



# Sava Insurance Group

1-9/2019 results

22 NOVEMBER 2019



# Contents

- Sava Insurance Group – Performance
- Sava Insurance Group – Segment reporting
- Sava Insurance Group – Investment structure and return
- Sava Insurance Group – POSR share and dividend policy
- Sava Insurance Group – Solvency position
- Sava Insurance Group – Plan 2019

# Major events

## 1 January 2019 – 30 September 2019

Insurance company Sava becomes 100% owner of companies **ERGO** osiguranje d.d. and **ERGO** životno osiguranje d.d., Croatia.

Acquisition of asset manager **Sava Infond** (100%) by Sava Re and Insurance company Sava

Signed deal to **acquire Bled Diagnostic Centre** to obtain joint control over the company through ZTSR, a Sava Re and Zavarovalnica Triglav joint venture

**“A” rating** (stable outlook) affirmed by rating agency S&P

## 1 October 2019 – 22 November 2019

**“A” rating** (stable outlook) affirmed by rating agency AM Best

Issue of 20-year **subordinated bonds** worth €75 m with first call date in 2029

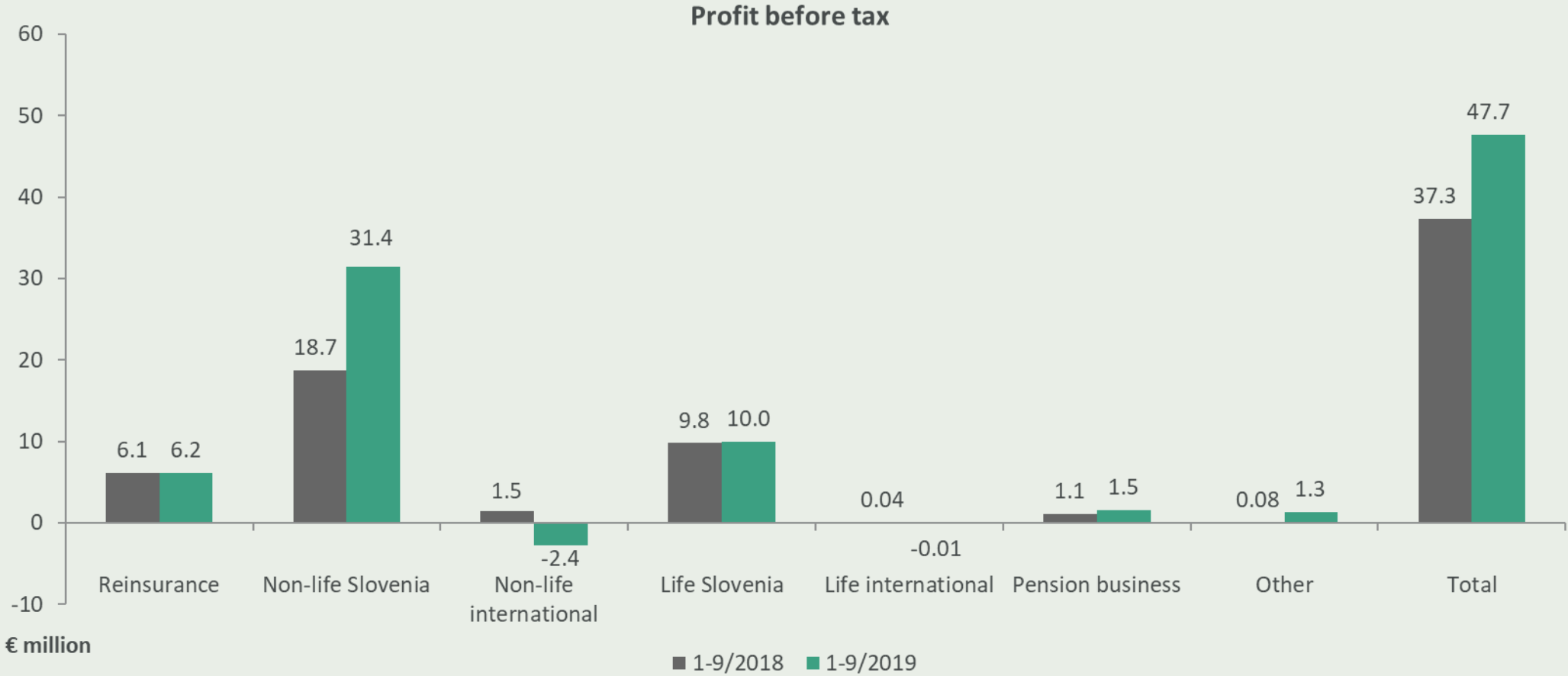
# Key figures – Sava Insurance Group

€ million	1-9/2018	1-9/2019	Plan 2019	Change 2019/2018
<b>Group</b>				
Operating revenues	393.3	427.5	> 535	8.7%
Net profit/loss	29.1	37.7	at least 43	29.3%
Annualized return on equity	11.8%	13.6%	> 12%	+1.8 p.p.
Return on financial portfolio (excluding FX)	1.8%	2.1%	1.7%	+0.3 p.p.
<b>Re/insurance part (+ annuities)</b>				
Gross premiums written	430.3	471.1	> 555	9.5%
Net expense ratio*	32.3%	30.8%	32.4–33.0%	-1.5 p.p.
Net combined ratio** (excluding FX)	94.5%	93.3%	93.6–94.1%	-1.2 p.p.
	<b>31/12/2018</b>	<b>30/9/2019</b>	<b>P 31/12/2019</b>	
Shareholders' equity	340.2	377.0		10.8%
Total assets of the investment portfolio	1,082.8	1,117.6		3.2%
Funds for the benefit of policyholders who bear the inv. Risk	215.9	226.7		5.0%
Assets in pension company savings funds	638.2	720.0		12.8%
AUM of Sava Infond	-	355.7		-

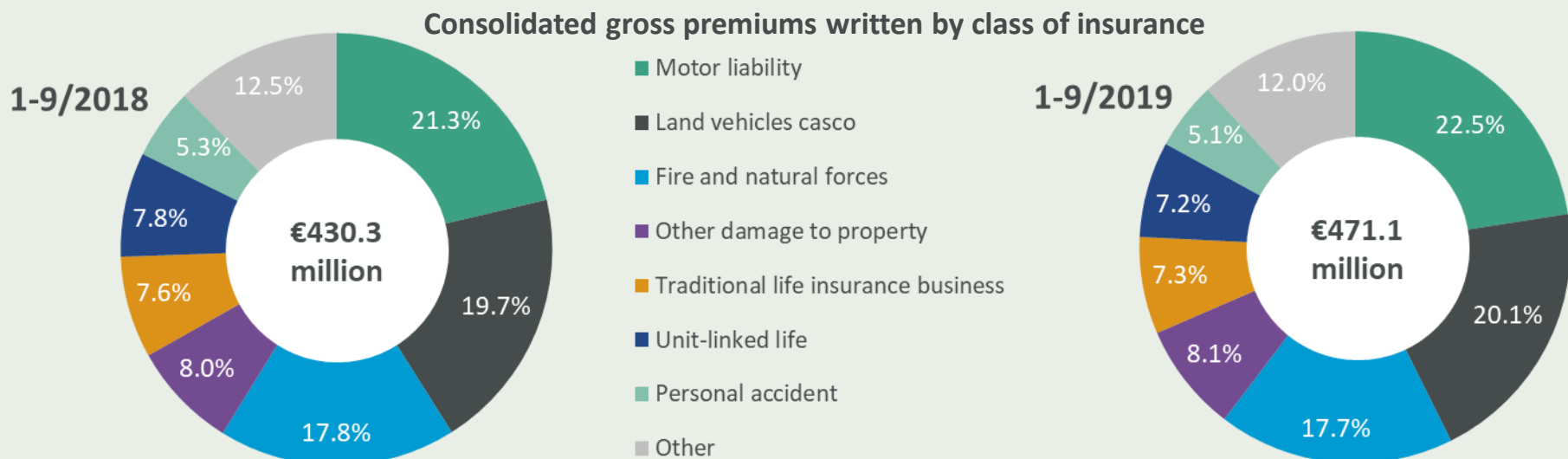
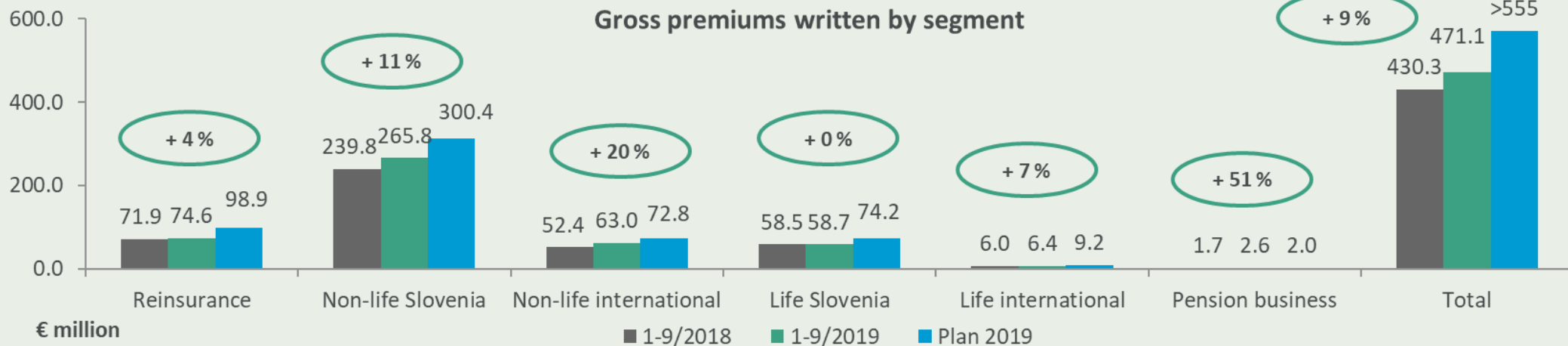
\* The expense ratio includes data for the reinsurance, non-life and life operating segments.

