	34,113,377
Carrying amount as at 01/01/2015	7,135,178	30,969,858	6,172,506	196,095	44,473,638
Carrying amount as at 31/12/2015	8,019,657	32,826,290	6,163,343	208,020	47,217,311

The Group owns property for own use in acquisition, which as at 31 December 2016 was burdened with a mortgage. For this reason, the purchase price has not been fully paid yet. In addition, at the end of the year one property for own use had a mortgage recorded in the amount of € 0.4 million, which is in the process of being cancelled. Property and equipment assets have not been acquired under financial lease arrangements.

The fair values of land and buildings are disclosed in note 27 "Fair values of assets and liabilities".

3) Deferred tax assets and liabilities

(€)	31/12/2016	31/12/2015
Deferred tax assets	2,326,063	2,371,857
Deferred tax liabilities	-6,038,631	-4,598,731
Total net deferred tax assets/liabilities	-3,712,568	-2,226,874

Movement in deferred tax assets

(€)	01/01/2016	Recognised in the IS	Recognised in the SCI	31/12/2016
Long-term financial investments	2,127,811	-560,603	-180,728	1,386,480
Short-term operating receivables	204,044	35,254	0	239,298
Provisions for jubilee benefits and severance pay (retirement)	40,002	664,077	-3,794	700,285
Total	2,371,857	138,728	-184,522	2,326,063

The restatement effect of deferred tax assets/liabilities to the new tax rate in 2016 was € 149,035.

(€)	01/01/2015	Recognised in the IS	Recognised in the SCI	31/12/2015
Long-term financial investments	947,568	298,772	881,471	2,127,811
Short-term operating receivables	218,289	-14,245	0	204,044
Provisions for jubilee benefits and severance pay (retirement)	36,524	43,809	-40,331	40,002
Total	1,202,381	328,336	841,140	2,371,857

Movement in deferred tax liabilities

(€)	01/01/2016	Recognised in the IS	Recognised in the SCI	31/12/2016
Long-term financial investments	-4,597,921	-141,495	-1,299,215	-6,038,631
Provisions for jubilee benefits and severance pay (retirement)	-810	0	810	0
Total	-4,598,731	-141,495	-1,298,405	-6,038,631

(€)	01/01/2015	Recognised in the IS	Recognised in the SCI	31/12/2015
Long-term financial investments	-5,749,180	818,212	333,047	-4,597,921
Provisions for jubilee benefits and severance pay (retirement)			-810	-810
Total	-5,749,180	818,212	332,237	-4,598,731

4) Investment property

Movement in cost and accumulated depreciation of investment property

(€)	Land	Buildings	Total
Cost			
01/01/2016	702,158	8,019,892	8,722,050
Additions	282,258	156,952	439,210
Disposals	-208,324	-262,498	-470,822
Exchange differences	-113	-65,349	-65,462
31/12/2016	775,979	7,848,997	8,624,976
Accumulated depreciation and impairment losses			
01/01/2016	28,631	653,175	681,806
Additions	0	120,928	120,928
Disposals	0	-108,023	-108,023
Exchange differences	-114	-3,407	-3,521
31/12/2016	28,517	662,673	691,190
Carrying amount as at 01/01/2016	673,527	7,366,717	8,040,244
Carrying amount as at 31/12/2016	747,462	7,186,325	7,933,786

(€)	Land	Buildings	Total
Cost			
01/01/2015	764,588	5,454,079	6,218,667
Additions	0	3,657,275	3,657,275
Disposals	-25,482	-834,595	-860,077
Impairment	-38,809	-241,210	-280,019
Exchange differences	1,861	-15,657	-13,796
31/12/2015	702,158	8,019,892	8,722,050
Accumulated depreciation and impairment losses			
01/01/2015	28,566	1,086,775	1,115,341
Additions	0	81,910	81,910
Disposals	0	-514,834	-514,834
Exchange differences	65	-677	-612
31/12/2015	28,631	653,175	681,805
Carrying amount as at 01/01/2015	736,022	4,367,304	5,103,325
Carrying amount as at 31/12/2015	673,527	7,366,717	8,040,244

In 2016 the Group generated income of € 315,320 by leasing out its investment property (2015: € 191,766). Maintenance costs associated with investment property are either included in the rent or charged to the lessee, in 2016 a total of € 145,877 (2015: € 60,880).

The Group's investment properties are unencumbered by any third-party rights.

The fair values of investment property are disclosed in note 27 "Fair values of assets and liabilities".

5) Financial investments

(€)	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
31/12/2016					
Debt instruments	130,812,195	7,439,052	826,819,512	23,769,488	988,840,247
Deposits and CDs	1,580,825	0	0	23,156,483	24,737,308
Government bonds	129,016,305	1,644,648	417,668,768	0	548,329,721
Corporate bonds	215,065	5,794,404	409,150,744	0	415,160,213
Loans granted	0	0	0	613,005	613,005
Equity instruments	0	1,737,642	31,775,012	0	33,512,654
Shares	0	524,744	16,456,103	0	16,980,847
Mutual funds	0	1,212,898	15,318,909	0	16,531,807
Other investments	0	0	46,479		46,479
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants				7,835,859	7,835,859
Total	130,812,195	9,176,694	858,641,003	31,605,347	1,030,235,239

(€)	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
31/12/2015					
Debt instruments	165,444,270	16,488,823	743,376,443	52,023,187	977,332,723
Deposits and CDs	1,744,334	0	0	51,307,963	53,052,297
Government bonds	163,402,183	3,481,001	335,380,781	0	502,263,965
Corporate bonds	297,753	13,007,822	407,995,662	0	421,301,237
Loans granted	0	0	0	715,224	715,224
Equity instruments	0	1,728,773	29,936,324	0	31,665,097
Shares	0	595,678	18,310,932	0	18,906,610
Mutual funds	0	1,133,095	11,625,392	0	12,758,487
Other investments	0	186,181	174,030	0	360,211
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	0	0	0	5,698,774	5,698,774
Investment contract assets	0	0	0	0	0
Total	165,444,270	18,403,777	773,486,797	57,721,961	1,015,056,805

The Sava Re Group held 0.3 % of subordinated debt (31/12/2015: 0.2 %).

No securities have been pledged as security by the Group.

Fair values of financial investments are shown in note 27.

6) Funds for the benefit of policyholders who bear the investment risk

(€)	Held-to-maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
31/12/2016					
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,935,635	136,616,498	53,580,945	24,041,998	224,175,076
31/12/2015					
Investments for the benefit of life-insurance policyholders who bear the investment risk	9,985,587	182,609,105	15,963,694	5,630,731	214,189,117

Investments for the benefit of life-insurance policyholders who bear the investment risk are investments placed by the Group insurer in line with requests of life insurance policyholders.

7) Reinsurers' share of technical provisions

(€)		31/12/2016	31/12/2015
From unearned premiums		7,203,576	6,176,167
From provisions for claims outstanding		21,241,052	18,374,900
From other technical provisions		0	-673,790
Total		28,444,628	23,877,277

The reinsurers' and coinsurers' share of technical provisions increased by 19.1 % or € 4.6 million, with the largest absolute increase in the claims provision.

The reinsurers' share of unearned premiums mostly moved in line with retroceded premiums. An increase of 16.6 % in 2016 is primarily a result of the growth in facultative business and assistance business with a higher reinsured share. The reinsurers' share of claims provisions moves in line with the movement of large incurred claims and the schedule of their related claim payments. The increase in 2016 was mainly due to reinsurance claims provisions set aside for losses caused by a hail event in Slovenia and for a large fire loss. The reinsurers' share of other technical provisions comprises provisions for unexpired risks, which pursuant to IFRS must be established separately for the gross and the reinsurance portfolio, where expected net results are poorer than gross results, this provision for the reinsurance portfolio may be negative, while in 2016 the reserved amount was released.

8) Investment contract assets and liabilities

At the end of 2015, the controlling company acquired the Moja naložba pension company, previously accounted for as an associate. The Group had € 121.4 million (2015: € 111.4 million) of investment contract assets and € 121.2 million (2015: € 111.3 million) of investment contract liabilities. The Group's investment contracts include a group of life cycle funds called *MOJI skladi življenjskega cikla* (MY lifecycle funds), relating to supplementary pension business of Moja naložba during the accumulation phase. Moja naložba started managing the group of long-term business funds *MOJI skladi življenjskega cikla* on 1 January 2016. They comprise three funds: *MOJ dinamični sklad* (MY Dynamic Fund), and *MOJ uravnoteženi sklad* (MY Balanced Fund), and *MOJ zajamčeni sklad* (MY

Guaranteed Fund). Further details on the risks associated with investment contracts are provided in section 3.7.2.

Investment contract assets

(€)	31/12/2016	31/12/2015
Financial investments	115,156,806	108,316,390
Investment property	490,000	0
Receivables	8,041	10,142
Cash and cash equivalents	5,711,275	3,091,712
TOTAL	121,366,122	111,418,244

(€) 31/12/2016	Held to maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Investment property	Total
		Non-derivative				
		Designated to this category				
Debt instruments	50,513,403	49,544,769	0	6,638,298	0	106,696,470
Deposits and CDs	0	0	0	6,638,298	0	6,638,298
Bonds	50,513,403	49,544,769	0	0	0	100,058,172
Equity instruments	0	8,460,336	0	0	0	8,460,336
Total financial investments	50,513,403	58,005,105	0	6,638,298	0	115,156,806
Cash and receivables	0	0	0	5,719,316	0	5,719,316
Investment property	0	0	0	0	490,000	490,000
Total investment contract assets	50,513,403	58,005,105	0	12,357,614	490,000	121,366,122

(€) 31/12/2015	Held to maturity	At fair value through P/L	Available-for-sale	Loans and receivables	Total
		Non-derivative			
		Designated to this category			
Debt instruments	54,977,861	40,802,879	0	6,637,397	102,418,137
Deposits and CDs	0	0	0	6,637,397	6,637,397
Bonds	54,977,861	40,802,879	0	0	95,780,740
Equity instruments	0	5,898,253	0	0	5,898,253
Total financial investments	54,977,861	46,701,132	0	6,637,397	108,316,390
Cash and receivables	0	0	0	3,101,854	3,101,854
Total investment contract assets	54,977,861	46,701,132	0	9,739,251	111,418,244

Investment contract assets by level of the fair value hierarchy

(€) 31/12/2016	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investment contract assets measured at fair value	58,005,105	47,817,121	8,756,352	1,431,632	58,005,105	0
At fair value through P/L	58,005,105	47,817,121	8,756,352	1,431,632	58,005,105	0
Designated to this category	58,005,105	47,817,121	8,756,352	1,431,632	58,005,105	0
Debt instruments	49,544,769	39,545,699	8,567,438	1,431,632	49,544,769	0
Equity instruments	8,460,336	8,271,422	188,914		8,460,336	0
Investment contract assets not measured at fair value	62,871,017	44,474,180	27,096,556	0	71,570,735	8,699,718
Held-to-maturity assets	55,776,719	44,474,180	20,002,258	0	64,476,437	8,699,718
Debt instruments	55,776,719	44,474,180	20,002,258	0	64,476,437	8,699,718
Loans and receivables	1,374,982	0	1,374,982	0	1,374,982	0
Deposits	1,374,982	0	1,374,982	0	1,374,982	0
Cash and receivables	5,719,316	5,719,316	0	0	5,719,316	0
Investment property	490,000	0	0	490,000	490,000	0
Total investment contract assets	121,366,122	98,010,617	30,133,591	1,921,632	130,065,840	8,699,718

(`) 31/12/2015	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investment contract assets measured at fair value	46,701,132	38,523,522	0	8,177,610	46,701,132	0
At fair value through P/L	46,701,132	38,523,522	0	8,177,610	46,701,132	0
Designated to this category	46,701,132	38,523,522	0	8,177,610	46,701,132	0
Debt instruments	40,802,879	32,647,328	0	8,155,551	40,802,879	0
Equity instruments	5,898,253	5,876,194	0	22,059	5,898,253	0
Investment contract assets not measured at fair value	64,717,112	65,622,808	6,647,539	0	72,270,347	7,553,235
Held-to-maturity assets	54,977,861	62,531,096	0	0	62,531,096	7,553,235
Debt instruments	54,977,861	62,531,096	0	0	62,531,096	7,553,235
Loans and receivables	6,637,397	0	6,637,397	0	6,637,397	0
Deposits	6,637,397	0	6,637,397	0	6,637,397	0
Cash and receivables	3,101,854	3,091,712	10,142	0	3,101,854	0
Total investment contract assets	111,418,244	104,146,330	6,647,539	8,177,610	118,971,479	7,553,235

