

Sava Re Group

1-6/2014 Results

Presenting:



Mr. Zvonko Ivanušič,
CEO



Mrs. Mateja Treven,
CFO



Mrs. Polona Pirš,
Dir. Strat. Finance &
Controlling

September 2014

AGENDA

- 1) General overview of 1-6 2014 results**
- 2) Results and ratios by segment**
- 3) Financial investment performance and portfolio structure**
- 4) ZM and integration process**

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- ▶ Premium volume and profit in line with the plan.

GPW
60% of plan

- ▶ Integration process in Slovenia in line with plans

Net profit
53% of plan

- ▶ Growth trend and improved performance of Group life companies (ZM life strongest weighting in profit).

Annualized ROE
10,1%

- ▶ Net profit of Sava Reinsurance Company 95% of full year target (basis for 2015 dividend).

Solvency ratio
200%

- ▶ ZM included in the consolidation for full period of 1–6/2014 (in 2013 from May 2013 onwards).

Share price
+78%

- ▶ February weather loss impact estimated at € 6 million.

Slovenian insurance operations
VALUE OPTIMISATION

- Synergetic effects (cost reductions, UW results improvement) already can be seen
- Optimised investment portfolio of ZM
- Life segment performing well

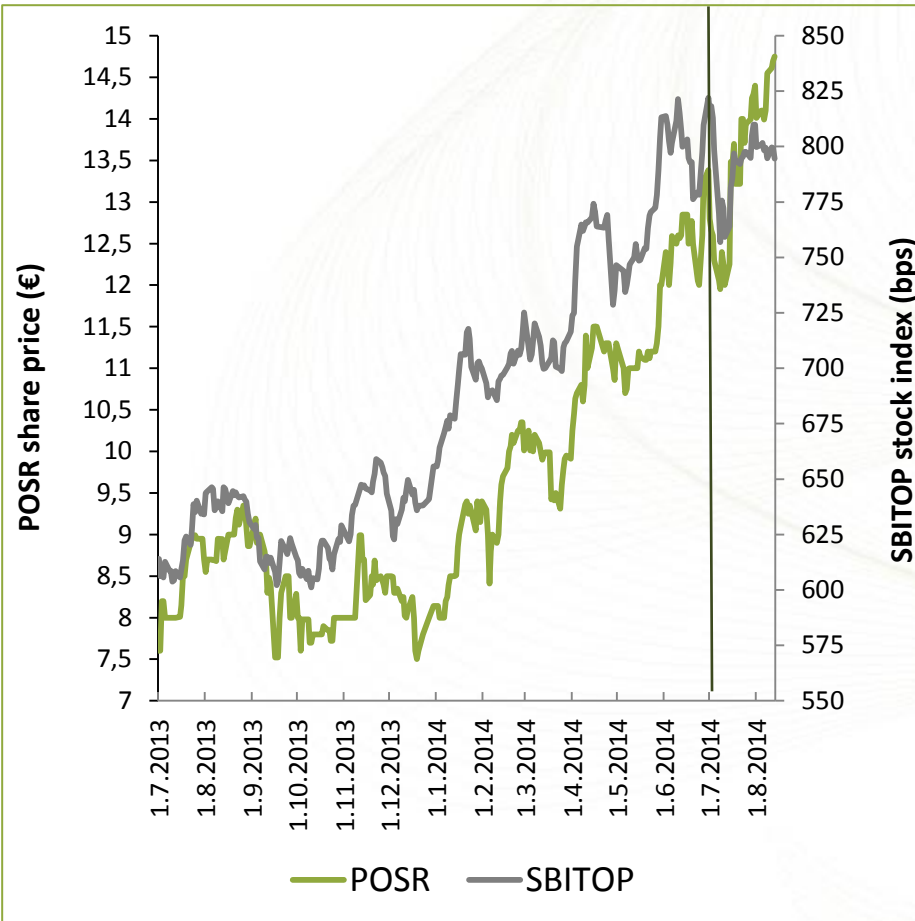
Reinsurance operations
PROFITABLE GROWTH

- Slowly entering new markets with purpose of diversification
Lat America 0,7m ie 8 new markets,
Africa 1,7m ie 6 new markets;
Asia 3,5m ie 7 new markets
- Improved results of Non group business due to past portfolio cleaning

Operations outside Slovenia
GROWTH AND COST OPTIMISATION

- Decreasing Cost ratios
- Non life markets under premium pressure
- High Growth of Life premium and improvement in results

The movement in the POSR share price compared to the SBITOP stock index



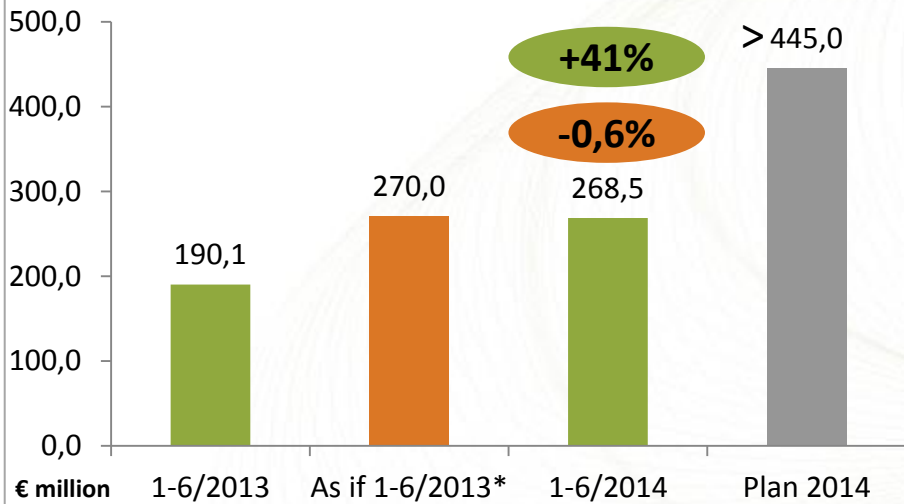
Basic details about the POSR share

	30.6.2013	30.6.2014
Share capital	39,069,099	71,856,376
No. of shares	9,362,519	17,219,662
Ticker symbol	POSR	POSR
No. of shareholders	4,945	5,217
Number of treasury shares	416,643	346,643
Net earnings per share (€)	1.00	0.87
Consolidated net earnings per share (€)	2.06	0.76
Market capitalisation (€ m)	67,1	263,4
Consolidated book value per share (€)	24.86	15.61
Share price at end of period (€)	7.50	13.39

Share price
30.6.2013
€7,50

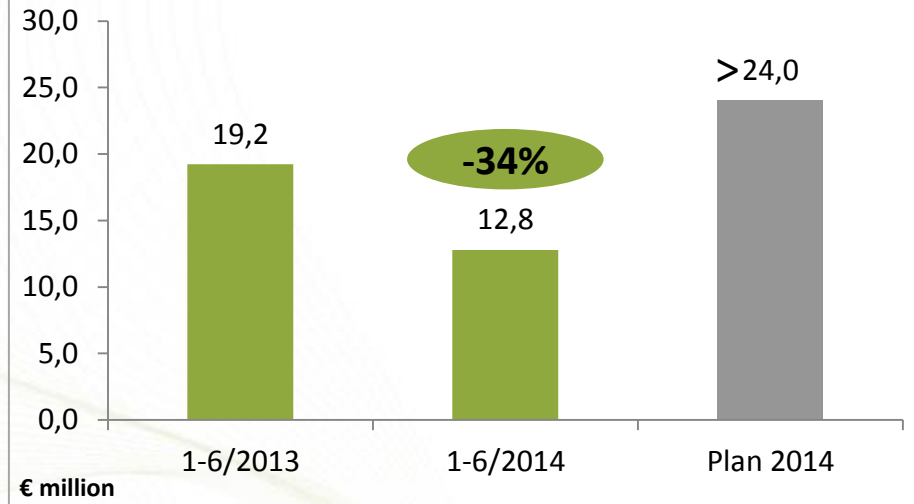
Share price
27.8.2014
€15,30

Gross premiums written



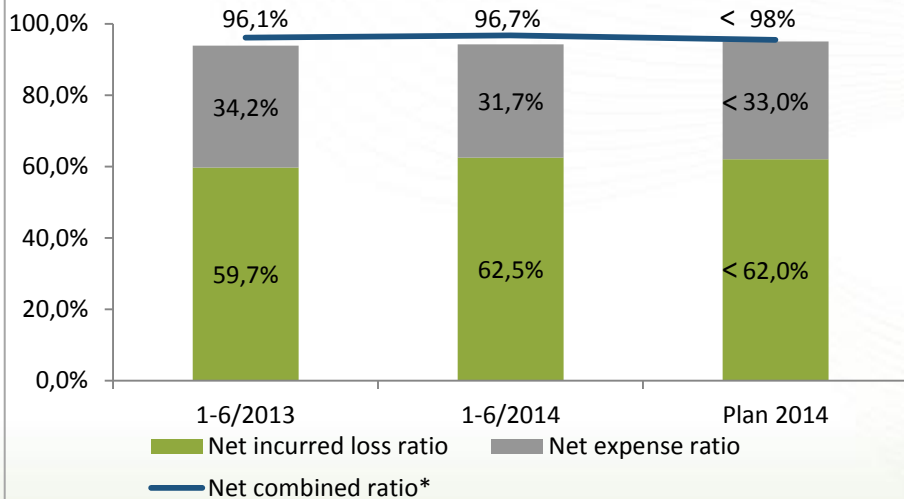
*If Zavarovalnica Maribor consolidated all period.

