



Sava Insurance Group

1-12 2019 audited results

26 March 2020



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Group results

Highlights of 2019

Growth in GPW of **9.6%**, growth in operating revenues of **9.9%**

Net profit of **€50.2 million** and ROE of **13.8%**, which includes a one-off positive effect on the reversal of badwill relating to the acquisition of Ergo of €7.5 million

Net combined ratio (excl. FX) of **93.8%**, which is within the target range

First consolidation of new companies:

- **Ergo** Osiguranje and **Ergo** Životno Osiguranje on 31 March 2019 (both portfolios were part of the Croatian branch of Zavarovalnica Sava in December 2019) and
- **Sava Infond** on 30 June 2019

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

Signed deals to acquire **Bled Diagnostic Centre** and **NLB Vita**

Record profit for the year

Gross result

€60.7 m

2019/18: + 9.9%

Net result

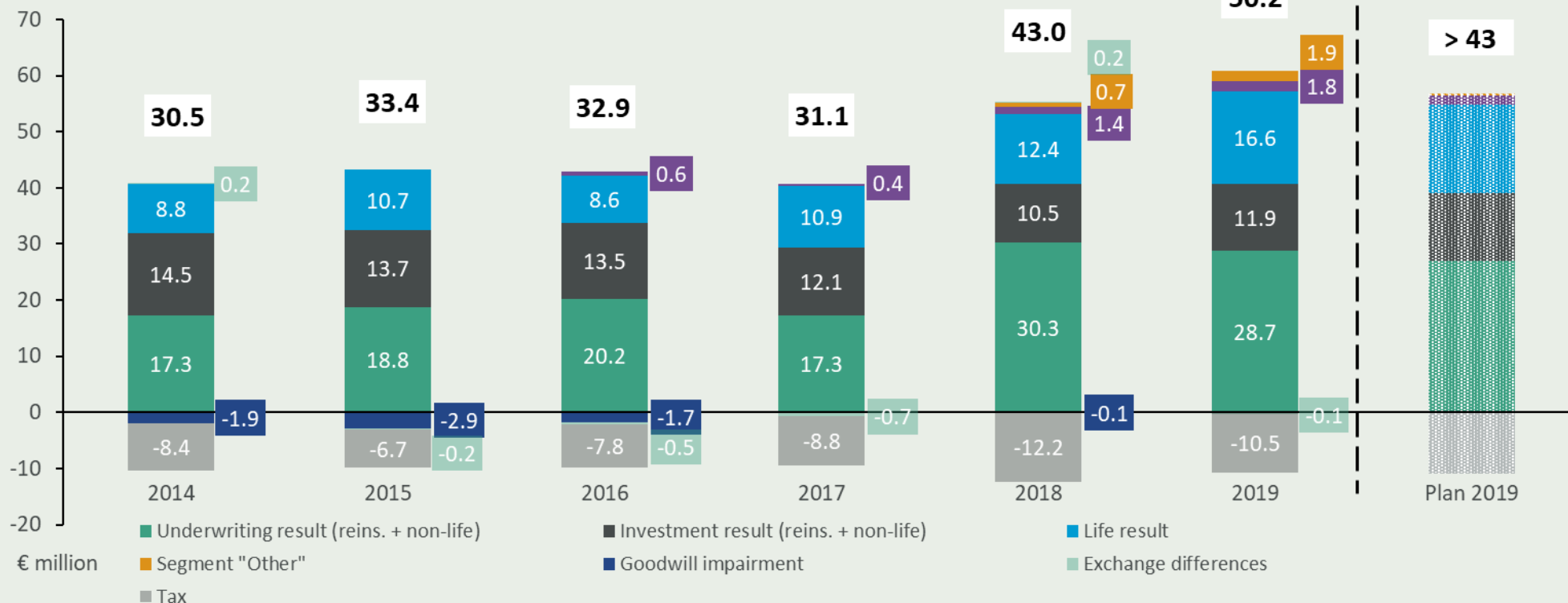
€50.2 m

2019/18: + 16.7%

Plan achieved



Composition of net result



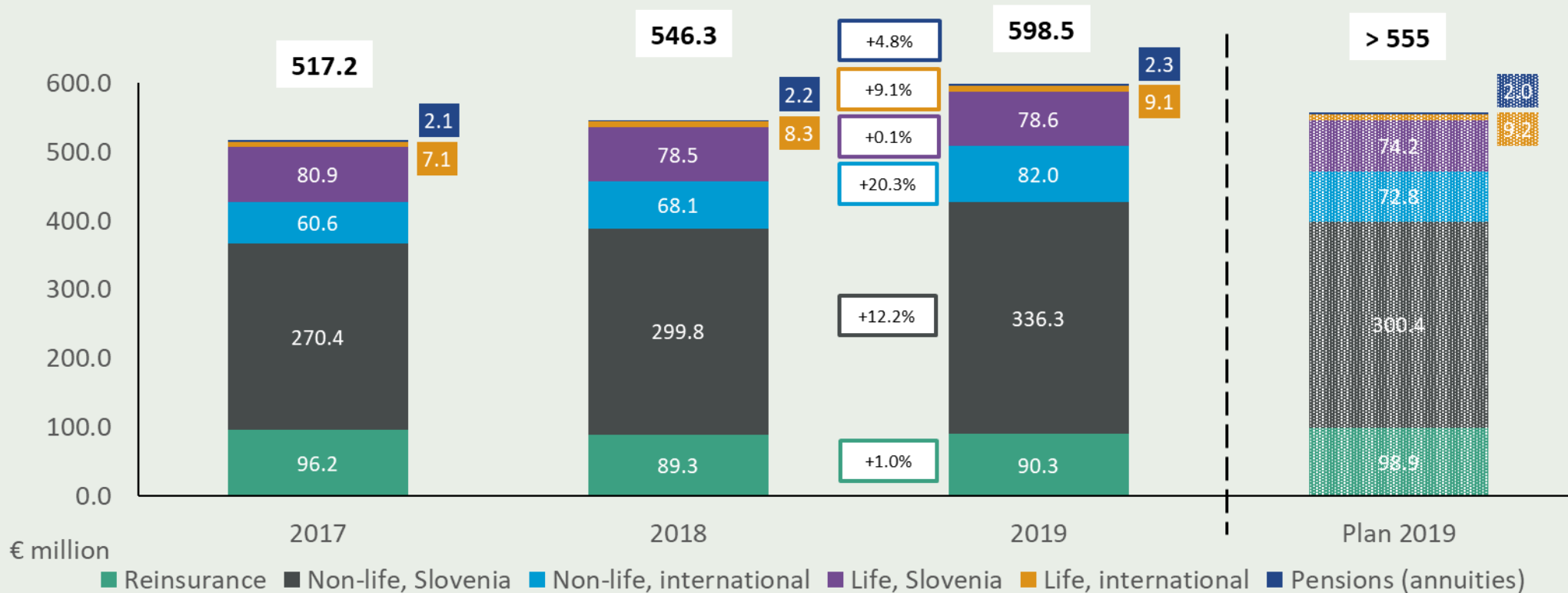
Development of consolidated gross premiums written

Consolidated gross premiums written in 2019

€598.5 m

2019/18: + 9.6%

Plan achieved



Strong growth in GPW in all insurance markets in 2019

Insurance and pension companies

Slovenia

Insurance company
Premiums: €415.0 m
2019/18: +9.7%
Pension company
Pension fund inflows:
€12.0 m
2019/18: +4.1%

Croatia

Premiums: €24.9 m
2019/18: +49.0%*

Montenegro

Premiums: €13.8 m
2019/18: +7.5%

Serbia

Premiums: €25.4 m
2019/18: +17.8%

Kosovo

Premiums: €12.7 m
2019/18: +10.3%

North Macedonia

Insurance company
Premiums: €14.4 m
2019/18: +10.4%
Pension company
Pension fund inflows: €71.5 m

Reinsurance company



Global markets

Sava Re reinsurance
business

Non-Group premiums:
€90.3 m
2019/18: +1.0%

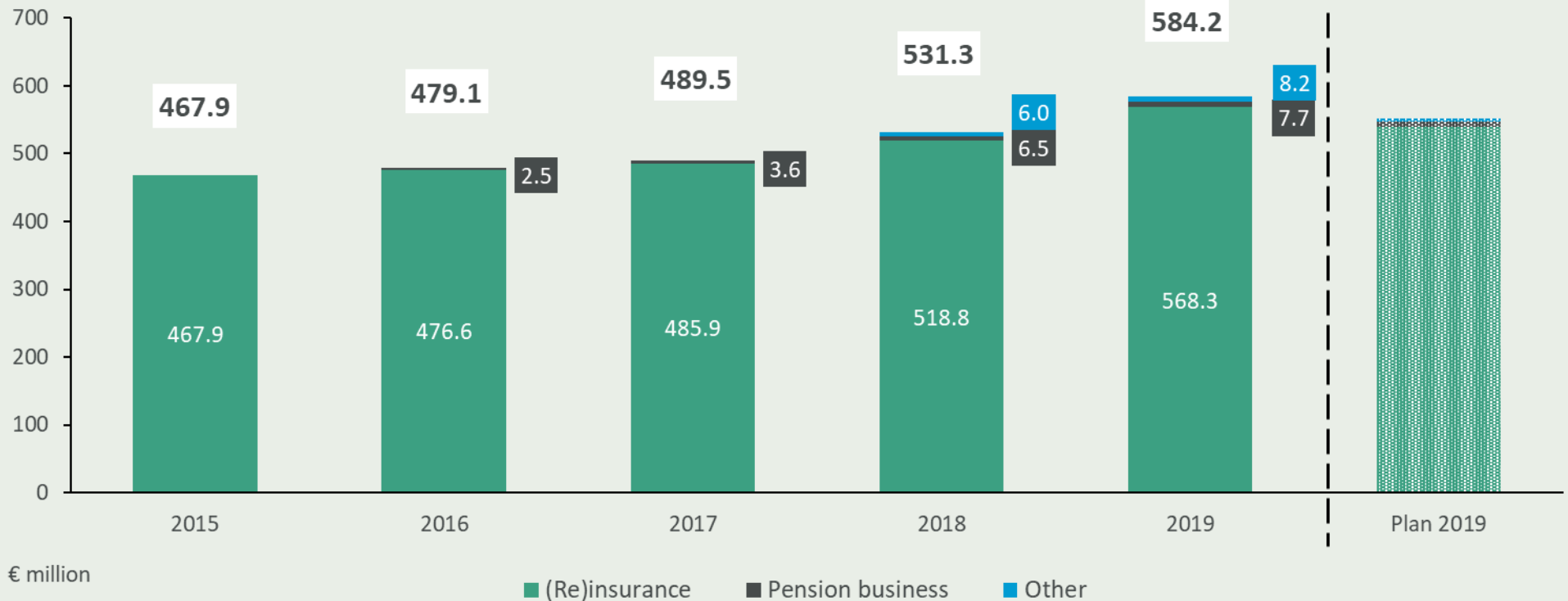
* Inclusion of Ergo companies.

Higher operating revenues reflecting expanded non-insurance activities

Operating revenues

€584.2 m

2019/18: + 9.9%



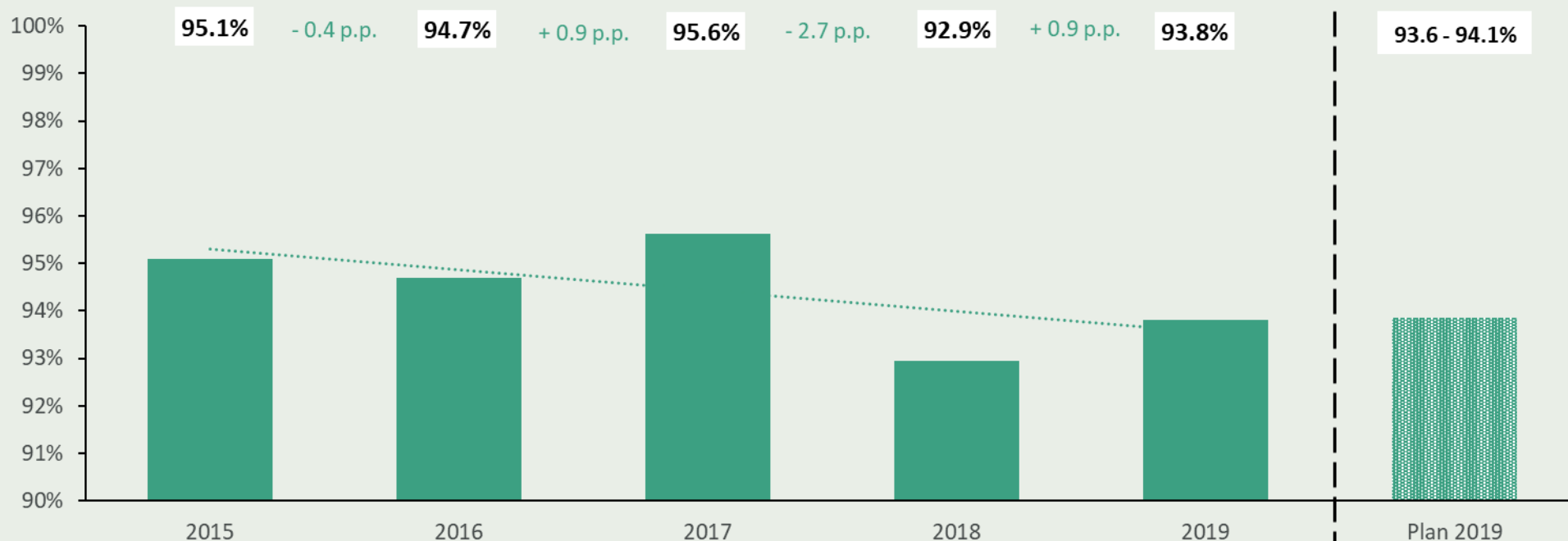
Combined ratio within the target range

Net combined ratio*

93.8%

2019/18: **+ 0.9 p.p.**

Plan achieved



*Excluding the effect of exchange differences.

Net combined ratio: all expenses (other than from investments) as percentage of total income (other than from investments) - calculated for the non-life and reinsurance segments.