Investment contract liabilities

(`)	31/12/2016		31/12/2015
	31/12/2016	31/12/2015	
Net liabilities to pension policyholders	119,926,669	110,711,674	
Other liabilities	1,439,561	712,449	
TOTAL IN LIABILITY FUND OF VSPI BALANCE SHEET	121,366,230	111,424,123	
Internal relations between the company and life ins. liability fund	-136,556	-119,740	
TOTAL IN BALANCE SHEET	121,229,675	111,304,383	

Movement in investments, and income and expenses relating to investment contract assets measured at fair value – Level 3

(`)	Debt instruments	
	31/12/2016	31/12/2015
Opening balance	8,155,551	0
Additions	1,431,632	0
Disposal	-229,723	0
Maturity	-1,993,919	0
Reclassification into other levels	-5,931,910	0
Additions – acquisition of subsidiary	0	8,155,551
Closing balance	1,431,632	8,155,551
Income	390,761	0
Expenses	-109,439	0

Reclassification between levels – investments measured at fair value

(`)	Level 1	Level 2	Level 3
	0	5,931,910	-5,931,910
At fair value through P/L	0	5,931,910	-5,931,910
Designated to this category	0	5,931,910	-5,931,910
Debt instruments	0	5,931,910	-5,931,910

The pension company eliminates internal relations of the joint balance sheet, thus liabilities to pension policyholders exceed liabilities from investment contracts. Internal transaction between the VSPI liability fund and the pension company were eliminated in the balance sheet. These include entry charges and management fees for the current month, which may be recognised upon conversion or when credited to personal accounts. The difference between liabilities to pension policyholders and liabilities from investment contracts in 2015 constituted liabilities to the pension company from entry charges of € 23,937, exit charges of € 2,976 and management fees of € 92,827, in total € 119,740. In 2016, the liabilities to the pension company relating to entry charges were

€ 29,347, exit charges € 1,757, management fees € 99,612, and liabilities for settled obligation on behalf of the company subsequently charged to funds were € 5,840, in total € 136,556.

Liabilities in the balance sheet of the long-term liability fund of the voluntary supplementary pension insurance are mostly long-term. These are liabilities relating to the voluntary supplementary pension life liability fund for premiums paid, guaranteed return and the return in excess of guaranteed return (provisions).

9) Receivables

Receivables arising out of primary insurance business slightly decreased year on year. Collection statistics and the composition of receivables have been improving over the years, particularly in terms of the ageing profile.

The amount of premium receivables arising out of reinsurance assumed also declined year on year. This is mainly due to the decline in assumed reinsurance premiums partly as result of the soft market prevailing in international reinsurance markets and the resulting more selective underwriting.

Receivables of the controlling company arising out of reinsurance contracts are not specially secured. Receivables have been tested for impairment.

Receivables by type

€)	31/12/2016			31/12/2015		
	Gross amount	Allowance	Receivables	Gross amount	Allowance	Receivables
Receivables due from policyholders	77,414,889	-28,295,242	49,119,647	78,920,875	-28,975,503	49,945,372
Receivables due from insurance intermediaries	2,759,399	-636,693	2,122,706	1,871,270	-466,986	1,404,284
Other receivables arising out of primary insurance business	232,891	-134,423	98,468	301,787	-140,676	161,111
Receivables arising out of primary insurance business	80,407,179	-29,066,358	51,340,821	81,093,932	-29,583,165	51,510,767
Receivables for premiums arising out of reinsurance and co-insurance	63,665,635	-427,794	63,237,841	63,733,597	-370,139	63,363,458
Receivables for shares in claims payments	4,408,072	-76,896	4,331,176	4,706,823	-75,004	4,631,819
Other receivables from co-insurance and reinsurance	436,565	0	436,565	762,309	0	762,309
Receivables arising out of reinsurance and co-insurance business	68,510,272	-504,690	68,005,582	69,202,729	-445,143	68,757,586
Current tax assets	124,720	0	124,720	1,734,294	0	1,734,294
Other short-term receivables arising out of insurance business	24,635,936	-21,985,030	2,650,906	26,727,874	-23,407,774	3,320,100
Receivables arising out of investments	2,054,426	-1,136,608	917,818	2,016,806	-1,203,491	813,315
Other receivables	5,618,546	-1,249,866	4,368,680	6,015,464	-1,487,597	4,527,867
Other receivables	32,308,908	-24,371,504	7,937,404	34,760,144	-26,098,862	8,661,282
Total	181,351,079	-53,942,552	127,408,527	186,791,099	-56,127,170	130,663,929

Net receivables ageing analysis

€) 31/12/2016	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	36,688,644	9,345,376	3,085,627	49,119,647
Receivables due from insurance intermediaries	1,146,175	939,073	37,458	2,122,706
Other receivables arising out of primary insurance business	86,029	6,013	6,426	98,468
Receivables arising out of primary insurance business	37,920,848	10,290,462	3,129,511	51,340,821
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,162,568	9,624,769	2,450,504	63,237,841
Receivables for reinsurers' shares in claims	3,158,284	606,406	566,486	4,331,176
Other receivables from co-insurance and reinsurance	429,134	7,431	0	436,565
Receivables arising out of reinsurance and co-insurance business	54,749,986	10,238,606	3,016,990	68,005,582
Current tax assets	124,720	0	0	124,720
Other short-term receivables arising out of insurance business	1,810,502	823,955	16,449	2,650,906

Short-term receivables arising out of financing	777,099	68,724	71,995	917,818
Other short-term receivables	3,830,310	439,853	98,517	4,368,680
Other receivables	6,417,911	1,332,532	186,961	7,937,404
Total	99,213,465	21,861,600	6,333,462	127,408,527

(€) 31/12/2015	Not past due	Past due up to 180 days	Past due more than 180 days	Total
Receivables due from policyholders	37,098,068	9,065,428	3,781,876	49,945,372
Receivables due from insurance intermediaries	769,415	611,082	23,787	1,404,284
Other receivables arising out of primary insurance business	114,592	9,498	37,021	161,111
Receivables arising out of primary insurance business	37,982,075	9,686,008	3,842,684	51,510,767
Receivables for premiums arising out of assumed reinsurance and co-insurance	51,218,164	9,610,038	2,535,256	63,363,458
Receivables for reinsurers' shares in claims	3,633,779	363,779	634,261	4,631,819
Other receivables from co-insurance and reinsurance	644,654	104,306	13,349	762,309
Receivables arising out of reinsurance and co-insurance business	55,496,597	10,078,123	3,182,866	68,757,586
Current tax assets	1,734,294	0	0	1,734,294
Other short-term receivables arising out of insurance business	2,149,062	1,088,551	82,487	3,320,100
Short-term receivables arising out of financing	689,965	70,247	53,103	813,315
Other short-term receivables	3,711,991	266,571	549,305	4,527,867
Other receivables	6,551,018	1,425,369	684,895	8,661,282
Total	101,763,984	21,189,500	7,710,445	130,663,929

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

Movement in allowance for receivables

(€) 31/12/2016	01/01/2016	Additions	Reversals	Write-offs	Exchange differences	31/12/2016
Receivables due from policyholders	-28,975,503	-1,480,382	235,150	1,885,662	39,831	-28,295,242
Receivables due from insurance intermediaries	-466,986	-188,539	15,212	70	3,550	-636,693
Other receivables arising out of primary insurance business	-140,676	-5,817	11,531	0	539	-134,423
Receivables arising out of primary insurance business	-29,583,165	-1,674,738	261,893	1,885,732	43,920	-29,066,358
Receivables for premiums arising out of reinsurance and co-insurance	-370,139	-155,959	100,720	0	-2,416	-427,794
Receivables for shares in claims payments	-75,004	-1,905	0	0	13	-76,896
Other receivables from co-insurance and reinsurance	0	0	0	0	0	0
Receivables arising out of reinsurance and co-insurance business	-445,143	-157,864	100,720	0	-2,403	-504,690
Current tax assets	0	0	0	0		0
Other short-term receivables arising out of insurance business	-23,407,774	-685,658	827,388	1,258,776	22,238	-21,985,030
Receivables arising out of investments	-1,203,491	-5,567	54,150	0	18,300	-1,136,608
Other short-term receivables	-1,487,597	-40,293	271,322	910	5,792	-1,249,866
Other receivables	-26,098,862	-731,518	1,152,860	1,259,686	46,330	-24,371,504
Total	-56,127,170	-2,564,120	1,515,473	3,145,418	87,847	-53,942,552

(€) 31/12/2015	01/01/2015	Additions	Reversals	Write-offs	Exchange differences	31/12/2015
Receivables due from policyholders	-31,697,371	-1,015,028	1,742,671	1,998,133	-3,908	-28,975,503
Receivables due from insurance intermediaries	-518,685	-21,410	72,681	0	428	-466,986
Other receivables arising out of primary insurance business	-127,527	-12,844	0	0	-305	-140,676
Receivables arising out of primary insurance business	-32,343,583	-1,049,282	1,815,352	1,998,133	-3,785	-29,583,165
Receivables for premiums arising out of reinsurance and co-insurance	-537,862	-127,133	198,198	100,323	-3,665	-370,139
Receivables for shares in claims payments	-85,282	0	0	10,278	0	-75,004

Receivables arising out of reinsurance and co-insurance business	-623,144	-127,133	198,198	110,601	-3,665	-445,143
Other short-term receivables arising out of insurance business	-24,873,317	-1,254,121	769,115	1,952,646	-2,097	-23,407,774
Receivables arising out of investments	-1,213,352	-3,614	9,073	0	4,402	-1,203,491
Other short-term receivables	-1,478,629	-272,463	190,287	72,004	1,204	-1,487,597
Other receivables	-27,565,298	-1,530,198	968,475	2,024,650	3,509	-26,098,862
Total	-60,532,025	-2,706,613	2,982,025	4,133,384	-3,941	-56,127,170

10) Deferred acquisition costs

Deferred acquisition costs

	31/12/2016	31/12/2015
(€) Short-term deferred acquisition costs	11,118,421	11,662,776
Short-term deferred reinsurance acquisition costs	5,392,115	6,329,709
Total	16,510,536	17,992,485

Deferred acquisition costs comprise short-term deferred policy acquisition costs that are gradually taken to acquisition costs in 2017.

11) Other assets

Other assets

	31/12/2016	31/12/2015
(€) Inventories	48,886	53,314
Accrued interest and rent	41,555	40,750
Other short-term accrued income and deferred expenses	1,276,403	1,079,095
Total	1,366,844	1,173,159

The other short-term accrued income and deferred expenses item mainly includes prepaid costs of insurance licences, and other costs paid in advance.

12) Cash and cash equivalents

	31/12/2016	31/12/2015
(€) Cash in hand	55,067	46,946
Cash in bank accounts	6,967,730	4,587,530
Cash equivalents	26,916,363	76,428
Total	33,939,160	4,710,904

Cash equivalents comprises demand deposits and, as of 1 January 2016, deposits placed with an original maturity of up to three months. Had the reclassification of deposits with an original maturity of up to three months been completed at 31 December 2015, the balance of cash and cash equivalents at 31 December 2015 would have been higher by € 22 million and would have totalled € 26.7 million. With regard to the above, this item as at 31 December 2016 increased by € 7.2 million compared to the adjusted balance as at 31 December 2015.

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 2016, the controlling company's share capital was divided into 17,219,662 shares (the same as at 31/12/2015). All shares are ordinary registered shares of the same class. Their holders are entitled to participate in the Company's control and profits (dividends). Each share carries one vote in general meeting and entitles the bearer to a proportionate share of the dividend payout.

Shares are recorded in the Central Securities Clearing Corporation (KDD) under the POSR ticker symbol.

As at year-end 2016, the Company's shareholders' register listed 4,308 shareholders (31/12/2015: 4,857 shareholders). The Company's shares are listed in the prime market of the Ljubljana Stock Exchange.

15) Capital reserves

A contra account of capital reserves includes the difference between market and book value of acquired non-controlling interests. As shown in the table below, in 2016 the Group acquired non-controlling interests mainly in its Croatian subsidiaries (prior to the merger with Zavarovalnica Sava). Additionally, capital reserves increased as a result of the effect of the exchange ratio in the merger of its four insurers into Zavarovalnica Sava.

