PRESENTATION AND INVESTMENT CASE DOCUMENT

SAVA Re

Pozavarovalnica Sava, d. d.

Key Data	
Ticker	POSR
Current price	EUR 7.2
Current multiples	P/E 4.46; P/GWP 0.25; P/B 0.41
Purchase price of Zavarovalnica Maribor	
Total deal size	EUR 65m
Financial construction	EUR 55m capital injection, EUR 10m internal cash flow
Valuation multiples	P/E 8.4; P7GWP 0.48; P/B 1.26
Resulting ownership	99% +
Synergy value	EUR 1.3 in 2013; EUR 6.5m in 2014; EUR 9.0m in 2015+
Transaction date	December 2012 signing, May/June 2013 payment
Additional share issue by Sava Re	
Additional num. of shares	Assuming EUR 8 price, then 6,250,000 shares
Pricing	Range EUR 7 to EUR 9 per share
Gathered amount	EUR 55m
Issue date	May 2013
2013 forward multiple	P/E 4.40; P/GWP 0.26; P/B 0.51 (at price EUR 8)
2014 forward multiple	P/E 4.24; P/GWP 0.25; P/B 0.46 (at price EUR 8)
Investment thesis	

Sava Re needs capital increase to buy additional stake in Zavarovalnica Maribor. Through consolidation and synergies effects Sava Re can improve Group's bottom line and with it ROE to above 11%. Net income growth in 2013 to 2015 period is 20%. Also Sava Re will gain significant share on the domestic insurance market to achieve economies of scale and attract more investor attention which can improve expected valuation multiple. Valuation of Zavarovalnica Maribor stake is reasonable given the synergies, while with forward multiples for a new Group valuation seem attractive.

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Analyst: Matej Šimnic, Sašo Stanovnik

Supervisory Authority: Slovenian Securities Market Agency

Ljubljana, 17.12.2012

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1 COMPANY DESCRIPTION

Reinsurance Co Sava (Sava Re) is the leading Slovenian company in reinsurance business with 31% domestic market share and largest locally-based non-captive reinsurer in the CEE region. It also has insurance business (life and non-life) in Slovenia and Western Balkans (Croatia, Kosovo, Macedonia, Montenegro and Serbia). The company has a 38 year history. In 1992 it used to be a pure Slovenian reinsurance company, but then it started penetrating insurance market in Slovenia and Western Balkans.

Company Name:	Sava Reinsurance Company, d.d.
Registered office:	Dunajska 56, 1000 Ljubljana, Slovenia
Website:	www.sava-re.si
Company ID:	5063825
Tax number:	17986141

1.1 MANAGEMENT AND SUPERVISORY BOARD

Members of management board have a 5 year term. Current chairman's term started on 31.12.2008, the same for Jošt Dolničar, while Srečko Čebron term started on 1.2.2009 and Mateja Treven term started on 3.2.2011. The Article of Association states that the company can have from 2 to 5 member management board.

Management Board:	Supervisory Board
Zvonko Ivanušič (Chairman)	Branko Tomažič (Chairman)
Jošt Dolničar	Mateja Lovšin Herič (Deputy Chairperson)
Srečko Čebron	Slaven Mićković
Mateja Treven	Gregor Hudobivnik
	Martin Albreht (employee representative)
	Samo Selan (employee representative)

Zvonko Ivanušič (*Chairman of the Management Board, Sava Re)*

- Joined Sava Re in 2002 as Consultant to the Management Board. In 2004, he became Deputy Chairman of the Board, and in 2008 assumed current position.
- 2000 Minister of Finance, Republic of Slovenia
- 1997 – 2000 Chairman of the Board of Zav. Slovenica,
- 1994 – 1997 Chairman of the Board of Kmecka Druzba,
- 1993 – 1994 Managing Director of Belt Livar
- Zvonko graduated Economics from the University of Maribor and earned an MSc. from the University of Ljubljana.

Mateja Treven, CFA (Member of the Management Board, Sava Re)

- Joined Sava Re at the beginning of 2011. Prior to that Mateja served on the Supervisory Board of Sava Reinsurance Company and chaired its Audit Committee.
- 2010 Consultant to the Board (Finance and Accounting), Publikum d.d.,
- 2006 Member of the Management Board, Publikum d.d.,
- 2000 – 2006 Head of Investments, Consultant to the Chairman of the Board (Finance and Accounting), Zavarovalnica Triglav,

- Mateja holds a degree in Economics from Univ. of Ljubljana and MSc. from City University, London.

Srečko Čebron (*Member of the Management Board, Sava Re)*

- Srečko has been a Member of the Management Board of Sava Reinsurance Company since 2009. Prior to that, he was a Member of the Management Board of Zavarovalnice Maribor since 2001.
- Starting his career with Generali in Trieste, Srečko spent much of his career in the international marketplace from Zavarovalnica Tilia (Slovenia), Unipol (Milano, Bologna and Moscow), to ICMIF (Manchester) and Generali (Trieste).
- He has over 30 years of experience in insurance.
- Srečko has a degree in Mining Engineering from University of Trieste

Jošt Dolničar (*Member of the Management Board, Sava Re)*

- Jošt Dolničar has been with Sava Reinsurance Company since 2006 as Senior Executive responsible for the management of subsidiaries and since December 2008 as Member of the Management Board responsible for Group Support of Primary Insurance Subsidiaries, Risk Management, Actuarial Affairs and Processes & IT.
- Before joining Sava Reinsurance Company, Jošt worked for Zavarovalnica Triglav – in his last appointment as Executive Manager of Non-life Business.
- Jošt Dolničar graduated in law from the University of Ljubljana.

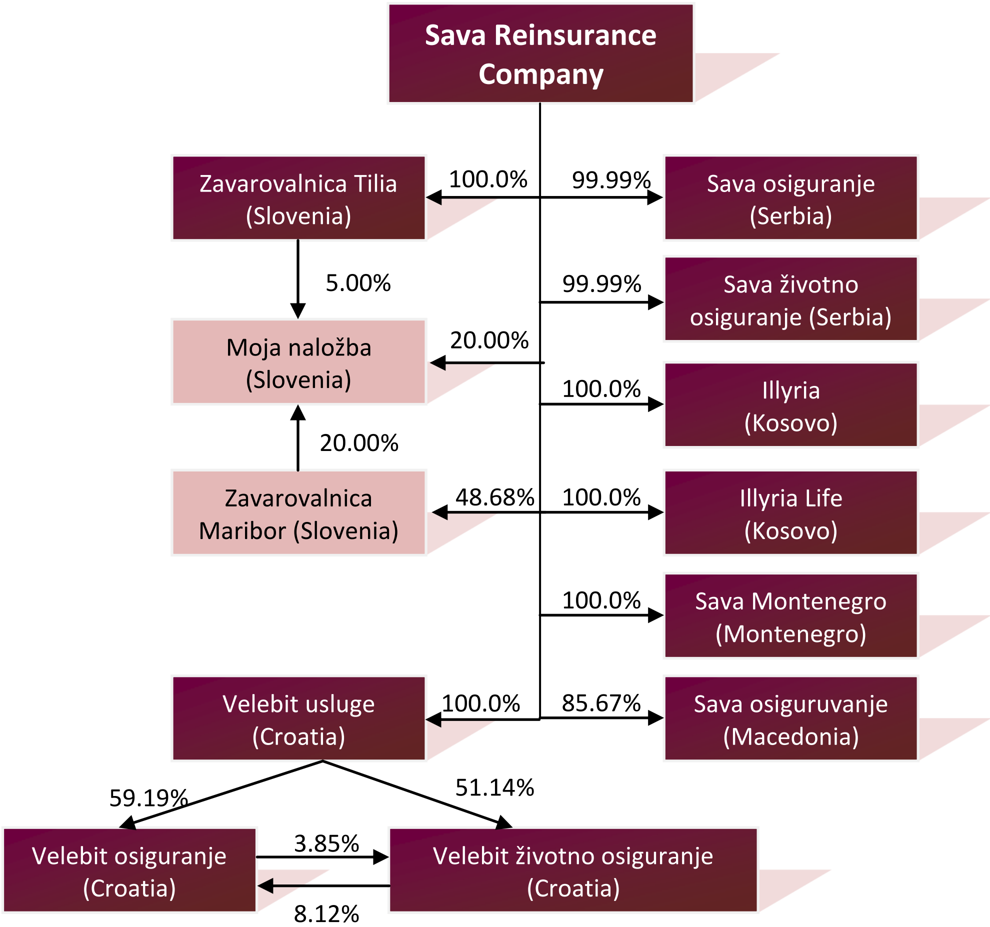
1.2 CREDIT RATING

While A.M.Best has just initiated an A- credit rating of Sava Re, S&P has initiated its credit rating in 2005 with BBB+ rating. On 24.9.2008 the rating was improved to A- and was several times confirmed only to be downgraded on 8.7.2012 back to BBB+. Main reason for the downgrade was a connected to sovereign downgrade of rating and negative outlook, as the connection between state and Sava Re was deemed strong. The credit rating agency praised Sava Re good competitive position, diversified insurance portfolio and strong capitalization, but warned about modest underwriting performance and a lack of strong market position in at least one stable insurance market.

Credit agency:	Rating
S&P	BBB+ /negative/; November 2012
A.M. Best	A- ; October 2012

1.3 GROUP STRUCTURE

Group structure as at November 30, 2012 consists of controlling company Sava Reinsurance Company, nine insurers located in Slovenia and SEE region and two associate companies, one of which is Zavarovalnica Maribor.



Number of emloyees	30.9.2012	31.12.2011
Sava Reinsurance Company, Slovenia	66	66
Zavarovalnica Tilia, Slovenia	367	378
Sava osiguruvanje, Macedonia	119	120
Illyria, Kosovo	85	141
Sava Montenegro, Montenegro	152	140
Sava osiguranje, Serbia	241	266
Velebit osiguranje, Croatia	142	147
Velebit životno osiguranje, Croatia	78	79
Illyria Life, Kosovo	98	98
Sava životno osiguranje, Serbia	84	84
Total	1,443	1,530

1.4 GEOGRAPHIC ORIENTATION

The main Sava Re market is domestic Slovenia, where company headquarters are also located. In terms of daughter companies and insurance business (life and non-life) Sava Re is orientated on SEE region, namely Croatia, Montenegro, Serbia, FYR Macedonia and Kosovo. No expansion is envisioned by the management outside current perimeters, only strengthening of position in the existing markets. On the other hand reinsurance business is more geographically diversified not only on other parts of Europe, but Asia, Africa and Americas as well. Here the management will continue pursuing better geographical diversification and is seeking new perspective markets.

1.5 SHARE DATA

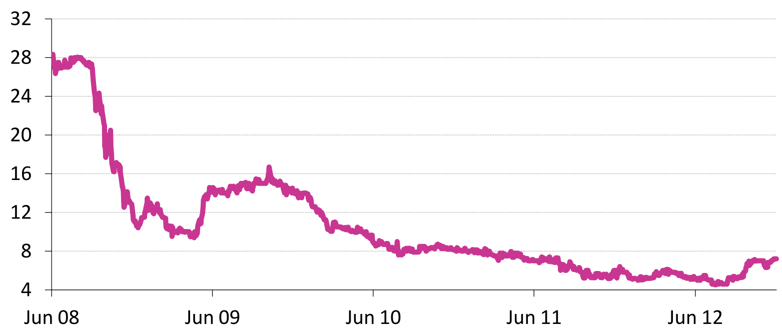
Share Ticker:	POSR (Bloomberg POSR SV)
ISIN number:	SI0021110513
Number of shares:	9,362,519
Share capital:	EUR 39,069,099
Listing:	Ljubljana Stock Exchange (prime market)

Shareholder structure (Top 10 shareholders):	Number of shares	Stake
Slovenska odškodninska družba, d.d.	2,340,631	25.0%
Abanka d.d.	655,000	7.0%
Poteza Naložbe d.o.o. - v stečaju	468,125	5.0%
Pišljar Marjan	445,626	4.8%
NFD 1, delniški podsklad	437,007	4.7%
Nova KBM d.d.	435,925	4.7%
SOP Ljubljana	403,661	4.3%
Modra Zavarovalnica d.d. - ZVPS	320,346	3.4%
Zavarovalnica Maribor D.Z.D. - KS ŽZ	255,088	2.7%
KD Galileo, Fleksibilna struktura naložb	250,754	2.7%

Source: KDD (10.12.2012)

Current shareholder structure is fairly diversified. The state with its different entities, funds and majority state owned banks has around 32% stake. Additionally Zavarovalnica Maribor has a 4.4% stake. Abanka is a bank going through capital raising process that could encompass divestments while Poteza Naložbe is in a bankruptcy procedure. Given the type of investors, Sava Re disclosed in their third quarter report that domestic banks own 14.4% of the company, while foreign banks 0.8%. Domestic investment and mutual funds have 13.2% stake in the company, with foreign 0.4%, while domestic insurers and pension companies owning 18.6%. Other financial institutions own 30.3% (2.3% of which foreign), while the rest is owned by commercial companies and natural persons. Altogether 3.7% of issued shares were owned by foreign investors on 30.9.2012.

Stock price has stagnated in the last year between EUR 5 and 6 till October, when the stock price significantly increased to above EUR 7. Looking at the main domestic stock index SBI TOP Sava Re outperformed in the autumn months. 3M return is at 33.3%, 12M return is at 33.4% while 3YR return is at -49.4%. Average daily trade volume amounts to EUR 8.7 thousand or 0.017% of issued amount. The liquidity is therefore small.



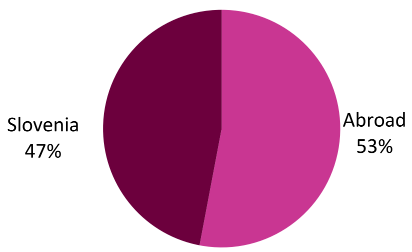
Source: Bloomberg

We note that the price increase in autumn months is the result of positive turnaround of overall Slovenian market, speared by privatisation and takeover speculations for some Slovenian blue chip companies. Before autumn, the Sava Re stock price and overall LJSE market was under the influence of severe negative investor sentiment and overall low liquidity of the market. We additionally note that the volumes and turnover was higher in price increase period in autumn than in previous price decrease period (from 7 to 4.5 EUR).

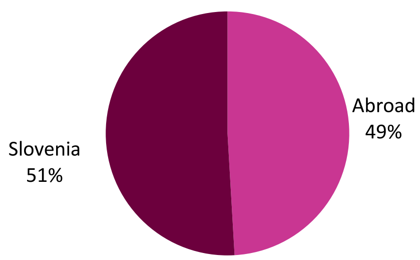
1.6 BRIEF SEGMENTAL AND PORTFOLIO DATA

A little less than a half of Gross written premium is still generated on the domestic Slovenian market, namely 47% in 9M12, where they have around 30.9% market share in reinsurance and a smaller 3.8% market share in insurance through ownership of Tilia according to the 2011 data. Out of 51% GWP generated abroad 19 p.p. is generated in SEE region through subsidiaries.

Gross Written Premium in 9M12

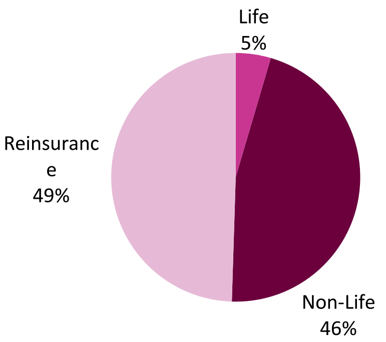


Gross Claims in 9M12

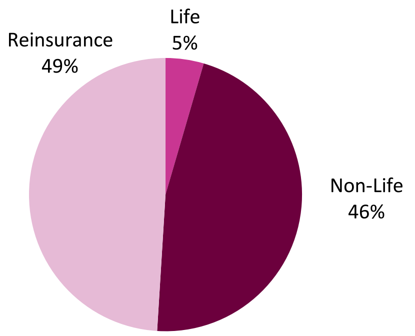


Looking through segmental GWP split, it generates around half in reinsurance segment, around 46% in non-life segment, while the life insurance segment is by far the smallest with only 5% share in total generated GWP.

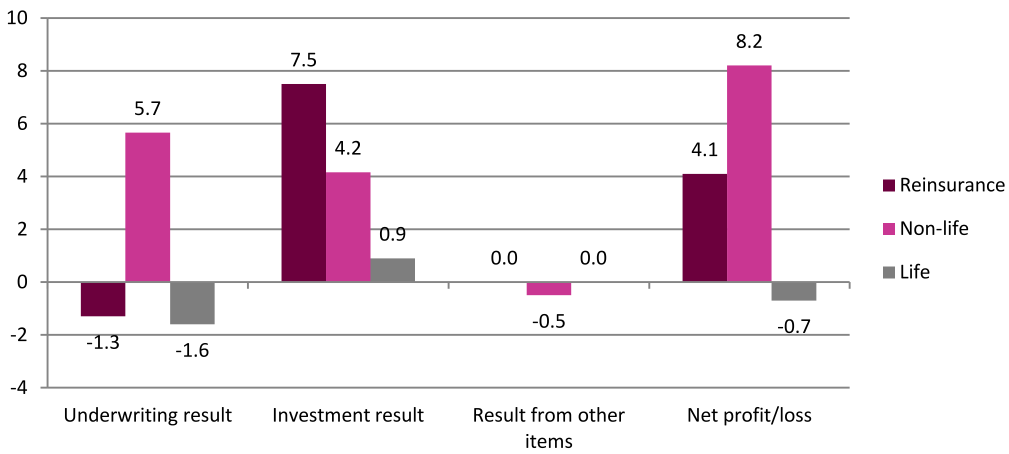
Gross Written Premium in 9M12



Gross Claims in 9M12



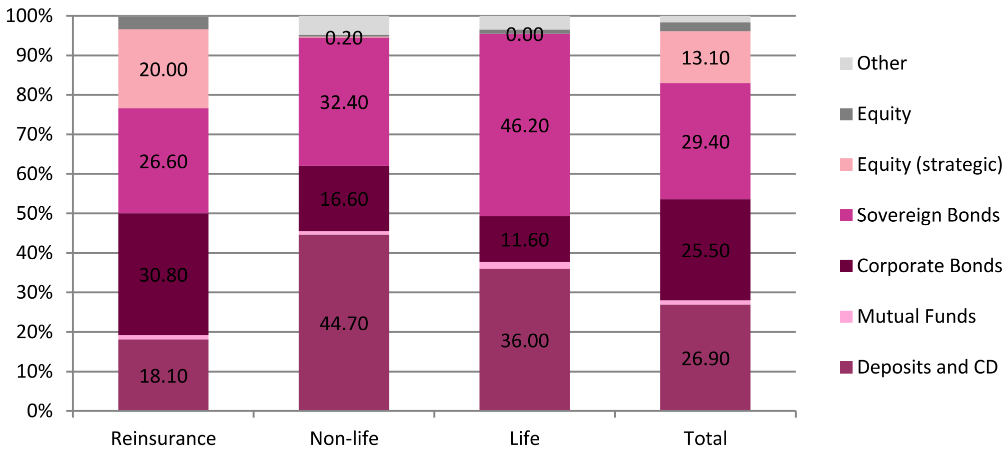
Segmental results in 9M12 in EURm



Source: Sava Re

Majority of the Group's portfolio is located in deposits, CD's and government bonds, namely 56.3% of the portfolio. Here we must note that associate companies represent 13.1% of the portfolio. The rest is located primarily in corporate bonds and equity, or 25.5% and 2.3% respectively.

Portfolio structure on 30.9.2012



Source: Sava Re

Looking at different segments and excluding associates, non-life investment portfolio is as expected very conservative with nearly half in deposits and CD's (here we note that in the region deposit rates are quite high compared to the rest of Europe), while 32.4% is located in sovereign bonds. Very conservative is also life segment portfolio with 36.0% in deposits and 46.2% in sovereign bonds. Reinsurance without strategic investments has 18.1% in deposits, 26.6% in sovereign bonds but 30.8% in corporate bonds and 3.3% in equity.

Portfolio return in 9M12:

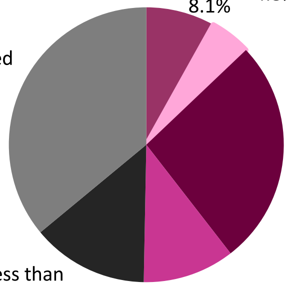
Asset class	Reinsurance	Non-life	Life	Total
Deposits and CD	1,578,514	2,411,332	312,209	4,302,055
Mutual Funds	-855,813	-56,597	27,379	-885,031
Corporate Bonds	2,455,623	687,473	149,481	3,292,576
Sovereign Bonds	1,143,760	1,462,832	455,218	3,061,810
Equity (strategic)	4,769,258	0	0	4,769,258
Equity	-577,175	328,817	-41,596	-290,297
Other	-479	161,679	2,438	163,640
Total Return	**8,513,638**	**4,995,537**	**905,130**	**14,414,305**
Total Return after cost of financing	**7,384,970**	**4,548,731**	**890,038**	**12,823,739**

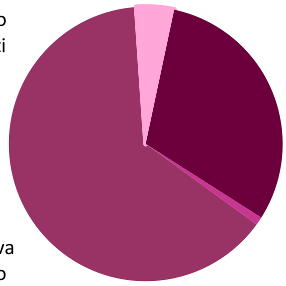
Source: Sava Re

EUR 4.8m gained for Equity (strategic) in 9M12 relates to net profit in associated companies (Zavarovalnica Maribor and Moja Naložba) that are consolidated using the equity method.

We must note that there is an in-house portfolio management team managing all the assets of the Group.

