



# Sava Re Group

## 1-9/2018 results

21 November 2018



# Contents

- Sava Re Group – Performance
- Sava Re Group – Segment reporting
- Sava Re Group – Investment structure and return
- Sava Re Group – POSR share and dividend policy
- Sava Re Group – Solvency position
- Sava Re Group – Plan 2018

## Highlights 1–9/2018

Premium growth of **5,2%**; growth in total income (other than investment income) of **8,1%**

**Improved technical performance of the reinsurance and non-life segments** as a result of lower major claims year on year

Standard & Poor's **upgrading of ratings** on Sava Re and Zavarovalnica Sava from A- to **A**, outlook stable

**Integration of three acquired companies** into the Sava Re Group (TBS Team 24, Sava penzisko društvo and Energoprojekt Garant) and **signing of contract** on the acquisition of the Croatia-based companies ERGO osiguranje d.d. and Ergo životno osiguranje d.d.

**Strategy implementation in alternative investments:** in 1–9/2018 the Group placed special emphasis on investing in environmental and sustainability projects, specifically in infrastructure funds and projects of local companies exploring energy efficient schemes and renewable energy sources.

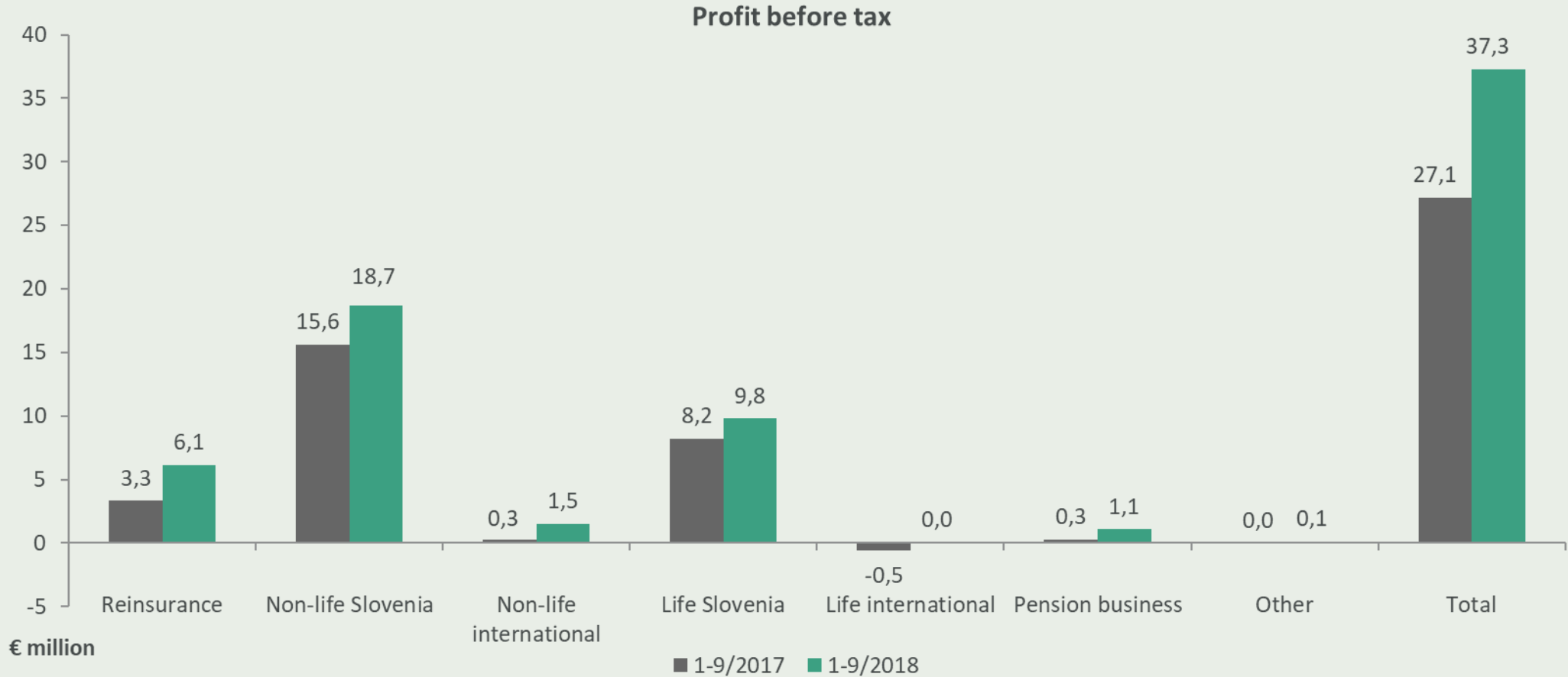
# Results of Sava Re Group

€ million	1-9/2017	1-9/2018	Plan 2018	Change 2018/2017
Gross premiums written	409,2	430,3	> 520	5,2%
Net expense ratio*	31,8%	32,3%	31,4%-31,7%	+0,5 p.p.
Net combined ratio**	94,6%	94,3%	94,0%-94,5%	-0,3 p.p.
Net combined ratio** (excluding foreign exchange differences)	96,0%	94,5%	94,0%-94,5%	-1,5 p.p.
Return on financial portfolio	1,4%	1,3%	1,7%	-0,1 p.p.
Return on financial portfolio (excluding foreign exchange differences)	2,1%	1,8%	1,7%	-0,3 p.p.
Net profit or loss	20,9	29,1	between €37m and €39m	39,2%
Annualised ROE	9,1%	11,8%	> 11%	+2,7 p.p.
	31/12/2017	30/9/2018	31/12/2018	
Shareholders' equity	316,1	327,5		3,6%
Total assets of the investment portfolio	1.084,2	1.098,8		1,3%
Funds for the benefit of policyholders who bear the investment risk	234,4	223,3		-4,7%
Assets in pension company savings funds	129,6	636,8		391,3%

\* 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.

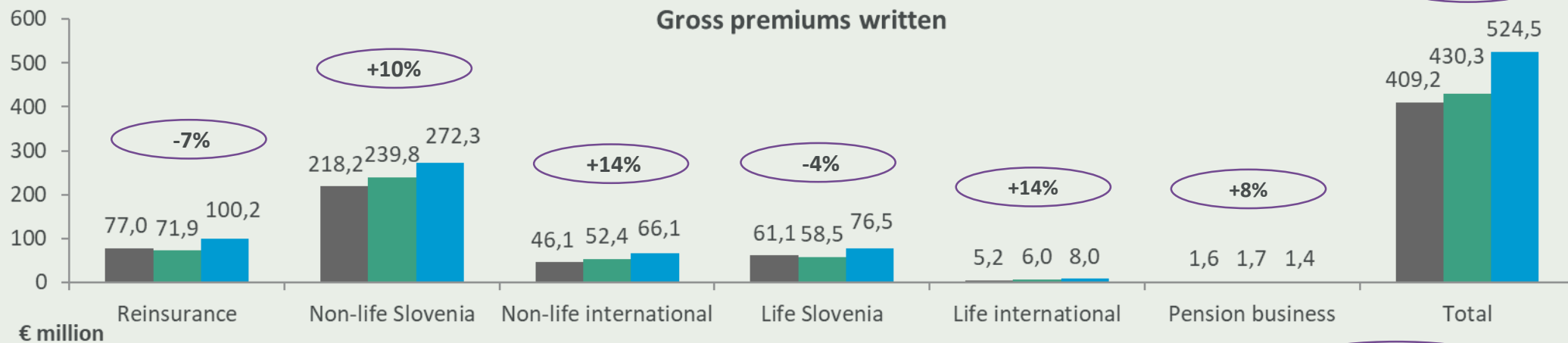
# Consolidated profit before tax by segment



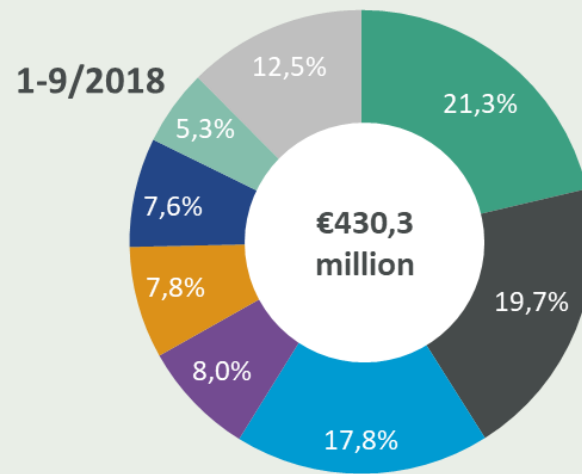
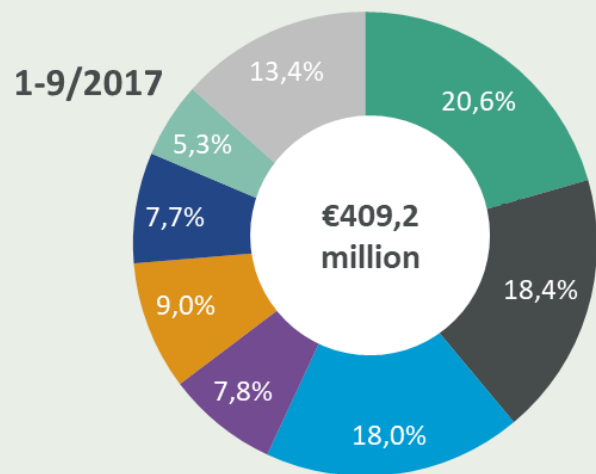
# Impact on result