Movement in capital reserves

(€)	31/12/2016	31/12/2015
As at 1.1.	43,388,724	44,638,799
Acquisition of non-controlling interests by the Company	-6,080	-1,250,075
Velebit osiguranje	-2,500	-480,746
Velebit životno osiguranje	-3,580	-769,305
Sava neživotno osiguranje	0	-18
Sava životno osiguranje	0	-6
Merger of insurance companies (effect of exchange ratio)	298,797	0
Balance as at 31/12	43,681,441	43,388,724

16) Profit reserves

(€)	31/12/2016	31/12/2015	Distributable/ non- distributable
Legal reserves and reserves provided for by the articles of association	11,411,550	11,242,766	non-distributable
Reserve for treasury shares	24,938,709	10,319,347	non-distributable
Credit risk equalisation reserve	0	976,191	non-distributable
Catastrophe equalisation reserve	11,225,068	11,225,068	non-distributable
Other profit reserves	98,318,285	89,191,057	distributable
Total	145,893,612	122,954,429	

Under the law of certain markets where the Group is present, equalisation provisions and catastrophe equalisation provisions are treated as technical provisions. As this is not IFRS-compliant, the Group carries these provisions within profit reserves, which is in line with IFRSs. Additions are made to these provisions by establishing other reserves from net profit for the year (subject to resolution of the management and the supervisory boards), while a dismantling or release of the provision is taken to retained earnings.

The credit risk equalisation reserve (part of equalisation provisions) was dismantled as of 1 January 2016 due to a change in the Slovenian Insurance Act, resulting in increased retained earnings in 2016.

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, but not more than half of the net profit for the period. In 2016 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 appropriation of distributable profit, which is subject to approval of the general meeting.

17) Treasury shares

At 31 December 2016, the Group held a total of 1,721,966 own shares (2015: 741,521) with ticker POSR (accounting for 10 % less one share of the issued shares) for a value of € 24,938,709 (2015: € 10,319,347).

On 23 April 2014, the 28th general meeting of shareholders was held, in which the controlling company was authorised to buy back its own shares of up to 10 % of the share capital. The authorisation for acquiring up to a total of 1,721,966 shares was valid for three years. Based on this authorisation, the controlling company bought back 980,445 shares by year-end 2016.

Treasury shares are a contra account of equity.

18) Fair value reserve

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

(€)	2016	2015
As at 1 January	12,721,705	18,448,741
Change in fair value	5,245,968	-9,405,691
Transfer of the negative fair value reserve to the IS due to impairment	-594,025	-726,066
Transfer from fair value reserve to the IS due to disposal	1,564,433	3,124,009
Net gains/losses attributable to the Group recognised in the fair value reserve and retained profit/loss relating to investments in equity-accounted associate companies	0	-33,187
Other net profits/losses	0	143,267
Deferred tax	-1,479,133	1,170,632
Total fair value reserve	17,458,948	12,721,705

*The figure for 2015 differs from the one published in the 2015 annual report because the reserve due to fair value revaluation of € -37,472 was excluded from the fair value reserve.

As of 1 January 2017, actuarial gains or losses arising out of changes in the present value of the provision for severance pay upon retirement as a result of changes in actuarial assumptions (other net gains/losses) are no longer disclosed in the fair value reserve but in a separate statement of financial position item "Reserve due to fair value revaluation".

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

19) Net profit/loss and retained earnings

The net profit for 2016 attributable to owners of the controlling company totalled € 32.8 million (2015: € 33.4 million). The management and supervisory boards already allocated part of the net profit of € 9.1 million to other profit reserves, while, additionally, reserves for own shares were

established in the amount of € 14.6 million. The remaining amount of € 9.1 million is recognised as net profit for the financial year in the statement of financial position.

Net earnings/loss per share

(€)	31/12/2016	31/12/2015
Net profit/loss for the period	32,918,213	33,365,451
Net profit/loss attributable to owners of the controlling company	32,824,911	33,377,857
Weighted average number of shares outstanding	15,791,457	16,483,852
Net earnings/loss per share	2.08	2.02

Comprehensive income per share

(€)	31/12/2016	31/12/2015
Comprehensive income for the period	37,660,245	27,618,054
Comprehensive income for the owners of the controlling company	37,564,254	27,635,627
Weighted average number of shares outstanding	15,791,457	16,483,852
Comprehensive income per share	2.38	1.68

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 15,791,457. Compared to 2015, the weighted average number of shares outstanding decreased because of own-share repurchases carried out in 2016. The controlling company does not have potentially dilutive capital instruments, which is why basic earnings per share equal diluted earnings per share.

Retained earnings as at 31 December 2016 increased by € 13.3 million from 31 December 2015.

Retained earnings increased as a result of the transfer of the net profit for the previous year of € 24.8 million and the dismantling of the credit risk equalisation reserve of € 1 million but decreased by € 12.4 million due to dividend payouts.

20) Non-controlling interest in equity

Non-controlling interest in equity

(€)	31/12/2016	31/12/2015
Sava osiguruvanje (MKD)	285,282	256,281
Velebit osiguranje	0	314,784
Velebit životno osiguranje	0	391,884
Sava Station	3,768	866
Zavarovalnica Sava	471,982	0
ZS Vivus	358	0
ZM Svetovanje	-445	0
Ornatus KC	63	0
Total	761,008	963,815

21) Subordinated liabilities

The controlling company raised a subordinated loan in the amount of € 32 million based on two contracts: one for a drawdown in 2006 and one in 2007, in total 97 % of the principal amount. The maturity of the loan is 20 years, with a prepayment option after 10 years. The principal is due at maturity. The applicable interest rate is a 3-month Euribor + 3.35 %, with interest payable on a quarterly basis. The loan is carried at amortised cost. The amortised cost of the subordinated debt totals € 23.6 million.

Subordinated liabilities

Outstanding debt at effective interest rate as at 31/12/2016	23,570,771
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 31/12/2015	23,534,136
Debt currency	€
Maturity date	27/12/2026
Conversion into shareholders' equity option	not applicable
Conversion into other liabilities option	not applicable

In 2016, the controlling company paid € 0.8 million in interest on subordinated debt (2015: € 0.85 million) and € 40,160 in withholding tax on interest paid (2015: € 43,085).

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

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

(€)	01/01/2016	Additions	Uses and releases	Additions, acquisition	Exchange differences	31/12/2016
Gross unearned premiums	156,039,680	127,232,565	-125,696,415	0	102,666	157,678,496
Technical provisions for life insurance business	262,052,426	32,458,752	-24,710,899	0	-37,464	269,762,815
Gross provision for outstanding claims	459,012,655	195,762,019	-180,753,729	0	1,137,040	475,157,985
Gross provision for bonuses, rebates and cancellations	1,132,456	1,787,642	-1,088,372	0	-304	1,831,422
Other gross technical provisions	8,831,283	6,515,647	-8,547,501	0	-8,824	6,790,605
Total	887,068,500	363,756,625	-340,796,916	0	1,193,114	911,221,323
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	207,590,086	41,259,406	-21,855,292	0	0	226,994,200

(€)	01/01/2015	Additions	Uses and releases	Additions, acquisition	Exchange differences	31/12/2015
Gross unearned premiums	148,169,690	131,109,459	-123,076,458	0	-163,011	156,039,680
Mathematical provisions	256,292,141	30,366,501	-28,356,927	3,745,778	4,933	262,052,426
Gross provision for outstanding claims	454,759,004	127,640,245	-127,475,979	0	4,089,385	459,012,655
Gross provision for bonuses, rebates and cancellations	854,819	888,063	-610,505	0	79	1,132,456
Other gross technical provisions	9,906,979	2,117,791	-3,192,082	0	-1,405	8,831,283
Total	869,982,633	292,122,059	-282,711,951	3,745,778	3,929,981	887,068,500
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	195,684,631	33,798,922	-21,893,548	0	81	207,590,086

Movement in technical provisions

Consolidated gross technical provisions increased by 2.7 % in 2016, with the largest nominal increase in claims provisions.

- S** Unearned premiums increased by only 1.1 %, while growth in direct insurance business offset the drop in extra-group inwards reinsurance business, both as a result of movements in gross premiums written.
- S** Mathematical provisions increased by 2.9 %, in line with the movement of the traditional life insurance portfolio: Zavarovalnica Sava, the subsidiary with the bulk of the Group's mathematical provisions, has a mature portfolio. Provisions are made based on the expired policy terms and the payment dynamics relating to maturities and surrenders. In 2016, the volume of maturities and surrenders declined compared to the previous year, while inflows from savings premiums and the maturity of the portfolio are the reasons for the increase in the mathematical provision. The consolidated mathematical provision also

increased as a result of the growth and inflows from savings premiums in other Group companies, including Moja naložba (for pension annuities).

- S** The provision for outstanding claims grew by 3.5 %. Subsidiaries' claims provisions increased as a result of reserving after a major hail event in 2016 and some other individual large claims. The controlling company's claims provision for extra-group business increased because of significant growth in 2015, reflected in the claims provision with a lag, as well as due to adverse movements in exchange rates managed through currency matching of the liability fund.
- S** The provision for bonuses, rebates and cancellations is a small part of technical provisions; the provision increased in Zavarovalnica Sava.
- S** The provision for unexpired risks (shown under the other gross technical provisions item) decreased by 23.1 % due to better results expected from non-life insurance business in Slovenia.
- S** The provision for the benefit of life insurance policyholders who bear the investment risk increased by 9.3 % as a result of inflows from savings premiums and appreciation of investment funds.

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

€)	Primary insurance		Reinsurance business	
	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks	
31/12/2016				
Personal accident	434,716	91.7 %	0	
Health	483,497	134.0 %	6,454	
Land vehicles casco	1,784,779	94.3 %	0	
Railway rolling stock	0	20.9 %	0	
Aircraft hull	0	89.2 %	0	
Ships hull	58,470	121.1 %	187,688	
Goods in transit	28,574	79.6 %	0	
Fire and natural forces	2,395,612	92.8 %	0	
Other damage to property	427,054	67.9 %	0	
Motor liability	372,169	93.4 %	0	
Aircraft liability	0	77.0 %	0	
Liability for ships	2,336	67.3 %	0	
General liability	213,069	61.4 %	0	
Credit	0	5.8 %	0	
Suretyship	106,543	126.1 %	16,602	
Miscellaneous financial loss	138,922	68.9 %	0	
Legal expenses	0	62.3 %	0	
Assistance	134,119	62.7 %	0	
Life insurance	0	66.4 %	0	
Unit-linked life	0	61.7 %	0	
Total	6,579,861	87.0 %	210,745	

€)	Primary insurance		Reinsurance business	
	Provision for unexpired risks	Expected combined ratio	Provision for unexpired risks	
31/12/2015				
Personal accident	959,441	89.80 %	0	
Health	677,306	143.30 %	121,984	
Land vehicles casco	251,271	88.50 %	0	
Railway rolling stock	0	15.90 %	0	
Aircraft hull	287,936	80.40 %	0	
Ships hull	204,372	99.10 %	0	
Goods in transit	33,289	86.50 %	0	
Fire and natural forces	2,825,302	87.30 %	0	
Other damage to property	1,084,804	78.20 %	0	
Motor liability	207,667	90.20 %	0	
Aircraft liability	29,004	77.00 %	0	
Liability for ships	218,344	9.80 %	0	
General liability	1,510,369	57.40 %	0	
Credit	102,835	59.30 %	0	
Suretyship	171,220	96.70 %	0	
Miscellaneous financial loss	70,607	64.00 %	0	
Legal expenses	0	42.80 %	0	
Assistance	75,533	79.90 %	0	
Life insurance	0	66.70 %	0	
Unit-linked life	0	92.80 %	0	
Total	8,709,300	85.60 %	121,984	

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

23) Other provisions

Other provisions mainly comprise provisions for long-term employee benefits, as set out in section 3.4.27 "Other provisions". The provisions increased mainly because of additions for current service costs in line with the method prescribed by IAS 19. Following is a separate presentation of changes in the provisions for severance pay upon retirement arising from changes in actuarial assumptions, constituting are a contra equity item? that are recognised in equity.