Portfolio structure on 30.9.2012





Source: Sava Re

1.7 SOLVENCY

In the last years Sava Re's solvency ratio decreased, however it remained considerably above minimal requirements. Nevertheless focus should probably be more on changes which we will see in Solvency II. But Solvency II regulation was for now postponed to later times. Here we note there are still some uncertainties how this will affect small insurers which are part of the Group and what will be the result of possible capital reallocation for reinsurance operations.

Sava Re Group	2008	2009	2010	2011
Available solvency margin	144.4	126.7	121.4	136.2
Required solvency margin	86.31	60.4	74.0	79.4
Surplus	58.1	66.3	47.4	56.8
Solvency Ratio	167.3%	209.9%	164.1%	171.5%

Sava Re d.d.	2008	2009	2010	2011
Available solvency margin	76.1	57.3	41.8	41.2
Required solvency margin	16.2	18.7	20.2	21.6
Surplus	59.9	38.6	21.6	19.6
Solvency Ratio	469.1%	306.5%	207.2%	190.7%

Source: Sava Re

2 MACROECONOMIC ANALYSIS

Slovenia is a member of European Union, Eurozone, NATO and OECD. The rest of the region is moving toward European organisations and are therefore going through convergence processes. Here we must note that the differences are vast and that the lasting global turmoil has shown weaknesses in the region and considerably slowed the convergence process. We note Croatia is supposed to become an European Union member in mid 2013.

Expected GDP growth in %	2011	2012E	2013E	2014E
Croatia	-0.01	-1.14	0.95	1.50
Macedonia	3.11	0.96	1.95	3.54
Montenegro	2.45	0.20	1.54	2.03
Serbia	1.62	-0.48	2.05	2.55
Slovenia	0.60	-2.22	-0.36	1.71

Source: International Monetary Fund, World Economic Outlook Database, October 2012

Slovenian and Ex-Yugoslavia region (i.e. SEE region) is, as the rest of the world, facing a difficult macroeconomic situation. Growth rates have declined significantly from the period before 2009, while a pickup of economic activity was weak in the aftermath of global and financial economic crisis. This is clearly seen in Slovenia, where a 7.84% decline of GDP in 2009 was followed by two years of weak growth (1.24% and 0.60%), while in 2012 we can again expect around 1.5% decline of GDP (in 2Q12 GDP contracted by 3.2% YoY). For 2013 the expectations are that the economic decline will continue. IMF expects 0.36% decline in GDP while UMAR (Institute of Macroeconomic Analysis and Development) expects a 1.4% decline of GDP for 2013. We believe the latter is likelier. In 2014 we could again see positive growth.

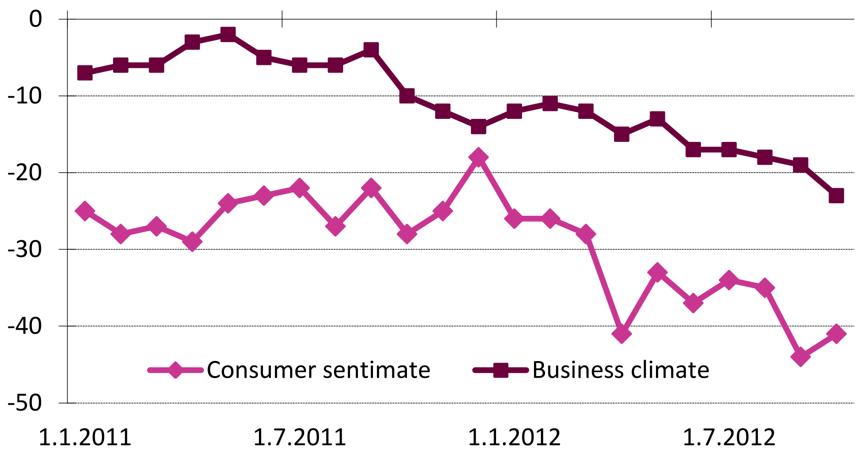
YoY growth rates	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
Real GDP	2.5	1.6	0.8	-2.4	0.2	-3.2
Private consumption	1.7	0.7	2.2	-0.4	0.6	-3.0
Government exp.	-1.0	-1.5	-1.1	-1.3	0.0	-2.0
Gross investments	4.3	-3.1	-3.5	-15.4	-11.1	-22.1
Export	11.6	8.8	5.1	3.1	2.0	-0.5
Import	10.6	5.6	4.4	0.8	-1.1	-5.4

Source: Institute of Macroeconomic Analysis and Development

The main reason for the lag in economic activities are lending problems due to raising NPL's (reaching 20% in big banks) and weak capital adequacy that still needs to be attended to. Namely Slovenian bank balance sheet contracted by 1.5bln or by 5.5% YoY in 9M12 as loans to non-banking sector has decreased by 5.7%, 2.0% for households and 8.4% for corporate clients. There has been also intensified competition for deposits, which led to increase of interest rates on deposits. In difficult situation is also construction sector, as activity declined by 25% in 2011 and 17.3% in first half of 2012 and with overall decline of 57% since mid-2008. Additionally, Slovenia is an export orientated country, with main trading partners being Germany, US, Italy and France. Weakening of activity in these markets is therefore negatively influencing activity in Slovenia. Export activity was therefore a positive factor in 2010 and 2011 for Slovenian GDP, but in 2012 even this segment is weakening and is expected to turnaround only in mid-2013. As for domestic demand, this is under pressure due to stickiness of recessionary environment, rising unemployment, fiscal retrenchment and a drop in real wages.

The result of this adverse dynamic is increased unemployment rate. It reached 11.7% in the mid 2012 (registered unemployment rate) and thereby increased by 2.6 p.p. from 2009. Since labour reform is still not carried through and the legislation is quite rigid we believe the unemployment will persist at these high levels. Labour competitiveness has not increased, but government has pushed through lower corporate income taxes and tax reliefs for R&D.

Consumer sentiment and business climate is therefore low and in a downward trend in last two years.



Source: Bank of Slovenia

The weak economic activity and banking problems are also the main culprits for credit downgrades seen in several countries in the region in the last year. Namely S&P downgraded Slovenia in August 2012 from A+ to A, Moody from A2 to Baa2 and Fitch from A to A-. Here we also note that Serbia and Bosnia and Herzegovina will likely need a new IMF finance package (discussions are ongoing).

Credit Ratings	S&P	Moody's	Fitch
Croatia	BBB- (negative)	Baa3 (negative)	BBB- (stabile)
Macedonia	BB (stabile)	n.a.	BB+ (stabile)
Montenegro	BB- (stabile)	Ba3 (stabile)	n.a.
Serbia	BB- (negative)	n.a.	BB- (negative)
Slovenia	A (negative)	Baa2 (negative)	A- (negative)

Source: Bloomberg, 6.11.2012

As for the rest of the region the problems are similar and the GDP growth rate, although positive for some countries, should be one of the lowest in a decade, surpassed only by 2009 data. For 2013 expectations are that economies should improve, but only slightly. IMF sees higher growth rates only after 2014.

- Croatia's economy could experience a slight boost if they become a EU member in 2013. Here as well the county experienced a persistence of recessionary environment, too large public sector to bear, high unemployment (around 14%) and uneven privatisation process, which was only slightly counterbalanced by tourism sector gains.

- Kosovo is still dependant on foreign aid, infrastructure inappropriate, while political situation remains problematic. Agriculture is providing one fifth of GDP and employs 16 to 17% of workforce. It has extensive informal and black economy and with it high unemployment rate.
- Macedonia fared the best through last years due to exports and FDI's (also due to low flat tax rate of 10%), while for the future infrastructure projects are planned to boost economy. On the other hand unemployment rate remains high (around 31% in 2011), while informal economy is also large.
- Montenegro economy is also burdened by informal economy (around 40% of GDP) and high unemployment (around 20%). The main positive factor to the economy is tourism segment, that is on the rise. Restructuring process is still under way, as well as privatisation program. Montenegro as well has an attractive flat tax rate of 9%.
- Serbian economy also experienced a significant headwind after 2009, that stalled economy from around 5% growth to barely positive (negative in 2012). Government responded, but structural reforms are slow, as well as rebalancing of the economy. Russia remains an important export and investment partner. Unemployment is high (above 20%) and informal economy strong. Government is ambitious for the target growth in 2013, especially since tough reforms will have to be passed, but based on low tax rates to attract investments, infrastructure projects, breaking down on informal economy etc.

Inflation numbers are mostly under control in mentioned countries, with exception of Serbia, where inflation is still on high levels. Nevertheless a drop in economic activity lowered inflationary pressures.

Expected CPI in %	2011	2012E	2013E	2014E
Croatia	2.26	2.99	3.00	3.00
Macedonia	3.90	2.00	2.00	2.00
Montenegro	3.08	3.41	2.97	3.49
Serbia	11.15	5.93	7.55	4.51
Slovenia	1.83	2.17	1.51	1.90

Source: International Monetary Fund, World Economic Outlook Database, October 2012

Slovenia has a current account surplus in 2011 and should sustain it in next couple of years. Croatia is maintaining a slight deficit as tourism season are good, but declining imports due to lower consumption are also helping to lower deficit. High C/A deficit in Montenegro also poses a major risk for their economy. Serbia's C/A could on the other hand be positive biased (given current IMF forecasts) as production from Fiat should start by the yearend.

Current Account in %	2011	2012E	2013E	2014E
Croatia	-0.97	-1.17	-1.30	-1.45
Macedonia	-2.67	-3.97	-5.98	-5.74
Montenegro	-19.47	-20.02	-19.79	-18.91
Serbia	-9.50	-11.47	-12.59	-13.77
Slovenia	0.00	1.11	1.02	0.94

Source: International Monetary Fund, World Economic Outlook Database, October 2012

Slovenian government budget deficit reached 5.5% of GDP in 2009. Although this was not alarming amount in times of harsh global turmoil, the problematic fact is that even the pickup of economic environment in 2010 and 2011 in comparison to 2009 has not improved budget deficit. Namely, in 2011 budget deficit was at 6.4% of GDP. The reason for this is that big cost cutting in public sector was mostly avoided and that several reforms was delayed or pass through only by diminishing the effects and influence of reform. We note however that the government has enforced one wave of public spending cuts in 2012, namely 8% cut to public salaries (effective number is actually lower). The government is planning to lower the budget deficit to 3.5% of GDP for 2012 and 3% or less in 2013, but under the assumption that all planned reforms and public spending cuts will be implemented in a timely matter. Additionally, banking sector still needs capital injection so we believe that without privatisation and assets sale (Slovenian government is still heavily involved in main Slovenian companies) there is risk of quite higher budget deficit than planned by government. Therefore we can expect that end year budget deficit will be higher than planned, namely around 4.0% in 2012 and 3.5% in 2013. It is likelier that deficit could be below 3% only after 2013.

Budget Deficit in %	2011	2012E	2013E	2014E
Croatia	-5.17	-4.40	-4.49	-4.54
Macedonia	-2.48	-2.55	-2.50	-2.20
Montenegro	-6.49	-5.07	-3.42	-2.26
Serbia	-4.20	-6.59	-5.87	-6.26
Slovenia	-5.61	-4.62	-4.43	-2.77

Vir: International Monetary Fund, World Economic Outlook Database, Oktober 2012

Here we must also note that government debt levels of Slovenia are quite low at 47% of GDP (52% projected by the end of the year) and therefore far from problematic (below 60 percent of GDP which is set by Maastricht Treaty). Nevertheless the trends are negative (demographic trend, projections for retirement benefits etc.) and with further bank capital injections pending the number can surge in the following year, while the trend could cease only if proper reforms are passed (we note pension reform was successfully passed). Here we must note that if in the past the government was reluctant to give up its stakes in the companies and thereby their influence in economy, it seems a positive side effect of this recession is better willingness for privatisation, at least in rhetoric. We will see if this transforms into actions, although several smaller companies were sold.

All other government budgets will also be under the influence of problematic and persisting global turmoil on one hand, and the need for expenditure costs on the other. Narrowing budget deficit is the main goal, but tough to achieve given the environment. In Croatia VAT tax rate was raised from 23% to 25% in March 2012 and several structural and economic policies are in the making. We see Croatia's pending entry in European Union in 2013 as positive for investment climate and economic activity.

Devizni režim	
Croatia	HRK; regime maintaining stabile range to EUR
Macedonia	MKD; managed floating currency regime
Montenegro	Adopted EUR, but not in Eurozone.
Serbia	RSD; managed floating currency regime
Slovenija	V Evroobmočju

3 INDUSTRY ANALYSIS

Regional top 100 SEE insurers had EUR 6.053 bln of GWP in 2011, but this represented a 2.3% YoY decrease. The biggest insurance companies with corporate HQ in SEE are (according to SeeNews):

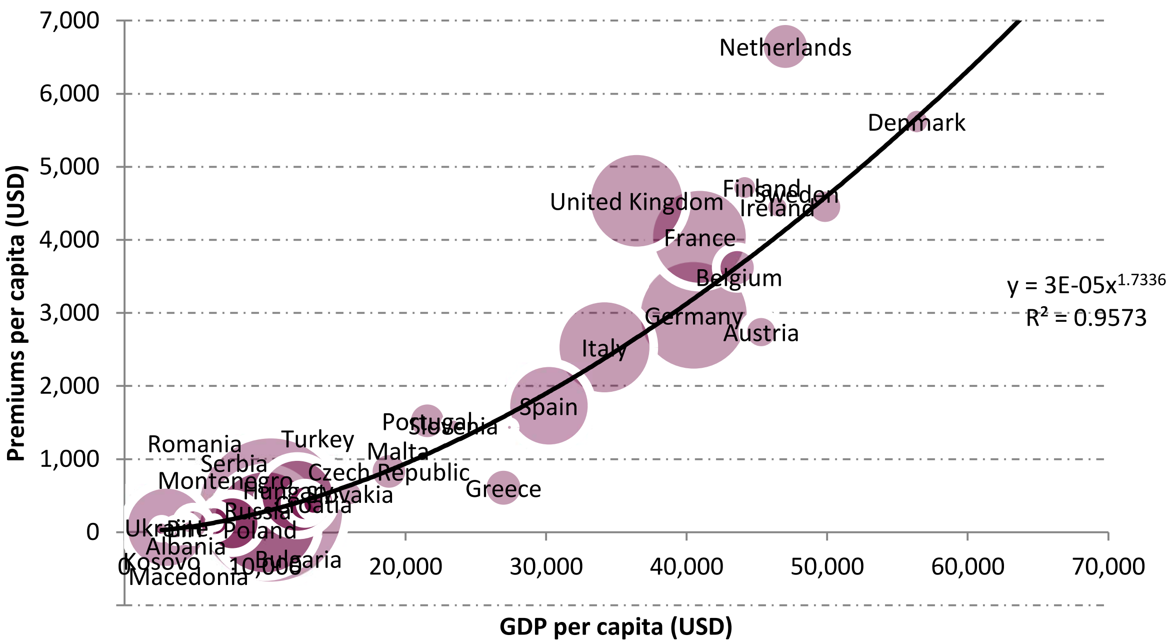
- Zavarovalnica Triglav (EUR 697m of GWP),
- Croatia Osiguranje (EUR 370m of GWP),
- Adriatic Slovenica (EUR 266m of GWP),
- Zavarovalnica Maribor (EUR 263m of GWP) and
- Astra (EUR 234m of GWP).

CEE insurance market had a decade of an amazing growth before the crisis (before 2007) driven by many key drivers:

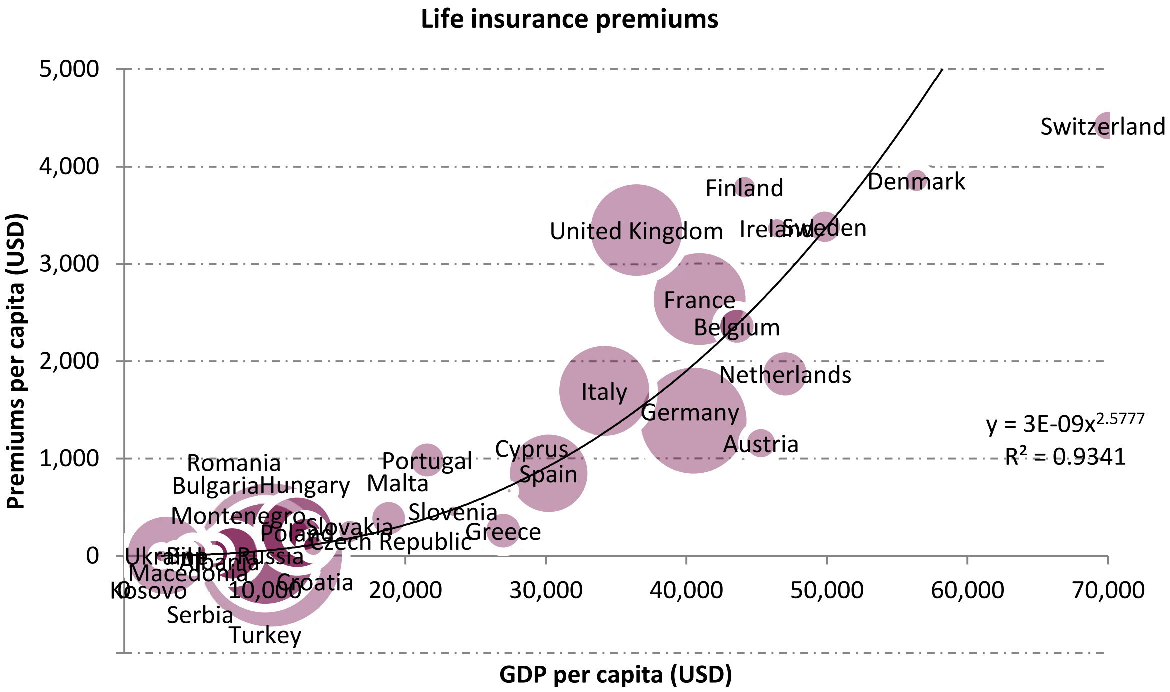
1. Convergence process, since there were significantly different penetrations rates between West and East and South East European markets, especially in life insurance and health insurance segments. Here we must note that the differences are still vast and that we can expect that the conversion trend will continue in the future at a faster pace. Xprimm.com reported CEE expenses per capita for insurance in 2011 were at 253 EUR per capita (Slovenia leads with EUR 1,046 followed by Czech at EUR 590 per capita).

Insurance market regression between GDP per capita (x) and insurance density (y) shows the mutual tight relation and with it prospects of undeveloped countries with low insurance density.

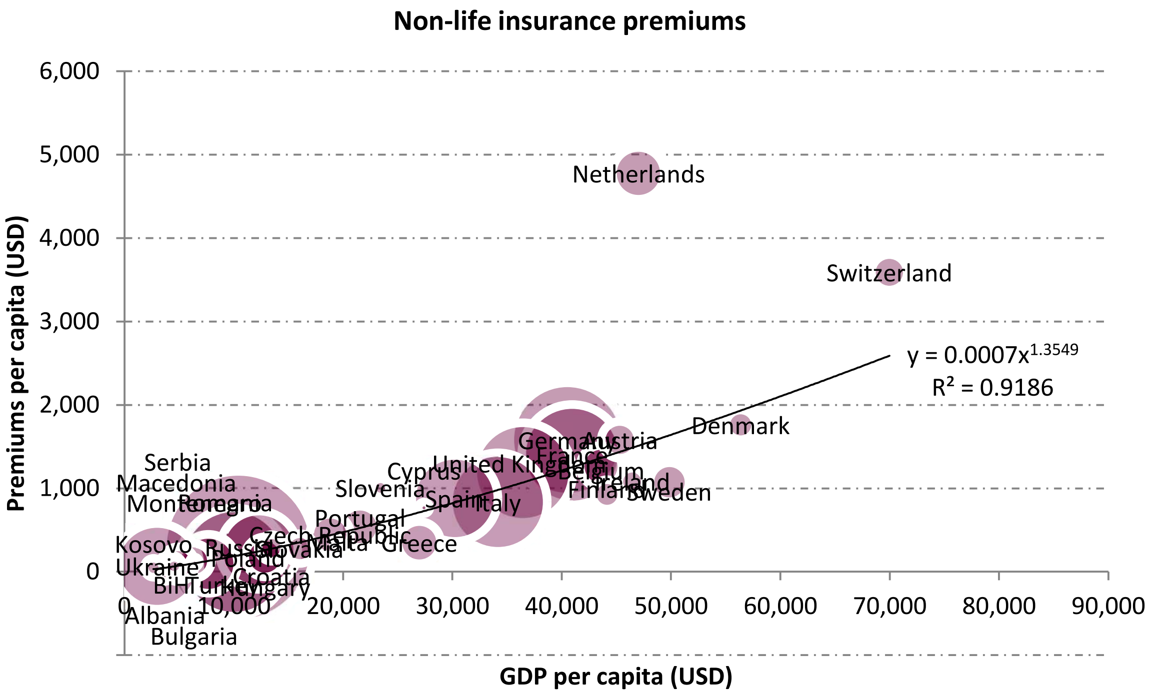
Total premiums (life+non-life insurance)



Source: Swiss Re, Sava Re, Triglav, Xprimm.com, Alta Invest estimates



Source: Swiss Re, Sava Re, Triglav, Xprimm.com, Alta Invest estimates



Source: Swiss Re, Sava Re, Triglav, Xprimm.com, Alta Invest estimates

2. Due to **increase in disposable income** and wealth of households from Eastern and South Eastern Europe. This is normal development in insurance business as data points out that GWP per capita curve starts significantly increasing (non-linear) after GDP per capita is closing to 10.000 USD per capita. Higher wealth and disposable income makes people think about insurance. Vienna Insurance Group also points out that MTPL growth can be seen not only due to underpenetration but also due to current old vehicle park in these countries.