\*\* The combined ratio covers only the reinsurance and non-life insurance segments.

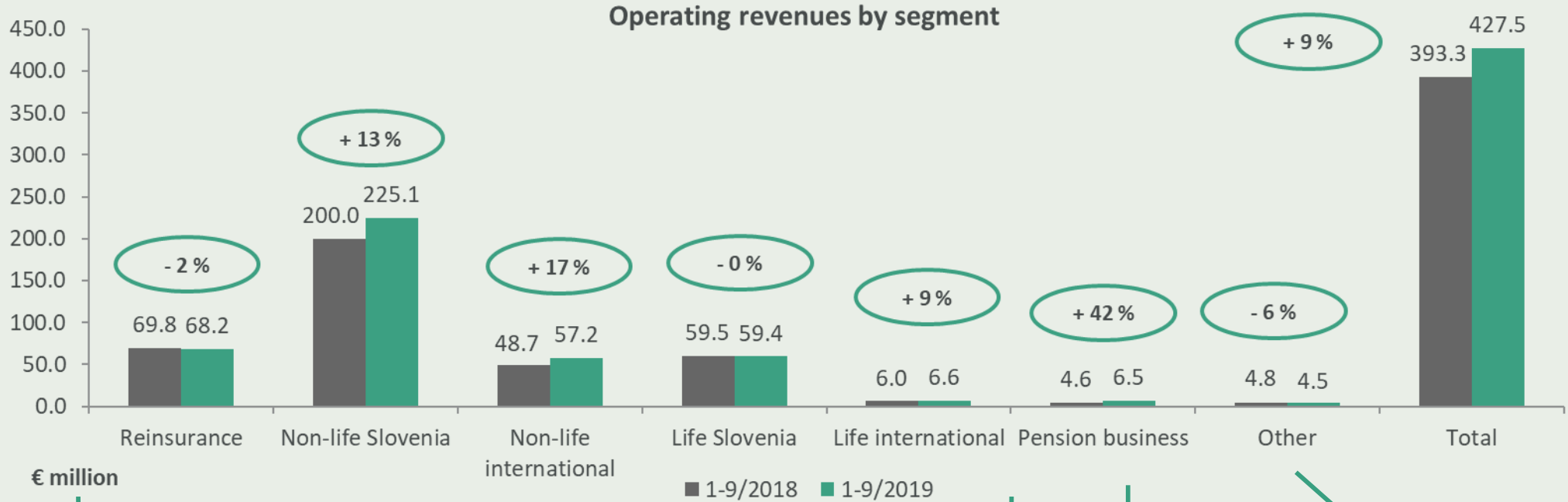
# Consolidated profit before tax by segment



# Breakdown of the consolidated GPW



# Breakdown of the consolidated revenue



growth/ decline compared to the previous period

€ million

- Earned premiums
- Other technical income
- Other income
- In life business, also income from asset management of life insurance funds

- Premiums from annuities
- Income from managing pension funds

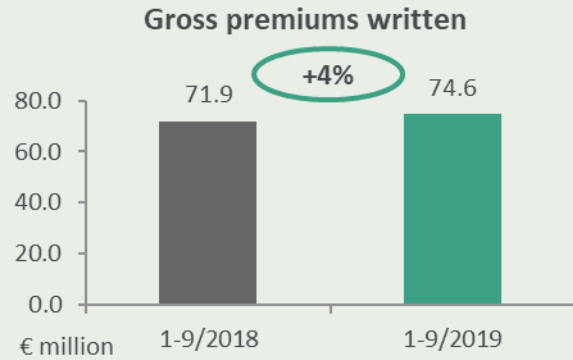
- Income from resolving the assistance cases TBS Team
- Income from managing funds of Sava Infond

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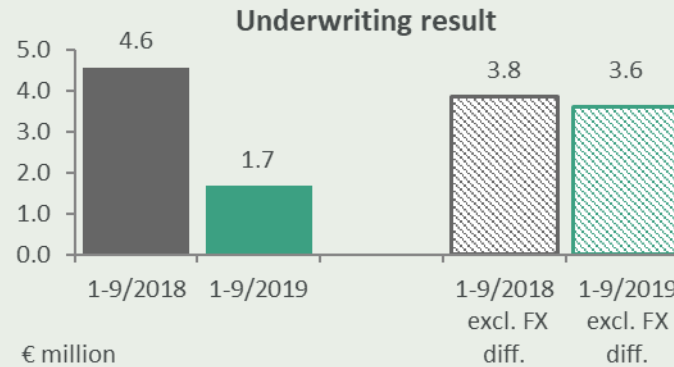
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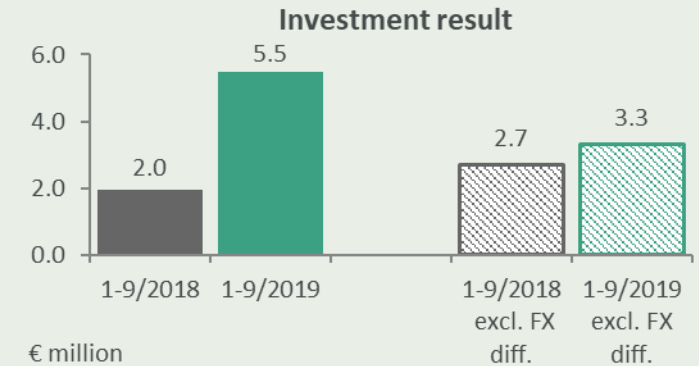
# Results by operating segment – reinsurance



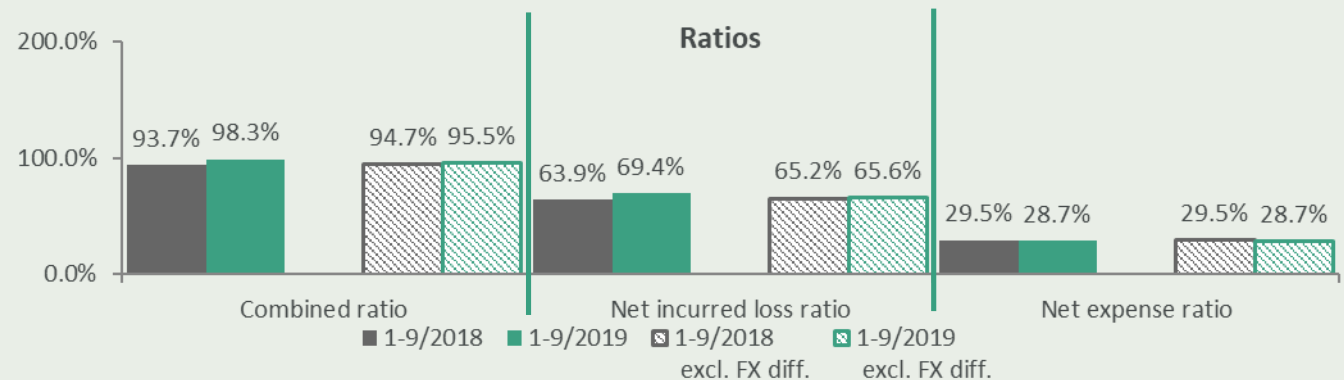
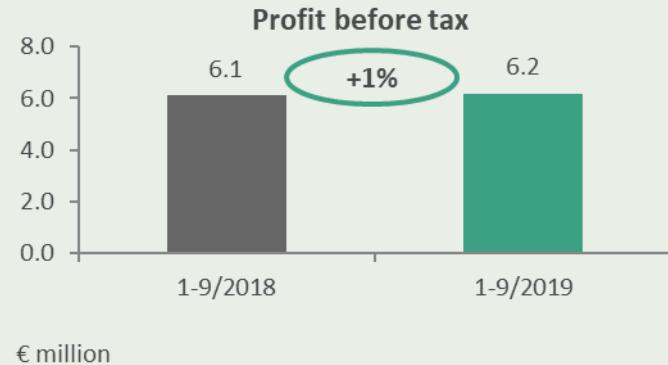
- Growth in non-proportional reinsurance premiums, mainly in Asian markets (organic growth in business and new contracts)



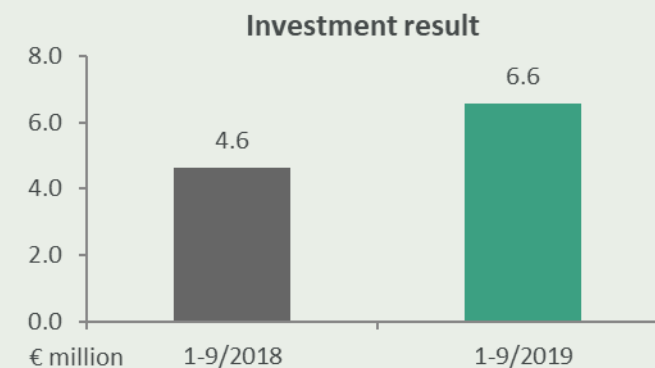
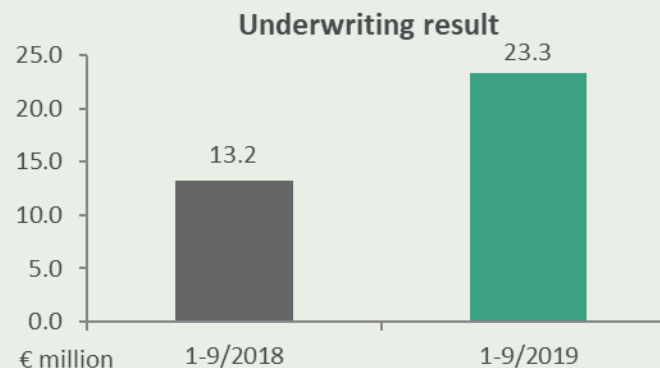
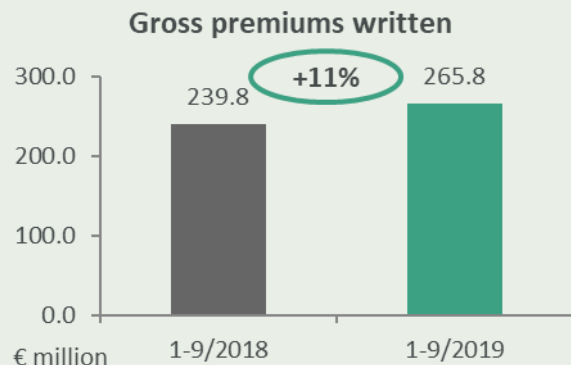
- Deterioration in underwriting result due to lower net premiums earned related to the larger change in net unearned premiums as a result of faster year-on-year growth.