Movement in the provision for severance pay upon retirement and jubilee benefits

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 01/01/2016	4,184,108	2,323,358	6,507,466
Interest expense (IS)	-15,846	-11,138	-26,984
Current service cost (IS)	358,023	304,515	662,538
Past service cost (IS)	254,479	277,408	531,887
Payout of benefits (-)	-58,439	-156,424	-214,863
Actuarial gains/losses (IS)	0	251,591	251,591
Actuarial gains/losses (SFP)	-389,548	0	-389,548
Exchange differences	-947	-327	-1,274
Balance as at 31/12/2016	4,331,830	2,988,983	7,320,813

(€)	Provision for severance pay upon retirement	Provision for jubilee benefits	Total
Balance as at 01/01/2015	4,140,347	1,875,438	6,015,785
Interest expense (IS)	13,669	5,737	19,406
Current service cost (IS)	343,296	189,731	533,027
Past service cost (IS)	-106,226	36,823	-69,403
Payout of benefits (-)	-74,318	-177,275	-251,593
Actuarial gains/losses (IS)	0	392,904	392,904
Actuarial gains/losses (SFP)	-132,659	0	-132,659
Balance as at 31/12/2015	4,184,108	2,323,358	6,507,466

In accordance with the standard, we present a sensitivity analysis for severance pay upon retirement.

Impact on the amount of provision for severance pay upon retirement (€)	31/12/2016	31/12/2015
Decrease in discount rate of 1 %	647,528	592,373
Increase in discount rate of 1 %	-533,981	-495,699
Decrease in real income growth of 0.5 %	-286,399	-269,461
Increase in real income growth of 0.5 %	311,428	289,699
Decrease in staff turnover of 10 %	144,432	100,209
Increase in staff turnover of 10 %	-137,242	-100,625
Decrease in mortality rate of 10 %	31,362	25,068
Increase in mortality rate of 10 %	-31,053	-29,724

In addition to provisions for employees, other provisions include remaining provisions of € 0.8 million (2015; € 0.9 million) relating to provisions for litigation and the amounts recognised in accordance with the Vocational Rehabilitation and Employment of Persons with Disabilities Act from bonuses for exceeding the quota and amounts exempt from pension and disability insurance contributions. These may be used exclusively for disabled employees of the insurance company for the purpose set down by law.

(€)	01/01/2016	Additions	Uses and releases	Exchange differences	31/12/2016
Other provisions	882,229	375,103	-497,133	-135	760,064

(€)	01/01/2015	Additions	Uses and releases	Exchange differences	31/12/2015
Other provisions	925,114	295,534	-338,327	-92	882,229

24) Other financial liabilities

Other financial liabilities comprise a minor amount of interest liabilities and liabilities for unpaid dividends of the controlling company for the years 2013, 2014 and 2015.

25) Liabilities from operating activities

Liabilities from operating activities

(€) 2016	Maturity		
	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	2,198,192	2,198,192
Liabilities to insurance intermediaries	6,127	2,678,322	2,684,449
Other liabilities from primary insurance business	0	7,027,612	7,027,612
Liabilities from primary insurance business	6,127	11,904,126	11,910,253
Liabilities for reinsurance and co-insurance premiums	19,681	5,935,857	5,955,538
Liabilities for shares in reinsurance claims	0	14,629,538	14,629,538
Other liabilities from co-insurance and reinsurance business	105,320	15,602,302	15,707,622
Liabilities from reinsurance and co-insurance business	125,001	36,167,697	36,292,698
Current tax liabilities	0	587,695	587,695
Total	131,128	48,659,518	48,790,646

(€) 2015	Maturity		
	1–5 years	Up to 1 year	Total
Liabilities to policyholders	0	1,299,114	1,299,114
Liabilities to insurance intermediaries	6,151	2,010,073	2,016,224
Other liabilities from primary insurance business	1,323	7,652,204	7,653,527
Liabilities from primary insurance business	7,474	10,961,391	10,968,865
Liabilities for reinsurance and co-insurance premiums	17,423	7,185,115	7,202,538
Liabilities for shares in reinsurance claims	0	19,523,660	19,523,660
Other liabilities from co-insurance and reinsurance business	95,821	12,917,393	13,013,214
Liabilities from reinsurance and co-insurance business	113,244	39,626,168	39,739,412
Current tax liabilities	0	3,759,026	3,759,026
Total	120,718	54,346,585	54,467,303

There has been a decrease in liabilities from reinsurance and co-insurance business. Current tax liabilities are lower because during 2016, Group companies made advance payments of tax of almost the amount actually assessed for the year 2016.

In 2016, most liabilities were current.

26) Other liabilities

Other liabilities by maturity

(€) 2016	Maturity		
	Over 1 year	Up to 1 year	Total
Other liabilities	0	15,883,399	15,883,399
Deferred income and accrued expenses	0	11,947,334	11,947,334
Total	0	27,830,733	27,830,733

(€) 2015	Maturity		
	Over 1 year	Up to 1 year	Total
Other liabilities	282	13,266,446	13,266,728
Deferred income and accrued expenses	0	11,453,773	11,453,773
Total	282	24,720,219	24,720,501

Other liabilities and deferred income and accrued expenses are unsecured.

Other liabilities

(€)	31/12/2016	31/12/2015
Short-term liabilities due to employees	2,828,676	3,077,519
Diverse other short-term liabilities for insurance business	3,925,059	3,663,440
Short-term trade liabilities	5,654,075	3,279,775
Diverse other short-term liabilities	3,411,659	3,130,919
Other long-term liabilities	63,930	115,075
Total	15,883,399	13,266,728

Change in short-term provisions

(€)	01/01/2016	Additions	Uses	Releases	Additions – acquisition of non- controlling interest	Exchange differences	31/12/2016
Short-term accrued expenses	3,570,704	3,304,624	-3,699,710	-16,756	0	4,995	3,163,857
Other accrued expenses and deferred income	7,883,069	31,364,962	-30,387,941	-59,815		-16,798	8,783,477
Total	11,453,773	34,669,586	-34,087,651	-76,571	0	-11,803	11,947,334

(€)	01/01/2015	Additions	Uses	Releases	Additions – acquisition of non- controlling interest	Exchange differences	31/12/2015
Short-term accrued expenses	3,523,549	1,859,451	-1,793,973	-36,318	16,756	1,239	3,570,704
Other accrued expenses and deferred income	10,129,112	45,837,669	-48,079,856	0	0	-3,856	7,883,069
Total	13,652,661	47,697,120	-49,873,829	-36,318	16,756	-2,617	11,453,773

27) Fair values of assets and liabilities

Determination of fair values

Asset class / principal market	Level 1	Level 2	Level 3
Debt securities			
OTC market	Debt securities measured based on CBBT prices in an active market.	Debt securities measured based on CBBT prices in an inactive market.	Debt securities measured using an internal model that does not consider level 2 inputs.
		Debt securities measured at the BVAL price if the CBBT price is unavailable.	
		Debt securities measured using an internal model based on level 2 inputs.	
Stock Exchange	Debt securities measured based on stock exchange prices in an active market.	Debt securities measured based on stock exchange prices in an inactive market.	Debt securities measured using an internal model that does not consider level 2 inputs.
		Debt securities measured at the BVAL price when the stock exchange price is unavailable.	
		Debt securities measured using an internal model based on level 2 inputs.	
Shares			
Stock Exchange	Shares measured based on stock exchange prices in an active market.	Shares measured based on stock exchange prices in an inactive market.	Shares measured using an internal model that does not consider level 2 inputs.
		Shares without available stock exchange prices measured using an internal model based on level 2 inputs.	
Unquoted shares and participating interests			
			Unquoted shares measured at cost. Fair value for the purposes of disclosures calculated based on an internal model used for impairment testing mainly using unobserved inputs.
Mutual funds			
	Mutual funds measured at the quoted unit value on the measurement date.		
Deposits and loans			
- with maturity		Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model using level 2 inputs.	Measured at amortised cost; for the purposes of disclosure fair value calculated using an internal model not using level 2 inputs.

The Group measures the fair value of each financial instrument based on the methods shown above in line with its accounting policies.

Financial assets by level of the fair value hierarchy

(€)	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
31/12/2016						
Investments measured at fair value	867,817,697	679,892,840	176,194,863	11,750,388	867,838,091	20,394
<i>At fair value through P/L</i>	9,176,694	2,841,687	6,133,045	207,834	9,182,566	5,872
<i>Designated to this category</i>	9,176,694	2,841,687	6,133,045	207,834	9,182,566	5,872
Debt instruments	7,439,052	1,590,145	5,646,945	207,834	7,444,924	5,872
Equity instruments	1,737,642	1,251,542	486,100	0	1,737,642	0
Other investments	0	0	0	0	0	0
Available-for-sale	858,641,003	677,051,153	170,061,818	11,542,554	858,655,525	14,522
Debt instruments	826,819,512	661,731,495	158,157,047	6,930,970	826,819,512	0
Equity instruments	31,775,012	15,319,658	11,904,771	4,565,105	31,789,534	14,522
Other investments	46,479	0	0	46,479	46,479	0
Investments for the benefit of policyholders who bear the investment risk	190,197,443	172,358,357	17,839,086	0	190,197,443	0
Investments not measured at fair value	162,417,542	135,383,592	32,156,239	8,539,017	176,078,848	13,661,306
<i>Held-to-maturity assets</i>	130,812,195	135,383,592	8,004,082	0	143,387,674	12,575,479
Debt instruments	130,812,195	135,383,592	8,004,082	0	143,387,674	12,575,479
<i>Loans and receivables</i>	31,605,347	0	24,152,157	8,539,017	32,691,174	1,085,827
Deposits	23,156,483	0	24,152,157		24,152,157	995,674
Loans granted	613,005	0	0	703,158	703,158	90,153
Deposits with cedants	7,835,859	0	0	7,835,859	7,835,859	0
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	33,977,633	11,208,926	24,058,706		35,267,632	1,289,999

(€) 31/12/2015	Carrying amount (CA)	Fair value				Difference between FV and CA
		Level 1	Level 2	Level 3	Total fair value	
Investments measured at fair value	791,890,574	609,121,776	170,264,955	12,503,843	791,890,574	0
<i>At fair value through P/L</i>	<i>18,403,775</i>	<i>4,659,094</i>	<i>13,744,681</i>	<i>0</i>	<i>18,403,775</i>	<i>0</i>
<i>Designated to this category</i>	<i>18,403,775</i>	<i>4,659,094</i>	<i>13,744,681</i>	<i>0</i>	<i>18,403,775</i>	<i>0</i>
Debt instruments	16,488,821	3,394,741	13,094,080	0	16,488,821	0
Equity instruments	1,728,773	1,264,353	464,420	0	1,728,773	0
Other investments	186,181	0	186,181	0	186,181	0
Available-for-sale	773,486,798	604,462,682	156,520,273	12,503,843	773,486,798	0
Debt instruments	743,376,444	592,835,458	142,648,726	7,892,260	743,376,444	0
Equity instruments	29,936,324	11,627,224	13,743,996	4,565,104	29,936,324	0
Other investments	174,030	0	127,551	46,479	174,030	0
Investments for the benefit of policyholders who bear the investment risk	198,572,799	189,496,895	9,075,904	0	198,572,799	0
Investments not measured at fair value	223,166,231	160,868,665	71,779,708	6,794,999	239,443,372	16,277,141
<i>Held-to-maturity assets</i>	<i>165,444,270</i>	<i>123,671,948</i>	<i>56,613,888</i>	<i>600,301</i>	<i>180,886,137</i>	<i>15,441,867</i>
Debt instruments	165,444,270	123,671,948	56,613,888	600,301	180,886,137	15,441,867
<i>Loans and receivables</i>	<i>57,721,961</i>	<i>37,196,717</i>	<i>15,165,820</i>	<i>6,194,698</i>	<i>58,557,235</i>	<i>835,274</i>
Deposits	52,023,187	37,196,717	15,165,820	495,924	52,858,461	835,274
Loans granted	0	0	0	0	0	0
Deposits with cedants	5,698,774	0	0	5,698,774	5,698,774	0
Investments for the benefit of policyholders who bear the investment risk not measured at fair value	15,616,318	16,642,392	217,136	0	16,859,528	1,243,210

Movements in investments, income and expenses measured at fair value – Level 3

(€)	Debt instruments		Equity instruments		Other investments	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Opening balance	7,892,260	7,892,260	4,565,104	4,638,249	46,479	0
Exchange differences	0	0	1	0	0	0
Impairment losses	0	0	0	-686,472	0	0
Maturity	-753,456	0	0	0	0	0
Reclassification into other levels	0	0	0	-2,770	0	0
Reclassification into level	0	0	0	616,097	0	46,479
Closing balance	7,138,804	7,892,260	4,565,105	4,565,104	46,479	46,479
Income	95,535	124,567	276,106	174,877	0	0
Expenses	0	774	0	686,472	0	0

Reclassification of assets and financial liabilities between levels

(€) 31/12/2016	Level 1			Level 2		Level 3	
<i>At fair value through P/L</i>		-490,713		490,713			0
<i>Designated to this category</i>		-490,713		490,713			0
Debt instruments		-490,713		490,713			0
Available-for-sale		-22,905,624		20,034,205		2,871,419	
Debt instruments		-22,662,867		19,791,448		2,871,419	
Equity instruments		-242,757		242,757			
Total financial investments		-23,396,337		20,524,918		2,871,419	

The reclassification of € 2.9 million of investments from level 2 to level 3 relates to the reclassification of Kosovan government bonds, for which level 2 inputs cannot be considered.