(€ million)		1-9/2017	1-9/2018	Difference
Consolidated result		27,1	37,3	10,2
Company	description of impact	1-9/2017	1-9/2018	Difference
Sava Re	exchange differences	-1,2	0,0	1,2
Sava Re	income from resolved legal dispute	0,0	1,5	1,5
New subsidiaries	result of new subsidiaries	0,0	1,0	1,0
Group	effect of amortisation of intangible assets relating to acquisition of Zavarovalnica Maribor	-2,1	-0,9	1,2
<b>Adjusted impact of above items (impact, net of tax)</b>				<b>4,0</b>
Zavarovalnica Sava	storms in current year	-7,6	-5,2	2,3
Sava Re	large claims (in excess of €1 m)	-7,9	-4,4	3,5
<b>Adjusted impact of claims (impact, net of tax)</b>				<b>4,7</b>
<b>Impact on consolidated result</b>				<b>8,7</b>

# Breakdown of the consolidated GPW



## Consolidated gross premiums written by class of insurance



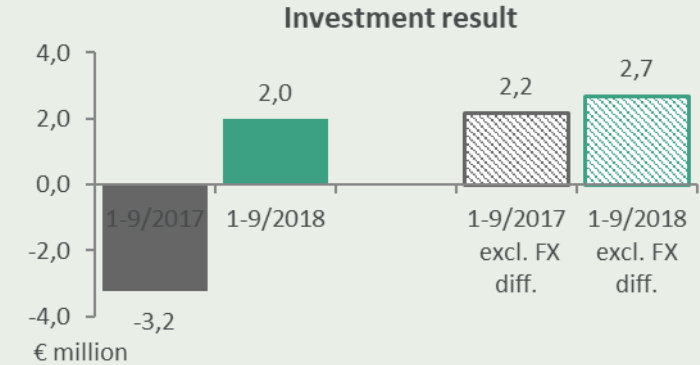
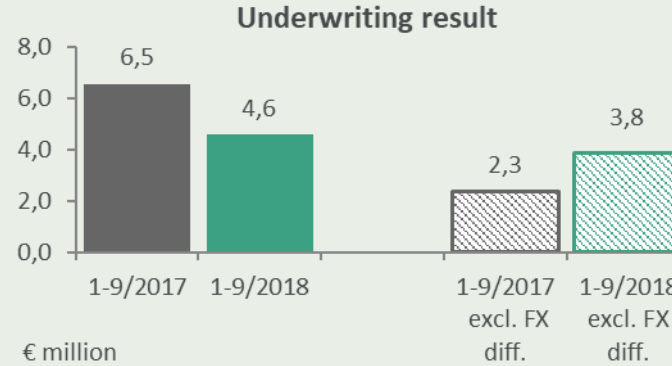
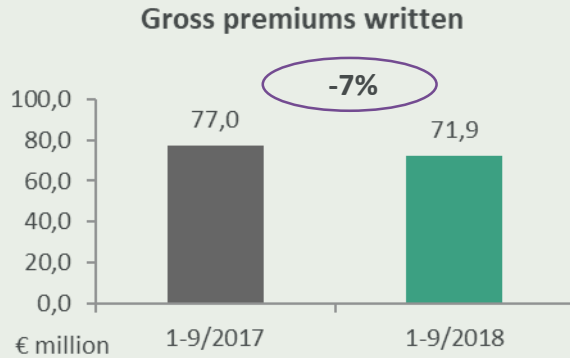
Growth/ decline compared to the previous period

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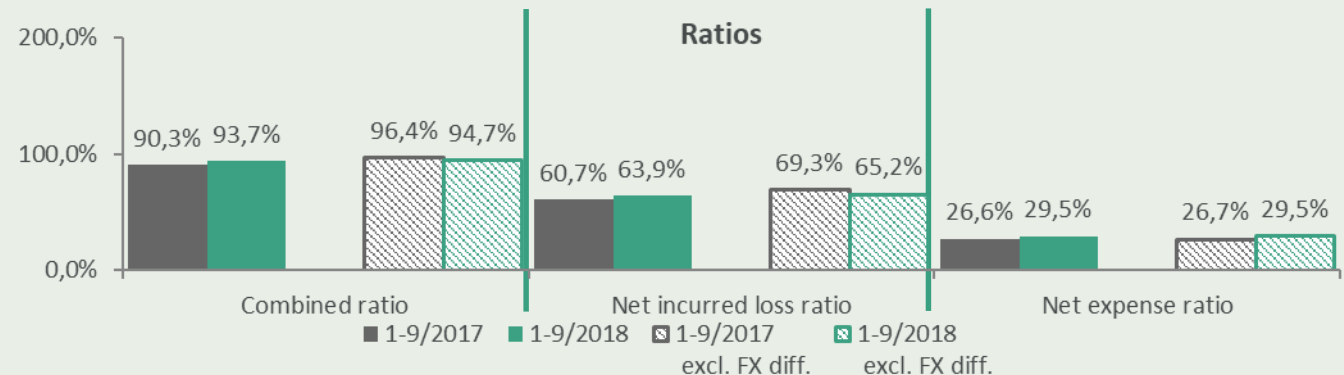
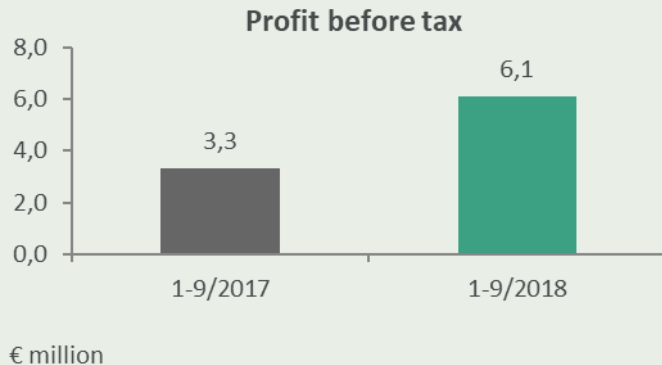
# Results by operating segment – reinsurance



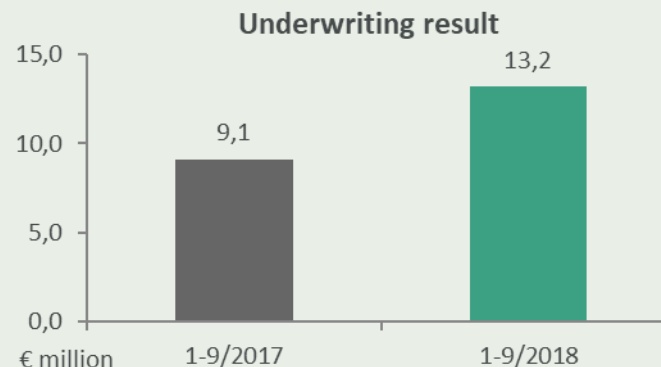
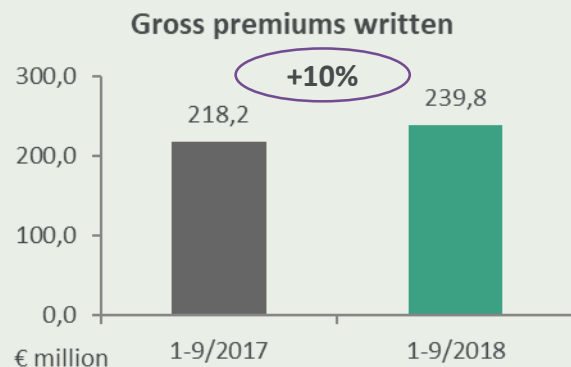
- Drop due to planned restrictions on growth and declined less profitable business
- Negative impact from stronger dollar

- Lower incurred claims (in 2017 US storms and some major loss events in Russia)
- One-off income from settlement of legal dispute (€1,5 m)

- Higher income from investment property (up €0,3 m) following the lease of a large investment property
- Lower interest expenses (down €0,7 m) due to repayment of subordinate debt until June 2017



