



Sava Insurance Group

1H 2019 results

3 September 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

Highlights 1H 2019

Growth in GPW of **9.1 %**; growth in total income of **7.6 %**

Net profit of **€22.6 m**, which is 52.5 % of net profit planned for 2019, and ROE of **12.5 %**

Net combined ratio (excl. FX) of **94.6 %** just above upper end of planned range (93.6–94.1%)

In June 2019, Sava Re acquires 85% of asset manager Sava Infond, with the remaining 15% held by Zavarovalnica Sava.

Events after 30 June 2019

Sava Re signs deal to purchase Diagnostični Center Bled d.o.o. to acquire joint control over the company through ZTSR d.o.o., a Sava Re and Zavarovalnica Triglav joint venture.

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

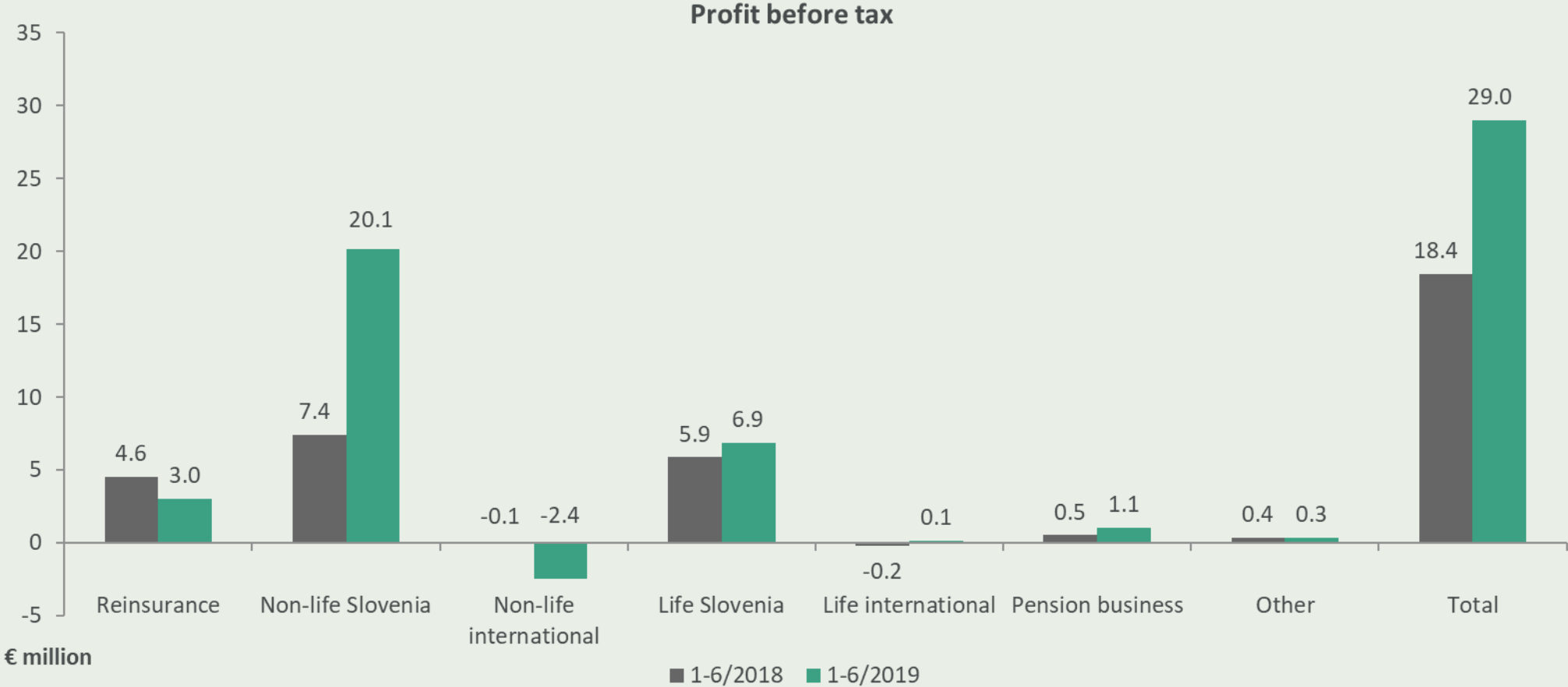
Key figures – Sava Insurance Group

| € million | 1-6/2018 | 1-6/2019 | Plan 2019 | Change 2019/2018 |
|---|------------|-----------|--------------|---------------------|
| Gross premiums written | 308.6 | 336.8 | > 555 | 9.1% |
| Net expense ratio* | 33.2% | 31.4% | 32.4–33.0% | -1.8 p.p. |
| Net combined ratio** (excluding FX differences) | 97.3% | 94.6% | 93.6–94.1% | -2.7 p.p. |
| Return on financial portfolio (excluding FX differences) | 1.9% | 2.3% | 1.7% | +0.4 p.p. |
| Net profit/loss | 14.2 | 22.6 | at least 43 | 59.3% |
| Annualized ROE | 9.9% | 12.5% | > 12% | +2.6 p.p. |
| | 31/12/2018 | 30/6/2019 | P 31/12/2019 | |
| Shareholders' equity | 340.2 | 360.7 | | 6.0% |
| Total assets of the investment portfolio | 1,082.8 | 1,097.7 | | 1.4% |
| Funds for the benefit of policyholders who bear the inv. risk | 215.9 | 222.9 | | 3.2% |
| Assets in pension company savings funds | 638.2 | 691.2 | | 8.3% |

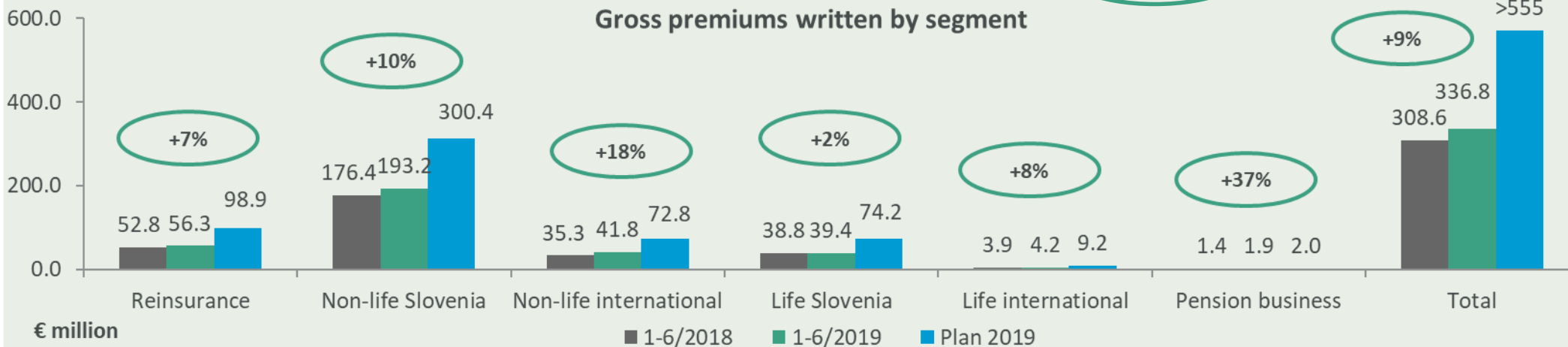
* The expense ratio includes data for the reinsurance, non-life and life operating segments.