Net profit/loss



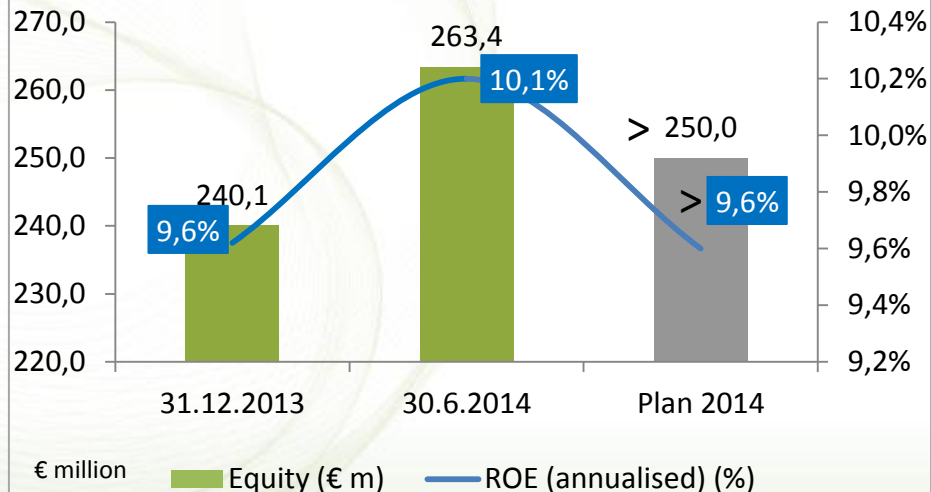
1-6/2013 include the effect of revaluation of ZM share in the amount of € 7,7m.

Ratios

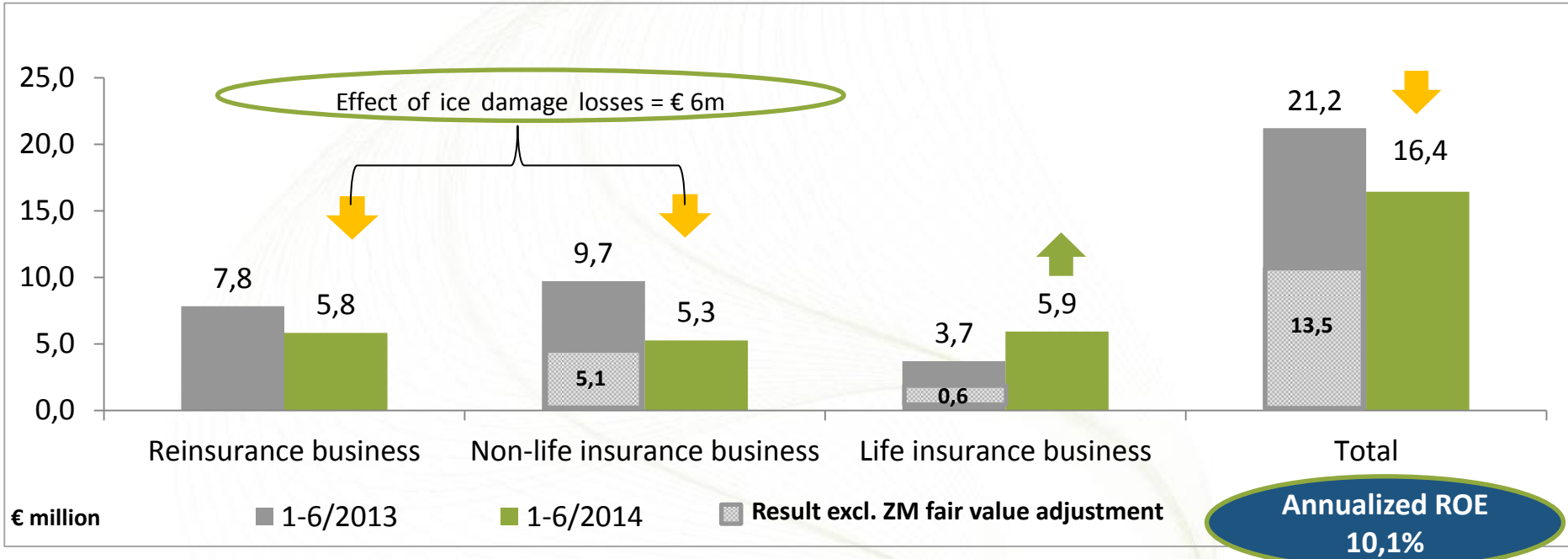


*Net combined ratio (total expenses/total income, excluding investment income/expenses; it is not the sum of the two ratios)

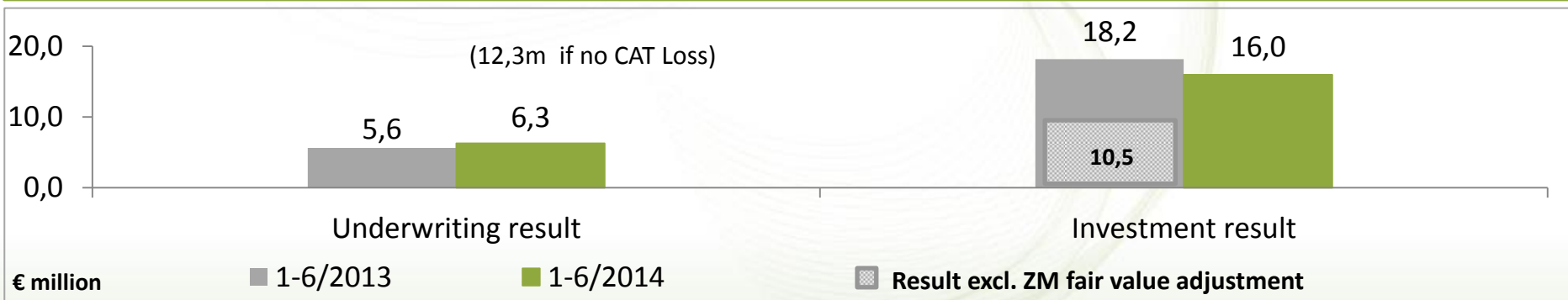
Equity and ROE



Consolidated results before tax by segment

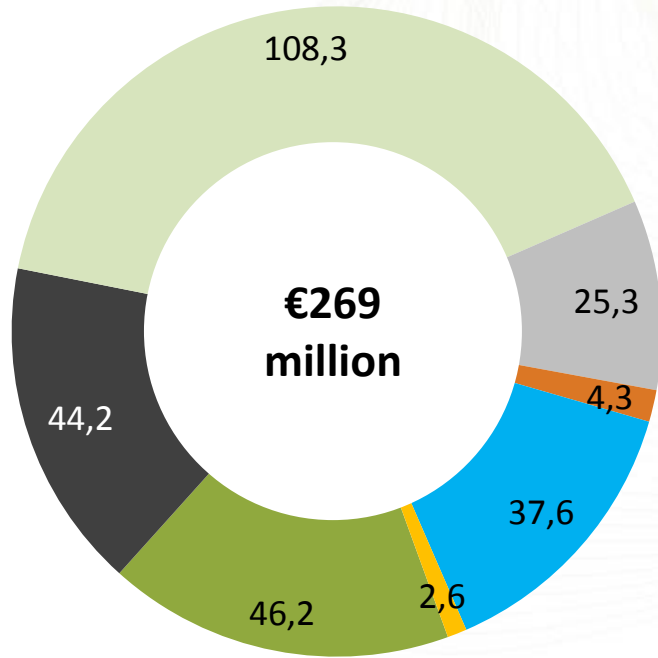


Consolidated results before tax (excl. unit-linked results)



Other items are not including in results

Consolidated premiums by segment



Premiums in
€ million

- Reinsurance business
- Zavarovalnica Tilia NL
- Zavarovalnica Maribor NL
- NL International
- Zavarovalnica Tilia Life
- Zavarovalnica Maribor Life
- Life International

% Change

-33 %

Impact of ZM consolidation
(elimination of ZM premiums)

-3 %

Decline in premiums in Tilia
(loss of some bigger clients)

+261%

ZM consolidation full period

-4 %

Premiums down for some companies
due to market conditions (amended
legislation)