High return on equity

Equity

€384.8 m

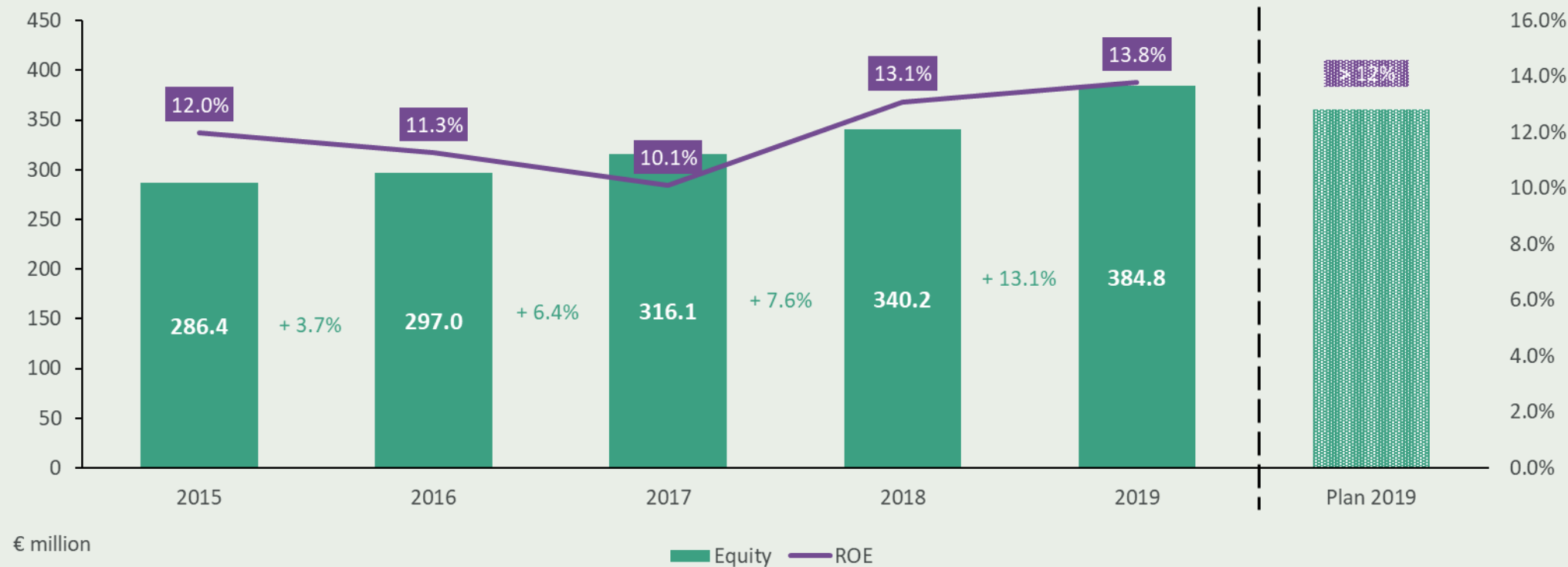
2019/18: + **13.1%**

ROE

13.8%

2019/18: + **0.7 p.p.**

Plan achieved



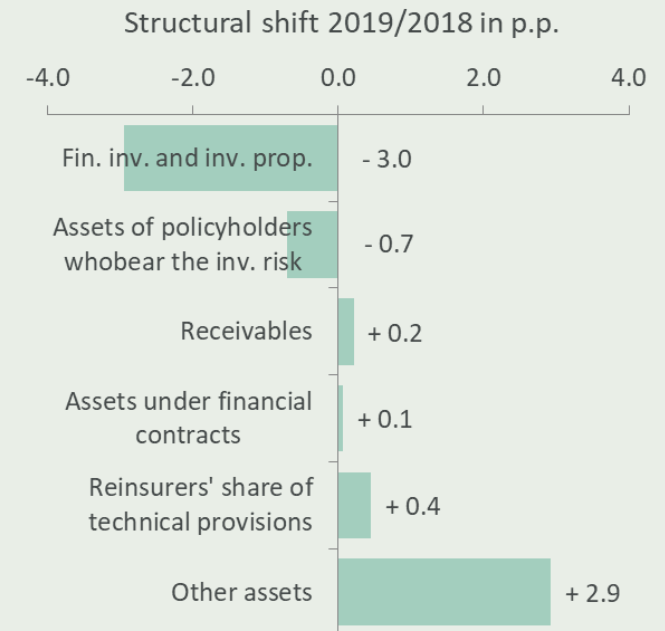
Assets structure

Assets

€1,886.0 m

2019/18: + 10.5%

	2018	2019
Total assets (€ million)	1,706.0	1,886.0
Financial investments and investment property	60.3%	57.3%
Assets of policyholders who bear the investment risk	12.0%	11.3%
Receivables	8.2%	8.5%
Assets under financial contracts	7.9%	8.0%
Reinsurers' share of technical provisions	1.6%	2.0%
Other assets	9.9%	12.8%
Total assets structure	100.0%	100.0%

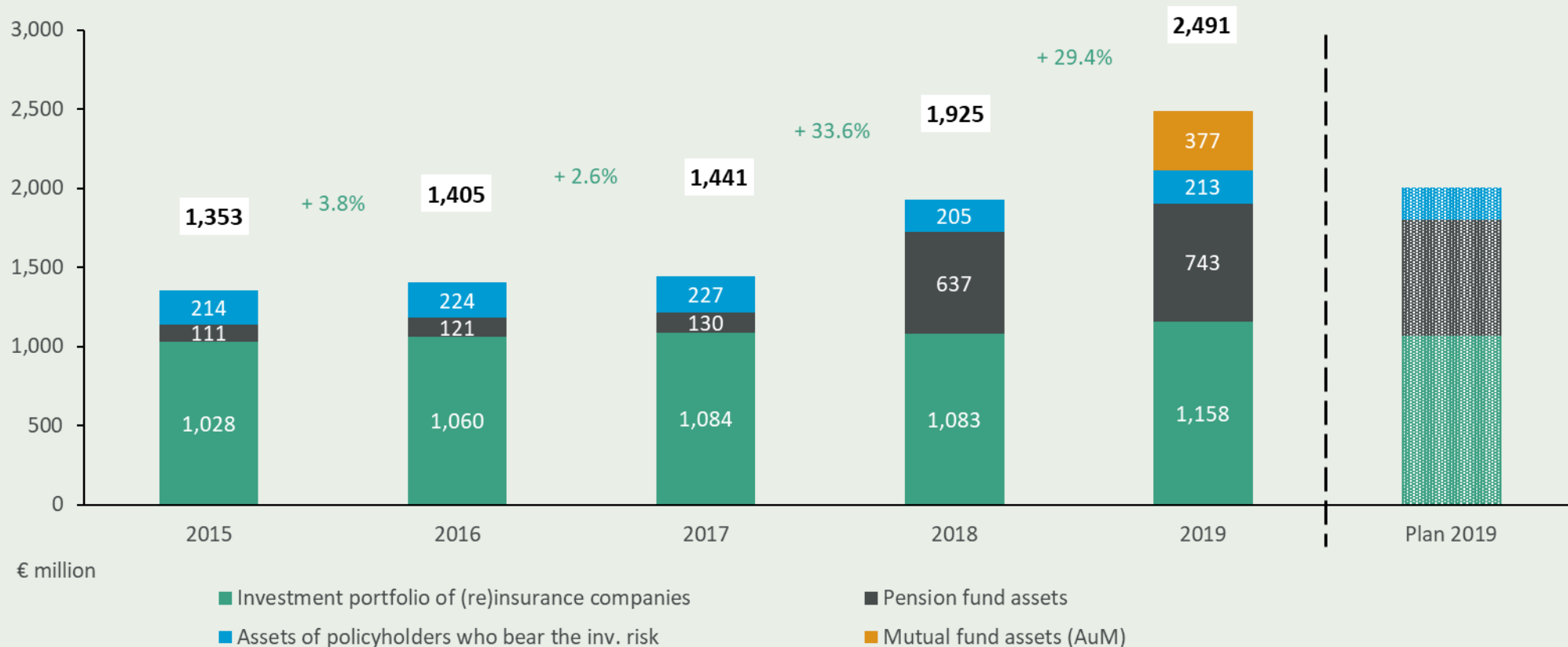


Growth in assets under management

Assets under management

€2.491 m

2019/18: + 29.4%



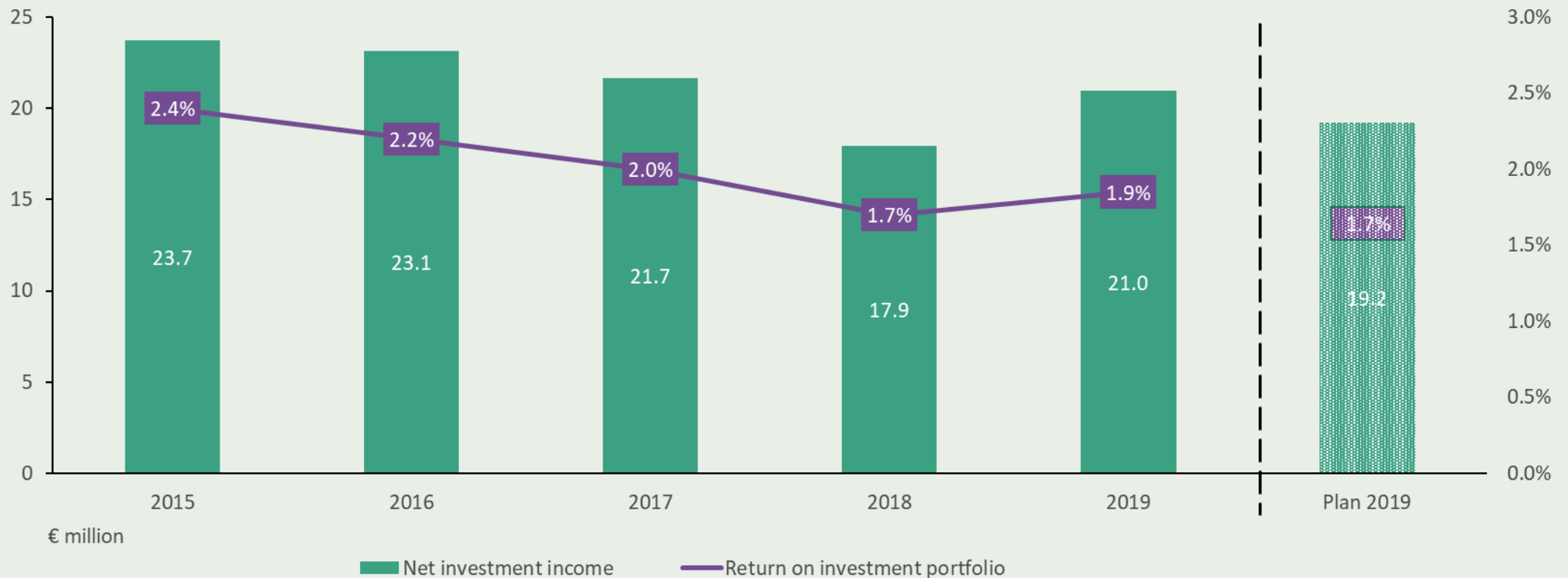
Development of return on investment portfolio

Return on investment portfolio*

1.9%

2019/18: + 0.2 p.p.

Plan achieved



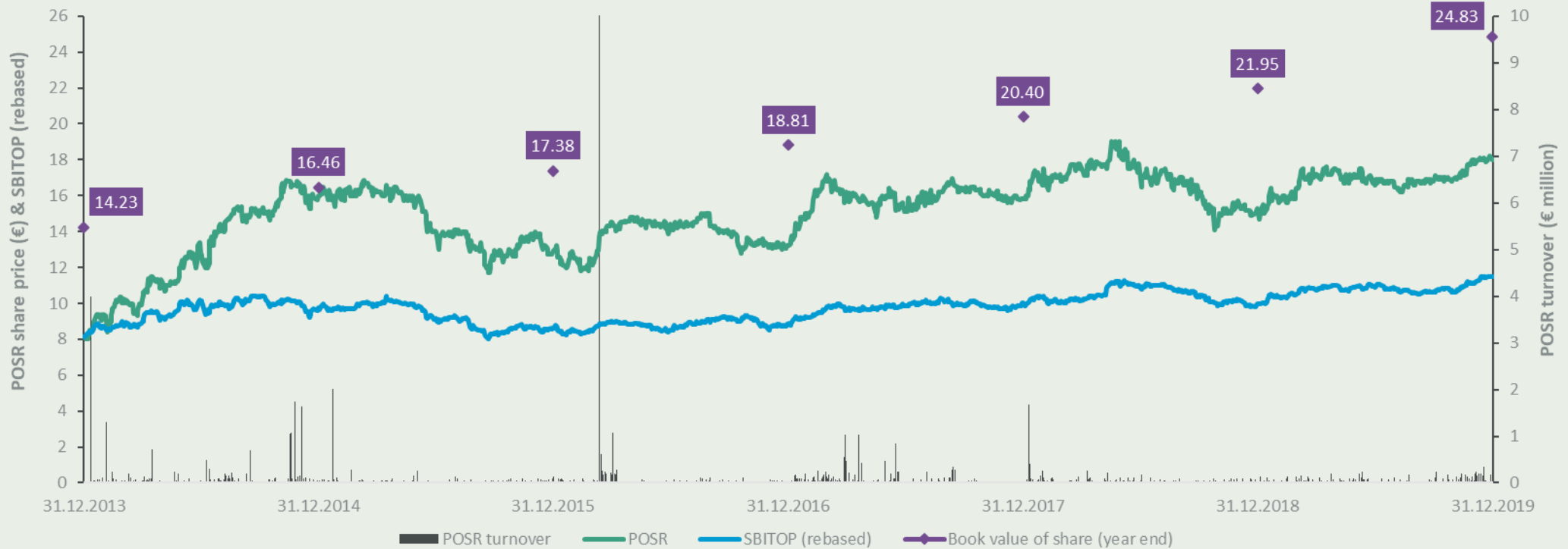
* Excluding FX differences and expenses of subordinated debt.

Growth in book value of share

Book value of share

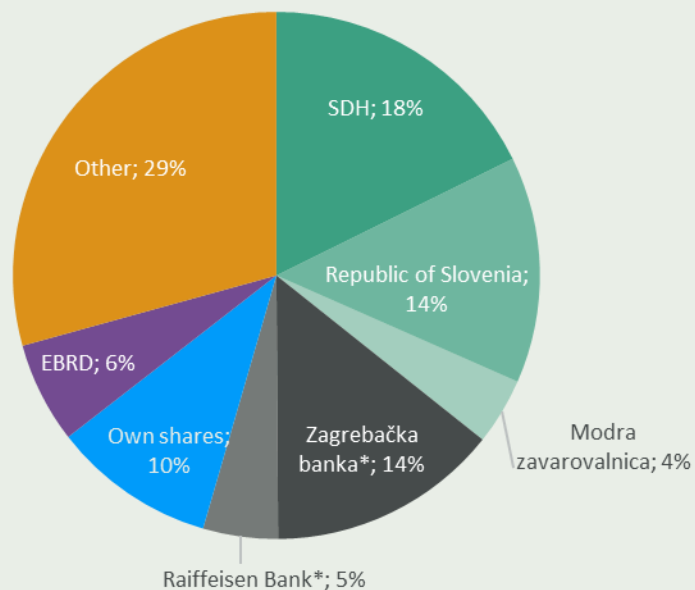
€24.83

2019/18: + 13.1%



Ownership structure

Shareholders as at 31 December 2019



* Fiduciary account.

** Sava Re was informed on 2 June 2016 that Adris Grupa, together with its subsidiaries, holds 19.04% of shares of Sava Re's share capital (21.15% of all shares with voting rights) in fiduciary accounts.