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

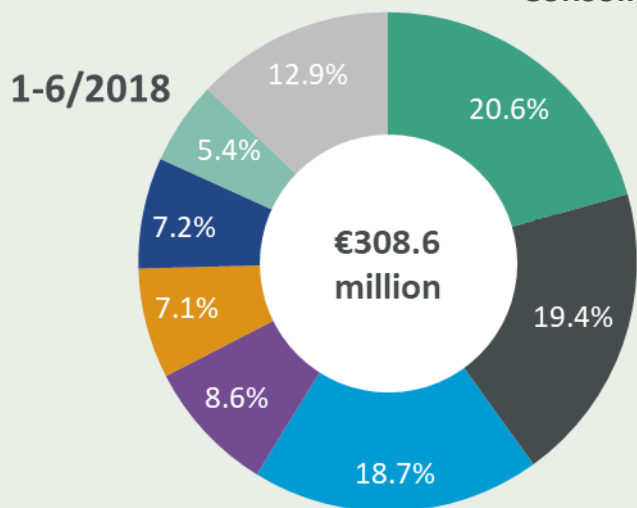
Consolidated profit before tax by segment



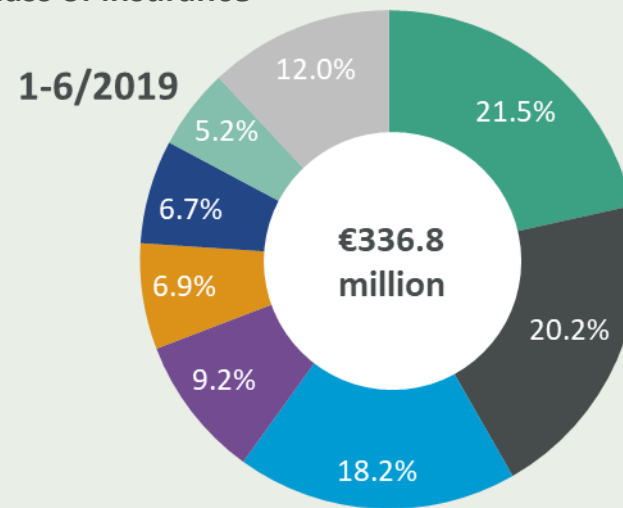
Breakdown of the consolidated GPW



Consolidated gross premiums written by class of insurance



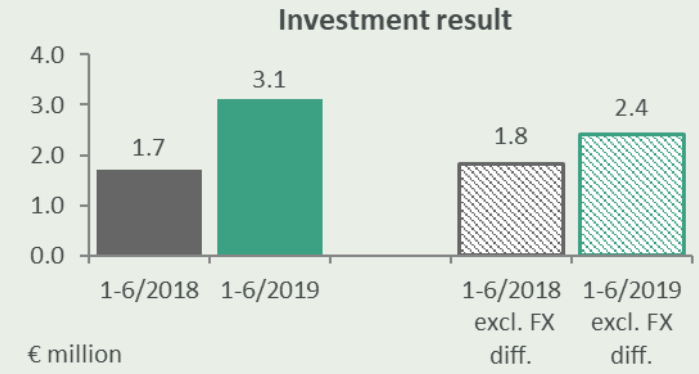
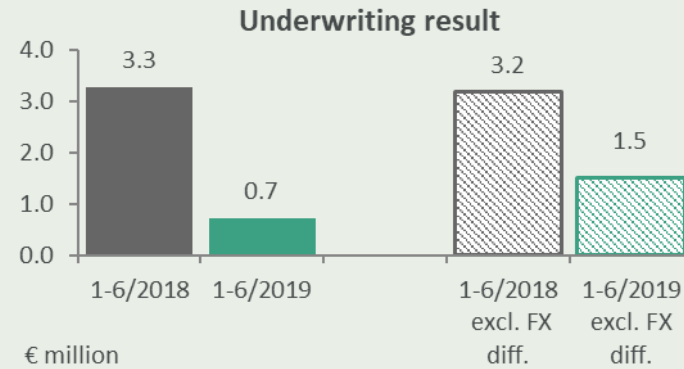
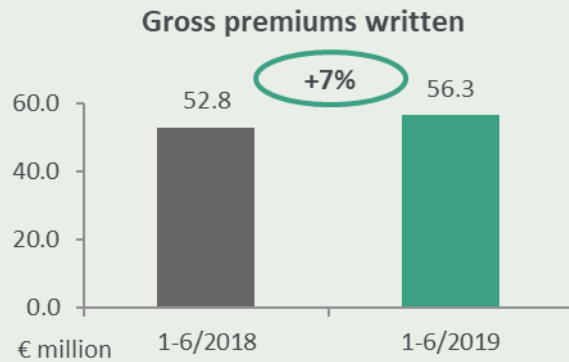
- Motor liability
- Land vehicles casco
- Fire and natural forces
- Other damage to property
- Traditional life insurance business
- Unit-linked life
- Personal accident
- Other



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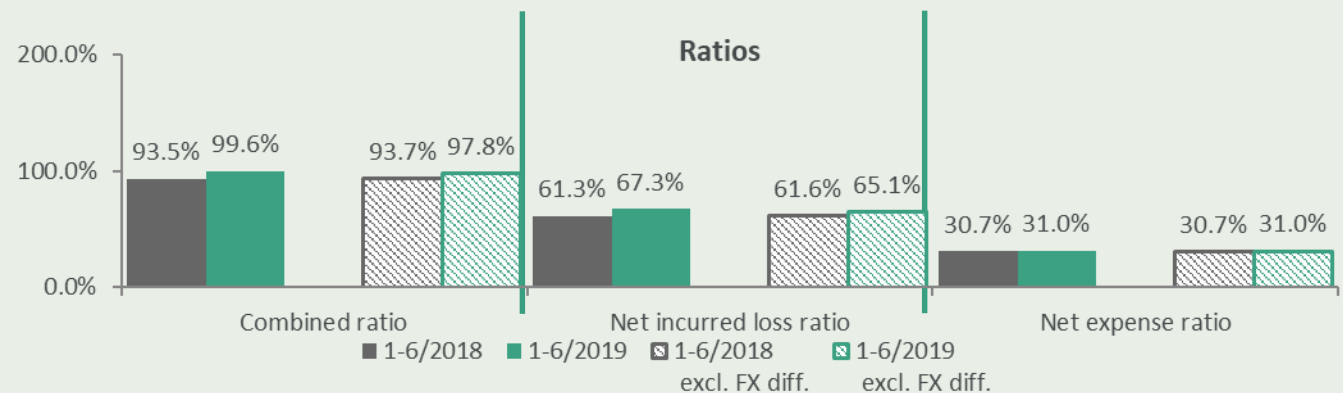
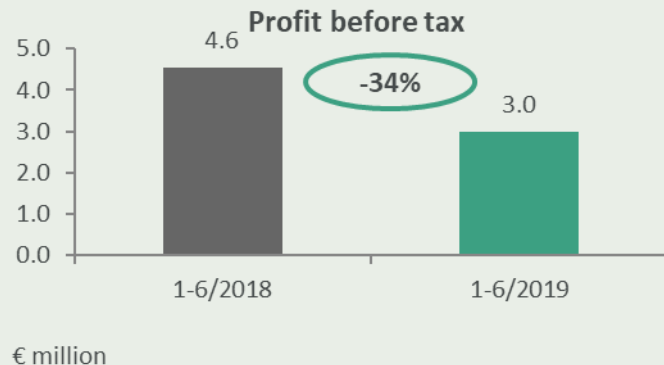
Results by operating segment – reinsurance



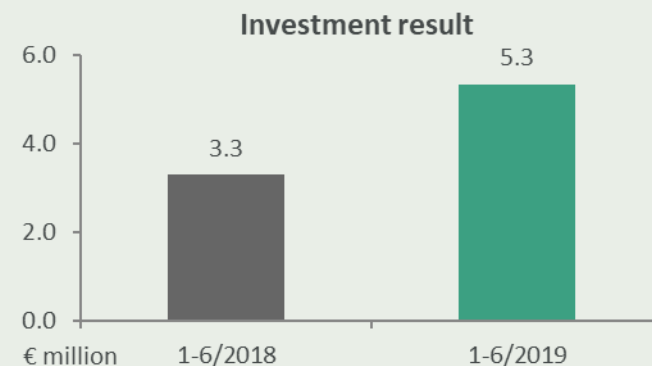
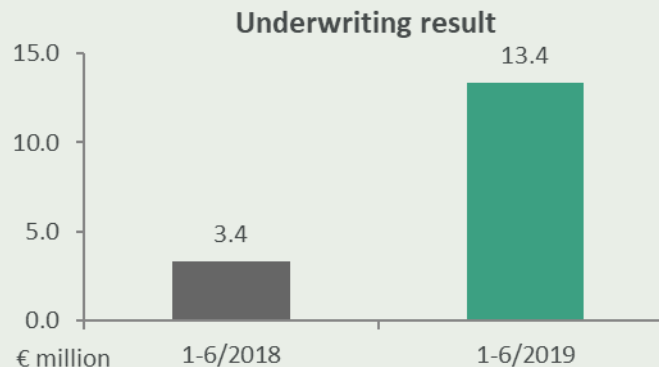
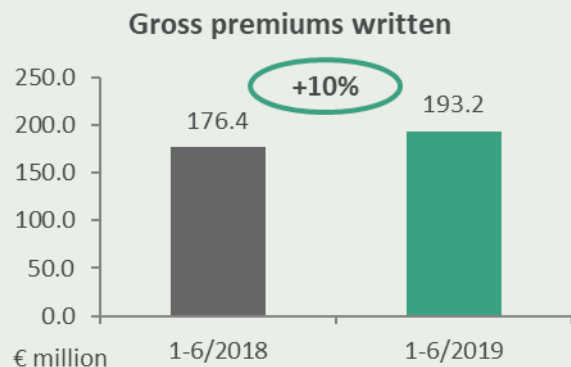
- Growth of non-proportional reinsurance premiums mainly on Asian markets (organic growth of the business and new contracts)