- Income from partial repayment of business bonds impaired in the past (+ €0.4 million)
- Higher dividends from financial investments (+ €0.1 million)
- Higher income from investment property (+ €0.1 million)



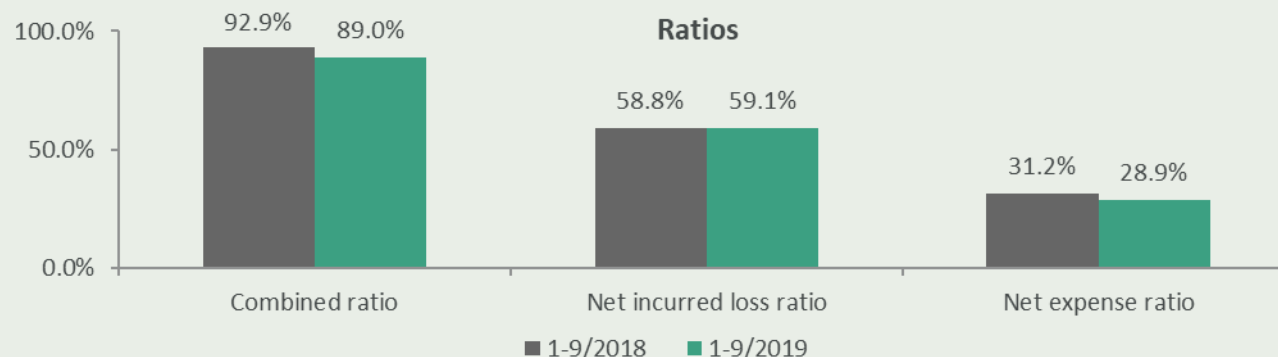
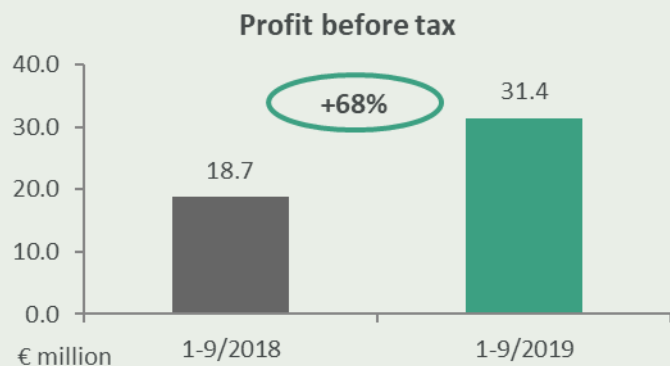
# Results by operating segment – non-life Slovenia



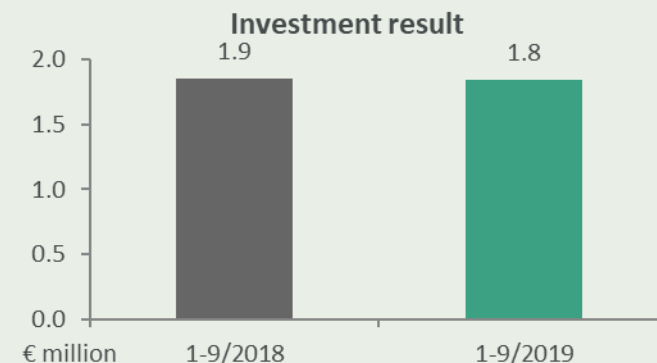
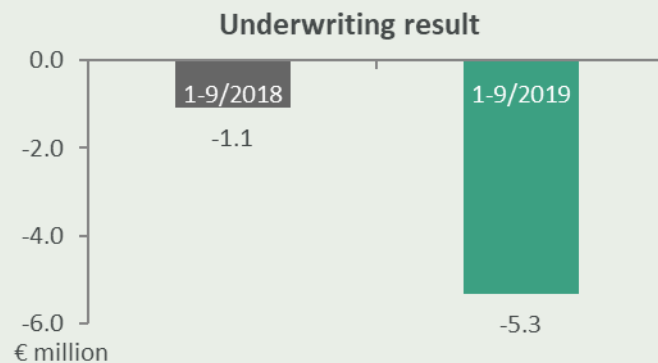
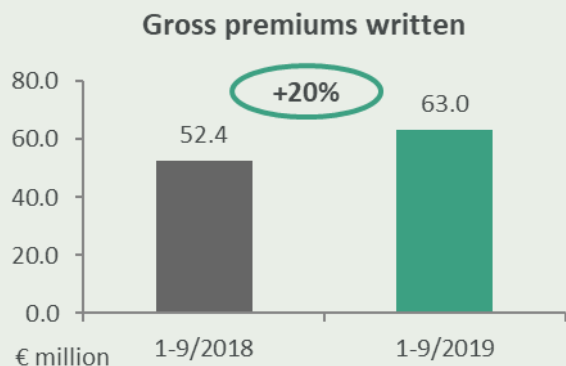
- Larger volume of FOS business (by €9.6 million)
- Larger volume of motor business (increased number of policies and higher average premium with individuals) and property business (higher property value of a large insurer)

- Stronger technical result mainly due to larger premium volume, fewer large claims in 2019 and lower other operating costs

- One-off income from reevaluation of investment in Sava Infond in the amount of €2.7 million

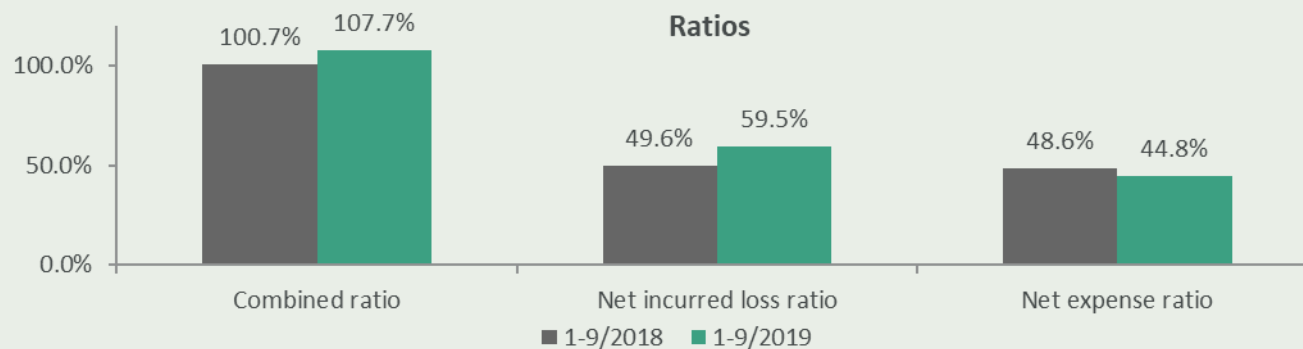
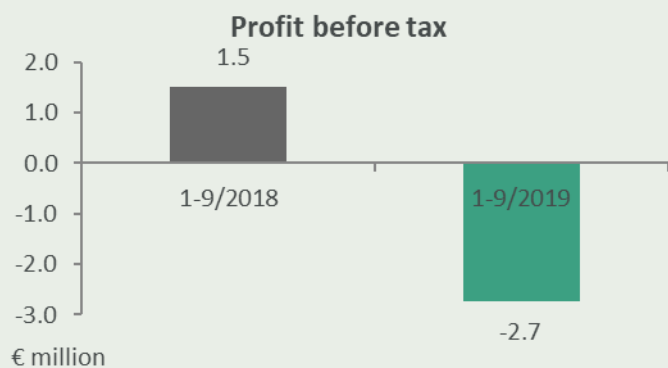


# Results by operating segment – non-life international



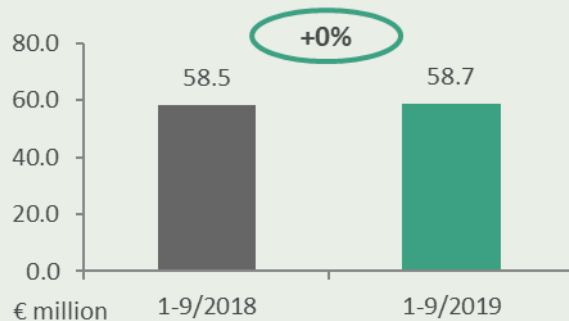
- Inclusion of the non-life insurer ERGO in Croatia into the Group (from 1 April 2019); 11% growth if ERGO is excluded
- Largest growth seen in Croatian branch, growth in North Macedonian and Serbian non-life insurance companies (sales activities – opening of new branches and vehicle inspection stations)