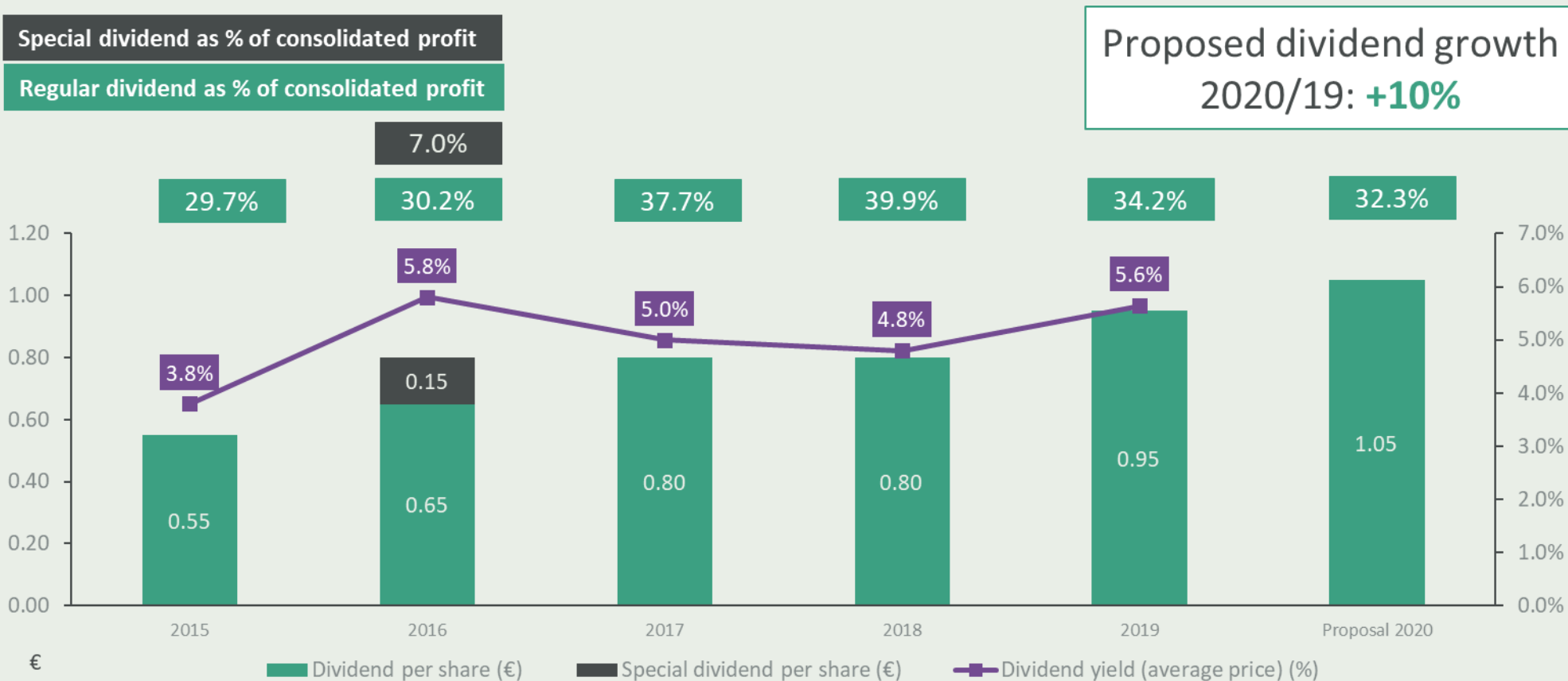
	31/12/2019
Share capital (€ million)	71.9
Market capitalisation (€ million)	310.0
Trading symbol	POSR
No. of shares	17,219,662
No. of own shares	1,721,966
No. of shareholders	4,110

Investor type	Local investor	Foreign investor
Insurance undertakings and pension companies	18.2%	0.0%
Other financial institutions*	17.9%	0.3%
Government	13.9%	0.0%
Individuals	9.7%	0.1%
Investment companies and mutual funds	3.8%	2.8%
Banks	0.1%	29.6%
Other non-financial corporations	2.4%	1.1%
Total	66.0%	34.0%

* Within other financial institutions SDH holds 17,7% of all shares with voting rights.

Dividend policy

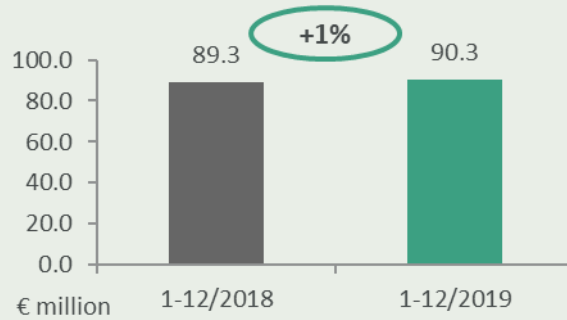
Sava Re has set itself the goal of increasing its dividend by an average of 10% per year over the period 2020–2022, thus distributing from 35% to 45% of the net profit of the Sava Insurance Group each year.



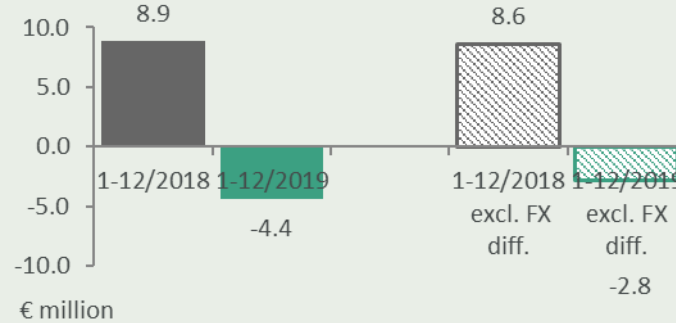
Segment reporting

Results by operating segment – reinsurance

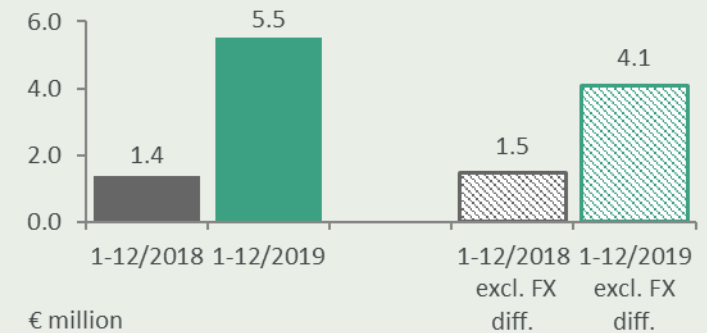
Gross premiums written



Underwriting result



Investment result

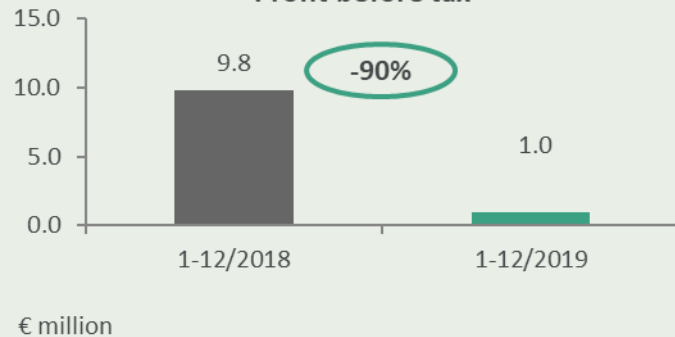


- Growth of non-proportional reinsurance premiums mainly on Asian markets (organic growth of the business and new contracts)

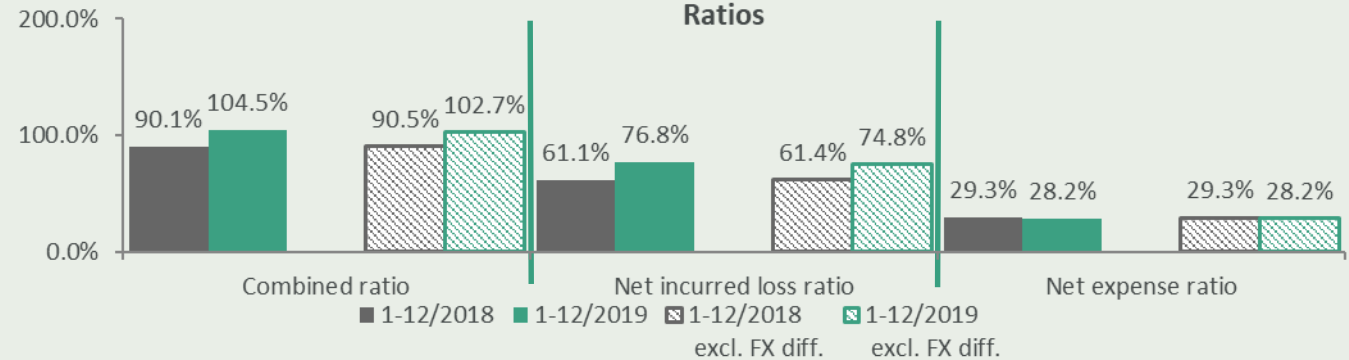
- Deterioration in underwriting result due to increased claims burden (more catastrophic losses than the year before) and a one-off positive effect in 2018 of €1.5 million (favorably resolved litigation).

- Income from partial repayment of business bonds impaired in the past (+ €0.4 million)
- Impairments in 2018 (€1.9 million), in 2019 no impairments

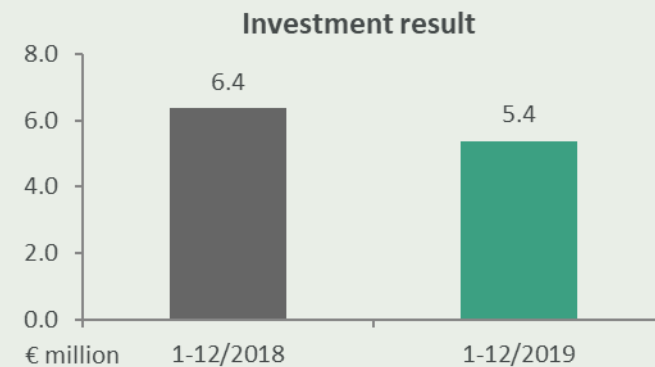
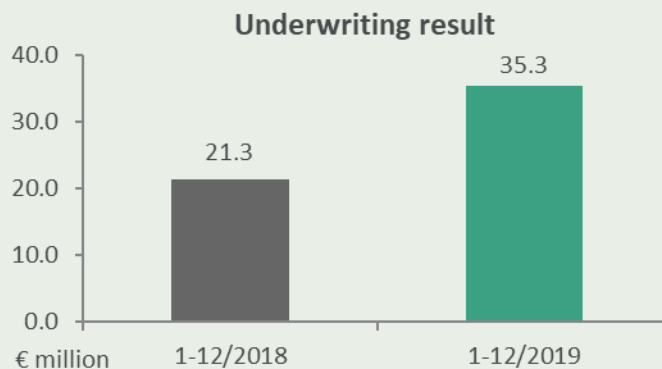
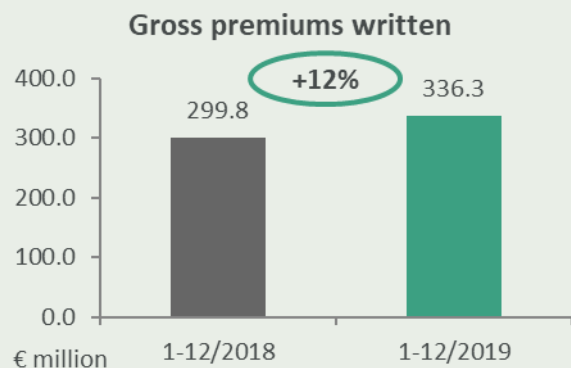
Profit before tax



Ratios



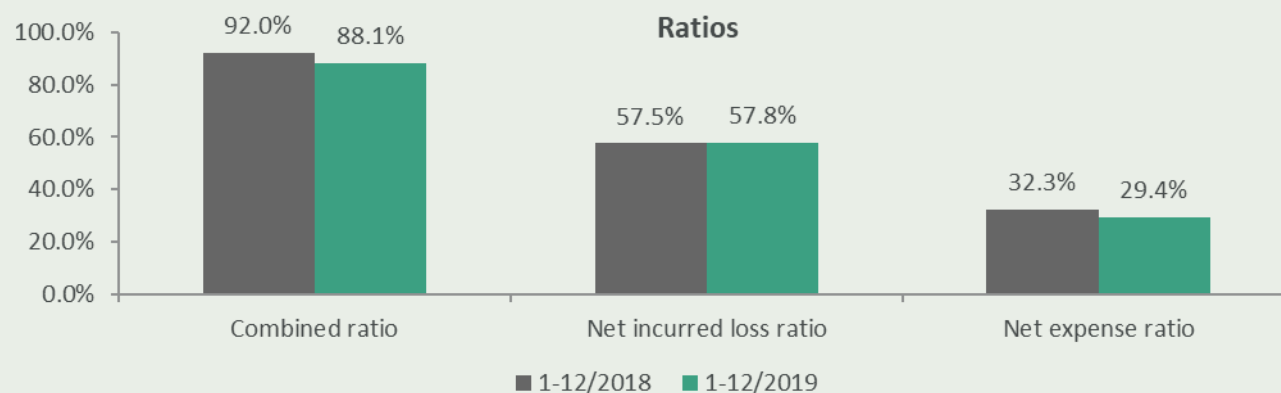
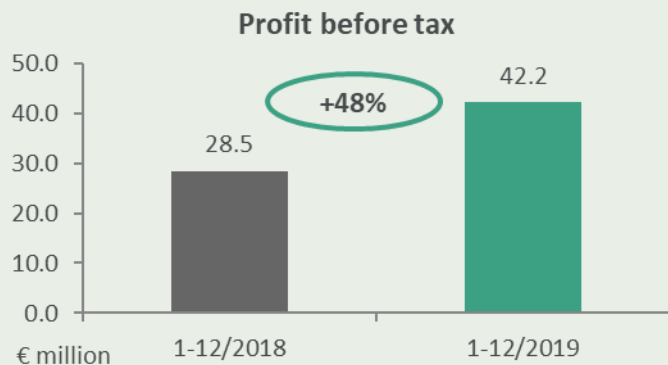
Results by operating segment – non-life, Slovenia



- Larger volume of FOS business (by €13.7 million)
- Larger volume of motor business (especially in private motor segment - increased number of policies and higher average premiums) and property business (higher property value of bigger insurer)

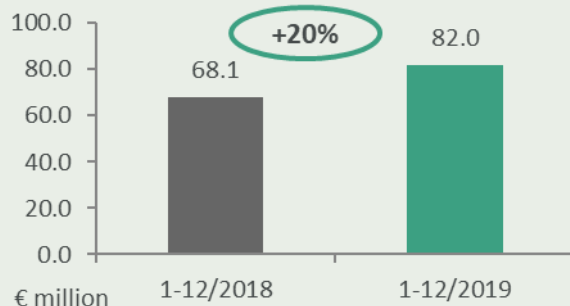
- Stronger technical result mainly due to higher premiums, lower other insurance expenses and lower other operating costs

- Lower interest income due to lower interest rates in the capital markets (€0.9 million)

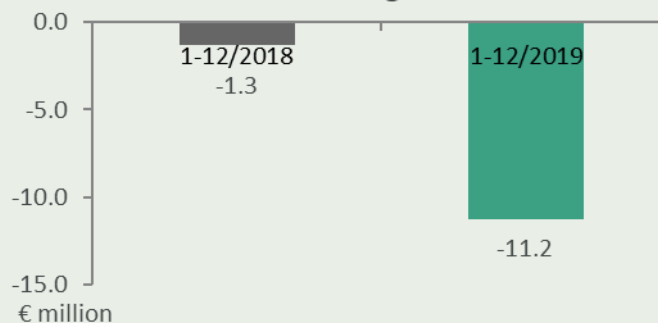


Results by operating segment – non-life, international

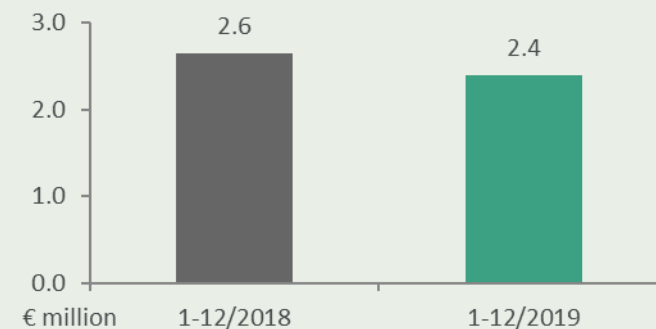
Gross premiums written



Underwriting result



Investment result

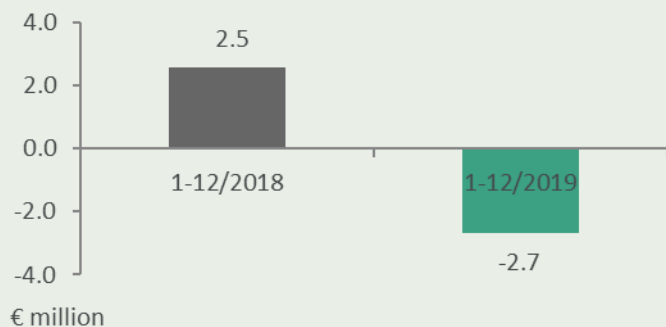


- Inclusion of the non-life insurer ERGO in Croatia into the Group (from 1 April 2019)
- Increase in motor insurance premiums mainly in Croatia, but also in other non-life international insurers as a result of accelerating sales promotional activities (opening new branches and vehicle inspection stations)