- Poorer technical result due to weaker development of premiums and claims of older underwriting years

- Income from partial repayment of business bonds impaired in the past (+ €0.4 million)
- Higher dividends from financial investments (+ €0.2 million)
- Higher income from investment property (+ €0.2 million)



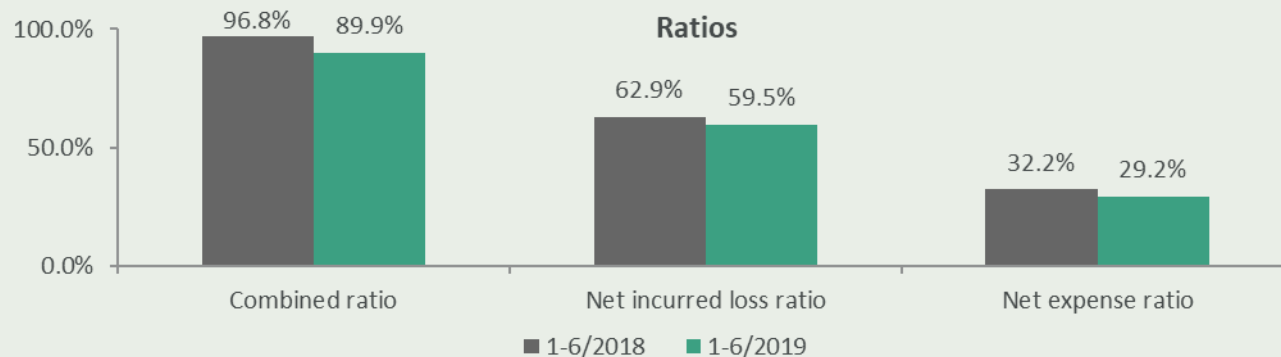
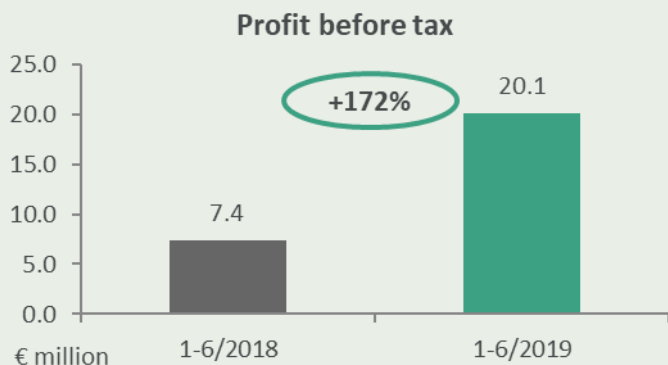
Results by operating segment – non-life Slovenia



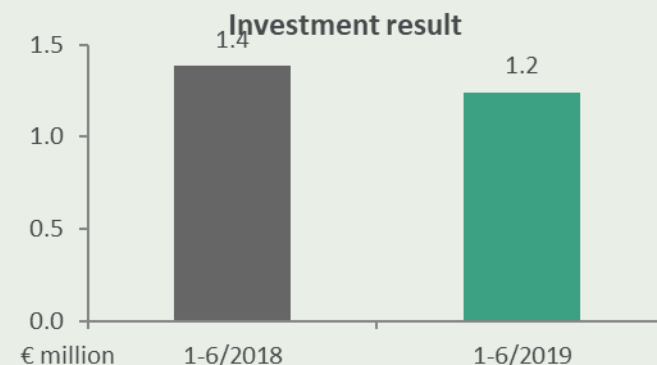
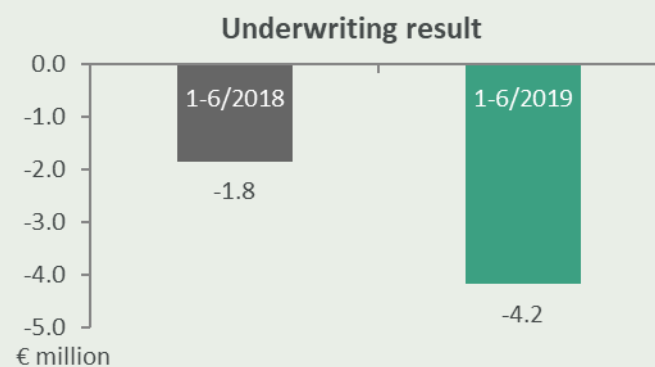
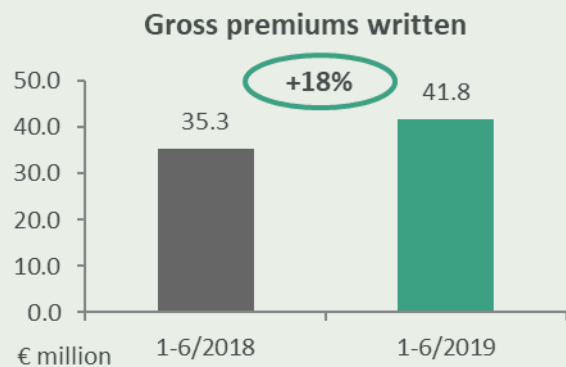
- Larger volume of motor business (increased number of policies and higher average premium with individuals) and property business (different dynamics of underwriting)

- Fewer larger claims in 2019
- Lower operating costs

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

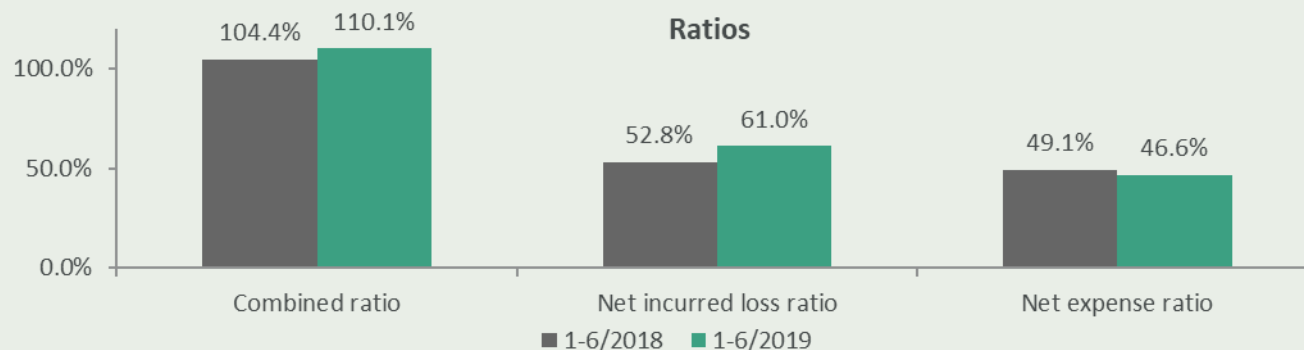
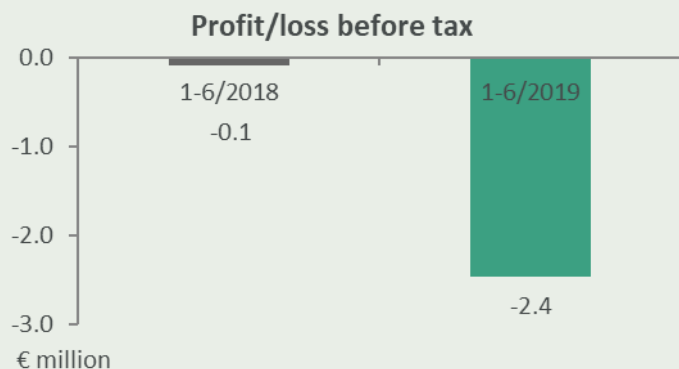