- Higher net claims incurred by Croatian non-life insurance companies due to increased loss burden and some larger motor liability claims
- Inclusion of Croatia-based ERGO into the Group (from 1 April 2019)



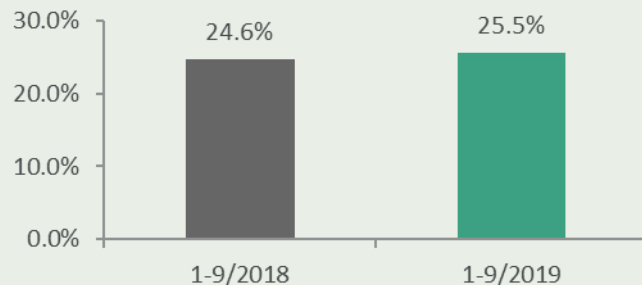
# Results by operating segment – life Slovenia

Gross premiums written



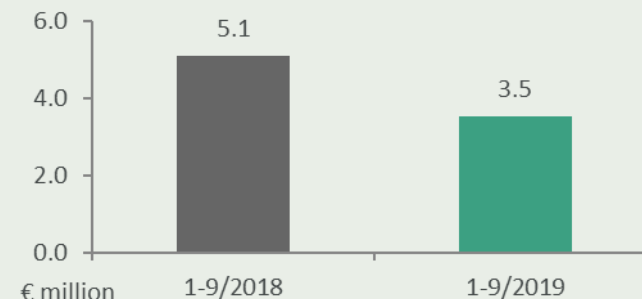
- Premiums from new business sufficient to fully compensate for lost premiums relating to maturing life policies
- Increased accident insurance premiums
- New production at 103.9% of last year's production; growth in traditional and risk business, decline in unit-linked

Net expense ratio



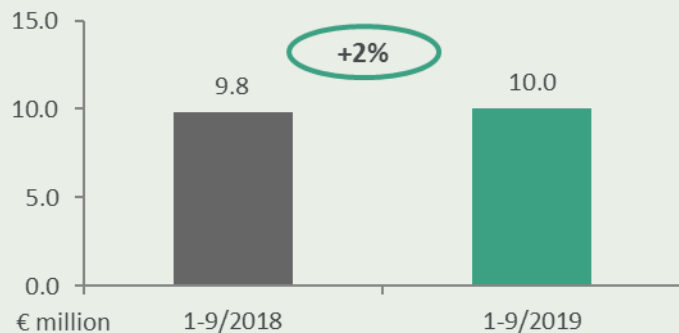
- Net expense ratio higher by 0.9 p.p. due to growth in operating costs exceeding growth in premiums
- Favorable development of technical result

Investment result



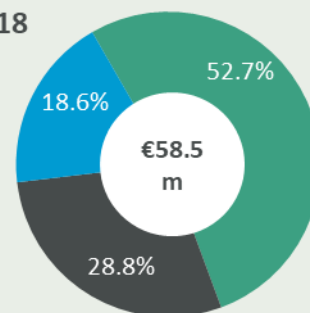
- Lower interest income due to lower interest rates in capital markets and lower capital gains

Profit before tax



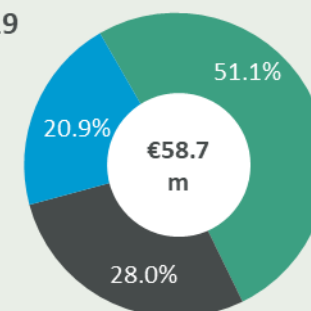
Gross premiums written by class of insurance

1-9/2018



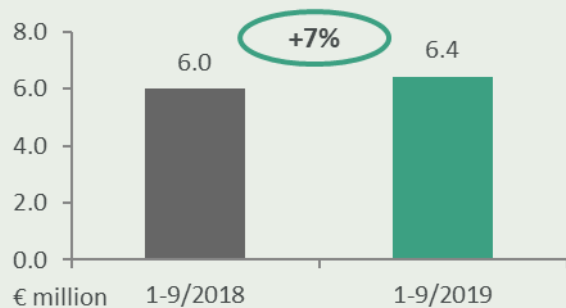
- Unit-linked life business
- Traditional life insurance business
- Additional personal accident

1-9/2019

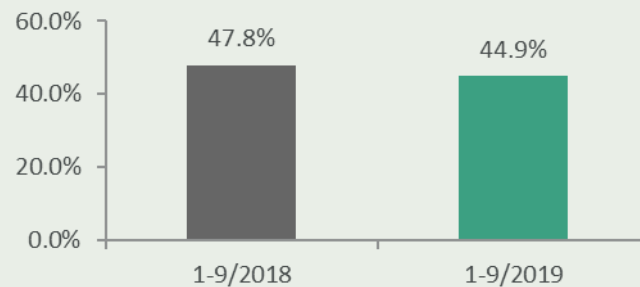


# Results by operating segment – life international

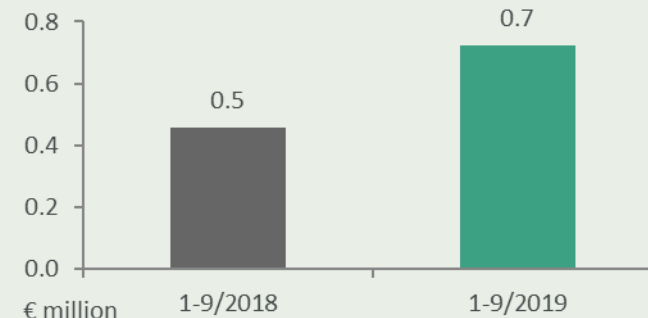
### Gross premiums written



### Net expense ratio



### Investment result

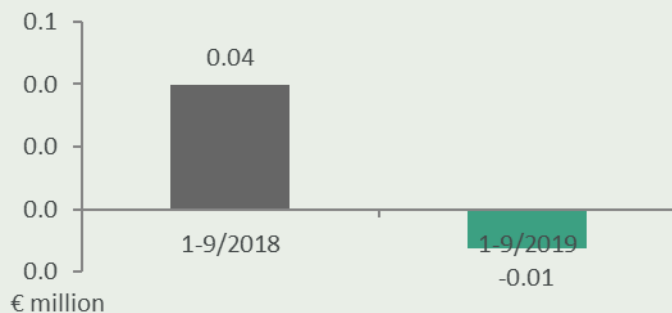


- High growth in the Serbian life insurer (35%, increased productivity of sales network) and Kosovan life insurer (10%)
- Decrease in gross premiums of the Croatian branch due to lost premiums relating to maturing life policies

- Significantly improved expense ratio as a result of high premium growth which exceeded growth in operating costs.

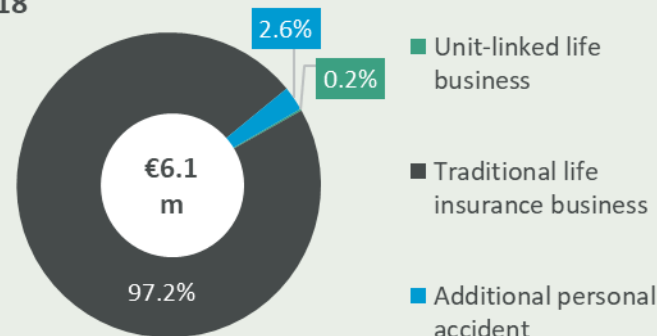
- Higher interest income and lower expenses from negative exchange rate differences than last year

### Profit before tax

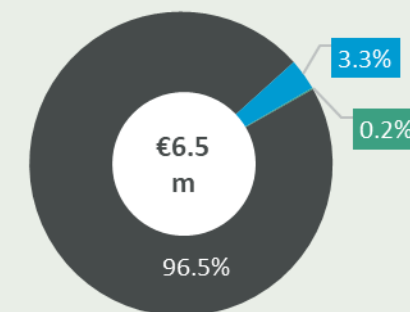


### Gross premiums written by class of insurance

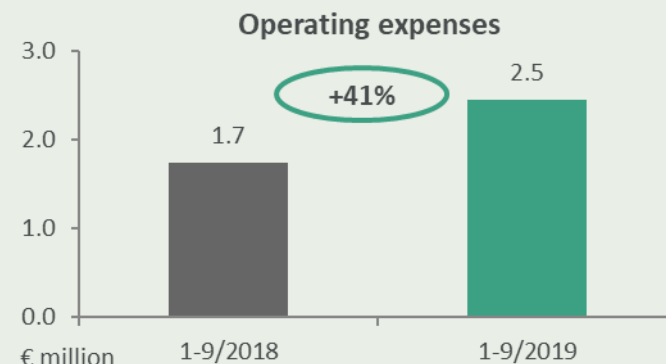
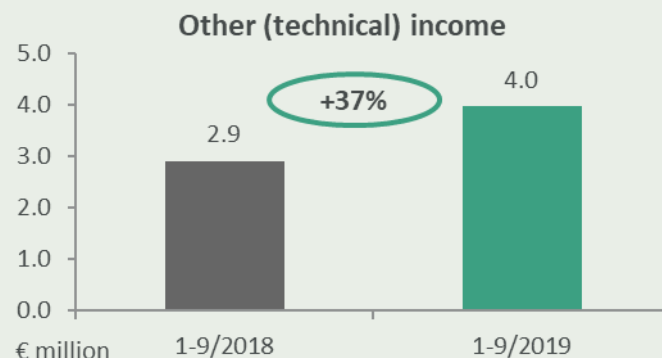
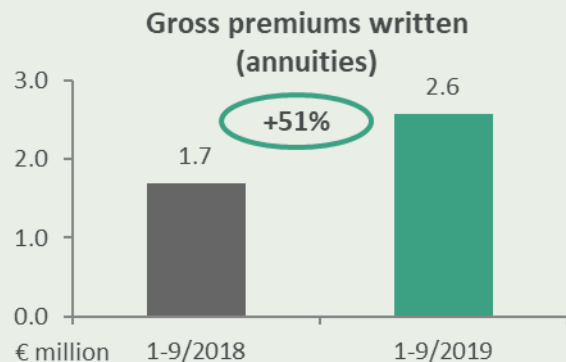
1-9/2018