(€) 31/12/2015	Level 1			Level 2		Level 3	
Available-for-sale		129,248,003		-129,245,233		-2,770	
Debt instruments		143,105,919		-143,105,919		0	
Equity instruments		-13,857,916		13,860,686		-2,770	
Total financial investments		129,248,003		-129,245,233		-2,770	

As the effect on the 2015 financial statements is non-material, the Group presents no additional disclosures relating to the reclassification of the investment of € 2,770 out of level 3.

In 2015 and 2016, the Group primarily measured its OTC assets based on BID CBBT prices representing unadjusted quoted prices, thus meeting the criteria for classification into level 1.

As at 31 December 2016, level 1 investments represented 78.3 % (31/12/2015: 76.9 %) of financial investments measured at fair value.

The valuation model applied used directly and indirectly observable market inputs, such as the risk free interest rate curve, yield of similar financial instruments, and credit and liquidity risk premiums. Since inputs used by the model meet level 2 criteria, investments valued using the internal model were classified into level 2.

Disclosure of the fair value of non-financial assets measured in the statement of financial position at amortised cost or at cost

2016	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2016	45,548,204	43,047,424	market approach and the income approach (weighted 50 : 50), new purchases by sales price
Investment property	31/12/2016	7,933,786	8,100,146	
Total		53,481,990	51,147,570	

2015	Date of fair value measurement	Carrying amount at reporting date	Fair value at reporting date	Determination of fair values
Property				
Owner-occupied property	31/12/2015	40,845,948	37,048,744	market approach and the income approach (weighted 50 : 50), new purchases by sales price
Investment property	31/12/2015	8,040,244	8,443,933	
Total		48,886,192	45,492,677	

Movements in fair values of owner-occupied and investment property

2016 (€)	Opening balance	Acquisitions	Disposals	Change in fair value	Exchange differences	Closing balance
Owner-occupied property	37,048,744	8,406,073	195,942	-2,597,972	-5,363	43,047,424
Investment property	8,443,933	505,209	77,035	-873,306	-52,725	8,100,146
Total	45,492,677	8,911,282	272,977	-3,471,278	-58,088	51,147,570

2015 (€)	Opening balance	Acquisitions	Disposals	Change in fair value	Exchange differences	Closing balance
Owner-occupied property	32,548,415	4,568,437	-503,802	451,619	-15,925	37,048,744
Investment property	6,420,680	3,289,801	-739,793	-409,401	-117,354	8,443,933
Total	38,969,095	7,858,238	-1,243,595	42,218	-133,279	45,492,677

Valuation techniques for all items described above are defined in accounting policies. For investment property, the method is described in section 3.4.13 "Investment property" and for financial investments in section 3.4.14 "Financial investments and funds for the benefit of policyholders who bear the investment risk".

3.9 Notes to the consolidated financial statements – income statement

28) Net earned premiums

Net earned premiums

(€)	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
2016						
Personal accident	29,046,669	37,875	-103,545	1,458,544	-6,963	30,432,580
Health	3,127,778	0	-661,878	217,927	244,377	2,928,204
Land vehicles casco	85,355,420	64,623	-1,601,849	-1,839,199	1,733	81,980,728
Railway rolling stock	112,622	0	0	-21,246	0	91,376
Aircraft hull	908,061	0	-7,676	-24,447	516	876,454
Ships hull	3,596,779	0	-160,245	211,827	42,130	3,690,491
Goods in transit	6,202,420	659,647	-276,336	-52,958	47,543	6,580,316
Fire and natural forces	90,883,620	964,879	-12,450,624	-473,076	239,493	79,164,292
Other damage to property	38,557,359	653,151	-4,319,756	990,703	137,588	36,019,045
Motor liability	101,405,826	26,188	-1,935,982	-598,121	-156,900	98,741,011
Aircraft liability	150,429	0	-135,798	151,286	1,632	167,549
Liability for ships	739,328	0	-6,183	23,475	74	756,694
General liability	18,423,116	384,692	-1,407,828	-178,540	-76,894	17,144,546
Credit	6,410,497	0	-53,320	-2,887,159	-14,028	3,455,990
Suretyship	317,394	0	-9,755	-3,241	-9,584	294,814
Miscellaneous financial loss	3,319,316	34,274	-535,850	1,467,560	28,472	4,313,772
Legal expenses	755,735	9,013	-527,175	-1,945	215,735	451,363
Assistance	11,654,186	0	-6,156,383	-599,945	286,437	5,184,295
Life insurance	38,799,112	0	-640,273	311,445	-13,049	38,457,235
Unit-linked life	47,605,072	73	-252,058	17,733	-49	47,370,771
Total non-life	400,966,555	2,834,342	-30,350,183	-2,158,555	981,361	372,273,520
Total life	86,404,184	73	-892,331	329,178	-13,098	85,828,006
Total	487,370,739	2,834,415	-31,242,514	-1,829,377	968,263	458,101,526

(€)	Gross premiums written	Premiums written for assumed co-insurance	Reinsurers' and co-insurers' shares (-)	Change in gross unearned premiums (+/-)	Change in unearned premiums, reinsurers' and co-insurers' shares (+/-)	Net premiums earned
2015						
Personal accident	34,317,218	102,780	-131,803	-51,215	13,909	34,250,889
Health	4,610,624	0	-446,091	-610,048	81,535	3,636,020
Land vehicles casco	81,389,983	3,386	-1,052,049	1,580,395	-27,638	81,894,077
Railway rolling stock	103,257	0	0	-14,278	0	88,979
Aircraft hull	684,227	35,375	-44,506	-34,007	-20,851	620,238
Ships hull	3,999,951	3,214	-73,074	-231,411	-1,034	3,697,646
Goods in transit	5,806,272	306,373	-236,026	-213,653	-712	5,662,254
Fire and natural forces	86,068,192	911,116	-12,533,886	4,407,989	-569,008	69,468,425
Other damage to property	38,855,654	437,290	-3,907,393	-581,175	-65,264	34,739,112
Motor liability	102,022,421	18,623	-1,598,941	291,331	56,773	100,790,207
Aircraft liability	349,963	7,985	-218,489	-150,536	-705	-11,782
Liability for ships	569,872	0	-5,466	-89,203	-1,783	473,420
General liability	16,265,059	198,990	-1,497,622	202,968	9,652	15,179,047
Credit	4,225,549	0	-8,803	-1,628,264	0	2,588,482
Suretyship	320,958	711	-2,178	27,519	158	347,168
Miscellaneous financial loss	6,082,476	38,928	-468,933	-2,095,848	7,272	3,563,895
Legal expenses	740,544	11,785	-497,229	-5,017	-1,564	248,519
Assistance	10,248,794	0	-5,371,448	-230,879	103,965	4,750,432
Life insurance	38,113,167	0	-1,945,306	244,982	-2,074	36,410,769
Unit-linked life	49,413,805	15	-275,504	23,510	-18	49,161,808
Capital redemption						0
Total non-life	396,661,014	2,076,556	-28,093,937	-8,241,310	-415,295	361,987,028
Total life	87,526,972	15	-2,220,810	268,492	-2,092	85,572,577
Total	484,187,986	2,076,571	-30,314,747	-7,972,818	-417,387	447,559,605

29) Income and expenses relating to investments in associates and impairment losses on goodwill

The Group became the sole owner of the pension company Moja naložba at the end of 2015. Previously, Moja naložba was an associate, therefore, this item includes both equity-accounted profit as well as gains from revaluation of the pre-acquisition share of Moja naložba to market value.

(€)	2016	2015
Profit from investments in equity-accounted associate companies	0	165,067
Gain from revaluation of the pre-acquisition share of Moja naložba to market value	0	777,493
Total	0	942,560

At the end of 2016, the value of goodwill decreased by € 1.7 million (2015: € 2.9 million) as a result of impairment losses on goodwill belonging to Illyria.

30) Investment income and expenses

Investment income by IFRS categories

2016 (€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised gains on life policies where policyholders bear the investment risk
Held to maturity	6,029,247	0	0	0	38,524	0	6,067,771	350,743
Debt instruments	6,029,247	0	0	0	38,524	0	6,067,771	350,743
At fair value through P/L	140,964	737,997	0	26,174	51,692	77,305	1,034,132	17,360,541
Designated to this category	140,964	737,997	0	26,174	51,692	77,305	1,034,132	17,360,541
Debt instruments	140,964	639,692	0	0	48,161	48,507	877,324	762,925
Equity instruments	0	98,305	0	26,174	3,531	28,798	156,808	16,597,616
Available-for-sale	14,208,416	0	2,314,629	1,258,226	6,671,747	81,031	24,534,049	241,284
Debt instruments	14,208,416	0	1,851,981	0	6,671,747	3,631	22,735,775	241,284
Equity instruments	0	0	462,648	1,258,226	0	3,589	1,724,463	0
Other investments	0	0	0	0	0	73,811	73,811	0
Loans and receivables	820,212	0	205	0	563,160	81,896	1,465,473	6,110
Debt instruments	807,669	0	205	0	563,160	81,896	1,452,930	6,110
Other investments	12,543	0	0	0	0	0	12,543	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	34,817	0	0	0	0	0	34,817	0
Total	21,233,656	737,997	2,314,834	1,284,400	7,325,123	240,232	33,136,242	17,958,678

Investment expenses by IFRS categories

2016 (€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised losses on life policies where policyholders bear the investment risk
Held to maturity	0	0	0	0	37,784	3,331	41,115	0
Debt instruments	0	0	0	0	37,784	3,331	41,115	0
At fair value through P/L	0	653,939	0	0	5,417	111,716	771,072	11,256,348
Designated to this category	0	653,939	0	0	5,417	111,716	771,072	11,256,348
Debt instruments	0	450,150	0	0	5,417	102	455,669	334,253
Equity instruments	0	203,789	0	0	0	508	204,297	10,922,095
Other investments	0	0	0	0	0	111,106	111,106	0
Available-for-sale	0	0	498,683	398,186	5,448,690	6,246	6,351,805	0
Debt instruments	0	0	147,661	330,740	5,448,690	2,217	5,929,308	0
Equity instruments	0	0	351,022	67,446	0	4,029	422,497	0
Loans and receivables	2,292	0	0	195,839	342,682	11,776	552,589	0
Debt instruments	0	0	0	195,839	342,682	11,776	550,297	0
Other investments	2,292	0	0	0	0	0	2,292	0
Subordinated liabilities	839,834	0	0	0	0	0	839,834	0
Total	842,126	653,939	498,683	594,025	5,834,573	133,069	8,556,415	11,256,348