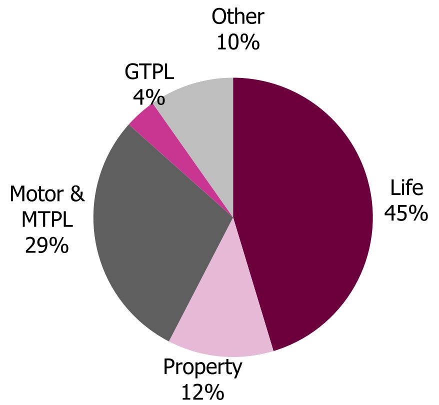
Density in EUR	
Austria	1.997
Slovenia	1.020
Czech	568
Slovakia	381
Poland	356
Hungary	306
Croatia	286
Bulgaria	111
Montenegro	99
Romania	93
Serbia	75
BiH	65
Macedonia	51
Ukraine	48

Source: Zavarovalnica Triglav, Viena Insurance Group

3. Due to **strong foreign direct investments in the region**. FDI in insurance increased due to above mentioned factors (making the region attractive for pursuing growth) and increased even more after inclusion of several new countries into European Union. **Consolidation** was also the important factor behind it. This is especially evident in the fact that big local owned insurance companies are now very scarce (PZU, Zavarovalnica Triglav, Croatia Osiguranje) and that international insurances are very present in the region (Allianz, Uniqa, Vienna Insurance Group, Generali etc.). In 2011 several foreign insurance companies entered Turkey while VIG made acquisition in Bosnia & Herzegovina and Poland. Further consolidation is possible in the following years, since also smaller players will need to expand to get enough economy of scale or exit due to unprofitable business.

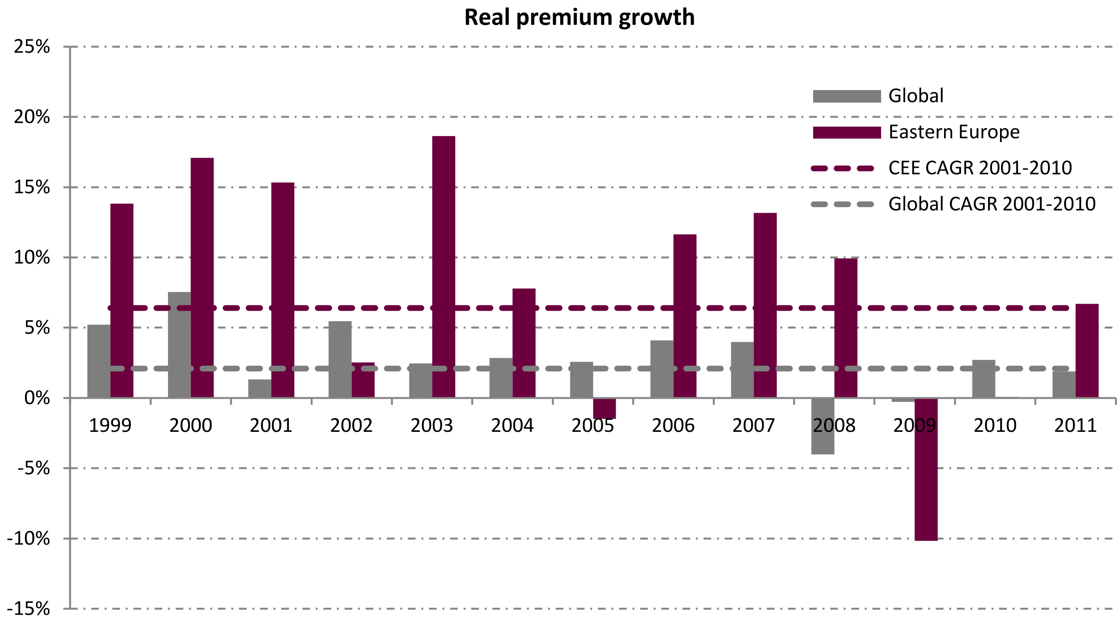
Below we can see the structure of CEE market in terms of type of insurance, but we must note that the structure (especially part of life insurance) varies significantly from country to country.

GWP structure of CEE insurance (3Q11):



Source: Xprimm.com

The **debt crisis and recession had affected these trends** and hit CEE insurance companies and their operation in the region. Especially life insurance segment, being seen before the crisis as the biggest future growth driver, had experienced a setback since people are more concerned with employment and purchasing power than paying into life insurance. KPMG points out that even in Poland (one of very prospecting insurance markets and far the biggest in the CEE region) life insurance premiums dropped by a high 22% (in PLN), despite their GDP actually retained growth in 2009. **Most of the CEE markets therefore went from high growth levels of GWP into flat or even negative rates after crisis**. This is a logical consequence of economic environment and lower experience with life insurance contracts. As mentioned this is mostly due to the life insurance segment, so actually the difference in penetration rates between West and Eastern and South-Eastern markets probably again increased. Additionally motor insurances suffered also in some CEE countries, possibly due to lower credit activity and lower purchasing power (showed also in drop in vehicle sales growths).



Source: Swiss Re

We believe the above mentioned **growth trends** that have driven above average growth in insurance sector before the crisis **will restore back once economies stabilize**. Additionally this will also be driven by stronger regulatory framework, providing also better margin environment.

Country specifics, where Sava Re is present are given on the following pages.

3.1 SLOVENIA

Slovenia	*2011*	*2010*
Real change in GDP (%)	-0.2	1.4
GDP (m EUR)	35,639	35,416
Registered unemployment rate (%)	11.8	10.7
Average inflation (%)	1.8	1.8
Population (m)	2.0	2.0
GDP per capita (EUR)	17,820	17,708
Insurance premiums (m EUR)	2,092	2,094
Insurance premiums – non-life (m EUR)	1,454	1,438
Insurance premiums – life (m EUR)	638	656
Insurance premium per capita (EUR)	1,046	1,047
Premium/GDP (%)	5.9	5.9
Average monthly net salary (EUR)	999	989

Market segmentation	
Zavarovalnica Triglav	33.20%
Adriatic Slovenica	12.70%
Zavarovalnica Maribor	***12.60%***
Vzajemna	11.90%
Modra zavarovalnica	6.70%
Zavarovalnica Tilia	***3.80%***
Other insurers	19.20%
Non-Life insurance	69.5%
Life insurance	30.5%

Source: UMAR AZN

- Highly concentrated market on one hand with 70% market share in hands of 4 players, but with international presence on the other hand (Generali, Ergo, Wiener Stadtische, Grawe – exception is only Uniqa which is not present).
- Rising unemployment continued to affect life insurance where companies in 2011 collected 2.7% less premiums than in 2010. That drop offset 1.1% growth in non-life segment.
- The largest non-life segment in 2011 was health insurance followed by motor third party liability insurance and motor hull insurance (MTPL and MOD have 31% and 27% GWP share in non-life).
- Negative trend is continuing also during the first half 2012, although, some insurance companies managed to gain market share and offsetting market trend.
- Given current GDP projections we expect that overall growth of Slovenian insurance market in 2012 will be slightly negative. This downward trend is likely to continue in 2013.

Slovenia - Tilia:

- Profitability increased in last few years due to better loss ratio, but Sava Re believes profitability can further increase in the following years due to the decrease in cost ratio. Namely in 2010 net profit was at EUR 1.5m, in 2011 EUR 2.3m despite 1.7% lower GWP as gross claims fell by 3.3% YoY. In 1H12 Tilia had EUR 48.1 of GWP, EUR 30.2m of gross claims and EUR 3.1m of net profit, out of which net investment income was at EUR 1.5m.
- Target market share is 5%, achieved through innovative products and new technology (smart phones, web,…).
- Additionally the goal is to improve premium collection process.
- Opportunity is seen in entering health market.

Slovenia - Zavarovalnica Maribor:

- Performance in 1H12 improved compared to 1H11, as there were no major catastrophic event in Slovenia in first half of the year. In 1H12 Zavarovalnica Maribor had a net income of EUR 6.6 and GWP of EUR 153.3m.
- In 2010 Zavarovalnica Maribor limited crop insurance that negatively affected GWP but positively profitability. In 2011 net profit amounted EUR 10.6m and stagnated compared to 2010, although GWP grew by 1.4% in 2011.

3.2 CROATIA

Croatia	*2011*	*2010*
Real change in GDP (%)	0.3	-1.2
GDP (m EUR)	46,101	45,917
Registered unemployment rate (%)	17.9	17.4
Average inflation (%)	2.3	1.1
Population (m)	4.4	4.4
GDP per capita (EUR)	10,477	10,436
Insurance premiums (m EUR)	1,229	1,268
Insurance premiums – non-life (m EUR)	902	931
Insurance premiums – life (m EUR)	327.0	337.0
Insurance premium per capita (EUR)	279	288
Premium/GDP (%)	2.7	2.8
Average monthly net salary (EUR)	747	733

Market segmentation	
Croatia	30.50%
Allianz Zagreb	11.20%
Euroherc	10.90%
Jadransko	7.00%
Kvarner VIG	4.90%
Velebit osiguranje	***0.70%***
Velebit životno	***0.10%***
Other insurers	34.60%
Non-Life insurance	73.4%
Life insurance	26.6%

Source: DZS, HUO

- Weak economic recovery in Croatia negatively affected insurance market which continued to contract. With insurance premiums decreasing by 1.1% (-3% in EUR) negative trend continued for third year in a row.
- Among the non-life premiums auto insurance (Motor hull and MTPL) still accounts for more than 40%.
- Negative trend is continuing also in 2012. In the first three quarters GWP decreased by 1.7%.
- Although it is expected that Croatian insurance market will continue to grow, negative macroeconomic environment is likely to push growth rates to low single digit.
- Price competition is though due to tenders and MTPL tariffs.

Croatia - Velebit osiguranje:

- It had 0.7% market share in Croatia and 1.0% in non-life.
- Cost ratio improved in 2011, but net loss nevertheless increased from EUR 2.0m in 2010 to EUR 2.5m in 2011. Namely market remains difficult due to competition, tenders, MTPL commissions,… Additionally there was a large impact of premium impairments. GWP on the other hand increased by 6.0% YoY in 2011 to EUR 9.0m.
- Sava Re plans to improve cost effectiveness of businesses, decreasing cost ratios and increasing agents productivity while reducing exposure on investment part.
- They believe there can be high premium growth based on non MTPL products.
- Sava Re also assesses the possibility of potential branch of Tilia after entrance in European Union.

Croatia - Velebit životno:

- Sava Re had 0.09% market share in Croatia or 0.33% in non-life.
- Environment remains difficult. In 2011 there was a 16.7% drop in GWP and EUR 1.3m of net loss.
- Sava Re plans cost rationalization, while accelerating sales with alternative distribution channels and new innovative products.

3.3 KOSOVO

Kosovo	*2011*	*2010*
Real change in GDP (%)	5.3	4.6
GDP (m EUR)	4,486	4,113
Registered unemployment rate (%)	45	45
Average inflation (%)	7.3	3.5
Population (m)	2.2	2.2
GDP per capita (EUR)	2,039	1,870
Insurance premiums (m EUR)	79	72
Insurance premiums – non-life (m EUR)	78	71
Insurance premiums – life (m EUR)	1.0	1.0
Insurance premium per capita (EUR)	36	33
Premium/GDP (%)	1.8	1.8
Average monthly net salary (EUR)	342	286

Market segmentation	
Illyria	***23.00%***
Sigma	12.80%
Sigal Uniqa	11.10%
ElSig	10.50%
Siguria	10.20%
Other insurers	32.50%

Non-Life insurance	98.7%
Life insurance	1.3%

Source: Central Bank of the Republic of Kosovo, Statistical Agency of Kosovo

- Insurance market in Kosovo is among the most underdeveloped in the region. Accordingly growth of it remained strong in 2011. Overall insurance premiums increased by 9.7% YoY.
- The characteristics of the market are in line with very low density. MTPL policies accounted 59% of the total GWP while there is only marginal presence of life insurance.
- In 2012 insurance market in Kosovo continued with high single digit growth. In comparison to 2011 when non-MTPL insurance actually contracted, during the first eight months of 2012 this segment grew by almost 50%.
- Although growth could somewhat slow down, it is very likely that convergence proceeds of insurance market in Kosovo will continue in the next few years.
- There is no external insurance distribution system while supervision is still in early stages and therefore unpredictable.

Kosovo - Illyria:

- Illyria had 24.3% market share in Kosovo, with 23.3% in non-life.
- GWP for Illyria increased by 6.7% YoY in 2011, but gross claims paid increased by 12.1% YoY. Net loss deteriorated from EUR 0.5m to EUR 2.4m. In 2012 results improved. Here we note there was a management change in 2011. This brought overhaul of the insurance company.
- The main goal of Sava Re is to retain reputation of market leader and implement suitable products for non-MPTL growth.

Kosovo - Illyria life:

- 100% market share on life insurance market.
- Growth is still high at 39.6% YoY in 2011, while the insurance is achieving a slight profit. This proves the cost effectiveness.
- Nevertheless Sava Re will try to additionally improve cost structure, while accelerating sales with alternative distribution channels and implementing suitable low budget products.

3.4 MACEDONIA

Macedonia	*2011*	*2010*
Real change in GDP (%)	2.3	1.8
GDP (m EUR)	7,310	6,905
Registered unemployment rate (%)	31.2	32
Average inflation (%)	3.9	1.6
Population (m)	2.0	2.0
GDP per capita (EUR)	3,655	3,453
Insurance premiums (m EUR)	110	105
Insurance premiums – non-life (m EUR)	102	99
Insurance premiums – life (m EUR)	8.1	5.8
Insurance premium per capita (EUR)	55	53
Premium/GDP (%)	2.0	1.5
Average monthly net salary (EUR)	348	334

Market segmentation	
Vardar	18.20%
Eurolink	11.30%
Sava osiguruvanje	***10.90%***
QBE	8.40%
Osiguritelna Polisa	11.30%
Other insurers	39.80%

Non-Life insurance	92.7%
Life insurance	7.3%

Source: NIBM, Zavod za statistiku Republike Makedonije

- The recovery of Macedonian economic conditions is slow, however, it is hard to see this on the insurance market where life insurance premium in 2011 rose by more than 40%. Although overall growth was only around 4.8% (non-life grew by 3%) Macedonian market was still among fastest growing in SEE region. Strong growth was mainly a result of new companies entering the market and new government measures which positively affected MTPL insurance segment.
- MTPL segment is also the largest in insurance portfolio and in 2011 accounted for 48% of the total non-life GWP in Macedonia. Among the largest are also property insurance and motor hull insurance. We note that the % of uninsured cars is still not decreasing.
- Strong growth of life-insurance premiums continued in 2012, while growth in non-life segment slowed down in comparison to 2011 numbers.
- We expect that Macedonian insurance market will continue to grow, however, rates could somewhat stabilize in the next two years.
- Supervision and market remains unpredictable, especially due to harsh competition.

Macedonia - Sava Osiguruvanje:

- Market share is decreasing in Macedonia, where they had a 11.3% market share in insurance (12.2% in non-life).
- in 2011 GWP decreased by 17.4% YoY while net loss widened from EUR 1.5m to EUR 2.7m. GWP decreased due to tender system.
- There was a decrease of MTPL tariffs, bad debt and real estate impairments etc. in 2011. At the same time there was a management change.

- Sava Re will in the following years focus on improving receivables management and cost optimization on one hand, while create a new distribution channels and products on the other.

3.5 MONTENEGRO

Montenegro	*2011*	*2010*
Real change in GDP (%)	2.5	2.5
GDP (m EUR)	3,273	3,104
Registered unemployment rate (%)	18.9	19.7
Average inflation (%)	3.1	0.7
Population (m)	0.6	0.6
GDP per capita (EUR)	5,455	5,173
Insurance premiums (m EUR)	65	62
Insurance premiums – non-life (m EUR)	56	54
Insurance premiums – life (m EUR)	9.0	8.0
Insurance premium per capita (EUR)	108	104
Premium/GDP (%)	2.0	2.0
Average monthly net salary (EUR)	484	479

Market segmentation	
Lovćen osiguranje	45.40%
Sava Montenegro	***16.00%***
Delta Generali osiguranje	11.00%
Uniqa neživotno osiguranje	10.30%
Grawe osiguranje	7.60%
Other insurers	9.70%

Non-Life insurance	86.2%
Life insurance	13.8%

Source: NBCG, MONSTAT

- Macroeconomic conditions in Montenegro improved and insurance market grew by 4.8%. Life insurance premiums increased by 12.5%, while non-life segment contributed 3.75%.
- Majority share of the non-life insurance is still dominated by compulsory MTPL insurance (46% of the total market). In this area there is tough competition in terms of commissions.
- Strong growth continued in 2012, with strongest growth in non-life segment.
- Although insurance market in Montenegro is among more developed markets in the region (except Slovenia and Croatia), high growth numbers especially in life insurance segment are likely to continue.

Montenegro - Sava Montenegro:

- They have 18.6% market share in non-life and 16.0% overall. They have a strong brand in the market.
- In 2011 Sava Montenegro achieved 6.7% YoY growth of GWP, while bottom line showed a nice turnaround from loss of EUR 2.0m to profit of EUR 1.9m.
- Sava Re continues to focus on cost efficiency and new distribution channel in order to cut costs and improve technical result. Additionally they implemented stricter controls on general liability underwriting.

3.6 SERBIA

Serbia	*2011*	*2010*
Real change in GDP (%)	2.0	1.0
GDP (m EUR)	32,993	29,525
Registered unemployment rate (%)	24.4	19.6
Average inflation (%)	7.0	6.2
Population (m)	7.1	7.3
GDP per capita (EUR)	4,633	4,045
Insurance premiums (m EUR)	562	550
Insurance premiums – non-life (m EUR)	464	459
Insurance premiums – life (m EUR)	98	91
Insurance premium per capita (EUR)	79	75
Premium/GDP (%)	1.7	1.9
Average monthly net salary (EUR)	389	330

Market segmentation	
Dunav	26.90%
Delta Generali Osiguranje	17.20%
DDOR	19.00%
Wiener	9.00%
Uniqa Neživot	5.30%
Sava osiguranje	***2.10%***
Sava životno osiguranje	***0.10%***
Other insurers	20.40%
Non-Life insurance	82.6%
Life insurance	17.4%

Source: Serbian National Bank

- Due to increasing exports, Serbian economic conditions during 2011 improved and resulted also in insurance market growth. Total insurance premiums increased by 2.2%. Non-life insurance grew by 1.1% while life insurance premiums surged by 7.7%.
- Five types of non-life insurances accounted for 74% of portfolio (accident insurance, motor hull, fire & allied perils, other types of property insurance and motor liability insurance). With 32.6% share motor third party liability (MTPL) insurance remained the most widespread insurance in Serbia. here we note that there is intensive competition on MTPL commissions.
- While in nominal terms Serbian insurance market in 2012 still maintained strong growth, in EUR terms the market contracted by 6% in the first half this year.
- Due to weakening macroeconomic conditions insurance market growth is likely to slowdown, while in EUR terms the contraction is likely to continue.

Serbia – Sava Osiguranje:

- In Serbia Sava Re has a 2.6% market share in non-life.
- In 2011 GWP decreased by 25.4% YoY but the business remained slightly profitable with a 82.3% YoY increase in net profit. There was a limitation on MTPL growth due to high distribution costs.
- In future they will seek for cheaper MTPL distribution channels while also focusing on profitability through cost rationalization.
- We note that in Serbia Sava Re is seeing the biggest exchange risk from all other West Balkan markets.

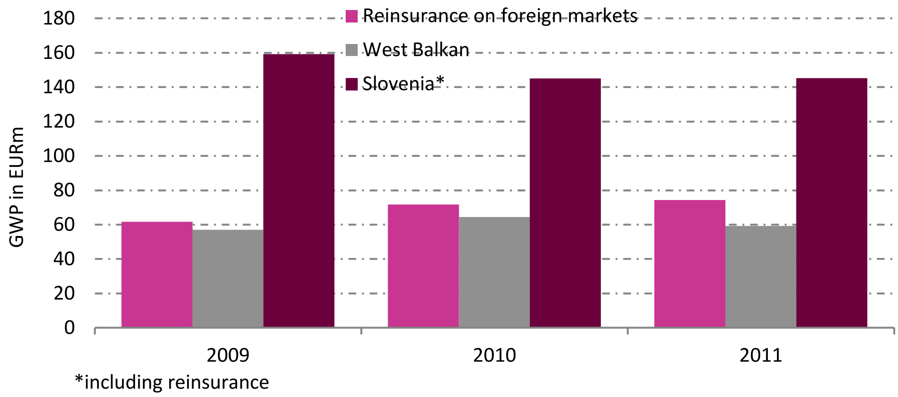
Serbia – Sava Životno Osiguranje:

- In Serbia Sava Re has a 0.6% market share in life.
- GWP growth in 2011 was at high 60.7% YoY, but they continued to have a net loss of EUR 0.9m. In 2011 they replaced management and implemented new products (bancassurance, credit life, whole life …).

4 INVESTMENT THESIS AND RISKS

4.1 INVESTMENT THESIS

Dominant domestic position in reinsurance and gradual global diversification: In 9M12 Sava Re generated EUR 106.9m of GWP in reinsurance or 49.5% of total GWP. The local Slovenian market has only two reinsurance companies, Sava Re and Triglav Re (owned by Triglav Insurance). Of the two, Sava Re has a market share of around 53.5%. If we consider other reinsurers that operate in the Slovenian market, Sava Re's market share amounts to 31%. For the reinsurance segment expected growth rates in terms of gross premium written will stand at around 3-4% (2012-2014). Group's new strategy indicates that reinsurance segment will lower its current dependence on domestic market and try to substantially increase the share of written premiums from foreign markets (including emerging markets like China, India, S. Korea etc. through reinsurance brokers). In the next 2-3 years reinsurance GWP growth in Slovenia is therefore likely to be negative, whereas collected GWP from foreign markets could grow between 3% and 5% annually as Sava Re is pursuing new perspective markets. Market share should remain around 30% on the domestic reinsurance market.