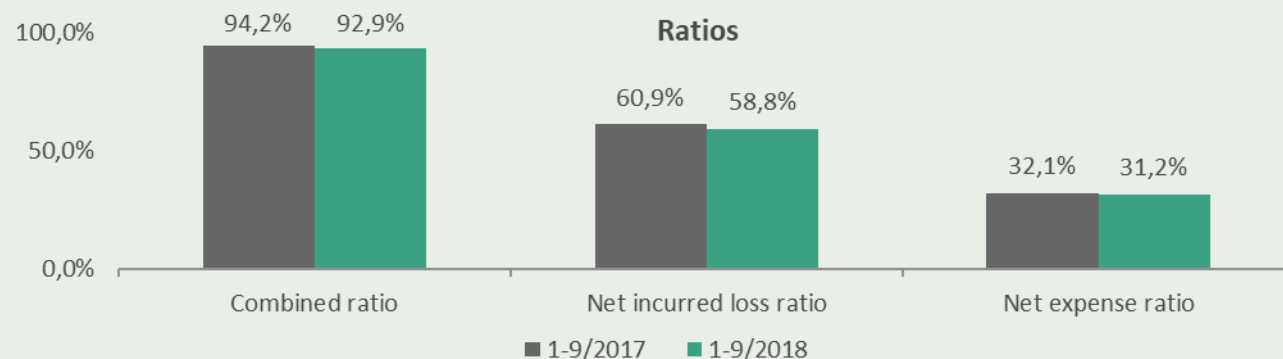
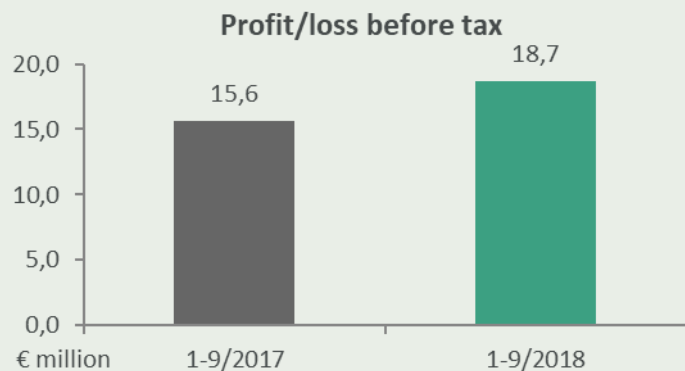
# Results by operating segment – non-life Slovenia



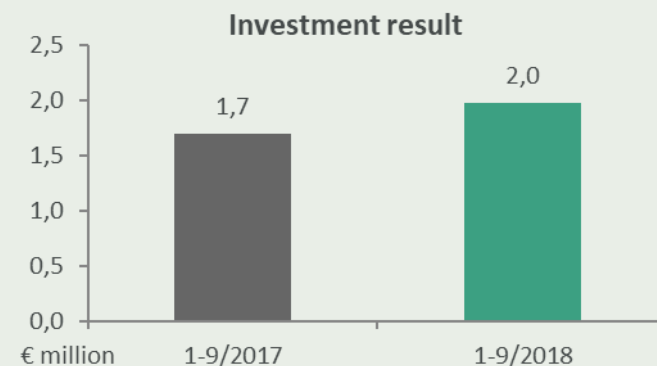
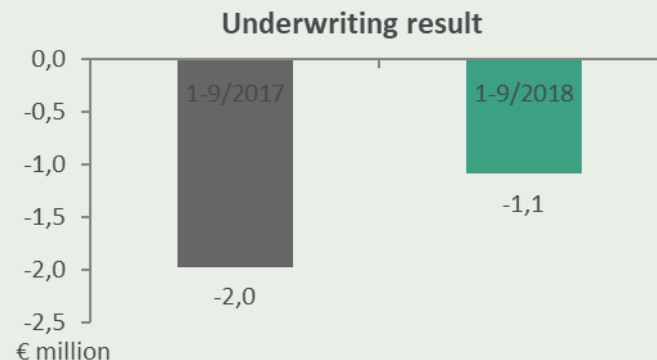
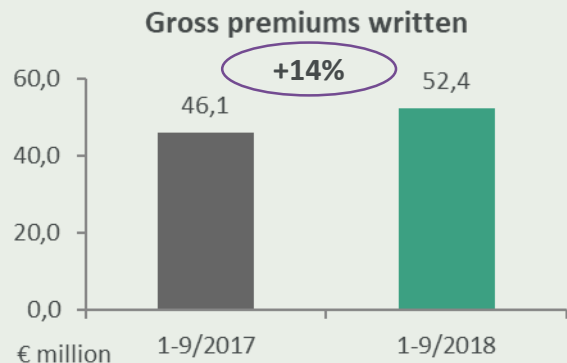
- Growth in motor business; more policies written and higher average premium in private business, broader coverages and new policyholders attracted in the commercial business

- Higher net premiums earned
- Lower claims provisions in 1–9/2018, reflecting claim payments made for August 2017 storms; which resulted in strengthening of provisions in 1–9/2017

- Decline in interest income due to lower interest rates on capital markets



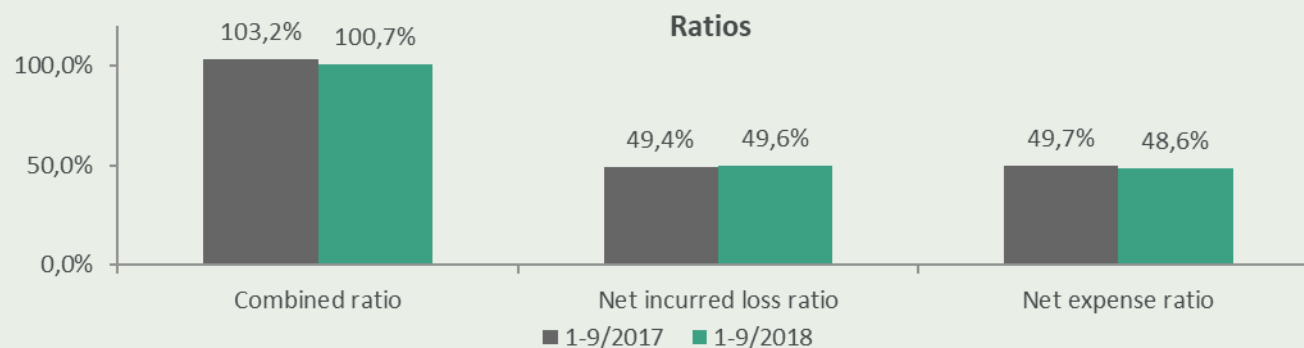
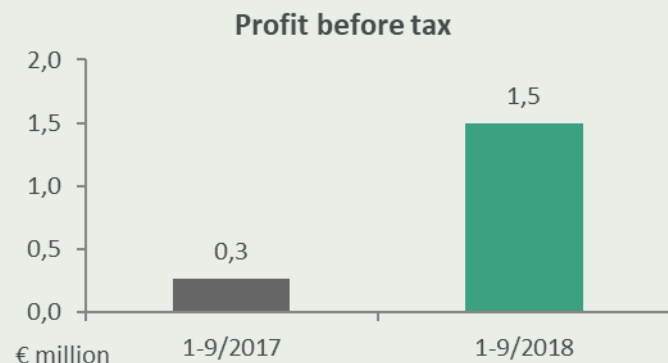
# Results by operating segment – non-life international



- Increases in all non-life insurers abroad
- High growth of the Serbian insurer achieved primarily through increased sales of voluntary health, personal accident and motor liability business

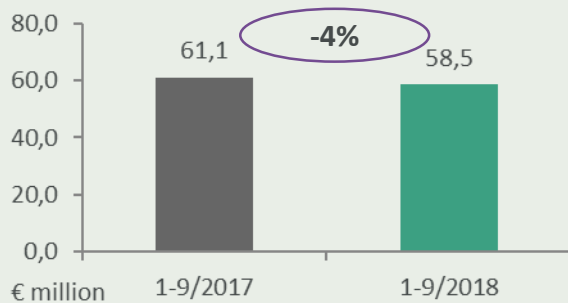
- Improvement driven by higher premium income
- Better technical performance at most companies, especially at the Croatian and Montenegrin company

- Higher capital gains and lower investment expenses
- Positive effect of inclusion of Energoprojekt Garant into the consolidated accounts