Net investment income

2016 (€)	Interest income/ expense	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Exchange gains/ losses	Other income/ expenses	Total	Net unrealised gains/losses on life policies where policyholders bear the investment risk
Held to maturity	6,029,247	0	0	0	0	740	-3,331	6,026,656	350,743
Debt instruments	6,029,247	0	0	0	0	740	-3,331	6,026,656	350,743
Other investments	0	0	0	0	0	0	0	0	0
At fair value through P/L	140,964	84,058	0	26,174	0	46,275	-34,411	263,060	6,104,193
Designated to this category	140,964	84,058	0	26,174	0	46,275	-34,411	263,060	6,104,193
Debt instruments	140,964	189,542	0	0	0	42,744	48,405	421,655	428,672
Equity instruments	0	-105,484	0	26,174	0	3,531	28,290	-47,489	5,675,521
Other investments	0	0	0	0	0	0	-111,106	-111,106	0
Derivatives	0	0	0	0	0	0	0	0	0
Available-for-sale	14,208,416	0	1,815,946	1,258,226	-398,186	1,223,057	74,785	18,182,244	241,284
Debt instruments	14,208,416	0	1,704,320	0	-330,740	1,223,057	1,414	16,806,467	241,284
Equity instruments	0	0	111,626	1,258,226	-67,446	0	-440	1,301,966	0
Other investments	0	0	0	0	0	0	73,811	73,811	0
Loans and receivables	817,920	0	205	0	-195,839	220,478	70,120	912,884	6,110
Debt instruments	807,669	0	205	0	-195,839	220,478	70,120	902,633	6,110
Other investments	10,251	0	0	0	0	0	0	10,251	0
Deposits with cedants	34,817	0	0	0	0	0	0	34,817	0
Subordinated liabilities	-839,834	0	0	0	0	0	0	-839,834	0
Total	20,391,530	84,058	1,816,151	1,284,400	-594,025	1,490,550	107,163	24,579,827	6,702,330

Investment income by IFRS categories

2015 (€)	Interest income	Change in fair value and gains on disposal of FVPL assets	Gains on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Exchange gains	Other income	Total	Net unrealised gains on life policies where policyholders bear the investment risk
Held to maturity	7,047,108	0	0	0	23,200	5,242	7,075,550	351,248
Debt instruments	7,047,108	0	0	0	23,200	5,242	7,075,550	351,248
Other investments	0	0	0	0	0	0	0	0
At fair value through P/L	81,063	1,359,372	0	22,281	8,210	2,357	1,473,283	26,145,350
Designated to this category	81,063	1,359,372	0	22,281	8,210	2,357	1,473,283	26,145,350
Debt instruments	81,063	1,024,860	0	0	1,746	2,357	1,110,026	2,196,334
Equity instruments	0	334,512	0	22,281	6,464	0	363,257	23,949,016
Other investments	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	0	0	0	0
Available-for-sale	13,494,973	0	1,663,428	1,205,993	11,975,452	115,474	28,455,320	113,783
Debt instruments	13,494,973	0	1,310,542	0	11,967,042	2,475	26,775,032	113,783
Equity instruments	0	0	352,886	1,205,993	8,410	4,510	1,571,799	0
Other investments	0	0	0	0	0	108,489	108,489	0
Loans and receivables	1,941,154	0	102	0	506,499	53,073	2,500,828	21,407
Debt instruments	1,926,801	0	102	0	506,499	53,073	2,486,475	21,407
Other investments	14,353	0	0	0	0	0	14,353	0
Financial investments of reinsurers i.r.o. reinsurance contracts with cedants	72,874	0	0	0	0	0	72,874	0
Subordinated liabilities	0	0	0	0	0	0	0	0
Total	22,637,172	1,359,372	1,663,530	1,228,274	12,513,361	176,146	39,577,855	26,631,788

Investment expenses by IFRS categories

2015 (€)	Interest expenses	Change in fair value and losses on disposal of FVPL assets	Losses on disposal of other IFRS asset categories	Impairment losses on investments	Exchange losses	Other	Total	Net unrealised losses on life policies where policyholders bear the investment risk
Held to maturity	0	0	0	0	15,835	5,023	20,858	0
Debt instruments	0	0	0	0	15,835	5,023	20,858	0
Other investments	0	0	0	0	0	0	0	0
At fair value through P/L	0	1,504,286	0	0	36,262	659	1,541,207	25,930,786
Designated to this category	0	1,504,286	0	0	36,262	659	1,541,207	25,930,786
Debt instruments	0	1,283,045	0	0	36,262	0	1,319,307	2,271,770
Equity instruments	0	221,241	0	0	0	659	221,900	23,659,016
Other investments	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	0	0	0	0
Available-for-sale	0	0	350,151	726,066	8,860,814	9,380	9,946,411	0
Debt instruments	0	0	299,320	0	8,860,452	2,987	9,162,759	0
Equity instruments	0	0	50,831	726,066	362	5,939	783,198	0
Other investments	0	0	0	0	0	454	454	0
Loans and receivables	8,159	0	0	0	321,385	14,982	344,526	0
Debt instruments	0	0	0	0	321,385	14,982	336,367	0
Other investments	8,159	0	0	0	0	0	8,159	0
Subordinated liabilities	1,152,900	0	0	0	0	0	1,152,900	0
Total	1,161,059	1,504,286	350,151	726,066	9,234,296	30,044	13,005,902	25,930,786

Net investment income

2015 (€)	Interest income/ expense	Change in fair value and gains/losses on disposal of FVPL assets	Gains/losses on disposal of other IFRS asset categories	Income from dividends and shares – other investments	Impairment losses on investments	Exchange gains/ exchange losses	Other income/ expenses	Total	Net unrealised gains/ losses on life policies where policyholders bear the investment risk
Held to maturity	7,047,108	0	0	0	0	7,365	219	7,054,692	351,248
Debt instruments	7,047,108	0	0	0	0	7,365	219	7,054,692	351,248
Other investments	0	0	0	0	0	0	0	0	0
At fair value through P/L	81,063	-144,914	0	22,281	0	-28,052	1,698	-67,924	214,564
Designated to this category	81,063	-144,914	0	22,281	0	-28,052	1,698	-67,924	214,564
Debt instruments	81,063	-258,185	0	0	0	-34,516	2,357	-209,281	-75,436
Equity instruments	0	113,271	0	22,281	0	6,464	-659	141,357	290,000
Other investments	0	0	0	0	0	0	0	0	0
Derivatives	0	0	0	0	0	0	0	0	0
Available-for-sale	13,494,973	0	1,313,277	1,205,993	-726,066	3,114,638	106,094	18,508,909	113,783
Debt instruments	13,494,973	0	1,011,222	0	0	3,106,590	-512	17,612,273	113,783
Equity instruments	0	0	302,055	1,205,993	-726,066	8,048	-1,429	788,601	0
Other investments	0	0	0	0	0	0	108,035	108,035	0
Loans and receivables	1,932,995	0	102	0	0	185,114	38,091	2,156,302	21,407
Debt instruments	1,926,801	0	102	0	0	185,114	38,091	2,150,108	21,407
Other investments	6,194	0	0	0	0	0	0	6,194	0
Deposits with cedants	72,874	0	0	0	0	0	0	72,874	0
Subordinated liabilities	-1,152,900	0	0	0	0	0	0	-1,152,900	0
Total	21,476,113	-144,914	1,313,379	1,228,274	-726,066	3,279,065	146,102	26,571,953	701,002

Financial assets and liabilities are tested for impairment on an individual basis.

In 2016, interest income on impaired investments totalled € 1,429; no such income was generated in 2015.

Investment income and expenses by source of funds

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

Investment income – non-life business

(€)	Liability fund		Liability fund	
	2016	2015	2016	2015
Interest income	11,120,399	12,449,305		
Change in fair value and gains on disposal of FVPL assets	113,132	383,530		
Gains on disposal of other IFRS asset categories	1,626,842	1,488,358		
Income from dividends and shares – other investments	691,688	548,730		
Exchange gains	7,059,425	12,418,572		
Other income	11,254	21,463		
Total investment income – liability fund	20,622,740	27,309,958		
	Capital fund	Capital fund		
	2016	2015		
Interest income	648,900	649,828		
Change in fair value and gains on disposal of FVPL assets	51,326	505,671		
Gains on disposal of other IFRS asset categories	279,431	80,563		
Income from dividends and shares – other investments	311,347	372,214		
Exchange gains	914	0		
Other income	57,886	0		
Total investment income – capital fund	1,349,804	1,608,276		
Total investment income – non-life business	21,972,544	28,918,234		

Investment income – life business

(€)	Liability fund – life		Liability fund – life	
	2016	2015	2016	2015
Interest income	8,305,150	8,941,777		
Change in fair value and gains on disposal of FVPL assets	46,976	52,543		
Gains on disposal of other IFRS asset categories	191,551	57,073		
Income from dividends and shares – other investments	277,855	307,330		
Exchange gains	139,764	76,734		
Other income	38,599	41,120		
Total investment income – liability fund	8,999,895	9,476,577		
	Capital fund	Capital fund		
	2016	2015		
Interest income	1,159,207	596,262		
Change in fair value and gains on disposal of FVPL assets	526,563	417,628		
Gains on disposal of other IFRS asset categories	217,010	37,536		
Income from dividends and shares – other investments	3,510	0		
Exchange gains	125,020	18,055		
Other income	132,492	113,563		
Total investment income - capital fund	2,163,802	1,183,044		
Total investment income – life business	11,163,697	10,659,621		
Total investment income	33,136,241	39,577,855		

Expenses for financial assets and liabilities – non-life business

(€)	Liability fund	Liability fund
	2016	2015
Interest expenses	47	4,912
Change in fair value and losses on disposal of FVPL assets	222,740	238,268
Losses on disposal of other IFRS asset categories	367,698	349,153
Impairment losses on investments	381,041	495,757
Exchange losses	5,668,406	9,152,858
Other	8,162	7,878
Total investment expenses – liability fund	6,648,094	10,248,826
	Capital fund	Capital fund
	2016	2015
Interest expenses	842,079	1,152,900
Change in fair value and losses on disposal of FVPL assets	87,525	534,885
Losses on disposal of other IFRS asset categories	0	998
Impairment losses on investments	10,679	217,710
Exchange losses	7,972	0
Other	4,300	7,898
Total investment expenses – capital fund	952,555	1,914,391
Total investment expenses – non-life business	7,600,649	12,163,217

Expenses for financial assets and liabilities – life business

(€)	Liability fund – life	Liability fund – life
	2016	2015
Interest expenses	0	3,247
Change in fair value and losses on disposal of FVPL assets	20,671	60,658
Losses on disposal of other IFRS asset categories	108,851	0
Impairment losses on investments	202,305	12,599
Exchange losses	157,507	77,550
Other	8,713	3,875
Total investment expenses – liability fund	498,047	157,929
	Capital fund	Capital fund
	2016	2015
Change in fair value and losses on disposal of FVPL assets	323,003	670,475
Losses on disposal of other IFRS asset categories	22,134	0
Exchange losses	688	3,888
Other	111,894	10,393
Total investment expenses – capital fund	457,719	684,756
Total investment expenses – life business	955,766	842,685
Total investment expenses	8,556,415	13,005,902
Net investment income	24,579,827	26,571,953

(€)	Liability fund – life	Liability fund – life
	2016	2015
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	17,958,678	26,631,788
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	11,256,348	25,930,786
Net investment income	6,702,330	701,002

Impairment losses on investments

(€)	2016	2015
	2016	2015
Bonds and loans	533,045	12,782
Shares	60,980	713,284
Total	594,025	726,066

Net investment income from non-life and life business

(€)	2016	2015
Non-life insurance business	14,371,895	16,755,017
Life insurance business	10,207,932	9,816,936
Total	24,579,827	26,571,953

The 2016 net investment income totalled € 24.6 million, a drop from the 2015 figure of € 26.6 million.

31) Other technical income

(€)	2016	2015
Income from reinsurance commission	3,732,607	3,656,904
Income on the realisation impaired receivables	2,375,769	4,459,099
Income from other insurance business	2,233,027	1,650,548
Exchange gains	5,483,403	7,197,384
Income from exit charges and management fees	2,249,629	990,874
Income from other services	1,872,734	1,172,026
Income from investment property	290,240	191,766
Total	18,237,409	19,318,601

In 2016 the Group continued to experience strong increases in both exchange gains and losses, primarily arising from reinsurance business.

Reinsurance commission income is a major part of other technical income. The following tables show reinsurance commission income by class of business.