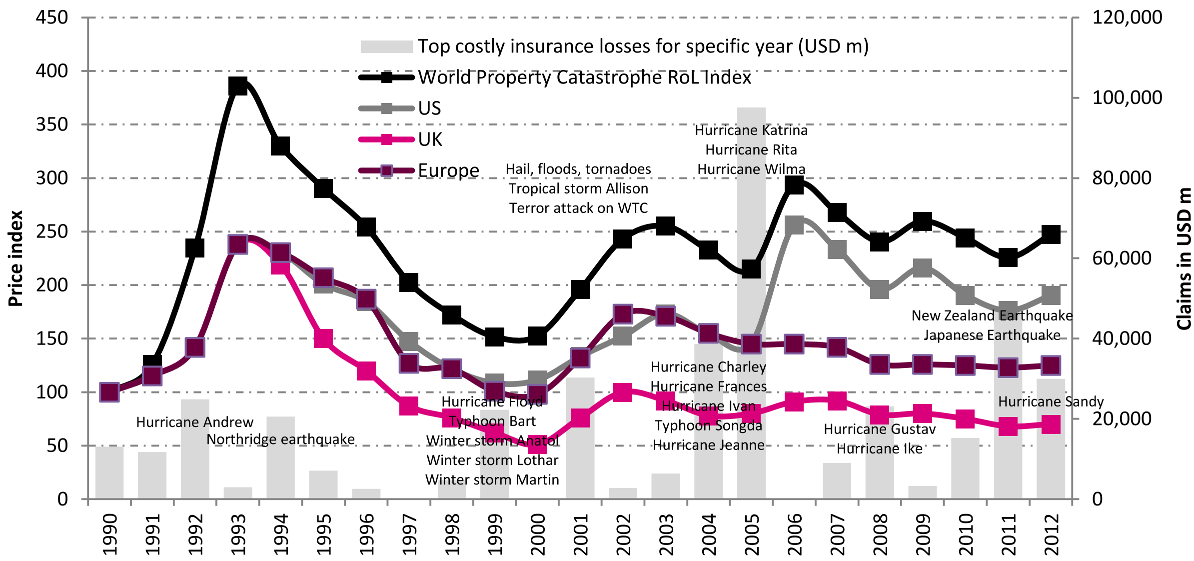


Source: Sava Re

On a domestic insurance market Sava Re has a 3.8% market share through insurance company Tilia (4.7 market share in non-life). We note however that through ownership of Zavarovalnica Maribor (3rd biggest insurance company on the domestic market) they would gain additional 12.6% market share and become second biggest insurer. The biggest player on the domestic market would remain Zavarovalnica Triglav with its 38% market share.

Reinsurance pricing spikes are opportunity for new players: From claims perspective, 2011 was one of the costliest years on record. According to Guy Carpenter & Company there was USD100 billion of global insured catastrophe related losses, with 70% associated outside of US. Higher rate of catastrophic events led to increase of insurance rates on specific markets and create an opportunity especially for reinsurers who are looking to expand on new markets. This environment also stimulated new capital to enter the reinsurance market. Moody's calculated that since 2011 around USD 6 billion new capital has entered the reinsurance sector. This was also the opportunity for smaller players like Sava Re. Although entering new markets could be difficult and risky, they can be also be very profitable. Among most attractive regions after 2011 events were especially Asian markets where reinsurance prices rose due to earthquakes in Japan and New Zeland, and flood in Thailand. Although new capital is preventing prices to increase and at the start of the autumn 2012 some reinsurance companies reported they expect market to remain flat, hurricane Sandy is likely to significantly affect pricing dynamic in 2013. It is very likely that also in future there will be opportunities on the global reinsurance market, however there could be some changes with adoption of Solvency II at the start of 2016.

Catastrophic events are affecting reinsurance pricing



Source: Swiss Re, Guy Carpenter & Company, Alta Invest estimates

Growth through regional presence: In 9M12 Sava Re generated EUR 43.7m of GWP in the region or 18.7% of total GWP. In comparison Tilia (Slovenian insurance company) had a GWP of 65.4m or 28.0% of total GWP. So Sava Re Group has, through its subsidiaries, presence in the SEE region and with is significant growth potential since insurance and reinsurance services are still underdeveloped in the region. Management still continue to believe that focus on these markets is an appropriate long-term strategy, but currently the growth is more organic based as Sava Re is focused on consolidation of previous expansion and weak due to adverse environment (especially for life insurance).

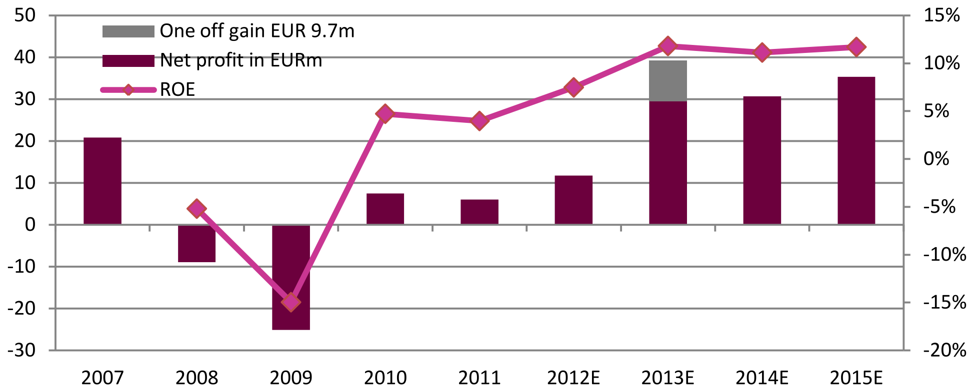
Country	Insurance premium per capita (EUR)	Premium/GDP (%)
Serbia	79	1.7
Kosovo	36	1.8
Macedonia	55	2.0
Montenegro	108	2.0
Croatia	279	2.7
Slovenia	1,046	5.9

Source: Sava Re

Potential is clearly seen in underdevelopment of the market in terms of consolidation, insurance penetration and legal framework. Although current global turmoil slowed or stopped converging processes we believe it will continue in the following years and with it insurance penetration. This will bring back and accelerate GWP growth, but for Sava Re to reach profitability in the region, economy of the scale will also have to increase. Additionally focus on market niches could prove to be the right strategy in the region.

Here we must note that regional opportunities for growth of net income is seen from two sources: improving penetration and growth of GWP on one side and cost rationalisations and increasing economies of scale to improve combined ratios on the other. Sava Re management believes non-life SEE business can become profitable in 2012 while life in 2015.

Increasing profitability: The focus of insurance company has changed in recent years. There is more emphasis on smaller market opportunities, while trying to also improve economy of scale and cost optimisation. If in 2008 and 2009 the Sava Re Group still posted losses, they recorded EUR 6.0m of net income in 2011 (with minority owners EUR 4.0m), while in 9M12 they had EUR 12.5m of net income. The trend is therefore encouraging, as TTM ROE is increasing and lowering the gap with peer average.



Source: ALTA Invest

Possible synergies from Zavarovalnica Maribor and further improvement in profitability from regional subsidiaries can additionally boost Sava Re's bottom line in the following years.

Zavarovalnica Maribor: Sava Re currently owns 48.68% of Zavarovalnica Maribor while NKBM owns 51.0%. Zavarovalnica Maribor is the third biggest insurance company in Slovenia (almost tied with the second biggest). Acquiring of the second half would allow Sava Re to strengthen insurance presence in Slovenia, consolidate the insurance company and enforce cost rationalisation processes and additionally create synergy effects. Also acquiring Zavarovalnica Maribor would mean avoiding risk of losing profitable reinsurance business in Zavarovalnica Maribor.

On the other hand Sava Re would need to obtain financing through capital injection with all adverse effects, especially possible dilution of current shareholders. But this can be avoided by participating in capital raising as there will be a pre-emptive right for current shareholders.

Growth rates of both companies versus the Slovenian market is seen in tables below:

	Sava Re Group (Tilia)		Zavarovalnica Maribor		Sava Re & ZM		vs. Slo.m.
Non-Life	GWP (m EUR)	Growth (%)	GWP (m EUR)	Growth (%)	GWP (m EUR)	Growth (%)	p.p
2007	48.6	*11.1%*	170.7	*10.8%*	219.3	*10.9%*	*2.5*
2008	57.4	*18.1%*	185.9	*8.9%*	243.3	*10.9%*	*3.8*
2009	61.9	*7.8%*	199.0	*7.1%*	260.9	*7.2%*	*2.4*
2010	63.7	*2.9%*	188.3	*-5.4%*	251.9	*-3.4%*	*-3.0*
2011	68.9	*8.2%*	187.8	*-0.2%*	256.7	*1.9%*	*0.7*

	Sava Re Group (Tilia)		Zavarovalnica Maribor		Sava Re & ZM		vs. Slo.m.
Life	GWP (m EUR)	Growth (%)	GWP (m EUR)	Growth (%)	GWP (m EUR)	Growth (%)	p.p
2007	9.5	*20.90%*	63.7	*13.1%*	73.2	*14.1%*	*1.4*
2008	10.9	*14.4%*	66.0	*3.6%*	76.8	*5.0%*	*-0.5*
2009	10.4	*-4.7%*	67.0	*1.6%*	77.4	*0.7%*	*2.7*
2010	10.2	*-1.5%*	71.3	*6.4%*	81.5	*5.3%*	*1.2*
2011	10.3	*0.8%*	75.4	*5.7%*	85.7	*5.1%*	*7.8*

	Sava Re Group (Tilia)		Zavarovalnica Maribor		Sava Re & ZM		vs. Slo.m.
Total	GWP (m EUR)	Growth (%)	GWP (m EUR)	Growth (%)	GWP (m EUR)	Growth (%)	p.p
2007	58.1	*12.60%*	234.3	*11.4%*	292.5	*11.7%*	*1.9*
2008	68.3	*17.5%*	251.8	*7.5%*	320.1	*9.5%*	*2.9*
2009	72.2	*5.8%*	266.0	*5.6%*	338.3	*5.7%*	*3.0*
2010	73.8	*2.2%*	259.6	*-2.4%*	333.4	*-1.4%*	*-2.4*
2011	79.2	*7.2%*	263.2	*1.4%*	342.4	*2.7%*	*2.8*

Source: Sava Re, ALTA Invest

Alternative is disposing of this stake that would give Sava Re a significant cash flow to the Group, but would, given current results (ROE of Zavarovalnica Maribor is above Sava Re business ROE), lower the profitability of the Group and its presence on the domestic Slovenian market. Part of the cash flow would probably be used for dividend payment and part for strengthening other segments of the Group.

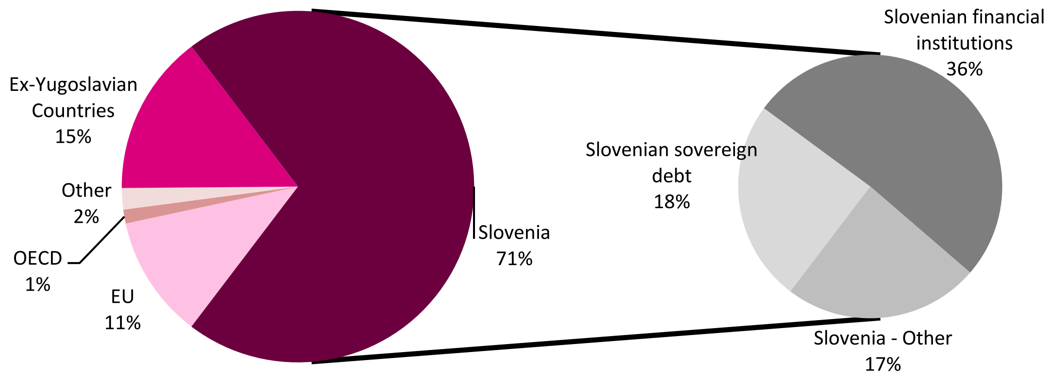
Strong local brand names: On the domestic insurance market Sava Re has a known brand name Tilia. Additionally Zavarovalnica Maribor is also an established insurance name.

4.2 RISKS

Possibility of a downgrade: Credit ratings of Slovenia have a negative outlook and we believe Slovenian credit rating will further deteriorate as banking sector remains week. This would also bring down the rating of Sava Re, as already seen in 2012. Namely in August 2012 S&P lowered Sava Re credit rating from A- to BBB+ with negative outlook, tied to sovereign downgrade. Additional downgrades would especially hurt the reinsurance business which is the main driver of profitability of the Group, as good credit rating is a big factor in gaining new customers in foreign markets, like Asia and Latin America. This would therefore hamper reinsurance growth and possibly profitability. Additionally we must also note that in portfolio they have EUR 50m exposure to Slovenian bonds. Any sovereign downgrade would mean higher bond yields and lower bond prices. This would have a negative effect on investment portfolio.

The management stated that although Sava Re's reinsurance company rating was lowered from A- to BBB+ potential loss of business could be only up to 10m. So they are claiming the risk is limited. Sava Re obtained also AM Best Rating in October 2012 which is on a A- level. Since mentioned credit agency use different methodology for estimating credit risk, this fact will help to limit the negative effects on the reinsurance growth of the potential downgrade of Slovenian sovereign rating to the Company's rating by S&P's methodology.

High Slovenian exposure: Regional diversification of Group's investment portfolio is increasing, however the core is mainly still allocated in Slovenia. Although only around 18% is invested in Slovenian Government bonds, much larger part is also in different financial institutions (mainly in deposits). We currently do not expect any extreme scenarios regarding financial conditions in Slovenia, however, weak macroeconomic environment and low level of diversification still pose some threat to stability of Group's investment portfolio.



Source: Sava Re

Region is still unstable and subsidiaries could need capital injections: Although region presents an opportunity for above average growth of Sava Re, SEE region is also highly macroeconomically and politically unstable region with legal system and controlling mechanism still in early stages of development (the lag in development is depending from country to country). This is more visible on profitability, as the regional companies and subsidiaries are known for the problem of transferring possible good top-line into good bottom line. Tight cost control is needed and better legal framework, which is only slowly improving in EU conversion processes.

Since 18.7% of total GWP is made in the SEE region and that even bigger share of Sava Re value is directly related to SEE region growth, any form of economic slowdown and wealth growth stagnation would and is having a negative impact on the value of Sava Re share price. This was clearly seen in last few years where economic slowdown or even recession hampered GWP growth (especially in life), while lack of economy of scale impacted profitability. Namely results for 2010 and 2011 have shown all the risks involved with regional expansion as regional subsidiaries negatively contributed to Sava Re's bottom line. Therefore the region has not contributed to shareholder wealth in 2010 and 2011. In 1H12 the situation improved, although Croatia and Macedonian operations are still in negative net income numbers. 2013 could prove to be another macroeconomically difficult year. Additionally subsidiaries in SEE could need capital injections although there are only few smaller capital injections planned for 2013 and 2014 (none after). Just recently Sava Re had to post EUR 2m in Sava osiguruvanje a.d., Skopje.

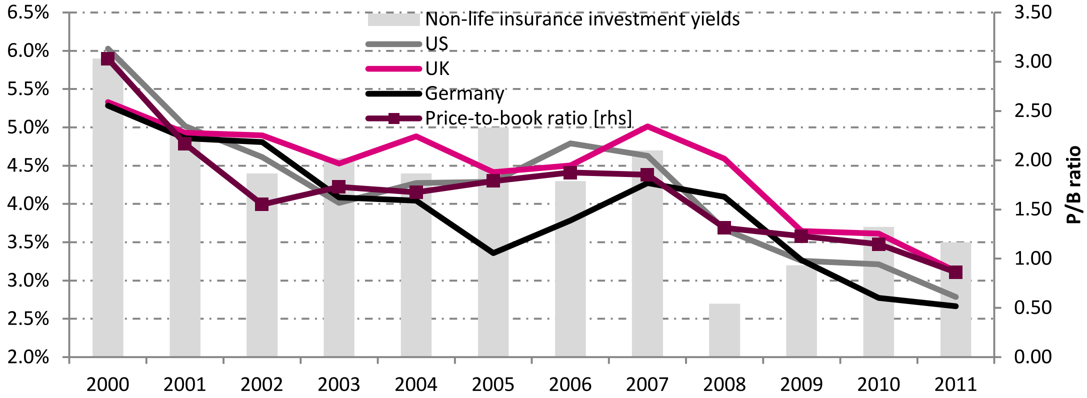
High combined ratio and low profitability: In the previous years (2008-2009) combined ratio of the Group remained elevated, therefore together with impairments pushed Sava Re Group into net loss. Plans of the management were to improve the ratio and with it profitability (long term ROE is planned to be above 11%) and this is being realized in the last year. However long term sustainability still remains questionable and with it risks of not improving profitability. Namely group's future performance depends on the economic and political stability in SEE region which is still adverse. Also the smallness of insurance company and its market shares prevents them to sufficiently utilise economies of scale; they are more likely to be niche players. Hence return to stabile long term profitability could take longer than expected given current situation.

No dividend payments: Due to unresolved doubts regarding the Solvency II during 2012 management did not propose any dividend payment. This is a limited factor for some investors, especially since some other competitor insurance companies are heaving a nice dividend yield. Additionally no dividend payment means no floor for stock price that could give some reassurance to investors in current negative environment.

Nevertheless, dividends are an important goal of the company. They are targeting a dividend payout of 20% of parent company Pozavarovalnica Sava, provided that the solvency ratio does not drop below 200%. So this weakness will most likely be off the table in the following year. Accordingly, Sava Re could start paying dividends in 2014.

Low rate environment could negatively affect long term investment revenues. Over the last few decades interest rates in OECD countries (exception are rates of European periphery where also default risk increased) have been trending downward and negatively affecting investment income on the fixed income part of the portfolio. This is especially affecting the future return on assets which are invested in current environment (reinvestment activity and growth of premiums). Since it is hard to predict which scenario we will see in the next few years, insurance companies (especially on life segment) are in a difficult position and have to look for higher interest rates in long term bonds or keep money in mostly zero-high quality short term bonds or deposits. Although re-pricing of products can somewhat offset lower investing income, it cannot prevent the overall effect on profitability and also puts pressure on the valuations in insurance industry.

Low interest rate environment is negative for valuation in insurance industry



Source: Swiss Re

4.3 SWOT ANALYSIS

Strengths	Weaknesses
Already established insurer on fast growing SEE markets.	Hard to use economy of scale due to small volume and low market share
Strong position on the domestic reinsurance market with 31% market share	SEE region is tough due to high level of macroeconomic fluctuations and effects on profitability.
Flexibility in gaining business on foreign reinsurance market (planned 3-5% CAGR)	Low rate environment is influencing investment results
Reinsurance premiums are on the rise in world markets	High Slovenian portfolio exposure (fixed income)
Already owning 49% of Zavarovalnica Maribor means they are familiar with the company and its perspective	No dividend payments
Opportunities	**Threats**
Increasing profitability of subsidiaries	Rating downgrades influencing reinsurance business on foreign markets
SEE Growth through improving insurance penetration and improvement in legal framework	Continuation of adverse macroecononomic situation would suspend growth and cause the need for capital injections of subsidiaries
Gaining market shares and geographically diversifying would statistically improve underwriting result	Ambiguities related to adoption of Solvency II Directive
Better influence on ZM business versus current status quo with NKBM	Loss of reinsurance business in Slovenia in case of sale of ZM
Synergy effects through ZM consolidation would improve profitability and enable dividend payout	Post-acquisition process fails in terms of cost and economic cannibalism

Colour thesis – tied to possible consolidation of Zavarovalnica Maribor

5 COMMENT ON LAST PUBLISHED RESULTS

million €	9M11	9M12	YOY	3Q11	2Q12	3Q12	QoQ	YOY
GPW	202.3	215.9	**6.7%**	53.8	66.1	57.4	**-13.3%**	**6.7%**
NPE	177.0	184.0	**3.9%**	60.0	61.3	65.2	**6.3%**	**8.8%**
Claims	104.3	112.0	**7.4%**	37.9	33.0	43.6	**32.0%**	**15.0%**
*Claims Ratio**	58.9%	60.9%		63.2%	53.8%	66.8%		
Net Expenses	60.3	60.1	**-0.3%**	20.2	22.4	20.2	**-9.9%**	**-0.1%**
*Expense Ratio**	34.1%	32.7%		33.7%	36.5%	30.9%		
Net income	3.3	12.5	**272.8%**	-1.5	6.6	1.8	**-72.6%**	
Margin	1.7%	5.8%		-2.8%	10.0%	3.2%	**-68.4%**	

* For calculation we use our own ALTA Invest methods, which are not completely comparable to those used by the company.

During the first nine months Sava Re Group collected GWP in total amount of EUR 215.9m or 6.7% more than in the same period last year. Among the most important markets/segments the highest growth was achieved in the Sava Re d.d. (+12.1%) and in Slovenian insurance market through Tilia (+5.9%). Largest YoY decrease in GWP was in Macedonia (-6.9%) and in Serbia (-22.5%). The company explained that a drop was a result of focusing on profitability which led to excluding major loss-making policyholders from the portfolio.

Life insurance GWP grew by 3.2% YoY in 9M12, non-life by modest 0.5% YoY while the reinsurance GWP grew the most, namely by 13.6% YoY.