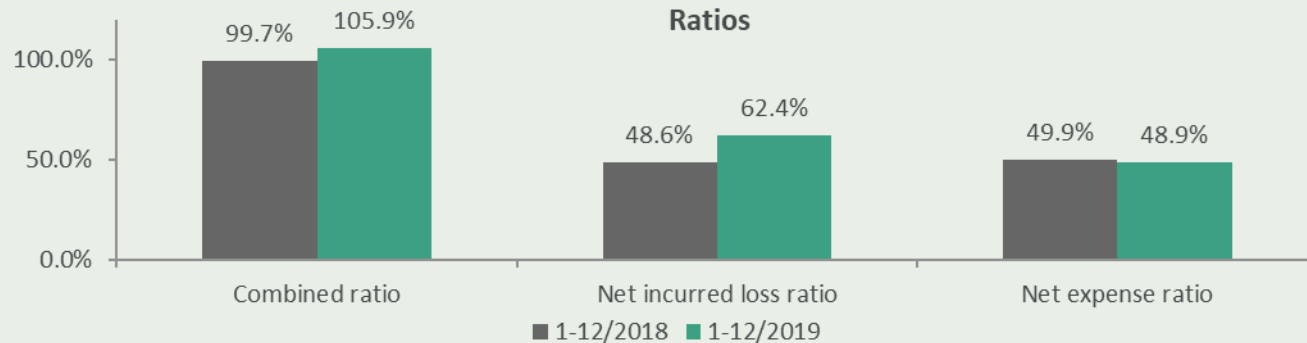
- Higher net claims incurred by Croatian non-life insurance company due to increased loss burden and some larger motor liability claims
- Inclusion of Croatia-based ERGO into the Group (from 1 April 2019)
- One larger fire insurance claim in Kosovan insurance company

- Extraordinary income from the reversal of badwill relating to the acquisition of ERGO Osiguranje (€4.9 million)

Profit before tax

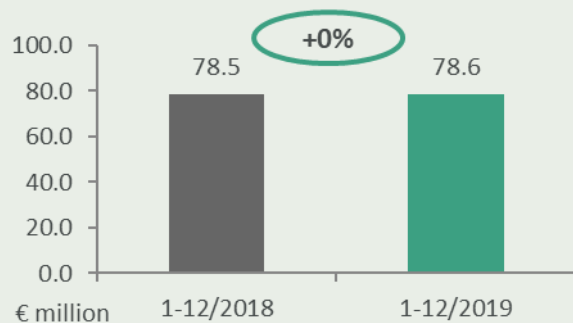


Ratios



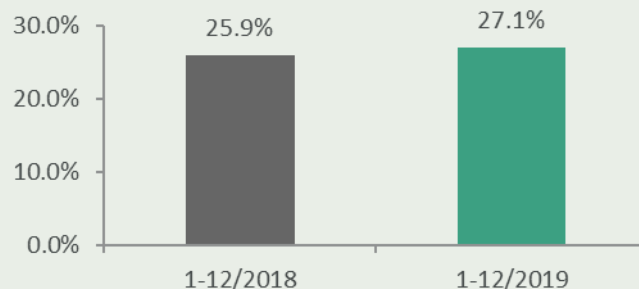
Results by operating segment – life, Slovenia

Gross premiums written



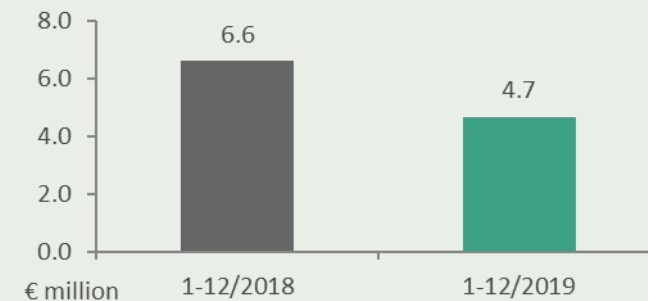
- Premiums from new business sufficient to fully compensate for lost premiums relating to maturing life policies
- Growth in new yearly premiums of 6.9% (growth in traditional and risk business, decline in unit-linked)

Net expense ratio



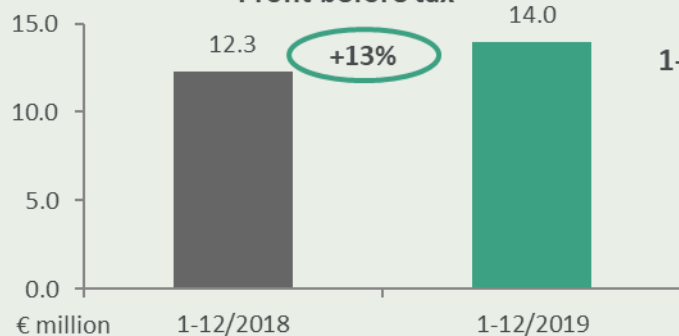
- Net expense ratio higher by 1.2 p.p. due to growth in operating costs with premiums being roughly the same as previous year

Investment result



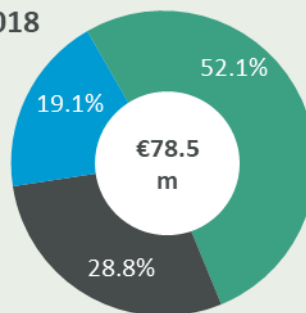
- €1.8 million lower interest income due to lower interest rates in capital markets and lower capital gains

Profit before tax



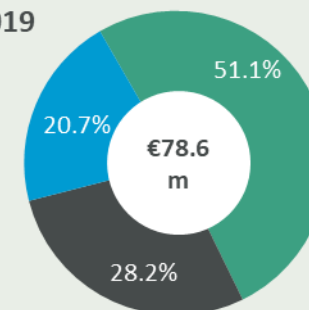
Gross premiums written by class of insurance

1-12/2018



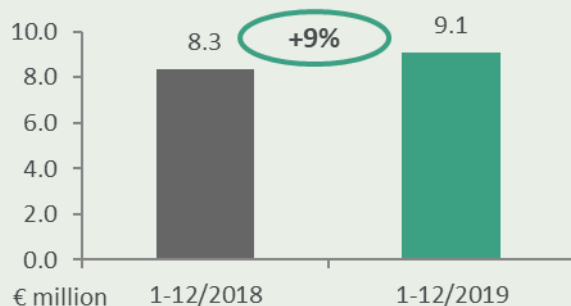
- Unit-linked life business
- Traditional life insurance business
- Additional personal accident

1-12/2019

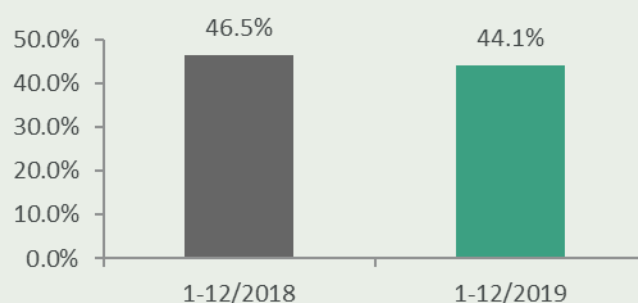


Results by operating segment – life, international

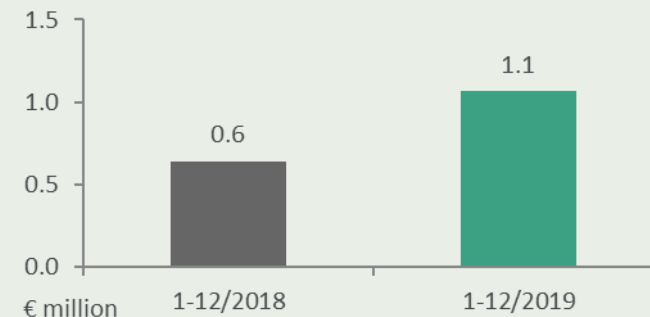
Gross premiums written



Net expense ratio



Investment result

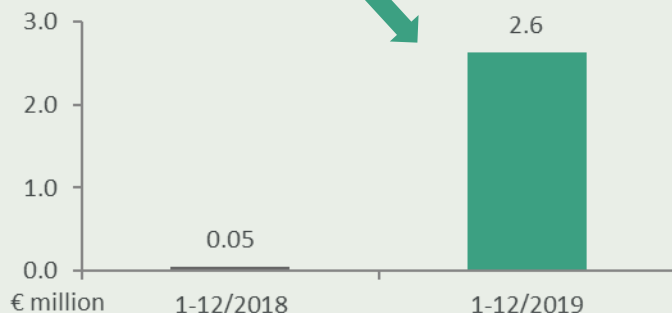


- High growth in Serbia (+35%, increased productivity of sales network) and Kosovo (+12%)
- Decrease in gross premiums of the Croatian branch due to maturing life policies
- Extraordinary income from the reversal of badwill relating to the acquisition of ERGO Životno Osiguranje (€2.6 million)

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

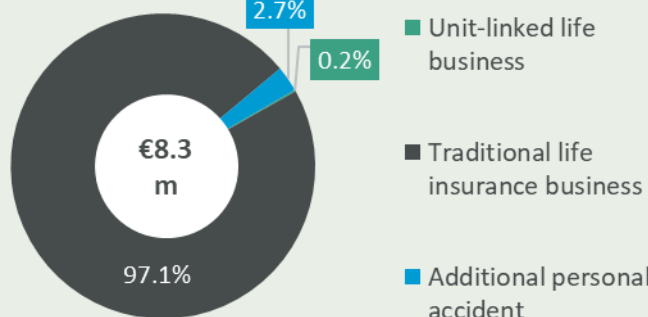
- Higher interest income (€0.2 million) and lower expenses from negative exchange rate differences than 2018 (€0.1 million)

Profit before tax

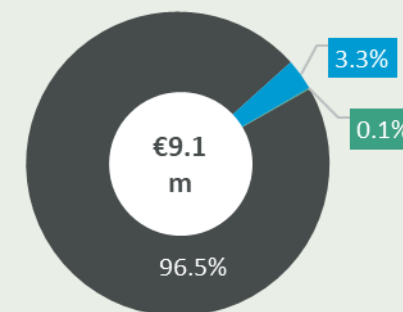


Gross premiums written by class of insurance

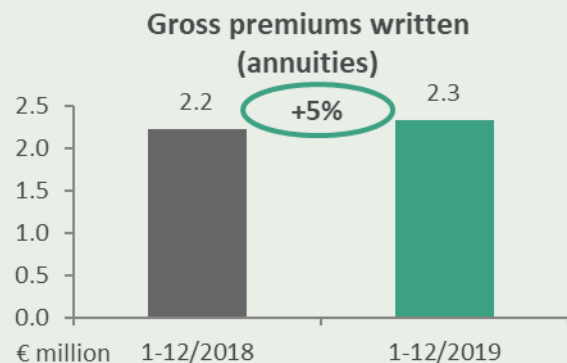
1-12/2018



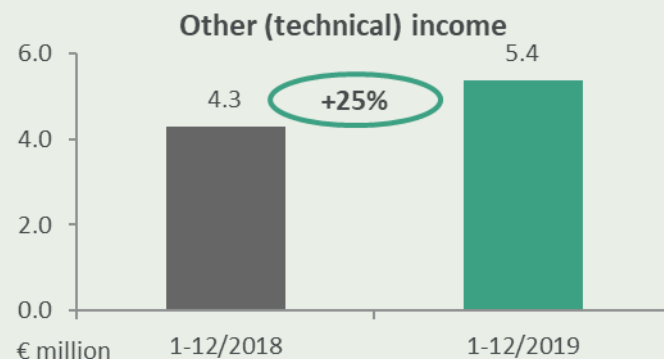
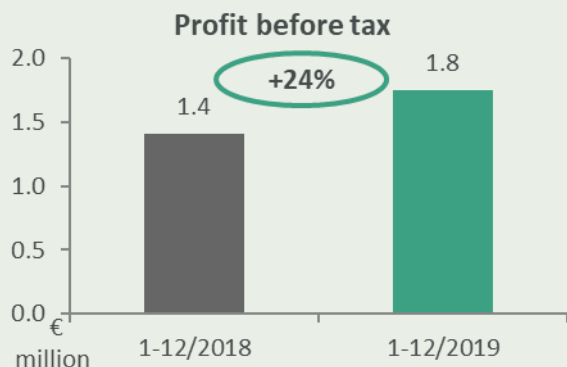
1-12/2019



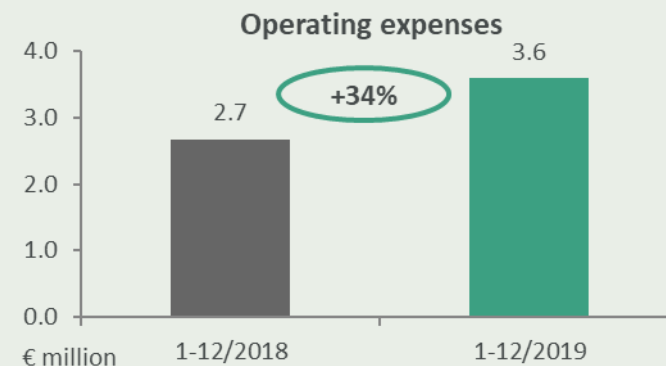
Results by operating segment – pension business



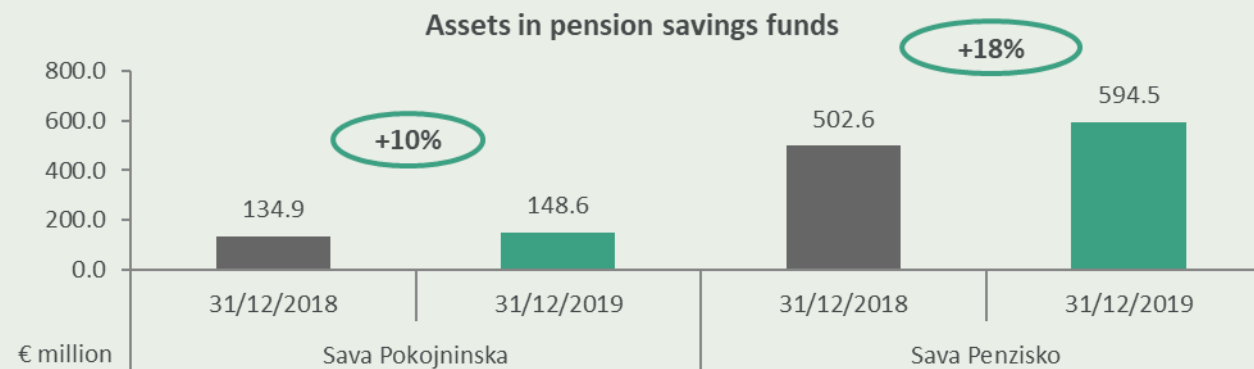
- More policyholders opting for pension annuities upon retirement
- Favorable developments in the financial markets
- Partial repayment of previously impaired business bond (€0.3 million)