Reinsurance commission income

(€)	2016	2015
Personal accident	26,951	20,598
Land vehicles casco	26,999	165,637
Aircraft hull	163	3,921
Ships hull	1,128	1,308
Goods in transit	31,219	31,219
Fire and natural forces	2,113,786	1,778,517
Other damage to property	757,723	664,735
Motor liability	245,462	6,593
Aircraft liability	13,289	16,223
Liability for ships	7	600
General liability	145,337	174,810
Credit	0	4
Suretyship	546	3
Miscellaneous financial loss	108,087	69,223
Legal expenses	16,300	23,009
Assistance	24,234	199,612
Life insurance	166,421	473,969
Unit-linked life	21,836	26,923
Total non-life	3,544,350	3,156,012
Total life	188,257	500,892
Total	3,732,607	3,656,904

32) Net claims incurred

Net claims incurred

€)	Gross amounts		Reinsurers' share of claims (-)	Counsurers' share of claims (-)	Change in the gross claims provision (+/-)	Change in the reinsurers' and co-insurers' share of the claims provision (+/-)	Net claims incurred
	Claims	Recourse receivables					
2016							
Personal accident	13,895,309	-1,334	-28,332	54,469	2,275,405	1325	16,196,842
Health	1,979,157	-44469	-170121	0	672,326	-252477	2,184,416
Land vehicles casco	61,364,262	-738,216	-160,430	17,343	1,275,958	-652,099	61,106,818
Railway rolling stock	13,970	0	0	0	606	0	14,576
Aircraft hull	310,494	0	-234314	230987	380,259	106,223	793,649
Ships hull	2,394,843	0	-3,408	0	3,108,513	807	5,500,755
Goods in transit	3,348,391	-931	-2,574	244,973	-981,446	-9,758	2,598,655
Fire and natural forces	50,615,273	-99,149	-6,868,415	58,341	7,326,287	-1,241,588	49,790,749
Other damage to property	19,465,751	-66,137	-1,084,029	219,516	-5,504,435	19,531	13,050,197
Motor liability	62,301,023	-3,872,467	-2,973,598	26,459	953,269	261,939	56,696,625
Aircraft liability	55,584	0	-1,136	0	-111,621	-14,779	-71,952
Liability for ships	105,846	0	-22	0	253,212	34	359,070
General liability	5,029,193	-40,784	-250,377	20,313	4,718,408	264,360	9,741,113
Credit	1,445,183	-1,231,640	0	0	-45,071	0	168,472
Suretyship	201,573	-245,500	-727	0	14,357	424	-29,873
Miscellaneous financial loss	3,463,399	0	-315,362	12,696	-747,375	-153,996	2,259,362
Legal expenses	648	0	0	872	1567	0	3087
Assistance	4,057,224	-974	-3,288,707	0	387,559	-433,634	721,468
Life insurance	29,420,166	0	-244,672	0	643,467	31,193	29,850,154
Unit-linked life	16,320,108	0	-79,399	0	1,211,649	7,235	17,459,593
Total non-life	230,047,123	-6,341,601	-15,381,552	885,969	13,977,778	-2,103,688	221,084,029
Total life	45,740,274	0	-324,071	0	1,855,116	38,428	47,309,747
Total	275,787,397	-6,341,601	-15,705,623	885,969	15,832,894	-2,065,260	268,393,776

€)	Gross amounts		Reinsurers' share of claims (-)	Counsurers' share of claims (-)	Change in the gross claims provision (+/-)	Change in the reinsurers' and co-insurers' share of the claims provision (+/-)	Net claims incurred
	Claims	Recourse receivables					
2015							
Personal accident	14,437,167	-4,657	-34,832	67,182	3,617,446	8086	18,090,392
Health	2,477,490	0	0	0	67,716	-81775	2,463,431
Land vehicles casco	60,158,247	-1,284,947	-104,305	-8,751	-1,259,996	213,383	57,713,631
Railway rolling stock	2,529	0	0	0	0	0	2,529
Aircraft hull	418,754	0	-65082	0	601,386	-334,999	620,059
Ships hull	2,392,120	-2002	-867	0	575,272	4,909	2,969,432
Goods in transit	1,531,187	-631	-1,049	234,470	1,938,757	-62,242	3,640,492
Fire and natural forces	50,002,813	-32,985	-11,749,863	-84,160	-5,888,889	13,983,493	46,230,409
Other damage to property	22,059,296	-138,159	-673,850	-52,922	-3,700,463	-136,821	17,357,081
Motor liability	58,860,747	-2,623,114	-961,205	-49	3,508,437	158,456	58,943,272
Aircraft liability	23,660	0	-17,417	0	147,510	-13,628	140,125
Liability for ships	136,357	0	-13	0	-57,792	1,635	80,187
General liability	6,634,349	-38,213	-340,653	-26,845	2,349,101	387,773	8,965,512
Credit	2,208,303	-2,670,618	0	0	182,326	0	-279,989
Suretyship	387,171	-67,825	-763	0	42,325	70	360,978
Miscellaneous financial loss	652,101	0	-2,264	149	1,379,855	18,482	2,048,323
Legal expenses	821	0	0	1066	4945	0	6832
Assistance	3,456,451	-361	-2,837,412	0	267,735	-232,253	654,160
Life insurance	30,598,817	0	-968,424	0	426,259	45,231	30,101,883
Unit-linked life	21,928,266	0	-90,342	0	1,171,090	12,070	23,021,084
Capital redemption							0
Total non-life	225,839,563	-6,863,512	-16,789,575	130,140	3,775,671	13,914,569	220,006,856
Total life	52,527,083	0	-1,058,766	0	1,597,349	57,301	53,122,967
Total	278,366,646	-6,863,512	-17,848,341	130,140	5,373,020	13,971,870	273,129,823

The above tables show gross claims incurred as including gross claims paid, gross recourse receivables and retrocession recoveries (including portions relating to recourse receivables). Net

claims incurred additionally include movements in the net claims provision; it increased net claims incurred by € 13.7 million (2015: increase of € 19.2 million).

33) Change in other technical provisions and change in the technical provision for policyholders who bear the investment risk

The change in other technical provisions relates to changes in the net provision for unexpired risks. The change in gross technical provisions is described in note 22.

34) Operating expenses

The Group classifies operating expenses by nature. Compared to 2015, operating expenses increased by 7.2 %.

Operating expenses by nature

(€)	2016	2015
Acquisition costs (commissions)	51,882,550	49,853,683
Change in deferred acquisition costs	1,474,454	-1,451,391
Depreciation of operating assets	7,617,184	7,585,742
Personnel costs	64,387,463	59,557,283
Costs of services by natural persons not performing business, incl. of contributions	491,431	493,489
Other operating expenses	33,710,404	32,879,567
Total	159,563,486	148,918,373

Audit fees

(€)	2016	2015
Audit of annual report	254,790	287,160
Other assurance services	16,592	0
Other audit services	29,880	63,827
Total	301,262	350,987

35) Other technical expenses and other expenses

(€)	2016	2015
Expenses for loss prevention activities and fire brigade charge	3,077,583	2,950,578
Contribution for covering claims of uninsured and unidentified vehicles and vessels	1,697,697	2,051,831
Exchange losses	7,870,882	9,876,523
Operating expenses from revaluation	1,611,096	2,684,215
Other technical expenses	3,053,679	2,550,571
Total	17,310,937	20,113,718

Other expenses of € 2.5 million (2015: € 1.6 million) include contributions relating to the costs of the supervisory authority, allowances for other receivables, health protection contributions and fees for access to electronic police records.

36) Income tax expense

Tax rate reconciliation

(€)	2016	2015
Profit/loss before tax	40,669,987	40,097,971
Income tax expenses at statutory tax rate (17 %)	6,913,898	6,816,655
Adjustment to the actual rates	4,081,310	2,685,736
Tax effect of income that is deducted for tax purposes	-4,462,457	-2,806,256
Tax effect of expenses not deducted for tax purposes	1,799,048	1,615,356
Tax effect of income that is added for tax purposes	148,968	4,421
Income or expenses relating to tax relief	-377,991	-436,844
Balance of expense for (income from) deferred tax due to change in tax rate	-215,559	0
Changes in temporary differences	-135,443	-1,146,548
Total income tax expense in the income statement	7,751,774	6,732,520
Effective tax rate	19.06 %	16.79 %

3.10 Notes to the consolidated financial statements – cash flow statement

37) Notes to the cash flow statement, which has been prepared using the indirect method.

The cash flow statement shown in section 2.4 "Consolidated statement of cash flows" has been prepared in compliance with statutory regulations. This note gives a reconciliation of net profit to 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).

(€)	2016	2015
Net profit/loss for the period	32,918,213	33,365,451
Non-monetary income statement items not included in cash flow:	38,582,796	43,755,533
- change in unearned premiums	861,114	8,390,205
- change in the provision for outstanding claims	13,767,634	19,344,890
- change in other technical provisions	5,254,856	1,282,026
- change in technical provisions for policyholders who bear the investment risk	17,442,161	11,036,450
- operating expenses – amortisation/depreciation and change in deferred acquisition cost	9,091,638	6,134,351
- impairment losses on financial assets	-7,834,607	-2,432,389
Eliminated investment income items	-22,518,056	-23,865,446
- interest received disclosed under B. a) 1.	-21,233,656	-22,637,172
- receipts from dividends and shares in profit of others disclosed under B. a) 2.	-1,284,400	-1,228,274
Eliminated investment expense items	842,126	1,161,059
- interest paid disclosed under C. b) 1.	842,126	1,161,059
Cash flows from operating activities – income statement items	49,825,078	54,416,596

3.11 Contingent receivables and liabilities

The Group discloses contingent liabilities relating to a labour action and sureties issued. The estimated contingent liabilities in this regard total € 3.4 million.

Off-balance sheet items are show in the appendix hereto.

3.12 Related party disclosures

The Group makes separate disclosures for the following groups of related parties:

- § owners and related enterprises;
- § management and supervisory boards including its committees and employees not subject to the tariff section of the collective agreement;
- § subsidiary companies.

Owners and related enterprises

The Group's largest shareholder is Slovenian Sovereign Holding (formerly the Slovenian Restitution Fund), holding 25 % plus one share.

The members of the management and supervisory boards, including its committees, and employees not subject to the tariff section of the collective agreement

Remuneration of the members of the management and supervisory boards, including its committees, and of employees not subject to the tariff section of the collective agreement

(€)	2016	2015
Management board	655,175	746,643
Payments to employees not subject to the tariff section of the collective agreement	5,123,400	4,857,391
Supervisory board	128,283	119,963
Supervisory board committees	28,246	26,473
Total	5,935,104	5,750,470

Remuneration of management board members in 2016

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič (until 23/08/2016)	109,304	15,936	4,170	5,775	135,185
Srečko Čebron	152,592	14,340	5,338	3,620	175,890
Jošt Dolničar	146,866	14,340	5,554	3,874	170,635
Mateja Treven	144,600	14,340	5,186	9,339	173,465
Total	553,362	58,956	20,248	22,608	655,175

Remuneration of management board members in 2015

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits – insurance premiums	Fringe benefits – use of company car	Total
Zvonko Ivanušič	168,143	31,872	6,203	10,272	216,490
Srečko Čebron	152,183	28,680	5,269	2,603	188,734
Jošt Dolničar	144,191	28,680	5,112	2,668	180,651
Mateja Treven	144,191	11,428	5,149	0	160,768
Total	608,707	100,660	21,732	15,543	746,643

Liabilities to members of the management board based on gross remuneration

(€)	31/12/2016	31/12/2015
Zvonko Ivanušč	0	13,946
Srečko Čebron	12,616	12,616
Jošt Dolničar	13,280	11,950
Mateja Treven	11,950	11,950
Total	37,846	50,462

At 31/12/2016, the Group had no receivables due from the management board members. Management board members are not remunerated for their functions in subsidiary companies.