Results by operating segment – non-life international



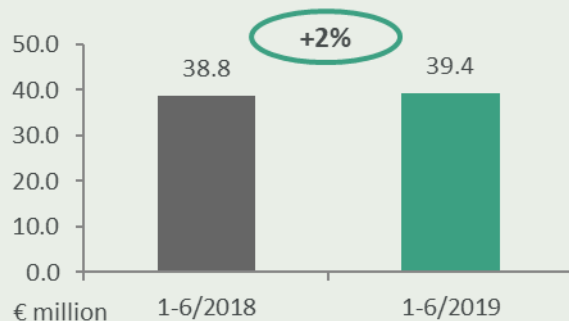
- Inclusion of the non-life insurer ERGO in Croatia into the Group (from 1 April 2019); 11.0% growth if ERGO is excluded
- Largest growth seen in Croatian branch (amended conditions for motor business)

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

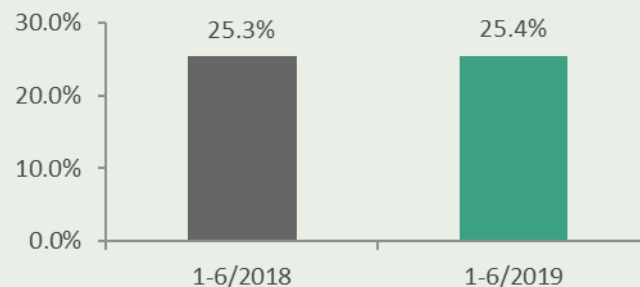


Results by operating segment – life Slovenia

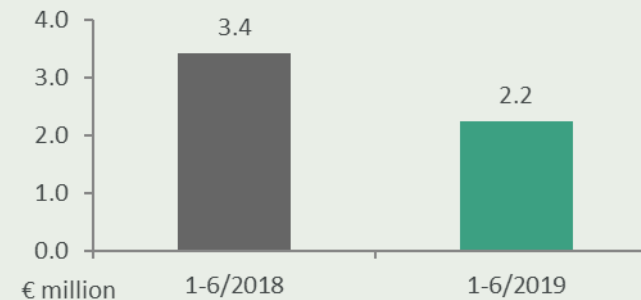
Gross premiums written



Net expense ratio



Investment result

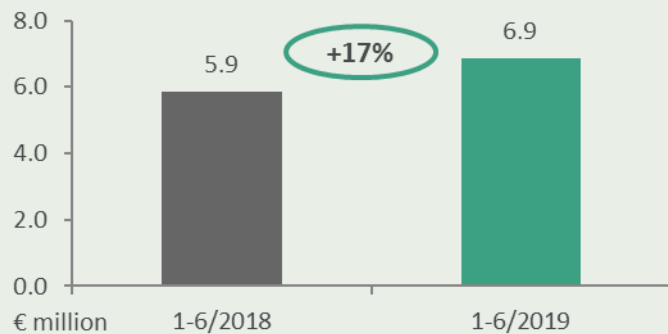


- Premiums from new business more than sufficient to fully compensate for lost premiums relating to maturing life policies
- Increased accident insurance premiums
- New production at 100.5 % of last year's production; growth in traditional and risk business, decline in unit-linked

- Net expense ratio stays approx. the same
- Favorable development of technical result

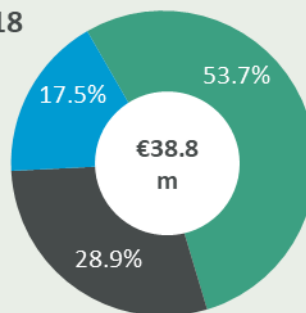
- Lower interest income due to lower interest rates in capital markets and lower capital gains

Profit before tax



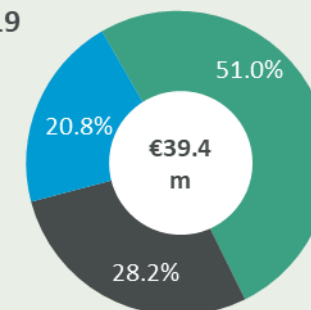
Gross premiums written by class of insurance

1-6/2018



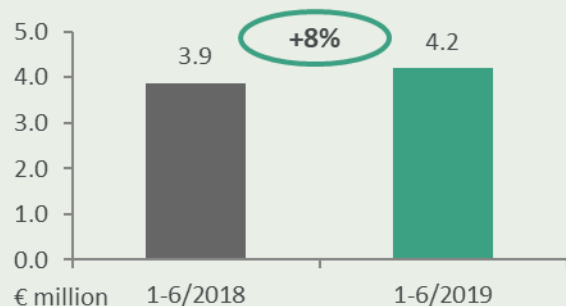
- Unit-linked life business
- Traditional life insurance business
- Additional personal accident

1-6/2019

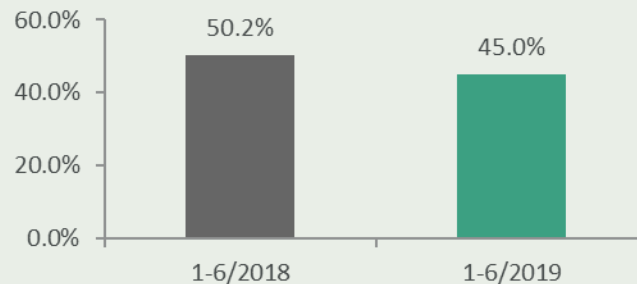


Results by operating segment – life international

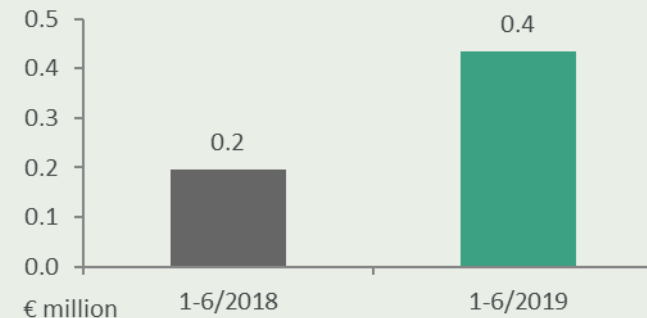
Gross premiums written



Net expense ratio



Investment result

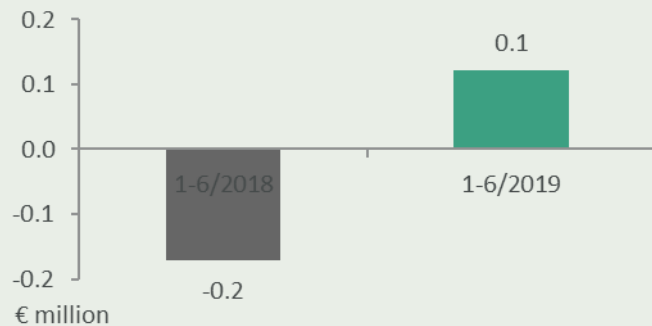


- High growth in the Serbian life insurer (+34%, increased productivity of sales network) and Kosovan life insurer (+10%)
- Decrease in gross premiums of the Croatian branch due to lost premiums relating to maturing life policies

- Significantly improved expense ratio as a result of high premium growth with decline in other operating costs (by 0.9%)

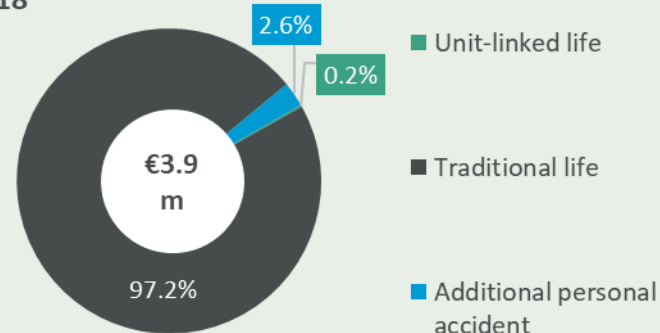
- Lower expenses from negative exchange rate differences in Croatia