Non-consolidated in EUR	9M12 GWP	9M11 GWP	YoY
Sava Reinsurance Company, Slovenia	124,390,521	110,933,925	12.1%
Zavarovalnica Tilia, Slovenia	65,441,938	61,776,282	5.9%
Sava osiguruvanje, Macedonia	8,888,864	9,546,155	-6.9%
Illyria, Kosovo	8,642,730	11,146,645	-22.5%
Sava Montenegro, Montenegro	8,503,431	7,716,522	10.2%
Sava osiguranje, Serbia	8,333,941	9,324,668	-10.6%
Velebit osiguranje, Croatia	6,970,905	7,006,058	-0.5%
Velebit životno osiguranje, Croatia	1,052,094	688,770	52.7%
Illyria Life, Kosovo	727,776	704,376	3.3%
Sava životno osiguranje, Serbia	562,634	409,657	37.3%

Consolidated in EUR	9M12 GWP	9M11 GWP	YoY
Reinsurance	106,859,295	94,075,762	13.6%
Non-life insurance	99,143,275	98,653,207	0.5%
Life insurance	9,850,275	9,545,105	3.2%
Total	215,852,845	202,274,074	6.7%

Due to higher retention rate Group's NWP increased by 8.3% YoY. Group's Gross claims paid increased by 1.8%, while Net claims paid increased by 4.0% and amounted EUR 184m. This increase affected also net loss ratio which increased from 58.5% in the first nine months of 2011 to 62.9% in the same period this year.

Negative effects of higher net claims was offset by lower net operating expenses which totalled EUR 59.1m and decreased by 2%. Accordingly, reported net expense ratio improved from 35.6% to 33.8%. Net combined ratio for the first nine months improved by 0.5 percentage points and fell to 97.9%.

Non-consolidated in EUR	9M12 Claims	9M11 Claims	YoY
Sava Reinsurance Company, Slovenia	53,636,419	50,992,706	5.2%
Zavarovalnica Tilia, Slovenia	30,743,925	30,675,494	0.2%
Sava osiguruvanje, Macedonia	4,743,555	5,368,008	-11.6%
Illyria, Kosovo	4,292,795	5,138,859	-16.5%
Sava Montenegro, Montenegro	2,876,016	2,791,797	3.0%
Sava osiguranje, Serbia	3,335,537	4,930,529	-32.3%
Velebit osiguranje, Croatia	2,508,588	2,337,416	7.3%
Velebit životno osiguranje, Croatia	225,214	97,787	130.3%
Illyria Life, Kosovo	34,171	25,445	34.3%
Sava životno osiguranje, Serbia	56,373	4,325	1203.4%

Consolidated in EUR	9M12 Claims	9M11 Claims	YoY
Reinsurance	46,927,923	42,667,124	10.0%
Non-life insurance	44,480,840	48,125,063	-7.6%
Life insurance	4,320,056	3,245,428	33.1%
Total	95,728,819	94,037,615	1.8%

Improvement was seen also on the investing side of the operations. Net investment income amounted EUR 12.8m or almost 3-times higher than in the same period last year. Reported annualized investment return improved from 1.7% to 4.3%. Very important source of income were also associated companies which contributed EUR 4.8m. A big return was also recorded from sovereign bonds (EUR 3.1) and corporate bonds (EUR 3.3m).

In the first nine months Sava Re Group generated net profit of EUR 12.5m that represents a surge of 273% compared to the same period last year. Namely in 9M11 Group reported net profit of only EUR 3.3m. From the 3Q12 perspective it was stronger in terms of collected GWP and net income.

At the end of the third quarter Group's assets stood at EUR 634.1m and in comparison to the end of the year increased by 9%. Majority of collected premiums was allocated in assets available for sale which increased by 12.4% from the beginning of the year. Sava Re is still focusing on safe fixed income investments and decreasing exposure to equity markets. During first nine months technical reserves increased by 13.2% to EUR 390m. Technical reserves to GWP stood at 161%. Shareholder's equity increased by 12.7% to EUR 164m. Part of the increase (EUR 6.1m out of EUR 18.4m) should be attributed also to other comprehensive income, especially to revaluation of AFS.

6 INVESTMENT THESIS FOR BUYING STAKE IN ZAVAROVALNICA MARIBOR

6.1 DESCRIPTION OF ZAVAROVALNICA MARIBOR

Company Name:	Zavarovalnica Maribor d.d.
Registered office:	Cankarjeva ulica 3, 2507 Maribor, Slovenia
Website:	www.zav-mb.si
Company ID:	5063400
Tax number:	44814631

Zavarovalnica Maribor is the third biggest insurance company in Slovenia, but with no international business or subsidiaries. It has a 12.6% market share in Slovenia (12.9% in non-life, 11.8% in life for 2011), almost tied with the second biggest insurance company Adriatic Slovenica. Company has 10 business units and 56 representative offices, majority in eastern part of Slovenia.

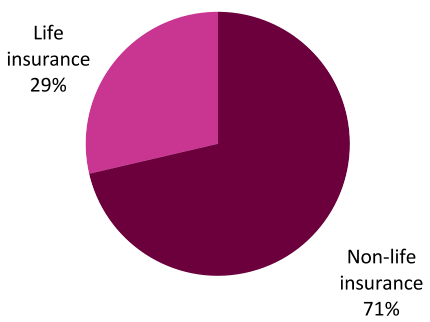
Results of the company improved in the last couple of years, as the domestic market price was subdued.

We note that 26% of Sava Re reinsurance GWP is due to Zavarovalnica Maribor business and that it had a EUR 9.5m of net profit that is close to Sava Re net profit (without Zavarovalnica Maribor). So Zavarovalnica Maribor will contribute greatly to Sava Re Group consolidated GWP and net income.

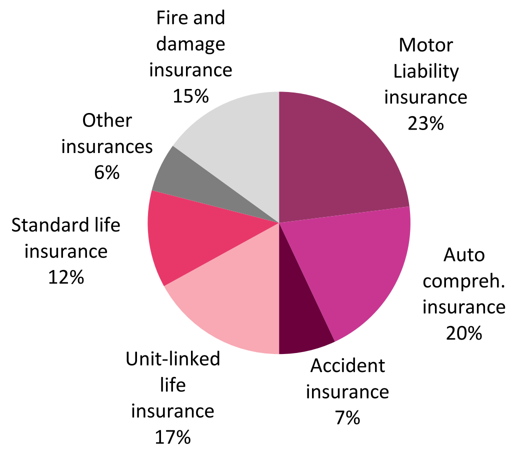
mio EUR	Čisti dobiček	Kapital	Bruto prem.	ROE v %	Število zaposlenih
2007	4.155	51.123	234.348	6.02%	889
2008	2.792	51.378	251.845	4.50%	899
2009	-0.555	67.314	266.041	-0.91%	907
2010	10.595	77.867	259.599	14.60%	897
2011	10.557	87.540	263.244	12.76%	879

Source: Zavarovalnica Maribor annual reports

Gross Written Premium



Gross Written Premium



Shareholder structure:

Shareholder	Number of shares	Stake
Nova KBM d.d.	6,350,988	51.0%
Sava Re d.d.	6,062,316	48.7%
Other investors	40,527	0.3%

Due to above 51% ownership by Nova KBM d.d. (second biggest Slovenian bank) Zavarovalnica Maribor is a part of NKBM Group.

6.2 DEAL VALUATION

NKBM 51% stake in Zavarovalnica Maribor will be bought for EUR 65m. The deal implies the following valuation of TTM P/E 8.4 and P/B 1.26 and forward 2012 P/E of 15.5 and P/B of 1.26. Here we must note that Zavarovalnica Maribor forward valuation multiples are based on their management plans, but that these include 2 catastrophic events per year. In 9M12 there was no catastrophic events, but there was one in 4Q12. Therefore 4Q12 will be a weak quarter, but despite this Zavarovalnica Maribor will end the year exceptionally good.

Transaction value for 50.99% of ZM	TTM 9M		2012E		2013E		2014E		2015E	
EUR m	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B
60	7.8	1.16	14.3	1.17	13.6	1.07	12.9	0.99	12.3	0.92
61	7.9	1.18	14.5	1.19	13.8	1.09	13.2	1.01	12.5	0.93
62	8.0	1.20	14.7	1.21	14.0	1.11	13.4	1.02	12.7	0.95
63	8.2	1.22	15.0	1.22	14.3	1.13	13.6	1.04	12.9	0.96
64	8.3	1.24	15.2	1.24	14.5	1.15	13.8	1.06	13.1	0.98
65	8.4	1.26	15.5	1.26	14.7	1.16	14.0	1.07	13.3	0.99
66	8.6	1.28	15.7	1.28	14.9	1.18	14.2	1.09	13.6	1.01
67	8.7	1.30	15.9	1.30	15.2	1.20	14.4	1.11	13.8	1.03
68	8.8	1.32	16.2	1.32	15.4	1.22	14.7	1.12	14.0	1.04
69	8.9	1.34	16.4	1.34	15.6	1.24	14.9	1.14	14.2	1.06
70	9.1	1.36	16.6	1.36	15.8	1.25	15.1	1.16	14.4	1.07
71	9.2	1.37	16.9	1.38	16.1	1.27	15.3	1.17	14.6	1.09
72	9.3	1.39	17.1	1.40	16.3	1.29	15.5	1.19	14.8	1.10
73	9.5	1.41	17.4	1.42	16.5	1.31	15.7	1.21	15.0	1.12

Source: Sava Re, ALTA Invest calculations

If accounting Sava Re management plans with Zavarovalnica Maribor multiples are lower, but the projections include limited synergy values in the beginning years and at the same time cleansing of the portfolio with adverse effects on net income.

		2012E		2013E		2014E		2015E	
	EUR m	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B
Transaction value for 50.99% of ZM	60	14.3	1.17	7.4	1.01	9.5	0.91	9.2	0.83
	61	14.5	1.19	7.5	1.02	9.6	0.93	9.3	0.84
	62	14.7	1.21	7.6	1.04	9.8	0.94	9.5	0.86
	63	15.0	1.22	7.8	1.06	10.0	0.96	9.7	0.87
	64	15.2	1.24	7.9	1.07	10.1	0.97	9.8	0.88
	65	15.5	1.26	8.0	1.09	10.3	0.99	10.0	0.90
	66	15.7	1.28	8.1	1.11	10.4	1.00	10.1	0.91
	67	15.9	1.30	8.2	1.12	10.6	1.02	10.3	0.93
	68	16.2	1.32	8.4	1.14	10.7	1.03	10.4	0.94
	69	16.4	1.34	8.5	1.16	10.9	1.05	10.6	0.95
	70	16.6	1.36	8.6	1.18	11.1	1.06	10.7	0.97
	71	16.9	1.38	8.7	1.19	11.2	1.08	10.9	0.98
	72	17.1	1.40	8.9	1.21	11.4	1.09	11.0	0.99
	73	17.4	1.42	9.0	1.23	11.5	1.11	11.2	1.01

Source: Sava Re, ALTA Invest calculations

If applying only after tax synergies envisioned by management in 2013 to 2015 period to Zavarovalnica Maribor previous plans (stand alone or status quo scenario) the appropriate multiples are found in the next table:

		2012E		2013E		2014E		2015E	
	EUR m	P/E	P/B	P/E	P/B	P/E	P/B	P/E	P/B
Transaction value for 50.99% of ZM	60	14.3	1.17	11.8	1.06	7.6	0.93	6.7	0.82
	61	14.5	1.19	12.0	1.08	7.7	0.95	6.8	0.83
	62	14.7	1.21	12.2	1.10	7.8	0.96	6.9	0.85
	63	15.0	1.22	12.4	1.11	7.9	0.98	7.1	0.86
	64	15.2	1.24	12.6	1.13	8.1	0.99	7.2	0.87
	65	15.5	1.26	12.8	1.15	8.2	1.01	7.3	0.89
	66	15.7	1.28	13.0	1.17	8.3	1.02	7.4	0.90
	67	15.9	1.30	13.2	1.19	8.4	1.04	7.5	0.91
	68	16.2	1.32	13.4	1.20	8.6	1.06	7.6	0.93
	69	16.4	1.34	13.6	1.22	8.7	1.07	7.7	0.94
	70	16.6	1.36	13.8	1.24	8.8	1.09	7.8	0.95
	71	16.9	1.38	14.0	1.26	9.0	1.10	8.0	0.97
	72	17.1	1.40	14.2	1.27	9.1	1.12	8.1	0.98
	73	17.4	1.42	14.4	1.29	9.2	1.13	8.2	0.99

Source: Sava Re, ALTA Invest calculations

6.3 FINANCING STRUCTURE

The currently envisioned financial structure of buying NKBM's 51% stake in Zavarovalnica Maribor is as follows:

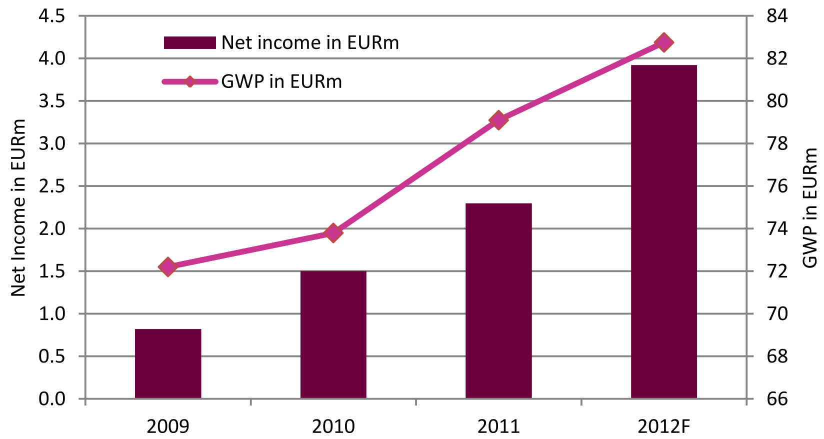
- EUR 10m through internal reserves and cash flow of Sava Re and subordinated debt,
- EUR 55m through Sava Re capital increase.

Additionally the acquisition of Zavarovalnica Maribor is envisioned in two steps. The 51 % stake will be initially bought by Slovenska odškodninska družba (Slovenian restitution fund; SOD) and Sava Re consortium, of which SOD will contribute EUR 55m and Sava Re EUR 10m (up to EUR 6m will be raised with subordinated debt). After the transaction Sava Re will have 60.47% stake (48.68% before the transaction) in Zavarovalnica Maribor, while SOD will hold 31.21% of shares. SOD will then issue a call option to Sava Re for its entire EUR 55m Zavarovalnica Maribor stake exercisable during 2013 (for a part or whole amount). This will enable Sava Re to gain financing through capital injection process. If Sava Re does not exercise the option, Slovenska odškodninska družba can tender the nearly 100% stake to all interested parties. Therefore in case that shareholder assembly of Sava RE does not vote in favour of capital raising in the amount of EUR 55m or in case of unsuccessful capital raising, a part of Zavarovalnica Maribor stake will be again on sale to the best bidder in 2013 (the seller will be SOD).

6.4 SYNERGY ASSESMENT

Sava Re sees several sources of synergies from Zavarovalnica Maribor acquisition. Here we must note that as Sava Re already owns 48.68% of the insurance company they have more knowledge about the insurance company, possible opportunities and risks. Post-acquisition process has therefore better possibility of success. Additionally, some of the cost optimization processes and actions that will be applied to Zavarovalnica Maribor were already implemented in current Sava Re Group operations. Operations in Tilia have improved during the last few years.

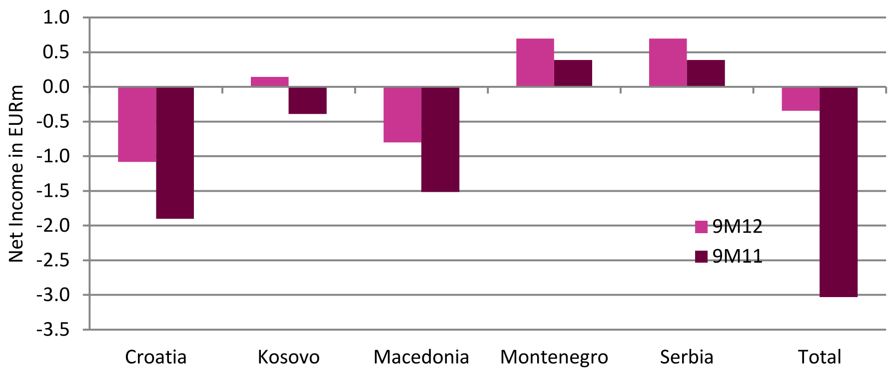
Financial results of Zavarovalnica Tilia



Source: Sava Re

Tilia's improvement is a result of several implemented optimization processes. Firstly some of the products were re-tailored like MOD (Casco) and General Liability by enforcing stricter rules for authorisations, unprofitable agriculture and credit insurance were cancelled, proper pricing and discount policy were implemented and deductibles were reshaped (decreased the level of administration for low claims). Secondly underwriting was systematically analysed in order to improve information about profitability of clients, business lines and distribution channels. Additionally stricter rules were applied while at the same time commissions were more directly linked to the results of specific products. Thirdly more IT automatization was applied, especially for underwriting process and claims processing including fraud detection. Fourthly Sales and Claims department were reorganized.

Operations abroad (SEE market subsidiaries) have also shown significant improvement during the last years, although management recognises there is still room for further improvement on the cost side and also on top line when eventually macroeconomic situation improves.



Source: Sava Re

1. Gaining control over Zavarovalnica Maribor:

- So far the 48.68% : 50.99% position in Zavarovalnica Maribor between Sava Re and NKBM with some of the decision needing a 75% vote basically means there is no actual tight control over the company by any of the two big shareholders. Zavarovalnica Maribor is more valuable if you own both halves than if you own only one part.
- With acquisition the Zavarovalnica Maribor gets a stabile shareholder structure.
- With 100% ownership Sava Re will have a much better control of the company and its management. This can unlock Zavarovalnica Maribor value in Sava Re balance sheet. This locked value is clearly seen in the fact that recent interests for 51% stake in Zavarovalnica Maribor were similar to current Sava Re market capitalization.

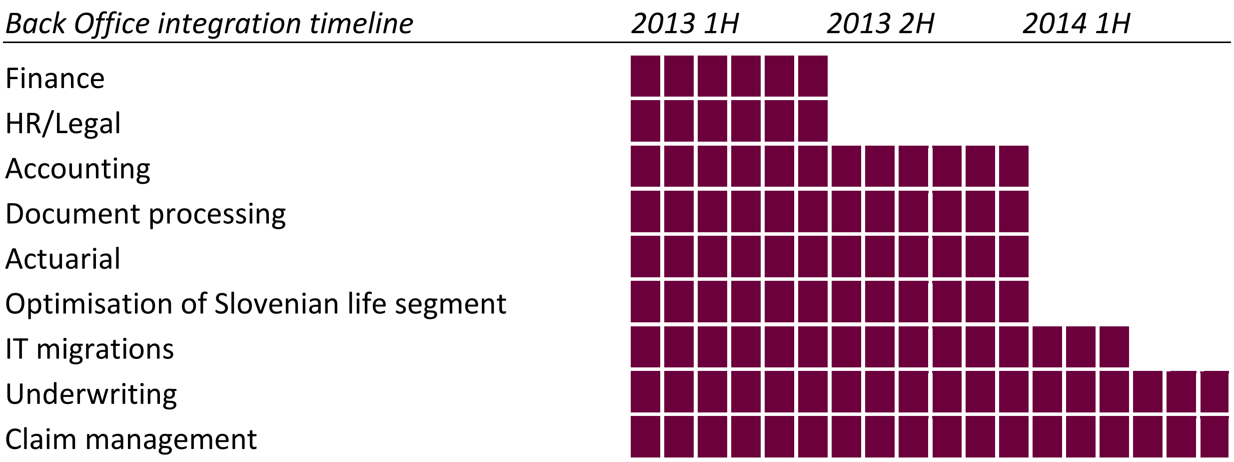
2. Quality Synergies / Quality optimization:

- Optimization of product mix. Sava Re will compare profitability of products in the same business line sold by both insurance companies in order to keep only the best products. This will be done in first 6 months, afterwards the focus will shift to new products by joint development.
- Optimization of sales network will be done by keeping only top performers and cheapest solutions.
- Reshaping of underwriting will be done through statistical profitability analysis (per business line / geography / distribution channel) to readjust pricing.

- Better control over the entire underwriting process through IT automatization. Firstly automatization of retail underwriting and claims process will be implemented in order to ensure that all mass business is going through the system. Secondly they will build in "no payment" and "blacklist" controls. Thirdly tighter control will be implemented over discounts on insurance contracts.
- Net loss ratio can improve over 2.0 p.p. which translates to EUR 5.0m pre-tax per annum on Zavarovalnica Maribor's portfolio by 2015.

3. Cost synergies / Cost optimization:

- Once obtaining full control over Zavarovalnica Maribor, Sava Re would introduce a cost rationalisation program to further reduce cost ratio. It is expected that Sava Re's experiences with reorganization of other subsidiaries in the last few years will positively affect also claims ratio.
- Merger of back office procedures (finance/accounting, processing/IT, actuarial/underwriting, HR/legal, claims management) and activities and elimination of some parallel activities (Solvency II, R&D) can provide significant cost savings estimated at EUR 2.66m for first year, EUR 3.46m for 2014 and 2015 and EUR 4.36m afterwards. We note that joint distribution network headcount will be 314 employed agents, 88 employees in branches and representative offices and 400 contract workers in external distribution channels.