Remuneration of the supervisory board and its committees in 2016

(€)	Attendance fees	Remuneration for performing the function	Expenses reimbursed	Perks	Total
Supervisory board members					
Branko Tomažič	SB chair (until 11 October 2016)	3,410	15,202	5,230	119
Mateja Lovšin Herič	SB chair (since 12/10/2016) / SB deputy chair (until 11/10/2016)	5,005	15,446	0	185
Slaven Mićković	SB deputy chairman (since 12/10/2016) / member (until 11/10/2016)	5,005	13,287	317	39
Gorazd Andrej Kunstek	member of the SB	5,005	13,000	175	18,180
Keith William Morris	member of the SB	4,235	13,000	13,254	200
Helena Dretnik	SB member (until 19/02/2016)	550	1,793	0	170
Mateja Živec	SB member (since 01/04/2016)	3,905	9,750	0	13,655
Total supervisory board members		27,115	81,477	18,802	128,283
Audit committee members					
Mateja Lovšin Herič	AC member (since 28/10/2016) / chair (until 27/10/2016)	2,376	4,591	0	0
Slaven Mićković	chair (since 28/10/2016) / member (until 27/10/2016)	2,376	3,534	7	0
Ignac Dolenšek	member of the AC		10,950	232	0
Total audit committee members		4,752	19,075	239	24,066
Nomination committee members					
Mateja Lovšin Herič	Chair of the committee	1,100	0	0	1,100
Branko Tomažič (until 11/10/2016)	member	660	0	0	660
Slaven Mićković	member	880	0	0	880
Keith William Morris	member	220	0	0	220
Total nomination committee members		2,860		0	0
2,860		0		0	2,860
Fit & proper committee members					
Mateja Lovšin Herič	Chair of the committee	660	0	0	660
Branko Tomažič	member (until 11/10/2016)	220	0	0	220
Nika Matjan	member	0	0	0	0
Mateja Živec	member	440	0	0	440
Total fit & proper committee members		1,320		0	0
1,320		0		0	1,320

Remuneration paid to members of the supervisory board and the audit committee for 2015

(€)		Attendance fees	Remuneration for performing the function	Expenses reimbursed	Total
Supervisory board members					
Branko Tomažič	chairman of the SB	2,750	19,500	2,747	24,997
Mateja Lovšin Herič	deputy chair of the SB	2,750	14,300	0	17,050
Slaven Mićković	member of the SB	2,750	13,000	0	15,750
Keith William Morris	member of the SB	2,750	13,000	14,916	30,666
Martin Albreht	member of the SB	1,375	5,778	0	7,153
Gorazd Andrej Kunstek	member of the SB	2,750	13,000	0	15,750
Helena Dretnik	member of the SB	1,375	7,222	0	8,597
Total supervisory board members		16,500	85,800	17,664	119,963
Audit committee members					
Mateja Lovšin Herič	chair of the AC	1,980	4,875	0	6,855
Slaven Mićković	member of the AC	1,980	3,250	0	5,230
Ignac Dolenšek	member of the AC	0	14,175	213	14,388
Total audit committee members		3,960	22,300	213	26,473

Liabilities to members of the supervisory board and audit committee of the supervisory board based on gross remuneration

(€)	31/12/2016	31/12/2015
Branko Tomažič	0	2,230
Mateja Lovšin Herič	3,381	2,093
Slaven Mićković	2,971	1,849
Gorazd Andrej Kunstek	1,908	1,358
Keith William Morris	7,145	13,621
Mateja Živec	2,128	0
Ignac Dolenšek	544	4,332
Helena Dretnik	0	1,358
Total	18,078	26,841

Employee remuneration not subject to the tariff section of the collective agreement for 2016

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	4,687,613	298,061	137,726	5,123,400

Employee remuneration not subject to the tariff section of the collective agreement for 2015

(€)	Gross salary – fixed amount	Gross salary – variable amount	Fringe benefits and other benefits	Total
Individual employment contracts	4,455,591	298,296	103,504	4,857,391

Receivables due from the state and majority state-owned companies

(€)	31/12/2016	31/12/2015
Interests in companies	9,406,870	8,770,698
Debt securities and loans	281,292,477	311,386,506
Receivables due from policyholders	141,554	358,169
Total	290,840,901	320,515,374

Liabilities to the state and majority state-owned companies

(€)	31/12/2016	31/12/2015
Liabilities for shares in claims	4,263	80,548

Income and expenses relating to majority state-owned companies

(€)	2016	2015
Dividend income	459,282	471,565
Interest income	9,758,691	11,937,362
Gross premiums written	13,317,626	12,032,671
Gross claims payments	-2,946,450	-10,502,788
Total	20,589,149	13,938,809

Characteristics of loans granted to subsidiaries

Borrower	Principal	Type of loan	Maturity	Interest rate
Sava neživotno osiguranje (SRB)	500,000	ordinary	30/06/2017	3.60 %
Sava neživotno osiguranje (SRB)	800,000	ordinary	30/06/2018	2.90 %
Zavarovalnica Sava	734,953	subordinated	no maturity	7.00 %
Zavarovalnica Sava	800,000	subordinated	no maturity	7.50 %
Total	2,834,953			

4 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

- S** On 7 March 2017, the 32nd general meeting of Sava Re took place at the Horus Hall of the Austria Trend Hotel in Ljubljana. The general meeting elected the new supervisory board members for the next four-year term of office: Ivan Davor Gjivoje (term of office to start on 7 March 2017) and Mateja Lovšin Herič, Keith William Morris and Andrej Kren (terms of office to start on 16 July 2017). As of 7 March 2017, the supervisory board of Sava Re has operated with all of its six members.
- S** In 2006 and 2007, Sava Re raised a subordinated debt in the nominal amount of € 32 million maturing in 2027. Sava Re raised the subordinated debt to expand the Sava Re Group to the markets of the former Yugoslavia and to improve its capital adequacy position in accordance with the then applicable insurance laws and the Standard & Poor's model. In January 2014, Sava Re redeemed € 8 million of the nominal amount of its subordinated debt. Under the contractual provisions, the remaining nominal amount of € 24 million can be early repaid as of 2017. After receiving the approval of the Slovenian Insurance Supervision Agency, Sava Re repaid the first tranche of the subordinated debt in the nominal amount of € 12 million on 15 March 2017. The remaining part of the subordinated debt in a nominal amount of € 12 million is scheduled to be repaid in June 2017. After the repayment of the subordinated debt, Sava Re and the Sava Re Group will maintain a high solvency ratio under the applicable law. Furthermore, the simulations of models of rating agencies Standard & Poor's and A.M. Best have shown that the early repayment of the subordinated debt will not affect the capital position so that both the Company and the Sava Re Group will maintain a solid target level of capitalisation.

Appendix C – Glossary of selected terms and calculation methods for indicators

Accounting currency. A local currency used in the accounting documentation. Reinsurance contracts may be accounted for using various accounting currencies. Generally, this is the currency in which are denominated liabilities and receivables in relation to the cedant, and hence also the reinsurer.	could result in a concurrent decrease in the value of investments.
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.	Consolidated book value per share. Ratio of consolidated total equity to weighted average number of shares outstanding.
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.	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.
Book value per share. Ratio of total equity to weighted average number of shares outstanding.	Credit risk. The risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which insurance and reinsurance undertakings are exposed, in the form of counterparty default risk, or spread risk, or market risk concentrations.
Business continuity plan. Document comprising procedures for ensuring continuity of key business processes and systems. The contingency plan is an integral part of the business continuity plan, setting out technical and organisational measures to return to normal operation and minimise the consequences of severe business disruptions.	Currency risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of currency exchange rates.
BVAL price. Engl. <i>Bloomberg valuation price.</i> The price obtained from the Bloomberg information system.	Dividend yield. Ratio of dividend per share to the price per share two days after the general meeting.
Capital fund. Assets representing the capital of the Company.	Earnings per share. Ratio of net profit/loss as a percentage of the weighted average number of shares outstanding.
CBBT price. Engl. Composite Bloomberg Bond Trader price. Closing price available in the Bloomberg information system based on binding bids.	EIOPA. European Insurance and Occupational Pensions Authority.
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.	Eligible own funds. The value of own funds eligible to cover the solvency capital requirement.
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.	Equity risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of market prices of equities.
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.	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".
Claims risk. The risk that the number of claims or the average claim amount will be higher than expected.	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.
Composite insurer. Insurer that writes both life and non-life business.	FATCA. Foreign Account Tax Compliance Act; for details see http://www.sava-re.si/en/o-druzbi/FATCA/
Comprehensive income. The sum of net profit for the period and other comprehensive income for the period, net of tax. The latter comprises the effects of other gains and losses not recognised in the income statement that affect equity, mainly through the fair value reserve.	Financial investments. Financial investments do not include financial investments in associates, investment property nor cash and cash equivalents.
Concentration risk. The risk that due to excessive concentration of investments in a geographic area, economic sector or issuer, unfavourable movements	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.	investments in subsidiaries and associates + investment income + income from investment property – expenses for investments in subsidiaries and associates – expenses for financial assets and liabilities – expenses for investment property. Income from and expenses for investment property are included in the other income / other expenses item. Net investment income of the investment portfolio does not include net unrealised gains/losses on investments of life insurance policyholders who bear the investment risk as these do not affect the income statement. These items move in line with the mathematical provision of policyholders who bear the investment risk.
Gross operating expenses. Operating expenses, excluding commission income.	Net operating expenses. Operating expenses net of 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.	Net premiums earned. Net premiums written for a given period adjusted for the change in net unearned premiums.
Gross/net. In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.	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.
IBNER. Provision for claims that are Incurred But Not Enough Reported.	Net retention risk. The risk that higher retention of insurance loss exposures results in large losses due to catastrophic or concentrated claims experience.
IBNR. Provision for claims that are Incurred But Not Reported.	Net/gross. In insurance terminology, the terms gross and net usually denote figures before and after deduction of reinsurance.
Insurance density. The ratio of gross premiums written as a percentage of the number of inhabitants.	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.
Insurance penetration. The ratio of gross premiums written as a percentage of gross domestic product.	Operational limit. Operational limits for particular areas are determined on the basis of expressed risk tolerance limits. In absolute terms, this is the maximum amount acceptable for a particular risk so that the Company remains within its risk appetite framework.
Interest rate risk. The sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.	Operational risk. The risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events.
Investment portfolio. The investment portfolio includes financial investments in associates, investment property, and cash and cash equivalents.	ORSA. Own risk and solvency assessment: an own assessment of the risks associated with an insurer's business and strategic plan, and the sufficiency of own funds to support those risks
Liability fund. Assets covering technical provisions.	OTC market. Engl. Over-The-Counter market. OTC market transactions are transactions outside the regulated market.
Life insurance liability fund. Assets covering mathematical provisions.	Paid loss ratio. The ratio of gross claims paid as a percentage of gross premiums written.
Liquidity risk. The risk that insurance and reinsurance undertakings are unable to realise investments and other assets in order to settle their financial obligations when they fall due.	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.
Market risks. Include interest rate risk, equity risk and currency risk.	Pricing risk. The risk that (re)insurance premiums charged will be insufficient to cover future obligations arising from (re)insurance contracts.
Minimum capital requirement (MCR). The minimum capital requirement must be equal to the amount of eligible own funds under which policyholders, insured persons and other beneficiaries under insurance contracts would be exposed to an unacceptable risk level if the undertaking were allowed to continue operations.	Primary insurer. Insurance company that has a direct contractual relationship with the holder of the insurance
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	

policy (private individual, firm or organization).	risks, including life and non-life insurance risk, health insurance risk, market risk, counterparty default risk and operational risk.
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.	Solvency ratio. The ratio of eligible own funds as a percentage of the SCR. A solvency ratio in excess of 100 per cent indicates that the firm has sufficient resources to meet the SCR.
RBNS. Provision for claims that are Reported But Not Settled .	Solvency ratio. The ratio of the available solvency margin as a percentage of the required solvency margin.
Recourse receivables. Amount of recourse claims which were recognised in the period as recourse receivables based on (i) any agreement with any third parties under recourse issues, (ii) court decisions, or (iii) for credit business – settlement of insurance claim.	Standard formula. Formulas laid down by Solvency II regulations for the calculation of the Solvency Capital Requirement.
Reputation risk. Risk of loss due to the Company's negative image as perceived by its policyholders, business partners, owners and investors, supervisors or other stakeholders.	Strategic risk. Risk of unexpected decline in the company's value due to adverse impact of wrong business decisions, changes to the business or legal environment and market development.
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.	Subsidiary entity. An entity that is controlled by another entity.
Reserving risk. The risk that technical provisions will be inadequate.	Transaction currency. The currency in which reinsurance contract transactions are processed.
Retention ratio. Ratio of net premiums written as a percentage of gross premiums written.	Underwriting result. Profit or loss realised from insurance operations as opposed to that realised from investments or other items.
Retention. The amount or portion of risk (loss) that a ceding company retains for its own account, and does not reinsurance. 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.	Underwriting risk. The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.
Retrocession. The reinsurance bought by reinsurers; a transaction by which a reinsurer cedes risks to another reinsurer.	Unearned premiums. The portion of premiums written that applies to the unexpired portion of the policy period and is attributable to and recognised as income in future years.
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.	
Risk appetite. The level of risk that a company is willing to take in pursuit of its strategic objectives. It is determined based on the acceptable solvency ratio, ratio of high-quality liquid assets as a percentage of the investment portfolio, profitability of insurance products and reputation risk.	
Risk register. Catalogue of all identified risks maintained regularly updated by the Company.	
Solvency capital requirement (SCR). Level of capital calculated as prescribed by law based on all measurable	

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