-10 %

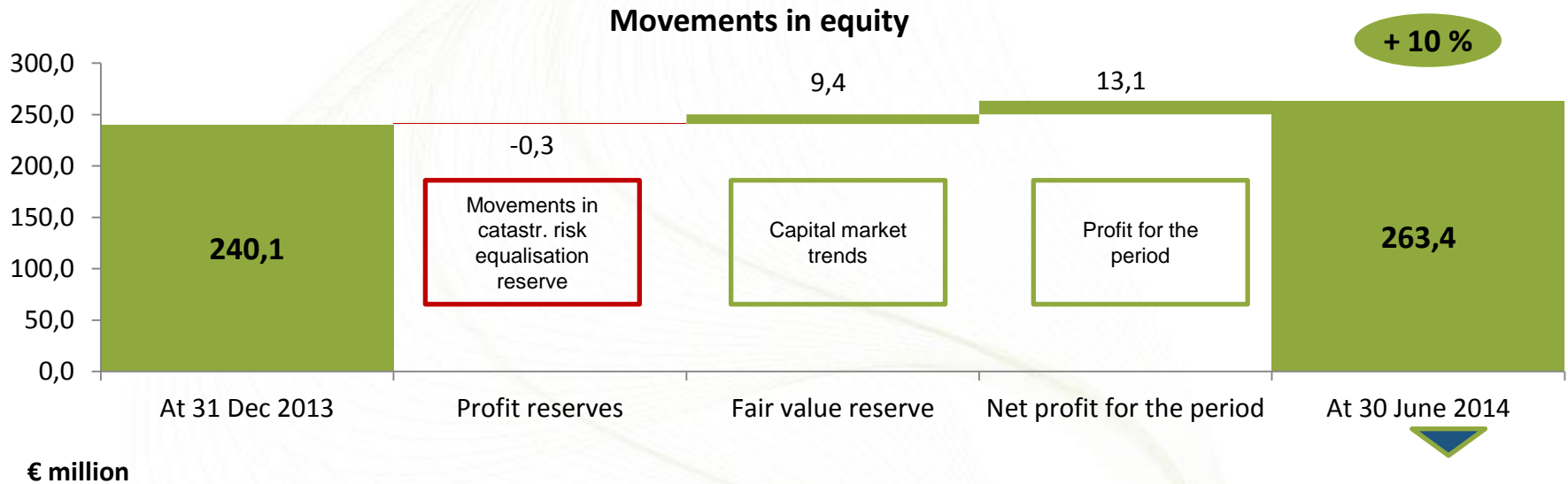
Decline in premiums in Tilia
(larger number of policies cancelled)

+199%

ZM consolidation full period

+32 %

Premium growth in all companies



Solvency ratio: 200%

Dividend payment: 0,26 EUR/share; record dividend date 3.7.2014

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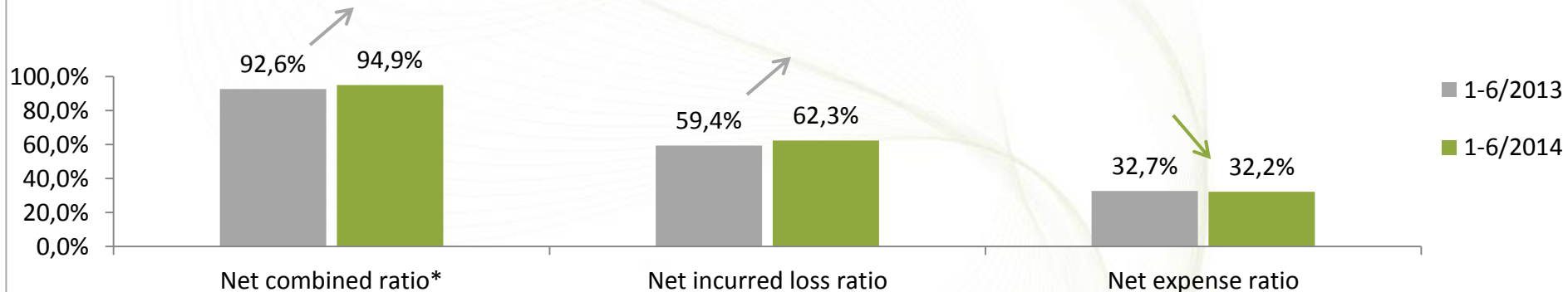
GPW

GPW 2Q 2014: € 46m



Drop in premiums in the reinsurance segment, which is a result of the elimination of reinsurance premiums written by Zavarovalnica Maribor, which has been fully consolidated as from 1 May 2013.

RATIOS (unconsolidated)



Ice claims in Slovenia and increased number of smaller losses for the UW year 2013 from international markets (ratios still favourable)

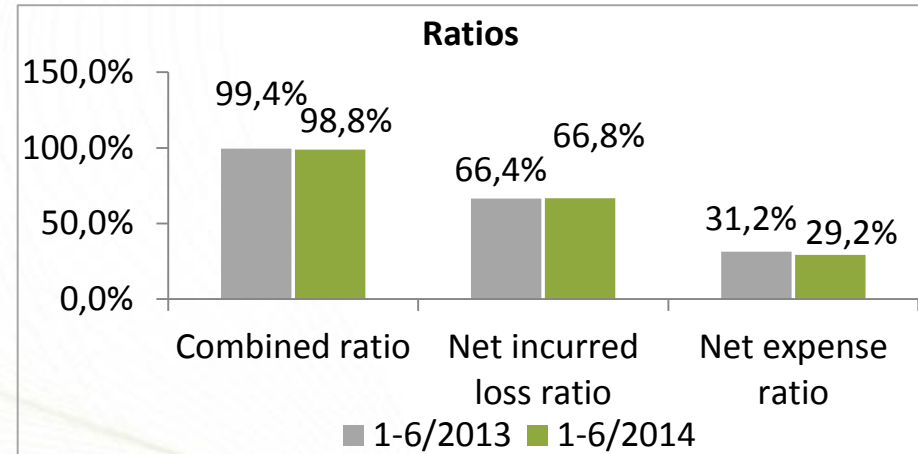
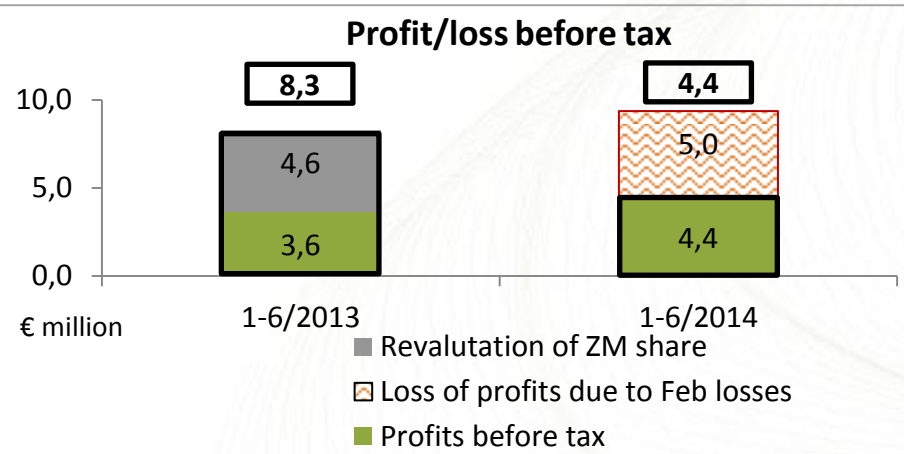
Drop in acquisition costs (mainly due to reinsurance commission income)

*Net combined ratio (total expenses/total income, excluding investment income/expenses; it is not the sum of the two ratios)

Non-Life Slovenia

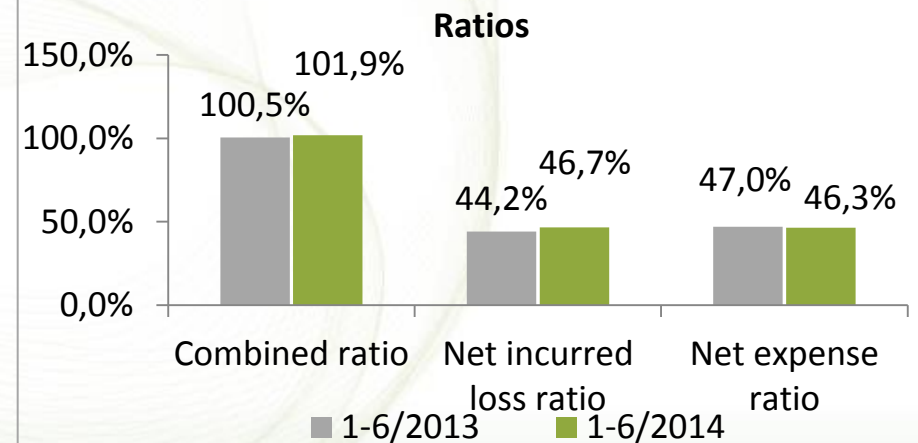
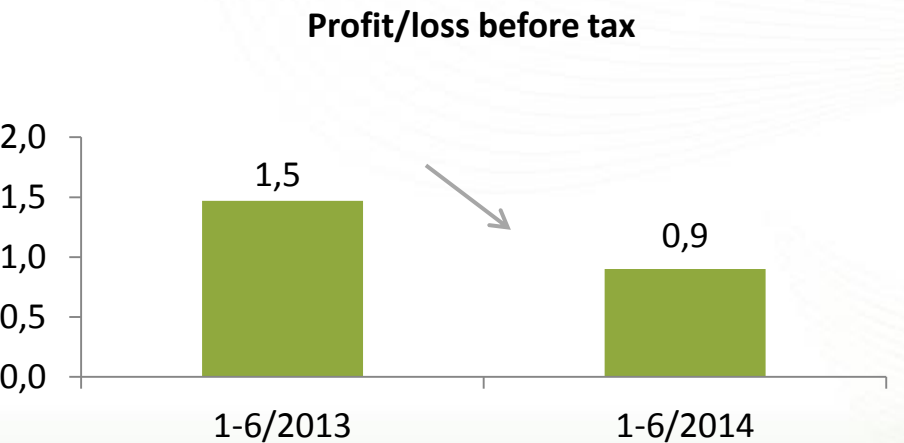
GPW 2Q 2014: € 153m