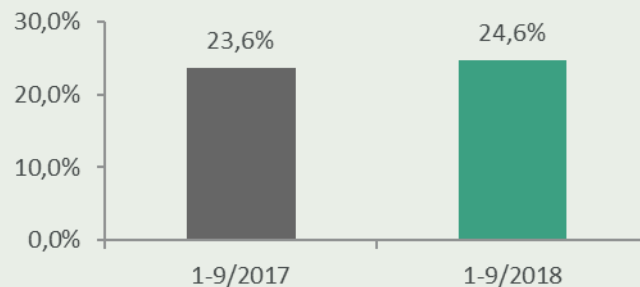


# Results by operating segment – life Slovenia

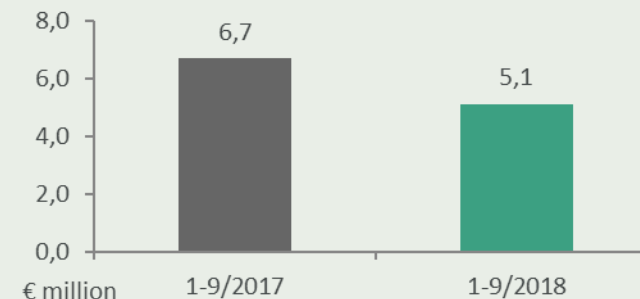
### Gross premiums written



### Net expense ratio



### Investment result

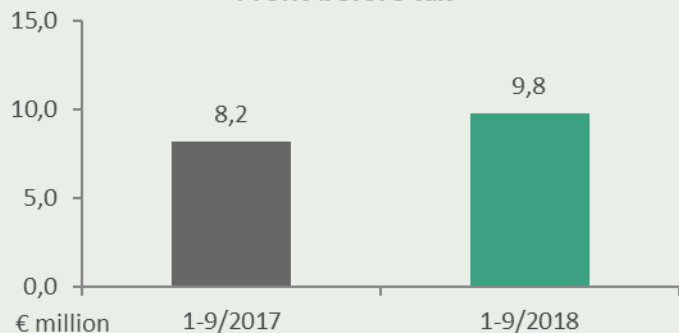


- Increased maturity benefit payments with premiums of new business insufficient to fully offset lost premiums (loss: maturities of unit-linked life: €23,1 m, traditional €19,6 m)
- New business exceeds previous year business by 4%

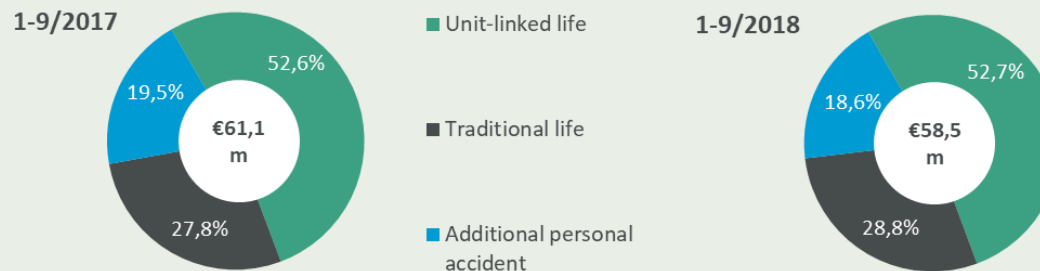
- Increase in net expense ratio as a result of drop in premium income
- Other operating expenses, which are relatively fixed, down 1%, while acquisition costs rose 4%, in line with growth in business volume

- Decline in interest income due to lower interest rates in capital markets

### Profit before tax

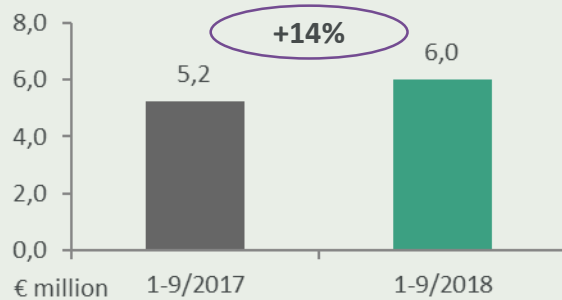


### Gross premiums written by class of insurance

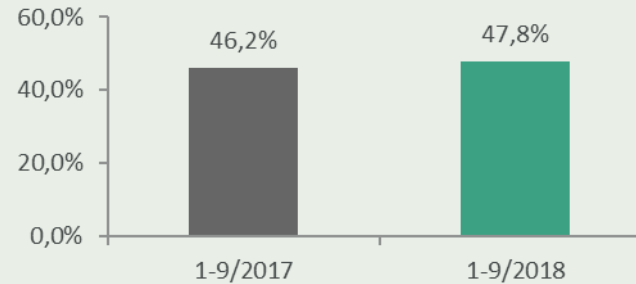


# Results by operating segment – life international

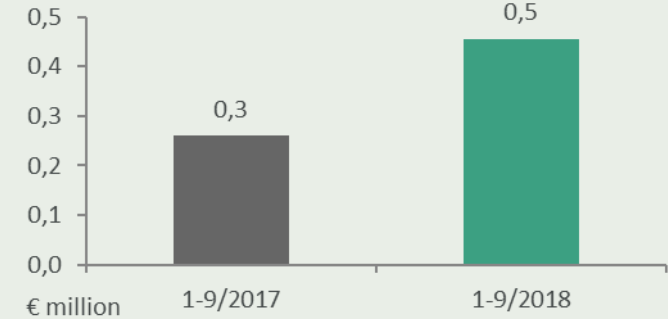
Gross premiums written



Net expense ratio



Investment result

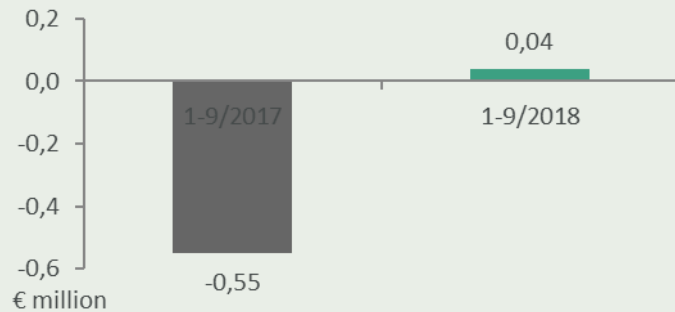


- Premium growth at all insurers, with two-digit growth at Kosovan and Serbian life insurers
- Premium volume of the Croatian branch of Zavarovalnica Sava affected by maturity benefit payments

- Expenses outpaced premium growth, primarily due to sales of new products

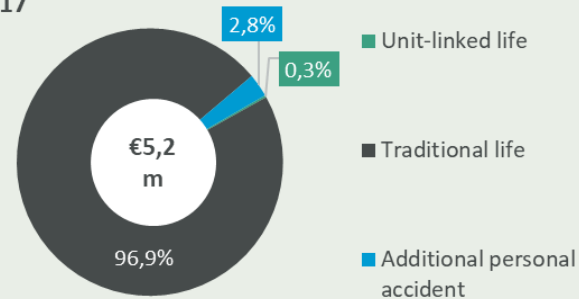
- Impaired property owned by Serbian insurer in 1-9/2017
- Higher interest income of Kosovan company, driven by government bond yields

Profit before tax

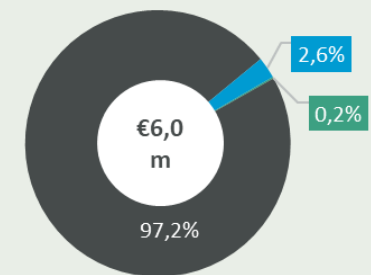


Gross premiums written by class of insurance

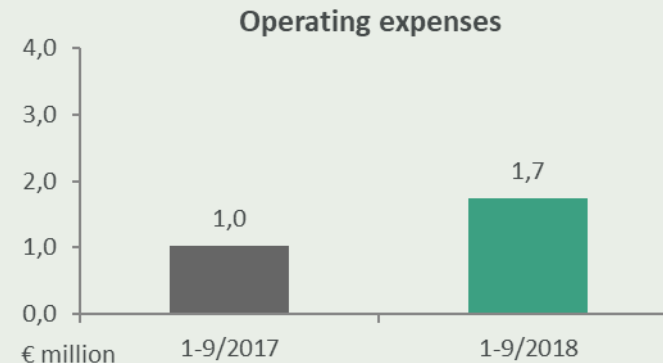
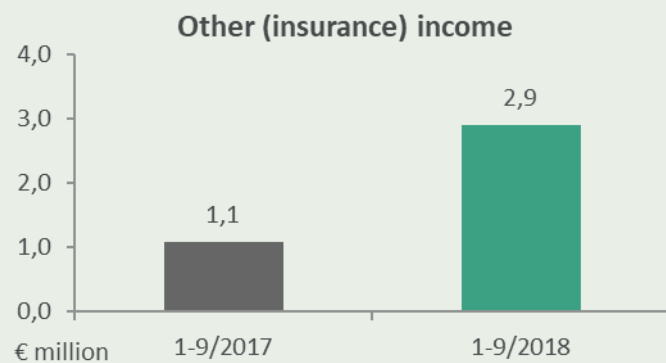
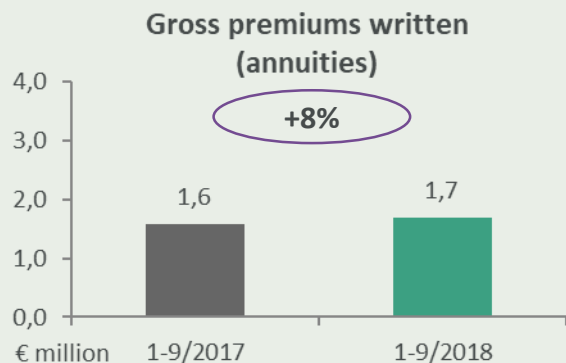
1-9/2017