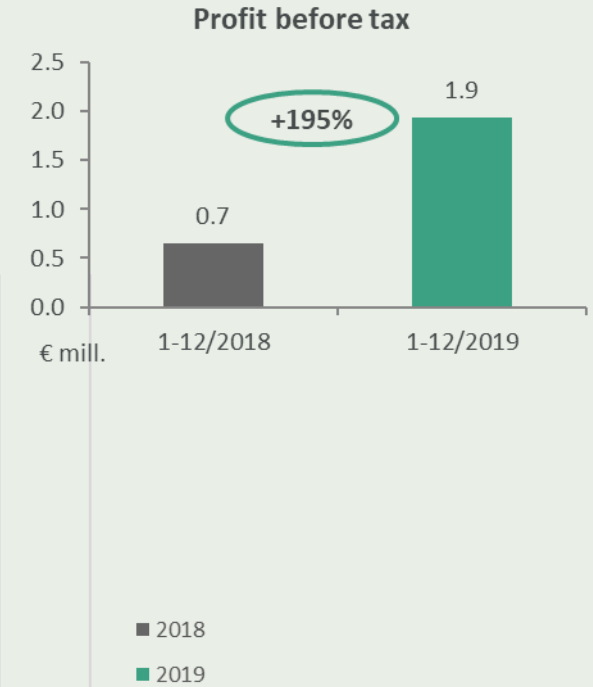
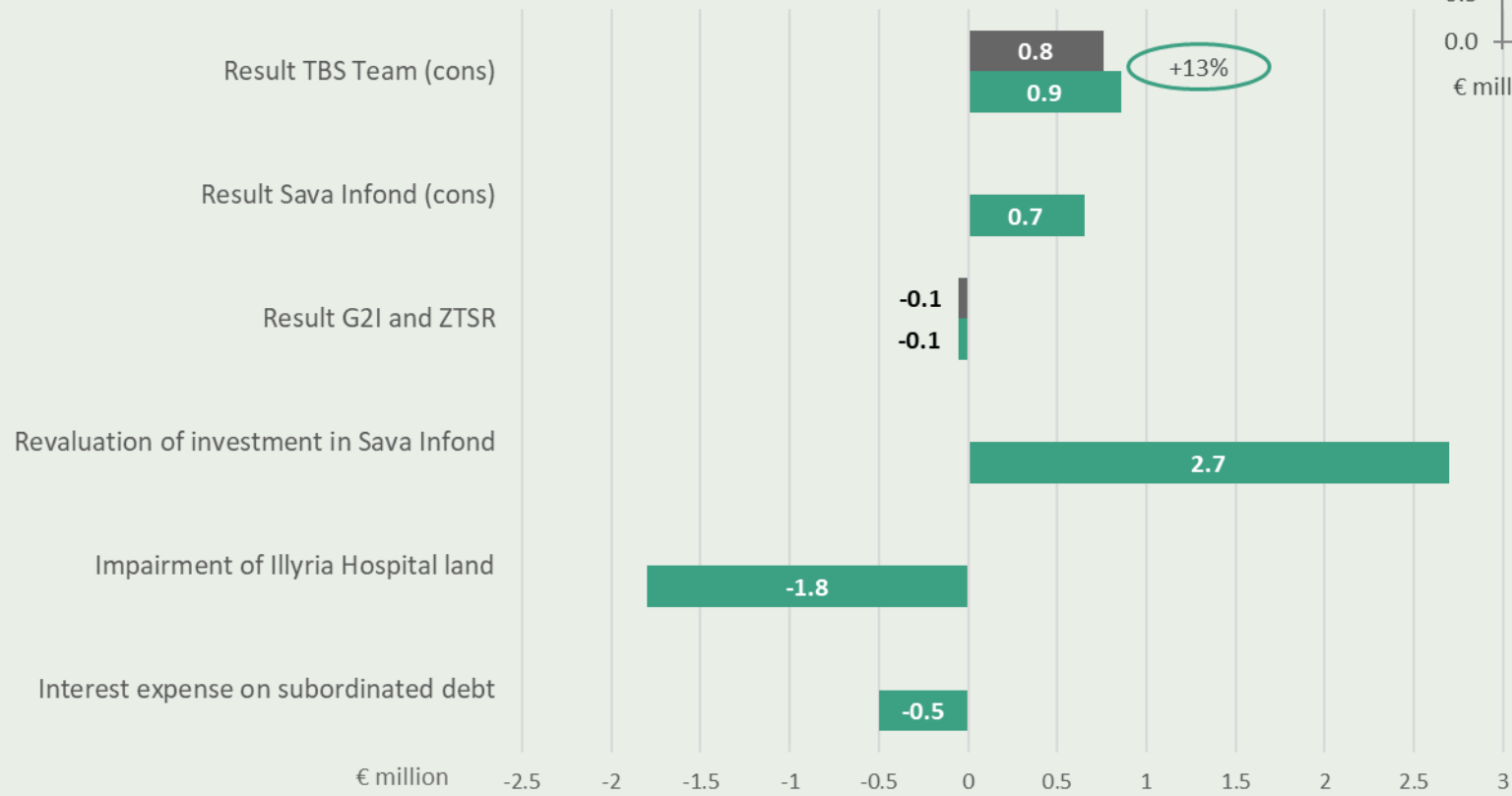
- Inclusion of company based in North Macedonia into the consolidated accounts from 31 March 2018
- Growth in other (technical) income reflecting the movement of assets under management presented below



- Inclusion of North Macedonian company into the consolidated accounts from 31 March 2018
- Increase in operating expenses of the Slovenian pension company (excl. expenses attributable to funds) of cca. 6%



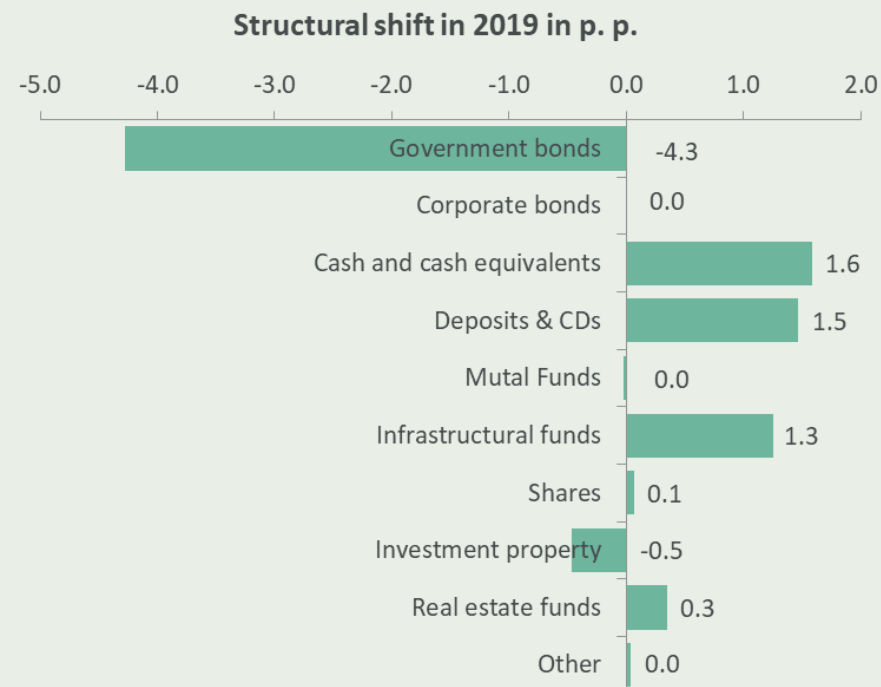
Results by operating segment – other



Financial investments

Structure of the investment portfolio

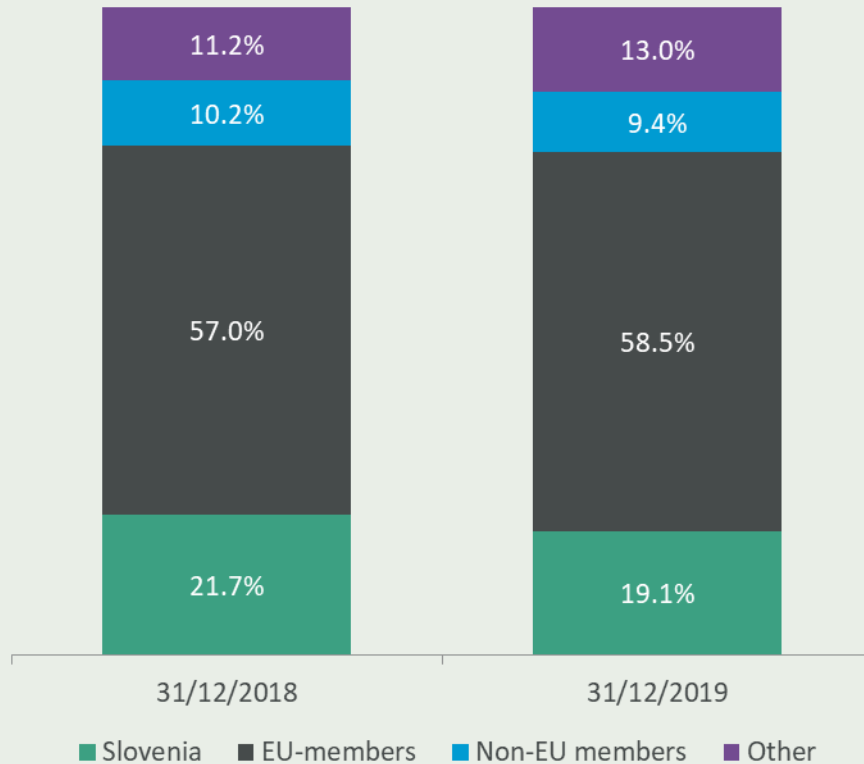
	31/12/2018	31/12/2019
Investment portfolio (€ million)	1,082.8	1,157.8
Government bonds	50.9%	46.6%
Corporate bonds	34.1%	34.1%
Cash and cash equivalents	4.9%	6.5%
Deposits & CDs	2.6%	4.0%
Mutal Funds	3.0%	3.0%
Infrastructural funds	0.5%	1.7%
Shares	1.4%	1.5%
Investment property	1.9%	1.4%
Real estate funds	0.0%	0.3%
Other	0.7%	0.8%
Total investment portfolio	100.0%	100.0%



Decrease in the percentage of government bonds of 4.3 p.p.: decrease as a result of maturing of AAA and A-rated government bonds; increase in the percentage of infrastructural funds (+1.3 p.p.) and real estate funds (+0.3 p.p.); increase in the percentage of deposits (+1.4 p.p.) and cash and cash equivalents (+1.6 p.p.) due to planned strategic investments in 2020.

Group exposure by region

Lower exposure to Slovenia in 2019 in line with investment policy; larger exposure to EU member states and non-EU member states



Group exposure to Slovenia

€ million	31/12/2018		31/12/2019		Structural change in p.p.
	Amount	Structure	Amount	Structure	
Deposits	0.9	0.1%	28.9	2.3%	2.2
Government bonds	155.3	13.3%	95.9	7.6%	-5.7
Corporate bonds	23.4	2.0%	32.1	2.5%	0.5
Shares	15.1	1.3%	16.9	1.3%	0.0
Mutal funds	0.7	0.1%	2.8	0.2%	0.2
Given loans	0.7	0.1%	0.7	0.1%	0.0
Cash and cash equivalents	40.6	3.5%	52.0	4.1%	0.6
Investment property	15.8	1.4%	11.9	0.9%	-0.4
Infrastructural funds	0.0	0.0%	0.2	0.0%	0.0
Total	252.5	21.7%	241.5	19.1%	-2.5

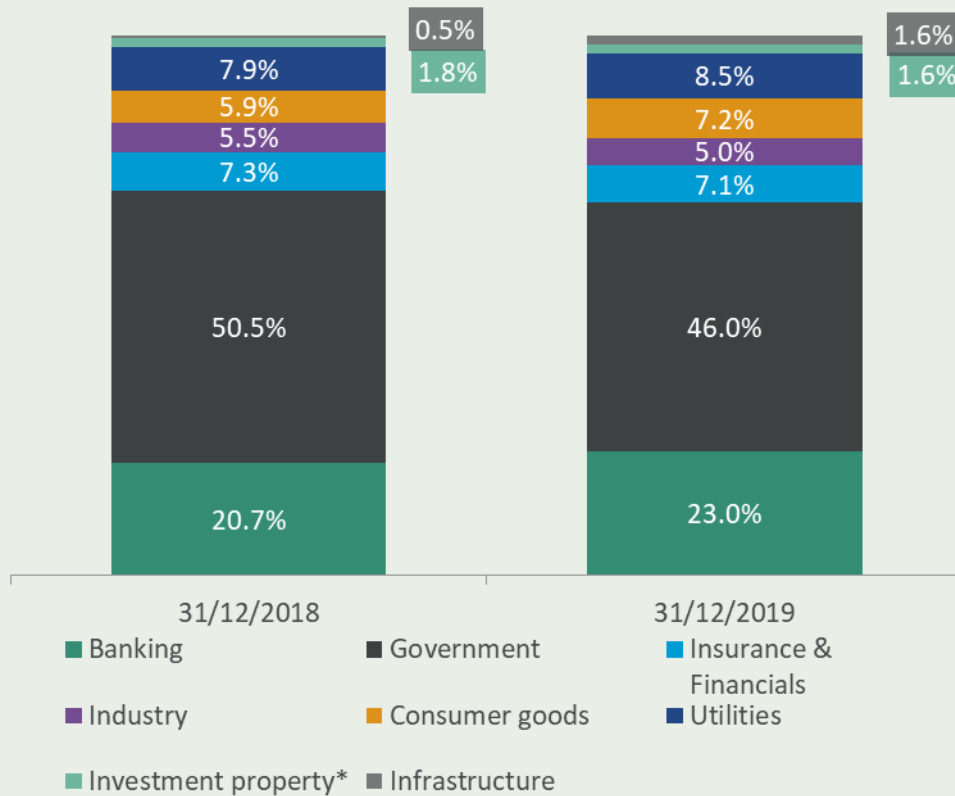
Exposure to Slovenia decreased by 2.5 p.p. in 2019.

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

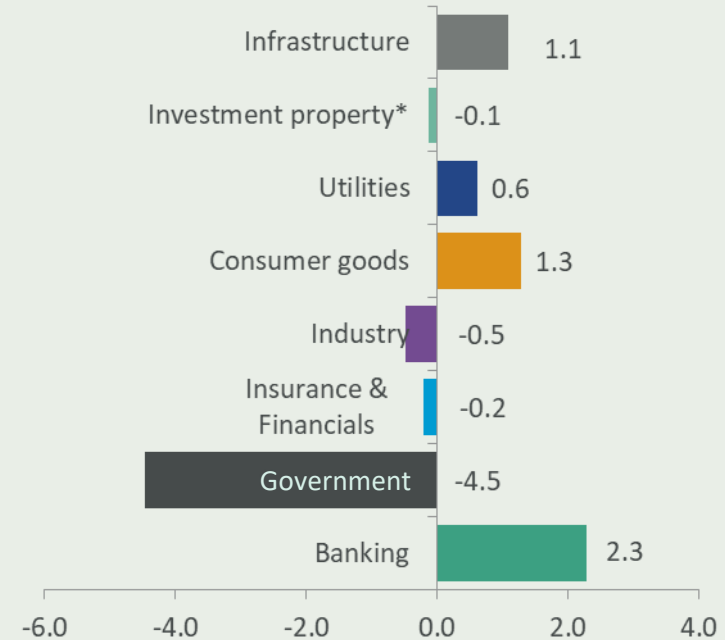
Group exposure by industry

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

Larger exposure to banking sector resulting from issuing subordinated debt. 60% of received funds have been invested in short-term investments (cash, cash equivalents and deposits) due to planned strategic investments in 2020.



Structural shift in 2019 in p. p.