ZM 61 % of total NL GPW



Non-Life International

GPW 2Q 2014: € 25m

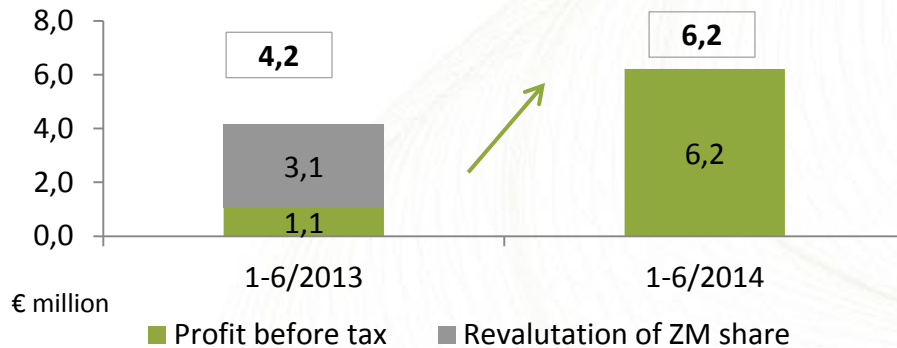


Life Slovenia

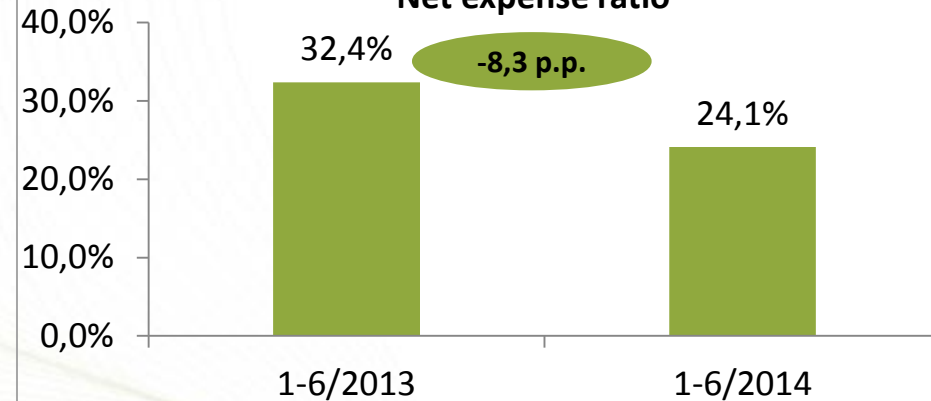
GPW 2Q 2014: €42m

ZM 90% of total life GPW

Profit/loss before tax



Net expense ratio

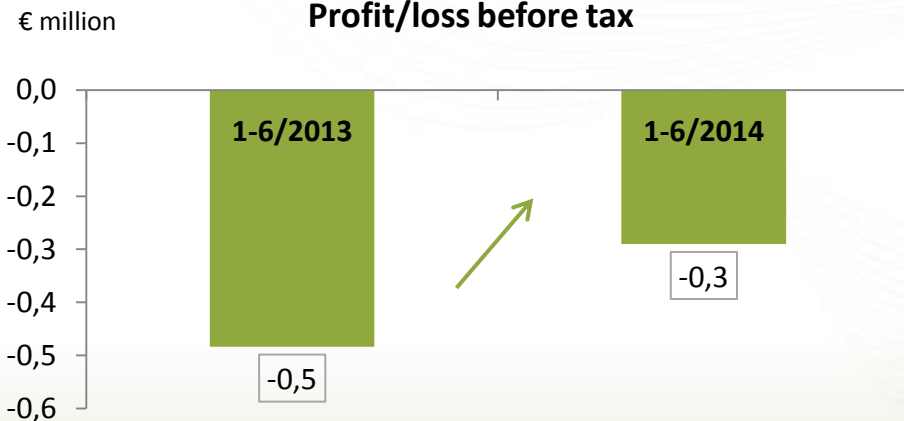


The profit figure was affected by the consolidation of ZM.
 The Slovenian life insurance market shrank by **4.4%** in 1–6/2014.

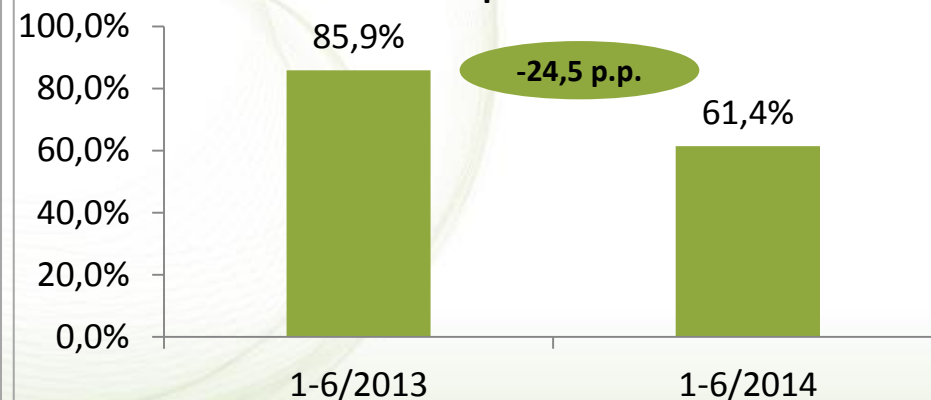
Life International

GPW 2Q 2014: €2,6m

Profit/loss before tax



Net expense ratio



Figures are consolidated and after the transfer of reinsurance effects to operating segments.

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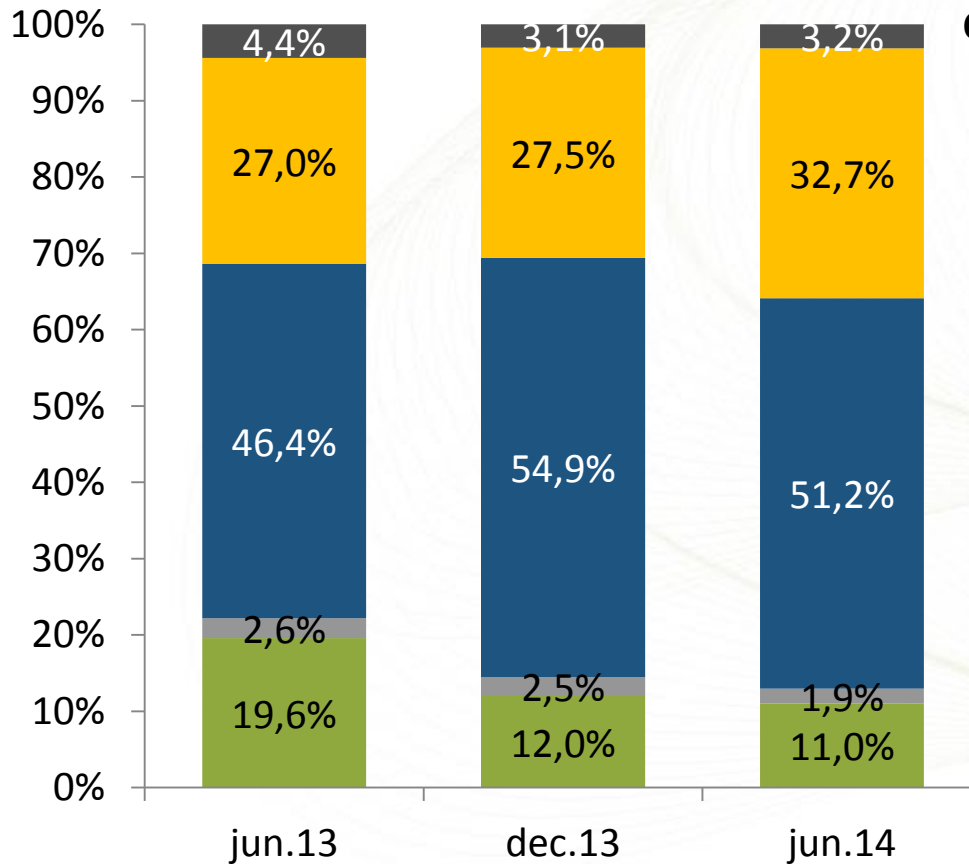
4) ZM and integration process