1-9/2018



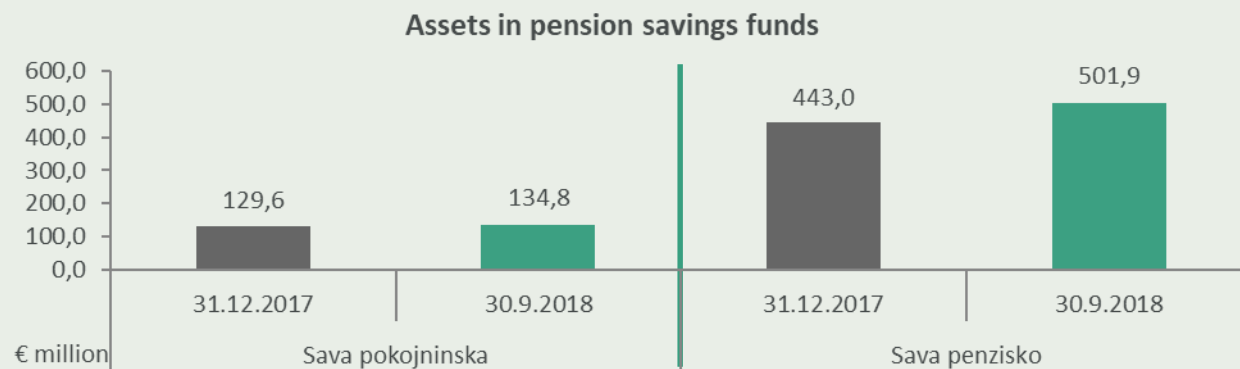
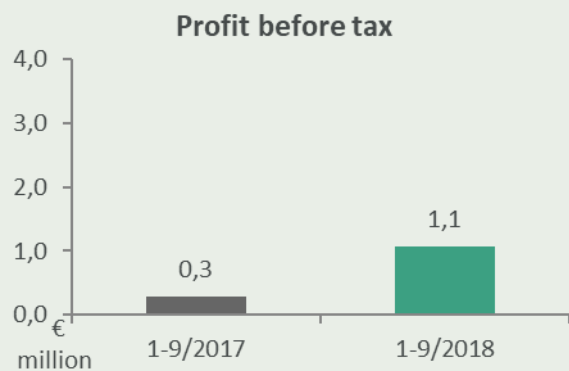
# Results by operating segment – pension business



- More policyholders opting for pension annuities upon retirement

- Inclusion of Macedonian company into consolidated accounts
- Other (technical) income dependent on the movement in managed assets as shown below

- Inclusion of Macedonian company into consolidated accounts
- Operating expenses of Slovenian pension company down 10,5%

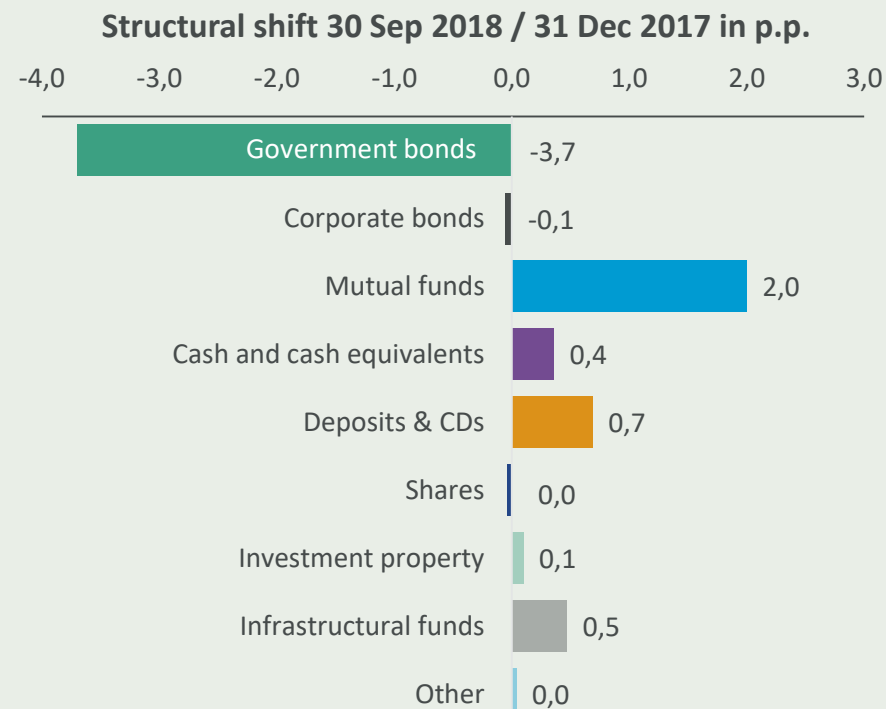


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# Structure of the investment portfolio

	31/12/2017	30/09/2018
<b>Investment portfolio (€ million)</b>	<b>1.084,2</b>	<b>1.098,8</b>
Government bonds	52,3%	48,6%
Corporate bonds	36,4%	36,3%
Mutual funds	2,9%	4,9%
Cash and cash equivalents	2,8%	3,2%
Deposits & CDs	2,0%	2,7%
Shares	1,6%	1,6%
Investment property	1,4%	1,5%
Infrastructural funds	0,0%	0,5%
Other	0,6%	0,6%
<b>Total investment portfolio</b>	<b>100,0%</b>	<b>100,0%</b>

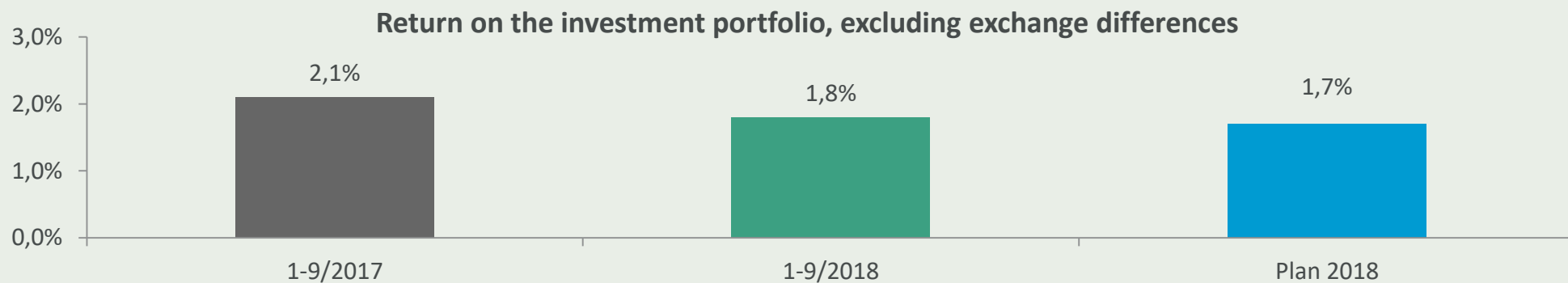


- **2,0 p.p. increase in proportion of mutual fund investments:** increase reflects purchases of cash EFTs
- **3,7 p.p. drop in proportion of investments in government bonds:** decline as a result of maturities and disposals of A-rated government bonds
- **0,5 p.p. increase in proportion of infrastructure funds:** requests for payments into funds under commitments made in early 2018 (Sava Re and Zavarovalnica Sava)



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

(€ million)	1-9/2017	1-9/2018	Absolute change 2018 - 2017
Net investment income relating to the investment portfolio	11,4	14,4	3,0
Net inv. income of the investment portfolio, excl. exchange differences	17,1	15,1	-2,0
Return on the investment portfolio, excl. exchange differences	2,1%	1,8%	



- The Group's net investment income from its investment portfolio in 1–9/2018, excluding exchange differences, totalled €15,1 m, down €2,0 m year on year.
- The net investment income relating to investment property increased by €0,3 m year on year.
- The realised investment return, excluding the effect of exchange differences, was 1,8% (1–9/2017: 2,1%).