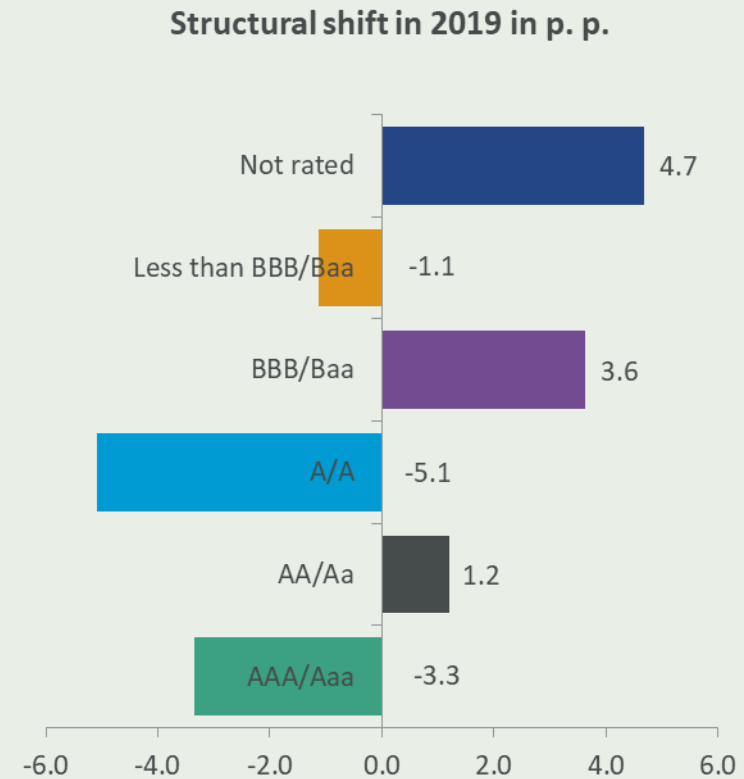
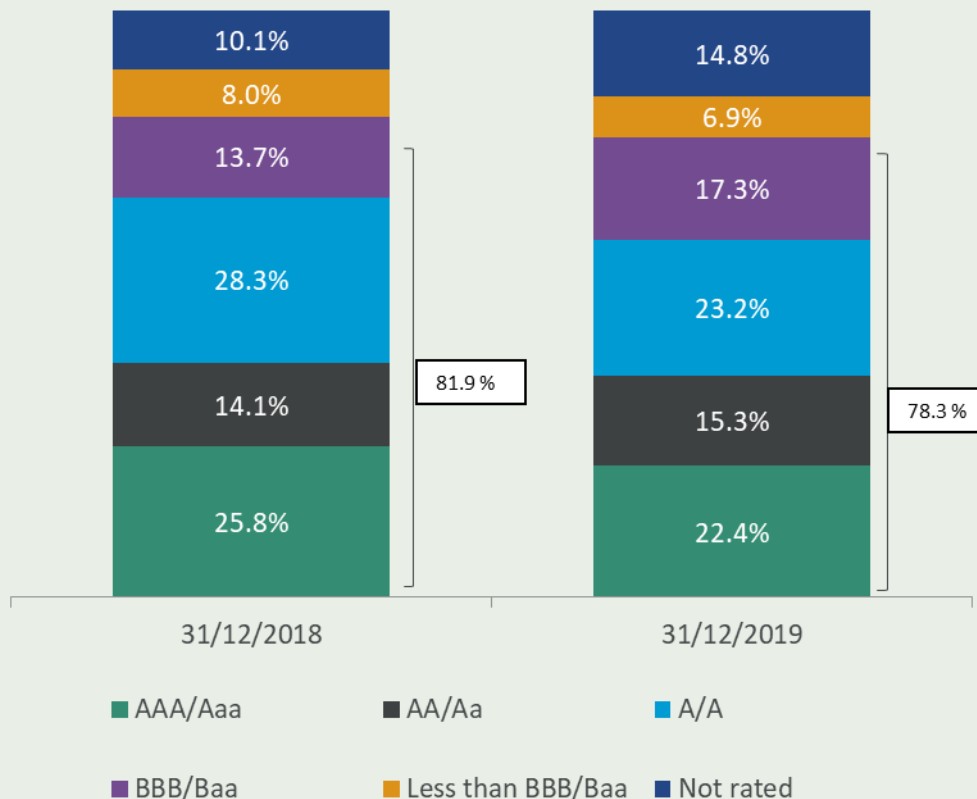


* Includes direct investments in real-estate and property funds.

Maintaining a good rating profile in 2019

Investment grade assets represent 78.3% of fixed income investments which is down 3.6 p.p. year on year.

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



Investment income by type

€ million	2018	2019	Absolute change
Income			
Interest income	16.5	14.0	-2.4
Change in fair value and losses on disposal of FVTPL assets	0.2	1.7	1.5
Gains on disposal of other IFRS asset categories	2.3	0.8	-1.5
Income from subsidiaries and associates	0.0	2.7	2.7
Income from dividends of subsidiaries	1.4	1.6	0.2
Exchange gains	0.0	1.3	1.3
Other income	1.3	2.1	0.8
Total income	21.6	24.3	2.7
Total income, excluding exchange differences	21.6	23.0	1.4

Interest income: In 2019 interest income declined by €2.4 million compared to the previous year because of the low-interest environment and maturing debt securities with higher yields.

Exchange gains: In 2019 the exchange gains (net principle) amounted to €1.3 million. There was only a minor effect on the result (-€0.1 million) owing to asset and liability matching measures.

Income from subsidiaries and associates: One-off income from reevaluation of Sava Infond in the amount of €2.7 million.

Other income: One-off impact of repayment of previously written-off bond and higher income from investment property.

The income relating to the investment portfolio, excl. FX differences, increased by €1.4 million year on year.

Investment expenses by type

€ million	2018	2019	Absolute change
Expenses			
Interest expense	0.0	0.5	0.5
Change in fair value and losses on disposal of FVTPL assets	0.6	0.6	0.0
Losses on disposal of other IFRS asset categories	0.3	0.2	-0.1
Goodwill impairment and loss from inv. in associates	0.2	0.1	-0.1
Other investment impairments	1.9	0.0	-1.9
Exchange losses	0.2	0.0	-0.2
Other	0.6	0.6	0.0
Total expense	3.9	2.0	-1.8
Total expense, excluding exchange differences	3.7	2.0	-1.7

Interest expense: Interest expense amounted to €0.5 million in 2019 and refer to the expense from subordinated debt issue.

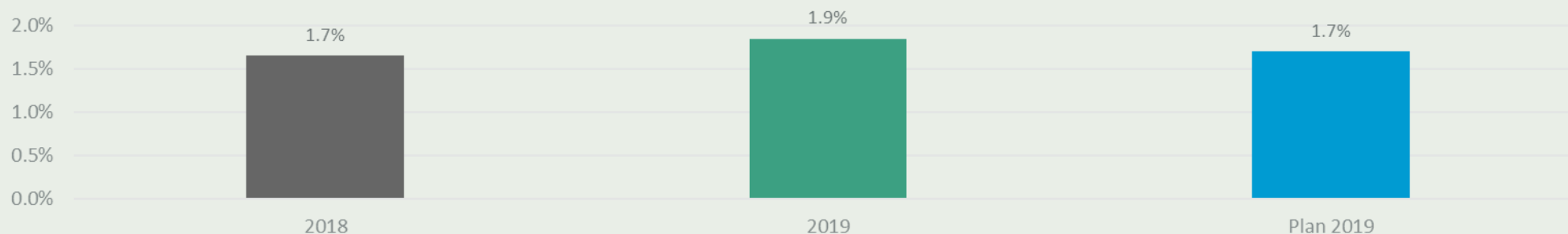
Investment impairments: In 2019 there were no investment impairments (in 2018 €1.9 million).

The expense relating to the investment portfolio, excl. FX differences, decreased by €1.7 million compared to the previous year.

Net inv. income of and return on the investment portfolio

€ million	2018	2019	Absolute change 2019–2018
Net investment income	17.8	22.3	+ 4.5
Net investment income, excluding exchange difference	17.9	21.0	+ 3.0
Return on the investment portfolio, excluding exchange differences	1.7%	1.9%	+ 0.2 p. p.

Return on the investment portfolio, excl. FX diff.



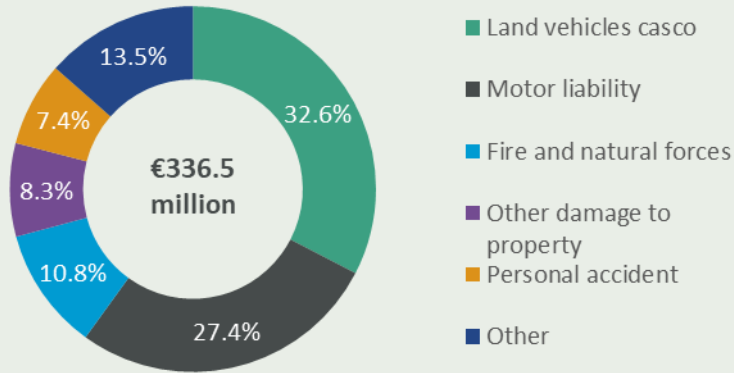
Net investment income, excluding exchange differences, totalled €21.0 million in 2019, which is €3.0 million higher than in 2018.

The realized investment return, excluding the effect of exchange differences and expenses of subordinated debt, in 2019 was 1.9% (2018: 1.7%).

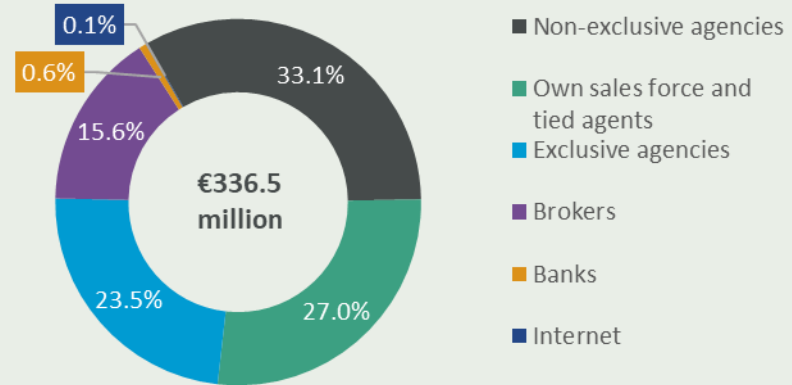
Unconsolidated data

Slovenian insurance business – non-life (non-consolidated)

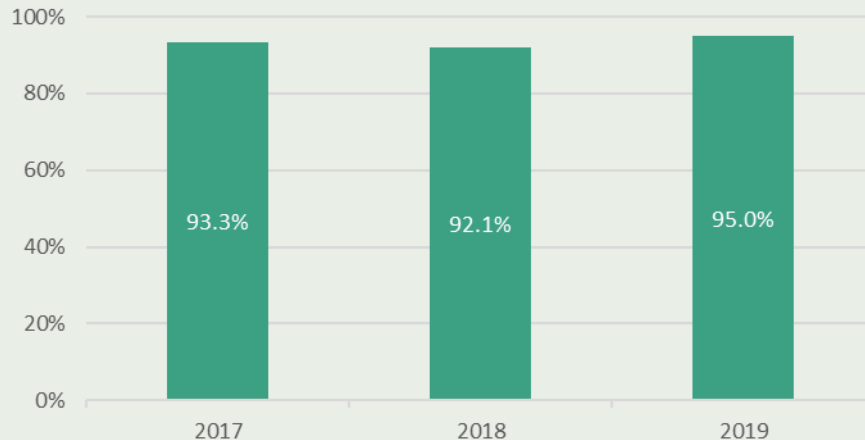
Structure of GWP 2019 by class of insurance



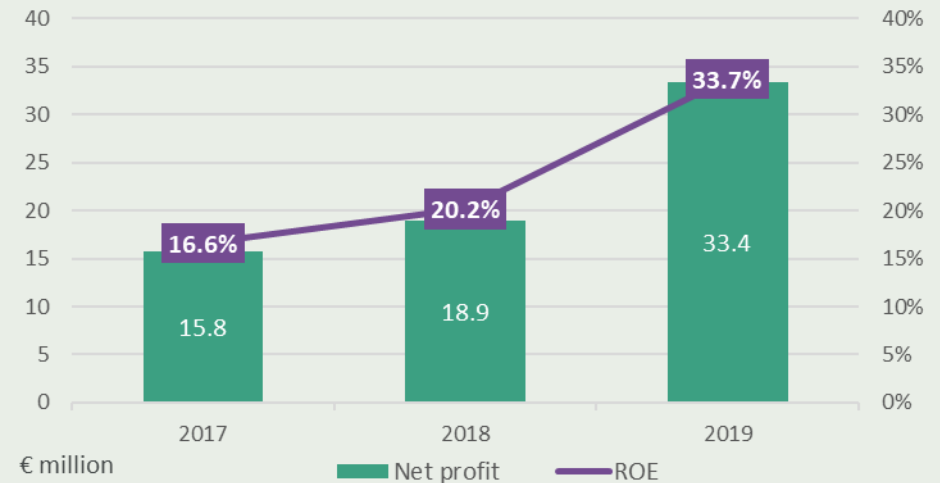
Structure of GWP 2019 by sales channel



Combined ratio (non-life)

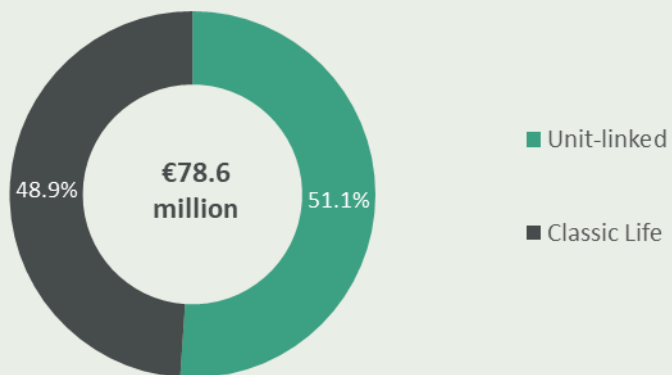


Net profit and ROE

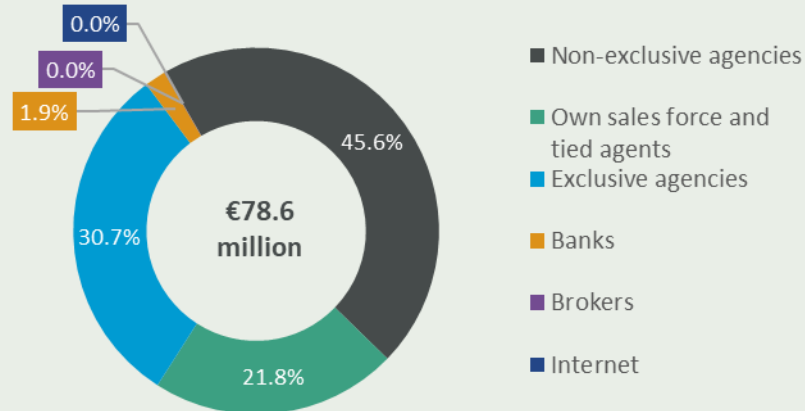


Slovenian insurance business – life (non-consolidated)