- Integration of IT systems can provide IT savings up to EUR 0.5m per annum. Here we note that most systems of Tilia and Zavarovalnica Maribor are same or similar which makes the integration easier. The savings will come from cancellation of Tilia's overlapping licenses.
- Tilia and Zavarovalnica Maribor have together 45 locations, with former focusing on South East Slovenia and later on North East Slovenia. Nevertheless 16 locations are overlapping. Disposal of unnecessary property through coverage of same regions with one business unit will save on costs. The estimated annual pre-tax cost savings are at EUR 100 thousand. Additional cost savings (office related operating expenses) related to optimization of branch network are at EUR 90 thousand per year.
- Overall improvement in expense ratio (above mentioned items) can translate into savings estimated at EUR 3.38m in 2014 and EUR 5.05m after 3 years per annum.
- In 2014 management also estimates EUR 2.0m of pre-tax savings due to release of capital due to optimisation of life segment in Slovenia.

- On the other hand cost rationalization process will in the beginning also create some one-off costs related to labour optimisation (in 2013 to 2015 period overall pre-tax costs are at EUR 1.94m) and IT integration (EUR 0.4m in two years' time).

4. Bancassurance relationship with NKBM:

- There are discussions in place to conclude an general agreement about cooperation between Sava Re and NKBM on different segments.
- There will be more focus in order to increase motivation and commitment of NKBM to improve bancassurance model. Namely currently only low volumes are gained through NKBM network (EUR 0.25m). The main reason for low volumes are low previous NKBM management commitment to bancassurance products that was also seen in their employees motivation scheme (commissions were not passed through the sale staff), too complex products (for bank network) and due to the fact legislation was not supportive to bancassurance activity (no tax benefits, only licensed agents can sell insurance products etc.).
- Sava Re management believes some of the above mentioned bancassurance problems will be solved so they believe NKBM will have a better commitment to improve volumes (incentive schemes etc.). Additionally there will be developed special products for this distribution channel that are more suitable for banking network. Commissions will be based on product sales plus extra performance bonus linked to actual volumes and quality delivered (lower loss ratios translates into higher commission). This provides significant additional future cash flows for the bank and significant growth potential for Zavarovalnica Maribor.
- Simple, low commission products designed for this channel will be developed to improve sales growth.
- Better bancassurance relationship with NKBM can give EUR 10-15m of GWP to Sava Re per annum and net profit of 3-4m. For now Sava Re management is more conservative and estimates only EUR 0.5m of pre-tax profit per year by 2015. This means EUR 1-2m of GWP per year.

5. Know-how sharing:

- Know-how and best practices will be shared between Tilia and Zavarovalnica Maribor.
- Additionally know-how can be afterwards applied to SEE operations (subsidiaries) for improvement in top line growth and cost efficiency.
- Joining product development for a larger pool of resources can unlock potential ideas for GWP growth.

Overall estimated synergies through Zavarovalnica Maribor acquisition amount to:

Pre-tax synergies in EURm	Area	2013	2014	2015	2015+
Cost reductions	Employee synergies	2.66	3.46	3.46	4.36
	IT savings	0.10	0.30	0.50	0.50
	Rent optimization	0.10	0.10	0.10	0.10
	Office savings	0.09	0.09	0.09	0.09
Quality optimization	Products Underwriting IT/Processes People/Organization	1.00	2.00	5.00	5.00
Bancassurance	Bancassurance with NKBM	0.10	0.30	0.50	0.50
One-offs	Capital release	0.00	2.00	0.00	0.00
	Total	**4.05**	**8.25**	**9.65**	**10.55**
One-off costs	Severance payments	1.38	0.26	0.30	
	IT integration	0.10	0.30		
	Capital increase cost	1.00			
Tax	Tax rate	17%	16%	15%	15%
Effect on 51%		**0.80**	**3.92**	**4.77**	**5.38**
Effect on 100%		**1.57**	**7.69**	**9.35**	**10.55**
After tax synergies		**1.30**	**6.46**	**7.95**	**8.97**

Here we must note that we applied additional EUR 1.0m of one-off costs related to the whole capital increase and acquisition costs. Additionally we must recognize that post-acquisition processes are always difficult and therefore actual and planned synergies are often different. Therefore we mostly applied sensitivity analysis to valuations in terms of different % of realized mentioned synergies.

NPV of mentioned synergies, assuming 0% terminal growth and 10.58% cost of capital, are:

	2013	2014	2015	2016	TV
NPV of synergies	1.2	5.6	6.2	6.3	59.6

Sensitivity tables of value of synergies per share assuming different % of materialization of synergies and different share count after capital injection:

Materialisation of synergies (% of management guidance and NPV)

Price per share and new share count		50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
		39.3	43.2	47.1	51.0	55.0	58.9	62.8	66.7	70.7	74.6	78.5
7.0	17.2	2.28	2.51	2.74	2.96	3.19	3.42	3.65	3.87	4.10	4.33	4.56
7.2	17.0	2.31	2.54	2.77	3.00	3.23	3.46	3.69	3.92	4.16	4.39	4.62
7.4	16.8	2.34	2.57	2.80	3.04	3.27	3.51	3.74	3.97	4.21	4.44	4.67
7.6	16.6	2.36	2.60	2.84	3.07	3.31	3.55	3.78	4.02	4.26	4.49	4.73
7.8	16.4	2.39	2.63	2.87	3.11	3.35	3.59	3.83	4.07	4.30	4.54	4.78
8.0	16.2	2.42	2.66	2.90	3.14	3.38	3.63	3.87	4.11	4.35	4.59	4.83
8.2	16.1	2.44	2.69	2.93	3.18	3.42	3.66	3.91	4.15	4.40	4.64	4.88
8.4	15.9	2.47	2.71	2.96	3.21	3.45	3.70	3.95	4.19	4.44	4.69	4.93
8.6	15.8	2.49	2.74	2.99	3.24	3.49	3.74	3.99	4.23	4.48	4.73	4.98
8.8	15.6	2.51	2.77	3.02	3.27	3.52	3.77	4.02	4.27	4.53	4.78	5.03
9.0	15.5	2.54	2.79	3.04	3.30	3.55	3.80	4.06	4.31	4.57	4.82	5.07

Source: ALTA Invest calculations

Sensitivity tables of value of synergies per share (in 2013 to 2016 period, without terminal value) assuming different % of materialization of synergies and different share count after capital injection:

Materialisation of synergies (% of management guidance and NPV)

Price per share and new share count		50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
		10.1	11.1	12.1	13.1	14.1	15.2	16.2	17.2	18.2	19.2	20.2
7.0	16.5	0.61	0.67	0.73	0.80	0.86	0.92	0.98	1.04	1.10	1.16	1.22
7.2	16.3	0.62	0.68	0.74	0.81	0.87	0.93	0.99	1.05	1.11	1.18	1.24
7.4	16.1	0.63	0.69	0.75	0.81	0.88	0.94	1.00	1.07	1.13	1.19	1.25
7.6	15.9	0.63	0.70	0.76	0.82	0.89	0.95	1.01	1.08	1.14	1.20	1.27
7.8	15.8	0.64	0.70	0.77	0.83	0.90	0.96	1.02	1.09	1.15	1.22	1.28
8.0	15.6	0.65	0.71	0.78	0.84	0.91	0.97	1.04	1.10	1.16	1.23	1.29
8.2	15.5	0.65	0.72	0.78	0.85	0.91	0.98	1.05	1.11	1.18	1.24	1.31
8.4	15.3	0.66	0.73	0.79	0.86	0.92	0.99	1.06	1.12	1.19	1.25	1.32
8.6	15.2	0.67	0.73	0.80	0.87	0.93	1.00	1.06	1.13	1.20	1.26	1.33
8.8	15.0	0.67	0.74	0.81	0.87	0.94	1.01	1.07	1.14	1.21	1.28	1.34
9.0	14.9	0.68	0.74	0.81	0.88	0.95	1.02	1.08	1.15	1.22	1.29	1.35

Source: ALTA Invest calculations

6.5 ACQUISITION RATIONALE

Rationale behind an acquisition of Zavarovalnica Maribor is in:

I. Synergies between Sava Re Group (especially Tilia) and Zavarovalnica Maribor.
II. Increased market share in Slovenia. This can bring economies of scale that are tied to synergies.
III. Increased market share in Slovenia and SEE will also make Sava Re Group more attractive in terms of foreign interest as it will become second biggest in mentioned region with greater top line, market capitalisation and likely also trading volume.
IV. Attractive post-acquisition Group multiples.

I. Synergies. Synergies were described in detail in chapter 6.4.

II. Becoming bigger in Slovenia. Sava Re will through acquisition significantly increase domestic insurance market share. Therefore it will progress from 7th to 2nd biggest insurance player on the domestic market. This will not only make Sava Re Group more attractive to investors wanting to get exposure to Slovenian insurance market, but more importantly provide economies of scale in Slovenia and with it positive economic effects to the Group together with synergies between Tilia and Zavarovalnica Maribor.

Company	Total GWP in EURt	Market share	Life in EURt	Market share	Non-life in EURt	Market share	Health in EURt	Market share
Triglav Group	775	37.0%	201	31.5%	494	48.2%	80	18.6%
Adriatic Slovenica	265	12.7%	13	2.0%	152	14.8%	100	23.3%
Zavarovalnica Maribor	**263**	**12.6%**	**75**	**11.8%**	**188**	**18.3%**	**0**	**0.0%**
Vzajemna Health	249	11.9%	0	0.0%	0	0.0%	249	58.0%
Modra zavarovalnica	140	6.7%	139	21.8%	0	0.0%	0	0.0%
Generali	86	4.1%	20	3.1%	67	6.5%	0	0.0%
Tilia	**79**	**3.8%**	**10**	**1.6%**	**68**	**6.6%**	**0**	**0.0%**
KD Life	62	3.0%	62	9.7%	0	0.0%	0	0.0%
Merkur	47	2.2%	40	6.3%	7	0.7%	0	0.0%
Other	126	6.0%	78	12.2%	49	4.8%	0	0.0%
TOTAL	2,092	100.0%	638	100.0%	1,025	95.2%	429	100.0%
Tilia + Zav. Maribor	**342**	**16.3%**	**85**	**13.3%**	**256**	**25.0%**	**0**	**0.0%**

III. Becoming bigger in SEE. Sava Re will also become second largest insurance group (insurance and reinsurance GWP treated together) in SEE region. This is clearly seen in next table with data based on SEE News. This makes the Sava Re Group more visible to foreign investors and more attractive as an investment. This should in theory improve Sava Re Group valuation.

Rank 2011	Rank 2010	Company name	Country	GWP 2011	YoY change	P/L 2011
1	1	Zavarovalnica Triglav	Slovenia	696.7	-3.4%	43.8
2	2	Croatia Osiguranje	Croatia	370.3	-3.7%	10.4
3	3	Adriatic Slovenica	Slovenia	265.6	1.6%	17.7
4	**4**	**Zavarovalnica Maribor**	**Slovenia**	**263.2**	**1.4%**	**10.6**
5	5	Astra	Romania	233.5	-6.9%	18.8
6	7	Allianz - Tiriac Asigurari	Romania	208.0	-12.0%	5.7
7	8	Omniasig VIG	Romania	176.3	-16.9%	-42.0
8	9	Groupama Asigurari	Romania	164.0	-9.2%	-23.7
9	10	Dunav Osiguranje	Serbia	147.9	5.3%	2.6
10	14	Asigurarea Romaneasca - Asirom VIG	Romania	145.4	18.3%	1.7
23	**25**	**Zavarovalnica Tilia**	**Slovenia**	**79.2**	**7.2%**	**2.3**
3	3	Tilia + Zav. Maribor	Slovenia	342.4	3.0%	12.9
2012F		**Sava Re Group + Zav. Maribor**	**Slovenia**	**497.0**	**n.a.**	**29.8**

IV. Expected multiple expansion. Although without accounting consolidation effects multiples of Sava Re would in the short term increase and although Zavarovalnica Maribor takeover multiples are appropriate given current market conditions, the consolidation of Zavarovalnica Maribor into Sava Re Group balance sheet and synergies in the future years make forward multiple of Sava Re low and attractive.

Forward multiples are low due to two effects, high EPS growth and possibility for P/E multiple expansion:

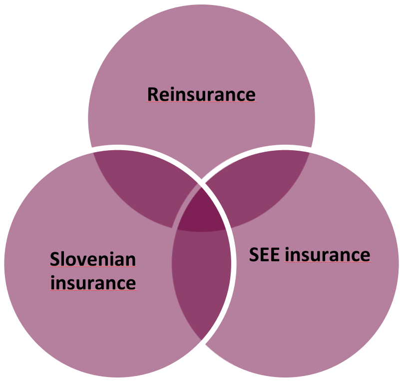
- EPS increase is clearly seen in chapter 7.2 and partially explained by synergies explained in chapter 6.5 and partially by organic top-line growth seen by management in future years.
- With higher ROE, higher P/B multiple is justified. Additionally better liquidity due to higher share of foreign and domestic portfolio investors in the shareholder structure and higher market capitalization can expand multiple. Dividend initiation can also help provide some floor for investors and confidence in the management that it will provide regular annual cash flow for investors. But the most important fact here is unlocking the value of Zavarovalnica Maribor in the Sava Re Group, currently unrecognized in full by investors, and a better spot in sense that second biggest insurance group in SEE can better attract investors. Therefore there is a better chance for multiple expansion, especially since current multiples are far below median peer multiples.

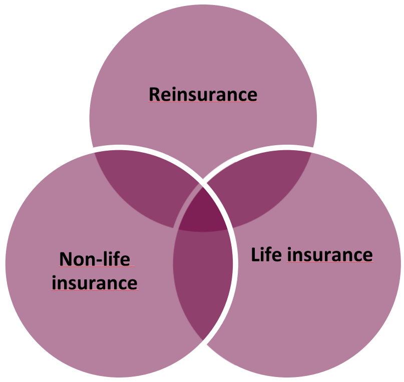
6.6 TIME SCHEDULE

- Acquisition deal between NKBM and Sava Re was signed on 11.12.2012.
- Sava Re shareholder assembly for approving capital injection is on 11.01.2013.
- Public offering is projected to be in May 2013.

7 MANAGEMENT GUIDANCE AND STRATEGY

The company's strategy and structure can be seen as a three pillar structure but in two segmentations (geographical / product lines):





Reinsurance is the most stable and profitable business segment, where the main future focus will be to increase foreign GWP on the expense of domestic clients. Slovenian insurance is the second pillar with Tilia increasing profitability in the last few years. But this segment needs strengthening in terms of gaining market share and with it economies of scale. This is where Zavarovalnica Maribor fits the puzzle. The third pillar is SEE insurance where there is significant growth potential, but currently the profitability is a burdening issue. Again Sava Re management believes that a positive effect of Zavarovalnica Maribor acquisition can be a transferal of good practices into this segment. In terms of product segments, non-life is more stable and profitable part of business, while life segment has more growth potential, but also has more problems with profitability due to adverse environment and low volume.

7.1 ADDITIONAL CAPITAL INJECTION

In order to gain financing for a stake in Zavarovalnica Maribor, Sava Re will have a capital increase. The key data for capital increase is in the following table:

Additional capital increase	
Projected amount	EUR 55m
Price	EUR 7 to EUR 9
Number of shares	6,111,111 to 7,857,143

Given the fact the exact price in additional capital injection is not known in advance, only the price range, the number of shares after the increase can vary. This is shown in the table below. We note that price range was framed with current market price dynamics on one side and expectations of current shareholders on the other side.

Price at increase	No. of shares in mio	Total count after increase
7.0	7.86	17.22
7.2	7.64	17.00
7.4	7.43	16.79
7.6	7.24	16.60
7.8	7.05	16.41
8.0	6.88	16.24
8.2	6.71	16.07
8.4	6.55	15.91
8.6	6.40	15.76
8.8	6.25	15.61
9.0	6.11	15.47

The capital increase will probably be made in at least two stages:

- In the first stage the existing shareholders will have a pre-emptive right to buy shares in order to keep existing stake (proportionate to existing stake in Sava Re shareholder structure). This phase will probably last 14 days.
- In the following phases remaining shares will be offered to all investors.

Currently planned timetable for the additional share increase is May 2013.

7.2 MANAGEMENT GUIDANCE

For 2012 management of Sava Re planned YoY GWP growth of 4.6%, with 2% YoY growth in reinsurance GWP and more than 6% in non-life and more than 16% growth in life segment. Management also guided for a combined ratio of 97.8%, an improvement compared to 2011. This is mostly due to better cost ratio, since they focused on lowering costs. ROE was planned at 6.6%, with assumption of 3.4% return on investment portfolio. Given 9M12 results we believe the end year results will be above mentioned guidance.

The strategy of Sava Re is to consolidate insurance sector, diversify insurance services and distribution channels and diversify in terms of geographic exposure. They believe all above mentioned items will contribute to the value of shareholders.

The management guidance, if assuming Zavarovalnica Maribor acquisition and consolidation is successful in 2013, is:

After ZM acquisition	2013E	2014E	2015E	CAGR
GWP	504.4	518.1	534.9	3.0%
GWP growth	87.5%	2.7%	3.2%	
Net income/loss	39.2	30.7	35.3	9.5%*
Equity	252.6	283.2	316.0	11.8%
ROE	15.5%	11.4%	11.8%	

* CAGR adjusted for 2013 one-time gain due to revaluation of ZM
Source: Sava Re forecasts

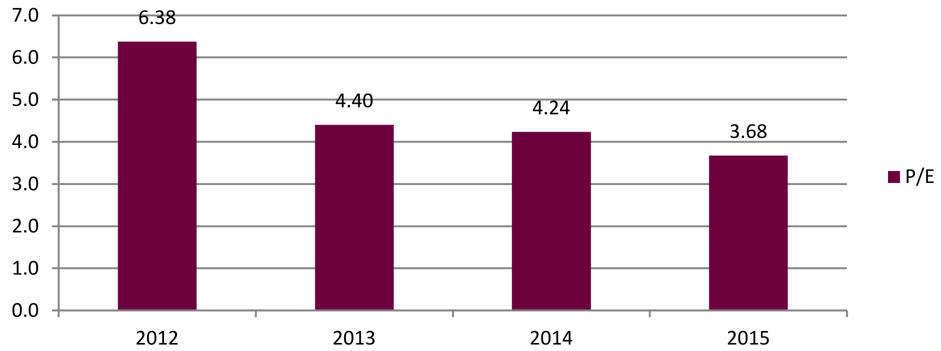
Here we must note that Sava Re management calculated only half of mentioned synergies in 2013 as acquisition of Zavarovalnica Maribor could happen during 1H13. Additionally EUR 9.7m of profit is due to revaluation effect of current Zavarovalnica Maribor stake and therefore a onetime non-cash item. Adjusted figures would be EUR 29.5m of net profit and ROE of 11.7%.

7.3 FORWARD MULTIPLES

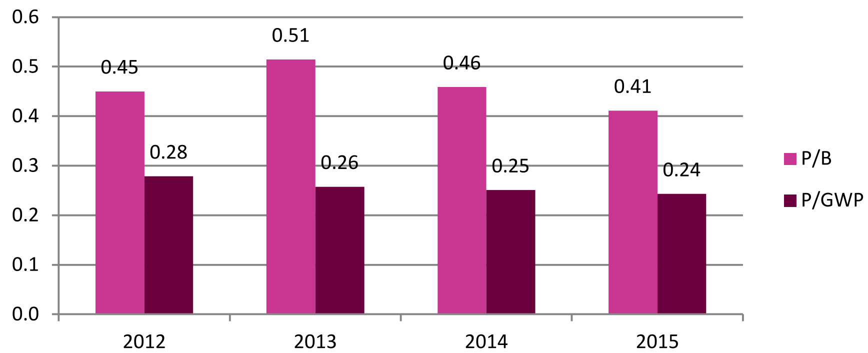
Given management guidance and capital injection in the amount of EUR 55m at price EUR 8 per share we can calculate forward multiples for Sava Re Group:

	2012E	2013E	2014E	2015E
GWP	269.0	504.4	518.1	534.9
GWP growth		87.5%	2.7%	3.2%
Net income/loss	11.7	29.5*	30.7	35.3
Equity	166.5	252.6	283.2	316.0
ROE		15.5%	11.4%	11.8%
P/GWP	0.28	0.26	0.25	0.24
P/E	6.38	4.40	4.24	3.68
P/B	0.45	0.51	0.46	0.41

Source: Sava Re forecasts, ALTA Invest calculations (*adjusted for one-time gain)



Source: ALTA Invest calculations



Source: ALTA Invest calculations

Here we must note that the forward multiples depend on realization of Sava Re plan and especially on synergies and even more on the difference of management guidance's with and without Zavarovalnica Maribor (acquisition or status quo scenario). Namely we can treat this difference as effective synergies of the deal in next couple of year. When changing the realization of these synergies forward multiples are impacted. This is shown in next table, where even low materialization of synergies still mean multiples of joint Sava Re and Zavarovalnica Maribor are low.

	P/E			*P/B*		
Eff.synergy realization (%)	2013E	2014E	2015E	2013E	2014E	2015E
100%	4.40	4.24	3.68	0.518	0.467	0.420
90%	4.54	4.33	3.75	0.519	0.470	0.423
80%	4.69	4.42	3.83	0.521	0.472	0.426
70%	4.84	4.52	3.92	0.523	0.475	0.429
60%	5.01	4.62	4.01	0.525	0.477	0.432
50%	5.18	4.73	4.10	0.527	0.480	0.435
40%	5.37	4.84	4.19	0.529	0.482	0.438
30%	5.57	4.95	4.30	0.531	0.485	0.441
20%	5.79	5.08	4.40	0.533	0.488	0.444

Source: ALTA Invest calculations

7.4 EXIT STRATEGY

Although Sava Re Group did not pay dividends in the last few years, management stated that the accepted dividend policy is to pay out 20% of net profit of parent company Pozavarovalnica Sava as long as solvency ratio remains above 200%. Given management guidance for net profit of the company, this implies dividend implementation in the following years and a steady growth of dividend per share amount.