Profit/loss before tax

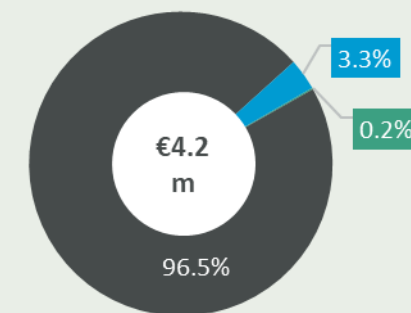


Gross premiums written by class of insurance

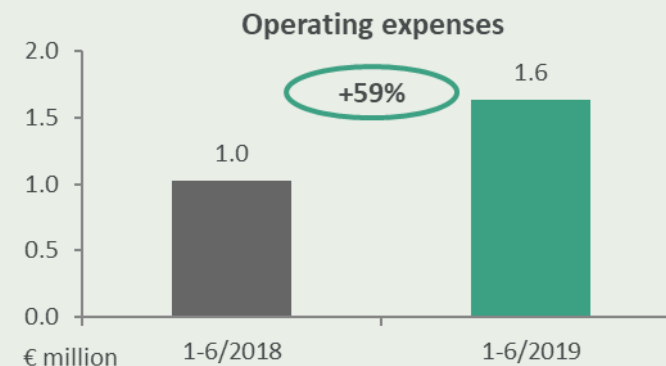
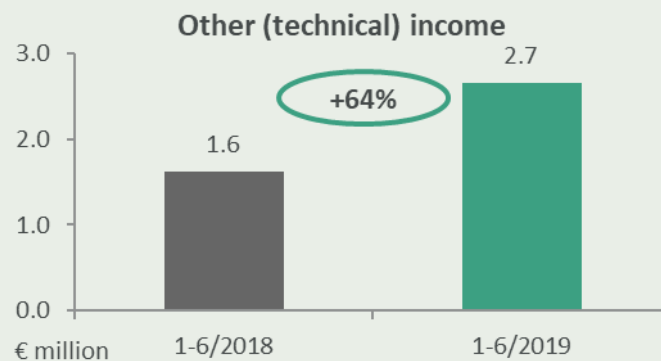
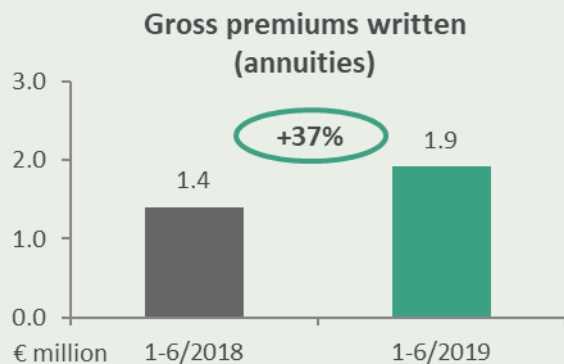
1-6/2018



1-6/2019



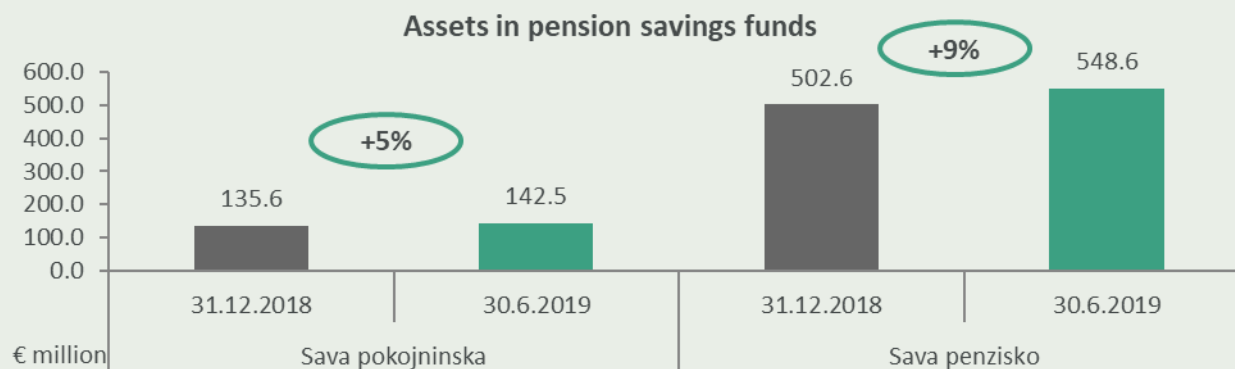
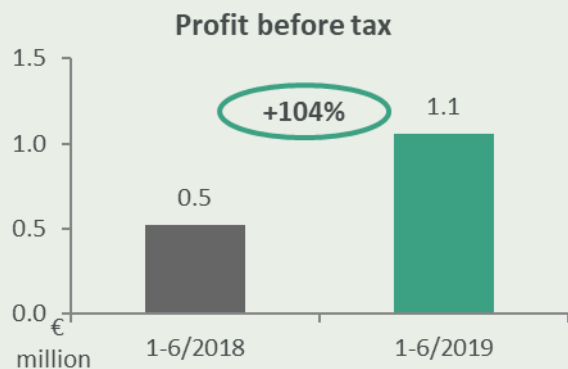
Results by operating segment – pension business



- More policyholders opting for pension annuities upon retirement

- 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 company based in North Macedonia into the consolidated accounts from 31 March 2018
- Increase in operating expenses of the Slovenian pension company (excl. expenses attributable to funds) of 4.7%

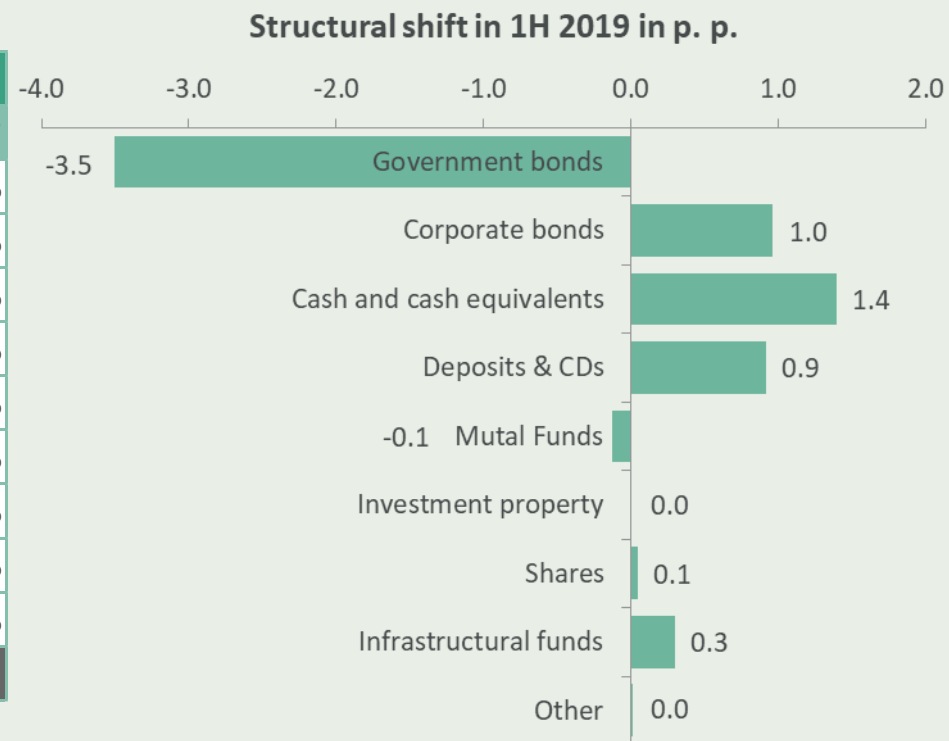


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Structure of the investment portfolio

| | 31/12/2018 | 30/6/2019 |
|---|----------------|----------------|
| Investment portfolio (€ million) | 1,082.8 | 1,097.7 |
| Government bonds | 50.9% | 47.4% |
| Corporate bonds | 34.1% | 35.0% |
| Cash and cash equivalents | 4.9% | 6.3% |
| Deposits & CDs | 2.6% | 3.5% |
| Mutal Funds | 3.0% | 2.9% |
| Investment property | 1.9% | 1.9% |
| Shares | 1.4% | 1.5% |
| Infrastructural funds | 0.5% | 0.8% |
| Other | 0.7% | 0.7% |
| Total investment portfolio | 100.0% | 100.0% |

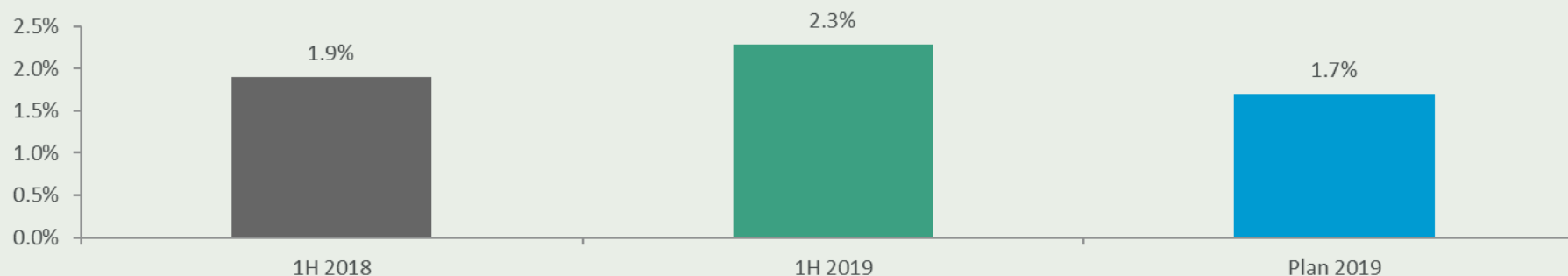


Decrease in the percentage of government bonds of 3.5 p.p.: decrease as a result of maturing of A-rated government bonds with partial reinvestment in corporate bonds (their percentage increased by 1.0 p.p.) and partial increase of cash and cash equivalents (their percentage increased by 1.4 p.p.)