(€ million)	Investment portfolio*
31.12.2013	943,0
change	22,2
30.6.2014	965,2

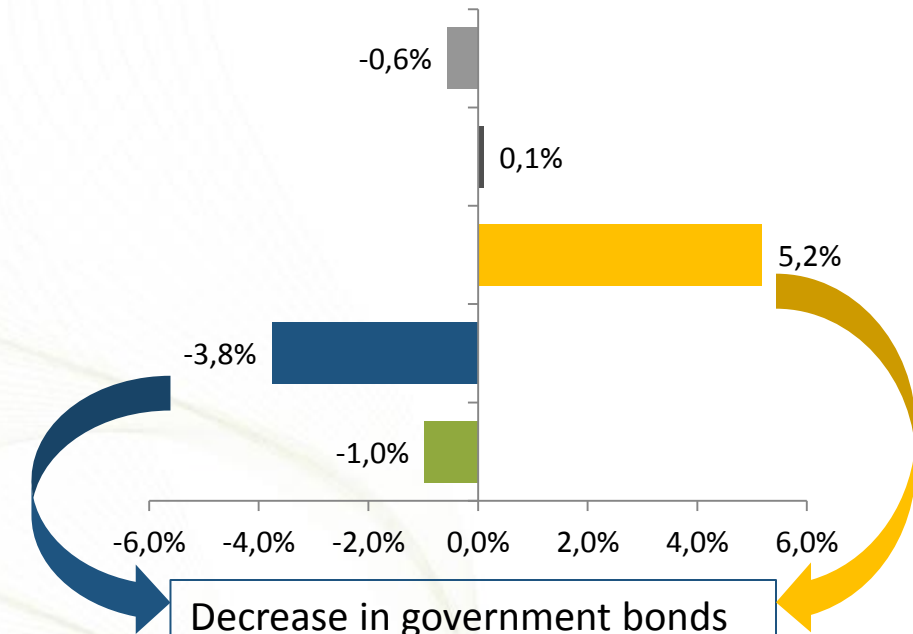
MAIN REASONS FOR THE CHANGES:

- + cash flow from core business (€ 23,6m)
- + positive change in valuation of investments due to rise in prices (€ 9,5m)
- payment of the obligations according to the contracts of prepayment of subordinated debt and repayment of credit lines (€ 12m)

* Includes financial investments, financial investments in associates, investment property, cash and cash equivalents.



CHANGE 30.6.14/31.12.13 (in percentage points)



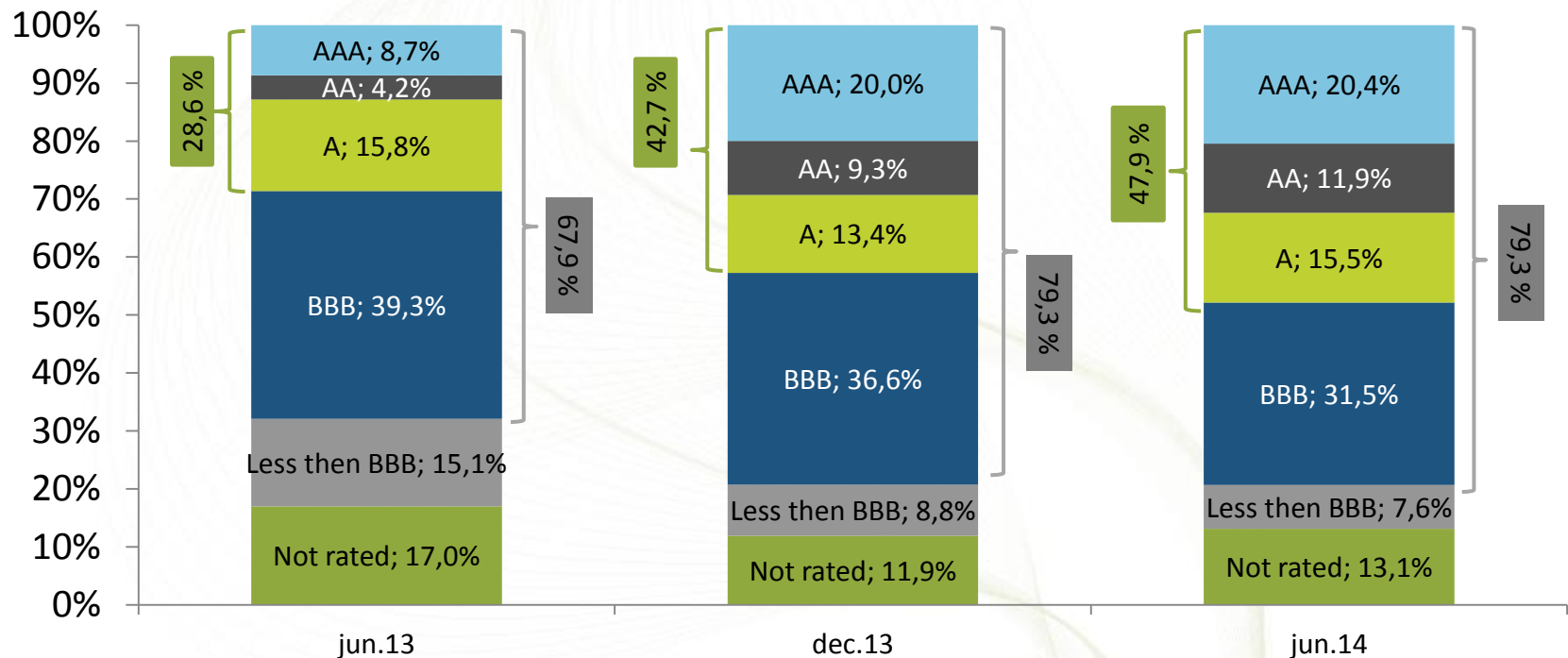
Decrease in government bonds due to maturities.

Assets were not reinvested in government bonds but were partially reallocated into corporate bonds with high ratings.

*Investments without Investments for the benefit of life insurance policyholders who bear the investment risk.

Category Other financial investments includes financial investments in associates, loans granted, deposits with cedants, investment property, cash and cash equivalents and other fin. investments.

+ 5,1 percentage points rating class A or higher
-5,1 percentage points rating class BBB



* Includes bonds, deposits and deposits with cedants

Increase in credit quality in respect to 30.6.2013 and 31.12.2013 is due to reallocation of free cash flow into investments with rating A or higher in order to increase safety of the investment portfolio.

(in EUR)	30.06.2013	31.12.2013	30.06.2014	Difference			
				30.6.14/31.12.13	30.6.14/30.6.13		
Deposits and CD's	138,0	63,5	61,8	↓	-1,7	↓	-76,2
Government bonds	280,2	269,5	240,8	↓	-28,7	↓	-39,5
Corporate bonds	106,3	65,5	75,5	↑	10,0	↓	-30,8
Shares	14,0	18,2	21,6	↑	3,4	↑	7,6
Mutual funds	24,0	8,6	7,1	↓	-1,4	↓	-16,8
Other	0,7	0,7	0,5	↓	-0,2	↓	-0,2
Total Slovenia	563,2	425,9	407,3	↓	-18,6	↓	-155,9
Total investment portfolio	930,4	943,0	965,2	↑	22,2	↑	34,8
% of Slovenia in inv. portfolio	60,5%	45,2%	42,2%		-3,0%		-18,3%

Compared to **31.12.2013** decrease in exposure to Slovenia in amount of **€ 18,6m.**

DUE TO: maturities of Slovene government bonds.

Compared to **30.6.2013** decrease in exposure to Slovenia in amount of **€ 155,9m.**

DUE TO: - decrease of exposure to Slovene government bonds (maturities and sales),

- decrease in deposits (matured deposits were reinvested into bonds),

- decrease in corporate bonds (mainly because of cancellation and impairments of Slovene banking bonds) and

- decrease in mutual funds(sale).

* Investments without financial investments in affiliates and investments for the benefit of life insurance policyholders who bear the investment risk.