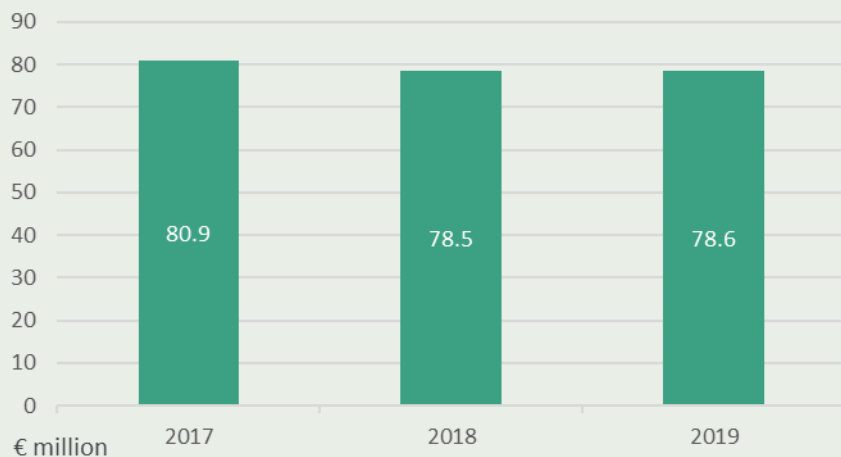
Structure of GWP 2019 by class of insurance



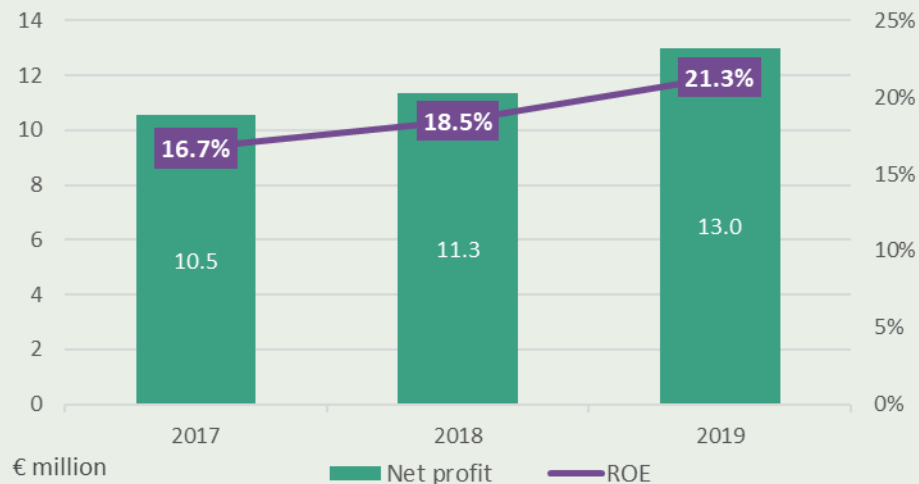
Structure of GWP 2019 by sales channel



Gross premiums written

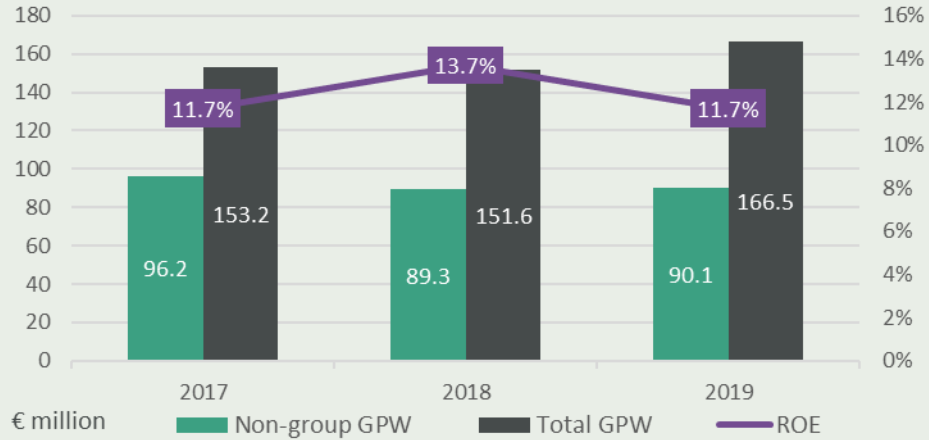


Net profit and ROE

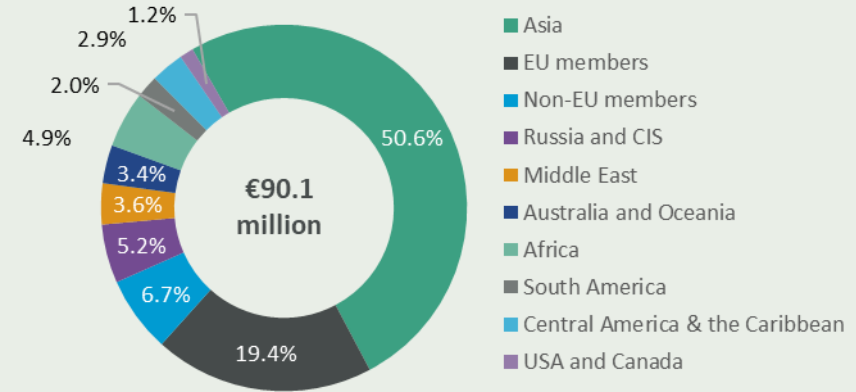


Sava Re (non-consolidated)

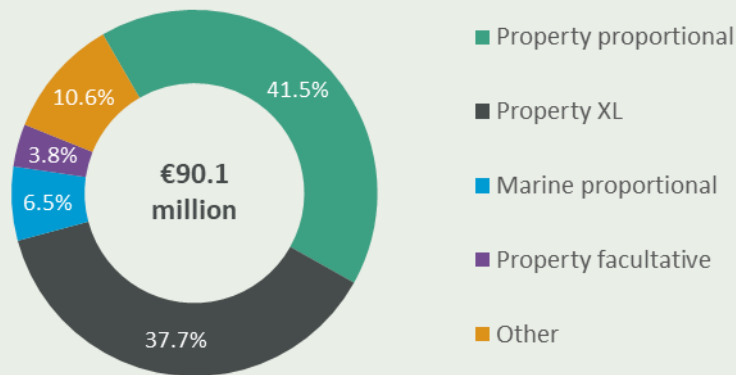
Gross premiums written and ROE



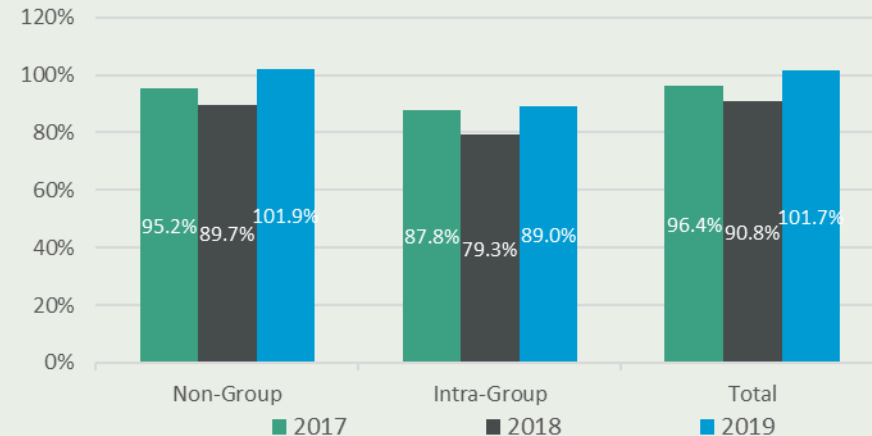
Geographical split of non-group GPW 2019



Split of GPW 2019 by type

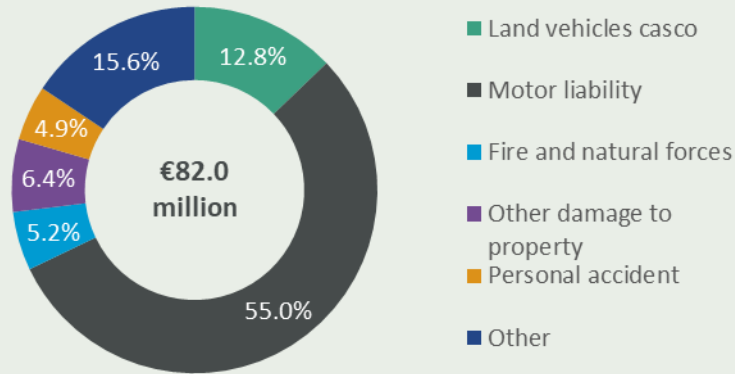


Combined ratio (excluding the effect of FX differences)

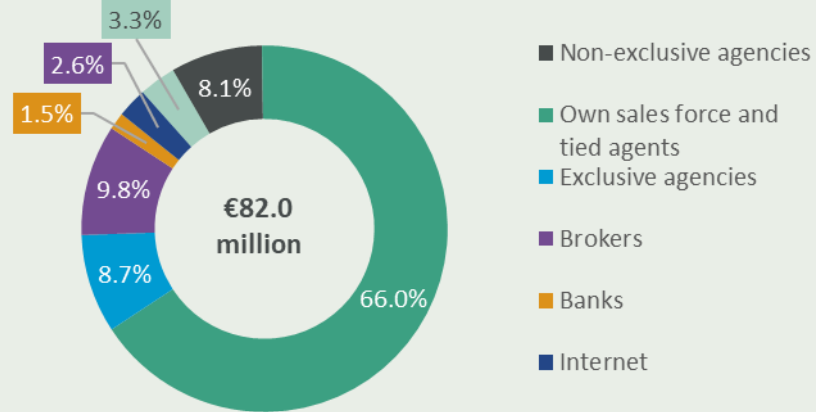


International insurance business – non-life (non-consolidated)

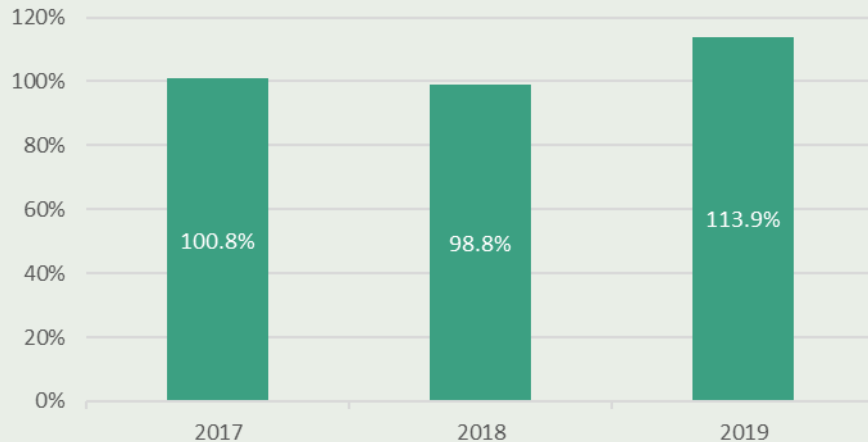
Structure of GWP 2019 by class of insurance



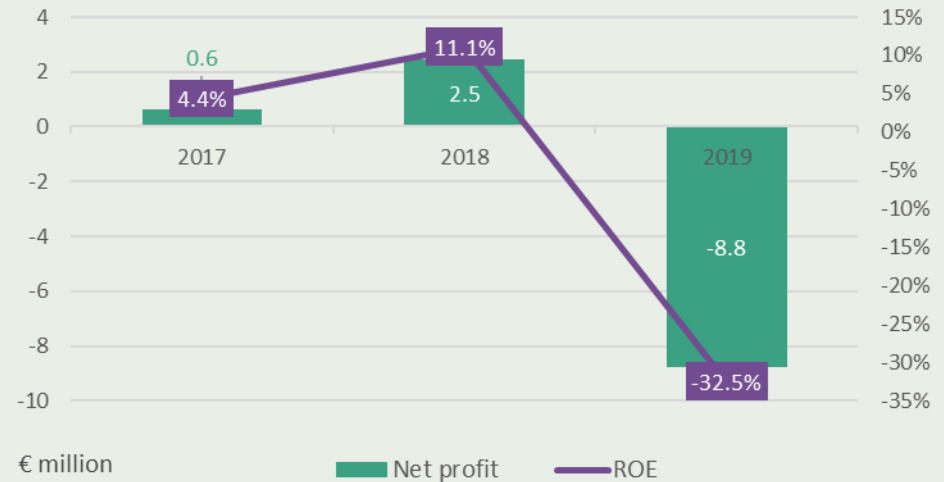
Structure of GWP 2019 by sales channel



Combined ratio (non-life)

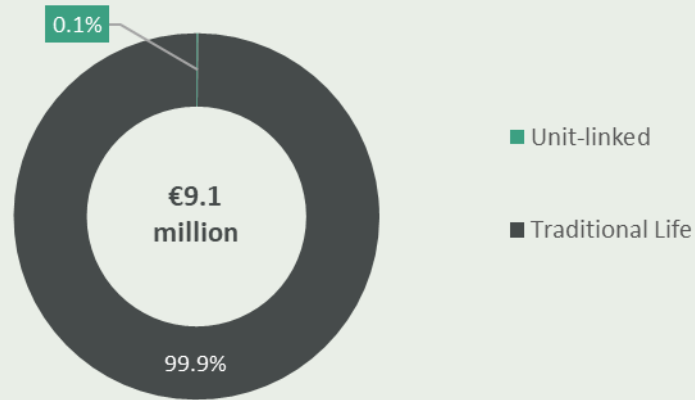


Net profit and ROE

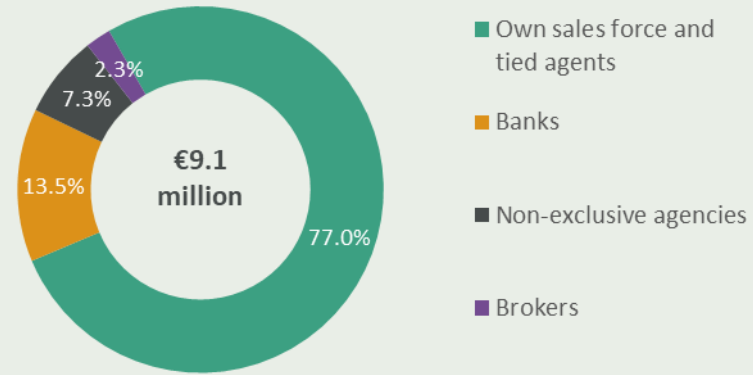


International insurance business – life (non-consolidated)

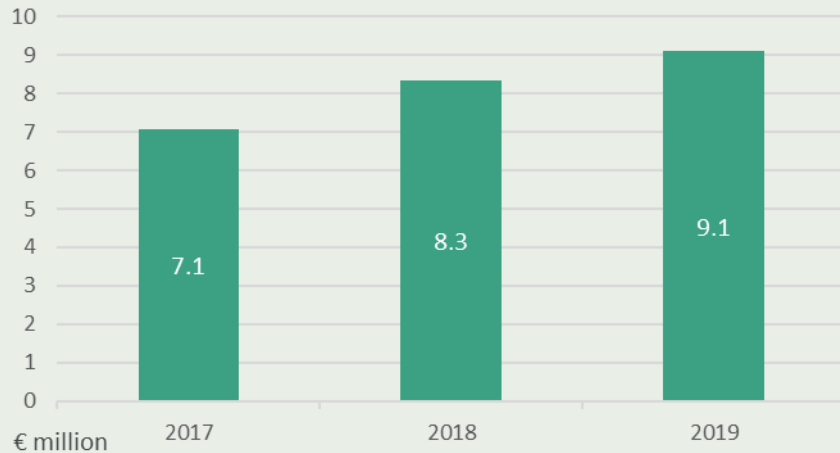
Structure of GWP 2019 by class of insurance