1-9/2019



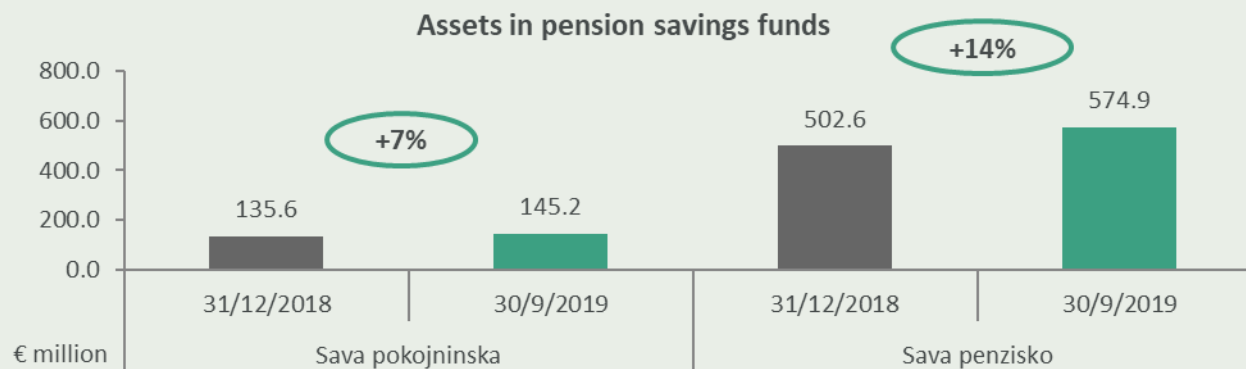
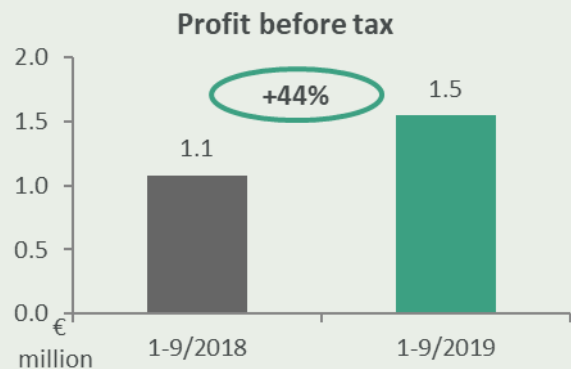
# Results by operating segment – pension business



- More policyholders opting for pension annuities upon retirement

- North Macedonia-based company included into the consolidated accounts since 31 March 2018
- Growth in other (technical) income reflecting the movement of assets under management presented below

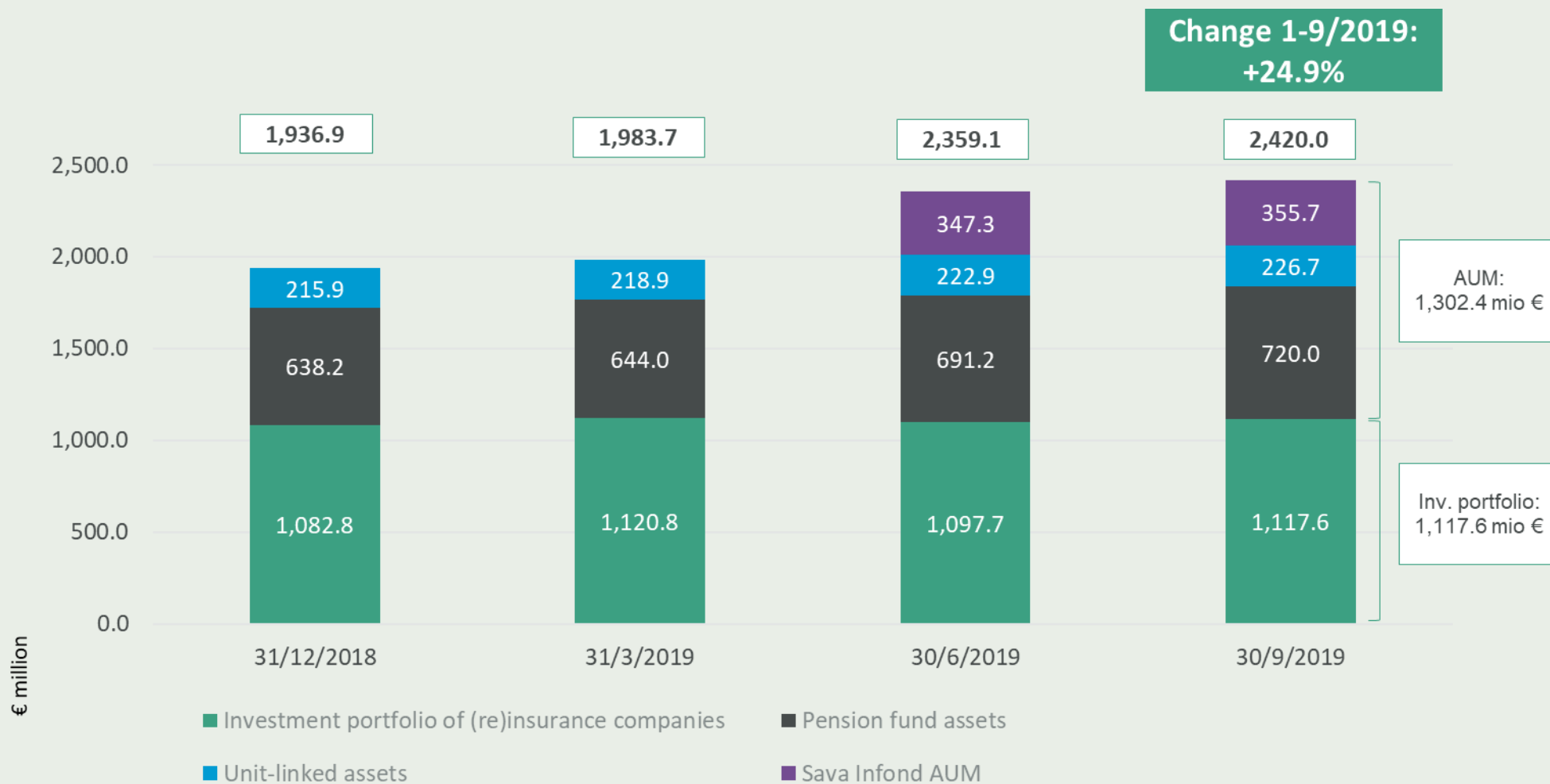
- North Macedonian company included in the consolidated accounts since 31 March 2018
- 6.3% increase in operating expenses of the Slovenian pension company (excl. expenses attributable to funds)



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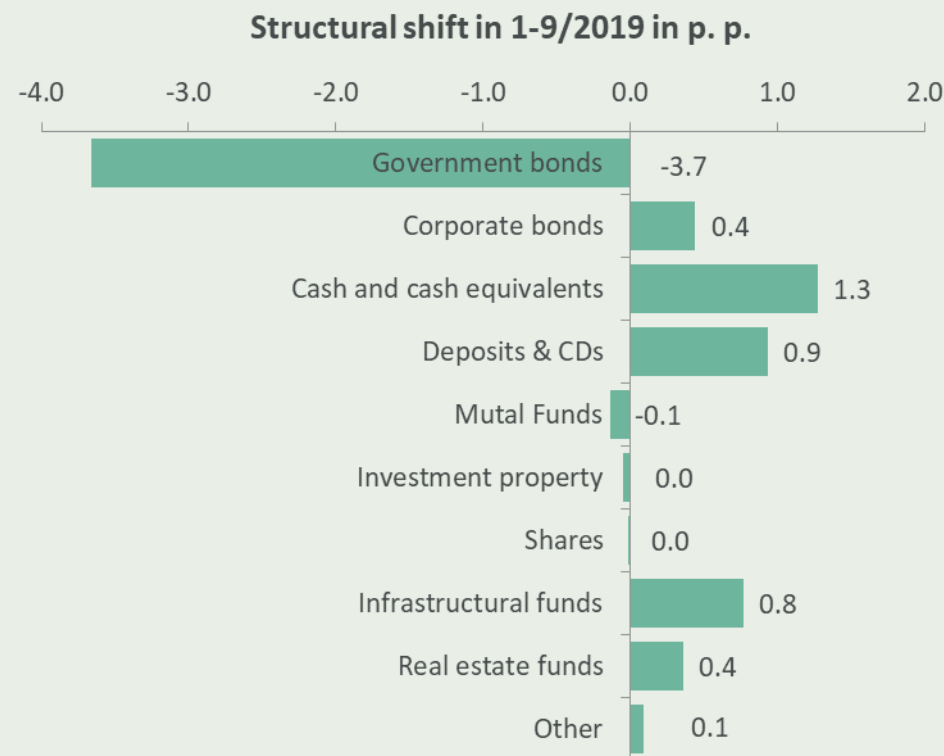
# Investment portfolio and AUM