Net inv. income of and return on the investment portfolio

| € million | 1H 2018 | 1H 2019 | Absolute change 2019 - 2018 |
|---|---------|---------|--------------------------------|
| Net investment income relating to the investment portfolio | 10.1 | 12.9 | 2.8 |
| Net investment income of the investment portfolio, excluding FX differences | 10.3 | 12.2 | 1.9 |
| Return on the investment portfolio, excluding FX differences (%) | 1.9% | 2.3% | +0.4 p.p. |

Return on the investment portfolio, excl. FX diff.



- Return on the investment portfolio, excluding FX differences, amounted to €12.2 million in 1H 2019, which is €1.9 million more than in the same period last year, and represents 2.3 % 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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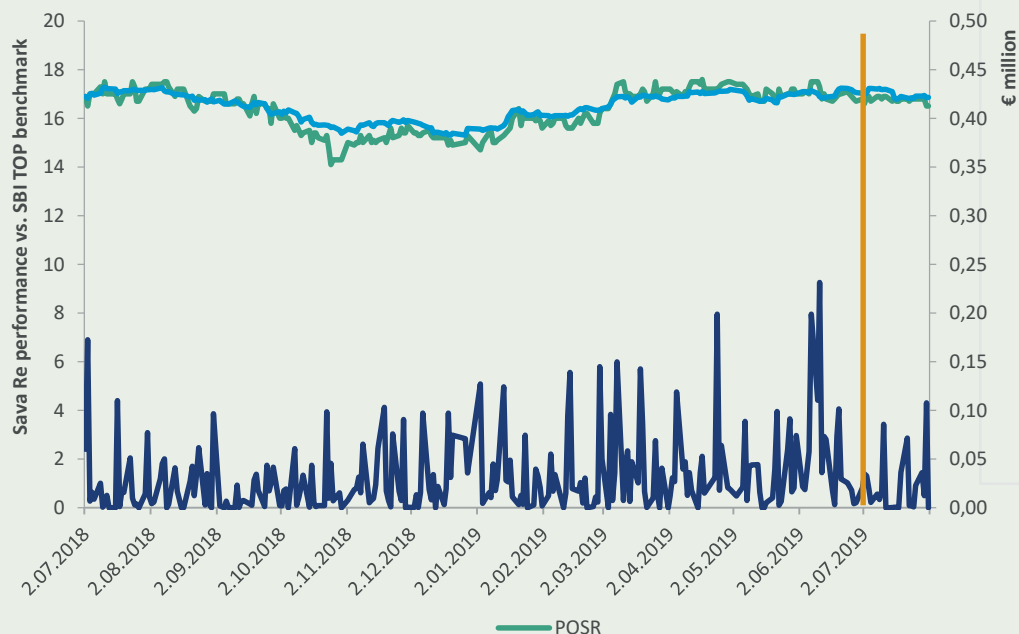
Shareholders and share trading

Book value per share

€23.27

1H 2019 / 1H 2018: **up 14.4%**

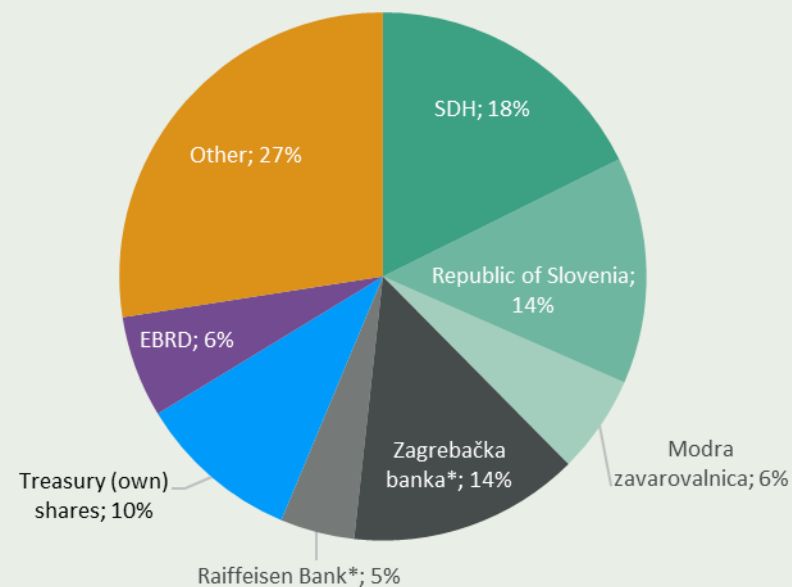
Sava Re share price performance vs SBI TOP benchmark



30/6/2019

| | |
|-----------------------------------|------------|
| Share capital (€ million) | 71.9 |
| Market capitalisation (€ million) | 287.6 |
| Trading symbol | POSR |
| Number of shares | 17,219,662 |
| Number of own shares | 1,721,966 |
| Number of shareholders | 4,151 |

Shareholders as at 30 June 2019



* 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:

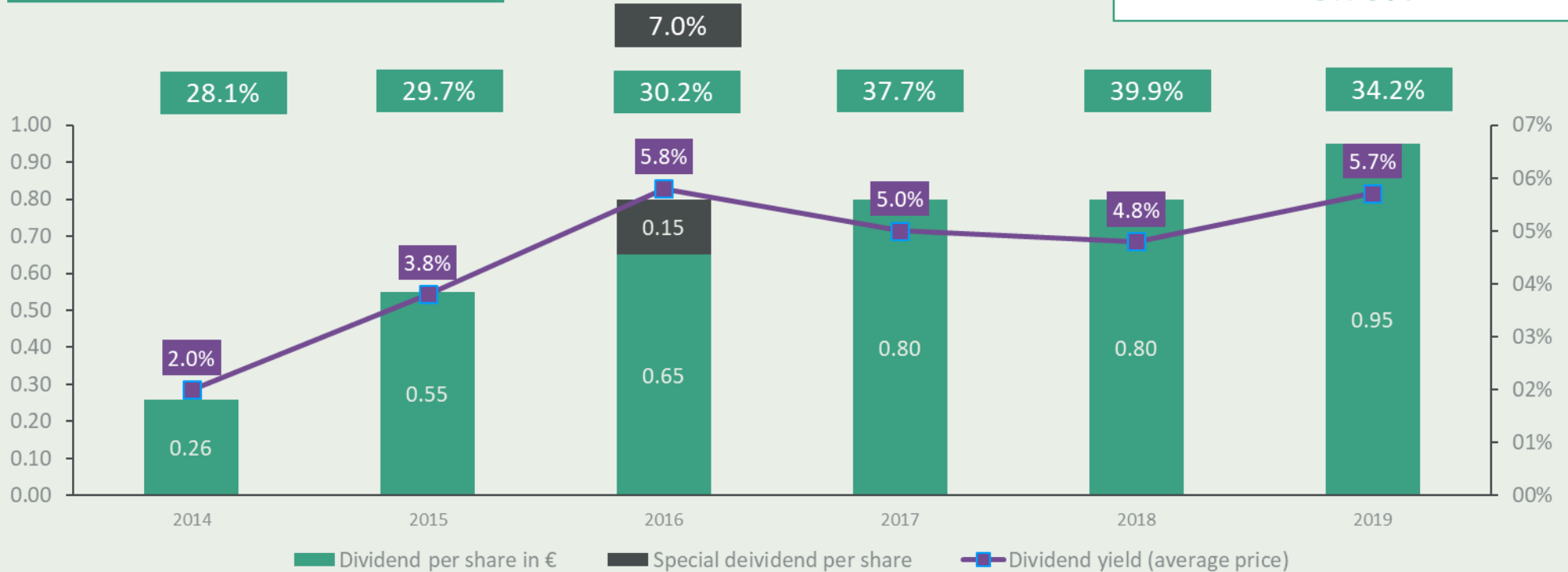
1. the estimated excess of eligible own funds over solvency capital requirement under Solvency II
2. the Group's own risk and solvency assessment
3. capital models of rating agencies Standard & Poor's and AM Best
4. approved annual and strategic plans of the Group and the company
5. new development projects 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 (January 1 2019 – June 30 2019).