Planned dividend amounts per share:

In EURm	2012E	2013E	2014E	2015E
Net profit	9.9	13.8	15.3	17.4
Assessed dividend per share*		0.17	0.19	0.21
Dividend payout ratio		20.0%	20.0%	20.0%

* paid out in the following year
Source: Sava Re plans, ALTA Invest calculations

Sensitivity of dividend per share given different pay-out ratios:

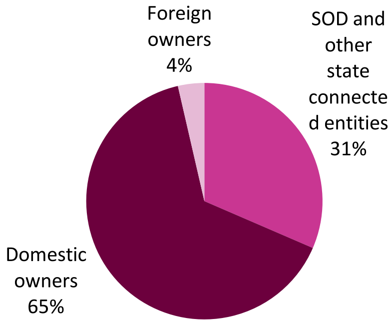
Dividend per share given different dividend payout ratios			
10.0% dividend payout ratio	0.08	0.09	0.11
15.0% dividend payout ratio	0.13	0.14	0.16
20.0% dividend payout ratio	0.17	0.19	0.21
25.0% dividend payout ratio	0.21	0.24	0.27
30.0% dividend payout ratio	0.25	0.28	0.32

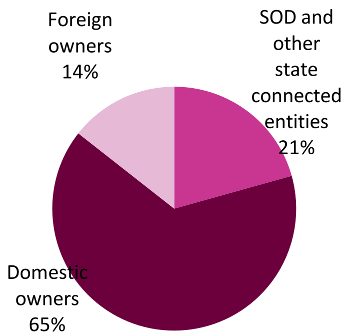
Source: Sava Re plans, ALTA Invest calculations

Even though dividend policy can provide a floor for stock price and stabile cash flow to investors, this is not the main envisioned exit strategy for investors. Namely the main exit strategies are:

- Listing on foreign stock exchange. Management will list the Sava Re shares on at least one more stock exchange in the period of three years after successful capital injection. Exchange will be selected based on costs, liquidity and especially based upon the biggest interest of shareholders.
- Investors can hope for a possibility that the state funds and other to the state connected entities will tender their share in the following years. Namely the state does not include Sava Re's stake as a strategic, although this can always be a subject of change. Here an important signal can be lowering the state's presence in this capital raising. Any exit by the state owned entities after this capital raising would most probably attract more active long term investors.
- If state entities do not participate in capital increase (or at least not in full) Sava Re shareholder structure would change considerably toward foreign ownership. Namely currently foreign owners have less than 4% stake in Sava Re, while most likely this stake could surge above 17%. If we would assume a high 65% of shareholders will exercise pre-emptive right and that remaining shares will be bought by foreign investors, then foreign ownership could surge to 14.4%. If SOD does not participate in the capital increase then the government influence would decrease from 31.49% to 20.7%, hence improve the influence of foreign investors (14.4%). This would likely lead to more stakeholder-oriented supervisory board and management decisions.

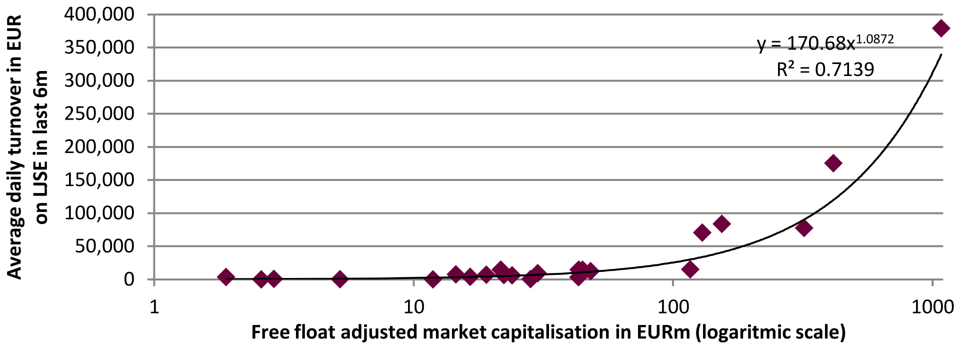
Current shareholder structure and possible future shareholder structure assuming a high 65% pre-emptive participation (one of which SOD) with the rest injected by foreign investors:





Source: KDD

We must also note that one more positive side effect of capital increase is the increase in market capitalization and already mentioned increased free float. Given our regression analysis of the most liquid stocks on LJSE, we believe there is a positive correlation between free float adjusted market capitalization and stock turnover (and volumes).



Source: Bloomberg, ALTA Invest calculations

8 PEER COMPARISON

Sava Re operates in both, insurance and reinsurance business with almost an equal split. Geographically the split was again almost equal between relatively mature domestic Slovenian market and other foreign markets. But here the foreign markets for insurance segment is SEE orientated, while foreign markets in reinsurance segment are more diversified.

Due to Groups' diversified operations, peer group consists of the comparable insurers which operate in CEE and SEE countries and reinsurers which collect its premiums mostly in developed countries. Here we must note several important differences:

- The structure of GWP consists of smaller portion of life insurance segment, as this is the most underdeveloped segment in the region compared to West and Central Europe. This also entails Slovenia.
- Market capitalisation and GWP level is smaller and with it economies of scale.
- The Group currently has two strategic investments in the portfolio, namely Zavarovalnica Maribor and Moja Naložba. This is influencing income statement and balance sheet.

Large Global Reinsurance peer comparison:

Name	Ticker	M Cap (m EUR)	Revenue T12M	Comb. ratio NL	Tot Assets (EUR m)	NI / Profit T12M	P/E	P/B
SWISS RE AG	SREN VX	20,228	25,701	89.8	174,596	3,398	5.6	0.79
MUENCHENER RUECKVER AG	MUV2 GR	23,737	66,138	110.5	258,636	3,345	7.0	0.88
HANNOVER RUECKVERSICHERU	HNR1 GR	6,785	13,374	104.3	54,559	895	7.7	1.16
TALANX AG	TLX GR	5,229	N.A.	102.2	124,590	N.A.	N.A.	0.65
EVEREST RE GROUP LTD	RE US	4,309	3,806	118.5	15,275	626	9.2	0.83
SCOR SE	SCR FP	3,930	8,524	103.8	32,128	496	7.6	0.86
PARTNERRE LTD	PRE US	3,857	4,368	127.7	18,360	775	12.0	0.82
AXIS CAPITAL HOLDINGS LTD	AXS US	3,366	3,005	112.3	14,677	498	8.8	0.80
RENAISSANCERE HOLDINGS LTD	RNR US	3,000	978	118.6	6,829	494	9.7	1.18
REINSURANCE GROUP OF AMERICA	RGA US	2,927	7,300	N.A.	31,007	438	8.1	0.57
VALIDUS HOLDINGS LTD	VR US	2,919	1,603	97.4	6,573	406	7.9	0.91
Median		*3,930*	*5,834*	*107.4*	*31,007*	*562*	*8.0*	*0.83*
REINSURANCE CO SAVA LTD	**POSR SV**	**67.4**	**249.9**	**97.9**	**634.1**	**15.1**	**4.5**	**0.41**

Source: Bloomberg

Small Global Reinsurance peer comparison:

Name	Ticker	M Cap (m EUR)	Revenue T12M	Comb. ratio NL	Tot Assets (EUR m)	NI / Profit T12M	P/E	P/B
LANCASHIRE HOLDINGS LTD	LRE LN	1,621	475	51.3	2,171	171	9.0	1.35
ARCH CAPITAL GROUP LTD	ACGL US	4,671	2,520	99.6	14,671	553	11.4	1.21
FLAGSTONE REINSURANCE HOLDING	FSR US	N.A.	378	153.6	1,581	-26	N.A.	0.75
MONTPELIER RE HOLDINGS LTD	MRH US	940	610	131.1	3,145	215	8.6	0.80
GREENLIGHT CAPITAL RE LTD	GLRE US	651	489	103.8	2,219	112	5.9	0.96
PLATINUM UNDERWRITERS HLDGS	PTP US	1,127	579	145.3	3,489	164	9.7	0.82
ENDURANCE SPECIALTY HOLDINGS	ENH US	1,318	1,689	112.9	7,576	129	19.6	0.72
ALTERRA CAPITAL HOLDINGS LTD	ALTE US	1,715	1,274	102.9	8,336	175	11.8	0.76
ASPEN INSURANCE HOLDINGS LTD	AHL US	1,703	1,722	115.6	7,951	225	8.8	0.73
Median		*1,469*	*610*	*112.9*	*3,489*	*171*	*9.4*	*0.80*
REINSURANCE CO SAVA LTD	**POSR SV**	**67.4**	**249.9**	**97.9**	**634.1**	**15.1**	**4.5**	**0.41**

Source: Bloomberg

European peer comparison:

Name	Ticker	M Cap (m EUR)	Revenue T12M	Comb. ratio NL	Tot Assets (EUR m)	NI / Profit T12M	P/E	P/B
ZAVAROVALNICA TRIGLAV DD	ZVTG SV	346	986	76.6	3,118	50	7.3	0.75
PZU	PZU PW	8,615	4,497	82.1	13,808	781	10.6	2.58
FBD HOLDINGS PLC	FBD ID	355	316	90.8	1,055	53	7.8	1.59
VITTORIA ASSICURAZIONI SPA	VAS IM	333	1,002	95.6	2,804	45	7.3	0.90
VIENNA INSURANCE GROUP AG	VIG AV	4,782	10,384	93.9	41,775	435	8.8	0.93
UNIQA VERSICHERUNGEN AG	UQA AV	2,003	6,152	105.5	29,853	-33	N.A.	1.29
ASSICURAZIONI GENERALI	G IM	20,520	81,512	96.8	449,432	1,164	17.0	1.06
MAPFRE SA	MAP SM	6,621	20,833	96.5	55,849	854	7.6	0.91
AXA SA	CS FP	30,179	101,472	99.4	756,105	2,911	17.0	0.71
AEGON NV	AGN NA	8,677	42,389	N.A.	369,274	1,227	8.5	0.36
AVIVA PLC	AV/ LN	13,046	43,654	100.2	387,506	-764	N.A.	0.92
Median		*6,621*	*10,384*	*96.0*	*41,775*	*435*	*8.5*	*0.92*
REINSURANCE CO SAVA LTD	**POSR SV**	**67.4**	**249.9**	**97.9**	**634.1**	**15.1**	**4.5**	**0.41**

Source: Bloomberg

If comparing to Zavarovalnica Triglav, the biggest insurance company on the local stock exchange, they both recently successfully changed its focus to profitability and they both have regional exposure (although Triglav is a much bigger insurance company). The main difference is that Sava Re is more focused also on reinsurance. In terms of P/E, P/B and P/GWP Sava Re trades at a significant discount. This is a result of lower ROE (for P/B and P/GWP) and an uncertainty regarding possible capital injection for buying Zavarovalnica Maribor stake. Also we must note Zavarovalnica Triglav share has around 6% dividend yield, while Sava Re does not have a dividend payment.

The peer comparison analysis shows that Sava Re currently trades at discount on P/E, P/B and P/GWP. Given lower ROE and no dividend yield, discount of Sava Re's P/B ratios are only partially justified. Additionally profitability is improving (seen in 9M12 and management expectations), while dividend could be initiated in 2014. So the reasoning behind discounted valuation are disappearing.

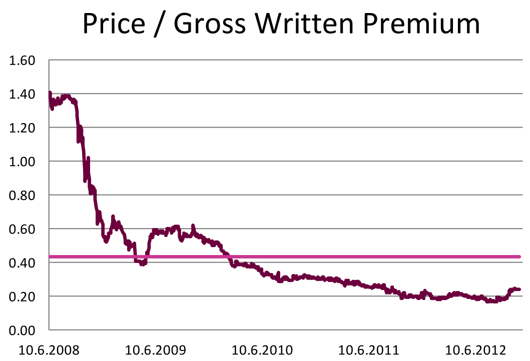
Joint Sava Re and Zavarovalnica Maribor forward multiples, including bigger share count and management forecasts, are:

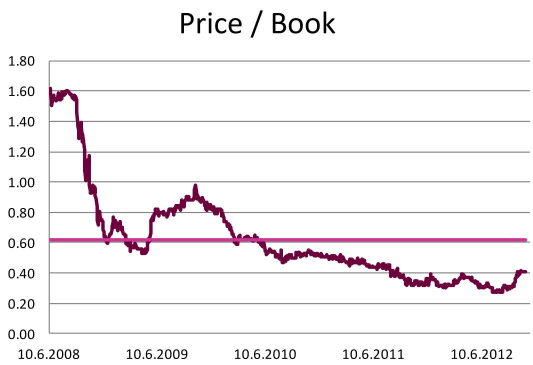
	2013E	2014E	2015E
P/GWP	0.26	0.25	0.24
P/E	4.40	4.24	3.68
P/B	0.51	0.46	0.41

Source: ALTA Invest

We again see joint forward multiples are lower than current multiples and lower than peer median trailing multiples.

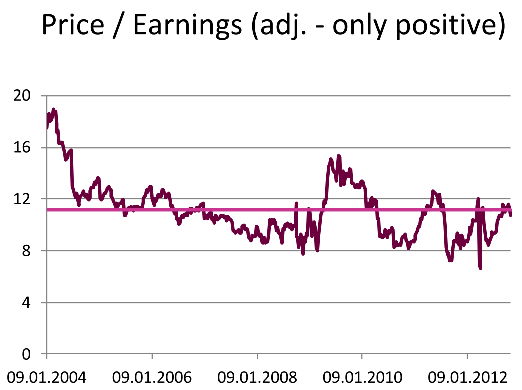
Historic valuation on P/GWP and P/B multiples also imply on current undervaluation of Sava Re, but we must note that in 2008 the Ljubljana Stock Exchange was still in a bubble due to specific country and capital market reasons, so overall sentiment was overly optimistic and overall valuation too high.





Source: ALTA Invest and Bloomberg

Looking at historic valuation multiples for insurance sector in Europe, we get the following graphs (based on Bloomberg Europe Insurance Index):



Source: ALTA Invest and Bloomberg

While P/E is moving mostly in the range between 8 and 16 from 2004 onwards, looking only average P/E on companies in the index with positive EPS, price book ratio has moved from around 1.4 to 0.9 after global turmoil. Tougher conditions, lower growth rate and stricter regulatory framework impacted possible and realized ROE and with it, P/B ratio. Sava Re trades below this multiples.

Recent (2008 to 2012 period) M&A transactions and multiples have a median P/B multiple of 1.33 and P/E multiple of 13.4.

Target Name	Acquirer Name	Value (EURm)	Payment Type	% Bought	P/B	P/E
Friends Life FPG	Resolution	2,198.1	Cash & Stock	100	0.60	10.04
Alleanza Toro	Assicurazioni Generali	2,277.5	Stock	53	1.39	10.64
Paris RE Holdings	PartnerRe	924.8	Stock	77	0.77	
Brit Insurance Holdings	Apollo GM,CVC CP	1,010.8	Cash	100	0.87	11.54
Towarzystwo Ubezpieczen i Reasekuracji WARTA	Talanx International	770.0	Cash	100	2.76	26.46
Atradius	Grupo Catalana Occidente	400.0	Cash	27	1.33	11.55
Towarzystwo Ubezpieczeniowe EUROPA	HDI Haftpflichtverband der Deutschen Industrie VaG	400.3	Cash	50	4.20	18.97
Paris RE Holdings	PartnerRe	228.2	Stock	17	0.86	
Brit Insurance	Fairfax Financial Holdings	238.8	Cash	100	0.56	7.76
Esure Insurance	Management Group,Motion Equity Partners	212.1	Cash	70	1.71	
Omega Insurance Holdings	Canopius Group	200.2	Cash	100	0.79	
Hardy Underwriting Bermuda	CNA Financial Corp	172.0	Cash	100	1.34	
Aksigorta	Ageas	160.9	Cash	31	1.66	14.51
Atradius	Inoc	137.0	Cash	9	1.33	11.58
DBV Holding	AXA	120.5	Cash	5	2.07	16.36
Firstassist Insurance Services	Cigna	81.7	Cash	100	2.66	
THB Group	AmWINS Group	34.1	Cash	100	1.17	377.92
Laguna Life	Enstar Group	15.0	Cash	100	0.50	
Hero Insurance Services	Capita	16.8	Cash	100	2.43	19.17
RAY Sigorta	Vienna Insurance	14.8	Cash	10	2.22	
RAY Sigorta	TBIH Financial Services Group	14.2	Cash	10	2.22	
Cash.life	Augur Capital Advisors	14.1	Cash	47	0.73	
Advent Capital Holdings	Fairfax Financial Holdings	12.5	Cash	15	0.86	
Agricultural Insurance	Agricultural Bank of Greece	6.6	Cash	16	1.26	
Mannheimer AG Holding	Die Continentale	n.a.	n.a.	92	2.18	
Middlesea Insurance Co	Mapfre	n.a.	n.a.	20	1.24	12.33
Jahorina Osiguranje	Vienna Insurance	n.a.	n.a.	92	2.43	66.02

Source: Bloomberg and ALTA Invest calculations (P/B and P/E)

9 SENSITIVITY ANALYSIS OF KEY VARIABLES

The acquisition will affect Sava Re Group's strategy and long term operations and hence also valuations of the company. Given uncertainties around different factors which are important for Sava Re's valuations sensitivity analysis are crucial since they are indicating how deviations from baseline scenario will affect valuation of merged company and also give more transparent picture about the rationale behind the transaction.

As already mentioned in the document our baseline assumptions are:

- Capital increase of EUR 55m at EUR 8 per share
- Therefore market price of EUR 8 per share at the time of capital injection
- 100% synergy realization
- 20% profit payout ratio of parent company
- Sava Re Group holds 48.68% of Zavarovalnica Maribor and buys NKBM's stake
- 27% of reinsurance premium with claims ratio of 59% comes from Zavarovalnica Maribor
- Cost of capital is set at 10.58%
- All sensitivity analysis indicate possible effects (in % of value) of different scenarios on valuation of Sava Re Group
- One time gain in Sava Re's income statement which will be a result of acquisition and revaluation of already owned share of Zavarovalnica Maribor is excluded from valuations (EUR 9.7m).

From the perspective of creating value realization of synergies (cost cutting...) is important, however, minor deviation from 100% realization will not considerably affect the valuation of merged companies. Relative valuation indicates that current price to expected earnings for 2014 in case of EUR 55m capital increase priced at 8 would be 4.2 if Sava Re's management fully achieve planed positive effects of acquisition and 4.7 if there will be only 50% realization of plans.

Sinergy plan realisation (%)

Capital increase (EUR m)	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
7.0	5.012	4.955	4.899	4.844	4.790	4.738	4.687	4.637	4.588	4.540	4.493
7.2	4.948	4.892	4.837	4.783	4.730	4.678	4.627	4.578	4.530	4.482	4.436
7.4	4.888	4.832	4.778	4.724	4.672	4.621	4.571	4.522	4.475	4.428	4.382
7.6	4.831	4.776	4.722	4.669	4.618	4.567	4.518	4.470	4.423	4.376	4.331
7.8	4.777	4.723	4.669	4.617	4.566	4.516	4.468	4.420	4.373	4.327	4.282
8.0	4.726	4.672	4.619	4.568	4.517	4.468	4.420	4.372	4.326	4.281	4.237
8.2	4.677	4.624	4.571	4.520	4.471	4.422	4.374	4.327	4.281	4.237	4.193
8.4	4.631	4.578	4.526	4.476	4.426	4.378	4.330	4.284	4.239	4.195	4.151
8.6	4.586	4.534	4.483	4.433	4.384	4.336	4.289	4.243	4.198	4.154	4.111
8.8	4.544	4.492	4.441	4.392	4.343	4.296	4.249	4.204	4.160	4.116	4.073
9.0	4.504	4.452	4.402	4.353	4.305	4.258	4.212	4.167	4.123	4.079	4.037

Source: ALTA Invest calculations (P/E for 2014 in case of individual scenario variables)

The same conclusion can be made with equity valuation model where 50% lower plan for realization of effective synergies would have 8.2% negative effect on valuation.

Capital increase price per share \ Sinergy plan realisation (%)	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
7.0	-11.1%	-10.3%	-9.6%	-8.8%	-8.0%	-7.3%	-6.5%	-5.7%	-5.0%	-4.2%	-3.4%
7.2	-10.4%	-9.7%	-8.9%	-8.1%	-7.3%	-6.5%	-5.8%	-5.0%	-4.2%	-3.4%	-2.6%
7.4	-9.8%	-9.0%	-8.2%	-7.4%	-6.6%	-5.9%	-5.1%	-4.3%	-3.5%	-2.7%	-1.9%
7.6	-9.2%	-8.4%	-7.6%	-6.8%	-6.0%	-5.2%	-4.4%	-3.6%	-2.8%	-2.0%	-1.2%
7.8	-8.7%	-7.9%	-7.1%	-6.3%	-5.4%	-4.6%	-3.8%	-3.0%	-2.2%	-1.4%	-0.6%
8.0	-8.2%	-7.4%	-6.5%	-5.7%	-4.9%	-4.1%	-3.3%	-2.5%	-1.6%	-0.8%	0.0%
8.2	-7.7%	-6.9%	-6.1%	-5.2%	-4.4%	-3.6%	-2.8%	-1.9%	-1.1%	-0.3%	0.6%
8.4	-7.3%	-6.4%	-5.6%	-4.8%	-3.9%	-3.1%	-2.3%	-1.4%	-0.6%	0.2%	1.1%
8.6	-6.9%	-6.0%	-5.2%	-4.4%	-3.5%	-2.7%	-1.8%	-1.0%	-0.1%	0.7%	1.5%
8.8	-6.5%	-5.7%	-4.8%	-4.0%	-3.1%	-2.3%	-1.4%	-0.6%	0.3%	1.1%	2.0%
9.0	-6.2%	-5.3%	-4.5%	-3.6%	-2.8%	-1.9%	-1.0%	-0.2%	0.7%	1.5%	2.4%

Source: ALTA Invest calculations (% of lower or higher value of share in case of individual scenario variables)

Although Sava Re's plans to integrate two successful companies that will create value for new investors, the transaction itself is more in hands of existing shareholders. Equity dilution is therefore raising questions whether acquisition will be beneficial to current shareholders.