# Structure of the investment portfolio

	31/12/2018	30/9/2019
<b>Investment portfolio (€ million)</b>	<b>1,082.8</b>	<b>1,117.6</b>
Government bonds	50.9%	47.2%
Corporate bonds	34.1%	34.5%
Cash and cash equivalents	4.9%	6.2%
Deposits & CDs	2.6%	3.5%
Mutal Funds	3.0%	2.8%
Investment property	1.9%	1.9%
Shares	1.4%	1.4%
Infrastructural funds	0.5%	1.3%
Real estate funds	-	0.4%
Other	0.7%	0.8%
<b>Total investment portfolio</b>	<b>100.0%</b>	<b>100.0%</b>

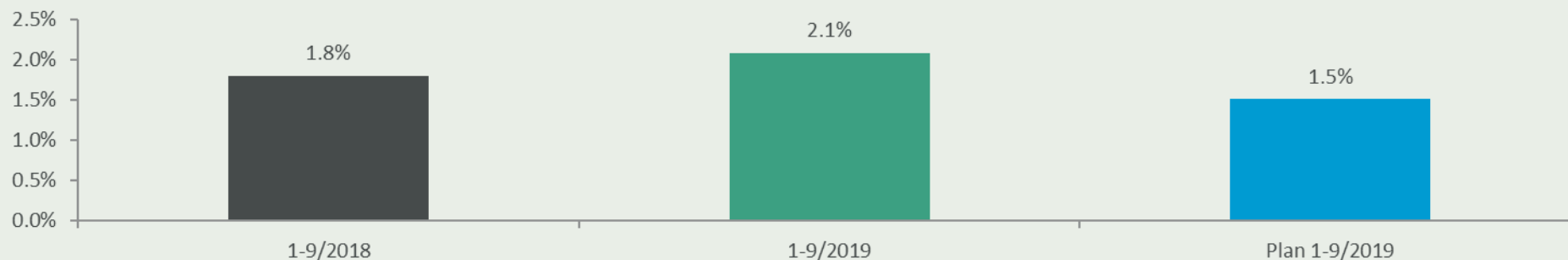


**3.7 p.p decline in government bonds:** decrease as a result of maturing of A-rated government bonds with partial reinvestment in corporate bonds (up 0.4 p.p.), infrastructural funds (up 0.8 p.p.), real estate funds (up 0.4 p.p.) and short term increase in cash and cash equivalents (up 1.3 p.p.)

# Net inv. income of and return on the investment portfolio

€ million	1-9/2018	1-9/2019	Abs. change 19 - 18
Net investment income relating to the investment portfolio	14.4	19.0	4.6
Net inv. income of the investment portfolio, excl. FX	15.1	17.0	1.9
Return on the investment portfolio, excl. FX	1.8%	2.1%	+0.3 p.p.

## Return on the investment portfolio, excluding FX differences (%)



Return on the investment portfolio, excluding FX differences, amounted to €17.0 million in 1-9/2019, up €1.9 million year on year, and represents a 2.1% return on the investment portfolio, as a result of one-off investment income from revaluation of Sava Infond. Excluding this impact, the return on the investment portfolio was approximately the same as last year.

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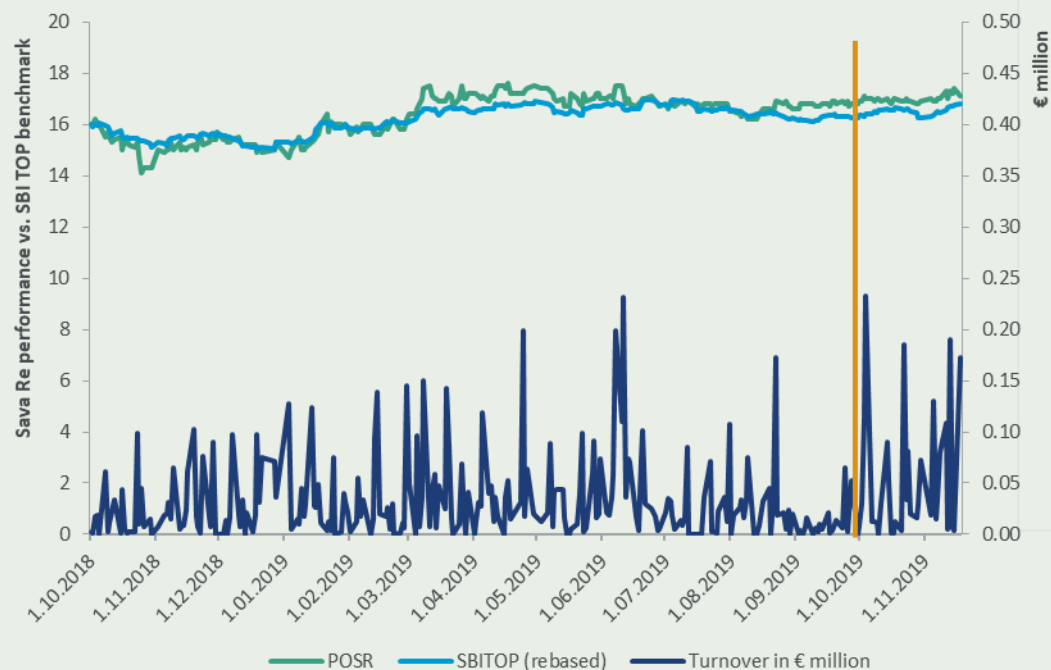
# Shareholders and share trading

## Book value per share

**€24.32**

1-9 2019 / 1-9 2018: **up 15.1%**

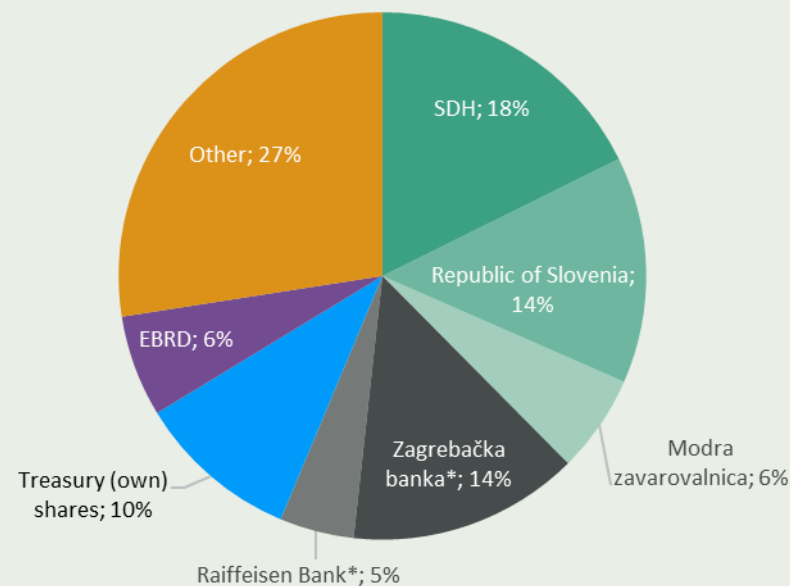
Sava Re share price performance vs SBI TOP benchmark



30/9/2019

Share capital (€ million)	71.9
Market capitalisation (€ million)	289.3
Trading symbol	POSR
Number of shares	17,219,662
Number of own shares	1,721,966
Number of shareholders	4,111

Shareholders as at 30 September 2019



\* Custody account.

\*\* On 2 June 2016, Sava Re received a notice from Adris Grupa, d.d., advising the Company of a change in major holding in Sava Re. Adris grupa, including its subsidiaries with fiduciary accounts, held 3,278,049 POSR shares, representing 19.04% of issued and 21.15% of outstanding shares.

# Dividend policy

**Sava Re aims to ensure that its shareholders see a 10% growth in dividends but that the dividend distribution does not exceed 40% of the Group's net profit in the period 2017–2019.**

When designing any dividend proposal, the company will take into account:

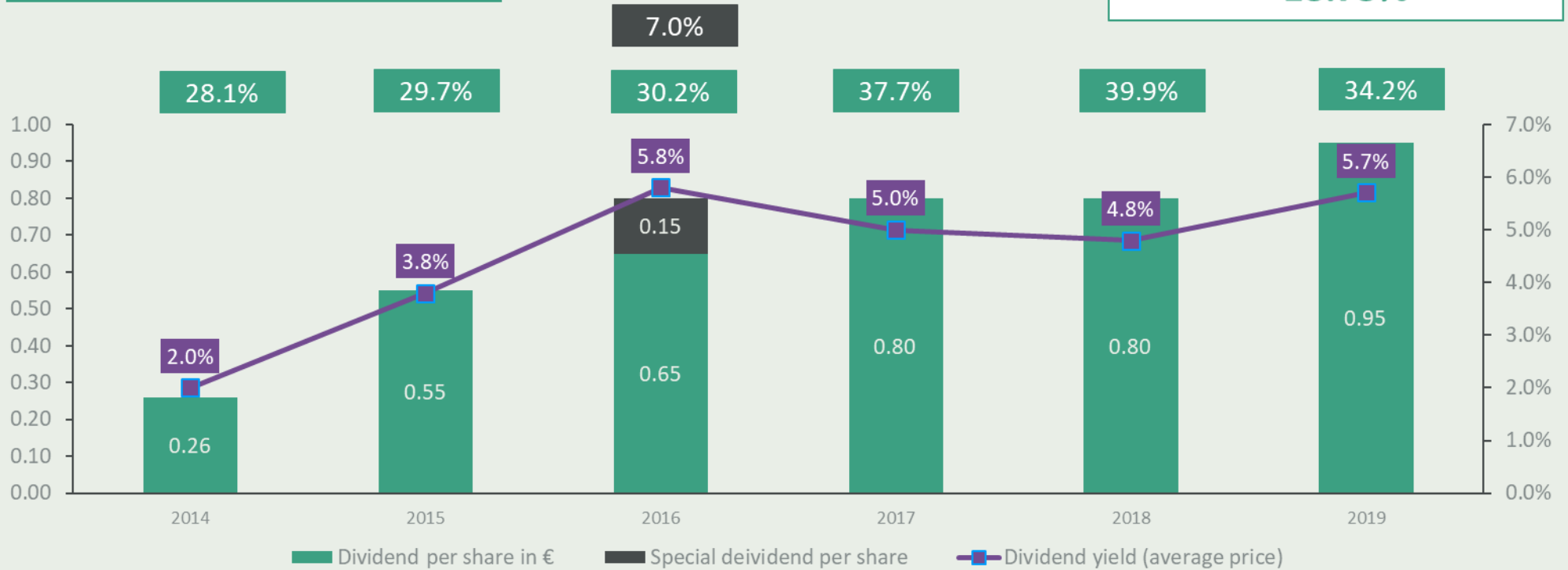
1. the estimated excess of eligible own funds over solvency capital requirement under Solvency II
2. the Group's own risk and solvency assessment
3. capital models of rating agencies Standard & Poor's and AM Best
4. approved annual and strategic plans of the Group and the company
5. new development projects that would engage additional capital
6. other relevant factors affecting the financial condition of the company