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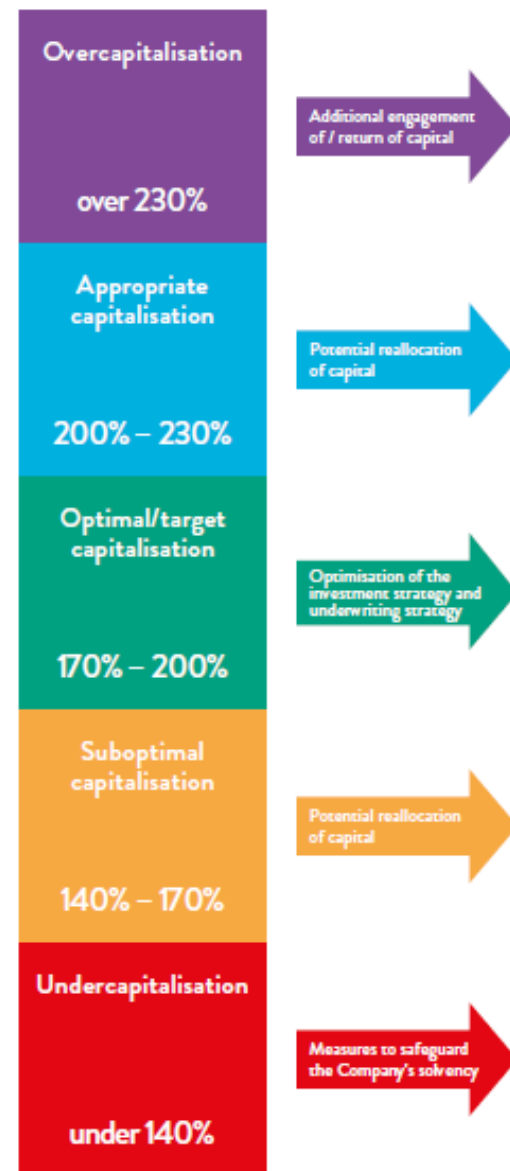
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Capital adequacy

| € million | 31 Dec 2017 (audited) |
|------------------------------------|-----------------------|
| Eligible own funds | 451.4 |
| Solvency capital requirement (SCR) | 205.0 |
| Solvency ratio | 220 % |

| € million | 31 Dec 2018 (audited) |
|------------------------------------|-----------------------|
| Eligible own funds | 471.9 |
| Solvency capital requirement (SCR) | 216.7 |
| Solvency ratio | 218 % |

The Sava Re 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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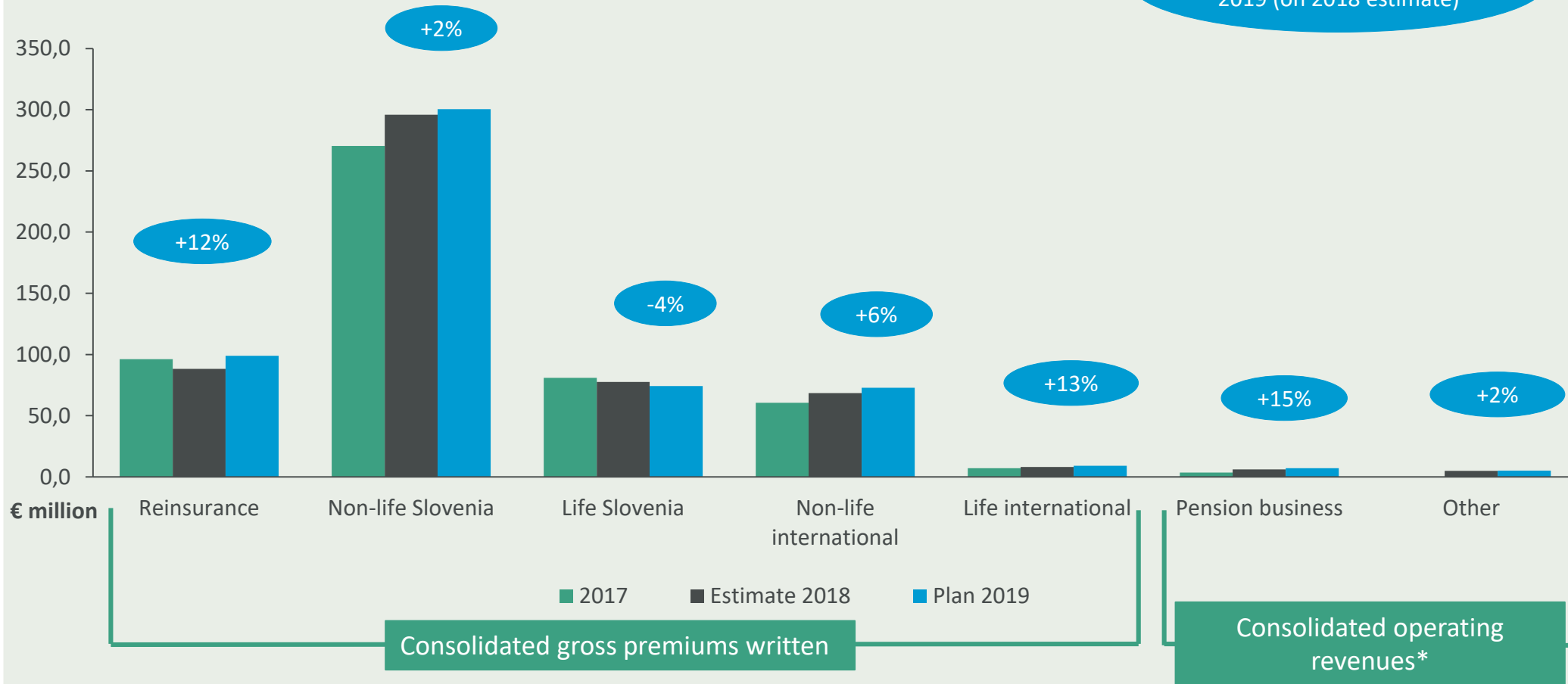
Plan 2019 – main targets (consolidated)

| € million | 2017 | 2018 | 2019 plan |
|--|--------------|--------------|---|
| Group | | | |
| Operating revenues | 492.4 | 540.5 | > 4.5% growth |
| Profit or loss, net of tax | 31.1 | 43.0 | at least €43 m; > 10% growth based on 2018 estimate |
| Return on equity | 10.1% | 13.1% | > 12% |
| Return on investments* | 2.0% | 1.7% | 1.7% |
| Re/insurance part (+ annuities) | | | |
| Gross premiums written | 517.2 | 546.3 | > €555 m |
| Net premiums earned | 470.9 | 504.7 | > €515 m |
| 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.