Here we must note that in the last few years both majority owners of Zavarovalnica Maribor (Sava Re and NKBM) maintained status quo which resulted in maintaining strong business relation between Sava Re and Zavarovalnica Maribor. Hence the insurance company is still the largest single reinsurance client and is very important for Sava Re's profitability. Lower influence (due to new owner) on Zavarovalnica Maribor reinsurance decisions could mean that Sava Re will have to replace Slovenian reinsurance premiums with likely less profitable foreign reinsurance contracts. Additionally through the last few years Zavarovalnica Maribor went through the optimization of insurance operations and started focusing on the profitability. That process led to high improvement of Zavarovalnica Maribor claims ratio and also positively affected the profitability of reinsurance and hence underwriting results of Sava Re reinsurance segment.

As we mentioned, dilution effect and higher profit generation in the upcoming years is much more attractive to investors which will adopt shares through new share issuance, however, the participation in capital increase can easily offset negative effects of dilution. Sensitivity analysis indicates that if new issued shares will be priced at EUR 7-8 existing shareholders should increase its holding position by 15-20%. Some dilution effects are therefore inevitable, but relatively easily avoidable.

Capital increase price per share	Increase of current shareholding										
	0%	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%
7.0	-41.9%	-31.4%	-20.8%	-10.3%	0.3%	10.8%	21.4%	32.0%	42.5%	53.1%	63.6%
7.2	-40.0%	-29.8%	-19.5%	-9.3%	1.0%	11.2%	21.5%	31.7%	41.9%	52.2%	62.4%
7.4	-38.1%	-28.2%	-18.3%	-8.3%	1.6%	11.6%	21.5%	31.4%	41.4%	51.3%	61.3%
7.6	-36.3%	-26.7%	-17.0%	-7.4%	2.3%	11.9%	21.6%	31.2%	40.9%	50.5%	60.2%
7.8	-34.6%	-25.2%	-15.9%	-6.5%	2.9%	12.2%	21.6%	31.0%	40.3%	49.7%	59.1%
8.0	-32.9%	-23.8%	-14.7%	-5.6%	3.5%	12.6%	21.7%	30.8%	39.8%	48.9%	58.0%
8.2	-31.2%	-22.4%	-13.6%	-4.8%	4.1%	12.9%	21.7%	30.5%	39.4%	48.2%	57.0%
8.4	-29.6%	-21.1%	-12.5%	-3.9%	4.6%	13.2%	21.8%	30.3%	38.9%	47.4%	56.0%
8.6	-28.1%	-19.7%	-11.4%	-3.1%	5.2%	13.5%	21.8%	30.1%	38.4%	46.7%	55.0%
8.8	-26.5%	-18.5%	-10.4%	-2.3%	5.7%	13.8%	21.8%	29.9%	38.0%	46.0%	54.1%
9.0	-25.1%	-17.2%	-9.4%	-1.6%	6.2%	14.1%	21.9%	29.7%	37.5%	45.4%	53.2%

Source: ALTA Invest calculations (% of lower or higher value of share in case of individual scenario variables)

10 BALANCE SHEET AND INCOME STATEMENT

SAVA Re Group - STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT: BALANCE SHEET - ASSETS

	as at 31 December 2011				as at 31 December 2010			
	Reinsurance	Non-life Insurance	Life insurance	Total	Reinsurance	Non-life Insurance	Life insurance	Total
ASSETS	417,051,465	203,991,844	55,339,001	582,037,026	418,350,613	193,420,334	55,904,513	578,385,408
Intangible assets	175,779	1,794,545	233,455	18,274,819	178,615	1,528,759	281,413	23,289,847
Property, plant and equipment	2,367,170	15,434,217	4,774,256	24,503,335	2,451,169	17,900,896	4,457,529	26,711,597
Deferred tax assets	4,064,272	342,089	121,052	4,527,413	2,073,687	154,793	7,601	2,236,081
Investment property	158,587	5,749,289	163,571	6,071,447	160,920	4,615,660	130,338	4,906,918
Financial investments in associated companies	114,423,243	2,926,546	859,074	49,085,007	106,236,355	3,023,358	1,020,071	42,322,366
Financial investments:	208,748,194	105,526,148	21,807,711	325,188,363	221,513,409	85,013,892	24,150,407	324,225,440
- In deposits and loans	57,859,936	52,987,374	7,212,843	107,037,143	83,453,132	43,942,058	9,939,799	130,751,104
- HTM	7,513,050	5,012,364	2,895,100	15,420,514	8,168,143	8,198,802	1,605,060	17,972,005
- AFS	143,375,208	44,238,494	10,269,917	198,012,939	129,892,133	29,732,181	11,605,880	171,361,811
- At fair value through P/L	0	3,287,916	1,429,851	4,717,767	0	3,140,851	999,666	4,140,517
Funds for the benefit of policyholders who bear investment risk	0	0	24,138,957	24,138,957	0	0	23,716,699	23,716,699
Amount of technical provisions ceded to reinsurers	17,615,761	25,645,091	53,573	21,608,381	17,526,300	25,313,293	39,281	19,734,539
Receivables	59,848,462	35,143,479	1,699,095	86,266,849	58,673,864	43,815,751	579,344	88,067,303
Deferred acquisition costs	9,305,676	6,565,482	377,652	15,938,449	9,191,801	7,926,464	200,576	17,318,841
Other assets	190,408	1,094,523	54,058	1,338,989	175,299	525,157	53,020	753,985
Cash and Cash Equivalents	153,912	3,385,873	1,056,547	4,710,455	169,193	2,614,674	1,180,681	4,026,603
Non-current assets held for sale	0	384,562	0	384,562	0	987,637	87,553	1,075,190

SAVA Re Group - STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT: BALANCE SHEET - LIABILITIES

	as at 31 December 2011				as at 31 December 2010			
	Reinsurance	Non-life Insurance	Life insurance	Total	Reinsurance	Non-life Insurance	Life insurance	Total
EQUITY AND LIABILITIES	417,051,465	203,991,844	55,339,001	582,037,026	418,350,613	193,420,334	55,904,513	578,385,408
Equity	158,454,528	27,481,892	13,071,188	148,080,050	156,138,328	27,757,504	15,312,585	154,684,609
- Share capital	39,069,099	42,750,538	22,086,990	39,069,098	39,069,099	38,436,078	21,516,950	39,069,099
- Capital reserves	33,003,753	0	57	25,417,397	33,003,752	0	56	25,417,396
- Reserves from profit	87,556,850	2,115,554	336,491	90,243,081	83,238,204	2,494,885	336,491	85,362,019
- Treasury shares	-1,774	0	0	-1,774	-1,774	0	0	-1,774
- Fair value reserve	-9,088,908	630,488	-400,356	-10,809,738	-2,767,816	2,074,151	244,490	-121,460
- Retained net profit or loss	3,596,862	-12,788,554	-5,969,149	2,878,547	0	-7,649,452	-4,057,899	557,800
- Net profit or loss for the year	4,318,647	-3,652,911	-2,261,027	1,147,011	3,596,862	-5,919,962	-1,943,673	2,370,698
- Translation reserve	0	-1,573,223	-721,818	-2,338,002	0	-1,678,197	-783,830	-2,412,020
Equity attributable to equity holders of the controlling company	158,454,530	27,481,892	13,071,188	145,605,620	156,138,328	27,757,503	15,312,585	150,241,758
Non-controlling interest in equity	0	0	0	2,474,430	0	0	0	4,442,851
Subordinate liabilities	31,220,817	0	0	31,220,817	31,177,758	0	0	31,177,758
Technical provisions	183,891,042	141,608,498	17,081,646	320,875,142	173,971,974	136,823,399	15,666,210	303,287,248
- Unearned premiums	40,897,411	53,660,457	379,712	87,330,269	41,861,443	52,522,521	319,067	87,101,437
- Mathematical provisions	0	0	16,503,688	16,503,688	0	0	15,228,730	15,228,730
- Provisions for claims outstanding	142,394,053	85,190,619	198,246	213,830,875	131,492,898	81,279,621	118,413	197,489,172
- Other technical provisions	599,578	2,757,422	0	3,210,310	587,633	3,021,257	0	3,467,909
Technical provisions of life insurance policyholders, who have assumed the risk	0	0	23,673,423	23,673,423	0	0	23,626,363	23,626,363
Other provisions	143,730	573,772	77,323	795,606	112,165	581,094	73,662	768,854
Deferred tax liabilities	0	0	0	0	86,161	39,013	61,436	186,610
Other financial liabilities	729	13,997,498	0	5,782,075	2,901,061	6,486,120	0	2,667,101
Liabilities for business operations	42,059,381	9,309,278	372,080	41,486,025	44,336,405	14,692,522	199,360	46,055,013
Other Liabilities	1,281,268	11,020,906	1,063,341	10,123,890	9,656,761	7,040,685	964,897	15,931,853

SAVA Re Group - STATEMENT OF FINANCIAL POSITION BY OPERATING SEGMENT: BALANCE SHEET - ASSETS

	On 30.9.2012 Total
ASSETS	634,060,263
Intangible assets	18,098,049
Property, plant and equipment	24,261,730
Deferred tax assets	2,858,793
Investment property	5,591,397
Financial investments in associated companies	54,097,386
Financial investments:	352,656,537
- In deposits and loans	108,233,019
- HTM	15,625,642
- AFS	225,372,267
- At fair value through P/L	3,425,609
Funds for the benefit of policyholders who bear investment risk	27,127,565
Amount of technical provisions ceded to reinsurers	31,404,001
Receivables	97,090,066
Deferred acquisition costs	16,135,803
Other assets	1,090,647
Cash and Cash Equivalents	3,311,102
Non-current assets held for sale	337,188

	On 30.9.2012 Total
EQUITY AND LIABILITIES	634,060,263
Equity	165,920,551
- Share capital	39,069,099
- Capital reserves	25,368,113
- Reserves from profit	90,331,903
- Treasury shares	-1,774
- Fair value reserve	-3,841,842
- Retained net profit or loss	4,008,814
- Net profit or loss for the year	12,383,397
- Translation reserve	-3,289,198
Equity attributable to equity holders ot the controlling company	164,028,512
Non-controlling interest in equity	1,892,039
Subordinate liabilities	31,231,435
Technical provisions	363,383,033
- Unearned premiums	103,041,148
- Mathematical provisions	17,218,629
- Provisions for claims outstanding	240,093,257
- Other technical provisions	3,029,999
Technical provisions of life insurance policyholders, who have assumed the risk	26,631,201
Other provisions	841,270
Deferred tax liabilities	0
Other financial liabilities	3,145,648
Liabilities for business operations	33,672,693
Other Liabilities	9,234,432

SAVA Re Group - INCOME STATEMENT

	as at 31 December 2011				as at 31 December 2010			
	Reinsurance	Non-life Insurance	Life insurance	Total	Reinsurance	Non-life Insurance	Life insurance	Total
EARNED PREMIUMS, NET OF REINSURANCE	122,486,683	100,070,517	12,690,308	235,139,209	123,497,230	96,085,241	12,394,003	231,874,029
Gross insurance premium written	140,350,370	126,411,157	12,882,226	258,415,194	142,861,784	125,757,228	12,532,979	259,103,050
- of this third-party clients	119,261,863	126,271,105	12,882,226	258,415,194	120,989,322	125,580,749	12,532,979	259,103,050
Written premiums ceded to reinsurers and co-insurers	-20,030,451	-25,379,571	-141,557	-24,406,133	-21,611,105	-25,243,014	-124,434	-25,301,152
Change in net unearned premiums	2,166,764	-961,069	-50,361	1,130,148	2,246,551	-4,428,973	-14,542	-1,927,869
NET CLAIMS INCURRED	-75,377,584	-56,354,647	-4,421,221	-136,168,165	-81,740,116	-55,739,316	-2,540,031	-140,009,961
Gross claims	-70,685,269	-64,230,826	-4,327,331	-128,376,839	-78,092,872	-64,442,773	-2,613,520	-131,269,604
Reinsurers and co-insurers shares	7,322,111	12,091,180	15,357	8,569,373	11,644,566	15,533,327	577	13,266,034
Change in net provisions for outstanding claims	-12,014,426	-4,215,001	-109,247	-16,360,699	-15,291,810	-6,829,870	72,912	-22,006,391
CHANGE IN OTHER TECHNICAL PROVISIONS	-263	944,778	-1,299,145	-354,630	1,185,050	-967,676	-1,926,812	-1,709,438
CHANGE IN TECH. PROV. OF THE INSURED WHO HAVE ASSUMED THE INV. RISK	0	0	-23,713	-23,713	0	0	-5,711,680	-5,711,680
OPERATING EXPENSES	-39,288,833	-46,408,509	-6,571,380	-87,921,117	-39,239,664	-43,870,376	-6,793,923	-85,287,685
- Depreciation and amortisation	-207,816	-1,548,494	-147,549	-1,912,368	-176,706	-1,721,678	-114,475	-2,014,450
OTHER TECHNICAL INCOME	4,140,288	6,703,495	48,552	6,425,806	4,741,369	6,652,290	30,942	6,631,556
OTHER TECHNICAL EXPENSES	-2,105,123	-8,863,858	-79,516	-10,941,003	-2,165,907	-7,491,095	-20,264	-9,627,586
TECHNICAL ACCOUNT	9,855,168	-3,908,224	343,885	6,156,387	6,187,962	-5,330,932	-4,567,765	-3,840,765
Income from investment in affiliates	4,540,448	0	0	5,241,763	0	210,210	0	5,055,301
Share in P/L of equity accounted associates	0	0	0	998,142	0	0	0	5,055,301
Investment income	8,437,718	5,884,968	3,733,425	17,780,524	9,831,163	5,182,893	5,110,395	19,895,359
- Interest income	7,210,411	4,737,035	1,078,567	12,712,017	6,431,313	4,218,525	1,105,344	11,547,097
Expenses for investment in affiliates	-5,156,439	0	0	-5,156,439	0	0	0	0
Expenses from financial assets and liabilities	-6,392,715	-1,919,255	-6,216,614	-14,164,756	-7,282,878	-1,154,265	-2,023,090	-10,235,493
- Interest expense	-1,762,193	-516,353	-47,812	-2,069,373	-1,543,868	-412,889	-25,251	-1,757,268
- Impairment loss on goodwill	-5,156,439	0	0	-5,156,439	-386,392	0	0	-386,392
NON-TECHNICAL ACCOUNT	1,429,012	3,965,703	-2,483,189	3,701,092	2,548,285	4,238,838	3,087,305	14,715,167

	as at 31 December 2011				as at 31 December 2010			
	Reinsurance	Non-life Insurance	Life insurance	Total	Reinsurance	Non-life Insurance	Life insurance	Total
Other income	10,733	578,577	13,499	762,087	87,439	398,461	0	477,851
Expenses for bonuses and rebates	-11,682	-256,188	0	-267,870	23,029	-744,937	0	-721,908
OTHER EXPENSES	-908	-2,557,819	-67,722	-2,626,450	-166	-1,766,394	-12,182	-1,789,999
RESULT OF OTHER ITEMS	-1,857	-2,235,430	-54,223	-2,132,233	110,302	-2,122,870	-12,182	-2,034,056
PROFIT/LOSS BEFORe TAX	11,282,322	-2,177,951	-2,193,527	7,725,246	8,846,549	-3,204,964	-1,492,642	8,840,346
CORPORATE INCOME TAX	-2,645,030	-946,315	-67,500	-3,658,845	-1,652,825	-1,552,161	-114,537	-3,319,676
NET PROFIT OR LOSS FOR THE BUSINESS SEGMENT	8,637,292	-3,124,266	-2,261,027	4,066,401	7,193,724	-4,757,125	-1,607,179	5,520,670

SAVA Re Group - INCOME STATEMENT

	9M12	9M11		9M12	9M11
EARNED PREMIUMS, NET OF REINSURANCE	183,981,797	177,023,727	Change in net provisions for outstanding claims	-20,444,054	-15,715,758
Gross insurance premium written	215,852,845	202,274,074	CHANGE IN OTHER TECHNICAL PROVISIONS	-952,946	-1,089,413
Written premiums ceded to reinsurers and co-insurers	-18,939,761	-20,528,912	CHANGE IN TECH. PROV. OF THE INSURED WHO HAVE ASSUMED THE INV. RISK	-3,068,843	1,724,735
Change in net unearned premiums	-12,931,287	-4,721,435	Expenses for bonuses and rebates	-107,974	-247,117
INCOME FROM INVESTMENTS IN ASSOCIATES	4,772,235	2,515,871	OPERATING EXPENSES	-64,332,516	-64,755,649
Profit from investments in equity-accounted companies	2,832,294	-1,727,750	Expenses for investment in affiliates	0	-2,549,076
Dividend income from associated companies	1,939,941	4,243,621	Expenses from financial assets and liabilities	-7,375,979	-10,828,162
Investment income	16,845,260	11,509,926	- Interest expense	-1,278,770	-1,415,834
- Interest income	10,316,780	9,370,941	- Impairment loss on goodwill	-935,770	-3,162,625
OTHER TECHNICAL INCOME	4,747,675	4,359,626	OTHER TECHNICAL EXPENSES	-7,011,016	-7,296,347
OTHER INCOME	595,133	365,292	OTHER EXPENSES	-983,872	-1,181,278
NET CLAIMS INCURRED	-112,029,869	-104,274,507	PROFIT/LOSS BEFORe TAX	15,079,085	5,277,627
Gross claims	-95,728,819	-94,037,615	CORPORATE INCOME TAX	-3,133,574	-2,944,286
Reinsurers and co-insurers shares	4,143,004	5,478,866	NET PROFIT OR LOSS FOR THE BUSINESS SEGMENT	11,945,511	2,333,341

11 INVESTMENT PORTFOLIO STRUCTURE

REGIONAL STRUCTURE	30.09.2012
Slovenia	52.0%
European Union	21.6%
Ex-Yugoslavian countries	18.9%
The rest of Europe	2.2%
Asia	3.7%
Other	1.4%

Bond portfolio amounts to EUR 226.8m.

BOND STRUCTURE	30.09.2012
Sovereign bonds	53.5%
Corporate bonds	34.0%
Corporate covered bonds	6.7%
Corporate bond with guarantee	5.7%

BOND STRUCTURE	30.09.2012
AAA	12.8%
AA	7.6%
A	41.1%
BBB	15.3%
Less than BBB	15.9%
No rating	7.3%

BOND STRUCTURE	30.09.2012
Australia corporate	2.0%
Austria sovereign	3.7%
Austria corporate	4.3%
Belgium corporate	4.1%
Cyprus sovereign	1.8%
Czech sovereign	3.6%
Czech corporate	2.0%
Montenegro sovereign	1.7%
Montenegro corporate	0.5%
Denmark corporate	3.0%
Estonia corporate	4.1%
Finland corporate	0.5%
France sovereign	2.7%
France corporate	2.0%
Croatia sovereign	6.6%
Croatia corporate	0.2%
Ireland sovereign	0.4%
Italy corporate	2.4%
China sovereign	2.0%
China corporate	1.6%
South Korea corporate	4.2%
Lithuania sovereign	1.8%
Luxemburg sovereign	2.2%
Luxemburg corporate	2.0%
Macedonia sovereign	2.7%
Germany sovereign	3.5%
Netherlands corporate	1.3%
Norway corporate	4.1%
Poland sovereign	6.0%
Poland corporate	2.5%
Russia corporate	3.3%
Slovenia sovereign	54.7%
Slovenia corporate – banks	33.4%
Slovenia corporate – state institutions	6.0%
Slovenia corporate – other	9.7%
Serbia sovereign	5.5%
Serbia corporate	0.9%
Sweden sovereign	1.3%
Sweden corporate	1.0%
Swiss corporate	3.4%
UK corporate	1.1%
US corporate	0.4%

Deposits amount to EUR 102.4m.

DEPOSIT EXPOSURE	30.09.2012
Slovenia	25.2%
Austria	21.1%
France	17.6%
Italy	9.9%
Russia	7.6%
Kosovo	5.1%
Serbia	3.8%
Montenegro	3.5%
Croatia	1.6%
Macedonia	1.3%
Hungary	1.0%
Germany	1.0%
Luxembourg	0.8%
Turkey	0.6%
Greece	0.2%

DEPOSIT MATURITY	30.09.2012
Call deposit	15.5%
0-3 months	15.7%
3-6 months	18.6%
6-9 months	17.8%
9-12 months	16.0%
12-15 months	11.5%
More than 15 months	5.0%

EXPOSURE TO SLOVENIA	30.09.2012
To banks	99.1m
To state	58.2m
Total	157.2m

EXPOSURE TO PIIGS	30.09.2012
Ireland sovereign	0.5m
Italy sovereign	2.1m
Total	2.6m

12 DISCLOSURE

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