(v million €)	1-6/2013	1-6/2014	Index
Total financial investments	8,9	16,6	185,2
Financial investments in associates	10,0	0,1	1,3
Total investment portfolio	18,9	16,8	88,7
Expences from financial liabilities	0,7	0,8	101,1
Total investment portfolio incl. exp. from fin. liabilities	18,1	16,0	88,2
Investments for the benefit of life insurance policyholders who bear the investment risk	-2,7	7,2	471,3

(in %)	1-6/2013	1-6/2014
Total financial investments	2,9%	3,6%
Total investment portfolio	5,8%	3,6%
Total inv. portfolio with expences from fin. liabilities	5,5%	3,4%

Most of the net investment income/return in 2014 was generated from:

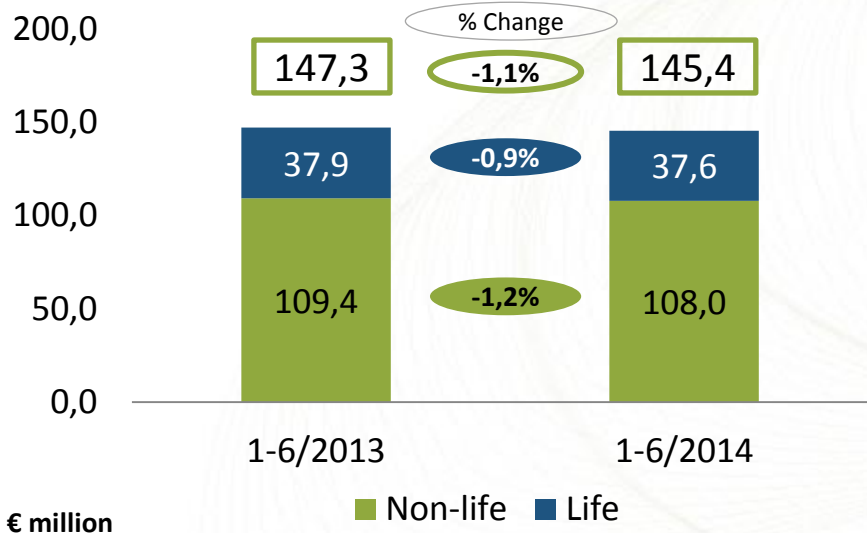
- **interest income in amount of € 12,4m (77,5 % of net investment income)**
- **realized net earnings in amount of € 3,3m (20,6 % of net investment income)***

* Realized net earning include profits and losses when selling investments in IFRS category „Available for sale“ and change in fair value of the investments in IFRS category „Fair value through profit and loss“.

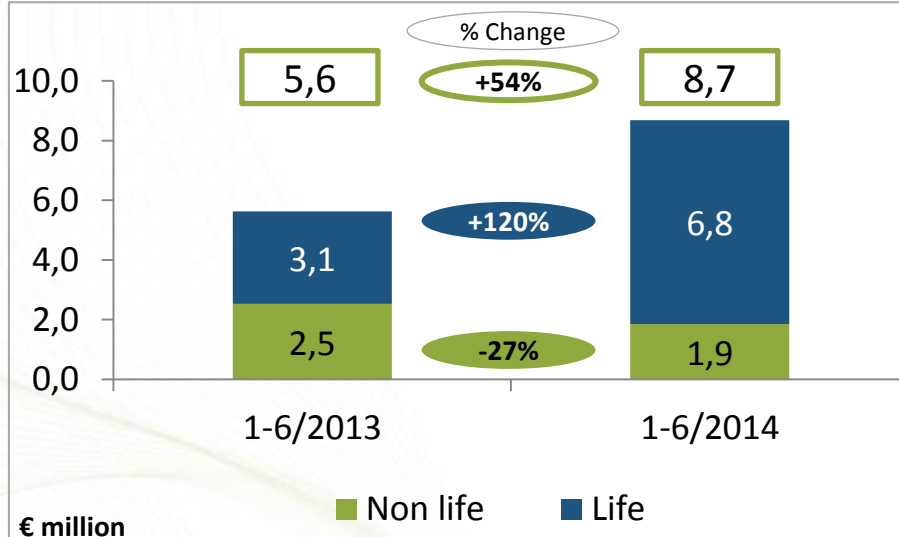
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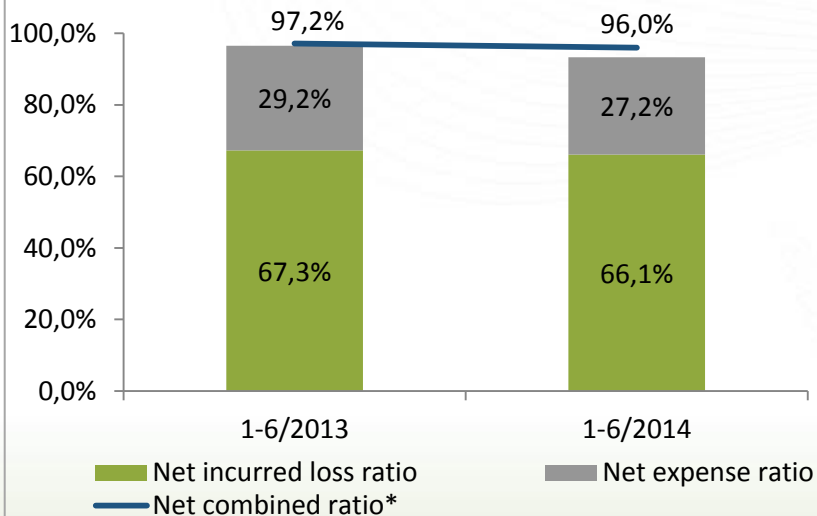
Gross premiums written



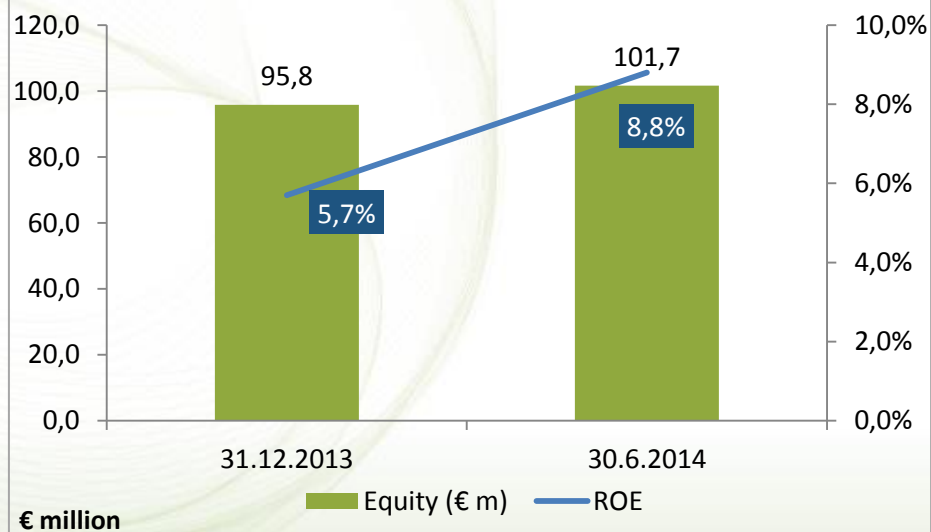
Net profit/loss



Ratios



Equity and ROE



*Net combined ratio (total expenses/total income, excluding investment income/expenses; it is not the sum of the two ratios)

ALREADY IN FORCE

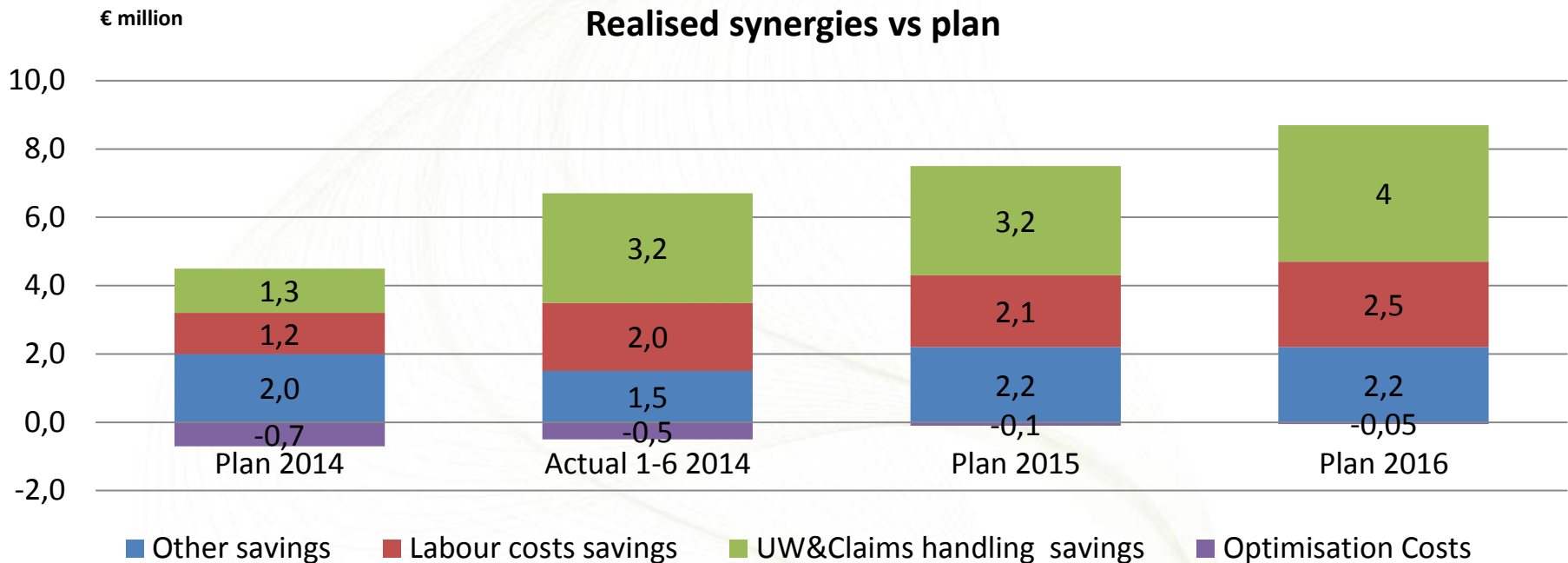
- ▶ Adjustments to organisation of ZM
- ▶ Optimisation of asset management (more centralised procedures)
- ▶ Restructuring of ZM insurance portfolio – less premium vs. better results
- ▶ IT strategy set – integration on all levels – timeframe 2-4 years

NEXT STEPS – 6 month horizon

Implementation of the centralized purchase process (SAVA/ZM/TILIA)

Implementation of the unified accounting software and procedures

ERM Group Strategy to be set



- Bigger effects on the UW result than planned due to restructuring of the motor portfolio of ZM – some segments ie heavy trucks
- The labor costs savings are the result of the organizational adjustments in ZM;
- Further optimization of procedures ie purchasing procedures will have additional savings effects till the year end 2014



THANK YOU FOR YOUR ATTENTION!