# Dividend policy

Special dividend as % of consolidated profit

Regular dividend as % of consolidated profit

Dividend growth 19/18:  
**+18.75%**



The 2019 dividend yield was calculated using the average market share price in the reporting period (1 January 2019 – 30 September 2019).

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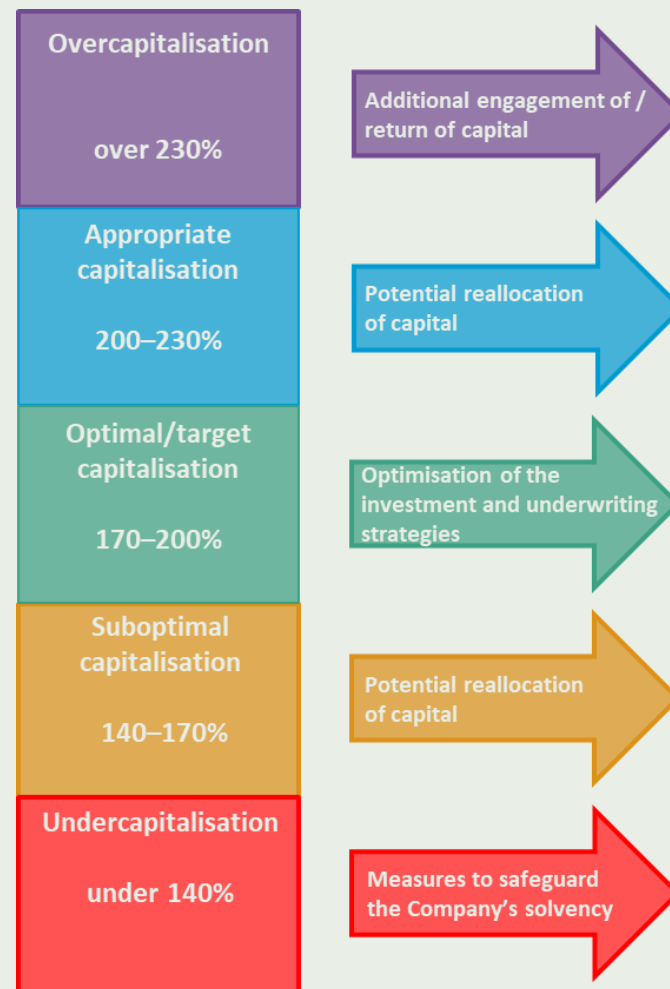
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# Capital adequacy

€ million	31 Dec 2018 (audited)
Eligible own funds	471.9
Solvency capital requirement (SCR)	216.7
<b>Solvency ratio</b>	<b>218 %</b>

€ million	30 Jun 2019 (unaudited)
Eligible own funds	463.4
Solvency capital requirement (SCR)	216.7
<b>Solvency ratio</b>	<b>214 %</b>

The Sava Insurance Group's Solvency and financial condition report 2018 (Group SFCR) was posted on the Sava Re website and that of the Ljubljana stock exchange (Seonet) on 3 June 2019.





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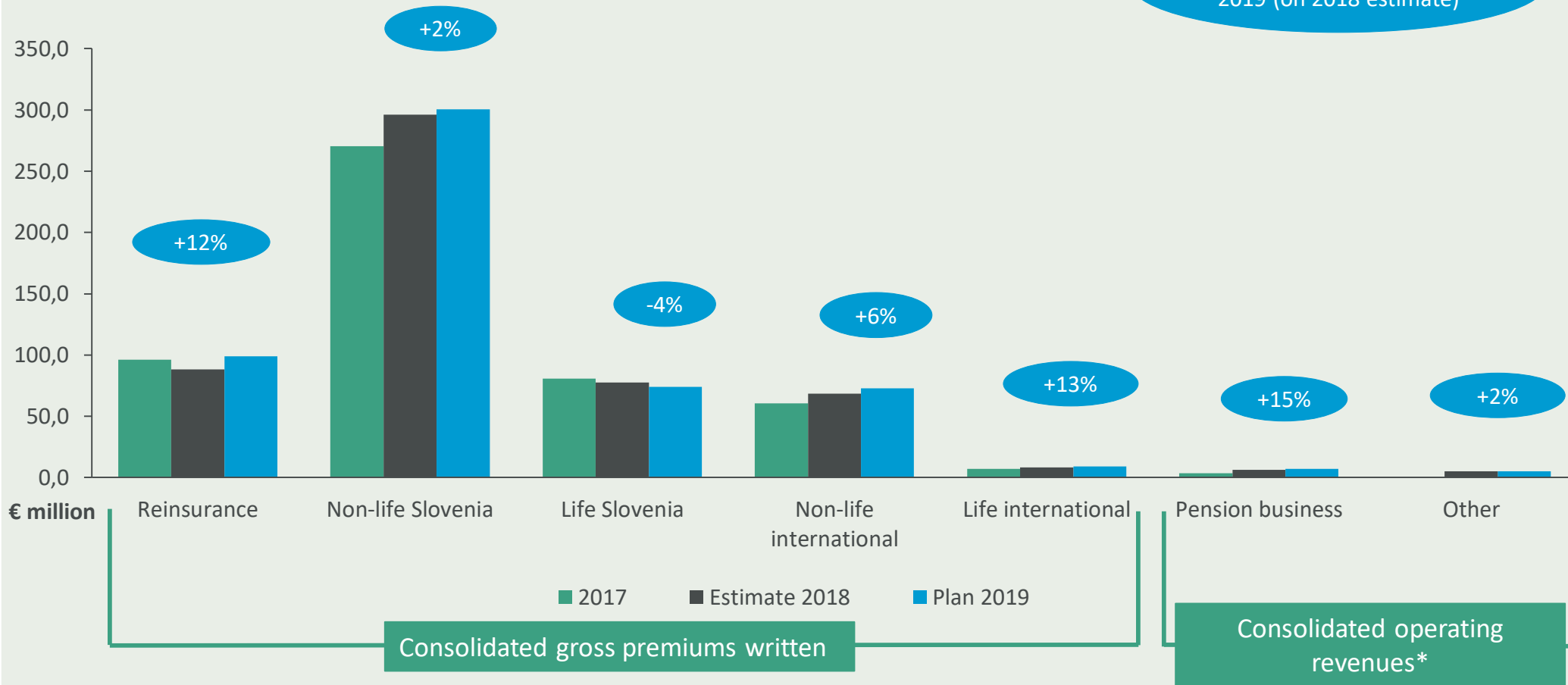
# Plan 2019 – main targets (consolidated)

€ million	2017	2018	2019 plan
<b>Group</b>			
<b>Operating revenues</b>	<b>492.4</b>	<b>540.5</b>	<b>&gt; 4.5% growth</b>
<b>Profit or loss, net of tax</b>	<b>31.1</b>	<b>43.0</b>	<b>at least €43 m; &gt; 10% growth based on 2018 estimate</b>
Return on equity	10.1%	13.1%	> 12%
Return on investments*	2.0%	1.7%	1.7%
<b>Re/insurance part (+ annuities)</b>			
<b>Gross premiums written</b>	<b>517.2</b>	<b>546.3</b>	<b>&gt; €555 m</b>
<b>Net premiums earned</b>	<b>470.9</b>	<b>504.7</b>	<b>&gt; €515 m</b>
Net expense ratio (reins. + non-life + life)	32.6%	33.1%	32.4–33.0%
Net incurred loss ratio* (reins. + non-life)	60.5%	57.0%	59.2–59.7%
Net combined ratio* (reins. + non-life)	95.6%	92.9%	93.6–94.1%

\* Excluding the effect of FX differences.

# Consolidated gross premiums written and revenues of non-insurance companies

Planned growth/decline in 2019 (on 2018 estimate)



\* Total income excl. investment income

**Thank you for your attention.**

## **Disclaimer**

### **Forward-looking statements**

This document may contain forward-looking statements relating to Sava Re's expectations, plans or goals, which are based on assumptions made by Sava Re management. By their nature, forward-looking statements involve risk and uncertainty. As a result, actual developments, in particular performance, may differ materially from the expectations, plans and goals set out in this document; therefore, persons should not rely on forward-looking statements.