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# Shareholders and share performance

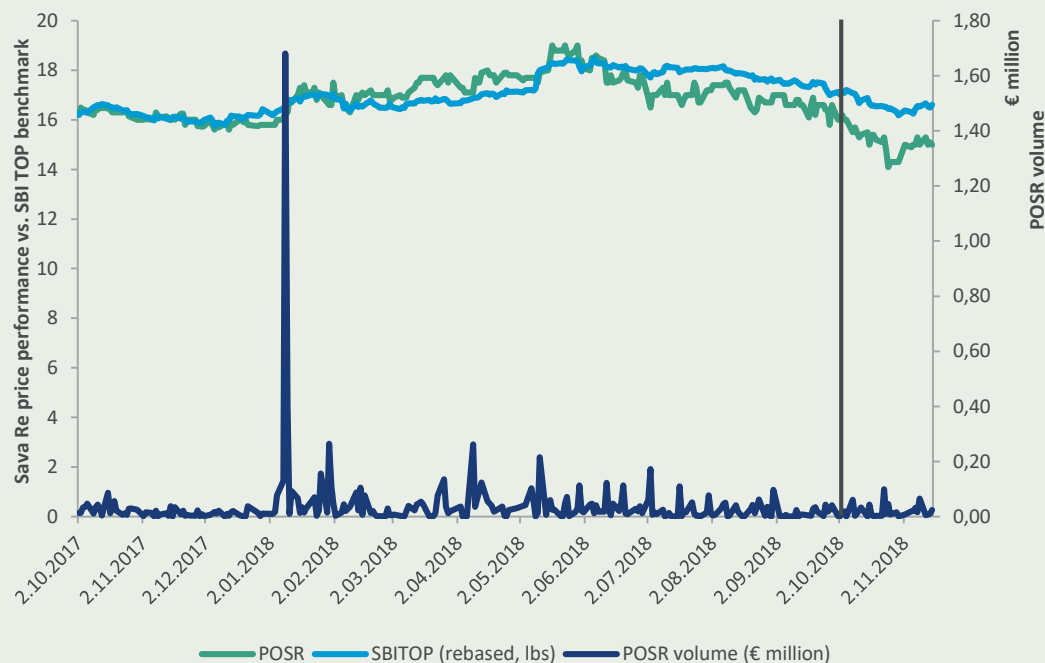
Book value per share

**€21,13**

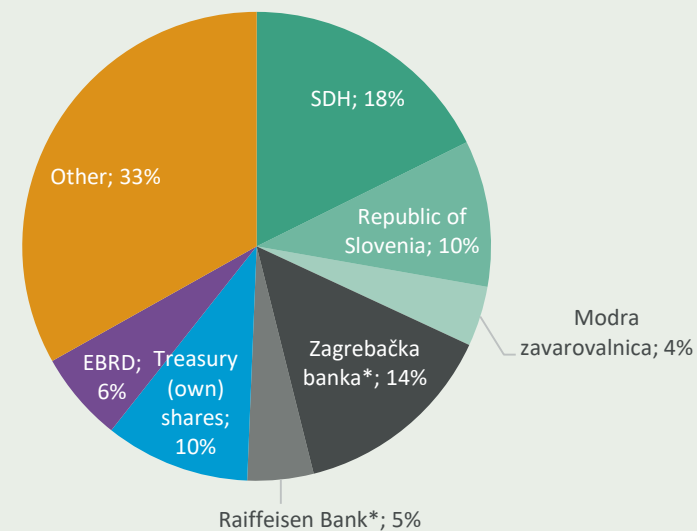
3Q 2018 / 3Q 2017: **up 6,6%**

(€ million)	30/9/2018
Share capital	71,9
Market capitalisation	285,8
Trading symbol	POSR
Number of shares	17.219.662
Number of own shares	1.721.966
Number of shareholders	4.079

## Sava Re share price performance vs SBI TOP benchmark



## Shareholders as at 30 September 2018



\* Custody account.

\*\* On 2 June 2016, Sava Re received a notice from Adris grupa, d.d., Vladimira Nazora 1, 52210 Rovinj, Croatia via its legal representative Rojs, Peljhan, Prelesnik & partnerji, o.p., d.o.o., 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.**

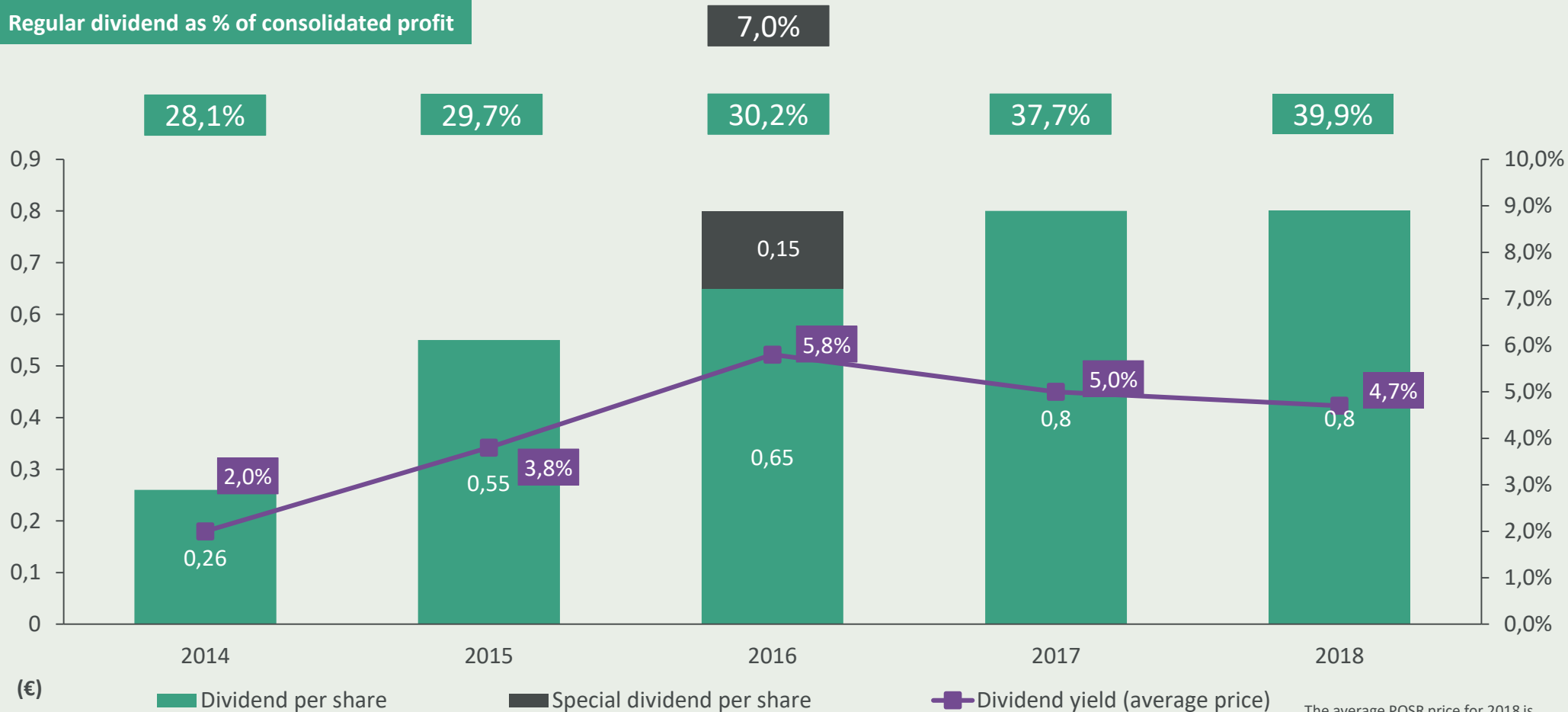
When designing any dividend proposal, the company will take into account:

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 A.M. 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



The average POSR price for 2018 is calculated for the last 12 months (1 October 2017 – 30 September 2018).