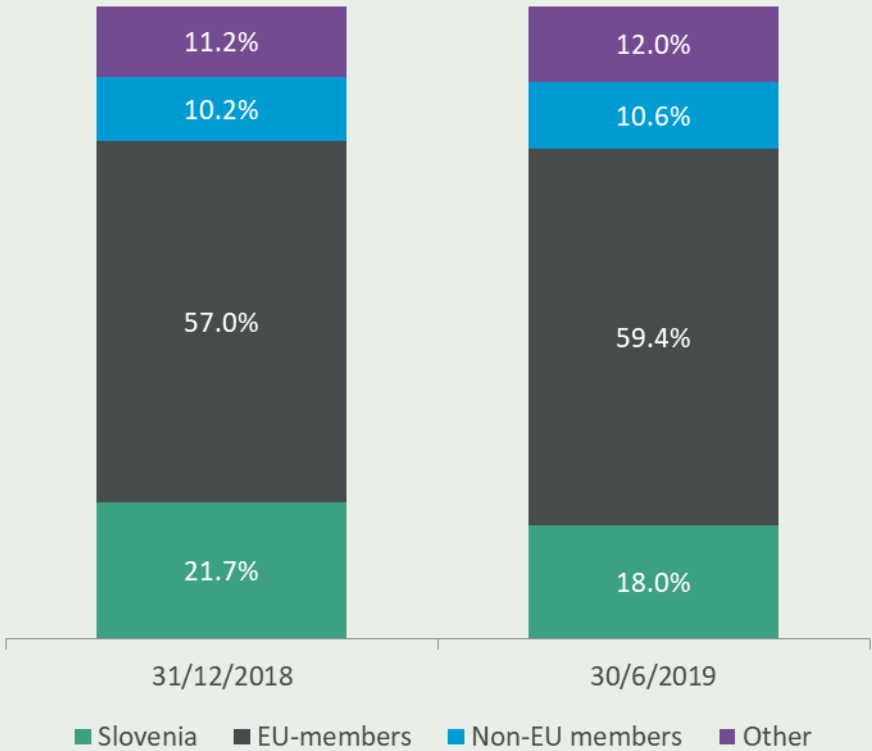
Duty to update

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

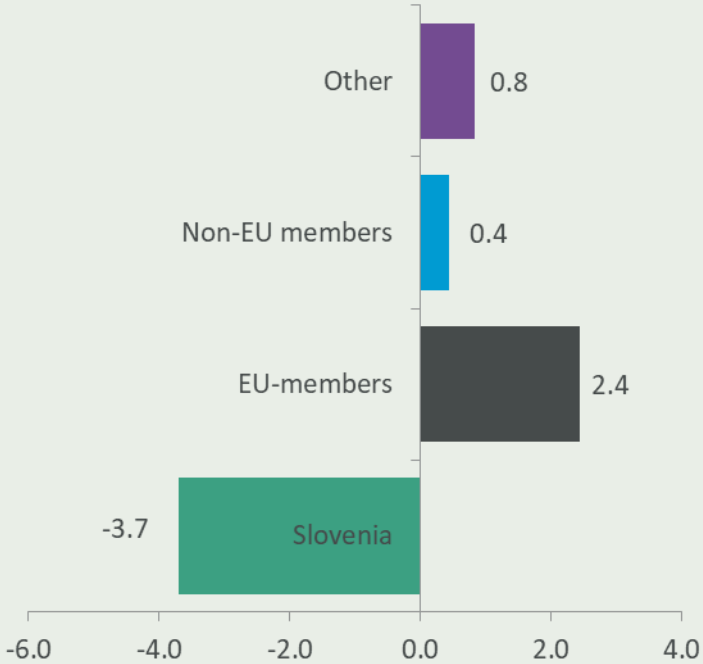
Annex

Group exposure by region

Lower exposure to Slovenia in 1H 2019 is in line with investment policy; larger exposure to EU member states.



Structural shift in 1HQ 2019 in p.p.



Group exposure to Slovenia

| (€ million) | 31/12/2018 | | 30/6/2019 | | Change |
|---------------------------|--------------|--------------|--------------|--------------|--------------|
| Type of investment | Amount | Structure | Amount | Structure | |
| Deposits | 0.9 | 0.1% | 12.8 | 1.1% | 1.0% |
| Government bonds | 155.3 | 13.3% | 94.2 | 8.0% | -5.3% |
| Corporate bonds | 23.4 | 2.0% | 28.3 | 2.4% | 0.4% |
| Shares | 15.1 | 1.3% | 15.8 | 1.4% | 0.1% |
| Mutal funds | 0.7 | 0.1% | 2.5 | 0.2% | 0.2% |
| Cash and cash equivalents | 40.6 | 3.5% | 40.2 | 3.4% | -0.1% |
| Other | 16.5 | 1.4% | 16.7 | 1.4% | 0.0% |
| Total | 252.5 | 21.7% | 210.5 | 18.0% | -3.7% |

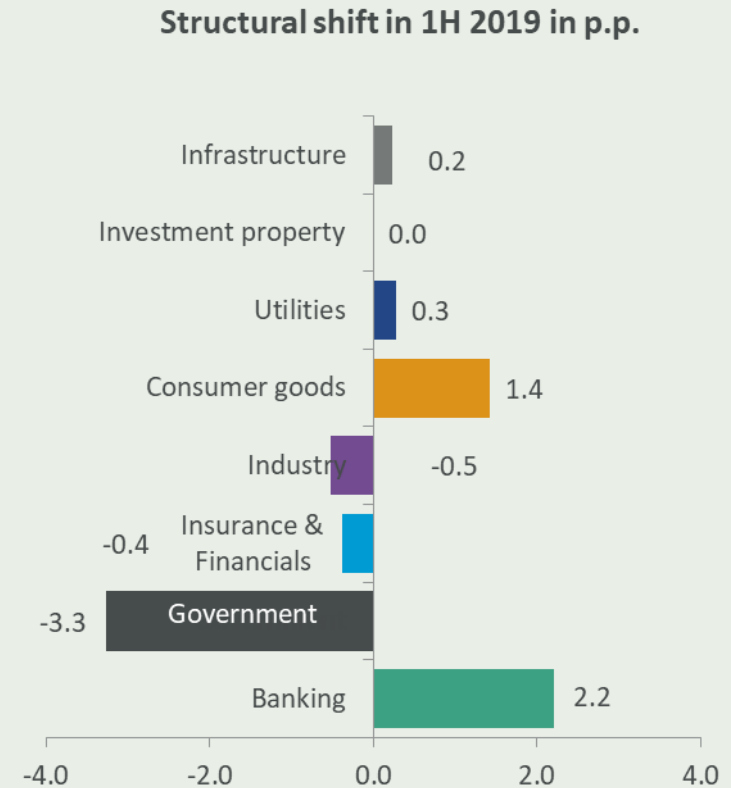
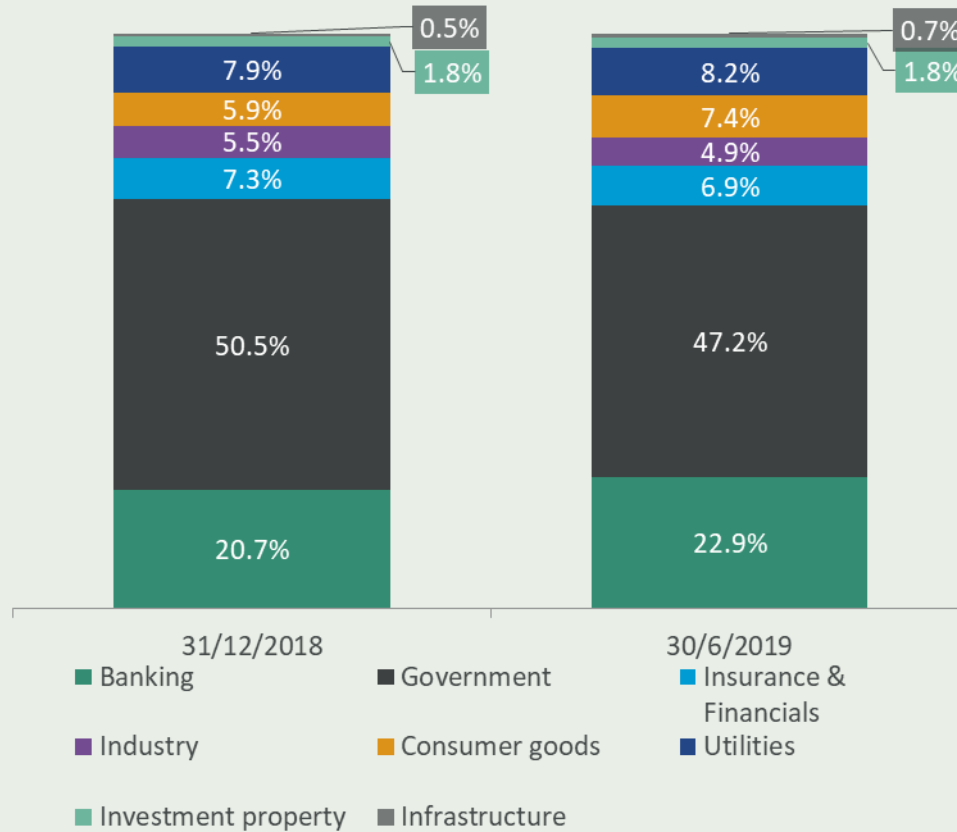
Exposure to Slovenia decreased by 3.7 p.p. in 1H 2019.

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.



Group rating profile

Maintaining a good rating profile in 1H 2019

Investment grade assets represent 79.8% of fixed income investments and are lower compared to 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).