Appendix

Shareholder structure of Sava Reinsurance Company at 30 June 2014

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

Top ten shareholders of Sava Reinsurance Company at 30 June 2014

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

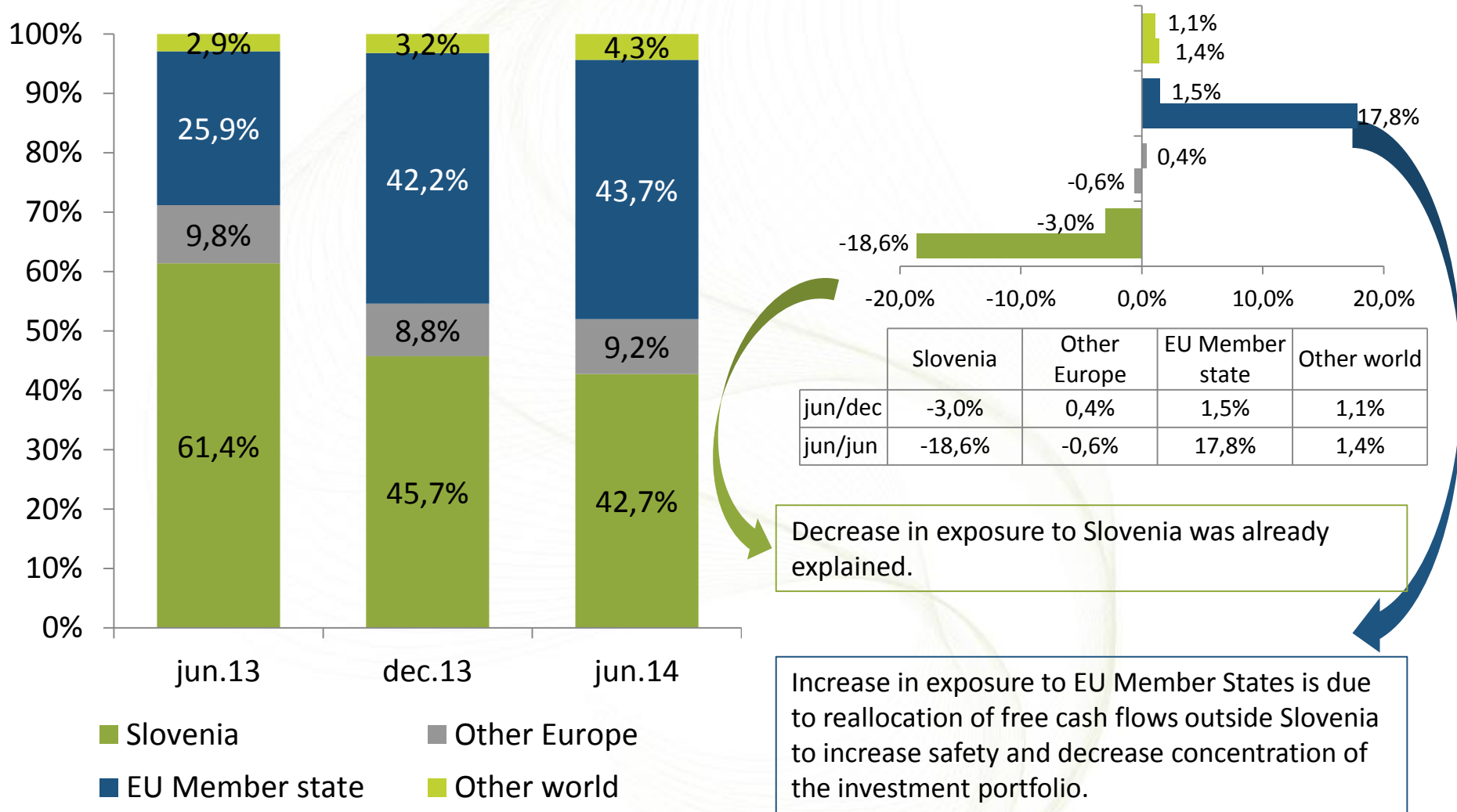
(v mio €)	31.12.2013	30.6.2014	% Change 2014/2013
ASSETS	1.378	1.461	6,0%
Financial investments in associates	2,9	3,0	3,0%
Financial investments	931,1	952,7	2,3%
Reinsurer's share of technical provisions	33,5	45,9	37,0%
Receivables	116,2	146,8	26,4%
Funds of policyholders who bear the investment risk	175,8	194,1	10,5%
Other assets	118,8	118,8	0,0%
EQUITY AND LIABILITIES	1.378	1.461	6,0%
Equity	240,1	263,4	9,7%
Subordinated bonds	30,5	28,7	-5,9%
Technical provisions	846,2	901,9	6,6%
Net technical provisions for the benefit of life insurance policyholders who bear the investment risk	170,8	185,1	8,4%
Liabilities from operating activities	45,0	47,4	5,3%
Other liabilities	45,7	35,0	-23,4%

UNAUDITED CONSOLIDATED INCOME STATEMENT

29

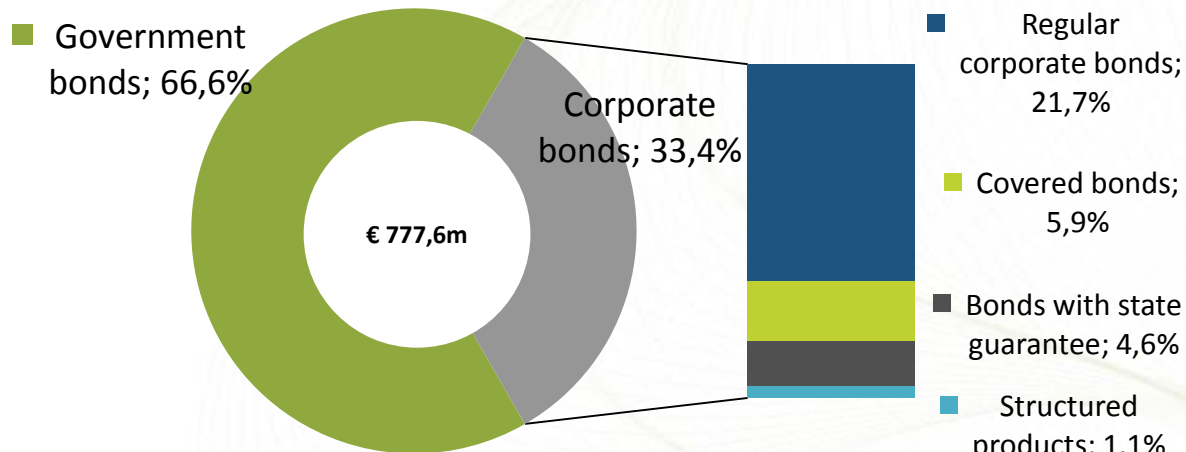
(€ million)	1-6/2013	1-6/2014
Net earned premiums	154,8	218,8
Gross premiums written	190,1	268,5
Written premiums ceded to reinsurers and co-insurers	-14,0	-16,9
Change in gross unearned premiums	-24,5	-36,8
Change in unearned premiums for the reinsurance and co-insurance part	3,2	4,1
Income from investments in associates	10,0	0,1
Investment income	11,7	18,1
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	2,3	10,3
Other technical income	2,8	3,8
Commission income	0,7	1,5
Other technical income	2,1	2,3
Other income	0,8	1,9
Net claims incurred	-90,3	-132,2
Gross claims payments less income from recourse receivables	-86,5	-129,3
Reinsurers' and co-insurers' shares	4,2	3,2
Change in the gross claims provision	-4,5	-14,2
Change in the provision for outstanding claims for the reinsurance and co-insurance part	-3,5	8,1
Change in other technical provisions	-2,0	-4,7
Change in technical provisions for policyholders who bear the investment risk	-0,5	-14,2
Expenses for bonuses and rebates	-0,3	-0,1
Operating expenses	-53,6	-70,9
Acquisition costs	-23,8	-24,8
Change in deferred acquisition costs	2,4	1,8
Other operating expenses	-32,1	-48,0
Expenses for financial assets and liabilities	-3,5	-2,3
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-4,9	-3,1
Other technical expenses	-5,7	-8,5
Other expenses	-0,3	-0,7
Profit/loss before tax	21,2	16,4
Income tax expense	-2,0	-3,7
Net profit/loss for the period	19,2	12,8
Net profit/loss attributable to owners of the controlling company	18,9	12,9
Net profit/loss attributable to non-controlling interests	0,3	-0,1
Basic and diluted earnings per share (€)	2,06 (€)	0,76 (€)