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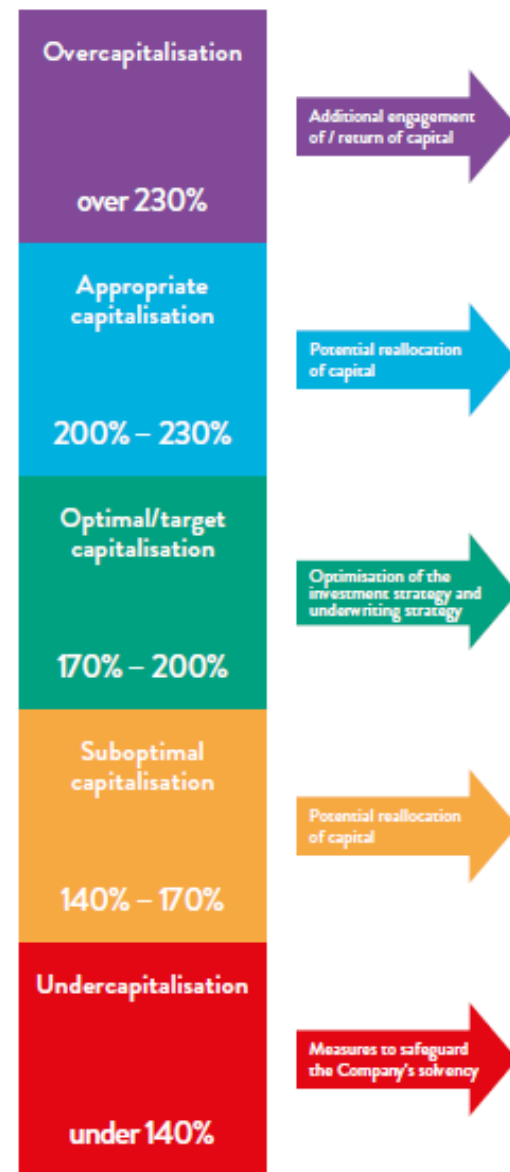
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# Capital adequacy

(€ million)	31 December 2017 (audited)
Eligible own funds	451,4
Solvency capital requirement (SCR)	205,0
<b>Solvency ratio</b>	<b>220%</b>

(€ million)	30 June 2018 (unaudited)
Eligible own funds – 30 June 2018	443,6
Solvency capital requirement (SCR) – 31 December 2017	205,0
<b>Solvency ratio</b>	<b>211%</b>

The Sava Re Group's Solvency and financial condition report 2017 (Group SFCR) has been posted on the Sava Re website and that of the Ljubljana stock exchange (Seonet).



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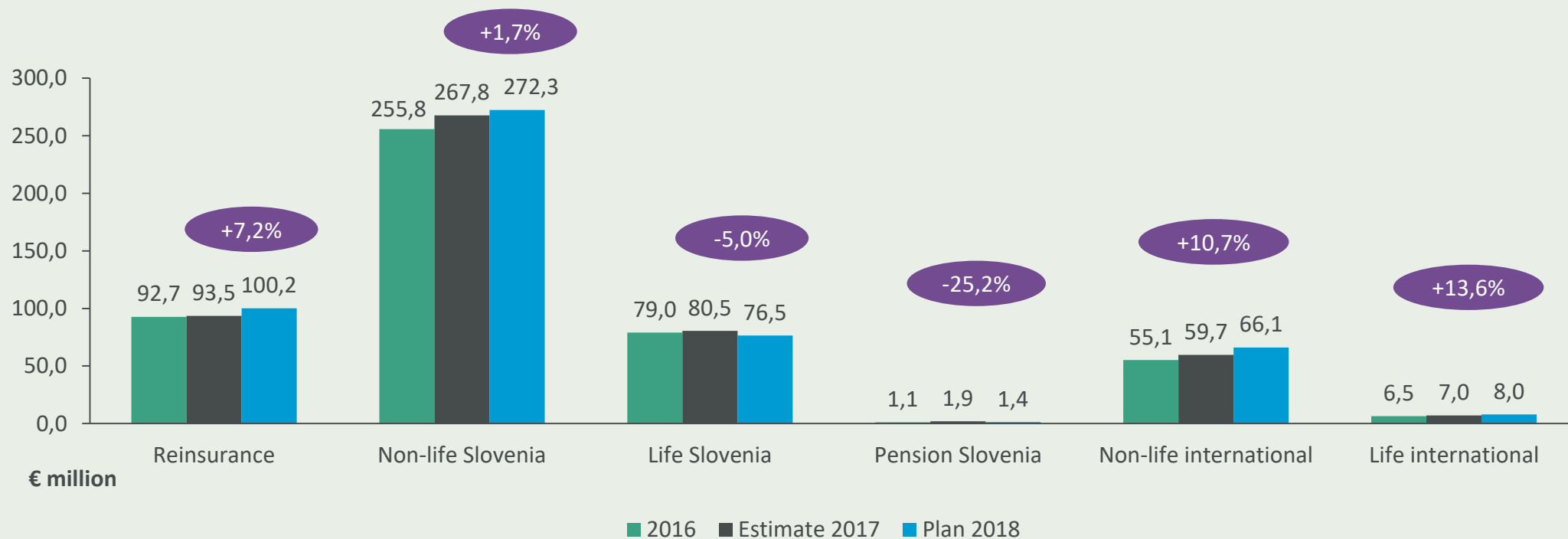
## Plan 2018 – main targets (consolidated)

	2016	2017 plan	2017	2018 plan
Gross written premiums	€490,2 million	€494 million	€517,2 million	> €520 million
Net combined ratio* (reinsurance + non-life)	94,6%	94,6%	95,5%	94,0%–94,5%
Net incurred loss ratio* (reinsurance + non-life)	58,2%	59,4%	60,5%	59,4%–59,9%
Net expense ratio	34,0%	32,6%	32,7%	31,4%–31,7%
Return on the investment portfolio*	2,2%	1,8%	2,0%	1,7%
Profit or loss, net of tax	€32,9 million	between €31 million and €33 million	€31,1 million	between €37 million and €39 million
Return on equity	11,3%	10,3%	10,1%	> 11%

\* Excl. exchange differences

# Planned growth in gross premiums written by segment

## Gross premiums written by operating segment



**Thank you for your attention.**

## **Disclaimer**

### **Forward-looking statements**

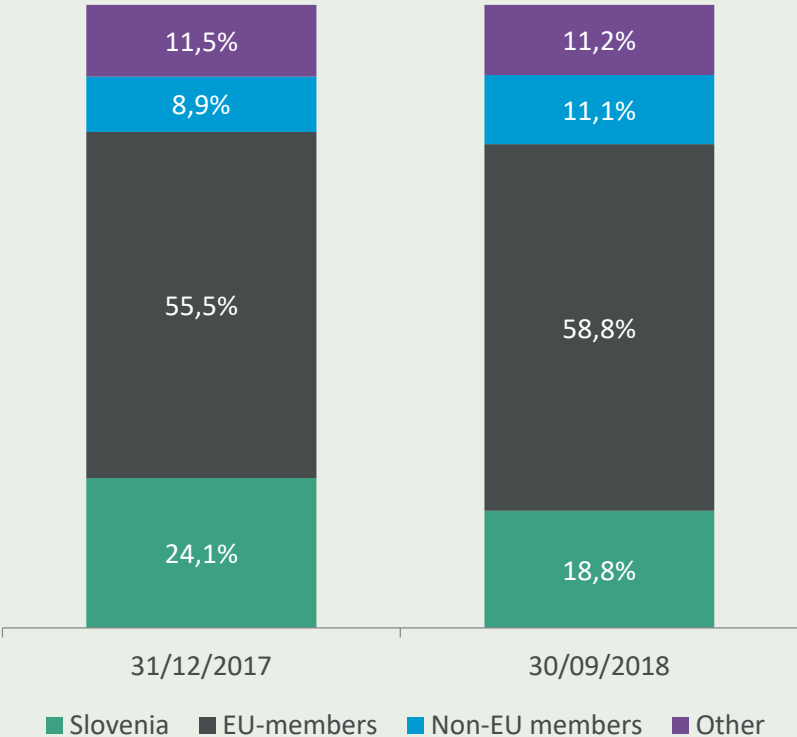
This document may contain forward-looking statements relating to Sava Re's expectations, plans or goals, which are based on assumptions made by Sava Re management. By their nature, forward-looking statements involve risk and uncertainty. As a result, actual developments, in particular performance, may 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**

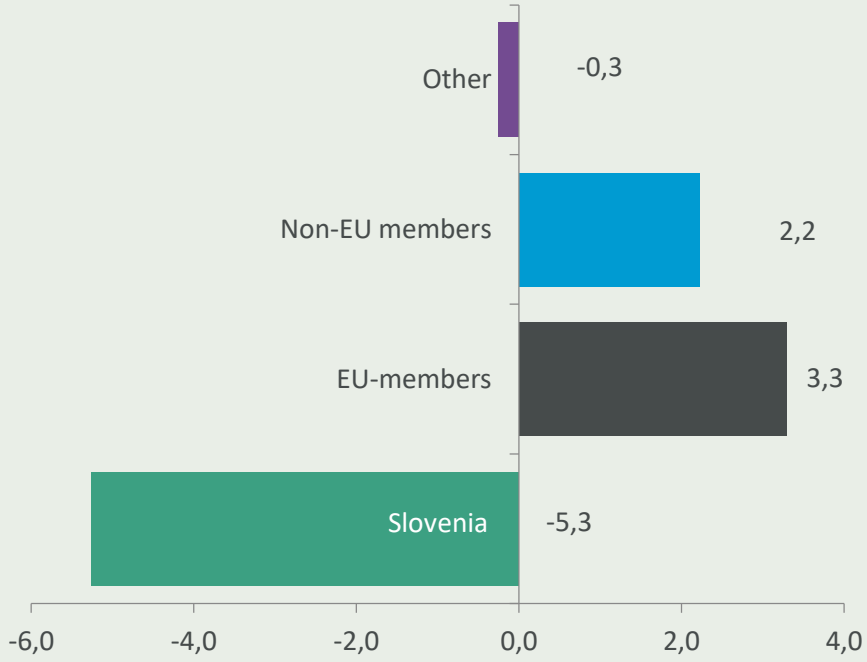
Sava Re assumes no obligation to conform any forward-looking statements or other information contained in this document to future events or developments.