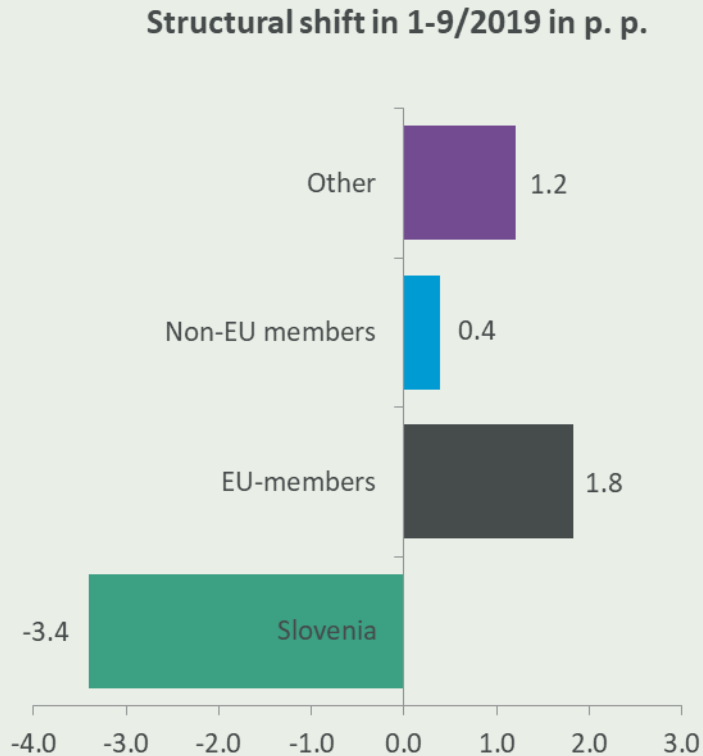
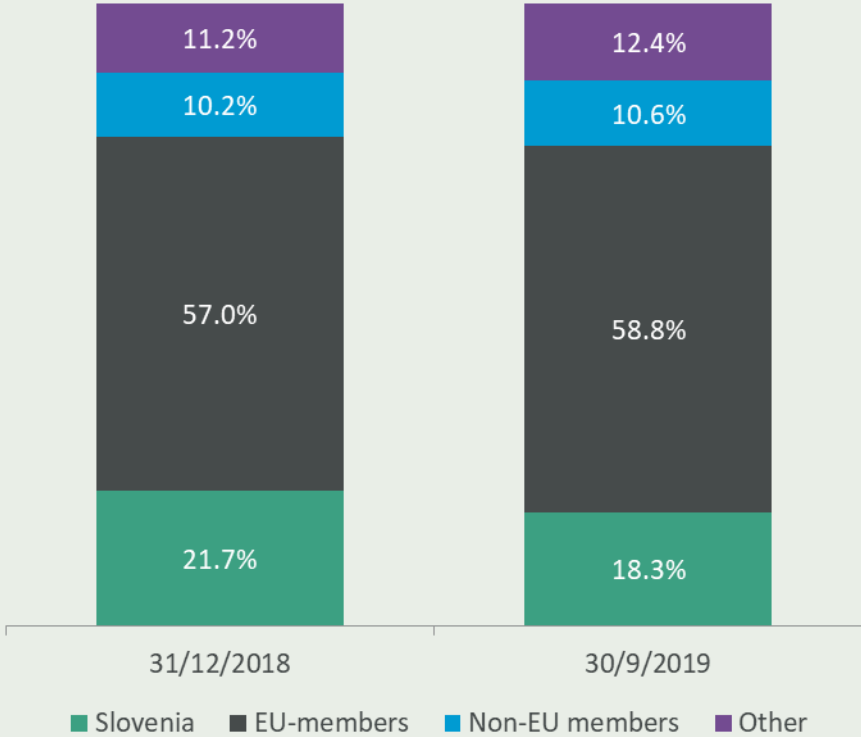
### **Duty to update**

Sava Re assumes no obligation to adjust any forward-looking statements or other information contained in this document to future events or developments.

# Annex

# Group exposure by region

Lower exposure to Slovenia in 1-9/2019 in line with investment policy; larger exposure to EU member states.



# Group exposure to Slovenia

€ million, except percentages	31/12/2018		30/9/2019		Change
Type of investment	Amount	Structure	Amount	Structure	in p.p.
Deposits	0.9	0.1%	12.8	1.1%	1.0
Government bonds	155.3	13.3%	96.9	8.1%	-5.2
Corporate bonds	23.4	2.0%	33.6	2.8%	0.8
Shares	15.1	1.3%	15.4	1.3%	0.0
Mutal funds	0.7	0.1%	2.7	0.2%	0.2
Cash and cash equivalents	40.6	3.5%	39.9	3.3%	-0.1
Other	16.5	1.4%	16.5	1.4%	0.0
<b>Total</b>	<b>252.5</b>	<b>21.7%</b>	<b>217.9</b>	<b>18.3%</b>	<b>-3.4</b>

Exposure to Slovenia decreased by 3.4 p.p. in 1-9/2019.

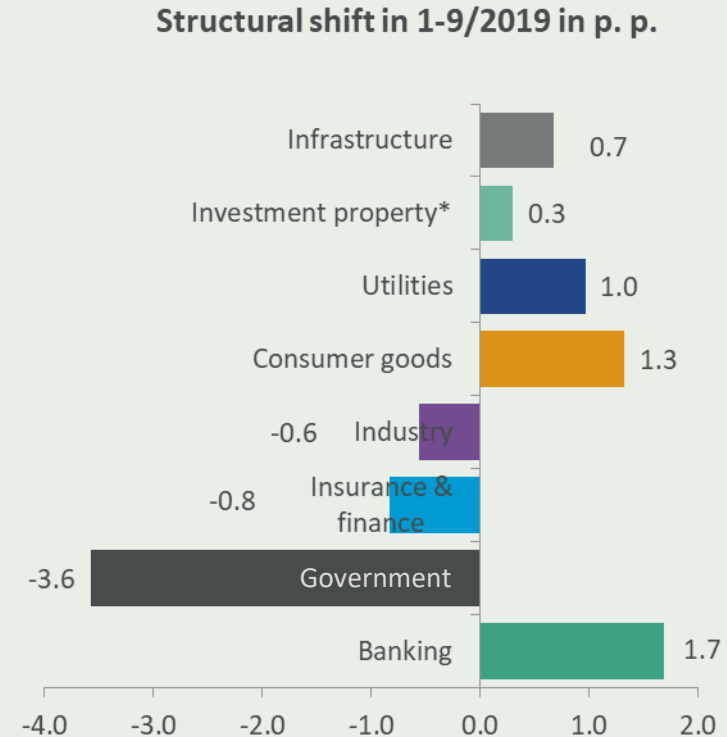
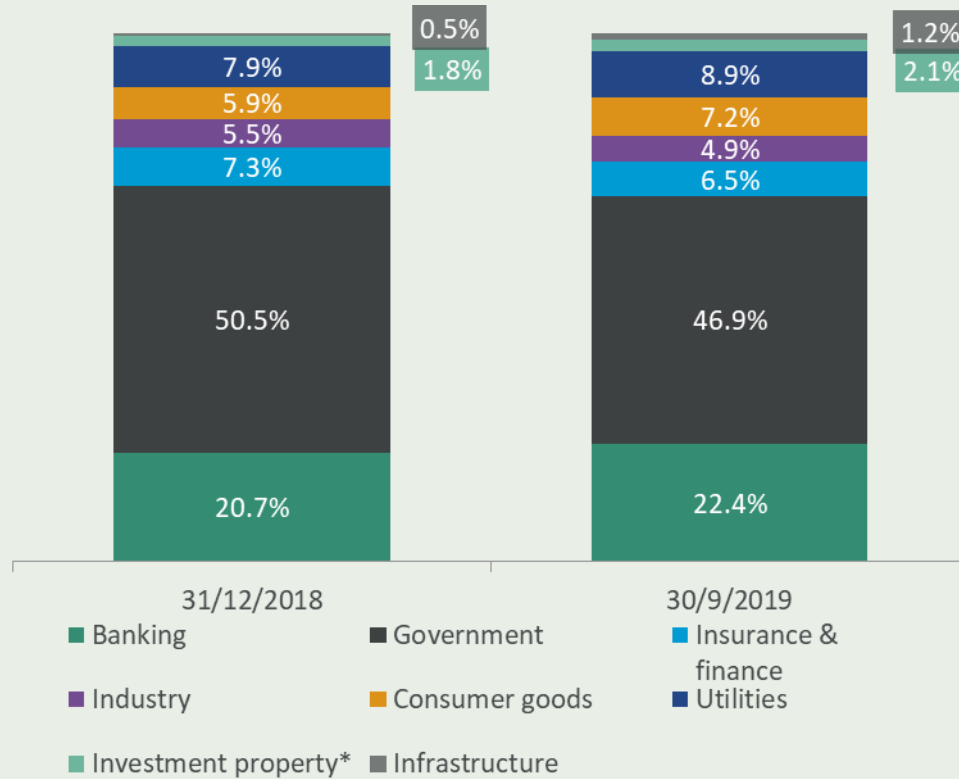
The largest contribution to reduced exposure to Slovenia was a decline in the value of government bonds owing to maturities in the reporting period.



# Group exposure by industry

Lower exposure to government securities resulting from maturity of government securities.

Larger exposure to banking sector is short-term based on increased allocation to cash and cash equivalents.



\*Includes direct investments in real-estate and property funds.

# Group rating profile

Investment grade assets represent 80.2% of fixed income investments which is slightly lower as at the end of 2018.

The A-rated category declined reflecting maturities of government bonds. Increase in the percentage of BBB group is due to better ratings of Croatian government bonds (from BB+ to BBB-) and the inclusion of ERGO in the portfolio. Increase in the percentage of unrated assets reflects increased allocation to cash and cash equivalents (short-term).