STRUCTURE BY REGION

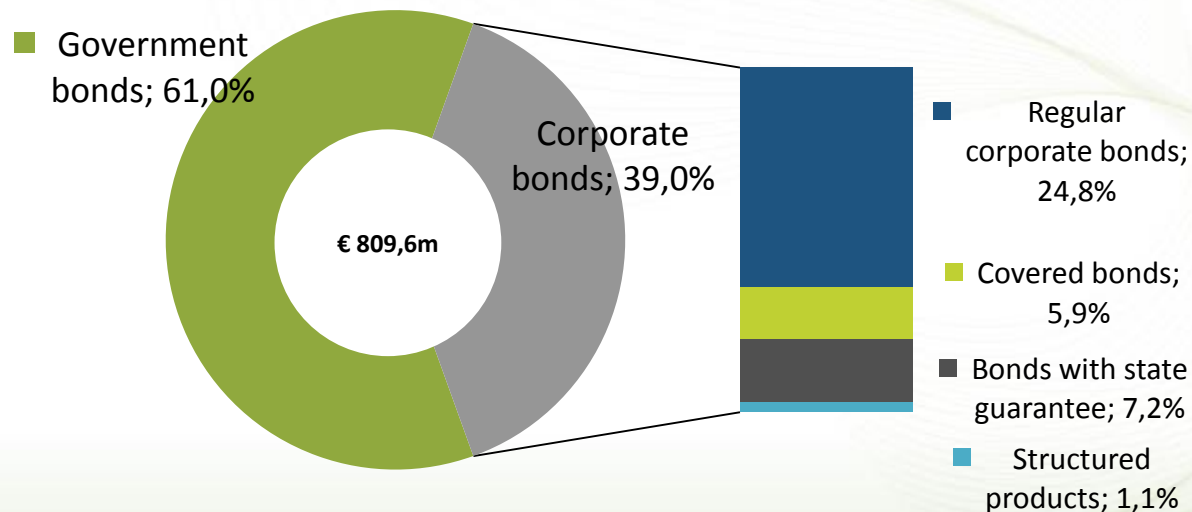


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Structure 31.12.2013



Structure 30.6.2014



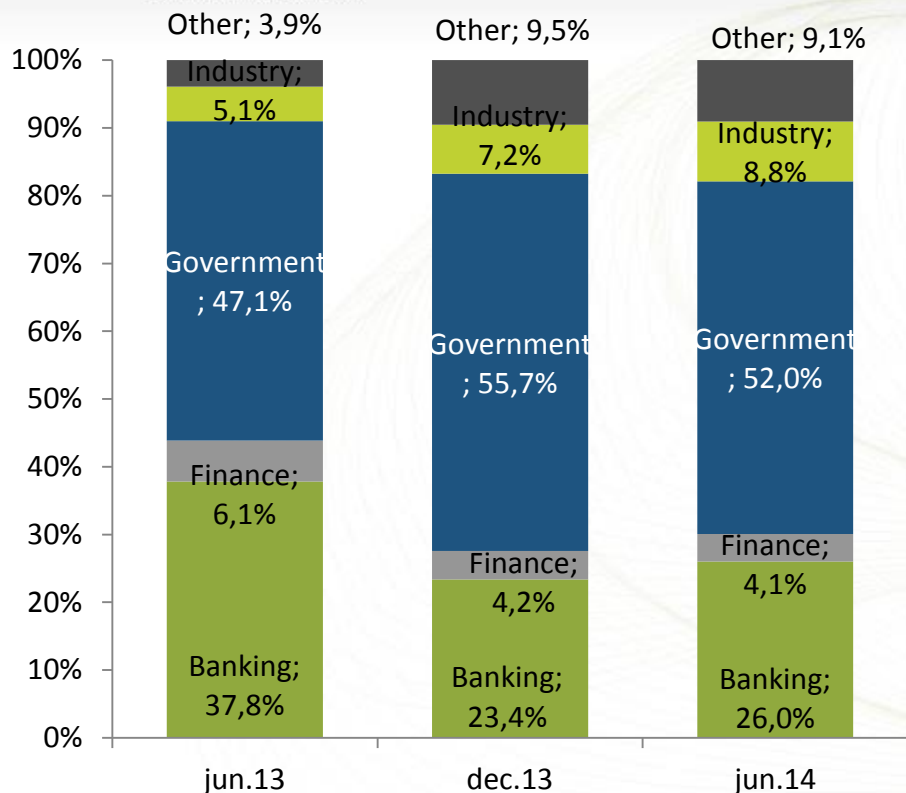
Government bonds

- € 24,0m (5,6 percentage points)

Due to:

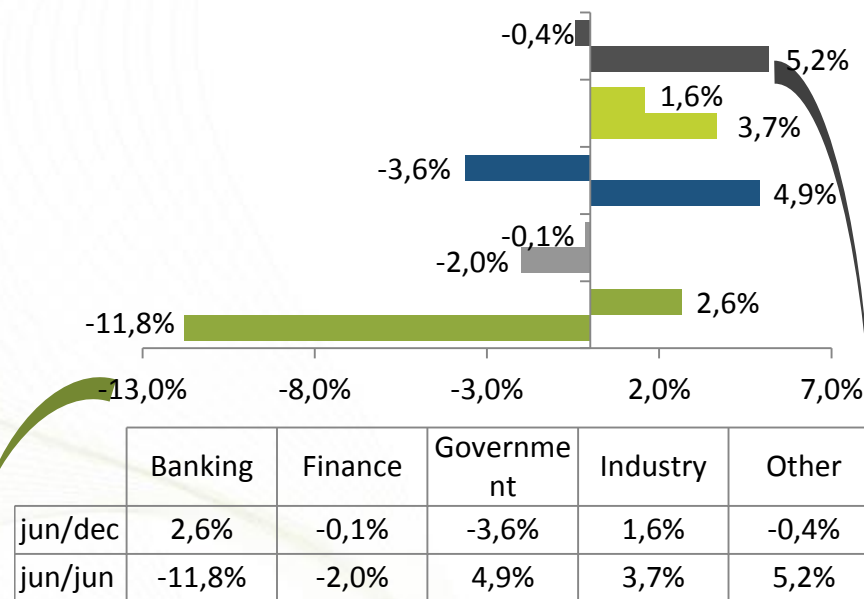
- Maturities of Slovene government bonds and assets were not reinvested in government bonds but were partially reallocated into corporate bonds with high ratings.

STRUCTURE BY INDUSTRY



Legend of the industries (according to GISC classification):

1. Banking: issuer of the investment is a bank
2. Government: issuer of the investment is a government, central bank or multilateral fin. institution
3. Finance: issuer of the investment is an insurance company, management company of mutual funds or other financial institution. Also includes investments in property.
4. Industry: issuer of the investment from industry, energy and materials
5. Other: issuer of the investment from utilities, consumer discretionary, consumer staples, telecommunication services, information technology and health care.



Decrease in exposure to banking sector compared to 30.6.2013 is due to fall in deposits and cancellation and impairments of Slovene banking bonds. Increase compared to 31.12.2013 is due to purchases of covered bonds.

Increase in category Other is due to purchases of corporate bonds in industries that generate stable cash flows from operations.

INCOME		
(in million €)	1-6/2013	1-6/2014
Interest income	8,7	12,4
Change in fair value of investments in FVPL group	0,1	0,8
Gains on disposal of investments other IFRS groups	1,1	2,9
Income from associates	10,0	0,1
Income from dividends	0,2	0,5
Positive foreign exchange differneces	1,6	1,3
Other income	0,1	0,3
Total	21,7	18,3
Investments for the benefit of life insurance policyholders who bear the investment risk	2,3	10,3

EXPENCES		
(in million €)	1-6/2013	1-6/2014
Interest expences	0,7	0,8
Change in fair value of investments in FVPL group	0,4	0,2
Losses on disposal of investments other IFRS groups	0,6	0,2
Expences from associates	0,0	0,0
Impairments	0,2	0,0
Negative foreign exchange differneces	1,5	1,0
Other expences	0,1	0,1
Total	3,6	2,3
Investments for the benefit of life insurance policyholders who bear the investment risk	4,9	3,1

FINANCIAL CALENDAR

Anticipated date of announcement/event

27 November 2014

Type of announcement/event

Unaudited consolidated report of Sava Reinsurance Company for the nine months to 30 September 2014

ADDITIONAL INFORMATION

Please contact our investor relations department for any additional information:

Jana Mandelc

E-mail: jana.mandelc@sava-re.si

Please send questions and comments about Pozavarovalnica Sava stock to our e-mail address: ir@sava-re.si