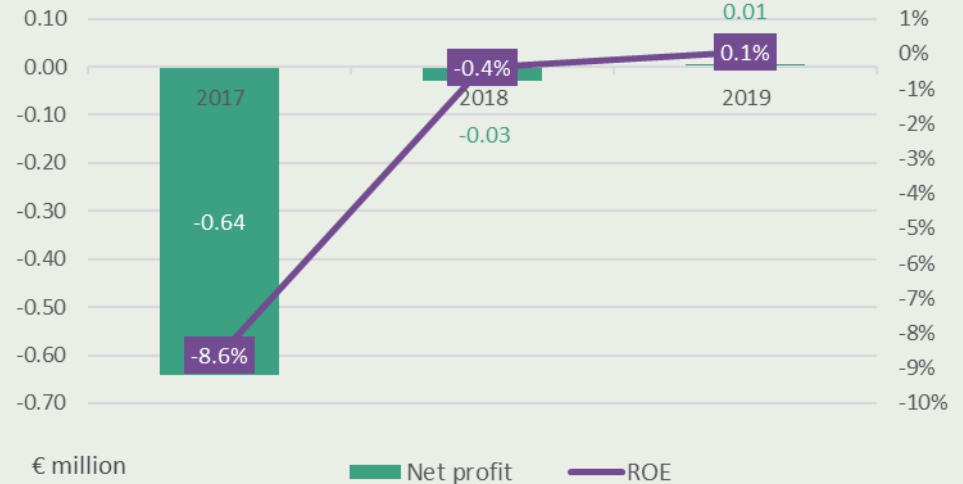
Structure of GWP 2019 by sales channel



Gross premiums written



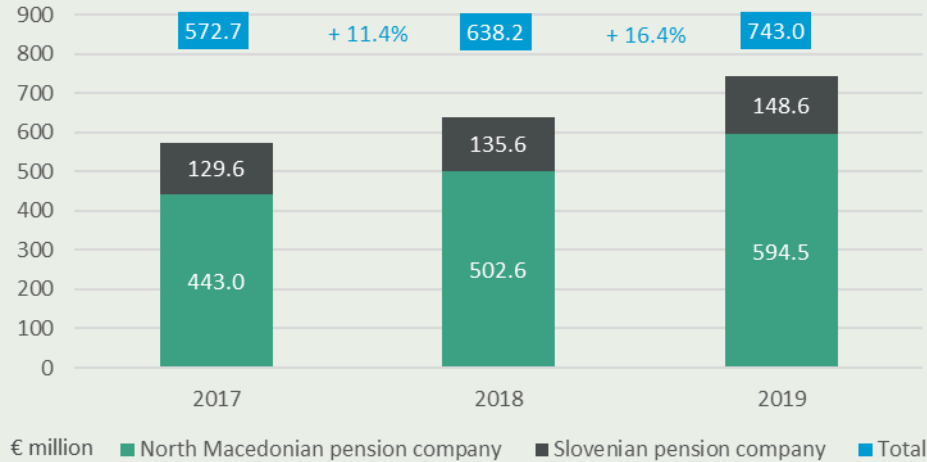
Net profit and ROE



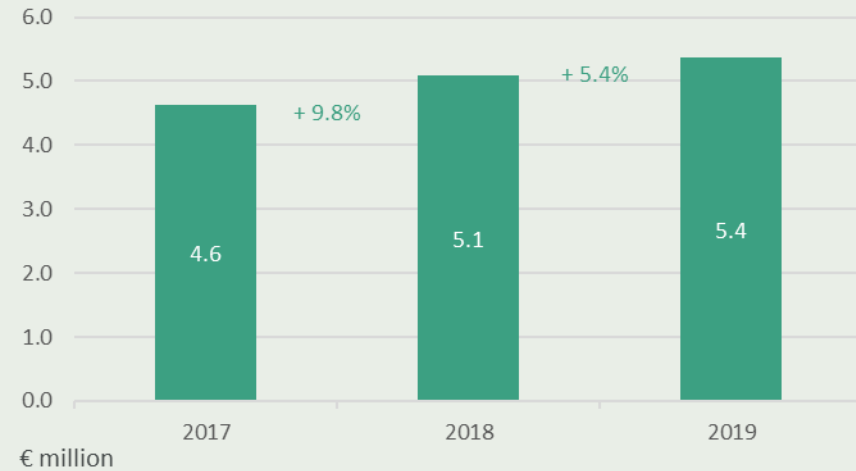
Pension business (non-consolidated)

Sava Penzisko from North Macedonia has been included in all years, even though it was included in the consolidated in April 2018.

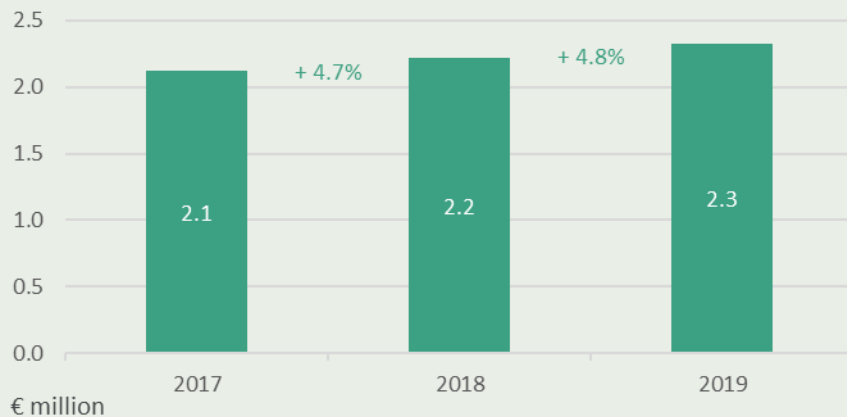
Pension fund assets



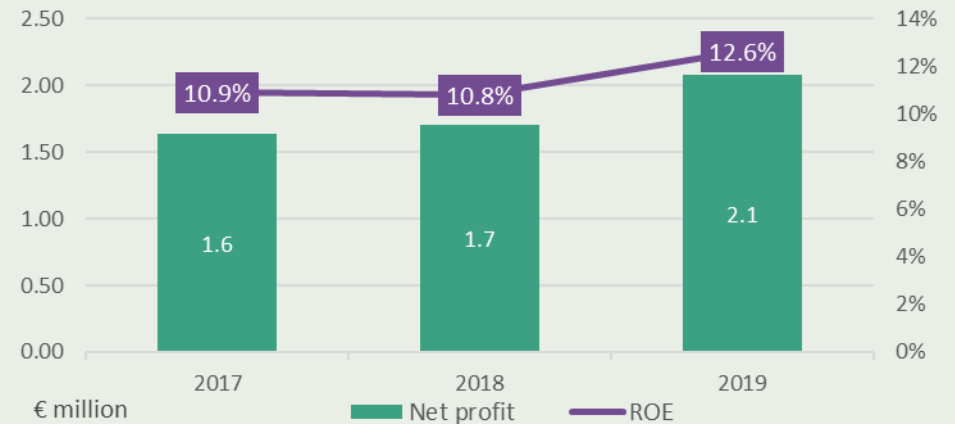
Revenues from managing funds



Gross premiums written (Slovenian company annuities)



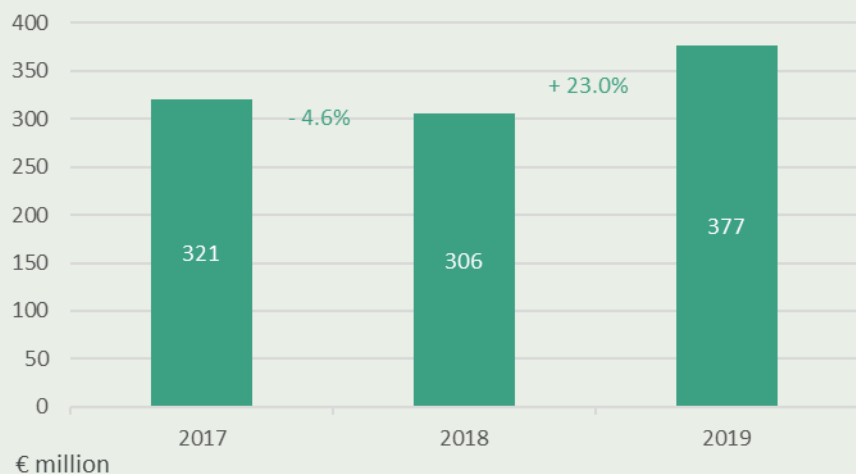
Net profit and ROE



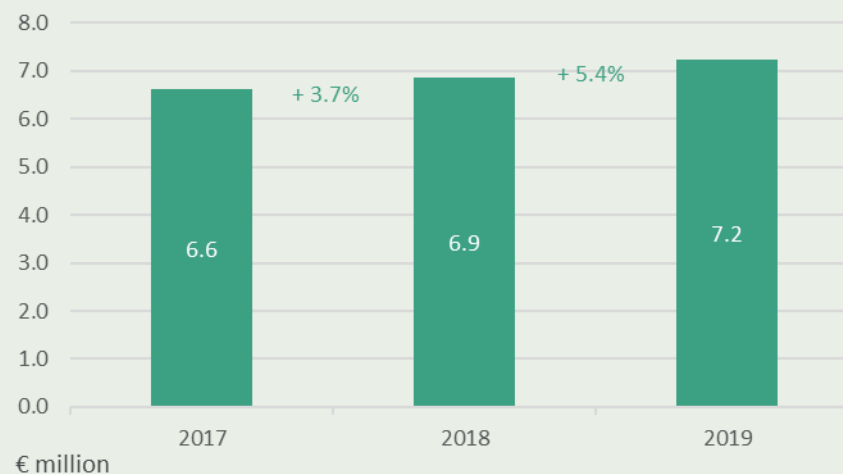
Mutual fund management (non-consolidated)

Data shown for all years, even though Sava Infond was included in the consolidated accounts in July 2019.

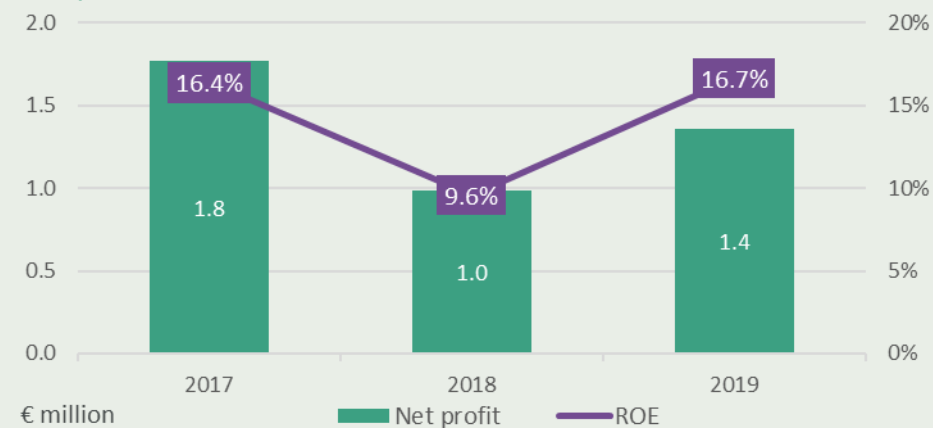
Mutual fund assets



Revenues from managing funds



Net profit and ROE



Financial statements

Consolidated statement of financial position

€	31/12/2018	31/12/2019
ASSETS	1,706,023,490	1,885,953,003
Intangible assets	37,121,118	61,060,069
Property and equipment	42,893,432	47,615,710
Right-of-use assets	0	9,974,252
Deferred tax assets	2,026,472	2,044,124
Investment property	20,643,019	16,695,132
Financial investments in associates	462,974	581,104
Financial investments	1,008,097,470	1,064,874,239
Assets held for the benefit of policyholders who bear the investment risk	204,818,504	213,159,889
Reinsurers' share of technical provisions	27,292,750	38,620,539
Investment contract assets	135,586,965	151,197,102
Receivables	140,550,011	159,413,917
Deferred acquisition costs	19,759,234	23,500,521
Other assets	2,064,220	2,841,516
Cash and cash equivalents	64,657,431	93,804,031
Non-current assets held for sale	49,890	570,858
EQUITY AND LIABILITIES	1,706,023,490	1,885,953,003
Equity	340,175,455	384,776,847
Subordinated liabilities	0	74,822,710
Technical provisions	920,491,487	933,952,709
Technical provision for the benefit of life insurance policyholders who bear the investment risk	210,032,637	220,613,698
Other provisions	7,730,247	8,705,469
Deferred tax liabilities	3,605,462	5,294,664
Investment contract liabilities	135,441,508	151,040,643
Other financial liabilities	243,095	355,908
Liabilities from operating activities	54,736,601	61,290,549
Lease liabilities	0	10,448,915
Other liabilities	33,566,998	34,650,891

Consolidated income statement

€	2018	2019
Net earned premiums	504,669,701	548,040,035
Income from investments in subsidiaries and associates	0	2,717,909
Investment income	20,385,617	20,273,977
Net unrealised gains on investments of life insurance policyholders who bear the investment risk	0	23,278,584
Other technical income	15,758,511	12,736,452
Other income	14,549,676	27,693,576
Net claims incurred	-320,760,586	-399,191,460
Change in other technical provisions	13,207,584	46,506,883
Change in technical provisions for policyholders who bear the investment risk	15,962,680	-12,825,182
Expenses for bonuses and rebates	288,628	227,917
Operating expenses	-178,131,437	-186,955,234
Expenses for investments in associates and impairment losses on goodwill	-151,130	-54,721
Expenses for financial assets and liabilities	-3,187,907	-1,707,664
Net unrealised losses on investments of life insurance policyholders who bear the investment risk	-6,630,921	0
Other technical expenses	-17,825,983	-15,435,751
Other expenses	-2,873,861	-4,561,305
Profit/loss before tax	55,260,572	60,744,016
Income tax expense	-12,248,723	-10,549,428
Net profit/loss for the period	43,011,849	50,194,588

Statement of financial position – Sava Re d.d.

€	31/12/2018	31/12/2019
ASSETS	604,612,961	735,585,561
Intangible assets	892,724	1,294,110
Property and equipment	2,654,540	2,507,611
Right-of-use assets	0	115,400
Deferred tax assets	1,943,597	1,141,098
Investment property	8,285,733	8,142,714
Financial investments in subsidiaries and associates	218,424,765	238,177,654
Financial investments	244,291,434	296,096,594
Reinsurers' share of technical provisions	21,437,221	31,159,308
Receivables	87,830,299	97,024,000
Deferred acquisition costs	7,821,932	6,554,598
Other assets	379,264	441,253
Cash and cash equivalents	10,651,452	52,931,222
EQUITY AND LIABILITIES	604,612,961	735,585,561
Equity	317,561,040	343,920,689
Subordinated liabilities	0	74,822,710
Technical provisions	234,173,078	261,338,591
Other provisions	376,521	466,901
Deferred tax liabilities	76,227	76,227
Other financial liabilities	87,504	87,504
Liabilities from operating activities	49,185,680	51,086,602
Lease liabilities	0	115,491
Other liabilities	3,152,911	3,670,845

Income statement – Sava Re d.d.

€	2018	2019
Net earned premiums	133,740,178	137,446,312
Income from investments in subsidiaries and associates	33,558,455	36,947,895
Investment income	4,840,665	7,075,808
Other technical income	3,651,029	3,785,460
Other income	701,331	804,538
Net claims incurred	-76,604,633	-94,118,562
Change in other technical provisions	-268,920	-777,682
Expenses for bonuses and rebates	-811	128,731
Operating expenses	-47,563,317	-50,458,512
Expenses for investments in subsidiaries and associates	-4,020,539	0
Expenses for financial assets and liabilities	-2,383,820	-892,197
Other technical expenses	-348,355	-425,566
Other expenses	-279,399	-289,185
Profit/loss before tax	45,021,864	39.227.041
Income tax expense	-3,154,368	-645.328
Net profit/loss for the period	41,867,497	38.581.713

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 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.

Thank you for your attention.