# Sava Re Group exposure by region

Reduced exposure to Slovenia in 1–9/2018 in line with the investment policy (target exposure of Sava Re Group until 2020: 25%); higher exposure to EU and non-EU Member States



Structural shift 30 Sep 2018 / 31 Dec 2017 in p.p.



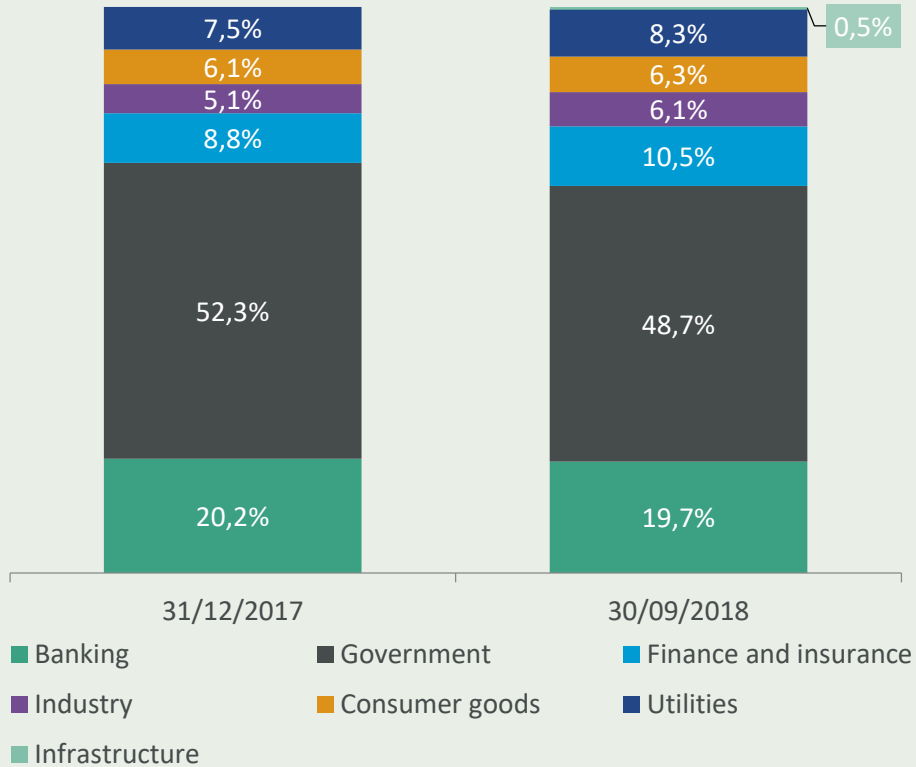
# Sava Re Group exposure to Slovenia

(€)	31/12/2017		30/09/2018		Change
	Amount	Structure	Amount	Structure	
Deposits	858.059	0,1%	849.715	0,1%	0,0%
Government bonds	188.505.257	17,4%	142.993.374	13,0%	-4,4%
Corporate bonds	23.758.217	2,2%	22.245.880	2,0%	-0,2%
Shares	16.992.679	1,6%	16.711.185	1,5%	0,0%
Mutual funds	1.286.438	0,1%	1.417.430	0,1%	0,0%
Cash and cash equivalents	18.015.252	1,7%	10.255.263	0,9%	-0,7%
Other	11.701.257	1,1%	12.371.035	1,1%	0,0%
<b>Sum total</b>	<b>261.117.159</b>	<b>24,1%</b>	<b>206.843.883</b>	<b>18,8%</b>	<b>-5,3%</b>

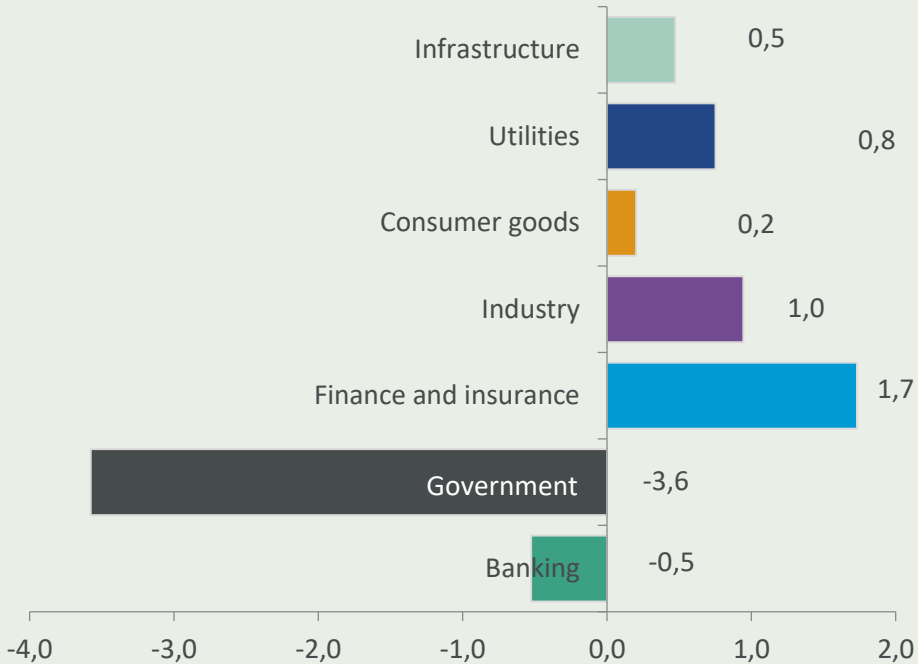
- 5,3 p.p. lower exposure to Slovenia compared to year-end 2017
- Largest contribution to reduced exposure to Slovenia was a decline in government bonds owing to maturities and disposals in the reporting period.

# Sava Re Group exposure by industry

- Decreased exposure to government securities as a result of sales and maturities
- Increased exposure to financial and insurance industry – investments in ETF money market funds
- Lower exposure to the banking sector, reflecting sales and maturities of covered bonds



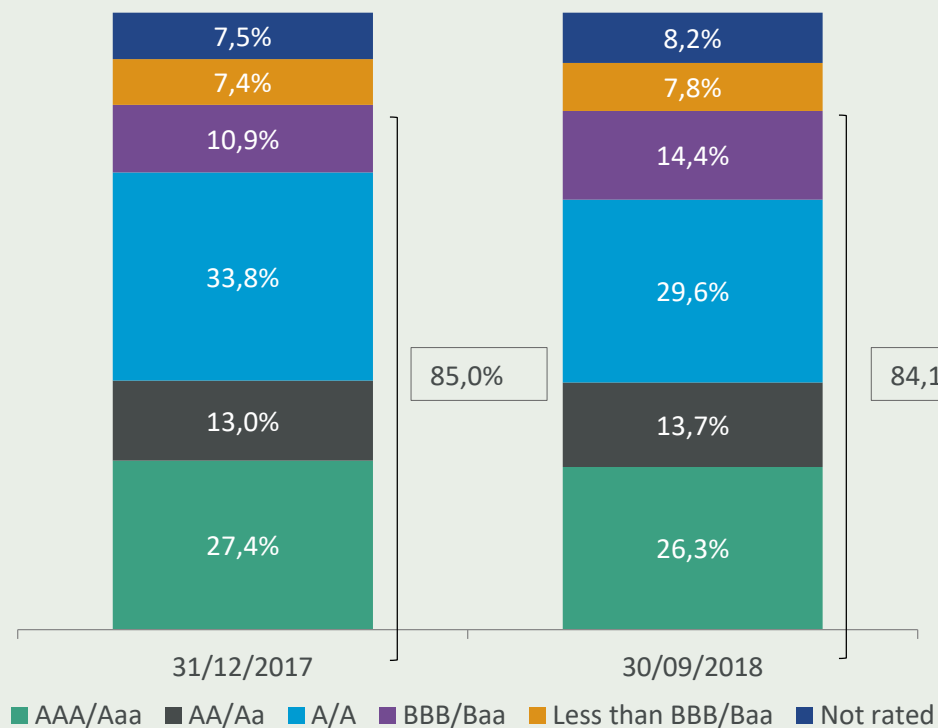
Structural shift 30 Sep 2018 / 31 Dec 2017 in p.p.



# Sava Re Group rating profile

## Maintaining a good rating profile in 1–9/2018

- Investment grade accounting for 84,1% of fixed-income investments, remaining on the year-on-year level



## Structural shift 30 Sep 2018 / 31 Dec 2017 in p.p.

